The Business of America is Lobbying: The Expansion of Corporate Political Activity and the Future of American Pluralism

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The Business of America is Lobbying:
The Expansion of Corporate Political Activity
and the Future of American Pluralism

by

Lee Jared Drutman

A dissertation submitted in partial satisfaction of the
requirements for the degree of

Doctor of Philosophy

in

Political Science

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Henry E. Brady, Chair
Professor Paul Pierson
Professor David Vogel
Professor Neil Fligstein

Fall 2010
The Business of America is Lobbying:
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by

Lee Jared Drutman
Abstract

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University of California, Berkeley

Henry E. Brady, Chair

Why does corporate lobbying in Washington, DC continue to expand, year after year? What are companies lobbying for, and why? And what, if anything, can the patterns of activity tell us about both the impact corporate lobbying is having and the ways in which the political economy of the United States is changing?

I argue that the modern growth of corporate lobbying reflects a path-dependent learning process. Companies may come to Washington for many different reasons, but the act of establishing an office sets in motion several reinforcing processes that make companies value lobbying more and more over time and that lead companies to become more proactive in their political strategies. Lobbyists teach managers about the importance of being politically active and help to point out (and sometimes even create) new opportunities for lobbying. Managers gain more comfort and confidence in their ability to influence outcomes, and they start to see participation as both more appropriate and more valuable. Success breeds success.

The overall effect is that American businesses, once skeptical of government, cautious about getting involved in politics, and reactive in their strategies, have now become increasingly confident, proactive, and aggressive in their lobbying efforts, and businesses are increasingly seeing government policy as not just a threat, but also as a tool. More and more companies are discovering that Washington matters to their business, and those who do are sticking around and increasing their political capacities. As a result, corporate lobbying activity is likely to continue to expand for the foreseeable future, with large corporations playing an increasingly central role in the formulation of national policies.

My findings are based on original interviews with 60 corporate and trade association lobbyists and complete lobbying histories of every company in the S&P 500 between 1981 and 2005. This dissertation combines both rich qualitative descriptions and rigorous large-N data analysis.
Acknowledgments

Writing a dissertation is, to state the obvious, a long and arduous journey, but it has also been a wonderful process of intellectual growth and exploration. I am much indebted to many people along the way, especially the wonderful guidance and support I received from my committee members, all of whom consistently challenged me to do my very best while giving me the confidence that I could do so.

Henry E. Brady, the chair of my committee, brought me on board early in a massive data collection research project on organized interests that he had undertaken with Sidney Verba at Harvard and Kay Lehman Schlozman at Boston College, and provided wonderful resources and inspiration for me to start collecting extensive data on lobbying histories of S&P 500. Working with Henry, Sidney and Kay taught me to ask big and important questions, and that one can never have enough data. As chair of my committee, Henry was an incredible font of ideas and suggestions, and his rock-solid support and willingness to go to bat for me throughout the process were incredible.

Paul Pierson, who chaired my orals, was especially helpful in posing the really hard questions, and reminding me that the questions worth answering are almost always the really hard questions. He also helped me to appreciate that politics is a dynamic process, not a static set of relationships, and the real story is almost always how processes play out over time.

David Vogel, who has been an inspiration as a leading scholar of business and politics, was always incredibly helpful situating my scholarship in the proper context and reminding me what contributions I could make to the literature. David’s ability to cut through BS and instantly identify the key points has always been uncanny.

Neil Fligstein, who was kind enough to serve as the “outside” member of my committee, provided me with many helpful insights as well and a very useful sociologist’s take on the subject.

I also benefited greatly from an ongoing dialogue with several other faculty members at Berkeley, whose thoughts, comments, and questions influenced my approach. For both their insights and their time, I thank Jacob Hacker, David Karol, Todd LaPorte, Robert Reich, Gordon Silverstein and Robert Van Houweling. My fellow graduate students at Berkeley were also a wonderful and dynamic bunch, and in particular, my thinking especially benefited from extended conversations with Devin Caughey, Miguel de Figueiredo, Joshua Green, Matthew Grossman, Peter Hanson, Iris Hui, Andrew Kelly, Sarah Reckhow, and Alex Theodoridis. I also want to thank several political scientists not at Berkeley who provided valuable feedback and encouragement along the way that transcended the boundaries of institutional affiliation: Frank Baumgartner, Richard Hall, David Hart, Beth Leech, Suzanne Robbins, and especially James Thurber, who was extremely generous in letting me attend his “Lobbying Institute” at American University and whose advice and encouragement were invaluable.
At the beginning of my fourth year, I left Berkeley and headed to Washington, where Bruce Cain generously welcomed me to the University of California, Washington DC Center that he directs, providing me a home along with much stimulating and productive conversation. During this year, I conducted interviews with corporate lobbyists, and I kindly thank the 60 anonymous lobbyists who each willingly gave up an hour of their lives to talk with a total stranger and without whom none of this would have been possible.

My fifth year I was fortunate enough to spend in the Governance Studies Department of the Brookings Institution, where a research fellowship gave me the freedom to focus on writing my dissertation full-time. Brookings was an absurdly stimulating environment, and during my too brief ten month stint I benefited tremendously from the many conversations I had with incredibly intelligent and kind colleagues: Sarah Binder, E.J. Dionne Jr., William Galston, Thomas Mann, Pietro Nivola, Jonathan Rauch, R. Kent Weaver, Darrell West, Benjamin Wildavsky, and Benjamin Wittes.

My sixth year was spent as an APSA Congressional Fellow, and I thank the Office of Senator Robert Menendez for hosting me and the American Political Science Association and especially Fellowship Director Jeffrey Biggs for providing me with this unique window into the sausage-making process. I enjoyed a once-in-a-lifetime opportunity to work on passing a major financial regulatory reform bill, and in the process, to see the lobbying process up close and personal.

My dissertation was also improved through many conversations with dear friends who were not political scientists but nonetheless are still brilliant political and social science minds. A few deserve special thanks for their insights and interest along the way – Ryan Blitstein, Jacob Harold, Heather Klemick, Jonathan Jacoby, Lisa Lerer, Bob Rijkers, Clay Risen, Katie Selenski, and Elbert Ventura. I also owe an insurmountable debt to Annalise K. Nelson for copy-editing my entire dissertation.

Finally, I thank my parents, Ava and Lowell Drutman, for believing in me from as far back as I have memories, for encouraging me at every step of the way, and for providing the many opportunities that made a Ph.D. possible. Without them, I would not be where I am today.
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CHAPTER 1: GROWTH, INFLUENCE, AND
THE STUDY OF CORPORATE LOBBYING

Over the last three decades, and particularly over the last ten years, there has been a significant expansion of private representation in Washington, DC. In 2009, politically active organizations reported $3.47 billion on direct lobbying expenses, up from $1.44 billion reported just ten years prior\(^1\), and, controlling for inflation, almost seven times the estimated $200 million in lobbying expenses in 1983.\(^2\) Approximately 14,000 organizations are now listed in the Washington Representatives directory, double the approximately 7,000 listed organizations in 1981.\(^3\) The number of pages in the lobbying directory quadrupled between 1981 and 2008, going from 531 to 2,154.

Though there are many different types of organizations with Washington representation, this dissertation is about business lobbying, with a focus primarily on individual corporations. Almost half of the organizations in Washington represent business, and more than a third are individual corporations. Business lobbying accounts for roughly two-thirds of all lobbying expenditures.

This dissertation is based on the premise that explaining the growth of business lobbying presents both a puzzle and an opportunity. It presents a puzzle because there is no immediately apparent explanation for the growth. When businesses expanded their political operations significantly in the 1970s, such growth made sense as a response to a significant expansion of new government regulations and social pressures (Vogel 1989). Such an explanation also fit well with established political science wisdom that groups mobilize politically when their interests are threatened politically (Truman 1951; Hansen 1985).

But business political activity did not abate when the threats ceased. By the early 1980s, with the Reagan revolution in full swing and cost-benefit analysis in place, policymaking in Washington was increasingly sympathetic to business. Corporate lobbying activity, however, did not abate. Rather, it grew slowly. And in the mid-1990s,

\(^1\) Controlling for inflation, this is an 87% increase. These figures are based on publicly-disclosed lobbying expenditures under the 1995 Lobby Disclosure Act. The actual amount of lobbying expenditures is probably significantly greater.
with Republicans in Congress and the threat of new regulation all but gone, lobbying began to grow faster, and has been expanding at increasing rates since. Controlling for inflation, between 1998 and 2008 lobbying expenditures\(^4\) increased faster than various measures of government size and activity (Figure 1-1). The federal budget is a little bigger (up 38 percent), there is a bit more legislation (43 percent more bills), and the annual number of pages in the Federal Register has increased slightly (18 percent more pages, though the number of final rules has been declining – down 22 percent). But lobbying expenditures have increased by 77 percent, and the growth appears to be accelerating.

Figure 1-1. Lobbying Growth and Government Growth

Understanding the growth presents an **opportunity** because an explanation has the potential to shed light on the relative power of business. If business political activity is growing because companies are responding to government threats, this suggests less influence than if companies are proactively pushing changes to the status quo (as I will argue that they are). The latter would mean that businesses are having some influence in defining the agenda, and as Schattschneider (1960) put it: “He who determines what politics is about runs the country, because the definition of alternatives is the choice of conflicts, and the choice of conflicts allocates power.” (68; See also Bachrach and Baratz 1962.)

\(^4\)This is a measure of all reported lobbying expenditures, for all groups. It is not possible at this point to break out business lobbying as a share of all expenditures for each year, but the assumption is that since business lobbying accounts for roughly two-thirds of expenditures, the overall growth of expenditures is a rough proxy for the growth of business lobbying during this period.
Business in Washington: An Important But Neglected Subject

That the plurality of groups in Washington represents business is one of the most consistent findings in the American politics literature. It was 50 years ago that Schattschneider (1960) published his famous quip that the problem with the so-called pluralist heaven was that it “sings with an upper-class accent.” (See also, Baumgartner and Leech 1998, esp. pp. 106-108) Counts of organizations listed in the Washington Representatives directory going back to 1981 show that individual companies consistently account for between 34 percent and 46 percent of all organizations listed, and trade associations account for between 11 percent and 15 percent of organizations listed. Combined, they have consistently accounted for roughly half of all organizations listed since 1991, after accounting for 62 percent of all organizations in 1981.5

The bias is even more pronounced when examining expenditures. Baumgartner and Leech (2001) found that individual companies accounted for 56 percent of the lobbying expenditures in 1996, and taken together, businesses, trade associations, and professional groups accounted for 85 percent of the total spending reported. Additionally, individual corporations accounted for 43 percent of registrations, 46 percent of reports filed, and 43 percent of issues mentioned. Business trade associations, meanwhile, accounted for an additional 16 percent of registrations 17 percent of reports filed, and 20 percent of issues mentioned. By contrast, citizen groups and non-profits accounted for at most 10 percent of the lobbying environment (depending on the metric used). Baumgartner and Leech concluded that, “the extent of business predominance in the group system is greater than previously reported…Not only do businesses constitute the largest category of lobbying organizations in Washington…but they are by far the best endowed and most active.” (1195)

And yet, business lobbying has received quite limited attention in American political science.6 As Graham K. Wilson noted in 2006: “There are about a hundred political scientists studying parties and elections for every one studying business and politics.” (33)

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5 The 1981 estimates, however, may overstate the presence of individual corporations. In the 1981 Washington Representatives directory, 24% of the organizations classified by Schlozman and colleagues are television stations. In subsequent years this is significantly lower. All of these television stations have a single outside lobbyist listed as their sole representative. If we take away these television stations as a quirk of the 1981 directory (as I think we should), the numbers are much more in line with subsequent years; see Kay Lehman Schlozman et al. “Who Sings in the Heavenly Chorus? The Shape of the Organized Interest System,” paper presented at the annual Meeting of the American Political Science Association, Boston, MA, August 2008.

6 The seventh edition of Interest Group Politics, released in 2006, contains 17 essays, excluding the introduction and conclusion; only one deals specifically with business participation in the political process. Cigler, Allan J. and Burdett A. Loomis, Interest Group Politics (Sixth Edition) (Washington D.C.: CQ Press, 2006); In the sixth edition (2002) three of sixteen essays deal with corporations; the fifth edition, released in 1998, deals with business specifically in only one of 16 essays. So, in the last three editions, only 5 of 49 essays (about 10%) are focused on business political activity, even though half of all interest group activity is business activity.
Or as David Hart remarked in the 2004 *Annual Review of Political Science*, “If the business of Washington is business, the business of American politics scholarship is anything but. Individual companies are represented in American politics in large numbers. They are doing something, and we ought to learn what and why.” This dissertation is in part a response to Hart’s challenge.

Part of this dissertation is descriptive. It will give the reader a greater understanding of the ways in which corporations operate their Washington offices, and the choices and challenges that they face in deciding whether and how much to lobby. But this dissertation is primarily oriented around a very big question: What explains the growth of corporate lobbying over the last three decades?

The key question is why the “lobbying presence” (in-house lobbyists plus outside consultants retained, as listed in the *Washington Representatives* directory) among S&P 500 corporations for the period 1981 to 2005 has almost doubled, increasing from 1,475 in 1981 to 2,765 in 2005 (see Figure 1-2).

![S&P 500 Lobbyists in Washington Representatives Directory](image)

I also want to know why the total number of domestic companies listed in the *Washington Representatives* directory has nearly doubled between 1981 and 2001 – going

---

7 Hart’s criticism finds echoes in the history of American political science. Back in 1959, Robert Dahl exhorted: “For all the talk and all the public curiosity about the relations between business and politics, there is a remarkable dearth of studies on the subject.” (3) Similarly, in 1980, Edward Epstein echoed Dahl’s bleak appraisal: “Not only do we still await brave new theoretical frameworks and the dazzling empirical breakthroughs,” Epstein wrote, “but perhaps even more distressing, we still lack in a number of business and politics areas a critical mass scholarship which offers the promise of significant research contributions in the near future…Typically the few items that appear are either brief journalistic accounts or scatological studies.” (2)
from 2,120 to 4,144) – as has the total lobbying presence of these companies – going from 4,256 to 7,794. (See Table 1-1).

<table>
<thead>
<tr>
<th>Table 1-1. Companies in the Washington Representatives Directory</th>
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<tr>
<td></td>
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<tr>
<td>Total Domestic Companies Listed</td>
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<tr>
<td></td>
</tr>
<tr>
<td>2,120  2,254  3,670  4,144</td>
</tr>
<tr>
<td>Total Domestic Corporate Lobbying Presence</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>4,256  4,434  6,930  7,794</td>
</tr>
</tbody>
</table>

*Source: data from Schlozman et al. 2008*

Table 1-2 puts the larger business lobbying presence in context, comparing the combined number of lobbyists representing all companies, trade associations, and business-wide associations as compared to the total number of lobbyists representing potential countervailing power groups – unions and environmental, consumer, and good government public interest groups.° Businesses now enjoy roughly a 16-to-1 advantage in representation, up from 12-to-1 in 1981.

<table>
<thead>
<tr>
<th>Table 1-2. Business vs. Countervailing Power, Lobbying Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>INTEREST TYPE</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1981  2006</td>
</tr>
<tr>
<td>Business</td>
</tr>
<tr>
<td>7,059  12,785</td>
</tr>
<tr>
<td>Union</td>
</tr>
<tr>
<td>369   403</td>
</tr>
<tr>
<td>Public Interest</td>
</tr>
<tr>
<td>237   405</td>
</tr>
<tr>
<td>Business to Countervailing Power RATIO</td>
</tr>
<tr>
<td>11.65  15.82</td>
</tr>
</tbody>
</table>

*Source: data from Schlozman et al. 2008*

This provides a basic background. More companies are lobbying, and established S&P 500 companies are lobbying more than they used to. The literature on interest groups, however, makes no reference to these changes in lobbying intensity. Existing literature on the determinants of corporate political activity is mainly focused on explaining why some companies are politically active while others aren’t, and why companies vary in their political activity (generally measured as PAC contributions) relative to each other. (see Brady, Drutman, et al. 2007 for an overview). No existing studies trace growth of political activity over time. While they do consistently tell us that size, government regulation, and sales to government are all associated with more political activity at any given moment, they don’t tell us whether changes in these factors drive growth.

°This table, of course, leaves out a significant part of the Washington interest group community. There are for example, many universities, local governments, foreign governments, disease groups, and many other specialty groups represented. However, this table is designed to demonstrate the ratio of business groups to groups who are most likely to battle directly against business interests – a measure of countervailing power. These other groups are thus left out by design.
Measuring and assessing the “power” of business

Were we to ask the proverbial man on the street whether or not we ought to care that business lobbying is increasing, the answer most likely would be a resounding yes. After all, the common perception is that all the money flying around Washington, DC just must be turning the city into a vile swamp of corruption. Poll after poll reveals disgust with the way Washington works, and the way that most people think it works is that it is run by special interests. Consider, for example, a September 2008 Zogby poll finding that 82 percent of respondents thought that “political parties, presidential candidates and candidates for the U.S. Congress should be banned from receiving financial contributions from lobbyists or other representatives from those industries that are vital to the financial and national security of the country.”(This was during the financial crisis.) Similarly, in a January 2007 Roper poll, 81 percent of respondents thought that Congress should take steps toward “enacting new regulations to reduce the power and influence of lobbyists in Washington.” A January 2006 Pew poll found that 81 percent of respondents thought it was common for lobbyists to bribe members of Congress. These numbers are remarkably consistent: roughly four in five Americans seem genuinely concerned with the role of lobbyists in the policy process.

It is easy to come to such conclusions from reading and watching the news. The stories that make headlines are the ones of the lobbyist lavishing a 19th-century Louis Philippe commode, among other gifts, upon a congressman in exchange for military contracts or of the congressman being discovered with $90,000 worth of cold, hard cash in his freezer, taken in exchange for promoting high-tech businesses abroad – tales of exasperating influence-peddling that are designed to offend our civic and moral sensibilities. Popular books compile these suggestive anecdotes for our outrage, many starting from the premise that Washington is by construction a stinking swamp of corruption, where smooth-talking, cigar-chomping lobbyists with gold watch chains hanging out of their oversized suit vests need only to say “boo” and their loyal devotees on Capitol Hill will fall over themselves to draft the latest multi-million dollar giveaway.

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12 Evan Thomas and Jamie Reno, “Top Gun’s Tailspin; Randy Cunningham was a high-flying aviator whose taste for the lavish perks of politics brought him low,” Newsweek, December 12, 2005.
And yet, for all the colorful caricature, the K Street I visited in interviewing corporate lobbyists felt remarkably banal, devoid of both corpulence and cigar smoke. Sure, its glass and steel-framed buildings (many of which were built in the 1980s and 1990s) are sleek and modern, and most of the offices have certain luxuriant touches – the classy art on the walls, the bright open waiting area, the big conference rooms with the most high-end ergonomic chairs and a long finished wood table.

And sure, there are a bunch of well-dressed, well-connected, and perhaps most importantly, well-socialized people working inside these buildings. And, yes, there is plenty of fundraising and fine dining around town (though less of it now than there used to be, given the 2007 lobbying reforms, which put a damper on the gifts and food elements of lobbying). But the day-to-day of the lobbyist is really not all that glamorous. It is staying up on the very latest news, knowing what’s moving, what isn’t, why, and what to do about it. It is conference calls and meetings, hearings and visits to the Hill, countless attempts at explaining issues and making sure that certain people know certain things at certain times. It is a lot of detailed-oriented, patient work that often unfolds at an excruciatingly slow pace.

This sheer banality, however, does not mean that lobbying is not influential. In fact, this banality of lobbying may be precisely the reason that lobbying is influential. The devil lies in the details, and only those with the resources and patience to painstakingly master the most abstruse intricacies, to cover all the angles and shore up all the bases, will win when the long war of positioning turns into the rapid war of manoeuvre, to borrow a phrase from Gramsci.15

In order to situate this dissertation in a larger debate about the influence of business, is helpful to break down the critique of business political activity into three main premises:

1) Businesses have disproportionate resources to participate;
2) Resources translate directly into outcomes; and
3) The outcomes that businesses want are not in the public interest.

All three of these are necessary conditions for holding legitimate normative concern about business political participation in politics. And each offers its own set of testable hypotheses.

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15 For Gramsci, the war of positioning was a war of argumentation and ideas, of preparing the ground for the communist insurrection. Only when the war of positioning was won could the war of manoeuvre – the war of insurrection – be won. Antonio Gramsci, Prison Notebooks, (New York: Columbia University Press, 1992)
1) Businesses have disproportionate resources

The question of disproportionate resources is relatively straightforward to evaluate. As we saw in Table 2, business has a lot more representation in Washington than the most likely sources of countervailing power. After all, as Schlozman and Tierney (1986) note, “Corporations are in the enviable position of being able to finance their lobbying operations out of their own general revenues.” Moreover, corporations can often respond more flexibly to changing circumstances (Salisbsry 1984; Hart 2004). By contrast, membership groups generally have a tougher time raising funds.16 A major campaign requires a massive cause-related fundraising effort or a lucky appeal to a major foundation. As Schlozman and Tierney note, “the financial problems of creating and maintaining a political presence in Washington are considerably more complicated for non-corporate interest groups.” (90) Thus, the obvious concern is that, as Justice William J. Brennan once put it:

The resources in the treasury of a business corporation … are not an indication of popular support for the corporation’s political ideas. They reflect instead the economically motivated decisions of investors and customers. The availability of these resources may make a corporation a formidable political presence, even though the power of the corporation may be no reflection of the power of its ideas.17

2) Resources translate directly into outcomes

The assumption underlying Brennan’s statement is that financial resources translate reliably into a “formidable political presence.” A resource advantage is only potentially troubling to normative democratic theory if it consistently translates into outcomes. And here we get into that big question that has befuddled countless scholars of interest groups: trying to assess influence and power. This is literally the big money question.

Much of the thinking about influence in politics is essentially a test of the hypothesis that the more money a group spends, the more likely it is to get a desired outcome, with the desired outcome often being lawmakers’ votes. To the extent that political scientists

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16 In their survey, Schlozman and Tierney (1986) found that, while only 9 percent of the corporations express a need for more money, 58 percent of both unions and the citizens’ groups indicate a desire to increase their budgets; another resource advantage that corporations enjoy is the ability to produce research. Schlozman and Tierney note: “Because there is extensive research capacity available elsewhere in the organization, the Washington office of a corporation ordinarily needs to do little research…Quite the contrary is true for an organization like Common Cause.” (112)  

17 FEC v. Massachusetts Citizens for Life, Inc., 479 U.S. 238 (1986); By 5-4, the Court found that Massachusetts’ state prohibition on corporate expenditures was unconstitutional as applied to independent expenditures made by a narrowly defined type of nonprofit corporation see also McConnell v. Federal Election Commission, 540 U.S. 93 205 (2003) at 205 (“We have repeatedly sustained legislation aimed at ‘the corrosive and distorting effects of immense aggregations of wealth that are accumulated with the help of the corporate form and that have little or no correlation to the public’s support for the corporation’s political ideas.’ ” (quoting Austin v. Michigan Chamber of Commerce, 494 U.S. 625, 660 (1990)));
and economists have modeled the underlying process, they tend to see it as a kind of exchange whereby self-interested politicians trade the resources they have (votes, influence over the bureaucracy, other policy levers) for the electoral support that outside groups can offer, usually in the form of campaign contributions.

“Campaign fundraising is widely viewed as a market for public policy,” write Ansolabehere, et al. (2002) summarizing the literature. “Donations come from firms, associations, and individuals that seek private benefits in the form of subsidies, favorable regulations, and other policies set by the government. With thousands of interests bidding for private benefits and thousands of candidates vying for funds, something like a market emerges.” (109)

Perhaps the most frequently cited version of this theory is Grossman and Helpman’s “Protection for Sale,” (1994), in which they argue that “lobbies make (implicit) offers that relate prospective contributions to the trade policies chosen by the incumbent government.” (834) Then parties respond by finding a balance between maximizing social welfare and gaining contributions. “In other words,” they write, “politicians’ penchant for campaign gifts makes ‘protection for sale.’” (835) In another widely-cited formal model, Baron (1989) writes: “Candidates for office are modeled as promising services, such as support for legislation and intervention in the bureaucracy, to interest groups in exchange for campaign contributions. An electoral equilibrium is characterized in which candidates choose service-contribution offers and interest groups choose whether to contribute.” (45; See also, e.g., Snyder 1990; Grossman and Helpman 2002.)

Other formal models investigate different aspects of this market and different policy areas and make different assumptions about how the process works. But most all are built around the basic idea that money in politics can and should be viewed as a quid-pro-quo exchange of electoral assistance contributions for specific votes or policy outcomes (though, for a notable exception, see Bailey 2004). This kind of thinking also pervades the empirical work on interest group influence, and the typical study is one that tries to connect PAC contributions with roll call outcome votes. As Baumgartner and Leech (1998) note, “Most of the studies are modeled as if most lobbying takes place immediately before a highly salient floor vote, in a world populated by two lobbyists and a legislator, where influence is dichotomous, and where behavior at one point does not affect later behavior.” (137)

The cumulative results of such studies are highly inconclusive (perhaps not surprisingly, given the overly simplistic models of the political process). Ansolabehere et al. (2002), summing up almost 40 studies, conclude: “Overall, PAC contributions show

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18 Google Scholar (accessed 5/8/10) lists the article as “Cited by 2525.”
19 Wilson (2006) notes: “By far the most thoroughly studied topic in American political science related to business and politics…is the impact of Political Action Committees.” (37)
relatively few effects on voting behavior. In three out of four instances, campaign contributions had no statistically significant effects on legislation or had the ‘wrong’ sign – suggesting that more contributions lead to less support.” (See also Smith 1995 for an overview and critique and Wilson 2006 for a critique.)

Fewer studies have measured the correlation between lobbying activity and outcomes, and the results are similarly inconclusive. Baumgartner and Leech (1998) describe 15 such studies, noting that “most of these studies consider the activities of very few groups” even though the issues are of broad interest to many groups. The measures of lobbying activity are also varied, many of them relying on self-reports (129-131). Baumgartner et al (2009) have more recently conducted an exhaustive study on the impact of lobbying. In it, they find that there is no systematic relationship between lobbying resources and outcomes. Mostly, they conclude, it is just really, really hard to change the status quo.

Collectively, these studies point to a conclusion that campaign contributions and lobbying generate no consistently observable impact on political outcomes, or at least none detectable by the finely-honed tools of multivariate regression. But if these findings are to be believed, then an even more perplexing puzzle intrudes: Why are thousands of organizations collectively investing more than $3 billion a year lobbying the federal government and contributing more than $500 million in PAC contributions per election cycle, since apparently these organizations – a significant number of which are supposedly rational businesses – would have done better to spend their money on a subscription to the American Political Science Review? Has the lobbying industry perpetrated a massive fraud on some of the biggest companies in the world?

There are, however, several reasons to wonder whether this approach to studying the role of money and resources in politics can ever really answer the question it has set out to answer.

First and foremost is the fact that most of these studies look at only a single input (campaign contributions) and try to see how that input correlates with a single output (roll-call votes). But campaign contributions are only one strategy of influence. Table 3-3 summarizes the diversity of tactics and approaches that lobbyists might potentially find valuable. Lobbyists engage in a wide range of tactics, and attending and organizing fundraisers rank near the bottom. This diversity of lobbying tactics and strategies is also consistent what others have found in the past. (See e.g. Schlozman and Tierney 1986, Heinz et al. 1993.)

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20 As part of my interviews, I asked corporate lobbyists to complete a survey ranking how valuable they found a variety of tactics.
21 This, however, may be due to the sensitivity of the question; still, the results should give pause to anybody who wants to build a model around campaign contributions.
Table 3-3. Average Ranking of Relevance of different tactics (7-point scale)

<table>
<thead>
<tr>
<th>TACTIC</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacting Congressional staffers directly to present your point of view</td>
<td>6.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Identifying allies in Congress who might serve as “champions” for your cause</td>
<td>6.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Monitoring developments closely</td>
<td>6.3</td>
<td>1.1</td>
</tr>
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<td>Mobilizing constituents to contact their representatives</td>
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<td>Talking to people from the press and the media</td>
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<td>Contacting members who are opposed to your position</td>
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<td>Testifying at hearings</td>
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<td>Attending political fundraisers</td>
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<td>Consulting with members of the executive branch to plan legislative strategy</td>
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<td>Organizing political fundraisers</td>
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<td>Using issue advertising</td>
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N=55

Roll call votes, meanwhile, are only one stage in a long process of legislation, beginning with the writing and drafting, committee mark-ups and votes. Even once a bill becomes law, there is considerable lobbying at administrative agencies (see, e.g., Yackee and Yackee 2006) and at the executive branch (Furlong 2005). And there is always the possibility of re-writing the legislation a few years later.

For most pieces of legislation, the process from conception to passage and implementation takes years, sometimes decades. How far back should a scholar go in gathering data on lobbying expenditures or campaign contributions? Consider the 1999 Gramm-Leach-Bliley Act, a major piece of legislation that eliminated Depression-era prohibitions against a single firm conducting business in banking, securities, and insurance. Wall Street banks had been pushing for the bill since the early 1980s. In 1991, similar legislation failed to pass the House. During the 1990s, the banking industry
considerably increased its lobbying presence, and also increased its contributions to members. In 1999, the House approved the legislation. Stratmann (2002) found that increases in financial services industry contributions over time led House members to change their votes on the legislation. But such an analysis points to a tricky methodological question in measuring influence: If an interest fails multiple times but eventually succeeds, should one discount the earlier attempts and focus on the final result? If so, how long should one wait for the final attempt?

Another challenge in this approach is that it tests the hypothesis that the relationship between money and outcomes is a systematic one – that more money or more resources always leads to desired outcome. To a scholar using the tools of regression analysis, if more money led to favorable outcomes only half of the time, this would be indistinguishable from random chance. But what if companies are investing in multiple issues, some of which they know are long-shots? How should studies take the expectations and goals of companies into account? And what if those on the other side are also investing?

Perhaps the appropriate analogue for the lobbyist is the venture capitalist, who invests in multiple prospects on the hope that one might succeed and make all the other investments worthwhile. If this is the case, then perhaps what matters is just whether lobbyists succeed big every now and then. If so, then even an occasional victory might be a sign of power, especially if most of the desired outcomes are attempts to change the status quo – a very challenging thing to do in a political system designed to frustrate change.

Finally, at the risk of stating the obvious, the political climate is also a key factor, and the political climate is far from stable (see, most famously, Schlesinger 1986, on the cycles of American politics). As David Vogel notes in his indispensable history of business and politics, Fluctuating Fortunes (1989), the political climate does matter. Sometimes the climate is favorable to business. Sometimes, it is not, and no amount of lobbying can counteract a reform mood. Vogel notes that, “many of the business community’s most important political setbacks and gains over the last two decades have come in waves.” (13).

Gary Mucciaroni’s 1995 study, Reversals of Fortune makes a similar point. Regarding policies that benefit industry, there is “considerable variation over time and across policy areas in the propensity of policymakers to adopt policies with concentrated benefits and diffuse costs,” (4) He argues that both the “issue context” (i.e., the agenda) and the “institutional context” (i.e., the capacities, incentives, and actions of key institutional actors) vary over time, and depending on how these factor shape up, producer groups will either have a hard time or an easy time getting what they want. “Producer group influence,” he states, “is contingent rather than automatic.” (26)
Or as Truman (1951) put it, “As conditions change… [some] influences become more and others less potent, the fortunes of group claims upon the legislature will rise or decline.” (350)

Consider again the example of banking deregulation. One could certainly make a case that the political climate shifted during the 1990s. With the stock market on the rise and many ordinary investors getting into the mix, there was increasing public enthusiasm for the wealth-creation machine that was Wall Street, and a decade of prosperity and globalization seemed to speak well to the industry’s claims that new synergies that would emerge from the mergers deregulation would create. The 1990s were large a decade of go-go, free-market enthusiasm. Does this then explain why the big bank’s deregulation lobby campaign went from failure to success?

Such complications might perhaps make the entire prospect of assessing influence seem hopeless. But viewed a different way, these confounders may actually turn out to be important guideposts to making inferences. Traditionally, social scientists have conceived of two faces of power (Lukes 1974). The first face is power as exercised in formal public decision-making, and can easily be observed directly and thus measured (Dahl 1957). The second face is power as exercised behind closed doors. It is the decisions about what to decide (Bachrach and Baratz 1966). It is typically very difficult to observe and can be measured only indirectly, through careful counterfactual reasoning and anticipated responses.

Because the first face of power can be directly observed and measured, this is what political scientists have typically studied. In such a framework, the main challenge of measuring any specific pattern of influence is to first isolate and measure a quantifiable mechanism of influence and then to isolate and measure a particular quantifiable observable implication of the exercise of power. Once this is done, one can then use statistical analysis to see if increasing amounts of that mechanism of influence “cause” a particular outcome. The study of interest group influence has focused primarily on this first face. This, however, has ultimately proven an intractable way to study influence. There are simply too many potential confounders to any attempt to link particular strategies of influence with particular policy outcomes, a lot of uncertainty as to which strategies and which policy outcomes to even link, and some confused expectation as to how systematic the relationship even ought to be.

Explaining the growth of lobbying has the potential to shed light on the changing power of business. If business political activity is growing because companies are responding to government threats, this suggests much less influence than if companies are attempting to proactively push changes to the status quo. The latter would mean that businesses are having some influence in defining the agenda. This is a second face of power argument. Rather than tallying wins and losses and then trying to see how they correlate with money
and lobbying, this dissertation is based on the premise that we can learn something by widening the lens and look at the big picture, which follows below.

Are companies devoting more resources to lobbying in order to press their advantage and to cash in on particular opportunities? Or are they devoting more resources to lobbying to defend themselves from prospective new laws that might threaten their autonomy and/or profitability? Is lobbying increasing from a place of strength, or from a place of weakness? If we can know this, we will have both an explanation for the patterns of growth and a good deal of insight into the relative power of business lobbying.

This dissertation will not attempt to figure out the net impact of business lobbying. For reasons stated above, this is exceptionally difficult to quantify. However, it will argue that we can learn something very significant from carefully observing what companies actually do. This dissertation will argue that companies have increasingly realized that government is a key player in their strategic environment, and that they have learned to play the Washington game in an increasingly aggressive manner. And even though is almost impossible to quantify the exact impact that all this lobbying is having, the fact that it continues to grow and expand in response to expanding opportunities is highly consistent with a story of increasing influence. Moreover, it marks the transformation to a new phase in American political economy – one that more is coming closer to the European corporatist model than the traditional American pluralist model.

3) The outcomes that businesses want are not in the public good

The third premise of the popular critique of business political activity is that business lobbying is not in the public interest. Critics of business involvement in politics argue that business lobbying is fundamentally oriented around the private interest of business. They point out that since corporations are focused on increasing their own profits, and that since maximizing this metric generally involves externalizing costs and privatizing benefits, the public welfare loses when corporations are successful politically. Were corporations to truly maximize their profits, it is feared, the public would pay more for worse quality goods, suffer environmental and safety hazards, and earn only a minimal salary when working for these companies. In short, there would be a remarkable transfer of wealth from the public to a handful of very wealthy corporate owners and managers.  

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Others have pointed out that there is something fundamentally incompatible between the open, messy, but ultimately leveling aims of democratic governance and the centralizing, hierarchical tendencies of the corporate form and the harsh realities of the marketplace. As Charles Lindblom once famously put it, “The large corporation fits oddly into democratic theory and vision. Indeed it does not fit.” (1977, 356)

But corporate lobbyists will argue vigorously that what they do is in the public interest – that they seek to keep the economy humming and innovating, and that the public policies they support are aimed at doing just that. Lobbyists I interviewed all had public interest arguments for all policies they were advocating, and many stressed how the transparency of modern lobbying made such arguments an essential part of being a successful lobbyist.  

Ultimately, it is not the goal of this dissertation to determine whether or not business lobbying is in the “public interest.” This is primarily a work of empirical social science, and the public interest is too messy a concept to define in any agreed-upon manner. However, one thing we can answer is the extent to which business lobbying is at least being checked by sources of countervailing power.

According to the mid-century pluralists, American democracy is a messy process, but ultimately a rough consensus emerges from this mess – a Madisonian ideal of faction counteracting faction. Coalitions form, compromises get hashed out, and in the process a diverse range of perspectives ultimately get incorporated. If there were indeed an opposition keeping business lobbyists in check, forcing them to have a defensible public interest justification, there would be good reason to feel confident about the state of American democracy.

