Lost in Translation:
How Bureaucratic Hierarchies Limit Presidential Control Over Distributive Policymaking in U.S. Federal Agencies

By

Matthew Zarit

B.A. in Political Science and Policy Studies, Syracuse University, 2004

M.S. in Public Policy and Management, Carnegie Mellon University, 2006

Submitted to the Graduate Faculty of

the Kenneth P. Dietrich School of Art and Sciences

in partial fulfillment

of the requirements for the degree of

PhD in Political Science

University of Pittsburgh

2018

UNIVERSITY OF PITTSBURGH

KENNETH P. DIETRICH SCHOOL OF ARTS AND SCIENCES

This dissertation was presented

by

Matthew Zarit

It was defended on

July 20, 2018

and approved by

Jonathan E. Woon, PhD, Associate Professor, Political Science

Aníbal Pérez-Liñán, Associate Professor, Political Science

Jon C. Rogowski, Assistant Professor, Department of Government (Harvard University)

Dissertation Advisor: George A. Krause, PhD, Alumni Foundation Distinguished Professor of Public Administration, Department of Public Administration and Policy (University of Georgia)

ABSTRACT

Lost in Translation:
How Bureaucratic Hierarchies Limit Presidential Control Over Distributive Policymaking in U.S. Federal Agencies

Matthew Zarit, PhD

University of Pittsburgh, 2018

This dissertation explores the influence of organizational hierarchies within federal agencies and how they limit the influence of presidents on decision-making within bureaucracy. Federal contract awards from 2001 – 2016 are used to examine whether campaign donors to the president are given larger contracts relative to non-donors, regardless of where the award decision occurs in the agency hierarchy. Vertical insulation, as presented in this work, suggests that due to presidential influence, vendors will receive larger contracts in the top levels of agencies, but that this influence will dissipate lower in agencies. This theory is pursued in several ways. First, all contracts are examined together to determine if this broad pattern exists. Second, specific mechanisms within contracts, such as the bidding process and pricing structures, are analyzed to determine if they can be used to subvert organizational insulation. Finally, the effects of contract size are used to understand if political influence is strongest on the largest contracts. The findings show that organizational insulation does exist within agencies, with offices least insulated from the president in the hierarchy giving the biggest advantages to campaign donors. These advantages dissipate lower in the organizational hierarchy. Furthermore, these effects are strongest on the largest contracts, suggesting high returns for campaign donors if they pursue contracts from top-level offices in agencies. The president does have tools to subvert insulation however, as no-bid contracts in particular are shown to give the largest advantages for donors in offices in the middle of the hierarchy. The implications of these findings are that while presidents do have power over agencies, it is limited due to the natural organizational structure of agencies.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

PREFACE

For Jenna, Sam, and Lucy

Chapter 1: Purchaser-in-Chief

In 2006, Democrats on the House Committee on Government Reform released a report detailing concerns about government contracting up to that point of the George W. Bush administration. Specifically, they noted that contracts were going to companies, like Halliburton, that had direct links to the Bush administration. The company, which had previously been led by Vice President Dick Cheney, was now receiving over 10 times as much money in federal contracts since Bush and Cheney had arrived at the White House (Committee on Government Reform 2006). Furthermore, they were an enthusiastic campaign donor, even encouraging employee contributions by offering matching charitable donations to non-profits of the contributor's choice (Leder 2009). The idea of giving campaign money with the goal of influencing government contracts is often referred to as "pay-to-play" and represents a side of politics that is often assumed but is difficult to prove. While this type of behavior is technically discouraged, 95% of business leaders surveyed feel that the U.S. campaign contribution system is "pay-to-play" for influence on government decisions (Committee for Economic Development 2013).

The idea of "pay-to-play" for federal contracts is technically prohibited but there are many ways for federal contractors to contribute to federal candidates. The Hatch Act of 1939 and the Federal Election Campaign Act of 1976 prohibit the actual signatories on federal contracts from contributing but allows for nearly anyone else working for a contractor to make donations out of their personal funds (Holman and Lewis 2012). In other words, within a company contracting with the government, only a few individuals may be limited in their campaign contributions, but many other employees are free to make donations. Furthermore, contractors are also free to form Political Action Committees to make donations (Holman and Lewis 2012).

Money influencing policy and government decisions is nothing new. Much of the research focus has been on whether campaign contributions from businesses influence votes in Congress (e.g. Snyder 1992; Stratmann 1995; Bronars and Lott 1997; Baldwin and Magee 2000), access to Members of Congress (Powell and Grimmer 2016), and federal outlays (e.g. Bickers and Stein 2000, 2004; Stein and Bickers 1994). Others are skeptical of any connection whatsoever, and suggest that contributions occur because people, and in particularly wealthy people, like to participate in the political process (Ansolabehere, de Figueiredo, Snyder 2003).

By focusing on the public decisions made by politicians, these studies miss the many policy decisions are not made through legislation, but instead through the implementation that occurs in agencies (Howell and Lewis 2002). As such, we need to consider the possibility of campaign contributions influencing decisions within bureaucracy, which is overseen by the president. Work examining donations influence on bureaucracies has found that campaign contributions can influence state public utility commissions (de Figueiredo and Edwards 2007), policies surrounding bank regulation (Blau, Brough, and Thomas 2013), and tax policies (Cooper, Gulen, and Ovtchinnikov 2010; Brown, Drake, and Wellman 2015). Regarding government contract decisions, Witko (2011) found that campaign contributions lead to more government contract awards for donors.

These studies point to influence on federal decisions within agencies when considering the "pay-for-play" question. This dissertation takes this work another step further by considering that agencies function organizations that can both facilitate and inhibit political influence on decision-making. Specifically, any organization consists of a hierarchy that is intended to facilitate a power structure and distribution of responsibilities (Weber 1947). This dissertation presents a theory of vertical insulation proposes that the organizational hierarchies within federal

agencies create opportunities for influence in highest levels of the organization (close to the president), but that this influence dissipates in offices lower in the hierarchy. As such, organizational hierarchies are a mediating factor in the "pay-for-play" framework. Looking specifically at contracting decisions, organizational hierarchy can mitigate political control over agencies by limiting the ability of the president's administration to influence some decisions, but not others due to the delegation that occurs. While some in agencies will be motivated to appease the administration due to their organizational proximity to the president, others will be insulated from this pressure when making decisions. This dissertation will further our understanding of the influence of hierarchy on decisions, and specifically in understanding how "pay-for-play" influences some decisions, but not others.

Studying hierarchy in bureaucracies is certainly nothing new, going back to Weber's (1947) theory outlining the need to create hierarchical structures of power within organizations. Yet hierarchies still allow for some level of discretion, even at the lowest levels (Simon 1997: 309-310). Furthermore, in a vertical hierarchy, cooperation is extremely difficult due to information asymmetries and distrust between different levels of management (Miller 1992: 196). This is accentuated in a government setting where appointees create frequent turnover and careerists develop and maintain expertise (Hammond and Thomas 1989). There are different considerations at each level as well. In the highest levels of government, there is considerable pressure by the president and their top advisors to influence large policy and budget decisions, whereas in lower levels, bureaucrats are more concerned with program-level results that impact their day-to-day activities (Padgett 1981). Even when the top-levels try to send use specific methods to send signals to lower-levels, such as budget constraints, hierarchies increase the response time, limiting the effectiveness of the messaging (Carpenter 1996). These types of

delays, along with the difficulties noted about controlling lower-level offices due to information asymmetries and inefficiencies are the basis for the idea of vertical insulation in federal agencies.

It is through this lens of vertical insulation that the idea of "pay-for-play" will be examined. Hierarchy in federal agencies provides a way to examine whether campaign contributions to the president in turn change how presidents pressures decision-makers in agencies. Directives originate at the top of the federal hierarchy, with the president, and is traveling down through agencies from the top-level offices, down to the field offices. The potency and effectiveness of these messages will be tested in this study. We know that presidents care about how contracts are awarded, as evidenced by meetings by the Bush administration with top-level appointees in agencies to push money to vendors in swing districts (Gordon 2011). Furthermore, through interviews conducted with contracting officers, they noted that the Obama administration took interest specifically in how contracts awarded from money related to the American Recovery and Reinvestment Act of 2009 were distributed. This mechanism of president influence, pushed from the top of the hierarchy down, presents an opportunity to understand how and when contractors that donate money receive larger amounts of money compared to those who are not contributing.

Government contractors have been a part of the United States government for as long as it has existed. During the Revolutionary War, contractors were hired as wagon drivers and to provide supplies and other services for the military[1]. The role of the president in contracting is most explicitly defined in the Federal Property and Administration Services Act in 1949. This legislation delegates purchasing authority from Congress to the president and allows the president to act as the "principal and uniform" purchaser for any goods and services acquired by

[1] Source: https://www.acq.osd.mil/dpap/pacc/cc/history.html

the federal government (Gitterman 2013). While Congress can still act in an oversight role for contracting, the president has been given broad powers to manage procurement.

To facilitate the massive amount of procurement that occurs, the president relies on federal agencies. This does not suggest however that presidents are happy to relinquish the power to purchase entirely to agencies. As Moe (1995) notes on the general idea of controlling bureaucracy, "presidents are driven to take charge" (141). More specifically on contracts, presidents have shown a specific interest through a variety of executive orders to control how contracts are awarded and how contractors manage their businesses (Gitterman 2013). Much work has been done on the tools available to presidents to exercise control over federal agencies, often through centralizing decision-making (Rudalevige 2002) or appointments (Lewis 2008). While these efforts at control are important, it is also necessary to examine how the natural features of agencies as organizations impact the ability to control decision-making. Most notably, how the existence of hierarchy within agencies limits a president's ability to control bureaucratic behavior.

The primary focus of this dissertation is the idea that decisions made at the top of an agency hierarchy will be influenced by politics more than those made in the lower levels of agencies. This is in contrast with the considerable focus on horizontal insulation, as created through agency design (Moe 1989; Lewis 2004; Selin 2015; Hollibaugh and Rothenberg 2018). While valuable knowledge as been gained about how the insulation of entire agencies impacts presidential influence, this dissertation contributes to our understanding of bureaucracy by opening the black box of examining how decisions are made *within* the hierarchies of agencies. Specifically, this project will scrutinize the tension that exists between the top-levels of agencies

and the lower levels, and whether there are differences in how presidential preferences for campaign donors penetrate the organizational hierarchy of agencies.

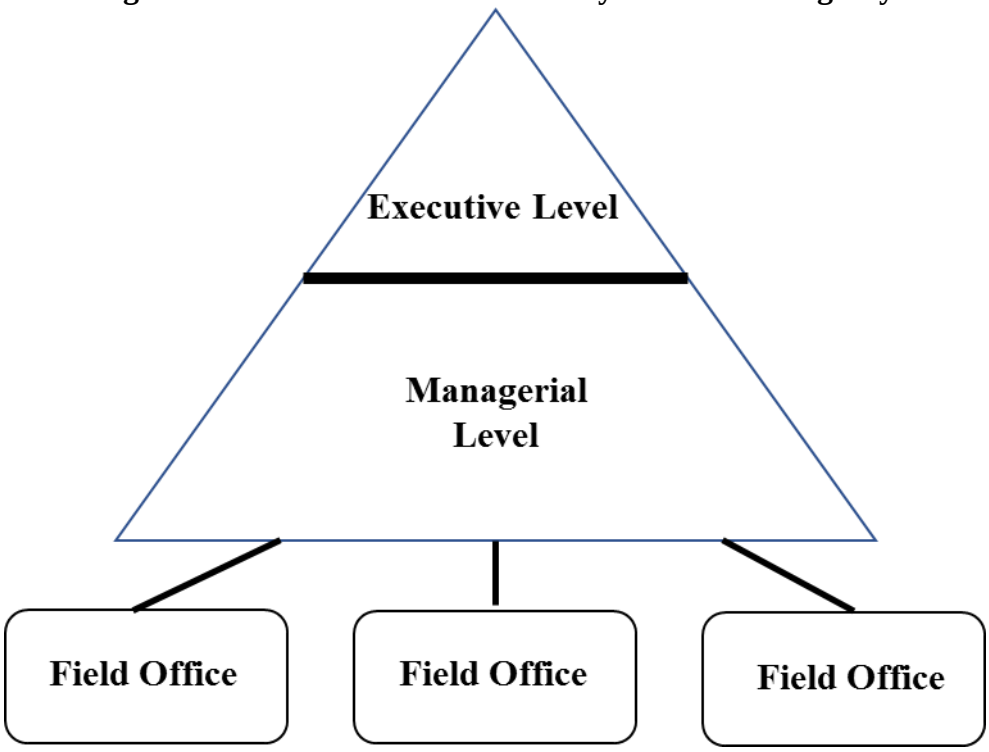
The top-level offices, or Executive Level offices, are expected to be the most politicized. This occurs because of their proximity to the president and their staffing. They are going to be staffed by high-level agency secretaries, assistant secretaries, and members of the Senior Executive Service. The motivations for appointees (Secretaries, Assistant Secretaries, Deputy Assistant Secretaries, etc.) are clear: they serve at the pleasure of the president. Members of the Senior Executive Service, while not appointees, do not have the same protections that exist for other career civil servants. Instead, they can be easily transferred or have their role reduced (Heclo 1977: 134). It is in these offices where the leaders will be most conflicted between politics and policy, and the influence of political motivations will be most evident. They are people who want to stay in their position in the agency and know that they need to support those above them to remain (Spiller and Moszoro 2014).

The middle-level offices, or Managerial Level offices, are located below the Executive Offices in the organizational hierarchy of agencies. These offices are located in and around Washington, D.C., but are the middle-management of federal agencies. They do not have high-level appointees, and instead are run by mid-level bureaucrats. While they are centrally located, they are hierarchically distant from the top of the agency. The expectation is that there will be less political influence on decisions in Managerial Offices because they are further down in the hierarchy from the top. Messages from the president and their team will be less potent in these offices.

Finally, at the bottom of the hierarchy are Field Offices. These are offices that are both geographically and hierarchically distant from top of agencies. They are located outside of the

Washington, D.C. area and are spread across the country. Additionally, they are at the very bottom of agency hierarchies. The expectation is that these offices will not experience the same type of political influence from the president as the Executive Offices. This is not to necessarily suggest that Field Offices are immune from any type of political influence, but it is unlikely to come from the president. Furthermore, due to the general abdication on contracting from Congress, it is not anticipated that they will experience political influence from Members of Congress either. While the focus of this study is on presidential influence, this idea of a lack of Congressional influence at the local level was confirmed through interviews with Contracting Officers at fields office. They unanimously reported no intervention from Members of Congress on contract awards.

Figure 1-1: Three Levels of Hierarchy in a Federal Agency



Building on the concept of centralization, this work seeks to consider the hierarchy of agencies, rather than how entire agencies relate to the president (Moe 1989). While centralization is informative about presidential control, it fails to consider the basic organizational hierarchy that exists within agencies. It is important to know how the Office and Management and Budget reviews an entire agency's budget (Selin 2015), but this does not get at micro-level decision-making that occurs within agencies. This study looks to peel back a layer of what's behind agencies by considering the basic hierarchical structure that is formed in any organization.

Similarly, while excellent work has been done on the politicization of agencies, this has limits as well. Building on Lewis (2008), Berry & Gersen (2017) examine how the density of appointees in a given agency impacts grant distribution. While this broadly looks at how many appointees are in an agency, it fails to consider that almost all of these appointees are concentrated in the top level (or Executive level) offices. Very few appointees are placed in

Managerial Level office and are almost always Schedule C appointees who are only intended to be advisory in nature, as opposed to supervising staff. As such, while the density of appointees in an overall agency are being considered as presidential control, this is again ignoring how the internal hierarchy within an agency may limit the president's power over an agency.

The implications of this focus on the top of agencies is that we do not understand how the messages and pressures coming from the top of agencies are being received and followed below the top-levels. The focus on appointees and agency design has limited our understanding to how decisions are made in the highest levels of agencies. This study seeks to look at decisions that are made at the top, middle, and bottom level of agencies. By looking deeper inside the black box of agency hierarchies, this dissertation will show that presidential preferences are not followed consistently throughout an agency, and instead face the effects of vertical insulation. Ultimately, hierarchically induced insulation limits presidential control and emphasizes bureaucratic discretion.

Government contracts provide the ideal method to examine the question of hierarchy in federal agencies because contracting decisions occur within the specific office that makes an award. Unlike grant decisions, which are made in the top-levels of agencies, contracts provide a more specific decision-point within agencies. This allows for an examination of which level within agencies contract decisions are made and to whom those contracts are being awarded. Furthermore, the people who oversee making these decisions, contracting officers, are located within these offices, providing additional justification for considering where the decisions are made within the agencies.

This study will look broadly at contract awards, and at specific structures of contracts. It is necessary to examine which features of contracts make them more susceptible to presidential

control. One example, covered in Chapter 4, looks at a case where an Executive-Level office in the Department of Health and Human services awarded a contract to a company, Siga Technologies. The company's controlling shareholder was a donor to President Obama, and in 2010 they were awarded a large contract through the standard competitive process. The contract award was thrown out at a protest by another bidder because the contract was intended to go to a small business. Rather than re-doing the competitive bidding process or giving the contract to the other bidder, who was a small business, the department chose a different path. In early 2011, Siga Technologies was awarded the contract through a no-bid process, essentially circumventing the possibility that anyone could protest the bid. In this case, an Executive Level office was intent on awarded a contract to a vendor that had political connections to the president. The lack of hierarchical distance between the administration and where this contract was awarded allowed for this influence.

Given the president's authority over government contracts, this study will focus on potential influence by presidents in federal agencies. The primary method of influence used is campaign donations by contractors to the president. While not a perfect measure of influence (Ansolabehere, de Figueiredo, and Snyder 2003), campaign contributions are a proxy for political activity that creates more access to people in government (de Figueiredo and Edwards 2007). It is through this access, gained through contributions, that contractors can be favored by an administration. This access creates the potential for the president to influence agencies on their behalf and is expected to be greatest at the top of the hierarchy, and less evident in other areas of agencies.

The implications of vendors being able to buy their way into government contracts risks creating a limited group of vendors that are given access to large sums of taxpayer money. This

is suggestive of Schattschneider's (1960) fear that American democracy is dominated by businesses that are favored by the leaders in government. If contractors are given unfair advantages because of their contributions, then this can make it more difficult for other vendors to remain viable and compete for contracts. Clearly vendors are dependent on contracts to survive, and if the playing field is not level, only those given advantages will be sustainable. Indeed, the greatest concern is on the largest contracts. Looking at all contracts, those in the 99th percentile in dollar amount (adjusted to 2009 dollars), represent 89% of the value of all contracts. As noted, one of the starkest examples of this occurring was with Halliburton during the Bush Administration. After Bush office, Halliburton's business skyrocketed, with the value of their contracts increasing tenfold (Committee on Government Reform 2006). This dissertation will explore whether politically connected firms like Halliburton are not only receiving advantages on all contracts, but also how vertical insulation mitigates their influence over the federal government.

1.1 Dissertation Outline

There are five additional chapters that make up this dissertation. Chapter two provides more detail on the theory of vertical insulation in agency hierarchies. The core thesis is that the organizational hierarchies in agencies limit presidential control, creating opportunities for bureaucratic discretion. Furthermore, it discusses the fundamental details of how and why contracts are the preferred vehicle for examining hierarchy in agencies. It also details the significance of contracts in government spending in both absolute and relative terms.

Chapter three provides the first broad analysis into examining political influence on government contracts in the federal hierarchy. Generally, the findings show that the greatest

advantage for contractors that donate to the president occur in the Executive Level of agencies. There is virtually no difference between donors and non-donors in the Managerial Level. In the Field Offices, donors receive a significant advantage over non-donors, but the actual difference between the contracts is relatively small. This chapter also analyzes whether donors receive greater benefits relative to non-donors at specific points during a presidency. The findings suggest that it is in the final year of a two-term president that donors receive the largest advantages. Rather than following elections, it is when the political risks are minimal of directing funds to preferred vendors that this occurs most frequently.

Digging deeper into the specific features of contracts, Chapter four examines the bidding processes and pricing structure of contracts, and whether they can be used to provide beneficial circumstances for vendors that donate the president. The results are suggestive that no-bid contracts are used to provide large contracts to donors in Managerial Level offices, which generally show high insulation. This suggests that when the president cannot control decision-making in an office because of insulation, no-bid contracts are used to take the decision out of the hands of bureaucrats. In contrast, there are not conclusive findings relating to the pricing structure of contracts, though the potential for this to occur exists[2].

Chapter five uses quantile regression to examine whether donor advantages are concentrated on larger contracts. As anticipated, the largest contracts are where donors receive the biggest advantages over non-donors. Additionally, this chapter explores the use of multiyear contracts, which lock the government into agreements with vendors. Again, donors receive significant advantages on multiyear contracts relative to non-donors. Finally, Chapter six

[2] While not within the data of this study, the most notable recent occurrence of contract pricing structures being used to benefit a preferred vendor was in Puerto Rico after Hurricane Maria. Whitefish Energy, a small but heavily connected firm, received a massive contract with a pricing structure that provided security for Whitefish, but significant risk for the government (Wamsley 2017).

examines next steps in this research, while also reviewing the knowledge gained by applying the framework of vertical insulation to federal agencies.

Chapter 2: Vertical Insulation in the Bureaucracy

"In any large organization—the Federal government is an excellent example—the task of relating the activities of one individual or unit to those of others becomes one of the greatest importance, complexity, and difficulty." – Herbert Simon, Administrative Behavior, Page 113

Can organizational hierarchies within U.S. federal agencies limit executive power over decision-making? Recent literature on the distribution of federal funding has assumed that presidents have nearly complete control over agencies. This research has been valuable in terms of showing that the president has a stronger influence over the distribution of federal funds from agencies than Congress (Berry, Burden, and Howell 2010; Hudak 2014). This conclusion however, is too simplistic to present an accurate portrait of how agencies function relative to political influence. Instead, we must consider that federal agencies are large organizations. As organizations, they balance management and policy concerns, along with considering presidential preferences when making decisions (Rudalevige 2015). As such, rather than looking at differences between agencies, we need to consider that the organizational hierarchy within agencies can facilitate bureaucratic discretion. By considering the hierarchies within agencies, rather than between agencies, this study gets inside the black box of bureaucratic decision-making. With the president at the top of the organizational pyramid, the expectation is that organizational hierarchies create struggles for the president to control offices that are more insulated within the agency structure.

Any organization, whether in the public or private sector, depends on a vertical hierarchy to facilitate efficient decision-making (Simon 1997: 187). These structures and offices encourage specialization and allow for the top-level management to delegate decision-making. In a private sector organization, aberrations from executive-level decisions are likely to be noticed because of measurable evidence such as the implementation of strategies, services, or products (Ring and

Perry 1985). In a public agency however, where specialized offices can own the execution of a policy, there are opportunities for greater discretion as the hierarchy creates more distance between offices and the top executive (Blau 1968). When an organization is large enough to need a formal hierarchy, the broad goals that are set at the top are expected to inform policies in vertically distant offices, yet this is an unrealistic expectation (Downs 1967: 86; Resh and Marvel 2012). As Simon (1997: 5) notes, the person administering policy at the most granular level will be dealing with practical circumstances that could make the overall organizational goals conflict and thus yield little guidance. In any organizational hierarchy, as a message travels downward from layer to layer, there is slippage, leading to increasing amounts of control-loss and diluting of the top-level initiatives (Williamson 1971: 28-30).

A result of the lack of control at lower levels of an organizational hierarchy is that the likelihood for increased deviation by lower level bureaucrats. When elected officials have direct communication with a manager (more likely in the public than private sector), this decreases the chances that the manager will be willing to take risks in their work (Bozeman and Kingsley 1998). In levels of an organization that are insulated from the observation by elected officials, they will feel that their ability to take risks by making decisions on their own will either go unnoticed or may help to boost their office's performance to garner positive recognition.

This lack of control is managed traditionally by increasing the number of middle-managers to supervise lower-level subunits (Ouchi 1977). This practice holds true in government as well, but with a critical caveat. While the owner of a widget factory will hire new managers based on their experience and ability to supervise production, presidents are faced with unique political demands. Rather than simply filling roles based on skill, presidents fill appointed positions based at least partly on patronage (Lewis 2008: p. 119). The introduction of appointees,

with varying levels of Senate oversight, introduce temporary managers into a system where they will serve a fixed term, overseeing careerist bureaucrats. Instead of facing the same career incentives of a manager in a factory, they face an environment that is filled with both political pressures and expert information advantages. The balance between these pressures changes depending on where in the hierarchy the manager is located.

While formal guidelines flow vertically from the top of an organization, informal horizontal channels between office units also serve as a conduit for information (Tsai 2002). Furthermore, while the structures of the hierarchy and certain entrenched ideas are rigid (Hannan and Freeman 1984), the activity and behavior within the layers of the organization are more fluid (Downs 1967: 168). Due to this variability, the executives in the top levels of an organization must balance control with allowing discretion. While control is desirable in some ways, the people at the top do not have the detailed knowledge to make informed decisions about matters occurring at the office-level (Downs 1967: 58).

As offices are located lower in the hierarchy, political influence dissipates as the distance grows between the office and the president. In addition to the organizational distance, there are also network changes that occur that influence behavior. Instead of depending on a small network of politically sensitive executives, lower levels are characterized by a more diffuse network of policy experts. It is at these levels where the alliances that Carpenter (2001) alluded to are able to wrest control of policy away from political influence. While there are still appointees in lower offices, the organizational distance neutralizes their ability to influence the networks of careerist bureaucrats. Lower-level appointees are out of reach of their more connected Executive Level colleagues and are isolated from the operative network that is driven by political influence. Instead, appointees are incentivized to cooperate with careerists in order to

maintain order rather than disrupt powerful bureaucratic alliances. The gap between appointees and careerists should widen in offices progressively further down in the hierarchy. Therefore, it is both the location in the organization and the characteristics of their network that define the vertical insulation that exists within agency hierarchies.

Some amount of discretion allotted to bureaucrats is necessary based on infeasibility of micromanaging a large organization but is also earned due to the specific reputations of lower-level bureaucrats (Carpenter 2000). In other words, while hierarchy is important, without competence, discretion is unlikely to be awarded. In these lower offices there may also be complicated relationships between the people in management positions and those with greater subject matter expertise. For example, the people with authority in lower-level offices may have a lesser understanding of specific policies relative to more experienced staffers (Downs 1967: 59), making them susceptible to influence from people with greater expertise. For example, an appointee placed in a position of authority in a budget office due to their political connections may not have the same expertise as a trained and experienced accountant. Therefore, a situation exists where neither the top-level executives nor the middle-managers have the best knowledge to make decisions in a hierarchy.

This challenge of balancing control and discretion creates substantial management problems for presidents. Traditionally, two primary characteristics of agencies are considered when examining bureaucratic discretion relative to presidential influence: politicization and agency insulation through centralization. Politicization refers to the density of political appointees in agencies relative to careerists (Lewis 2008; Berry and Gersen 2017). This serves as a specific strategy that presidents can use to infuse loyalists within agencies (Lewis 2008: 139). Loyalists are not necessarily policy experts however, and the president will be more likely to

appoint allies rather than experts when they are aligned with Congress (Miller and Whitford 2016: 102). Furthermore, appointees are most generally seen in the highest levels of individual agencies, with the assumption from the executive that their influence will trickle down to the rest of the agency or bureau. This assumption discounts the possibility that the organizational layers within these large agencies may impact decision-making.

A purely rational choice perspective would argue that every actor within any agency, whether appointed or careerist, would make decisions that are solely motivated by self-interest (Hay, 2004). In agencies however, within these complex networks, the weights on self-interest will change depending on the perspective of the people in a position of power. At the highest levels, where the decisions are most visible, actors will explicitly feel pressure from the president, and potentially from members of Congress as well. By acting in the most visible and thus most political part of the agency, self-interest will be defined by keeping the relevant principals satisfied in order to preserve employment and their place at a more advanced location in the hierarchy. As decisions occur lower in an agency, hierarchical pressures change, and instead are focused on overall performance of the specific office rather than appeasing politically oriented principals. Careerists are able to focus on policy and use their expertise as the basis for agency decisions. While this expertise is cultivated at all levels within agencies (Gailmard & Patty, 2013), the ability for that expertise to drive decisions increases the deeper within an organization the decision occurs.

Centralization refers to the processes and oversight that presidents put in place to control agency behavior (Moe and Wilson 1994). This relates to the idea of vertical insulation but is fundamentally different. Centralization refers to the rules and processes that are applied to entire agencies, making them more or less vulnerable to presidential influence. These processes apply

to entire agencies. As such, centralization has been primarily studied in a way to differentiate agencies from each other, and how individual agencies relate to the president. Some of the best work in this area has been done by Selin (2015), who uses a variety of agency-level characteristics to develop scores measuring agency independence. Again however, this is looking at agencies in their entirety. This ignores the fact within each of these agencies are hierarchies. A field office in Denver is going to experience less political pressure than an office that is adjacent to the department secretary. Similarly, an office that is located in Washington, D.C., but is several organizational layers below the secretary level is also going to experience less political influence than those who are interacting with assistant secretaries on a regular basis.

Centralization is often examined as agency insulation. This can refer to the ability of a president to appoint people to an agency or bureau, or the capacity for the president to review their decisions (Selin 2015). This idea of insulation from the president gets closer to the idea hierarchy, though considers hard-wired structural characteristics of entire agencies and bureaus rather than organizational depth. Furthermore, while the threat of political review exists in many agencies, evaluations are sporadic, and agencies can engage in self-insulation strategies to avoid drawing attention (Nou 2013). Still, similar to the work on politicization, agencies and bureaus are treated as uniform entities, but the organizational structure of agencies, particularly the specific offices within, are not considered.

Therefore, the question remains, how can the organizational hierarchy within federal agencies impact decision-making relative to executive influence? Decisions at the highest levels of agencies are made with different considerations than those at the bottom. Thinking of agencies as a pyramid, Executive Level offices represent a tight-knit network of Washington insiders that are heavily influenced by political forces (Heclo 1977: 184). These political forces could include

the national political parties or influential members of Congress. Most directly, appointees are both beholden to, and closer in the hierarchy to, the president. Their decisions will be given greater scrutiny, leaving them with little leeway to deviate from the president's preferences due to the president's ability to remove them from their position. Furthermore, they rely on a much smaller network of elites in their decision-making process. Similarly, careerists working in the highest level of agencies are a part of a narrow network more attuned to the political pressures of Washington rather than the functional needs of the agency. Bureaucrats in executive positions who interact with elected officials differ from other bureaucrats in that they are also more likely to have been hired directly into that position rather than rising through the ranks (Teodoro 2013). In these top levels, officials demand personal loyalty from their immediate team because of the visibility of their positions and the weight of their decisions (Downs 1967: 68).

Lower in the bureaucratic pyramid, these influences dissipate. Instead, lower level bureaucrats rely on a diffuse network of policy experts to influence decision-making, which is possible because of their greater insulation from the top-level politics (Heclo 1978). These networks consist of people who are connected through their long-term employment and professional specializations. For example, lawyers across offices in the Department of Justice or civil engineers in the Department of Transportation, form networks of professional elites based on common skillsets rather than political associations (Mosher 1968). More specifically, Balla (2001) found that membership in professional associations aids in the diffusion of policy information.

Beyond networks and Executive Level leaders, multiple sources of influence complicate bureaucratic decision-making (Evans 1975; O'Toole 1997). First, bureaucrats may deal with signals from both the president and Congress (Rohr 1989), particularly relative to their budget

(Carpenter 1996). Beyond these external forces, the expertise of those closest to the work are fundamental if both the office and the agency are going to be effective. As such, Sabatier, Loomis, and McCarthy (1995) found that the opinions of location-specific managers were the biggest drivers of decision-making in the Forest Service rather than direction from higher levels in the agency.

A consequence of working in close proximity to the president is that missteps will receive more attention than mistakes or policy deviations made by employees at lower levels. Appointees serving at the will of the president are in a far more tenuous employment situation than careerist employees. Career bureaucrats, on the other hand, rarely fear sanction from supervisors, as applying punishments is costly and rarely effective (Brehm and Gates 1997: 108). This is not true universally however, as top-level careerists do not enjoy the same protections as other civil servants, leaving them in a precarious situation between politics and policy (Heclo 1977: 134). A clear example of this occurred early in the Trump administration, when the director of the Office of Policy Analysis in the Department of Interior was reassigned to an accounting role due to the Trump Administration's view on climate change (Clement 2017). In this case, Joel Clement, a scientist and policy expert, receive an involuntary reassignment to the Office of Natural Resources Revenue after discussing the dangers of climate change to White House officials and publicly at a United Nations conference.

Presidents employ a variety of politicization tools that can be utilized to either remove or neutralize non-appointed managers in an agency (Lewis 2008: 30-42). In lower offices, increased insulation creates information problems for hierarchical monitoring, allowing greater latitude for decision-making (Tullock 1965: 137-141). The idea that either the higher-level or lower-level bureaucrats are sharing objective information is nearly impossible, and instead they will be

shaping information based on their own self-interest (Hammond and Thomas 1989). Furthermore, even when messages are communicated, there is a lag in the time that it takes for lower level offices to respond (Carpenter 1996).

By exploring the importance of organizational structure on political influence throughout agencies, this chapter will demonstrate the limits of presidential power in the bureaucracy. While the recent trend has been to assume that the president has potent and uniform control across organizational levels *within* public agencies, the layers of hierarchy create diminishing influence. Organizational hierarchy is a natural feature of any organization and is not a politically created barrier to influence. Furthermore, the middle and lower level offices within an agency are critical for the government to carry out policy. These are the offices where many of the policies that the president has made are implemented, both nationally and in every state. Within these offices, specific administrative and policy decisions are made by bureaucrats that decide how government dollars are spent and how policies are interpreted.

The concept that there are people in government who are insulated from political influence may be heartening to some, yet the idea of accountability makes policymaking discretion problematic. In a representative democracy, the expectation is that there will ultimately be someone to hold accountable for policy decisions. From a normative perspective, bureaucrats who are insulated from political actors signify a potential breach in the public's ability to hold government responsible for policy (Heclo 1978). Instead, the expectation is "neutral competence," or bureaucrats who will be equally responsive to political leadership, no matter who is in charge (Heclo 1975). A lack of political responsiveness could seem noble in some ways, particularly if we accept that people working in agencies are experts, but this also implies that leadership appointed by someone elected by the people do not have control over

their department. Further, political appointees can work to staff their agencies with careerists who align with their ideology, leading to conflict with future administrations (Vaughn and Villalobos 2009).

While a scandal will bring attention from superiors and possibly Congress (McCubbins and Schwartz 1984), many policy decisions occur in a network where the political authority is minimized due to the policy dominance of careerists over ineffectual appointees. Furthermore, at the lower levels, instead of depending on a politicized network for influence, a diffuse network of careerists will control decision-making and have the option to shirk from the preferences of elected officials (Krause 2013).

The theory of vertical insulation builds on the work of Carpenter (2001), who proposed that bureaucratic autonomy is achieved through alliances and networks that ultimately hold more power than politicians. As found by Aberbach, Rockman, and Putnam (1981: 213-226), higher level careerists have more interactions with top-level appointees, whereas lower level careerists have more communication with other bureaucrats and external stakeholders. Middle or lower level bureaucrats will also be influenced by the level of trust they have in the high-level appointees, which is dependent on the relationships between senior level executives and appointees (Resh 2015). Furthermore, bureaucrats know that they will outlast their political supervisors, and may be willing to stall, or simply ignore orders that contradict their policy preferences (Aberbach and Rockman 2000: 90). While lower level networks may be perceived as a threat to the top-level executives, attempts to constrain relationships that do not conform to the hierarchical structure are ineffective (Heclo 1978: 147).

