

Enlightened Rationality and Policy Instruments: How Business Campaign  
Contributions Influence Congressional Votes

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# **Enlightened Rationality and Indirect Policy Instruments: How Business Campaign Contributions Influence Congressional Votes**

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## **Abstract**

This study re-examines the influence of business campaign contributions on congressional voting behavior. We find that previous empirical work has poorly measured business contributions and has not properly considered the diversity of policy instruments used by Congress to reward benefactors. We correct these methodological problems, and build several indexes of national business policy votes in the 105<sup>th</sup> Congress. These improved measures are used in conjunction with a theory of "enlightened rationality" that predicts legislators will utilize diverse legislative policy instruments to balance benefits and costs associated with rewarding business campaign contributors. This theory is then tested in vote choice models that, in all, account for over fifty business policy votes. Our primary findings are that businesses apparently use campaign contributions to influence favorable regulatory and tax policy votes, and are unable to influence votes on direct government expenditures that benefit business. We find these results to be entirely consistent with an enlightened view of rationality in which members of Congress seek to trade votes for campaign contributions without the appearance of an embarrassing quid pro quo.

## Introduction

Business interests contribute millions of dollars to political candidates during each election season (Drew 1998). Such massive expenditures pose obvious risks to a democracy, since they may distort policy decisions. Surprisingly, most campaign finance scholars have found that no such threat to democracy exists in the United States. Scholarly work on campaign finance has consistently shown business contributions are at best only buying innocuous access to the political process (Chin, Bond, and Geva 2000; Hall and Wayman 1990; Langbein 1986), an occasional vote (Smith 1995), and, perhaps, nothing (Rothanberg 1992). Why, then, are businesses still contributing millions of dollars every election season? In this study we provide an answer to this vexing question.

We start by unpacking past models deployed to explain the relationship between campaign contributors and recipients. In this research, we find a systematic undercount of business contributions, as previous measures failed to include the individual contributions of business executives (Clawson, Neustadt, and Weller 1998, 13-15; Goldstein 1999, 61-62). We also find a highly inconsistent operational definition of business policy with no regard for the full range of policy instruments employed by Congress. Finally, we find only limited consideration of the institutional constraints that bound the relationship between the business contributor and candidate recipient.

In our analysis, we address these shortcomings by utilizing improved measures of business policy and contributions, and by developing a new theory of enlightened rationality that predicts legislators utilize diverse legislative policy instruments to realize the benefits while minimizing the costs associated with business campaign contributions.

Our primary findings are that business campaign contributions influence favorable regulatory and tax policy votes, but do not appear to influence votes on direct expenditures that benefit businesses. These results are entirely consistent with our theory of enlightened rationality.

### **Findings and Concepts in the Literature**

Political scientists have amassed an enormous literature on campaign contributions. One recent study totaled 35 articles in just the area of interest group contributions (Smith 1995, 92). The bulk of this literature has reached the surprising conclusion that contributions do not impact vote choices. In a simple regression analysis of roll call votes in several policy areas, Chappel (1982) found that business and labor contributions have a negligible effect on roll call votes. Evidence of no effect of contributions on votes was confirmed in numerous later studies (e.g. Rothanberg 1992; Vesenka 1989; Wawro 2001; Wayman 1985). An even larger body of literature defends the more nuanced position that contributions generally have no effect on roll-call votes, though in special circumstances a positive effect is observed. The special circumstances under which contributions seem to matter include low vote visibility (Sorauf 1992, 96), narrow policy impact (Stratmann 1992, 663), non-controversial and non-publicized vote choices (Conway 1991), and heavily lobbied votes (Evans 1986).<sup>1</sup> Although these special circumstances allow for some impact of campaign contributions, the underlining theme in both groups of literature is that contributions have a negligible impact on roll call votes.

These general findings are based on two foundational concepts, which we interpret as "systematized concepts" (Adcock and Collier 2001).<sup>2</sup> The first concept is

what scholars define as a business contribution. At first blush, the quantitative literature has varied greatly in its measurement of this concept. For example, Chappel (1982, 80) used specific interest group contributions, Wright (1989, 718) measured donations from a sample of interest groups, Langbein (1986, 1054) used an aggregate measure of non-party, non-individual contributions, and Jones and Keiser (1987, 172) used business PAC contributions. The fact that business contributions were shown to have virtually no effect across each of these measures certainly has supported general claims that contributions have a minor, if any, impact on vote choice (Smith 2000, 123).

