The Influence of Corporate Lobbying on Federal Contracting*

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In 2001, the U.S. Air Force initiated a procurement process to replace its aging KC-135 refueling tankers. Ten years later, in early 2011, it finally decided to offer a contract to Boeing for 179 of its KC-46 Pegasus tankers, resulting in an enormous $49 billion contract for the aerospace company from the federal government (Monroe Airspace 2018). After delays, the first tankers were delivered in 2019, even though they had several outstanding category-1 deficiencies, a military term used to describe the most serious technical problems (Insinna 2019). Boeing and Airbus, the main competitor with its A330, knew that securing the $49 billion contract would certainly be a major success for both companies. What is most interesting, though, is how much Boeing paid to lobby for this contract, despite having the advantage of being the American company in this process. In the three years leading up to the decision to go with the KC-46, Boeing increased its lobbying expenditures by over 82%, from $29 million between 2005-07, to $53 million between 2008-10 (Center for Responsive Politics 2019; O'Connell and Lamothe 2019). In other words, even with Boeing's competitive advantage as an American company over the European Airbus, Boeing executives still thought it necessary to increase its lobbying expenditures to secure this massive contract.

How and why do corporations like Boeing lobby for procurement contracts? While scholars have produced excellent work on the politics of procurement, it has tended to be focused on Congress (Hogan et al. 2010; Witko 2011) or aggregated to the point where it is difficult to disentangle the effects of lobbying one branch rather than another (Hadani et al. 2017). This has left a large hole in our understanding of the influences on contract decision making. While corporations may often refrain from lobbying on goals of collective interest to the general business community, leaving that to their umbrella trade associations, when it comes to lobbying for contracts worth billions of dollars, they have a powerful incentive to exert as much influence as possible. With billions in taxpayer dollars at stake, we find firms pouring significant financial resources into lobbying government agencies. Indeed, some very large corporations survive today almost entirely on federal contracts, creating an almost a zero-sum quality to procurement lobbying since a contract for one business is often a contract lost to another. For these reasons, studying lobbying for contracts ought to be fertile grounds for studying the political influence of business.

In this paper, we examine patterns of corporate lobbying for executive branch contracts. In order to do this, we create a unique data set consisting of more than 200 of the top corporate contract winners in five sectors (Defense, Education, Agriculture, Healthcare, and Energy) from 2005 to 2014. We analyze the effects of direct lobbying of the administrative agencies by corporations, as measured by the amount of money corporations spent each year on lobbying with data from the Lobbying Disclosure Act. We also study the effect of the direct lobbying of, and campaign contributions to, members of Congress, who may be willing and able to influence the procurement process on behalf of a favored business. As it turns out, even after testing several ways corporations can make strategic campaign contributions, including a focus on contributing to home-district legislators or powerful committee chairs, we find that direct lobbying of contract-awarding agencies yields the most lucrative contracts. Finally, we conclude by discussing what these finding mean for the literature on corporate influence in American politics.

Looking for Corporate Influence

For a subject that has drawn so much attention from scholars for so long, it is surprising how inconclusive our findings are regarding the influence of business in American politics. Broadly speaking, while businesses constitute a large part of the Washington, D.C. lobbying community (Schlozman and Tierney 1986; Drutman 2015), their collective influence was believed to be relatively weak until organized by trade associations like the U.S. Chamber of Commerce and National Federation of Independent Businesses in the 1980s (Vogel 1989; Waterhouse 2015). Hansen and Mitchell (2000), however, argue that this resurgence tells us little about individual business influence because many corporations believe they have more to gain by lobbying alone for benefits that enhance their bottom-lines at competitors' expense than by working with these competitors by contributing to collective action (also see Lux, Crook, and Woehr 2011). There is certainly evidence that individual corporate lobbying improves business performance (Chen et al. 2015; Goldman et al. 2013). For instance, in their analysis of lobbying expenditures and corporate tax rates, Richter et al. (2009) found that businesses that increase their expenditures by 1% in one year realize a corresponding reduction of 0.5 to 1.6 percentage points in their tax rates the following year. Other work found that the average rate of return corporations received for each $1 they spent lobbying the American Recovery and Renewal Act in 2009 was at least $220 (Alexander, Scholz, and Mazza 2010).

Yet even after pursuing multiple avenues of research, scholars have yet to uncover much systematic evidence of just how and where individual corporations exert influence. Take corporate campaign contributions to elected officials. Hansen and Mitchell (2000) found that corporations form PACs when they expect big issues affecting them to emerge on Congress' agenda, but there is little evidence that their contributions actually influenced committee or floor votes. McKay (2012) and Witko (2014) found that while business contributions may have stopped undesirable policies from passing, they were rarely influential enough to push Congress into enacting pro-business policies. Wright (1990) argues that contributions do not influence votes at all, but open doors, giving lobbyists opportunities to build relationships with legislators. Yet while relationships with lawmakers are certainly valuable to corporate lobbyists, their usefulness in policy battles can prove inadequate when confronted with the grassroots and media tactics employed by public interest groups and labor unions (Hojnacki et al. 2015).

