Playing the Field: Federalism and the Politics of Venue Shopping in the United States and Canada

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Research on interest group strategies in federal systems is converging with the venue shopping and multilevel lobbying literature in the European Union. Drawing on both literatures, the article compares the lobbying strategies of U.S. and Canadian interest groups during the economic crisis of 2008–2009. The impact of political institutional and political partisan factors on venue choice is analyzed in a comparative crucial case study of Michigan and Ontario. Statistical analysis of original survey data from ninety-eight business, trade, and professional associations indicates that neither interest group financial resources nor the severity of the crisis predict lobbying frequencies or targets. Two factors strongly influence where interest groups lobby: the relative importance of the government levels and the partisan control of government.

The financial crisis and economic recession of 2008–2009, though severe throughout North America, was particularly devastating to the Great Lakes region, which already had been experiencing a long-term decline of the manufacturing sector. This article examines the lobbying strategies of economic interest groups during the crisis. The article asks, does the form of federalism make a difference in how interest groups in different countries adjust to the same economic shock? Do organized interests adopt different political strategies because of variations in constitutional arrangements? To whom do they turn, and what explains their choices?

Answers to these questions are developed through an analysis of data from an original survey of business, trade, and professional associations in Ontario and Michigan. These cases provide a natural experimental setting for a controlled comparison of the political responses to the economic crisis. I focus on the political factors associated with the absolute and relative lobbying frequencies at the federal and subnational levels of government. The article begins with a review of the U.S. and European research on venue shopping in multilevel polities; this is followed by a description of the research design. The third section provides details on the associations’ specific responses to the economic crisis, as well as descriptive statistics on their lobbying patterns, which are analyzed for cross-national
differences. Then I examine the proportional allocation of lobbying effort at the federal and subnational government levels. The explanation centers on the relative importance of the territorial levels of government to individual associations and on an overlooked variable, the partisan control of these levels. The article contributes to our understanding of the political factors that shape interest group behavior in federal systems.

Venue Shopping in Multilevel Systems

A central tenet of the pluralism literature is the existence of multiple channels of influence in federal systems (Grodzins 1967; Truman 1951). However, until recently, this axiom was unexamined, as the empirical research on interest groups was limited to single territorial levels of analysis, most often the federal level. This inattention resulted in a limited understanding of interest group behavior in multilevel polities and belated calls for more research on topics like cross-territorial lobbying (Gray and Lowery 2002). The analytic shortcoming began to be addressed in the burgeoning research on interest groups and multilevel governance in the European Union. Central to the paradigm is the understanding that, “The consequences of multi-levelness imply the dispersion of political processes over multiple levels and few policy issues remain in the realm of one single jurisdiction” (Beyers, Eising and Maloney 2008). The adoption of the multilevel governance framework (Hooghe and Marks 2001) and a transatlantic convergence of interest group research questions and approaches (Mahoney and Baumgartner 2008) offer a new opportunity to answer old questions about federalism and political behavior in North America.

The European research demonstrated that state and non-state actors in multilevel polities use a variety of subnational, national, and supranational channels to influence policy (Coen 1997, 2007; Constantelos 1996; Eising 2004; Greenwood et al. 1992; Kohler-Koch 1994; Marks 1993; Mazey and Richardson 1993). Interest groups may “shop around” (Baumgartner and Jones 1993) for the venue that offers the highest return on investment, or to reduce risk through diversification (Mazey and Richardson 2001). However, collective action problems and financial, cultural, and institutional constraints may place limits on “shopping.” Groups must therefore decide which venues to use. Many factors affect the choice of lobbying target, including: type of association, resource endowments, type of issue, decision-making stage, domestic government and politics, and even international relations (Bennett 1997; Broscheid and Coen 2007; Eising 2007; Greenwood and Aspinwall 1998).

Recent scholarship has examined the factors associated with multilevel lobbying strategies (Constantelos 1996, 2007), or vertical venue shopping, as Princen and Kerremans (2008) call it. This approach focuses on institutions as exogenous
political opportunity structures that affect the receptiveness of different venues for interest groups (Guiraudon 2000; Pralle 2003; Princen and Kerremans 2008). In addition to the institutional factors, there are many economic, organizational, and political variables that may affect which government level interest groups will target. These are discussed in the following sections.

**Macroeconomic Factors**

The impact of global economic pressures on domestic politics and organized interests has been examined from many perspectives and in a variety of settings (Greenwood and Jacek 2000; Grote and Lang 2003; Keohane and Milner 1996). The stress of regional and global integration has led business interest associations to modify their structures, priorities, and activities, though continuities coexist along with the changes (Streeck et al. 2005). The extraordinary severity of the current economic crisis poses new questions about interest group strategies. Will associations with declining memberships scale back their activities because of revenue problems, or will they intensify their lobbying efforts in order to defend their interests and capture resources that have become available with federal and subnational stimulus programs?

**Interest Group Resources and Organizational Factors**

The significance of internal factors on interest group strategies is frequently investigated. Although it is obvious that groups need financial and human resources to lobby, the literature presents mixed findings about the impact of money on political activities. Walker (1983) emphasizes the importance of financial resources to interest groups. Other research finds a limited impact of financial resources on lobbying effort (Amara et al. 1999; Caldeira et al. 2000).

Lobbying patterns should be strongly correlated with the organizational structure of interest associations. National associations were established to influence federal policy, while subnational associations focus on lower levels of government. Coleman and Grant (1989: 54) conclude that, “Association structures tend to be very sensitive to, and probably provide a good indicator of, the actual distribution of power in a policy area in a given state.” Pross (1993) calls Canada’s interest group system a “mirror of the state.” However, federal states do not always produce subnational associations (Coleman and Grant 1989) and associations do not necessarily confine their lobbying to their mandated jurisdictions (Constantelos 2004). Therefore, associations’ constitutions and levels of incorporation are not perfect predictors of their lobbying targets.

