PARTY PRESSURE, ORGANIZED INTERESTS AND ECONOMIC CONDITIONS: THE POLITICS OF THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

by

RUOXI LI

(Under the Direction of Scott Ainsworth and Robert Grafstein)

ABSTRACT

The Emergency Economic Stabilization Act of 2008, commonly known as the bailout plan, was one of the most important pieces of legislation in 2008. To discern the factors that influenced representatives' decisions on the bailout bill, I hypothesize that ideological extremism, party pressure, interest groups, and economic conditions are the most influential factors. The results suggest that ideology was important for the first bailout vote, while party pressure was influential for the second bailout vote. In the analysis of the electoral consequence of the bailout vote, the results suggest that while the bailout bill has no electoral implications.

INDEX WORDS: Congress, Party Pressure, Bailout

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RUOXI LI

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|---|---|
| Major Professor: | Scott Ainsworth<br>Robert Grafstein |
| Committee: | Jamie Carson<br>Ryan Bakker |

Electronic Version Approved:

Maureen Grasso
Dean of the Graduate School
The University of Georgia
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# DEDICATION

This thesis is dedicated to the memory of my grandfather, Yunhai Li.

Your optimism and wisdom will always be with me.

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# CHAPTER1

# INTRODUCTION

The Emergency Economic Stabilization Act of 2008, commonly referred to as the bailout plan, was one of the most controversial laws passed in 2008. Proposed by Treasure Secretary Henry Paulson, the bailout plan was intended to deal with the national economic crisis which became prominent in the second half of 2008. The original proposal failed by a vote of 205-228 in its first attempt to pass the House of Representatives on September 29th, 2008. The Senate then stepped in and debated, amended and eventually passed a revised version of the bailout plan, giving the House a second chance to vote on the bailout. Within a week, on October 3rd, the Emergency Economic Stabilization Act of 2008 passed its second House vote, 263-171, and was officially enacted into law upon President Bush's signature.

The bailout plan raised considerable controversy among the public as well as among legislators. Supporters of the bailout plan argued that the bailout was necessary to deal with the economic crisis by rescuing the beleaguered financial market. The economic crisis in which the bailout proposal occurred was considered to be the worst of its kind since the Great Depression. Ignited by real estate bubble burst, mortgage-backed securities and bonds suffered loss of value, which shrank assets of mortgage lenders, especially those of investment banks. When investment banks and the financial industry took the hit, it spread to other areas of the economy: for example, businesses started to experience difficulty getting loans. The chain reaction eventually jeopardized the health of the national economy. In order to revive the national economy, the belief was that having the banks back on their feet and restoring confidence in financial market was a necessary and crucial step. To take this important step, the bailout plan was designed to

purchase troubled bank assets, and the amount to spend was set to be up to $700 million. This plan for restoring the national economy, however, was not supported by the majority of the public. Some commentators argued that using the taxpayers' money to take care of the mess left by Wall Street was "just wrong".[1] Early as April 2008, Gallup polls showed that the majority of the public were against Wall Street bailouts.[2] During the time of the bailout, some legislators reported receiving thousands of phone calls and emails a day opposing the bailout.[3] In spite of the public opposition, the president, both parties' leaders, and some other prominent political actors, including both parties' candidates in the 2008 presidential election, Barack Obama and John McCain, actively advocated on behalf of the plan in attempt to save the economy.

With all its controversies the bailout proposal struggled through Congress. As mentioned earlier, it failed in the House, then was rescued by the Senate, and eventually was passed by the House. Legislative actions on the bailout proposal provide a unique opportunity to study the congressional process. For students of legislative politics, a general question that naturally comes to mind is: how did legislators decide which side to support when the bailout proposal came before Congress? In this instance, there is a second, even more interesting question: why did some legislators switch their votes on the bailout plan? Most of the time in congressional floor votes, legislators' negotiations and calculations are off-the-record.

The two votes on the bailout plan, however, revealed and recorded changes in revealed preferences among the legislators. Knowing that some representatives switched and some did not, it is interesting to study what factors motivated those legislators to switch their votes. Moreover, voting on the bailout was not the end of the story; legislative votes have electoral consequences. Soon after the legislators voted on the highly controversial bill, they faced the 2008 House

[1] http://corner.nationalreview.com/post/?q=ZGE5MmE0YmRiODA3YTRiNzFlN2FmNDU5N2I0ZDc3YTE=
[2] http://www.gallup.com/poll/106114/six-oppose-wall-street-bailouts.aspx
[3] http://www.nytimes.com/2008/09/25/business/25voices.html?_r=2&oref=slogin&ref=washington&pagewanted=print&oref=slogin

elections. So the third question is: did legislators' bailout votes affect their electoral fortune? Moreover, were incumbents punished in the election if they supported the bailout? The bailout votes and the 2008 House elections provide a good opportunity to examine the electoral consequence of legislators' voting behavior.

As mentioned above, this paper examines three research questions. For the first one concerning legislators' roll call behavior, the literature has offered explanations indicating several key variables such as partisanship, ideology, constituency, and interest groups, to be exogenous and endogenous factors that potentially influence the legislators' floor vote decisions. I expect that in the case of the bailout plan, the same rationale applies; partisanship, ideology, electoral consideration and interest group activities are the baseline explanatory variables for the legislators' roll call voting behavior on the bailout proposal.

As for the second question, assuming that legislators are rational political actors, when they voted the first time, they were likely to have taken into consideration the consequences of their votes, and made decisions that were in their best interest. Then the puzzle is, since the bill passed in its second House vote, what made some legislators change their mind in such a short period of time? I argue that some legislators changed their vote the second time under party leadership pressure. Among the public, the voice against the bailout was probably louder than that supporting the plan. The administrative branch and both parties' leaders, however, publicly endorsed the bailout plan in numerous occasions. Before the House first voted on the bailout proposal, President Bush expressed his confidence that the bill would pass.[4] The fact that the bailout proposal failed the first time struck the president and both party leaders as a surprise. After this failure, evidence suggested that there was an extensive intragovernmental lobbying

[4] http://www.upi.com/Top_News/2008/09/23/Bush-confident-Congress-will-pass-bailout/UPI-20171222179202/

effort to get the bill passed. [5] I argue that the party leadership pressure is an important reason why some House representatives change their vote.

Empirically studying party influence requires extra consideration, because it is less than ideal to model the party influence variable with direct measures such as the number of phone calls from the party leader to individual legislators. The direct measure is intuitively straight forward, however, it is neither an adequate proxy for the level of party pressure, nor are the data practical to obtain. To discern party influence, an alternative measurement is to look at how party pressure affects different legislators. I argue that safer legislators are more vulnerable to party pressure and less safe ones are less so, therefore, by linking legislators' electoral margin with the level of party pressure they received, I measure the party pressure variable indirectly. The rationale is that party leaders want to maintain or expand the number of seats in their control and pressure the rank-and-file members to vote along the party line. When party members are pressured to support an unpopular bill such as the bailout plan, safer legislators are more likely to yield to party pressure, because they are in a better position to absorb the potential vote loss (Jacobson 1993). Less safe members, on the other hand, could hardly afford any loss of electoral support, and therefore less likely to yield to party pressure and support an unpopular bill. In the empirical model, I incorporate the electoral margin variable as an indication of the level of party pressure received by legislators, and I hypothesize that as a result of party leadership influence, legislators who won the previous election with a bigger electoral margin were more likely to vote for the bailout; as their electoral margin reduced, legislators become are less vulnerable towards party pressure and therefore less likely to vote for the bailout.

[5] http://www.usnews.com/articles/news/2008/09/30/news-buzz-mccain-obama-bush-urge-congress-to-pass-bailout-consumer-spending-dips.html

As for the third question concerning the electoral consequences of the legislators' bailout vote, I hypothesize that supporting the bailout plan reduces the legislators' electoral margin in the 2008 House elections. Previous literature has suggested that legislators' voting record on important bills are likely to have an impact on the incumbents' electoral fortune in the following elections (e.g. Bovitz and Carson 2006). The bailout plan was a highly salient and controversial bill, and the votes on the bailout may affect legislators' electoral fortune through different ways. On the one hand, the challengers may have picked on the incumbents' support for the bailout plan and emphasized this unpopular choice in their election campaigns. On the other hand, because of the high importance of the bailout bill, the electorate may have themselves paid attention to the legislators' vote choice and decided to punish or reward the vote choice. Few bailout supporters would vote for the bailout at the cost of their reelection, the election results also suggested that none of incumbents who ran the 2008 House elections was defeated. However, the bailout supporters may have expected a lower electoral margin and they may have actually suffered one. Therefore, I hypothesize that for most of the bailout supporters they did not lose their reelection as a result of their bailout vote; but the bailout vote may have reduced their reelection margin.

In this paper, I first discuss the research questions individually and then conclude with the general implications of the findings. For each research question, I briefly review the literature, and then analyze the theories in the context of the Emergency Economic Stabilization Act of 2008. Next, I present my hypotheses, formulate and conduct empirical tests of the hypotheses. Building on the findings, I conclude on how the House members made their decisions on roll call votes and the implications for representation in Congress.

# CHAPTER 2

# MODELING THE FIRST HOUSE VOTE ON THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

How do legislators decide which side to support when a proposal comes before Congress? Legislative scholars have devoted considerable effort to study the factors that influence House members' voting behavior. A range of variables, such as representatives' partisan affiliation and their ideological orientation, are generally recognized to be associated with legislators' roll call voting pattern. In addition to the baseline explanatory variables, there are a number of case specific variables, such as constituency's preference and interest groups lobbying activities that influence legislators' decisions on a particular roll call vote. I argue that the legislators' roll-call support for the proposal of the bailout plan can be depicted as a function of these two sets of independent variables. The first set of variables is the general predictors, which includes House members' partisan affiliation and their ideological orientation. The second set of independent variables is the content specific variables; it includes the party leadership variable, the constituency characteristics and the interest group variable.

## General predictors

### Ideology

In the literature explaining congressional roll call decisions, House members' ideological orientation is generally considered to be an influential factor affecting their voting pattern. In more recent work, House members' ideological orientation is usually measured by scores

derived from existing roll call voting records such as the NOMINATE score (Poole and Rosenthal 1997) or its updated version.

In some situations, legislators' ideological orientation may overlap with their partisan affiliation when it comes to affecting their roll call decisions. In the case of the bailout proposal, it is more likely for a liberal/Democratic legislator to support the bailout proposal than a conservative/Republican legislator. What is special about the bailout plan is that the pattern of House members' roll call votes seems to resemble the "ideological ends against the middle (EATM)" situation. In his study on House roll call votes on the normal trade relation status for China, Nokken (2003) suggests that House members do not always vote along the conservative-liberal scale. When deciding whether to maintain the normal trade relation status for China, the modest liberals and conservatives were in line to support the administration while ideological extremes voted against the bill. Building on this case study, Nokken goes on to discuss if EATM situations are only infrequent instances if they can be considered as a separate voting dimension like the second dimension of the DW-NOMINATE scores. The empirical findings conclude that there is no evidence suggesting that EATM situations constitute a unique voting dimension in House roll call decisions.

