

ESSAYS ON INTERGOVERNMENTAL LOBBYING IN AMERICA

A Dissertation

by

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## ABSTRACT

What determines a subnational government's participation in lobbying the federal government? Why do some subnational governments invest more resources in lobbying the federal government than others? Given a multi-level federalist government structure in the United States, how do the lobbying decisions of local governments affect the lobbying decisions of state governments? Extant research in social science has widely discussed the dynamics of lobbying in the private sector. However, governments lobby governments, too. In the United States, intergovernmental lobbying is an important strategy for subnational governments to obtain resources from and influence policies in a higher-level government. Hundreds of subnational governments directly lobby the federal government and thousands of local governments choose to lobby their state governments each year. Yet, extant research offers little theoretical leverage and even less systematic empirical evidence on what happens when governments lobby governments. The major research goal of this dissertation is to identify and systematically test the determinants of subnational decisions regarding lobbying the federal government on the supply side of public goods.

The dissertation mainly consists of three quantitative essays that focus on the formal lobbying activities of subnational governments. The first essay, "Executive Institutions and Formal Lobbying Activities of American City Governments," points out that, compared to city governments with political executives, city governments with professional executives are more likely to participate in and spend on hiring professional

lobbyists to lobby the federal government. The second essay, “Legislative Professionalism and State Formal Lobbying Activities,” provides evidence that legislative professionalism contributes to state lobbying activities. The third essay, “Bottom-Up Federalism of Formal Lobbying Spending,” borrows the theory of bottom-up federalism in policy diffusion literature and shows when local governments within a state increase their investments in formally lobbying the federal government, the state government increases its investment in formally lobbying the federal government, too. This dissertation contributes to public administration, public policy, and political science literature by offering theoretical and empirical insights into the supply-side factors that influence subnational policymaking, intergovernmental relations, and democratic representation.

## DEDICATION

To my family

## ACKNOWLEDGEMENTS

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## CONTRIBUTORS AND FUNDING SOURCES

### **Contributors**

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## NOMENCLATURE

AGRP	Association of Government Relations Professionals
AIC	Akaike Information Criterion
BEA	Bureau of Economic Analysis
BIC	Bayesian Information Criterion
BLS	Bureau of Labor Statistics
CRP	Center for Responsive Politics
CSG	Council of State Governments
CUSHR	Clerk of the United States House of Representatives
EVL	Exit, Voice and Loyalty
FE	Fixed Effects
GMM	Generalized Method of Moments
HLOGA	Honest Leadership and Open Government Act
HRPP	Human Research Protection Program
ICMA	International City/County Management Association
IPW	Inverse-Probability Weighting
LDA	Lobbying Disclosure Act
MDS	Multidimensional Scaling
NAC	National Association of Counties
NCSL	National Conference of State Legislatures
NGC	National Governors' Conference



NLC	National Leagues of Cities
OLS	Ordinary Least Squares
PSM	Propensity Score Matching
SUSS	Secretary of the United States Senate
USCM	United States Conference of Mayors

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## CHAPTER I

### INTRODUCTION

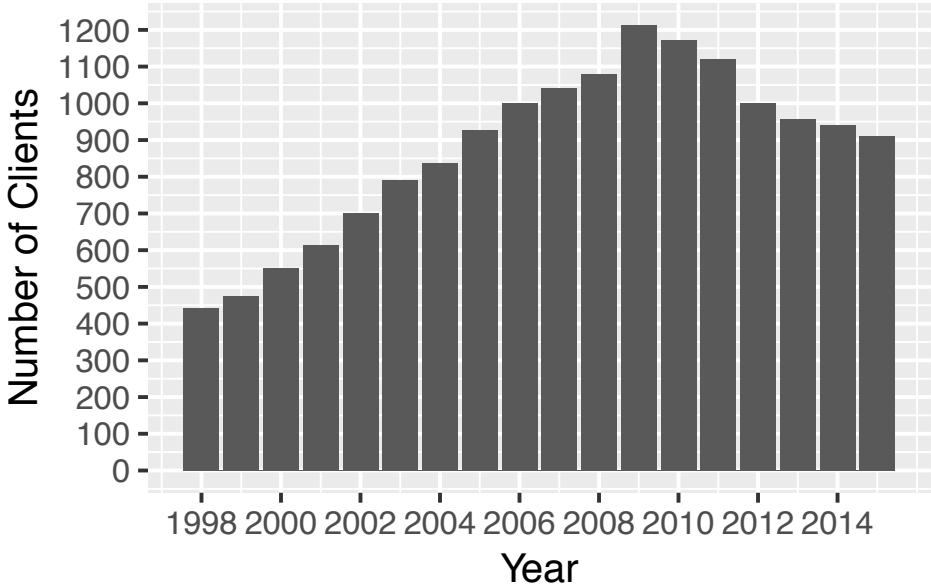
Lobbying refers to “the transfer of information in private meetings and venues between interest groups and politicians, their staffs, and agents” (De Figueiredo and Richter 2014). To achieve the goal of influencing public officials, interest groups can either hire professional lobbyists or lobby them directly (Gray and Lowery 1996; Walker 1983, 1991). More than 900 subnational governments have annually spent around 70 million dollars on hiring professional lobbyists to make lobbying contacts with federal officials in Washington in recent years (see Figure I-1 and Figure I-2). In general, intergovernmental lobbying<sup>1</sup> has become an important strategy for subnational governments to obtain resources from and influence policies in the federal government (Martin 1990; Nixon 1944; Pelissero and England 1987).

Nevertheless, the lobbying activities of subnational governments remain poorly understood. The following questions still have not been adequately explored and explained: What determines a subnational government’s participation in lobbying the federal government? Why do some subnational governments invest more resources in lobbying the federal government than others? Given a multi-level federalist government structure in the United States, how do the lobbying decisions of local governments affect the lobbying decisions of state governments? The major research goal of this dissertation

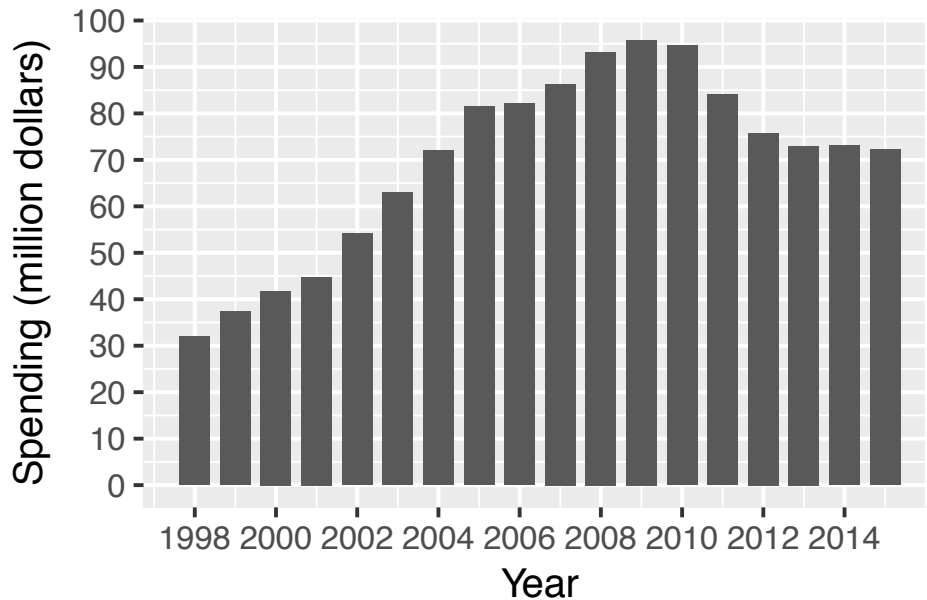
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<sup>1</sup> In this dissertation, intergovernmental lobbying only refers to the lobbying contacts between different governments and does not include interbranch lobbying within a government unless otherwise stated.

is to shed new light on these questions by identifying and systematically testing the determinants of subnational lobbying decisions on the supply side of public goods.



**Figure I-1 The Annual Number of Subnational Governments that Lobbied the Federal Government**



**Figure I-2 The Annual Federal Lobbying Spending of Subnational Governments**

Understanding the logic of intergovernmental lobbying is important because it has important theoretical, normative, and practical implications. On the theory side, existing literature mainly focuses on lobbying activities by private groups, systematic analysis of intergovernmental lobbying is rare. Exploring the origins of intergovernmental lobbying can help us form a better understanding of government policymaking, fiscal efficiency, and intergovernmental relations (Jensen 2018), important theoretical topics in public administration, public policy, and political science. On the normative side, intergovernmental lobbying may significantly affect socioeconomic equity. In the literature on private lobbying, an important concern of the private interest groups is that citizens with more money and better political connections may exert more influence than others (Hayes 1981; Schattschneider 1975). Similarly, as



subnational governments tend to have the incentives to influence the process of intergovernmental resource allocation through lobbying, the current democratic representation system might also favor certain subnational governments and strengthen political, economic, and social inequity across jurisdictions. Finally, on the practice side, as previous literature shows, some subnational governments tend to have an undue advantage over other governments regarding lobbying (Goldstein and You 2017; Payson Forthcoming). A theoretical and empirical analysis of the determinants of intergovernmental lobbying can help reformers more effectively regulate lobbying activities and limit the unequal distribution of access to federal officials among subnational governments.

### **Literature Review**

There are two general approaches to studying lobbying in the existing literature. The first approach focuses on the strategies or consequences of lobbying. For instance, formal theorists have modeled lobbying as vote buying, informative signaling, or legislative subsidy (Hall and Deardorff 2006). Empiricists have tested the effects of lobbying on policy decisions, earmark appropriations or shareholder value (Borisov, Goldman and Gupta 2016; De Figueiredo and Silverman 2006; Haeder and Yackee 2015; Kollman 1997; Yackee 2006; Yackee and Yackee 2006). Normative researchers argue that interest group politics could undermine political equity and the interests of broad publics (Hayes 1981, 1992; Schlozman 1984).

The second approach to studying lobbying focuses on the origins of lobbying activities. For instance, from the perspective of collective action, Olson (1965) points out that lobbying activities are the by-products of organizations that are designed for other economic or social functions. Particularly, these organizations should “(1) have the authority and capacity to be coercive, or (2) have a source of positive inducements that they can offer the individuals in a latent group (Olson 1965, p. 133).” Similarly, based on Hirschman’s (1970) Exit, Voice and Loyalty (EVL) framework, Clark, Golder, and Golder (2017) develop a formal model and provide another explanation for citizens’ choices of lobbying. Their EVL model with complete information suggests that sufficiently powerful citizens (with credible exit threat) need not lobby because the government has already allocated enough resources to them. The citizens that lack power (without credible exit threat) choose not to lobby because they know that the government will ignore them.

These explanations, although mainly developed based on private groups’ lobbying activities and simplistic assumptions, provide us with important insights into the incentives behind lobbying activities. Nevertheless, we still need to account for the specific institutional incentives, capacity, and opportunities in the public sector if we want to develop an intuitive explanation for the activities of intergovernmental lobbying.

Although much less scholarly attention is paid to public lobbying compared to private lobbying, qualitative research on intergovernmental lobbying has persisted for decades. For instance, American politics researchers have provided broad descriptions of the lobbying function of the *big seven* (including the U.S. Conference of Mayors or

USCM, the International City/County Management Association or ICMA, the National Leagues of Cities or NLC, the National Governors' Conference or NGC, the National Association of Counties or NAC, the Council of State Governments or CSG, and the National Conference of State Legislatures or NCSL) or subnational governments' lobbying offices in Washington, D.C. (Brooks 1961; Cammisa 1995; Farkas 1971; Haider 1974; Hays 1991; Herian 2011; Jensen 2016; Jensen and Emery 2011; Palazzolo and McCarthy 2005). These qualitative studies may help us understand the history or operations of government lobbying activities, but they cannot help us systematically identify the determinants of government lobbying decisions with rigorous and explicit research design. The general lack of quantitative research further limits the development of theoretical explanations for intergovernmental lobbying and our understanding of more general topics, such as subnational government decisions, fiscal efficiency, intergovernmental interactions, and socioeconomic equity.

Some quantitative studies on intergovernmental lobbying have appeared in recent years due to the increasing availability of professional lobbying data. After the U.S. Congress approved the Lobbying Disclosure Act (LDA) in 1995, all professional lobbying contacts with an expense higher than 10, 000 dollars were required to be registered. The Clerk of the United States House of Representatives (CUSHR) and the Secretary of the United States Senate (SUSS) are responsible for the registration, filing, and compilation of reports submitted by the lobbyists (Straus 2017).<sup>2</sup> Some watchdog

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<sup>2</sup> The searchable LDA database of the Clerk of the House:  
<http://disclosures.house.gov/ld/ldsearch.aspx> Date accessed: August 25, 2018.

organizations (e.g., Center for Responsive Politics or CRP) collected, digitized and classified millions of these lobbying reports and created a publicly available lobbying database.<sup>3</sup> Based on CRP's database, Loftis and Kettler (2015) analyze the lobbying activities of 498 cities between 1998 and 2008 and find that economic distress (measured by city unemployment rate) pushes cities to lobby the federal government and the competitiveness of congressional districts is positively associated with lobbying spending. Goldstein and You (2017) build a dataset of cities with populations over 25, 000 between 1999 and 2012 and argue that the underprovision of public goods increases cities' participation and investment in lobbying the federal government. Payson (Forthcoming) analyzes a dataset of all cities in 50 states with a population over 1, 000 in 2007 and 2012 and a dataset of 467 cities in California from 2002 to 2015, and finds that cities' participation in lobbying the state governments increase state transfer to cities by around 8%.

The existing explanations for government lobbying choices are mainly proposed on the demand side of local public goods. For instance, both Loftis and Kettler (2015) and Goldstein and You (2017) argue that local governments increase their lobbying investments because they need to pursue extra resources from the federal government to meet the demands of local citizens. However, presumably, every rational subnational government would prefer more resources from the federal government despite the level

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The searchable LDA database of the Secretary of the Senate:  
[https://www.senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.htm](https://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm) Date accessed: August 25, 2018.

<sup>3</sup> Center for Responsive Politics: <https://www.opensecrets.org/lobby/> Date accessed: March 1, 2018.

of public demands. Why do not all cities choose to lobby? Why do some subnational governments invest more resources in lobbying the federal government than others? A key unstated assumption behind these demand-based explanations is that local governments serve as a unitary actor that only seeks to satisfy public demands. Therefore, the incentives and constraints of policymakers on the supply side of local public goods are ignored. Besides demand-based explanations, we need supply-side explanations to fully answer these questions. The goal of this dissertation is to develop and test supply-side explanations.

Further, there are two types of lobbying activities: formal and informal (Jensen 2018). Formal lobbying refers to the process that clients hire professional lobbyists to make lobbying contacts with government officials. For instance, LDA defines a lobbyist as an individual who makes at least a lobbying contact in a quarterly period, is compensated, and spends at least 20% of her time on lobbying activities (Straus 2015). Informal lobbying refers to the process that clients directly contact government officials through informal contacts, such as private letters, phone calls or meetings.<sup>4</sup> Previous empirical research tends not to explicitly differentiate between formal and informal lobbying activities (e.g., Goldstein and You 2017; Loftis and Kettler 2015), and ignores the possibility that the independent variables may have differential impacts on formal or informal lobbying activities. The fact that the theoretical concept of lobbying is much

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<sup>4</sup> “Incidental lobbying” or “shadow lobbying” (as commonly defined by national and state lobbying laws) may also be viewed as a form of informal lobbying since they refer to the activities that a person engages in lobbying activities for only a few hours or makes only a few lobbying expenditures and, therefore, is not required to register as a lobbyist (Akiashvili et al. 2018; LaPira 2015).

broader than the operationalized measure of formal lobbying in previous research also suggests that previous empirical analysis may suffer from the unstated problems of measurement errors or omitted variable bias.

This dissertation explicitly limits the analysis of intergovernmental lobbying to formal lobbying to avoid unnecessary theoretical or empirical confusion. There are several reasons for this choice. First, it is difficult (or impossible) to systematically collect and analyze informal lobbying activities, as the participants of informal lobbying are not likely to publicly report the details of their activities. By contrast, studying formal lobbying activities is a more practical way of conducting systematic analysis and statistical inference and gaining convincing theoretical or empirical insights.

Second, in general, despite its lower visibility in politics, informal lobbying may also not be as effective as formal lobbying. Federal officials tend to have limited knowledge of each specific policy issue, and limited attention, time or resources to be allocated for various policy issues (Alesina and Tabellini 2007, 2008; Wilensky 2015). A direct informal contact with a federal official may serve the function of political signaling. However, these informal contacts are not likely to have a substantive effect without hiring professional lobbyists, who are familiar with federal policy issues, policy schedules and have abundant political contacts, to provide the corresponding legislative subsidy (see more discussion later). Of course, the existence of informal lobbying can create some empirical concerns (e.g., measurement error or omitted variable bias) for the analysis of formal lobbying activities. I will address these issues in later chapters.

## Qualitative Observations

Understanding how lobbying works in practice is important in developing theoretical arguments and implementing the design of empirical research (De Figueiredo and Richter 2014). Therefore, to substantiate my understanding of professional lobbying activities in practice, I went to Washington D.C. to observe how local officials lobby federal officials with the help of professional lobbyists in the Spring of 2018. Thanks to the opportunity recommended by Dr. Manuel P. Teodoro, I conducted a series of field observations and qualitative interviews with local officials and professional lobbyists from private lobbying firms,<sup>5</sup> which helped me form a deeper understanding of intergovernmental lobbying with the first-hand experience.

A common myth of the professional lobbying industry might be that lobbyists spend most of their time having fancy dinners with politicians and trying to shape politicians' policy positions immediately through direct persuasion or interest exchange. However, in real life, most professional lobbyists have to spend most of their time researching legislation or administrative matters, strategy sessions, telephone calls, and preparation for lobbying communications. Lobbyists also need to figure out the congressional policy schedule (e.g., the expiration date of bills), federal officials or

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<sup>5</sup> The Human Research Protection Program (HRPP) at Texas A&M University determined on 05/10/2018 that this research meets the criteria for exemption in accordance with 45 CFR 46.101(b) under Category 2: "Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior unless, the information is obtained in an identifiable manner and any disclosure of the subjects responses outside of research could reasonably place the subject at risk." IRB ID: IRB2018-0430M. Reference Number: 075503.

staffs' personal schedule, funding availability, and federal officials' policy positions. In fact, according to my interviews, private lobbyists that work for local governments tend to identify themselves as “babysitters” or “city employees.”

Moreover, as politicians are extremely busy (e.g., floor votes, committee votes, or hundreds of meeting requests a day) and do not have enough knowledge on specific policy issues, the most common form of lobbying occurs through delivering policy information or proposals to the staffs working in politicians' office. For instance, during my trip on the Capitol Hill, I observed that local officials from Texas only had 30 seconds to take a photo with Senator John Cornyn during the Senators' weekly meeting with his supporters, called Texas Thursday Coffee.<sup>6</sup> During the typical formal lobbying process, local officials and lobbyists only have around 15 minutes to communicate policy messages (e.g., policy background, actions requested, suggested legislative language, and issue importance in each federal official's electoral district) with a staff assistant, legislative correspondent, or legislative director from the office of a representative or a Senator.<sup>7</sup>

The legislative staffs who work for the federal officials tend to have professional knowledge regarding a specific policy issue and they are the ones who really draft the policy documents for federal officials. Therefore, a direct lobbying contact with a legislative staff is not necessarily less effective than direct communication with a federal official. Of course, lobbyists need to adjust lobbying languages and strategies based on

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<sup>6</sup> A photo can be found here: <https://twitter.com/txawwa/status/986974759551422465>. Date posted on Twitter: April 19, 2018.

<sup>7</sup> As Baumgartner et al. (2009, p. 22) suggest, “Attention in Washington is scarce.”



the characteristics of each congressional district and the policy position of each federal official. However, an informal common rule of the formal lobbying process is that the conversations between local officials, lobbyists, and legislative staffs should stay on the main policy message and does not include campaign donations or other topics that may imply direct interest exchange.

Based on these field observations and qualitative interviews, I notice that professional lobbying service has several typical characteristics. First, the price of hiring a professional lobbyist is closely associated with his or her political connections or policy expertise. Due to this reason, many lobbyists choose to work as a staff in the Congress to establish political connections before they work for the lobbying firms. Also, lobbyists tend to have an academic degree in political science, public policy, or economics and they spend years studying one or several specific policy issues (e.g., transportation, education, or defense) and become experts on these issues in Washington politics.

Second, hiring professional lobbyists involve transaction costs for the clients. Information asymmetry is commonplace in the lobbying market. Simply paying a lobbyist a lump sum and ask him or her to lobby may lead to moral hazard such as the 2006 Jack Abramoff Native American Lobbying Scandal, in which lobbyists successfully overbilled and then secretly lobbied against their clients due to the lack of supervision (Abramoff 2011). Besides the direct cost of hiring a lobbyist, a client often needs to spend additional time and resources identifying an appropriate lobbyist with relevant expertise and connections, negotiating a price, coordinating with a lobbyist in

terms of designing policy proposals or making lobbying contacts and monitoring the activities of a lobbyist.