Recent qualitative work suggests, however, that these operational definitions of business contributions are under-specified. In interviews with a national sample of corporate PAC executives, Clawson, Neustadt, and Weller (1998, 58-59) found that industry groups often bundled corporate contributions to gain access to lawmakers. Goldstein (1999, 64), in similar qualitative work, found that companies frequently turn to their employees to put grassroots pressure on legislators. Finally, Sorauf (1992, 37) reported that businesses frequently solicit individual campaign contributions from employees. These findings illustrate that the concept of business contribution has been defined very differently in the quantitative and qualitative literatures. We will explore the methodological significance of this difference in a systematic manner in the Results section, but Table 1 makes a sufficient descriptive case that the exclusion of individual contributors with business interests is not a trivial oversight in the quantitative literature. In both the House and Senate, incumbents in the 105<sup>th</sup> Congress received, on average, sizable contributions from both PACs and individuals with business interests.<sup>3</sup>

[Table 1 about here]

The second foundational concept in this literature is what scholars have defined as business policy. One segment of the literature has defined a "business interest" broadly. Neustadt (1990, 562-63) used votes on Superfund, plant closings, and textile import quotas, among others. Criticism that these analyses did not account for important industry differences engendered additional studies that developed a narrower concept of business interests. Stratmann (1992), for instance, focused on agricultural interests and Davis (1993) focused on transportation industries. In these cases, scholars examined a small sample of roll call votes that clearly interested particular groups.

The *concept* of business interest has thus undergone a transition in this literature, from a broad universe of business interests to a more narrow industry specific definition. Along the way, however, the *measurement* of business interest has become convoluted. For instance, should one measure 6 or 35 roll call votes to properly measure a business interest? Further, which industry votes should one measure to capture a representational business interest? In this literature, there is no guide to answer these questions since it has focused on conceptual debates about business interests, which has sidelined or mitigated these basic, though critical, measurement questions.

We re-focus on this issue of measurement, and argue that the evolution of the concept of business interests has yielded two distinct concepts, and not simply improved upon one. The first is a *national business interest*, which embodies a set of basic policy positions favorable to all businesses, such as lower taxes, more subsidies, and favorable regulation.<sup>4</sup> Such interests are directly represented by groups like the U.S. Chamber of Commerce and the National Federation of Independent Businesses, but might also be indirectly represented by the massive choir of voices in the business community

demanding these basic policy positions from government. This concept is characterized by its distinct focus on aggregate indicators, such as the cumulative effect of campaign contributions from the business community.

The second concept is an *individual business interest*, which accounts for business or industry interests that are particularistic, and might very well pit businesses against each other in policy debates over taxes, regulation, and subsidies. Such micro interests are represented by splinter interest groups that advocate insular policy concerns (Bauer, Pool, and Dexter 1963). This second, narrower, concept is distinguished by its focus on micro indicators, such as the impact of campaign contributions from particular business communities or competition between different micro interests.

Both concepts are therefore evaluating very different empirical questions. One is focused on aggregate indicators, macro behaviors, and cumulative influence. The other is focused on individual-level indicators, micro behaviors, and firm or industry level influence. While individual business interests have been measured successfully in numerous studies (Davis 1993; Stratmann 1992), analyses of macro business interests have been less successful. The largest sample of votes in a study of national business interests included over 35 roll call votes (Neustadt 1992), however there is no clear indication or test that illustrates the votes are a good representation of national business interests.<sup>5</sup>

From this overview of the literature, the general finding that business contributions have a negligible effect on voting behavior now looks as though it may be an artifact of measurement problems. Previous work measured business contributions too narrowly and business policy too ambiguously. As a consequence, the true effect of

business contributions on voting behavior may have been obscured by these statistical problems. Before we test to see if this is the case, however, it is first necessary to consider the institution where the relationship between members of Congress and contributors is nurtured. This discussion leads us to make a third break with the literature: we develop a theory that predicts *legislators utilize diverse legislative policy instruments to realize the benefits but minimize the costs associated with business campaign contributions.*

### **Enlightened Political Rationality, Campaign Contributions, and Legislative Instruments**

The “pure” model of economic rationality relies heavily on quid pro quos (Downs 1957). Participants agree to exchanges—money for goods, labor for wages, campaign contributions for policy votes—when each party thinks that benefits will be obtained from the exchange. This simple model of economic rationality fails in the political arena, since public scrutiny and political values bound “pure” rationality, to the extent that the purchasing of quid pro quos, or votes, in the political arena is considered corruption (Lane 1986). It is therefore predictable that legislators will not want to be connected to quid pro quo exchanges with campaign contributors. Members of Congress may risk losing an election if they appear to be “on the take.” Nonetheless, they are also pressed to accept such risks, because of the need for campaign contributions in re-election campaigns and to establish credentials with party leaders (Sorauf 1992, 93-94). The recent case of the Enron debacle merely highlights this political dilemma. Legislators must simultaneously consider the risk of business campaign contributions with their

benefits. We argue that Members resolve this dilemma through a strategy based upon “enlightened rationality.”

