
The Influence of Lobbying Activities on the Democratic Process in the United States

A Study on the Effects of Lobbying using Game Theory

Master's Thesis

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Declaration of Authorship

Abstract

Denne afhandling studerer lobbyisme i USA. Formålet består af to dele, at undersøge hvad der muliggør lobbyisme i USA og dennes effekt på den demokratiske proces i landet. Den første del, som ser på, hvad der muliggør lobbyisme, undersøger, hvad der ligger til grund for den voksende lobby-industri i USA. Den anden del undersøger, hvilken effekt lobbyisme har i forhold til demokratiet.

Dette er blevet gjort ved at opstille nogle hypoteser, som fremfører forklaringer på de fænomener, som denne afhandling beskæftiger sig med, dvs. hvad der muliggør lobbyisme, og hvilken effekt denne har på den demokratiske proces. Derefter er disse hypoteser blevet analyseret og testet ved hjælp af den valgte teori, den indsamlede empiriske data og andre konkurrerende hypoteser. Den valgte teori er Spilteori og bidrager med såkaldte spil, hvori repræsentationer af afhandlingens centrale aktører vil foretage strategiske valg, og ud fra disse er logiske slutninger udledt. Efterfølgende er disse så blevet placeret i den indsamlede datas kontekst og analyseret for derefter at være holdt op imod andre hypoteser med alternative forklaringer på de samme fænomener.

Denne afhandling har fundet frem til, at finansieringen af og de øgede udgifter til politikernes valgkampagner ligger til grund for de stigende summer, som udefrakommende interesser bruger på at lobbye. Ydermere har den identificeret de to største konsekvenser for den demokratiske proces forårsaget af lobbyisme. Den første af de to er den forvrængede forskel på rige og fattige interessers lobbyevner, og derved den indflydelse de har adgang til, hvilket medfører et demokratisk repræsentationsproblem. Den anden demokratiske konsekvens er den lave valgdeltagelse i nyere tid grundet vælgernes utilfredshed med den lovgivende magt på grund af dennes involvering med lobbyisme. Afhandlingen har kunnet konkludere, at det stigende kampagneforbrug og de rige interessers større indflydelse, hovedsageligt skyldes det nuværende politiske system samt valgmetode og ikke nødvendigvis politikernes grådighed. Derudover er det konkluderet, at det forekommer, at den lave valgdeltagelse i højere grad skyldes andre faktorer end lobbyisme, omend denne også har haft en effekt.

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1. Introduction and Research Question

1.1 Introduction

The act of lobbying, i.e., attempting to influence decision makers, has been present for as long as societies have existed. This has also been true in the United States, where everyone, including interest groups and big businesses, has been able to contribute almost unlimited amounts to policymakers in various ways. The current legal, electoral and political systems in the US have provided lobbyists with increasingly good conditions and access to influence the government, during the last few decades. This has occurred despite attempts to regulate and limit this outside influence. In light of this, the focus of this thesis will be on what have enabled these lobbying activities and what their effect on the US' democracy has been.

This topic is connected with controversy. On one hand, the importance of freedom for every citizen to petition and lobby his or her government is argued. Yet, on the other hand, the significance of limiting the corruptive effect that political contributions can have is emphasized. However, despite this controversy, it is a subject that mostly appear on the public agenda when a corruption scandal is uncovered and is, otherwise, less debated. Nonetheless, lobbying activities can cause a huge impact, for instance, the recent financial crisis occurred, partly, due to lack of regulation, which financial institutions have lobbied.

The research for this thesis found that there are considerable amounts of information and knowledge available on this topic already. Thus, this thesis' contribution will not present new data. Instead, it will attempt provide a new way of understanding the current knowledge, using the chosen theory to display the central actors' strategic choices, in order to better understand why they act as they do and, in doing so, investigate how these choices enable lobbying activities and affect the democratic process in the US.

1.2 Research Question

What enables the lobbying activities in US politics and what might be these activities' impact on the democratic process in the US?

2. Methodology

The main purpose of this thesis is to identify the main cause(s) that enable the lobbying activities in the current US and the effect these activities have on the democratic process in the US. The reason for this is to attempt to become aware of the consequences for the US democratic process entailed by lobbying activities. In following part of the thesis, the methods used to research and analyze this will be presented and discussed. First, the method used to answer the research question will be offered. Second, the scope and focus of the thesis, i.e., the area of study, time span and key actors will be defined. Third, the use of the theory will be explained, along with its limitations. Then, the collection of empirical data will be clarified. Subsequently, the meaning and importance of the background chapter of the thesis will be explained and discussed. Finally, the limitations of this thesis will be discussed and the structure and outline of the chapters will be presented.

2.1 Method

This thesis can be described as a descriptive study, as it addresses two “what” questions and describes the phenomenon of lobbying. Furthermore, it will attempt to define and investigate the cause and impacts of lobbying activities concerning the democratic process in the US. This will be done by using a form of hypothetico-deductive method or model. This method consists of proposing or formulating a hypothesis, using deductive reasoning, and then testing this hypothesis. Thus, this method has three parts: hypothesis, deductive reasoning and testing. The first part, the hypothesis, is an unproven explanation of a phenomenon. The second, the deductive reasoning, is the method of reasoning from one or more premises to arrive at a logical conclusion. The third and last, testing the hypothesis, is an investigation or experiment that can be conducted in many ways in order to test the validity of the hypothesis. (Thurén, 2008) In this thesis, three hypotheses will be proposed and tested. Then, Game Theory will display the logical reasoning of the hypotheses. In other words, the theory will test whether the logical conclusions that will be deduced from the games, correlate with the hypotheses. Lastly, empirical data will be used to test whether the hypotheses seem to be valid or not, by placing it in the context of the research question along with other hypotheses, which offer different explanations to the same phenomenon.

The first hypothesis is connected to the first part of the research question, the cause of the lobbying activities. As this thesis’ research has shown, one of the main factors, which enables lobbying activities, is the politicians’ demand for contributions to their campaigns. This is due to a dramatic increase in campaign spending. Therefore, the first hypothesis is “Political candidates pressure each other to increase campaign spending.” Hence, the candidates’ pressure of one another is the explanation of the increasing campaign spending phenomenon, at least partially. This hypothesis will be tested in a Game Theory game to show the logical aspects of the strategic choices that the actors (in this case the candidates) are faced with and, then,

deduce a logical conclusion. Furthermore, the gathered empirical data will test hypothesis by placing it in the context related to the first part of the research question, the cause of lobbying activities in the US, and attempt to test whether the hypothesis and its conclusion seem valid.

The second and third hypotheses are connected to the second part of the research question and the effect of lobbying activities on the US democracy. The first of these is “Wealthy interest groups gain more influence through lobbying.” Thus, the wealth of certain interest groups is the explanation for phenomenon of how some groups succeed in gaining more political influence than others gain. The other hypothesis that is connected to the second part of the research question, and the third and final in all, is “The impact of lobbying activities has contributed to lower voter turnouts.” This hypothesis proposes that the impact of lobbying activities is the explanation for the phenomenon of lower voter turnouts. Both of these hypotheses will be tested in hypothetical Game Theory games to demonstrate the strategic choices of the involved actors (in these cases it will be a candidate and interest groups as well as a voter and Congress) in order to reach and deduce a logical conclusion. Moreover, the gathered empirical data will be used to explain the context of hypotheses in relation to the second part of the research question and attempt to test whether the hypotheses and their conclusions seem valid. All three hypotheses can be seen in Figure 2.1.

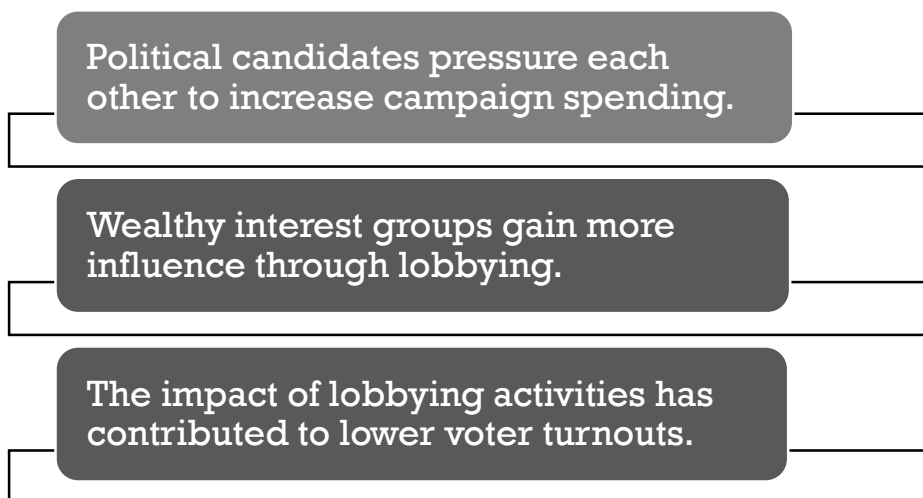


Figure 2.1

2.1.1 Discussion of Method

The hypothetico-deductive method has been chosen for this thesis as a way to answer the research question while incorporating Game Theory into the analysis. By using this method, this thesis can utilize games from Game Theory by adapting and applying them to scenarios, which resemble those the involved actors face, in order show their strategic choices, as well as provide a tool to deduce a logical conclusion. This conclusion

will then be tested in the context in which lobbying activities in the US takes place, to test whether or not the deduced conclusion from the games seem valid.

However, this model or method has received criticism since it relies on deductions that are based on the found empirical data, rather than axioms, i.e., premises that are evident and accepted as true without any controversy. (Haig, 2010) While it is true that this thesis and its method are based on the empirical data that have been gathered and researched, it is assumed that this is acceptable, as its conclusion will consider this. Additionally, the method has been criticized for evaluating single hypothesis without regards to other competing hypothesis. In an effort to circumvent this problem, this thesis will, as mentioned, attempt to use Game Theory to illustrate the strategic choice that are the basis for the hypotheses. Although, this will not prove the hypothesis or test its performance against other hypotheses, it will provide and deduce a logical conclusion. Then, these conclusions will be put in the context of the lobbying activities in the US and analyzed along with the collected empirical data and other hypotheses in order to answer this thesis' research question. Thus, by putting the hypotheses' conclusions from the Game Theory into the context, the hypotheses will be evaluated along with other hypotheses, which have different explanations for the same phenomenon, in the analysis. These competing hypotheses will be the most prominent ones, which have different explanations to the same phenomenon. Thereby, the three hypotheses' performance will be assessed with other factors or hypotheses and, thus, circumvent the criticism that it is not evaluated in regards to other hypotheses.

2.2 Scope and Focus

As lobbying is a practice, which has been present since governments were created and is performed in most countries in one way or another, the potential scope of this thesis is large. In order to narrow its scope, this thesis will only focus on lobbying in the US. The US, as the focus area, has been chosen for a couple of reasons. First, as the US is a country that is proud of its democracy, it would be interesting to examine the effects the lobbying industry have on the democratic process. Yet the main reason is that the political decisions that are made in the US, by those elected through the democratic process, are often decisions that affect other parts of the world either directly or indirectly, since the US is one of the most influential countries. For instance, as it is well known, the recent financial crisis that affected most of the world started in America. Furthermore, it was enabled by lack of regulation from the government, which many investment banks and other financial institutions had lobbied. These reasons make the US an interesting area to study the effects of lobbying on a country's democratic processes.

Furthermore, the time span that this thesis focuses on will be from the 1970s to present day. The background chapter will incorporate the rise of the lobbying industry, thus, primarily focus on the period from 1970s and

forward. However, the analysis chapters will concentrate mostly on the contemporary effects of the lobbying activities in the US. The period before the 1970s will only be briefly mentioned in the historical view of the background chapter, since it was not before the 1970s that the current lobbying environment that the US has today began to take shape.

Lastly, the central actors in this thesis will be the US government, in particular Congress, the citizens of US, and the lobbyist and interest groups. Naturally, the lobbyists and, especially, those they represent, the interest groups, will be key actors in this thesis, as they are responsible for conducting the lobbying activities. Consequently, Congress and its members play a major role as well, when it comes to lobbying activities, since they are on the receiving end of the lobbying efforts. However, the impact of these activities on the democratic process involves the public, or more specifically, the voters, too. Thus, the citizens of the US will also be central actors in this thesis, as the consequences of the lobbying activities that this thesis is concerned with, affect them. Yet, the limits of the scope of this thesis exclude the clients of the lobbyist and the businesses and organizations behind the interest groups. These actors will not feature in central roles, as this thesis will focus on how the lobbying in the US affects the democracy, hence, the people at large, instead of how it benefits or hurts the businesses and interest groups that engage in lobbying activities.

2.3 Use of Theory

As mentioned, Game Theory will be used to demonstrate the strategic choices of the actors. This will be done by putting these in games, which will demonstrate the actors' options as well as deduce a logical conclusion as to why they might act as they do. The theory utilized in this thesis, naturally, draws its ideas from one of the fathers of Game Theory, John Forbes Nash, Jr., but more specifically, it employs the ideas and games from the work of Clark, Golder and Golder. (Clark, Golder and Golder, 2009) This includes an extensive form game, called "Exit, Voice & Loyalty," as well as the traditional strategic form game based on "the Prisoners' Dilemma" game matrix. These games will be used as a method to demonstrate the strategic choices of the actors involved in the three hypotheses and provide a scenario in which a conclusion can be deduced.

In the games used in this thesis, the actors or players, who are chosen, will be representations of real life actors instead of actual real life actors. This is done to demonstrate that the actor that represents a generic real life actor could be anyone. This means that the actor or player in these games represents all the real life actors, who are in the same position and who will face the same strategic choices. By using, a generic representation of an actor and not a real life case, it is emphasized that it is not a single case with a sole actor, which the logical conclusion of the strategic choices are made from. Instead, the conclusion is deduced from a scenario that represents a broader group and not just the real life person used in a single case. For instance,

if using a case with a real life Member of Congress, who has been corrupted, in a game, the conclusion would be that Members of Congress are corrupt. Conversely, if using a case with a Member of Congress, who is not corrupt, the conclusion might be that no one in Congress is corrupt. Instead of this, the games used in this thesis will feature generic actors, such as “Candidate A” or the “Voter” to represent a broader group. Thus, the games will not deduce a conclusion based on the actions of one or two actors, but instead the conclusion will suggest what any actor faced with these strategic choices might opt for. Thereby, it gives a broader and more nuanced demonstration of the hypotheses, which then will be put into the real life context and compared to the empirical data to test if the conclusion seems to be in accordance with most of the real life actors’ choices

Nevertheless, the theory that is used has its limits. As mentioned, real life cases will not be used directly in the games. This means that the games must be put into the context of the research question, in order to be useful. Furthermore, the conclusion that can be deduced from the games will not be verifying the hypotheses on its own. Hence, empirical data must be collected to support the games’ conclusions, which in itself can be difficult due to the shady nature of many of the lobbying activities. Moreover, these games will also be based on a certain number of assumptions about the scenario of the games and its actors or players. Thus, since a certain level of uncertainty is expected to be connected with assumptions, these assumptions must be taken into consideration in the conclusion. Additionally, this means that even though the logical conclusion deduced from a game does not correlate with the hypothesis, the hypothesis can still be valid.

2.4 Data collection

This thesis does not present or collect any first-hand empirical or quantitative data. Instead, it relies on secondary research to supply the empirical data for the background on the subject, and to put the used theory into the context of the topic, as well as to support the analysis’ conclusions. The sources for the secondary research include, primarily, published books and peer-reviewed articles, studies and journals from databases such as JSTOR or online university databases. Additionally, it was relevant to include articles from major newspapers for information on contemporary events and use formal institutions such as the Federal Election Committee’s webpage, as well as informal ones such as Center for Responsive Politics’ Open Secrets website. Most notably used were the following published books:

- “Lobbying and Policy Change: Who Wins, Who Loses, and Why” (Baumgartner, Berry, Hojnacki, Kimball & Leech, 2009) presented a study on almost a hundred issues that had been lobbied on, both for and against. Thus, it provided a valuable insight into the effectiveness of lobbying activities, among other contributions.

- “So Damn Much Money” (Kaiser, 2010) provided great background on the rise and activities of lobbyists, as it in parts is a biography of the successful lobbyist Gerald Cassidy. Additionally, it also discusses some of the consequences of these lobbying activities.
- “Lobbying in America: A Reference Handbook” (Hrebenar & Morgan, 2009) contributed greatly to the background chapter.
- “Republic, Lost” (Lessig, 2011) supplied a detailed and critical assessment of the influx of money from lobbyists and interest groups into US politics.

The data collection for this thesis was somewhat difficult because the subject of lobbying activities is not well documented, due to its nature. Yet, it also proved rewarding, as the collected data, was able to provide valuable insight into the topic of this thesis as well as support its analysis to a satisfactory degree. Although, the data was secondary it proved sufficient due to the empirical research already made in the field.

2.5 Importance of Background

The thesis will provide a background chapter, in order to provide the reader with the knowledge needed to fully appreciate the context, which the hypotheses and theory are being placed in, when analyzed. In addition to this, the chapter will act as an extended introduction to the topic of the research question and some of its current issues concerning lobbying activities. This background chapter will consist of three parts. The first will describe and examine what lobbying is. More specifically, it will look at the roles and activities of lobbyists and interest groups, provide a brief historical perspective of lobbying in the US, and briefly touch upon the contemporary situation regarding lobbying in the US. This is done to introduce the sometimes-secret world of lobbying, and provide the reader with insights and background information on the topic, necessary for the understanding of the analyzing chapters.

The second part of the background chapter studies the political system in the US, i.e., the legislative branch, Congress, and the executive branch, the presidency. Additionally, it provides insights into the democratic and electoral processes that the elected officials must go through to enter the legislative or executive branch. Furthermore, this part of the background chapter considers lobbyists and interest groups’ possibilities when it comes to lobbying and influencing the different politicians. Overall, it provides the reader with useful and necessary information on how the political and electoral system in the US functions and how lobbyists can utilize it.

The third and last part provides an insight into how it is allowed for lobbyists and interest groups to influence the US government. It focuses on three aspects: the US Constitution, the Supreme Court and Congress. These three aspects have each contributed to shaping the lobbying industry into what it is today. The

Constitution has done so through its First Amendment. The Supreme Court through its rulings based on its interpretation of the constitution. Finally, the US Congress has tried to shape the way lobbying works by passing several bills over the years. The insight offered by this part of the background chapter provides important knowledge on how the environment for lobbying activities currently is and why this is allowed.

2.6 Limitations

Most of the limitations of this thesis have been mentioned previously in this chapter and will be summarized in this part. First, the method used in this relies on solely the found empirical data and all of this data is secondary, which means that this thesis provides no new first-hand data to this field of study. However, the amount of data found through secondary research proved sufficient to answer the research question. Additionally, the use of Game Theory in this thesis is limited to two game variations and does not explore this theory beyond these games. For instance, no complex mathematical formulas will be used, as the Game Theory used in this thesis will not be applied as it might be in the field of economics, e.g.

Moreover, the scope of the research question's topic is limited to the context of the contemporary political and electoral system in the US and the lobbying activities connected to this, although, the background chapter includes the past few decades as well. Furthermore, the focus is on the US government, mainly Congress, and the lobbyists and interest groups representing outside interests. The impact of the lobbying activities will be centered on the American people and the democratic process, hence, its impact on the clients of the lobbyists and the businesses and organizations behind the interest groups will not be the focus of this thesis. Additionally, the two main impacts on the democratic process, which this thesis found, are both negative impacts. Thus, even though lobbying activities have good impacts too, which are mentioned in the background chapter, those analyzed in this thesis will be negative, as these were more apparent. Lastly, the thesis provides no new discovery as such, but combines the use of Game Theory with the secondary researched data in the field of study to help research the impact of lobbying activities on the democratic process in the US.

2.7 Structure and Outline

As seen in Figure 2.2, the outline of this thesis begins with Chapter 3, Background. This chapter provides important background information on the topic of the research question and serves as in-depth introduction. Afterwards, Chapter 4, Theory, describes the theory and explains in details how the Game Theory games used in this thesis function. Subsequently, Chapter 5 and 6 contain the analysis parts of this thesis, with the former focusing on the hypothesis connected to the first part of the research question and the latter on the two hypotheses relating to the second part. Both chapters begin by defining and putting the phenomenon of

the hypotheses into the context of the research question. Then, they use Game Theory to test the hypotheses logically and deduce conclusion. Lastly, the two chapters test the explanation of the hypotheses and the deduced conclusions with the researched data in the context of the research questions topic, along with other hypotheses.

3. Background	<ul style="list-style-type: none">• Lobbying in the US• Political and Electoral system• The Legal Framework
4. Theory	<ul style="list-style-type: none">• Game Theory• Strategic form game: Prisoner's Dilemma• Extensive form game: Exit, Voice & Loyalty
5. Analysis I	<ul style="list-style-type: none">• Cause for contemporary lobbying industry• Campaign spending: the "Candidates' Dilemma" game• The Permanent Campaign
6. Analysis II	<ul style="list-style-type: none">• The democratic impacts of lobbying activities• Representational problem: Skewed lobbying power• Participation problem: Low voter turnout

Figure 2.2

3. Background

3.1 Lobbying in the US

In order to find out what enables lobbying activities and what their impacts are, it is important to understand lobbyists and lobbying are. Lobbying can be defined as “the communication of data or opinion by someone other than a citizen acting on his or her own behalf to a governmental decision maker in an effort to influence a specific decision.” (Hrebenar & Morgan, 2009, p 21) In other words, a lobbyist is someone who tries to gain political influence on the behalf of someone else. This practice is called lobbying. For as long as there have been politicians making laws, there have been people trying to influence them, and to facilitate this, as a sort of middleman, the lobbyist has emerged. The name lobbying comes from the word lobby, meaning an entrance hall or foyer, and it was in these lobbies that the legislators would meet the public. (Hrebenar & Morgan, 2009) In this part of the chapter, a brief history of lobbying in the US will be presented, as well as an examination of the roles of lobbyists and interest groups in the current political system and, finally, a view on the positives and negatives of lobbying.

3.1.1 A Historical View

The history of lobbying in the US can be traced back to the beginning of the young republic. James Madison, one of authors of the Constitution and the fourth President of the United States, described and warned about the roles of outside interests. Yet, Madison did not refer to these interests as interest groups or lobbyists; instead, he talked about “factions” and the dangers of these. He perceived factions as a threat to the democracy, as they could disrupt the political process in a democratic system, and feared that anarchy and tyranny by the strongest factions could occur. Initially, Madison identified two ways of removing the problems of these factions. The first was to remove the people’s right to free speech and free assembly and the second was to control the factions. However, since Madison and his fellow founders wanted to create a free and democratic nation, both of these solutions were unacceptable since they both conflicted with the freedom of the people. Instead, a republic was formed, in part, to help control the effects of factions or interest groups and, subsequently, to secure the rights of the people through the Bill of Rights. (Hrebenar & Morgan, 2009) This way, elected representatives in a representative government would embody and express the people’s interests. Thereby, diminishing the effects and necessity of factions, since, at least in theory, everyone’s interests would be represented, while everyone’s rights would still be protected.

However, the new republic would still be corrupted by outside interests. This was most rampant during the “Gilded Age,” a term coined by the American writer Mark Twain. It covers the period from around 1870-1900 in the US and is used to describe, among other aspects, the corruption in American politics, during that time. In the late eighteen hundreds, factions or interest groups consisting of, primarily, business leaders were

often successful in bribing Members of Congress to halt regulation that would hurt their businesses. Eventually, legislation was passed to ban direct quid pro quo transactions between outside interests, and members and affiliates of the US government. This seemed to stop the corruption, however, interest groups' rights were still protected by the Bill of Rights, as the right to petition and lobby the government was secured in the First Amendment. (Nash, Jeffrey, Howe, Winkler, Davis, Mires, Frederick & Pestana, 2008).

