New Empirical Evidence of the Role of Interest Groups in Influencing the Growth of Government

Abstract – We provide new evidence regarding the role of interest groups in influencing the size and growth of government spending. Using data on the change in individual legislators' total voted and sponsored spending from the status quo, we explore this relationship in a manner closer to the public choice tradition. Examining the impact that interest groups have on individual legislators' preferences for new spending, we find that interest groups within a legislator's district exhibit more influence on the short-run growth of the budget than do Political Action Committees.

Keywords – Government growth, interest groups, Political Action Committees

JEL classification codes – D720, H110, O252

1. Introduction

The growth in government spending over the last century has attracted the attention of both political scientists and economists, resulting in an immense body of scholarly research which has yet to completely explain the causal factors affecting this growth. One often cited factor in influencing the growth of government has been interest groups. Interest groups may influence political outcomes in one of two ways. They may influence the allocation of government spending and/or they may influence the level of government spending. This paper provides new evidence on the role of interest groups in influencing the change in the level of government spending by

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1 There are many theories which have been advanced to explain the growth in government spending. The most frequently cited works in this area include Mueller [1987], Meltzer – Richard [1978, 1981, 1983], Pelzman [1980], Niskanen [1971], Romer – Rosenthal [1978], Peacock – Wiseman [1967], and Wagner [1958].

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examining the impact that interest groups have on individual legislators’ preferences for growth in spending.

Our study of the role of interest groups in affecting the growth of government has been made possible by two data sets created by the National Taxpayers Union Foundation. The data sets, which are named Vote Tally and the Congressional Budget Tracking System respectively, contain the total amount of new federal spending that every legislator in Congress voted in favor of, and the total amount of new federal spending that every legislator in Congress either sponsored or cosponsored. We regress the total amount of voted spending and sponsored spending on district, legislator, and campaign finance variables to determine the effect that interest groups have on legislators’ preferences for new spending and the size of government. Since the data we use represents changes in spending from the status quo, we are actually examining the impact that interest groups have on the short-run growth in the budget. Previous research has examined the role of interest groups in affecting the outcomes of specific roll call votes using probit-type analysis and has also explored the effect of interest groups on total government spending using aggregate time-series data, but we provide the first treatment of the role of interest groups in affecting individual legislator preferences for the size and growth of government. This distinction is important because any interest group effect on an individual legislator’s aggregate preference for new spending provides much stronger evidence in support of the interest group theory of the growth of government than does evidence that interest groups affect legislative behavior on specific legislation. Estimating our models separately for House Democrats and Republicans, we find limited evidence in both parties that support the interest group theory of government growth. Our empirical results reveal that while campaign contributions from Political Action Committees (hereafter PACs) do not significantly affect a legislator’s decisions over increased total federal spending, interest groups within legislators’ districts, such as federal government employees, do influence the behavior of legislators in favor of increased total government spending.

The next section of the paper addresses the foundations and prior evidence of the interest group theory of the size and growth of government in more detail. Following the empirical methodology and data description in Section 3, the next section presents our estimation results. Finally, Section 5 chronicles our conclusions and implications for the role of interest groups in influencing government.

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2 This data was first available for the 103rd Congress. For subsequent Congresses the Congressional Budget Tracking System was renamed Bill Tally.
2. – Interest groups and the size and growth of government

2.1 – The role of interest groups in affecting legislative behavior

While Bentley [1908] was the first to address the role of interest groups in influencing political choices, Tullock’s [1959] examination of the problems with majority voting as a factor in affecting the size of government led to the present day understanding of the role of interest groups. In a political system composed of districts utilizing majority rule, it is possible for a group or groups to obtain centralized benefits of government spending while simultaneously bearing only a fraction of the costs. The potential impact on legislative behavior follows directly. If we assume that a district’s residents favor government spending (because it is not a perfect substitute for private consumption) and dislike taxes, then legislators who are utility maximizers seeking reelection (maximizing their political support) have an incentive to vote in favor of any legislation that generates benefits only within their district while dispersing the costs among all the districts.

