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'Much ado about nothing?' Transnational civil society, consumer protection and financial regulatory reform

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ABSTRACT

The literature on financial regulation has typically emphasized the role of the powerful financial industry in shaping regulatory outcomes. However, capture theories cannot explain the prominence of financial consumer protection in post-crisis reform agendas. By contrast, this article argues that, despite their collective action disadvantage, a polymorphous network of civil society organizations was able to gain momentum after the financial crisis and to influence the financial reform process. In this policy window, where decision-makers were looking out for an alternative source of expertise, a transnationally connected civil society (TCS) network successfully mobilized to place consumer protection on reform agendas in tandem with public entrepreneurs and on the back of a popular backlash against big finance. This argument will be explored through a comparative study of the impact of transnational pressures on policy-makers in Europe and the US in the immediate aftermath of the crisis. In the conclusion, the article shortly discusses the substance of the financial reforms that have been undertaken.

KEY WORDS

Financial regulation; financial consumer protection; transnational civil society; international political economy; United States; European Union.

INTRODUCTION

When it comes to the influence of non-state actors on international finance, scholarly attention has focused on the role the powerful financial industry has played in international regulatory politics. Maintaining 'symbiotic relations' with regulatory agencies, the financial industry has been able to influence the nature of financial governance and has the potential to capture regulatory processes (Underhill and Zhang, 2003: 84). Analyses of the recent crisis have seemingly comforted this conventional wisdom. According to many observers, national and international financial reform efforts after the crisis were considerably watered down or scaled back by transnational private-sector lobbies (Johnson and Kwak, 2010; Engelen *et al*., 2010; Woolley and Ziegler, 2011). However, this capture narrative misses an important aspect of current regulatory dynamics. By declaring continued private financial sector dominance in financial regulatory developments, these explanations cannot account for structural changes in the regulatory architecture in response to the crisis. In particular, scholars focusing solely on the role of the financial industry cannot explain why consumer protection has moved from the periphery to the centre of political debates about reforms of the financial regulatory system in Europe and the United States in the aftermath of the most severe financial crisis since the Great Depression. What explains the popularity of consumer protection in financial regulatory reforms that have been enacted in response to the global financial crisis of 2007?

Consumer protection is one of the main domains treated in the 'Wall Street Reform and Consumer Protection Act' (short: Dodd-Frank) signed into law by President Barack Obama on 21 July 2010. For the first time in the history of American finance, this legislation established a Consumer Financial Protection Bureau (CFPB) as an independent federal agency to protect consumers from abusive financial practices. Similarly, under the banner of 'restoring consumer confidence in financial markets', the European Commission has brought forward a policy that includes legislative proposals on basic banking services, stronger deposit guarantees and investor protection as well as on stricter regulations of complex retail investment products and responsible lending. Among other issues, consumer protection is also a remit of the new European Supervisory Authorities (ESAs). Establishing a first international standard in the field of financial consumer protection, the G20 finance ministers and Central Bank governors endorsed 'high-level principles' in October 2011. Complementing the Organization for Economic Cooperation and Development (OECD) principles, civil society groups and other international organizations launched various additional international initiatives, including the World Bank's 'Good Practices', (The World Bank, 2012). Concerning retail financial services in the European Union (EU), leading financial service providers talk about a 'conspicuous' shift in regulatory focus 'from internal market integration towards more consumer protection issues' (Ahlswede, 2011: 9).

This prominence of consumer-protection in the international financial reform agenda is somewhat surprising given that the strong and well-organized financial lobby has traditionally prevailed over weaker and less well-organized consumer organizations. Caught in a classic collective action dilemma (Olson, 1965), consumer groups are struggling to organize their members in order to influence politics. When we look at past developments in financial regulation, Olson's reasoning has held true: concentrated costs and more political leverage for the tightly organized financial industry have generally led to more industry-friendly than consumer friendly-policies. People's protests against deregulatory measures had little to no effect (Kroszner *et al.*, 2011). And yet, dynamics are changing. With taxpayers' money used for expensive bank bailouts, financial regulatory issues became politicized and attracted the public interest in a way that was most unusual for this highly technical and complex issue area. In a reaction to the subprime crisis in 2007, much public anger arose about the perceived unfairness of the international financial system – famously described as a system that privatized gains and socialized losses. 'Occupy Wall Street' protests occurred in numerous cities in the US and Europe, directed against financial elites held responsible for the devastating social consequences the financial meltdown had triggered. In an attempt to channel the outburst of public anger, numerous civil society organizations, such as consumer non-governmental organizations (NGOs), unions and grass-roots groups started to build transnational alliances to influence the reform negotiations. Even though they were pitched against the fierce opposition of the financial industry, new coalitions 'for financial reform' mushroomed. This article argues that the transnational efforts of civil society groups account for the sudden popularity of more consumer-friendly regulations on international financial reform agendas. By way of illustration, the increase in salience is visible by simply tracing the use of the term 'consumer financial regulation' in the financial press (Figure 1).

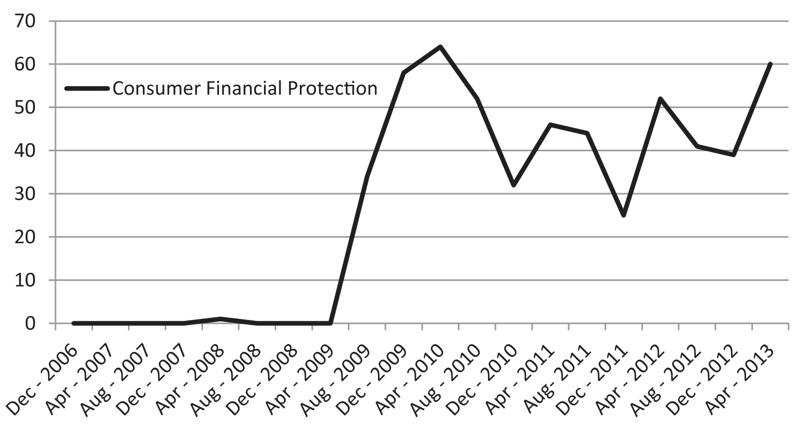

Figure 1 Number of Articles mentioning 'consumer financial protection' in *The Financial Times* and *The Wall Street Journal*. *Source*: Factiva.

The mechanism identified here suggests that public outrage increased consumer groups' and NGOs' ability to contribute to the regulatory process and raise consumer concerns. The crisis as focusing event shifted the political mood and opened up a political opportunity structure in terms of institutional access as well as political receptivity. With the financial sector's reputation for expertise heavily damaged, decision-makers were looking out for an alternative source of expertise. Moreover, the organization as a transnational network provided sufficient resources and allowed civil society to channel widespread public support, to call upon well-positioned public entrepreneurs. Baldly stated, consumer concerns became popular on reform agendas because of the influence of an alliance of publicly elected officials and civil society groups which gained momentum on the back of a popular backlash against big finance – despite their collective action disadvantage. This argument will be explored through a comparative study of the impact of transnational pressures on policymakers in Europe and the US in the immediate aftermath of the financial crisis. The article will focus on activities by which non-governmental actors seek to influence the agenda-setting process rather than the ways in which they mobilize their members. The similarity of reform dynamics will be traced on the basis of policy documents, public statements and 90 semi-structured interviews with leading actors in the politics of financial market reforms in the countries studied conducted between July 2011 and July 2013. The findings suggest that TCS successfully influenced the agenda setting, the implementation phase however, turned out to be largely dominated by industry lobbying. On the whole, consumer protection reforms do not mark a new regulatory paradigm.