According to an enlightened theory of rationality, Members look for ways to reward business contributors with benefits that impose minimal electoral costs. Such a calculus naturally leads Members to consider the diverse costs and benefits associated with various policy instruments. While this is related to theories about the vote consequences of bill visibility (Morton and Cameron 1992; Potters and Sloof 1996), our focus on aggregate indicators leads us to test policy instruments, since the visibility of individual bills is a variable for micro case studies. If visibility does have any effect in the macro studies, a proper index measure should neutralize this effect by striking a balance between high and low profile bills. Moreover, the visibility of a bill can change quickly, based on changing circumstances and media coverage; whereas, the policy instrument employed in a given bill is unequivocal.

We analyze three types of policy instruments: direct expenditures, tax expenditures, and regulatory bills. Direct expenditures send the clearest signal of a quid pro quo relationship, since Members who receive business contributions may fear accusation of an outright exchange of campaign contributions for direct government payouts. This claim is similar to Stein and Bickers (1994) finding that members resist providing direct expenditures for their constituents until their electoral margins become competitive, though the evidence on an electoral connection is admittedly mixed (Frisch 1998; Rivers and Fiorina 1989). Since business contributors generally hail from both inside and outside a member’s constituency, the use of direct expenditures to benefit business contributors presents the highest electoral risk for members of Congress. Direct

expenditures can be tracked to individual members (Frisch 1998), beneficiaries may not be a member's constituents, and the perception of a quid pro quo relationship would confirm voter's suspicion of corrupt elected officials (Lane 1986). We therefore hypothesize that:

H1. *There is no systemic association between Members' reliance on business contributions and support for direct expenditure bills favorable to business interests.*

Regarding bills for business tax expenditures and regulatory relief, we expect to encounter very different results. First, bills that propose tax breaks and favorable regulation of business are not as clear a form of quid pro quo, since there is no dollar for dollar exchange between contributors and members of Congress. In fact, some policymakers even reject the concept that tax expenditures spend government money, since no government check is ever signed (Schick 1986, 9). Second, these instruments tend to be lower profile initiatives that are often not given significant amounts of time for floor debates (Howard 1993, 410; McDaniel 1989, 170-73).<sup>6</sup> Less public debate suggests that the politics of the policy process for these policy instruments is often less visible than in the direct expenditure process.<sup>7</sup> Third, both tax expenditures and regulatory relief appear off budget and are promulgated separately from appropriations (McDaniel 1989, 169), suggesting that they are made politically distinct from direct expenditures. Finally, businesses and their lobbyists recognize these policy instruments as advancing their interests in important ways. Clawson, Neustadt, and Weller (1998) found, for instance, that over 90 percent of their sample of corporate PAC representatives claimed specific tax expenditures as evidence of their success as lobbyists, and found repeated claims that

the "tax code has become the de facto U.S. industrial policy." (70) Thus, our second research hypothesis is:

H2. *There is a positive association between Members' reliance on business campaign contributions and their support for non-expenditure bills favorable to business interests.*

In sum, members of Congress find themselves in a bind when it comes to corporate campaign contributions. They tend to be heavily indebted to business interests for bankrolling their campaigns, yet want to avoid the political damage of a quid pro quo exchange with business interests. The variety of legislative instruments that are available to shape public policy provide the solution for their conundrum. Members vote independently of their corporate sponsors' interests when legislation provides direct government expenditures to business, but reward their business contributors with favorable votes on tax and regulatory policy. In the next section, we describe the data that enable us to test these hypotheses about the relationship between campaign contributions and congressional votes.

## **Methods**

We test our theory of "enlightened rationality" on data from the 105<sup>th</sup> House of Representatives. To develop empirical measures of national business policy, we use roll call votes cast in either House session of the 105<sup>th</sup> Congress that were deemed important to business interests by the national groups that represent or oppose such policy. Our sample of groups included two national business groups (the U.S. Chamber of Commerce

and the National Federation of Independent Businesses) and one citizen group (Taxpayers for Common Sense). Since we are also specifically interested in votes on business tax policy, we included an additional two votes that were deemed by the Joint Committee on Taxation to involve business interests. Using these data, we developed two measures of business policy. The first is an index of thirty-one votes on direct expenditures; the second is an index of twenty-five tax and regulatory policy votes.<sup>8</sup> Coding information and an annotated list of these bills appears in the Appendix.

Both of the vote indexes that we use as dependent variables are internally consistent. The index of thirty-one expenditure votes of interest to business registers a Cronbach's  $\alpha$  of .83, indicating that the value of each item in the scale is reliably predicted by the values of all of the other items (Spector 1992, 32). The  $\alpha$  for the twenty-five item index of non-expenditure votes favorable to business is a resounding .95. Reliability tests of the important vote indexes used in this analysis indicate that they are reliable and internally consistent measures of their respective underlying constructs: expenditure bills that benefit business and non-expenditure bills that benefit business.