When determining whether or not to support legislation, legislators face a trade-off between the expected gain in political support from the beneficiaries of government spending and the expected loss in political support from those who must bear the cost of such spending. If legislators can shift the tax burden of government spending to individuals or groups which will not determine their political future and increase government transfers to those individuals that do, they will receive a net gain in political support. If a majority of legislators can obtain such net gains in political support, then the resulting political equilibrium will be one in which the level of government spending exceeds the efficient level [WEINGAST – SHEPSLE – JOHNSEN, 1981].

The political support offered by interest groups can come in one of two ways. Interest groups which are part of the legislator’s district (such as government employees, welfare and Social Security recipients) provide direct political support for the legislator by means of voting, while Political Action Committees (PACs), such as the American Medical Association and National Rifle Association, provide indirect political support for legislators through their campaign contributions. Subsequently, we will distinguish these groups as direct interest groups (the within-district ones that provide direct support through voting) and indirect interest groups (the PACs who provide indirect support through contributions). The opportunity for interest groups to receive localized benefits in excess of the personal cost (because it is widespread) creates an incentive for these groups to support policies and politicians that attempt to expand government output in their direction. It is this
manipulation of the political process which the interest group theory contends is the underlying cause of the size of government.

Recent work by Holcombe [forthcoming] claims to have discovered evidence of the first successful modern interest group – Union veterans from the U.S. Civil War. Union veterans received pensions for their service during the Civil War while the Confederate veterans did not. Holcombe contends that the Union veterans were the first ‘group’ in U.S. history to receive centralized benefits with widespread costs. Interest groups existed in the U.S. prior to the Civil War, but Holcombe asserts that the Union veterans were the first group to seek and acquire large-scale transfers from the federal government.

2.2 – The transition from influencing government size to government growth

To this point, we have only addressed how the interest group theory of government may explain why government can be inefficiently large. However, in influencing legislative behavior, interest groups may affect the political equilibrium in two distinct ways. First, they may alter the composition of government spending through their lobbying activities. And second, they may influence the total amount of government spending.

This transition from affecting the size of government to affecting the growth of government was first propagated by Olson [1982]. According to Olson, as interest groups become successful in obtaining transfers from the political process, it creates an incentive for other interest groups to expand or initiate their lobbying efforts. If these additional groups are each successful in obtaining government transfers, then over time the total transfers from the government will grow. This dynamic explanation of how interest groups may affect the growth of government differs from the existing theories which have addressed the role of interest groups. In general, the theoretical models of interest group behavior explore how the groups compete over a fixed amount of spending or ‘rents’. Interests groups which are relatively more efficient in their lobbying efforts secure greater proportions of government funds at the expense of the less efficient interest groups. The role of interest groups in affecting the composition and allocation of government spending is a phenomenon which we call the allocative effect. For an interest group to affect the level of government spending, and hence the size of government,

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1 For a discussion of interest group activity in the U.S. prior to the Civil War see Hughes [1977] and Holcombe [1993].
2 See Peltzman [1976], Becker [1983], and Denzau – Munger [1986].
their lobbying activities must increase the *total* supply of funds available to transfer. It is certainly probable that interest groups could influence both the composition and level of government spending, but evidence that interest groups affect only the composition does not support the hypothesis that interest groups are an influential factor affecting government growth. We refer to the impact of interest groups on the total amount of government spending as the *growth effect*, as opposed to the allocative effect in which interest groups influence only the composition of spending.

There is widespread empirical support for the allocative effects of PACs which spans many different issues. Evidence exists which suggests that PACs have influenced the political outcomes on issues as varied as food pricing, sugar legislation, labor legislation, banking legislation, and free trade agreements⁵. Although these roll call voting studies illustrate that PACs influence the allocation of spending, they do not imply that PACs have a growth effect on total government spending. For example, consider an agricultural PAC which attempts to increase their federal subsidy. Through their lobbying efforts they may be able to secure a larger transfer and even increase the total transfer within specific legislation, but an equal reduction in the transfer to a corporate PAC, would leave the total amount of government spending unchanged.

