CHAPTER 6

Interest Groups and Money

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What do Google, the National Rifle Association, Harvard University, and the American Farm Bureau Federation have in common? They are all interest groups. Competition among interest groups lies at the heart of American democracy. Understanding why groups are organized and how they influence elections and policies is critical to the understanding of political representation in the United States.

Interest groups have played a central role in American democracy since the very beginning of the Republic. James Madison's *Federalist Paper* No. 10 famously discussed threats posed by factions—defined as 'a number of citizens, whether amounting to a majority or a minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community'—and how to control them. Madison noted that forming factions is an inevitable part of human nature, therefore, a proper solution is not to remove its causes but to control for its effects. Madison believed that in a country as large as the United States, diverse interests would arise and compete against one another, thereby preventing domination by any one faction. Over time, as Madison predicted, the number of organized interests that are active in politics has increased.

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However, the increasing number and diversity of organized groups does not necessarily lead to more equality in political participation and influence because some groups have louder voices than others (Schlozman et al. 2012). Therefore, a key issue concerning the role of interest groups in American democracy is the inequality of political voices expressed by different groups. The question of group influence on the political process and the distribution of unequal voices in American democracy is particularly important in this era of sharply increasing economic inequality. In addition, group conflicts by race, gender, generation, and income-level, and the lack of representation of certain interests has received unparalleled attention in recent political dialogues in the United States.

Why do different groups have unequal voices in the political process? The two most prominent channels that interest groups employ to influence political processes are campaign contributions and lobbying. These channels are designed to communicate information about individuals' and groups' preferences to policymakers and the main requirement for gaining participation in these channels is money. In recent years, an unprecedented amount of money has been spent on politics by individuals and groups. Although American democracy offers multiple venues for citizens and groups to participate in the political process, the importance of money in political participation could amplify the conversion of existing economic inequality into political inequality. The following section considers how the campaign finance system and the lobbying process allow unequal opportunities for different groups to influence political representation in the United States. It also analyzes why increasing the role of individual donors as opposed to corporate donors in financing elections—a tactic that campaign finance reformers touted as a way to empower citizen participation—does not necessarily lead to more desirable outcomes, such as electing fewer extreme candidates and producing less polarization.

Campaign Finance and Money in Elections

The structure of campaign finance in the United States allows interest groups and individuals to wield considerable influence in electoral processes. The cost of election campaigning has been increasing over time. In 2000, $1.41 billion was spent on the presidential race and $1.67 billion was spent on congressional races. Twenty years later, the 2020 election cycle was recorded as the most expensive election in the history of the United States: the presidential race cost $5.7 billion and congressional races cost $8.7 billion (Center for Responsive Politics 2021).

Modes of Campaign Financing: Public vs. Private

Where does the money to help candidates run for office originate? There are two modes of campaign financing and they are defined by their main sources of funding. The first mode is public financing, a system in which public funds—taxpayers' money—are provided to candidates who run for office. In 1971, Congress passed the Federal Election Campaign Act (FECA), the first comprehensive campaign finance reform legislation in the United States. Congress authorized public financing for nominating presidential candidates when they amended the FECA in 1974 after the Watergate scandals, and the resulting Presidential Election Campaign Fund provides matching public funds to qualified candidates based on their records of donations from individual supporters (Briffault 2020). The main idea behind creating a public financing system for the presidential race was simple: to curb the influence of large and private contributions on the electoral process.

The public financing system played an important role in the nomination process of major political candidates from the 1976 presidential campaign onward. However, in 2008, Democratic presidential candidate Barack Obama announced that he would opt out of public financing as his campaign showed remarkable success in raising money. Because participating in public financing would impose a cap of $84.1 million on how much he could receive from private actors and how much he could spend on his general election campaign, Obama—who ultimately raised more than $750 million during his bid for the White House—chose to forgo public financing. No major party nominee has accepted public financing since 2008. The limited role of public financing in the United States implies that campaign finance through private actors has become the main source of financing for candidates and plays an important role in electoral success. To fully understand how campaign finance contributes to the current landscape of political representation, two key issues should be examined. First, we need to investigate who donates to campaigns. If donors and non-donors are significantly different in their political preferences and income levels as well as the types of candidates they prefer, the considerable influence of donors through campaign financing could generate a biased political system that tilts toward the donors' perspective. Second, we need to examine the motivation behind campaign contributions and whether campaign contributions facilitate donors' access to politicians and affect politicians' perceptions about public opinions and the types of policies that politicians enact.

