

# Money in Exile: Campaign Contributions and Committee Access

Eleanor Neff Powell \*      Justin Grimmer †

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\*Assistant Professor, Department of Political Science, 216 North Hall, 1050 Bascom Mall, Madison, WI 53706

†Associate Professor, Department of Political Science, Stanford University; Encina Hall West, 616 Serra St., Stanford, CA, 94305

## Abstract

Understanding how money influences the legislative process is essential for assessing American democracy, but problems of endogeneity, legality, and observational equivalence make it difficult to isolate the effect of contributions on policy. We seek to answer longstanding questions about the influence of money in Congress by exploiting a congressional procedure (committee exile) that exogenously varies a member's influence over the policy-making process. We leverage exile as an identification strategy to show that business interests seek short-term access to influential legislators. Industries overseen by the committee decrease contributions to exiled legislators, and instead direct their contributions to new committee members from the opposite party. Partisan interests, in contrast, attempt to influence electoral outcomes—boosting contributions to exiled members. Together, we provide evidence that corporations and business PACs use donations to acquire immediate access and favor—suggesting they at least anticipate that the donations will influence policy.

Keywords: Congress, committees, campaign finance, money, influence

Data and supporting materials necessary to reproduce the numerical results in the paper are available in the JOP Dataverse. An online appendix with supplementary material is available on the JOP website.

A record-breaking 81% of Americans disapprove of Congress.<sup>1</sup> One explanation is that the public broadly perceives that there is too much money in politics—causing moneyed interests to receive the attention of Congress, while the problems of the middle-class and the poor remain neglected. Political elites share this assessment: political practitioners, journalists, and opinion writers all regularly bemoan the influence of money in politics. They worry about the tremendous time and energy politicians spend fundraising, and the influence of the unprecedented amount of money circulating in Washington.<sup>2</sup> We leverage a new identification strategy, committee exile, to provide new insights into this long standing problem. Our strategy enables us to disentangle the complicated relationship between power in Washington and moneyed interests donation strategy.

Concerns about the role of money are not new—Congressional investigations into bribery and improper influence-peddling date to the mid-nineteenth century (Thompson, 1995). In response to a weary public and prominent scandals, the federal government has expanded regulation of money in politics, and developed formal legal structures and an expanded investigatory apparatus to investigate outright illegal behavior.<sup>3</sup> Yet, worries about money, the access it buys, and the bias it creates, remain. These concerns range from misallocated funds in the form of earmarks for campaign contributors, to distortions in the policy process. If the allegations are even partially true, then the democratic process has been hijacked by the well-to-do, constituting a substantial breakdown in representation. Examining and documenting the disproportionate influence of the economic elite has been an increasingly active area of research with of recent studies by Bartels (2008), Gilens (2012), Carnes (2013), and Gilens and Page (2014).<sup>4</sup> While a growing consensus has emerged around evidence documenting the

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<sup>1</sup>Rasmussen Reports (2011); Real Clear Politics (2013).

<sup>2</sup>In a recent Pew Study on distrust in government, when asked an open-ended question about “What is the biggest problem with elected officials in Washington?” the modal answer was that they were “Influenced by special interest money,” (Pew Research Center, 2015).

<sup>3</sup>The Office of Congressional Ethics was created in the 110th Congress as an “independent, non-partisan entity charged with reviewing allegations of misconduct against Members, officers, and staff of the United States House of Representatives...”(Office of Congressional Ethics, 2013). In addition to which, investigating public corruption—“a break of trust by federal, state or local officials”—is the Federal Bureau of Investigation’s number one criminal investigative priority (Federal Bureau of Investigation, 2010).

<sup>4</sup>In addition, see Drutman (2015) for a comprehensive study of corporate lobbying and influence.

disproportionate influence of the economic elite, the avenues of influence themselves remain opaque. One of the most frequently mentioned explanations is role of money in the form of campaign contributions. Indeed, Gilens (2012) concludes his seminal book *Affluence & Influence* with a chapter on “Money and American Politics” and the suggestion that campaign finance reform may be the best redress for disproportionate influence.

Understanding how money in the form of campaign contributions influences the policy process is essential for assessing the health of American democracy. But diagnosing how money influences policy-making and where money exerts this influence is difficult. Problems of endogeneity and legality make isolating the effect of contributions on policy difficult to disentangle. Moneyed interests are strategic when donating, often making observational data consistent with contrasting explanations. And neither the donors nor the legislators want this influence to be detected—overtly selling influence is illegal, and transparent donor influence would have negative electoral consequences for legislators while making policy influence more difficult for corporations.

Existing scholarship on the subject of the influence of money within Congress, largely led by the findings of Hall and Wayman (1990) and Hall (1996), suggests that one of the best places to influence the content of legislation is in committee. In committee is where legislation is drafted and amended. This activity is largely hidden from public view, particularly relative to the public activity of roll call voting, and involves only a small number of legislators, which makes it a good potential point of access for those seeking to influence the legislative process.

Building off the insights in this literature, we seek to answer longstanding questions about the influence of money in Congress by exploiting a congressional procedure that exogenously varies a member’s influence over the policy-making process. When Congressional parties lose their majority status after a wave election, their losses are unevenly distributed across Congressional committees. At the same time, the new minority party (the party that lost its majority status) will have a reduction of seats on committees. Together, this creates a surplus of legislators returning to the committee, forcing some legislators to be *exiled* or

involuntarily removed from their committee assignments.

We use exile to gain insight into how legislators' influence over policy affects PAC donation behavior. To identify the effect of policy influence on contribution behavior, we build on the data and approach introduced in Grimmer and Powell (2013), which identifies all instances of committee exile since World War II. Grimmer and Powell (2013) demonstrate that exile occurs through a deterministic process, with the least senior legislators selected for removal. The result is that exiled and non-exiled legislators are strikingly similar to those who remain on the committee in characteristics other than tenure and committee rank. We pair data on exile behavior with industry and PAC donation behavior, and a panel research design. Together, our strategy allows us to identify how donation behavior changes in response to an unanticipated loss of policy power and ensures that we can dismiss confounding explanations for our findings (Romer and Snyder, 1994).

Using this design, we show that business PACs contribute to seek short-term access to legislators with policy-relevant influence, rather than cultivating long-term relationships or influencing electoral outcomes to assist ideologically aligned legislators. Business PACs bail on exiled legislators, reducing contributions to legislators who are removed from committees that oversee corporations' business activities. In turn, these same PACs increase donations to committee members in the new majority, and make even larger increases in contributions to new committee members from the new majority. The result is that exile from committees with wide influence over business—such as Ways and Means—causes a substantial decrease in legislators' PAC-sourced contributions.

Other PACs' donations are consistent with electoral motivations. Ideological and partisan PAC contributors—such as the DCCC and the NRCC—donate to support the reelection chances of co-partisans. After exile, partisan contributors substantially increase donations to exiled legislators, consistent with legislators bailing out vulnerable members of a partisan coalition in order to bolster the party's electoral chances in the following election.

