

Pamela Ban* and Hye Young You

Presence and influence in lobbying: Evidence from Dodd-Frank

Abstract: Interest groups face many choices when lobbying: when, who, and how to lobby. We study interest group lobbying across two stages of regulatory policy-making: the congressional and agency rulemaking stages. We investigate how the Securities and Exchange Commission responds to interest groups at the end of these stages using a new, comprehensive lobbying dataset on the Dodd-Frank Act. Our approach examines citations in the SEC’s final rules which reference and acknowledge the lobbying activities of specific interest groups. We find that more than 2,900 organizations engaged in different types of lobbying activities either during the congressional bill stage, the agency rulemaking stage, or both. Meetings with the SEC and hiring former SEC employees are strongly associated with the citation of an organization in a final rule. Comments submitted by trade associations and members of Congress are cited more in a final rule compared to other organizations. While there is more variety in the types of organizations who lobby the bureaucracy than those who lobby Congress, presence does not necessarily lead to recognition or influence.

Keywords: lobbying, rulemaking, interest groups

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“The bill, completed early Friday and expected to come up for a final vote this week, is basically a 2,000-page missive to federal agencies, instructing regulators to address subjects ranging from derivatives trading to document retention. But it is notably short on specifics, giving regulators significant power to determine its impact—and giving partisans on both sides a second chance to influence the outcome. . .”

—Binyamin Appelbaum, *The New York Times* on Dodd-Frank, 2010

*Corresponding author: Pamela Ban, Assistant Professor, Department of Political Science, University of California, San Diego, La Jolla, CA; Email: pmban@ucsd.edu

Hye Young You, Assistant Professor, Wilf Family Department of Politics, New York University, New York, NY; Email: hyou@nyu.edu

Introduction

Lobbying is a business with no deadline. Interest groups lobby to influence agenda setting and voting in Congress, and continue to lobby well after Congress passes legislation.¹ In this endless game, interest groups participate in different stages of policymaking and use multiple tools in their attempts to achieve influence.² They appear in committee hearings and testimonies, hire commercial lobbying firms and former government officials to contact members of Congress and bureaucrats, meet with regulators, and submit comments during rulemaking processes. Different interest groups and different lobbying activities are observed at different stages of policymaking. Despite the prevalence of lobbying throughout multiple stages of policymaking, there is relatively little research that documents the choices and effectiveness of different lobbying methods across different stages of policymaking.

Scholars have spent copious amounts of time to understand the effects of lobbying on policy outcomes. This endeavor has been challenging because lobbying is inherently a strategic decision. This is particularly true when scholars attempt to estimate the effect of lobbying on votes by members of Congress. First, unlike campaign contributions, it is difficult to measure lobbying contacts at the congressional member level because the Lobbying Disclosure Act of 1995 (LDA), which regulates the domestic lobbying process, only requires lobbyists to disclose the identity of the chamber of Congress or federal agency contacted, not the name of the lawmaker or the bill or topic they were lobbying on. Second, it is well-known that interest groups tend to lobby their allies in Congress, who may already share similar preferences with the interest groups; therefore it is challenging to disentangle the effect of lobbying from inherent, already existing preferences.³

Furthermore, the bulk of the literature on the effects of lobbying is focused on lobbying *Congress*; fewer studies have concentrated on lobbying during the subsequent *rulemaking* stage, despite rulemaking's importance in implementing legislation. The previous studies that do focus on the rulemaking stage have identified the kinds of participants who are most and least active in comments submissions, and correlate participation with rule changes.⁴ Other questions in the lobbying literature, such as the impact of the "revolving door," have received attention by scholars in the congressional context,⁵ but have not yet been investigated for outcomes in the rulemaking stage.

1 Hall and Miler (2008); You (2017).

2 Baumgartner et al. (2009); Godwin, Ainsworth, and Godwin (2013).

3 Hall and Wayman (1990); Kollman (1997); Hall and Deadorff (2006).

4 (Golden (1998); Yackee and Yackee (2006); Haeder and Yackee (2015).

5 Blanes i Vidal, Draca, and Fons-Ros (2012); Bertrand, Bombardini, and Trebbi (2014).

This paper advances the literature by studying the lobbying activities of interest groups across two stages of regulatory policymaking—the congressional bill stage and the federal agency rulemaking stage—and by examining whose voices get acknowledged at the end of the process. We track the combinations of lobbying activities used and identify which groups are acknowledged in the final rule. Notably, we consider the “revolving door” in the rulemaking process and investigate whether organizations with former SEC employees are more likely to be acknowledged. Our advantage is a newly collected dataset, explained in detail below, that allows us to directly track references made in an agency rule to specific interest groups who had lobbied on that rule.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank, hereafter), passed in July 2010 with around 330 provisions for rulemaking, presents a fitting case study to analyze lobbying in federal agency rulemaking.⁶ We specifically focus on rulemaking activities by the Security and Exchange Commission (SEC), who was responsible for making rules for up to ninety-seven provisions to implement Dodd-Frank. Numerous groups, from corporations to local governments, were involved in lobbying at various stages of the policymaking process.

First, we provide a comprehensive description of the lobbying activities of interest groups across both the congressional bill stage and the rulemaking stage by analyzing which organizations are involved and what types of lobbying strategies—e.g., submitting lobbying reports for lobbying contacts in Congress or the federal bureaucracy, submitting comments to agencies, meeting with federal regulators, hiring former SEC regulators—each organization used to lobby on Dodd-Frank from 2009–14. This enables us to understand how different organizations allocate their resources in different stages of policymaking in their attempt to influence regulatory policymaking.

