

## **Billionaires against Big Business: Growing Tensions in the Republican Party Coalition**

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*Abstract:* As the Republican Party has shifted further to the right, policy battles have broken out between business associations and conservative groups. We use data from Congressional scorecards issued between 2007 and 2014 to analyze areas of policy divergence and convergence between two major organized players in the GOP coalition: the U.S. Chamber of Commerce and the increasingly comprehensive and assertive political network orchestrated by libertarian multi-billionaires Charles and David Koch. We show that policy splits have widened and pinpoint the issue areas where free-market advocacy by the Koch network converges with or differs from the business-friendly menu of policies promoted by the U.S. Chamber. Our findings inform research on ideological polarization and associated shifts in party coalitions. They also illuminate the political reverberations of rising economic inequality, making it clear that the goals and strategies of very wealthy individuals may not be fully aligned with those pursued by business associations.

*Keywords:* Congress, public policy, interest groups, business, wealthy donors, inequality

In early December 2015, *Politico* – the news website of choice for Beltway insiders – published an account of an intense battle inside the GOP-led 114th Congress about the future of the U.S. Export-Import Bank. For decades, bipartisan coalitions of legislators had regularly renewed the charter for this obscure agency launched in the 1930s to help U.S. businesses finance international sales of their products. But this time around, explained reporters Kenneth Vogel and Burgess Everett (2015), conservative calls to discontinue the bank had helped undermine former Republican House Speaker John Boehner. In addition, bank opponents forced delays in Congressional votes on a major trade bill and sparked clashes between hardline Texas Senator Ted Cruz and GOP Senate Majority Leader Mitch McConnell. All of this, despite the fact that major representatives of the business community, perhaps most prominently the U.S. Chamber of Commerce, pushed hard for renewal of the bank, lobbying GOP legislators and running radio ads in some of their districts.

Why did this fight break out? Certainly not because most Americans were demanding an end to the Export-Import Bank; indeed, most voters probably do not even know this agency exists or have any idea how their legislative representatives stand on its continuation. Rather, as Vogel and Everett explain, the issue was pushed to the fore by a rising power-player, the political network created and directed by the multibillionaire Koch brothers, which seeks to reorient much of the GOP's governing agenda around its vision of "free" markets stripped of government regulation and subsidies. Indeed, this episode opens a window onto the steady rightward march of the Republican Party and new tensions among GOP-aligned groups that are flaring up along the way.

Political scientists have produced convincing evidence that recent partisan polarization in the United States has been decidedly asymmetric (Hacker and Pierson 2006; Mann and Ornstein

2012, chapter 2). Whether gauged by roll call votes in the U.S. Congress, by campaign contributions, or by qualitative evidence about changes in policy agendas, elected Republicans have moved much further to the right than most elected Democrats have moved left – especially on economic issues. This asymmetric rightward tilt started in the 1980s and, remarkably, has continued apace in the 2000s (McCarty et al. 2006). For some time, the GOP’s rightward migration meshed smoothly with the parallel movement of the U.S. Chamber of Commerce, as it became a massive lobbying and election-funding organization closely aligned with GOP party leaders (Hacker and Pierson 2016: 213-27; Katz 2015). Just a few years ago, the U.S. Chamber was virtually uncontested at setting the party agenda on the government’s role in the economy. But recently, the rapidly growing Koch political network has gained comparable clout to make agenda-setting demands of its own.

A recently elaborated theoretical framework that treats U.S. political parties as coalitions of organized groups making distinctive policy demands is especially fruitful for posing questions and hypotheses about these current shifts in the Republican Party orbit between the organized business community, represented by the U.S. Chamber, and the newly ascendant Koch network. This framework was first laid out in an influential article in *Perspectives on Politics* by Kathleen Bawn, Martin Cohen, David Karol, Seth Masket, Hans Noel, and John Zaller (2012) and has been further developed in a variety of other books and articles (including Hacker and Pierson 2010; Karol 2010; Masket 2009). Challenging the standard view that U.S. political parties are best understood as teams of office-seeking politicians driven by fulfilling promises to voters, this perspective instead posits that “parties in the United States are... coalitions of interest groups and activists seeking to capture and use government for their particular goals, which range from material self-interest to high-minded idealism” (Bawn et.al. 2012, 571). In this view, legislators

cater to organized coalition members, because most citizens cannot follow governmental processes as closely as organized groups, which are also uniquely situated to provide the “money, door knockers, pollsters, ad makers, and much else” that politicians need to win elections, especially primary elections (Bawn et. al. 2012, 585).

The substantive content of party agendas becomes very important in this framework, because as Bawn and her colleagues argue, a party’s officeholders will go as far as they can to implement them to retain support from organized policy demanders. A party’s agenda – the menu of policy goals it has committed to pursue – is bargained among important organized players with the help of party leaders who act as “managers” to hammer out compromises and look for practical ways to make legislative progress (Bawn et.al. 2012: 581). The party’s core agenda is not likely to change much – unless and until new policy-demanding groups “outside of government form new party coalitions and force change in established ones” (Bawn et.al. 2012: 589). New entrants could, of course, push agendas largely aligned with those of preexisting core coalition members – in which case the newcomers add clout to the pursuit of already articulated policy goals. Alternatively, the advent of a new “policy demanding group” has the potential to challenge and change the menu of policies a party’s elected officeholders have strong incentives to pursue. When this happens, tensions may spark between established coalition insiders and ascendant players, creating tricky managerial challenges for party leaders.

In this article we use this framework to explore tensions over economic policy in today’s Republican Party. How and when did the Koch network emerge as a major new player at the right edge of the GOP? In what ways are the policy goals of this new entrant congruent or in tension with those of previously established core GOP players – particularly the U.S. Chamber of Commerce?

Many journalists and political watchdog groups plus the small number of scholars who have begun to study the Koch network present it either as a straightforward industrial lobbying operation for Koch Industries or as a more broadly orchestrated effort to amplify longstanding business advocacy against taxes and regulation (variants of this portrayal are to be found in Carrk 2011; Greenpeace 2011; Krehely et al. 2004 and Hacker and Pierson 2016, 227-37). In this scenario, conflicts between the Koch network and business associations should be infrequent and limited in scope – confined to relatively trivial battles on policy details. However, some observers regard the Koch network as a more ambitious movement fueled by libertarian ideas and funded by hundreds of very wealthy individuals who aim to fundamentally transform the role of government in America – an ideological, rather than corporate, operation. According to this interpretation (stressed by Schulman 2014), we might expect to see Koch political organizations advance a radical agenda that could well clash with many of the goals and expectations of already-ensconced players in the GOP coalition – including the U.S. Chamber of Commerce – that favor government supports for markets and business subsidies.

To sort out these possibilities and empirically specify pushes and pulls on the GOP in a time of continuing asymmetric polarization and the rise of the Koch network, we first survey how the U.S. Chamber of Commerce, and subsequently the Koch network, became central coalition players in the Republican Party, assessing the characteristics of these groups that the parties-as-coalitions perspective stresses as relevant. Next, we analyze newly compiled data from publicly issued Congressional scorecards to pinpoint evolving policy convergences and divergences between the U.S. Chamber of Commerce and a centerpiece Koch political organization called Americans for Prosperity (AFP). Growing since 2004, AFP is by now a nation-spanning federation that includes state-level as well as regional and national paid staffs

with capacities to monitor government and mobilize money, grassroots activists, and publicity on behalf of politicians who pursue the Koch agenda. The U.S. Chamber has long issued annual scorecards that identify key House and Senate votes of interest and assign scores to legislators according to whether their votes line up with the Chamber's preferred stand on each vote about a bill, amendment, or key procedural step in Congress. In 2007, Americans for Prosperity launched its own regular scorecard that performs the same functions. Legislators and organized constituencies alike tend to play close attention to such scorecards and ratings based on them.

