

1 Introduction

It is presumed by many voters that lobbyists take advantage of lawmakers, and receive unparalleled access and control over the legislative agenda in return for campaign contributions. Academic understanding is slightly more nuanced, but the directional relationship between lawmakers and lobbyists is usually presumed to be that of lobbyists seeking out legislators. Little work has explored whether legislators receive benefits from lobbyists beyond their campaign contributions. We argue that lobbying firms must offer auxiliary benefits to legislators and specialize in order to move policy toward their preferred position.

This paper makes two direct theoretical contributions to the literature. First, academic understanding of interest groups is by far too narrow; a broader definition of interest group activities, as well as interest group motivations, is required. We argue that interest groups provide an expansive set of services to policymakers that are unrelated to campaign contributions, because their motivations are not strictly tied to the electoral fortunes of ideological bedfellows in the legislature. Their motivations are tied to providing rigorous research, or representing the views of a large constituency. The popular notion of an interest group as an entity seeking to persuade legislators or move a particular bill is thus incomplete.

Second, interest groups provide this wide array of services to lawmakers because it is their path to survival. A dynamic set of interest groups, compared to a small, static set of lawmakers, exist in most legislatures. Legislators can pick from the large pool of interest groups one that suits their requirements, be it mobilizing activists or writing complex legislation. Interest groups have to diversify – offer specialized content to lawmakers such as white papers, model legislation, podcasts, and organize constituent events – as well as increase the scope of what they offer, in order to survive. These trade-offs in specialization can range from think-tanks providing white papers, to activist groups mobilizing large numbers of citizens in protest.

This paper tests these implications with a mixed-methods approach. First, we create a novel database of legislators' campaign contributions from lobbying firms and their legislative effectiveness in the state of Florida. Second, we draw on two in-depth interviews with current and former interest group employees to examine the aspects of interest groups that are currently unmeasured by quantitative research. Importantly, we expand beyond quantitative tests with an in-depth look at an interest group that focuses on an American state legislature.

Our quantitative analysis finds that legislators who receive more campaign funding from industry groups are not more or less effective than legislators with less campaign funding. By contrast, the number of registered lobbyists with a firm are negatively associated with legislative effectiveness. These findings indicate that existing theories of persuasion and subsidy may not account for what firms provide lawmakers. Our qualitative analysis reveals a wide array of services that interest groups provide that require further study. These interviews present academics with a contrast between what practitioners observe and what scholars can currently measure.

Our findings, and discussion of interest groups, provide a path forward for future scholars of the lobbying literature. Many interest groups do not see themselves in the harsh light attributed to “special interests;” many of these groups do not engage in the assumed practices of the industry. Moreover, our description of the services that interest groups provide – for their own survival – suggests that there remains quite a lot of data left unexplored for academics to pursue and analyze. With these new kinds of data, the relationships and associations left to explore is limitless.

2 Current Treatment of Interest Groups

Interest groups and lobbying firms are popularly described either as a shadowy cabal of smoke-filled backroom dealers who manoeuvre the political process for personal profit, or an undemocratic faction of interests who distort policy away from the majority (Mahoney, 2008). In scholarly literatures, interest groups are often treated as having a power asymmetry over politicians, either possessing specialized policy expertise or affinity with an organized constituency.

For example, consider the role of lobbyists as purveyors of information. Many interest groups have information asymmetries over lawmakers on policy issues, and it is thought that these asymmetries provide the lobbyist with power. These groups form around policy goals and become familiarized with the status quo and potential alternatives, among which are their preferred policy positions. Lobbying firms in particular develop expertise as they recruit from former members of government (Blanes i Vidal, Draca, and Fons-Rosen, 2012). Parties and lawmakers, desperate to form a coalition that will ensure election, seek the advice of interest

groups on what policies they should enact (Bawn et al., 2012). Interest groups thus have large power over the parties, as they can deny the nomination of candidates or the push for certain policy changes.

Yet, we think the correct explanation is where the power dynamic is reversed. Politicians wield most of the power, because lobbying firms and interest groups must compete with each other over small slices of the electorate. Some literature has come to this conclusion already; small-scale firms with diffuse constituencies and no consensus policy outcome fail to influence powerful legislative bodies (Dür and De Bièvre, 2007). Even when they represent motivated, mobilised, and powerful interests, interest groups often do not succeed in their primary objectives (Dür, 2008; Balanyá et al., 2000).

As politicians are the most important actors, we think discussion ought to turn toward the services that interest groups provide. Campaign contributions and model bill proposals are but one part of a larger investment in politics. Many other services – hosting conferences, writing white papers, providing testimony, and even organizing podcasts or blogs on issues – are important to lawmakers. These services, and the signal of high capacity the service demonstrates to legislators, allow some lobbying firms to stand out from their competitors, work with lawmakers to change policy, and survive.

Interest groups diversify the services they provide to politicians in order to survive in a competitive marketplace of ideas. Were the interest group to provide many services poorly, or only a few services that politicians do not require, their ability to obtain grant funding, or see their experts provide testimony, or muster the organizational power of thousands of dedicated activists, would disappear.

Below, we articulate how existing conceptualizations of lobbying may clash with the variety of services interest groups provide. We stress that the term “lobbying” refers only to a small subset of groups performing a limited set of services that interest groups provide to the legislative process. By expanding our definition of interest group behavior, and demonstrating the limitations of the current definition, we provide a powerful contribution to the literature.

2.1 Theories of Interest Groups

Two theories of interest groups predominate in the literature. The first, persuasion, argues that lobbying firms use their time to persuade lawmakers to their point of view. Put in other terms, persuasion is a form of access politics, which suggests that firms use campaign contributions as a way to interact with legislators. The second, legislative subsidy, holds that firms provide expertise to legislators as a in-kind grant. Under this theory, legislators and interest groups are already in ideological agreement and only need to work together. We review each of these theories and explain how our argument fits with each.