Next, following studies that have explored interest groups’ activities in the rulemaking process,⁷ we examine how lobbying in the rulemaking stage influences final rules. Previous studies observe which organizations submitted comments and whether the final rule had changes, but do not isolate which specific organizations’ opinions, if any, were taken into account.

We take a new approach that explicitly connects parts of the final rules to specific interest groups by using citations in the final rules—our newly collected

⁶ Unlike the number of rulemaking provisions, the number of *rules* is uncertain ex-ante because some rulemaking provisions are discretionary, one rule can satisfy multiple rulemaking provisions, multiple rules can satisfy a single provision, non-rulemaking provisions may result in rules, etc.

⁷ Carpenter (2002); Yackee and Yackee (2006); McKay and Yackee (2007); Kerwin and Furlong (2008); Boehmke, Gailmard, and Patty (2013); Haeder and Yackee (2015).

dataset—which reference comments and meetings between organizations and the SEC. In the final version of their rules, the SEC includes citations that name the opinions of a selected group of organizations and the medium in which those opinions were transmitted. This allows us to directly connect any considerations the SEC took into account in between the proposed and final version of rules to the specific comments or meetings of specific interest groups. While a citation of an organization in the final rule does not necessarily suggest that an organization’s exact preferences are reflected in the final rule, it does indicate acknowledgement of the organization’s opinion by federal regulators in the rulemaking process. Thus, our study and our newly collected dataset can identify whether or not the SEC took into account an organization’s submitted comment or meeting, allowing us to advance the literature by drawing more specific conclusions on the effectiveness of organizations’ lobbying efforts.

For Dodd-Frank, we find that 2,961 organizations participated in the lobbying process either during the congressional bill stage, the agency rulemaking stage, or both. Corporations and trade associations were the most active, but local governments and members of Congress were also actively involved. While corporations and trade associations lobbied throughout both stages, we find that local governments, not-for-profit organizations, and even individual members of Congress mostly participated in the rulemaking stage exclusively.

We find that the number of lobbying report submissions and the number of meetings with the SEC are strongly associated with the citation of the organization in the SEC’s final rule. When we compare comment submissions across various types of organizations, comments submitted by trade associations and members of Congress tend to be more cited in the final rule. When we include a rule fixed effect and organization-type fixed effect, the number of comments submitted by an organization and the frequency of citation of the organization in the final rule are still strongly correlated.

We also investigate whether the “revolving door” influenced the effectiveness of lobbying on Dodd-Frank rulemaking. Research has suggested that lobbyists who were previously employed as House or Senate personal staff, or committee staff, generate higher lobbying revenues over lobbyists who were not.⁸ However, scholars have yet to determine the extent to which a revolving door impacts outcomes in the lobbying of federal agencies. Out of the 2,961 organizations in our data who lobbied the SEC on a Dodd-Frank rule in one way or another, eighty-eight of those groups had employed at least one former SEC regulator. We find that organizations who submitted comments and have at least one former SEC employee are more likely to be cited in the final rules determined by the SEC,

⁸ Blanes i Vidal, Draca, and Fons-Rosen (2012); Bertrand, Bombardini, and Trebbi (2014).

and that these results are robust to corporation resources. Combined, our results suggest that the SEC gives higher weight in recognizing opinions from organizations who have issue expertise, capacity to control the agency, or a personal connection to the agency.

Our findings thus provide insight on the lobbying process—who lobbies, how they lobby, and who succeeds in getting acknowledged—across different stages of regulatory policymaking. McCubbins, Noll, and Weingast (1987), in their study of bureaucratic agency procedures as instruments of elected officials’ political control, predict that “the politics of the bureaucracy will mirror the politics surrounding Congress and the president.” While we find that there is a wider variety in the types of organizations who lobby the bureaucracy than those who lobby Congress, the types of organizations who are ultimately more likely to succeed in getting their interests acknowledged are similar across the bureaucracy and Congress. In other words, we discover that for the question of which outside groups participate, the politics of the bureaucracy do *not* mirror the politics surrounding Congress, but for the question of which outside groups get acknowledged, the politics of the bureaucracy *do* mirror the politics of Congress.

Interest groups and agency rulemaking

While the lobbying that takes place before legislation is passed in Congress attracts much attention, less attention is given to lobbying in the subsequent rulemaking stage, despite rulemaking’s critical role in implementing legislation. When Congress passes legislation, it routinely calls for U.S. federal agencies to formulate guidelines and regulations for the new policies through rulemaking. During the rulemaking process, agencies are legally required by the Administrative Procedure Act (APA) to provide notice of the proposed rule in the Federal Registrar and must allow for a notice and comment period before promulgating the final rule (APA Section 553).⁹

During this notice and comment period, the public—either organizations or individuals—can submit written comments containing information, data, or

⁹ In some cases, the APA permits agencies to issue a final rule without first publishing a proposed rule and allowing for the notice and comment period. This exception is for when the agency has “good cause” that the notice and comment period would be “impractical, unnecessary, or contrary to the public interest,” and has been used in emergencies for public health and safety, or if Congress has legislated a specific regulatory outcome. Other exceptions to skipping the notice and comment period include when the agency is issuing rules about internal agency procedures or when the rules only apply to federal employees or only manage federal property (Register (2011)).

opinions to the agency formulating the rule.¹⁰ While agencies are not legally required to change a rule in between the proposed version and the final version due to the public comments, if the agency does make modifications from the proposed rule to the final rule, agencies, such as the SEC, mention in citations the comment or meeting that relate to the change being made. Even if a modification is not made, the SEC still has discretion to cite any comment that it finds substantively relevant to the proposed rule.¹¹ The final regulatory rules that stem from the agency rulemaking process are legally binding and thus are a form of policymaking.