Each measure of business policy votes was regressed separately against a quantitative measure of business contributions.<sup>9</sup> We utilized Federal Election Commission (FEC) data on business PACs and individual contributors. PAC data are derived from candidate filings with the Federal Election Commission (FEC), and data on individual contributors includes only large (>\$200) contributions, since smaller contributions (<\$200) are too numerous to code. Since only a few Members receive most of their contributions from small individual donors (e.g., Ron Paul and Bernard Sanders), the statistical effect of this data limitation is likely minimal.

To estimate aggregate contributions from businesses which “bundled” individual contributions, and the amount contributed from more dispersed business interests, we relied on a methodology created by a non-partisan research institute.<sup>10</sup> This methodology utilizes information required by the FEC of candidates that receive contributions from individual contributors. This information is provided on forms that can be used to associate contributors with businesses, unions, and ideological interests, among other groups. Using this information, we calculated the proportion of total business contributions for each incumbent in the 105<sup>th</sup> House of Representatives. Letting P = total contributions from business PACs; I = total contributions from individuals with business interests; and T = the total campaign contributions received by each incumbent, this equation took the following form:

$$\frac{P + I}{T} \quad (1)$$

Using this method, we controlled for the high variance in campaign contribution amounts among House incumbents by confining the variance to a 100-point scale.

Several other variables of interest are included in our models. The first is member ideology, which Wright (1998) among others, has shown to be critical in vote choice models. Like Wright, we use Americans for Democratic Action (ADA) scores as our measure of ideology.<sup>11</sup> Since there is some evidence that members are more likely to provide benefits to their constituents when they face competitive races (Stein and Bickers 1994), we include an electoral margin variable that is the incumbent’s margin of victory in the 1996 election. We also include a dummy variable to control for effects associated with Members who may be more favorably inclined toward business interests because of

their committee assignments.<sup>12</sup> Finally, we include dummy variables for incumbent region to control for different regional levels of support for business interests (Wright 1989). This variable is operationalized by a series of dummy variables, which are derived from region standards established by the National Election Studies (NES).<sup>13</sup>

## Results

### **The Effects of Overall Business Campaign Contributions on Business Votes**

The results of our Ordinary Least Squares (OLS) model estimates are consistent with our “enlightened rationality” hypotheses. Members of Congress who receive a greater proportion of their campaign contributions from business sources are *more likely to support* business interests when bills are *not direct quid pro quos*.

Results from the first two models appear in Table 2. Model 1 tests our first hypothesis, which predicts no systemic association between business contributions and member votes on direct expenditure bills favorable to business. Our results support this hypothesis in full: the contributions coefficient is statistically insignificant. Surprisingly, the political ideology coefficient is also insignificant, which suggests political conservatives, who tend to oppose direct spending by the federal government on most non-defense matters, and political liberals, who tend to oppose government handouts to business, are indistinguishable regarding their overall levels of support for pro-business direct expenditure bills. Two other factors, whether a member sits on a relevant committee or is from the south, do display statistically significant associations with pro-business direct expenditure votes.<sup>14</sup>

[Table 2 about here]

Model 2 tests our second hypothesis, which predicts business contributions will have a positive association with Member votes on bills that provide indirect benefits to business interests. The business contribution coefficient is correctly signed and is significant, which supports Hypothesis 2 in full. Most of the control variables in the Model 2 estimation also display statistically significant effects on the propensity to support pro-business non-expenditure bills.

To interpret these coefficients, we hold each variable constant at their means and calculate first difference scores, which adjust for different measurement scales.<sup>15</sup> A change from a relatively low reliance on corporate campaign contributions (58% of funds) to a high reliance on business contributions (93% of funds) increases the predicted frequency of support for pro-business tax expenditures and regulatory changes by 13%. This predicted effect of business contributions is more than twice as large as a comparable change in seniority, and more than three times as large as the effects for the relevant committee, electoral margin, and two of the region variables. Political ideology has the greatest independent effect on support for business tax breaks, with a first difference score of 46%. Ideology may be the 900-pound gorilla when it comes to explaining votes for indirect government support for business interests; however, corporate campaign contributions appear to play the next most influential role in the policymaking jungle.

### **The Independent Effects of PAC and Individual Contributions on Business Votes**

In the first two models we tested each of our hypotheses using the full contribution variable, which we think is a more valid measure of the concept of business

contributions, since the same businesses that form and contribute to PACs also encourage employees to contribute to campaigns. We now distinguish between these two business contribution measures to estimate the individual statistical effect of each contribution type. The tests that follow will allow us to estimate the significance of an incomplete contributions measure in the extant literature.