Although EATM situations may not be in themselves a separate voting dimension, they are not rare instances either. Jacobson's (1993) research on the congressional vote on President Georgia H.W. Bush's deficit cutting proposal in 1990 also revealed the ideological EATM pattern. Hussey (2009) found that during the period between the $80^{th}$ -$108^{th}$ Congresses, at least 5% of House votes in each Congress resembled the EATM pattern. Hussey (2009) suggested that EATM votes fall into several categories. First, it could be a result of strategic voting. The extremists at one end of the ideological spectrum may try to get the bill passed and the extremists

at the other end may try to get it (eventually) killed (Wilkerson 1999). In other cases, EATM reveal sincere policy preferences. "Liberals and conservatives have different reasons for supporting the same legislation, but ultimately they vote together" (Hussey 2009: 10).

I believe that the bailout is a case of "ideological ends against the middle," and it reflects House members' policy preferences rather than strategic voting. On the one hand, the House conservatives did not embrace the bailout proposal because the very nature of the bailout plan indicates extensive governmental interference over the economy. On the other hand, the House liberals were less than enthusiastic towards the proposal, because the direct beneficiaries from the troubled financial assets purchased are the financial and banking giants on Wall Street, not the average American homeowners on Main Street.[6] However, the ideologically modest representatives are less restrained by such ideological predispositions. Therefore, more conservative and liberal legislators are likely to oppose the bailout while the more moderate legislators are likely to support the proposal. In order to test this hypothesis, in addition to the DW-Nominate scores of the 110$^{th}$ Congress, I also include in the model its squared terms.

Figure 1 shows the ideological voting pattern on a unidimentional liberal-conservative scale. When representatives vote ideologically, a "cutting line" for support/oppose is usually somewhere vertical on the scale. This figure, however, could not capture how the representatives are divided if their votes are the "EATM" pattern. By "folding" Figure 1 in the middle, figure 2 shows the voting pattern on a moderate – extreme scale.

[6] http://money.cnn.com/2008/09/29/news/economy/bailout/index.htm?cnn=yes

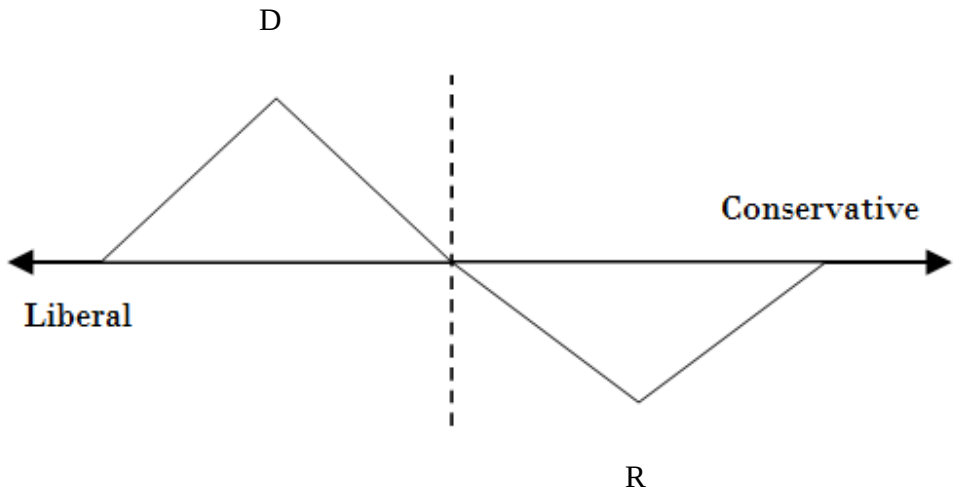


Figure 1: Liberal – Conservative Vote

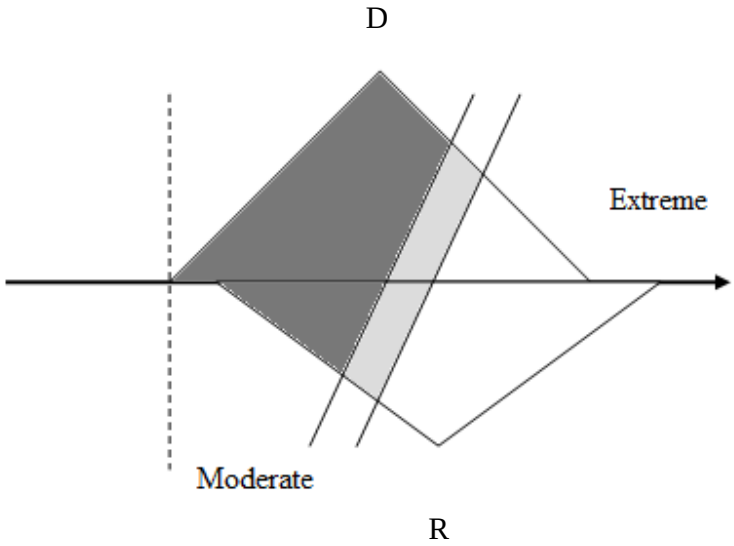


Figure 2: The Bailout Vote

I developed Figure 2 as an illustration of how the representatives voted on the bailout proposal based on their ideological orientation as well as their ideological extremism. This figure is drawn based on the descriptive statistics of the bailout vote, that is, more Democrats than Republicans supporting the bailout plan, also more moderate representatives than extreme ones supporting the bailout (See Table 1). The darker grey area represents the supporters for the first bailout vote, the lighter grey area represents the switchers in the second vote, and the total grey

area represents the supporters for the second bailout vote. The grey area is larger than the white area; it shows that by the second vote, there are more representatives supporting the bailout than opposing it. The "cutting line" is not vertical but slightly tilted. If the line is strictly vertical, it suggests that there were equal number of Democratic supporters and Republican supporters for the bailout proposal. By tilting the cutting line, the shadowed area is larger on the Democrat half, thus indicate the fact that there are more Democratic supporters for the bailout.

Partisan Affiliation

Political parties have been identified as one of the strongest predictors of legislators' roll call voting behavior (e.g. Hurley and Wilson 1989, Kingdon 1989). Legislators do not necessarily *always* follow the party line in terms of roll call vote decisions, they do, however, vote cohesively with their fellow party members *most of the time* (Mayhew 1974; Stewart 2001). An important reason why legislators vote along their party line is that legislators' partisan affiliations indicate their personal policy preferences and the characters of their constituencies (e.g. Kingdon 1977). Most legislators belonged to either the Republican or the Democratic Party. Same party members tend to have similar ideologies and constituency opinions among themselves, and have different ideologies and constituency opinions compared to the other Party's members. Because of these similarities and differences, Democratic legislators usually voted together in a way that is ideologically different than their Republican colleagues.

Based on Poole and Rosenthal's DW-NOMINATE scores, the conservatives and liberals in the110$^{th}$ Congress were neatly split between Republicans and Democrats. All the Republican House members had positive DW-NOMINATE scores while all the Democrat House members had negative scores.[7] From the voting records of the Emergency Economic Stabilization Act of 2008, the House Democrats were more likely to support the proposal than the House

[7] ftp://voteview.com/junkord/HL01110D21_PRES_BSSE.DAT

Republicans. Table 1 summarizes the two bailout votes by representatives' partisan affiliations; it also includes the median DW-Nominate scores for all the groups.

Table 1: Summary Statistics of Bailout Votes

| | | First vote | Second vote | Switchers (from nay to yea) |
|---|---|---|---|---|
| House Democrats | yea | 140 | 172 | 32 |
| | Median DW score | -.397 | -.41 | -.462 |
| | nay | 95 | 63 | |
| | Median DW score | -.444 | -.427 | |
| House Republicans | yea | 65 | 91 | 26 |
| | Median DW score | .482 | .495 | .51 |
| | nay | 134 | 108 | |
| | Median DW score | .557 | .571 | |

## Content Specific Variables

### Party Leadership

Although partisan affiliations explain legislators' voting behavior, the fact that Democrats are likely to vote with Democrats and Republicans are likely to vote with Republicans does not necessarily indicate the influence of political parties on legislator's voting behavior. As discussed above, even if the political parties do not exert influence over their members, due to similar constituency and personal preferences, same party members are still likely to vote in a similar fashion. "Unless party leaders work to achieve a level of cohesion that exceeds what would occur if preferences were simply left to run their course, it is hard to argue that this is a case of party *strength"* (Stewart 2001: 259). There are two points worth noting here. First, party leadership pressure is not always "on." When leadership preference is in conflict with some of

the party members' policy preference, then it is possible that party pressure is turned "on". Second, even if party pressure is "on", it is not necessarily always successful (Cox and McCubbins 2005). To disentangle party leadership influence from a variety of factors in a congressional vote, it is necessary to find evidence of party leadership influence.

When a winning coalition requires some of the party members to vote against their policy preferences, party leaders need to put in real effort and employ different strategies in order to win the "arm twisting" battle. Arnold (1990) suggests several strategies for coalition leaders. For one thing, party leaders can draft the proposal in a way that is as gratifying to as many members as possible. For another, party leaders can publically advocate their positions in a bill to exert pressure to its party members. Additionally, party leaders may use its procedural and organizational power to "punish" disloyal members or "award" members who followed the party line (Kingdon 1989: 111). More than one of the mentioned strategies was observed in the bailout case. In addition to the public advocates on behalf of the bailout plan, as mentioned earlier, another example of party leadership effort was the addition of the "sweeteners" to the amended version of the original proposal. The "sweeteners" were intended to attract more supporters when the bill came to the House the second time.

While it is theoretically plausible that party leaders employ different strategies to influence the legislators' voting decisions, to empirically study the influence of party pressure, the most direct measures such as the number of phone calls from party leaders to a legislator are less than ideal. Not only is it unlikely for the legislators to reveal this sort of information, it is also hard to relate the contacts between party leaders and members with a specific roll call voting decision. As Stewart (2001: 261) puts it, "the best research strategy probably is *not* to ask members of the House whether party pressure was exerted on any particular vote or if party loyalty was

demanded in exchange for a good committee assignment, for example. Instead, we should look for the *effects* of party pressure, should they exist."

Ansolabehere, Snyder and Stewart (2001a) attempt to discern party influence by comparing the legislators' policy preferences, revealed by opinion surveys, with the legislators' roll call voting behavior. They argue that the differences between legislators' policy preference and their roll call votes are a result of party pressure. The article shows that in most cases, party pressure is not "on." But when it is "on," party pressure tends to have a significant influence over the final results of congressional votes. To be more specific, party pressure tends to be most influential on broad economic questions such as tax policies and budget approval. For ideological issues such as abortion and gun control, little evidence suggests that party leaders try to alter legislators' voting decisions.

The "selective effect" of party pressure on issues makes intuitive sense. Strictly ideological issues like gun control are generally considered as a matter of principle, which the legislators' opponents and constituencies find easier to pick out. Broad economic issues, on the other hand, are certainly still influenced by the representatives' ideological orientation, but such matters can also be argued as government operation issues which related to "the nature of times", thus leave some leeway for the legislators' discrepancy. Therefore, it is not surprising to see that the party pressure is more likely to influence the rank-and-file members on economic issues and less so on ideological issues.