Our findings reveal that access-seeking PACs appear to focus on donations to create short

term relationships with legislators. The decrease in donations to exiled legislators suggests a spot market for legislative access: business PACs contribute to legislators only when those legislators exercise direct influence over industry-specific policy. When the influence is removed, business interests no longer have a reason to contribute to the legislators, and the contributions are reduced. Contrasting predictions from different theoretical literatures, our results show that short-term based policy influence (access-seeking) donation patterns we identify are of the greatest normative concern. The prevalence of short-term relationships creates the appearance of a “pay-to-play” interaction between contributors and legislators. This undermines faith in Congress—even if the actual basis for the contribution is less explicitly access-seeking. Contributions for short-term access also create a distortion in the policy process that favors well-financed interests. Interests with sufficient money ensure that government prioritizes a solution to those interests’ problems. The problems of the less wealthy remain neglected.

## **Extant Empirical Evidence: Influence of Money**

Much of the recent research on the influence of money in politics has focused on identifying a relationship between campaign contributions (PAC contributions in particular) and roll call voting behavior in Congress. This is a logical starting point. Roll call voting is one of the most visible Congressional activities and complete data are now readily available. Further, the mandated reporting of all contributions over \$200 provided nearly complete data on the organizations that contributed to members of Congress. However, despite widespread perceptions regarding the influence of money, and numerous studies, there have been few consistently demonstrated effects of money on roll call votes.<sup>5</sup> Indeed, Ansolabehere, de Figueriedo and Snyder (2003) show in a review of 36 prior studies that scholars rarely identify substan-

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<sup>5</sup>See: Fleisher (1993); Langbein and Lotwis (1990); Grenzke (1989); Wright (1985); Groseclose (1996); Kau and Rubin (1982); Milyo, Primo and Groseclose (2000); Saltzman (1987); Engel and Jackson (1998); Stratmann (1991, 1992, 1995, 2002); Wawro (2001); Conley and McCabe (2012); Wright (1989, 1990, 2004); Lessig (2011); Calcagno and Jackson (1998); Chappell (1982); Jones and Keiser (1987); Neustadt (1990); Moore, Powell and Reeves (2013).

tively meaningful relationships between votes and contributions.<sup>6</sup> Thus over the last few decades, the prevailing wisdom in the discipline based on these empirical studies, is that campaign contributions do not influence policy outcomes.

This prevailing wisdom about the irrelevance of money has not always been the case. Indeed, if we look back further to the political science literature from the 1950s, 1960s, 1970s and even into the 1980s, we see a very different picture (Heard, 1956; Milbrath, 1963; Alexander, 1972; Herndon, 1982; Gopoian, 1984; Langbein, 1986) The literature and evidence from that time, instead paints a picture of of “access” influence in which campaign contributions helped interest groups gain access to members with the hopes of persuading them to vote, act or speak on their behalf. In this paper we are returning to these often overlooked theories, by providing a refined theory of policy-relevant short-term access seeking behavior, in which donors target their contributions toward members of congress who have particular policy influence over an issue domain of importance to the interest group.

Before elaborating upon our theory of policy-relevant short-term access seeking behavior and turning to our empirical evidence, we explain why we believe it is necessary to look beyond roll call votes studies that have been the center of academic inquiry over the last few decades, and moreover why congressional committees are an ideal place to look for influence.

## **Need to Look Beyond Roll Call Votes**

Putting aside, for the moment, the methodological challenges posed by the difficulties of research design in this area (a topic we will return to in the following section), there are two primary considerations that should motivate scholars investigating the role of money in the policy-making process to look beyond the relationship between campaign contributions and

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<sup>6</sup>Ansolahehere, de Figueriedo and Snyder (2003)’s dismissal of a meaningful relationship between campaign contributions and roll call votes, and characterization of the extant research on the subject, has not gone undisputed. In a subsequent meta-analysis, Stratmann (2005) reanalyzed the same studies and rejected their conclusions. Additionally, a few years later, using a different and smaller sample of research and a somewhat different methodological approach, Roscoe and Jenkins (2005) argue instead that “conventional wisdom has been too sweeping in its characterization of money as almost wholly unimportant in roll call voting,” (Roscoe and Jenkins, 2005, pg. 64). Rather, they conclude that one-third of the roll call votes in Congress show influence of campaign contributions.

roll call votes: (1) legality and (2) visibility.

First, legality. The exchange of campaign contributions in return for roll call votes is bribery, and is illegal (18 U.S.C. §201). As the United States Office of Government Ethics (2013) describes, if something of value is given, offered, or promised with the intent “to influence any official act,” it is illegal behavior on the part of the contributor. Conversely, if a public official demands, seeks, receives, or accepts an item of value, it is illegal behavior on the part of the legislator. Research that seeks to examine the relationship between campaign contributions and roll call voting behavior is, in essence, a search for illegal behavior. If that illegal behavior were easily observable to outside observers, presumably many actors—both legislators and contributors—would be going to prison.

Second, visibility. Roll call voting is one of the most public actions a member undertakes. It is high profile and often used by interest groups, journalists, and the public alike to evaluate members. Roll call voting is the most visible form of position taking. Given the potential legal, ethical, and electoral implications of any relationship between contributions and member behavior, we would expect members to avoid, whenever possible, such visible actions and instead prefer to take action at an earlier, less visible stage of the legislative process.

Taken together, these factors suggest that we need to look at the complete legislative process to identify stages more open to influence (Hall and Wayman, 1990; Hall, 1996). The ease of readily available congressional roll call voting data has led to an over-emphasis of the role of roll call voting in the legislative process, and the under-emphasis of other important stages of the legislative process. These other stages of the legislative process are more difficult to study, because they are both less visible and more difficult to quantify. Rather than dichotomous yes or no roll call votes, influence at earlier stages may take the form of adding or subtracting a crucial sentence in a several-hundred-page House Resolution. It can be difficult to trace such changes to an individual, let alone identify when the change occurred and who are the relevant beneficiaries. These characteristics of lower visibility



and greater difficulty in quantifying such changes make them more difficult to prosecute, too. Any politicians concerned about even the appearance of impropriety may prefer these more hidden stages of influence, which makes these stages ideally suited for those seeking legislative access.