Third, the professional lobbying service does not guarantee a quick payoff. Based on my own observations in D.C. and the existing literature (Kingdon 1984; Nownes 2006; Straus 2015), I realize that the most direct purpose of lobbying is to keep federal officials informed of local government policy issues (i.e., brand building) and to track their sentiment for certain issues. The choice of lobbying issues depends on congressional schedules or the emergence of “policy windows,” such as the expiration date of bills (e.g. farm bill renews in every five years) and funding availability. In general, the benefits of professional lobbying tend to be produced in the long run.

Although this qualitative evidence does not directly constitute my empirical essays, they, combined with qualitative evidence in existing lobbying literature, provide necessary contextual information for my research topic. More importantly, this qualitative evidence helps me develop logically consistent and empirically convincing theoretical arguments and research designs throughout my dissertation.

### **Overview of Chapters**

This dissertation provides theoretical and empirical evidence that supply-side factors matter in intergovernmental lobbying. Specifically, in Chapter II, I propose that, compared to cities with political executives (i.e., mayor-council cities), cities with professional executives (i.e., council-manager cities) are more likely to participate in and spend more money on hiring professional lobbyists to lobby the federal officials. In

terms of motivations, compared to the political executives, professional executives have longer time horizon or a lower discount rate due to their job stability and lifelong career, thus having higher expected returns on lobbying investment. Meanwhile, compared to the political executives whose attention is largely concentrated on reelections, professional executives are more capable of overcoming the transaction costs involved in lobbying (e.g., identifying local policy demands or coordinating with lobbyists and federal officials to prepare policy proposals) due to their previous professional training and experience in public policy and government management. An analysis of more than 1,200 cities between 1999 and 2012 confirms the key hypotheses.

In Chapter III, I argue that legislative professionalism is positively associated with state governments' participation or investments in formally lobbying the federal government. More professional state legislatures have more political channels to collect information from voters and are more likely to represent the preferences of the median voters. Thus, state policymakers in a highly professional state legislature are more likely to allocate resources for lobbying the federal government to pursue additional federal resources to meet the demands of median voters. In addition, state governments with a high level of legislative professionalism will have more resources necessary for overcoming the transaction costs involved in employing professional lobbyists and thus have more access to lobbying service. I support the hypotheses with evidence from a panel dataset covering all 50 states from 1999 to 2011.

In Chapter IV, building on Shipan and Volden's (2006) analysis of local-to-state policy diffusion, I point out that bottom-up federalism also exists in intergovernmental

formal lobbying and the intensity of local governments lobbying the federal government may have two distinct types of impacts on the intensity of state governments lobbying the federal government: the snowball effect and the pressure valve effect. Regarding the snowball effect, local lobbying spending may increase state lobbying spending through increasing the salience of lobbying as a policy tool, producing negative externalities among local governments, or escalating the competition for scarce federal funding between state and local governments. With respect to the pressure valve effect, local lobbying spending may decrease state lobbying spending by obtaining additional resources to successfully meet the demands of local voters and groups and, therefore, decreasing the policy pressures on state-level policymakers. Using a dataset of all 50 states from 1999 to 2011, I find evidence that local lobbying spending increases state lobbying spending (through a snowball effect) after controlling for political, financial, and demographic characteristics.

In Chapter V, I conclude this dissertation by highlighting the main findings, discussing theoretical and practical implications, and pointing out the potential directions for future research.

CHAPTER II  
EXECUTIVE INSTITUTIONS AND FORMAL LOBBYING ACTIVITIES OF  
AMERICAN CITY GOVERNMENTS

**Introduction**

Lobbying refers to "the transfer of information in private meetings and venues between interest groups and politicians, their staffs, and agents" (De Figueiredo and Richter 2014). The right of individuals, groups, and corporations to lobby the federal government was supported by the founding fathers of the United States such as James Madison in the *Federalist Papers* in 1788 and later formally protected by the right to petition in the First Amendment to the United States Constitution in 1791. To achieve the goal of influencing public officials, interest groups can either informally lobby them directly or formally hire professional lobbyists (Gray and Lowery 2000).

Local governments are active players in the process of formally lobbying the American federal government. In the last ten years, at least 300 city governments submitted at least one formal lobbying report under the Lobbying Disclosure Act each year. These local governments have spent tens of millions of dollars on formally lobbying the federal government annually. Like interest groups in the private sector, local governments have their own special interests in terms of funding, policies, or autonomy (Farkas 1971). In general, intergovernmental formal lobbying has become an important strategy for subnational governments to obtain resources from and influence policies in the federal government. Nevertheless, the dynamics behind local

governments lobbying decisions remain poorly understood, and the following questions still have not been adequately explored and explained: What determines a local government's participation in formally lobbying the federal government? Why do some local governments invest more resources in formally lobbying the federal government than others?

Understanding intergovernmental formal lobbying is important in both theoretical and practical senses. As a form of intergovernmental interaction, formal lobbying can potentially influence the relations between different governments. The exploration of local governments' participation and investment in intergovernmental formal lobbying can provide scholarly foundations for identifying the origins of intergovernmental relations. Moreover, different from typical local public projects (e.g., parks, roads or schools), lobbying activities are largely invisible and lobbying benefits are highly uncertain and tend to be produced in the long run. Studying local leaders' decisions on intergovernmental formal lobbying can shed new light on how and why local governments allocate resources for this type of expenditure. Further, intergovernmental formal lobbying may determine who have more voice in national politics and shapes the operation of democratic representation<sup>8</sup> and the distribution of federal resources in the country. Therefore, intergovernmental formal lobbying may significantly influence social equity.

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<sup>8</sup> E.g., the roles of paid representation versus elected representation in shaping the legitimacy of government.

Previous interest group literature mainly focuses on the negotiations between citizens (including individuals, private business groups and non-profit organizations) or negotiations between citizens and governments, and treat local governments as if they were just another interest groups composed of citizens (Dekel, Jackson, and Wolinsky 2009; Olson 1965; Stigler 1971) and, therefore, do not provide a contextual perspective for explaining intergovernmental lobbying. With the recently available formal lobbying database, systematic analysis of lobbying activities by local governments has received increased attention in recent years (Goldstein and You 2017; Loftis and Kettler 2015). These studies tend to assume that local governments are unitary actors that only seek to satisfy public demands and argue that the local socioeconomic demands directly determine governments' investments in lobbying. Nevertheless, this organizational-level demand-based explanation lacks theoretical plausibility. Presumably, every rational local government would prefer more resources from the federal government despite the level of public demands. Why do not all local governments choose to lobby? Why do some local governments invest more in lobbying the federal government than others?

To further improve our understanding of the determinants of intergovernmental lobbying, this work provides an explanation on the supply side of local public goods that illustrates the institutional incentives and constraints of local government executives when making lobbying decisions. To achieve this goal, I first point out that formal or professional lobbying services have three characteristics: The clients have definite inputs; the outputs tend to be produced in the long run as lobbying requires repeated interactions to build mutual trust; the lobbying process involves a high level of

transaction costs for the clients, such as finding an appropriate lobbyist, coordinating with the lobbyist (e.g., communicating with a lobbyist concerning lobbying strategy), and monitoring the behaviors of the lobbyist.

On this basis, I focus on how executive institutions shape the motivations and expertise of local government executives regarding formal lobbying. American city government executives can be classified into two main types: Political executives (e.g., mayors) who are directly elected by constituents in mayor-council cities; and professional executives (e.g., city managers) who are hired by city councils in council-manger cities.

Given the first two characteristics of formal lobbying, compared to political executives, professional executives have more motivations to invest resources in lobbying the federal government. The careers of political executives are determined by short-term elections and are less stable. Political executives have strong incentives to opportunistically pursue short-term and highly visible projects instead of formally lobbying another government. By contrast, professional executives tend to have a relatively stable and lifelong career and therefore have a lower discount rate in terms of lobbying activities. Given the third characteristic of formal lobbying, compared to political executives, professional executives have a lower transaction cost in terms of making lobbying decisions due to their more professional training and richer administration experience. Therefore, I hypothesize that other things being equal, compared to cities with political executives, cities with professional executives are more likely to participate in and invest resources in lobbying the federal government.



The empirical analysis is based on a dataset of more than 1200 American cities with more than 25,000 people between 1999 and 2012. The results show that all else equal, cities with professional executives are 40% more likely to participate in formally lobbying the federal government than cities with political executives; compared to cities with political executives, cities with professional executives are associated with 208% increases in formal lobbying spending. I also check the robustness of these findings by conducting a series of additional analysis in terms of alternative measurements or model specifications.

This work proceeds as follows. First, I present a brief review of the lobbying literature. Second, I provide theoretical discussions and propose the two key hypotheses about the relationship between executive institutions and formal lobbying participation or formal lobbying investment. Third, I describe the research method, data collection, and variable measures. Fourth, I conduct empirical tests of two hypotheses and report the results of statistical models. Finally, I conclude by discussing the implications of this research and making suggestions for future research.

### **Literature Review**

Scholars generally employ two approaches to studying lobbying in the existing literature. The first approach focuses on the strategies or consequences of lobbying. For instance, formal theorists have modeled lobbying as vote buying, informative signaling, or legislative subsidy (Hall and Deardorff 2006). Empiricists have tested the effects of lobbying on policy decisions, earmark appropriations or shareholder values (Borisov,

Goldman, and Gupta 2016; De Figueiredo and Silverman 2006; Haeder and Yackee 2015; Kollman 1997; Yackee and Yackee 2006). Normative researchers argue that interest group politics could undermine political equity and the interests of broad publics (Hayes 1992; Schlozman 1984).

The second approach to studying lobbying, which is more relevant to this work, focuses on the origins of lobbying activities. Researchers have proposed two main frameworks for explaining the existence of lobbying. The first explanation focuses on negotiations between citizens. From the perspective of collective action, Olson (1965) points out that citizens in a large group have little incentive to pay the cost of lobbying to obtain a collective benefit. Hence, Olson proposes lobbying activities are the by-products of organizations that are designed for other economic or social functions. Particularly, these organizations should “(1) have the authority and capacity to be coercive, or (2) have a source of positive inducements that they can offer the individuals in a latent group (Olson 1965, p. 133).”

The second explanation for lobbying focuses on the negotiations between citizens and the federal government. Hirschman (1970) develops an Exit, Voice, and Loyalty (EVL) framework to theorize the behavioral responses of a citizen to an undesirable change in her environment. The choice of “exit” means that a citizen changes her behavior to survive in the new environment. The choice of “voice” means that a citizen tries to convince the government to improve the environment. The choice of “loyalty” means that a citizen totally accepts the undesirable change. Based on the EVL framework, Clark, Golder, and Golder (2017) develop a formal model and provide

another explanation for citizens' choices of lobbying. Their EVL model with complete information suggests that sufficiently powerful citizens (with credible exit threat) need not lobby because the government has already allocated enough resources to them. The citizens that lack power (without credible exit threat) choose not to lobby because they know that the government will ignore them. Clark, Golder, and Golder (2017) also suggest a pooling equilibrium in which both powerful and powerless citizens choose to lobby when there is incomplete information on the part of a government.

However, collective action approach and EVL approach, which was first designed to explain the lobbying activities in the private sector, cannot directly provide a contextual and intuitive explanation for the activities of intergovernmental formal lobbying. Several scholars have attempted to explain the dynamics of intergovernmental formal lobbying using recently available systematic data from the Center for Responsive Politics.<sup>9</sup> Based on a dataset of 498 cities across 45 states from 1998 to 2008, Loftis and Kettler (2015) find that cities with economic distress are more likely to lobby the federal government and cities in competitive congressional districts spend more on lobbying the federal government. Similarly, based on a dataset of cities with populations over 25, 000 between 1999 and 2012, Goldstein and You (2017) find that the preference divergence between city governments and state governments leads to an underprovision of local public goods, and, therefore, city governments need to lobby the federal government for additional resources.

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<sup>9</sup> Center for Responsive Politics: <https://www.opensecrets.org/lobby/> Date accessed: March 1, 2018.

Almost all of the previous explanations for intergovernmental formal lobbying consider a city government as a unitary actor that only seeks to satisfy local public demands or assume that intergovernmental lobbying decisions could be completely inferred by observing local socioeconomic characteristics. This assumption, nevertheless, lacks theoretical or empirical plausibility. Presumably, every rational local government would prefer more resources from the federal government despite the level of public demands. Why do not all cities choose to lobby the federal government? Why do some local governments invest more resources in lobbying the federal government than others? Besides public demands, a useful explanatory framework should also consider the factors on the supply side of local public goods that determine the incentives of policymakers in city governments, such as local institutions. The main goal of this chapter is to answer these questions by providing a supply-side explanation underlying the process of intergovernmental formal lobbying.

### **Executive Institutions and Lobbying Decisions**

Figure II-1 shows the theoretical framework. Generally, the professional lobbying service involves three main characteristics. First, the inputs of clients or the prices of hiring professional lobbyists are immediate and definite. Professional lobbyists are employed because of their knowledge of the “intricacies” of the policy process, including “who to talk to, how and when to present an effective argument, and what

needs to be done to follow-up.”<sup>10</sup> Professional lobbyists provide three types of information to government officials, including political information about the status or prospect of government decisions, career-related information about government officials’ own jobs, and policy-analytic information about the social consequences of government decisions (Nownes 2006). Clients have to pay a higher amount of money to hire a lobbyist with more connections or a higher level of expertise (Bertrand, Bombardini, and Trebbi 2014; McCrain 2018; Vidal, Draca, and Fons-Rosen 2012). In the case of formally lobbying the federal government, local governments have to directly allocate fiscal resources for signing contracts with professional lobbyists.

Second, the outputs of formal lobbying tend to be produced in the long run and are uncertain (Baumgartner et al. 2009; Nownes 2006). Lobbying is a long-term game that requires repeated interactions to build mutual trust between clients, lobbyists, and politicians. Most formal lobbying activities occur through providing a government official with legislative or policy support rather than direct persuasion or interest exchange (Baumgartner et al. 2009; Hall and Deardoff 2006). A possible consequence of city lobbying is to increase the salience of a local government on the federal policy agenda, but it normally does not produce a quick payoff.<sup>11</sup> Recent research suggests that

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<sup>10</sup> Association of Government Relations Professionals (AGRP), “Voice of the Lobbying, Public Policy, and Advocacy Professions.” Source: <http://grprofessionals.org/about-association-government-relations-professionals> Date accessed: July 17, 2018.

<sup>11</sup> Several online interviews with professional lobbyists provide supports for this argument. According to Darrell L. Conner, Government Affairs Counselor, K&L Gates: “The ones that have done better in the marketplace in DC are the ones that have been actively engaged and consistently engaged. You know it’s very difficult to come in to Washington and say ‘you know I have a problem, can you help me solve it in three months?’ Washington doesn’t really work that way. You have an issue. You have to educate people. You have to work through the process

endorsements from well-connected interest groups provide a strong cue for federal officials with limited information early in the policymaking process (Box-Steffensmeier, Christenso, and Craig Forthcoming). Nevertheless, such interest groups have less direct effect when bills progress. In fact, lobbyists often produce little change as they meet equal opposition to their efforts or there is scarce space on the federal policy agenda (Baumgartner et al. 2009).<sup>12</sup> In addition, even if the federal government responds to the lobbying efforts of a local government with more fiscal or policy support, the supply of these federal supports may not exactly match the demands of local governments.

Third, lobbying activities tend to involve high transaction costs for the clients, including broad information costs, bargaining costs, and enforcement costs. For example, the information costs include the costs of understanding the requirements of local communities, finding an appropriate lobbying firm and determining the firm's conditions. The bargaining costs include the costs of negotiating a price with the lobbying firm. The enforcement costs are the costs of coordinating with lobbyists to improve the effectiveness of lobbying activities, such as designing lobbying strategies or

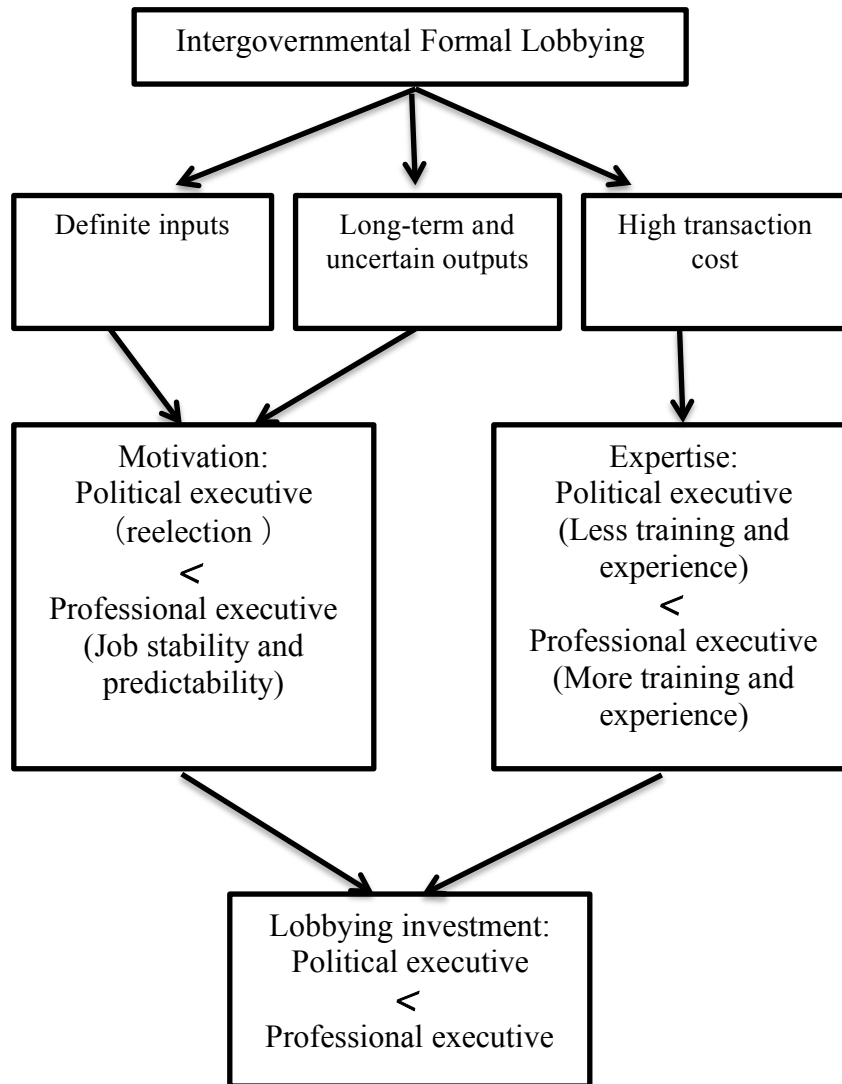
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and that takes time.” Source: [https://www.youtube.com/watch?v=ge\\_K89yWLqk](https://www.youtube.com/watch?v=ge_K89yWLqk) Date accessed: August 22, 2018

According to Josh Sanderson, Lobbyist of Association of Texas Professional Educators. “Most of the goals that we work on are long term. They are not something that happened overnight. If you get frustrated easily, this is very difficult for you to work... Being a lobbyist has been described as 99% boredom punctuated by 1% sheer terror... You never know when you are going to be called up front in front of a panel of senators to testify in front of 200 people in the audience.” Source: <https://www.youtube.com/watch?v=swvypvWvinM> Date accessed: August 22, 2018

<sup>12</sup> This does not mean that the efforts of lobbyists are useless as their clients may also benefit from the policy status quo. In fact, the most common goal of lobbying is to protect an existing policy from a proposed change (Baumgartner et al. 2009).

policy proposals. Clients also need to monitor the behaviors of lobbyists to ensure that the lobbying firm delivers the service in the promised conditions.<sup>13</sup>



**Figure II-1 Executive Institutions and Intergovernmental Formal Lobbying Decisions**

<sup>13</sup> A cautionary case is the 2006 *Jack Abramoff Native American Lobbying Scandal*, in which lobbyists successfully overbilled and then secretly lobbied against their clients due to the lack of supervision (Abramoff 2011).

On this basis, this chapter analyzes how executive institutions affect local government decisions regarding formal lobbying. Almost all government executives in American cities are produced in two ways (Hayes and Chang 1990; Krause et al. 2019). First, in mayor-council cities, the government executives are the elected mayors. Second, in the council-manager cities, the government executives are the hired professional city managers. Both political (i.e., elected mayors) and professional (i.e., city managers) executives oversee the general operations of city governments and are widely involved in the budgeting, administration, and management of local governments (Svara 1999). Particularly, managing intergovernmental relations is a major responsibility of local government executives.<sup>14</sup> Numerous urban politics literature suggests that executive institutions can significantly affect the policy decisions of local governments (Carr 2015; Clingermayer and Feiock 2001; Feiock, Jeong, and Kim 2003; Krause et al. 2019; Lubell, Feiock and De La Cruz 2009). Therefore, it is reasonable to expect that both types of government executives can significantly affect cities' decisions regarding hiring professionals to lobby another government.

