

# Interdependence, Networks, and Public Preferences Over Financial Regulations

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## **Abstract**

New Interdependence approach (NIA) uniquely emphasizes globalization as an endogenous process. We argue that the recent debate between open economy politics (OEP) and network perspectives toward IPE phenomenon should incorporate NIA as an important alternative that emphasizes a fluid, rather than exogenously given, international system. We hypothesize how each perspective's underlying logic might explain citizen support for financial regulations, with implications for financial stability, an area where the OEP-network debate is especially vibrant. Citizens' preferences over regulations are important because public opinion constrains possible regulatory responses. We analyze an original survey experiment that examines how citizens perceive national financial regulations from OEP, network and New Interdependence perspectives. Overall, citizen responses to NIA logics about positive externalities are nuanced, while citizens readily respond to OEP and network logics. The treatment based on NIA logics had the strongest effect of increasing support for regulation for certain types of respondents, specifically those who held less Realist beliefs about international relations and those who did not starkly divide the world into in- and out-groups. To the best of our knowledge, ours is the first study to link non-OEP theories with individual preferences.

Keywords: Finance, regulation, network, experiment, survey, public opinion.

Farrell and Newman's New Interdependence approach (NIA) theorizes specific dynamics of how policy in one country alters the decision-making associated with various institutions and policy arrangements in others (Farrell and Newman, 2014, 2015). The fundamental point of departure of NIA from existing theories is that globalization is an endogenous process rather than an exogenous shock (Farrell and Newman, this issue).<sup>1</sup> It prioritizes a fluid and ever-changing international system, which is distinct from network approaches where a system is taken as given at any point in time, and is relatively stable and theoretically difficult to account for across-time change (Hafner-Burton, Kahler and Montgomery, 2009). This makes NIA a powerful systemic approach and an alternative to network arguments about the international system.

In this paper, we first place NIA within the broad theoretical debate about whether international political economy (IPE) outcomes are best modeled through an open economy politics (OEP) or network perspective. Because NIA maintains state agency within a systemic approach, it is an important third alternative to the OEP-Network dichotomy. NIA is able to explain outcomes that cannot be explained through the existing perspectives.

Second, we examine how the logic associated with each perspective - NIA, OEP, and network - influences citizens' perceptions of policies. A large and growing body of work examines whether citizens have preferences over policies that are in line with an overarching theoretical perspective, most often OEP. For example, numerous studies assess whether an individual's sector of employment influences her preferences over trade policy, as would be predicted by an OEP approach. We broaden the study of citizen preferences beyond the study of OEP-defined self interest (and sociotropic alternatives), to include arguments based on network and NIA approaches.

Understanding citizen preferences is important to understand both what is and what can be. For the former, asking whether citizens respond to arguments based on NIA, OEP, and network approaches can help shed light on why certain policies are popular or contentious. Most of the primary rule setters in the globalized world that NIA examines are developed democracies, where citizen preferences circumscribe what policies are politically feasible. For the latter, understanding

how citizens respond to arguments based on these overarching approaches sheds light on how citizens might react to political platforms supporting or opposing particular policies, as well as how citizens might react to further changes in the endogenous process of globalization. While one approach may have been more useful for understanding citizen preferences in an earlier time, it is possible that new developments might create new opportunities for politicians, elites, and idea leaders to shape public preferences.

To evaluate citizen preferences, we designed and fielded an original survey experiment to analyze how citizens react to NIA's approach to policy externalities. Survey experiments are gaining in prominence as powerful tools to assess theoretical arguments in International Relations. They have been used to assess preferences toward substantive areas as diverse as trade agreements, international law, environment cooperation, and human rights.<sup>2</sup> They are especially useful within contexts where the observable, real world informational environment is noisy – such as the informational environment that surrounds public preferences toward financial regulation. Politicians, pundits, and other opinion leaders make a variety of arguments for and against regulation, and, given constant variation in the type, quality, and quantity of these competing arguments, outside of a controlled environment, it would be difficult to observe the isolated effect of one type of argument or logic on citizens' preferences. The survey experiment allows us to manipulate this information in a controlled environment.

We focus on financial regulations as our substantive area because national rule-making in this area is domestically contentious and leads to international spill-over effects, while, simultaneously, in this arena there is an absence of formal, international rule overlap. While there exist some international agreements on the content of financial regulations (especially and increasingly within the EU), financial regulations are generally set at the national level and without recourse to international law (Zaring, 1998).<sup>3</sup> That is, there is no international law nor domestic law that requires some policy to be put into place regarding higher or lower levels of regulations.<sup>4</sup> Further, financial regulations generally have effects for both national market competitiveness and societal stability.

In this sense, it complements the dynamics illustrated by Moschella (this volume) where various international, transnational and national actors have a variety of justifiable interests. Similar to Kirshner (2003), there are a number of possible economically justifiable outcomes; politics determines which outcome comes to fruition. We analyze how citizens react toward various NIA, Network, and OEP logics toward policy externalities.

In our survey experiment, each respondent receives one treatment that focuses on one particular pro-regulation logic (NIA, Network, or OEP). We assess the average effect of that treatment on respondents' levels of support for increased financial regulations, compared to their support when they do not receive that treatment. Within this controlled setting, we can ensure that each respondent receives only the type of argumentative content contained within her treatment. This has the added advantage that we can emphasize indirect, interdependence and network-based arguments, even though those arguments do not figure as prominently in the national dialogue around financial regulations.

The survey results reveal that responses to the NIA treatment are present, but are more complicated than responses to the OEP and network logics. We test for, and find evidence that, among respondents, those that have more liberal conceptions of international power, and those that are more cosmopolitan, are moved by the NIA logics, whereas respondents that are folk realists (hold realist conceptions of international power) and ethnocentrists (strongly distinguish between their group compared to others) are not convinced by NIA logics. Thus, NIA resonates most strongly with the subset of the public that is most responsive to the indirect channels and effects that NIA emphasizes. OEP and Network arguments have broader support across subsets of the population.

Taken together, we conclude that NIA is an important, but more complicated, logic for publics to consider and accept than OEP and network perspectives. We conclude with discussions of the implications for the desirability of informal institutions (in line with Vabulas and Snidal, this issue), and democratic accountability.

# 1 New Interdependence and Levels of Analysis

An active and vibrant scholarly debate considers whether policy and outcomes are best explained through an *open economy politics* (“OEP”) perspective – where national policy preferences derive from citizen preferences and special interests filtered through domestic political institutions – or from a *network perspective* – where national policies are determined by, and within, the global international systemic structure.<sup>5</sup> These two perspectives – that prioritize bottom-up national preference and top-down structural influences, respectively – remove agency from an intermediate level. We argue, New Interdependence fills this void. This section elaborates upon the OEP-Network dichotomy, and places New Interdependence within this debate.

## 1.1 The Broad OEP-Network Debate

Academics and policy-makers who conceptualize the world using an OEP perspective give primacy to citizens’ self-interests. National policy positions begin with citizen preferences that, subsequently, get filtered through domestic political institutions to arrive at an aggregate country preference (Lake, 2009). Citizen preferences are rational and theoretically determined by neo-classical economic theory.<sup>6</sup> Internationally, states bargain among themselves in pursuit of their clearly-defined national interests (Moravcsik, 1997).

While such an approach allows for theoretically-informed empirical analysis of intermediate-range research questions (Lake, 2009, 230-231), Oatley (2011, 317-319) warns that this approach adopts the unrealistically strong assumption of reducing the international sphere into a nearly decomposable system, and often leads analysts to ignore the larger systemic context within which decisions are made.<sup>7</sup> Cohen (2009) criticizes the same assumption on the grounds that it takes the system as stable and unchanging. To model the effect of international pressures upon the phenomena under investigation, Oatley (2011) promotes including international, structural variables into statistical analysis. Chaudoin, Milner and Pang (2015) clarify theoretically distinct channels

through which international pressures may matter – through direct systemic effects, indirect systemic effects, moderation, and/or full interdependence – and a growing body of work considers ways to empirically assess these types of connections across countries and their evolution over time (for example, Franzese, Hays and Kachi (2012)). While scholars disagree about the dangers of – and specific remedies to – this approach, the alternative is often to examine the system as a whole.

