Chapter: Delegation and Lobbying

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October 3, 2025

Prepared for *"The Handbook of Strategic Analysis of Politics"*
edited by Olga Shvetsova

Abstract

This chapter examines the link between delegation and lobbying, two themes central to political economy. Delegation models explore how legislatures manage uncertainty and control bureaucratic agents, while lobbying models analyze how organized interests influence policy through contributions, information, and advocacy. We review the growing body of research that integrates these literatures, showing how the prospect of lobbying affects legislative incentives to delegate and how the structure of delegated authority shapes lobbying strategies. We highlight common-agency frameworks that capture the recursive relationship between delegation and lobbying and empirical studies documenting how venue choice, information provision, and interest group mobilization mediate delegation outcomes. We also review applications to agency oversight and fiscal policy. Finally, we present a model of regulatory rule-making that embeds lobbying directly into the delegation decision, offering predictions for both theory and empirical analysis.

Keywords: Delegation; Lobbying; Rule-Making; Risk; Discretion; Interest Group Influence

1 Introduction

Delegation and lobbying are central themes in the political economy literature. Delegation models have long been studied to manage uncertainty and oversee bureaucratic agents (Fiorina 1982, Epstein & O'Halloran 1994, 1999, Huber & Shipan 2002, Volden 2002*a*). Lobbying is viewed as a conduit through which organized interests shape policy—whether by supplying campaign contributions, transmitting information, or exerting direct pressure during administrative rule-making (Stigler 1971, Peltzman 1975, Becker 1983, Grossman & Helpman 1994). Each area of this literature is extensive and, until recently, has developed in parallel.

A small but growing body of research indicates that the two phenomena are closely connected (Epstein & O'Halloran 1995, Sloof 2000, De Bièvre & Dür 2005, Bennedsen & Feldmann 2006, Boehmke et al. 2006). Legislators' willingness to delegate authority to regulatory agencies depends on how likely interest groups are to mobilize. The strategies of interest groups also depend on how delegated authority is structured. For example, delegating regulatory power to regulators creates new opportunities for lobbying. At the same time, the potential for lobbying influences whether and how authority is initially delegated. This recursive relationship guides our analysis.

The purpose of this chapter is to unify this diverse literature within a single framework. We focus on two areas of delegation where lobbying plays a vital role: fiscal policy (taxation and spending) and agency rule-making authority. For the first area, we review key contributions; for the second, we develop a model that incorporates lobbying directly into the delegation process. Our goal is to clarify when delegation and lobbying support each other, when they oppose each other, and what our integrated approach means for both theory and empirical research.

2 Literature Review

The classic dilemma identified by Fiorina (1982) is why a legislature intent on shaping policy would delegate authority to an agency instead of legislating directly. This question motivates two related but distinct areas of research: what motivates legislators to delegate, and how they design the institutions that accompany the delegated authority. Forty years of research make clear that these two are tightly linked. The choice between legal versus administrative policymaking, and between rules versus discretion, depends heavily on the level of uncertainty and conflict at both the legislative and regulatory stages.

2.1 Delegation

Recent research views delegation as a form of risk management. Legislatures delegate less during times of high partisan conflict, such as under divided government, but are more willing to delegate when agencies can provide expertise that legislatures lack (Epstein & O'Halloran 1994, 1999, Volden 2002b, Huber & Shipan 2002, Wiseman 2009). Once delegated, discretionary authority is rarely taken back, leading to the gradual expansion of the regulatory state (Volden 2002a). Technical contributions refine these insights by identifying when discontinuous or interval forms of delegation are optimal, particularly when principals cannot credibly commit to ex post actions (Melumad & Shibano 1991, Alonso & Matouschek 2008, Gailmard 2009). Others emphasize how institutional rules—such as supermajority requirements, appointment procedures, or bureaucratic career incentives—reduce drift and define the scope of delegation (Bendor & Meirowitz 2004, Gailmard & Patty 2007, Callender & Krehbiel 2014).

Two themes emerge. First, delegation is often designed to balance the risks of uncertainty against the costs of agency drift. Second, delegation is constrained by partisan conflict, although external interest group pressures can facilitate it. For example, demands for policy change from interest groups or the public can decrease uncertainty and make delegation more appealing.

2.2 Interest Group Lobbying

The literature on delegation explores how legislators can control policymaking under conditions of uncertainty. Studies on lobbying examine the challenges legislators face in exerting influence under asymmetric power or information. Early political economy models characterize lobbying as regulatory capture, where agencies protect industries in exchange for their political support. Political outcomes reflect the balance of marginal votes gained versus those lost (Stigler 1971, Peltzman 1975, Becker 1983). This "market for regulation" approach underscores agencies' susceptibility to organized interests but offers limited insight into the specific mechanisms used to influence regulators.