Following an institutional rational choice perspective (Weingast 1996; Weingast, Shesle, and Johnsen 1981), I make the following two assumptions: 1) Government executives are rational in the sense of maximizing their benefits; and 2) institutions create incentives and constraints to shape executives' rational choices. I argue that

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<sup>14</sup> For instance, managing intergovernmental relations is repeatedly listed as a key issue in the annual strategic plans of the city manager's office of College Station, Texas. Source: <http://www.cstx.gov/index.aspx?page=16> Date accessed: August 8, 2018. In the city of Los Angeles, the mayor works with the community liaison office to maintain effective relationships with other governments. Source: <http://cao.lacity.org/budget/> Date accessed: August 8, 2018.



political executives have a cost-benefits decision calculus different from professional executives, which determines that they have different motivations and expertise in terms of lobbying the federal government.

Compared to political executives, professional executives tend to have a stronger motivation to invest in formal intergovernmental lobbying activities. Political executives tend to have a shorter time horizon and a higher discount rate in terms of lobbying spending. First, political executives are directly accountable to voters before the next election and tend to opportunistically focus on short-term voter demands rather than the long-term outputs produced by lobbying (Feiock, Jeong, and Kim 2003). Second, political executives and council members are directly elected by voters and, therefore, are not accountable to each other, and they can choose to blame each other for noncooperation if a city government does not perform well (Mullin, Peele, and Cain 2004). When the costs of lobbying are immediate, definite and easily visible, while the benefits of lobbying less visible and mostly in the future, it is difficult for political executives to take credits and easy for them to be attacked by political opponents for investing money, resources or time in formal lobbying. Therefore, political executives would opportunistically prefer highly visible short-term projects to lowly visible long-term projects (e.g., lobbying expense) to gain the support of voters (Krause et al. 2019; Olson 1993).

By contrast, professional executives tend to have a longer and more stable career (Zhang 2007), and, therefore, have a lower discount rate regarding lobbying benefits. Although there is no systematic data on the tenure of all city managers and mayors in the

United States in the past decades, the existing research does provide some small-sample evidence to suggest that city managers generally have longer tenures than mayors. For instance, based on a dataset of 120 cities, Ammons and Bosse (2005) find that the average tenure of city managers is around 7 years and keeps increasing after the 1980s. City managers also often negotiate with the city councils for severance protection (i.e., financial protection from termination without cause) or protection from termination before or after a local election to increase councils' cost to terminate city managers and avoid career risk (Connolly 2016). By contrast, McNitt (2010) finds that mayoral tenure is only around 6 years in 19 major cities.

Moreover, without being directly accountable to voters before the next election, professional managers' decisions are relatively insulated from the voters and can be made in a consistent manner (Feiock, Jeong, and Kim 2003). Existing research shows that professional managers are relatively insensitive to the demands of the elected politicians and more often lead their elected politicians to the "right" policy in the broader professional community (Teodoro 2011). Furthermore, different from the political executives, who only serve as one (rather than multiple) city's government executives in their career as a politician, professional executives have a bigger job market and they can move from one city to another city. In the national labor market, they have to serve two clients (Connolly 2016; Teodoro 2011): The current client who pays their salary and the potential client who may pay their salary in the future. Therefore, this stronger job predictability and wider job mobility determine that city managers have a longer time horizon in terms of making lobbying decisions. To

maintain or improve their career in the long run, professional executives will choose to allocate resources for lobbying the federal government even if it is difficult to achieve a quick payoff.

In terms of expertise, compared to political executives, professional executives have a lower transaction cost when involved in lobbying the federal government. The decisions of public executives are significantly influenced by their knowledge, skills, and experience (Lynn 1987). To improve the effectiveness of formal lobbying, government executives can take advantage of their policy knowledge and administration experience to facilitate the process of choosing lobbying issues, making lobbying plans, signing lobbying contracts, and coordinating with professional lobbyists, etc. Political executives are usually relatively inexperienced in terms of policy or administration when they assume offices, as their previous backgrounds tend to be highly heterogeneous and less related to public sector management. Also, local electoral campaigns occupy a significant share of political executives' time, staff, and resources. Therefore, political executives tend to have less professional experience or knowledge necessary for facilitating the formal lobbying process.

Professional executives, by contrast, receive professional career training (e.g., Bachelor of Public Administration, Master of Public Administration or Master of Public Policy) and have multiple years of municipal management experience before they are hired as city managers (Carr 2015). As full-time professionals, professional executives accumulate considerable knowledge, skill and administration experience (e.g., local policy issues, funding methods, and bureaucratic communication or control skills),

which are important for determining the needs of lobbying in cities and the bureaucratic resources required for lobbying. Many existing survey studies have shown that city managers devote more of their time on policy and administration than elected mayors (Carr 2015). Therefore, even if a political executive and a professional executive have the same motivation and resources for lobbying the federal government, the professional executive can more effectively facilitate the lobbying process.

My theory is an extension of Hall and Deardorff's (2006) model of lobbying as a legislative subsidy. Hall and Dearforff (2006) review previous literature and argue that lobbying is neither interest exchange nor direct persuasion, but a form of legislative subsidy.<sup>15</sup> They point out that lobbying is “a matching grant of policy information, political intelligence, and legislative labor to the enterprises of strategically selected legislators. (p. 69)” The objective of lobbying is to reduce the cost of making legislative progress for natural allies.

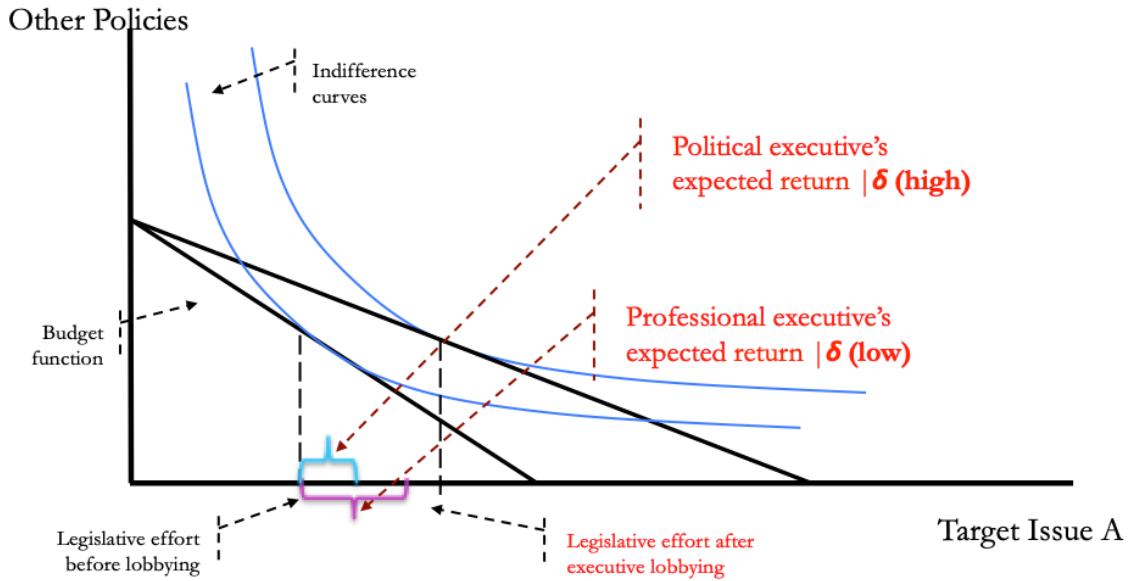
Based on Hall and Deardorff's (2006) model, my main theoretical arguments can be summarized in Figure II-2 and II-3. Consistent with consumer choice theory, a rational legislator has to allocate his or her efforts between target issue A and other policy issues under limited resources, such as time, information, labor and agenda space. This situation is represented by the budget function in Figure II-2 and II-3. Given the

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<sup>15</sup> This statement is also supported by recent research in Canada. Cooper and Boucher (Forthcoming) use the information from Canadian Lobbyists Registry from 2008 to 2018 to show that lobbying intensity is positively associated with issue information uncertainty but negatively associated with policy objective uncertainty. This finding implies that professional lobbyists mainly aim to provide information subsidy rather than directly influence the positions of politicians.

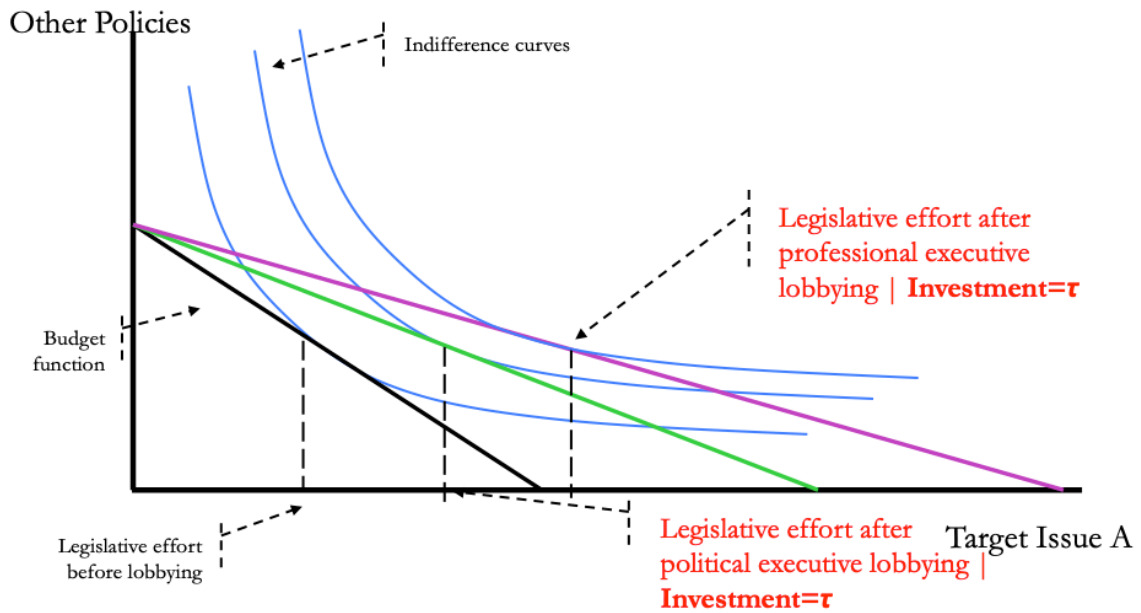
common assumption of diminishing marginal rates of substitution in consumer choice theory, the legislator's willingness to pay for progress on policy issues can be represented by the smooth and convex indifference curves. The point of tangency between the budget line and an indifference curve is the optimal allocation of a legislator's effort. The effect of lobbying is to improve the effort of a legislator at making progress toward target issue A.

What happens when local governments lobby the federal government in Hall and Deardorff's model? My theoretical analysis of executive motivations shows that because professional executives have a lower discount rate ( $\delta$ ) in terms of lobbying benefits, they have a higher expected return on progress on target issue A than political executives (as shown in Figure II-2). On the other hand, other things being equal (e.g, fixed investment or  $\tau$ ), city managers' lobbying efforts should be more effective than mayors due to their lower level of transaction costs during lobbying process (as shown in Figure II-3). In other words, it's easier for professional managers to push the budget line to the right. In both cases, professional executives should have more incentives to allocate resources for formally lobbying the federal government than political executives.



**Figure II-2 Effects of Executive Motivation**

Note:  $\delta$  represents the discount rate of a city government executive.



**Figure II-3 Effects of Executive Expertise**

Note:  $\tau$  represents the fixed amount of investment of a city government.

All of the above analysis leads to the same conclusion: other things being equal, compared to cities with political executives, cities with professional executives are more likely to invest resources in formally lobbying the federal government. Therefore, I have the following two hypotheses:

**Hypothesis 1: Compared to cities with political executives, cities with professional executives are more likely to participate in formally lobbying the federal government.**

**Hypothesis 2: Compared to cities with political executives, cities with professional executives invest more resources in formally lobbying the federal government.**

### **Data and Method**

Ideally, to test this chapter's key arguments, each city's participation in lobbying other governments and each city's overall spending on lobbying other governments could be potentially used as the dependent variables. However, most cities' annual financial reports do not directly list the amount of money spent on lobbying and there is not an established database on this specific topic. Although cities' investments in lobbying the state governments are generally available on each state's website, the data are hard to collect and the variations in disclosure requirements (e.g., different compensation, reimbursement, or expenditure thresholds) makes lobbying data from

different states difficult to compare.<sup>16</sup> Therefore, in this study, I examine the impact of executive institutions on cities' lobbying decisions by focusing on cities' lobbying activities at the federal level. The main reason is that LDA requires all interest groups who contribute more than 10, 000 dollars to lobbying the federal government to file lobbying disclosure reports,<sup>17</sup> and Center for Responsive Politics has standardized these data to make them available for statistical analysis.

The main dataset is developed based on Goldstein and You (2017). The dataset covers cities with populations greater than 25, 000 between 1999 and 2012. The unit of analysis is a city-year. The original sample includes 1, 262 unique "cities." However, a closer examination of the dataset shows that 3 of the sampled units are census tracts or counties instead of cities with a general-purpose government<sup>18</sup> and, therefore, the research sample only includes 1, 259 cities.

There are two dependent variables of interest. I set the first dependent variable as a dummy equal to 1 if a city submits a federal lobbying report in a year, and 0 if otherwise. I employ logit models to predict the binary dependent variable. The second dependent variable of interest captures the number of resources a city government invests in lobbying the federal government. It is measured with the natural log of the

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<sup>16</sup> Dr. Julia Payson from New York University was systematically collecting state-level lobbying data for her book project *Buy Representation: The Political Economy of Intergovernmental Lobbying* in 2018, but her dataset was not publicly released at the time of this analysis.

<sup>17</sup> Office of the Clerk, U.S. House of Representatives. "Lobbying Disclosure Act Guidance." Source: [https://lobbyingdisclosure.house.gov/amended\\_lda\\_guide.html#section1](https://lobbyingdisclosure.house.gov/amended_lda_guide.html#section1) Date accessed: January 24, 2018.

<sup>18</sup> These areas include Montgomery in Maryland, Huntington Station in New York, and Boardman in Ohio.

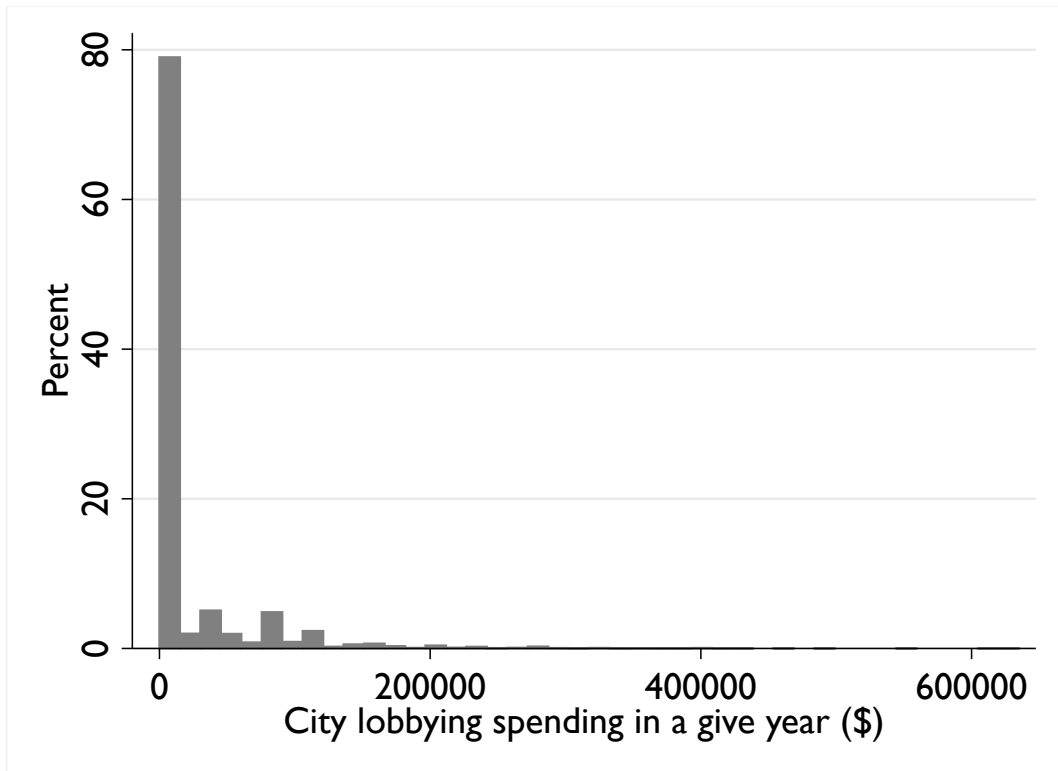


level of lobbying expense due to the highly skewed distribution (see Figure II-4; Borisov, Goldman, and Gupta 2016). Given the non-negative nature of the dependent variable and LDA only requires the registration of any organization that contributes more than \$ 10,000 towards lobbying activities each year, I use a Tobit model to analyze lobbying spending to deal with the potential censoring problem among cities (Goldstein and You 2017; Troustine and Valdini 2008).

For the second dependent variable, I do not use the percentage of lobbying expense in each government's expenditure as a measure of the dependent variable, because the independent variables could potentially have effects on both the numerator (lobbying expense) and denominator (expenditure). In a model with a percentage as the dependent variable, we do not know whether the independent variable has an impact on the numerator or the denominator. To isolate the effect of each government's expenditure, I choose to control for it on the right side of the equation. The lobbying data come from the website of the Center for Responsive Politics.<sup>19</sup>

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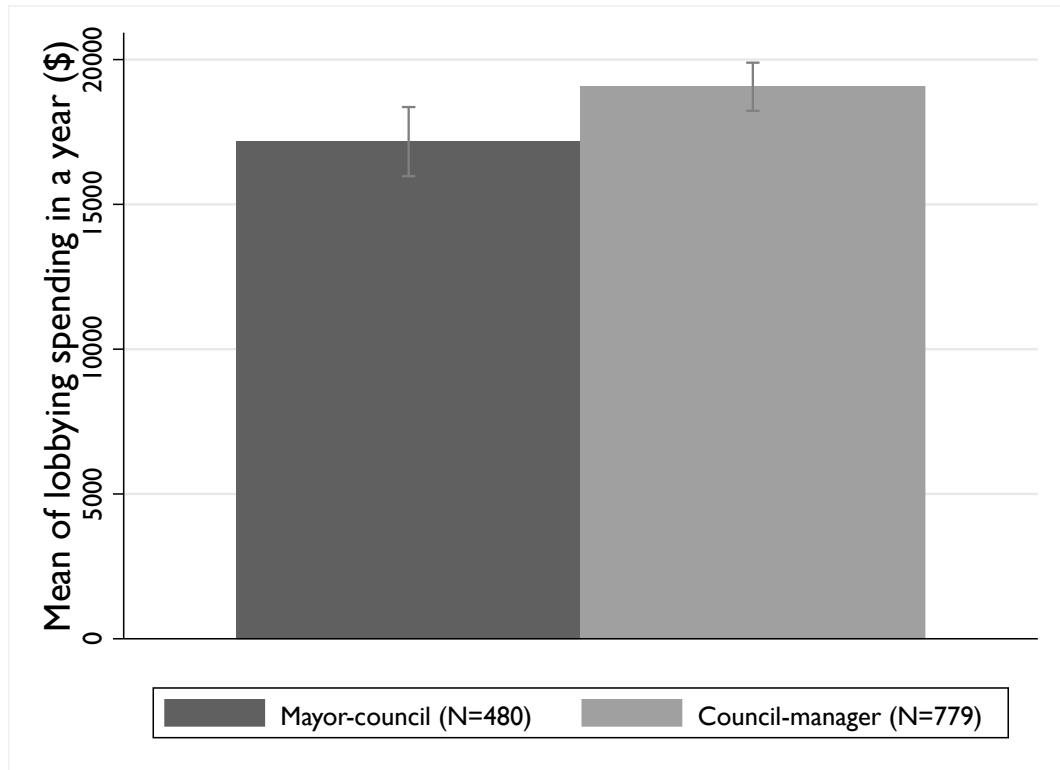
<sup>19</sup> Center for Responsive Politics. "Civil Servants/ Public Officials." <https://www.opensecrets.org/lobby/indusclient.php?id=W03> Date accessed: April 2, 2018.



**Figure II-4 Histogram of City Lobbying Spending in the Sample**

My key independent variable is the executive institution of each city in the sample. I measure the executive institution with a dummy equal to 1 if a city has a council-manager form of government; 0 otherwise. As Figure II-5 shows, there are 779 council-manager cities and 480 mayor-council cities in the sample. On average, council-manager cities spend 2000 more dollars on lobbying the federal government than mayor-council cities in a year. The institutional data come from surveys conducted by the International City/County Manager's Association (ICMA) in 1981, 1986, 1991, 1996, 2001, 2006, and 2011. Following De Benedictis-Kessner and Warshaw (2016), I use the most recent survey to which a city responded to measure its institutions. When there are

missing data in ICMA surveys, I manually collect cities' most recent institutional information from their official government websites.<sup>20</sup>



**Figure II-5 Average Yearly Lobbying Spending of Two Types of Cities**

Note: 95% confidence interval.

