Spring 2023

Corporate Lobbying: A Corporate Perspective to Lobbying and the Ecosystem Behind It

Noah R. Gulla
Bard College

Corporate Lobbying: A Corporate Perspective to Lobbying and the Ecosystem Behind It

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
Noah Gulla

Annandale-on-Hudson, New York
May 2023

Table of Contents

Introduction

In my senior project I was interested in examining the way that money functions within politics. I believe that this is an extremely important part of how American politics operates today but its importance is often marginal to the discussion of politics, especially in modern politics where hot topic issues take precedence over systemic problems. Yet almost every issue is strongly influenced by the way corporations spend money within politics. Given this, an understanding of how corporations use their money to influence government is a prerequisite to achieving meaningful change in policy spaces that have effects on corporate profits (which is to say, almost all policy spaces!). Money in politics is responsible for or is preventing us from addressing many of the most fundamental issues Americans face today, things like wealth inequality, imperialism, and climate change - even racism falls under this umbrella. Money in politics is the shadow that looms over the entire U.S. system and is the most important pitfall that exists in American politics today.

In American politics right now there are two main ways to utilize capital to influence the decisions of legislatures: campaign donations and corporate lobbying. Currently there is much more attention on campaign finance given the recent spike in corporate donations following cases like *Citizens United v. FEC (2010)* and the easily understood problems associated with it. On the other hand, corporate lobbying is often overlooked despite its continued prevalence within American politics and the strong influence it possesses on specific policy outcomes. Corporate lobbying being overlooked is perhaps understandable to the extent that it is a more complex system and therefore less easily measured or studied via existing databases. However, its complexity does not mean it is any less important than campaign finance as a mechanism that allows corporations to maintain a strong influence in Washington. Despite how central corporate lobbying is for many corporations, there is a lack of research and understanding around the field which contributes to corporations' influence over public policy. In my project I will attempt to bridge some of this gap and illuminate one portion of corporate lobbying.

I will start by examining classical accounts of lobbying with a specific focus on the corporate sphere of lobbying. I argue that in contemporary views of corporate lobbying there is often not a strong focus on the motivations for lobbying that arise from within the corporate perspective - instead there is a focus on what is occurring in terms of the interactions between corporations and the government or representatives. Such a focus leaves out an enormous ecosystem of individual actors, decision making, and pressures that are core to having an understanding of corporate lobbying.

From here, I continue by examining corporate lobbying using quantitative data to attempt to paint a broader picture of corporate lobbying efforts and the strategies that are taking place. Through the use of collected data it is possible to test claims made about corporate lobbying in areas such as its profitability and its stickiness.

Finally I examine the dynamics that occur inside and between corporations that inform and ultimately lead to lobbying activity. These purely corporate pressures happen in three different forms: individual business models, lobbying groups, and information leakage - all of which have a strong influence on whether corporations decide to lobby and how they will strategically approach lobbying activity.

In order to create a full understanding of corporate lobbying, I first will turn my attention to explaining what lobbying is and how it has developed from a normal part of democracy to an asset of corporations to influence politics.

Chapter 1: Contemporary Views of Corporate Lobbying and the Corporate Lobbying Ecosystem

In Twenty-first century America lobbying has become synonymous with corruption among normal people. Average Americans think of lobbying in terms of the classic smoke filled back room where illicit deals are being struck against the better interest of the country. In 2013, Lobbyists ranked last in a Gallup poll of the most trustworthy professions, ranking slightly worse than Congress in terms of public belief in their honesty: "Just 6 percent of Americans say lobbyists have high or very high honesty and ethical standards."[1] With an approval rate of less than ten percent, it is safe to say that Americans despise lobbyists and believe that lobbying is a problem within the country, but do Americans understand what lobbying actually is? The dominating view among Americans seems to be that, " "special interests" and their lobbyists "buy" politicians, sort of like you'd buy a candy bar or a bag of chips out of a (very high-dollar) vending machine."[2] It is understandable why the predominant view of lobbying is simplistic given the confusing and secretive nature of the practice in modern America. However, lobbying isn't an inherently malicious system and has been a part of American politics since its inception - at its base level lobbying is simply the act of "influencing or attempting to influence legislative action or nonaction through oral or written communication or an attempt to obtain the goodwill of a member or employee of the Legislature."[3] Any group of people can participate in lobbying

---

[1] Tal Kopan, "Poll: Lobbyists rank last on ethics," Politico, last modified December 16, 2013, https://www.politico.com/story/2013/12/lobbyists-ethics-gallup-poll-101187.

[2]Lee Drutman, "What we get wrong about lobbying and corruption," The Washington Post, last modified April 16, 2015, https://www.washingtonpost.com/news/monkey-cage/wp/2015/04/16/what-we-get-wrong-about-lobbying-and-corruption/.

[3] National Conference of State Legislatures, "How States Define Lobbying and Lobbyist," NCSL, last modified September 3, 2021, https://www.ncsl.org/ethics/how-states-define-lobbying-and-lobbyist

not just corporations and much of the actual lobbying that takes place in American politics is not something that corporations and moneyed interests do, but represents the efforts of people who care about the country to communicate with their elected officials. A good example of lobbying working to the benefit of American citizens would be the Women's suffrage movement where the National American Woman Suffrage Association very actively lobbied for women's suffrage and was ultimately successful in their goals. Lobbying on its own is a normal part of a representative government and has historically helped constituents advocate for their beliefs. Yet, today the perception is that lobbying is done almost exclusively by moneyed interests and it has gained a reputation as an outlet for legalized corruption.

The form of lobbying that is most controversial currently in the United States is corporate lobbying. Corporate lobbying doesn't have any legal or official distinction with other forms of lobbying by the government. The main difference between corporate lobbying and "normal" lobbying is the source of the lobbying and its purpose. Normal lobbying is typically done by citizens who believe in a specific issue/ideology and wish to lobby the government to convince them that these ideals or issues are important. Corporate lobbying is done by corporations, industries, or other moneyed interests with the goal of influencing legislators/legislation with the ultimate goal of profit or protection of profit. While these two different types of lobbying theoretically should function similarly with both corporations and concerned citizens advocating for their positions equaling each other out, that has not been the case.

The introduction of corporations into lobbying has completely changed the way that lobbying functions, leaving it difficult for interest groups without big money backing them to compete. The largest contributing factor for this is how much more money is behind corporate lobbying compared to any other type of lobbying, "Businesses account for more than three-quarters of total lobbying expenditures, while diffuse interest groups barely account for one percent."[4] With how dominant corporate lobbying is, the voices of the people who are supposed to be representing the rest of the country are quite literally drowned out by the army of corporate lobbyists that have significantly large funding backing them. This army of corporate lobbyists isn't an exaggeration with there being actual complaints in Capitol Hill about noise and space due to the sheer amount of lobbying activity. While this does just seem like a funny unimportant factor it points to the larger problem that while lobbying spending has exploded over the last two decades the amount of representatives in government has not changed. This means that a limited number of staffers/representatives are forced to deal with an increasingly large number of lobbyists, ultimately leading to an information overload. Staffers and representatives with very little time, who are hearing mostly from corporate lobbyists, are forced to make decisions regarding potentially complicated legislative decisions. This makes modern lobbying of all types less about engaging representatives and more about inundating your lobbying targets with information. This is one example of how corporate lobbying has fundamentally changed the way lobbying functions in a way that only corporations can keep up.

So why does studying corporate lobbying as a field matter? As already laid out, lobbying originally was simply a way for US citizens to engage with civil servants. Through corporations' assertion into lobbying and the large amount of money that came with it has fundamentally pulled lobbying away from its original purpose. What was once a very democratic mechanism of government has now become quite the opposite as it has become increasingly monopolized by moneyed interests. Lobbying can now be considered a mechanism of the rich and powerful to keep themselves rich and powerful through their now nearly exclusive ability to be in contact

[4] Drutman, Lee. The business of America is lobbying: How corporations became politicized and politics became more corporate. Oxford University Press, 2015., 14

with the government. The impact of this shift in lobbying on US democracy should not be understated as one of the reasons corporations have more influence on government than ever and the rest of the countries waning influence on government. Beyond all of lobbyings other factors and flaws, corporations capturing lobbying has made it so the only people who engage our politicians on the majority of legislative decisions are corporations. This has created a bubble over Washington where the only voices representatives hear are those who are seeking outcomes beneficial to themselves and their companies, not what is necessarily most beneficial to the entire country. This undoubtedly gives corporations significantly more power than any normal citizen and allows them to make their own interests significantly more important than an individual voter in the eyes of representatives, fundamentally undermining democracy within the United States and devaluing the role of the individual within the democratic system. Corporate undermining of democracy partially through corporate lobbying makes understanding how corporate lobbying is functioning core to understanding United States government and democracy in the 21st century.

A Corporate Perspective to Corporate Lobbying

Analyzing the actions of corporations in corporate lobbying is the most fruitful approach to understanding modern lobbying. Understanding the rationale behind the decisions of corporations and the strategies they use best show the way corporate lobbying is functioning at a broader level. If you can better understand how companies approach lobbying, you can see how the system is interacting with money and the weaknesses that have led to the corporate capture of lobbying that we face today. Tracking lobbying from a business perspective is also much more realistic given reporting requirements and the relative amount of transparency that corporations are forced to have. When a company lobbies the government they are forced to file and report their spending, who their lobbyists are, and what bills they were lobbying on. While we can't see exactly what these companies are thinking or what their lobbying consists of, we are at least aware of their general actions and strategies based on their spending habits. By focusing on corporations we can more closely get to the source of an individual lobbying action allowing us to get closer to the original goal or rationale behind a lobbying expenditure. Additionally, while most lobbying outcomes don't produce a numerical result, when a corporation initiates a lobbying activity there is a concrete input in the form of their expenditure and hired lobbyists. This gives tracking the actions of the businesses within corporate lobbying an advantage over the often more popular analysis of representatives.

When looking at a lobbying effort and specifically its influence on a representative it becomes very difficult to see what is happening without actually being present to see the lobbying taking place. Every representative is lobbied to but the impact of these lobbying functions is almost impossible to see with the information we have available. If a company lobbies a politician the impact could be anywhere from no impact to a large impact and the only way we can really tell which is true is to track their public positions and voting records. But this at best is circumstantial evidence and doesn't meaningfully help us understand how lobbying actually impacted legislation or the representative themselves. This makes researching this particular dynamic reliant heavily on information straight from lobbyists and representatives who both have interest in being tight lipped on their specific dealings with each other. The lack of available information and the secretive nature of corporate lobbying makes analyzing the site of the lobbying particularly difficult, while only illuminating a small portion of the overall lobbying ecosystem.

Given the public perception of lobbying as being corrupt backroom dealings happening in Washington, it makes sense that most of the research done on lobbying is focused on what is happening in Washington. For the already small number of political scientists focused on lobbying, a large portion of them are focused on Washington, specifically the dealings between lobbyists and representatives. But given the difficulty in concretely analyzing lobbying activity, much of the research being conducted is needlessly complicated and fails to create a holistic picture of lobbying. Due to the lack of concrete evidence of lobbying's operation in Washington political scientists will often opt to try to numerically measure its impact by creating complicated models that try to measure influence and outcome.[5] But creating models for how lobbyists influence representatives without linking them to the motivations for lobbying in the first place focuses on outputs alone and produces a partial picture. In these complex models of lobbying beyond the amount of money spent on lobbying by corporations the decisions corporations are making and why they are making them are too frequently left out. Conversely, often the only analysis of lobbying from the economic perspective draws narrowly on "inputs" from a corporate perspective of efficient use of expenditures. These perspectives try to understand whether it is beneficial to profits for a business to participate in lobbying activity. These economic attempts to understand lobbying from a business perspective often try to numerically measure activity in terms of dollars spent, again excluding from analysis contexts and interactions that are not easily numerically measurable. On the whole analysis of businesses and their lobbying strategies from a political perspective are too lacking and has led to academic analysis of corporate lobbying which present partial pictures. As I show below, corporate lobbying is best looked at as an

[5] Duso, T., Jung, A. "Market Conduct and Endogenous Lobbying: Evidence from the U.S. Mobile Telecommunications Industry." *J Ind Compet Trade* 7, 9–29 (2007). https://doi.org/10.1007/s10842-006-0030-2

ecosystem of lobbying that has many different actors with many different goals instead of a binary relationship between corporations representatives who have singular goals.