A *network perspective* prioritizes an exogenously-given, international structure as the context within which governments – and their citizens – select preferred policies. Hafner-Burton, Kahler and Montgomery (2009, 560) define networks as ‘sets of relations that form structures, which in turn may constrain and enable agents.’ Importantly, in all network conceptions, actors are constrained by, yet cannot affect, the network structure. Kahler (2009, 4, emphasis in original) most overtly states this, ‘networks as *structures* [...] influence the behavior of their members, and, through them, produce consequential network effects. [...] network design is not intentional on the part of any actor or set of actors.’

One key contribution of New Interdependence is to depart from this conception and to consider how decision-makers create policy and institutional changes that, in turn, affect other countries’ incentives for policy and institutional reforms. Said differently, the New Interdependence approach leaves room for national policies *to consciously affect the systemic environment* that other countries face. This is distinct from network perspectives, which emphasize how the international system affects national (and individual) interests, and distinct from OEP, which emphasizes how international markets affect individual interests. New Interdependence nicely creates a framework through which one can understand dynamics that fall outside the widening dichotomy between OEP and network perspectives.



## 1.2 Financial regulation application

We analyze these varied approaches to IPE within the context of financial stability, a critical battleground for the OEP-Network debate. The 2007 financial crisis and its global effects renewed interest in the politics of financial regulation, as financial regulatory failures were consistently identified by policymakers (Financial Crisis Inquiry Commission, 2011), economists (Johnson and Kwak, 2011) and political scientists (McCarty, Poole and Rosenthal, 2013) as a cause of crisis. IPE scholars reflected on the stability of the system (Helleiner, Pagliari and Zimmermann, 2010; Drezner, 2014) and the state of the IPE literature to understand and explain what happened (Cohen, 2009; Mosley and Singer, 2009; Helleiner, 2011; Katzenstein and Nelson, 2013). To fully understand the causes and effects of crisis required scholars to move beyond OEP's approach of considering independent decisions of countries within a system toward examine the interdependencies of policies and outcomes across borders. Scholars largely examined interdependence within a network perspective.

In an important conceptual shift, on type of *network* perspective of the international financial system describe argues that to ensure the financial regulatory strength of the most important, central nodes(s) of the system ensures stability of the system as a whole (Oatley et al., 2013).<sup>8</sup> Further, Oatley et al. (2013) provide empirical evidence that the US is the central node within a hierarchical international banking system, with the implication that US financial stability will ensure stability of the entire system. For a simple analogy, a shock like the US financial crisis is like dropping a stone (or boulder) into a pond. The ripples spread outward from the epicenter of the shock. Crisis in a less central node within the hierarchy may create instability for some countries, but is less likely to trigger as widespread of a crisis. For instance, contagion was prevalent in both the 1980s Latin American debt crisis and in the late 1990s Asian financial crisis, yet neither led to widespread crisis within the major, developed Western economies. Other network approaches were also introduced. (Cohen, 2009) calls for scholars to describe the nature of the international financial system, and to move beyond the assumption that it is static and unchanging. In an answer to this

call, Drezner and McNamara (2013) put forth a life-cycle theory of global financial orders, that evolve (exogenously) over time. Overall, scholars that criticized OEP approaches called for more attention to the network as an exogenous whole (Cohen, 2009; Drezner and McNamara, 2013; Katzenstein and Nelson, 2013).

However, a large body of scholarship emerged that allows room for self-interested actors, within an open economy, to *consciously* affect and alter the structure as a whole. This scholarship implicitly falls under the New Interdependence approach and can additionally prove useful in discussions of financial regulations. One strand of this literature includes international regulatory capture. Young (2013) shows how financial special interests affected the content of international bank capital regulations throughout the 2000s (and that this relationship was interrupted after 2008). Seabrooke and Tsingou (2014) and Tsingou (2015) show how financial interests embedded themselves within intellectual policy clubs to legitimize their preferences within international regulation best practices. Another strand shows how states may pool their institutional and market power to counter larger states to achieve international financial regulatory preferences (Posner, 2009; Buthe and Mattli, 2011). Overall, New Interdependence emphasizes the *competitive* and interconnected nature of financial regulations across countries that creates the financial system. This approach agrees with much legal scholarship that emphasizes stark distributional consequences associated with various international arrangements (Gadinis, 2008; Brummer, 2010). New Interdependence thus focuses on different, indirect ways in which policy might affect a citizen's welfare and preferences over policy. Domestic-level regulations have indirect effects upon international negotiations, and sometimes domestic sub-state actors directly affect international regulations that comprise the structure of the international financial network.

While most work focuses upon national-level outcomes, citizen preferences toward these various logics mark a lacunae. Thus, this paper analyzes how different OEP, network, and new interdependence logics affect citizens' support toward more strict domestic financial regulations.

## 2 Financial Regulation and Public Preferences

To understand how each perspective provides a distinct logic for why a citizen might support or oppose regulation first requires an understanding of three important properties of financial regulations – national-level financial regulatory rule-making, the regulator’s dilemma and the structural power of finance. First, financial regulations are determined at the national level and only infrequently fall under formal (or informal) international governance structures such as international agreements. For this reason, *national* regulations vary and create cross-jurisdictional differences that may be used as a source of competitive advantage. Similar to Gray (this volume) and Bartley (this volume), cross-jurisdictional regulatory differences may, respectively, lead certain companies to relocate headquarters abroad or affect which countries are selected as supply chain partners. Finance is an area where start cross-jurisdictional competitive differences exist outside of international rule overlap.

Second, as a country selects its national financial regulations, policy-makers face the Regulator’s Dilemma, whereby increasing regulatory stringency leads to a tradeoff between national financial stability and financial sector competitiveness (Kapstein, 1989; Oatley and Nabors, 1998; Singer, 2007). Specifically, increasing regulatory stringency increases national financial stability (by decreasing risky activities of the financial sector) but decreases financial sector profitability and international competitiveness (by constraining firm activities). Regulations are generally thought to directly increase costs (and therefore lower profitability) of regulated firms because they impose compliance costs or restrictions on those firms. Wilf (2012) shows, empirically, investors react to increased international financial stringency with lower regulated firm stock prices. Further, in an open economy, more strict financial regulations at home may decrease the competitiveness of home country financial firms relative to foreign firms. Thus, financial firms should clearly prefer that policy-makers prioritize financial sector profitability when selecting regulatory levels within the regulator’s dilemma. In contrast, citizens should prefer relatively high regulations, as they

enjoy the public good of increased stability without incurring the costs of increased regulatory burdens. Taken together, financial firm preferences and citizen preferences should be in direct conflict. However, this is not exactly the case because of the final characteristic of financial regulation, the structural power of finance.

Because finance plays a critical role in virtually every aspect of the economy, there is partial overlap between what is good for private financial firms and what is in the public good, called the structural power of finance (Lindblom, 1977; Culpepper, 2015). Thus, there is some alignment of interest between citizens and financial sector profitability (rather than direct conflict, as within the regulator's dilemma). Young and Pagliari (forthcoming) establishes this empirically, showing the large range of alignment of non-financial firms with financial firm interests within the US's SEC rule-making process. Therefore, it is not a given that citizens prioritize the financial stability associated with higher regulations. Citizens may have a preference for financial stability, but may also want financial firms to be profitable to the extent that financial firm profitability is good for the economy as a whole.

Thus, there are potential conflicting preferences among actors at both the domestic level – between citizens and financial firm interests – and international level – where financial firm interests are affected by their international competitiveness. We examine the extent to which each of the three perspectives above – OEP, NIA and Network – provide compelling logics for citizens to support higher regulations that prioritize financial stability.

