

# Organized Labor's Campaign Contributions after the NAFTA Vote: Rhetoric or Retribution?<sup>1</sup>

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## Abstract

Prior to the congressional vote, organized labor threatened to punish legislators who voted for NAFTA. Building on work by Engel and Jackson, we explore whether or not organized labor made good on its threat by reducing campaign contributions to House members who voted YES. We postulate contribution functions for both Democrats and Republicans, with pre-NAFTA vote contributions on the horizontal axis and post-NAFTA vote contributions on the vertical axis. For members of both parties, we find that a YES vote on NAFTA results in a change in the contribution function, which is a combination of a downward proportional shift and a downward parallel shift.

*Labor unions were extremely vocal about their intent to punish all legislators who did not vote against NAFTA. In the words of William Bywater (of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO), If you support NAFTA, "we're gonna whip your ass and*

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*throw you out of office. And those that are with us, we oughta break our ass to see that they're elected"* (quoted in Jennings and Steagall 1996, 71).

*According to National Public Radio's Morning Edition, April 12, 2000, George Meany, ex-President of the AFL-CIO, instructed unionists on their lobbying visits to legislators to impress upon them: "We never threaten, we never beg, and we never forget."*

**Key words:** NAFTA, Campaign contributions, Congressional voting.

**JEL codes:** F13, J51

## **1. Introduction**

Many scholars have conducted trade policy studies and have come to the conclusion that interest-group donations affect congressional voting (see Tosini and Tower 1987, Steagall and Jennings 1996, and Baldwin and McGee 2000). However, few studies have sought to examine the reverse – whether or not a congressional vote is related to contributions received thereafter. More specifically, few studies have asked whether interest groups use campaign contributions as a means of reward or punishment based on specific voting outcomes. In this paper, we seek to investigate this question as it applies to the North American Free Trade Agreement.

Section 1 describes the political environment in which NAFTA was enacted and why we chose to examine campaign contributions surrounding the NAFTA vote. Section 2 describes how we selected the data and reviews the literature. Section 3 describes our expected results and what we discovered. Section 4 summarizes the paper in two revealing graphs. Section 5 concludes.

### *1.1. Introduction to NAFTA*

Professor Kreinin (1981) was one of the first to evaluate the idea of North American economic integration. He contributed an article to a special issue of Duke Law School's *Law and Contemporary Problems* edited by Alain Sheer, one of Tower's first Ph.D. students at Duke. Kreinin summarized his findings (p.31) as follows:

A North American FTA in manufactured products can yield considerable economic benefits to the three countries involved. It is also likely to be beneficial

for worldwide resource allocation. However, all three countries would undergo a painful adjustment process, during which resources would be reallocated both between and within industries to attain greater efficiency and rationalization of industrial production. This dictates a rather lengthy transitional period during which trade liberalization is staged, perhaps longer for Mexico and Canada than for the United States. Large scale government assistance within each country would be required to smooth out the transition. Once completed, however, the benefits would far outweigh the adjustment costs.

The concept of the North American Free Trade Agreement (NAFTA) became politically possible when it was advocated by Mexican president Carlos Salinas de Gotari in 1990. At that time, it was expected that the most formidable obstacle to the treaty would be its acceptance by the Mexican public, which had a history of distancing itself from its northern neighbor. Surprisingly, the first signs of trouble came not in Mexico but in the United States, when a coalition of labor and environmental groups sought to defeat the extension of fast track authority that President George Bush would need from Congress in order to negotiate a free trade agreement with Mexico. Although a bitter public debate ensued, by May 24<sup>th</sup>, 1991, both the House of Representatives and the Senate had voted to extend fast track for two years.

When negotiations formally began in June of 1991, it was expected that an agreement would be reached within a year. This was to limit the opportunity for a powerful opposition to organize in Mexico and to allow the United States to focus on its foremost trade issue – the conclusion of the Uruguay round of the GATT. As it turned out, the terms of NAFTA were not agreed upon until August of 1992. However, the ultimate passage of the treaty in the US would depend on the negotiation of supplemental agreements initiated in 1993 to mollify the concerns of NAFTA's most formidable opponents: organized labor and environmental groups.

