

You Make Me Wanna Move: Multinational Enterprises As Interest Groups And Their Spatial Influence in Congress

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May 5, 2014

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Introduction

In their 2003 paper, Ansolabehere, de Figueiredo, and Snyder conclude that “contributions explain a miniscule fraction of the variation in voting behavior in the U.S. Congress,” and that “there is surprisingly little evidence that lobbying influences policies” (2003:116, 126). Thus, the authors paint a rather sanguine picture of the influence multinational enterprises (“MNE”) – characterized as corporations or interest groups – may have on political outcomes in Congress. However, MNE lobbying remains a salient political topic. Mentions of the “GE loophole,” a tax policy that lets businesses deduct interest earned from overseas lending, have recently peppered the news.¹ Reportedly, international businesses have aggressively lobbied for the extension of the loophole:

All told, the top 30 companies and trade organizations that lobbied for the exemption – representing major Wall Street banks and other big multinational companies with financing arms, such as GE and Ford – made more than 4,000 contacts with Congress to press for an extension of the exemption, according to the study. They paid lobbyists \$586 million over [the past two years] (Hallman 2014).

This political activity begs the question: if multinationals are rational organizations who wish to apportion their scarce resources in the most efficient and effective way, why would they expend so much on lobbying if there is little evidence that it is effective? Such a contradiction suggests that either a theoretical explanation is needed to explain this faulty corporate political strategy or further research is needed to explain the utility of the corporate political strategy.

Vernon (1971) is often cited as first suggesting that multinational enterprises (“MNEs”) have strong incentives to influence host-country government policies on an ongoing basis to safeguard their often substantial investments (Rodriguez et al. 2006; Ul-Haq and Farashahi 2009). Within political science alone, scholars have conducted empirical analyses of issues such as lobbying and

¹Moreover, Hansen and Mitchell (2000) study lobbying, PAC activity, and charitable contributions and find that these are politically significant issues that have attracted attention over the years.

rent-seeking behavior by business actors, the role of business as a source of campaign and party finance, the institutional relationships between governmental and business actors, and the ability of business to function as an agenda setter (Fuchs 2007). Thus, a broad class of literature discusses the importance of political strategy among the pre- and post-entry determinants of success for MNEs. Lobbying and contributions may simply be a way to “bend an ear” or “throw a hat into the ring” so that MNEs can consume the club good of having a seat at the table (Schlozman, Verba, and Brady 2012:309); lobbying and expenditures may simply be a way for MNEs to signal the bureaucracy and extract policy concessions from regulators (Gordon and Hafer 2005).

However, given these possibilities, the vignette offered doesn’t quite pass the smell test. The amount paid to lobbyists for “GE loophole” activities accounts for more than 9 percent per year of *total* lobbying expenditures (approximately \$3.23 billion in 2013²). Because this relative amount far exceeds the inferred “market price” for a seat at the proverbial table for this issue (*see Ansolabehere et al.* 2003), the placement of such monetary focus on the lobbying of this specific issue suggests that these MNEs are lobbying to affect policy outcomes.

To what extent can multinationals affect policy outcomes? Any sophisticated discussion of a corporate political strategy requires an answer to this question. Unfortunately, any scientific examination of this topic faces several challenges: *How can we account for the fact that countervailing interests may also be lobbying a bill? If we are using roll call data, how can we observe the effect of lobbying on bills that don’t make it to the floor? How does the legislative logroll manifest itself?* To that end, this paper supplements the discussion of the extent to which lobbying activities by MNEs can affect legislative outcomes using new statistical techniques to account for the latent traits inherent in Congressional behavior. With the Bayesian roll call analysis technique introduced by Clinton, Jackman, and Rivers (2004), I operationalize the differences in ideal point estimations conditioned by bills lobbied and not lobbied by a sample of multinational enterprises,

²Data on total lobbying contributions, as well as data on lobbying used in this study, is publicly available online at <http://www.OpenSecrets.org>.

by issue.³

I find that MNE lobbying activities condition ideal point estimations for several issues. I observe a mean spatial shift of up to 0.204 on corporate social responsibility-related issues and of up to 0.185 on operations-related issues. Further, I find that legislators who shift the most are leaders in the House of Representatives. While limited, the findings suggest that MNEs *are* able to affect legislator behavior on CSR-related issues to a greater extent than they are on profit-motivated issues, and that MNE influence on individual legislator behavior – instead of simple committee influence – can be substantial. Altogether, the study puts a new spin on an old issue in corporate political strategy and contributes to the scholarly discussion of lobbying and interest groups.

Multinational Enterprises as Interest Groups

Galloway (1971) was one of the first to treat multinational enterprises as interest groups looking to affect governmental policy. He claimed that much of world politics and history could be explained by the activities of companies like Royal Dutch Shell, Nestlé, Bayer, etc., which were carefully planned as part of a political strategy by these corporations to either act as extensions of their nation-state governments or use the nation-state governments as a Marxian tool of self-propulsion. Overall, Galloway sought to “direct students of world politics, comparative government, and American politics to increase their concern with the roles of multinational corporations,” especially as interest groups (*ibid.* 20). Indeed, Galloway’s advice was well-heeded—or at least, his advice came at the right time.

Within the three decades after Galloway published, a growing body of literature detailing the strategies with which multinational enterprises might wish or do wish to approach coordinated political strategy at the supra- and subnational level. More generally, Grosse and Behrman (1992)

³As Martin and Quinn discuss (2005), ideal point estimations derived using these statistical techniques can be used as independent variables.

focus on developing a theory of international business to make up for the “lack of a proper theoretical focus, [which] has diverted the discipline from an emphasis on policy and on conflicts and cooperation among corporations and governments (*ibid.* 93). The theory is based on a bargaining approach, where company managers and government policymakers use their strengths and weaknesses to bargain with the other party. The authors focus primarily on the similarity of interests, relative stakes of the firm, and relative resources of the firm in relation to the government to decide if a negotiation could be useful to the multinational enterprise. Further, Brewer (1993) studies how government policies and market imperfections across a wide array of countries can explain changes in the decisions to invest in those countries. He finds the government policies can have an effect on multinational enterprises’ decisions (in addition to market conditions). While more recent studies have developed new theoretical directions in the study of corporate political strategy, such as approaches emphasizing resource-based models of strategy management (Boddeyn and Brewer 1994), even the most recent studies (*e.g.*, Pearce, Castro, and Guillén 2008) seldom address specific Congressional corporate political strategy from the multinational lens after entry into a new nation state or governmental situation.⁴ In fact, one very recent study that examines the proactive, defensive, anticipatory, and reactive firm-level strategies for multinationals to manage the political environment post-market entry would imply the study of specific MNE influence in Congress, but does not do so (Oliver and Holzinger 2008). Thus, the literature has yet to examine in depth the shortcomings present even in the established international business texts on corporate political strategy (Brewer 1985; Howell 2002; Haendel 1979).⁵ In other words, while multinational enterprises assess risk to make a decision on which markets to enter and when to enter, we do not fully understand the degree to which multina-

⁴For example, a new governmental situation could be the situation after a put request direction or change of power occurs. It could even be partisan-based, such as in the parliamentary government of the United Kingdom or in the federal system of the United States.