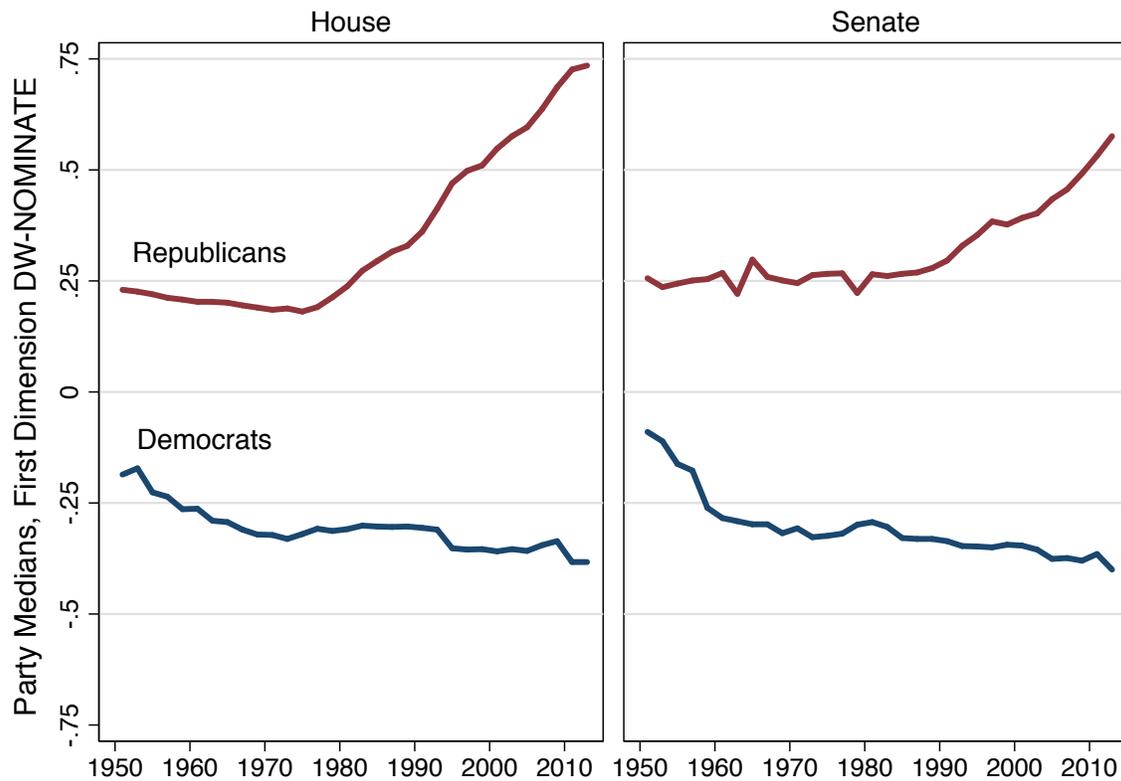
Our analysis contributes to several areas of research. We document the consequences of right-skewed asymmetric polarization for U.S. party coalition management and suggest how shifts in the GOP coalition are influencing policy agendas and battles. More broadly, as we will further elaborate in the conclusion, this study speaks to the growing literature tracing the political reverberations of rising economic inequality, including the impact that growing corporate and individual wealth has on American politics and policy (Bartels 2008; Gilens 2012; Gilens and Page 2014; Hacker and Pierson 2010, 2016; Voorheis et al. 2015). Our results suggest that empirical researchers should separately assess the political goals and influence of business groups versus those of wealthy individuals and families. As we show, there is a range of issues on which preferences of millionaires and billionaires diverge from business groups. All big money, in short, is not created equal.

### **ASYMMETRIC POLARIZATION AND GOP COALITION PLAYERS**

Since the 1970s, the two major U.S. political parties have moved away from each other, but the Republicans have become far more conservative than the Democrats have become liberal. Figure 1 displays the evidence, using the now-standard plot of Congressional polarization based on members' roll call votes using the first dimension of DW-NOMINATE scores that is

commonly interpreted as the major left-right division between the two parties, based largely on economic issues. For our purposes it is also important to underline that asymmetric, rightward-tilting polarization has greatly accelerated in the 2000s – and has taken full hold in the Senate as well as the House.

**Figure 1: Asymmetric Polarization in Congress**



*Notes:* Authors' analysis of DW-NOMINATE data from VoteView.com.

The same picture comes into focus when we consider the rapidly right-shifting substance of GOP policy agendas. Ideas Republicans debated just a few years before – ranging from the use of mixes of tax adjustments and spending cuts to balance public budgets, to cap and trade as a market-based approach for dealing with climate change, to the possibility of mandating that individuals purchase health insurance – have quickly moved not only off GOP agendas but into the realm of demonized notions (Mann and Ornstein 2012).

Noting the GOP's continued, asymmetric rightward shift, we look closely at shifting group demands in the party coalition – with a special focus on the most resourceful organized players involved in economic policymaking. No two such players have been more important in pushing conservative economic agendas and amassing resources to persuade and help Republicans implement those agendas than the U.S. Chamber of Commerce in the era of Thomas Donahue's presidency from 1997 to the present and the Koch network as it has evolved into a full-scale, multi-purpose political operation since 2003. These two policy demanders have gained influence not primarily by building majority voter or public support, but rather, as the coalitional approach (Bawn et.al. 2012) would lead us to expect, by inserting people into GOP activities and amassing resources that Republican candidates and officeholders want deployed on their behalf.

### **The U.S. Chamber of Commerce Marries the 21<sup>st</sup>-Century GOP**

Founded in 1912 at the urging of President Howard Taft, the United States Chamber of Commerce was intended “to unify and to represent employers’ collective political interests...to facilitate economic coordination, to build export capacity, to create infrastructure for the industrial economy, to offer political support for the expansion of the administrative state, and to aid in Taft’s electoral ambitions” (Martin 2006, 177). Perhaps ironically given the Chamber’s current political orientation, the group had initially hoped to promote accommodation between labor and government, inspired by western European economies, especially Germany’s (Martin 2006). Yet in the face of fierce competition from the older and more ideological National Association of Manufacturers, the Chamber soon gave up on its vision of corporatist-style governance in the United States (Martin 2000, 2006). Over subsequent decades, the Chamber flirted with more centrist stances, including during the New Deal, at moments in the 1970s and 1980s, and during the early Bill Clinton presidency (Hacker and Pierson 2016: ch.7; Mizruchi

2013; Waterhouse 2013). But in recent times the U.S. Chamber has moved into lockstep with an increasingly conservative Republican Party (Katz 2015).

The final steps happened after the installation of Thomas Donohue as president in 1997, when the Chamber instituted much higher business dues, expanded its staff, and (with Donohue taking the lead) went to work channeling huge corporate donations into lobbying, electioneering, lawsuits, and attempts to influence judicial selections and elections. As one analyst puts it, “Donohue has transformed the group from a staid business association to Washington's most ruthless political mercenary. The Chamber allows its biggest donors to set its positions on key issues ... and it will set up a campaign promoting a company's pet cause if it donates at least \$1 million annually” (Harkinson 2010). Companies and sectors may or may not support one another's pet causes, but Donohue's Chamber practices what has been dubbed “policy feudalism,” where each major contributor gets to deploy the Chamber's full capabilities, using them as a kind of shared political utility (Hacker and Pierson 2016).