Types of Donors

First, who donates to political campaigns? Broadly, there are two types of donors: individuals and groups. Individuals may make donations to candidates, political parties, and other political organizations, subject to some limitations. It is more complicated for groups to make campaign donations to candidates or parties. The Tillman Act of 1907 prohibited corporations and nationally chartered banks from making direct financial contributions to federal candidates. The Smith-Connally Act of 1943 and Taft-Hartley Act of 1947 extended the corporate ban to labor unions. However, in 1971 the FECA initiated fundamental changes in federal campaign finance laws and opened the door for groups to donate to political campaigns. The FECA mandated that organizations wishing to contribute to federal candidates and parties must create separate and segregated funds called Political Action Committees (PACs). Corporations and labor organizations are prohibited from making contributions to campaigns from their own treasury funds. However, PACs affiliated with corporations and labor organizations may raise voluntary donations from individuals, such as a corporate PAC raising money from its employees and a labor union PAC raising money from its members. For example, Google can contribute to candidates and parties as a company through its Google NetPAC and raises money from Google employees, but it cannot use money from the company's annual budget or revenues to support the Google NetPAC.

Contributions are subject to specific limits depending on donor types and recipient types. Figure 6.1 shows these specifications. An individual donor may contribute up to $2900 per election cycle to a campaign that a candidate organizes (*Candidate committee*) for the 2021–2022 election cycle. Individuals may also donate to PACs or party committees to support their political activities and the contribution limits are higher in this case. PACs may donate up to $5000 to a candidate's committee per cycle or $5000 per year to other PACs. PACs may also donate to party committees to support their activities, such as building party organizations and increasing election turnout.

Which type of donor plays a larger role in financing candidates? The left-hand panel in Fig. 6.2 shows the average candidate's fundraising portfolio (Barber and McCarty 2013). For all congressional candidates in each election cycle, the y-axis indicates the average percentage of three different sources

		Recipient				
		Candidate committee	PAC† (SSF and nonconnected)	Party committee: state/district/local	Party committee: national	Additional national party committee accounts‡
Donor	Individual	$2,900* per election	$5,000 per year	$10,000 per year (combined)	$36,500* per year	$109,500* per account, per year
	Candidate committee	$2,000 per election	$5,000 per year	Unlimited transfers	Unlimited transfers	
	PAC: multicandidate	$5,000 per election	$5,000 per year	$5,000 per year (combined)	$15,000 per year	$45,000 per account, per year
	PAC: nonmulticandidate	$2,900* per election	$5,000 per year	$10,000 per year (combined)	$36,500* per year	$109,500* per account, per year
	Party committee: state/district/local	$5,000 per election (combined)	$5,000 per year (combined)	Unlimited transfers	Unlimited transfers	
	Party committee: national	$5,000 per election**	$5,000 per year	Unlimited transfers	Unlimited transfers	

**Indexed for inflation in odd-numbered years.*

Fig. 6.1 Contribution limits for federal elections for 2021–2022 (Source: Federal Election Commission. Note: The numbers are based on the 2021–2022 election cycle. Some limits are subject to change, based on inflation)

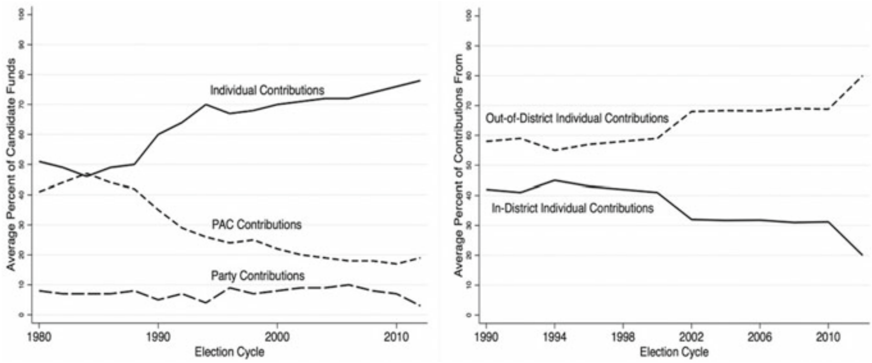

Fig. 6.2 Sources of congressional campaign funding, by type of donor and location (Source: Barber and McCarty, 2013)

in a fundraising portfolio. It is clear that, since the early 1990s, individual contributions have accounted for the greatest part of congressional candidates' fundraising portfolios. The same trend holds for Senate races and presidential campaigns.