Subsequent research views lobbying as a strategic exchange of resources and information. Menu-auction models (Bernheim & Whinston 1986, Grossman & Helpman 1994) formalize the interest group contributions as contingent transfers to politicians, as campaign contributions to support favorable candidates (Baron 1994, Grossman & Helpman 1996), or both (Felli & Merlo 2007). This contrasts with informational models where interest groups transmit expertise to pol-

icymakers whose own knowledge is limited (Crawford & Sobel 1982, Milgrom & Roberts 1986, Gilligan & Krehbiel 1989, Potters & van Winden 1992, Austen-Smith & Wright 1992, Hopenhayn & Lohmann 1996). Policymakers may not only lack expertise but also be time- and resource-constrained in gathering or assessing policy-relevant information or implementing policies. Interest group competition for limited access to policymakers can then result in financial contributions with the goal to transmit information (Austen-Smith 1995, Lohmann 1995, Cotton 2009, 2012), agenda distortions (Cotton & Dellis 2016, Dellis & Oak 2019), or de facto subsidies of financial or informational resources to relax politicians' resource constraints strategically (Hall & Deardorff 2006, Ellis & Groll 2020). Recent studies analyze the conditions under which agencies become partially "captured," not because interest groups buy them outright but because eliciting industry information requires aligning agency preferences more closely with those industries (Gailmard & Patty 2019). Similarly, interest groups consider legislators' preferences for policies in legislative informational lobbying (Bennedsen & Feldmann 2002, Schnakenberg 2015, 2017, Awad 2020, Awad & Minaudier 2024) and try to identify their optimal lobbying targets among legislators (Groll & Prummer 2016, Dellis 2023). There has been also more attention to lobbyists as intermediaries – acting between interest groups and policymakers who may either be former staffers of policymakers or policymakers themselves, participating in the "revolving-door", or working for commercial lobbying firms – who offer contacts and personal connections (Blanes i Vidal et al. 2012, Bertrand et al. 2014) or policy-relevant resources (Groll & Ellis 2014, 2017, Ellis & Groll 2025).[1] de Figueiredo & Richter (2014), Bombardini & Trebbi (2020), and Garlick et al. (2025) offer exhaustive reviews of the recent empirical literature in economics and political science, and Schnakenberg & Turner (2024) on the more recent theoretical literature in lobbying.

Despite these advances, few studies directly examine lobbying within the context of agency rule-making, where discretion and industry expertise are most closely linked. The more agencies rely on industry participants' input and expert advice, either because of a lack of expertise or resources, the more likely they are to *de facto* "re-delegate" or transfer rule-making authority to regulated industries.

This knowledge gap underscores the need to integrate the literature on delegation and lobbying. By analyzing the interplay between the institutional design of delegated authority and interest group pressure, we can gain a deeper understanding of whether agencies deviate from legislative intent and how organized interests strategically influence this deviation through electoral contributions and administrative pressure. Yet delegation models that ignore lobbying miss

a key piece of the puzzle: legislators delegate not only under uncertainty about agency expertise but also in anticipation of how interest groups will respond. This insight motivates the recent literature that explicitly links lobbying and delegation.

2.3 Delegation and Lobbying

The most direct link between the delegation and lobbying literature occurs in models that consider them jointly determined. This research covers both fiscal policy and regulatory rule-making. Still, the core logic remains the same: legislators anticipate lobbying when deciding whether and how to delegate, while interest groups adapt their strategies based on the scope of authority granted.

Oversight

Early work on delegation emphasizes how interest groups provide information that shapes oversight of agencies' regulatory authority. For example, classic theories of "fire-alarm" versus "police patrol" oversight (McCubbins & Schwartz 1984) and administrative procedure as political control (McCubbins et al. 1987, 1989) show how organized interests serve as monitors in delegated systems. Formal theoretical work deepened this logic: Epstein & O'Halloran (1995) show how lobbying can discipline agencies by reducing informational asymmetries, while Dixit et al. (1997) introduce a general common-agency framework for competing lobbies. Bendor et al. (2001); and Bendor & Meirowitz (2004) further show how spatial delegation models interact with bias and uncertainty. Together, these strands establish the informational and strategic foundations for subsequent delegation–lobbying models.