Persuasion theories stem from the asymmetric distribution of information between legislators and lobbyists (Fournaies and A. B. Hall, 2018). Legislators are primarily concerned with re-election and therefore are concerned with constituent preferences. However, gathering relevant information is costly. Interest groups can selectively share information about legislators' constituency (Hansen, 1991). Lobbyists may lobby legislators most in need of convincing (Schnakenberg, 2015). Conversely, interest groups contribute to, and coordinate with, allies in the legislature because access to less sympathetic lawmakers is costly.

Interest groups provide legislators with resources – often in the form of campaign contributions – in exchange for votes on bills that advance the lobbyists' own agenda. This argument is confounded by the existence of think-tanks and research groups, that do not engage in extensive campaign activity, either contributions or endorsements (R. L. Hall and Deardorff, 2006).

Additionally, only through repeated interaction can both interest groups and legislators ensure cooperation: legislators have little incentive to pass legislation once they receive a contribution, while interest groups have little incentive to continue to donate after passage of any legislation (Kroszner and Stratmann, 1998; Snyder Jr, 1992). Alternatively, contributions preceding and following desired voting behavior by legislators would provide sufficient incentive and reward to prevent renegeing in the short-run (Stratmann, 1998).

If a firm must engage in repeated contribution to lawmakers who may not advance their policy goals, they may engage in other forms of interest group activity. Interest group “venue-shopping” for the optimal legislature is well observed, indicating that firms are highly receptive to demands of the legislature (Constantelos, 2018; Varone et al., 2018; Constantelos, 2010). If interest groups will respond to legislature-based incentives, they will also respond to the

demands of individual legislators.

Persuasion may still hold merit (Fournaies and A. B. Hall, 2018; De Figueiredo and Richter, 2014), but in a more limited sense. Campaign contributions to legislators may be given in exchange for two potential forms of access: direct and indirect Fournaies and A. B. Hall, 2018; Fournaies, 2018. These findings suggest that some exchange may be taking place, but the puzzle remains: why are contributions so small? Hall and Deardorff (2006) suggest that contributions could operate as a signal to legislators of willingness to coordinate. But interest groups' activities fall under a wider umbrella, including relation-building and service to the public.

Lobbying may be a subsidy to legislators (R. L. Hall and Deardorff, 2006). Under this theory of interest groups, lobbyists do not attempt to change the preferences legislators through quid pro quo exchanges or persuasion, but rather provide assistance to “natural allies” in achieving shared goals. In order for legislators to influence policy, they must expend scarce resources such as time, information, staff effort, and agenda space (R. L. Hall and Deardorff, 2006). Thus, lobbyists can provide legislators with information and services which allow them to make progress toward their shared objectives.

This theoretical framework for interest groups provides explanation for observations that appear anomalous under exchange theory. Moreover, the theory of informational lobbying suggests that interest groups undertake costly information-gathering activities and then share that information with allies in the legislature. The allies then use the information to persuade other, less sympathetic legislators (Schnakenberg, 2015).

This theory of lobbying also sheds light on the dichotomy between expertise and connections (De Figueiredo and Richter, 2014). Some lobbyists may be able to exercise more influence through direct access than others depending on their connections within the legislature. However, groups with fewer connections may still exercise indirect influence through informational lobbying of their allies within the legislature. In the case of the think tanks and research groups, the policy reports they produce can be leveraged by allies to garner the support of other legislators. These groups provide an informational subsidy to legislators who can then use that information to make progress toward shared goals. As before, the lobbying-as-subsidy approach is incomplete and does not account for some kinds of interest groups which are pro-

hibited from working directly with lawmakers, assisting on individual legislation, or donating to campaigns.

Instead, we think a comprehensive theory is one that accounts for all of these kinds of interest groups while also explaining the firms that do not neatly fit into these categories. In the following section, we articulate a broad theory of interest group firms, their motivations, and why they pursue particular activities.

3 Explaining Interest Group Behavior

We refer to all groups that organize interests as "firms." We allow any group that participates in the debate on public policy in an organized, coherent manner to fit under this broad umbrella. Any instance of a "lobbyist," "think-tank," "interest group," or "advocacy organization" can be thought of as various aspects of the broader concept of the firm. The goals of these firms are broadly defined as wishing to change public policy.

Firms want to change policy due to the sincere beliefs of the policy entrepreneurs who make up the firm. These entrepreneurs bring skills and talents and work with like-minded colleagues who push for policy changes. The policy preferences are created prior to the development of the firm in many cases. Together, these groups are able to make policy changes when alone they would not have had the ability. Their survival as a firm is contingent on their continued ability to push for policy changes, and receive buy-in from activists, donors, or policymakers. Ineffective firms – those that do not make their mark on the policy environment – disappear.

Their counterparts are legislators, who also wish to change public policy. We define legislators as representatives, elected by voters, who hold public office and make changes to policy to – ostensibly – benefit their constituents. Unlike interest groups, which may specialize on any kind of policy or basket of policies, lawmakers must try to represent the wide set of issues that matter to most of their constituents or face the threat of electoral defeat. Moreover, legislators are a fixed quantity – even with elections, term limits, and other mechanisms for removing individual incumbents, the constituents these lawmakers represent do not rapidly shift from their original policy preferences.

Legislators and firms both require each other to make effective policy. Legislators are elected to be generalists – knowledgeable to an extent on many policy topics – whereas firms specialize

in one or a few areas. Legislators need firms to provide the additional policy expertise, and firms need legislators to pass public policy; neither can effectively work without the other. Firms also possess “size” asymmetries – some can mobilize large numbers of activists, while others have large teams of researchers working on white papers and policy analyses. By contrast, legislators are often resource depleted.

Firms provide a large amount of information, expertise, and skill to the legislator. In return, the legislator will move policy closer to the firm’s ideal point, relative to where policy might move if another firm worked with the legislator. Yet the legislator possesses the ability to choose among various similar-minded firms and select the one that best fits their electoral and policy goals; firms are restricted only to working with lawmakers that want to work with them.

While legislators are a fixed quantity, firms can be created and destroyed with relative ease. Aside from a few indispensable firms (the ubiquity of the NRA, NAACP, and AARP are such that their acronyms are sufficient examples), most interest group firms compete with dozens of other like-minded firms and groups for the attention of individual lawmakers. Attracting legislators becomes a top priority.

