

# Do Private Policies Create a New Politics? Corporate Social Responsibility, Information, & Access\*

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## **Abstract**

Through an analysis of corporate testimony before Congressional committees, this paper finds that members of Congress supply greater access to firms that engage in private policymaking at higher rates and that members also gain new political- and policy-relevant information through such testimony. Importantly, the former relationship only holds for firms that make identifiable commitments to alter their behavior and disappears when we instead assess the effect of firms' reputations for social responsibility. This subtle finding comports with the broader literature on lobbying and demonstrates that those firms that enact socially responsible policies have, as a second-order or feedback effect of this behavior, novel information to share with public policymakers.

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The power of business in American politics and democratic politics more generally has long been of normative concern to political scientists and public policymakers. In the wake of the 2007–2009 financial crisis, prominent scholars are reminding us yet again of the consequences of business’ position in American political economy (see, e.g., Hacker and Pierson [2010]). We know, for example, that business continues to dominate numerically among organized interests (Schlozman 2010) and that it has great influence over the shape and dynamics of the policy agenda (Baumgartner et al. 2009). Nevertheless, outstanding questions remain regarding whether or not business wins more often than other interests (Smith 2000) and how much and how it shapes policy outcomes (Lowery and Gray 2004).

Two critical questions that underlie these outstanding puzzles and remain open are: Who do public policymakers grant access to, and why do they supply access to these individuals and groups? Although researchers have examined the market for access across different categories of interests (see, e.g., Hansen [1991] or Leyden [1995]), little work systematically examines which firms *within* the category of business members of Congress grant greater access and why. Understanding which firms are supplied access and why is particularly important because those firms that heavily engage in political activities, such as lobbying, see returns in the form of increased private benefits – whether those benefits come in the form of increased revenues through contracts (Goldman, Rocholl, and So 2009) or decreased burdens, such as lower effective tax rates (Richter, Samphantharak, and Timmons 2009).

This paper brings new data to bear on these questions and does so by examining whether or not a political activity that has recently grown in prominence among large American firms – private politics – makes firms more attractive sources of information. Private politics substitute firms for states in the role of policymaker and create an arena of policymaking in which firms adopt policies that are often beyond compliance with the law and subject to contractual enforcement or third-party certification. The frequency of this private activity has grown significantly in recent decades, and as a result of these trends and their normative implications, private politics is now receiving greater scholarly attention. For example, researchers are beginning to explore how this

more subterranean form of politics structures and alters the public policymaking process.

This paper contributes to this exploration by examining whether firms that engage in private policymaking at higher rates (i.e., firms that make credible commitments to practicing corporate social responsibility) experience a second-order or feedback effect from their private policymaking that results in key public policymakers (i.e., members of Congress) supplying them greater access, as these firms can now provide these policymakers with novel information.<sup>1</sup> To achieve this, first, I provide a brief overview of private politics and integrate it with the literature on policy feedback; second, I theorize how the second-order effects of private policies can inject new information into the public policymaking process and thus, make those adopting private policies more attractive sources of information; and third, I test my theoretical expectations using both a quantitative analysis of appearances before Congressional committees and a qualitative analysis of testimony content. Ultimately, I conclude this paper by providing robust evidence in favor of private policymaking generating resource feedback effects for firms and members of Congress and by suggesting other potential instances of feedback from private policymaking that deserve further study.

### **Private Politics and Policy Feedback**

Baron (2010) defines private politics as, “politics [which] pertains to individual and collective action to influence the conduct of private agents, including oneself, as in the case of NGOs that apply social pressure to change the conduct of firms” (1299). This definition encompasses but goes beyond traditional notions of corporate social responsibility, and it also demonstrates clearly how firms occupy the role of policymaker in private politics. That is, the outputs of firm decision-making in private politics can and should be thought of as private policies that, depending on the specific nature of the policy, commit a firm to engaging in particular practices or meeting specific goals that typically go beyond what is required of them by the law.

What Baron’s definition also reveals is that the private policymaking process is often as com-

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<sup>1</sup>The sense in which I use the term feedback throughout this paper is roughly analogous to what an economist might term a spillover or to what a chemist might label a byproduct.

plicated and involves as many players as the public policymaking process (see, also, Werner [2012] and Soule [2009] on these points and for discussions of the broad range of policy areas in which private policymaking occurs). Social movements, interest groups, and even the mass public through the results of opinion polls, are all political actors that seek to and have an influence on a corporations' private practices. This newer, broader understanding of private policymaking in the U.S. stems from the rise of the public interest group movement in the 1960s, and businesses subsequent use of private policymaking as one prong in their counter-mobilization from the 1970s through the present (Vogel 2005).

Although there has been a recent increase in scholarship on private politics (for a review, see, Büthe [2010]), there has yet to be a systematic examination of the potential feedback effects of private policymaking. Policy feedback captures the ways in which “policies, once enacted, restructure subsequent political process” (Skocpol 1992, 58). Feedback scholars focus on the second-order effects of policies: that is, they move beyond exploring the immediate or primary impact of a policy to study its potential incidental political impacts. Such work is important because these second-order effects can affect the durability and efficacy of the first-order effects. Given the broad range of actors, ideas, and interests in play in private policymaking, there is reason to suspect that private policies will also generate feedback effects. Further, in the case of private policymaking, it may very well be these incidental, second-order effects and benefits that eventually sustain firms' commitments to their private policies.

A common assumption in this research is that, at least initially, private politics remain an exogenous factor in a firm's construction of its conventional political strategy. That is, a firm is unlikely to consider the possibility of public political benefits when determining whether or not to self-regulate via private politics. Although this assumption is not strictly necessary for the theoretical argument I present below, it is supported by the formal theoretical and empirical work on private politics. These studies find that firms make their non-market decisions largely by employing a rational cost–benefit calculation that examines how they expect these decisions to affect their performance in the market environment (see, e.g., Baron [2009] or Baron and Diermeier [2007]).

To place this discussion and our expectations in more concrete terms and to narrow the scope of this particular investigation, we can turn to Pierson's (1993) seminal article on policy feedback. Pierson divides feedback into two categories – resource, which captures effects related to political capacity, and interpretative, which captures effects related to perceptions of political interests – and argues that the exact nature of these effects for any one policy will differ for policymakers, interest groups/social movements, and the mass public. Since the publication of Pierson's piece, research on feedback has largely moved away from studies of resource effects and elite actors and instead focused on the interpretative effects of policy on the mass public, with an emphasis on bridging the policy and mass behavior literatures (see, on these trends and the potential weaknesses of such studies, Campbell [N.d.] or Patashnik and Zelizer [2009]). That is, resource feedback effects and feedback effects that affect policymakers and organized interests have received less attention from scholars in the last decade.

To address this neglect and to expand the policy feedback literature by integrating it with private politics, this paper concentrates on the resource effects of private policies for both private policy-makers (firms) and for public policymakers (in this case, Congress). Specifically, the following sections examine whether or not private policymaking creates new information within firms that public policymakers consider valuable. Obviously, the first order effect of private policymaking is the firm's implementation of socially responsible practices, but I claim that these new practices create new private information for the private policymakers (firms) to share that makes them attractive sources of information. As the next section outlines in detail, I argue that private policymaking through the creation of this new information produces two feedback effects. First, socially responsible firms are supplied greater access by members of Congress because they have novel (new and exclusive) information to provide members of Congress, who thus, see them as appealing witnesses that can positively make the case for the members' preferred policies in a public venue. Second, this new information is itself a resource effect for members of Congress, as they can employ knowledge gained from it in the public policymaking process.

## **Broadening and Integrating Theories of Access**

According to Baumgartner and Jones (2005), public policymakers suffer from both information overload and asymmetry. That is, legislators and other officials are simply overwhelmed by the sheer amount of information that could possibly inform the policymaking process, and simultaneously, they are unable to know if they possess or how to identify relevant information. Unsurprisingly, these conditions inject a great deal of uncertainty into the policy process (Wright 1996). As a result, many scholars argue that in order to make decisions, lawmakers engage in a constant search for quality information, including the importance of problems, the likely substantive impact of policy proposals, and the political impact of these proposals on their reelection chances (Krehbiel 1992). Ultimately, the information that finds its way into the policy process, and the way that lawmakers interpret this information, has a clear influence on policymaking (Smith 1984).

