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Lobbying to the Rhythm of Wall Street?

Explaining the Political Advocacy of Non-Financial Corporations over Financial Regulatory Policy

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Abstract:

Non-financial corporations (NFCs) have acted as vocal and important allies with the financial industry when it comes to advocacy over regulatory policy. Why? We explore this question in the context of the lobbying activity surrounding the financial policy reforms in the USA following the global financial crisis. We propose a range of explanations for why some NFCs might become ‘financial activists’ in support of the financial industry, while others remain passive. We find a wide range of indicators of firm-level financialization to be unreliable predictors of NFC financial activism, in addition to indicators of potential external control by financial firms through ownership or subsidiarization. NFC financial activism appears to be related to how a given firm is embedded in broader structures of corporate networks, relational political action and ideology.

Keywords: Networks, Financialization, USA, Interest Groups, Regulation

JEL classification: G38, D72, D78

Introduction

Financialization is now widely recognized as an important macrostructural force shaping the economy and its governance. Indeed, a significant body of scholarship has highlighted the increasing centrality of financial actors and motives in the political economy of the US

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and other industrialized economies, and we know more and more about how financialization affects non-financial corporations' (NFC) behavior. In the words of one of the most prominent authors within this body of scholarship, "the management of American corporations, large and small" is moving "to the rhythm of Wall Street" (Krippner 2005, 174).

But to what extent has the greater penetration of financial forces and motives into the life of non-financial corporations (NFCs) also influenced their *political* activity? The precise implications of financialization over the political behaviour of non-financial corporations (NFCs) are still largely unexplored. While some scholarship has suggested that financialization may serve to weaken opposition, it remains an open question of whether or not the various manifestations of financialization are informing the political agency of NFCs.

This paper addresses this question by exploring the lobbying activity of non-financial corporations (NFCs) in the domain of financial regulatory policies in the aftermath of the global financial crisis. Post-crisis regulatory reform initiatives provide an empirical context in which to investigate these issues. The numerous policy initiatives undertaken in the US in the aftermath of the financial crisis to reform the regulation of financial markets was met with an avalanche of advocacy activity which was not limited to the financial industry groups that were directly targeted by these measures but also many NFCs. In the vast majority of these cases, rather than being supportive of new regulatory reform proposals, NFCs became important vocal allies of the financial industry in pushing back against proposed regulatory changes, thus representing a vital ally of the financial industry (Pagliari and Young 2014, 2016).

Yet while many NFCs engaged in such 'financial activism', not all came to the rescue of the financial industry. Why did *some* NFCs to engage in advocacy over financial reform and became 'financial activists', while others do not? We answer this question by examining the lobbying activity of a wide variety of firms in the US over financial regulatory policy, by which we mean the rules and regulations under development at the national level in the US, such that advocacy was legally traced through the Lobbying Disclosure Act (LDA).

Building on existing scholarship, we posit three different sets of explanations for NFC financial activism. The first are a set of '*internal*' explanations based on transformations of firms' own balance sheets, which are drawn from the literature on NFC financialization (Palladino 2020; Davis 2013; Orghangazi 2008; Nolke and Perry 2007; Krippner 2005). We call this explanation 'internalist' because it posits that something occurs within a firms'

own internal operations that might explain its political behavior. In becoming more ‘like’ a financial firm ‘economically’, an NFC might act more ‘like’ a financial firm, ‘politically’.

In contrast, a second set of ‘*external*’ explanations emphasize factors related to the potential influence of the financial industry on the political agency of NFCs. Here we draw on a range of literature that has emphasized the ways in which the financial industry might be able to exert external influence on NFCs, either through ownership or through management ties (Hadani 2012; Davis 2009; Fligstein and Shin 2007).

A third set of explanations emphasize the ‘embeddedness’ of NFCs within broader structures of corporate social structures, referring to the ways in which the political agency of firms is related to broader properties within the corporate community. We draw on the literature on corporate elites, firm-level strategy and elite networks which has investigated the political strategies of individual firms in the context of relational ties within the corporate community (Chalmers and Young 2020; Heerwig and Murray 2018; Young, Marple and Heilman 2016; Banerjee and Burroway 2015).

We specify hypotheses related to each of these sets of explanations and evaluate them using a wide range of new firm-level data, drawn from firms’ balance sheets, ownership structures, data on the political activity of both firms and elites that govern them, as well as a range of business social network ties. We specify both a series of informed regression models as well as a method of running thousands of models to detect variation in findings across different model specification choices. We find the strongest support for explanations based on embeddedness in the form of relational ties within the business community. Our findings suggest that while the financial industry might benefit directly from NFCs becoming financial activists, neither financial connections or financialization processes contribute to this situation.

Non-Financial Corporations and the Financialization of the US Economy

The conditions under which firms become politically active, as well as the determinants of conflict or solidarity within the business community, has been investigated in a wide range of literature (Banerjee and Burroway 2015; Baumgartner et al. 2009; Hansen and Mitchell 2000; Hillman, Keim, and Schuler 2004; Kim 2017; Walker and Rea 2014). Yet within this scholarship, the financial industry is often treated as just one type of corporate actor as many others, if a particularly well-resourced one.

This perspective stands in contrast with a large body of scholarship in political economy that has highlighted how the financial sector is fundamentally unique, standing not just

within a corporate community but rather at the center of it. This conjecture has roots going back to the early 20th century. For instance, Hilferding's (1910) analysis of 'finance capitalism', Lenin's (1917) related analysis of the origins of imperialism both discussed how the concentration of financial capital and Brandeis' (1914) analysis of the US 'money trust' all stressed the centrality of finance required by the needs of financing mass industrial production had led to the rise of a powerful and highly concentrated financial oligarchy exercising significant power over industrial corporations.

Almost a century later, an extensive literature has suggested that the special position that finance occupies within the rest of the business community has been strengthened by the "financialization" of the economy (Epstein 2005, Mertens et al 2020; van der Zwan 2014). While scholars have highlighted different dimensions associated with this phenomenon (see Trampusch and Fastenrath 2021; Mertens et al 2020; Besedovsky 2018; van der Zwan 2014), a central theme within this literature concerns the greater penetration of financial forces and motives within non-financial corporations (e.g. Tori and Onaran 2020; Davis 2018a; Davis 2016; Alvarez 2015; Durand and Gueuder 2018; Orhangazi 2008; Epstein 2005; Lazonick 2010). For instance, Krippner noted how "non-financial corporations are beginning to resemble financial corporations – in some cases, closely." (Krippner 2005, 202).

How exactly financialization might impact the political agency of NFCs is still a relatively unexplored question. Some analyses suggest that more financialized country contexts may generate greater alignment of NFCs with financial industry preferences (Young and Pagliari 2017). Other scholarship has debated the centrality of financial firms in corporate networks, and has suggested that, somewhat paradoxically, financialization has decreased the centrality of finance as a centrifugal force in bringing the corporate community together along political lines (see Mizruchi 2013; Davis and Mizruchi 1999; Chu and Davis 2015; Heerwig and Murray 2018). Such scholarship tends to be focused on broad political alignment and class-wide agency, rather than financial regulation specifically.

The extent to which NFCs are indeed becoming financialized is itself subject to recent empirical debate (Fiebiger 2016; Rabinovich 2019). Yet one perspective is that the business practices of NFCs resemble that of financial corporations, but that these transformations affect their *preferences* and *attitudes* towards economic policies as well (Baines 2017; Callaghan 2015; Clapp and Helleiner 2012). From this perspective, the financialization of the economy is a politically self-reinforcing process that broadens the pro-finance clientele within the business community and thus weaken its opposition (Pagliari and Young 2020). Despite examples drawn from case studies, however, we know of no attempts to

systematically evaluate the impact of financialization on NFC's political behavior in an analytical setting that would assess how systematic this tendency may be.

Because this is the first analysis of its kind, our analysis is exploratory and does not establish causal inference. Rather, we seek to probe the underlying associations that are consistent with NFC financial activism among a diffuse set of diverse corporate actors. The precise causes of NFC activism in individual cases are not explored here but can be investigated in multiple ways in the future, such as single or comparative case studies of the detailed motivations related to the internal operations of a given firm and its government affairs department, for example.

Three Sets of Hypotheses About Financial Activism

What factors might affect the financial activism of NFCs? Building on existing scholarship, we posit three different sets of explanations, reflecting three principle channels through which NFCs may become financial activists: 'internal' explanations based on transformations of firms' own balance sheets, explanations based on the external influence of financial firms, and explanations based on relational ties to others who are engaging in financial activism.

Explanation 1: Firm-Level Financialization Encourages Financial Activism

Our first set of hypotheses concerns the balance sheet of NFCs, and thus their own 'internal' organization. One channel through which the corporate political activism of non-financial firms may be influenced by their relations with the financial industry is based on finance's control over capital allocation. Some scholarship has highlighted how NFCs have increased their reliance on external financing compared to retained earnings from production as a source of funds (Stearns 1986; Milberg 2009, 422; Orhangazi 2008). Moreover, the dependence of NFCs on financial firms has extended beyond the simple provision of credit to include a wider range of financial services and resources, such as derivatives to hedge commercial risks and exchange rate volatility (Mizruchi 2013; Carroll, Fennema, and Heemskerk 2010).

