Influencing Policy Through The Use of Private Transnational Standards

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Thibaud Henin
Ph.D. Candidate, University of Oregon

Research Question

Under what conditions does the adoption of private transnational standards as a mechanism of influence on policymaking enable firms to influence regulatory polices?

Argument

- Three Parts:

  #1: Firms hold preferences over the stringency of state regulatory policies and that these preferences vary according the nature of the markets in which they operate.

  #2: Under certain conditions, firms are able to solve collective action problem and coordinate as industry associations

  #3: Firms are able to use private transnational standards as leverage.

Overview of Argument

Expected Outcomes on Policy Stringency When Conditions Satisfied

	Firm Preferences on Policy Stringency		
Initial State Regulatory Stringency		**High**	**Low**
	High	Maintain	Decrease
	Low	Increase	Maintain

Process

	T_0	T_1	T_2	T_3	T_4
States	High / low Policy Stringency			Negotiation with Firms	Change / Maintain Policy Stringency
Firms	High / low policy stringency preference	Beliefs about future regulation	Adopt PTS Collective action problem	Negotiation with States	

Defining Concepts

- **Private Transnational Standards (PTS)**
  - Set by organizations consisting of private actors (firms, NGOs)
  - *De jure* ('delegated' authority) vs. *de facto* ('entrepreneurial authority') (Green, 2014)
- **Policy / Regulatory Stringency**
  - Measure of a policy's compliance-costs on firms
  - Based on 'hard law'
  - Changes firms' opportunity costs of engaging in a harmful behavior
  - Translates into increased cost of some factors of production

Why Firms Adopt PTSs

- Generally: provide information to consumers, or to streamline business practices
- Five specific benefits:
    - Lower Transaction Cost (e.g. MNCs)
    - Expanded Markets (provide club goods)
    - Improved Reputation ('response to naming and shaming')
    - **First-Mover Advantage (influence policy, capture market)**
    - **Preempt State Regulation (credible commitments of self-regulation)**

Part 1 - Firm Preferences

Setting Firm Preferences

Firm Preference	Market Entry Costs	Market Saturation	Firm Efficiency
Low Regulatory Stringency	High	Low	Low
High Regulatory Stringency	Low	High	High

Part 2 - Conditions

Preemption: Firms seeking to prevent more stringent regulation
Market Capture: Firms seeking to use first-mover advantage

Conditions necessary for both preemption and market Capture
(1) non-trivial compliance-costs of policies
(2) state-Firm relations
(3) presence of industrial association

Conditions necessary for preemption
(7) PTS compliance mechanisms
(8) PTS convergence at domestic level

Conditions necessary for market capture
(4) international policy convergence
(5) PTS convergence at transnational level
(6) predominance of efficient firms

Research Design

- Policies from two different issue areas:
    - Environmental: ISO 14001 and GHG emissions of Energy sector
    - Human Rights: Social Accountability International and Manufacturing Sector
- OECD countries

Step 1: Large-N quantitative analysis, panel data

Step 2: One case study from each issue area, ‘on the line’