

The Partisan Ties of Lobbying Firms

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Abstract

Theories of political parties as coalitions of intense policy demanding interest groups have become prominent in recent years. However, these theories tend to focus exclusively on interest groups representing partisan elites in the sphere of electoral politics. Doing so overlooks the consensus among interest group scholars that lobbyists primarily represent organized interests in the policymaking sphere, while only a very small selection engage in electoral politics. We seek to reconcile this lacuna between theories of parties and of interest groups by focusing on how organized interests use partisan lobbying firms to advocate policy demands. We analyze original data on all lobbying firms from 1998 to 2016 that categorize them by the party affiliations of their founders. We reason that lobbying consulting firms with salient party valence ties will be more valuable to organized interests seeking access to party leaders and networks within Congress. This will be especially true for partisan ties to the House majority party, since the institution is more vulnerable to lobbying influence than the Senate. We test these claims by predicting lobbying firm revenue as a function of majority party alignment in both chambers, and by leveraging rare majority party takeovers with a difference-in-difference design to isolate the partisan roots of lobbying firm fortunes. Our findings imply that expanding political party theory to account for intense policy demander representation in the policy sphere will improve our collective understanding of both parties and groups.

Keywords: interest groups, party networks, policy demanders, lobbying firms, institutional vulnerability

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In recent years, the so-called UCLA theory of political parties as networks of policy demanding interest groups (Cohen et al 2008, Noel 2013, Bawn et al 2012; see also Herrnson 2009) has emerged as the prominent challenge to traditional organization and institutional theories of parties (see, inter alia, Aldrich 2011). The extended network theory's explanatory power lies in its flexibility in considering who or what "belongs" to a party, since affiliations may be informal, are subject to change, and are often interdependent with affiliations of others. Party coalition networks consist of more than designated party officials, politicians, and staff. Coalitions include traditional elites, central and peripheral activists, and organized interests that seek to influence the party's agenda, including those that prominent officials and politicians reject as "belonging." The normative implications are important: policy demanders are highly selective, suggesting many groups are excluded and that most citizens have little control over which are in or out. Exclusive partisan coalitions are hard to keep accountable, and may even create disincentives for political participation and civic engagement, which is the primary normative justification for the existence of robust parties.

The UCLA school is not without its critics, though our project does not delve into debates about parties as endogenous organizations or party asymmetry (Aldrich 2011, Grossmann and Hopkins 2015, 2016). Instead, we focus on a simple but critical observation: the UCLA school's consideration of interest groups as intense policy

demanders predominantly in the electoral sphere is an unnecessarily narrow assumption of organized interests' role in party coalitions. Recent work has extended the list of potentially key actors in the extended party network (Koger, Masket, and Noel 2010; Desmarais, La Raja, and Kowal 2015; Crowder-Meyer and Cooperman 2018), but none have made the leap to the lobbying world to observe how party-aligned entities facilitate intense policy demands in Congress, where authoritative policies are actually formulated and adopted.

We do not suggest the theory is wrong so much as it is incomplete, especially from the perspective of the neopluralist school of thought on interest group politics (Baumgartner and Leech 1998, McFarland 2004, Lowery 2007, Baumgartner et al. 2009). Interest organizations have multiple objectives, variable resources, are constrained by the institutional and macropolitical context, and strategically act to achieve those objectives accordingly. That is, some groups may focus attention on demanding policy agendas during electoral processes such as candidate selection, whereas others may focus exclusively on monitoring and influencing policy agendas in the policy process. Still others may do both, and they all may shift their interest representation strategies as opportunities arise and fall.

There is plenty of room in the party network theory to accommodate interest group policy demands outside the electoral context, especially since only a small portion

of interest groups tie themselves exclusively with one party over the other. In the 2008 election cycle, only 11% of organizations registered to lobby are also linked to a PAC (LaPira and Thomas 2017, 198). And, only a very select group of lobbyists make campaign donations to candidates and parties (Koger and Victor 2009). Among groups that are affiliated with PACs, some strategically seek access to members of both parties in legislative committees that regulate their interests, whereas others are almost exclusively partisan (Powell and Grimmer 2016, McKay 2018). And, though many industries lean toward one party or the other, there is still a great deal of partisan and ideological variation for donors within and between industries (Bonica 2014). The reason is simple: most organized interests - including professional groups, trade associations, corporations, and institutions - have good reason to maintain relationships with both parties and strong reputation incentives not to appear partisan (Hojnacki and Kimball 1999; Grossmann and Dominguez 2009).

Likewise, interest group scholars tend to have an equally narrow view of who the major actors are in the lobbying world. With some notable exceptions, the interest group literature gives lobbying consulting firms very little attention, despite the potentially critical role they may play as key actors in the lobbying process (Kersh 2000, Lowery and Marchetti 2012, Schiff et al. 2015; Whitesell, Schiff, and Lowery 2018). Research has tended to focus on *lobbyists as individuals*, on the interest organization

clients they serve, or the *policy issues* groups and coalitions advocate as the key units of analysis (see Gray and Lowery 1996, Heinz et al 2001, Baumgartner et al. 2009; Dur et al forthcoming 2019 for critical reviews). This scholarly inattention implies lobbying firms are politically neutral or analytically inconsequential, though billions of dollars in annual income suggests that somebody thinks they achieve some objective (Center for Responsive Politics 2018). Moreover, ample anecdotal and journalistic evidence suggest that firms strategically affiliate with parties or develop reputations as being non- or bi-partisan, though to our knowledge there is no systematic analysis of the distribution of lobbying firm party affiliation. If that's the case, then theories of parties and of organized interests need to take lobbying firm partisan identities more seriously.

Accordingly, we explore the extent to which the lobbying firms' *partisan ties* signal firms' political loyalties. To evaluate the political market value of lobbying firms' partisanship, we analyze original data that we compiled on the characteristics of lobbying firms from Lobbying Disclosure Act (LDA) reports from 1998 to 2016. In particular, we explore how variations in the alignment between the partisan ties of the founders of lobbying firms and the majority party in Congress correspond to the ability of firms to generate revenue from lobbying contracts. Though our data do not permit us to recreate party networks per se, our evidence strongly suggests that party-affiliated lobbying firms hold a critical position within extended party networks.

Our investigation yields several contributions to the scholarly literatures on lobbying, political parties, and legislative politics in American politics . First, we report the results of the first systematic analyses of lobbying firm party affiliation to assess how government institutions, political parties, and organized interests affect their behavior as independent political actors. Second, we provide empirical evidence that lobbying strategies vary to accommodate different institutional designs in the House and Senate, thus contributing new insight on how Congress and lobbyists interact. Third, we add to a growing body of knowledge on the interactions between political parties and interest group politics by showing how lobbying firms help to tie lobbyists to parties (Heaney 2010; Beyers, De Bruycker, and Baller 2015; Fraussen and Halpin 2016). Our results imply that expanding the extended party networks theory to include non-electorally focused policy demanders and related agents sets the stage for a new line of inquiry into the politics of parties, groups, and legislatures.

Welcoming Lobbying Firms to the Party

Washington, DC has witnessed a tremendous growth in lobbying over the past several decades (Holyoke 2015; Leech et al. 2005). This growth has been fueled in no small part by the considerable incomes that can be earned in this profession (Birnbaum 2005; LaPira and Thomas 2017). As a prominent lobbyist told us, “once it became

lucrative, every staffer – not just Member – every staffer on [Capitol] Hill who had two or three years of experience went out and hung up a shingle” (anonymous interview¹).

While this lobbyist’s statement is somewhat hyperbolic, it nonetheless reflects the eagerness and energy with which many people have moved from government positions to lobbying in recent years.

