

Does lobbying benefit society?  
Yes!

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# Conceptions of lobbying

# Lobbying is widely viewed negatively...

## Below Used Car Sales, Congress, Telemarketers



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### Gallup's 2015 Honesty and Ethics of Professions Ratings

Please tell me how you would rate the honesty and ethical standards of people in these different fields -- very high, high, average, low or very low?

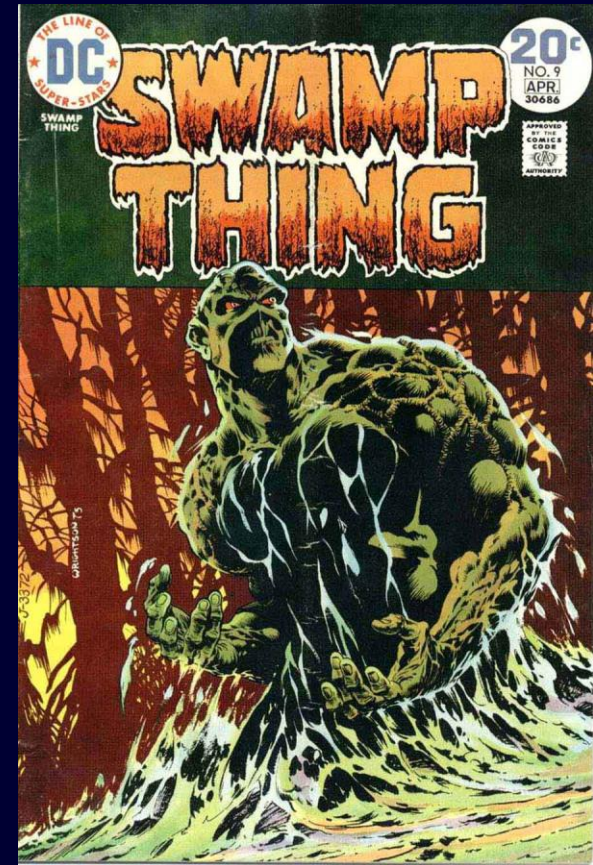
Sorted by very high/high

	Very high/ High	Average	Low/ Very low
	%	%	%
Nurses	85	13	1
Pharmacists	68	27	5
Medical doctors	67	27	5
High school teachers	60	29	9
Police officers	56	29	14
Clergy	45	39	11
Funeral directors	44	41	9
Accountants	39	51	7
Journalists	27	42	30
Bankers	25	49	24
Building contractors	25	55	17
Lawyers	21	44	34
Real estate agents	20	53	25
Labor union leaders	18	41	36
Business executives	17	47	32
Stockbrokers	13	42	39
Advertising practitioners	10	46	39
Car salespeople	8	41	49
Members of Congress	8	27	64
Telemarketers	8	34	56
Lobbyists	7	27	60

Dec. 2-6, 2015

GALLUP

Lobbying is widely viewed negatively...  
Not surprising given common images/conceptions



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So What is Lobbying?

# So What is Lobbying?

## Definition and Un-definition

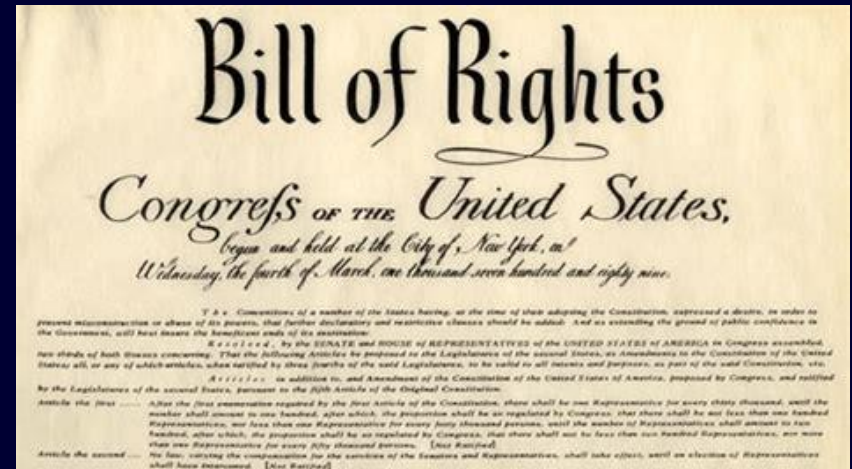
- Lobbying is:
  - “the transfer of **information** ... between interest groups and politicians, their staffs, and agents” (deFiguieredo & Richter 2014)
- Lobbying is not:
  - Transfer of \$\$\$ between firms & politicians
  - Other forms of corporate political activity, e.g. campaign contributions, independent expenditures, leveraging social connections