Another interesting trend is shown in the right panel of Fig. 6.2. More than half of the contributions to candidates raised in congressional elections came from donors who lived outside the districts where the candidates were running for office. Donors who lived in big cities, such as New York City, Los Angeles, and Houston, donated heavily to political candidates across the nation. In the 2020 election cycle, Representative Alexandria Ocasio-Cortez of New York's 14th district received over $12 million in donations from people who lived outside of New York state; this accounted for more than 84 percent of her total campaign war chest. Less than 1 percent of Congresswoman Ocasio-Cortez's total contributions came from donors who lived in her district (Center for Responsive Politics 2021). This increasingly prominent role of out-of-district donors in financing campaigns raises a concern that politicians may become more responsive to the policy preferences of out-of-district donors. If out-of-district donors are more ideologically extreme than within-district donors, and out-of-district donors are especially vocal about partisan issues, such as abortion, a greater reliance on national donors could also lead to more polarized campaign platforms and legislative behaviors.

The Rise of Small Donors and Diversity in the Donor Class

Individual donors can be further divided into two categories depending on the dollar amount of their contributions. If an individual donor's aggregated contribution to a specific candidate or party committee in a given election cycle exceeds $200, it should be itemized by the recipient in their reporting to the Federal Election Commission (FEC) along with the donor's name, mailing address, employer, occupation, the date of receipt and the size of the donation. Conventionally, contributors whose donations are itemized are called 'large donors.' Donors whose aggregated donation to a candidate or party committee does not exceed $200, and, therefore, is not itemized, are referred to as 'small donors.' In recent elections, the role of donors who make small donations through the internet has received much attention, and candidates often boast that their campaigns are supported by small donors. In the 2020 election, small donors played a prominent role in financing candidates. Republican Donald Trump raised 48.85 percent of his total campaign contributions from small donors and small donors accounted for 38.94 percent of Democrat Joe Biden's campaign fundraising portfolio (Center for Responsive Politics 2021).

Large donations that are itemized with disclosed donor information give more detailed information about the demographics of donors. Among those who donated more than $200 in the 2020 election cycle, male donors accounted for 55 percent of the total number of donors and 65 percent of the total amount contributed. Female donors have increased their presence over time. Whereas less than a quarter of donors who contributed more than $200 in the 1990 election were women, that number rose to 45 percent in the 2020 election. During the 2020 presidential campaign, 48 percent of itemized donations for Joe Biden and 36.6 percent of itemized donations for Donald Trump came from female donors.

While female donors have made significant progress in their presence within the donor class, the racial composition of donors has remained stable over time with white donors being dominant. An analysis of itemized donations shows that over 90 percent of donors are white, while only 67 percent of the US voting age population is white (Grumbach and Sahn 2020). Although Asians and Latinos have increased their participation in making contributions, the total share of contributions from ethnic minorities for congressional and presidential candidates is much smaller than their share of the US population.

Personal wealth is an important predictor as to whether an individual contributes to political campaigns. Wealthy individuals participate extremely actively in politics (Page et al. 2013) and the increased income inequality in the United States has translated into political inequality. Although the number of small donors has risen over time, a tiny fraction of donors from extremely wealthy groups has increased their influence by spending large sums of money on campaigns. In 1980, donations from individuals in the top 0.01 percent of the income distribution among US adults accounted for 10 percent of total campaign contributions. In 2018, donations from the wealthiest 0.01 percent of individuals made up over 45 percent of total campaign contributions (Database on Ideology, Money in Politics and Elections 2021). Overall, the number of small donors and the diversity of the donor class have increased over time, but a small fraction of wealthy donors still have a disproportionately large presence in candidates' contribution portfolios.

PACs and Ideological Diversity

As the role of individual donors has increased in candidates' campaign financing, the role of PACs has decreased. But there are still many organizations and corporations that form PACs through which they donate to candidates, parties, and other PACs. Examples include the AT&T Inc PAC; the American Bankers Association PAC; and the Sheet Metal, Air, Rail, & Transportation Union PAC. In the 2020 election cycle, the National Association of Realtors (NAR) ranked at the top in terms of PAC spending by contributing $4 million to federal candidates. Of NAR's $4 million contribution, 52 percent went to Democratic candidates. NAR's contribution patterns show a partisan balance, but other PACs' contributions illustrate different scenarios. For example, the American Federation of Teachers Union PAC contributed $2.4 million in the 2020 election cycle and 99 percent of its contribution went to Democratic candidates. In contrast, the National Automobile Dealers Association also spent $2.4 million in the same election cycle but only 28 percent of their donations went to Democratic candidates (Center for Responsive Politics 2021).