## Turning from Roll Call Votes to Congressional Committees

A growing literature looks beyond roll call votes in the search for a relationship between money and political influence, and instead focuses on congressional committees.<sup>7</sup> This effort began with Sabato (1984), Wright (1985), Poole and Romer (1985), Hall and Wayman (1990) and Hall (1996)'s ground-breaking studies, which suggest that one of the best places to influence the content of legislation is in committee. In committee is where legislation is drafted and amended. Further, such committee activity is less visible—making it an ideal place for legislators to exercise influence for corporate interests. While many formal committee hearings are public, many closed-door committee sessions and negotiations are not. Specifically, Hall and Wayman (1990) and Hall (1996) find a relationship between campaign contributions and member activity and participation at the committee level.<sup>8</sup>

Studies of lobbyist behavior also suggest that a legislator's influence is best accessed through his or her committee assignment. Bertrand, Bombardini and Trebbi (2014) show that as members switch committee assignments, lobbyists with ties to that member change the issues on which they lobby. These findings imply both that lobbyists' influence and persuasion is based on a personal-access relationship with the member, rather than policy or substantive expertise, and that a member's legislative influence in different policy areas

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<sup>7</sup>For other studies that explore the relationship between money and access that look beyond roll call voting see: Witko (2006); Calcagno and Jackson (2008); Lessig (2011). See Powell (2009), for an overview of related studies on the influence of money on intra-legislative dynamics (influence within the chamber). For related studies on lobbying and access with a particular emphasis on revolving door lobbyists see: Blanes i Vidal, Draca and Fons-Rosen (2012); Bertrand, Bombardini and Trebbi (2014). Fournaies and Hall (2014*b*) estimate the causal effect of incumbency on campaign contributions, and find that access-motivated contributors (e.g., corporations) target incumbents more than challengers.

<sup>8</sup>It should be noted that contrary to Hall and Wayman (1990) and Hall (1996), Wawro (2000) finds no relationship between "legislative entrepreneurship" and PAC contributions.

is derived from his or her committee assignment.

Perhaps the closest prior work to examine committee switching behavior and PAC contributions is work by Romer and Snyder (1994), which explores the impact of *voluntary* committee movement on PAC contributor behavior in the 1980s. They found somewhat mixed results that vary by committee. They found that for some committee pairs (for example moving from a non-prestige committee to Ways and Means or Energy and Commerce) members gain new PAC contributors and lose very few PAC contributors. By contrast, for other committee moves, such as a move to the Rule Committee, members gain relatively few new contributors and do lose PAC contributors.

Our research design builds on this finding, while addressing three potential limitations of the design in Romer and Snyder (1994). First, legislators sometimes voluntarily transfer between committees, suggesting a potential confounding factor in the switch between committees. Indeed, there are no cases of committee exile, as defined by Grimmer and Powell (2013), during the period studied by Romer and Snyder (1994). Thus in most of their cases they are examining a member moving from a less prestigious committee to a more prestigious committee, and in the remaining cases they are examining lateral moves among non-prestige committees early in a members career. Second, legislators rarely leave certain prestige committees—such as Ways and Means—making it impossible to identify the effect on corporate donations of a seat on a broadly influential committee. Our design leverages involuntary transfers, helping us to limit the potential confounding from voluntary transfers, and ensuring that we obtain estimates for the most influential committees. Third, we examine the policy-relevance of the committee to the industry of the PAC donor, thus allowing us to gain better leverage on the causal mechanism at work.

# Methods of Influencing Policy-Making in Congress

Previous research has identified two primary methods (strategies) of influencing policy-making in Congress through campaign contributions.<sup>9</sup> The first involves influencing elections and the second involves influencing legislation. In this section we review the methods (strategies), and explain how we would expect donors following that strategy to react to a legislator being removed from a committee seat. To guide the reader, Table 1 outlines the methods of influence and summarizes the empirical predictions.

Table 1: Methods of Influencing Policy-Making in Congress

<b>Method</b>	<b>Pred. Aggregate Exile Pattern</b>	
1. Influencing Elections		Increase
2. Influencing Legislation	Short-Term	Decrease
	Long-Term	No Change

The first method is to influence policy-making in Congress by influencing (or at least attempting to influence) elections through campaign contributions (Gopoian, 1984). This strategy involves using donations to elect ideologically sympathetic legislators to Congress (or at least legislators that share the policy-preferences of the donating group).<sup>10</sup> Indeed, Levitt (1998) argues that small donations to elect ideologically sympathetic legislators that have only a marginal influence on electoral outcomes can yield large policy influence in Congress.<sup>11</sup>

When legislators lose a preferred committee assignment through exile they become elec-

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<sup>9</sup>A robust literature exists on the role of lobbying in the policy-making process. For a recent and comprehensive discussion see Drutman (2015).

<sup>10</sup>Some donors, such as party and leadership PACs, target legislators to obtain or maintain majority status (Wand, 2013; Powell, 2009, 2013). Majority status is valuable to legislators for the increased policy influence, the ability to influence the Congressional agenda (Cox and McCubbins, 1993), and even in the hope of receiving greater campaign donations themselves (Cox and Magar, 1999). Members of Congress also use their leadership PACs to donate towards electorally vulnerable members to encourage future loyalty. Prominent members of Congress may use donations to build support for leadership campaigns, attempts to secure committee chairmanships, or even future legislation (Powell, 2009, 2013).

<sup>11</sup>See also: Wright (1985); Austen-Smith (1987); Fox and Rothenberg (2011); Wolton (2013).

torally vulnerable and so PACs motivated by affecting election outcomes will increase donations. Grimmer and Powell (2013) show that exiled legislators lose the opportunity to influence legislation of interest to their constituents, no longer have the the opportunity to tout their powerful positions in the institution to their constituents, and may even find it more difficult to direct new expenditures to the district. Electorally motivated PACs will recognize this new threat and increase contributions to exiled members. This increase will help the exiled legislators offset the negative electoral consequences of losing a preferred committee assignment, and perhaps purchase the legislators' loyalty in future Congresses.

Rather than attempt to influence who is elected to Congress, PACs may follow the second method, and contribute to influence legislation in Congress.<sup>12</sup> The nature of this sought after legislative influence could take a variety of forms. It could, for example, be positive in attempting to get something on the agenda, modify a bill, pass a bill, or negative in attempting to keep something off the agenda, prevent a change to a bill, or prevent passage of a bill. The primary distinction for our purposes here, is whether the donors seeking legislative influence are motivated by *short-term* considerations or *long-term* considerations.

Donors and members of Congress seeking legislative influence may take a *short-term* view of contributions. For example, there may be an explicit spot-market created to sell access, a *quid pro quo* exchange for influence (Grossman and Helpman, 1994, 1996). Under this explicit theory of exchange, PACs contribute to legislators to exert an immediate influence on policy, and legislators are only responsive to the current set of donations from contributors. But short-term theories of donation need not rely upon a market for an exchange of influence (McCarty and Rothenberg, 1996). Instead PACs may make contributions in anticipation that they may need access to a legislator during a legislative term, rather than when the necessity to purchase influence arises. In this short-term access scenario, contributions help to secure meetings with legislators, during which interest groups (themselves or their lobbyists) have the opportunity to provide the legislator with information in the hopes of persuading them

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<sup>12</sup>For related evidence of access-seeking behavior see Gordon, Hafer and Landa (2007) and Fourinaies and Hall (2014a) and Fourinaies and Hall (2014b).

to take (or not take) some action, position, or vote on the group’s behalf.

