

# Lobbyists as Gatekeepers: Theory and Evidence

Alexander V. Hirsch\*

Karam Kang†

B. Pablo Montagnes‡

Hye Young You§

**Short Title: Lobbyists as Gatekeepers**

## Abstract

Lobbyists are omnipresent in the policymaking process, but the value that they bring to both clients and politicians remains poorly understood. We develop a model in which a lobbyist's value derives from his ability to selectively screen which clients he brings to a politician, thereby earning the politician's trust and preferential treatment for his clients. Lobbyists face a dilemma, as their ability to screen also increases their value to special interests, and the prices they can charge. A lobbyist's profit motive undermines his ability to solve this dilemma, but an interest in policy outcomes—due either to a political ideology or a personal connection—enhances it, which paradoxically increases his profits. Using a unique dataset from reports mandated by the Foreign Agents Registration Act, we find that lobbyists become more selective when they are more ideologically aligned with politicians, consistent with our prediction.

**Key Words:** Lobbying, Lobbyists, Screening, Foreign Agents Registrant Act (FARA)

Replication files are available in the *JOP* Data Archive on Dataverse (<https://dataverse.harvard.edu/dataverse/jop>). The empirical analysis has been successfully replicated by the JOP replication analyst. An online appendix with supplementary material is available in the online edition. The authors received no financial support for the research, authorship, and/or publication of this article.

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\*Professor of Political Science, Department of Humanities and Social Sciences, California Institute of Technology. Email: [avhirsch@hss.caltech.edu](mailto:avhirsch@hss.caltech.edu)

†Associate Professor of Economics, Tepper School of Business, Carnegie Mellon University. Email: [kangk@andrew.cmu.edu](mailto:kangk@andrew.cmu.edu)

‡Associate Professor, Department of Political Science, Emory University. Email: [pablo.montagnes@emory.edu](mailto:pablo.montagnes@emory.edu)

§Associate Professor, Wilf Family Department of Politics, New York University. Email: [hyou@nyu.edu](mailto:hyou@nyu.edu)

“If a firm had a client with demands which went against your philosophy, do you feel you could still work hard for that client?”  
“I couldn’t do it for all the money in the world.”  
“Then as far as I’m concerned, you’re hired!”

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—*Capitol Punishment*, by Jack Abramoff (2011)

Since at least the mid-18th century, professional lobbyists have been a constant and much vilified feature of the American political landscape. Walt Whitman colorfully described them as “crawling, serpentine men” (Allard 2008), while former President Obama decried “the lobbyists... and special interests who’ve turned our government into a game that only they can afford to play.”<sup>1</sup> The contemporary academic literature is divided between this popular *quid pro quo* perspective (Grossman and Helpman 1994), and a more sanguine *informational* perspective positing that lobbying communicates policy-relevant (if biased) information (Potters and van Winden 1992, Austen-Smith 1995, Schnakenberg 2017).

With few exceptions, however, most prominent theories of lobbying pay little attention to the *lobbyists themselves*, who are usually treated as passive participants in the process (when they are considered at all).<sup>2</sup> This is peculiar given that interest groups spend significantly more money paying lobbyists than on campaign donations (de Figueiredo and Richter 2014).

In contrast, a recent empirical literature on the lobbying industry has closely examined the characteristics of lobbyists themselves, and uncovers two striking empirical regularities. First, there is considerable variation in their fees that is correlated with their personal and professional connections (Blanes i Vidal, Draca and Fons-Rosen 2012, Bertrand, Bombardini and Trebbi 2014, McCrain 2018). Second, like most participants in the policy process lobbyists appear to be highly ideological – at least as reflected by their campaign giving patterns (Koger and Victor 2009) and personal employment histories (Kingdon 1989). In this paper we propose a new theory of lobbyists that helps explain their role in the process, is consistent with these empirical regularities, and generates new testable predictions.

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<sup>1</sup>Remarks by the President in Osawatimie, Kansas, December 2011 (<http://www.whitehouse.gov/the-press-office/2011/12/06/remarks-president-economy-osawatimie-kansas>), accessed May 2020.

<sup>2</sup>Some informational theories model lobbyists as anonymous repositories for “burnt money” that increases the credibility of an interest group’s “signal” (Lohmann 1995, Gordon and Hafer 2005).

Our starting point is that what politicians predominantly lack is not expertise, but time – the time to investigate, and confidently determine, whether fulfilling a special interest group’s policy request is in their political or ideological interests (Levine 2008). Because politicians are busy and understaffed (Baumgartner and Jones 2015, Curry 2015), lobbyists can potentially “subsidize” them by selling their *own* time and expertise to make this determination. In other words, a lobbyist can *vet* a special interest group’s policy request, and then sell his *certification* of its merits to the special interest group. However, even disgraced-former-lobbyist Jack Abramoff understood that a lobbyist is of little use to a politician, or his clients, unless his claims can be *believed*. Thus, he cannot be precisely the sort of “hired gun” that popular accounts of lobbying describe. Instead, his ability to gain and sell access must be predicated on his ability to, at least sometimes, resist the temptation to represent a client whose request would not be in the politician’s interest to fulfill.

We capture these ideas in a model as follows. A special interest group (SIG) seeks a policy favor from a politician. However, the politician doesn’t initially know the favor’s *merits* – i.e., the extent to which granting it is in her political or ideological interests. The SIG can lobby to try and “signal” these merits; or it can hire a lobbyist to do so on its behalf in exchange for a fee. The politician then decides on the favor, either by investigating the merits herself, or by relying on what she learned from lobbying (or its absence). In the model, a credible signal of merit benefits the SIG in two ways – by influencing how often the politician investigates its request, and by inducing her to sometimes grant the request absent an investigation. A professional lobbyist can thus bring value by helping the SIG credibly signal its merits. But this means that the lobbyist’s ability to make money also depends on *his ability to be selective*. Absent this ability he cannot gain the politician’s trust, absent trust he cannot obtain preferential treatment, and absent preferential treatment he has nothing to sell. Conversely, his selectivity determines whether he can develop access, how frequently he employs it, and the profits he enjoys from doing so.

What, then, determines a lobbyist’s ability to be selective and gain a politician’s trust?

Inspired by the recent empirical literature, we argue that lobbyists may have intrinsic *policy motivations* that influence selectivity, and therefore ability to profitably sell representation. Such motivations may have arisen both from lobbyists’ personal relationships with politicians, and because lobbyists also have ideological preferences. In turn, a central prediction of our theory is that a lobbyist’s *ideological alignment* with a politician facilitates his ability to be selective by reducing his temptation to trade on his credibility. The empirical implications are that such alignments should be *positively associated* with the both presence of relationships and the fees commanded from exploiting them, but *negatively associated* with the frequency with which these relationships are actually exploited on behalf of clients.

To evaluate whether patterns in real-world lobbying data are consistent with our theory, we construct a dataset from reports mandated by the Foreign Agents Registration Act (FARA), which governs lobbying by foreign interests. A unique advantage of FARA reports is that they contain detailed contact data. Our dataset thus captures both which lobbyists access which politicians, and the extent to which they actually utilize that access. We use three measures of a lobbyist-politician pair’s ideological alignment – their difference in party affiliations, CF scores based on campaign contributions (Bonica 2016), and DW NOMINATE scores (for politicians- or staffers-turned-lobbyists). We find that by all three measures, the more aligned is a lobbyist-politician pair, the more likely is the pair to have at least one contact (or *be active*) during the period of study (the 110th and 111th Congresses). Moreover, there is a premium in lobbying fees for contacting an ideologically-aligned politician, relative to an ideologically-distant one. Crucially, however, we also find that *among* active lobbyist-politician pairs, the more ideologically aligned is a pair, the *fewer* clients the lobbyist brings to a politician. These findings are consistent with our theory that ideological alignment facilitates access and generates profit by inducing lobbyists to be more selective.

Among the first to theoretically consider the role of commercial lobbyists as distinct actors are Groll and Ellis (2014; 2017). As in our model, Groll and Ellis (2014; 2017) analyze lobbyists who act as paid certifiers; however, in their model lobbyists are undifferentiated,

and they study the welfare effects of the lobbying industry. Consequently, they are unable to make predictions about the role of ideology, nor do they distinguish between the intensive and extensive margin of a lobbying relationship. Separately, Awad (2020) studies the role of legislators as ideological intermediaries in the lobbying relationship. However, because these legislators are unpaid, they are not subject to the tension generated with “fee for service” intermediation, nor does the model yield predictions about fees.

Empirically, we provide the first systematic evidence on the allocation of politicians’ access by creating a large database of lobbying contacts. Our findings run counter to the popular notion that lobbyists simply “sell” access to politicians that they already have by virtue of prior personal and professional relationships (i.e. “connections”), and instead supports the supposition that lobbyists’ ability to be selective plays a key role in the service that they provide to both clients and politicians. In so doing, we also provide a plausible theoretical explanation for the fee premium of connected lobbyists uncovered in the previous literature – that observable personal connections such as prior employment relationships either proxy for ideological alignment, or relatedly, directly induce selectivity by giving lobbyists a personal stake in a connected politician’s welfare.

## A Theory of Lobbying as Certification

There are three players in the model: a politician  $P$  (“she”), a special interest group (SIG)  $S$  (“it”), and a lobbyist  $L$  (“he”). The SIG seeks a policy favor from the politician, whose final action  $A$  may be either to grant the favor ( $A = G$ ) or to deny it ( $A = NG$ ). In the game, the SIG will have the opportunity to either solicit the politician for the favor directly, or transmit its request through the lobbyist on a fee-for-service basis.

Should the favor be granted, the SIG earns a fixed and commonly known benefit  $\pi$ . However, the payoff consequences of granting the policy favor for the politician and the lobbyist depend on a state of the world  $\omega \in R$  that is initially unknown to the politician. She (or her staff), however, can *investigate* at some cost and learn the state’s true value.

Intuitively, the state  $\omega$  captures the extent to which granting the favor to the SIG also benefits the politician; we therefore refer to  $\omega$  as the favor’s *merits*. For example, the favor may be a reduction in a tariff for an input, and a higher  $\omega$  could mean that manufacturers in the politician’s district are more sensitive to the price of the input. Alternatively, the favor may be the relaxation of travel restrictions and warnings to a particular country (see Gawande, Maloney and Montes-Rojas (2009)), and the value of  $\omega$  could reflect the attachment of constituents to the destination. In domestic lobbying, the favor may be an intervention with a regulator to prevent an environmental rule affecting the SIG’s production, with  $\omega$  capturing the number of district jobs that will be lost if the rule is implemented.

**Preferences of the Politician** The politician seeks to make the correct policy decision while minimizing her investigation costs. Her utility takes the form  $\delta_P U_P(A; \omega) + c_P$ , where  $c_P$  reflects her costs of investigating the merits, and  $\delta_P$  reflects the strength of her desire to make a “correct” policy decision relative to minimizing investigation costs. Her policy utility over actions and states takes the form  $U_P(A; \omega) = \frac{P - \omega}{2} + \mathbf{1}_{A=G} \cdot (\omega - P)$ . The stronger are the merits (i.e., the higher is  $\omega$ ), the better off is the politician granting the favor, and (in an abuse of notation)  $P$  denotes her *threshold* for preferring to do so.

We term a request whose merits are above the politician’s threshold ( $\omega \geq P$ ) as *worthy*, and one whose merits are below the politician’s threshold ( $\omega < P$ ) as *unworthy*. The politician’s net benefit for making the correct policy decision (granting the favor to the SIG if and only if its request is worthy) is therefore  $\delta_P \cdot |P - \omega|$ , so the further are the merits from her threshold, the more she benefits from choosing correctly. Lower values of the threshold  $P$  imply that the politician is more permissive of the SIG – in the sense that the merits do not need to be as strong for her to be willing to grant the favor – while higher values of  $P$  imply that she is more demanding. These policy preferences could reflect the politician’s personal ideology, relationship with other actors, the parameters of the favor, and/or publicly available information about the SIG and its request.

**Preferences of the Lobbyist** As in standard models of intermediaries the lobbyist values profit (e.g. Lizzeri (1999), Bolton, Freixas and Shapiro (2012)); this consists of the payment he receives to lobby net of the cost of lobbying, and is denoted by  $t$ . Distinct from previous models, however, the lobbyist may also be *policy-motivated*, in the sense that he also intrinsically cares about the policy outcome. This portion of his utility is denoted  $U_L(A; \omega)$ , and takes the same form as  $U_P(\cdot)$  except that the lobbyist may have his own distinct threshold  $L \neq P$  for preferring that the favor be granted. The lobbyist’s overall utility from both profit and policy is  $\delta_L \cdot U_L(A; \omega) + t$ , where  $\delta_L \geq 0$  reflects the relative strength of his policy motivations. A lobbyist with  $\delta_L = 0$  is purely profit-motivated. The inclusion of policy motivations is the central innovation of our theory, and allows us to trace out the relationship between such motivations, a lobbyist’s representation decisions, his credibility, and his monetary profits. While the model itself is agnostic as to the specific source of these motivations, the existing empirical literature suggests two in particular.

The first is a preexisting personal relationship with, or *connection* to, a politician; perhaps due to prior employment or a shared personal background. We hypothesize that such relationships could lead a lobbyist to care (at least in part) that policy outcomes serve the politician’s interests, a notion straightforwardly captured in our theory by assuming that a “connection” gives the lobbyist a personal threshold  $L$  that matches the politician’s threshold  $P$ . The parameter  $\delta_L$  can then be interpreted as reflecting the strength of the lobbyist’s connection to the politician. To the extent that the strength of real-world connections can be estimated, the model can then be used to generate testable predictions about how such connections influence a lobbyist’s behavior and profits from contacting a particular politician.

The second is a *political ideology*, which leads the lobbyist to intrinsically care about whether the SIG acquires the favor conditional on the merits. Such an ideology would induce the lobbyist to have a potentially-distinct threshold  $L \neq P$  and preference strength  $\delta_L$  in SIG-specific “merit space” that is generated by a potentially-complex mapping from “left-right ideology space.” In principle, directly testing predictions of the model with respect to  $L$  and

$\delta_L$  would require knowing something about this mapping. However, for our empirical analysis we instead derive testable predictions about the effect of lobbyist ideology by examining the effect of *differences*  $|L - P|$  in lobbyist-politician thresholds, under the natural maintained assumption that closer ideal points in “ideology space” will map to closer thresholds in “merit space.” In Appendix C we derive an explicit microfoundation with this property.

**Sequence of Play** Nature first chooses whether the lobbyist is “open for business”—that is, available to work with the SIG—with an exogenous probability  $\lambda \in (0, 1)$ . The assumption that the lobbyist may be unavailable captures the idea that the opportunity cost of the lobbyist’s time is unknown to the SIG at any given moment, and may exceed its maximum willingness to pay.<sup>3</sup> Nature next draws the favor’s merits  $\omega$  from a uniform distribution over  $[0, \bar{\omega}]$  where  $\bar{\omega} \geq 1$  and reveals them to both the SIG and the lobbyist, but not the politician. The assumption that both the SIG and the lobbyist know the merits is made to abstract away from all potential aspects of a lobbyist’s services other than certification (such as informing the SIG of these merits).<sup>4</sup> We further assume that the expected merits,  $\frac{\bar{\omega}}{2}$ , are below the politician’s threshold  $P$  for granting the favor, implying that the politician prefers to deny the favor based on her priors alone. The game then proceeds in two stages.

**Representation Stage** At the representation stage the lobbyist posts a fee  $F \geq 0$  to lobby on behalf of the SIG. The posted fee is a take-it-or-leave-it offer; if the SIG accepts then the lobbyist is obligated to represent it by paying an exogenous cost  $k$  to contact the politician, and if the SIG declines then the lobbyist is obligated not to. If the SIG declines representation, or if the lobbyist was unavailable, the SIG may lobby directly (also at cost  $k$ ) or do nothing. We assume that the SIG and the lobbyist have the same cost of lobbying,

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<sup>3</sup>A previous model variant considered a lobbyist with a probabilistic opportunity cost of time; this yielded qualitatively similar results about the extensive and intensive margin of representation, but with the added complication that the lobbyist’s availability was endogenous to equilibrium profits.

<sup>4</sup>A previous model variant considered an SIG who is initially uninformed about the merits, and so pays the lobbyist for both “information” and “certification.” This yielded qualitatively similar results about the extensive and intensive margin of representation, but effectively imposed an arguably-artificial restriction that the SIG’s direct lobbying could not also signal information to the politician (and by implication, that the lobbyist’s selectivity could not endogenously affect the SIG’s propensity to lobby directly).



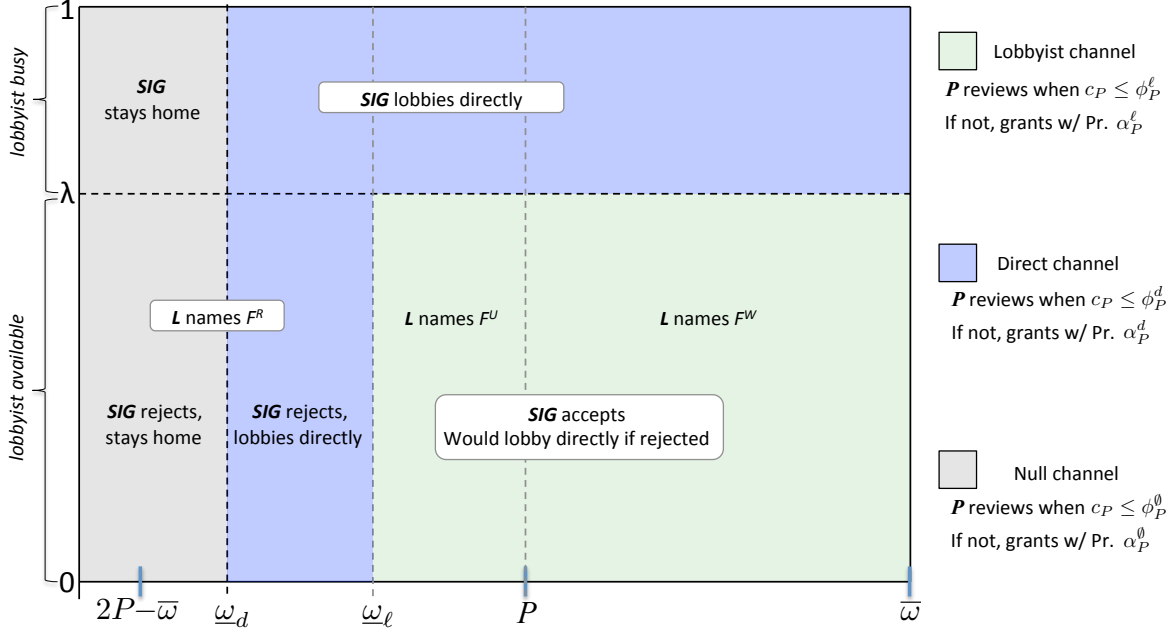


Figure 1: Form of Equilibrium Strategies. The x-axis depicts the state  $\omega$ ; the y-axis depicts whether the lobbyist is available (with probability  $\lambda$ ) or busy (with probability  $1 - \lambda$ ). The size of a rectangle where a sequence of events occurs reflects the probability of that event.

again to abstract away from potential aspects of a lobbyist's services other than certification.