**Political Institutional Factors**

In their review of the interest group literature, Mahoney and Baumgartner write that, “Research…demonstrates the central role of institutional design”
Important factors include the electoral rules and the type of political system found at each government level. Parliamentary systems produce different lobbying patterns than presidential systems (Immergut 1990; Montpetit 2005; Tsebelis 2000), especially if government is politically divided (Bowling and Ferguson 2001). Bicameral systems, like divided government, increase the number of veto points available to interest groups (Tsebelis 1995).

In deciding which territorial game (or games) to play, a key factor for interest groups is the vertical distribution of power, especially the policymaking, regulatory, and fiscal authority across territorial levels. Unitary states concentrate power and tend to produce hierarchical association structures, making them unlikely settings for multilevel lobbying. However, interest groups have been found to engage in cross-territorial lobbying even in comparatively centralized states, such as France and Italy. The degree of political centralization affects the relative frequency of lobbying at the central and subnational levels (Constantelos 1996, 2007). In federal states, with autonomous decision-making centers and overlapping competencies, the institutional opportunity structures provide yet stronger incentives to engage in vertical venue shopping. Even in Canada, where federal and provincial powers are highly enumerated, “it is virtually impossible to define watertight compartments of jurisdiction” (Watts 2006: 337). Pross believes that, “The most significant effect of federalism for Canada’s interest group system is that it allows multiple points of access to policy formation” (1993: 71). Overlapping policy responsibilities create opportunities that can be exploited by sophisticated or well-organized groups. Moreover, intergovernmental relations and interest group activity are interrelated (Thorburn 1985). Thus, groups may lobby indirectly, using subnational political contacts to achieve federal action, or vice versa. To observe fully any cross-territorial lobbying activity, we must move beyond research designs that treat single governmental levels as discrete levels of analysis. There is no reason to dismiss a priori the possibility of local groups lobbying at the federal level, or national associations lobbying at the subnational level, especially because policy venues can change and can be changed (Baumgartner and Jones 1993).

Political-partisan Factors

Decades ago, Bauer, Pool and Dexter (1963) observed that interest groups tend to contact friendly legislators. This finding has been challenged (Austen-Smith and Wright 1994) and qualified (Kollman 1997), but more often it has been confirmed and refined. The decision to target “friends, foes, or fence-sitters” depends on a variety of factors, including the availability of resources (Hojnacki and Kimball 1998) and the scope and salience of the issue (Mahoney 2008). Most of the empirical research on this question has focused on lobbyists’ contacts with individual legislators. A related question is whether “friendliness” affects the choice...
of venue. Holyoke (2003) finds that lobbyists avoid venues where their opponents are strong. But is there a limit to this? What happens if an unsympathetic party controls an entire branch or level of government? Will interest groups direct their lobbying to friendlier venues? These questions are especially pertinent in parliamentary systems, but they are highly salient also when considering the partisan control of an executive branch.

While research on the relationship between interest groups and political parties is extensive (Thomas 2001), few studies have examined the impact of partisanship on venue shopping. Gais et al. (1984) suggest that a partisan change in an administration will affect the level of cooperation between a group and the government. McQuide (2007) demonstrates that under certain conditions, there is a correlation between lobbying and the partisan control of a political institutional venue. However, the correlation does not reveal whether groups changed their strategies because of who controlled the executive or legislative branches. Moreover, the connection between partisan control and lobbying at different levels of government has not been examined. Though voluminous, the literature on interest group lobbying has yet to address an important question: Do interest groups increase (or diminish) their lobbying intensity when partisan control of a territorial level changes hands after an election?

A Most-Similar Case Comparison across the U.S.–Canadian Border

The article analyzes the impact of federal system variation on interest group responses to economic crisis in Michigan and Ontario. Already battered by a long-term decline of manufacturing, this region was especially hard hit by the 2008–2009 recession. The data come from an original survey of the executive directors and presidents of business, trade, and professional associations. The analytic focus of this article is on “inside lobbying,” which is an important, though certainly not the only, political strategy available to organized interests.3

The cases provide an exceptional opportunity to conduct a crossnational analysis of the identical economic change. Sharing a border, Ontario and Michigan have many similarities, including the size and social composition of the population, language and culture, resources, and economic structure and conditions.4 From 2003 to the present, both governments have been led by center-left executives, whose priorities and policies conflicted with conservative governments at the federal level. This most-similar case design allows us to control for many variables and focus on the explanatory factors of greatest interest. As the differences in the key independent variable—the territorial distribution of power—are relatively narrow, the research design is best described as a “comparative crucial case study” (Eckstein 1975), where the initial unit of analysis is the subnational region (i.e., Michigan and Ontario). In the second part of the analysis, the interest association
becomes the analytic unit. The sample is composed of business, trade, and professional associations that represent private economic interests. Questionnaires were mailed to the executive directors of 443 Ontario associations and 189 Michigan associations in February 2009. The case of Ontario provides an unusual analytic opportunity because there are many national associations headquartered in Toronto rather than in Ottawa, the national capital. This allows for a controlled comparison of the activities of national and subnational associations and an assessment of the organizational variable. Thus, the research is designed as a three-way comparison of Michigan associations and provincial and national associations in Ontario.