Like any form of policymaking, agency rulemaking is a process ripe for outside influence—what’s more, the above-mentioned notice and comment period is designed to *invite* and *welcome* outside opinion. Who, then, influences rulemaking, and are there any groups who unduly affect the outcomes of rulemaking? The literature has argued that the dominant interests of the regulated industry are the drivers behind the scenes during agency policymaking. McCubbins, Noll, and Weingast (1987, 1989) and McCubbins and Schwartz (1984) argue that this is because Congress empowers dominant interests in bureaucratic decision procedures. More often than not, the dominant interests are business interests, who have been shown to pursue and receive significant advantages in policymaking.¹² Perhaps unsurprisingly, then, scholars have also documented that corporations are the most active participants in lobbying the federal agencies during the agencies’ rulemaking phases. For example, Golden (1998), in studying ten rules, found that businesses participate the most in submitting comments during the public comment periods of rulemaking; likewise, Yackee and Yackee (2006) analyzed forty rules made by four different agencies, and found that businesses submitted 57 percent of the comments during the public comment periods of those forty rules.

Not only do corporations participate the most, but scholars have also found that corporations disproportionately influence the federal bureaucracy.¹³ When measuring the amount of change a rule underwent from its initial proposed version to its final version, Yackee and Yackee (2006) found that the four agencies

10 Comment periods usually last anywhere from 30 to 180 days.

11 A former SEC official who worked in the Division of Trading and Markets, when asked, stated that the SEC cites comments that are “substantively relevant to a proposed rule.” The former official also referred to the Section 553 of the APA which states that [Agencies must respond to comments that are material to issues raised in a rulemaking proceeding. To be material, comments must be such that, “if true . . . would require a change in the proposed rule.”] But the former official emphasized that the SEC does possess significant discretion in deciding which comment qualifies as “material” to proposed rules.

12 Baumgartner and Leech (2001); Schlozman (1984); Schlozman and Tierney (1986).

13 Yackee and Yackee (2006); Haeder and Yackee (2015).

they studied consistently amended their final rules to reflect the desires business interests expressed in their submitted comments. Haeder and Yackee (2015) studied lobbying during the Office of Management and Budget's (OMB) review of rules, and showed that lobbying by business groups exclusively is more likely to result in a rule change than lobbying by public interest groups exclusively. Further, they found that a rule change during OMB review is more likely when more groups lobby and when there is more consensus lobbying (with no lobbying from "the other side").

More broadly, research is mixed on whether general interest group participation during the rulemaking process affects the resulting rules. Studies such as Golden's (1998), Yackee and Yackee's (2006), and Haeder and Yackee's (2015) have found that interest groups' comments do, in certain cases, relate to changes made in between the proposed and final rules, though other studies¹⁴ have found that interest groups' comments do not or only rarely do.

A possible reason for the mixed results is that empirical studies have quantified the influence of interest groups on rule content in various ways: automated content analysis software to determine the percentage change in the text from draft to final rule,¹⁵ manual content comparisons by the author,¹⁶ or by human coders,¹⁷ or interviews with agency officials.¹⁸ However, while these approaches may capture the amount of change in the rules, none of the existing approaches directly attribute any consideration or influence in the rules to the *specific* interest groups who lobbied or submitted comments. Without a clear link connecting content in the rule to an interest group, there is no certainty that the content was influenced as a result of a certain interest group's submitted comments or other lobbying efforts.¹⁹

Our approach and data collection allow us to improve upon the literature by filling this gap and directly attributing considerations taken into account by the SEC in between the proposed and final rule to specific interest groups who lobbied during the rulemaking process. By analyzing final rule citations, we can identify who the SEC acknowledges in the formation of the final rule. This allows

¹⁴ West (2004); Gaines (1977).

¹⁵ Haeder and Yackee (2015).

¹⁶ Golden (1998).

¹⁷ Yackee and Yackee (2006).

¹⁸ West (2004).

¹⁹ West (2004) separates the problem of attributing changes in rules to two parts: the first being that "it is difficult for someone with a cursory understanding of the issues at stake to distinguish [cosmetic or relatively insignificant clarifications of language] from more substantive changes" and second, aptly notes that "when meaningful changes occur, moreover, they may not be the result of public comment."

us to connect interest groups' lobbying activities to whether their opinions were publicly referenced during the rulemaking stage. While not a perfect measure of influence—a citation does not guarantee that the final rule was actually changed to what an organization lobbied to support—citations nevertheless capture acknowledgment by the agency. As the literature currently does not have a way to systematically and directly attribute interest groups' lobbying activities to their actual impact on rulemaking, our approach, using citations, is a first step to tackling this gap.

Further, the submission of public comments is not the only avenue that is available to interest groups who wish to lobby agencies during the rulemaking process. Traditional lobbying activities, such as meetings and telephone calls, can still be used to lobby interests, especially if interest groups do not wish to go on the written record with comment submissions. Merely examining comments ignores the other ways that interest groups may lobby agencies; thus, by collecting SEC meeting records with interest groups (meetings both in-person and telephone calls) and attributions to meetings that are present in the SEC final rule citations, we are able to augment our dataset to cover various lobbying activities. Used along with our data on comments, we are able to paint a more complete picture of interest group participation in the rulemaking process and the extent of the SEC's acknowledgement of their opinions in the resulting regulatory rules.