With the rush of former government employees to become lobbyists, the question immediately arises as to how potential clients make sense of this onslaught. One possible answer is that the principal founding partners of firms play an enormous role in establishing firms’ identities. For example, The Livingston Group, founded by former House Appropriations Committee Chairman and Speaker-designate Bob Livingston (R-LA), has become well known for appropriations lobbying, even though it promotes itself as bipartisan. The McManus Group, founded by former House Ways and Means Committee Republican staff director John McManus – who was a key participant in writing the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 – has become known with a niche for GOP health policy lobbying. Indeed, the potential for forming niches is quite extensive, as firm identities could be based on multiple dimensions, such as targeted government institution, policy area, geography, gender, client type, or political party (Heaney 2004).

¹ Interview data collected as part of the 2017 Congressional Capacity survey, James Madison University IRB Protocol #17-0333. Transcripts edited to maintain strict confidentiality.

We focus on party valence as the key characteristic of a lobbying firm's identity. In doing so, we do not deny that other dimensions – such as policy expertise and geography – can be quite important. Rather, we maintain that partisan ties are readily observable, easily understandable, and likely consequential in this age of intense partisan polarization and competition (Poole and Rosenthal 2007; Lee 2009). Lobbying firms' prospective clients can observe the partisan ties of the founders and use it as a meaningful heuristic to discern if it is or is not likely to serve the client's interests well.

Firms may opt to brand themselves as either partisan or bipartisan. For example, The Podesta Group, founded by brothers John and Tony Podesta, was known as a major Democratic lobbying firm before its demise associated with foreign lobbying client scandals. Both brothers have worked for a variety of Democratic politicians, with John Podesta having held prominent positions in the administrations of presidents Bill Clinton and Barack Obama, as well as presidential candidate Hillary Clinton. Representation by the Podesta Group promised access to Democratic politicians and credibility on liberal issues. However, the value of this representation likely fluctuated with the status of Democrats in government, being worth more when Democrats are in power and less when they are out. The same is true for Republican-identified firms. As the founder of a major Republican firm told us:

. . . when I started – certainly during the Bush years – it was a pretty lucrative business for Republicans. For us, under Obama, he hated lobbyists. He ran against lobbyists –

except for his [party's] lobbyists. If you're one of his lobbyists, you still did very well. I'll just refer you to [Democratic lobbyist] Tony Podesta. You can take a look at his growth. Ours did not. Ours went down like that [motioning a sharp decline] (anonymous interview).

Though this anecdote does not itself establish a pattern, it does suggest that lobbying firms' partisan identities matter to prospective clients, and therefore affects how some organized interests are represented in both the partisan electoral arena and government policymaking institutions. The party's reputation or brand (Butler and Powell 2016), then, extends to lobbying firms.

If so, then party-branded lobbying firms and the partisan lobbyists they employ make them just as important in linking a party's policy demanders to others within the network as are partisan congressional staffers, partisan Cabinet appointees, and partisan White House political appointees. They share the same electoral goals and policy agendas as their co-partisan political appointees, but they just happen to maintain an affiliation with a client-subsidizing consulting firm in the private sector rather than a formal position inside the government. This would suggest that party-aligned firms are better understood as conduits of their policy demanding organized interest clients that Bawn et al (2012) explicitly identify as key actors in the party. Intuitively, they are probably even more significant actors in the party network than many campaign donor-activists that strategically target contributions based on industry-regulating committee membership. Lobbying firms that explicitly adopt a party valence component to their

reputations are probably *more closely affiliated* with others in the party network than most organized interests or activists that may exit the coalition more freely.

Lobbying firms' partisan reputations are likely well-known within co-partisan networks, or there would be no need to develop a partisan brand and there would have been little evidence for us to observe to establish their partisan valence. Yet, their relative inside-the-Beltway obscurity keeps them mostly hidden to outside observers. Thus, we argue that lobbying firms should be added to the list of key actors that are traditionally examined in party networks research (see Heaney et al. 2012). Based on these considerations, we expect:

Partisan Ties Hypothesis: A party-aligned lobbying firm will earn more revenue when that party controls government institutions, other things equal.

This expectation is falsifiable, since many firms brand themselves explicitly as bipartisan or non-partisan.² Non-valence branding signals that the firm is willing and able to work across the aisle to try to find nonpartisan and/or bipartisan solutions to policy problems, or is positioned to advocate on behalf of the interests they represent regardless of which party leads government. For example, Nathanson + Hauck was co-

² The existence of a meaningful bipartisan option with lobbying firms stands in contrast to the political consulting industry, where the firms exclusively identify as Republican or Democratic (Sheingate 2016).

founded by a Democrat, Melanie Nathanson, and a Republican, Megan Hauck. They overtly highlight their bipartisan status in advertising the firm in a logo that combines blue (Nathanson), purple (+), and red (Hauck) font colors (Nathanson + Hauck 2017). Founded in 2011, the firm’s revenues so far do not appear to have been markedly affected as a result of the changing electoral fortunes of the parties in the Senate and White House (Center for Responsive Politics 2017).

Institutional Vulnerability and Opportunistic Policy Demanders

The partisan ties hypothesis is stated with respect to partisan control of government institutions writ large. In separation of powers, presidential systems like the US, one political party may gain or lose control of different institutions at different times, as separate elections are held for the presidency, House, and the Senate. Without in any way diminishing the importance of lobbying the executive branch, this article considers how partisan ties may matter differently when lobbying the House and Senate.³

³ The US lobbying disclosure system is unfortunately legislative-centric: it is an artifact that organized interests engaged in what scholars may broadly define as lobbying the federal government are not considered to be “lobbying” under existing law (Thomas and LaPira 2017). Therefore, we are aware that there are niche lobbying firms that focus exclusively on the Executive but do not report their lobbying activities. Since we have no frame of reference for how many of these firms exist, we exclude analyzing the Executive with our LDA-derived data set.

Relatively little empirical research examines differences between lobbying the House and Senate. A reason may be that the joint production of policy outcomes (i.e., the House and Senate work together to enact legislation) makes it difficult to identify differential effects of lobbying between the chambers. Another reason is empirical convenience: lobbying disclosure reports obfuscate lobbyists' legislative targets. Nonetheless, variations in the institutional design of the two chambers may provide clues as to how lobbying is likely to work differently in the House and Senate.

Moosbrugger (2012) argued that the ability of interest groups to exert pressure effectively on a governmental body depends on the degree to which institutional design leaves members of the government *vulnerable* to targeting by those interests. According to her argument, vulnerability is the extent to which politicians can be individually *identified* as being responsible for policy outcomes and can be held *accountable* for those outcomes at the ballot box. Identifiability is affected by the extent to which an institution uses majoritarian or supermajoritarian decision rules, with majoritarian rules making governing party's actions more identifiable and supermajoritarian rules making them less so. Accountability is affected by the frequency of elections, with more frequent elections yielding greater accountability and less frequent elections suggesting reduced accountability.

Although Moosbrugger did not consider the United States as one of her cases, her analysis can be applied straightforwardly to the American context. House rules contain strong majoritarian elements, while the Senate has a heavier reliance on supermajoritarian procedures, such as cloture and the filibuster (Koger 2010), suggesting that identifiability is greater in the House. House members are subject to more regular elections than are Senators (every two years, rather than every six years), and usually face a smaller constituency than do Senators (except in very small states, such as Wyoming), making them generally more electorally accountable than Senators. Together, these factors point strongly in the direction of members of the House being more vulnerable to interest group pressure than are members of the Senate.