As a result of the strength of this evidence supporting the notion that PACs affect the composition of government expenditures, we have excluded any empirical analysis of roll-call data to investigate allocative effects. Our empirical analysis is limited to addressing the previously unexamined effect of interest groups on individual legislator’s preferences for *total* government spending, that is the growth effect.

2.3 – The importance of examining individual legislators

Unlike the early median-voter approaches to studying the size of government, which asserted that increased urbanization and consumer demand led to the increases in government spending, the public choice methodology examines the decision-making process in a more direct manner⁶. Any outcome is the result of a process; inefficiencies in the outcome can therefore be caused by inefficiencies in the process. Models of government decision mak-

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⁶ Early investigations of the size of government include Barr – Davis [1966], Davis – Haines [1966], Baumol [1967], Bergstrom – Goodman [1973] and Deacon [1977].
ing, such as that of Weingast – Shepsle – Johnsen [1981] and Holcombe [1985], rest precisely on this point. In the Weingast – Shepsle – Johnsen model, legislators inaccurately assess government spending in their district as a benefit rather than a cost so they vote in favor of more government spending than is efficient. The inefficient outcome is a result of the inefficient decision-making process utilized by government. And since legislators are the central figures in the decision-making process of government, we believe explanations to explain the size and growth of government must be rooted in understanding the decision-making processes which exist in the legislative body. Thus, our approach is based on the realization that the size and expansion of government spending are determined collectively by the choices of individual political decision-makers, each of whom has their own preferences for government spending. To understand the factors contributing to the size and growth of government, one must first examine the factors which influence the behavior of legislators towards their actions on these issues.

3. Data and empirical methodology

The prior lack of an aggregate measure of the spending preferences of individual legislators has hindered research on this growth effect at the individual-legislator level. Unlike the allocative effect which can be empirically tested using voting data on a specific issue, the growth effect requires that interest groups affect the total amount of government spending. The data created by the NTUF provides data for the first time on the total amount of new government spending that a particular legislator voted in favor of during the entire legislative session along with the total amount of new spending that a legislator sponsored or cosponsored. In the data, spending is measured as a change from the status quo, so a legislator voting in favor of $100 billion in new spending and $500 billion to maintain current spending receives a value of $100 billion. Thus, the data clearly represents changes in individual legislators’ preferences for spending. This essentially allows us to determine the impact that interest groups have in influencing the short-run growth in the budget. An interest group found to have a positive effect on legislators’ preferences for total new spending, that is their voted change from the status quo, yields evidence suggesting that at a minimum interest groups affected the short-run growth of government spending for the sample period we examine. For a connection to be made concerning long-run growth, the influence of interest groups would have to have a continuous effect on legislators’ preferences within each legislative session. Thus, we believe that by examining the influence of interest groups on these total new
amounts, we are presenting a new and unique opportunity for testing the interest group theory of the growth of government on non-time series data in a manner more consistent with core public choice theory.

A substantial amount of research investigating legislative behavior has revealed that legislative behavior is some function of classifications reflecting constituent preferences, individual legislator preferences, and the influence of interest groups such as PACs\textsuperscript{7}. In an effort to isolate the true effect of interest groups, we distinguish between the variables in our model as either control variables or interest group variables. Beginning with the control variables, we include the percentage of the district's population residing in an urban area (%URBAN) and the district's median income (MINCOME) in dollars to control for constituency characteristics. In addition, we include several characteristic measures of the individual legislator, beginning with the legislator's tenure (TENURE) in years. The length of service of the legislator is an important component given the structure of Congress. The ability of legislators to effectively maneuver through Congress depends in part on their length of service since committee assignments and leadership positions are often determined based on tenure. In addition, other research has suggested that higher tenured legislators tend to favor more spending, and we want to control for any of these effects that might bias our estimates of the interest group effects\textsuperscript{8}. Other legislator regressors in the model are dummy variables which account for the gender (FEMALE) and race (NONWHITE) of the legislator.

