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THE MARKET FOR LEGISLATIVE VOTES: EVIDENCE FROM THE 113TH UNITED STATES CONGRESS

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Abstract: **In this paper, we examine the extent to which political donations and contributions influence the behavior of legislators. The role money plays in shaping political decisions has been a prominent issue in America for decades. We rely on insights from Public Choice theorists in construing a potential "market for legislation" where special interest groups act as demanders of legislative outcomes and legislators act as suppliers of same. We employ a theoretical framework used to interpret the voting behavior of policymakers within this context. Then, using voting records from the 113th United States Congress (2013-2014) and a variety of statistical proxies to account for the factors expected to influence a legislator's voting behavior, we develop a number of empirical specifications and find that $1 million in political contributions by special interest groups can increase the likelihood of a legislator voting against a bill by approximately 8 percentage points.**

Keywords: **political donations, "market for legislation", policymakers, political contributions.**

1. INTRODUCTION

The political milieu of the United States Congress has been characterized as one in which special interest groups and large corporations have considerable influence on legislative outcomes and politicians knowingly make false campaign promises to improve their chances of being reelected, perhaps because they believe that voters are not concerned about important political and economic issues. Surveys by Gallup over the last half century consistently have shown that Congress' approval rating has hovered only around 25 percent. The low voter approval rating may be explained by several reasons, but perceived corruption among career politicians and the political process itself has to be at or near the top of the list.

Political Scientists' and Economists' Views

Widespread criticism of politicians is certainly nothing new. Decades ago, political scientists began studying voters' lack of confidence in politicians to act in their best interests. Litt (1963) was among the first to investigate the link between voter cynicism about politics and the feeling of helplessness to do anything about it. He concluded political cynicism is rooted in individual personalities because of it being institutionalized in society over time through community norms that have become part of society's political landscape. More recent research tends to support Litt's original hypothesis and conclusions. Cappella and Jamieson (1996) found that news organizations, through the way they continually frame coverage of politicians and political events, may embolden individuals' cynical views of political campaigning and governance in the United States.

Public Choice economists, most prominently Buchanan and Tullock (1962, 2002), have long contended that Interest groups exert influence on Congressional votes to their favor in exchange for substantial backing of re-election of Congressional members. Congressional members in return align themselves with special interest groups for political and electoral support and vote for legislation which advances the interest groups' agendas and ultimately yields socially undesirable outcomes.

Recent surveys by Davis and Figgins (2009, 2015) found that over 90 percent of economists believe legislators in the United States make decisions out of political expedience more than on scientific evidence, that large corporations and special interest groups have a substantive impact on public policy formulation, and the typical politician's top priority is to be reelected.

According to surveys by Heckelman and Whaples (2003, 2005) a majority of economists believe (1) the size of government has grown due to bureaucratic self-interested politicians and the proliferation of special interest groups, (2) bureaucrats are budget maximizers, (3) simple majority rule prevents effective third-party competition, and (4) politicians are rent-seeking vote maximizers. These survey results suggest professional economists are cynical of politicians' motives and conduct, and they likely explain the relatively poor image Congress has with most voters as well.

Perhaps Litt was right--that political cynicism has been institutionalized over time as a popular position to have, regardless of one's reasons why. In simple economic terms, however, individuals' negative opinions of America's political process seem rooted in the questions: does interest group money buy legislators' votes and does being a career politician make them more susceptible to such influence? These are questions worthy of more than just casual observation. In this paper we contribute to the fund of evidence on the subject with the employment of a demand-supply framework which can be empirically tested.

2. SCOPE AND METHODOLOGY

Following the work of Grossman and Helpman (2002, 2015) we construe a market for votes where interest groups act as demanders of legislative outcomes and legislators as political entrepreneurs who act as suppliers of same in the political process. Using voting records from the 113th United States Congress we employ a combination of empirical models to estimate whether demand or supply factors are more important in explaining legislator vote production. We believe our approach and empirical results advance the discussion on legislator behavior and can be replicated for other sessions of Congress.

All the data employed in this study were obtained from Maplight.org, a website which tracks interest group support of and opposition to, various legislative bills. The sample size and composition included a combination of 51 bills and resolutions, each of which is listed in Appendix A on Page 10. Of the 39 bills from the House of Representatives 38 entailed roll call votes; all but one passed. And eleven of twelve bills from the Senate involved roll call votes, ten of which passed. In both chambers the bills covered a wide array of policy areas, including taxation, energy, health, and finance, and the financial sector; energy was the most prevalent policy area within the 51 bills.

For each bill we assimilated data on variables which we believe are valid proxies of demand for legislator vote production, and various legislator attributes which we believe are valid indicators of legislators' political capital stock, and in turn their willingness and ability to supply a given vote. These demand and supply proxies were regressed on two different dependent voting variables—the percent of the time a legislator voted yes and the percent of the time a legislator voted no on all the selected bills and resolutions. Employing this approach allows us to determine the cumulative influence of the various supply and demand factors on each legislator's voting record. All the demand and supply proxies, along with their expected impacts on yes and no votes are presented in Table 1 and discussed further below.