Research by Snyder and Groseclose (2000a) attempts to discern party influence from another angle. If the party leaders expect an obvious win or loss on a roll call vote, they are unlikely to put in any effort to affect the legislators' voting behavior. Only in a close vote when the party leader has a decent chance to fight in the legislative battle do they have the incentives to put in

the effort to assemble a winning coalition. Using the lopsided votes to measure the "true" preference of the representatives and compared it with the legislators' voting behaviors in close votes, Snyder and Groseclose (2000a) argues that the difference is a result of party pressure, and finds that political parties tend to have a strong influence over the final results of congressional votes. This study was soon criticized by McCarty, Poole, and Rosenthal (2001). McCarty, Poole, and Rosenthal (2001) argue that using the spatial voting model to discern the differences between the lopsided votes and close votes fails to distinguish party pressure from mere mismeasurement of preferences, and estimates the ideal points of moderates significantly less accurately than the ideal points of extremists, thus exaggerating the effect of party influence. Snyder and Groseclose (2001) respond that the very feature of lopsided votes indicates that in lopsided cases the moderates are likely to vote with the extremists and reveal their true preferences, therefore the use of lopsided votes do not necessarily bias the estimation of the moderates' ideal point. Instead of overestimating party influence in their previous study, Snyder and Groseclose (2001) argue that their study better reflects the effect of party pressure in congressional votes, while it is the McCarty, Poole, and Rosenthal (2001) study that underestimates party influence.

The debate on the Snyder and Groseclose (2000a) article mostly concerns statistical issues. If we temporarily put aside the statistics and focus on how to discern party influence, one thing the article had suggested is to find indirect measures of party pressure. As mentioned by Stewart (2001), directly measuring party leadership influence is less than ideal. Snyder and Groseclose (2000a) attempts to discern party effect by assuming two situations (close votes and lopsided votes) where party pressure is respectively "on" and "off." Based on this assumption, the article compares the legislative votes in these two situations and studies the party influence indirectly.

Following the same logic, to study party influence on the bailout vote, I also assume different situations in which different representatives are under different levels of party pressure. Party pressure is likely to be more influential to the safer House members and less so to the marginal representatives. Before further elaborating this point, I would like to analyze the features of the bailout vote to show why the two House votes on the bailout proposal serve as a good example to study party leadership influence.

Several aspects of the bailout proposal indicate that party leadership may play a role in the voting results. First, the Emergency Economic Stabilization Act of 2008 is an economic policy, which, as argued by Ansolabehere, Snyder and Stewart (2001a), is likely to be influenced by the party leadership. Additionally, the bailout proposal is probably the most important economic policy of the year, which adds to the possibility of party leadership influence. Second, the bailout's voting records suggested that House members were closely split between supporters and opponents. This creates a possible condition in which party leadership influence may work, as suggested in Snyder and Groseclose (2000a). Third, observations suggest that House members were indeed under the pressure of party leaders. [8] From the media's coverage, it seems obvious that both party leaders, the speaker of the House Nancy Pelosi and the minority leader John A. Boehner supported the bailout proposal. Although some party members were against the bailout, both party leaders took effort to urge the legislators to support the proposal throughout the whole process. [9]

To study the party influence on the bailout vote empirically, I argue that there are two aspects to look into. First, as mentioned before, party pressure is stronger on safer members and weaker on marginal members. Previous literature concerning "marginality theory" suggest that "unsafe"

[8] http://www.nytimes.com/2008/09/30/business/30assess.html
[9] http://www.guardian.co.uk/business/2008/sep/30/creditcrunch.wallstreet
http://www.time.com/time/politics/article/0,8599,1846453,00.html

House members obtain a higher level of party disloyalty. While some argue that "marginal" legislators are more likely be disloyal (e.g. Patterson 1961), others suggest that if controlling for constituency characteristics, electoral marginality is not a significant factor in influencing legislators' voting decisions (e.g. Deckard 1976).

I do not think electoral marginality should be considered as a measurement of the legislators' party *loyalty* level. Instead, I consider it to be an indicator of the legislators' *vulnerability* level towards party leadership pressure. The rationale is, safe or not, legislators are always inclined to vote along their personal and constituency policy preference. Without exogenous pressure, even safe legislators are unlikely to vote against constituency preference and follow the party line "automatically." When the party leadership asks rank-and-file members to take a position against their constituency's policy preference, Kingdon (1989) finds that the House members tend to put constituency preference before party loyalty. This finding is intuitively straight-forward: as single-minded reelection seekers (Mayhew 1974), legislators are unlikely to jeopardize their reelection prospects by voting against their constituencies' policy preferences. Consequently, party loyalty becomes a secondary consideration. Safer House members, however, are in a position to absorb some of the potential negative electoral impact (Jacobson 1993), and party leaders are well aware of such fact. After all, the bailout vote is only one floor vote among hundreds of others in a congressional session. Therefore, if party leaders need to "pick and choose" whose arms to twist, it is more likely for the leadership to pick the safe members instead of the less safe ones. In the case of the bailout vote, there was a "conflict" between party leadership position and constituency opinion, where the party leaders supported the proposal and the public overwhelmingly opposed it. A situation like this requires the party leaders to be extra careful and strategic when pressuring their party members.

To summarize, this understanding of party pressure is endogenous in two respects. On the one hand, incumbents with different electoral margins are likely to react to party pressure differently. Safer members are more likely to yield to party pressure and afford an unpopular vote, because they are in a better position to absorb some vote loss in elections. Marginal members are less likely to yield to party pressure and support an unpopular vote, because they can hardly afford any electoral loss. On the other hand, party leadership is likely to pressure safer members and marginal members differently. Party leaders probably know that House members have different levels of vulnerability to party pressure. To pressure their rank-and-file members effectively, it is a reasonable strategy for party leaders to put more pressure on vulnerable representatives, which are the safer ones; and less pressure on resistant representatives, which are the marginal ones.

Consequently, in the empirical model I interpret the correlation between electoral margin and the bailout vote to be the effect of party pressure. In the model I include the electoral margin of the representatives from the 2006 election, measured as the percentage of vote received by the representatives. I expect a positive relation between the electoral margin and the support for the bailout.

Another way to discern party influence is to look at the personal influence of party leadership members. The party leadership system is composed of individuals who are concerned with the party affairs. These individuals have personal influence, which is possibly part of the party leadership's influence in an important vote. To discern the party effect, Cox and McCubbins (2007) suggest that when the party leader and the party whip chose the same position in a vote, the vote is considered to be under the influence of party pressure. "Instead of focusing on 'party votes,' roll calls in which a majority of Republicans oppose a majority of Democrats, we look at

party leadership votes, defined as roll calls in which the Republican and Democratic leaderships oppose one another" (Cox and McCubbins 2007: 136). The strongest advocates of party position are likely to be party leaders, party whips, and party members who hold important committee assignments.

In the bailout votes, virtually all important members of the party leadership systems, including both party leaders, whips and conference/caucus chairs, supported the bill. While party leaders can choose to influence any other member of the Congress, they have stronger influence over some legislators and weaker influences over the others. To discern party leaders' personal influence, I include in the model a dummy variable for the representatives who are from the same state as their party leaders. For example, all Californian Democratic representatives are assigned a dummy variable "1," because Nancy Pelosi as the Democratic Party leader is from California. For representatives who are from the same state, they are likely to be in similar political environment and possibly inform and influence each other in congressional votes. This proximity of party leaders' personal influence is by no means accurate. However, it is fairly difficult, if at all possible, to find a way to accurately measure the party leaders' personal network and its influence. Some argue that party pressure may influence representatives through certain committee assignments (e.g. Leighton and Lopez 2002, Kanthak 2004). The bailout proposal, however, did not come from any committee, and there is no evidence that associates the proposal with a specific committee. Therefore, instead of using any committee assignments as the representatives' network proxy, I consider whether a representative is from the same state as her party leader or whips. If so, the representative may be under more party leadership influence when voting for the bailout.

In anticipation of the statistical analysis, I expect the influence of party pressure to be stronger in the second bailout vote. There is reason to believe that both times party leaders tried to pass the bailout. However, the bailout was defeated the first time and was passed the second time. In a sense, the party leaders failed in their effort the first time. Therefore, if there is a difference in the level of party influence while comparing the two bailout votes, I expect the influence to be stronger in the second vote.

Organized Interests

Interest groups are active participants in the legislative process. Due to the importance of the bailout proposal to the financial industry, there is little doubt that the financial interests took a firm position supporting the bailout. In spite of the bailout's great importance, the financial interests had very limited time to react and lobby directly on behalf of the proposal, because the time between the proposing the bailout and voting on the plan was very short. The time constraint might limit but certainly did not eliminate the influence of financial interests on the passing of the bailout proposal.

In their attempt to influence policies, an important method interest groups employ is to make monetary contributions in congressional elections. The direct intention of campaign contributions is to help the preferred candidate win the election. With the more "friendly" legislator in office, interest groups are therefore able to influence policies in a more favorable direction. In order to legitimately contribute to congressional elections, interest groups need to do so through Political Action Committees (PACs). Previous research studying the connection between PAC contributions and their influence on congressional decisions has yielded mixed results. Some suggest that PAC contributions are correlated with congressional votes; although the scale of such influence is not necessarily substantively significant (e.g. Ansolabehere, de

Figueiredo and Snyder, 2003). Most other research finds there is no apparent correlation between PAC contribution and individual legislative votes (Witko 2006).

Two industries most influenced by the bailout plan are the financial industry and the construction industry. The purchase of troubled bank assets directly benefits the financial industry. Additionally, the troubled bank assets are mostly associated with real estate; therefore the bailout plan may also boost the real estate market and help the construction industry. Collecting data from Opensecrets.org, I measure PAC influence by the monetary contribution at the unit of $10,000, PACs made to individual legislators in the 2006 election circle, and I include both the financial industry PAC contributions and the construction industry PAC contributions.

The statistical analysis may or may not show that the PAC variables are related to the bailout vote. If there is no significant result, it does not necessarily mean that PAC contributions do not matter in congressional votes; it may mean that the financial industry and the construction industry's PAC contributions are not statistically related to this specific bailout vote. If there is a significant relation between PAC contributions and the bailout vote, I expect the effect to be marginal. As suggested in the literature, the relations between PAC money and congressional votes are inherently endogenous. A significant relation between PAC contribution and the bailout vote does not necessarily mean that PAC money buys the votes. For one thing, legislators receiving large financial PAC contributions may appear to be friendly with the financial industry, but the friendliness may not be a *result* of the PAC influence; rather, the legislators are friendly to financial industry to begin with, and that is actually the *reason* why these legislators received large contributions from the financial industry.