**Dependent Variables: Lobbying Targets and Intensity**

The analysis assumes that organized interests, facing resource constraints, will allocate their resources in the manner they believe will maximize the return on their investment. The dependent variable of the study is lobbying effort, defined as the number of “contacts” at different levels of government (see Baumgartner and Leech 1998: 34). The associations were asked to describe their political responses to the economic crisis and the frequency and form of their contacts with each government level in 2008. It is reasonable to assume that there are diminishing marginal returns to lobbying any single level of government, particularly in federal systems that feature overlapping competencies. Therefore, I expect that interest groups in federal systems will engage in multilevel lobbying directly, or indirectly, through affiliated groups. The allocation of lobbying effort is examined in two different statistical analyses. First, I focus on the crossnational differences of total lobbying contacts by government level, controlling for organizational and economic variables that are highlighted in the literature. This is followed by an analysis of the ratio of lobbying contacts at the federal and subnational levels.

**Independent Variable: Political Decentralization**

Scholarship has established the importance of many political institutional factors. The present article focuses on the impact of the territorial distribution of power and asks if the degree of decentralization (or centralization) affects interest group strategies. In theory, political decentralization provides local decision-making authority, it strengthens accountability and the responsiveness of elected representatives, and it increases the share of financial resources that are available for local needs. Therefore, interest groups in decentralized political systems would more likely lobby the subnational levels, ceteris paribus.

Scholars use a variety of legal and fiscal measurements to assess the extent of state decentralization. Crossnational comparisons of political decentralization, however, are fraught with methodological problems (Braun 2000; Rodden 2004;
Thorlakson 2003; Watts 2006). A reading of enumerated and residual constitutional powers can be misleading, for the importance of these powers changes over time. The United States and Canada illustrate the difficulty of comparing constitutional powers. The Canadian federal government is endowed with more enumerated exclusive powers than the U.S. federal government (Thorlakson 2003), and, unlike the United States, it is granted the residual powers of the constitution. However, because the enumeration of powers is extensive—there are relatively few concurrent powers (Watts 2006: 337)—Ottawa’s residual authority, “has been relatively less significant” (328). Furthermore, the Canadian courts have interpreted the enumerated powers of the provinces broadly, “thus limiting the expansion of federal authority” (Watts 2006: 328). In the United States, judicial interpretations of the concurrent and implied powers of the federal government allowed it to grow. The opposite trends, toward political centralization in the United States and decentralization in Canada, have led “to the point where now the national government in the United States is more powerful than in Canada and the provinces in Canada are stronger than the American states” (Watts 1987: 791; for a similar evaluation, see Field 1992: 120). For business, the provinces’ relatively greater power, compared to the U.S. states, over industrial relations, local commerce (Field 1992: 108) and in the area of international trade (Fry 1994) is particularly important. Moreover, the Canadian provinces have greater authority than the U.S. states over local government decisions that can affect corporate profits directly and indirectly.

The degree of subnational fiscal authority is an especially important measure for regional economic interests. A recent multinational study indicates that Canada is more decentralized than the United States in the degree of subnational control of both revenues and expenditures (Blochliger and King 2006). Looking at indicators of fiscal decentralization in 1974, 1984, and 1994, Thorlakson (2003) draws the same conclusion. By these measures, Canada is one of the world’s most decentralized countries, with the United States not far behind. The relatively strong provincial control over revenues and expenditures may lead economic interests to engage the subnational level relatively frequently. These considerations lead to the first hypothesis:

**H1: Being more centralized than Canada, the United States will have relatively more lobbying than Canada at the federal level and relatively less lobbying at the subnational level.**

The Canadian–U.S. comparison provides not only an unusually high degree of design control, it also allows for a “crucial test” of the political decentralization variable. Although the countries have different federal systems, the variation in the degree of decentralization is relatively narrow from a broader comparative perspective. If the political responses are significantly different in these two cases,
we can infer that there will be similar findings in comparisons of countries that are farther apart on the centralization scale.

There are other political institutional variables, besides subnational autonomy, that are surely important in a comparison of the U.S. and Canadian cases. Parliamentary systems tend to concentrate lobbying in the institutions controlled by the government, while separation-of-power systems offer more avenues to advance or block legislation (Immergut 1990; Montpetit 2005; Tsebelis 2000). This variable may potentially affect the absolute differences in the frequency of lobbying between the United States and Canada. As both the U.S. federal and state levels feature separated systems, the variable is controlled, and it should not have an important independent effect on the relative frequency of lobbying at these two government levels. The impact of a separated system on lobbying is potentially more important when there is divided government, a topic discussed in a subsequent section.

Control Variables

In addition to the controls introduced by selecting Michigan and Ontario as most similar cases, I also control organizational and economic variables that are tied directly to the interest groups. First, the organizational level (e.g., national or provincial) of an association should be important. While there is evidence that interest groups do not confine their political activities to the jurisdictions established in their charters (Constantelos 2004), they should ordinarily be most active at their own territorial levels. When it comes to the absolute lobbying frequencies, we would also expect organizational resources to be important. Associations need money and personnel to sustain their activities (Walker 1983; Beyers and Kerremans 2007).

Economic structure and conditions may shape the associations’ political responses. Groups that have been experiencing adverse economic trends may engage in vigorous defensive lobbying. Similarly, the severity of an economic crisis may affect the types of requests made by groups or it may lead to venue shifts. As groups are “more active when and where the state is more active” (Mahoney and Baumgartner 2008: 1256), it is possible that we may see them shift their attention to the federal governments and away from states and provinces with declining revenues. The effect may be more pronounced in the United States because of an important intervening variable, the balanced budget requirement, which is strict in Michigan and unenforceable in Ontario. These considerations call for the inclusion of an economic variable in the model, the impact of the economic crisis on the associations’ members.

Responses to the Economic Crisis: Group Interests and Strategies

Ninety-eight associations participated in the survey: sixty-three from Ontario (thirty-five national, twenty-eight provincial) and thirty-five from Michigan.
The variation in group resources is considerable. Their annual budgets range from a low of $5,000 to a high of $80,000,000 in Michigan and from C$5000 to C$35,000,000 in Ontario. While many associations in the sample have no full-time staff, the largest in Michigan has 180 full-time employees and one in Ontario has 230.