2.1 Vertical Insulation in Government

To examine vertical insulation in government, it is necessary to use a case that represents a type of decision that is similarly made across the vertical levels within any given agency. The decisions need to be made within offices that are differentially related to the president, who sits atop the entire bureaucracy. While there has been some acknowledgement that hierarchies do exist within agencies (Carpenter 1996, Jo and Rothenberg 2014), the impact of hierarchy on decision-making has remained elusive. As such, much of the work on the influences on decisions in federal agencies have ignored how hierarchy can insulate offices within agencies from political forces.

To gain a better understanding of hierarchy within agencies, this study will examine presidential influence over government contract awards. More specifically, campaign contributions by vendors to the president will be used to determine if contractors friendly to the president receive substantially more money in contracts than vendors who do not donate.

Government contract awards are the ideal unit of study for understanding decision-making in agencies because the decisions are made within the offices that are actually going to work with the contractor once a contract is awarded. For example, if the Animal and Plant Inspection Services in the Department of Agriculture needs a contractor for a good or service, they will work with their contracting officer to issue the Request for Proposals. Once vendors have bid on the project, the proposal evaluation team is formed to evaluate both the substantive and price details of the bids. The evaluation team is made up of subject matter experts on the type of work that the contractor is expected to fulfill (Curry 2016: 165). The size of the team can vary, depending on the size and complexity of the contract. Regardless, the team that evaluates the proposal is going to be from the overall office that is acquiring the contract. Ultimately

however, it is up to the contracting officer to decide on who wins the contract. They are given the legal authority to enter into agreements with contractors on behalf of the government and are the final gatekeeper on contracts. The contracting officers are assigned to specific offices and work exclusively with those offices to manage their contracting needs. Therefore, because the decisions on contracts are being made from within the offices that will use the contractor, government contracts provide an ideal laboratory for studying influence on decision-making within the federal agency hierarchy.

Much of the work on the distribution of funds from federal agencies has centered on grants, yet grants are fundamentally different from contracts. The Supreme Court has ruled that grants are different from contracts because "federal grant programs originate in and remain governed by statutory provisions expressing the judgment of Congress concerning desirable public policy" ("Bennett v. Kentucky Department of Education," 1985).

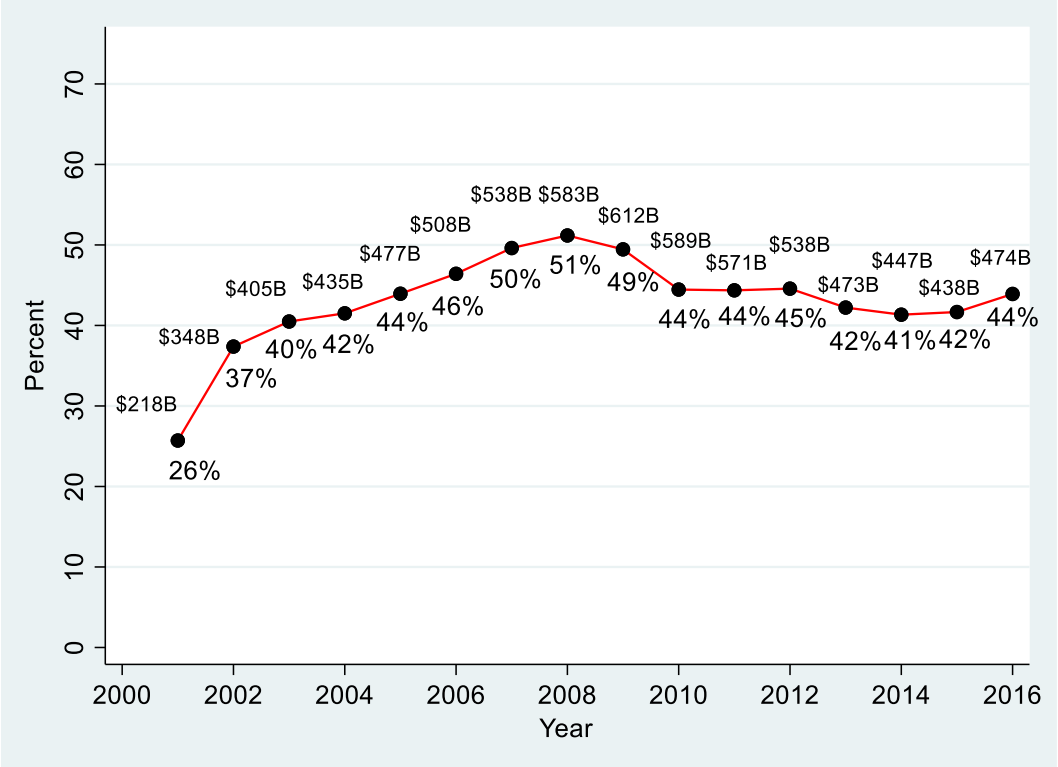
Grants are only capturing the most explicitly political decisions, whereas contracts are representative of the subtler political pressures that exist within agencies. This concept is clarified by Office of Management and Budget (OMB) Circular A-102, which defines that grants "shall be used only when the principal purpose of a transaction is to accomplish a public purpose or stimulation authorized by Federal statute" (Jackson, 1997). Grants, therefore, are created through statutes and are specifically referred to as "grants" in laws (Cooper, 2003) which are created by Congress and passed by the president. At various points during this process, whether it be through the initial introduction of legislation, amendments by committees, and amendments on the floor, both the president's supporters and other members of Congress have many opportunities to influence the structure of grants to suit their preferences.

Furthermore, the decision-point on grant awards is substantially different. While grant award decisions can be made by assigned teams of experts within an agency (Keegan 2012: 8), the criteria for competitive grants are ultimately the responsibility of the top agency official, frequently a presidential appointee (e.g., 20 U.S.C. § 10006(b) 2017[3]). The criteria for formula grants are often determined by Congress or the president's team when constructing the budget. The contrasts between grants and contracts are discussed further in Chapter 3, but fundamentally, the decisions and criteria for grants are highly centralized, whereas contracting decisions are delegated to the people within offices in the hierarchy.

Beyond the structural reasons for using contracts to examine hierarchy in the bureaucracy, it is also worth noting that government contracts represent a substantial amount of government money each year. **Figure 2-1** shows both the percent of the overall discretionary budget of the federal government that is spent each year on contracts, accompanied by the raw dollar value from 2001 through 2016. Except for a low in 2001 when only 26% (of $848 billion) of discretionary funding was spent on contracts, the percentage has been between 37% and 51%.[4] During this time period, the total amount of discretionary money each year, adjusted to 2009 dollars, is between $848 billion in 2001 to a high of $1.3 trillion in 2010. Generally, this means that the government is spending between $400 and $600 billion each year on contracts.[5] Not only are contracts an appropriate way to examine hierarchy in the federal government, but they also represent an unquestionably substantial amount of money that has gone largely unstudied.

[3] See U.S. Code: http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title20-section10006&num=0&edition=prelim.
[4] The spike in contracting and consistency over time is at least partially related to the extensive use of contractors in both Iraq and Afghanistan.
[5] Discretionary totals were gathered from the Office of Management and Budget, https://www.whitehouse.gov/omb/budget/Historicals. Dollar amounts are adjusted to fiscal year 2009 dollar using the Consumer Price Index.

Figure 2-1: Percent of Contracting in the Overall Discretionary Budget, 2001 – 2016



In order to examine the theory of vertical insulation in the federal bureaucracy, a few assumptions are required. First, it is necessary to assume that the president wants to direct federal contracts to campaign donors. There are several reasons to believe that this assumption is valid. First, in 2007 it was found that White House officials held regular meetings at federal agencies to keep the top-level appointees aware of close upcoming Congressional elections, with the intent of using the agencies to direct government funds to these districts (Smith 2007). Gordon (2011) showed that in the General Services Administration (GSA) at least, there was evidence that these briefings had resulted in the directing of government contracts to swing districts. This case sets the stage for exploring how this type of influence trickles down through offices in agencies.

Connecting the theory that campaign contributions are influencing contract awards, Witko (2011) examined a sample of contributions to federal candidates by contractors. He found that contractors who donated more money received more contracts than others. While his sample

largely looked at donations to Congressional candidates and only looked at the number of contracts rather than the dollar value, this suggests that campaign donations can influence contracting activity. These findings are further confirmed by a similar analysis done by Bromberg (2014). This sets the stage for digging deeper into the relationships between campaign contributions and contract awards, and where within agencies this type of influence is most powerful.

Using government contracting as the method for exploring the question of vertical insulation through organizational hierarchy, the general expectation is that political influence will be most clear in the highest-level offices in federal agencies, whereas this influence will decrease in subsequently lower level offices. The rationale for this expectation is that as the political messages travel down the agency hierarchy, the message becomes diluted (Williamson 1971: 28-30) and results in a lack of control. Influence in this case is perceived through significantly larger contracts for vendors who donate to the president rather compared to those that do not donate. As such, I expect that in the Executive Level offices, donors will have the largest advantages over non-donors. In middle and lower levels offices, donors should not receive the same advantages relative to non-donors as they do at the top.

In the offices located both at the top of the hierarchy and centrally located in the Washington, D.C. area, less autonomy is given to contracting officers. Instead of being the final decider on contracting decisions, senior-level contracting officers review their decisions. They generally do not overrule decisions but can make recommendations and overall review their work. Still, this represents the influence of higher-level officials that does not occur for contractors located lower in the hierarchy. Furthermore, contracting officers in high level offices reported in interviews that it was common for appointees, primarily deputy and assistant

secretaries, to show interest in specific procurement opportunities. Furthermore, it is not only appointees who seek information on contracting opportunities, but also Senior Executive Service staff. In other words, it is not only the appointees who discuss procurement with contracting officers, but also other staff above them in the agency. In some cases, there is significant reporting to the White House on contracting. One case noted in the interview was when the American Recovery and Reinvestment Act of 2009 passed, the Obama administration was very interested about how money related to the Act was being spent and received frequent reports on procurement.

It is also worth noting that contracting officers that I interviewed who are located outside of the Washington, D.C. area do not report feeling political pressure when making contracting decisions. In fact, they report barely having any contact with their Washington, D.C. related offices, except for monthly conference calls. In field level offices, the expectation might be that individual Members of Congress would seek to influence contracting decisions to benefit either their district or vendors based in their district. Yet, despite this logic, according to each contracting officer that I interviewed, this does not occur. The contracting officers themselves are required to notify offices of Members of Congress whenever a contract over $1 million is awarded to a vendor in their district, or when the work will be performed in their district, they almost never hear back from the Members of Congress. Furthermore, this communication is entirely ex post, rejecting any theory that Members are trying to influence contracting officers. This is particularly important because unlike in the higher-level offices where a given contracting officer is going to have their award decisions reviewed by higher-level officials, this process does not occur in the field offices. Instead, the contracting officers make the final decisions on contract awards for which they are responsible. Given the high levels of discretion

given to these contracting officers, it stands to reason that they will be the least influenced by politicized messages from staff higher up in the agency. This finding aligns with the work of Schmidt (1994), who found that field offices show independence both from one-another and from their overall agency.

2.2 Implications

There has been considerable work seeking to understand how politicians can use federal agencies to distribute money, both from the perspective of Congress (Bickers and Stein 1996; Bickers and Stein 2000) and the President (Kriner and Reeves 2015; Berry, Burden, and Howell 2010, Berry and Gersen 2017). While this work has helped to understand primarily that there are politicized efforts to distribute grant funding, we have learned little about the inner-workings of the agencies themselves. By considering the organizational hierarchies within agencies, this work begins to open the black box of the federal bureaucracy. Primarily, the knowledge gained is about the types of influences that drive decisions at different levels within actual agencies.

While the data and analysis in this dissertation focuses on contracting, this simply serves as a window into how decision-making occurs in offices within the organizational hierarchy of federal agencies. This has implications for how we understand the implementation of presidential policy initiatives in terms of when bureaucrats have opportunities for discretion. In times of high polarization and politicization, bureaucrats in lower-level offices can ignore politics and instead rely on their expertise to make decisions that distribute tax dollars in a way that is intended to maximize fairness and efficiency. The flipside of course, is that bureaucrats in higher-level offices face greater scrutiny from staff and appointees that are going to be influenced by the White House and a political agenda. A political agenda, of course, should not be inherently bad,

and should represent the will of the people because of their endorsement of the president. Still, when this represents itself as creating disproportionate favors for contractors who donate to the president, it is murky as to how this represents the will of the people, and instead embodies the type of political favoritism that most citizens have come to loathe. While the bureaucracy is often the focus of the ire of critics of the government and waste of taxpayer dollars, this study shows that it instead provides insulation from politically driven spending.

Chapter 3: Bureaucratic Hierarchies and Executive Control

"Once the fact is faced that the bureaucracy is not, and cannot be, a neutral instrument solely devoted to the unmotivated presentation of facts to, and the docile execution of orders from, political superiors, a more realistic picture of its problems and potential can be had. – Norton Long (1954)

This chapter will explore bureaucratic decision-making through the case of government contract distribution. Contracting decisions represent an *intragovernmental* decision to engage with the private sector to deliver goods and services either to the government or on behalf of the government. In contrast, government grants, which have been studied extensively, are *intergovernmental* decisions because they involve the distribution of funds between the federal government and other localities or institutions. Grants are intended to extend the work of the government, whereas contracts bring in private sector entities to complete the work of the government (Cooper 2003). Given the nature of grants as a way for agencies to distribute money to specific districts and states, they have become likely to be politicized by the president (Berry, Burden, and Howell 2010; Hudak 2014; Kriner and Reeves 2015) and Congress (Bickers and Stein 1996, 2000; Stein and Bickers 1994). Additionally, grants are frequently tied either to specific legislation or formulas that determine how much each state receives. As such, grants are most commonly seen as separate lines in an agency's annual budget. The fact that they are created as a separate budget item that is vetted by Congress (Jackson 1997) indicates that there is greater opportunity for influence on how these funds can be distributed, by both the president and the legislature. For example, a the specific method of how a grant is distributed, whether through a formula or through competitive bidding, is decided during the budget process. This line would be reviewed by both the president's team and Members of Congress before it is finalized. Through this process, specific details could be applied to the grant to give direction in

terms of how it can be distributed, and which states or districts would be most likely to get that money.

Contracts, in contrast, are created from discretionary funds within a given agency. As such, they are part of a lump sum that is approved by Congress and do not require specific legislative approval. Instead, government contracts are issued after an agency determines a need for service delivery that may be more effectively or efficiently provided by an outside vendor (Brown, Potoski, and Van Slyke 2006). Contracts can be parts of programs that are created by the president or Congress, but the actual decision to issue a contract, the structure of the contract, and who is awarded the contract, is not a part of the budget process. Contract decisions allow a window into how insulated decisions are made in agencies. The expectation, which will be explored through interviews in a later chapter, is that this type of insulation is pertinent to decisions beyond those made on contracts.

Despite the focus on grants and presidential influence, there is evidence of politicization of contract awards. The most notable occurrence was during George W. Bush's second term involving the General Services Administration (GSA). It was found that the White House had given explicit orders for the GSA to provide contracts to vulnerable swing districts. Gordon (2011) showed empirically that contracts were being driven to specific districts. This case highlights the mechanism that exists for the White House to deliver messages to bureaucrats to award contracts in a strategic and politicized manner.

Importantly, Witko (2011), Bromberg (2014), and Long, Hogan, Stretesky, and Lynch (2007) all find correlations that suggest that contributions to federal candidates yield more contracts for contractors. In terms of how contractors may influence distribution decisions, Leech (2006) shows that lobbying does not appear to provide additional government funding to

organizations. Similarly, Bertelli and Grose (2009) use contracts to show a connection between Senators and the Department of Defense. These projects establish the connection that exists between vendor political influence and winning contracts, but they do not consider how the organizational structure of agencies impact decision-making. Do contributions yield influence that is felt uniformly throughout an agency, or is the president's power limited and conditional on their reach within an agency? This question matters beyond the impact of contributions on contracting decisions and extends to the overall impact of political preferences over bureaucratic decisions. By opening the black box of intra-agency decision-making, a clearer picture emerges of the limitations of political influence on decision-making within federal agencies.

3.1 Government Contracting and 'Pay-to-Play'

The concept of "pay-to-play" has a long history in American politics and continues to resonate in the modern era. The attempt to regulate such behavior dates to the Hatch Act of 1939, which banned federal officials from using contracts, grants, jobs, or other benefits to compel political contributions (Bloch 2005). Specifically, the Hatch Act prohibits contributions by federal contractors to federal election candidates. The purpose of this ban is based on the intention that the "federal service should depend upon meritorious performance rather than political service" (U.S. Civil Service Commission v. National Association of Letter Carriers 1973). Yet, despite these intentions, loopholes exist for contractors to potentially influence the system.

In fact, the ban on contributions from contractors has been clarified to only apply to individual contractors, or sole proprietors of a businesses with a federal contract. Employees of contractors however, are permitted to make contributions from their own personal funds (Federal

Election Commission 2017). This clarification means that while a single owner of a contractor may not make contributions, high-level managers with personal stakes in contracts may still make contributions. In an effort to balance freedom of speech through contributions and contracting decisions made without outside influence, this loophole exists creates a mechanism for private sector influence on politicians.

The consequence of this opportunity for contractors to donate is that political factors can potentially influence government contract awards. Specifically, contractors seeking to receive benefits from contributions would target presidential candidates in the hope of influencing agency decisions during their presidency. It is important to note that campaign contributions are a proxy for other types of political influence and engagement. Companies that are awarded contracts are also more likely to be involved with the government in other ways that yield influence, such as lobbying (Leech 2006). This type of giving and access ultimately yields influence on policy decisions within government (Brown, Drake, and Wellman 2015). The implications of potential outside influence on contract awards are troubling for two reasons. First, it implies unfair competitive advantages and that government money may be wasted on vendors that are not the most qualified for a particular job. Second, due to weak monitoring of contracts at the federal level (Johnston, Romzek, and Wood 2004), there are concerns about the quality of the work, which depending on the type of contract, could have safety or security ramifications for federal employees or other members of the public.

Contracting decisions are ultimately made by bureaucrats who are imbedded within the office that will execute the contract. Contracts are not benign entities however, but rather a policy tool that can be used by public managers to purchase a good or hire personnel to support or administer a program (Cooper 2003: 11-13). While contracts were generally associated with

large programs in the Department of Defense, nearly every agency now heavily relies on contracts to complete their duties. Though contracting from the Department of Defense decreased during the Obama administration, levels of acquisition remained relatively steady in civil departments (U.S. Government Accountability Office 2017). Furthermore, the use of contractors no longer has an ideological drive associated with conservatives who believe that contractors will be more cost-efficient than government employees, and instead has become an accepted practice in American government (Brudney, Fernandez, Ryu, and Wright 2005).

In addition to considering who contracts are awarded to, it is necessary to contemplate the actually process of awarding those contracts. Through the competitive bidding process, contracting officers first determine whether a proposal by a contractor meets the threshold of acceptability based on their own standards that were stated in the request for proposal. After a list of acceptable bids is determined, the lowest price may be a determining factor in the contract decision (General Services Administration 2009). While strictly going by the lowest acceptable price would seem to limit the level of discretion by contracting officers, there is still considerable leeway provided in the Federal Acquisition Regulation (FAR). The regulations state that the lowest price is not required to be the determining factor, and instead the agency can select based on the "best value" that is provided based on their own interpretations of technical requirements and past performance of contractors. The flexibility in these regulations are sensible to prevent the government from restricting itself to only considering price, but it also increases the opportunity for discretion by bureaucrats. While bureaucrats are constrained by the limited pool of contractors to choose from in each bidding process, there is enough leeway for them to exercise discretion to select the vendor of their preference.

The contracting officers, despite their significant powers to oversee the contracting process, are not given priority in the government in terms of training, appealing career tracks, or retention strategies (Kelman 2002). The poor working environment for these bureaucrats creates the potential that they may be open to influence by other people in their agency that are not concerned with selecting the most qualified vendor for a contract. Clearly, there are serious implications regarding unfair preference in government contract awards to contractors who are not properly qualified for the work. One of the most troubling examples of this occurrence was during the George W. Bush Administration. Individuals associated with the firm Blackwater were longtime contributors to President Bush and other key Republicans during this time (Milbank 2007) and Blackwater was awarded a variety of no-bid security contracts in Iraq. Subsequently, Blackwater was responsible for a large number of civilian deaths (Hsu, St. Martin, and Alexander 2014). While this example is extreme, it represents the stakes that can be at play when awarding government contracts. Without strong enforcement and training on contracting guidelines, the environment is susceptible to manipulation of contracting awards for strategic purposes. Furthermore, contracting officers are frequently left to manage a balance between choosing contractors that fulfill technical specifications and also satisfy political demands (Hefetz and Warner 2004). Due to the sheer number of government contracts it is unrealistic that agency leadership is involved in all contracting decisions, leaving room for considerable discretion by bureaucrats. Per the theory of insulation, it is also expected that presidential preferences influenced by campaign contributions will be most evident at higher levels, when the contracting officers are most closely connected to agents near the president.

Therefore, given the importance of contracts to a particular office and the localized nature of contracting decisions, contracting choices have the potential to reveal whether these decisions

are influenced relative to their position in the agency. The insulation of this decision-point allows for significant discretion, creating the potential for bureaucrats to avoid politicized decision-making. Utilizing this mechanism, we can see specific agency influences at different levels based on to whom contracts are awarded. If they are making decisions in such a way that is insulated from presidential control, then it raises questions of public accountability versus trusting the expertise of career bureaucrats.

The motivations of the Executive Level agency leaders are straightforward if it is found that they are giving preference to contractors that have donated to the president: they want to keep their jobs. This can hold true for both appointees and Senior Executive Service employees. As noted previously, while they may not be easy to terminate, careerists can be transferred or otherwise have their role minimized or eliminated (Lewis 2008). This represents an incentive system between a political actor and bureaucrats where high-level bureaucrats succumb to political motivations to maintain their positions.

The motivations of lower-level bureaucrats, if they do in fact have discretion, are more complicated. There are two primary reasons why bureaucrats may want to distribute contracts to specific contractors. The first rationale is the intent of the rules over contracting decisions, where contractors are selected based on their merits and anticipated ability to execute the contract effectively. Bureaucrats would then be motivated by the quality of their work and building a positive reputation within the agency (DiIulio and DiIulio 1994). The focus on delivering quality work would also be connected to motivations of advancement within the government.

The alternative scenario is one where bureaucrats develop relationships with contractors and deliver contracts in the hope of securing lucrative employment outside of the government. In other words, the lower-level bureaucrats are no nobler than their counterparts at the top of the

hierarchy, but rather than rewarding campaign donors, they are using contracts as a mechanism for their own personal gain. While private businesses do value the contributions of people with inside knowledge of the contracting process, the legal limitations and penalties[6] that exist for government employees who enter the private sector create a deterrent for this type of behavior. (Wright 2013).

The specific mechanism that this study explores is whether campaign contributions to the president drive contracting decisions at the highest levels of agencies, and if this influence dissipates in lower levels of the hierarchy. Previous work has shown that presidents wield significant influence over agency distribution, and this study extends this concept to consider how campaign contributions influence agency management. Furthermore, by considering hierarchy as an extension of centralization (Moe and Wilson 1994), this study is exploring the depth of presidential reach into the hierarchical structure of agencies. Given the structure of agencies, any decision occurring at the highest levels will be more susceptible to presidential control. This works hand-in-hand with the politicization of agencies (Lewis 2008), though most of the appointees are concentrated in the higher levels of government. As such, the mechanism of hierarchy suggests that there is more to agency decisions than simply how many appointees are in each agency, but also where in the agency hierarchy decisions are made.

Presidents are incentivized to reward contributors to encourage future donations, both for themselves and for their party. This influence however is strongest at the highest levels of agencies due to the politicized nature of these offices. In Executive Level offices, the small and transient networks will be heavily influence by the information that they receive directly from the White House. The most transparent example of this occurring was when a member of the

[6] U.S. Office of Government Ethics: https://www.oge.gov/Web/oge.nsf/Resources/After+Leaving+Government

George W. Bush administration met with appointees in the General Services Administration and encouraged them to award contracts to vendors in key congressional districts (Gordon 2011). In lower-level offices, as found in the Forest Service by Sabatier, Loomis, and McCarthy (1995), entrenched careerists carry more influence, and thus will have their own motivations and knowledge base to inform contracting decisions. Examination of this process has the potential to answer two questions. First, does the president's influence decrease in the lower-levels of agencies? Second, can contractors buy their way into the government through campaign contributions? The expectation is that the provision of contracts to donors will be greater as one moves up the organizational hierarchy and the decisions are closer to the key decision-maker, the president. Specifically, the first test will be that donors in general will receive more money, regardless of how much they give. This will determine if there is generally an advantage to being a donor, regardless of the amount of money that is donated.

Hypothesis 1: *Higher level offices in the bureaucratic hierarchy will provide larger contracts to presidential donors, regardless of the amount of the donation, than in the lower levels.*

In addition to considering generally how campaign contributions may influence contracting decisions, it is also important to consider when the contributions will have the greatest impact during a presidential term. One potential scenario is that contracts rewarding donors would follow a political business-cycle. While not looking at the impact of campaign contributions, Mayer (1995) found that civilian agency contracts are awarded closer to presidential elections and primaries. Extending this idea to how campaign contributions impact

awards, the expectation is that as an election approaches, the president would want to reward donors from the previous election to encourage additional contributions.

In addition to the political advantages of rewarding donors in this way, this is also a more practical expectation. The bidding and decision processes take time, and the larger the projects, the longer it takes (Kelman 2005: 16). Therefore, donors to the recently elected president do not necessarily receive advantages right away, and instead those advantages are distributed over the coming years on contract bids that are made after the term begins. Most specifically, the expectation is that this influence will be strongest in the highest-level offices, but the electoral cycle will play a lesser role in lower level offices. The eight years of the presidential term are used to look for potential changes in the lead up to an election year, and the election year itself, along with mid-term elections. While analysis could be done that focused only on election years, this would ignore the possibility that advantages are given to donors in the lead-up to elections when the reminder of the value of their donations might be most needed by a president who is again raising money.

Hypothesis 2A: *The influence of campaign contributions by vendors will increase over the duration of eight years of a president's term in Executive Level offices.*

An alternative hypothesis is that there is also the potential for diminishing returns on the investment over time. Shortly after a presidential election, the president will be most indebted to the donors who helped to put her in office. Additionally, appointees throughout an agency will be expected to be most loyal immediately after their appointment. Over time however, it is possible that the relevance of both the campaign contribution and the appointment will wane.

The president will become focused on other issues of policy and politics, and the appointee will become more interested in the overall goals of their agency, with the potential of even "going native" and siding with the agency mission over the president's preferences (Wilson 1989: 199). As such, the competing hypothesis is:

Hypothesis 2B: *The influence of campaign donations by vendors will be seen close to the presidential election, in years one and five of an eight-year term.*

If this is correct, then we will see the greatest impact of campaign contributions in the year immediately after an election, with a lessening effect over the four years of the administration. The impact of contributions will decline fastest at the lowest levels, where the decision-makers are more insulated from the president, whereas the decline will be slower at the highest levels. If there is a diminishing return on the influence of campaign contributions by vendors, it suggests that over the length of a presidential term, there are increased opportunities for offices within agencies to engage in greater discretion from political influence.

3.2 Data and Methods

The data on government contracting come from USASpending.gov a website maintained by the Department of Treasury's Bureau of Fiscal Services. USASpending.gov provides information on contracts in each agency from the 2000 fiscal year to present. The analysis in this chapter will use data from fiscal years 2001 through 2016. Every possible contract during this

time is included in the analysis, yielding 17,315,587[7] observations.[8] Within this set of observations, 1,298,074 contractors are present.

This dataset contains several useful categories of information.[9] First, the data includes the department[10], agency, and office from which a contract originates. This allows for a more precise understanding of the hierarchy within agencies and where these decisions are occurring. The dataset includes 66 departments, independent agencies, and commissions, and 10,091 offices. The signing date for each contract is included, which is critical for evaluating when political influence may take place. Additionally, the place of performance of most contracts is included with the information, nearly always listing the state, and often the congressional district as well. The amount for each contract is listed. For the purposes of analysis, the obligated amount of funds for each contract is utilized. Due to a large variation in the size of contracts, the natural log of this value is used to normalize the data. Thus, the dependent variable for the analysis is the logged value of each individual contract.

Additionally, the vendor for each contract is listed, along with information about their location, and some details about their company. For this analysis, the natural log of the number of contracts won by a given vendor will be used to control for the size of companies in the analysis. In order to account for the possibility that only one contractor bid on a given contract versus competing with others, a dummy variable is included that accounts for whether there were multiple offers on a specific bid.

[7] The full dataset contains information on 23,802,281 contracts, but due to fields relating to congressional district being omitted from the Congressional data, only contracts that include information for each variable is included in the analysis.
[8] The data from USASpending.gov is provided in the form of transactions rather than by individual contracts. In order to consolidate by contract, the records are collapsed by the unique procurement instrument identifiers (PIID).
[9] See **Figure A1** in the appendix for a sample contract.
[10] See **Table A1** in the appendix for a listing of each department included in the dataset.

The classification of offices in departmental hierarchies is completed using a three-level scale. Contracts that originate from top level offices on an agency organizational chart in departments are classified as level one, or Executive Level. These are offices that are minimally removed from the secretary's office and as such are more vulnerable to political influence. In most cases, these are offices that are either coded as the secretary's office, or as coming from an Executive Level office, agency, or bureau within a department. They are often represented by assistant or deputy secretaries, or by directors that answer directly to an overall agency secretary. Level two offices are those in the lower levels of agencies on the organizational chart, and as such are more insulated from influence. These offices exist in the agency hierarchy, but are physically located in or around Washington, D.C., but are hierarchically distant from assistant and deputy secretaries or directors. Level three offices are field offices, so they are both removed in terms of the organizational hierarchy, and also geographically from the central offices of the department. Prior research has shown that field offices tend to show independence from their overall agency (Schmidt 1994).

As an example of how the agency hierarchies were categorized can be seen through the Department of Agriculture. The Animal and Plant Inspection Service is labeled as an Executive Level office because it is under the direct supervision of a high-ranking Senate-confirmed presidential appointee, the Under Secretary for Marketing and Regulatory Programs. Within this agency there are several offices that are centrally located but are lower in the overall Department of Agriculture hierarchy. For example, the Animal Welfare office is under the Animal and Plant Inspection Service and thus is considered a Level 2 (or Managerial Level) office because it is a lower level office within an agency. Beyond their headquarters in Maryland, the Animal Welfare office has several field offices around the country. These offices, such as the Fort Collins,

Colorado office, would be considered Level 3 offices because they are both hierarchically and geographically at the bottom of the organization.

In addition to the levels, Selin's (2015) second dimension measure of agency insulation from political review is used as a control. This measure is based on statutory design requirements of agencies and informs about agency-level insulation that allows for comparisons between agencies, but not within. Furthermore, for the most part the ratings are fixed in time and thus do not represent structural changes in agencies that have occurred over time. This measure is also included in lieu of agency-fixed effects, which would be redundant due to the fixed nature of the measure over time for agencies.

A counterargument to the suggestion that hierarchy is a decisive factor in presidential influence in agencies is that control can be better understood through politicization throughout departments and agencies. Due to the granular office-level information needed for this data, the best source is the United States Policy and Supporting Positions (or "The Plum Book"), which is made available every four years.[11] Though not perfect, the position listings for each office in a given Plum Book are applied to that year and the previous three years. Therefore, the appointees for offices in the 2004 Plum Book are applied to 2001 through 2004. In other work that considers politicization, a ratio is used to show the amount of politicization in a given agency or bureau (Lewis 2008; Berry and Gersen 2017). In this case, due to the office-level nature of the data, a binary indicator will be used to show if there is an appointee in that office. The types of positions that are considered appointees are Senate confirmed appointees, noncareer SES, positions filled

[11] The Office of Personnel Management was contacted about providing annual, detailed data about office-level staffers in July of 2017. As of now, to protect the privacy of their employees, they do not supply location-level office data when there are fewer than four appointees of a particular category in a given state. Unfortunately, this is the case for most offices outside of the Washington, D.C., Virginia, and Maryland area.

by limited emergency or limited term appointments, positions subject to presidential appointment without Senate confirmation, and positions filled by Schedule C excepted appointment. The expectation is that despite the presence of occasional appointees in middle and lower level offices that they will have little impact on contracting decisions. The appointees in these offices, with the exception of U.S. Attorneys, are not Senate approved, and instead are most likely to be Schedule C appointees, who receive lower pay and are not likely to have managerial duties (Lewis 2009). Additionally, Schedule C appointees generally are vetted by the national committee of the president's party, leading to the potential that they are patronage positions (Lewis 2008: 24). Therefore, it is thus assumed to be unlikely that Schedule C appointees are making substantial impacts on decision-making in hierarchically insulated offices where the management is controlled by career bureaucrats. From an organizational perspective, they are also more likely to be susceptible to information asymmetry problems, where careerist experts are able to persuade them against the president's preferred position.

In order to determine whether campaign contributions influenced contracts, federal contribution data by individuals and PACs to presidential candidates was gathered from the Federal Election Commission (www.fec.gov). For the analysis presented in this chapter, contributions from the 2000, 2004, 2008, and 2012 election cycles are used.

To match individual contributions to contractors, the first step involved using the employer field that is required when making a political contribution. Next, the "Fuzzy Match" algorithm in Microsoft Excel[12] was used to match to the names of federal contractors during the time period being analyzed. The matching was used to help funnel out non-matches, but could not be trusted to accurately make the connections. Thus each match above an 85% similarity was

[12] There are methods to do a "Fuzzy Match" algorithm in Stata as well, though after many attempts to use these, none matched the accuracy of the Excel version.

checked individually to determine accuracy. From this process, it was found that there were 7,753 individual donors to George W. Bush in 2000 that won contracts between 2001 and 2004, 12,527 donors to George W. Bush in 2004 that won contracts between 2005 and 2008, 11,768 donors to Barack Obama in 2008 that won contracts between 2009 and 2012, and 10,647 individual donors to Obama in 2012 for contracts that were won between 2013 and 2016. The average cumulative value of individual donations from employees at a vendor to Bush in 2000 was $4,433, $4,074 in 2004, $9,823 in 2008 to Obama, and $7,675 in 2012. The donations from a given election are then connected to the subsequent four years of contracts. For example, donations to President George W. Bush in 2000 are matched to contracts in 2001, 2002, 2003, and 2004. This created the first large scale matching of campaign contributors to government contracting. By using the full universe of contracts and contributors rather than a subset, this data has the potential to reveal considerably more information about outside influence on decision-making in a variety of federal offices.

In addition to individual donations, Political Action Committee (PAC) donations were also matched to vendors. It should be noted however that these are only relevant for contracts from 2001 to 2008 because President Obama did not accept PAC donations in either of his presidential campaigns. Using the same matching protocol as was used for individual contributors, the companies associated with PACs were matched to vendors for the appropriate time period. In 2000, 1,468 vendor-related PACs donated to President Bush, with an average of $3,386. In 2004, 2,348 vendor-related PACs donated to Bush, at an average of $4,045. The individual and PAC donations are combined in the analysis to represent the total amount of money that was donated to eventual presidents by vendors. Additionally, the natural log of the number of donations made to the winning and losing candidate respectively are included. This is

intended to account for companies that are donating many times to candidates, while also parsing out whether or not it is more beneficial to be on the winner's side.