Lobbying continued in the 20th century, apart from the occasional small corruption scandal, outside interests lobbied the legislators in a less corruptive fashion, through small donations and campaign contributions. However, during the 1970s, lobbyists and their companies started to grow into the huge business it is today. In the decades that followed, the cost for campaigning sky-rocketed due to the cost of mainly TV ads and polls. On the one side, this meant that politicians needed more money to get (re-)elected and, on the other side, plenty of interest groups were happy to supply this money, in exchange for some influence. However, this was not a throwback to the Gilded Age and its direct quid pro quo corruption. In its place, a dependency on outside interests' money ("soft money") grew. Interest groups could get their opinions heard and gain influence with the candidates they supported, who in turn would receive contributions, which were needed to spend on the increasingly expensive election campaigns. To facilitate and utilize this growing market, lobbyists such as Gerald S. J. Cassidy emerged and created lobbying firms on K Street in Washington. For a retainer fee, e.g., interest groups, universities, private companies, could hire lobbyists to gain influence on legislation that would affect their interests and in certain cases, it would also involve donations at political fundraisers and other campaign contributions. (Kaiser, 2010)

Then, in the beginning of the 21st century, the biggest lobbying scandal in modern times occurred. Jack Abramoff, a lobbyist working for lobbying firm Greenberg Traurig, was sentenced to six years in prison for conspiring to bribe public officials, in addition to tax evasion and mail fraud. He swindled his Indian tribe casino clients and bribed Members of Congress in addition to their staffs. Furthermore, Abramoff succeeded in getting a Committee Chairman in Congress to put a specific line of legislation into a bill, which would then exempt one of his clients for certain tax obligations. As federal investigation showed, this was an example of the quid pro quo corruption that had seemed almost extinct until the Abramoff case. The Abramoff scandal, which put Jack Abramoff in prison in 2006, shocked the American public, who had not experienced a corruption scandal of this magnitude in modern times. Yet, the perhaps most worrying aspect was that Abramoff's methods, although extreme in scale, was not that uncommon compared to how most lobbyists work on a regular basis, presently. (Lessig, 2011; Kaiser, 2010; Hrebenar & Morgan, 2009)

3.1.2 The Roles of the Lobbyist

Lobbying today can be done in one of two ways: direct and indirect lobbying. The former is when lobbyists directly lobby legislators and government officials in order to influence them on a certain issue and is usually carried out by professional lobbyists, who have the right connections. The latter is directed less towards policy makers and more towards the public, in order to sway legislators indirectly, through public pressure. This can be done through e.g., grassroots movements, demonstrations, coalitions between different (interest) groups, boycotts and will usually be organized by lobbyists. Furthermore, both direct and indirect lobbying can be done by either internal in-house lobbyists or external for-hire lobbyists. As seen in Figure 3.1 below, the internal lobbyists are employed full-time by a company or an interest group as part of that organization and, as such, this kind of lobbyist will lobby on all matters and issues concerning that organization. On the other hand, the external lobbyists are usually working for one of the lobbying firms on K Street in Washington and these lobbyists can be hired as consultants or on a retainer by companies, interest groups and other clients. (Hrebenar & Morgan, 2009; Smith, 1995)

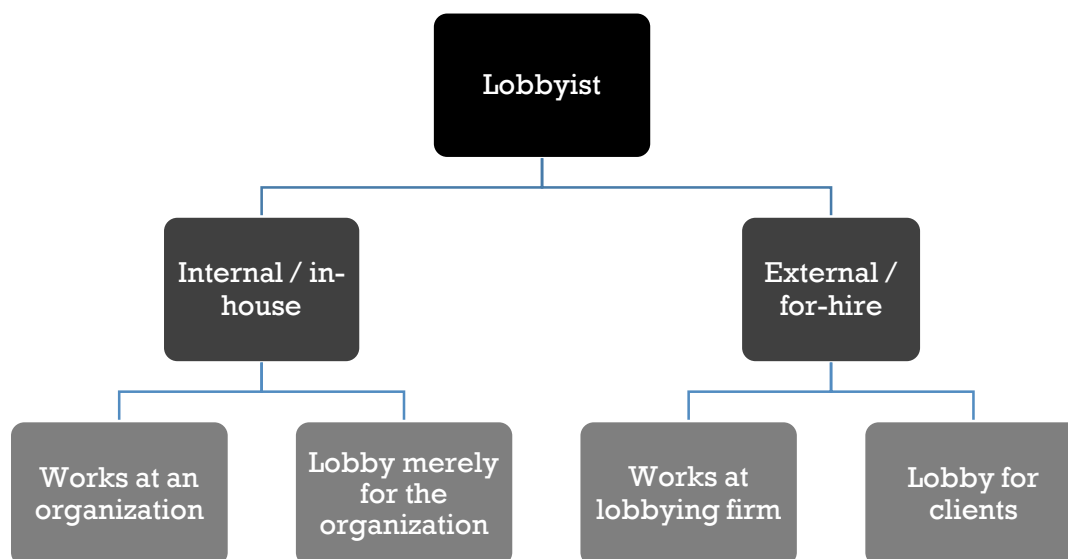


Figure 3.1

The practice of lobbying can require a lobbyist to fill different roles and, thus, will require a broad range of proficiencies, which are illustrated in Figure 3.2. Lobbyists are typically former lawyers, politicians, political staff or aides, or someone with a public relations/communications background. Hence, knowledge about the legislative and political processes is important, as this is exactly what a lobbyist is trying to influence. Furthermore, a good understanding of the law and the legal aspects of writing a bill and passing it into law is crucial, as well. Additionally, a lobbyist will need to be knowledgeable about the issues he or she is lobbying as well as the issues' industry or at least be able to become familiar with it quickly. Lastly, good conversational and communicative skills are vital to create and maintain strong relationships with key

Members of Congress and their aides, as well as, being able to create effective PR campaigns and other indirect types of lobbying. In other words, even though a wide political network and good relationships and connections with Members of Congress and their staff are essential, a good lobbyist also requires these skills to be effective.

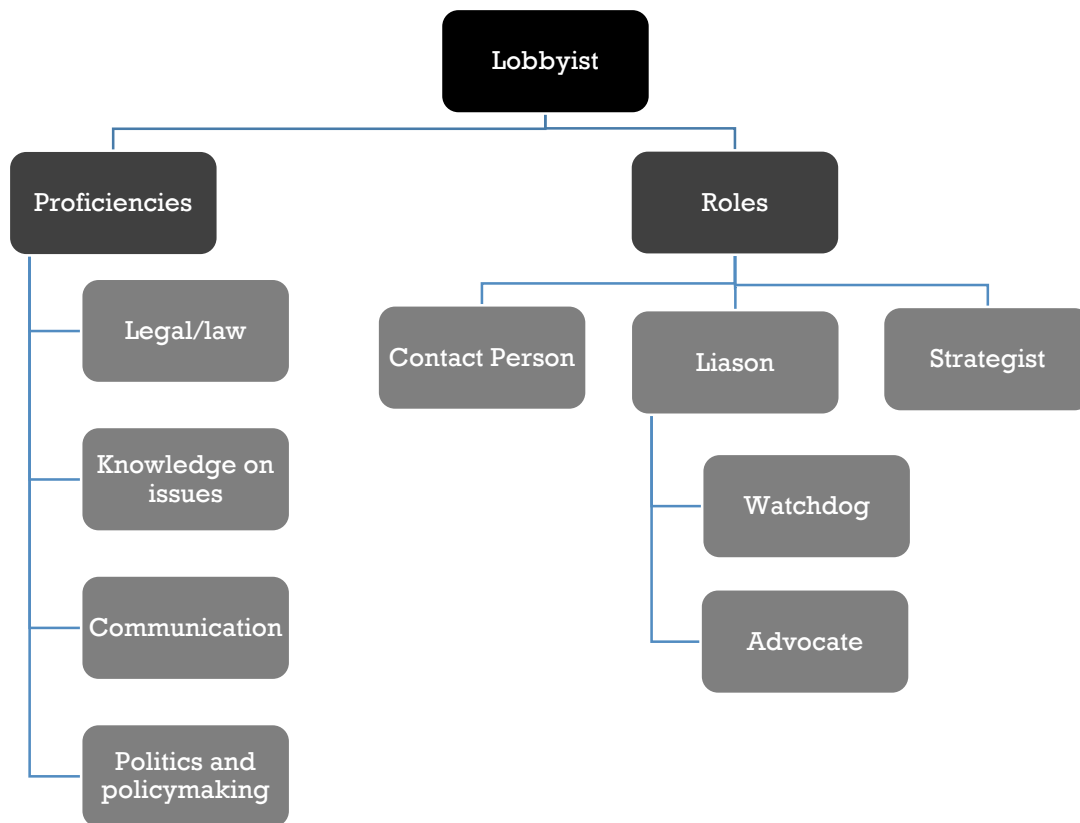


Figure 3.2

The broad range of skills mentioned above enables lobbyists to fill different roles. First, there is the “contact person” who has connections and good relationships with the important decision makers in Congress, preferably the chairperson on the committee that handles the issue, which needs to be lobbied. Secondly, there is the “strategist” who designs lobbying campaigns from the bottom-up. Then, there is the “watchdog,” which is a kind of liaison lobbyist who scrutinizes parts of the government, for instance Congress or the White House, to find potential legislative dangers or opportunities concerning their clients or organizations’ interests. Lastly, there is another kind of liaison, the “advocate,” who fills the more visible and conventional lobbyist role of testifying at committee hearings, presenting data for legislators, visit politicians and government officials. (Hrebenar & Morgan, 2009) Hence, a lobbyist’s job can be comprehensive and versatile and the wide range of skills mentioned above seems necessary for an efficient lobbyist.

As mentioned earlier, external lobbyists and their firms can have many different clients, such as universities and private companies. However, most commonly are the interest groups. These groups, or factions as James Madison named them, try to influence the public debate and/or legislators in favor of their interests, but unlike political parties, they are not affiliated with any of the government's branches. The interests of these groups can be driven by self-interests, such groups, which promote issues or policies that only benefit themselves, are called self-interest groups. In contrast, there are Public-interest groups (PIG), which are lobbying for issues and policies that will benefit the whole society. However, most interest groups categorize themselves as PIGs, regardless of their true interests and goals, in order to be perceived better and less selfish. Moreover, the size of interest groups also differs vastly. Some of the largest groups such as, the American Association of Retired Persons (AARP) have more power because of its many members, both in numbers and financially, but they lack unity and a common goal or message. Yet, smaller groups might have a clear message and a common goal, but lack the power to lobby their cause effectively. (Hrebennar & Morgan, 2009; Eggen, 2010) However, there is an obvious exception to this trend; lower membership groups consisting of wealthy members, such as rich individuals or big corporations. An interest group that has a relative low amount of memberships can still be both power- and resourceful enough to lobby effectively, as long as its members are able to pay large enough membership fees, for instance.

3.1.3 The Contemporary Effects of Lobbying

Today, the need for lobbyists in the current American political and electoral is greater than ever, as Teena Gabrielson, Professor at University of Wyoming, has said:

“In the marketplace of American politics, the packaging of political issues is often as important as the product.” (Baumgartner, Berry, Hojnacki, Kimball & Leech, 2009, p 188)

This quote seems rather accurate, as companies and interest groups spend increasing amounts on lobbying efforts. (Ornstein, Mann, Malbin, Rugg & Wakeman, 2014) Big interest groups, such as AARP, are among the top spenders, but along with them are major industries, such as the finance, banking, medical, legal and oil & gas industries. These industries and their interest groups are donating hundreds of millions of dollars in political contributions. (Open Secrets, 2015) Primarily, in an attempt to lobby policy makers by directing donations to the right candidates' campaign coffers. The strategies that determine which candidates to donate to and support is created or counseled by lobbyists and are done through political action committees (PACs), which are organizations that pool contributions. In addition to this, campaign costs for elections has increased in recent decades and made the demand for contributions increase, as well. Thus, interest groups (as well as every citizen) must now supply larger contributions at fundraisers in order to get a candidate's ear. (Lessig, 2011; Kaiser, 2010)

The trend of increasing amounts of “soft money,” from interest groups, PACs and corporations, flowing into American politics is regarded as one of the negative impacts caused by lobbying activities. Furthermore, this has caused other complications. One of these is the perceived corruption that the public feels is happening, when millions of dollars goes from special interest groups and companies’ hands to politicians’ election campaigns. (Lessig, 2011) Arguably, this has contributed the decrease of the public’s trust in Congress, which has send its approval rating down to a record low. (Riffkin, 2014) Furthermore, the US has experienced falling voter turnouts for mid-term elections, which at 2014 elections was at its lowest since World War II. (Alter, 2014) Distrust in government, as well as low voter turnout, are serious democratic problems for the US, since the people’s participation is key for any democracy. Lastly, another democratic issue with lobbying is the representation of lobbyist and lobbying power. To be precise, there is a lack of apportionment of lobbying influence between the country as a whole and those with the most influential and expensive lobbying efforts, and it seems to be tilted in favor of the wealthiest interests. (Lessig, 2011; Kaiser, 2010; Hrebenar & Morgan, 2009) These impacts will be the focus of this thesis’ Chapter 6.

Although, it seems there are many problems connected with lobbyists in the current US political system, it must be noted that lobbying can also benefit the political process. For instance, everyone can lobby or petition the government and their representative in Washington. This right, to freedom of speech and petition of government, is protected by the constitution, which means that every single citizen or group can supply information to Congress on issues that might not have been brought up otherwise. Additionally, lobbyists themselves provide factual and expert information to policymakers, who then, in turn, can make decisions that are more qualified. Furthermore, many lobbyists have companies as clients and these companies have hundreds or thousands of employees, whose interests in many cases also are lobbied, hence, the better a company perform the more workers it can have on its payroll. Moreover, it is not only profit-seeking corporations and their interest groups that lobby, non-profit organization and charities lobby to get their causes on the political agenda, as well. (Kaiser, 2010; Baumgartner et al., 2009; Hrebenar & Morgan, 2009)

3.2 The US’ Political and Electoral System

It is important to know and understand the current US political and electoral system, before analyzing how lobbying activities affects the democratic process. Thus, the following part will consist of a brief introduction to the legislative and executive branches in the US and how these are elected. This is done to understand how elections and campaigning are connected to the lobbying activities. The following will at first briefly examine the American democracy and the electoral processes of the President and the two chambers of Congress, The Senate and the House of Representatives. Furthermore, it will examine the effect these

electoral processes and the two-party system have on lobbying and interest groups' ability to influence policymaking in Washington.

The US has a representative democracy, where the people vote for representatives who then vote on policies, in contrast to a direct democracy, where the citizens themselves vote on policies. Furthermore, it is a presidential democracy with separation of powers between the courts of the judicial branch, the Congress that embodies the legislative branch, and the Presidency, which is the executive branch. One of the principal ideas behind the democracy or the democratic process is that every single citizen has one vote each, thus, the power to elect representatives is distributed equally among the voting population. (Clark, Golder & Golder, 2009) Therefore, it is essential for the democratic process that the voting population exercises its right to vote and that the power to influence the legislators is divided equally.

3.2.1 The Executive Branch

The President is head of state (and of his party), commander in chief, and leader of the administration and the executive branch of the US government and as such, has the responsibility to, for instance, sign and veto laws from Congress. The President is elected by a national constituency during the general election, which means that all those eligible to vote from every state in the US can help decide who should be in the White House. This is done through a process that is run by the Electoral College, which consists of electors from each state who will cast their vote on the candidate that received the most votes in their state. When this system was set up by the founding fathers, electors did not have to follow the decision of the voters, but today electors tend to cast their vote for the candidate who had the majority in his or her state. This means that citizens vote in their own state and the candidate that receives the majority of votes from that state wins all its electorates. A state's number of electorates is determined by adding its number of senators with its number of members in the House of Representatives. The aggregate number of electors is 538, which means to get a majority to win the general election and become the President of the United States, a candidate must get at least 270 electoral votes. This also means that even though a candidate wins the popular vote (the vote from all voters across all states and not electors) he or she might not win the 270 electoral votes. This happened in 2000, when George W. Bush lost the popular vote to Al Gore, but won enough electoral votes to become President. (McKeever & Davies, 2006)

However, before even becoming a party's candidate, a runner must first win his or her party's nomination through primaries, also called the Primary Election and Caucus Election. These primaries and caucuses can be open for all or they can be closed, which means that only officially registered Democrats or Republicans can vote for their favorite Democratic or Republican candidate, respectively. This process starts in February of an election year and ends in June the same year with one candidate winning his or her party's nomination,

which means that candidate will become either the Democrats or the Republicans' presidential candidate. Each party will find a candidate this way, unless there is an incumbent president, since it is rare that an incumbent have an opposing candidate for the nomination within his own party. Then, these two candidates will, along with insignificant independent runners, enter the general election, which is described above, to decide who will become President. It is also important to note that the President can serve for four years per term and can serve no more than two terms. After Franklin D. Roosevelt won a third term in 1940 the Constitution was amended to allow only a maximum of two terms for a president. This was done to avoid that a popular president would get too much electoral power and gain detrimental control of the executive branch. (McKeever & Davies, 2006)

For lobbyists and interest groups this process could seem too incalculable to influence, however, in most states the winning candidate is usually given. This is because many states traditionally vote for either the Democrat or the Republican candidate; these states are during an election called blue and red states, respectively. Consequently, most of the financial resources from interest groups and their PACs will be focused on the all-important "swing states," which are those states where the voters are most undecided and, thus the states that de facto decide the general election. This means that both the political parties, but also the interest groups, spend most of their resources in these states. (The Washington Post, n.d.) For instance, many southern states are almost impossible to win for a Democratic presidential candidate, therefore, the Democratic Party as well as interest groups supporting the Democratic will spend their time and resources in those contested "swing states" instead. (Doherty, 2007)

3.2.2 The Legislative Branch

However, lobbyists focus most of their attention on Capitol Hill and the legislative branch, Congress, rather than on the White House and the executive branch, since it is here that legislation is made. (Kaiser, 2010; Lessig, 2011) Thus, the focus of this thesis will be on lobbying activities connected to the legislative branch, primarily. As mentioned, Congress consists of two chambers, which is called a bicameral legislature, and is responsible for creating and passing legislation, called bills, which the President then can sign into law. Bills are usually created in committees and will have to pass in both the Senate and the House of Representatives, before it can be signed into law. Yet, the Electoral process for the two chambers differs.

First, the Senate has 100 seats that are filled by two senators from each of the 50 states. This means that large states, such as California or Texas, have the same number of senators as, for instance, Wyoming. The reason for this is to protect the power of the smaller states and secure political influence for them on federal matters, by giving every state equal power in the Senate. Unlike the elections for the presidency, elections for the Senate are every two years, during general elections and the midterm elections. Moreover, a Senator's

constituency is, in contrast to the President's, not nationwide, but statewide. Every two years, about one-third of the Senate's seats are up for election, which means that a senator's term last 6 years. However, unlike the President, a senator has no limits on the amount of terms he or she can serve. (McKeever & Davies, 2006) Hence, a senator will always have an election to think of (and raise funds for), as long as he or she is not retiring, unlike the President, who after securing a second term will be unable to run a third time, thus, not having to worry about re-election or raising campaign funds.

Second, there is the House of Representatives, the other chamber in Congress and final part of the legislative branch. The House, as it is also called, has 435 seats filled by representatives from constituencies in all 50 states. However, the more populated states have been apportioned more seats than the less populated states. Every 10th year, a census is made and the seats are then divided among the states according to their population size, however, every state is secured at least one representative. This means that a small state such as Wyoming with a population of about half a million have one seat in the House and a populous state such as California, with a population of over 35 million, has 53. Hence, in contrast to the Senate, the seating in the House of Representatives favors the greatly populated states. Additionally, the electoral process also differs from that of the Senate and the presidency. In the House every seat is up for election every two years (both in the general and midterm elections), with the exceptions of those few who are committee chairmen, representatives can run for Congress an unlimited amount of times, as well. (McKeever & Davies, 2006) This means that each representative only serve two years per term and will be up for re-election almost permanently. In other words, with only two years to the next election immediately after an election win, raising funds for the next campaign will have to start early.

Furthermore, this also means that Members of Congress (especially those in the House) are those most in need of campaign donations. Subsequently, lobbyists and their clients are particularly interested in getting influence in the legislative branch. Especially, prominent members, such as the Committee Chairmen, Majority and Minority leaders, the Speaker of the House and the parties' whips, are high priority targets for interest groups to influence, since these members of Congress have more power over the legislative process. Consequently, with the need for campaign funds and regular elections, the way is paved for "soft money" from the lobbyists' clients. (Kaiser, 2010; Lessig, 2011)

However, it is not only the electoral process that indirectly empowers interest groups and other outside interests in Washington. The political two-party system in the US only consists of the more liberal and left-wing Democratic Party and the more conservative and right-wing Republican Party, also called the Grand Old Party (GOP). (Hrebennar & Morgan, 2009) As a result of this, voters only have one of two parties to vote for, in contrast to voters in a country with a political multi-party parliamentary system. Consequently, US

voters' interests are only covered by two opposing political parties. Hence, there are no smaller parties to promote certain issues. For instance, many multi-party parliaments have smaller parties that focus heavily on certain issues and causes, such as parties that are anti-immigration, pro-environment, promote welfare for senior citizens or against big corporations. In the American two-party system, these narrower interests are often taken up by interest groups that gather bipartisan support for a certain cause, by rallying both liberal and conservative voters. Furthermore, the interest groups support the candidates, both Republican and Democrat, whose political views can aid the groups' cause the most.

3.3 The Legal Framework

This last part of the background chapter will examine and clarify why it is allowed for interest groups and other outside actors to engage in lobbying activities to the extent it currently is. The Constitution, the Supreme Court and Congress have all shaped the current legal framework that enable lobbying activities. In the following, it will be examined and clarified how and why the judicial and legislative branches have shaped the political system the way they have.

3.3.1 The Constitution

The first brick on the road to the current political climate for lobbying and campaign contributions is found in the First Amendment to the US Constitution. It reads:

“Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.” (Cornell University Law School, n.d. b)

Congress shall make no law (...) abridging the freedom of speech (...) or the right of the people (...) to petition the government (...). In these parts, the First Amendment protects US citizens' freedom of speech and their right to petition their government. Throughout the over 200 years that have passed since the amendment was introduced in the Bill of Rights, it has been interpreted to also include political speech, and to a certain extent political money. This means that donating money to a campaign is interpreted as political speech and, as such, it is protected under the US Constitution as free speech. (Hrebenar & Morgan, 2009)

3.3.2 The Supreme Court

Although, when examining the Constitution in regards to lobbying and campaign finance, the Supreme Court and its rulings on the matter should also be taken into account. The Supreme Court is responsible for interpreting the Constitution and its Bill of Rights, including the First Amendment. The first of the courts

most crucial rulings on the topic in modern history is in the case *Buckley v. Valeo* (1976). This case upheld the limits on contributions to individual candidates, but struck down Congress' decision to limit spending by candidates and independent expenditures by non-candidate and non-political parties. Suddenly, this meant that there were no limits on how much a candidate could spend on his or her campaign. Subsequently, even though the limit on contributions to candidates was upheld, individuals and groups could spend unlimited amounts to assist a certain candidate in winning an election. This ruling started what has been called an "arms race" for campaign funds and will be the focus of chapter 5. (Levitt, 2010) Because of this ruling, candidates became able to spend as much more and have as many external supporters assist the campaign. As long as they did not donate directly to the candidate or through his or her party, there were no limits on how much a group or an individual could indirectly assist a candidate financially. Moreover, to direct and facilitate these groups, institutions and individuals' political speech and money, the lobbyists, of course, became useful and the lobbying industry and its activities flourished as a result. (Waterhouse, 2014)

Since *Buckley v. Valeo*, there have been several Supreme Court rulings on campaign contributions and spending. One of the earlier ones was the *First National Bank of Boston v. Bellotti* case from 1978. It held that corporations could legally contribute to ballot initiative campaigns. This opened up for banks and other big corporations to spend a lot of money on campaigns trying to oppose or support a given legislation. (Federal Election Commission, n.d.) In essence, corporations became treated as individual people. This sparked some controversy, because according to the Supreme Court's rulings in the 1970s, corporations are protected under the First Amendment as well as citizens. (Waterhouse, 2014)

Nonetheless, in 1990, the *Austin v. Michigan State Chamber of Commerce* case ended with a Supreme Court ruling in favor of the State of Michigan and its Michigan Campaign Finance Act. The act made it illegal for corporation to use treasury money to support or oppose a candidate in an election in the state of Michigan. (The Harvard Law Review Association, 2010) The court deemed the law to not be in violation with the First Amendment and the *Austin v. Michigan State Chamber of Commerce* ruling was a rare case in which the Supreme Court actually limited companies' abilities to support or oppose candidates financially.