PACs represent diverse interests and their contribution patterns are also diverse. Using information about the candidates to whom PACs and individuals donate, Bonica estimates the ideology of donors (Bonica 2013) and his work shows that there is substantial variation in donor ideologies. Individual donors are more ideologically extreme than PACs, and rarely split their donations between Democratic and Republican candidates. PACs associated with business interests show more moderate ideology than single-issue PACs, such as anti-abortion or gun-rights groups, but there is substantial variation among business-associated PACs. For example, the entertainment industry heavily donates to Democratic candidates, whereas the fossil fuel industry (oil, gas, and coal) mainly contributes to conservative candidates. Industries such as pharmaceuticals and finance show more bipartisan patterns of campaign donations.

Donors' Motivations

Why do individuals and groups donate to electoral campaigns and why do their donation patterns differ? Scholars have differentiated between the motivations of group donors and individual donors. The primary motivation for PACs is access to politicians. Corporations, trade associations, and other groups ultimately hope to influence policy outcomes and their campaign contributions are used as tools for gaining access to express their preferred policy positions to politicians. There is robust evidence that PACs' campaign contribution patterns follow the logic of access-seeking: PACs tend to contribute to incumbents, committee members who serve on the committees relevant to their interests, and majority party members who have strong agenda-setting power. For example, PACs formed by firms and associations in the finance industry donate more to politicians who serve on the House Financial Services Committee and Senate Finance Committee, which have direct jurisdiction over financial regulations. Politicians grant more access to donors than non-donors (Kalla and Broockman 2016) and PACs try to buy politicians' time through campaign contributions so legislators will prioritize the issues that PACs care about (Hall and Wayman 1990).

Individual donors demonstrate some motivational patterns that differ from those of group donors. Some scholars emphasize that individuals are motivated to contribute to campaigns by consumption value, which implies that individuals enjoy benefits from participating in the political process without expecting a return from politicians they support (Ansolabehere et al. 2003). Ideology is another factor cited as a motivation for individuals' donations. Studies show that a candidate's ideology is an important factor for many individual donors and individuals holding more extreme ideologies assign more weight to ideology than other factors when they decide to donate. In contrast to PAC donors, individual donors care less about the incumbency status or committee assignment of legislators when they choose to donate.

Given that individual donors show more ideological extremism, scholars have explored whether a larger role by individual donors, as opposed to PACS, is associated with electing more extreme candidates. Using variations in contribution limits imposed on individual and group donors at the state level, Barber (2016) shows that the increasing share of candidates' campaign money derived from individuals as opposed to PAC contributions leads to electing more extreme candidates. A recent surge in the number of small donors contributing to campaign fundraising through the internet has augmented the role of individuals financing political candidates. Although calls for eliminating the role of large money and business interests in politics often accompany a proposal to expand the role for small donors, empirical evidence suggests that a larger role for small donors in financing candidates' campaigns could lead to selection of more extreme candidates and polarization (Pildes 2020).

Citizens United and the Rise of Super PACs

Another noticeable trend in campaign finance is the rapidly increasing number of independent expenditures. An independent expenditure differs from a campaign contribution in the sense that it does not involve a direct transfer of money to candidates and parties. But individuals and groups can employ an independent expenditure to support or oppose specific candidates by running their own advertisements on various media platforms, such as TV and social media.

What types of groups engage in independent expenditure and what regulations apply to it? To understand the current practice of independent expenditure, it is important to understand how campaign finance laws have evolved over time. In 1974, immediately after comprehensive amendments to the FECA were passed in Congress, challenges were brought to the Supreme

Court regarding regulations on contribution and expenditure limits. The Supreme Court upheld the contribution limits as a safeguard for the integrity of elections, but the Court overturned the expenditure limits—the amount each campaign and party could spend—citing that the expenditure limits could restrict political speech. The Court's ruling in 1976 in *Buckley v. Valeo* established the idea that money counts as speech (Kang 2012). The Supreme Court's ruling that equates campaign spending with the first amendment constitutional right of free speech significantly limits the government's capacity to reform campaign finance since the constitutionality of the provisions in the reform agendas can be challenged easily through the judicial process. This, in turn, has produced the very complex and convoluted campaign finance systems in the United States.

