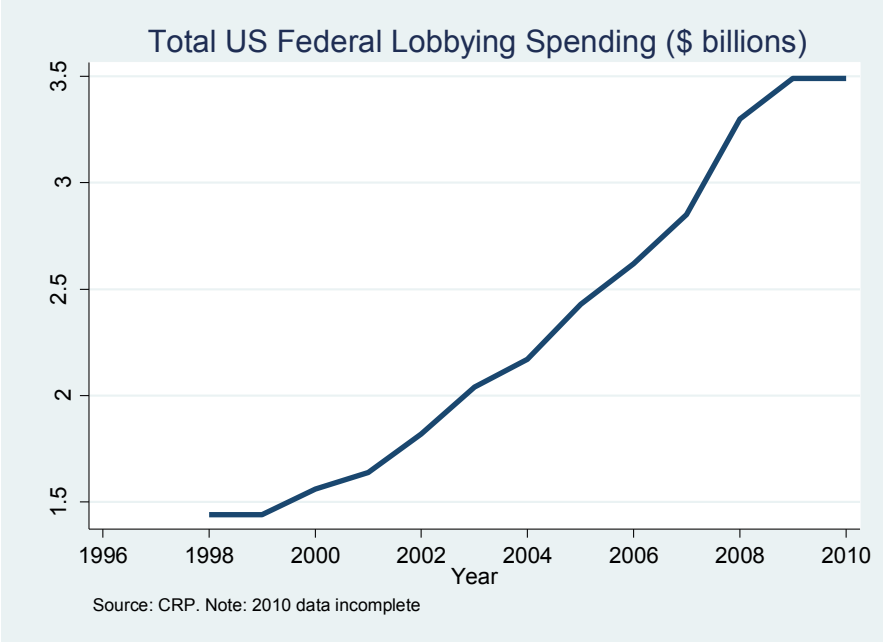
IS IT WHOM YOU KNOW OR WHAT YOU KNOW? AN EMPIRICAL ASSESSMENT OF THE LOBBYING PROCESS.

Marianne Bertrand (Chicago Booth & NBER)
Matilde Bombardini (UBC, CIFAR, & NBER)
Francesco Trebbi (UBC, CIFAR, & NBER)

February 24th, 2012

Motivation

- Lobbying is a large and rapidly growing industry, sitting at the intersection between the economic and political spheres of society.



Motivation

No Systematic Empirical Evidence On What Lobbyists Do

- **Provide issue-specific expertise**
  - This is the view maintained by the American League of Lobbyists.
  - Nicholas Allard, partner at Patton Boggs LLP:
    - ***"I would not – and you would not – try to do a root canal on ourselves. And, that you turn to an expert [a dentist]. And so, put in those terms, the reason why people have expert advocates – or lobbyists- is that you need expertise."***

- **Exploit relationships and access to political friends**
  - McGrath (2006):
    - ***"There are three important things to know about lobbying: contacts, contacts, contacts."***

What This Paper Does

- Propose measures/proxies for individual lobbyists' expertise and connections.
- Compare wage premium for expert/non-expert lobbyists; connected/non-connected lobbyists.
- Develop a test to demonstrate the key role of connections:
  - When politicians switch committee (and topics), do lobbyists previously connected to them switch topics as well?

Key Data Source: Lobbying Records

- Lobbying Disclosure Act (LDA) of 1995
  - Requires registration with the Secretary of the Senate and the Clerk of the House of Representatives (appropriate congressional officials) by any individual lobbyist that makes, or is employed or retained to make, a lobbying contact with either the President, the Vice President, a Member of Congress, or any other specified Federal officer or employee.

- Lobbying reports received, processed and maintained for public inspections by the **Senate Office of Public Records** (**SOPR**).
  - Use data for the period 1999 to 2008.
  - The entire federal lobbying industry (as officially reported).