Public Finance

Several studies apply these concepts to fiscal policymaking. De Bièvre & Dür (2005) analyze trade policy in the United States and European Union, showing empirically that delegation and legislative control vary with the share of tradable goods. Mazza & van Winden (2008) extend theory with a hierarchical model in which legislatures may delegate fiscal authority to bureaucrats while interest groups lobby at multiple levels. Their analysis shows that multi-stage lobbying can, under certain conditions, mitigate rather than worsen capture. Sorge (2010) emphasizes "lobbying-consistent delegation," in which legislatures design delegation rules with expected lobbying in mind. Lima et al. (2017) highlight the informational role of lobbying in centralized versus

decentralized fiscal decision-making: centralization may improve welfare when it ensures informed lobbying reaches the relevant decision-maker, though it can also increase the risks of capture.

Rule-Making and Common Agency

The regulatory environment explicitly combines delegation and lobbying. An important contribution is Sloof (2000), who models interest groups' decision to lobby politicians rather than bureaucrats as a common agency game. In this model, lobbying is not only an ex post effort to influence delegated policy but also an ex ante factor determining whether delegation takes place. Politicians might rationally delegate to a biased bureaucrat because doing so can lead to more informative lobbying, even if it causes some agency drift.

This common-agency approach has led to many extensions. Bennedsen & Feldmann (2006) explore lobbying during the implementation phase of bureaucracy, showing how it influences legislative incentives to delegate. Mazza & van Winden (2008) hierarchical model broadens Sloof's idea to multiple levels of government. Evans et al. (2008) along with Brito et al. (2013), demonstrate that delegating to biased regulators can help address time-inconsistency issues in regulation, supporting Sloof's finding that moderate bias can sometimes improve welfare. Sorge (2015) includes bureaucratic appointments, illustrating how principals consider lobbying when choosing agency heads.

Empirical research supports these theoretical insights. Boehmke et al. (2006) show that interest groups strategically select lobbying venues based on how authority is delegated. You (2017) documents that groups engage in ex post lobbying during rule-making after the enactment of legislation. (Yackee & Yackee 2006, 2009) reveal that lobbying influences the content and scope of administrative rulemaking, and Balla & Wright (2001) examine how advisory committees provide organized interests with access to agencies. Large-scale studies such as Baumgartner et al. (2009) underscore the difficulty of policy change despite intense lobbying. Comparative studies, such as those by Rasmussen & Reher (2019), Hanegraaf & Berkhout (2019), and Giger & Klüver (2016), reveal how venue choice and information sharing vary across political systems. Gailmard & Patty (2013) review this literature, emphasizing how agency expertise interacts with interest group information within delegated authority.

Overall, this body of work demonstrates that lobbying and delegation are endogenous. Legislators design delegation rules considering lobbying pressures, and interest groups leverage delegation structures to enhance their influence. The common-agency framework captures this recursive re-

lationship, essential to understanding modern policymaking functions.

The literature thus reveals two key insights. First, a legislature's decision to delegate authority cannot be examined in isolation: the incentives of interest groups are an integral part of the delegation calculus. Second, lobbying is not merely a distortion layered on top of delegation; its form and effectiveness depend on the structure of delegated authority. In the next section, we build on these insights by developing a formal model incorporating lobbying directly into the delegation process. The model shows how contributions and administrative pressure interact with congressional decisions on the status quo policy and delegated discretion, producing hypotheses that directly address ongoing debates about agency capture, legislative control, and the strategic influence of interest groups.

3 Delegation and Lobbying in Rule-Making

Epstein & O'Halloran (1995) develop a formal model of congressional oversight in which interest groups play a strategic role. In their framework, lobbying operates as an informational signal that reduces asymmetries between Congress and agencies: groups can "sound the alarm" to discipline bureaucrats, thereby improving legislative control. This early integration of delegation and lobbying highlights how oversight institutions and interest group mobilization jointly determine agency behavior. Sloof (2000) builds on this insight by formalizing the decision of interest groups to lobby politicians or bureaucrats as a common agency game. Whereas Epstein and O'Halloran emphasize lobbying as an informational oversight mechanism, Sloof shows that the anticipation of lobbying itself can shape the delegation decision, with legislators rationally delegating to biased bureaucrats precisely because it yields more informative lobbying equilibria. We next extend this work by embedding lobbying directly into the delegation process, demonstrating how contributions and administrative pressure influence congressional choices regarding status quo policy and delegated discretion.