Ordinary least squares with robust standard errors (clustered by agency) are used to analyze the data. The model is set up to test first whether presidential donors are more likely to be observed in the Executive, Managerial, or Field Office levels of departments. There are several controls included with this model. As noted previously, a politicization variable is included. Additionally, an indicator is used to identify contracts that are worth $7 million or more. This is used because according to Federal Acquisition Regulations, there are different procedures required when a contract is worth above this threshold. This is also included to control for large contracts. Chapter 5 will dig deeper into the relationship between the size of contracts and donations from vendors. An additional control is included using the natural log of the total number of contracts won by a given contractor during a four-year cycle. This is meant as a control for large companies that win a substantial number of contracts. In addition to these controls, fixed effects for year, the congressional district associated with the vendor's location, and the department that is awarding the contract. The level variable is structured as categorical, with the third level set as the reference category. In other words, a dummy variable is included in the equation for level one and level two offices, but not the level three offices. Thus, the basic form for the model with interactions between levels and presidential donors is a semi-logarithmic equation:

$$\ln(ContractAwards) = \beta_0 + \alpha_{t-1} + \delta_i + \beta_1 Donor_t + \beta_2 Level1_i + \beta_3 Level2_i + \beta_4 \left(Donor_t \times Level1_i\right) + \beta_5 (Donor_t \times Level2_i) + X_{ijt}\Phi + \varepsilon_{ijt}$$

The dependent variable is the log value of each individual contract. The fixed effects for the fiscal year are represented by α_{t-1} and are lagged by one year to account for the delay in the

time that it takes for contracting decisions to be made after the bidding process begins. There are additional fixed effects for the congressional district of each vendor associated with each individual contract, represented by δ_i. The primary variables of interested are represented by the coefficients for whether the winner of a contract was a donor to the president[13], and from which level in the hierarchy the contract originated. The interaction between the donor status and level locator (β_4) is the focus of the first analysis. The constant is included in each model is represented by β_0. Additionally, a vector of covariates X_{ijt} with coefficients represented by Φ are included in the equation.

These covariates are based on of the work on grants, which has examined whether characteristics of the member of Congress representing a district influences this distribution (Berry and Gersen 2017; Kriner and Reeves 2015). To determine if these are also a factor in contract distribution, several will also be included as explanatory variables. These include whether the representative of a district where a contractor is based is a member of the president's party, a member of the House Committee on Ways and Means or Appropriations[14]. Similarly, indicators are included for whether the member is a chair of any committee or is the ranking member of any committee, to determine if these leadership positions yield beneficial practice for contracts in their districts. It is also noted whether a representative is a member of the majority

[13] In the manuscript analysis, the donor variable is binary, noting whether a vendor is a donor or a non-donor. See **Table A-4** and **Figure A-6** in the appendix for additional analysis where an ordinal donor variable is used. For this robustness check, donors are separated as either being non-donors, between $1 and the median donation amount ($3,000), and then above the median. The results show that across the three office levels, non-donors are significantly different than both types of donors, but the two donor types are not different from one-another.

[14] Data gathered from: Charles Stewart III and Jonathan Woon. Congressional Committee Assignments, 107th to 114th Congresses, 2001—2016.
http://web.mit.edu/17.251/www/data_page.html accessed: 1/19/2017

party. Additionally, to build off of the work done by Gordon (2011) which showed targeting of close congressional districts by the GSA, a variable indicating whether a congressional district experienced a close election (difference of less than five percentage points between the top two candidates)[15] in the previous election is included to determine if funds may be strategically directed to competitive districts.

It should be noted that there is also potential to look at where the contracts are actually performed, rather than the district of the vendor. For this analysis, the theory is that if the president wants to provide benefits to a specific congressional district, then the financial benefits of the contract will occur where the vendor is located, rather than where the work is technically performed. Unlike grants where the location of performance of funding is what ultimately matters, the money for a contract is at least initially delivered to the prime contractor before any localized subcontracting occurs.

3.3 Results

Before looking at the analysis, it is helpful to get an understanding, at a high level, of the data. The key element of the analysis is the assignment of the levels to offices that generate contracts within agencies. Of the total 17,315,847 contracts in this analysis, 17.26% are categorized originating in Executive Level offices, 34.67% are in Managerial Level offices, and 48.07% are from Field Offices. The distribution of these classifications is not surprising as there

[15] Data for 2001-2012 gathered from: Alexander, Dan; Berry, Christopher R.; Howell, William G., 2015, "Replication Data for: Distributive Politics and Legislator Ideology", doi:10.7910/DVN/VR12G4, Harvard Dataverse, V1, Accessed: 3/13/2017. Data for 2012 – 2016 gathered from www.ballotepdia.org, accessed July 15, 2017.

are large quantities of smaller contracts that are delivered from field offices in agencies such as Veterans Affairs. The largest contracts are awarded at the highest level of agencies, at an average of $389,345 per contract, the second most at the bottom level of agencies with an average of $347,524 per contract, and the Managerial Level (Level 2) offices award an average of $189,754 per contract. These averages however are heavily skewed because of the size of the largest contracts. The median values are much more informative of what will be observed in the final results. The median Executive Level (Level 1) contract is worth only $8,108, compared to the median Managerial Level (Level 2) contract which is worth only $441, and the median Field Office (Level 3) contract which is worth $5,275.

It is worth noting that the Department of Defense represents 26.54% all contracts during this time period[16], with the General Services Administration awarding 30.56% of all contracts, and the Department of Veterans Affairs awarding 21.58%. All other agencies individually represent less than 10% of contracts.

Table 1 presents three models, starting with the baseline model. It is important to note again that Level 3 Field Offices are omitted from the results and instead acts as the reference category relative to the other two higher levels. Additionally, the results are exponentiated due to the semi-logarithmic functional form of the models. From the baseline model, we see confirmation of the general value of the contracts, in that contracts awarded at Executive Level offices are the largest, and contracts awarded at Managerial Level offices are the smallest. Across all three models, Selin's agency insulation measure suggests that as agencies generally become more insulated from political review, when controlling for all other factors, the value of

[16] See the Appendix, **Tables A-2 and A-3**, and the associated figures for results omitting all Department of Defense Contracts. The Department of Defense has a long history of contracting out for goods and services, which theoretically could make it more susceptible to political influence. The results omitting these contracts show that the findings are robust even without Defense contracts.

contracts decreases. This finding is expected as larger agencies, such as Defense, are not insulated and engage in a considerable amount of contracting, whereas more insulated agencies and commissions will generally engage in less contracting as they are responsible for fewer programs and implementation of policies.

Looking at Model 2 which includes the interaction terms between vendors that donated to the president and the levels of contracts, for Executive Level (Level 1) contracts associated with donors, being a donor represents a 23.93% increase in the value of contracts relative to Field Office contracts for donors, though these findings are not significant ($p = 0.125$). In contrast, donors who win contracts in Level 2 offices receive contracts that are significantly 11.13% ($p = 0.006$) smaller than those in field offices.

Model 3 includes additional political controls, though the results remain consistent. The relative differences between the levels change slightly, but only marginally. Again, the difference between the value of contracts for Executive (Level 1) donors relative to Field Offices (Level 3) donors is not significant ($p = 0.130$). Managerial Level (Level 2) donors receive contracts that are 12.21% smaller than donors who receive contracts in Field Offices (Level 3).

It is more informative to examine the marginal effects, because then the differences between donors within levels can be examined, along with the size of the differences between levels. When back-transforming logarithmic values to dollars, the result is the geometric mean as opposed to the arithmetic mean. Geometric means are found to be less sensitive to extremely large values, making it preferable when looking a dataset such as this with outliers (Olivier, Johnson, and Marshall 2008).

Figure 3-1A presents the predictive averages for Model 3, as represented by the geometric mean for contracts at each level of government, separated by contracts awarded to

donors and non-donors. We see that donors who win Executive Level contracts are awarded substantially more money than non-donors. In Executive Level offices, donors receive contracts that are, on average, worth $10,307, compared to non-donors, who receive contracts worth $5,379. The standard errors suggest that there is not a significant difference between these values, though it should be noted that the errors are not symmetrical due to the exponentiation required to transform the errors to a dollar value. A t-test between the marginal effects for donors and non-donors in Executive Level offices show that they are significantly different from one another ($p < 0.001$). In other words, donors are receiving contracts that are nearly twice as large as non-donors, though the actual value of contracts is quite small.

In Managerial Level offices, the advantage still exists for donors, though the difference is subtler. The geometric mean for contracts from Managerial Level offices awarded to donors is $2,156 whereas for non-donors, it is only slightly lower at $1,589. While the difference between these values is significant ($p < 0.001$), in absolute terms, it is only a difference of $567. In the lowest level offices, donors receive contracts that are on average worth $3,233, compared to $2,092. Again, the difference between these values is significantly difference ($p < 0.001$), and in absolute terms is larger than mid-level contracts ($1,141) but is still relatively small compared to the difference in the Executive Level offices.

Figure 3-1B presents the marginal effects for Model 3, showing the marginal effect of being a donor relative to a non-donor by each level. Due to the semi-log nature of the equation, with the natural log of contract amounts as the dependent variable, the marginal effects can be interpreted as the percent change when there is a one-unit increase. The largest effect, as predicted, is in the contracts originating from Executive Level contracts, where donors receive contracts that are 0.66, or 66%, larger than non-donors. The smallest effect occurs in the

Managerial Level contracts where donors still earn contracts that are 32% larger than non-donors, and the Field Level contracts show that donors are awarded contracts that are 45% larger than non-donors.

Two notable results from Model 3 are that both vendors located in districts represented by the president's party and those that experienced a close election during the previous cycle receive significantly larger contracts than average. Vendors from districts represented by the president's party receive contracts that are 12.28% larger than those who are represented by the opposing party. Additionally, vendors from districts that recently experienced a close election receive 17.85% larger contracts than those in safe districts. These results are interesting for a variety of reasons. Though not the purpose of this chapter, this confirms findings by Berry, Burden, and Howell (2010) and Hudak (2014) that focus on the influence of the president in the distribution of federal funds (though those works focused on grants). Similarly, this suggests that Gordon's (2011) findings regarding political direction of contracts was not isolated, but in fact may be a practice that spans across agencies.

Table 3-1: Testing Vertical Insulation Theory Using Contract Amounts			
Covariates	**Baseline (1)**	**Interaction Terms (2)**	**Political Controls (3)**
Vertical Insulation			
Presidential Donor	54.61***	54.17***	54.50***
	(6.96)	(7.050)	(7.287)
Level 1 Contract	159.9***	150.0***	157.0***
	(23.30)	(23.92)	(24.36)
Level 2 Contract	-25.20*	-24.44*	-24.04*
	(15.77)	(15.78)	(16.15)
Presidential Donor *Level 1 Contract		**23.93**	**24.01**
		(14.81)	**(15.07)**
Presidential Donor *Level 2 Contract		**-11.13*** **	**-12.21*** **
		(4.23)	**(4.021)**
Agency Controls			
Agency Insulation	-98.34***	-98.34***	-98.31***
	(145.9)	(146.0)	(152.1)
Politicization	-53.63**	-53.41*	-54.03*
	(51.52)	(51.33)	(51.01)
Contract Controls			
Multiple Bids	86.07***	85.22***	84.48***
	(25.43)	(25.32)	(24.64)
Quantity of Contracts for Vendor (ln)	-19.22***	-19.22***	-19.08***
	(7.07)	(7.06)	(6.89)
Indicator if Contract is Over $7 million	86,734.66***	86,501.05***	86,004.43***
	(21.05)	(21.13)	(20.71)
Donor Controls			
Number of Donors to Winning Candidate (ln)	25.96***	24.82***	24.48***
	(3.83)	(3.74)	(3.89)
Number of Donors to Losing Candidate (ln)	5.87*	5.68	4.72
	(3.27)	(3.90)	(4.50)
Political Controls			
Unified Government			45.02
			(92.33)
District Represented by President's Party			12.28***
			(5.53)
Member of Appropriations			12.60*
			(6.28)
Member of Ways and Means			-11.13
			(8.55)
Member of House Majority			2.162
			(10.94)
Committee Chair			-1.74
			(6.76)
Ranking Member			-21.22**
			(12.62)
Close Election			17.85***
			(4.37)
Constant	28,582,828***	27,544,310***	24,591,616***
	(78.42)	(81.79)	(76.47)
N	17,315,768	17,315,768	17,315,768
R-Squared	0.4816	0.4818	0.4829

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. As such, they represent a percent change in contract value with a one-unit increase for a given covariate. *** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 3-1A: Contract Size by Levels, Donors, & Non-Donors

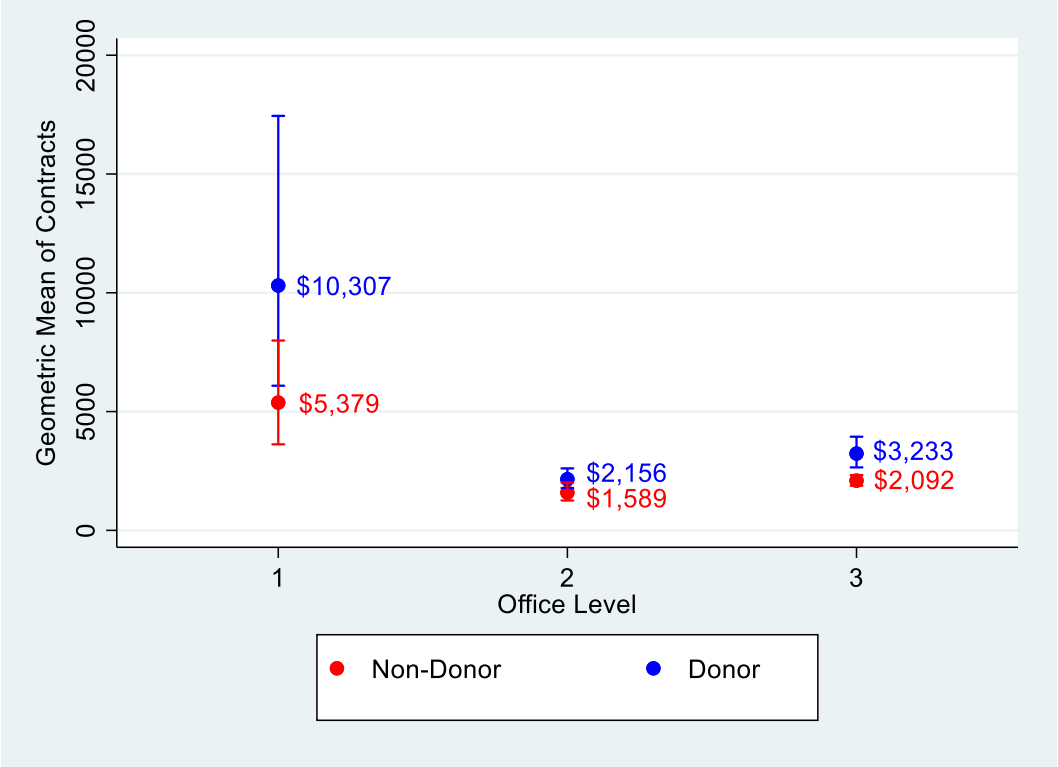
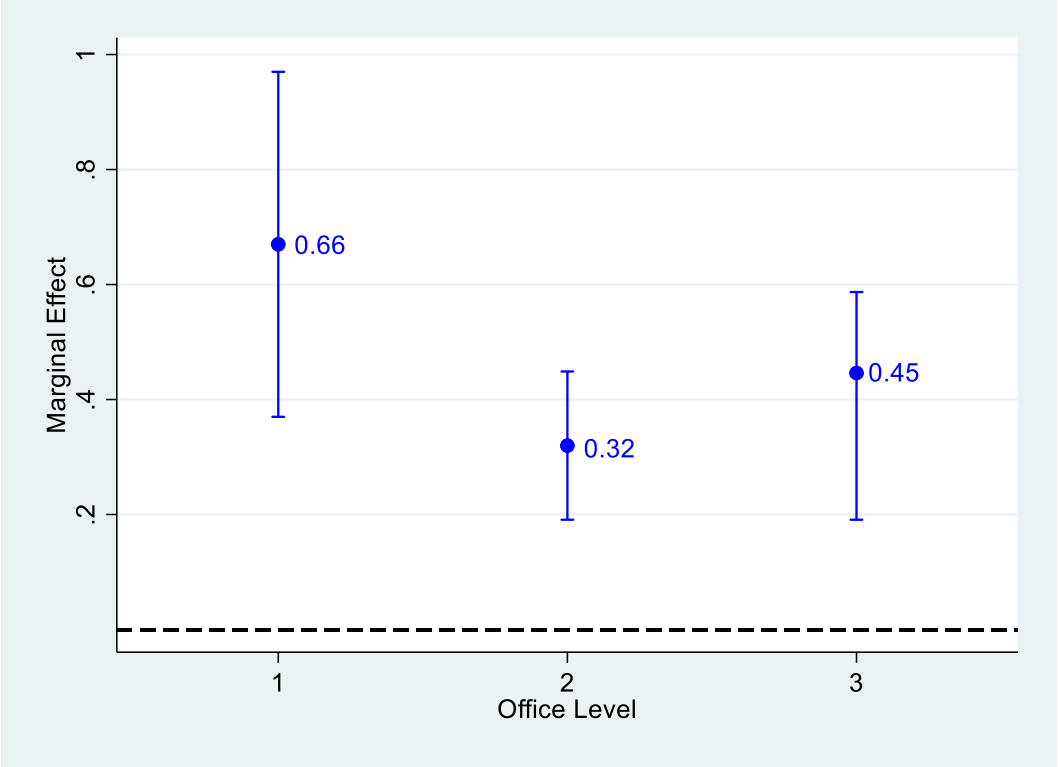


Figure 3-1B: Marginal Effect of Donor by Level



The next models examine whether the advantage of vendors donating to the president diminishes over time (Table 3-2).[17] This is accomplished by interacting the presidential donor, office level, and year variables, with the first year of an eight-year presidential term as the omitted reference category in the equation. An eight-year term is used because both presidents included in the sample, George W. Bush and Barrack Obama served two terms.[18] The key explanatory variables are looking specifically at contracts associated with donors, at different levels, during a given year of a presidential term. Again, the expectation based on the second hypothesis is that donors will receive minimal advantages in the first year of a presidential term at any level in the hierarchy for two reasons. First, from a political perspective, it is more important for the president to exert influence over contract awards closer to a presidential election. This reminds the contractors that their donations were effective, and it would be beneficial to donate again. Additionally, due to the time that it takes for contracts to be processed from bidding to award, the actual infiltration of political influence will take time to impact new awards during an administration. In lower level offices the expectation is that the political effects of the contributions will not be evident due to insulated nature of the offices.[19]

---

[17] See **Figure A-2** in the Appendix for the same results, sans Department of Defense contracts. The absolute value of the contracts is reduced, which is expected because of the overall higher value of Defense contracts. The robustness of the findings holds however, because the ratios between the Donors and Non-Donors at each level are nearly identical. For Level 1 contracts in the manuscript models, donors receive contracts that are 1.92 times larger than non-donors. Without Defense contracts, donors still receive contracts that are 1.83 times larger than non-donors. For Level 2 contracts, the ratio changes from 1.36 to 1.32, and for Level 3 contracts, it changes from 1.55 to 1.52 for donors over non-donors.

[18] See **Figures A-7, A-8, and A-9** in the Appendix for the same analysis but using four-year terms. An examining of these results show significant advantages for donors compared to non-donors in the third and fourth years of presidential terms in Executive Level offices. Donors do not receive significant advantages in any of the four years from Managerial Level offices. In field offices, donors receive advantages in the third and four year of presidential terms, but the actual dollar value advantages are minimal.

[19] See Appendix **Table A-6** and **Figures A-10, A-11, A-12** for a variation of the Political Model that includes a triple interaction between Level, Presidential Donor, and Agency Insulation (Selin's 2nd Dimension measure). The findings are consistent in that as the amount of agency insulation increases, the value of contracts for both donors and non-donors decreases. Wald tests show that in Levels 1 and 2,

Model 5 presents the results of a model similar to Model 2, except with the additional interaction with the fiscal year variables. Model 6 is similar to Model 5 except that it includes additional political controls. In Model 5, it appears that in years seven and eight of a presidential term, donors who in contracts in Executive Level offices receive contracts that are 87.69% larger and 90.88% larger than in the equivalent Field Offices. These results, however, only weakly remain consistent in Model 6. In Managerial Level offices, the only significant finding is that in the fourth year of a term, donors receive contracts that are significantly larger than field offices. Ultimately however, the marginal effects explain more about what is going on within each level between donors and non-donors, rather than exploring what is going on between levels.

Before moving to those results, it is worth two variables that continue to be significant across each model. As in Model 3, in Model 6, contractors who are located in a district represented by a member of the president's party receive contracts that are 29.32% larger than those who are not in a district represented by the president's party. Additionally, similar to Model 3, contractors located in districts that recently experienced a close election receive contracts that are 16.38% larger than those who are in safer districts. These results indicate that the government is funneling government contracts to districts where the member of Congress is loyal to the president or may face close elections in the near future. This is noteworthy because

donors have significant advantages over non-donors at every quantile of the agency insulation measure, except for the 99th percentile of most insulated agencies. For Level 3 contracts, donors have significant advantages over non-donors in each percentile, including the 99th. These findings suggest that agency insulation is not a key determinant of whether donors receive advantages over non-donors, since this occurs at nearly every amount of agency insulation. Evidence of agency insulation being the key factor would be if the differences between donors and non-donors become increasingly less significant as agency insulation increased. Except for at the most extreme levels of agency insulation, this does not occur. This is likely because the measure of agency insulation is mostly at a department and agency level and is not able to explore deeper within the office hierarchy of agencies. It is still a key variable, but the level indicators provide important information about the influence of hierarchy relating to the influence of campaign donors in agencies.

while grants are easily politicized, there are many regulatory safeguards in place to protect contract awards from this type of distribution. Despite these safeguards, it is clear that vendors in these districts are receiving more money due to their status, raising serious questions about the effectiveness of the contracting guidelines that are intended to keep the process nonpartisan.

Figure 3-2A presents the predictive average contracts across the eight years of the two-term presidents for donors and non-donors winning contracts from Executive Level (Level 1) offices. For the first five years of a presidential term, donors do not receive significantly more money than non-donors. In fact, in the first year, the values are nearly identical. This result is what is expected if contracts are being awarded properly to vendors without considering the political connections of the contractors. In year six, however, the trend changes. In the sixth year of a presidential term, on average, donors receive contracts that are worth $25,039, compared to only $11,110 for non-donors. This difference is statistically significant ($p = 0.0034$). In year seven, while the values of contracts are smaller, the relative difference between the values is larger. Donors receive contracts that are worth, on average, $7,268 compared to non-donors who receive contracts worth only $2,673. Again, the difference between these values is statistically significant ($p < 0.001$). In other words, donors are receiving contracts that are 2.72 times as large as non-donors.[20]

The findings from Executive Level offices do not necessarily follow an electoral cycle, in that if a president and his administration were trying to use contracts to reward donors for political purposes, the effects would be strongest closer to key elections, either at the mid-terms

[20] See **Figure A-3** in the appendix for the results omitting all Department of Defense contracts. While the results are slightly more modest without Defense contracts, the general patterns hold. Donors still receive significantly larger contracts from Executive Level offices in years six, seven, and eight of an administration. In the sixth year, the contracts are 2.07 times as large for donors, in the seventh year, donors receive contracts 2.24 times as large, and in the final year, they still receive contracts that are 2.57 times as large as non-donors.

or before their reelection. Instead, we see a surge in the advantages for donors at the end of the term. There are two possible explanations for this result. First, after a majority of their administration has passed, the appointees in the agencies have developed relationships with the contractors and know which ones they want reward contracts. This finding is bolstered by interviews with contracting officers within federal agencies, who say that past performance is an important factor when making contracting decisions. Furthermore, the vendors that won contracts during the first term may feel compelled to donate to the reelection campaign, which reinforces their status as a known entity in the second term. The second explanation is that in the second term of a presidency, there are fewer risks in terms of the optics of rewarding political friends due to the lack of a threat of reelection.

Figure 3-2B shows the marginal effect of the donor advantage across the eight years of a presidential term for Executive Level contracts. The pattern of advantage for donors is more clear, where there is not a significant advantage for donors in the first two years of an administration, but this grows to a 22% advantage in years three and four. It dips again in year five, but then skyrockets to 81%, 101%, and 111% in years six, seven, and eight respectively.

Figure 3-3A presents the results of Level 2 contracts for donors and non-donors across the eight years of a presidential term. A similar, though less dramatic pattern emerges. During the first year of an administration, non-donors actually receive significantly more money than donors (Non-donors: $5,579, Donors: $5,070; $p < 0.001$). In year four, donors receive significantly larger contracts than non-donors ($p = 0.010$), but the absolute difference is quite small, with donors receiving contracts that are worth $1,048, and non-donors receiving contracts worth $788. In years seven and eight, the difference between donor and non-donors contracts are statistically significant (Year 7: $p = 0.097$; Year 8: $p = 0.011$), but again the actual differences

are relatively small. In year seven, donors receive contracts that are worth $1,008 compared to $642 for non-donors. Similarly, in year eight of the presidency, donors received contracts worth $1,239 on average, compared to $670 for non-donors.[21] Similarly, **Figure 3-3B** shows the marginal effects by year for Managerial Level contracts. We see a similar pattern, where the advantage during the first term is the greatest at the end of the term, with a 29% advantage for donors. This dips again in the new term, before rising to higher levels at the end of the term.

Field offices show a more consistent pattern than the middle-level offices (**Figure 3-4A)**. There are no significant differences between donors and non-donors during the first four years of a presidential term. Starting in year five of the presidency however, the average contract for donors ($6,823) is significantly greater ($p = 0.052$) than contracts awarded to non-donors ($5,326). Again, the actual difference between these values, while significant, is not substantial. In year six of a term, donors receive contracts worth, on average, $4,074, compared to non-donors who receive contracts worth $2,605 ($p = 0.005$). In years seven and eight, the actual value of the contracts continues to decline, though the differences are still significant (Year 7: $p < 0.001$; Year 8: $p < 0.001$). The difference between the values is relatively minor however, so while donors appear to be receiving advantages, the dollar amounts are quite small.[22] **Figure 3-4B** presents the marginal effects as the percent change from non-donor to donor. It is a very similar to pattern the other levels, where there is a steady increase over time, and then a peak at

[21] See **Figure A-4** in the Appendix for the Level 2 results without Defense contracts. The patterns are generally the same, though there is not a significant difference between donors and non-donors in year four, whereas this does occur in the manuscript model.

[22] See **Figure A-5** in the Appendix for the Level 3 marginal effects without Department of Defense contracts. While the dollars amounts are smaller, the relationship between donors and non-donors remains constant. Again, there are significant findings in the sixth, seventh, and eighth year of a presidency, but particularly in the final two years, the actual dollar amounts are relatively small.

the end of the eight-year term. There is not a drop-off in Field Offices at the beginning of the new term, which presents an interesting contrast to the Executive and Managerial Level offices.

The pattern, as shown in these graphs, shows a steady increase in the advantage for donors over the duration of an administration, regardless of the location of the contract. One possible explanation for these results is that it takes time for presidents to gain control of the bureaucracy. While they spend much of the early time in their administration fill positions with loyalists (Lewis 2008), the actual control over decision making in agencies is a more gradual process.

Table 3-2: Annual Changes in Donor Advantages			
Covariates	**Baseline (4)**	**Interaction Terms (5)**	**Political Controls (6)**
Vertical Insulation			
Presidential Donor	50.24***	-4.218	4.051
	(5.641)	(14.33)	(11.77)
Level 1 Contract	152.0***	40.65	34.89
	(25.81)	(67.14)	(62.61)
Level 2 Contract	-24.86	-47.95	-53.18
	(24.44)	(72.71)	(72.75)
*Presidential Donor * Level 1 Contract*		-19.71**	-4.911
		(10.82)	(18.83)
*Presidential Donor * Level 2 Contract*		-16.28**	-12.66
		(8.901)	(11.85)
Yearly Variables			
Year 2 of Presidency	9.943**	7.526	8.074
	(4.304)	(10.15)	(8.747)
Year 3 of Presidency	-0.590	2.576	-82.09***
	(8.647)	(10.40)	(61.42)
Year 4 of Presidency	-4.939	2.309	-81.46***
	(12.97)	(16.21)	(65.65)
Year 5 of Presidency	85.82***	76.72**	-55.30**
	(15.72)	(24.35)	(43.22)
Year 6 of Presidency	-32.78	-60.75	-78.14
	(101.6)	(190.2)	(147.9)
Year 7 of Presidency	-37.06	-54.38	-92.99**
	(52.33)	(91.92)	(191.5)
Year 8 of Presidency	-33.15	-52.12	-92.68**
	(57.48)	(97.95)	(200.4)
Donor * Year 2		6.626**	7.402**
		(2.937)	(3.181)
Donor * Year 3		17.18**	14.17***
		(6.403)	(4.815)
Donor * Year 4		15.03**	13.07
		(6.975)	(7.824)
Donor * Year 5		42.19**	23.12***
		(14.38)	(6.529)
Donor * Year 6		85.35*	50.33*
		(37.96)	(25.23)
Donor * Year 7		78.67***	66.65***
		(11.30)	(10.18)
Donor * Year 8		97.09***	88.12***
		(8.847)	(7.423)
Level 1 * Year 2		-13.09	-15.76
		(12.68)	(11.79)
Level 1 * Year 3		-9.849	-7.679
		(10.74)	(14.10)
Level 1 * Year 4		2.363	10.37
		(18.94)	(21.83)
Level 1 * Year 5		-8.173	41.75

		(33.20)	(30.15)
Level 1 * Year 6		274.5	216.2
		(186.8)	(117.0)
Level 1 * Year 7		127.4	137.3
		(93.24)	(96.82)
Level 1 * Year 8		136.3	148.7
		(100.1)	(103.1)
Level 2 * Year 2		10.83	11.08
		(8.502)	(7.135)
Level 2 * Year 3		-9.755	-7.897*
		(4.703)	(4.943)
Level 2 * Year 4		-25.98***	-23.77***
		(8.132)	(8.909)
Level 2 * Year 5		32.72	125.3
		(28.43)	(56.79)
Level 2 * Year 6		142.6	201.3
		(132.7)	(107.9)
Level 2 * Year 7		54.56	64.24
		(61.15)	(64.12)
Level 2 * Year 8		51.79	64.16
		(61.24)	(65.08)
Donor * Level 1 * Year 2		**22.26**	**3.668**
		(17.64)	**(24.85)**
Donor * Level 1 * Year 3		**22.37**	**9.813**
		(17.03)	**(17.34)**
Donor * Level 1 * Year 4		**32.19**	**11.33**
		(20.14)	**(28.54)**
Donor * Level 1 * Year 5		**22.59**	**-14.14**
		(42.95)	**(55.64)**
Donor * Level 1 * Year 6		**40.58**	**51.51**
		(54.57)	**(49.95)**
Donor * Level 1 * Year 7		**87.69*** **	**64.87**
		(25.50)	**(39.43)**
Donor * Level 1 * Year 8		**90.88*** **	**63.28***
		(20.38)	**(31.81)**
Donor * Level 2 * Year 2		**-6.728**	**-8.273**
		(7.709)	**(7.664)**
Donor * Level 2 * Year 3		**7.346**	**1.652**
		(10.77)	**(7.511)**
Donor * Level 2 * Year 4		**41.01*** **	**29.44*** **
		(10.47)	**(9.715)**
Donor * Level 2 * Year 5		**59.78**	**4.723**
		(36.37)	**(20.20)**
Donor * Level 2 * Year 6		**49.70**	**12.34**
		(65.01)	**(46.19)**
Donor * Level 2 * Year 7		**3.904**	**3.646**
		(31.52)	**(34.20)**
Donor * Level 2 * Year 8		**11.90**	**8.238**
		(26.34)	**(32.96)**
Agency Controls			
Agency Insulation	-86.52***	-82.13***	-88.93***

	(62.74)	(84.27)	(39.36)
Politicization	-34.84	-16.81	-28.52
	(39.57)	(21.29)	(22.96)
Indicator if Contract is Over $7 million	113,786***	108,997.9***	89,135.5***
	(17.95)	(16.90)	18.43)
Contract Controls			
Multiple Bids	121.8**	117.0**	98.38***
	(37.35)	(34.78)	(28.59)
Quantity of Contracts for Vendor (ln)	-18.72***	-18.46***	-18.45***
	(7.233)	(7.205)	(6.967)
Donor Controls			
Number of Donors to Winning Candidate (ln)	31.86***	39.68***	32.70***
	(4.120)	(4.983)	(4.512)
Number of Donors to Losing Candidate (ln)	15.19**	8.760	6.441
	(6.253)	(6.621)	(7.193)
Political Controls			
Unified Government			-84.01***
			(52.08)
District Represented by President's Party			29.32***
			(1.844)
Member of Appropriations			-18.07
			(23.78)
Member of Ways and Means			-15.65*
			(9.837)
Member of House Majority			79.63
			(44.45)
Committee Chair			-1.120
			(5.833)
Ranking Member			-21.01*
			(13.74)
Close Election			16.38***
			(3.530)
Constant	14,697,139***	10,400,980***	62,428,882***
	(49.43)	(41.31)	(92.22)
N	17,315,768	17,315,768	17,315,587
R-Squared	0.4303	0.4489	0.4721

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. As such, they represent a percent change in contract value with a one-unit increase for a given covariate. All models estimated with fixed effects for fiscal year, agency, and congressional district.
*** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 3-2A: Contracts by Year and Donor Status, Level 1