This formula has been very appealing to most of corporate America. Channeling anonymous funding for lobbying and elections through the Chamber have been energy companies seeking to stymie climate change legislation and health insurers hoping to defeat health reform, along with many kinds of companies looking to weaken unions and labor regulations, relax various regulations, and ensure government help in creating or preserving profit opportunities (Katz 2015). Only a few clouds have appeared. As a result of the Chamber's aggressive push against climate change measures, some major firms have withdrawn (Shahan 2011). Notwithstanding these defections, the Chamber's aggressive deployment of pass-through arrangements has turned it into one of the most powerful groups in Washington, DC – and it proclaims itself to be the largest business association in the world (Harkinson 2009).

As the Donohue revamp proceeded, the Chamber became a central coalition player in an increasingly conservative Republican Party. Both sides gained. The Chamber has huge resources to deploy on behalf of supportive politicians; and the GOP can deliver policy victories for Chamber members and donors through Congress, the judiciary, and also when a Republican president controls the federal executive. According to the Center for Responsive Politics, the Chamber's spending on lobbying grew from about \$20 million in 1998 to over \$124 million in 2012.<sup>1</sup> For each year since 2001, the U.S. Chamber has been the top spender among all Congressional lobbyists, mostly to support Republican legislative priorities. Although the Chamber's lobbying payments far outpace election spending, more than four-fifths of the organization's federal contributions since 2000 have flowed to Republicans, according to the Center for Responsive Politics.

Political operations also became intertwined between the GOP and the Chamber. Rob Engstrom, who serves as vice president and national political director for the Chamber, was "previously the political director of the Republican National Committee" (Hacker and Pierson 2016: 219-20). In preparation for the 2010 midterm elections, Chamber leaders worked closely with Bush-era GOP leaders to help Karl Rove launch his super-PAC, American Crossroads; and then the Chamber coordinated election spending and messaging with Crossroads (Hacker and Pierson 2016: 220). Sweeping conservative victories that November installed many Chamber-backed GOPers in Congress, state legislatures, and governorships, where they could deliver the policy outcomes desired and expected by the organization's corporate contributors.

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<sup>1</sup> See: <https://www.opensecrets.org/orgs/summary.php?id=D000019798>.

## **The Rise of the Koch Network**

If the U.S. Chamber of Commerce grew after 1997 into what Hacker and Pierson (2016: 222) call “a political machine operating on a scale unprecedented in American history,” it would not hold that distinction uncontested for long. During the Republican presidency of George W. Bush, two multibillionaire brothers, Charles and David – known as the “Koch brothers” (leaving aside two of their siblings not much involved in politics) – set out to construct an integrated set of political organizations that would parallel the Republican Party on its right and work nationally and across most U.S. states to refocus the GOP economic agenda.

Charles and David Koch are two of the wealthiest individuals in the United States, tied for fifth place on the Forbes 400 list of the richest Americans and with a combined fortune now exceeding that of Bill Gates (Forbes 2016). The brothers’ wealth was seeded by inheritances from their industrialist father, Fred, and expanded in tandem with the enormous growth of the family business, Koch Industries, under Charles Koch’s management. Beyond building their privately held conglomerate, the brothers have long worked to further radical political change in America, inspired by their libertarian faith that government’s role in society should be minimal (Ryssdal 2015; Schulman 2014). In policy terms, the Kochs aim to drastically reduce government spending and regulation – by privatizing major social programs like Social Security and Medicare, eliminating ObamaCare and shrinking Medicaid and other programs for the poor, chopping subsidies for private businesses, and curbing or eliminating governmentally enforced labor protections and rules dealing with health and safety, the environment, and financial practices.

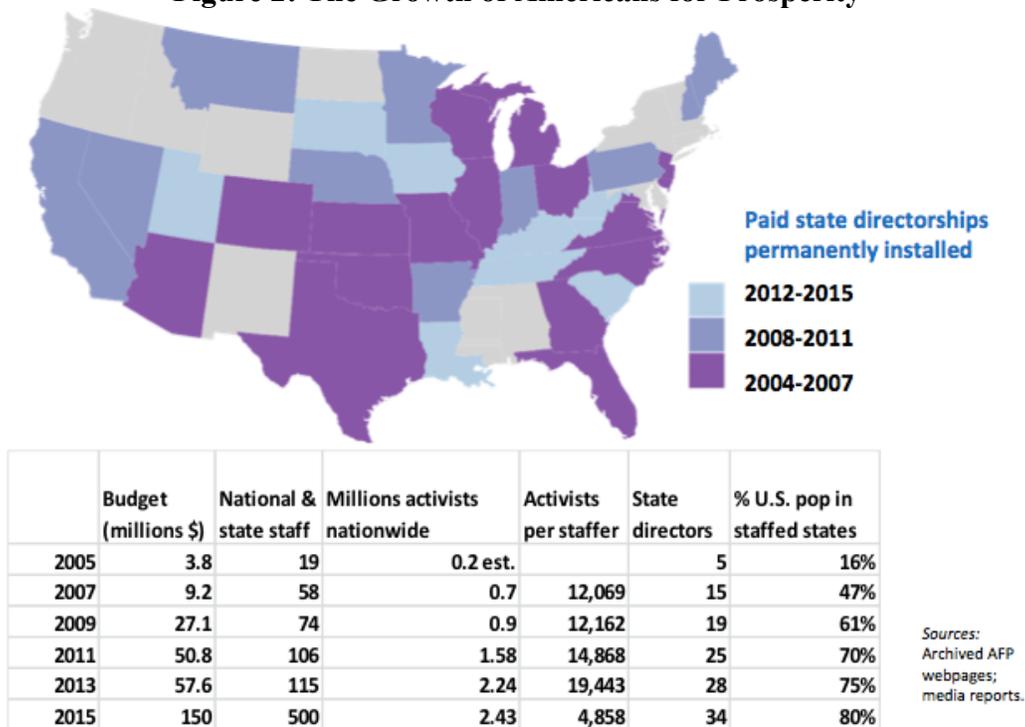
To promote such sweeping changes, Charles and David, along with a few trusted advisors and associates, have built interrelated sets of what we call “core Koch organizations” in three

waves (Mayer 2016, chapters 4-6; Schulman 2016, chapter 6). Starting in the 1970s, the Kochs launched the Cato Institute, the Charles G. Koch Foundation, and the Mercatus Center at George Mason University – all of which have continuously championed libertarian ideas and policies. During the 1980s and 1990s, the Kochs added conventional types of lobbying and advocacy organizations to their mix, including Citizens for a Sound Economy and the 60 Plus Association, both of which worked to defeat legislative initiatives pushed by Republican President George H. W. Bush and then Democratic President Bill Clinton. The third burst of organization building started during the presidency of George W. Bush, as Charles and David grew disillusioned by the continued growth of government under GOP auspices. As Charles has explained, “in 2003, because of what the Bush administration was doing, we said, ‘Gosh, we’ve got to get involved in politics’” (Ryssdal 2015). Accordingly, the brothers launched an interrelated set of lavishly funded organizations able to conduct a full array of political party-like activities.

In this latest mix, the key organization has been Americans for Prosperity, a nationwide federation founded in 2004 and put under the capable leadership of experienced conservative grassroots organizer Tim Phillips a year later. This fledgling group started with a budget of only about \$2 million and paid staff in just three states. But, as Figure 2 shows, just three years later, even before Barack Obama was nominated for president, AFP claimed revenues of more than \$9 million and had 58 national and state staffers, including what turned out to be permanently installed paid directorships in 15 states in all regions that included almost half the U.S. population (and their representatives in the U.S. House and Senate). From there, AFP has continued to grow remarkably, by 2015 boasting a budget of \$150 million, a paid staff of some 500 national, regional, and state operatives, organizations in 34 states, and contact lists containing 2.4 million grassroots activists residing in all fifty states. AFP is especially effective

because it combines central direction – policy agendas and larger strategy are set from AFP’s national headquarters in Arlington, Virginia – with a federated structure in touch with ordinary conservative grassroots activists who can be mobilized to reinforce the efforts of paid state staffers embedded in state political landscapes (Skocpol et al. 2000).