The interest group variables are divided among direct and indirect interest groups. The direct interest group variables are those from within the legislator's district, such as the percentage of the district's population which is over the age of 65 (%OVER65). This variable controls for the age distribution within each district, but also captures vital information on direct interest groups since those over the age of 65 are often regarded as one of the most important demographic groups within constituencies because of their high percentage turnout at the polls and their vested interest in the expansion of the Social Security program\textsuperscript{9}. An additional direct interest group is the percentage of a district's residents that are federal government employees.

\textsuperscript{7} See note 5 for cites to this literature.

\textsuperscript{8} Payne [1990] suggests a 'culture of spending' in Congress, where as legislators remain they become more sympathetic to increased government involvement. Reed - Schansberg - Wilbanks - Zhu [1998] however, suggest that it may simply be that legislators who favor higher spending are more likely to get reelected, so the selection process favors those who spend more. Regardless, we want to isolate the effects of interest groups on a legislator controlling for all other factors, that is the effects on a legislator of given tenure.

\textsuperscript{9} See Congleton - Shughart [1990] for evidence regarding the elderly and Social Security spending in a time series framework.
employees (%FEDGOV). Ceteris paribus, employees of the federal government have a vested interest in the size of the federal budget, with specific interests to their own department, and thus may be more likely to provide direct political support for a legislator in favor of increasing the level of government expenditures. The remaining direct interest group variable included in our model is the percentage of the district’s residents receiving public income assistance (%PAINC). This variable is included to capture vital information about the district’s income distribution. Recently Husted – Kenny [1997], using a panel of state-level data, found evidence that state welfare spending increased as political power shifted to individuals at the lower end of the distribution of income. The association to an interest group is possible because legislation that expands the voting franchise, presumably expanding the number of individuals at the lower end of the income distribution, may be coupled with increases in transfers since citizens at the lower end will likely be recipients of those transfers and not contributors. Consequently, they should be willing to offer their political support for such legislation [HUSTED – KENNY, 1997, p. 59]. Lastly, we use total campaign contributions from the Federal Elections Commission to examine the indirect interest group (i.e., PAC) effect.

The control and interest group variables described above are regressed separately on the two independent variables, VOTED SPENDING and SPONSORED SPENDING. VOTED SPENDING is the total amount of new spending that the legislator voted in favor of during the 103rd Congress, while SPONSORED SPENDING is the total amount of new spending that the individual legislator sponsored or cosponsored during the 103rd Congress. The source and definitions of all the variables are presented in Table 1.

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10 The notion that public sector employees and their families serve as an interest group was first developed by Tullock [1974].

11 Although the FEC classifies campaign contributions into seven separate categories, our PACs variable includes only PAC contributions (i.e., does not include individual and party contributions). This data is for the 1993-94 election cycle. Since only one-third of the members of the U.S. Senate are up for reelection in any election year, we have restricted our analysis to only the House of Representatives. While the PAC contributions could have been further divided, we believe this specification is appropriate to test the aggregate effect of PACs on individual legislator behavior because the effects of any individual PAC is not pertinent to examining whether PACs collectively influence legislators’ behavior in favor of increased spending. The effects of individual PACs or categories of PACs are essential to exploring any potential allocating effects, but the aggregative effect requires that the total amount of PAC contributions affect total government spending.