# So What is Lobbying?

## Foundational to American Democracy

- First Amendment to the US Constitution protects lobbying as a profession
  - “Congress shall make no law ... prohibiting the free exercise thereof or abridging the freedom ... to petition the Government for a redress of grievances”
- Critical role of factions in Federalist #10



# So What is Lobbying?

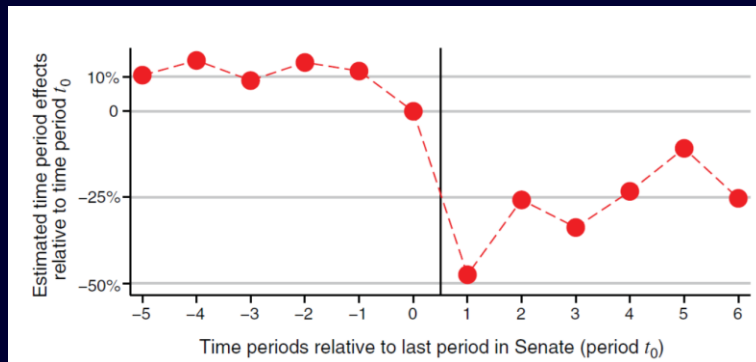
## Fundamentally about Information Provision

- Time constrained politicians require information to make tradeoffs in policymaking
  - Why most formal/theoretical models of lobbying are *informational* in nature, e.g. Hall & Deardorff (2006)
  - Other *quid pro quo* models of bribes exist, but don't map well to institutional realities
  - Kim & Siegel (2020) conduct an empirical horse race showing informational view dominates nefarious bribe/corruption view

# So What is Lobbying?

## Fundamentally about Information Provision

- Even for-hire, revolving door lobbyists trade in something fundamentally beyond connections
- Can see this in examining revolvers' revenue after connected politician exits Congress



Blanes-i-Vidal, Draka,  
Fons-Rosen (2012)

- Why? Because *information* can be many things:
  - A given politicians' quirks/constituent tastes
  - Knowledge of political processes/ industries

When is Lobbying Effective?

# When is lobbying effective?

## Policy Status Quo dominates even with Lobbying

- Large literature on status quo bias in policymaking across academic fields
  - Most legislation dies or gets voted down
- Largest study of lobbying conducted in Political Science finds nothing happens >60% of the time  
*Baumgartner et al (2009)*
- In Management literature, efficacy of corporate political activity also questioned given null/negative effects on firm performance  
*Hadani & Schuler (2013)*

# When is lobbying effective?

## Why the Policy Status Quo dominates

- Competition among pressure groups erodes bias in one direction or another (Becker 1983)
    - Therefore, consensus is needed among interest groups to yield outcomes/compromise
    - This is socially beneficial
    - It also keeps many groups from lobbying in the first place
- [**Fact:** Only ~10% of publicly traded firms choose to lobby in the US]

# When is lobbying effective?

## When the Policy Status Quo fails & We get Change

- Coalitions are critically important to lobbying success
  - Yet, they tend not to work when they are pure business or industry coalitions
  - They work best when they are unconventional and include firms and unlikely allies from non-profit or citizen group world
- We see this in many contexts:
  - European Parliament (Junk 2013)
  - US Rulemaking (Nelson & Yackee 2012)

# When is lobbying effective?

## Why the Policy Status Quo dominates

- Surprising coalitions that demonstrate expertise/credible information on multiple fronts work best
- Fremeth & Richter (2012) show this via Hewlett-Packard's electronic waste efforts
  - HP innovated to internalize/reduce harms of eWaste and recycle them in a "green bundle"
  - Worked with environmental groups
  - Successfully created more efficient environmental laws than POS tax
- Case study for the classroom is available for free via the Stigler Center at Chicago Booth
  - <https://www.chicagobooth.edu/research/stigler/education/case-studies>



# When is lobbying effective?

## When Lobbying amplifies Politicians' Interests

- Politicians use lobbyists to do more of things they would do on their own since it functions as a legislative subsidy (Hall and Deardorff 2006)
  - Hence, it does not change their constituent focus or arguments that would persuade them
- Politicians will do “good” things when framed in terms they value (Grose and Peterson 2020)
  - E.g. Confederate flag dropped from Mississippi state flag only after Walmart/Cham. of Com. argued it hurt business, not b/c some view it as racist (& others an attack on ‘heritage’)