Clerk of the House of Representatives
Legislative Resource Center
B-106 Cannon Building
Washington, DC 20515
http://lobbyingdisclosure.house.gov

Secretary of the Senate
Office of Public Records
232 Hart Building
Washington, DC 20510
http://www.senate.gov/lobby

LOBBYING REPORT

Lobbying Disclosure Act of 1995 (Section 5) - **All Filers Are Required to Complete This Page**

1. Registrant Name ☑ Organization/Lobbying Firm ☐ Self Employed Individual

Gephardt Group, LLC

2. Address ☐ **Check if different than previously reported**

Address1 1101 K Street, NW 8th Floor Address2

City Washington State DC Zip Code 20005 - Country USA

3. Principal place of business (if different than line 2)

City State Zip Code - Country

4a. Contact Name: Amanda Armistead

b. Telephone Number ☐ International Number: (202) 728-8771

c. E-mail: amandaarmistead@gephardtgroup.com

5. Senate ID#: 315717-1004583

7. Client Name ☐ *Self* ☐ *Check if client is a state or local government or instrumentality*

Goldman Sachs Co.

6. House ID#: 392150010

TYPE OF REPORT 8. Year 2008 Q1 (1/1 - 3/31) ☐ Q2 (4/1 - 6/30) ☐ Q3 (7/1-9/30) ☐ Q4 (10/1 - 12/31) ☑

9. Check if this filing amends a previously filed version of this report ☐

10. Check if this is a Termination Report ☐ Termination Date _____ 11. No Lobbying Issue Activity ☐

INCOME OR EXPENSES - **YOU MUST complete either Line 12 or Line 13**

12. Lobbying

INCOME relating to lobbying activities for this reporting period was:

Less than $5,000 ☐

$5,000 or more ☑ $ $ 70,000.00

Provide a good faith estimate, rounded to the nearest $10,000, of all lobbying related income from the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).

13. Organizations

EXPENSE relating to lobbying activities for this reporting period were:

Less than $5,000 ☐

$5,000 or more ☐ $

14. REPORTING Check box to indicate expense accounting method. See instructions for description of options.

☐ **Method A.** Reporting amounts using LDA definitions only

☐ **Method B.** Reporting amounts under section 6033(b)(8) of the Internal Revenue Code

☐ **Method C.** Reporting amounts under section 162(e) of the Internal Revenue Code

Signature Filed Electronically **Date** 01/15/2009

Printed Name and Title Amanda Armistead, Executive Assistant

v6.0.1f

Clerk of the House of Representatives
Legislative Resource Center
B-106 Cannon Building
Washington, DC 20515
http://lobbyingdisclosure.house.gov

Secretary of the Senate
Office of Public Records
232 Hart Building
Washington, DC 20510
http://www.senate.gov/lobby

LOBBYING REPORT

Lobbying Disclosure Act of 1995 (Section 5) - **All Filers Are Required to Complete This Page**

1. Registrant Name ☑ Organization/Lobbying Firm ☐ Self Employed Individual

Gephardt Group, LLC

2. Address ☐ **Check if different than previously reported**

Address1 1101 K Street, NW 8th Floor Address2

City Washington State DC Zip Code 20005 - Country USA

3. Principal place of business (if different than line 2)

City State Zip Code - Country

4a. Contact Name: Amanda Armistead

b. Telephone Number ☐ International Number: (202) 728-8771

c. E-mail: amandaarmistead@gephardtgroup.com

5. Senate ID#: 315717-1004583

7. Client Name ☐ *Self* ☐ *Check if client is a state or local government or instrumentality*

Goldman Sachs Co.

6. House ID#: 392150010

TYPE OF REPORT 8. Year 2008 Q1 (1/1 - 3/31) ☐ Q2 (4/1 - 6/30) ☐ Q3 (7/1-9/30) ☐ Q4 (10/1 - 12/31) ☑

9. Check if this filing amends a previously filed version of this report ☐

10. Check if this is a Termination Report ☐ Termination Date _____ 11. No Lobbying Issue Activity ☐

INCOME OR EXPENSES - **YOU MUST complete either Line 12 or Line 13**

12. Lobbying

INCOME relating to lobbying activities for this reporting period was:

Less than $5,000 ☐

$5,000 or more ☑ $ $ 70,000.00

Provide a good faith estimate, rounded to the nearest $10,000, of all lobbying related income from the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).