**Decision Stage** At the decision stage, the politician decides both whether to conduct her own investigation into the SIG's request and learn its true merits, and whether to grant the policy favor. At the time the politician makes both decisions, she observes whether she was lobbied and by whom, but not the details of the representation contract offered and potentially accepted. The politician's cost of conducting an investigation  $c_P$  is drawn by Nature from a uniform distribution over  $[0, \bar{c}_P]$  and revealed to the politician, but not the other players. Whether or not the politician conducts an investigation, she then makes a final decision  $A \in \{G, NG\}$  over whether to grant the policy favor, and the game ends.

## Form of Equilibrium Strategies

We begin with a description of the specific *form* of the strategy profiles that we consider, discussing each player in turn; Figure 1 accompanies this description. We then briefly explain our justification for restricting attention to strategy profiles of this form.

**Politician** When called to play, the politician bases her decisions on her realized investigation cost  $c_P$  (intuitively, how busy she is at the moment), and on whether she observed lobbyist representation, direct lobbying, or no lobbying at all. We refer to these as the three possible *channels of contact*, and denote them as  $c \in \{\ell, d, \emptyset\}$  respectively. (We sometimes call no lobbying the *null channel*.) For each potential channel of contact and realized cost of investigation  $c_P$ , the politician makes two decisions – first, whether to investigate to learn the favor’s true merits, and second, whether to grant the favor or not (based on the true merits if she investigated, and on her inference from the channel of contact if she did not).

In equilibrium, the probability that the politician grants the favor after contact on each channel  $c$  if she does not investigate does not depend on  $c_P$ ; we thus denote it  $\alpha_P^c \in [0, 1]$ , and term it the politician’s *posture* toward channel  $c$ . If  $\alpha_P^c = 1$  (she will always grant the favor absent an investigation) we call her posture *fully favorable* toward channel  $c$ . If  $\alpha_P^c \in (0, 1)$  (she will sometimes grant the favor absent an investigation) we call it *somewhat favorable*. If  $\alpha_P^c = 0$  (she will always deny the favor absent an investigation), we call it *adversarial*. Intuitively, the politician’s posture toward a channel reflects how likely she believes that the SIG’s request is worthy after she is contacted on that channel.

Next, the politician’s decision to investigate following contact on each channel  $c$  is described by a *cutpoint*  $\phi_P^c$ ; the politician investigates, learns the true merits, and decides accordingly if and only if her realized investigation costs  $c_P$  are below this cutpoint. From the perspective of the other players (who don’t know how busy the politician is at any given moment), the *probability* that the politician will conduct her own investigation after being contacted on channel  $c$  is  $\frac{\phi_P^c}{c_P}$ . The equilibrium value of these cutpoints reflects the politician’s uncertainty about whether her default posture after that channel of contact is correct; the more uncertain she is after observing contact on that channel, the greater is the benefit to learning the true merits, and the higher is the associated investigation cutpoint.

**SIG** When called to play the SIG either finds the lobbyist available, or too busy to take its case. If the lobbyist is available and names a price  $F$ , the SIG must decide whether to accept

it; if it declines, it must also decide whether to instead lobby directly. Alternatively, if the SIG initially found the lobbyist unavailable, then it only decides whether to lobby directly.

The politician's investigation cutpoint and posture  $(\phi_P^c, \alpha_P^c)$  on each channel, combined with whether the SIG's request is in fact worthy ( $\omega \geq P$ ) or unworthy ( $\omega < P$ ), jointly determine the probability that pursuing each channel will yield the favor, and hence each channel's value. The SIG's willingness to pay for representation is thus equal to the *difference* between the value of the lobbyist channel, and the *maximum* value of the direct and null channels (conditional on  $\omega$ ). Because the lobbyist makes a take-it-or-leave-it offer, equilibrium requires that the SIG accept any offer weakly below this value, which we denote  $F^W$  ( $F^U$ ) when the favor is worthy (unworthy). Should the SIG find itself without representation – either because it rejected the lobbyist's offer, or because the lobbyist was unavailable – it will lobby directly if and only if the merits exceed a direct lobbying threshold  $\underline{\omega}_d \geq 0$ .

**Lobbyist** When called to play, the lobbyist names a price  $F$  to represent the SIG as a function of the merits  $\omega$ . Because the lobbyist makes a take-it-or-leave-it offer, whenever he names a price that the SIG is willing to accept, that price must exactly equal the SIG's willingness to pay ( $F^W, F^U$ ). We further consider equilibria in which the set of merits that result in lobbyist representation are described by a representation threshold  $\underline{\omega}_\ell$ ; that is, when the merits exceed this value the lobbyist demands the SIG's willingness to pay (which is accepted), and otherwise he demands a strictly higher price (which is rejected).

The representation threshold  $\underline{\omega}_\ell$  reflects the lobbyist's *selectivity* in representing the SIG; higher  $\underline{\omega}_\ell$  implies that the lobbyist is more selective. The lobbyist's selectivity, in turn, determines his credibility with the politician. Specifically, it determines how strongly his representation signals that the request is worthy, which in turn improves both the politician's posture  $\alpha_P^\ell$  following lobbyist representation (how likely she is to grant the favor absent an investigation) and decreases the probability  $\frac{\phi_P^\ell}{c_P}$  that the politician will subject the lobbyist's client to an investigation. These quantities then determine how likely the lobbyist is to secure the favor for the SIG, and thus the value of his representation,  $(F^W, F^U)$ .

**Remark 1.** *We consider strategy profiles of the following form.*

1. *The politician sees if she was contacted by the lobbyist ( $c = \ell$ ), lobbied directly ( $c = d$ ), or not lobbied ( $c = \emptyset$ ). After observing the channel of contact  $c$ , she investigates the SIG if  $c_P \leq \phi_P^c$ , and otherwise grants the favor with probability  $\alpha_P^c$ .*
2. *The SIG accepts any offer of representation with price up to  $F^U$  if it is unworthy ( $\omega < P$ ) and  $F^W$  if it is worthy ( $\omega \geq P$ ). If it declines representation it lobbies directly if and only if  $\omega \geq \underline{\omega}_d$ .*
3. *The lobbyist charges the SIG's (type-contingent) willingness to pay if and only if  $\omega \geq \underline{\omega}_\ell$ , and some strictly higher price otherwise.*

**Assumptions** While most features of the strategy profiles we consider are without loss of generality, three key ones are not; we therefore briefly discuss them and their justification (see Appendix E.1 for details). The first is that whether or not the SIG lobbies directly absent representation does not depend on exactly *how* it found itself without representation – that is, whether the lobbyist was unavailable, or charged the SIG too much. We assume this to eliminate equilibria in which the lobbyist's representation (or the lack thereof) is artificially sustained by manipulating the SIG's off-path direct lobbying strategy. The second is that the SIG's direct lobbying strategy is described by a threshold  $\underline{\omega}_d$ . The justification for this assumption is as follows: we have modeled the SIG as having “state-independent” preferences for simplicity, but were it to place *any* weight on the merits  $\omega$  its strategy would take this form. The third is that the lobbyist's strategy is also described by a threshold  $\underline{\omega}_\ell$ . We assume this to eliminate empirically implausible equilibria in which a policy-motivated lobbyist who is known to oppose the SIG actively *harms* its chance of acquiring the favor, and incentivizes it to accept this harmful representation by offering a discount on the cost of lobbying.

## Profit-Motivated Lobbyists

We first present equilibrium when the lobbyist is purely profit-motivated.

**Proposition 1.** *When the lobbyist is purely profit-motivated ( $\delta_L = 0$ ),*

- *Both the lobbyist's representation threshold  $\underline{\omega}_\ell$  and the SIG's direct lobbying threshold  $\underline{\omega}_d$  are equal to  $2P - \bar{\omega}$ , which satisfies  $E[\omega | \omega \geq 2P - \bar{\omega}] = P$*
- *After either form of lobbying, the politician uses posture  $\alpha_P^\ell = \alpha_P^d = \left(\frac{k}{\pi}\right) / \left(1 - \frac{\phi_P^d}{\delta_P}\right)$  and investigation cutpoint  $\phi_P^d = \phi_P^\ell = \frac{\bar{\omega} - P}{4}$*
- *Whenever the lobbyist represents the SIG, he charges the cost of lobbying  $k$*
- *Absent lobbying, the politician neither investigates nor grants the favor*

In equilibrium, the lobbyist and the SIG use identical thresholds (that are strictly below the politician's ideal threshold  $P$ ) to decide whether to contact the politician. The absence of lobbying is thus a perfect signal that the request is unworthy; after this the politician neither investigates nor grants. When lobbied, the politician's investigation cutpoint and posture are identical regardless of *how* she is lobbied, so there is no benefit to the lobbyist's representation. Thus, whenever the lobbyist represents the SIG he charges only the exogenous cost of lobbying  $k$ . Two key properties of the model drive this equilibrium.

The first is that a version of the game *without* the lobbyist is a straightforward costly signaling game. Thus, direct lobbying can communicate information about the favor's merits even without the lobbyist's help, as long as it is not *too* effective at securing the favor. Specifically, equilibrium requires that the SIG be indifferent between lobbying directly and staying home when its request is unworthy ( $\omega < P$ ) so that it is willing to partially separate. This is accomplished by having the SIG lobby directly when  $\omega \geq 2P - \bar{\omega}$  should it find itself without representation, which in turn makes the politician exactly indifferent over granting the favor when the SIG lobbies directly, and able to adjust her posture  $\alpha_P^d$  as necessary.

The second is that the lobbyist cannot lobby more selectively on behalf of the SIG than the SIG lobbies on its own. If he did, then the SIG would be strictly more likely to acquire an unworthy request via the lobbyist than via direct lobbying, so the lobbyist would earn

strictly positive profits representing it. But if this were so, then the lobbyist—being purely profit motivated—would be unable to resist the temptation to *always* lobby for an unworthy request, and lose all of his credibility with the politician. Equilibrium thus requires that the lobbyist make no profit lobbying for an unworthy request, further implying that he cannot lobby more selectively than the SIG does on its own, is no more likely to secure the favor for the SIG than the SIG is on its own, and so cannot charge above cost for his services.

## Policy-Motivated Lobbyists

Having established that a lobbyist who cares only about profit cannot actually profitably represent the SIG, we next present equilibrium with a policy-motivated lobbyist ( $\delta_L > 0$ ).

**Proposition 2.** *Suppose the lobbyist is policy-motivated ( $\delta_L > 0$ ). If his threshold  $L$  is too far from the politician's ( $L \notin [2P - \bar{\omega}, \bar{\omega} + \frac{\pi}{\delta_L}]$ ), then he never represents the SIG. Otherwise,*

- *The lobbyist represents the SIG if and only if the merits exceed  $\underline{\omega}_\ell = \max \left\{ L - \frac{\pi}{\delta_L}, 2P - \bar{\omega} \right\}$*
- *The SIG accepts any offer of representation up to*

$$F^\omega = \alpha_P^\ell \left( 1 - \left( \frac{\mathbf{1}_{\omega \geq P} \cdot \phi_P^d + (1 - \mathbf{1}_{\omega \geq P}) \cdot \phi_P^\ell}{\bar{c}_P} \right) \right) \pi,$$

*and absent representation lobbies directly if and only if the merits exceed*

$$\underline{\omega}_d = P - \sqrt{(1 - \lambda)(\bar{\omega} - P)^2 + \lambda(P - \underline{\omega}_\ell)^2}$$

- *The politician never investigates or grants absent lobbying. After lobbyist representation she uses posture  $\alpha_P^\ell = \min \left\{ \frac{k}{\delta_L \max \{ (2P - \bar{\omega}) - (L - \frac{\pi}{\delta_L}), 0 \}}, 1 \right\}$  and investigation cutpoint  $\frac{\phi_P^\ell}{\delta_P} = \frac{(\max \{ P - \underline{\omega}_\ell, 0 \})^2}{2(\bar{\omega} - \underline{\omega}_\ell)}$ , and after direct lobbying uses posture  $\alpha_P^d = \left( \frac{k}{\pi} \right) / \left( 1 - \frac{\phi_P^d}{\bar{c}_P} \right)$  and investigation cutpoint  $\frac{\phi_P^d}{\delta_P} = \frac{\lambda(\max \{ \underline{\omega}_\ell - P, 0 \})^2 + (1 - \lambda)(\bar{\omega} - P)^2}{2(\lambda(\underline{\omega}_\ell - \underline{\omega}_d) + (1 - \lambda)(\bar{\omega} - \underline{\omega}_d))}$*

## Representation Decisions

Which lobbyists contact which politicians, and how often? To answer these questions we examine the “extensive margin” and the “intensive margin” of representation. “Extensive margin” refers to whether a lobbyist operates as an intermediary between the SIG and the politician by at least *sometimes* representing the SIG. When this is the case we say that the

lobbyist is active. The extensive margin provides insight into which pairs of lobbyists and politicians are most likely to form relationships. “Intensive margin” refers to the likelihood that the lobbyist actually represents the SIG to the politician conditional on an active relationship. The intensive margin provides insight into how often the lobbyist will communicate with a particular politician when they have an active relationship.

**The “Extensive Margin”** Proposition 2 yields a simple prediction about the extensive margin – the lobbyist will be active if and only if his personal threshold  $L$  is sufficiently close to the politician’s threshold  $P$ , i.e.  $L \in \left[2P - \bar{\omega}, \bar{\omega} + \frac{\pi}{\delta_L}\right]$ .<sup>5</sup> If he is too demanding of the SIG relative to the politician ( $L > \bar{\omega} + \frac{\pi}{\delta_L} > P$ ) then he will be unwilling to help the SIG on policy grounds even if he can extract the favor’s full value and the SIG’s request is worthy. Alternatively, if he is too permissive of the SIG relative to the politician ( $L < 2P - \bar{\omega}$ ) then his representation will be insufficiently credible to have influence.

With respect to testable empirical implications, the model thus predicts that lobbyists who only care about policy due to their personal connections with politicians will always be able to maintain active relationships, since they will make representation decisions to a politician as if their threshold  $L$  is equal to the politician’s threshold  $P$ . For lobbyists whose policy motivations derive (at least in part) from a political ideology, the model predicts that they will be able to maintain an active relationship with a particular politician if and only if their political ideologies are sufficiently aligned, so that their resulting thresholds vis-a-vis an SIG’s request are also sufficiently close.

**The “Intensive Margin”** The intensive margin is determined by the representation threshold  $\underline{\omega}_\ell$  that the lobbyist uses when he is active. Specifically, the higher is  $\underline{\omega}_\ell$  the more selective is the lobbyist, so the lower is the probability that he will represent the SIG. The lobbyist’s calculus when deciding whether to represent the SIG is potentially complex – it depends on the true merits  $\omega$ , the influence of his representation with the politician,

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<sup>5</sup>Note that the simplicity of this expression depends on the assumption that the lobbyist and SIG have identical lobbying costs. When the lobbyist has a sufficient cost advantage, his temptation to profit from it may cause the lobbying relationship to break down even if his personal threshold matches the politician’s.

the politician’s treatment of the SIG when it lobbies directly, and what the SIG would do absent representation. Despite this potential complexity, in equilibrium an active lobbyist’s representation threshold is just equal to  $\underline{\omega}_\ell = \max \left\{ L - \frac{\pi}{\delta_L}, 2P - \bar{\omega} \right\}$ .

The reason is as follows. In equilibrium, the lobbyist’s impact on the probability that the SIG receives the favor has a proportional effect on both the *price* he can charge and the *net policy benefits* he experiences.<sup>6</sup> Thus, to the lobbyist it is *as if* his representation is “pivotal” for whether the SIG secures the favor. He thus calculates the profit from representation as  $\pi$  (the full value of the favor) and the net policy benefit as  $\delta_L(\omega - L)$  (his utility change when the politician goes from denying to granting the favor). He will therefore offer an acceptable price to the SIG if and only if  $\pi + \delta_L(\omega - L) \geq 0$ , and is indifferent over doing so when  $\omega = L - \frac{\pi}{\delta_L}$ . Equilibrium with an active lobbyist further requires that the lobbyist satisfy a minimum threshold of selectivity ( $\underline{\omega}_\ell \geq 2P - \bar{\omega}$ ), since otherwise the politician will adopt an adversarial posture toward him, and he will never be able to secure an unworthy request. Thus, when the lobbyist is active ( $L \geq 2P - \bar{\omega}$ ) but has a personal threshold  $L < (2P - \bar{\omega}) + \frac{\pi}{\delta_L}$ , the politician must have an only somewhat favorable posture ( $\alpha_P^\ell < 1$ ) to incentivize him to sometimes turn away the SIG – specifically, when  $\omega \in \left[ L - \frac{\pi}{\delta_L}, 2P - \bar{\omega} \right]$ .

Figures 2(a) and 2(b) depict the lobbyist’s representation threshold  $\underline{\omega}_\ell$ . The left panel depicts a lobbyist whose threshold  $L$  matches the politician’s  $P$ , with the x-axis varying the strength of his policy-motivations  $\delta_L$ . The right panel depicts a policy-motivated lobbyist ( $\delta_L > 0$ ) and varies his personal threshold  $L$ . Comparative statics are as follows. First, stronger policy motivations (higher  $\delta_L$ ) always induce the lobbyist to be more selective, regardless of his exact threshold  $L$ . Because the lobbyist profits from representation, the *marginal* request (one whose merits are exactly at  $\underline{\omega}_\ell$ ) must be one that the lobbyist finds distasteful on policy grounds ( $\underline{\omega}_\ell < L$ ), but that the SIG pays him just enough to compensate for. Thus, were the lobbyist’s policy motivations to become stronger, he would reject this somewhat distasteful request. Second, the lobbyist becomes more selective as his policy

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<sup>6</sup>This simplification requires that the lobbyist and SIG have identical lobbying costs. Absent this, the basic equilibrium construction would remain the same, but equilibrium quantities would be more complex.



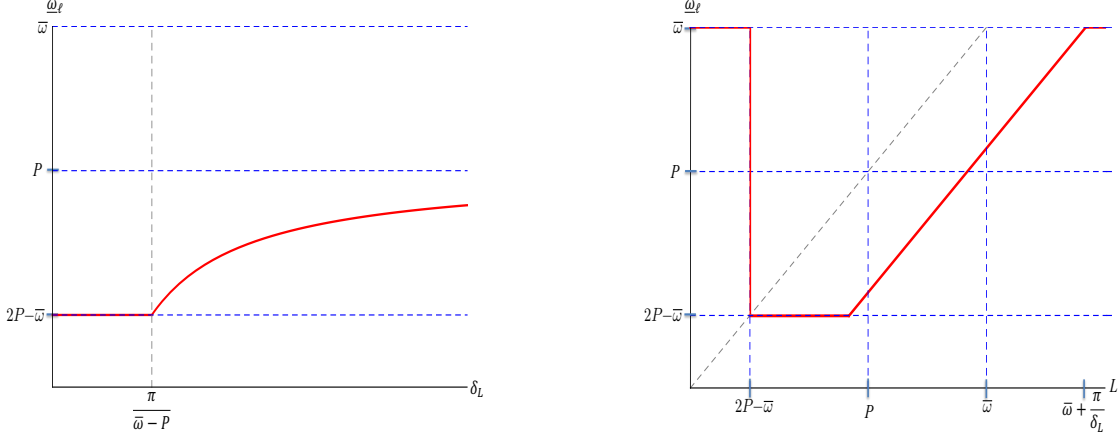


Figure 2: Lobbyist's Selectivity. The left and right panels depict the lobbyist's representation threshold  $\underline{\omega}_\ell$  as a function of  $\delta_L$  (with  $L = P$ ) and  $L$  (with  $\delta_L > 0$ ), respectively.

motivations lead him to be intrinsically more demanding of the SIG (higher  $L$ ).