Some anecdotal evidence supports the relevance of institutional vulnerability to American lobbying. Baker (2008, 144-151) interviewed 12 lobbyists and asked them about their perceptions of differences in lobbying the House and Senate. The results of his interviews are consistent with the prediction that interest groups are able to exert greater pressure in the House than the Senate. Respondents described Senators as being harder to lobby than House members because they are more cross-pressured by their diverse constituencies, because they are more concerned with national issues, and because they are less attentive to the technical details of legislation. In contrast, they saw House members as more attentive to the narrow constituencies in their districts and

more willing to work with them on the technical aspects of legislation. Considering Moosbrugger's analysis of institutional vulnerability and evidence from Baker's interviews, we expect:

Institutional Vulnerability Hypothesis: A lobbying firm will earn more revenue if it is aligned with the majority party that controls a vulnerable institution than if it is aligned with the majority party that controls an invulnerable institution, all else equal.

In the US context, this hypothesis is testable because party-aligned lobbying firms may be associated with co-partisans in one or the other chamber.

In addition, we recognize here that a similarly plausible causal mechanism is the concept of legislative capacity. There is evidence suggesting that House members and committees employ relatively fewer policy-expert staff to work primarily on legislative matters than Senators and Senate committees. Though both chambers' staffing capacity have declined since the 1970s, levels of Washington-based Senate staff have remained consistently higher than those in the House (LaPira and Thomas 2017, 13). As a consequence, the House may rely more on legislative subsidies that lobbyists provide to fill in for gaps in policy expertise (Hall and Deardorff 2006). We simply note here that

chamber differences in institutional vulnerability and legislative capacity are observationally indistinguishable. Or, perhaps, less legislative capacity in the House may be an additional institutional design characteristic that is not explicitly recognized in Moosbrugger's theory, but is consistent with her general concept of institutional vulnerability.

Data and Research Design

In 1995, Congress passed and President Bill Clinton signed the LDA, Public Law 104-65. The LDA was intended to increase transparency in the practice of lobbying by clarifying the rules as to what constitutes lobbying and how it should be disclosed to the public. It required lobbyists to register and report their lobbying activities and payments received on a semiannual basis to Clerk of the House of Representatives and/or the Secretary of the Senate, unless those activities constitute less than 20 percent of time spent providing services to the client over a six-month period. The Senate began making these reports electronically available to the public in 1998. The Center for Responsive Politics (2017) collects these reports and formats them for data analysis, which yields the core data that we analyze in this article.

The goal of our analysis is to evaluate the determinants of variation in the quarterly revenues of lobbying firms. We model *Revenue per Lobbyist* in real dollars,

which reflects the aggregate income each firm' earned from all clients in a calendar year.⁴

Our focal independent variables are *Firm Aligned with House Leadership* and *Firm Aligned with Senate Leadership*. We do not consider bipartisan firms or those without clear partisan identifications to be aligned with either chamber. These variables were measured through original research on the partisan affiliations of the firms' founders. Research assistants were instructed to look at the professional histories of founders' prior employment on legislative staff, campaigns, or in the administrations of partisan officials. For example, working for a Republican Senator would earn a founder a Republican label. If no partisan work history was found, research assistants turned to campaign finance data. We leverage the pattern of highly partisan giving among individual lobbyists (see Koger and Victor 2009), to establish the partisan affiliation of firm founders. If a founder gives over 90 percent of their donations to a given party, they were labeled as affiliated with that party. Founders that did not meet either of these criteria were categorized as not having established a partisan reputation. It is important to note that we do not suggest that these firms are *nonpartisan*, only that their partisanship has not become publicly and widely known.

⁴ We adjust for inflation using the Consumer Price Index for All Urban Consumers: All Items (FRED 2017).

We collected data on several control variables intended to account for alternative explanations for why firms may generate revenue. First, we drew *Number of Clients* directly from the lobbying reports. This variable accounts for the fact that larger firms are better known, more prestigious, and thus more capable of demanding higher payments for their services than are firms with fewer clients (Schiff et al 2015, Whitesell, Schiff, and Lowery 2018), as well as for the possibility that there are *economies of scale* in managing clients (Koshal 1972).

Second, we calculated *Client Diversity* based on the distribution of the firm’s reported lobbying activity across issues and industries. We include a measure of diversification because of the long-standing expectation in economics that diverse investment portfolios perform better than more homogenous portfolios (Markowitz 1959). It is calculated using Simpson's Reciprocal Index (Simpson 1949):

$$\left[\sum_{i=1}^z \left[\left(\frac{n_i}{N} \right)^2 \right] \right]^{-1}$$

where n_i is the total dollars reported with that industry or issue for the firm in a given quarter and N is all dollars on reported by the firm in a quarter. Thus, n_i/N is the proportional abundance of contract dollars for a particular industry or issue in a given quarter for a firm. It can be understood as weighted degree in the firm-industry or firm-issue bipartite networks (Newman 2001). This measure is similar to “effective number of

parties” estimates commonly used in comparative electoral research (Laakso and Taagepera 1979). For our purposes, it is preferable to alternative measures of diversity, such as the Herfindal Index (Herfindahl 1950) or Shannon's H (Shannon 1948), because it is more intuitively interpretable. The minimum value is 1, when all of the firm’s lobbying clients and activities are concentrated in a single industry and issue, and the maximum value is equal to the number of industries or issues when all activity is distributed equally across all possible industries or issues. We add the diversity measure based on issues to the diversity measure based on industries to obtain a single measure of *Client Diversity*.⁵

Third, we used firms’ web pages to collect information on a variety of characteristics of firms. *Law Firm* takes the value of one if a lobbying firm is a law firm, zero otherwise. *International Office* takes the value of one if a lobbying firm has an affiliated international office, zero otherwise. *Number of Domestic Offices* is a count of the number of domestic office locations listed on the firm’s website. *Firm Age* is the number of years since the firm’s founding.⁶ These variables are intended to account for

⁵ We considered specifying our models to separate measures of client diversity based on issues and industries. These separate estimates had a Cronbach’s α of 0.803, which suggested that they measure the same underlying concept (Cronbach 1951). Hence, we determined that using a diversity index that combined these measures to maximize variance is preferable.

⁶ Research assistants were instructed to look for the year in which a firm was founded in the “About,” “Firm History,” or similar section of firms’ websites. An age variable was calculated by subtracting this founding year from the year of the panel observation. In instances where no founding year was identified, we used the first year that the firm appears in lobbying disclosure data since 1998 (the first year of data

variations in firm structure, prestige, and economies of scale for client-recruitment that may correspond with a firm's revenue-earning potential.

Some readers may wonder if we should also include a direct measure of lobbying firm prestige in the model. In investigating this possibility, we found that the most commonly referenced measures of lobbying firm prestige are based strictly on firm revenue (see, for example, Center for Responsive Politics 2017; Staff 2012; Bloomberg Government 2015). Hence, by relying on revenue for our dependent variable, we have implicitly incorporated prestige considerations into our analysis. Further, we believe that our independent variables on *Client Diversity*, *Number of Clients* and *Firm Age* capture important aspects of prestige. As a result, we have not opted to include a separate variable for prestige in our analysis. Further, the time-invariant component of firm prestige is captured by the fixed effects, random effects, and first differences specifications, described below, all of which are ways to account for unobserved heterogeneity across firms.

The lobbying disclosure data are imperfect from a number of perspectives. Perhaps most importantly for our conceptualization of lobbying firms as actors within extended party networks, the information that lobbyists disclose is imprecise regarding who they directly contact. Direct contact information would be ideal to establish the

available). If the first year the firm appeared was 1998, indicating that it may have preceded the first public disclosures, it was left as missing.

communication network between partisan lobbyists and their co-partisan members and staff in Congress. Not surprisingly, Congress did not make such disclosures a requirement in the law. So, though our motivation is to establish lobbying firms as key actors within extended party networks, we are compelled to use an observational research design that establishes indirect associations between firms and Congress simply by party affiliation.⁷

Analysis

In 2007, Congress passed and President George W. Bush signed the Honest Leadership and Open Government Act (HLOGA), Public Law 110-81. HLOGA amended the LDA with the purpose of closing some of the loopholes embedded in the LDA. Among other things, it placed new restrictions on lobbying by former government employees in the form of a “cooling off” period, increased the frequency of reporting from semi-annually to quarterly, and expanded the types of entities required to report to include those that coordinate coalition activities. The provisions of HLOGA took effect in January 2008.