In the United States, labor unions and business associations mounted strong public relations campaigns about NAFTA. Labor unions, fearing competition from open trade with neighboring southern countries with lower costs of production, insisted that they would discontinue financial support of any congressman who supported NAFTA. Further, labor unions asserted that they would defeat all legislators who voted for NAFTA (Steagall and Jennings 1996, 515). Despite these threats from historical allies of the Democratic Party, NAFTA passed in the Senate without

incident on November 20<sup>th</sup>, 1993 (with a vote of 61-38), after its more precarious approval by the House three days prior (with a vote of 234-200). This outcome required a YES vote from a significant number of Democrats in the House and Senate, in addition to the expected YES votes of the Republicans.

## *1.2. Why NAFTA?*

We chose NAFTA as a case study to investigate interest group donation behavior for several reasons, but primarily because of the public nature of the debate. Labor unions made defeating NAFTA one of their top priorities and mounted a strong campaign against the treaty. They were also extremely vocal about their intent to punish all legislators who did not vote against NAFTA. In the words of William Bywater (of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO), “we’re gonna whip your ass and throw you out of office” (quoted in Jennings and Steagall 1996, 71).

NAFTA was also a convenient case study because of its timing and political circumstances. The NAFTA vote occurred in late November 1993, which means that it fell almost exactly at the mid-point of the 1993-1994 election cycle. Therefore, in looking at pre- and post-NAFTA contributions, one can examine the change in contribution levels as a function of vote and party affiliation. Finally, NAFTA was introduced into the House of Representatives under fast track authority. This meant that legislators were forced to cast a YES or NO vote without amendments, thereby sending a clear message to labor unions regarding their position on this trade issue.

## **2. Labor PACs’ Campaign Contributions**

### *2.1 Data*

This study investigates whether labor PAC's did in fact punish or reward politicians for their vote on NAFTA. To answer this question, an analysis of labor PAC contributions before and after the NAFTA vote was conducted.

In the analysis of Congress, the relationship between the NAFTA vote and subsequent labor PAC contributions in the Senate was excluded because the treaty was expected to pass in the Senate without any major opposition, and it seemed unlikely that labor PACs would reward or punish on the basis of a vote where individual votes didn't matter. Therefore, only data for the House of Representatives was examined. Until the week before the NAFTA vote was to occur in the House, it was uncertain whether there would be sufficient votes to pass the agreement. This meant that labor PACs had the opportunity to try to influence Representatives with their donations. Moreover, with elections every two years for the members of the House, a loss of contributions over a two-year election cycle could be very important to them.

We also had to decide how to define "Labor PACs." The data for this study was extracted from the Federal Election Commission Information page (accessible online at <http://www.tray.com>). This source breaks down labor PACs into five categories: Building Trades Unions, Industrial Unions, Transportation Unions, Public Service Unions and Miscellaneous Unions. We compiled data from all categories with the exception of Public Service and Miscellaneous. We eliminated Public Service Unions working under the assumption that its jobs were not directly threatened by Mexican labor. Miscellaneous represented a random group of unions organized by default, and therefore it seemed problematic for analysis and interpretation.

Having decided to focus on labor PACs, we generated a list of the contributions for all 434 members of the House of Representatives during the 1993-1994 election cycle. Period 1 (pre-NAFTA) contributions were defined as those from 1/1/93 through 11/16/93, and Period 2 (post-NAFTA) contributions were defined as those from 11/17/93 through 12/31/94. After compiling data for each individual congressman, summary statistics were generated and the pattern of the association between labor PAC contributions in Period 1 before the vote and Period 2 after the vote was analyzed.