With so much competition, interest groups have to prove their value to legislators in order to be heard above the fray. Lawmakers are already specialists on certain policy matters (Krehbiel, 1992), and instead of needing lobbyists for technical information, require lobbyists to provide services that government cannot provide. Firms can improve their comparative advantage vis-a-vis their competitors in a number of ways (Dür, 2008). Some firms provide lawmakers with expertise when writing legislation (R. L. Hall and Deardorff, 2006); interest groups provide a “matching grant of costly policy information, political intelligence, and labor to” legislators (R. L. Hall and Deardorff, 2006). This is an important, albeit incomplete, view of what firms can do. There are other ways interest groups firms attract the attention of legislators.

Some firms provide lawmakers with scores to indicate how favorable or unfavorable they are on a particular policy. These scores are often deployed to strategically alter legislators’ decisionmaking on particular votes or issues. Scores are often tied to particular votes; for example, the AARP would score any legislation to means-test Social Security benefits. Other times, the scores are issued at regular intervals as a way for lawmakers to broadcast their positions on salient issues. Generally, the firm using the scoring hopes – or has strong evidence

to believe – that these scores can motivate the electorate to act for or against politicians.

Some firms act like think-tanks, writing white papers, hosting conferences, and building up policy expertise. Their use is primarily to guide policymakers toward the ideal points of the firm and the politician. A secondary use of identifying popular or electorally-useful policies may be employed, but is not the *raison-d'être* of this sort of firm. In line with the Hall & Deardorff (2006) mode of thinking, these firms provide in-kind grants to lawmakers to aid them in moving policy. Lawmakers who are interested in changing the law will seek out these sorts of firms as they try to optimize new policy proposals. Failure to do so may result in suboptimal policy, or no policy change at all.

Some firms provide electoral insights, offering lawmakers with an understanding into a salient constituency. They typically do so with public displays of activism. These displays include large protests, public demonstrations, letter-writing campaigns, or voter mobilisation efforts. By organising large numbers of constituents, the firm can demonstrate to lawmakers that they have electoral clout. Some well-funded firms may also conduct polling on their issue area and use that to signal support. Lawmakers pay attention to public displays and polling as signs of their own electability, and are strongly incentivized to acknowledge these efforts. Failure to do so may result in alienating mobilised constituencies against them in their re-election campaigns, and possibly electoral defeat.

[Table 1 about here.]

Relationship-oriented firms need contracts to survive. They are focused on shepherding legislation and hiring former legislators and legislative staff. They donate campaign contributions to lawmakers, but these may have greater meaning than mere re-election goals with friendly lawmakers – these firms will donate to friends and potential adversaries in the hopes of developing amicable relations.¹ They give lawmakers affirmation that they should be re-elected. Finally, they find revenue sources for contract firms. Their key to survival is maintaining relationships with lawmakers; if they fail to keep relationships, the firm dies.

Constituency-oriented groups primarily depend on membership dues and advertisements in newsletters and subscription magazines. Many groups provide advertisements, scorecards of legislator votes, and hold public demonstrations. Their goal is to demonstrate to lawmakers

¹These amicable relations can include paying fees or contributions for access.

that they can mobilize large numbers of voters towards some policy outcome – or to remind lawmakers, even in the absence of a particular vote or policy change, that they have the power to mobilize voters at any time. They are often issue-specific, but can also be group-specific.² Their keys to survival are maintaining an extremist base of support among constituents; they may also survive by guaranteeing selective goods to their memberships.³

Finally, information-oriented groups pursue policy changes based on research. Often, their specific goals are elusive, and it is unclear precisely how they operate and how they are distinguished from academic researchers. Most are nonprofits; their revenues are derived from grantor organizations. Information-oriented firms rely on the production of publications to maintain these grants. Grantors themselves want deliverables beyond legislation; research allows them to justify their philanthropic activities. These groups do not promise policy outcomes, but perceive themselves as contributing to the public debate. Their key to survival is high-quality publication – publish or perish mentalities pervade these organizations.

Legislators use interest group firms for these different purposes as it suits their electoral or policymaking needs. A legislator looking to build ties with a constituency may find a lobbying firm that scores legislators, sending a heuristic to that constituency that the lawmaker is “with them.” Alternatively, a legislator who wants to enact a policy change may instead look to a firm that produces white papers. This activity may occur even when the firm does not provide an in-kind contribution to the legislator’s campaign.

3.1 How Legislators Build Ties with Firms

A legislator has an outcome of interest. This outcome may be electoral or policy-oriented.⁴ Legislators are generalists on policy grounds (Krehbiel, 1992); we argue they are also electoral generalists: they know little about the demands of each of their constituencies. To achieve their goal, they require some specialisation that enables them to effectively accomplish objectives.

This is where interest groups enter into the equation. Legislators must have a way of seeking out effective specialists; firms fulfill many of these functions (R. L. Hall and Deardorff, 2006).

²The NRA is an example of an issue-specific constituency-oriented firm, while the AARP is a group-specific firm.

³The myriad benefits the AARP has secured for members are a prominent example of this behavior.

⁴In reality the lawmaker will pursue both goals in tandem, but for the purposes of simplification we assume they are distinct.

Yet there are many firms that are indistinguishable to the average lawmaker. Legislators and firms thus are in a coordination dilemma wherein they have to “find” each other.

Some interest group firms are so powerful that their relationship with prestigious lawmakers is guaranteed and rank-and-file legislators vie for their affection. These firms are known for having large memberships (such as the American Medical Association), or are prolific fundraisers (the American Association for Retired Persons), or command a large segment of a salient voting bloc (the National Association for the Advancement of Colored Persons). In these cases, lawmakers will compete with each other for the favor of the firm. Most firms do not enjoy this privileged status; they can neither mobilise large numbers of constituents nor donate maximum sums to many lawmakers. They have to choose which lawmakers to work with.

Many firms signal their ability to perform competently through campaign contributions (Austen-Smith, 1995; Lohmann, 1995). Campaign contributions signal the strength of the firm’s ability to marshal a constituency into action, as well as a signal of the complex infrastructure of the firm. Raising money and distributing those funds to politicians requires a dedicated staff and a hierarchical structure within the firm. The capacity of interest groups to contribute broadly signals to lawmakers they have the capacity – typically, this capacity is due to deep-pocketed support of the firm – to hire experts and specialists to develop legislation and ensure its passage.