⁵A more general overview can be found in Rodriguez *et al.* (2006). There has been exhaustive research looking at the variance in entry conditions to a nationstate that a multinational enterprise may be subject to, and how those entry conditions explain the variance in multinational enterprises’ decisions to locate, operate, or take advantage of subsidies.

tional enterprises can hedge political risk after entry into a developed economy by influencing legislative activity.

Political Strategy Among Multinational Enterprises

To set the stage, Luo (2001) develops a cooperative theory of multinational and host government relations, theorizing that collusion between governments and multinational enterprises can have strong importance on enterprise performance down the road.⁶ Indeed, there are many ways multinationals can interact with host governments and a variety of determining factors contributing to the degree to which multinationals interact. In a study oriented towards international business, Faccio (2006) defines politically connected firms and finds that firms with higher degrees of political connectedness pad the rules for their operation. Other studies find that politically connected firms are much more likely to get government bailouts, especially when the International Monetary Fund or the World Bank provides financial assistance to the firm's home government (Faccio, Masulis, and McConnell 2007); that companies with critical connections have higher leverage and higher market shares (Faccio 2010), and; the politically connected companies have significantly lower standards of quality for accounting information (Faccio 2010; Chaney, Faccio, and Parsley 2011). Additionally, a study of political connections of the board members of the S&P 500 found that companies perceived abnormal stock returns following the announcement of the nomination of a politically connected individual to board (Goldman, Rocholl, and So 2008).⁷ Altogether, it is well-documented that corporate political strategy takes into account the effect of political connections and interactions with the government; international business scholars have studied, at the supranational and firm level, political strategy among multinational enterprises.

⁶To do so, Luo (2001) looks at corruption, political accommodation, resource complementarity, and organizational credibility in China, among multinational enterprises.

⁷More generally, Mantere, Pajunen and Lamberg (2009) give a broad review of the international business community's literature on corporate political activity using a unique, critical lens. The authors look at sociopathic behavior in corporate activities.

Lobbying Activity Among Multinational Enterprises

At the subnational level, there is also research looking at how firms that are not multinationals lobby the government, whether through legislative or regulatory bodies. Kim (2008) documents lobbying expenditures and their effect on firm performance, employing a model similar to the structure-conduct-performance paradigm found in the industrial organization literature. He finds some evidence that lobbying has positive and significant effects on the firms' equity returns. However, Kim (2008) does not determine how effective firm lobbying is in changing the positions of legislators. More generally, Sadreih and Annavarjula (2005) analyze the firm-specific determinants of corporate political activity and intensity and find that internationalization positively influences the likelihood of a firm being an active lobbyist. In other words, corporations with multinational characteristics, in addition to firm size and diversification, are more likely to be involved in lobbying. Further, a study of corporate lobbying of the federal government examining "comments" submitted to regulatory agencies finds that firms who lobby more often and with greater intensity yield greater payoffs (Kelly *et al.* 2013; Similarly, Yackee and Yackee 2006; Yackee 2005), though the analysis does not focus on Congress nor on multinationals operating as interest groups. Further studies of corporate lobbying on the regulatory government study agencies like the FCC find that larger firms behave in a manner largely consistent with the predictions brought from a rational model of transaction cost theory, while smaller firms do not (de Figuerido and Tiller 2004). Since multinationals are always large, we would expect them to fall under the rational expectations. Studies of corporate lobbying in the European Community (McLaughlin, Jordan, and Maloney 1993; Bouwen 2003) find similar results.

One study in particular looks at multinational enterprises and their lobbying activities in the European Union (Hadjikhani and Ghauri 2006). The authors attempt to empirically analyze five Swedish multinationals in the European Union market to understand how these firms manage their political relationships and whether they are able to influence critical decisions. While the paper does not find strong evidence for the degree to which multinationals to influence decisions

made at the European Union level, this could be because of the small sample size of the multinationals used, limited data, and the heterogeneity in the multinationals used. Further, though the analysis claims to conceptualize multinationals as interest groups, it does so on a case-based, pseudo-empirical basis. The study of MNE lobbying activity in Sweden is useful; however, the study of interest groups in the U.S. presents many benefits—one of which is a surfeit of data.

Business Interest Groups and Lobbying in U.S. Congress

As E. E. Shattschneider suggested half a century ago,⁸ there is considerable evidence that the interest group pressure system is fundamentally biased in favor of business and professional interests. In fact, in their text on interest group influence in Congress, Schlozman, Verba, and Brady (2012:439) find that privileged business group activity comprises a preponderant plurality of the political activities commonly assumed to be important determinants of the policymaking process, such as lobbying expenditures, PAC donations, and congressional testimony. However, after surveying a wide range of case-based and statistical studies of interest group influence in Congress, they find that the literature as it stands can confirm neither the view that investments in political action by organized interests pay off nor the counterorthodoxy that organized interests are paper tigers without influence on policy.

The typical literature that attempts to measure the political efficacy of interest group donations usually regress roll call votes (whether it be a single instance, a vote count over time, or a vote index offered by a PAC⁹) on variables like PAC contributions received by a legislator (Ansolabehere *et al.* 2006). For example, Welch (1982) estimates a probit model using campaign contributions as the predictive variable and legislative voting records on milk money & dairy price

⁸Quoted in Maisel and Berry (2010:14).