13. Organizations

EXPENSE relating to lobbying activities for this reporting period were:

Less than $5,000 ☐

$5,000 or more ☐ $ _____

14. REPORTING Check box to indicate expense accounting method. See instructions for description of options.

☐ **Method A.** Reporting amounts using LDA definitions only

☐ **Method B.** Reporting amounts under section 6033(b)(8) of the Internal Revenue Code

☐ **Method C.** Reporting amounts under section 162(e) of the Internal Revenue Code

Signature Filed Electronically **Date** 01/15/2009

Printed Name and Title Amanda Armistead, Executive Assistant

v8.0.1f

Client

Amount

Date

Issues

Names of Lobbyists

Registrant: Gephardt Group, LLC

Client Name: Goldman Sachs Co.

LOBBYING ACTIVITY. Select as many codes as necessary to reflect the general issue areas in which the registrant engaged in lobbying on behalf of the client during the reporting period. Using a separate page for each code, provide information as requested. Add additional page(s) as needed.

15. General issue area code: FIN — FINANCIAL INSTITUTIONS/INVESTMENTS/SECURITIES (one per page)

16. Specific lobbying issues

TARP

17. House(s) of Congress and Federal agencies ☐ Check if None

U.S. HOUSE OF REPRESENTATIVES

18. Name of each individual who acted as a lobbyist in this issue area

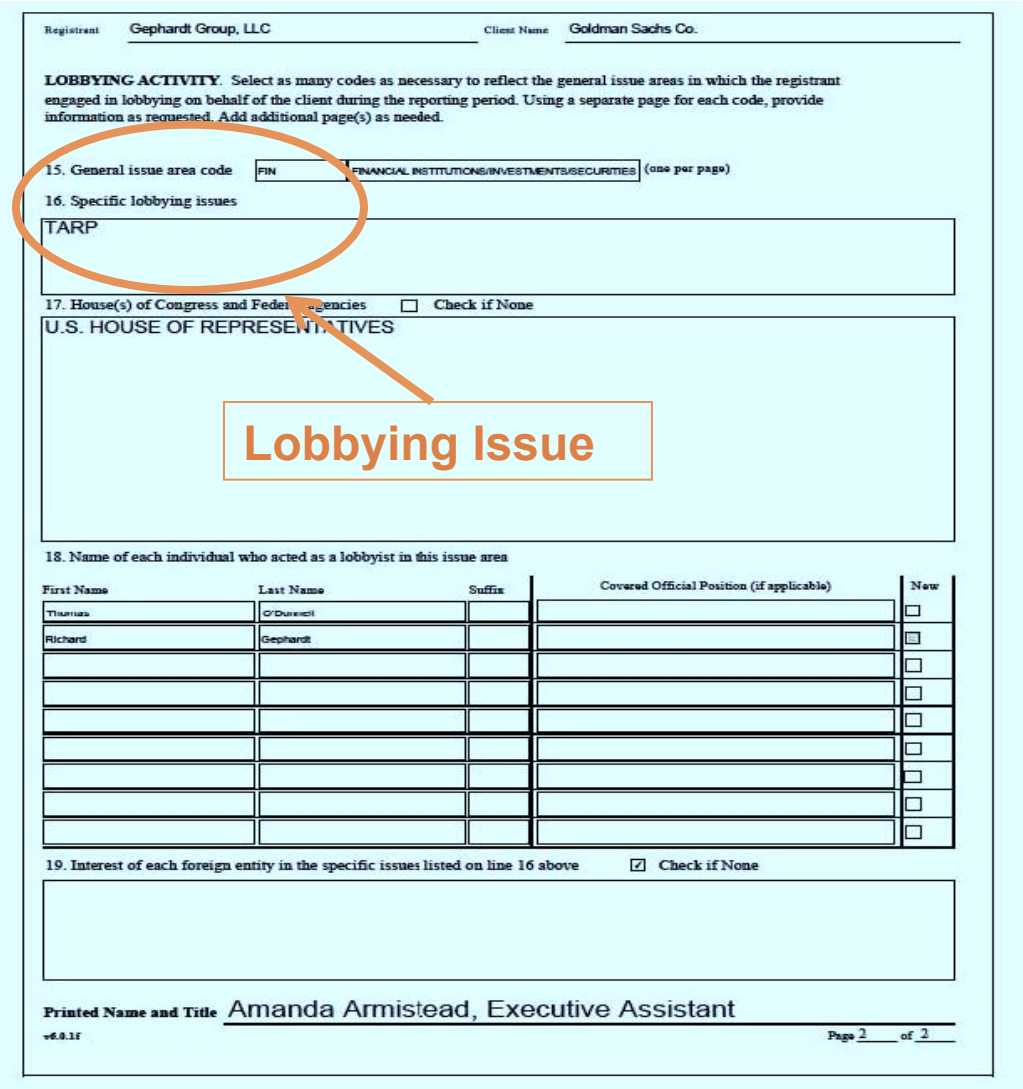
First Name	Last Name	Suffix	Covered Official Position (if applicable)	New
Thomas	O'Donnell			☐
Richard	Gephardt			☐
				☐
				☐
				☐
				☐
				☐
				☐
				☐