Other firms provide signals through the dissemination of information to the electorate or the policymaking community. Legislative scores, such as those the NRA or AARP assigns to lawmakers, tell “their people” how to interpret the political positions of the legislator. Firms that write policy papers (or draft legislation) and host conferences of policymaking actors signal to the legislator their familiarity with the existing state of the law, and their ability to network with politically-connected individuals.

Once the firm has signaled capacity to the legislator, the legislator must choose among them for the task at hand. As the legislator can choose from among many firms, firms must make themselves competitive.. The firm will aid the legislator in whatever manner they can to ensure the legislator achieves their goal. At the same time, the interest groups hopes to influence the legislator by moving policy goals toward their preferred position.

Once the legislator has achieved their goal, they have the option to either discard using the

services of the firm, or maintaining the relationship. Their decision to end the relationship is conditional on their next preferred outcome, and can be costly.⁵

Consider the common case of a state legislator who achieves an early goal of moving policy towards her preferred position, which is moderate within her district but relatively extreme for the state. She obtains the service of a firm that aids her in this goal. She then sets her sights on holding a statewide or federal office. Her need for the firm ends, and she shifts her position to be more moderate.

Under these pressures, most firms must offer services to legislators to stay competitive, and survive by remaining available to policymakers. By innovating and providing lawmakers with a new set of tools, the firm can thrive.

3.2 Expectations

A legislator will only maintain a strong relationship with an interest group as long as is needed to achieve an outcome of interest. We therefore expect a legislator to terminate relationships with interest groups at critical junctures: following the passage of major legislation, winning re-election, or winning higher office. At these junctures, we would expect the legislator to lose ties to older, smaller, or less-wealthy firms and pick up more powerful allies in the interest group world. Firms unable to attract lawmakers' attention will stop providing services, including campaign donations. Our first hypothesis follows:

Firms who are unable to attract legislators as policymaking allies will cease sending campaign donations to legislators.

Second, we expect legislators to maintain ties to firms that innovate and provide services that are of electoral or policy benefit to the legislator. The specialization they offer to lawmakers enables them to demonstrate capacity, and aid in the development of public policy. Those firms will survive and develop new relationships going forward. Our second hypothesis follows:

Firms that provide new services and specialize are able to survive.

⁵Both the legislator and the lobbyist must engage with imperfect information going forward. The legislator and firm may need each other in the future, yet may waste scarce resources maintaining their relationship.

To test these expectations, we draw on both quantitative and qualitative data. We draw on a full set of data from the Florida state legislature, which requires all campaign contributions to be listed online, the dollar amounts, and the source of those amounts. We also rely on a qualitative analysis of interviews with a registered lobbyist and think-tank staff in Florida. These experiences reveal a broader depth and rich context to the role of interest-group firms in the policymaking process than can be understood through campaign donations.

The limitations of quantitative data are evident: the observable set of firm-legislator interactions are in the form of campaign contributions. As such, many theories of contributions are linked to normative arguments over corruption of the lawmaking class. Our ancillary analysis of registered lobbyists in one election cycle in Florida do show that donations do not drive legislator effectiveness, but other measures of capacity do. Our qualitative analysis demonstrates that interest group firms do so much more than donate, and the activities they pursue are – to a large extent – for survival.

4 Quantitative Analysis

The implications of our theory do not lend to easy hypothesis-testing with extant quantitative data. Our argument is that existing measures of interest group behavior are poor predictors of legislative output. Yet the literature suggests two variables that approximate an implication of our argument: firms with high capacity will aid lawmakers who The predominant predictor of interest group output – campaign contributions – is a strong signal of firm capacity. Our preferred measure of legislative output is the legislative effectiveness score (Volden and Wiseman, 2014).

Our hypothesis is that high-capacity firms are associated with lawmakers with high legislative effectiveness. As campaign contributions increase, so too will lawmakers' policymaking productivity. Increased contributions are emblematic of firms with higher capacity, from which they can find productive legislators to work with and create more effective policy. Yet there are a number of reasons why campaign contributions cannot explain all of the relationships between lawmakers and interest group firms; our qualitative analysis explores those dynamics further.

To test our hypothesis, we leverage two datasets of campaign contributions given to state legislators in the Florida House of Representatives.⁶ The first collects all industry group campaign contributions from 1998-2012 (Fourinaies and A. B. Hall, 2018; Fourinaies, 2018) and a total cycle contribution amount directly from the Florida Clerk of the House website, 1996-2016. As our preferred measure is the legislator, and donations are aggregated to term, the unit of analysis is the legislator-legislative term; the dataset includes 326 observations when using the 1998-2012 measure of campaign contributions, and 792 when using the 1996-2016 measure of campaign contributions.⁷

The second dataset consists of all donations from firms with registered lobbyists in one election cycle in the Florida state legislature, 2015-2016. We obtained the amounts donated by each firm to each sitting lawmaker, the geographic location of the firm, and the number of lobbyists hired by the firm. With those granular data, we obtained additional covariates of the state of interest groups in Florida today. Due the small number of lawmakers in the sample, the unit of analysis for this analysis is the individual donation, producing a dataset of 1,681 observations.

Our outcome variable in both datasets is a measure of legislative effectiveness scores (LES) relying on bill proposals in the Florida House of Representatives, 1997-2015. Our measure of legislative effectiveness is adapted from the Volden-Wiseman LES due to the idiosyncracies of the Florida legislature.⁸ The measure is calculated as follows:

$$LES_{it} = \left[\frac{\sum DWDN_{it}}{\sum_{j=1}^N DWDN_{jt}} + \frac{\sum CMTE_{it}}{\sum_{j=1}^N CMTE_{jt}} + \frac{\sum FLOR_{it}}{\sum_{j=1}^N FLOR_{jt}} + \frac{\sum PASS_{it}}{\sum_{j=1}^N PASS_{jt}} \right] \left[\frac{N}{4} \right]$$

Each legislator’s effectiveness score is a fraction of all substantive bills at the four observable phases of the legislative process in a legislative term: DWDN or Withdrawn before assignment to committee; CMTE or received action in at least one committee; FLOR or made it out of committee and received at least some action on the floor; PASS or were passed by the chamber.