In this paper I will examine lobbying with a focus on the corporate perspective. Through my research on lobbying I will offer an in depth analysis of why corporations lobby and the decisions they make while lobbying, a field that is too often overlooked. The majority of analysis done on corporate lobbying from the corporate perspective that I found was primarily done outside a political perspective and mostly was discussed in publications such as business journals. Political scientists and theorists understandably have spent more time focusing on the representatives themselves and how they interact with businesses during and after their constituencies. This however leaves out an ecosystem of corporate lobbying that occurs outside of politicians offices and ignores how corporations are interacting with each other and lobbyists which has a large impact on lobbying as a whole. Examining lobbying as a government activity where corporations look to maximize their profits paints an incomplete picture of lobbying, leaving out a complex web of interactions and decisions that are occurring around the lobbying itself. Businesses are constantly making decisions on how to lobby which can result in a plethora of different approaches to lobbying that are important to the eventual success or failure of the lobbying. Through an investigation of lobbying from a corporate perspective I hope to paint a more holistic picture of what is going on under the lobbying hood and how to better approach an activity that is core to how modern government functions.

When examining lobbying from a business perspective the first and most obvious misconception that can be debunked is the vending machine idea discussed above. When companies engage in lobbying activities they do not put X money in and expect to get X money out. Lobbying as a practice is not a sure investment and when companies spend money to lobby representatives and federal agencies there is no guarantee of returns and further than that there is no way to numerically measure whether the investment was successful. This makes lobbying difficult to analyze from an inside and outside perspective because an individual within a company must decide whether their lobbying expenditures are worth it by the word of their lobbyists or just a general feeling that they were successful in the task they set out to accomplish. This makes investigating why corporations lobby a question of why does the management of a company believe that lobbying is a valuable activity and not an analysis of expenditures and their resulting profits. Even with corporate lobbying outcomes being uncertain, companies continue to spend billions of dollars per year on the practice so it stands to reason that corporations believe that this is a worthwhile investment even without numbers to prove it.

So what specifically do corporations hope to accomplish when they engage in lobbying activities? There are a plethora of reasons why a company might believe that lobbying is worth the time and money investment. Three of the most common reasons are a desire to protect against change, to improve their ability to compete by seeking favorable policy changes, and a need to maintain relationships with legislators and other important people.[6] While there are other reasons why corporations lobby, these are the most common reasons corporations start and stay lobbying. All three of these outcomes are meaningful but each have different overhead costs and potential benefits for companies.

Frameworks for understanding lobbying

The most frequently cited reason to lobby, a desire to protect against change, is the most important for understanding lobbying as a structure. Prior to the 1960's lobbying was an activity

[6] Drutman, The business of America is lobbying: How corporations became politicized and politics became more corporate, 28

that existed among corporations but was not widespread with the prevailing opinion in the business world that government was something to avoid. This changed when in the 1960's there was a wave of public opinion skeptical of the practices of large corporations that came with a push for increased regulation across the board. Prior to this large corporations enjoyed very pro-business governments that pursued very little regulation and even worked with companies on pieces of legislation completely outside of lobbying. This sudden uptick in anti-business sentiment pushed corporations into lobbying as a means to defend themselves against attempts to regulate their business practices and is historically categorized as reactive lobbying in lobbying literature. As companies entered the political sphere they found value in having an active presence in government in the form of lobbyists and as they successfully defended themselves the purposes of lobbying began to expand. Over time the effort to regulate large corporations waned and the lobbying battle became largely a one way street with only corporations showing a consistent presence in the offices of legislators.

Even as corporate lobbying has changed in structure and scope from its original purpose of defending itself from change it is still the most effective and influential type of lobbying. When engaging in lobbying there are two different categories it can fit into: proactive and reactive lobbying. Proactive lobbying is searching to create or change legislation/regulation where reactive lobbying is the act of defending against proposed legislation/regulations or changes in legislation/regulation. According to Lee Druttman's interviews with lobbyists around 70% of lobbying fits into proactive lobbying while only 30% falls into reactive lobbying yet even despite this gap, reactive lobbying is more likely to be successful. This points at a vital part of modern day lobbying, that in a contested lobbying battle the overwhelmingly most likely outcome is no outcome. "More lobbying makes political change harder, which means both that the beneficiaries of the status quo more easily continue to enjoy their advantages, and that those seeking to change the status quo require more resources to make anything happen"[7] The biggest impact of lobbying on American politics today is a stagnation in policy outcomes where any legislation or regulation proposed is likely to be heavily lobbied against resulting in little change. This is also why proactive lobbying is more prevalent and also more expensive because for a company to make a favorable change much more money and effort is required. However, this also means that once legislation or regulations are successfully implemented they are extremely unlikely to ever be removed meaning that attaining a favorable outcome can be very valuable in the long run. Overall, the ability to stop change is the most impactful type of lobbying, allowing large corporations to protect themselves from potential government interference and has a large part to play in keeping the status quo for corporations within the country.

On the side of proactive lobbying and seeking favorable policy outcomes, corporations are most likely to be successful on very specific and minute pieces of regulation and legislation as there is much less money and attention on the issue. Corporations heavily, "Gain from policy complexity, both because it gives them more opportunities to insert narrow provisions with limited public scrutiny and because they are more capable of supplying expertise to overworked staffers."[8] In some cases for these less contested lobbying outcomes, lobbyists might even help or almost write the entire piece of legislation given a lack of understanding by legislators and a lack of interest in contesting by other companies or interest groups. This form of lobbying stands to heavily benefit certain industries and especially companies who are in specific niches that don't have strong competitors to contest them. Furthermore this is a strong reason for companies to

[7] Drutman, The business of America is lobbying: How corporations became politicized and politics became more corporate, 17
[8] Drutman, The business of America is lobbying: How corporations became politicized and politics became more corporate

maintain relationships with legislators because it can give them an advantage when it comes to niche legislation as legislators are much more likely to trust and allow them to directly assist with the outcome. Maintaining relationships such as these incentivize companies not just to lobby but to continue lobbying as it's much easier to keep relationships with legislators than it is to make new ones.

Considerations in Corporate Lobbying

With this understanding of why firms decide to lobby and the potential benefits that come with it stands to reason that you would be able to find correlations between lobbying activity and company growth/profit yet, as we shall see, on an individual level no such correlation exists. On a broader scale studies have shown, "that increasing lobbying reduces a corporation's effective tax rate, with an increase of 1 percent in lobbying expenditures expected to reduce a corporation's next-year tax rate between 0.5 percentage points and 1.6 percentage points."[9] But when examining lobbying on a company to company basis the vending machine idea where a company can put x money into lobbying and get x money back does not exist. In fact, there is no visible correlation between spending on lobbying and company performance. Given the previously mentioned lack of numerical measure of lobbying success and this lack of correlation between lobbying and profits, why do corporations continue to lobby so consistently? And how are these companies deciding whether they reached a favorable outcome?

One response to this question might be to turn to another part of the lobbying ecosystem, the lobbyists themselves. When companies lobby they have two options: they can hire their own

[9] John Craig and David Madland, "How Campaign Contributions and Lobbying Can Lead to Inefficient Economic Policy," CAP, last modified May 2, 2014, https://www.americanprogress.org/article/how-campaign-contributions-and-lobbying-can-lead-to-inefficient-economic-policy/

personal lobbyists or they can hire firms that will lobby in their name on the issues of the companies choice. Companies will typically decide on whether to hire their own lobbyists based on a multitude of factors including strategy, familiarity with lobbying, information leakage, and more. This leads companies to be most likely to deploy their own lobbyists for more specific legislation or when they are in contest with other corporations as a means to keep information in house. When lobbying for broader legislation that will benefit an entire industry, companies are much more likely to hire out lobbyists from private firms or potentially join a lobbying group. Most large corporations will likely use a combination of both their own lobbyists and hired out firms depending on what lobbying issues they are most concerned with at any given moment. General Electric is a company that is active in lobbying and has been doing so for decades, making them a good example on how a company might divide their lobbying. In 2022 General Electric spent 4.2 million dollars on lobbying through their own lobbyists and spent the other about 2 million dollars on hiring out private firms for their lobbying.[10] This is fairly representative of lobbying over the last few years for large corporations and gives some insight into how corporations are strategically thinking about lobbying.

A recent development in lobbying over the past few years is the rise of private lobbying firms. Private lobbying firms make up a significant portion of the lobbying done every year and have recently logged record profits despite lobbying expenditures remaining relatively constant over the last few years and having reached its peak in 2007. In 2021 lobbying firms reached its peak in profits having logged $1.92 billion in revenue continuing the trend from the year before.[11] Lobbying firms will lobby for nearly any issue and for any company and thus the top

---

[10] Open Secrets, "Client Profile: General Electric," Open Secrets, https://www.opensecrets.org/federal-lobbying/clients/summary

[11] BGOV, "2021 Top-Performing Lobbying Firms," Bloomberg Government, last modified 2021, https://about.bgov.com/reports/2021-top-performing-lobbying-firms/

firms are consistently hired by the largest corporations for a plethora of unrelated issues. This can make it beneficial to hire these firms for corporations as they have extensive experience lobbying and are likely to already have relationships with the targets of lobbying.

When taking a deeper look at these specific lobbying firms it becomes apparent that they aren't keen to explain exactly what it is that they do. Of the top ten lobbying firms in 2022 only one of their names alludes to what it is they actually do, with most of them using hard to recognize names like: Brownstein Hyatt Farber Schreck or Akin Gump Strauss Hauer & Feld. It becomes no easier to understand what these firms do by looking at their websites where they rarely explain what services they provide. Most of the websites highlight things like the accomplishments or amount of money the corporations they represent make but often have no reference to lobbying anywhere on the front page and sometimes even on their back pages. The pages are full of vague business platitudes or attempts to portray themselves as a typical law firm. Out of the top five lobbying firms only one of their websites has any reference to lobbying while three out of the five don't even have any reference to government relations at all. However, surprisingly one of the five firms, Invariant LLC, very directly mentions why corporations should consider their services, "There are only two questions when it comes to lobbying: Do you want to find Washington, or do you want Washington to find you? If the Senate is considering legislation that impacts your company, you don't want to get the news watching Chris Wallace on Sunday morning. We strongly recommend proactive engagement."[12] While the only firm that directly mentions lobbying and the rationale behind it, these are the core reasons not just to hire a lobbying firm but why companies hire lobbyists in general. On the whole lobbying firms are very secretive in their actions, not revealing more than they legally have to about their actions as

[12]Invariant, Invariant, http://www.invariantgr.com/government-relations.html.

lobbyists. This helps protect information on their clients, hide how they strategically function from all other parties, and keeps their names out of the public eye.