One possible explanation for these null findings is that we have looked in the wrong places. If businesses typically seek public benefits narrowly targeted at themselves, then rather look for attempts to influence Congress, which deals with broad policy questions affecting regional and national constituencies, it arguably makes more sense to search for business influence in the executive branch. The resources, experience, and industry expertise they can call on are arguably more useful for shaping details in administrative rules to support the specific needs of individual businesses (Gormley and Balla 2004; Drope and Hansen 2004). Yet even here evidence of corporate influence is hard to find. Research on corporate influence in the filing of comments for or against proposed administrative actions has still not found evidence of a business advantage (e.g., Golden 1998; West 2004, though work by Yackee and Yackee 2006 has found limited evidence of it). While scholars have identified other opportunities for corporate influence in the executive branch, such as participation on advisory committees (Balla and Wright 2001; Lavertu and Weimer 2011), and limiting the range of "legitimate" interests that agencies contact for public input when they develop new regulations (Gormley and Balla 2004, p. 104), clear evidence of actual influence remains elusive.

We argue that scholars have still been looking at the wrong kinds of activity. Most of the research has been in the context of contentious issues, instances where other organized interests are fighting to blunt corporate influence (Hojnacki et al. 2015). Yet corporations only sporadically lobby on broad questions of public policy, preferring to leave that work to their trade associations (Hansen and Mitchell 2000; Brasher and Lowery 2006). This suggests it might be useful to look for business influence in circumstances where there is little public attention, little interest group competition, but lots of opportunity to for individual corporations to benefit themselves at competitors' expense. One such opportunity is the awarding of procurement contracts. Through the procurement process the government provides lucrative contracts to businesses, so lucrative that some corporations depend on them for survival. CEOs thus have a very clear incentive to influence the contracting process, yet this opportunity to assess corporate influence has largely escaped scholarly attention.

Politics and Federal Contracting

In this section, we provide a general overview of the federal procurement process and identify points where legislators and executive branch officials might wield influence, which leads to two general hypotheses regarding the effects of lobbying aimed at Congress and the White House. We then focus specifically on the agencies awarding contracts at their discretion and their potential susceptibility to corporate lobbying efforts. This leads to our third hypothesis predicting that lobbying bureaucratic agencies leads to the awarding of lucrative federal contracts.

Legislative and Executive Branch Influence

Like all government activity, the federal contracting process functions in a complex web of interests and procedures involving the executive branch, potentially the legislative branch, and even a broader electoral environment. While rules exist to ensure that the process serves the public interest, it is hard to imagine that when billions of dollars in potentially recurring contracts are at stake and thousands of jobs are on the line, that it would not become political, especially since congressional budget committees must sign-off on agency requests to offer contracts.[1] Legislators shape tax laws and public assistance programs so that public funds are redistributed to favored constituencies in return for electoral benefits (Becker 1983; Dixit and Londregan 1998), so we should also expect them to use whatever levers of power they control to similarly influence the awarding of contracts (Arnold 1990; Cueller 2012; de Figueiredo and Silverman 2006). Directing contracts to their states or districts means legislators can claim credit for any resulting increases in economic stimulus and employment (Coate and Morris 1995; Dixit, Grossmann, and Helpmann 1997; Lee 1999). An example is the distribution of funds though President Obama's 2009 American Economic Recovery Act, which only passed Congress after giving something to nearly everyone regardless of whether a provision would stimulate the economy (Gimpel, Lee, and Thorpe 2012).

While bowing to congressional pressure does not arguably produce a fair contracting process, and there is only limited evidence that Congress can constrain agency decisions (Moe 1987; Shipan 2004), senior administrators are nonetheless mindful of legislators' desires. Since Congress controls agency budgets and can engage in vigorous, and sometimes even painful, oversight of agency actions, administrators must try to align their organization's needs with those of Congress (Bertelli and Grose 2009). Knowing this, lobbyists for corporations in a lawmaker's district might convince the legislator that helping the corporation land a contract is good for constituents in the district, which arguably would not run up against congressional ethics rules. The legislator may not be able to directly pressure the agency into awarding a contract, but he or she may structure appropriation bill language to give the corporation an advantage, or perhaps just contact the executive branch administrator to explain the merits of the corporation's bid for a contract. In return, lobbyists trumpet the contract's benefits in the legislator's district near election day.

Assuming that legislators can influence executive branch contracting, since power is distributed asymmetrical in Congress, some lawmakers may have greater influence than others over specific agencies. Committee membership, for instance, gives lawmakers greater oversight or budgetary control over agencies under their committee's jurisdiction, but little influence over other agencies (Deering and Smith 1997). Committee legislators, especially committee chairs, might structure appropriations or authorizations bills to give preference to particular corporations when agency officials prepare their requests for bids, or legislators may simply contact administrators and ask that "special consideration" be given to certain businesses. Consequently, Taylor (2010) finds legislators on the Armed Services and Appropriations committees securing more Department of Defense (DOD) dollars for contractors in their districts than other lawmakers. Similarly, Balla et al. (2002) find legislators on committees with jurisdiction over higher education funding successfully directing funds and contracts to universities in their districts. Levitt and Snyder (1995), however, find that party affiliation has the greater influence over the distribution of federal assistance program funds, and Carsey and Rundquist (1999) find that majority party members, and especially party leaders, receive the lion's share of DOD contracts.