## 2.2 Literature

As Engel and Jackson (1998, p.815) note, Jennings and Steagall (1996) claim that labor did not punish pro-NAFTA Democrats, because they did not lose more frequently than anti-NAFTA Democrats in the 1994 election. But as EJ note, this doesn't mean that labor did not use campaign contributions to reward and punish. EJ conducted the only previous study of the use of punishment strategies relating to the NAFTA vote. Their study examined both short- and long-term punishment strategies. Using a linear regression, EJ determined that labor PACs did indeed punish or reward congressmen in the short term. They concluded (p. 821) that during the post-NAFTA portion of the 1993-4 election cycle, on average each Democrat who voted for NAFTA received \$25,024 less from labor PACs than did their anti-NAFTA democratic colleagues, holding everything else constant.

EJ also found that there was no statistically significant reduction in contributions to pro-NAFTA House Democrats over the 1995-1996 contribution cycle relative to contributions received by their anti-NAFTA democratic colleagues (the  $t$  value being slightly less than 1). These results lead to their conclusion that "This indicates that the stick strategy begun after the NAFTA vote was a short-term rather than a long-term punishment strategy. The reduction in funding for pro-NAFTA Democrats appears to have been a one-time occurrence" (p. 822). Thus, EJ tested the George Meany hypothesis: "We never forget," and found it lacking.

McCloskey (1996) argues that economic significance and statistical significance are two different issues, and that the former may be more important than the latter. Her point is particularly relevant with regard to EJ's interpretation of non-significant long-term effects of labor PAC contributions. Their point estimate is that a YES vote reduced campaign contributions in the 1995-96 election cycle by  $\$0.000733 * \$16,490,443 = \$12,087$ , which is  $12,078/110,674 = 10.9\%$  of the mean labor PAC contribution received by Democrats. Thus, the magnitude of this dollar amount loss from a pro-NAFTA vote would seem to be an economically significant impact on contributions in the long-term. As George Meany might have said: We never forget—at least over a 3 year horizon.

This study differs from that of Engel and Jackson in several respects:

- First, only the 1993-1994 election cycle was examined, breaking all the campaign contributions into pre- and post-NAFTA vote. Whereas EJ also considered the short-term post-NAFTA vote contributions to be the second half of the 1993-1994 election cycle, their pre-NAFTA vote contributions were 1991-1992 contributions. Using data from the 1991-1992 cycle could be problematic because several other labor issues were voted on during this period, all of which might have affected the level of campaign contributions. Examples include amendments of the National Labor Relations Act (1991), the Railway Labor Act (1991), the Civil Rights Act (1991), the Job Training Partnership Act (1991), and passage of the Trade Expansion Act (1992), the Unemployment Insurance Reform Act (1992), and the Emergency Unemployment Compensation Act (1992). Perhaps most significantly, fast track was voted on in 1991. Therefore, the key distinction between these studies is that in looking at pre-NAFTA contributions, we considered the first half of the 1993-1994 election cycle and compared it to the second half of the same cycle, whereas EJ compared the entire 1991-1992 election cycle to the second half of 1993-1994.
- Second, EJ modeled a YES vote on NAFTA as shifting labor PAC contributions downward by a fixed amount, whereas this study explored both proportional and parallel downward shifts in the labor PAC contribution function, where the contribution function is defined as the relationship between the post-NAFTA contributions on the vertical axis and pre-NAFTA contributions on the horizontal axis.
- Third, whereas EJ only investigated incumbent Democrats, all Republicans and Democrats receiving contributions were included in this study.

There have been several studies conducted on the subject of pre-NAFTA PAC contributions and their effect on the NAFTA vote. Kahane (1996) and Steagall and Jennings (1996) addressed the NAFTA vote specifically and concluded that interest group contributions had an effect on congressional voting behavior. Kahane's study used a single-equation logit regression for both the House and the Senate to argue their point, while Steagall and Jennings used a single-equation probit regression in the House only. In a distinguished study, Baldwin and Magee (2000) also examined this relationship, recognizing that campaign contributions are endogenous. Their

econometrics is sophisticated and their counterfactual simulations imaginative and informative. Incorporating Tobit analysis into the method of full information maximum likelihood so as to disentangle the endogeneity of both campaign contributions and the vote, they found that:

In the NAFTA vote, a \$1000 increase in a [House] member's contributions from labor groups beyond the mean level reduced the probability of voting for the agreement by 0.52 percentage points, whereas a \$1,000 addition to contributions from business PACs increased the probability of voting to approve the agreement by 0.12 percentage points. ... These are rather large impacts on voting probabilities... (p.92).