Another major reform in campaign finance regulation was introduced in 2002 when two senators, John McCain and Russell Feingold, introduced the Bipartisan Campaign Reform Act (BCRA). The BCRA prohibited corporations and labor unions from using monies from their general treasuries for independent expenditures on political communications. The BCRA also prohibited corporations and labor unions from airing ads that explicitly supported or opposed a specific candidate within 30 days of a primary election or 60 days of a general election (activities referred to as 'electioneering communications'). Citizens United Inc., a conservative non-profit organization, sued the FEC during the 2008 presidential election cycle, arguing that the BCRA regulation was an unconstitutional burden on free speech.

In January 2010, the Supreme Court struck down BCRA's provision on electioneering communications, mentioning that the BCRA provisions discriminated against some individuals and groups by limiting their political speech. The *Citizens United v. FEC* decision did not change the regulations concerning how much corporations and unions could contribute directly to candidates and parties and which sources of funding they needed to use. However, the decision did make a change to allow corporations and labor unions to use their general funds to finance independent expenditures. Also, they are allowed to air advertisements that explicitly urge election or defeat of a candidate at any time.

After the ruling, a new kind of PAC—a Super PAC—that is exclusively devoted to independent expenditure has emerged. Super PACs cannot make direct contributions to candidates or parties. However, unlike traditional PACs, there is no limit on the size of donations that individuals and groups can contribute to Super PACs. Super PACs must disclose the names of their donors to the FEC but they can engage in an unlimited amount of independent spending. The major sponsors of Super PACs have been wealthy individuals. Since the *Citizens United* decision in 2010, the number of Super PACs has exploded and the dollar amount of independent expenditure has increased rapidly.

Although the rapid creation of Super PACs and their large expenditures are a driving force making elections more expensive in recent years, understanding Super PACs' impact on electoral politics requires further research. On one hand, Super PACs' spending on campaign advertisements could increase voters' knowledge about candidates, even though most of the ads are negative. Super PACs also make elections more competitive by reducing the financial advantages that incumbent politicians enjoy compared to their challengers. On the other hand, Super PACs provide another venue for a small group of wealthy individuals and well-resourced groups with highly polarized views to influence the political process. The ability to raise money from many individuals and groups during political campaigns provides a signal about a candidate's quality and competitiveness. However, if Super PACs substitute for candidates' traditional fundraising tasks, it suggests that those who finance Super PACs may have a disproportionate advantage in the selection of winning candidates.

Lobbying and Money in Policymaking

Lobbying is another important channel through which interest groups interact with policymakers in American politics. While the public holds skeptical and negative views about lobbying and lobbyists, lobbying serves as one of the key channels through which individuals and groups exercise their right to petition the government (Allard 2008). Although there are different perceptions about what constitutes lobbying activities, the Lobbying Disclosure Act of 1995 (LDA), which regulates lobbying activities by domestic interest groups, defines lobbying contacts as 'any oral or written communication to an executive or a legislative branch official that is made on behalf of a client with regard to the formation, modification, or adoption of federal legislation, rule, regulation, policy, or the nomination or confirmation of a person for a position of the United States government.'

Lobbying activities in the United States are extensive. Figure 6.3 presents the amount of total spending on federal lobbying recorded under the LDA for the period 1999–2019. Lobbying spending is divided into two types: expenditures by in-house lobbyists who are a group's employees and work in the group's lobbying arm within the organization (*In-House*), and expenditures by contracted lobbyists who work at lobbying firms (*Contract*). Both types of lobbying expenditures increased steadily until 2010 and, since then, almost $4 billion on average is spent on lobbying the federal government each year.