Arguably the politician with the greatest power to influence the distribution of federal funds, and the political motivation to do it, is the president, so it is not surprising that research has revealed a connection between federal spending and votes for parties and presidential candidates (e.g., Einstein, Trump, and Williamson 2016; Miller 2016). As an elected official, the president may see federal spending in electorally important battleground states to be a way to bolster the chances for reelection by party members for himself and other politicians from the same party (Berry, Burden, and Howell 2010; Kriner and Reeves 2012; 2014; Larcinese, Rizzo, and Testa 2006; Taylor 2010). While there is little evidence that presidents and their senior aides can control the entire bureaucracy (Balla 1998), they are often able to focus pressure on a few agencies, especially the Department of Defense, which awards enormous contracts, and can make life very unpleasant for career civil servants who do not adhere to presidential priorities when awarding contracts. Lobbyists for politically active companies may thus direct their time and advocacy towards building relationships with presidential aides in the Executive Office of the President (EOP) in hopes of getting contracts for their clients.

While data limitations prevent us from testing all of the subtle ways Congress and the president may try to influence on the procurement process, we can test these two broad hypotheses:

H1: As lobbying efforts by a corporation aimed at the Executive Office of the President increase, the value of federal contracts awarded will also increase.

H2: As lobbying efforts by a corporation aimed at Congress increase, the value of federal contracts awarded will also increase.

Agencies and the Procurement Process

There is, we argue, another expectation when it comes to corporate lobbying for contracts - that lobbyists will bypass Congress and the EOP and go directly to the awarding agency simply because of the way the procurement process works. It begins when federal agencies propose their budgets for the upcoming fiscal year, including requests for contracts, and send them to the Office of Management and Budget (OMB). Once the requesting agencies and OMB consent, requests are reviewed by the Congressional Budget Office (CBO), which sends its recommendations to the appropriate House and Senate Budget Committees. After the requests receive legislative and executive adjustment and approval, agencies solicit applications from contractors via the System for Award Management (SAM) website. Potential businesses then post their applications on the site for the bidding process to commence. There are 28,000 contracting officers (COs), 75% of them in the Department of Defense (DOD), who award the contracts and serve as official buyers of goods and services for their agencies (Stanberry 2013).

The rules that guide the federal procurement process can be found in the Federal Acquisition Regulation (FAR). The now almost 2,000-page long FAR became effective in 1984 and provides for "coordination, simplicity, and uniformity" (Federal Acquisition Regulation 2019, 48 C.F.R. §1.102) across all executive branch agencies. While some guiding principles refer to minimizing administrative operating costs and the overarching need to fulfill the needs for quality, cost-effectiveness, and timeliness, there are two core principles particularly relevant to lobbying - integrity and fairness. As explicitly laid out in FAR, 48 C.F.R. §31.205-22, any lobbying that tries to influence federal, state or local legislation in order to directly reduce the cost of delivering a contract is illegal. Also, lobbying that attempts to avoid material costs as part of the contractor's duty to deliver the contract is not allowed. The only kind of permissible lobbying is the provision of technical and factual information related to the performance of a contract. Beyond that, potential contractors are not allowed to engage in "improper influence," meaning any influence that encourages or tends to encourage a government employee or officer to act regarding a government contract "on any basis other than the merits of the matter" (FAR, 48 C.F.R. §3.401).

While the Competition in Contracting Act of 1984 requires the government to use full and open competition for the procurement process, there are exceptions. Some include situations where only one reasonable source for a contract is available, where there are unusual and compelling emergencies, and if international agreements between the United States and a foreign government regulate the conditions of contracts. Yet if statutory requirements in specific legislative acts create exceptions, often justified as essential for national security or general protection of the public interest, these may also be opportunities for legislators to use statutes or appropriations language to influence the contracting process to favor some businesses over others. Furthermore, it is not uncommon for corporate lobbyists to try to convince executive and legislative branch officials that their goods and services are so important to the public interest that they should be exempted from the full and open competition requirement (Stanberry 2013). How frequent are exceptions to full and open competition? In 2008, President Obama noted during his campaign that in 2006 alone, "the federal government spent $206.9 billion on contracts awarded without full and open competition" (Obama for America 2008). This would mean that about 50% of all federal contracts in 2006 were given out without conforming to the regular competitive process.[2] If political considerations matter, then the door is open to lobbying and influence.

Even so, while agency officials are embedded in a fundamentally political environment, they are generally assumed to be driven by a desire to serve the public good by implementing policy as faithfully as possible to their legislative mandates (e.g, Brehm and Gates 1997; Gormley and Balla 2004). This suggests that they want to award contracts in ways that increase the overall benefits to the public, what economists call "increasing social welfare" (Ball 1995; Dixit and Londregan 1998). In other words, agency officials want to award contracts to corporations best able to fulfill their statutory mandates and thus, as they see it, serve the public good. This, in turn, means lobbyists then must convince officials that awarding contracts to their corporate clients meets these mandates and serves the public interest. Opportunities for lobbyists to directly target agency officials arise because contracts exceeding $150,000 are acquired through one of two methods, sealed bid and negotiated procurement.[3]

Negotiated procurement allows contractors to meet agency officials and engage in bargaining (Stanberry 2013). Furthermore, statutory reforms in the 1970s and 80s gave agency officials substantial discretion in whom to award contracts, and even who to favor with negotiation meetings (Taylor 2013). These meetings may simply involve discussions of technical requirements, prices, terms and conditions, and delivery schedules, but may also include slick presentations, negotiating sessions, and taking agency officials on tours of production plants to convince them that awarding a contract to a corporate client is in the public interest. They are, essentially, opportunities for corporate lobbyists to build long-term relationships where the needs of both lobbyists and agency officials are satisfied by awarding contracts repeatedly to the same trusted businesses. For lobbyists representing new businesses trying to gain a foothold with an agency, these meetings are opportunities to convince officials that their clients are better able to fulfill the agency's mandate than corporations historically receiving contracts (Gordon and Hafer 2005; Kang and Holyoke 2013). No matter how they are done, meetings are opportunities for corporations to directly lobby the officials who make the actual award decisions. Thus, our third hypothesis:

H3: As lobbying efforts by a corporation aimed at the federal bureaucracy increase, the value of federal contracts awarded will also increase.