As such, changes in financial regulatory policies may spill over onto NFCs operations and thus generate incentives for these firms to mobilize in policymaking process in order to mitigate the disruption and additional costs generated by these changes. The period under study is one in which there were significant reform proposals on the table, all increasing the level of regulatory stringency faced by the financial industry, which may have been seen as straining financing conditions for individual NFCs. Indeed, existing qualitative

evidence of vocal NFCs during this period suggests such concern. Specifically, a range of NFCs took vocal stances regarding both downstream costs passed onto them as well as interruption of their own financing activities during this period. This included large retail conglomerates as well as pharmaceutical, auto manufacturing and energy firms (Pagliari and Young 2014). On the basis of the abovementioned literature, we can formulate the following simple hypothesis related to balance sheets

H1a: Non-financial corporates are more likely to lobby over financial policies when they are significantly dependent on financial firms to fund their activities

As a range of existing scholarship has demonstrated, NFCs are tied up with financialization not only in the financing of their operations, but also more directly through own pursuit of financial profit-seeking. Nolke and Perry (2007: 4) for example have highlighted “the tendency of non-financial corporations to make an increasing share of their profits from financial transactions (instead of from the production of goods and services)” (Nolke and Perry 2007, 4). Krippner (2005) has argued that while until the 1970s non-financial firms derived around 10% of their profits from financial activities, this figure had reached 50% at the turn of the century. One driver of this trend can be found in the so-called “financialization of investment” (Baud and Durand 2012), which refers to the significant increase in the holdings of financial assets in the balance sheet of non-financial corporations in the post-war period (Crotty 2002; Stockhammer 2004; Krippner 2005; Orhangazi 2008). A related trends is the “financialization of operations” (Baud and Durand 2012), meaning that non-financial companies such as retail companies and carmakers increasingly engaged in the provision of financial services to customers (Froud et al. 1998).

These internal changes within NFCs are of course related to broader trends in the transformation of capitalism in highly financialized economies such as the US. For the purposes of our focus on NFC financial activism, these changes can be understood to create incentives for NFCs to mobilize politically in order to defend or expand these sources of profits, since more stringent financial regulatory policies may also have a significant impact over the viability of financial profit-seeking activities.:

H1b: Non-financial corporates are more likely to engage in financial activism when they rely on financial instruments and financial activities to generate profits

Explanation 2: NFCs Face ‘External’ Influences from the Financial Sector

Another channel through which the political activities of NFCs may be influenced is through their relationship with the financial sector more directly. While *H1* draws on the literature that sees NFCs ‘becoming’ more like financial corporations, *H2* draws our attention to whether the financial industry is acting as a force of external pressure on NFCs. One such mechanism is through the structure of ownership, which has been discussed as shaping corporate political activities allowing for the transmission of information and generating pressures for conformity (Useem 1984; Hadani 2012). Upper management of NFCs have found themselves under greater pressure from institutional investors to implement a number of changes in the structure of corporations designed to improve the financial results of the firm and maximize shareholder value at the expense of other constituencies such as employees and other stakeholders (G. Davis 2009; Fligstein and Shin 2007; Lazonick and O’Sullivan 2000). For instance, scholars have detailed the increased use of capital by NFCs to boost their own stock performance, through stock buy-backs (Palladino 2020; Palladino 2021; Davis 2013; Milberg 2009; Dobbin and Jung 2010; Orhangazi 2008). To the extent that NFCs may be under influence from financial shareholders through their ownership structure, they can be expected to be more likely to react to financial regulatory policies and to express preferences in line with those of the financial industry, therefore:

H2a: Non-financial corporates are more likely engage in financial activism when they are externally influenced by financial institutions, through ties of ownership

The financial industry might also influence NFCs through another, different indirect channel: through the social network ties to financial firms. Financial firms are often relatively central in corporate networks and this is often understood to facilitate their prominence within networks of political action (Mirzuchi 1996). While the centrality of financial firms in corporate networks has declined by historical standards, financial institutions continue to remain highly central in corporate networks (Mizruchi 2013, 131). As Chu and Davis argue, “A flu virus that infected the J.P. Morgan Chase board in January 2001 could have spread to 80% of the Fortune 1000 by May through monthly board meetings” (Chu and Davis 2016, 715). We hypothesize that the closer the network ties between a given NFC and a financial firm, the more likely that NFC is going to engage in financial activism. As we elaborate in more detail below, network ties among firms matter by facilitating the transfer of information and the spread of corporate practices across different connected corporations (Mizruchi 1996; Horton, Millo, and Serafeim 2011; Rao, Davis, and Ward 2000), as well as reinforcing a community of interests among different

firms (Useem 1984; Mizruchi 2013; Murray 2017). We hypothesize first that ties to financial firms may act as a source of external influence:

H2b: Non-financial corporates are more likely engage in financial activism when they are externally influenced by financial institutions, through elite network ties

Explanation 3: Corporate Embeddedness

A third set of hypotheses draws more explicitly from the idea that firms are embedded in social-organizational networks. We theorize that it is not ties to finance necessarily that matter for NFC financial activism, but rather their ties to other activists. In this respect we draw on existing scholarship that suggests that corporate political strategy is relationally influenced. A range of literature has suggested that relationships forged through corporate networks helps to reduce political conflict (Akard 1992; Mizruchi 1990; Palmer, Friedland, and Singh 1986; Palmer 1983). While this is sometimes used to explain class-wide political agency (Useem 1984), a related literature has investigated how particular firms take different kinds of action, based on their location within business networks (Banerjee and Burroway 2015; Chalmers and Young 2020). The central mechanism through which this is understood to work is via the mechanism of information diffusing through corporate networks (see Young, Marple and Heilman 2016).

Another mechanism that may affect NFC financial activism are the ties to business associations, especially those that are active on financial regulatory issues already. Membership in business associations, as well as policy planning organizations and think tanks, are after all seen as a key mechanism for generating solidaristic position within the business community (Heerwig and Murray 2018; Carroll and Sapinsky 2010; Murray 2017). Recent work by Chalmers and Young (2020) argues that a key factor that shapes business preferences in finance are not just the inter-corporate networks per se but the networks generated through business association activity. While their analysis is set in the context of European Commission regulatory proposals, there is no particular reason why such a mechanism wouldn't travel to the US context.

H3a: Non-financial corporates are more likely engage in financial activism when they have network ties to other firms or business associations engaging in financial activism

Another range of hypotheses relate to the embeddedness of firms in broader contexts and structures, but in a different respect. As Bonica (2014, 2017) has described, firms political ideologies can be highly varied and we can measure this based on the political activity of their governing elites – senior executives and CEOs. Factors such as firm ideology and the

level of political activity among the governing elites of a firm may condition results akin to a moderation effect. Relatedly, firms embeddedness in inter-corporate board networks may also moderate effects as well, in that greater embeddedness within inter-corporate board networks is associated with stronger class-wide consciousness (Bannerjee and Burroway 2015; Useem 1984).

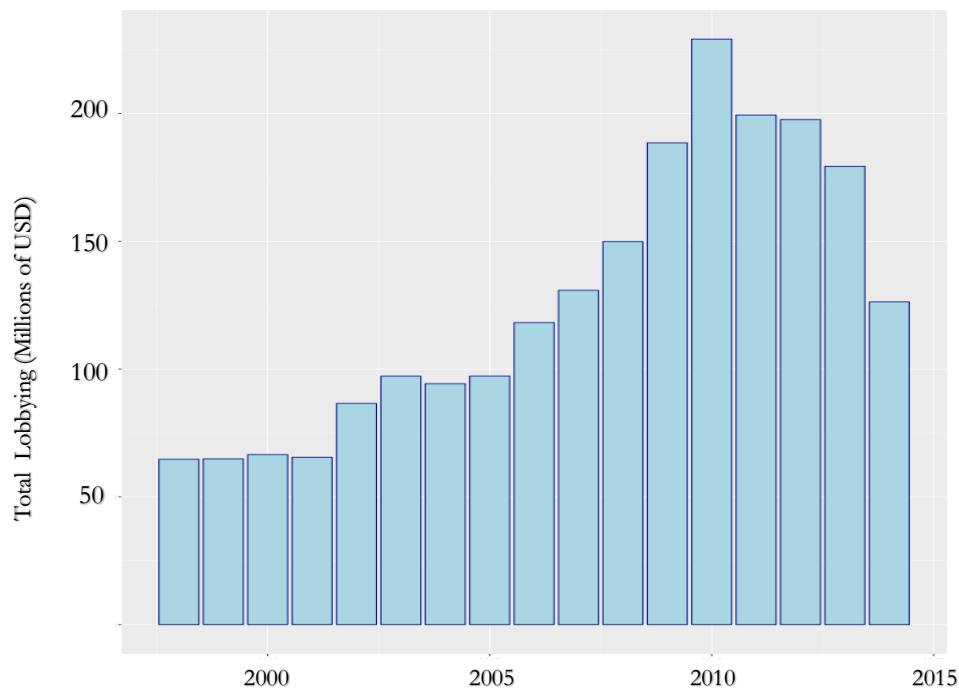
H3b: Non-financial corporates are more likely engage in financial activism when they have right leaning ideology, have politically active elites, or are highly embedded in inter-corporate networks.