If PACs are interested in short-term policy influence, then exile will cause a decrease in contributions. When legislators lose their seats on committees they also experience a sharp decline in their influence over policy a given policy domain. PACs and corporations seeking to influence that policy area in the current Congress lose their reason to contribute. The result is that short-term access-seeking models predict that PACs will *bail* on legislators who lack policy-relevant influence, and instead direct contributions to other legislators who are able to influence the policy process.

Rather than use contributions to purchase immediate policy influence, PACs may use contributions to cultivate a *long-term* relationship with legislators to influence policy. PACs may use a series of contributions to ingratiate themselves with legislators and to persuade legislators to exert policy influence useful for PACs (Snyder, 1992; Romer and Snyder, 1994). Romer and Snyder (1994) summarize this view when they argue,

“if it is important for PACs to develop and maintain long-term relationships with representatives to achieve their goals, then there may be a tendency for PACs to continue contributing to representatives to whom they have contributed in the past, even those who move off the committees that the PACs consider to be most relevant” (Romer and Snyder, 1994, 748)

If a PAC contributes to cultivate a long-term relationship with legislators, then a legislator’s exile from a committee will cause no change in a contribution strategy. As Romer and Snyder (1994) argue, long-term strategies to gain access require donations over several years. Abandoning a legislator when they are removed from a committee would undermine the trust cultivated over the relationship—directly undermining the PACs strategy when investing in a legislator.<sup>13</sup>

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<sup>13</sup>We may expect that exile decreases a PAC’s expected return on a legislator. This is true in the immediate term, but exiled legislators received assurances that they would be the first to return to their committees. PACs with a long-term view, then, would recognize that, on average, exiled legislators experience only a short-term drop in their policy influence.

## Using Exile to Disentangle Contributors' Motivations

The strategic nature of campaign donors and the many potential reasons for donations makes identifying the effect of donations on a legislator's position on a committee difficult to determine. Both cross-sectional and dynamic comparisons conflate several explanations, making it difficult to measure how specific characteristics of a legislator affect campaign contributions. For example, standard research designs to measure PAC's electoral motivations for contributions conflate electorally vulnerability with a legislator's political ability. Both business PACs and party leaders want legislators who can effectively advocate their position in Congress. In cross sectional designs legislators who are electorally vulnerable are also likely to be less skilled politicians. Standard panel research designs may also conflate vulnerability with political acumen. The legislators who become differentially vulnerable are likely to have made poor political decisions, revealing their limited political ability. Therefore, in standard research designs we may fail to detect electorally motivated contributions, but only because the legislators who are electorally motivated are lower quality.

Standard research designs to detect how policy influence affects PAC contributions suffer from similar faults. Contributions to legislators on prestige committees may be because those legislators are influential access providers, but it also could be because they are effective legislators who have the political acumen to influence the policy process. Legislators who have the ability to join the most prestigious committees also deliver a set of skills wholly separate from their position in the institution. Studies that look over time at how donations change after a legislator joins a committee do not solve the problem—these studies also conflate increased institutional access to policy influence with a legislator's political skill. When legislators are appointed to high-profile committees they not only gain the ability to exert broad influence on legislation, they also signal to PACs that the legislator is an effective and respected member of Congress. Cross-sectional and dynamic estimates of how committee assignments affect contributions, then, may overstate the effect of access to policy on contributions.

Ideally, we would rely on an intervention that forcibly removed legislators from committees, ensuring that changes in committee assignment did not affect views of a legislator’s ability. To perform this test we leverage *committee exile*—the involuntary removal of legislators from committee assignments after a wave election (Grimmer and Powell, 2013). Committee exile occurs after a wave election causes a party to lose its majority status, which is accompanied by a reduction in the number of seats it has on committees. Because the electoral losses are unevenly distributed across the committees, this creates a surplus of legislators returning to committee assignments. The result is that some legislators will be involuntarily removed from a committee, which we call *exile*.

We examine all instances of exile that occurred from 1980-2012: the period for which we have contribution data. The result is a collection of 152 cases of exile, occurring after the 1994, 2006, 2008, and 2010 Congressional elections. Table 2 provides the number of exiles in each year and across committees. This shows that the bulk of our exile cases—and the instances of exile from prominent committee assignments—occur when Republicans move into the majority. This occurs because Republicans have generally maintained the same pro-majority party ratios on committees as Democrats had, while shrinking committee sizes.

As Grimmer and Powell (2013) show, both Republicans and Democrats select the least senior members of each committee for exile. This rule was used to select legislators for removal in order to maintain party comity. Rosa DeLauro (D-CT), co-chair of the Policy and Steering committee during the wave of 2010 Democratic exiles, stated in an interview with us that she told exiles: “you went off according to seniority, you come back according to seniority.” Our analysis confirms that this rule is followed—seniority is never broken on Ways and Means and Appropriations, and occasionally broken on other committees. Committee rank, then, provides a clear selection mechanism for determining who is removed from committees. Grimmer and Powell (2013) show that this clear selection mechanism results in the exiled legislators and those who remain on the committee, appearing similar

Table 2: Exiles Across Committees and Years

Committee	1994	2006	2008	2010	<b>Total</b>
Budget	9	0	0	11	20
Foreign Affairs	6	0	0	12	18
House Administration	8	4	0	2	14
Intelligence	2	3	0	9	14
Education and Labor	4	0	0	8	12
Appropriations	6	0	0	5	11
Oversight	0	6	0	5	11
Rules	3	0	0	7	10
Ways and Means	3	0	0	6	9
Judiciary	0	3	0	5	8
Natural Resources	0	0	0	8	8
Energy and Commerce	0	0	0	7	7
Banking	5	0	0	0	5
Science	0	0	3	0	3
Economic	2	0	0	0	2
<b>Total</b>	48	16	3	85	152

on a wide array of characteristics, aside from their differences in relative rank.<sup>14</sup>

Exile is also useful because it mitigates the potential confounding from more difficult-to-measure legislator characteristics that plague standard designs attempting to measure PACs' contribution motivations. It is well known that legislators' interests, legislative capacity, and political skill affect their committee assignments. Exiled legislators had sufficient political acumen to originally obtain a seat on the committee, implying that they possess similar interests, capacity and political skill to those who remain on the committee. By comparing legislators who are removed from the committee to those who remain, we limit the potential confounding from these underlying characteristics.

<sup>14</sup>Of course, there are exceptions to the mechanism on non-prestige committees. In order to address the potential violations of our mechanisms, we perform a series of robustness checks on our models. Specifically, we might be concerned that certain committees—such as the Intelligence and Budget committees—rotates its members. We show in our Supplementary Appendix that removing exiles from these two committees does not affect our estimates. Second, we remove any instance of an exile who appears to violate the rule: removed from the committee when a member with lower seniority remains. This too has only a small effect on the estimates.