With respect to testable empirical implications, the model thus predicts that lobbyists who only care about politicians' policy decisions due to their personal connections will utilize their stronger connections *less ceteris paribus* – a lobbyist more invested in a connected politician's welfare will be less willing to bring her an unworthy request. Lobbyists who are motivated by a political ideology relative to profit will also be more selective, and interestingly, this holds regardless of what their particular political ideology is. Finally, the effect of greater ideological alignment with the politician is ambiguous. Among lobbyists who are ideologically more permissive of the SIG than the politician greater ideological alignment with the politician will be associated with greater selectivity. However, among lobbyists who are ideologically more demanding of the SIG the reverse will be true.

## Prices

As previously shown, the lobbyist's personal characteristics  $(L, \delta_L)$  determine both whether he is active, and his representation threshold  $\underline{\omega}_\ell$  when he is active. In equilibrium, this representation threshold also affects the SIG's direct lobbying threshold  $\underline{\omega}_d$ , because it influences what the politician infers when the SIG *lacks* representation.<sup>7</sup> These thresholds, in turn, determine what the politician infers after the SIG pursues each channel of contact

<sup>7</sup>The more available the lobbyist is (higher  $\lambda$ ) the stronger is this effect; for details see Appendix E.2.

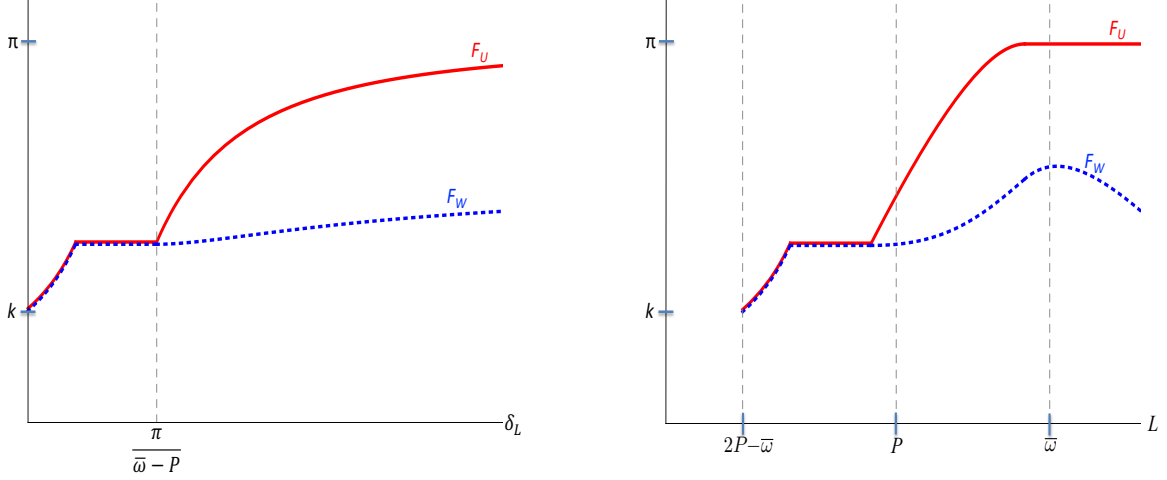


Figure 3: Prices. The left and right panels depict the lobbyist's prices for an unworthy request (in solid line) and a worthy request (in dotted line) as a function of  $\delta_L$  (with  $L = P$ ) and  $L$  (with  $\delta_L > 0$ ), respectively.

$c \in \{\ell, d, \emptyset\}$ , her posture and investigation cutpoint for each channel  $(\alpha_P^c, \phi_P^c)$ , and thus the prices  $(F^W, F^U)$  that the lobbyist can charge. We conclude by examining the equilibrium relationship between the lobbyist's personal characteristics  $(L, \delta_L)$  and these prices.

Figures 3(a) and 3(b) depict the price charged to represent the SIG when its request is unworthy (worthy) with a solid (dashed) line. The left panel again considers a lobbyist with  $L = P$  and varies  $\delta_L$ , while the right panel varies the lobbyist's threshold  $L$ .

**Price for an Unworthy Request** The price that the SIG pays when its request is unworthy is  $F^U = \alpha_P^\ell \left(1 - \frac{\phi_P^\ell}{\bar{c}_P}\right) \pi$ . This is just the probability  $\alpha_P^\ell \left(1 - \frac{\phi_P^\ell}{\bar{c}_P}\right)$  that the SIG can secure an unworthy request via the lobbyist — since it will only do so when the politician fails to investigate and still grants the favor — times the favor's value. Although the SIG would lobby directly under these circumstances absent representation, its willingness to pay omits the value of direct lobbying because equilibrium requires that this value be 0 (otherwise an unrepresented SIG could not credibly communicate information via direct lobbying). It is thus *as if* the SIG has no alternative to the lobbyist when its request is unworthy. The SIG's willingness to pay is thus strictly increasing in both  $\delta_L$  and  $L$  up to the point at which the lobbyist is *never* willing to accept an unworthy request ( $\underline{\omega}_\ell = L - \frac{\pi}{\delta_L} > P$ ), where it

becomes constant and equal to the favor's full value  $\pi$ . The reason is that increasing *either*  $\delta_L$  or  $L$  makes the lobbyist wish to be more selective, which induces the politician to treat the lobbyist more favorably, and therefore increases the value his representation to the SIG.<sup>8</sup>

**Price for a Worthy Request** The price that the SIG pays when its request is worthy is  $F^W = \alpha_P^\ell \left(1 - \frac{\phi_P^d}{c_P}\right) \pi$ . This is subtly different from the price that it pays when its request is unworthy, because it is decreasing in the probability  $\frac{\phi_P^d}{c_P}$  that the politician investigates after *direct* lobbying, rather than the probability  $\frac{\phi_P^\ell}{c_P}$  that she investigates after lobbyist contact.<sup>9</sup> The reason is that the SIG's willingness to pay the lobbyist depends on its prospects for acquiring the favor *without* the lobbyist's help, which in turn depends on the probability the politician will investigate after direct lobbying (and discover the request to be worthy). Comparative statics are subdivided into two cases.

First, suppose the lobbyist's threshold is more permissive of the SIG than the politician ( $L \leq P$ ). Then comparative statics are identical to those of an unworthy request – the price is increasing in both  $\delta_L$  or  $L$ . However, the reasons for these identical effects are different. When the lobbyist becomes more selective, the *absence* of professional representation becomes a stronger signal that the request is actually unworthy. As result, the politician becomes less willing to investigate the SIG after it lobbies *directly*, so the attention that the lobbyist's representation can garner becomes more valuable. Next, suppose the lobbyist's threshold is more demanding of the SIG than the politician ( $L > P$ ). In this case, increasing either

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<sup>8</sup>This can happen in two ways. First, if the lobbyist is active ( $L > 2P - \bar{\omega}$ ) but  $L - \frac{\pi}{\delta_L} < 2P - \bar{\omega}$ , then he represents the SIG as often as possible consistent with maintaining a favorable posture ( $\omega_\ell = 2P - \bar{\omega}$ ). In this case, increasing  $L - \frac{\pi}{\delta_L}$  does not change the lobbyist's representation threshold  $\omega_\ell$  or the politician's investigation cutpoint  $\phi_P^\ell$ , but it does allow the politician to hold a more-favorable posture  $\alpha_P^\ell$  towards the lobbyist without destroying his ability to be selective. Second, if the lobbyist is already turning away the SIG when  $\omega = 2P - \bar{\omega}$  (i.e.,  $L - \frac{\pi}{\delta_L} = \omega_\ell > 2P - \bar{\omega}$ ), then the politician holds a fully favorable posture toward the lobbyist ( $\alpha_P^\ell = 1$ ). Further increases in the lobbyist's representation threshold  $\omega_\ell = L - \frac{\pi}{\delta_L}$  then enhance how much representation signals that the request is worthy, reducing the politician's investigation cutpoint  $\phi_P^\ell$ , and increasing the probability that the lobbyist can successfully secure an unworthy request.

<sup>9</sup>Note that there is a region in which the price charged to the SIG is identical regardless of whether its request is worthy or unworthy, and therefore also obeys the previously described comparative statics. This occurs when the lobbyist is active ( $L > 2P - \bar{\omega}$ ) but  $L - \frac{\pi}{\delta_L} < 2P - \bar{\omega}$ , so that the lobbyist is no more selective lobbying on behalf of the SIG than the SIG is when lobbying on its own behalf ( $\omega_\ell = \omega_d$ ). In this region, the politician is equally likely to investigate the SIG when it hires the lobbyist vs. when it lobbies directly, which in turn implying that the lobbyist's "value added" is unaffected by the merits.

$\delta_L$  or  $L$  first increases and then decreases the price that the lobbyist can charge. Initially, as the lobbyist becomes more selective the previously-described effects apply. However, he eventually becomes *too* selective (from the perspective of the politician), and starts to turn away even worthy requests. This then weakens the extent to which the absence of representation signals that the request is unworthy, which in turn makes the politician more willing to investigate after direct lobbying, and decreases the lobbyist’s value to the SIG.

**Empirical Implications** With respect to testable empirical implications about prices, the model straightforwardly predicts that lobbyists who only care about policy due to personal connections ( $L = P$ ) will be able to charge more for utilizing those connections the stronger they are. However, this will be true precisely because they are actually *utilizing* those connections less. Our model thus provides a simple but plausible theoretical rationale for the fee premium of connected lobbyists uncovered in the previous literature. For lobbyists whose policy motivations derive partially or wholly from a political ideology, predictions are again ambiguous – both because lobbyists may be intrinsically more or less demanding of the SIG than the politician, and because excess selectivity can decrease the price to represent worthy request. However, among lobbyists who are more permissive than the politician ( $L < P$ ), the prediction is straightforward – greater ideological alignment with the politician will increase the price charged when lobbying for both an unworthy and worthy request.

## Data

To empirically investigate the theory’s predictions, we use the data from reports submitted under the Foreign Agents Registration Act (FARA). The FARA mandates that lobbyists who represent foreign interests be registered and submit semiannual disclosure reports. Most of the foreign clients in the FARA reports are foreign governments (i.e., foreign embassies and consulates in the US) because lobbying activities on behalf of foreign businesses are usually reported via the Lobbying Disclosure Act of 1995. Frequent lobbying issues included trade issues, especially regarding a variety of tariff and trade pacts; security or military-related

issues, such as US military deployments; and foreign aid.

FARA reports are only existing data source regarding lobbying in the US that includes comprehensive information on which lobbyists contacted which politicians, on behalf of which clients. The essential elements of our theory also seem particularly applicable to foreign lobbying for three reasons. First, politicians’ actions vis-a-vis foreign interests can have substantial consequences – they run the risk of seriously damaging their reputations and harming their electoral prospects.<sup>10</sup> Second, politicians’ uncertainty about these consequences is plausibly substantial; there are limited sources from which politicians may obtain information on foreign issues, and the US news media’s coverage of international affairs has diminished over time.<sup>11</sup> Third, foreign nationals (and foreign governments) have been prohibited from making campaign contributions to politicians since 1966.<sup>12</sup> This eliminates the possibility that campaign contributions by clients could be separately influencing politicians’ behavior.

One feature of foreign lobbying that appears to run counter to our model setup is that *direct* lobbying by foreign interests is highly constrained; for example, the 2008 House ethics manual by the Committee on Standards of Official Conduct imposes strict regulations on interactions between congressional personnel and foreign embassy staff.<sup>13</sup> Correspondingly, contacts to Congress by in-house lobbyists of foreign governments are rare.<sup>14</sup> Our model is nevertheless applicable to foreign lobbying because the option of “direct lobbying” in the model may be equivalently interpreted as the use of a purely profit-motivated lobbyist who screens no better than the SIG would on its own (and simply provides the legal apparatus). With this caveat, we focus on the contacts made by lobbyists at lobbying firms.

The Justice Department has made the FARA reports available as online image files.

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<sup>10</sup>Anecdotally, politicians are attacked by their opponents regarding their potential ties with repressive foreign regimes. For example, Ed Gillespie in the 2014 Virginia Senate race, who founded a prominent lobbying firm, was questioned about the firm’s record of representing certain foreign clients (Madsen 2014).

<sup>11</sup>[https://archives.cjr.org/reconstruction/the\\_reconstruction\\_of\\_american.php](https://archives.cjr.org/reconstruction/the_reconstruction_of_american.php) (accessed 2-10-2021)

<sup>12</sup><https://fas.org/sgp/crs/misc/LSB10358.pdf> (accessed 2-10-2021)

<sup>13</sup>The manual can be found at [https://ethics.house.gov/sites/ethics.house.gov/files/documents/2008\\_House\\_Ethics\\_Manual.pdf](https://ethics.house.gov/sites/ethics.house.gov/files/documents/2008_House_Ethics_Manual.pdf) (accessed Feb 10, 2021).

<sup>14</sup>Only 5.7 percent of total lobbying contacts to Congress between 2007 and 2010 are conducted by in-house lobbyists of foreign governments.

Our data is drawn from reports that list contacts with Congress during the 110th and 111th Congresses (2007–2010). FARA reports provide detailed contact information; each contact record specifies (i) the name of the contacted individual, (ii) the method by which the individual was contacted (phone call, email, in-person meeting, etc.), and (iii) the issues discussed with the contact (see Figure A2 in Appendix A for an example of a lobbying report). This contrasts with the requirements of the LDA, which requires only that lobbyists disclose the names of the government bodies that they contact.

Extracting large scale contact data from FARA reports across lobbying firms and over time is challenging because each firm uses its own style to describe specific contacts in the reports. At the time of our study, ProPublica and the Sunlight Foundation had transcribed reports from August 2007 through December 2010.<sup>15</sup> We complemented their dataset by adding all reports submitted between January 2007 through July 2007, as well as some missing reports. We manually extracted all contact records from the image files, and for each contact, identified the contacted individuals and the lobbying issues based on the written description by the contact. Following these criteria, we find 440 reports of lobbying activities submitted by 108 lobbying firms on behalf of 88 foreign governments. In total we retrieved 13,146 contacts made to members of Congress and their staffers from the 440 reports.

While FARA reports provide the most systematic data on contacts to date, we note that there is a concern about non-compliance such as missing reports or false statements on reports (Benner 2019), and some loopholes in the FARA have drawn criticism.<sup>16</sup> However, non-compliance is punished more stringently by FARA than by LDA; while a violation of the LDA is considered a civil offense, violations of the FARA are criminal, and penalties for noncompliance are up to five years of imprisonment and a \$5,000-\$10,000 fine (Atieh 2010).<sup>17</sup>

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<sup>15</sup>The lobbying reports can be found at <http://www.fara.gov>; the FARA data project by ProPublica and the Sunlight Foundation is currently discontinued.

<sup>16</sup>A similar concern is raised for lobbying under the LDA (LaPira and Thomas 2017).

<sup>17</sup>Details for the recent cases of the FARA enforcement can be found here: <https://www.justice.gov/nsd-fara/recent-cases> (accessed January 3, 2022).

## Lobbyists in Our Data

Restricting our attention to contacts to members of Congress and their staff via phone call or in-person meeting, we identify 13,246 total contacts in our data. Among them, 7,046 had information on the lobbyist who made the contact, and 223 unique lobbyists appeared in the records of these contacts.<sup>18</sup> We used Lobbyists.info from Columbia Books and our own internet search to collect information on each lobbyist’s political ideology and career history, focusing on their government experience as a member of Congress, congressional staffer, or bureaucrat in the executive branch.

Testing our theory requires constructing a measure of preference alignment between potential lobbyist-politician pairs found in our data; to do so we rely on measures of general left-right ideology.<sup>19</sup> To capture a lobbyist’s ideological preferences, we use three distinct measures of general ideology: (1) party affiliation; (2) CF scores based on campaign contributions made during the 2006 and 2008 election cycles from the DIME database (Bonica 2016); and (3) DW-NOMINATE score for politicians-turned-lobbyists and staffers-turned-lobbyists.<sup>20</sup> Note that by employing DIME scores to measure ideology, we do *not* intend to claim that lobbyists use campaign donations to credibly “signal” their ideological preferences to politicians. Rather, given that lobbyists’ ideological commitments can be credibly inferred from a variety of sources – including their employment histories and political activities predating entry into the lobbying market – our premise is simply that campaign donations *correlate* with these ideological preferences. Indeed, we find that although our three measures are based on different observed activities of a lobbyist—party registration, campaign contributions, and congressional career— they are highly correlated.<sup>21</sup> This is con-

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<sup>18</sup>Table A2 in Appendix A shows firms that provided lobbyist-level contact information are similar to those that did not in terms of size, revenue, and foreign lobbying experience.

<sup>19</sup>This dimension of ideology can be relevant for foreign governments. First, Milner and Tingley (2011) show that congressional roll-call votes on foreign economic policy issues such as foreign aid are strongly shaped by ideological factors. In addition, roll-call voting on trade policies is highly correlated with roll-call voting on other policies (0.89 by Feigenbaum and Hall (2015)).

<sup>20</sup>For staffers-turned-lobbyists we use the average DW-NOMINATE score of the lobbyists’ ex-employers in Congress; for politicians-turned-lobbyists we use the DW-NOMINATE score in their last term in Congress.

<sup>21</sup>Figure A1(a) in the Appendix A presents histograms of the CF scores for lobbyists identified as

sistent with the literature showing that lobbyists follow partisan lines when donating and contribute to politicians they consider “friends” (Drutman 2010, Koger and Victor 2009, Leech 2013), and also that congressional staffers tend to work for members of their party who share similar policy views (Kingdon 1989).

Table 1: Lobbyists and Lobbying Fee: Summary Statistics

	Obs.	Mean	SD.	Min.	Max.
<i>Ideology</i>					
Democrat	180	0.506	0.501	0	1
CF score (DIME)	148	-0.057	0.755	-1.079	1.106
DW-NOMINATE score	117	0.026	0.407	-0.594	0.842
<i>Career history</i>					
Member of Congress	223	0.112	0.316	0	1
Congressional staffer	223	0.435	0.497	0	1
White House	223	0.238	0.427	0	1
<i>Lobbying Contacts to Congress</i>					
Number of contacts	223	31.59	93.23	1	899
Number of direct contacts to members	223	9.41	35.33	0	328
Number of members with a contact	223	12.99	25.07	1	202
Number of members with a direct contact	223	5.81	19.46	0	167
Number of clients with a contact (per year)	223	1.18	0.45	1	4
Number of clients with a direct contact (per year)	223	0.53	0.54	0	2
<i>Semi-annual lobbying activities per client</i>					
Fee (in thousand USD)	214	217.6	255.1	5.6	1,965
Number of contacts to Congress	214	33.01	53.79	1	361
Number of contacts to media	214	1.60	4.97	0	45
Number of contacts to executive branch	214	5.29	11.45	0	99
Year of Firm’s FARA registration	214	2002.5	7.4	1979	2010
Also registered with LDA	214	0.86	0.34	0	1
Number of FARA registered lobbyists	203	11.13	10.18	1	35

Table 1 shows that among the 180 lobbyists whose party affiliation was identified, 50.6% are Democrats. Most lobbyists (68%) have government experience. On average, each lobbyist made 31.59 contacts to 12.99 members’ offices, among which 9.41 contacts were made directly to 5.81 members. The average number of clients on behalf of whom a lobbyist makes a congressional contact is 1.18 per year; this reduces to 0.53 if we focus on direct contacts to members. The lobbyists in our data are associated with 214 FARA reports, each of which reports a single firm’s entire lobbying activities over six months on behalf of a single client.