⁷ Lobbyists’ campaign donations would be an inappropriate proxy measure to establish these connections since it would introduce a misleading selection on observables bias. Very few lobbyists make donations to candidates, and most of them are exclusively partisan. And, lobbying contacts are routinely made by those who do not make any donations whatsoever.

The enactment of HLOGA created significant changes in the nature of the lobbying data generated by the LDA. By placing restrictions on who could serve as a lobbyist, it disincentivized registration for individuals who might be interested in moving through the revolving door between lobbying and government. Since the LDA imposed very little cost on lobbying, individuals had an incentive to register if the need to register might be in doubt. By imposing potential opportunity costs on registration, HLOGA has led to reductions in lobbyist registrations (LaPira 2015; Thomas and LaPira 2017). A study by Auble (2013) presented evidence that HLOGA led approximately 3,400 lobbyists to deactivate their registrations – even though most of these people remained employed by the same organization in 2011 and 2012 – suggesting that they began lobbying in the shadows of the law. This process has consequences for our analysis. The new incentive structure on disclosure, along with quarterly reporting requirements and reporting by new entities, make data generated since the enforcement of HLOGA not directly comparable with data generated earlier.

Consequently, this article primarily divides our analysis into two parts: pre-HLOGA and post-HLOGA. We lead with the post-HLOGA analyses because that data set is more complete, and the 2011 change in party control of the House provides the cleanest test of our hypotheses. We subsequently focus attention on the post-HLOGA analysis to make our tests as comprehensive and transparent as possible, though we

note with caution that they data are considerable noisier as an artifact of the data collection process. For both data sets, we present results first from a tests with a variety of regression models and second from tests of difference-in-difference designs.

In the post-HLOGA period, we analyze quarterly data reported by an unbalanced panel of 1,603 lobbying firms from the first quarter of 2008 through the third quarter of 2016. To be included in the panel, registrants were taken from lobbying activity reports where the registrant and the client differed – indicating that the registrant was a multi-client contract lobbyist or firm hired by a client.⁸ To count as a firm, a registrant had to list two or more lobbyists as active in the same quarter at least once, and have at least two quarters in which it reported activity valued at more than zero dollars.

The data collected in this research allows us to report the partisan distribution of firms and their revenues over time. Figure 1 shows the partisan distribution of firms. Of the 27.8% of the 1,603 firms in our panel whose partisan identities we could discern, only 34 (7.6%) identified explicitly as bipartisan. Democratic and Republican firms are roughly at parity. We found 201 (45.1%) Democratically-identified firms and 211 (47.3%) Republican-identified firms.

[INSERT FIGURE 1 HERE]

⁸ This is a distinction that the Center for Responsive Politics makes clear in their data, and coding which we used.

Despite the fact that bipartisan firms are less numerous than partisan-leaning firms, Figure 2 indicates that bipartisan firms consistently earn greater payments than do their partisan-leaning competitors. Republican and Democratic firms are roughly at parity with one another over time. However, a marginal advantage trades back and forth that appears to correspond with control of Congress, which is precisely the hypothesis we want to test. Democratic firms earned higher average revenue when Democrats held congressional majorities from 2008 to 2010. On the other hand, Republican firms earned more when Republicans reclaimed congressional control, from 2011 through 2016. Firms without clearly identifiable partisan identities – not shown in Figure 2 – earn consistently lower marginal payments than those received by partisan and bipartisan firms. The data suggest that firms with partisan ties occupy a peculiar niche in the lobbying community that have not yet been recognized as relevant in studies of party networks.

[INSERT FIGURE 2 HERE]

Analysis I: Panel Linear Regression Model Estimations

In order to explain the variation in the quarterly revenues of lobbying firms, we first turn to a multiple-regression framework. Categorizing lobbying firms in panels that align with the majority party in the House and Senate over time gives us the opportunity to test the partisan ties and institutional vulnerability hypotheses directly,

while also controlling for alternative explanations unrelated to our main expectations. In Model 1, we estimate a regression of *Revenue per Lobbyist* on *Firm Aligned with House Leadership*, *Firm Aligned with Senate Leadership*, *Number of Clients*, and *Client Diversity*. These are the variables for which we have complete data. We estimate Model 1 using a panel linear model with two-way fixed effects (Wooldridge 2002; Croissant and Millo 2008).⁹ The firm-level fixed effects account for time-invariant unobserved heterogeneity, while the year fixed effects account for temporal variation in the dependent variable. This approach leverages within-firm variation in the dependent variable while accounting for aggregate temporal trends. We report HC3 Arellano standard errors clustered by firm that are robust to heteroskedasticity and serial autocorrelation (Arellano 1987). The results of Model 1 are reported in Table 1.

[INSERT TABLE 1 HERE]

The estimates of Model 1 provide support for the partisan ties hypothesis with respect to the House, but not to the Senate. Being aligned with the House leadership corresponds with a higher revenue of about \$6,000 per lobbyist per quarter. That is, lobbyists at partisan firms earn a bonus of about \$24,000 per year when their firm's party takes control of the House, a non-trivial increase that gives even six-figure-salary

⁹ For this conference paper version of this manuscript, additional supporting information on all statistical procedures are available from the authors. Reorganized supporting information will be made more readily available in future iterations.

lobbyists a powerful incentive to maintain their identities as key actors within party networks. Average revenues are not significantly higher when a firm is aligned with the Senate leadership. Thus, these results support the institutional vulnerability hypothesis: firms benefit more financially by being aligned with the House majority than the that of the Senate. With respect to the control variables, *Number of Clients* has a positive, significant relationship with *Revenue per Lobbyist*, which indicates that larger and more prestigious firms tend to have higher revenues per lobbyist, other things equal. Also, *Client Diversity* corresponds positively and significantly with *Revenue per Lobbyist*, which reveals that lobbying firms experience the typical economic benefits associated with diversification (Markowitz 1959).

In Model 2, we estimate a panel linear regression model that includes the same variables as Model 1, while also including variables on firm characteristics: *Law Firm*, *International Office*, *Number of Domestic Offices*, and *Firm Age*. Each of these variables contains significant missing data, which we impute using multiple imputation (King et al. 2001). This model is estimated using random effects for firms and fixed effects for years because two-way fixed effects cannot be computed with the inclusion of the new time-invariant control variables. We follow the same procedures for estimating standard errors as we do in Model 1.

Despite the inclusion of new variables, the results of Model 2 are consistent with those of Model 1. *Firm Aligned with House Leadership*, *Number of Clients*, and *Client Diversity* have positive, significant coefficients, while *Firm Aligned with Senate Leadership* is insignificant. These results further support the partisan ties hypothesis for the House, as well as the institutional vulnerability hypothesis.

The added variables in Model 2 yield further insights on the correlates of *Revenue per Lobbyist*. The coefficient on *Law Firm* is significant and negative. This result may stem from the fact that law firms use their lobbyists to serve a wider variety of clients than do other lobbying firms, such that some clients demand lobbying and others require other kinds of services (e.g., legal representation, government contract business development, comments on proposed regulatory rules). *Number of Domestic Offices* is significant and negative. This result likely reflects that fact that firms with multiple domestic offices tend to turn their attention away from Washington, DC at the margins and toward other types of business. *International Office* and *Firm Age* are not statistically significant.