**The Severity of and Responses to the Economic Crisis**

Associations in both countries reported that a high percentage of their members experienced a decrease or a substantial decrease in sales or income in 2008, and they expected the dismal economic conditions to continue through 2009. Compared to their Canadian counterparts, the Michigan associations reported bleaker conditions in 2008, and they were also more pessimistic about 2009. Over two-thirds of the Michigan respondents expected their members’ incomes to decline in 2009.

The associations were asked a series of open-ended questions about their responses to the economic crisis. They reported on their lobbying efforts, their stance on federal stimulus programs, their positions on the provincial and state budgets, and their general public policy priorities for 2009. A large majority of associations—over 80 percent in Michigan and about two-thirds in Canada—contacted public officials to advocate for specific government actions to address the financial and economic crisis. None of the associations reported contacting the county or municipal level specifically about the economic recession. Slightly under half of the subnational associations in Michigan and Ontario contacted their respective subnational governments for crisis-related policies or actions. The Michigan associations, however, more frequently looked to the federal government, by a margin of 65–50 percent. The Ontario national associations, by contrast, focused their crisis-related lobbying almost entirely on the federal government: 67 percent contacted the federal government, while only 21 percent contacted the provincial government. There is no evidence that diminishing resources have reduced lobbying intensity. Overall, 97 percent of the associations said they intended to lobby at least as frequently in 2009 as they did in 2008.

The policy and budget requests brought to the public officials were conventional ones for economic interest groups. No association called for truly drastic policy or institutional reforms. As a Canadian association put it, “We have advocated policies that help make our sector more competitive—as we have always done.” The most frequently mentioned issues in both countries were tax rates, government regulations, and public investment. Relatively few associations lobbied on labor or international economic issues. There were, however, several notable differences on the two sides of the border. In general, the Michigan associations wanted federal and state governments to enact direct measures that would improve their
bottom line. Far and away the most pressing issue for the Michigan groups was tax relief, in particular the reduction or elimination of the Single Business Tax. The Canadian associations were more interested in sector-specific issues. They were also concerned about the general economic and financial conditions, and advocated for policies that could indirectly raise incomes. For example, many Canadian groups advocated infrastructure spending and policies to improve consumer confidence.

The associations in both countries were divided on federal fiscal policy, with relatively equal numbers calling for more ambitious investment programs or, alternatively, maintaining fiscal restraint during the recession. There was somewhat greater agreement on provincial and state budgetary priorities. Less than 10 percent of the associations in both countries supported tax and fee increases to offset large projected deficits. In Michigan, where the balanced budget requirement is strict, 36 percent of the associations (compared to 23 percent in Ontario) could agree to revenue hikes if they accompanied expenditure cuts. Associations in both countries strongly prioritized infrastructure and economic development spending over education, health and social services, or law enforcement.

**Interest Group Lobbying Targets**

In addition to answering questions about the economic crisis, the associations also reported information about their overall lobbying efforts in the 2008 calendar year. The majority (63 percent) of associations lobbied more than one government level in 2008, a finding that supports the multilevel lobbying model. Eleven percent of the associations lobbied at all four government levels. The national associations, not known for their subnational political activities, actually reported an above average rate of multilevel lobbying: 69 percent of them contacted more than one government level in 2008. The average number of levels contacted was just under two for each of the three association categories.

Table 1 provides descriptive statistics of the frequency and type of lobbying by government level. In general, the Michigan associations were more active than their Canadian counterparts. The two local levels of government were contacted infrequently in both countries. A group’s organizational level seems to matter. The Ontario provincial and Michigan associations lobbied the provincial and state governments more frequently than the federal government, while the Ontario national associations lobbied the federal government more frequently than the provincial government.

It is worth noting that the Michigan associations were much more frequently in touch with national politicians than were the Ontario provincial associations, despite the latter’s proximity to Ottawa. Another important finding is that the Canadian national associations were frequently in contact with the provincial government. Two-thirds of the Canadian national associations reported contacting
the provincial government; over half of them reported “direct personal” contacts at this level. National association lobbying at the subnational government level is infrequently examined or noted in the literature. This finding calls for new crossnational research to determine if Canada is an exceptional case because of its highly decentralized polity.

As for the branch and type of contact, the Canadian parliamentary system directed lobbying to the executive branch at the federal and provincial levels, while in the United States, associations more often contacted the legislative branch. At all four government levels, the associations favored direct personal contacts over the use of paid lobbyists or contact via affiliate associations.

Is There a Statistically Significant Difference between the United States and Canada?

Considering the economic structural similarities of Michigan and Ontario and the relatively narrow difference in the degree of political decentralization, we would not necessarily expect to find any crossnational differences in the lobbying patterns of

Table 1 Lobbying targets and type of contact (2008)