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<sup>20</sup> Several cities have changed their executive institutions during the observation period (Choi, Feiock, and Bae 2013), and this variation may not be reflected in the independent variable derived from the ICMA surveys. Systematically identifying the institutional changes of each city in the sample during the observation period is extremely difficult and time-consuming. Therefore, I have tried to contact the authors of Choi, Feiock, and Bae (2013) regarding their dataset on the adoption and abandonment of council-manager governments. However, I have not received any response from them by the completion of this dissertation. Given that the post-1965 changes of executive institutions are mainly driven by population size and unemployment rate, which have already been included in my models, and the number of cities that have adopted institutional reforms is small during the observation period (Choi, Feiock, and Bae 2013), this potential measurement error should have a limited effect on the main findings.

Other control variables consist of the demographic, financial and political characteristics of sampled cities as these variables may influence the motivations, obstacles or resources for intergovernmental lobbying (Goldstein and You 2017). The demographic variables include population size, land area, water area, percentage of senior (over 65) people in the population, percentage of student (5-17) people in the population, ethnic heterogeneity,<sup>21</sup> median household income, percentage of unemployed population in labor force, percentage of population below the poverty level, and Gini index of income inequality. These data come from the Decennial Census and American Community Surveys. The financial variables include the difference between city- and state-level direct expenditure per capita (i.e., public goods gap), the share of property tax in a city's revenue, and the share of intergovernmental transfer in a city's revenue. These data are collected from the Census of Governments. Finally, the political variables include the party affiliation of the House Representative and senators who represent cities and the state governors (Shor and McCarty 2011). I also include year fixed effects in logit and Tobit models to capture any time-specific trend.<sup>22</sup> Table II-1 reports the summary statistics.

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<sup>21</sup> Ethnic heterogeneity is calculated using  $1 - \sum_{i=1}^n p_i^2$  (i.e., Gibbs-Martin index or Blau index), where  $p_i$  represents a share of an ethnicity  $i$  in a population (Goldstein and You 2017).

<sup>22</sup> For instance, even-numbered years tend to have fewer new lobbyist registrations under LDA than odd-numbered years due to the shifts in party control of the White House and Congress or shifts in the issue agenda resulting from elections (Straus 2015). The 2007 Honest Leadership and Open Government Act (HLOGA) (LaPira and Thomas III 2014; Straus 2017) and the 2011 earmark ban may also cause declines in lobbying activities (Kirk, Mallett, and Peterman 2017).

**Table II-1 Summary Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
Lobbying Participation	17626	0.241	0.428	0.000	1.000
Lobbying Spending Logged	17626	2.390	4.577	0.000	13.361
Council Manager District-Based	17626	0.613	0.487	0.000	1.000
Elections	17626	35.606	41.629	0.000	100.000
Initiative	17626	0.655	0.475	0.000	1.000
Referendum	17626	0.675	0.468	0.000	1.000
Recall	17626	0.596	0.491	0.000	1.000
Public Goods Gap (\$)	17626	-2.165	1.237	-12.255	6.814
Population (K)	17626	103.601	298.033	18.156	8214.426
Land Area (K sq. miles)	17626	0.040	0.108	0.001	2.717
Water Area (K sq. miles)	17626	0.004	0.024	0.000	0.552
Senior (%)	17626	12.396	4.247	2.553	37.776
Student (%)	17626	17.573	3.558	2.523	31.856
Ethnic Heterogeneity	17626	0.385	0.167	0.037	0.784
Median Income (\$K)	17626	58.259	21.855	22.303	192.777
Unemployment (%)	17626	8.042	3.817	1.490	30.252
Households in Poverty	17626	10.828	6.901	0.526	38.146
Gini Index	17626	0.423	0.053	0.267	0.642
Property Tax Share of Revenue	17626	0.238	0.152	0.000	0.915
Intergovernmental Transfer Share of Revenue	17626	0.181	0.130	0.000	0.780
Democrat House Representative	17626	0.708	0.455	0.000	1.000
Democrat Senator	17626	0.603	0.418	0.000	1.000
Republican Governor	17626	0.518	0.500	0.000	1.000

## Results

Table II-2 reports the estimates of the determinants of lobbying participation across American cities. Given the logit model specifications, the odds ratios for one unit increase in each independent variable and  $t$  statistics in parentheses are provided. The two-tailed  $p$  values are shown in separate columns. Table II-2 also reports McFadden R-squared (McFadden 1974), the Akaike information criterion (AIC) (Akaike 1974), and the Bayesian information criterion (BIC) (Schwarz 1978). Table II-2 presents specifications with controls only alongside specifications that include executive institutions; the city-level executive institutions markedly improves model fit ( $\Delta$  AIC -55 for Model 2), indicating that city lobbying participation vary significantly by city institutions.

The results are consistent with hypothesis 1. Table 2 indicates that after controlling for the divergence between the city and state public goods provision, demographic characteristics, public finance conditions, and political variables, executive institutions still significantly predict the likelihood that a city participates in formally lobbying the federal government. All else equal, council-manager cities are around 40% more likely than mayor-council cities to participate in formally lobbying the federal government.

**Table II-2 Determinants of Lobbying Participation across Cities**

	Model 1		Model 2	
	Odds Ratio (t-statistic)	p-value	Odds Ratio (t-statistic)	p-value
Council Manager			1.398 (2.50)	0.013
Public Goods Gap (\$)	1.346 (4.19)	0.000	1.320 (3.89)	0.000
Population (K)	1.001 (0.60)	0.545	1.002 (0.65)	0.518
Land Area (K sq. miles)	18.03 (0.96)	0.336	18.43 (0.97)	0.333
Water Area (K sq. miles)	8.505 (0.64)	0.525	9.049 (0.68)	0.494
Senior (%)	0.957 (-2.66)	0.008	0.957 (-2.73)	0.006
Student (%)	1.051 (2.46)	0.014	1.047 (2.27)	0.023
Ethnic Heterogeneity	4.776 (3.39)	0.001	4.080 (2.96)	0.003
Median Income (\$K)	0.991 (-1.83)	0.067	0.991 (-1.81)	0.071
Unemployment (%)	1.029 (1.47)	0.140	1.031 (1.60)	0.110
Households in Poverty	0.964 (-2.45)	0.014	0.968 (-2.21)	0.027
Gini Index	1330.6 (5.14)	0.000	1438.7 (5.23)	0.000
Property Tax Share of Revenue	0.0792 (-5.57)	0.000	0.0879 (-5.23)	0.000
Intergovernmental Transfer				
Share of Revenue	0.121 (-4.83)	0.000	0.164 (-3.98)	0.000
Democrat House Representative	1.502 (2.90)	0.004	1.502 (2.90)	0.004
Democrat Senator	1.862 (4.36)	0.000	1.837 (4.28)	0.000
Republican Governor	1.136 (1.70)	0.090	1.144 (1.78)	0.075
Year Fixed Effects	Y		Y	
Constant	0.009 (-6.36)	0.000	0.006 (-6.62)	0.000
Observations	17626		17626	
Pseudo R-squared	0.150		0.153	
AIC	16596.4		16541.5	
BIC	16829.7		16782.6	

Note: Two-tailed p-values. Logit models. The dependent variable is a dummy equal to 1 if a city submits a lobbying report in a year, 0 otherwise. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the city level).

Table II-3 reports the models of federal lobbying spending by city governments.

Given the Tobit model specifications, the coefficients for one unit increase in each independent variable and robust standard errors clustered by cities in parentheses are provided. The two-tailed  $p$  values are shown in separate columns. Table II-3 also reports

McFadden R-squared, AIC, and BIC. I run two regressions. Model 3 includes all control variables, whereas Model 4 further includes the measure of executive institutions. City executive institutions markedly improve model fit ( $\Delta$  AIC -39 for Model 4).

My test corroborates that, after controlling for the divergence between the city and state public goods provision, demographic characteristics, public finance conditions, and political variables, executive institutions still significantly predict lobbying spending. Specifically, compared to mayor-council cities, we expect to see about 208% increases in lobbying spending in council-manager cities. This is consistent with the aforementioned theoretical argument that city managers are more willing to spend money on lobbying than the elected mayors due to their higher professional motivations and more institutional expertise.

The estimated coefficients of the control variables indicate that public goods gaps, ethnic composition, and financial conditions have substantial effects on intergovernmental lobbying activities, which suggest that some cities invest more in paid representation than others. This variation of investment in hiring professional lobbyists may significantly affect the equity of democratic representation and social resource allocation and further shows the normative importance of intergovernmental lobbying (Loftis and Kettler 2015). However, more detailed analysis of the control variables are beyond the focus of the current research and can be found in Goldstein and You (2017).



**Table II-3 Determinants of (ln) Lobbying Spending across Cities**

	Model 3		Model 4	
	Coefficient (Robust SE)	p-value	Coefficient (Robust SE)	p-value
Council Manager			2.081 (0.93)	0.026
Public Goods Gap (\$)	2.333 (0.42)	0.000	2.230 (0.42)	0.000
Population (K)	0.001 (0.00)	0.552	0.002 (0.00)	0.478
Land Area (K sq. miles)	19.767 (6.05)	0.001	20.008 (6.01)	0.001
Water Area (K sq. miles)	-15.018 (27.93)	0.591	-14.861 (27.30)	0.586
Senior (%)	-0.357 (0.12)	0.002	-0.368 (0.11)	0.001
Student (%)	0.483 (0.15)	0.001	0.455 (0.15)	0.003
Ethnic Heterogeneity	13.251 (2.91)	0.000	12.177 (2.91)	0.000
Median Income (\$K)	-0.084 (0.03)	0.015	-0.084 (0.03)	0.016
Unemployment (%)	0.208 (0.14)	0.150	0.223 (0.14)	0.119
Households in Poverty	-0.304 (0.11)	0.007	-0.278 (0.11)	0.013
Gini Index	58.324 (10.17)	0.000	58.899 (10.12)	0.000
Property Tax Share of Revenue	-19.559 (3.57)	0.000	-18.786 (3.59)	0.000
Intergovernmental Transfer Share of Revenue	-14.635 (3.23)	0.000	-12.727 (3.36)	0.000
Democrat House Representative	2.864 (0.94)	0.002	2.892 (0.94)	0.002
Democrat Senator	4.239 (1.03)	0.000	4.124 (1.02)	0.000
Republican Governor	0.883 (0.55)	0.111	0.919 (0.55)	0.096
Year Fixed Effects	Y		Y	
Constant	-38.995 (5.80)	0.000	-40.509 (5.81)	0.000
Sigma	13.690 (0.30)	0.000	13.660 (0.30)	0.000
Observations	17626		17626	
Pseudo R-squared	0.066		0.066	
AIC	40265.247		40226.686	
BIC	40506.338		40475.555	

Note: Two-tailed p-values. Tobit models. The dependent variable is the amount of money (logged) a city spends on lobbying in a year. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the city level).

## Robustness Considerations

Although Table II-2 and Table II-3 provide consistent evidence supporting the effect of executive institutions, there might be several empirical concerns regarding the robustness of the main findings. Two main categories of empirical concerns merit discussion: Measurement and model specifications. Regarding measurement, I replace the logged measure of lobbying spending with lobbying spending per capita. As Table II-4 shows, executive institutions still have a significantly positive impact on lobbying spending per capita. Substantively, other things being equal, compared to mayor-council cities, council-manager cities tend to spend 0.25 more dollars per capita on formally lobbying the federal government.

I address the model specification concerns in terms of model dependence, pre-treatment variables, post-treatment variables, and conditional effects. To reduce model dependence in parametric causal inference, I use the nonparametric propensity score matching (PSM) and inverse-probability weighting (IPW) to check the robustness of the main findings (Ho et al. 2007).<sup>23</sup> As Table II-5 and II-6 shows, after matching cities with demographic, fiscal, and political factors and year fixed effects, the council-manager institution still has a statistically significant average treatment effect on city lobbying participation and lobbying spending.

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<sup>23</sup> Although the balance-sample size frontier in matching methods developed by King, Lucas, and Nielsen (2017) is generally superior to propensity score matching, I could not obtain the estimation results using the MatchingFrontier package in R using with computer due to the huge computational intensity. Given this technical constraint, I decided to use PSM and IPW to check the robustness of the main findings.

**Table II-4 Determinants of Lobbying Spending Per Capita (\$) across Cities**

	Model 5	
	Coefficient (Robust SE)	p-value
Council Manager	0.248 (0.10)	0.011
Public Goods Gap (\$)	0.227 (0.05)	0.000
Population (K)	-0.000 (0.00)	0.458
Land Area (K sq. miles)	1.673 (0.37)	0.000
Water Area (K sq. miles)	0.361 (1.66)	0.827
Senior (%)	-0.033 (0.01)	0.009
Student (%)	0.039 (0.02)	0.017
Ethnic Heterogeneity	0.979 (0.31)	0.001
Median Income (\$K)	-0.007 (0.00)	0.061
Unemployment (%)	0.030 (0.02)	0.059
Households in Poverty	-0.026 (0.01)	0.031
Gini Index	5.472 (1.11)	0.000
Property Tax Share of Revenue	-1.762 (0.40)	0.000
Intergovernmental Transfer		
Share of Revenue	-1.371 (0.36)	0.000
Democrat House Representative	0.245 (0.10)	0.012
Democrat Senator	0.390 (0.11)	0.001
Republican Governor	0.108 (0.06)	0.075
Year Fixed Effects	Y	
Constant	1.437 (0.07)	0.000
Sigma	-4.049 (0.65)	0.000
Observations	17626	
Pseudo R-squared	0.092	
AIC	22583.742	
BIC	22832.610	

Note: Two-tailed p-values. Tobit models. The dependent variable is lobbying spending per capita in a year. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the city level).

**Table II-5 The Average Treatment Effects of the Council-Manager Executive Institution on Lobbying Participation**

	Coef.	Robust Std. Err.	z	P>z	[95% Conf.	Interval]
PSM Results	0.059	0.008	7.740	0.000	0.044	0.073
IPW Results	0.058	0.006	9.080	0.000	0.0451	0.070

**Table II-6 The Average Treatment Effects of the Council-Manager Executive Institution on (ln) Lobbying Spending**

	Coef.	Robust Std. Err.	z	P>z	[95% Conf.	Interval]
PSM Results	0.613	0.081	7.560	0.000	0.454	0.771
IPW Results	0.603	0.067	9.030	0.000	0.472	0.734

Several pretreatment variables may exist and potentially confound the main findings. For instance, the adoption of executive institutions tends to be associated with the reform of legislative institution or direct democracy, which may also affect policymakers' lobbying decisions (Lubell, Feiock and De La Cruz 2009). Therefore, I further include these city-level institutions as control variables in Table II-7. Although the models in Table II-7 provide consistent evidence supporting the effect of executive institutions, most legislative institutions or direct democracy show negligible effects on lobbying spending among American cities. Specifically, the coefficients of the percentage of district-based elections and the presence of referendum or recall are not statistically significant. The presence of initiative, however, has a statistically significant impact on lobbying participation and lobbying spending. Substantively, cities with

initiatives are 61% more likely than cities without initiatives to participate in formally lobbying the federal government. Compared to cities without initiatives, we expect to see about 406% increases in lobbying spending in cities with initiatives. These results seem to suggest that citizens' power of bypassing their city legislature to make public policy can induce city leaders to invest more money in formally lobbying the federal government to pursue extra resources.

Although the key theoretical arguments of this work are about executive institutions of American cities, the specific theoretical mechanisms (e.g., time horizon or policy expertise) occur at the individual level. Executive institutions determine which type of executives are elected or hired and, therefore, the individual-level characteristics may serve as the mediators between institutions and lobbying decisions. Unfortunately, to my knowledge, there is not an individual-level database covering thousands of executives during the observation period.<sup>24</sup> Given this data limit, this work cannot systematically verify the effects of the main theoretical mechanisms. Nevertheless, I still find some suggestive but compelling evidence to support the main theoretical arguments. First, as mentioned before, previous research using data collected from a small sample of cities suggests that city managers tend to have longer tenures than city mayors (Ammons and Bosse 2005; McNitt 2010). Thus, city managers may indeed have a longer time horizon and a lower discount rate than city mayors. Second, as some elected mayors work full time, if the aforementioned expertise argument is correct, cities with full-time

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<sup>24</sup> Existing empirical research with individual-level executive information often only has a sample size smaller than 200, such as McCable et al (2008) or Zhang and Feiock (2009).

mayors as government executives should be more likely to participate in or invest in lobbying activities than cities with part-time mayors as government executives and less likely to participate in or invest in lobbying activities than cities with professional executives. In Table II-8, I include a new dummy indicating full-time mayors in the models<sup>25</sup> and the point estimates, though not statistically significant, are consistent with my arguments.

Also, cities' investments in lobbying the state governments may have a substitutive relationship with their investments in lobbying the federal government due to resources limits and they are not controlled for in my models due to the lack of state-level lobbying information. However, this omitted variable should not substantively change my main findings because state-level lobbying spending is not a pretreatment variable and there is not a clear theoretical reason to believe that the pattern of city governments spending money on formally lobbying the state governments is different from the pattern of city governments spending money on formally lobbying the federal government. If executive institutions do have the same effects on cities' investments in lobbying the state and federal governments, the potential bias should be in favor of the null hypothesis.

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<sup>25</sup> The reference category is cities with part-time mayors as government executives.

**Table II-7 Including Other City Institutional Controls**

	Model 6 (Logit; DV=Participati on)		Model 7 (Tobit; DV= logged spending)	
	Odds Ratio (t-statistic)	p-value	Coefficient (Robust SE)	p- value
Council Manager	1.321 (2.00)	0.045	1.591 (0.95)	0.093
District-Based Elections (%)	1.000 (-0.24)	0.809	-0.003 (0.01)	0.755
Initiative	1.610 (3.63)	0.000	4.059 (0.92)	0.000
Referendum	0.881 (-1.13)	0.257	-1.059 (0.84)	0.208
Recall	1.048 (0.37)	0.711	0.489 (0.96)	0.610
Public Goods Gap (\$)	1.326 (3.90)	0.000	2.225 (0.42)	0.000
Population (K)	1.001 (0.55)	0.581	0.001 (0.00)	0.542
Land Area (K sq. miles)	20.22 (0.90)	0.366	19.246 (5.91)	0.001
Water Area (K sq. miles)	6.650 (0.57)	0.569	-15.301 (26.95)	0.570
Senior (%)	0.956 (-2.78)	0.005	-0.363 (0.11)	0.001
Student (%)	1.050 (2.41)	0.016	0.482 (0.15)	0.001
Ethnic Heterogeneity	4.559 (3.17)	0.002	13.007 (2.88)	0.000
Median Income (\$K)	0.991 (-1.89)	0.059	-0.090 (0.03)	0.010
Unemployment (%)	1.034 (1.73)	0.083	0.246 (0.14)	0.085
Households in Poverty	0.965 (-2.41)	0.016	-0.305 (0.11)	0.006
Gini Index	2023.0 (5.39)	0.000	60.559 (10.12)	0.000
Property Tax Share of Revenue	0.0971 (-5.02)	0.000	-17.769 (3.55)	0.000
Intergovernmental Transfer				
Share of Revenue	0.203 (-3.38)	0.001	-10.721 (3.43)	0.002
Democrat House Representative	1.491 (2.86)	0.004	2.751 (0.92)	0.003
Democrat Senator	1.748 (3.89)	0.000	3.645 (1.02)	0.000
Republican Governor	1.129 (1.59)	0.112	0.791 (0.54)	0.145
Year Fixed Effects	Y		Y	
Constant	0.004 (-6.92)	0.000	-43.449 (5.85)	0.000
Sigma			13.551 (0.30)	0.000
Observations	17626		17626	
Pseudo R-squared	0.159		0.07	
AIC	16438.2		40083.650	
BIC	16710.4		40363.627	

Note: Two-tailed p-values. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the city level).