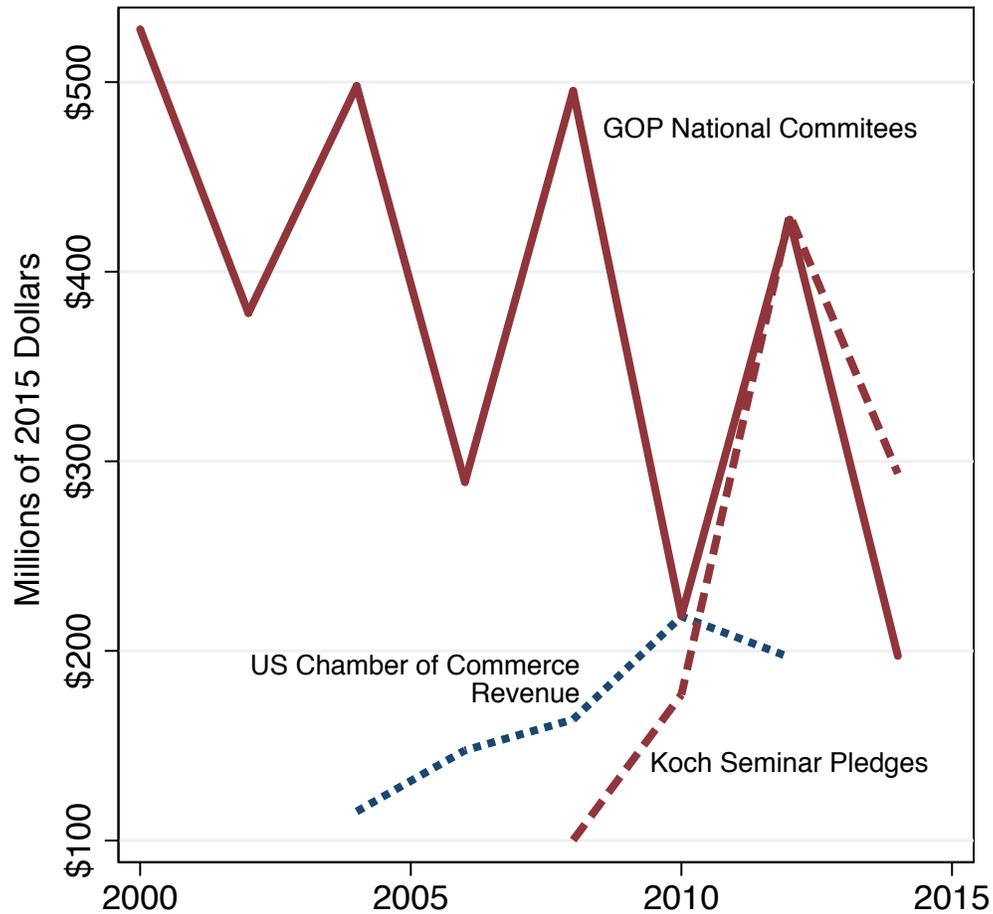
**Figure 2: The Growth of Americans for Prosperity**



AFP directs this political clout in both policy and election campaigns, seamlessly moving from electing very conservative lawmakers to aggressively lobbying them to enact preferred legislation and regulations. Since 2011, the Koch network has also added finishing touches to the AFP-centered political machine by establishing specialized organizations that engage particular sets of voters and citizens. In addition, the network has very recently added organizational capacities to collect and analyze voter data for conservative electoral and policy campaigns – functions previously performed by the Republican Party itself (Vogel 2015).

The cost of this comprehensive Koch network is enormous and growing, but the brothers do not simply sign personal checks. Since 2003, they have convened twice-yearly “Koch seminars” at which invited wealthy conservatives listen to presentations featuring free-market ideas and conservative strategies and then make donations to various organizations, especially those in the Koch core. Seminar attendance started in the mere dozens, but grew substantially from 2007, reaching two to three hundred around 2010 and by now reportedly topping 500 (Mayer 2016; Schulman 2014; Vogel 2015). In recent years, participating donors pay annual dues and pledge to contribute at least \$100,000 to support conservative political efforts. Most guests give a lot more than that minimum, because Koch seminar fundraising targets have skyrocketed from the tens of million to just under \$300 million in 2014, and between \$700 and \$900 million for the 2016 electoral cycle. The bulk of these donations flow to core Koch groups, like Americans for Prosperity. In 2014, the latest full year documented in Internal Revenue Service tax filings, two-thirds of more than \$87 million distributed by the Koch’s main fundraising group went to just four core organizations, including AFP.

**Figure 3: Resources of the Koch Political Network, GOP National Committees, and the U.S. Chamber of Commerce, 2000-2014**



*Note:* GOP National Committee includes total revenue of Republican National Committee, National Republican Congressional Campaign Committee, and National Republican Senatorial Committee, data from the Center for Responsive Politics (solid red line); U.S. Chamber of Commerce revenue data from annual IRS filings (dashed blue line); Koch seminar pledges compiled by authors from documents and media reports.

As Figure 3 shows, pledges channeled through the Koch political network now surpass funding for the U.S. Chamber of Commerce and are on par with the budgets of national GOP committees. For the 2015-16 election cycle, moreover, Koch network backers have pledged to spend up to \$889 million on policy messages and political activities, more than double what the GOP national committees spent in the previous electoral cycle. In staffing, too, the network may surpass the GOP by a three-and-a-half to one margin (according to Vogel 2015). Given such

vastness, some say the Koch network is tantamount to a third U.S. political party (Confessore 2015; Vogel 2015). But the network is not in any way a separate political party, because it has become thoroughly intertwined with the Republican Party and functions to pull GOP candidates and officeholders into alignment with Koch policy preferences.

On the personnel side, a number of top Koch leaders previously held elite Republican postings; and our research shows that AFP state directors very frequently held previous posts as staffers in Republican election campaigns or legislative or executive offices. After their stints as AFP directors, these individuals often go on to hold even higher-up GOP staff posts. Clearly, the Koch network has managed to create career opportunities very attractive to Republican operatives, who in turn provide the network with valuable connections and political intelligence, including ready access to governing offices in the states and the U.S. Congress.

Well beyond career posts, the Koch network, like the U.S. Chamber, controls politically valuable resources. Millions of dollars for election advertisements and field staff operations; activist contact lists; capacities to get messages to the media and other conservative organizations – all of these make Koch organizations and the ever-expanding Koch voter data repository very attractive resources for Republicans. GOP Senate and presidential contenders also covet invitations to speak and network at the twice-yearly Koch donor seminars and at the annual “Defending the Dream” conventions that Americans for Prosperity stages for thousands of grass roots activists from all over the country.

Indeed, the ideologically inspired, “policy-demanding” Koch network is very much the sort of new coalition entrant that Bawn et al. (2012) identify as especially likely to force a change in a political party’s governing agenda. The Koch network seeks to use, not displace, the GOP, because it depends on the Republican Party’s institutional shell, officeholders, and label to

penetrate all levels of U.S. government. Once Republicans are in office, though, they are not left alone – because AFP and other Koch organizations actively monitor legislative and regulatory agendas and work to ensure that Republicans who want Koch resources and support deliver legislative votes and policy efforts that fit the ultra-free-market program.