There is a growing consensus in the literature that internationally organized NGOs or non-profit transnational actors make a difference in world politics (Finnemore, 1996; Batliwala and Brown, 2006). Social scientific scholarship demonstrates, for example, that civil society groups acting across borders had an impact on global policy decisions in the field of human rights, environmental protection and security policy as well as economic transactions, thereby underlining their status as major actors in international affairs (Keck and Sikkink, 1998; Price, 1998; Florini, 2000). Yet, for all the scholarly attention paid to these transnational acting groups, the conditions under which civil society can impact financial regulation remain poorly understood. Friesen (2012: 3) notes that 'although much has been written on both international finance and transnational social movements, little has been written on how these two bodies of literature might be connected.' This study addresses this gap by investigating the process by which TCS seeks to influence international financial regulation in order to provide 'more detailed knowledge of how the mobilization of these groups beyond the financial industry can influence the direction of state policy' (Helleiner and Pagliari, 2011: 179).

First the article outlines potential answers to the question of financial regulatory change as suggested by the literatures on organized interests, transnational expert networks and electoral politics. Second, it develops a different analytical lens that stresses the role of a TCS network in channelling public attention and support for reform as main explanatory factor. Next, it sketches the empirical pattern of EU and US regulatory reform agendas with a special focus on civil society groupings and their various strategies which aimed at raising the profile of financial consumer protection. Following Keck and Sikkink (1998), the article will illustrate various TCS tactics to demonstrate their impact on regulatory reform. It will explore how civil society formed transnational networks, called upon and lobbied powerful political allies, reframed the issues, transformed the discourse and shifted the reform agenda. The article concludes by evaluating the contrasting results of the case studies.

1. EXPLAINING REGULATORY CHANGE IN INTERNATIONAL FINANCE

Analyses about financial regulatory outcomes tend to emphasize private capture explanations of policy-making. However, these theories in the study of regulatory change have difficulty accounting for the prominence of consumer protection measures in financial reform agendas. After the financial crisis, policy-makers markedly stepped up their rhetoric on consumer protection in financial services. At the signing ceremony of the Dodd-Frank Act, President Obama (2010) called the reforms 'the strongest consumer financial protections in history.' The European Commissioner for Internal Market and Services Michel Barnier (2010), called for 'consumer protection across the board'. And the G20 leaders included a call to enhance consumer protection in their common declaration of the Seoul Summit (G20 Declaration, 2010). This rhetoric is all the more surprising, since past research has shown that private financial sector participation in setting and implementing rules tends to put consumers at a disadvantage (Frangakis, 2009). This article argues that focusing on the role of a TCS network, helps us understand the post-crisis regulatory framework and in particular, the rise of consumer protection.

Organized interests

One set of explanations for regulatory outcomes in a domestic politics tradition has focused on societal actors with a vested interest in financial regulatory affairs. Past literature has shown the increasing involvement of the private financial sector in national decision-making. Some scholars pinpoint the risk of capture due to the disproportionate influence of the domestic private financial sector in shaping regulatory policies and its ability to fully internalize its preferences in the policy process (Hacker and Pierson, 2010; Johnson and Kwak, 2010). As a result, regulatory outcomes traditionally favoured 'the narrow 'few' at the expense of society as a whole' (Mattli and Woods, 2009), and bodies governing international finance have become 'instruments of private economic interests rather than of the public good' (Underhill and Zhang, 2003: 86). Accordingly, Hacker and Pierson (2010) explain striking income inequalities among Americans in terms of the organizational capacity of resourceful private interests to bring public policy in line with their interests. This pattern has been most pronounced in the field of finance, they argue, where the massive political leverage of financial industry lobbyists accounts for overly industry-friendly regulatory politics. Frangakis (2009: 102) draws a similar picture regarding European financial services policy, which is 'heavily oriented towards serving the interest of [...] the financial industry'.'

From this perspective, where regulatory change depends upon the means and the power of the financial industry lobby to (re-)shape regulatory reform, we would expect the outcome to reflect domestic financial sector preferences. Instead, in the wake of the crisis, various scholars have stressed the industry's relative resilience to reform (Johnson and Kwak, 2010; Engelen *et al.*, 2011). While the banking industry stated that it supports 'regulatory reform to improve consumer protection' (Yingling, 2009), industry lobbyists were particularly opposed to the creation of a US consumer protection bureau. Similarly, in the EU, financial industry lobbyists tried to defend the status quo rather than push for reform. An exception are efforts by UK and Dutch retail banks who wanted to see their stricter national consumer protection rules exported to Europe for level-playing field reasons.[1] Hence, for our case studies, the organized interests' perspective falls somewhat short of explaining sudden change.

Transnational networks of experts

Drawing on the 'epistemic communities' literature, scholars have sought to explain regulatory change in terms of transnational or transgovernmental networks of experts (Baker, 2009; Haas, 1992; Mosley, 2009). Contrary to organized interest explanations, approaches in this tradition stress the political influence of the financial epistemic communities that hold highly specialized knowledge. Past literature has shown that governments are largely dependent on the expertise of self-regulatory international bodies, such as the Financial Stability Board (FSB) and the Basle Committee, whose membership consists largely of private industry associations (Underhill and Zhang, 2010). In a similar vein, Tsingou (2010) describes how the private sector has been actively influencing financial policy-making through a 'coherent transnational policy community'. This explanation highlights the transnational nature of informal governance networks such as the 'Group of 30', whose membership blurs the public-private distinction by including supervisors, regulators and representatives of business associations. She argues that 'the financial industry is now organized [. . .] in a way that is qualitatively different from interest groups' (Tsingou, 2010: 23). Indeed, financial governance today relies on a combination of rule-setting and implementing by both the private and the public sectors (Mosley, 2009).

Yet, if the transnational community of financial experts caused the shift towards consumer protection, one would expect to see a degree of consensus among the financial elite on a set of reform provisions, 'for without a clear mission and rationale experts are unlikely to influence policy' (Finnemore, 1996: 99). However, the global financial and economic crisis called the expertise of the existing financial epistemic community and their past consensus on light-touch regulation into question. In the aftermath of the crisis, the financial community was divided over the desirability of reform. Divisions emerged among politicians, regulators and industry representatives as well as between parts of the private financial sector, thereby reducing the sector's post-crisis political influence (Helleiner and Pagliari, 2011; Engelen, 2011). After the damage the financial crisis had done to the economy and linkages between the financial industry and the political system became publicly denounced, this transnational community of experts partly lost its political leverage.

Electoral politics

Another plausible hypothesis would hold that electoral contingencies and public opinion are a causal factor influencing decision-makers. This explanation is clearly perceptible for several of the Dodd-Frank measures, such as a tougher derivative regulation due to Senator Blanche Lincoln's position in response to an electoral challenge or the dilution of the 'Volcker Rule' wording after the election of Republican Scott Brown (Woolley and Ziegler, 2011). Polling data gives us clues to about why the topic was very popular with decision-makers in general, with 57 per cent of those polled supporting the creation of a new federal agency to protect consumers (Limbach, 2009). It should have been clear to decision-makers that there was very little appetite among voters for a soft line on the industry. Hence, in the US case, electoral politics cannot be denied as a factor in the increased focus on consumer issues in financial reforms. In Europe, however, electoral contingencies cannot account for why the technocrats of the European Commission put the issue at the forefront of their reform proposals. After all, 85 per cent of Europeans reported that they have never had a problem with a financial product or service (European Commission, 2012).