Thus, we can ask: are corporate lobbyists finding that their efforts are meeting opposition, that factions are counteracting factions in the messy democratic way that the pluralists envisioned? Is there still anything to the pluralist vision of a rough and tumble process in which something like a public interest emerges from the vibrant conflicts of

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23 Bryce Harlow, the so-called “Dean of Corporate Lobbying,” once put it this way in a speech: “Business is not a malign influence – something evil called a special interest that harms public interest. Think about it: business is an indispensable pillar of our prosperity, of our strength as a nation, of our capacity to provide opportunity for mobility in our society, and for fulfillment of individual potentials. In short, business is the heart of America’s well-being.” Bryce Harlow, “Corporate Representation” (1984), available at http://www.bryceharlow.org/resources/Corporate_Representation.pdf; Patton Boggs lobbyist Nick Allard, who represents many large corporations, argues: “The successful practice of public policy is rooted in the mastery of procedures and the ability to explain how a given position advances the public interest.” Nick Allard, “Lobbying is an Honorable Profession: The Right to Petition and the Competition to Be Right,” Stanford Law and Policy Review, Vol. 19, No. 1 (2008), p. 34.

24 Schubert writes that the literature on the public interest is “a contrariety of assumptions, conclusions and concepts” Glendon Schubert, The Public Interest: A Critique of the Theory of a Political Concept (Glencoe: The Free Press, 1960, p. 198)
interests? Or is a substantial lobbying devoted to the typically uncontested technical crevices of policymaking, where it is easier to get what one wants?

**Approaches and Data**

This dissertation takes a multi-method approach, relying on a tight interplay between rich qualitative detail gained from interviews and the ability to show large-scale trends and test hypotheses through the large-N data. The idea throughout will be to use the interviews to establish a range of descriptive details to the large-N data to describe large-scale trends and test a set of hypotheses generated through the interviews. Hopefully, using the two sources of data in tandem will reveal a more detailed picture of how corporate lobbying operates and how and why it has grown in the past three decades than we would gain by using either method in isolation.

**Qualitative Data: Original Interviews**

Between October 2007 and March 2008, I interviewed 60 lobbyists in Washington DC and on the telephone. I first picked a random sample of companies and trade associations in four industries (pharmaceuticals, high-tech, financial services, and retail), and then began calling Washington offices, requesting hour-long interviews. Some lobbyists seemed eager to talk, others brushed me off or didn’t return repeated phone calls. In the end, response rates unfortunately varied across industries. Ultimately, among company representatives, I was able to talk to 11 pharmaceutical lobbyists, nine high-tech lobbyists, seven retail lobbyists, and four financial service lobbyists. Among trade associations, I was able to talk to representatives for one pharmaceutical trade association, five high-tech associations, four retail trade associations, and three financial services associations. For-hire lobbyists were the least eager to talk to me, and very few were willing to talk specifically on behalf of companies they represent. I ultimately interviewed 11 for-hire lobbyists. Finally, I also spoke with six additional lobbyists who either represented companies or trade associations I was not covering or had prior experience representing companies or trade associations in the four industries on which I had focused or just were merely willing to talk generally (all of these interviews came through my own networking).

The interviews I spoke to were of all ages and experience and background and stature. Some were relatively big names in the world of lobbying. Others were just starting out. I feel confident that I got a good demographic cross-section.

The interviews all followed a basic script with variations for the type of lobbyist. This script can be found in Appendix A. I allowed the interviews to be somewhat open-ended. Partially this was because I didn’t know what the unknown unknowns were (to borrow Donald Rumsfeld’s famous epistemological category). Partially this was because many lobbyists had unique perspectives and histories that I was interested in exploring in more
detail. Especially with lobbyists who had been around Washington for a long time, I was particularly interested to learn how, in their estimation, Washington lobbying had changed. The interviews also included two surveys. The interviews were set to be one hour long. In a few cases, I was cut off by events. In other cases, the lobbyists were happy to talk my ear off and we went past the allotted time.

Quantitative Data: Washington Representatives and Lobbying Expenditures

I was very fortunate to connect early on with Henry Brady, Kay Schlozman, and Sidney Verba, who were engaging in the Herculean effort of coding the complete Washington Representatives lobbying directory for 1981, 1991, 2001, and 2006. Thanks to them, I have had complete access to the corporate and trade association lobbying data for these years. Also under their aegis, I developed a data set that includes the complete Washington Representatives lobbying data for any company that was in the S&P 500 for 1981-2005, inclusion. I call this the S&P 500 data.

I also built an additional database that covers corporate and trade association lobbying expenditures for all companies and trade associations in four industries (retail, high-tech, pharmaceutical, and financial services) from 1998-2007 (electronic records are only available going back to 1998). I used the Center for Responsive Politics Open Secrets website, which aggregates the data usefully from the Senate Office of Public Records. This data allows me to look more finely at the trends happening in these four industries over the last decade, and draw additional inferences. I call this the SOPR data.

The decision to focus on lobbying

Most studies of corporate political activity use Political Action Committee (PAC) data. So why use lobbying as my metric? I am focusing on lobbying because I feel that lobbying is the most comprehensive measure of political activity. Under the 1995 Lobbying Disclosure Act, all organizations that spend $20,000 or more on lobbying per year are required to report their lobbying expenditures bi-annually. (This requirement was amended in 2007, and starting in 2008, organizations have to report these expenditures quarterly.)

Though levels of PAC contributions do tend to be reasonably well-correlated with lobbying activities, many companies lobby but do not have a PAC. Other companies, meanwhile, have a PAC but do not lobby (Tripathi, et al. 2002; Hansen et al. 2004). Perhaps more significantly, companies generally spend about twelve times more on lobbying than they spend on campaign contributions, leading Milyo et al. (2000) to conclude: “PAC contributions are a far less important phenomenon than has been previously understood.” (76)
The view I take is that here is that campaign contributions are best viewed as one tactic that companies use. Lobbying is simply a better, more comprehensive measure of overall political activity.

As for what lobbying is, it may be difficult to define precisely. The 1995 Lobby Disclosure Act, under which companies are required to report their lobbying expenditures, defines lobbying as “lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research and other background work that is intended, at the time it is performed, for use in contacts, and coordination with the lobbying activities of others.” Lobbying contacts are defined as, “any oral or written communication to a covered executive branch official or a covered legislative branch official” to influence an array of political outcomes.” What this definition misses is the substantial amount of indirect lobbying and related political activity that does not get covered under this definition, including coalition building and management, issue advertising, public relations, polling, grassroots mobilization, and other techniques that are increasingly are used in tandem with direct lobbying.\textsuperscript{25} I view lobbying in this dissertation in the broadest terms, not just as a discrete activity of contacting, but as a broader measure of the political engagement of companies. As Table 3-3 reveals, companies engage in a wide range of tactics to try to influence political activity. I am not so interested in measuring and quantifying the particular amounts of lobbying, but rather understanding why companies have expanded their political activity and engagement broadly.

Plan of the Dissertation

I begin the investigation in chapter 2 by developing hypotheses as to why corporate lobbying might expand. Here I build upon existing theories of the firm. I start with the neoclassical view, which treats companies as omniscient actors capable of responding quickly to their environment. Applied to politics, this implies that firms react in predictable ways to a set of threats and opportunities set forward by an exogenous political agenda. This is the view that would find the most resonance in existing political science scholarship.

As contrasted to the neoclassical theory, the three other theories presented in this chapter all imply that lobbying is not just a response to the political environment, but is something that companies learn to do. The behavioral theory of the firm suggests that routines are important, that once a company gets on the routine of doing politics, it is likely to keep on that routine. The resource-based view suggests that firms develop

\textsuperscript{25} Lobbying expert James Thurber estimates that if expenditures on these indirect forms of lobbying were included, lobbying expenditures would probably be twice what they are today. One Lobbyist had this to say: “Lobbying disclosure forms represent only direct lobbying. But most of our hours are spent strategizing, researching, drafting legislation, writing position papers, and going to meetings. People don’t take the disclosure reports that seriously.”
strategic assets, and that once firms develop the strategic asset of political engagement, they are likely to want to continue to pursue political engagement because they view it as a strategic asset. The agent-based view puts the focus on individuals, suggesting that once hired, lobbyists should be expected to make a compelling case for the company continuing to lobby.

All three views lead to the hypothesis that lobbying is not necessarily a predictable response to a particular political environment. Companies are not omniscient. In order to see the value in political activity, they have to be paying attention. Even otherwise very similar companies may respond very differently to the same objective political conditions, with only some firms seeing the value in lobbying because they are the firms who pay attention.

Chapter 3 explores the two primary structural approaches to companies use in organizing their lobbying – Homeowning and Renting. Homeowners are companies who hire their own full-time lobbyists, usually alongside a set of for-hire lobbyists; renters are companies who solely utilize the services of for-hire lobbyists. In general, homeowners tend to be larger companies, with more sustained political interests and more sophisticated lobbying operations, while renters tend to be smaller companies, with narrower interests and more limited political commitments. Homeowners also use outside lobbyists to extend their influence, complementing the strengths of existing company lobbyists. Whereas outside lobbyists serve as the de facto Washington office for renter companies, homeowners use outside lobbyists to provide more specialized help for homeowner companies. Specifically, they provide additional access, issue expertise, and intelligence. Later chapters explore the changing balance of these approaches to better understand how lobbying is changing.

Chapter 4 investigates to what extent lobbying growth has involved responses to the government agenda, and in particular, the agenda of big industry fights. It finds lobbying levels often appear to be quite independent of the government issue agenda, and where lobbying does grow in response to government activity, it tends to be government activity that is driven by industry lobbying. Mostly, this involves attempts to change the status quo. Companies do not appear to be increasing their political capacity in order to defend themselves. Rather, they seem to be taking advantage of opportunities. Threats do not even loom large for newly mobilizing companies.

Chapter 5 finds evidence that there is a quite large and generally growing distributive politics agenda, which includes such policy areas as taxes, appropriations, and federal contracts. There is also substantially more lobbying activity on these issues than there was a decade ago. There has also been a significant increase in the number of renter companies in Washington over the last 15 years. These companies tend to be more interested in narrow, short-term issues, and the evidence presented here suggests they are mostly interested in taking advantage of opportunities. The fact that there are increasing
numbers of these kinds of companies implies that there are a lot more relevant opportunities.

Chapter 6 provides both quantitative and qualitative evidence for the learning story. The quantitative evidence highlights the stickiness of lobbying. Companies don’t really jump in and out of politics. Once they set up shop in Washington, they tend to stick around. And even lobbying three years prior is a significant predictor of current lobbying levels. There is also evidence for a set of causal processes that create a self-reinforcing dynamic to corporate lobbying. As companies come to Washington, their lobbyists work to educate and inform their higher-ups that Washington lobbying makes the company more profitable. Lobbyists select issues that can demonstrate value. Over time, company leaders learn how Washington matters, and often departments in the company start coming up with new ideas for lobbying.

Chapter 7 explores alternative explanations for growth. Neither the increasing size nor the increasing competition in interesting group lobbying nor the increasing complexity of policy seems to contribute much to explaining the growth. The increased partisanship and in particular the rise of the Republicans seems to have contributed something to the expansion, but mostly because of the way that the changes in the political make-up of Congress interacted with the already growing confidence and competence of business lobbyists. In many ways, the pro-business Republican leadership gave businesses new opportunities, but had they been unfamiliar with Washington, companies might have been slower and less likely to take advantage of the opportunities. To the extent that policymaking in Washington has become more partisan and more complicated, then, it has provided an opportunity for companies who wish to be more aggressive and to devise evermore sophisticated lobbying strategies.

Chapter 8 concludes, using the explanations developed to explain the historical patterns of business lobbying. During the 1950s and 1960s, few companies had Washington offices, and even when they did, the offices were small and ineffectual. It was only in the late 1970s, following a wave of new social regulation, that American business began to develop a genuine political conscious and began truly investing in Washington. But it took some time to get comfortable with politics. It wasn’t really until the mid-1990s when businesses began truly engaging aggressively and proactively, viewing Washington as a real investment and not simply a sinister force to defend against.

The underlying story is that the act of establishing an office sets in motion several reinforcing processes that make companies value lobbying more and more over time. Lobbyists teach managers about the importance of being politically active and help to point out (and sometimes even create) new opportunities for lobbying. Managers gain more comfort and confidence in their ability to influence outcomes, and start to see participation as more appropriate and more valuable. Ongoing political battles give companies a reason to defend the turf that they have won or stick around to regain the
turf that they have lost. The overall effect is that American businesses, once skeptical of government and cautious about getting involved in politics, have become increasingly confident, proactive, and aggressive in their lobbying efforts. More and more companies are discovering that Washington matters, and those who do are sticking around and increasing their political capacities. As a result, corporate lobbying activity is likely to continue to expand for the foreseeable future.
CHAPTER 2: WHEN AND WHY DO COMPANIES LOBBY?

In order to understand why companies behave as they do politically, it helps to have a general theory of how firms operate. This chapter develops several theories of why companies might lobby, and then develops the observable implications of these theories. Building on existing theories of the firm, this chapter contrasts an economic approach, which views firms as unitary rational actors who are responsive to their environment, with theories of the firm that focus on internal processes and histories and lead to the hypothesis that firm political activity might be something that firms learn to do, and might have internally reinforcing consequences for future political activity.

Theories of the Firm

There are many theories of the firm in literatures ranging from sociology to strategic management to economics. Four main theories of the firm will be helpful as a baseline: 1) Neoclassical; 2) Behavioral; 3) Resource-based; and 4) Agent-based. As a general rule, we can think of political activity as a strategy, like advertising or R&D.26 As with advertising and R&D (or any strategy), companies will engage in political activity to the extent that the perceived benefits outweigh the perceived costs. In working through these theories, then, the key question to ask will be under what conditions will firms perceive the benefits from political activity to exceed the costs, and what goes into the calculations that companies make to this effect.

The neoclassical view posits the firm as a unitary, fully rational actor.27 This tradition makes a few key assumptions: 1) Firms have full information about their environment; 2) Firms can easily gauge the consequences of their strategic decisions; and 3) Firms can easily imitate each other and adopt new strategies. This means that as long as markets are competitive, differences among individual firms in the same industry will always be at best

26 Publicly-traded firms in the U.S. spend roughly $200 billion a year on advertising and $350 billion a year on R&D. By contrast, they spend roughly $2 billion a year on politics in publicly-disclosed expenditures, though this probably understates the total amount greatly.
27 Boulding (1943), summarizing “The Theory of the Firm in the Last Ten Years” writes that the modern theory of the firm “is exactly analogous to the reactions of a consumer by means of indifference curves. Indeed, a consumer is merely a ‘firm’ whose product is ‘utility.’” (799) Hart (1989) notes that “This approach can be found in any modern-day textbook; in fact, it is the only theory of the firm presented” (1757-8)
transient, and similarly sized firms in the same industry will be analytically indistinguishable.28

In a world of omniscience and frictionless innovation, it is very easy to imagine businesses jumping in and out of politics as situations arise that might affect their bottom line. Thus, the neoclassical theory leads to the hypothesis that if there is a valuable outcome at stake that a company can affect in a way in which the benefits exceed the costs, then that company should be expected to lobby. And if not, that company will not lobby. This means that corporate lobbying should primarily be a reaction to the political agenda. The more government attention there is to issues of concern to a company, the more that company should lobby. And once issues are resolved, companies should stop lobbying. In most respects, the existing scholarship on corporate political activity is either implicitly or explicitly built on the neoclassical view of the firm. Typically, firm political activity is modeled as the consequence of a set of firm and industry factors, going on the assumption that firms rationally and predictably respond to a given opportunity structure with a reasonable assumption that their investments will pay off and improve their profitability.29 Such a view also drives the economic theories of lobbying discussed in the first chapter, which view companies as rational investors in a quid pro quo exchange of campaign contributions for political favors (e.g., Grossman and Helpman, 1994)

One alternate to the neoclassical view is the behavioral theory of the firm, which is most closely associated with Cyert and March (1963). Rather than treating the firm as a unitary actor with full rationality, the behavioral theory opens up the neoclassical black box and finds a complex web of rules and expectations and technologies that stand as obstacles to the omniscience and frictionless innovation assumed by the neoclassical theory. Cyert and March envision the firm as a series of “standard operating procedures” (SOPs) that direct firms to more or less apply the same strategies and approaches over and over again, except in rare circumstances – only when the firm faces a major new crisis do its managers even think of bucking the old SOP in favor of a new standard set of routines.

Of particular interest here is the effect of information. Since it is costly to acquire information, firms only pay attention to certain aspects of their environment that they have previously decided are important. Rather than “maximize” by taking in all possible information, firms “satisfice” by making good enough decisions based on information that is readily available or can be easily acquired, a process known as “bounded rationality”

28 Paul McNulty (1984), writing “On the Nature and Theory of Economic Organization: The Role of the Firm Reconsidered” noted that “In economic theory, business firms differ from one another only in respect of the character of the markets in which they buy or sell, and are at bottom, simply connecting links in an economy.” (233)
29 As Hansen and Mitchell (2000) note in summarizing the research on corporate political activity: “Underlying this research is the assumption that corporate efforts to influence politics are perceived by managers to produce benefits for the firm, such as friendlier regulatory environment or additional government contracts.” (892)
(Simon 1959). What this view implies is that when a company doesn’t have a Washington office, staying out of politics is the default routine. And without any information or internal advocacy about politics, it is unlikely that managers would stop to consider the option of political engagement. However, there are occasions when a firm encounters a new problem and a “problemistic search” leads a company to establish a new government relations operation. Once this happens, doing politics becomes the new standard operating procedure.

A third theory, the resource-based view of the firm, comes out of the strategic management literature. In the resource-based view, firms are still oriented around profit-maximization, but there is no one best or obvious strategy to get there. Rather, each firm applies the strategies that seem most appropriate given its unique capacities. Firms generally stick to what they are good at, letting their existing capabilities drive their strategic investments (Chandler 1992). As Barney (1986) explains, “strategic choices should flow mainly from the analysis of [a firm’s] unique skills and capabilities, rather than from the analysis of its competitive environment.” (1231) He also notes that new strategies are often costly to implement, which can provide a brake on firms imitating each other. This suggests that otherwise similar firms may, in fact, do very different things in similar situations because of their unique cultures, histories, experiences, capabilities, reputations, etc. (Teece 1984; Wernefelt 1984; Barney 1986; Nelson 1991; Chandler 1992; Teece et al. 1997)

Like the behavioral theory, the resource-based theory suggests a strong path-dependent component to lobbying – once companies get on the track of doing politics, they are likely to stay on that track if it is working for them. But the mechanism here is slightly different. Here, once firms build up political capacity (for whatever reason), that political capacity then becomes a strategic asset. And a firm that has a strategic asset will want to use that asset, and in the process is likely to further improve its skill at using it. As Teece et al (1997) explain, “From the resource-based perspective, firms are heterogeneous with respect to their resources/capabilities/endowments. Further, resource endowments are ‘sticky:’ at least in the short run, firms are to some degree stuck with what they have and may have to live with what they lack.” Or as Richard R. Nelson (1991) has put it, “the ultimate reason why firms differ is rather superficial. Implicitly, they differ because some chance event, or some initial condition, made different choices profitable.” (65).

This implies that the more a firm lobbies, the better it will get at lobbying (certainly, it will have more experience and better connections), and the better it gets at lobbying, the

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30 Teece and colleagues make a case for what they call “the dynamic capabilities approach,” which builds on the resource-based view, but gives additional attention to the development of management capabilities and “difficult-to-imitate combinations of organizational-functional and technological skills,” (510) further highlighting the extent to which differences in firm strategy and organization become self-reinforcing and meaningful in their own right.
more valuable a tool lobbying will become, and the more a company will want to lobby. Lobbying has its own momentum.

The fourth theory, the agent-based view of the firm, comes out of transaction-cost economics. This theory posits the firm as nothing more than a web of independent actors, each pursuing their own self-interest, tied together through a series of contracts into shared production schemes and a series of relationships between principals and agents, who have fundamentally non-aligned goals. Principals want agents to work harder for less money; Agents prefer to shirk and get more money. Principals try to design various systems to control the behavior of agents, often by aligning incentives and developing complex monitoring systems. Agents try to mislead principals, and to the extent that their contributions are difficult to observe and that agents are able to shape principals’ methods for evaluating their contributions, they tend to be successful.

Understanding the firm, then, is about understanding the struggles between principals and agents, which will vary depending on such variables as task, organizational structure, and time frame. (Alchian and Demsetz 1972; Jensen and Mecklin 1976; Fama 1980; Cheung 1983; Fama and Jensen 1983; Hart 1989; Holmstrom and Tirole 1989; Holmstrom and Milgrom 1994).

Though this approach has much to say about the structures and boundaries of firms, it has less to say directly about the strategies and goals. As Jensen and Meckling (1976) write, “Asking questions such as ‘what should be the objective function of the firm’…is seriously misleading. The firm is not an individual…The ‘behavior’ of the firm is like the behavior of the market, i.e., the outcome of a complex equilibrium process.” (310) Similarly, Foss (1993) notes, “Contractual approaches…have nothing to say about why firms pursue different generic strategies.” (132)

The agent-based view is important, however, because it directs focus to the role of individual lobbyists (in this case, agents) in controlling and framing information and opinions about politics. Lobbyists presumably have incentives to make their managers (the principals) think that lobbying is very important to the company and that they (the lobbyists) are doing a good job and therefore should receive more money and more autonomy. This also suggests the possibility that lobbying may not be profitable for the company – but just for the lobbyist. Like the behavioral and resource-based theories, the agent-based theory also implies that lobbying will be a self-reinforcing phenomenon, since the act of setting up an office puts in place a strong advocate for lobbying with a particular information advantage – the lobbyist is the person responsible for telling managers what is happening in Washington and what to do about it.

Taken together, these theories cohere around two basic hypotheses about why lobbying might expand: either as a reaction to the changing political agenda, or because companies learn to lobby. These two hypotheses are similar to the “economic” and the
“institutional” explanations of corporate political activity suggested by Martin (2000). Essentially, one of the fundamental questions of both this dissertation and of Martin’s work is this: Is lobbying a predictable response to a given political environment and set of firm and industry-level financial conditions? Or are there cognitive and organizational considerations that may trump straightforward economic explanations, in which lobbying activity more likely to be the product of the experiences and attitudes of key decision-makers within the firm?

### Lobbying as a Reaction to the External Environment

The neoclassical view treats companies as omni-scient actors capable of responding quickly to their environment. Applied to politics, this implies that firms react in predictable ways to a set of threats and opportunities set forward by an exogenous political agenda. This is the view that would find the most resonance in existing political science scholarship. Truman (1951) argues that broad socioeconomic “disturbances” lead the government to expand into new areas, which then mobilizes new constituencies. Leech et al. (2005) propose a “demand theory of lobbying,” suggesting that “Government activity acts as a magnet, pulling groups of all kinds to become active” – Organized interests only bother to lobby if government is already devoting attention to an issue about affects them. “In essence,” they conclude, “a government decision to become involved in an issue area sets the agenda for existing and potential organized interests, who are thus encouraged to come to the capital and defend their interests and advocate particular solutions to perceived problems.”

Lowery and Gray (1995), meanwhile, develop a “population ecology” theory of interest groups, arguing that in order for interest groups to form, they need more than just available resources. There must also be

31 The economic approach, Martin writes, “Rests in the readily apparent economic interests of the individual. Managers should have stable preferences oriented toward achieving profitability and grounded in the material circumstances of their firms and industries…Thus an economic approach often infers company political positions from the economic structure of the industry in which the firm is located.” (27)

32 Utilizing data on 45,000 federal lobbying reports filed between 1996 and 2000, plus data on every hearing held during those years, coded into 74 “issue areas,” Leech et al (2005) found that at the issue-level, more committee hearings and more government spending were associated with more lobbying activity for 56 of the 74 issue areas. They projected that over a ten-year period: 1) For every committee active in an area in a given year, there is an increase in the amount of lobbying by approximately 10 reports by organizations; 2) For every 10 hearings over the period, there is an increase of about two lobbying report; and 3) For every $10 billion in government spending in an issue area, there will be an increase of two lobbyist reports.
a hospitable and relatively stable environment – i.e., substantial and sustained
government attention to the relevant issues.33

The three theories discussed in the proceeding paragraph (Truman’s disturbance
theory; Baumgartner, Leech et al.’s demand theory, and Lowery and Gray’s population
ecology) all imply that that the variation in lobbying across issue areas can mostly be
explained by government attention.34 Scholarship on the determinants of corporate
political activity is also either implicitly or explicitly built on the neoclassical view of the
firm. Typically, firm political activity is modeled as the consequence of a set of firm and
industry factors, going on the assumption that firms rationally and predictably respond to
a given opportunity structure with a reasonable assumption that their investments will
pay off and improve their profitability (see Brady, Drutman, et al. 2007 for a review of
this literature).

This view leads to the hypothesis that changes in lobbying can be explained by changes in
government activity, since lobbying is mainly a reaction to the political agenda. If the
political agenda changes, lobbying should change.

Describing and measuring the political agenda, however, is fraught with complications
and complexities. Not all issues are the same. Some issues are big issues – major fights in
which hundreds of different groups get involved, in which giant coalitions form, and in
which public opinion matters. Other issues are small, narrow, targeted, often very
technical issues in which only one company has an interest, and the public has no ideas or
opinions. Some issues involve companies trying to preserve the status quo (playing
defense); other issues involve companies trying to change the status quo (playing offense).

These differences are important. All things being equal, the chance to improve the
status quo (playing offense) is better than having to defend to preserve the status quo
(playing defense). Playing offense has a high upside, and the only downside is that things
stay the way they are. Playing defense has a high downside, and the best that could
happen is that things stay the way they are.

If it were completely up to the companies, then presumably every issue on which
companies lobbied would be an attempt to favorably change the status quo. If companies
are simply lobbying in response to an exogenously-determined government agenda, there
may certainly be opportunities to lobby for changes in the status quo. But where do
opportunities come from? Do they spontaneously arise from legislators so eager to serve

33 Using 1990 state-level data, Lowery and Gray concluded that “the likely sources of recent growth of
organized interest populations are long-term changes in the size of latent constituencies and the resources of
government activity and interest certainty” – in other words, lobbyists are responding to government
activity.
34 None of these theories, however, explores the possibility that causality might run the other way – that is,
that government activity is in response to a sizeable lobbying community pressing for such activity.
corporate America that they know what companies want without them even having to lobby? Or do they arise because some corporate lobbyist made a case that such a change to the status quo would make good public policy? And if a company lobbyist made such a case, it suggests that someone in the company was thinking about a way to use public policy to benefit the company. This would be proactive lobbying – not simply responding to the existing government agenda, but attempting to shape it. If a significant percentage of lobbying is proactive lobbying, this would cast doubt on the story of lobbying as a reaction to the government agenda.

Another way to assess the extent to which lobbying is increasing from a proactive or a reactive stance is to consider changes in the distributive politics agenda. Distributive politics encompasses small, narrow, low-salience issues like tiny changes to the tax code, government contracts, appropriations, etc. (Lowi 1964). These issues are generally opportunities for companies to get something from government. (Back-of-the-envelope calculations based on earmarks and contracts suggest that lobbying offers a remarkably high rate of return.) These are also issues on which there is likely to be little conflict, since these types of issues rarely attract competition or public scrutiny. (Schattschneider 1960; Lowi 1969; Jones 1982; Thurber 1996). Wilson (1980) argued that on issues like this, which pit concentrated costs against diffuse benefits (or concentrated benefits against diffuse costs), only those groups affected by the concentrated costs/benefits would lobby (since diffuse groups have a hard time organizing).

And because these issues attract very limited scrutiny and competition, they are the kinds of issues where companies are likely to have the most success. In summarizing the literature on “Interest Group Influence,” Smith (1995, 94-95) draws out 12 conditions under which interest groups are alleged to have the most influence on outcomes. Six of these are the qualities of distributive issues:

1) “When the visibility of the issue is low”
2) “When the issue is specialized, technical or narrow.”

35 Lowi (1964) writes: “Distributive issues individualize conflict and provide the basis for highly stable coalitions that are virtually irrelevant to larger policy outcomes; thousands of obscure decisions are merely accumulated into a ‘policy’ of protection or of natural-resources development or defense subcontracting.”

36 At the high end is Matt Miller, who calculates that “Lockheed Martin has spent $55 million lobbying since 1999, during which time it has won roughly $90 billion in defense contracts. ROPI: 163,536%” See Matt Miller, “Make 150,000% Today!” Fortune, January 27, 2006; A slightly less outsize estimation comes from the lobbying firm the Carmen Group, which said it “collected $11 million in fees and delivered $1.2 billion in assistance to its clients – a ratio of less than 1 to 100.” See: Jeffrey Birnbaum, “Clients’ Rewards Keep K Street Lobbyists Thriving,” Washington Post, February 14, 2006; Business Week offers probably a more realistic estimate: 28-to-1, also based on contracts. See: “Inside the Hidden World of Earmarks,” Business Week, September 17, 2007.

37 The other six are: 1) “When the interest groups who contribute also lobby the issue intensely”; 2) “When the contributions are given to influence legislative outcomes (as opposed to election outcomes)”; 3) “In the case of senators, when an election is drawing near”; 4) “When members are facing or have faced a close election.”; 5) “When members are ideologically moderate (as opposed to conservative or liberal)”; and 6) “When the general political climate of the opinion is consistent with the objectives of the interest group.”
3) “When the economic payoffs to the contributors are clear with the benefits of roll-call votes concentrated and the costs dispersed across the electorate.”

4) “When the issue is non-partisan and non-ideological.

5) “When the public is indifferent, divided or ignorant.”

6) “When the position advocated by the interest group is unopposed by any other interest group.” (94-95)

Even Lester Milbrath, who concluded that lobbyists basically had no influence, noted that, “Questions of small technical nature, which attract little public attention, are more subject to lobbying influence.” (1963, 354).

The question before us, then, is not just one of whether lobbying grows in response to an expanding issue agenda. It is also a question of what kind of issue agenda. Is it an agenda where companies are forced to come to Washington to defend themselves from potentially onerous proposals and the dreaded plague of big government? Or is it an agenda where companies are coming to Washington to take advantage of opportunities? And if so, where are these opportunities coming from, anyway?

**Lobbying as Something Companies Learn to Do**

As contrasted to the neoclassical theory, the three other theories presented in this chapter all imply that lobbying is not just a response to the political environment, but is something that companies learn to do. The behavioral theory of the firm suggests that routines are important, that once a company gets on the routine of doing politics, it is likely to keep on that routine. The resource-based view suggests that firms develop strategic assets, and that once firms develop the strategic asset of political engagement, they are likely to want to continue to pursue political engagement because they view it as a strategic asset. The agent-based view puts the focus on individuals, suggesting that once hired, lobbyists should be expected to make a compelling case for the company continuing to lobby.

All three views lead to the hypothesis that lobbying is not necessarily a predictable response to a particular political environment. Companies are not omniscient. In order to see the value in political activity, they have to be paying attention. Even otherwise very similar companies may respond very differently to the same objective political conditions, with only some firms seeing the value in lobbying because they are the firms who pay attention.

There are two helpful theories of corporate political activity that take into account the potential for different companies to interpret the same political situation differently:
Martin’s theory of “corporate policy capacity”\textsuperscript{38} (1995, 2000) and Schuler and Rehbein’s theory of “the filtering role of the firm” (1997, 1999). These theories are based on a significant amount of strategic management research showing that cross-firm, within-industry differences in management approaches and ideologies influence how firms respond to a range of non-market pressures (Post 1978; Gricar 1983; Miles 1987). Both theories highlight that firms differ from each other structurally, historically, and strategically, and these differences can have real consequences for how firms do many things, including how they approach political activity. As Martin (2000) argues:

> Managers’ preferences are deeply influenced by the organizational facilities for processing policy within their firms and business networks… I have coined the term *corporate policy capacity* to describe the institutional resources dedicated to gathering, processing, and disseminating technical arguments about social initiatives. (11)

While Martin is primarily concerned with how corporate managers come to their opinions and understandings on political issues of the day, Schuler and Rehbein are more interested in the extent to which internal organizational structures affect the firms’ level of overall political engagement. “The filter model,” they write, “states that although external political, economic, and industry factors affect corporate political activity in a general way, an individual firm’s behavior is mediated by its organizational structures, procedures, experiences, and resources.” (1999, 145) Schuler and Rehbein argue that a firm needs both the “will and ability to become politically involved” (1997, 126) Both of these depend on the way in which firms estimate the benefits of political involvement, which in turn depend on the organizational structure (i.e., having a government affairs department), resources (i.e, slack), prior political experience (i.e., routinized political activity), and the firm stakeholders.

Though this has not been studied extensively, a few scholars have documented differences in political cultures. Mahon and McGowan (1996) find evidence that otherwise similar firms often differ in their “political capital,” which they take to include such things as access to policy-makers, knowledge of public policy arenas, and expertise in planning political strategy. Or, as Wilson (2006) writes: “The political styles of corporations in the same industrial sector often differ considerably one from another. BP and Shell, for example, are very different political animals from Exxon or Mobil” (44-45).

\textsuperscript{38} Martin’s research bears special mention because she also uses interviews to peer inside the corporate black box. Martin is primarily concerned with “business managers’ struggle to locate their interests in a world of imperfect knowledge.” (2000, 126). She finds that internal resources, histories, and information processing structures all matter for how firms come to their political positions on two issues – healthcare and human capital investments. While the research and theorizing presented here echoes Martin’s theoretical insights and interview-oriented approaches, I am more interested in the broader question of how corporate managers decide how active to be politically overall, and why these decisions might change over time.
Though neither Martin nor Schuler and Rehbien have anything to say directly about the growth of lobbying, their theories do have implications for explaining the growth. Both suggest that there is a difference between firms who have policy capacity and perceptual filters and those who don’t—and that this difference is consequential. This implies that when firms develop policy capacity and put in place mechanisms for evaluating political information, they are more likely to lobby.

After all, without some familiarity with the world of Washington, doing politics may seem imposing. Companies need not only to learn something about how Washington works, but also to find a way to establish themselves in an already crowded world. Setting up an office is tough. As Browne (1990) notes: “Organized interests must expend money, time, goodwill, credibility, and a myriad of other costs not only in starting-up new relationships but also in negotiating any resulting transactions through active lobbying.” (501)

Some helpful insights on the implications of mobilization follow from Daft and Weick (1984), who have developed a “Model of Organizations as Interpretation Systems.” Their key point is that organizational decision-making is an evolving process, in which learning happens through acting, and each lesson learned affects the what companies pay attention to in the future. (See Figure 2-1.)

Figure 2-1. Scanning, Interpretation, and Learning

The chain starts with scanning: what information does the organization gather? Information can affect action in two ways. At the most basic level, the bigger a company’s government affairs department, the more broader the political awareness of the company’s top management is likely to be. Awareness is the obvious first step to action.

But beyond simple awareness, more information also helps managers to better understand the cause-effect relationship of their actions (Thompson 1967). And the more managers understand the cause-effect relationships, the more they will perceive their environment as controllable. Thus, more information can give top managers more confidence that if they order action X, then there is some degree of certainty they will get result Y. And if managers can feel relatively certain that action X will lead to result Y, they will be much more likely to commit to action X than if they had little idea about what the effect would be (Aldrich 1979; Daft and Lengel 1986; Thomas et al. 1993).
Increased information use also increases the likelihood that managers will see issues as potential gains (Thomas and McDaniel 1990).

And, as Daft and Weick suggests, this is all part of a positive feedback loop. Top decision makers only scan for information based on whether they think that information is important in the first place (Pfeffer and Salancik 1978). But they only learn that information in any particular area might be important if they are paying attention to that area.

In some cases, it is relatively easy and straightforward to interpret incoming information and to know what to do about it. For example, if a company gets feedback that certain products are selling well while other products are selling poorly, it can discontinue those that are selling poorly and expand production of those that are selling well.

In other cases, however, it will be less clear how to interpret incoming information, and so interpretation will depend more on the experiences and perceptions of individual managers than on the information itself. There is good reason to think that politics is such a case. Politics is highly unpredictable, and it can often be anybody’s guess as to what will happen and what the consequences of different courses of action might be. This leaves lots of space for different managers to come to different decisions even with otherwise similar information.