19. Interest of each foreign entity in the specific issues listed on line 16 above ☑ Check if None

Printed Name and Title Amanda Armistead, Executive Assistant

v6.0.1f

Expertise



Registrant: Gephardt Group, LLC Client Name: Goldman Sachs Co.

LOBBYING ACTIVITY. Select as many codes as necessary to reflect the general issue areas in which the registrant engaged in lobbying on behalf of the client during the reporting period. Using a separate page for each code, provide information as requested. Add additional page(s) as needed.

15. General issue area code: FIN — FINANCIAL INSTITUTIONS/INVESTMENTS/SECURITIES (one per page)

16. Specific lobbying issues

TARP

17. House(s) of Congress and Federal Agencies ☐ Check if None

U.S. HOUSE OF REPRESENTATIVES

Lobbying Issue

18. Name of each individual who acted as a lobbyist in this issue area

First Name	Last Name	Suffix	Covered Official Position (if applicable)	New
Thomas	O'Donnell			☐
Richard	Gephardt			☑
				☐
				☐
				☐
				☐
				☐
				☐
				☐

19. Interest of each foreign entity in the specific issues listed on line 16 above ☑ Check if None

Printed Name and Title: Amanda Armistead, Executive Assistant

v6.0.1f Page 2 of 2

LDA reports allow us to construct measures of issue specialization for each individual lobbyist.

- Define a "**specialist**" (0/1 variable) as **someone that spends at least ¼ of his time (measured in $ terms) each year on the same issue.**

Connections

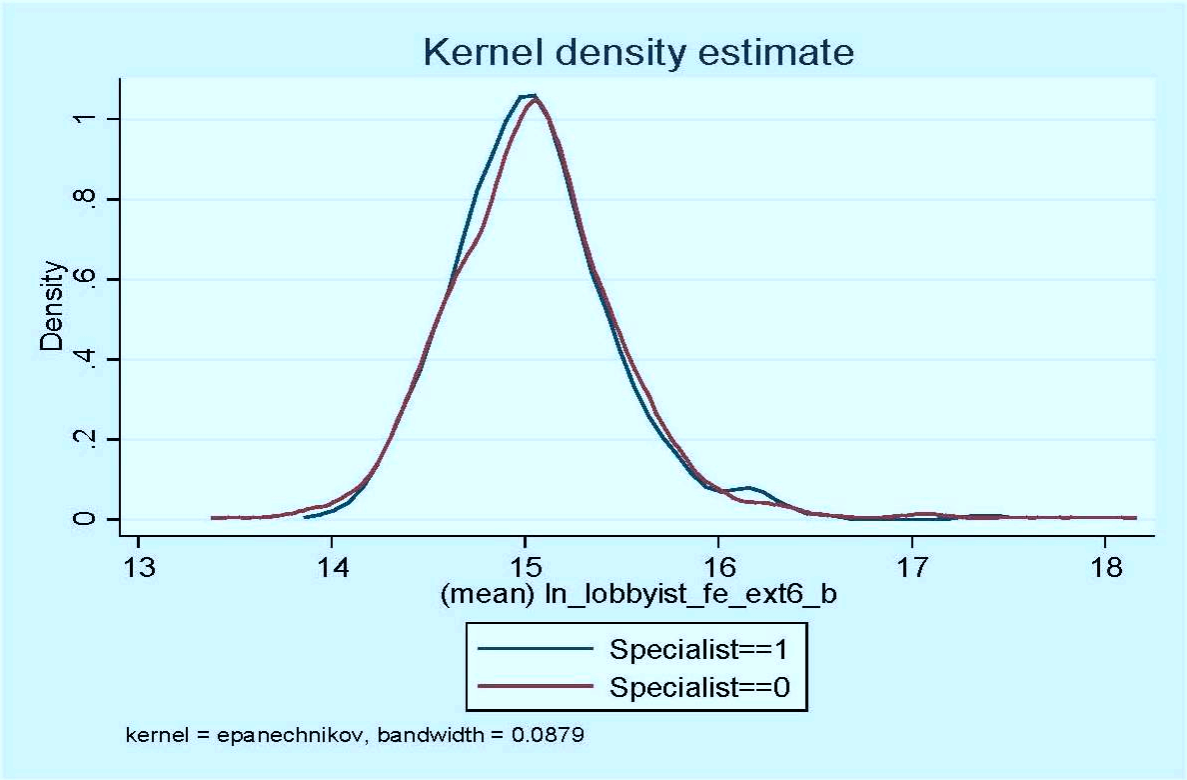
- No available data source that systematically maps all the contacts/relationships between lobbyists & politicians.
  - Various pieces of investigative journalism offer such mappings for a few individuals (lobbyists & legislators).