## **2.1 Empirical Support for Regulation**

Public opinion polls provide measures of public sentiment at specific times. In the wake of 2007-2008 financial crisis at home, the US public, unsurprisingly, indicated dissatisfaction with status quo institutions and policies on a number of dimensions. As crisis conditions heightened throughout 2007 and 2008, Figure 1 shows a concurrent, clear decline of high confidence, and the rise of low confidence, in banks, according to Gallup's annual June poll.<sup>9</sup> This is generally consistent

with scholarly emphasis on how financial crisis leads to realignment of domestic political coalitions (Gourevitch, 1978; Broz, 2013).

In the aftermath of financial crisis, US opinion generally supported an increase in US financial regulations, although this effect did not last and was not overtly unified. There exists high variation behind these broad trends that reflect partisan (republican versus democrat) and ideological (right-wing free market versus left-wing benevolent government) beliefs. For instance, during the 2008 Presidential election campaign in March 2008 (upon the collapse of investment bank Bear Stearns), while Democratic candidates Barack Obama and Hilary Clinton both called for regulatory reform, Republican candidate McCain distinguished himself and, despite the collapse of a major financial institution, did not support higher regulatory stringency.<sup>10</sup> Further, in the aftermath of the passage of Dodd-Frank in July 2010, Gallup shows that citizens generally supported Dodd-Frank, but that this was split along partisan lines.<sup>11</sup> Further, when the poll mentioned Wall Street, support for financial regulation significantly increased.<sup>12</sup>

Understanding variation in public preferences towards financial regulation is inherently important, and our examination adds to the sparse literature regarding public preferences towards financial regulation. A July 2010 Pew Research Center poll found that approximately 60% of respondents followed the topic of Congressional financial legislation ‘Very closely’ or ‘Fairly closely,’ and, in a January 2011 Pew poll, approximately 25% of respondents identified financial regulation legislation as the first or second most important accomplishment of Barack Obama and Congress for the preceding two years. However, while financial regulations have occupied a prominent spot in the public eye, public opinion is very mixed about the desirability of greater regulation. In polls conducted from 2010-2013, public opinion was split almost evenly between the view that financial regulation had ‘gone too far,’ versus ‘not gone far enough.’<sup>13</sup>

This variation is highlighted, too, in academic work. Within democracies, citizen preferences can influence the policy space available to decision-makers, even on complex issues that may not be highly salient to determine electoral outcomes. Chwieroth and Walter (2013) document how

public expectations regarding banking crises have increased over time, with citizens increasingly likely to remove leaders after crises. Similarly, Pagliari, Phillips and Young (2014) describe how Congress voted down asset relief legislation, but then executed a rapid about-face in response to the ensuing public outcry. A majority of Congressional members misjudged the consequences of their collective actions, and responded to citizens' reactions by passing a policy in line with citizen preferences. In the 2012 US presidential elections, 'main street vs. Wall street' buzzwords triggered citizens to think about increased regulation of firms in general, including banking and financial firms, as a campaign issue. Public interest groups and action committees such as Americans for Financial Reform have ongoing campaigns to ensure that citizens' welfare concerns are given equal weight to the lobbying efforts of large firms and special interest groups. The countries that are most central to the global financial network tend to be advanced democracies (Oatley et al., 2013) where citizen preferences are most likely to influence policy. Broz (2015) examines the Federal Reserve's 2008 decision to provide liquidity to other countries' central banks, which resulted in backlash and multiple legislative bills to constrain the Federal Reserve's powers. Relevant to New Interdependence and network approaches, if US citizens considered and prioritized international stability, such actions by the Fed may have gained widespread support rather than pushback.

Because they impose direct costs upon industry and are an important defense against future crises, the stakes of financial regulation are very high. While politicians are not perfectly responsive to public opinion, public preferences for or against regulation are an important constraint or enabler to push for, or to block, regulatory and legislative changes. While public opinion polls capture the difference in support across various characteristics, they do not capture nor isolate the underlying logic that respondents use to arrive at their preference. We thus turn to thinking through how IPE logics – OEP, network and new interdependence – affect citizen preferences.

## 2.2 OEP and Regulation Preferences

As discussed in section 1.1 above, a strength of the OEP approach is that it yields expectations about public support for policies, informed by how a national policy change – within an open economy – will affect a citizen’s wages and wealth according to neoclassical economic theories. For example, a low-skilled citizen in a labor abundant country is expected to gain from trade liberalization between his country and a country that is relatively labor-scarce (Rogowski, 1987). Generally, a citizen’s position within the domestic economy determines whether he might gain or lose from more free trade versus protectionist policies (Scheve and Slaughter, 2001), more or fewer restrictions on inward foreign direct investment (Pandya, 2010), or tighter or more open immigration rules (Hainmueller and Hiscox, 2007, 2010).

The common thread of OEP arguments is an emphasis upon how a policy change *directly* affects the *citizen’s* welfare or self-interest. These approaches de-emphasize the effects of that policy on the actions or welfare of others abroad. This is not to say that foreign actors are unimportant in these theoretical arguments. Indeed, the responses of foreign actors (e.g. changed patterns of production, immigration, or investment) are critical intermediate steps, but they are only important insofar as they govern how a policy translates into an increase or decrease in the domestic citizen’s welfare. The logic does not directly engage with the effects of home countries regulation upon individual other countries nor upon the system as a whole.

Applying OEP logics to financial regulation prioritizes wholly national effects. When we present the OEP logic to survey respondents (discussed in detail in section 3.2 below), we first emphasize that an increase in financial sector regulations will increase stability of the US financial sector. We then tell respondents that a stable US financial sector will positively impact the real US economy (consistent with the structural power of finance), and, then finally, the stability of the US as a whole. Thus, survey respondents that receive the OEP treatment are primed to consider the effect of US regulations within an all-US context (US financial sector stability, US real economic stability, and US stability). While international externalities may arise from a change in US policy,

such effects are not overtly mentioned. We expect that citizens that benefit from US increases in financial regulation will be especially supportive of more stringent regulations.

### **2.3 Network Perspective and Regulation Preferences**

We expect that network logics can also move respondents. These emphasize the existence of an exogenously given system that places constraints upon different countries' policies. Strong powers within the system face the fewest constraints and the most opportunities to implement their preferred policies at home, with implications for policies and outcomes abroad.<sup>14</sup> These states also hold the most responsibility for stability of the system as a whole (Kindleberger, 1973; Krasner, 1976). Again, when one considers the international financial system as one network comprised of state units, it becomes clear that some units are more important than others for the stability of the financial system as a whole. Within a hierarchical structure, financial stability or instability in the central node may spill over into smaller nodes, while the reverse is not true. Empirically, Oatley et al. (2013) and Winecoff (forthcoming) establish that the current financial system is hierarchical, with one major node (the United States) and many smaller nodes. They further show that, in comparison to the pre-crisis period, the centrality of the US within the financial network has *increased* in the aftermath of crisis.

Though discussed in more detail in section 3.2 below, respondents primed with the network logic first consider how an increase in US financial regulatory stringency may directly increase the stability of the US financial sector. This, in turn, will increase stability of the international system as a whole. Here, there are dual benefits to an increase in US regulations – the US financial system is more stable (a direct effect) and the international system is also more stable (an indirect effect). Unlike the OEP argument, this logic emphasizes an ultimate effect of regulations upon global stability, with US stability as an intermediate step. To be persuaded by this logic, respondents must believe that US financial sector stability will, in fact, increase stability in the US and the system as a whole. Further, respondents must value stability of the international system.



## 2.4 NIA and Regulation Preferences

Finally, we expect New Interdependence logics to affect respondent support for financial regulation. New Interdependence assumes that there is an endogenously evolving international system, and, importantly, one country's policy selection may shift the incentives for another country to change its own policy or regulation. Within finance, this is most obvious when we think about how regulatory decisions by bodies within the European Union (e.g. the Bank of England, the European Central Bank) or within the US (e.g. the Federal Reserve Board, the Securities and Exchange Commission) directly and indirectly affect the business environment for both domestic and foreign firms.