They also find (p.97) that to swing one more vote from NAFTA labor would have had to contribute \$825 additional dollars per Representative. These results lead them to conclude that in the House of Representatives "trade policy is for sale or that money buys access, which interest groups are able to use effectively to influence legislative decisions."(96).

Baldwin and Magee also write "Conventional wisdom suggests that interest groups are buying something when they contribute to a politician's campaign" (79). Using this analogy, shoppers who go to a particular store and find that they can no longer purchase a desired product will take their money elsewhere. This prediction sets the stage for our inquiry, which seeks to investigate whether voting behavior affects post-vote campaign contributions.

### **3. The Data**

#### *3.1 Anticipated Results*

The NAFTA vote came at an important time in US history. Bill Clinton had just been elected to the Presidency, and Democrats had a majority in both the House of Representatives and the Senate. Therefore, Democrats had the unusual fortune of controlling both the Executive and the Legislative branches of government. This presented an interesting predicament for labor PACs because although they may have wished to make good on their threats to punish those who voted for NAFTA, almost half of those people who fell into that category were Democrats, and it would not be in the best interests of the labor PACs to weaken the position of their historical

allies. Therefore, one might expect that contributions for Democrats who voted for NAFTA would not decrease by a substantial amount.

If the NAFTA vote did produce a noticeable effect on contributions, one might postulate that it would be more pronounced among Republican, with labor PACs systematically rewarding anti-NAFTA Republicans in the period following the vote. However, the far right was anti-NAFTA too, and labor might feel that the far right was following its own agenda and was generally insensitive to labor's concerns, so that money donated to the far right would be wasted. Also, in absolute terms pre-NAFTA campaign contributions to Republicans were relatively inconsequential (due to the fact that Republicans are generally allied against the interests of organized labor), so in absolute terms, one might not expect as much punishment among Republicans given that they were already receiving such low levels of contributions.

Finally, it is important to remember that contributions to politicians are endogenous, reflecting votes over a long period on many issues (Chappell, 1982). Taking this into consideration, labor PACs tend to allocate money to politicians – regardless of their party – who are allied with their interests, and may be hesitant to break such alliances over any one particular vote, supporting the view that the threats were empty. In sum, it is expected that labor unions will use a short-term reward and punishment strategy relative to the NAFTA vote.

### *3.2 Tabulating Campaign Contributions*

NAFTA passed in the House of Representatives with a vote of 234 to 200. Of the AYES, 132 were Republicans and 102 were Democrats. Of the Nays, 43 were Republicans, 156 were Democrats, and one was an Independent. Table 1 summarizes this information and indicates the number of congressmen who received contributions from labor PACs. Tables 2 and 3 show the data separated into pre- and post-NAFTA periods respectively. Table 4 shows the differences between the two periods.

**Table 1. Summary of Pre- and Post-NAFTA Labor PAC Contributions.**

<b>Party /Vote</b>	<b>Number of legislators</b>	<b>Number of legislators receiving contributions over the entire period</b>	<b>Percent of legislators receiving contributions over the entire period</b>	<b>Pre-NAFTA total contributions</b>	<b>Post-NAFTA total contributions</b>	<b>Total contributions</b>
Republican / YES	132	48	36.4	\$82,975	\$129,950	\$212,925
Republican / NO	43	37	86.0	\$83,578	\$235,169	\$318,747
Democrat / YES	102	88	86.3	\$1,014,522	\$1,827,797	\$2,842,319
Democrat / NO	156	145	92.9	\$2,938,776	\$7,300,040	\$10,238,816
Independent / NO	1	1	100	\$4,000	\$92,700	\$96,700
<b>TOTAL</b>	<b>434</b>	<b>319</b>	<b>73.5</b>	<b>\$4,123,851</b>	<b>\$9,585,656</b>	<b>\$13,709,507</b>