To come to terms with how information from external actors reaches Congress, following Moe (1990), I adopt a market-based approach. In this framework, we can view members of Congress as the suppliers of access and firms (as well as other interests) as the demanders of it. Political scientists have developed three theories of how elected policymakers supply access that are broadly consistent with this public choice approach. Respectively, these three theories argue that policymakers supply access to 1) those individuals or groups that finance the policymakers' efforts to retain their offices, 2) those individuals or groups who are constituents of the policymakers, and 3) those individuals or groups who can provide highest quality and most relevant information to the policymakers. The two sections that follow briefly review the first two of these theories, and the third section elaborates on how the feedback effects of private policymaking fit within the third theory of access.

### *Access via Campaign Finance*

Given the uncontroversial and largely accepted assumption that members of Congress have a proximate goal of winning reelection, public debate and many academic studies focus on the role campaign finance plays in the decisions of members of Congress to supply access to firms. Studies

that suggest an effect include Wilson (1990) and Wright (1990), both of which find that members grant greater access to a firm when its associated political action committee (PAC) contributes to their campaigns. Additionally, Hojnacki and Kimball (2001) find that those firms that are more engaged in electoral politics have greater access to members of Congress and to congressional leaders. In this train of thought, the campaign donor list becomes a neutral call list when members of Congress seek information or hearing witnesses.

These findings have not gone uncontested, however. As both Milyo, Primo, and Groseclose (2000) and Sorauf (1988) argue, other concerns – including constituency preferences, party, and ideology – may trump donations in determining who is supplied access. Further, firms themselves may be skeptical of the market value of campaign finance donations since very few firms donate the maximum amount allowed to candidates they favor (Ansolabehere, de Figueiredo, and Snyder 2003) and those firms that engage in both campaign finance and lobbying, on average, spend almost ten-times the amount that they give through their PACs on lobbying (Tripathi, Ansolabehere, and Snyder 2002). Nevertheless, the increasing cost of campaigns for Congress, as well as the increasing amount of time that members spend on fundraising, warrant considering and controlling for possible financing effects when modeling the supply of access.

#### *Access via the Constituency*

The second theory of access suggests that members will preferentially supply access to groups and individuals with ties to their constituencies. Members seek out information on the impact of potential policies on their constituencies, particularly if the policy may impact their electoral prospects or alter the distribution or intensity of public opinion in their home district or state (Lord 2003). Further, and unsurprisingly, members dedicate more time and other resources to addressing the policy-related concerns of constituents and constituent interests (Chin, Bond, and Geva 2000). As a result, this theory suggests that members are likely to supply access to those firms with strong ties to their constituencies (i.e., those with their headquarters or a significant presence in terms of economic impact or personnel in the district or state) and will seek out such firms when casting

their nets for information and witnesses.

### *Access via Information and the Role of Private Policymaking*

Two approaches exist related to the role of information in determining the supply of access to public policymakers. In the first approach, researchers view the “good” that interests have to offer members in the competition for access as a private good (see, e.g., Austen-Smith and Wright 1992, 1994). As a result, those that possess the better quality private information hold a competitive advantage and thus, private policymakers will seek to supply them with access. Kersh (1998) refers to the highest quality private information as “novel,” in that it is both new and exclusive. An empirical example in this vein is Hansen’s study of how the changing patterns of access and influence granted to agricultural interests in Congress during the twentieth century reflected the nature and quality of information these groups had to share with members (1991).

The second approach to understanding information’s role in access views interests and lobbyists not as providing private information but rather as subsidizing the participation of lawmakers and other policymakers by bearing the costs of summarizing and synthesizing publicly available information (Hall and Deardorff 2006). In this view, policymakers supply access to interests when they seek to supplement their legislative enterprises (Ainsworth 1997), and interests become, in effect, “service bureaus” for legislators, as Bauer, Pool, and Dexter (1963) argued in their classic work on American business’ role in trade politics.

Although these two approaches to information and access remain distinct in the literature, as Baumgartner et al. (2009) suggest, these theories are not mutually exclusive and researchers could easily bridge them. Examining private politics provides an opportunity to do that, as the information it produces is almost always exclusive to each firm (i.e., private information) but rarely makes sense without being placed into the context of existing legislation, regulations, etc. (i.e., public information). Thus, the firms that practice corporate social responsibility and other forms of private politics are uniquely situated in that they have a competitive advantage in private information – but, this information must be integrated and synthesized with available public information in order

to be of value to public policymakers.

This position allows us to pose the question of whether or not private policymaking produces a second-order resource effect of a greater supply of access to public policymakers for those firms that engage in it. Further, by examining what information firms provide once they have been supplied access, we can also ask whether or not private policymaking produces a resource effect for public policymakers in the form of new information passed along by firms that have experience with private policymaking.

The first of these expectations can be restated as a series of hypotheses that stress the role of novel information in increasing the chances of firms gaining access to policymakers. First, to distinguish that the information gained through private policymaking, as opposed to any reputational benefit from it, is the currency that results in firms being supplied access, we can test the following hypothesis: *A firm's reputation for being a socially responsible corporation alone will not have an effect on its supply of access to public policymakers.* By implication, this hypothesis leads to a second regarding the relationship between information and corporate access: *Engagement in genuine, socially responsible private policymaking should increase a firm's supply of access, as it allows the firm to provide public policymakers private information that is new, exclusive, and integrated with public information.* Finally, we must recognize that not all access that decision-makers can supply is necessarily in a firm's interests – for example, the increased “access” that British Petroleum had to public policymakers in the summer of 2010 as a result of the oil spill in the Gulf of Mexico was undesired – and that concerns over a firm's behavior with regard to social responsibility likely will have little impact on the sort of access firms do want supplied to them, as these concerns will not lessen the amount of novel private information that a firm still has to share. Thus, a third hypothesis is: *Concerns over a firm's private practices will not affect its supply of access to public policymakers in non-hostile settings.*

As discussed thoroughly above, we would expect that the resource feedback effects of private policymaking will not be limited to those experienced by firms. Rather, if these supply effects are occurring, we ought to see new information that is the result of private policymaking being passed

along to Congress, effectively demonstrating a resource feedback effect for its members too. That is, if we do indeed see members of Congress supplying increased access to firms because of their experience with private policymaking, then we ought also see firms discussing these private policies when engaging members of Congress. After the next section's quantitative examination of whether or not there is a feedback effect for firms, I will return to this question and qualitatively analyze Congressional testimony to demonstrate that a significant number of large firms provide information gained through their private politics to Congressional committees when testifying.

### **Feedback for Firms: Private Politics and the Supply of Access to Congress**

To analyze whether or not members of Congress supply greater access to firms engaging in private policymaking, I examined how often individual firms testify before Congressional committees and the relationship between this count and their engagement in private policymaking. Following from Brasher and Lowery (2006), I adopted the firm as my unit-of-analysis, given the strong importance of firm-level characteristics in determining corporate political activity. To gain a foothold on firms as political actors, I made the following three assumptions. First, firms' ultimate goal is to maximize profit and that in pursuit of that goal in the political realm, they have the proximate goal of being supplied access to key decision-makers. Second, firms are sensitive to the costs and benefits of private policymaking (putting a market-generated upward bound on their ability to engage in such behavior), but they are equally sensitive to costs that arise from the failure to adopt private policies or to have access to policymakers. Third, firms are boundedly rational when engaging in such cost-benefit analyses vis-à-vis political activity, as the political environment of the firm is more forgiving than its economic environment (Hart 2010). Ultimately, by examining the competition to secure access to Congress, I capture the first and necessary step in many firms' political battle plans; plans that later expand to include attempts to shape both the policy agenda and policy outcomes.

My sample of firms is the 2005 membership of the Standard and Poor's 500 (S&P 500). As Werner (2012) notes, "The membership of the S&P 500 is selected by a committee, as opposed to

a strict rules-based index like the *Fortune* 1000, and S&P constructs the index to be representative across industries. Additionally, it is the second most widely watched measure of American stocks (after the Dow Jones Industrial Average), is often considered a bellwether for the nation's economy, and is a standard case population for analyses of big business" (38). The data are from 2005, as this is the most recent year with both high quality accounting and private policymaking information available.

