

Shadow Lobbyists

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The workings of political institutions in established democracies are being challenged...



#DrainTheSwamp

- VOTE TRUMP -

This was a banner slogan of **President Trump's** campaign.

Summarised the idea that money channeled through special interests had caused a massive malfunction of representative government.

The Big Picture

- ▶ As researchers the issue we want to tackle is: how is political money affecting the workings of our institutions?
- ▶ How does it influence the incentives and norms that are needed for these institutions to function?
- ▶ Even more - what kind of policy tools do we have available to fix this? How effective are these tools? Can we do better?

Our focus: the empirics of US federal lobbying and how well current regulation is working.

- ▶ Regulated sector due to concerns that lobbyists can use knowledge and contacts acquired in government to benefit private interests and push particular agendas.
- ▶ Transparency rules emerged as a response. Basic principle: you have freedom to lobby but we want safeguards against special interest influence.
- ▶ What we'll present is an empirical study of how well US transparency rules for lobbying are working. The cornerstone of this is the LDA....

Lobbying Disclosure Act

- ▶ 1995 Lobbying Disclosure Act (LDA) was one major transparency reform that substantially increased accountability:
 - ▶ Officially register as a lobbyist if at least 20 percent of time doing lobbying activities
 - ▶ List Congressional chambers and Federal agencies contacted
 - ▶ Issues lobbied for and revenue generated
- ▶ Big challenges to the LDA have emerged. First the Abramoff scandal which inspired HLOGA in 2007 and more recently a perceived erosion of reporting behaviour..

The focal point for this erosion of transparency is the '20 percent rule'.

It provides a detailed definition of lobbying that can be spliced and parsed...

Extract from the LDA

Do Lobbying Activities Constitute 20% Or More of an Individual's Time?

Lobbying activity is defined in Section 3(7) as "lobbying contacts and efforts in support of such contacts, including ... background work that is intended, at the time it is performed, for use in contacts, and coordination with the lobbying activities of others." If the intent of the work is to support ongoing and future lobbying, then it would fall within the definition of lobbying activities. Timing of the work performed, as well as the status of the issue, is also pivotal. Generally, if work such as reporting or monitoring occurs at a time when future lobbying contacts are contemplated, such reporting and monitoring should be considered as a part of planning or coordinating of lobbying contacts, and therefore included as "lobbying activity." If, on the other hand, a person reports back to the relevant committee or officer regarding the status of a completed effort, that activity would probably not be included as a lobbying activity, if reports are not being used to prepare a lobbying strategy the next time the issue is considered.

Communications excepted from the definition of "lobbying contact" under Section 3(8)(B) of the LDA may be considered "lobbying activities" under some circumstances. Communications excepted by Section 3(8)(B) will constitute "lobbying activities" if they are in support of other communications which constitute "lobbying contacts."

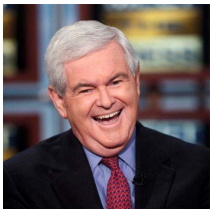
Two high-profile cases illustrate this...

The Daschle Rule Exemption



Right now, anyone who says they don't clear the 20 percent threshold doesn't have to register, a provision some insiders even call **the Daschle exemption**.

Politico, 26th July 2010



I have never done any lobbying, every contract that was written during the period when I was out of the office specifically said I would do no lobbying, and I offered advice. And **my advice as a historian**, when they walked in and said to me, we are now making loans to people who have no credit history and have no record of paying back anything, but that's what the government wants us to do...I said to them at the time: This is a bubble. This insane. This is impossible.

Exchange during CNBC debate, Nov. 9, 2011

I was approached to give **strategic advice**.

Gingrich, after it was revealed that he received as much as 1.8 million USD from Freddie Mac, Nov. 16, 2011

Why do this?

Media reports suggest that growing numbers of ex-staffers as well as ex-Congressmen may be working in similar unregistered roles.

In short the **career costs** of being a lobbyist have increased:

- ▶ HLOGA introduced 'cooling off' periods of up to 2 years.
- ▶ Obama Executive Order 12490 put up barriers to executive branch employment for recent ex-lobbyists.
- ▶ General career stigma of being a lobbyist has increased (see 'drain the swamp').

Research Question

Q: Is there a credible, economically significant pattern of potential unregistered lobbying present at the federal level in the US?

We tackle this using firm and worker level panel data built from LDA records on registered lobbying revenues...

