

Lobbying Firms & Their Role in American Politics

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The research focuses on the reasons interest groups, corporations, non-profits, or other entities hire lobbying firms with specific expertise, party affiliation, specializations, or personal connections to advocate for them before Congress. Organized interests get represented in Washington, D.C. by advocacy organizations that speak directly on their behalf or by lobbying firms that are hired to advocate for them. There is much scholarly research on advocacy organizations, but very little about lobbying firms. This research aims to study the role that these firms play in American politics. We investigated several different traits of lobbying firms such as their age, location, firm type, and founders' party affiliation. We analyzed 3,390 firms and collected information from their official websites as well as other online sources. We have four sets of preliminary findings: (1) the distribution of yearly revenue for firms has remained constant since 2008; (2) law firms generate more lobbying revenue than do lobbying firms; (3) the distribution of Democratic partisan founders is similar among both law firms and lobbying firms; and (4) firms with more lobbyists are inclined to have higher revenue per lobbyist than smaller firms. The next steps for this research are to examine the impact of political considerations on interest groups' decisions to hire specific lobbyists and to investigate how changes in political conditions affect these decisions. Further, we plan to conduct social network analysis linking interest groups to lobbying firms and, ultimately, individual lobbyists through relationships to specific legislators and committees.

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Background

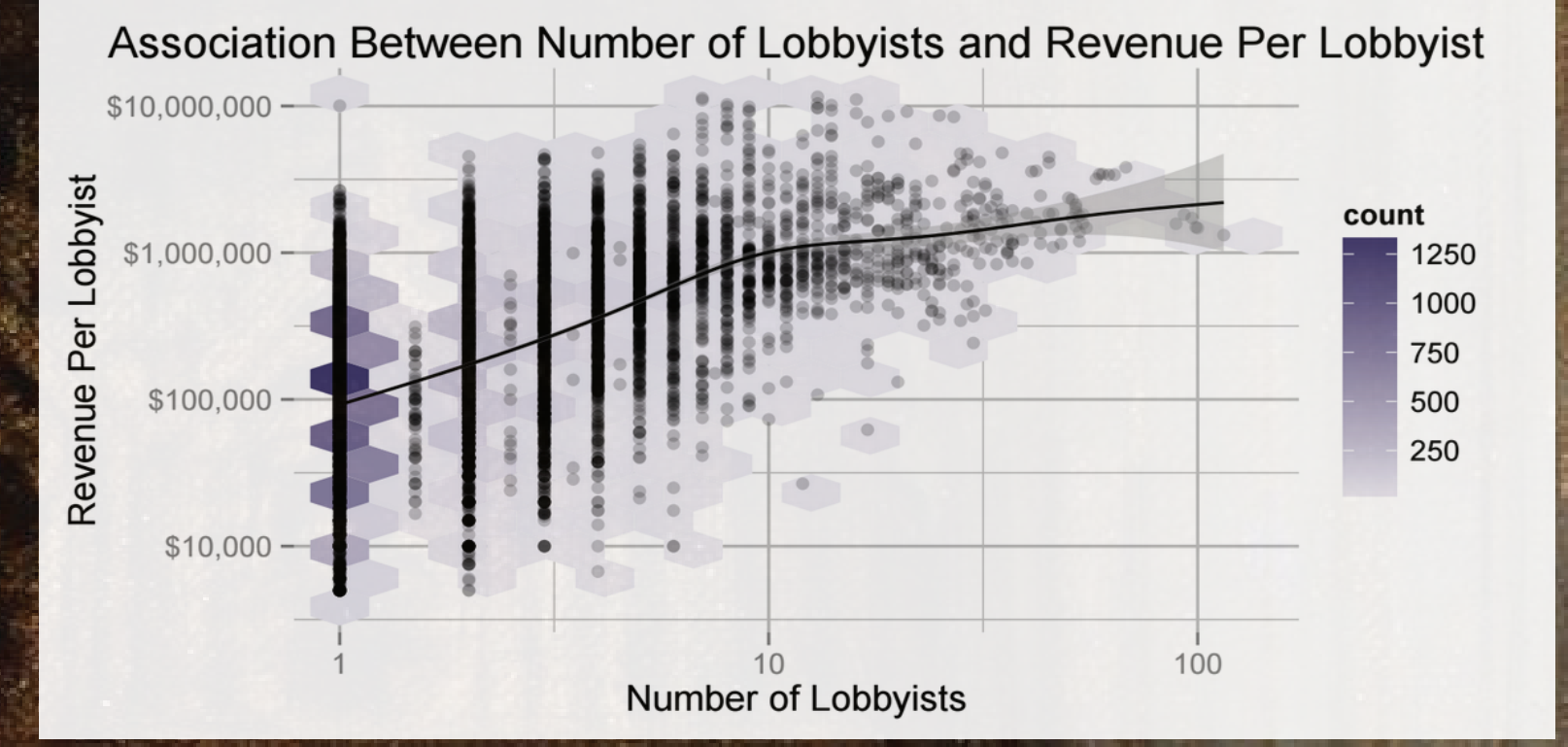
The First Amendment of the Constitution protects Americans' rights to petition the government to address their concerns. Organized interests get represented in Washington, D.C. by advocacy organizations that speak directly on their behalf or by lobbying firms that are hired to advocate for them. Lobbyists with political connections or specific party allegiances are hired by clients to influence public policy. There is much scholarly research on advocacy organizations, but very little about lobbying firms or lobbyists themselves.