Demand Factors

Interest groups are assumed to be the primary buyers (demanders) of legislation in this study. We define an interest group to be any organization which seeks to influence public policy out of a specific interest by paying for certain legislative outcomes. We assume the demand for a legislator's vote is determined in large part, directly by the expenditures they receive from interest groups for supporting or opposing specific bills, and indirectly by the financial support they receive in campaign contributions for their election/reelection efforts. In this view political decision making is characterized as an interactive process between elected officials and interest groups. By developing strong relationships between themselves they try to create and augment their own political power base.

TABLE 1: Proxies for Demand and Supply

Demand Factors for Interest Group Preferences		
Total Interest Group Expenditures for support of a bill	+ For (Yes)	- Against (No)
Total Interest Group Expenditures for opposing a bill	- For	+ Against
Total Campaign Expenditures supporting a legislator For most recent election cycle	+ For	- Against
Ratio of Campaign Expenditures originating in Washington D.C. to Total Campaign Expenditures	+ For	- Against
Supply Factors for Legislator's Vote Production		
	Expected Influence	
	YES Vote	NO Vote
Age	?	?
Net worth	?	?
Years in office	+	+
Attorney status	+	?
Political affiliation	?	-

Interest groups tend to be well organized and informed while voters tend to be unaware of the relationship between the former; this gives rise to policies that lead to socially undesirable outcomes. The per capita benefits of such policies tend to be highly concentrated among relatively small numbers of individuals while the per capita costs among ordinary citizens and voters tends to be widely dispersed and relatively low. As a result, interest groups demand legislators to produce laws which yield uneven voter benefits and overwhelm the incentives among them to actively fight such laws.

We hypothesize that a legislator's propensity to vote on a bill will be influenced by the extent of special interest group demand, as reflected by their expenditures to support, and/or oppose that bill, Also, we expect that interest group expenditures in support of a given legislator's campaign for election/reelection along with the percent of those expenditures which originate from Washington, D.C. where most interest groups are headquartered, will reflect the extent of interest group demand for legislator vote production.

Supply Factors

In this study legislators are viewed as suppliers of yes or no votes on various bills, which in a strict sense implies they are entrepreneurs while simultaneously acting as politicians. As such, they can be characterized as self-interested economic entrepreneurs disguised as political entrepreneurs who possess varying amounts of political capital with which to vote. Our characterization of legislators follows the combined work of three recent studies which are summarized below.

McCaffrey, et al. (2011) defined political entrepreneurship as a metaphor for rent seeking and consisting of "coercively obtaining resources via the state toward processes of production which not otherwise have taken place". The net income which flows to the political entrepreneur can be likened to ordinary entrepreneurial profit and /or loss generated by a market entrepreneur. In the context of this study, the profit could be in various political metrics such as enhanced political power and influence or explicit economic payments. An entrepreneurial loss may entail losing chairmanship of a committee and/or special interest support or losing the next election. Thus, the political entrepreneur faces uncertainty similar to that of a market entrepreneur, and as such must employ his/her political assets, particularly political capital, in a judicious manner.

Francois (2003) argued that politicians may exhibit both traits of economic entrepreneurs who pursue monetary profit and political entrepreneurs who seek electoral profit. Accordingly, they may move back and forth between economic markets and politics, but their activity in either sphere is largely identical. In this view, legislators acting as political entrepreneurs can pursue economic profit using their political capital while simultaneously pursuing political gain.

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Lopez (2002) distinguished between two types of political capital---representative and reputational. The former is defined as the set of legislator attributes that determines his ability to influence a policy, which may include committee assignments and seniority within those committees, lobbying contacts, law-making and political acumen. The latter is defined as the set of legislator attributes that determine his standing with voters and other unorganized interests, including party affiliation, voting record campaign platform and name recognition. Lopez characterizes reputational capital as equivalent to human capital in conventional labor markets. Taken together, the representative and reputational capital stock of a legislator will represent his/her ability and willingness to supply yes or no votes.

In this study we assume the typical legislator features political entrepreneurship and capital as described above when supplying yes or no votes. However, a lack of specific quantifiable measurement of political entrepreneurial behavior requires that we employ a group of statistical proxies (discussed below) for which data are available to capture variance in the stock of political capital across legislators when they supply votes.

We hypothesize that a legislators' entrepreneurial ability and political stock to produce a vote on a given bill will be determined by their life experiences as reflected by their age, their political experience as reflected by their years in office, their evidence of entrepreneurship as reflected by their net worth, and their education/skill level to write and negotiate legislation, as reflected by whether they are an attorney. While admittedly crude, we believe these proxies capture the essence of the entrepreneurial component of the typical legislator's votes production.

Finally, we believe political party affiliation should also be included as a supply factor. Supplying a negative or positive vote across party lines typically raises a legislator's political cost relative to votes they cast strictly along party lines. We hypothesize that affiliation with the minority party would be negatively associated with votes sponsored by the majority party. Thus, affiliation with the Democrat party during the Republican controlled Congress in 2013 would be negatively associated with votes sponsored by the majority party. We also include gender as a background legislator attribute but have no theoretical basis on which to hypothesize if it is demand or supply related, nor the expected impact on vote production.