**Table 2: The Pre-NAFTA Contribution Period**

<b>Party / Vote</b>	<b>Number of legislators receiving contributions</b>	<b>Percentage receiving contributions (%)</b>	<b>Average contribution to legislators receiving contributions initially</b>	<b>Average contribution per legislator</b>	<b>Maximum contribution to any legislator</b>
Rep / YES	29	22.0	\$2,861	\$629	\$8,500
Rep / NO	14	32.6	\$5,970	\$1944	\$18,200
Dem / YES	86	84.3	\$11,797	\$9,946	\$124,638
Dem / NO	136	87.2	\$21,609	\$18,838	\$137,050
Ind / NO	1	100	\$4,000	\$4,000	\$4,000
<b>Total</b>	<b>266</b>	<b>61.3</b>	<b>\$15,503</b>	<b>\$9,502</b>	<b>\$137,050</b>

**Table 3: The Post-NAFTA Contribution Period**

<b>Party/Vote</b>	<b>Number of legislators receiving contributions</b>	<b>Percentage receiving contributions (%)</b>	<b>Average contribution to legislators receiving contributions initially</b>	<b>Average contribution to legislators receiving no initial contributions</b>	<b>Average contribution per legislator</b>	<b>Maximum contribution to any legislator</b>
Rep / YES	39	29.5	\$3,395	\$189	\$984	\$20,750
Rep / NO	37	86.0	\$15,434	\$659	\$5,469	\$32,650
Dem / YES	79	77.5	\$25,362	\$783	\$17,920	\$108,000
Dem / NO	145	92.9	\$53,171	\$3,440	\$46,795	\$127,400
Ind / NO	1	100	\$92,700	n. a.	\$92,700	\$92,700
<b>Total</b>	<b>301</b>	<b>69.4</b>	<b>\$36,916</b>	<b>\$713</b>	<b>\$22,087</b>	<b>\$127,400</b>

**Table 4: Comparison Between Pre- and Post-NAFTA Contribution Periods**

Party/Vote	Change in % of legislators receiving contributions (% age points)	Post – to pre-NAFTA ratio of contributions to legislators receiving contributions initially	Post – to pre-NAFTA ratio of contributions to all legislators	Post – minus pre-NAFTA average contribution to legislators receiving contributions initially	Post – minus pre-NAFTA average contribution to all legislators
Rep / YES	7.5	1.19	1.57	\$534	\$356
Rep / NO	53.4	2.58	2.81	\$9,464	\$3,525
Dem / YES	-6.8	2.15	1.80	\$13,566	\$7,973
Dem / NO	5.8	2.46	2.48	\$31,562	\$27,957
Ind / NO	0	23.18	23.18	\$88,700	\$88,700
Total	8.0	2.38	2.32	\$21,413	\$12,585

The most important conclusions from the tables follow.

1. Of Republicans who voted YES, only 36% received contributions, while 86% of those voting NO got money. Of the Democrats, 86% who voted YES received donations in contrast to 93% of those who voted NO.
2. Republicans who received no initial contributions and voted YES saw their contributions rise to \$189 post-NAFTA, while corresponding Republican NO voters received a larger \$659. The corresponding figures for Democrats are \$783 and \$3440.
3. Republican YES voters saw the fraction of legislators receiving contributions rise by 7.5%, while Republican NO voters saw their fraction rise by the gigantic 53.4%. Corresponding Democratic figures are –6.8% and 5.8%.
4. Republicans who received initial contributions and voted YES saw their contributions multiply by 1.2, while corresponding Republican NO voters saw theirs multiply by a larger 2.6. The corresponding Democratic multipliers are 2.2 and 2.5.
5. Republican YES voters saw their campaign contributions rise to a multiple of 1.6 times their initial contributions, while Republican NO voters had a larger multiple of 2.8. The corresponding Democratic multipliers are 1.8 and 2.5. The gap is greater for Republicans (1.2) than for Democrats (0.7). **Thus in proportional terms retribution was greater for Republicans.**