**Table II-8 The Effect of Full-Time Mayors on City Lobbying Spending**

	Model 8 (Logit; DV=Participati on)		Model 9 (Tobit; DV= logged spending)	
	Odds Ratio (t-statistic)	p-value	Coefficient (Robust SE)	p- value
Council Manager	1.686 (2.94)	0.003	3.644 (1.34)	0.007
Full-Time Mayor	1.349 (1.41)	0.158	2.459 (1.53)	0.108
Public Goods Gap (\$)	1.322 (3.90)	0.000	2.233 (0.42)	0.000
Population (K)	1.001 (0.64)	0.524	0.002 (0.00)	0.518
Land Area (K sq. miles)	16.71 (0.96)	0.336	19.575 (5.90)	0.001
Water Area (K sq. miles)	10.54 (0.73)	0.463	-13.191 (26.78)	0.622
Senior (%)	0.955 (-2.79)	0.005	-0.377 (0.11)	0.001
Student (%)	1.048 (2.33)	0.020	0.463 (0.15)	0.002
Ethnic Heterogeneity	4.103 (2.97)	0.003	12.117 (2.91)	0.000
Median Income (\$K)	0.992 (-1.79)	0.073	-0.081 (0.03)	0.020
Unemployment (%)	1.033 (1.67)	0.095	0.235 (0.14)	0.101
Households in Poverty	0.965 (-2.37)	0.018	-0.296 (0.11)	0.009
Gini Index	1554.9 (5.26)	0.000	59.047 (10.12)	0.000
Property Tax Share of Revenue	0.0862 (-5.24)	0.000	-18.958 (3.61)	0.000
Intergovernmental Transfer				
Share of Revenue	0.162 (-3.99)	0.000	-12.834 (3.36)	0.000
Democrat House Representative	1.510 (2.95)	0.003	2.951 (0.94)	0.002
Democrat Senator	1.832 (4.27)	0.000	4.114 (1.02)	0.000
Republican Governor	1.139 (1.72)	0.085	0.887 (0.55)	0.108
Year Fixed Effects	Y		Y	
Constant	0.005 (-6.85)	0.000	-42.151 (5.86)	0.000
Sigma			13.645 (0.30)	0.000
Observations	17626		17626	
Pseudo R-squared	0.154		0.067	
AIC	16527.5		40207.797	
BIC	16776.3		40464.443	

Note: Two-tailed p-values. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the city level).



Moreover, besides my theoretical analysis on time horizon or policy expertise, one alternative explanation is that mayors may be better connected with federal officials than professional managers. Therefore, given their advantage in informal lobbying, the elected mayors may engage less with formal lobbying. However, there is no systematic evidence in the existing literature to support this argument. In fact, if we agree that the direct purpose of lobbying is to provide a legislative subsidy (Hall and Deardorff 2006; Straus 2015), informal lobbying should complement formal lobbying because more politically active local politicians are more likely to need professional lobbyists to monitor policy developments in Washington, to meet with federal officials and their aides, to help formulate politically workable policy proposals, and to testify at congressional committee hearings (Nownes 1999; 2006).<sup>26</sup> Even if federal officials informally support local politicians' policy positions, the latter still need the help of lobbyists who are familiar with federal rules, schedules, and policies to carry out the specific advocacy activities. Meanwhile, federal officials might also need local executives to pay the cost of hiring professionals for parsing policy information and providing policy options. This situation should make the empirical models in this chapter less likely to identify a statistically significant and positive impact. Therefore, based on this analysis, any bias is likely to work in favor of the null hypothesis.

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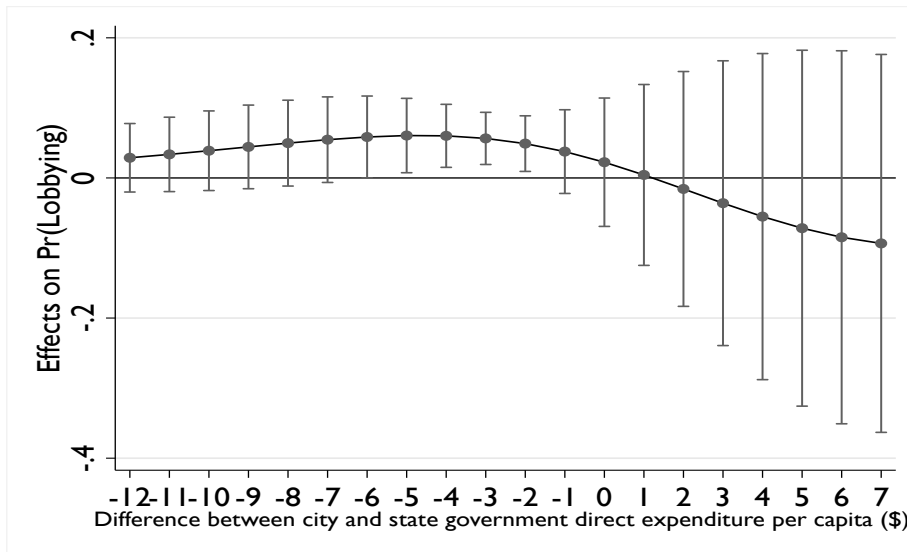
<sup>26</sup> In fact, according to Association of Government Relations Professionals, “What many people regard as lobbying — the actual communication with government officials — represents the smallest portion of a lobbyist’s time; a far greater proportion is devoted to the other aspects of preparation, information and communication.” Source: <http://grprofessionals.org/about-lobbying/what-is-lobbying> Date accessed: July 17, 2018.

Further, much anecdotal evidence suggests that cities lobby through institutional networks, such as the US conference of mayors or ICMA (Jensen 2018). However, it is extremely difficult to collect systematic information on cities' lobbying investments through institutional networks and, therefore, we do not know which type of government executives are more likely to invest in lobbying the federal government through institutional networks.<sup>27</sup> Nevertheless, the phenomenon of lobbying through networks is not likely to challenge my main argument and findings. The careers of professional executives are determined by their reputation in the national labor market, while the political careers of political executives are mainly determined by local elections. Therefore, professional executives should have a stronger incentive to maintain a professional commitment to institutional collective action. Under this circumstance, we should have more confidence in the statistically significant findings in the main models.

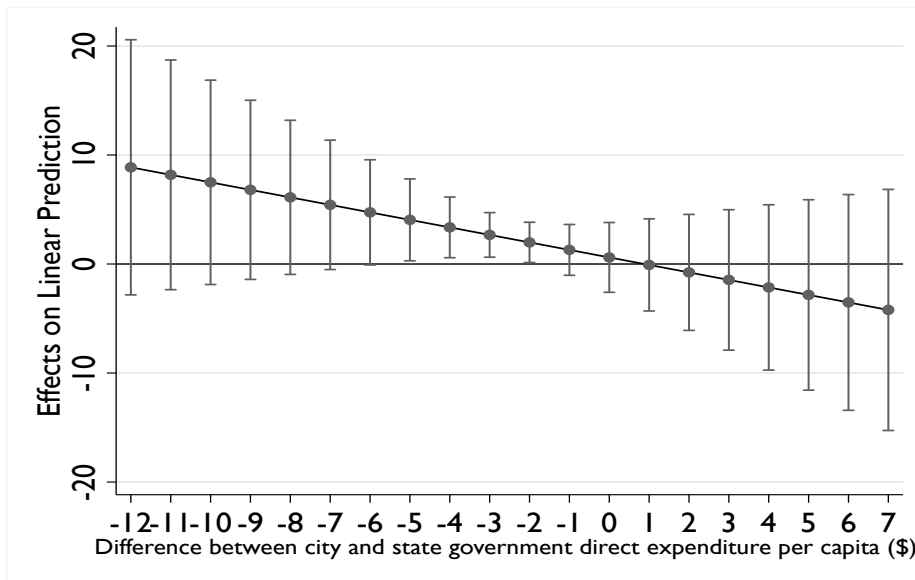
Finally, are the effects of executive institutions conditional on the public demands of local communities? To check this possibility, I test the interaction effects between the council-manager form of government and public goods gap measured by the difference between city and state government direct expenditure per capita (\$) (Goldstein and You 2017). As shown in Figure II-6 and Figure II-7, there is not enough evidence to support the potential interaction effects between city executive institutions and the level of local public demands.

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<sup>27</sup> Network participation cannot be used as a proxy for lobbying investments through networks because there is not much variation regarding network participation. For instance, US Conference of Mayors has more than 1,400 city members. International City/County Management Association has more than 3 thousand city members. These city members have almost covered all cities in the research sample.



**Figure II-6 Average Marginal Effects of Executive Institutions on Lobbying Participation as Public Goods Gap Changes**



**Figure II-7 Average Marginal Effects of Executive Institutions on Lobbying Spending as Public Goods Gap Changes**

## **Conclusion**

This research addressed an important gap in the lobbying literature: the lack of supply-side institutional analysis of policymakers' motivations and expertise in the process of intergovernmental lobbying. I used a dataset that covers more than 1200 cities between 1999 and 2012 and a series of models to empirically test the impact of executive institutions on lobbying participation and lobbying spending among the American cities. My estimates exhibited evidence of executive institutional structures as a determinant of intergovernmental lobbying as indicated by the high correlation between professional executives institutions (relative to political executive institutions) and lobbying participation or lobbying spending. This study has aimed to better understand intergovernmental lobbying through an actor-level perspective in particular, but also to contribute an institutional dimension to the study of intergovernmental lobbying.

This work is consistent with a recent trend in Public Administration, Public Policy, and Political Science that seeks to identify the political or policy consequences of American city institutions (Clingermayer and Feiock 2014; Feiock, Jeong, and Kim 2003; Krebs and Pelissero 2010; Lubell, Feiock and De La Cruz 2009; Trounstine 2010; Trounstine and Valdini 2008). Using the policy case of intergovernmental lobbying, my analysis corroborates that what differs one government executive from another government executive is the incentive structure and expertise that support their decisions regarding each policy issue.

Moreover, numerous research published in social science has widely discussed the effects of intergovernmental relations on local governance (Bardhan 2002; Oates 1999; Treisman 2007). However, much less attention is paid to the potential effects of local governance on intergovernmental relations. The theoretical and empirical analysis in this chapter implies that local institutions may affect intergovernmental relations by shaping the process of intergovernmental lobbying. Therefore, future research on the origins of intergovernmental relations should pay more attention to the potential effects of local factors.

The logic of intergovernmental lobbying illustrated in this work has important implications for social equity, too. In the literature on private lobbying, an important concern of the private interest groups is that citizens with more money and better political connections can exert more influence than others (Schattschneider and Adamany 1975). Similarly, as subnational governments tend to have the incentives to influence the process of intergovernmental resource allocation through lobbying, the analysis reported in this chapter suggests that the current system might favor council-manager governments and significantly shape the provision of public goods in a society. Therefore, researchers may take the intergovernmental lobbying determined by local executive institutions into consideration when studying political, economic, and social equity across jurisdictions. Practitioners should also pay more attention to the institutional variation in the public sector when reforming lobbying regulations in the future.

For future research on intergovernmental lobbying, my study suggests that local institutions and actor-level motivation and resources on the supply side of public goods deserve more attention. As my theoretical analysis mainly focuses on the local governments that lobby instead of the governments that are lobbied. I expect that the key hypotheses generated in this research may also apply to the cases of cities lobbying states or cities lobbying cities. Therefore, future research with more fine-grained data can further test the applicability of these hypotheses in other types of vertical or horizontal lobbying activities. Besides executive institutions, future research may also theorize and empirically test the effects of other types of local institutions on the lobbying activities of local governments.

CHAPTER III  
LEGISLATIVE PROFESSIONALISM AND STATE FORMAL LOBBYING  
ACTIVITIES

**Introduction**

The vast research literature on lobbying seeks to explain the origins, strategies, content, and consequence of lobbying activities among private interest groups (De Figueiredo and Richter 2014). However, much less attention is paid to the process of intergovernmental lobbying. Most of the existing studies on intergovernmental lobbying are qualitative and may facilitate our understanding of its history or operation (Baumgartner et al. 2009; Browne and Salisbury 1972; Cigler 1995; Cingranelli 1983; Flanagan 1999; Freeman and Nownes 1999; Jensen 2018; Nownes 2006), but they cannot systematically identify the determinants of government lobbying decisions. Due to the increasing availability of professional lobbying data, several scholars have attempted to fill this gap by analyzing the effects of local public demands on city lobbying participation or spending (Goldstein and You 2017; Loftis and Kettler 2015).

State governments have spent millions of dollars on lobbying the federal government each year. They often have the same lobbying targets, such as the U.S. Senate, U.S. House of Representative, and various government departments (Baumgartner et al. 2009). Further, like private organizations, states lobby the federal government mainly for additional resources or policy supports. Nevertheless, we still

know little about the determinants of state lobbying activities. What determines state governments' participation and investment in lobbying the federal government?

In this chapter, I develop a simple theory on the supply side of public service to explain how legislative professionalism leads to more lobbying participation and investment among state governments. First, in terms of motivation, more professional state legislatures have more political channels to collect information from voters and are more likely to represent the preferences of the median voters (i.e., more public goods) to get reelected. Thus, state policymakers in a highly professional state legislature are more likely to allocate resources for lobbying the federal government to pursue resources to meet the demands of the median voters. Second, in terms of resource, more professional state legislatures have more time, staff, and discretionary resources for overcoming the transaction cost during lobbying process, which may effectively facilitate the hiring of, negotiating with, coordination with and monitoring of professional lobbyists in Washington. Therefore, legislative professionalism should be positively associated with state lobbying activities.

Using a panel dataset covering 50 states from 1999 to 2011, I find that after controlling for political, financial, and demographic characteristics, multiple measures of legislative professionalism drawn from previous state politics literature (Squire 1992, 2007, 2012; Bowen and Greene 2014) have consistently positive effects on state lobbying participation and lobbying investment. Therefore, the hypothesized effects of legislative professionalism receive strong empirical support.



This study makes at least two contributions to the existing literature. First, my analysis advances the existing intergovernmental lobbying literature by highlighting the role of legislative professionalism in the lobbying process. I point out that states with different levels of legislative capacity have different motivations and resources regarding lobbying the federal government. Second, this study also contributes to the literature on state politics by showing that the institutional logic identified in the existing literature also applies to state governments' lobbying activities. Therefore, the effects of state institutions deserve more attention in future intergovernmental lobbying research.

The rest of this chapter is organized as follows. First, I provide a brief overview of the literature on intergovernmental lobbying and legislative professionalism and present the main theoretical arguments and hypotheses. Second, I report the data, models, and findings. Finally, I highlight the main results and their importance.

### **Theory and Hypotheses**

Lobbying has drawn increasing attention from scholars in economics, political science, and public administration in recent decades. Specifically, economists have evaluated the importance of connection or expertise in determining the monetary premium of lobbyists (Bertrand, Bombardini, and Trebbi 2014; Vidal, Draca, and Fons-Rosen 2012), and the returns from investments in lobbying in different policy sectors (Borisov, Goldman, and Gupta 2016; De Figueiredo 2006; Kang 2016). Political scientists have modeled lobbying as exchange, persuasion, or legislative subsidy (Hall and Deardorff 2006; Salisbury 1969; Schnakenberg 2017) and evaluated how lobbying

affects legislative voting (Giger and Klüver 2016; Langbein and Lotwis 1990; Wright 1990). Public administration scholars have found that interest groups have been actively sharing policy and political information with the executive branch to shape the rule-making process (Binderkrantz, Christiansen, and Pedersen 2015; Furlong and Kerwin 2005; Gill and Witko 2013; Nelson and Yackee 2012; Yackee 2006; Yackee and Yackee 2006).

Nevertheless, most of the previous research focuses on how citizens or business groups lobby government officials. We still know little about how and why governments lobby governments. Given the fact that American subnational governments spend millions of dollars on hiring professional lobbyists to lobby the federal government each year, which may potentially determine who have more voice in American politics or who receive more resources from the federal government, intergovernmental lobbying deserves more academic attention.

In recent years, several scholars have noticed this gap and attempted to systematically identify the determinants of city governments' lobbying participation or spending using the recently available empirical data. For instance, Loftis and Kettler (2015) find that economic distress pushes cities to lobby the federal government and Goldstein and You (2017) find that the underprovision of public goods is associated with cities' participation in lobbying the federal government. However, little is known about the determinants of state lobbying activities. Why do some state governments more frequently lobby the federal government than others? Why do some state governments spend more money on lobbying the federal government than others?

To answer these questions, this work establishes a theoretical relationship between legislative professionalism and state lobbying activities. Legislative professionalism refers to the overall level of legislative capacity by a state government, and it tends to be measured with a specific set of institutional developments regarding staff or expenditures for the legislature, legislative compensation, and time in sessions (Bowen and Greene 2014). Previous studies have highlighted the influential role of legislative professionalism in shaping state governments' decisions in terms of policy adoption or resource allocation (Maestas 2000; Owings and Borck 2000; Shipan and Volden 2006). In fact, scholars not only view legislature professionalism as a measure of legislative capacity (Fortunato and Turner 2018) but also a measure of political expertise (Shipan and Volden 2014).

Based on the existing literature, we can thus reasonably expect that a state government with a high level of legislative professionalism would take advantage of its resources and expertise when making decisions regarding lobbying the federal government. Particularly, I argue that legislative professionalism has a positive impact on state lobbying participation or spending through two mechanisms.

First, legislative professionalism increases the motivations of state policymakers to allocate resources for lobbying the federal government. Multiple studies have shown that more professionalized legislatures can more effectively collect information from voters and are more responsive to citizen preferences (Berry, Berkman and Schneiderman 2000; Fortunato and Turner 2018; Maestas 2000; Shipan and Volden 2014). Therefore, more professionalized legislatures can more efficiently translate public

opinions into policy outcomes. Given that median voters tend to have relatively lower social economic status and stronger public goods demands than political elites (Meltzer and Richard 1981, 1983), legislative professionalism could increase state governments' motivations to lobby the federal government for additional resources to meet the demands of median voters.

Second, legislative professionalism provides the necessary resources for facilitating state lobbying activities. Lobbying process generally involves a high level of transaction cost, including hiring appropriate lobbyists in terms of their connection or expertise, coordinating with the lobbyists to prepare policy proposal for federal officials, and monitoring lobbyists' behaviors to make sure they deliver the promised service, etc. A highly professionalized state legislature will have more staff, time, and resources for overcoming these transaction costs, such as facilitating the hiring of, coordination with and monitoring of professional lobbyists in Washington. With better access to professional lobbyists in Washington, it is easier for state governments to form a policy stream and share their policy ideas or proposals with federal officials (Kingdon 1984). Therefore, state governments with a higher level of legislative professionalism may not only have more access to lobbying service but also higher lobbying performance.

In general, I expect that states with a higher level of legislative professionalism are more likely to participate in and invest in lobbying the federal government.

**Hypothesis 1: State legislative professionalism increases a state's likelihood of lobbying participation.**

**Hypothesis 2: State legislative professionalism increases a state's investment in lobbying activities.**

### **Data and Methods**

I test the hypotheses with a panel dataset covering 50 states from 1999 to 2011. The unit of analysis is state-year. I collect the state lobbying data by scraping the information falling under the category of *Civil Servants/Public Officials* on the website of the Center for Responsive Politics.<sup>28</sup> Figure III-1 reports each state's annual lobbying spending during the observation period. There are two dependent variables of interest. I set the first dependent variable as a dummy equal to 1 if a state government submits a federal lobbying report in a year, and 0 if otherwise. I employ logit models to predict the binary dependent variable. The second dependent variable of interest captures the amount of money a state government invests in lobbying the federal government. It is measured with the natural log of the level of lobbying expense. Given the non-negative nature of the dependent variable and LDA only requires the registration of any organization that contributes more than \$ 10,000 towards lobbying activities each year, I use a Tobit model to analyze lobbying spending to deal with the potential censoring problem among states.

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<sup>28</sup> Center for Responsive Politics. "Civil Servants/ Public Officials." <https://www.opensecrets.org/lobby/indusclient.php?id=W03> Date accessed: April 2, 2018.