Using the S&P 500 as a sample introduces some trade-offs: This sample limits the inferences that can be drawn from this research to large American firms, and, as a result, it may also attenuate variation on some of the control variables I include in my models (specifically, those related to firm size). Nonetheless, as I discuss further below, this choice was unavoidable, as the independent variables that measure private policymaking were only available for this sample of firms. Excluding firms that merged or were acquired during 2005, as well as a very small number of observations with missing data, left me with 472 cases to analyze.

### *Dependent Variable*

The dependent variable for this analysis is the number of non-hostile appearances in front of Congressional committees for each firm. I gathered these data on appearances from LexisNexis' Congressional Information Service. The distribution of these counts was heavily right-skewed, with the modal category being zero, and the standard deviation being 0.982. Appearances before Congressional committees is a common measure of access to policymakers (Hansen 1991; Leyden 1995; Hansen and Mitchell 2000; Sims 2003; Schuler and Rehbein 2011), and these invitations to testify represent a limited opportunity that interests clearly compete over (Hansen 1991; Holyoke 2008).

Despite its widespread use, this indicator is not without critics. Mayhew (1974) and Oleszek (1984) both suggest that hearings amount to little more than position-taking and advertising by members of Congress and thus, do not capture substance, access, or influence. Further, with specific regard to the political activity of businesses, Berry (1997) argues that firms prefer less public

venues, such as one-on-one meetings, over hearings to communicate their views to policymakers.

Notwithstanding these objections, firms clearly spend a lot of time testifying or trying to testify (Baumgartner et al. 2009; Nownes 2006; Schlozman and Tierney 1986). Such a dedication of time and resources makes sense, for as Arnold (1990) and Hall and Wayman (1990) note, committees are Congress' main device for procuring information in the policymaking process. Unsurprisingly, many of the key actors involved in the legislative process view hearings and testimony as critical: Diermeier and Feddersen (2000) and Kingdon (1989) find this for members of Congress; DeGregorio (1992) notes that this view is widely held among staff; and Kersh's ethnographic work (1998) uncovers it among lobbyists. Scholars also have found the testimony offered during the hearing process likely captures a certain amount influence held by those offering it (Wright 1996), serves as an important conduit in information transfer between private interests and public policymakers (Esterling 2004; Whiteman 1996), and affects both the likelihood of policy enactment and the final shape and substance of legislation (Burstein and Hirsh 2007).

Further, even if we were to grant critics that hearings themselves have limitations as a direct measure of access, as Hansen (1991) argues they still perform remarkably well as a latent or indirect measure of who is supplied access generally. Hansen writes, "lawmakers are on display in committee hearings, and their reactions to witnesses yield important clues about their relationships with those witnesses. Excluded groups confront hostile questions; irrelevant groups receive no questions; favored groups field softball questions" (24). Thus, regardless of how much or little weight we wish to place on the substance of congressional hearings, the witness lists of such hearings largely reflect the underlying interests that members of Congress supply access.

Finally, we must also recognize that the key players in the process of supplying invitations to testify are the individual committee chairs, as they determine what hearings will be held and when, shape the purpose and agenda of hearings, and decide what witnesses the majority party will call and how many witnesses the minority party can call. As such, particular attention will be paid to their traits and preferences when attempting to explain which firms are supplied access.

### *Independent Variables*

My key independent variables on private policymaking come from two sources, and I employ each of them in separate specifications of my model, as well as a set of them in a fourth specification. To test my first hypothesis that a firm's reputation for social responsibility alone will not lead to an increased supply of access, since it does not capture the potential feedback effect of a firm's ability to provide information of use to policymakers, I measured a firm's reputation using a scaled value for the firm's score in *Fortune* magazine's annual survey of most admired corporations. Each year, *Fortune* surveys industry insiders and analysts on eight attributes of firm performance and produces a mean reputation score for each firm. To capture firms in my sample but not reported in the results of the *Fortune* survey, following King (2008), I translated the raw survey scores into an ordinal scale in which firms that were not among the 100 ranked received a 0, firms with scores between 1 and 5 received a 1, firms between 5.1 and 6.99 received a 2, and firms with scores above 7 received a 3. A null finding for this variable would provide evidence in favor of my first hypothesis.

To test my second and third hypotheses, I needed information on firm-level private policies that committed firms to practice socially responsible behavior or raised concerns about their behavior in this realm. These data came from the Kinder Lydenburg Domini social ratings database (KLD Stats), which is a commercially available panel dataset that tracks the behavior and policies of the S&P 500 across seven issue areas of social responsibility – community, corporate governance, diversity, employee relations, environment, human rights, and product – and notes whether or not they have a “strength” or “concern” in specific subcategories under these headings. Researchers have made extensive use of the KLD Stats data (see, Mattingly and Berman [2006]); however, others have raised concern about the transparency of the data (Vogel 2005), as well as its appropriateness as a substitute when more precise measures of firm social engagement are available (Chatterji, Levine, and Toffel 2009). Since our concern here is with aggregate firm behavior, the latter of these two concerns is lessened; the former concern is softened by KLD's own self-interest in providing the highest quality data possible, as its existence as a firm relies upon its ability to do

so. Table 5 in the Appendix presents the entire list of attributes that are included in KLD's seven issue areas.

I generated three specific measures from the KLD Stats data. To test my second hypothesis, which suggests that greater engagement in private politics should increase a firm's supply of access due to feedback effects produced by its private policies, following Hillman and Keim (2001), I calculated a KLD Net Score which takes the sum of each firm's strengths across the seven issue areas of social responsibility and subtracts from this total the sum of each firm's concerns across these areas. A positive and significant result for this variable would provide support for my second hypothesis. To test my third and final hypothesis that concerns over a firm's practices should not depress its supply of access in non-hostile settings, instead of using a firm's net score, I used the separate totals for its KLD Strengths and KLD Concerns. If the result for KLD Strengths is positive and significant, and there is not a significant result for KLD Concerns, we would have strong evidence in favor of private policymaking as a source of novel information that public policymakers want to gather, since they grant greater access to those who can provide this information, regardless of concerns over their other practices. I lagged all three of these KLD-related variables by one year, as I did with all of my independent variables except for the reputation indicator (since it reports the results of a survey conducted by *Fortune* in the previous year), to lessen endogeneity concerns.

In a fourth and final specification, I included both the *Fortune* reputation indicator and the KLD Strengths and KLD Concerns to provide tougher tests of my hypotheses – I did not also include the KLD Net Score variable since it is a linear combination of KLD Strengths and KLD Concerns. Additionally, since the *Fortune* ratings likely capture not only a firm's reputation for responsible behavior but also, to some degree, a general sense of the firm's prominence, this indicator helps to control for a firm's visibility as a possible explanation for the amount of access it is supplied by members of Congress.

The control variables I included in my analysis fall into two camps: political and economic. In the political category, I included variables intended to capture the alternative theories related to campaign finance and constituency effects, as well as two other potential firm-level influences

on the supply of access. First, to control for potential financing effects, I coded donations from the firm's associated PAC to congressional candidates in the previous year.<sup>2</sup> Should the financing theory's expectation have merit, we would expect PAC donations to be statistically significant and positively signed. The data for this indicator (as well as the lobbying expenditures variable I describe below) came from the Center for Responsive Politics' OpenSecrets website, and given that this variable (and lobby expenditures, too) was strongly right-skewed (with many firms giving or spending little), I logged the variable to normalize its distribution.

Second, to control for the constituency effects argument, as well as the key role of the committee chair mentioned above, for each firm, I counted the number of committee chairs across both chambers that held a Senate seat or House district in the firm's headquarters state. As detailed in the last section, members of Congress are prone to supply access to those firms that have significant operations in their home districts/states, as these firms may have constituency-specific information to share with the members or simply are more familiar to the members. I matched members of Congress to firms using data on firms' headquarters available in S&P's COMPUSTAT database. As with the financing theory, were constituency effects to have explanatory power, we would expect a statistically significant and positively signed result.

