Seminar in Political Behavior

W14: Lobbying in the US

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Plan for Today

1. Basic Concepts

2. Kalla and Broockman 2016

3. What is Instrumental Variable?

4. Goldstein and You 2017

Basic Concepts

Regulations on Campaign Finance

- ***Complicated*** area of the law
  - The Constitution of the United States
  - Federal Election Campaign Act of 1971, as amended
  - FEC Regulations
  - Litigation (interpreting the above)
  - Advisory Opinions
  - Enforcement Matters
  - Statements of Reasons
  - Policy Guidance
  - State and local laws

3 Landmark Cases

- Buckley v. Valeo (1976)
  - Struck down the expenditure limits while upheld the the contribution limits.
- Citizens United v. FEC (2010)
  - Corporate speech is protected by the first amendment $\rightsquigarrow$ No limits on independent expenditure.
  - A very narrow view of corruption – *quid pro quo* only.
- SpeechNow.org v. FEC (2010)
  - Non-profit group challenges political committee contribution limit.
  - Unlimited contributions to groups that only make “independent expenditures”

PAC and Super PAC

- PAC (Political Action Committee)
  - Raises or spends more than $1000 intended to influence federal elections
  - Has the “major purpose” of electing or defeating federal candidates
  - Contributions to PACs are subject to limits ($5000 per person per year)...
- Except for Super PAC!
  - Can raise and spend unlimited amounts of money
  - Limit: cannot coordinate with or donate directly to a candidate’s campaign

Why Campaign Contributions & Lobbying?

- Intuitive and Conventional View: *quid pro quo* between donors and legislators
  - Legislators need money to run election and get re-elected
  - Legislators take the money from interest groups and support the desired acts for the interest groups in the Congress.
- Empirical evidence (such as Ansolabehere, de Figueirdo, and Snyder (2003)): Null findings
  - Ansolabehere, Stephen, John M. de Figueirdo, and James M. Snyder Jr. 2003. "Why is There so Little Money in U.S. Politics?" *Journal of Economic Perspectives* 17(1): 105-130.

Ansolabehere, de Figueirdo, and Snyder (2003)

Table 2

Roll Call Voting in the U.S. House, 1978–1994

Dep. Var. = CCUS Roll Call Voting Score (N = 3400)

	Least Squares			*Instrumental Variables*			*Mean*
	Spec. 1	*Spec. 2*	*Spec. 3*	*Spec. 1*	*Spec. 2*	*Spec. 3*	*[SD]*
Corporate Contributions	0.32**	0.07	0.02	−0.30**	−0.05	−0.14	6.53
							[5.99]
Labor Contributions	−1.14**	−0.44**	−0.13	−0.18	−0.02**	0.41	4.48
							[5.39]
Member is Republican	32.6**	40.6**	—	40.5**	44.2**	—	0.39
							[0.49]
District Partisanship	58.4**	—	—	59.5**	—	—	0.00
							[0.11]
District is in South	10.2**	—	—	14.1**	—	—	0.26
							[0.44]

Notes: All specifications include year fixed-effects. Specification 2 includes district fixed-effects. Specification 3 includes member fixed-effects.
Standard errors in brackets.
* = significant at the .05 level.
** = significant at the .01 level.

Kalla and Broockman 2016

Contributions Facilitate Access?

- Research question?
  - Campaign contributions $\rightsquigarrow$ Access to congressional officials?
- Literature
  - Politicians' view and conventional wisdom: Yes.
  - Empirical evidence (such as AFS(2003)): No.
  - Weaknesses of existing studies? Unable to observe counterfactuals
    - "How would the legislators to whom political actors (interest groups) contribute have behaved if these actors had not contributed?"
- Method? Randomized field experiment

Contributions Facilitate Access?

- Experimental design
  - Team up with an interest group (CREDO Action), and solicit meetings with members of Congress and their staff via email.
  - Randomly assign whether they indicate (and make) a donation.
    - Treatment: Revealed donor
  - Outcome: Access to different levels of officials.