In what follows immediately below we lay out an empirical context through which we evaluate these hypotheses through firm-level data. Before proceeding, the next section first describes the empirical context in which our analysis is undertaken – on the lobbying activity around financial regulatory reform in the US surrounding the 2008 financial crisis. We then describe additional evidence that justifies our basic approach, showing that NFC mobilization around financial regulatory issues is very frequently aligned with the preferences of the financial industry.

Context and Preferences: Firm-level Analysis of US Lobbying

We focus on exploring the response by the business community to the financial reforms introduced in the period surrounding the global financial crisis and its aftermath. The politics surrounding this period, and within the US in particular, represents a *most likely case* setting for testing the influence of finance over corporate political strategies for two reasons. First, the US is often seen as the “archetypal financialized economy” (Witko 2016, 349) or the frontrunner of a more general trend whose extent and character varies across different industrialized economies (van der Zwan 2014). Second, the global financial crisis of 2008-2009 has set in motion an extensive process of financial regulatory reforms in the US that culminated in the passage in the summer of 2010 of the Dodd-Frank Act. To the extent to which the political behavior of non-financial companies is influenced by their relationship with the financial industry, this influence is more likely to be visible during this period. Figure 1 illustrates what NFC mobilized looked like between 2006, the year preceding the onset of the financial crisis, and 2010, when the Dodd-Frank Act was signed into law, as measured by the dollars spent to lobby US Congress and federal regulators over financial issues.

Figure 1: Lobby Spending by NFCs on Finance and Banking Issues in the United States, 1998-2014²



In our main analysis below, we utilize dependent variables that measure both whether a given NFC engaged in financial activism and also how much money they spent on it. Importantly, the data we analyze concerns NFC mobilization, rather than an assessment of NFC preferences. In other words, we know which firms engaged in lobbying around financial regulation but we don't know what kinds of positions they took.

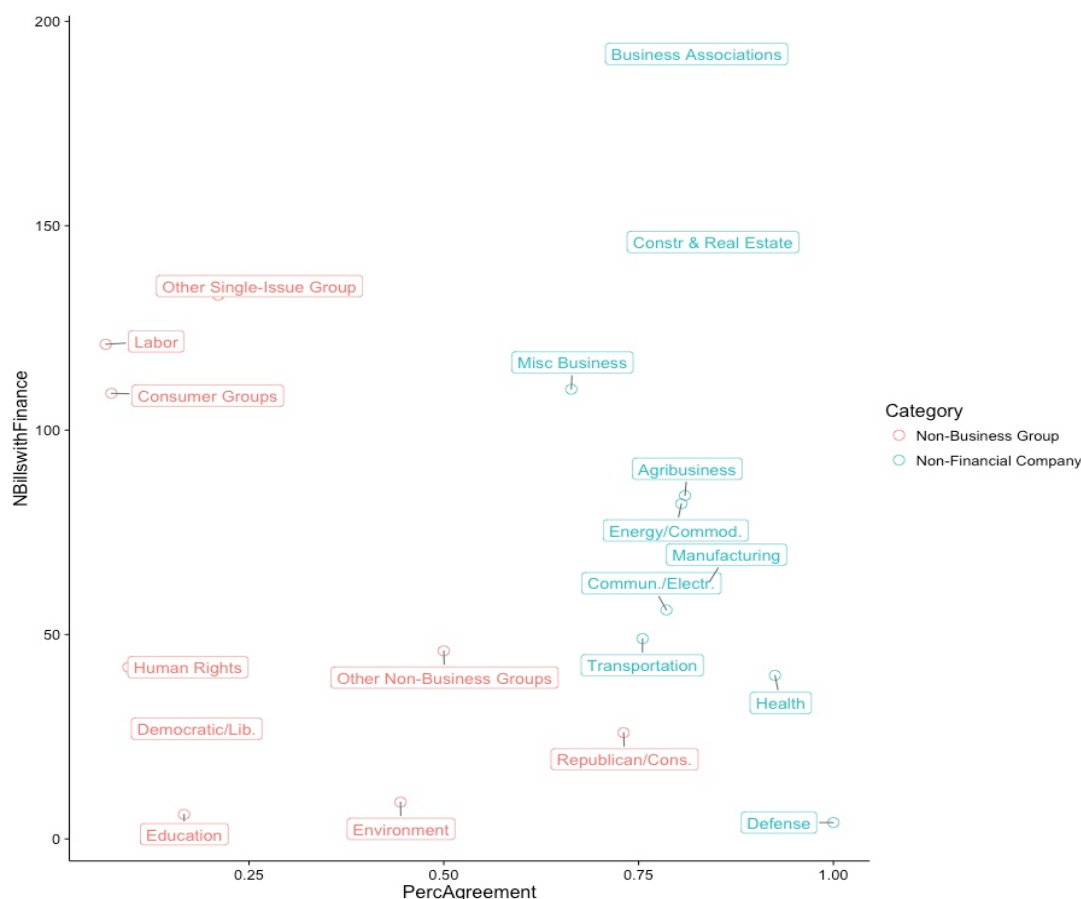
Is it reasonable to assume that NFC mobilization is aligned with the financial industry? A range of qualitative scholarship examining financial regulatory politics during this period suggests that it is (Clapp and Helleiner 2012; Pagliari and Young 2016). For example, initiatives by the US Congress and federal regulatory agencies to reverse the pre-crisis decision to exclude OTC derivatives markets from direct regulatory oversight initiated the mobilization not only of those bank dealers and financial infrastructure firms that dominate these markets, but also large manufacturing firms such as General Motors, Toyota and Daimler, and even retailers such as McDonalds, and technology companies like as IBM and Apple. Restrictions over banks' proprietary trading activities in the Volcker

² Data, computed by the authors, is sourced from the Centre for Responsive Politics.

Rule featured Darden Restaurants and Red Lobster advocating alongside the American Bankers Association and the Financial Services Roundtable (Pagliari and Young 2013). Baines (2017) shows that large-scale farmers in the US have come to integrate extensively financial derivatives into their day-to-day operations and they have come to oppose attempts to more tightly regulate these markets (Baines 2017). Along the same lines, Callaghan has argued that the introduction of reforms expanding the role of finance in the market for corporate control in the UK weakened the capacity of those firms that stood to lose from this process to mobilize in opposition to these reforms (Callaghan 2015, 15). Other scholarship has examined large samples of advocacy documents to investigate the relative alignment between the financial industry and the rest of the business community that mobilize on financial regulatory issues (Young and Pagliari 2017). The central finding of such analysis has been that preference alignment is not only high when it comes to financial regulation, but that it is higher than for any other regulated sector.

Thus, when NFCs mobilization over financial regulatory issues occurs, we have good reason to assume that this activity is aligned with the preferences of the financial industry. Additional data bears this out. Figure 2 shows the position of non-financial business groups and non-business groups on more than 400 financial bills presented within Congress between 2009 and 2014. The value on the horizontal axis measures how often a given category of interest group expressed preferences on a specific bill which align with the position expressed by the majority of the financial sector (more precisely, finance, insurance and real estate), while the vertical axis illustrates the extent of this mobilization (number of bills). These data are compiled on the basis of support or opposition positions on specific bills held by groups from different interest group categories; we merely modified this to track alignment with the financial industry. These bill-based data are different from the data we use for the dependent variable in our study, which is based on a broader measure of political activity. Nevertheless, they lend support to the assumption in our subsequent analysis below that NFC mobilization is aligned with financial industry preferences.

Figure 2: Preferences and mobilization of non-financial groups on financial bills³



NFCs are thus not only significant in terms of their mobilization but they are also in very consistent agreement with the financial industry. Despite these regularities, significant variation remains across different firms in their level of political activism around post-crisis US reforms. Some – indeed most – NFCs never become financial activists. What explains how some engage in financial activism, while others do not?

Data

To test our hypotheses, we first identified the population of NFCs that have been active in lobbying Congress and federal financial regulators. Following other studies of political influence over US policymaking, we extracted information concerning the official (i.e. registered) lobbying effort of individual companies on financial issues during this period

³ Data was gathered by aggregating the relative positions – for or against the bill – of organized interest groups among 18 different categories (e.g. ‘Agribusiness’, or ‘Health’) for each of these bills based on lobbying letters sent in response to proposed bills and media reports gathered by Maplight.org. Author elaboration.

from the Centre for Responsive Politics (for a discussion of this data, see Carpenter et al 2020). This entailed compiling lobbying reports for firms that spent more than \$10,000 on lobbying either Congress, the Executive branch of government (e.g. regulatory agencies) or any Federal employee and which firms are required to submit in compliance with the Lobbying Disclosure Act (LDA). These reports include detailed information including the lobbying expenditure amount, the government agencies and institutions contacted, and the issues that were lobbied. They do not contain the level of specificity on specific bills or regulatory proposals, at least not in a consistent way because the LDA does not require such specificity. They do require information to be provided on the area that is being lobbied – e.g. energy policy, or banking, or healthcare, etc. The use of such LDA data has a large precedent in studies of firm-level political activity as well as other indicators of corporate political agency (see Kim 2017; Heerwig and Murray 2018; Ansolabehere et al 2002).