6. Republicans who received initial contributions and voted YES saw their contributions rise by \$534 while corresponding Republican NO voters saw a much larger rise of \$9464. The corresponding figures for Democratic voters are \$14,000 and \$32,000.
7. Republican YES voters saw their contributions rise by \$356, while Republican NO voters saw a corresponding rise of \$3,525. The corresponding figures for Democrats are \$8,000 and \$28,000. The gap is greater for Democrats (\$20,000) than for Republicans (\$3,000).  
**Thus, in absolute terms retribution was greater for Democrats.**

The only evidence of punishment comes from the fact that a smaller fraction of Democratic YES voters received contributions in the second period. There are no anomalous results. The YES voters from each party saw their contributions climb by a larger dollar amount. They also saw their initial contributions multiplied by a larger fraction in the second period. These last two observations also hold when we restrict the sample to those who received contributions initially, and the last one also holds when we restrict the sample to those who did not receive contributions initially.

### 3.3 Regressions

A complete set of the data is given in Phillips (2000). Three regressions were run for both Republicans (Rep1, Rep2 and Rep3) and Democrats (Dem1, Dem2 and Dem3), and a fourth for just the Republicans (Rep4):

$$1) \text{ Post-NAFTA contributions} = \alpha \text{ YES} + \beta \text{ Pre-NAFTA contributions} + \gamma (\text{YES} * \text{Pre-NAFTA contributions}) + \text{constant}$$

$$2) \text{ Post-NAFTA contributions} = \alpha \text{ YES} + \beta \text{ Pre-NAFTA contributions} + \gamma (\text{YES} * \text{Pre-NAFTA contributions}) + \delta (\text{Pre-NAFTA contributions})^2 + \text{constant}$$

$$3) \text{ Post-NAFTA contributions} = \alpha \text{ YES} + \beta \text{ Pre-NAFTA contributions} + \text{constant}$$

$$4) \text{ Post-NAFTA contributions} = \beta \text{ Pre-NAFTA contributions} + \gamma (\text{YES} * \text{Pre-NAFTA contributions}) + \delta (\text{Pre-NAFTA contributions})^2 + \text{constant}$$

In the regression equations listed above and in Table 5:

- The dependent variable is post-NAFTA labor PAC contributions to individual House members in thousands of dollars.

The independent variables are:

- YES, a dummy variable, where YES = 1 for a Yes vote on NAFTA and YES = 0 for a NO vote;
- Pre-NAFTA labor PAC contributions, in thousands of dollars;
- YES \* Pre-NAFTA contributions, which has a value of zero for members who vote NO, and a value of the pre-NAFTA contribution for members who vote YES; and
- [Pre-NAFTA contributions]<sup>2</sup>. A negative coefficient on this variable reflects the tendency for members who received very large contributions in the pre-NAFTA period to receive smaller contributions in the second period.

Table 5 summarizes the results of the seven regression models. All models fit the data reasonably well, accounting for between 40% and 70% of the variance of the dependent variable. The best equations are Dem2 for the Democrats and Rep2 for the Republicans, using the adjusted R<sup>2</sup> as the criterion.

**Table 5: OLS REGRESSIONS EXPLAINING POST-NAFTA VOTE LABOR PAC CONTRIBUTIONS TO LEGISLATORS**

Equation	Dem1	Dem2	Dem3	Rep1	Rep2	Rep3	Rep4
Independent Variable							
YES	-18.3*** (-4.54)	-12.1*** (-3.37)	-21.6*** (-6.66)	-1.51* (-2.44)	-1.07 (-1.76)	-2.22*** (-3.75)	—
Pre-NAFTA contributions	0.907*** (8.77)	2.20*** (12.9)	0.831*** (9.49)	1.95*** (15.9)	3.02*** (9.87)	1.72*** (17.0)	3.19*** (11.0)
YES * Pre-NAFTA contributions	-0.264 (-1.37)	-0.283 (-1.68)	—	-0.656** (-3.14)	-1.22*** (-4.86)	—	-1.38*** (-6.04)
Pre-NAFTA contributions <sup>2</sup>	—	-0.0140*** (-8.99)	—	—	-0.0789*** (-3.78)	—	-0.0859*** (-4.17)
Constant	29.7*** (10.7)	15.3*** (5.28)	31.1*** (12.1)	1.68** (3.10)	1.16* (2.15)	2.12*** (3.94)	0.324 (1.26)
R <sup>2</sup>	0.411	0.553	0.407	0.687	0.712	0.669	0.706
Adjusted R <sup>2</sup>	0.404	0.546	0.402	0.682	0.705	0.665	0.701
Observations	259	259	259	175	175	175	175