Third, in an attempt to separate out changes in the supply of access attributable to a firm's general lobbying activities from those due to its private politics, I included a logged measure of each firm's D.C. lobbying expenditures. Previous studies have employed various operationalizations of firms' lobbying efforts, as only in the last decade have expenditure amounts been reliable and readily available. Most of the previous measures used as indicators – e.g., the presence of a D.C. office or staffing levels – are not only captured by my use of expenditure amounts, but they make up the bulk of these amounts. Whether one subscribes to a view of lobbying as an activity reflective

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<sup>2</sup>Since members of both parties typically can supply access to witnesses, I felt it appropriate to include donations for both parties; the results reported below would not change statistically or substantively were I to include two variables, one for each party, or only donations to the majority party (the Republicans). These results are unsurprising, as corporate PACs tend to be conservative actors in the electoral realm, directing most of their donations to incumbents, rather than a preferred political party (Wright 1996). In my data, the total amount donated to Republicans and the total amount donated to Democrats had a Pearson product correlation coefficient of 0.81, suggesting that this general pattern held in 2004.

of efforts to work with existing allies or as an attempt to win over members of the opposition, we can reasonably expect that were lobbying expenditures to affect a firm's supply of access, that the relationship between the two would be positive in nature.

Finally, I included a measure of each firm's existing connections to the federal government via contracting. That is, I included a lagged binary indicator for whether or not a firm was among the top-100 contractors of the federal government. I calculated this variable using data from the *Federal Procurement Report*. Although we more often than not think of contracting as an output of a firm's political efforts (see, e.g., Brady [2007] or Wilson [1990]), it is important when considering access to Congressional committees to capture a firm's pre-existing relationships with the federal government (as they relate to committee processes such as oversight) and thus, to account for these on-going interactions when considering which firms committees invite to testify.

The closest study to my own is Hansen and Mitchell's analysis of corporate political activity (2000), which near its conclusion offers a similar model of committee appearances but includes several political variables beyond these. I chose a reduced set of political variables for several reasons. First, I did not include a variable capturing foreign ownership, since one of the screening rules for membership in the S&P 500 requires a firm to be headquartered in the U.S. Second, I did not include a variable for firm visibility (which Hansen and Mitchell measure by looking at the number of mentions of a firm in the *Wall Street Journal*), for as they note, it is heavily correlated with the two indicators related to firm size that I included (discussed further in the following paragraphs). Third, I did not include an indicator of union membership among the firm's workplace because this variable is not readily available to the public and, more importantly, because the importance of unions has declined substantially. In 1989, the year Hansen and Mitchell examine, 12.3 percent of the workers in the private sector were union members; by 2005, the year I observe, only 7.8 percent of workers in the private sector were union members (a decline of over 36 percent).<sup>3</sup> Finally, Hansen and Mitchell include a series of indicators to capture what they conceptualize as countervailing power against each firm, such as interactions with regulatory

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<sup>3</sup>These unionization statistics are from <http://unionstats.com> and were generated using the approach described in Hirsch and Macpherson (2003).

agencies and pollution clean-up expenditures. In this final case, I do not include these measures as they are already reflected in my key independent variables (i.e., such concerns likely lower the firm's *Fortune* reputation score or are captured in one of the concern subcategories in the KLD Stats database).

My second set of control variables captured a standard set of economic variables that reflect both a firm's visibility, as well as two types of performance-related information the firm may have to share. The data for all of these variables came from COMPUSTAT. Two of my measures capture firm size, which some studies have found to be a key determinant of political activity and awareness (Tripathi 2000; Grier, Munger, and Roberts 1994), but they each capture a different conceptualization of size that may be relevant to lawmakers. Annual sales captures how significant a part of the economy the firm is, and by contrast, firm employee count, while related to size, can be viewed by members of Congress as a measure of a firm's presence in the electorate as well.<sup>4</sup> For both of these variables, we would expect that as they increase, members will supply a firm with greater access to Congress.

To control for what we might view as the potential for a firm's standard economic activity to produce information valuable to lawmakers, I included measures of firms' capital and research and development (R&D) intensity. I calculated these measures by dividing a firm's net property, plant, and equipment and R&D expenditures, respectively, by its total assets. At the firm level, these indicators provide us with some ability to discriminate between the effects of private information generated by standard firm behavior and those generated by private politics. Given that we are analyzing data from the mid-2000s, a period associated with rapid gains in both high technology and productivity, my expectation is that increases in R&D Intensity will be associated with greater supplies of access and that Capital Intensity will have little or no effect.

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<sup>4</sup>Substituting assets for sales as a measure of firm size/capacity does not change the statistical or substantive findings presented here. This is unsurprising, as the the Pearson product correlation coefficient for the two variables is 0.752.

### *Model Selection*

Since the number of congressional appearances by firm is a count, I initially sought to estimate a negative binomial count model using maximum likelihood estimation. However, as I discuss above, to deal with strong right skews, I had to take the log of two important control variables: PAC Donations and Lobbying Expenditures. As a result of taking these logs, any firm that did not both give PAC donations and engage in lobbying dropped from my sample (since the log of zero is undefined), creating a potential sample selection problem. That is, if I were to drop those firms that did not engage in both of these forms of conventional political activity, my analysis would no longer capture the whole of the S&P 500 but only those firms within the index that used both of these political instruments.

To address this sample selection problem, I employed a generalized linear latent and mixed model, with a sample selection correction, fitted via maximum likelihood. In effect, I modeled my dependent variable of interest (the count of appearances before Congressional committees by firm  $i$  in 2005) using a Poisson regression model that was a second-stage result conditional on a logistic regression of the binary of whether or not a firm decided to engage in both forms of conventional political activity. Importantly, in this setup, the standard Poisson model restriction of equidispersion does not apply.

I chose this approach, using a model developed and implemented by Miranda and Rabe-Hesketh (2006), for as they note, “For binary, count, and ordinal responses, however, accounting for [sample selection] is essentially complicated by the fact that a nonlinear model is used to fit the data. Then two-stage procedures analogous to the Heckman (1979) method are only approximate and no appropriate distribution results for the estimators are available. Hence, inference based on such procedures may lead to wrong conclusions [cites omitted]. Maximum likelihood techniques or two-stage method of moments is therefore needed” (286).<sup>5</sup>

Table 6 in the Appendix displays the results of the selection stage upon which I conditioned my count model. I strove for as parsimonious a selection model as possible and thus, from the

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<sup>5</sup>In Stata, Miranda and Rabe-Hesketh implement this approach via the `ssm` wrapper for their underlying `gllamm` command.

count model, included my two measures of size (employees and sales) and whether or not the firm was a top-100 contractor. In addition to these three variables, I also included binary indicators for industry-level market or social regulation developed by Drutman (2010) from a survey of the corporate political activity literature.<sup>6</sup> Although we might not view industry-wide regulation as affecting firm-level access since so many major firms come under some form of regulation, several studies have confirmed its importance in firms' initial decisions to engage in corporate political activity (see, e.g., Hansen, Mitchell, and Drope 2005, and the studies they cite).<sup>7</sup> Across all four specifications of my model, the results likelihood ratio test that  $\rho = 0$  is significant, indicating that the sample selection correction is needed.

### *Results and Discussion*

Table 1 presents the results of my model. In short, the four specifications present strong evidence in support of all three of my hypotheses related to firms' supply of access increasing as a result of a feedback effect of private policymaking. Before describing the results in detail, it is worth examining the overall performance of the model. Figure 1 accomplishes this by plotting the distribution of the dependent variable (count of appearances) and the distribution of the predicted counts from specification 4. Although the model slightly under-predicts 0 and over-predicts 1, in general, its performance is quite strong, and the lines (black for observed, grey for predicted) never deviate significantly. This general pattern also holds in unreported plots for the other three specifications.

[Insert Table 1 and Figure 1 here.]

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<sup>6</sup>At the two-digit SIC industry level, these variables capture whether or not the federal government regulates the "rules of the game" (market regulation) or negative externalities (social regulation) in the industry.

<sup>7</sup>A second industry-wide variable often included in studies of corporate political participation is industry-level concentration (as an attempt to tap the potential for free-riding). However, several recent comprehensive studies on this topic, using multiple measures of concentration, have come to the conclusion that it is highly unlikely that any relationship exists between industry-level concentration and firm-level participation (Brasher and Lowery 2006; Hansen, Mitchell, and Drope 2005). As a robustness check, I initially included measures of industry concentration developed by Hoberg and Phillips (2010) in my selection model, found that they failed to improve model performance significantly, and thus, did not include them in my final specifications. An additional trade-off using the Hoberg and Phillips' data would introduce is omitting the finance, insurance, and real estate industries, as Hoberg and Phillips' measures do not cover these three sectors.