Research Design

While these ex-Congressmen and staffers are not registered, **their revenue earning power could still potentially turn up in the data.**

That is, their presence at the firm will attract and increase the value of lobbying contracts. **This value is still actually measured as part of LDA reports.**

Map in information on the **timing of entry of these potential unregistered lobbyists into lobbying firms** and trace any firm-level revenue shocks correlated with their presence.

Goal is to see the 'shadow' they cast on revenue.

Potentially 'Unregistered' ('Shadow') Lobbyists Data

Two sources of data on potential shadow lobbyists. Main group of interest is professionals who have passed through the 'revolving door' of Congress:

1. Ex-Congressional Staffers.

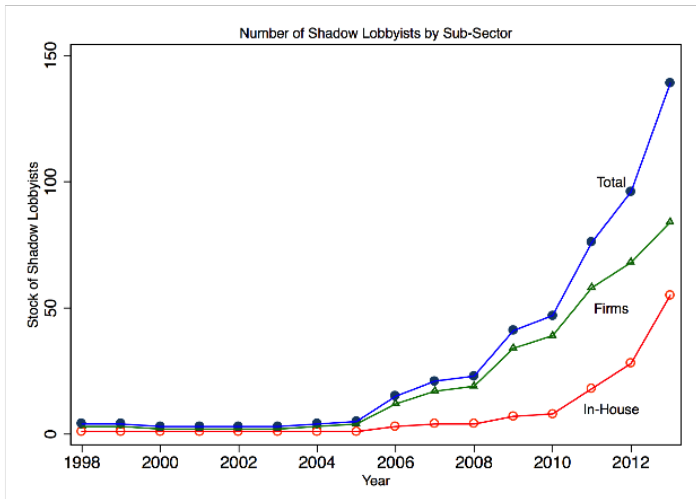
Data obtained from the political information company LegiStorm which holds both payroll data on the full universe of Congressional staffers since 2000, and also an extensive biographical library with career histories.

We look for ex-staffers who work for firms with registered lobbying interests but where the ex-staffer is not registered as lobbyists themselves.

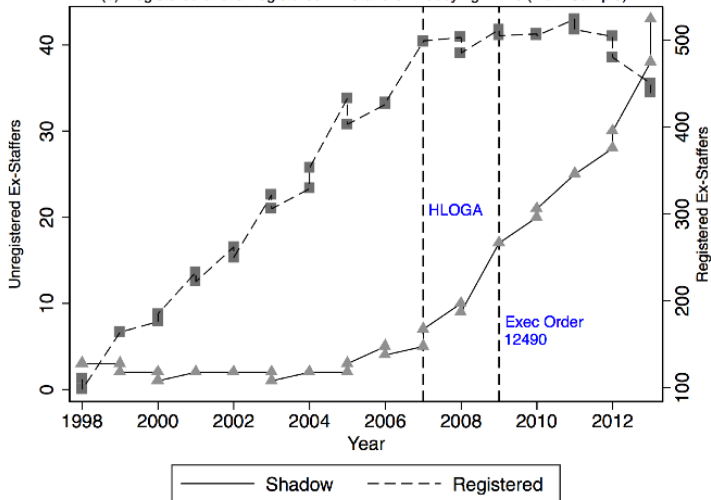
2. Ex-Congressmen.

We research the post-Congressional careers of all Congressmen who have exited the Congress since 2000 to check for any history of working for lobbying firms in an unregistered capacity.

Figure 3: Stock of Shadow Lobbyists, 1998-2013.



(b) Registered and Unregistered Ex-Staffers - Lobbying Firms (Main Sample).



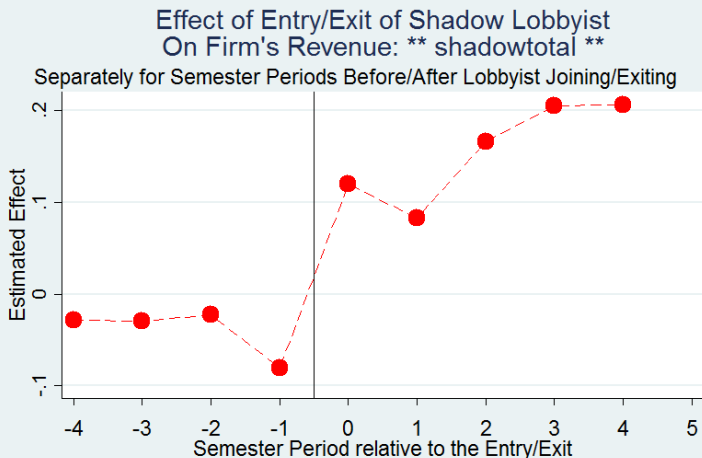
Independent Census

- ▶ Conduct an independent census of ex-staffers to check LegiStorm's historical coverage in terms of potential shadow lobbyist activity.
- ▶ Look up career biographies of potential 'false negatives' - staffers who left for unknown destination in 2004-2006 period.
- ▶ Approximately 400 cases checked. Negligible rate of possible 'false negatives' - all in small firms. Shadow lobbying is a late 2000s development.