We constructed two dependent variables from these LDA data, both of which are meant to capture variance in NFC financial regulatory activism. The first a simple binary indicator of whether or not an NFC engaged in financial policy lobbying. The second is the amount of dollars spent by each firm on financial policy lobbying. We collected these data for each year, 2008-2014, inclusive. This period includes the core of the legislative activities within the US Congress concerning the design of the “Dodd–Frank Wall Street Reform and Consumer Protection Act”. In order to capture the lobbying activities directed specifically towards the regulation of financial markets, we limited our analysis to lobbying reports which identified the lobbying activity as directed toward two categories: 1) banking and 2) financial institutions, investment and securities.⁴

⁴ Since lobbying expenses are aggregated at the level of the individual lobbying disclosure statement, for each report we took the total amount spent and divided it by the number of issues that this firm engaged with, leaving us with a ‘dollars spent per issue’ value for each lobbying disclosure statement. Such a calculation is premised on the assumption that firms who hire inside lobbyist or conduct their own lobbying activity spread the allocation of their energies evenly across issues when they engage with more than one issue.

Importantly, our data captures both firms that engaged in financial activism and those that did not, and we know overall levels of political activity of each of the firms in our data as this is an important factor in conditioning any model of financial activism. To make the data management process possible we limited our analysis to the firms that have been most politically active in the period 2008-2014 (not just in finance). This analysis delivered quality data on a total of 1226 NFCs lobbying Congress during this period. Of these firms, the majority of them (76%) never engaged in financial activism at all. Thus only a minority of NFCs engaged in financial activism, and our data already consists of a subset of politically active firms. Our data is longitudinal, and thus some firms may have engaged in financial activism in only one year, while others may have engaged in all 7 years (2008-2015 inclusive). Approximately 6% engaged in financial activism once, while 1.8% engaged in all seven years. Of the firms NFCs that engaged in financial activism at all, the majority of them (75%) did so in multiple years. More detailed data on the frequency of financial activism among NFCs is provided in Appendix A1.

We collected a variety of firm-level balance sheet indicators in order to assess the first set of hypotheses related to the ‘internal’ financialization of NFCs. The extensive balance sheet information required for our analysis was made possible through the use of Bureau van Dijk’s *Orbis* database, which contains comprehensive information of over 100 million public and private companies worldwide, including the vast majority of NFCs headquartered in the US. The variable `TOTAL DEBT TO FINANCE` captures the long-term and short-term financial debts to credit institutions, including loans and credits. The variable `FINANCIAL LEVERAGE` measures the company’s financial leverage and the extent to which its operations are funded by lenders versus shareholders. While these two variables capture the stock of debt on the balance sheet of non-financial firms, the variable `INTEREST ON DEBT` captures their capacity to service this debt by measuring the interest

paid annually by non-financial companies for shares or loans as a proportion of their earnings. The variable `ASSET FINANCIALIZATION` allows us to test the “profit financialization” (H1b) hypothesis variant, as it measures the share of the assets in the balance sheet of non-financial firms held in cash and cash equivalent liquid assets, or in short term investment (Davis 2013, 2016; Lin 2013). Alvarez (2015) uses a different measure of NFC financial profits, measured by gross operating surplus/value added minus the rate of investment (gross fixed capital formation/value added). We did not use this method due to data availability for our set of firms.

In order to capture how NFCs are actively involved in financial activities themselves through corporate structure, we collected information regarding the number of subsidiaries within the corporate hierarchies of the NFCs in our sample. Those subsidiaries whose activities are identified within Orbis as being financial in nature, based on standard industry classifications, thus gave us systematic information about how involved in financial services activities a given NFC is. The variable `NUMBER OF FINANCIAL SUBSIDIARIES` counts the number of financial subsidiaries owned by the NFC. Some literature has emphasized the internal transformation of NFCs has been to engage in practices such as larger dividend payouts and market manipulation such as stock buybacks (Palladino 2021; L. E. Davis 2013; Milberg 2009; Dobbin and Jung 2010; Orhangazi 2008). The variable `DIVIDENDS AND STOCK REPURCHASES` calculates the share of earnings that firms directed towards shareholders in the form of dividend payments or share buy-backs. It is important to emphasize that there are some warranted measures of NFC financialization that we do not include, simply because of data availability. For example, some studies focus on derivatives use (Baines 2017), and others related to an assemblage of institutional practices that Besedovsky (2018) calls “financialization as calculative practice.”

In order to evaluate H2 and thus the explanation that NFC financial activism may be driven by ‘external’ financial pressures, we devised different variables to capture the extent to which financial firms will be under the direct and indirect influence of financial actors through their ownership and governance structure. Specifically, we generated lists of the largest 50 disclosed shareholders for each firm, ascertaining the percentage of ownership of each of these shareholders. The variable `NUMBER FINANCIAL SHAREHOLDERS` assesses how many of these owners are financial firms – such as banks, private equity firms, and other

financial companies, while the variable `TOTAL SHARE FINANCIAL SHAREHOLDERS` calculate the percentage by which financial firms quite literally own the firms in our sample. We also generated an indicator `TOP SHAREHOLDER FINANCIAL` which assesses whether or not the largest shareholder is a financial firm.⁵

The other variable used to assess the ‘external’ control of finance involves network data. For the NFC firms in our sample, we generated from the Orbis dataset a list of more than 1,200,000 unique individuals associated with these firms, in both board and senior managerial positions. We cross-listed this list with individuals in similar positions within the collection of the largest financial firms in the US (almost 500,000 individuals) and for individuals associated with other firms and associations that have been lobbying over financial regulatory issues. These extensive firm-level data provide us with valuable information about the direct ties that exist between corporate elites within NFCs and financial firms. Like all corporate network data, ours are not without imperfections (E. Heemskerk et al. 2018). Thus, in order to limit the possibility of false positives as a result of a firm record not being updated, we have limited our analysis only to those observations where the individual was recorded as having joined the firm before the observation year and where the presence of the individual on the company was validated in a date following the observation year. Additionally, in order to avoid “administrative ties” that may exist only on paper for administrative, financial or fiscal reasons (E. M. Heemskerk, Fennema, and Carroll 2016), we included only those individuals listed within Orbis as occupying a Board of Directors or Senior Manager position.

These relational data thus reconstruct a series of ties across firms that are mediated by personnel ties. These network data were then used to construct a network ‘closeness’ variable between firms, based on the simple network distance from a given NFC in our data and other classes of firms. Such measures of minimal path (or “geodesic”) distance have been an established method within earlier network sociology (Laumann and Pappi 1973; Alba and Kadushin 1976), and have been used in applications to regulatory lobbying through a similar ‘social proximity’ measure used recently in Young, Marple and Heilman (2017). Our measure is standardized to 1, such that a direct tie is the maximum possible ‘closeness’ between an NFC and some other firm (whether a financial firm, a financial firm that engaged in financial activism, or a non-financial firm that engaged in financial activism).

⁵ We do acknowledge the potential limitations in this approach, based on the fact that who holds the largest block of stock will not necessarily exercise active control over firms, while NFCs may be under the control of banks who own only negligible fraction of that firm such as in the famous case of J.P. Morgan & Co. and US Steel (Mizruchi and Bunting 1981).

For the `TIES TO FINANCE` variable, we measured the geodesic distance from a given NFC to the closest financial firm. In order to evaluate H3 we measured the geodesic distance not to financial firms per se, but to other firms that engaged in financial activism, which we did for any firms that had engaged in financial activism, for financial firms that did so, and any NFC that engaged in financial activism. These variables utilize both the relational data about inter-corporate ties described below, but also the LDA data indicating whether or not a given ‘node’ (i.e. firm) in the network has engaged in financial activism or not.

To measure the potential influence of business associations, we used data from Chalmers and Young (2020) which included membership lists from a wide variety of non-business associations active on financial regulatory reform during this period as well as financial sector associations, both international and US-based. The financial industry associations include national US-based groups such as the Consumer Banking Association and the Financial Services Roundtable, as well as international associations such as the International Swaps and Derivatives Association and the Institute for International Finance, and several EU financial industry associations. It is important to note that inclusion of this business association link in our models prevents a clean separation between H1 and H3, because for many NFCs the reason for them being in a financial association may be because of their highly financialized operations, usually through one of their financial subsidiary wings. For example, both GE and BP are members of the Institute of International Finance, and both have significant financial operations that many would consider part of the broader NFC financialization process.

We also included a range of variables related to the political orientations of each firm. It is possible that NFCs might see intrusive financial regulation as a slippery slope to further regulation at the time, and thus engage in financial activism through a kind of motivated ideological defense. If this were the case then we might expect NFC financial activism to be conditional on the political alignment/ideology of the firm in question, with more right-leaning firms more likely to adhere to such a slippery slope logic. Bonica (2014) provides a means by which to assess the ideological orientations of firms, based on the political campaign contributions of large US firms (see Bonica 2016). What makes Bonica’s data (2017) appealing from the perspective of the present study is that it uses not firm-level campaign contribution data, but rather the more granular contributions of the senior executives of these firms. In this way, Bonica’s data is in alignment with the social network data that we use in that it envisions firms as organizational vehicles for potentially diverse ideological positions, rather than as completely coherent wholes. Another appealing feature of Bonica’s data is that it uses a

validated form of multidimensional scaling to reduce all firm-level political activity to a continuum of positions, rather than just e.g. counting up donations to Democrats or Republicans. Bonica's data provides two variables useful for our analysis: *FIRM IDEOLOGY* is the ideology ('CF') score used in Bonica (2016), with higher scores indicating more right-leaning positions. *ELITE POLITICAL ACTIVITY* is the total of all political donations by senior executives over a given year.