While exile ensures that selection occurs on observable characteristics, some differences do remain between the legislators who are exiled and those who remain on the committee. We address this in two ways. We restrict our sample, comparing donations to exiles to donations to co-partisans who remain on the committee. This ensures that our comparisons take advantage of the information about committee membership, but do not conflate exile with changes in majority party status. To further limit the differences that may remain between exiles and non-exiles, we estimate a parametric model that conditions on information we have available before and after exile. Specifically, for each legislator  $i$  and at time 1 (post-exile) we estimate,

$$Y_{i1} = \beta_0 + \alpha Y_{i0} + \tau \text{Exile} + \boldsymbol{\beta}' \mathbf{X} + \sum_{j=1}^J \gamma_j \text{Comm}_{ij} + \sum_{t=1}^T \eta_t \text{Year}_{it} + \epsilon_i \quad (0.1)$$

where  $Y_{i0}$  is the value of the dependent variable—campaign receipts—before exile, and  $Y_{i1}$  is the dependent variable after exile.  $\mathbf{X}$  is a vector of co-variates that account for potential confounders—including legislators’ relative rank on the committee, legislators’ prior electoral support, and district characteristics. The variables  $\text{Comm}_{ij}$  and  $\text{Year}_{it}$  are committee and year specific fixed effects, ensuring our comparisons are within committee and within year variation. The coefficient on Exile,  $\tau$ , will be taken as our estimate of the average treatment effect on the treated—how removing a legislator from a committee affects subsequent donation behavior. To examine the committee-specific effect of exile, we interact Exile with committee type. And to examine sector-specific donation behavior, we restrict our model to donations from a particular group of PACs and corporate interests.

Our research design, then, leverages exile, restrictions in the comparison population, and a statistical model to limit potential confounding in our estimates of how access affects PAC contributions.<sup>15</sup>

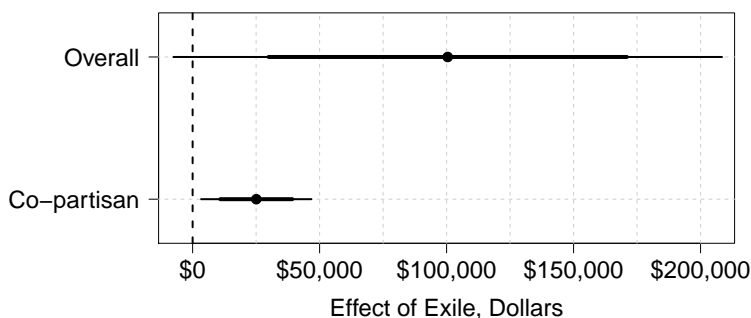
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<sup>15</sup>In our analyses, we restrict our focus to non-retiring legislators. We do this because retiring legislators raise substantially less money. While technically post-treatment, Grimmer and Powell (2013) show that exile has little effect on exiles’ retirement rate. Further, Karol (2015) shows that legislators are retiring increasingly early—making it unlikely that early poor campaign returns are inducing legislators to retire earlier in the electoral cycle.

## When PACs Bail and When PACs Bail Out

We use our robust research design to obtain credible estimates of how legislator influence affects PAC contributions. We first examine the overall effect of exile on PAC donations, which we display in the top line of Figure 1. This shows that exile causes an *increase* in overall PAC donations. Exiled legislators receive an additional \$100,400 in PAC contributions (95 percent confidence interval [-\$7,560, \$208,396]).<sup>16</sup> This increase in overall PAC receipts is substantively meaningful—exile appears to cause a substantial increase in resources.<sup>17</sup>

Figure 1: Overall Effect of Exile and Co-Partisan Donations



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This Figure shows the overall effect of exile on PAC donations, and the effect for co-partisan PACs. The point estimate and the 80 (thick) and 95 (thin) confidence intervals are presented. Overall, after exile, legislators receive more money. A large share of the increase in funds is from co-partisan PACs.

The overall increase in PAC donations is due, in part, to PACs that attempt to influence the outcome of Congressional elections (Wand, 2013). Leadership PACs and each party’s campaign PAC exist to bolster support for co-partisan incumbents in the subsequent election, with the broader goal of obtaining a majority in Congress (Powell, 2009). This increase in support is particularly useful to exiles, who recently lost a source of policy influence and opportunity to deliver policy or particularistic goods to their district.

The bottom line of Figure 1 shows that the co-partisan PACs respond to exile with a

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<sup>16</sup>This finding is similar in size to the effect of exile on overall PAC contributions found in Grimmer and Powell (2013), who do not include data from the exiles after the 2010 Congressional election.

<sup>17</sup>Grimmer and Powell (2013) argue that this is because exiled legislators engage in compensatory behavior, more actively soliciting campaign receipts.

substantial increase in donations.<sup>18</sup> Exile causes co-partisan leadership PACs and Congressional campaign committees to donate an additional \$25,060 to the removed legislators—an increase that is both substantively and statistically significant (95 percent confidence interval [\$3,340, \$46,780]). This is a large increase: before exile, co-partisan legislators donate about \$62,000 to incumbents, on average.

The increase in PAC donations occurs as PACs that seek electoral influence insulate newly vulnerable incumbents who have lost policy influence. This would suggest a model of PAC contributions as electoral influencing—piecing together electoral coalitions to bolster support in the institution (Wand, 2013). And this is certainly the case for some PACs—such as partisan and leadership PACs. But the overall effect masks considerable heterogeneity in how exile from particular committees affects legislators’ contributions.

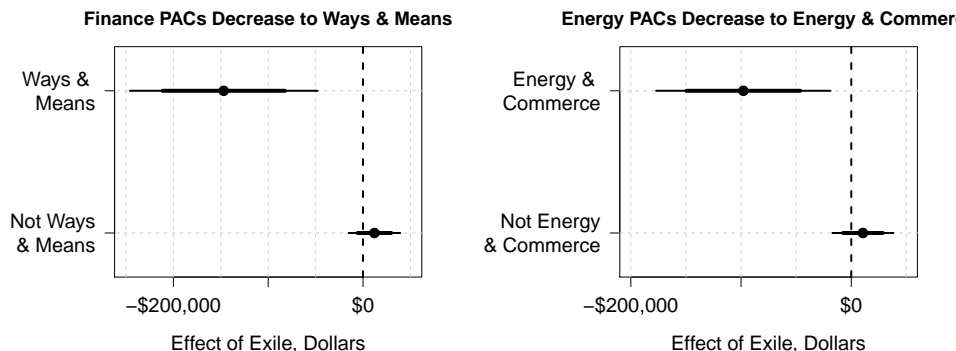
When legislators are exiled from broadly influential committees, the largest decrease in contributions comes from PACs that represent companies under the purview of the committee. This is strong evidence that PAC contributors are seeking short-term policy influence from legislators, rather than cultivating a long-term relationship over a career. Consider the top estimate in the left-hand plot in Figure 2. This shows that removal from the Ways and Means committee causes a substantial drop in donations from Finance PACs—PACs representing corporations that are overseen by the committee. To estimate this effect we use contributions from Financial PACs (as classified by the Center for Responsive Politics) as our dependent variable in Equation 0.1, estimating a Ways and Means specific effect and an effect for the remaining committees.

