

When Big Business Loses (?) : The Political Economy of Regulation in the Context of Noisy Politics

Oscar Dumas Hyung Won Kim Nikolaos Vichos

Overview of Presentation

- 1** Introduction
- 2** Theoretical Framework and Important Concepts: Noisy Politics
- 3** Side-By-Side: Paper Summaries and Critical Discussion
- 4** Synthesis: What Unites the Two Papers?
- 5** Contextualization: Noisy Politics and the Political Economy of Regulation
- 6** Conclusion and Discussion

Introduction

Texts and Research Focus

Massoc (2019) : “Taxing Stock Transfers in the First Golden Age of Financial Capitalism: Political Salience and the Limits on the Power of Finance”

- Why did powerful financial actors fail to prevent the adoption of stock-transfer taxes in France and New York?
- **Focus:** how public discontent + political framing raised salience and undermined “quiet politics.”

Feldmann and Morgan (2021) : “Brexit and British Business Elites: Business Power and Noisy Politics”

- Under what conditions can business elites be effective in a context of noisy politics, and why did their influence differ between 1975 and 2016?
- **Focus:** how incentives, legitimacy, and cohesion shape business influence in high-politicization referendum campaigns.

What brings these papers together?

Both papers examine how political visibility and public contestation reshape business/financial influence

- Massoc (2019) shows how politicization of a tax issue enabled politicians to override strong financial lobbying.
- Feldmann and Morgan (2021) analyze how changing political conditions over time affect business effectiveness in high-visibility referendum campaigns.

Common Question

- *Under what conditions do business actors struggle to assert influence?*

Theoretical Framework and Important Concepts: Noisy Politics

Culpepper's Framework: Quiet vs. Noisy Politics

Core hypothesis: The more the public cares about an issue, the less business can exercise influence over regulation. Business power decreases as political salience increases (Culpepper 2021).

Quiet Politics	Noisy Politics
Issues are technically complex and low in public salience. Business dominates through expertise monopoly and structural dependence.	Issues become publicly salient and politicized. Media attention and public engagement constrain business influence and organizations become cautious and may avoid public positioning.

- **Three forms of business power:** structural, instrumental, and ideational
- **The challenge:** Business power persists even in noisy politics through technical complexity, strategic network-building, and control of core growth sectors.

Side-By-Side: Paper Summaries and Critical Discussion

Feldmann and Morgan (2021) : Brexit and British Business Elites

The question: When can business elites influence “noisy politics”?
Comparing EU Referenda

Three determinants of business effectiveness:

Factor Incentives	1975 (Won: 67% Yes) Existential threat (alternative economic strategy)	2016 (Lost: 52% Leave) No clear threat; ambiguous stakes
Legitimacy	“Modernization” narrative resonates	Dismissed as “Project fear” + establishment
Cohesion	415/419 chairmen united; 800 firms mobilized	Only 1/3 FTSE 100 sign pro-remain letter

The mechanism

- 1975: Unified business presence in workplaces → counter-framing succeeds

Massoc (2019) : Stock Transfer Tax & Political Salience

The puzzle: Same anti-finance sentiment → Different outcomes.

Why?

1903: Stock transfer tax proposed

- ↓ Public anger: Financial crisis + anti-finance sentiment
- ↓ Finance opposition: Massive
- **Outcome:** Rejected

1905: Stock transfer tax proposed (same tax!)

- ↓ Public anger: Same level
- ↓ Finance opposition: Same level
- Difference: Political champions (Senators Lewis & Raines)
publicly framed issue
- **Outcome:** Passed

The answer: Framing creates salience

It requires political entrepreneurs who:

- Reframe complexity as simple antagonism (“finance vs. people”)
- Have incentive to alienate finance (party positioning)
- Actively publicize the issue (top-down process)
- Same structural conditions; different political choices = different outcomes

Critical review – What actually causes business defeat?

Framing as a cause – Massoc's logic:

- Shows political agency matters
- Same conditions → different framing = different outcomes
- Does not explain why framing succeeds in some contexts not others

Elite fragmentation as a cause – Feldmann & Morgan's logic:

- Shows structural vulnerability enables defeats
- 975 cohesion defeats framing attempts; 2016 fragmentation allows framing to succeed
- Does not explain how fragmentation becomes politically visible

Synthesis: What Brings These Papers Together?

Two Sides of the Business–Politics Struggle

The papers map the conditions that shift the balance in favor of politicians or business.

Two axes of analysis

- “*Anti-Business Offense*” vs “*Business Defense*”
 - Massoc: How can political actors mount an effective anti-business offense?
 - Feldmann and Morgan: When can business can (or cannot) successfully defend itself in noisy politics?
- *Noisy Politics Manicheanism: From New York and France to Brexit*

Anti-Business Offense” vs “Business Defense”

Massoc: Anti-Business Offense

- Offense is politically constructed, not automatic.
- Politicians create salience and frame issues in moral, binary terms.
- Framing channels diffuse public anger into a focused attack on finance.