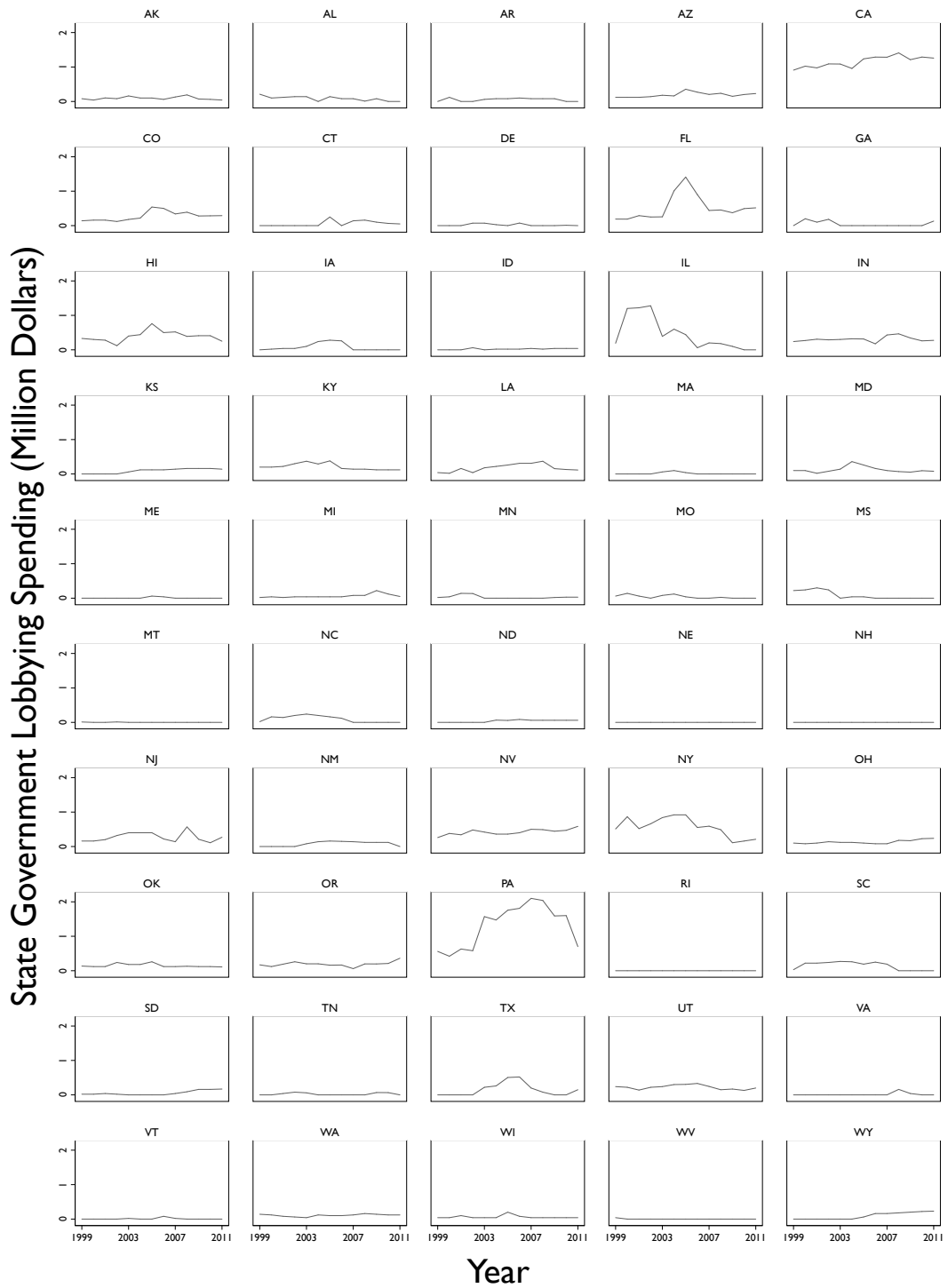


Figure III-1 State Government Lobbying Spending (1999-2011)

My key independent variable is legislative professionalism. Following previous literature (Fortunato and Turner 2018; Squire 2017), I first employ the commonly used Squire Index to test the key hypotheses. The Squire Index is developed to measure the degree to which a state legislature resembles the U.S. Congress along three dimensions (i.e., legislators' salaries, days in session, and staff per member) and is theoretically bounded between 0 and 1. Figure III-2 shows the state Squire Index during the observation period.

Moreover, professionalism may have multidimensional implications and some states choose to professionalize in some components more than others. Therefore, I also use the two-dimensional indices developed by Bowen and Greene (2014) based on the approach of Multidimensional Scaling (MDS) to measure professionalism. The first dimension (MDS 1) represents the broad differences between amateur and professional legislatures. The second dimension (MDS 2), by contrast, represents the differences between a support-intensive (high staff support and short sessions) versus work-intensive (low staff support and long sessions) legislatures. Compared to the one-dimensional Squire Index, Bowen and Greene's two-dimensional measures can more comprehensively capture the commonality and variation of legislative professionalism across the states.

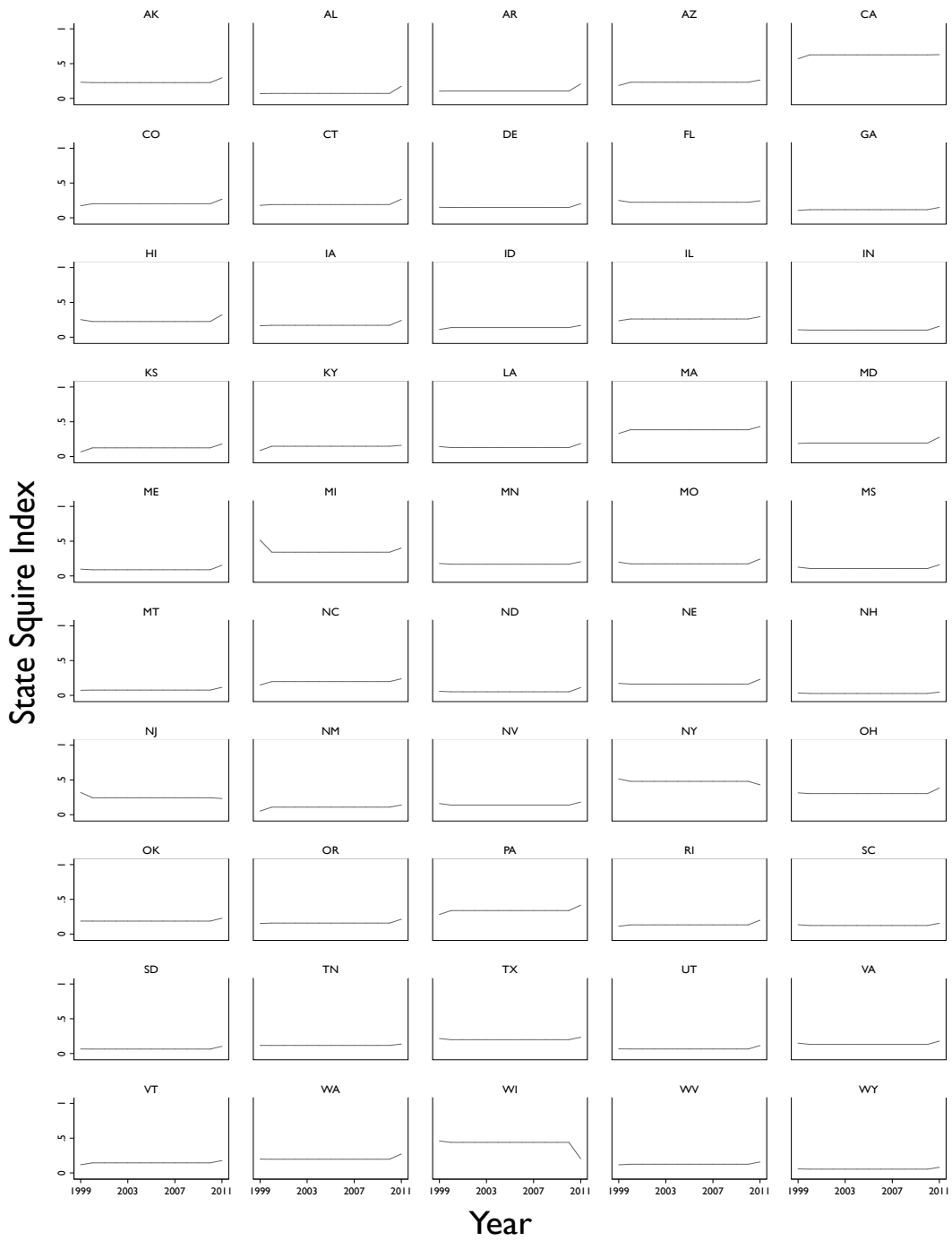


Figure III-2 State Squire Index (1999-2011)



As the Squire Index is measure about once a decade and Bowen and Greene's indices (2014) are measured biennially, I impute the missing values with the observable values in the previous year (Fortunato and Turner 2018).<sup>29</sup> If Squire Index, MDS 1, and MDS 2 have a consistently positive impact on state lobbying participation and lobbying expense, then there is strong evidence that legislature professionalism increases state lobbying activities.

State policymakers' lobbying decisions are also likely to be influenced by other factors. Building on previous research on state politics (Berry and Berry 1990; Shipan and Volden 2006), I mainly include political, financial, and demographic controls in the models. As one of the most important goals of state politicians is to be reelected, researchers argue that the proximity of state elections is correlated with the probability of adopting a policy (Besley and Coate 2003; Nicholson-Crotty 2015). Therefore, I include a dummy variable indicating a Gubernatorial election year in the models. The Gubernatorial election information is collected from the Governors Dataset created by Carl Klarner.<sup>30</sup>

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<sup>29</sup> The Squire Index is collected from the replication dataset of Fortunato and Turner (2018; before 2010) and Squire (2017; after 2010).

<sup>30</sup> Klarner, Carl, 2013, "Governors Dataset." Source: <https://hdl.handle.net/1902.1/20408>, Harvard Dataverse. Date accessed: October 5, 2018.

**Table III-1 Summary Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
State lobbying participation	650	0.67	0.47	0.00	1.00
State lobbying spending logged	650	8.01	5.68	0.00	14.56
Squire Index	650	0.19	0.11	0.03	0.63
MDS 1	650	0.15	1.65	-1.85	8.58
MDS 2	650	0.13	0.75	-3.07	3.17
Gubernatorial election year	650	0.25	0.43	0.00	1.00
Democrat governor	650	0.46	0.50	0.00	1.00
Government liberal ideology	650	47.53	14.27	17.51	73.62
Citizen liberal ideology	650	51.71	15.80	8.45	95.97
Total expenditure (\$1000)	650	30140.35	37195.94	2271.67	285238.10
Fiscal health	650	0.04	0.18	-0.76	1.25
Federal transfer (%)	650	26.72	8.09	12.32	101.18
Debt burden (%)	650	55.41	30.98	13.83	245.51
Per Capita Personal Income (\$1000)	650	34.84	7.04	20.73	63.77
Unemployment (%)	650	5.61	2.09	2.30	13.70
Population (1000)	650	5901.77	6484.42	491.78	37672.65

Political scientists have proposed partisan and ideological explanations for state government spending, too (Nicholson-Crotty 2015). The partisan theory suggests that the governing party tends to spend money on policies that satisfy core constituencies. As the core supporters and members of the Democratic Party are assumed to prefer the expansion of public service, I expect that state lobbying spending increases with state elite liberalism. Specifically, I set a dummy equal to 1 if a governor is a Democrat, and 0 otherwise. I also include a measure of government liberal ideology drawn from Berry et

al. (2010) in the models.<sup>31</sup> By contrast, the electoral theory suggests that politicians are likely to manipulate government spending to buy the median votes. Accordingly, I also include a measure of citizen liberal ideology drawn from Berry et al. (2010) in the models.

The financial characteristics of state government may affect their lobbying spending, too. For instance, the size of government expenditure, fiscal health,<sup>32</sup> the percentage of federal transfer, and the percentage of debt burden may have a directly stimulating or dampening effect on state government's lobbying spending. The information on these variables is collected from The Government Finance Database (Pierson, Hand, and Thompson 2015).<sup>33</sup>

Similarly, the demographic characteristics can potentially affect the resources or motivations of state governments, thus shaping their lobbying spending. I include the per capita personal income, percentage of unemployment, and population size in the models, as these variables are most likely to be correlated with the demands of public goods in each state. The data are collected from the websites of the Bureau of Economic Analysis<sup>34</sup> and the Bureau of Labor Statistics<sup>35</sup>. I also include year fixed effects in logit

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<sup>31</sup> Richard C. Fording. 2018. "State Ideology Data." Source: <https://rcfording.wordpress.com/state-ideology-data/> Date accessed: October 5, 2018.

<sup>32</sup> This measure is calculated using the following formula:  
$$\frac{(Total\ revenue - Total\ expenditure)}{Total\ expenditure}$$
 (Berry and Berry 1990).

<sup>33</sup> Kawika Pierson, Michael L. Hand, and Thompson. "The Government Finance Database." Source: <http://willamette.edu/mba/research-impact/public-datasets/index.html> Date accessed: September 4, 2018.

<sup>34</sup> Bureau of Economic Analysis. "Regional Economic Accounts: Downolad." Source: <https://apps.bea.gov/regional/downloadzip.cfm> Date accessed: September 5, 2018

and Tobit models to capture any time-specific trend (Goldstein and You 2007). I do not include state fixed effects in the models given the fact that the measures of legislature professionalism are stable during the observed period. Also, the stable political controls should be able to help isolate the effects of legislative professionalism, too. The summary statistics of all variables are reported in Table 1.

### **Findings**

Table III-2 reports the estimates of the determinants of lobbying participation across American states. Given the logit model specifications, the odds ratio for one unit increase in each independent variable and *t* statistics in parentheses are provided. The two-tailed *p* values are shown in separate columns. Table III-2 also reports McFadden R-squared (McFadden 1974), the Akaike information criterion (AIC) (Akaike 1974), and the Bayesian information criterion (BIC) (Schwarz 1978). Table III-2 presents specifications with controls only alongside specifications that include Squire Index or MDS Indices; the measures of state legislative professionalism markedly improves model fit, indicating that state lobbying participation varies significantly by the level of legislative professionalism.

The results in Table III-2 provide strong support for Hypothesis 1. After controlling for political, financial, and demographic characteristics, Squire Index and MDS indices still significantly predict the likelihood that a city participates in lobbying

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<sup>35</sup> Bureau of Labor Statistics. "Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas." Source: <https://www.bls.gov/lau/rdsncnp16.htm> Date accessed: September 5, 2018.

the federal government. To facilitate the interpretation and comparison of coefficients, I report the percent change of odds ratio for one standard deviation increase in each variable in Table III-3. All else equal, when the measures of legislative professionalism of a state increase by one standard deviation, the state is at least 210% more likely to participate in lobbying the federal government. The odds ratio of one unit increase in the Squire Index in Table III-2 seems extremely large. However, as Table III-3 shows, the percent change of odds ratio for one standard deviation increase in the Squire Index is only 220.4%. As a robustness check, I ran a Firth logit model and produced similar results (not reported here). Nevertheless, Table III-2 does not provide strong evidence to confirm the effects of the control variables.

**Table III-2 Determinants of State Lobbying Participation**

	Model 1		Model 2		Model 3	
	Odds Ratio	p-value	Odds Ratio	p-value	Odds Ratio	p-value
	(t-statistic)		(t-statistic)		(t-statistic)	
Squire Index			25445.5 (2.28)	0.022		
MDS 1					5.291 (3.67)	0.000
MDS 2					4.505 (4.09)	0.000
Gubernatorial election year	0.949 (-0.21)	0.832	1.028 (0.12)	0.906	1.076 (0.29)	0.771
Democrat governor	1.729 (0.95)	0.342	1.988 (1.25)	0.212	2.407 (1.46)	0.143
Government liberal ideology	0.983 (-0.73)	0.466	0.977 (-0.99)	0.321	0.972 (-1.24)	0.214
Citizen liberal ideology	0.985 (-0.89)	0.372	0.978 (-1.16)	0.245	0.978 (-1.13)	0.258
Total expenditure (\$1000)	1.000 (1.99)	0.047	1.000 (0.72)	0.473	1.000 (0.32)	0.751
Fiscal health	0.0727 (-1.71)	0.087	0.0865 (-1.47)	0.142	0.133 (-1.29)	0.197
Federal transfer (%)	0.948 (-1.38)	0.169	0.965 (-1.10)	0.269	0.990 (-0.28)	0.777
Debt burden (%)	0.987 (-1.20)	0.230	0.985 (-1.33)	0.184	0.991 (-0.99)	0.321
Per Capita Personal Income (\$1000)	1.033 (0.74)	0.458	1.021 (0.44)	0.662	0.983 (-0.32)	0.751
Unemployment (%)	1.204 (0.99)	0.321	1.177 (0.79)	0.429	1.052 (0.23)	0.819
Population (1000)	1.000 (-1.29)	0.198	1.000 (-0.96)	0.335	1.000 (-1.63)	0.103
Year fixed effects	Y		Y		Y	
Constant	9.124 (1.11)	0.265	4.998 (0.79)	0.432	142.1 (2.03)	0.042
Observations	650		650		650	
Pseudo R2	0.131		0.174		0.234	
AIC	763.5		730.4		683.0	
BIC	870.9		842.3		799.4	

Note: Two-tailed p-values. Logit models. The dependent variable is a dummy equal to 1 if a state submits a lobbying report in a year, 0 otherwise. Models also include year

dummies not reported. Cluster-robust standard errors are used (clustered at the state level).

**Table III-3 The Percent Change of Odds Ratio for One Standard Deviation Increase in Each Variable (Logit Models)**

	Model 1	Model 2	Model 3
Squire Index		220.4	
MDS 1			1456.2
MDS 2			210.8
Gubernatorial election year	-2.3	1.2	3.2
Democrat governor	31.2	40.5	54.5
Government liberal ideology	-21.6	-28.2	-33.8
Citizen liberal ideology	-21.2	-29.5	-30
Total expenditure (\$1000)	666.8	82.3	40
Fiscal health	-37.5	-35.5	-30.4
Federal transfer (%)	-35.2	-25.3	-7.6
Debt burden (%)	-32.9	-37.4	-25.2
Per Capita Personal Income (\$1000)	25.9	15.4	-11.4
Unemployment (%)	47.3	40.4	11.2
Population (1000)	-64.7	-46	-67.4

Table III-4 reports the estimates of the determinants of state lobbying spending. Given the Tobit model specifications, the coefficients for one unit increase in each independent variable and robust standard errors clustered by each state in parentheses are provided. The two-tailed  $p$  values are shown in separate columns. Table III-4 also reports McFadden R-squared, AIC, and BIC. I run three regressions. Model 4 includes all control variables, whereas Model 5 and Model 6 includes the Squire Index and MDS

indices, separately. The measures of goodness of fit in Table 3 suggests that legislative professionalism markedly improve model fit.

The results in Table III-4 corroborate that, after controlling for political, financial, and demographic factors, legislative professionalism still significantly predicts state lobbying spending. To facilitate the interpretation and comparison of coefficients, I report the percent change of state lobbying spending for one standard deviation increase in each independent variable in Table III-5. Substantively, the coefficients of the Squire Index and MDS indices indicate that one standard deviation increase in legislative professionalism leads to at least a 128.9% increase in state lobbying spending. This is consistent with the aforementioned theoretical analysis that legislative professionalism increases the motivation and resources underlying state lobbying spending. Also, there is consistent evidence that state fiscal health has a negative impact on lobbying spending. In other words, when a state's treasury is fiscally healthy, state policymakers may have fewer motivations to invest resources in lobbying the federal government. Again, most control variables show statistically insignificant impacts on the outcome variable.



**Table III-4 Determinants of (ln) State Lobbying Spending**

	Model 4		Model 5		Model 6	
	Coefficient (Robust SE)	p- value	Coefficient (Robust SE)	p- value	Coefficient (Robust SE)	p- value
Squire Index			26.185 (9.88)	0.008		
MDS 1					2.654 (0.82)	0.001
MDS 2					1.711 (0.78)	0.029
Gubernatorial election year	-0.249 (0.85)	0.770	-0.062 (0.80)	0.938	-0.080 (0.80)	0.921
Democrat governor	2.251 (2.18)	0.303	1.979 (2.12)	0.352	2.522 (2.10)	0.230
Government liberal ideology	-0.068 (0.08)	0.412	-0.062 (0.08)	0.452	-0.084 (0.08)	0.305
Citizen liberal ideology	-0.064 (0.07)	0.349	-0.090 (0.07)	0.178	-0.076 (0.07)	0.256
Total expenditure (\$1000)	0.000 (0.00)	0.340	-0.000 (0.00)	0.706	-0.000 (0.00)	0.272
Fiscal health	-11.936 (5.62)	0.034	-10.994 (5.31)	0.039	-10.403 (5.11)	0.042
Federal transfer (%)	-0.202 (0.13)	0.122	-0.152 (0.13)	0.227	-0.115 (0.12)	0.337
Debt burden (%)	-0.048 (0.04)	0.250	-0.056 (0.04)	0.166	-0.045 (0.04)	0.222
Per Capita Personal Income (\$1000)	0.196 (0.17)	0.259	0.156 (0.17)	0.362	0.122 (0.17)	0.479
Unemployment (%)	0.884 (0.63)	0.162	0.704 (0.63)	0.263	0.615 (0.60)	0.310
Population (1000)	-0.000 (0.00)	0.978	0.000 (0.00)	0.994	-0.000 (0.00)	0.726
Year fixed effects	Y		Y		Y	
Constant	9.591 (7.55)	0.204	7.996 (7.65)	0.296	13.697 (7.17)	0.057
Sigma	7.332 (0.68)	0.000	7.134 (0.67)	0.000	7.030 (0.66)	0.000
Observations	650		650		650	
Pseudo R2	0.034		0.043		0.047	
AIC	3426.567		3395.430		3384.340	
BIC	3538.491		3511.831		3505.218	

Note: Two-tailed p-values. Tobit models. The dependent variable the amount of money (logged) a state spends on lobbying in a year. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the state level).