Democrats and Republicans, respectively; figure A1(b) provides similar histograms for DW-NOMINATE scores. The figures demonstrate that all three measures of the lobbyists’ ideology are consistent.



The average lobbying fee per six months is \$217,600, and a single report lists on average 33 contacts to Congress, 1.6 contacts to media, and 5.3 contacts to the executive branch.

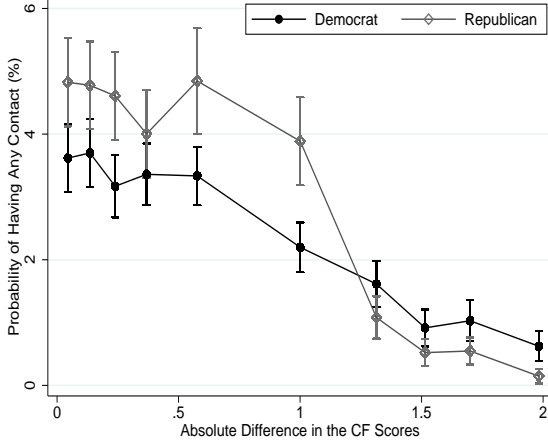
## Empirical Predictions and Findings

Extracting testable predictions from the model presents multiple challenges that we briefly address here; for a detailed discussion and formal results see Appendix B. First, our theory models the relationship between a particular lobbyist and politician vis-a-vis a *single* client. In order to extrapolate to a market with a large set of potential clients, we assume that each lobbyist-politician pair randomly draws a large number of potential clients, and that the actions of a lobbyist-politician pair do not affect other pairs.

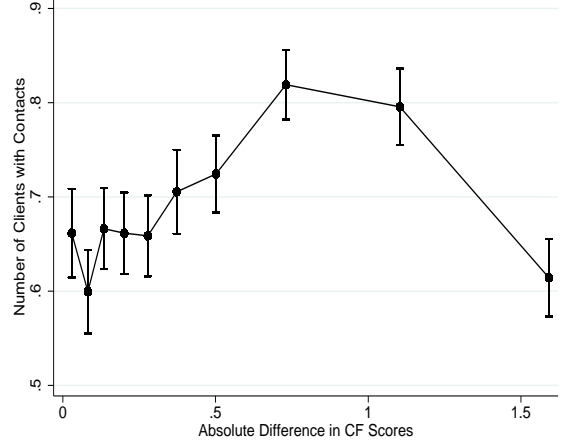
Second, we cannot directly measure the thresholds that each lobbyist and politician use for *each particular* potential client in the data. However, since our theory generates predictions with respect to the *difference*  $|P - L|$  in these thresholds, we assume that these differences can be noisily measured “on average” using differences in party affiliation, CF scores, and DW-NOMINATE scores. The latter two scores are highly correlated (Bonica 2013); DW-NOMINATE scores are derived from politicians’ roll call votes, with foreign policy votes accounting for 20%, on average. Ideology measures based only on foreign policy votes show little difference from DW-NOMINATE score; the correlation between the DW-NOMINATE score of the 103rd House of Representatives and the corresponding measure based on only foreign policy votes is 0.94 (Jeong 2018).

Finally, a lobbyist’s threshold vis-a-vis a particular SIG may diverge from a politician’s threshold both because she is more permissive toward the SIG ( $L \leq P$ ) or more demanding ( $L > P$ ). Note that these distinct possibilities cannot be separately identified with our data because the inequalities are relative to a particular favor’s merit,  $\omega$ , which we do not observe. Under the former configuration, our model predicts that the more aligned is a lobbyist with a politician, the more selective the lobbyist becomes, hence bringing a smaller number of clients to the politician. However, the latter configuration does not generate such a novel prediction. With that, we assume that only the former configuration prevails in our data, as

Figure 4: Lobbying Contacts and Ideological Differences



(a) Probability of Any Contact



(b) Number of Clients with Contacts

a way to see if this novel prediction is consistent with the data.

Using these assumptions we are able to derive two empirical predictions:

- (E1) The probability that a lobbyist-politician pair is active (i.e., has at least one contact during the period of study) is decreasing in their ideological difference.
- (E2) Conditional on an active relationship, the expected number of clients that a lobbyist brings to a politician is weakly increasing in their ideological difference.

## Extensive Margins: Ideology and Access

Figure 4(a) shows the proportion of lobbyist-member pairs with at least one contact for each decile of CF score difference, separated by party of the contacted member. Using this as a measure of the probability that a lobbyist-member pair have any contact, we find that the probability of contact decreases as the difference in the CF scores increases, consistent with our prediction (E1). This relationship holds regardless of a contacted member's party.

Column (1) of Table 2 shows that this negative correlation persists controlling for politician fixed effects, lobbyists' government experience, and attributes of the lobbyist's firm; a one-standard deviation increase in CF score difference ( $0.75$ ) decreases the probability of having any contact by  $0.022 \times 0.75 = 0.0165$ . This effect is substantively large at more than half

the contact rate among all possible pairs in the data ( $2,785/124,274 = 2.33\%$ ). Columns (3) and (5) show that results are robust to using party affiliation and DW-NOMINATE scores as alternative measures of ideological distance, and columns (2), (4), and (6) show that results are consistent when we measure access using direct contact to a member rather than to the member’s office.

## Intensive Margins: Ideology and Screening of Clients

To study the intensive margins, we focus on lobbyist-politician pairs with at least one contact during the study period. Figure 4(b) shows the average yearly number of clients on behalf of whom a lobbyist contacted a politician at each decile of CF score differences. The figure shows that *conditional* on an active relationship, a lobbyist brings *more* clients to a politician the greater is the ideological distance between them—that is, he becomes less selective. This is consistent with our prediction (E2).

However, this relationship only holds until the difference in ideologies becomes very large (greater than the 90th percentile in differences), at which point it abruptly reverses. To interpret this pattern, two features of the data are worth noting. First, only 12.7% of contacts occur between lobbyists and politicians whose ideological difference is greater than 1. Second, although less than 5% of contacts below the 80th percentile of CF score differences are cross-party, this proportion abruptly rises to 90% between the 80th and 90th percentile, and to 97% above the 90th percentile. Thus, it may be that the considerations facilitating rare and distant cross-party contacts are quite different than those captured by our theory.<sup>22</sup>

Columns (1) and (2) of Table 3 show regression results that confirm a positive correlation between a lobbyist-politician pair’s ideological distance and the number of clients that the lobbyist brings to the politician (controlling for politician fixed effects and attributes of the lobbyist’s firm). The results are robust to controlling for the size of the client base of the lobbyist’s firm over the study period (Columns (3) and (4)). In Columns (5) and (6) we use

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<sup>22</sup>In addition, the validity of the assumption that  $L \leq P$  in the data may break down among these very distant contacts, rendering them incomparable to closer contacts.

Table 2: To Which Lobbyists do Politicians Give Access?

<i>Dependent variable</i>	Any (1)	Direct (2)	Any (3)	Direct (4)	Any (5)	Direct (6)
<i>Ideological differences:</i>						
CF score	-0.0218*** (0.0010)	-0.0102*** (0.0006)				
Party			-0.0229*** (0.0012)	-0.0098*** (0.0007)		
DW-NOMINATE					-0.0336*** (0.0020)	-0.0157*** (0.0011)
Politician FE	✓	✓	✓	✓	✓	✓
Lobbyist's experience	✓	✓	✓	✓	✓	✓
Firm attributes	✓	✓	✓	✓	✓	✓
Mean dependent var.	0.0255	0.0123	0.0217	0.0086	0.0199	0.0089
Number of observations	78,762	78,762	96,020	96,020	63,508	63,508
Adjusted $R^2$	0.031	0.022	0.023	0.016	0.029	0.024

*Notes:* The unit of observation is politician  $\times$  lobbyist; standard errors clustered at the politician level are in parentheses. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Lobbying firm attributes: number of lobbyist, (number of lobbyist)<sup>2</sup>, the year of the FARA registration; lobbyists' experience variables: the indicators for having served as a member of Congress, a Congressional staffer, or a staffer in the executive branch. The dependent variables are indicators for any (direct) lobbying contacts: Any (Direct).

Table 3: Which Lobbyists do Politicians Meet More Frequently?

<i>Dependent variable</i>	Log(N. Clients+1) (1)	Log(N. Clients+1) (2)	Frac. Clients (3)	Frac. Clients (4)	Log(N. Contacts+1) (5)	Log(N. Contacts+1) (6)
Log(CF score difference)	0.017*** (0.004)	0.009** (0.004)	0.022*** (0.006)	0.014** (0.006)	0.031*** (0.011)	0.017 (0.011)
Member of Congress		-0.105*** (0.011)		-0.082*** (0.016)		-0.165*** (0.025)
Congressional staff		-0.042*** (0.013)		-0.053*** (0.018)		-0.155*** (0.028)
Executive staff		-0.136*** (0.012)		-0.157*** (0.018)		-0.249*** (0.030)
Politician FE	✓	✓	✓	✓	✓	✓
Firm attributes	✓	✓	✓	✓	✓	✓
Mean dependent var.	0.507	0.507	0.364	0.364	0.747	0.747
Number of observations	2,032	2,032	2,032	2,032	2,032	2,032
Adjusted $R^2$	0.110	0.253	0.222	0.286	0.143	0.215

*Notes:* The unit of observation is politician  $\times$  lobbyist; standard errors clustered at the politician level are in parentheses. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . The dependent variables are: the logarithm of the average annual number of the clients on behalf of which the lobbyist contacted the politician, plus one; the average annual fraction of the clients with a contact among all active clients of the lobbyist's firm; the logarithm of the average annual number of lobbying contacts, plus one. The same firm attributes as Table 2 are used.

the number of contacts as the dependent variable rather than the number of clients, and still find a positive correlation with ideological distance.

Interestingly, we also find that prior government experience makes lobbyists substantially more selective (see Columns (2), (4), and (6)). Government experience may contribute to or correlate with attributes that generate selectivity in our theory (personal connections), or correlate with attributes that generate selectivity through mechanisms outside our theory (such as reputation). In either case, this finding is not consistent with the idea that lobbyists simply exploit existing connections to gain access and maximize revenues.

## Lobbying Fees

To conclude our empirical analysis, Table 4 shows results from regressing the logarithm of semi-annual fees in each FARA report on characteristics of the lobbyists and members associated with each contact in the report (controlling for lobbying firm attributes). We categorize a lobbying contact as *ideologically aligned* if the difference between the lobbyist and the contacted member’s CF scores is less than the median among all lobbyist-politician pairs with an active relationships (0.37).

The table shows that one additional contact to Congress in a report is associated with a 0.4% increase in lobbying fees, but that there is an additional 0.5% premium associated with an ideologically aligned contact (Column (1)). This result is consistent with our theory, which posits that the greater selectivity of ideologically-aligned lobbyists magnifies their credibility, thereby increasing the value of their services. Bertrand, Bombardini and Trebbi (2014) speculate that “connected lobbyists are likely to bring to the table a complementary resource, perhaps reputation, credibility, or political savvy, in the transmission of information.” By exploiting detailed contact data, our findings provide a micro-foundation for why connections matter in lobbying: the ability to selectively use their connections may increase trust from their connected politicians, and the premium associated with contacts to connected politicians in lobbying fees may reflect their ability to be selective.

In Columns (3) and (4) of Table 4 we extend our analysis to include characteristics of the

Table 4: What Determines Lobbying Fees?

<i>Dependent variable</i>	Log of lobbying fee in USD			
	(1)	(2)	(3)	(4)
Number of contacts to Members of Congress				
Any	0.0035*** (0.0009)	0.0042** (0.0017)	0.0036*** (0.0009)	0.0045** (0.0020)
Ideologically aligned	0.0054** (0.0022)	0.0037 (0.0039)	0.0045* (0.0024)	0.0016 (0.0046)
On behalf of autocracy			0.0020 (0.0031)	0.0014 (0.0037)
Ideologically aligned $\times$ Autocracy			0.0219*** (0.0077)	0.0253*** (0.0087)
Any media contacts	0.0243** (0.0101)	0.0101 (0.0091)	0.0233** (0.0099)	0.0111 (0.0104)
Any executive contacts	0.0058 (0.0083)	0.0115 (0.0105)	0.0055 (0.0078)	0.0112 (0.0104)
Autocracy as a client			0.1008 (0.2410)	-0.0599 (0.2745)
Registered in LDA		-0.2957 (0.3301)		-0.2692 (0.4027)
Year of FARA registration		-0.0209 (0.0142)		-0.0223 (0.0138)
Number of lobbyists		0.0870*** (0.0274)		0.0852*** (0.0275)
Number of lobbyists squared		-0.0025*** (0.0008)		-0.0025*** (0.0008)
Number of observations	214	203	214	203
Adjusted $R^2$	0.113	0.179	0.140	0.197

*Notes:* The unit of observation is a six-month contract between a lobbying firm and its foreign client; standard errors clustered at the lobbying firm level are in parentheses. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

lobbying *client* – specifically, whether the client’s country is an autocracy as measured by a weakly negative 2005 Polity IV score (Marshall, Jaggers and Gurr 2010). Interestingly, we find that the fee premium for ideologically-aligned contacts is more pronounced for autocratic clients. One possible explanation is that greater *ex-ante* skepticism of the client by the contacted politician enhances the value of screening by an ideologically-aligned lobbyist.

## Alternative Explanations

The empirical findings presented here are consistent with our theory that lobbyists provide a screening service whose credibility to a politician, and thus value to a client, depends

on the degree of ideological alignment between the lobbyist and the politician. We now briefly examine alternative explanations for our findings.

First, ideological alignment may proxy for other determinants of lobbying not considered in the model. For example, a lobbyist who is more aligned with a politician according to our measures may also be more likely to specialize in the politician’s favored policy issues. If specialists also tend to have a narrower set of clients than generalists, then we would also expect to find that ideologically-aligned lobbyists are more selective. However, we do not find evidence that lobbyists narrow their lobbying issues when contacting ideologically-aligned politicians (Table A3 in Appendix A).

Second, ideological alignment as measured by similarity in CF scores may mechanically result from lobbyists’ strategic efforts to buy access to politicians via campaign contributions. This alternative hypothesis seems consistent with our “extensive margin” finding that lobbyists and politicians with more similar CF scores are more likely to have a relationship. However, it is not obvious how to rationalize our “intensive margin” finding that those with more similar CF scores have less contact *conditional on* an active relationship.

Third, our findings about the fee premium associated with ideological alignment may actually be driven by the effect of personal connections as shown in the literature (Blanes i Vidal, Draca and Fons-Rosen 2012, Bertrand, Bombardini and Trebbi 2014), with our measures of ideological alignment somehow acting as a noisy proxy for those connections. For example, lobbyists who are ex-staffers of their connected politicians may give more to ex-bosses, reducing their CF score difference. However, our results do not appear to be driven by the relationship between ex-staffers and former bosses studied in Blanes i Vidal, Draca and Fons-Rosen (2012). While a substantial proportion of the lobbyists in our data do have ex-bosses in Congress during the study period ( $64/223 = 29\%$ ), there is rarely contact between them; out of the 2,896 lobbyist-politician pairs with any contact only 14 pairs have such a relationship. Our results about ideological alignment therefore cannot be driven by these relationships, and indeed are robust to controlling for them. In addition, our find-

ings go beyond the previous literature by showing both that connections are associated with greater selectivity, and that the fee premium for well-connected lobbyists derives (at least in part) from a premium they specifically command when contacting their connections. These findings lend further credence to the broader idea that an important part of the value that lobbyists bring to clients derives from their credibility with politicians.

## Conclusion

In this paper we present a theory and empirical evidence of lobbyists as gatekeepers, in which a lobbyist is paid to screen out interest groups whose requests are not in a politician’s interest to fulfill. Our analysis highlights a dilemma faced by lobbyists who aim to credibly “certify” special interest groups seeking policy favors. As a solution to the dilemma, we suggest lobbyists’ policy preferences, potentially derived from connections to politicians or their own ideologies, as a means of generating credible commitment. Using a unique dataset on contacts between politicians and lobbyists from lobbying reports mandated by the Foreign Agents Registration Act, we provide empirical evidence for the model’s theoretical predictions. By incorporating personal characteristics of lobbyists into the analysis of pricing and profits as well as their decisions to represent clients before politicians, our paper contributes to making a tighter connection between theoretical and empirical work on lobbying.

With a decline in the number of staff and civil servants supporting legislative research (Baumgartner and Jones 2015) and an increase in legislators’ workloads and fundraising pressures (Curry 2015), the opportunities for outside interests to influence legislation have increased. Our model can speak to when, and to whose benefit, these opportunities will be exploited. It can also be used to assess how both the influence of policy-motivated lobbyists and the lobbying fees they charge may vary across politicians with different legislative resources and agenda-setting power.

While we have focused on bilateral lobbying relationships, another important area of inquiry is the organization of lobbying firms and the lobbying industry. Large firms often consist of multiple lobbyists with access to different politicians, sometimes across the aisle.



These firms may create “markets” inside the firm, in which a politician is “matched” to a lobbyist with the appropriate ideological and personal characteristics to serve as a credible intermediary. Furthermore, lobbyists and lobbying firms may compete to attract more clients and to get more access to politicians. We believe these are fruitful areas for further research.

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## Biographical Statements

Alexander V. Hirsch is a professor of Political Science in the Department of Humanities and Social Sciences at California Institute of Technology, Pasadena, CA 91125. Karam Kang is an associate professor of Economics at Tepper School of Business, Carnegie Mellon University, Pittsburgh, PA 15213. B. Pablo Montagnes is an associate professor in the Department of Political Science at Emory University, Atlanta, GA 30322. Hye Young You is an associate professor in the Wilf Family Department of Politics at New York University, New York, NY 10012.

# Supporting Information for *Lobbyists as Gatekeepers: Theory and Evidence*

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**Note:** The following notation differs between the main text and this Appendix:

- The politician’s interim and maximum costs of review  $(c_P, \bar{c}_P)$  are denoted  $(r, \bar{r})$
- The politician’s posture on each channel  $\alpha_P^c$  is denoted  $\alpha^c$
- The politician’s review cutpoint on each channel  $\phi_P^c$  is denoted  $\phi^c$
- The lobbying cutpoints  $(\underline{\omega}_\ell, \underline{\omega}_d)$  are denoted  $(\underline{\omega}^\ell, \underline{\omega}^d)$
- The SIG’s type-specific willingness to pay  $F^\omega$  is denoted  $F_\omega$

## A Appendix Tables and Figures

Table A1: Lobbying Firm Characteristics by the LDA Registration

	LDA & FARA		FARA Only	
	Mean	SD	Mean	SD
Annual revenues <sup>†</sup> (\$thousand)	539.1	652.9	420.1	675.7
Number of government clients <sup>†</sup>	2.29	2.01	1.28	0.70
Number of contacted members	45.6	59.8	31.02	44.68
FARA registration year	2002.0	9.23	2006.0	3.46
Number of lobbyists				
All	15.38	18.98	4.17	4.53
Former member of Congress	0.58	1.10	0.11	0.32
Former congressional staff	2.02	2.62	0.26	0.59
Executive branch experience	1.06	1.23	0.19	0.48
Number of observations	72		36	

*Notes:* As for time-varying variables, the summary statistics are over the average value of each variable across multiple filings for each lobbying firm. <sup>†</sup>: For these two variables, we consider the lobbying reports included in this paper only. Therefore, the total annual revenues and the total number of foreign government clients are larger than the counterparts included here.