Data and stylized facts

We focus on the SEC's rulemaking for Dodd-Frank. The SEC is one of the most important agencies that oversees the financial market and played an important role in the implementation of Dodd-Frank. When Congress passed the 848 pages of legislation for Dodd-Frank, it had around 330 provisions for rulemaking that it left to the federal agencies. To date, the SEC alone has been responsible for adopting final rules for sixty-seven mandatory rulemaking provisions of Dodd-Frank, completing seventy-two final rules in direct response to mandatory rulemaking provisions and around one hundred rules in total related to Dodd-Frank, thirty-seven of which were finalized by December 2014, the end of our data sample.²⁰ For each of the rules, we collected data on how many comments on the rule each organization submitted, how many meetings each organization had with SEC officials regarding that rule, and how many times each organization was cited in the final rule.²¹

20 Besides rules for mandatory rulemaking provisions, the SEC has also completed rules that provide regulatory clarification or further regulation on issues affected by Dodd-Frank.

21 Data on comments and meetings were collected from the SEC's webpages on Dodd-Frank rulemaking, e.g., <https://www.sec.gov/comments/s7-02-13/s70213.shtml>.

From Dodd-Frank's passage in Congress to the end of 2014, 2,337 organizations submitted a total of 4,405 comments on the thirty-seven rules promulgated by the SEC during that time. These comments were provided by the SEC and are all included in our data set. Rules had, on average, ninety-two comments per rule, but the number of comments varies significantly by rule. For instance, rule file S7-7-11 on credit rating reference removal received no comments, but rule file S7-45-10 on the registration of municipal advisors attracted 855 comments. Table A1 in appendix A provides the detailed description about rules and the total comments submitted to each rule.

To provide a complete picture on interest groups' activity on Dodd-Frank, we collected data on the lobbying activities of various interest groups, both in the congressional bill-passage stage and the agency rulemaking stage, from 2009 to 2015. During this time period, there were 2,961 unique organizations who lobbied either during the congressional stage (by submitting required lobbying reports after having lobbying contact with officials), during the agency rulemaking stage (by submitting comments to the SEC or having meetings with the SEC), or during both. Among these organizations, 22.5 percent only submitted lobbying reports during the congressional stage but did not submit comments or have meetings with the SEC during the rulemaking stage. 68.2 percent did not submit lobbying reports from the congressional stage but did submit at least one comment or had a meeting with the SEC during the rulemaking stage. Further, 9.3 percent were observed submitting both lobbying reports during the congressional stage and submitted comments or had meetings with the SEC during the rulemaking stage.

We categorize organizations into seven different types: corporation, trade association, local government, members of Congress, law or lobbying firm, non-profit, and individuals.²² Table 1 presents the number of lobbying activities categorized by type of organization during the congressional state (number of lobbying reports) and the rulemaking stage (number of comments, meetings with the SEC, and lobbying reports), as well as the number of final rule citations.²³

Table 2 presents the total number of unique organizations in each category by activity. In all activities, corporations and trade associations are the most active participants in the process. Members of Congress submitted 261 comments in total on the thirty-seven rules; their opinions in these comments were cited

²² If an organization does not fit into any of the seven categorizations, we treat it as "other." Examples of organizations under this category are "European Union" and "University of Michigan."

²³ The division of the congressional vs. rulemaking stage is the date that Congress passed Dodd-Frank.

Table 1: Summary Statistics on Various Lobbying Activities

Organization Type	N	Congressional Stage		Rulemaking Stage		Outcome Citation
		Report	Comment	Meeting	Report	
Corporation	1,174	1,944	1,460	507	1,263	8,062
Trade Association	570	1,006	1,138	286	621	7,250
Member of Congress	160	N/A	261	26	N/A	1,140
Local Government	372	50	576	8	31	286
Law or Lobbying Firm	159	9	264	92	5	1,321
Nonprofit	268	141	428	194	69	1,763
Individuals	69	4	68	13	4	105
Other	190	95	220	49	53	651
Total	2,961	3,249	4,415	1,175	2,046	20,578

Table 2: Organizations and Lobbying Activities

Organization Type	Number of Organizations by Activity Type			
	Only Comments	Only Lobbying Reports	Comments and Lobbying Reports	Only Meetings
Corporation	615	365	146	47
Trade Association	295	172	90	13
Member of Congress	159	N/A	0	1
Local Government	358	18	6	0
Law or Lobbying Firm	145	2	2	10
Nonprofit	194	44	15	15
Individuals	63	2	0	4
Other	136	32	5	17
Total	1,955	635	264	107

1,140 times. Local governments and law or lobbying firms are more active in comment submission than lobbying report submission, and non-profit groups tend to meet frequently with the SEC. In Table A2 in appendix A, we list the top ten most active groups in each category in each activity.

Citations in the final rules reference organizations and specific comments or meetings. For example, in the final rule on the “Registration of Municipal Advisors” (File No. S7-45-10), the SEC writes,

Many commenters recommended that the municipal advisor registration rules include an exclusion for broker-dealers that is similar in scope to the broker-dealer exclusion under Section 202(a)(11)(C) of the Investment Advisers Act.⁶³⁶ Specifically, these commenters stated that the Commission should exclude from registration broker-dealers that provide advice that is solely incidental to a transaction.⁶³⁷ These commenters generally noted that broker-dealers are already regulated by the Commission and should not be subject to additional or duplicative regulation.

And, furthering the example, the corresponding citation for footnote 637 states:

See, e.g., Union Bank Letter (stating that advice supplied that is “solely incidental to the conduct of his business as a broker or dealer and who receives no special compensation therefor” (Section 202(a)(11) of the Investment Advisers Act) should be excluded from the definition of “advice?”; SIFMA Letter I (stating that “broker-dealers providing advice that is solely incidental to a transaction should be excluded from the definition of municipal advisor for the same reason that registered investment advisers are excluded (in some instances): they are already regulated”); Financial Services Institute Letter (stating that

broker-dealers should be treated as in the Investment Advisers Act, i.e., where a municipal entity enters into an ordinary brokerage transaction, any incidental advice provided in the scope of that relationship should not require the broker-dealer to register as a municipal advisor).