New Interdependence emphasizes that a country that initially changes policy may do so with a variety of intentions. That country may select policies to subsequently increase its bargaining power vis-a-vis other countries (Posner, 2009), it may seek to attract business through regulatory competition (without any intention of bargaining or subsequent coordination with other countries), or it may be reacting to home country domestic preferences for certain regulatory levels. Upon one country's policy change, reactionary policy change in a second country might occur, and might do so through a variety of channels – among others, through domestic interests in the second country or through transnational alliances. Generally, New Interdependence captures this ongoing, evolving equilibrium of countries that select domestic regulations within the context of an evolving system that, at any given time, is comprised of all countries' national regulations.

Applied to the context of US financial regulations, a US citizen might support an increase in US financial regulations if it creates incentives for other states to adopt similar national policies with positive feedback effects for the US citizen. In our survey experiment, we use a case of positive policy externalities, where an increase in US financial regulatory stringency leads other countries to *imitate and match US regulatory increases*.<sup>15</sup> If regulations at home spur regulations abroad, it might lessen the likelihood that a foreign crisis will occur, with positive subsequent benefits for the US citizen. Though both the network and New Interdependence approaches emphasize the

value of stability outside of the US, New Interdependence emphasizes stability in other countries *through the adoption of specific policies within those countries* while network emphasizes stability in other countries *through the adoption of a specific policy within the US*.

The New Interdependence approach emphasizes indirect regulatory effects and benefits that largely accrue abroad. Discussed in more detail in section 3.2 below, we guide respondents through the logic by which an increase in US financial regulations may increase the likelihood that other countries adopt the same policies. Subsequently, these policies make foreign countries' financial sectors more stable. Within this logic, respondents must believe that other countries will, in fact, adopt the same policies. Further, respondent must believe that adopting regulations will increase stability in these other countries, and, that there is value to other countries' stability.

In summary, the open economy politics (OEP) approach focuses upon self-interest of the respondent and her country in isolation from the financial system as a whole. Both the network and New Interdependence approaches emphasize the value of third country stability within an international financial system, but the logic through which this is channeled is markedly different. Within a network perspective, the outcome of third country stability directly derives from US policy. Within the New Interdependence third country stability occurs through actions of other countries in response to US policy. We next present the design and results from an original survey experiment that uniquely isolates and measures the relative magnitude by which citizens respond to each logic.

### **3 Experimental Design**

We designed and fielded a survey experiment to assess two questions: (1) to what degree are preferences influenced by arguments pertaining to the open economy politics (OEP), network, and New Interdependence (NIA) effects of regulations, and (2) what individual characteristics moderate these treatment effects? In the first part of the survey, we randomly assigned respondents

to receive different arguments in favor of increasing financial regulations. The arguments contained logics that were based on each of the three theoretical channels described above – OEP, network, and NIA. In all cases, respondents learn that increasing US regulatory stringency increases stability – but through different logical channels – in order to assess whether arguments based on direct, indirect, and cross-border effects can affect citizens’ preferences over regulation.

For the first question, we assess the effect of treatment on the ‘outcome,’ which measures support for stricter financial regulations. We expect that arguments of the positive externalities associated with greater financial regulation using New Interdependence, network and OEP logics will all lead to greater support for financial regulations. We examine statistically whether, and by what relative magnitude, these arguments cause an increase in support for regulation. We will compare support for financial regulations when respondents are given one treatment to the alternative cases where they are given no positive explanation and when they are given a placebo explanation. The relative difference in support is attributable to the degree to which the logic resonates, on average, across US adults.

To answer the second question, we separate respondents by particular characteristics that may affect her preferences for regulation and her responsiveness to particular treatments.<sup>16</sup> We refer to these characteristics as moderators. ‘Moderation’ refers to the possibility that some characteristics of an individual may alter – e.g. magnify, mute, or reverse – the effect of a particular treatment on the outcome variable. In a medical analogy, moderation refers to the possibility that treatment with a particular drug affects different patients to different degrees. For instance, the same drug may help some patients but be ineffective or harmful for others. Existing survey research in IPE has also considered moderation. For example, Chaudoin (2014) finds that preferences over policy outcomes moderate audience costs-based treatment effects, and Kreps (2014) uses a survey experiment to assess whether the effect of different legal treatments on citizens’ beliefs about drones is moderated by that a citizen’s beliefs about law in general. Further, Wallace (2013), Chilton (2014*b*) and Chilton (2014*a*) all find that political beliefs moderate treatment effects based on international law.

Similarly, we expect that not all respondents are likely to be affected by each of our experimental treatments in the same way. Since New Interdependence emphasizes indirect and foreign consequences of domestic regulation, we examine whether two characteristics – a person’s beliefs regarding the realist nature of international relations and a person’s level of ethnocentrism – make the respondent more or less likely to be affected by the New Interdependence treatment.

### **3.1 The Respondents**

We recruited approximately 1,255 survey respondents using Amazon’s Mechanical Turk (mTurk) service. mTurk is an online web-based platform where researchers can post ‘tasks’ and compensation levels for participants who complete the task. In this case, the task was to complete the survey. Respondents were compensated \$1.25 and the survey took approximately 12 minutes to complete. After accepting the task on mTurk, participants were directed to an external survey site (Qualtrics) to answer the survey questions.<sup>17</sup> Because mTurk is relatively inexpensive for survey research, its use has grown within international relations scholarship and beyond.<sup>18</sup>

Subjects recruited on mTurk are more representative of the U.S. population than convenience samples, though less representative than subjects recruited via nationally representative internet-based samples or national probability samples (Berinsky et al., 2012). Our respondent pool was similar to national averages, but differed in some ways. For example, 52% of our sample was male, compared to 48% in the 2012 ANES survey. Our respondents tended to be younger than the national average (34.5 years old), and our sample contained more white respondents than the national average (76.9% white). However, we have no reason to expect that treatment effects are biased one way or another because of these differences. We are not making claims about nationally representative treatment effects, and we have no reason to expect that the theoretical relationships we test would differ in another sample.

## 3.2 Main Treatment

The survey began with a randomized experiment. Respondents read a short introduction, reproduced below, that describes the 2007-2008 financial crisis and were told that there exists a debate over whether or not it is desirable for the United States to adopt more strict financial regulations.

*Since the Financial Crisis of 2007-2008, policymakers and citizens in the United States have debated how to regulate banks and other financial actors. Some have argued the firms should have more strict regulations, such as banning banks from engaging in especially risky activities.*

*This debate is very important. The United States holds the world's largest financial sector. Further, the United States is also at the center of the global financial network, with contracts between U.S. banks and banks from other countries totaling over 6 trillion USD. To put this in perspective, that is twice the amount as the next largest country in terms of banking transactions, the United Kingdom.*

Each respondent was then given the following argument against increased regulation: “*When regulations are more strict, banks may make fewer loans, which can hurt the economy as a whole.*”

Next, each respondent was randomly assigned to one of five conditions – either one of three distinct arguments in support of more stringent regulations (OEP, network (NW), or NIA), or one of two control groups (null, placebo). The logic behind each argument is tailored specifically to the OEP, NIA, and NW theoretical relationships described above. Treatment wordings are carefully chosen to ensure that the primary difference between each treatment is the logic that underlies the pro-regulation argument. Each treatment has similar word counts, similar tone, and verbiage of similar force, meaning that no treatment contains significantly stronger or weaker wording than the others. The treatments differ from one another in the location where regulatory change takes place and the location of the ultimate effect of that regulatory change on financial stability.