For another, PAC contribution may be an indication of the representatives' relation with the financial industry. The financial industry, like other interest groups, would not unrealistically

expect that they could get a satisfying voting result any time. When it comes to salient votes, however, such as the bailout vote, the financial industry may press hard on the representatives and especially on the ones they invested heavily with PAC contributions while asking for favorable votes. Additionally PAC contributions may be used by a third party, such as the party leadership, to pressure their rank-and-file members. Party leadership may use PAC contribution as a cue and decide who are friendly with the financial industry and therefore mostly likely to support a vote that benefits the financial industry. After finding out the friendly representatives, party leadership may pressure these representatives in the hope that they would be most likely to yield to party pressure and support the bailout vote. In conclusion, the relation between PAC contribution and legislative vote is hard to interpret; if one simply interprets the relationship as money buys votes, one would miss most of the story. Whether a PAC contribution is an indication of the legislators' friendliness level to start with, or an indication of the overall interest group pressure, or the means used by the third party to pressure friendly legislators, is hard to disentangle.

Economic Conditions

In the study of an important economic bill, it is necessary to consider the economic environment in which the bill took place. For individual representatives, the well-being of the local economy is an important factor influencing their decisions on the bailout bill. Statistics revealed that while the national economy had been reduced into a recession, the local economy had also been badly impacted especially for states with sizeable financial industry.[10] There are two aspects concerning local economy conditions that warrant attention. First, the size of the financial industry in a congressional district may be associated with the representatives' bailout vote. When the monetary stake is high in the financial companies and banks, it is more likely for

[10] http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm

the representative to consider the weight of the financial industry in the local economy; also it is more likely for the representative to be responsive to the financial industry's lobbying effort. Therefore, I hypothesize that the size of local financial industry is positively related to the support to the bailout bill. Empirically, the best available statistics to measure the size of local financial industry is the assets value of a state's financial institutions, provided by the Census Bureau[11].

The second aspect of the economic condition is the impact of the financial industry on the local economy. The census bureau has published statistics measuring the contribution of the financial industry to the state GDP in 2007-2008.[12] Not surprisingly, in most of the states, the financial industry made a negative contribution to the real change in local GDP. In Delaware, where the financial industry suffered more than most states, the number is -1.95%. Different than the mere size of the financial industry, these numbers measure the impact of the financial industry on local economy. The local financial industry may be small in size, but it may have a substantial impact on an equally small state economy. I expect this variable to be negatively associated with the probability of a representative supporting the bailout. When the impact is positive, meaning that local financial industry is helping local economy, the representatives from that state may be less eager to pass economy-rescue policy such as the bailout plan. When the impact is negative, meaning that local financial industry is probably dragging down the state's economy, the representatives may be more likely to support the bailout.

Other Explanatory Variables

There are three other explanatory variables that are of interest to the bailout votes. The first one is the seniority of House members, the second one is representatives' retirement decisions,

[11] http://www.census.gov/compendia/statab/tables/09s1140.xls
[12] http://www.census.gov/compendia/statab/cats/banking_finance_insurance.html

and the third one is the opponents' spending in the 2008 House elections. Seniority may be related to congressional votes because the seniority of an individual House member may be a signal of her electoral strength and her relationship with party leadership. Generally speaking, more senior House members have more experience with their constituencies and usually enjoy the largest incumbency advantage (Jacobson 2009). Senior House members may also have a tighter relationship with party leaders because of their long time of service in congressional politics. For each representative, the seniority variable is measured as the number of total terms served in Congress provided by the Clerk of the House website[13], and I expect seniority to be positively related to the support of the bailout votes.

The retirement variables and the challenger spending variables are closely related to the electoral connection of congressional votes. Herrick, Moore and Hibbing (1994) found that representatives seeking reelection behave differently compared to those who decided to retire. Bianco, Spence and Wilkerson (1996) found that supporting an unpopular and salient bill may contribute to representatives' decision to retire. After voted for a highly unpopular bill, the representatives might be concerned about the negative electoral impact of the unpopular votes, and instead of waiting to be defeated in the reelections, some incumbents may make the strategic decision of retirement. This understanding is two-fold. In the case of the bailout votes, the bill was proposed very close to the 2008 House elections, and most of the retirement decisions had been made by the incumbents. Representatives' retirement decisions may not be the result of supporting the bailout plan in this case, however, they could be a reason why the retiring representatives can vote in favor of the bailout without worrying about future negative electoral impact. Therefore, I expected that retiring representatives are more likely to support the bailout.

[13] http://clerk.house.gov/member_info/110_seniority.pdf

Opensecrets.org provides the data source for representatives' retirement decisions in the 110th Congress.[14]

For representatives who decided to stay in the game, challenger spending seems to be related to their decisions supporting unpopular bills. Jacobson (1993) found that the more their challengers spent, the less likely the incumbent legislators voted in favor of the 1991 Budget Act, which was also an unpopular bill. Challenger spending has been shown to be negatively related to the representatives' electoral fortune; substantial challenger spending is a sign of a weak incumbent. When a representative is facing a resourceful challenger, she may feel electorally threatened, and consequently become less likely to support an unpopular bills, which may further reduces her electoral fortune. In the bailout vote analysis, I also expect a negative relation between challenger spending and support of the bailout. After all, elections come first. A representative needs to be secure enough to support an unpopular vote. Collected from Opensecrets.org, the challenger spending variable is measured at the unit of $10,000.

Control Variable

To isolate the effects of the main explanatory variables, I include in the model the state unemployment rate as control variable. The bailout proposal came out in a time when the whole nation was experiencing a financial crisis and high unemployment rate, and the level of the crisis varied across different states. The unemployment rate may be related to the representatives' bailout vote because it affects the constituencies' attitudes towards economic policies. The source of the variable is the Bureau of Labor statistics[15], and the date of the employment rate was August 2008, measured as percentage of unemployed to the total workforce population.

[14] http://www.opensecrets.org/bigpicture/casualties.php?cycle=2008
[15] http://www.bls.gov/news.release/archives/laus_09192008.pdf

## Empirical Results

The dependent variable in the analysis, the first bailout vote is coded 1 if a representative voted yea, and 0 if voted nay. There are twelve independent variables in the model. The descriptive statistics are reported in table 2. It is worth noting that as for the DW-Nominate scores of the representatives, most of them range from (-1, 1). However, one exception that goes beyond this range was the DW-Nominate score 1.364 of Ron Paul, Republican representative from Texas.

Table 2: Descriptive Statistics for the Bailout Votes Model

| Variable | Mean | Standard deviation | Min | Max |
|---|---|---|---|---|
| bailout vote (first) | .471 | .499 | 0 | 1 |
| bailout vote (second) | .605 | .489 | 0 | 1 |
| DW-Nominate | .026 | .509 | -.922 | 1.364 |
| DW square | .259 | .195 | .0064 | 1.86 |
| electoral margin | 66.1 | 12.1 | 32.69 | 100 |
| leadership | .409 | .492 | 0 | 1 |
| financial/GDP | -.228 | .216 | -1.95 | .24 |
| financial assets | 246.5 | 173.3 | 4.4 | 605.2 |
| finance PAC | 9.41 | 1.13 | 0 | 81.4 |
| construction PAC | 2.33 | 2.05 | 0 | 11.9 |
| seniority | 5.90 | 4.33 | 1 | 27 |
| retirement | .055 | .228 | 0 | 1 |
| challenger spending | 48.2 | 104.3 | 0 | 720.5 |
| unemployment | 6.20 | 1.22 | 3.5 | 8.9 |

Due to the dichotomous nature of the dependent variable, I employ a logistic regression model that incorporates the nine independent variables. In terms of the goodness-of-fit, the model predicts 65.87% of the votes correctly with a proportional reduction in error (PRE) rate of 33.3%. Figure 3 shows the model's ROC (receiver operating characteristic) curve. The area

under the ROC curve is between 0.7 and 0.8. What these statistics suggest is that the model does a reasonably good job in predicting the bailout vote.

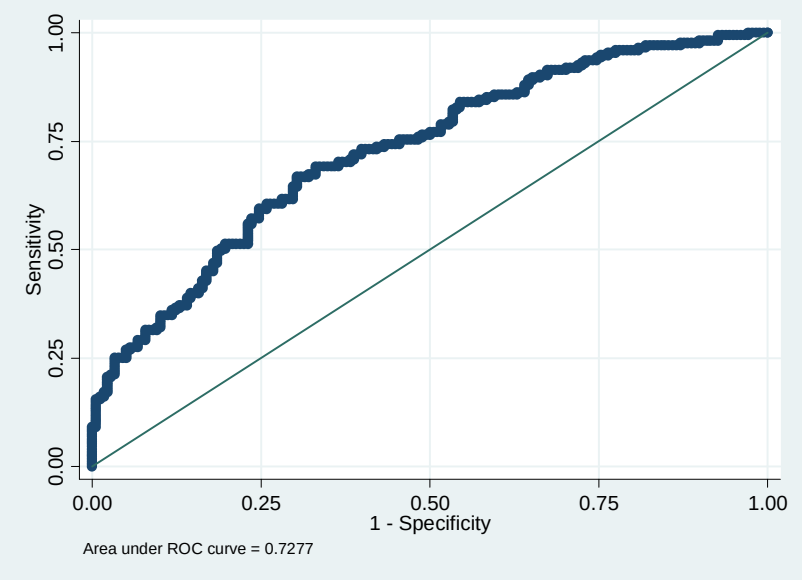


Figure 3: ROC Curve for First Bailout Vote

The results are displayed in Table 3. Other than the PAC variables which are measured at the unit of $10,000, the other variables are measured at their original units. In addition to the coefficients, I also present the odds ratio of the independent variables. It is hard to interpret directly the coefficients in a logistic model, because the level of influence varies as the value of the independent variables change. By computing the odds ratio for the independent variables, one can have a more straight forward interpretation of the independent variables and their impact.

The results for the specific coefficients in this model are consistent with expectations. The ideology variables are both significant and pointing in the predicted direction. With CLARIFY, I am able to discern the effect of the ideological variables at different values. Table 4 shows the how the predicted probability varies when DW-Nominate score varies. The change of DW-Nominate score will lead to the change of the DW-Nominate score's squared term. In the

analysis, when I calculated the change of the DW-Nominate score, I made sure that the squared term of the DW-Nominate was assigned the equivalent change. The DW-Nominate Score of Ron

Table 3: Dependent Variable: First Congressional Vote on the Bailout Proposal

| Independent Variable | Coefficient | Odds ratio |
|---|---|---|
| DW-Nominate | -.848** | .428** |
| | (.318) | (.136) |
| DW square | -2.72** | .065** |
| | (.829) | (.054) |
| electoral margin | .008 | 1.00 |
| | (.012) | (.011) |
| leadership | .086 | 1.09 |
| | (.285) | (.311) |
| financial/GDP | -.358 | .698 |
| | (.757) | (.529) |
| financial assets | .0002 | 1.000 |
| | (.0008) | (.000) |
| finance PAC | .057** | 1.06** |
| | (.016) | (.017) |
| construction PAC | -.073 | .928 |
| | (.079) | (.073) |
| seniority | .081* | 1.08* |
| | (.031) | (.034) |
| retirement | .828 | 2.29 |
| | (.563) | (1.28) |
| challenger spending | -.002• | .997 |
| | (.001) | (.001) |
| unemployment | .008 | 1.01 |
| | (.117) | (.119) |
| constant | -1.01 | |
| | (1.06) | |
| number of observations: 353 | | |
| LR chi square: 62.76 | | |
| Probability > chi square: 0.0000 | | |
| Pseudo R square: 0.1282 | | |
| Log likelihood: -213.28989 | | |

Note: Standard errors are in parentheses. * = Significant at 0.05 level.
** = Significant at 0.01 level.
• = p value < 0.1

Paul is 1.436; it is the maximum value of DW-Nominate score and also an outliner. To correct for the outliner, I use the second largest DW-Nominate score, .999 as the max value. When

calculating for changes in predicted probabilities, I also control for party leadership influence and retirement. The leadership and retirement variables are coded dichotomously. R=1 means the legislator retired after the 110th Congress, R=0 means not retired; L=1 means one of the party leaders is from the same state as the legislator, L=0 means otherwise. The median value for retirement and party leadership is 0, and I present in Table 4 the four different scenarios of party influence and retirement, and how DW-Nominate score and the squared term of DW-Nominate score influenced the predicted probabilities of supporting the bailout.