Starbuck and Miliken (1988), for example, describe the prevalence of “perceptual filters” (i.e., “processes that amplify some stimuli and attenuate others, thus distorting the raw data and focusing attention”). Even within the same industry, executives among different firms often have fundamental disagreements about the characteristics of the industry (Duncan 1972). And these variable interpretations are highly consequential in accounting for different firm responses (see, e.g., Hambrick and Mason 1984; Starbuck and Miliken 1988). As Thomas et al (1993) note:

Because modern organizational environments are complex and dynamic, a key role of top management has become providing meaningful interpretations for patterns of ambiguous information. Indeed, the imposition of meaning on issues characterized by ambiguity has become a hallmark of the modern top manager. (240)

All this leads to the hypothesis that changes in lobbying could have as much or more to do with reinforcing internal processes than changes in the external environment. While exogenous political events might push companies to start lobbying and sometimes stimulate bursts of activity, political activity has a self-reinforcing logic of its own. Companies who set up offices also set in motion a learning process and an information-
gathering process, and put in place individual lobbyists who have strong incentives to make sure those processes take place in such a way that companies continue to lobby.

This also suggests that as companies become more active, the political agenda should involve more attempts by companies to change the status quo. If lobbying is sticky, there will be times when government attention to issues that the company cares about recedes, but company lobbyists continue to hang around. Under these conditions, company lobbyists have both the capacity and the incentives to try to generate changes to the status quo.

**Conclusions**

Table 2-1 (below) sums up the proceeding discussion, highlighting what the different theories of the firm suggest for explaining growth. Under the neoclassical theory, companies are rational, profit-seeking organizations with full information about their environment, they respond to the issues on the agenda as they arise. If the issue agenda expands, lobbying should expand. The other three theories, meanwhile, point to the importance of internal processes. They suggest that routines, capacities, and incentives are also important factors in what companies decide to do, and that once a company starts lobbying, it sets in motion multiple factors that will keep it lobbying, and looking for opportunities to lobby more.
TABLE 2-1. *Theories of the firm and hypotheses for growth*

<table>
<thead>
<tr>
<th></th>
<th>Neoclassical</th>
<th>Behavioral</th>
<th>Resource-based</th>
<th>Agent-based</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal of firm</strong></td>
<td>Maximize profits</td>
<td>Satisfactory profits</td>
<td>Maximize profits</td>
<td>Individuals maximizing rents</td>
</tr>
<tr>
<td>**Information-</td>
<td>Omniscient</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited – dependent on agents</td>
</tr>
<tr>
<td>gathering capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ability to adapt</strong></td>
<td>Quick</td>
<td>Slow</td>
<td>Slow</td>
<td>Depends</td>
</tr>
<tr>
<td><strong>Key factor driving firm behaviors</strong></td>
<td>Objective conditions</td>
<td>Standard operating procedure</td>
<td>Existing competencies</td>
<td>Information and incentives</td>
</tr>
<tr>
<td><strong>Key lobbying determinant</strong></td>
<td>The political agenda / environment</td>
<td>Whatever the company did before</td>
<td>Sense of political efficacy</td>
<td>Lobbyists’ internal advocacy</td>
</tr>
<tr>
<td><strong>Lobbying grows because...</strong></td>
<td>The agenda or the environment changes.</td>
<td>Firms start lobbying and don’t stop.</td>
<td>Firms develop more skill lobbying and want to use it.</td>
<td>Lobbyists convince companies to lobby more.</td>
</tr>
<tr>
<td><strong>Reactive/ proactive</strong></td>
<td>Reactive</td>
<td>Proactive</td>
<td>Proactive</td>
<td>Proactive</td>
</tr>
<tr>
<td><strong>Value to the firm</strong></td>
<td>By definition valuable</td>
<td>Uncertain</td>
<td>Likely</td>
<td>Uncertain</td>
</tr>
<tr>
<td><strong>Resonance with existing theories</strong></td>
<td>“Disturbance Theory” (Truman); “Demand Theory of Lobbying” (Baumgartner/Leech); “Population Ecology” (Gray/Lowery)</td>
<td>Institutional theories: “Corporate Policy Capacity” (Martin); “Filtering Role of the Firm” (Schuler/Rehbein)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figures 2-2 and 2-3 (below) directly contrast the two models of how and why lobbying might grow. In Figure 2-2, lobbying grows in response to changes in the agenda. In Figure 2-3, mobilization puts several processes in place that are all likely to lead to more lobbying, all of which feed back on themselves.

**Figure 2-2. Agenda-Driven Growth**

![Diagram](https://via.placeholder.com/150)
The story that Figure 2-3 describes views a firm as fundamentally changing its relationship towards Washington upon mobilizing. Mobilizing means the company has lobbyists, who are now providing information about what is happening in Washington. It means that a firm is incorporating lobbying into its strategic planning, and presumably getting better at it as it develops expertise. It means a new routine – managers will now be reading the memos from the Washington office. And the more a company lobbies, the more this will be reinforced – the better it is likely to get at playing the politics game, the more knowledgeable key managers will be about how politics works, and thus the more confident that they will be about their ability to influence events (and invest even more in lobbying).
CHAPTER 3: HOMEOWNERS AND RENTERS

With the basic theory in place, the chapters to come will work through various ways to test these competing hypotheses. But first, it is important to understand the different organizational strategies that companies employ. This chapter examines the decision to hire a full-time lobbyist or use an outside firm. This is important for understanding the larger trajectories of corporate lobbying. In this chapter, we will learn that companies tend to employ their own lobbyists when they have long, ongoing relationships with the government, and tend to rely on outside lobbyists only when they are after short-term gains. These short-term gains tend to be distributive benefits. Knowing this means that observing a rise in the number of companies who use only outside lobbyists can tell us that there is an increase in the amount of lobbying on purely distributive issues, an important trend in the changing nature of corporate political activity.

Companies lobby both through their own lobbyists and through the approximately 1,500 for-hire lobbying firms that organizations contract with to serve as their representatives in Washington. Over the past two decades, American businesses have come to rely more and more on these outside lobbying firms. Many more companies now exclusively use these outside lobbying firms as their representatives, and even those with their own full-time company lobbyists are hiring increasing numbers of outside firms.

What is behind these different approaches? Why do some companies rely exclusively on outside lobbyists while others hire their own permanent staff? And why, over the last fifteen or so years, have companies been turning increasingly to outside lobbying firms?

It is well known that lobbying is quite tactically varied, with dozens of different activities falling under the general label of lobbying (Schlozman and Tierney 1986; Heinz et al. 1993). Research on interest group lobbying strategies has typically focused on the determinants of which legislators to lobby (Austen-Smith and Wright 1994; Baumgartner and Leech 1996; Kollman 1997; Hojnacki and Kimball 1998; Hall and Deardorff 2006), of when to use direct (“inside”) lobbying strategies as opposed to grassroots (“outside”) lobbying strategies (Gais and Walker 1991; Hojnacki and Kimball 1999; Nicol 2007), and of choices of venues (Holyoke 2003).

Much less attention has been paid to the strategic choices organizations make in how they structure their lobbying operations. Wilson (1990) provides the most extensive treatment of this question, reporting on a survey of large corporations asking them whether they have a Washington office, use outside consultants or law firms, belong to
business-wide and industry trade associations, and have a PAC. But Wilson is more concerned with describing than explaining. DeFigueiredo and King (2004) tackle the question of when corporations outsource lobbying, but their study is limited to a single industry (telecommunications) at a single venue (the Federal Communications Commission) on a single issue (payphone compensation for dial-around calls).

This chapter is an attempt to say something broadly about the reasons that companies choose different structural approaches to Washington representation, and what those changes in the prevalence of these approaches over time can tell us about the Washington lobbying environment.

Renting and Homeowning

At the most general level, we can break companies in Washington, DC into two types based on how they organize their lobbying. There are those who rely solely on outside lobbyists, and those who have their own in-house lobbyists.

The first (and more common) approach to Washington representation is to simply hire one of the approximately 1,500 professional lobbying firms to in effect operate as the Washington office of the company. In such an arrangement, the company hires the lobbying firm on a retainer. The firm’s lobbyists will develop a plan, and then report back to the company on a regular basis with descriptions of communications, meetings, hearings, bill introductions, and other epiphenomena of purported political progress. When the plan’s objective is achieved or no longer seems feasible, the client can either end the relationship or pursue another political objective.

I call companies that take this approach “Renters” because they are essentially renting representation. Like real-world renters, they are more likely to come and go, being only tied to Washington by a renewable contract. Renters account for the majority of all companies in Washington, but a much smaller percentage of the total lobbying expenditures. As of 2006, the vast majority of companies with Washington offices were “renters.” Renters make up 87 percent of the companies listed in the Washington Representatives directory, and two-thirds of the companies reporting lobbying expenses to the Senate Office of Public Records. (See Table 3-1.)

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39 Wilson finds that 69.6% of firms surveyed have a Washington office, 49.0% “use a DC law firm more than once every 6 months,” and 25.9% “use a firm of political consultants more than once every 6 months.”
The second strategy is to have a dedicated government affairs department within the company and a full-time presence in the Capitol—typically an office suite on the K Street corridor housing one or more company employees who work full-time to represent the company by attending meetings, keeping tabs on the latest scuttlebutt, and pressing the company’s case throughout town. These Washington offices then report to corporate headquarters, most commonly through the General Counsel or a Vice President of Public Affairs, occasionally directly to the CEO.

I call these companies “Homeowners” because, like buying a house, hiring a full-time staff suggests a more permanent commitment. Most of the “homeowner” companies also have additional for-hire lobbyists representing them, which, for the sake of extending this housing metaphor, I call “hired help.” Exactly three quarters (75%) of “homeowners” listed in the Washington Representatives directory in 2006 have some sort of “hired help” listed. Among larger “homeowners” (those with a staff of at least three full-time lobbyists), 86% have some sort of “hired help.” Although homeowner companies are fewer in number, they account for the vast majority of lobbying activity.

Homeowners and renters differ not just in whether or not lobbyists are full-time staff, but also in their size, persistence, and involvement in political contributions. In general, homeowners tend to be significantly more engaged politically than renters. (See Tables 3-2 and 3-3.)

1) Homeowners spend much more on lobbying

Homeowners spend roughly 10 times more on lobbying than renters. The median expenditure for homeowners is $800,000; the median expenditure for renters is $80,000. The mean homeowner lobbying expenditure is $1.6 million; the mean renter expenditure is $142,000.
2) **Homeowners stick around at much higher rates**

Homeowners also are much more likely to stay politically involved from year-to-year. The percentage of homeowner companies active in any given year who are active the next year is 96%, whereas the percentage of renter companies who stay active is 79%. The rates drop for both when we extend to two years, and the difference becomes greater. Homeowners persist at a 93% rate over two years, as opposed to a 66% rate for renters.

3) **Homeowners are much more likely to use PACs**

Homeowners are about four times more likely to have a PAC. Between 1998 and 2006, roughly two-thirds of homeowners (70.4%) maintained a PAC, whereas only about one in six renters (16.8%) maintained a PAC. Homeowner PACs also tend to be about three times larger than renter PACs (among companies that maintain PACs, homeowners have an average PAC of $353,564, whereas renters have an average PAC of $113,426).

<table>
<thead>
<tr>
<th>Table 3-2. Homeowners vs. Renters, 1998-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homeowners</strong></td>
</tr>
<tr>
<td>Mean Total Lobbying Expenditure (In-house and outside)</td>
</tr>
<tr>
<td>Median Total Lobbying Expenditure (In-house and outside)</td>
</tr>
<tr>
<td>1-year persistence rate</td>
</tr>
<tr>
<td>2-year persistence rate</td>
</tr>
<tr>
<td>Have a PAC</td>
</tr>
<tr>
<td>Mean PAC Size</td>
</tr>
<tr>
<td>Median PAC Size</td>
</tr>
</tbody>
</table>

*Source: SOPR data*

<table>
<thead>
<tr>
<th>Table 3-3: Summary of Differences between Renters and Homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOMEOWNERS</strong></td>
</tr>
<tr>
<td>Expenditure Level</td>
</tr>
<tr>
<td>Time Commitment to DC</td>
</tr>
<tr>
<td>Likelihood of Maintaining a PAC</td>
</tr>
</tbody>
</table>
In order to understand why companies would choose to rent or own, it helps to know something more about the Washington, DC for-hire lobbying firms. There are almost 1,500 law and lobbying firms in Washington, DC. Some of them are quite large. The largest, Patton Boggs LLP, reported $38.9 billion in lobbying income for 2008 and listed 353 clients, from Actinium Pharmaceuticals to XM Satellite Radio. The firm has 110 registered lobbyists who cover just about every issue area and government agency. There are many other firms that are much smaller, with just one or a few registered lobbyists, a few clients, and a very targeted issue focus. Some lobbying firms specialize in taxes, others in earmarks. Some, like Patton Boggs, are housed within law firms and sometimes conduct legal work for clients as well. Others are pure lobbying firms.

A good example of a typical mid-size lobbying firm is The Washington Group, which even has a typical name. As of 2008, the firm represented 48 clients and reported $3.46 million in lobbying revenue (the top 20 lobbying firms all reported lobbying revenues of at least $11 million). Like many lobby firms, it represents a range of clients – associations like California Association of Winegrape Growers or the US Biomass Power Producers Alliance; a spattering of state and local governments, like the State of Connecticut and Martin County (Florida); and a number of corporations (20, to be exact) ranging from start-ups like Hybrid Kinetic Automotive to big names like Motorola Inc.

The images on the firm’s website\(^\text{40}\) (Figure 3-1) are a telling representation of how The Washington Group would like potential clients to see its services – opening a previously invisible door to the U.S. Capitol, providing a ladder over what appears to be a wall of regulation. The site boasts: “When you hire The Washington Group, your presence and agenda in the Capital City is enhanced through our team of professionals. The members of The Washington Group have more than 150 years of combined legislative and political experience at senior levels. We know how to analyze a problem and design the most effective solution, and we have a solid reputation for implementing winning strategies.”

\(^{40}\) Accessed 5/22/09
Figure 3-1. *How Washington Group Wants its Clients to See its Services*

The website also lists a wide range of services that it provides: “Lobbying strategies and programs; Legislative tracking and analysis; Congressional testimony preparation; Crisis management; Creating and managing coalitions; Writing legislative and regulatory language; Organizing Washington conferences; Drafting position papers; Ongoing support for existing government relations programs; Advising on political positioning; Grassroots/Grasstops; Material development for issue campaigns; Issue advertising; Media tracking and analysis.”

Most lobbying firm websites offer similar prose and promise. One in-house lobbyist for a smaller company (who described receiving a constant stream of pitches) noted in an interview the remarkable degree of unabashed salesmanship in the business: “Everybody around here knows everybody and everybody here is all things to all people. It’s just amazing. You never find anyone who says they don’t know everyone or can’t do everything.”

Hiring a Washington lobbying firm offers a company several advantages. First and foremost is expertise. The legislative and regulatory processes are complicated. A company that just showed up in Washington would be unlikely to know where and how to start. It would need an expert, a lobbyist who can craft a plan.

Hiring a lobbying firm also offers tremendous economies of scale. Hiring a decent full-time company lobbyist will probably cost at least $200,000 a year (and often a bit more), plus an office rental in downtown DC and support staff. By contrast, the median annual expenditure for a renter company is $80,000 a year. Hiring a firm also means that the client gets access to all of that firm’s connections, and all its policy and process knowledge. One for-hire lobbyist at a large firm put the advantage of hiring a large firm this way: Washington is a big complicated place, and being successful on an issue is invariably a multi-venue operation. You need to be active on the Hill, at the White House, at the agencies, and
then you need to know which committees, which parts of the agencies. It’s expensive to have both depth and breadth.

Finally, hiring a for-hire firm gives a company much more flexibility. A lobbying firm can be hired on a retainer of as little as a few thousand dollars per month, and can be dropped relatively easily. If the issues of interest to a firm are episodic or limited, it makes little sense to have a full-time lobbyist during the natural pauses in activity. It is much more costly and difficult to fire a full-time company employee and dismantle an office than to simply sever a contract.

**Transaction-Cost Economics and the Limits of Renting**

Transaction cost economics can provide a framework for thinking about the comparative advantages and disadvantages of using markets (i.e., contracting out) as opposed to internal hierarchies (i.e., keeping things in-house). (Williamson 1979, 1985, 1992)

Williamson (1979) describes three types of investments that companies make: Nonspecific, mixed, and idiosyncratic. Non-specific goods are standard equipment—things like paper clips. All businesses use the same basic model of paper clips. And so, given the economies of scale in producing paper clips, it would make little sense for an individual business to have its own paper clip manufacturing plant. And if for some reason, one brand of paper clips tends to break too often, there are plenty of other brands of paper clips in the marketplace.

Idiosyncratic goods, at the other end of the spectrum, are products and services that are unique to a particular business, things that involve specific “investments of transaction-specific human and physical capital” (Williamson 1979, 241). If, instead of a generic paper clip, a company required unique customized page-binding service, the easy-in, easy-out, competitive benefits of handling transactions via the market would vanish. There is no market for a page-binding service customized to a single business. And if the company is planning to use the service on a recurrent basis, it becomes even more difficult to agree upon a mutually acceptable contract, given both the range of contingencies to account for and all the possible ways in which each party could exploit the unique situation to take advantage of the other party. This is commonly referred to as the “hold-up problem.”

Thus, as investments move from nonspecific to idiosyncratic, and from occasional to recurrent, so do the costs and difficulties of establishing and enforcing a contract. At some point, the legal and monitoring costs are such that the company would clearly benefit from bringing the service under the company hierarchy (where it is easier to monitor and also to align the incentives). (Williamson 1979; Demsetz 1988).
From the company’s perspective, one of the biggest challenges in hiring a lobbyist is feeling confident that the lobbyist is pursuing both an effective and cost-efficient lobbying strategy, since it is very difficult for a manager who doesn’t know much about politics to be sure the hired lobbyist is actually providing value. As one lobbyist put it, “The joke in this town is that you have these breakfasts with 100 people there and [then Ways and Means Committee] Chairman Rangel speaking and then in the hall you have 20 people on the phone saying they just had a conversation with Chairman Rangel.”

In general, for-hire lobbyists I interviewed confirmed that client companies are often both clueless and anxious about Washington, given the tortuous and confusing ways in which the federal government operates – which is much different than the crisp, quarterly accountability of the business world (See also Kersh 2002; Watkins et al 2001). One for-hire lobbyist put it this way:

Clients get very nervous sometimes. They don’t understand the process. There is a need to educate clients. They think that their issues are the center of the world and they want results. You have to constantly prove to them you are working, so you document every phone call and e-mail and meeting.

Another said:

The hardest part is trying to communicate the completely unpredictable nature of DC. Clients are more comfortable with precise results. It’s hard trying to explain why you didn’t get something done because the chairman was mad at somebody for something unrelated.

Lobbyists, of course, do have a substantial information advantage. After all, it is the job of the lobbyist to provide the company with intelligence about what is happening in Washington. This means that lobbyists are empowered to use this information to advise companies on how much they should spend on lobbying. Kersh (2000) documented a pervasive climate of lobbyists stringing their clients along.41 Several for-hire lobbyists I interviewed spoke of how important it was to “manage expectations” and to “educate clients.” In my interviews, one company lobbyist had this to say about consultants:

With consultants, my view is you only get out what you put in. I don’t believe most folks understand this stuff [the company specific issues], and it’s not worth their time to get up to speed. Most folks don’t get the most out of [the relationship] – they don’t work with them closely, or they just go to the biggest and most impressive firm and pay a lot of money.”

In other words, there is a real principal-agent problem. Consultants have their own incentives to do as little as possible and get the companies to pay for as much as possible.

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41 “Most clients posses a very limited understanding of Washington policy activity and of government decisions, even those directly affecting their interests…Whatever policy knowledge these clients do have is obtained largely from their lobbyists themselves though memos, e-mail exchanges, and telephone conversations…All 11 lobbyists I followed referred at one time or another to the need to ‘educate’ their clients.” (242)
To the extent that they can control information and shape the understandings of their clients, they are likely to enjoy more autonomy and increase their fees.

Transaction cost economics suggests that this will be more of a problem in some cases than in others. Presumably, some clients have a relatively clear sense of what it is that they would like to accomplish, and a relatively clear expectation of how long it would take and how much it would cost. Often, a company may just be seeking a contract or particular line in an appropriations bill, or to get an administrative regulation or a subsection of a bill re-worded slightly. Any lobbying firm with the right contacts and expertise could handle such a request. And any company should be able to evaluate whether or not the lobbying firm achieved the expected outcome, which would make monitoring and evaluation simple. This kind of relationship fits Williamson’s definition of a nonspecific service. Representation here should take on a transactional nature.

But as the issues and political strategies become more complicated, the baseline expectations and methods of evaluation become more uncertain, and hiring an outside lobbying firm starts to look less and less like buying a paper clip and more like buying a complicated custom binding system. If a company has ongoing needs in Washington, a lobbyist who represents the company must invest significant time and energy into learning the particularly policy concerns of that company and developing a specific custom strategy. As this happens, representation becomes more and more like what Williamson would call an idiosyncratic service. Representation here should take on a relational nature.

This distinction implies that firms will most likely prefer a renting strategy when the lobbying services they want are non-specific and short-term. To the extent that the lobbying services are specific to the company and ongoing, it will make increasing sense to hire a full-time lobbyist and pursue a homeowning strategy. In general, companies have to weigh the flexibility and economies of scale against the possibility that an outside lobbyist will be too costly to monitor and potentially exploit the information asymmetries of the principal-agent relationship.

Such a distinction maps closely onto one that Hillman and Hitt (1999) make between transactional and relational approaches to political strategy. They argue that while most of the literature assumes that companies only formulate responses to specific, salient issues (the transactional approach), “many firms, however, pursue political strategies over the long term, rather than on an issue-by-issue basis. This represents a more relational approach to political strategy.” (828) (They do not, however, test this proposition with any data.)

What kinds of companies are likely to have a more relational approach? Presumably, companies in highly regulated industries and/or companies who sell a lot to the government will have more of a reason to set up a permanent presence in Washington
than those who don’t, since these companies can expect that they will have ongoing interactions with the government. I also expect that larger companies are more likely to be homeowners, both because they have more resources to sustain full-time lobbyists and their size means some part of their business is likely to have some ongoing interaction with what government does. This may be especially true with companies that are more profitable and hence have more slack resources. (However, there is a possible endogeneity effect here – if having full-time lobbyists makes companies more profitable, companies with their own lobbyists are going to be more profitable.) I also hypothesize that companies with more R&D are more likely to have the kind of distinct products that would make them want to have their own lobbyists who understand the idiosyncrasies of the company. DeFigueiredo and King (2004) suggest that companies with more proprietary information may be more concerned about information leakage. Thus we should expect more R&D to be associated with increased likelihood of homeownership.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement</th>
<th>Expectation for Homeowner likelihood</th>
<th>Expectation for more outside lobbying among homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>Sales (logged) (Compustat)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>Revenues / Sales (Compustat)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>R&amp;D Share</td>
<td>R&amp;D expenditures / Sales (Compustat)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Government Contracts</td>
<td>Sales to government by industry among S&amp;P 500 companies (Federal Procurement data service)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Market Regulation</td>
<td>Dichotomous variable (Y/N)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Social Regulation</td>
<td>Dichotomous variable (Y/N)</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

The data I will use here cover S&P 500 company lobbying from 1981 to 2005 (the S&P 500 dataset). Restricting the sample to S&P 500 companies limits the analysis to mid- and large-cap companies. The disadvantage is that this misses many small companies. The advantage is that it covers a universe of companies who are mostly similar in that they all possess the potential resources to have a full-time Washington lobbying shop if they so chose (whereas many smaller companies would be much-harder pressed to even be able to dedicate the necessary resources).
The data on company finances come from Compustat. The data on contracts come from the federal procurement data system, but have only been compiled for 1981, 1991, and 2001. The regulation variable, however, is unique to this paper. Instead of using a single dichotomous variable for regulation, which collapses different types of regulation into a single dimension, I here use separate dummy variables for “market” and “social” regulation. I define market regulation as the government being a major player in structuring the basic rules of the marketplace for the industry. I define social regulation as government regulating the market externalities in the industry. In both cases, we should expect companies in these industries to have more ongoing relationships with the government, and hence be more likely to have homeowners. But we may also wish to see whether both types of regulation operate in the same manner and degree.

To test the effect of these variables on whether companies are homeowners or renters, I estimate a basic logit model:

$$\text{Homeownership} = \alpha + \beta_1 \text{Sales(logged)} + \beta_2 \text{Profit Margin} + \beta_3 \text{R&D Share} + \beta_4 \text{Market Regulation Dummy} + \beta_5 \text{Social Regulation Dummy} + \beta_6 \text{Industry Effects} + \beta_7 \text{Year Effects} + \mu$$

I restrict the sample to only those companies that lobby because the question I am asking is, conditional upon a company deciding that Washington is worth at least some investment, what explains the decision to be a homeowner or a renter?

The logistic regression results (Table 3-6) support most of the hypotheses. The larger the company, the more likely the company is to be a homeowner in all three models. Profits are not statistically significant in the first two models, but without government contracts and using fixed effects for industry (instead of dummy variables for regulation), we do get a significant effect for profits. A company’s R&D investment turns out to be a very strong predictor of how likely a company is to be a homeowner.
Table 3-5. Logistic Regression: Homeowner as DV, S&P 500 Companies

<table>
<thead>
<tr>
<th></th>
<th>MODEL 1</th>
<th>MODEL 2</th>
<th>MODEL 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (logged)</td>
<td>0.809**</td>
<td>0.795**</td>
<td>1.122**</td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td>(0.081)</td>
<td>(0.036)</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>0.366</td>
<td>0.663</td>
<td>0.670**</td>
</tr>
<tr>
<td></td>
<td>(0.236)</td>
<td>(1.059)</td>
<td>(0.261)</td>
</tr>
<tr>
<td>R&amp;D Share</td>
<td>9.834**</td>
<td>9.157**</td>
<td>6.131**</td>
</tr>
<tr>
<td></td>
<td>(0.666)</td>
<td>(2.318)</td>
<td>(0.913)</td>
</tr>
<tr>
<td>Market Regulation</td>
<td>0.430**</td>
<td>0.007**</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>(0.052)</td>
<td>(0.002)</td>
<td></td>
</tr>
<tr>
<td>Social Regulation</td>
<td>0.800**</td>
<td>0.539**</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>(0.052)</td>
<td>(0.158)</td>
<td></td>
</tr>
<tr>
<td>Industry Contracts</td>
<td>---</td>
<td></td>
<td>0.761**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.155)</td>
</tr>
<tr>
<td>(Intercept)</td>
<td>-6.727**</td>
<td>-6.771**</td>
<td>-7.608**</td>
</tr>
<tr>
<td></td>
<td>(0.256)</td>
<td>(0.682)</td>
<td>(0.359)</td>
</tr>
<tr>
<td>Year Fixed Effects?</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Industry Fixed Effects?</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>N</td>
<td>8,445</td>
<td>979</td>
<td>8,445</td>
</tr>
<tr>
<td>Log Lik</td>
<td>-4761.4</td>
<td>-537.7</td>
<td>-4166.9</td>
</tr>
</tbody>
</table>

The analysis presented here seems to confirm the initial hypothesis – that companies with more expansive, more permanent political interests are more likely to be homeowners. Bigger companies in more regulated industries are more likely to have their own full-time lobbyists. This is also consistent with the literature on the determinants of corporate political activity, which finds that these kinds of companies are generally more likely to be politically active (see Brady, Drutman et al. 2007 for a review of this literature.) Also as hypothesized, companies that do more R&D are also significantly more likely to have their own lobbyists. This lends some support to the information leakage hypothesis of De Figueiredo and King (2004).
**Homeowners and Hired Help**

A second question of interest is what explains the variation in the extent to which homeowners rely on outside lobbyists. As described above, the vast majority of homeowners (roughly four-fifths) also rely on outside lobbyists. However, some homeowner companies depend on outside lobbyists more than others. And there is a fair amount of variation in the extent to which homeowner companies rely on outside lobbyists, though the most common strategy is one of each (see Figure 3-2).

Figure 3-2. Percent of homeowner lobbying done by consultants

Whereas renter firms rely on for-hire lobbyists to function as their Washington office, homeowner firms generally use for-hire lobbyists to help them with three main lobbying functions: 1) access; 2) process and issue expertise; and 3) extra intelligence-gathering. All three are non-specific services in the transaction-cost economics framework.

**Access**

Washington, DC is a town that thrives on connections, a place where a well-placed phone call can make an important difference. Certain lobbyists are valuable because they have relationships with particular members of Congress or particular key Hill or agency staffers. These relationships mean that their queries will be taken seriously. These
relationships also mean that the lobbyists know the particular idiosyncrasies of particular members, staffers, and committees – what will set them off, how to package different issues. As one company lobbyist said: “You hire consultants because there is no way you can reach all 535 members, all the committee staff, and all the agencies, with the small staffs that we have. You bring in consultants that have more relevant experience on a particular issue or have better access to certain parts of the government.” Another company lobbyist put it this way:

   Can you get me in to see the [agency] director who is holding the public meeting, and if you get me in there, would he know you? Which inevitably means, if he knows you, I have a level of legitimacy. And also, would you help me to plan beforehand how to say the things I need to say to him in a way that’s going to make them think like us?

   Partisan connections seem to be particularly important. Several company lobbyists, interviewed in 2007 – when Democrats had taken control of both the House and Senate for the first time in 12 years – talked about the need to hire Democratic lobbyists in order to have access to Democratic lawmakers. Said one: “We needed to beef up our Democratic consulting base, so right off the bat, we hired two Democratic consultants. That got us started to make sure we’re doing the things we needed to do. Then we hired another Democratic consultant.”

   Access to any particular government official is generally a non-specific service. All companies wish to acquire it, and depending on whom they wish to reach in particular, they are likely to find somebody on K Street who specializes in a particular set of relationships. Moreover, the service is easy to evaluate: either the lobbyist secures a meeting with the desired contact or doesn’t. And there are good reasons why companies would prefer to outsource access. For one, it would be prohibitively expensive for companies to build relationships with all the key decision-makers in the government. For another, the key players change across issues and across time.

   **Process and Issue Expertise**

   One of the most important services that lobbyists provide in the policy process is expertise and information (Wright 1996; Esterling 2004). Though the literature tends to focus on the value of expertise that lobbyists provide to Congress, lobbyists provide valuable process and issue expertise to companies as well. Numerous company lobbyists said in interviews that they hire additional lobbyists for their particular issue area expertise. Knowing an issue area well typically also means knowing the politics around that issue – who the key players are, who might be friend and who might be foe, and what compromises and pleasantries might placate the foes.

   For example, a high-tech company hired an energy expert when that company began to get into energy issues. As the company’s lobbyist explained:

   Most of us in the office are generalists. On new issues like energy, we didn’t know the concerns, so we need specialized talent. We’re a lean shop here, and we’re not going to hire an energy expert, so we go to the consultant who can offer a percentage of time for issue
expertise. One of our consultants knows the Energy and Commerce Committee very well, so we hire them to explain what the issues are.

Often, lobbyists are hired for their combination of political and policy expertise. Said one company lobbyist of consultants he had hired:

[NAME OMITTED] came to us over tax matters. He is very close with a number of Republican Senators and when I have a problem on an issue and we have to talk to a Republican Senator, he probably has 10 or 12 close friends who are Republican Senators, so I will call him and we’ll go talk to Senator X. And we have seven or eight consulting arrangements on that basis. Some came out of the Ways and Means Committee and some came out of the Finance Committee and some came out of the Energy and Commerce Committee and it goes on and on.

Like relationships, issue area expertise can be a relatively non-specific service in cases where the expertise is general enough to be of value to lots of companies. In cases when companies want to get up to speed quickly about an issue that they previously have limited experience with, or they need only occasional expertise on a specific issue, it makes sense to hire an outside lobbyist. On the other hand, if there are ongoing issues with which a company is going to be involved, particularly issues on which the company has a unique perspective, it will probably make sense for the company to dedicate a full-time in-house lobbyist to the issue.

**Intelligence Gathering**

A third reason that companies turn to additional lobbyists is for intelligence gathering. Behind-the-scenes horse-trading and logrolling often happen very quickly, so the latest up-to-the-minute intelligence is important. Having additional lobbyists who are tuned into different networks of contacts can help company lobbyists to be more effective in a world where knowledge really often is power.

For example, one company lobbyist I interviewed had one consultant for issue expertise, and a second for intelligence gathering. The lobbyist told me: “One we have for legislation having to deal with tax law because that’s too big a spectrum of potential issues for me to cover. The other is a small operation that gives me information on things because I’m only focusing on [my company], but they have lots of other clients. They might hear information about things that might affect us.”

Intelligence-gathering fits the definition of a non-specific service as long as the knowledge would be equally valuable to a broad number of purchasers, as much political intelligence is. Hiring a lobbyist for information gathering is like subscribing to a trade publication for a single column that occasionally has very valuable information. Different lobbyists provide different streams of information, and companies can easily judge whether they are getting enough valuable information or not.
The preceding discussion shows that there are many reasons why homeowner companies would rely on outside lobbyists for additional help. But why might some rely on outside lobbyists more than others? And why would this change over time?

As firms expand their political operations, both in-house and outside lobbyists are likely to be valuable. In many respects, they play complementary roles. In-house lobbyists are closer to the business, and so know more about the specific interests of the company. Outside lobbyists help the company to execute the strategies by providing additional access and expertise to support the company’s effort. The larger the in-house staff, generally the more different issues a company will be pursuing. And the more issues a company is pursuing, the more Congressional offices, committees, and agencies it will want to contact, and the more areas in which it will need additional expertise and intelligence-gathering. Particularly as companies attempt to pursue more aggressive and multi-dimensional lobbying strategies, they will need more outside help.

Homeowner companies who are actively pursuing lobbying campaigns are the ones who are most likely to need that extra help to fill in the gaps in their access and expertise. For homeowners, additional outside lobbyists are not like additional in-house lobbyists. Additional outside lobbyists offer services that are mostly useful in tandem with the company’s in-house lobbyists, who already know a lot about what the company wants to pursue, but can only know so many members of Congress, have limited policy expertise, and may only be able to monitor a limited number of information streams.

I hypothesize that the factors that lead companies to pursue a homeowner as opposed to a renter strategy should be the same as the factors that generally lead companies to be more involved and active in politics. This is because these are the factors that suggest that companies will have a lot at stake, especially over the long-term. However, what the preceding discussion suggests is that companies with most at stake are likely to need the most outside help. After all, the more at stake, the more complex the strategy is likely to be – the more moving parts, and the more separate points of access and expertise that will be necessary.

Therefore, when it comes to explaining the in-house/outside balance among homeowners, I expect that the same independent variables that predict the decision to become a homeowner in the first place – size, regulation, R&D share, government contracts – should also make homeowners more likely to rely on additional outside lobbyists as extensions of an existing government office. I would also expect profits to be associated with more use of outside lobbyists, but for a different reason – since profits are often variable, a company with a lot of profits may have more resources on hand that particular year, and may wish to extend its influence for the time being without making long-standing commitments to have a large presence.
Here I estimate the same equation as above, but the sample is restricted to homeowner companies, and the dependent variable is the outside lobbyists as share of a company’s lobbying total lobbying presence. Total lobbying presence is the summation of in-house lobbyists plus outside firms retained. I estimate the following equation:

\[
Outside\ Lobbying\ Share = Homeownership = \alpha + \beta_1 Sales(\text{logged}) + \beta_2 Profit\ Margin + \beta_3 R&D\ Share + \beta_4 Market\ Regulation\ Dummy + \beta_5 Social\ Regulation\ Dummy + \beta_6 Industry\ Effects + \beta_7 Year\ Effects + \mu
\]

These results (Table 3-6) demonstrate that the same factors that lead a company to become a homeowner (being big, having a lot of R&D, and being in a regulated industry) also make the company more likely to rely on additional hired help when it becomes a homeowner. This suggests that hired help is not so much a substitute for in-house lobbying, but a complement to an existing staff. Companies that have more reasons to be involved in the first place have more reasons to seek additional help, presumably because the outside lobbyists provide services that are most helpful when a company is pursuing an active and ongoing lobbying strategy.