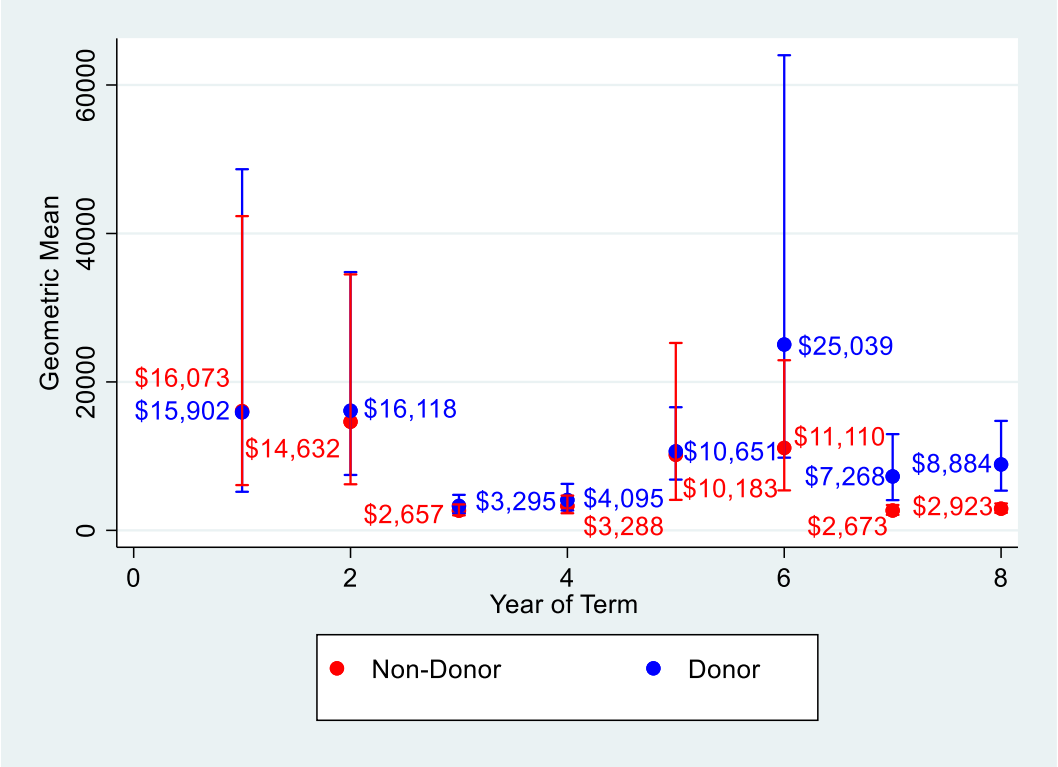


Figure 3-2B: Marginal Effects by Year and Donor Status, Level 1

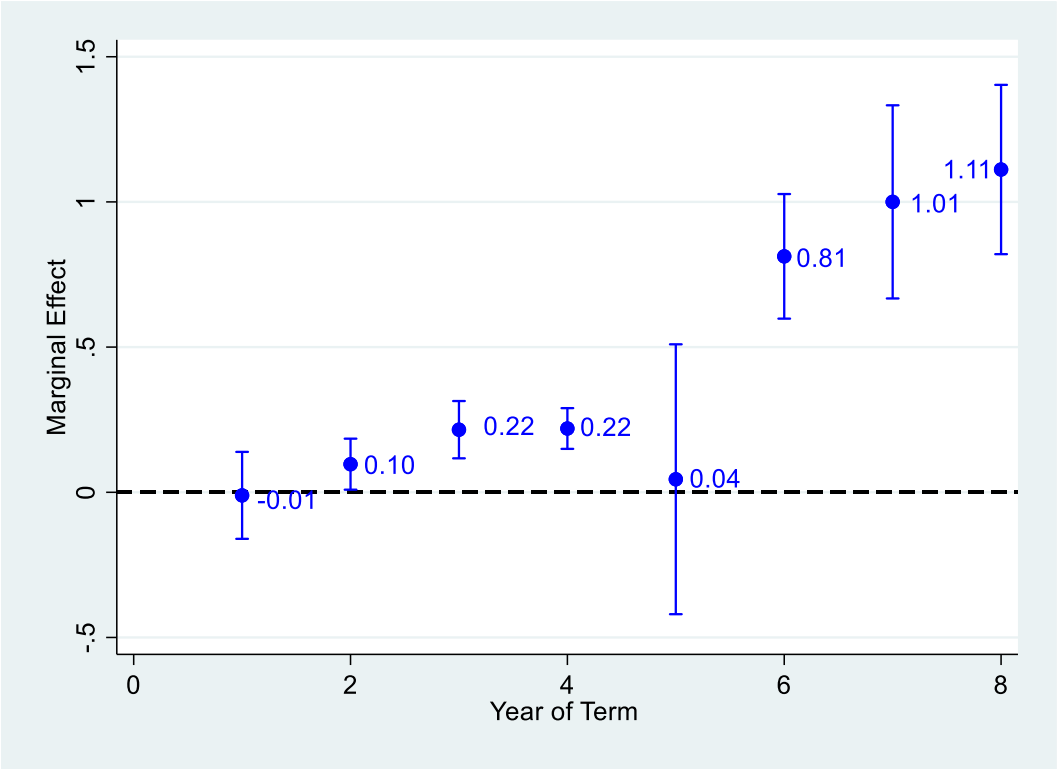


Figure 3-3A: Contracts by Year and Donor Status, Level 2

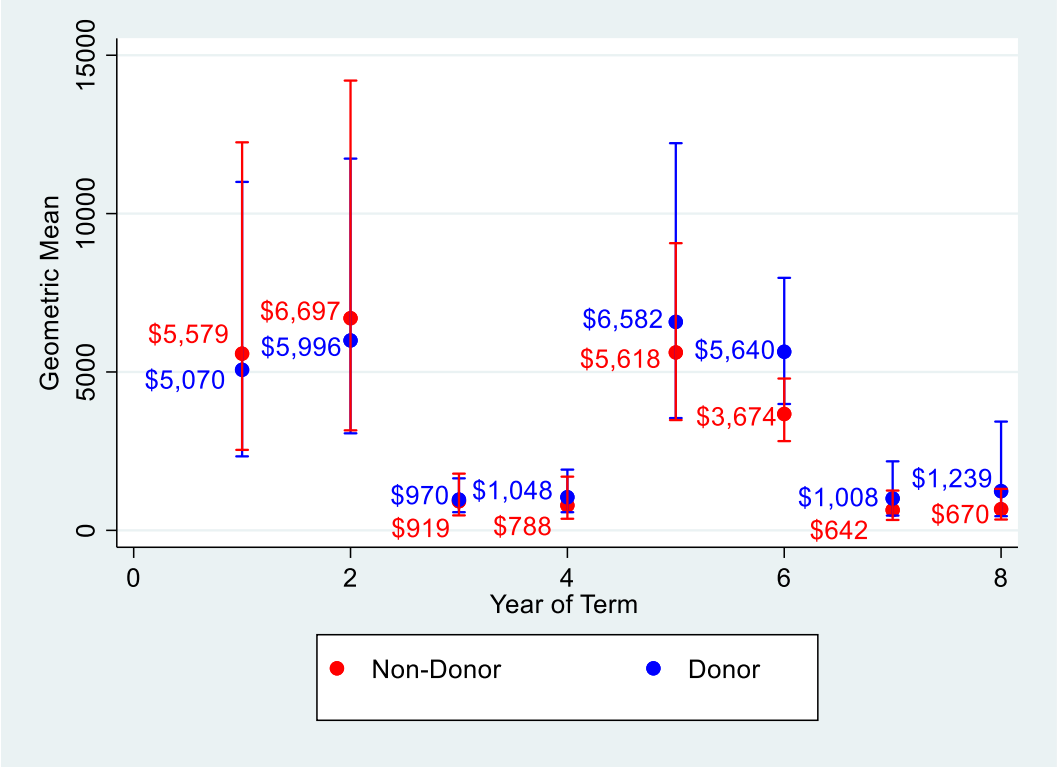


Figure 3-3B: Marginal Effects by Year and Donor Status, Level 2

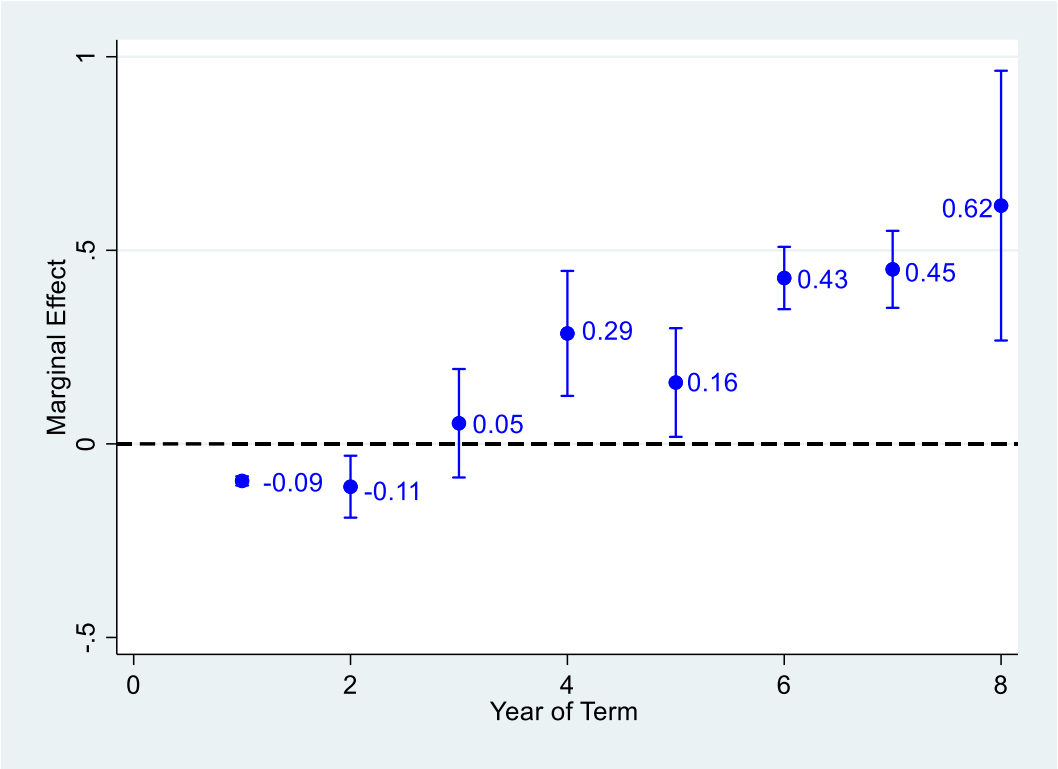


Figure 3-4A: Contracts by Year and Donor Status, Level 3

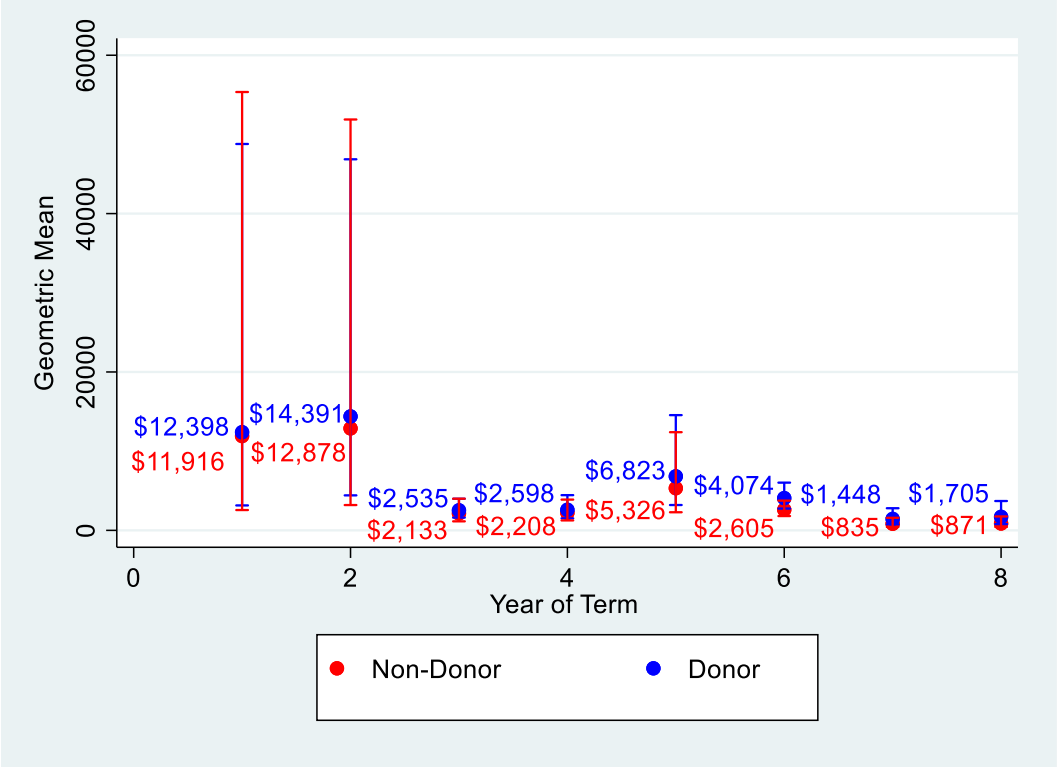
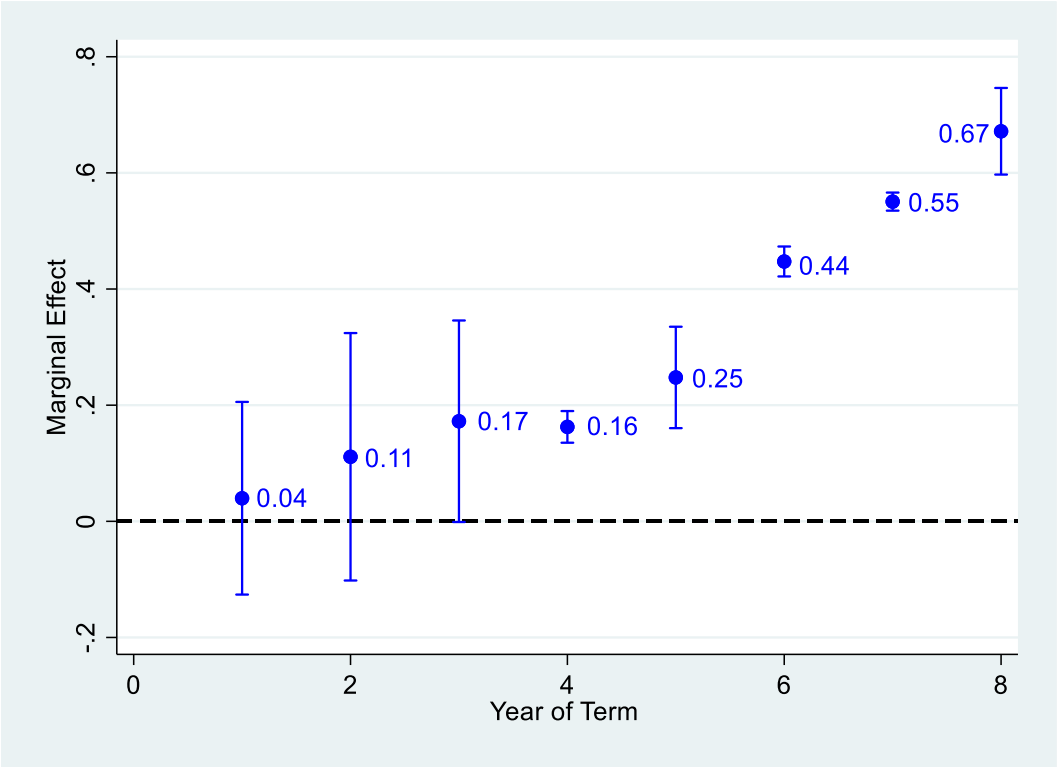


Figure 3-4B: Marginal Effects by Year and Donor Status, Level 3



3.4 Discussion

The results presented in this chapter show that donors receive substantially different benefits from the highest-level offices in agencies relative to lower level offices in the form of contracts. Furthermore, at the highest levels of government, they are receiving significantly larger contracts than non-donors. There is not, however, a linear decrease in the effects of donations further down in the hierarchy. Instead, we see a significant drop off from the Executive Level to the Managerial Level offices, and then the Managerial Level and Field Offices are relatively similar. This suggests that the greatest influence is occurring in the highest level, most centralized offices, but beyond that the influence dissipates quickly within agencies. Furthermore, donors to the president see the biggest advantages later in an eight-year presidential term, which suggests that political influence on contracts does not follow an electoral cycle. Instead, it is possible that as contractors that donate money become familiar to an administration over time, they receive larger contracts. Additionally, the advantages for donors do not come immediately after an election. This is suggestive of the idea that campaign contributions do not influence decisions by themselves, but instead create access for contractors, and this access is ultimately what influences decision-makers in the highest-level offices. Furthermore, in the lame duck period of a second-term administration, the risks of appearing to be awarding contracts for political reasons are diminished.

There are several contributions that these findings make to the existing literature. First, much of the work on distribution omits the importance of the structure within agencies in distribution (Kriner and Reeves 2015; Berry, Burden, and Howell 2010). The findings in this chapter show that the political influence on distribution does not occur uniformly throughout the hierarchy within an agency. Instead, most of the influence can be seen in the highest-level

offices, but in the lower level offices, this influence is significantly reduced. Future work should expand this theory to other types of spending, such as grants, to determine if political influence in agencies on other types of distribution is impacted by a similar organizational hierarchy.

These findings fit into the idea that there is a loss of control over the necessary hierarchies within agencies (Whitford 2002). While the leaders at the top of an agency desire control, the monitoring that is required to achieve control is too costly (Brehm and Gates 1997: 45). Therefore, they delegate discretion to lower level offices, while maintaining control over decision-making in the highest levels of agencies. This provides a clearer view of the influence on decision-making that occurs within agencies. They are neither the entirely politicized organizations that is assumed in some literature, and they are also not entirely apolitical either.

Furthermore, by considering the timing of when discretion is more likely to be seen, it shows that influence is not uniform over time either. Instead, political influence over decisions is not experienced early in an administration, but in the last few years, the influence becomes stronger. As noted previously, the likely explanation for this is the lack of a fear of punishment from voters or the press later in a presidential term. When the elections are essentially wrapped up for an administration, they can be less discrete about delivering contracts to vendors who had donated to their campaign. Unlike grants, which Kriner and Reeves (2015) show are directed for electoral purposes, contracts are awarded to specific contractors who donate to the president. There is less of an electoral incentive, and instead they represent a form of paying back political friends. From the contractor perspective, there is more value in donating to a president running for reelection rather than a candidate running for their first term.

In closing, there is an overarching conclusion that should not be lost in the other details: contractors are donating money to the president and receiving benefits for these donations. These

findings confirm the research done by Witko (2011) and Bromberg (2014), but dig deeper by showing that the strongest benefits are delivered in the highest levels of agencies. In an environment where contractors are being given responsibility of projects that can range from supplying paperclips, to building fighter jets, and even potentially fighting wars (Michaels 2017), it is troubling that there is evidence that political donations are influencing the decision-making process. While there is only anecdotal evidence of politically connected contractors providing substandard work (e.g. Blackwater), the potential for an entry into government contracts beyond qualifications and the ability to complete the job raises concerns. Recall that if the contracting process is working properly, there should not be any noticeable difference between vendors that donate and those that do not. Yet, there is solace in that this type of influence is not universal in federal agencies, but rather is neutralized in the middle of agencies where bureaucrats are able to exercise discretion and avoid politicized decision-making. The next chapter will look at the tools available to leaders in agencies to subvert the hierarchy and still deliver contracts to their preferred vendors in lower-level offices.

3.5: Appendix

Table A3-1: Departments Included Analysis, 2001-2016
American Battle Monuments Commission
Armed Forces Retirement Home
Broadcasting Board of Governors
Chemical Safety and Hazard Investigation Board
Department of Commerce
Commission on Civil Rights
Committee for Purchase from People Who are Blind or Severely Disabled
Commodity Futures Trading Commission
Consumer Financial Protection Bureau
Consumer Product Safety Commission
Corporation for National and Community Service
Court Services and Offender Supervision Agency for the District of Columbia
Defense Nuclear Facilities Safety Board
Department of Agriculture
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of Justice
Department of Labor
Department of State
Department of the Interior
Department of the Treasury
Department of Transportation
Department of Veterans Affairs
Election Assistance Commission
Environmental Protection Agency
Equal Employment Opportunity Commission
Executive Office of the President
Export-Import Bank of the U.S.
Federal Communications Commission
Federal Election Commission
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission

Federal Mediation and Conciliation Service
Federal Trade Commission
General Services Administration
Government Accountability Office
Library of Congress
Merit Systems Protection Board
Millennium Challenge Corporation
National Aeronautics and Space Administration
National Archives and Records Administration
National Capital Planning Commission
National Foundation on the Arts and the Humanities
National Labor Relations Board
National Mediation Board
National Science Foundation
National Transportation Safety Board
Nuclear Regulatory Commission
Occupational Safety and Health Review Commission
Office of Personnel Management
Overseas Private Investment Corporation
Pretrial Services Agency - CSOSA
Railroad Retirement Board
Securities and Exchange Commission
Small Business Administration
Smithsonian Institution
Social Security Administration
U.S. Agency for International Development
U.S. International Trade Commission
United States Holocaust Memorial Museum
United States Trade and Development Agency

Figure A-1: Sample Contract Data

3LINKS TECHNOLOGIES, INC AG32KWP140093

– AMOUNTS

Obligated Amount	$287,353
Current Contract Value	$287,353

– PURCHASER

Major Agency	1200: AGRICULTURE, DEPARTMENT OF
Major Funding Agency	1200: AGRICULTURE, DEPARTMENT OF
Contracting Office Agency ID	12K3: ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Contracting Office ID	32KW: ANIMAL & PLANT HLTH INSPECT SVC
Funding Requesting Agency ID	12K3: ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Funding Requesting Office ID	0001: APHIS-MRP-ITD

– CONTRACT INFORMATION

Signed Date	8/21/2014
Effective Date	8/21/2014
Current Completion Date	9/30/2014
Ultimate Completion Date	9/30/2015
Award Type	PO Purchase Order
Type of Contract Pricing	J: Firm Fixed Price
Performance Based Service Contract	Y: YES - SERVICE WHERE PBA IS USED.
Contingency Humanitarian Peacekeeping Operation	X: NOT APPLICABLE
Contract Description	IGF::OT::IGF "ITD PURCHASE" MICROTECH PROPOSAL #2013-552 REVISION #3 FOR USDA: APHIS OPTION YEAR 1 VTC MAINTNENANCE. RHIANA SHUMATE IS COTR AND PAUL BUTLER IS TPC.
Purchase Card As Payment Method	N: No
Number of Actions	1
National Interest Action Code	NONE: NONE

– CONTRACTOR INFORMATION

Vendor Name	3LINKS TECHNOLOGIES, INC
Address	8701 GEORGIA AVE STE 705
City	SILVER SPRING
State	MARYLAND
ZIP Code	20910-3713
Congressional District	08
Country	UNITED STATES
DUNS	015229300
Parent DUNS	015229300
Parent Name	3LINKS TECHNOLOGIES INC
State Code	MD

– PLACE OF PERFORMANCE

City	RIVERDALE
State	MARYLAND
Country	UNITED STATES
Zip Code	20737
Congressional District	MD04

– PRODUCT OR SERVICE

Product or Service Code	D399: IT AND TELECOM- OTHER IT AND TELECOMMUNICATIONS
Principal NAICS Code	334220: RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING
Government Furnished Equiptment or Property	N: Transaction does not use GFE/GFP
Use of EPA Designated Products	E: NOT REQUIRED
Recovered Material Clauses	C: NO CLAUSES INCLUDED AND NO SUSTAINABILITY INCLU
Contract Bundling	D: NOT A BUNDLED REQUIREMENT
Consolidated Contract	N: No
Place of Manufacture	C: NOT A MANUFACTURED END PRODUCT
Country of Origin	USA

– RECORD INFORMATION

Identifying Agency ID	12K3: ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Procurement Instrument Number	AG32KWP140093
Modification Number	0
Transaction Number	0
Fiscal Year	2014
IDV Modification Number	0

COMPETITION INFORMATION

Extent Competed	G: NOT COMPETED UNDER SAP
Reason Not Competed	OTH: AUTHORIZED BY STATUTE
Number of Offers Received	1
Commercial Item Acquisition Procedures	A:
Commercial Item Test Program	N: No
A76 Action	No
Small Business Competitiveness Demonstration Program	: NO
Solicitation Procedures	SP1: SIMPLIFIED ACQUISITION
Type of Set-Aside	NONE: NO SET ASIDE USED.
Evaluated Preference	NONE: NO PREFERENCE USED
FedBizOpps	X
Local Area Set-Aside	N

CONTRACTOR CHARACTERISTICS

Organizational Type	CORPORATE NOT TAX EXEMPT
Number of Employees	86
Annual Revenue	$7,048,288
Contracting Officer Business Size Determination	S: SMALL BUSINESS
Is Veteran Owned	Yes
Is Service Related Disabled Veteran Owned Business	Yes
Is Minority Owned	Yes
Is Black American Owned Business	Yes
SBA_Certified_Disadvantaged_Business	Yes

Table A3-2: Omitting Department of Defense from Baseline		
Covariates	**Political Controls (Manuscript)**	**Political Controls Sans Defense**
Vertical Insulation		
Presidential Donor	54.50***	52.01***
	(7.287)	(8.752)
Level 1 Contract	157.0***	151.9***
	(24.36)	(30.50)
Level 2 Contract	-24.04*	-30.76*
	(16.15)	(24.41)
Presidential Donor *Level 1 Contract	**24.01**	**19.99**
	(15.07)	**(15.07)**
Presidential Donor *Level 2 Contract	**-12.21*** **	**-12.98*** **
	(4.021)	**(5.368)**
Agency Controls		
Agency Insulation	-98.31***	1328.9***
	(152.1)	(57.51)
Politicization	-54.03*	-59.08**
	(51.01)	(52.35)
Contract Controls		
Multiple Bids	84.48***	142.4***
	(24.64)	(11.64)
Quantity of Contracts for Vendor (ln)	-19.08***	-20.41***
	(6.89)	(8.066)
Indicator if Contract is Over $7 million	86,004.4***	59297.3***
	(20.71)	(13.45)
Donor Controls		
Number of Donors to	24.48***	21.39***
Winning Candidate (ln)	(3.89)	(6.725)
Number of Donors to	4.72	4.396
Losing Candidate (ln)	(4.50)	(9.485)
Political Controls		
Unified Government	45.02	94.04
	(92.33)	(85.69)
District Represented by President's Party	12.28***	6.744
	(5.53)	(7.134)
Member of Appropriations	12.60*	8.810
	(6.28)	(8.563)
Member of Ways and Means	-11.13	-12.15***
	(8.55)	(3.893)
Member of House Majority	2.162	16.74**
	(10.94)	(7.273)
Committee Chair	-1.74	-0.477
	(6.76)	(11.52)
Ranking Member	-21.22**	-23.36*
	(12.62)	(14.38)
Close Election	17.85***	9.867***
	(4.37)	(3.606)
Constant	24,591,616***	363,107***
	(76.47)	(94.94)
N	17,315,768	13,171,996
R-Squared	0.4829	0.4913

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form.
*** p < 0.01 ** p < 0.05 * p < 0.10.

Figure A-2: Contract Size by Levels, Donors & Non-Donors, Sans DOD Contracts

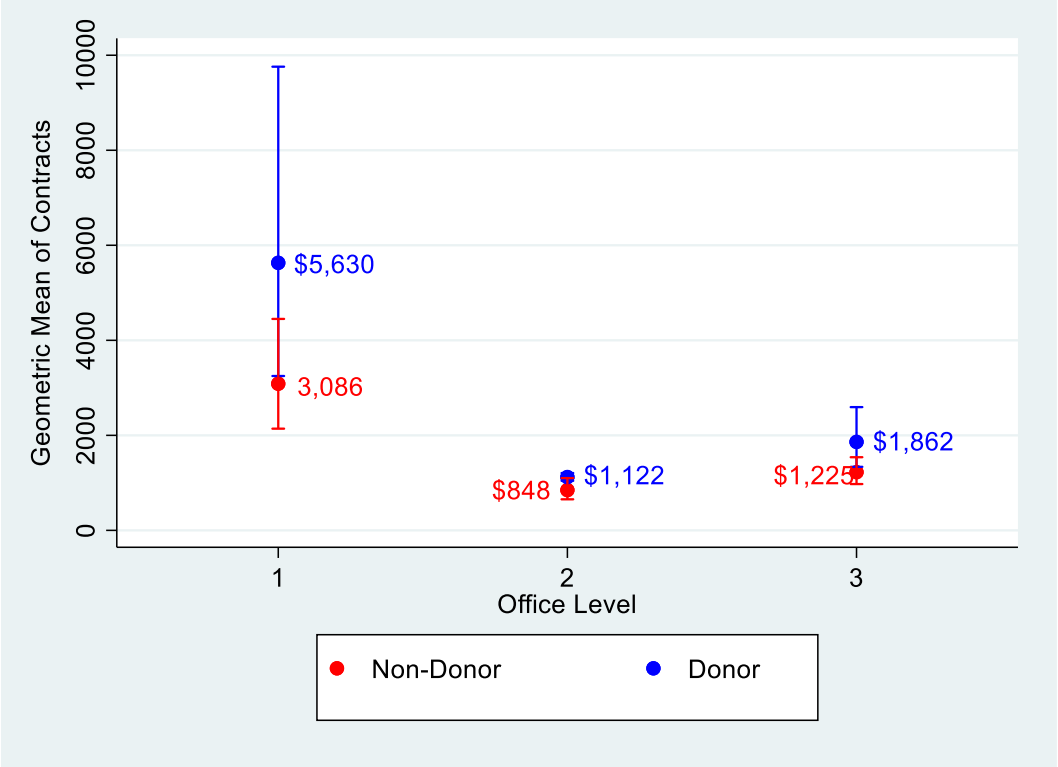


Table A3-3: Annual Changes in Donor Advantages Sans DOD		
Covariates	**Political Controls Manuscript Model**	**Political Controls Sans DOD**
Vertical Insulation		
Presidential Donor	4.051	-5.444
	(11.77)	(20.24)
Level 1 Contract	34.89	-30.46
	(62.61)	(38.46)
Level 2 Contract	-53.18	-79.12***
	(72.75)	(40.70)
*Presidential Donor * Level 1 Contract*	-4.911	17.34
	(18.83)	(28.26)
*Presidential Donor * Level 2 Contract*	-12.66	0.226
	(11.85)	(20.33)
Yearly Variables		
Year 2 of Presidency	8.074	-6.417
	(8.747)	(7.114)
Year 3 of Presidency	-82.09***	-86.86***
	(61.42)	(66.48)
Year 4 of Presidency	-81.46***	-86.77***
	(65.65)	(57.31)
Year 5 of Presidency	-55.30**	-64.58***
	(43.22)	(36.59)
Year 6 of Presidency	-78.14	-88.90***
	(147.9)	(122.8)
Year 7 of Presidency	-92.99**	-96.54***
	(191.5)	(208.6)
Year 8 of Presidency	-92.68**	-96.43***
	(200.4)	(218.1)
Donor * Year 2	7.402**	5.162
	(3.181)	(4.977)
Donor * Year 3	14.17***	18.26**
	(4.815)	(8.011)
Donor * Year 4	13.07	27.87***
	(7.824)	(5.591)
Donor * Year 5	23.12***	34.34
	(6.529)	(19.87)
Donor * Year 6	50.33*	88.20***
	(25.23)	(24.76)
Donor * Year 7	66.65***	81.58**
	(10.18)	(29.08)
Donor * Year 8	88.12***	104.1***
	(7.423)	(24.44)
Level 1 * Year 2	-15.76	-3.114
	(11.79)	(11.34)
Level 1 * Year 3	-7.679	10.27
	(14.10)	(15.10)
Level 1 * Year 4	10.37	42.63**
	(21.83)	(14.58)
Level 1 * Year 5	41.75	82.52**

	(30.15)	(30.15)
Level 1 * Year 6	216.2	530.8***
	(117.0)	(93.48)
Level 1 * Year 7	137.3	346.4**
	(96.82)	(98.30)
Level 1 * Year 8	148.7	371.8**
	(103.1)	(102.0)
Level 2 * Year 2	11.08	27.27***
	(7.135)	(4.986)
Level 2 * Year 3	-7.897*	-2.056
	(4.943)	(3.670)
Level 2 * Year 4	-23.77***	-20.15***
	(8.909)	(7.134)
Level 2 * Year 5	125.3	294.2***
	(56.79)	(25.47)
Level 2 * Year 6	201.3	573.3***
	(107.9)	(71.74)
Level 2 * Year 7	64.24	212.0**
	(64.12)	(59.04)
Level 2 * Year 8	64.16	214.0**
	(65.08)	(57.59)
Donor * Level 1 * Year 2	**3.668**	**-9.101**
	(24.85)	**(29.80)**
Donor * Level 1 * Year 3	**9.813**	**-5.653**
	(17.34)	**(21.25)**
Donor * Level 1 * Year 4	**11.33**	**-16.41**
	(28.54)	**(25.09)**
Donor * Level 1 * Year 5	**-14.14**	**-34.85**
	(55.64)	**(77.99)**
Donor * Level 1 * Year 6	**51.51**	**-0.755**
	(49.95)	**(39.16)**
Donor * Level 1 * Year 7	**64.87**	**11.11**
	(39.43)	**(48.61)**
Donor * Level 1 * Year 8	**63.28***	**13.58**
	(31.81)	**(34.97)**
Donor * Level 2 * Year 2	**-8.273**	**-4.335**
	(7.664)	**(10.28)**
Donor * Level 2 * Year 3	**1.652**	**1.853**
	(7.511)	**(7.626)**
Donor * Level 2 * Year 4	**29.44*** **	**20.36*** **
	(9.715)	**(6.341)**
Donor * Level 2 * Year 5	**4.723**	**-5.548**
	(20.20)	**(17.83)**
Donor * Level 2 * Year 6	**12.34**	**-4.741**
	(46.19)	**(45.82)**
Donor * Level 2 * Year 7	**3.646**	**1.102**
	(34.20)	**(53.80)**
Donor * Level 2 * Year 8	**8.238**	**-17.36**
	(32.96)	**(44.16)**
Agency Controls		
Agency Insulation	-88.93***	3206.9***

	(39.36)	(146.8)
Politicization	-28.52	-21.85
	(22.96)	(22.44)
Indicator if Contract is Over $7 million	89,135.5***	67,944.4***
	18.43)	(91.57)
Contract Controls		
Multiple Bids	98.38***	166.4***
	(28.59)	(14.28)
Quantity of Contracts for Vendor (ln)	-18.45***	-20.22***
	(6.967)	(8.015)
Donor Controls		
Number of Donors to Winning Candidate (ln)	32.70***	30.99***
	(4.512)	(8.199)
Number of Donors to Losing Candidate (ln)	6.441	8.704
	(7.193)	(14.28)
Political Controls		
Unified Government	-84.01***	-85.95***
	(52.08)	(55.60)
District Represented by President's Party	29.32***	26.42***
	(1.844)	(3.393)
Member of Appropriations	-18.07	-31.69*
	(23.78)	(22.69)
Member of Ways and Means	-15.65*	-19.53***
	(9.837)	(5.245)
Member of House Majority	79.63	163.0***
	(44.45)	(25.94)
Committee Chair	-1.120	-0.632
	(5.833)	(10.49)
Ranking Member	-21.01*	-23.20*
	(13.74)	(15.44)
Close Election	16.38***	10.68**
	(3.530)	(4.055)
Constant	62,428,882***	4,614,428***
	(92.22)	(91.57)
N	17,315,587	13,171,996
R-Squared	0.4721	0.4717

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. *** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure A-3: Contracts by Year and Donor Status, Sans DOD, Level 1

