Why Cities Lobby the Federal Government

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Abstract

Many interest groups populate the streets of Washington, petitioning the government to look favorably on their cause. One of the more peculiar groups that lobby the highest level of government is an institution from another stratum. Populous cities of the United States will and do lobby the federal government. This paper will examine the motivations behind lobbying at this level among the most populated cities in the United States. The main hypothesis tested suggests that cities lobby in times of increased need, specifically budgetary constraints.
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Why Cities Lobby the Federal Government

Since the 1930’s, the Federal government has had a close connection with the cities of the country, when President Roosevelt used direct funding of federal programs in the New Deal to aid projects in major urban areas. Today, many cities continue to press the government for funds and on other issues at the federal level while others abstain. This interesting fact raises the question of why would an individual city lobby the federal government while other cities abstain? What catalyst would prompt an individual city and part of the governmental institution to skip state governmental action and seek favors from the federal government?

The question of why do cities lobby is important because the issues involved directly concern the citizens of not only the certain city that lobbies, but also every citizen. Local constituents are affected because their city government is using their taxes to pay for a lobby that would supposedly benefit them. At the same time, this benefit would come at the cost of the federal government, if the lobby is successful, and the taxpayer in general. The phenomenon of governments being able to lobby at other levels of government is one that is of concern of voters who might worry how their taxes are being spent or who might wonder why their city does not do the same.

Of course, the very obvious answer is that cities need federal money in some manner and, therefore, must petition to ensure that they receive funds. The cities that opt to lobby have some problem or issue that would need to involve the federal government in order to address it, and hence make it a federal issue. In other words, an external circumstance like a federal issue would compel or force an
individual city to act independently of a league of cities or through a greater organization. Another action that would force cities to seek federal action is the tightening of city budgets locally or through decreased state aid. This compels the city to satisfy citizen needs by obtaining funds for federal projects. Issues under this category include general appropriations, immigration, urban development, and environmental acts. Essentially, when the budgets of these cities are depleted, the above issues need to be addressed from another source.

This hypothesis suits the question well because it assumes that cities with a stake in federal issues, especially common ones, are more motivated to ask for funding when they are threatened. For instance, when faced with a downturn in the economy in 2008, many cities were forced to cut spending on programs. Still, there are reasons why cities might not lobby the national government. The reason that tight city budgets would not be a sufficient answer is the fact that states, not cities, have more power on the federal level and that all cities might be expected to seek funds from the state first. Another barrier of this hypothesis is that leagues of cities supposedly lobby on behalf of all the cities, which should diminish the need for individual based lobbying.

This paper will attempt to examine the role of budget constraints on individual city lobbying at the federal lobby. First, this paper will review the current literature that focuses on intergovernmental lobbying and the theories that preceded this paper. It will then delve into the theory supporting my hypothesis drawn from theories found in the current literature. I will then conduct a specific
empirical analysis to test this theory and present the findings to the analysis. Finally, I will discuss the results and suggest further research.

**Literature**

There is very little literature that focuses on the specific contexts of my question. But there are many works that deal with the broader theories that touch on my hypothesis. The first important work in this field is that of David Truman (1951) who established the pluralist theory. In this theory, Truman argued that groups that mobilize in a crisis to protect their interests form the interest system. In the pluralist system, groups will form only when there is a need, and there can be as many groups as there are interests, without any limit. The many critics of Truman’s theory claim that there is a limit to the number of interest groups that can be sustained in an environment (Lowery and Gray 1996). Another critique of Truman’s assumption is that all individuals and groups have the same opportunity to form. Later scholars such as Olson, Schattschneider, and Salisbury, as seen below, directly contradict this. The most important part to be taken from Truman’s work is the motivation of groups to originally form and lobby lies in solving a problem.

E.E. Schattschneider argues that the interest community is biased in favor of the elites in *The Semisovereign People* (1960). There are limits to the population of interests, and members of the upper and business class are more likely to mobilize. Olson (1965) expands on this notion, noting that groups must deal with the problems of collective action and must offer selective benefits. In other words, to overcome the free rider problem of people gaining the benefits without joining the group, the group must offer something that only members can receive.
Robert Salisbury (1969) developed an exchange theory of interest groups that hypothesizes that groups form because an entrepreneur has found it advantageous to organize and lead the group. When speaking about public institutions that lobby, Salisbury noted several reasons for such mobilization that all focus around the groups leaders. Either the leaders have previous activity in politics, or they judge that the benefits of lobbying will benefit their organization. For whatever reason, it is the incentive of the entrepreneur that leads an organization to decide to lobby.