It is particularly telling here that the coefficient for market regulation is much larger and more statistically significant than the coefficient for social regulation. If the government is a major player in structuring the rules of the market, the fights are going to be bigger when they happen. Companies will need more help – more connections, more policy expertise, more intelligence gathering. Social regulation is more likely to be an ongoing process at the agency level, where one or two in-house lobbyists could handle things. Though social regulation is also associated with reliance on outside lobbying in one of the models, this is a small effect, especially compared to the effect for market regulation. However, it does suggest that these companies are more likely to be involved in more complicated issues than companies in entirely unregulated industries, and thus to need a little bit more help.
Table 3-6. *Regressions explaining outside lobbying share*

<table>
<thead>
<tr>
<th></th>
<th>MODEL 1</th>
<th>MODEL 2</th>
<th>MODEL 3</th>
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</thead>
<tbody>
<tr>
<td><strong>Sales (logged)</strong></td>
<td>0.006*</td>
<td>0.006</td>
<td>0.007**</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.009)</td>
<td>(0.004)</td>
</tr>
<tr>
<td><strong>Profit Margin</strong></td>
<td>0.083**</td>
<td>0.560**</td>
<td>0.017</td>
</tr>
<tr>
<td></td>
<td>(0.032)</td>
<td>(0.259)</td>
<td>(0.032)</td>
</tr>
<tr>
<td><strong>R&amp;D Share</strong></td>
<td>0.337**</td>
<td>-0.190</td>
<td>0.137</td>
</tr>
<tr>
<td></td>
<td>(0.071)</td>
<td>(0.140)</td>
<td>(0.105)</td>
</tr>
<tr>
<td><strong>Market Regulation</strong></td>
<td>0.105**</td>
<td>0.136**</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.020)</td>
<td>--</td>
</tr>
<tr>
<td><strong>Social Regulation</strong></td>
<td>0.012*</td>
<td>0.009</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.020)</td>
<td>--</td>
</tr>
<tr>
<td><strong>Industry Contracts</strong></td>
<td>--</td>
<td>0.00004</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00003)</td>
<td></td>
</tr>
<tr>
<td><strong>(Intercept)</strong></td>
<td>0.318**</td>
<td>0.327**</td>
<td>0.399**</td>
</tr>
<tr>
<td></td>
<td>(0.032)</td>
<td>(0.080)</td>
<td>(0.049)</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>5038</td>
<td>577</td>
<td>5038</td>
</tr>
<tr>
<td><strong>R-squared</strong></td>
<td>0.1176</td>
<td>0.1099</td>
<td>0.1982</td>
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**Conclusions**

This chapter has demonstrated that there are two main approaches to corporate lobbying – Homeowning and Renting. **Homeowners** are companies who hire their own full-time lobbyists, usually alongside a set of for-hire lobbyists; **Renters** are companies who solely utilize the services of for-hire lobbyists. In general, homeowners tend to be larger companies, with more sustained political interests and more sophisticated lobbying operations, while renters tend to be smaller companies, with narrower interests and more limited political commitments.

Homeowners also use outside lobbyists. I have argued here that companies use these lobbyists to extend their influence, complementing the strengths of existing company
lobbyists. Whereas outside lobbyists serve as the de facto Washington office for renter companies, homeowners use outside lobbyists provide more specialized help for homeowner companies, providing additional access, issue expertise, and intelligence.

Such an understanding reveals a richness to the world of lobbying that scholars who treat all lobbying expenditures as functionally equivalent are likely to miss. Companies employ many different strategies in deciding how active to be and how to structure their lobbying operations, and these strategies can reveal important details about the contours of the policy environment.

We will return to these distinctions in the chapters to come, utilizing them to gain leverage on bigger questions.
Chapter 4: The Role of the Political Agenda, Pt I: Regulatory Politics

Chapter 2 suggested two possible explanations for why lobbying might grow, based on different theories of the firm. The first explanation was based on the neoclassical view of the firm, which treats companies as omniscient actors who respond predictably and quickly to their external environment. Applied to politics, this implies that firms react in predictable ways to a set of threats and opportunities set forward by an exogenous political agenda, and that changes in the political agenda and environment should be the key drivers of changes in lobbying activity. Companies in any given industry should respond to their political environment in predictable and rational ways, based on the issues that are on the agenda and the political environment surrounding their ability to affect those issues – if the relevant agenda is bigger and more salient, companies should lobby more, and more companies should lobby. This chapter evaluates this explanation.

However, in focusing on the agenda, we need to be sensitive to the fact that describing the political agenda is not only a question of more or less activity – it is also a question of what type of activity. Are the issues on the agenda threats to businesses, or are they opportunities? Are the issues hotly contested ones that involve multiple sides and on which success is generally harder to come by (because they are so contested)? Or are they small, narrow, distributive issues on which it is easier to have influence?

In thinking about the agenda, I build upon Lowi’s (1964) breakdown of political issues into three types: distributive, regulatory, and redistributive (each of which form “an altogether different universe.” (704)) For Lowi, the politics of distribution describes firms angling for individual tax breaks and subsidies, that tend to be relevant only directly to those who benefit and often don’t attract much attention, tucked away as they often are in some mammoth piece of legislation. The politics of regulation involves industry-wide issues, often highlighting conflicts between industries or large groups of companies. These tend to be major issues, and often much is at stake. The politics of redistribution involves classwide issues, such as business versus labor clashes. The stakes are even larger here, but very rarely do individual companies play much of a rule. Here, lobbying is typically done by peak business associations, like the Chamber of Commerce. Since individual businesses lobby primarily in the area of distributive and regulatory politics, I will focus only on those two types of politics.

In this chapter, I focus on the role of regulatory politics, or large-scale issue that tend to involve the whole of an industry. In the next chapter, I will focus on the role of distributive politics. This chapter will proceed as follows. First, I will examine the macro-
level trends to describe the big-picture backdrop. Then I will zoom in and examine four case study industries, first looking to see how the overall lobbying presence in these industries grew in response to events, and then investigating the degree to which individual companies came to Washington in these industries in response to events.

**Macro-Level Trends**

As a starting point, let us pull back the lens and examine some macro-trends in lobbying activity and government activity. Figure 1 plots time trends in S&P 500 lobbying presence and combined House and Senate hearings for the 97th through 109th Congresses. The time trends move in exact opposite ways. Hearing activity is on constant decline; lobbying activity is on the steady increase. To the extent that hearings are a measure of Congressional activity, this suggests that Congress is tackling less, but companies are lobbying more. (See Figure 4-1.) Of course, hearings are much more likely to focus on highly salient issues, so this is likely to be a much better measure of the regulatory politics agenda than the distributive politics agenda.

**Figure 4-1. S&P 500 Lobbying and Congressional Hearings**

![S&P 500 Lobbying vs. Hearings Activity](image)

Figure 4-2 looks at legislative activity as measured by the number of bills introduced. Legislative activity declines in the 1990s — the decade when S&P 500 company lobbying presence is increasing the most. Legislative activity does pick up again, but there is not a corresponding increase in corporate lobbying presence. This suggests (at the macro-level at least) that the two are not highly correlated.
Figure 4-3 describes changes in S&P 500 lobbying activity as compared to changes in the annual page count of Federal Register, another measure of political activity. Again, the two do not appear to be that closely correlated. The annual number of pages in the Federal Register declines in the 1980s, picks up a little in the early 1990s, then flattens out during the period in which lobbying is increasing.

Figure 4-3. S&P 500 Lobbying and Federal Register Pages

Taken together, there is little evidence that government has become more active over the last three decades. And, if anything, Congress is doing a lot less than it used to. There are many fewer hearings, and there has been a general decline in bill introductions. The
annual number of pages in the Federal Register has not increased substantially. The growth of corporate lobbying presence exceeds all these measures of activity.

The data presented here begin in 1981 – the first year of the Reagan presidency and a time in which the political climate for business turned more sympathetic. This follows a substantial business lobbying expansion in the 1970s, which was a clear response to a substantial expansion of threatening legislative activity. Between 1965 and 1977, Congress passed 44 major regulatory laws dealing with all manner of health, safety, and environmental problems, heaping billions upon billions of dollars in compliance costs on businesses that were used to being left alone. Between 1970 and 1975, the annual number of pages in the Federal Register tripled, from 20,000 to 60,000, as did the budget for federal regulatory agencies, going from $1.5 to $4.3 billion. (Vogel 1989; Harris 1989).

By 1981, however, the political zeitgeist was shifting. Public opinion had grown tired of regulation, and the gospel of free markets was enjoying a renaissance. Much of this shift, which began with Carter, was embodied in the presidency of Ronald Reagan. The day after inauguration, for example, he established a Task Force on Regulatory Relief, and within a month he had issued an executive order that required all agencies to conduct a cost-benefit analysis before issuing any rule. Within a year, OSHA inspections were down 15 percent, citations for hazards were down 47 percent, and fines were down 69 percent (Vogel 1989, 249). By 1982, a Harris Poll of corporate leaders found 90 percent saying that they were better able to get their message out than five years ago, 75 percent saying that they feel business has more clout than it did in the recent past. “They are purring,” wrote the Harris Poll. “Business is much more self-confident about its power than it was.”

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42 Between 1971 and 1979, the number of firms with registered lobbyists in Washington grew from 175 to 650 (Vogel 1989, 197). Surveying the landscape for the Business Roundtable in 1979, Phyllis McGrath reported that: “Now Washington offices are headed by lawyers, experienced public affairs people, and people with first-hand government experience. And back at corporate headquarters, a full-blown government relations communication program is in effect – to develop awareness, to teach corporate staff the intricacies of the government process, and bring all facets of management into the government relations effort. The chief executive officer, the government relations executive, the technical experts, staff officers, and even plant managers, have all been drawn into the development of new strategies. Ninety percent of executives polled in 1979 said that over the last three years, their companies’ “concern with and involvement in federal government relations” had gone up, and 61 percent the increase had been “extremely strong.” Nine in ten also felt confident that the increase would continue over the next three years. (2-3)

43 Vogel (1989) pinpoints the turning point at 1978: “By 1978, business had clearly regained the political initiative. Not only had it defeated much of the legislative program of both the public-interest movement and organized labor, including common situs picketing, the consumer protection agency, and labor-law reform, but it had succeeded in reversing some of the legislative defeats it had experienced earlier in the decade. Automobile emissions standards were reduced, the power of the Federal Trade Commission and the Occupational Health and Safety Administration were curtailed, energy prices were deregulated, and corporate taxes were lowered.” (193)

44 “How business is getting through to Washington,” Business Week, October 4, 1982
As Figure 4-4 reveals, the staffing of federal regulatory agencies dedicated to enforcing social (i.e., health, safety, environment) regulation topped off around 1980, dipped throughout the 1980s and then slightly increased in the 1990s. What this highlights is that there hasn’t been much new regulation since the outburst of the 1960s and 1970s. (The peak in 2004 in Figure 4-4 occurs because the study that generated this chart includes the Department of Homeland Security as a federal regulatory agency.) The other major trend was “de-regulation,” or the disappearance of industry-specific regulation, as highlighted in Figure 4-5. (Though a word of caution in interpreting Figure 4-5. The reason finance and banking regulation jumps up so much in the 1980s is that there was a near tripling of the FDIC budget in response to the S&L crisis, and the study that generated this chart includes FDIC budget under regulatory spending.)

Figure 4-4. *Staffing of Federal Regulatory Agencies*

![Graph showing staffing of federal regulatory agencies](source)

Source: “Federal Regulatory Spending Soars”, Susan Dudley and Melinda Warren, the Mercatus Center and the Weidenbaum Center.

Figure 4-5. *Regulatory budgets*

![Bar chart showing distribution of economic regulation budget](source)

Source: “Federal Regulatory Spending Soars”, Susan Dudley and Melinda Warren, the Mercatus Center and the Weidenbaum Center.
These larger trends recall the puzzle posed in the introduction. In the 1970s, the growth of corporate lobbying made sense as a response to a significant expansion of new government regulations and social pressures (Vogel 1989). This explanation fit well with established political science wisdom that groups mobilize politically when their interests are threatened politically (Truman 1951). But the macro-level trends would suggest such a story is not likely to explain the growth of corporate lobbying in the time since. By all major indicators, government activity has declined, the threats of new regulation have diminished, and industry-specific regulation has declined. However, these are macro-level trends. Things may be different at the industry level. It is to this that we now turn.

**Four Industry Case Studies**

Figure 4-6 tracks the growth of company lobbying presence by industry, aggregating the total lobbying presence of all companies across 50 industry categories. The industry categorization scheme is an original scheme I developed to deal with the problem that the commonly-used SIC codes do not often map well onto coherent political clusters of interests. For a thorough discussion of how these categories were constructed, see Appendix C. The first thing to note is that most of the growth of lobbying since 1981 is primarily the growth of lobbying in only a handful of industries – High-Tech, Defense, Telecommunications, Pharmaceutical, Utilities, Banking, and Insurance. The rest of the industries are basically flat, and a few are even declining. However, once industries reach a threshold size (about 100 lobbyists) growth starts to accelerate. This seems to happen generally in the mid-1990s.
In this section, I will look in more detail at four growth industries: Telecommunications, Pharmaceuticals, Financial Services, and High-Tech (Computers and Software). For each industry, I will compare the lobbying history of the industry with government attention to these issues (as measured by congressional hearings data). Each of the case studies is an attempt to figure out: 1) To what extent the company lobbying presence in each of these industries follows the political agenda; and 2) To what extent the political agenda comprises attempts by companies to change that status quo as opposed to attempts to defend it. Regarding the data, the industry lobbying is simply the sum of all lobbyists representing S&P 500 companies in the industry.45 Hearings data are from the Policy Agendas Project.46 These case studies also summarize the major policy battles by looking at what issues made it to CQ Weekly’s year-end legislative wrap-ups. (I

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45 One slight caveat in interpreting the data here is that 1996 is an unusual year. For some reason, a lot of new companies and a lot of new lobbyists show up in the Washington Representatives directories. This could be because there are a lot of new lobbyists that came to Washington that year (it was the year Republicans took control of the House). More likely, it has to do with the fact that the Lobby Disclosure Act of 1995 alerted the editors of the Washington Representatives directory to a number of lobbyists that they otherwise missed.

46 http://www.policyagendas.org/; (Data only go up to 2004.)
assumed that if an issue made it to the year-end wrap-up, it was relatively important and attracted at least a decent amount of attention.)

This approach pre-supposes that S&P 500 companies do lobby on large, industry-wide issues. (I estimated that 58 percent of issues companies with Washington offices lobby on are broad industry issues, and found that bigger companies tend to take the broader view of issues, working more on industry-wide issues.) This means that if we are looking only at S&P 500 companies, most will be large enough that they are likely to be politically active in major industry political battles. Additionally, two dozen studies on the determinants of corporate political activity have failed to find evidence for Olson’s hypothesis that companies in less concentrated industries will have a harder time mobilizing than companies in more concentrated industries (Hansen, et al. 2005), suggesting that companies do indeed lobby for industry goods.

The growing lobbying presence is actually the result of two trends. Individual companies with Washington offices are lobbying more. And more companies are lobbying. First, I will investigate the overall changes in lobbying presence. Then I will look at the mobilization of individual companies.

Telecommunications

The total lobbying presence of S&P 500 telecommunications firms in Washington (represented by the dotted line) increased nearly six-fold between 1981 and 1998, then dipped slightly. Meanwhile, congressional attention to the industry (represented by the straight line) had one major peak: 1998-2000, following the implementation of the Telecommunications Act of 1996. (See Figure 4-7.)

Figure 4-7. Telecommunications Lobbying and Hearings

47 See Appendix B for list of issues companies were working on.
In reconstructing the political story of telecommunications lobbying, there is one watershed event: The Telecommunications Act of 1996, which came into law following more than a decade of lobbying by the regional Bell companies, who pushed year after year to be allowed to expand into manufacturing and information services and repeal or significantly amend the Communications Act of 1934. Though the push for the telecommunications reform bill dated back to the 1980s, it really began to pick up speed in the 1990s. By 1992, the industry won passage of the bill in the Senate. In 1994, the House passed two different telecom deregulation bills. In 1995, the House and the Senate both passed bills, and in 1996, the Senate and House finally passed the same bill rewriting the rules of competition in telephony and information services, and President Clinton signed it into law. This was a major legislative battle, and the concurrent increase in lobbying reflects this. Companies put substantive resources into this battle. But they did so in attempt to pass the legislation, rather than to stop it from happening.

After the 1996 passage the industry only slightly reduced its lobbying efforts. No doubt, there were good reasons to stay active. The bill delegated many decisions to the Federal Communications Commission, and not surprisingly, those companies who didn’t like the way things had turned out tried to change portions of the law. In 2001, the Bells were fighting to enter Internet service markets on equal footing with the cable companies, and in 2002, President Bush signed legislation allowing the FCC to auction off airwaves to the highest bidder, as opposed to doing so by lottery (as large companies had requested). With technology continuing to change and the government playing a major role in regulating the industry, companies clearly have a reason to be involved.

**Pharmaceuticals**

Like telecommunications, the pharmaceutical industry achieved a major legislative victory at one point during this period – the 2003 Medicare Modernization Act, which added a prescription drug benefit to Medicare without requiring the government to negotiate bulk pricing. Friedman (2009) estimates that this legislation produced a $242 billion surplus for pharmaceutical firms over ten years. Though prescription drug coverage had originally been a Democratic proposal, Republicans and drug companies took it on and made one key change: instead of the government buying the drugs in bulk, companies would still get to compete on the market. It took three years and much lobbying by the industry before the drug benefit became law by the narrowest of margins, much to the delight of the industry.

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Certainly, the government has long played a role in the pharmaceutical industry since all drugs are required to be approved by the Food and Drug Administration (FDA). But the major legislation affecting the industry in the 1980s was limited. The Orphan Drug Act passed in 1983, giving drug companies incentives to develop drugs with small markets. In the mid-1980s, there was some attempt by the pharmaceutical industry to ease bans on exporting drugs to the third world and reduce liability for vaccines. The first big battle came in 1992 with the passage of the Prescription Drug User Fee Act (PDUFA), which allowed drug companies to pay more to fund the FDA in order to speed up the drug approval process generally (this accounts for the first peak in drug industry hearings). This was a welcome and sought-after law, since pharmaceutical companies found that delays in bringing drugs to market were eating up their profits.

The federal government also began devoting substantial attention to healthcare issues around this time, and the pharmaceutical industry had obvious interests in the debate over nationalized health care. Said one pharmaceutical lobbyist:

Up until 1994, I think the pharmaceutical industry was just sort of drifting along. The industry was selling to private payers, and even though there was support in regulating the products, Congress wasn’t as involved in that process. But there was a sense that the Clinton healthcare plan was going to demonize two industries primarily, and that included pharmaceutical companies.

The late 1990s were a time of major growth for industry lobbying efforts, and even after the prescription drug benefit became law in 2003, the industry did not pull back. In 2004, for example, the industry won the passage of Project BioShield, a $5.6 billion program to “to accelerate the research, development, purchase, and availability of
effective medical countermeasures against biological, chemical, radiological, and nuclear (CBRN) agents.”

With the exception of the battles over healthcare reform, the major issues affecting the pharmaceutical industry during this period (Orphan Drugs, PDUFA, Medicare Modernization Act, Project Bioshield) have all been changes to the status quo that were welcomed by the industry. As with the telecommunications industry, pharmaceutical company lobbying was not simply a response to the government agenda, but also involved lobbyists who are looking for issues to shape. Moreover, it also involved an upward secular trend.

**Financial Services**

Hearings activity in the financial services industry peaks in response to the Savings and Loan crisis of 1989 and the Salomon Brothers bond trading scandal of 1991. But neither of these scandals triggered a major rise in industry lobbying. Rather, the steep lobbying increases took place before and after these crises. In particular, the rapid increase between 1996 and 2000 correlates with the push for major financial services industry deregulation, which came in 1999. Sixteen years after Ronald Reagan initially proposed allowing banks to conduct business in securities, real estate and insurance and after a number of fits and starts, Congress finally passed the Gramm-Leach-Bliley Act, a repeal of the 1933 Glass-Steagall Act. The bill allowed commercial banks, investment banks, securities firms, and insurance companies to enter each others' markets. This paved the way for a massive consolidation on Wall Street.

Figure 4-9: Financial Services Lobbying and Hearings

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This was the second major industry restructuring in five years. In 1994, after more than 10 years of on-and-off lobbying by the biggest banks, Congress passed a bill to set up a nationwide branch banking system. Previously, banks that wanted to open branches in other states had to set up and capitalize separate subsidiary banks. Big banks estimated they would save $50 million per year in reduced overhead and promised that customers would benefit.  

Following the passage of the Gramm-Leach-Bliley Act, of course, issues remained. In 2000, the industry successfully fought to deny the Commodity Futures Trading Commission (CFTC) oversight of swaps and thus set up ground rules for a burgeoning market in financial derivatives, which many believe was a key contributing factor in the financial crisis of 2008. In 2003, following Enron and the accounting scandals, Wall Street came under scrutiny for its role again, but the one major piece of legislation passed, the Sarbanes-Oxley Act, only addressed the accounting industry and left the finance industry largely untouched. In the years that followed, the industry enjoyed great freedom to spread out into a wide range of complicated and heavily-leveraged financial positions. And when those positions turned out poorly, threatening the financial markets, the U.S. government in 2008 provided TARP funds to ensure solvency at of all the major investment banks, save one.  

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50 Andrew Taylor, “Nationwide Branching Bill Finally Clears the Senate,” *CQ Weekly*, September 17, 1994  
Of all the industries examined here, the financial services industry has come under the most scrutiny during the last three decades. Yet even here, threats do not correlate with the increases in lobbying. The major run-up in financial services lobbying in this period was to push a major deregulatory bill that the big banks wanted. Also important to note is that, like in the other industries, the resolution of a major political battle did not lead the industry to reduce its lobbying presence. Even when the battle over financial services deregulation was over, companies maintained the capacity that they had committed, finding new issues on which to stay active.

High-Tech

It is often said of the computers and software industry that many companies had a long-standing aversion to Washington, DC, imbued as they often were with a West-Coast libertarianism that made them uninterested in getting involved in politics (Miles 2002). In interviews, industry lobbyists frequently cited the 1998 Microsoft anti-trust suit as a wake-up call. The data, however, show that the industry was already on a growth trajectory, though clearly the growth continued post-1998.

Figure 4-10. High-Tech Lobbying and Hearings

Of the four industries examined in this chapter, high-tech generally enjoys the best reputation in Washington. Innovation is one of those things that all politicians like to be for, and supporting the high-tech industry is generally a good way for politicians to burnish their innovation bona fides. Thus, the political history of the high-tech industry is mostly the history of programs protecting intellectual property, encouraging overseas
sales, or setting up favorable tax regimes to help innovation and the development of the Internet.

The first significant development for the industry came in 1984, when Congress passed the Semiconductor Chip Protection Act. The bill, pushed by the semiconductor industry, gave 10-year patent exclusivity to any original semiconductor pattern. As early as 1989, legislation setting aside $320 million to promote technology programs was getting some attention in Congress, but it never gathered the momentum to become law. As early as 1992, high-tech companies were pushing for a relaxation on technology export controls, trying to do away with what they felt were antiquated national security concerns that were hurting their ability to sell abroad. But the high-tech industry didn’t have the muscle to get these bills through. In 1997-98, software companies ramped up their efforts to reduce export controls, Internet companies succeeded in maintaining an Internet tax moratorium, and Congress passed a law giving protection for digital works, including computer software (though some Internet service providers were unhappy about the digital copyrights in movies and music).

Figure 4-10 highlights the fact that the turn of the century was marked by extensive federal interest in what to do about the Y2K problem, though it was never clear that this posed any particular threat to the industry. In the 2000s, the Internet tax moratorium continued to be a major issue, as did the ability to export potential “dual-use” technologies. The high-tech industry was also able to fight off regulations regarding privacy and confidentiality of personal information, preferring to self-regulate. By 2007-08, when I was conducting interviews, industry companies were working very hard to reform the patent laws (in order to make it more difficult for so-called “patent trolls” to hold up technology companies) and to increase H-1B Visa quotas to attract top talent from around the world.

Though the technology industry has obviously increased its lobbying, it is hard to pinpoint a major battle that could have politicized so many companies, unlike in the other three industries. Rather, it appears that once industry companies decided Washington was important, they continued to find reasons to devote their resources to political activity.

Case Study Conclusions

In setting out these case studies, there were two main questions. 1) How closely did industry lobbying activity correlate with the political agenda? and 2) How much of lobbying was reactive (defending the status quo) as opposed to proactive (attempting to change the status quo)? I now turn to the answers.
1) Industry lobbying levels only loosely correlate to the ups and downs of the political agenda. Table 4 (below) summarizes the correlation between lobbying presence and hearings (I exclude 1996 because of concerns about the oddities of the data. I also use it as a potential turning point because it seems that sometime around 1996, all the industries shifted into higher gear with regards to their lobbying efforts). One thing that does emerge is that prior to 1996, hearings and lobbying seem to be somewhat correlated in three of the four industries, but post-1996, the correlation is negative for the same three industries. Telecommunications is the one exception. But while government attention to almost all issues tends to go through ups and downs (Baumgartner and Jones 1993), the lobbying presence in all of these industries follows a steady upward trend, really picking up in the mid-to-late 1990s. In two of the industries – telecommunications and financial services – major build-ups of lobbying presence correlate with major legislative battles. In the other industries, the build-ups less closely follow particular issue battles. But in all four industries, once the presence gets built up, it does not diminish, and it usually continues to grow.

Table 4-1. Correlations between hearings and lobbying

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<td>0.212</td>
<td>0.239</td>
<td>-0.522</td>
</tr>
<tr>
<td>Fin. Services</td>
<td>-0.205</td>
<td>0.516</td>
<td>-0.445</td>
</tr>
<tr>
<td>Telco</td>
<td>0.495</td>
<td>0.072</td>
<td>0.897</td>
</tr>
</tbody>
</table>

2) Most major lobbying has been proactive lobbying to change the status quo. Almost all of the issues that are big enough to make it to the CQ Weekly year-end wrap-ups are issues on which the industry was attempting to change the status quo, as opposed to defending the status quo. In three of the four industries there was at least one watershed legislative victory. Both telecommunications and financial services won a major rewrite of the regulatory rules of the industry, and the pharmaceutical industry won Medicare prescription drug coverage without having to submit to government price negotiations. The fourth industry, high-tech, won a series of smaller battles. Only the financial services industry appears to have spent a significant time playing defense, but this is also an industry that won two major legislative victories in the 1990s.

The story of lobbying activity as a pure response to government threats doesn’t hold up well. Lobbying levels often appear to be quite independent of the government issue agenda, and where lobbying does grow in response to government activity, it is generally in the form of industry-supported changes to the status quo. The story that emerges instead suggests companies build up their capacity (often independent of the ebbs and flows of government activity) and then use the enhanced capacity to push for desired...
changes to the status quo, consistently maintaining that capacity regardless of the battles of the moment.

**Why Do Companies Come to Washington?**

Since increases in corporate lobbying activity result from both companies lobbying more and more companies lobbying, it is also important to understand what it is that brings companies to Washington. The conventional explanation since Truman (1951) is that companies mobilize in response to threats. But as the case studies have shown, there have not been that many threats in these industries in recent years. Many of the large companies were already active in Washington by 1981, but in each of these industries, many new companies mobilized.

Did these new-to-Washington companies mobilize in response to major issues on the political agenda? Looking at the number of new-to-Washington companies on a year-by-year basis and comparing that with the number of hearings (see below) suggests that this is not the case. In all four industries, there seems to be a steady parade of companies coming to Washington during the entire period under study. If mobilization were a reaction to big industry-level battles, most of the mobilization should come at the time of big industry battles. This is not happening.

Figure 4-11. *Telecommunications Hearings and Newly Lobbying Telecommunications companies*
Figure 4-12. Pharmaceutical Hearings and Newly Lobbying Pharmaceutical companies

Figure 4-13. Financial Services Hearings and Newly Lobbying Financial Services companies
If it is not the big legislative battles drawing companies to Washington, then what is? Here, interviews can provide some insights. I asked every company lobbyist if he or she could tell me the story of how his/her company became involved in Washington lobbying. Among the company lobbyists I interviewed, 18 of 31 could tell me the story. Seven different types of reasons emerged.

Among those responding to a particular problem or concern, two were pharmaceutical companies concerned about Medicare reimbursement rates for their company’s drugs, both in 2006. A third was a retail chain whose decision to lobby in Washington in 2002 stemmed from compliance issues that required more “relationship-building” to handle.

Among those responding to a particular legislative battle, one was a pharmaceutical company who first opened its office in 1986 during the consideration of the Orphan Drug Act (“I wanted to make sure the definition and benefits of the orphan drug act could be realized by companies like [us].”). Another was an internet services company that came to Washington in 1999 to have a say in the creation of ICANN (the Internet Corporation for Assigned Names and Numbers). A third was a retail chain who wanted to have a say in discussions of international trade in 1999. A fourth was a large diversified financial services company who decided to set up a lobbying shop in 2003 following the Enron

Table 4-2. Reasons why companies came to Washington

<table>
<thead>
<tr>
<th>Reason</th>
<th>#</th>
<th>Starting years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involved in some sort of legislative battle</td>
<td>4</td>
<td>Pre-'81 1999, 2001, 2002</td>
</tr>
<tr>
<td>To handle government contracting</td>
<td>3</td>
<td>1985, 1999, 2004</td>
</tr>
<tr>
<td>Reached certain size and so it made sense</td>
<td>3</td>
<td>1996, 2002, 2005</td>
</tr>
<tr>
<td>Seeking government help to deal with private sector problem</td>
<td>2</td>
<td>2005, 2006</td>
</tr>
<tr>
<td>CEO just decided it was a good idea</td>
<td>2</td>
<td>1998, 2001</td>
</tr>
<tr>
<td>To handle increased trade association activity</td>
<td>1</td>
<td>1993</td>
</tr>
</tbody>
</table>
blow-up and the passage of the Sarbanes-Oxley Act. (“I watched all these different evolving rules and regulations being imposed on the financial services industry.”)

All three companies who had set up a Washington office when they reached a certain size were technology companies who had previously relied on outside lobbyists or trade associations. As one of the company’s lobbyists put it, “It was time I grew up,” though he said “there was no single crystallizing issue.” Another company’s lobbyist said that “The company was getting bigger and bigger, and more and more a lot of the issues impacting the company were coming from Washington, like export control issues and appropriations.” These two companies set up their current offices in 2002 and 2001, respectively.

The two companies that came to Washington to resolve a private-sector problem were both small companies who were trying to seek relief for what they felt was manipulation of their stock price by investors; they were hoping the Securities and Exchange Commission would change the rules regarding short selling. These companies came to Washington in 2005 and 2006.

Among the two companies who acted on the impetus of the CEO, one was a large retail chain whose new CEO had come from a company with a large government affairs office. “His feeling was that a company as large as [ours] needed a presence in Washington,” said a company lobbyist, who added that there was “nothing going on in DC that was affecting us.” This was 2001. The other was a large financial services firm whose chairman and CEO had always been active in political circles and decided to have a formal government affairs office in 1998.

Finally, there was one company, another financial services company, whose lobbyist said he was brought on to handle all the information the company was receiving from trade associations in 1994. “General counsel hired me as a subset of the legal department. They got a pound of paper from various trade associations and didn’t have any place for it to go, and nobody to act on it, to be at the table representing us.”

Slightly more than half (10 of 18) decided to mobilize in response to specific government activity. Still, among those companies responding to government activity, only four of ten were responding to a major legislative battle. More often, it was a selective company issue that brought the company to Washington. And even among the cases of major legislative battles, two of the companies (the pharmaceutical company and the retail company) had company-specific issues in the particular legislative outcomes. The importance of company specific issues makes sense, since companies generally prefer to leave big industry issues to the trade association and not bother to spend the company’s money. Only when the representation is not otherwise adequate and the issue seems particularly crucial should a company bother to mobilize its own efforts.
Among the eight not responding to particular government activity, meanwhile, two turned to government for help in a Schattschneiderian attempt to expand the scope of conflict. The other six seem to have just decided that having a government affairs department made sense, given the size of the company. The decisions of companies to mobilize seemingly absent of government activity is a little more difficult to explain. Perhaps the company lobbyist just wasn’t acknowledging government activity in his or her answer. If there is some spreading norm that makes more and more companies think lobbying is a good idea, where is that coming from? And does it have anything to do with government doing more?

These results cast substantial doubt on the traditional explanation that groups primarily mobilize in response to threats. As it turns out, there are multiple reasons for companies to start lobbying, some of which are driven by events, but some of which are not. Sometimes new managers come in and decide it is time for a company to open a Washington office. Sometimes it is the culmination of an internal process — something executives in the company have been thinking about for a while. Sometimes it is to seek government help to resolve a private sector problem.

**Conclusions**

This chapter set out to investigate to what extent lobbying growth involved responses to the government agenda, and in particular, the big industry fights. We learned that, while there were some patterns of lobbying that matched industry battles, there were other patterns of lobbying that did not. Lobbying levels often appear to be quite independent of the government issue agenda, and where lobbying does grow in response to government activity, it tends to be government activity that is driven by industry lobbying. Mostly, this involves attempts to change the status quo. Companies do not appear to be increasing their capacity to defend themselves. Rather, they seem to be taking advantage of opportunities.

Threats do not even loom large for newly mobilizing companies. Among the 18 company lobbyists who knew how and why their companies started a Washington office, only three (one in six) described an event in which government activity was threatening the company. And almost half were unable to tie the opening of a Washington office with a specific event in Washington.

All of this casts a good deal of doubt on the conventional political science wisdom that would explain lobbying growth as reactive self-defense. Something else is happening here.
CHAPTER 5: THE ROLE OF THE POLITICAL AGENDA Pt II: DISTRIBUTIVE POLITICS

In trying to assess the role of the political agenda on corporate lobbying, the preceding chapter looked at big, highly salient issues. These are issues that tend to be contentious and competitive. They tend to generate hearings and appear in year-end wrap-ups in Congressional Quarterly. The preceding chapter found that big legislative battles were often associated with increases in corporate lobbying, though they did not necessarily mobilize new companies. However, a lot of lobbying activity was left unexplained.

This chapter focuses on the role of distributive issues—small, less salient issues that usually benefit one or a small number of companies. This chapter asks: to what extent do changes in the distributive politics agenda explain the growth of lobbying? This, however, is a difficult causal question, because distributive politics tends to involve opportunities. If these opportunities exist, where are they coming from? At the very least, however, we can assess whether the distributive politics agenda is increasing, and how much lobbying activity seems to be associated with it.

Certainly, companies have been seeking targeted benefits from government since the dawn of the American republic. Stigler (1971) noted that, “the most obvious contribution that a group may seek of the government is a direct subsidy of money.” (4) A 1962 study, The Business Representative in Washington, found that the majority of business representatives were in Washington to obtain and manage government contracts.52 But perhaps the number of targeted benefits available has increased, and perhaps this is contributing to growth.

Numerous popular books and articles describe modern lobbying as something akin to a gold rush, in which companies come to Washington seek their fortunes in generous earmarks and subsidies and contracts. There are breathless reports about the incredible return to lobbying, in which companies are said to get back 28 or 100 or even 220 times what they invest in Washington. As the Washington fixer Robert Strauss told journalist Robert Kaiser, “There’s just so damn much money in it” – an aphorism that gave Kaiser the title for his 2009 book on the growth of Washington lobbying: So Damn Much Money.

52 Marketing, according to the study, “includes not only the sale of the company’s products, directly or indirectly, but also a great deal of what in commercial practice is usually referred to as missionary and intelligence work, not only for established products but for research and development contracts.” Paul W. Chernington and Ralph L. Gillen, The Business Representative in Washington, (Washington, DC: Brookings Institution Press, 1962) p. 32-33; the study was based on a roundtable with 19 representatives.
Similarly, Jones and Baumgartner (2005) suggest there has been a shift from business regulation to what they call business “promotion” since the 1990s, along with a general decline in visible Congressional activity regarding business.\(^3\) They write:

A new period of interest in regulation at the expense of promotion occurred in the mid to late 1980s; then promotion came to the fore again in the 1990s...Quite simply Congress lost interest in both business and consumer issues after 1990...The shift away from business-related interests after 1990 affected business regulation disproportionately... (244-246)

Again, if highly visible legislative activity regarding business slackened at the same time that business lobbying increased, why should this be? One possibility is lobbying activity shifted away from the salient issues that show up in congressional hearings, and toward the less-salient arena of distributive politics.