⁶Both datasets have sources of missingness. The largest source of missingness is due to the quirks of the Florida legislature, where lawmakers’ bills can be co-opted by committee chairs, leaving them with no measureable policymaking outputs for many years.

⁷Not all lawmakers in the Florida House of Representatives report donations in a given electoral cycle. We treat all missing legislators in a given cycle as having received no donations, even if they were recipients and chose not to report.

⁸We differ from the LES in two ways. First, we do not include weights for substantive or significant bills; we remove all non-significant legislation from the pool of bills. Second, we collapse the categories “Action Beyond Committee” and “Passage” together.

At each phase, the total number of bills each lawmaker had active is a fraction of all bills active at that phase from all lawmakers.

4.1 Data and Method

Our outcome variable – legislative effectiveness – is a useful predictor of legislative productivity. Unlike bill sponsorship and co-sponsorship, effectiveness cannot be used merely for position-taking to constituents (Koger, 2003; Balla and Nemacheck, 2000). Legislators who have high effectiveness scores are able to marshal public support for their bill, work with agenda-setters in the legislature, and build a broad coalition of other lawmakers to ensure passage. The downside of this measure is that we are only able to measure the effects of donations on incumbents: ostensibly, firms provide some capacity to challengers as well, but without winning they cannot produce and pass legislation.

Our main predictors – myriad measures of campaign contributions from industry firms or total donations – are the standard variables used for measuring the influence of interest groups in the policymaking process (Fourinaies and A. B. Hall, 2018; Austen-Smith, 1995; Denzau and Munger, 1986; Herndon, 1982). While our theory argues for a broader conceptualization of interest group outcomes, campaign contributions ought to be at least moderately correlated with all of them. Interest groups can use donations to signal capacity, obtain access, provide resources, try to aid like-minded lawmakers with shared policy interests.

Our second predictor – the number of registered lobbyists in a firm – has received attention but is less frequently empirically modeled. We argue that the latent measure of firm capacity has several facets, and the number of registered lobbyists can show more information than donations to candidates. Firms with fewer registered lobbyists can hire more policy experts who write white papers, host conferences, produce model legislation, or other services of need for lawmakers. By contrast, lobbyist size can show the expertise of the lobbyists involved – more lobbyists theoretically mean greater and/or broader policy proficiency – as well as the firm’s ability to attract clients who can staff a larger organization. The downside to this measure is we cannot observe the number of registered lobbyists from firms who did not donate to candidates.

We report our outcome and set of predictors in Table 2. The mean LES is 0.809, with a

standard deviation of 0.547. Creating a substantive outcome of a LES coefficient is difficult as there are multiple starting points, so for these analyses we compare the effect of a bill moving from committee to the floor; this is where the most legislation dies in more-studied legislatures such as Congress. Let us assume a hypothetical Florida House of Representatives with 120 lawmakers and 1000 introduced bills, 800 bills made it to the committee stage, 400 made it to the floor, and 50 were passed. An average lawmaker who had six bills introduced, one withdrawn before committee action, three that made it through committee, and one passed by the chamber would receive an LES of $1.1925 \left(\frac{6}{1000} + \frac{5}{800} + \frac{3}{400} + \frac{1}{50} \right) \times \frac{120}{4}$. If that lawmaker had one more bill make it through committee before dying on the floor, their score would increase to 1.2675, a change of 0.075.

[Table 2 about here.]

We employ a set of control covariates to account for alternative explanations for high legislative effectiveness. Lawmakers with high vote share may be more effective than lawmakers in competitive elections, so we include each lawmaker’s electoral history. Partisanship ought to explain effectiveness as well; Democrats, perpetually in the minority in Florida, should receive both fewer or smaller donations from industry and have less productivity than majority-party Republicans.

Additional controls include variables include seven covariates that account for committee assignments, tenure in the legislature, and demographic variables such as gender, race, age, and education. Finally, we use unit- and time- fixed effects to account for unobserved heterogeneity. In our dataset of firm donations in the 2015-2016 cycle, we include controls for whether the firm was based in Tallahassee, whether the donation was an in-kind donation, and fixed effects for each firm.

We report fixed-effects and covariate models: by comparing conservative fixed-effects models and covariate models, we may discern if our hypothesis is correct. Our fixed-effects model includes effects for the legislative term (time) and the unit (individual legislator) but we do not consider these models to be causal difference-in-differences as the underlying donation distribution to lawmakers is not identified, nor is their entry and exit in the legislature.⁹

⁹The difference-in-differences approach relies on comparing two groups of units before and after treatment. Our treatment – donations – may not be observed for the large number of individuals who retire from the

5 Results

Table 3 indicates that legislative effectiveness is positively associated with campaign contributions in four of the six models, but in no model is this effect statistically significant. This indicates that more is going on in the relationship between interest groups and legislators. We should not that many firms are omitted from this analysis entirely because they are a type of interest group prohibited from donating to candidates. Yet there are obvious relations between such firms and lawmakers. This finding is consistent with our argument that donations alone cannot predict the ability of legislators to shepherd bills through the legislative process.

[Table 3 about here.]

The other meaningful finding is the partisan divide; lawmakers in the Democratic party are much less effective than their Republican colleagues. This is unsurprising; agenda-setters in the Florida legislature are much more powerful than agenda-setters in many legislatures, and this power is centralized with the Speaker and his allies. Democrats are unlikely to move their policy proposals out of committee, and if they propose a bill that Republicans like, the Republican committee chair can take the bill, call it his/her own, and pass it without any credit due to the Democrat.

What these results indicate is that the traditional metric for measuring interest group influence has flaws. Yes, interest groups do work with legislators, and numerous studies have shown that interest group diffusion of legislation has influence on the policymaking process (Burgess et al., 2016; Kroeger, 2016; Hertel-Fernandez, 2014). Yet on the metric of the success of lawmakers, we are unable to learn much based on the current observable indicators of interest group access.