Table A2: Report-Level Summary Statistics

<i>Contact-level Lobbyist Information: Source:</i>	Retrieved		Not Retrieved
	Inferred, Single Lobbyist	Observed from the Report	
Number of reports	87	139	214
Number of FARA Clients	1.08	1.60	1.55
Fees (\$K)	158.6	405.8	383.6
FARA registration year	2003.8	2003.1	1999.2
Involved in the domestic Lobbying (LDA)	0.41	0.82	0.75
Number of lobbyists	2.92	11.20	15.08
Number of total contacts	12.22	44.59	27.50

*Notes:* The unit of observation is a semi-annual FARA report. a. The average DW-NOMINATE scores of the contacted members, weighted by the contact frequency.

Table A3: Lobbyist's Issue Specialization

<i>Dependent variable</i>	Lobbied on both trade and security issues			
	(1)	(2)	(3)	(4)
CF score difference	-0.0068 (0.0043)	-0.0066 (0.0092)		
Ideologically aligned <sup>†</sup>			0.0074 (0.0076)	0.0063 (0.0087)
Lobbyist FE	Yes	Yes	Yes	Yes
Politician FE	No	Yes	No	Yes
Number of observations	1,704	1,704	1,704	1,704
$R^2$	0.125	0.361	0.125	0.361

*Notes:* The unit of observation is politician  $\times$  lobbyist. Based on the lobbying issues in the reports, we categorize lobbying issues into trade, security, budget, and others. We include all politician-lobbyist pairs with any contacts on either trade or security issues, the main two issues, during the period of study. Standard errors clustered at the lobbyist level are in parentheses. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . <sup>†</sup> The CF score difference between the lobbyist and the politician is less than the median value among the pairs with any contacts, 0.37.

Figure A1: Distribution of Ideology Measures by Party Affiliation

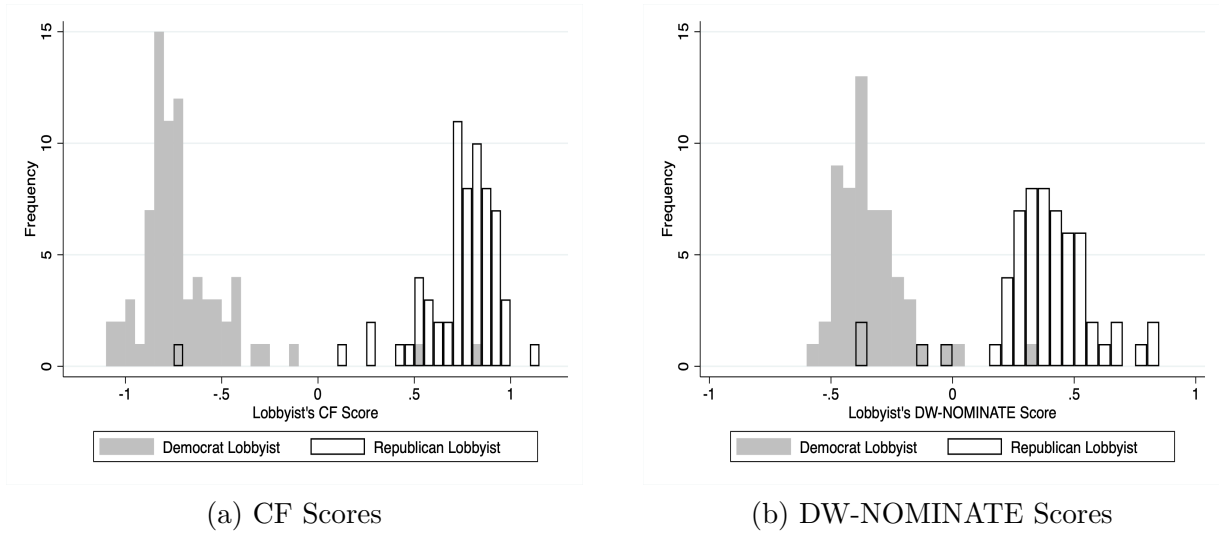


Figure A2: A FARA Supplemental Statement: Contacts

**Name of Registered Individual:** Hal S. Shapiro

<b>Name of Client: Embassy of United Arab Emirates</b>			
<b>Activity/Contact (name, title and office/agency)</b>	<b>Type of Activity/ Method of contact</b>	<b>Topic</b>	<b>Date</b>
Rep. H. Berman, Chairman, House Committee on Foreign Affairs	Meeting	US-UAE relations, status of pending arms sale, international nuclear fuel bank regional issues	7/31/08
Alan Makovsky - Senior Staff, House Committee on Foreign Affairs	Meeting	US-UAE relations, status of pending arms sale, international nuclear fuel bank regional issues	7/31/08
Alan Makovsky - Senior Staff, House Committee on Foreign Affairs	Phone call and email message	Status of pending arms sale and satellite sale	8/5/08
Alan Makovsky - Senior Staff, House Committee on Foreign Affairs	Email message	Status of pending arms sale and satellite sale	8/6/08
Alan Makovsky - Senior Staff, House Committee on Foreign Affairs	Email message	Status of pending arms sale	9/8/08
Alan Makovsky - Senior Staff, House Committee on Foreign Affairs	Email message	Status of pending arms sale	9/19/08
Rep. C. Rangel, Chairman, House Ways & Means Committee	Meeting	Regional issues, bilateral relationship, international nuclear fuel bank	9/23/08
Tim Reif, Majority Chief Trade Counsel, House Ways & Means Committee	Meeting	Regional issues, bilateral relationship, international nuclear fuel bank	9/23/08
Jennifer McCadney, Majority Trade Staff, House Ways & Means Subcommittee on Trade	Meeting	Regional issues, bilateral relationship, international nuclear fuel bank	9/23/08
Tim Reif, Majority Chief Trade Counsel, House Ways & Means Committee	Email message	Meeting request on regional issues	11/11/08

*Notes:* This is an excerpt from the report for the six-month period ending December 31, 2008, by Akin Gump Strauss Hauer & Feld, LLP. During this period, the embassy of the United Arab Emirates was one of its clients, and this page reports detailed information on the contacts made by a lobbyist of the firm, Hal S. Shapiro, on behalf of the embassy.



## B Deriving Empirical Predictions

This section derives the comparative statics (E1) and (E2). We first formally state the verbal assumptions described in the main text:

**Assumption B.1.** *Each lobbyist-politician pair randomly draws a large number of potential clients.*

**Assumption B.2.**  $0 < L \leq P < \bar{\omega}$ .

Consider a pair of a lobbyist and a politician. Denoting by  $N$  the total number of clients that the lobbyist represented to the politician, the following corollary shows that the probability that there is at least one contact between the pair,  $\Pr(N > 0)$ , and the expected number of clients on behalf of whom the lobbyist contacts the politician conditioning on having any contacts between them,  $\mathbb{E}(N|N > 0)$ , are weakly increasing in the pair's ideological difference,  $P - L \equiv D$ .

**Corollary B.1.** *Suppose Assumptions B.1 and B.2 hold. Then, (i)  $\Pr(N > 0)$  converges to one if  $D \leq \bar{\omega} - P$  and to zero otherwise as the number of potential clients goes infinity; (ii)  $\mathbb{E}(N|N > 0)$  are nondecreasing in  $D$ .*

*Proof.* Under the two assumptions, Proposition 2 implies that the probability that the lobbyist contacts the politician for a random client,  $\rho$ , is:

$$\rho = \begin{cases} \Pr(\omega > \underline{\omega}_\ell) = \min \left\{ \bar{\omega} - L + \frac{\pi}{\delta}, 2(\bar{\omega} - P) \right\} / \bar{\omega} & \text{if } L \geq 2P - \bar{\omega}, \\ 0 & \text{otherwise.} \end{cases}$$

Denoting  $\tilde{P} \equiv \bar{\omega} - P$ , the probability can be rewritten as:

$$\rho = \begin{cases} \min \left\{ \tilde{P} + D + \frac{\pi}{\delta}, 2\tilde{P} \right\} / \bar{\omega} & \text{if } D \leq \tilde{P}, \\ 0 & \text{otherwise.} \end{cases} \quad (\text{B.1})$$

Now, denoting the number of potential draws by  $T$ , Assumption B.1 implies that  $N$  follows a Binomial distribution with  $T$  draws and  $\rho$  probability of success, and therefore the following holds:

$$\Pr(N > 0) = 1 - (1 - \rho)^T, \quad (\text{B.2})$$

$$\mathbb{E}(N|N > 0) = \rho T / [1 - (1 - \rho)^T]. \quad (\text{B.3})$$

Thus, (i) follows from (B.2). From (B.1),  $\rho$  is nondecreasing in  $D$  if  $D \leq \tilde{P}$ , and from (B.3),  $\mathbb{E}(N|N > 0)$  are increasing in  $\rho$ . Thus (ii) holds.  $\square$

## C Spatial Model Foundation

Consider a policy space  $X \subset R$ , and suppose that the favor is interpreted as a request to change a policy  $q$  in this space to an exogenous alternative  $y < q$ . Each player  $i \in \{S, L, P\}$  has a state-contingent personal ideal policy  $x_i(\omega) = \hat{I} - \beta_i \omega$ , where the state  $\omega$  is interpreted as a sufficient statistic for the information unknown to the politician that affects his utility for policies in this space, and is normalized such that the politician prefers granting the favor more for higher values of  $\omega$ . Further suppose that in addition to their own preferences, each player  $i$  places a weight  $\lambda_i^j$  on player  $j$ 's (unweighted) ideological preferences, so that player  $i$ 's overall state-contingent utility over policies is  $\sum_{j \in N} -\frac{\lambda_i^j}{2} \cdot (x_j(\omega) - x)^2$ . Given these assumptions, player  $i$ 's net benefit for the favor being granted can be written as:

$$\sum_{j \in N} (q - y) \lambda_i^j \left( \beta_j \omega - \left( \hat{J} - \frac{y + q}{2} \right) \right)$$

Letting  $d = q - y$  denote the *magnitude* of the favor and  $m = \frac{y+q}{2}$  the *location* of the favor, the net benefit is then  $\sum_{j \in N} d \lambda_i^j \left( \beta_j \omega - (\hat{J} - m) \right)$ .

Now in the reduced-form model, the SIG lacks state contingent preferences; a necessary and sufficient for this property is that  $\sum_{j \in N} \lambda_i^j \beta_j = 0$ , and then the SIG's utility is  $d \sum_{j \in N} \lambda_i^j (m - \hat{J}) = \pi$ . In the reduced-form model the politician and the lobbyist also have state contingent preferences, requiring that  $\sum_{j \in N} \lambda_i^j \beta_j > 0 \forall i \in \{L, P\}$ , so then their net benefit for the favor being granted may be rewritten as:

$$\delta_i (\omega - I) \text{ where } \delta_i = \sum_{j \in N} \lambda_i^j \beta_j \text{ and } I = \frac{\sum_{j \in N} \lambda_i^j \beta_j (\hat{J} - m)}{\sum_{j \in N} \lambda_i^j \beta_j}$$

Now to derive an example that generates the specific properties stated in the main text, suppose that  $\beta_L = \beta_P = \beta$  (the lobbyist and politician's ideal points are equally responsive to the state) and  $\lambda_L^S = \lambda_P^S$  (neither the lobbyist nor the politician care intrinsically about the SIG's preferences). Then

$$P - L = \left( \frac{\lambda_P^P \lambda_L^L - \lambda_L^P \lambda_P^L}{(\lambda_P^P + \lambda_P^L)(\lambda_L^L + \lambda_L^P)} \right) (\hat{P} - \hat{L})$$

Thus, we immediately have the result that closer ideal points in the original "ideology space" (smaller  $\hat{P} - \hat{L}$ ) implies closer thresholds in "SIG merit space" (smaller  $P - L$ ).

With respect connections, suppose that a stronger connection has the effect of making the lobbyist care more about whether policy matching that politician's ideal (higher  $\lambda_L^P$ ). This change will then result in *both* a higher value of  $\delta_L = \beta (\lambda_L^L + \lambda_L^P)$  (it is as if the lobbyist cares more about the merits) and smaller  $P - L$  (the lobbyist and politician have closer effective thresholds in "SIG merit space").

## D Preliminary Analysis of Model

### D.1 The politician's calculus

The politician seeks to grant the favor to a worthy SIG ( $\omega \geq P$ ) and decline the favor to an unworthy one ( $\omega < P$ ) while minimizing review costs. She can't observe the details of the prior contact between the SIG and the lobbyist (or prices), and so bases her decisions only on the observed channel of contact  $c \in \{\ell, d, \emptyset\}$ . The CDF of the politician's interim beliefs about the SIG's case  $\omega$  given the strategies of the other players is denoted  $H^c(\omega)$ . For each observed channel and realized cost of review  $r$ , the politician makes two decisions – whether or not to review to learn  $\omega$  (and decide accordingly), and if she does not review, whether or not to grant the favor.

We first characterize the probability  $\alpha^c \in [0, 1]$  that the politician grants the favor absent a review for each channel  $c$  (her posture). Because the politician's preferences are linear, her posture depends only on whether the interim expectation  $E^c[\omega]$  about the state  $\omega$  is above or below her threshold  $P$ . Specifically, if  $E^c[\omega] > P$  then she must always grant ( $\alpha^c = 1$ ), if  $E^c[\omega] < P$  she must always deny ( $\alpha^c = 0$ ), and if  $E^c[\omega] = P$  any  $\alpha^c$  is optimal.

We next characterize the politician's review cutpoint. Her value of review given each channel  $c$  derives from the possibility that a review might alter her default decision. In a best response she will review if and only if her realized cost  $r$  is below this value, which is therefore  $\phi^c$ . When  $E^c[\omega] \geq P$  and the politician weakly prefers to grant absent additional information, a review is only pivotal for changing her decision when it reveals negative evidence that the SIG is unworthy, which she believes will occur with probability  $H^c(P)$ . In this event, the expected net benefit of changing her decision from granting to denying the favor is  $P - E^c[\omega|\omega < P]$ , and the overall value of review is thus  $\phi_-^c = H^c(P) \cdot (P - E^c[\omega|\omega < P])$ . Similarly, when  $E^c[\omega] \leq P$  and the politician weakly prefers to deny the favor absent additional information, a review is only pivotal for changing her decision when it reveals positive evidence that the SIG is worthy. The value of review is thus  $\phi_+^c = (1 - H^c(P)) \cdot (E^c[\omega|\omega > P] - P)$ . Collecting the above observations yields the politician's best-response behavior.

**Observation D.1.** *Let  $H^c(\omega)$  denote the CDF of the politician's beliefs after channel  $c$ . The politician's strategy is a best response i.f.f she reviews when  $r \leq \phi^c$  and absent a review grants with probability  $\alpha^c$ , where*

- $\alpha^c = 1$  and  $\phi^c = \phi_-^c = H^c(P) \cdot (P - E^c[\omega|\omega < P])$  if  $E^c[\omega] > P$
- $\alpha^c = 0$  and  $\phi^c = \phi_+^c = (1 - H^c(P)) \cdot (E^c[\omega|\omega > P] - P)$  if  $E^c[\omega] < P$
- $\alpha^c \in [0, 1]$  and  $\phi^c = \phi_-^c = \phi_+^c$  if  $E^c[\omega] = P$

## D.2 The SIG's calculus

The probability the SIG expects the favor from pursuing channel  $c \in \{\ell, d, \emptyset\}$  depends on the politician's strategy and its type, and is equal to  $\Delta_\omega^c = (1 - \frac{\phi^c}{\bar{r}}) \alpha^c + \mathbf{1}_{\omega \geq P} \frac{\phi^c}{\bar{r}}$ . The favor is granted with probability equal to the politician's posture  $\alpha^c$  when she fails to investigate, and if and only if the SIG is worthy when she does.

The SIG will weakly prefer pursuing the direct channel to the null channel if and only if  $\Delta_\omega^d \pi - k \geq \Delta_\omega^\emptyset \pi \iff (\Delta_\omega^d - \Delta_\omega^\emptyset) \pi \geq k$ ; if the lobbyist is unavailable it will be willing to lobby directly i.f.f. this inequality is satisfied. If it finds the lobbyist available, it will be willing to pay up to  $F_\omega = \Delta_\omega^\ell \pi - \max\{\Delta_\omega^d \pi - k, \Delta_\omega^\emptyset \pi\}$  for the lobbyist's representation. Collecting the above yields the following.

**Observation D.2.** *The SIG's strategy is a best response i.f.f.*

- *it always (never) accepts a representation offer that is  $< (>) F_\omega$*
- *following a history  $h$  that resulted in a lack of representation, it always (never) lobbies directly when  $(\Delta_\omega^d - \Delta_\omega^\emptyset) \pi > (<) k$*

## D.3 Equilibrium without the lobbyist (as a player)

To both aid in the analysis of the full model and clarify implications of the preceding best response behavior, we first characterize the unique cutpoint equilibrium of a variant of the model without the lobbyist. We consider a general atomless prior over  $[0, \bar{\omega}]$  with CDF  $H(\omega)$  that satisfies  $H(P) \in (0, 1)$  (with a strictly positive probability the SIG is both unworthy or worthy) and  $E[\omega] < P$  (absent more information the politician prefers to deny the favor). The rationale for restricting attention to a cutpoint strategy for direct lobbying decisions is that the assumption of state-independent preferences for the SIG is simplifying rather than substantive – were the SIG to have even slightly state-dependent preferences matching the form of the other players, then the cutpoint equilibrium would be unique.

To define the equilibrium, let  $\hat{\omega}^d$  denote the unique cutpoint  $< P$  satisfying  $E[\omega | \omega \geq \hat{\omega}^d] = P$ , and further let

$$\phi_-(\underline{\omega}) = \left( \frac{H(P) - H(\underline{\omega})}{1 - H(\underline{\omega})} \right) \cdot (P - E[\omega | \omega \in [\underline{\omega}, P]]).$$

$\hat{\omega}^d$  is the unique direct lobbying cutpoint above which the politician will have a strictly favorable posture in a best response, and below which she will have a strictly adversarial one.  $\phi_-(\underline{\omega})$  is the value of reviewing for negative evidence after the politician update his priors with the information that  $\omega \geq \underline{\omega}$ , and is decreasing in  $\underline{\omega}$ . Observe that in the two player game, the value of reviewing for negative evidence  $\phi_-^d$  after direct lobbying when the

SIG employs a cutpoint strategy  $\underline{\omega}^d \in [\hat{\omega}^d, P]$  is exactly equal to  $\phi_- (\underline{\omega}^d)$ . These quantities yield the following.

**Lemma D.1.** *In the game without the lobbyist there is a unique cutpoint equilibrium.*

- If  $1 - \frac{\phi_- (\hat{\omega}^d)}{\bar{r}} > \frac{k}{\pi}$  then  $\underline{\omega}^d = \hat{\omega}^d$ ; otherwise  $\underline{\omega}^d$  solves  $1 - \frac{\phi_- (\underline{\omega}^d)}{\bar{r}} = \frac{k}{\pi}$
- $\phi^d = \phi_- (\underline{\omega}^d)$ ,  $\Delta_U^d = \alpha^d \left(1 - \frac{\phi^d}{\bar{r}}\right) = \frac{k}{\pi}$ , and  $\alpha^\emptyset = \phi^\emptyset = \Delta_\omega^\emptyset = 0$

The unique cutpoint equilibrium has a simple structure; all worthy SIGs lobby alongside a strictly positive measure of the “best” unworthy SIGs. The unique cutpoint generates sufficiently unfavorable treatment by the politician (either through more reviews, or a lower posture) to make all unworthy SIGs indifferent to lobbying, while all worthy SIGs strictly prefer to lobby.