We reproduce these treatments below, and underline the important differences for emphasis.<sup>19</sup> Each of the pro-regulation treatments is prefaced with the statement “*Other people have argued that the United States should adopt more strict regulations.*”

- **OEP Treatment:** These people believe that more strict regulations will increase the stability of the United States financial sector, which increases the stability of the United States as a whole. This helps ensure that another financial crisis does not occur in the United States.
- **NIA Treatment:** These people believe that more strict regulations will increase the likelihood that foreign countries adopt similar regulation, which increases the stability of foreign countries’ financial sectors. This helps ensure that another financial crisis does not occur in those other countries.
- **NW Treatment:** These people believe that more strict regulations will increase the stability of the United States financial sector, which increases the stability of the global financial network as a whole. This helps ensure that another financial crisis does not spread across countries.

The OEP treatment emphasizes regulatory changes taking place in the US and their subsequent effects on US financial stability. The NIA treatment emphasizes how U.S. regulations potentially change other countries’ regulations, increasing stability in those countries. The NW treatment emphasizes how regulatory changes in the United States increase global stability through US actions alone.

The two additional treatment conditions include a null treatment (null), meaning that the respondent was not given any pro-regulation argument, and a placebo (placebo) condition. For the placebo treatment, respondents receive a pro-regulation argument, but that argument has no actual argumentative content. The placebo treatment allows us to assess the degree to which the three main treatment effects are caused by the logical argument contained in the treatment, as opposed to just simply having positively toned, pro-regulation words on the page.

- **Placebo:** Other people have argued that the United States should adopt more strict regulations. These people believe that more strict regulations will increase stability. This helps ensure that another financial crisis does not occur.

To ensure that respondents internalize the logic of the treatments and pay attention, we promised them an additional monetary reward at the end of the survey if they could answer factual questions about the survey they had just taken. The questions ask them to identify the pro- and anti-regulation arguments that they were given. Previous research has shown that these types of incentives induce participants to pay greater attention to the survey and that respondents are generally able to correctly recall features of their treatment assignment. Our respondents performed well on these manipulation checks.<sup>20</sup>

This design is unique to allow us to precisely measure the degree to which these various perspectives resonate with respondents. Relative to the null, we expect all three main treatments to increase support for regulation.

### **3.3 Outcome Variable**

After treatment assignment, respondents were asked, *‘Do you favor or oppose more strict regulation of the U.S. financial system?’* Respondents could choose ‘strongly favor’, ‘somewhat favor’, ‘neither favor nor oppose’, ‘somewhat oppose’, or ‘strongly oppose’. Respondents choosing ‘neither favor nor oppose,’ were asked a follow up question of whether they ‘lean toward supporting or opposing’ regulations.

We use these responses to construct three different versions of the main dependent variable, which we call ‘narrow,’ ‘medium,’ and ‘broad’ definitions of support. ‘Narrow’ includes ardent support for regulation, with respondents are coded as supporting regulation only if they chose ‘strongly favor’ or ‘somewhat favor’ regulation. For ‘medium’ definition of support, we code a respondent as supporting regulation if they meet the criteria for narrow support or if they indicated

that they ‘weakly favor regulation’. For the ‘broad’ definition of support, we code a respondent as supportive if they meet the criteria for medium support or if they indicated that they ‘leaned towards supporting’ regulation.<sup>21</sup>

### **3.4 Moderators of the Treatment Effects**

The second part of the survey asked respondents various questions about their personal and financial backgrounds and opinions. We are specifically interested in those individual characteristics that may moderate the effect of each treatment.

Two questions are particularly relevant for the NIA treatment. The NIA treatment differs from the OEP and NW treatments in two ways. First, it differs in the effect of US regulation. The NIA treatment, like the broader approach of NIA, describes how regulations in one country (in this case, the United States) can spill over to, or spur regulation in, other countries. The OEP and NW treatments, on the other hand, do not have this intermediate step. In those treatments, only benefits derive, directly and indirectly, from US regulation alone. To realize benefits from the NIA treatment requires that other states take actions. These are the differences highlighted by the first underlining in each treatment.

Second, the NIA treatment emphasizes a different outcome than the OEP and NW treatments. The NIA treatment emphasizes how US regulation can spur foreign regulation, which decreases the likelihood of a financial crisis *in those other countries*. In contrast, the OEP emphasizes how US regulation directly benefits the United States by decreasing the likelihood of a US financial crisis. The NW treatment emphasizes the effect of US regulation on the broader network. These are the differences highlighted by the second underlining in each treatment. Both of these differences imply channels through which a respondent’s characteristics or beliefs could moderate – again, meaning magnify or mute – the NIA treatment effect.



### 3.4.1 Folk Realism Moderator

For the first difference, an individual respondent might be more or less inclined to believe NIA's argument that US regulations will lead foreign countries to increase their domestic regulations. Kertzer and McGraw (2012) argue that many individuals hold a 'folk realist' belief system that conditions their thoughts and opinions about international relations policies. To the extent that a respondent more consistently views the world from a realist perspective, he might be less likely to believe that foreign countries will adopt increasingly strict regulations in reaction to US regulatory increases. To measure the degree to which an individual's beliefs are in line with a realist world view we use the battery of questions designed by Kertzer and McGraw (2012). Respondents answer 13 related items that ask questions such as, 'In your opinion, are countries inherently cooperative or inherently conflictual?' or 'In your opinion, war can usually be avoided or is usually unavoidable?' Some individuals answer these questions in consistent ways, often choosing the realist option (e.g. 'countries are inherently conflictual', 'war is usually unavoidable') while others are not as realist. In addition to this interesting variation, Kertzer and McGraw (2012) find that a respondent's realist beliefs can moderate the effect of treatments administered within a survey experiment. Said differently, realists tend to respond differently to particular treatments than non-realists.

We test whether the same dynamic occurs when we assess the effect of the NIA treatment. Realists may be less inclined to believe that a foreign country will follow US regulation with regulation of their own. These respondents may fear that the foreign country will instead respond by leaving their financial sector at existing, lower levels of regulation, and thus will provide their firms and economies with a competitive advantage vis-a-vis the US. Respondents who score higher on the realist scale may be *less* responsive to the NIA treatment. If the respondent does not believe the intermediate step of the NIA treatment – i.e. doesn't believe that foreign countries will follow the US in regulations – then that treatment may have a lesser effect.

To classify our respondents, we first counted the number of times a respondent chose the realist

option in the 13 folk realism questions. The mean of the scores in the sample was 4.23. We code a respondent as a folk realist if his score was higher than the average, and vice versa.

### **3.4.2 Ethnocentrism Moderator**

For the second difference between treatments, NIA's emphasis on decreased likelihood of crisis abroad, an individual may place higher or lower weight on this positive effect of regulation. Existing research also provides foundations for why individual characteristics might moderate the NIA treatment effect because of the second difference between the NIA and other treatments. Kam and Kinder (2007) and Mansfield and Mutz (2009) describe a battery of questions that measure a respondent's level of ethnocentrism. They define ethnocentrism as the tendency to 'divide the world into in-groups and out-groups', ascribing positive traits and characteristics to in-group members and negative traits to out-group members (Kam and Kinder, 2007, p. 321). As applied to international relations, people who are relatively more ethnocentric have been found to more strongly support the war on terror and to oppose free trade.

Since the NIA emphasizes how the benefits of regulation are eventually accrued by foreign countries, ethnocentric respondents may be less influenced by this treatment. They may be less inclined to support regulation if the end result is to increase financial stability for other countries. To measure respondents' levels of ethnocentrism, we followed existing literature and asked respondents a set of questions about different groups in society, such as racial groups (e.g. whites or Hispanics) and other groups (e.g. physicians or teachers). Respondents classified these groups along continuums regarding certain traits, such as hardworking versus lazy. We calculated the standardized difference between how positively a respondent evaluated her in-group compared to how she evaluated out-group members. A larger difference indicates a higher degree of ethnocentrism. We classified a respondent as ethnocentric if her score was higher than the average, and vice versa.