Our secondary analysis shows that other metrics of firm capacity are associated with legislative effectiveness. We examine the 2015-2016 election cycle donation pool to see if donations improved each lawmaker's legislative effectiveness. As our unit of analysis is somewhat of a mismatch with the previous analysis, we chose to employ fixed effects for the firm rather than the lawmaker – fixed effects for both units perfectly predicts the model and cannot be employed. Those results are reported in Table 4.

legislature or lose re-election. As many of those exits from the legislature are predictable, donations will be demonstrably lower among that subset, and would therefore bias our estimate in favor of a finding when none truly existed.

[Table 4 about here.]

The coefficient of interest – the number of lobbyists in the firm – is negative and statistically significant in both the covariates and fixed-effects models. Moreover, in the covariates model, the number of donations is negative as well. As before, Democrats are much less effective lawmakers than majority-party Republicans.

These results indicate that a relationship exists between firm capacity and legislative effectiveness, but not in the manner previously assumed by the literature. In this small dataset, two measures of firm capacity are negatively associated with the ability of legislators to move bills through the political process. The reasons for this are unclear.

To understand these dynamics more thoroughly, we turn to two interviews with members of interest groups: staffers for a Florida-based think tank, and a registered Florida and federal lobbyist. They have given us more insight into what interest group firms view as valuable to their survival than campaign contributions data.

6 Qualitative Analysis

Quantitative data are limited when it comes to understanding how firms operate. Much interest group activity continues to operate outside the scope of government transparency laws which permit academics to obtain large datasets. We have chosen to pursue qualitative interviews with registered lobbyists to overcome this data limitation. While qualitative data lack some of the scientific rigor of quantitative methods, they are indispensable in many contexts (Bryman, 2016; Gilbert, 2008; Silverman, 2006).

Our approach is straightforward: we conducted open-ended interviews with a registered lobbyist and a staffer for a Florida-based think tank. To preserve anonymity we have hidden their identities and do not provide direct quotes. From these interviews we have assembled a brief description of the activities of these individuals and their co-workers. We then conclude with a brief discussion of our findings and interpretation of these interviews.

Our interviews indicate that firm behavior has diversified in recent years for several reasons. First, deep-pocketed investors have contributed to think-tanks, policy centers, and other firms at the state legislative level in recent years. Second, state legislatures have increased in salience

as devolution, focus on redistricting, and divided government in Washington push power and attention to the states. Third, technology has redefined how legislators speak to each other and their constituents; firms have had to adapt to these transformations.

The early interest group literature gravitated toward two alternative theories: exchange and persuasion. Exchange theories assumed mutually beneficial trades. However, contributions from interest groups are typically small and, ostensibly, insufficient to sway legislators' votes (Ansolabehere, De Figueiredo, and Snyder Jr, 2003). Interest groups also tend to donate to sympathetic legislators rather than opponents or undecided legislators (R. L. Hall and Deardorff, 2006). In an effort to resolve the question of why lobbyists lobby legislators who already agree with them, contributions are used to gain access to—or effort from—existing allies (R. L. Hall and Wayman, 1990). Hall & Deardorff (2006) suggest that lobbying acts as a form of legislative subsidy which provides further explanation for the apparent anomalies that observations of lobbying activity have identified. The fact that most think tanks and research groups face a legal obligation to refrain from more transactional activities may provide an indication of the feasibility of the theory of lobbying proposed by Hall & Deardorff (2006).

While think tanks and research groups are generally nonprofit organizations oriented toward public education, they often promote their preferred solutions to policy issues. As a matter of law, they do not explicitly engage in lobbying activities—they do not, for example, make campaign contributions or endorse candidates or specific bills. However, they do have public affairs staffs and maintain contact with legislators. Given preferences for certain policies over others, contact with legislators, and their apparent ability to influence policy outcomes, it is reasonable to ask how these groups fit into the political science literature on lobbying. Their legal obligation to abstain from campaign contributions and other lobbying activities makes them an ideal case for assessing information-oriented lobbying as a legislative subsidy. Lobbying, advocacy, and interest groups play an important role in the legislative and policy-making processes. However, the nature of their influence is not well understood. Consequently, many theories of lobbying have emerged. We suggest that firms can specialize along three dimensions: information, constituencies, and relationships. Information-oriented firms have policy expertise and influence policy through research, written reports, and expert testimony. Relationship-oriented firms often employ former lawmakers or legislative staff and leverage their

connections within the legislature to influence policy. Constituency-oriented firms mobilize and communicate with legislators' constituents in elections and demonstrations. These strategies or specializations explain the behavior of lobbyists better than models of campaign contributions as exchanges for votes. This exchange is described in Figure 1.

[Figure 1 about here.]

7 Case Study of Think-Tank in Florida

Think tanks provide policy research and analysis across a variety of issue areas. The work that they produce can be disseminated to lawmakers through publications, public events, and direct communication. Non-profit groups do not typically make campaign contributions nor do they endorse candidates or bills. Thus, the exchange theory of lobbying does not explain the influence of such groups on policymaking in the State of Florida. However, the dissemination of information regarding policy could be considered to constitute a legislative subsidy. That is, a grant of resources in the form of information and research labor which substitutes effort by legislative staff.

Non-profit groups communicate and maintain relationships with legislators through regular distributions of their research work. These communications provide legislators with information regarding policies under consideration which they can leverage in an effort to pass legislation. The publications that they produce can be cited by legislators and used to derive talking points to present to constituents. Aside from providing legislators with relevant policy information, the delivery of publications maintains groups reputation among legislators. Some think tanks and non-profit research groups provide expert testimony on policy issues at the state and federal level. They may leverage their research or academic affiliations to signal their expertise on issues of interest to the firm. Many think tanks are based in their respective state's capital. Their close proximity to the legislature facilitates communication with legislators and their staff. Firms host events where they can disseminate information and provide a setting for stakeholders to interact. These activities serve to establish and maintain relationships with lawmakers and their staff. The information that firms provide to allies in the legislature can be used as talking points to communicate with their constituents or to persuade less sympathetic

legislators.