One of the challenges in measuring the promotional or distributive politics agenda is that it is not likely to show up in hearings or other commonly used measures of legislative activity, like newspaper editorials. It is by definition something that happens below the radar, outside of general public scrutiny. But there is pretty strong evidence that there has been an increase in distributive politics activity in three primary areas:

- Taxes
- Budget and Appropriations/Earmarks
- Contracting (mostly defense)

Appropriations, taxes, and defense (primarily contracting) were three of the four most lobbied-on issues in Washington between 1998 and 2009. Combined, there were 73,847 lobbying reports filed in these issue areas during this twelve year period, or more than 6,000 per year.

<table>
<thead>
<tr>
<th>Issue</th>
<th>No. of Reports 1998-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed Budget &amp; Appropriations</td>
<td>39,406</td>
</tr>
<tr>
<td>Health Issues</td>
<td>18,185</td>
</tr>
<tr>
<td>Taxes</td>
<td>17,418</td>
</tr>
<tr>
<td>Defense</td>
<td>17,023</td>
</tr>
</tbody>
</table>

Source: Center for Responsive Politics

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\(^3\) They note (243) that “The subtopics for Policy Agendas Topic 15, banking and financial regulation, were combined to generate the categories. Business promotion includes small-business issues, disaster relief, and patents and copyrights. Business regulation includes antitrust, financial and banking regulation, consumer finance regulation, and consumer safety.”
Appropriations

Between 1981 and 2007, the federal discretionary budget grew from $341 billion to $1.1 trillion. Controlling for inflation, that is an increase of 39.5 percent. (The military part of that budget has grown significantly faster, from $176 billion in 1981 to $601 billion in 2007, an increase of 51.5 percent.) The appropriations process is often criticized for generating lots of questionable projects that appear to be the work of lobbyists. Indeed, the rise in so-called earmarks over the last two decades has been well-documented. Watchdog group Citizens Against Government Waste has calculated the number and value of earmarks and their findings are reproduced below. Clearly, there has been a steady increase in the number of “earmarks” over the years (Figure 5-1). It is fair to say that the increase in earmarks reflects a larger shift towards targeted appropriations, in which money is often intended to benefit particular companies. (The dip in 2007 is because Congress did pass an appropriations bill that year – instead Congress passed a continuing resolution).

Figure 5-1. The Growth of Earmarks

![Graph showing the growth of earmarks from 1991 to 2008](chart.png)

Source: Citizens Against Government Waste

There has also been a significant increase in the amount of lobbying being done on budget and appropriations legislation – almost four times as many clients lobbied on federal budget and appropriations issues in 2008 as they did in 1998. As one lobbyist put it: “The lobbying that goes on in the appropriations realm is totally out of hand. Twenty years ago, there weren’t any earmarks. When you passed a bill, you’d pass a bill. Now the number of people working on appropriations has exploded.”
Certainly, a significant amount of lobbying is appropriations lobbying. And presumably, companies and other organizations are lobbying on appropriations because they see opportunities. But where have these opportunities come from? To judge by the amount of lobbying that goes on, there many companies who have ideas about how taxpayer dollars ought to be allocated. In 2009, 11 companies, one trade association, and one research institute filed at least 20 reports on budget and appropriations issues. The majority of these are related to military appropriations.

Table 5-2. Companies Filing the Most Lobbying Reports on Budget & Appropriations, 2009

<table>
<thead>
<tr>
<th>Company</th>
<th>Reports Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Dynamics</td>
<td>40</td>
</tr>
<tr>
<td>Motorola Inc</td>
<td>35</td>
</tr>
<tr>
<td>Novartis AG</td>
<td>31</td>
</tr>
<tr>
<td>Raytheon Co</td>
<td>31</td>
</tr>
<tr>
<td>Boeing Co</td>
<td>28</td>
</tr>
<tr>
<td>Pharmaceutical Rsrch &amp; Mfrs of America</td>
<td>25</td>
</tr>
<tr>
<td>Battelle Memorial Institute</td>
<td>24</td>
</tr>
<tr>
<td>L-3 Communications</td>
<td>24</td>
</tr>
<tr>
<td>Roche Holding AG</td>
<td>24</td>
</tr>
<tr>
<td>SAIC Inc</td>
<td>24</td>
</tr>
<tr>
<td>General Atomics</td>
<td>23</td>
</tr>
<tr>
<td>SAP Aktiengesellschaft</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Center for Responsive Politics
Taxes

Consider again the 2004 American Jobs Creation Act, which loaded many targeted benefits in its 633 pages, with hundreds of sub-sections making tiny technical fixes to the tax code. Examples of the green-eyeshade sections include: “Sec. 886. Extension of amortization of intangibles to sports franchises.”; “Sec. 893. Prohibition on nonrecognition of gain through complete liquidation of holding company.”; Sec. 896. Recognition of cancellation of indebtedness income realized on satisfaction of debt with partnership interest.; “Sec. 909. Sales or dispositions to implement Federal Energy Regulatory Commission or State electric restructuring policy.”

As one commentator wrote: “Multinational corporations. Makers of ceiling fans, archery equipment, sonar fish finders and tackle boxes. Owners of NASCAR tracks, growers of tobacco and makers of movies. If you count yourself among one of the above groups, rejoice. You are a likely beneficiary of the fat new $140 billion tax bill signed into law Friday by President Bush.”54 Alexander et al. (2009) have estimated that for 93 firms that lobbied on the tax bill, the combined tax savings amounted to $62.5 billion55 – not bad for combined lobbying expenditures of $282.7 million that year. They calculate a 220-to-1 return.

This is part of a larger trend. Between 1974 and 2006, the number of pages of federal tax rules more than tripled. And the rate of change is increasing (Figure 17).56 In 2005, a presidential panel noted that following the Tax Reform Act of 1986, “there has been nearly constant tinkering – more than 100 different acts of Congress have made nearly 15,000 changes to the tax code.”57 The report’s cover letter noted: “Our tax code is rewritten so often that it should be drafted in pencil.”

55 The bill changed a the tax rules regarding repatriation of profits earned abroad, giving U.S. companies the chance to pay 5.25% in taxes on these earnings (as opposed to the normal rate of 35%) for a year.
57 The President’s Advisor Panel on Tax Reform, November 2005, “Simple, Fair and Pro-Growth: Proposal’s to Fix America’s Tax System” p. 16; Available at http://www.taxfoundation.org/blog/show/1156.html
In 2009, there were 1,814 organizations filing a total of 8,722 quarterly lobbying reports on tax issues, and a total of 16 companies and seven trade associations filed at least 20 quarterly lobbying reports on the issue of taxes alone. Five particularly aggressive companies—Anheuser-Busch InBev, Altria, Verizon, Microsoft, and Intuit, filed at least 30 separate reports (Intuit, of course, makes TurboTax, so this makes a little more sense). However, the amount of lobbying on taxes has remained relatively steady over this time, compared with the growth in other areas.

Source: The Cato Institute
Table 5-3. Companies Filing the Most Lobbying Reports on Taxes, 2009

<table>
<thead>
<tr>
<th>Company</th>
<th>Reports Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anheuser-Busch InBev</td>
<td>43</td>
</tr>
<tr>
<td>Altria Group</td>
<td>37</td>
</tr>
<tr>
<td>Verizon Communications</td>
<td>37</td>
</tr>
<tr>
<td>Microsoft Corp</td>
<td>35</td>
</tr>
<tr>
<td>Intuit Inc</td>
<td>34</td>
</tr>
<tr>
<td>American Council of Life Insurers</td>
<td>32</td>
</tr>
<tr>
<td>General Electric</td>
<td>27</td>
</tr>
<tr>
<td>Verizon Communications</td>
<td>27</td>
</tr>
<tr>
<td>Business Roundtable</td>
<td>26</td>
</tr>
<tr>
<td>Oracle Corp</td>
<td>23</td>
</tr>
<tr>
<td>Comcast Corp</td>
<td>22</td>
</tr>
<tr>
<td>Expedia Inc</td>
<td>22</td>
</tr>
<tr>
<td>Honeywell International</td>
<td>22</td>
</tr>
<tr>
<td>Investment Co Institute</td>
<td>22</td>
</tr>
<tr>
<td>Natl Assn Real Estate Investment Trusts</td>
<td>22</td>
</tr>
<tr>
<td>Motion Picture Assn of America</td>
<td>21</td>
</tr>
<tr>
<td>American Petroleum Institute</td>
<td>20</td>
</tr>
<tr>
<td>Brown-Forman Corp</td>
<td>20</td>
</tr>
<tr>
<td>Coca-Cola Co</td>
<td>20</td>
</tr>
<tr>
<td>eBay Inc</td>
<td>20</td>
</tr>
<tr>
<td>Edison Electric Institute</td>
<td>20</td>
</tr>
<tr>
<td>Weyerhaeuser Co</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: OpenSecrets.org
Contracting

Another area where there has been a good deal of growth is in federal contracting. Roughly 70 percent of the federal procurement budget is devoted to the military, so a large part of this chart naturally tracks the size of the military, which fell off as the Cold War ended and then ramped back up with the Iraq War. But the growth in federal contracting was also part of a stated Bush administration policy to shrink the government by relying more on private contracts generally.

Figure 5-5. Changes in the Federal Procurement Budget

Source: Federal Procurement Data System

Not surprisingly, there has also been an increase in the number of all clients lobbying specifically on defense issues. In just ten years, the number of clients listing defense on their lobby disclosure forms has nearly tripled. And since 1998, “defense” has been the third-most lobbied-on issue. In 2009, 13 companies filed at least 20 quarterly lobbying reports on defense, many of which are the same big military contractors who also lobbied heavily on budget and appropriations.
Renters and the growth of distributive politics

The evidence presented thus far points to a change in Washington – there has been both more lobbying and more general activity in areas associated with distributive politics. But are these two trends correlated?
One way to evaluate the possibility that these two changes are connected is look at the changes in the way that companies in Washington organize their lobbying offices. To recall from Chapter 3, there are two main categories of corporate lobbying personnel strategies – homeowners and renting. Homeowners are bigger, more involved, and have more long-term interests in Washington. Renters are smaller, less involved, and have shorter-term interests in Washington. As I noted in Chapter 3, the majority of companies in Washington currently are renter companies, although homeowner companies still do account for the majority of representatives and the vast majority of expenditures. (See Table 5-5.)

Table 5-5. Activity of Homeowners vs. Renters, 2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Renters</td>
<td>87%</td>
<td>57%</td>
<td>68%</td>
<td>14%</td>
</tr>
<tr>
<td>Homeowners</td>
<td>13%</td>
<td>43%</td>
<td>32%</td>
<td>86%</td>
</tr>
</tbody>
</table>

** From Washington Representatives directory, 2006, Lobbying presence measures the total of in-house lobbyists and outside firms hired and counts them equally.
*** From publicly-disclosed lobbying expenditure data in four industries (retail, pharma, high-tech, and financial services). This may over-represent homeowners because companies reporting less than $20,000 a year do not have to report.
**** From publicly-disclosed lobbying expenditure data in four industries (retail, pharma, high-tech, and financial services).

More significantly for the purposes of this chapter, over the last three decades there has been a significant growth in the number of renter companies, while the number of homeowner companies has remained flat (though homeowners have increased their lobbying presence). In fact, there has been a rough doubling of the number of domestic companies listed in the Washington Representatives directory since 1991, and most of the growth has been in more renters coming to Washington.

Table 5-6. Changes in Homeowners and Renters in Washington Representatives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Domestic Companies Listed</td>
<td>2120</td>
<td>2254</td>
<td>3670</td>
<td>4144</td>
<td>95%</td>
</tr>
<tr>
<td>Homeowner Companies</td>
<td>445</td>
<td>631</td>
<td>477</td>
<td>539</td>
<td>21%</td>
</tr>
<tr>
<td>Renter Companies</td>
<td>1675</td>
<td>1623</td>
<td>3193</td>
<td>3605</td>
<td>115%</td>
</tr>
<tr>
<td>% Homeowner Companies</td>
<td>21%</td>
<td>28%</td>
<td>13%</td>
<td>13%</td>
<td>-38%</td>
</tr>
</tbody>
</table>


In particular, the number of renter lobbying companies has increased rapidly since 1998. In the pharmaceutical industry, the number of renters grew from 24 to 72 between
1998; in high-tech, it grew from 29 to 185. In financial services, it grew from 68 to 148. Meanwhile, the number of homeowners is increasingly only slightly and the number of trade associations is basically flat. (See Figures 5-7 to 5-9).

Figure 5-7. Pharmaceutical homeowners, renters, and trade associations, 1998-2007

![Pharmaceutical Lobbying Companies and Associations](image1)

Figure 5-8. High-tech homeowners, renters, and trade associations, 1998-2007

![High-Tech Lobbying Companies and Associations](image2)
In Chapter 3, I described how renters tend to be focused on narrow short-term issues. Since there has been an increase in the number of distributive issues in recent years, it is perhaps not surprising that we should also see a similar increase in the number of renter companies. Are these companies coming to Washington to take advantage of distributive opportunities, in areas of appropriations, contracts, or taxes?

Here, I focus on the high-tech industry, which has seen a remarkable advancement of renter companies over the past decade. (From 29 in 1998 to 185 in 2007 – a growth rate of 585%, according to lobbying disclosure forms.) By contrast, the number of Homeowner companies in the tech industry grew from 27 to 41 (50% growth). I took a random sample of 20 renter companies for each of three years: 1999, 2003, and 2007, and investigated the issues these companies listed on their lobby disclosure forms. I coded the issues into four categories: Appropriations (there was a mention of an appropriations bill); Threat (if the issues listed were government actions that were threatening the company); Request (the issues listed appeared to be things the company was pushing for); and General/Unclear (the issues listed were of a general nature, or unclear, recognizing that this may also be the lobbying firm trying to be vague).

<table>
<thead>
<tr>
<th>Year</th>
<th>APPROPS</th>
<th>REQUEST</th>
<th>THREAT</th>
<th>GENERAL/UNCLEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>40%</td>
<td>20%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>2003</td>
<td>75%</td>
<td>10%</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>2007</td>
<td>55%</td>
<td>5%</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>ALL</td>
<td>57%</td>
<td>12%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>
Renters are largely lobbying to take advantage of opportunities. More than half—57 percent—of the issues are appropriations, and 69% are clearly proactive and likely distributive (Table 5-7). Mostly, they are seeking to get government contracts, making some specific targeted requests (for example, printer manufacturer LexMark’s 1999 lobbying disclosure form lists a request for the company to have its equipment certified as “environmentally preferable under relevant executive order”). By contrast, only 15 percent of the renters appear to be responding to specific legislative threats and the trend is generally towards fewer threats. (The most common issues listed in the threats category were regulation of online gambling, unsolicited e-mail, and music sharing.)

Conclusions

This chapter began by exploring the question of how much changes in the distributive politics agenda explain the growth of lobbying, recognizing up front that this was a difficult causal question because distributive politics tends to involve opportunities, and opportunities presumably arise because company lobbyists are seeking them out.

This chapter has highlighted a few points. First of all, there is evidence that there is a quite large and generally growing distributive politics agenda, which includes such policy areas as taxes, appropriations, federal contracts, and trade assistance. There is also substantially more lobbying activity on these issues than there was a decade ago.

There has also been a significant increase in the number of renter companies in Washington over the last 15 years. These companies tend to be more interested in narrow, short-term issues, and the evidence presented here suggests they are mostly interested in taking advantage of opportunities. The fact that there are so many more of these companies than in the past indicates that there are a lot more relevant opportunities.

The causal story is more difficult to tease out, but in general, very few of these small issues are probably threats. These narrow issues are the kinds of issues on which companies are most likely to be able to have an influence, since they tend to attract little scrutiny or opposition. They generally tend to be opportunities. The fact that a growing number of these opportunities exist suggests that companies are probably having some success shaping the political agenda.
CHAPTER 6: LEARNING TO LOBBY

The preceding chapters have explored the possibility that lobbying was primarily a response to the issue agenda and the political environment. The evidence provided some support for this view. Chapter 4 showed that major legislative battles did seem to be associated with lobbying growth. But there was also a significant amount of lobbying activity that did not seem to be tied to these larger battles. Among the growth industries, there was a secular growth pattern. Once industries hit a growth stride, they continued on that stride. Moreover, most of the major legislative battles were ones that the industry wanted to fight. Generally, they were changes to the status quo that would have benefited the industry. Chapter 5 demonstrated that there was a growth in the distributive politics agenda. This growth certainly correlates with the general growth of corporate lobbying, and the correlation is highly suggestive. However, it was unclear which way the causal arrow went – probably in both directions.

We have seen that businesses are increasingly proactive, trying to get out in front of issues, trying to shape the issue agenda. Not coincidentally perhaps, we have also seen more distributive issues. This chapter argues that the reason is that businesses have been learning. They have been developing increasing political sophistication. This chapter examines this process.

As Chapter 2 argued, there is good reason to suspect that learning is a key factor in the growth and persistence of corporate lobbying. For a company, political mobilization sheds light on what was previously a murky and unfamiliar world of politics. It puts in place internal advocates for continuing and expanding political activity. It instills political activity with the power of routine. It changes the way a company acquires and interprets political information, with potentially direct consequences for the ways in which managers make decisions about when and how much to lobby. More information and experience can make managers feel more confident that their company’s lobbying could alter a given outcome. Moreover, with an already established operation, the marginal cost of additional lobbying is greatly reduced. All this is more likely to make lobbying seem worthwhile and encourage companies to do more of it.

This chapter tests several observable implications of the learning hypothesis. The first is very simple: similarly-situated companies should not respond in unison to a given political environment. Rather unique internal differences in how they collect and process information should lead them to respond differently.

Second, if there is a stickiness to lobbying, as this hypothesis suggests, once companies have lobbyists they should generally stick around Washington at very high rates. That is,
there shouldn’t be a lot of in-and-out activity. Second, there should be a high degree of autocorrelation in a company’s annual lobbying efforts that extends back at least a few years. Both of these are quantitative indicators measuring the extent to which lobbying has an inertia of its own, even as government attention changes.

The third observable implication is qualitative. There should be direct evidence that lobbyists do educate corporate managers about the value and importance of Washington, and some evidence that this education can make companies value political activity more over time. Also there should be evidence that information matters, that companies that are more informed about Washington lobby more.

**Variations in Responses within the Same Industry**

In order to build the case that these institutional differences do, in fact, matter, we can start with what might appear to be a naïve hypothesis, but one that would follow from a strong version of the neoclassical theory – that all companies in a given industry are functionally the same, and therefore, given a particular set of issues and a particular political environment, they should respond in something resembling a rough unison.

Among S&P 500 companies, there is a good deal of variety in the year-to-year changes among companies in the same industry. In any given year, some companies are increasing their Washington lobbying presence, some companies are decreasing their Washington lobbying presence, and most are keeping it the same. (See Figures 6-1 to 6-6.) Of course, this variation in changes across companies may simply be because companies are responding to activity regarding their own set of unique issues, which may have nothing to do with the unique issues of other companies in the industry. After all, there is a sizeable percentage of lobbying that deals with issues that are unique to a particular company. Still, such variation is the first observable implication that unique company histories and information-processing capacities might exist.
Figure 6-1. Annual Changes in Number of Lobbyists, Pharmaceutical Companies

Figure 6-2. Annual Percent Changes in Number of Lobbyists, Pharmaceutical Companies
Figure 6-3. *Annual Changes in Number of Lobbyists, Telecom Companies*

![Graph showing annual changes in number of lobbyists, Telecom Companies.]

Figure 6-4. *Annual Percent Changes in Number of Lobbyists, Telecom Companies*

![Graph showing annual percent changes in number of lobbyists, Telecom Companies.]

91
Figure 6-5. Annual Changes in Number of Lobbyists, Tech Companies

Figure 6-6. Annual Percent Changes in Number of Lobbyists, Tech Companies
The Stickiness of Lobbying

The next question we need to answer is one about institutional stickiness. To test the stickiness of lobbying, Figure 6-7 (below) tracks the year-to-year persistence rates among S&P 500 companies. This is a measure of how many companies who were in the Washington Directory the prior year and had not gone out of business were still listed in the current year. Among companies with even just one Washington lobbyist, the year-to-year persistence rates are consistently in the 97 percent range. And for companies with a Washington staff of six or more, the persistence rate approaches 100 percent. Even companies who only hire outside lobbyists (i.e., renters) stay on at reasonably high rates, particularly post-1996, when the persistence rate hovers around 90 percent. Since government attention to issues of concern for any given industry tends to ebb and flow, all of this is highly suggestive of a process whereby once companies learn to lobby, they keep lobbying.

A second way to test the stickiness of lobbying is to use a time-series regression to see how much of the variation in lobbying is explained by a company’s prior lobbying, controlling for size, year, and industry effects. Most time-series data involves a high degree of autocorrelation, since what you did yesterday is always the best predictor of

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58 For example, if the persistence rate for 1982 is 95 percent, it means that 95 percent of the companies who had lobbyists in 1981 and were still in business in 1982 also still had at least one Washington lobbyist in 1982.
what you will do today. But in order to test for true stickiness, I add not just one-year lags, but also two- and three-year lags for: 1) total lobbying presence (in-house plus outside); 2) in-house lobbying presence; and 3) outside lobbying presence. Since we are mostly interested in the effects of setting up an actual Washington office, I am going to limit the sample here to just those companies with a Washington office. Thus, I estimate:

Model 1: Total Lobbying = $\alpha + \beta_1 \text{Total Lobbying } (t-1) + \beta_2 \text{Total Lobbying } (t-2) + \beta_3 \text{Total Lobbying } (t-3) + \beta_4 \text{Sales } (t-1) + \beta_5 \text{Sales } (t-2) + \beta_6 \text{Sales } (t-3) + \beta_7 \text{Industry Effects} + \beta_8 \text{Year Effects} + \mu$

Model 2: In-house Lobbying = $\alpha + \beta_1 \text{Total Lobbying } (t-1) + \beta_2 \text{Total Lobbying } (t-2) + \beta_3 \text{Total Lobbying } (t-3) + \beta_4 \text{Sales } (t-1) + \beta_5 \text{Sales } (t-2) + \beta_6 \text{Sales } (t-3) + \beta_7 \text{Industry Effects} + \beta_8 \text{Year Effects} + \mu$

Model 3: Outside Lobbying = $\alpha + \beta_1 \text{Total Lobbying } (t-1) + \beta_2 \text{Total Lobbying } (t-2) + \beta_3 \text{Total Lobbying } (t-3) + \beta_4 \text{Sales } (t-1) + \beta_5 \text{Sales } (t-2) + \beta_6 \text{Sales } (t-3) + \beta_7 \text{Industry Effects} + \beta_8 \text{Year Effects} + \mu$

The data used are the *Washington Representatives* lobbying histories for S&P 500 companies from 1981 to 2005. The results are reported below in Table 6-1. In all three models, one, two, and three years of lagged lobbying are all substantial and significant predictors of current lobbying levels, suggesting that lobbying is very sticky indeed.\textsuperscript{59}

\textsuperscript{59} I also tested 4-year lags. At four years, however, the effects are no longer significant.
<table>
<thead>
<tr>
<th></th>
<th>1: Total</th>
<th>2: In-house</th>
<th>3: Outside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying 1-Year Lag</td>
<td>0.760**</td>
<td>0.722**</td>
<td>0.755**</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.014)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>Lobbying 2-Year Lag</td>
<td>0.093**</td>
<td>0.064**</td>
<td>0.118**</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.017)</td>
<td>(0.019)</td>
</tr>
<tr>
<td>Lobbying 3-Year Lag</td>
<td>0.082**</td>
<td>0.109**</td>
<td>0.052**</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.014)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>Sales</td>
<td>0.112**</td>
<td>0.053**</td>
<td>0.059**</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.007)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>Sales 1-Year Lag</td>
<td>-0.073**</td>
<td>-0.040**</td>
<td>-0.030**</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.011)</td>
<td>(0.012)</td>
</tr>
<tr>
<td>Sales 2-Year Lag</td>
<td>-0.037**</td>
<td>-0.016</td>
<td>-0.022*</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
<td>(0.012)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Sales 3-Year Lag</td>
<td>0.005</td>
<td>0.011</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.009)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>(Intercept)</td>
<td>0.122</td>
<td>0.333</td>
<td>-0.188</td>
</tr>
<tr>
<td></td>
<td>(0.496)</td>
<td>(0.321)</td>
<td>(0.339)</td>
</tr>
<tr>
<td>Adj R squared</td>
<td>0.8877</td>
<td>0.8681</td>
<td>0.8166</td>
</tr>
<tr>
<td>N*</td>
<td>4825</td>
<td>4825</td>
<td>4825</td>
</tr>
</tbody>
</table>

* The N here is over 21 periods (1983 – 2004); The number of companies varies from year to year because this only includes active companies.

We might also wonder whether lobbying became stickier over time? Figure 6-8 (below) charts the coefficients for lagged lobbying over time. Here I estimated an equation with a single year lobbying lag (instead of three as above) in order to get more years on the graph. Lagged lobbying is a slightly better predictor in some years than others, but over time, the coefficient for lagged lobbying seems to generally hover around 0.9, suggesting this level of stickiness has been a consistent phenomenon. However, starting in the mid-1990s, the coefficients tend to be higher, suggesting that Washington lobbying has gotten stickier. The coefficient is also consistent for inside and outside lobbying, though there are a few years (notably 1988 and 1990) when the outside lobbying lag is a less good predictor of the current outside lobbying levels.
Another possible element of stickiness is having a Political Action Committee (PAC). Perhaps PACs represent an even more significant commitment that keeps companies even more involved in Washington, creating an additional web of ties and investments.

Here I use lobbying expenditure (SOPR) data from four case-study industries. As Table 3 reveals, the percentage companies with PACs has actually gone down during the period in question (from 46% to 35%), though this is a result of more companies establishing lobbying efforts without commensurate PACs. The average PAC size, meanwhile has increased from $183,441 to $432,998 in real dollars, so companies who do have PACs have generally increased their PACS.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>% With PAC</th>
<th>Mean PAC Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>46%</td>
<td>$183,441</td>
</tr>
<tr>
<td>2000</td>
<td>49%</td>
<td>$247,397</td>
</tr>
<tr>
<td>2002</td>
<td>48%</td>
<td>$287,061</td>
</tr>
<tr>
<td>2004</td>
<td>40%</td>
<td>$349,624</td>
</tr>
<tr>
<td>2006</td>
<td>35%</td>
<td>$432,998</td>
</tr>
</tbody>
</table>

What we want to know here is whether prior PAC activity makes companies lobby more, even controlling for lagged lobbying. Since elections happen every two years and PACs are tied to elections, we can’t simultaneously estimate a one-year lag and two year lag effect on PACs. So I estimate separate equations for one year lag, using the years after

I estimate the following models:

Model 1: \[ \text{Total Lobbying} = \beta_1 \times \text{Total Lobbying (t-1)} + \beta_2 \times \text{Sales} + \beta_3 \times \text{Sales (t-1)} + \beta_4 \times \text{PAC Size (t-1)} + \text{Industry Effects} + \text{Year Effects} + \mu \]

Model 2: \[ \text{Total Lobbying} = \beta_1 \times \text{Total Lobbying (t-1)} + \beta_2 \times \text{Total Lobbying (t-2)} + \beta_3 \times \text{Sales} + \beta_4 \times \text{PAC Size (t-1)} + \text{Industry Effects} + \text{Year Effects} + \mu \]

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying 1-year Lag</td>
<td>1.008**</td>
<td>0.910**</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.025)</td>
</tr>
<tr>
<td>Lobbying 2-year Lag</td>
<td>0.159**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>(0.026)</td>
</tr>
<tr>
<td>Sales</td>
<td>-0.880</td>
<td>-6.060</td>
</tr>
<tr>
<td></td>
<td>(5.358)</td>
<td>(4.951)</td>
</tr>
<tr>
<td>Sales 1-year Lag</td>
<td>0.153</td>
<td>49.608**</td>
</tr>
<tr>
<td></td>
<td>(5.917)</td>
<td>(9.721)</td>
</tr>
<tr>
<td>Sales 2-year Lag</td>
<td>-45.272**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>---</td>
<td>(6.531)</td>
</tr>
<tr>
<td>PAC 1-year Lag</td>
<td>0.275**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.073)</td>
<td></td>
</tr>
<tr>
<td>PAC 2-year Lag</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.177**</td>
</tr>
<tr>
<td>(Intercept)</td>
<td>-29626</td>
<td>-31508</td>
</tr>
<tr>
<td></td>
<td>(52912)</td>
<td>(46324)</td>
</tr>
<tr>
<td>Adj R-squared</td>
<td>0.8842</td>
<td>0.9165</td>
</tr>
<tr>
<td>N</td>
<td>1576</td>
<td>1266</td>
</tr>
</tbody>
</table>

The results show that the amount of money a company spends on its Political Action Committee the prior year is independently predictive of how much it is going to lobby the next two years. For every hundred dollars spent on a PAC, companies spend an
additional $27.50 the next year on lobbying, and an additional $17.70 on lobbying two years henceforth, all else being constant. Having a PAC appears to contribute to the stickiness of Washington lobbying. One way this might work is that having a large PAC ties a company into more members of Congress and makes a company feel like it can get more things done, leading companies to lobby more than they otherwise would. It is, however, possible that the causality could run the other way. That companies that are serious about lobbying also increase their PAC size, i.e. that a large PAC is a manifestation of an entrenched lobbying effort.

Differences among Government Affairs Department

There are many different ways that companies structure their political activity. Watkins’ et al.’s (2001) survey of Fortune 100 companies (almost all of which spend some money on politics) found “a wide divergence in the importance that businesses attached to influencing government and in the ways they organized to influence.” (xii) This is consistent with strategic management research, which finds that differences in management approaches and ideologies influence how firms respond to social and political pressures. (Bhambri and Sonnefield 1988; Gricar 1983; Marcus 1988; Miles 1987; Post 1978.)

Shaffer and Hillman (2000) point out that “very little is known about the internal or firm-specific processes that determine the firm’s political strategy.” They note that diversified firms often struggle with their political position on issues, and that a firm’s position is by no means automatic. Such a view can also be found in Bauer, Pool, and Dexter (1963) who note that at large firms, different divisions had different positions on the question of foreign trade. Thus, a company’s political strategy may often depend on who gets to decide – and how – within the company.

We can start by asking where government affairs fits on the organizational chart. In my interviews, I found that among the 31 company lobbyists, 10 said that they reported to the general counsel or the chief legal officer, 10 said they reported directly to the CEO, and eight said they reported to a senior VP (there were several different VPs, the most common being public affairs (2). Additionally, two reported to a VP of marketing/sales and one reported to a chief financial officer. Table 6-4 shows some differences among the different companies in the three major types.

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60 The 2005 Public Affairs Council report, “The State of Corporate Public Affairs” also describes a wide variety of organizational approaches to public affairs, a larger corporate function that usually includes government affairs.
Table 6-4. Companies by lobbyists’ placement on organizational chart

<table>
<thead>
<tr>
<th></th>
<th>General Counsel (10)</th>
<th>Corporate VP (8)</th>
<th>CEO (10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean / Median Sales</td>
<td>$44.9 B / $60.0 B</td>
<td>$19.6 B / $19.0 B</td>
<td>$22.2 B / $1.5 B</td>
</tr>
<tr>
<td>Mean / Median Lobbying</td>
<td>$2.2 M / $1.6 M</td>
<td>$5.4 M / $5.2 M</td>
<td>$1.2 M / $840 K</td>
</tr>
<tr>
<td>% In DC before 1999</td>
<td>60%</td>
<td>100%</td>
<td>10%</td>
</tr>
<tr>
<td>% Selective Issues</td>
<td>43%</td>
<td>25%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Under General Counsel

In interviews, lobbyists said that being part of the legal side of the company made lobbyists more cautious. As one lobbyist put it bluntly: “Blessedly, we’re not part of legal.” Said another: “Companies who do it under legal take more of a defensive posture.” A third put it this way:

Oftentimes when you are slotted in line with legal there is a cultural impact…their function is to counsel about risk and a lot of time government affairs is more aggressive. At times it is about shaping one’s reputation as much as accomplishing a specific endpoint that would be beneficial to the corporation.

Consistent with the mode of caution, companies who structure their lobbying under a general counsel spend the least on lobbying proportionately. On average, these companies are quite large ($44.9 billion in average sales). But they spend less than the companies who have a Senior VP overseeing lobbying. General Counsel companies also tend to be newer to politics than those with a senior VP in charge of lobbying.

Under a Senior VP

The companies that have a senior VP who is in charge of all public affairs are generally the companies who have been around the longest. In this sample, all had established their offices prior to 1999. They also spend the most total, on average ($5.4 million), even though they do not tend to be as big (average sales: $19.6 billion) as the companies that organize their lobbying through their legal departments.

This may be because, as compared to companies in which the government affairs is just one more thing the legal department has to deal with, a dedicated senior VP for government affairs has a department he or she is interested in growing. Additionally, that
person is more likely to have business training, which often encourages bold action over legal niceties and cautions.

The fact that this group of companies has the smallest percentage of selective issues (just 25%) of all three suggests that these companies see their role in Washington more broadly, and may have more leeway to engage in a wider range of issues, which is a sign of a mature and confident lobbying operation.

Close to the CEO

Companies where the government affairs department reports directly to the CEO tend to be small companies (median sales: $1.5 billion), and thus it makes sense that government affairs sits near to the top of the organizational chart. Almost all (save one) came to Washington relatively recently.

Being close to the CEO can allow lobbyists to be more aggressive and entrepreneurial in their lobbying activity. “We are very, very aggressive,” said a lobbyist who works directly with the CEO and chairman of the company. “I’ll be in 15 minutes of a management call. Government affairs is very involved in the day-to-day management of the company.” These types of companies are likely to be led by what Yoffie and Bergenstein (1985) called “corporate political entrepreneurs” – CEOs who aggressively base a corporate strategy on their ability to affect a change in public policy.

The other three government affairs offices were under sales and marketing. The implication is pretty straightforward. These companies are concerned with selling to the government, which is one of the most basic and long-standing reasons why companies have traditionally maintained lobbyists in Washington.

The Processes of Learning

A basic assumption of the learning story is that companies are by default unengaged and uninterested in politics. As Watkins et al. (2001) write, “most corporate executives are unprepared to deal with government and uncertain how to protect themselves against harmful governmental intervention – fewer yet know how to actively shape rule-making processes in advantageous ways.” Watkins and his colleagues also describe how “most MBA programs do little to prepare aspiring business leaders in this domain, leaving them to learn by doing (often by making unnecessary mistakes).”

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61 Watkins, Edwards and Thrakar’s book, Winning the Influence Game: What Every Business Leader Should Know About Government (2001), is surprisingly one of only a handful of books available to business leaders looking to learn how to influence the political process.

62 Informal conversations with business school professors also suggest that most MBA students are not particularly interested in government.
Watkins et al. (2001) offered four reasons for this un-political worldview among business leaders: 1) “The impact of government has never been integrated into the frameworks that most businesses use to develop their strategies”; 2) “Government is often viewed solely as an impediment and rarely as a potential resource”; 3) “Many business leaders react with a reflexive distaste to the idea of involving themselves in politics”; and 4) “Few business academics are deeply familiar with – or for that matter, interested in – the messy workings of government.” (xi-xii)

Distrust and skepticism toward the workings of politics run deep in the American business creed (Vogel 1978). Business leaders tend not to have a very high opinion of government, and would generally prefer to be left alone. Even among companies who do lobby, there were a few examples of lobbyists who said their CEOs had anti-government attitudes. “[Our CEO] has a true disdain for government,” said one lobbyist. “He thinks we can do it ourselves, that market forces work better.”

If companies generally start out disinterested in and ignorant about Washington, then these two conditions are likely to reinforce each other. A company that does not have a Washington office does not have anybody whose full-time job is paying attention to politics, which means that the company leaders are likely to remain ignorant and uninterested in politics. Inactivity breads inactivity.

In thinking of companies, one can picture a continuum arrayed from skeptical to engaged. No doubt, part of this is cultural. Corporate cultures differ across companies, both as a result of personalities and experiences. However, this section will make the case that these cultures can change, and that there is a learning process that over time can lead companies to go from being skeptical to being engaged. Based on interviews, I have identified four things that company lobbyists do that help company leaders to see Washington lobbying as an important part of their business: 1) Educate; 2) Show value; 3) Relay information; and 4) Solicit Input. All of these processes help top managers to become more engaged in political activity.