**Table III-5 The Percent Change of Lobbying Spending for One Standard Deviation Increase in Each Variable (Tobit Models)**

	Model 4	Model 5	Model 6
Squire Index		300.6	
MDS 1			437.3
MDS 2			128.9
Gubernatorial election year	-10.8	-2.7	-3.4
Democrat governor	111.5	98	124.9
Government liberal ideology	-97.3	-89	-119.4
Citizen liberal ideology	-101.3	-141.8	-119.4
Total expenditure (\$1000)	165.8	-55.5	-193.4
Fiscal health	-213.8	-196.9	-186.4
Federal transfer (%)	-163.4	-123.1	-93.2
Debt burden (%)	-147.5	-172.4	-139.3
Per Capita Personal Income (\$1000)	137.7	109.9	86.1
Unemployment (%)	184.3	146.8	128.2
Population (1000)	-5	1.2	-45.8

### **Robustness Considerations**

One empirical concern of the main findings is that the outliers may significantly bias the estimated results. For instance, as shown in Figure III-1, California and Pennsylvania lobbied the federal government each year and these two states spent the biggest amount of money on lobbying the federal government during the observation period. Figure III-2 also shows that these two states have a high level of legislative professionalism. Therefore, I account for the effects of these outliers by including them as two dummies variables (CA and PA) in the statistical models. Table III-6 reports the logit models of lobbying participation. As CA and PA predict lobbying participation perfectly, 26 observations are automatically dropped from the logit models. Table III-7 reports the Tobit models with CA and PA as additional controls. Table III-6 and III-7 show that legislative professionalism has a statistically significant and positive impact on lobbying participation and lobbying spending after accounting for the outliers. The point estimates are similar to those reported in Table III-2 and III-4.

**Table III-6 Determinants of State Lobbying Participation (Excluding CA and PA)**

	Model 7		Model 8	
	Odds Ratio (t-statistic)	p-value	Odds Ratio (t-statistic)	p-value
Squire Index	19404.7 (2.22)	0.026		
MDS 1			5.276 (3.65)	0.000
MDS 2			4.490 (4.06)	0.000
Gubernatorial election year	1.026 (0.11)	0.911	1.075 (0.29)	0.772
Democrat governor	1.946 (1.21)	0.226	2.404 (1.46)	0.144
Government liberal ideology	0.978 (-0.95)	0.343	0.972 (-1.24)	0.215
Citizen liberal ideology	0.978 (-1.20)	0.231	0.978 (-1.13)	0.257
Total expenditure (\$1000)	1.000 (0.62)	0.535	1.000 (0.32)	0.751
Fiscal health	0.0884 (-1.47)	0.141	0.133 (-1.29)	0.197
Federal transfer (%)	0.964 (-1.12)	0.262	0.990 (-0.29)	0.775
Debt burden (%)	0.985 (-1.31)	0.189	0.991 (-0.99)	0.321
Per Capita Personal Income (\$1000)	1.022 (0.46)	0.646	0.983 (-0.32)	0.752
Unemployment (%)	1.183 (0.82)	0.410	1.053 (0.23)	0.819
Population (1000)	1.000 (-0.89)	0.372	1.000 (-1.63)	0.103
Year fixed effects	Y		Y	
Constant	4.747 (0.76)	0.445	141.3 (2.03)	0.042
Observations	624		624	
Pseudo R2	0.154		0.214	
AIC	728.5		683.0	
BIC	839.4		798.3	

Note: Two-tailed p-values. Logit models. The dependent variable is a dummy equal to 1 if a state submits a lobbying report in a year, 0 otherwise. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the state level).

**Table III-7 Determinants of (ln) State Lobbying Spending (Including CA and PA as Dummies)**

	Model 9 Coefficient (Robust SE)	p-value	Model 10 Coefficient (Robust SE)	p-value
Squire Index	25.608 (9.95)	0.010		
MDS 1			3.636 (1.01)	0.000
MDS 2			3.146 (0.88)	0.000
Gubernatorial election year	-0.036 (0.80)	0.964	0.041 (0.78)	0.958
Democrat governor	1.484 (2.15)	0.490	2.110 (2.07)	0.308
Government liberal ideology	-0.038 (0.08)	0.658	-0.055 (0.08)	0.496
Citizen liberal ideology	-0.103 (0.07)	0.122	-0.094 (0.06)	0.139
Total expenditure (\$1000)	0.000 (0.00)	0.864	-0.000 (0.00)	0.666
Fiscal health	-10.229 (5.32)	0.055	-9.132 (4.94)	0.065
Federal transfer (%)	-0.161 (0.13)	0.203	-0.098 (0.11)	0.396
Debt burden (%)	-0.053 (0.04)	0.190	-0.041 (0.03)	0.233
Per Capita Personal Income (\$1000)	0.130 (0.17)	0.445	0.019 (0.18)	0.914
Unemployment (%)	0.645 (0.63)	0.306	0.285 (0.61)	0.639
Population (1000)	-0.000 (0.00)	0.945	-0.000 (0.00)	0.228
CA	-5.780 (3.19)	0.070	-18.177 (4.48)	0.000
PA	2.274 (1.12)	0.042	-5.210 (2.42)	0.032
Year fixed effects	Y		Y	
Constant	8.489 (7.64)	0.267	17.295 (7.29)	0.018
Sigma	7.098 (0.67)	0.000	6.871 (0.66)	0.000
Observations	650		650	
Pseudo R2	0.045		0.055	
AIC	3389.872		3356.461	
BIC	3506.273		3477.339	

Note: Two-tailed p-values. Tobit models. The dependent variable the amount of money (logged) a state spends on lobbying in a year. Models also include year dummies not reported. Cluster-robust standard errors are used (clustered at the state level).

## **Conclusion**

This chapter examines how legislative professionalism affects state governments' decision regarding lobbying the federal government. Theoretically, I point out that states with a higher level of legislative professionalism have stronger motivations to meet the demands of the median voters and more resources necessary for overcoming the transaction cost involved in the formal lobbying process. Therefore, legislative professionalism should have a positive impact on state lobbying participation and lobbying spending. Empirically, an analysis of a panel dataset covering 50 states from 1999 to 2011 provides consistent support for the key arguments.

This research has important implications for state politics literature, lobbying literature, and intergovernmental relations literature. Little state politics research quantitatively examines the lobbying activities of state governments, which is commonly viewed as an important means for subnational governments to obtain resources from the national government (Jensen 2018). Meanwhile, the federalism literature tells us how state governments make strategic choices to influence resource allocation of the federal government (Nicholson-Crotty 2015), but it missed an important link between state politics and federal resource allocation: state lobbying activities. My research applies the logic identified in the existing literature into state governments' lobbying activities to understand how state-level political factors impact each state's decisions regarding lobbying the federal government. To my knowledge, this work represents the first systematic analysis of the determinants of state lobbying activities on the supply side of

public goods. Future research may build on this work to further explore the effects of other potential determinants of state lobbying activities.

This research also has important practical implications. Both the financial recessions in recent years and the trend of the aging population lead to an increase of state and local expenditures on Medicaid and on retirement benefits and the decrease of spending on transportation, education and other public services (Kiewiet and McCubbins 2014; Nicholson-Crotty 2015). State governments have to pursue additional resources from the federal government to satisfy the demands of public goods in their jurisdictions. Hence, the dynamics behind each state's investment in lobbying the federal government could help us understand which states will become the winners or losers in the "new fiscal ice age" (Kiewiet and McCubbins 2014).

## CHAPTER IV

### BOTTOM-UP FEDERALISM OF FORMAL LOBBYING SPENDING

#### **Introduction**

Hundreds of local- and state-level governments invest millions of dollars in hiring professional lobbyists to influence the federal government each year. Nevertheless, only several recent studies have systematically examined the determinants of local government lobbying investments (Loftis and Kettler 2015; Goldstein and You 2017). These studies show that local public goods demands are driving the lobbying participation or lobbying spending of local governments. However, there is little systematic analysis of the determinants of state government lobbying spending. Given that, presumably, both local- and state-level governments are hiring professional lobbyists to obtain resources from and influences policies in the federal government, an interesting question arises: Do local lobbying activities affect state-level lobbying activities? When local governments within states increase their investments in lobbying the federal government, will the state governments increase or decrease their investments in lobbying the federal government?

This work borrows the concept of bottom-up federalism in policy diffusion literature to explain the vertical policy interaction in intergovernmental lobbying activities in the United States. According to Shipan and Volden (2006), bottom-up federalism refers to the process of local-to-state policy diffusion due to policy learning or policy pressures. In terms of policy learning, state-level policymakers may view local



governments as important information sources for searching for new policy instruments as local policies may signal political viability or policy effectiveness. With respect to policy pressures, local policies may change the pressures state policymakers received from interest groups, policy advocates, or the voters.

Applying the logic of bottom-up federalism to the case of governmental lobbying, I point out that increasing local lobbying spending may have two distinct types of effects on state lobbying spending: the snowball effect and the pressure valve effect. Regarding the snowball effect, local lobbying spending may increase state lobbying spending through increasing the salience of lobbying as a policy tool, producing negative externalities among local governments, or escalating the competition for scarce federal funding between state and local governments. With respect to the pressure valve effect, local lobbying spending may decrease state lobbying spending by obtaining additional resources to successfully meet the demands of local voters and groups and, therefore, decreasing the policy pressures on state-level policymakers. While each argument seems to have its own merits and reasons, which one of the two hypothesized effects dominate the impact of local lobbying spending on state lobbying spending?

Focusing on 50 states in the United States from 1999 to 2011, I use a dynamic panel data model to estimate the theoretical relationship. The results show that after controlling for political, financial, and demographic characteristics of states, there is consistent evidence that local government lobbying spending increases state government lobbying spending. Substantively, when local governments increase their spending on lobbying the federal government by 1000 dollars in a year, state governments will

increase their spending on lobbying the federal government by 69 dollars in the same year.

This work contributes to our understanding of lobbying, policy diffusion, and intergovernmental relations. Previous quantitative intergovernmental lobbying research often focuses on how local governments allocate resources for lobbying the federal government, paying little or no attention to the potential effects of local lobbying investment on state lobbying investment (Goldstein and You 2017; Loftis and Kettler 2015; Payson Forthcoming). Meanwhile, most diffusion research focuses on horizontal policy interdependency using regulatory policy cases (Graham, Shipan and Volden 2013). Studies of the vertical interaction between state and local policies are still limited and we still know little about when and how local actions influence state actions (Shipand and Volden 2006). This work applies the bottom-up federalism theory to the case of intergovernmental lobbying by pointing out two distinct types of effects that lead to local-to-state diffusion. To my knowledge, this study represents the first systematic analysis of vertical policy interdependency in the process of intergovernmental lobbying. Future research can build on this work and explore the potential top-down or peer effects underlying government lobbying activities.

The next section briefly reviews the policy diffusion and lobbying literature and highlights the theoretical gaps in the existing research. Thereafter, I theorize the relationship between local and state lobbying spending by pointing out two distinct types of effects. I test the arguments by offering evidence based on dynamic panel models. I

conclude this study with a discussion on the contributions of this research and the potential directions for future research.

### **Theory and Hypotheses**

Policy diffusion refers to the process that the policy choice of one government is influenced by the policy choice of another government (Shipan and Voldne 2012; Graham, Shipan, and Volden 2013). Policy diffusion literature has examined two main categories of diffusion processes: horizontal and vertical processes. Horizontal policy diffusion processes, such as learning, competition, and imitation, received the most attention in previous literature (Gilardi 2010; Gray 1973, 1994; Shipan and Volden 2008; Volden 2006; Walker 1969). Vertical dynamics in the subnational policy process, such as coercion mechanism, bottom-up and top-down federalism (Karch 2007, 2012; Karch and Rosenthal 2016; McCann, Shipan, and Volden 2015; Shipan and Volden 2006), have also drawn increased attention from scholars in recent years. However, most of the previous diffusion studies investigate regulatory policy cases, which mainly deal with the interactions between governments and citizens. Nevertheless, besides citizens in their jurisdictions, governments also need to make policy decisions in terms of interacting with other governments. We still know little about the following question: Do decisions of intergovernmental interactions diffuse across governments?

Using the case of intergovernmental lobbying activities, this work focuses on the potential effects of local governments' decisions of lobbying the federal government on state governments' decisions of lobbying the federal government. Particularly, I

borrow Shipan and Volden's (2006) diffusion theory of bottom-up federalism to analyze the theoretical relationship between local lobbying spending and state lobbying spending. Shipan and Volden (2006) point out that most existing knowledge about intergovernmental policy dependency is about state-to-state diffusion, and little is known about the bottom-up diffusion of policies from local governments to state governments. They argue that policy-oriented learning and inter-locality economic or budgetary spillovers can lead state governments to change their existing policies. Using the case of anti-smoking laws, Shipan and Volden (2006) provide evidence that policies bubble up from city governments to state governments.

This study seeks to bring together the intergovernmental lobbying literature and policy diffusion literature and argues that bottom-up federalism applies to the case of intergovernmental lobbying, too. I point out that the intensity of local governments lobbying the federal government may have two distinct types of impacts on the intensity of state governments lobbying the federal government: the snowball effect and the pressure valve effect (Shipan and Volden 2006).

There are three possible sources of the snowball effect. First, the increase of local lobbying activities makes this policy tool more salient to state-level policymakers, which increases state lobbying spending. Recent research suggests that states tend to draw policy experience and knowledge within each policy area from the local governments (Shipan and Volden 2006, 2014). Meanwhile, previous research published in top Economics and Political Science journals suggests that lobbying can generate substantial returns. For instance, 1 dollar spent on lobbying produces more than 8 dollars in the

education sector (De Figueiredo 2006 ), 1.3 dollars in the energy sector (Kang 2016), 12 dollars in stock market (Borisov, Goldman, and Gupta 2016), and 40 dollars for city governments (Goldstein and You 2017). Given this potential profitability of lobbying investment, a higher level of local investment in lobbying the federal government is more likely to attract the attention of state-level policymakers and lead them to invest more money in lobbying the federal government.

Second, local lobbying activities can produce negative externalities among local governments. For instance, one local government's lobbying investment may reduce a nearby city's likelihood of obtaining the same resources (e.g., earmark or grant) from the federal government. As Payson (Forthcoming) suggests, the benefits of intergovernmental lobbying are positively associated with the own-source revenue per capita of cities. More local governments' spending on lobbying the federal government may lead to a more unequal distribution of resources. Therefore, state governments may internalize this externality by increasing their own lobbying spending and directly pursue resources from the federal government to meet the demands of local interest groups and voters.

A third possible source of snowball effect is the unaligned political incentives of state and local policymakers. Given different constituencies, state and local policymakers may simultaneously pursue the same limited resources from the federal government to meet the demands of their separate core supporters. As Jensen (2016) points out, state governments often compete with local governments for federal funding, too. Given this adversarial rather than collaborative relationship between state and local

policymakers' interests, there may be an arms race in terms of lobbying investments, too.

**Snowball Effect Hypothesis: The intensity of local lobbying spending is positively associated with the intensity of state lobby spending.**

However, as Shipan and Volden (2006) suggest, local policy actions may produce an opposite effect on state-level policymakers, the pressure valve effect. Specifically, local lobbying actions may decrease state lobbying spending by decreasing the policy pressures on state-level policymakers. If local lobbying spending can help local governments successfully pursue additional resources from the federal government and provide local communities with more public goods (Goldstein and You 2017; Payson Forthcoming), local policy issues may become less acute and local voters and groups have fewer incentives to advocate further actions at the state level. Meanwhile, state-level policymakers will feel fewer policy pressures to be responsive to local demands. Therefore, state-level policymakers will be less likely to allocate resources for lobbying the federal government to directly respond to their local supporters.

**Pressure Valve Effect Hypothesis: The intensity of local lobbying spending is negatively associated with the intensity of state lobby spending.**

Both of the snowball and pressure valve effect hypotheses seem to have their own reasons derived from the competing theoretical explanations. To empirically examine which one dominates in the process of bottom-up federalism of intergovernmental lobbying, I further employ empirical data drawn from multiple sources to conduct hypothesis testing.

## Data Analysis

This chapter examines the bottom-up federalism of intergovernmental lobbying investments by focusing on the lobbying spending of state and local governments from 1999 to 2011. I collect the state and local lobbying spending data by scraping the information falling under the category of *Civil Servants/Public Officials* on the website of the Center for Responsive Politics.<sup>36</sup> The dependent variable is the amount of money each state government spends on lobbying the federal government each year. The independent variable is the sum of lobbying spending by all city, town, and county governments within a state in a year.<sup>37,38</sup>

Admittedly, local and state governments may lobby for different policy issues at the federal level. Nevertheless, if we assume that policymakers are motivated by reelection or reappointment, then the purpose of lobbying the federal government for the

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<sup>36</sup> Center for Responsive Politics. "Civil Servants/ Public Officials."

<https://www.opensecrets.org/lobby/indusclient.php?id=W03> Date accessed: April 2, 2018.

<sup>37</sup> Another potential measure of local lobbying activities is the proportion of state population with local governments participating in lobbying the federal government (Shipan and Volden 2006). However, intergovernmental lobbying is not a regulatory policy that aims to directly change citizens' behaviors and the geographic area of towns, cities and counties may overlap, and, therefore, this potential measure cannot reflect the intensity of the overall local lobbying investment. Also, an empirical difficulty is that the yearly population information for small cities and towns is less available and may be less reliable (Shipan and Volden 2008). Given these reasons, I also do not measure the state lobbying activities as a dummy indicating each state's participation in lobbying the federal government to maintain the measurement consistency of the independent and dependent variables. Nevertheless, a logit model with year fixed effects (not reported) does show that local lobbying spending has a statistically significant effect on states' participation in lobbying the federal government.

<sup>38</sup> This measure only includes local general-purpose governments. It does not include the lobbying information of special districts, school districts, or public hospitals, because these institutions may not have the same theorized effects as the general-purpose governments and their lobbying information is much more difficult to identify or collect.

state- and local-level governments should be the same: obtaining more resources or policy supports from the federal government to meet the demands of supporters. Even if a state government lobbies the federal government for policy supports for a state-level policy issue that is different from local policy issues, the returns of lobbying should still serve the same purpose of improving the quality or quantity of public goods. Local lobbying investments can still increase the salience of or decrease the demand for lobbying among state policymakers. Therefore, although I do not have the information on issue-specific lobbying spending for each level of government,<sup>39</sup> the potential difference of lobbying issues should not threaten the theoretical or empirical inferences.

State lobbying investments are also likely to be influenced by other factors that we need to control for. Building on previous research on state politics (Berry and Berry 1990; Shipan and Volden 2006), I mainly include political, financial, and demographic controls in the models. I use the two-dimensional indices developed by Bowen and Greene (2014) based on the approach of Multidimensional Scaling (MDS) to measure legislative professionalism. The first dimension (MDS 1) represents the broad differences between amateur and professional legislatures. The second dimension (MDS 2), by contrast, represents the differences between a support-intensive (high staff support and short sessions) versus work-intensive (low staff support and long sessions) legislatures. Compared to the one-dimensional Squire Index (Squire 2017), Bowen and

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<sup>39</sup> It is hard to collect information on issue-specific lobbying spending because the number and type of policy issues is inconsistent across lobbying reports and I cannot directly identify the specific amount of lobbying spending assigned to each issue. This fact makes it difficult to consistently calculate a government's issue-specific lobbying spending or compare two different governments' lobbying spending in a specific policy area in a year.



Greene's two-dimensional measures can more comprehensively capture the commonality and variation of legislative professionalism across the states.

As one of the most important goals of state politicians is to be reelected, the proximity of state elections is often associated with the likelihood of adopting a policy (Besley and Coate 2003; Nicholson-Crotty 2015). Therefore, I include a dummy indicating a Gubernatorial election year in the models. The Gubernatorial election information is collected from the Governors Dataset created by Carl Klarner.<sup>40</sup>

Political scientists have proposed partisan and ideological explanations for state government spending, too (Nicholson-Crotty 2015). The partisan theory suggests that the governing party tends to spend money on policies that satisfy core constituencies. As the core supporters and members of the Democratic Party are assumed to prefer the expansion of public service, I expect that state lobbying spending increases with state elite liberalism. Specifically, I set a dummy equal to 1 if a governor is a Democrat, and 0 otherwise. I also include a measure of government liberal ideology drawn from Berry et al. (2010) in the models.<sup>41</sup> By contrast, the electoral theory suggests that politicians are likely to manipulate government spending to buy the median votes. Accordingly, I also include a measure of citizen liberal ideology drawn from Berry et al. (2010) in the models.

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<sup>40</sup> Klarner, Carl, 2013, "Governors Dataset." Source: <https://hdl.handle.net/1902.1/20408>, Harvard Dataverse. Date accessed: October 5, 2018.

<sup>41</sup> Richard C. Fording. 2018. "State Ideology Data." <https://rcfording.wordpress.com/state-ideology-data/> Date accessed: October 5, 2018.

The financial characteristics of state government can potentially affect their lobbying spending. For instance, the size of government expenditure, fiscal health,<sup>42</sup> the percentage of federal transfer, and the percentage of debt burden can be positively or negatively correlated with a state government's lobbying spending. The information on these variables is collected from The Government Finance Database (Pierson, Hand, and Thompson 2015).<sup>43</sup>

Similarly, the demographic characteristics can potentially affect the resources or motivations of state governments, thus shaping their lobbying spending. I choose to include the per capita personal income, percentage of unemployment, and population size in the models, as these variables are most likely to shape the demands of public goods in each state. The data are collected from the websites of the Bureau of Economic Analysis<sup>44</sup> and the Bureau of Labor Statistics<sup>45</sup>. The summary statistics of all variables are reported in Table IV-1.