More specifically, the growth and presence of intergovernmental lobbies was examined in Haider’s *When Governments Come to Washington* (1974). Haider explored the history of groups such as the United States Conference of Mayors and the National Governors Conference that have become known as public interest groups, or PIGs. The collective action problem became less of a problem as these groups expand and lobby for collective benefits because these groups encompass more members. Haider points out that cities’ relationships with the federal government have gone through several distinct periods. The New Deal is the origin of the mayors’ relationship with the federal government, as states had no interest in dealing with Washington and many New Deal programs were focused on and in urban areas. During the Johnson administration, Governor’s became much more active in Washington and started competing for federal funding at the state level. Finally, the Nixon administration established General Revenue Sharing, with larger funding and fewer restrictions.
Haider explained the history of the collective groups of cities and states. While this is useful, it does not focus on the individual level of specific cities’ decisions to lobby. Jensen (2000) narrows the concept in examining individual states and their motives for establishing offices in Washington. Jensen adopts and adapts Salisbury’s exchange theory to state-federal relations. Jensen originally hypothesizes that the states with the most need would be the ones that establish offices in Washington, a hypothesis similar to mine on cities. The final conclusion is that although every state would benefit from having representation in Washington, the main reason states do not seek such advantages are the political costs associated with these actions.

Lowery and Gray also contribute to this question within their organization ecology theory (Cluverius et al. 2012) by explaining the anomalous growth of local public sector organizations lobbying state governments. The ecology theory, explained throughout several articles in the past twenty years, treats interest groups much like species in an environment to explain population density and diversity. Every community has a certain carrying capacity according to the Energy, Stability, Area (ESA) model of supply and demand. Lowery and Gray explain the enormous growth of public sector organizations in the decade from 1997-2007 through their model. They suggest that the combination of dire economic needs and hostile party control force state populations of public sector interests to expand, despite the economies of scale of growth, which normally would constrain such growth. What Lowery and Gray find is that the growth is only temporary and numbers of public sector interests will presumably be reduced back to the normal
carrying capacity of a state. Lowery and Gray answer our question based on population size and provide some reason for the establishment of lobbying groups. But it is unclear whether these results can be translated on a federal level.

Many theories are available to help explain the development of intergovernmental groups, from Salisbury to the most recent Lowery and Gray article, yet none attempt to answer the question with respect to the distinct interaction between cities and the Federal government described by Haider. Jensen comes the closest theoretically, addressing the question of why do some states lobby and others do not, while Lowery and Gray focus only on cities within states. This gap covers the relationship between levels of government that has existed since the New Deal but has not been studied directly.

**Theory**

In this section, I argue that cities, as vastly different than regular organizations, have more need based lobbying. Cities are different from regular interest groups because their primary concern is not one of survival. They have an inherent membership with no need for donors. The contextual theory underlying my hypothesis is resource dependency theory combined with the niche theory. Essentially, when a need arises in the environment, a population is mobilized into action.

Lowery (2007) presents his own view on motivation of lobbies based on the combination of the ecological viewpoint and resource dependency theory developed by Jeffrey Pfeffer and Gerald Salancik (1978). By introducing external actors who control resources this theory adds weight to the niche theory used by Lowery and
colleagues. In this framework, contextual situations are used to explain why and how organizations lobby. This fits well into my hypothesis of organizations (cities) that only lobby when external variables (fiscal need or other federal policy) compel them to. For instance, a significant part of city budgets are composed of state and federal aid. If states decrease aid to the city, the city might need to have an increase in aid from the federal portion. Or if a certain city has an economic decrease, they would need to seek more assistance for funding on the federal level.

Still, there are many reasons to expect my hypothesis is incorrect. As usually presented, the theory revolves around the broader notion, that organizations are focused solely on survival, which forces organizations to lobby in different ways. But surviving is one thing that cities do not concern themselves with much because cities cannot die. Thus, it is not clear whether this need-based logic applies to cities, given that fiscal constraint rarely implies organization dissolution in the case of cities.