Specification 1 tests my first hypothesis, using the scale based upon firms' *Fortune* reputation scores as the measure of private policymaking. As predicted, the variable is not statistically significant, indicating that a firm's reputation for social responsibility likely has no impact on a firm's supply of access to public policymakers.<sup>8</sup> As I will discuss further below, this finding is especially important when considered in concert with the other specifications, as it rules out reputation alone as a driver of access and instead emphasizes that the information produced as a feedback effect of private policymaking is the key currency that leads to an increased supply of access.

In specification 2, we find initial evidence for this informational effect, as the KLD Net Score indicator has a *p*-value of 0.08 and is positively signed. This result provides support for my second hypothesis, which predicted that as firms engage in greater amounts of private policymaking, members of Congress will increase the amount of access supplied to them, as these firms will have novel information to share. Specifications 3 and 4 buttress this argument and provide support for all three of my hypotheses: In both specifications, the KLD Strengths indicator is positively signed and has a *p*-value of 0.07, and the KLD Concerns indicator is negatively signed but not statistically significant. These findings provide direct evidence for my third hypothesis, which stated that concerns over social responsibility will not affect firms' access, as well as my other two hypotheses. Further, in specification 4, the lack of an effect for *Fortune* Reputation when it included alongside the KLD Strengths and Concerns indicators provide substantial evidence for my first hypothesis.

Substantively, these findings highlight that having novel information to share from private policymaking has a far greater effect on the amount of access supplied to a firm than having a strong reputation for corporate social responsibility. This second-order effect for private policymaking is important in its own right in that it provides additional, if incidental, motivation for firms to act in a socially responsible manner. That is, the benefits that accrue to firms as byproducts of practices designed to make their enterprises more sustainable may, in fact, help sustain these socially responsible private policies. Further, this finding has additional benefits for political science in that it both

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<sup>8</sup>*Fortune* Reputation is not statistically significant using either a two-tailed or one-tailed test. The former is appropriate to test my first hypothesis, which is non-directional, but for the remainder of this section, when I refer to statistical significance, I am using one-tailed tests, given the directional nature of the rest of my hypotheses and my expectations for the performance of the control variables.

reinforces our present understanding of information as the currency of exchange in lobbying and public policymaking, and it demonstrates that we can indeed empirically bridge the two existing approaches to information's role in the supply of access.

These informational arguments are also echoed by the finding for R&D Intensity, which is positively signed and statistically significant (or near to it) across all four specifications. As discussed previously, R&D Intensity likely also captures an informational argument, with the information that firms have to share coming from their normal business practices, as opposed to private politics. The particular relevance of information from R&D is seen in the lack of a significant effect for Capital Intensity, a result that may reflect that firms that were capital-intensive were not readily producing information that was especially relevant to public policymakers (at least in 2005).

My results for the effects of private policymaking on the supply access are further buoyed by the findings for firm size and prominence. These results are largely in-line with our expectations and previous findings: The measures for size and prominence (employee count and sales) are close to statistical significance, but they have their most substantial effects when we use reputation as our measure of private policymaking and decline when we use more specific informational measures.

The findings for conventional corporate political activity are also largely inline with the expectations of our competing theories of access and our understanding of lobbying. To assess the financial theory of access, we can examine the PAC donations variable. The estimated coefficient for PAC donations nears or is significant across all four specifications, and its substantive effect is greatest in the fourth or full specification. This result provides support for the argument that campaign donations increase the willingness of members to supply interests access. Similarly, there is a moderate amount of evidence in favor of the constituency theory of access. The coefficient for the headquarters state chairs measure hovers around the threshold of statistical significance across all four specifications and is signed as expected, with firms headquartered in the home states of greater numbers of committee chairs being supplied greater access.<sup>9</sup>

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<sup>9</sup>To see if a similar effect held for the pattern of invitations extended by the minority party, I included a variable that counted the number of ranking minority members that represented each firm's headquarters state or a district in that state. The result for this indicator was insignificant and its inclusion did not improve overall model performance. These same conclusions held for a model that included a variable the summed this ranking minority member count

Finally, in terms of conventional politics, the findings for both lobbying expenditures and top-100 contractors are statistically and substantively significant and consistent across specifications. These findings comport with the broader theoretical argument that a firm expending resources to highlight the quality information it has to share, or in the case of contracting, a firm having a recurring relationship with a committee, increases the willingness of public policymakers to supply access.

[Insert Table 2 here.]

Table 2 translates the results of specification 4 in Table 1 into their substantive effects. As is immediately evident, these effects, whether measured as changes for a shift of one standard deviation or in marginal effects, are quite small in terms of their absolute effect on the count of appearances. However, in terms of their relative impact, which may be a more relevant metric given how infrequent testimony is, the substantive impacts of these shifts are greater. For example, federal contractors appear at a rate that is 47 percent greater than non-contractors, and a one-standard deviation shift in lobbying expenditures leads to just over an 18 percent increase in appearances. The effect for a one standard deviation shift in private policymaking (as captured by KLD Strengths) is just over 14 percent, which is slightly larger than the effect of the same shift in R&D expenditures (13.2 percent). Although these figures reveal that private policymaking's feedback effect on access is slightly less than those of conventional political instruments, it is important to remember that increased access is only a second-order effect – effectively, an added bonus – of private policymaking, whereas PAC donations and lobbying expenditures purposively and almost exclusively aim to increase firms' supply of access and their influence. Further, it is worth stressing that substantively, engagement in private politics appears to increase a firm's supply of access at a quicker rate than R&D intensity – this suggests that private politics are as important as, if not more important than, R&D in defining Congress' perception of what attributes signify a leading corporation.

Overall, these second-order effects for genuine engagement in private policymaking are statistically significant and demonstrate that the novel information from private policymaking that can

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and the count of committee chairs but excluded the two individual counts.

contribute to public policymaking provides firms that are more socially responsible with a greater supply of access. This finding, even if incidental or secondary from the point of view of firms' strategies in the non-market environment, is still critically important as private policymaking is an instrument over which firms effectively have a monopoly (Sims 2003), presumably providing them with an advantage over competing categories of interests – whether governmental actors, non-profit institutions, or public interest groups – in the market for access to public policymakers.

#### *A Panel Robustness Check*

The analysis above allows us to draw conclusions across firms as to what increases access to Congressional decision-makers, but it does not allow us to assess change within firms across time. To address this concern and to test the robustness of my cross-sectional findings, I modified my approach above slightly in order to produce a panel study of the S&P 500 from 2003 through 2005. Although this time period is short (only three panels), the three-year period under study holds constant Republican control of both houses of Congress, as well as the campaign finance regulatory regime (i.e., this entire period is post-soft money but pre-*Citizens United*).

Conducting a panel study required me to revisit my modeling and variable construction choices. First, no technique has yet been developed to handle sample selection bias in a panel count model appropriately. As a result, instead of using my continuous measures of conventional political activity, I generated categorical variables that captured firms' engagement in lobbying and campaign finance donations. These categories divided firms into terciles based upon the distributions of the continuous variables, and for each set of categories, I used the low category as my omitted baseline.<sup>10</sup>

After resolving these measurement issues, I ran a negative binomial panel model of specification 4 of the 2005-only model, using random effects for firms but fixed effects for years.<sup>11</sup> In

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<sup>10</sup>Firms in the low PAC category had associated PACs that gave from \$0 to \$22,499, in the moderate category from \$22,500 to \$89,999, and in the high category upwards of \$99,000. Firms in the low lobbying category spent from \$0 to \$239,999, in the moderate category from \$240,000 to \$1,279,999, and in the high category upwards of \$1,280,000.

<sup>11</sup>Fixed effects for firms were inappropriate given that they would perfectly predict the behavior of the substantial number of firms that did not testify over this three-year period. That is, the use of fixed effects would have effectively dropped all of these cases from my sample since they do not vary on my dependent variable across time. Additionally,

my second panel specification, I added the controls for industry-wide regulation that appeared in the selection model for the 2005-only model. After accounting for changes in the composition of the S&P 500 over this period (which resulted in unbalanced panels), as well as a small amount of missing data on employee counts and sales, I had 489 firms and 1,366 observations to analyze.