An alternative explanation: a civil society perspective

Given the public outcry and emerging popular pressures in response to the latest financial crisis, recent efforts on the part of scholars to explain regulatory changes pay strikingly limited attention to the role of TCS such as transnational consumer associations, trade unions and grassroots organizations. Woolley and Ziegler (2011: 4) argue that the Dodd-Frank Act is the result of a 'creative brokering of elites and grass roots interests'. While elected officials in Washington tried to cultivate friendly relations with Wall Street, they also tried to appeal to popular activists. Indeed, the involvement of these societal actors in the financial reform debate was one of the most striking aspects of the crisis. Despite the growing consensus in the literature that transnational actors play an active part in world politics (Josseline and Wallace, 2001), research examining the links between these emerging actors and global finance in particular is relatively young. In the field of global economic policy, civil society activism has been described as 'economic justice movements' or 'anti-globalization movements' (Clark, 2006: 180). O'Brien *et al.* (2000), for example, found increased engagement on the part of civil society in multilateral economic institutions such as the International Monetary Fund (IMF) and the World Bank. These developments marked a shift away from the state-focused 'international relations' theory to the study of the 'global society,' which recognizes the increased role of non-state actors in global policy (Barnett and Sikkink, 2008). Accordingly, scholars started to pay more attention to civil society as an alternative source for regulation and an increasingly important actor in standard-setting processes of regulation, especially in the EU (Dunkerley and Fudge, 2004). Some scholars have recognized the various social responses to financial crises, identifying civil society as an emerging actor in financial regulatory policies in Europe and the US (Helleiner and Pagliari, 2011; Friesen, 2012; Woolley and Ziegler, 2011). Scholte and Schnabel (2002) attribute an active role to civil society, but limited impact in shaping regulatory outcomes. Non-state actors' impact on financial regulation has yet to be explored in more detail.

This analysis will therefore put a spotlight on the contribution of weak and diffuse interests to reforming the international financial regime. Theories of regulatory capture do not hold in times of severe crises, when elected politicians are pressured by public opinion towards enacting financial reforms 'even when these run against the preferences of the domestic financial industry groups' (Pagliari, 2013: 9). In 'normal times' financial regulation is an issue of interest groups politics characterized by relatively low public visibility (Woolley, 2012: 61). As a result of the recent financial crisis, regulatory reform was susceptible to public outrage, pushing financial regulatory reform out of the arena of 'quiet politics', where interest group politics are shielded from public debate, into the arena of 'noisy politics', which force elected politicians to react to popular opinion or interest groups representing it (Culpepper, 2011; Woll, 2012). As Culpepper (2011: 9) notes: 'Unexpected events can temporarily raise the salience of an issue, thus creating a policy window for would-be entrepreneurs and a more level-playing field [...]'. Meins (2000) argues that by redistributing political leverage from producers to consumers, public outrage helps pressure groups such as consumer associations to overcome the collective action problem that is inherently linked to groups' efforts at providing a public good, i.e. consumer protection. Illustrating the critical role of 'demonstration effects' as triggers of regulatory reforms, which demonstrate to a wider public the costs of capture and create a demand for reform, this article underlines the cataclysmic effects of the crisis (Mattli and Woods, 2009: 26).

In order to understand regulatory change, this paper adopts the analytical framework proposed by Keck and Sikkink (1998) in their analysis of conditions under which transnational networks can stimulate change. In doing so, I trace the rise of consumer protection back to activism by a civil society network,[2] which encompasses the range of transnational non-state actors who are committed to reforming financial regulation in the interest of the broader public – that is, in the interest of consumers of financial services. Such civil society groups include a wide range of organizations, from consumer associations, think tanks and policy research institutes to trade unions, business associations and other NGOs.

The evidence presented in the empirical section of this paper suggests that by exploiting widespread public and media attention and a strong pro-reform citizen base, NGOs, consumer associations and trade unions established transnational networks among themselves which strengthened their capacity to call upon far more powerful allies, so-called 'target actors' that can influence policy-making directly ('leverage politics'). NGOs and consumer groups engaged in 'direct lobbying' in order to influence the agenda-setting process – which was successful because TCS not only 'framed' the reform debate in a way that connected with the wider public and decision-makers alike but also gathered politically usable information. Keck and Sikkink (1998: 22) coin the phrase 'symbolic politics' to describe a strategy to create awareness, by providing an interpretation for such an event. 'Information politics' refers to the capability of TCS networks to gain influence by generating politically usable information and serving as an alternate source of expertise. Finally, through a variation of 'boomerang politics,' activists were able to generate additional effective political pressure on states through other channels, such as international organizations whose decisions would echo back into national politics (Friesen, 2012). As we will see in the case studies, a combination of these strategies proved to be particularly effective in raising consumer concerns.

2. EMPIRICAL OBSERVATIONS: THE EMERGENCE OF FINANCIAL CONSUMER PROTECTION

In Europe and the US alike, policy-makers reacted to the crisis and recognized the importance of financial consumer protection (see Table 1 for a detailed comparison). I will consider the two cases in turn in order to explain what accounts for this convergence. Due to their market power, both are central actors in financial market regulations with consequences

Table 1 Consumer-friendly regulation post-crisis: Cross-Atlantic comparison

	European Commission proposals	US Dodd-Frank Act
Investor Compensation	Commission proposal to amend Directive 97/9/EC on investor-compensation schemes (12.07.2010)	The Act provides new rules for transparency and accountability to protect investors and businesses
Deposit Guarantees	Commission proposal for a revision of the Directive on deposit guarantee schemes (12.07.2010)	The Act permanently increases deposit insurance for banks, thrifts and credit unions to $250,000
Mortgage Lending	Commission proposal for a Directive on credit agreements relating to residential property (31.03.2011) to improve the way in which mortgages are sold to consumers	In January 2013, the CFPB laid out new mortgage rules prohibits *interalia*. deceptive teaser rates
Financial Inclusion	EU adopts Commission Recommendation on access to a basic payment account (18.07.2011)	The Act authorizes CFPB to improve access to mainstream financial institutions
Retail Investment Products (PRIPs)	Commission proposal for a regulation on a new Key Information Document for investment products (03.07.2012)	CFPB oversight of bank and nonbank providers of retail investment expected

for the rest of the world. Focusing on cases where consumer protection became a prominent feature of regulatory reforms ('case selection on the dependent variable') allows us to test hypotheses by means of eliminating rival explanations for the phenomenon of interest. More specifically, comparing the two cases with a common outcome and very different political structures will allow us to identify the dynamics of civil society activism as a common factor that can explain the regulatory reform outcome.

The US case

The US administration set an ambitious post-crisis reform program in motion. For the first time, Dodd-Frank created the CFPB (Consumer Financial Protection Bureau) – an independent regulatory agency, housed in the Federal Reserve, with the sole responsibility of protecting consumers of financial products. In charging one single agency with consumer protection responsibilities, the reform succeeded in replacing a patchwork of seven different agencies, thereby consolidating and strengthening the regulation of consumer financial products. The new bureau also hosts a national consumer complaint hotline as well as a new Office of Financial Education to promote financial literacy. Most importantly, the CFPB conducts rule-making, supervision and enforcement for federal consumer financial protection laws; it monitors financial markets and can enforce laws that outlaw discrimination and other unfair treatment in consumer finance. Consumer groups have widely acknowledged the CFPB as a powerful new regulator: 'It is the first federal regulator that not only has the ability to write rules for non-banks, but it also has the ability to supervise and examine non-banks. That's a power that has never accrued to any federal bureau before', summarizes a consumer representative.[3] At the 2010 conference of the American Council on Consumer Interests Ed Mierzwinski (2010, 596), consumer advocate at the US PIRG, celebrated the bureau as a huge victory for the consumer movement: 'Over the past year, the traditional consumer movement aligned itself with civil rights, labor, senior and other groups faced off against a phalanx of powerful special interests hell-bent on beating our big idea that consumers deserved an independent agency. . ..They lost. We won.'