Table 4: First Differences (DW-Nominate score)

| Value points of DW-Nominate score | Change in predicted probabilities | | | |
|---|---|---|---|---|
| | R=1, L=1 | R=0, L=1 | R=1, L=0 | R=0, L=0 |
| Min ~ One s.d. above min | .298** | .316** | .298** | .313** |
| (-.922 ~ -.413) | (.139) | (.123) | (.139) | (.119) |
| One s. d. below mean ~ Mean | .031 | .045 | .033 | .047 |
| (-.482 ~ .026) | (.049) | (.066) | (.051) | (.068) |
| Mean ~ One s.d. above mean | -.241** | -.287** | -.247** | -.288** |
| (.026 ~ .535) | (.062) | (.054) | (.061) | (.055) |
| One s.d. below max ~ Max | -.451** | -.325** | -.442** | -.312** |
| (.490 ~ .999) | (.105) | (.061) | (.105) | (.054) |
| One s.d below Ron Paul~ Ron Paul | -.217** | -.107** | -.205** | -.099** |
| (.854 ~ 1.365) | (.098) | (.038) | (.095) | (.033) |

Note: Standard errors are in parentheses. * = Significant at 0.05 level.
** = Significant at 0.01 level.
• = p value < 0.1

Table 4 suggests that ideology and ideological extremism have a substantial impact on the bailout vote. One standard deviation's change in DW-Nominate score, which is .509, is likely to change the probability of voting for the bailout by around .30. The impact of ideological score tends to be larger for extreme legislators and smaller for moderate legislators. This relationship is not clear for moderate Democrats; one standard deviation's change in the DW-Nominate score is neither statistically nor substantially significant. The lack of statistical significance may be

related to the fact that most moderate Democrats supported the bailout, and the lack of variance in the voting results leads to the lack of statistical significance. If combining the first difference results with the scatterplot of the predicted probability against the DW-Nominate score, the pattern is even clearer.

In the case of leadership influence and retirement, the leadership influence variable does not seem to make a difference in the predicted probabilities. The decision to retire, however, seems to decrease the probability for conservative Republicans (One s.d. below max ~ Max) to support the bailout by about .13. This finding is interesting. In the previous discussion, I expect the decision to retire to be positively related to the probabilities of supporting the bailout, because retiring representatives should have less concern about the possible negative electoral consequence of the bailout vote. However, the empirical analysis of conservative Republicans says otherwise. An interpretation of the negative relation between retirement and supporting the bailout is that retiring representatives may have a looser tie with the party leadership. Therefore, when the Republican Party leadership pressured its party members to support the bailout, the retiring representatives might be less vulnerable to such party pressure, because any future reward or punishment from the party leadership is of little importance for the retiring members. Without feeling strong party pressure, the conservative Republican representatives were then in a position to vote their true preference, which was to oppose the bailout.

Figure 4 plots the predicted probability for voting for the bailout against the representatives' ideology orientation. The space between the two clusters of dots indicates how the Democrats and the Republicans are neatly split as liberals and conservatives. The fact that Democratic cluster is located on the upper half of the figure suggests that the Democrats are more likely to support the bailout proposal, and vice versa for the Republicans. This finding may tap into both

the ideological issue and the majority party's responsibility. While it is possible that liberals are more likely to support the bailout than conservatives, it is also a possibility that the Democratic representatives were more likely to support the bailout bill to fulfill their duty as the majority party.

Additionally, an important feature shown by this figure is that the variance of voting for the bailout is larger for the Republicans than the Democrats. The Republican cluster is more scattered than the Democratic one, where the probability of a Republican to vote for the bailout virtually ranges from 0 to 1. Additionally, the relationship of ideological extremism and the bailout vote seems to be stronger for the Republicans. The Republicans reveal a more obvious pattern of increased extremism and decreased probability of supporting the bailout, whereas for the Democrats, especially for liberal Democrats, the association is less obvious. Generally speaking, the scatterplot of predicted probability of voting for the bailout against the ideological scale seems to suggest a non-monotonic relationship.

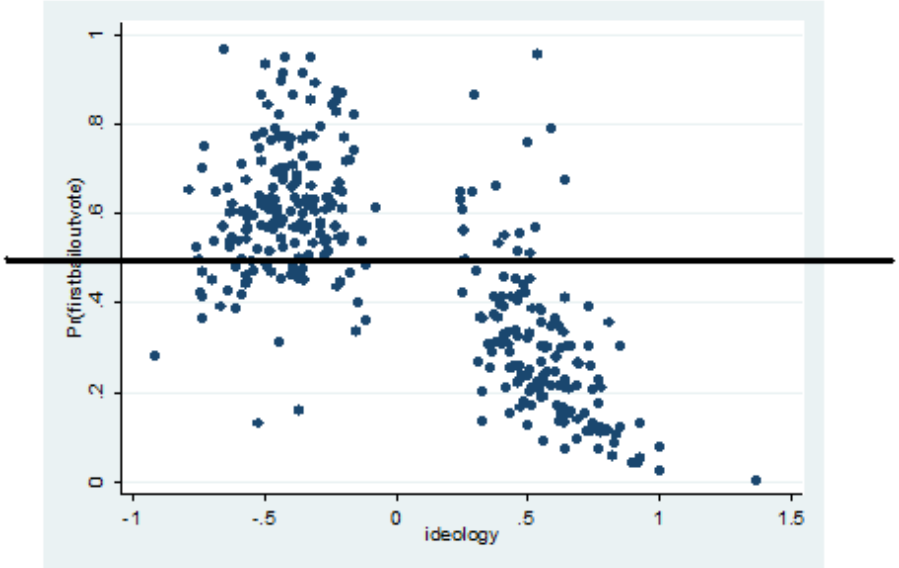


Figure 4: Predicted Probability against Ideology

Neither of the party pressure variables turns out to be significant in this model. I am unwilling to conclude at this stage that party pressure did not matter. First, it is possible that even though the party leadership pressure was "on," it failed to achieve its purpose to get the bailout proposal passed this time, therefore the variables measuring party pressure fail to achieve statistical significance. Second, the proxy for leaders' personal influence is whether a representative is from the same state with one of her party leaders. The insignificance of this party leadership variable could also be a result of the measurement error.

Among the three interest group variables, the amount of financial industry PAC contribution turned out to be positively related to the representatives' bailout vote. The marginal effect of the financial PAC variable is close to 0, which means that the PAC contribution variable is not as influential as other variables such as ideology. Among other explanatory variables, seniority turns out to be statistically significant. Again, the marginal effect is fairly small. None the less, the positive sign of the coefficient and the marginal effect finding confirms the theoretical

Table 5: First differences (financial PAC and seniority)

| Value points | Change in predicted probabilities |
|---|---|
| financial PAC | |
| Min ~ Mean | .124** |
| (0 ~ 9.41) | (.033) |
| Mean ~ One St. d above mean | .155** |
| (9.41 ~ 20.7) | (.041) |
| | |
| seniority | |
| One St. d below mean ~ Mean | .081** |
| (1.6 ~ 5.9) | (.030) |
| Mean ~ One St. d above mean | .086** |
| (5.9 ~ 10.2) | (.033) |

Note: Standard errors are in parentheses. * = Significant at 0.05 level.
** = Significant at 0.01 level.
• = p value < 0.1

prediction that senior House members are more likely to vote for the bailout. Using CLARIFY, I present in Table 5 the first difference of one standard deviation change around the mean for the financial PAC and the seniority variables.

Results in Table 5 suggests that one standard deviation change in financial PAC variable, which is $113,031, increases the predicted probability of supporting the bailout by about 14 percent. While a PAC contribution is related to the bailout vote, its influence is limited, because it takes a large PAC contribution to have an impact on the probability of supporting the bailout vote. The seniority variable is also positively related to the bailout vote. One standard deviation change in seniority, which is 4.3 terms, increases the probability of supporting the bailout by 8 percent.

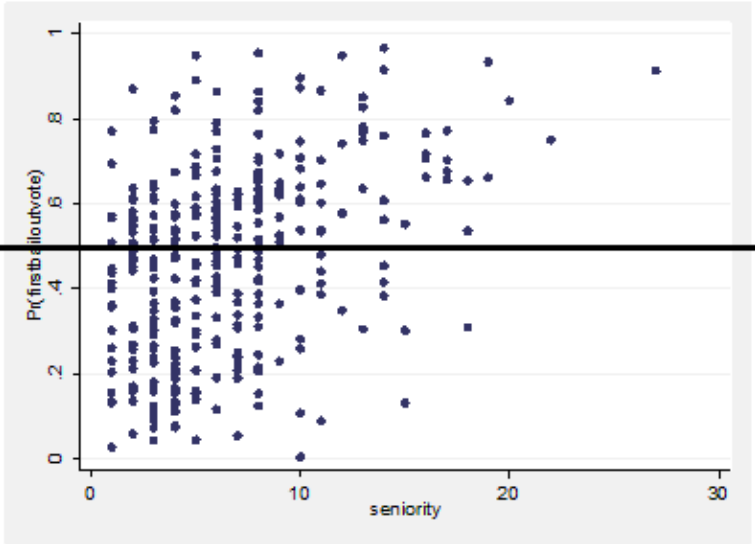


Figure 5: Predicted Probability against Seniority

Figure 5 and Figure 6 are scatterplots of the predicted probability of supporting the bailout against the PAC finance variable and the seniority variable. The plots confirm the positive relations both variables have with the predicted probability of supporting the bailout. It is

interesting from the scatterplot that the effects of the seniority and the PAC finance variables both seem to be stronger in larger values. When the values are small, the positive relation between seniority and PAC finance variables seem to be weaker.