Table 3 presents the results of this robustness check and finds that my key results for private policymaking hold in the panel framework. The estimated coefficient for KLD Strengths remains significant and positive across both panel specifications, and its substantive impact is roughly equivalent to the 2005-only model. Similarly, KLD Concerns remains insignificant, suggesting that, across time, problematic issues related to social responsibility do not affect firms' access in non-hostile settings and that any reputational effects that might stem from such concerns also fail to affect access.

[Insert Table 3 here.]

The results for my other sets of variables are less robust, however, and some findings did not hold after I introduced the binary indicators for industry-wide regulation. The greatest volatility was seen in the variables tapping the firm's economic environment. Unlike in the cross-sectional model, firm sales was strongly predictive of appearances, as was membership in a socially regulated industry. The former effect likely captures a desire for members of Congress to be associated with successful enterprises (which is why we might see across-time but not cross-sectional effects), and the latter result reflects a finding captured in the cross-sectional model's sample selection stage. In starker contrast to the cross-sectional model's findings, firms in capital-intensive industries were significantly less likely to testify, and although this latter finding does not necessarily contradict the 2005-only model, when we analyze the cross-sectional and panel findings in concert, we can see that the effects of both Capital and R&D Intensity are not particularly robust. This might lead us to conclude that strictly economic-related information that has not been mediated by or combined with political information may be of less strategic value to members of Congress, however, before

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ignoring the panel structure and pooling the three periods into one would have been inappropriate also, as the likelihood ratio tests in Table 3 reveal.

reaching such a conclusion, we ought to note that the effects of sticky (that is, slowly changing) measures such as R&D intensity, may be attenuated in a short panel study.

Further evidence in favor of the importance of information that is both politically- and policy-relevant in nature cannot only be seen in the strength of the private policy indicators across both types of models but also in the robust results for conventional political instruments in the cross-sectional and panel frameworks. The four categorical indicators for lobbying expenditures and PAC donations are all highly significant and signed positively. Further, their relative substantive relationships make sense (i.e., the high category's effect is larger than the moderate category's in both cases – although, it should be noted that the confidence intervals for these point estimates do overlap), and they square with our existing knowledge, in that the effects on testimony count for increases in lobbying expenditures are much greater – nearly double – than those for increases in PAC donations.

#### *Additional Robustness Checks*

I performed three additional robustness checks of my results that are unreported here. First, I reanalyzed both my 2005-only and 2003–2005 panel using only appearances before House committees as my dependent variable. Since House committees are considered far more powerful and have far lower roll rates than Senate committees, one could make the argument that they are the Congressional committees to which firms most want to increase their supply of access. Although I disagree with the idea that access to Senate committees is inconsequential to firms (they are still venues through which firms can influence key decision-makers, even if they are not as powerful as their House counterparts), I tested for any changes in my results in a House-only model. The results of this robustness check were mixed: my findings for 2005-only were significantly weaker across the board, and the coefficient for KLD Strengths was not significant. Some of this decline in performance could be due the reduction in variation in the dependent variable introduced by dropping Senate committees, and evidence for this claim can be seen in the House-only 2003–2005 panel model. My full-Congress results held in the House-only panel framework, which suggests

that my finding of a second-order increase in firms' supply of access due to private policymaking is strong when the dependent variable exhibits sufficient variation.

My second additional robustness check explored the covariation between lobbying expenditures and my measures of private policymaking in order to eliminate potential identification issues. Specifically, I was concerned over whether Lobby Expenditures and KLD Strengths were tapping the same underlying conceptual processes (i.e., that the former was a measure that, in part, reflected efforts to put the information contained in the latter before public policymakers). To address this concern, I first examined whether or not the two variables were excessively collinear and found that their Pearson product correlation coefficient was not especially high ( $r = 0.36$ ) and that informal tests did not reveal any instances of multicollinearity in my model specification. Second, I attempted to address any potential overlap between the variables by generating an interaction between them, but I found that including this interactive term did not change my results and that, through a Wald test, the interaction term's coefficient could be constrained to equal zero.<sup>12</sup> As a result of this test, I did not include the interaction in my final model specification. Lastly, it should be noted that any identification issue that this "overlap" between Lobbying Expenditures and KLD Strengths would introduce would conservatively bias my analysis, making it more likely that my estimations would produce a null finding for KLD Strengths even if a relationship existed between it and the supply of access.

As a final additional robustness check, I also ran various specifications that attempted to address the large number of zero counts in my dependent variable by modeling a zero-inflation process. Despite consistently finding results that reflect those that I present here, I ultimately did not pursue this modeling strategy since I had no *a priori* theoretical reason from the underlying data generating process to model zero-inflation. That is, there was no clear substantive reason to pursue this model, and as a result, there was also no substantive guidance regarding which variables to include in the zero-inflation term.

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<sup>12</sup>The results of this Wald test were  $\chi^2_{(2)} = 0.60$ ,  $\text{Prob} > \chi^2 = 0.741$ .

## **Feedback for Members of Congress: Private Policymaking's Frequency in Testimony**

Although the above analysis demonstrates that a firm's supply of access to Congress increases with its commitment to corporate social responsibility, these quantitative results do not reveal whether or not firms share the information they gain from private policymaking with public policymakers. To explore whether or not this information transfer occurs and to return to the earlier, more descriptive question of whether or not private policymaking produces a resource feedback effect for members of Congress that would make them more likely to supply responsible firms with access, I completed a content analysis of testimony provided by witnesses representing S&P 500 firms. Examining the Congressional hearing room in this fashion allows us to get a genuine sense of whether or not lawmakers are gaining additional information from these witnesses.

Mirroring my panel analysis, I examined the testimony given by S&P 500 member firms between 2003–2005. For pragmatic reasons, I limited my analysis to only two committees: the House and Senate Commerce Committees.<sup>13</sup> Although this restricted my view of Congressional activity, I feel that it is a sound choice and a tough case to examine for the presence of information transfer, for as King (1994) notes, the Commerce committees are the most jurisdictionally expansive authorization committees in Congress and hence, the “noisiest” committees from an informational perspective. A brief sample of the issues taken up by these committees between 2003 and 2005 echoes this: Issues discussed in the two committees included comprehensive national energy policy, governance of the U.S. Olympic Committee, HIV/AIDS in Africa, spyware, the Medicare prescription drug benefit, and reform of the Financial Accounting Standards Board.

All total, these committees held 299 hearings between 2003 and 2005 and heard from 1,874 witnesses. Roughly 6.5 percent (121) witnesses were employees of S&P 500 firms who testified under non-hostile circumstances. Although this may seem like a low percentage, when you consider that the S&P 500 compose a small part of business and that business is just one slice of the full universe of potential witnesses, this percentage seems disproportionately large. I reviewed all 121 pieces of testimony from representatives of the S&P 500 and coded their testimony as either

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<sup>13</sup>The committees' formal titles are the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science, and Transportation.

not mentioning private politics, mentioning private politics peripherally (e.g., in describing the firm), or mentioning private policymaking as part of a core business practice vis-à-vis the subject of the hearing. This last category is especially important, as it captures the actual event of information stemming from private politics being shared with public policymakers and thus, helps us to understand why members invite certain firms to testify.

To put the distinction between core and peripheral private politics testimony in more concrete terms, the following quotation from a representative of ALCOA during a hearing on climate change gives a sense of what core private politics testimony sounds like:

In support of this vision and our values, ALCOA has established clear, measurable goals. . . Our environmental goals include reductions of SO<sub>2</sub> by 60 percent by the year 2010, the reduction of NO<sub>x</sub> by 30 percent by 2007, and especially relevant to this discussion, the reduction of greenhouse gas emissions by 25 percent by the year 2010.

We have developed a climate change policy in our company. That policy states that rather than further debate the science, we have decided that the risk of significant climate change is an issue of vital importance and requires action. We have not waited on others, but we have moved forward. . . In light of our visions, values, and internal goals, ALCOA appreciates the opportunity to support this committee's efforts to deal with global climate change and its potential impacts.