<table>
<thead>
<tr>
<th>Group/lobbying venue</th>
<th>Associations contacting this level (percent)</th>
<th>Median number of contacts</th>
<th>Branch (percent contacting)</th>
<th>Type of contact (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Executive</td>
<td>Legislative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Direct personal</td>
<td>Paid lobbyist</td>
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<td></td>
<td></td>
<td></td>
<td>Via affiliate association</td>
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<tr>
<td><strong>Michigan associations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>74.3</td>
<td>5</td>
<td>20.0</td>
<td>68.6</td>
</tr>
<tr>
<td>State</td>
<td>94.1</td>
<td>23</td>
<td>54.5</td>
<td>87.9</td>
</tr>
<tr>
<td>County</td>
<td>24.2</td>
<td>0</td>
<td>12.1</td>
<td>28.6</td>
</tr>
<tr>
<td>City/township</td>
<td>33.3</td>
<td>0</td>
<td>3.0</td>
<td>17.9</td>
</tr>
<tr>
<td><strong>Ontario provincial associations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>53.6</td>
<td>0.5</td>
<td>39.3</td>
<td>32.1</td>
</tr>
<tr>
<td>Province</td>
<td>85.7</td>
<td>10</td>
<td>82.1</td>
<td>78.6</td>
</tr>
<tr>
<td>County/region</td>
<td>18.5</td>
<td>0</td>
<td>18.5</td>
<td>18.5</td>
</tr>
<tr>
<td>City/township</td>
<td>35.7</td>
<td>0</td>
<td>35.7</td>
<td>35.7</td>
</tr>
<tr>
<td><strong>Ontario national associations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>79.4</td>
<td>5</td>
<td>67.6</td>
<td>76.5</td>
</tr>
<tr>
<td>Province</td>
<td>67.6</td>
<td>3</td>
<td>44.1</td>
<td>55.9</td>
</tr>
<tr>
<td>County/region</td>
<td>12.5</td>
<td>0</td>
<td>9.4</td>
<td>6.1</td>
</tr>
<tr>
<td>City/township</td>
<td>24.2</td>
<td>0</td>
<td>21.2</td>
<td>6.1</td>
</tr>
</tbody>
</table>
similar groups on the two sides of the border. In an initial ordinary least squares (OLS) regression analysis of the crossnational differences, I examine the impact of a country variable (United States = 1, Canada = 0) on the frequency of interest group contacts at the federal and subnational government levels, controlling for the associations’ organizational level (national = 1, subnational = 0), their budgets, and the revenue change of their members in 2008. In this comparative crucial case study, there is a statistically significant crossnational difference \((p = 0.002)\) in how frequently business associations contacted federal-level officials (see Table 2). The Michigan groups contacted the federal level more frequently than did the Canadians. However, they also contacted the subnational level more often, thereby partly disconfirming Hypothesis 1.

The regression analysis indicates also that national associations are more likely than subnational associations to contact federal officials \((p = 0.003)\). Organizational level, however, does not help predict the frequency of lobbying at the subnational level, an indication that interest groups engage in cross-territorial lobbying. Although prior research has shown economic factors and interest groups’ own financial resources to be important, in this analysis they are not found to be statistically significant predictors of lobbying at either government level. While the initial comparative case study reveals that there is more federal-level lobbying in relatively more centralized United States, the models of absolute lobbying frequencies also present contradictory findings and relatively low overall explanatory power. This calls for a more nuanced model of vertical venue-shopping.

### The Allocation of Lobbying Effort

Vertical venue shopping is fundamentally about the allocation of lobbying effort in multilevel polities. Therefore, I shift the analytic focus away from the absolute

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**Table 2** OLS regression analyses of the *absolute* number of lobbying contacts by government level

<table>
<thead>
<tr>
<th></th>
<th>Total number of lobbying contacts at:</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Federal level ((n = 77))</td>
<td>Provincial or state level ((n = 77))</td>
<td></td>
</tr>
<tr>
<td>(R^2)</td>
<td>0.158</td>
<td>0.129</td>
<td></td>
</tr>
<tr>
<td>Coef. (Std. Err.)</td>
<td>Sig.</td>
<td>Coef. (Std. Err.)</td>
<td>Sig.</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-2.875 (7.084)</td>
<td>0.687</td>
<td>44.211 (58.433)</td>
</tr>
<tr>
<td>Country</td>
<td>30.810 (9.712)</td>
<td>0.002</td>
<td>214.566 (79.779)</td>
</tr>
<tr>
<td>Level</td>
<td>27.914 (9.173)</td>
<td>0.003</td>
<td>-26.237 (75.355)</td>
</tr>
<tr>
<td>Budget</td>
<td>-1.287E-7 (0.000)</td>
<td>0.719</td>
<td>4.809E-7 (0.000)</td>
</tr>
<tr>
<td>Income 2008</td>
<td>3.541 (3.199)</td>
<td>0.272</td>
<td>24.535 (26.281)</td>
</tr>
</tbody>
</table>
lobbying frequencies to the relative frequencies across government levels. Specifically, what factors explain the distribution of lobbying effort at the federal and subnational levels? In this analysis, I turn to two alternative explanations of vertical venue shopping: the relative importance of government levels and the partisan control of government. Here the analytic focus is on the individual associations instead of the general crossnational differences.

The Relative Importance of the Territorial Levels of Government

Vertical venue shopping is a relatively new topic, and the theoretical models of multilevel or cross-territorial lobbying are not fully developed. The political opportunity structures, in particular, have been underspecified. To understand the selection of lobbying venues in federal systems, we must test models that explicitly examine the territorial division of power. Two arguments are made about political decentralization. The first point is that macro measures of decentralization in complex multilevel polities are not useful for analyzing domestic political behavior. For economic actors, federal and subnational powers vary by sector and subsector. Unfortunately, sectoral measures of state decentralization are unavailable. Therefore, in this study, the associations were asked to provide their own evaluations of the importance of each government level, on a 1–10 scale, where “1” is “unimportant” and “10” is “extremely important.” This indicator is used as a summary measurement of federal and subnational power as it applies to individual associations.