⁹See, *e.g.*, Herrera, Epperlein, and Smith (1995). Vote indexes are calculated by PACs and interest groups in the form of scores per legislator. The group will identify a set of roll call bills it considers important – usually ten or twenty – and calculate the number of times a legislator voted with or against the position the group would take. The rate at which the legislator votes with the group is the score.

supports as the response variable. However, these models are largely unsuccessful in finding a relationship between PAC contributions and legislative behavior. Further, these specifications entail many limitations. These limitations are discussed below.

Noting unsuccessful studies of contributions and voting behavior, some scholars examine lobbying from other lenses. For instance, Hall and Wayman (1990) hypothesize that the effects of interest group expenditures are more likely to appear in committee than on the floor, and that the behavior most likely to be affected is members' legislative involvement, not their votes. In addition to finding evidence that members are more responsive to organized business interests within their districts than to unorganized voters, the authors find general support for their hypotheses. In addition, Hojnacki and Kimball (1998) design a model to empirically predict *who* an interest group would decide to lobby based on preexisting "legislative allies" and find support for the model's expectations.

Indeed, as these studies would suggest, there are several ways that are not directly related to the sizes of contributions in which MNEs, as interest groups, can influence policymaking in Congress. Because any member can introduce legislation, MNEs can often find somebody to write their pet policy into a bill, even though the bill may not make it to the floor. MNEs can also bargain with and persuade individual members of both parties instead of dealing with the central party leadership. To do so, they schedule persuasive meetings with congresspeople and publish informational reports. Further, because legislation is increasingly altered in floor debates, regular committees, and conference committees, MNEs have an ample opportunity to insert alterations, whether by lobbying the committee directly or contributing to the committee's chair elections campaigns to get a seat at the table (Hernnson, Shaiko, and Wilcox 2005:129). Therefore, as Smith (1995) suggests, in addition to member persuasion, MNEs are able to affect policymaking in Congress through agenda setting and bill formulation at both the general and committee levels.

Methodological Issues in the Study of Interest Group Influence

As mentioned, models relating PAC contributions and voting behavior are limited in several ways. First, there is likely an endogenous relationship between contributions and votes, as corporations may want to contribute where they think they can get votes (*i.e.* votes causing contributions, rather than vice-versa) (Ansolabehere *et al.* 2006). Second, analyses such as these are not good at controlling for a complex mix of necessarily weighted spurious variables, such as the strength of the interest in legislative districts, partisanship, constituency economic interests, personal ideology, and other latent legislator traits (Jackson and Kingdon 1992). Third, data on the disposition of lobbying – in other words, whether a group lobbied for or against the bill – is not available, and therefore it is difficult to establish the degree to which an equilibrium between lobbying dispositions existed, if there was one to begin with. Thus, past specifications have suffered from a variety of modeling issues.

There are also issues when studying interest groups in general. First, political influence involves cause and effect; case studies cannot provide a clear-cut dyadic relationship between an interest organization in a policymaker with a simple “accept or reject” policy outcome to what the lobby proposed (Schlozman, Verba, Brady 2012:292).¹⁰ Second, there is no way to evaluate implicit bargains over obscure measures that are glossed over in public. Third, it is hard to unify the study of interest group activity into one overarching category, as different policy domains are characterized by different patterns of organized interest activity in conflict (*ibid.* 296). Fourth, concomitant with agenda control, there is no way to know what *wasn't* on the agenda (*i.e.* what was kept *off* the agenda.). Fifth, as Hall and Wayman (1990) argue, it could be the case that organized interest influence is more likely to manifest long before legislation reaches a floor vote—such as in markups, amendments, etc. Sixth, and possibly most importantly, we “have no way to catalog the sentiments of society that lack of voice” (Schlozman, Verba, Brady 2012:309). Therefore, we don't know the voices of the possible interest groups that decided not to lobby. In

¹⁰In fact it is often very ambiguous even to the interest group itself what the group's goals are.

sum, these general limitations of the study of interest groups present challenges when examining the effect of MNE lobbying on policy outcomes.

However, one of the key problems in the study of lobbying and legislative behavior is that it is difficult to untangle the effect of lobbying activity from the effect of a member's predisposition to vote one way or another. A member may choose to vote one way or another under the influence of a variety of considerations, such as the legislative logroll, where legislators are forced to compromise on issues less important to them so that they can win issues that are more important to them; the effect of partisan influence, where party identification forces the member to make a decision counter to the one they would normally make, or; personal influences, such as ideology, relationships, leadership positions, salient current events, or past experiences. These influences are some of the latent classes that we cannot observe readily but which may play into the ultimate response: a yay or nay on a roll call vote.

In the nascent period of this literature, Poole, Romer, and Rosenthal (1987) constructed a latent variable model to explain PAC giving as a function of many independent unknown variables and found that their trichotomous probit model did reasonably well in explaining which incumbents received support from large PACs. Similarly, Wawro (1999) built panels of roll call votes on legislation that business and labor groups indicated as important to determine via probit model if contributions from PACs had an effect on votes. He found that contributions were minimally effective, while accounting for other latent traits by attempting to estimate how the legislator *would have voted*.

Ideal Point Estimation and MNE Influence on Policy

As Martin and Quinn (2005) note, for years now, scholars have fit measurement models to voting data to recover the latent ideal points of various actors. Poole and Rosenthal (2000; 2007), the “grandfathers” of this field, offer a variety of different measurement strategies for congress-people. Clinton, Jackman, and Rivers (2004) develop a Bayesian procedure for estimation and in-

ference for spatial models of roll call voting based on Poole and Rosenthal's W-NOMINATE/DW-NOMINATE procedures; the model is "easily extended to account for a number of underlying latent dimensions, the determinants of legislator preferences, the evolution of the legislative agenda, logrolling, and party whipping and discipline" (*ibid.*). Therefore, the use of such a model helps to hedge against many of the methodological issues entailed in the study of MNE influence on policy outcomes discussed above. Especially when used for ideal point estimation by issue, this method is effective at generating reasonable ideal point estimates that can be used to compare how a legislator would act in the absence of MNE lobbying on a bill (Martin and Quinn 2005; Crespin and Rohde 2010).