## E Equilibrium with the lobbyist

We now consider the model when the lobbyist is present ( $\lambda \in (0, 1)$ ), and characterize equilibria in which the lobbyist represents the SIG with strictly positive probability.<sup>23</sup>

### E.1 Form of Equilibria

We begin by justifying attention to the form of strategy profiles described in Remark 1. The first step is to impose a key substantive assumption.

**Assumption E.1.** *The probability that a SIG of type  $\omega$  lobbies directly absent representation does not depend on the history that led to a lack of representation.*

Assumption E.1 states that an unrepresented SIGs direct lobbying decision is invariant to *exactly how* it found itself unrepresented – that is, whether it was after finding the lobbyist busy, whether it was after finding the lobbyist available and rejecting his price, and if the latter the exact price he rejected. The rationale for the assumption is to rule out an indifferent unrepresented SIG conditioning its direct lobbying decision on a payoff-irrelevant history. Absent it, it is possible to artificially sustain equilibria of a variety of forms by exploiting a combination of an unworthy SIGs’ indifference to lobbying directly off the equilibrium path and the lobbyist’s policy motivations.

Imposing history independence on the SIG’s direct lobbying strategy allows us further simplify the space of strategy profiles considered as follows.

**Lemma E.1.** *Given Assumption E.1 the following restrictions are w.l.o.g.*

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<sup>23</sup>See the Appendix G for a characterization of equilibria in which lobbyist representation is off path.

- the lobbyist proposes the SIG's willingness to pay  $F_\omega$  with probability  $\rho_\omega^L$ , and a price  $F_\omega + \varepsilon$  strictly above with probability  $1 - \rho_\omega^L$
- the SIG always accepts (rejects) offers of representation  $\leq (>) F_\omega$ . Absent representation, it lobbies directly with probability  $\rho_\omega^S$

In the simplified strategy profiles the lobbyist mixes over at most two prices for each  $\omega$  – one at the SIG's maximum willingness to pay  $F_\omega$  – that is always accepted – and one strictly above – that is always rejected. We thus term charging the SIG's willingness to pay “accepting the SIG” and charging above “rejecting it.” In these profiles an interior probability that a SIG of type  $\omega$  acquires representation can be achieved only via the lobbyist mixing between accepting and rejecting the SIG.

We next restrict attention to cutpoint direct lobbying strategies for the SIG based on the justification in Section D.3.

**Assumption E.2.** *The probability that a SIG of type  $\omega$  lobbies directly absent representation is  $\rho_\omega^S = \mathbf{1}_{\omega > \underline{\omega}^d}$  for some  $\underline{\omega}^d$ .*

Assuming that the SIG's direct lobbying strategy is both history-independent and follows a cutpoint allows us to connect equilibrium of the three player game to the equilibrium of the two player game characterized in Lemma D.1 as follows.

**Observation E.1.** *In an equilibrium strategy profile satisfying Assumptions E.1-E.2 and the restrictions in Lemma E.1,  $\underline{\omega}_d$  and  $(\phi^c, \alpha^c) \forall c \in \{\emptyset, d\}$  must be the unique cutpoint equilibrium strategies of the two-player game with a prior  $H(\omega)$  equal to the politician's posterior  $H^\ell(\omega)$  after observing a lack of representation.*

In words, equilibrium requires “leftover” SIG's lacking representation to sort themselves between direct lobbying and staying home *as if* it is a game absent the lobbyist, but with a distribution over the SIG's case equal to the politician's posterior after observing only a lack of representation. Consequently, the equilibrium that would prevail after the lobbyist has “taken” his desired share of the market determines the value of the SIGs “outside options” (direct lobbying and staying home) if she rejects the lobbyist, pinning down both the price the lobbyist can charge and his beliefs about what the SIG will do absent representation.

Our final assumption further restricts attention to strategy profiles in which the lobbyist's representation strategy can also be described by a cutpoint.

**Assumption E.3.** *The probability that the lobbyist offers an acceptable price to a SIG of type  $\omega$  is  $\rho_\omega^L = \mathbf{1}_{\omega > \underline{\omega}^\ell}$  for some  $\underline{\omega}^\ell$ .*

The justification for restricting attention to a cutpoint strategy for the lobbyist is somewhat weaker than for restricting attention to a cutpoint strategy for the SIG.

**Lemma E.2.** *If  $\Delta_\omega^\ell > \Delta_\omega^d \forall \omega$ , then the lobbyist's behavior is described by a cutpoint.*

That the lobbyist would strictly help SIGs who otherwise lobby directly is a natural property, and one that holds in all of the equilibria described in the main text with representation. However, it is not one that applies to all equilibria with representation, or even equilibria with representation in which some clients are strictly helped. We do not fully characterize the set of representation equilibria that do not have a cutpoint structure, and the set may be potentially large.<sup>24</sup>

We now characterize the equilibria in the main text (as well as some others). To do so we subdivide the class into three cases, and characterize conditions under which an equilibrium in each case holds: **Case A** ( $\underline{\omega}^\ell > (2P - \bar{\omega}, \bar{\omega})$ ) involves representation with a fully favorable posture. **Case B** ( $\underline{\omega}^\ell = 2P - \bar{\omega}$ ) involves representation with a weakly favorable posture. **Case C** ( $\underline{\omega}^\ell < 2P - \bar{\omega}$ ) involves representation with an adversarial posture, and we show that such equilibria cannot exist.

## E.2 Preliminary Properties of Equilibria

We first describe some equilibrium properties in each case.

### Properties of the Lobbyist Channel

**(Case A:  $\underline{\omega}^\ell > (2P - \bar{\omega}, \bar{\omega})$ ):** This implies  $E^\ell[\omega] > P$ , which then requires  $\phi^\ell = \phi_-^\ell$  and  $\alpha^\ell = 1$ . Applying that  $H(\cdot)$  is uniform we have that  $\phi_-^\ell = \frac{(P - \underline{\omega}^\ell)^2}{2(\bar{\omega} - \underline{\omega}^\ell)}$ . These jointly imply

that  $\Delta_U^\ell = 1 - \left(\frac{1}{\bar{r}}\right) \frac{(P - \underline{\omega}^\ell)^2}{2(\bar{\omega} - \underline{\omega}^\ell)}$  and  $\Delta_W^\ell = 1$ .

**(Case B:  $\underline{\omega}^\ell = 2P - \bar{\omega}$ ):** This implies  $E^\ell[\omega] = P$ , so then  $\phi_+^\ell = \phi_-^\ell = \frac{\bar{\omega} - P}{4}$  and any  $\alpha^\ell \in [0, 1]$  is a best-response, so  $\Delta_U^\ell = \alpha^\ell \left(1 - \left(\frac{1}{\bar{r}}\right) \frac{\bar{\omega} - P}{4}\right)$  and  $\Delta_W^\ell = \Delta_U^\ell + \left(\frac{1}{\bar{r}}\right) \frac{\bar{\omega} - P}{4}$ .

**(Case C:  $\underline{\omega}^\ell < 2P - \bar{\omega}$ ):** This implies  $E^\ell[\omega] < P$ , so then  $\phi^\ell = \phi_+^\ell$  and  $\alpha^\ell = 0$ . Applying that  $H(\cdot)$  is uniform we have that  $\phi_+^\ell = \frac{(\bar{\omega} - P)^2}{2(\bar{\omega} - \underline{\omega}^\ell)}$ . These jointly imply that  $\Delta_U^\ell = 0$  and  $\Delta_W^\ell = \left(\frac{1}{\bar{r}}\right) \frac{(\bar{\omega} - P)^2}{2(\bar{\omega} - \underline{\omega}^\ell)}$ .

### Properties of the Direct and Null Channel

As previously described, the direct lobbying cutpoint and politician strategies toward  $\{d, \emptyset\}$  when the SIG's direct lobbying strategy satisfies Assumption E.1 must be an equilibrium of the two player game when  $H(\omega) = H^{-\ell}(\omega)$ . Next observe that a cutpoint strategy by the lobbyist implies that  $E^{-\ell}[\omega] < P$ , so by Lemma D.1 for each  $\underline{\omega}^\ell < \bar{\omega}$  there is a unique

<sup>24</sup>See the Appendix H for example of a non-cutpoint equilibrium in which representation strictly increases the chance that some but not all clients get the favor.

cutpoint equilibrium of the two player game that pins down the direct lobbying cutpoint and politician strategies toward  $\{d, \emptyset\}$ .

We now apply Lemma D.1 to derive properties of the direct and null channels as a function of  $\underline{\omega}^\ell$  in each of the three cases (A,B,C). Immediately we have that  $\underline{\omega}^d \in (0, P)$ ,  $\phi^d = \phi_-^d$ ,  $\Delta_U^d = \frac{k}{\pi}$ ,  $\Delta_W^d = \frac{k}{\pi} + \frac{\phi_-^d}{\bar{r}}$ , and  $\alpha^\emptyset = \phi^\emptyset = \Delta_\omega^\emptyset = 0$ . Next we derive the precise values of  $\underline{\omega}^d$  and  $\phi_-^d$  for each  $\underline{\omega}^\ell < \bar{\omega}$ .

**(Case A:  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega})$ ):** Using the equilibrium characterization in Lemma D.1, we first derive the unique cutpoint  $\hat{\omega}^d$  satisfying  $E[\omega | \omega \geq \hat{\omega}^d] = P$ . It is straightforward that we must have  $\hat{\omega}^d < \underline{\omega}^\ell$  for the equality to be satisfied. Next, observe that since the prior over  $\omega$  is uniform over  $[0, \bar{\omega}]$ , for  $\underline{\omega}^d < \underline{\omega}^\ell$  we have that

$$\begin{aligned} E[\omega | \omega \geq \underline{\omega}^d] &= \left( \frac{(\underline{\omega}^\ell - \underline{\omega}^d)}{(\underline{\omega}^\ell - \underline{\omega}^d) + (1 - \lambda)(\bar{\omega} - \underline{\omega}^\ell)} \right) \left( \frac{\underline{\omega}^d + \underline{\omega}^\ell}{2} \right) \\ &\quad + \left( \frac{(1 - \lambda)(\bar{\omega} - \underline{\omega}^\ell)}{(\underline{\omega}^\ell - \underline{\omega}^d) + (1 - \lambda)(\bar{\omega} - \underline{\omega}^\ell)} \right) \left( \frac{\underline{\omega}^\ell + \bar{\omega}}{2} \right). \end{aligned}$$

Algebraic manipulation then yields that  $\hat{\omega}^d$  uniquely satisfies the equality:

$$(P - \hat{\omega}^d)^2 = (1 - \lambda)(\bar{\omega} - P)^2 + \lambda(P - \underline{\omega}^\ell)^2$$

which yields  $\hat{\omega}^d = P - \sqrt{(1 - \lambda)(\bar{\omega} - P)^2 + \lambda(P - \underline{\omega}^\ell)^2}$  which is  $\in (2P - \bar{\omega}, \min\{\underline{\omega}^\ell, P\})$  unless  $\underline{\omega}^\ell = 2P - \bar{\omega}$  or  $\underline{\omega}^\ell = \bar{\omega}$  in which case  $\hat{\omega}^d = 2P - \bar{\omega}$  and  $\phi_-^d = \phi_-^\ell = \frac{\bar{\omega} - P}{4}$ . Further, observe that  $\hat{\omega}^d$  is only affected by  $\underline{\omega}^\ell$  via its *distance*  $(P - \underline{\omega}^\ell)^2$  from  $P$ . Thus, two representation cutpoints  $\underline{\omega}^\ell$  and  $\tilde{\omega}^\ell = 2P - \underline{\omega}^\ell$  yield the same  $\hat{\omega}^d$ . Next, the following lemma is proved in Appendix F.

**Lemma E.3.** *If  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega})$  and  $\underline{\omega}^d = \hat{\omega}^d$  then  $\frac{\bar{\omega} - P}{4} > \phi_-^d$ .*

Finally Lemma E.3 implies that  $1 - \frac{\phi_-^d}{\bar{r}} > 1 - \frac{\bar{\omega} - P}{4\bar{r}} > \frac{k}{\pi}$ , so that by Lemma D.1 the equilibrium cutpoint on the direct channel  $\underline{\omega}^d$  is indeed equal to  $\hat{\omega}^d$ .

To derive the explicit expression for  $\phi_-^d$  in this case, recall from Observation D.1 that when  $\underline{\omega}^d = \hat{\omega}^d$  we have  $\phi_-^d = \phi_+^d$  by definition, and we may thus employ either expression. The expression for  $\phi_+^d$  is simpler to write when  $\underline{\omega}^\ell \leq P$ , and the expression for  $\phi_+^d$  is simpler to write when  $\underline{\omega}^\ell \geq P$ . For  $\underline{\omega}^\ell \leq P$  we have

$$\begin{aligned} \phi_+^d &= \left( \frac{(1 - \lambda)(\bar{\omega} - P)}{\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - \hat{\omega}^d)} \right) \left( \frac{P + \bar{\omega}}{2} - P \right) \\ &= \frac{1}{2} \left( \frac{(1 - \lambda)(\bar{\omega} - P)^2}{\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - \hat{\omega}^d)} \right), \end{aligned}$$

where the denominator of the second term is the unconditional probability of direct lobbying.



For  $\underline{\omega}^\ell \geq P$  we have

$$\begin{aligned}\phi_-^d &= \left( \frac{P - \hat{\omega}^d}{\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - \hat{\omega}^d)} \right) \left( P - \frac{\hat{\omega}^d + P}{2} \right) \\ &= \frac{1}{2} \left( \frac{(P - \hat{\omega}^d)^2}{\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - \hat{\omega}^d)} \right)\end{aligned}$$

Now using that  $(P - \hat{\omega}^d)^2 = (1 - \lambda)(\bar{\omega} - P)^2 + \lambda(\underline{\omega}^\ell - P)^2$ ,  $\phi_+^d = \phi_-^d$  at  $\hat{\omega}^d$ , and combining yields that for any  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega})$  we have

$$\phi_-^d = \frac{1}{2} \left( \frac{(1 - \lambda)(\bar{\omega} - P)^2 + \lambda(\max\{\underline{\omega}^\ell - P, 0\})^2}{\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - \hat{\omega}^d)} \right).$$

**(Cases B and C:  $\underline{\omega}^\ell \leq 2P - \bar{\omega}$ ):** We have that  $\underline{\omega}^d = 2P - \bar{\omega}$  and  $\phi_-^d = \frac{\bar{\omega} - P}{4}$ , and the only SIGs who lobby directly are those that found the lobbyist unavailable.

### The Lobbyist's Incentives

If the lobbyist accepts the SIG, he expects it to acquire the favor with probability  $\Delta_\omega^\ell$ , while if he rejects it he expects it to acquire the favor with probability  $\mathbf{1}_{\omega > \underline{\omega}_d} \cdot \Delta_\omega^d + (1 - \mathbf{1}_{\omega > \underline{\omega}_d}) \Delta_\omega^\emptyset$  (the probability the rejected SIG lobbies directly times the probability direct lobbying yields the favor, plus the probability it stays home times the probability staying home yields the favor). The net benefit to the lobbyist of accepting the SIG is thus:

$$(F_\omega - k) + (\Delta_\omega^\ell - (\mathbf{1}_{\omega > \underline{\omega}_d} \cdot \Delta_\omega^d + (1 - \mathbf{1}_{\omega > \underline{\omega}_d}) \Delta_\omega^\emptyset)) \cdot \delta(\omega - L) \quad (\text{B.4})$$

$F_\omega - k$  is the net profit from representation at the SIG's maximum willingness to pay,  $\Delta_\omega^\ell - (\mathbf{1}_{\omega > \underline{\omega}_d} \cdot \Delta_\omega^d + (1 - \mathbf{1}_{\omega > \underline{\omega}_d}) \Delta_\omega^\emptyset)$  is the net change in the probability the SIG acquires the favor, and  $\delta(\omega - L)$  is the net policy benefit to the lobbyist of the SIG going from being denied to being granted the favor.

Now, equilibrium on the direct and null channels imply that all types of SIGs weakly prefer lobbying directly to staying home, so  $\forall \omega$  we have  $F_\omega = (\Delta_\omega^\ell - \Delta_\omega^d) \pi + k$ . Further, unworthy SIGs are indifferent to lobbying directly and staying home, so  $F_U = (\Delta_U^\ell - \Delta_U^d) \pi + k = \Delta_U^\ell \pi$ . Applying these properties to the net benefit expression and rearranging yields the following best response behavior.

**Observation E.2.** *Among strategy profiles of the form in Remark 1, the lobbyist's strategy is a best response i.f.f.  $(\Delta_\omega^\ell - \Delta_\omega^d)(\pi + \delta(\omega - L)) + \mathbf{1}_{\omega < \underline{\omega}^d} \cdot \Delta_\omega^d \delta(\omega - L) > (<) 0$  implies that  $\omega > (<) \underline{\omega}^\ell$ .*

### E.3 Representation Equilibria

We now characterize the three classes of equilibria with representation. Observe that  $\pi + \delta(\omega - L)$  is the net benefit of representation if the lobbyist is *pivotal* for the favor being granted, and let  $\hat{\omega}^\ell(L) = L - \frac{\pi}{\delta}$  denote the unique value of  $\omega$  s.t. this is  $= 0$ . This quantity

will be crucial in the equilibrium characterization that follows.

**Case A: Representation with a fully-favorable posture**

When  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega})$ , the remaining strategies are pinned down to unique values as characterized above. We argue that such a  $\underline{\omega}^\ell$  is an equilibrium i.f.f.  $\underline{\omega}^\ell = \hat{\omega}^\ell(L)$ , and thus such equilibria exist  $\iff \hat{\omega}^\ell(L) \in (2P - \bar{\omega}, \bar{\omega})$ .

We begin by arguing that  $\Delta_\omega^\ell - \Delta_\omega^d > 0 \forall \omega$ . For  $\omega < P$  we have that  $\Delta_\omega^\ell = 1 - \frac{\phi_-^\ell}{\bar{r}} = 1 - \frac{(P - \omega^\ell)^2}{2(\bar{\omega} - \omega^\ell)} > 1 - \frac{\bar{\omega} - P}{4\bar{r}} > \frac{k}{\pi} = \Delta_\omega^d$ . For  $\omega > P$  we have  $\Delta_\omega^d = \frac{k}{\pi} + \phi_-^d$ , which has already been shown to be  $< 1 = \Delta_\omega^\ell$ .

Now recall that  $\underline{\omega}^d < \underline{\omega}^\ell$  when  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega})$ . Thus, for  $\omega \geq \underline{\omega}^d$  (SIGs who would lobby directly absent representation) eqn. E.2 is  $> (<) 0 \iff \pi + \delta(\omega - L) > (<) 0$ . A necessary condition for  $\underline{\omega}^\ell$  to be a best response for the lobbyist is thus  $\underline{\omega}^\ell = \hat{\omega}^\ell(L)$ . To argue that this is also sufficient and therefore an equilibrium we must also show the lobbyist would not wish to represent SIGs who would not lobby directly absent representation, i.e.  $\omega < \underline{\omega}^d$ . But this is straightforward since  $\omega < \underline{\omega}^d < \underline{\omega}^\ell \rightarrow \pi + \delta(\omega - L) < 0 \rightarrow \delta(\omega - L) < 0$ .