[Table 3 about here]

Table 3 contains the coefficients for each type of contributions variable regressed against each vote index. To control for intervening effects, we generate the coefficients by re-running the full models used to test our hypotheses in Table 2.<sup>16</sup> The results suggest that incomplete measures of business contributions have undermined estimates of the true statistical relationship between contributions and congressional votes.

In each model, the substantive impact of business contributions is statistically dependent on the indicators used to measure the business contribution coefficient. If the contribution measure is limited to PAC contributions, Hypothesis 1 is disconfirmed. The coefficients for the business PAC measure are all positive, significant, and predict, *ceteris paribus*, that PAC contributions are associated with pro-business voting records regardless of the policy instrument that is employed. If, on the other hand, we limit the contribution measure to individuals with business interests, the results are more ambiguous. The coefficient on the individual contributions variable in Model 5 is negatively signed, which disconfirms Hypothesis 1. On the other hand, the same variable has a positive coefficient in Model 8. Importantly, coefficients for the incomplete measures of business contributions in Models 7 and 8 are also considerably weaker than the estimate for the full contribution measure reported in Model 6.

All of these results suggest that measurement error in the contributions variables that have been employed by previous analysts has likely biased the conclusions that dominate this important literature.

### Conclusions

Our study has provided new theoretical and methodological answers to the longstanding question as to why business interests regularly contribute hundreds of millions of dollars to candidates every election cycle but appear to gain no policy advantage from their sizeable investment. Our empirical results show that business campaign contributions do have an influence on pro-business tax and regulatory votes--much more than mere access into the policy process or an occasional vote. This finding is consistent with a theory of rational members of Congress acting within the bounds of institutional constraints. Incumbents must minimize the electoral risk of appearing in a quid pro quo relationship with business, but must nonetheless attract large contributions to remain in office and cultivate credentials among party leaders. Such opposing objectives create an incentive for Members to learn how to calculate the costs and benefits associated with the use of various policy instruments.

Our findings from the additional models we presented in Table 3 also suggest that previous claims of no connection between contributions and votes were driven by measurement error. Even as earlier analysts were mistaken to treat *all policy instruments similarly*, as direct expenditures differ from indirect benefits in fundamental ways, they were also mistaken to treat *corporate campaign dollars differently*, depending merely on how the dollars arrived on their doorsteps. The analysis shows that a more complete measure of business contributions, which takes into account both PAC and individual

contributions solicited by businesses, yields substantially more robust results.

Incumbents are more likely to be aware of, and responsive to, their overall dependence on business contributions and less attentive to whether the money was delivered by a PAC or the bundling of individual contributions.

Our study certainly does not close the book on the question of campaign contributions and policymaking. However, it should open a new chapter for more rigorous explorations of this important political and policy issue. Future research should examine whether our enlightened rationality results hold for House members in other Congresses besides the 105<sup>th</sup> and for union contributions as well as donations from business sources. There is also a need to test our theory in the Senate, since the longer terms, larger constituencies, and higher campaign costs may create different incentive structures than in the House. All of these studies will contribute to our understanding of the crucial connection between campaign dollars and public policy, and our resulting evaluation of representation in the democratic process.

**Appendix**  
**Table A1. Annotated Expenditure Bill List**

BILL	DESCRIPTION
H.Amdt 272	On passage of an amendment to limit loans to sugar companies
H.Amdt 273	On passage of an amendment to prohibit types of funding for peanut companies
H.Amdt 227	On passage an amendment that would reduce various Forest Service Funding
H.Amdt 229	On passage of an amendment that would cut funds for Clean Coal Technology
H.Amdt 230	On passage of an amendment that would cut funding for fossil fuel programs
H.Amdt 274	On passage of an amendment to limit grants to businesses and trade associations
H.Amdt 390	On passage of an amendment that would eliminate funding for the Advanced Technology Program
H.Amdt 301	On passage of an amendment to reduce funding for overseas investment
H.Amdt. 271	On passage of an amendment to prohibit subsidization for tobacco businesses
H.Amdt 755	On passage of an amendment to increase funding for the Bureau of Land Management
HR 1385	On passage of the Employment, Training, and Literacy Enhancement Act
H.Con.Res 84	On agreeing to the Budget Resolution for Fiscal Year 1998
HR 1270	On passage of the Nuclear Waste Policy Act
H.Amdt 701	On passage of an amendment that would limit peanut subsidies
H.Amdt. 703	On passage of an amendment that would limit loans to sugar companies
H.Amdt 698	On passage of an amendment that would limit dairy subsidies
H Res. 605	On passage of a resolution for the Department of Transportation 1999 Appropriations
HR 4328	On passage of the Department of Transportation Appropriations
HR 4060	On passage of the 1999 appropriations for energy and water development
H.Amdt. 275	On passage of an amendment to increase reduce tobacco subsidies
H.Amdt 704	On passage of an amendment to limit funds for overseas marketing
H.Amdt 730	On passage of an amendment to reduce loan amounts to companies with foreign entities
HR 2631	On passage of a bill to overturn President's Clinton's veto of military construction in the Military Construction Appropriations Act
HR 4570	On passage of a bill for certain appropriations to the national park service
HR 4193	On passage of a resolution to waive points of order against appropriations for the Department of Interior and related agencies
H Res. 605	On passage of the Department of Transportation appropriations
HR 2400	On agreeing to the Conference Report of the Building Efficient Surface Transportation and Equity Act
HR 2400	On motion related to federal-aid for various transportation programs
HR 2400	On agreeing to a conference report related to federal-aid for various transportation programs
H.Amdt 549	On passage of an amendment to limit authorized highway project funds
H.Amdt 550	On passage of an amendment to reduce funds for various highway projects