In Model 3, we estimate a panel linear model using a *first-differences* specification of the regression. Change in *Revenue per Lobbyist* is regressed on change in each of the independent variables in Model 1. The advantage of estimating a first-differences model is “it removes the latent heterogeneity from the model whether the

fixed or random effects model is appropriate” (Greene 2012, 356). However, the first-differences approach also removes time-invariant firm-level independent variables from the model (*Law Firm*, *International Office*, *Number of Domestic Offices*), since these variables have $\Delta X = 0$ in all cases, as well as *Firm Age*, since $\Delta X = 1$, yielding a constant. We follow the same procedures for estimating standard errors as in Models 1 and 2.

This analysis yields the same pattern of support for our hypotheses, while tempering concerns that latent heterogeneity may be an explanation for our findings. Of particular note is the finding that when a firm becomes newly aligned with the House, it benefits from a boost in revenue; on the other hand, a firm that de-aligns with the House majority party suffers a drop in revenue. The one notable difference between the results in Model 3 and those in Models 1 and 2 is that *Client Diversity* is no longer statistically significant in Model 3; that is, changes in client diversity do not correspond significantly with changes in revenue.

Additionally, we re-estimate the firm fixed effects and first differences models on an unbalanced panel 1,562 firms and 20 biannual pre-HLOGA periods from 1998-2007. It is important to note that the data used to estimate these models is considerably less complete. Because firm partisanship was gathered by a team of research assistants identifying founders of contract lobbying forms from their websites, any firms which

were no longer operational or maintaining active web presences at the time data was collected in 2015 could not have been coded as partisan firms. This problem becomes more pronounced as we move further back in the lobbying panel, making missingness in our primary independent variable more likely in the pre-HLOGA period. We should expect this to attenuate any potential findings. Because of the higher rate of missingness in the hand-collected firm covariates we do not estimate the random effects model with additional covariates for the pre-HLOGA period, instead relying on the fixed effects and first difference specifications to absorb any time-invariant firm characteristics. Instead we estimate a simple pooled panel regression model that leverages cross-sectional rather than within firm variation. The results of these models are shown in Table 2.

[TABLE 2 HERE]

Given these caveats regarding data collection artifacts, in both Models 4 and 5 in Table 2 there is no significant relationship between party control of either chamber of Congress and revenue per lobbyist among partisan aligned firms. There are a variety of reasons this may be true between which these data cannot adjudicate. Both model specifications rely on within firm changes in alignment (as chamber control switches) for identification purposes, however we interpret the results to reflect the fact that the specifications themselves may be asking too much of the relatively little variation in alignment during this period. We adjust our estimation assumptions with this in mind

in Model 6, which pools the data across firms to maximize cross-sectional variation. Though we lose some explanatory power by eliminating changes over time in this specification, Model 6 reveals a significant effect for partisan alignment with the House and no effect for the Senate, as expected. In summary, we find mixed support for the partisan alignment and institutional vulnerability hypotheses in the pre-HLOGA period, and strong support in the post-HLOGA period.

The evidence presented in Table 1 (Models 1 to 3) demonstrates that there is a robust, positive association between a lobbying firm's alignment with the House majority party and its revenues. These results establish a clear correlation between lobbying revenue and control of the House, especially in the post-HLOGA period.

Analysis II: Difference-in-Difference Designs for Party Takeover "Treatments"

Our panel linear model results lend support to our expectations about party ties and institutional vulnerability, but we remain cautious to about interpreting the findings as establishing causation. Does alignment with the House *cause* a lobbying firm's revenue to rise and dealignment *cause* it to fall? There are any number of endogenous reasons to expect that partisan firms will earn more revenues when their parties take control of the House, not least of which was evident in the Republican party's so-called K Street Project (Loomis 2007). After taking control of the House for

an extended period for the first time in generations, members of the Republican House leadership and some closely aligned associates used their positions as leverage to convince lobbying firms, trade associations, corporations, and other organized interests to hire their co-partisans for key lobbying and influence positions. The K Street Project was reportedly orchestrated over the course of several Congresses, as new lobbying positions became available and new lobbying firms were founded. It did not happen overnight, though it is at least plausible to think that party leaders on both sides of the aisle engage in similar activities throughout our period of observation, and not just among Republicans after 1994. These or similar actions - though unobserved in lobbying firm disclosures - may also explain these outcomes.

We are not suggesting the K Street Project example is the only alternative explanation. Rather, we recognize the potential for some endogenous or confounding factor. If similar partisan efforts - or some other unobserved endogenous process - caused partisan firms' revenues to increase, then it is not likely they occur immediately after a new majority takes over the House. Starting new House majority party-aligned firms immediately after a takeover occurs is costly. We think it is more plausible that any year-over-year changes in party-aligned firms' revenues can more plausibly be attributed to the immediately perceived value in an in-party-aligned firm. Just as voters

use party labels as heuristics, so too do influence-seeking interest groups in the lobbying firm marketplace.

We try to address causation by exploiting exogenous changes in House and Senate party leadership as temporal interventions. We use a *weighted difference-in-differences estimator* to test temporal causality in both institutions, which occurred as a result of separate electoral cycles. Specifically, we exploit the exogenous shocks created by the changing control of the House in 2011 (from Democratic to Republican) and the Senate in 2015 (from Democratic to Republican). Blanes i Vidal et al. (2012) and de Figueiredo and Richter (2014) recommend the difference-in-differences approach when dealing with panel datasets on lobbying because it effectively addresses persistence issues that commonly affect these data.

Identification with a difference-in-differences estimator relies on a parallel trends assumption. That is, identification assumes that the average change in the potential outcomes between the treatment and control units between two time periods would be the same, and the difference in the change across the two groups can be attributable to the intervention on the treatment units (Ashenfelter and Card 1985).

In this article, we estimate the causal effect of the party of affiliation of a lobbying firm gaining control over a chamber of Congress. In this case, a firm is “treated” when the party is it aligned with gains control of a chamber. These firms are

compared to the newly ousted-party firms. Lobbying firms do not appear to exhibit clearly parallel trends, however, as their fortunes are tied to numerous other factors, such as issue and industry portfolios, as well as how these factors interact with the legislative agenda. Abadie (2005) addressed how the parallel trends identifying assumption may be implausible when there are imbalances in pre-treatment covariates that might be associated with outcomes. To address this irregularity, we use a kernel weighting procedure developed by Hazlett (2016) that allows for consistent, non-biased estimation of the Average Treatment Effect on the Treated (ATT) under these conditions.

In the pre-HLOGA years, we estimate a kernel weighted difference-in-difference estimator for Republican and Democratic firms for 2000-2001 and 2002-2003, when the Senate switched from Republican to Democratic control and back by narrow margins because of Jim Jeffords choosing to caucus with the Democrats. Because of the institutional vulnerability hypothesis we do not expect to see significant changes in firm revenue per lobbyist following majority control, especially given the power of the minority control of the filibuster pivot in the Senate. We also test the effects of the change between Republican and Democratic firms' revenue per lobbyist when control of both Chambers of Congress flips from 2006-2007. In each case, Republican firms are

considered the “treated” units and the Democratic firms are weighted to make them as comparable to Republican firms as possible.

We follow the same procedure on chamber control changes in the post-HLOGA period. We estimate the difference-in-differences estimator between Republican and Democratic firms for 2010-2011 and 2014-2015, when chambers changed partisan control, as well as years when no takeover occurs to provide baselines for comparison. All told in our observation period, there are five “takeover treatment” events; one in the House only, one that occurs simultaneously in the House and Senate, and three in the Senate exclusively.