The initial idea for a consumer protection agency had come from Harvard law professor and consumer advocate Elisabeth Warren, who had published articles in 2007 and 2008 arguing in favour of a Financial Product Safety Commission. In March 2009, two years after Warren's first article was published and in the midst of the turmoil caused by the financial crisis, two Congressmen picked up the idea and formally introduced it into Congress. The President himself as well as Treasury Secretary Barr became advocates of the idea, and later that year, in June 2009, the

Treasury included the proposal of a new agency in its White Paper ‘Financial regulatory reform: A new foundation’ which served as a blueprint for financial reform. Warren’s proposal enjoyed widespread support by liberals (Woolley and Ziegler, 2011:41). She was also the candidate of choice of a group called ‘Americans for Financial Reform’ (AFR), a coalition of 250 consumer, housing and labour groups, which made passing the CFPB its top legislative priority.

The fact that the CFPB came into being was a ‘remarkable event’ (Woolley and Ziegler, 2011) given the strong opposition from industry groups, who reportedly increased their lobbying efforts. According to the Center for Responsive Politics (2010), industry mobilized and spent $224.6 million on lobbying in 2009, more than any other sector (except for the health sector which spent $263.6 million during the same time period). Arguably, the new consumer bureau attracted more hostility from industry groups than any other reform proposal. Warren herself said that the industry’s aim was to ‘to stick a knife in the ribs’ of the new bureau (Interview with Jon Stewart 2011). In September 2009, right after Senator Dodd had introduced a version of the bill in the House in July, a group of 25 business associations, including the US Chamber of Commerce and the Financial Services Roundtable, sent a letter to members of the House opposing ‘the drastic powers granted to a new agency [...] will impose severe unintended consequences on businesses and consumers alike,’ the groups wrote (US Chamber of Commerce, 2009). In a testimony before the Senate Committee on Banking, Edward Yingling, president of the American Bankers Association (ABA) complained that the CFPB would undermine innovation, limit consumer choice, and complicate existing regulatory structures. ‘Simply put, this would appear to be the most powerful agency ever created in that it has almost unlimited power to regulate and even mandate the products offered by the regulated’, (Yingling, 2009).

As a result, several consumer protection provisions did not make it into the final bill or were ‘significantly watered down’ (Carpenter, 2010: 828). For instance, a provision for so-called ‘plain vanilla’ products, favoured among consumer groups, was completely eliminated. Auto dealers are also exempted from oversight by the CFPB, another example of how a consumer-friendly proposal did not make it into the Dodd-Frank Act, despite lobbying by the AFR coalition which had actively tried to block exemptions from CFPB oversight. Even though civil society had thrown all its weight behind Warren to become head of the new agency, President Obama eventually nominated Richard Cordray as the first director of the bureau, following strong Republican and industry opposition to Warren’s appointment.

Despite the fact that massive industry lobbying had successfully slowed down the implementation process of US financial regulatory reform – with 60% of Dodd-Frank's rules not being in place by 1 July 2013 – the creation of the CFPB is a unique win for consumer advocates. In accordance with activists' wishes the new bureau has market-wider coverage, a single director, its funds are not subject to the congressional appropriations process and it has significant authority on rules supervision and enforcement over banks and non-banks. As one activist put it: 'Compared to a world where we could not make a single advance on consumer regulation for decades this is a big change'.[4]

The EU case

Similarly to the US reaction to the crisis, the European Union (EU) agreed on a series of reform proposals that significantly altered the regulatory architecture of European financial regulation and deepened the single market in financial services. Although there is no overarching initiative in the EU that would be comparable to the Dodd-Frank Act, the Commission brought forward several legislative proposals, some of which, at the time of this writing, are being discussed in the European Parliament (EP) and the Council. In October 2008, as a first step in response to the financial crisis, Commission President JoséBarroso appointed a high level group of financial services experts to lay out the foundations for reform of the European financial system architecture.

The Larosière Report, issued in February 2009, was the first EU-level document that gave a comprehensive account of required structural changes. Based on that report, the EP – following agreement by all the member states – voted through a new supervisory framework for financial regulation in the EU on 22 September 2010; it came into force in January 2011. Within the new framework, consumer protection falls within the jurisdiction of the three new European Supervisory Authorities (ESAs) that work in tandem with the existing national supervisory authorities. Although not quite comparable to the American CFPB, the ESAs have a mandate to protect consumers against abusive practices, with stakeholder groups representing consumer associations in all three organizations. The European Securities and Markets Authority, for instance, issues reports on consumer trends as well as warnings, and it monitors new financial activities as well as the development of common rules on information transparency. After the financial crisis, the European Commission markedly stepped up its rhetoric on increasing consumer protection in retail financial services. Commissioner Barnier became a strong entrepreneur in favour of enhanced consumer protection, and he emphasized this point with respect to the new authorities when he asserted: 'These measures will enhance consumer protection. And they will contribute to ensuring the taxpayer is not again the first in line to bear the costs of a crisis' (Barnier, 2011).

In addition to this institutional change, Barnier has been promoting an extensive legislative agenda with financial reform documents issued by the Commission oftentimes putting emphasis on consumer protection. Under the headline of ‘A more consumer-friendly financial system’, the DG for Internal Market and Services (2010) listed several provisions for enhancing consumer welfare through a standardized information sheet (‘ESIS’) to compare mortgage conditions from different providers, granting access to basic bank accounts and better investor protection. The Commission tabled proposals on deposit guarantee schemes (DGS) and investor compensation schemes (ICS) together as a ‘package to boost consumer protection and confidence in financial services’ (EC, 2010a).

Further reforms deal with stricter regulations of retail investment products with the Commission proposal from July 2012 envisaging better protection for retail investors through a simplified information sheet as well as a debate on a stricter regulation of benefits that investment firms receive from a third party (‘inducements’), as suggested in the proposal for a Directive on markets in financial instruments (MiFID II) in October 2011. In September 2013 the EP adopted a Mortgage Credit Directive highlighting the ‘high level of consumer protection in the area of credit agreements related to residential property’ (EP, 2013). This push towards more consumer oriented policies was clearly felt by the mortgage industry, as one interviewee described: ‘The crisis arrived and the Commission felt the need to respond to show that it was doing something . . . the number one focus had to be putting European consumers at the heart of policy making. As an industry . . . we certainly didn’t agree with this switch or perhaps not in the way it happened.’[5]

As in the American case, the regulatory changes attracted pressure from business groups against certain reform proposals. The EP and the Committee on Economic and Monetary Affairs reportedly faced ‘extremely vigorous’ lobbying pressure from financial service-sector lobbyists (Hoedeman, 2009). However, in the aftermath of the crisis, the lobbying environment had drastically changed for industry representatives, with bureaucrats and members of the European Parliament(MEPs) giving industry lobbyists ‘a very tough time’ as one interviewee reported.[6] While civil society groups generally take some credit for bringing new proposals on the agenda, initial reform proposals seem to have been watered down substantially during the implementation phase. According to a representative of a Brussels-based NGO: ‘We mostly address level 1 legislation but there is also level 2, the implementation. The battle seems to be on level 1, but it is lost on level 2. That is where financial industry lobbyists play a role. Often measures remain empty. In the end it is a question of resources.’[7]

Talking about the political influence of the financial industry through lobbying power in the EU, another representative from a Brussels-based

NGO stated that everything was 'back to business as usual.' And when asked about the improvements brought about by the EU financial reforms, another NGO representative remarked that he was rather pessimistic about the reforms' long-term benefits for consumers.[8] Moreover, NGOs denounced the new ESAs for placing too little importance on consumer protection in their mandate as well as for their member composition, which favours a strong presence of big banks.[9] On the issue of the European standardized information sheet, one NGO representative complained that the Commission consulted only four consumer organizations but 20 business organizations: 'It is about pleasing the business and keeping NGOs quiet.'[10] Hence, while the Commission's rhetoric left little doubt about the importance of making the financial system more consumer-friendly, consumer representatives remain sceptical about reform process as well as substance.

