

Unions, PAC Contributions, and the NAFTA Vote*

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Political action committees (PACs), especially those controlled by organized labor and business, have been shown to affect Congressional voting. We explore how PACs influenced the House of Representatives' vote on the North American Free Trade Agreement (NAFTA). The NAFTA vote is analyzed because organized labor strongly opposed the treaty while business generally supported it and because of the straightforward voting generated by its fast-track status. Probit analysis of a unique, unpublished data set containing information about PAC and non-PAC contributions to the 1992 House election campaigns demonstrates that Representatives who depended largely on labor PACs tended to oppose NAFTA, while Representatives who derived a large proportion of their campaign contributions from business PACs tended to favor its passage.

I. *The Issue*

NAFTA generated substantial and heated debate both prior to and during the consideration of its passage by the U.S. House of Representatives in late 1993. Businesspersons and economists generally supported NAFTA's passage on the grounds that it would reduce the cost of doing business in Mexico, thereby enlarging the market for U.S. products.

The most vocal opponent of NAFTA was organized labor, which feared the loss of manufacturing jobs to relatively inexpensive Mexican labor. Unions pressured members of Congress — in every possible way — to defeat the treaty. One tactic was a strong public relations campaign that attempted to generate both public sympathy for labor's position and animosity toward NAFTA. Another strategy was the threat of withdrawing financial support from politicians who abandoned labor in its hour of need. Finally, organized labor threatened to defeat in 1994 any legislator who supported NAFTA.¹

The efficacy of PACs and other interest groups in advancing their agendas through financial support (and the threat of its withdrawal) has been the subject of research for many years. Many studies have investigated the relationship between campaign contributions and congressional voting behavior.² Masters and Delaney (1987b) provide an excellent discussion of the empirical, methodological, and theoretical issues associated with studies of the political activities of unions.

Prior research has faced two major obstacles. The first difficulty has been the lack of issues of sufficient magnitude and general interest to warrant diverse interest groups' full-scale efforts to influence legislators. NAFTA provides an opportunity to study the behavior of lobbyists and legislators on a single-vote, high-profile issue that several interest groups devoted substantial resources either to oppose or to support. If interest-group effects can be isolated and identified, the NAFTA vote is an excellent vehicle for doing so. Moreover, the fast-track status of NAFTA, which required a "yes or no" vote on the unamended treaty, further simplifies empirical analysis by eliminating the need to consider amendments. In addition, most PAC contributions are not linked to specific legislation, since issues tend to evolve over two or more terms. However, because NAFTA was a 1992 campaign issue, it is likely that both business and labor PACs believed that their 1992 contributions could be and should be directly tied to the NAFTA vote.

The second problem in investigating the PAC contribution/congressional vote linkage has been the lack of a complete, detailed, and timely database that indicates the financial dependence on and vulnerability to PAC support for individual legislators. We solve the data availability predicament by using an unpublished database.

II. *Data*

Our data were compiled by the Center for Responsive Politics and include campaign contributions for each member of the House of Representatives elected in 1992.³ Information on losing candidates in those House races are also part of the database. Variables include the dollar amounts of PAC contributions to legislators by 13 PAC industry classifications,⁴ amounts of PAC and non-PAC campaign contributions by source, and identification of political affiliations and seniority of Representatives. Because NAFTA was a campaign issue in 1992, these contributions should reflect the propensity of each legislator to support the positions of various PACs.

Because organized labor was expected to exert a substantial influence on Representatives in its NAFTA fight, another measure of union strength was included in the data set — a dummy variable denoting whether the Representative's state is a right-to-work (RTW) state, one in which financial support of a union cannot be required as a condition of employment. Organized labor has likely opposed RTW laws at least as vehemently as it fought NAFTA. Therefore, the hypothesis is that organized labor's power, including the efficacy of its PAC contributions, in RTW states is weak, so that legislators from those states were less inclined to support labor's anti-NAFTA position than lawmakers from non-RTW states.

The names and definitions of the variables that are significant in our analysis appear in Table 1.

Table 1
Significant Explanatory Variables

Variable	Definition
<i>NVOTE</i>	legislator's NAFTA vote: 1=for, 0=against
<i>RTW</i>	dummy variable equal to 1 if the Representative's state is a right-to-work state
<i>LABORPCT</i>	percentage of campaign receipts from labor PACs
<i>BUSPCT</i>	percentage of campaign receipts from business PACs
<i>WPACPCT</i>	percentage of campaign receipts from all PACs
<i>ENRGYPCT</i>	percentage of campaign receipts from energy and natural resource PACs

III. Model

The empirical estimates are obtained from a single-equation model of Congressional voting behavior. Each Representative's vote depends on two kinds of characteristics. The first set (F_i) describes features (e.g., funding and funding sources, tenure in the House and the closeness of the previous election) that are related to the legislator's re-electability. The second vector of characteristics (C_i) describes the Representative's personal characteristics (e.g., liberal or conservative) and constituent characteristics (e.g., geographic region of home state or attitudes toward organized labor). The Representative's evaluation of the NAFTA bill is thus given by:

$$y_i = f(F_i, C_i).$$

If y_i exceeds some threshold value, then the Representative votes for NAFTA; if not, he or she casts his or her vote against the treaty. Because only the vote, and not the value of y_i , is observable, probit analysis is appropriate.

IV. Empirical Results

The dependent variable in the analysis reflects the NAFTA vote of each of the 430 Representatives in the sample, with a value of one indicating support for the agreement and a value of zero showing opposition to it.

The results of the probit analysis (Table 2)⁵ are generally consistent with the hypothesis that legislators who derive large shares of their support from labor or business PACs tend to support their sources of campaign funds. In particular, the significant, negative coefficient on *LABORPCT* indicates that lawmakers who depended in 1992 on labor PACs for a larger percentage of their campaign contributions tended to oppose NAFTA. On the other hand, the positive significance of *BUSPCT* demonstrates that Representatives who depended on business PACs for their campaign funds tended to vote for NAFTA's passage.