The importance of education

Roughly half of the lobbyists interviewed described a need to educate their superiors on what it is that they do, because management remains skeptical of how lobbyists actually benefit the company. I call these companies “doubters” to reflect their skepticism. Here are some typical comments from these doubter company lobbyists:

We do a lot of work to educate the higher-ups. My purpose is to communicate what we are doing. The dots are being put together so they get why we’re doing this.
I’ve always described my job as more of an interpreter than anything. I interpret Washington for Wall Street and Wall Street for Washington. A lot of it is an education process. They tend to talk over each other.

Half of my job is internal lobbying, letting the internal clients know we’re here, that we have a Washington office. It’s telling our tech guys that there’s money here, and helping us to ID particular needs so we can identify champions and construct programs. It’s an iterative process that goes back and forth.

We have a new CEO and general counsel that came from a company that did not have a government affairs company, so it’s been a learning curve for those guys. The hardest thing for us is to integrate into the organization...I’ve set up two presentations, one to our new chief commercial officer, and our new VP of sales, and another to all of the upper management, the head of R&D, and the head of regulatory.

You can do a great job for the company in DC, but if the company doesn’t know, that’s not great.

On the other hand, at half of the companies, lobbyists did not have this problem, and reported that their bosses did, in fact, place a high value on the role of government affairs in the company. I call these companies “believers.” Here are some typical comments from believer company lobbyists:

Our CEO and leadership understand how important government relations is.

They [company leadership] think very highly of us; Washington is doing a lot that affects us… and we try to make our office part of the business and try to help the business grow, so we’re seeking opportunities in government to help the business grow in addition to fighting the bad things.

Government affairs is very involved in the day-to-day management of the company. I understand the issues they’re dealing with, what manufacturing and marketing people are dealing with, regulatory affairs, and I have...a voice in decisions. I clearly have the ear of the chairman.

There is no significant difference in size among the two types (mean annual sales of $29.1 billion for doubters as opposed to $27.6 billion for believers), but the believers lobby much more on average (mean annual lobbying of $3.6 million as opposed to $1.5 million). Believers are more likely to have been around for a while – 63 percent set up offices prior to 1999, as compared to 40 percent of the doubters. I argue that being around longer makes one more likely to see Washington favorably.

The believers are also generally less likely to target their lobbying toward selective issues. Presumably, the lobbyists at believer companies have more leeway to work on a broader range of issues because they are not under so much pressure to clearly translate what they do into bottom line numbers. Lobbyists for doubter companies, by contrast, are presumably under greater pressure to connect what they do to the bottom line, and so are more likely to focus on selective issues whose benefits are easier to quantify.
Table 6-5: **Doubters vs. Believers**

<table>
<thead>
<tr>
<th></th>
<th>Doubters (15)</th>
<th>Believers (16)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean / Median Sales</strong></td>
<td>$29.1B / $15.8 B</td>
<td>$27.6 B / $15.2 B</td>
</tr>
<tr>
<td><strong>Mean / Median Lobbying</strong></td>
<td>$1.5 M / $960 K</td>
<td>$3.6 M / $2.1 M</td>
</tr>
<tr>
<td>% In DC prior to 1999</td>
<td>40%</td>
<td>63%</td>
</tr>
<tr>
<td>% report to CEO</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>% report to Gen. Counsel</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>% report to Senior VP</td>
<td>13%</td>
<td>38%</td>
</tr>
<tr>
<td>% Selective Issues</td>
<td>57%</td>
<td>35%</td>
</tr>
</tbody>
</table>

To extend the doubter-believer faith metaphor a little more, one can think of companies who set up lobbying shops as attending the church of political activity. Just as people who are not true believers may attend church for many reasons, so companies may be political even if their managers are skeptical of it. But the more time one spends in church, the more one is exposed to messages of faith, and the more likely conversion is to take place. And once the moment of faith happens, one gets more involved in church activity, deepening one’s faith. So it may be with corporations and politics.

**Showing Value**

Almost universally, company lobbyists say that they produce value for their companies. As one pharmaceutical lobbyist put it, “I say to lobbyists, if you can’t multiply your costs by 10 times or 100 times, that’s not doing your job.” Of the 31 in-house representatives that I interviewed, at some point during the interview, 29 described specific examples of how they were making the company more profitable, either by adding to the company’s sales (including direct sales to government) or by reducing the company’s costs (mostly by reducing taxes and costs of goods, as well as limiting regulation). Consider these representative statements:

We informally try to be a profit center. We have a new product coming out in two years. For that product, the Medicare program pays for only three years of drug coverage. It’s an anomaly in Medicare, so one of my tasks is to change the policy so these particular drugs are treated like all other drugs, so instead of three years of government paying for them, there will be indefinite payments. And we can quantify how much money that means.

I was able to get a provision into the budget worth $50 million to the company.

Our CEO knows that it’s valuable... A team like our tax team has seen the monetary savings and therefore appreciates our work.
The other two lobbyists were both at large pharmaceutical companies. Both described how management took the idea of having a government relations department for granted. “There’s an adage around Washington that if you’re in a highly regulated industry, there’s a basic recognition that the cost of a Washington office is part of doing business,” said one. The lobbyist for the other company described how his role was to resolve issues identified by “internal customers” (i.e., different people in the company). Neither of these lobbyists said they were under any pressure to demonstrate that they were not just a cost center with no appreciable benefits.

With two exceptions, the companies who said this wasn’t a challenge for them were almost always the same companies who said they didn’t need to spend time educating their superiors. And the doubter companies were the ones where lobbyists’ reported that it was a challenge for them to demonstrate value. For these companies, it’s easy to quantify the quarterly cost of a Washington office, but much harder to quantify the quarterly benefits. Consider the following statements from lobbyists emphasizing how challenging it can sometimes be to demonstrate value:

You’d think: oh, you’re a big company and this is nothing. But the way business is done and the way profits are so thin, they look at very little cost of overhead.

We’re overhead, right? We’re not selling things. We’re a cost center. They’re [management] always eager to get a sense of the return on investment.

You have to justify yourself. On a daily basis we have to point to something that benefited the company in a way you can quantify.

The metric objective is tough. In a traditional corporate sense, you can’t show X number of dollars brought in our X number of costs saved.

It is hard to translate what you do into profitability for the company. But a lot of what you do is preventative so you never see the benefits in terms of something happening.

The fact that 13 out of 31 companies still apparently need to be convinced that their lobbying is actually a worthwhile investment runs against the neoclassical assumption that companies know exactly what they are doing in Washington and why they are there.

Looking at how lobbyists educate and show value highlights two important points. First, at many companies, lobbyists do a fair amount of work to convince their managers that lobbying is, in fact, a good investment. Even among those companies who have Washington offices, there is still some convincing to do. And this convincing may take time. Among lobbyists at “believer” companies who had been around longer, there was a general consensus that corporate leadership hadn’t always been as keen on Washington. “The DC office used to be hire one person, and leave ’em there,” said one lobbyist. “It was difficult to show a bottom-line value.” Moreover, the trend lines for even the growth
industries show that the 1980s were a generally flat growth period. Perhaps this was because many companies were still “doubters,” skeptical and cautious about the value of a Washington lobbying office.

**Information**

Another important thing that happens when a company opens up a Washington office is that it gets more political information, which alerts managers to more possible reasons to lobby. Organizational scholars find that more information in any area is likely to increase a manager’s confidence in particular outcomes. And the more a manager is confident that action X will lead to result Y, the more likely the manager will be to commit to action X (Aldrich 1979; Daft and Lengel 1986; Thomas et al. 1993). Increased information use in all areas also increases the likelihood that managers will see issues as potential gains (Thomas and McDaniel 1990). This is especially important in politics, where there is such uncertainty.

Interviews revealed differences in the frequency of communication between government affairs offices and top management. Among the 31 lobbyists, 20 (65%) said they were in touch on at least a weekly basis, and five (16%) said they were in touch on a daily basis. The remaining six (19%) were in touch on at least a monthly basis. (See Table 6-6.)

<table>
<thead>
<tr>
<th>Table 6-6: Companies by frequency of communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily (5)</td>
</tr>
<tr>
<td>Mean / Median Sales</td>
</tr>
<tr>
<td>Mean / Median Lobbying</td>
</tr>
<tr>
<td>% In DC prior to 1999</td>
</tr>
<tr>
<td>% report to CEO</td>
</tr>
<tr>
<td>% report to Gen. Counsel</td>
</tr>
<tr>
<td>% report to Senior VP</td>
</tr>
<tr>
<td>% Selective Issues</td>
</tr>
</tbody>
</table>

Not surprisingly, the companies where there is the most frequent lobbyist-to-management communication are the most active. These companies spend on average $4.2 million annually on lobbying, as compared to $2.5 million for the weekly communicators and $1.1 million for the monthly communicators. The daily communicators also tend to be smaller (mean sales of $18.5 billion, smallest of any of the three groups), and three of five report to the CEO. Three of five are also relative
newcomers to Washington, DC. Notably, this is the group with the highest percentage of selective issues (67%), which suggests targeted and aggressive lobbying on particular issues. By contrast, the companies in which government affairs communicates with headquarters on an only “at least monthly” basis tend to spend the least on lobbying, even though they are roughly the same size as the companies that communicate weekly. Still, the fact that 25 out of 31 companies (80%) get at least weekly communication from the Washington office ought to highlight just how much information is coming in.

With both information and expertise, there is a potential feedback process. The more information that comes in, the more aware companies will be of threats and opportunities, and the more confident they will be that they can have an impact. This will lead them to lobby more, which will further increase the amount of information, and so on. Figure 6-9 illustrates this process.

Figure 6-9. The feedback effects of education and information

![Feedback Effects Diagram]

Setting Priorities

There is also variation in how much Washington lobbyists involve the rest of the company in decisions and goal-setting. Simply involving corporate executives in the processes of lobbying can be a good way to get them more invested in the ultimate outcomes. Also understanding the way in which this happens can help to evaluate implications of the agent-based theory: are lobbyists shaping information and goals in a way that is favorable to the cause of more lobbying and more lobbyist autonomy?

Interviews suggest that there is a good deal of back-and-forth between the lobbyists and their bosses at corporate headquarters. But lobbyists play a key role in shaping the priorities, which means that they can pick a range of issues designed to highlight the importance of Washington. They can select realistic goals that they will look good achieving. The fact that lobbyists generally say they play an active role in setting the company’s political agenda indicates that lobbyists have some ability to shape the political consciousness of their bosses. Consider some representative quotes:
Now we have a strategic plan, and you are evaluated on it. You help to determine what the goals are and whether you’ve been successful in meeting those goals, which is pretty typical of companies of our size now, but none of this was here 13 years ago.

There’s a comfortable amount of deference given to us. We set our priorities, but we run those priorities by them so they’re familiar with them, they know about them.

We’re very closely in touch. Like any relationship it’s a back and forth and they look to us for policy leadership and exercising judgment on behalf of the company.

At the top of the company you have a committee of executives who set priorities and at the end of the day evaluate how successful we are: Did we help to accomplish what was the policy goal?

Lobbyists also advertise their services internally within the company, trying to get different departments to see lobbying as a potentially useful tool. The goal of lobbyists in this case is to generate requests, and to create more stakeholders within the company invested in a large government affairs department.

Lobbyists reported getting such requests from different types of internal stakeholders at nine of the 31 companies (29%). “I think we get a lot more requests for our time in internal meetings and internal strategy issues,” said one lobbyist. “People call us, they feed in, they ask us for help on certain issues,” said another. “Once a company starts to resolve certain issues, the requests grow exponentially,” said a third. “This is going on in any number of companies.”

As Table 6-7 shows, companies whose lobbyists report getting lots of internal requests are generally bigger (average sales of $41 billion as opposed to $23 billion), which makes sense, since a bigger company has more departments and more potential internal stakeholders. Companies whose lobbyists get requests also lobby more, both in absolute terms and proportionately. Again, it is difficult to disentangle cause and effect here, but at the very least, having lots of stakeholders is probably good for the budget of a government affairs department.

The companies whose lobbyists get requests also are more likely to have been around Washington for a long time, which highlights another aspect of the learning-to-lobby process – as more departments internally start utilizing the government affairs offices of the company, this creates more reasons for companies to lobby.
TABLE 6-7: Companies by whether or not lobbyists get internal requests

<table>
<thead>
<tr>
<th></th>
<th>Get requests (9)</th>
<th>Don’t get requests (22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean / Median Sales</td>
<td>$41.0 B / $25.9 B</td>
<td>$23.1B / $9.9 B</td>
</tr>
<tr>
<td>Mean / Median Lobbying</td>
<td>$ 4.8 M / $3.0 M</td>
<td>$1.7 M / $648 K</td>
</tr>
<tr>
<td>% In DC prior to 1999</td>
<td>67%</td>
<td>45%</td>
</tr>
<tr>
<td>% report to CEO</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>% report to Gen. Counsel</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>% report to Senior VP</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>% Selective Issues</td>
<td>43%</td>
<td>47%</td>
</tr>
</tbody>
</table>

For-Hire Lobbyists and the Growth of Renter Lobbying

In Chapter 3, I described two different types of companies, homeowners (companies with their own in-house lobbyists) and renters (those who rely on outside lobbyists). The learning story described in this chapter is based on interviews with in-house lobbyist, and thus applies to homeowner companies. Does it extend to renter companies as well?

For-hire lobbyists tend to act as “rational prospectors” (Brady, Schlozman, Verba 1999). They seek out those organizations who both have the resources and the inclination to get involved, which makes corporations great targets for rational prospector lobbyists. And as more individuals become lobbyists and more lobbyists open their own firms, there will simply be more lobbyists out there in search of clients. This no doubt also helps to pull more companies into the world of Washington lobbying. As one former for-hire lobbyist put it, “If you’re not pitching all the time, you’re not doing your job as a consultant.”

For-hire lobbyists call this process “client development.” As one lobbyist explained: “We recruit companies. We’ll see what needs to be re-authorized and keep track of what happens. We send them letters, proposals. Sometimes we use connections, other times we just send it out cold.” “We look for clients,” said another. “Since we know what the government is looking for, we can find firms who do that and pitch to them…We have our own process for identifying opportunities.” “When a crisis hits, it’s an opportunity for a lobbying firm to seek out who might be affected and make a pitch to them,” said a third.

As I suggested in Chapter 3, one of the biggest challenges for renters is that they are often not particularly savvy in the ways of Washington, and they must especially rely on lobbyists to tell them what to do and how to think about politics. “Very often they don’t know what they want,” explained one lobbyist. Since managers at renter companies tend
to be less knowledgeable about Washington, this makes them more susceptible to manipulations by for-hire lobbyists. After all, the lobbyists have a clear interest in keeping their paying clients as paying clients. In interviews, for-hire lobbyists frequently talked about the role that they play in “educating” clients and “managing expectations,” in particular explaining how the political process sometimes takes a long time to play out, and companies need to remain dogged and persistent in their lobbying efforts.

“They don’t understand the process,” explained one lobbyist. “There is a need to educate clients. You have to constantly prove to them you are working, so you document every phone call and e-mail and meeting.”

“You manage expectations, and a cliché we often use is: it’s a marathon and not a sprint,” said a second. “The way our practice works is we are very good at making sure people have realistic expectations … Sometimes you get skeptical people, but usually by the time you are talking to them about an engagement you’ve either brought them into the notion or they are willing to take a risk.”

The result is that lobbyists often do a good deal of “hand-holding”: “Client management is the care and feeding of clients,” said one lobbyist. “Clients can get discouraged. You need to keep them going. It takes much longer than they think. Clients who don’t know Washington require more hand-holding. You need to say over and over I told you this is what happens.”

This is consistent with the findings of Rogan Kersh (2000), who after following around 11 for-hire health care lobbyists for two years concluded that: “Most clients possess a very limited understanding of Washington policy activity and of government decisions, even those directly affecting their interests…Whatever policy knowledge these clients do have is obtained largely from their lobbyists themselves though memos, e-mail exchanges, and telephone conversations…All 11 lobbyists I followed referred at one time or another to the need to ‘educate’ their clients.” (242)

In Kersh’s 2000 study, “lobbyists were wholly or primarily responsible for identifying 126 of the 171 client interests, or almost three-quarters; clients originated less than a tenth of their own ‘interests’” Additionally, only 5 percent of the lobbyist/client interactions he witnessed involved clients giving lobbyists specific instructions, while 30 percent of the interactions involved lobbyists explaining issues to the clients, “a duty that typically involves much creating of preferences and interests.” (Kersh 2000). One lobbyist who Kersh interviewed told him that instead of doing what his client wants done right away, “What I’ll do is dig around some on that issue and get back to him and say, Well, this isn’t moving for a few months, though I’ll keep working on it behind the scenes. But in the meantime, you ought to be aware that all these other issues are coming down the pike and these could really affect your business.” (248) Similarly, Nownes (2006) found that “Lobbyists often advise the organized interests they represent about how to proceed.” (52)
Lobbying sometimes pays off quite big. There are plenty of examples of companies spending tens of thousands in lobbying fees to get millions of dollars in contracts or subsidies. One lobbying firm, for examples, estimates it gives its clients a 100-to-1 return on their investment.\footnote{Jeffrey Birnbaum of the \textit{Washington Post} writes: “The Carmen Group Inc., a mid-size lobbying firm, is so proud of its performance that it annually publicizes its clients’ costs and compares them with the benefits they receive. In 2004, the latest year available, Carmen said, it collected $11 million in fees and delivered $1.2 billion in assistance to its clients – a ratio of less than 1 to 100. The payoff is large but fairly typical of modern-day lobbying, said David Carmen, the firm’s president.” Jeffrey Birnbaum, “Clients’ Rewards Keep K Street Lobbyists Thriving,” \textit{Washington Post}, February 14, 2006; Page A01} \footnote{Though in conversations, they will deny they have any untoward influence – all they do is help corporations or other organizations with good products to get money that they deserve. In the view of corporate lobbyists, they are always representing worthwhile clients and everything that they promote is a} As Lowery (2005) suggests, “with sufficiently large stakes, even rare victories may act as a variable reinforcement schedule, whereby it pays to always try to influence policy because one can never know when such efforts might be successful.”

Consider the area of appropriations, where an increasing number of targeted appropriations provides a good rationale for companies to lobby. Between 1998 and 2008, the number of clients lobbying on appropriations increased by 220 percent, from 1,470 to 4,794, more than tripling over three years. These are not all corporations, but a substantial number are. What is interesting is that the number of lobbying clients grew much faster than the overall value of earmarks or the overall discretionary budget, which both grew by about 60 percent during this period, controlling for inflation. This would fit with the story of for-hire lobbyists either becoming more aggressive in their salesmanship or companies in general becoming more receptive to these issues, or both.

A similar thing happened in the area of defense. As we saw in Chapter 5, between 1998 and 2008, the defense budget almost doubled from roughly $200 billion to $360 billion (in 2000 dollars). But the number of lobbying clients lobbying on defense almost tripled, from 686 to 2,023. Again, opportunities increased, but even more clients were trying to take advantage of those opportunities. Could it be that the for-hire lobbyists, who make money based on how many clients they bring in, helped to play a role in stimulating that demand?

This fits with the story told by Robert Kaiser (2009), whose history of the appropriations lobbying firm Cassidy and Associates tells the story of how the firm built its business on success. The lobbying firm both sought out more clients and also received a large number of clients through word of mouth. After all, once word gets out that there is gold to be had in Washington, companies might reasonably come looking for it. Lobbyists do have a product to sell (their services), and they have a long list of satisfied customers. They also benefit from a sense that they do have influence and get things done,\footnote{Though in conversations, they will deny they have any untoward influence – all they do is help corporations or other organizations with good products to get money that they deserve. In the view of corporate lobbyists, they are always representing worthwhile clients and everything that they promote is a} which they carefully cultivate. Consider Cassidy and Associates’ web page front material:
Throughout the firm’s history, our team has enabled corporations, associations and non-profits to promote their interests through political, legislative and regulatory processes in Washington. We help our clients create opportunities and solve problems by devising and implementing effective, creative strategies to achieve success in any political environment.

Additionally, we saw earlier how even in-house lobbyists sometimes have a challenge quantifying the benefits of a Washington office. It is, however, easier to quantify the benefits of some lobbying efforts more than others. Some efforts, like lobbying for government contracts, subsidies, tax credits and other distributive issues, are easier to translate into a clear return. But it is harder to quantify the value during broader industry fights in which the company is one actor of many, or where lingering threats never fully materialize. What this means is that there is good reason to think lobbyists are on the lookout for issues that easily translate into bottom line value, which may contribute to the increase distributive politics agenda described in Chapter 5. After all, these are the things that they can easily point to when it comes to justifying their existence. As more companies lobby, this may mean even more lobbyists looking to find narrow, targeted benefits that are easy to quantify.

Conclusions

This chapter has provided both quantitative and qualitative evidence for the learning story. The quantitative evidence highlighted the stickiness of lobbying. Companies don’t really jump in and out of politics. Once they set up shop in Washington, they tend to stick around. And even lobbying three years prior is a significant predictor of current lobbying levels.

There is also evidence for a set of causal processes that create a self-reinforcing dynamic to corporate lobbying. As companies come to Washington, their lobbyists work to educate and inform their higher-ups that Washington lobbying makes the company more profitable. Lobbyists select issues that can demonstrate value. Over time, company leaders learn how Washington matters, and often departments in the company start coming up with new ideas on things companies can lobby on. As one tech lobbyist, who had been in Washington, DC since 1985 put it:

I think it’s just a maturation of the industry, as the industry matures, not only from a few companies doing business here, a lot of companies used to have somebody out in California and then hire somebody here, who’d educate and say this is why this is important, and over the years you start to see it. The people in Washington were able to speak to issues in a much more win-win situation. Their only tool, they will argue, is their ability to highlight the legitimate public good in every project they advocate and find the right people who understand that public good.
intelligent way than somebody just in general counsel. *It's a gradual process of education.* You get the CEOs more involved, testifying on the Hill, they get a little more familiar with the process and understand why it's important.

Said another lobbyist:

When [company] started, they thought government relations was something else. They thought it was to manage public relations crises, hearings and inquiries. My boss told me: You've taught us to do things we didn’t know could ever be done.

Consider the case of Microsoft: in 1995, Microsoft had none of its own dedicated government affairs staff and had hired only three lobbying firms. In 1998, when the Justice Department filed an antitrust suit against the company, Microsoft had a government affairs staff of two, and 11 outside firms on contract. But by 2004, Microsoft had a government affairs staff of 15 and retained 20 different lobbying firms, even though the case had been settled in 2001. As Microsoft CEO Steve Ballmer put it in a 2000 interview: “I think we were caught unaware of the fact that our company doesn’t function solely based on the technology we make…We’re wide-awake now, though. We’ve had a cold shower on this topic.”

Such seems to be the learning story. Once companies set up an office, they have an internal advocate. Managers get educated, and learn how lobbying is valuable. Different stakeholders within the company get invested. It becomes part of what the company does. Once companies get engaged in politics, they tend to stay engaged.

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CHAPTER 7: SIZE, COMPETITION, PARTISANSHIP, AND COMPLEXITY: ASSESSING ALTERNATIVE HYPOTHESES FOR GROWTH

The previous three chapters have assessed the two primary hypotheses for explaining the growth – the role of the political agenda and the role of learning. This chapter assesses four alternative explanations for the growth of lobbying:

1) Increases in lobbying are simply a reflection of companies getting bigger.
2) Increases in lobbying are due to increased competition in Washington lobbying
3) Increases in lobbying are due to the increased complexity of both policy and politics.
4) Increases in lobbying are due to increased partisanship and the rise of the Republicans.

This chapter assesses these alternative hypotheses and concludes that none has much to contribute.

Do bigger companies explain the growth of lobbying?

Maybe there is actually a very simple explanation for why companies have increased their lobbying – they have gotten bigger and they are doing more of everything they do: advertising, R&D, and lobbying. After all, between 1981 and 2005, the combined sales of all S&P 500 companies have increased by 70 percent (controlling for inflation). Meanwhile, all S&P 500 companies have increased their combined lobbying presence during this period cumulatively by 78 percent (a 100 percent increase in outside (for-hire) lobbying, a 51 percent increase in in-house lobbying). However, looking at Figure 7-1, the time trends don’t match up entirely. Lobbying seems to be growing ahead of sales.
But this is a macro-level trend. In order to test whether this is the case at the company level as well, I estimate a model to test whether changes in individual company lobbying presence is a function of change in the size of the company, controlling for industry and year. Specifically:

\[
\text{Lobbying Change} = \alpha + \beta_1 \times \text{Sales Pct Change} + \beta_2 \times \text{Fixed Effects for Industry} + \beta_3 \times \text{Fixed Effects for Year} + \mu
\]

The results show that increases in size are positively and statistically significantly correlated with lobbying presence (as we would expect). But the effect is tiny. For every 100 percent rise in sales (i.e., a doubling), we get a predicted increase of only 0.16 in-house and 0.11 outside lobbyists (for a total of 0.27). Even with fixed effects for industry, these models explain only two percent of the variation in annual changes. So there is a small correlation, but it is not the main driver of change. Ninety-eight percent of the variation is unexplained.
Table 7-1. Change in Lobbying Explained by Sales Change

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>In-house</th>
<th>Outside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pct. Change in Sales</td>
<td>0.2703**</td>
<td>0.1630**</td>
<td>0.1073**</td>
</tr>
<tr>
<td></td>
<td>(0.0588)</td>
<td>(0.0373)</td>
<td>(0.0402)</td>
</tr>
<tr>
<td>Intercept</td>
<td>0.3463**</td>
<td>0.1347</td>
<td>0.2116**</td>
</tr>
<tr>
<td></td>
<td>(0.1388)</td>
<td>(0.0880)</td>
<td>(0.0949)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.021</td>
<td>0.009</td>
<td>0.018</td>
</tr>
<tr>
<td>N</td>
<td>16499</td>
<td>16499</td>
<td>16499</td>
</tr>
</tbody>
</table>

To check for robustness of these findings, I also ran a similar regression using expenditure data for total, in-house, and outside lobbying activity on companies in the four case study industries for 1998-2007. I also use the absolute sales change for a slightly different estimation strategy to further check the robustness of the findings. Thus, I estimate:

\[
\text{Lobbying Expenditure Change} = \alpha + \beta_1 \times \text{Sales Change} + \beta_2 \times \text{Fixed Effects for Industry} + \beta_3 \times \text{Fixed Effects for Year} + \mu
\]

Table 7-2. Change in Lobbying Explained by Sales Change

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>In-house</th>
<th>Outside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Change (MM)</td>
<td>11.8**</td>
<td>9.66**</td>
<td>3.36**</td>
</tr>
<tr>
<td></td>
<td>(2.9)</td>
<td>(2.43)</td>
<td>(1.13)</td>
</tr>
<tr>
<td>(Intercept)</td>
<td>-45038.5</td>
<td>-38229.96</td>
<td>-7111.58</td>
</tr>
<tr>
<td></td>
<td>(40852.3)</td>
<td>(34078.89)</td>
<td>(15708.99)</td>
</tr>
<tr>
<td>Adj R-squared</td>
<td>0.017</td>
<td>0.014</td>
<td>0.010</td>
</tr>
<tr>
<td>N</td>
<td>2924</td>
<td>1929</td>
<td>1929</td>
</tr>
</tbody>
</table>

Again, the results are similar. There is a statistically significant effect for change in sales, but it is a small effect. A change of $11.8 million is associated with an increase of $1 in lobbying spending. So the annual year-to-year sales increase of $88 million among our companies would produce a lobbying increase of roughly $7.45, which is a rounding error on the mean annual year-to-year lobbying increase of $31,400 during this time period. Again, the R-squared is tiny. Between 98% and 99% of the variation cannot be explained by this model.
So, companies are getting bigger, and companies are lobbying more, but changes in size can only explain a very, very tiny percentage of changes in lobbying presence and expenditures.

Is increased competition driving the growth of lobbying?

Another possibility is that what has changed about the political environment is not so much the issue agenda, but the difficulty of affecting the agenda. Perhaps, as lobbying increases, issues generally become more competitive. This would mean that individual companies must simply do more in order to be successful, and that the observed increases in lobbying may simply be a consequence of companies trying to keep pace with the ever-thickening scrum of outside influences trying to shape outcomes.

For example, Reich (2007) argues that competition is driving lobbying growth. Since many of the corporate vs. corporate battles are zero-sum, and more and more is at stake in these battles, companies have poured ever-increasing resources into what has essentially become a lobbying arms race. Once caught up in the arms race of political spending on winner-take-all policy outcomes, de-escalation becomes irrational for either side. (See Shubik 1971.)

Gray and Lowery (1997) find some preliminary evidence for an arms race explanation for PAC formation at the state level by demonstrating that the denser the lobbying environment, the more likely groups are to have PACs. They argue that an increasingly crowded lobbying community means that individual organizations must do more to distinguish themselves from the crowd, and one thing they can do to distinguish themselves is to make lots of PAC contributions. An arms race explanation would also be consistent with theories of “counteractive lobbying,” which suggest that organizations lobby primarily in response to other organizations lobbying their allies (Austen-Smith and Wright 1994, 1996).

There is also some evidence for this in the literature on the determinants of corporate political activity. A few studies find that companies that face more political opposition tend to be more politically active. The rough measure used for opposition is sometimes union share, and sometimes the extent to which the companies have been targeted by environmental and public interest watchdog groups (Hansen, et al. 2004). Though these measures are at best proxies, the fact that they are consistently significant predictors is suggestive that having some sort of organized opposition makes companies devote more resources to political activity. Similarly, companies that are mentioned more in newspaper articles (indicating that they are highly visible) also tend to be more active. In introducing this variable, Mitchell et al (1997) argue that “business leaders appear more nervous than ever about the negative impact of aggressive, potentially prosecutorial news
reporting.” Schuler et al. (2002), meanwhile, argue that opposition should be thought of as other firms in the industry, and their investigation suggests that firms in the same industry follow each other in becoming politically, though they are unsure whether this is out of competition or mimetic isomorphism.66

Certainly, there is good reason to think this might be the case. In interviews, numerous lobbyists suggested that one of the most significant transformations of the lobbying business over the last several decades was the increased density of political advocacy. “Government relations is much more competitive,” said one lobbyist. “If you were a pro years ago, you could get a lot more done. Now there are more people in the playing field.”; “It’s gotten more brutal, more cut-throat,” said another. “There’s more of an edge to it.”; Said a third: “All in all, it becomes harder to penetrate Capitol Hill because there’s so much white noise.”

But how much of the crowding is companies competing with each other, driving their competitors to ever-expanding amounts of lobbying? Part of this is a question of to what extent different industries are competing with each other; part of this is a question of to what extent companies within the same industry are competing with each other.

One way to get at this question is to investigate structure of actual political battles. In conducting interviews with companies’ DC lobbyists, I also asked companies who they saw as their opponents on the issues on which they lobbied. Table 7-3 (below) presents the frequency of different opponents (both unweighted and weighted based on companies’ lobbying expenditures).

<table>
<thead>
<tr>
<th>PRIMARY OPPONENT</th>
<th>UNWEIGHTED</th>
<th>WEIGHTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Other Industry</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Gv’t Bureaucrats</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Member(s) of Congress</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Public Interest Group or Union</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Getting Visibility</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>No Opponent</td>
<td>11%</td>
<td>19%</td>
</tr>
</tbody>
</table>

TOTAL = 53 issues discussed / 31 companies.

These results suggest that stated industry vs. industry battles, which would be most likely to create the arms race dynamic, account for only roughly 20 percent of lobbying

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66 They argue: “Often a firm faces its most intense political rivalry with product-market competitors and will therefore attempt to use its access to secure policies that confer advantages over rivals.” (662-663) “Pursuing Strategic Advantage Through Political Means: A Multivariate Approach,” Academy of Management Journal 2002, Vol. 45, No. 4, 656-672
activity. Certainly, there are some big industry vs. industry battles. As Chapter 4 demonstrated, there are big regulatory politics battles now and then, when big industry interests are at stake in a very real way. But these battles of high politics come and go. The lobbying presence of companies and industries is much more steady.

Of course, a lot of lobbying is for distributive/selective issues. I classified 40 percent of these issues as distributive/selective (see Appendix B). These are issues where the more common problem is gaining visibility, and this may also require companies to do a little more to get attention. But it is hard to conceive how this could lead to a significant arms race in the way that lobbying on the big competitive issues might. After all, there are more and more renter companies spending reasonably modest amounts to affect outcomes in distributive politics (where the difficulty of getting attention for issues is presumably the greatest). If it were becoming harder for companies to get attention for these selective issues, why would more and more companies seeking to affect selective issues be getting into the political mix in the first place?

The reasons that company lobbyists give for maintaining a Washington office also indicate that competition is not the driving fact (Table 7-4). In interviews, I asked company lobbyists to rank the reasons for having a Washington office on a seven-point scale, with one being “not important at all” and seven being “very important.” Issues of competition (“respond to critics” and “because other companies in the industry are politically active”) rank on average 4.3 and 4.2, respectively. They are not irrelevant, but they are also not the most important parts of the story. By contrast, protecting against changes in government policy (mean of 6.2), seeking favorable changes (mean of 5.7) and maintaining ongoing relationships (mean of 5.7) all score consistently higher.
Table 7-4. Reasons Company Lobbyists Give for a Washington Office
(each on a scale of 1 to 7)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to protect against changes in government policy (or other government actions) that could be harmful.</td>
<td>6.2</td>
<td>7.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Need to improve ability to compete by seeking favorable changes in government policy.</td>
<td>5.7</td>
<td>5.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Need to maintain ongoing relationships with policymakers.</td>
<td>5.7</td>
<td>6.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Need to navigate compliance, licensing, and other regulatory interactions with the federal government on a regular basis.</td>
<td>4.4</td>
<td>5.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Need to respond to critics and counter negative publicity.</td>
<td>4.3</td>
<td>4.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Because other companies in the industry are politically active.</td>
<td>4.2</td>
<td>4.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Government is a direct purchaser of company’s products or services.</td>
<td>3.6</td>
<td>2.0</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Is increased complexity driving the growth of lobbying?

What about the increasing complexity of Washington policymaking? With an additional 5,000 pages of statute per year and roughly 60,000 pages of federal register content added each year, there is more to know with each passing day. For example, as detailed in Chapter 5, the tax code as of 2005 was 66,498 pages long, the result of 15,000 changes since 1986. As Heclo (1978) noted more than thirty years ago, such layering of change upon change makes everything more complicated. “The very fact that so many policies have already been accumulated,” he wrote, brings with it a “sort of complexity and unpredictability.” This complexity can apply both to the institutions of governance and to the policy issues.

At an institutional level, new institutional rules and structures tend to be built on top of old rules and structures instead of replacing them, adding to institutional complexity (Schickler 2001). With passing time, there are more overlapping jurisdictions, more overlapping sources of authority, more people who need to be brought in to get things done. Some have argued that the proliferation of Congressional subcommittees in the 1970s also contributed to the growth of business lobbying, as there were simply more representatives in Congress to contact in any particular jurisdiction (Vogel 1989).
“Back when I started,” said a pharmaceutical lobbyist, “if one had a Medicare problem, there were five or six members of Congress to go to. Now on any given issue, every member of every subcommittee that deals with it considers himself an expert and wants to make certain that they are heard and whatever their policy tweak is, it’s incorporated. Markups last longer.” Another lobbyist noted that there are about 80 congressional committees and subcommittees with oversight responsibilities for the Department of Homeland Security, which he said makes life as a lobbyist who works in these areas incredibly complicated and difficult.

Moreover, with each passing year, the world itself becomes more complex – more innovations, more interconnections. It is no wonder that the health care bill that passed in 2010 came in at more than 2,000 pages, and the financial reform legislation came in at close to that. “The biggest thing is that issues have become more complex,” said a lobbyist with almost two decades of experience. “And the level of sophistication of members and staff on policy issues has just grown.” Or, as another experienced lobbyist put it: “The legislation itself is by a logarithmic jump far more elegant. It’s not as blunt an instrument as it was when I first came.”

One financial services lobbyist said that his biggest challenge was “just keeping up with the growth of industry.” He mentioned his daughter, who is now going for her MBA. “I saw her textbook on futures, options and swaps. In 1981 [when this lobbyist left government to join the private sector], if you told me there would be a textbook in business school just on that, I would have never believed you.”