Data and Methods

Thus, following the research design of Poole, Lewis, Lo, and Carroll (2011), which has been used extensively in the literature to test for the effects on first dimension W-NOMINATE scores from a variety of events, we can operationalize the Euclidean differences in ideal point estimations conditioned by bills lobbied and not lobbied by a sample of multinational enterprises, by issue, to determine the effect of lobbying by multinational enterprises on policy outcomes in Congress. Therefore, to determine if there is a lobbying effect, I estimate the ideal point for each congressperson based on a sample of MNE-unlobbied roll call votes in the House for the 111th Congress (for each issue) and compare it to the estimated ideal point for each congressperson based on the sample of MNE-lobbied *and* MNE-unlobbied roll call votes. The difference in these scores is the *shift*, or conditioning effect, based on inclusion of the lobbied bills. Then, I examine the shifts for all congresspeople on each issue to see the ideal points are statistically distinguishable. Standard errors for the difference are calculated as the standard error of a difference $\sigma_{\bar{a}-\bar{b}} = \sqrt{\sigma_{\bar{a}}^2 + \sigma_{\bar{b}}^2}$. A shift is calculated for every congressperson on every issue for which a

bill was lobbied and roll call data was available.¹¹ Issues were coded by bill using the Poole and Rosenthal specification, and cover roughly 108 specific salient topics in American politics.¹² A table of the issues for the bills lobbied can be found in the appendix. In addition, I present data from the 112th Congress in my tables so as to paint a more inclusive picture.

The sample of 20 MNEs came from a list compiled by Lacey (1994), designated as a generally representative list. I did my best to make sure that the list included the variance in the type of multinational, the industry, and the country of origin. Further inspection serendipitously indicated that the sample also includes variance in the foreign-to-total sales ratio for each multinational enterprise included in the sample (Hajnal and Kirton 2006:129). Additional variance such as this is useful because, to make inferences based on this sample for the general population of MNEs, a variety of MNEs must be sampled.

Results

Table 1 presents a summary of the multinationals used in the study, the amount of bills lobbied from the 111th and 112th (House and Senate) congresses, and the number of those bills that made it to a roll call vote. In total, about 31.7 percent of the bills that were lobbied by the multinationals as a whole made it to roll call. This percentage of success is very consistent across all of the multinationals, except for in the cases of Bayer, Daimler-Benz, Hitachi, Philips Electronics, and Sony. In the cases of Bayer in Daimler-Benz, every bill that the MNEs lobbied made it to roll call. This would suggest that these companies are either very good at apportioning their resources, such that the bills that they lobby do make it to the floor, or that they are smart about which bills they lobby, such that bills that are destined for the floor are the bills that they select. On

¹¹Roll call data was available when the vote took place, thereby excluding bills that did not make it to the floor. Some issues did not present enough roll call votes to perform the procedure. These issues were excluded. See appendix for detail on the issues excluded. Shifts were not calculated if a congressperson missed too many votes on the issue (as determined by the *pscl* statistical package).

¹²Information on this specification can be found on Poole and Rosenthal's public website, <http://www.voteview.com/isscodes.htm>.

the other hand, Philips Electronics and Sony experienced very little floor matriculation. This would suggest that either their lobbying was aimed at keeping bills off the floor (and that they were successful), that their lobbying was counteracted by countervailing interests, or that they made poor lobbying choices. Further, Hitachi experienced no matriculation; the reasoning could be the same as the reasoning for Philips and Sony. However, with a grand total of 31.7 percent of matriculation, it generally seems like multinationals are either confronted with a variety of countervailing interests that are not accounted for in the study, or are good at keeping bills that they do not want to make it to roll call off the floor. These results and suggestions are generally what we would expect based on the literature.

Tables 5 and 6, in the appendix, present a summary of the roll call votes taken in the House and Senate for the 111th and 112th congresses, broken down by issue. These tables show the issues on which the MNEs lobbied and the total number of roll calls taken by issue. As expected, multinationals focus efforts on issues such as tax rates, budget resolutions, union regulations, pollution and environmental protection, agriculture, public lands, banking and finance, science and technology, public health, radio telecommunications, and energy. However, additional issues which are surprising are implicated. Multinationals lobbied quite often on the issues of civil rights, education, public safety, children aid, and housing rent control programs. While these bills would not directly benefit the corporations, they could provide corporate social responsibility signals to the population and legislators. Finally, there are issues on the floor which we would have expected multinationals to lobby but were not lobbied. For example, coal mining regulation bills that made it to the floor had not been lobbied by multinationals; neither were shipping/maritime bills, judiciary bills, or interstate commerce and antitrust bills. These bills should have seen lobbying, based on our theory, because multinational enterprises have a stake in all of these issues, and rational corporations would seek to employ a political strategy to maximize their returns on issues pertinent to them. Perhaps, these bills were not germane – per the Poole-Rosenthal Specification – to company interests. Additionally, perhaps the MNEs had already benefited from the

Table 1: Summary of Multinationals and Lobbying Activity, 111th–112th Congresses

| Multinational Name | Home Country | Bills Lobbied | R.C.-Eligible Bills |
|------------------------------|--------------|---------------|---------------------|
| AT&T | U.S. | 405 | 126 |
| Bayerische Motoren Werke, AG | Germany | 3 | 0 |
| Bayer, AG | Germany | 93 | 93 |
| Daimler-Benz, AG | Germany | 11 | 11 |
| General Motors Corporation | U.S. | 184 | 49 |
| LG Electronics | South Korea | 22 | 5 |
| Diageo, DLC | U.K. | 18 | 5 |
| Hitachi, Ltd. | Japan | 12 | 0 |
| Nestle, SA | Switzerland | 73 | 31 |
| PepsiCo | U.S. | 80 | 23 |
| Philips Electronics, NV | Netherlands | 123 | 20 |
| Sanofi-Aventis | France | 316 | 90 |
| Shell Corporation | Netherlands | 117 | 32 |
| Siemens, AG | Germany | 50 | 19 |
| GlaxoSmithKline | U.K. | 187 | 61 |
| Sony Corporation | Japan | 91 | 9 |
| Toyota Motor Corporation | Japan | 100 | 30 |
| Uniliver PCL | Netherlands | 41 | 12 |
| Volkswagen, AG | Germany | 24 | 7 |
| Volvo, AB | Sweden | 59 | 14 |
| Total | | 2,009 | 637 |

Note: Cell entries are the sample of multinational enterprises used in the analyses in this paper. For each MNE, the home country, number of bills lobbied, and the number of roll call-eligible bills are included. The number of bills lobbied is not include the number of reports filed per bill. For example, AT&T could have filed 30 reports for each of its 405 bills, but the number of bills lobbied would still be reported as 405. The number of roll call-eligible bills was calculated as the set of bills lobbied that also had will call data, implying that those bills made it to the floor. From this table, we can see that there is strength in the number of pills each firm lobbies, the 20 multinational enterprises included Lottie a significant amount of bills individually, and that as a collective group of MNE's, these corporations cover an immense amount of issues.

public goods brought by the political action of other corporate interest groups.