In this citation, we see that the SEC is citing letters that were submitted as comments during the public comment period from Union Bank, Securities Industry and Financial Markets Association (SIFMA), and the Financial Services Institute.²⁴ These three organizations' efforts are clearly taken into account by the SEC. These footnote citations appear throughout each final rule, and explicitly provide information on what organizations the SEC is acknowledging in the final rules.

We note that a citation does not guarantee that the final rule was actually changed to what an organization lobbied to support. The SEC, in many cases, also cites submitted comments and then explains why it did not follow what those comments called for. Regardless, an organization being cited in the final rule is a signal that its views were heard and taken into consideration—whether or not in an affirmative way—by the SEC in a serious manner. Citations, as such, can be taken as a sign that an organization's lobbying voice was *heard*.

Types of lobbying and policy change

In this section, we investigate whether different lobbying activities are associated with the number of citations of each organization in the final rule promulgated by the SEC regarding Dodd-Frank. Specifically, we estimate the following model using ordinary least squares:

$$(1) \quad \text{Citations}_{ijs} = \alpha_j + \alpha_s + \beta_1 * \text{Comments}_{ijs} + \beta_2 * \text{Meetings}_{ijs} + \beta_3 * \text{Reports}_{ij} + \varepsilon_{ijs}$$

where i indicates an organization with type j and s indicates the rule. The terms α_j and γ_s are fixed effects indicating organizational type and the rule, in order to control for unobservable characteristics of organizational types and rules that may affect the number of citations made in the final rule. The variables Comments_{ijs} and Meetings_{ijs} measure the number of comments and meetings that an organization i (with type j) submitted to or had with the SEC regarding a

²⁴ We include the Union Bank letter in Appendix B, as an example of a submitted comment.

Table 3: Comments, Meeting, Lobbying, and Citations in the SEC Final Rule

<i>DV = Total Citation</i>	(1)	(2)	(3)
Total Comment	1.078 (0.96)	3.414*** (5.50)	3.362*** (5.49)
Total Meeting	2.879*** (3.21)	2.824*** (3.31)	2.818*** (3.35)
Total Lobbying Report	0.141** (2.10)	0.166** (2.47)	0.101 (1.61)
Total Comment × Corporation	3.518** (2.19)		
Total Comment × Trade Association	3.942*** (2.89)		
Total Comment × Member of Congress	5.612*** (2.88)		
Total Comment × Local Government	0.220 (0.20)		
Total Comment × Law/Lobbying Firm	2.710** (2.01)		
Total Comment × Non Profit	0.749 (0.51)		
Hired Former SEC Employee			5.334*** (3.11)
Constant	-0.326 (-0.34)	0.405 (0.43)	0.0860 (0.09)
Mean DV (No. Citation)	5.1	5.1	5.1
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
<i>N</i>	3420	3420	3420
adj. <i>R</i> ²	0.240	0.225	0.229

Note: The unit of observation is organization–rule. *t* statistics in parentheses.

p* < 0.10, *p* < 0.05, ****p* < 0.01. Standard errors are clustered at the organization level.

rule *s*. *Reports_{ij}* measures the total number of lobbying reports on Dodd-Frank.²⁵ We estimate the model using OLS regression.²⁶

Table 3 presents the main results. Coefficients for each variable of interest are presented with *t*-statistics in parentheses. Column (1) includes interaction terms

²⁵ This is not indexed by the rule *s* because lobbying reports are not classified by rule.

²⁶ Given that the outcome variable is a count (number of citations), we also estimate the equation (1) using negative binomial model using `xtnbreg` command in Stata. The result is presented in table A3 in appendix A and the results are largely consistent with the results from the OLS specification.

between the number of comments and an indicator for each organization type. Federal agencies are required only to respond to what the courts have characterized as “significant comments” receive during the period of public comments (Carey 2013). Given that our outcome measure is the number of citations of comments by each group in the final rule, we include interaction terms between the comments and the group type to examine whether comments from different groups are weighted differently. We also include a rule fixed effect to control the differences across the rules in terms of the attention it draws from various groups and the degree of influence. Column (2) includes both organization type fixed effects and rule fixed effects.²⁷ Organization type fixed effects are included to control differences in resources and expertise on issues across different organization types (e.g., corporations vs. nonprofit).

In both specifications, the number of meetings with the SEC and the number of submitted lobbying reports are positively associated with the citation of the organization in the SEC’s final rule. Comments submitted specifically by corporations, trade associations, members of Congress, and law or lobbying firms tend to be cited more in the final rule when we compare the effect across organization type, as seen in Column (1). For instance, when a member of Congress submitted a comment, that comment was five times more likely to be cited by the SEC in the final rule compared to a comment submitted by an individual/other, which was an omitted, baseline category of the organization. When comparing within each organization type, in Column (2), the number of comments and lobbying reports submitted by an organization, as well as the number of meetings with SEC officers, are strongly correlated with the frequency of citation of the organization in the final rule.

We turn next to the “revolving door” and examine how hiring ex-SEC officials changed an organization’s lobbying strategy and the SEC’s citation of the organization in the final rule. There is a rich literature on how future career concerns in the private sector could affect regulators’ behaviors.²⁸ However, it is not well documented how ex-regulators influence agency policy outcomes when they act as lobbyists. We directly tackle this issue in the following analysis.