[INSERT TABLE 3 HERE]

The results of difference-in-differences estimates are reported in Table 3. We do not find significant changes in baseline years, as expected.¹⁰ Likewise, we find no statistically significant effects in four of the five takeover treatments. We do, however, uncover a positive effect of the treatment on *Revenue per Lobbyist* when the Tea Party movement helped Republicans regain control of the House majority after 2010-2011. This takeover, which disrupted Democrats’ brief unified government in Obama’s first term, is the only instance that tests the partisan ties and the institutional vulnerability hypotheses without a simultaneous, confounding event.

¹⁰ For space, results for baseline years where no takeover occurred in either chamber are excluded.

[INSERT FIGURE 3 HERE]

Figure 3 plots the values for the 2010-2011 takeover treatment effects. Lobbyists at Republican-aligned firms gain an estimated windfall of just over \$10,000 per year. Lobbyists at ousted-Democratic firms lose more than \$25,000 in revenues, despite still holding on to the majority in the Senate and the White House. Though it rhetorically billed itself as an outsider, populist movement intended to pressure the Republican party mainstream, our evidence suggests that the Tea Party instead boosted the fortunes of well established Republican lobbying elites. Instead of disrupting the inside-the-Beltway party organization, it boosted the fortunes of lobbying firms in the Republican's extended party network.

As the institutional vulnerability hypothesis predicts, we observe no effects for the Senate party takeovers in 2001, 2003, or 2015. We note here that in all three of these treatment events, the party that took over majority control of the Senate fell well short of the 60-vote filibuster pivot threshold. Though the majority party still has significant positive and negative agenda power without gaining the authority to unilaterally thwart minority party obstruction (Gailmard and Jenkins 2007), the pivotal vote on most controversial, majority party agenda priorities tends to be a minority party member. The null results in our estimates, then, reflect the fact that lobbyists at firms aligned with the ousted party are still valuable to intense policy demanding

interests within their respective networks. The value of minority party-aligned firms cancel out any windfalls we may expect to go to the new majority party would therefore.

The remaining takeover treatment event in our period of observation is 2006-2007, when Democrats simultaneously gained control of both the House and the Senate during the midterm election in Bush's second term. The estimates we report in Table 3 reveal no statistically significant windfall for Democratic party-aligned firms. We can not reject the null hypothesis that a party takeover will give firms tied with a new House majority will see an immediate increase in revenue. However, our interpretation of this null effect is that it may be confounded by the simultaneous takeover in the Senate, where we should not expect an effect.

Figure 3B shows the predicted values from the 2006-2007 treatment. Unlike in the Senate-only results, the Democrats appear to earn nominally larger revenues than their GOP counterparts. Our difference-in-differences calculation predicts that Republican firms lose an estimated \$40,000 in revenue and Democratic firms gain roughly \$11,000 (coefficient = \$51,003), though the standard error of nearly \$29,000 is sufficiently large that we cannot reject the null, $p = 0.078$. Though we are careful not to overspeculate, it may be that the windfall that Democratic firms ought to experience when they took over the House may have been muted when they failed to gain a

filibuster-proof majority in the Senate. Unfortunately, we can not explicitly test this idea since lobbying firm party-alignment is not specific to the chamber, it is plausible to think of the simultaneous takeover of both chambers as a confound that would introduce error that our data do not permit us to observe.

Discussion

We have laid out the logic that organized interests will ramp up their spending on party-branded lobbying firms, especially when it controls a vulnerable institution. The preponderance of the evidence we report here supports the theory that lobbying firms are critical actors in extended party networks. Our results lend strong support to our partisan ties and institutional vulnerability hypotheses about the consequences of lobbying firm party affiliations. But our investigation hardly produced definitive evidence that partisan firms' tie their fortunes to their party's electoral success. In the post-HLOGA period that our data are cleanest and in the absence of time-contingent confounds, lobbying firms whose founders are aligned to the House majority party see their stock rise on K Street.

The relationship between partisan firms and the governing majority is nuanced. It is not as straightforward as the Republican lobbyist who believes his fortunes rose under Bush and fell under Obama. It is as unreasonable to expect party-aligned lobbying firms to become instantly irrelevant when their party does not control the

House as it would for an out-party not to contest elections simply because they occupy the minority. Co-partisans in the minority do more than take up oxygen in the legislature; they still influence the agenda in a variety of ways. Minority party members frequently join bipartisan winning coalitions and frequently act as the supermajority pivot (Krehbiel 2000), which may be as valuable to intense policy demanders as holding the gavel is.

Moreover, Madison long ago made the simple observation that faction will always counter faction. Indeed, organized interests tend to fall on relatively predictable status quo challenger and defender sides of policy issues (Baumgartner et al 2009). So, firms aligned with the ousted party will retain some value to those organized interests whose issue preferences align. They will not simply dissolve until their party regains majority status. This implication is not itself surprising or useful to understanding how lobbying firms occupy key positions within extended party networks, but it does lead to a critical corollary to the institutional vulnerability hypothesis.

The minority party's negative agenda power to obstruct the Senate majority makes its aligned lobbying firms more important (Koger 2010), even though the institution is less vulnerable to influence by design. Future work along these lines may consider minority-party obstruction tactics in an otherwise less-vulnerable institution as having the potential to make the party more identifiable *for those legislative actions it*

strategically chooses to obstruct. If those issues are those prioritized by a party's intense policy-demanders, then the obstructive party may be held accountable more than a minority party in a simple majoritarian setting. Therefore, lobbying firms may earn more revenue as a countervailing agent if it is aligned with the party of the most-likely pivotal voter in a less-vulnerable institution, all else equal.

This paper lays the groundwork for expanding extended party network theories by connecting the otherwise disparate literatures on interest groups and parties. We move the UCLA-school project out of its exclusive focus on electoral politics. Yet we do not uncover the full structure of lobbying firm-inclusive party networks, since disclosure data are intended to hide details about contacts between lobbyists and lawmakers. Our results do suggest that future research that creatively uncovers connections between partisan lobbying firms and their counterparts in government using alternative research designs is a promising way to reveal the full extent of party networks.

Thus, we show lobbying firms as a neglected actor in the arsenal of political parties. Lobbying firms are a place for party loyalists when they have finished – or taken a break from – government service. Parties may attempt to use firms to reward their supporters. Or, they may turn to firms as ways of influencing the legislative process. For example, parties may seek to guide lobbyists in the arguments they make, the tactics they use, and which legislators they choose as their targets. Lobbying firms

reflect and reinforce the partisanship of the policy process. Of course, lobbying firms themselves are not the only non-electoral actors that may very well play a critical role in party networks. We hope the evidence we offer here opens new avenues for research on the role of party networks in both elections and policy.

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Table 1. Determinants of Firm Revenue post-HLOGA – Panel Linear Models

Variable	Model 1 <i>Revenue per Lobbyist</i>	Model 2 <i>Revenue per Lobbyist</i>	Model 3 <i>Change in Revenue per Lobbyist⁺</i>
Aligned with House Leadership	5982 (2181)	6226 (2164)	4079 (2022)
Aligned with Senate Leadership	574 (1804)	637 (1781)	1083 (1600)
Number of Clients	1820 (253)	1643 (248)	3118 (316)
Client Diversity	1135 (331)	1334 (323)	-658 (395)
Law Firm		-7927 (2436)	
International Office		-1017 (2608)	
Number of Domestic Offices		-842 (391)	
Firm Age		-35 (30)	
Constant		51203 (2776)	180 (68)
N	33,243	33,243	31,640
Firms	1,603	1,603	1,603
T	2 to 35	2 to 35	2 to 35
F-statistic	566	305	381
F degrees of Freedom	5, 31601	5, 31634	42, 33200
Method	panel linear model with two- way fixed effects	panel linear model with firm random effects, temporal fixed effects	panel linear model with first differences, i.e., ΔY on ΔX

Note: The shaded cells summarize statistically significant takeover treatment effects, $p < 0.05$. + Independent variables in Model 3 are first differences, ΔX .