Note: All bills are from the 105<sup>th</sup> House of Representatives, and were listed by either the Chamber of Commerce, National Federation of Independent Businesses, Taxpayers for Common Sense or the Joint Committee on Taxation as a business policy vote. Bills were coded as expenditure bills if the bill content included government expenditure.

**Table A2. Annotated Non-Expenditure Bill List**

<b>BILL</b>	<b>DESCRIPTION</b>
HR 992	On passage of the Tucker Act Shuffle Relief Act
HR 3310	On passage of the Small Business Paperwork Reduction Act Amendments
HR 3246	On passage of the Fairness for Small Business and Employees Act
H.Amdt 633	On passage of an amendment that would not exempt certain tax and tariff provisions
HR 3534	On passage of the Mandates Information Act of 1998
HR 3150	On passage of the Bankruptcy Reform Act
HR 2888	On passage of the Sales Incentive Compensation Act
HJ Res.121	On passage of the Disapproving most-favored-nation treatment for China
HR 1689	On passage of the Securities Litigation Uniform Standards Act
HR 3736	On passage of the Workforce Improvement and Protection Act
HR 2621	On passage of the Reciprocal Trade Agreement Authorities Act
HR 1	On passage of Working Families Flexibility Act
HJ Res 79	On passage of the Disapproving most-favored-nation treatment for China
HR 2015	On passage of 1998 Budget Reconciliation (see note below)
HR 2607	On passage of the Sabo (MN) Amendment
HR 1534	On passage of the Private Property Rights Implementation Act
HR 2676	On passage of the Internal Revenue Service Restructuring And Reform Act
H.Amdt 918	On passage of an amendment to stall tax cuts
H.Amdt 207	On passage of an amendment that would target tax cuts
H.Amdt 123	On passage of an amendment to delay tax credits
H.Amdt 126	On passage of an amendment to cut defense spending and limit tax cuts (see note below)
HR 4579	On passage of the Taxpayer Relief Act
H.Amdt. 551	On passage of an amendment to phase out most of the federal gas tax
HJ Res. 62	On passage of the Tax Limitations Amendment
HR 2014	On passage of the Taxpayer Relief Act

Note: All bills are from the 105<sup>th</sup> House of Representatives, and were listed by either the Chamber of Commerce, National Federation of Independent Businesses, Taxpayers for Common Sense or the Joint Committee on Taxation as a business policy vote. Bills were coded as non expenditure bills if the bill content did not appropriate government revenue, or at least one interest organization placed the majority of emphasis in their analysis of the bill (see Archival Data Resources below) on the non-expenditure bill content.

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**Table 1. Mean Business Campaign Contributions in the 105<sup>th</sup> Congress**

<b>Campaign Contribution Sources</b>	<b>House</b>	<b>Senate</b>
Mean aggregate business contributions	\$437,360	\$1,015,518
Mean business PAC contributions	\$219,378	\$665,523
Mean business individuals contributions	\$217,983	\$349,995
Number of cases	435	100

Note: Contribution estimates are based on all business contributions made to incumbents in 1997 and 1998. Several incumbents were excluded from analysis because they either left office before the term ended, or had incomplete data.