The SEC requires that its employees file post-government employment statements if they represent a client before the SEC within two years of leaving the SEC. The Project on Government Oversight (POGO) compiled the statements filed from

²⁷ The omitted organization category is individual/other (baseline). Estimates on organization type FEs could be interesting as they contain interesting information about the baseline citation rates. We report the full regression results in table A4 in appendix A.

²⁸ E.g., Peltzman (1976); Che (1995); Lucca, Seru, and Trebbi (2014).

2000–2010 by former SEC employees through the Freedom of Information Act.²⁹ From this database, we identify all organizations who hired SEC employees who had left the SEC between 2000 and 2010. One caveat is that the SEC only requires this post-government employment statement if the former employee will appear before the SEC in their new position, so the data does not include organizations who hired former SEC employees for positions in which the employee would not go before the SEC.³⁰ However, what we can identify are organizations with former SEC employees who interact with the SEC—precisely the “revolving door” phenomenon that we want to investigate.

Eighty-eight organizations who hired at least one former SEC regulator lobbied on Dodd-Frank in either the congressional stage, the rulemaking stage, or both. We examine whether organizations who hired former SEC employees are more likely to be cited in a final rule when they submit comments to the SEC during the rulemaking process. We constructed the variable *Hired SEC Employee* to indicate whether an organization hired a former SEC employee during 2000–2010 as reported on post-government employment statements. Column (3) in [table 3](#) presents the results of the regression with this indicator variable. Other things equal, organizations with former SEC employees are more likely to be cited in final rules.³¹ Given that the average number of citations for an organization on a rule is 5.1 citations, the magnitude of the coefficient on the variable *Hired SEC Employee* suggests that overall, having an ex-SEC employee is roughly associated with an increase of over 100 percent in the number of citations of an organization.

Discussion

Citations in the final rules are a signal that the SEC heard the opinions of the cited organization enough to include an explicit reference, so what can we say from our

²⁹ Project on Government Oversight (2010).

³⁰ For instance, a company could have hired a former SEC employee, but if that employee’s new job responsibilities do not include interacting with the SEC, a post-government employment statement would not need to be filed.

³¹ It is possible that hiring a former SEC official could be a proxy for an organization’s resources or capacity. It is challenging to measure resources or expertise at an organizational level across different types of organizations, but to provide some evidence that our results are robust to organization resources, we use Compustat data provided by Wharton Research Data Services to construct a variable of market value for corporations. In appendix A table A6 reports the results for corporations using this additional variable; when controlling for market value, the coefficient on *Hired SEC Employee* remains positive and statistically significant.

findings? First, organizations who lobby across both the congressional and rule-making stages are more successful in getting heard by the regulator—possibly due to the amount of resources these organizations can devote to lobbying on the issue, which in turn may be a reflection of the organization’s size or clout and the relevance of the issue to the organization. Second, comments from members of Congress receive many citations in the final rules, suggesting that regulators, such as the SEC, give close attention to the formal written records of those who had legislative control of the policy. Recent studies document that members of Congress constantly engage in direct communications with federal agencies and departments,³² in addition to their oversights through their committee activities. Given that any legislator can reprimand agencies by introducing legislation that is unfavorable to the agency or by attacking the agency in the press, agencies like the SEC have a strong incentive to be responsive to members of Congress if they express their opinion through a direct comment submission.

Third, the fact that trade associations and organizations who hired former SEC employees are more likely to be cited suggests that regulators tend to listen more to those who have expertise on issues and/or former connections.³³ Another potential mechanism that could explain differential citation rates is the legal capacity of the organizations. Litigation and other legal battles have also been argued as tools that interest groups use to influence policy.³⁴ It is possible that the SEC pays more attention to comments submitted by organizations who are more likely to engage in legal action with the agency, which are often firms and trade associations. More broadly, while we observe that there is a wide variety of organizations present in lobbying regulatory policy, we find that these specific sets of organizations are more likely to get their interests acknowledged by the bureaucracy—a first step in influence.

These findings have important implications in the inequality of influence that different groups have in policymaking. Although some scholars argue that allowing citizens to submit rulemaking comments through online submissions (electronic commenting) achieves more “regulatory democracy” by increasing public participation in the rulemaking process,³⁵ our results imply that the presence of individual citizens and nonprofit organizations in the rulemaking process does not

³² Ritchie (2018); Ritchie and You (2018).

³³ Comments submitted from business trade organizations tend to be longer and include more issue specific information. For example, see a comment submitted collectively by six different business trade organizations on the regulation of inter-affiliate swaps under Title VII of the Dodd-Frank: <https://www.sec.gov/comments/s7-16-10/s71610-181.pdf>.

³⁴ de Figueiredo and de Figueiredo (2002); Farhang (2008, 2010).

³⁵ Cuéllar (2005).

necessarily lead to the same level of recognition from federal agencies that trade associations or corporations enjoy. This inequality in recognition could be driven by the difference in comment quality, given that individuals' comments generally only express support or opposition for a proposed rule rather than providing detailed suggestions or information,³⁶ or could be driven by the difference in personal connections with federal bureaucrats, since corporations and trade associations more often hire ex-regulators. To fully understand the source of unequal recognition of different groups by federal agencies in the rulemaking process, future research needs to both carefully and systematically examine the content of comments and final rules and how bureaucrats respond content-wise to comments in the final rule.