This brings us to a crucial question: How does the Koch economic agenda compare to the pro-business agenda that the U.S. Chamber has, for some time, very successfully pressed on the GOP? At a general level, both agendas call for lowering existing taxes and blocking tax increases; removing or relaxing government regulations that interfere with managerial and profit-making prerogatives of businesses; disabling unions whenever possible; and reducing many kinds of government spending. But the Koch vision of “free markets” goes further, calling for pushing government out of almost every economically relevant sphere – even when already existing government subsidies, rules, agencies, or expenditures are “business friendly” in the sense that they provide general infrastructure or work to the advantage of particular industries or firms. In the Koch worldview, the GOP does not get a pass to push any and all “business friendly” measures. As Charles Koch lamented in a 1978 essay for *The Libertarian*, a publication of the right-leaning Hoover Institution, the “Republican Party is the party of business in the *worse* [sic] sense – in the sense of business accommodation and partnership with government” (quoted in Schulman 2014, 107).

Once we understand that, in principle, a “business friendly” conservative economic agenda might not be the same as the “free market” variant, it is not hard to see why legislation pushed by the U.S. Chamber of Commerce could come into conflict with Koch libertarian purism. Beyond principles, organizational realities also make divergences possible. After all, the Donohue-era Chamber serves as a lobbying utility for diverse industries and firms willing to

contribute generously to further specific policies. By contrast, Koch network leaders collect big donations from hundreds of conservative-minded individuals and families and can then deploy those resources as they see fit. Ideology and centralized strategy can play a bigger role in Koch network decisions. Given these reinforcing differences in principles and organization, it is not hard to see how the Chamber and the Koch network could end up paying for lobbyists and policy campaigns fighting on opposite sides of certain issues, as they did during Congressional deliberations over extending the Export-Import Bank.

But is the Export-Import case merely an oddity? As the ascending Koch network gains leverage on GOP policy agendas, how often does it agree or disagree with the already ensconced U.S. Chamber? Are policy conflicts frequent or rare – and do tensions vary by types of issues? If policy conflicts do occur more than very rarely, are such conflicts happening more often as the GOP moves further to the right? These are the questions to which we now turn.

### **WHAT CONGRESSIONAL SCORECARDS REVEAL**

To gauge policy agreements and disagreements between major GOP players, we use data from the Chamber's annual Congressional scorecard and from the counterpart produced by Americans for Prosperity. Scorecards are a longtime tool used by advocacy groups in U.S. politics to rank members of Congress based on their votes on measures of special concern (Schlozman and Tierney 1986, 210-13). To create scorecards, organizations must specify which of the many Congressional votes on bills, amendments, and procedural issues they consider important. Obviously, this is a strategic calculation, and the scored votes reflect not only the issues each group wants to highlight but also, at times, calculations about which legislators the group wants to praise or condemn or attempts to manipulate results to make the group look successful at getting its way with Congress. Such vagaries caused political scientists to stop

using scorecards to measure lawmakers' positions as if on an objective ideological scale (as the DW-NOMINATE scores now do). Nevertheless, scorecards remain excellent indicators of the publicly proclaimed policy concerns of their organizational sponsors; and the ratings derived from them are good indicators of the voting patterns and lawmakers the scorecard sponsors want to recommend (or condemn) to voters, donors, and other politicians.

Specifically, we use the scorecards to assess the degree to which the Chamber and AFP, the main political advocacy arm of the Koch network, take similar or different positions on various types of policy issues – and to see whether, over time, they support the same or different GOP lawmakers. To carry out this analysis, we gathered and digitized all of the scorecards produced by the Chamber and AFP since 2007, the first year that the latter organization began tracking Congressional activity in this way. Table 1 presents a first look at these data, showing the number of votes that each organization has scored by issue area. Both organizations scored a roughly similar number of Congressional measures over this period. However, while the Chamber spread its scored votes across all of the possible policy domains indicated in Table 1, AFP's scored votes tended to be concentrated in four areas that correspond closely to core Koch concerns – budgets, taxes, energy and the environment, and entitlement spending. What is more, only a very small fraction of the votes scored by the two organizations (23 out of 352) referred to exactly the same bills, amendments, or procedural votes. Our descriptive statistics thus suggest that the U.S. Chamber and AFP have focused on different priorities.

**Table 1: Votes Scored by the U.S. Chamber and AFP, 2007-2014**

<b>Issue</b>	<b>U.S. Chamber Scored Votes</b>	<b>AFP Scored Votes</b>
Budgets and Spending	18	57
Business Support and Regulation	27	0
Elections	5	0
Energy and Environment	29	26
Finance	21	9
Health Care and Entitlements	13	27
Immigration, Trade, and International Relations	20	0
Infrastructure	21	4
Labor, Education, and Pensions	19	8
Taxes	16	30
Property Rights	2	0
<i>Total Scored Votes</i>	<i>191</i>	<i>161</i>

### **Growing Divergences between the Chamber and AFP**

A more systematic way to examine the relationship between the U.S. Chamber and AFP – and to see if that relationship is changing over time – is to look, year by year, at the correlation between their respective overall ratings for lawmakers in the House and the Senate. Overall ratings for each group represent the proportion of total scored votes in which a lawmaker sided with either the U.S. Chamber or AFP. Thus, in the 2013-2014 session, Senator Tim Scott’s (R-SC) 100% AFP score indicates that he sided with AFP in every one of the group’s scored votes in that period. If such overall Chamber and AFP ratings of GOP legislators turn out to be positively related to one another, it shows that, regardless of specific bills, these organizations tend to take similar policy stands and approve of similar lawmakers’ patterns of voting. Conversely, negative relationships between Chamber and AFP ratings point to policy tensions – and provide a glimpse into the specific areas where AFP and the U.S. Chamber tend to take clashing stands on certain policies. A third possibility also exists: ratings from the Chamber and AFP may not be correlated at all, which would suggest that these GOP coalition heavyweights

are, in essence, talking past one another, pursuing different policy issues and supporting distinct sets of lawmakers. But in this third situation, the issue stands and legislators should not be seen as opposed to one another.