**Table 2. Effects of Business Contributions on Pro-Business Votes**

<b>Dependent Variable:</b>	<b>Model 1 Expenditure</b>	<b>Model 2 Non-expenditure</b>	<b>First Difference Non-expenditure</b>
<b>Variable of Interest:</b> Business % of Contributions	.09 (.07)	.38*** (.05)	13.19%
<b>Control Variables:</b> ADA Ideology Score	-.00 (.04)	-.61*** (.03)	-45.90%
Electoral Margin	-.03 (.04)	-.08** (.03)	-3.66%
Seniority (years)	.18 (.12)	-.31*** (.08)	-4.95%
Relevant Committee Member	-4.26** (2.02)	-3.72** (1.44)	-3.32%
Midwest	2.66 (2.67)	3.90** (1.91)	3.41%
South	9.53*** (2.59)	.42 (1.85)	.40%
West	1.55 (2.81)	3.82* (2.00)	3.10%
Constant	51.72*** (6.97)	61.35*** (4.98)	
Adjusted R <sup>2</sup>	.05	.83	
F-Statistic	3.82***	263.78***	
Number of cases	423	423	

Note: Effects are displayed as unstandardized regression coefficients. Standard errors appear in parentheses under coefficients. \* = significant at  $p < .10$  based upon a two-tailed t-test; \*\* =  $p < .05$ ; \*\*\* =  $p < .01$ . First differences are the estimated effects on the dependent variable of a change in the value of the given explanatory variable from one standard deviation below its mean to one standard deviation above its mean, or from 0 to 1 in the case of dummy variables.

**TABLE 3. Effect of Three Business Contribution Measures on Pro-Business Bills**

	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<b>Dependent Variable:</b>	<b>Expenditure</b>			<b>Non Expenditure</b>		
<b>Variables of Interest:</b>						
Total Business % of Contributions	.09 (.07)			.38*** (.05)		
PAC Business % of Contributions		.27*** (.05)			.120* (.04)	
Individual Business % of Contributions			-.22*** (.05)			.07* (.04)
<b>Control Variables:</b>						
ADA Ideology Score	-.00 (.04)	.03 (.03)	-.05** (.03)	-.61*** (.03)	-.71*** (.02)	-.73*** (.02)
Electoral Margin	-.03 (.04)	-.03 (.04)	-.01 (.04)	-.08** (.03)	-.05 (.03)	-.05 (.03)
Seniority (years)	.18 (.12)	.09 (.12)	.12 (.12)	-.31*** (.08)	-.34*** (.09)	-.27*** (.09)
Relevant Committee Member	-4.26** (2.02)	-7.10*** (2.02)	-5.30*** (1.97)	-3.72** (1.44)	-3.12** (1.56)	-1.12 (1.52)
Constant	51.72*** (6.97)	49.16*** (3.34)	69.94*** (3.69)	61.35*** (4.98)	90.25*** (2.61)	91.54*** (2.85)
Adjusted R <sup>2</sup>	.05	.11	.09	.83	.82	.81
F-Statistic	3.82***	7.38***	6.16***	263.78***	233.58***	229.43***
Number of cases	423	423	423	423	423	423

Note: Effects are displayed as unstandardized regression coefficients. Standard errors appear in parentheses under coefficients. \* = significant at  $p < .10$  based upon a two-tailed t-test; \*\* =  $p < .05$ ; \*\*\* =  $p < .01$ . Region control variables are admitted due to space constraints – coefficient estimates are available from authors. We operationalize the new contribution measures in the same manner we operate the total campaign contributions variable – for instance, PAC contributions were divided into total campaign contributions to derive a proportion of total business PAC contributions to all contributions.

## Notes

<sup>1</sup> For a more extensive review of this literature see Smith (1995, 91-97).

<sup>2</sup> Adcock and Collier (2001) distinguish between background and systematized concepts for the purposes of establishing measurement validity. In the analysis at hand, we follow their lead in focusing on the systematized concepts in this literature and not the background concepts. Therefore in the analysis that follows, we ask the question "Has this literature properly measured business contributions," and not "Are contributions a proper measure of influence." We leave the later question for further debate and research, as extant literature has, but in no way think it is any less of an important question to consider. By focusing on the systematized concept, however, we will be able to more clearly focus our "friendly amendments" on previous work.

<sup>3</sup> The weight of PAC contributions from businesses would likely diminish even further if we included statistics on indirect expenditures, such as soft money and issue advertisement. Our focus is exclusively on direct contributions, however.

<sup>4</sup> Stigler (1971) and Peltzman (1976) argue that business interests actually lobby for regulation to keep competitors from entering the marketplace. Nonetheless, the interest organizations that lobby on behalf of national, or macro business interests, such as the U.S. Chamber of Commerce or the National Federation of Independent Businesses, consistently take positions in the published literature we reviewed that suggest less regulation is generally preferred by national business interests to more regulation. We do recognize, however, that micro business interests likely do lobby on more narrow regulatory issues of the type put forth by Stigler and Peltzman.

<sup>5</sup> Mark Smith (2000) provides good examples and analyses of other political dimensions to national business interests.