Contributions Facilitate Access?

SUBJECT: Meeting with local [**campaign donors/constituents**] about cosponsoring bill to [BILL DETAILS]?

BODY:

Hi [SCHEDULER],

My name is [EMPLOYEE] and I am an Organizer with CREDO Action. Around a dozen of our members near [DISTRICT CITY] who are [**active political donors/concerned constituents**] have expressed interest in meeting with the Congressman, in person or by phone from the [CITY] office.

Contributions Facilitate Access?

These [**donors/members**] are extremely concerned by [DETAILS ON BILL] and would like to tell the Congressman why his base would like him to cosponsor H.R. [BILL DETAILS]. This legislation would [DETAILS ON BILL]. They very much hope that the Congressman will cosponsor the bill.

If the Congressman is not available, they'd like to arrange a meeting with the chief of staff, LA, or local district director, in person or by phone from your office.

Contributions Facilitate Access?

Could we arrange such a call on [DATES]? Our members are looking for just 30 minutes to have their concerns and ideas heard.

Looking forward to hearing from you on what time might work well and who our members can expect to meet with.

Thanks in advance,

[EMPLOYEE]

Contributions Facilitate Access?

- Result:

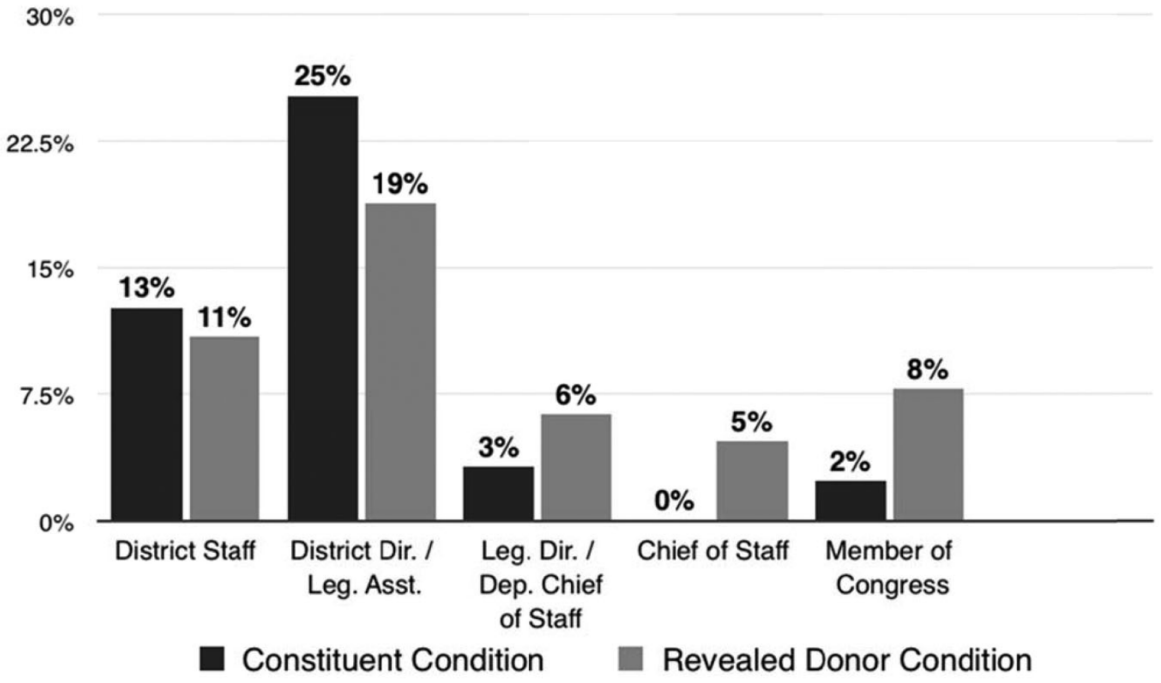
TABLE 1 Results: Access Gained in Constituent and Revealed Donor Conditions