- Proxy for such relationships using information of individual campaign contributions made by lobbyists to politicians (**FEC**).
  - Cross-match SOPR to FEC based on: lobbyists' name, employer, address.
  - Match FEC data back to legislators
  - More than 144,000 individual political contributions by lobbyists.

Name	Lobbying (*Political consulting)	Link to Boehner	Political Contributions?
Andrew Maloney	Ogilvy Government Relations	Longtime Associate/Friend	**YES**
Bill Paxon	Akin Gump	Longtime Associate/Friend	NO
Brian Gaston	Glover Park Group	Former Aide	NO
Bruce Gates	Altria	Longtime Associate/Friend	**YES**
Dirk Van Dongen	Natl Assn of Wholesale Distributors	Longtime Associate/Friend	NO
Donald Danner	Natl Fed of Independent Business	Longtime Associate/Friend	NO
Gary Andres	Dutko Worldwide	Longtime Associate/Friend	**YES**
Greg Maurer	UPS	Former Aide	**YES**
James Boland	Sundquist Anthony LLC	Longtime Associate/Friend	**YES**
John Fish	Reynolds American	Former Aide	**YES**
Kevin Madden	Jim Dyke & Associates*	Former Aide	NO
Marc Lampkin	Quinn Gillespie & Associates	Former Aide	NO
Mark Isakowitz	Fierce, Isakowitz and Blalock	Longtime Associate/Friend	**YES**
Michael Boland	Dome Advisors*	Longtime Associate/Friend	**YES**
Nicholas E. Calio	Citigroup	Longtime Associate/Friend	**YES**
Robert Schellhas	Citigroup	Former Aide	**YES**
Sam Geduldig	Clark Lytle & Geduldig	Former Aide	NO
Samuel J. Baptista	The Baptista Group	Longtime Associate/Friend	**YES**
Sue Andres	Union Pacific	Longtime Associate/Friend	NO
Teresa Fish	Electronic Industries Alliance	Former Aide	NO
Terry Holt	HDMK	Former Aide	NO