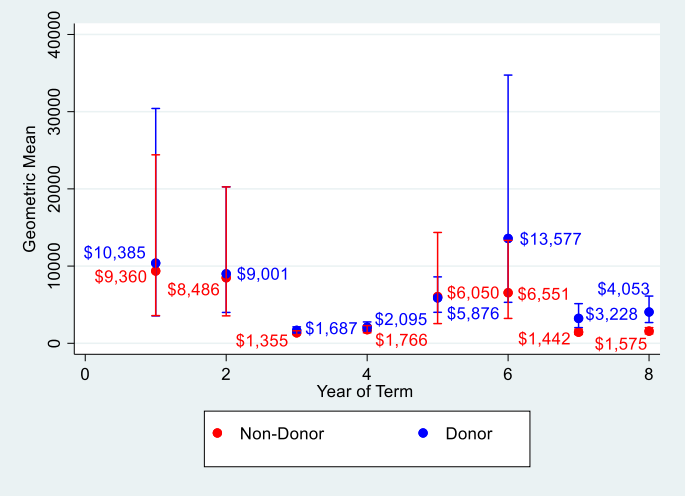


Figure A-4: Contracts by Year and Donor Status, Sans DOD, Level 2

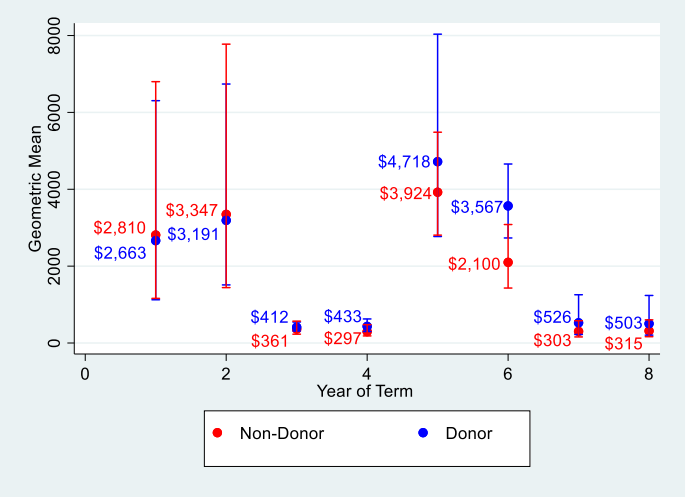


Figure A-5: Contracts by Year and Donor Status, Sans DOD, Level 3

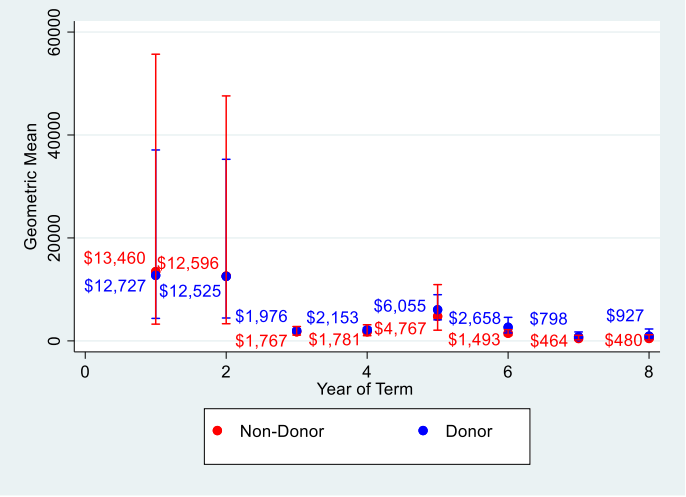


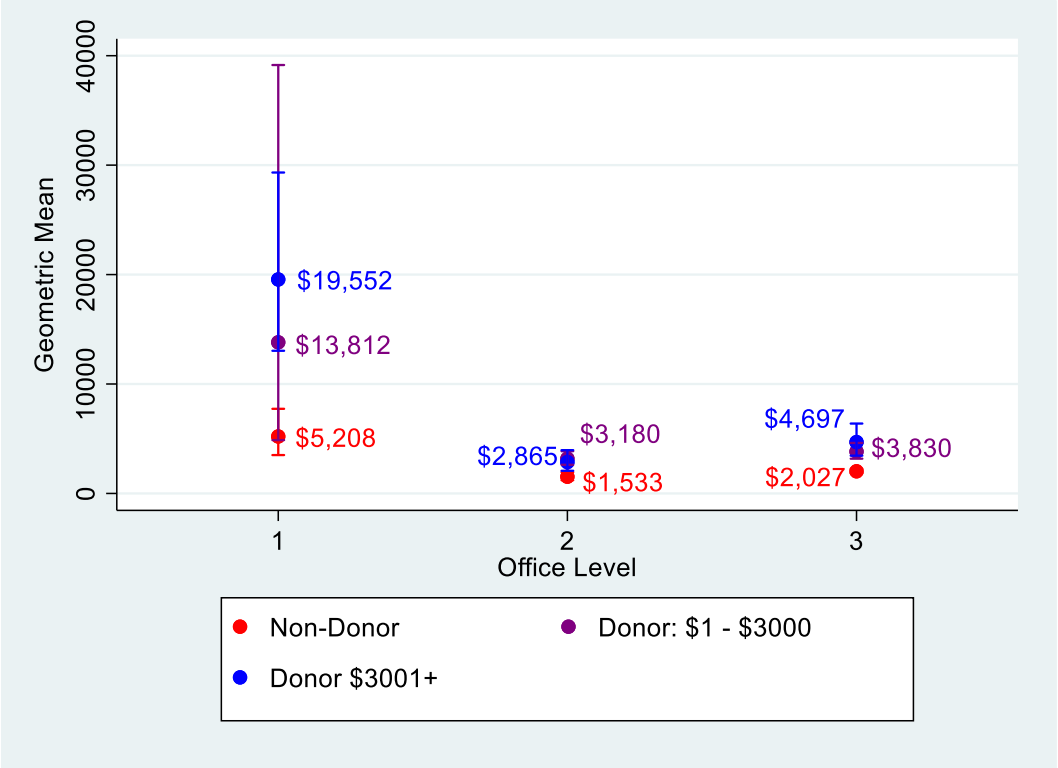
Table A3-4: Ordinal Donor Variable
(1 = Non-Donor, 2 = $1 - $3,000, 3 = $3,001+)

Covariates	Political Controls (Manuscript)
Vertical Insulation	
Donor Scale 2	67.19***
	(5.049)
Donor Scale 3	17.97**
	(6.895)
Level 1 Contract	155.5***
	(24.29)
Level 2 Contract	-24.56*
	(16.87)
Presidential Donor 2 *Level 1 Contract	31.02
	(37.38)
Presidential Donor 2 *Level 2 Contract	9.426
	(9.444)
Presidential Donor 3 *Level 1 Contract	20.16
	(23.62)
Presidential Donor 3 *Level 2 Contract	-20.30***
	(2.958)
Agency Controls	
Agency Insulation	-98.30***
	(151.0)
Politicization	-53.47**
	(51.23)
Contract Controls	
Multiple Bids	84.04***
	(24.67)
Quantity of Contracts for Vendor (ln)	-19.00***
	(6.856)
Indicator if Contract is Over $7 million	85766.8***
	(20.95)
Donor Controls	
Number of Donors to Winning Candidate (ln)	29.28***
	(4.556)
Number of Donors to Losing Candidate (ln)	8.992***
	(3.096)
Political Controls	
Unified Government	43.53
	(92.22)
District Represented by President's Party	12.49**
	(5.601)
Member of Appropriations	12.48*
	(6.238)
Member of Ways and Means	-11.69
	(8.865)
Member of House Majority	2.027
	(10.91)
Committee Chair	-1.180
	(7.282)
Ranking Member	-20.95**
	(12.39)
Close Election	17.97***
	(4.357)

Constant	24,703,022
	(73.77)
N	17,315,768
R-Squared	0.4833

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form.
*** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure A-6: Baseline Model Using Ordinal Donor Variable



For Level 1 offices, Wald tests reveal a significant difference between non-donors and low-level donors ($p = 0.0117$), and a significant difference between non-donors and high-level donors ($p < 0.001$). There is not, however, a significant difference between the average contracts of low-level and high-level donors ($p = 0.3880$). For Level 2 offices, the story is the same, where there are significant differences between non-donors and both levels of donor contracts ($p < 0.001$ for both), but not between the two donor classes ($p = 0.4045$). For Level 3 contracts, the story is very similar, though the difference between high-level donors and low-level donors is weakly significant ($p = 0.0770$). Even when separating the donor variable, it is clear that it is not the amount of money that is donated, but rather the status of a contractor of being a donor that separates them from non-donors.

Table A3-5: Four-year Model		
Covariates	**Political Controls Manuscript Model**	**Political Controls 4-Year Model**
Vertical Insulation		
Presidential Donor	4.051	19.53
	(11.77)	(16.03)
Level 1 Contract	34.89	49.73
	(62.61)	(66.30)
Level 2 Contract	-53.18	-38.65
	(72.75)	(55.16)
*Presidential Donor * Level 1 Contract*	-4.911	-12.58
	(18.83)	(14.68)
*Presidential Donor * Level 2 Contract*	-12.66	-17.71*
	(11.85)	(11.28)
Yearly Variables		
Year 2 of Presidency	8.074	-47.98
	(8.747)	(89.71)
Year 3 of Presidency	-82.09***	-81.69***
	(61.42)	(89.62)
Year 4 of Presidency	-81.46***	-81.60**
	(65.65)	(100.8)
Year 5 of Presidency	-55.30**	
	(43.22)	
Year 6 of Presidency	-78.14	
	(147.9)	
Year 7 of Presidency	-92.99**	
	(191.5)	
Year 8 of Presidency	-92.68**	
	(200.4)	
Donor * Year 2	7.402**	24.85
	(3.181)	(23.10)
Donor * Year 3	14.17***	38.85***
	(4.815)	(12.35)
Donor * Year 4	13.07	50.31***
	(7.824)	(11.82)
Donor * Year 5	23.12***	
	(6.529)	
Donor * Year 6	50.33*	
	(25.23)	
Donor * Year 7	66.65***	
	(10.18)	
Donor * Year 8	88.12***	
	(7.423)	
Level 1 * Year 2	-15.76	86.26
	(11.79)	(93.36)
Level 1 * Year 3	-7.679	54.41
	(14.10)	(63.97)
Level 1 * Year 4	10.37	75.49
	(21.83)	(75.72)
Level 1 * Year 5	41.75	

	(30.15)	
Level 1 * Year 6	216.2	
	(117.0)	
Level 1 * Year 7	137.3	
	(96.82)	
Level 1 * Year 8	148.7	
	(103.1)	
Level 2 * Year 2	11.08	74.96
	(7.135)	(79.48)
Level 2 * Year 3	-7.897*	8.528
	(4.943)	(38.93)
Level 2 * Year 4	-23.77***	4.806
	(8.909)	(43.62)
Level 2 * Year 5	125.3	
	(56.79)	
Level 2 * Year 6	201.3	
	(107.9)	
Level 2 * Year 7	64.24	
	(64.12)	
Level 2 * Year 8	64.16	
	(65.08)	
Donor * Level 1 * Year 2	**3.668**	36.73
	(24.85)	(35.83)
Donor * Level 1 * Year 3	**9.813**	41.47
	(17.34)	(24.58)
Donor * Level 1 * Year 4	**11.33**	38.09
	(28.54)	(25.63)
Donor * Level 1 * Year 5	**-14.14**	
	(55.64)	
Donor * Level 1 * Year 6	**51.51**	
	(49.95)	
Donor * Level 1 * Year 7	**64.87**	
	(39.43)	
Donor * Level 1 * Year 8	**63.28***	
	(31.81)	
Donor * Level 2 * Year 2	**-8.273**	-1.527
	(7.664)	(23.58)
Donor * Level 2 * Year 3	**1.652**	-1.562
	(7.511)	(17.83)
Donor * Level 2 * Year 4	**29.44*** **	10.47
	(9.715)	(16.58)
Donor * Level 2 * Year 5	**4.723**	
	(20.20)	
Donor * Level 2 * Year 6	**12.34**	
	(46.19)	
Donor * Level 2 * Year 7	**3.646**	
	(34.20)	
Donor * Level 2 * Year 8	**8.238**	
	(32.96)	
Agency Controls		
Agency Insulation	-88.93***	-94.92***

	(39.36)	(23.42)
Politicization	-28.52	-19.61
	(22.96)	(17.24)
Indicator if Contract is Over $7 million	89,135.5***	88446***
	18.43)	(17.80)
Contract Controls		
Multiple Bids	98.38***	109.8**
	(28.59)	(34.49)
Quantity of Contracts for Vendor (ln)	-18.45***	-18.82***
	(6.967)	(6.900)
Donor Controls		
Number of Donors to Winning Candidate (ln)	32.70***	33.81***
	(4.512)	(6.471)
Number of Donors to Losing Candidate (ln)	6.441	7.307**
	(7.193)	(3.460)
Political Controls		
Unified Government	-84.01***	-75.56***
	(52.08)	(32.67)
District Represented by President's Party	29.32***	34.89***
	(1.844)	(5.456)
Member of Appropriations	-18.07	-15.70
	(23.78)	(23.97)
Member of Ways and Means	-15.65*	-15.67*
	(9.837)	(9.759)
Member of House Majority	79.63	66.98
	(44.45)	(42.10)
Committee Chair	-1.120	3.939
	(5.833)	(5.095)
Ranking Member	-21.01*	-19.92*
	(13.74)	(13.08)
Close Election	16.38***	11.40**
	(3.530)	(5.939)
Constant	62,428,882***	47,734,649***
	(92.22)	(83.35)
N	17,315,587	17,315,587
R-Squared	0.4721	0.4597

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form.
*** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure A-7: Contracts by Year and Donor Status – Four Year Model, Level 1

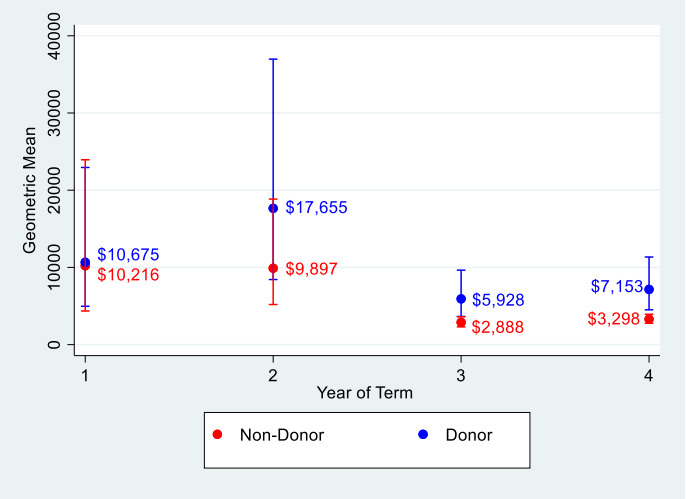


Figure A-8: Contracts by Year and Donor Status – Four Year Model, Level 2

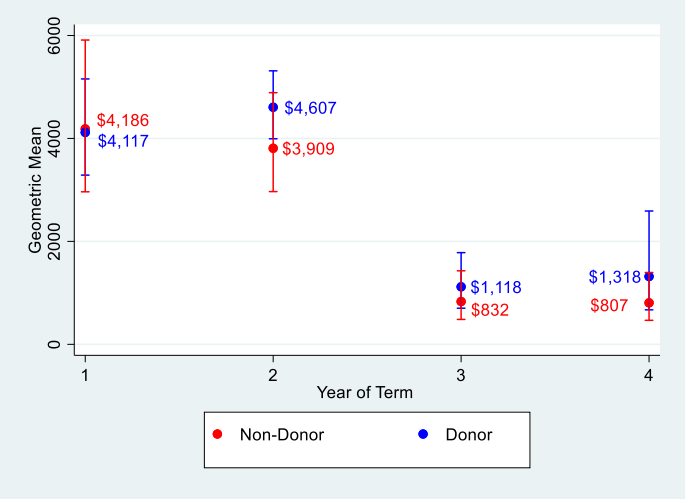


Figure A-9: Contracts by Year and Donor Status – Four Year Model, Level 3

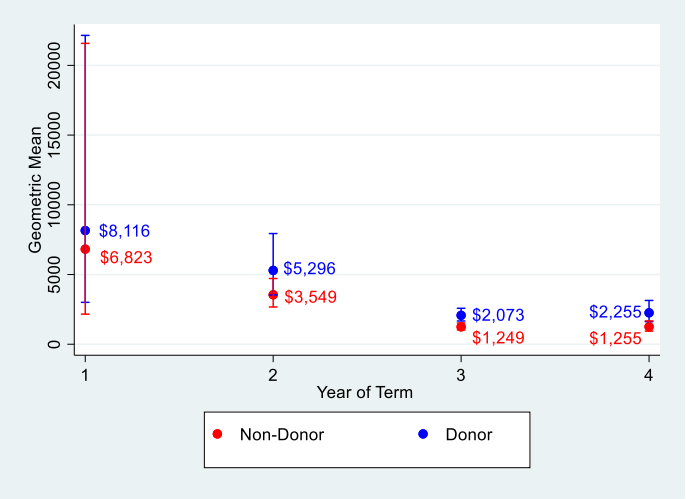


Table A3-6: Baseline Model with Level & Agency Insulation Interaction

Covariates	Political Controls (Manuscript)	Political Controls with Insulation Interaction
Vertical Insulation		
Presidential Donor	54.50***	63.60***
	(7.287)	(10.29)
Level 1 Contract	157.0***	150.1***
	(24.36)	(21.86)
Level 2 Contract	-24.04*	-37.44
	(16.15)	(49.15)
Presidential Donor *Level 1 Contract	**24.01**	**70.45****
	(15.07)	**(27.67)**
Presidential Donor *Level 2 Contract	**-12.21*****	**1.192**
	(4.021)	**(14.59)**
Agency Controls		
Agency Insulation	-98.31***	-98.52***
	(152.1)	(190.3)
Agency Insulation x Presidential Donor		-4.727
		(5.943)
*Agency Insulation * Level 1 Contract*		1.963
		(22.56)
*Agency Insulation * Level 2 Contract*		43.72
		(56.54)
*Agency Insulation * Level 1 * Pres. Donor*		-35.79
		(31.43)
*Agency Insulation * Level 2 * Pres. Donor*		-26.06
		(25.75)
Politicization	-54.03*	-53.36*
	(51.01)	(52.39)
Contract Controls		
Multiple Bids	84.48***	84.32***
	(24.64)	(24.69)
Quantity of Contracts for Vendor (ln)	-19.08***	-19.07***
	(6.89)	(6.876)
Indicator if Contract is Over $7 million	86,004.4***	85,352.9***
	(20.71)	(21.36)
Donor Controls		
Number of Donors to Winning Candidate (ln)	24.48***	24.89***
	(3.89)	(4.066)
Number of Donors to Losing Candidate (ln)	4.72	2.462
	(4.50)	(4.664)
Political Controls		
Unified Government	45.02	46.57
	(92.33)	(92.89)
District Represented by President's Party	12.28***	12.60**
	(5.53)	(5.387)
Member of Appropriations	12.60*	12.51*
	(6.28)	(6.232)

Member of Ways and Means	-11.13	-10.71
	(8.55)	(8.679)
Member of House Majority	2.162	2.356
	(10.94)	(11.05)
Committee Chair	-1.74	-2.885
	(6.76)	(6.904)
Ranking Member	-21.22**	-21.57*
	(12.62)	(13.56)
Close Election	17.85***	18.00***
	(4.37)	(4.183)
Constant	24,591,616	25,315,470***
	(76.47)	(86.92)
N	17,315,768	17,315,768
R-Squared	0.4829	0.4833

Figure A-10: Level and Agency Insulation Interaction, Level 1

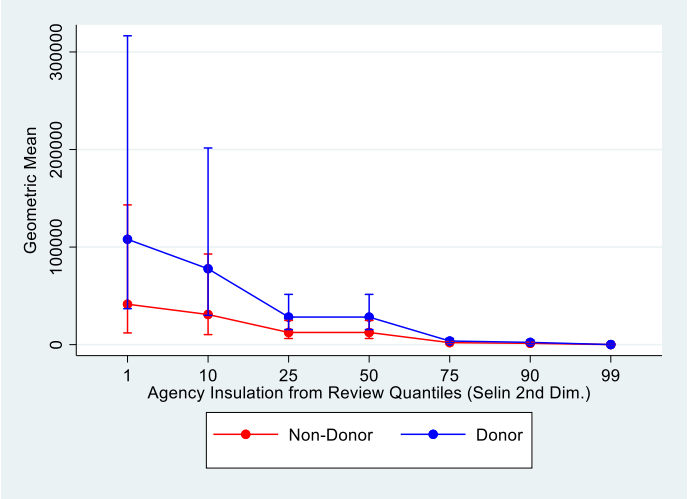


Figure A-11: Level and Agency Insulation Interaction, Level 2

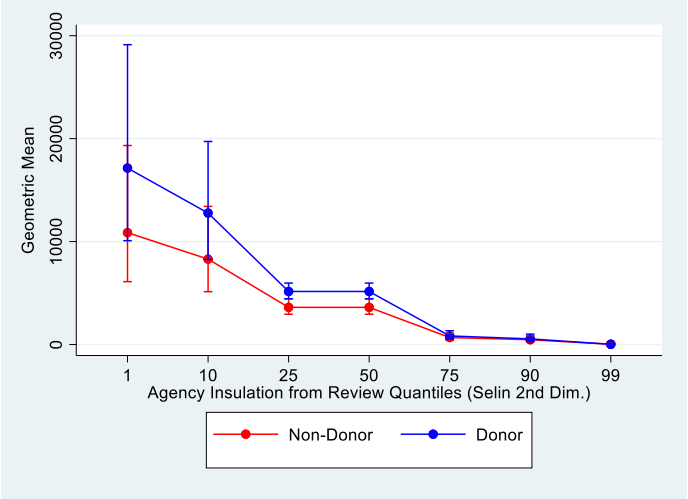
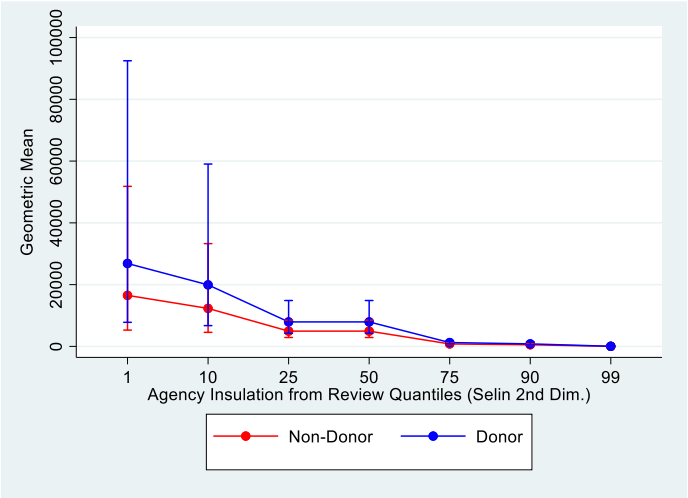


Figure A-12: Level and Agency Insulation Interaction, Level 3



Chapter 4: Overcoming Hierarchy in Federal Agencies

"Competition is fundamental to our free enterprise system. It is the single most important source of innovation, efficiency, and growth in our economy… I call upon each of you to assure that competition is the preferred method of procurement in your department or agency." – President Ronald Reagan, *Memorandum on Competition in Federal Procurement,* August 11, 1983[23]

As noted in the introduction, Democrats on the House Committee on Government Reform released a report in 2006 detailing concerns about government contracting during the Bush administration. In addition to highlighting how these contracts have benefited companies like Halliburton, they also specifically noted an increase in the overall value of no-bid contracts and a reliance on contract structures that are susceptible to abuse. In addition to the large-scale concerns about the trend of contracts being awarded in ways that favor the contractor over the government, Halliburton was specifically called out for benefiting from these changes (Committee on Government Reform 2006). Furthermore, they were receiving contracts without having to bid against competitors, and the pricing structure of the contracts favored the contractor over the government (Committee on Government Reform 2006). The concerns of this committee around vendor selection and contract structure represent the ways that aspects of government contracts can be used to take decisions out of the hands of bureaucrats to accomplish politically motivated goals.

This type of activity was not limited to the Bush administration. In fact, despite promises to reduce the government's use of no-bid contracts (Zeleny 2009), the Obama administration also directed contracts to politically connected donors. In 2010, for example, the United States Agency for International Development awarded a nearly $25 million contract to vendor Checchi

[23] http://www.presidency.ucsb.edu/ws/?pid=41708

and Company Consulting for work in Afghanistan. The owner of this company, Vincent V. Checchi, had donated $8,700 to Obama during the 2008 campaign. After receiving media attention, this contract was revoked, and USAID pledged to use a competitive bidding process (Rosen 2010).

Do these cases represent isolated incidents of politically connected vendors receiving preferential treatment or a systematic political strategy? Further, if the structure of bids and contracts are subject to influence, can they be used to subvert discretion in areas of agencies that are more insulated from the president? This chapter will examine these questions to determine if specific contract mechanisms are used differently within agencies to overcome coordination issues created by organizational hierarchies.

4.1 Coordination in Organizations

As any organization grows in complexity, the ability for executives to control its activities becomes increasingly difficult. The complexity stems from the division of a diverse set of tasks across offices (Thompson 1967: 76). This becomes a coordination challenge, where executives rely on communication with middle-managers to execute the desired actions to accomplish specific goals. In any organization however, including government, communication is an insufficient way to ensure coordinated activities (Heath and Staudenmayer 2000). This creates the need for executives to pursue strategies to overcome coordination issues. Specifically, they seek methods to control the processes in the lower levels of an organization (Mockler 1972: 5).

One of the key hurdles that executives seek to overcome is conflicting goals between different offices (Malone and Crowston 1994). To address issues of goal incongruence,

organizations create control systems with varying levels of constraints levied on lower level offices. In terms of specific management strategies, both financial and non-financial constraints can be utilized to exercise control (Mockler 1972: 4). The financial constraints include regulating how offices allocate money and account for their spending. Non-financial controls can range from manipulating hiring and firing abilities, placing managers in strategic locations, marketing of services and goods, reporting on benchmarks, managing data reporting systems (Mockler 1972), and structured communication systems (Miles 1975: 96; Malone 1987).

Public agencies are no stranger to the challenges of coordination. In this case, the authority is frequently exhibited through a hierarchy, with top-down authority providing direction and supervision (Bouckaert, Peters, and Verhoest 2010: 35). Furthermore, agencies are faced with shifting interest and influence from both Congress and the President (Whitford 2005). Similar to the tools used by any organization, coordination is frequently addressed by fiscal constraints (Carpenter 1996), and non-fiscal constraints like managing personnel (Lewis 2008), and centralizing decision-making (Moe and Wilson 1994).

Congress' most powerful tool in terms of controlling the bureaucracy lies in legislative statutes that provide directives for how a law or policy will be implemented (Huber and Shipan 2002). From the president's perspective, scholars have examined the power and frequency of unilateral actions by presidents to control policy (Moe and Howell 1999; Howell 2003). Yet even the perception of some presidential actions as unilateral are frequently executed with substantial input from across the executive branch (Rudalevige 2012, 2015). Still, when faced with sprawling agencies, presidents have exhibited multiple general strategies for controlling decision-making and limiting discretion. There are several broad actions that can be used, including executive orders, presidential memoranda, presidential proclamations, national security

directives, and presidential signing statements to direct policy (Cooper 2002). In general, these actions have expansive impacts, even when specifically targeting government contracts. For example, President Clinton used an executive order to bar the federal government from contracting with firms that would hire permanent replacements for striking workers (Cooper 2012: 50). This did not direct contracts to or away from specific firms, but rather a more sweeping gesture meant to support labor and influence contractor practices.

In terms of how the president and Congress can control the distribution of spending, there are clear levers that they can use on grants. Most specifically, they can define the formula for grants during budget negotiations, taking control out of the hands of bureaucrats. Even on discretionary grants, they can hardwire the rules for specific grants into the budget allocation. With contracts however, because they are part of an agency's overall discretionary budget, Congress does not have a hand in deciding how a contract is awarded. The president and their administration does have an opportunity to influence contracts because of their influence in the day-to-day activities of federal agencies.

As such, it is important to consider the specific choices that are made within agencies and how politics influences these decisions. It is necessary to consider both how contracts are awarded and the actual structure of the contracts relative to vendors and the government. Are contracts awarded under circumstances that favor preferred vendors based on where in an agency the contract is being awarded? And further, are the pricing structures of contracts for favored contractors creating undo risk for the government? Ultimately, there are areas in agencies where political influence is inherent in the decisions that occur due to the proximity to the president and the personnel in these offices. In offices that are more insulated from this influence, bureaucrats can exercise greater discretion. It is in these offices, where presidential reach is limited, that

certain contract structures can be used to impose presidential influences despite insulation. The next section will examine how the bidding process can be used to subvert coordination issues by sidestepping contracting regulations to deliver funds to vendors. The final section will explore how the actual pricing structure of contracts is providing favorable conditions for preferred contractors while creating greater risk for the government.

4.2 No-Bid Contracts

The idea that competition in selecting contractors is important in government is as old as the United States. The oldest mention of seeking competitive bids goes back to 1775 in an order by the Continental Congress to seek bids for providing supplies to battalions that were being recruited in New Jersey (Continental Congress 1775: 360). More recently, the Competition in Contracting Act of 1984 set the modern standards for federal procurement. Among other things, this law formalized the need for competition into statutes (O'Connell 2012). This act sets the standards by which all federal contracts have been awarded since it was signed into law by President Ronald Reagan.

Under a competitive bidding process, the bids are evaluated by the contracting officer assigned to the particular office requesting the bid, along with an evaluation team of experts from within the agency or specific office (Federal Acquisition Regulation 2005). One key feature of the Competition in Contracting Act of 1984 was to establish that evaluation teams no longer needed to evaluate only based on the lowest bid, but instead could use practices like competitive negotiation to find the "best value" for the government (O'Connell 2012). While the majority of contracts are awarded through a competitive bidding process, roughly 11% are awarded as no-

bid contracts. Yet, these contracts are important because the average value of no-bid contracts ($815,301) are generally larger than competitively-bid contracts ($545,964).

In order for a contract to be awarded without a competitive bidding process, the awarding agency must justify the necessity of sidestepping competition. Technically there are three reasons that a contract can be awarded without a competitive process: (1) there is only one vendor that can provide the service, (2) the contract is being awarded to address an emergency that requires immediate action, or (3) if disclosing the contractor would jeopardize national security (Government Accountability Office 2014). Additionally, no-bid contracts are supposed to be limited to one-year in order to provide ample opportunity to review the potential for opening the bid up for competition in future years. From an agency's perspective, no-bids can be an attractive option to expedite the often-lengthy vendor selection process, but this creates risks for the government if vendors are not properly vetted for the proposed work (O'Harrow 2007).

While the Government Accountability Office has taken note of no-bid contracts and the potential to avoid competition even when it is not necessary, they have primarily examined contracts from the Department of Defense and USAID. In the data used in this chapter, every agency in the sample utilized no-bid contracts at least once. Furthermore, the aforementioned cases involving the Bush and Obama administrations have created doubts about the justifications for awarding no-bid contracts.

Notwithstanding the concerns of the Democrats on the Committee on Government Reform in 2006, there has not been a steady rise in the overall value of no-bid contracts, but rather an inconsistent trajectory over time. **Figure 4-1A** shows the ratio of the value of no-bid contracts to the sum of the value of no-bid and competitively bid contracts from 2001 through 2016. In 2012, no-bid contracts accounted for 54% of money awarded, the highest ratio during

this time period. The lowest ratio, 21% occurred in 2008 at the end of the Bush administration. **Figure 4-1B** presents the same ratio but differentiated by the level associated with the office that issued the contract. While there are variations across each level, in general no-bid contracts make up the *smallest* ratio relative to competitively bid contracts in Executive Level offices in nine of the years. In contrast, no-bid contracts have the *highest* ratio of no-bid contracts in nine of the years.

The anecdotal evidence from the Bush and Obama administrations suggests that no-bid contracts can and are used to direct contracts to politically favored vendors. The question remains though, how are no-bid contracts used *within* agencies? In other words, are they used to subvert discretion from bureaucrats in areas that are hierarchically insulated from the president?

Figure 4-1A: Ratio of the Value of No-Bid Over all Contracts

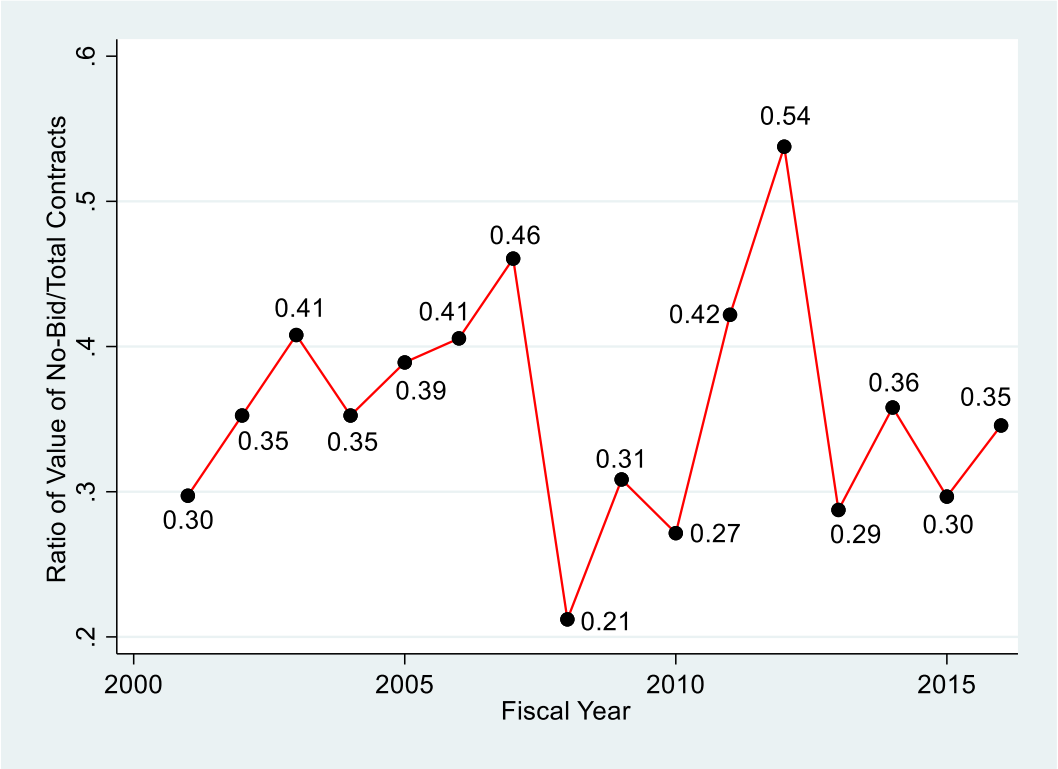
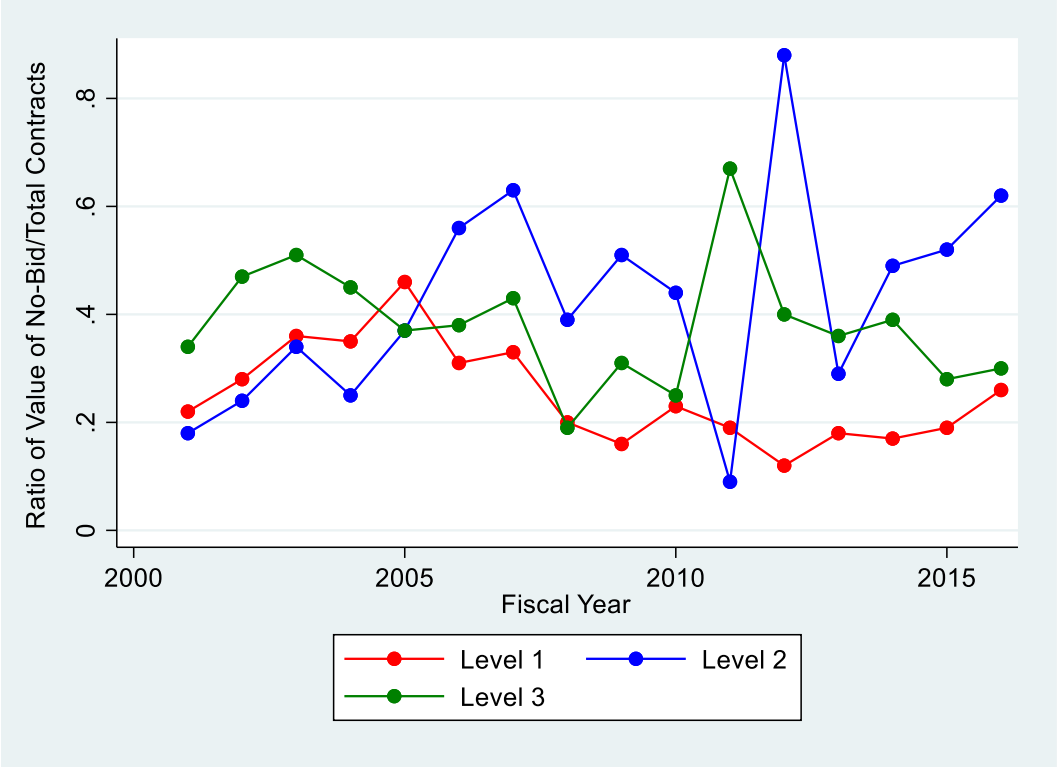


Figure 4-1B: Ratio of the Value of No-Bid Over All Contracts by Level



4.3 Applying the Theory of Vertical Insulation to No-Bid Contracts

The idea that vertical insulation is subverted by strategically utilizing contract selection methods relies on three assumptions regarding the relationship between a presidential administration and the federal bureaucracy. First, it is assumed that the president wants to direct federal money to campaign donors through federal contracts. Evidence for this assumption can be found in the previous chapter, along with the work of Witko (2011) and Bromberg (2014) that connect campaign contributions to winning federal contracts. The second assumption is that bureaucrats, when insulated from presidential or political influence, will rely on their own expertise and recommended criteria to make contracting decisions (Brown, Potoski, and Van Slyke 2006; Gailmard and Patty 2007). The final assumption is that, like in any organization,

coordination issues exist in federal agencies due to the hierarchy of offices, which results in strategies for presidents to overcome the slippage of control (Lewis 2008; Moe and Wilson 1994). As such, presidents and their allies in agencies can use specific features of contracts to create favorable conditions for contractors, regardless of where in the agency the decision is occurring. When the risk for slippage of control is greatest, the need for these tools will be greater. While the features and constructs of contracts are naturally existing, they provide opportunities for political control.