The second argument is that interest groups develop their strategies holistically. Given the inevitable resource constraint, groups must calculate their optimal overall allocation of lobbying effort. Therefore, I expect that the proportional share of lobbying effort at one government level will depend not only on the importance of that level, but also on the importance of other levels of government.

\[ H2: \text{The government importance score for each level is hypothesized to correlate positively with the percentage of total contacts at that level and negatively with the percentage of total contacts at other levels.} \]

Table 3 presents the associations’ evaluations of the importance of the main levels of government. There were no major surprises. The federal and state/provincial levels had higher importance scores than the county and local governments. A notable crossnational difference is that the Michigan associations gave a substantially higher rating to the federal government compared to the rating given by the Ontario provincial associations, identifying in particular the federal government’s regulatory, spending, and taxing powers.
Partisan Control and Venue Shopping

The factor most overlooked in the venue shopping literature is the partisan control of government. It is certainly possible that interest groups take party control into consideration when choosing their lobbying strategies. A labor union may question the value of and forgo lobbying a pro-business government, choosing instead to use outside lobbying tactics, like a public relations campaign. Similarly, anti-tax business groups may refrain from trying to convince a left government to reduce corporate taxes. Still, the logic of the null hypothesis is powerful: Interest groups may have no choice when facing an unsympathetic government. They cannot abandon their advocacy efforts for the simple reason that each government level

Table 3 Importance of government levels and powers

<table>
<thead>
<tr>
<th>Levela (mean)</th>
<th>Powersb (%)</th>
<th>Levela (mean)</th>
<th>Powersb (%)</th>
<th>Levela (mean)</th>
<th>Powersb (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federalb</td>
<td>6.7</td>
<td>4.8</td>
<td>8.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policymakingb</td>
<td>54.5</td>
<td>46.4</td>
<td>70.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory</td>
<td>78.8</td>
<td>25.0</td>
<td>79.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>57.6</td>
<td>25.0</td>
<td>38.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxing</td>
<td>60.6</td>
<td>25.0</td>
<td>52.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Province/State</td>
<td>9.1</td>
<td>9.2</td>
<td>6.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policymaking</td>
<td>69.7</td>
<td>82.1</td>
<td>61.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory</td>
<td>90.9</td>
<td>78.6</td>
<td>55.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>66.7</td>
<td>57.1</td>
<td>35.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxing</td>
<td>66.7</td>
<td>35.7</td>
<td>50.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>4.2</td>
<td>5.9</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policymaking</td>
<td>21.2</td>
<td>33.3</td>
<td>23.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory</td>
<td>27.3</td>
<td>18.5</td>
<td>23.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>21.2</td>
<td>33.3</td>
<td>14.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxing</td>
<td>39.4</td>
<td>11.1</td>
<td>20.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City/Twp</td>
<td>3.9</td>
<td>5.5</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policymaking</td>
<td>15.2</td>
<td>30.8</td>
<td>23.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory</td>
<td>33.3</td>
<td>19.2</td>
<td>20.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>12.1</td>
<td>34.6</td>
<td>17.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxing</td>
<td>42.4</td>
<td>7.7</td>
<td>20.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Questions: a“On a scale of 1 (unimportant) to 10 (extremely important), please circle the importance of each government level for your association.” Mean values are reported. b“For your association, which powers are especially important at each government level? (Check any that apply.)” The values represent the percentage of groups that selected each “important power.”
maintains control over policy instruments and economic resources that are constitutionally enumerated or reserved. However, in federal systems this logic begins to weaken because of overlapping powers and the availability of legal instruments and financial resources at every level. When federal and subnational government powers overlap, the venue choice of interest groups may depend partly on who controls the potential lobbying targets. This factor has not been examined in the lobbying literature. I test, therefore, the following political-partisan hypothesis:

H3: Groups will shift their lobbying toward the levels of government that are controlled by sympathetic political parties.

A test of the party control variable becomes more complicated when there is divided government in separated systems. Divided government could increase the frequency of contacts because groups need to “work both sides of the aisle” to accomplish anything. Alternatively, groups may avoid a government level that is divided, fearing legislative gridlock (Fiorina 1992). The impact of divided government, however, is not evaluated in the present study, because both the U.S. federal and the Michigan governments were divided in 2008, the measurement year of the dependent variable. As a control variable, it does not complicate the cross-national comparison.15

To evaluate the impact of party control, the associations were asked whether the frequency of their contacts changed after new administrations took over the federal and state or provincial governments (Harper and Bush at the federal level; McGuinty and Granholm at the subnational level). The majority of associations reported that their lobbying intensity was unchanged, which is understandable. When a favored party loses control of government, lobbyists “just deal with it,” as a prominent Michigan politician-turned-lobbyist succinctly put it.16 For the associations stating that they increased or decreased their lobbying frequency with a new administration, a contingency question asked them to identify the most important reason for the change. The choices included political factors, internal organizational factors (e.g., budget or personnel), “the issues of the time,” and an open-ended write-in response. As seen in Table 4, a surprisingly high percentage of associations changed the frequency of their lobbying precisely because a new party took office. This included 27.4 percent at the subnational level and 16.8 percent at the federal level. Altogether, about one-third of the associations reported increasing or decreasing their lobbying frequency because the incoming administration was perceived as more (or less) sympathetic than the outgoing one.17

In general, the associations increased their lobbying when a sympathetic party took control of a government level. However, this was not always the case. Sixty percent of the associations increased their contacts with sympathetic governments or decreased their contacts with unsympathetic administrations, while 40 percent
adopted the contrary policy, decreasing their contacts with sympathetic administrations and increasing their lobbying when a less sympathetic administration took control. The hypothesis is contradicted particularly in Michigan, where six associations increased their state-level lobbying when the Granholm administration replaced the “more sympathetic” Engler administration.

Multiple Regression Analysis of Venue Choice

Two lobbying models are tested in OLS regressions using STATA v. 11 (see Table 5). The dependent variables are the percentage of contacts made at the federal and state/provincial levels. The members’ 2008 income change, the organizational level, and the country variables were retained as controls. Listwise deletion of cases with missing values generated regressions with eighty-eight cases.