The numbers presented in Fig. 6.3 may underestimate how much money is actually spent on lobbying because the statutory definition of a lobbyist in the LDA and the subsequent reform bill, the Honest Leadership and Open Government Act passed in 2017, gives ample room for interpretation (Cain and Drutman 2014). The LDA defines a lobbyist as any individual (1) who is either employed by a client, (2) whose service includes more than one lobbying contact, and (3) whose lobbying activities constitute 20 percent

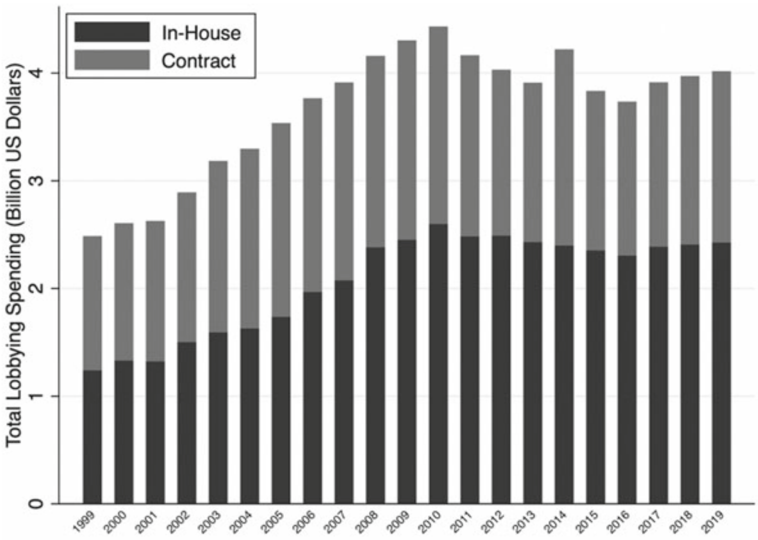

Fig. 6.3 Lobbying spending, 1999–2019 (Source: https://www.Lobbyview.org. Note: Numbers are inflation adjusted, in 2020 dollars)

or more of his or her time in service in a given quarter. Because lobbyists themselves determine whether they are required to register under the LDA, a significant number of individuals who carry out lobbying services are unregistered (Thomas and LaPira 2017).

There are over 10,000 lobbyists registered under the LDA every year. Lobbying reports most often cite budgetary issues as the subject of their lobbying activities followed by taxation, health, defense, and transportation. Among various interest groups who engage in lobbying activities, firms and business interests are ranked at the top in terms of lobbying spending and their expenditures on lobbying easily exceed their spending on campaign contributions. Other types of interest groups also have steadily increased their participation in the lobbying process; examples include universities, state and local governments, and foreign governments and businesses.

Theories of Lobbying

Why do groups spend copious amounts of their resources to lobby policymakers? There are three branches of theory that broadly categorize the motivations for lobbying. First, the exchange theory of lobbying argues that groups lobby to buy legislators' votes. Groups make campaign contributions to legislators and legislators deliver policy favors. Under this framework, lobbyists are passive agents who facilitate those exchanges through lobbying. If vote-buying is a key motivation for lobbying, groups need to target undecided legislators to maximize their utility. However, it is often observed that interest groups contribute to politicians who already agree with their policy preferences; thus, their votes are already secured in favor of the groups' preference.

The second theory of lobbying argues that lobbying aims to transmit information from interest groups to legislators. Groups have private information about how government policies would affect their interests and they attempt to convey this private information to persuade legislators. Politicians are generalists rather than experts on every issue, and therefore, they should be educated by various individuals and groups to produce informed policies. Interest groups can also transmit information on the political consequences of a politician's vote on a specific policy. Although the informational theory of lobbying is widely studied, some raise questions about its core argument. For example, there are sources other than a lobbying channel through which legislators can learn about the consequences of certain policies and public opinions. Also lobbying groups often contact politicians who are already the groups' closest allies and need the least persuasion to support their interests.

The third theory defines lobbying as legislative subsidies (Hall and Deardorff 2006). Based on the fact that lobbyists contact their allies in Congress, the legislative subsidy theory of lobbying argues that groups provide resources—policy information and legislative support—to their allies in Congress. The goal of lobbying is not to change legislators' minds. Instead, lobbying aids legislators who share preferences with groups to advance bills and agendas that matter to those groups. For example, the National Rifle Association (NRA) lobbies members of Congress who already agree with the group's position on gun rights. The NRA provides information about public opinion on gun-related issues or memos that summarize current gun-related issues to their allied politicians so the politicians can easily advance legislation that the NRA prefers or block advancement of legislative agendas that the NRA opposes.