An example of the conflicts that exist within agencies between expertise and politically motivated officials can be found during the Obama administration. In 2010, the Department of Health and Human Services sought bids for a smallpox vaccine to increase government stockpiles in case of a biological attack or outbreak. The request for proposals indicated that the contract was required to be awarded to a small business. In late 2010 Siga Technologies was initially awarded the contract, but then the award was thrown out when a protest was lobbied because Siga Technologies is not a small business. Instead of awarding the contract to another small business that had submitted a bid, the government closed the bidding, and in early 2011, awarded a no-bid contract to Siga Technologies. The controlling shareholder of Siga Technologies, Ronald O. Perelman is a longtime donor to the Democratic Party. Analysts in the government suggested that Siga Technologies was demanding too high of a price for the drug, so senior officials replaced the analysts on the negotiating team. Ultimately, the drug was purchased by the government, yielding a $433 million contract for Siga Technologies (Willman 2011). This example showed a case where top agency officials subverted bureaucrats to deliver a substantial contract to a politically connected vendor.

The argument for using no-bid contracts to take control away from bureaucrats in lower levels offices is that competitively-bid contracts in high level offices can be reliably influenced by people who are hierarchically close to the president. In the case of Siga Technologies, this contract was awarded out of the office of the Assistant Secretary for Administration and Management in the Department of Health and Human Services. When the result of the competitive bidding process was challenged, top-level executives utilized a no-bid contract to eliminate the possibility of bureaucrats influencing the process. While this contract occurred relatively high up in the agency, when the competitive process failed to deliver the desired result, the Obama administration chose to utilize a no-bid contract.

In lower-level offices, coordination issues created by hierarchy make competitively-bid contracts riskier for the White House. This creates the need for a mechanism to control decisions without risking bureaucratic discretion. If this is the case, then we would expect that vendors who donate to the president would receive preferential treatment in the form of larger contracts in the offices where there is the greatest likelihood of bureaucratic discretion. Based on the results of Chapter 3, the greatest discretion on contracting decisions is observed in the middle level offices. As noted from interviews conducted by Hudak (2014: 160), we know that the executives at the top of agencies supervise Field Offices closely, which is intended to curb discretion. It is in the middle level offices where bureaucrats have more opportunities for discretion and avoiding political influence. It is in these offices that bureaucrats can establish a reputation for expertise that allows for autonomy from high level bureaucrats who would prefer their obedience (Carpenter 2001). A confirmation of the first hypothesis would be if there is evidence that donors receive the largest benefits in the middle level offices relative to non-donors when no-bid contracts are utilized.

Hypothesis 1: *Vendors who donate to the president will receive greater advantages on no-bid contracts in the middle level of agencies.*

In order to provide an appropriate comparison from which to judge the result of no-bid contracts, it is important to also look at contracts that are bid competitively. Based on the results of the previous chapter, we expect to see the greatest advantages for donors at the top and bottom levels of the bureaucracy, with a hole in the Managerial Level offices where discretion limits benefits. In other words, the expectation is that the results of competitively-bid contracts will look very similar to the results in Chapter 3, except perhaps even more pronounced benefits for donors in the Executive Level offices and Field Offices.

Hypothesis 2: *Vendors who donate to the president will receive greater advantages on competitively-bid contracts in the Executive Level (1) and Field Offices (3) in agencies.*

4.4 Data and Methods

To examine the questions around no-bid contracts, all contracts from 2001-2016 that use this awarding method are utilized. Again, this data was gathered from the USASpending.gov website, maintained by the Department of Treasury. Of the total 17,660,125 contracts in the database that include all of the control variables, 2,397,468 (13.58%)[24] are categorized as not being available for competition. Similar to the analysis in Chapter 3, 66 departments, independent agencies, and commissions are included. The three levels will also be utilized to

[24] The no-bid and competitively bid contracts used in this analysis do not include those that are classified as being under the Simplified Acquisition Threshold (SAP). Contracts that fit this threshold, generally contracts that are more than $3,000 but less than $150,000, are distributed using a different process that involves a streamlined registration process for contractors.

determine the effects of campaign donations at different areas in agency hierarchies. The average value of a Level 1 no-bid contracts is $549,711, with Level 2 contracts averaging $785,827, and Level 3 contracts averaging $929,718.

In addition to focusing on no-bid contracts, competitively-bid contracts will be separately examined to determine if they represent essentially the opposite patterns of no-bid contracts in terms of rewarding donors. For competitively-bid-contracts, the average size of Level 1 contracts is $500,932, Level 2 contracts average $410,036, and contracts from field offices average $699,581.

Similar to the analysis in Chapter 3, a full range of control variables will be included in the models to account for characteristics of the firms, and the districts where they are based. Additionally, Selin's (2015) second dimension measure of agency insulation from political review will be included to account for the statutory characteristics of agencies that may limit or allow access for presidential influence. Similarly, the presence of appointed officials within offices will be noted with a dummy variable.

Ordinary least squares with robust standard errors (clustered by agency) will be used to explore the research questions. Additionally, fixed effects for fiscal year, overall department associated with the contract, and the congressional district of the vendor's location will be included in the models.

4.5 Analysis of No-Bid and Competitively-Bid Contracts

The first analysis looks at the impact of donations to the president and vertical organizational hierarchy on no-bid contracts. An initial examination of the results in **Table 4-1** do not suggest a strong linkage between hierarchy and no-bid contracts. Neither models 2 or 3

find anything close to significant results in terms of the connection between donations and the size of contracts relative to the third level offices. Similar to the previous chapter, agency insulation is significant, indicating that generally no-bid contracts are larger in agencies that are less insulated from political review. The presence of a political appointee in a given office is weakly associated with smaller no-bid contracts. This finding generally fits with the theory that no-bid contracts are most beneficial to presidents when utilized in areas of the government where they lack control. No-bid contracts should be less necessary when the president has influence, in this case through an appointee, because that person can try to sway the competitive bidding process on the president's behalf.

There are two other notable findings in **Table 4-1**. First, no-bid contracts are 43.88% larger when they awarded to districts represented by a committee chair in the House. Similarly, districts represented by ranking members of committees receive contracts that are 52.34% larger than other districts. These findings suggest that there is some outside Congressional influence, driving funds to districts represented by powerful members of Congress. It is surprising that the ranking members benefit more from no-bid contracts. While members of the majority party fare no better than the minority party, committee chairpersons and ranking members both do significantly better than other members. This suggests that their position of power, regardless of whether they are in the majority, yields greater returns. Furthermore, districts that experienced a close election in the previous cycle also receive contracts that are 32.84% larger than those in districts where there was not a close election. This finding confirms Gordon's (2011) findings from the GSA that showed that the meetings that President Bush's team held with agencies did impact how contracts were awarded from agencies. Specifically, they were directed to swing congressional districts.

Figure 4-2A shows the predictive margins for donors and non-donors by level. The blue markers represent the geometric mean of contract values for donors at each level and the red markers represent the geometric means for non-donors. While donors win substantially larger no-bid contracts at each level, the difference is only significant at the second and third levels. Though the difference is not significant, the finding suggests that the value of no-bid contracts for donors at the highest-level offices are 1.63 times larger than those of non-donors ($7,109 / $4,363). The largest advantage for donors occurs in the Managerial Level offices, with contracts that are 2.28 times larger than those of non-donors ($7,010 / $3,069) and the difference is significant. In field offices, the second largest advantage is seen for donors, where they receive contracts that are 1.98 times as larger as non-donors ($4,930 / $2,490).

Figure 4-2B provides the marginal effects of the interaction between the donor indicator and the level of the contract awards. The marginal effect for donors relative to non-donors from Executive Level offices shows a 51% advantage, but the finding is not significantly different from zero. In contrast, the marginal effect for Management Level offices is contracts that are 84% larger for donors relative to non-donors. Similarly, in Field Offices, donors receive contracts that are 69% larger than non-donors.

These findings indicate that for no-bid contract awards, donors receive the largest benefits in Managerial Level offices. These findings fit with the rationale that no-bid contracts can be used to subvert areas in the agency hierarchy where the greatest amount of bureaucratic discretion and insulation exist. In areas of agencies that are below the Executive Level offices, when discretion to pick a vendor is taken away from bureaucrats, donors see significant advantages compared to non-donors. In the Executive Level offices, subverting bureaucratic

discretion is unnecessary due to the increased influence that high-level officials have on decision-making.

Table 4-1: Vertical Insulation Theory & No-Bid Contracts			
Covariates	**Baseline (1)**	**Interaction Terms (2)**	**Political Controls (3)**
Vertical Insulation			
Presidential Donor	100.2***	100.6***	97.94***
	(21.68)	(18.18)	(17.74)
Level 1 Contract	75.12***	76.24***	75.17***
	(9.672)	(10.95)	(11.91)
Level 2 Contract	25.80	23.64*	23.21*
	(13.90)	(11.91)	(13.23)
Presidential Donor *Level 1 Contract		**-15.57**	**-17.67**
		(35.71)	**(32.05)**
Presidential Donor *Level 2 Contract		**19.18**	**15.40**
		(19.64)	**(17.05)**
Agency Controls			
Agency Insulation	-92.54***	-92.22***	-91.49***
	(78.98)	(83.70)	(80.92)
Politicization	-34.14*	-33.86*	-32.81*
	(24.29)	(24.71)	(23.72)
Contract Controls			
Quantity of Contracts for Vendor (ln)	-23.77***	-23.74***	-23.44***
	(6.254)	(6.271)	(5.990)
Indicator if Contract is Over $7 million	63331.6***	63,386***	62436.22***
	(13.25)	(13.00)	(12.88)
Donor Controls			
Number of Donors to Winning Candidate (ln)	7.569	7.940	8.860
	(16.26)	(16.75)	(15.86)
Number of Donors to Losing Candidate (ln)	3.400	2.652	2.211
	(19.92)	(20.84)	(19.69)
Political Controls			
Unified Government			98.71
			(129.7)
District Represented by President's Party			-4.952
			(3.871)
Member of Appropriations			50.30
			(30.37)
Member of Ways and Means			-8.832
			(12.13)
Member of House Majority			9.639
			(6.065)
Committee Chair			43.88***
			(3.727)
Ranking Member			52.34**
			(20.95)
Close Election			32.84***
			(6.206)
Constant	3,994,325***	3,997,562***	2,677,604***
	(106.8)	(107.0)	(113.4)
N	2,397,468	2,397,468	2,397,468
R-Squared	0.5381	0.5382	0.5201

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. *** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 4-2A: No-Bid Contracts by Donors and Non-Donors

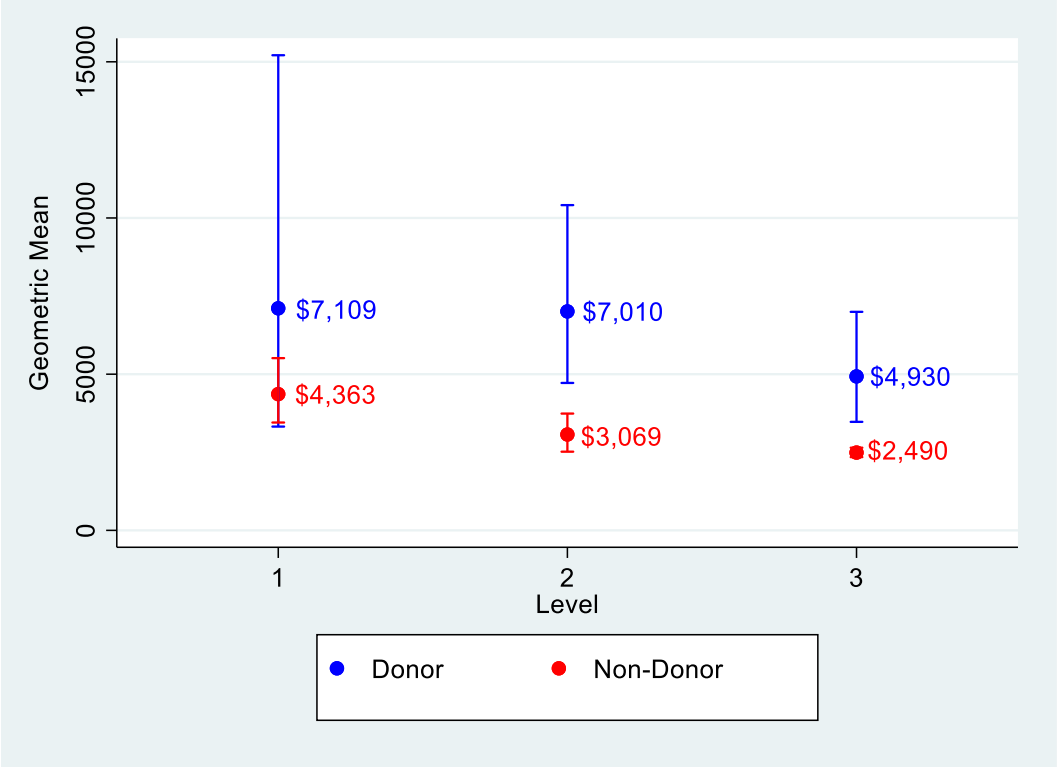
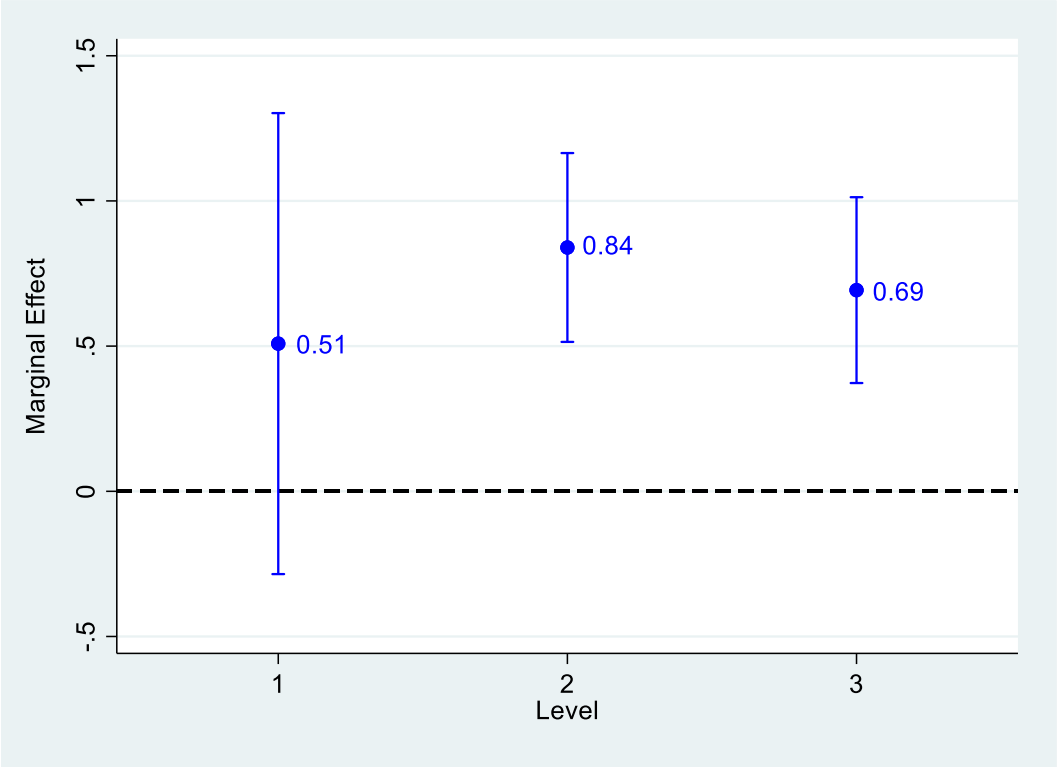


Figure 4-2B: Marginal Effects of No-Bid Contracts for Donors by Level



Looking now at competitively-bid contracts, the results in **Table 4-2** show that donors receive significantly less money in middle level offices relative to Field Offices. There is no significant difference between the Executive Level offices and Field Offices in terms of the size of contracts for donors and non-donors on competitively-bid contracts. Unlike no-bid contracts, the coefficient for the agency insulation from political review is no longer significant. In contrast to no-bid contracts, vendor districts represented by members of the president's party receive contracts that are 17.56% larger than districts of the opposing party on competitively-bid contracts. Additionally, districts that experienced a close election in the previous cycle do not receive significantly larger competitively-bid contracts. This finding suggests that in general, no-bid contracts are used by agencies to funnel money to districts that have recently experienced a close election. This supports the findings of Gordon (2011), which specifically showed that parts of the General Services Administration were directing money to swing districts. Given that no-bid contracts provide the simplest mechanism for directing contracts to a specific vendor, this makes sense that they would be utilized to direct money for political reasons.

An examination of the marginal effects reveals a very different story from no-bid contracts. Instead of donors seeing the greatest advantages in the middle level offices, on competitively-bid contracts, the greatest benefits relative to non-donors are received in Field (Level 3) and Executive Level (Level 1) offices.

Looking now at the predictive margins in **Figure 4.3A, i**n the highest-level offices, donors receive contracts that are 1.52 ($16,179 / $10,630) times larger than competitively-bid contracts received by non-donors. The amount that donors receive is significantly different from non-donor contracts ($p = 0.002$). In the middle level offices, the contracts for donors are 1.10 ($4,607 / $4,197) times larger than non-donors and are not significantly different from one

another ($p = 0.4255$). In the Field Offices, donors receive contracts that are 1.80 ($8,621 / $4,787) times larger than non-donors and are significantly different ($p = 0.003$).

Figure 4.3B shows the marginal effects from the political model, which includes the most covariates and the most conservative estimates. These results generally mirror the models from Chapter 3. The marginal effect for donors relative to non-donors in Executive Level offices is contracts that are 42% larger for donors, compared to only a 9% advantage in Management Level offices. The largest advantage is actually seen in Field Offices, where the marginal effect is contracts that are 59% larger for donors. As noted previously, the acknowledged need for the executives in agencies to monitor Field Offices (Hudak 2012) results in a stronger alignment with the Executive Level preferences than those in the Management Level offices.

Overall, there are clear differences between no-bid and competitively-bid contracts. In general, donors receive advantages over non-donors in each level, but the magnitude differs. No-bid contracts are used as a vehicle to remove the possibility of bureaucratic discretion in the offices in the middle of the hierarchy. In the Executive Level and Field Offices, the benefits still exist for donors, though the difference from non-donors is smaller. For competitively-bid contracts, the trend is reversed. Here we see that donors fare the worst in the middle level offices but earn the largest contracts relative to non-donors in the Field Offices and the Executive Level offices. These results fit with the theory that in the areas of agencies where the top agency executives exert the most influence, competitively-bid contracts favor donors the most. It is not necessary to utilize no-bid contracts in offices where they can simply drive contracts in offices that lack insulation from political influence. In the areas where they struggle to exert influence, the middle level offices, no-bid contracts are used to avoid competitive bidding, which introduces opportunities for bureaucratic discretion, to deliver larger contracts to donors.

Table 4-2: Vertical Insulation Theory & Competitively-Bid Contracts			
Covariates	**Baseline (4)**	**Interaction Terms (5)**	**Political Controls (6)**
Vertical Insulation			
Presidential Donor	50.93***	79.09***	80.11***
	(7.408)	(19.53)	(20.86)
Level 1 Contract	113.8***	114.9***	122.0***
	(16.26)	(19.36)	(19.44)
Level 2 Contract	-13.68	-10.29	-12.32
	(10.84)	(12.09)	(13.22)
Presidential Donor *Level 1 Contract		**-12.70**	**-15.49**
		(34.44)	**(32.69)**
Presidential Donor *Level 2 Contract		**-36.79*** **	**-39.05*** **
		(12.96)	**(13.51)**
Agency Controls			
Agency Insulation	-0.685	3.739	5.756
	(82.19)	(84.01)	(86.16)
Politicization	-43.84*	-43.15*	-43.48*
	(36.44)	(36.99)	(37.67)
Contract Controls			
Quantity of Contracts for Vendor (ln)	-23.62**	-23.64**	-23.19**
	(12.84)	(12.89)	(12.31)
Indicator if Contract is Over $7 million	38150.13***	38140***	38233.6***
	(22.28)	(22.06)	(21.18)
Donor Controls			
Number of Donors to Winning Candidate (ln)	15.94***	13.40***	12.09***
	(3.350)	(2.752)	(2.367)
Number of Donors to Losing Candidate (ln)	-9.096*	-5.937*	-6.697**
	(5.089)	(3.533)	(3.274)
Political Controls			
Unified Government			-32.57
			(47.97)
District Represented by President's Party			17.56***
			(4.928)
Member of Appropriations			7.239
			(6.067)
Member of Ways and Means			-23.40**
			(13.61)
Member of House Majority			8.666
			(24.81)
Committee Chair			-26.23***
			(9.711)
Ranking Member			-47.77***
			(16.77)
Close Election			24.85
			(18.78)
Constant	12,735,607***	11,723,333***	9,984,457***
	(112.11)	(115.36)	(99.14)
N	6,146,654	6,146,654	6,146,654
R-Squared	0.5201	0.5205	0.5248

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. As such, they represent a percent change in contract value with a one-unit increase for a given covariate. All models estimated with fixed effects for fiscal year, agency, and congressional district.
*** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 4-3A: Competitively-Bid Contracts by Donors and Non-Donors

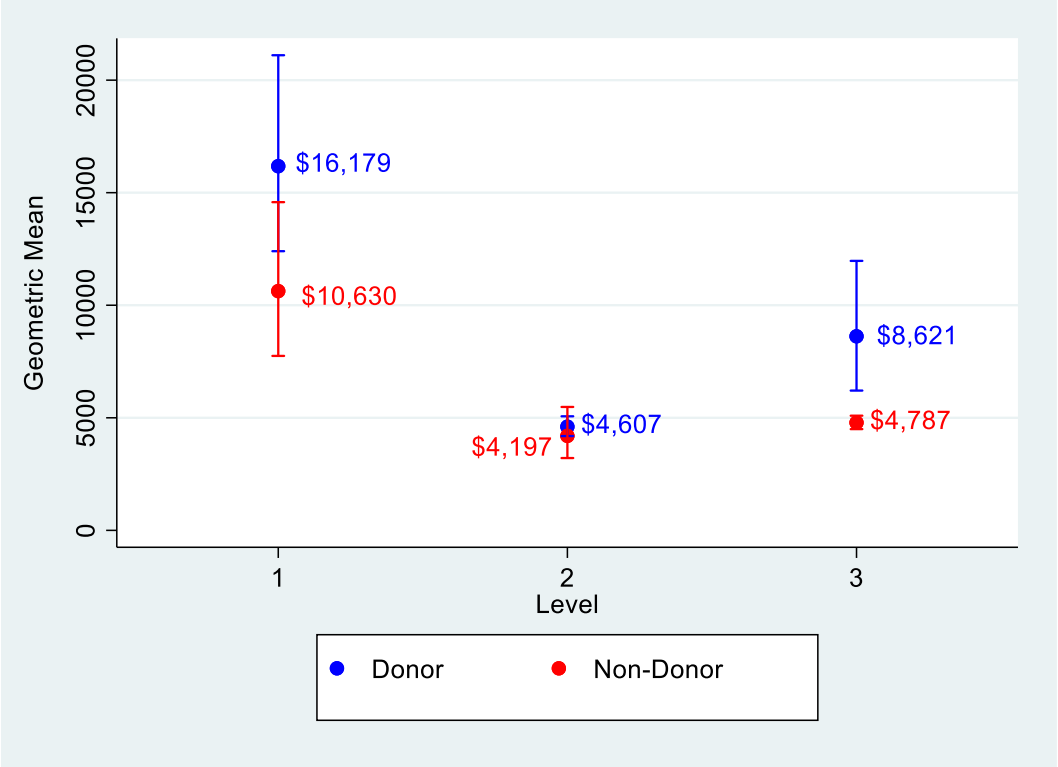
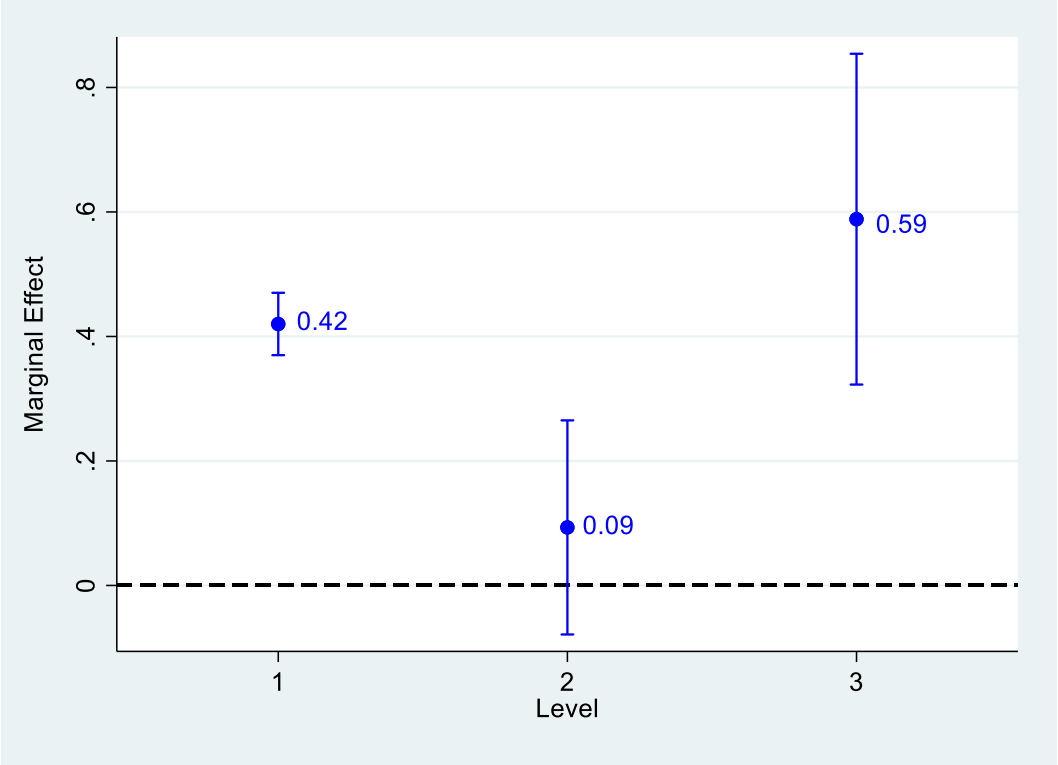


Figure 4-3B: Marginal Effects of Competitively-Bid Contracts for Donors by Level



4.6 Pricing Structures and Benefits for Donors

While the award process is one way that contracts can be structured to benefit politically connected vendors, the pricing structure also has the potential to be manipulated. The most common pricing mechanism for federal contracts are firm-fixed-price (FFP). These contracts are designed to place most of the risk and responsibility for completion of the contract on the vendor. For these contracts, the vendor and government reach an agreed upon price for the contract and the vendor is responsible to deliver the goods and services for that amount (Federal Acquisition Regulation Subpart 16.2 2005; Crocker and Reynolds 1993). Fixed-firm-price contracts are designed to protect the government from overages by the contractor while the contract is being executed.

In contrast, a less common method of pricing are cost-reimbursement contracts. For these contracts, a ceiling amount is set by the government, and the contractor submits expenses up to the amount. The ceiling can be raised with the approval of the contracting officer managing the contract. Cost-reimbursement contracts can only be used for services as opposed to commercial products (Federal Acquisition Regulation Subpart 16.301 2005). For this pricing structure, the government agrees to pay the full cost even when the contractor exceeds the anticipated fee (Berrios 2006). Cost-based contracts place the risk on the government and provide a favorable environment for the contractor where they do not need to be concerned about cost overages.

A third type of contract structure are time-and-materials contracts, which are essentially cost-reimbursement contracts that are structured based on agreed-upon hourly rates and wages. Like cost-reimbursement contracts, the overall ceiling of the contract can be raised by the contracting officer, though often concern about the actual negotiated rates provides the greatest advantages to the contractors. One of the most notable cases where a contract received an

advantageous time and materials contract occurred with Whitefish Energy Holdings in the aftermath of Hurricane Maria in Puerto Rico. In the contract, negotiated with the Puerto Rico Electric Power Authority, Whitefish included rates of between $240-$336 an hour for a general construction foreman (Wamsley 2017). Contracts that benefit vendors often occur during times of emergency, which given the need for a speedy contract award, can often create opportunities of greater discretion by bureaucrats to facilitate the execution of the contract. For the purposes of the analysis in this chapter, cost-reimbursement and time-and-materials contracts will be pooled together due to their similarities in their structure and risk attribution.

While the Federal Acquisition Regulations provide oversight rules for the structure and monitoring of cost-reimbursement contracts, a Government Accountability Office (GAO) report found that in many cases, the government did not follow these rules. Furthermore, while considerable documentation is required for the use of cost-reimbursement contracts instead of fixed-firm-price, the GAO found that many contracting officers did not keep records of why the cost-reimbursement structure was utilized. There was also evidence that vendors were not being properly vetted for their ability to execute these contracts, providing even greater than normal risk for the government (GAO 2009). When there are lapses in oversight, as has been the case on cost-reimbursement contracts, this provides the opportunity for greater discretion by bureaucrats in the management of these contracts.

As noted in the report by the House Committee on Government Reform in 2006, cost-based contracts were increasing substantially during the Bush administration, creating increased risk for taxpayers. In other words, there was concern that contracts were being structured to benefit the vendors as opposed to the government. If the president were to want to deliver benefits to contractors, one way would be to deliver contracts that are priced in such a way that

the contractor is facing less risk, and the government faces greater uncertainty. This section will focus on two types of pricing structures for government contracts, fixed-firm price and cost-reimbursement, to determine if federal agencies strategically use them to deliver benefits to presidentially favored vendors. In general, cost-reimbursement contracts are preferable to a vendor because they place more of the risk of the contract on the government. The general hypothesis is that therefore donors to the president would prefer cost-reimbursable contracts over fixed-firm-price contracts.

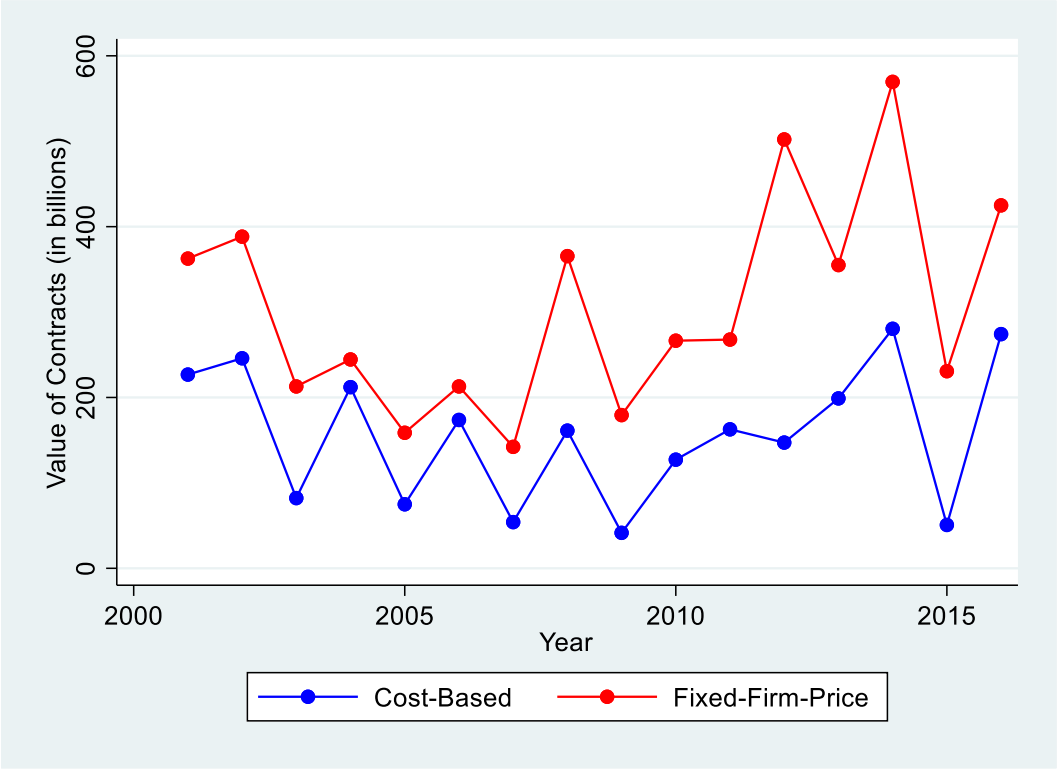
Federal Acquisition Regulations state that cost-reimbursement contracts are only to be used when there are uncertainties about how much a contract will cost, and the circumstances do not allow the agency to define the contract requirements in such a way that it could be structured as an FFP contract.[25] While an estimate of costs are part of a cost-reimbursement contract, overages can be paid to the contractor with approval of the contracting officer. Unfortunately, contracting oversight is inconsistent at best, and frequently the accountability of contractors is nonexistent. In the Department of Defense, for example, contractors are responsible for evaluating their own work and making recommendations on how much more money they would need to complete a project (Scherer 2004).

While the report by the House Committee on Government Reform noted an increase in the use of cost-based contracts by 75% during the first term of the Bush administration, the trajectory of the overall value of these contracts has been highly variable. **Figure 4-6** presents the overall value of all cost-based and firm-fixed-price contracts by fiscal year from 2001-2016. While the first two years of the Bush administration saw extremely high levels of cost-based contracts ($227 billion in 2001 and $246 billion in 2002), this dropped to under $100 billion

[25] https://www.acquisition.gov/far/html/Subpart%2016_3.html

from in 2003 and 2005. While the Obama administration started with using lower amounts of cost-based contracts ($41 billion in 2009), this generally increased during the presidential term. In general, the overall value of cost-based contracts followed a similar trajectory to FFP contracts across the entire time period. Both administrations used cost-based contracts, but the question is, were the decisions to award cost-based contracts made with political motivations in mind?