While the work that is produced by think tanks may act as a form of legislative subsidy, these groups clearly differ from the types of organizations that are more traditionally considered to engage in lobbying activities. Most notably, the work that think tanks produce are published to the public, and there are efforts to disseminate this work to an audience beyond lawmakers. They also produce a wide variety of publications—the primary purposes of which may not be to provide a legislative subsidy. While each group certainly varies in the issues and initiatives they pursue, the form of their influence is likely standard for the industry. Member organizations of various national networks often collaborate on projects and share information.

While non-profit research groups engage in a wide variety of activities that are primarily oriented toward public education, the research that they produce can and is leveraged by lawmakers in efforts to pass legislation. In this way, the policy information that non-profit research groups produce can be considered a legislative subsidy. It could be argued that this mechanism for policy influence is a form of lobbying. Moreover, the degree of influence that these non-profit groups exercise provides support for the validity of the theory of lobbying as a legislative subsidy. There are also regulations in place which prohibit non-profit, tax-exempt organizations from engaging in more transactional activities. Research groups cannot legally engage in overtly political activity and refrain from giving endorsements and campaign contributions. However, these findings raise questions about the role of campaign contributions and the more overtly political activities in which traditional lobbying firms engage.

7.1 Case Study: Registered lobbyist

The primary role of lobbying firms in Florida is to facilitate the movement of funds from corporate interests to legislators. They are a conduit between party leadership, legislators, stakeholders, and corporate interests. Leadership in the legislature exchanges access for campaign contributions from lobbying clients. There are explicit expectations for contributions to party members that are expressed to firms through private meetings with party leadership. In fact, firms will include a line-item for ‘political giving’ in their bills to clients. Firms bundle these contributions from clients which are then distributed through political action committees (PACs) controlled by party leadership. Campaign funds are distributed based on committee

assignment, electoral security, and coordination with party leadership.

Lobbyists are able to exercise influence over these legislators because they are the gatekeepers to campaign funds. Lobbyists exercise further power through a ‘screening’ process that occurs during election cycles. Candidates in primary and general elections meet with firms to discuss their policy interests and preferences. These meetings are set up by legislators who actively seek the financial and legislative support of lobbying firms. Therefore, empirical work on campaign contributions from lobbying firms must include contributions from lobbying firms, their clients, and party leadership PACs. Future work should also differentiate between primary and general elections to uncover the dynamics of the candidate screening process. Data that only includes contributions from firms and their staff ignore these important sources of funding that are facilitated by lobbying firms.

Lobbyists also provide services outside of campaign contributions. In Florida, term limits prevent careerism among legislators and present a challenge to continuity within the legislature. Consequently, lobbyists play a central role in the political process. Unlike legislators, firms are permanent actors who accumulate institutional and procedural knowledge. Lobbyists are able to maintain relationships over time and are engaged in repeated play with legislators and other permanent actors including corporate interests and government agency staff. They leverage these relationships to bring stakeholders together to further their shared policy goals. In other words, they facilitate the legislative process by providing the interpersonal “grease” to the gears of government. In contrast, legislators are limited in their ability to form relationships and acquire procedural knowledge because they are constantly entering and exiting the legislature. Most firms are generalists. Even firms that primarily work on one issue tend to exaggerate and seek to expand their services. Nevertheless, firms have specialized knowledge and subject matter expertise. This expertise is unlikely to take the form of whitepapers or policy reports, but firms may contract such work out to consulting firms or policy research groups. Rather, as repeat players, firms have knowledge of previous efforts and legislative history. They are able to identify areas where policy change is feasible and the stakeholders who will be involved in any effort to initiate policy change. In this role, former government agency staff, particularly those with government affairs experience, are highly valuable to lobbyists. They have valuable relationships and knowledge of processes within agencies and are therefore able to facilitate

conversations with relevant stakeholders outside the legislature. Conversely, legislative staff are not particularly valuable to lobbying firms. Their connections in the legislature end once their allies have served their maximum terms. Legislative staff are also unlikely to have substantial interaction with lobbyists because legislation is largely member-driven in the Florida legislature. At the federal level, staff play a more substantive role in the legislative process and are therefore more valuable to lobbying firms.

Term limits in Florida give lobbyists the upper hand in their relationship to legislators. While lawmakers have ultimate control over their voting decisions, they face electoral and financial constraints. Lobbying firms are able to exploit legislators' constraints by exchanging campaign funds for access. The power asymmetry allows lobbyists to influence electoral and legislative outcomes. Firms simultaneously act on behalf of their clients and themselves leveraging their networks and procedural knowledge to facilitate the legislative process. They provide value to their clients in the form of policy change and maintain access to lawmakers by coordinating fundraising efforts. Lobbyists are central to the legislative process. Their services allow lawmakers to secure reelection and make progress on policy goals. In exchange, firms are granted considerable power over electoral and legislative outcomes.

8 Discussion

Interest group firms provide far more than campaign contributions to lawmakers. This is a consequence of the large supply of firms outnumbering the population of lawmakers. Firms thus offer a number of benefits to legislators in order to provide a competitive advantage and survive in the saturated marketplace of firms. Those that survive are able to move policy toward their ideal points, while those that cannot attract lawmakers will fail. Our qualitative analysis articulates some of those benefits, and offers some suggestions for scholars of lobbying going forward.

Quantitative analysis of interest groups requires a broader examination of the types of firm outputs. From conferences hosted to podcasts produced to white papers published, interest groups typify the broader subset of citizen engagement with legislators. Many of these groups are not considered "lobbyists," and they do not perform the typical roles of lobbyists, but their impact on the policymaking climate is no less substantial.

The rules for lawmakers remain relatively stagnant and constant; they are elected by constituents, they pass policy changes through the legislative process, and are judged by the electorate. Interest groups have fewer rules and a dynamic market, both of ideas and competing firms. They must define their own role in this market, based on their own skills, market conditions, and state-level institutional factors. Academic work on interest groups must evolve beyond campaign contributions to understand these dynamics.

The political changes of the twenty-first century require new ways to understand the political actors that shape policy decisions. We argue that this paper begins that process for interest groups. As legislators demand more services from diversifying interest group firms, scholars must build in these new activities and account for these relationships in the policymaking process.