Data and Methods

To test our hypotheses we gathered data on the lobbying efforts of corporations receiving federal contracts from the 109th through the 113th Congress (2005 through 2014). Since our data is set up in a quasi-panel structure, with each of our corporations being observed in five consecutive Congresses, we estimate our dependent variable using fixed-effects models.[4] In their excellent review of empirical lobbying research, de Figueiredo and Richter (2014) point to a potential problem with time series panel data, in that it can lack within group variation. We overcome this concern by using data that does not limit our observation to instances where corporations actually receive a contract. We follow corporations over the course of a decade, which provides considerable variation in both the amount of money spent lobbying and the value of the contracts won in any given Congress. Indeed, unlike much research that only "sees" corporate activity when it produces a contract won, our data includes many instances where corporations did not win any contracts, but still had lobbying expenditures. This helps avoid biases found in other research that includes only instances of winning a contract (i.e., a positive value on the dependent variable). It also allow us to use the benefits of fixed-effects models. As de Figueiredo and Richter point out, "Through the use of fixed effects in panel data, it can also eliminate concerns about omitted variables that are time invariant and observation-unit specific" (171).[5]

The process of identifying cases consisted of multiple stages. First, we utilized the Federal Procurement Data System to identify all of the contracts awarded by five executive branch departments: Defense, Education, Agriculture, Health and Human Services (HHS), and Energy. We chose these five sectors in order to provide us with a wide variety of policy areas and varying interest group activity. There is nothing in the research literature to suggest that the procurement process in these five sectors is substantially different from the sectors we do not look at, and thus we feel confident our results are generalizable in this regard. Second, we identified the top 30 corporations receiving contracts (by dollars) starting in 2005 and included them in our data set, entering them for every two-year congressional cycle regardless of whether they received a contract that year.[6] While selecting the top corporations limits the breadth of our conclusions, it helps us focus in on the largest and most significant players in the procurement process.[7] Federal contracts are worth trillions of dollars to corporations. If the lobbying efforts of the biggest players do not pay off, then there is little reason to believe that smaller corporations do when they are spending comparatively smaller sums. Of course, this is a supposition that should be tested in future research. Below we discuss the lobbying expenditures of the corporations we analyzed and the value of the contracts they have won in more detail. Third, we looked at subsequent years (through 2014) and added (for all years) any new businesses that entered the top 30 from these departments. We then filled out our time-series by collecting data for each of the corporations we identified for every Congress from 2005 to 2014. For instance, if a corporation only made the top 30 in 2010, we went back and collected data on its activity for each year from 2005 to 2014.

Unsurprisingly, there is a lot of consistency from year to year in terms of the same corporations receiving contracts, which means the total number receiving them is not large. Overall, we identified 213 companies, 22 receiving contracts from more than one department (e.g., IBM was in the top 30 of received contracts at least once from the departments of Agriculture, Education, and HHS).[8] To our knowledge, this is the broadest set of data ever used in an attempt to understand the effect that corporate lobbying efforts (outside of Congress) have on the probability of winning contracts. What little research there has been in this area has tended to focus on one or just a handful of corporations that seek contracts from just one governmental unit or one specific event or type of contracting area (e.g., de Figueiredo and Silverman 2006).

After identifying corporations, we had to carefully track their activity from one year to the next because these businesses do not consistently participate. Careful tracking was also needed because some corporations were newly formed while others changed names over the course of the years we study. A few even went through bankruptcies, as BearingPoint did in 2011, though it still lobbies for contracts today. Others were acquired by competitors, though that does not necessarily mean they stopped seeking contracts, such as when Human Genome Services was acquired by GlaxoSmithKline in 2012. Still others lobbied for contracts for themselves even though they were embedded in complex holding company structures where the parent company also lobbies, such as Palo Duro Meat Processing, a subsidiary of Caviness Beef Packers. A few were even barred from the procurement process during our time frame, such as Agility, which was banned from 2011 through 2014 by the Defense Logistics Agency (DLA) after being indicted by a grand jury for overcharging. Surprisingly, the multi-year contracts Agility was awarded prior to 2011 were not cancelled and it continued to receive money through 2014.

The 213 corporations in our data set accounted for more than $2.27 trillion dollars in contracts during this 10-year period. Interestingly, while they collectively spent over $227 million dollars on lobbying during these years according to Lobbying Disclosure Act (LDA) records, 74 (35%) corporations did not spend *anything* on lobbying. In addition, just 81 (38%) of corporations gave campaign contributions to members of the House, totaling $122 million between 2005 and 2014, contributing to a broad range of both Democrats and Republicans. That means 67 (31.3%) of our observed corporations *did not spend any money at all* lobbying for contracts or making campaign contributions.

