Legislators as Lobbyists

Melinda (Molly) Ritchie & Hye Young You

University of California, Riverside & Vanderbilt University
December 18, 2013

The Honorable Thomas Perez
Secretary of Labor
U.S. Department of Labor
Washington, DC 20210

Dear Secretary Perez,

I write to you today in support of a recently filed petition for Trade Adjustment Assistance (TAA) by employees of Electromark Inc., a small company located in Wolcott, New York. Electromark recently announced plans to transfer all manufacturing operations to a new facility in Mexico, permanently closing their Wolcott business and affecting over 120 employees.

Electromark has been in Wayne County, New York for more than 40 years making outdoor signs, labels and flags. In 2005 it was acquired by the Brady Worldwide Incorporation. With no forewarning to local officials, last month Brady decided to close this Wolcott facility in an effort to consolidate operations and lower costs. Their announced plans have included shutting down the facility over the next 12 months, moving operations to Tijuana, Mexico in the process, making this a strong case for TAA.

The additional resources that Trade Adjustment Assistance brings to displaced workers are invaluable. The opportunity to learn new skills or further develop an existing skill set often is the key to successful reemployment. This announcement closure is devastating news for the Wayne County region, so I urge you to give this petition your full consideration to ensure that all available resources are brought to bear to put impacted employees back to work.

Sincerely,

Kirsten E. Gillibrand
United States Senator
“I urge you to give this petition your full consideration to ensure that all available resources are brought to bear to put impacted employees back to work.”

Senator Kirsten E. Gillibrand
(D-NY)
Motivation

At Gillibrand Urging, Department of Labor Will Provide Trade Adjustment Assistance for Laid-Off Electromark Workers
Federal Funds Will Provide Impacted Workers Support, Resources to Find New Jobs
January 16, 2014
Is this cheap talk?
Is this cheap talk?

Or are members of Congress (MCs) able to influence the bureaucracy’s decisions that are supposedly based on objective criteria?
Q: How does the Congress control the bureaucracy?

1. **Agency Design Thesis:**
   - Congress strategically designs the agency structure and process to influence the policymaking of agencies (e.g., McCubbins, Noll, and Weingast 1987).

2. **Casework & Grants:**
   - Individual MCs benefit from the bureaucracy’s complexity by addressing constituent casework (Fiorina 1977).
   - Bureaucrats strategically allocate distributive benefits to MCs (Arnold 1979).
We know little about the frequency of individual MCs’ interactions with agencies and how much influence MCs have over bureaucratic decisions.
Congressional Influence on Bureaucracy

- Individual MCs take advantage of the bureaucracy’s discretion

- MCs regularly contact agencies to represent their constituencies and influence agency decisions

- Agencies respond favorably to MCs requests in order to gain support for their budgets and programs, or to avoid public criticism
What We Do

• We use original data to measure the expressed preferences of MCs over agency decisions in order to provide a direct test of legislator influence

• We provide empirical evidence for the argument that MCs are effective lobbyists for their constituents
• 2005 - 2012 (109th-112th)

• Records of direct communication from House members and Senators to the DOL (27,310 contacts)

• DOL decisions on Trade Adjustment Assistance (TAA) petitions (17,300 petitions)
Trade Adjustment Assistance (TAA)

- Created to help U.S. workers that have been negatively affected by trade liberalization by providing job training, temporary income, and other assistance

- A petition is submitted to the DOL either by a company, a group of workers, or a labor union

- During 2005-12 period, 75% of the petitions were approved
Q1: Do Contacts Affect TAA Decision?

\[
TAA\, Approval_{ijst} = \alpha_j + \alpha_s + \alpha_t + \beta TAA\, Contact_{ijt} + \Gamma X'_{ijt} + \varepsilon_{ijst}
\]

, where \(i\) = petition, \(j\) = congressional district, \(s\) = product type, and \(t\) = year.

- Two measures of \textit{TAA Contact}:
  1. Direct TAA Contact: Total number of contacts from MCs on each petition (also use dummy)
  2. Indirect TAA Contact: Total number of contacts from MCs related to TAA from a petitioners' district and state - Direct TAA Contact
Q1: Do Contacts Affect TAA Decision?

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
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<tbody>
<tr>
<td>Direct TAA Contact</td>
<td>0.0264**</td>
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<tr>
<td></td>
<td>(2.46)</td>
<td></td>
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<tr>
<td>Direct TAA Contact Dummy</td>
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<td>0.0799***</td>
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<tr>
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<td>(3.72)</td>
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<tr>
<td>Year FE</td>
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<td>Y</td>
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<tr>
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<tr>
<td>SIC FE</td>
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<td>N</td>
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</tr>
<tr>
<td>adj. $R^2$</td>
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</table>

Note: $t$ statistics in parentheses. ** $p < 0.05$, *** $p < 0.01$. Standard errors are clustered at the congressional district level.
Q1: Do Contacts Affect TAA Decision?

- When MCs contact the DOL in support of a specific petition it increases the approval rate of petitions:
  - 2.6% higher approval rate (1 additional contact)
  - 8% higher approval rate (dummy)

- Neither *Indirect* TAA contact nor the total number of non-TAA related DOL contacts from MCs matter on TAA approval rate

- This suggests that DOL is very *precise* in its response to a member’s request

- Labor committee membership & leadership position are not significant
Addressing Selection Issue: Overturn Decision

- Although we include year, district, and product type fixed effect, MCs may be more likely to contact DOL if TAA petitions from their constituents has a good chance of being approved.
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• Subsample: Petitions that are already denied.

• Initially denied petitions are of similar, weak quality - offers greater confidence that results are due to the effect of MCs’ contact and not solely to petition quality.
• Petitioners who are denied eligibility for TAA may request administrative reconsideration

• 2,334 cases out of 17,309 were reconsidered

• Of the petitions reconsidered, 14% of the cases overturned the initial decision, from denial to approval

• We compare the overturn rate of petitions with MCs’ contact which takes place after the initial decision to petitions with no such contact
Q2: Do Contacts Affect Overturn Decision?

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<tbody>
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<td>Direct TAA Contact After Initial Decision</td>
<td>0.320***</td>
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<tr>
<td></td>
<td>(5.15)</td>
<td>(4.92)</td>
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<tr>
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<td>Year FE</td>
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<tr>
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<td>(\text{adj. } R^2)</td>
<td>0.067</td>
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</table>

*Note:* \(t\) statistics in parentheses. **\(p < 0.05\), ***\(p < 0.01\). Standard errors are clustered at the congressional district level.
Direct communication is a powerful tool for MCs to control the priorities and resources of federal agencies

Policymaking power in Congress

Bureaucratic Responsiveness and Representation