When looking at more general legislation that might impact an entire industry or just business in general a corporation might look to join or participate in a lobbying group or a trade association. Lobbying groups will also make decisions on whether to hire lobbying firms or individual lobbyists based on what they feel makes the most strategic and monetary sense. Lobbying groups accounted for 8.6% of all federal lobbying in 2022 and are typically big players in large industry affecting legislation.[13] The mission of these lobbying groups in general is to fight for or against any legislation they believe will make an impact on their members. The largest spender in 2022 was the National Association of Realtors who lobbied extensively on bills that would lower rents or lower profits of landlords in general. The bills they lobbied on the most in 2022 were the Inflation Reduction Act and the American Rescue Plan Act of 2021.[14] These pieces of legislation were both extremely broad and stood to impact their entire industry and even all business in general, echoing the claim that lobbying groups generally spend the most time lobbying on large bills that are more likely to impact all of their members. This reflects the logic that lobbying organizations representing larger companies can most effectively focus on industry wide or even broader legislation as these are the instances when corporations will be most willing to work with, rather than compete with, their competitors. Lobbying organizations will not be able to lobby on more specific issues where their members could want two opposite outcomes for obvious reasons, making the use of lobbying organizations by large corporations mostly exclusive to these larger bills.

---

[13]Taylor Giorno, "Federal lobbying spending reaches $4.1 billion in 2022 — the highest since 2010," Open Secrets, last modified January 26, 2023, https://www.opensecrets.org/news/2023/01/federal-lobbying-spending-reaches-4-1-billion-in-2022-the-highest-since-2010/..

[14] Open Secrets, "National Assn of Realtors," Open Secrets, https://www.opensecrets.org/orgs/national-assn-of-realtors/lobbying.

That's not to say that lobbying groups don't lobby on more specific issues - the National Association of Realtors lobbies on a huge number of bills impacting land owners. However they are a bit unique among lobbying groups as they represent landlords in general who often aren't a part of large corporations who have lobbying operations that are able to pay attention to smaller legislation. Larger lobbying organizations are more likely to lobby on smaller issues when they represent coalitions of firms who can coalesce around particular shared interests. Such lobbying organizations differ from those that represent larger corporations as the former organizations likely represent smaller firms with a strong industry affiliation who will have different strategic needs from the conglomerate businesses that can afford to lobby using multiple different approaches. On the whole though, lobbying organizations serve to represent the interests of all of their members and thus when lobbying they will almost always lobby for whatever benefits the groups objective.

The Principal-Agent Problem in Lobbying

Another factor for corporations when deciding how to lobby is the lobbyists themselves. Lobbyists will often specialize in specific areas making it beneficial for corporations to pick lobbyists that are experts in their field. While being knowledgeable in the area of legislation that is being lobbied on is important, what really matters the most is the existing relationship between the lobbyist and the target of lobbying. This can be another reason why corporations might choose to hire a lobbying firm as their lobbyists are likely to already have relationships with legislators and can be easier than hiring a lobbyist that specializes in the legislation of focus. However, both corporations and lobbying firms don't typically just hire people and train them to be lobbyists, or in other words, corporations and lobbying firms aren't sending newly graduated college students into Capitol hill. This leads to an important function of modern lobbying: the revolving door, where essentially a large portion of lobbyists hired exclusively by companies or who work in lobbying firms used to work in government. This includes both ex legislators or regulators and their staffers who frequently will go straight from their government positions into lobbying for a large payout. These individuals are already familiar with the lobbying process and have relationships with their colleagues which can easily be used to more effectively lobby. This is particularly pronounced in smaller federal agencies such as the FCC who may sometimes have individuals who worked for telecom companies on their boards. Additionally, the potential for a large payout to be a company lobbyist after a legislator's term is up can be a strong incentive for acting favorably or at least friendly with the companies that are lobbying. Studies have shown that this dynamic has a real impact, “Lobbyists with experience in the office of a US Senator suffer a 24 percent drop in generated revenue when that Senator leaves office. The effect is immediate, discontinuous around the exit period, and long-lasting.”[15] This goes to show that relationships matter when hiring lobbyists and the benefit of hiring lobbyists with known relationships with legislators can be extremely beneficial to corporations.

When looking at the breadth of strategies and choices corporations can employ when lobbying it is easy to think of them as akin to different business/market strategies that will yield different profit results. Looking at corporate lobbying through this lens leaves out an important problem which is the human variable that is core to how lobbying functions. It is easy when analyzing businesses to try to look at lobbying as a typical market problem where developing the most efficient strategies and adhering to supply and demand will yield the best results. Lobbying exists in a field outside of these market notions where the decisions of individuals are what

[15] Blanes i Vidal, Jordi, Mirko Draca, and Christian Fons-Rosen. 2012. "Revolving Door Lobbyists." *American Economic Review*, 102 (7): 3731-48.

makes the largest impact largely due to the lack of concrete evidence on the impact of spending on lobbying. In the lobbying equation it is important to remember that lobbyists are individual actors who, while they may be employed by directly corporations or their firms might be hired out, are very much making their own decisions. Lobbying today is a principal-agent problem on a massive scale where lobbyists are not necessarily working in the best interest of their clients. A principal agent problem is, “is a conflict in priorities between the owner of an asset and the person to whom control of the asset has been delegated.”[16] The principal-agent problem is not exclusive to lobbying and occurs in many different money or asset related situations. One simple example could be a CEO of a corporation not working in the best interest of the corporation's stockholders. In the case of lobbying the principal agent refers to the relationship marked by the interaction between the lobbyist and the corporation. The corporation employs or otherwise compensates the lobbyist to work in their best interests in government. However, lobbyists are not necessarily incentivized to always do what’s best for the corporation, especially if what’s best for the corporation is to spend less money on lobbying and thus pay them less. This means that lobbyists are heavily incentivized to convince corporations to continue to spend or increase their spending on lobbying regardless of whether that increase of spending will actually be of benefit to the corporation. This would be a fairly normal profit-seeking dynamic if lobbying was a normal economic activity, but lobbying’s less than concrete nature makes the principal-agent problem more impactful than usual. As previously stated, there is no numerical measurement on the impact of lobbying for an individual corporation so whether a corporation believes they are successful or not is dependent on more or less a feeling. A company's lobbyists have a lot of

[16]The Investopedia Team, "Principal-Agent Problem Causes, Solutions, and Examples Explained," ed. Margaret James and Diane Castagliola, Investopedia, last modified February 15, 2013, https://www.investopedia.com/terms/p/principal-agent-problem.asp#.

influence on this feeling given they are both supposed to be working in the company's best interest and are also playing the role of the expert in their field. So when corporations are evaluating their lobbying and their hired lobbyists tell them that the lobbying activity is likely to be successful or they should spend more on lobbying to be successful they are more than likely going to believe them. This coupled with lobbyists having a much greater understanding of the lobbying landscape and a stronger read on relevant information than their employers do give lobbyists a lot of power within this dynamic.

The power that lobbyists have within the company-lobbyists dynamic has a lot of influence on the general lobbying landscape. This dynamic is partially responsible for the stickiness of lobbying or in other words the concept that when a corporation begins lobbying they are unlikely to stop lobbying.[17] This is not the only reason lobbying is sticky but lobbyists having a stronger understanding of lobbying and encouraging increased participation of their employer in lobbying is undoubtedly impactful. Lobbyists will frequently tell their employers that an increase in spending is beneficial for attaining policy goals or even more impactfully scare the corporation by telling them the danger of cutting back or stopping lobbying altogether. Invariant’s statement on why a company should lobby is a great example of how lobbyists may speak to their employers about why they need to continue lobbying. Invariant as a lobbying firm has a much better understanding of lobbying than their clients do, so when they tell their clients that if they don’t lobby they could find themselves in serious trouble it’s very powerful. This dynamic is playing out constantly among both individual lobbyists that are employed by a corporation and among lobbying firms alike and is a core piece of how corporations are making lobbying decisions.

[17]Drutman, The business of America is lobbying: How corporations became politicized and politics became more corporate, 133

When thinking about lobbying it is important to remember that lobbyists are their own individual agents and not just an extension of whoever they represent. Corporate lobbying takes place between three separate parties where lobbyists are the middlemen for both the money and perhaps more importantly information. Lobbyists have absolutely played an important role in making lobbying so expensive and this alludes to a larger theme in lobbying of the lobbying ecosystem being made up of individual actors and information asymmetry. Each actor within lobbying having misaligned interests impacts both the strategy and spending that is taking place by businesses and is important for understanding contemporary corporate lobbying.

The Lobbying Ecosystem

I have mentioned throughout this chapter multiple times the idea of a lobbying ecosystem and that modern lobbying is best looked at through the idea of an ecosystem. So what do I mean I refer to lobbying as an ecosystem instead of a binary? Modern corporate lobbying takes place between three separate entities, that as I have discussed all have different goals through their participation in lobbying activities. Corporations wish to hire lobbyists so they can protect their interests and potentially gain profits through favorable legislation. Lobbyists are employed by corporations and attempt to create beneficial lobbying outcomes for the corporation they are employed by. However, they don't necessarily have the best intentions of the corporation at heart and above all wish for the lobbying activity to increase or at least continue. Representatives within this ecosystem are harder to attach specific goals to and should be considered as an additional variable within the broader ecosystem. All of these three parties should be considered completely separate and individual actors that all play an important role in how the corporate lobbying process functions.

Between these three parties information is constantly being exchanged with the lobbyists acting as middlemen between the corporations and the representatives. Corporations first decide on the strategies and outcomes they want to pursue and then employ lobbyists in different ways to carry out their plans. This can be considered the start of the “loop” and possesses a lot of variation depending on how a corporation decides to act. However this doesn’t occur within isolation; information about how they should approach the lobbying process will often come from the lobbyists themselves. The lobbyists having their own goal within the cycle have the ability to potentially alter the information they will eventually give to representatives but will more likely alter the information they bring back to the corporation after they engage in lobbying activities. The information in these cases will mostly be in the form of recommendations on how to continue their original goals or expand lobbying efforts. This dynamic plays out in every lobbying effort in some form and creates different outcomes based on a plethora of factors but especially the decisions of each individual within the lobbying process. The variability of a lobbying outcome even in a situation with identical lobbying inputs shows how important individuals are within lobbying and is why I believe that corporate lobbying is best described as an ecosystem.

Over the course of my project I found that this ecosystem that occurs within lobbying involves a great number of unseen decisions at all levels but especially on the corporate level where there are many decisions and strategies that are being made outside of just trying to influence legislators. Through an in depth analysis of the corporate portion of corporate lobbying I will attempt to create a greater understanding of the corporate lobbying ecosystem as a whole.

Chapter 2: A Quantitative Approach to Corporate Lobbying

The previous chapter analyzed corporate lobbying utilizing qualitative data in existing literature and accounts of how corporate lobbying functions and the ecosystem around it. This chapter seeks to utilize a more quantitative approach than the previous chapter in whether lobbying activity is beneficial to company performance and how sticky lobbying is. Through lobbying and performance data collected on a plethora of different companies throughout different industries it is possible to make a compelling argument in favor of imperfect information and stickiness within the lobbying ecosystem. Overall, the quantitative approach supported the idea that lobbying doesn't have a measurable impact on company performance, further pushing the idea that corporate lobbying is heavily based on imperfect information. Additionally, through lobbying data we are able to get a glimpse of potential strategies that are being employed across different companies in the differences between companies in lobbying inputs. This was especially evident when examining the similarities between companies within the same industry. Another conclusion consistent with the previous chapter is the stickiness of lobbying with data backing up the idea that not only are companies unlikely to stop lobbying after they start, but they are also unlikely to significantly lower lobbying efforts after increasing them. On the whole a quantitative approach to analyzing corporate lobbying was fruitful in substantiating the lack of information and stickiness within corporate lobbying that could prove to be beneficial to further investigate.