Level of Official Group Met	Constituent Condition Frequency	Revealed Donor Condition Frequency	Constituent Condition Cumulative Probability	Revealed Donor Condition Cumulative Probability	p-Value: Revealed Donors More Likely to Gain Access at or above This Rank
Member of Congress	2.4%	7.8%	2.4%	7.8%	$p = .07$
Chief of Staff	0.0%	4.7%	2.4%	12.5%	$p = .006$
Legislative Director or Deputy Chief of Staff	3.1%	6.2%	5.5%	18.8%	$p = .005$
DC-Based Legislative Assistant or Local District Director	25.2%	18.8%	30.7%	37.5%	$p = .17$
Other District-Based Staffer	12.6%	10.9%	43.3%	48.4%	$p = .26$
No Meeting	56.7%	51.6%	100%	100%	—

Contributions Facilitate Access?

- Result: Visualization

FIGURE 1 Access Gained to Congressional Staffers, by Experimental Condition



Contributions Facilitate Access?

- Interpretation of the result
  - Revealing donor $\rightsquigarrow$ higher chance (8%) to have access to Member of Congress than constituent condition (2%)
  - Revealing donors $\rightsquigarrow$ significantly more likely to gain access at or above Chief of Staff and Legislative Director/Deputy Chief of Staff level.

Contributions Facilitate Access?

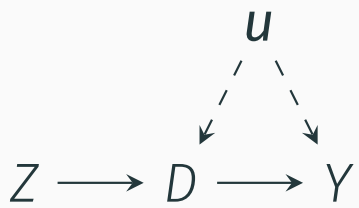
- Conclusion
  - Donations increase the probability of meetings
  - But meetings are often granted without them as well
- Contribution: identifying the causal effect of campaign contributions on access to congressional officials in real-world settings
- What can we learn from this pattern? Implications?
  - People of wealth are running the America?
  - Votes matter or money matter?

What is Instrumental Variable?

Why Instrumental Variable?

- What's the most hated thing when we want to know about causality?
  - Confoundness!
- What we usually do: include confounders in our regression
  - $Y_i = \alpha + \delta D_i + \beta \mathbf{X} + \varepsilon_i$
  - $D_i \rightsquigarrow$ Treatment
  - $Y_i \rightsquigarrow$ Outcome
  - $\varepsilon_i \rightsquigarrow$ Error term
  - $\mathbf{X} \rightsquigarrow$ A vector of observed confounders
- What if there is unobserved confounders?

Unobserved Confounders: DAG



- Z is the instrumental variable in this DAG.
- By adding Z, we can eliminate the hidden paths from $\boldsymbol{u}$ to D and Y.
    - Why and how?

Wald Estimator

- Let's do some MATH!
- Wald estimator: Z as a dummy variable
  - Original regression without Z:
  - $\mathbb{E}[Y] = \mathbb{E}[\alpha + \delta D + \varepsilon]$
    $\rightsquigarrow \mathbb{E}[Y] = \alpha + \delta\mathbb{E}[D] + \mathbb{E}[\varepsilon]$
  - Including Z:
  - $\mathbb{E}[Y|Z=1] - \mathbb{E}[Y|Z=0]$
    $= (\alpha - \alpha) + \delta(\mathbb{E}[D|Z=1] - \mathbb{E}[D|Z=0]) + (\mathbb{E}[\varepsilon|Z=1] - \mathbb{E}[\varepsilon|Z=0])$
    $= \delta(\mathbb{E}[D|Z=1] - \mathbb{E}[D|Z=0]) + (\mathbb{E}[\varepsilon|Z=1] - \mathbb{E}[\varepsilon|Z=0])$
  - Note that in our DAG, Z affects Y only through D, and has nothing to do with $\boldsymbol{u}$ (ε here)
    - $cov(\varepsilon, Z) \to 0$
    - Which means $\mathbb{E}[\varepsilon|Z=1] - \mathbb{E}[\varepsilon|Z=0] = 0$
  - $\mathbb{E}[Y|Z=1] - \mathbb{E}[Y|Z=0] = \delta(\mathbb{E}[D|Z=1] - \mathbb{E}[D|Z=0])$
    $\rightsquigarrow \delta = \dfrac{\mathbb{E}[Y|Z=1] - \mathbb{E}[Y|Z=0]}{\mathbb{E}[D|Z=1] - \mathbb{E}[D|Z=0]}$
- In continuous term: $\delta = \dfrac{cov(Y, Z)}{cov(D, Z)}$