The top-line of Figure 2 shows that exile from Ways and Means causes a \$146,928 decrease in contributions from Financial PACs—a massive decrease that is both substantively and statistically significant (95 percent confidence interval [-\$245,918, -\$47936]). The bottom line of Figure 2 shows that this decrease from Financial PACs is specific to the Ways and Means

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<sup>18</sup>To create this category we rely on the Center for Responsive Politics coding scheme. Specifically, we group together the CRP codes Z4200, J2300, J2100, Z5200, and Z1200 for Democrats; Z4100, J2200, J2400, Z5100, and Z1100 for Republicans.

Figure 2: Short-Term Influence: Policy-Relevant Industries Reduce Contributions to Exiles from Ways and Means and Energy and Commerce



This figure shows that PACs that are overseen by the committees sharply decrease their contributions to exiles. The point estimate and the 80 (thick) and 95 (thin) confidence intervals are presented. The left-hand plot shows that Finance PACs sharply decrease their contributions to exiles from Ways and Means, while Energy PACs drop contributions to Energy and Commerce. The bottom line in each Figure shows that this is a committee specific effect—exiles from other committees do not experience a similar drop.

committee. Exiles from other committees experience a \$12,020 *increase* in contributions, though we are unable to reject a null of no difference (95 percent confidence interval, [-\$15,200, \$39,244]). The finance industry, however, is not the only industry affected by Ways & Means Committee policy. As the committee that oversees the entire federal tax code, Ways & Means impacts the financial bottom line of all industries. If we expand this analysis to look at not just how Finance PACs respond, but look at how all PACs respond we say that all PACs drop their contributions to members of the Ways & Means committee by \$326,060 [-\$508,280, -\$143,840]. To put these numbers in context, the average House campaign in 2010 cost approximately \$1.2 million (Campaign Finance Institute, 2014), thus the drop in PAC contributions for Ways & Means exiles represents a sizable and substantively meaningful proportion of their overall fundraising.

The right-hand plot in Figure 2 shows that a similar pattern occurs with exiles from the Energy and Commerce committee: the PACs most closely overseen by the committee substantially decrease contributions to exiled legislators. The top estimate shows that exile from Energy and Commerce causes Energy PACs to decrease their contributions \$97,946

(95 percent confidence interval [-\$177,055, -\$18,836]). And as is the case with Ways and Means, this sharp decline is not found among exiles from other committees. Exile from other committees causes a small \$7,337 increase in donations, but again we fail to reject a null hypothesis of no difference.

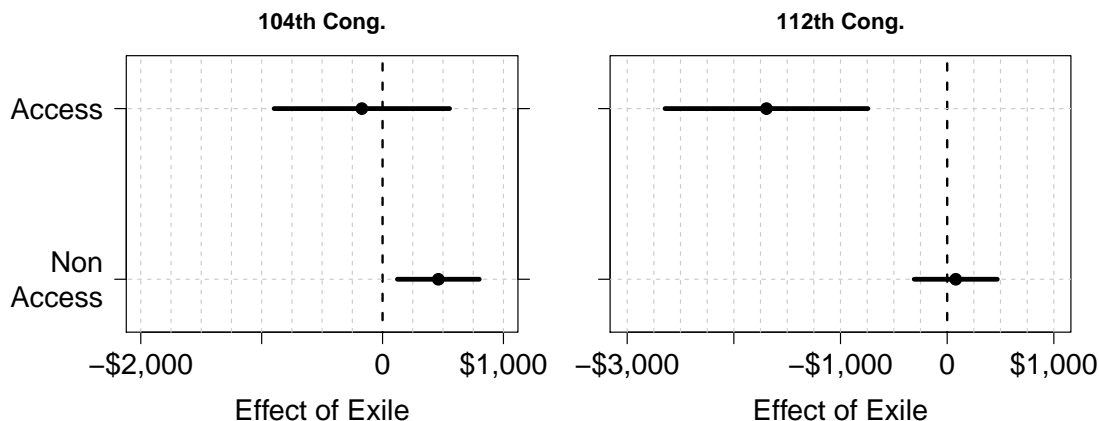
The examples in Figure 2 are indicative of the broader pattern in donation behavior: PACs representing companies overseen by the committee abandon exiled legislators, sharply decreasing their contributions. To demonstrate this, we make use of the Center for Responsive Politics’s classification of PACs. The CRP aggregates PACs into 410 industry codes and then identifies industries that are under the purview of the committees. We use this classification, while also including Financial PACs overseen by the Ways and Means committee, and Energy PACs overseen by the Energy and Commerce committee.<sup>19</sup> We then examine the response at the industry-code level to exile, and estimate the effects of exile for PACs from industries overseen by the committee (which we call access-seeking), and for PACs that are not overseen by the committee. We have information about regulated PACs from the Democratic exiles in the 104th and 112th Congress, so we examine the response separately for each Congress.

The top estimate in the left- and right-hand plots in Figure 3 shows that policy-relevant industries bail on exiles, decreasing their contributions, particularly in the 112th Congress. At this low level of aggregation, we see that on average in 112th Congress, industries under the purview of the committee decrease their contributions \$1,733, (95 percent confidence interval [-\$2683.56, -\$782.26 ]). It is worth noting that the estimates appear smaller here only because we are estimating an effect at the *industry-code level*. When the response is aggregated together, the industry-specific bailing has a large substantive effect on legislators’ campaign receipts. For example, the Banking committee has 32 industries that are considered sensitive—suggesting that exile from the Banking committee causes a \$55,456 decrease in

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<sup>19</sup>We include the additional industries in the CRP coding to more accurately reflect the set of industries affected by regulations from a committee. If we excluded the additional committees from our analysis we would reach a very similar conclusion: that regulated PACs tend to bail on legislators after they are exiled.

Figure 3: Short-Term Influence: Policy-Relevant Industries Reduce Contributions to Exiles



This figure shows that the pattern observed in Figure 2 is more general. The point estimates 95 percent confidence intervals for the effect of exile in the 104th (left-hand plot) and the 112th Congress (right-hand plot). The top estimate shows that after being removed from the committee, exiles receive less money from PACs overseen by the committee, particularly in the 112th Congress. The bottom estimates show that this decrease is specific to the PACs—the same group of PACs do not decrease their contributions to legislators exiled from other committees.

donations from PACs overseen by the committee.<sup>20</sup> The decrease in the 104th Congress is smaller—with regulated PACs decreasing their contributions \$267 and not statistically significant ([-\$1,000.77, \$466.12]).