12 The single-payer Health Care Bill (HR 1200), which the Congressional Budget Office estimated would create over $500 billion in new government spending alone, was introduced during the 103rd Congress. The immense size of this bill made the twenty-six Democratic sponsors and cosponsors outliers. Consequently, the sponsorship data we use does not include HR1200.
Table 1: Variable definitions and sources

Dependent Variables:
VOTED SPENDING Net change in government spending associated with all votes of the legislator during the 103rd Congress (1993-94) [in billions]
SPONSORED SPENDING Net change in government spending associated with all bills on which legislator was either a sponsor or cosponsor during the 103rd Congress (1993-94) [in billions]

Interest Group Variables:
%OVER65 Percentage of district population over age 65 [%*100]
%FEDGOV Percentage of district employment for federal government [%*100]
%PAINC Percentage of district residents receiving public assistance income [%*100]
PACS Legislator’s total contributions from PACs, excluding individual and party contributions, in 1993-4 election cycle [in millions]

Control Variables:
%URBAN Percentage of district population living in urban areas [%*100]
MINCOME Median household income in district [in thousands]
TENURE Legislator’s tenure in office as of 1994 [in years]
FEMALE Equal to 1 if the legislator is gender female, 0 if male
NONWHITE Equal to 1 if the legislator’s race is nonwhite, 0 if white

Source:
1 NATIONAL TAXPAYERS UNION FOUNDATION, VoteTally or Congressional Budget Tracking System Data.
3 ALMANAC of AMERICAN POLITICS.

The ability to use both voted spending and sponsored spending affords us a nice contrast to the standard legislative models examining only roll-call voting for several reasons. First, since VOTED SPENDING reflects the total amount of spending that a legislator voted in favor of, it will reveal more information about legislative behavior than individual roll-call votes. During a single session legislators may vote on hundreds of different issues. An individually selected issue may not be reflective of the legislator’s true preferences for spending or the size of government. For example, legislators may generally be in favor of reducing military expenditures but if the opportunity arises for expanding a military base within their district, they may vote in favor of that issue since it will likely increase their direct political support. Thus, the individual vote illustrates a preference for increasing the size of government; however, their aggregate record may still reveal their prefer-
ence for smaller government. The NTUF data affords us the opportunity to examine this possibility, which is central to understanding the true relationship between interest groups and government spending.

Second, VOTED SPENDING and SPONSORED SPENDING measure different facets of a legislator's actions. Like any economic agent, legislators face scarce resources and must decide how to allocate their time and effort. A legislator working to produce new legislation will not have the same resources available to negotiate with other legislators and analyze existing legislation as a legislator that is not presently drafting legislation, \textit{ceteris paribus}. In short, SPONSORED SPENDING reflects the productive efforts of legislators that extend beyond the facet of voting. We believe that data on sponsored spending provides information about a previously unexamined channel for interest group influence because it includes every bill from the legislative session, not just those receiving roll call votes. Aside from voting in line with the interests of their direct and/or indirect supporters, legislators may attempt to obtain both indirect and direct support through their sponsorship activities. A legislator who sponsors legislation that would directly favor either a group within their constituency or a PAC is likely to receive the group's praise and political support. This of course does not imply that any such legislation will actually be adopted or even come to a vote, but sponsorship behavior may reveal additional impacts of interest groups on legislative behavior. Any such impact on sponsorship does not reflect an actual outcome of the political process, but it does reflect a \textit{potential} outcome. As more and more interest groups affect the sponsorship behavior of legislators, it becomes more likely that at least a fraction of that legislation will be adopted. Alternatively, if the core of sponsored legislation can be altered, interest groups may effectively gain agenda-setting power which can indirectly influence the final outcomes chosen, as is shown by Romer – Rosenthal [1978]. If the objectives of interest groups are to maximize their government transfer and minimize their revenue contribution, these objectives must originate in sponsored legislation.

To quickly summarize the empirical methodology, our model of legislative behavior will reveal evidence in support of, or support against, the growth effect of both direct and indirect interest groups. The direct interest group variables are the percentage of the district's residents over the age of 65, the percentage of the district's residents that are federal government employees, and the percentage of district residents receiving public income assistance. The indirect interest group variable is the legislator's total PAC contributions. In terms of the interest group theory, an interest group which is significant in explaining the total amount of voted spending yields evidence in support of the interest group theory of the growth of government, while a significant interest group variable in the sponsorship model indicates that
interest groups have extended beyond the realm of voting to influence the production and composition of new legislation.