The use of Bonica's data allows us to assess whether or not the selection of firms in our data is significantly different from the larger universe of Fortune 500 companies over the same time period in key respects. As we detail in Appendix Figures A1 and A2, it is not. One final way in which corporate embeddedness may matter is through its centrality in the network. Extant research (Banerjee and Burroway 2015) has used Bonacich centrality (Bonacich 1992), which has a mean of 1 and weights firm connections more if they are linked to firms that are themselves more connected. We replicate this method using the board and CEO interlocks taken from Bonica (2016), after reducing the network to the largest connected component. Each of the focal explanatory variables are summarized in Table 1 below, in relation to the hypotheses they relate to.

Table 1: List of Hypotheses, Associated Explanatory Variables, Measures and Data Sources

		VARIABLE NAME	VARIABLE DESCRIPTION AND DATA SOURCES
HYPOTHESIS 1: INTERNAL BALANCE SHEETS	H1A: FINANCIAL DEPENDENCE	TOTAL DEBT TO FINANCE	$(\text{LONG-TERM DEBT} + \text{LOANS}) / \text{TOTAL ASSETS}$. Data is from Orbis. LONG-TERM DEBT = long term financial debts to credit institutions (loans and credits) LOANS = short term financial debts to credit institutions (loans and credits), plus part of long-term financial debts payable within the year TOTAL ASSETS = Fixed Assets (Total amount (after depreciation) of non-current intangible assets, tangible assets and other fixed assets)) and Current Assets (Total amount of current assets such as Stocks, Debtors and other current assets).
		INTEREST ON DEBT	$\text{INTEREST PAID} / \text{EBITDA}$. Data is from Orbis. INTEREST PAID = total amount of interest charges paid for shares or loans EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization
		FINANCIAL LEVERAGE	$(\text{CURRENT LIABILITIES} + \text{NON-CURRENT LIABILITIES}) / \text{SHAREHOLDER FUNDS}$. Data is from Orbis. CURRENT LIABILITIES = 1) short term financial debts to credit institutions (loans and credits), 2) part of long term financial debts payable within the year, 3) all debts to suppliers and contractors (trade creditors), as well as 4) all current liabilities not payable to financial institutions nor trade debts such as pension, personnel costs, taxes, intragroup debts, etc. NON-CURRENT LIABILITIES = all of 1) long term financial debts to credit institutions (loans and credits), and all long term liabilities not related to financial institutions but to taxes, group companies, pension loans, etc. SHAREHOLDER FUNDS = issued share capital, as well as other shareholder funds such as reserve capital and undistributed profit.
	H1B: PROFIT FINANCIALIZATION	NUMBER OF FINANCIAL SUBSIDIARIES	Total number of subsidiaries in the corporate group listed as financial entities. Data is from Orbis. This variable includes the companies listed by Orbis as belonging to one of these categories: 1) Financial company, 2) Mutual & Pension Fund/Nominee/Trust/Trustee, 3) Bank, 4) Hedge funds, 5) Private Equity firms, 6) Venture capital, 7) Insurance company
		DIVIDENDS AND STOCK REPURCHASES	$\text{TOTAL.CASH.DIVIDENDS.PAID} + \text{REPURCHASE.RETIREMENT.OF.COMMON}$ / EBITDA. Data is from Orbis.
HYPOTHESIS 2: EXTERNAL FINANCIAL TIES		TOTAL SHARE FINANCIAL SHAREHOLDER	Sum of the total revealed ownership stake of shareholders listed as financial entities. Data is from Orbis. Financial shareholders are defined as those entities belonging to one of these categories within Orbis: 1) Financial company, 2) Mutual & Pension Fund/Nominee/Trust/Trustee, 3) Bank, 4) Hedge funds, 5) Private Equity firms, 6) Venture capital, 7) Insurance company
		TIES TO FINANCE	Inverse of number of minimal network 'hops' from a given NFC to financial firms, with 1 being closest, 0 being unconnected, etc. Data is calculated from Orbis board and senior executive ties
HYPOTHESIS 3: CORPORATE EMBEDDEDNESS		TIES TO OTHER FINANCIAL ACTIVISTS	Inverse of number of minimal network 'hops' from a given NFC to other NFC firms that lobbied on financial regulatory issues, with 1 being closest, 0 being unconnected, etc. Data is calculated from Orbis board and senior executive ties
		MEMBERSHIP IN BUSINESS ASSOCIATIONS	Dummy variable indicating whether (1) or not (0) a given NFC is a member of a financial industry association that engaged in financial activism. Data is calculated from Chalmers and Young (2020) dataset and other US associations that were not included in those data but are also relevant, such as the Business Roundtable and Financial Services Roundtable.
		FIRM IDEOLOGY	CFscore of firm ideology, based on multidimensional scaling of political donations from executives of firms. See Bonica (2014, 2016, 2017). We take the mean values for each firm for each year, under the assumption that the underlying political activity (donation to candidates) is directed at the following year, i.e. is an upcoming event.
		ELITE POLITICAL ACTIVITY	Mean level of political donations from firm, measured by individual political donations of the executives of each firm. We take the mean values for each firm for each year, under the assumption that the underlying political activity (donation to candidates) is directed at the following year, i.e. is an upcoming event.
		CORPORATE EMBEDDEDNESS	Bonacich (1982) centrality scores, from network generated from Bonica (2016) data composed of board members and CEOs of Fortune 500 companies in 2012.

We also sought to condition our analysis on factors that might affect lobbying effort or ability. Firm size is likely to affect both. Lobbying at the federal level in the US is dominated by the very largest firms in the country (Kerr, Lincoln, and Mishra 2014). All our NFCs are very large, as they are drawn from the largest firms in the US ranked by total assets. However the distribution of firm size in economies like the US resembles a power distribution; a few firms generally dwarf the others, while there are a few contenders in-

between, even when reducing dispersion by taking the natural log of total assets. As such we control for firm size in all regressions. Because standard measures of firm size sometimes produced high variance inflation (in particular when combined with our control for total lobbying activity), we divided all firms into size quintiles and took the top quintile to indicate a ‘very large firm’.

Because financial activism is our dependent variable and this may be the product of *general* lobbying behavior, this is an important factor to condition on as well, since some NFCs may be more accustomed to the lobbying game in general than others. For this reason, we generated the control variable `LOBBYPROPENSITY`, which represents a count of all the lobbying reports submitted on *non-financial issues* over a given period.⁶ Including this variable thus means that our results are not simply picking up the tendency for some NFCs to simply lobby more in general.

We also included a set of dummy variables that control for the sectoral location of the firms in our sample. Other things being equal, retail firms for example may have a different propensity to engage in financial sector lobbying than, for example, energy firms. We developed two different sectoral categories, both of which differentiate between different kinds of firms to ensure that we aren’t picking up an entirely sectoral effect. The first set, of 17 different sectoral categories, are based on the NAICS classification of the major sector for each firm. The second set is based on a more restrained set of 11 categories. Details of each category are included in Appendix Table A1, with summary statistics of all other variables used in Appendix Table A2

Analysis

Because of the large range of explanatory variables and the range of hypotheses described above, we approach our analysis from the perspective of first narrowing down the relevant range of variables in the first step, and then further honing in on the robustness of any associations through an iterative process, since there is no guidance from existing literature with respect to how such models explaining NFC activism should be specified. In addition, any modelling choice involving most or all variables at the same time is faced with the problem of missing data for several variables (see Appendix Table A2 for a glimpse into

⁶ We also generated an alternative measure of the same propensity for general lobbying, `TOTALLOBBYSPENDING` which represents the total amount of money spent on non-financial lobbying for that period. The results, not reported here, are nearly identical.

the variation of coverage across explanatory variables).⁷ This generates a low number of observations when ‘fuller’ models are constructed. Specifying a ‘full’ model which contains all of the variables listed above yields a total of 413 observations, which potentially distorts our ability to draw conclusions, especially because of the need for year and sectoral fixed effects.

We first specified four logistic regression models whereby the outcome of interest is the presence of NFC financial activism. We include all explanatory variables described above, in addition to the control variables mentioned. Table 2 below displays our results, which are lined up with each associated hypothesis listed in Table 1 above. We account for firm-level standard error clustering and also include both year and sector-level fixed effects via dummy variables, the results of which are omitted because of irrelevance.