The international level

While financial regulatory policy is usually negotiated by regulators and private actors, the G20 has become a major player in financial reform debates and hence a crucial target for civil society campaigns. Consumers International (CI), the world federation of consumer groups, mobilized its 240 members to lobby the G20 meetings for example in the run-up to the Seoul Summit in November 2010, in close cooperation with the biggest European and American consumer associations.

BEUC, the US Consumers Union (CU) and CI launched the 'Consumers for Fair Financial Services' campaign, calling for the G20 to take urgent action to support financial consumer protection and develop new international guidelines. At the time, the campaign group had already been working on concrete propositions that were later released as 'recommendations for the G20 on the enhancement of consumer protection in financial services,' in-cluding a call for international standards and guidelines as well as development of an international organization to share best practices and support the development of standards and guidelines. Following the CI campaign, and in response to a call by the G20 in February 2011, an OECD-led Task Force produced 'High-level Principles on Financial Consumer Protection,' which the G20 finance ministers endorsed in October of the same year. The final document calls on all G20 members to 'assess their national frameworks for financial consumer protection in the light of these principles and promote international co-operation to support the strengthening of financial consumer protection in line with, and building upon, the principles' (OECD, 2011). For the first time, decision-makers agreed on international (non-binding) standards to enhance financial consumer protection across all financial service sectors.

To sum up, two observations are worth underlining.

First, despite intense lobbying efforts by the financial industry, consumer concerns became one of the key domains of official reform agendas. Neither in Europe nor in the US was the financial industry successful in terms of blocking a more consumer-friendly re-regulation of international finance. On the contrary, the creation of a watchdog for consumer financial products was a clear defeat for industry groups. Most industry groups had not supported cross-sectorial international principles on financial consumer protection. These observations run counter to the capture narratives.

Second, while the initial reform agenda on both sides of the Atlantic seemed to mark a clear consumer-friendly turn in financial services, the subsequent reform and implementation process was not nearly as pronounced as pro-change advocates had wished for. How can we explain the political processes that led to the initial ambitious reform agenda as well as its subsequent dilution during implementation?

3. THE TRANSNATIONAL CIVIL SOCIETY NETWORK

The subprime crisis also turned out to be a major catalyst for the formation of a broad inter-regional alliance among consumer associations, trade unions, NGOs and anti-globalization activists, allowing civil society to strengthen its capacity to influence the policy process. Groups that had never been involved in finance before reported that they started their work on financial issues after the crisis. Others stepped up their activities and built new coalitions that had not existed prior to the crisis.[11] While hundreds of groups have been engaged, the main focus here will be on the most visible umbrella organizations in the reform debates. Table 2 tries to capture the most relevant organizations.

A new AFR alliance of more than 250 civil society organizations was announced in May 2009, at about the same time the US administration brought forward its reform proposals. The formation of such an alliance in the financial services sector, representing 'a cohesive non-industry voice', was a unique event in American history (Woolley and Ziegler, 2011: 23). The 'big tent' coalition included labour unions, civil rights groups, state organizations, consumer associations and small businesses. One coalition member reported: 'No organization could have done Dodd-Frank all by itself. We realized the more people would join in the easier it would be to divide up the work.'.[12] With consumer protection in American history mostly driven by class action, organized public interest groups could react immediately when the crisis hit – with the National Community Reinvestment Coalition (NCRC) filing an official discrimination complaint against Standard and Poor's in January 2009. Reflecting the fact that consumer activism is 'inextricably intertwined with the civil

Table 2 Civil society engaged in reforming consumer financial protection 2008 – 2013

Name	*Founded*	*Number of members*	*Number of countries*	*Type of organization*
				International/transatlantic
CI	1960	220 consumer organizations	115	International federation of consumer organizations
TACD	1998	77 EU/US consumer organizations	$\approx$ 22	Forum of EU/US consumer organizations
				EU
ALTER-EU		$\approx$ 160 organizations ranging from NGOs to trade unions		Coalition of public interest groups and trade unions
BEUC	1962	44 independent consumer organizations	31	Independent nonprofit EU consumer organization
EFFR	2009	18 organizations ranging from NGOs to trade unions	$\approx$ 36	Coalition to campaign for financial reform
ETUC	1973	83 trade unions	36	Independent nonprofit EU consumer organization
Euroinvestors	2009	-	$\approx$ 10	European federation of investors and other end users
FIN-USE	2004	15 expert groups on users of financial services	15	Independent expert forum including academics, small business experts, consumer groups
Solidar	1948	56 member organizations	25	European network of NGOs
				US
AFR	2009	250 organizations ranging from consumer NGOs to small businesses	US	Coalition to campaign for financial reform
CFA	1968	300 non-profit organizations	US	Association of non-profit consumer organizations to advance the consumer interest
CU	1936	8 million subscriptions to newsletters	US	Independent, nonprofit organization
NACA	-	1500 attorneys	US	Non-profit association of attorneys and consumer advocates
NCL	1899	-	US	Consumer organization
NCRC	1990	600 member organizations	US	Association that promotes access to basic banking services
PC	1971	80,000 members	US	Consumer rights group, nonprofit organization
US PIRG	1970	26 state PIRGS	US	Federation of state Public Interest Research Groups

Source: Assembled by the author

rights struggle' in the US (Cohen, 2010: 237) the AFR argued that 'systemic racial and ethnic discrimination was (. . .) a significant underlying cause' of the current financial crisis' and called the creation of the CFPB 'an important step forward in protecting' civil rights (Zirkin, 2009). Although civil society groups had well-established connections among each other, in spring 2009 the relations were formalized under the AFR umbrella and regular meetings of task force subgroups started to take place. Cohen (2010: 235) refers to the 'fourth wave of consumer activism'.

In the European case, the absence of rights activism explains why there was less grass-roots activism post-crisis. Only a few European initiatives on consumer protection existed prior to the crisis – such as Udo Reifner's European Coalition for Responsible Credit. Modelling themselves after the American initiative, the coalition 'Europeans for Financial Reform' (EFFR) was created in September 2009 by 23 different groups representing several hundred European organizations, ranging from development NGOs and trade unions to the European Socialist Party. The President of the Party of European Socialists Rasmussen together with the leftist think tank the Global Progressive Forum played a leading role in organizing the campaign. Contrary to AFR, which was a coalition made up exclusively of civil society groups, the Party of European Socialists (PES) and the Greens organized the EFFR campaign in tandem with trade unions and NGOs. A number of meetings among members of the two pro-reform groups took place in Washington, DC, New York and Brussels between 2009 and 2010,[13] allowing the groups to build transatlantic connections. The groups created the new position of a 'Project Officer for Financial Reform' in Brussels to coordinate the campaign.[14] Both campaign groups were part of a rapidly expanding transnational network of organizations and individuals that became actively involved in the reform debate.

Leverage politics and public entrepreneurs

Civil society groups leveraged upon powerful allies, so-called 'target actors' who can influence policy-making directly. Annual meetings of the Transatlantic Consumer Dialogue (TACD), for example, were an important forum for information sharing. One representative remarked: 'At these meetings high level political representatives are present, [Commissioner] Barnier for example. So it is an opportunity to put forward common recommendations and build a momentum.'[15] Another important stakeholder meeting was the Financial Forum in Ljubljana in May 2010. Consumer groups interpreted the Conference as 'a milestone to raise the issue of consumer protection on the political level, to make the link between work at the national level and at the international front,' as one NGO member put it.[16] Also, campaigns organized after the meeting drew heavily on the common principles laid down in Ljubljana. Hence, these conferences served networking purposes in two respects: first, civil society could use them as a platform to find common ground in order to speak with a cohesive voice. Second, the groups could use the forums to convince 'target actors' of their agendas.