Figure 4-4: Cost-Based and FFP Contracts by Year



4.7 Applying the Theory of Vertical Insulation to Cost-Reimbursement Contracts

Similar to the use of no-bid contracts as a tool to subvert bureaucratic discretion in hard-to-influence areas of the government, cost-reimbursement contracts may be a way for political actors in agencies to deliver favorable contracts to vendors connected to the president. The same

three assumptions that were applied to no-bid contracts also apply to the examination of pricing structures.

While there have not been nearly as many public scandals relating to the pricing structure of contracts, as noted previously, they have gotten the attention of some members of Congress and the GAO. As the House Committee on Government Reform noted in their report, Halliburton, the contractor closely related to the Bush administration, received a cost-reimbursement contract valued at over $16 billion for support services in Iraq and Afghanistan (2006). While work in war zones can create situations where costs are unpredictable, the idea of essentially giving a company a blank check to bill for a wide variety of expenses raises questions about the motivations behind using that particular contract structure.

In applying the idea of vertical insulation to contract pricing, the expectation is that cost-based contracts will be utilized more in areas of the government where the president has less influence over decision-making. The overall procurement office in a given agency would use cost-plus contracts to limit monitoring of spending by vendors who are working on contracts awarded by lower level offices. By creating a structure that provides favorable conditions for a vendor, the agency is limiting the amount of oversight of bureaucrats involved in the day-to-day execution and monitoring of a contract. Therefore the expectation is that cost-plus contracts will provide the greatest benefits to vendors in Managerial Level agencies, where the president and top agency executives seek to mitigate against bureaucrats utilizing discretion due to their hierarchical insulation.

Hypothesis 3: *Vendors who donate to the president will receive greater advantages on cost-reimbursement contracts in the Managerial Level of agencies.*

By contrast, the expectation is that the advantages on FFP contracts will be greatest for donors in the Executive Level and Field Offices in agencies. This is based on the idea that political appointees and other high-level executives will exert influence to provide favorable conditions for the preferred vendors regardless of the pricing structure. In other words, they do not need to use cost-based contracts as a tool when monitoring of bureaucratic behavior is less costly. It is only when bureaucratic discretion is at its most prevalent that cost-based pricing structures need to be utilized.

Hypothesis 4: *Vendors who donate to the president will receive greater advantages on fixed-firm price contracts in the Executive Level (1) and Field Offices (3) in agencies.*

4.8 Data and Methods

Similar to the prior analysis on no-bid contracts, the same overall dataset of contracts and campaign contributions from 2001-2016 is utilized. Unlike no-bid contracts which are relatively common, cost-based contracts are rare, though extremely valuable. Out of the 17,315,768 contracts in the overall dataset that include all of the control variables, only 67,243 are cost-based contracts, or 0.004%. The average cost-based contract from a high-level office is worth $11,300,000. An average cost-based contract from a Managerial Level office is worth roughly $25,700,000, and in Field Offices, they are worth approximately $28,200,000. Clearly, based on the rough averages, cost-based contracts are utilized for larger amounts of money at offices below the highest levels of agencies.

In contrast, FFP contracts make up the vast majority of contracts, or 15,971,142 of the sample. The remainder of contract structures include blends of multiple contract structures, along with contracts that are limited to time and materials. The average value of FFP contracts in the

highest levels of government are worth $246,463, in the middle levels they average $203,629, and in Field Offices, FFP contracts average $267,898.

The same model structure is used for this analysis as was used to examine no-bid contracts, using ordinary least squares with robust standard errors (clustered by agency). Also included are fixed effects for fiscal year, the overall agency associated with a contract, and the congressional district of the vendor's location. The additional control variables related to the contractor and contracts, along with political controls will be applied to the models.

4.9 Analysis of Cost-Reimbursement and Fixed-Firm Price Contracts

An examination of cost-reimbursement contracts from 2001-2016 (Table 4-3) reveal the expected pattern. In Executive Level offices in agencies, donors to the president do not receive significantly larger contracts than those who do not donate. These results are relative to third level Field Offices, which are set as the reference category. In Managerial Level offices however, we see that donors receive contracts that are 181.6% larger than non-donors in the interaction model (Model 8), and 193.6% larger in the model with additional political controls (Model 9). It is also worth noting that unlike in the analysis of no-bid contracts, cost-reimbursement contracts are not linked to vendors in swing congressional districts. This is an important distinction. While the bidding process may be used to funnel money to vendors in key electoral districts, the pricing structure of contracts is only used to provide favorable contractual conditions for vendors working in insulated areas of agencies.

Figure 4-5A presents the predictive margins by level and donor status for the political model. In Executive Level offices, non-donors ($80,900) receive contracts that are larger than donors (63,127), though not significantly ($p = 0.215$). In middle level offices, the size of the

contracts increases, and donors receive very large cost-based contracts ($131,803) relative to non-donors ($79,232), though a Wald test reveals that the difference between the two does not reach significance ($p = 0.129$). In field level offices, the difference between donors and non-donors are significant, though non-donors actually receive larger contracts ($43,702) compared to donors ($24,759). These findings show suggestive though not definitive advantages for donors in the Managerial Level offices, and instead show that non-donors receive significantly more money in Field Offices. **Figure 4-5B** shows the marginal effects for donors relative to non-donors by level for cost-based contracts. The largest relative advantage occurs in the Management Level offices, where donors receive contracts that are 42% larger than non-donors.

The implication of these findings is that cost-based contracts are not consistently used as a mechanism to provide advantages for donors. Furthermore, they are not used as a tool to circumvent hierarchy in offices where opportunities for more discretion are present. While the possibility for abuse exists (see Whitefish Energy Holdings), it is not widespread.

Table 4-3: Vertical Insulation Theory & Cost-Based Contracts			
Covariates	**Baseline (7)**	**Interaction Terms (8)**	**Political Controls (9)**
Vertical Insulation			
Presidential Donor	-26.88***	-39.75***	-43.34***
	(10.03)	(10.62)	(9.390)
Level 1 Contract	96.76*	89.23	85.11
	(48.31)	(48.95)	(47.65)
Level 2 Contract	121.9***	85.25**	81.30**
	(30.59)	(30.76)	(29.98)
Presidential Donor *Level 1 Contract		**30.95**	**37.73**
		(26.60)	**(24.46)**
Presidential Donor *Level 2 Contract		**181.6*** **	**193.6*** **
		(46.86)	**(43.28)**
Agency Controls			
Agency Insulation	22897.9***	19093.9***	17254.2***
	(364.2)	(307.6)	(353.8)
Politicization	21.87	24.57	25.63
	(31.25)	(30.69)	(29.84)
Contract Controls			
Multiple Bids	60.43**	61.27**	60.29**
	(23.78)	(23.83)	(22.83)
Quantity of Contracts for Vendor (ln)	-14.55***	-14.39***	-14.34***
	(4.096)	(4.124)	(4.115)
Indicator if Contract is Over $7 million	9849.4***	9736.4***	9599.***
	(19.74)	(19.15)	(18.92)
Donor Controls			
Number of Donors to Winning Candidate (ln)	35.95***	31.03***	31.25***
	(3.789)	(3.286)	(4.348)
Number of Donors to Losing Candidate (ln)	-5.194	-3.151	-3.342
	(4.937)	(4.853)	(5.241)
Political Controls			
Unified Government			-99.01***
			(98.19)
District Represented by President's Party			20.75***
			(5.363)
Member of Appropriations			16.78*
			(9.269)
Member of Ways and Means			-29.57**
			(15.07)
Member of House Majority			-18.53**
			(8.878)
Committee Chair			-22.39
			(28.06)
Ranking Member			-3.666
			(12.63)
Close Election			-5.116
			(10.26)
Constant	15,296,944***	18,309,758***	22,597,634***
	(1271.6)	(355.3)	(401.4)
N	270,886	270,886	270,886
R-Squared	0.5606	0.5619	0.5640

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. *** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 4-5A: Cost-Based Contracts by Donors and Non-Donors

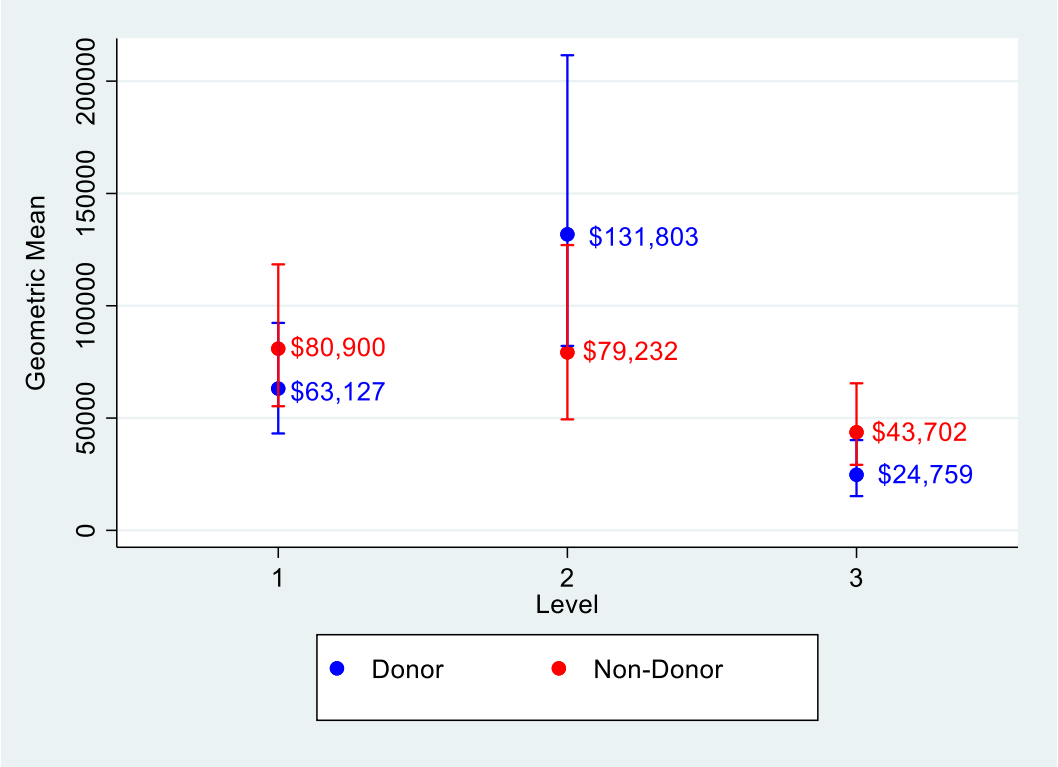
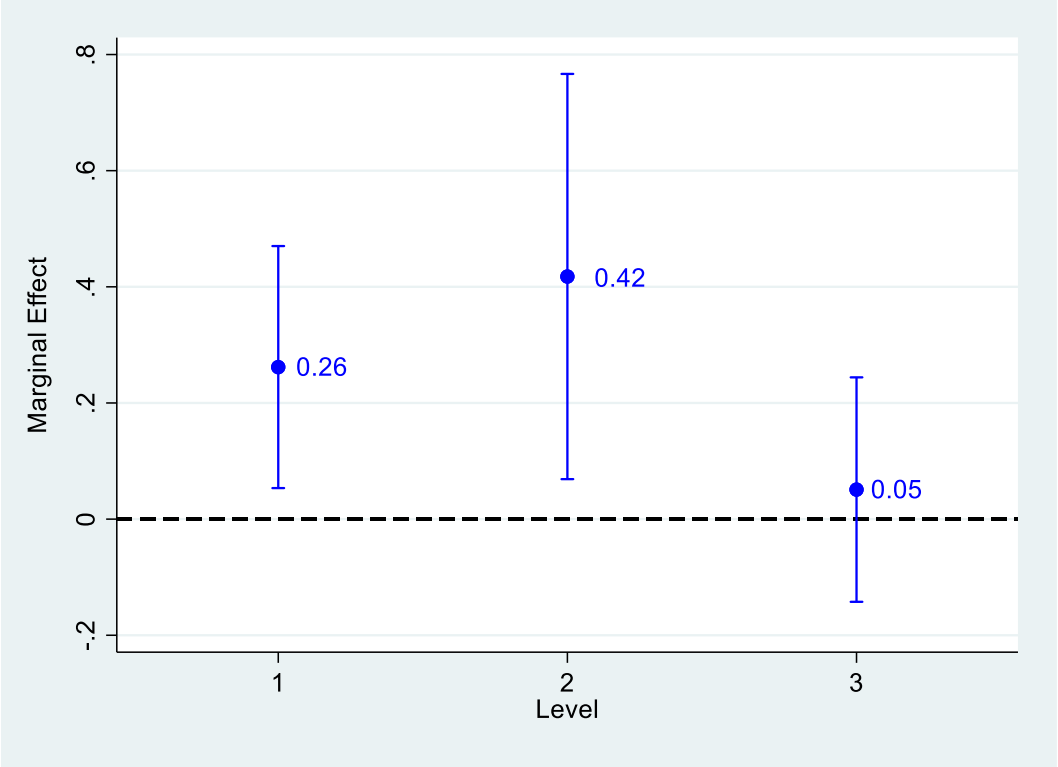


Figure 4-5B: Marginal Effects of Cost-Based Contracts for Donors by Level



Lastly, **Table 4-4** presents the results of the models that look at Fixed-Firm Price contracts only. The findings in both Models 11 and 12 do not show evidence that donors in Executive Level (1) offices receive larger contracts relative to those in Field Offices. Donors in middles level offices do receive contracts that are 16.6% or 18.1% smaller in Models 11 and 12. Similar to the results in Chapter 3, districts represented by a member of Congress in the same political party as the president receive FFP contracts that are 14.67% larger than other districts, and swing districts receive contracts that are 23.93% larger than non-swing districts. These findings are expected, as the majority of contracts are structured as FFP.

Figure 4-6A shows the predictive margins of contracts for donors and non-donors by level. Here we see, as expected, that donors receive the most benefits at the highest and lowest level offices, with the smallest difference in the middle level offices. In Level 1 offices, donors receive contracts that are 1.97 times ($11,086 / $5,640) larger than non-donors. For Level 2 offices, donors receive contracts that are 1.30 times ($2,267 / $1,743) larger than non-donors, and in Level 3 offices, donors receive contracts that are 1.59 times ($3,538 / $2,228) larger than non-donors. In each case, Wald tests reveal that donors receive contracts that are significantly larger than non-donors ($p < 0.001$). **Figure 4-6B** presents the marginal effects for the political model, showing the advantage for donors relative to non-donors by level. Similar to the other results that encompass a majority of the contracts, the largest advantages for donors occur in the Executive Level offices, followed by the Field Offices.

As expected, contracts using the FFP structure provide the largest benefits to donors in areas that are hierarchically close to the president, and the Field Offices that are closely monitored by agency executives. The benefits are the least in the middle level offices, where bureaucrats can exercise the most discretion from political influence.

Table 4-4: Vertical Insulation Theory & Fixed-Firm Price Contracts			
Covariates	**Baseline (10)**	**Interaction Terms (11)**	**Political Controls (12)**
Vertical Insulation			
Presidential Donor	55.63***	58.03***	58.80***
	(6.550)	(8.244)	(8.654)
Level 1 Contract	155.0***	148.7***	153.1***
	(22.08)	(22.24)	(22.85)
Level 2 Contract	-23.50**	-22.30**	-21.78*
	(13.29)	(13.15)	(13.34)
Presidential Donor *Level 1 Contract		**23.78**	**23.78**
		(13.86)	**(14.15)**
Presidential Donor *Level 2 Contract		**-16.61*** **	**-18.09*** **
		(3.486)	**(4.512)**
Agency Controls			
Agency Insulation	-98.28***	-98.27***	-98.23***
	(146.2)	(146.5)	(151.9)
Politicization	-59.82**	-59.51**	-60.42**
	(48.84)	(48.61)	(48.50)
Contract Controls			
Multiple Bids	75.48***	74.49**	73.35***
	(23.82)	(23.69)	(23.07)
Quantity of Contracts for Vendor (ln)	-19.34***	-19.34***	-19.19***
	(7.583)	(7.584)	(7.393)
Indicator if Contract is Over $7 million	93428***	93383.7***	92979.9***
	(16.27)	(16.31)	(15.86)
Donor Controls			
Number of Donors to Winning Candidate (ln)	21.06***	19.98***	19.46***
	(2.464)	(2.476)	(2.419)
Number of Donors to Losing Candidate (ln)	8.360***	8.187***	7.155**
	(1.969)	(2.453)	(2.892)
Political Controls			
Unified Government			38.70
			(118.6)
District Represented by President's Party			14.67**
			(6.963)
Member of Appropriations			12.41
			(7.425)
Member of Ways and Means			-12.86
			(10.93)
Member of House Majority			2.563
			(10.20)
Committee Chair			-0.638
			(7.481)
Ranking Member			-24.65*
			(15.32)
Close Election			23.93***
			(5.384)
Constant	34,994,705***	33,514,448***	28,783,611***
	(114.9)	(114.8)	(113.0)
N	15,958,795	15,958,795	15,958,795
R-Squared	0.4559	0.4634	0.4650

Notes: The coefficients and robust standard errors are exponentiated due to the semi-logarithmic functional form. *** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 4-6A: Fixed-Firm-Price Contracts by Donors and Non-Donors

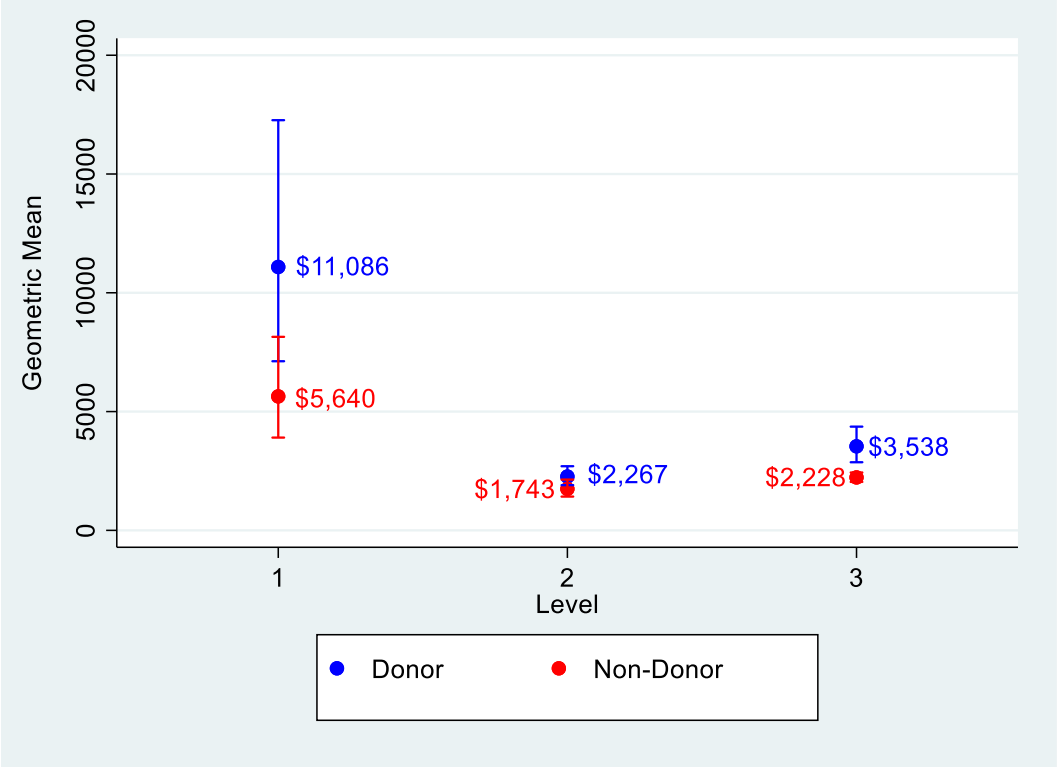
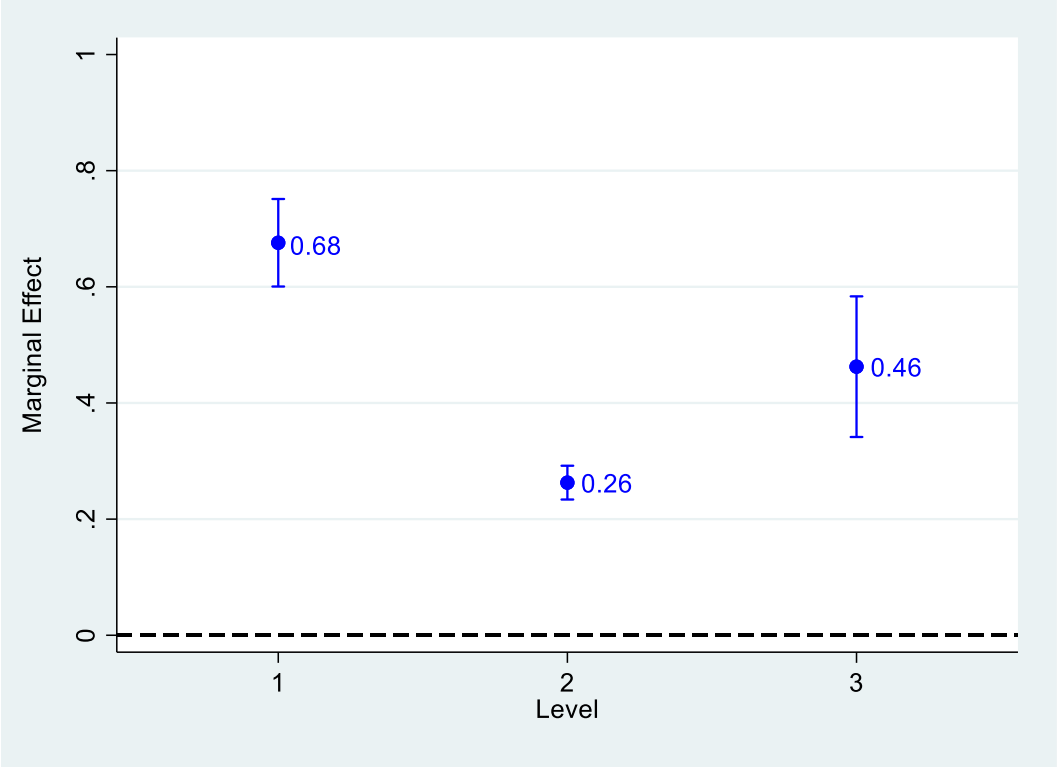


Figure 4-6B: Marginal Effects of Fixed-Firm-Price Contracts for Donors by Level



4.10 Discussion

This chapter aimed to examine whether there are specific mechanisms within government contracts that are used to subvert discretion within the organizational hierarchy of federal agencies. Specifically, this was explored through the bidding process of contracts and the pricing structures after the contracts are awarded. The results point strongly toward no-bid contracts being used to provide large contracts to presidential donors in the Managerial Level of agencies, and less so in the Executive Level and Field Offices. In contrast, when competitive methods are used for government contracts, donors receive the greatest benefits relative to non-donors particularly in Field Offices, and in the Executive Level offices as well. While donors generally receive larger competitively-bid contracts than non-donors in each level of agencies, the advantages are particularly strong in the first and third levels, and weakest in the Managerial Level offices. These findings fit with the results of Chapter 3, which showed that it is in the middle of agencies, where bureaucrats are centrally located but hierarchically distant from the president, that discretion from within offices neutralizes political influence.

The implications of these findings are that in areas of the government, particularly the Executive Level offices, where political influence is most prevalent due to the proximity to the president, competitive contracts do not represent a threat to presidential preferences. In areas where bureaucrats have more discretion, no-bid contracts represent a tool for presidents to attain compliance by subverting bureaucratic discretion in contract awards.

The examination of cost-based or cost-reimbursement contracts proved to be less conclusive. The data points toward some advantages for donors, particularly in the middle level offices, which would fit the theory that these pricing structures are being used to give donors advantages in areas of government where bureaucrats would otherwise provide greater oversight.

The findings are not significant however and are merely suggestive. On firm-fixed-price contracts, again donors are receiving greater benefits than non-donors at each level of government, but the advantages are dramatically larger at the Executive Level of government, followed by Field Offices and then as expected, the middle level offices.

The results in this chapter further show that the hierarchy within agencies creates coordination challenges for presidents. As Chapter 3 found, donors receive larger contracts than non-donors in the Executive Level and Field Offices, whereas their advantages are smaller in Managerial Level offices. This chapter advances our understanding of how presidents and agency executives can overcome these challenges by using specific contract mechanism to deliver benefits despite the coordination challenges that exist in Managerial Level offices. If a contract is generated from a Managerial Level office in an agency, the no-bid contract is the most dependable method to provide benefits to a presidentially-connected contractor. In contrast, FFP contracts are not an effective method to deliver contracts to donors in the middle level offices because of the greater opportunities for bureaucrats to exercise discretion by giving contracts to non-donors.

These findings are particularly important because they move beyond the broad theories of politicization and centralization to show that there are ways that presidents can influence more granular decisions to deliver benefits. The implications of these findings raise concerns about government waste and government monitoring of contractor activities. While the results on cost-based contracts are not conclusive, the trend that donors are receiving near blank checks from the government is something that needs to be examined from a practical perspective.

Furthermore, while it is unlikely that presidents are specifically directing everyday decisions, we know from the example in the General Services Administration where members of

the Bush administration were giving specific orders to direct contracts to swing districts (Gordon 2011) that they can and will provide directives that influence bureaucratic decision-making. The findings in this chapter provide evidence toward the idea that while some areas of agencies are more insulated from political influence, they can be reached through other mechanisms.

Chapter 5: Distributed Value for Campaign Donors

In the wake of Hurricane Maria in 2017, the Puerto Rico Electric Power Authority (PREPA) awarded a contract worth $300 million to a small company with only two full-time employees called Whitefish Energy Holdings. The contract quickly became controversial when the relationships between Whitefish and the Trump Administration became public. Not only was Whitefish based in Secretary of the Interior Ryan Zinke's hometown in Montana, but the company's founder was a major contributor to Republican campaigns, including to candidate Trump (Coto 2017). Whitefish had only won one previous contract, worth $268,562 in 2016, from the Department of Energy, and was not previously associated with campaign contributions.

Not all influence is necessarily being invested in just getting big money contracts, but also in developing a long-term relationship with the government. If value was all that mattered, we could expect vendors that donate to only pursue large contracts. Instead, there is value in developing a long-term relationship with the government through multiyear contracts. For example, Abbott Laboratories, a large health care company donated over $76,000 to President Obama's campaign in 2012. In 2013, they were awarded a multiyear contract from the Department of Veteran affairs worth $7,790. Furthermore, this was from a field office in Nashville, at the bottom of the hierarchy. The value in the contract went beyond the small dollar amount, but that this contract extended from 2013 through 2015. This provides stability and demonstrates for further procurement opportunities that Abbott can show that they can be trusted with multiyear commitments. The expectation would be that a large company like this would not pursue large contracts, but multiyear contracts still provide stable cash flows and the opportunity for reputation building.

The ability of private corporations to influence decisions of government officials is often assumed, though can be difficult to quantify. If a company is seeking to influence decisions, then we would expect those decisions to be meaningful for that specific corporation. The investment in influence assumes the expectation of a return. In the world of government contracts, the value of contracts varies widely, from a few hundred dollars to a few billion. If companies are making the effort to invest in campaign contributions, are their returns distributed evenly across all contracts? Or is their influence most noticeable on large contracts, or those that are guaranteed over multiple years?

Previous chapters have shown the importance of organizational hierarchy on political influence. Political influence is not experienced uniformly in agencies because the hierarchy limits the potency of presidential influence as decisions are made in progressively lower-level offices. The organizational structure of agencies provides insulation, in particular after the Executive Level offices. In the Executive Level offices, we see the most evidence of political influence on contract awards for donors, whereas in lower levels this influence dissipates. Each organizational level however awards large contracts, particularly the Executive Level and Field Offices. It is also these larger contracts that are more likely to draw the attention of agency leaders. If a Field Office is awarding a multimillion dollar contract, it is more likely to need approval from those at the top of the hierarchy. While contracting officers report significant autonomy in Managerial Level and Field Offices, they are limited by how large of a contract they can approve. For contracts that are over a few million dollars (the specific amounts vary by department and office), more senior procurement officers become responsible for the contract decisions. Furthermore, larger contracts are more likely to deal with complex products or services, which can require negotiations between contractors and the government in terms of the

actual specific details of the contract (Brown, Potoski, and Van Slyke 2010). In a more complex situation, as noted in interviews with contracting officers, more high-level appointees and agency executives will take interest in a contracting decision. As these procurement processes are elevated in the hierarchy, there are more opportunities for the contract to draw attention from more politicized agency staff.

In addition to the obvious appeal of larger contracts, there is also value to contractors in having multiyear agreements with the government. Multiyear agreements represent long-term commitments from the government to the contractors that allow the contractors to predict their cash flow. An additional benefit for contractors is that if a long-term contract is agreed upon, but the government cancels the contract, the contractor is still paid a portion of the agreed-upon value (Maucione 2016). Multiyear contracts are another feature of contracts, along with the pricing structure (See Chapter 4), that places more of the risk of the contract on the government, as opposed to the vendor (Government Accountability Office 2008). Much like big money contracts, multiyear contracts represent a desirable feature that contractors would desire.

While contracting decisions are not intended to be politicized, particularly when large amounts of money and long-term commitments are involved, there is limited accountability and monitoring of how these decisions are made (Hansen 2003; Johnston, Romzek, and Wood 2004). As noted in previous chapters, the actual decision makers are the contracting managers located within the agencies and offices making the contracting decisions. While there has been an investment to provide more training to these officers, much of the money allocated for this purpose has not been utilized. For example, Congress created the Defense Acquisition Workforce Development Fund in 2008 to increase recruitment, training, and retention of procurement employees, but frequent unobligated balances in the program led Congress to

ultimately reduce the funding (Curry 2017: 25). The general ambivalence from the government and agencies themselves about enforcing accountability and monitoring standards over procurement decisions allows for the opportunity for political influence. Building on the previous chapters that have shown broadly that insulation from the Executive Level yields less political influence for campaign donors, this chapter examines whether political influence on large and separately multiyear contracts circumvents hierarchy, or if organizational insulation trumps even big money contracts.

5.1 Imbalance of Power

When examining government resources and how those resources are distributed, it is necessary to look at how this impacts the government and country as a whole. If some groups can gain advantages over others through donations and access, then this creates the potential for inequality. In other words, this creates a problem of crony capitalism, where businesses can win contracts from the government due to their political connections instead of their ability to execute contracts. The fundamental problem is that these opportunities are not truly competitive to each potential vendor, but rather to a small class of connected businesses. This perpetuates the problem of political inequality, where only certain businesses are dominating a portion of our government (Schattschneider 1960).

In the area of distribution, the president has considerable power in terms of how much is allocated through grants and contracts. While the budget is passed through Congress, the specific decisions on how the money will be distributed occurs in the agencies. Kriner and Reeves (2015) study the impact of presidential particularism on inequality of outlays. They find that presidents disproportionately favor either constituencies that are necessary for their reelection as swing

districts or counties, and areas that are part of their loyal base (97). This creates inequalities for the remaining portions of the country that are not directly in the political interests of the president. Similarly, Hudak (2014) finds that discretionary grants are directed to swing states, as opposed to uniformly across the country. These studies are examples of how politically motivated distribution creates inequalities based on the relationship between specific areas of the country and the president.

This study does not focus on the geographic distribution of money (though many of Kriner and Reeves (2015) variables are included as controls), the primary focus is on which entities are getting the money and whether they are politically active. Furthermore, beyond the simple question of whether political donors are receiving larger contracts than non-donors, and if those contracts are more likely to be multiyear commitments, this work is also examining whether these advantages are experienced uniformly in the hierarchy of federal agencies. In other words, if there is a small class of business elites that are donating and winning large contracts, are they concentrated in the Executive Levels of government? Or are they able to take advantage of their preferred status by dominating agencies entirely, regardless of hierarchy?

If contractors that are political donors are winning larger contracts across all hierarchical levels of agencies, then this would be an indication that this type of crony capitalism has proliferated throughout agencies. If, however, it is only concentrated in the Executive Level offices, then this would be an indication that their political influence is limited to the least insulated offices in the hierarchy. It would also be an indication that there would be more equality in terms of opportunity to win contracts for all vendors in the more insulated levels. Similarly, if campaign donors can secure multiyear commitments from the government, regardless of the size of the contract, this is an indication that they are limiting the ability of

other vendors to compete for the same services, potentially creating inefficiencies for the government.

5.2 Donations as Investments

While there is considerable skepticism about the ability of corporations to influence policy decisions (Ansolabehere, de Figueiredo, and Snyder 2003; Bronars and Lott 1997), much of the focus has been on isolating potential influence on roll call votes in Congress. Yet roll call votes are a problematic measure because they are highly public outputs that are also strongly influenced by political parties and constituencies (Ansolabehere, Snyder, and Stewart 2001). This is an extremely limited view of how campaign contributions can influence government, ignoring what can happen in the actual formation of policies both before and after roll call votes (Snyder 1992). Legislators are naturally going to be cautious when making roll call votes, which receive considerable media coverage and attention during campaigns.

Separately, there is evidence that campaign contributions can influence regulatory decisions. Rather than focusing on legislators, de Figueiredo and Edwards (2007) examine the policy decisions of state public utility commissions. They find that campaign contributions have a direct effect on regulatory outcomes. This finding suggests that perhaps the attention on roll call votes has been misplaced, and instead we need to consider how campaign contributions can influence other types of decisions within the government. Similarly, Blau, Brough, and Thomas (2013) look at banks and lobbying expenditures and find that banks that were more politically active received Troubled Asset Relief Program funds in great value and faster than banks that were not politically engaged. From a business perspective, corporations that make political donations have higher stock returns (Cooper, Gulen, and Ovtchinnikov 2010) and lower tax rates

than those who do not participate (Brown, Drake, and Wellman 2015). Furthermore, there is evidence that companies that have repeated experience in agencies are more likely to win additional contracts (Witko 2011) and can influence policy (Kelleher and Yackee 2009).

As noted in previous chapters, Witko (2011) has shown that companies who contributed money to federal candidates received more government contracts. While this study is important in terms of establishing the connection between contributions by contractors and contract awards, it does not address the actual value of the contracts. In other words, are these victories in influence distributed evenly across contracts of all values, or are they concentrated on only the most lucrative contracts? If they are concentrated in large contracts, this points to Schattschneider's (1960) thesis that the reality of our democracy is that power is concentrated amongst a small group of elites. In this case, the elites are the contractors who are dominating large contracts at least in part because of their political connections. If we look at contractors as a means of representation, which the government certainly does with an attempt to set-aside many contracts for small and minority-owned businesses, then we need to consider the implications of having large and long-term awards given to those who are making campaign contributions. If the representativeness of Members of Congress can impact policy and equality (Carnes 2012), then the qualities of the companies that the government is hiring to conduct much of the work of the government need to be considered. A system that is skewing contracts to those that that can be politically active ensures that only an elite class of vendors will be winning the big money contracts.

In fact, most contracts are quite small, with the median contract value at only $3,573. Not surprisingly, much of this skew toward smaller contracts is driven by purchases for goods rather

than services. While there are plenty of items purchased by the government that are expensive[26], the majority are small. By comparison, the median product contract is worth only $1,964, whereas the median services contract is worth $13,900.