Utilizing the Federal Procurement Data System, our dependent variable is the total dollars received by a corporation from the five federal departments in each two-year congressional cycle. Thus, each corporation is in our data set five times, with varying amounts of contract money awarded over the ten-year time period. This variable ranges from $0 received in contracts (which accounts for 9.6% of cases) to over $140 billion awarded to Lockheed Martin during the 112th Congress from the Department of Energy.[9] In fact, Lockheed Martin received significantly more federal dollars than any other corporation in our data set with a total of about $454 billion from 2005 to 2014. Only four other companies received over $100 billion (three from DOD and one from Health and Human Services), but none received even half as much as Lockheed. After removing these five outliers, Figure 1 displays the distribution of the total value of contracts awarded to each of the corporations in our dataset. As can be seen, despite our focus on the top award receiving corporations, there is still considerable variation in the amount of money received. The largest amount under $100 billion was $61 billion to Bae Systems from DOD and the smallest was a mere $1.3 million from the Department of Education to the Ocwen Financial Corporation.

****Figure 1 about here****

In order to test our hypotheses regarding the effects of lobbying the executive branch (both the departments directly, *H3*, and the Executive Office of the President, *H1*) and Congress (*H2*), we took a novel approach to assigning proportional advocacy efforts to these different venues by utilizing the corporations' LDA reports. In this case we build our variables based on the excellent work done by the Center for Responsive Politics.[10] They have done much of the difficult work already and make available relatively easily accessible summary information (such as money spent and venues contacted) for each corporation based on their LDA filings. We start by assuming that the frequency of lobbying can be measured by the money each lobbyist spent to do it, as reported under the LDA. This law requires any organization spending over $10,000 on lobbying in a six-month period to report their activity in either the executive or legislative branches.[11] While this approach might fail to capture the degree of advocacy of grassroots-oriented interest groups, or groups mounting major public relations campaigns, because that spending is not reported, lobbying involving personal meetings with government officials does have to be reported and best represents the methods employed by corporate lobbyists.

In each of these reports, the organization is asked to identify specifically where they lobbied. Unfortunately, the LDA does not require them to assign specific dollar amounts to each of their lobbying activities. Thus, scholars have often been left without the ability to properly assign dollar amounts to a specific lobbying activity. In order to overcome this problem, we utilized the LDA reports and the number of times corporations mentioned lobbying Congress, an executive branch department, or an office (such as the White House Office, OMB, and Office of the U.S. Trade Representative) within the Executive Office of the President (EOP) in the reports. While organizations are not required to connect specific mentions of Congress or the EOP with a dollar amount, there is reason to believe that the volume of mentions in one area is positively connected with expenditures on lobbying, thus signaling increased effort. In our data, total expenditures and our count of mentions of the bureaucracy have a positive correlation of .76, meaning more mentions and increased spending go together. The same is true for our count of mentions of Congress, with a correlation of .77. There is also a moderately positive correlation of .47 between expenditures and mentions of the White House. Thus, while imperfect, the data does indicate that the more contacts organizations list in their LDA reports, the more money they spend on lobbying. And this is true in each of our three areas. As a result, concerns that organizations might mention 100 contacts with the bureaucracy while spending little money, but few contacts with Congress, while spending a lot, are not supported in the aggregate by this data, or any data that we are aware of.

Our process for producing our key independent variables was as follows. First, we counted the number of times Congress, the executive branch departments, and EOP were mentioned in the LDA reports. Second, we found the proportion of the total mentions for each of the three, and then, third, we multiplied this by the total amount of lobbying dollars spent by the corporation during that two-year Congress. That way we are able to approximate the amount of money each corporation spent lobbying each of these three venues, which produces our three key independent variables. Lobbying expenditures for Congress ranges from $0 (in 50% of cases) to over 37 million dollars spent by General Electric in 2009-10 (mean $1.6 million). Lobbying expenditures of departments range from $0 (55.2%) to over $24 million by General Electric in 2009-10 (mean $948,105) and lobbying the EOP ranges from $0 (71.5%) to just over six million dollars by Blue Cross Blue Shield in 2013-14 (mean $160,301).

Of course, once again, we recognize that this is not a perfect measure. The data available to scholars is very limited and there is nothing in the LDA filings that would allow us to connect specific dollars spent to specific lobbying contacts. We doubt that even if a corporation was willing to provide such information, they would have it in that kind of detail. In addition, to our knowledge, there have not been any other attempts to do this in the scholarly research on this topic. Thus, our measure is not ideal, but a rough attempt to capture the dynamics of this behavior that has largely been a black box to scholars. Given the noise contained in this data, it should make it more difficult for us to find a signal. We encourage future research to continue to improve on this measure.

Control Variables

In addition to our primary measures designed to test our three hypotheses, we also created several control variables capturing some of the intricacies of lobbying Congress and the EOP mentioned above. The first set attempts to capture the influence of PAC contributions made by our observed corporations to members of Congress. We acquired data on PAC contributions from the Center for Responsive Politics, which we split the data into three variables. The first is a general measure of total federal PAC contributions made by corporation connected PACs during each Congress. This is measured in dollars and ranges from $0 in 61.9% of the cases to over $3.7 million spent by Honeywell International in 2009-10, with a mean value of $136,964 per Congress. Second, we measured contributions strategically targeting the House majority party as a count of the number of majority party members receiving donations from our corporations, which ranges from 0 (66.9% of organization-years) to 234 by Honeywell International in 2009-2010, with a mean of 16.74. Finally, we count the number of contributions targeting House party leaders (leaders defined as Speaker of the House, majority/minority leaders, or whips), regardless of majority status. This variable ranged from 0 (69.6% of organization-years) to 24, with a mean of 2.1.