# When is lobbying effective?

## When Lobbying amplifies Politicians' Interests

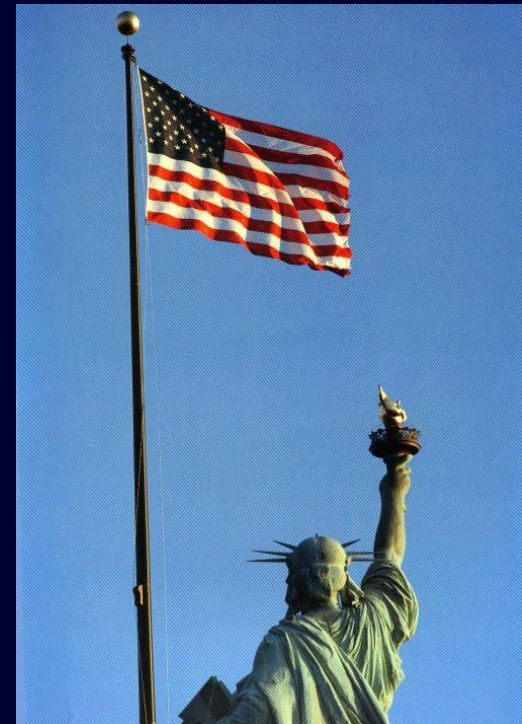
- Politicians love earmarks in their districts, yet they probably represent the most egregious example of 'rent-seeking'
- Nevertheless, earmarks lobbyists create can be socially beneficial when they act as "pork that greases the wheels" of political dealmaking
  - Politicians trade votes across valued legislation
- E.g. American Job Creation Act (2004)
  - Contained tax carve-out for new NASCAR track in SW Virginia in an economically challenged locale (Richter Samphantharak Timmons 2009)

# Concluding Thoughts

# Being Anti-lobbying is Anti-democratic

Fundamentally important to compete on ideas

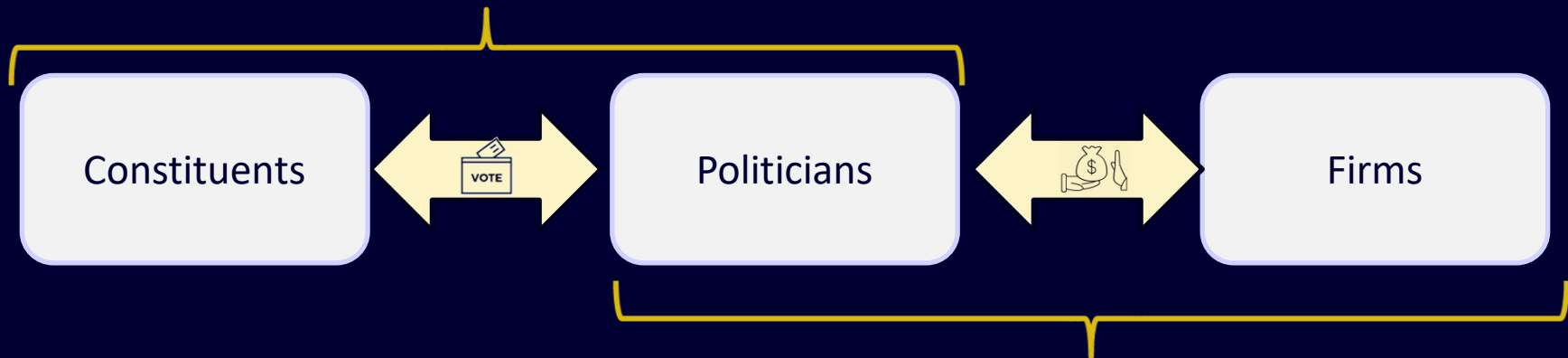
- Although our democracies may exhibit periods of stress and can always be improved, shutting down lobbying & voices is not a solution



# Firms & Politics

## Literature Largely Ignores Constituents

Political Science  
focus on representation



Economics  
focus on capture/  
Management focus on  
performance

Bridging Academic disciplines is necessary to better understand nature of business-government relationship...

# What We need to Know

## Unanswered questions for business scholars

- How does lobbying and associated information provision support innovations that improve **corporate market stewardship**?
  - How do managers plug plans for political advocacy into **“fully” integrated strategies** that support the social good via product and service innovations?
  - Given the market for virtue is limited, how can astute managers **expand the market for virtue** via strategic lobbying efforts?

# Thanks!

Happy to engage with folks to uncover  
how corporate lobbying  
furthers social good

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