4. Spending and sponsorship models: empirical results

Using the data described above in Section 3, we estimated the sponsorship and spending models for the full House, and separately for House Democrats and House Republicans using ordinary least squares. The results of the spending and sponsorship estimation are given in Table 2.

<table>
<thead>
<tr>
<th>Table 2: Regression estimates</th>
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<tr>
<td>VOTED SPENDING</td>
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<td>Democrats</td>
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<td>%OVER65</td>
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<td>%FEDGOV</td>
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<td>(0.463)</td>
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<td>%PAINC</td>
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<td>PACS</td>
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<td>(7.028)</td>
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<td>%URBAN</td>
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<td>MINCOME</td>
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<td>CONSTANT</td>
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Sample Size | 227 | 158 | 386 | 229 | 159 | 389 |

F-Test | 3.160*** | 5.120*** | 75.450*** | 13.480*** | 8.320*** | 51.170*** |
R-Squared | 0.116 | 0.237 | 0.668 | 0.356 | 0.334 | 0.575 |

Notes: Standard errors in parenthesis. Significance levels are as follows: *** denotes significance at the one percent level, ** at the five percent level, and * at the ten percent level.
In general terms, the F-test for joint significance of the independent variables is significant at the one percent level in each regression indicating the success of the set of regressors. However, in terms of the explained variation in the data, the sponsorship model performs better than the voting model for both Democrats and Republicans, but conversely for the full House. In the full House models, REPUBLICAN is a binary variable taking a value of one if the legislator is a Republican and of zero otherwise.

Examining the interest group variables provides some interesting findings. Beginning with the direct interest groups, we find that the percentage of the district’s residents over the age of 65 is positive and significant across all sponsorship regressions, yet it is insignificant across all voting regressions. This finding provides some evidence that legislators use their sponsorship activities and not their voting activities to maintain political support from the elderly. The elderly’s interest group effect is to increase the amount of new spending sponsored, but not voted for, by both Democrats and Republicans. For instance, if the percentage of those over age 65 increases by one percentage point within a Democrat’s district, they in turn sponsor an additional $970 million in spending. Similarly, Republicans sponsor and additional $1.2 billion for a one percentage point increase in the percent over 65 in their district.

In addition, the assertion by Tullock [1974] that federal government employees are a key interest group is supported by our findings. The percentage of the district’s residents that are federal employees is positive and significant in explaining only voting preferences for new spending with both Democrats and Republicans. In fact, of all the interest group variables, the percentage of federal government employees has the highest marginal effect on increasing spending. A one percentage point increase in the district’s share of federal government employment causes Democrats to vote for $1 billion in new spending and their Republican counterparts to vote in favor of $2.6 billion in new spending. This result provides evidence supporting the notion that interest groups have a growth effect on government spending. In many respects, this finding may also illustrate the government's ability to manifest its own growth. As the percentage of federal employees in districts grows, presumably increasing as the size of government increases, legislators in both parties respond by voting for more government spending. If the new government spending leads to more federal employees, our results suggest the process may repeat itself.

The percentage of the district’s residents receiving public assistance is statistically significant in five of the six regressions, including all of the sponsorship models. While it is significant in influencing Republicans to vote in favor or more spending, its negative impact on Democrats voting behavior causes the effect to be insignificantly different from zero for the full House.
On the other hand, the percentage of the district’s residents receiving public assistance income is positive and significant for each of the sponsorship models. Thus Republicans both sponsor, and vote in favor of, more new spending in response to an increasing poor faction, while Democrats sponsor more new spending but vote in favor of less. This finding is weakly consistent with the findings of Husted – Kenny [1997]. We do not find the same strength of correlation between the poor and increased government spending in the voting model, but we do find a strong positive correlation in the sponsorship model. Thus vote-maximizing legislators may find that sponsoring legislation to benefit those at the lower end of the income distribution increases their political support from the poor and does less to harm their political standing with other groups than does actually voting for such legislation [HUSTED – KENNY, 1997, p.59].