One possible consequence is that a company that wishes to have a meaningful impact in Washington can no longer hire one person as a general ambassador (as it might once have done). In an increasingly complex political environment, companies might require more and more experts if they wish to be meaningful players on the issues on which they are active.

As noted in Chapter 3, the vast majority of homeowners (roughly four-fifths) do rely on outside lobbyists. However, some homeowner companies depend on outside lobbyists more than others, and over time, homeowners have generally increased their use of hired help. Whereas renter firms rely on for-hire lobbyists to essentially be their Washington office, as shown earlier, homeowner firms generally use for-hire lobbyists to help them with three main lobbying functions: 1) access; 2) process and issue expertise; and 3) extra intelligence-gathering.

Presumably any increase in complexity and specialization would be a steadily accretive process. But, as Figure 7-2 reveals, the shift towards more outside lobbying happens rather suddenly in the mid-1990s. Had the policy world suddenly gotten more complex at that point? There is little reason to think that was the case, and thus little reason to think
that increasing complexity has been a driving explanation for the growth, though it may contribute at the margins and in particular cases.

Figure 7-2. The Shift from In-house to Outside Lobbyists Among Homeowne rs

Increased partisanship is driving the growth of lobbying

The shift towards more outside lobbying in the mid-1990s does, however, correspond to another important trend – the growing polarization of Congress. This has produced a increasingly contentious legislative process in which it has become very difficult to even transact routine business. (See, e.g., Sinclair 2000, 2006; Mann and Ornstein 2005; Eilperin 2006.) In interviews, numerous experienced lobbyists waxed nostalgic about the days when everybody got along, regardless of party. As one lobbyist with more than 30 years of experience put it: “The whole system kind of broke down and a lot of easy things started not being resolved…Now it’s a horrendous system and completely plugged up…The frustration level is very high.”

One consequence of the increased partisanship for lobbyists is the increased importance and difficulty of ensuring that issues have bipartisan support. Because once issues become partisan, they become contentious, and contentious issues draw unpredictable forces of public scrutiny. As one lobbyist put it: “You could have an idea
with a Democratic or Republican champion, but just by mentioning the individual’s name, that could be radioactive with some member. Ideally you come forward with some bipartisan champions. That’s always beneficial.”

Generally, this requires more effort. In a more collegial era, it didn’t matter which party the “champion” belonged to— he or she could usually reach across aisles to build support. Now building winning bipartisan coalitions is much more work. More often than not, it is the lobbyists who are effectively the go-betweens for members of Congress from opposing parties, who rarely speak to each other directly anymore. (Sometimes they are also even the effective go-betweens for members of the same party, and between the House and the Senate, given that members of Congress spend so little time in Washington getting to know their colleagues these days.)

As a result, heightened partisanship may require more hiring of lobbyists with very specific contacts and relationships. “It’s become so specialized,” said one lobbyist, “I heard somebody is hiring for a shop now, and they’re looking for a Democratic lobbyist from the House to deal with the Ways and Means Committee only. When I joined nobody was that narrowly targeted.” When the Democrats took over Congress in 2007, lobbying firms raced to hire Democrats and show their new bipartisanship. Most companies I interviewed in 2007 stressed how bipartisan their lobbying staffs were.

As with the preceding hypothesis, one way to assess this hypothesis is to look at the changing use of in-house as opposed to outside lobbyists, since companies use outside lobbyists both for access and intelligence-gathering, both of which might become more difficult in an increasingly partisan environment. And as Figure 7-2 revealed, S&P 500 homeowner firms have changed the balance of inside and outside lobbying over time. For most of the 1980s, companies expanded their in-house offices but kept their reliance on outside consultants constant. In the mid-1990s, this shifted. While the number of in-house lobbyists remained mostly flat, the number of outside lobbyists has increased quite substantially. Why has this shift occurred?

It would make sense that this shift was partially driven by the shifting tides of partisanship. If a government relations operation suddenly needs a Democratic lobbyist and a Republican lobbyist, that’s two lobbyists where it previously only needed one. This explanation has the benefit of fitting the timeline, since partisanship intensified following the Republican takeover of Congress in 1995. More partisanship would also require companies to hire more people for intelligence-gathering, since with fewer lines of

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67 Jeffrey Birnbaum of the Washington Post reported in April 2007: “The Democratic takeover of Congress has not only been good business for Democratic lobbyists, but it has also turned into a bipartisan boon: In the four months since the midterm elections, the number of new lobbyist registrations has nearly doubled to 2,232 from 1,222 in the comparable period a year earlier.” And “For lobbying shops that employ only Democrats, there has been a gusher of new business.” Jeffrey Birnbaum, “Lobbyists Profit From Power Shift In Congress As Democrats Get Jobs, Republicans Stay On,” Washington Post, April 23, 2007.
communication between Democrats and Republicans, a company would need more
lobbyists in order to be plugged into all possible sources of scuttlebutt.

One problem with this explanation is that it can’t by itself explain why the big
increases in lobbying presence only happened in certain industries, as we saw in Chapter
5. Were some industries more likely to be caught up in political polarization? There is no
evidence for this that I have been able to uncover.

Rather, a more convincing explanation would seem to be that among those companies
who were beginning to develop the confidence and competence to truly engage in
proactive political activity, the growing partisanship of Washington and the challenges it
presented provided them an opportunity.

As the increasingly partisan and less collegial Capitol Hill became a more difficult
place to navigate, companies who were engaged had a chance to differentiate themselves
from other interests by hiring additional consultants and playing a more multi-
dimensional chess game. This is the reason that certain industries lobbying activity took
off in the 1990s. These were the companies who were poised to take advantage of the
increasingly complicated environment.

**Did the Republican take-over of Congress drive the growth of lobbying?**

In pinpointing the mid-1990s as a key time of change, one can’t help but be drawn to
the Republican takeover of Congress as a factor. After all, the Republicans have long
been the party of business, and in particular the Republican leaders of this particular
takeover were not shy about wanting to build a lasting alliance with business lobbyists on
K Street. “We say to the lobbyists, ‘help us,’” then-House Majority Whip Tom DeLay
reportedly said. “We know what we want to do and we find the people to help us do that.
We go to the lobbyists and say, ‘Help us get this in the appropriations bill.’”

Consider, the initial meeting of Tom DeLay’s pro-business “Project Relief” in 1995:

He now stood before him with a lineup of pals who had eased his rise to the top. They were
lobbyists representing some of the most powerful companies in America, assembled in his
office on mismatched chairs amid packing boxes, an unplugged copying machine, and
constantly ringing telephones. DeLay was delighted to see them. He could not wait to get
started on what he considered the driving mission of his political career: the demise of the
modern era of government regulation (Maraniss and Weisskopf 1994, 11)

DeLay helped to set up the well-known “K Street project,” which worked with
lobbying shops to ensure that congressional Republican staffers would have jobs waiting

that “Putting policy directives in appropriations bills – especially regulatory policy – became a specialty of
the House Republicans later in the year.”
for them on K Street when they left Capitol Hill, a way of solidifying what many viewed as a symbiotic relationship between Republicans and business lobbyists.\(^{69}\)

However, if business friendliness is a driving factor of business lobbying growth, why did we not see a similar take-off to business lobbying in the early 1980s, when Republicans controlled the Senate, Reagan was in the White House, and Democrats in the House were scrambling to show how pro-business they were (Jackson 1988)? Perhaps the reason why the take-off came in the mid-1990s was because that was when businesses generally had developed enough experience and confidence to really start taking advantage of what Republicans could potentially offer.

The political power of pro-business Republicans is undoubtedly part of the story. But the coalition would not have been successful if businesses didn’t have substantial political capacity themselves. The Republican takeover gave businesses more opportunities to push for certain policies. But in order to take advantage of these opportunities, businesses needed to be in a position where they felt confident and comfortable engaging in politics – a confidence and comfort that they had been developing gradually for some time.

Admittedly, there is probably more to the interaction between business lobbying and Republican leadership than I have addressed here.\(^{70}\) This is a longer and more complicated story, and worthy of more in-depth study. In what ways, for example, did businesses shape the opportunity structure that the Republicans presented, and in what ways did Republicans shape the political consciousness of American business? This story has been told in part through journalist accounts of the Republican revolution, but it still merits a sustained and systemic study.

**Conclusions**

Neither the increasing size nor the increasing competition in interest group lobbying nor the increasing complexity of policy seems to contribute much to explaining the growth. Meanwhile, the increased partisanship made other lobbying tasks more difficult, as it required more work to get things done. Had companies been unfamiliar with Washington or generally disinclined to participate, the obstacles would have presumably seemed even more imposing. Instead, many companies demonstrated their increasing

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\(^{69}\) See, for example, Nicholas Confessore, “Welcome to the Machine: How the GOP disciplined K Street and made Bush supreme,” *Washington Monthly*, July/August 2003. Confessore writes: “It's striking how openly and unapologetically Bush and his party have allied themselves with corporations and the wealthy.”

\(^{70}\) One way is to think about the convergence of Republicans and business in what Cathie Jo Martin (1987) calls the “coalition model of state/society relations.” Rather than viewing state (politicians) and society (interest groups) as unilateral and separate actors, Martin argues that factions in state and society seek each other out to form coalitions. (She illustrates this with case studies of five pieces of tax legislation). In this framework, we could say that Republican leaders saw a potentially fruitful partnership with business lobbyists and so put lots of new promotional, distributive policies on the table. This seems a plausible story.
sophistication by expanding their stock of for-hire lobbyists, and playing a more aggressive lobbying game.

The increased partisanship and in particular the rise of the Republicans seems to have contributed something to the expansion, but mostly because of the way that the changes in the political make-up of Congress interacted with the already growing confidence and competence of business lobbyists. In many ways, the pro-business Republican leadership gave businesses new opportunities, but it is unlikely those opportunities would have existed had businesses not been in a position to help to create them.

Moreover, to the extent that policymaking in Washington has become more partisan and more complicated, then, it has provided an opportunity for companies who wish to be more aggressive and devise evermore sophisticated lobbying strategies. But it has not affected all companies equally. Only those who were already engaged in Washington have ramped up their efforts.
This concluding chapter pulls together all the insights from the dissertation to tell a story of how companies have increasingly changed their attitude from “Leave us alone” to “Let’s work on this together.” They have become more aggressive and expansive in their attitudes toward public policy. Companies are increasingly lobbying from a position of strength, instead of weakness.

This chapter will proceed as follows. First, I will tell the story of business lobbying over the last 50 years. Second, I will pull together the insights gathered in this dissertation to see how well they can explain this story. Third, I will assess what the application of these insights and the larger story suggests about the changing influence of business. Finally, I will venture a few thoughts on what this means for the future of American pluralism.

A Brief History of Business Lobbying in American Politics

1945-1970: “Leave Us Alone”

In 1953, Marver H. Bernstein published a study of the political opinions expressed in major business journals. He found that four main propositions dominated: 1) “The state is intrinsically evil”; 2) “Freedom is defined as freedom from governmental intervention in economic affairs”; 3) “There is an exclusive identification of free enterprise…with freedom, morality, and economic opportunity;” and 4) “All good things flow from free, unfettered operations of the free enterprise society.” (Bernstein 1953, 262).

Similarly, The American Business Creed, a survey of business materials from 1948 and 1949, concluded that “Business comments on government are rarely complementary; that the government should have only limited powers and be restrained in their use is a fundamental and ever-recurring proposition in the business creed.” (1956, 185). John Kenneth Galbraith, wrote in 1958 that, “The widespread suspicion and even hostility of businessmen to government, even when, as in the case of the Eisenhower Administration, it was presumptively sympathetic to business, is one of the greatest constants in our political life.” (148) In 1960, E.E. Schattschneider claimed that there were two main

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71 Francis X. Sutton, Seymour Harris, Carl Naysen, and James Tobin, The American Business Creed (New York: Schocken Books 1956)
things that big business wanted politically: (1) “to be left alone” and (2) “to preserve the solidarity of the business community.” (1960, 41)

And yet, the real government threat to business was minimal. In 1964, historian Richard Hofstadter wrote, “The existence and workings of the corporation are largely accepted and in the main they are assumed to be fundamentally benign.” (141) In 1965, 88 percent of Americans agreed that “large companies are essential for the nation’s growth and expansion.” (Vogel 1989, 33). Even as late as 1968, a solid 70 percent of Americans believed that “Business tries to strike a fair balance between profits and the interests of the public.” (Vogel 1989, 7) But the lack of any pressing government threat to business autonomy also meant that there was little reason for companies to spend much money on being politically active. Wilson (1981) has written of the time that “business was relatively immune from public criticism, and did not need to concern itself with any of the most detailed of issues.” (72)

Nor were many businesses in need of significant government assistance. The 1950s and 1960s were a time of steady economic growth, and in many industries, companies could essentially manage demand (Galbraith 1967). If Schattschneider’s claim that only the losers in the marketplace would bother to seek government assistance (1960, 39) was correct, then there simply weren’t many losers in need of government intervention. At the time, few companies had their own offices in Washington. In 1961, only 130 corporations had registered lobbyists in Washington, and only 50 had Washington addresses (Vogel 1989). Bauer, Poole and Dexter (1963) found that of 166 large firms they surveyed, only 37 had undertaken any communications at all with Congress.

Meanwhile, those companies that did maintain offices were, according to those who had studied their activities, “poorly organized, lacking in prestige or expertise” (Wilson 1981, viii). Milbrath’s The Washington Lobbyists and Bauer, Pool, and Dexter’s American Business and Public Policy, both based on studies conducted in the late 1950s, found business lobbyists wielding virtually no meaningful influence. Instead, lobbyists were depicted as primarily focused on the task of information-gathering, and where they did play a role in policymaking, it was as a “service bureau” for a member of Congress who already supported their cause.

“When we look at the typical lobby,” wrote Bauer, Pool, and Dexter, “we find its opportunities to maneuver are sharply limited, its staff mediocre, and its typical problem not the influencing of Congressional votes but finding the clients and contributors to enable it to survive at all.” (324)

A 1962 study, The Business Representative in Washington, found that the majority of company representatives were in Washington first and foremost to market and sell their
companies’ products to the government.\textsuperscript{72} By contrast, “The legislative role of the representative appears to be substantially smaller than might be supposed.” (70). The authors described the Washington representatives more as “diplomats” than “ambassadors,” suggesting that their ability to do much was somewhat constrained by their own lack of authority. Looking back on the period from the vantage point of 1979, Phyllis McGrath noted in a Conference Board report that, “The Washington office used to be the place where you shipped your soon-to-retire executive.”

Other retrospective looks on this time also describe business as out-of-touch with politics, and on the occasions that it did engage, exceeding clumsy and reactionary. Shipper (1984) noted that: “In the past, business has by and large abstained from a continuing commitment toward developing political strategies.” As a result, “the visiting business executive to Washington was like the proverbial bull in a china shop.” (50) Shipper went on to argue that “The reactive Neandrathal position that ‘it has always been done this way and nobody ever got hurt’ has to be abandoned.” Similarly, in \textit{The New Corporate Activism} (1995), Grefe and Linsky describe the old corporate attitude towards Washington as a “Fix-it” mentality: “They had a problem. They hired a lobbyist…to bury the problem. It was an approach to influencing government that remained dominant until about a decade ago.” (2)

Because there were no threats, business leaders didn’t really need to spend much time on politics. This allowed an attitude of ignorance and distrust to flourish. It also meant that businesses had little reason to develop an effective government relations unit, so companies never developed any sense of political comfort or confidence. To them, Washington was generally a distant place, and they preferred it that way. Ironically, it was the very fact that government interfered relatively minimally in the world of business that allowed business leaders the luxury of maintaining a reflexive anti-government ideology. That, however, was all about to change.

\textit{The 1970s: Threat and Response}

Starting in the mid-1960s, the tenor of American political economy began to change significantly. In 1965, a young upstart named Ralph Nader published \textit{Unsafe at Any Speed}, a scathing indictment of the reckless arrogance of the automobile industry. Senator Abraham Ribicoff, a Connecticut Democrat, held hearings, and a year later, Congress passed a new auto safety law, and with virtually no organized opposition from the major

\textsuperscript{72} Marketing, according to the study, “includes not only the sale of the company’s products, directly or indirectly, but also a great deal of what in commercial practice is usually referred to as missionary and intelligence work, not only for established products but for research and development contracts.” Paul W. Cherninning and Ralph L. Gillen, \textit{The Business Representative in Washington}, Washington, DC: Brookings Institution Press, p. 32-33; the study was based on a roundtable with only 19 representatives, however, so the conclusions we can draw are somewhat limited.
automakers. As one Congressman observed in 1970, describing General Motors’ inept political operations: “It’s just that management has this disdain for relations in Washington” (quoted in Vogel 1989, 74).

Between 1965 and 1977, Congress passed 44 major regulatory laws dealing with all manner of health, safety, and environmental problems, heaping billions upon billions of dollars in compliance costs on businesses that were used to being left alone. Between 1970 and 1975, the annual number of pages in the Federal Register tripled, from 20,000 to 60,000, as did the budget for federal regulatory agencies, going from $1.5 to $4.3 billion. (Harris 1989).

American business thus found itself in a difficult position. Not only was it being disparaged in Washington for the first time since the 1930s, but it was also suffering from serious foreign competition. High costs and high inflation cut into corporate profits. New regulations cut into managerial autonomy and added additional costs. Public opinion grew skeptical. As Yoffie (1987) explained: “Government became more of a threat to business…imposing greater constraints on private initiative. New regulations squeezed corporate profitability and sharply limited the autonomy of firms and their executives.” (45)

As a result of these threats, businesses started mobilizing rapidly in the 1970s. Between 1971 and 1979, the number of firms with registered lobbyists in Washington grew from 175 to 650 (Vogel 1987, 197). The National Association of Manufacturers moved its headquarters from New York to Washington, DC in 1974.74

This was a time of learning for companies. One lobbyist who began his career in the 1970s, recalled that in the early 1970s, companies “had a simple understanding of a few big issues. They were marginally involved and had a low level of sophistication. But they couldn’t anticipate much.” But by the end of the decades, this was beginning to turn around. Surveying the landscape for the Business Roundtable in 1979, Phyllis McGrath reported that:

Now Washington offices are headed by lawyers, experienced public affairs people, and people with first-hand government experience. And back at corporate headquarters, a full-blown government relations communication program is in effect – to develop awareness, to teach corporate staff the intricacies of the government process, and bring all facets of management into the government relations effort. The chief executive officer, the government relations

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73 General Motors did not even have a full-time lobbyist in Washington, DC at the time. The company instead hired a private investigator to try to dig up dirt on Ralph Nader, a clumsy effort that ultimately resulted in a lawsuit that the monkish Nader won, and which helped propel Nader into the public spotlight and made the case against GM even stronger. (see Justin Martin, Nader: Crusader, Spoiler, Icon, New York: Basic Books, 2002.)

74 “NAM Historical Highlights,” http://www.nam.org/AboutUs/History.aspx
executive, the technical experts, staff officers, and even plant managers, have all been drawn into the development of new strategies. (2)

Ninety percent of executives polled in 1979 said that over the last three years, their companies’ “concern with and involvement in federal government relations” had gone up, and for 61 percent, the increase had been “extremely strong.” Nine in ten also felt confident that the increase would continue over the next three years.

Moreover, companies were for the first time starting to understand how to play the Washington game. They were identifying “allies of business among the electorate – stockholders, the community, and so forth,” reported McGrath (1979). “Business is also placing a great deal of emphasis on the politicizing of employees, particularly at the local operating level.” (5) Companies were developing formal issues-identification programs and internal government relations newsletters. As McGrath concluded, “The government relations department is now a more firmly established fact of life on more and more corporate organization charts.” (56)


The year 1981 marked the arrival of Ronald Reagan, and an ideological shift towards the right. The race to regulate was now officially over, and even Democrats were reportedly falling over themselves to court business money (see, e.g., Jackson 1988).

For conventional explanations of business lobbying that see lobbying as a response to a political environment, this period can present a puzzle. After all, now that the regulatory threats that mobilized many companies had subsided, why bother to maintain a Washington office?

Part of the answer may be that companies didn’t want to get caught off guard again. Baysinger (1984) has argued that the new political activity of business that had arisen in response to the expanded regulatory state could be described as “domain maintenance” – an attempt to rebuff threats. “On the basis of casual empiricism,” wrote Baysinger, “recent increases in the constituency building efforts among U.S. business firms seem to reflect the growing importance of domain maintenance as a political objective of business.” (255) But part of the answer may also be that companies believed domain maintenance was important because they had lobbyists telling them so, and lobbyists were feeding them information about potential threats from Washington.

Contemporary recollections and relatively flat lobbying trends support Baysinger’s claims about lobbying mostly being about domain maintenance. Companies weren’t particularly aggressive, and lobbying seemed to be at something resembling a new equilibrium. Lobbyists I interviewed who had been around in the 1980s described
business lobbying from the era as a bit sleepy. Companies maintained Washington offices, but the offices weren’t that closely integrated with the main corporate offices.

One lobbyist put it this way: “In the 1980s, the Washington office was a glad-handing goodwill ambassador, as opposed to a real policy professional. The guy’s slogan was: if you’re working more than 30 hours a week, you’re doing something wrong.” Said another: “Back in the early 1980s, lobbyists didn’t always know the process as well.”

“The DC office used to be hire one person, and leave ‘em there,” said Sheree Anne Kelley, Director of Political & International Programs at the Public Affairs Council, a best-practices group for business public and government affairs. She said this was the case because “it was difficult to show a bottom-line value.” But in the late 1990s, she said, this began to change, and “around 2000, more people made public affairs a critical component of their business.”

Richard Harris, in exploring the consequences of business management becoming politicized, argued that during the 1980s business lobbyists were incorporated into issue networks, leading to “a fairly insulated, though not narrowly restrictive, system of consultation and collaboration set within the various issue networks of social regulation”--a “neocorporatist” arrangement consisting of “policy negotiations among a small cast of characters, outside the glare of the media and public scrutiny.” (Harris 1989, 274). In other words, a relatively stable arrangement, with individual companies and trade associations were concerned mostly with the politics of their own industry.

1995 – Present: “Let’s Work On This Together”

David Vogel (2001) argues that the 1990s presents a puzzle. In the prior three decades, political fortunes of business seemed to fluctuate with the fortunes of the economy. When the economy was doing relatively well, business was politically less popular; when the economy struggled, business enjoyed more political power. But such a theory, writes Vogel, “cannot account for the 1990s—when business performance was extremely strong and yet business was able to successfully resist the efforts of the Clinton Administration to increase public social spending and expand medical coverage” (2001, 11,617).

This suggests that the 1990s may mark a fundamental turning point. In the mid-1990s, the growth of lobbying in the most active industries started to take off. What happened, I’ve argued, is that companies eventually got more comfortable with Washington. Somewhere the equilibrium state broke, and companies began to see government policy as something they could use to become more profitable. They went
from reactive to proactive. And it certainly helped that a new Republican majority provided a friendly political environment.

As one tech lobbyist put it, “Twenty-five years ago, our companies were run by engineers and it was just keep the government out of our business, we want to do what we want to, and gradually that’s changed to how can we make the government our partners? It’s gone from leave us alone to let’s work on this together.”

Another put it this way: “I think twenty years ago, you had a Washington office to keep the government out of your business, and I think people have evolved to understand now that there are opportunities, partnerships with government. Private-public partnerships are good. We don’t want to be sort of business-versus-government. That doesn’t work. We try to get out in front of issues.”

A third lobbyist said: “Sometime after 2000, I think there was a real realization that the industry needed to be more accessible, more open, and more willing to talk to government and not look at them as a combatant.”

“The managerial level of people doing government relations moved higher into the institutional chain,” said fourth lobbyist. “They developed a better ability to anticipate, and did a better job of making sure they drove the issues that came up.”

When I did my interviews, I asked companies what were the top issues they were working on. I classified 70 percent of the activity as offense. That is, issues where companies were trying to lobby to change the status quo. This is significant, and it marks a change. Companies are now more and more thinking of ways that they can use government to their advantage.

Moreover, the major industry victories described in this dissertation all occurred post-1995: The Telecommunications Act of 1996, The Gramm-Leach-Bliley Act of 1999, the Medicare Modernization Act of 2003, the American Jobs Creation Act of 2004. These were examples of companies going on the offensive. Although some of these had been on the table for quite a while, they only came about after companies in the industry significantly increased their lobbying presence. Moreover, a political environment full of opportunities, particularly selective benefits, began to draw many smaller companies to Washington, DC.

75 See Appendix B for issue coding.
The historic re-telling has suggested that this is a story that happened in four stages, and one way to think about these four stages is that there were two periods of equilibrium and two stages of dynamic change. We are in that second period of dynamic change now.

The first period of equilibrium was the 1950s and 1960s, when the political agenda and environment were basically stable and gave most companies little reason to devote much energy or attention to politics. Companies generally didn’t maintain government affairs departments (or in the rare case that they did, the departments were skeletal and not particularly connected to what the rest of the company was doing). As a result, companies were unlikely to have internal advocates for political engagement, and corporate leaders were unlikely to be informed about politics (hence, their persistent distrust of government). The state of affairs was in equilibrium. Business leaders had limited political consciousness, but also had no reason to develop political consciousness, given both the lack of any meaningful government threat to profitability or managerial autonomy and the general prosperity of the post-war economy.

But in the late-1960s, the equilibrium started to fade. Business leaders increasingly felt their autonomy and profitability under siege from a new array of government agencies and a general public mistrust of business. Initially, business leaders were caught off guard and didn’t put up much of an effective fight against the new social regulation. But the changing dynamics of the political environment eventually pushed a large number of companies to set up Washington offices.

By the 1980s a new equilibrium emerged. The growth of lobbying flattened out. More businesses now had Washington offices, but there was generally limited reason to expand those offices. The threats of new regulation had subsided. As long as the government didn’t do anything major to challenge business, businesses wouldn’t do anything major to challenge government. But at the same time, company executives were learning more and more about politics, and becoming more and more comfortable with the idea of political participation. And in certain key industries, companies began pushing a little harder, slowly creating new opportunities for major legislative changes that would require major lobbying capacity-building.

In the mid-1990s, the old equilibrium began to fade. This dissertation has argued that this new style of aggressive growth resulted from companies developing more comfort and confidence in their ability to affect outcomes, and from lobbyists increasingly seeing opportunities. Unlike the earlier period of lobbying growth, which was a clear response to government threats, this period of lobbying growth came in response to opportunities, many of which were initiated by company lobbyists. According to my calculations, 70 percent of the issues on which companies lobbied can be classified as attempts to change the status quo. Again, this was surely helped along by a friendly Republican leadership,
but I’ve argued that without business having built up their capacity, the opportunities would not have arisen in the same manner and degree as they did.

This new proactive era follows from an earlier era of mobilization. Setting up a Washington office put in place a series of processes that would ultimately make companies more likely to see Washington as a source of opportunities than a source of threats. Now many companies see public policy as more integral to their strategy. And they have come to take on more policy fights. Instead of just reacting (as they once did), they have come to think of ways that they could use public policy to their advantage, and are now more confident in advocating and developing new policies than ever before.

Consider the story of Boeing: In 1991, a proposed NASA space station, over-budget and behind schedule, faced “sudden death.” The Boeing Corporation, which stood to benefit significantly from the construction of the space station as the lead contractor, was facing a significant loss of business. So the company’s lobbyists decided to launch a major campaign to save the space station. They put together a very large coalition. They brought in math and science teachers. They brought in other governments – Canada, Japan, several European nations. By 1992, both the House and Senate had voted to keep funding the space station, overcoming arguments that it was an “orbiting tin can” that was forcing the country to “take out a $120 billion, 30-year mortgage on our nation’s future” at a time when Congress was very concerned about the growing national debt. For Boeing, it had been a major legislative undertaking, much bigger than anything it had done before. “Early on we would not have taken on things this big,” said a former Boeing lobbyist in an interview. “We would have just argued that the space station program not be closed.”

Three years later, Boeing was thinking even bigger. China was on the verge of not buying U.S. aircrafts anymore, and in 1995, the Executive Council at Boeing decided it wanted to lead an effort to normalize trade relations with China. Again, the company put together a large coalition. Six years later, President George W. Bush officially granted Permanent Normal Trade Relations to China. The effort had been successful. In 2008, Boeing jets made up about 60 percent of China’s air fleet. This was even more ambitious than the campaign to save the space station. Saving the space station, after all, was just trying to preserve the status quo, and was a reactive lobbying effort. Here Boeing was trying to affect a major change in U.S. trade policy, a change that was definitely proactive and offensive. “This is not something we would have tried even in the late 1980s,” said the company’s former lobbyist. “We wouldn’t have thought we had the ability.”

77 Clifford Krauss, “House Approves $1.73 Billion for Space Station,” New York Times, July 30 1992; (the quote is from Rep. Marcy Kaptur (D-Ohio)).
Back in the early 1980s, the lobbyist said, Boeing’s lobbying efforts were 75 percent
defensive. Twenty years later, they had become 75 percent offensive. “We set the stage
so we didn’t have to defend,” said the lobbyist. “We had already fought that battle. You’d
start seeing things coming many years out and you’d be prepared.”

So Why Do Companies Lobby?

One of the underlying questions guiding this dissertation is why companies lobby. One
explanation, rooted in neoclassical economics and common in political science, suggested
that companies lobby mostly in response to threats and changes in the political
environment. A second explanation, rooted in theories of the firm that allow for learning,
strategic differentiation, and internal advocacy, suggested that lobbying was something
that had a reinforcing quality, and implied that as firms learned to lobby, they would look
for more and more ways to continue lobbying, and the longer they stuck around, the
more likely they would be to become confident and proactive in their lobbying.

Offense and defense, however, do not need to be mutually exclusive conditions.
Companies may original establish a Washington office to preserve this status quo. And
preserving the status quo may remain very much on the minds of those running the
office. But this does also not preclude attempts to play offense as well, especially during
periods when there are no meaningful threats on the status quo.

In interviews, I asked company lobbyists to rate the reasons for having a Washington
office (with 1 being “not important at all” and 7 being “very important” as reasons to
maintain a Washington office). The top reason companies say they have a Washington
office is defensive. On average, lobbyists rate “Need to protect against changes in
government policy (or other government action) that could be harmful” as 6.2 out of 7,
But offense – “to improve ability to compete” – ranks almost just as high, scoring 5.7 out
of 7, on average (See Table 8-1). “The Need to maintain ongoing relationships with
policymakers” also ranks at 5.7, which provides further evidence for lobbying being a
process – companies don’t simply jump in and out of politics. They stick around,
developing relationships, deepening ties and connections.

Just because defense is the top reason that lobbyists list, however, does not necessarily
mean that companies spend a great deal of their time lobbying defensively. It may be that
just having a presence is enough to deter zealous government officials. In interviews, I
several times heard the old adage: “If you’re not at the table, you are probably on the
menu.” Defense is presumably the baseline condition. Companies always must guard
against government intrusion. This is the old story of lobbying. But once companies are
established themselves, in addition to keeping watch against government intrusion, companies almost equally see government as an opportunity.

Table 8-1: Reasons Company Lobbyists Give for a Washington Office (each on a scale of 1 to 7)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to <strong>protect</strong> against changes in government policy (or other government actions) that could be harmful.</td>
<td>6.2</td>
<td>7.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Need to improve ability to compete by seeking favorable changes in government policy.</td>
<td>5.7</td>
<td>5.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Need to maintain ongoing <strong>relationships</strong> with policymakers.</td>
<td>5.7</td>
<td>6.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Need to navigate compliance, licensing, and other <strong>regulatory</strong> interactions with the federal government on a regular basis.</td>
<td>4.4</td>
<td>5.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Need to respond to <strong>critics</strong> and counter negative publicity.</td>
<td>4.3</td>
<td>4.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Because <strong>other companies</strong> in the industry are politically active.</td>
<td>4.2</td>
<td>4.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Government is a direct purchaser of company’s products or services.</td>
<td>3.6</td>
<td>2.0</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Can we learn anything by examining differences between companies who have been around longer as opposed to those who are newer to Washington? There are some slight differences, but given the limited sample of 31, none of the differences are statistically significant using difference-of-means tests. The difference that is largest across both is the difference in the need to deal with compliance, licensing, and regulatory issues. This is on average two points greater for companies that came to Washington prior to 1999 (See Table 8-2).

This suggests that in the past, it was more common for companies who came to Washington to have an ongoing regulatory interaction with government, while newer companies are more likely to be more proactive from the get-go. This indicates that the environment around lobbying has changed, and that companies are now even starting out in a more proactive position.
TABLE 8-2. Pre-1999 DC arrivals vs. post-1999 DC arrivals

<table>
<thead>
<tr>
<th>Reason</th>
<th>Pre-1999 mean</th>
<th>Post-1999 mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to protect against changes in government policy (or other government actions) that could be harmful.</td>
<td>6.5</td>
<td>5.9</td>
</tr>
<tr>
<td>Need to improve ability to compete by seeking favorable changes in government policy.</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Need to maintain ongoing relationships with policymakers.</td>
<td>5.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Need to navigate compliance, licensing, and other regulatory interactions with the federal government on a regular basis.</td>
<td>4.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Need to respond to critics and counter negative publicity.</td>
<td>4.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Because other companies in the industry are politically active.</td>
<td>6.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Government is a direct purchaser of company's products or services.</td>
<td>4.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Feedback and Influence

This dissertation has also promised to assess the influence of business lobbying efforts by looking at changes in the agenda. As I’ve suggested, if business is mostly lobbying for changes to the status quo, this suggests a good deal more influence than if business is lobbying to defend against the status quo. If businesses are generally going on the offensive, it means they are lobbying generally from a position of strength.

One can think of the interaction between government and business lobbying as a feedback loop. Government activity surely influences levels of lobbying, but lobbying seeks to alter government activity, and those changes in government activity likely come back to affect levels of lobbying, and so on and so forth (see, e.g., Pierson 2000; Thelen 2004). Unlike the traditional approach to measuring influence on a discrete case-by-case basis, the feedback loop approach recognizes that there is an iterative relationship that evolves over time.

There are both negative and positive feedback loops. A negative feedback loop describes a self-correcting process, such as a thermostat. A positive feedback loop
describes a process that builds on itself. Is there a feedback loop between government activity and business lobbying? If so, what does it look like? What are the observable implications?

The first possibility is no feedback. Companies mobilize in response to government activity, as Truman (1951) predicted they would, but they don’t significantly affect government activity. Were this the case, we would expect lobbying changes to be tied closely to what government is doing and purely reactive. However, we showed that lobbying is not always closely tied to government, nor was lobbying always reactive. So we can dismiss the no feedback story.

The second possibility is a negative feedback loop, in which lobbying responds to government activity, and is mostly aimed at stopping government activity. The implication here is that lobbying and relevant government activity should go up and down. Government threatens business. Business responds. Business ends threat. Business de-mobilizes (or at least doesn’t grow). At some point government threatens business again. This story most closely describes the mobilization in the 1970s, and the plateau of the early 1980s. But it doesn’t explain the growth of business lobbying since.

The third possibility is a positive feedback loop, which describes a process whereby companies respond to government activity, but once mobilized and active, they also help to shape the government agenda in the future. This would suggest that while corporate lobbying may be partially reactive and defensive, there is also a substantial component of corporate lobbying that is proactive and offensive. If we are witnessing a positive feedback story, we should expect to see a substantial amount of proactive lobbying by companies pushing for government action, rather than simply defending themselves against government. Institutionalization should also be a key part of this story, since it provides a mechanism for companies to develop both the means and the motivations to use government policy for their own purposes.

Each of these stories also tells us something about both the first face of power (i.e. the ability of companies to influence outcomes) as well as the second face of power (i.e. the ability to set the agenda). If we are witnessing a negative feedback loop, companies have some ability to influence outcomes, but less ability to set the agenda (they might be able to keep things off the agenda, but not to put things on). If we are witnessing a positive feedback loop, companies would appear to have greater ability to set the agenda, as well as to influence outcomes. If there is no influence, then, well, there is no influence. Table

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79 Pierson (2000), for example, describes a “Polya urn process,” which begins with an urn with one red ball and one black ball. One ball is removed at random, then returned with another ball of the same color. The process is repeated until the urn is full. Each draw affects the outcome of the next draw, with the early rounds being extremely important for the ultimate distribution. “Polya urn processes exhibit increasing returns or positive feedback,” writes Pierson. “As such effects begin to accumulate, they generate a powerful virtuous (or vicious) cycle of self reinforcing activity.” (253)
8-3 summarizes the observable implications and consequences of each of these feedback loops.