Feldmann and Morgan: Business Defense

Business defense works only when three conditions align:

- 1 Incentives to engage — business must see existential stakes.
- 2 Legitimacy — messages must be perceived as serving the public, not narrow interests.
- 3 Cohesion — unified signaling increases credibility and influence

Anti-Business Offense” vs “Business Defense”

- Massoc (2019) explains how politicians win by activating the offense whereas Feldmann and Morgan (2021) explain how business can (or cannot) counterattack.
- Offense gains power when issues are moralized, simplified, and made public. Under the same conditions, business loses:
 - Harder to mobilize
 - Less legitimate
 - More divided

In brief

- Massoc describes the conditions for business defeat; Feldmann and Morgan describe the mechanics of business resistance.
- A full political-economy picture emerges only when offense and defense are examined together.

Manicheanism

“Politics is a struggle between good and evil. [...] The Manichean worldview sees the struggle between opposing camps as an inherently moral one.” (Jungkunz, Fahey, and Hino 2021)

Manicheanism in Massoc (2019) and Feldmann and Morgan (2021)

- Massoc (2019)
 - Central to the offense: “Speculators vs. workers”
 - Turns a technical tax into a moral crusade, neutralizing expert arguments.
- Feldmann and Morgan (2021)
 - Not named as “manicheanism,” but structurally identical: Brexit as “the people vs. the establishment.”
 - Business expertise becomes delegitimized (“Project Fear”).
 - Manicheanism collapses the three conditions for effective business defense.

Synthesizing Manicheanism

Manicheanism as the bridge between defense and offense

- Manichean framing empowers anti-business offense
- It simultaneously undermines business defense by:
 - Making business appear self-interested
 - Casting warnings as elite manipulation
 - Punishing technocratic/complex messaging
 - Fragmenting business coalitions

Across contexts separated by a century, Manichean politics reorders power:

- Politicians gain room to attack
- Business loses the capacity to respond

Contextualization: Noisy Politics and the Political Economy of Regulation

The Shift of the “Big Gun”: From Legal Sanctions (Session 5) to Political Strikes (Session 9)

Category	Legal Sanctions: Institutional Ideals	Reality: The Breakdown	Political Strikes: The Shift to Noise
Regulatory Model	Benign Big Gun (Ayres et al. 1995) Strong legal sanctions such as license revocation	Broken Gun Legal power disabled due to 'Too Big to Fail'	Political Big Gun (Massoc 2019; Feldmann and Morgan 2021) Political strike using Public Salience
Regulatory Actor	Organized PIGs (Public Interest Groups)	-	Unorganized Public
Regulatory Mechanism	Institutional deterrence Constant surveillance within the pyramid	Loss of regulator's bargaining power	Non-institutional Explosion External pressure via public mobilization)
Target Behavior	Voluntary Compliance	Evasion or Capture	Coerced Submission
Regulatory Effect	Stable Deterrence + High sustainability	Regulatory Void	Temporary impact (vulnerable to rollback) + High volatility

Who Pulls the Trigger?: Incumbents' Silence (Session 3/4) vs. Underdog's Noise (Session 9)

Why Noise: The engine for Democratic Cycling

- **Incumbents:** Prefer *silence* ("quiet politics") to *maintain structural/instrumental power*
- **Underdog:** Need *noise* ("noisy politics") to mobilize the majority and *challenge established powers*

→ Noisy Politics as a “*safety valve*” for Democracy

The Paradox of the Underdog's Weapon: Safety Valve or Epistemic Chaos

Role of Noise	Safety Valve (McGann 2006)	Epistemic Chaos (Culpepper 2021)
Core Mechanism	Majoritarianism Mobilizing the defeated majority to overturn results	Tribalism Parallel universes believing in alternative facts
Prerequisite Condition	Shared Public Sphere (Consensus on "What is Fact?")	Condition Failed (Facts denied: "Fake News", "Enough of experts")
Outcome	Healthy Democratic Cycling Breaking the incumbent cartel & Ensuring policy responsiveness	Polarized Gridlock & Rupture Paralyzing deliberation & Destructive rupture
Case Application	1905 New York & 1893 France (Massoc 2019) Shared anger over "Wall Street Corruption" (condition met) → Functioned as a Safety Valve	2016 Brexit (Feldmann and Morgan 2021) Economic facts denied (condition failed) Plunged into Epistemic Chaos

The Hollow Shot? Winning the War of Votes, Losing the Battle of Implementation

Depoliticized Complexity (Session 6 & 8) vs. Repoliticized Simplicity (Session 9)