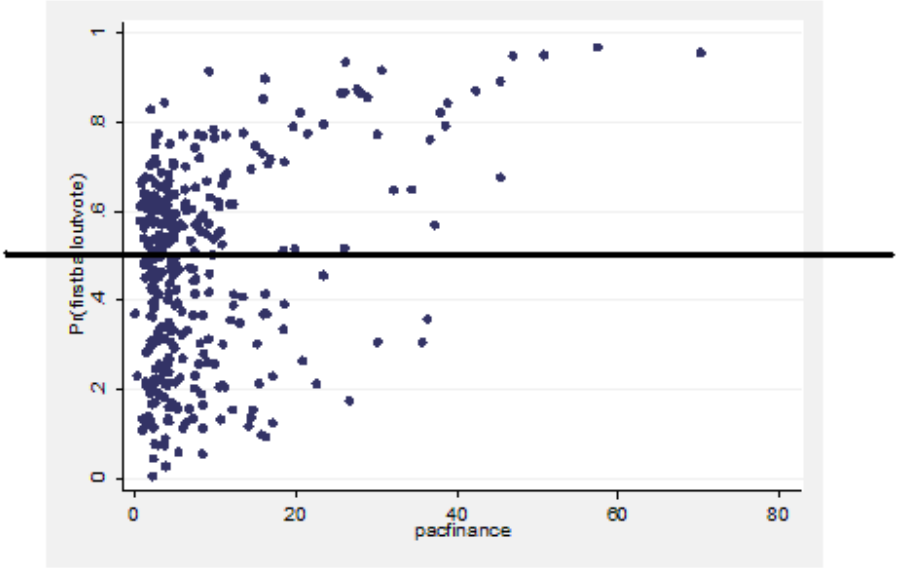


Figure 6: Predicted Probability against Financial PAC

# CHAPTER 3

# MODELING THE SECOND HOUSE VOTE ON THE EMERGENCY ECNOMIC STABILIZATION ACT OF 2008

Before assessing the factors influencing legislators' roll call behavior on the Emergency Economic Stabilization Act of 2008, it is necessary to note that the content of the bill was not exactly the same for the first and for the second House roll call votes. In addition to the original content, new provisions were added to the second version of the proposal and the length of the proposal was increased from 109 pages to 451 pages. Some argued that the new provisions served as "sweeteners" that add to the attractiveness of the original proposal.[16] For example, the amended bill proposes the establishment of oversight committees for the execution of the bailout plan. Additionally, the new provisions set curbs for the executive pay of the companies that benefit from the bailout plan. However, some of the new provisions are not really related to the bailout proposal and can only be considered as general tax policies. A widely mocked such provision is "Sec. 503. Exemption from excise tax for certain wooden arrows designed for use by children." For these unrelated tax provisions, some commenters suggested that not only would they fail to attract more votes; they probably would also repel some Democratic supporters and jeopardize the fate of the bailout plan. However the new provisions might influence the bailout vote, the essence of the bill remained the same: troubled assets purchase up to $700 billion. Representative Joe Barton from Texas said: "… the Senate is sending back to the House is a fraternal twin to the one I voted against on Monday — meet the new bill, same as the old bill." [17]

[16] http://money.cnn.com/2008/10/01/news/economy/senate_rescuebill2/index.htm
[17] http://www.nytimes.com/2008/10/02/business/02bailout.html

Generally speaking, both times when the legislators voted on the bailout plan, they were trying to deal with the same problem. While some argued that it was the "sweeteners" that make some representatives change their mind, I am reluctant to suggest that the sweeteners have a substantial impact on the second bailout vote, and the reasons are as follows. First, as mentioned earlier, not all the sweeteners have a positive impact. In fact, some suggested that instead of sweetening the deal, the new provisions actually turned the bailout plan sour for some representatives. [18] Second, even if the sweeteners were taken positively, they were mostly general tax policies that did not provide specialized benefits to any state or district. It is hard to believe that some lightweight sweeteners would change the bailout opponents' mind in a short period of time. While one may suppose that substantial benefit may offset the negatives of the bailout and change bailout opponents' mind, the "sweeteners" were unlikely to be the main reason. Therefore, in studying the second bailout vote, I believe the main reasons for the vote switch are party pressure and electoral considerations.

## The Model

To examine the factors that influence the second House vote, I consider the variables in two categories. The first category includes factors that have already come into play in the first House vote, such as ideology, PAC contributions, etc. These baseline variables are generally considered to be relevant to House members' voting decisions. The second category is specific to the second House vote; the variables capture the changes that occurred in between the two House votes. One of the changes, for example, was that the Senate voted on the amended bill before the House voted on the bill the second time. Events like this are likely to influence how the representatives

[18] http://www.cnn.com/2008/POLITICS/10/01/congress.bailout/index.html

voted on the bailout proposal the second time, and the second category includes variables that measure such changes.

As for the variables in the first category, the analysis of the first bailout vote has showed that some of these variables, such as ideology, PAC contribution and seniority, affected how the legislators voted on the bailout proposal. These variables are likely to be relevant to the representatives' second bailout vote as well. For example, be it the first vote or the second vote, observations suggested that extreme legislators were less likely to support the proposal than the moderate legislators. In order to discern these baseline variables' influence specific to the second vote, I employ a two-stage analysis model which includes the baseline variables and additionally, the predicted probabilities from the first bailout vote analysis. By doing so, the two-stage analysis is in a position to control for the baseline variables' influence to the first house vote and reveal these variables' effect specific to the second bailout vote.

The main hypothesis for the baseline variables in the second bailout vote is that the party leadership variables should affect how House members voted on the amended bailout plan. In the analysis of the first bailout vote, I hypothesize that the leaderships of both parties intended to pressure their rank-and-file members to vote in favor of the bailout proposal. The voting record suggested, however, that the bailout failed to pass the House; in other words, the party leaders failed to achieve what they wanted. This result is confirmed by the statistical analysis; both party leadership variables, the electoral margin variable (which indirectly measures party pressure), and the leaders' personal influence variable (which directly measures party pressure), turned out to be statistically insignificant. However, this is no longer the case in the second bailout vote. As discussed in the previous sections, both party leaders worked hard to persuade their party members to support the bailout. Judging by the voting result, the party leaders succeed in their

effort. If party leadership pressure indeed contributed to the success of the bailout bill, I expect the same party leadership variables to be significant and positive in the analysis of the second bailout vote.

Additionally, I expect to see that the economic condition variables, which include the financial assets variable and the financial industry/ state GDP variable, will have impact on the second bailout vote. While local economic conditions are always relevant to the bailout bill, there is reason to believe that the economy was playing an even larger role to the second bill. The stock market reacted quickly to the first bailout defeat; on September 29th, 2008, the market witnessed the worst single-day drop for two decades: the Dow Jones industrial average fell nearly 778 points and $1.2 trillion had vanished from the United States stock market.[19] Such a drastic reaction may well affect how the representatives view the necessity of the bailout proposal.

The best way to measure this specific event is to pin down the actual influence of the stock market crash to individual congressional districts. However, even at the state level, there is no available data that could somehow measure the variance of the stock market before and after the bailout failure. A different thought is that when a national financial crisis affects the states, the level of impact is likely to vary based on the strength and health of the state's financial industry. How the local financial industry related to the local economy is likely to aggravate or alleviate the stock market's impact on that state. For example, a state with its financial industry still positively contributing to local GDP, such as Wisconsin, is in a better position to be more impact resistant. For Wisconsin representatives and voters, they may also be more impact resistant. In a state where the economy is suffering from its financial industry, such as Maryland, the impact of the stock market crash is likely to be more severe and possibly increase the probability for

[19] http://www.nytimes.com/2008/09/30/business/30markets.html

Maryland representatives to support the bailout. In essence, the stock market crash is an influential economic incident and it is likely to work through local economic conditions.

In the analysis of the first bailout vote, the local economic condition variables do not appear to be statistically significant. With the same variables, I hypothesize that they have a stronger impact on the second bailout vote. Seemingly they are the same variables for the two analyses; however, these variables reflected changes that occurred in-between the two votes, and this is the reason why I believe that the variables may turn out to be significant in the second analysis.

The second set of variables is related exclusively to the second House vote. Before the representatives voted for the bailout proposal the second time, they already knew two things about the bailout votes. They knew how their fellow representatives voted and how the Senate voted on the proposal. These two votes may be related to the second bailout vote because the legislators were likely to influence each other in Capital Hill. The switchers were probably influenced by the bailout supporters, either from the House or from the Senate. In order to measure the internal lobbying effort, I use the state of origin as the proximity and calculate a party-specific, state-level bailout support index. For example, for California Democrats, the bailout support index from the House is 0.56, which is the ratio of the Democratic bailout supporters to the total number of Democratic representatives in California. The bailout support index from the Senate is simpler; it is 0, 1, or 2. The concept is, if in the Congress there were more party members from the same state who supported the bailout, for the representatives it may mean more lobbying on behalf of the bailout proposal, a political atmosphere of supporting the bailout, or a possible explanation for doing "what the others were doing." Consequently, I expect the bailout support indexes to be positively related to the probability of supporting the bailout.

## Empirical Results

Table 6 presents the statistical analysis of the second bailout vote. Like the first bailout analysis, I include the odds ratio as well as the marginal effect. While controlling for the effect of the first vote variables, there is no statistically The lack of statistical significance does not necessarily suggest that the independent variables in the analysis did not matter in the second bailout vote. What the results suggest is that statistically speaking, one can not discern any influence of the independent variables. One possible reason is that the inclusion of the predicted probability from the first bailout vote analysis explained much variance. In order to discern factors that influence the second bailout vote, I consider the switchers as a group of legislators that differentiate themselves from the rest of the legislators. With the switchers coded 1 as the dependent variable, I run a logistic regression to discern what factors increase the probability for switching, and the results are presented in Table 7.

Due to the change of the dependent variable, one of the independent variables, the fellow representatives' influence variable, also needs to change. This variable was originally coded as percentage of representatives from the same party and the same state who supported the bailout the first time. For example, the value of the fellow representatives' influence variable is .56 for all California Democrats, as 56% of California Democrats supported the bailout the first time. In the switcher analysis, I only keep the values for the nay voters from the first bailout vote, and assign all the yea voters from the first bailout vote the value 0. If I keep the original variable, when the value of the variable gets larger, as more party fellows from the same states that are already supporters of the bailout plan, the possibility of switching is reduced statistically. Imagine an extreme case, say 90 percent of Democratic representatives from California were

Table 6: Dependent Variable: Second Congressional Vote on the Bailout Proposal

| Independent Variable | Coefficient | Odds ratio |
|---|---|---|
| DW-Nominate | -.617 | .249 |
| | (.841) | (.237) |
| DW square | -1.29 | .257 |
| | (2.31) | (.644) |
| electoral margin | .020 | 1.03 |
| | (.014) | (.017) |
| leadership | -.067 | 1.17 |
| | (.295) | (.419) |
| financial/GDP | -.8927 | .372 |
| | (.8776) | (.385) |
| financial assets | -.0002 | 1.000 |
| | (.0008) | (.001) |
| finance PAC | .025 | .371 |
| | (.050) | (.386) |
| construction PAC | .031 | 1.007 |
| | (.103) | (.120) |
| seniority | -.010 | .974 |
| | (.078) | (.085) |
| retirement | .419 | 1.74 |
| | (.916) | (1.74) |
| challenger spending | -.0002 | .999 |
| | (.0026) | (.003) |
| unemployment | -.033 | 1.023 |
| | (.121) | (.149) |
| predicted probabilities | 2.13 | 3.17 |
| | (4.27) | (14.9) |
| fellow representatives | -.279 | .003 |
| | (.837) | (.634) |
| senate vote | .231 | .877 |
| | (.275) | (188) |
| constant | -1.68 | |
| | (1.67) | |
| number of observations: 330 | | |
| LR chi square: 66.64 | | |
| Probability > chi square: 0.0000 | | |
| Pseudo R square: 0.1500 | | |
| Log likelihood: -188.7733 | | |

Note: Standard errors are in parentheses. ** = Significant at 0.01 level.
* = Significant at 0.05 level.
• = p-value < 0.1.

already supporters of the bailout vote, then all the California representatives have value .9 in the significant result. fellow representative influence variable. With such a high value, only 10 percent of California representatives can actually be a switcher, because in the bailout case legislators only switched from nay to yea. Therefore, the way the variable is originally coded will lead to a negative relation between this variable and switching, for statistical but not substantial reasons. In order to correct for the problem, I include values for the fellow representative influence variable only for the nay voters.