Discontinuous Effects

Do we see clear revenue shocks at the point of entry?

Entry of a Shadow Lobbyist



This Figure estimates separately the effects before and after a change in the composition of the lobbying firm. Shadow ex-politicians and non-ex-politicians have been aggregated. When a firm has an increasing number of shadow lobbyists the periods -4 to -1 account for the periods before the increase. When a firm has a decrease in the number of shadow lobbyists the periods -4 to -1 account for the periods after the increase.

Table 2: Firm-Level Revenue Models, 1998-2013.

	Firm-level Panel			
	(1) log(Revenue)	(2) log(Revenue)	(3) log(Revenue)	(4) log(Revenue)
All Shadow	0.234*** (0.071)	0.170*** (0.042)		
Total Registered		0.053*** (0.004)	0.053*** (0.004)	
Ex-Staffer Shadow			0.170*** (0.047)	0.159*** (0.046)
Ex-Congressman Shadow			0.168** (0.078)	0.142** (0.071)
Ex-Staffer Registered				0.086*** (0.012)
Ex-Congressman Registered				0.098*** (0.031)
Ex-Govt Registered				0.049*** (0.008)
Other Registered				0.042*** (0.004)
Observations	2965	2965	2965	2965
R^2	0.79	0.87	0.87	0.88

Punchlines

- ▶ This group of unregistered workers are associated with big spikes in firm revenue.
- ▶ The size of the effect is large relative to what could be expected from strict adherence to the LDA. Also larger than would be expected from a generic 'support worker'.
- ▶ A challenge to transparency that is growing. At the very least, current laws miss out a lot of activity. A considerable amount of 'unmeasured influence' at play. Policy implications...

Remember this?

Explicit recognition of the problem:

'I am going to expand the definition of lobbyist so we close all the loopholes that former government officials use by labeling themselves consultants and advisors when we all know they are lobbyists'. - Donald J Trump, October 17th 2016.

Distractions, distractions

- ▶ We need to **avoid being distracted by the culture war.**
- ▶ Money in politics is still in play and is a dominant force. The swamp is **as deep as ever.**
- ▶ Special interests and their money **will still be there** when Trump is gone.

Ex-lobbyists swarm Trump administration, despite 'drain the swamp' pledge

[Fredreka Schouten](#), USA TODAY

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(Photo: Lynne Sladky, AP)

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WASHINGTON — More than 100 former federal lobbyists have found jobs in the Trump administration, despite President Trump's campaign pledge to restrict the power of special interests in Washington, according to a tally provided to USA TODAY by a Democratic group.

And roughly two-thirds of them — 69 — work in the agencies they have lobbied at some point in their careers, according to research by American Bridge 21st Century. They include about three dozen recent lobbyists who have not received waivers from Trump's ethics rule that bar industry insiders and former lobbyists from working on

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Lobbying in high gear with prospect of regulatory reform in Congress

 by **Kennett Werner** on July 24, 2017



Sen. Rob Portman, R-Ohio, listens during a roundtable discussion in Cincinnati. (AP Photo/John Minchillo)

As part of [President Trump's](#) promise to dismantle the regulatory state, his administration has cancelled or delayed Obama-era protections for workers and the environment. It has installed agency heads unlikely to pursue strict enforcement of existing rules. And it has allowed political appointees to [oversee the rollback](#) of rules affecting their previous employers.

Now industry groups see another opening: procedural reform in Congress that would complicate and likely hinder the rulemaking process. Two such bills have generated a flurry of lobbying activity this year.

[The Regulatory Accountability Act \(RAA\)](#) is the sixth-most lobbied bill in the current Congress, with at least 109 clients: 23 from agribusiness, 10 from the energy

Conclusion

- ▶ The entrenching of special interests along with regressive 'on-the-ground' policy is a likely legacy of Trump.
- ▶ Regulating the special interest economy needs to be front and centre. Trump is vulnerable on this.
- ▶ Empirically focused political research on money in politics should be a priority for us as researchers facing 'the real world'.