Lobbyists' Wage Premium: Expert vs. Non-Expert

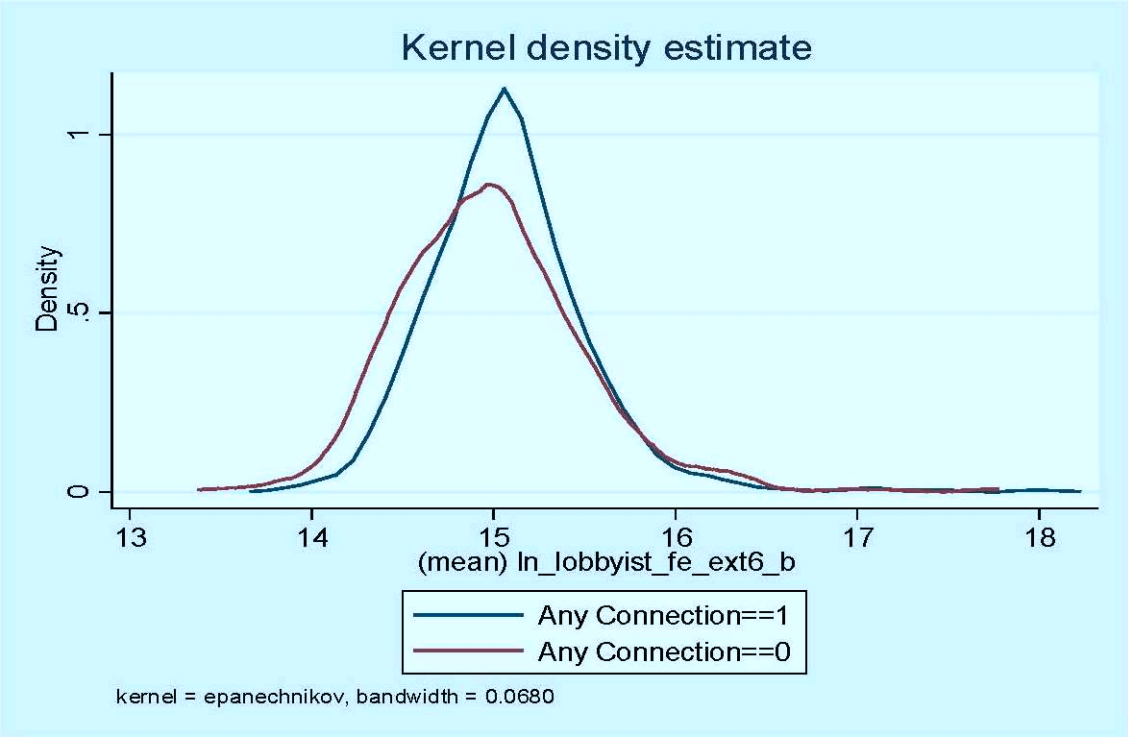
Figure 3: Distribution of External Lobbyists' Estimated Value Added by Level of Expertise



Note: Lobbyists fixed effects were only computed for external lobbyists that are active in at least 6 out of the 10 sample years. See text for details.

Lobbyists' Wage Premium: Connected vs. Non-Connected

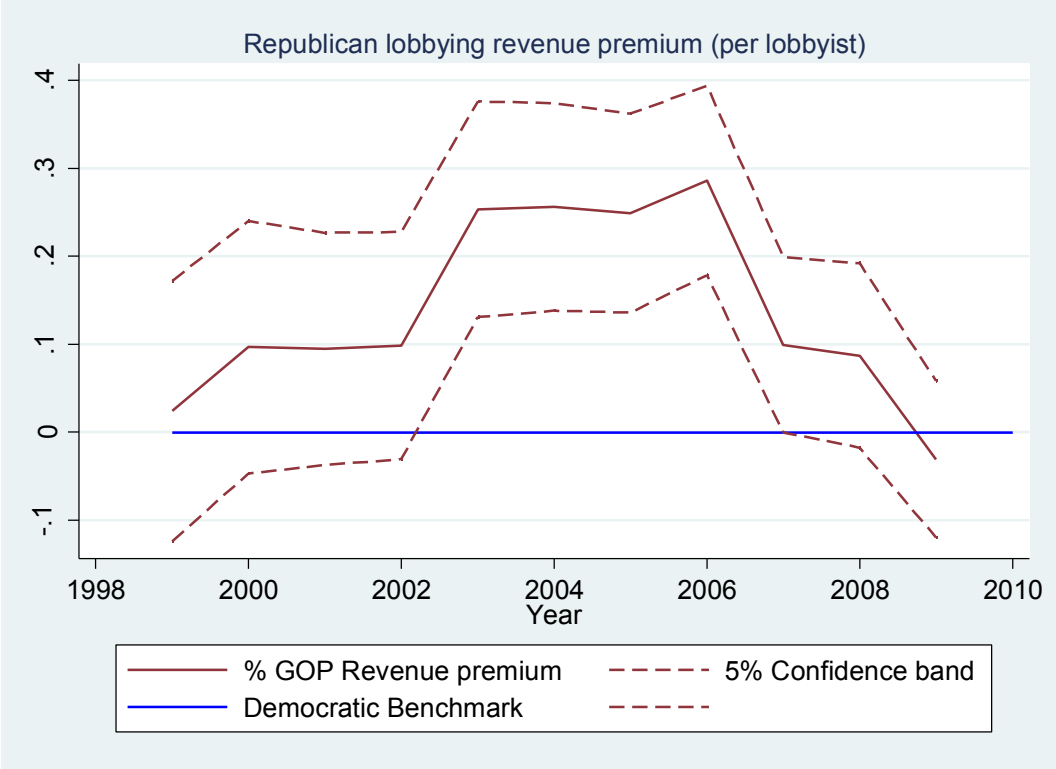
Figure 4: Distribution of External Lobbyists' Estimated Value Added By Level of Connections (through Campaign Contributions) to Politicians