3.1 A Model

Our model examines strategic interactions among Congress (C), an executive agency (A), and an interest group (I) representing a regulated industry. As in the standard delegation model, all actors have ideal points and quadratic preferences over policy outcomes in a one-dimensional outcome space: $u_i(x) = -(x - x_i)^2$ for $x \in X = \mathbb{R}$ and $i = C, A, I$. Without loss of generality, we
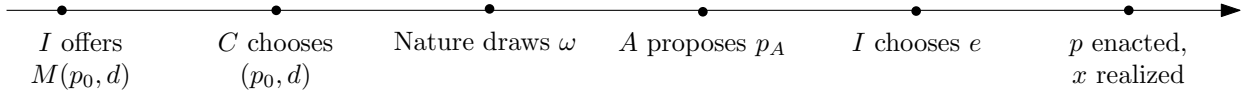
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Figure 1: Model with Legislative and Administrative Lobbying.

assume that $x_I = 0$ and $x_A > 0$. We further assume that $x_C > 0$, so if the value of x represents the strength of regulation, the industry prefers less regulation than either Congress or the agency.

Congress may delegate authority to make policy decisions to the agency, and final policy outcomes are a function of both the policy p chosen and an external shock ω according to the equation $x = p + \omega$. The external shock ω is uniformly distributed: $\omega \sim U \in [-R, R]$. When delegating, Congress can also place discretionary constraints on the agency's policy choice. Thus, Congress can set a status quo policy p_0 and a discretion limit d so that $|p - p_0| \leq d$.

Where we differ from the standard model is our assumption that the interest group can affect outcomes directly by lobbying Congress and the agency.[1] At the legislative stage, the interest group can offer policy-contingent contributions to Congress in exchange for legislation that sets the status quo policy and delegates discretion. We consider a menu-auction approach (Bernheim & Whinston 1986, Grossman & Helpman 1994). The interest group's financial contributions, $m = M(p_0, d)$, to Congress are weighted as benefits from policies, $0 < \lambda < 1$, and financial contributions, $1 - \lambda$. At the rule-making stage, the interest group can also exert lobbying pressure on the agency after it announces its proposed rule of p_A. In particular, we assume that $p = p_A - e$, where e is the amount of costly effort exerted by the interest group. We envision this effort coming in the form of presenting analyses and testimony at the notice and comment stage of rule-making, broader lobbying efforts aimed at legislators, executive officials, and the public at large to weaken industry regulations, or legal threats and litigation. The cost to the group of this effort is $c(e)$, with $c' > 0$ and $c'' > 0$.

For the sake of concreteness, we take $c(e) = \alpha e^2$, so that $\alpha > 0$ measures the relative cost of lobbying to the interest group, and low values of α indicate the ability to exert greater pressure on regulators. This lobbying also reduces the agency's utility by an amount $-\beta e$, where $\beta \geq 0$ is the cost to the agency of having its original proposals moved back towards the interest group's ideal point. It is possible to set $\beta = 0$, so that $\beta > 0$ indicates that the agency would prefer to implement a given policy outcome directly, rather than propose a stricter regulation and have the industry lobby to weaken the agency's proposal.

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[1]For a model of administrative lobbying in rule-making, see Groll et al. (2019).

Overall, then, $u_C = -\lambda(x - x_C)^2 + (1 - \lambda)M(p_0, d)$, $u_I = -x^2 - \alpha e^2 - M(p_0, d)$, and $u_A = -(x - x_A)^2 - \beta e$, where $x = p_A - e + \omega$. The order of events is illustrated in Figure 1 and is the following: First, the interest group offers policy-contingent contributions, $M(p_0, d)$. Second, Congress observes the interest group's lobbying and sets the status quo and the discretion limit, (p_0, d). Then nature draws ω, which is observed by both the agency and the interest group. Fourth, the agency proposes its policy rule p_A. Fifth, the interest group observes p_A and chooses its lobbying effort level e. Finally, policy p is enacted, and policy outcome x with corresponding utility levels is realized. We solve the game for its subgame-perfect Bayesian-Nash equilibrium.

3.2 Interest Group's Administrative Lobbying

Starting at the end of the game and working backward, for a given policy proposal p_A and shock ω, the industry will set its lobbying effort e to maximize $-(p_A - e + \omega)^2 - \alpha e^2$. This leads to lobbying in the amount of

$$e^*(p_A) = \frac{p_A + \omega}{1 + \alpha}. \tag{3.1}$$

Thus, positive amounts of lobbying are exerted whenever $p_A + \omega > 0$, and it goes to zero when the agency accommodates the industry by making final policy outcomes equal to the interest group's ideal point. Note that $\partial e^* / \partial p_A > 0$, so that the interest group spends fewer resources lobbying an agency with preferences closer to their own. Further, the greater the shock, $\partial e^* / \partial \omega > 0$, the more lobbying effort the interest group undertakes.