Two variables are significant in the switcher analysis. First, the seniority variable is negatively related to switching, which means that switchers tend to be junior representatives. From the analysis of the first bailout vote, seniority is positively related to the bailout vote. If we combine the two findings, the results suggest that while junior members were less likely to support the bailout the first time, they were likely to be the switchers the second time. This finding may suggest that junior representatives are more vulnerable to the party pressure. As mentioned before, the variable itself did not change between the two votes. The seniority level of the representatives was the same across the two votes. However, the effect of the variable changed; this change is likely to be the impact of some other factors that was reflected by the seniority variable, such as party pressure. However, the results are more suggestive than conclusive. While the changing impact of the seniority variable may be interpreted as reflecting the impact of party pressure, it is also possible that other influential factors on the switching were reflected by the seniority variable.

The other statistically significant variable is the fellow representatives' influence variable. With CLARIFY, I find that one standard deviation change around the mean of this variable leads to an increase in the predicted probability of switching; the level of the increase, however, is

Table 7: Dependent Variable: Switchers on the Second Bailout Vote

| Independent Variable | Coefficient | Odds ratio |
|---|---|---|
| DW-Nominate | -.270 | .762 |
| | (.482) | (.368) |
| DW square | -.067 | 1.07 |
| | (1.16) | (1.25) |
| electoral margin | .025• | 1.03• |
| | (.015) | (.015) |
| leadership | -.297 | .743 |
| | (.416) | (.309) |
| financial/GDP | -.1.23 | .290 |
| | (.930) | (.269) |
| financial assets | -.001 | .999 |
| | (.001) | (.001) |
| finance PAC | -.016 | .983 |
| | (.023) | (.023) |
| construction PAC | .152 | 1.16 |
| | (.106) | (.124) |
| seniority | -.133* | .875* |
| | (.056) | (.049) |
| retirement | .094 | 1.09 |
| | (.814) | (.895) |
| challenger spending | .001 | 1.00 |
| | (.001) | (.001) |
| unemployment | -.067 | .935 |
| | (.164) | (.153) |
| fellow representatives | 2.98** | 19.7** |
| | (.638) | (12.6) |
| Senate vote | -.037 | .963 |
| | (.251) | (.242) |
| constant | -3.31 | |
| | (1.46) | |
| number of observations: 330 | | |
| LR chi square: 35.80 | | |
| Probability > chi square: 0.0000 | | |
| Pseudo R square: 0.1402 | | |
| Log likelihood: -109.79835 | | |

Note: Standard errors are in parentheses. ** = Significant at 0.01 level.
* = Significant at 0.05 level.
• = p-value < 0.1

fairly small. The finding is consistent with expectation: When there are more party fellows from the same state who supported the bailout the first time, it is more likely for the nay voters to switch to the yea voters.

Table 8: First differences: (Fellow Representatives' Influence)

| Value points | Change in predicted probabilities |
|---|---|
| Min ~ Mean | .040** |
| (0 ~ .173) | (.009) |
| Mean ~ One St. d above mean | .094** |
| (.173 ~ .419) | (.025) |

Note: Standard errors are in parentheses. * = Significant at 0.05 level.
** = Significant at 0.01 level.
• = p value < 0.1

## A Comparison of Different Voters

In addition to the two stage analysis, another way to study the vote switching is to consider the nay-nay voters, the switchers and the yea-yea voters as three different voting groups. By studying the voters together in the same analysis, I am in a position to analyze characteristics of different voters. For example, based on the study of the first bailout vote, moderate representatives were likely to be yea-yea voters, extreme representatives were likely to be nay-nay voters, while the in-betweens were likely to be the switchers. Additionally, since seniority turns out to be positively related to supporting the bailout plan, it is possible that junior House members were likely to be nay-nay voters, senior House members yea-yea voters, and the in-betweens nay-yea voters. To test these ideas, I present in Table 9 the multinomial model that compares the different characteristics of the nay-nay voters, coded 0; the nay-yea voters, coded 1, and the yea-yea voters, coded 2. The probit analysis reveals how the three types of voters differ from each other.

Table 9: Multinomial probit regression (base category 1 switchers)

| Independent Variable | Category 0 nay-nay voters | Category 2 yea-yea voters |
|---|---|---|
| DW-Nominate | .554 | -.319 |
| | (.349) | (.348) |
| DW square | .811 | -1.29 |
| | (.835) | (.853) |
| electoral margin | -.036** | -.025* |
| | (.012) | (.011) |
| leadership | -.127 | -.003 |
| | (.296) | (.295) |
| financial/GDP | .923 | .330 |
| | (.762) | (.726) |
| financial assets | -.0003 | .0002 |
| | (.0008) | (.0008) |
| finance PAC | -.013 | .021 |
| | (-.069) | (.014) |
| construction PAC | -.069 | -.135 |
| | (.0821) | (.084) |
| seniority | .070• | .106** |
| | (.243) | (.038) |
| retire | .733 | .733 |
| | (.680) | (680) |
| unemployment | -.108 | -.005 |
| | (.123) | (.121) |
| challenger spending | -.0007 | .0023• |
| | (.0012) | (.0013) |
| constant | 2.43* | 3.66* |
| | (1.11) | (1.40) |
| number of observations: 375 | | |
| LR chi square: 84.15 | | |
| Probability > chi square: 0.0000 | | |
| Pseudo R square: 0.1145 | | |
| Log likelihood: -325.46816 | | |

Note: Standard errors are in parentheses. * = Significant at 0.05 level.
** = Significant at 0.01 level.
• = p-value < 0.1.

From the comparison of the characteristics of the three groups, the most interesting observation is the features of the switchers: they tend to be safe and/or junior. Some of the variables are not it statistically significant, and it these does not mean that these variables did not

matter to the bailout votes. Rather, the multinomial probit analysis is intended to find out different characteristics of the three groups of voters. If a variable did not contribute to the differences of the groups, then it may not achieve statistical significance. However, these variables may matter in the actual bailout votes. One understanding of the significant variables is to consider the switchers as defectors from the party line in the first bailout vote, and then when pressured by the party leadership they switched to support the party line in the second bailout vote. Following this understanding, the results suggest that safe and/or junior representatives tend to defect, but also are more vulnerable under party pressure and eventually come back to vote along the party line. With the analysis of only one case, it is impractical to make a general conclusion about all congressional votes. Within the case of the bailout votes, however, it is safe to suggest that the multinomial analysis results support the previous party pressure hypotheses. If after the first bailout vote, the party leaders need to pick and choose among the nay voters to make some of them switch, it is a better strategy to pick someone who is less experienced and/or someone from a safer district.

The electoral margin variable is significant and negative for both comparisons. If comparing the nay-nay voters with the switchers, the electoral margin coefficient is negative. It means that the switchers tend to have a larger electoral margin than the nay-nay voters, and as discussed above, it is likely to be a result of party pressure. Safer members are more likely to be the switchers not necessarily because they are more loyal to the party leadership; they did not vote along the party line the first time. Safer members, however, are more vulnerable under party pressure, so when the party leadership pressured its rank-and-file members to switch for the second bailout vote, it is the safer members who are more likely to be pressured and switch their votes.

If comparing yea-yea voters with the switchers, electoral margin coefficient is also negative. It means that the switchers tend to have a larger electoral margin than the yea-yea voters. In other words, switchers are the safest group among all three groups of voters. One interpretation for why safer members were less likely to support the bailout the first time was that playing it safe is probably why some safe members are safe to begin with. Even though the safe representatives may be in a position to support an unpopular vote and absorb some electoral loss, they still did not want to support the bailout the first time because that they probably did not want to risk *any* electoral loss. But in the second vote, playing it safe did not work as well, because the party leadership did not exactly allow playing it safe and pressured the nay voters to switch.

Interpreting the seniority variable is less straightforward. In the previous switcher model, the results of the seniority variable suggest that junior House members were more likely to switch. In this multinomial analysis, the interpretation is different. The results are statistically significant under category 2, which means that the bailout switchers were more junior than the yea-yea voters. It is possible that the junior members tend to have a looser tie with the party leadership, thus when voting the first time, they voted along their constituency's preference and against the party leadership position on the bailout. When voting for the bailout the second time, however, they were pressured by party leadership and therefore switched their vote from nay to yea. To summarize the multinomial probit analysis results, the different characteristics of the three groups of voters support the party pressure hypothesis. However, without additional evidence from the second vote analysis, whether party pressure is the reason why some legislators switched their vote is still inclusive.

# CHAPTER 4

# MODELING THE ELECTORAL CONSEQUENCE

Does roll call behavior in the House affect representatives' electoral fortunes in the reelection? The answer is affirmative, especially when the bill is controversial and salient (Bovitz and Carson 2006). Although one may argue that one congressional vote is hardly influential to representatives' electoral fortune, if the vote is highly controversial, the challengers in the election are likely to pick on the incumbents' support to the unpopular vote and discourage the incumbents' supporters in retrospective voting. Additionally, for a salient issue, if media coverage is sufficient, even without strong challenger the voters may also be aware of their legislators' unpopular position and punish them in the elections. A salient and controversial bill such as the Emergency Economic Stabilization Act of 2008 is very likely to affect the representative's reelection prospects, and I expect a negative relation between one's support to the bailout plan and her electoral margin in the 2008 House elections.