We also control for a corporation's geographic location, recognizing that businesses based in the district of a powerful legislator might have an easier time landing contracts. We used several methods to identify the location of the headquarters of every corporation in our data set. In most cases, it simply meant looking at the company's website, but occasionally the answer was more elusive. When this occurred, we utilized other business-oriented websites, such as manta.com and glassdoor.com in order to pin down the location of the corporate headquarters. Once we identified it, we then found the House member representing the corresponding district, and then checked to see whether that member chaired a committee. The result is a dummy variable indicating whether the corporation is based in a committee chair's district, coded 1 if it is and 0 otherwise. Unsurprisingly, only 7% of our corporations were. Finally, given evidence that presidents try to give contracts to important battleground states to help with their reelection (Berry, Burden, and Howell 2010; Kriner and Reeves 2012; Larcinese, Rizzo, and Testa 2006; Taylor 2010), we include a dummy variable indicating whether a corporation's headquarters was located in a battleground state. We defined battleground states based on the results of the presidential election previous to the observed congressional cycle. Specifically, any state where the margin of victory was 5% or less was coded 1 as a battleground (12.49% of organization-years) and 0 otherwise.

Results

We estimate several of these models because our measures of corporate activity focusing on Congress, the bureaucracy, and the EOP is by necessity a birds-eye view of the efforts these firms made. Again, the LDA requires disclosure of money spent, but it does not require that corporations indicate exactly how much they spent lobbying specific individuals or departments.[12] In other words, we can see lobbying activity in the executive branch in the form of total dollars spent per Congress, but we cannot see exactly who was lobbied with this money. In contrast, our data on PAC contributions to the legislative branch is detailed enough to allow us to reasonably connect specific dollar amounts donated to specific members of Congress. Therefore, our first model in Table 1 includes only our three variables capturing lobbying spending in each of these three areas. This model is rather spartan, yet it controls for all time-invariant variables. Ultimately, this will allow us to compare apples to apples, so to speak, with regards to the effects that spending can have in helping to win federal contracts in these three venues.

All three hypotheses predict that an increase in lobbying spending by corporations targeted at the departments/agencies (*H3*), the EOP (*H1*), and Congress (*H2*) will result in an increase in lucrative contracts. Model 1 provides our first test of these predictions. As can be seen in Table 1, each of the coefficients reaches standard levels of significance ($p < .05$; one-tailed). However, the sign on the EOP coefficient is negative. Thus, this model provides support for hypotheses *H2* (lobbying Congress) and *H3* (lobbying the agencies), but fails to support *H1* (lobbying the EOP). Substantively, the results show that for every dollar spent lobbying Congress and the bureaucracy, a corporation can expect an increase in contracts of about \$300 and \$900 respectively. Both types of lobbying suggest an excellent return on a corporation's investment, but lobbying the bureaucracy proves to be even more valuable. Lobbying the EOP, on the other hand, is actually counter-productive, perhaps because time and resources spent lobbying presidential appointees are opportunity costs as the effort could have been more usefully directed right at the agencies. Or perhaps careerists in the agencies were bothered enough by attempts at interference in established contracting procedures designed to serve the public interest that they shied away from corporations lobbying the political appointees. It is also possible that the lobbying efforts directed toward the offices within the EOP were unrelated to federal procurement but focused on regulations, taxation, and other matters.

****Table 1 about here ****

Model 2 in Table 1 adds in variables capturing corporations' PAC activity targeting different types of legislators and the location of their headquarters, providing a second test of our primary hypotheses. Looking at the results of our lobbying expenditure variables, we can see important changes from Model 1. Lobbying Congress, as measured by spending, is no longer statistically significant, and the size of the negative EOP coefficient drops by about 32 percent. The change in the Congress variable is not too surprising given the addition of the congressional PAC contribution variables, which are capturing a different form of lobbying focused on the same target.[13] What the change clarifies is that it is contributing to party leaders that increases the value of contracts the agencies awarded. This is interesting because it suggests a diminished role for committee authority and expertise and majority party privilege. Only giving to party leaders, regardless of majority status, increases contracts received. Perhaps rather than try to direct contracts to merely favor their own party, leaders on both sides of the aisle engage in a kind of reciprocity because they know today's majority may be tomorrow's minority. It may also be that agency procurement officers are trying to please today's and tomorrow's legislative leaders, who may exert significant control over their budgets now and in the future. For corporate lobbyists, it means that when it comes to Congress, only investing time in building relationships with the legislative leadership is necessary for significant payoffs.

Beyond that, little else regarding Congress matters, showing very limited support for H2. In fact, as frequently as businesses contributed money to lawmakers, our model fails to show a significant effect for even our most general measure of total contributions and contracts awarded.[14] The bureaucracy coefficient, however, changes very little in magnitude, lending significant support for H3, the simplest relationship. The bottom line message from these results is quite clear. Focusing resources on directly lobbying a department appears to be the most efficient form of lobbying, producing the most robust result. For all the potential complexity in contracting, the simplest formulation of direct lobbying - building influential relationships with the people who make the final decisions - works best.