Nevertheless, the *First National Bank of Boston v. Bellotti* ruling was not the only time that the Supreme Court has interpreted the First Amendment's rights to include corporations and used it to protect businesses' rights to influence elections. Thus, the ruling from the *Austin v. Michigan State Chamber of Commerce* case got overruled 20 years later. In 2010, the most debated Supreme Court ruling on campaign financing in recent years occurred. This case was called *Citizens United v. Federal Election Commission (FEC)*. Besides striking down the Michigan state law, by overruling the court's previous verdict, the *Citizens United v. FEC* also, among other features, eliminated the ban on corporate express advocacy. (Levitt, 2010) (The Harvard

Law Review Association, 2010) This means that corporations, interest groups, and other actors not directly affiliated with a candidate or party, can make explicit campaign ads, during the election, advocating people to vote or not vote for a particular candidate. Thereby, the Citizens United v. FEC case expanded on the 2007 ruling, FEC v. Wisconsin Right to Life, which had granted the before mentioned actors permission to run ads during elections, but without permission to explicitly tell voters who to (or not to) vote for. (Greenhouse & Kirkpatrick, 2007) It also partially overruled the McConnell v. FEC case from 2003 that had ruled campaign finance law known as the McCain-Feingold Act to be constitutional; meaning parts of it then became unconstitutional. In other words, the Citizens United v. FEC verdict took away the last prohibition put on corporations and interest groups, with regards concerning their use of resources to directly express who voters should or shouldn't vote for. Additionally, it curtailed the regulation of one of the greatest attempt by Congress to regulate the campaign financing, the McCain-Feingold Act.

Other notable cases include the Randall v. Sorrell case from 2006 that deemed limits on contributions to politicians unconstitutional. The state of Vermont had made a law setting caps on political donations and campaign spending; however, this was challenged in the Supreme Court, which struck down the Vermont law, thereby reaffirming the Buckley v. Valeo ruling. (Bravin, 2006) (Levitt, 2010) This meant that any limit on a citizen's right to contribute to a campaign and candidate's right to increase campaign spending was a violation of the First Amendment and, thereby, unconstitutional. This protected one of the lobbyists' best ways to direct clients' money to the right places for maximum effect (through sizeable individual contributions) and it upheld the politicians' demand for campaign contributions.

Two years later in 2008, during another important case, the Supreme Court struck down a law that was set to help non-wealthy political candidates. The law was meant to help candidates, who did not have great personal wealth to spend, in races where they ran against wealthy candidates, who could spend above a certain threshold. The law attempted this by setting stricter limits for the wealthy candidate's spending. This case was called Davis v. FEC and the Supreme Court ruled that it was wrong to deter wealthy candidates from entering elections and spending their own money, so the law, which was created to give non-wealthy candidates a fairer chance to match wealthy opponents' spending, was struck down. (Bravin, 2010) (Levitt, 2010) The latest case, on this matter, is the McCutcheon v. FEC case from 2014. With its ruling in this case, the Supreme Court, yet again, struck down a law, which limited contributions, by deeming aggregate contribution limits to campaign finance unconstitutional. (Barnes, 2014)

Many of these decisions, which Supreme Court has made the last decades, seem deeply divided between its liberal justices (judges on the Supreme Court) and its conservative ones. The liberals want keep restrictions on campaign contributions and spending to ensure that the democratic process is not distorted by the interests

of the wealthy. Contrastingly, the conservatives believe that the First Amendment should protect corporations as well as individuals and that this freedom of speech is more important than controlling campaign donations and spending. (Barnes, 2014) When looking at the recent Supreme Court rulings on this issue, it is clear to see that the conservative approach has the majority. This means that only reforms containing public funding programs, where candidates subject themselves voluntarily to limits on campaign spending would pass as constitutional. (Lessig, 2011)

3.3.3 The Congress

After examining the Constitution and its First Amendment along with the Supreme Courts and its rulings, the legislative branch, Congress, is the last actor to be examined in this part. Through the past decades, Congress has tried to reform the way lobbying and campaign finance works. In the following, the most important attempts at this will be examined.

The Federal Election Campaign Act (FECA) of 1971 was the first great attempt by Congress in modern times to reform federal elections and the way these were financed. It was amended several times during the 1970s, in response to the Watergate-scandal and the *Buckley v. Valeo* 1976 Supreme Court case. Originally, the act imposed rules on the disclosing of contributions, as well as limits on campaign spending. However, the latter was deemed unconstitutional by the *Buckley v. Valeo* ruling. These limits were restored to a lesser degree by an amendment in 1979, yet it did not limit outside money or “soft money,” i.e., money that is spend from other sources than the candidate and his or her party. An amendment to FECA in 1974 created the Federal Election Commission (FEC), a regulatory agency, which regulates campaign finance legislation and, as mentioned earlier, has played a part in many of the Supreme Court’s cases on the matter. (Bibby & Cotter, 1980) With FECA, Congress, preemptively, tried to deal with the increase in campaign spending and influx of outside money into politics through lobbying activities. Nonetheless, due to the Supreme Court ruling in *Buckley v. Valeo*, the act became weakened and did not have the desired effect.

In 1989, Senator Robert Byrd, the Chairman of the Senate Committee on Appropriations, proposed an amendment that passed the same year. This was called Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions, but became known as the Byrd Amendment. (Cornell University Law School, n.d. a) It was a direct response to the growing lobbyist industry in Washington, the amendment required more disclosure, when lobbyists were involved in the legislative process and it sought to end “earmark lobbying”. Earmarks were the name given to small pieces of legislation in, usually appropriation bills, which would direct some of the federal funds to a certain company or institution. Especially, universities hired lobbyists to try to secure these earmarks from appropriation bills for education and research goals for their own institutions. The Byrd Amendment, in essence, ended the “earmark

lobbying,” since it also brought media attention to these lobbying activities; attaining federal funds in such a direct manner. (Kaiser, 2010)

Yet, Congress still felt the need to regulate the lobbyist industry, and six years after the Byrd Amendment, it passed the Lobbying Disclosure Act of 1995. It was later amended thoroughly in the wake of the Abramoff scandal in the Honest Leadership and Open Government Act of 2007. The law required lobbyists to register at the clerk of the House of Representatives before lobbying. If this requirement was not met, a severe civil fine could be given out. It also increased the disclosure regulations of the Byrd amendment and FECA, by extending the degree of which lobbyists and their clients were required to disclose their political contributions publicly. The Lobbying Disclosure Act of 1995 also repealed the rather weak Federal Regulation of Lobbying Act of 1946. (The Colombia Law Review Association, 1947) Subsequently, it remains one of the strongest pieces of legislation on the regulation of lobbyists, although lobbyists have been able to find new ways, repeatedly, to avoid that any new regulation diminishes their influence with politicians. (Baumgartner, Larsen-Price, Leech & Rutledge, 2009; Pear, 2008)

The last piece of legislation covered in this part is the before mentioned McCain-Feingold Act or, as it is officially called, the Bipartisan Campaign Reform Act of 2002 (BCRA). This act was made to amend FECA and after it was signed into law by President George W. Bush, it set up regulation on campaign financing by the national political party committees and banned ads that aired within 30-60 days of election, unless they were paid for by regulated fund, i.e., not “soft money”. However, BCRA saw its shares of days in the Supreme Court, since many argued that it was, at least in parts, in violation with the First Amendment. Nevertheless, the first case in which the law was questioned, *McConnell v. FEC*, the court deemed it constitutional for the most part. Yet, cases such as *Davis v. FEC*, *FEC v. Wisconsin Right to Life* and *Citizens United v. FEC* had rulings that diminished the power and effect of BCRA, as described in the previous part of this chapter. Those cases deemed parts of the regulation on campaign financing and the ban on “soft money” ads unconstitutional. (Hrebendar & Morgan, 2009) Consequently, less than ten years it was signed into law, the Bipartisan Campaign Reform Act of 2002 has not been effective in limiting campaign spending or “soft money” in political election due, mostly, to Supreme Court rulings.

During the last few decades, Congress has attempted at limiting both the increase in campaign spending and the inflow of “soft money” from outside interests. Yet, it has not succeeded and spending has increased dramatically. (Ornstein et al., 2014) As seen above, many of Congress’ laws have been ruled unconstitutional due to the First Amendment and the Supreme Court’s interpretations of free speech. However, the Supreme Court and its justices are not the only reason for the lack of regulation on lobbying and campaign financing.

First, the typical gridlock in Congress is a hindrance for many bills seeking to reform campaign financing and lobbyist's access, as well as other policy issues. On issues such as reforming the access lobbyists have, disclosure of contributions, and cool-off periods for government officials along with direct limits on campaign contributions and spending, it seems there is a lack of checks and balances. The reason for this is that such reforms would directly affect the very politicians and government officials, who are supposed to make the laws. In other words, a member of Congress might be more hesitant to support a law that affects him or her negatively. For instance, many Senators, Representatives and their staffers become well-paid lobbyists, when their time on Capitol Hill is over. Thus, it could be argued that in order to attract the best candidates for public office, allowing them to earn a lot of money as lobbyists later in their career might be a good idea. However, critics will argue that the best-suited candidates for Congress are not running because of the money. Nevertheless, Congress has not been able to provide effective reforms that limits and regulates lobbying activities and campaign financing, at least not any that have had a lasting outcome on the structures of outside interests' access to political influence and the American electoral process. (Kaiser, 2010; Lessig, 2011)

Secondly, lobbyists are clever and constantly find new ways and loopholes to contribute money and seek influence. Every time Congress puts up new regulations, lobbyists find ways to work around these regulations. An example of this was Congress setting limits on donations to candidates running for public office. This made it more difficult for lobbyists to channel their clients' money to the candidates they wanted to support. However, early modern lobbyists such as Gerald Cassidy figured out other ways to supply politicians' campaign coffers with clients' money. One of these methods was to buy a lot of a politician's book, which in some cases was written mainly for this purpose, and, thereby, supporting the candidate financially, in an indirect manner. Another method was paying the candidate overprice for holding lectures and speeches at universities. (Kaiser, 2010) Another example of lobbyists circumventing Congress' regulation is from the post-Abramoff-scandal years. The Honest Leadership and Open Government Act of 2007 and other amendments to regulative acts set very low limits on how much a lobbyist could spend on taking a member of Congress or member of his or her staff to lunch. Yet, if they did not call it lunch, but instead called it a "fundraise dinner", the lobbyist would suddenly be able to donate thousands of dollars to that Member of Congress. (Pear, 2008; Lessig, 2011) These are just a few examples of how the ingenuity of lobbyists is making it hard for those in Congress who are working to reform the extent of lobbying activities.

Lastly, it should be noted that even the biggest supporters of campaign finance reform and lobbying regulation are dependent on lobbyists and their clients to fill up the campaign's "war chests." Senator John McCain, who was one of the main actors behind the Bipartisan Campaign Reform Act of 2002, wrote in his memoir "money does buy access in Washington, and access increases influence that often results in

benefiting the few at the expense of the many.” Yet, studies from Campaign Finance Institute and the liberal advocacy group Public Citizen concluded that McCain had more lobbyist collecting money from their client for his presidential campaign than any of his rivals had. (Birnbaum & Solomon, 2007) This shows that even the stoutest opponents of “soft money” and lobbyists in American politics are dependent on lobbyists, when they are campaigning.

“A major victory for big oil, Wall Street banks, health insurance companies and the other powerful interests that marshal their power every day in Washington to drown out the voices of everyday Americans.” (Liptak, 2010)

The quote above was expressed about the Citizens United v. FEC ruling and it was spoken by the US President Barrack Obama. It is a clear sign that the person who holds the highest office in the US acknowledges that the current system and its structures are flawed and that interest groups that seek to promote self-serving narrow interests are allowed too much access and influence when it comes to American politics. As stated earlier, the Constitution, the Supreme Court and the Congress are the ones accountable for the current system, which enables and allows lobbyists to funnel “soft money” from outside interest to politicians, who has come to depend on that money for their (re-) election campaigns. A system that is allowed due to a Supreme Court that interprets the Constitution’s free speech and the “government petition”-sections to include almost limitless financial donations. In addition to a Congress’ efforts that is being crippled, in part, by the Supreme Court rulings and, in part, by its own interests and dependency on the current system.

4. Theory

4.1 Game Theory

Game Theory¹ focuses on the study of strategic decision-making and is present in many different areas of study, e.g., economics, political science, biology, and philosophy. As a field of study, it emerged in the 1920s, when the mathematician John von Neumann published a series of papers on it. However, Game Theory's breakthrough as a theory that could be applied on real-life scenarios came around 1950, when John Forbes Nash, Jr. wrote his work on the subject. Prior to Nash' work, Game Theory was concentrated on cooperative games, which assumed that an agreement could be imposed among the players. However, those games' use was limited since most real life problems are created by conflicting parts, where it is not always possible to force an agreement. Furthermore, Nash' ideas went against the contemporary economic thinking, which followed Adam Smith's theory that said if everyone do what is in their best self-interest then the group/market will benefit. Yet, Nash suggested that this was not always the case; instead, he argued that the best outcome for a group might not always come from everyone acting solely in their own interest. (Vanderschraaf, 1999) (Clark, Golder & Golder, 2009)

The theory in the following will focus on game theory and its use in political science. More specifically, Nash' non-cooperative games both strategic form games in a game matrix and strategic/dynamic extensive form games in a game tree. These two types of games will be explained in the following, through two game examples, a Prisoners' Dilemma game matrix and an Exit, Voice & Loyalty game tree. (Clark, Golder & Golder, 2009)

4.1.1 *The Prisoners' Dilemma*

The Prisoners' Dilemma game is probably the best-known example of a Game Theory game. It is based on a story of two prisoners. These two prisoners have been arrested by the police for a serious crime. However, the police do not have enough evidence to prove this accusation and can only convict the two prisoners for a lesser crime. Yet, if the police get one or both of them to confess to the serious crime, they can get the two prisoners convicted for that as well. Accordingly, the police put each prisoner in solitary confinement, thus, making the two prisoners unable to communicate or in any way cooperate with one another. Then, the police interrogate them separately and they each have the choice of confessing to the crime and, thereby, betraying the other prisoner, or keeping quiet and not tell the police anything incriminating. (Gilboa, 2010) This game,

¹ The next part that describes and explains the Prisoners' Dilemma and the EVL game was also partially explained in this authors' final bachelor assignment (Villadsen, Lorenzen & Hansen, 2012).

with two players, the two prisoners, and their two choices, confess or keep quiet, is shown in a game or payoff matrix. This matrix, which can be seen in Figure 4.1, displays the two players or actors' choices with corresponding payoffs, so that the available strategies can be determined.

		Prisoner B	
		Keep quiet	Confess
Prisoner A	Keep quiet	3,3	1,4
	Confess	4,1	2,2

Figure 4.1

As Figure 4.1 illustrates, the matrix consists of four possible outcomes, which each have a different payoff for each of the two players, the higher the payoff, the better. Furthermore, the outcome of one player is not only determined by his or her own choice, but is also affected by the other players' choice. For instance, if the player "Prisoner A" chooses the option "Keep quiet" that player will receive the payoff of 3, as long as other player chooses the same, however, if the other player chooses "Confess", then Prisoner A will receive the payoff of 1. Therefore, both players must make a strategy unilaterally, since they will be unaware of the other player's choice, a choice that will affect their own outcome. (Clark, Golder & Golder, 2009)

Subsequently, if both prisoners choose to keep quiet, then, they will both receive the second best payoff (3) and they will only be convicted of the lesser crime. However, if they both choose to confess, they will each obtain the second worst payoff (2) and they will both be convicted of the serious crime. The last two outcomes involve one prisoner choosing to confess, while the other keeps quiet. This will result in the worst outcome (1) for the prisoner who chooses to keep quiet, since that prisoner will be convicted of the serious crime and get a longer sentence for not confessing. In contrast, the prisoner, who chooses to confess while

the other keeps quiet, will obtain the best outcome (4) because that prisoner will be able to cut a deal and get a reduced sentence for aiding the police and confessing. (Clark, Golder & Golder, 2009)

To “solve” this game, one can determine the dominant strategy, i.e., the option with the best chances of getting the highest payoff, for each prisoner. When looking at Figure 4.1, it is suggested that the dominant strategy for either prisoner, unilaterally, is to confess. The reason for this is that the option of confessing will result in either the best (4) or third-best (2) payoff. Contrastingly, choosing to keep quiet will end in outcomes that give either the second-best (3) or worst (1) payoff. Hence, when unaware of the other prisoner’s choice, confessing is the dominant strategy for both players. In other words, none of the players or actors in the game has incentive to alter his or her strategy, unilaterally. This is called a Nash Equilibrium and is the solution to this game. (Clark, Golder & Golder, 2009)

The Nash Equilibrium in this game would suggest that the outcome would be that both prisoners confess, since that is the dominant strategy for both of them. Hence, they will both receive the second-worst payoff, even though they chose the best option available, not knowing what the other prisoner would choose. Consequently, this shows that making the best choice individually, is not always the best option for the whole group. For instance, in this game the two prisoners could both have received the second-best payoff, if they had chosen to keep quiet. Although, since they had to make the choice unilaterally, they had no ways to cooperate. Nevertheless, this game indicates that in certain scenarios, the best outcome for the group is not necessarily a result of every actor acting in his or her best self-interest. (Clark, Golder & Golder, 2009)

4.1.2 The Exit, Voice and Loyalty game

The Prisoners’ Dilemma game, explained above, is a “strategic form game” in which the players make their choices simultaneously. However, in Game Theory there are also games in which players make their choices sequentially. These are called “extensive form games” and the Exit, Voice and Loyalty game is an example of such a game. These games strategically determine an outcome between two players by using a game tree or a tree model, such as Figure 4.2.

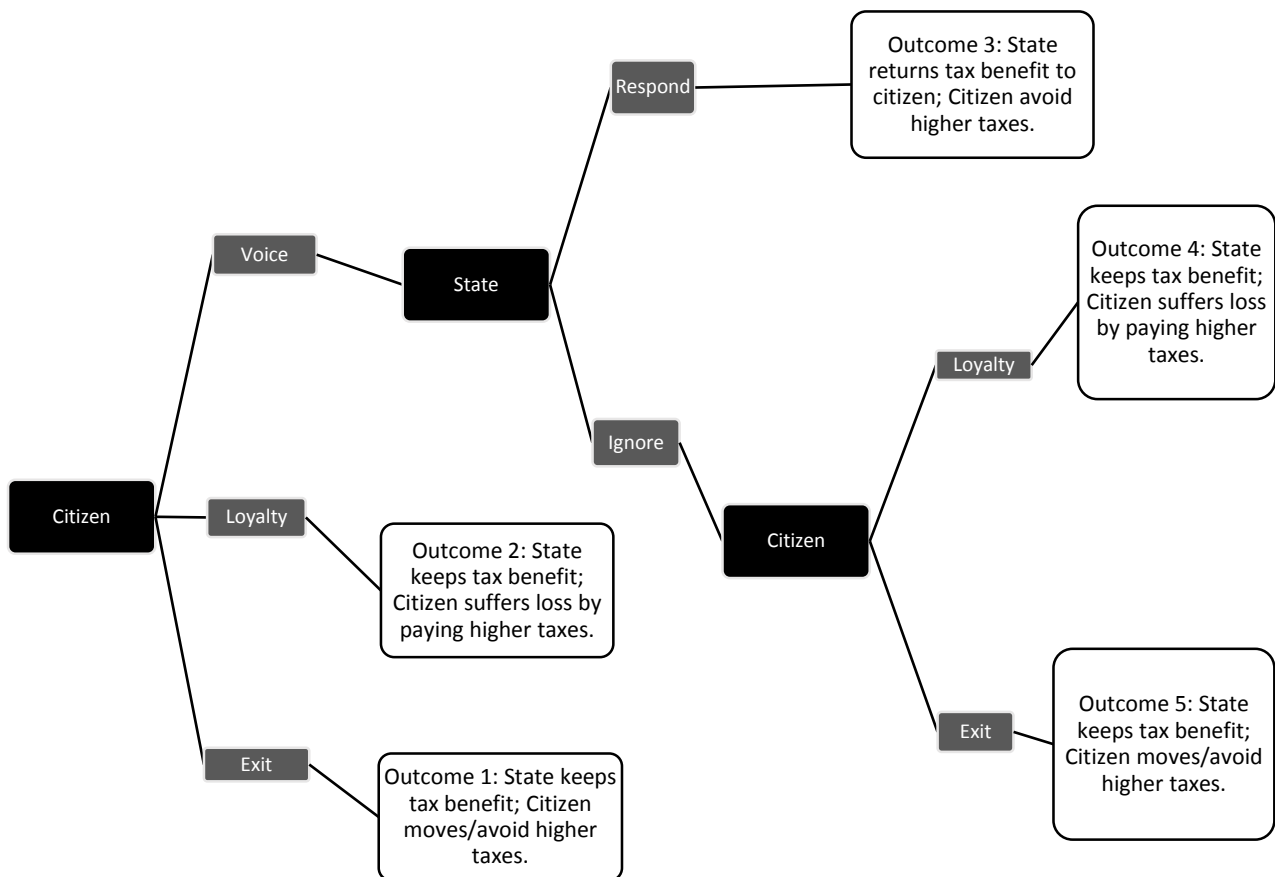


Figure 4.2

In this example of an Exit, Voice and Loyalty (EVL) game, there are two players, the “State” and the “Citizen.” In an EVL game, the game begins when one player uses his or her power to change or threaten to change the circumstances or environment for the other player. In this example, the State changes the circumstance of the Citizen, by raising the taxes. Then, the Citizen has three options to choose from, the first one being “Exit”, which means that the Citizen accepts the changes made by the State (the tax increase), but decides alter behavior, i.e., leave the country, to achieve a better outcome. The second option for the player Citizen is “Loyalty,” in this example, if the Citizen chooses this option, it means he or she accepts the higher taxes and makes no changes, i.e., pay the taxes. The last initial option for Citizen is “Voice,” which means the player refuses to accept the change and voices his or her concern by, for instance, protesting and demonstrating against the higher taxes. (Clark, Golder & Golder, 2009)

In Figure 4.2, three choice nodes can be seen (the black boxes reading Citizen, State and Citizen) and these are indicators, in an extensive form game, for when a player must choose an action. The gray boxes (that reads Exit, Voice, etc.) represent the actions a given player must choose between on each choice node. The initial choice node, the one furthest to the left in Figure 4.2, is where the game begins, by having the player

Citizen choose between Exit, Voice and Loyalty. If the Citizen chooses Voice, the game moves on to the middle node. On that node, it is the State's turn to choose, this time between "Ignore" and "Respond." If the latter is chosen, it means that the State listens to the voice or concern of the Citizen and revokes the tax raise. However, if the former is chosen, it means that the State ignores the voice of the Citizen and the game moves on to the terminal node, the one furthest to the right in Figure 4.2. On this node, the Citizen can choose between Exit and Loyalty again, the Voice option is removed since the State would already have shown it would ignore it, if the game goes to the terminal node. (Clark, Golder & Golder, 2009)

However, by observing Figure 4.2 as it is, it would be impossible to predict which of the five Outcomes (seen in the white boxes) the game will end with, without knowing how much each player values the different outcomes. Thus, as in the Prisoners' Dilemma game, payoffs for each player and each outcome must be determined. In Table 4.1, the payoffs for both players and all five outcomes from the Citizen/State EVL game example have been given values.