In contrast, the following description of self-regulatory and educational activities by a representative of Time Warner during a hearing regarding competition in the cable industry reveals how firms can use private politics solely to burnish their image before a committee, as the policy information that Time Warner's witness offers here is not directly relevant to the hearing's topic:

Time Warner is taking action as well. We have run PSAs educating our customers about parental controls more than 31,000 times in the past few months. We have sent educational mailers to more than four million customers, fifteen hundred educators and more than a thousand local elected officials and community leaders. . .

Table 4 summarizes the full results of this content analysis. Over the three-year period, the House Commerce Committee held 206 hearings and heard from over 1,400 witnesses, of which S&P 500 members employed 98. Of these 98, 19 (19.4 percent) discussed in their testimony how

their private policies were core to their business practices and how these private policies related to the legislation or issue the committee members were considering. That is, in approximately one-fifth of their appearances before the House Commerce Committee, these corporate representatives used the relatively small amount of time granted them to share formally with members of Congress information that they gained through their private practices. These numbers, and likely the influence of private policymaking, grows greater when we also consider those S&P 500 representatives who mentioned their firms' private policies in a peripheral way: All total, S&P 500 witnesses discussed private politics 31 times or 31.6 percent of the time they appeared before the House Commerce Committee.

[Insert Table 4 here.]

The trends for the Senate Commerce Committee shown in Table 4 reveal a similar but stronger pattern. In total, in the Senate, S&P 500 representatives mentioned their firms' private policies in over half of their appearances (12 times or 52.2 percent). More importantly, and as was the case in the House, the vast majority of these appearances mentioned private policies and social responsibility not in a throw-away manner but rather in a manner designed to influence public policymaking. That is, in 10 of 23 appearances (or 43.5 percent of the time), corporate witnesses provided information to members of Congress so as to influence their decisions regarding public policymaking. These findings, paired with those in the previous paragraph, demonstrate a clear second-order resource effect of increased information for members of Congress from private policymaking. They also strongly suggest that firms take advantage of the access that members of Congress supply them by attempting to influence public policymakers through the content of the information they provide regarding their socially responsible behavior.

The finding that private policymaking produces the second-order effect of increased information for members of Congress is important in its own right. However, when we consider Burstein and Hirsch's findings that "the nature of . . . the legislative process make[s] it likely that information provided at hearings is new to many members of Congress" (180) and that information on policy

effectiveness can significantly affect the likelihood of a committee endorsing and Congress enacting a policy proposal, we see that the ability of corporations to shape perceptions of a proposed public policy's effectiveness through discussions of their private policymaking may allow firms to alter fundamentally policy agendas, options, and, ultimately, enactments.

## **Conclusions**

The findings throughout this paper demonstrate that as a firm's engagement in genuine forms of private politics increases, so too does the supply of access granted to it by public policymakers. As scholars of private politics have shown though, increased access is not the primary goal of firms when they engage in private politics and, even if it were, economic and political constraints would place limits on the degree to which firms can enact private policies that self-regulate their behavior. Thus, the access and informational effects documented here are best viewed as second-order or feedback effects that increase the resources and political capacities of firms (and potentially help sustain their sustainable practices) and that also provide public policymakers with greater political- and policy-relevant information to make decisions. The quantitative and qualitative evidence presented here for these incidental effects is both robust and consistent.

Nevertheless, these findings represent only a beginning. If private policymaking truly creates a "new politics" through policy feedback, there are many more questions that we need to ask and phenomena that we need to study. First, we ought to explore whether the feedback effects shown here – an increased supply of access for firms and new information for public policymakers – apply in other firm–state relationships. For example, we could ask whether socially responsible firms have an advantage in the bureaucracy through the rule-making process, or we could ask whether the relationship shown here holds at the state level or in other nations. Second, we also need to explore the other ways in which private policymaking might feed back into politics. In this vein, we could ask whether there are resource effects for interest groups, social movements, non-governmental organizations, or, even, the mass public. Further, we could examine the much larger question of whether there are interpretative effects for any of the actors involved in or affected

by private policymaking. Ultimately, the results presented here reveal that we need to pay greater attention to private politics and policymaking and the ways in which they spill over or feed back into public politics.

Table 1: A Model of Corporate Access to Congress, 2005

	<i>Specifications</i>			
	(1)	(2)	(3)	(4)
Employees (logged) $t-1$	0.181 (0.120)	0.152 (0.120)	0.153 (0.120)	0.163 (0.122)
Sales (logged) $t-1$	0.197 (0.172)	0.173 (0.197)	0.123 (0.185)	0.157 (0.182)
Capital Intensity $t-1$	-0.192 (0.447)	0.008 (0.463)	-0.025 (0.457)	-0.034 (0.460)
R&D Intensity $t-1$	5.310 (2.801)	3.801 (2.730)	3.344 (2.809)	3.667 (2.742)
Lobbying Expenditures (logged) $t-1$	0.152 (0.086)	0.150 (0.086)	0.132 (0.091)	0.128 (0.089)
PAC Donations (logged) $t-1$	0.173 (0.108)	0.175 (0.109)	0.189 (0.107)	0.203 (0.110)
Top-100 Contractor $t-1$	0.425 (0.227)	0.446 (0.226)	0.457 (0.221)	0.434 (0.222)
HQ State Chairs $t-1$	0.075 (0.046)	0.071 (0.047)	0.075 (0.048)	0.074 (0.048)
<i>Fortune</i> Reputation $t$	-0.073 (0.115)			-0.086 (0.112)
KLD Net Score $t-1$		0.044 (0.025)		
KLD Strengths $t-1$			0.058 (0.030)	0.058 (0.030)
KLD Concerns $t-1$			-0.021 (0.040)	-0.028 (0.041)
Constant	-9.949 (3.229)	-9.065 (3.547)	-8.654 (3.027)	-9.231 (3.128)
No. of Observations	472	472	472	472
Log-likelihood	-516.640	-514.476	-514.210	-513.897
Wald- $\chi^2_{(14,14,15,16)}$	143.12	148.62	164.32	165.14

Parameters estimated using a generalized linear latent and mixed model fitted via maximum likelihood. The Poisson regression results presented here are the second stage results, conditional on a selection model presented in Table 6 in the Appendix that examines the binary decision of each firm in the S&P 500 in 2005 to be engaged in political activity (by making PAC donations and lobbying expenditures) or not. The dependent variable is the total number of non-hostile appearances of each firm in front of committees. All of the independent variables, except for *Fortune* Reputation, were lagged by one year; robust standard errors are reported.

Table 2: Substantive Effects for Specification 4 in Table 1

	Std. Deviation	$\Delta s$	Marginal Effect
Employees (logged) $t_{-1}$	1.287	0.082	0.064
Sales (logged) $t_{-1}$	1.181	0.072	0.061
Capital Intensity $t_{-1}$	0.222	-0.003	-0.013
R&D Intensity $t_{-1}$	0.040	0.058	1.430
Lobbying Expenditures (logged) $t_{-1}$	1.577	0.079	0.079
PAC Donations (logged) $t_{-1}$	1.426	0.113	0.079
Top-100 Contractor* $t_{-1}$		0.206	0.169
HQ State Chairs $t_{-1}$	1.826	0.053	0.029
<i>Fortune</i> Reputation $t$	1.493	-0.039	-0.034
KLD Strengths $t_{-1}$	2.745	0.062	0.023
KLD Concerns $t_{-1}$	2.369	-0.026	-0.011

\*As Top-100 Contractor is a binary independent variable, the effect in the  $\Delta s$  column reflects the change in its value from 0 to 1 instead.