Table 2. Determinants of Firm Revenue pre-HLOGA – Panel Linear Models

Variable	Model 4 <i>Revenue per Lobbyist</i>	Model 5 <i>Change in Revenue per Lobbyist</i> ⁺	Model 6 <i>Revenue per Lobbyist</i>
Aligned with House Leadership	808.7 (7473)	6712 (12709)	25621.55 (12474.43)
Aligned with Senate Leadership	8396 (5972)	-53.49 (6105)	-3347.16 (9939.15)
Number of Clients	2392 (562.7)	6289 (758.4)	482.26 (585.31)
Client Diversity	1082 (665.9)	2132 (1144)	6989.68 (2099.10)
N	16,792	16,792	16,792
Firms	1,562	1,562	1,562
T	2 to 20	2 to 20	2 to 20
F-statistic	81.4*	108*	552*
F degrees of Freedom	4, 15207	3, 15226	4,16787
Method	panel linear model with two- way fixed effects	panel linear model with first differences, i.e., ΔY on ΔX	Pooling panel linear model

Note: The shaded cells summarize statistically significant takeover treatment effects, $p < 0.05$. ⁺Independent variables in Model 5 are first differences, ΔX .

Table 3. Difference-in-Differences Estimates for Change in Chamber Majority

Year	House Only		House and Senate		Senate Only	
	Treatment	Coef. (SE)	Treatment	Coef. (SE)	Treatment	Coef. (SE)
2000-2001					R to D	32,960
						(33,270)
2002-2003					D to R	12,636
						(42,507)
2006-2007			R to D	51,003 [†]		
				(28,974)		
2010-2011	D to R	37,213				
		(16,523)				
2014-2015					D to R	15,020
						(24,967)

Note: *Year* denotes the calendar year-over-year period in which a majority party takeover occurs following an election. Lobbying disclosures are aggregated at the calendar year level. For instance, the treatment in 2000-2001 estimates difference-in-difference between calendar 2000 when Republicans held the majority and 2001 when Democrats took control of the majority in the Senate. The shaded cells summarize statistically significant takeover treatment effects, $p < 0.05$.

[†] Not significant at conventional levels, $p = 0.078$.

Figure 1. Distribution of Lobbying Firms by Partisan Ties

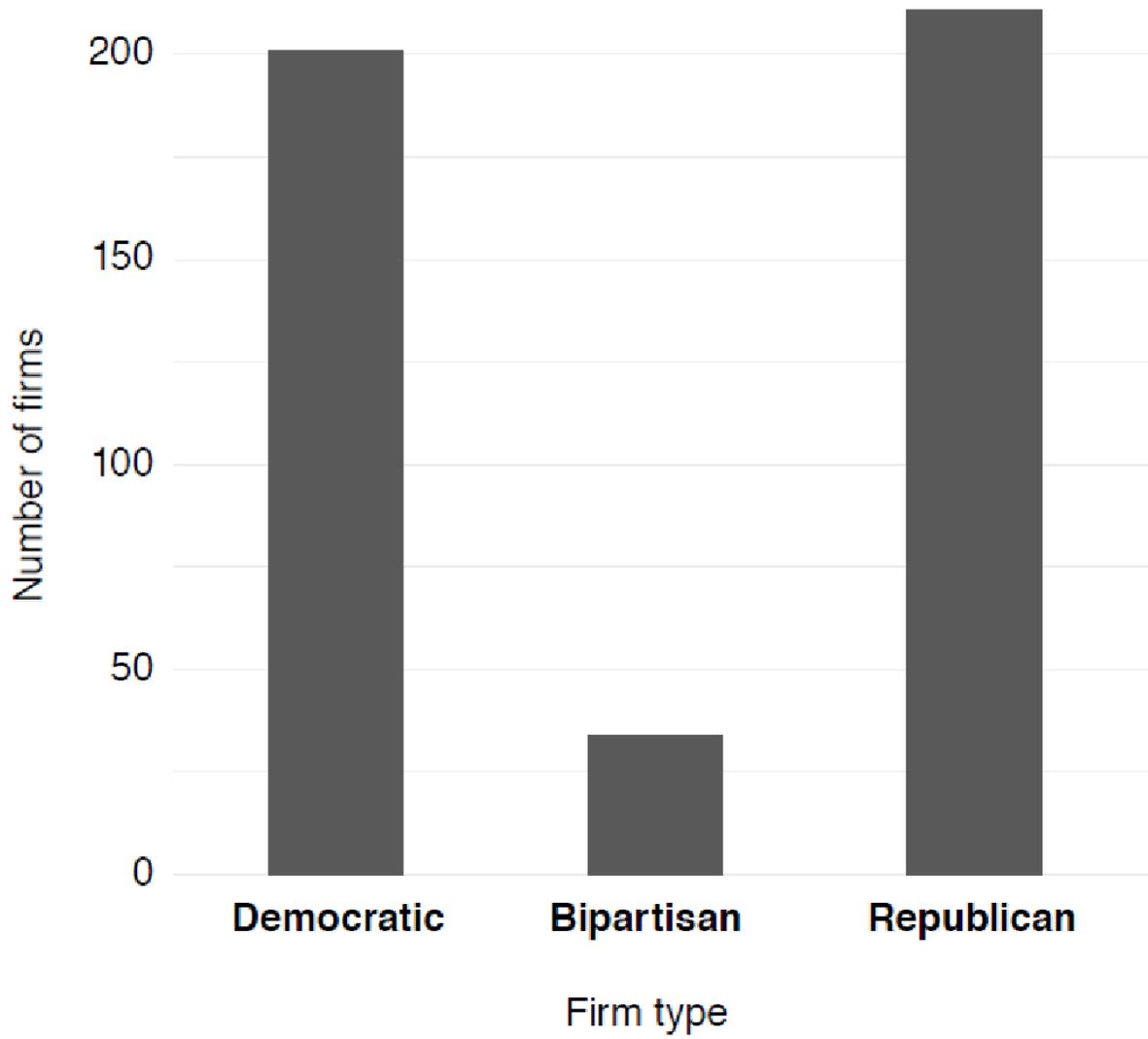
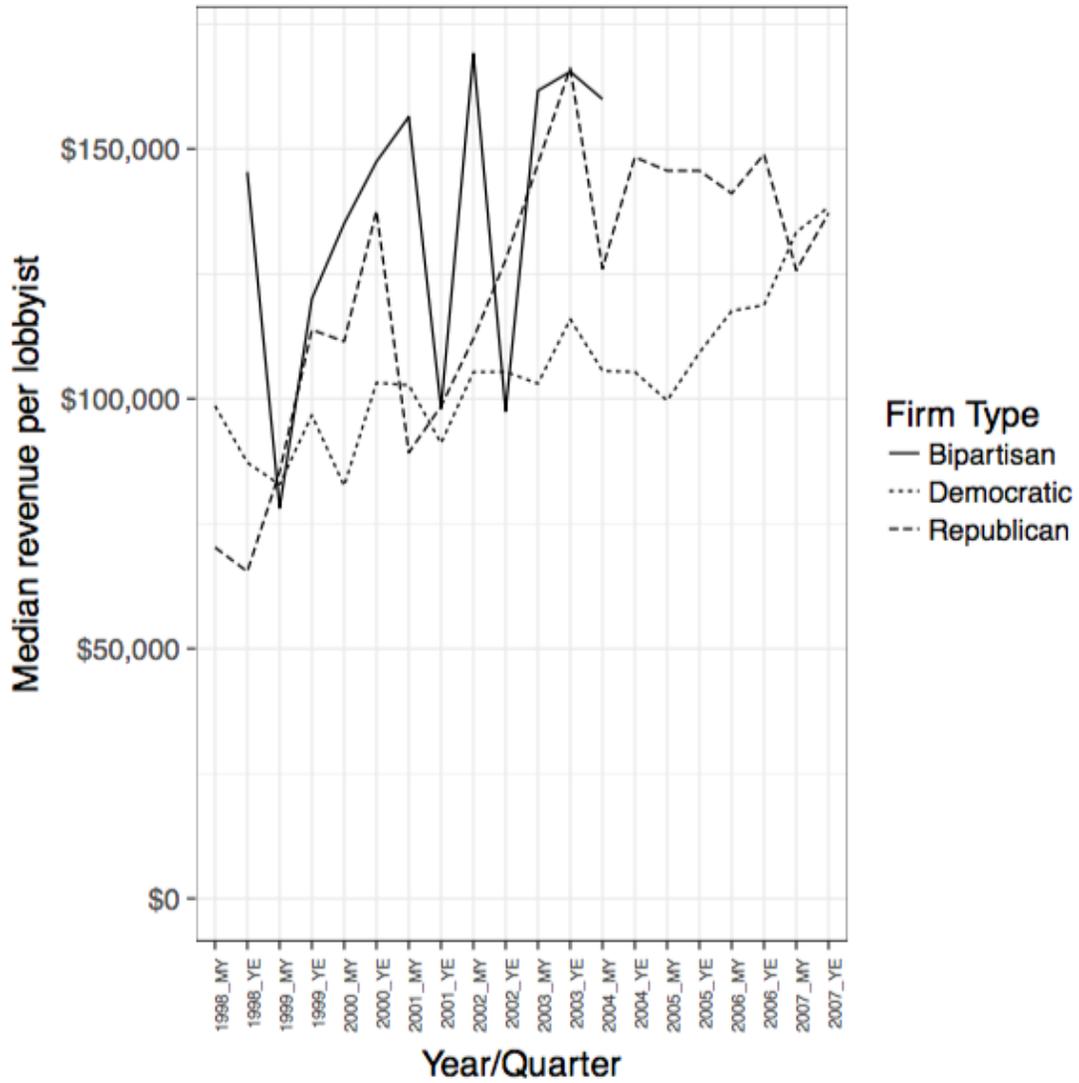