Table 4.1²:

Outcomes	Description of Outcomes	Citizen	State
Outcome 1	State keeps tax benefit; Citizen moves/avoids higher taxes.	E	1
Outcome 2	State keeps tax benefit; Citizen suffers loss by paying higher taxes.	0	1 + L
Outcome 3	State returns tax benefit to citizen; Citizen avoids higher taxes.	1 - c	L
Outcome 4	State keeps tax benefit; Citizen suffers loss by paying higher taxes.	0 - c	1 + L
Outcome 5	State keeps tax benefit; Citizen moves/avoids higher taxes.	E - c	1

(Clark, Golder & Golder, 2009)

As it can be seen in Table 4.1, when looking at the "Citizen" column, the Citizen can get the payoff "E." This represents the value of the Citizen's exit option, which can differ depending on whether or not the player has a credible exit strategy or, in other words, it represents value of avoiding higher taxes, while having to move. However, if the Citizen chooses Loyalty, the player will have to pay the higher taxes and will receive nothing, hence; the payoff will be "0." Additionally, if the Citizen chooses Voice, there is a cost ("c") linked to this, since the Citizen must invest resources such as time and money in order to protest against the higher taxes. The cost of c can become substantial, when it can results in imprisonment or loss of

² "E" represents the value given to Citizen's payoff when choosing Exit. "1" is the value of the benefit of the taxes. "L" is the State's value of having a loyal Citizen, who does not choose exit or voice (where $L > 0$) and "c" is the cost of using Voice for Citizen (where $c > 0$).

employment, depending on the country and the circumstances. The last value in the Citizen column is “1,” which can also be found in the State column. It represents the value of the tax benefit, hence, if the Citizen chooses Voice while the State chooses Respond, it would result in the state not raising taxes, thus, enabling the Citizen to keep the tax benefit (“1”). However, if the State does not revoke the tax raise, it gets to keep the tax benefit. The last payoff value is “L” and it represents the value of having a loyal citizen for the State, which means that in the outcomes where the player Citizen chooses to exit, the State will not receive this payoff. (Clark, Golder & Golder, 2009)

Now that the EVL game in this example has payoffs for its outcomes, it is possible to solve the game. This is done through the utilization of “backward induction” to determine the outcome by finding the solutions for each the subgames, which are the three parts in the example where a decision has to be taken (the black choice nodes in Figure 4.2). The method of backward induction determines the optimal course of action for each player, starting from the terminal node on the right in Figure 4.2 and ending at the initial node on the left. This way, each player will attempt to figure out what the other player will choose on the subsequent node, thereby knowing the consequence of the player’s own choice on the preceding node. Thus, through this sequential manner, it is possible to find the optimal course of action to get the outcome with the best payoff. This specific Nash equilibrium or solution is entitled “subgame perfect Nash equilibrium” (SPNE). (Clark, Golder & Golder, 2009)

Therefore, in order to solve the EVL game example with the Citizen and the State, the attention must be focused on the terminal node in Figure 4.2. Here the player, Citizen, must choose between either Exit and Outcome 5 or Loyalty and Outcome 4. As seen in Table 4.1, that will result in a payoff of either $E - c$ or $0 - c$, respectively, for the Citizen. Thus, in order to determine which outcome is the most favorable, an assumption on whether the Citizen has a credible exit strategy or not must be made. In this example, it will be assumed that the Citizen is able to move to another country, which means that $E > 0$, since the player has a credible exit strategy. Consequently, when the value of E is greater than 0, then $E - c > 0 - c$, thus, the best outcome for the Citizen is Outcome 5. Hence, it can be determined that the player Citizen’s choice on the terminal node is Exit³.

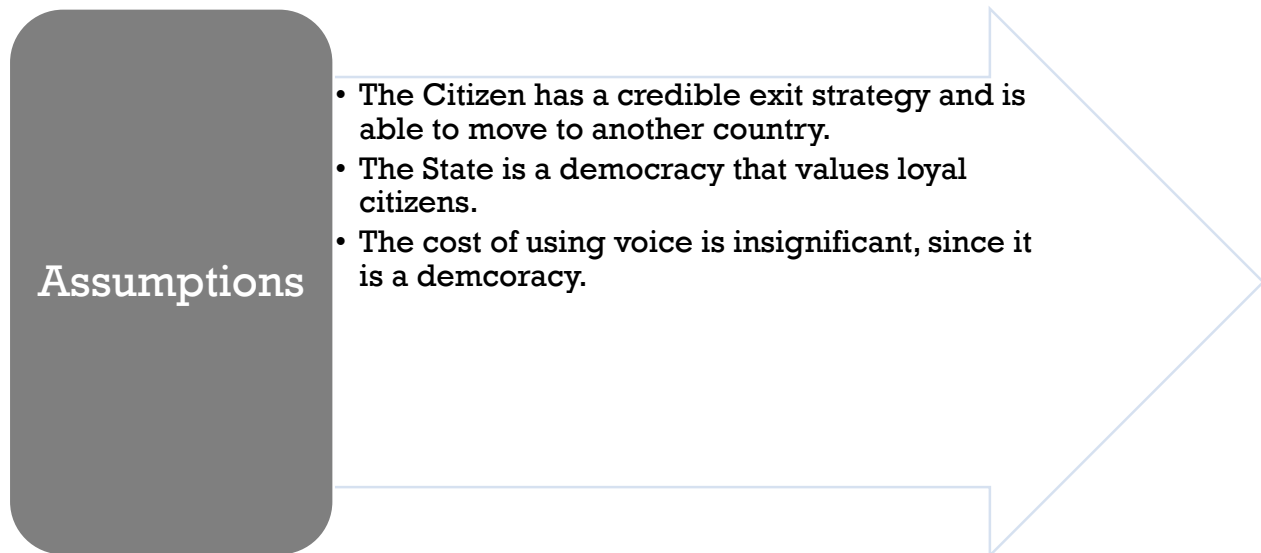
The next stage of the backward induction is to determine the choice of the player on the middle node. This time the State has to make the decision and choose between Respond and Ignore, which will, correspondingly, result in either Outcome 3 or, as it is now known after solving the subgame on the terminal node, Outcome 5. Consequently, these outcomes will result in a payoff of either L or 1 , respectively, for the

³ If it was assumed that the Citizen was unable to another country (i.e., lacked a credible exit strategy), then $E < 0$ and Loyalty would have been the best option.

State. Thus, in order to determine what the best option for the State is, it must first be determined whether the value L is greater or smaller than 1. In other words, does the State value loyal citizens more than the benefit from the increased taxes. Again, an assumption must be made and it is assumed that it is democratic state, where having loyal citizens is imperative to govern and become elected. As a consequent, it means that $L > 1$, which then determines that the State will opt for Respond, since it will provide the outcome with the best payoff for the state⁴.

The next and final stage of the backward induction is solved on the initial node, on which the Citizen has to choose between Exit, Voice and Loyalty. If Exit is chosen, the player will receive the payoff of E through Outcome 1 and if Loyalty is chosen, Citizen will receive the payoff 0, via Outcome 2. In addition, since it has already been established that $E > 0$, Exit is the preferred choice of the two. However, there is also the third option on this node, Voice. Choosing Voice will result in Respond and Outcome 3, since it is known from the previous subgame on the middle node that the State will opt for that, which means the payoff for the Citizen will be $1 - c$. Thus, the choice is between E and $1 - c$, given that it was assumed that the State is a democracy then it seems safe to assume that the cost of using voice (c) is rather limited. Furthermore, although the Citizen has a credible exit strategy ($E > 0$), it can be assumed that avoiding the tax raise is more favorable than having to move, since the value of c is close to 0. Hence, $1 - c > E$, which means that the Citizen will opt for Voice on the initial node, as it provides the best payoff for the player.

Table 4.2⁵:



⁴ If it was assumed that the State was a dictatorship, for instance, then it would have valued the loyalty of the Citizen lower and $L < 1$.

⁵ Table 4.2 offers a summarization of the assumptions made in the EVL game example.

As the subgames on each node have been solved, the SPNE for this game example can be found. This is done by listing the strategic choices of each player, beginning with the first player's (Citizen) choices and then the second player's (State) choices. Thus, the SPNE for this game would be (Voice, Exit; Respond)⁶. This equilibrium shows that the Citizen in this example, with the assumptions seen in Table 4.2, would voice its concern towards the State's tax raise. Furthermore, it shows that the State would respond to this concern and revoke the tax raise.

⁶ Although, the Citizen never actually chooses Exit on the last node, since State chooses Respond and not Ignore on the middle node, it is still listed in the SPNE to show what would have happened if the State had chosen differently.

5. Analysis I: What Enables It

In this chapter, the thesis will focus on the first part of the research question, what enables the lobbying activities in US politics. As the research for this thesis, as well as its background chapter, has shown, the increase in campaign spending seems to enable the lobbying activities. In order to analyze the reason for this increase, the hypothesis of this thesis, “political candidates pressure each other to increase campaign spending,” will be evaluated. It will first be tested using Game Theory in an attempt to deduce a logical conclusion that will be evaluated along with other hypotheses, which have different explanations for the phenomenon. Thus, the first part of this chapter will delve into the phenomenon of campaign spending and its correlation to electoral success. Then, a game from Game Theory will be utilized to test the logical aspect of the hypothesis and attempt to deduce a conclusion, which will be put into the context of US politics and electoral campaigns. Lastly, this chapter will evaluate the hypothesis’ explanation along with the explanations offered by other hypotheses in the context of the Permanent Campaign, which will be assessed as well and lead the thesis into the next chapter.

5.1 Campaign Spending

For more than two hundred years, election campaigns have been part of the democracy and political process in the US. As mentioned earlier, lobbying and corruption have also been evident during this time. But in the 1970s and 80s a boom in campaign costs began, subsequently, candidates required more money to run and plenty of interested parties became willing to supply those funds. (Kaiser, 2010) Since then, campaigning for the presidency or Congress in the US has been an increasingly costly endeavor, as seen in Table 5.1.

Table 5.1⁷:

	House Winners		Senate Winners	
	Nominal Dollars	2012 Dollars	Nominal Dollars	2012 Dollars
2012	1,596,953	1,596,953	10,351,556	10,351,556
2010	1,434,760	1,511,799	8,993,945	8,276,415
2008	1,362,239	1,452,718	7,500,052	7,998,198
2006	1,259,791	1,434,762	8,835,416	10,062,557
2004	1,038,391	1,262,120	7,183,825	8,731,637
2002	911,644	1,163,499	3,728,644	4,758,737
2000	845,907	1,127,876	7,198,423 ^a	9,597,897
1998	677,807	954,751	4,655,806	6,558,117
1996	686,198	1,004,150	3,921,653	5,738,761
1994	541,121	838,336	4,488,195	6,953,371
1992	556,475	910,668	3,353,115	5,487,350
1990	423,245	743,512	3,298,324	5,794,148
1988	400,386	777,081	3,746,225	7,270,780
1986	359,577	753,274	3,067,559	6,426,200

(Ornstein et al., 2014)

It should be noted that there are probably more than one reason for this increase. One hypothesis is that the “tools” to run an effective campaign have become more expensive. Pollsters have become reliable allies, who can pin point where the candidate could gain those all-important swing votes. Polls can also show which political topics and issues a candidate’s constituency is most interested in, and how they feel about those issues. This has made it possible for a candidate to focus the campaign on those issues the voters he or she needed felt most passionately about. (Kaiser, 2010) Another expensive “tool” that has become more widely used the last decades is TV adds. (Ansolabehere, Gerber & Snyder, Jr, 2001) Another hypothesis to explain the phenomenon of increasing campaign spending could be that it is due to the general increase in wealth in the US. Both of these hypotheses will be assessed later in this chapter.

When analyzing the cause behind the lobbying activities in the US, it is important to consider the actors that enable the candidates to spend more. Yet, there are many such actors, e.g., businesses, universities, unions, interest groups have all acknowledged the benefits they can get by building good relationships with the campaign-fund-needing candidates and these relationships are, usually, facilitated by lobbyists. (Kaiser, 2010) Lobbying organizations such as the Business Roundtable, which was formed to discourage the

⁷ Table 5.1 shows the campaign expenditures for winners in both houses in Congress from 1986-2012 from Campaign Finance Institute’s analysis of FEC data. The “a” in 2000 indicates that the two candidates Jon Corzine and Hillary Clinton spend around \$63 and \$30 million, respectively, with the average of the rest of the candidates that year being around \$4.7 million.

Keynesian way of economic thinking and promote more conservative and free market friendly ideas, are another example of an actor that have grown to support and enable the increase in campaign spending. (Waterhouse, 2014)

5.2 Campaign Spending and Electoral Success

Yet, when reflecting upon the hypothesis regarding campaign spending it is important to consider if it actually increases a candidate chances of electoral success. Despite what most people might think, the short answer seems to be no. There are countless cases of candidates, with more money than their opponents, whose campaigns have failed. The campaigns of Howard Dean and Rudy Giuliani are two prime examples of this; they both spend millions of dollars on campaigning with appalling results. (Luntz, 2008; Hinden, 2005) Another example is that of Tricia Hunter, who was a candidate for the California State Assembly. She was favored 45 to 1 by independent spending, but lost the election. Lastly, in 2010 Pacific Gas & Electric contributed vastly to a California ballot proposition, which received more than \$46 million in support, while the opposition received around just \$130.000, yet the proposition failed. (Levitt, 2010) These examples suggest that money alone cannot secure a certain political outcome, no matter how much is spent.

However, even though money cannot buy an election win, most experts seem to agree that having more money can increase a candidate's chances of winning. As Robert Schrum, senior advisor on many Democratic campaigns, puts it: "So gold doesn't always glitter in politics — but you better have some of it, and sometimes, having the most can matter the most." To win an election, a candidate needs to get his or her message out, receive precise information on what voters care about, have capable advisors to help frame the message, and try to control the public debate and agenda, to name a few factors. To get all this, a candidate needs resources i.e., money. Of course, if the candidate's message is flawed, he/she is uncharismatic, hires the wrong advisors or has too many scandals the opponents can exploit, then money will not help. Subsequently, it seems safe to assume that although money will not secure an election win, it seems logical to assume that it in some cases can contribute to a win, at least to a certain degree. (Dubner, 2012)

Nevertheless, studies actually indicate that, in certain cases, the more the candidates spend, the less they seem to win. At least, this is the case for many incumbent runners. Numbers show that those incumbents that increase their campaign spending are less likely to win, than those incumbent candidates who spend less money. Thus, this would seem to suggest that money would have a negative effect on a candidate's chances of electoral success. At the same time, it is shown that the contenders, who spend more money when running against an incumbent seems to stand a better chance of winning, than those contenders that had limited spending. However, the reason for this occurrence is that those incumbents, who spend a lot, are facing a strong contender, where as those, who spend less, are facing little challenge. Naturally, those faced with a strong challenger will stand a harder chance of winning than those only facing a weak challenger.

Conversely, those challengers, who stand a chance of winning, spend more money, where as those, who stand little chance of winning, limit spending. (Gerber, 2004; Jacobson, 2006)

In conclusion, it can be said that money alone will not win an election. Nonetheless, in some races it can help a candidate to secure a win. However, raising more money, through fundraising, loans, private savings and other means, takes time away from all candidates' campaigns. Furthermore, receiving money from interest groups and corporations that seeks to influence the candidates can potentially damage his or her integrity and credibility. Yet, candidates have increased their campaign spending for decades, in spite of these drawbacks. (Ornstein et al., 2014)

5.3 The “Candidates’ Dilemma” game

In the previous part of this chapter, it was shown that money does not guarantee an election win, but candidates have increased campaign spending repeatedly, nevertheless. In the following section, the hypothesis, political candidates pressure each other to increase campaign spending will be tested, using Game Theory, in order to see if it is possible to deduce a logical conclusion. This will be done in a game theory matrix, resembling the game matrix used for the Prisoners’ Dilemma case.

In this game, two candidates are needed; these will be called “Candidate A” and “Candidate B”. These two candidates would be running against each other for the same seat in Congress. They would also have roughly the same amount of money to spend on campaigning in their “war chests” from small donations and their own savings. In other words, the marginal utility, from increased campaign spending, would be roughly the same for each candidate. Furthermore, it is assumed that they both have a realistic chance of winning. The candidates are then both given the choice between limiting campaign spending and increasing it. If a candidate chooses to limit his or her campaign spending, it could mean a less effective campaign, since there would be less room in the budget for ads, fliers, staff, and opinion polls. On the other hand, increasing it would mean that the candidate would have to accept huge donations from wealthy companies.

		Candidate B	
		Limit spending	Increase spending
Candidate A	Limit spending	3,3	1,4
	Increase spending	4,1	2,2

Figure 5.1

In Figure 5.1, the two candidates (A and B) with their two options (Limit spending and Increase spending) have been put into a game matrix. As it can be seen, there are four different outcomes depending on the candidates' choices and four different payoffs for each candidate. The higher the number is, the better the payoff is.

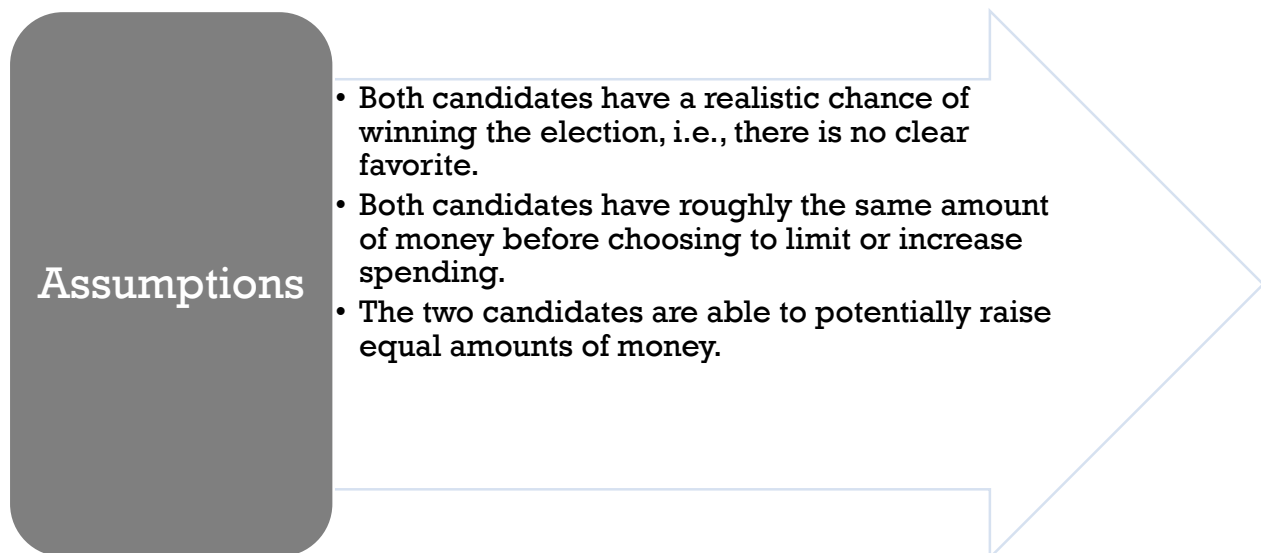
If both candidates choose to limit spending, they would each get the second highest payoff (3). None of them would increase or decrease their chances of winning the race for the seat in Congress by outspending the other candidate. Another important point is that neither of them would have taken huge donations from wealthy companies. Taking such large donations from big corporations may or may not influence a candidate's policies and votes, but it would at least cast public doubt on the candidate's credibility – something any politician would loathe.

However, if Candidate A chooses to increase his or her campaign spending, while the opponent chooses to limit campaign spending, Candidate A would get the highest payoff available (4) and Candidate B would get the lowest payoff available (1). Although, as shown earlier in this chapter, while dramatically outspending your opponent does not guarantee a campaign win, a more expensive campaign would definitely increase a candidate's chances of being elected, all other things being equal. This means that Candidate A comes out of this game with increased chances of winning the election, whereas Candidate B exits the game with a smaller chance of winning. Of course, this work vice versa in the scenario, where Candidate B chooses to increase

spending and Candidate A chooses to limit spending; the former would get the highest payoff and the latter the lowest.

Lastly, if both candidates decide to increase spending, they would each receive the second lowest payoff (2). Again, neither of them would increase nor decrease their chances of winning, assuming they would raise about the same amount of money. They would both be able to afford expensive polls (-ters) to inform them what the voters care about and which segments are on the fence. They would also have the funds for plenty of experienced and talented staffers to analyze this data, as well as money for more TV ads. Yet, none of this would matter much, since the other candidate would have increased his or her spending as well. Instead, with all other things being equal, both candidates would have the same chances of winning as in the scenario, where they both chose to limit spending. Furthermore, in addition to spending more money, they also received large donations from big companies, which, as mentioned, could hurt their credibility.

Table 5.2:



Yet, the dominant strategy for both “players” in this game is to choose the “Increase spending” option, when the assumptions mentioned and shown in Table 5.2 are taken into account. Both candidates will have to make this choice unilaterally, since they cannot be certain whether the opponent will limit or increase spending. When looking at the matrix in Figure 5.1, it is evident why increasing spending is the dominant strategy. By choosing to increase spending, either candidate will receive the payoff of 4 (if the opponent chooses limit spending) or 2 (if the opponent also decides to increase spending). Alternatively, when choosing to limit spending, either candidate will receive the payoff of 3 (if the opponent also chooses to limit spending) or 1 (if the opponent decides to increase spending). In other words, increasing spending will lead to the best or third best outcome, while limit spending would give the second or fourth best outcome.

However, the problem is that while both candidates follow the dominant strategy (to increase spending) they end up with the second worst scenario or as the author of the 2010 book “Rational Choice” puts it: “Each individual does what is obviously rational for himself, but the result is not rational for them as a group” (Gilboa, 2010, p. 91). This was said about the Prisoners’ Dilemma example, but it also fits the dilemma that the candidates are facing. As it is evident from the matrix, the dominant strategy, i.e., the obviously rational choice, for each individual candidate, is to increase spending. However, if both candidates unilaterally decided to limit spending, they would both receive a better payoff, which obviously would be more rational for them as group. Nevertheless, the conclusion that can be deduced from this game is that it seems that candidates opt to increase their spending due to the pressure from opposing candidates, who might do the same. Thus, it correlates with this chapter’s hypothesis. Again, it should be noted that this conclusion is based under the assumptions shown in Table 5.2.

When placed into the context of American politics, elections and lobbying, the conclusion that candidates increase spending might seem valid. Hence, real candidates seem not to choose to limit spending their spending, rather, according to the campaign financing data, they choose to increase it and have done so for decades, as shown in Table 5.1. This presents a serious problem for the US’ democracy. Because if politicians are forced to raise huge sums of money to get elected and to get re-elected, they become dependent on contributors rather than the people who vote for them. Of course, contributors can sometimes represent public interest, but they are not an accurate representation of the public as a whole. For instance, an interest group can support a narrow cause, yet only be supported by few relatively wealthy corporations or individuals, which can invest a lot of money to give in campaign contributions. Moreover, this signifies a crucial problem for any democracy, lack of proper representation. One person, one vote, each individual should be able to have the same influence as the next, regardless of income and status. Yet, the increased campaign cost and spending have also increased politicians dependency on campaign contributions, which in turn have caused a serious problem for the US democracy.

5.4 The Permanent Campaign

In the following part of this chapter, the hypothesis is placed further into the context of American lobbying, election campaigns and campaign spending, in addition to the evolution of these in the past few decades. This is done to offer other hypotheses as to why campaign spending has gone up, besides candidates’ pressuring each other, as the conclusion deduced from “the Candidates’ Dilemma” suggested. Furthermore, this part will also investigate how lobbyists and outside interest utilize the increase in campaign spending, in order to gain influence.

The increase in campaign spending and the ensuing dependency on campaign contributions have been named the “permanent campaign,” by certain scholars. This term was described by Patrick H. Caddel, a pollster that has worked for several Democratic presidential candidates, including Jimmy Carter, and it was later coined by a journalist. (Klein, 2005; Galston, 2014) The concept of the Permanent Campaign explains the state of modern campaign financing. It describes how politicians constantly (or permanently) needs to raise funds for their next re-election, which means that they are, to a certain degree, campaigning during the time they are supposed to be serving the public. (Kaiser, 2010) It also offers other hypotheses as to why the elections in US have experienced such an increase in campaign spending.