A problem that Jensen (2000) encountered was that many people interviewed claimed that the persona of the state governor is the key determinant leading a state to establishing offices in Washington or not. Part of this answer is the desire of governors to raise their status on the national level and become known in Washington. This view is consistent with Salisbury’s (1969) emphasis on entrepreneurs. But this seeking prestige is rarely seen when dealing with cities. There are barely any recognizable mayors to the general public, with but a few exceptions like former mayor Rudy Giuliani of New York City. Therefore, the answer must be sought in another fashion and I will discount Salisbury (1969) and
Jensen’s (2000) emphasis on entrepreneurs and focus instead on more general causes, such as fiscal need.

Another reason to expect a null result for need is provided by Lowery (2007) in his argument that an organization lobbies because they have already lobbied and therefore will continue to do so. A prime example used is that of the company Microsoft, which continues to lobby even though their original goal was met, the dire threat posed to it by the Clinton administration. The same should hold true for cities that have held Washington offices for several years. Funding constitutes a contextual issue for which cities would lobby and since most issues involve some type of grant or funding, the continuation of lobbying on those issues may be to ensure further funding. Measuring this would be as simple as seeing if states continuously lobby on the same issue.

Another example of externally generated pressure for lobbying for funding might occur when control of the executive of either the state government or the federal government passes into Republican hands and programs are cut, especially programs the city deems it needs. Therefore, it might be useful to measure the amount of lobbying by cities that increases after the Bush administration or in Republican states. In general, when any state cuts funding to the cities, the city budgets should decrease, or at least increase less than it would usually, causing a rise in need for lobbying. Identifying the cities with decreased budgets would be the simplest method for measuring the need basis of these cities, especially on federal issues, and is the method of choice in this analysis.
The null hypothesis would state that cities lobby the federal government when they have no federal issue or need and have sufficient funds. In other words, they lobby for a reason other than direct legislative change or monetary aid. An alternative hypothesis we have seen can be that certain cities already have the resources in place from lobbying and continue to do so in a general fashion. For instance, the company Microsoft continues to spend heavily on lobbying although the need they originally lobbied for was met. Or the cities might lobby solely on an issue that is not budgetary in nature. For instance cities on the border might be interested in immigration bills that are in Congress. In any case, these alternatives should appear in few and specific cases.

**Analysis**

To test my hypothesis, I will measure the number of subnational, non-state, governmental actors that lobby and whether their budgets have increased or decreased prior to the action of lobbying. If the hypothesis is correct, I should find a positive relationship between cities that lobby and cities with deflated budgets or budgets with less than usual growth. Theoretically, the dependent variable in this model is a whether city lobbies the national government or not. The model will include several independent variables to account for population and other factors, but the one that is hopefully going to show a positive relationship is federal need, defined in size of budget growth from 1995 to 1996.

The data will be limited to only the twenty-eight largest populated cities in the United States because there are many cities that do not lobby and larger cities have more opportunity and resources. In the analysis, the dependent variable, titled
“lobby”, is a dichotomous variable measuring whether cities lobby or not, with those that do lobby receiving a 1 and those that do not a 0. This data is drawn from Baumgartner and Leech’s (1999) research based on of the 1995 Lobbying Disclosure Act. There are twelve cities that did not lobby, which leave sixteen cities that did. For the purpose of this research, city lobbying is defined as anytime the client for a lobbying firm is labeled as the “city of”, and no city lobbied on their own behalf. The remaining data is gathered from the United States Census Bureau Statistical Abstract from the years 1995-1996.

The most important independent variables can be measured as the change in city expenditures from fiscal year 1995 to 1996. In the analysis, this first variable is titled “budgetchange” and measures the total change in terms of dollars. The other variable, titled “percentchange”, is used in the third test and measures the change as a percentage of the previous year’s budget. The more negative or smaller the number is, the more likely the cities are expected to lobby. Thus, there should be a negative relationship between the two variables and the dependent variable. This also means that a pattern might emerge among cities in the same states. As states cut spending to all cities in the state, cities should see relatively similar budget decreases, causing the parallel increase in need. This would be most visible in states that have multiple large cities, like California and Texas. The “budgetchange” variable is widely dispersed, with the minimum change in a city’s budget at -122 million dollars and the maximum at 312 million dollars. These cities are Washington, DC and Detroit, respectively. The average change in budget size is 86.75 million dollars. This shows that there are a good number of cities that did not
experience decrease in size in terms of budget. This variable is represented in Figure 1. The X-axis represents the 28 most populous cities in order of most populous to least populous, while the Y-axis represents change in budget expenditures from 1995-96 (in millions of dollars). As an example, the first point on the plot is New York City with a budget change of 137 million dollars.