**Figure 4: AFP and U.S. Chamber Ratings for Congressional Republicans, 2007-2014**

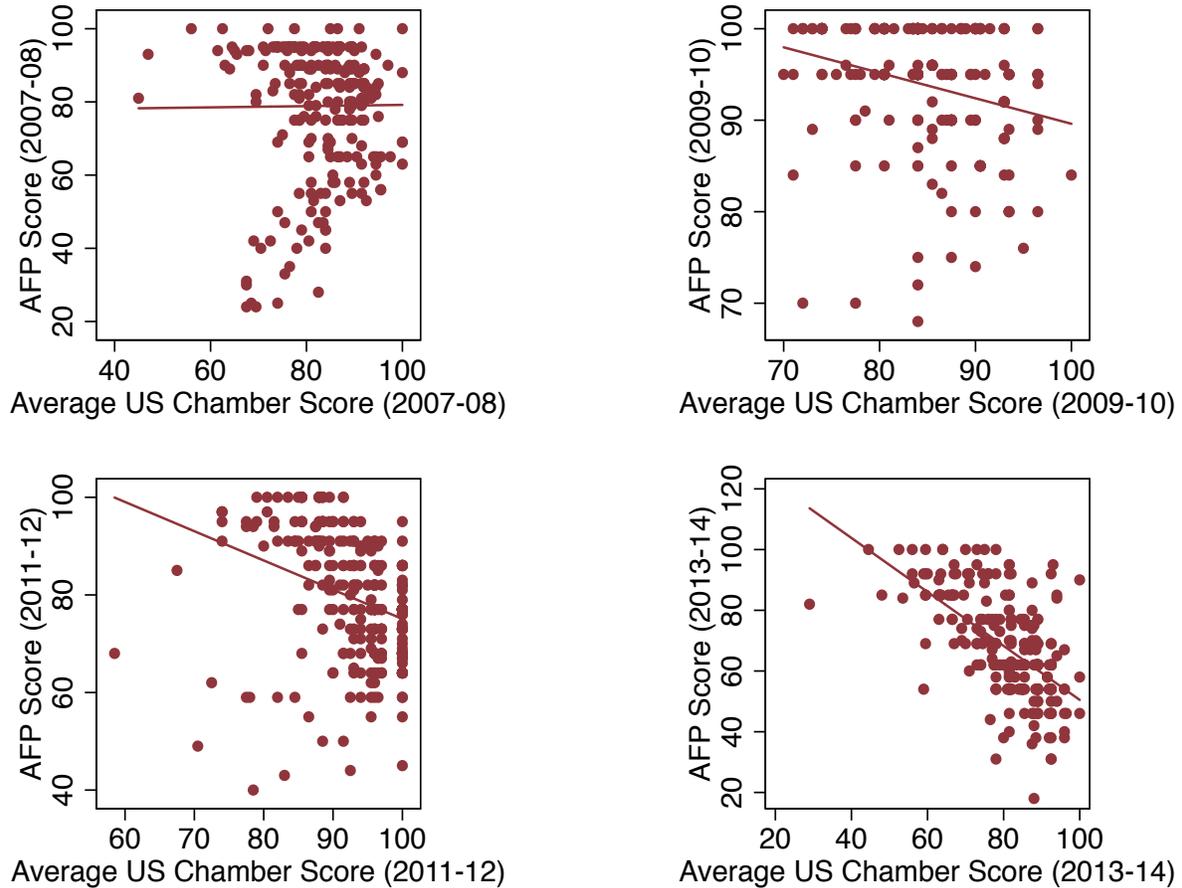


Figure 4 plots the relationship between Chamber and AFP ratings for GOP lawmakers in each of the two-year Congresses that convened between 2007 and 2014. For each two-year period, we have included a regression line indicating the strength of the linear relationship between the two organizations' ratings. Immediately apparent is the striking change in the relationship between these organizations' ratings over time. At the time of the 110<sup>th</sup> Congress in 2007-08, there was no relationship between the ratings given to lawmakers by AFP and the U.S. Chamber (correlation coefficient 0.008; significant at  $p=0.90$ ). Moving to the subsequent

Congress that sat in 2009-10, we see a slight negative relationship between the two organizations' ratings – that is, Republicans who got higher Chamber scores were slightly more likely to receive lower scores from AFP (correlation coefficient: -0.26; significant at  $p < 0.01$ ). The negative correlations between the ratings become much more pronounced over the next two Congresses, and the correlation coefficient in the 2011-2012 Congress was -0.33 ( $p < 0.01$ ) and by 2013-2014 was -0.60 ( $p < 0.01$ ).<sup>2</sup>

Some may wonder where the Koch network and the U.S. Chamber fall relative to older right-wing political advocacy groups, like the Club for Growth or Americans for Tax Reform, which have been promoting similar anti-government stances to the Koch network for some time (see e.g. Hacker and Pierson 2006). We assessed correlations between AFP ratings and the congressional ratings issued by the Club and by Americans for Tax Reform and found extremely high agreement among the three groups.<sup>3</sup> AFP is clearly pushing forward the agenda originally championed by these older groups, yet AFP operates on a wider scope and deploys resources that far surpass the older efforts. In 2013, Americans for Tax Reform and the Club both reported revenues of about \$4 million to the IRS, minuscule amounts compared to AFP's reported revenue of \$58 million for that year – and especially compared to overall Koch network pledges of \$293 million going into the 2014 elections. AFP and the broader Koch political network have now become the main free-market policy advocates within the GOP coalition.

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<sup>2</sup> We observed no comparable trend among Democrats. The correlation coefficients for each of the four Congresses are: 0.16 ( $p < 0.01$ ), 0.86 ( $p < 0.01$ ), 0.63 ( $p < 0.01$ ), and -0.10 ( $p = 0.11$ ).

<sup>3</sup> The correlation coefficient in 2013-14 between the Club and AFP, for instance, was 0.83,  $p < 0.01$ . The last year for which Americans for Tax Reform issued a scorecard was 2008, and in that year its correlation with AFP ratings for Republican members was 0.79,  $p < 0.01$ .

## **Agreement and Divergence in Specific Policy Areas**

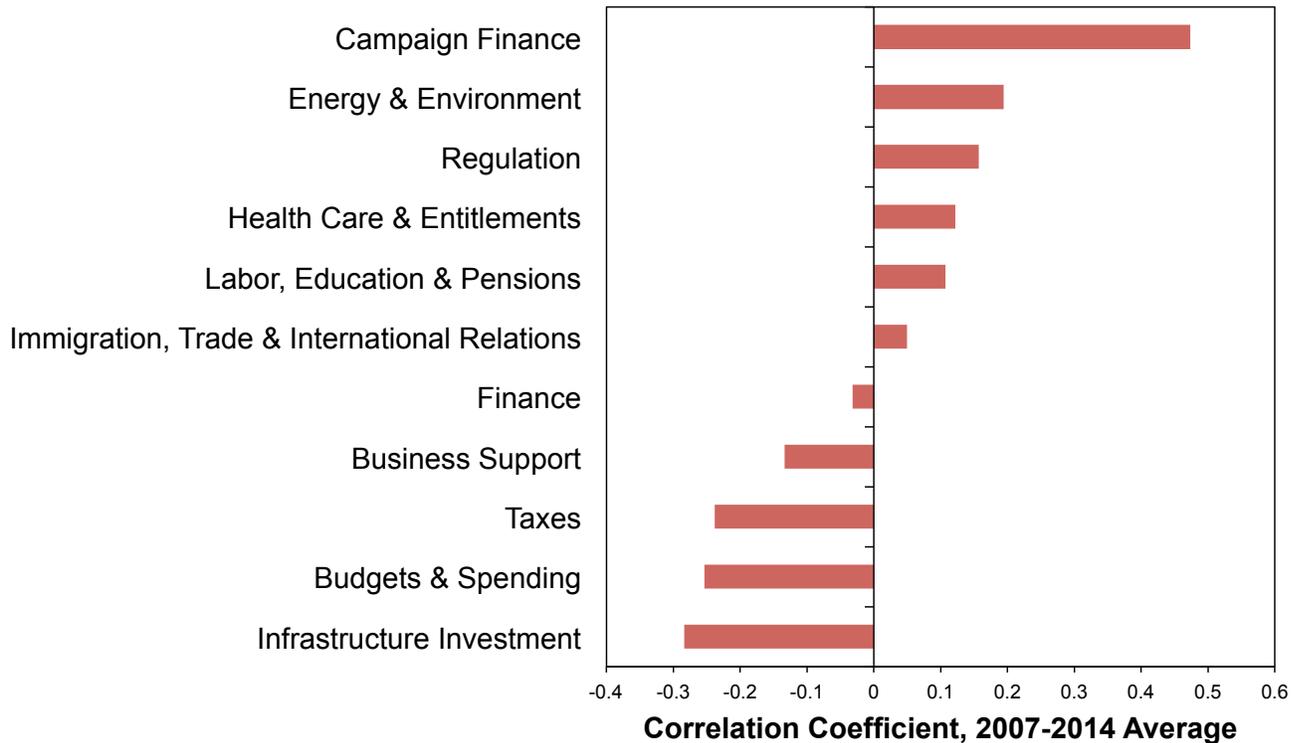
As the graphs assembled in Figure 4 indicate, AFP and U.S. Chamber scorecard ratings for Republican members of Congress have diverged in recent years, with overall splits growing more pronounced in successive Congresses. However, Figure 4 does not shed light on the exact types of policy issues on which divergences between the Chamber and AFP have – and have not – occurred. One approach to seeing where the tensions between the two groups have emerged is to look at the 23 votes that both AFP and the Chamber included on their scorecards from 2007 to 2014 to check whether these groups scored the votes in the same way. From this, we learn that AFP and the Chamber nearly always agreed on the “right” position – except for four votes, two on taxes and two on budgets and spending. The tax questions involved the so-called tax extender package of credits and subsidies, many of which flow to businesses (Plumer 2014). AFP opposed the authorization of those business-friendly tax credits in 2013-2014, while the U.S. Chamber supported them. The budget and spending questions would have approved continuing appropriations for the federal government in 2009-10, with the U.S. Chamber in favor of the continuation and AFP opposed. These four votes begin to illuminate potential fault lines.