The policy-relevant industries bolster support for legislators exiled from other committees, though by a smaller amount. The bottom line in Figure 3 again shows that exile from other committees causes a \$367 increase in donations from industries not overseen by the exiles’ prior committee in the 104th Committee ([\$17.34, \$716.96]) and an increase of \$56 in the 112th Congress ([-\$335.58, \$447.72]).

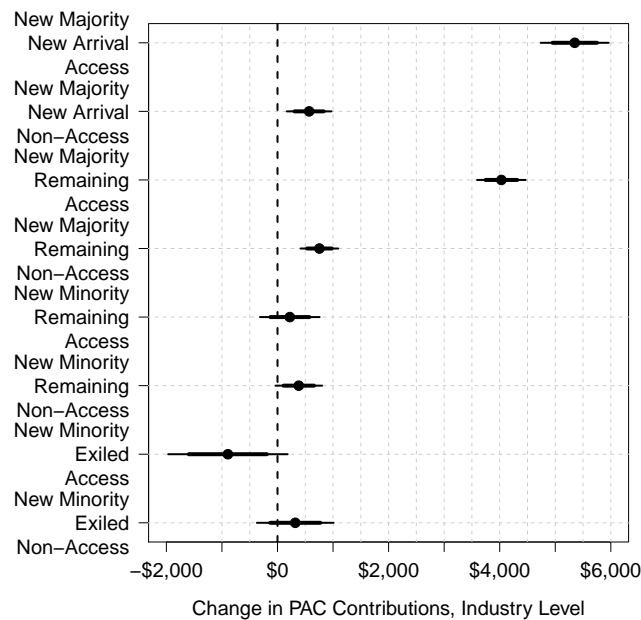
Together, this is evidence that PACs contribute to obtain short-term policy influence from committee members. After exile, this direct influence over the industry is removed and the PACs no longer seek access through campaign donations.<sup>21</sup> This short-term access-seeking

<sup>20</sup>To provide a few more examples, the Energy & Commerce committee has 85 policy relevant industries, resulting in a drop of approximately \$147,305 and Transportation and Infrastructure has 44 policy relevant industries, resulting in a drop of approximately \$76252.

<sup>21</sup>An alternative interpretation of this finding is that members of Congress stop soliciting contributions from these industries when exiled, and this finding is thus driven by this change in member’s behavior. This alternative interpretation, while possible, seems an unlikely explanation unless members had been

for influential legislators is even more apparent when we examine where the policy-relevant PACs direct their money after legislators are exiled. To examine where industry PACs donate money after a new majority arrives in Congress, we depart from our research design built around exile, and instead examine the change in industry-specific donations to committees that oversee the industry and committees with no direct policy influence. We examine this change for four groups of legislators: (1) legislators who are exiled from the committee, (2) members of the new majority who are new arrivals to the committee, (3) members of the new majority who remain on the committee, and (4) members of the new minority who remain on the committee.<sup>22</sup>

Figure 4: Short-Term Influence: Policy-Relevant Interests’ Direct Contributions to New Members from the New Majority



This figure shows that PACs that are overseen by committees have the largest increase in donations to members of committees with the largest increase in influence—members of the new majority who are new to the committee. The point estimate and the 80 (thick) and 95 (thin) confidence intervals are presented.

given reasons to believe such solicitations would be unsuccessful. Our previous research on committee exile (Grimmer and Powell, 2013) suggests that after exile members pursue re-election and fundraising with greater diligence than they did previously.

<sup>22</sup>We focus this analysis on three of the most important committees for our analysis—Ways and Means, Energy and Commerce, and Banking—in the 112th Congress.

Figure 4 shows the industry-level change in donations—demonstrating that PACs increase donations to legislators who experience the greatest change in their ability to immediately influence policy. We estimate the change for each of the three groups on both types of committees with a relatively simple model with few controls.<sup>23</sup>

The bottom two lines in Figure 4 show the change in contributions for exiles under this research design—demonstrating that the basic pattern we uncover with our analysis is robust to this different specification, with fewer controls. The next two lines in Figure 4 show that remaining committee members who are now in the minority experience essentially no change in donations—either from industries closely overseen by the committee (second from the bottom line) or from industries that are not closely overseen by the committee (bottom line). Unlike exiles, minority legislators remain on the committee do not suffer a contribution penalty for being in the minority. This is consistent with short-term influence seeking. Minority members who remain on the committee can still provide access for industry to raise their concerns, and can still offer influence over legislation.

While there is no change in contributions for the remaining members of the new minority, there are large increases in contributions to members of the new majority who were previously on the committee. An increase in these legislators' influence over legislation is met with an increase in contributions. The middle two lines show that previous members of the committee who are now in the majority see a boost in donations. The fourth line from the top shows that legislators in the majority experience a \$754 increase in per-industry donations that are from industries not closely overseen by the committee (95 percent confidence interval, [\$412, \$1,096]). But the increase from industries that the committee closely oversees are even more substantial—these industries increase their contributions a striking \$4,030 (95 percent confidence interval [\$3,593, \$4,466]). Newly arrived members of the committees—also members of the new majority—experience a similar increase in donations from industries

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<sup>23</sup>We estimate the change with a multi-level model with individual legislator random effects, though without the controls in Equation 0.1. The findings presented here are robust to a variety of alternative specifications. We use the simple model because some of the controls, such as relative rank, are undefined for some of our cases.



not overseen by the committee. New members of a committee receive an additional \$568 per-industry not closely overseen by the committee (95 percent confidence interval [\$165, \$971]).

The short-term influence-seeking is most apparent in the boost in contributions to the new committee members. Newly arrived members of the committees receive an additional \$5,350 per member from policy-relevant industries (95 percent confidence interval [\$4,744, \$5,955]). Policy-relevant industries recognize the potential access and influence of the new committee members and contribute to immediately seek this short-term influence.<sup>24</sup>

Taken together, the results in Figure 4, indicate that while PAC donors stop contributing to members who lose influence over their policy area of interest, they start donating instead to members who experience the greatest increase in access influence—access influence over the industry’s policy domain.<sup>25</sup> Of particular interest is that these members experiencing the greatest increase in contributions are members from the opposite party. For example, let’s imagine a Democrat is exiled from the Ways and Means committee. PAC donors will stop contributing to her, and will instead contribute to her ideological opponent—namely the Republican who receives her old seat on the committee. These access-seeking donation patterns we observe in the data, are in direct contradiction with and hard to reconcile with ideological or partisan giving.