Table 3: An Unbalanced Panel Model of Corporate Access to Congress, 2003–2005

	<i>Specifications</i>	
	(1)	(2)
Employees (logged) $t_{-1}$	0.085 (0.081)	0.032 (0.087)
Sales (logged) $t_{-1}$	0.265 (0.109)	0.272 (0.106)
Capital Intensity $t_{-1}$	-0.651 (0.295)	-0.156 (0.329)
R&D Intensity $t_{-1}$	-0.004 (1.686)	1.486 (1.675)
Market Regulated Industry $t_{-1}$		0.044 (0.150)
Socially Regulated Industry $t_{-1}$		0.464 (0.160)
Moderate Lobbying Expenditures $t_{-1}$	0.733 (0.177)	0.725 (0.176)
High Lobbying Expenditures $t_{-1}$	0.946 (0.195)	0.954 (0.194)
Moderate PAC Donations $t_{-1}$	0.333 (0.151)	0.332 (0.150)
High PAC Donations $t_{-1}$	0.439 (0.159)	0.441 (0.161)
Top-100 Contractor $t_{-1}$	0.163 (0.178)	0.215 (0.173)
HQ State Chairs $t_{-1}$	0.015 (0.035)	0.010 (0.035)
<i>Fortune</i> Reputation $t$	0.078 (0.069)	0.087 (0.068)
KLD Strengths $t_{-1}$	0.077 (0.023)	0.077 (0.023)
KLD Concerns $t_{-1}$	0.017 (0.027)	0.027 (0.027)
Constant	-4.989 (1.382)	-4.721 (1.376)
Likelihood ratio test versus pooled:		
$\bar{\chi}_{(1,1)}^2$	42.39	33.81
No. of Observations	1366	1366
No. of Firms	489	489
Log-likelihood	-960.781	-955.908
Wald- $\chi_{(15,17)}^2$	265.03	285.74

Parameters estimated using a negative binomial regression panel model with random firm effects; year fixed effects were included but are suppressed for space. The dependent variable is the total number of non-hostile appearances in front of committees by firm–year for the cumulative membership of the S&P 500, 2003–2005. All of the independent variables, except for the year fixed effects, were lagged by one year; robust standard errors are reported.

Table 4: Content Analysis of Testimony before the Commerce Committees, 2003–2005

	Total Hearings	S&P 500 Witnesses	S&P 500 Core PP Testimony	S&P 500 Peripheral PP Testimony	PP Total as Percentage of S&P 500 Total
House	206	98	19	12	31.6%
Senate	93	23	10	2	52.2%

Data collected from LexisNexis' Congressional Information Service and the Government Printing Office's GPO Access. Core Private Policymaking (PP) Testimony captures witnesses that discussed corporate social responsibility as being part of the their firms' core business practices; Peripheral PP Testimony captures witnesses that discussed corporate social responsibility in passing reference to their firm or solely to burnish their firms' brand. Hostile appearances were excluded from this analysis.

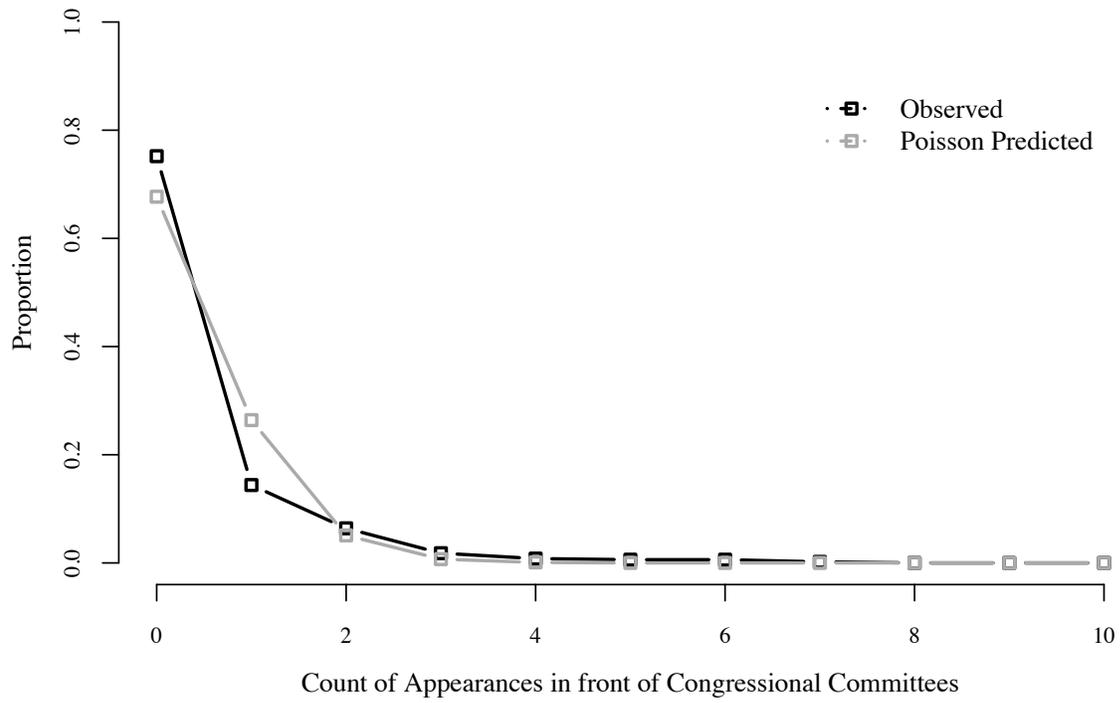


Figure 1: Overall Model Fit: Observed versus Predicted Appearances for Firms, using Specification 4 from Table 1

## Appendix

Table 5: KLD Stats Attributes within Issue Areas

<i>Issue Area</i>	<i>Strengths</i>	<i>Concerns</i>
<b>Community Relations</b>	Generous Giving Innovative Giving Support for Housing Indigenous Peoples Relations Non-U.S. Charitable Giving Volunteer Programs Support for Education Other	Tax Disputes Investment Controversies Negative Economic Impact Indigenous Peoples Relations Other
<b>Corporate Governance</b>	Limited Compensation Ownership Transparency Political Accountability Other	High Compensation Ownership Transparency Political Accountability Accounting Other
<b>Diversity</b>	CEO Promotion Board of Directors Family Benefits Women/Minority Contracting Employment of the Disabled Progressive Gay/Lesbian Policies Other	Employee Discrimination Non-Representation Other
<b>Employee Relations</b>	Union Relations No Layoff Policy Cash Profit Sharing Involvement Strong Retirement Benefits Health and Safety Other	Union Relations Workforce Reductions Pension/Benefits Health and Safety Other
<b>Environment</b>	Beneficial Products/Services Pollution Prevention Recycling Alternative Fuels Other	Hazardous Wastes Regulatory Problems Ozone Depleting Chemicals Agricultural Chemicals Climate Change Other
<b>Human Rights</b>	Indigenous Peoples Relations Labor Rights Other	Indigenous Peoples Relations International Labor Burma Mexico Other
<b>Product Qualities</b>	Quality R&D/Innovation Economically Disadvantaged Other	Safety Marketing/Contracting Antitrust Other

Table 6: Selection Model for Corporate Political Activity in Table 1

	<i>Specifications</i>			
	(1)	(2)	(3)	(4)
Employees (logged) $t_{-1}$	0.041 (0.095)	0.042 (0.095)	0.039 (0.098)	0.041 (0.095)
Sales (logged) $t_{-1}$	0.549 (0.105)	0.548 (0.105)	0.550 (0.110)	0.548 (0.105)
Top-100 Contractor $t_{-1}$	0.238 (0.404)	0.248 (0.397)	0.242 (0.409)	0.249 (0.396)
Market Regulated Industry $t_{-1}$	0.725 (0.153)	0.724 (0.153)	0.726 (0.167)	0.723 (0.153)
Socially Regulated Industry $t_{-1}$	0.295 (0.160)	0.299 (0.161)	0.287 (0.175)	0.300 (0.157)
Constant	-9.080 (1.076)	-9.065 (1.074)	-9.078 (1.300)	-9.072 (1.075)
$\sigma$	0.539 (0.160)	0.493 (0.169)	0.565 (0.229)	0.488 (0.137)
$\rho$	-0.416 (2.447)	-0.398 (3.469)	-0.654 (2.531)	-0.323 (2.600)
Likelihood ratio test for $\rho = 0$ :				
$\chi^2_{(1,1,1,1)}$	5.48	3.95	5.34	4.00
No. of Observations	472	472	472	472

Parameters estimated using a generalized linear latent and mixed model fitted via maximum likelihood. The logistic regression results presented here are the first stage results and condition the results in Table 1. The dependent variable in the above model captures the binary decision of the each firm in the S&P 500 in 2005 to be engaged in political activity (by making PAC donations and lobbying expenditures) or not. All of the independent variables were lagged by one year; robust standard errors are reported. The statistically significant results for all four likelihood ratio tests that  $\rho = 0$  indicate that the sample selection corrections are needed.

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