3.3 Agency's Policy Choices

Knowing the interest group's best response to the announced policy rule, $e^*(p_A)$, the agency will propose policy rule p_A to maximize $-[p_A - e^*(p_A) + \omega - x_A]^2 - \beta e^*(p_A)$, yielding

$$p_A^* = \frac{(1 + \alpha)(2x_A\alpha - \beta)}{2\alpha^2} - \omega \tag{3.2}$$

iff $|p_A^* - p_0| \leq d$ and constrained by (p_0, d), otherwise.

Combining equations (3.1) and (3.2), final policy outcomes will be:

$$\tilde{x} = p_A^* - e^*(p_A^*) + \omega = x_A - \frac{\beta}{2\alpha}. \tag{3.3}$$

Notice that this point lies in the interval between the agency's and the interest group's ideal

points as long as $x_A > \beta/2\alpha$. We refer to the term $\beta/2\alpha$ as the *effective* administrative lobbying pressure, which is a combination of the agency's lobbying burden and the industry's lobbying cost. For values of β greater than or equal to $2\alpha x_A$, the agency sets p_A such that $x = 0$ and the industry does not lobby. Consequently, if the burden to the agency of industry lobbying is high relative to the industry's lobbying cost, the agency may propose a policy rule so that the industry gets its ideal point of no regulation without the interest group having to actively lobby to obtain this outcome.[2] However, for greater ideal points of policy outcomes, $x_A > \beta/2\alpha$, the industry undertakes a lobbying effort, and the effective administrative lobbying pressure is not sufficient to prevent regulation.

3.4 Congress's Policy Choice

Congress, on the other hand, would like the agency to set policy so that the outcome, net of industry lobbying, is Congress's ideal point: $p_A - e^*(p_A) + \omega = x_C$, which simplifies to $p_C^* = x_C \frac{(1+\alpha)}{\alpha} - \omega$. For any given value of ω, then, Congress's and the agency's ideal policies differ by an amount of

$$p_C^* - p_A^* = \left(\frac{1+\alpha}{\alpha}\right)\left(x_A - x_C - \frac{\beta}{2\alpha}\right). \tag{3.4}$$

This expression goes to zero when

$$x_A = x_C + \frac{\beta}{2\alpha}. \tag{3.5}$$

Thus, the "ally principle" fails to hold in our model: Congress prefers an agency not with its own ideal point, but one biased slightly against the industry, since policy outcomes are a convex combination of the agency's ideal point and the industry's desire for no regulation and lobbying pressure. In other words, lobbying by the interest group mitigates the preference conflict between Congress and the agency if $x_C < x_A$, as illustrated on the left in Figure 2, or increases the conflict if $x_C > x_A$, as illustrated on the right, over policy outcomes $\tilde{x}$.

However, Congress is unable to observe the policy shock ω and can only determine the status quo policy and delegate discretion to the agency to affect policy outcomes. Furthermore, Congress observed the interest group's offer of financial contribution contingent on legislation, $M(p_0, d)$.

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[2]This can serve as a convenient definition of agency capture: the mere threat of lobbying causes the agency to accommodate industry wishes so that in equilibrium the industry escapes effective government control without actually having to expend resources to do so.
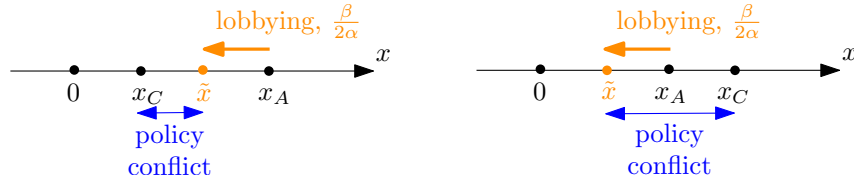
Figure 2: Ideal Points, Lobbying Pressure, and Policy Outcomes.