While leveraging a committee exile design has numerous advantages from a research perspective that we have previously discussed, there are two potential limitations, namely concerns about exogeneity and external validity, that deserve consideration. First, regarding exogeneity, one might be concerned about whether changes in party control that lead to cases of exile are actually unanticipated. While some electoral trends such as midterm

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<sup>24</sup>The estimates for newly arrived members also demonstrates that the traditional research designs are likely to be biased severely upwards when estimating the value of committees. This is because the individuals who are selected to join the committee are likely to be quite different—in particular they are likely to be among the most energetic members of the new majority. This would then attribute part of the fundraising prowess from this group to joining the committee, overestimating the value of the committee.

<sup>25</sup>It is worth noting that the results presented here are aggregated at the industry level, not the individual PAC level, so it is possible that one PAC from that industry is reducing contributions while another is increasing contributions.

loss are predictable, the magnitude of the seat gain or loss is often difficult to anticipate. Moreover, cases of exile arise from the combination of the following three factors: a large loss of seats that substantially changes the committee ratios, an uneven distribution of electoral losses across congressional committees, and the members seniority within the committee. Taken together this is a complicated calculation, particularly for junior members who may be entirely unaware that they could lose their committee seats as almost by definition they were not in Congress the last time such a thing occurred.<sup>26</sup> In addition to the difficulties of predicting cases of exile, it is also an unusual and rare event. Indeed, prior to Grimmer and Powell (2013)'s study, it had never been studied by congressional scholars, and with the exception of a handful of media reports following the unprecedented number of exiles following the 2010 congressional election, had rarely receive press coverage.

To the extent, however, that these events are anticipated by members and donors, this could potentially introduce bias into our estimates. How might this bias the results? Donors who anticipate a party losing their majority, might stop contributing to that party the moment they reach that conclusion. Donors who further anticipate a party not just losing their majority but also that exile will occur, might also immediately stop contributing to low seniority members of that party they expect to be exiled. In both these cases, it means that contributions in the period prior to the election and exile might be lower than they would have been otherwise. This would lead us to under-estimate the contribution loss from exile, because the pre-election contributions are lower than they would be absent any anticipation. Thus, it is possible that we are underestimating the effect of exile, and the true contribution loss could be even higher.

Turning to the question of external validity, the exile design revolves around the fate of relatively low-seniority members, and how donors respond to their loss of policy influence. The effects of exile we have identified are thus local estimates for these relatively low-seniority

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<sup>26</sup>For example, following the 2010 election, Congressman Bruce Braley who was exiled from the Energy & Commerce Committee expressed his surprise after learning about it, and in an interview with Politico said, Its a strange new world. Im disappointed by the harsh reality of this election and its impact on the ratios, (Allen, 2010).

members. How might these findings generalize to more senior members who are likely to be more influential in the legislative process? One might imagine that donors seeking short-term legislative influence would be likely to target their contributions toward the members with the most influence over the policy domain that they care about. Such that prior to exile, more senior members might be more likely to be the recipient of influence-seeking contributions. Thus, after exile, the shock to their fundraising could be substantially larger since they have more to lose, suggesting that in effect we might be underestimating the effect of exile.

## Conclusion

Together, our evidence makes the case that industries under the purview of the committee use contributions to cultivate a short-term relationship with committee members and to seek short-term influence over policy. Legislators who are exiled experience a sharp drop in contributions from PACs overseen by their committee. Instead, policy-relevant PACs direct their money towards legislators who can continue to provide influence over policy—maintaining the same contribution levels to minority party members who remain on the committee. And policy-relevant PACs under the purview of the committee increase contributions to members of the majority on the committee and provide an even larger increase to new members of the committee from the majority party. Corporate interests *bail* on the exiled legislators. Partisan PACs, in contrast, have an electoral motivation for contribution, bailing out legislators who lose their influential committee assignments.

Our findings contribute new insights into the role of Partisan PACs in Congress. We show that these PACs often soften the effects of minority party status. Leadership PACs contribute to newly vulnerable members, in part helping to compensate for the loss of policy influence that accompanies losing a committee seat. It also allows the party leaders to demonstrate they are not singling exiles out for punishment after being removed from a committee.

In contrast, business PAC contributions are consistent with a spot-market for short-term policy influence. Policy-relevant PACs under the purview of the committee use contributions to buy short-term access to influential legislators and then abandon those legislators when they lose direct influence over the PACs' industry. Instead, PACs from industries overseen by the committee direct their contributions towards legislators who maintain influence over policy. While not explicit, contributions to obtain short-term influence create an appearance of corruption. It appears that PACs and corporate interests use donations to solicit favors and to change policy. In turn, members of Congress appear to require donations to be attentive to problems.

PACs from industries under the domain of the committee do not, however, appear concerned with cultivating long-term relationships with legislators. This may occur for several reasons. Consistent with the spot-market for influence in Congress, legislators may be unable to credibly commit to not accepting industry contributions once they return to power (McCarty and Rothenberg, 1996). Without the ability to credibly commit to future sanctions, PACs may feel comfortable bailing on legislators who are no longer on the committee. This is particularly remarkable, because PACs planning for the long-term know that exiles are first in line to return to the committee. In spite of this high likelihood of return, PACs direct their money to the new members. Short-term legislative influence appears to be the concerted goal.

Before we conclude, a few caveats are in order. We want to highlight that donation patterns we have uncovered about how relevant industries respond to a loss of policy influence (committee exile) creates an appearance of corruption—the key word being *appearance*. Undertaking a search for “smoking-gun” evidence of corruption is beyond the scope of this study and a topic for future research. It is also worth noting that legislative access and a contribution strategy designed to influence the legislative process in the short-term is neither necessary nor sufficient to achieve actual changes in policy.<sup>27</sup> While some questions and

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<sup>27</sup>See Denzau and Munger (1986) for a model of how unorganized groups can be represented without needing to make campaign contributions, and Wright (1996) for an alternative Information Theory perspective

ambiguities remain for investigation in future research, the evidence of short-term legislative influence oriented contributions by savvy political elites election cycle after election cycle is strongly suggestive of the notion that they are archiving some desired end.<sup>28</sup>

Even if not explicit, the appearance of corruption undermines the public's trust in Congress. This is exacerbated by the distortions in the policy process that contributions for short-term influence create. Exploiting committee exile as an identification strategy, our paper provides further evidence that moneyed interests donate to seek access because of legislators current power. When legislators receive contributions in exchange for short-term influence, they prioritize the problems of corporations and PACs with sufficient funds to make a contribution. The policy problems of less well-financed interests are therefore disadvantaged. Perhaps, then, it is not surprising that the public has such scorn for Congress.

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of contribution patterns.

<sup>28</sup>See Powell (2012) for evidence regarding the influence of campaign contributions in state legislatures.

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## **Biographical Statement**

Eleanor Neff Powell is an assistant professor of political science and Trice Faculty Scholar at the University of Wisconsin-Madison, Madison, WI 53706. Justin Grimmer is an associate professor of political science at Stanford University, Stanford, CA, 94305.