One factor that would have to be taken into account is the rate of inflation and the fact that budgets increase across the board usually, but not always, every year. The answer to this in the theory is that budgets would increase but at a lesser rate than usual. For example, the city of Milwaukee increased by only $12 million (.014%) from 1995-6. Control variables will also be included to control for the varying sizes of cities, in both population and economy, because larger cities would
have an advantage in resources to lobby. In the model, one control will be the actual budget, measured by expenditures of each city in 1996. This variable will be titled “budget”. The budget ranges from 461 million dollars in El Paso, Texas to the enormous budget of 48.02 billion dollar budget of New York City. The mean budget is 3.809 billion dollars, but a better indicator might be the median of 1.825 billion dollars because New York City is so large it is almost an outlier. Not only does New York City skew the numbers for budget in both years, but also population and average personal income. Population is the next control variable associated with the size of the city and is very closely connected with budget size. These controls should eliminate the effects that New York has on the data. The minimum population size of the 28 largest cities in the United States is 423,000 people with the maximum being 7,381,000 people in New York. The average is 1.179 million but again, because of New York, it might be more helpful to look at the median number, which is 677,500 people. Figure 2 shows how closely correlated these two variables are and New York City (top right point) as an outlier.
To account for base-line need, two more control variables will be used. One is the percentage of the white population of each city ("percentwhite"), and the last variable is the average personal income in each city ("percapita"). This assumes that the cities with the higher percentage of whites and higher per capita income will have less need than the others. The percentage of the white population is evenly spread out between the cities with the minimum at 20.3% and the maximum at 75.2% in Indianapolis. The mean percentage is 49.05%. The variable labeled percapita is widely dispersed, ranging from $687 to $9,171. The mean is $2,541 for this variable. It is noteworthy that this data includes the unusually low amount of $687, as it is the only amount lower than $1,100. This amount belongs to the city of El Paso, Texas, which has low budget numbers across the board due supposedly to a
less vibrant economy. Again, all of the data used for the independent variables are available from the US Census Bureau Statistical Abstract from 1995 and 1996.

Overall, the model should look like this:

\[ \text{Lobby} = a + b_1 \text{budget change} + b_2 \text{budget} + b_3 \text{pop} + b_4 \text{percent white} + b_5 \text{per capita} \]

With the independent variables of budget change representing the overall change in expenditures in each city, budget representing the total expenditures in 1996, and population representing the overall population of each city. Percent white is the percent of the white population in each city and per capita is the average personal income of each city.

**Results**

These variables are placed into a logistical regression analysis, also known as Logit. The reason for this is that the dependent variable, whether or not cities lobby, is dichotomous. Lobby is a variable with only two outcomes, 0 or 1, because cities either lobby or they do not. Table 1 reports the results from the first logit test of the above model. The first thing to look at in Table 1 is the relationship between the variable “budget change” and the dependent variable. What theoretically was expected to be a negative relationship is in fact, slightly positive. The estimate of .002 with a p-value of .29 is not significant. To be relatively significant in this one-tailed test, the p-value would have to be at the most .10. In fact, none of the variables in the test were significant. The closest variable would be “percent white”,

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or the percentage of the white population of a city. With a p value of .108, it is just eight thousandths away from significance at the .10 level.

Table 1: First Logit Test with 5 original Independent Variables

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable: Lobby</th>
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<tbody>
<tr>
<td></td>
<td>Estimate</td>
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<tr>
<td>(Intercept)</td>
<td>-2.599</td>
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<tr>
<td>budgetchange</td>
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<tr>
<td>budget</td>
<td>-0.001</td>
</tr>
<tr>
<td>pop</td>
<td>0.002</td>
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<tr>
<td>percentwhite</td>
<td>0.034</td>
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<tr>
<td>percapita</td>
<td>0.001</td>
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</table>

With the variables budget and population being so highly correlated (.918), I excluded the variable population from a second model equation and ran the test again to see how the estimate of the budget variable would change. The results are in Table 2. There was no difference in the other variables of “budgetchange” and “percentwhite”, as expected. The “budget” variable, however, became even smaller and more insignificant. Although it still remained negative, the value is incredibly miniscule and the p value was raised to .31. This effectively helps to rule out the competing explanation that bigger cities, in terms of population and overall budget size, are more likely to lobby.
Table 2: Second Logit test results: without population

<table>
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<th>Dependent Variables: Lobby</th>
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<td>budget</td>
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<tr>
<td>percentwhite</td>
<td>0.030</td>
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<tr>
<td>percapita</td>
<td>-0.0002</td>
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</table>