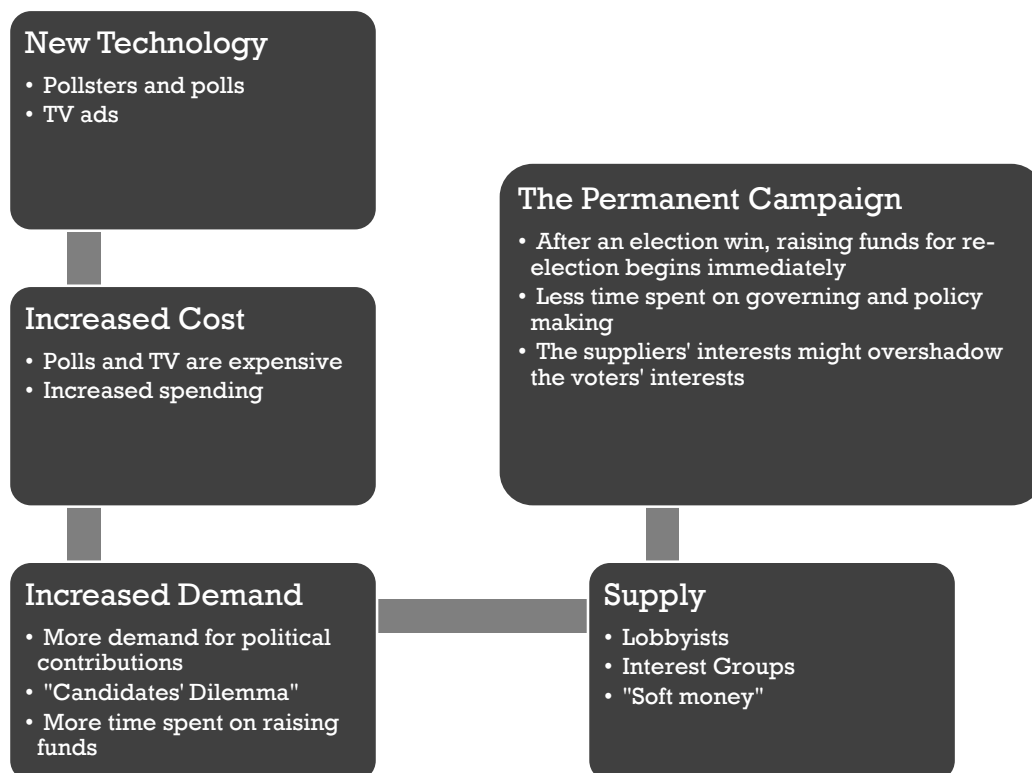


Figure 5.2

Figure 5.2 illustrates the evolution of the Permanent Campaign. Its beginning was during the 1970s and 80s when polling and TV ads became commonly used. Polling became so precise that it could be used for campaign purposes and TV so widespread used that it became a very effective way to reach the voters. However, the use of polls and TV ads did not only make campaign more issue based, since candidates could get knowledge on the exact issues his or her key voters cared about, but the campaigns also became more expensive. This lead to increased spending which, as explained earlier with Figure 5.1, created the “Candidates’ Dilemma” forcing candidates to enter an “arms race” to increase their chances of winning. In other words, the increase in spending turned into an increase in demand. In turn, this meant that even newly elected politicians had to start spending time on raising money for their re-election. To meet this increasing

demand, lobbyists and their clients' "soft money" began to supply the candidates by increasing the contributions to the political campaigns. In the end, the result is the Permanent Campaign, which means that politicians spend less time governing as well as making and debating policies and, instead, spend more time raising funds for re-election. Furthermore, an even more serious potential consequent of this is that candidates start worrying more about the interests of their contributors and less about the public's interests. (Kaiser, 2010)

To show how important the new technology and pollster became, the case of how former President Bill Clinton chose his vacation is a prime example. By the 1990s, when Bill Clinton was in office, pollsters were not only used to determine which issues or demographic groups to focus a campaign on. This became evident, when the Clintons used polls to decide where to go on vacation, trying to figure out if one spot would be too elitist or another spot too lowbrow for the President and his family to visit. (Roberts, 2004) Suddenly, no decision was too small to resolve without taking a poll. In other words, a candidate's personal choices are in many cases second to what the polls dictate, on everything from vacation spots to political issues and policymaking.

Naturally, Clinton is not the only president who seemed to have been affected by the Permanent Campaign; George W. Bush even received criticism for having a "permanent campaign mentality," by a former member of his White House staff. Bush' policy decisions were heavily affected by politics and the goal of being re-elected. (Bumiller, 2008) However, a study on the effects of the Permanent Campaign suggests that the presidency might not be as affected by it, as Congress appears to be. It is mainly in the year of re-election that a president seems to be thoroughly affected by campaigning, according to the study. Hence, the presidency is less influenced by the Permanent Campaign culture. (Doherty, 2007) Arguably, one of the main reasons for this is that the President serves four-year terms, while the 435 members of the House of Representatives only serve 2-year terms, as described in the background chapter. However, it should be noted that the 100 Senators, which represent the other part of Congress, are elected for 6 years at a time. Furthermore, the principal reason as to why the Presidency is less affected by the Permanent Campaign is that while the President can only get re-elected once, members of Congress can get re-elected an unlimited number of times. This means that when the President is in his or her second term there are no more elections, whereas members of Congress will always have an election on the horizon unless he or she is retiring. Thus, the effects of the Permanent Campaign can more easily influence Congress, as most of its members will permanently need to think about raising funds for an upcoming re-election.

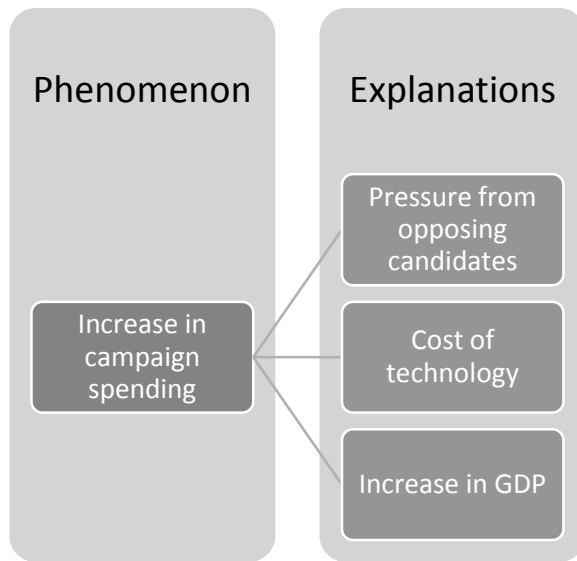


Figure 5.3

The Permanent Campaign offers at least one other hypothesis as to why campaign spending has increased during the last decades: the increase in the cost of the technology used to compete in an election. This hypothesis' explanation to the phenomenon of increasing campaign spending is showed in Figure 5.3 along with the other hypotheses' explanations. As the cases with President Clinton and President Bush Jr. show, the new technology has become widely used. Moreover, since it is expensive to utilize polls both during office and campaigns and to create TV ads, the hypothesis presented by the Permanent Campaign that the new technology and its use has contributed to an increase in campaign spending seems valid. However, the fact that the increased cost of tech used for campaigning has increased campaign spending, does not necessarily falsify this thesis' hypothesis. Hence, the increase in tech cost and the pressure of opposing candidates can have contributed to the increase in campaign spending, jointly.

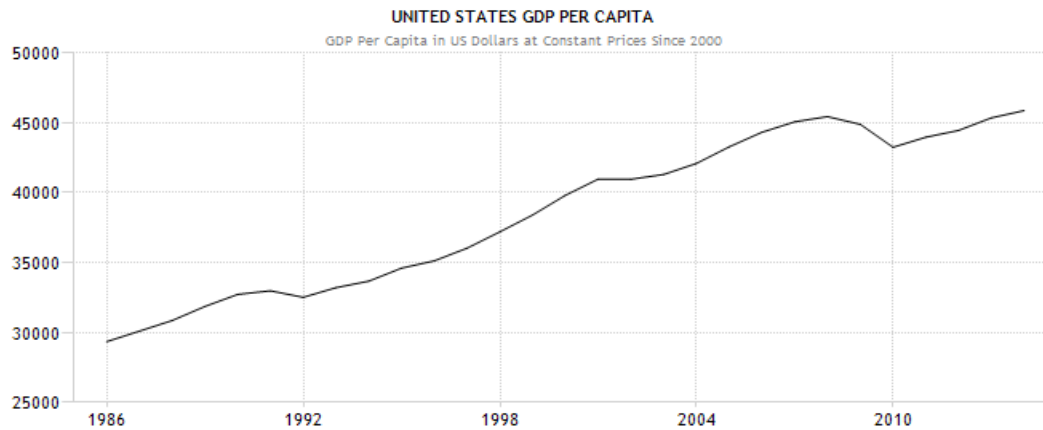


Figure 5.4⁸

Arguably, another hypothesis is that the US as a country has become richer since the 1980s, especially the wealthy individuals and companies, and that this is an explanation for the increase in campaign spending. As it can be seen in Figure 5.4, the GDP per capita in the US has increased since the last couple of decades. Yet, it should be noted that it took a dive after the recent financial crisis that began in 2006. Although, it seems logical to conclude that this hypothesis is true and that it is the real reason for the increase in campaign spending in the last decades, the numbers in Table 5.3 below suggest otherwise. As it is shown, the independent expenditure rose with over 50% from the pre-crisis presidential election cycle in 2004 to the first post-crisis presidential election in 2008. Naturally, it should be noted that the election cycles that contains a general election for the presidency, such as 2004, 2008 and 2012, e.g., have higher expenditures than those election cycles that just contains mid-term elections, such as 2002, 2006, 2010 and 2014, e.g.. Although, the rise in GDP, logically, has increased the spending power of those trying to lobby and contribute to election campaigns, these numbers suggest the rise and fall in general wealth does not directly correlate to the contributions to campaigns. Consequently, it seems that the hypothesis explaining the increase in campaign spending with a general increase of wealth in the US is valid, although it might not be the whole explanation.

⁸ This figure shows a chart of the US GDP per capita from 1985-2014, the numbers are reported by the World Bank (Trading Economics, n.d.)

Table 5.3⁹:

Cycle	Total	Independent Expenditures	Electioneering Communications	Communication Costs
2014	\$562,367,819	\$550,183,650	\$8,292,848	\$3,891,321
2012	\$1,038,736,997	\$1,002,135,419	\$15,437,830	\$21,230,660
2010	\$309,834,180	\$205,519,230	\$79,291,379	\$25,023,571
2008	\$338,399,923	\$143,618,022	\$131,137,181	\$63,644,720
2006	\$69,534,653	\$37,801,719	\$15,436,132	\$16,296,802
2004	\$193,129,472	\$63,885,795	\$98,898,197	\$30,345,480
2002	\$27,686,417	\$16,747,650	N/A	\$10,938,767
2000	\$51,638,411	\$33,778,636	N/A	\$17,859,775
1998	\$15,191,107	\$10,266,937	N/A	\$4,924,170
1996	\$17,884,043	\$10,167,742	N/A	\$7,716,301
1994	\$9,538,844	\$5,219,215	N/A	\$4,319,629
1992	\$19,635,123	\$10,947,342	N/A	\$8,687,781
1990	\$7,213,219	\$5,650,524	N/A	\$1,562,695

(Open Secrets, n.d. b)

Now other hypotheses with different explanations for the phenomenon of increasing campaign expenditures have been evaluated. Thus, it seems appropriate to return to this thesis' hypothesis "Political candidates pressure each other to increase campaign spending," to evaluate if it seems valid. When studying the case of the presidential election of 2012, which as seen in Table 5.3 broke record numbers in outside spending in a campaign cycle, it seems true that the candidates' pressure each other to raise and spend increasing amounts. At least according to Center for Responsive Politics senior fellow, Bob Biersack who have said: "(...) candidates feel pressure to raise more funds, everybody reacts to this new environment by getting as much money as they can." This pressure came from the Romney campaign that raised impressive amount, in addition to being supported by large amounts from outside sources. This in turn forced Romney's opponents in the primaries, as well as Barack Obama in the general election, to increase their spending, causing yet another record election when it comes to campaign expenditures. (Open Secrets, 2012) This seems to confirm what the logical conclusion deduced from "the Candidates' Dilemma" game suggested; that candidates pressure each other to increase spending.

⁹ This table shows the total outside spending in the election cycles from 1990-2014, excluding party committees' spending.

5.6 Sub-Conclusion

The increase in campaign spending seems to have enabled the lobbying activity that is present in US politics today. Although, spending more money does not guarantee electoral success, it can increase a candidate's chances of winning, in certain instances. As the Game Theory game deduced from this thesis' hypothesis, the strategic choices of the generic candidates logically aligned with the hypothesis. Furthermore, when put into the context of US politics and elections, the hypothesis faced other explanations to the phenomenon of increasing campaign expenditures. In this chapter's analysis, it can be concluded that the factors from the other hypotheses have contributed to the increase in campaign spending. Hence, both the increase in tech cost in connection with its wider use, as well as the rise in the US GDP per capita seem to explain the increase, albeit, neither of them falsifies this thesis' hypothesis. Instead, the analysis found empirical data to support not only the other hypotheses, but also the original hypothesis. Thus, it seems valid that political candidates, in certain races and under the listed assumptions, pressure each other to increase campaign spending.

Additionally, the increase in campaign spending has caused a Permanent Campaign culture. This represents a democratic problem, since, not only does it mean that the elected representatives of the people spend more time on fundraising and political campaigning and less time on policy making and governing. It also means that the interests of those, who can contribute the most to a candidate, might become more important for the politicians than the interests of the people. When the Members of Congress become entangled in a permanent campaign culture, they, naturally, become dependent on large campaign contributions, which mostly come from the lobbyists' wealthy clients. This dependency would seem to be damaging for the American political system and democratic process, and the problem it presents will be analyzed in the next chapter.

6. Analysis II: How It Affects the US' Democracy

6.1 The Skewed Difference in Lobbying Power

In the previous parts, it has become clear that anyone, who wants to be elected or re-elected in American federal politics, will require a vast amount of money to have a competitive political campaign. Furthermore, due to the Permanent Campaign, a candidate will have to consider how to fund his or her re-election, rather soon after entering office. Hence, aspiring candidates, who are not wealthy and willing to, primarily, spend their own money, will need considerable contributions and support from their party and interest groups and PACs. These circumstances have created a dependency for candidates to receive “soft money” from non-political party sources, i.e., outside sources such as interest groups. Such groups have different means and resources and could present a representational and democratic problem, thus, the hypothesis “Wealthy interest groups gain more influence through lobbying” will be tested and analyzed in this part. This will be done in order to analyze these lobbying activities’ effect on the democratic process in the US, a process that would appear flawed if the hypothesis would prove to seem valid. Therefore, in the following, two versions of the extensive form of the Game Theory game, Exit, Voice & Loyalty, are utilized in an attempt to deduce a logical conclusion from the hypothesis. However, before the hypothesis is tested in the games, the phenomenon that it is attempting to explain, which is how some groups might gain more influence, is introduced. Then, after the hypothesis has been tested using Game Theory, the game’s conclusion will be put into the context of the research question and be evaluated along with an opposing hypothesis.

6.1.1 *The Influence of Interest Groups*

Candidates receive donations from many different interest groups. There are big interest groups such as the American Association of Retired Persons (AARP) with over 37 million members, who each pay \$16 a year in membership fees alone. (American Association of Retired Persons, n.d.) Along with interest groups representing law firms, securities and investment companies, health professionals, the real estate industry, oil & gas, banks and insurance companies, AARP contributed the most in donations to members of Congress in 2014. This can be seen in Table 6.1. Then there are unions, for the public sector or transportation industry, e.g., which still have numerous members but which are contributing considerably less than the before mentioned groups. The Unions’ interests are in many cases aligned with those of the middle class, such as fair wages and job security, but they lack the resources of groups from other industries. As it can be seen in Table 6.1, the interest groups from these industries invest substantial sums in lobbying activities. (Open Secrets, 2015)

Table 6.1¹⁰:

Rank	Interest Group	Total	Dem Pct	GOP Pct	Top Recipient
1	Lawyers/Law Firms	\$57,599,384	70%	30%	Cory Booker (D-NJ)
2	Retired	\$48,562,692	46%	54%	Mark Udall (D-Colo)
3	Securities/Invest	\$46,695,299	46%	54%	Cory Booker (D-NJ)
4	Health Professionals	\$39,964,889	40%	60%	Bill Cassidy (R-La)
5	Real Estate	\$38,071,248	47%	53%	Cory Booker (D-NJ)
6	Leadership PACs	\$33,610,754	46%	54%	Mary L. Landrieu (D-La)
7	Insurance	\$32,769,421	38%	62%	Mitch McConnell (R-Ky)
8	Oil & Gas	\$25,382,567	16%	84%	John Cornyn (R-Texas)
9	Lobbyists	\$19,994,980	49%	51%	Ed Markey (D-Mass)
10	Pharm/Health Prod	\$19,527,405	45%	55%	Mitch McConnell (R-Ky)

(Open Secrets, 2015)

As it can be seen in Table 6.1, the big industries and their interests are well represented, whereas interest groups promoting the poor's causes are not to be found. Although, there are many reasons as to why interest groups that represent the poor lack the same resources as other groups. Firstly, the poor as a group in the US is divided in terms of geography, culture, ethnicity and even language. Secondly, because of this division and the, in certain cases, absence of access to information and internet it is difficult to recruit, unite and rally members. Lastly, members will not be able to afford high or any membership fees or donate money to political contributions, due to their economic situation. Additionally, labor unions have lost much of their power and are not able to lobby for the middle-class interests, competitively. (Waterhouse, 2014) In other words, when it comes to interest groups' means to contribute to the increased spending of politicians, certain groups are able to donate vastly more money than other groups. (Lessig, 2011)

6.1.2 The Exit, Voice & Loyalty games

In the following part of this chapter, the Game Theory game, Exit, Voice and Loyalty (EVL), will attempt to test and display the strategic decisions behind this chapter's first hypothesis. Additionally, it will try to deduce a logical conclusion that can be placed into the context of the US' political, lobbying and electoral system to analyze whether it seems valid.

¹⁰ Table 6.1 shows the top interest group contributions for the different industries in the 2014 election cycle.

There will be two versions of this extensive form game, the first one with a resourceful interest group, called “Interest group A,” playing against the “Candidate”. The second version will feature the same Candidate but instead of Interest group A an interest group with considerably less resources, called “Interest group B” will be playing against the Candidate. The Candidate is a Congressman who will be up for re-election relatively soon against a strong challenger and will, therefore, need to spend a lot of money on his reelection campaign. Both versions will then explore the choices of the Candidate when the interests of his contributors (Interest Group A and B) are affected by how he votes on a certain bill. Thus, test whether it logically can be deduced that wealthy interest groups gain more influence through lobbying.

In these examples, generic actors, such as the “Candidate” and “Interest group A,” will feature as “players” in these games instead of real life actors, such as a specific candidate and interest groups. There are two reasons for this. First, it can be difficult to find a real life example where it can be proven that a certain candidate was influenced by a specific interest group, although, there are the obvious exceptions, such as the Abramoff-scandal. However, such examples are cases of outright corruption and the objective of this game is to illustrate and investigate the candidates’ dependency on interest groups rather than their corrupt nature. Moreover, it is already known that there are at least a few corrupt Members of Congress, however, it is much more interesting to investigate the choices the average members face and how they will act, rather than focus on the few “rotten apples” that there, probably inevitably, will be. This leads to the second and most important reason as to why generic actors have been chosen in the following game. By using the “Candidate,” “Interest group A” and “Interest group B,” these game examples set out to illustrate that anyone in Congress could be faced with the same choices as the Candidate. In other words, the Candidate represents the average Member of Congress and his choices will be reasonable, common and in accordance with the law and not the actions of an illegal and corrupt politician. This means that the results and assumptions that can be deduced from these games can fit the regular American politician.

6.1.3 The Exit, Voice & Loyalty game – with Interest Group A

The first game will start when one player makes a change to the other player’s environment. In this first example, the Candidate conducts this change when he is expected to vote “yes” on a bill that, if signed into law, would damage the interests of Interest group A. Then Interest group A, initially, has three options, as seen on the first node on the left in Figure 6.1: Exit, Voice and Loyalty. By choosing Exit, Interest group A will accept that the candidate votes against its interests, but also pull the group’s support from the candidate and potentially use its resources to support someone else, maybe even a challenger for the Candidate’s seat. However, if Interest group A opt for Loyalty, the group will not only accept the candidate’s vote against its interest, it will also continue to support him. Lastly, Interest group A can choose Voice; this would mean that

it would not accept that the candidate votes against the group's interests and it would voice its concerns, either directly or indirectly to the Candidate.

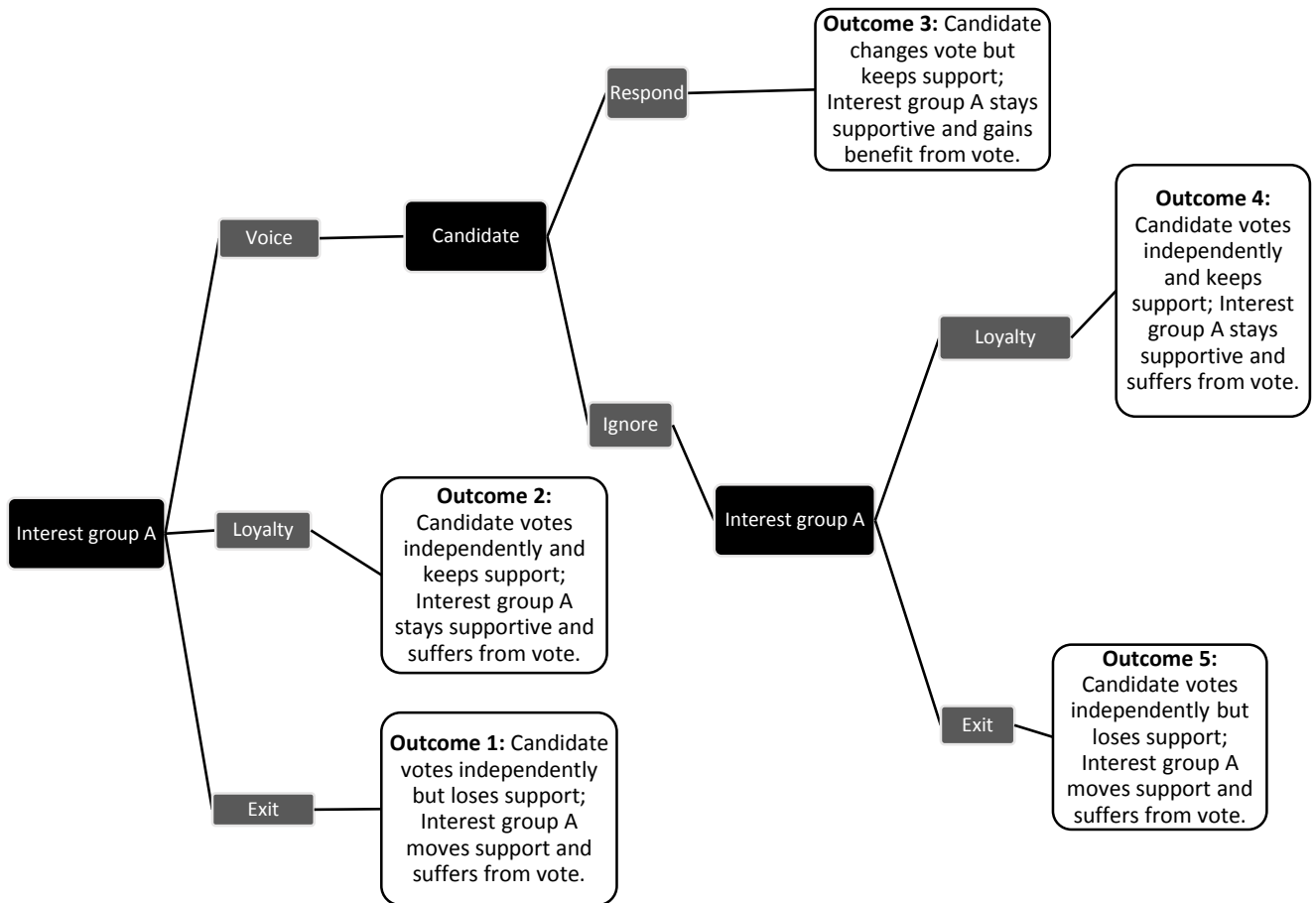


Figure 6.1

If Interest group A chooses Voice, then the other player, the Candidate, is faced with two options, as seen in Figure 6.1 on the middle node: Respond and Ignore. If the Candidate chooses Respond, it means he will listen to the concerns of the interest group and change his vote. Yet, if he selects the Ignore option, it will mean that the voice of Interest group A will be disregarded and the group will have the choice between Loyalty and Exit on the terminal node. This choice will be similar to the one the group had to make on the initial node, except Voice is no longer an option, since it already failed.