Table 2
*Probit Analysis of NAFTA Voting Behavior
of U.S. Representatives**

Variable	Coefficient
Constant	0.3708 (.014)
<i>RTW</i>	0.2662 (.034)
<i>LABORPCT</i>	-0.0270 (.030)
<i>BUSPCT</i>	0.0563 (.000)
<i>WPACPCT</i>	-0.0344 (.004)
<i>ENRGYPCT</i>	-0.0879 (.004)

$n = 430$

-2*Log Likelihood = 459.852

LRT statistic = 133.564

correct predictions = 309

% correctly predicted = 72%

**Notes:* Dependent Variable: 1=Pro-NAFTA vote, 0=Anti-NAFTA vote. *P*-values are shown in parentheses.

WPACPCT represents the percentage of campaign funds received from PACs versus other sources. Its strong, negative significance shows that legislators who depend heavily on PAC contributions tended to oppose NAFTA. Thus, given two lawmakers who receive the same percentages of their contributions from labor and business PACs, the one who relies more on PAC contributions (as opposed to individual donations or the candidate's own financial resources) is more likely to oppose NAFTA. Given the nearly unanimous consensus among economists that NAFTA's passage would benefit the U.S. economy, a possible explanation of this phenomenon is that Representatives who rely substantially on PACs are more likely to support special interests at the expense of the national welfare.

In addition to business and labor PAC percentages, the share of energy and natural resources sector PACs in total contributions was also negatively related to the NAFTA vote. Energy PACs may have opposed NAFTA because they feared the ability of Mexico's petroleum industry to compete in the U.S. market. Natural resources available in Mexico may also have threatened their U.S. counterparts.

Finally, *RTW*, a dummy variable taking a value of unity if the Representative is from a right-to-work state, is significantly and positively related to the NAFTA vote, as expected. Because organized labor is weaker in RTW states, Representatives from these states are less obliged to support labor's stances.

Table 3 lists the effect of a change in each independent variable on the likelihood of an affirmative vote. Thus, a lawmaker from a RTW state who received average PAC contributions from business, labor, and energy PACs was 10.6 percent more likely to support NAFTA than a counterpart with identical PAC contributions from a non-RTW state. Interestingly, the *LABORPCT*, *BUSPCT*, and *WPACPCT* partial derivatives nearly cancel one another out. However, a one percentage point shift in PAC receipts from labor PACs to business PACs would make a Representative 1.1 percent more likely to vote in favor of NAFTA.

As interesting as the variables that were significant in explaining NAFTA votes are those factors that were not significant. For example, no personal characteristics variables except RTW were significant. For example, neither the party nor the tenure of the Representatives proved statistically significant; in fact, *p*-values were near unity. Thus, after controlling for PAC influences, Democrats and Republicans supported NAFTA relatively equally. Perhaps more surprisingly in view of discussions in the media during NAFTA's consideration, newer members of the House were no more or less predisposed to support NAFTA than their incumbent counterparts.

Another interesting result is that, of the 13 PAC categories available for analysis, only the energy and natural resources PAC influence was statistically significant. Given the fervor surrounding NAFTA, more PACs were expected to influence the vote. Apparently, the business-labor breakdown was sufficient in explaining PAC

Table 3
*Partial Derivatives of NAFTA Voting
Behavior of U.S. Representatives*

Variable	Partial Derivative
Constant	.147
<i>RTW</i>	.106
<i>LABORPCT</i>	-.011
<i>BUSPCT</i>	.022
<i>WPACPCT</i>	-.014
<i>ENRGYPCT</i>	-.035

influence, even though, for example, not all industries supported NAFTA. A more detailed breakdown of PAC contributions could shed more light on this anomaly.

V. Summary

PAC contributions explain the voting behavior of members of the House of Representatives in the case of the North American Free Trade Agreement. The results are consistent with conventional thought on the likely effects of NAFTA and with models of congressional influence through campaign contributions. In particular, congresspersons who relied heavily on PAC financing for their 1992 campaigns were predisposed to vote against NAFTA. Moreover, Representatives whose financing derived mainly from business PACs, except energy and natural resources PACs, tended to support NAFTA, while those whose PAC contributions were chiefly from labor opposed it. Finally, Representatives from states with relatively weak unions, as proxied by RTW legislation, tended to support NAFTA.

NOTES

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¹See Steagall and Jennings (1994) for a complete discussion of labor's efforts to defeat the NAFTA.

²Notable among these are Chappell (1981, 1982); Coughlin (1985); Endersby and Munger (1992); Frendreis and Waterman (1985); Kau, et al. (1982); Kau and Rubin (1978, 1979, 1981); Masters and Delaney (1987a); Masters and Zardkoochi (1986); Pohlmann and Crisci (1982/1983); Salzman (1987); and Silberman and Durden (1976).

³Five Representatives (Les Aspin, Mike Espy, Bill Gradison, Paul Henry, and Leon Panetta) elected in 1992 did not participate in the NAFTA vote and are therefore excluded from the analysis. Among these five seats, four were occupied and one was vacant at the time of the NAFTA vote. Thus, 430 votes are analyzed in this paper. Senate votes were not analyzed because Senators stand for re-election only once every six years, diluting the impact an individual vote can have on their re-election bids.

⁴The 13 PAC classifications are: agriculture; communications and electronics; construction; defense; energy and natural resources; finance, insurance and real estate; health; lawyers and lobbyists; transportation; miscellaneous business; labor; ideological/single issue; and all businesses.

⁵Complete regression results, including all explanatory variables, are available on request.

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