Lobbying Targets

Theories of lobbying, and most media attention to lobbying, focuses on legislative lobbying: contacting politicians. However, a close examination of lobbying activities reveals that targets of lobbying are not limited to the legislative branch. Lobbying on a specific bill continues even after a bill becomes law and this 'ex post' lobbying, which targets specific provisions in the rules, demonstrates the importance of bureaucrats in implementing policies (You 2017). For example, in the aftermath of the 2008 financial crisis, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Although the statute was 848 pages long, many important details were omitted and the statute mandated that federal agencies, such as the Securities and Exchange Commission (SEC), promulgate more than 300 rules to implement the Dodd-Frank Act.

During the rulemaking process, federal agencies invite individuals and groups to submit written comments containing their opinions to the agency formulating the rules. This is called the 'notice-and-comment' process. Federal agencies may respond to specific comments or incorporate the submitted comments in their final rulemaking. The bureaucratic rulemaking process provides another venue where groups influence government policies. From the passage of the Dodd-Frank Act of 2010 in Congress to the end of 2014, 2337 organizations submitted a total of 4405 comments on the 37 rules promulgated by the SEC (Ban and You 2019). The types of groups that engaged most frequently in the rulemaking process are corporations and trade associations, such as the Securities Industry and Financial Markets Association, which represents business interests.

Interest groups also actively lobby the judicial branch, especially when it concerns Supreme Court nominations. Some nominations for the Supreme Court's associate justice positions were politically contentious, such as President Reagan's nomination of Judge Robert Bork in 1987 or President Trump's nomination of Brett Kavanaugh in 2018. There is substantial group involvement in the nomination process to oppose or support these nominations. The number of groups involved in the Supreme Court nomination process has increased over time and the most active participants changed from groups such as the American Bar Association or labor unions to groups focusing on identity issues such as the National Association for the Advancement of Colored People (Cameron et al. 2020).

Role of Lobbyists and the Revolving-Door Phenomenon

Lobbyists, as intermediaries between interest groups and policymakers, play an important role in the process of lobbying and—despite the public's cynical views about lobbying as a profession—becoming a lobbyist has been one of the most popular options for former politicians and congressional staffers in their post-government careers. For instance, 26 out of 44 former members of Congress who served in the 115th Congress (which ended January 2, 2019) and left for jobs in the private sector became lobbyists in lobbying firms (Public Citizen). Revolving-door lobbyists—those who were government employees before moving to the lobbying industry—are paid better and receive the most media attention in the profession because prominent corporations and groups recruit them as their lobbyists. As the revolving-door phenomenon occurs more frequently, there is a growing concern that it could give a disproportionate advantage in the policymaking process to groups that can afford to hire revolving-door lobbyists.

Why are revolving-door lobbyists paid more than those without prior government service and why do groups hire them to represent their interests? There are two explanations for the wage premiums that revolving-door lobbyists enjoy. The first view considers revolving-door lobbyists as experts on issues and political procedures. Through work experience in government, these lobbyists accumulated knowledge on specific issues that may require technical information and complex policymaking processes. The second view argues that the main asset revolving-door lobbyists possess is not expertise on issues but connections they formed with politicians and other policymakers while they worked in government. Studies show that lobbyists' connections to politicians mainly determine the issues on which lobbyists work and their lobbying revenues (Blanes i Vidal et al. 2012; Bertrand et al. 2014). These results do not mean that lobbyists' issue expertise and institutional knowledge do not matter. Lobbyists who have personal connections to politicians may know the politicians' legislative priorities, and therefore may provide more tailored information to those politicians or screen the merits of clients who request access to the politicians whose time and resources are constrained. As the revolving-door phenomenon has expanded to bureaucrats moving into and out of government service, the role that prior employment in government plays in the lobbying process and the potential biases that can occur in policy outcomes by increasing numbers of revolving-door lobbyists require further research.

Consequences of Unequal Representation

Through campaign contributions and lobbying, interest groups that are active in politics have the opportunity to deliver their policy preferences and opinions to politicians and their staff members. However, if donors and lobbying groups hold policy preferences that differ sufficiently from those of ordinary citizens, frequent interactions with these interest groups and donors could influence politicians' understanding of their constituents' policy preferences and overshadow information reflecting the opinions that the majority of their constituents hold.

A recent study that surveyed state legislators and their constituents shows that politicians have consistent bias in their perceptions of constituents' policy preferences (Broockman and Skovron 2018). For example, in 2014, 84.3 percent of the public surveyed supported background checks prior to gun purchases. However, politicians significantly underestimated how much public support exists for universal background checks: on average, politicians assumed only 48.5 percent of the public support background checks. This suggests a significant misperception about the degree of public support for tightening regulations on purchasing guns. These misperceptions are also found in legislative staffers. Senior congressional staffers who have more frequent contacts with corporate donors hold more misperceptions about constituent preferences. The mismatch between actual and perceived constituency preferences is smaller if a member's office has more contact with groups that represent the mass public (Hertel-Fernandez et al. 2019).

