

# Lobbying and Legislative Uncertainty

Kristy Buzard

Syracuse University and The Wallis Institute

kbuzard@syr.edu

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2. Can we disentangle fundamental uncertainty about preferences from equilibrium and modeling uncertainty?
  - ⇒ Build a structural model to take to U.S. House data
3. Ultimately, want to identify cross-industry measures of legislative uncertainty



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Adding uncertainty to standard model captures (2) — (4)

# Literature



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- ▶ **Vote Buying in Legislatures:** Groseclose & Snyder 1996, Banks 2000, Dal Bo 2007



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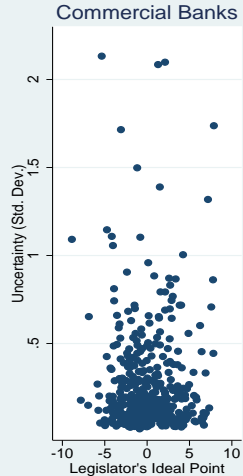
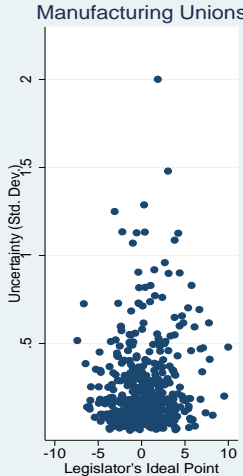
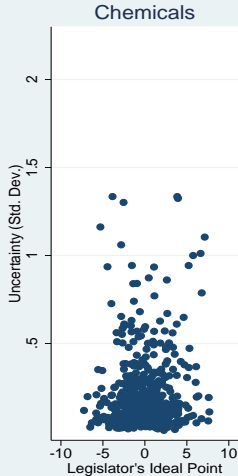
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Use multi-dimensional ideal-point estimation to identify measures of uncertainty



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## Two vote buyers, $A$ and $B$

- ▶  $A$  prefers  $x$ ,  $B$  prefers  $s$

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- ii. Uncertainty about preferences realized:  $\underline{\theta} = (\theta_{-.5}, \theta_0, \theta_{.5})$
- iii. Each legislator votes for her preferred policy

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  - ▶ Probability  $i$  votes for  $s$  is

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  - ▶ Assuming  $\theta \sim \text{Logistic}(0, 1)$ , it's  $\frac{1}{1 + e^{-(\beta i - \alpha - a_i + b_i)}}$

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- ▶ Vote buyer won't spend more than his willingness to pay,  $W_B$
- ▶ In three-seat legislature, max probability that  $\geq 2$  legislators vote for  $s$



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$$\begin{aligned} \max_{b_{-.5}, b_0, b_{.5}} W_B & \left[ \Pr(X(-.5) = 1) \Pr(X(0) = 1) (X(.5) = 0) + \right. \\ & \Pr(X(-.5) = 1) \Pr(X(0) = 0) \Pr(X(.5) = 1) + \\ & \Pr(X(-.5) = 0) \Pr(X(0) = 1) \Pr(X(.5) = 1) + \\ & \left. \Pr(X(-.5) = 1) \Pr(X(0) = 1) \Pr(X(.5) = 1) \right] - \sum_{j \in \{-.5, 0, .5\}} b_j \end{aligned}$$

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- ▶ She wants  $x$  to win instead of  $s$

# Two Non-Negative Bribes



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### Two non-negative bribes

When Vote Buyer  $B$  pays bribes to exactly two legislators, the bribes are such that the two bribed legislators' ideal points gross of bribes are equalized. Which two legislators are bribed depends on the bias parameter  $\alpha$ .

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## No Non-Negative Bribes

When Vote Buyer  $B$  has a low willingness to pay, he does not bribe any legislator.

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## Conjecture

When there is no bias in the positions of the legislators ( $\alpha = 0$ ), the bribes of legislators whose ideal points are at the median in terms of uncertainty receive the highest relative bribes.

# Two Vote Buyers

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## Both Vote Buyers Bribe

It is possible for both vote buyers to bribe legislators on the same vote.

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- ▶ Derive tight identification of empirical estimates from structural model
- ▶ Provide micro-founded explanations for the variation in uncertainty that lobbies face

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- ▶ helps in understanding lobbying strategies
- ▶ may shed light on why some lobbies are more successful than others
- ▶ will help in the identification of measures of uncertainty that can be used in many applications