Table 2: Logistic Regression Results for Five Different Models

Explanatory Concept	Variable	(1)	(2)	(3)	(4)	(5)
<i>Internal Balance Sheet Conditions</i>	Total Debt to Finance	0.03 (0.79)	-0.22 (1.08)	0.30 (1.28)	0.24 (1.08)	0.59 (1.09)
	Interest on Debt (ln)	-0.38 (0.78)	0.91 (1.42)	-1.39 (2.05)	-1.24 (1.45)	-1.29 (1.49)
	Financial Leverage (ln)	0.17* (0.10)	0.10 (0.15)	0.28* (0.17)	0.26 (0.16)	0.28* (0.16)
	Share Buyback Activity			-0.06 (0.15)		
	Nr Financial Subsidiaries				0.00 (0.01)	
<i>External Financial Ties</i>	Total Share Financial Shareholders					-0.00 (0.01)
	Closeness to Financial Firms	-0.01 (0.27)	-0.03 (0.37)	0.18 (0.38)	-0.33 (0.38)	-0.19 (0.41)
	Business Association	0.98*** (0.33)	1.46*** (0.45)	0.58 (0.45)	0.71** (0.33)	0.77** (0.31)
<i>Corporate Embeddedness Conditions</i>	Closeness to other Financial Activists	0.93*** (0.24)	0.84** (0.33)	0.59* (0.32)	0.80*** (0.30)	0.86** (0.33)
	Firm Ideology		0.37** (0.17)			
	Elite Political Activity		-0.05 (0.11)			
	Corporate Embeddedness		0.07 (0.11)			
<i>Control Variables</i>	Financial Activism in Previous Year	3.49*** (0.20)	2.81*** (0.25)	3.21*** (0.27)	2.94*** (0.24)	2.96*** (0.25)
	Very large firm	0.26 (0.20)	0.60** (0.23)	0.43* (0.23)	0.15 (0.24)	0.15 (0.24)
	Lobbying Propensity	0.02*** (0.00)	0.02*** (0.01)	0.03*** (0.01)	0.02*** (0.01)	0.02*** (0.01)
	Constant	-4.38*** (0.36)	-3.93*** (1.06)	-4.44*** (0.49)	-3.61*** (0.48)	-3.77*** (0.62)
	Observations	2404	977	1242	983	931
	Pseudo R ²	0.457	0.394	0.429	0.393	0.401
	BIC	1509.68	915.24	965.58	916.16	866.36

Notes: Robust standard errors in parentheses, * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

⁷ Utilizing imputation techniques for filling these gaps does not seem sensible both for the large numbers of missing data and because of the unknown properties needed for such imputation.

Due to the varying availability of data for some variables, different model specifications reduce the total number of observations considerably. Models 3, 5 and 5 introduce the share buyback, financial subsidiaries and financial shareholder variables successively. We do this out of an abundance of caution since doing so reduces the number of observations considerably.

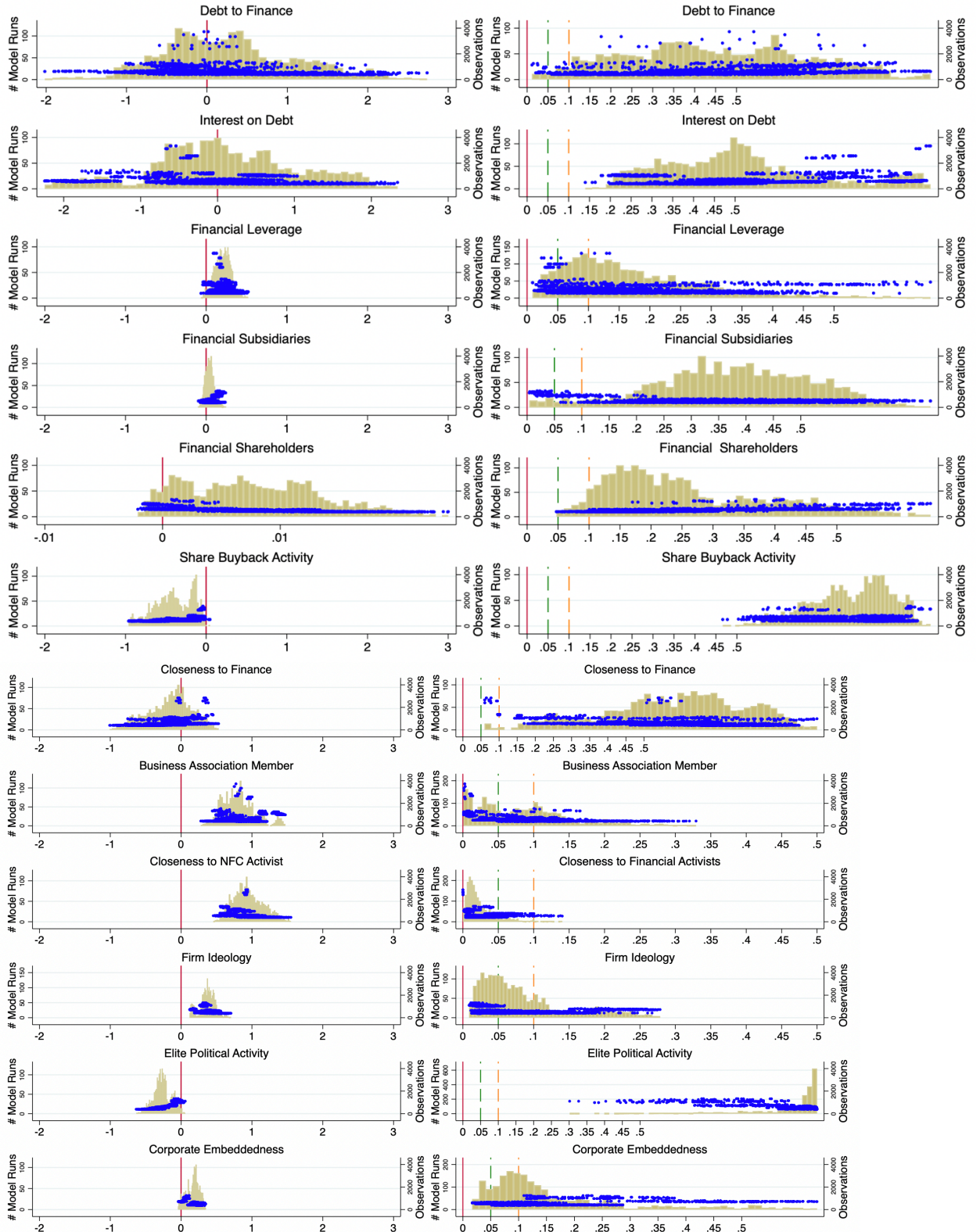
Three variables are statistically significant and in the expected direction, relatively consistently across models. These are all related to ‘embeddedness’ explanations described above. The closeness to financial activists variable is significant in all models, and the business association variable in 3 out of 5.

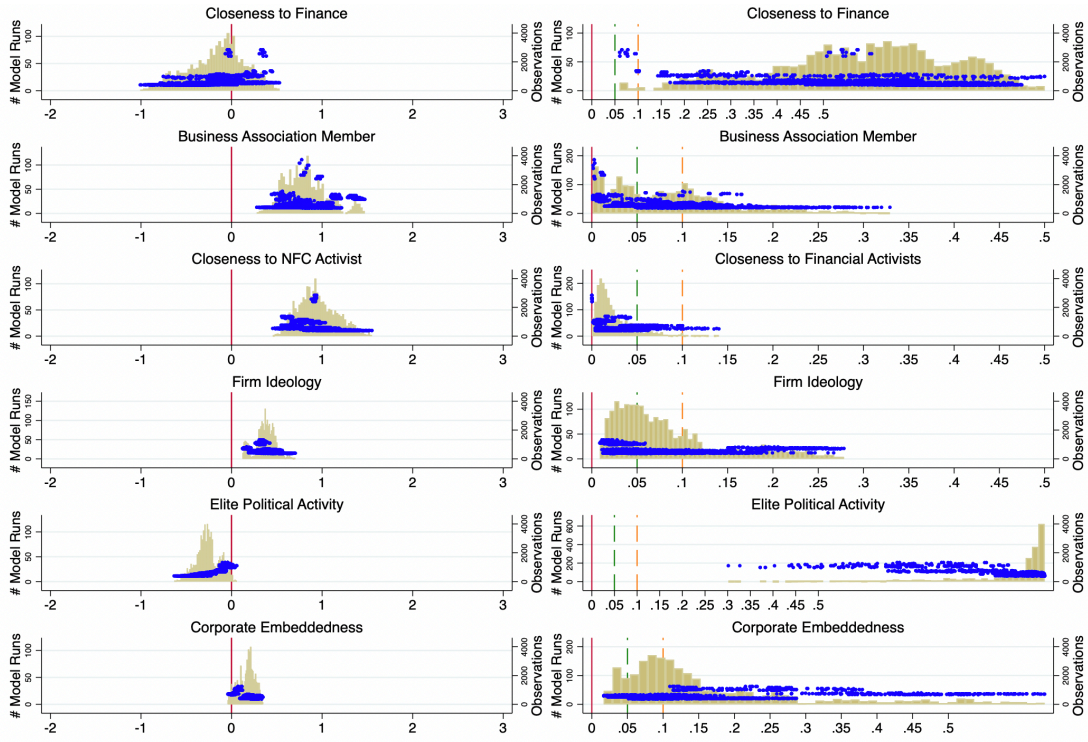
None of the variables capturing external or internal ties to the financial industry bear any significant results in these models. There is some uncertainty, however, about model dependence of these results, as in each case models are associated with different numbers of observations. Financial leverage, for example, which is used as a balance sheet indicator of ‘internal’ financialization of NFCs, is significant in 3 out of 5 models. While the financial shareholders variable (see Model 4) is not statistically significant, there is some uncertainty with respect to this null finding given the sample restriction.

