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Revisiting the link between PAC contributions and lobbying expenditures

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ABSTRACT

Data on campaign contributions of PACs (political action committees) in the US does not contain the PACs' issues of concern. Additionally, while recent US lobbying data details the issues of concern for an interest group, it does not detail the Congressional representatives lobbied by the interest group. Expanding the time-frame of earlier work, I confirm that PACs engaging in lobbying and campaign contributions account for the majority of such political money despite representing a small minority of all PACs. I show how this allows the construction of a novel dataset that decomposes representative-specific contributions across issues as well as issue-specific lobbying expenditures across representatives. This decomposition can qualitatively affect results regarding the relationship between political money and Congressional voting behavior on trade policy.

1. Introduction

The empirical political economy literature has long studied how money flowing from interest groups to political actors affects policy outcomes. Such studies often consider how campaign contributions by PACs (political action committees) in the US affect Congressional voting behavior on a particular bill. Surveying the literature, Ansolabehere et al. (2003, p. 113) list 36 such studies in economics and political science with international trade policy a common area for analysis (for additional recent examples see Baldwin and Magee, 2000; Magee, 2010; Fredriksson et al., 2011; Conconi et al., 2012a). In addition to studies focusing on Congressional voting behavior, the empirical international trade policy literature has also seen data on PAC contributions play an important role in analyzing the “protection for sale” model of Grossman and Helpman (1994) (e.g. Maggi and Goldberg, 1999; Gawande and Bandyopadhyay, 2000).

However, as discussed in the empirical protection for sale literature (e.g. Maggi and Goldberg, 1999 and Gawande and Bandyopadhyay, 2000) and more recently by Bombardini and Trebbi (2012), studies linking PAC contributions to policy outcomes face an important limitation: PAC contributions data does not include issues of concern to the PAC (e.g. international trade, environment, health care and immigration.). Thus, the data on a PAC's contributions effectively aggregate contributions over the PAC's various issues of concern. To this end, the recent availability of US lobbying data (due to the 1995 Lobbying and Disclosure Act) and the dis-

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closure therein of the interest group's issues of concern has led authors to study the link between lobbying and policy outcomes with international trade policy again occupying a central area of analysis (e.g. Ludema et al., 2011; Bombardini and Trebbi, 2012).[1,2] Nevertheless, the lobbying data does not divulge which Congressional representatives are lobbied and thus does not allow researchers to link issue-specific lobbying expenditures to Congressional voting behavior on particular bills.

The main contribution of this paper is a novel dataset that deals with these data limitations by decomposing an interest group's issue-specific lobbying expenditures across Congressional representatives and an interest group's representative-specific PAC contributions across issues. To do so, I exploit a theoretical and empirical link between PAC contributions and lobbying expenditures.

A popular theory linking PAC contributions and lobbying expenditures is that contributions provide access to legislators and this access allows the PAC to influence the legislator via lobbying (e.g. Austen-Smith, 1995; Wright, 1996). However, empirical evidence accumulated by the early 2000s painted a dim picture of this "access view". Empirical wisdom held that most interest groups who engage in PAC contributions do not lobby and that most interest groups who lobby do not engage in PAC contributions (see, e.g., Schlozman and Tierney, 1986; Wright, 1989; Nownes and Freeman, 1998; Gais, 1998) and that PAC contributions seek to change the composition of the legislature rather than affect the policy of the elected legislature (see, e.g., Wright, 1985; Grenzke, 1989). However, Ansolabehere et al. (2002) (AST, hereafter) showed that this empirical evidence was heavily misleading (Milyo, 2002): while confirming earlier evidence that the vast majority of PACs that contribute do not lobby and vice-versa, AST found strong support for the access view because those PACs engaging in contributions and lobbying ("access groups" hereafter) account for 70% of all such money ("political money" hereafter).