3.4.1 Status Quo and Discretion

Congress, anticipating the agency's policy rule proposal and the interest group's pressure – as well as a resulting policy conflict – can set its optimal status quo policy p_0 and discretion limit d. The policy outcomes are given that any status quo, discretion, and external shock are

$$
x^* = \begin{cases}
p_0 + d + \omega & \text{if } -R \leq \omega < \tilde{x} - p_0 - d \\
\tilde{x} & \text{if } \tilde{x} - p_0 - d \leq \omega \leq \tilde{x} - p_0 + d \\
p_0 - d + \omega & \text{if } \tilde{x} - p_0 + d < \omega \leq R.
\end{cases} \tag{3.6}
$$

As it is common for the menu-auction approach (Bernheim & Whinston 1986), we are solving for a jointly efficient solution that maximizes the weighted sum of expected utilities of Congress and the interest group with the relative weights of Congress' policy focus, λ, and contribution focus, $(1 - \lambda)$. The optimal legislation (p_0^L, d^L) maximizes then

$$
\lambda EU_C(p_0, d) + (1 - \lambda)EU_I(p_0, d). \tag{3.7}
$$

Congress's expected utility follows from

$$
\begin{aligned}
EU_C(p_0, d) &= -\int_{-R}^{\tilde{x}-d-p_0} \frac{(p_0 + d + \omega - x_C)^2}{2R} d\omega - \int_{\tilde{x}-d-p_0}^{\tilde{x}+d-p_0} \frac{(\tilde{x} - x_C)^2}{2R} d\omega \\
&\quad - \int_{\tilde{x}+d-p_0}^{R} \frac{(p_0 - d + \omega - x_C)^2}{2R} d\omega
\end{aligned} \tag{3.8}
$$

and the interest group's expected utility can be described by

$$
\begin{aligned}
EU_I(p_0, d) &= -\int_{-R}^{\tilde{x}-d-p_0} \frac{(p_0 + d + \omega)^2}{2R} d\omega - \frac{1+\alpha}{\alpha} \int_{\tilde{x}-d-p_0}^{\tilde{x}+d-p_0} \frac{\tilde{x}^2}{2R} d\omega \\
&\quad - \int_{\tilde{x}+d-p_0}^{R} \frac{(p_0 - d + \omega)^2}{2R} d\omega
\end{aligned} \tag{3.9}
$$

with $\tilde{x} = x_A - \frac{\beta}{2\alpha}$ as described in (3.3) when the agency is expected to propose p_A^* and the lobby

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(a) $\alpha = \beta = 1, \lambda = .5$ (b) $\alpha = 1, \beta = 5, \lambda = .5$ (c) $\alpha = 5, \beta = 1, \lambda = .5$
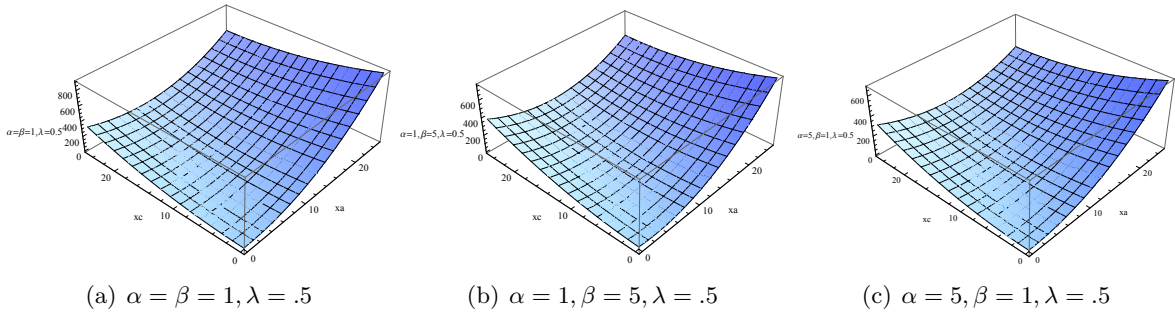
Figure 3: Preference Conflict and Delegated Discretion with $(d^L - R)^2$.

exerts administrative lobbying effort $e^*(p_A)$. The optimal status quo policy follows then from

$$\frac{\partial ...}{\partial p_0} = \frac{2(d - R)(p_0 - \lambda x_C)}{R} = 0 \;\Rightarrow\; p_0^L = \lambda x_C, \tag{3.10}$$

In other words, the optimal status quo policy is identical to Congress's ideal point weighted by its policy focus; and when Congress's desire for contribution increases, lower λ, then the status quo policy decreases and moves closer to the industry's preferred policy. This also implies that if Congress did not value policy outcomes at all, $\lambda = 0$, then it would be captured by the interest group and prefer no regulation in exchange for small contributions, as it would not be expensive for the interest group to induce $p_0^L = 0$. If Congress did not value contributions at all, $\lambda = 1$, then p_0 would be chosen as Congress's ideal point x_C.