## 4 Results: Main Treatment Effects

How did the different treatments affect respondents' support for regulation? We analyze the data in two ways, and find consistent results across approaches and across all three definitions of support. Table 1 shows the number of respondents who received each treatment and the percentage of respondents who indicated support for regulation for each treatment. The top part of the table shows the narrow definition of support and the bottom shows the broad definition of support, with medium in between. The last four columns show results from a simple difference in means test, comparing support after a particular treatment with support after the null treatment.<sup>22</sup> P-values less than 0.10 indicate that respondents that received that treatment indicated support for increased financial regulations at rates that are statistically distinguishable from those respondents that received no argument (the null).

All three main treatments (OEP, NIA, and NW) raised support for regulation, on average. The placebo treatment also raises support. The OEP and NW treatments have a statistically significant effect on support for regulation, with the OEP treatment raising support by 7-10% relative to the null treatment, depending on the definition of support. The NW treatment raises support for regulation from 8-12% relative to the null. We can reject the null hypothesis that the mean level of support is the same for the OEP and null treatments, and the same for the NW and null treatments, at conventional levels of statistical significance.

The NIA treatment also has a positive effect on support for regulation, relative to the null. However, this effect is not as strong statistically. In all three definitions of the support variable, we fail to reject the null hypothesis that the mean level of support for regulation is the same for the NIA treatment as for the null treatment. This is mainly because the magnitude of the effect of the NIA treatment is smaller than the effect for the OEP and NW treatments. The NIA treatment raises support by approximately 5-6%.

Table 2 pools all of the data together, as opposed to making pairwise comparisons across treat-

ments, and provides evidence that is also consistent with findings in Table 1. Table 2 shows the coefficients from a simple logit regression of the dependent variable on an indicator variable for the four non-null treatments. The null treatment is left as the base category, so these coefficients describe the degree to which that particular treatment increased the probability of supporting regulation, relative to the null treatment. The OEP and NW treatments have the largest and statistically significant effects on the probability of support across all three dependent variable definitions, while the NIA and placebo treatments have smaller and statistically insignificant effects.

While we know the direction and statistical significance of various treatments, Figure 2 captures estimated support across treatments and provides a visual to capture the magnitude of treatment effects. Figure 2 shows Bayesian estimates of the proportion of individuals who supported regulation across each treatment for narrow (left graph), medium (middle graph), and broad (right graph) definitions of ‘support’ for financial regulation across each treatment.<sup>23</sup> The results are again similar to the simple table and the logit regressions. One difference is that the proportion of individuals supporting regulation under the NIA treatment is distinguishable from the proportion of support for regulation under the null treatment, for the narrow and medium definitions of support. In those instances, the 95% credibility intervals for the NIA treatment do not overlap with the mean for the null treatment.

## **5 Results: Folk Realism Moderator**

What explains the mixed evidence for the NIA treatment? We turn to moderation analysis to better answer this question. We consider various characteristics of respondents and show how treatments have unequal effects to move support across treatments. That is, we might know that liberals, on average, support regulations more than conservatives, but, among liberals, do treatments have the same effect upon support? It is this comparison that may be provided through moderation analysis. We focus upon two characteristics that we expect are especially relevant for the New

Interdependence logic – folk realism and ethnocentrism.

To examine whether an individual's beliefs about realism moderated the NIA treatment effect, we look at the NIA treatment effect for respondents classified as Folk Realists and those classified as Non-Folk Realists. Figure 3 reproduces the figure from above, only it divides respondents into Folk Realists on the left hand side and non-Folk Realists on the right hand side.

Consistent with the prediction, being a Folk Realist *does substantially moderate* the effect of the NIA treatment. For Folk Realists, the NIA treatment has very little effect, increasing support for regulations by approximately 3%. On the other hand, the NIA treatment has a much larger effect for Non-Folk Realists. For these respondents, the estimated treatment effect is over 10%. The proportion of respondents supporting regulations under the NIA treatment is also easily distinguishable statistically from the null treatment, for Non-Folk Realists. This finding is consistent with the idea that Realists may simply be more skeptical that foreign countries will follow suit with US regulations.

## **6 Results: Ethnocentrism Moderator**

Is the NIA treatment also lessened by an individual's degree of ethnocentrism? In the same exercise as the Folk Realism moderator above, Figure 4 divides respondents into groups of those who scored highly on the ethnocentrism measures (left hand side) and those who did not (right hand side), and looks at support for higher regulations within each group. As with the Folk Realism moderators, ethnocentrist respondents were less responsive to the NIA treatment. For them, the treatment only increased support for regulation by less than 5%. For non-ethnocentrists, however, the NIA treatment had a large and statistically meaningful effect. For those respondents, the NIA treatment increased support by over 10% compared to the null treatment. This is consistent with the idea that ethnocentrists may simply place lower value on any benefits of regulation that are accrued abroad. Even if regulation is beneficial for some, if the beneficiaries are foreign citizens, an ethnocentrist

may be less persuaded to support regulation.

## 7 Conclusion

This paper accomplishes two objectives. First, we have shown the power of the New Interdependence approach (NIA) to complement network arguments within the OEP - Network debate. A growing body of research has compared and contrasted the ability of OEP and network arguments to provide guidance for understanding important phenomena in IPE. NIA can also enter that discussion, especially in the context of financial regulations, where the indirect effects of regulations can be as important as the direct effects.

Second we have provided an initial empirical test of how New Interdependence, network, and OEP logics resonate with the public in the substantive area of financial regulations. Empirically, we find initial evidence that NIA does resonate with the public, but not as consistently as network or OEP alternatives.

To the best of our knowledge, this is the first paper to examine whether the implications of new interdependence and network-based theories in IPE also shape citizen preferences over policy. This is a contribution, because while we have solid evidence that OEP-style arguments can influence citizens' preferences, we do not know the degree to which NIA and NW arguments resonate with citizens.

The difficulty of NIA arguments to resonate broadly with the public at large may limit the ability of politicians to sell policies under the guise of NIA and instead to frame policy benefits broadly (toward the world, consistent with network approach) or narrowly (toward the home country, consistent with the OEP approach). Subsequently, if politicians cannot use NIA to motivate policies with benefits that provide benefits through systems-level dynamics, this would justify the normative concern that informal, trans-governmental networks make decisions without direct democratic authority. That is, political independence of trans-governmental actors, such as regulators, who are

not directly accountable to the public, may utilize NIA logics in their decisions even if these are not publicly stated.

It is also possible that our NIA findings are specific to the *positive* benefits of policy change, with NIA logic having a strong effect when publics are primed to think about *negative externalities* that might occur regarding policy change. For example, perhaps emphasizing the NIA logic would strongly *decrease* support for financial regulation if the public was primed to think about the competitive dynamics if the US increased regulations compared to Europe. This remains an open area for future research.

While we have chosen financial regulation as our area of emphasis because of its inherent importance and role as a catalyst for examination of some of the epistemological foundations of IPE, the approach is generalizable to other issue areas. The theories advanced in this special issue shed greater light on the interdependencies of investment, trade, and aid policies. These relationships create new ways in which citizens' preferences over investment, trade, and aid policies could be influenced by the indirect, interdependent effects of those policies. This paper allows us to directly test these theories against one another, incorporate NIA into an important scholarly debate, and leaves us closer toward understanding citizen perspectives vis-a-vis their country, other countries, and the world as a whole.

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Table 1: Support for Regulation by Treatment Group

Treatment Group	N	Proportion Support.	Difference	SE	t stat	p value
DV: Narrow Support						
Null	253	0.431				
OEP	252	0.528	0.097	0.044	2.19	0.029
NIA	248	0.434	0.053	0.045	1.19	0.234
Network	251	0.554	0.123	0.044	2.78	0.006
Placebo	251	0.494	0.063	0.044	1.42	0.155
DV: Medium Support						
Null	253	0.617				
OEP	252	0.710	0.094	0.042	2.23	0.026
NIA	248	0.677	0.061	0.043	1.42	0.155
Network	251	0.705	0.089	0.042	2.11	0.036
Placebo	251	0.657	0.041	0.043	0.95	0.342
DV: Broad Support						
Null	253	0.690				
OEP	252	0.766	0.075	0.040	1.91	0.057
NIA	248	0.736	0.045	0.041	1.12	0.265
Network	251	0.773	0.082	0.039	2.09	0.037
Placebo	251	0.753	0.062	0.040	1.56	0.118

Table 2: Effect of Treatment on Support for Regulation, by DV

	Narrow Support	Medium Support	Broad Support
	(1)	(2)	(3)
OEP Treatment	.390 (.179)**	.422 (.190)**	.383 (.202)*
NIA Treatment	.214 (.180)	.267 (.188)	.222 (.199)
Network Treatment	.494 (.180)***	.397 (.189)**	.422 (.203)**
Placebo Treatment	.255 (.179)	.176 (.185)	.312 (.200)
Intercept	-.278 (.127)**	.475 (.129)***	.802 (.136)***
N	1,255	1,255	1,252

Results from logit regression of support for regulation on treatment assignment.