Purpose

The purpose of this research is to study how lobbying firms differ from each other and how they behave as firms. We aim to investigate how clients and firms react to a change in political conditions. The project examines firms' specialization and whether or not that has an impact on who hires them. For example, do certain clients prefer hiring firms with a policy expertise while others prefer ones that are more access oriented? Our findings will reveal how a change in the political party in power influences the hiring decisions of firms, interest groups, and other entities, as well as the influence of political calculations on lobbying.

Data Collection

We collected information from the data revealed through the Lobbying Disclosure Act, which was provided by the Sunlight Foundation. We limited our population to firms which filed more than two non-zero quarterly lobbying activity reports. We analyzed 3,400 firms and collected information from their official websites (when available) as well as other online sources. We also used the LinkedIn pages of the firms' founders and campaign contributions to determine the founder's political affiliation if the information was not available on their website. We used Lobbyist Bio Finder to access all firms' websites and collect each individual lobbyist's biography. Ultimately, information we obtained by tagging of websites Lobbyist Bio Finder, will be used to gather detailed biographical data about lobbyists employed by these firms.



Association Between Number of Lobbyists and Revenue Per Lobbyist

Firms with more lobbyists are inclined to have higher revenue per lobbyist than smaller firms. However, the revenue increases marginally for every lobbyist after the tenth one. Most firms have one lobbyist and earn around \$50,000 to \$500,000 in revenue per lobbyist. The vast majority of firms have fewer than ten lobbyists. Very few firms have more than 100 lobbyists likely due to the diminishing returns from hiring additional lobbyists.

Median Quarterly Revenue Among Firms

There is greater variation in the median quarterly revenue generated by law firms than the revenue generated by lobbying firms. The amount of quarterly revenue generated by both types of firms is not synchronized. Law firms earn more lobbying revenue than lobbying firms. While law firms typically earn around \$350,000 to \$780,000 in lobbying revenue, lobbying firms earn around \$160,000 to \$250,000 quarterly. However, the median quarterly revenue per lobbyist of law firms is lower than that of lobbying firms. Law firms average \$50,000 per lobbyist per quarter, while lobbying firms average \$56,000. This difference is quite statistically significant (p-value < 0.001). This disparity could be caused by fact that law firms typically tend to be larger than lobbying firms. The largest lobbying firm we researched had 99 lobbyists whereas the largest lobbying firm had only 48. Law firms employ a mean of around six registered lobbyists while lobbying firms have a mean of three lobbyists.

Distribution of Firms with Partisan Founders

Studying the firm's partisanship revealed that the distribution of Democratic partisan founders is similar among both law and lobbying firms. While law firms' founders tend to lean slightly Democratic, the founders of lobbying firms lean slightly Republican. This difference is small but statistically significant (P= 0.001). This pattern may exist because law firms are generally older than lobbying firms and thus their founders' party does not influence the firm's partisanship. In contrast, partisanship may be more central to the identities of lobbying firms because they tend to be younger (and, thus, founded during a period of Republican dominance). The mean law firm is about 73 years old while the mean lobbying firm is around 22 years old. The difference between these values is quite large and statistically significant (p-value < 0.001).

Distribution of Yearly Revenue

The distribution of yearly revenue for firms has remained constant since 2008. The modal firm earns around \$100,000 annually. The graph skews right, though it is rare for firms to have revenues that exceed \$100,000,000. The number of firms earning \$10,000 and \$100,000 was greater in 2009 than in all other years. The median and the mean of the graph fluctuate and are not synchronized. For example, in 2011 the median was \$165,700 and in 2012, it rose to \$166,200. In the same time period, the mean dropped from \$810,000 to \$786,500. In 2012, the third quartile also dropped along with the maximum total revenue.

Next Steps

The next steps for this research are to examine the impact of political considerations on interest groups' decisions to hire specific lobbyists and to investigate how changes in political conditions affect these decisions. Further, we plan to conduct social network analysis linking interest groups to lobbying firms and, ultimately, individual lobbyists through relationships to specific legislators and committees. By studying the process it takes to get one's position represented before Congress, we aim to investigate the representational inequality that we believe exists in the lobbying process.