<sup>1</sup> Significance of the coefficients is denoted by:

\*\*\* p<.001 (two tailed test),

\*\* p<.01 (two tailed test),

\* p<.05 (two tailed test).

In each cell, the top figure is the coefficient, in thousands of dollars. The bottom figure is the t statistic.

The second period contributions to Democrats are best explained by Dem2, which contains all the independent variables above. Predicted post-NAFTA contributions for a Democrat who voted NO are  $[(2.2 * \text{first period contributions}) - (.0140 * \text{first period contributions}^2) + \$15,300]$ . A Democratic YES voter's predicted post-NAFTA contributions are the same as above, except that they are *reduced* by  $[\$12,100 + 0.283 * \text{first period contributions}]$ . For a Democrat who receives the mean first period contribution for NO voters, the cost of a YES vote measured as a reduction in post-NAFTA contributions is  $\$12,100$  plus an additional  $.283 * 18.838 = \$5,371$  for a total of  $\$17,431$ . For a member who receives the maximum contribution of  $\$137,050$  in the first period, the cost of a YES vote is a total of  $\$50,885$ .

Second period contributions to Republicans are best explained by Rep2. YES voters' predicted post-NAFTA contributions are reduced by  $[\$1,070 + 1.216 * \text{first period contributions}]$  relative to that of a NO voter. Given that the maximum Pre-NAFTA contribution to any Republican

legislator who voted YES on NAFTA was \$8,500, the maximum loss suffered by a YES voting Republican legislator is  $\$1,070 + \$10,385 = \$11,355$ .

**Thus, the expected cost of voting YES is higher for every Democrat than for any Republicans who voted YES.** For members of both parties, the cost of a YES vote increases with the contributions they received from labor PACs in the pre-NAFTA period. Assuming that members anticipated this pattern of contributions, it is not surprising that Democratic YES voters tended to receive smaller first period contributions than did Democratic NO voters.

Conceptually, we can think of the regression equation as defining a second period contribution function, with second period contributions measured on the Y axis and first period contributions measured on the X axis. A Democratic YES vote causes a downward parallel shift of the contribution function by 12.1 thousand dollars plus a further downward shift of 28.3% times first period contributions – a proportional downward shift – where the proportion is expressed as a fraction of the X variable. A Republican YES vote causes a smaller parallel downward shift and a larger proportional downward shift (121%) than for Democrats.

Thus, we can think of first period contributions not as buying votes, but rather as providing the basis of a threat to YES voters. While George Meany's lobbyists did not threaten legislators verbally, perhaps their contributions spoke so loudly that there was no need for threatening words.

For the Democrats, four of the variables are significantly different from zero on a two-tailed  $t$  test at the 0.001 level. The proportional shift variable is not significant on a two-tailed test even at the 0.05 level. We explored alternative parameter specifications in Dem1 and Dem3. These alternatives leave out some of the independent variables, but neither of them generate such high adjusted  $R^2$ , so Dem2 remains our preferred model.

Similar results apply to the equations for Republicans, Rep1 through Rep4. As we found for the Democrats, Rep2 is our preferred equation. For the Republicans, all terms achieved statistical significance with the exception of the YES variable in the second regression model and the

constant in Rep4. Although seven regression models were run, it is important to recognize that they are all fundamentally quite similar. The fact that all produce comparable results indicates that our conclusions are robust with respect to alternative specifications.