Two-Stage Least Squared (2SLS)

- The classical aprroach to IV
- Basic idea:
  - First stage: $D_i = \delta + \gamma Z_i + \eta_i$
  - Second stage: $Y_i = \alpha + \tau D_i + \varepsilon_i$
- Note that $\mathbb{E}[\varepsilon_i | D_i] \neq 0$ and $\mathbb{E}[\varepsilon_i | Z_i] = 0$
- Then, we use instrument Z_i first stage to obtain as estimate of D_i, which is $\tilde{D}_i$
  - Using this $\tilde{D}_i$ to predict the outcome, Y_i

Some assumptions of IV approach

- Assumption 1 (Relevance): $cov(Z_i, D_i) \neq 0$
- Assumption 2: $Z_i \perp\!\!\!\perp \varepsilon_i$
- Assumption 3 (**Exclusion restriction**): Z_i only affect Y_i through D_i.
  - $Z_i \not\to Y_i$
  - $Z_i \to D_i \to Y_i$

Some Examples of Research with IV Approach

- Acemoglu, Johnson, and Robinson (2001 *AER*)
  - Institutions $\rightsquigarrow$ Economic growth
  - IV: European settler mortality
  - Help AJR win Nobel Prize (2024).
- Achraya, Blackwell, and Sen (2016 *JoP*)
  - % of Slaves in 1860 $\rightsquigarrow$ Contemporary Political Attitudes (Liberal-Conservative, Affirmative Action, Racial Attitudes)
  - IV: Cotton Suitability
- Wang (2021 *BJPS*)
  - Number of Deaths in Cultural Revolution/1,000 (prefectural level) $\rightsquigarrow$ Contemporary Political Attitudes toward the State
  - IV: Average Distance to Sulfur Mines (log)
- White (2019 *APSR*)
  - Incarceration $\rightsquigarrow$ Willingness to Vote
  - IV: Random Case Assignment to Courtroom

Concluding Thoughts on IV Approach

- Powerful design for identifying causal effects
- But have many assumptions
- Biggest problem with IV approach: Difficult to find a good IV

  IV approach can have something to do with RDD. But I choose to leave it as one of the methodological topics for next semester.

Goldstein and You 2017

Cities as Lobbyists

- Research questions:
  1. Why some cities lobby the federal government, while others do not?
  2. Whether city lobbying makes a difference in terms of federal resource allocation

Cities as Lobbyists

- Theory
  - Material interests, ideology $\rightsquigarrow$ Voter preferences on public goods provision
  - Ethnic heterogeneity also has effect on public goods provision
  - However, there are multiple layers of government in the US: Federal, state, local
    - Voter composition can be different $\rightsquigarrow$ Difference in public goods provision
    - What types of cities suffer the most from this gap?
    - Maybe liberal cities in conservative states?