<sup>6</sup> There are important exceptions to this claim; see for instance Suarez (2000) for examples of both high and low visibility tax bills. But, as McDaniels (1989) makes clear, tax expenditure policy is often tucked away in omnibus bills that rarely are subject to visible debate or registered conflict. And, the visibility that is given to these bills is often diffused through a variety of interest frames, so it may not be enough to specify visibility as if political actors react to it in a single-issue vacuum.

<sup>7</sup> See Howell (n.d.) for a parallel application of similar reasoning to the field of presidential decision making. In his pioneering study, he concludes that presidents increasingly rely on executive orders to accomplish their policy objectives, since it is perfectly rational for them to employ this path of least political resistance

<sup>8</sup> This literature has used both index scores in OLS or GLS regression models, and individual votes in a variety of maximum likelihood models. Since we are interested in measuring a national business interest, and not individual business interests, we use the index score, which will more directly test the macro behavior we theorize about, and will relate more closely with the macro indicators we test.

<sup>9</sup> By treating our contribution variable (X) as a predictor of our business policy index (Y), we do not control for the possibility that campaign contributions may be endogenous. Since businesses might reward members of Congress for past pro-business votes, votes could be causing

contributions instead of contributions causing votes. This threat that the explanatory variable of interest and dependent variable simultaneously determine each other is mitigated by the fact that we are interested in the different effect of contributions on expenditure versus non-expenditure bills. If simultaneity were driving our results, we would expect there to be no difference in these observed effects, since it is not conceivable that business contributors only reward members who previously provided benefits with nonexpenditures, for example, but do not reward members who provided benefits via direct expenditures. On the other hand, we have provided strong theoretical reasons for why members might only reward contributors with nonexpenditures, and not with expenditures. If Members do try to use their votes to buy future contributions, it would also be unclear why institutions heavily lobby both allies and adversaries (Hojnacki and Kimball 1998; Smith 1993) or fence-sitters (Wright 1990), and contribute evenly to both parties in spite of established partisan disparities in business support (Smith 2000, 123-24).

<sup>10</sup> The Center For Responsive Politics, <http://www.opensecrets.org>

<sup>11</sup> The inclusion of a party affiliation dummy variable in the models produces extreme collinearity with the ADA score variable. Since the ADA score represents a more “global” measure of innate policy preferences, and is a much better predictor of voting behavior than is party affiliation, we decided to rely exclusively on ADA scores to control for ideological preferences.

<sup>12</sup> Although every committee could potentially look favorably upon business, we selected three that specifically handle business policymaking: Commerce, Small Business, and Ways and Means.

<sup>13</sup> In the over 35 articles that have been published in this area, there has been a wide, though inconsistent, range of model variables used. While many of these variables are important micro indicators of vote decisions, our focus on national interests requires a model of aggregate indicators. We also feel safe in our assumption that our indexes of over fifty roll call votes likely controls for some of these factors (due to the Frequentist’s law of large numbers), like low vote visibility (Sorauf 1992), narrow vote impact (Stratmann 1992), non-controversial and non-publicized vote choices (Conway 1991), and heavily lobbied votes (Evans 1986). Others, like constituent interest density (Stratmann 1992; Coughlin 1985) pose more difficulties, though, again, our focus on macro indicators should mitigate this variable’s influence; and we include a region variable to account for some of these effects.

<sup>14</sup> Although we have no theoretical reasons to suspect nonlinearity problems, since the model performance statistics for the direct expenditure model are so dismal, we ran a series of basic scatter plots to check for nonlinear relationships between the predictor and the independent variables. We found no support for an alternative model specification.

<sup>15</sup> These first difference scores measure the predicted change in the dependent variable brought about by a change in the value of an explanatory variable from one standard deviation below its mean to one standard deviation above its mean. For dummy variables, the first differences represent the change in the predicted value of the dependent variable brought about by a change in its value from 0 to 1. In all cases, the values of the other variables in the model are held constant at their respective means.

<sup>16</sup> Gujarati (1995, 470) highlights other statistical methods that have been deployed to explain the significance of measurement error, though these tend to be specific to the analysis at hand,

freighted with restrictive assumptions, and ultimately, not very satisfactory. Kennedy (1998, 141) proposes a weighted regression statistic, determined by the ratio of the OLS residual error (vertical distance) and the measurement error residual (horizontal error), but concedes that these statistics are usually not simultaneously known. We therefore proceed to estimate measurement error with a relatively simple analysis of different OLS coefficients, which will allow us to speculate about the true measurement error. However, we think that analyzing the adequacy of the indicators used to measure the systematized concept, as we did in the literature review section, clearly makes the case that measurement error has plagued previous measures of campaign contributions.