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Figure 1: Orientations of Firms

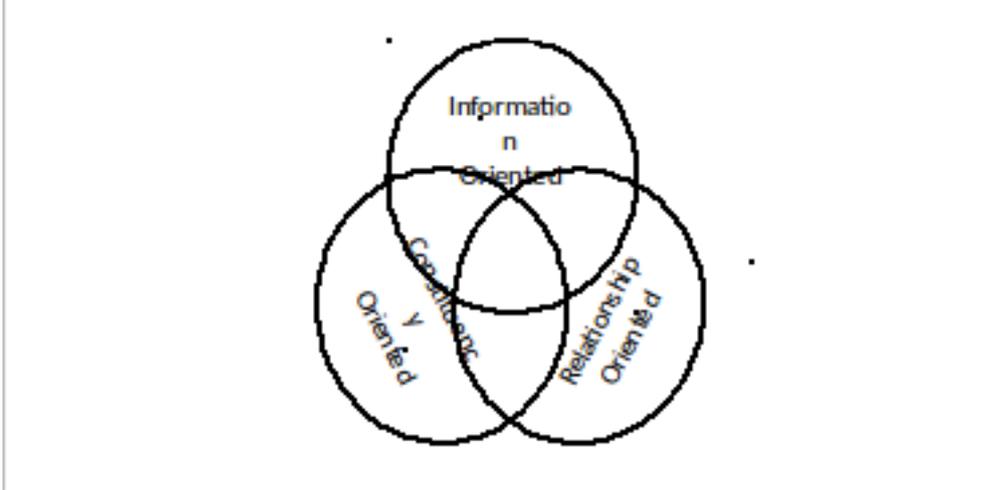


Figure 1: A Venn Diagram of the Orientation of Interest Group Firms

Table 1: Typology of Firms and Types of Services Typically Provided

	Types of Firms			
	Constituent Orientation	Policy Orientation	Relation-Orientation	
Services Provided	Campaign Resources	Yes	No	Yes
	Model Legislation	Yes	Yes	Yes
	Constituent Outreach	Yes	No	No
	Conferences/Testimony	No	Yes	Yes
	Bill Scoring	Yes	Yes	Yes

Table 2: Summary statistics of predictors and outcomes, Florida House of Representatives.

	Mean	Std. Dev	Obs
LES	0.809	0.547	1185
Industry Donations 1998-2012	0.727	0.555	486
Total Donations 1996-2016	1.435	1.222	1024
Donation Amount 2015-2016	537.071	327.961	1681
Registered Lobbyists 2015-2016	7.006	8.211	1681

Table 3: The impact of campaign contributions on legislative effectiveness scores in the Florida House of Representatives, 1996-2016. Standard errors clustered by legislative term in parentheses.

	<i>Dependent variable:</i>					
	Legislative Effectiveness Score					
	Fixed Effects Models			Covariates Models		
Total Industry Donations	-0.026 (0.153)			0.073 (0.065)		
Total Donations		-0.048 (0.050)			0.013 (0.027)	
Industry Donations/Total Donations			0.020 (0.059)			0.005 (0.042)
Vote Share				0.224 (0.219)	0.186 (0.183)	0.201 (0.220)
Democrat				-0.392*** (0.068)	-0.389*** (0.048)	-0.439*** (0.080)
Tenure				-0.007 (0.010)	-0.002 (0.015)	-0.003 (0.013)
Appropriations Cmte				-0.115* (0.064)	-0.014 (0.077)	-0.118 (0.073)
Finance and Tax Cmte				0.002 (0.077)	0.013 (0.051)	0.018 (0.064)
Rules Cmte				-0.022 (0.135)	-0.009 (0.072)	0.00002 (0.140)
Agriculture Cmte				0.117 (0.115)	-0.011 (0.073)	0.110 (0.113)
Education Cmte				-0.074 (0.098)	0.004 (0.037)	-0.084 (0.090)
Health Cmte				0.108 (0.126)	-0.030 (0.098)	0.081 (0.133)
Judiciary Cmte				-0.175 (0.119)	-0.046 (0.071)	-0.186* (0.108)
Female				0.128** (0.060)	0.093 (0.061)	0.132* (0.068)
Age				-0.0001 (0.003)	-0.001 (0.003)	-0.002 (0.003)
White				0.030 (0.081)	0.020 (0.036)	0.036 (0.088)
Business Career				0.041 (0.055)	0.031 (0.052)	0.043 (0.062)
Legal Career				0.154* (0.091)	0.067 (0.072)	0.162** (0.076)
Post-Graduate Degree				0.092 (0.088)	0.074* (0.043)	0.069 (0.077)
Protestant				0.064 (0.101)	0.010 (0.065)	0.052 (0.110)
Intercept	0.375*** (0.076)	1.516 (1.199)	0.317** (0.132)	0.613* (0.337)	0.767** (0.353)	0.777** (0.312)
Legislator Fixed Effects	Y	Y	Y	N	N	N
Legislative Term Fixed Effects	Y	Y	Y	Y	Y	Y
Observations	326	792	312	282	692	270
Adjusted R ²	0.319	0.221	0.334	0.086	0.091	0.083
F Statistic	1.670***	1.558***	1.708***	2.478***	4.822***	2.351***

Note:

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

Table 4: The impact of campaign contributions on legislative effectiveness scores in the Florida House of Representatives, 2015-2016. Standard errors clustered by firm in parentheses. Firm fixed effects included in both models.

	<i>Dependent variable:</i>	
	Legislative Effectiveness Score (Fixed Effects)	(Covariates)
Firm Registered Lobbyists	-0.021*** (0.000)	-0.009*** (0.003)
Donation Amount		-0.0002*** (0.0001)
Tallahassee-Based Firm		0.088 (0.056)
In-Kind Contribution		-0.215** (0.085)
Democrat		-0.515*** (0.036)
Intercept	1.223*** (0.000)	1.137*** (0.059)
Observations	908	908
Adjusted R ²	0.050	0.151
F Statistic	1.403***	2.319***
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01	