Cities as Lobbyists

- Data:
  - Federal lobbying disclosures by cities with populations greater than 25000 from 1999 to 2012.
  - And LOTS of covariates! (we will see them later)

Cities as Lobbyists

- Descriptive statistics:

TABLE 1 Lobbying Participation and Expenditures by Types of Cities

	Participation (%)		Expenditures ($K)	
Type	Blue States	Red States	Blue States	Red States
Blue Cities	42.88	55.67	242.1	635.3
Red Cities	44.68	37.82	225.0	196.7

Cities as Lobbyists

- Analysis I: Model Specification
  - $Y_{ist} = \beta D_{ist} + \Gamma \mathbf{X}_{ist} + \lambda_t + \varepsilon_{ist}$
  - i indicates a city, s indicates a state, and t indicates the year.
  - $D \rightsquigarrow$ public goods provision gap between state and local government
  - $\mathbf{X} \rightsquigarrow$ Covariates
  - $\lambda \rightsquigarrow$ Year-fixed effect
  - Y as lobbying activity (how many times did the city lobby the federal government and how much they spend on lobbying)
- Note that they also run a panel model, which uses city-fixed effect instead of year-fixed effect to capture the unobservable city characteristics. The main result is basically the same so I skip it.
- The following slide will be the result of the model. It would be a HUGE regression table with LOTS of covariates.

Cities as Lobbyists

- Result of Analysis I

TABLE 2 City Characteristics and Lobbying Activities

	Lobbying Participation		(ln) Lobbying Spending ($)	
Variable	(1)	(2)	(3)	(4)
Public Goods Gap ($)	0.289***	0.136**	2.301***	0.984**
	(3.97)	(2.03)	(5.49)	(2.09)
Population (K)	0.00113	0.00125	0.00134	0.00241
	(0.54)	(0.53)	(0.58)	(0.98)
Land Area (K sq. miles)	3.164	3.153	19.83***	15.99**
	(0.95)	(0.67)	(3.28)	(2.39)
Water Area (K. sq. miles)	2.242	3.328	−14.72	−10.87
	(0.63)	(0.82)	(−0.53)	(−0.36)
Senior (%)	−0.0436***	−0.0407**	−0.355***	−0.332***
	(−2.67)	(−2.43)	(−3.08)	(−2.84)
Student (%)	0.0503**	0.0466**	0.489***	0.457***
	(2.45)	(2.23)	(3.27)	(3.01)
Ethnic Heterogeneity	1.557***	1.687***	13.12***	14.70***
	(3.41)	(3.67)	(4.50)	(4.99)
Median Income ($K)	−0.00865	−0.00675	−0.0845**	−0.0709**
	(−1.79)	(−1.39)	(−2.42)	(−2.01)
Unemployment (%)	0.0296	0.0351	0.214	0.261
	(1.53)	(1.80)	(1.48)	(1.78)
Households in Poverty	−0.0365**	−0.0391***	−0.304***	−0.334***
	(−2.44)	(−2.60)	(−2.69)	(−2.92)
Gini Index	7.407***	8.028***	59.25***	67.59***
	(5.38)	(5.68)	(5.84)	(6.56)
Property Tax Share of Revenue	−2.552***	−2.805***	−19.64***	−21.89***
	(−5.61)	(−6.23)	(−5.52)	(−6.15)
Intergovernmental Transfer Share of Revenue	−2.101***	−1.977***	−14.62***	−13.51***
	(−4.78)	(−4.26)	(−4.52)	(−3.80)
Democrat House Representative	0.415***	0.423***	2.872***	3.037***
	(2.99)	(3.00)	(3.05)	(3.16)
Democrat Senator	0.617***	0.497***	4.219***	3.157***
	(4.26)	(3.07)	(4.09)	(3.03)
Republican Governor	0.131	0.194***	0.896	1.411**
	(1.73)	(2.60)	(1.62)	(2.50)
Constant	−4.870***	−5.702***	−39.53***	−47.44***
	(−6.47)	(−8.01)	(−6.82)	(−8.42)
Year Fixed Effect	Y	Y	Y	Y
N	17,668	17,668	17,668	17,668

Note: The *t* statistics are in parentheses. Cluster-robust standard errors are used (clustered at the city level).
**p < .05, ***p < .01.