Soon after the crisis, and in contrast to the US case, civil society in Europe found a powerful political ally in the EP. Moreover, in an effort to create an environment favourable to civil society input, MEP Pascal Canfin (Green Party) initiated the creation of an NGO named 'Finance-Watch' in 2009 as a counter-lobby to the financial industry. Not least, the new NGO serves as an example of MEPs as public entrepreneurs who have built a strong pro-reform alliance with civil society. Not only MEPs but also the Commission became more receptive to demands for better consumer protection after the financial crisis and with the change in leadership at the Commission DG, from McGreevy to Barnier. 'It made it as different as day and night,' said a consumer representative.[17] Industry lobbyists struggled to get access to the policy process, as one interviewee in Brussels reported: 'Immediately, if you say you are representing a bank, you are dead. It is not as nice as it was 15 years ago. It has become more difficult and it has become less transparent than it was.'[18]

On both sides of the Atlantic, well-positioned allies played a central role. In the US, the AFR coalition found a strong political ally in Harvard law professor Elizabeth Warren. In her position as Special Advisor to the Treasury at the CFPB, she was an important public entrepreneur on the political stage who defended the new consumer agency in congressional hearings and various sub-committee meetings of the House of Representatives.[19] The Obama administration itself became a strong advocate of consumer protection in the reform process. In his Wall Street speech in April 2010, the President made clear that he regarded consumer protection as an essential element of the financial reform, thereby risking 'increasingly fractious relations' with the financial industry (Cooper, 2010). Had it not been for this support from powerful entrepreneurs receptive to civil society demands, consumer protection would most likely not have seen the light of day. Or, as a representative of an NGO put it, 'because the President and Elizabeth Warren are providing Washington with the moral leadership it often lacks, do we have a chance to enact meaningful Wall Street reform' (Mierzwinski, 2010: 585).

However, why did public entrepreneurs listen this time to civil society calls that had been issued long before the crisis? In the following section, I will argue that this was due to fierce lobbying efforts combined with the use of a dominant rhetoric that resonated well with the wider public and decision-makers in the aftermath of the crisis.

Direct lobbying

Civil society promoted the issue of consumer protection early on in the reform process and sought to impact the political agenda through direct lobbying to influence powerful actors. In the US, civil society picked up Warren's idea and put its weight behind it. One of the first actions was the release of a joint statement by the leaders of seven of the country's leading public-interest groups in December 2008, giving clear instructions for the reinstatement of an Office of Consumer Affairs in the White House, about one year before the idea was formally introduced into Congress (CU, 2008). The reform agenda was then sent to President-elect Barack Obama and strongly supported by 12 members of the AFR coalition in testimony before the US House of Representatives and the Senate in several hearings between June and September 2009 (Kirsch and Mayer, 2013: 74). On behalf of the AFR coalition Ed Mierzwinski of US PIRG and Travis Plunkett (2009) of the Consumer Federation of America testified in June 2009 before the Financial Services House Committee that a 'robust, independent, federal Consumer Financial Protection Agency' was needed to address the 'failure of federal regulators to stop abusive lending'. All witnesses representing AFR agreed that the CFPB would effectively respond to the underlying causes of the crisis. Counterarguments from the industry side mostly focused on the negative impact of the CFPB on small business. David Hirschman (2009) speaking at the House Committee for the US Chamber of Commerce in September 2009 concluded that 'the proposed Consumer Financial Protection Agency would result in reduced access to credit for small businesses'. ABA's Ed Yingling (2009) claimed that the CFPB would disproportionately burden small banks and credit unions. Despite the industry opposition the bill passed the House on 11 December 2009 in a 223 to 202 vote, with all but three Republicans in opposition.

Most European civil society groups also stepped up their lobbying efforts on reforms in Brussels after the Larosière High Level Group published its report in February 2009, which they criticized for a lack of focus on consumer protection. In various letters to Commission President Barroso, FIN-USE (2009b) denounced a 'lack of direct public interest representation'. The European Consumers' Organization BEUC (2009) also put pressure on the Commission, saying that the communication on 'European Financial Supervision' was leaving out the conduct-of-business side. The EFFR (2009) coalition joined these calls, saying that the EU needed 'a financial system at the service of people's interests'. The groups continued to draw up several drafts and published position papers as well as responses to Commission consultations. A closer look at the Commission's roadmap to enhance consumer protection in EU financial system reform (DG Internal Market and Services, 2010) reveals that all four key measures to enhance consumer protection had appeared earlier in the position papers published by BEUC and FIN-USE.[20] Moreover, the Commission's roadmap recognized that 'consumers and other end-users of financial services need to be closely involved in and consulted on policy developments' in financial markets, thereby addressing the demand for fairer interest representation (FIN-USE, 2009a). Finally, TACD members had been lobbying intensively to get consumer protection into the mandate of the three authorities. The European Green Party strongly supported civil society efforts, and several MEPs called for a strong consumer protection mandate for the new institutions.[21] Civil action also included organizing projects, press conferences, demonstrations and petitions.

Industry groups were mostly concerned about the shift of responsibility from the borrower to the lender. This shift became evident, for instance, in the Commission's proposal for a mortgage credit Directive from March 2011 which planned EU-wide legislation that demanded lenders do stricter creditworthiness assessments, including a duty to deny credit in case of a negative assessment. Industry lobbyists watered the provision down to a 'qualified test' rather than a strict prohibition in the final text that was provisionally approved by the EP in September 2013. 'We brought this shift back to the middle I would say', a bank lobbyist reported satisfied.[22] These findings suggest that a network of civil society groups was a primary mover in generating concern about consumer protection in financial services while industry groups successfully lobbied the legislative process to water down the initial reform proposal. A closer look at how civil society framed the reform debate will help us understand why their lobbying efforts nevertheless ended up influencing initial reform agendas after the crisis.

Symbolic politics

The financial crisis that preceded the reform debate provided a symbolic event, which in turn became a catalyst for policy change. The crisis had generated a situation of uncertainty, and as a result of the shaken confidence in traditional sources of expertise, policy-makers turned to civil society as new source of advice as well as moral authority. When they advised policy-makers, civil society actors were careful to frame the issue in a way that linked unfair consumer practices to the collapse of the economy.[23]

The argument that a lack of consumer protection led to the financial crisis and that greater consumer protection must be a reform priority was reoccurring in documents issued by members of civil society early on in the reform debate. On several occasions, the CU together with other groups clearly marked a lack of consumer protection as a root cause of the crisis – for example, in a testimony to the US House of

Representatives: 'The current crisis illustrates the high costs of a failure to provide effective consumer protection [...]' (CU, 2009). AFR members (2009) testified that 'the current crisis occurred (...) primarily because the consumer protection laws that we do have were not always enforced'. As Kirsch and Mayer (2013: 74) observe consumer activism at Congressional hearings: 'One (goal) was to lay out a convincing narrative about the causes of the mortgage meltdown ... to show that creating a consumer financial protection agency was the right policy response.' Similarly, for most European consumer associations and pro-reform groups, the linkage between financial crisis and consumer protection became official rhetoric and campaign strategy.[24] In a document published for an EU High Level Conference, FIN-USE (2009a) identified a 'lack of consumer voice and representation' as one of the causes of the crisis. The TACD (2009b) stated: 'If our governments had provided effective consumer protections [...], much of our current economic disaster could have been averted.' CI also based its G20 campaign on the premise that weak financial consumer protection had caused the crisis.