During my analysis of corporate lobbying I spent a lot of time researching the relationship between spending on corporate lobbying and company performance. Going into my research I expected that I would be able to find a correlation of some sort between spending and corporate performance that could reveal why corporations spend and continue to spend so consistently. Through identifying a relationship between spending on corporate lobbying and company performance it would be possible to suggest that lobbying was a valuable activity for an individual firm to engage in and perhaps even possible to create a model for how much a firm should spend on lobbying for efficient results. The way I tried to uncover this relationship was through collecting lobbying data from the last 20 years from the top 4 companies in a wide array of different industries. The data included company spending, hired lobbyists, and the company's market capitalization. This data was analyzed to discover the correlations between the different variables with the hope of finding concrete relationships between the data, pointing to a numerical benefit in spending and hiring lobbyists for a company's overall growth. Instead however the data regression revealed a picture that has been consistent with the themes of corporate lobbying in a lack of clarity and concrete numbers.

As mentioned in the previous chapter, when corporations decide whether they should lobby and how much they should lobby if they do, there is a general lack of available information during the decision making process. While data shows lobbying spending over all corporations lowers the tax rate of corporations, on a case by case basis no such numbers exist. One would think that with such a consistent amount of lobbying from corporations that they would only do so if there was concrete evidence that lobbying activity benefits the company. But in reality corporations are making decisions with imperfect information and are analyzing the results of lobbying activity with imperfect information. The imperfect information stems from many different factors that combined makes fully diagnosing the benefits of lobbying difficult for corporations to understand conceptually much less numerically. Some of these reasons include managers and other decision makers having a lack of expertise in lobbying, recommendation on lobbying all coming from lobbyists who aren’t necessarily providing completely reliable information, and a lack of ability to numerically measure the cost-benefit of successful lobbying outcomes. These factors and more make lobbying decisions for corporations to be made based on a general feeling that it is beneficial rather than the typical business decisions that are done based on much more information and understanding. For these aforementioned reasons, while one might expect that lobbying would have a significant impact on company performance, no such relationship exists or is at least measurable.

Explanation of Data

The lobbying data collected comes from corporations' lobby filings that are done quarterly by any company that participates in lobbying. The data in this project was collected from Open Secrets who track lobby filings and create lobbying profiles for corporations.[18] Additionally, historical market data was sourced from CompaniesMarketcap.com.[19]

The data includes 632 individual entries dating back to 2001, each of which include 9 data points. Companies tracked include ten separate industries including the top four companies in each field. Tracked data on the lobbying side includes: Money spent on lobbying, lobbyists hired, previous year money spent on lobbying, previous year money spent on lobbying, previous year lobbyists, and the percentage change in spending. Tracked market data includes: Market capitalization, previous year market capitalization, and the percentage change in market capitalization. Market capitalization data was taken from the end of each calendar year. Finally, whether a national election took place was tracked.

These data points were chosen because they both create a picture of how intensively a company lobbied during a given time period while also tracking a companies performance over

---

[18]Open Secrets, "Lobbying Data Summary," Open Secrets, https://www.opensecrets.org/federal-lobbying.
[19] CompaniesMarketcap.com, "Largest Companies by Market Cap," Companies Market Cap, https://companiesmarketcap.com/.

that same time period. In each data point previous year lobbying habits and company performance were tracked as to include important context in the trajectory of the company in lobbying habits as it coincides with performance changes. The amount of lobbyists hired and money spent on lobbying is indicative of the strategies of individual companies while also showing a companies commitment to lobbying. Market capitalization, while not a perfect indicator of company performance, is a general indicator of performance and is the strongest public indicator available. Election year was tracked as a potential indicator of strategy as campaign contributions are not considered lobbying activity but might be included within company strategy.

Data Table

Correlations

		SpendingChange	PYearLobbyist	MoneySpent	MarketCap	PYearMoneySpent	Lobbyists	PYearMarketCap	MarketChange	Election
SpendingChange	Pearson Correlation	1	-.067	-.041	-.018	-.102*	-.050	-.029	.034	-.021
	Sig. (2-tailed)		.100	.317	.661	.012	.225	.471	.400	.612
	N	602	602	602	602	602	602	602	602	602
PYearLobbyist	Pearson Correlation	-.067	1	.759**	.221**	.764**	.955**	.261**	-.017	-.014
	Sig. (2-tailed)	.100		<.001	<.001	<.001	.000	<.001	.674	.736
	N	602	623	623	623	623	623	623	623	623
MoneySpent	Pearson Correlation	-.041	.759**	1	.306**	.918**	.769**	.360**	-.020	.027
	Sig. (2-tailed)	.317	<.001		<.001	<.001	<.001	<.001	.622	.506
	N	602	623	631	631	623	631	623	623	631
MarketCap	Pearson Correlation	-.018	.221**	.306**	1	.308**	.237**	.943**	-.015	-.009
	Sig. (2-tailed)	.661	<.001	<.001		<.001	<.001	<.001	.703	.819
	N	602	623	631	631	623	631	623	623	631
PYearMoneySpent	Pearson Correlation	-.102*	.764**	.918**	.308**	1	.746**	.372**	-.038	-.009
	Sig. (2-tailed)	.012	<.001	<.001	<.001		<.001	<.001	.349	.825
	N	602	623	623	623	623	623	623	623	623
Lobbyists	Pearson Correlation	-.050	.955**	.769**	.237**	.746**	1	.277**	-.014	.016
	Sig. (2-tailed)	.225	.000	<.001	<.001	<.001		<.001	.725	.688
	N	602	623	631	631	623	631	623	623	631
PYearMarketCap	Pearson Correlation	-.029	.261**	.360**	.943**	.372**	.277**	1	-.066	-.042
	Sig. (2-tailed)	.471	<.001	<.001	<.001	<.001	<.001		.100	.293
	N	602	623	623	623	623	623	623	623	623
MarketChange	Pearson Correlation	.034	-.017	-.020	-.015	-.038	-.014	-.066	1	.018
	Sig. (2-tailed)	.400	.674	.622	.703	.349	.725	.100		.659
	N	602	623	623	623	623	623	623	623	623
Election	Pearson Correlation	-.021	-.014	.027	-.009	-.009	.016	-.042	.018	1
	Sig. (2-tailed)	.612	.736	.506	.819	.825	.688	.293	.659	
	N	602	623	631	631	623	631	623	623	631

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

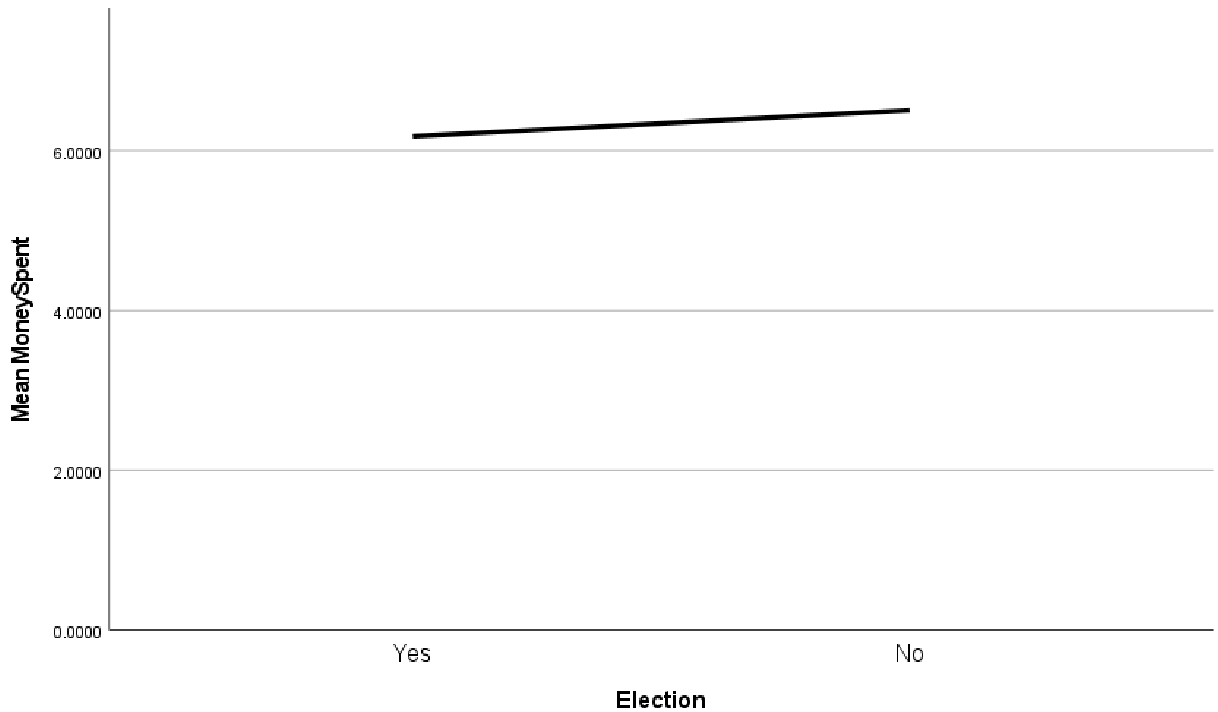
Lobbying and Company Performance

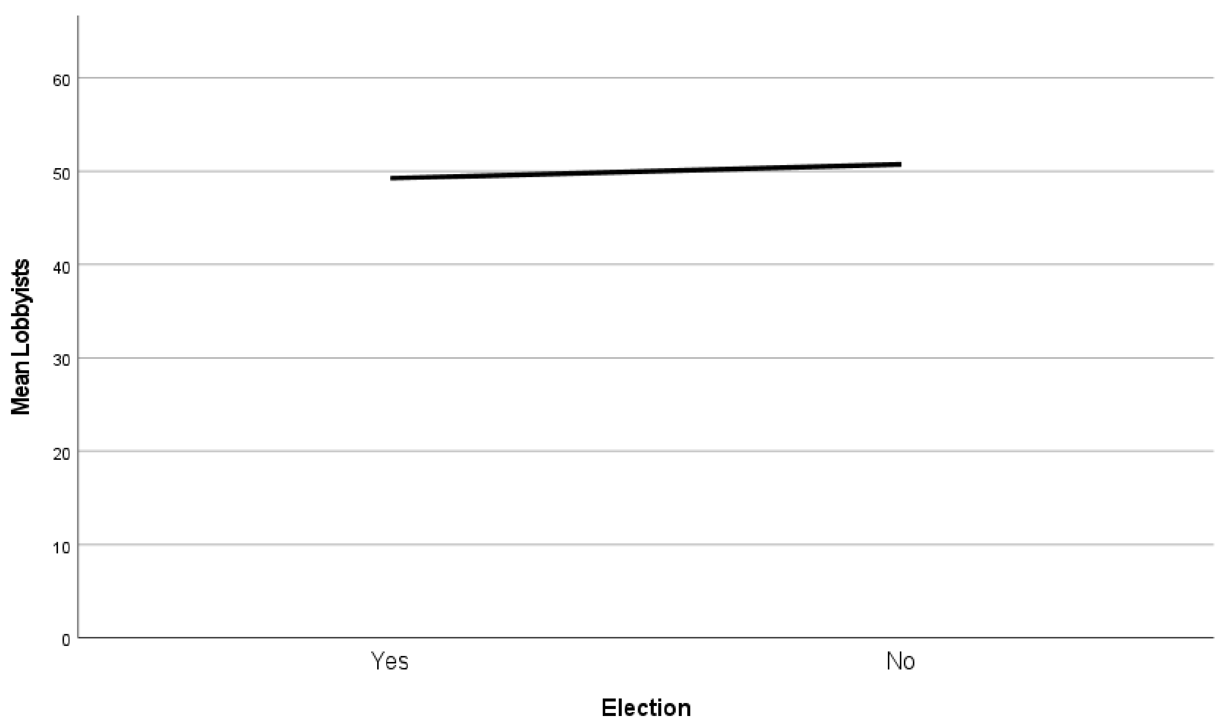
The most surprising conclusion that came from the data regression was the lack of correlation between lobbying activity and company performance. The correlations between spending and market capitalization change were not significant and oftentimes even slightly negative showing no relationship between lobbying and how a company performs. The correlation between market capitalization change and money spent was -0.020 and the correlation between market capitalization and spending change was 0.034. These correlations are very small and are not statistically significant showing no relationship between spending on lobbying and how a company performs. There was no significant correlation between spending and company performance, showing that consistent and large amounts of spending on lobbying has no clear relationship with sustained performance. Similarly, no correlation was identified between a change in spending and a company's performance indicating that an increase in lobby spending or a drop in lobbying spend has no relationship with a company's yearly performance. The implication of the lack of correlation is that a company's spending habits as it pertains to lobbying has no observable effect on how the company performs. While this doesn't necessarily mean that lobbying doesn't have a positive monetary effect for the company, as it could mean that the impact is either dispersed overtime in a way that is difficult to measure year to year or that market capitalization is too broad to measure lobbying profits which could be relatively minor in large companies. So while the conclusion is uncertain we can say that the lack of correlation between spending on lobbying and market capitalization means that spending on lobbying does not have a measurable effect on company performance.