When comparing the tables for the House and the Senate, the Senate clearly has fewer bills that made it roll call. Further, there seems to be a much larger focus on banking and finance in the Senate and there seems to be on the house, and the multinationals we sampled are much more active in lobbying judiciary pills in public health bills in the Senate. Thus, there seems to be a perceived marginal benefit to be had (by these MNEs) in lobbying issues that could be lobbied in the House in the Senate.

Table 2 presents the mean shift distances between the lobby and no lobby subsets, calculated by taking the mean of the absolute values of the congressperson shifts on the first dimension of the normalized quadratic MCMC model implemented (see Clinton *et al.* 2004). All ideal point estimations calculated were statistically distinguishable, making the means observationally useful. The number of lobbying expenditure reports are also included. Generally, table 2 suggests that MNE lobbying activity could be responsible for substantial shifts in legislative positions on issues that they find important to them. Interestingly, the largest shifts came in the estimations on the civil rights and children issues, which would be related to corporate social responsibility more than corporate gain. However, the fact that the shifts occurred might not be because multinational enterprises lobbied; indeed, the enterprises could have lobbied issues that they thought they could see a shift on. Therefore, the mean shift results presented in table 2 suggest endogeneity and modestly support the hypothesis that multinationals are able to cause changes legislator behavior.

Another way to look at the spatial shift results – in order uncover the effect of lobbying by multinational enterprises – is to see if there is a monotonic relationship (on in which an increase in one variable causes an increase in another variable, proportionally) between the amount of lobbying expenditure reports filed on an issue and the mean shift on the issue. These data are also presented in table 2. A monotonic relationship, while it cannot rule out endogeneity, would suggest that MNE lobbying is efficiently conducted, meaning that multinationals are making good

Table 2: Shift Effects of Lobbied Bills and Reports Filed for 111th Congress, By Issue

| Issue | Mean Shift | Reports Filed | Bills Lobbied | Total Issue Bills |
|--------------------|------------|---------------|---------------|-------------------|
| Civil Rights | 0.204 | 8 | 7 | 33 |
| Children | 0.185 | 11 | 9 | 39 |
| Telecommunications | 0.185 | 3 | 3 | 22 |
| Public Safety | 0.184 | 5 | 5 | 39 |
| Parks | 0.172 | 7 | 3 | 34 |
| Banking | 0.171 | 11 | 7 | 96 |
| Narcotics | 0.141 | 2 | 2 | 7 |
| Tariffs | 0.130 | 1 | 1 | 4 |
| Unions | 0.121 | 6 | 4 | 20 |
| Science | 0.119 | 6 | 1 | 33 |
| Energy | 0.119 | 11 | 2 | 43 |
| Education | 0.112 | 15 | 13 | 46 |
| Airports | 0.104 | 8 | 4 | 15 |
| Housing | 0.098 | 7 | 4 | 20 |
| Public Works | 0.098 | 6 | 2 | 39 |
| Public Lands | 0.096 | 5 | 5 | 22 |
| War on Terror | 0.047 | 13 | 9 | 84 |

***Note:** Cell entries differences in the ideal point estimations from a sample of MNE-lobbied and -unlobbied bills, per issue. The mean shift is calculated as the mean of the absolute spatial shifts among all Congresspeople measured. Reports filed is the number of lobbying disclosures filed. Bills Lobbied is the number of roll call-eligible bills that were lobbied by MNEs. Total Issue Bills is the total number of germane bills to the issue that made it to roll call.*

decisions on issues on which they lobby. Therefore, to examine the monotonicity is present, we can look at these results in a multivariate context.¹³ Table 3 presents the results of two ordinary least squares regressions inspecting the ability of the number of reports filed to predict the mean spatial shift, with controls. The first specification uses the raw frequencies provided in the table, whereas the second specification incorporates the ratio of bills lobbied to the total number of bills, to capture the idea that issue volume may be an issue. The results reveal no relationship between the number of reports filed in the spatial shifts.

The results presented up to this point attempted to examine the degree to which these MNEs can affect political outcomes on the whole within Congress on certain issues. Table 2 makes it clear and there are significant shifts in the ideal point estimations when accounting for lobbying activity. However, the remainder of the results in table 2 in the regression results in table 3 suggests that a rudimentary mechanistic discussion of the ways in which MNEs might affect political outcomes should not be approached from the macro lens. Rather, drawing on theory discussed earlier in the paper, insights regarding the ways in which MNEs may be able to affect political behavior may best be approached from the micro level: individual legislators.

To that end, figure 1 presents a graph of the sum of the absolute shifts in legislator ideal point estimations. Taking the sum of the absolute shifts, we can examine the degree to which MNE lobbying activity in the aggregate was responsible for changes in legislator behavior. From what we can see, there are about 11 representatives at the tail of the graph that shifted drastically relative to the shifts experienced by the bulk of representatives. This suggests that MNE lobbying activity might have a particularly profound effect on some legislators and not others. This concurs with the theories of lobbying and interest group activity mentioned, where lobbyists are best able to have an impact on individual legislator behavior through lobbying activities rather than contributions.