Note: Lobbyists fixed effects were only computed for external lobbyists that are active in at least 6 out of the 10 sample years. See text for details.

Political Cycles in Wage Premium

At peak of GOP power: +25% yearly premium for GOP lobbyists



Congress

White House

A More Formal Test

- Exploit committee reassignments: as politician moves to new topic do lobbyists:
  - Follow the politician? (Connections)
  - Continue lobbying on the same issue? (Expertise)
- Consider committee "switchers" and form all possible switcher-lobbyist pairs
  - Some pairs are connected by a campaign contribution, some are not
- Create issue overlap of new topics between switchers and lobbyists
- Question: is new issue overlap higher for connected pairs than for non-connected pairs (control group)

Issue Overlap: Example

Senator seats on the Foreign Relations Committee at *t*

Lobbyist at *t*

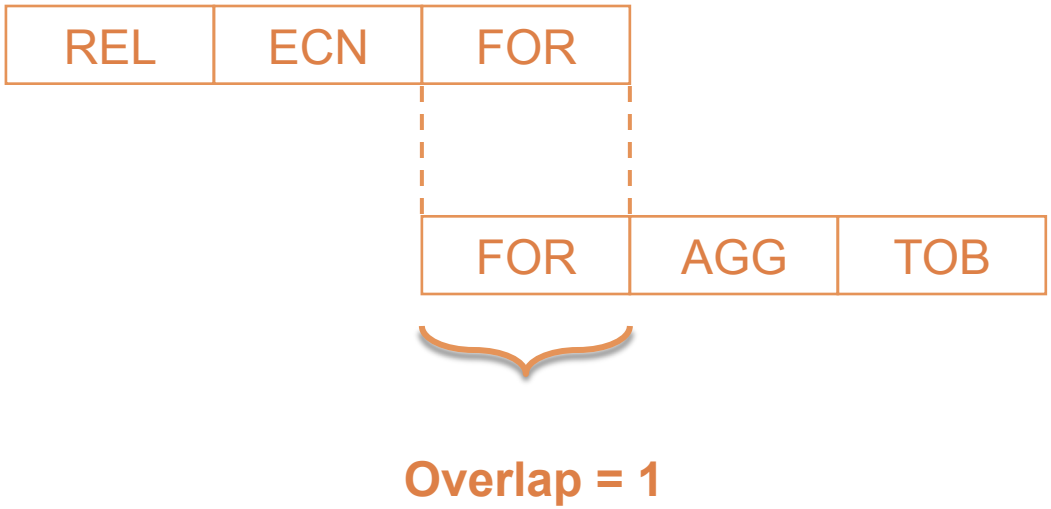


Table 6: Do Lobbyists Follow Politicians?

Dependent Variable: Number of new issues for the legislator in Congress (t+1) that the Lobbyists covers in Congress (t+1)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lobbyists made at least one campaign contribution to that Congressman in Congress (*t*)? (Y=1)	**0.359**	**0.342**	**0.118**	**0.201**	**0.188**	**0.100**	**0.106**	**0.306**
	[0.046]**	**[0.047]****	**[0.043]****	**[0.046]****	**[0.044]****	**[0.033]****	**[0.033]****	**[0.057]****

A connection implies an overlap increase of about 30%. L follows P's to which he's connected.