## Bank Confidence 1979 – 2014

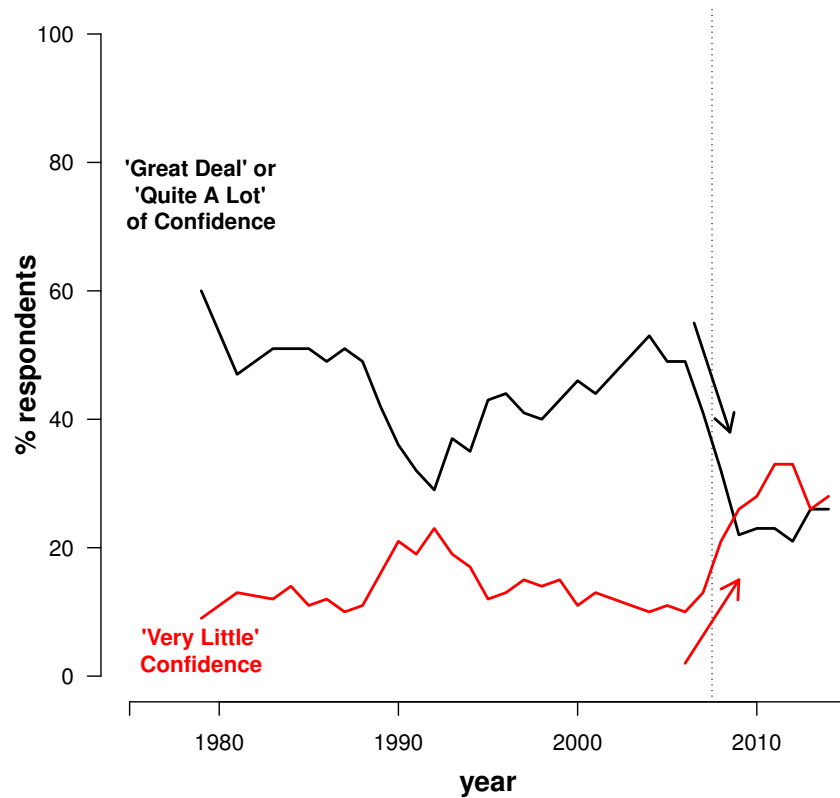


Figure 1: *Public Confidence in Banks, 1979 – 2014*: Based on a representative public opinion poll taken by Gallup each June, the solid line plots the percent of respondents that hold high levels – a “great deal” or “quite a lot” – of confidence in banks, while the dashed line plots the percent of respondents that have low levels of – “very little” – confidence in banks. The dotted line marks 2008, the height of the financial crisis, and we see that high levels of confidence precipitously decline, and low levels of confidence precipitously increase, after the financial crisis. However, there are some indications that the trend reverses around 2013, five years after the height of crisis. Source: Gallup Confidence in Institutions.

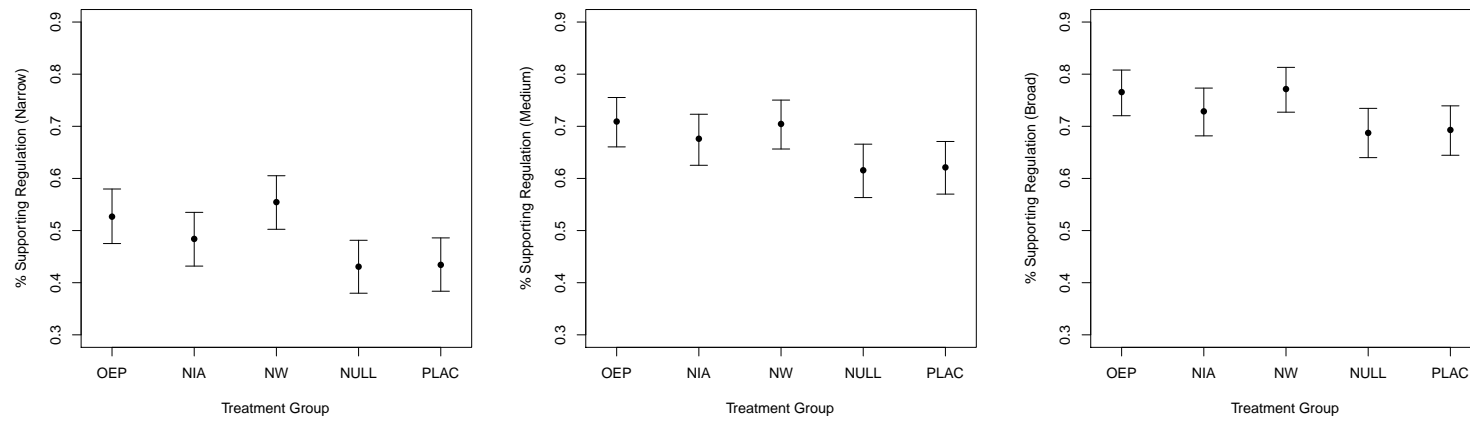


Figure 2: Treatment Effects, Beta Figures, Narrow Support DV (left), Middle Support DV (middle), and Broad Support DV (right)

Figure 3: Treatment Effects for Folk Realists and Non-Folk Realists

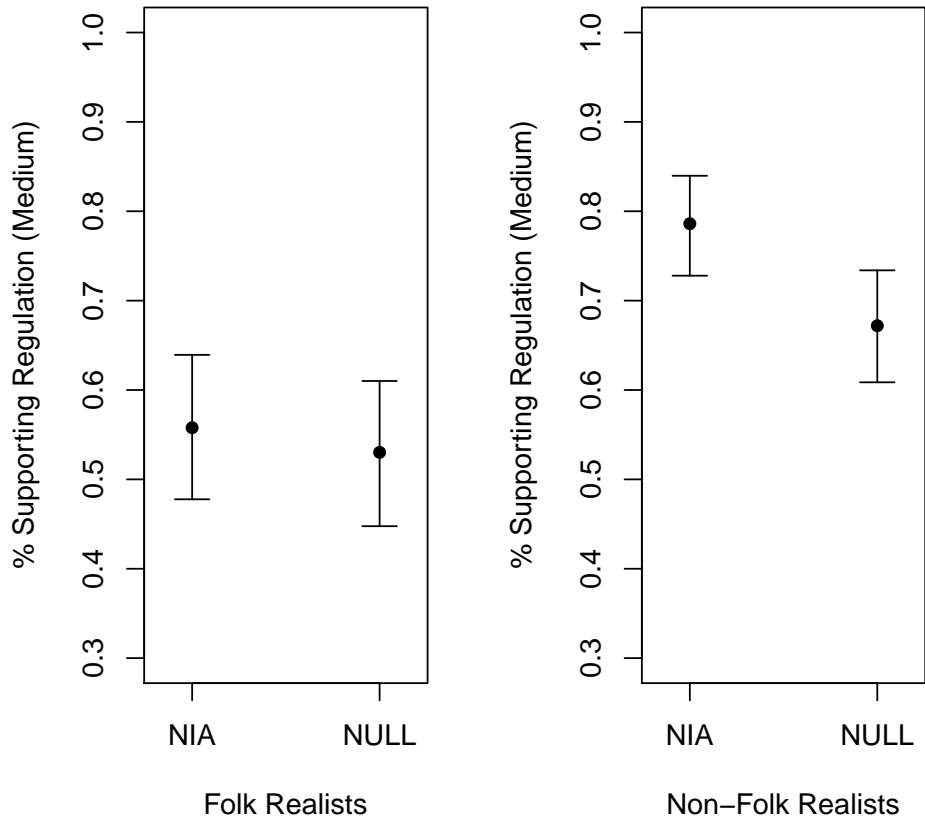


Figure uses the medium support dependent variable.