The regression analysis indicates that the proportion of the overall lobbying effort that takes place at a specific government level is positively correlated to the importance of that level to interest groups \( (p = 0.000 \text{ at the federal and subnational levels}) \). This finding is not surprising.

The analysis also reveals something new: venue choice sometimes depends on the political importance of other levels of government. The intensity of lobbying at the provincial/state level is negatively correlated with the importance of the federal level to the associations. This finding provides empirical support of Hypothesis 2.

A dichotomous political-partisan variable indicates the presence or absence of a government administration that is “sympathetic” to the policy concerns of the association. Having a sympathetic federal government is a correctly signed and statistically significant predictor of federal-level lobbying. The presence of a friendly provincial or state government is positively correlated with lobbying at the subnational level \( (p = 0.026) \), while a sympathetic national government is negatively correlated with subnational lobbying \( (p = 0.013) \), as predicted. These findings

Table 4  Prevalence of partisan shopping

<table>
<thead>
<tr>
<th>Government level</th>
<th>Michigan</th>
<th>Ontario provincial</th>
<th>Ontario national</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province/State</td>
<td>9 27.3</td>
<td>9 32.1</td>
<td>8 23.5</td>
<td>26 27.4</td>
</tr>
<tr>
<td>Federal</td>
<td>4 12.1</td>
<td>4 14.3</td>
<td>8 23.5</td>
<td>16 16.8</td>
</tr>
<tr>
<td>Either level(^a)</td>
<td>11 33.3</td>
<td>10 35.7</td>
<td>11 32.4</td>
<td>32 33.7</td>
</tr>
</tbody>
</table>

\(^a\)Groups that adjusted their lobbying frequency at either level. Groups that “partisan-shopped” at both levels are not double-counted.
demonstrate that partisanship must be examined in analyses of lobbying strategies. The models with the political institutional and political partisan variables explain about half of the variance of the dependent variable.22

Conclusion

Federal systems provide interest groups with multiple channels to influence policy. But which territorial levels do they favor, and what explains their choices? This article finds that U.S. and Canadian interest groups do not confine their lobbying to their own territorial levels. Rather, they engage in multilevel and cross-territorial lobbying in these federal systems. That is, they play the field. Unfortunately, researchers usually examine only one of these territorial games at a time, leaving much interest group activity unobserved. Especially surprising is the extent of the Canadian national associations’ interactions with the Ontario provincial government. Though consistent with similar observations in “multilevel governance” European Union, these findings are less likely to be observed in the United States and Canada, where government powers are more defined than in the EU.

Table 5 OLS regression analyses of the share of lobbying contacts, by government level

<table>
<thead>
<tr>
<th>Percentage of total lobbying contacts at:</th>
<th>Federal level (n = 88)</th>
<th>Provincial or state level (n = 88)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$R^2$</td>
<td>Coef. (Std. Err.)</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.459</td>
<td>0.093 (0.155)</td>
</tr>
<tr>
<td>Country</td>
<td>-0.034 (0.070)</td>
<td>0.633</td>
</tr>
<tr>
<td>Association level</td>
<td>0.060 (0.078)</td>
<td>0.445</td>
</tr>
<tr>
<td>Income 2008</td>
<td>-0.023 (0.022)</td>
<td>0.299</td>
</tr>
<tr>
<td>Political institutional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importance of federal level</td>
<td>0.047 (0.010)</td>
<td>0.000</td>
</tr>
<tr>
<td>Importance of provincial/state level</td>
<td>-0.021 (0.015)</td>
<td>0.158</td>
</tr>
<tr>
<td>Political partisan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sympathetic federal government</td>
<td>0.380 (0.099)</td>
<td>0.000</td>
</tr>
<tr>
<td>Sympathetic provincial/state government</td>
<td>-0.060 (0.090)</td>
<td>0.509</td>
</tr>
</tbody>
</table>
The result, however, is not entirely surprising—it is precisely what early pluralist theorists expected of federal systems.

The analysis finds statistically significant differences in the lobbying strategies of U.S. and Canadian associations that are experiencing very similar economic conditions. The comparison of business groups in Michigan and Ontario provides an unusually high degree of control over extraneous factors, allowing us to focus on the political variables that shape strategies. The importance of the territorial distribution of power is apparent, even in this crucial test of the decentralization variable. The relative importance of the federal and subnational levels strongly influenced the associations’ lobbying target decisions. Associations in Michigan were more likely than the Ontario provincial associations to target the federal government, in general, and in their responses to the economic crisis. The study also identifies the need to develop comparative measures of state decentralization that are more sensitive to sectoral differences.

The political institutional factor is powerful. However, lobbying depends also on who controls the different government levels. This article connects vertical venue shopping to partisan politics. Organized interests must play the hand they are dealt. Federal systems, however, offer choices that may be unavailable in more centralized polities. The survey finds that interest associations engage in “partisan shopping.” All things being equal, groups are more likely to engage friendly interlocutors. As with real shopping, it’s the personal relationship that could swing the deal.

Notes

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1. Baumgartner and Leech’s (1998) comprehensive review of the interest group literature does not mention any research on cross-territorial lobbying. The “myopic” focus of interest group research at the federal level was typical of the broader divide in federal and state/local politics research (Gray and Lowery 2002). For exceptions with multilevel designs, see Baumgartner and Jones (1993) and Miller (2007).

2. Mahoney (2008) compares lobbying in the EU and the United States, though she does not examine cross-territorial patterns in these multilevel systems.

3. It is beyond the scope of the article to examine other interest group strategies or to analyze the activities of their members or of individual firms. For excellent analyses of these topics, see, respectively, Mahoney (2008: ch. 8) and Coen (1997).