Table 8-3. *Observable Implications and Consequences of Different Feedback Loops*

<table>
<thead>
<tr>
<th>Story</th>
<th>Lobbying is primarily...</th>
<th>Likely changes over time</th>
<th>Influence over Outcomes</th>
<th>Influence over Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Feedback</td>
<td>Defense/Reactive</td>
<td>Tied to gv’t</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Negative Feedback</td>
<td>Defense/Reactive</td>
<td>Up and Down</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Positive Feedback</td>
<td>Offense/Proactive</td>
<td>Growth</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

The evidence most closely fits the positive feedback story. There has been growth in lobbying, and that growth has not been always closely tied to the political agenda. Rather, companies have institutionalized political activity, which means that they stick around even when battles are resolved. It means that they have lobbyists who are on the lookout for lots of new reasons to stay involved and have incentives to generate new opportunities, and executives who are more likely to see public policy as a tool generally. Among the companies I interviewed, I classified 70 percent of the issues lobbyists were working on as changes to the status quo (offense). This story is also the most consistent with the historical record. Businesses did not fold up their Washington lobbying operations after successfully rolling back government regulation in the early 1980s. Instead, they stuck around, building up their capacity, increasingly turning to ways to use the mechanisms of policy instead of defending against them.

**The State of American Pluralism**

This dissertation has also raised the question of pluralism – whether a rough-and-tumble competitive lobbying environment allows faction to counteract faction effectively. Are corporate lobbyists finding that their efforts are meeting opposition, that factions are counteracting factions in the messy democratic way that the pluralists envisioned? Or are their efforts largely going uncontested, creating concerns as to whether there is still anything to the pluralist vision of a rough and tumble process in which something like a public interest emerges from the vibrant conflicts of interests? Is most policy hashed out in large coalitional fights? Or is substantial lobbying devoted to the typically uncontested technical crevices of policymaking, where it is easier to get what one wants?
Chapter 5 found a rise in the distributive politics agenda and a concurrent growth in the number of lobbyists working on issues on which there is not likely to be substantial opposition. On these one-sided issues, it is much more likely for narrow interests to prevail without much accountability.

I also evaluated the state of American pluralism by asking company lobbyists in interviews who they see as their opponents on their priority issues. The major finding here is that not a single lobbyist described a public interest group (or a union) as the primary opponent on a priority issue. Of 53 issues discussed at 31 companies, not a single lobbyist mentioned any kind of public interest group or union (Table 8-3). It is certainly possible that the lobbyists were hesitant to say that their main opponent was a public interest group because they did not want to be seen as going against the public interest. It might also be the case that the issues on which we see public interest groups or union opposing business are interests that are business-wide issues, and on which individual companies are not involved. But still, it is a striking finding, and suggests that public interest groups are simply not major players when it comes to the issues that individual corporations care most about.

The other significant finding from the list of opponents is that, with 37 percent of issues, there was a challenge either getting visibility or there was simply no opponent. This closely mirrors the 40 percent of issues that I classified as selective, and confirms again that a good deal of lobbying is for selective issues. Moreover, there is little evidence that other companies are even keeping each other in check. Only about 20 percent of the issues could be classified as industry-vs-industry battles. All told, this suggests that there is very little competitive pluralism in Washington, DC these days.

<table>
<thead>
<tr>
<th>PRIMARY OPPONENT</th>
<th>UNWEIGHTED</th>
<th>WEIGHTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Other Industry</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Gv’t Bureaucrats</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Member(s) of Congress</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Public Interest Group or Union</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Getting Visibility</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>No Opponent</td>
<td>11%</td>
<td>19%</td>
</tr>
</tbody>
</table>

(53 issues discussed at 31 companies)

Then again, perhaps this should not be that surprising. As noted in Chapter 1, business organizations now have a roughly 16-to-1 lobbying manpower advantage in Washington over countervailing power groups, up from a 12-to-1 lobbying manpower advantage in 1981 (Table 8-4). These numbers, however, do not account for the fact that large
corporations are generally able to hire the most connected and experienced Washington hands to represent them, and that they have large resources to also conduct issue advertising, grassroots lobbying, and other ancillary aspects of lobbying.

Table 8-4. Business vs. Countervailing Power, Lobbying Presence

<table>
<thead>
<tr>
<th>INTEREST TYPE</th>
<th>1981</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>7,059</td>
<td>12,785</td>
</tr>
<tr>
<td>Union</td>
<td>369</td>
<td>403</td>
</tr>
<tr>
<td>Public Interest</td>
<td>237</td>
<td>405</td>
</tr>
</tbody>
</table>

Business to Countervailing Power RATIO 11.65 15.82

Source: data from Schlozman et al. 2008

Implications

Companies are lobbying more and more, and they have gone from reactive and defensive to proactive and offensive. They are more engaged in being a part of Washington. Meanwhile, competitive pluralism is not what it once was. Countervailing power seems limited, and businesses are by far the predominant interest group represented in Washington. What does this mean? Will lobbying continue to grow? And if so, how will it change Washington?

The Future Growth of Corporate Lobbying.

The growth in lobbying expenditures over the last ten years has continued to pick up pace with each passing year. Will it continue to expand? The evidence presented here suggests that it is a self-reinforcing process. Moreover, companies still spend a relatively small amount on politics (less than $3 billion in direct lobbying expenditures, perhaps $10 billion overall) as compared to the $200 billion a year they spend on advertising or the $350 billion they spend a year on research and development.

Perhaps political activity was always a good investment. But because of the power of routine and the costliness of information-gathering, as well as a generalized ideological aversion to being involved in politics, few corporate managers historically thought to devote substantial resources to politics. Corporations needed first to be mobilized in order to pay attention to politics and then to develop enough capacity to affect outcomes before politics seemed like a worthwhile strategy. Thus, Ansolabhere et al.’s puzzle (2002), “Why is there so little money in politics?” (given the potential benefits) is only a puzzle if one maintains fealty to the neoclassical assumptions of perfect information and frictionless innovation. Focusing on education, information, and the slow process of capacity-
building reveals that companies had to first overcome institutional and cognitive obstacles before becoming political.

Perhaps then the answer to the question “Why is there so little money in politics?” is: “Just wait.” If we are to believe the many back-of-the-envelope calculations out there, investing in Washington continues to be a great investment, and as more and more companies learn about this investment, even more companies will come and set up offices and invest more. Eventually, this may drive up the price of lobbying and deplete the potential benefits to a point where it no longer becomes such a good investment. But in the meantime, we are far from a new equilibrium.

**Corporate Welfare or a New Partnership?**

Those who are concerned with the role of corporations in politics tend to argue that corporate political activity inevitably entails a transfer of wealth from taxpayers to private corporations. Ralph Nader, the longtime critic of corporate America, has written that:

> Corporate welfare – the enormous and myriad subsidies, bailouts, giveaways, tax loopholes, debt revocations, loan guarantees, discounted insurance and other benefits conferred by government on business – is a function of political corruption. Corporate welfare programs siphon funds from appropriate public investments, subsidize companies ripping minerals from federal lands, enable pharmaceutical companies to gouge consumers, perpetuate anti-competitive oligopolistic markets, injure our national security, and weaken our democracy.80

A diligent muckraker can document plenty of examples of companies getting rich rewards for their efforts. A 1999 Nader pamphlet on corporate welfare, from which the above quote comes, is full of them.

Consider again the 2004 American Jobs Creation Act, which loaded many targeted benefits in its 633 pages. As one commentator wrote: “Multinational corporations. Makers of ceiling fans, archery equipment, sonar fish finders and tackle boxes. Owners of NASCAR tracks, growers of tobacco and makers of movies. If you count yourself among one of the above groups, rejoice. You are a likely beneficiary of the fat new $140 billion tax bill signed into law Friday by President Bush.”81 Alexander et al. (2009) have estimated that for 93 firms that lobbied on the tax bill, the combined tax savings amounted to $62.5 billion82 – not bad for combined lobbying expenditures of $282.7

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82 The bill changed the tax rules regarding repatriation of profits earned abroad, giving U.S. companies the chance to pay 5.25% in taxes on these earnings (as opposed to the normal rate of 35%) for a year.
million that year. (As a side note, the change did not appear to create anything close to the number of jobs it promised.\textsuperscript{83})

Or consider the 2003 Medicare Modernization Act, which created a prescription drug benefit that produced an estimated $242 billion surplus for pharmaceutical firms over ten years (Friedman 2009). Even if we assume the entire pharmaceutical and healthcare industry was lobbying solely for this bill for the entire three years leading up to its passage (which a quick perusal through lobby disclosure forms reveals is not the case), that would still mean the industry got a roughly 700-to-1 return on its lobbying, since the entire industry spent about $340 million lobbying for those three years.

If companies continue to become more aggressive and proactive in their lobbying, and/or even more companies come to Washington looking for opportunities to receive government support, then we might expect more transfers of wealth from the public treasury to private corporations, and increasingly in the shadowy world of distributive politics. This would be troubling for normative ideals of pluralistic democracy. Smith (2000) argues that it is in the proliferation of these particularistic issues that “democracy faces its greatest threats.” (32)

But, there may be limits. After all, it is not as though there is an infinite amount of government subsidies and contracts and benefits available. And American history is prone to periods of populist backlash now and then.

\textit{A Business-Government Partnership?}

Another reading of the evidence is that the change in business attitudes towards Washington is paving the way for a productive partnership of business and government that has long been elusive in American politics. Instead of reflexively viewing government as a threatening and unmitigated evil, perhaps the increased comfort with the world of Washington politics will lead business leaders to trust government a little more, and to look for ways to work together productively to solve problems that neither one is capable of solving alone. Three trends support this possibility.

First, there has been an increase in the number of public-private partnerships over the last decade. These were a key piece of Bill Clinton’s “re-inventing government” agenda. Scholars of public administration, in fact, have been for years using the term “governance” instead “government” to reflect the fact that an increasing number of public tasks are being accomplished through cooperation between the public and private sectors. (See, e.g., Stoker 1998; Pierre and Peters 1998)

\textsuperscript{83} “Profits Head Homewards, but Where are the Jobs?” Business Week, August 1, 2005
Second, the rise of the Internet has increased transparency and disclosure in politics generally. Starting in 1996, companies have had to disclose their lobbying activities and expenditures bi-annually. In 2008, disclosure became quarterly. Moreover, there are a growing number of companies who now voluntarily disclose summaries of their political activities. In interviews, one of the things that lobbyists consistently stress is that, for every issue on which they lobby, they can make a genuine public-interest case for the position they are advocating. (Often, the rationale is simply about jobs creation or American competitiveness — or, if they are trying to prevent something from happening, they dangle the ever-present threat of “unintended consequences.”)

A public-interest rationale is important, they argue, because the political process has become more transparent and open, and in a transparent and open process, every thing needs a justification. They argue that if Washington was once about bags of money and winks and nods, it is no longer. It is about making the case for why what any business wants is good for America. As lobbyist Nick Allard has argued: “The examples of legislative or regulatory legerdemain in the dead of night outside of public view are a rare and endangered species. They occur infrequently, and when they do, they invariably do not survive the light of day unless supported by a substantial, credible, public-interest justification.” (2008, 32)

Third, companies are increasingly concerned about their public image. Corporate social responsibility is enjoying “contemporary resurgence” (Vogel 2005, 7). Or, as, the editors of a recent Forbes special section on corporate social responsibility put it: “We increasingly hear that corporate social responsibility (CSR) has become a business imperative.” More and more companies are seeking to demonstrate that they care about the greater good, be it big picture issues like the environment or human rights or their employees or the communities in which they operate. Companies want to be seen as good corporate citizens. As the scrutiny of corporate political activity has increased, there may be more and more pressure for companies to also show a public-spiritedness in their lobbying activities, moving away from anything that could be seen as a greedy position.

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84 This disclosure was promoted by the Center for Political Accountability: “a non-profit, non-partisan organization that was created in November 2003 to bring transparency and accountability to corporate political spending. It was formed to address the secrecy that cloaks much of the political activity engaged in by companies and the risks this poses to shareholder value. Working with more than 20 shareholder advocates, the CPA is the only group to directly engage companies to improve disclosure and oversight of their political spending. This includes soft money contributions and payments to trade associations and other tax exempt organizations that are used for political purposes. The Center’s aims are to encourage responsible corporate political activity, protect shareholders, and strengthen the integrity of the political process. As a result of the efforts of the CPA and its partners, a growing number of leading public companies, including many in the S&P 100, have adopted political disclosure.

Businesses also generally want predictability and the ability to plan. They would rather be involved up front in crafting regulation than having it forced on them, especially as the era of faith in free markets seems to be ending. For example, in 2007, The New York Times reported that, “After years of favoring the hands-off doctrine of the Bush administration some of the nation’s biggest industries are pushing for something they have long resisted: new federal regulations.”

This dissertation has made the case that the growth of lobbying reflects a path-dependent learning process. Companies may come to Washington to respond to threats, but the act of establishing an office sets in motion several reinforcing processes that make companies value lobbying more and more over time. Lobbyists teach managers about the importance of being politically active and help to point out (and sometimes even create) new opportunities for lobbying. Managers gain more comfort and confidence in their ability to influence outcomes, and start to see participation as more appropriate and more valuable. Ongoing political battles give companies a reason to defend the turf that they have won or stick around to regain the turf that they have lost. The overall effect is that American businesses, once skeptical of government and cautious about getting involved in politics, have become increasingly confident, proactive, and aggressive in their lobbying efforts. More and more companies are discovering that Washington matters, and those companies are sticking around and increasing their political capacities. As a result, corporate lobbying activity is likely to continue to expand for the foreseeable future.

Whereas once companies took a “leave us alone” attitude towards government, the new attitude is “let’s work on this together.” And that is not something that is likely to change. Thus, the challenge for those in the American government will be to learn to co-opt business, to take advantage of the promise of trust and partnership. American business has acquired a taste for politics. There is no going back to the idealized pluralism of the 1950s.

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Appendix A – The Interview Scripts

FOR IN-HOUSE COMPANY REPRESENTATIVES

Lobbyists Survey
Note: To be administered in person. This is a general guide. Individual interviews may deviate slightly.
* = optional, don’t ask if running short on time.

I'd like to ask you a series of questions about your work as a Lobbyist and the work of professional representatives in American national politics generally. Although nothing that I'll ask will be sensitive, I can assure you that your name will not be used in the write-up (unless otherwise consented to). There are quite a few questions, but most of them can be answered rather quickly so this need not take too long.

I: BACKGROUND

I want to begin by asking you a few questions about your background, how you came to become a Lobbyist, and your general impressions of the profession.

1. Tell me a little bit about your background.
   a) How long have you been with (current company)?
   b) What job did you hold prior to that?
   c) (If answer to (b) is not work in government) Have you ever worked in the federal government? If so, what did you do?
   d) Why did you decide to make the transition to becoming a lobbyist?
   e) How long have you lived in DC? Or do you live in MD or VA?

II: ISSUES AND ACTIVITIES

Now I want to ask you a few questions about your daily work as a Lobbyist.

2. What issues are currently taking up your time?
   (Now go through questions 3 through 10 for a few issues, depending on time and complexity)

3. What is the history of this issue?

4. What is it that you are hoping the government will do?

5. How did you or your company first learn about this issue?

6. Why did your company decide to become active on this issue? Why is this issue important to your company?

7. Who are your most important allies on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
a) For members of Congress as allies, ask: why do you think they were interested in working with you on this issue?
b) For groups – have you worked with these groups before? For how long have you been aligned?

8. If there is a coalition, can you explain the dynamics of the coalition? Why participate in a coalition? What are the advantages, trade-offs?

9. Who are your most important opponents on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
   a) For members of Congress as opponents, ask: why do you think they opposed you on this issue?
   b) For groups – have you been opposed to these groups before? For how long have you been opposed?

10. I’m going to give you a list of tactics (give list on separate sheet of paper). I wonder if you could go through this list and evaluate how important each of the tactics were on this issue? (and identify if there were any other important tactics not included). (SEE APPENDIX)

11. (Following up on the fundraising questions) A lot gets made of the issue of money in politics. What do you think the role of money is?

12. If completed: How was this issue resolved? How satisfied were you with the outcome? Why do you think it turned out the way it did?

13. Roughly, what percentage of issues would you say are proactive versus defensive? Can you give me examples? Has this changed over time?

14. Roughly, what percentage of issues are company-specific issues? Can you give me an example of a company-specific issue?

15. Generally, how do you decide which issues to be active on?

III: COMPANY BACKGROUND / OFFICE DYNAMICS

Now I want to ask you a few questions about your company’s Washington office. I understand that you may not know all the answers, and if there are things you feel unqualified to answer, I will understand.

16. Do you know the circumstances under which your company first established a Washington office? If so, can you describe them? If not, do you know if there is some way I can learn this information?

17. Have the political concerns of the company have changed and/or expanded since the company first established a Washington office? If so, how? Have there been any significant landmarks in the history of the Washington office? (Show graph of lobbying expenditure history and ask for an off-the-cuff explanation)

18. How relevant are the following considerations for your company in deciding how active to be in national politics? (SEE ATTACHED – ON 7-POINT SCALE)
19. What is your impression of to what extent company headquarters thinks its Washington office is valuable? Ask generally, then quantify: (7-POINT SCALE) Why do you think this is?
   a) Do you worry about being a “cost center” or being “overhead”?
   b) How does company HQ evaluate the value it is getting from keeping a Washington office?
   c) Are there any things that you need to do in order to convince the company HQ that it is getting value from its Washington office?
   d) Has this changed over your time as a Lobbyist? If so, how and why?

20. To what extent does company headquarters work closely with the Washington DC office? (7-POINT SCALE) Can you describe the relationship a little bit more?
   a) Has this changed over your time as a Lobbyist? If so, how and why?

21. * How many people work in your office?

22. * What is the division of labor? Do you specialize in certain types of issues, or by certain targets?

23. How much would you say that your job as a lobbyist feels secure? (7-POINT SCALE)

IV: RELATIONSHIP TO OUTSIDE LOBBYISTS, TRADE ASSOCIATIONS

24. I noticed that you have retained some outside consultants. Why have you turned to outside consultants for help? (Short-term help? Expertise? Specific connections?)
   a) How does your company select these outside consultants?
   b) Do you typically seek them out or do they seek you out?
   c) How do you know if they are doing a good job?
   d) What are the biggest challenges in managing your consultants?

25. Does your company belong to any trade associations? If so, which ones?
   a) What is your view of trade associations? Describe for me your interactions with trade associations.

26. With these trade associations…
   a) How active is your company? (7-POINT SCALE)
   b) How well do you think the trade associations represent your interests? (7-POINT SCALE)
   c) Are there any problems you have had with trade associations?

27. How important is “association management” (7-POINT SCALE)

V: CHANGES OVER TIME

Now I want to ask you about how things may have changed over time

28. How do you think your profession has changed since you became a Lobbyist?
   a) Have any professional norms changed?
   b) Has the way that companies view politics changed?
29. How much does the party in control of Congress make a difference in how you do your job? (7-POINT SCALE). Explain.

30. How much does the party in control of the Executive Branch make a difference in how you do your job? (7-POINT SCALE). Explain.

31. If you were around for any of these changes, can you describe for me the consequences for how you do your job and what kinds of issues you work on?
   a) Democratic takeover of Congress 2007
   b) Republican takeover of President 2001 (unified Republican control)
   c) Republican takeover of Congress 1995
   d) Democratic takeover of President 1993 (unified Democratic control)

32. Scholars have a lot of theories about what, exactly, a corporation is, but generally we think that a corporation consists of shareholders, managers, workers, and consumers. Generally, policies benefit different constituents in different degrees. Can you tell me to what extent each of these groups stands to gain from your advocacy on this issue: (7-POINT SCALE)
   a) Shareholders
   b) Managers
   c) Workers
   d) Consumers

33. What are your biggest headaches in your work as a Lobbyist?

34. Do the recent changes in ethics rules affect your work? If so, how?

35. Would you make any changes in the federal regulations concerning lobbying?

36. One of the main things I am trying to figure out in my dissertation is why lobbying has been such a growth industry for the last two decades, growing at a consistent clip. Do you have any ideas why this should be the case?

EXITING: Do you have any brochures, pamphlets, reports, or other literature you think I should look at?
FOR TRADE ASSOCIATION REPS

Lobbyists Survey

Note: To be administered in person. This is a general guide. Individual interviews may deviate slightly.

I’d like to ask you a series of questions about your work as a Lobbyist and the work of professional representatives in American national politics generally. Although nothing that I’ll ask will be sensitive, I can assure you that your name will not be used in the write-up (unless otherwise consented to). There are quite a few questions, but most of them can be answered rather quickly so this need not take too long.

I: BACKGROUND

I want to begin by asking you a few questions about your background, how you came to become a Lobbyist, and your general impressions of the profession.

1. Tell me a little bit about your background.
   a. How long have you been with (current association)?
   b. What job did you hold prior to that?
   c. (If answer to (b) is not work in government) Have you ever worked in the federal government? If so, what did you do?
   d. Why did you decide to make the transition to becoming a lobbyist?
   e. How long have you lived in DC? Or do you live in MD or VA?

II: TRADE ASSOCIATION BACKGROUND (Firm reps only)

Now I want to ask you a few questions about your trade association, its history, and how you set priorities. I understand that you may not know all the answers, and if there are things you feel unqualified to answer, I will understand.

2. When and how was your trade association formed? (If you don’t know, does somebody know the history?)

3. Have there been any major changes in the focus of the association since its founding? What about in the last decade? SHOW GRAPH of last 10 years of lobbying expenditures and ask for an explanation

Now I want to ask you some questions about how you interact with your member companies and set priorities.

4. How do you set priorities? Is there an annual meeting? Committees?

5. What is your organizational process for determining whether or not to become active on an issue? (e.g. does some sort of membership board have to approve decisions?)

6. Are there any predictable patterns of disagreement among companies? Are there differences in large vs. medium vs. small companies; union vs. non-union companies? Regional differences? If so, how do you deal with these differences?
   a. Describe for me the communication you undertake.
   b. Has this changed over your time? If so, how?

8. Would you say that all companies are equally active in the trade association? Or do certain companies tend to be the most active? In what ways does activity vary?
   a. If so, do they tend to be of a certain type?
   b. Does this vary from issue to issue? If so, what issues are member companies most likely to be involved/least likely to be involved?
   c. Do you work with company HQ or their Washington reps (or their consultants)?
   d. Has this changed over your time as a Washington representative? If so, how?

9. Companies pay good money to be members? How do you assure them that it is worth it? (If they say “it varies” ask how it varies? By size? If so, ask the question for large companies versus for small companies?)
   a. How much do you have to convince your member companies that they are getting value from your work? (7-POINT SCALE) (again, does this vary, large vs. small)
   b. What things do you do in order to convince your members that they are getting value from your work?

10. How well do your member companies understand the political process? (7-POINT SCALE) (Again, if they say “it varies” ask how it varies? By size? If so, ask the question for large companies versus for small companies?)
    a. What misconceptions, if any, do your member companies have about how politics works in Washington?
    b. Has this changed over your time as a Washington representative? If so, how?

11. Many companies belong to a number of associations. Are there territorial issues among different associations, or do you prefer to work together with other associations?

12. I wonder if you can describe for me the process of finding new association members
    a. What percentage of your time do you spend finding new members?
    b. How do you typically find them? Or do they find you?
    c. Has this changed over your time as a Washington representative? If so, how?

13. Among the companies with which you work, how relevant do you think the following considerations are in deciding to be active to be in national politics? (SEE ATTACHED: 7-POINT SCALE)

14. I noticed that you have retained some outside consultants. Why have you turned to outside consultants for help? (Short-term help? Expertise? Specific connections?)
    a. How does your company select these outside consultants?
    b. Do you typically seek them out or do they seek you out?
    c. How do you know if they are doing a good job?
    d. What are the biggest challenges in managing your consultants?
III: ISSUES AND ACTIVITIES

Now I want to ask you a few questions the issues on which you are working.

Now I want to ask you a few questions about your daily work as a Lobbyist.

15. What issues are currently taking up your time?

(Now go through questions 16 through 23 for a few issues, depending on time and complexity)

16. What is the history of this issue?

17. What is it that you are hoping the government will do?

18. How did your association first learn about this issue?

19. Why did your association decide to become active on this issue? Why is this issue important to your company?

20. Who are your most important allies on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
   a. For members of Congress as allies, ask: why do you think they were interested in working with you on this issue?
   b. For groups – have you worked with these groups before? For how long have you been aligned?

21. If there is a coalition, can you explain the dynamics of the coalition? Why participate in a coalition? What are the advantages, trade-offs?

22. Who are your most important opponents on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
   a. For members of Congress as opponents, ask: why do you think they opposed you on this issue?
   b. For groups – have you been opposed to these groups before? For how long have you been opposed?

23. I’m going to give you a list of tactics (give list on separate sheet of paper). I wonder if you could go through this list and evaluate how important each of the tactics were on this issue? (and identify if there were any other important tactics not included). (SEE APPENDIX)

24. (Following up on the fundraising questions) A lot gets made of the issue of money in politics. What do you think the role of money is?

25. If completed: How was this issue resolved? How satisfied were you with the outcome? Why do you think it turned out the way it did?

26. Roughly, what percentage of issues would you say are proactive versus defensive? Can you give me examples? Has this changed over time?
IV: CHANGES OVER TIME

Now I want to ask you about how things may have changed over time

27. How do you think your profession has changed since you became a Lobbyist?
   a. Have any professional norms changed?
   b. Has the way that companies view politics changed?
   c. Is it harder to do your job? (if so, how/why?)

28. How much does the party in control of Congress make a difference in how you do your job? (7-POINT SCALE) Explain.

29. How much does the party in control of the Executive Branch make a difference in how you do your job? (7-POINT SCALE). Explain.

30. If you were around for any of these changes, can you describe for me the consequences for how you do your job and what kinds of issues you work on?
   a. Democratic takeover of Congress 2007
   b. Republican takeover of President 2001 (unified Republican control)
   c. Republican takeover of Congress 1995
   d. Democratic takeover of President 1993 (unified Democratic control)

31. What are your biggest headaches in your work as a Lobbyist?

32. Do the recent changes in ethics rules affect your work? If so, how?

33. Would you make any changes in the federal regulations concerning lobbying?

34. One of the main things I am trying to figure out in my dissertation is why lobbying has been such a growth industry for the last two decades, growing at a consistent clip. Do you have any ideas why this should be the case?
FOR OUTSIDE CONSULTANTS

Lobbyists Survey

I: BACKGROUND

I want to begin by asking you a few questions about your background, how you came to become a Lobbyist, and your general impressions of the profession.

1. Tell me a little bit about your background.
   a) How long have you been with (current firm)?
   b) What job did you hold prior to that?
   c) (If answer to (b) is not work in government) Have you ever worked in the federal government? If so, what did you do?
   d) Why did you decide to make the transition to becoming a lobbyist?
   e) How long have you lived in DC? Or do you live in MD or VA?

II: WORKING WITH THE CLIENT

I want to stop be asking you a little bit about your relationship with this client, and if there are things you feel unqualified to answer, I will understand.

2. How long have you worked as a consultant for this company?

3. Can you tell me a little bit about how your client decided to hire you?
   a) Did you find them or did they find you?
   b) If you sought them out, how did you convince them that they should retain your services?
   c) Was it to work on a specific issue? Because of a specific area of expertise? Because of a specific contact?

4. Generally, when you sign up new clients, what is the dynamic? What are the biggest challenges? How important is managing expectations and not over-promising?

5. Can you describe the type of contract you have with your client: monthly retainer, hourly rate, contingency fee, or something else?
   • What services do you provide?

6. What is your frequency of contact with your client?
   a) When you report to your client, what kinds of things do you report?
   b) Who do you report to when you report?

7. How well do you think your client company understands the political process? (7-POINT SCALE)
   a) Does your client have any misperceptions about how politics works in Washington? If so, how do you manage that?

8. How does your client evaluate your work on its behalf?
a) How much do you have to convince your clients that they are getting value from your work? (7-POINT SCALE)
b) If you have to convince them, how do you do it?

9. How hard is it to retain clients? How much would you say that your contract with company X feels secure? (7-POINT SCALE)

10. I’m going to suggest some reasons why companies might be active in national politics. I want to know how relevant you think the following considerations are in explaining why your client is active politically? (7-POINT SCALE)

III: ISSUES AND ACTIVITIES

Now I want to ask you a few questions about your work as a Lobbyist on behalf of company X.

11. What issues are you working on for this client?

(Now go through questions 12 through 21 for a few issues, depending on time and complexity)

12. What is the history of this issue?

13. What is it that you are hoping the government will do?

14. How did you or your client first learn about this issue?

15. Why did your client decide to become active on this issue? Why is this issue important to your company?

16. Who are your most important allies on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
   a) For members of Congress as allies, ask: why do you think they were interested in working with you on this issue?
   b) For groups – have you worked with these groups before? For how long have you been aligned?

17. If there is a coalition, can you explain the dynamics of the coalition? Why participate in a coalition? What are the advantages, trade-offs?

18. Who are your most important opponents on this issue? (note whether respondent identifies another group or an elected official first; prompt them to answer the question for both organized interests and members of Congress)
   a) For members of Congress as opponents, ask: why do you think they opposed you on this issue?
   b) For groups – have you been opposed to these groups before? For how long have you been opposed?

19. I’m going to give you a list of tactics (give list on separate sheet of paper). I wonder if you could go through this list and evaluate how important each of the tactics were on this issue? (and identify if there were any other important tactics not included). (SEE APPENDIX)
20. (Following up on the fundraising questions) A lot gets made of the issue of money in politics. What do you think the role of money is?

21. If completed: How was this issue resolved? How satisfied were you with the outcome? Why do you think it turned out the way it did?

IV: THE LOBBYING BUSINESS

Now I am going to ask you a few questions about the lobbying business generally and your firm.

22. You represent a broad range of clients. How do you balance the demands of representing many different clients?

23. Some of your clients have their own Washington offices, while for others you are their Washington office. Can you tell me how those relationships are different, and what the advantages and disadvantages of such arrangements are?

24. Also, for some clients, you are the only consultant they hire, whereas others probably hire several consulting firms. What are the challenges of these different types of arrangements?

25. Do you have any sense of why some companies are more politically-minded than others?

26. * Can you tell me a little about the history of your firm?
   a) When was it started?
   b) How has it grown?
   c) How big is it now?

27. * What is the division of labor? Do you specialize in certain types of issues, or by certain targets?

V: CHANGES OVER TIME

Now I want to ask you about how things may have changed over time.

28. How do you think your profession has changed since you became a Lobbyist?
   a) Have any professional norms changed?
   b) Has the way that companies view politics changed?
   c) Is it harder to do your job? (if so, how/why?)

29. How much does the party in control of Congress make a difference in how you do your job? (7-POINT SCALE) Explain.

30. How much does the party in control of the Executive Branch make a difference in how you do your job? (7-POINT SCALE). Explain.
31. If you were around for any of these changes, can you describe for me the consequences for how you do your job and what kinds of issues you work on?
   a) Democratic takeover of Congress 2007
   b) Republican takeover of President 2001 (unified Republican control)
   c) Republican takeover of Congress 1995
   d) Democratic takeover of President 1993 (unified Democratic control)

32. What are your biggest headaches in your work as a Lobbyist?

33. Do the recent changes in ethics rules affect your work? If so, how?

34. Would you make any changes in the federal regulations concerning lobbying?

35. One of the main things I am trying to figure out in my dissertation is why lobbying has been such a growth industry for the last two decades, growing at a consistent clip. Do you have any ideas why this should be the case?
Appendix B – Issues on which company lobbyists were lobbying.

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Appendix C – Industry categories and regulation breakdown

Industry categorization is an ongoing problem in the economics and finance literature. Peneder (2003), for example, finds no less than 16 distinct schemes for classifying companies into industries, all of which have distinct pros and cons. The most common problem, Peneder notes, is that of “hidden heterogeneity, which regularly prevails within the categories of a certain type.” In general, the goal of all classification schemes is to maximize both within-group homogeneity and between-group heterogeneity (Bailey, 1994).

The most commonly-used industry classification schemes come from the United States Census Bureau. The United States Economic Census has historically assigned companies a 4-digit Standard Industrial Classification (SIC) Code, and starting in 1997, also assigned companies a 6-digit North American Industrial Classification System (NAICS) Code. In each of these codes, the classification groupings become more specific as the digits move from left to right. So, for example, among the SIC codes, all companies whose four-digit codes begin with 4 fall into the category of “Transportation, communications, gas, and sanitary service.” Those who begin with 48 fall into the category of “Communications.” Those codes beginning with 481 cover telephone communications, while those beginning with 483 cover radio and television broadcasting. At the 4-digit level, 4832 covers radio broadcasting, while 4833 covers television broadcasting.

While it is common to group companies into the two-digit or three-digit SIC code, there are some confusions that follow from this approach. One is the problem of over-inclusivity. For example, the telephone and the broadcasting industries, which share the first two digits of an SIC code, tend to have different political interests. For example, there is no overlap between the membership of the Telecommunications Industry Association and the National Association of Broadcasters, despite the proximity of these two groups. There is also the problem of under-inclusivity. For example, retail trade covers multiple two-digit SIC codes (52 covers hardware and garden supply, 53 general merchandise, 54 food stores, and so on). Yet all of these are covered by the National Retail Federation.

My interest was to create an industry categorization scheme that made sense politically, putting companies with similar political interests together as much as possible. I started, therefore, with the trade associations themselves, trying to get a sense of how

companies organized themselves into distinct political interests, and proceeded from there. As much possible, I tried to match those to 2-digit SIC Codes. The scheme is admittedly imperfect. Individual companies often have multiple lines of business and often belong to multiple trade associations (some belong to as many as 20 or 30). And trade associations sometimes bring together companies from multiple industries.

Moreover, within each industry, there are multiple trade associations. Generally, there tend to be one or two big ones, representing the whole industry, and then many smaller ones, representing particular segments of the industry and sometimes particular geographic regions. For example, in what I call the “forest and paper” industry, the American Forest & Paper Association is a major trade association. With an annual budget of $38 million, the association represents members who “grow, harvest, and process wood and wood fiber, manufacture pulp, paper and paperboard products and produce solid wood products” and spends $4 million on lobbying, making it the most active association in the industry. But a brief perusal of associations in the forestry and paper industry also finds many other lesser-known groups representing smaller industry groupings: the Alaska Forest Association; the American Paperboard Packaging Environment Council; the American Plywood Association; the Black Hills Forest Resource Association; the Association of Independent Corrugated Converters; the Envelope Manufacturers Association of America, and several others.

Another slightly complicating factor is that within a given industry, there are sometimes associations known to take on different positions. In the high-tech industry, for example, the Computers and Communications Industry Association is explicit about its political position as unabashedly about open competition – “CCIA promotes open markets, open systems, open networks, and full, fair, and open competition.” As a result, it tends to represent more start-up type companies. The Business Software Alliance, on the other hand, is explicit in its devotion to copyright protection and anti-piracy (Its top priority is “Protecting intellectual property (copyright, patents, tech mandates)”. As a result, it tends to represent many of the larger, more established companies). Both, however, would be classified as high-tech trade associations. Gray and Lowery (1996), for example, suggest that associations stake out certain niches in a process known as “resource partitioning.” Hart (2003) suggests this process is especially intense in the tech industry, with its shifting boundaries and resulting uncertainty.

Finally, one somewhat frustrating consequence of this categorization scheme is that it leaves me with several polyglot categories that are not politically meaningful (misc. shipping and transport, misc. personal services, misc. business services, consulting services, social services, wholesale distribution, hobbies/toys/gambling/sports). These categories are thus too internally heterogeneous to be included in the overall analysis, but too small to be broken up into smaller categories. I was also left with four categories that were too small to fit elsewhere but seemed too sui generis to be shoehorned into another category without doing damage to another category’s internal homogeneity (alcoholic beverages, tobacco products, jewelry and precious metals, and home furnishings). I will exclude these from the overall analysis as well. (Additionally, the tobacco industry is particularly unique in a number of ways, including that its major trade association, the
Tobacco Institute, was forced to shut its doors as part of a major lawsuit against the industry). This still, however, leaves us with a substantial number of observations.
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References


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