Before constructing the dataset, I extend the sample period of AST from the single Congressional cycle ("cycle" hereafter) of 1997–98 to all cycles between 1997–98 and 2011–12 and confirm that the insight of AST is a systematic feature of the US political system. Specifically, access groups account for the majority of political money over the entire sample period. That is, the majority of political money in the data flows from interest groups for whom the data divulges the composition of their contributions across Congressional representatives and the composition of their lobbying expenditures across issues. This allows me to decompose the majority of an interest group's PAC contributions across issues and the majority of their lobbying expenditures across representatives with only small residual "unallocated" categories. While the primary purpose of verifying the AST result is a preliminary step enroute to the decomposition, two subsidiary results emerge: i) the extent that access groups account for the majority of political money in the 1997–98 cycle of AST was somewhat of an anomaly, and ii) the composition of contributions and the nature of groups that contribute has changed dramatically in recent cycles.

Having confirmed the empirical linkage between PAC contributions and lobbying expenditures, I present a simple and intuitive decomposition of i) PAC contributions across issues, even though the data does not tie contributions to issues, and ii) issue-specific lobbying expenditures across representatives, even though the data does not tie lobbying expenditures to representatives. I present this decomposition for the House Speaker and House Minority Leader on seven important issues in the 2011–12 cycle. The complete dataset is available in the supplementary material and contains issue-specific contributions and lobbying expenditures for each House representative and each of the 79 issues (of the 1995 Lobbying Disclosure Act) for each cycle between 1999–2000 and 2011–12.

Having representative-issue specific contributions and lobbying expenditures represents a clear advantage for researchers if the observation of Ansolabehere et al. (2003) regarding the surprisingly tenuous link from PAC contributions to Congressional voting behavior derives from researchers' inability to link contributions to bill relevant issues. Indeed, I illustrate this advantage for Congressional voting behavior on Free Trade Agreements (FTAs). The literature analyzing Congressional voting behavior on trade policy has typically used PAC contributions by business and labor groups to proxy, respectively, the pro- and anti-trade influence of interest groups (e.g. Baldwin and Magee, 2000; Im and Sung, 2011; Conconi et al., 2012a, 2014). Using estimation techniques employed in the recent trade policy literature (e.g. Ludema et al., 2011; Conconi et al., 2012b, 2014), I analyze the votes on all FTAs in the House of Representatives since 1998. Using the standard PAC contribution variables, there is no statistically significant relationship between political money used by either business or labor groups and voting behavior. However, using representative-trade specific contributions and lobbying expenditures by business groups (instead of PAC contributions by business groups) and labor groups (instead of PAC contributions by labor groups), there is a statistically significant relationship between trade-related political money used by business groups and the likelihood that a representative votes in favor of an FTA. This finding highlights the benefit of having representative-issue specific measures of contributions and lobbying expenditures.

A key issue addressed in this paper – how to construct measures of representative-issue specific lobbying expenditures – is related to recent work by Bertrand et al. (2011) and Vidal et al. (2012). These papers also attempt to uncover relationships between lobbying and representatives. However, rather than attempting to decompose an interest group's issue-specific lobbying expenditures across representatives, they focus on whether interest groups pay premiums for lobbyists who are more connected with representatives and, indeed, find evidence of such premiums.[3] These results suggest that the value that an interest group places on a dollar paid to a lobbyist depends on the connectedness of the lobbyist to representatives who can influence the interest group's issues of concern. In particular, Bertrand et al. (2011) show that lobbyists tend to focus on issues relevant to the committee assignment of the representatives to whom they are most connected even when these representatives switch committee assignments and hence deal with a different

[1] Additional examples outside of international trade policy include Bertrand et al. (2011), Facchini et al. (2011) and Kang (2014).

[2] Rather than use lobbying data to tie international trade issues and political money, Gawande (1997) and Gawande and Bandyopadhyay (2000) take an alternative approach. They regress PAC campaign contributions on trade related variables such as import penetration and interpret predicted values using the trade-related variables as trade-related contributions (the former paper) and industries with positive import penetration coefficients as politically organized for the purposes of international trade (the latter paper).

[3] Bertrand et al. (2011) interpret connectedness based on personal campaign contributions from lobbyists to representatives while Vidal et al. (2012) interpret connectedness based on former Congressional staff appointments held by lobbyists.