The same dynamic is visible among the amount of lobbyists a company hired and company performance. The correlation between hired lobbyists and market capitalization change was a -0.014 correlation is not statistically significant and once again is even slightly negative. This means that the amount of hired lobbyists has little measurable effect on a company's performance over a long period of time. The implications of this lack of correlation is similar to the implications of a lack of correlation between spending and company performance in that either lobbying doesn't make any difference for the performance of a company or the impact that lobbying has on company performance is not measurable through market capitalization.

The lack of correlation between lobbying indicators and the performance of a given company could be the result of many different factors, the reality is that even with the most relevant data available we are unable to understand the numerical impact of lobbying on company performance. So while we are unable to make direct conclusions about the impact of lobbying from the collected data, perhaps the largest conclusion we can make is that there are no conclusions we can reasonably make. This fits within the imperfect information narrative that has been present among accounts of corporate lobbying examined in the previous chapter. Corporations are constrained by the same limitations faced in the analysis here when attempting to analyze the worth of lobbying and thus are making their decisions with a similar lack of objective, concrete evidence of its worth. The data backing up a lack of numerical proof on an individual company basis supports the idea that within the corporate lobbying ecosystem all actors but especially corporations with their lack of expertise in lobbying are working without a full understanding of the impact of their lobbying activities.

Election Year Shifts





Whether it is an election year may appear to be tangential to the scope of this project but a potential shift in lobbying activity during election years could give insight into the lobbying strategies being employed by corporations. If there was a strong negative correlation between lobbying activity and election years it could imply that companies are both contributing similarly to campaigns and lobbying or that corporations view campaign donations in the same field as lobbying. However no such correlation strongly exists between lobbying activity and the holding of a national election. The correlation between an election year and the amount of money spent on lobbying was 0.027, the correlation between an election year and the change shift in money spent was -0.021, and the correlation between an election year and lobbyists hired was 0.016. The correlation between spending on lobbying and lobbyists with election years are very small and not statistically significant, meaning that there is no relationship between these variables and thus lobbying does not observably shift during election years. The lack of correlation between lobbying activity and elections seems to point to two conclusions: corporate spending on campaigns is not large enough to impact lobbying or that despite the political nature of both activities corporations treat these two activities completely separately. The separation of these activities at some level also implies that spending on campaigns does not or cannot fulfill the same goals that lobbying can. While the relationship between lobbying and campaign finance is a large unexplored field in and of itself on the surface level the lack of a correlation between the two seems to point to somewhat significant differences between the two.

Correlations

Control Variables			Lobbyists	PYearLobbyist	PYearMarketCap
-none-[a]	Lobbyists	Correlation	1.000	.955	.277
		Significance (2-tailed)	.	.000	<.001
		df	0	621	621
	PYearLobbyist	Correlation	.955	1.000	.261
		Significance (2-tailed)	.000	.	<.001
		df	621	0	621
	PYearMarketCap	Correlation	.277	.261	1.000
		Significance (2-tailed)	<.001	<.001	.
		df	621	621	0
PYearMarketCap	Lobbyists	Correlation	1.000	.951	
		Significance (2-tailed)	.	.000	
		df	0	620	
	PYearLobbyist	Correlation	.951	1.000	
		Significance (2-tailed)	.000	.	
		df	620	0	

a. Cells contain zero-order (Pearson) correlations.

Correlations

Control Variables			MoneySpent	PYearMoneySpent	PYearMarketCap
-none-[a]	MoneySpent	Correlation	1.000	.918	.360
		Significance (2-tailed)	.	<.001	<.001
		df	0	621	621
	PYearMoneySpent	Correlation	.918	1.000	.372
		Significance (2-tailed)	<.001	.	<.001
		df	621	0	621
	PYearMarketCap	Correlation	.360	.372	1.000
		Significance (2-tailed)	<.001	<.001	.
		df	621	621	0
PYearMarketCap	MoneySpent	Correlation	1.000	.905	
		Significance (2-tailed)	.	<.001	
		df	0	620	
	PYearMoneySpent	Correlation	.905	1.000	
		Significance (2-tailed)	<.001	.	
		df	620	0	

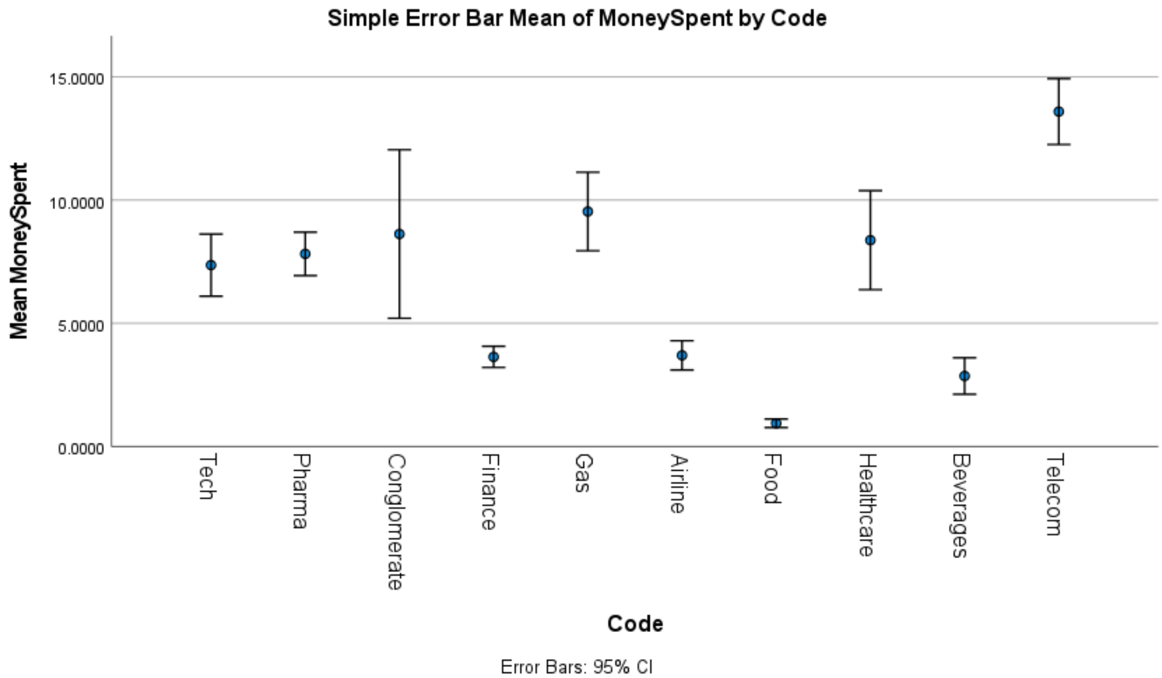
a. Cells contain zero-order (Pearson) correlations.

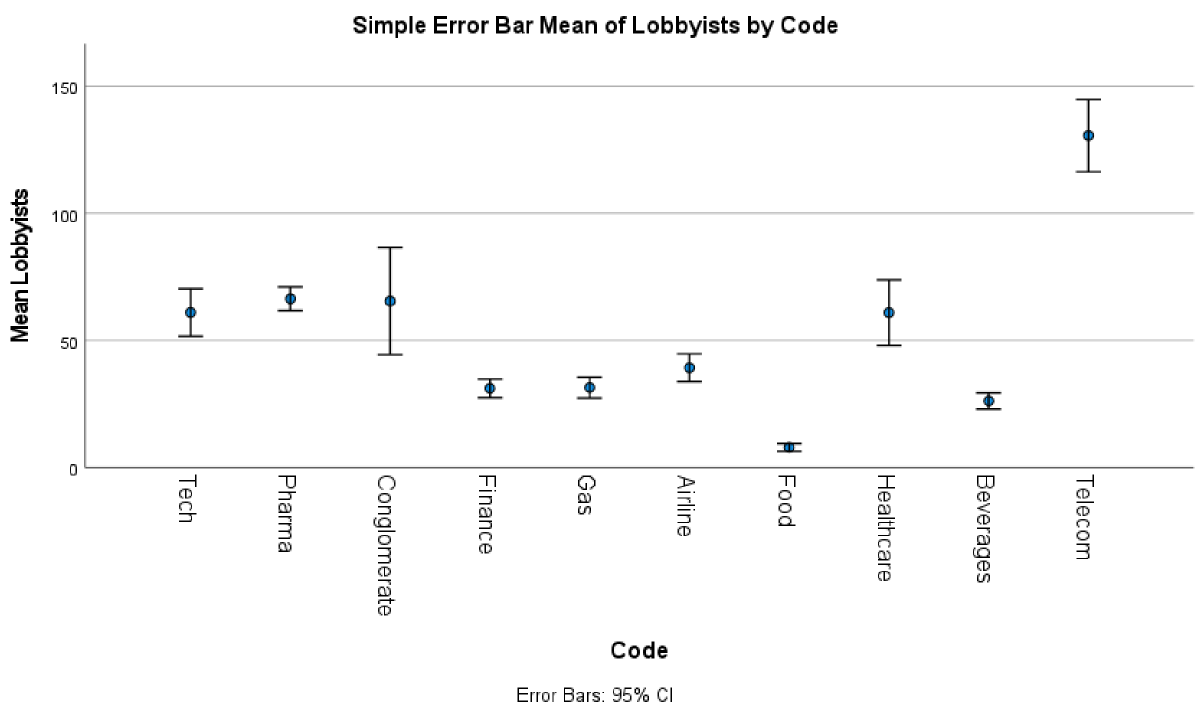
One clear and strong trend that appeared in the collected data was the stickiness of lobbying and how consistently companies lobbied after they started. The amount of lobbyists a company hired in a given year had a 0.955 correlation with the amount of hired lobbyists in the previous year. Similarly the amount of money spent on lobbying had a 0.918 correlation with the amount of money spent on lobbying in the previous year. Both of these correlations are statistically significant and express the same concept, that corporations lobbying commitments from year to year are similar. This backs up the idea that once corporations start to lobby they are unlikely to stop lobbying or even drop significantly in the amount of money they spend or the amount of lobbyists they hire. There could be a multitude of reasons for this but on some level it seems to prove that once corporations begin to lobby they believe that their lobbying activity is important enough to continue. The reasons for this could be as simple as they believe it is beneficial to the company or could also point to a pressure to continue lobbying out of fear of it damaging the corporation. Either way the correlation between spending on lobbying and lobbyists from a year to year basis does support one of the key narratives in corporate lobbying in its stickiness.