The same rhetoric used by civil society was then also used by administrations in Europe and the US. A document released in 2010 by the US Senate Committee on Banking, Housing and Urban Affairs (2010) identified 'across-the-board failure to protect consumers' as one of the root causes of the financial crisis. One can find similar wording in documents issued by the DG Internal Market and Services (2010: 5), basing the necessity for reform on the premise that financial regulations 'often disregarded consumer interests.' Both of these explanations, by the Senate Committee and by the Commission, testify to the role of civil society as an issue generator and provide evidence that civil society succeeded in influencing the discursive position of the US government and the European Commission. The crisis had opened up a policy window for consumer demands, as a representative of an US consumer group put it: 'Consumer groups had been talking to the Federal Reserve about mortgage problems and subprime-lending for 10 years and the Federal Reserve did nothing until the crash came...then politics was right.'[25]

However, for leverage and symbolic politics to be successful, another essential partner for civil society which had to be mobilized via broad media publicity was the wider public. The following section will provide evidence as to how consumer groups could 'generate information and place it where it has most influence' (Keck and Sikkink, 1998: 16).

Information politics

In the cases at hand, the transnational network tried to disseminate information such as statistics, reports or press releases to bring the issue of consumer protection onto the political agenda. The dominant tactic was to discredit the financial industry as a source of expertise by holding the industry's behavior up to public scrutiny, what Drinan (2011) calls the 'mobilization of shame'.

Several NGOs started to systematically review the asymmetry of interest representation among industry and consumers in the policy process; as a result, numerous studies appeared which would eventually become news in major newspapers. The *New York Times* (2010) cited a report published by the Center for Responsive Politics showing that the financial sector's spending on lobbying since January 2009 mounted up to $600 billion. CNN Money released an article citing PIRG's statistics as well as a Public Citizen's report about financial institutions hiring some 1000 lobbyists since 2009 (Liberto, 2010). In addition, in 2009, the non-profit Wall Street Watch project attracted public attention with a critical report on the financial sector's political influence called 'Sold Out'. The non-profit public broadcasting service PBS portrayed a similar message in a documentary it released called 'The Warning,' which was but one of a whole series on industry malpractices that PBS showed throughout 2009. Strong opposition to the CFPB came from the business lobby including ABA, the US Chamber of Commerce and the Mortgage Bankers Association. The Chamber of Commerce announced in September 2009, an advertising campaign of at least $2 million aimed at defeating the new bureau. Newspaper ads showed a butcher with the line: 'Virtually every business that extends credit to American consumers would be affected – even the local butcher and the credit he extends to his customers' (*Wall Street Journal*, 2009). The US Chamber of Commerce even set up a 'stoptheCFPA.com' website.

In Europe, ATTAC launched a YouTube video about malpractices in the banking sector which was viewed over 100,000 times within less than a month in 2008. NGOs published a number of reports – for example, on the one-sided composition of expert groups in favour of the financial business sector (Haar, 2009) or on the political influence of Goldman Sachs (Spinwatch, 2011). Engaging in 'shaming,' in a publicly appealing event, Brussels-based NGOs under the leadership of Spinwatch, a group mainly campaigning for more lobbying transparency, awarded the 'Worst Lobby Awards'. People across Europe could participate via an online public vote. In 2010 the award was given to Goldman Sachs and derivatives lobby group ISDA for their lobbying to promote profits for the financial industry at the expense of the public interest. The organizers wanted to 'send a clear message' to the Commission, 'that a major clean-up of the Brussels lobbying scene is urgently needed' (Spinwatch, 2010). In the European case, industry groups relied more on face-to-face lobbying than media strategies, as one lobbyist in Brussels reported: 'We have to work more in the shadows. We can't go outside and market our position papers.'[26]

In order to generate politically usable information, civil society also provided stories told by people affected – so-called 'testimony' (Keck and Sikkink, 1998). By dramatizing the issue, NGOs create information that often has more influence on policy-makers than the advice of technical experts. The Consumers' Union's webpage, for instance, provided a forum for dialogue among citizens and consumer organizations where victims of abusive lending practices were invited to share their stories. US citizens submitted over 1000 stories on problems with credit reports.[27] In a similar campaign, the federation of State Public Interest Research Groups submitted 160 stories to Congress about how the financial meltdown affected consumers.

This combination of dramatic testimonial information along with technical and statistical information generated by the various campaigns together, with personal testimony, publicly discredited the industry. By focusing their campaigns on the misbehaviour of target actors, NGOs gained moral leverage over industry and policy-makers, thereby generating politically usable information. The next section will show that, in order to achieve their aims, civil society also explicitly targeted international conferences.

Boomerang politics

One way for civil society to influence policy-making on the international level is through coalitions with international organizations or actors, thus pressuring states 'from above' and 'from below' (Risse, 2008: 265). CI, for instance, submitted their demands for better consumer protection to the UN Conference on the World Financial Crisis that took place in New York in June 2009, and provided ongoing contributions to the newly set up UN Commission of Experts on Financial Reforms as well as to the OECD.[28] International consumer associations pursued a variation on the boomerang mechanism to exert pressure on relevant actors such as the G20 and other international organizations.

The G20 was an important site of contestation. While during the first G20 meetings consumer protection had largely been neglected, leaders at the Pittsburgh Summit in September 2009 agreed that 'far more needs to be done to protect consumers'; in June 2010, at the G20 in Toronto, a key principle put forth was to 'encourage a comprehensive approach to consumer protection'. Yet, consumer protection was far from being regarded as a policy priority. Against this background, CI launched a global 'Consumers for Fair Financial Services' campaign. As part of the campaign, 30 groups signed an open letter to the G20 in Seoul in November 2010, calling 'for the needs of everyday consumers of financial services to be pushed to the top of the agenda' (CI, 2010). Various NGOs started to lobby and even had face-to-face contact with important decision-makers during the summer of 2010: for instance, German consumer associations spent one hour with Chancellor Angela Merkel, and French organizations met briefly with their finance minister, Christine Lagarde. Both politicians were very receptive to the consumer groups. The 2011 French G20 presidency had made consumer financial protection one of its priorities, and so Lagarde was particularly eager to take consumer views into account.[29] Eventually, in November 2010, the G20 published a final declaration of the Seoul Summit, saying that they had agreed to enhance consumer protection – to the astonishment of civil society groups.[30] In February 2011, the G20 Finance Ministers called on an OECD task force to provide options to enhance financial consumer protection. Initially, the OECD had no plans to publicly consult with civil society, and so the French finance minister's advocacy turned out to be instrumental in spurring a public consultation process that included consumer groups. As one consumer representative reports about a meeting in December 2010 at the OECD:

That first meeting I had with the [OECD] officials concerned, I just had a feeling that they didn't regard us as very significant at all . . . but then, what happened was very important. I went with our French colleagues to see Madame Lagarde's office. Within a couple of days, she wrote to the Secretary General of the OECD, saying that consumer organizations had to be involved in the G20 mandate. From that point the OECD started to take us very seriously indeed.[31]

The first meeting of the OECD task force took place on 6 April 2011 and till October of the same year, multiple rounds of consultations followed before a final version of the draft was agreed upon. CI, which had published a detailed 40-page report outlining recommendations to enhance consumer protection, was invited to address the panel, while at the same time, industry groups were very slow to react and did not even attend consultation meetings.[32] In October 2011, the OECD published a list of non-binding cross-sectorial international standards, the 'High-level Principles on Financial Consumer Protection,' which were subsequently endorsed by the G20. Members of the task force described the consultation process as consensual, 'a collective construction, to which everyone contributed'[33] and celebrated the endorsement as a major improvement.