The evidence in favor of the growth effect of interest groups is not nearly as strong when we turn our attention to indirect interest groups. Total campaign contributions from PACs is not statistically significant for either party in the voting or sponsorship model. This result does not contradict the findings that PACs influence legislator behavior on specific legislation, but it does illustrate that the total effect of all PACs combined does not appear to increase government spending. Our findings are consistent with the notion that if one or more PACs influence the level of spending on individual legislation, other PACs receive lower transfers on different legislation enough to offset the increase. This finding is consistent with the notion that interest groups compete with one another in a zero-sum manner to capture greater shares of the fixed rents available.

The implications of our results for the size and growth of government are clear. Interest groups within a legislator’s district exhibit much stronger effects on the preferences of individual legislators in favor of more government spending than do PACs. Of the direct interest groups, the percentage of the district’s residents employed by the federal government has the highest marginal impact on increasing the amount of new government spending that a legislator voted in favor of. Thus interest groups within a legislator’s district, primarily the percentage that are federal employees, are an influential factor underlying the short-run growth of the budget. In addition, we find no evidence that the percentage of district residents over the age of 65 and the percentage receiving public assistance income effect the amount of new spending voted for, but we do find that both influence legislators in both parties to sponsoring more new spending. While they do not effect the actual growth in the budget, these direct interest groups do influence legislative behavior by altering the set of potential political outcomes which may occur.

Finally, we find no empirical evidence suggesting that PACs affect the short-run growth in the budget. Our results indicate that any previously dis-
covered allocative effects of PACs are offset by reductions to other PACs to the extent where no aggregate influence is evident in the behavior of legislators. Thus, our evidence suggests that limiting the role of PACs in government would have no effect on the short-run growth of the federal budget.

5. Conclusions

Using data created by the National Taxpayers Union Foundation on aggregate legislative voting behavior, we were able to provide the first empirical test of the effect of interest groups on the short-run growth of government using individual-level data. In contrast to time-series studies which explore the correlation between total government spending and interest groups, we believe our approach is more true to the public choice tradition. This approach is based on the realization that the size of government is determined collectively by the choices of individual legislators each of whom has their own preferences for government spending. To understand the factors contributing to the size and growth of government, one must first examine the factors which influence the behavior of legislators.

Using this methodology we estimated the impact that interest groups had on both the voted and sponsored level of new spending for members of the 103rd U.S. House of Representatives. Each model was estimated for the full House, and separately for House Democrats and Republicans. The results provide limited support for the interest group theory of the growth of government. Our results indicate that interest groups within a legislator’s district exhibit a much stronger influence on their preferences for both voted and sponsored new spending than do Political Action Committees (PACs), implying that direct interest groups effect both the actual short-run growth in the budget and the set of potential short-run outcomes. Of the interest groups within the legislator’s district, we find that the percentage of district residents that are federal employees has the largest marginal effect on individual legislators’ preferences for new spending as revealed by their aggregate voting record. That is, the interest group of federal government employees is the largest contributor to the short-run growth of government in our data.

In addition, we found no evidence that PACs influence the total amount of government spending that legislators either voted in favor of or sponsored. Although PACs are known to influence the outcome of specific legislation in favor of more spending, our results find no evidence that PACs effect either the potential or actual short-run growth in the budget. This suggests that the behavior of PACs are primarily redistributive, in that increases in federal subsidies to one PAC appear to be offset by transfer reductions to oth-
er one or more other PACs. In essence, PACs seem to be engaged in a zero-sum battle over the funds available since there is no discernable effect on increasing the short-run growth of the budget.

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REFERENCES