In Figure 6.1, every possible outcome for each player is shown and these will be determined by the strategic choices of the players. In order to try to find out what Interest group A will choose and how the Candidate might react, payoffs for both players and for all five outcomes should be defined, to show how the players value the different outcomes. When this is done, it is possible to solve the game by finding the sub-game perfect Nash equilibrium (SPNE) through backward induction. By doing this, the most optimal course of

action for each player is found and it becomes evident what the outcome will be for the Candidate and Interest group A. It will also be displayed how an Interest group as Interest group A might interact with a Candidate. In Table 6.2, the payoffs for each outcome are shown.

Table 6.2¹¹:

Outcomes	Description of Outcomes	Payoff for Interest group A	Payoff for Candidate
Outcome 1	Candidate votes independently but loses support; Interest group A stays supportive and suffers from vote.	E	1
Outcome 2	Candidate votes independently and keeps support; Interest group A stays supportive and suffers from vote.	0	1 + L
Outcome 3	Candidate changes vote but keeps support; Interest group A stays supportive and gains benefit from vote.	1 - c	L
Outcome 4	Candidate votes independently and keeps support; Interest group A stays supportive and suffers from vote.	0 - c	1 + L
Outcome 5	Candidate votes independently but loses support; Interest group A moves support and suffers from vote.	E - c	1

With all the payoffs in place, it is possible to find the SPNE for this game by using backward induction. This is done by starting at the terminal node, furthest to the right in Figure 6.1, and determining in the first subgame, whether Interest group A will choose Exit and Outcome 5 with the payoff “E - c” or Loyalty and Outcome 4 with the payoff “0 - c.” This choice will rely on whether or not Interest group A has a credible exit strategy, in which case $E > 0$. Although, if the group had no other candidate to lobby or not enough

¹¹ ”E” represents the value given to Interest group A’s payoff when choosing Exit. “1” is the value of being able to vote yes on the bill for the Candidate and the value for Interest group A if the Candidate votes no. “L” is the value of keeping the support of Interest group A for the candidate and “c” is the cost of using Voice for Interest group A.

resources to do so, it could be argued that they had no credible exit strategy, in which case $E < 0$. Nevertheless, when looking at the amounts of money that the resourceful interest groups donate each year, it would seem safe to assume that Interest group A would have a credible exit strategy. (Open Secrets, 2015) In other words, by cutting its support the Candidate and instead support another candidate, the group could attempt to gain the same influence elsewhere. Consequently, it would seem that Interest group A has a credible exit strategy, because it has the resources to pursue and support other candidates to gain their influence. This means that Interest group A, therefore, would choose Exit over Loyalty, hence, $E > 0$, which means $E - c > 0 - c$.

The next part of the backward induction is on the middle node, where the candidate has to choose between Respond and Ignore. It is already known that choosing Respond will result in Outcome 3 and the payoff “L” for the Candidate. Additionally, from solving the subgame on the terminal node, it is also recognized that the outcome when choosing Ignore will be Outcome 5 and the payoff “1”, since Interest group A will opt for that one. To identify whether the Candidate will choose Respond or Ignore, is determined whether $L > 1$ or $L < 1$. In other words, is voting yes (1) more valuable for the candidate than keeping Interest group A’s support (L). Due to the necessary increased spending on election campaigns and the subsequent dependency on campaign donations, many scholars suggest a member of Congress in certain cases vote with interest group’s interests in mind. (Lessig, 2011; Kaiser, 2010; Bartels, 2014; Baumgartner et al., 2009) Assuming it is not a big bill, and that a no vote on the bill is not too far from the Candidate’s beliefs, the Candidate might very well weigh the continued support of Interest group A the highest. Especially, since the donations from this resourceful group might help the Candidate win reelection, rather than seeing those donations directed to his challenger instead, to support that person in securing the Candidate’s seat at the next election. Of course, in most cases, the Candidate will vote independently, but it seems logical to assume that in certain cases, as this one with Interest group A and a candidate facing a tough and expensive re-election campaign, the Candidate would determine that $L > 1$ and opt for Outcome 3.

The final step when using backward induction is on the initial node, where Interest group A has the three options: Exit, Loyalty and Voice. When looking at Figure 6.1 and Table 6.2, it is evident that choosing Exit will result in Outcome 1 and the payoff “E” and that choosing Loyalty will produce Outcome 2 and the payoff “0”. Additionally, it is known, from the previously subgames on the middle and terminal node, that Voice will result in Outcome 3 and the payoff “ $1 - c$ ” for Interest group A. In the first subgame in this backward induction, the assumption $E > 0$ was made; therefore, it can also be assumed that Interest group A will choose Exit over Loyalty on this node as well. The choice is then between Exit (E) and Voice ($c - 1$). For a resourceful interest group, such as Interest group A, the cost of using Voice (c) would be very low, since it would already have many contacts and staffers on the payroll, who could voice the group’s concerns

to the Candidate. Hence, the cost of choosing voice is almost free or so insignificant that it can be assumed that $c = 0$. Consequently, Voice would seem as the optimal choice, since redirecting donations and building relationships with a new Candidate would be easily affordable for Interest group A, but not without cost, meaning $1 - c > E$.

With all the nodes and subgames solved, it is possible to find the SPNE for this EVL game. This is done by listing the first player's choices in brackets, in this example Interest group A, and then putting the second player's (the Candidate) choice in the same brackets after the semicolon. Thus, the SPNE would be (Voice, Exit; Respond). This equilibrium shows that Interest group A would choose to voice its concerns to the Candidate when he seems to vote against their interest on the bill and that the group would choose Exit and pull its support of the voice is ignored. Moreover, it illustrates that the Candidate would respond to this concern and reconsider his vote.

6.1.4 The Exit, Voice & Loyalty game – with Interest Group B

In the next version of this game, Interest group A will be swapped with Interest group B, a group with considerably less resources at its disposal. As it can be seen in Figure 6.2 and Table 6.3, the game tree for this second version of the example is identical in outcomes and nodes; the only difference is the new player. The Candidate is still contemplating on voting yes on a bill that hurts the interest group's agenda. All other things are considered equal, including the importance of the bill for the Candidate.

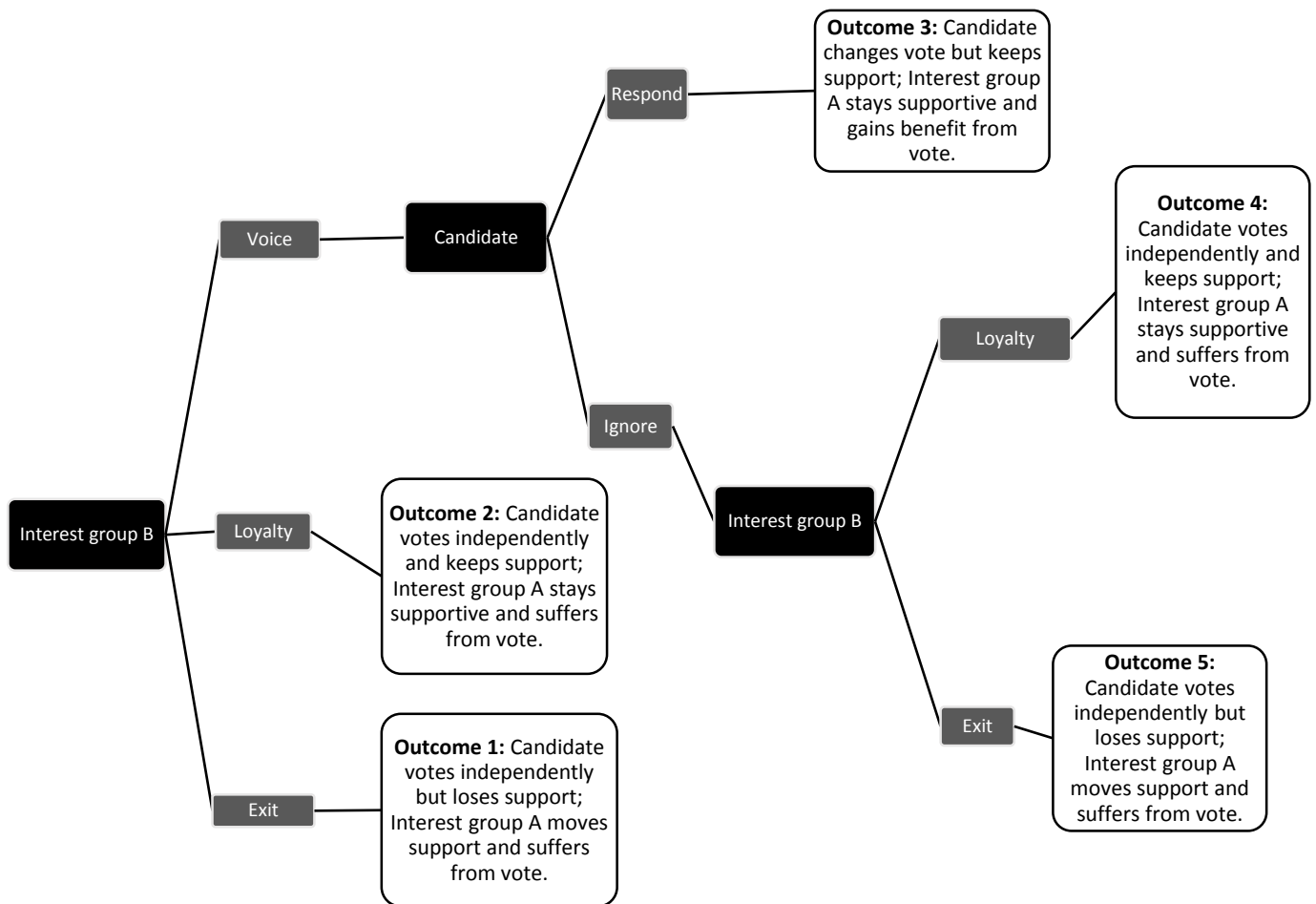


Figure 6.2

With outcomes and payoffs in place in Table 6.3, it is possible to start the backward induction on this version of the game. As in the previous version, it starts at the terminal node, this time with the new player, Interest group B, having to choose between Exit ($E - c$) and Loyalty ($0 - c$). Again, it depends on whether the group has a credible Exit strategy, if it does then $E > 0$. Although, Interest group B does not have as many resources and contacts as the more resourceful Interest group A, it should still be able to use future donations on another candidate. Hence, even though its exit strategy is less credible than that of Interest group A, $E > 0$ is still true and Interest group B would opt for Exit and Outcome 5 in this subgame as well. Although, it can also be argued that since the group has already invested resources on this candidate, it would be too expensive for this low resource group to give up on that investment, since it signifies too large a part of its relative small overall resource pile. If that were the case, then Interest group B would not have a credible exit strategy since $E < 0$.

Table 6.3:

Outcomes	Description of Outcomes	Payoff for Interest group B	Payoff for Candidate
Outcome 1	Candidate votes independently but loses support; Interest group A stays supportive and suffers from vote.	E	1
Outcome 2	Candidate votes independently and keeps support; Interest group A stays supportive and suffers from vote.	0	1 + L
Outcome 3	Candidate changes vote but keeps support; Interest group A stays supportive and gains benefit from vote.	1 - c	L
Outcome 4	Candidate votes independently and keeps support; Interest group A stays supportive and suffers from vote.	0 - c	1 + L
Outcome 5	Candidate votes independently but loses support; Interest group A moves support and suffers from vote.	E - c	1

In the second subgame of this version, the Candidate has the choice between Respond with Outcome 3 (L) and Ignore that will lead to Outcome 4 (1 + L) or Outcome 5 (1). If it is assumed that Interest group B does not have a credible exit strategy and Outcome 4 is an option, then that would be chosen, since $L < 1 + L$. However, if it is assumed that the group does have a credible exit strategy, then the question is whether $L > 1$ or $L < 1$, or in other words; are the continued support (L) more valuable than voting yes to the bill for the Candidate? When considering the lack of resources that Interest group B has, it would seem safe to assume that their campaign contributions are miniscule compared to other donors, some of which might support the bill. Hence, the value of L is not great for the Candidate, and it is then assumed that $L < 1$, which means that voting independently on the bill, has greater value for the Candidate than retaining the support from a group, which would provide minimal support for his reelection campaign. Consequently, whether or not Interest group B has a credible exit strategy, the Candidate is better off choosing Ignore than Respond.

In the final subgame, Interest group B has the choice between Exit (E), Loyalty (0) and Voice (E - c or 0 - c) on the initial node. Even though the group lack resources, the cost of using voice (c) in this example would be so minimal that $c = 0$. This means that the group might as well use Voice, since there is no cost. The

outcome would then be either number 4 ($0 - c$) or 5 ($E - c$) depending on whether it is assumed that Interest group B has a credible exit strategy or not.

With all the nodes and subgames solved through backward induction in this second version of the game, it is possible to find the SPNE. If assuming that Interest group B has a credible strategy, the SPNE would be (Voice, Exit; Ignore). However, if it is assumed that they lack a credible Exit strategy, the equilibrium would be (Voice, Loyalty; Ignore). Yet, in both cases, the second player (the Candidate) chooses Ignore and does not change his vote despite the concern voiced by the interest group.

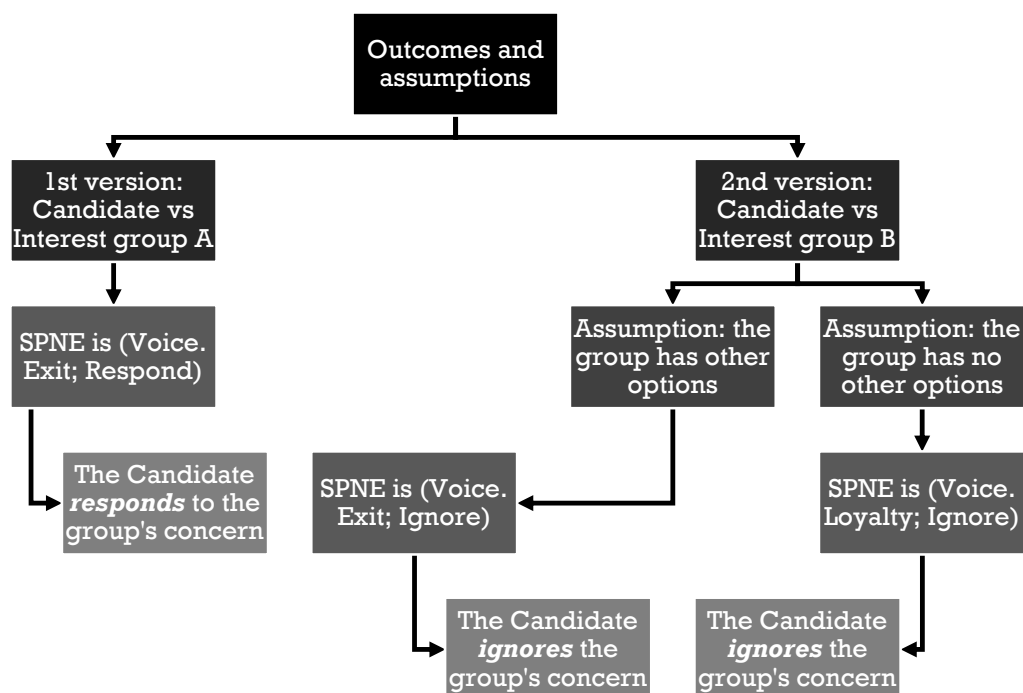
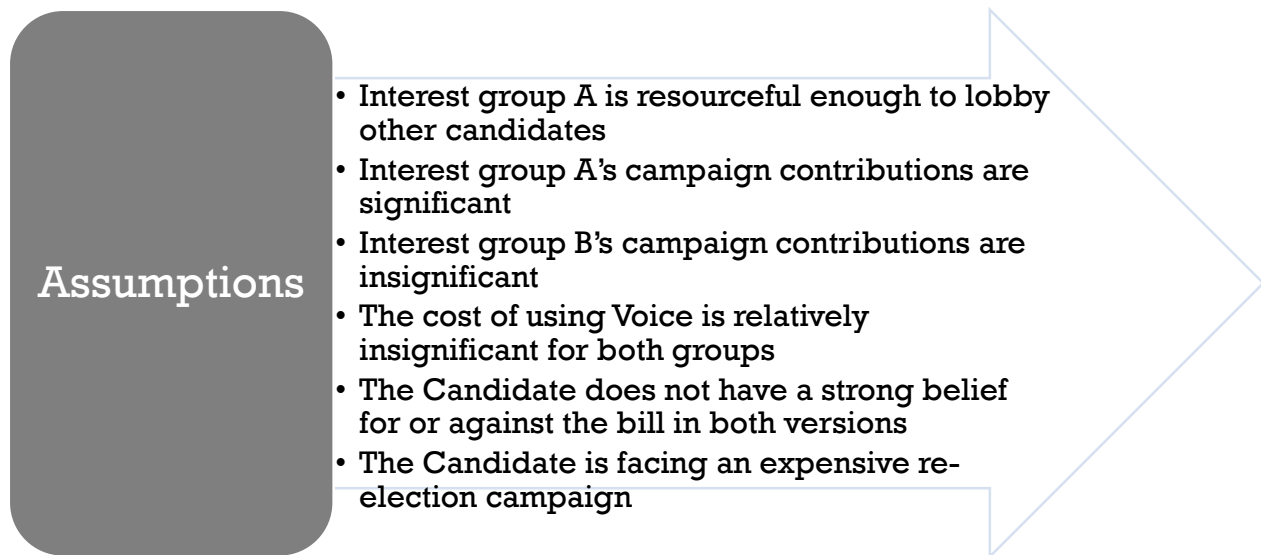


Figure 6.3

In conclusion, when examining the two versions of this EVL game and their SPNEs, one characteristic stands out, as it can be seen in Figure 6.3. In the first version of the, the SPNE became (Voice, Exit; Respond), which means that the Candidate chose to respond to Interest group A's concern regarding the proposed vote for the bill. In the second version, the SPNE turned out to be (Voice, Exit; Ignore) or (Voice, Loyalty; Ignore), depending on whether it was assumed that Interest group B had other options (candidates) to lobby or not. However, no matter which assumption is chosen, the Candidate will choose to ignore the group's concern in the second version of the game. This leaves one important characteristic to be deduced from this game: the suggestion that when interacting with a more resourceful interest group, a candidate might be more likely to consider the group's concerns, rather than when dealing with a less resourceful

interest group. Thus, the logical conclusion that can be deduced from these games correlates with the hypothesis, “wealthy interest groups gain more influence through lobbying.”

Table 6.4¹²:



6.1.5 The Representational Problem

In this part of the chapter, the hypothesis will be put into the context of US politics and lobbying. The American politicians' dependency on “soft money” contributed by interest groups seems to have created a political and democratic problem. Despite cases such as the Abramoff-scandal, it does not appear as if Washington is more corrupt than it was before the Permanent Campaign and the increase in campaign costs, which began in the 1970s. However, even though the access to politicians, and even the political influence it can provide, are arguably unchanged these past decades, the price of this access and influence has increased dramatically. In itself, this might not be a problem for the American political system and democracy, however, when the price gets too expensive for particular groups of society, then other and wealthier groups will have an unfair and undemocratic advantage, when it comes to lobbying their interests. In other words, the lobbying industry and the access and influence of interest groups is not representative for the whole society.

The two Exit, Voice & Loyalty games above show how interest groups on each end of the resource-scale might perform, when it comes to gaining political influence. These two financially contrasting groups are

¹² Table 6.4 offers a summarization of the assumptions made in both games

facing different odds, when attempting to lobby and sway policymakers. As the games show, any political candidate facing the choices of the player “Candidate” will be more likely to concern him or herself with the interests of a wealthy and more generous donating interest group, such as Interest group A. Of course, certain assumptions, displayed in Table 6.4, must be made for this to be true. Nevertheless, these assumptions are not farfetched. Naturally, there are rich interest groups that can make significant political contributions to several candidates, and there are less resourceful groups, which are not able to make sizeable donations. Although, for both types of groups the cost of voicing their concern and notifying a candidate of their apprehensions or contentment towards a certain bill is arguably insignificant, regardless of wealth. Moreover, as established earlier, many Members of Congress do face re-election and those elections are costly, thus, this is not a farfetched assumption either. Hence, the scenarios in these two games are ones that many Members of Congress will encounter, during their terms.

The two games suggest that a politician, who is facing a costly re-election, is more inclined to listen to the concerns of a wealthy interest group rather than a poorer group. This can cause a representational problem, since an interest groups wealth and power is not always determined by the number of members and supporter it has. A study conducted around the period of 1999-2002 on the lobbying of 98 political issues in Congress reached a somewhat similar conclusion: “Clearly the universe of issues in our sample reflects the mobilization of interest groups in Washington, and this mobilization is highly skewed away from the disadvantaged.” (Baumgartner et al., 2009, p. 256) The less resourceful and their interests are not able to mobilize and lobby as effectively as those with more wealth. (Baumgartner et al., 2009) Consequently, the wealthy interest groups, regardless of how broad or narrow their interests are, have disproportionally more access to political influence, than their disadvantaged counterparts do.

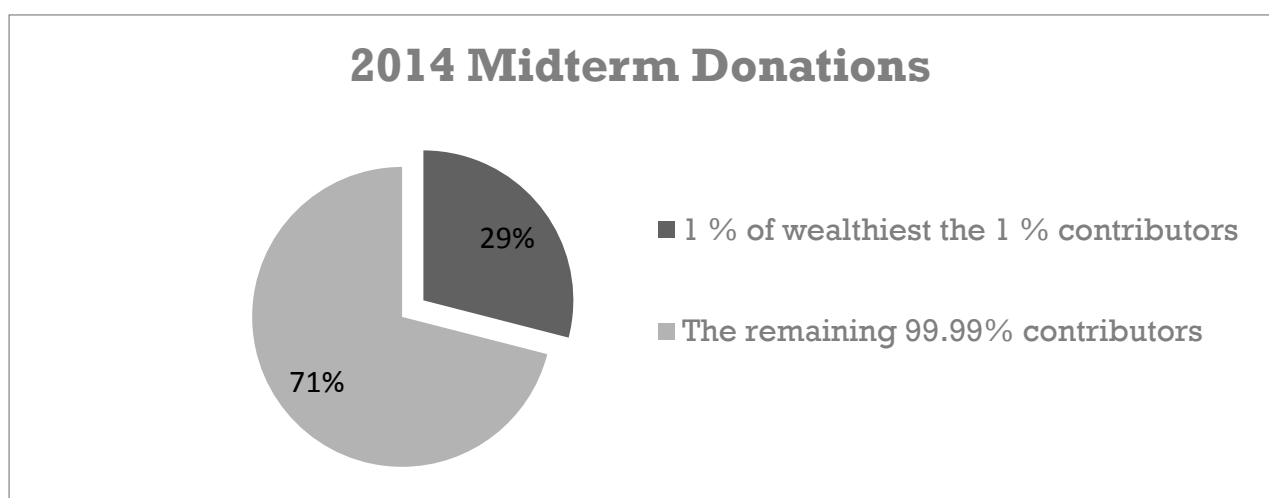


Figure 6.4 (Olsen-Phillips, Choma, Bryner, & Weber, 2015)

Expectedly, the wealthiest interests, both groups, companies and individuals, utilize the fact that they have an advantage, when it comes to the lobbying of their interests. As mentioned earlier, the top contributing industries are also some of the richest, while, unions and interest groups that represent non-profit organizations and the poor spend far less, when it comes to political contributions and lobbying. (Open Secrets, 2015) To be specific, the wealthiest contributors' share of the aggregated amounts of donations was in the 2014 midterm elections was \$1.18 billion. This amount of money was contributed by a little fewer than 32.000 donors, which correlates to 1/10.000 of the total population of the US. As illustrated in Figure 6.4, this one percent of the wealthiest one percent donated 29% of the total amount of disclosed contributions in 2014, which is an increase of 8 percentage points compared to the previous midterm elections in 2010 (where the figure was 21%). (Olsen-Phillips, Choma, Bryner, & Weber, 2015) This means that a miniscule percentage of the American public are contributing almost a third of total disclosed donations, which seems highly skewed. Furthermore, following the Citizens United v. FEC Supreme Court case from 2010, the numbers have tilted even more, suggesting that the wealthiest interests are contributing even more money to the contributing-dependent political candidates.