Given the panel data structure, I employ the Arellano-Bond dynamic model to use current and past information to predict state lobbying spending. This generalized method of moments (GMM) approach uses first differencing to remove the unobserved

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<sup>42</sup> This measure is calculated using the following equation:  
$$\frac{(Total\ revenue - Total\ expenditure)}{Total\ expenditure}$$
 (Berry and Berry 1990).

<sup>43</sup> Kawika Pierson, Michael L. Hand, and Thompson. "The Government Finance Database." Source: <http://willamette.edu/mba/research-impact/public-datasets/index.html> Date accessed: September 4, 2018.

<sup>44</sup> Bureau of Economic Analysis. "Regional Economic Accounts: Download." Source: <https://apps.bea.gov/regional/downloadzip.cfm> Date accessed: September 5, 2018

<sup>45</sup> Bureau of Labor Statistics. "Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas." Source: <https://www.bls.gov/lau/rdscnp16.htm> Date accessed: September 5, 2018.

panel-level effects and use instruments (e.g., the lagged dependent variable and endogenous variables) to produce moment conditions (Arellano and Bond 1991). A test for the serial correlation structure rejects no autocorrelation of order 1 ( $z=-2.34$ ) and cannot reject no autocorrelation of order 2 ( $z=0.60$ ). Accordingly, there is evidence that the Arellano-Bond model assumptions are satisfied.<sup>46</sup>

**Table IV-1 Summary Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
State lobbying spending (\$1000)	650	174.59	293.09	0.00	2100.00
Local lobbying spending (\$1000)	650	1042.28	2359.79	0.00	19920.24
MDS 1	650	0.15	1.65	-1.85	8.58
MDS 2	650	0.13	0.75	-3.07	3.17
Gubernatorial election year	650	0.25	0.43	0.00	1.00
Democrat governor	650	0.46	0.50	0.00	1.00
Government liberal ideology	650	47.53	14.27	17.51	73.62
Citizen liberal ideology	650	51.71	15.80	8.45	95.97
Total expenditure (\$1000)	650	30140.35	37195.94	2271.67	285238.10
Fiscal health	650	0.04	0.18	-0.76	1.25
Federal transfer (%)	650	26.72	8.09	12.32	101.18
Debt burden (%)	650	55.41	30.98	13.83	245.51
Per Capita Personal Income (\$1000)	650	34.84	7.04	20.73	63.77
Unemployment (%)	650	5.61	2.09	2.30	13.70
Population (1000)	650	5901.77	6484.42	491.78	37672.65

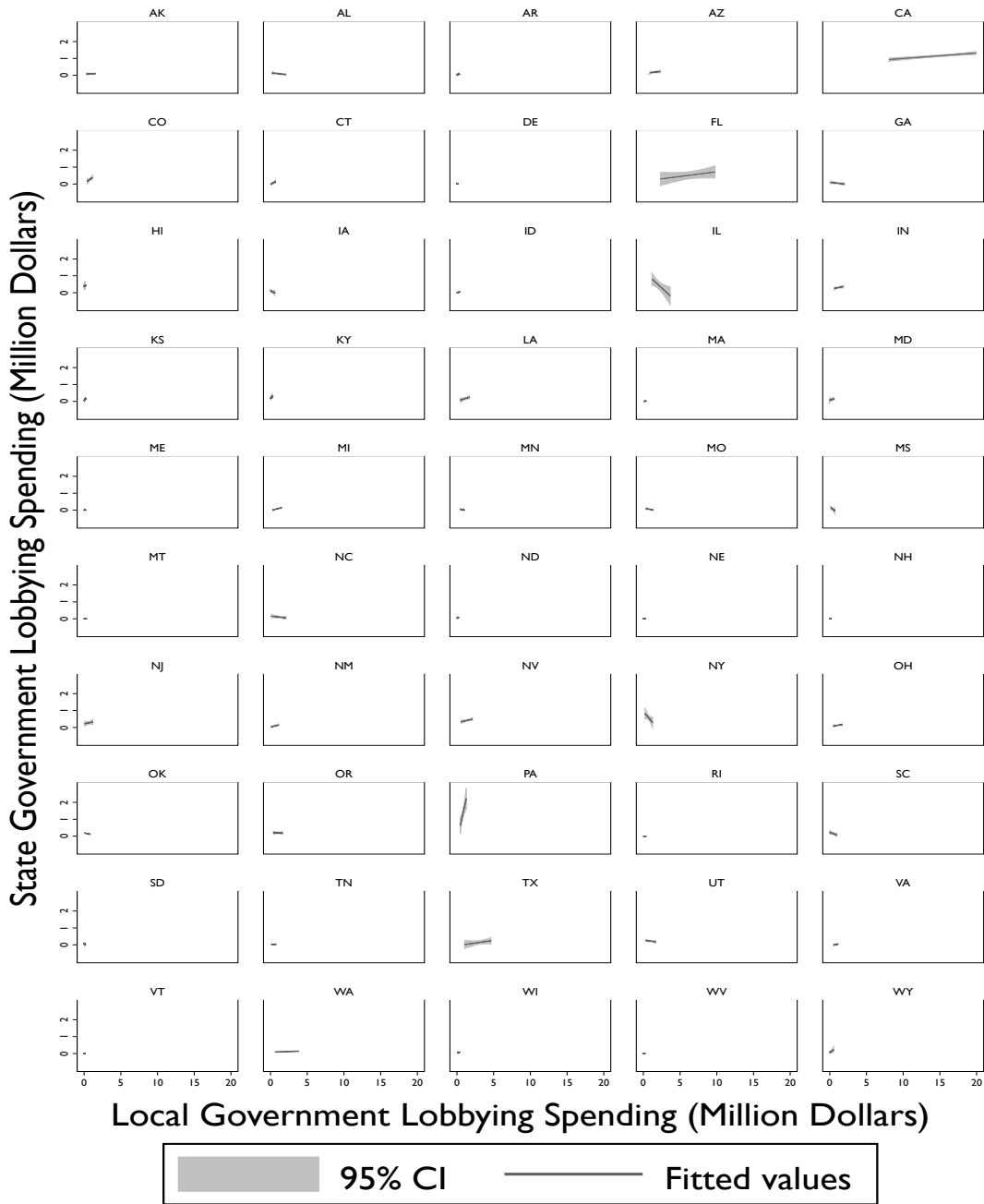
<sup>46</sup> Enrique Pinzon. “xtabond cheat sheet.” The STATA Blog. Source: <https://blog.stata.com/2015/11/12/xtabond-cheat-sheet/>. Date accessed: October 1, 2018

## **Empirical Results**

To demonstrate the relationship between local and state lobbying spending in each state from 1999 to 2011, I first calculate the prediction for state lobbying spending from a linear regression of state lobbying spending on local lobbying spending and plot the resulting line, along with a 95% confidence interval in Figure IV-1. The results reveal that there is generally a positive correlation across most states. I next conduct the regressions below to further examine the robustness of these relationships.

Table IV-2 presents the Arellano-Bond dynamic panel data estimation of state lobbying spending. The coefficients, robust standard errors, and two-tailed p values are reported. I run two regressions altogether. Model 1 includes only the lagged dependent variable and the variables that capture the political, financial and demographic characteristics of each state, whereas in Model 2, the key independent variable, local lobbying spending (\$1000), is added.

The results in Table IV-2 suggest that local lobbying spending has a statistically significant impact on state lobbying spending. Substantively, when local lobbying spending within a state increases by 1000 dollars, the state lobbying spending increases by 69 dollars. This positive effect is statistically significant ( $p < 0.05$ ) after controlling for multiple political, financial, and demographic variables and serial correlation. Therefore, Table IV-2 provides supportive evidence for the snowball effect hypothesis in intergovernmental lobbying activities.



**Figure IV-1 Linear Prediction of Bottom-Up Federalism in Intergovernmental Lobbying**

In this GMM model, the control variables show some interesting results too. Substantively, Table IV-2 shows that when a state government increases its total expenditure by 1000 dollars, it will decrease its lobbying spending by 6 dollars. This result suggests that governments with a higher level of total expenditure might have fewer resources to be allocated for lobbying the federal government. One percentage increase in the federal transfer is associated with a 3,566 dollars increase in state lobbying spending. This result suggests state governments that receive more federal transfer might be more actively seeking to obtain additional resources from the federal government. One percentage increase in debt burden, however, is associated with a 2,345 dollars decrease in state lobbying spending. One percent increase in the unemployment rate is associated with a 7,221 dollars increase in state lobbying spending.

However, the effects of legislative professionalism are positive but statistically insignificant. This is reasonable since legislative professionalism is stable during the observation period and the theoretical effects of legislative professionalism on state lobbying spending are probably not linearly additive. Therefore, the estimation of the effect of legislative professionalism in a dynamic panel-data model with a non-log-transformed dependent variable maybe less efficient. Following Shipan and Volden (2006), I also test the interaction effects between legislative professionalism and local lobbying spending. The results (not reported here) are positive but not statistically significant. Moreover, there is no strong evidence to confirm the potential effects of other political, financial, and demographic controls.

**Table IV-2 Arellano-Bond Dynamic Panel-Data Estimation of State Lobbying Spending**

	Model 1 Coefficient (Robust SE)	Two- tailed p value	Model 2 Coefficient (Robust SE)	Two- tailed p value
Local lobbying spending (\$1000)			0.069 (0.03)	0.031
Lagged State lobbying spending (\$1000)	0.683 (0.06)	0.000	0.657 (0.06)	0.000
MDS 1	55.869 (73.80)	0.449	47.598 (68.91)	0.490
MDS 2	14.482 (54.68)	0.791	11.083 (51.76)	0.830
Gubernatorial election year	-10.418 (8.04)	0.195	-11.151 (7.60)	0.143
Democrat governor	-19.293 (53.59)	0.719	-3.071 (54.52)	0.955
Government liberal ideology	1.423 (1.91)	0.456	0.940 (1.96)	0.631
Citizen liberal ideology	2.658 (1.68)	0.114	1.792 (1.35)	0.185
Total expenditure	-0.004 (0.00)	0.013	-0.006 (0.00)	0.001
Fiscal health (\$1000)	66.707 (50.51)	0.187	51.108 (50.99)	0.316
Federal transfer (%)	3.993 (1.94)	0.039	3.566 (2.11)	0.090
Debt burden (%)	-2.153 (0.80)	0.007	-2.345 (0.87)	0.007
Per Capita Personal Income (\$1000)	-2.048 (3.11)	0.511	-2.549 (3.38)	0.450
Unemployment (%)	5.868 (3.88)	0.130	7.221 (3.81)	0.058
Population (1000)	0.068 (0.03)	0.042	0.005 (0.04)	0.896
Constant	-369.907 (213.15)	0.083	89.981 (251.98)	0.721
Observations	550		550	
Wald Chi2	1728.17		1431.82	

Note: Two-tailed p-values. The dependent variable the amount of money a state spends on lobbying in a year (1000s).

## Conclusion

Intergovernmental policy dependency has drawn increasing attention from economics, political science, public administration and public policy scholars in recent years (Graham, Ship and Volden 2013). Researchers have provided abundant evidence to illustrate the patterns of state-to-state and national-to-state policy dependency. However, there is much less research on local-to-state policy influence. Meanwhile, previous quantitative lobbying research mainly focuses on how private groups lobby the government, only several recent research has tried to quantitatively identify the determinants of intergovernmental lobbying using systematic evidence. Nevertheless, existing quantitative research on intergovernmental lobbying rarely examines the lobbying activities of state governments.

In this chapter, I present evidence that local-to-state diffusion exists in intergovernmental lobbying. This research generalizes Shipan and Volden's (2006) argument of bottom-up federalism to the area of intergovernmental lobbying. Following Shipan and Volden (2006), I point out that two distinct types of effects can lead to bottom-up federalism in intergovernmental lobbying: the snowball effect and the pressure valve effect. Local lobbying spending may produce the snowball effects on state lobbying spending through increasing the salience of lobbying as a policy tool, the negative externalities among local governments, or escalating the competition for scarce federal funding between state and local governments. Local lobbying spending, however, may also produce the pressure valve effect on state lobbying spending by successfully reducing the policy demands and policy pressures from local voters and



groups. My empirical analysis based on 50 states from 1999 to 2011 shows that when local government lobbying spending increases, state lobbying spending increases, too. In other words, the snowball effect rather than the pressure valve effect dominates the process of bottom-up federalism in intergovernmental lobbying.

My analysis points to several directions for future research. Limited by data availability, this work does not differentiate between the effects of the multiple mechanisms behind the snowball effect. In other words, although this chapter provides evidence to suggest that bottom-up federalism exists in intergovernmental lobbying, we still do not know whether state governments respond to local governments because of proactive learning or passive response to policy pressures. Future researchers may use the methods of survey or interviews to obtain more first-hand information from the intergovernmental lobbying process to disentangle these mechanisms.

Moreover, bottom-up federalism may be more applicable to some lobbying issues than other lobbying issues. The future research with more fine-grained information may test bottom-up federalism of lobbying decisions in various specific policy areas to isolate different bottom-up diffusion mechanisms. Finally, this chapter has attempted to examine only one aspect of the state lobbying process: lobbying investment. Although the evaluation of state lobbying impact is beyond the scope of this study, this issue is clearly the next logical step to be taken in the study of state lobbying activities.

## CHAPTER V

### CONCLUSIONS

The vast research literature on lobbying seeks to explain the origins, strategies, content, and consequence of lobbying activities among private interest groups (De Figueiredo and Richter 2014). However, the process of intergovernmental formal lobbying is often ignored. Given the fact that hundreds of subnational governments spend tens of millions of dollars on formally lobbying the federal government each year and these lobbying investments probably have significant impacts on national politics, a systematic analysis of intergovernmental formal lobbying process is theoretically and practically important.

To improve our understanding of intergovernmental formal lobbying, this dissertation mainly consists of three independent quantitative essays identifying and testing determinants of intergovernmental lobbying activities on the supply side of public goods. Chapter II points out that, compared to cities with political executives, cities with professional executives have a longer time horizon and more policy and administration expertise and, therefore, have more incentives to allocate resources for lobbying the federal government. An analysis of 1, 259 largest cities between 1999 and 2012 suggests that, after controlling for political, financial, and demographic characteristics, executive institutions still significantly predict city lobbying participation and lobbying spending. Chapter II represents the first institutional analysis of the motivations and resources of government executives during intergovernmental lobbying.

Chapter III focuses on how state governments lobby the federal government. Chapter III points out that more professional state legislatures are more likely to represent the preferences of the median voters and have more time, staff, and discretionary resources necessary for facilitating the formal lobbying process. Using a panel dataset covering 50 states from 1999 to 2011, I find that legislative professionalism has a statistically significant impact on state lobbying participation and lobbying spending. Chapter III represents one of the first quantitative analyses of state government lobbying activities.

Chapter IV further analyzes how local lobbying investments impacts state lobbying investments. Borrowing the concept of bottom-up federalism from the policy diffusion literature, I argue that more local lobbying spending can lead to more or less state lobbying spending through a snowball effect or a pressure valve effect. A dynamic panel data model of 50 states from 1999 to 2011 shows that when local governments increase their investments in lobbying the federal government by 1000 dollars, state governments increase their investments in lobbying the federal government by 69 dollars in the same year. This finding suggests that the snowball effect dominates the process of bottom-up federalism in intergovernmental lobbying. Chapter IV represents the first systematic analysis of bottom-up federalism in the case of intergovernmental lobbying.

This dissertation makes multiple contributions to the existing literature. First, different from previous demand-based explanations, such as ideological divergence or public demands (Goldstein and You 2017; Loftis and Kettler 2015), this dissertation provides the first attempt to establishing a theoretical logic that associates the

institutional motivations or constraints of policymakers on the supply side of public goods with the activities of intergovernmental lobbying. The exploration of the factors underlying the process of intergovernmental lobbying could help us understand why some local governments obtain more federal resources than others. Thus, my research could help researchers form a deeper understanding of the role of intergovernmental lobbying in democratic representation and federalist governance. Moreover, following the approach of the recent quantitative intergovernmental lobbying research, my work paves the way for rigorous statistical analysis of the impact of subnational institutions on intergovernmental lobbying decisions in view of the inherent limits of most of the existing anecdotal or case studies (Jensen 2018).

Second, this dissertation contributes to research on intergovernmental relations and federalism. There is a long-standing debate on the structure of intergovernmental relations in the United States. Three models of intergovernmental relations have been proposed (Wright 1978): the coordinate-authority model in which subnational governments are independent of the national government and operate with their own autonomy; the inclusive-authority model in which the subnational government are just dependents of the national government; the overlapping-authority model in which different tiers of governments are interdependent and intergovernmental interactions follow a bargaining authority pattern instead of an autonomic or hierarchic pattern. As subnational governments tend to lobby the federal government to obtain a larger slice of the federal budget or contracts, my research provides support for the overlapping-authority model by revealing how subnational governments interact or cooperate with

the federal government through lobbying. Moreover, my exploration of the multiple levels of subnational governments' participation and investment in intergovernmental lobbying can provide the scholarly foundations for future efforts of identifying the origins of intergovernmental relations.

Third, this work also contributes to the study of urban politics, state politics, and public management. This dissertation advances the existing literature by showing that urban and state institutional structures could significantly shape governmental lobbying decisions, and may have broader implications regarding local and state financial allocation process. Moreover, public management scholars tend to view intergovernmental networking as an important determinant of public organization performance (O'Toole and Meier 1999; Meier and O'Toole 2001). However, little research has discussed the origins of managerial networking in public administration (Rabovsky and Rutherford 2016). As federal lobbying spending is an objective measure of government managerial networking, this dissertation also sheds some new light on the explanations for managerial networking in public administration research.

Fourth, the patterns of intergovernmental lobbying identified in this dissertation could be potentially generalized to other contexts. Generally, in countries with a multiple-level power structure, the distribution of various types of resources along government hierarchy tends to be imbalanced, and the upper-level governments often have limited information on local demands. Under this circumstance, the lower-level governments have incentives to lobby the upper-level governments for additional resources. Studying the dynamics and mechanisms of these activities could not only

improve the academic knowledge of government behaviors but also help practitioners employ this knowledge to promote or revise certain institutional designs to address social injustice issues produced by the unequal allocation of national resources (Bae and Feiock 2004).

There are multiple possible directions for future research. First, although the quantitative chapters have pointed out multiple theoretically plausible mechanisms underlying the main hypotheses, some of them cannot be directly empirically verified given the current data or resource limit. For example, due to the lack of an established individual-level executive database of thousands of American cities in the past decades, it is difficult to directly verify whether all political executives have a shorter time horizon or less policy administration training or experience than professional executives. There is also not enough information to systematically analyze the effects of local executive expertise or state legislative professionalism on the change of transaction costs during the intergovernmental lobbying process. Moreover, it is empirically difficult to determine whether state government lobbying spending responds to local lobbying spending because of the increasing salience of lobbying as a policy tool, the negative externality of local lobbying activities, or the increasing competition between state and local governments for the scarce federal funding. Researchers with more resources or funding may build on this dissertation to further verify or develop these theoretical mechanisms in the future.

Also, we still know little about whether, how and why governmental interest groups behave differently from private interest groups during the lobbying process.

Where public ownership has been considered, however, it is only treated as a rival explanation to control for, rather than as the focus of the analysis (De Figueiredo and Silverman 2006). As a result, the role of public ownership in the lobbying literature has been underdeveloped. Yet, institutional ownership may determine each actor's participation motivation and constraints in the lobbying process and their decisions to lobby. The following questions, therefore, merit examination in future research: Is the process of governmental lobbying different from private interest groups lobbying? How and why?

Moreover, the characteristics of a policy issue can have a significant impact on the actors involved in the policy process (Hayes 1981; Lowi 1972). For example, lobbyists may play different roles in the distributive, constituent, regulative, or redistributive policy sectors. Also, although previous research suggests that lobbying agenda tends to be significantly different from the congressional agenda (Baumgartner et al. 2009), the salience of a policy issue on the congressional agenda should at least partially determines the importance of an issue on the lobbying agenda. Therefore, future research with fine-grained information on issue-specific lobbying spending can further examine whether issue characteristics matter and whether the effects of institutions vary under different circumstances.<sup>47</sup>

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<sup>47</sup> The Collaborative Research Project on *Lobbying and Policy Advocacy in the US Federal Government* provides a random sample of in-depth case studies on issue-specific lobbying activities, which might be a good start for gaining insights before conducting quantitative analysis. Source: <http://lobby.la.psu.edu/issues.html> Date accessed: April 5, 2018.

Finally, understanding how lobbying works in practice can help complement the quantitative analysis by adding traction to the causality underlying the statistical data analysis. With enough resources or funding, field observations and qualitative interviews with the leaders of subnational governments and professional lobbyists should be encouraged (Baumgartner et al. 2009; Jensen 2018; Nownes 2006). As the US-style formal lobbying is not necessarily popular or legal in other contexts, comparative studies of formal or informal lobbying activities with cases from other countries can help produce insights that are otherwise ignored.<sup>48</sup>

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<sup>48</sup> See Kennedy (2009) as an example from China.



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