3. EMPIRICAL RESULTS

Table 2 on Page 8 contains the primary empirical findings of this study, with the model performing largely as expected. Whether the outcome variable is the percentage of times a legislator votes yes or the percentage of times a legislator votes no, the sign of the results generally align with the expected influences listed in Table 1.

The only statistically significant supply factors are tenure in office and political affiliation. Our model estimates that legislators become less amenable to supporting bills the more years they have been in office. This may suggest legislators who feel their congressional seat is more secure may see less need to support bills for their own political self-interest. Less established and secure members of congress may support a bill against their conscience if it helps them curry political favor; longer tenured members of congress may not feel as much political pressure and may be less likely to support a bill for such reasons. We estimate that for every 10 years a member of congress has been in office, their proportion of 'yes' votes will decrease by 2.4 percentage points.

With respect to political affiliation Democrats were much more likely to vote no on bills than Republicans. This is an unsurprising result given that Republicans controlled the House of Representatives during our period of observation. Legislator gender was not found to be a statistically significant predictor of vote production.

Beyond a legislator's political affiliation, demand factors are the primary determinant of a legislator's voting behavior, most notably expenditures in support or opposition of bills play an outsized role. We estimate that one million dollars of expenditures opposing bills will increase a legislator's proportion of 'no' votes by approximately 8 percentage points. The effect of $1 million dollars of expenditures in support of a bill is analogous. The implications of these results are clear; special interest groups can act as demanders in a marketplace for legislation, using bill expenditures to sway legislators.

While total campaign expenditures supporting a legislator are not estimated to have an economically or statistically significant impact on a legislator's voting record, the percentage of such expenditures originating in Washington D.C. does have an apparent impact, with a larger proportion of campaign expenditures originating in Washington D.C. being estimated to increase a legislator's likelihood of supporting a bill. We predict that having 100 percent of a legislator's campaign expenditures originating in Washington D.C. would decrease their proportion of 'no' votes by 3.7 percentage points.

TABLE 2

Parameter Estimates for both Models	**1**	**2**
Demand Proxies		
Total expenditures for support of a bill	.0126 (.003)***	-.0173 (.003)***
Total expenditures for opposing a bill	-.0713 (.008)***	.0774 (.008)***
Total campaign expenditures supporting a legislator for most recent election cycle	.0002 (.001)	-.0004 (.001)
Ratio of Campaign Expenditures originating in Washington D.C. to Total Campaign Expenditures	.0337 (.022)	-.0371 (.022)*
Supply Proxies		
Age	.0008 (.001)	-.0007 (.001)
Net worth	-.0001 (.0003)	.00001 (.0003)
Years in office	-.0024 (.001)**	.0014 (.001)
Attorney	.0134 (.017)	.0019 (.017)
Male	-.0049 (.022)	.0108 (.022)
Democrat	-.3515 (.021)***	.3805 (.021)***
R^2	.79	.78

* p<0.1; ** p<0.05; *** p<0.01

Standard errors in parentheses. N = 522. An observation is a member of congress. In column 1, the dependent variable is the percentage of times a given member of congress voted ‘yes’. In column 2, the dependent variable is the percentage of ‘no’ votes. Net worth and all expenditure variables are measured in millions of dollars. Additional controls included for bill sponsorship and whether the member of congress was a Senator. Legislator sex and political affiliation impacts were included in the regressions as dummy variables to reflect possible gender or political party influence.

4. CONCLUSIONS

Our results indicate that political party and expenditures either supporting or opposing bills are the strongest determinants of a legislator’s voting record. In particular, the importance of bill expenditures in determining voting records provides evidence of a market for legislation; special interest groups, as the demanders of legislation, can influence voting outcomes to a great extent. With one million dollars in bill expenditures being able to increase a legislator’s percentage of ‘no’ votes by approximately eight percentage points, the equilibrium price in this market is perhaps lower than we would have anticipated.

While our results consider the effect of bill expenditures on a legislator's aggregate voting record, we predict that these effects are not uniform across all bills. Subsequent analysis considering the impact of such expenditures on a bill-by-bill basis would likely uncover differing effects across different policy areas, which would provide insight as to where special interest money is playing the largest role. Additionally, further insight could be gleaned from investigating how expenditures differ on votes that are more closely contested.

The lack of robust statistical results on the supply side of vote production may be indicative of a lack of sufficient proxy representation for legislators' political capital and entrepreneurial ability, or it may simply reflect that a legislator need not be a political entrepreneur to take money from interest groups to produce a given vote. Further research which addresses this topic should consider employing different supply side indicators which we were not able to obtain for this study. It may also prove fruitful to obtain more anecdotal background information on each legislator for a richer understanding of the breadth and depth of political entrepreneurship across the entire population of legislators.

One other notable result is that both models generated virtually the same R^2, .79 for yes votes and .78

For no votes. Given the longitudinal nature of this study one would possibly expect higher values for R^2,

Which indicates future studies should include more robust explanatory variables in both models.

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