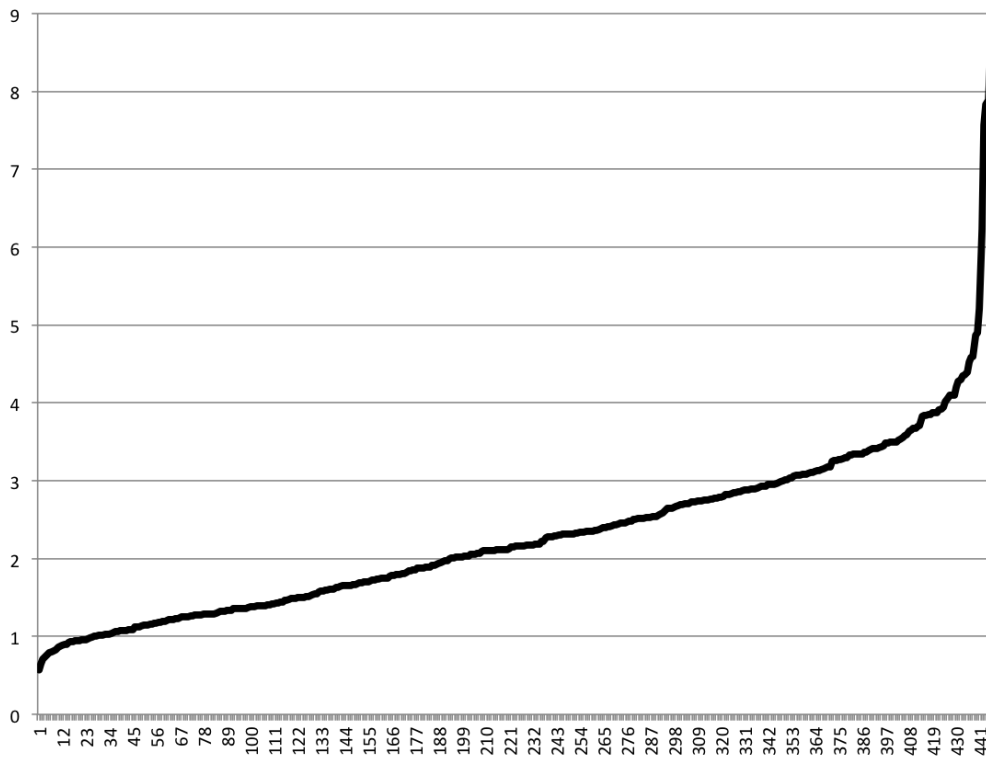
¹³For the purposes of this model, we assume that the amount disclosed on the lobbying expenditure report is not important, as lobbyists will spend what is demanded by the market in order to get an ear; the market price is a “membership fee” rather than a 1:1 return.

Table 3: Regression Results

| | <i>Dependent variable:</i> | |
|--------------------------|----------------------------|--------------------|
| | Mean Spatial Shift | |
| | (1) | (2) |
| Reports.Filed | -0.007 (0.006) | -0.008 (0.008) |
| Bills.Lobbied | 0.006 (0.005) | |
| Total.Issue.Bills | 0.0003 (0.001) | |
| Fraction (Lobbied/Total) | | -0.222 (0.308) |
| Reports.Filed:Fraction | | 0.027 (0.035) |
| Constant | 0.152*** (0.024) | 0.197** (0.067) |
| Observations | 17 | 17 |
| R ² | 0.128 | 0.085 |
| Adjusted R ² | -0.074 | -0.126 |
| Residual Std. Error | 0.044 | 0.045 |

Note: Regressions examining whether there is a monotonic relationship between expenditure filings and spatial shifts. Specification (1) includes the raw frequencies per table 2. Specification (2) includes the fraction of bills lobbied over total bills for the issue, as well as an interaction term to examine if the efficacy of expenditure filings is conditioned by the relative size of the set of bills in which the MNE is lobbying.

Figure 1: Sum of Absolute Shifts, Ordered



Note: Ordered plot showing the calculated sums in absolute shifts over all issues for all congresspeople in the analysis (446).

The figure begs the question: *who are these big shifters?* Table 4 presents the representatives who had the highest sums of absolute shifts. These representatives account for the steep slope at the tail of the graph in figure 1. Therefore, these representatives shifted to a much, much higher degree, conditioned by MNE lobbying activity, than did other representatives.

Table 4: Top 10 Big Shifters

| Member | Sum of Absolute Shifts |
|----------------------|------------------------|
| GILLIBRAND (D NY-20) | 8.380 |
| STUTZMAN (R IN-3) | 7.889 |
| DEUTCH (D FL-19) | 7.829 |
| SOLIS (D CA-32) | 7.572 |
| PELOSI (D CA-8) | 6.222 |
| GRIJALVA (D AZ-7) | 5.204 |
| GRAVES (R GA-9) | 4.899 |
| REED (R NY-29) | 4.872 |
| SNYDER (D AR-2) | 4.600 |
| DJOU (R HI-1) | 4.579 |

Note: Entries present data for the congresspeople (per figure 1) who shifted the most when conditioned by MNE lobbying activity. The sum of the absolute shifts was calculated by adding the absolute values of the mean shifts over all issues.

Discussion

Indeed, the data are limited in several ways. As discussed, there is no way to account for bills that are not proposed or do not make it to the floor based on lobbying efforts. Further, there is clearly the possibility of an endogenous relationship between lobbying activity and changes in behavior. On the other hand, the methods have strength. Note that these data were gathered simply from ideal point estimations on bills that were lobbied and not lobbied by MNEs; the data does not include campaign contributions, etc. Thus, as discussed, while the results encapsulate many latent variables, many of which have been discussed, they do not directly account for them. How-

ever, among the weaknesses of the method – the threat of an endogenous relationship between lobbying activity and changes in behavior; the model’s unspecified nature; the ecological inference issues entailed in making macro-/micro-level observations – latent modeling is a strength. The results establish that MNE lobbying activity does condition legislator behavior as measured by ideal point estimation. Further, the results allow us to slowly pick apart multinational enterprises’ lobbying activities at the micro and macro level. While at the macro level, lobbying activity does not seem to be effective at causing behavior changes, the micro-level, individual legislator results would suggest otherwise. Indeed, as table 4 indicates, there seems to be something special about the big shifters in the way in which they have been conditioned by MNE lobbying activity.

Is there anything special about these representatives that would cause them to shift to a much higher degree? First, it is worth noting that the balance even between the parties, dismissing partisanship as a spurious variable. However, on the discussion of partisanship, these members seem to be notable because they are leaders in the party. It is possible that these members changed their votes in order to signal to companies and lobbyists that they were willing to “play ball,” while failing to with any of their rank-and-file partisan allies to change. In this sense, these members could maintain relationships with these companies and lobbyists without enacting any sort of real change. Indeed, this is one possibility. Second, it is possible that these members are heterogeneously affecting other member behavior in such a way that the ideal point estimations would reflect these shifts in the manner that they are reflected. Third, it is possible that the salience of these members makes them prime targets for lobbying activity, as corporations will much prefer to lobby notable members of Congress over non-notable members of Congress. Fourth, it is possible that because of these members’ statures, they also hold prime committee assignments and committee leadership positions. For instance, Representative Gillibrand sat on the Agriculture Committee (and Energy Subcommittee) during the 111th Congress—a prime committee to lobby for these MNEs. Though this is case-based, the implication is that it is well within possibility that committee assignments and committee leadership positions among these top 10 big shifters

is what caused them to be lobbied by the multinationals, and thus is what caused them to shift.