Unsurprisingly the size of a company has a strong relationship with how much a company invests in lobbying. Market capitalization has a 0.306 correlation with money spent and market capitalization has a 0.237 correlation with lobbyists hired. Additionally when looking at previous year market capitalization there was a 0.360 correlation with money spent and 0.277 correlation with lobbyists hired. These correlations are all positive and statistically significant meaning that there is a strong relationship between the size of a company and the amount of money they spend and lobbyists they hire. This stands to reason as larger companies have more resources available and more potential legislative interests that come with their increased size.

The difference between market capitalization and the previous year market capitalization, in previous years market capitalization having a slightly stronger correlation with spending and hired lobbyists indicates that a company might build their lobbying strategy ahead of time and not just as specific issues arise. The difference between the correlations isn't huge but does lend credence to the idea that companies are proactively lobbying as opposed to addressing problems after they arise. This could support the idea that companies are subscribing to the ideology that getting ahead of legislation is beneficial to the company and prevents problems from arising down the line.

Industry Differences





On the basis of industry the data showed differences in lobbying efforts based on which industry a given corporation was a part of. The highest spending industries out of those recorded on corporate lobbying were gas, healthcare and telecommunications and the highest number of lobbyists hired were telecommunications and healthcare. In and of itself a split existing between corporations along industry lines shows that strategic choices are being made by each corporation based on their tailored needs, not just based on the size of the corporation. Additionally, the difference between industries could point to certain industries being more reliant on lobbying to function than other industries. The biggest example of this is the difference between tech and telecommunications. Tech companies despite being a larger and more valuable industry spent significantly less on lobbying than telecommunications and were relatively low in spending compared to other recorded industries despite the size of the industry. Apple is a strong example of this dynamic whose lobbying numbers were consistently low for a company of its size. A potential reason for this is its business model and profitability are less susceptible to government interference. While the government can definitely be impactful to a company like Apple, its flagship product the Iphone is not something that faces extreme susceptibility to regulation and also is extremely internationally powerful. On the other side of the spectrum are telecommunication companies who despite being a relatively smaller industry compared to the other recorded industries spent the most on lobbying. Proportionally telecommunication companies enormously outspent every other industry with companies like AT&T being the second largest spending company out of all companies recorded despite having a relatively small market capitalization. This also fits into the understanding that a corporation's profit model is core to their lobbying strategies as telecommunications companies are very reliant and susceptible to shifts in government legislation. Telecommunications companies require intensive infrastructure to function that is regulated by not just the federal government but individual states meaning specific and minute legislation can be very impactful to profits. Additionally telecommunication companies have a long history of strict regulation against potential competition and at many points in United States history have had a state supported monopoly in the industry. Telecommunications reliance on government regulation is a compelling reason that a relatively smaller industry would make the decision to spend so much on corporate lobbying. Overall these differences in industry strongly support the existence of a lobbying ecosystem where corporations are making strategic decisions based on their interpreted needs and not just flatly spending based on company size.

Interestingly while among the larger data set there is a 0.769 correlation between lobbyists and money spent on lobbying there is some difference between the two variables. This specifically reveals itself in the differences between the gas and telecommunications industry where the telecommunications industry spent compared to other industries a lot of money and hired a lot of lobbyists while the gas industry spent a lot on lobbying but didn’t hire a lot of lobbyists. This shows that spending on lobbying and lobbyists hired are not one to one which seems obvious but is important to the corporate lobbying ecosystem. The difference in lobbyists and money spent between the two industries is a numerical example of a difference in strategy among different companies. The difference in strategy between gas and telecommunications companies supports the idea that spending a lot but using fewer lobbyists and spending a lot and using more lobbyists are believed to have different outcomes that each company finds differently desirable. While it is difficult to ascertain the exact rationale behind the two industries' strategies from the data, this is strong evidence that corporations are making different strategic choices based on the type of lobbying activity they are participating in.

Among industries there was relative homogeneity in the spending habits of the companies within said industry. The data divided on the lines of industry allude to a few interesting dynamics that are important to the lobbying ecosystem. The first is that there are norms within individual industries and individual companies employ strategies that are fairly consistent with each of their competitors. This was especially true in the amount of lobbyists hired but also true in the amount of money spent by each company within an industry. The lobbying narrative that this points to is that within an industry there is pressure to not be significantly out lobbied by direct competitors. This could potentially support a multitude of different sources of industry pressure including a fear that being out lobbied could lead to a competitive disadvantage, a feeling that if other companies similar to yours are lobbying there must be some sort of benefit, or potentially similar or shared lobbying mechanisms that all companies feel they need to contribute to. While any of these could be true, seeing consistency among industry lines does show that companies within an industry do have some sort of influence over each other when it comes to lobbying.

Conclusion

Through a quantitative analysis of lobbying utilizing data on company lobbying and performance, this chapter has shown the lack of available information and the stickiness of lobbying are overarching themes of corporate lobbying and shown other potentially important dynamics. The lack of correlation between lobbying and company performance supports previously discussed ideas regarding the lack of relevant information when it comes to making lobbying decisions. Across the analyzed companies it was impossible to tell exactly how lobbying was impacting the overall performance of an individual company which was consistent with first hand accounts of lobbying. The inability to find a correlation between lobbying and company performance lends credence to the existence of a principal-agent relationship between lobbyists and businesses, with the latter reliant upon lobbyists when making decisions, given the lack of clear data. The lobbying ecosystem is then characterized by imperfect information and for this reason individual nodal actors are vitally important within said ecosystem.

The other overarching theme of lobbying that can be seen by quantitative analysis of lobbying behaviors is the stickiness of lobbying. The strong correlations between company size and lobbying, and previous year activity and current year activity, suggest that it is unlikely that a company who is engaged in lobbying will stop. This stickiness could support the existence of companies' desire to have a consistent active presence in Washington and the feeling that companies who are lobbying believe that their activity is worthwhile, as on some level they believe that their lobbying activity is valuable enough to continue.

Finally the quantitative analysis of differences between industries revealed a plethora of different dynamics that are happening within individual industries such as high spending in government reliant industries like telecommunications and lower spending in industries less reliant on government like tech. The similarities of habits between companies within industries suggests pressures existing between competitors that has a significant influence on the strategies that are being undertaken by individual companies. The effect of competitors on lobbying is clearly important in some respects and is an important factor in corporate lobbying when trying to understand why companies feel compelled to lobby.

Chapter 3: Business Side Pressures in Corporate Lobbying

When looking at how individual companies are approaching corporate lobbying it is important to understand the breadth of decisions being made exclusively on the business side. Lobbying activity does not just occur in response to the government, when lobbying companies must take into account their own business model and how their competitors lobby. Many lobbying decisions are not going to impact all corporations or just one corporation, many outcomes could potentially be detrimental to one company or industry while simultaneously benefiting another. Corporate lobbying is in many cases contextualized within a broader competition between companies in the same industry or in some cases a competition between separate industries. Competition between corporations leads to significant pressure on businesses and is an important reason for why and how companies lobby.

Given the lack of available information on whether lobbying activity is successful, the impact of pressures on the business side such as the actions of competitors or perceived susceptibility to government regulation are accentuated, producing motivation to participate in lobbying activity. This is a significant portion of the lobbying ecosystem where decisions are being made with imperfect information meaning that there is no correct strategy that companies are aware of. With no obvious solution to these strategic decisions, many decisions to authorize lobbying expenditures are being made by individual actors who are not necessarily experts in the lobbying field. With the lack of measurable information available to such actors, they are more susceptible to being influenced by factors within the business sphere, specifically the actions of competitors or other corporations. While there may be no evidence that a competitor's efforts are successful they provide an available model for parties making decisions with imperfect information. This can lead to habitual lobbying patterns within industries that may be effective, but could just be an industry standard that no individual company can explain the rationale behind. This makes understanding the decisions companies are making based on business or industry pressures a vital part of understanding the strategic decisions that companies are making and the larger lobbying ecosystem.

The lack of available information and pressures from outside sources are strong contributors to the stickiness of corporate lobbying. In the previous chapter it was shown how the stickiness of lobbying is extremely powerful and once a company begins lobbying they will almost never stop. When a company is making decisions based on pressures instead of a cost analysis they will never fully understand whether a lobbying effort was beneficial to the company but they will continue to feel the pressures that initiated the lobbying effort. Without an understanding of the numerical impact of lobbying the risk of withdrawing from lobbying activities will always appear to be much larger than potential money saved. The fear of government regulation or falling behind competitors because of a missed lobbying outcome will almost always outweigh whatever could be saved by avoiding lobbying altogether. The result of this dynamic leads to lobbying being incredibly sticky as companies will always feel much more secure if they are actively lobbying when under pressure from either the government or competitors.

The existence of industry pressures is given some credence by the ways in which differences in lobbying between industries are as, if not more, significant as the differences between firms within an industry. At one level, this is perhaps not surprising. Not every company has the same lobbying needs because not every company makes money in the same way, but at the same time, the requirement to lobbying significantly fluctuates based on how susceptible a company is to regulation and how reliant a company is on the government to make profit. This tends to be similar across industries. For example companies that have significant revenue that is sourced from the government in things like government contracts are heavily reliant on the actions of legislators and thus have a stronger vested interest in lobbying.

Business Models and their Influence on Lobbying Decisions

In the previous chapter I briefly discussed the telecommunications industry and potential reasons for the telecommunications industry out lobbying larger industries. The telecommunications industry is a strong example of how an industry's interaction with the government can impact its reliance on corporate lobbying. Even without much of an understanding of the history of the telecommunications industry it makes sense that the industry is reliant on corporate lobbying. The industry is heavily susceptible to regulation given its treatment as a public utility and is reliant on expensive infrastructure that needs to be built across the country. Industries that are treated as utilities or need assistance from the government with infrastructure are always going to be more susceptible to government regulation and thus more reliant on corporate lobbying.

When looking deeper, telecommunications have a rich history of being strongly intertwined with the government that shows just how reliant their business models are on the actions of legislatures. From the very beginning of its creation Telecommunications started out as a patent-protected monopoly under what was known as the Bell system in the 1870s. Much like the more well known railroad companies, it made sense for the government to enforce patent monopolies to encourage the creation of Telecommunications infrastructure given the high cost of entry and potential risk of failure without guaranteed profits, meaning telecommunications was functionally dependent on the government from the beginning of its existence. By the end of the century basic patents (although not all) had expired resulting in a fairly competitive market that would eventually return back into a monopoly through heavy legal action and monopolistic practices under the new name AT&T. The use of monopolistic practices but especially the use of patent lawsuits left a significant portion of AT&T's market share reliant on government protections to remain under their ownership. However, the government did not always unanimously support the existence of telecommunications monopolies,

> AT&T's attempt to unify the phone system led to lawsuits about rates and antitrust litigation. There was also movement toward government ownership, as existed in many European nations. Government regulation of the industry began with the Mann Elkins Act (1910), which gave the Interstate Commerce Commission (ICC) jurisdiction over interstate rates charged by phone companies. AT&T responded to the threat of government ownership by scaling back its initial plan of a unified system.[20]

This move to scale back in fear of government regulation is an example of how susceptible telecommunication is to government regulation and is an early example of the industry's business strategy being heavily based on government decisions. As telecommunications became considered a necessary utility in American lives and with Americans beginning to consider using the European model of government owned utilities, the industry was facing a wave of regulations that threatened to upend their monopoly. This dynamic is frequently present throughout the history of America not just the telecommunication industry and is a strong motivator for corporate lobbying today. The exact type of legislation and sentiment that forced the divestment of AT&T is the exact type of situation that defensive corporate lobbying exists to prevent. If antitrust laws were being enforced under our current corporate lobbying system during the 1900s there would have been a large corporate lobbying effort to resist these efforts, but lobbying was not popularized among businesses in this way at

[20]Carol C. McDonough, "U.S. Telco Industry History as a Prologue to its Future," *Australian Journal of Telecommunications and the Digital Economy* 5, no. 2 (June 2017): 98-112.

the time. The early history of telecommunications and its interaction with government, while not accomplished through streamlined corporate lobbying, is instructive of how a government can stand to benefit or harm corporations depending on their business models. Having an influence on government decision making can be vital for large corporations who are reliant on the government, making a strong case for industries like telecommunications to be as active as they are in corporate lobbying.