**Case B: Representation with a partially-favorable posture**

When  $\underline{\omega}^\ell = 2P - \bar{\omega}$ , all remaining strategies *except* the politician's posture  $\alpha^\ell$  toward the lobbyist's client are pinned down. We derive conditions under which  $\underline{\omega}^\ell = 2P - \bar{\omega}$  for some value(s) of  $\alpha^\ell$ . From the preceding analysis we have that  $\underline{\omega}^d = \underline{\omega}^\ell = 2P - \bar{\omega}$  and  $\phi^d = \phi^\ell = \frac{\bar{\omega} - P}{4}$ , which further implies that  $\Delta_U^\ell - \Delta_U^d = \Delta_U^\ell - \frac{k}{\pi} = \Delta_W^\ell - \Delta_W^d$ , where  $\Delta_U^\ell = \alpha^\ell(1 - \frac{\bar{\omega} - P}{4\bar{r}})$  may take any value in  $[0, 1 - \frac{\bar{\omega} - P}{4\bar{r}}]$  and has a one to one relationship with implied  $\alpha^\ell \in [0, 1]$ .

Now using eqn. E.2 and exploiting the preceding observations, for this behavior to be a best response for the lobbyist the following two conditions are necessary and sufficient; (i) she prefers to decline unworthy SIGs  $\omega \in [0, 2P - \bar{\omega}]$  who would otherwise stay home, i.e.  $\Delta_U^\ell(\pi + \delta(\omega - L)) \leq k \forall \omega \in [0, 2P - \bar{\omega}]$  (ii) she prefers to represent SIGs  $\omega \geq 2P - \bar{\omega}$  who would otherwise lobby directly (which is a mixture of worthy and unworthy clients), i.e.  $(\Delta_U^\ell - \frac{k}{\pi})(\pi + \delta(\omega - L)) \geq 0 \forall \omega \geq 2P - \bar{\omega}$  Condition (i) may be checked only at  $\omega = 2P - \bar{\omega}$  since the l.h.s is strictly increasing in  $\omega$  when  $\Delta_U^\ell > 0$ . Thus to be satisfied it is necessary and sufficient that either  $\hat{\omega}^\ell(L) \geq 2P - \bar{\omega}$  or  $\hat{\omega}^\ell(L) < 2P - \bar{\omega}$  and

$$\Delta_U^\ell \leq \tilde{\Delta}_U^\ell(L) = \frac{k}{\pi + \delta((2P - \bar{\omega}) - L)}$$

where  $\tilde{\Delta}_U^\ell(L)$  is a strictly increasing function that  $\rightarrow \infty$  as  $\hat{\omega}^\ell(L) \rightarrow 2P - \bar{\omega}$ .

With conditions (i) and (ii), we walk through when  $\underline{\omega}^\ell = 2P - \bar{\omega}$  is an equilibrium for all possible values of  $\hat{\omega}^\ell(L) = L - \frac{\pi}{\delta} \in (-\infty, \infty)$ . There are three subcases.

**(Subcase B.1:  $\hat{\omega}^\ell(L) \leq 2P - \bar{\omega}$ ):** Condition (i) is satisfied i.f.f.  $\Delta_U^\ell \leq \tilde{\Delta}_U^\ell(L)$ . Now since  $\pi + \delta(\omega - L) > 0 \forall \omega > 2P - \bar{\omega}$ , condition (ii) is satisfied  $\iff \Delta_U^\ell \geq \frac{k}{\pi}$ . Thus, this is

an equilibrium i.f.f.

$$\Delta_U^\ell \in \left[ \frac{k}{\pi}, \min \left\{ \tilde{\Delta}_U^\ell(L), \frac{\bar{\omega} - P}{4\bar{r}} \right\} \right].$$

This set is nonempty i.f.f.  $L \geq 2P - \bar{\omega}$ ; when it is empty ( $L < 2P - \bar{\omega}$ ) we later argue that an equilibrium with lobbyist exit will prevail.

**(Subcase B.2:  $\hat{\omega}^\ell(L) \in (2P - \bar{\omega}, \bar{\omega})$ ):** Condition (i) is always satisfied. Since  $\hat{\omega}^\ell(L)$  is interior to  $(2P - \bar{\omega})$ , condition (ii) is satisfied i.f.f.  $\Delta_U^\ell = \frac{k}{\pi}$ .

**(Subcase B.3:  $\hat{\omega}^\ell(L) \geq \bar{\omega}$ ):** Condition (i) is always satisfied. Since  $\pi + \delta(\omega - L) < 0 \forall \omega < \bar{\omega}$ , condition (ii) is satisfied i.f.f. representation weakly hurts the chances that a SIG who would otherwise lobby directly gets the favor, i.e.  $\Delta_U^\ell \in [0, \frac{k}{\pi}]$ .

We assume that equilibria in subcase (B.1) prevail when  $\hat{\omega}^\ell(L) \leq 2P - \bar{\omega}$ , which is precisely when Case A equilibria with a fully favorable posture ( $\underline{\omega}^\ell > 2P - \bar{\omega}$ ) do not exist. We further assume that the equilibrium lobbyist exit on the extensive margin will prevail when  $L < 2P - \bar{\omega}$  and neither equilibria in subcase (B.1) nor any other case with representation exist.

Equilibria in subcase (B.2) co-exist exactly with Case A equilibria  $\underline{\omega}_\ell \in (2P - \bar{\omega})$  with a fully favorable posture. We assume that in this case, the equilibrium with a fully favorable posture will prevail, as opposed to subcase (B.2) equilibrium with a somewhat favorable posture that are sustained by a knife-edge condition that the lobbyist is exactly no better at securing the favor than the SIG is on her own.

Subcase (B.3) equilibria prevail under conditions that we state the main text will lead to an equilibrium with lobbyist exit because she is too ideologically opposed to the SIG, i.e.  $\hat{\omega}^\ell(L) \geq \bar{\omega}$ . In these equilibria, a policy-motivated lobbyist wishes to *harm* the SIG's ability to acquire the favor regardless of the value of  $\omega$ , and is willing to take a loss on lobbying in order to do it. She thus charges a price below the mutual cost of access, and the SIG accepts because it is willing to have its prospects harmed in exchange for a reduced cost of access. We consider these equilibria empirically implausible and omit their consideration from the main text.

### Case C: Representation with an adversarial posture

We argue that equilibria of the form in Remark 1 with  $\underline{\omega}^\ell < 2P - \bar{\omega}$  (so the politician's posture toward the lobbyist is adversarial) do not exist.

From the preceding observe  $\underline{\omega}^\ell < 2P - \bar{\omega} = \underline{\omega}^d$  and  $\Delta_U^\ell = 0$ . Thus, the net benefit of representing a SIG  $\omega < \underline{\omega}^d$  who would not lobby directly (and are also all unworthy) is  $\Delta_U^\ell(\pi + \delta(\omega - L)) - k = -k < 0$ . Thus it cannot be an equilibrium for the lobbyist to represent unworthy SIGs in  $(\underline{\omega}^\ell, \underline{\omega}^d)$ . More generally, when the lobbyist has no chance of acquiring the favor for an unworthy SIG, she will never be willing to represent such a SIG if

it does not otherwise intend to lobby directly; she will both lose money and have *no effect* on the likelihood the SIG acquires the favor.

## F Proofs

**Proof of Lemma D.1** We begin by characterizing properties that apply to all PBEs in which the SIG sometimes lobbies directly.

First, we argue that in any such PBE, unworthy SIGs must stay home with strictly positive probability, and worthy SIGs must lobby with strictly positive probability. If all unworthy SIG's lobbied or only unworthy SIG's lobbied, then  $E^d[\omega] < P \rightarrow \alpha^d = 0 \rightarrow \Delta_U^d = 0 \rightarrow (\Delta_U^d - \Delta_U^\emptyset)\pi \leq 0 < k$ , so all unworthy SIGs would want to deviate to not lobbying. Next, we argue that unworthy SIGs lobby with strictly positive probability; if not then (a) lobbying would be a perfect signal that the SIG is worthy, and (b)  $E^\emptyset[\omega] < P$ . Then (a) would imply  $\alpha^\ell = 1$  and  $\phi^\ell = 0 \rightarrow \Delta_U^d = 1$ , while (b) would imply  $\alpha^\emptyset = 0 \rightarrow \Delta_U^\emptyset = 0$ , together implying  $(\Delta_U^d - \Delta_U^\emptyset)\pi = \pi > k$ , implying all unworthy SIGs would want to deviate to lobbying.

Now observe that

$$\begin{aligned} E[\omega] &= \Pr(c = d) \cdot E^d[\omega] + \Pr(c = \emptyset) \cdot E^\emptyset[\omega] \\ \iff \Pr(c = d) \cdot (E^d[\omega] - E[\omega]) &= \Pr(c = \emptyset) (E[\omega] - E^\emptyset[\omega]) \end{aligned}$$

Since  $E[\omega] < P$  by assumption, the preceding expression implies that  $E^c[\omega] \geq P$  (and so  $\alpha^c > 0$ ) for at most one  $c \in \{d, \emptyset\}$ . Now a strictly interior probability of lobbying for unworthy SIG's implies that they must be indifferent, i.e.  $(\Delta_U^d - \Delta_U^\emptyset)\pi = k$ . This clearly requires  $\alpha^d > 0$ , in turn implying  $E^d[\omega] \geq P$ ,  $E^\emptyset[\omega] < P$ , and  $\alpha^\emptyset = 0$ , further implying  $\Delta_U^\emptyset = 0$  and  $\Delta_U^d = \frac{k}{\pi}$ .

We now examine the additional implications of the SIG using a cutpoint strategy  $\underline{\omega}_d$ . First,  $\alpha^d > 0$  requires that  $E^d[\omega] = E[\omega | \omega \geq \underline{\omega}^d] \geq P \rightarrow \underline{\omega}^d \geq P$ . Further we must have  $\underline{\omega}^d < P$  since  $\underline{\omega}^d \geq P \rightarrow \alpha^d = 1$  and  $\phi_-(\underline{\omega}^d) = 0 \rightarrow \Delta_U^d = 1 > \frac{k}{\pi}$ . Finally, for every value of  $\Delta_U^d \in (0, 1)$  there is a unique combination of lobbyist cutpoint  $\underline{\omega}^d$  and politician best responses  $(\alpha^d, \phi^d)$  that achieve it. For  $\Delta_U^d \in \left(0, 1 - \frac{\phi_-(\underline{\omega}^d)}{\bar{r}}\right)$  it is  $\underline{\omega}^d = \underline{\hat{\omega}}^d (\rightarrow E^d[\omega] = P)$  and  $\alpha^d = \frac{\Delta_U^d}{1 - \phi_-(\underline{\hat{\omega}}^d)/\bar{r}}$ . For  $\Delta_U^d \in \left[1 - \frac{\phi_-(\underline{\hat{\omega}}^d)}{\bar{r}}, 1\right]$  it is the unique value satisfying  $1 - \frac{\phi_-(\underline{\omega}^d)}{\bar{r}} = \Delta_U^d$ , implying  $\underline{\omega}^d > \underline{\hat{\omega}}^d$  and  $\alpha^d = 1$ . The preceding ensures that the behavior of unworthy SIGs and the politician are mutual best responses. To verify the behavior of worthy SIGs (always lobby) is also a best response observe  $\underline{\omega}^d < P \rightarrow \phi_+^\emptyset = 0 < \phi_-(\underline{\omega}^d)$ . **QED**

**Proof of Lemma E.1** Consider an equilibrium strategy profile satisfying Assumption E.1, let  $p_A$  be the probability that the SIG accepts price  $F_W$ , and let  $\rho_\omega^L$  denote the probability

a SIG of type  $\omega$  acquires lobbyist representation through the bargaining process. Now let  $U_\omega^\ell(F)$  denote the lobbyist's utility from offering price  $F$  in the original strategy profile; it is easily verified that

$$U_\omega^\ell(F) = \begin{cases} U_\omega^A - (F_\omega - F) & \text{if } F < F_\omega \\ p_A \cdot U_\omega^A + (1 - p_A) U_\omega^R & \text{if } F = F_\omega \\ U_\omega^R & \text{if } F > F_\omega \end{cases}$$

where  $U_\omega^A$  is the lobbyist's utility from "accepting" the SIG at its willingness to pay and  $U_\omega^R$  is the lobbyist's utility from "rejecting" the SIG (which is unaffected by the price due to assumption E.1). From this it is clear that the lobbyist must only mix over prices  $F \geq F_\omega$ , and that the lobbyist's equilibrium utility must be  $\rho_\omega^L U_\omega^A + (1 - \rho_\omega^L) U_\omega^R$ .

Now, jointly perturbing  $p_A$  to  $p'_A = 1$  and the lobbyist's pricing strategy to  $F_\omega$  with probability  $\rho_\omega^L$  and  $F_\omega + \varepsilon$  with probability  $1 - \rho_\omega^L$  keeps the SIG's strategy a best response, and does not perturb the lobbyist's utility. We further argue that perturbing the SIG's strategy did not change the maximum utility  $\max_F \{U_\omega^\ell(F)\}$  achievable by the lobbyist, and thus his strategy in the perturbed profile must also be a best response. If  $U_\omega^A \leq U_\omega^R$  this is straightforward, and if  $U_\omega^A > U_\omega^R$  then  $p_A$  must have already been 1 (otherwise the lobbyist would not have had a best response in the original profile). Lastly, the politician's best response set is only affected by the probability the SIG pursues each channel, which was unaffected. **QED**

**Proof of Lemma E.2** Suppose the lobbyist only represents types  $\omega \geq \underline{\omega}^d$  who would otherwise lobby directly (whose net benefit of representation is  $(\Delta_\omega^\ell - \Delta_\omega^d)(\pi + \delta(\underline{\omega}^\ell - L))$ ). Then she represents the SIG i.f.f.  $\pi + \delta(\omega - L) \geq 0$ , and her behavior must follow a cutpoint.

Suppose next that the lobbyist represents some types  $\omega < \underline{\omega}^d$  that do not lobby directly. The net benefit of representing such types is  $\Delta_U^\ell(\pi + \delta(\omega - L)) \geq k$ . Thus, *among*  $\omega \leq \underline{\omega}^d$  her behavior is described by a cutpoint. In addition, if she represents some  $\omega \leq \underline{\omega}^d$  then  $\pi + \delta(\omega - L) > 0 \forall \omega > \underline{\omega}^d$  so she also represent types who would otherwise lobby directly her behavior is described by a cutpoint overall. **QED**

**Proof of Lemma E.3** First, recall from Observation D.1 that at  $\underline{\omega}^d = \hat{\omega}^d$  we have  $\phi_-^d = \phi_+^d$ . Next observe that when  $\underline{\omega}^\ell \leq P$ , the definitions yield that:

$$\phi_-^d = \phi_+^d = \left(\frac{1}{2}\right) \frac{(1 - \lambda)(\bar{\omega} - P)^2}{(\lambda(\underline{\omega}^\ell - \hat{\omega}^d) + (1 - \lambda)(\bar{\omega} - P) + (1 - \lambda)(P - \hat{\omega}^d))}$$

where the denominator of the second term is the unconditional probability of direct lobbying, which we denote  $\rho^S(\underline{\omega}^d; \underline{\omega}^\ell)$ . Next we argue  $\underline{\omega}^\ell \in (2P - \bar{\omega}, \bar{\omega}) \rightarrow \lambda(\underline{\omega}^\ell - \hat{\omega}^d) > (1 - \lambda)(\hat{\omega}^d - (2P - \bar{\omega}))$ , which further implies that  $\rho^S(\hat{\omega}^d; \underline{\omega}^\ell) > 2(1 - \lambda)(\bar{\omega} - P)$ . Ob-

serve that

$$\begin{aligned} (P - \underline{\hat{\omega}}^d)^2 &= (1 - \lambda) (\bar{\omega} - P)^2 + \lambda (P - \underline{\omega}^\ell)^2 \\ &> ((1 - \lambda) (\bar{\omega} - P) + \lambda (P - \underline{\omega}^\ell))^2 \quad (\text{since } x^2 \text{ convex}) \end{aligned}$$

which implies  $P - \underline{\hat{\omega}}^d > (1 - \lambda) (\bar{\omega} - P) + \lambda (P - \underline{\omega}^\ell)$ , implying  $\lambda (\underline{\omega}^\ell - \underline{\hat{\omega}}^d) > (1 - \lambda) (\underline{\hat{\omega}}^d - (2P - \bar{\omega}))$ .

Finally, using this we have

$$\frac{(1 - \lambda) (\bar{\omega} - P)^2}{2\rho^S (\underline{\hat{\omega}}^d; \underline{\omega}^\ell)} < \frac{(1 - \lambda) (\bar{\omega} - P)^2}{2 \cdot 2 (1 - \lambda) (\bar{\omega} - P)} = \frac{\bar{\omega} - P}{4}$$

proving the desired property for  $\underline{\omega}^\ell \leq P$ .

To prove the desired property for  $\underline{\omega}^\ell \geq P$ , observe that  $\underline{\hat{\omega}}^d$  is identical for the reflection point  $\tilde{\omega}^\ell = 2P - \underline{\omega}^\ell \leq P$  about  $P$ . We already know from the preceding that  $\frac{\bar{\omega} - P}{4} > \phi_+^d = \phi_-^d$  at  $\tilde{\omega}^\ell \leq P$ . We now wish to show that  $\phi_-^d$  at  $\tilde{\omega}^\ell \leq P$  is strictly greater than  $\phi_-^d$  at  $\underline{\omega}^\ell = 2P - \tilde{\omega}^\ell \geq P$ , which yields the desired property. First observe that  $\phi_-^d$  at  $\tilde{\omega}^\ell$  is  $W \cdot X$ , where

$$\begin{aligned} W &= \frac{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)}{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (\bar{\omega} - P) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)} \\ X &= P - \left( \frac{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d)}{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)} \right) \left( \frac{\underline{\hat{\omega}}^d + \tilde{\omega}^\ell}{2} \right) \\ &\quad - \left( \frac{(1 - \lambda) (P - \underline{\hat{\omega}}^d)}{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)} \right) \left( \frac{\underline{\hat{\omega}}^d + P}{2} \right). \end{aligned}$$

Next observe that  $\phi_-^d$  at  $\underline{\omega}^\ell$  is  $Y \cdot Z$ , where

$$Y = \frac{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d) + \lambda (P - \tilde{\omega}^\ell)}{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (\bar{\omega} - P) + (1 - \lambda) (P - \underline{\hat{\omega}}^d) + 2\lambda (P - \tilde{\omega}^\ell)}$$

and  $Z = P - \left( \frac{\underline{\hat{\omega}}^d + P}{2} \right)$ . Clearly,  $X > Z$ . We wish to show that also  $W > Y$ , proving the desired property. Write  $W$  as  $\frac{a}{b}$  which yields  $Y = \frac{a+c}{b+2c}$ , where  $c = \lambda (P - \tilde{\omega}^\ell)$ ; taking the difference  $W - Y = \frac{a}{b} - \frac{a+c}{b+2c}$  yields  $\left( \frac{2c}{b+2c} \right) \left( \frac{a}{b} - \frac{1}{2} \right)$ , which is  $> 0$  provided  $W = \frac{a}{b} > \frac{1}{2}$ . This is simple again using  $\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) > (1 - \lambda) (\underline{\hat{\omega}}^d - (2P - \bar{\omega}))$  since

$$\begin{aligned} W &= \frac{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)}{\lambda (\tilde{\omega}^\ell - \underline{\hat{\omega}}^d) + (1 - \lambda) (P - \underline{\hat{\omega}}^d) + (1 - \lambda) (\bar{\omega} - P)} \\ &> \frac{(1 - \lambda) (\underline{\hat{\omega}}^d - (2P - \bar{\omega})) + (1 - \lambda) (P - \underline{\hat{\omega}}^d)}{(1 - \lambda) (\underline{\hat{\omega}}^d - (2P - \bar{\omega})) + (1 - \lambda) (P - \underline{\hat{\omega}}^d) + (1 - \lambda) (\bar{\omega} - P)} = \frac{1}{2} \quad \text{.QED} \end{aligned}$$

## G Equilibria with lobbyist exit

We next consider equilibria when the lobbyist is present as a player, but chooses to exit the market. For simplicity we restrict attention to strategy profiles of the form in Remark

1, so that exit is described by  $\underline{\omega}^\ell = \bar{\omega}$ .