Because of the aforementioned issues with data and variation in modelling specifications, we pursued an additional step to explore results across *a range of* modelling choices. Global search regression involves assessing every possible combination of models possible given the number of variables. It is used here both as an inductive method of model reduction and as an additional test of the robustness of the associations found above. The central idea is to assess the variation of findings that are logically possible, given many different alternative model specifications. This method is used when there is high uncertainty about which control variables one should use, and/or model specifications are not well established in existing scholarship. After specifying some constraints (such as control variables that need to be included in all models), all possible models are specified and run, with the *distribution* of results across models being the central outcome of interest (see Gluzmann and Panigo 2015; Sala-i-Martin 1997; Lindsey and Sheather 2010). It is appropriate for the use of panel data such as ours, and it provides a full dataset with outcome statistics for each alternative model run. The range of outcomes can then be represented along a *distribution*, representing each possible different combination of models, in order to observe sensitivity to modelling choice. In each model run, we include the battery of control variables, as well as sector and year fixed effects dummies, which do not vary across model runs, and each model run also adjusts for firm-level clustered

standard errors. The results of this process, involving the running of 4096 different regression models, is reported in Figure 3 below.

Figure 3: Range of Evaluative Statistics for 4096 different logit regressions, with distribution of Beta values (left column) and p-values (right column)





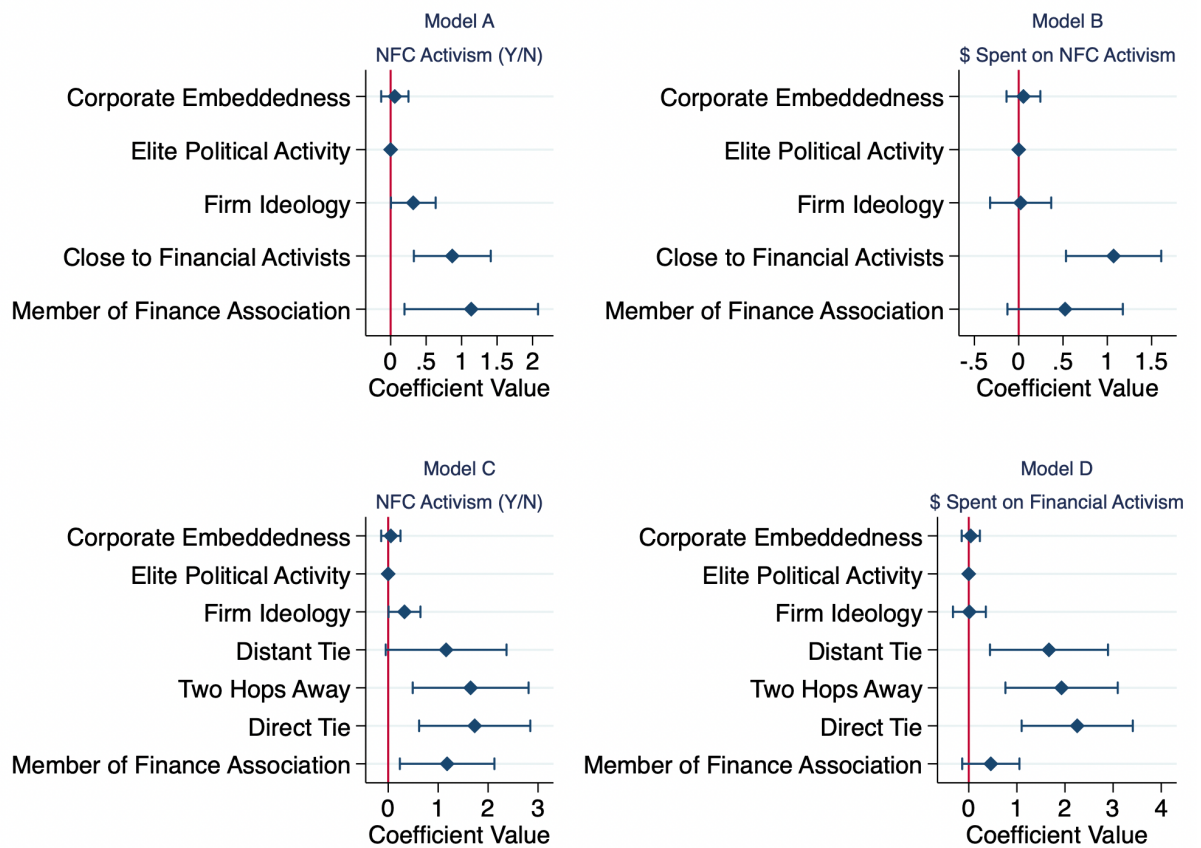
The X-axis of these figures plots the value of the Beta (left column) or p-value (right column) result corresponding to each model run. On the left Y-axis of each column, we plot the number of model runs that a given value range performed, through a 50-binned histogram, showing the distributions of models with a particular Beta or p-value. Because each model run is associated with a different number of observations, on the right Y-axis we plot the number of observations per model run, via blue dots (a small jitter was added to facilitate interpretation here, given overlapping values). The visual shorthand here is that a distribution of Betas that are all to the right of the red line indicates a consistently positive effect magnitude, and distributions fully to the left indicate a negative effect magnitude. The visualization of p-values are represented with green and orange dotted lines, which show critical values of .05 and .10, respectively.

These results suggest further evidence in support of the ‘embeddedness’ explanation and its associated hypotheses. The Closeness to other Financial Activists variable stands out as positive and highly statistically significant in the vast majority of models. The same is true of both the business association and firm ideology variables, although there is a wider range of p-values across both. Corporate embeddedness is also consistently positive and at very low p-values indicating statistical significance, although generally for models with fewer observations. Each are statistically significant across the vast majority of model specifications, and in particular in those models that make use of more observations. What

is perhaps most striking about these findings are the many variables, associated with internal and external explanations, that offer such a range of results across models that they can be disregarded as credible.

We then specified much simpler models that include all of the range of controls, year fixed-effects and firm-level standard error clustering as mentioned above, but we only include the focal variables associated with the embeddedness explanation. We varied two features per model, in a 2x2 configuration, with each result plotted via a coefficients plot, showing the odds ratio point estimate and 95% confidence intervals, in Figure 4. For the graphs on the left, we measure the dependent variable as a dollar count of money spent on financial activism within a given year, which was modelled through a negative binomial regression model because of the inflated number of zeros. For the graphs on the right the dependent variable is binary and regressions are modelled via a logit. The rows correspond to a variation on the closeness to financial activists variable, a different way of measuring that variable. To explore the functional form of the closeness to NFC activists variable, we transformed this variable to three different threshold levels – a direct tie, ‘two hops away’ (indirect tie through one other firm), ‘distant’ (more than two hops away), and ‘unconnected’ (not in the same network).

Figure 4: Coefficient Plot Results of Different Regression Models (Control Variables Omitted)



These results are interesting for two reasons. First, they are notably consistent in terms of the relevance of social ties to financial activists, no matter how this is measured or how the dependent variable is measured. In the bottom row, we can even observe that the progression of ties corresponds to the expectation of the underlying relationship being hypothesized. The predicted odds of an NFC engaging in financial activism is higher when there is a direct tie, rather than an indirect tie, for example. Second, some of these embeddedness variables are significant for the binary dependent variable (whether or not one engages in financial activism or not), but not for the continuous dependent variable (how much money was spent on financial activism).

Overall, these results suggest further support for the notion of firm embeddedness driving financial activism, rather than balance sheet activity or external pressures from the financial industry being the cause. These results are both striking for their consistency but also because they challenge what we might very reasonably otherwise expect from existing scholarship. Financialization might ‘do’ something to individual firms’ activism behavior

in individual cases, but if it shifted their financial activism at the margin, we should be able to observe this in our results; and yet we do not. Despite the fact that NFCs often emerge as important strategic allies of the financial industry during financial regulatory battles (Pagliari and Young 2014; Baines 2017), it does not appear that such allegiance is a function of firm-level ‘balance sheet’ financialization of NFCs. While this mechanism is certainly plausible, it is not supported by the evidence we have brought to bear here. Nor do ‘external’ factors such as financial firms, either in terms of ownership ties or elite network ties, seem to explain why some NFCs become financial activists while others do not.

Conclusion

Financialization is now widely recognized as an important macrostructural force shaping the economy and its governance. Indeed, a significant body of scholarship has highlighted the increasing centrality of financial actors and motives in the political economy of the US and other industrialized economies, and we know more and more about how financialization affects non-financial corporations’ (NFC) behavior. Likewise, there is a growing body of evidence that NFCs can act as important allies with the financial industry when it faces regulatory change. Yet the precise implications of financialization over the political behavior of non-financial corporations (NFCs) are still largely unexplored. How does financialization inform the political mobilization of the rest of the business community? While some scholarship has suggested that financialization may serve to weaken opposition (Callaghan 2015; K. Young and Pagliari 2017), it remains an open question of whether or not the various manifestations of financialization are informing the political agency of NFCs. Only a small fraction of NFCs engage in financial activism, but their role in an aligned position with the financial industry can be important.