A functioning democracy requires representation of diverse views to inform the government's decision-making process. The types of individuals and groups with whom politicians have most frequent contact can influence how accurately politicians perceive public opinions on most pressing issues that society needs to address, and campaign contributions and lobbying have profound impact on which individuals and groups have access to politicians. The tools that were designed to deliver opinions from diverse groups and individuals to politicians through the electoral process and policymaking in American democracy have, ironically, reinforced the unequal power and representation that individuals and groups experience in society. Although Madison's premise of the pluralism of diverse groups competing to influence political outcomes has been realized to some extent, a small fraction of individuals and groups have much louder voices than others. Each election cycle breaks the previous record of being the most expensive election in US history and lobbying has become an indispensable means for many powerful groups and large corporations in the political process. Increasing income inequality in the United States will give increasing advantages to wealthy individuals and well-resourced groups to exercise their political power through the role of money in American politics.

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Further Reading

For those who are interested in the ideas behind campaign finance reform, La Raja and Schaffner's *Campaign Finance and Political Polarization* (2015, Ann Arbor: University of Michigan Press) provides a comprehensive account of the history of campaign finance in the United States and the concerns about ideas behind candidate-centered as opposed to party-centered campaign funding. Primo and Milyo's *Campaign Finance & American Democracy: What the Public Really Thinks and Why It Matters* (2020, Chicago: University of Chicago Press) provides an excellent survey on how public and political elites perceive campaign finance regulations and whether campaign finance reforms change public opinion about the quality of American democracy. An overview of the changes in campaign finance after the *Citizens United* ruling, such as the birth of Super PACs and legal constraints on the issue of coordination between Super PACs and candidates, can be found in Briffault's 'Super PACs' (2011, *Minnesota Law Review* 96: 1644) and Briffault's 'Coordination Reconsidered' (2013, *Columbia Law Review* 113: 88).

There are numerous studies that examine the motivations and behaviors of different kinds of donors. For access-seeking PACs, Fouirnaies and

Hall's 'How Do Interest Groups Seek Access to Committees' (2018, *American Journal of Political Science* 62.1: 132–147) examines how PACs change their donation patterns depending on politicians' congressional committee assignments. Li's 'How Internal Constraints Shape Interest Group Activities: Evidence from Access-Seeking PACs' (2018, *American Political Science Review* 112.4: 792–808) shows how donors to PACs strategically respond to donating behaviors of PACs. Barber, Canes-Wrone, and Thrower's 'Ideologically Sophisticated Donors: Which Candidates Do Individuals Contributors Finance?' (2017, *American Journal of Political Science* 61.2: 271–288) looks at how the ideological and policy positions of candidates affect individual donors' decisions to contribute. On the topic of the geography of donors, Gimpel, Lee, and Kaminski's 'The Political Geography of Campaign Contributions in American Politics' (2006, *Journal of Politics* 68.3: 626–639) and Gimpel, Lee, and Pearson-Merkowitz's 'The Check Is in the Mail: Interdistrict Funding Flows in Congressional Elections' (2008, *American Journal of Political Science* 52.2: 373–394) present excellent findings about how contributions from out-of-district donors shape the nomination process in the United States.

For lobbying, Drutman's *The Business of America is Lobbying: How Corporations Became Politicized and Politics Became More Corporate* (2015, New York: Oxford University Press) provides an excellent survey on the history of corporate lobbying and the reasons behind the rise of the political engagement of business interests. There are many papers that investigate the lobbying patterns of non-business interests. de Figueiredo and Silverman's 'Academic Earmarks and the Return to Lobbying' (2006, *The Journal of Law and Economics* 49.2: 597–625) examine how lobbying spending by universities affects academic earmarks. Goldstein and You's 'Cities as Lobbyists' (2017, *American Journal of Political Science* 61.4: 864–876) looks at lobbying activities of local governments at the federal level and Payson's 'Cities in the Statehouse: How Local Governments Use Lobbyists to Secure State Funding' (2020, *Journal of Politics* 82.2: 403–417) studies local governments' lobbying engagement at the state level.