It is straightforward that in strategy profiles of the form in Remark 1,  $\underline{\omega}^d = 2P - \bar{\omega}$  and  $\phi^d = \frac{\bar{\omega} - P}{4}$ , which further implies that  $\Delta_U^\ell - \Delta_U^d = \Delta_U^\ell - \frac{k}{\pi}$ . Thus, necessary and sufficient conditions to sustain lobbyist exit are that (i)

$$\Delta_U^\ell (\pi + \delta ((2P - \omega) - L)) \leq k$$

(to reject  $\omega \leq \underline{\omega}^d = 2P - \bar{\omega}$ ), and (ii)

$$(\Delta_\omega^\ell - \Delta_\omega^d) (\pi + \delta (\omega - L)) \leq 0 \quad \forall \omega \in [2P - \bar{\omega}, \bar{\omega}]$$

(to reject  $\omega \in (2P - \bar{\omega}, \bar{\omega}]$ ). The (off-path) probabilities that the SIG acquires the favor through the lobbyist  $(\Delta_U^\ell, \Delta_W^\ell)$  must then arise from a politician strategy  $(\phi^\ell, \alpha^\ell)$  toward the lobbyist that is optimal given the politician's off-path beliefs.

The model is not a straightforward signaling game since the “signals” that the politician receives result from the choices by *two* privately informed players – the SIG and the lobbyist – rather than just one. It is thus necessary to somehow structure expectations of what sorts of off-path beliefs and best responses for the politician might be reasonable.

To do so we begin with the supposition that off-the-equilibrium path, the politician will ascribe deviations only to the lobbyist in her pricing strategy, rather than the SIG and its acceptance strategy. For the purposes of refinement we therefore treat the model *as if* it is a standard two-player signaling game, in which the lobbyist's payoffs from deviating to different representation decisions are computed as if the SIG will accept representation if and only if it is weakly profitable. With this assumption we apply universal divinity (Banks and Sobel 1987) and then heuristic arguments to restrict the set off-path beliefs.

First, it is straightforward that any value of  $\Delta_U^\ell \in [0, 1]$  may be constructed from a strategy toward the lobbyist  $(\phi^\ell, \alpha^\ell)$  that is a best responses to *some* feasible beliefs by the politician. This observation can be used to “prune” some types by applying D1, in the sense that the politician should place zero probability weight on them.

**Lemma G.1.** *In any equilibrium satisfying universal divinity with lobbyist representation off the equilibrium path, the politician's interim-belief may only place positive probability on types  $[2P - \bar{\omega}, \bar{\omega}]$ , all of whom except  $\omega = 2P - \bar{\omega}$  lobby directly absent representation. In addition, if  $L > 2P - \bar{\omega}$ , then type  $\omega = \underline{\omega}^d = 2P - \bar{\omega}$  may also be pruned.*

**Proof:** The net benefit of representing SIGs  $\omega \leq 2P - \bar{\omega}$  is

$$\Delta_U^\ell (\pi + \delta (\omega - L)) = k$$

It is clear that types  $\omega < 2P - \bar{\omega} = \underline{\omega}^d$  may be pruned; either no feasible value of  $\Delta_U^\ell$  will invite a deviation, or if some value  $\Delta_U^\ell$  makes type  $\omega$  indifferent to deviating then types  $\omega' \in (\omega, 2P - \bar{\omega})$  strictly prefer to deviate.

We next argue the highest type  $\omega = \underline{\omega}^d = 2P - \bar{\omega}$  that does not lobby directly may also be pruned if  $L > 2P - \bar{\omega}$ . If  $\pi + \delta((2P - \bar{\omega}) - L) < k$  then this is straightforward since no value of  $\Delta_U^\ell$  invites deviation, so suppose  $\pi + \delta((2P - \bar{\omega}) - L) \geq k$  but  $L > 2P - \bar{\omega}$ . The probability makes type  $\omega = 2P - \bar{\omega}$  indifferent to deviating is  $\frac{k}{\pi - \delta(L - (2P - \bar{\omega}))} > \frac{k}{\pi}$  but since  $\pi + \delta(\omega - L) > k > 0 \forall \omega \in (2P - \bar{\omega}, P)$ , this probability makes all unworthy types who lobby directly strictly prefer to deviate. QED

Using the preceding we now propose an equilibrium with lobbyist exist satisfying universal divinity for every possible value of  $L$ . The lemma is divided into several subcases. The first two subcases ( $L < 2P - \bar{\omega}$  and  $\hat{\omega}^\ell(L) \geq 2P - \bar{\omega}$ ) are the ones for which we argue that lobbyist exit will indeed prevail as the equilibrium. The remaining subcases are those in which we have already characterized another equilibrium with representation, and argue that equilibrium will prevail instead of lobbyist exit. In several subcases, our equilibrium is not the unique one sustaining lobbyist exit that satisfies universal divinity, but in the proof we provide a heuristic argument for our choice.

**Lemma G.2.** *The following equilibria with lobbyist exit ( $\underline{\omega}^\ell = \bar{\omega}$ ) satisfy universal divinity for each possible value of  $L$ .*

- (G.1)  $L < 2P - \bar{\omega}$ : off-path the politician believes  $\omega = 2P - \bar{\omega}$  with probability 1, and  $\Delta_U^\ell = \Delta_W^\ell = 0$ .
- (G.2)  $\hat{\omega}^\ell(L) \geq \bar{\omega}$ : off-path the politician believes  $\omega \sim U[2P - \bar{\omega}, \bar{\omega}]$ , and  $\Delta_\omega^\ell = \Delta_\omega^d \forall \omega$ .
- (G.3)  $L \geq 2P - \bar{\omega}$  and  $\hat{\omega}^\ell(L) < \bar{\omega}$ : off-path the politician believes  $\omega \sim U[2P - \bar{\omega}, \bar{\omega}]$ , and  $\Delta_\omega^\ell = \Delta_\omega^d \forall \omega$ .

**Proof:**

**(Case G.1):** We first argue that iterating refinement D1 implies that unworthy types who will lobby directly  $\omega \in (\underline{\omega}^d, P)$  may be pruned, and so the set of off-equilibrium path beliefs for the politician must be concentrated on  $\{2P - \bar{\omega}\} \cup [P, \bar{\omega}]$ . For such types  $\pi + \delta(\omega - L) > 0$ . To make all such types exactly indifferent to deviation then requires that  $\Delta_U^\ell = \Delta_U^d = \frac{k}{\pi}$ , but then  $\frac{k}{\pi}(\pi + \delta((2P - \omega) - L)) = k(1 + \frac{\delta}{\pi}((2P - \omega) - L)) > k$  so a type  $\omega = \underline{\omega}^d$  would strictly prefer to deviate.

Next we argue that universal divinity places *no further restriction on beliefs*. Observe that to make worthy types  $\omega \in [P, \bar{\omega}]$  indifferent to deviating requires that  $\Delta_W^\ell = \Delta_W^d \iff \Delta_U^\ell = \frac{k}{\pi} + (\frac{1}{\bar{r}}) \left( \frac{\bar{\omega} - P}{4} - \frac{\phi^\ell}{\bar{r}} \right)$ ; given such a best response the net benefit to a type  $\omega = 2P - \bar{\omega}$  of deviating is



$$\frac{1}{\bar{r}} \left( \frac{\bar{\omega} - P}{4} - \phi^\ell \right) + \Delta_U^\ell \delta((2P - \omega) - L)$$

For any  $L < 2P - \bar{\omega}$  this expression can be both strictly negative given some best responses by the politician to beliefs concentrated on  $\{2P - \bar{\omega}\} \cup [P, \bar{\omega}]$  (for example, if the politician places equal weight on  $2P - \bar{\omega}$  and  $\bar{\omega}$  then  $\Delta_U^\ell = 0$  and  $\Delta_W^\ell = \phi^\ell = \frac{\bar{\omega} - P}{2}$  is a best response) and strictly positive (for example, if the politician believes  $\omega \in [P, \bar{\omega}]$  so  $\Delta_U^\ell = 1$  and  $\phi^\ell = 0$ ).

Although universal divinity places no further restrictions on beliefs, we further argue heuristically that off-equilibrium path, we should consider only beliefs that are a point mass on  $\omega = 2P - \bar{\omega}$  ( $\rightarrow \Delta_U^\ell = \Delta_W^\ell = 0$ ) or uniform on  $\omega \in [P, \bar{\omega}]$  ( $\rightarrow \Delta_U^\ell = \Delta_W^\ell = 1$ ). Our logic is as follows. First, if a *given* worthy type  $\omega \in [P, \bar{\omega}]$  is indifferent to (strictly prefers) to deviate, then so too do *all* worthy types – so there is such no reason for the politician to believe that some worthier types are likelier to have deviated than others. Second, the ex-ante probability that  $\omega$  is exactly  $2P - \bar{\omega}$  is 0 since  $\omega$  is distributed uniformly; thus, the politician can only believe off path that  $\omega = 2P - \bar{\omega}$  if she places *no weight* on  $\omega \in [P, \bar{\omega}]$ .

Among these two possible off-path beliefs, only one supports lobbyist exit as an equilibrium – if the politician believes that  $\omega = 2P - \bar{\omega}$  off equilibrium path. We thus argue that this equilibrium will prevail when  $L < 2P - \bar{\omega}$ .

**(Case G.2).** By Lemma G.1 type  $\omega = 2P - \bar{\omega}$  may also be pruned. We argue that universal divinity places no further restriction on the politician's beliefs beyond Lemma G.1 by arguing that there exists a best response to beliefs concentrated on  $(2P - \bar{\omega}, \omega]$  that makes unworthy types indifferent to deviation worthy types strictly prefer to deviate, and another best response that makes worthy types indifferent and unworthy types strictly prefer to deviate.

For the former, suppose the politician believes exactly that  $\omega = P$  so she is indifferent to granting or denying the favor. Then she never reviews ( $\phi^\ell = 0$ ), so  $\Delta_U^\ell = \frac{k}{\pi}$  and  $\Delta_W^\ell = \frac{k}{\pi} < \Delta_W^d = \frac{k}{\pi} + \frac{1}{\bar{r}} \left( \frac{\bar{\omega} - P}{4} \right)$  is a best response. For the latter, suppose the politician places equal weight on only  $(2P - \bar{\omega}) + 2\varepsilon$  and  $\bar{\omega} - 2\varepsilon$ , so that  $\phi^\ell = \frac{\bar{\omega} - P}{2} - \varepsilon > \frac{\bar{\omega} - P}{4}$ . Then  $\Delta_W^\ell = \frac{k}{\pi} + \left( \frac{1}{\bar{r}} \right) \left( \frac{\bar{\omega} - P}{4} \right) = \Delta_W^d$  and  $\Delta_U^\ell = \frac{k}{\pi} - \left( \frac{1}{\bar{r}} \right) \left( \phi^\ell - \frac{\bar{\omega} - P}{4} \right) < \frac{k}{\pi} = \Delta_U^d$  is a best response.

Although universal divinity places no further restrictions on beliefs, we argue heuristically that off-equilibrium path, we should consider only beliefs that place probability  $\gamma$  on  $\omega \sim U[2P - \bar{\omega}, P]$  and  $1 - \gamma$  on  $\omega \sim U[P, \bar{\omega}]$ . Our logic is similar to the previous case; if a *given* worthy type  $\omega \in [P, \bar{\omega}]$  is indifferent to (strictly prefers) to deviate then so too do *all* worthy types, and if a given unworthy type  $\omega \in [2P - \bar{\omega}, P]$  is indifferent to (strictly prefers) to deviate then so too do *all* unworthy types. Thus, there is no reason for the politician to believe that unworthy (worthy) types do not all deviate together.

It is straightforward to show that the set of politician best responses to this restricted set of beliefs yields feasible pairs  $(\Delta_U^\ell, \Delta_W^\ell)$  satisfying

$$\left\{ \Delta_U^\ell \in [0, 1], \Delta_W^\ell = \min \left\{ \Delta_U^\ell + \frac{\phi^\ell}{\bar{r}}, 1 \right\} \right\}$$

with  $\phi^\ell = \frac{\bar{\omega} - P}{4}$ . The set of best responses to this restricted set of beliefs that invite or make a SIG indifferent to deviation is *identical* across worthy and unworthy types. Iterating our previous heuristic argument then suggests that upon observing a deviation, it is reasonable to suppose that the politician should infer that  $\omega$  is uniform over the set  $[2P - \bar{\omega}, \bar{\omega}]$  who would otherwise lobby directly. With these beliefs,  $\Delta_U^\ell = \frac{k}{\pi} = \Delta_U^d$  and  $\Delta_W^\ell = \frac{k}{\pi} + \left(\frac{1}{\bar{r}}\right) \left(\frac{\bar{\omega} - P}{4}\right) = \Delta_W^d$  is the unique best response that sustains an equilibrium with lobbyist exit. We thus argue that this is equilibrium will prevail when  $\hat{\omega}^\ell(L) \geq \bar{\omega}$ .

**(Case G.3):** In Case G.3, the equilibrium with exit coexists with the equilibrium with representation, and we argue that the latter will prevail. In this case, by Lemma G.1 type  $\omega = 2P - \bar{\omega}$  may also be pruned. We now examine three subcases.

*Subcase G.3.1* ( $\hat{\omega}^\ell(L) \in (2P - \bar{\omega}, \bar{\omega})$ ): We argue universal divinity places no further restriction on beliefs. Consider first  $\hat{\omega}^\ell(L) \in (P, \bar{\omega})$ . By previous arguments we know that some best responses will invite deviation from  $\omega \in (2P - \bar{\omega}, P]$  but not  $[P, \hat{\omega}^\ell(L)]$ , and otherwise will invite deviation from  $[P, \hat{\omega}^\ell(L)]$  but not  $\omega \in (2P - \bar{\omega}, P]$ . In addition, types  $\omega \in (\hat{\omega}^\ell(L), \bar{\omega})$  with  $\pi + \delta(\omega - L) < 0$  prefer to deviate exactly when types  $\omega \in (P, \hat{\omega}^\ell(L))$  with  $\pi + \delta(\omega - L) > 0$  do not, and *visa versa*.

Although universal divinity places no further restrictions on beliefs, we argue heuristically that off-equilibrium path, we should consider only beliefs that place probability  $\gamma$  on  $\omega \sim U[2P - \bar{\omega}, P]$  and  $1 - \gamma$  on *either* (i) only  $U[P, \hat{\omega}^\ell(L)]$ , (ii) only  $U[\hat{\omega}^\ell(L), \bar{\omega}]$ , or (iii)  $U[2P - \bar{\omega}, \bar{\omega}]$ . The argument is similar to before; when one type within these sets wishes to deviate so to do all types, and in addition types  $\omega \in (P, \hat{\omega}^\ell(L))$  strictly prefer deviate precisely exactly when types  $\omega \in (\hat{\omega}^\ell(L), \bar{\omega})$  strictly prefer not to (and *visa versa*). An equilibrium with lobbyist exit then requires that  $\Delta_\omega^\ell = \Delta_\omega^d \forall \omega$ , and it is easily verified that the only beliefs among this restricted set generating such a best response is  $\omega \sim U[2P - \bar{\omega}, \bar{\omega}]$  as in Case G.2. We thus argue that this is the only reasonable equilibrium with lobbyist exit to consider; and further recall that under these conditions we argue that the equilibrium with lobbyist entry will instead prevail.

Consider next  $\hat{\omega}^\ell(L) \in (2P - \bar{\omega}, P]$ . An effectively identical argument implies that the same equilibrium with lobbyist exit is the only reasonable equilibrium with exit to consider.

*Subcase G.3.2* ( $L \geq 2P - \bar{\omega}$  and  $\hat{\omega}^\ell(L) \leq 2P - \bar{\omega}$ ): By a similar argument as case G.2 ( $\hat{\omega}^\ell(L) \geq \bar{\omega}$ ) we argue that the only reasonable beliefs are  $\omega \sim U[2P - \bar{\omega}, \bar{\omega}]$ , and (if

$L = 2P - \bar{\omega}$ ) also that  $\omega = 2P - \bar{\omega}$ . The latter belief does not support lobbyist exit in a best response, and the former belief does only when  $\Delta_\omega^\ell = \Delta_\omega^d \forall \omega$ .

## H Non-cutpoint equilibrium with representation

Suppose  $\hat{\omega}(L) \in (P, \bar{\omega})$ . Consider the lobbyist representing  $[2P - \bar{\omega}, \underline{\omega}^\ell] \cup [\bar{\omega}^\ell, \bar{\omega}]$  with  $\bar{\omega}^\ell = \hat{\omega}(L)$  and  $\underline{\omega}^\ell = 2P - \hat{\omega}(L)$ , and suppose the SIG lobbies directly i.f.f.  $\underline{\omega}^d = 2P - \bar{\omega}$ . It is easily verified that both  $E^\ell[\omega] = P$  and  $E^d[\omega] = P$ . Further it is easily verified that:

$$\phi^\ell = \frac{(\bar{\omega} - P) + (\hat{\omega}(L) - P)}{4} \quad \text{and} \quad \phi^d = \frac{(1 - \lambda)(\bar{\omega} - P) + \lambda(\hat{\omega}(L) - P)}{4}$$

and observe that  $\phi^\ell > \frac{\bar{\omega} - P}{4} > \phi^d$ .

Now for both  $c \in \{\ell, d\}$  we argue that  $\exists \alpha^c \leq 1$  s.t.  $(1 - \frac{\phi^c}{\bar{r}}) \alpha^c = \frac{k}{\pi}$ . This requires that  $\frac{\phi^c}{\bar{r}} \leq 1 - \frac{k}{\pi} \forall c \in \{\ell, d\}$  which will hold for  $\hat{\omega}(L)$  sufficiently close to  $P$ . We last argue that the lobbyist's strategy is indeed a best response. She is indifferent over representing  $\omega \in [2P - \bar{\omega}, P]$  since  $\Delta_U^\ell = \Delta_U^d$  and so is willing to carry out her strategy among this set, and since  $\Delta_W^\ell > \Delta_W^d$  prefers to represent worthy SIGs i.f.f.  $\omega \geq \hat{\omega}(L)$  which is exactly her strategy among this set. QED.