Cities as Lobbyists

- No worries. We only need to focus on this part of the table:

TABLE 2 City Characteristics and Lobbying Activities

	Lobbying Participation		(ln) Lobbying Spending ($)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**
Public Goods Gap ($)	0.289***	0.136**	2.301***	0.984**
	(3.97)	(2.03)	(5.49)	(2.09)

Cities as Lobbyists

- Analysis II:
  - Data: Grants (or earmarks) from Recovery Act awarded in 2009 and 2012.
  - Theoretical expectation: Lobbying $\rightsquigarrow$ Earmarks
  - However, there might be reversed causality!
    - Receiving earmarks $\rightsquigarrow$ More lobbying

  So here we need the instrumental variable to overcome this obstacle!

Cities as Lobbyists

- What IV did the authors choose? Whether the city has direct flight to DC or not?
- Why?
  - "The existence of a direct flight is a proxy for the convenience of traveling to Washington, DC, both in time and cost. Therefore, we expect a city's lobbying decision to be correlated with the presence of a direct flight between their city and the capital."
- Model specification
  - First stage: $L_{is} = \alpha F_i + \Gamma \mathbf{X}_{is} + \psi_s + v_{is}$
  - Second stage: $G_{is} = \beta L_{is} + \Gamma \mathbf{X}_{is} + \psi_s + \varepsilon_{is}$

Cities as Lobbyists

- Result

TABLE 4 The Effect of Lobbying on Earmarks and Recovery Act Grants to Cities

	(ln) Earmark ($)		(ln) Recovery Grant ($)	
Variable	**(1) Tobit**	**(2) IV**	**(3) OLS**	**(4) IV**
Panel A				
(ln) City Lobbying Spending ($)	0.50***	1.02***	0.06***	0.47***
	(8.07)	(4.12)	(3.06)	(3.56)
Panel B: First-Stage Estimates				
DV = (ln) City Lobbying Spending ($)				
Direct Flight to Washington, DC		2.81***		2.66***
		(4.34)		(4.11)
F-statistic		14.71		15.12
Controls	Y	Y	Y	Y
State Fixed Effect	Y	Y	Y	Y
Observations	1,262	1,262	1,262	1,262

Note: The *t* statistics are in parentheses. Cluster-robust standard errors are used (clustered at the state level).
**p < .05, ***p < .01.

Cities as Lobbyists

- Conclusion
  - Cities lobby because of the public goods provision gap
    - Blue cities need more money to implement their welfare policy
    - The funding given by red states is not enough for this welfare provision
  - These lobbying activities are **effective**
- Any curiosity about how they come up with this project? Here comes the ”Behind the Scene” section!

Behind the Scene

How did you come up with the project?
"It's sort of a funny story. Hye Young had been my TF in Jim and Steve's undergrad class on elections in 2011, and we stayed in touch after that. So she knew that I had written my senior thesis on a federalism topic (about joint local-state-federal funding for public schools). When she was finishing up her dissertation in 2014, we had coffee and she told me that she'd **noticed something surprising in her dissertation data** (which was the database of lobbying disclosures) – **that about 12% of all the disclosures were from state and local governments.**"

Behind the Scene

How did you come up with the project?

"Nobody in the literature had noticed that before, so she said when she finished up we should work on figuring out that part of the data together since I'd read up on federalism for my thesis project. Just to start exploring the data, she sent me **a list of the top 10 lobbying spender cities** – not normalized by population, just the raw top 10 cities. I was sure this would be, basically, the 10 richest cities – NYC, LA, etc. Instead it was such a strange group – **Jacksonville, Tucson, Memphis, and New Orleans**, I think, were all on the list. It just hit me: these are **blue cities in red states**. [The importance of summary statistics!!!!!!] Then, because it wasn't such a straightforward story about rich cities getting richer through lobbying, **we decided we should focus on three guiding questions: who lobbies? What do they lobby for? And does it matter** (e.g., does it matter for getting federal dollars)?"

Tips for next time...?

- No tips for next time section today.
- Thanks for your participation for this semester.
- I hope I can see you in this seminar next semester (Start from Week 2).