Discussion

Corporate influence is hard to assess and is rarely what business-skeptics might claim. This may be because much of it is narrowly targeted, such as at specific agency contracts, taking place away from the public spotlight. Public interest groups and even many trade and professional associations are somewhat more comfortable being on public display, employing high profile tactics to lobby members of Congress, such as testifying before committees, running advertisements, and launching grassroots advocacy campaigns (Berry 1999). But not corporations. While many are deeply entwined with the federal government, perhaps unable to even survive without federal contracts, they prefer to keep as low a profile as possible and avoid any scrutiny that might jeopardize their relationships with agency officials and the contracts these relationships yield. Specifically, we find that when it comes to pulling down highly lucrative federal contracts, many of which are in the multi-millions or even billions of dollars, corporations and their lobbyists tend to deal directly with the agency awarding the contract. Lobbying the president and his senior aides yields no advantage. More surprisingly, lobbying members of Congress, at least as measured by lobbying expenditures and campaign contributions, is also largely ineffective. In other words, lobbying for procurement contracts is best understood as a direct lobbying process linking corporations to the agencies awarding the contracts through their lobbyists. This suggests the importance of lobbyists building and maintaining relationships with the officials actually making the award decisions. It also shows the independence administrative agencies seem to have from Congress and higher levels of the executive branch when it comes to deciding which business is deserving of a contract.

We can only speculate as to the content of this direct lobbying. Agency officials are trying to serve the public interest and further the statutory mission of their organization, and often are looking for the businesses they believe are best capable of helping them do it. Lobbyists, we know, provide information about companies that officials do not have, and cannot easily get on their own, that makes their corporate client look as a good of fit as possible for the agency (Godwin et al. 2007; Drutman and Hopkins 2013). Future research should seek to explore this form of lobbying in detail to learn more about how corporate lobbyists are convincing agency officials to give their clients contracts. Moreover, it is also worth evaluating the process to see whether every potentially qualified business is really getting fair consideration, or whether agency officials are just continuing to grant contracts to the corporations they have always done business with, just because they have a relationship with that business and its lobbyist.

The defense sector is a good example of an industry with complex, technical products and services where direct communications from corporate CEOs to agency officials, facilitated by lobbyists, is beneficial to procurement-related decisions. Certainly it should not surprise anybody that many of the top defense contractors are located near Washington, DC. This physical proximity allows them to consistently provide technical information to agency officials, and lawmakers too when needed. Overall, procurement from the Defense Department, along with the Department of Homeland Security, constitutes about two-thirds of all federal contracting (Taylor 2013). Just the account dedicated to research, development, testing, and evaluation with the defense budget has increased from $45 billion in 1996 to $65.4 billion in 2007 (Gansler 2011). Certainly we should not be surprised that corporate lobbyists are spending heavily to target these departments, though the overwhelming amount of data on defense contracting obscures patterns of contract lobbying with other agencies. This could be fruitful future research.

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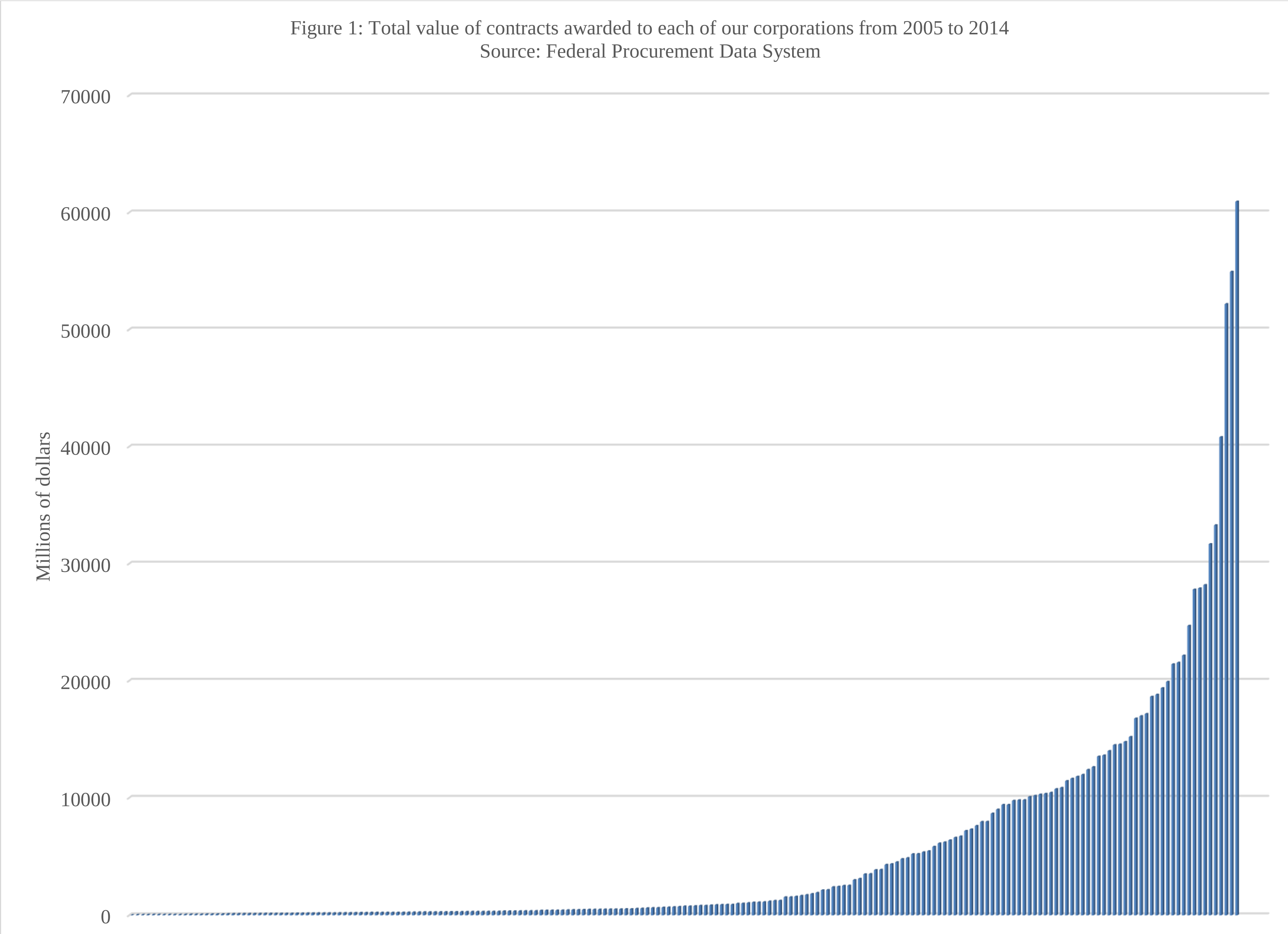
Figure 1: Total value of contracts awarded to each of our corporations from 2005 to 2014
Source: Federal Procurement Data System
Millions of dollars
70000
60000
50000
40000
30000
20000
10000
0