However, it should be noted that the wealthiest interests do not always get the political influence they want. According to the before mentioned study, many of the political issues that were examined in the study did not always turn out the way the wealthiest interests preferred and lobbied. Many expensive lobbying efforts, which tried to either promote or hinder a certain legislation, failed in doing. Although, in many of these cases, an equally expensive lobbying campaign pushed for the opposite outcome on the same legislation. (Baumgartner et al., 2009) In other words, the interests of the rich do not always get the political influence they want, however, in many cases that is because those interests are competing with other wealthy interests.

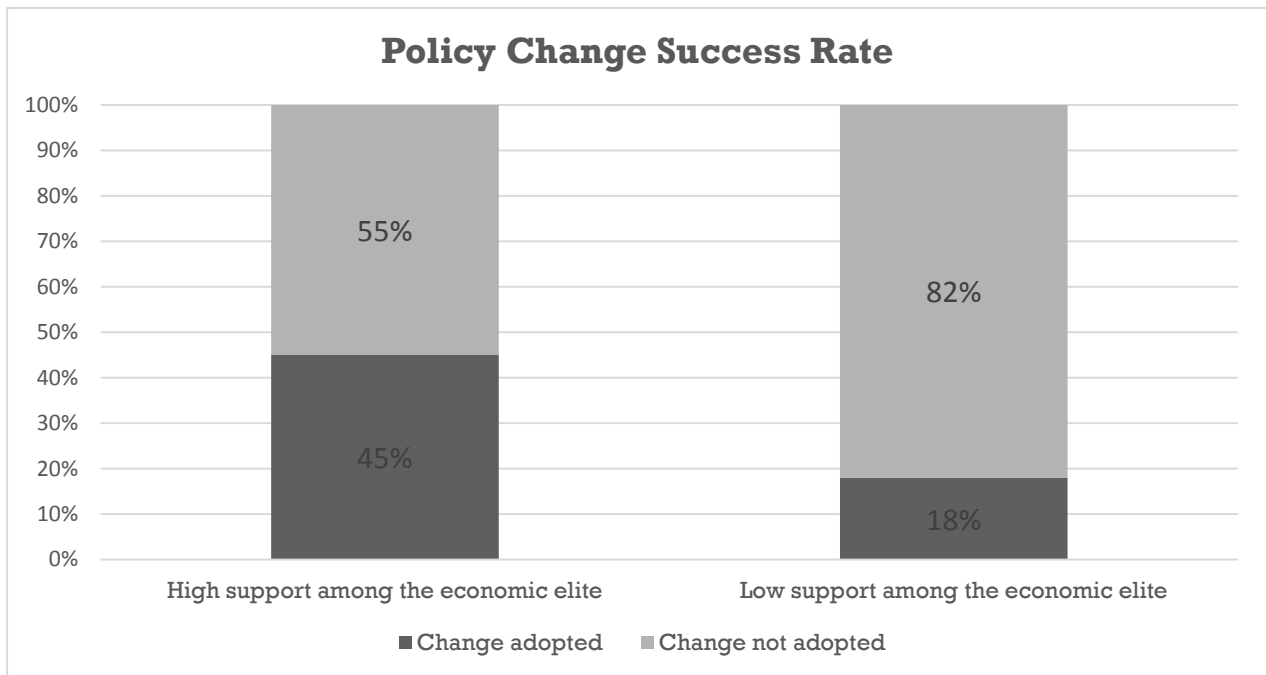


Figure 6.5¹³ (Gilens & Page, 2014)

Yet, the empirical data above only indicates that the wealthy interests spend more, but this does not necessarily make the hypothesis, “wealthy interest groups gain more influence through lobbying,” valid. However, a recent study, from 2014 by two university professors, have reviewed the answers to almost 1.800 survey question from the period 1981-2002, regarding public policy issues. They separated the answers according to income levels and, then, determined when each income levels and interest groups had their preferred policy adopted. The study’s analysis indicated “(...) economic elites and organized groups representing business interests have substantial independent impacts on US government policy, while average citizens and mass-based interest groups have little or no independent influence.” (Gilens & Page, 2014) As it can be seen in Figure 6.5, the result of the study showed that proposed policy changes, which had high support from the economic elite, were adopted approximately 45% of the time. Conversely, proposed policy changes, which had low support from the economic elite, were adopted in approximately 18% of the cases. Arguably, this supports the hypothesis suggesting wealthy interest groups gain more influence through lobbying.

¹³ Figure 6.5 shows the difference in the chances of adopting policy changes, which have either high or low support among the economic elite. High support is characterized as at least 4/5 of the economic elite is in support, whereas low support is characterized as no more than 1/5 is in support. (Gilens & Page, 2014)

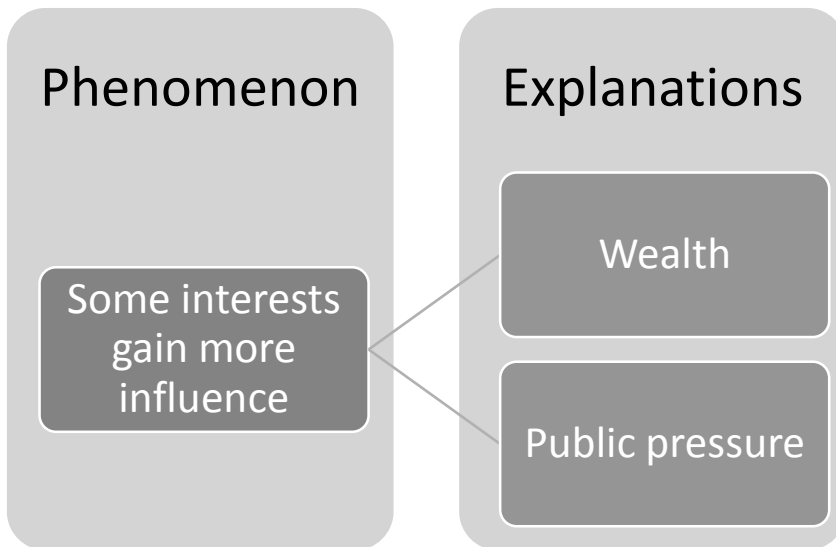


Figure 6.6

Yet, there could be an opposing hypothesis, which can be seen in Figure 6.6, public pressure. The phenomenon that some groups achieve more influence could arguably be due to public pressure and broad interest from the majority of citizens and not just the wealthy interests. However, the study of the answers from the survey questions found that “when a majority of citizens disagrees with economic elites and/or with organized interests, they generally lose. Moreover, (...) even when fairly large majorities of Americans favor policy change, they generally do not get it.” (Gilens & Page, 2014) Although, public interest and pressure do play a deciding role in certain policy cases, since the US is a democracy and the opinion of the public is important, as they are the ones who vote. However, this study demonstrates that the people’s opinion is not always more decisive than the interests of the wealthy. Thus, this opposing hypothesis does not make the hypothesis presented by this thesis invalid. Instead, it would seem that in some cases, public pressure would have most influence, whereas in other cases, this thesis’ hypothesis explanation, which suggests that the wealth of interests groups increase influence, appears valid.

6.1.6 Sub-Conclusion

Certain individuals, industries, companies and their interest groups have the resources to spend much more on lobbying activities and political contributions than others do. The two Game Theory EVL games demonstrated how a politician might be influenced by two interest groups, which had contrasting amount of resources at their disposal. From these two games, the logical conclusion that wealthy interest groups might have more influence on policies than lacking interest groups was deduced. This conclusion suggests that the hypothesis presented in this part of the thesis appear logical. Furthermore, when placed in the context of the research question, while being analyzed with the empirical data presented in this part, the hypothesis seems valid. The other hypothesis, suggesting that public pressure and not wealth determines the influence of

interest groups on policymaking did not discredit this thesis' hypothesis. Instead, the data implies that while public pressure has some influence, wealthy interest groups do gain more influence through lobbying.

What this conclusion suggests is that the lobbying activities of wealthy interest groups pose an impact to the democratic process in the US. If some interests have more influence than other do, not because a majority of the people supports these interests but because they are supported by those with wealth, it provides an uneven representation. This representational problem is an impact on the democratic process, since the people are not evenly represented when it comes to influencing the government through lobbying activities.

6.2 The Perception of Corruption and Lack of Participation

The second part of this chapter will focus on another impact the lobbying activities might have had on the democratic process in the US. This will be done by testing the third and last hypothesis of this thesis, "The impact of lobbying activities has contributed to lower voter turnouts." Thus, the first part of the following focuses on the phenomenon of the hypothesis, the low voter turnout and its connection to Congress' low job approval. Then, the hypothesis is tested using Game Theory in an attempt to deduce a logical conclusion; the game being used will resemble the EVL game used earlier. Afterwards, the hypothesis is placed in the context of the research question, i.e., the US' political and electoral system. In doing so, it is tested and evaluated along with two other hypotheses, which offer different explanations to the same phenomenon.

6.2.1 The Low Voter Turnout

The American voters are choosing to abstain from voting more than ever. At the latest election, the midterm elections in 2014, the voter turnout was a little over 36%. (Alter, 2014; The New York Times, 2014) In other words, almost two-thirds of those eligible to vote, stayed home on Election Day. As it can be seen in Figure 6.7, it is the lowest voter turnout since the election in 1942 during World War II. As this thesis is focusing on lobbying activities, the primary focus, when it comes to the voter turnout in reference to the hypothesis, is on Congress. The reason for this focus is that most lobbying activities are connected to the legislative branch, as described in the background chapter of this thesis.

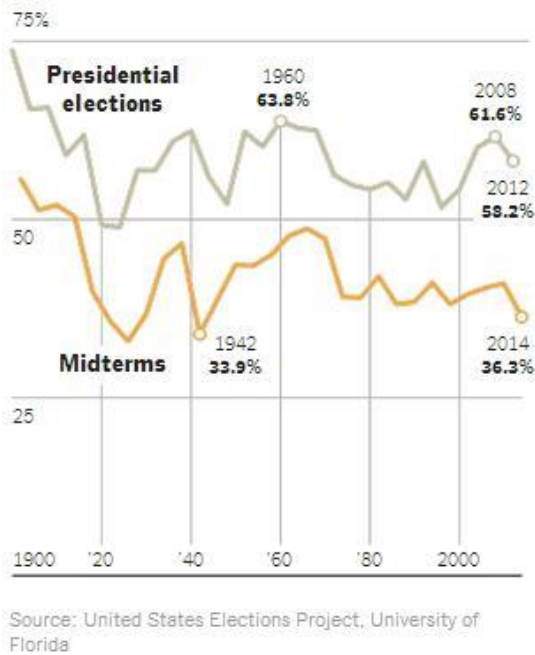


Figure 6.7 (The New York Times, 2014)

However, the record-low turnout must be compared to that of other democracies that the US is usually comparable with. Hence, if the US is in the top, when it comes to voter turnout, it might just be a general trend. Yet, a study from 2002 places the voter turnout in the US as number 120 in the world, between the Dominican Republic and Benin. (Pintor, Gratschew & Sullivan, 2002) Although, the study is from 2002, the midterm elections voter turnout was lower in 2014 than in 2002, as it can be seen in Figure 6.7. Thus, it seems logical to conclude that the US still ranks poorly, when it comes to voter turnouts in comparison with the rest of the world.

The low voter turnout constitutes a problem for the US' democracy, as political participation, in the form of voting, is crucial to any democracy. This part of the thesis' hypothesis suggests that the explanation for this low voter turnout is, in part, due to lobbying activities. In other words, the impact of certain lobbying activities has affected the democratic process in the US. In relation to this, it should be noted that the approval rating for Congress is at a record-low as well. (Riffkin, 2014) Arguably, the two, the low voter turnout and the low approval rating, are connected. However, previous numbers have suggested that the two has a contrasting relationship, meaning that when Congress' approval rating is low, more people turn up to vote. (Jones, 2014) Finally, this prediction or hypothesis did not prove valid during the 2014 midterm elections for which both approval rating and voter turnout were record-low. With both Congress' job approval and the midterm elections' voter turnout at a historically low simultaneously, it seems safe to assume that many American choose not to vote because they lack faith in Congress. (Riffkin, 2014; Alter,

2014) Therefore, later in this chapter, the causes for this low approval rating will be analyzed, when the hypothesis is tested.

At this point, it may be uncertain to conclude whether the impact of lobbying activities have an effect on the voter turnout, thus the democratic process in the US. However, a majority of the American public wants to reform and limit campaign financing, according to a Gallup poll. (Saad, 2013 b) Yet, as described in the background chapter the Supreme Court and Congress have both been unable to effectively reform or limit this. Even on state level, when legislation to reform the way elections are funded is finally made, it has been struck down or revoked by the courts, which has been the case in Vermont and Wisconsin, for instance. (Lane, 2006; Lueders, 2011) On top of this, Congress seems unwilling to close the revolving door effectively, in order to be able to attract the best candidates. (Kaiser, 2010) This seems to leave the voters with three choices: to try to protest and change the system (1), vote as usual (2) or, as numbers suggests an increasing amount of Americans choose, abstain from voting (3). These three choices will be the basis of the Game Theory game in the subsequent part of this thesis.

6.2.2 *“The Abstain, Vote & Protest” game*

As numbers indicate, an increasing amount of Americans abstain from voting, in the following game an effort to illustrate why the American voter might come to this decision will be created, by using game theory. The hypothesis, “The impact of lobbying activities has contributed to lower voter turnouts,” suggests that the lower voter turnout is due to voters abstaining to vote because of the effects of lobbying activities. Thus, the following game will test and display the strategic decisions behind this hypothesis and attempt to deduce a logical conclusion that can be placed and tested in the research question’s context of the US political, lobbying and electoral system to analyze whether it seems valid.

The game that will be utilized resembles the Exit, Voice & Loyalty game utilized previously. (Clark, Golder & Golder, 2009) However, to differentiate it from the previous versions, the name of the strategic choices has been changed. Furthermore, a third “player” will be introduced, however, this actor is merely to explain one of the outcomes and will not participate or “play” actively in the game. The game will feature an American citizen who is able to vote, called “Voter,” and the US Congress, simply called “Congress.” The third actor, which, as mentioned, is not participating, is the Supreme Court, also simply named “Supreme Court.” Additionally, the change made by one player to another player’s circumstances in this game is not an active one as in the previous games. Instead, it is inaction, i.e., lack of reform by Congress on the factors assessed earlier, such as campaign financing and the revolving, which causes the player, Voter, to act. Then, with these alterations in mind and the players introduced, it is possible to start the game.

As with the previous extensive form games, this type of dynamic and sequential game begins with one player making a choice. In this game, that player is the Voter, who to begin with has to choose between Abstain, Vote and Protest on the initial node, which can be seen on the left in Figure 6.8. By choosing Abstain, the Voter decides to stay home on Election Day. Conversely, if the Voter opt for Vote, it means that the player will go cast his or her vote for the election. Lastly, if the player chooses Protest, it means the Voter will actively try to change the current system, before the election, and attempt to make Congress pass reform, by lobbying representatives and protesting.

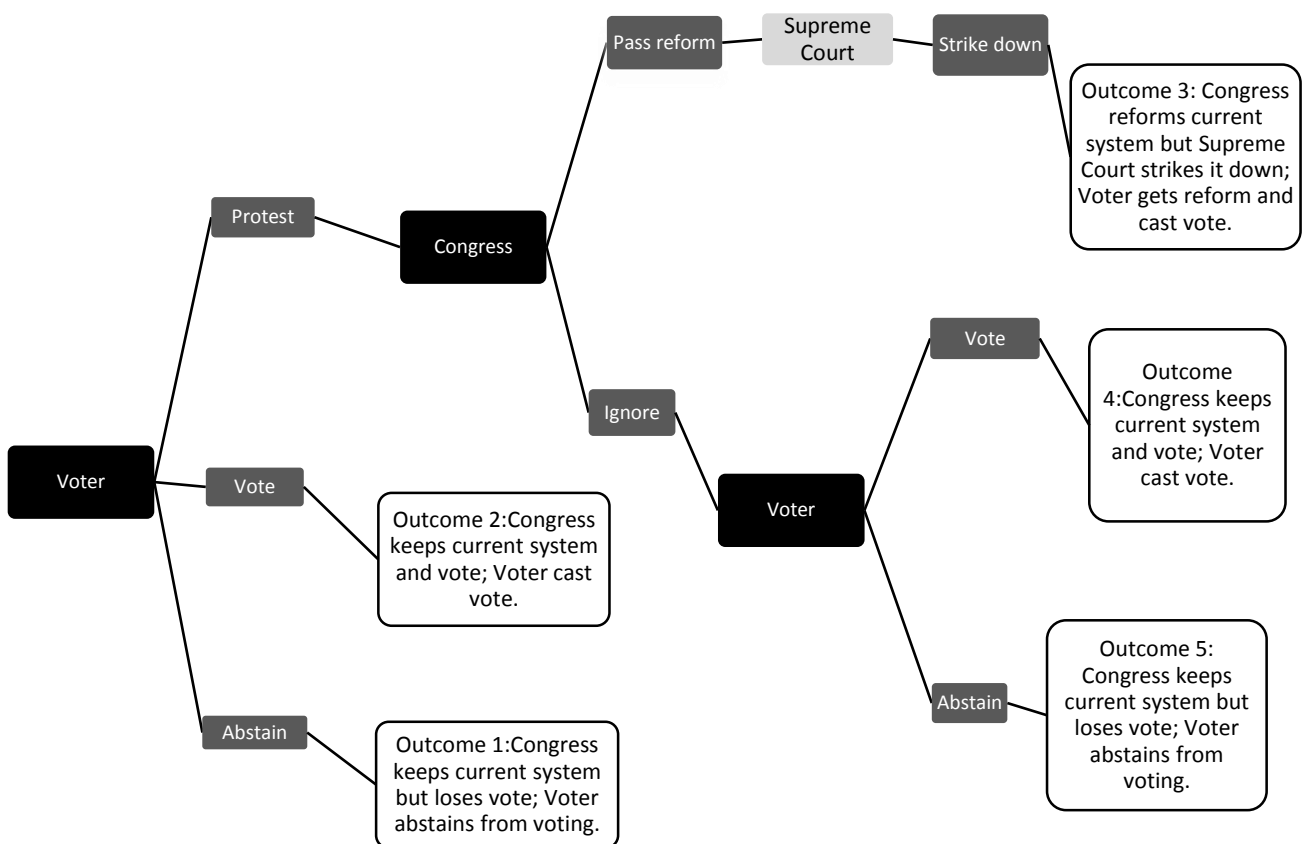


Figure 6.8

Should the Voter opt for Protest, the other player, Congress, has to choose how to respond, on the middle node in Figure 6.8. Congress can either choose to listen to the protest from the Voter and pass reform or choose Ignore and not pass any new legislature. If the former is chosen, Congress will pass new reform, but, as described earlier, history has shown that the Supreme Court overrules and strike down almost every attempt at reform as unconstitutional or at least severely cripple the laws. Thus, it is assumed that this will be the outcome here as well or, at least, perceived by the Voter to be outcome. If the latter is chosen, the Voter

will have to decide again, this time only the Vote and Abstain option is left on the terminal node, since the outcome of the Protest option is likely to provide the same result.

As with the other games, payoffs for the outcomes, which can be seen in Figure 6.8, are needed to solve the game via backward induction. These payoffs are necessary to determine which strategic choices, and ultimately what outcome, each player favors. Thus, payoffs for both players in the event of every outcome can be seen in Table 6.5, thereby, making it possible to find the game's sub-game perfect Nash Equilibrium (SPNE).

Table 6.5¹⁴:

Outcomes	Description of outcomes	Payoff for Voter	Payoff for Congress
Outcome 1	Congress keeps current system but loses vote; Voter abstains from voting.	A	1
Outcome 2	Congress keeps current system and vote; Voter cast vote.	0	1 + V
Outcome 3	Congress reforms current system but Supreme Court strikes it down; Voter gets reform and cast vote.	1 - c	V
Outcome 4	Congress keeps current system and vote; Voter cast vote.	0 - c	1 + V
Outcome 5	Congress keeps current system but loses vote; Voter abstains from voting.	A - c	1

As seen in Table 6.5, all the payoffs are in place, thus, the backward induction can be utilized. This is done by beginning at the terminal node, which is the black one furthest to the right in Figure 6.8, and solving the subgame there through determining the player Voter's choice. On this node, the Voter has to choose between Vote that leads to Outcome 4 and Abstain, which leads to Outcome 5. Thus, the choice is between the payoff of " $0 - c$ " and " $A - c$ ", which means it depends on whether A is $>$ or $<$ than 0. This depends on whether the Voter benefits from abstaining instead of voting. By not voting, the Voter will save some time and energy going to and possibly queue for the voting booths, however, it is assumed to be insignificant. On the other hand, voting will mean the citizen has done his or her civic duty and, as assumed, will not cost any significant amounts of time and energy. Thus, it seems likely that the Voter will benefit more from voting

¹⁴ "A" represents the value given to Voter's payoff when choosing Abstain. "1" is the value of keeping the current system for Congress and the value for Voter if the Congress passes a reform. "V" is the value of having Voter voting for Congress and "c" is the cost of protesting for Voter.

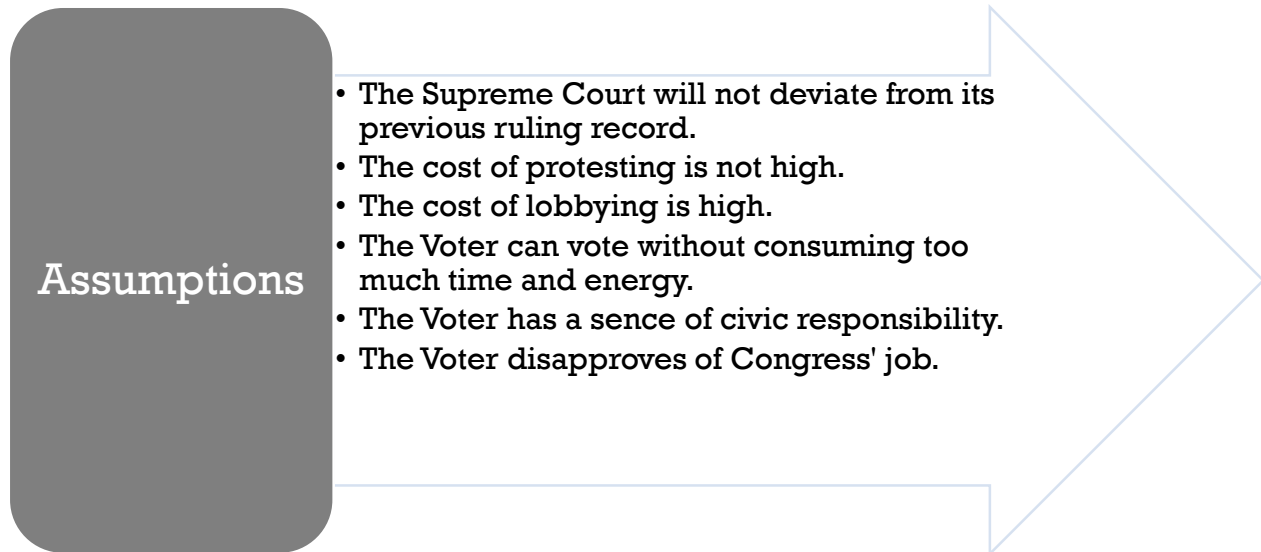
rather than abstaining even though the Voter is assumed to disapprove of the current Congress' job. Hence, $A < 0$, which means that the Voter would opt for Outcome 4 and choose Vote on the terminal node.

The second step of the backward induction is to solve the subgame on middle node, by determining the player Congress' choice, which is between Pass Reform and Ignore. Respectively, this will result in either Outcome 3, which gives Congress a payoff of "V," or, as determined before, Outcome 4, which will result in the payoff " $1 + V$ " for Congress. Then, it must be determined whether V is a greater or smaller payoff than $1 + V$. In other words, is the value of keeping the current system ($1 + V$) greater than reforming it. As history has shown, Congress has tried to reform the system a few times. Although, partly due to the Supreme Court it has never been done effectively, since the court strikes down the laws as unconstitutional, as described in the background chapter and shown in Figure 6.8 (the Supreme Court in the light grey box). Moreover, frequent bipartisan disagreements, gridlock in Congress, the fact that the current Members of Congress have succeeded in the existing system, and the point that the current members can benefit from the revolving door suggest that Congress would opt for Outcome 4 and keeping the current system. Furthermore, the value of keeping the system (1) and getting the vote (V), is, logically, a better payoff than just getting the vote (V), hence, $1 + V > V$, which suggests that Congress would choose Ignore and Outcome 4.