We can use another technique to more systematically assess legislative tensions between these major groups – by going through each of the votes scored by the U.S. Chamber and assessing whether the lawmakers who voted for the Chamber’s preferred position received, on average, higher or lower overall ratings from AFP. Figure 5 presents a summary of this analysis, aggregating correlations between Chamber votes and AFP ratings in specific policy areas. Each bar represents the average correlation between AFP ratings and Chamber stances on specific bills or amendments in that policy area. Negative values indicate that lawmakers who voted with the Chamber’s preferred position on a bill or amendment received lower ratings, on average, from

AFP, while positive values indicate that lawmakers who toed the Chamber's legislative line tended to receive higher ratings, on average, from AFP. Issues where we see negative correlations are thus those where AFP and the U.S. Chamber tended to be at loggerheads over the Republicans they supported, with AFP opposing the lawmakers the Chamber had rated more highly. In contrast, issues with positive correlations are those where AFP and the U.S. Chamber agreed in their ratings of GOP members. Issues without a strong correlation (where the average is around zero) indicate policy areas in which the two groups simply supported or opposed different lawmakers.

As Figure 5 shows, AFP and the Chamber sometimes agreed, and sometimes disagreed, in important policy domains. The patterns of convergence and divergence displayed in this figure make considerable sense in the light of our earlier comparison of the U.S Chamber's business-friendly version of a conservative economic agenda versus the Koch network's commitment to an ultra-free-market, anti-government variant of conservatism. In line with what we might expect, the Chamber and AFP have been closely aligned in supporting the same lawmakers on votes about election rules, energy and environmental regulation, health care and entitlements, and labor unions. But these GOP-aligned heavyweights have diverged of late when it comes to Congressional decisions about infrastructure investments, subsidies for big business, and the timely approval of the federal budget. (In an appendix, we estimate bootstrapped confidence intervals for these correlation coefficients.)

**Figure 5: U.S. Chamber Scored Votes and AFP Ratings for GOP Members of Congress in Key Policy Areas, 2007-14**



*Note:* Average correlations are statistically significant at  $p < 0.10$  for Infrastructure Investment, Budgets & Spending, Taxes, Regulation, Energy & Environment, and Campaign Finance.

We can look more closely at Congressional votes involved in areas of agreement and disagreement displayed in Figure 5. To start with areas of agreement, both the Chamber and AFP have strongly opposed legislation promoted by Democrats (encompassing all of the votes tallied under campaign finance) to require public disclosure of the corporate election spending made possible by the U.S. Supreme Court’s 2010 decision in the *Citizens United* case. Similarly, both groups have consistently opposed efforts by Democrats to regulate carbon emissions and take action to address climate change; indeed, both the Chamber and AFP played central roles in the defeat of comprehensive cap and trade legislation in 2010 (Katz 2015; Mayer 2013). On the proactive side of energy policy, both groups favor the construction of the Keystone XL pipeline that would carry oil from Canada to Texas, siding with energy companies against environmental

groups hoping to block exploitation of northern oil sands. These convergences explain the positive correlation between U.S. Chamber votes and AFP scores in the domain of energy and the environment.

In another area of agreement, AFP and the U.S. Chamber stand should-to-shoulder against legislation that would make it easier for unions to hold organizing drives in the private sector. They have teamed up to push bills that would limit the ability of the National Labor Relations Board to certify union elections and expand union rights. AFP urged votes for legislation that would have blocked the Board from acting until Congress approved President Obama's appointees to the Board (whom GOP lawmakers were sure to block).<sup>4</sup> The Chamber not only joined in support of that legislation but also filed litigation against the Obama administration's efforts to appoint interim members.<sup>5</sup>

In important policy realms, in short, the advent of the Koch network as a major GOP economic player reinforces longer-standing policy efforts by the Chamber. This is not a trivial matter because AFP, in particular, brings new capacities to mount campaigns and mobilize activists in state and districts, thus reinforcing DC-based lobbying. Nevertheless, as we know from the trend lines reported earlier in Figure 4, areas of convergence between the Chamber and the Koch network have recently been outweighed by disagreements. Moving from areas of modest to greater disagreement, the substance of tensions between the Chamber and AFP has centered in Congressional battles about certain tax issues, the federal budget, and – most importantly – investments in infrastructure.

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<sup>4</sup> See: <http://afpscorecard.org/#singleAlert#21>.

<sup>5</sup> See: <http://www.chamberlitigation.com/chamber-commerce-et-al-v-national-labor-relations-board>.

Although both the Chamber and AFP have vigorously pushed for Congress to lower taxes, the Chamber nevertheless supports the extension of various tax credits vital to the bottom lines of many of its corporate members. Labeling such credits “business incentives,” the Chamber argues they should be made permanent to ensure long-term economic certainty. But AFP begs to differ. Even though these credits reduce the effective tax rates paid by businesses – a Koch network priority – AFP and other Koch organizations strongly opposed the extension of what it calls “handouts” for businesses.<sup>6</sup> Invoking ideological arguments against all new government spending – whether by direct allocations or through the tax code, AFP pushes against the Chamber’s embrace of business-friendly tax breaks.

Budget and spending issues have recently occasioned yet more tension between the Chamber and AFP. At moments of brinksmanship in this period, the Chamber has urged support for various Congressional efforts to keep the federal government running, including omnibus appropriation bills negotiated by both members of both parties. Although certainly not a fan of the government spending mandated by these bills, the Chamber recognized that business interests were being hurt by a conservative GOP-driven showdown over the debt ceiling and essential funding for the federal government. “While important policy issues are at stake in the ongoing debate about federal spending, debts, deficits and entitlements,” the Chamber declared, “the full faith and credit of the United States should not be subjected to further brinksmanship. The consequences to the U.S. economy and the American business community of a default are too extreme to be allowed to occur.”<sup>7</sup> Reasonable as this sounds, this stance put the Chamber at odds with the stands taken by ultra-conservative groups, including AFP, that were egging on

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<sup>6</sup> See: <https://americansforprosperity.org/afp-no-on-house-tax-extend-ers-deal-with-wind-subsidies/>.

<sup>7</sup> See <https://www.uschamber.com/letter/oct-16-key-vote-alert-continuing-resolution-and-debt-ceiling>.

right-wing Republicans determined to continue standoffs until Democrats agreed to large overall cuts in government spending.