4. In 2006, Ontario’s population was 12.7 million, while Michigan’s was estimated at 10.1 million; per capita income was virtually equal, manufacturing employment...
was about 15 percent and unemployment ran just under 7 percent in both locations. The major difference is Ontario’s vastly greater share of the national population and gross domestic product, in comparison to Michigan.

5. Excluded from the population are labor unions, individual companies, local groups, lobbying firms, and associations representing public and non-profit sectors (NAICS codes 22, 51912, 61, 62, 813, 814, and 92). These groups are subject to regulatory and fiscal policies that are quite different from the ones governing the for-profit sector.

6. The Ontario sample was drawn from the Toronto Board of Trade’s database. Associations based in Ottawa, the national capital, were excluded, in order to have greater comparability with the Michigan cases. The Michigan sampling frame was drawn from the Secretary of State’s list of active registered lobbyists. Relying on a list of registered lobbyists alone would generate a biased sample, as it would exclude groups that have not lobbied or groups that have failed to register with the Secretary of State’s list. This sampling frame was therefore supplemented with associations listed in the *Encyclopedia of Associations* (Gale Research Co.) and in other State of Michigan sources. The non-responding associations were sent a second questionnaire by mail three to four weeks after the initial mailing. Two additional contacts by email gave the associations an opportunity to complete the questionnaire online, using the Zoomerang program.

7. For example, Watts (2006: 329) points out that the Canadian constitution gives the federal government, “the powers of reservation and disallowance of provincial legislation; the declaratory power relating to public works in the national interest; and the peace, order, and good government clause as interpreted by the courts. However, in practice, over the past half century almost all of these federal unilateral powers have fallen into disuse.”

8. Greater subnational fiscal authority in Canada is found also in a comparison of the case study regions: On a per capita basis, Ontario’s budget as a proportion of the federal budget is higher than Michigan’s.

9. Yet another control variable is the electoral system, which is a plurality formula in both locations.

10. It is possible that the type of legislature (unicameralism in Canada’s provinces and bicameralism in the U.S. states) is the cause of any observed differences. However, it is reasonable to assume that, for the cross-national comparison, divided government would be a factor that overshadows the importance of bicameralism. Also, this could potentially be a complicating factor in comparisons of lobbying in Canada’s bicameral federal and unicameral provincial levels. The relative weakness of the Canadian Senate, however, diminishes this concern.

11. This variable is the scaled response to the question: “In 2008, the majority of your members experienced what level of change in their sales or income?” The following codes were used: substantial growth = 2, slight growth = 1, no change = 0, slight decrease = −1, substantial decrease = −2.

12. The response rate was 16.7 percent overall, 19.3 percent for the Michigan pool, and 15.5 percent for the Ontario pool. These are conservative calculations. Unless the questionnaires were returned unopened, I assume that they reached the offices of all of the remaining interest groups, although this surely did not always happen. I was able
to perform a test of non-response bias for the Canadian associations—which had a higher rate of non-response—by examining the frequency distribution of association size, using the number of full-time staff as the measure. The distribution was extremely similar for the respondents and the population frame.

13. From this point forward, I drop from the analysis the less frequently lobbied county and local governments. The Canadian budgets were converted to U.S. dollars at the rate of U.S. $1 = C$1.20, the U.S. Federal Reserve Bank monthly average during the data collection period, February to June 2009.

14. To see if the magnitude, rather than the direction, of the economic change was important, I tested an alternative operational definition of this variable, where no income change is coded “0,” slight increases or decreases in income are coded “1,” and substantial increases or decreases are coded “2.” This test, too, yielded coefficients that were not statistically significant.

15. However, it does mean that I am unable in this study to disentangle the impact of decentralization and divided government when analyzing the absolute lobbying frequencies at each government level.


17. This may be a conservative estimate, as the question asked for the most important reason. Partisanship may have partly entered into the calculus of additional groups. A few associations—four for the federal level question and six for the state/provincial level question—selected more than one reason; these were double-counted.

18. Although it is logical to expect budget size to affect absolute frequencies of lobbying, there is not a strong theoretical basis to expect it to lead to shifts in the lobbying venues. It is therefore dropped from the model. Budget size was found to be uncorrelated to the absolute and relative lobbying frequencies.

19. While this indicator is not the optimal operational definition of the political institutional variable because of the potential problem of endogeneity, it does move us beyond uninformative aggregate measures of decentralization and a reliance on simple tests of cross-national differences in means. The specific concern is the possibility of a simultaneous relationship or a hypothesized causal direction that is backwards. Association leaders may assert that a government level is important precisely because that is where they have lobbied. This possibility was examined with a two-stage least squares (2SLS) regression using STATA’s ivregress procedure. For each of the two equations, the importance of the relevant government level was identified as the potential endogenous variable. The dichotomous “policymaking power” and “regulatory power” variables of the corresponding government levels were used as instrumental variables. The instrumental variables were found to be correlated with the endogenous regressors and uncorrelated with the structural error term. Durbin and Wu-Hausman tests demonstrated that the null hypothesis of exogeneity could not be rejected. The OLS estimates are therefore reported in this article.

20. The importance of the subnational government was not a statistically significant predictor of federal-level lobbying for the entire sample, though it was significant in a separate analysis that included only the subnational associations.
21. A second, less worrisome, concern about an endogenous relationship is the possibility that a sympathetic government may develop as a result of an association’s lobbying contacts. The temporal order is, however, more logical in the hypothesized relationship. Furthermore, the operational definition refers to a sympathetic government, which would be far more difficult to cultivate than a sympathetic individual legislator or chief executive.

22. Standard diagnostics indicated that the OLS assumptions of the absence of multicollinearity and a normally distributed error term were not violated.

References


Thorburn, Hugh G. 1985. *Interest groups in the Canadian federal system*. Toronto: University of Toronto.