Supplementary material

To view supplementary material for this article, please visit <https://doi.org/10.1017/bap.2018.27>

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Appendix A. Tables

Table A1: Description of Final Rules

File Number	Publication Date	Total Comment	Rule Description
S7-26-10	1/25/11	65	Final rule requiring issuers of asset
S7-24-10	1/26/11	54	Final rule on representations and warranties in asset
S7-33-10	2/2/11	209	Shareholder approval of executive compensation and golden parachutes.
S7-36-10	6/13/11	73	Final rule to implement whistleblower incentives and protection provisions.
S7-10-11	6/14/11	4	Final rule on beneficial ownership reporting requirements and security
S7-25-10	6/29/11	76	Final rule defining “family office.”
S7-40-10	7/6/11	548	Final rule providing exemptions from registration requirements for advisers to venture capital funds, private fund advisers with less than \$150 million in assets, and foreign private advisers.
S7-37-10	7/19/11	127	Final rule on registration requirements for investment advisors and to the “pay
S7-18-08	8/3/11	94	Removal of security ratings from rules and forms
S7-02-11	8/23/11	7	Final rule regarding suspension of the duty to file reports for classes of asset
S7-04-11	12/29/11	23	Final rule amending the net worth standard for accredited investors.
S7-17-11	2/22/12	12	Final rule allowing investment advisers to charge performance based compensation to “qualified clients.”
S7-22-11	4/5/12	7	Exemptions for security-based swaps issued by certain clearing agencies
S7-13-11	6/27/12	46	Final rule establishing listing standards for compensation committees.
S7-06-12	7/23/12	2	Guidance on definitions of mortgage related security and small business related security.
S7-24-11	7/26/12	13	Extending expiration dates of temporary exemptions for eligible credit default swaps.
S7-42-10	9/12/12	35	Final rules relating to disclosure of payments by resource extraction issuers to a foreign government or the Federal Government
S7-41-10	9/12/12	27	Final rules revising annual reporting requirements of certain issuers concerning whether minerals originated in the Democratic Republic of the Congo or an adjoining country.
S7-08-11	11/2/12	16	Final rule establishing clearing agency standards.
S7-07-11	11/23/12	78	Final rule regarding purchase of certain debt securities by business and industrial development companies relying on an Investment Company Act exemption.

S7-44-10	12/10/12	90	Final rule for submitting advance notices and security
S7-11-11	1/23/13	10	Final rule concerning due diligence requirements in searching for lost or missing security holders and unresponsive payees.
S7-27-11	2/13/13	5	Order extending exemptions for certain security
S7-29-11	4/9/13	2	Final rule amending rule filing requirements for dually
S7-30-11	7/11/13	12	Final rule on retail foreign exchange transactions
S7-31-10	7/16/13	56	Final rule on retail foreign exchange transactions.
S7-21-11	7/24/13	37	Final rule disqualifying felons and bad actors from Rule 506 offerings.
S7-23-11	8/21/13	20	Final rule amending requirements for broker
S7-45-10	11/12/13	855	Final rule on registration of municipal advisors
S7-41-11	12/10/13	558	Final rule on Volcker rule
S7-7-11	1/8/14	0	Final rule removing certain references to credit ratings from investment repurchase agreement rules.
S7-15-11	1/8/14	12	Final rule removing certain references to credit ratings from broker
S7-13-09	1/31/14	176	Final rule on proxy disclosure enhancement
S7-18-11	8/27/14	67	Final rule on credit rating agency reform
S7-08-10	9/14/14	271	Final rule on asset-backed securities
S7-14-11	10/22/14	650	Final rule on credit risk retention
S7-02-13	11/13/14	68	Final rule on cross-border application of security-based swap

Table A2: Top 10 Organizations based on the Number of Citations in the Rules by the SEC

Organization	#Comment	#Meeting	#Report	#Citation
A. Corporation				
Goldman Sachs	15	23	32	339
JP Morgan	16	9	21	275
Credit Suisse	5	4	8	256
Wells Fargo	17	2	16	235
Standard & Poor's	4	3	0	221
DBRS.Com	4	1	0	197
RBC Capital Markets	1	0	0	170
Anglogold Ashanti	1	4	0	140
Morgan Stanley	9	8	6	136
Bank Of America	11	7	12	133
B. Trade Association				
American Bar Association	31	3	9	723
Securities Industry And Financial Markets Association	72	36	10	687
Financial Services Roundtable	26	2	24	267
American Securitization Forum	29	3	0	236
Investment Company Institute	26	5	39	215
National Mining Association	5	0	6	192
American Petroleum Institute	5	5	9	159
U.S. Chamber of Commerce	40	15	54	149
National Association of Manufacturers	10	8	5	146
International Swaps And Derivatives Association	9	4	13	146
C. Members of Congress				
Senator Carl Levin	15	3	0	247
Senator Jeff Merkley	8	5	0	155
Representative Jim Mcdermott	4	7	0	111

Senator Richard Durbin	5	5	0	93
Senator Patrick Leahy	2	2	0	47
Representative Barney Frank	3	0	0	43
Representative Spencer Bachus	10	0	0	39
Senator Ben Cardin	1	1	0	33
Representative Donald Payne	2	0	0	33
Senator John Kerry	2	0	0	32
<i>D. Local Government</i>				
American Federation of State, County and Municipal Employees	7	1	10	66
California Public Employees' Retirement System	10	1	0	65
American Association of Exporters and Importers	3	0	0	49
Colorado Public Employees' Retirement Association	8	0	0	28
California State Teachers' Retirement System	4	0	5	20
City of New York City, NY	6	2	0	17
State of Indiana	2	0	0	13
Pennsylvania Public School Employees' Retirement Board	1	0	0	10
Minnesota Housing Finance Agency	2	0	0	7
American Society of Pension Professionals & Actuaries	1	0	5	6

Table A3: Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Negative Binomial Regression Results