Figure 2. Trends in Reviews for Partisan and Bipartisan Lobbying Firms

2A. Pre-HLOGA (1998-2007)



2B. Post-HLOGA (2008-2016)

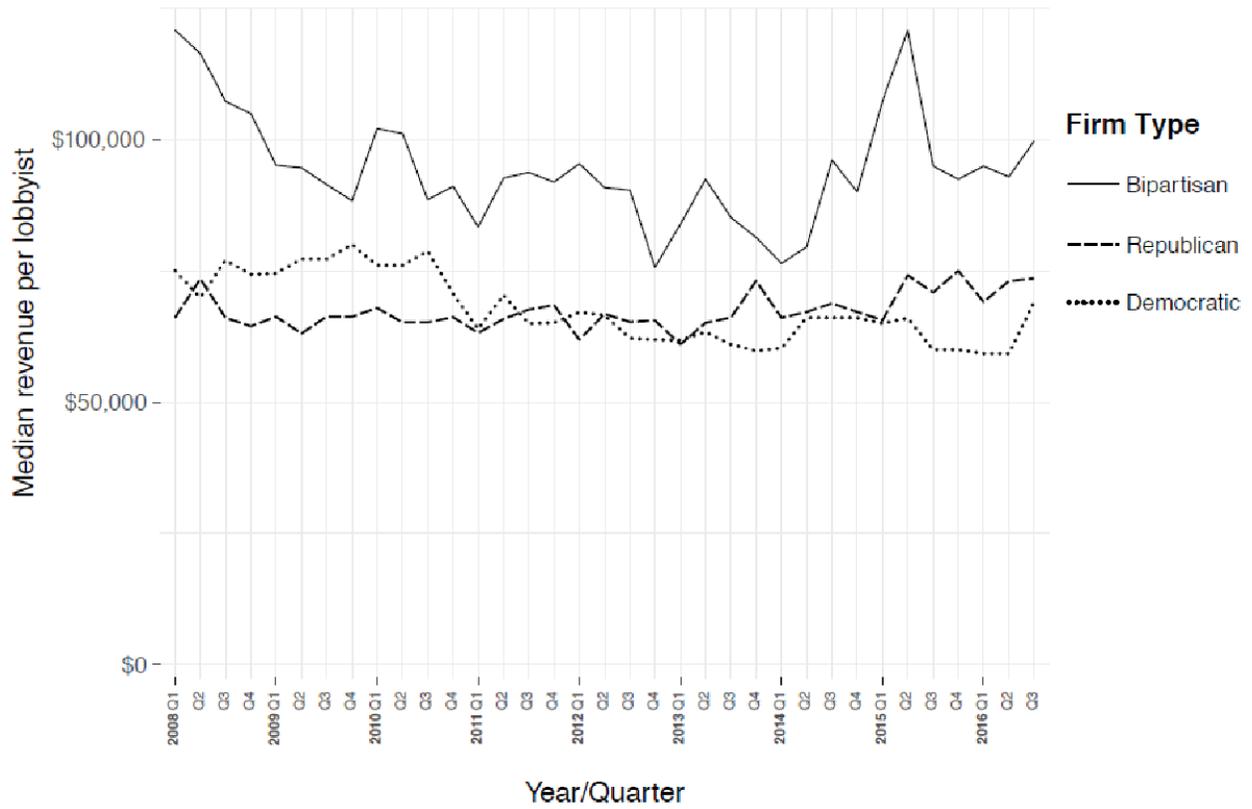
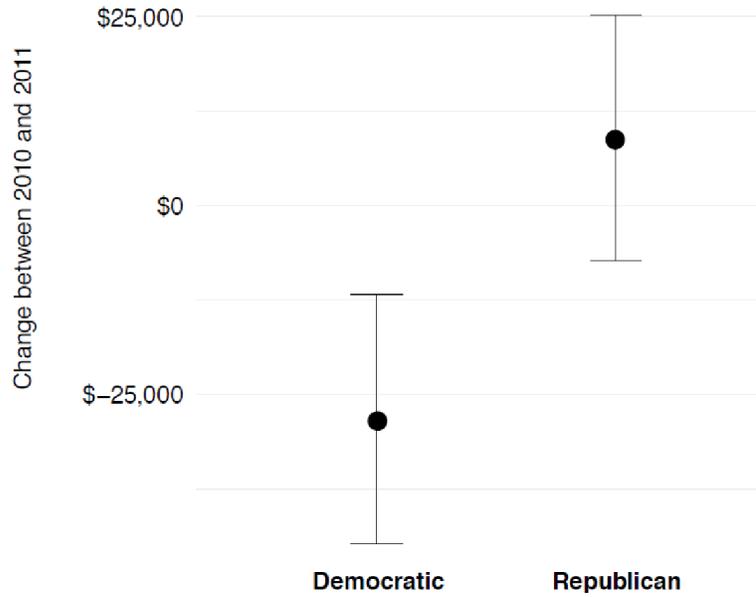


Figure 3. Select Predicted D-i-D Treatment Effects in Partisan Firm

Revenue

3A. Revenue per Lobbyist Difference in Differences for 2010 to 2011



3B. Revenue per Lobbyist Difference in Differences for 2006 to 2007