	Incumbents' Shield (Thiemann and Lepoutre 2017)	Underdogs' Spear Feldmann and Morgan (2021)
Weapon	Complexity Technical language & models	Simplification Moral Framing & Manichean Slogans
Goal	Depoliticization Keep regulation in expert domain	Re-politicization Mobilize public anger
Sources	Conceptual & Structural Power	Noisy Politics & Political Salience
Arena of Dominance	Technical Rule-making & Loophole	Public Debate & Voting

The Hollow Shot? Winning the War of Votes, Losing the Battle of Implementation

After the Strike

- **The Shot (Political Win):** Simplification successfully breaks the shield → *Law Passed.*
 - **The Trap (Implementation Gap):** Simple moral language fails to control technical details during implementation.
- **Result:** “The Hollow Shot” → Political Victory ≠ Regulatory Success

Evidence: The Hollow Aftermath

- **The Cunning Recapture:** 1905 New York (Massoc, 2017)
 - The STT laws adopted (1905)
 - “*special arrangements and exemptions*” via *technical lobbying*
 - *Regulatory Failure* (tax revenues declined)
- **The Incompetent Chaos:** 2016 Brexit (Feldmann & Morgan, 2021)
 - Won the Brexit Vote (52%)
 - “*chaotic negotiations*” post-referendum
 - *Regulatory Gridlock* (complex trade realities overwhelmed the simple mandate)

Conclusion and Discussion

The Double-Edged Sword of Noise

The Conditions for Victory (How to Win)

- **Business power** is not absolute. It breaks when simple, moral framing (Massoc 2019) meets *elite fragmentation* (Feldmann and Morgan 2021)

The Costs of Victory

- **Institutional Stability:** Undermining the Enforcement Pyramid
- **Epistemic Consensus:** Destroying the “shared facts”
- **Regulatory Implementation:** Ignoring the technical complexity

The Path Forward

- Noisy politics is a powerful *shock treatment* to break a “Quiet Politics” deadlock...
- ...but it may not be a *sustainable solution* for long-term regulatory governance

→ True change requires using the *noise* to *open the door*, then building **new consensus** and **counter-expertise** to walk through it.

Discussion

- How should we explain phenomena like “*woke capitalism*” (e.g., ESG, PC issues), where incumbents actively generate noise or leverage social issues for their benefit? Is this an evolution of Massoc’s (2017) framing strategy?
- Could new models like *citizens’ assemblies* or *deliberative polling* be the alternative – safely bringing “public noise” inside the institutional framework for deliberation?
- If *simplification* is a prerequisite for political victory, how should complex technical regulations (e.g., AI, Climate Finance) be communicated to the public?
- Should regulatory experts: (a) retreat deeper into *quiet politics* to avoid political attacks, or (b) jump into the center of noisy politics and actively engage in public persuasion?
- Feldmann and Morgan (2021) focused on the UK, a liberal market economy. Would noisy politics have the same destructive power in coordinated market economies like Germany or Japan?

Bibliography I

- Ayres, Ian, John Braithwaite, Ian Ayres, and John Braithwaite. 1995. *Responsive Regulation: Transcending the Deregulation Debate*. Oxford Socio-Legal Studies. Oxford, New York: Oxford University Press.
- Culpepper, Pepper D. 2021. "Quiet Politics in Tumultuous Times: Business Power, Populism, and Democracy*." *Politics & Society* 49 (1): 133–43. <https://doi.org/10.1177/0032329220985725>.
- Feldmann, Magnus, and Glenn Morgan. 2021. "Brexit and British Business Elites: Business Power and Noisy Politics*." *Politics & Society* 49 (1): 107–31.
<https://doi.org/10.1177/0032329220985692>.

Bibliography II

- Jungkunz, Sebastian, Robert A. Fahey, and Airo Hino. 2021. "How Populist Attitudes Scales Fail to Capture Support for Populists in Power." *PLoS ONE* 16 (12): e0261658.
<https://doi.org/10.1371/journal.pone.0261658>.
- Massoc, Elsa. 2019. "Taxing Stock Transfers in the First Golden Age of Financial Capitalism: Political Salience and the Limits on the Power of Finance." *Socio-Economic Review* 17 (3): 503–22.
<https://doi.org/10.1093/ser/mwx039>.
- McGann, Anthony J. 2006. *The Logic of Democracy: Reconciling Equality, Deliberation, and Minority Protection*. University of Michigan Press.

Bibliography III

Thiemann, Matthias, and Jan Lepoutre. 2017. "Stitched on the Edge: Rule Evasion, Embedded Regulators, and the Evolution of Markets." *American Journal of Sociology* 122 (6): 1775–1821.
<https://doi.org/10.1086/691348>.