Conclusively, the last step of the backward induction is on the initial node, which is where the Voter has to choose between Abstain, Vote and Protest. Firstly, Abstain will lead to Outcome 1 and a payoff of "A." Secondly, Vote will result in Outcome 2, which gives the Voter the payoff 0. Finally, if the Voter opts for Protest it will, as known from the previous subgames, lead to Outcome 4 and the payoff " $0 - c$." From the first subgame, it is known that $A < 0$, which means the choice in this subgame is between Vote (0) and Protest ($0 - c$). As this is in the US, it can be assumed that the cost of protesting (c) is not dangerous, since it is a democracy with civil rights. Yet, as established in previous parts, the cost of lobbying has become expensive, thus, the cost (c) is rather high in those terms¹⁵. Thus, it is logical to conclude that $0 > 0 - c$, which means that the Voter will opt for Vote.

¹⁵ The Protest option in this game was defined earlier as "Voter will actively try to change the current system, before the election, and make Congress pass reform, by protesting and lobby representatives."

Table 6.6:



By having solved all the subgames, this game's SPNE can be found. The strategic choices of the first player, Voter, were Vote and Abstain, whereas the other player, Congress, chose Ignore. This means that the SPNE of this Exit, Voice & Loyalty derived game is (Vote, Abstain; Ignore¹⁶). This equilibrium shows that the Voter, with the assumptions shown in Table 6.6, would choose to vote, even though the Voter disapproves of Congress' job. It is also indicated that the Supreme Court's rulings, the high cost of lobbying and Congress' opting for Ignore discourage the Voter to change the system. Furthermore, the Voter's lack of approval and trust in Congress, which could be caused by the impact of lobbying activities, does not make him or her choose Abstain over Vote. Thus, the logical conclusion that can be deduced from this game does not correlate with the hypothesis, "The impact of lobbying activities has contributed to lower voter turnouts," as the Voter in this game chose Vote. However, this does not necessarily mean that the hypothesis is invalid. Even though the voter turnout in the US is low, many of those eligible to vote do so, as the Voter opted for in this game. In other words, the game concluded that with the strategic options in this game, the Voter would vote, as would many Americans. Had the assumptions been different, no civic responsibility or significant cost when it comes to voting, for instance, then, the game's conclusion might have been different. However, a growing number chooses to abstain and this could still be due to the explanation provided by the hypothesis.

¹⁶ In an EVL game, the SPNE would be (Loyalty, Loyalty; Ignore).

6.2.3 An Unpopular Congress

Even though the Game Theory game did not deduce a logical conclusion that correlates with the second hypothesis of this chapter, the hypothesis will still be placed in the context of the research question and tested with the data. Thus, in the following it will be analyzed how and if lobbying activities could have contributed to the low voter turnout, as the hypothesis claims. Three factors, caused by lobbying activities, will be presented and evaluated along with two other hypotheses, which offers two additional explanations to the phenomenon of lower voter turnout.

As mentioned in the beginning of this part of the thesis, the approval rating for Congress is at a record low and the voter turnout in the US' elections is historically low, too. (Riffkin, 2014; Alter, 2014) Furthermore, it seems safe to assume that the American representatives' unpopularity and the increase in Americans who stay home on Election Day are connected. In other words, the public's lack of faith in the legislative system has caused apathy for some voters, i.e., the low approval rating has caused low voter turnout. Moreover, the approval rating for Congress is not just low; in fact, it is close to its lowest point ever. (Riffkin, 2014) As it can be seen in Figure 6.9, fewer than 15% of the American public approve of Congress' job, which means that more than 5 out of 6 voters disapprove of the job Congress is doing. The hypothesis claims that this is due to lobbying activities. In the next paragraphs, three aspects of lobbying, which might have contributed to the low approval rating of congress and in turn the low voter turnout, will be presented and later evaluated along with other hypotheses

Congress' Job Approval Ratings, Yearly Averages

Do you approve or disapprove of the way Congress is handling its job?

■ % Approve



Note: Gallup did not measure congressional job approval in 1984-1985.

Figure 6.9 (Riffkin, 2014)

Arguably, one of the biggest factors, as to why the American voters have lost faith in Congress, is the influx of “soft money” from corporations and interest groups into the political and electoral system. (Lessig, 2011)

As previously mentioned, the effects of the Permanent Campaign, which are caused by the increased cost of and spending on electoral campaigns, have opened the gates wide into American politics for outside interests and their money. This dependency on money from interests, which might not accurately represent the public's interest, may not be quid pro quo corruption, in the eyes of the voters. However, it could still be perceived as a kind of dependency corruption by the public. As shown in the EVL game in the first part of this chapter, resourceful interest groups may sway a Member of Congress towards their interests, because that candidate knows he or she is dependent on their continued support. Consequently, this could leave some voters with the feeling that the Members of Congress listen more and spend more time attending to special interests, rather than to public interest. It should be noted, that the study on the 98 issues in congress, concluded that many of these outside interests and their activities, involving spending money on campaigns, supports the political status quo in Congress. (Baumgartner et al., 2009) In a poll from 2012, more than 80% of the surveyed said that the current campaign spending rules, which allows this influx of "soft money" into American politics, is "bad for democracy." (Yager, 2012) Additionally, according to a Gallup poll, the majority of Americans wants to reform and limit campaign financing, as mentioned earlier. (Saad, 2013 b) These polls suggest that the Americans are discontent with its politicians' dependency on outside money, which, arguably, causes them to distrust and disapprove of their job and, possibly, not vote.

Another factor, which diminishes voters' trust in Congress, is the many negative ads or attack ads that are used against opposing candidates. Such ads are a popular method for outside interests to damage the opposing candidate's campaign by using PAC money. (Kaiser, 2010) However, as shown with the "Candidates' Dilemma" game, in many cases either side is willing to increase spending, and the same goes for willingness to "throw mud" at the other candidate. A prime example of this is from the 2014 midterm elections, where the Democrat Kay Hagan was running against Republican challenger Thom Tillis for one of the two North Carolina seats in the Senate. Over \$100 million were spend on the two candidates campaigns and more than 100.000 TV ads were aired during a race, which the underdog Tillis, surprisingly, won. (Pilkington, 2014) However, these two candidates' particular campaigns also received national attention before the winner was found; this was due to the record numbers of negative ads that were used. (Levinthal, 2014) These negative ads, often paid by with "soft money," does not just hurt the candidate who losses, in this particular case, Kay Hagan, they also provide the public with a negative image of the winner. Thom Tillis won the Senate seat, in spite of the many negative ads against him. However, these ads will still have hurt his credibility and public image, which means that even before entering office, the new Senator from North Carolina is, arguably, less popular, in the eyes of the public, than he would have been if he had won an election without that many negative ads.

The third aspect, as to why Congress' job approval rating is so low, seems to stem from the type of politicians the system creates. First, there is the revolving door; this refers to metaphorical door in Washington between Capitol Hill, where Congress resides, and K Street, where the lobbyists have their offices. Moreover, it refers to the many former lobbyists that are employed in politics and the many politicians that become lobbyists. (Kaiser, 2010) This means that many of the Members of Congress' aides have been involved with lobbying for interest groups and, furthermore, many former Members of Congress eventually become lobbyists. (Schouten, 2015; Open Secrets, n.d. a) In the eyes of the public, this would suggest closer ties between Congress and the lobbying industry. Additionally, it seems to suggest that many Congressional Members are interested in the financial benefits, which a pay raise on K Street offers. In fact, partially because of the raising campaign costs, many of the candidates who run for Congress are rich. In fact, 245 out of the 535 members of Congress are millionaires. (Condon, 2012) This leaves the public with the image of its Congress that is entangled with the lobbying industry, while it is full of wealthy individuals and those who wants to get rich as a lobbyist after their term is over.

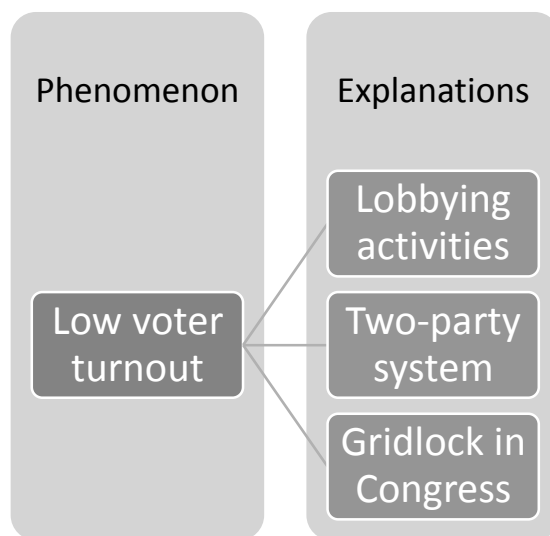


Figure 6.10

In Figure 6.10, the three factors assessed above represent the lobbying activities as this thesis hypothesis' explanation to the low voter turnout phenomenon. Two other hypotheses' explanations to the same phenomenon are illustrated in Figure 6.10, as well. The first of which explains the low voter turnout with the two-party system the US has, which is also describe in the background chapter. Arguably, two factors of this system might cause less Americans to vote. First, in many races between two candidates from each party, there is a clear favorite and it is traditionally a candidate from the same party who wins. Thus, in these races, voting for either candidate provides less incentive, as there are only two options and the result is almost

given in advance. Secondly, a majority of the Americans say that neither the Democrats nor the Republican Party represent them, according to a poll from 2014, as can be seen in Figure 6.11. (Rasmussen Reports, 2014) Hence, as those two parties are the only major parties, many among this majority might abstain from voting, as they feel neither of the parties represent their interests. However, although this hypothesis seems valid it might only explain why the voter turnout in the US is low in general compared to other countries and not why it is record low, currently, since the two-party system has been constantly present. Contrastingly, the lobbying activities have increased in scale and scope the last decades, posing a more reasonable explanation for the current record-low numbers.

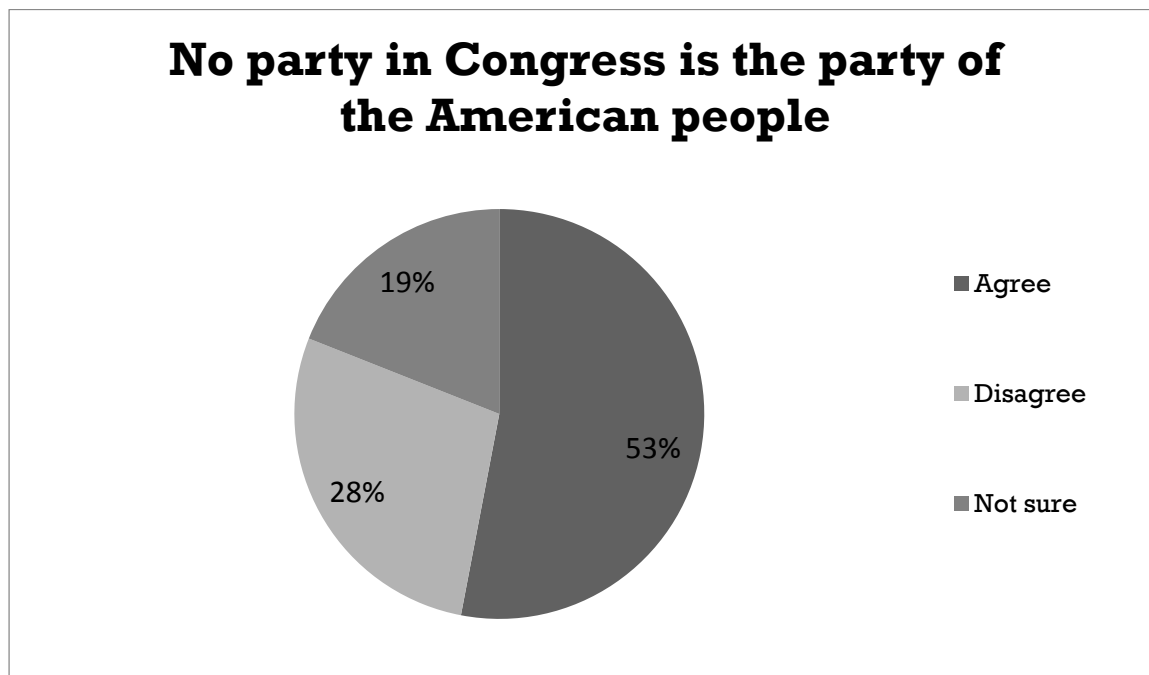


Figure 6.11 (Rasmussen Reports, 2014)

The second of the other two hypotheses, gridlock in Congress, also attempts to explain the more current change. The gridlock in Congress, which have meant that the legislative branch has not accomplished much in recent years, due to bickering and the lack of compromise and bipartisanship, has certainly also contributed to the lowering of the approval rating. (Blake, 2014) Furthermore, an open-ended Gallup poll indicates that gridlock in Congress is the number one reason Americans are critical of Congress. Almost 60% proclaims that Congress' ineffectiveness and partisan gridlock is the main cause of their disapproval, as shown in Figure 6.12. (Saad, 2013 a) Thus, it seems that the gridlock in Congress is what contributes the most to the unpopular Congress and in turn to the lower voter turnout for the midterm elections. This suggests that the hypothesis, which explains the phenomenon of lower voter turnout with gridlock in Congress, is valid.

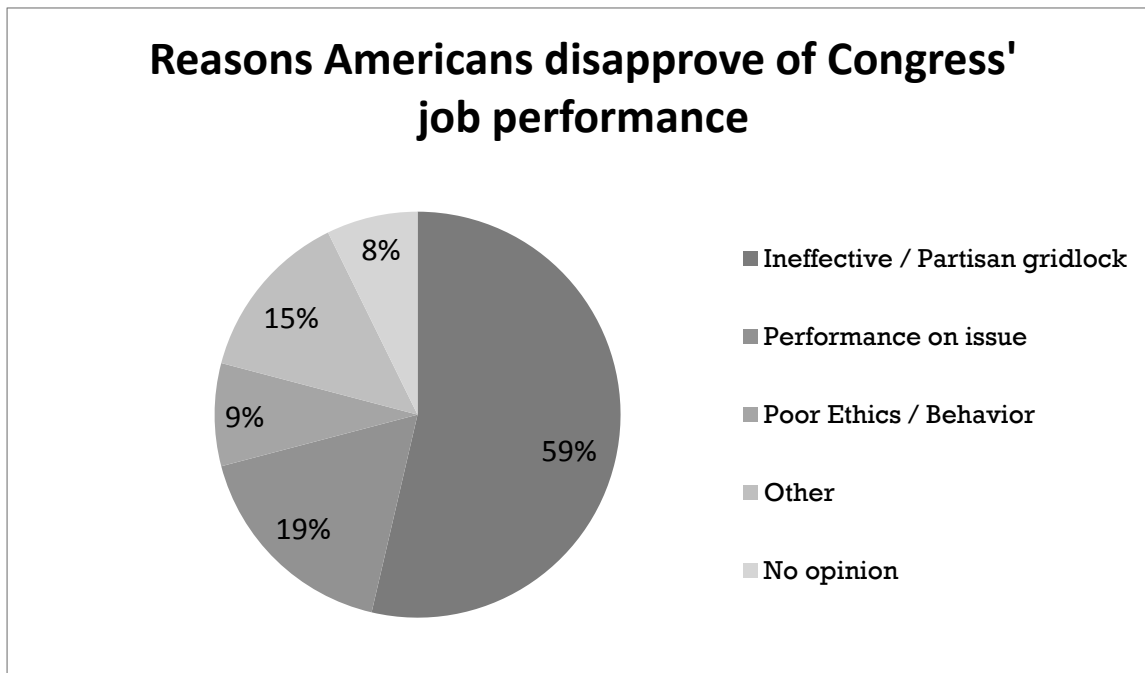


Figure 6.12 (Saad, 2013 a)

In the same poll, only 1% state that Congress “cater to special interests/big business” as their reason behind disapproving Congress, under the category “performance on issue,” in Figure 6.12. This suggests that the explanation presented by this thesis’ hypothesis, claiming lobbying activities contributed to the phenomenon, seems to have contributed lesser than the gridlock explanation. However, a couple of features might have caused the vast difference between lobbying activities and gridlock in the poll. First, it is important to remember it was an open-ended poll, which means that the respondents had to provide their own answers, thus, they did get to choose from a list of answer choices. This type of questionnaire would promote the apparent reasons, such as Congress not getting anything done, and diminish underlying reasons, such as lobbying activities. Furthermore, it seems the public have become used to these activities, since, as described in the background chapter, no reform has effectively changed the system. Secondly, the lobbying activities, such as the “catering to special interests/big business,” in many cases includes keeping the status quo, i.e., to prevent policy change. Thus, lobbying activities are the underlying cause of, at least, some of the gridlock in Congress. Consequently, it seems that the hypothesis, which explains the phenomenon of low voter turnout with gridlock in Congress, is valid. However, this thesis’ hypothesis, “the impact of lobbying activities has contributed to lower voter turnouts,” seems valid too, although, its contribution seems less significant.

6.2.4 Sub-Conclusion

The low approval rating for Congress and the, subsequent, historically low voter turnout for the 2014 midterm elections cause a serious impact on the democratic process in the US. This part of the thesis tested

the hypothesis', "the impact of lobbying activities has contributed to lower voter turnouts," explanation to the phenomenon of lower voter turnout. The Game Theory game did not support the hypothesis, in the sense that the deduced conclusion from the game was that the Voter would turn up to the election. Thus, it seems that, in certain cases, too many different, and maybe even contrasting, assumptions might be needed to deduce a logical conclusion to support a given hypothesis. The hypothesis tested above explained a phenomenon that had other more prominent explanations, as the subsequent analysis showed, thus, these explanations would require additional assumptions. Yet, for instance, the Voter cannot be assumed to have a sense of civic responsibility and assumed to feel that the "cost" of voting is too high. Thus, in scenarios with too many variables, a single EVL game, will not be able to deduce a conclusion to such a broad hypothesis, it would seem. However, even though the conclusion deduced from the game did not correlate with the hypothesis, the hypothesis was still placed in the context of the research question and evaluated along with other hypotheses.

This analysis showed that while other hypotheses' explanations might have contributed more to the lower voter turnout, the lobbying factors' impact has suggestively contributed to the phenomenon, albeit, to a lesser degree. Thus, it can be concluded that the hypothesis was valid, although, to a lesser degree, and in spite of the game's conclusion. Hence, it was also established that even though the hypothesis was evaluated along with other hypotheses along with empirical data and, subsequently, found valid in the context of the research question, the game's logical conclusion did not correlate with the hypothesis. However, as stated earlier, this does not necessarily mean that the hypothesis is invalid. Although, the voter turnout in the US is low, many of those eligible to vote do so, just as the Voter opted for in the game. In other words, the game concluded that with the strategic options in this game, the Voter would vote, as would many Americans. However, had the assumptions been different, no civic responsibility or significant cost when it comes to voting, for instance, then, the conclusion deduced from the game could have been different. Consequently, it can be concluded that the game used did not prove the logical aspect of the hypothesis, yet, it did not disprove the hypothesis, even though its conclusion differed from the hypothesis.

7. Conclusion

7.1 Conclusion

The aim of this thesis was to identify what enable the lobbying activities in the US and what influence these have on the democratic process in the country. Chapter 5 focused on the first part of the research question. As the empirical data from this thesis' research showed, the increase in campaign spending has been a major cause for the influx of outside interests trying to lobby and influence policymakers in the US. In the chapter, a hypothesis, stating that this was enabled by political candidates pressuring each other to spend more, was tested along with other hypotheses. Consequently, it was concluded, by the use of the theory and under set assumptions, that this hypothesis was logical and that it seemed valid, when tested and analyzed in the context of the Permanent Campaign and other hypotheses. Thus, the pressure American politicians put on each other has contributed to the increase in campaign spending over the last decades and has, thereby, enabled the current lobbying activities, along with the other hypotheses tested and the US political, legal and electoral systems, which were explained in Chapter 3.

Chapter 6 focused on the influence these lobbying activities have on the democratic process. Through the thesis' research and data collection, two major impacts were identified and, subsequently, two hypotheses were formulated to test and analyze these impacts. It should be noted that both of these impacts were negative, hence, as described in Chapter 3, lobbying does have positive effects, but the two chosen impacts were more apparent in the contemporary US. The first impact was the skewed difference in lobbying power and the representational problem this might cause for the democratic process, with a hypothesis claiming that interest groups could gain more influence through wealth. The theory, under established assumptions, deduced a logical conclusion that correlated with the hypothesis. Furthermore, this conclusion seemed valid, when analyzed within the context of the research question along with another hypothesis. Hence, it can be concluded that lobbying activities have caused a representational problem for the democratic process in the US, through the difference in lobbying power between rich and poor interests.

The second impact analyzed in Chapter 6 was the perceived corruption, which lobbying activities have contributed to. This has added to a lack of participation by the public in the democratic process. Thus, the hypothesis connected to this claimed that lobbying activities had contributed to lower voter turnout. Although, the theory's conclusion did not prove this logical, the explanation of the hypothesis was still tested with other hypotheses. It was concluded that although other hypotheses' explanations, arguably, had contributed more, the impact from lobbying activities seemed to have resulted in a lower voter turnout, thus, influenced the democratic process. Subsequently, it should be noted, that the method used for these

hypotheses did not include every single competing hypotheses in the analysis, but only the most apparent ones. Yet, the conclusions from this thesis still seem valid, as its hypotheses were tested with theory and the empirical data along with the strongest of the competing hypotheses.

Regarding the use of the Game Theory games, the first game, the “Candidates’ Dilemma” displayed not only the logical reasoning behind the hypothesis. It also indicated that this enablement of lobbying activities could be conducted by any candidate, through its use generic and average representations of politicians. Thus, showing it is not a few corrupt politicians, but the current system of campaign financing that enables these activities. Furthermore, when deducing a logical conclusion from the EVL game in Chapter 5, the theory showed it is not direct corruption (in most cases, at least), when the rich interests gain more influence, as the politicians accept “soft money”. Instead, the games, via its generic players, demonstrated that the “corrupting” choices, suggestively, are the logical strategic choices for any person in that scenario and under the set assumptions. In other words, the lobbying activities do not facilitate corrupt politicians¹⁷, instead these activities have contributed to a dependency on outside money for the politicians, within the current US political and electoral system. The third game failed to correlate with its corresponding hypothesis, proving that in scenarios with too many variables and conflicting assumptions, a single game will not be able to deduce a logical conclusion supporting an explanation to a phenomenon, which have other and more evident explanations.

7.2 Suggestion for Further Research

With the impacts of these lobbying activities in mind, it could be interesting to study and evaluate the available and proposed solutions to the problems these impacts present. As described in this thesis, the public wants reform and the Congress have tried providing it, albeit, it has not been effective so far. Especially, the enabling factor of the increased campaign spending or campaign financing, is one that receives a lot of attention. However, due to the Supreme Court’s interpretation of the constitution, most campaign finance reforms that attempt to limit spending are deemed unconstitutional. Yet, it could be appealing to study and evaluate public funding programs, mentioned in 3.3.2, as these are in accordance with the constitution. This might be done through an expanded “Candidates’ Dilemma” game, for instance, where the two candidates would have a third choice in the matrix, besides increase and limit spending; “opt for public funding.” This could be done in order to test if it would seem logical for the candidates to opt for public spending, hence, help evaluating whether it could be a solution. Thus, a hypothesis could be formulated, which claims that public funding could best solve the enabling of lobbying activities and, in turn, their impacts on the democratic process. Then, this hypothesis could be tested using Game Theory in an attempt to deduce a

¹⁷ Although, the few inherent corrupt politicians, which arguably exists, do benefit from the current system as well.

logical conclusion and, subsequently, analyze it via additional researched data along with competing hypotheses, which offer competing explanations to the best solution. Altogether, in an attempt to study and evaluate the possible solutions to the impacts analyzed in this thesis.

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