<i>DV = Total Citation</i>	(1)	(2)	(3)
Total Comment	-0.142 (-1.45)	0.174*** (8.69)	0.183*** (9.06)
Total Meeting	-0.0205 (-0.84)	-0.0127 (-0.59)	-0.0203 (-0.95)
Total Lobbying Report	0.0148*** (4.95)	0.0170*** (6.44)	0.0131*** (4.59)
Total Comment × Corporation	0.349*** (3.57)		
Total Comment × Trade Association	0.394*** (4.00)		
Total Comment × Members of Congress	0.601*** (5.14)		
Total Comment × Local Government	-0.661*** (-4.32)		
Total Comment × Law/Lobbying Firm	0.586*** (5.25)		
Total Comment × Non Profit	0.301*** (3.03)		
Hired Former SEC Employee			0.511*** (6.09)
Constant	-1.771*** (-40.30)	-1.725*** (-40.08)	-1.768*** (-40.00)
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
<i>N</i>	2970	2879	2879

Note: The unit of observation is organization–rule. *t* statistics in parentheses. * $p < 0.10$, ** $(p < 0.05)$, *** $p < 0.01$. Standard errors clustered at the organization level.

Table A4: Comments, Meeting, Lobbying, and Citations in the SEC Final Rule

<i>DV = Total Citation</i>	(1)	(2)	(3)
Total Comment	1.078 (0.96)	3.414*** (5.50)	3.362*** (5.49)
Total Meeting	2.879*** (3.21)	2.824*** (3.31)	2.818*** (3.35)
Total Lobbying Report	0.141** (2.10)	0.166** (2.47)	0.101 (1.61)
Total Comment × Corporation	3.518** (2.19)		
Total Comment × Trade Association	3.942*** (2.89)		
Total Comment × Member of Congress	5.612*** (2.88)		
Total Comment × Local Government	0.220 (0.20)		
Total Comment × Law/Lobbying Firm	2.710** (2.01)		
Total Comment × Non Profit	0.749 (0.51)		
Hired Former SEC Employee			5.334*** (3.11)
Trade Association		1.793 (1.61)	2.248** (2.11)
Congress		0.513 (0.43)	0.838 (0.70)
Local Government		-2.116*** (-3.58)	-1.797*** (-3.14)

(Table A4: Continued)

<i>DV = Total Citation</i>	(1)	(2)	(3)
Law/Lobby Firm		0.156 (0.18)	-1.715 (-1.56)
Non Profit		-1.326 (-1.25)	-0.999 (-0.95)
Individual		-8.294*** (-3.28)	-7.873*** (-3.09)
Other		-2.104 (-1.21)	-1.782 (-1.03)
Constant	-0.326 (-0.34)	0.405 (0.43)	0.0860 (0.09)
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
<i>N</i>	3420	3420	3420
adj. <i>R</i> ²	0.240	0.225	0.229

Note: The unit of observation is organization–rule. *t* statistics in parentheses. **p* < 0.10, ***p* < 0.05, ****p* < 0.01. Standard errors clustered at the organization level.

Table A5: Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Including Interaction Terms between the Number of Meetings and Organization Types

	(1)	(2)	(3)	(4)
Total Comment	1.078 (0.96)	3.805*** (4.56)	3.414*** (5.50)	3.362*** (5.49)
Total Meeting	2.879*** (3.21)	2.915 (0.69)	2.824*** (3.31)	2.818*** (3.35)
Total Lobbying Report	0.141** (2.10)	0.180*** (2.92)	0.166** (2.47)	0.101 (1.61)
Total Comment × Corporation	3.518** (2.19)			
Total Comment × Trade Association	3.942*** (2.89)			
Total Comment × Member of Congress	5.612*** (2.88)			
Total Comment × Local Government	0.220 (0.20)			
Total Comment × Non Profit	0.749 (0.51)			
Total Comment × Law/Lobbying Firm	2.710** (2.01)			
Total Comment × Trade Association		-0.206 (-0.05)		
Total Meeting × Corporation		1.264 (0.28)		
Total Meeting × Trade Association		-0.206 (-0.05)		
Total Meeting × Member of Congress		11.19**		

(Table A5: Continued)

	(1)	(2)	(3)	(4)
		(2.15)		
Total Meeting × Local Government		-4.664		
		(-0.92)		
Total Meeting × Non Profit		-2.432		
		(-0.56)		
Total Meeting × Law/Lobbying Firm		-2.998		
		(-0.71)		
Hired Former SEC Employee				5.334***
				(3.11)
Rule FE	✓	✓	✓	✓
Organization Type FE			✓	✓
<i>N</i>	3420	3420	3420	3420
adj. <i>R</i> ²	0.240	0.241	0.225	0.229

Note: The unit of observation is organization–rule. *t* statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors are clustered at the organization level.

Table A6: Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Including Market Value for Corporations

	(1) <i>Total Citation</i>
Total Comment	1.158 (1.06)
Total Meeting	-0.488 (-0.40)
Total Lobbying Report	0.437** (2.13)
Log Market Value	-0.337 (-0.83)
Hired Former SEC Employee	12.04** (2.02)
Constant	5.861* (1.83)
Rule FE	*✓
Organization Type FE	✓
<i>N</i>	265
adj. <i>R</i> ²	0.292
<i>t</i> statistics in parentheses	
* <i>p</i> < 0.10, ** <i>p</i> < 0.05, *** <i>p</i> < 0.01	

Note: Sample is comprised of corporations in the Compustat data. The unit of observation is organization–rule. *t* statistics in parentheses. **p* < 0.10, ***p* < 0.05, ****p* < 0.01. Standard errors are clustered at the organization level.

Appendix B. Example Comments

Senator Scott Brown's letter from <https://www.sec.gov/comments/df-title-vi/prohibitions/prohibitions-43.pdf> Union Bank letter from <https://www.sec.gov/comments/s7-45-10/s74510-289.pdf>