A closer look at table 2 indicates that corporate social responsibility issues like civil rights, children's aid, public safety, and education are moved significantly by the conditioning of MNE lobbying activity. Therefore, there may be more of an opportunity to influence legislator behavior on CSR issues in there is to influence issues that will bring corporations of profit. Additionally, there is evidence that corporations may be making a bad choice when lobbying on issues related to the war on terror. MNEs had some of the most frequent lobbying expenditure reports on the issue of the war on terror, but Congresspeople shifted the least on that issue when conditioned by MNE lobbying activity. Perhaps, expenditures on this issue are intended simply to show the public that the company cares about the issue—after all, it is a publicly salient issue that cannot be skirted.

Altogether, the fact that we must postulate over who was lobbied, what was lobbied, and the degree to which who or what was lobbied is a primary shortcoming of any interest group research. For multinationals, this means that the quantification of the efficacy of their congressional political strategy is very difficult, if not impossible. Furthermore, transparency is very limited because the lobbyist activity. Especially in a time period when lobbyists are seen as negative influences and more and more lobbying activity is going unaccounted for, transparency is imperative. Taken together, these concerns, while different, could both benefit from an update on reporting standards for lobbyists. With new reporting standards, corporations could quantify the degree to which their lobbying is effective when scientists would be able to exact an equilibrium model of lobbying, or countervailing interests are pitted against each other and able to be measured. With greater transparency, the American public could ensure the democratic idea was being achieved and that they maintain a voice in American policymaking. Therefore, I propose a modest suggestion to address this issue: require lobbyists to report (1) the disposition of their lobbying activities on behalf of their clients, and (2) who they lobbied. Such changes would reboot the study of interest groups and bolster the ability of multinational enterprises to construct

efficient political strategies.

Conclusion

In sum, though some scholars and political science have posited that lobbying does not influence policies, corporate political activity in the recent past suggests otherwise. To be sure, the study of lobbying is crucial to the study of multinational enterprises, as these multinationals must plan and implement a unified political strategy to perform well. This paper set out to examine the extent to which multinationals can affect policy outcomes in Congress using new statistical methods which have not been seen in the particular study of MNEs as interest groups to account for many of the methodological problems that have been seen in the past.

After investigating the topic, I find that MNE lobbying activities significantly condition ideal point estimations for several issues, and that legislators who shift the most are leaders. While limited, the findings suggest that MNEs are able to affect legislator behavior on CSR-related issues to a greater extent than they are on profit-motivated issues, and that MNE influence on individual legislators – instead of simple committee influence – can be substantial. Future study of this topic should include broader samples of roll call data, as well as pooled ideal point estimation over multiple congresses for congressional members stand Congress for a long period of time. This would allow for more accurate ideal point estimations to use as more robust independent predictive variables.

Appendix

Table 5: Number of Roll Calls by Issue for House (P-R Coding)

| Code and Issue | House 111th MNE | House 111th All | House 112th MNE | House 112th All |
|--|-----------------|-----------------|-----------------|-----------------|
| 3. Tax rates | 1 | 49 | 9 | 33 |
| 4. Budget resolution | 0 | 12 | 3 | 47 |
| 5. Women's Equality | 2 | 12 | 0 | 7 |
| 8. Unemployment/Jobs | 0 | 18 | 0 | 1 |
| 10. Union Regulation | 4 | 20 | 2 | 38 |
| 11. Coal Mining Regulation | 0 | 4 | 0 | 2 |
| 12. Arms Control | 0 | 1 | 2 | 9 |
| 15. Food Stamps/Food Programs | 0 | 3 | 2 | 3 |
| 16. Human Rights | 0 | 5 | 0 | 1 |
| 17. Pollution and Environmental Protection | 0 | 48 | 25 | 278 |
| 18. Welfare and Medicaid | 0 | 6 | 0 | 4 |
| 20. Civil Rights | 7 | 33 | 1 | 5 |
| 21. Abortion/Care of deformed newborns | 0 | 4 | 1 | 12 |
| 22. Homosexuality | 0 | 3 | 1 | 4 |
| 24. Shipping/Maritime | 0 | 3 | 0 | 0 |
| 25. Agriculture | 7 | 26 | 8 | 39 |
| 26. Minimum Wage | 4 | 1 | 0 | 0 |
| 29. Consumer Protection Agency | 0 | 1 | 0 | 3 |
| 34. Nuclear Power | 0 | 2 | 1 | 6 |
| 37. Public Lands | 5 | 22 | 0 | 23 |
| 38. Investigations | 0 | 18 | 6 | 4 |
| 40. Religion | 0 | 4 | 2 | 5 |
| 45. Education | 13 | 46 | 2 | 25 |
| 46. Parks and Conservation | 7 | 34 | 0 | 10 |
| 47. Banking and Finance | 7 | 96 | 4 | 40 |
| 48. Campaign Contributions/Lobbying | 1 | 12 | 1 | 15 |
| 50. Tariffs and Trade Regulation | 1 | 4 | 0 | 11 |
| 55. Military Pensions/Veterans Benefits | 0 | 31 | 2 | 15 |

Continued...