However, besides the fact that the principles remain non-binding, the language of the final draft uses relatively weak wording such as 'where appropriate,' 'voluntary,' or 'as appropriate'. Several of the principles were watered down. The proposal for guarantees on consumer deposits in banks that had appeared in an early draft was removed. Key factors to enhance transparency (such as the display of costs, and accurate information) were banned from the main text and only appear in footnotes. The creation of a new international organization to share best practices, an idea brought forward by CI, was not taken on board. 'We think that sends a message about how banks have lobbied the committee', noted a consumer representative. Taken together, and despite substantial changes that were made to dilute the final draft, the common principles represent an unprecedented international agreement to enhance consumer financial protection as well as an example of how TCS, in tandem with powerful policy entrepreneurs, can successfully push for an agenda. Most of all, in the future, the existence of an international standard will allow watchdog groups to refer to the G20 commitments made by heads of governments in order to put pressure on the implementation of these commitments at the national level.

CONCLUSIONS

In response to the crisis consumer concerns became part of legislative action in the US and the EU. Not least, decision-makers at the G20 agreed to international standards to enhance consumer protection on a global scale. This article argued that a TCS network in alliance with public elected officials was successful in placing consumer concerns on the agenda. It is too early to say whether the regulatory overhaul was mainly 'piggybacked' with pro-social consumer-protections pushed for by domestic activists groups (Seabrooke, 2006: 112). It can be said however that financial lobbyists were at least equally successful in watering-down large parts of reforms during the passage and implementation phase. As a result, financial consumer protection reforms across the Atlantic have not redesigned the regulatory framework – no regulatory 'paradigm change' Hall (1993), has taken place –, but reforms still go beyond business as usual.

The puzzle is that this regulatory change largely runs counter to the interests of the most influential and resourceful actors in financial regulation: the banks and industry associations. This calls Olson's logic of collective action into question, which departs from the assumptions that consumers are at a huge disadvantage in the face of well-organized business interests. Reform legislation after the crisis diverges from theories that explain regulatory policy-making by concentrated interest-group pressure or expert knowledge of transnational epistemic communities. Indeed, the outcome of financial reforms turns on its head the prevalent prediction from capture theories: that the regulatory outcome in international finance corresponds to the preferences of the private sector. In this case, policy-makers aligned with civil society to push for a more consumer-friendly agenda. This article identified TCS groups as non-governmental entrepreneurs of regulatory change. Exploiting the momentum of widespread public support and media attention in the aftermath of the crisis, civil society became a 'catalyst for politicizing' (Price, 1998: 639) consumer financial protection in international finance. The strong citizen base, in turn, allowed civil society to call upon well-positioned public entrepreneurs, such as parliamentarians, EU bureaucrats and key decision-makers, to weigh in on reform decisions. By reframing the reform debate, generating information and placing it strategically on the national and international level through direct lobbying of key actors and a variation of boomerang politics, the transnational network took advantage of the increased political salience of financial regulation and made consumer protection a prominent reform issue for politicians and Eurocrats alike.

This research makes several important contributions. First and foremost, it provides a first detailed description of the actions and campaigns by members of a civil society network in response to the subprime financial crisis, showing that a growing number of civil society organizations have developed capacities to engage in the debate on reforming global finance. However, the article also highlighted the limitations in TCS capacity to influence regulatory change. The findings suggest that the impact of NGO campaigns was largely restricted to the agenda-setting phase of the reform process. By contrast, the crisis-shaken private financial sector was back on its feet not long after the financial meltdown, increasing lobbying efforts and slowly trimming back reform advances, watering down financial reforms during the passage and the subsequent implementation phase. As an EU industry representative put it, when asked about the substance of EU consumer protection reform: 'In the end of the day: Much ado about nothing'. This corresponds to Culpepper's (2011) argument about the rise of 'quiet politics' in financial regulation. As soon as the interest of the public and the media starts to fade away, highly organized business interests 'bounce back' much more quickly and capture the policy process through their lobbying capacity and under much less public scrutiny. Nevertheless, this analysis has provided evidence that transnational NGOs are increasingly involved in standard-setting aspects of financial regulation – for instance, being involved in consultation processes with the OECD. Furthermore, the case studies confirm the oft-argued thesis among scholars that the perception of a crisis is an important factor in precipitating normative change (Price, 1998). Normative change might not go as far as to put an end to the logic of 'financialisation' (Finlayson, 2009) but the international financial crisis was important for the reform of consumer protection, as it demonstrated the dramatic failures of the regulatory system and mobilized public action and pro-change groups. The crisis, however, was the catalyst, not the cause of policy change. The agency lies at the advocacy of TCS networks that policy-makers aligned with in their search for alternative sources of expertise and under public pressure.

The article is also a contribution to the debate on how financial regulation has changed post-crisis and the role of non-state actors in the ongoing contest over the rules governing the global political economy. To summarize, international financial regulation, an issue area where TCS power appears to be relatively ineffective, represents a particularly hard case for demonstrating the role of TCS in global politics. In doing so, this article joins a number of studies that show that civil society matters in global politics: in the field of human rights, security policy or environmental protection. To say it in the words of Jean-Paul Sartre, 'Once you hear the details of victory it is hard to distinguish it from defeat.' – We should therefore not let the finding that industry lobbyists successfully diluted reforms obscure the fact that civil society activism in reaction to the crisis provides another important example of the potential of non-state actors to influence policy outcomes on a global scale. To overlook the involvement of groupings with weaker interests such as small retail financial services, consumers and organizations that represent them does a disservice to understanding the regulatory reform outcome in response to the crisis.

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NOTES

1. Interview with Commission official, Brussels (March 2013).
2. Although some organizations refer to a 'consumer movement' to describe their actions to influence financial reforms, I prefer the term 'network', since the emphasis here is not on the mobilization of a broader public (as with movements) but on the way civil society got organized to bring policy change about. I use the term transnational to highlight the cross-border linkages among the groups involved.
3. Interview with representative of consumer association, Washington, DC (August 2011).
4. Interview with consumer activist, Washington, DC (September 2013).
5. Interview with industry lobbyist, Brussels (May 2013).
6. Interview with bank lobbyist, London (June 2012).
7. Interview with NGO representative, Brussels (March 2013),
8. Ibid.
9. Ibid.
10. Ibid.
11. Interviews with representatives of NGOs in Brussels (May, June, July and August 2011).

12. Interview with consumer representative, Washington, DC (September 2013).
13. Ibid.
14. Interview with NGO representative, Brussels (June 2011).
15. Interview with consumer representative, Paris (July 2011).
16. Ibid.
17. Interview with NGO representative, Brussels (June 2011).
18. Interview with bank lobbyist, Brussels (March 2013).
19. Warren gave testimony about the CFPB to Congress in May 2011 and to the House Financial Services Committee in June 2009 and in March 2011.
20. See, for example, online documents: BEUC 'Facing Up to the Financial Crisis – BEUC's Concrete Suggestions to Protect Consumers in the Short and Long Term' (2009) and FIN-USE's publication 'Summary Report on EU Financial Markets: Putting Financial Users at the Heart of the Financial Market Reform' (2010).
21. Interview with NGO representative, London (July 2011).
22. Interview with industry lobbyist, Brussels (May 2013).
23. Interview with NGO representative, Brussels (August 2011).
24. Interview with consumer representative, Paris (July 2011).
25. Interview with consumer representative, Washington, DC (Sept. 2013).
26. Interview with bank lobbyist, Brussels (March 2013).
27. Ibid.
28. Interview with consumer representative, London (August 2011).
29. Interview with NGO representative (August 2011).
30. Ibid.
31. Interview with consumer representative (August 2011).
32. Interview with OECD official, Paris (November 2012).
33. Interview with central banker, Paris (January 2013).

NOTES ON CONTRIBUTOR

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