Further, the optimal discretion limit follows then from

$$\frac{\partial ...}{\partial d} = \frac{2\alpha \lambda x_C \tilde{x} - (1 + \alpha - \lambda)\tilde{x}^2 + \alpha \left((d - R)^2 + p_0(p_0 - 2\lambda x_C) \right)}{\alpha R} = 0 \tag{3.11}$$

with $p_0^L = \lambda x_C$ such that

$$(d^L - R)^2 = \left(\frac{1 + \alpha - \lambda}{\alpha} \right) \tilde{x}^2 + \lambda \left(\lambda x_C^2 + 2x_C \tilde{x} \right). \tag{3.12}$$

In Figure 3 we illustrate the delegation of discretion in more general terms and plot $(d^L - R)^2$ as a function of x_A and x_C for given parameter values for α, β, and λ. The function implies an inverse relationship – meaning that low values of d^L imply a greater value of $(d^L - R)^2$ given $d^L < R$. When Congress values policy outcomes and contributions similarly, intermediate values of λ, the delegated discretion is greatest when Congress' and the agency's ideal points are closer to industry interests (x_C and x_A closer to 0) and the agency is less biased than Congress (to the left

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of the diagonal of $x_C = x_A$ because of $\lambda < 1$). As Congress becomes more biased, x_C increases, and the agency is industry-friendlier than Congress, it reduces discretion.

For an alternative illustration, we consider the two extreme cases of

$$
d^L = \begin{cases} R - \frac{1+\alpha}{\alpha}\left|x_A - \frac{\beta}{2\alpha}\right| & \text{if } \lambda = 0 \\ R - \left|x_A - x_C - \frac{\beta}{2\alpha}\right| = d^* & \text{if } \lambda = 1 \end{cases}. \tag{3.13}
$$

If Congress is purely policy-motivated, then discretion is greater the smaller the policy conflict between Congress and the pressured agency, the agency is slightly more biased than Congress ("ally principle does not hold"), agency's lobbying burden is high and administrative lobbying mitigates the policy conflict between policymakers, the industry's lobbying ability is high and administrative lobbying amplifies the policy conflict between policymakers. However, suppose Congress is not motivated by policies. In that case, discretion increases the interest group's effectiveness in influencing the agency's rule-making towards the industry's ideal point and Congress's status quo policy. Note that in all three considered scenarios, greater policy uncertainty and greater R imply greater discretion.

3.5 Summary of Hypotheses from Model

We can summarize our analysis with the following testable hypotheses. Table 1 relates each of the nine hypotheses to the model parameters and denotes the equations from which they are derived.

- **Hypothesis 1: Best-response lobbying** Lobbying efforts are decreasing as (i) the agency's proposed policy becomes closer to the industry's ideal point; (ii) relative lobbying costs increase; (iii) the magnitude of policy shocks decreases.

  Logic: Lobbying is strongest when agencies propose tougher rules, costs are low, and shocks are large.

- **Hypothesis 2: Agency policy choice** The agency chooses a lower policy level in response to greater external shocks and lobbying pressure by the industry, but rises with the agency's own ideal point.

  Logic: Agencies back off tough policies when shocks or lobbying rise, but tougher agencies still push higher.

- **Hypothesis 3: Industry's lobbying** The industry's lobbying effort is (i) decreasing in

the agency's lobbying burden; (ii) increasing in the agency's ideal point; (iii) decreasing in the industry's lobbying cost if the agency's ideal point is greater than twice the lobbying pressure, and vice versa.

Logic: *Industries lobby more when agencies are tougher and lobbying is cheap, but back off when regulators already bear heavy costs.*

- **Hypothesis 4: Lobbying outcome** If the lobbying cost to the agency is high relative to industry cost, then a mere threat of lobbying induces the agency to set policies preferred by the industry.

  Logic: *Cheap lobbying and costly resistance lead agencies to accommodate industry without actual pressure.*

- **Hypothesis 5: Conflict gap** The policy conflict between Congress and the agency is increasing in the agency's lobbying burden but decreasing in the lobby's relative cost if Congress prefers a higher policy level. Hence, lobbying can amplify or mitigate conflict.

  Logic: *Heavy lobbying burdens widen Congress–agency gaps, but costly lobbying narrows them.*

- **Hypothesis 6: Ally principle** The "ally principle" does not hold, and Congress prefers an agency that is slightly more biased against industry (as resistance against lobbying pressure).

  Logic: *Congress wants regulators tougher than itself to offset lobbying.*

- **Hypothesis 7: Optimal status quo** Congress's status quo policy in the presence of contributions from the SIG is (i) increasing in Congress's ideal point and (ii) increasing in Congress's policy motivation but decreasing as it would value SIGs' contributions more.