#### **4. Graphical Summary**

Our two favorite regressions are Dem2 and Rep2. Figure 1 shows the contribution schedules for Democrats who voted each way on NAFTA according to Dem2. Figure 2 shows the corresponding schedules for Republicans. They illustrate the conclusions discussed in the text. The schedules for Democrats reach a peak in the range of Pre-NAFTA contributions actually observed. This peak occurs at over three times the mean first period contributions for both YES and NO voters. Looking at the scatter of data points confirms that the regression is replicating the observations. This finding was initially counterintuitive to us. We explain it by suggesting that labor PACs who gave generously in the pre-NAFTA period felt they had done enough to last them through the post-NAFTA period. In other words very large contributions in the first period may substitute for contributions in the second period.

**[figures 1 and 2 go here]**

#### **5. Conclusion**

In an article in the *Wall Street Journal*, columnist Albert R. Hunt (2000) points out some of the inconsistencies that exist between members of the Democratic Party and the voting records of those legislators who represent them. What is the wedge that can account for this gap? Evidence points to labor PAC contributions. Because of the financial importance that labor contributions play – particularly in Democratic campaigns – many scholars have made the connection between donations and roll-call voting. This paper further investigates the relationship between labor PACs and congressmen, and answers the question of whether PACs use their dollars as part of a punishment/reward strategy. As the data clearly indicates, the answer is a resounding yes. In this study, punishment manifests itself as both a parallel shift and proportional shift downward.

Therefore, with reference to George Meany's quote, it seems that labor unions do threaten, and at least in the short-term, "they never forget."

## References

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Figure 1. Contribution schedules for Democrats.

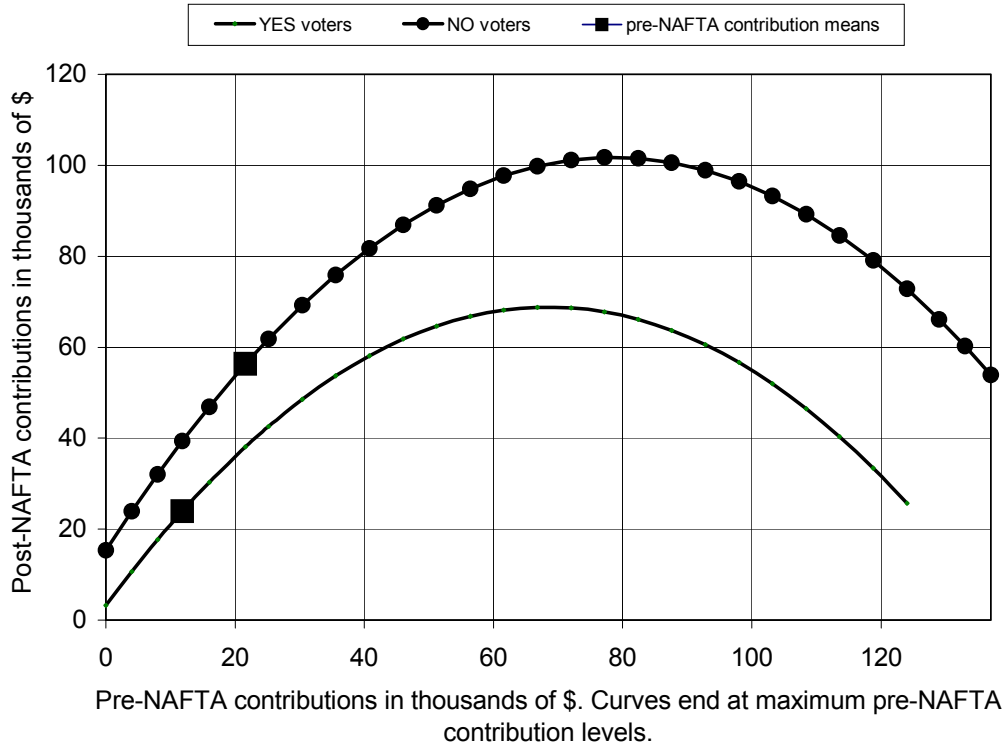


Figure 2. Contribution schedules for Republicans.