Figure 4: Treatment Effects for Ethnocentrists and Non-Ethnocentrists

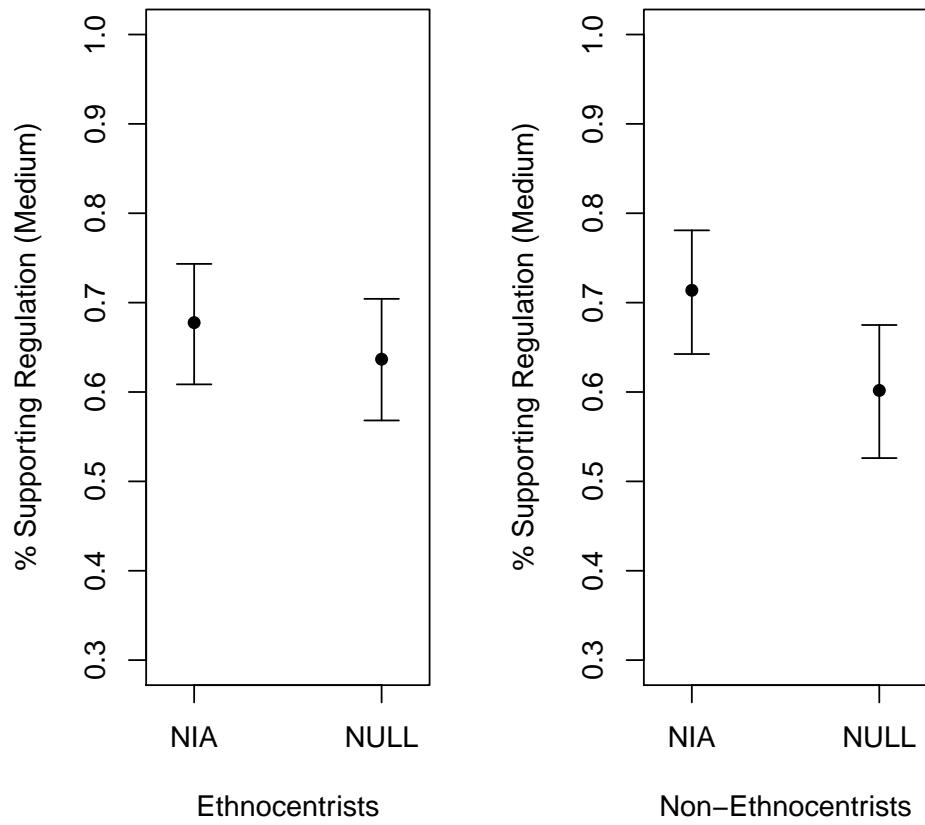


Figure uses the medium support dependent variable.

## Notes

<sup>1</sup>While rule overlap through both domestic and international institutions plays a large role in NIA, these dynamics lie atop this fundamental systemic premise.

<sup>2</sup>For example, see Chaudoin (2014); Tingley and Tomz (2013); Chilton and Tingley (2013); Gray and Hicks (2014); Hafner-Burton et al. (2014); Naoi and Kume (2011).

<sup>3</sup>Although, Bach and Newman (2014) explain how, within the EU, soft law may diffuse into domestic hard law.

<sup>4</sup>This is distinct from overlapping legal jurisdictions that arise in the investment disputes discussed by Gray (this issue), and is complementary to the soft law dynamics within financial regulation (e.g. Newman and Posner, this issue; Vabulas and Snidal, this issue).

<sup>5</sup>For a review and critique of OEP, see Lake (2009) and Oatley (2011) respectively. For network arguments, see Kahler (2009); Hafner-Burton, Kahler and Montgomery (2009); Oatley et al. (2013).

<sup>6</sup>Deviations are explained as altruism and sociotropic factors; for instance, Mansfield and Mutz (2009).

<sup>7</sup>The term “nearly decomposable system” is from Simon (1962), cited in Oatley (2011, 318).

<sup>8</sup>Prior to the 2007 financial crisis, network approaches often analyzed how strong countries’ policy preferences led to policy convergence of weaker states (Drezner, 2007; Simmons, 2001; Mosley, 2010). The dependent variable of interest was policy alignment – regulatory convergence or divergence – rather than systemic stability.

<sup>9</sup>Gallup’s Confidence in Institutions poll. For systematic analysis of bank confidence in Gallup’s annual poll, see Owens (2012).

<sup>10</sup>Jackie Calmes, 2008, “In Candidates, 2 Approaches to Wall Street.” New York Times, September 16, A1.

<sup>11</sup>Lydia Saad, 2010. “Banking Reform Sells Better When ‘Wall Street’ is Mentioned’ ”. Gallup, Poll#127448. Accessed 2015 April 29.

<sup>12</sup>Ibid.

<sup>13</sup>Pew Research Center, Weekly Interest Index Polls, July 2010.

<sup>14</sup>While post-financial crisis network scholarship calls for emphasis upon international *outcomes* (such as systemic stability or instability), pre-financial crisis network scholarship (within American IPE) is interested in how the network, or exogenously-given international system, affects *policies* adopted in non-dominant countries (for example, Drezner (2007); Simmons (2001); Mosley (2010)).

<sup>15</sup>We do so to allow for parallel experimental logics across the OEP, network, and New Interdependence perspectives, but note that New Interdependence logics that focus on competitive dynamics – or negative externalities – across jurisdictions may elicit different respondent effects and is an area for future inquiry. The incentive for countries to match – and exceed – financial regulatory stringency of large states has been empirically documented; for instance,

Walter (2014).

<sup>16</sup>We classify respondents based on self-reported answers to questions that respondents answered after they completed the main experiment.

<sup>17</sup>Berinsky et al. (2012) have a detailed description of the mTurk platform.

<sup>18</sup>For recent examples, see Chaudoin (2014); Tingley and Tomz (2013); Tomz and Weeks (N.d.).

<sup>19</sup>Respondents did not see any underlining or the bolded headers/treatment labels.

<sup>20</sup>83% correctly recalled the anti-regulation that they all received. Among respondents receiving the OEP, NIA, or Network treatments, approximately 40% correctly recalled which of the 5 treatments they received.

<sup>21</sup>Three respondents chose they neither supported nor opposed regulations, but then did not choose whether they leaned towards support or opposition. They are excluded from the analysis using broad support, which is why the sample size changes slightly across outcome specifications.

<sup>22</sup>The standard deviation, t stat, and p values for differences in approval rates use the normal approximation of the Bernoulli data. The number of respondents in each group is much larger than traditional minimum values for use of the normal approximation.

<sup>23</sup>All figures show Bayesian estimates of the posterior distribution of the proportion of respondents supporting regulation. Let  $\theta_t$  be the proportion of respondents supporting regulation under treatment regime  $t \in \{ \text{null, OEP, NIA, NW, and placebo} \}$ . Let  $n_t$  be the number of respondents receiving treatment  $t$  and  $a_t$  be the number of respondents in regime  $t$  approving. For a prior distribution for  $\theta_t$ , we used the non-informative Jeffrey's prior,  $\theta_t^0 \sim \beta(0.5, 0.5)$ . The conjugate posterior distribution for  $\theta_t$  is  $\theta_t^p \sim \beta(a_t + 0.5, n_t - a_t + 0.5)$ . The mean and 95% credibility intervals are from 5,000 draws from the posterior distributions.

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