| Code and Issue | House 111th MNE | House 111th All | House 112th MNE | House 112th All |
|--|-----------------|-----------------|-----------------|-----------------|
| 59. Immigration/Naturalization | 1 | 4 | 0 | 19 |
| 60. Public Works | 2 | 39 | 4 | 52 |
| 63. Congressional Pay and Benefits | 2 | 2 | 0 | 2 |
| 66. Humanitarian Assistance (foreign) | 0 | 4 | 0 | 0 |
| 71. Science and Technology | 1 | 33 | 5 | 28 |
| 74. Judiciary | 0 | 5 | 0 | 3 |
| 75. Impeachment of Officials | 0 | 8 | 0 | 0 |
| 76. Public Safety | 5 | 39 | 0 | 23 |
| 77. Interstate Commerce/Anti-trust | 0 | 4 | 0 | 0 |
| 78. Children (aid, infant mortality, etc.) | 9 | 39 | 2 | 5 |
| 80. Public Health | 0 | 44 | 25 | 75 |
| 81. Narcotics | 2 | 7 | 0 | 5 |
| 82. Firearms | 1 | 3 | 3 | 20 |
| 83. Radio/Telecommunications | 3 | 22 | 0 | 36 |
| 84. Airlines/Airports/Airline Industry | 4 | 15 | 4 | 12 |
| 86. Social Security | 0 | 2 | 0 | 0 |
| 87. Communists/Communism | 1 | 8 | 0 | 1 |
| 88. Housing/Housing Programs/Rent Control | 4 | 20 | 3 | 33 |
| 90. Debt Ceilings | 0 | 6 | 2 | 16 |
| 91. Nuclear Weapons | 0 | 2 | 1 | 7 |
| 92. CIA/Spying/Intelligence | 0 | 8 | 1 | 23 |
| 94. Space Exploration/NASA | 0 | 5 | 0 | 1 |
| 95. Handicapped | 0 | 4 | 0 | 1 |
| 96. Energy | 2 | 43 | 9 | 53 |
| 97. Central America | 0 | 1 | 0 | 0 |
| 98. Iran and Iraq | 1 | 15 | 1 | 6 |
| 99. Railroads | 2 | 6 | 0 | 5 |
| 103. Medicare | 0 | 6 | 0 | 1 |
| 105. HIV & AIDS | 0 | 1 | 0 | 0 |
| 106. Tobacco | 0 | 6 | 0 | 0 |

Continued...

| Code and Issue | House 111th MNE | House 111th All | House 112th MNE | House 112th All |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| 107. Legal Services Corporation | 0 | 1 | 1 | 3 |
| 108. War on Terror (After 9-11) | 9 | 84 | 4 | 68 |

Table 6: Number of Roll Calls by Issue for Senate (P-R Coding)

| Code and Issue | Senate 111th MNE | Senate 111th All | Senate 112th MNE | Senate 112th All |
|--|------------------|------------------|------------------|------------------|
| 2. Fish & Wildlife | 0 | 0 | 0 | 6 |
| 3. Tax rates | 5 | 67 | 8 | 30 |
| 4. Budget resolution | 6 | 47 | 0 | 11 |
| 5. Women's Equality | 2 | 9 | 0 | 1 |
| 8. Unemployment/Jobs | 5 | 16 | 0 | 2 |
| 10. Union Regulation | 0 | 6 | 4 | 9 |
| 12. Arms Control | 0 | 0 | 0 | 0 |
| 15. Food Stamps/Food Programs | 0 | 0 | 8 | 13 |
| 17. Pollution and Environmental Protection | 3 | 14 | 0 | 15 |
| 20. Civil Rights | 0 | 6 | 0 | 0 |
| 21. Abortion/Care of deformed newborns | 3 | 3 | 0 | 1 |
| 22. Homosexuality | 0 | 4 | 0 | 0 |
| 25. Agriculture | 2 | 7 | 9 | 26 |
| 26. Minimum Wage | 0 | 0 | 0 | 0 |
| 34. Nuclear Power | 0 | 0 | 0 | 0 |
| 37. Public Lands | 6 | 8 | 0 | 0 |
| 38. Investigations | 0 | 0 | 0 | 0 |
| 40. Religion | 0 | 0 | 0 | 1 |
| 43. Election of the Speaker of the House | 0 | 0 | 0 | 0 |
| 45. Education | 0 | 2 | 0 | 4 |
| 46. Parks and Conservation | 0 | 2 | 0 | 1 |
| 47. Banking and Finance | 16 | 60 | 9 | 31 |
| 48. Campaign Contributions/Campaign Laws | 0 | 2 | 1 | 3 |
| 50. Tariffs and Trade Regulation | 1 | 1 | 1 | 20 |
| 51. Constitutional Amendments | 0 | 0 | 2 | 3 |
| 55. Military Pensions/Veterans Benefits | 2 | 6 | 1 | 13 |
| 58. Treaties | 1 | 13 | 0 | 0 |
| 59. Immigration/Naturalization | 1 | 8 | 0 | 0 |

Continued...

| Code and Issue | Senate 111th MNE | Senate 111th All | Senate 112th MNE | Senate 112th All |
|--|------------------|------------------|------------------|------------------|
| 60. Public Works | 2 | 10 | 0 | 16 |
| 63. Congressional Pay and Benefits | 0 | 1 | 0 | 0 |
| 71. Science and Technology | 2 | 1 | 0 | 0 |
| 74. Judiciary | 12 | 45 | 17 | 81 |
| 75. Impeachment of Off. (Not Pres.) | 1 | 6 | 0 | 0 |
| 76. Public Safety | 0 | 0 | 0 | 3 |
| 78. Children (aid, infant mortality, etc.) | 2 | 14 | 0 | 0 |
| 80. Public Health | 10 | 79 | 5 | 13 |
| 81. Narcotics | 0 | 1 | 0 | 0 |
| 82. Firearms | 0 | 3 | 0 | 1 |
| 83. Radio/Telecommunications | 0 | 2 | 0 | 6 |
| 84. Airlines/Airports/Airline Industry | 0 | 2 | 10 | 7 |
| 87. Communists/Communism/Unamerican Activities | 0 | 2 | 0 | 0 |
| 88. Housing/Housing Programs/Rent Control | 4 | 13 | 0 | 1 |
| 90. Debt Ceilings | 0 | 13 | 1 | 7 |
| 91. Nuclear Weapons | 0 | 0 | 0 | 1 |
| 92. CIA/Spying/Intelligence | 0 | 0 | 0 | 1 |
| 96. Energy | 0 | 1 | 3 | 5 |
| 98. Iran and Iraq | 2 | 8 | 0 | 4 |
| 99. Railroads | 0 | 0 | 1 | 1 |
| 100. National Endowment for the Arts | 0 | 0 | 0 | 0 |
| 103. Medicare | 1 | 8 | 0 | 0 |
| 107. Legal Services Corporation | 0 | 0 | 0 | 0 |
| 108. War on Terror (After 9-11) | 0 | 26 | 4 | 24 |

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