Infrastructure bills, finally, are the most consequential area where the Chamber and AFP part ways and have ended up opposing one another's favored lawmakers. During this period, the Chamber threw its weight behind Congressional bills that would fund housing and urban development programs, pay for transportation investments, and contribute to a new electrical grid. All these were measures that would deliver profits to private firms and, in some cases, create supports all firms need to do business. Congressional funding for investments in these realms had previously been taken for granted. When transportation bills were blockaded by lawmakers AFP supports, the Chamber noted sternly that "the [Highway Trust Fund] has served America's transportation infrastructure well and helped to create the world's largest economy; however, its long-term solvency has been compromised by a lack of action in both the legislative and executive branches."<sup>8</sup> In this view, not all government spending, and certainly not all government contributions to economic development, are automatically to be opposed. For the Chamber's leaders and lobbyists, infrastructure investments that AFP and its Koch allies regard as unwarranted public expenses and interferences in the free market are, instead, regarded as long-standing basic supports for business in America.

### **NEXT STEPS IN U.S. POLITICS AND RESEARCH**

Our scorecard analysis gives substance and specificity what many observers have recently noted: as the Republican Party drives ever further and faster to the right, at times even prominent business associations like the U.S. Chamber of Commerce are inclined to tap the brakes. We do not want to overstate the case. Our empirical analysis here focuses only on

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<sup>8</sup> See: <https://www.uschamber.com/letter/us-chamber-key-vote-alert-hr-5021-highway-and-transportation-funding-act-2014>.

publicly proclaimed scores for Congressional votes – where the U.S. Chamber and the flagship Koch organization, Americans for Prosperity, sometimes push opposite stands on the Republican legislators with whom they are both generally aligned. We have offered no systematic evidence on election endorsements and expenditures by the Chamber and the Koch network. Given that both of these players almost invariably back Republicans in contests with Democrats, it is obvious that whatever policy differences they may have when it comes to Congressional action or inaction, Tom Donohue’s Chamber and the Koch brothers’ political network usually back most of the same GOP candidates going up against Democrats in general elections. A more interesting issue is what happens in contested GOP primaries, when a more “business-friendly” Republican competes with a more strictly “free market” type in a Senate, House, or state legislative contest. That area of research remains to be tackled.

Meanwhile, our findings on growing intra-GOP tensions in Congress illuminate some of the difficulties that Republican House and Senate leaders have recently faced in holding together GOP voting coalitions. Breakdowns have not only pitted social conservatives against economic conservatives in the House and Senate caucuses; they have also divided camps of GOP economic conservatives. Republicans in general may sing from the same playbooks on taxes, unions, business regulations, and the Environmental Protection Agency. But when it comes keeping government going or renewing longstanding tax breaks or legislative bargains that include business subsidies or investments in the nation’s infrastructure, the more right-wing, often Koch-aligned GOP legislators can make life very difficult for Chamber of Commerce allies. Such battles are anything but trivial or merely symbolic. After all, investments in infrastructure are among the oldest and most sustained kinds of U.S. government activity.

Will battles over such public investments intensify or wane in future years? That may depend on how many ultra-free-market ideologues win or hold GOP seats, as much as it depends on whether Republicans retain control in Congress and state legislatures. Quite likely, divisions within the Republican Party will continue for some time to come, because both the business-friendly Republicans and the ultra-free-marketers have deep-pocketed and well-organized backers with the core GOP constituency. Neither the U.S. Chamber of Commerce nor the Koch network is likely to fade or stand down any time soon, and the Koch operation can be expected to continue to grow and gain capacities to push its claims on Republicans. True, some party officials have complained that, as the Republican National Committee's chief of staff recently noted, "it's very dangerous and wrong to allow a group of very strong, well-financed individuals who have no accountability to anyone to have control over who gets access" to GOP resources (quoted in Ward 2015). Maybe so, but the Koch network is offering resources too enticing for most Republican candidates and officeholders to shun.

Moving to the realm of scholarship, we believe that the arguments and evidence offered here show the value of the parties-as-coalitions framework, especially for illuminating tensions within governing majorities and suggesting what may happen when an ascending new entrant to a major party's core coalition pushes policy stands that differs from those favored by a major, already ensconced coalition member. Other scholars might adapt our analytical framework and findings to compare current shifts in the GOP coalition to similar historical tensions within the Democratic party, for instance, intra-party feuds between organized labor and civil rights groups or the more recent incorporation of financial sector players into the Democratic coalition

Finally, our exploration of the Chamber of Commerce versus the Koch network casts important new light on debates about the preferences and activities of for-profit corporations and

wealthy individuals involved in U.S. politics (Bonica and Rosenthal 2015; Gilens and Page 2014; Hacker and Pierson 2010, 2016; Page et al. 2013). Of course, most U.S. billionaires and multi-millionaires derive their high incomes and astronomical wealth from business management or inheritance of business-generated fortunes (Bakija et al. 2012). Nevertheless, businesses, and especially their associations, can diverge from wealthy individuals in the goals, interests, and values they pursue in politics – and also in the ways they exert influence. Analysts cannot simply assume that rising economic gains for individuals at the top of the income distribution will necessarily pull politics and policymaking in exactly the directions preferred by business organizations as other work has implicitly or explicitly assumed (cf. Akard 1992; Ferguson 1995; Hacker and Pierson 2010). As the fascinating case of the Koch network shows, wealthy individuals and families may be able to come together in support of much more ideological and extreme agendas than business representatives working to meet corporate bottom-lines. Ideologically motivated wealthy people are also in a position to push for policy changes that go faster and further than those preferred by profit-making businesses and their organized representatives. Especially when it comes to dismantling steps previously undertaken by government to provide market infrastructure and subsidize business profits, right-wing billionaires may not end up on the same page as big business conservatives. As rising inequality continues apace, further research on the divergent preferences, tactics, and political successes of wealthy individuals and large U.S. firms is likely to be very fruitful.

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## APPENDIX FOR PUBLICATION: CONFIDENCE INTERVALS FOR FIGURE 5

Below, we present bootstrapped standard errors and confidence intervals for the correlations shown in Figure 5, based on 500 replications. We present results for both the median and average correlation coefficients.

<i>Issue</i>	<i>Median Correlation Coefficient</i>	<i>Standard Error</i>	<i>95% Lower Bound</i>	<i>95% Upper Bound</i>
Infrastructure Investment	-0.39	0.13	-0.64	-0.14
Budgets & Spending	-0.38	0.06	-0.50	-0.27
Taxes	-0.36	0.16	-0.68	-0.05
Business Support	-0.24	0.12	-0.48	-0.01
Finance	-0.07	0.13	-0.32	0.19
Immigration, Trade & International Relations	0.09	0.06	-0.04	0.21
Regulation	0.13	0.11	-0.07	0.34
Labor, Education & Pensions	0.20	0.21	-0.20	0.61
Health Care & Entitlements	0.25	0.16	-0.07	0.58
Energy & Environment	0.25	0.13	0.01	0.50
Campaign Finance	0.47	0.08	0.32	0.62

<i>Issue</i>	<i>Average Correlation Coefficient</i>	<i>Standard Error</i>	<i>95% Lower Bound</i>	<i>95% Upper Bound</i>
Infrastructure Investment	-0.28	0.09	-0.46	-0.11
Budgets & Spending	-0.25	0.09	-0.43	-0.07
Taxes	-0.24	0.14	-0.51	0.03
Business Support	-0.13	0.09	-0.30	0.03
Finance	-0.03	0.11	-0.25	0.18
Immigration, Trade & International Relations	0.05	0.06	-0.07	0.17
Regulation	0.16	0.09	-0.01	0.33
Labor, Education & Pensions	0.11	0.10	-0.10	0.31
Health Care & Entitlements	0.12	0.12	-0.11	0.35
Energy & Environment	0.19	0.08	0.03	0.36
Campaign Finance	0.47	0.07	0.34	0.60