With telecommunications being so interconnected with the government it is understandable why the industry spends so much on corporate lobbying. This is where the business model of telecommunications companies fits within the greater corporate lobbying ecosystem, influencing strategies and creating pressure to defend themselves given an industry's susceptibility to government changes. Every industry has different perceived pressures to the way they operate their business that will help influence the amount of lobbying that a company will undertake and how they will decide to approach lobbying efforts. In the case of telecommunications the industry is so intertwined with the government that if lobbying efforts are not sustained there is a fear among business leaders that the entire company could collapse, which creates an immense amount of pressure to keep a presence in Washington. This fear is not necessarily rational but given the lack of information available on the impact of their lobbying and the lack of available information on how negative regulation would impact their companies they feel forced to keep this presence.

On the other hand, industries like tech that rely on products like smart phones and computers are not nearly as connected with the government and have products that are not uniquely susceptible to regulation. While there are still concerns about government interference with profits, the concern is much lower and a poor outcome or a lack of presence in Washington does not elicit the same fear of a collapse of their entire business with a few bad outcomes. This difference in business model leads to a much lower perceived pressure level leading to lesser spending on lobbying and differing lobbying strategies that have less of a need to focus on defense. The pressures that come from different business models and their susceptibility to government decisions is an important portion of what motivates corporate lobbying and is an important part of the corporate lobbying ecosystem.

Lobbying Groups/Trade Associations

When corporations decide to lobby, desire or fear of the government is not the only pressure that compels them to do so. Corporations feel a significant amount of pressure to engage in lobbying activities from other corporations within their own industries. This happens in multiple ways but one the most influential is the pressure to participate in industry-wide lobbying groups. Industry-wide lobbying groups tend to seek out legislation outcomes that are likely to either defend or benefit the participants within the group. This can be beneficial as a means to streamline corporate lobbying efforts when the interests of corporations align in situations where a large amount of businesses stand to gain. However, when a large number of corporations all stand to gain benefits from a lobbying outcome that may or may not be pushed by a lobbying group there is a potential for corporations who did not participate in the lobbying process, either individually or as a part of the group, to gain benefit. This dynamic is referred to as the free-rider problem and is an important pressure within the corporate lobbying ecosystem that exists on the business side of corporate lobbying.

The free-rider problem, "suggests that if it is costly to lobby, and firms cannot localize the benefits to their lobbying efforts (which in the aggregate may be greater than the costs), then no lobbying will occur. This is because the individual firm that lobbies will bear the entire cost to lobbying, but receive only a portion of the benefits"[21] Corporations are not in the business of doing charity work and they certainly are not in the business of giving said charity out to other corporations or in many cases even competitors. So in situations where a corporation is unable to be the sole recipient of the rewards of lobbying activity it can be detrimental to the company even if they are successful in their lobbying efforts. A company benefiting their competitors with favorable legislation at no cost to them is not a desirable outcome, especially when it costs company resources to do so. Additionally, given the lack of measurable results from lobbying activities it is possible that a company could be taking losses on successful lobbying efforts where the cost of lobbying exceeded the benefit of a piece of legislation. This creates a feasible scenario where a company could both be losing money and benefiting competitors on successful lobbying outcomes and thus is a deterrent for an individual corporation to engage in lobbying for broad pieces of legislation on their own.

While the free-rider problem can be a potential problem for both lobbying groups and individual corporations it is felt far more acutely by individual corporations. When corporations join a lobbying group or a trade association they are insured that they won't be footing the bill for broad pieces of legislation on their own and that a significant portion of recipients of the benefits of the outcome are contributing. While this aspect of trade associations does not appear to deter free-riding, trade associations have been shown to have the ability to pressure corporations into contributing out of fear of being excluded from potential benefits. In research done by John M. de Figueiredo and Emerson H. Tiller they found that, "The greater the

[21] John M. de Figueiredo and Emerson H. Tiller, "THE STRUCTURE AND CONDUCT OF CORPORATE LOBBYING: HOW FIRMS LOBBY THE FEDERAL COMMUNICATIONS COMMISSION," NATIONAL BUREAU OF ECONOMIC RESEARCH, last modified June 2000.

possibility of free-riding on a docket outcome, the more likely the firm is to use the trade association. … as trade associations are increasingly able to block nonmembers from their benefits, firms respond by joining the trade association and having the trade association lobby on its behalf."[22] Trade associations through non-member exclusion have the potential to inverse the free-rider problem from something that stops lobbying altogether to something that forces corporations to lobby. The threat of being excluded from lobbying outcomes is significant for corporations and especially corporations within the same industry as this could result in competitors playing on different fields. If for example a corporation is able to successfully lower their taxes on a specific product and another competitor is unable to, then one company will either be able to undercut competition or earn a larger margin on each product, giving the excluded corporation a significant disadvantage in the market. In corporate lobbying a competitor getting a successful lobbying outcome that you are excluded from can be just as bad as government regulation and has the potential to completely run an individual company out of business. Established trade associations with the proven ability to exclude non-members from potential benefits is an extremely powerful pressure to engage in lobbying activity in the form of contributing to the group, even if there is not a measurable benefit of doing so. In this case the risk of being excluded is significantly higher than the potential savings a corporation can gain by avoiding lobbying activity.

Trade associations are a vital part of the lobbying ecosystem, creating intense pressure on the business side of lobbying to engage in some level of lobbying activity. Even if a corporation decides they don't want to engage in individual lobbying activity the potential risk of ignoring trade associations, especially those that competitors are active in, far outweigh the relatively low cost. Additionally, trade associations further reveal the strategies employed by corporations when

[22]de Figueiredo and Tiller, "THE STRUCTURE," NATIONAL BUREAU OF ECONOMIC RESEARCH., 22

making decisions about how to lobby for specific outcomes. Trade associations are a beneficial way for corporations to lobby on relevant large pieces of legislation while ensuring they don't foot the bill on their own. The decision to join trade associations shows a conscious awareness by corporations of how to approach lobbying depending on the size of the desired outcome, leading a significant portion of lobbying on large pieces of legislation to be done by lobbying groups rather than just individual corporations.

Individual Lobbying and Information Leakage

When approaching large lobbying efforts corporations will most frequently utilize trade associations as their strategic approach but why don't corporations utilize trade associations for all their lobbying needs? Corporations will most frequently engage in individual lobbying / hire their own lobbyists when they believe they can localize the benefits or when there is a fear of information leakage during the lobbying activity. A company's desire to localize the benefits of lobbying activity is fairly simplistic in a company's ability to seek a lobbying outcome that only benefits themselves. These outcomes are typically much smaller in scope and are often in competition with competitors meaning that utilizing trade association wouldn't be possible. This can look like a company fighting for a government contract that would only be serviced by them meaning that the outcome can only benefit one party. For these cases corporations must hire their own lobbyists making the strategic decision of whether to hire their own lobbyists or use a trade association simplistic. On the other hand the fear of information leakage is much more complex and unlike the desire to localize benefits is not exclusive to smaller legislation making for much more difficult strategic decisions.

Information leakage within corporate lobbying is when classified company information is leaked that could be detrimental to the corporation. In cases of information leakage the fear is that competitors will get ahold of the information which has the potential to impact lobbying outcomes negatively if not derail them altogether. Leaked information can come in many different forms and can even come in the form of leaked lobbying strategies allowing competitors to potentially prepare an opposition to said lobbying. In lobbying efforts involving important information with the potential for leakage, corporations will choose to keep the lobbying in house, hiring their own lobbyists over lobbying firms or other groups. “When firms lobby on topics that are highly firm-specific and have the potential for information leakage, they are more likely to use employees and managers to lobby.”[23] When classified company information has been leaked during lobbying efforts in the past the results have been detrimental to the leaking party. In a large case of lobbying the FCC, Time Warner and AOL were planning a merger that was susceptible to information leakage. To prevent information from reaching potential opponents of the merger AOL attempted to utilize a strategy that would diversify information and hopefully avoid leakage. “AOL acted to diversify the risk of sensitive information leaks by hiring multiple lobbyists to tackle separate parts of the core issue. Prior to the merger, AOL’s in-house lobbying group consisted of eight internal employees and four external firms. Although these four lobbyists-for-hire were retained in 2000, the bulk of the merger lobbying occurred through newly hired firms such as Wiley, Rein, & Fielding and Skadden Arps.”[24] AOL through the use of these strategies showed strong concern of the potential of leakage but still did hire outside lobbying firms to work on the merger with the hope that having each firm only deal with one specific portion of the merger would limit risk exposure.

[23] John M. de Figueiredo and James J. Kim, "When do firms hire lobbyists? The organization of lobbying at the Federal Communications Commission," *Industrial and Corporate Change* 13, no. 6 (2004): 884.
[24] de Figueiredo and Kim, "When do firms," 885.

Time Warner utilized a similar approach with a mix of private hires and lobbying firms during the process, using private hires on more sensitive topics that were individual to the companies and using firms on less sensitive topics that would be considered common for a merger such as battling antitrust laws.

> "Overall, only half of Time Warner's lobbying contacts were made through Fleischman or Wiley. On many occasions, AOL–TW lobbied directly on more sensitive and specific issues such as the status of AOL's Advanced Instant Messaging Service and technical issues such as unused cable capacity. Despite the best efforts of the AOL, Time Warner and the FCC, firm-specific information and details of the merger were leaked to opponents. Lobbying firm Verner Liipfert, hired by the Disney Corporation, obtained sensitive documents that they then leaked to other Disney staff. Although the FCC banned Disney and its lobbyists from reviewing private data for 6 weeks, further AOL–TW internal documents were obtained and improperly disclosed. Obtaining this information gave Disney a platform on which to build an argument that stalled the proposed merger in the Federal Trade Commision and before the European Commission."[25]

The AOL and Time Warner merger is an excellent example of the potential dangers of information leakage to competitors and how it can damage a lobbying outcome. Disney being able to attain classified information important to the merger before it was public allowed them to stall the merger ultimately making the merger much more difficult and expensive than if information hadn't been leaked. While it's unclear where the source of the leak originated it also shows how the size of a lobbying effort can lead to an increased risk exposure to information leakage which in the case of the AOL-Time Warner merger was very relevant given the large size of the lobbying effort. Even despite the intensive strategy created by AOL and Time Warner to address this risk they were ultimately unable to prevent the leak leading to a much more difficult lobbying process.

[25] de Figueiredo and Kim, "When do firms," 886.

The AOL-Time Warner merger beyond just being a case of information leakage also shows a fairly in depth example of corporations actively creating lobbying strategies with specific goals in mind. In this case information leakage was a concern and the lobbying effort only concerned two companies which led to the decision to not use a trade association and instead undertake the process mostly by themselves. The companies split up the lobbying efforts with the idea that if they could hire lobbyists on their own for the most secretive parts of the process they would be able to avoid leaking important information even if they used lobbying firms for parts of the process. This mix of in house lobbyists and lobbying firms shows a clear rationale behind the way these companies were approaching the lobbying process and gives us insight into how corporations approach a lobbying process such as a merger.