Table 1: Predicting the Value of Federal Contracts Awarded per Congress from 2005-2014

Variable	Model 1 All Corps.	Model 2 All Corps.
Lobbying Expenditures		
Congress (*H2*)	0.03*	0.0110
	(0.01)	(0.01)
Departments/Agencies (*H3*)	0.09*	0.09*
	(0.05)	(0.05)
Exec. Office of the President (*H1*)	-0.22**	-0.15*
	(0.09)	(0.07)
Control Variables		
Total Federal PAC Contributions		0.25
		(0.20)
House Majority Party		1074.1
		(2178.8)
House Party Leaders		24195*
		(14132)
Headquartered in a Battleground State		-2847.9
		(17670)
Own Rep. Committee Leader		-41825*
		(24048)
Constant	114453**	29000
	(47488)	(105906)
R^2 within	0.06	0.13
between	0.36	0.39
overall	0.31	0.36

Notes: DV is coded in units of $10,000 in contracts/spending; lobbying; fixed effects regression model estimated using Stata's xtreg command. Model with all corps. included: N = 1058, Groups = 213; Sargan-Hansen statistic = 55.22, p-value = 0.00, indicating fixed effects preferred to random effects; ** = $p < .01$, * = $p < .05$ (one-tailed)

[1] "Acquisition" and "procurement" are broadly defined by the Federal Acquisition Regulation (FAR). With regard to DOD, they encompass "design, engineering, construction, testing, deployment, sustainment, and disposal of weapons or related items purchased from a contractor" (Schwartz 2013). Guidelines include "buying American"; providing "maximum practicable opportunities" to small business, including minority-, women-, and veteran-owned businesses;

taking into account regional labor surplus; and punishing firms employing illegal immigrants (Gitterman 2012).

[2] It is worth noting that the same year President Obama pledged to "ensure that federal contracts over $25,000 are competitively bid" (Organizing for America 2008). However, since then the Office of Management and Budget (OMB) only issued a memo on July 29, 2009, ordering agencies to cut by 10 percent the total dollars awarded via three types of so-called "risky" contracts, including no-bid or single-bid contracts, taken from a memo from Peter Orszag, Director of the OMB, to the heads of departments agencies, on file with the author.

[3] About 80% of dollars moving through the federal procurement process involves purchases exceeding $150,000, with the remaining 20% dedicated to small business purchases under that through a streamlined process (Stanberry 2013).

[4] Hausman tests indicate in each case that fixed effects is preferred to random effects.

[5] One of the great challenges scholars face in this area is that of data. Even with the passage of the Lobbying Disclosure Act of 1995, scholars are still unable to track, in anything but the most generic way, the behavior of organized interests. In an ideal word, we would be able to test our hypotheses with detailed information on the specific money spent lobbying individuals across the federal government on each specific issue. Unfortunately, this data does not exist and we are unware of any feasible way to obtain it. Corporation simply do not want their lobbying efforts tracked in such detail. Thus, we are left with two choices, (1) abandon our research, or (2) soldier on with the data we have. The dearth of research on this topic suggest that many scholars chose the former; we choose the latter. Yet we recognize that our data is limited and our measures are going to contain noise. But the fact that we do find a signal among the noise suggests that there is fruitful ground to be tilled here and future scholars should continue to refine this work to provide

an even more detailed understanding of the relationship between lobbying and winning government contracts.

[6] Tens of thousands of corporations received contracts from our five departments during this time period. It would be difficult to collect data on all of them, which is why it has never been done.

[7] Despite focusing on top 30, there is a lot of variation. Some never spend anything lobbying; others spend millions.

[8] A complete list of the companies studied is available in our online appendix.

[9] To make the results tables easier to read, we divided the total dollars received by $10,000.

[10] Data comes directly from the Center for Responsive Politics

[11] From the Center for Responsive Politics because it provides easy data access over time for each organization.

[12] While the LDA does require corporations to indicate whom in the executive branch they lobbied, it does not require organizations to divide their total spending into specific dollar amounts. Thus, attempts to do so will be arbitrary.

[13] Correlation between the Congress lobbying and Total Fed PAC Contributions variables is 0.65.

[14] This variable fails to reach significance even if the model is re-run without any of the lobbying expenditure variables. Thus, it is unlikely this result is due simply to multicollinearity.