Finally, as another control to correct for the varying budget sizes of cities and different economies of scale, I introduced the second variable that measures change in budget size. This variable, called “percentchange”, shows the change in the budget from 1995-96, as a percentage of the 1995 budget. For example, the 137 million dollar increase in the New York City budget is actually relatively small compared to the total of 47 billion dollars. This variable ranges from -0.049% to 0.117%. “Percentchange” is more evenly distributed than “budget” and closely resembles the variable “budgetchange” as demonstrated in Figure 3. Figure 3 shows the new variable on the X-axis and “budgetchange” on the Y-axis. As budgets increase by percentage, they all tend to increase in total dollars. It was then substituted for “budgetchange” in the third model presented and the results are in Table 3. The new variable in the equation has the same positive relationship that was reported for the “budgetchange” variable and that runs against the hypothesis, and it has a p-value of .374. In any case, the large standard error means that the
true value could be a negative number, meaning that original hypothesis of a negative relationship could still be true, however unlikely. The coefficients of all of the other variables were not grossly affected in this third test.

The results of these three logit tests are telling because they rule out several factors associated with the hypothesis. The main indicator of need was measured using the variables “budgetchange” and “percentchange”, where both measure the change in budget size for each city in different terms. Neither produced estimates that were consistent with my hypothesis. On the other hand, the coefficients of the control variables were also insignificant.

Figure 3: Scatter plot of Percent change (%) and Budget change (millions). Correlation= .87
Table 3: Third Logit test results: with budget percentage change

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<th>Dependent Variable: Lobby</th>
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<td>Estimate</td>
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<td>percapita</td>
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**Conclusion**

My findings are hinged on the two indicators used to represent economic based need for cities. A depressed budget was represented as both change from 1995 to 1996 in real dollars (millions) and as a ratio of this change with the 1995 budget. Both variables in several tests produced insignificant results and minor coefficients. It is important to note that all the control variables for budget size and base line need also had insignificant estimates in all the tests. These results lead to the conclusion that budgetary constraints on cities have no effect on the predisposition of cities to lobby. Neither does need based on the minority population of a city and on the average personal income of a city have any bearing on the motivation of the city to lobby.

These findings contribute to the growing question of governmental involvement on different strata because they successfully eliminate several
competing hypotheses about the impetus of lobbying cities. Studies have been done about cities lobbying their state governments and states lobbying the federal government. But there is a huge abyss when it comes to understanding intergovernmental lobbying. Cities, especially large ones, frequently lobby the federal government on several issues. So the question still remains, why? This paper attempts to answer this question and succeeds in part by the process of elimination.

There are several limitations in this attempt to answer the question above. The first complication being that the easiest way to discover the motivation of lobbying is to do a time series case study of individual cities. To find the original intent of a city, one must go back to the first instance of lobbying for that city and the specific issue involved. One moment in time does not allow for the elimination of the theory that cities lobby merely because they have in the past. A time series case study would allow a researcher to examine the original issue or need and to see whether or not they continue to lobby on the same issue. This alternate hypothesis takes my theory of need driven lobbying and adds an addendum for what cities do once they have initiated lobbying. Another hurdle present in my analysis is the indicator of federal need. I choose budgetary change from year to year, but there are several factors that can all be classified under need. For instance, the ratio of state to federal funding might be appropriate as an alternative measure of fiscal need. For specific immigration issue lobbying, the Hispanic population combined with closeness to a border would be a good indicator. These are just some basic examples of federal need in other forms going beyond budgets. To gain an
understanding of each city’s purpose, a researcher needs to look more closely at the issues addressed and at the end of the day, it might be that each city is unique and may have just as unique reasons for lobbying.

This is another reason why a compilation of case studies might be more useful for this topic. Further and future research would get a good start at looking at issues in a case study situation on a city by city basis to fully comprehend the answer that seems to be more complicated than this paper allows for. The theory, I believe will still hold up with a better indicator of federal need, which may have to be based on an individual basis, as federal need is such a broad topic. Having such a broad spectrum would also allow for a wide range of research into this field, which has been largely untapped.
References


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Current Research:

Studying the motivating factor for cities to lobby the federal government and overall intergovernmental lobbying. Data used from the 1995 Lobbying Disclosure Act and collected by Baumgartner and Leech. Hypothesis is that cities with an increase in need, measured in a decrease in budget size, will have a tendency to lobby more.