In this article we assessed the mobilization of NFCs in response to financial regulatory reforms around the period of the global financial crisis in the United States, a most likely case setting for financial forces to shape corporate political strategies given the significant level of both financialization and significant policy reform during this period. Our analysis adds to the recent scholarship that utilizes firm-level data to examine NFC activity in light of financialization trends (Tori and Onaran 2020; Alvarez 2015; Davis 2018a; Davis 2018b; Davis 2016). However our findings provide a mixed result for this literature, in that we find evidence that discounts a range of otherwise plausible explanations for NFC financial activism. Some recent interventions have begun to empirically challenge how comprehensive the financialization of NFCs actually is (Fiebiger 2016; Rabinovich 2019), and while our aim has been neither to challenge or support these recent interventions, we

have found a dearth of evidence that financialization is affecting firm-level political agency of NFCs in ways that seem otherwise plausible. Balance sheet indicators of financialization do not perform well as predictors of NFC financial activism, save for the singular factor of financial leverage. Meanwhile indicators of potential external control by the financial industry over NFCs – from ownership relationships to elite network ties to finance – are completely unreliable predictors. Of course, our data is not perfect and we cannot completely discount this array of explanations since our data does not cover every possible variant how NFC financialization might be measured. Our analysis also is based primarily on differences across firms over a short period of and thus cannot incorporate large historical shifts in the nature of NFC political agency.

Our central finding is that explanations based on firms' 'embeddedness' in broader corporate are the most consistent with the available evidence. Our findings cohere well with the recent scholarship on the political agency of firms that suggest that relationships *within* the business community strongly condition firm political activity (see Bannerjee and Burroway 2015; Heerwig and Murray 2018; Murray 2017; Murray 2014). This is of course linked its own set of broader questions – which actors exercise political power in a given national configuration and how that power is concretely exercised (Amable et al 2019), but follows from the work suggesting that political power under any growth regime – is linked to dominant corporations and its associated nexus of policymaking elites (Bohle and Regan 2021). In this context we might recall Mill's (1956, 125) claim that rejected the importance of financial industry power but rather pointed to broader array of interests within the corporate form itself that held the key to understanding economic power. This same literature holds that, paradoxically, the importance of the financial industry within corporate networks has declined precisely because of financialization (see Mizruchi 2013; Davis and Mizruchi 1999; Chu and Davis 2015; Heerwig and Murray 2018), and as a result finance no longer acts as a centrifugal force in forging corporate community. Yet while such scholarship tends to be focused on broad political alignment and class-wide agency, our findings suggest that, finance may play also a surprisingly small role in forging its own allies. Further analysis is needed to probe the causal nature of these relationship and to investigate the mechanisms through which the position of financial firms in corporate networks influence the lobbying of NFCs. However, our evidence suggests promise from the mechanism of links to business associations, and especially board ties to other firms that are politically engaged.

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Appendix

Table A1: Firms in Sample Across Years and % That Were Financial Activists in a Given Year

NFC Firms in sample	No. Years in which Financial Activism Took Place	Of Financial Activists
933	0	N/A
73	1	24.91%
68	2	23.21%
49	3	16.72%
27	4	9.22%
24	5	8.19%
30	6	10.24%
22	7	7.51%

Table A2: Sectoral Categories

Extended Sectoral Categories	Simpler Sectoral Categories
<i>17 Categories, Based on NAICs codes</i>	<i>11 Categories, Recoded by Author</i>
Chemicals, rubber, plastics, non-metallic products	Manufacturing
Construction	Construction
Education, Health	Education, Health
Food, beverages, tobacco	Manufacturing
Gas, Water, Electricity	Gas, Water, Electricity
Hotels & restaurants	Primary
Machinery, equipment, furniture, recycling	Manufacturing
Metals & metal products	Manufacturing
Other services	Other services
Post & telecommunications	Post & telecommunications
Primary sector	Primary
Public administration & defense	Public administration & defense
Publishing, printing	Publishing, printing
Textiles, wearing apparel, leather	Retail
Transport	Transport
Wholesale & retail trade	Retail
Wood, cork, paper	Primary

Table A3: Summary Statistics (Firm-Year Observations)

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial Activism	6,325	.1454545	.3525864	0	1
Total Debt to Finance	6,245	.2932807	.2129952	0	2.417846
Interest on Debt	5,625	.1509021	.2368658	-3.571984	3.989912
Financial Leverage	5,912	1.049715	.7102717	0	11.21747
Number of Financial Subsidiaries	2,365	14.4444	24.1477	0	248
Total Share of Financial Shareholders	2,078	62.15103	33.26464	0	181.04
Share Buyback Activity	2,512	-.4053684	1.093584	-29.8	29.375
Closeness to Financial Firms	4,723	.6191452	.3544299	0	1
Closeness to Financial Activists	4,723	.5164308	.3473681	0	1
Lagged Financial Activism	5,446	.1520382	.3590909	0	1
Very Large Firm	6,246	.100064	.3001094	0	1
Lobbying Reports	8,665	13.10075	16.37231	0	177
Firm Ideology	2,127	.1877309	.5284349	-1.399665	1.280754
Elite Political Activity	2,132	7.340815	1.006516	3.688879	14.53535
Corporate Embeddedness	2,131	-.2096212	.970412	-4.095314	2.866045

Figure A1: Histogram Comparison of Firm Ideology ('CF') Scores, for firms in our sample and those not in our sample

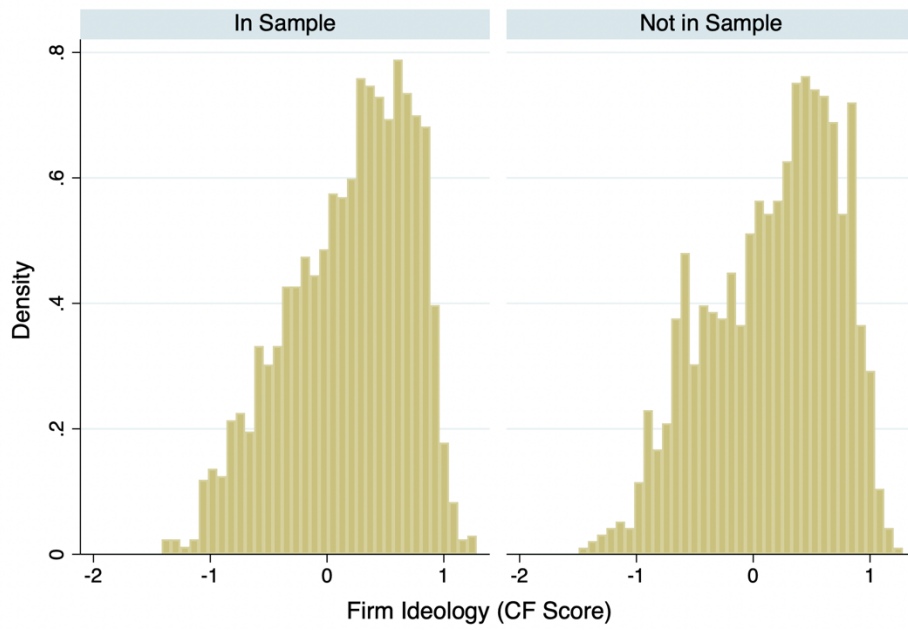


Figure A 2: Boxplot Distribution Comparison of Executive Political Activity (mean executive donations), for firms in our sample and those not in our sample. Outliers omitted.

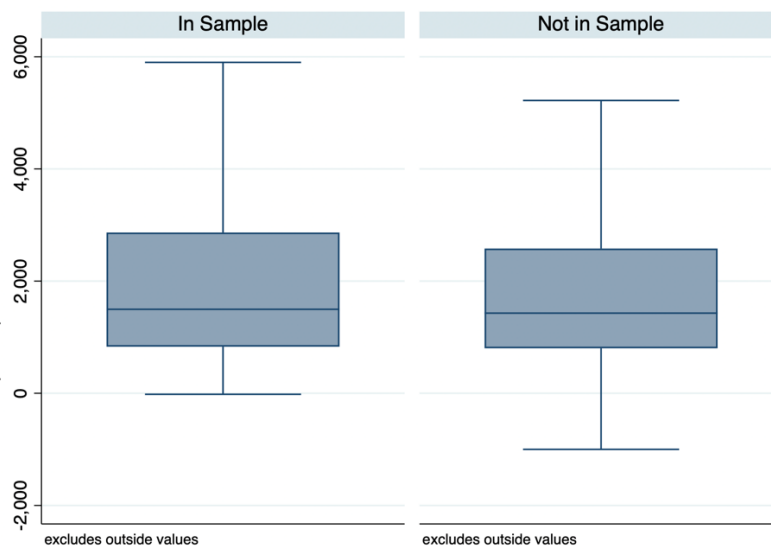


Figure A3: Relationship Between Firm Ideology and Elite Political Activity