From a different perspective, however, the bailout vote may not be as influential as it could be, because it occurred in a time that is very close to the 2008 House election. If an incumbent supports an unpopular bill earlier in the term, the challenger may be able to emphasize this vote repeatedly to the constituencies and maximize the negative impact of the unpopular vote. In extreme cases, quality challenger may decide to run because of the unpopular votes by the incumbents. By the time the bailout votes came out, however, both the incumbent and the challengers were fairly clear about the election picture. Even if the challenger wants to use the bailout vote to attach the incumbent, there was very limited time, thus limited influence, for

doing so. Additionally, not all votes affect representatives' electoral margin. The bailout plan is after all one vote. According to the findings of Bovitz and Carson (2006), around 16% to 19% of "key" congressional votes between the 93rd and 106th Congress are statistically significant in terms of influencing representatives' electoral margin. The percentage suggests that there are about 80% of salient congressional votes that do not have a significant result.

Following the Bovitz and Carson (2006) model, I test the electoral consequence of the House floor vote on the bailout plan with ordinary least square regression analysis. Among the independent variables, several control variables are included in addition to the voting record on the Emergency Economic Stabilization Act of 2008. The standard control variables are the incumbent's vote share percentage from the previous election, district partisanship measured as the number of voters supporting Bush in the 2004 presidential election at the congressional district level, incumbent spending and challenger spending measured at the unit of $10,000, and challenger quality dummy variable which coded "1" for a challenger with any previous public office experience. Specific to the bailout vote, I add two more control variables, seniority and unemployment rate. The descriptive statistics are presented in table 10.

Table 10: Descriptive Statistics for the Electoral Consequence Model

| Variable | Mean | Standard deviation | Min | Max |
|---|---|---|---|---|
| electoral margin 2006 | 66.1 | 12.1 | 32.69 | 100 |
| incumbent spending | 140.3 | 117.6 | 17.4 | 1286.7 |
| challenger spending | 48.2 | 104.3 | 0 | 720.5 |
| challenger quality | .131 | .337 | 0 | 1 |
| district partisanship | 50.1 | 14.33 | 9 | 78 |
| bailout yea-yea voters | .471 | .499 | 0 | 1 |
| bailout switchers | .133 | .340 | 0 | 1 |
| seniority | 5.90 | 4.33 | 1 | 27 |
| unemployment | 6.20 | 1.22 | 3.5 | 8.9 |

My hypothesis that the bailout vote does not necessarily affect the winning/losing prospects for the incumbents, but it does affect the incumbents' electoral margin. The rationale is, the representatives are rational political actors; it is highly unlikely for them to choose a side on a bill if they suspect that it would cost them the reelection. It is likely, however, for a

Table 11: Dependent Variable: Incumbents' electoral margin in the 2008 House election

| Independent Variable | Coefficient |
|---|---|
| electoral margin 2006 | .440** |
| | (.050) |
| Incumbent spending | -.013 |
| | (.007) |
| challenger spending | -.037** |
| | (.007) |
| challenger quality | -1.55 |
| | (1.53) |
| district partisanship | -.207** |
| | (.039) |
| bailout yea-yea voters | 1.66 |
| | (1.16) |
| bailout switchers | .685 |
| | (1.58) |
| seniority | .052 |
| | (.122) |
| unemployment | -1.83** |
| | (.422) |
| constant | 63.5 |
| | (5.50) |
| number of observations: 370 | |
| F( 8 , 381) : 44.1 | |
| Probability > F: 0.0000 | |
| R square: 0.5244 | |
| Adjusted R-squared : 0.5125 | |
| Root MSE : 9.617 | |

Note: Standard errors are in parentheses. ** = Significant at 0.01 level.
* = Significant at 0.05 level.
• = p-value < 0.1

representative to vote on the unpopular side of a bill in order to gain political capital, if she is convinced that she would still maintain a winning prospect in the reelection even while may need to sacrificing some votes.

Table 11 presents the OLS regression analysis, and only incumbents seeking reelection were taken into consideration. The dependent variable in the analysis is bounded between 0 and 100. The OLS regression method may potentially be problematic because OLS analysis assumes that the dependent variable is not bounded. To test the potential problem, after I ran the electoral consequence analysis with OLS regression, I also calculated the predicted values of the dependent variable based on the regression results. The predicted values of Y range from 34.01 to 92.12, which are within the meaningful range. The mean of the predicted values is 68.6 with a standard deviation of 10.06. Therefore, I believe that using OLS regression is a plausible method for the analysis of the electoral consequence of the bailout vote.

The results suggest that the R-square value for the statistical model is 0.51, which means that the model has a reasonably good fit. Among the independent variables, it is not surprising that electoral margin from the previous election is positively related to the electoral margin in the current election. The incumbent expenditure variable is negatively associated with the electoral margin, which at first glance seems odd. Jacobson (1980) explains that an incumbent would spend a lot of money because she has to, not because the money would win her the election. Large incumbent expenditure is usually a sign of a disadvantageous electoral environment, such as a strong challenger. Therefore, the association of large incumbent spending and smaller electoral margin shows that the incumbent is in a weak position to begin with, not that campaign spending would hurt the incumbent. The unemployment rate is negatively related to the electoral

margin, which confirms the general recognition that the constituencies tend to punish the incumbent for a bad economy and a high unemployment rate.

The bailout vote variables turn out to be insignificant. This finding suggests that for this specific bailout vote, it may not have a strong impact on the electoral outcome of the 2008 House elections. As discussed before, the lack of statistical significance may be a result of the timing of the bailout vote. Being too close to the next election may reduce the possible influence of the bailout vote. While supporting the bailout may have negative consequences for the incumbents, it needs to be picked out by challengers to matter. Without strong challengers to reveal and advertise the negative vote, the voters themselves are unlikely to pay attention to the incumbents' individual congressional votes. If the bailout votes took place earlier, before challengers made their decisions to run for Congress it could be an opportunity for quality challengers to emerge. However, the bailout votes occurred close to the 2008 house election, and even if a bailout supporter is facing a quality challenger, the challenger may not have a time frame long enough to make an impact out of the bailout vote.

# CHAPTER 5

# CONCLUSION

Several factors, including ideological extremism, seniority and interest groups, have substantial effects on the first bailout vote. In terms of ideology and the bailout vote, the traditional liberal-conservative division is an influential factor; liberal representatives are more likely to support the bailout than their conservative colleagues. In addition to the liberal-conservative scale, the bailout vote also revealed an ETAM pattern, where extreme liberals and conservatives voted together against the moderates. While the ETAM pattern may occur for different reasons, in the case of the bailout vote, the ETAM pattern seems to suggest sincere votes rather than strategic "killer" votes; extreme liberals and extreme conservatives voted against the bailout plan for different reasons, but they ended up choosing the same. Although the ETAM pattern in legislative votes is getting more attention from political scientists, this is still an understudied area. The bailout vote reveals the ETAM pattern, but the bailout vote as one case cannot be generalized as the norm of congressional votes; there is still a lack of systematic analysis of the ETAM votes. On what issues are ETAM pattern likely to occur? Are ETAM votes mostly sincere votes or strategic choices? In the future research of congressional votes, it would be meaningful to study the ETAM voting pattern systematically.

Seniority and PAC contribution are also related to legislators' decisions on the bailout vote. In the theoretical analysis, I hypothesized that senior House members may have closer ties with the party leadership due to their long-time service in Congress, and therefore are more likely to support their party's position in important votes. While seniority may not be an influential factor

in all congressional votes, in the case of the bailout plan, it turns out to be both statistically and substantially influential. The PAC variable measures interest group influence on congressional votes. Past research of PAC contributions on congressional votes has yielded mixed results. The PAC contribution from the financial industry seems to affect representatives' vote choice in the bailout vote. Even with the statistically significant correlation, however, one needs to be cautious in concluding that interest group money buys favorable votes. PAC contribution may seem to be influential to congressional votes, but the relationship could be endogenous. PAC contribution may be an indication of a "friendly" representative who was "friendly" to begin with. While I am inclined to infer that interest group influence on the outcome of the bailout vote, I am less inclined to conclude that the influence comes from interest group money can be directly translated into congressional votes.

In the two-stage analysis, the second stage of the analysis on the second bailout vote failed to yield significant results. What partly makes up for the two-stage analysis is the multinomial probit analysis. With the multinomial analysis, I put the representatives in three groups, the nay-nay group, the switcher group and the yea-yea group. By comparing the characteristics of the three groups, I find that the switchers tend to be more secure electorally and more junior. These results support the hypothesis about party influence on bailout votes. Electorally safer members are more vulnerable under party pressure, because when asked to support an unpopular bill, the safer members are in a position to absorb some of the potential electoral loss, a quality their marginal colleagues do not enjoy. Therefore, the safer members are likely to be affected more by party pressure, and the party leaders may also put more pressure on the safer members.

In previous literature, congressional scholars have developed different indirect measures to discern the influence of party pressure in congressional votes. To use electoral margin as a

measurement for the vulnerability level of party pressure is an innovation in this paper. While the results from the multinomial analysis suggest that the electoral margin measurement may be a plausible measurement of party pressure, it is based on the study of one congressional vote. Without analysis on a larger scale, I can not say that individual representatives' electoral margin is an indication of the level of party pressure they received. However, the electoral margin measurement has the potential to be used to measure the level of party influence. If considering marginality literature, the link between marginality and party pressure may also be part of the story that can potentially explain the mixed results of marginality and party loyalty votes. To conclude, I believe that in future research, it is promising to further study the relation between electoral margin and party pressure in congressional votes.

In the third part of the analysis, I looked at the electoral consequence of the bailout votes. This step completes the analysis of the bailout votes from its beginning to its aftermath. Although the statistical analysis does not yield significant results, it does not necessarily suggest a lack of electoral connection in congressional votes. Indeed, the bailout vote is one vote out of hundreds of congressional votes each year, and it occurred in a time that may have been too close to the House elections to be substantially influential. While congressional votes do have electoral consequences, it is also unsurprising to find that one specific vote may or may not turn out to be significantly related to the electoral margin in the House elections.

Generally speaking, the first bailout vote, the second bailout vote, and the events that occurred in-between the two votes were closely connected with one other. When the first bailout failed in Congress, the stock market reacted, the party leadership reacted, and the Senate reacted. The crash of the stock market indicated people's disappointment in the bailout failure, and the market's lack of confidence in the current economy. The party leadership, and very likely the

White House, immediately started to figure out ways to rescue the bailout plan. Their strategies included adding amendments to the original bailout proposal, publicly urging the Congress to pass it, etc. The Senate went through the actual procedure of rescuing the bailout. Senator John McCain in particular stopped his presidential campaign to in attempt to rescue the economy. The second vote, although can not be said as only an reaction, is certainly more or less related to the previous reactions, to the crash, to the amendments, to the "arm-twisting." After the two bailout votes, House incumbents faced reelections, and it is possible that people faction the bailout votes in the reelections. To study the factors influencing representatives' first bailout vote, the second bailout vote, and how the bailout votes affect the House elections, one can derive in-depth knowledge of an important congressional vote. Given the importance of the bailout votes, the research on bailout is not limited in its meaning of congressional study. The bailout vote is also part of a larger economic policy that intends to deal a world-scale recession. Moreover, the research on the bailout is not limited on one particular congressional vote. It also combines different theories of congressional votes together and tests those theories. With the study of the bailout vote, I believe the results have the potential to be generalized and applied to other congressional votes.

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