  Logic: *The status quo follows Congress's ideal when policy dominates, but shifts toward industry when money matters.*

- **Hypothesis 8: Delegated discretion** Congress delegates greater discretion when (i) there is more policy uncertainty for Congress; (ii) Congress's and the agency's ideal points are closer to industry interests; (iii) Congress values contributions but is more biased than the agency; (iv) Congress does not value contributions and (iv') the agency is slightly more biased; (iv") administrative lobbying pressure mitigates the preference conflict between Congress and the agency.

Logic: *Discretion expands with uncertainty and alignment, and contracts when bias or lobbying sharpen conflict.*

- **Hypothesis 9: Policy outcome** Regulatory policy outcomes are higher when (i) industry's lobbying cost is high; (ii) agency's lobbying burden is low; (iii) agency's ideal point is high; (iv) Congress' status quo policy is higher (higher policy motivation and ideal point).

  Logic: *Regulation is strongest when lobbying is costly, agencies are tough, and Congress sets a high baseline.*

4 Conclusion and Future Research

Delegation and lobbying are endogenous: legislators delegate with lobbying in mind, and interest groups lobby in response to delegated authority. This recursive relationship shapes oversight, fiscal policy, and rule-making. Our analysis shows that when lobbying eases conflict, deepens it, or when the mere threat of mobilization bends agencies toward industry. Future work should examine these dynamics in repeated and multi-level settings and use new data to test when lobbying informs policy or distorts it through capture. Integrating lobbying into delegation theory sharpens predictions and highlights how institutional design channels the influence of organized interests.

Notes

[1]For a review of the literature on lobbyists as intermediaries in the lobbying process and the the various principal-agent problems that may arise, see Ellis & Groll (2024).

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Prop.	Label	Equation Ref.	Statement	Comparative statics
H1	Best-response lobbying	Eq. (3.1)	Lobbying falls with proximity, higher costs, or smaller shocks.	$\partial e^*/\partial p_A > 0$; $\partial e^*/\partial \omega > 0$; $\partial e^*/\partial \alpha < 0$; $e^* > 0$ iff $p_A + \omega > 0$.
H2	Agency policy choice	Eq. (3.2)	Agency lowers policy with larger shocks, higher burden, or lower ideal point.	$\partial p_A^*/\partial \omega < 0$; $\partial p_A^*/\partial \beta < 0$; $\partial p_A^*/\partial x_A > 0$.
H3	Industry lobbying (via p_A^*)	Eqs. (3.1), (3.2)	Lobbying falls with agency burden, rises with agency ideal point, falls with group cost.	$\partial e^*/\partial \beta < 0$; $\partial e^*/\partial x_A > 0$; $\partial e^*/\partial \alpha < 0$.
H4	Lobbying outcome	Eq. (3.3)	Threat of lobbying alone can yield industry's outcome.	If $\beta \geq 2\alpha x_A \Rightarrow \tilde{x} = 0$ and $e^* = 0$.
H5	Conflict gap	Eq. (3.4)	Congress–agency gap varies with costs and preferences.	If $x_C < x_A$: gap $\downarrow$ in β, $\uparrow$ in α; if $x_C > x_A$: gap $\uparrow$ in β, $\downarrow$ in α.
H6	Ally principle	Eq. (3.5)	Congress prefers slightly tougher agency (Ally principle fails).	Preferred $x_A = x_C + \frac{\beta}{2\alpha}$; bias $\uparrow$ in β, $\downarrow$ in α.
H7	Optimal status quo	Eq. (3.10)	Status quo reflects Congress's ideal point and weight on policy vs. money.	$p_0^L = \lambda x_C$; $\uparrow$ in x_C; $\downarrow$ as $\lambda \downarrow$.
H8	Delegated discretion	Eq. (3.13)	Discretion grows with uncertainty, falls with conflict and burden.	$d^L \uparrow R$; $d^L \uparrow \alpha$; $d^L \downarrow \beta$; $d^L \downarrow$ in $|x_A|$ if $\lambda = 0$, $d^L \downarrow$ in $|x_A - x_C|$ if $\lambda = 1$.
H9	Policy outcome	Eq. (3.3)	Outcomes rise with agency ideal point, fall with agency burden, rise with lobbying cost.	$\partial \tilde{x}/\partial x_A > 0$; $\partial \tilde{x}/\partial \beta < 0$; $\partial \tilde{x}/\partial \alpha > 0$. Higher p_0 raises outcomes when constrained.

Table 1: Hypotheses and comparative statics from the model, with equation references and descriptive labels.