When fitting information leakage and the strategy around avoiding it by corporations into the great lobbying ecosystem it is important to highlight the importance of individual decisions that independent actors are making throughout the process. To start the process of lobbying to protect the merger the companies had to make decisions on the personnel they were going to use and how they were going to cut up different parts of the process and hire specific lobbyists or firms to address them. During this process a company is choosing specific individual actors to become a part of the process who all have different motives beyond just completing the process they were hired to carry out. Out of all of these individual actors whether they are a part of a team or not have the potential to leak information purposefully or accidentally derailing the entire lobbying effort. Making the ecosystem even more complex is the potential conflict of interest that exists within this process, where leaking information may benefit the lobbyists as many are being hired on an as needed basis and thus a leak could mean more need for lobbyists for an extended period of time. While an individual lobbyist is unlikely to purposely leak information for this purpose a leak always has the potential to benefit the lobbyists at the detriment of the corporations that they are working for. Ultimately, this works to make any lobbying effort that contains the potential for information leakage to be much more complex and rely heavily on the action of individuals who are unpredictable meaning that even with intelligent and well thought out lobbying strategies a leak can still occur. This continues to support the picture of a corporate lobbying ecosystem that is heavily reliant on the actions of individual actors, with no clear available analysis of outcomes, making for a large amount of potential variance with every effort and especially as an effort grows in size.

Conclusion

In this chapter I have gone over some of the most important exclusively business side pressures that encourage lobbying and influence lobbying strategies. Companies are impacted by their own individual business models and the actions of their competitors making for a large amount of pressure to lobby that is largely divorced from government and lobbyist pressures that is often overlooked. In an America where lobbying has become a core part of many corporations it is no longer possible for many industries to avoid lobbying out of a strong fear of its consequences in the potential for their business models to be legislatively damaged or for competitors to exclude them from benefits that would make it difficult for them to compete. The pressure from the corporate side of lobbying does not just exist in the form of motivating lobbying but also persisting throughout lobbying efforts in the form of concepts like information leakage or simply the potential for opposition lobbying, leaving a concern about the actions of competitors throughout the entire process. All of these pressures are felt by individuals who are making decisions within corporations and are all addressed differently depending on those decision makers who once again are not necessarily experts and may not have a deep understanding of how to approach a lobbying effort. These pressures and how they influence decision making and the decision makers themselves are all key factors within the lobbying ecosystem and all play a part in a system that is defined by the actions of individuals and ultimately a lack of available information.

Conclusion

In my paper I have shown the complexity of corporate lobbying and the weaknesses of approaches to understanding corporate lobbying in terms of the metaphorical vending machine, in which putting X amount of money in produces a specific lobbying outcome. Instead, corporate lobbying should be understood in terms of an ecosystem within which the actions of many different individual actors, working with imperfect information, produce empirical outcomes. Despite the aspirations and promises of those involved, corporate lobbying possesses no capacity to readily analyze whether money spent on lobbying is spent efficiently or even the net worth of lobbying activity. Instead corporations use signals and past practices, and are motivated by fear of either the government or competitors, who have respectively the potential to regulate a corporation or to gain a competitive advantage without the corporation's input. This collective feeling among corporations, that the risk of not having a presence within government outweighs the potential loss of spending on lobbying, essentially forces all corporations of significant size to participate in corporate lobbying in some form. The pressure to lobby out of the fear of the risks of not doing so shows that corporate lobbying is far more complex than the streamlined system of bribery that it is often portrayed as.

Additionally, I have highlighted the importance of individual actors within the corporate lobbying ecosystem who can have a strong influence on behaviors of others within the system while also an incentive to induce particular behaviors in others, which increases the difficulty of numerically analyzing lobbying activity. Lobbying efforts with identical goals can look very different and obtain completely separate outcomes depending on the strategies decided upon by the corporations and the actions of the lobbyists that are hired for the effort. Between these two parties there is already a lot of variance with corporate decision-makers frequently not being experts and dealing with a lack of information, leaving them vulnerable to either make unsubstantiated decisions or, perhaps more likely, to adopt risk averse strategies that look to previously made decisions or to defer to “experts” (i.e. professional lobbyists or lobbying organizations) when making decisions. In the latter case, the experts-lobbyists have a deeper understanding of lobbying than corporations do, but it is also the case that the interests of corporate lobbyists are not always aligned with corporations they nominally serve, leading to advice on corporate lobbying that can tilt towards steady or increased participation in lobbying activities. This division of interests can be conceptualized in terms of a principal-agent problem, and accentuates existing problems of imperfect information that can lead to an increasing “stickiness” in lobbying behaviors. Understanding that individual actors within the lobbying ecosystem don’t necessarily have aligned interests, even when working together, is central to what makes the lobbying ecosystem complex and is important to remember when considering how and why corporations decide to lobby.

Both the outside pressures of corporate lobbying and the unpredictability of individual actors inform the stickiness of lobbying and the impact of imperfect information on lobbying. All individual lobbying efforts occur against the reality that there is no surefire, numerical way to analyze the success of previous or future lobbying efforts. The lack of objectively verifiable information on the monetary advantages of lobbying means that corporations are more susceptible to outside pressures like the actions of competitors or the opinions of their lobbyists. In every one of these cases the answer is always that a corporation should continue to lobby either at the recommendation of their lobbyists or out of fear of missing out in some capacity. This is why once corporations start lobbying they are not likely to stop as the pressures to continue lobbying are constant while information that could support stopping activity does not exist. So within the corporate lobbying ecosystem stickiness is a constant as long as information remains imperfect.

Understanding the corporate lobbying ecosystem is vital in understanding how money is interacting with the government and ultimately the best way to approach change in the future. Knowing that corporations don't have a strong grasp on the impact of their lobbying activity and that they are in many cases forced to lobby is a necessary basis of understanding for starting to look for democratic reforms of the lobbying system. If any corporations in an industry are allowed to lobby it should be expected that their competitors will follow suit, meaning that any reforms must address industry-wide pressures to be effective.. With this in mind, making lobbying more expensive or adding more hurdles or procedures will not remove the pressure that corporations feel from one another to sustain lobbying activity. In other words, financial disincentives for corporate lobbying - unless made extreme - would be ineffective because the incentive for corporate lobbying is not based on objective financial understandings.

Understanding the role that lobbyists play as middlemen that encourage endless lobbying activity points towards a potential avenue to consider in reforms. Individually hired lobbyists and lobbying groups have a strong role to play in making sure spending on lobbying remains constant and are consistently taking advantage of managers who have a weaker understanding of lobbying activities. Lobbyists and especially lobbying firms are extremely secretive in their operations which shields themselves from public scrutiny - but perhaps more importantly hides the way they function from their clients. Forcing more transparency on lobbyists and their lobbying activities could potentially address the principal-agent problem and make it more difficult for lobbyists to convince corporations to participate or increase their spending on lobbying. Additionally, an increase in transparency could make it more difficult for corporations to have free reign on more specific issues out of fear of information leakage adding additional deterrents for this type of lobbying.

Another potential solution to the lobbyist problem could be restrictions on lobbying firms or trade associations that are lobbying on a huge amount of different issues. Originally lobbying was intended to be a way for politically active citizens to engage with their representatives, something that has been lost in the modern day. Corporations being allowed to direct their lobbying activity through third-party groups has allowed them to pack Capitol Hill with lobbyists and completely overpower any other interest groups, while also making it hard to trace the extent and intentions of lobbying activity. Finding a way to prevent specific firms from lobbying on behalf of many different corporations or on many different issues could work to reduce the obfuscation around corporate lobbying. This could be done by adding restrictions on the spending on these groups like those that existed within campaign finance prior to the actions of the Supreme Court, capping the amount of spending allowed to lobbying groups at a specific number. This would allow them to still communicate their needs to representatives but stop them from completely overpowering the system.

These solutions may or may not be reasonable ways to address the problems of corporate lobbying but could be potential starting points to think about how reforms to lobbying could function to return power over policy outcomes back to the people. Lobbying today is completely divorced from its original purpose and thus regulations surrounding it need to be adapted to our society and economy given the changes seen. Addressing this problem will not be simple, even if corporations and lobbyists don’t actively try to stop those reforms through the lobbying activities discussed. Nonetheless, understanding the corporate lobbying ecosystem is a vital first step in attempting to develop the lobbying reforms that can create meaningful change no matter how difficult it might ultimately be.

Bibliography

BGOV. "2021 Top-Performing Lobbying Firms." Bloomberg Government. Last modified 2021. https://about.bgov.com/reports/2021-top-performing-lobbying-firms/

Blanes i Vidal, Jordi, Mirko Draca, and Christian Fons-Rosen. 2012. "Revolving Door Lobbyists." American Economic Review, 102 (7): 3731-48.

CompaniesMarketcap.com. "Largest Companies by Market Cap." Companies Market Cap. https://companiesmarketcap.com/.

Craig, John, and David Madland. "How Campaign Contributions and Lobbying Can Lead to Inefficient Economic Policy." CAP. Last modified May 2, 2014. https://www.americanprogress.org/article/how-campaign-contributions-and-lobbying-can-lead-to-inefficient-economic-policy/.

de Figueiredo, John M., and James J. Kim. "When do firms hire lobbyists? The organization of lobbying at the Federal Communications Commission." *Industrial and Corporate Change* 13, no. 6 (2004): 883-900.

de Figueiredo, John M., and Emerson H. Tiller. "THE STRUCTURE AND CONDUCT OF CORPORATE LOBBYING: HOW FIRMS LOBBY THE FEDERAL COMMUNICATIONS COMMISSION." NATIONAL BUREAU OF ECONOMIC RESEARCH. Last modified June 2000.

Duso, T., Jung, A. "Market Conduct and Endogenous Lobbying: Evidence from the U.S. Mobile Telecommunications Industry." *J Ind Compet Trade* 7, 9–29 (2007). https://doi.org/10.1007/s10842-006-0030-2

Drutman, Lee. *The business of America is lobbying: How corporations became politicized and politics became more corporate*. Oxford University Press, 2015.

Drutman, Lee. "What we get wrong about lobbying and corruption." The Washington Post. Last modified April 16, 2015. https://www.washingtonpost.com/news/monkey-cage/wp/2015/04/16/what-we-get-wrong-about-lobbying-and-corruption/.

Giorno, Taylor. "Federal lobbying spending reaches $4.1 billion in 2022 — the highest since 2010." Open Secrets. Last modified January 26, 2023. https://www.opensecrets.org/news/2023/01/federal-lobbying-spending-reaches-4-1-billion-in-2022-the-highest-since-2010/.

Invariant. Invariant. http://www.invariantgr.com/government-relations.html.

The Investopedia Team. "Principal-Agent Problem Causes, Solutions, and Examples Explained." Edited by Margaret James and Diane Castagliola. Investopedia. Last modified February 15, 2013. https://www.investopedia.com/terms/p/principal-agent-problem.asp#.

Kopan, Tal. "Poll: Lobbyists rank last on ethics." Politico. Last modified December 16, 2013. https://www.politico.com/story/2013/12/lobbyists-ethics-gallup-poll-101187.

McDonough, Carol C. "U.S. Telco Industry History as a Prologue to its Future." *Australian Journal of Telecommunications and the Digital Economy* 5, no. 2 (June 2017).

National Conference of State Legislatures. "How States Define Lobbying and Lobbyist." NCSL. Last modified September 3, 2021. https://www.ncsl.org/ethics/how-states-define-lobbying-and-lobbyist#:~:text=%E2%80%9CLobbying%E2%80%9D%20means%20influencing%20or%20attempting,or%20employee%20of%20the%20Legislature.

Open Secrets. "Client Profile: General Electric." Open Secrets. https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2022&id=D000000125.

Open Secrets. "Lobbying Data Summary." Open Secrets. https://www.opensecrets.org/federal-lobbying.

Open Secrets. "National Assn of Realtors." Open Secrets. https://www.opensecrets.org/orgs/national-assn-of-realtors/lobbying.