Figure 5-1 presents the values of both non-donor and donor contracts for the sample used in the analysis in this project at various percentiles. While donor contracts are generally worth about twice as much as non-donor contracts regardless of the percentile, the largest differences are at the higher values. At the 50th quantile, donor contracts are worth $7,892, compared to only $3,303 for non-donors. As the contracts get larger, the dollar differences between the donors and non-donors became more dramatic. At the 87.5th quantile, for example, donor contracts are worth $92,850 compared to only $46,396 million for non-donors. The 99th quantile is not included in the graph for scaling reasons, but the donor contracts at this quantile are worth $3.7 million compared to $1.5 million for non-donors. There are 15,670 donor contracts in the 99th quantile, worth a total of $961 billion. This makes up 90% of the value of all contracts that donors were awarded. In the 99th quantile for non-donor contracts, 161,680 non-donors won contracts, worth $3.8 trillion. Similar to donor contracts, this makes up 89% of the value of all contracts awarded to non-donors. While the number of large contracts is relatively small, the value of these contracts dwarfs the remaining 99%.

It is important to note that large contracts are not only concentrated in Defense, but rather are awarded in many agencies. While Defense does have the most contracts worth over $1 million in the dataset, with 183,893, eleven other agencies have at least 5,000 contracts worth over $1 million. Similarly, while the Department of Defense awarded 28,047 contracts from

[26] The largest contract for the purchase of a good in the dataset is a contract with Northrop Grumman for electronics related to submarines.

2001 – 2016 worth over $10 million, nine other agencies awarded at least 1,000 contracts worth at least this amount.

Figure 5-2 shows the total number of contracts worth over $1 million by level associated with the office awarding the contract from 2001 through 2016. The red line represents the number of Level 1 contracts by year. Generally, the trend is that there are more Level 1 contracts worth over a million dollars each year, peaking with 16,092 in 2014. The number of Level 2 contracts worth over one million dollars per year is the most consistent across the three levels, generally 1,500 and 4,000, though they do also peak in 2014 at 6,741. Finally, represented by the blue line, Level 3 offices track closely with Level 1 offices, consistently peaking at similar times, but almost always having more contracts worth over one million. They also peak in 2014, with 20,833 contracts.

To better understand which types of companies are winning larger contracts, it is worth examining characteristics of those that win contracts above and below $1 million. The median number of employees for companies with contracts over $1 million dollars is 250, compared to 80 for companies who won contracts under $1 million. The mean number of employees for companies who win large contracts is 15,216, compared to 11,068 for companies that win smaller contracts. Not surprisingly, some large companies win both small and large contracts. United Parcel Service (UPS), for example, won 835 small contracts in the data, worth on average $4,353. They also won three larger contracts, worth an average of $3,976,014. This shows that large companies are willing to pursue smaller contracts, even though the returns will be smaller. By building a reputation, they can show that they are dependable vendor for the government and will be considered for both large and long-term contracts.

While previous chapters have pooled all contracts together, it is worth considering that donors are primarily interested in big money contracts. While they may still pursue smaller contracts, those are not the purpose of their investment in campaign contributions. Instead, it is assumed that the contributions are meant to sway people at the top of agencies who are more likely to influence larger contracts.

A study by the Center for Public Integrity found in 2003 that it is not only the large companies like Halliburton that benefit from political contributions and connections, but also smaller companies as well. Of the top ten contractors, all were political donors, and President Bush alone received $500,000 from top contractors (The Center for Public Integrity 2003). For example, Halliburton was awarded one of the largest government contracts in history that has ultimately been worth over $31 billion for reconstruction efforts in Iraq (Holan 2010). In addition to Vice President Dick Cheney having been the CEO of Halliburton, the company also donated money to the Bush-Cheney campaign in 2000 and was rewarded mightily (Mayer 2004).

Given this type of example, which was highly publicized, it is hard to blame companies for wanting to become politically engaged with presidential administrations. For contracts such as this, where the value of the contract is large and the vendor is politically connected, the expectation is that the administration will take a special interest. When the administration takes a special interest, hierarchy is expected to become irrelevant. While hierarchy will generally provide insulation on contracts of smaller amounts because it is too costly for agency leadership to micromanage each contract, when a multi-million-dollar procurement opportunity exists, and there is a vendor with connections to the administration, leadership will become involved. Furthermore, on large contracts, additional approvals from higher-level officials are required before the award can be made. As such, the expectation is that the intent of donations is to

influence larger contracts, and that this type of influence will transcend hierarchy due to the increased participation on larger contract decisions by upper-level management in agencies. The additional oversight of large contracts by higher-level employees will decrease the insulating effect of hierarchy, leading to more uniform political influence throughout an agency. As such, on large contracts, there will be more substantial differences between donors and non-donors.

H1: Larger contracts will be substantially larger for donors compared to non-donors, regardless of their place in the hierarchy.

The additional expectation is that there will be less influence on smaller contracts because they are less likely to draw the attention of people willing to advocate for vendors. Most often, smaller contracts will be decided entirely by contracting managers, and will be given little oversight by higher-level employees. Instead, the standard procedures for deciding contracts – looking at the ability of vendor to complete the contract for a reasonable price – will help contracting officers making their decisions. Rather than triggering procedures to be reviewed by upper management, smaller contracts will be decided based on the discretion of the contracting officers. Through discussions with contracting officers, I discovered that they generally receive near complete autonomy when making decisions, particularly in the Managerial Level offices and Field Level offices. While the big money contracts draw attention from the higher-ups regardless of where they occur in the hierarchy, smaller contracts will be left to the discretion of the bureaucrats who are trained to evaluate vendors based on their qualifications and ability to complete a contract. As such, whether or not someone is a campaign donor to the president will

not be a factor in the decision on small contracts. The expectation therefore is that, on smaller contracts, there will not be a distinguishable difference between donors and non-donors.

H2: Smaller contracts will only show advantages for donors in high level offices, but not in middle and lower level offices.

In addition to the anticipating that donors will generally receive larger contracts, it is also natural to expect that they will also want a longer-term relationship with the government. Longer contracts represent more stability for contractors and allow them to build a greater reputation as a contractor worthy of being considered for other contracting opportunities (Witko 2011). As noted previously, contractors who maintain a presence of government have a greater opportunity to influence policy as well (Kelleher and Yackee 2009).

While multiyear contracts are beneficial for contractors, they also have potential benefits for the government. The primary purpose of multiyear contracts is to negotiate and lock in a lower price with the vendor. They also create stability within the agency using the contractor, along with the benefit of not needing to manage a new procurement process each year (Jolson 2017). The potential downside is that if donors can consistently win longer term contracts, this is limiting the ability of other vendors to bid on contracts for lower prices, creating inefficiencies for the government. If politically connected vendors are using their access to discourage competition, this would be further evidence of Schattschneider's (1960) concern about there only being a small circle of elites that are given influence in government. By using their access to not only gain contracts, but to limit the ability of others to win contracts for extended periods of

time, the politically connected vendors are able discourage competition and secure their own long-term place in government.

Therefore, the expectation is that multiyear contracts, which are highly desirable for vendors, are an aspect of contracts that could be used to provide benefits to donors that cuts across hierarchy. Due to the need for higher-level approvals required to issue multiyear contracts, yet the overall lack of accountability on these contracts (Government Accountability Office 2008), they represent a potential area for political influence over awards. Furthermore, the government has not issued strong guidelines to contracting officers about when to use multiyear contracts (Jolson 2017), which allows for flexibility that could be utilized by those in an agency wishing to award contracts that are beneficial for preferred vendors.

H3a: Donors will be more likely than non-donors to be awarded multi-year contracts, regardless of the hierarchical origin of the contract within the agency hierarchy.

H3b: Donors will be awarded longer contracts than non-donors, regardless of the hierarchical origin of the contract within the agency hierarchy.

Examining multiyear contracts is another way to look at contract features that create value for vendors beyond simply money. Money is the name of the game, but so is the stability that a long-term commitment with the government brings. Multiyear agreements allow for the vendors to build a reputation that gives them credibility on other contract awards, along with the ability to plan for hiring and resources within their own company. Looking beyond the size of contracts, multiyear contracts allow for an additional viewpoint on what makes contracts

desirable for vendors, and how influence may impact decisions within agency hierarchies to award these types of contracts.

Figure 5-1: Contract Values by Donors and Non-Donors

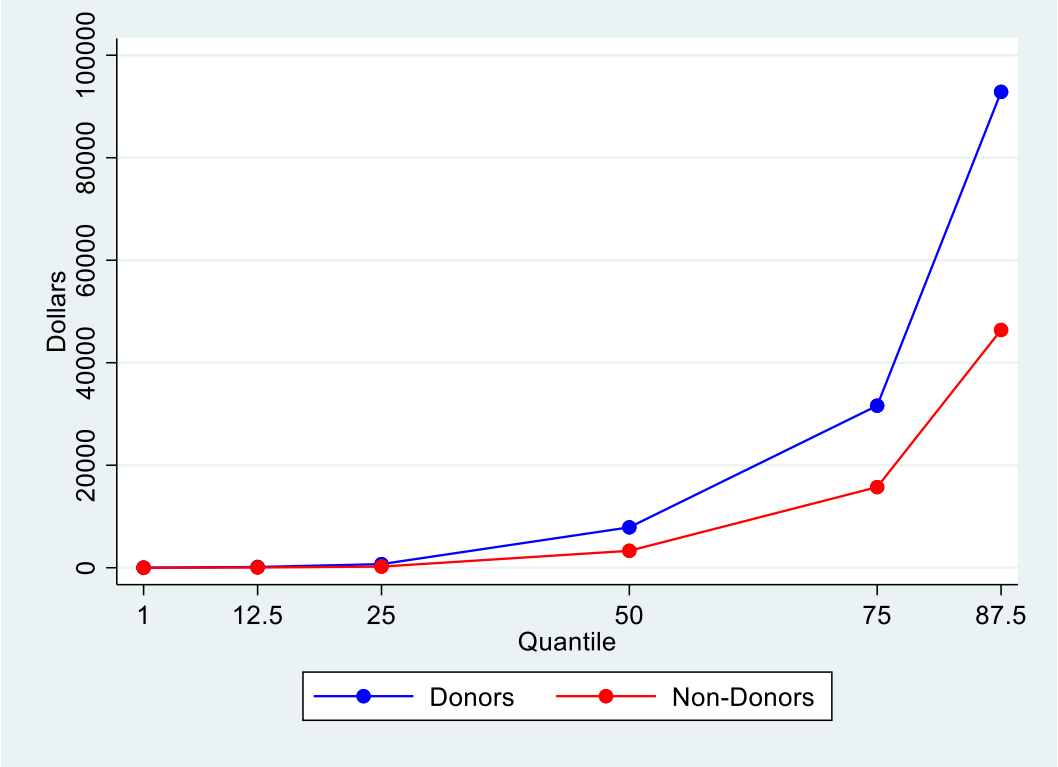


Figure 5-2: Large Contracts by Level

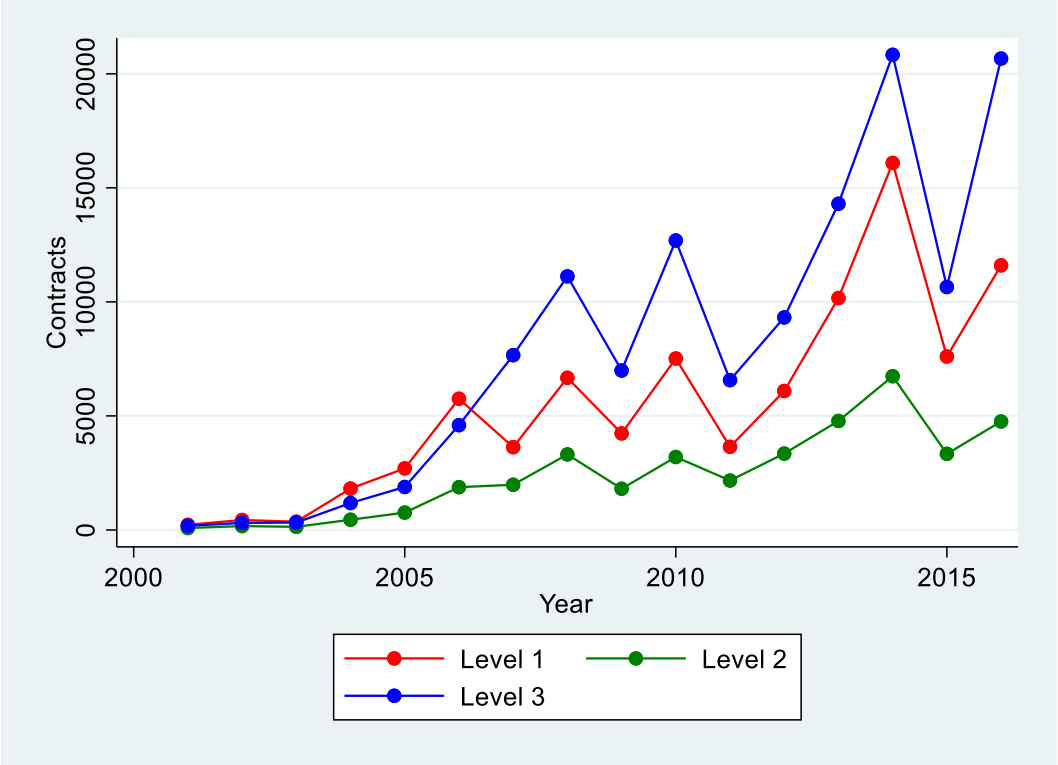


Figure 5-3: Average Length of Multiyear Contracts by Level

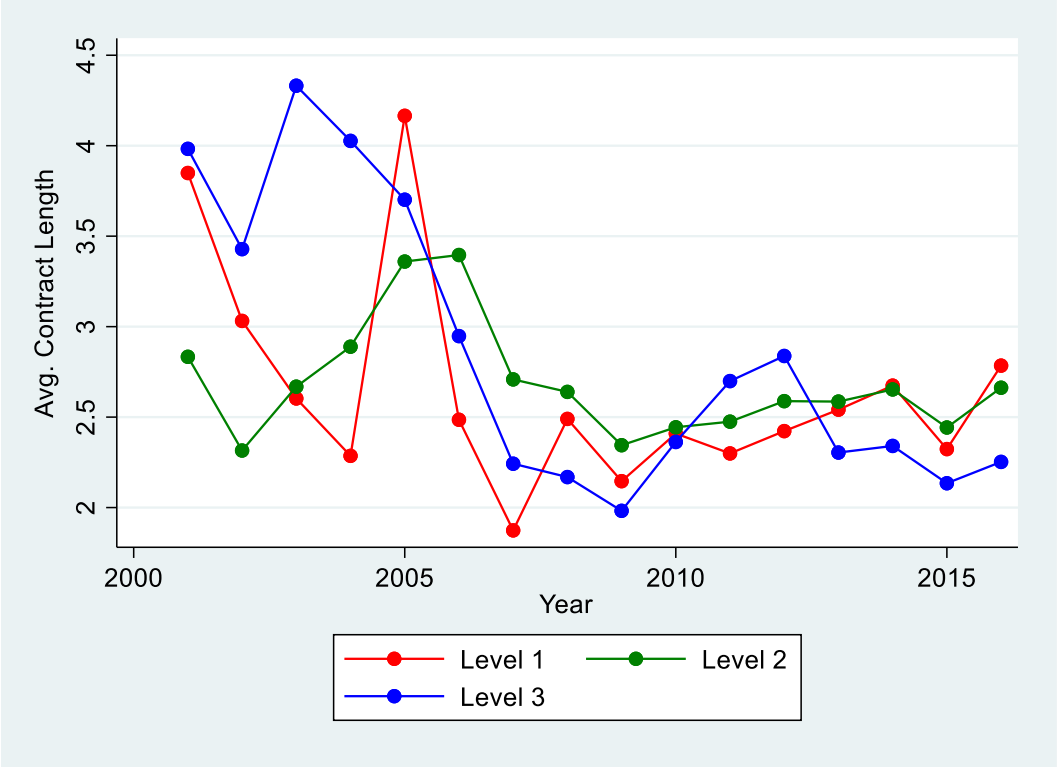
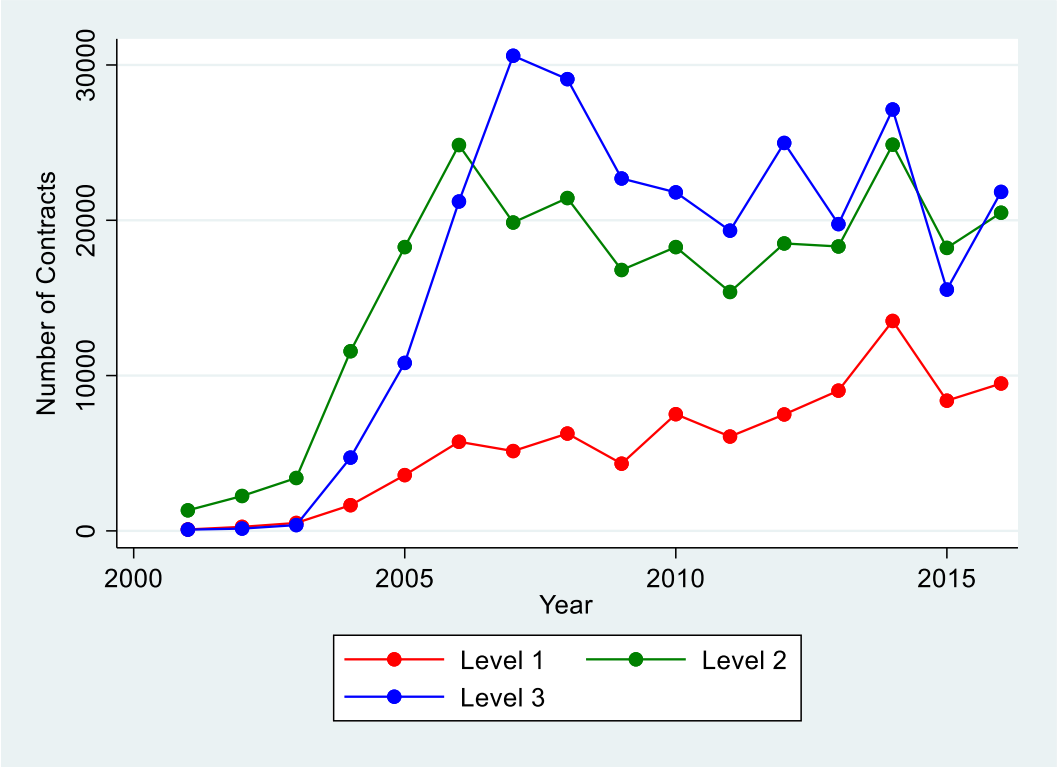


Figure 5-4: Count of Multiyear Contracts by Level



5.3 Data and Methods

In order to show how the size of the contract opportunity impacts who is winning the contracts, a fixed effects unconditional quantile regression (UQR) is used. This method was developed by Firpo, Fortin, and Lemieux (2009). These models will estimate the relationship between the variables at different contract values, as set at specific quantiles.

Similar to the models in previous chapters, most of the additional covariates are included in the models. The only exception is that the indicator for large contracts is omitted from the quantile regression, because this would be omitted from most of the models, and endogenous for the models examining the largest contracts.

For the analysis examining multiyear contracts, Poisson-logit maximum likelihood model is used. A hurdle allows for the logit to judge on whether the length of a contract is for zero years, or more. In this case, a variable was constructed based on the length of each contract, where less than one year is coded as zero, and more than one year is coded a decimal of years (a contract could last 2.2 years, for example). Due to some missing date variables in the dataset, the length of some contracts is not able to be estimated. As such, the sample is reduced to 16,380,951. While the focus of a GAO report was on multiyear Defense contracts, relatively speaking, Defense does not make up a large proportion of the multiyear contracts. Department of Defense contracts make up 1.97% of the multiyear contracts, compared to the Department of Justice, which issued 21.17% of multiyear contracts, and the Department of Treasury which makes up 10.66% of the contracts.

As is the case with most of the analysis, the primary variables of interest are looking at the interactions between donor status of a winning vendor and the level from which a contract is awarded. Additionally, analysis is conducted where the log of the number of presidential donors

from a vendor are instead interacted with the levels to examine how the number of donors in a company impacts the ability for a vendor to win contracts.

5.4 Vertical Insulation and Contract Size

The purpose of the quantile regression is to determine how the size of the contract impacts both the amount of political influence, along with how the decision-point for contracts within agencies mitigates, or does not mitigate, this influence. The expectation is that on larger contracts, donors will receive larger contracts than non-donors regardless of where the contracting decision is made.

Table 5-2 presents the results for the quantile regression, along with the OLS results for the full data.

Figure 5-5A shows the ratio of the predicted value of contracts for donors over the value of non-donor contracts at each quantile. Ratios above one indicates that donors receive larger contracts than non-donors, and below one show that non-donors receive larger contracts than donors. For Executive Level (Level 1) contracts, donors receive larger contracts than non-donors at each level, and this ratio increases, though not consistently, as contracts grow larger. The advantage is smallest in the 1st quantile of contracts, where donors receive contractors that are 1.03 times as large as non-donors. The largest advantages for donors occur on contracts in the 75th quantile where the donor contracts are 2.01 times as large as non-donors. The next largest ratio is for the 99th quantile of contracts, where donors receive contracts that are 1.75 times ($2,827,462 / $1,618,839) as large as non-donors. Generally speaking, as contracts get larger, donors receive a greater advantage over non-donors.

This finding is not universal across levels, however. For Managerial Level (Level 2) contracts, donors only receive advantages over non-donors at the 1st and 12.5th quantiles. From the 25th through the 99th quantiles however, non-donors receive larger contracts than non-donors. In the 99th percentile, there is virtually no difference between contracts for donors ($1,608,158) and non-donors ($1,639,071). For Field Level offices, donor advantages generally grow as contracts increase. For the largest contracts, donors receive contracts worth $3,251,393 compared to non-donors, who receive contracts worth $1,699,628 on average.

The key level and donor variables are best understood through marginal effects, presented in **Figure 5-5B**. The figure shows the marginal effect for donors relative to non-donors by level at each quantile. For Executive Level contracts, donors do not receive substantial advantages on the smallest contracts, with an advantage of only 4%. This increases at the second quantile (0.125), up to 20%, and peaks at the 5th quantile (0.75), where donors win contracts that are 70% larger than non-donors. The advantage remains high on the largest quantiles, with an advantage of 56%. For Managerial Level contracts, the story is reversed. On the smallest contracts at this level, donors actually receive substantial advantages, where they receive contracts that are 78% larger than non-donors. By the third quantile however, the marginal effect is negative, suggesting larger contracts for non-donors. The marginal effects remain negative for Managerial Level contracts for the remaining of the quantiles. As has been the case in most of the results, the Field Level offices look most similar to the Executive Level offices. There is virtually no advantage for the donors at Field Level offices on the smallest contracts, with only a 2% advantage. This gradually increases, and peaks at the third quantile (0.25) at 58% and at the highest quantile (0.99) with a 65% advantage for donors over non-donors.

These results show that even on large contracts, the organizational insulation that exists within agencies limits the influence of the president, but only in the Managerial Level offices. The implications are that presidential power is limited by the hierarchy in agencies, and that their political reach is potent in Executive Level contracts, particularly on large ones, and in the Field Level offices. Bureaucrats do not show favor toward donors in Managerial Level offices.

Focusing first on the additional covariates, Selin's (2015) measure of agency insulation from political review plays a strong role in the full OLS model, though this is relatively consistently reduced in each of the quantiles. The OLS model indicates that in agencies that are most insulated, contracts are going to be smaller. This pattern holds true across each of the quantiles, with the smallest effect in the lowest two quantiles. The remaining quantiles show that insulation from review plays a consistent role, regardless of the size of the contract.

Politicization plays a more inconsistent and interesting role, depending on the size of the contact. In the pooled model, politicization is weakly associated with smaller contracts. In other words, when there is an appointee in an office, the contracts are slightly smaller. This continues to hold true on smaller contracts. For contracts in the 1st quantile, contracts awarded from an office with an appointee are 17.55% smaller than those without an appointee. This effect is similar in the 12.5th percentile, at 43.42% smaller, and the 25th percentile, at 70.21% smaller, though the level of significance begins to decline. In the 75th and 87.5th percentiles, the effect is not near significance. In the 99th percentile however, the effect is moderately significant ($p = 0.01$) and indicates that for the largest contracts, offices with appointees' award contracts that are 135.5% larger than those awarded from offices without appointees. See the Appendix for additional analysis where the appointee variable is included in a triple interaction with the donor variable and the level variables. The primary findings are that in Executive Level offices with

appointees, donors only receive advantages over non-donors on the absolute largest contract (Donors: $5,715,087; Non-Donors: $1,612,861). This suggests that appointees in Executive Level offices are primarily interested in the absolute largest contracts.

It is also worth noting that the number of donations to either the winning or losing presidential candidate have different effects depending on the size of the contract. In the pooled model, the greater number of donors to the winning candidate is associated with larger contracts. This is not true however in the 1st, 12.5th, and 25th quantiles. This does become positive and significant beginning at the 50th quantile, with the largest coefficient associated with the largest contracts. Essentially, as contracts get larger, more campaign donations to the winning candidate are associated with larger contracts. In contrast, the findings relating to donations to the losing candidate are more inconsistent. They are positive and significant at the 12.5th and 25th quantiles, but negative and significant at the 0.875th and 99th quantile. For the largest contracts, it pays to have picked the right candidate.

Districts associated with the president's party do receive larger contracts than those represented by the opposition party, but only starting at the 50th quantile and up. This suggests that while presidents do put pressure on agencies to consider strategic political geographic considerations when awarding contracts, this is only occurring on medium to large contracts. This likely occurs because smaller contracts are not going to get as much public attention, which is ultimately the goal of a president who is using the government to boost their party through the distribution of federal funds. This generally aligns with Gordon's (2011) findings that pressure from the White House does impact contract awards.

When looking at the two variables relating to congressional districts represented by the members of the House Appropriations and Ways and Means committees, the results are

somewhat inconsistent across quantiles, with one exception. In the 99th quantile, membership on either of these committees is associated with larger contract. Membership on these committees does not necessarily steer small or medium size contracts to their districts, but on the absolute largest contracts, their districts benefit. This finding is in contrast to Kriner and Reeves (2015) study of grants and other outlays that does not find significant benefits to membership on these committees. One possible reason for the additional benefits from contracts is that, per interviews with contracting officers, during the decision-making process on very large contracts, representatives from the agency can be asked to keep congressional committees up-to-date on the selection process. This is intended as oversight, but based on these results, it also appears that there may also be attempted influence by Congress, which is then sanctioned by the president's staff in the agency, who will also need to approve the award. Much like the idea of fire alarms from (McCubbins and Schwartz 1984), where Congress only takes an interest in agencies when they do something wrong, in this case they only take an interest when large sums of money are being awarded. While not a focus of this study, the relationship between Congress, agencies, and the president on large contracts is worth further exploration.

One finding that goes against expectations is related to contracts being directed to districts that recently experienced a close election. In the pooled results, this variable is positive and significant, which is expected based on Gordon's (2011) findings related to the White House influencing contracts in the General Services Administration. Looking at the quantiles, this influence is only positive and significant on relative small contracts, at the 12.5th and 25th percentile. For larger contracts the findings do not reach significance. It is possible that the attention given to this issue during the Bush administration caused a change in behavior in terms of how contracts were being directed and the president's willingness to put pressure agencies to

direct money in this specific way. From the agency perspective, while they appear content to provide benefits to members of key committees, which can certainly have benefits for them during the next budget cycle, members in close districts are not beneficiaries of larger contract awards. In many cases these members of Congress will lack seniority and likely are not on key committees, so agencies may feel less compelled to direct contracts their way if they may not be in Congress for an extended period.

Table 5-1: Quantile Regression Test of Vertical Insulation								
Covariates	**Baseline (OLS)**	**0.01 Quantile**	**0.125 Quantile**	**0.25 Quantile**	**0.50 Quantile**	**0.75 Quantile**	**0.875 Quantile**	**0.99 Quantile**
Vertical Insulation								
Presidential	57.61***	1.520	28.66***	77.87***	50.73***	29.22***	40.63**	91.30
Donor	(7.836)	(9.873)	(8.461)	(18.68)	(3.094)	(6.310)	(15.26)	(63.26)
Level 1	160.3***	97.40**	115.6***	244.0***	125.3***	132.0***(16.22)	132.3***	174.1***
Contract	(24.16)	(31.77)	(25.99)	(34.95)	(30.96)		(9.610)	(39.44)
Level 2	-23.97*	-29.88*	-16.03	-26.65	-31.16**	-15.37(12.90)	-5.615	7.455
Contract	(15.58)	(23.71)	(25.83)	(34.10)	(20.53)		(9.331)	(48.71)
Presidential	27.60**	3.670	22.51	20.47	36.86	100.8***(29.11)	18.37	74.66
Donor *Level	(14.78)	(6.403)	(16.77)	(42.98)	(38.67)		(37.68)	(198.9)
1 Contract								
Presidential	-11.73***	118.4*	47.83	-5.878	-42.60***	-23.46(22.19)	-10.61	-1.885
Donor *Level	(4.151)	(51.03)	(36.43)	(28.36)	(16.47)		(32.58)	(89.31)
2 Contract								
Agency Controls								
Agency	-98.36***	-32.33***	-63.01***	-95.04***	-99.72***	-97.39***	-97.06***	-95.45***
Insulation	(154.7)	(10.22)	(28.37)	(99.59)	(339.6)	(152.3)	(112.4)	(101.4)
Politicization	-53.47*	-17.55***	-43.42***	-70.21**	-70.11*	-29.78	-6.694	135.5***
	(51.40)	(7.204)	(19.68)	(61.11)	(87.24)	(34.02)	(28.72)	(38.02)
Contract Controls								
Multiple Bids	86.51***	-15.45	37.84***	113.0***	139.4***	63.10	31.14	31.13
	(25.38)	(24.03)	(9.226)	(26.71)	(24.29)	(36.35)	(37.46)	(62.42)
Quantity of Contracts for Vendor (ln)	-19.39***	-11.89	-17.69**	-25.03**	-18.22***	-11.90***	-11.57***	-14.59***
	(6.823)	(8.870)	(9.637)	(13.03)	(5.074)	(1.766)	(1.180)	(5.224)
Donor Controls								
Number of Donors to Winning Candidate (ln)	25.31***	22.68	2.778	15.40	41.50***	35.08***	39.87***	71.49***
	(3.954)	(27.70)	(8.905)	(14.32)	(9.032)	(6.421)	(6.893)	(15.98)

Number of Donors to Losing Candidate (ln)	4.368	-9.058	17.54***	18.78**	-0.754	-1.009	-14.67**	-32.01**
	(4.739)	(19.74)	(3.264)	(8.447)	(7.789)	(4.978)	(7.699)	(21.41)
Political Controls								
Unified Government	41.45	8.927	22.64**	9.750	19.35	-54.72	-72.17	-92.59*
	(96.53)	(13.50)	(10.47)	(11.89)	(61.20)	(100.8)	(133.5)	(278.5)
District Represented by President's Party	12.77**	1.480	8.879*	8.509	12.62**	12.62***	11.63**	25.03**
	(5.546)	(3.258)	(4.513)	(8.264)	(5.273)	(4.621)	(4.399)	(9.398)
Member of Appropriations	13.06**	17.16	6.954	11.31	13.05*	6.717	11.68	23.57***
	(6.306)	(10.89)	(12.79)	(14.61)	(6.709)	(10.81)	(9.415)	(8.057)
Member of Ways and Means	-11.17	6.093***	-0.854	-19.55***	-19.06	-10.97	2.289	17.38***
	(8.353)	(1.703)	(5.703)	(7.423)	(19.03)	(15.35)	(12.27)	(6.006)
Member of House Majority	1.510	9.611*	17.98***	22.79***	-3.461	-5.541	-14.87*	-29.90***
	(11.09)	(4.995)	(5.124)	(6.582)	(11.19)	(12.84)	(9.234)	(7.196)
Committee Chair	-1.868	9.442***	9.395***	2.156	3.827	6.311	-18.21***	-23.65***
	(6.848)	(2.530)	(1.039)	(11.51)	(19.92)	(13.48)	(1.964)	(5.265)
Ranking Member	-20.89*	-27.34	-39.46	-29.44	-12.70	-2.160	-7.116	11.71
	(12.57)	(36.70)	(45.84)	(26.96)	(16.73)	(10.59)	(6.088)	(8.863)
Close Election	17.85***	24.51	18.33**	23.90***	12.95	5.620	9.126	11.94
	(4.523)	(20.99)	(7.271)	(3.016)	(8.563)	(8.480)	(10.60)	(15.77)
Constant	28,582,828***	1811.0***	51,816.1***	1,928,543***	80,264,576***	132,226,831***	738,159,180***	103,925,505,382***
	(78.42)	(114.7)	(146.6)	(306.9)	(291.7)	(166.7)	(185.7)	(657.1)
N	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768
R-Squared	0.4816	0.0139	0.1083	0.1414	0.1123	0.0766	0.3700	0.0078

Notes: The coefficients and standard errors are exponentiated due to the semi-logarithmic functional form. As such, they represent a percent change in contract value with a one-unit increase for a given covariate. The standard errors are clustered by agency.

*** $p < 0.01$ ** $p < 0.05$ * $p < 0.10$.

Figure 5-5A: Ration of Donors/Non-Donors Across Quantiles

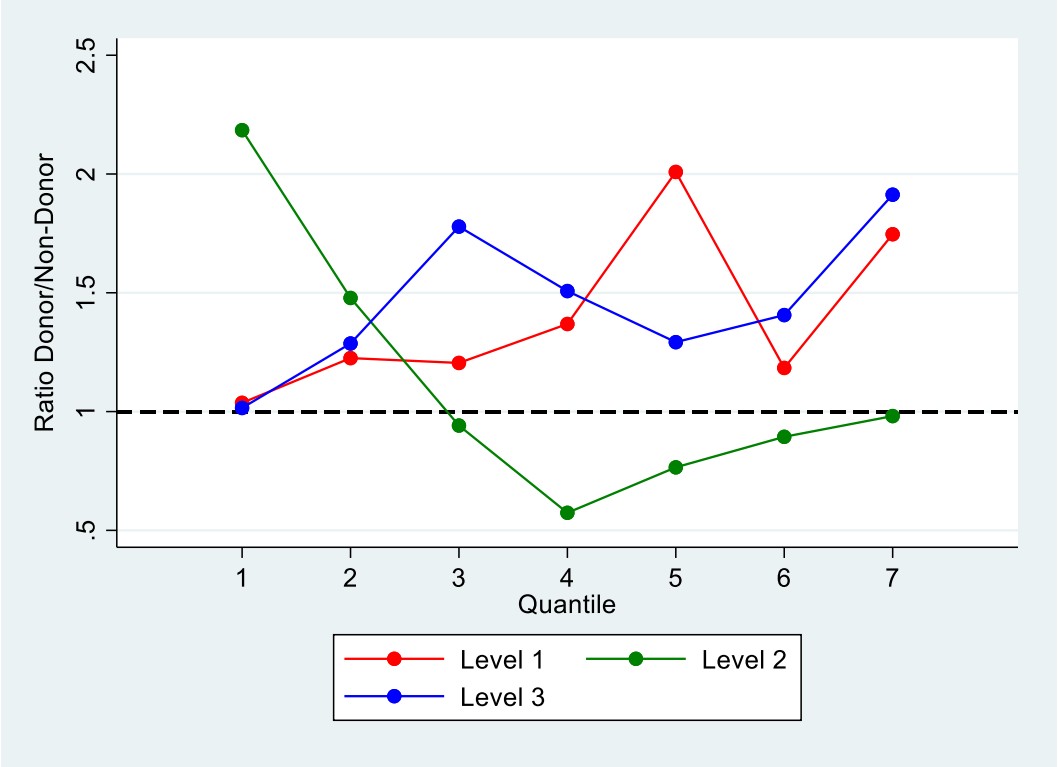
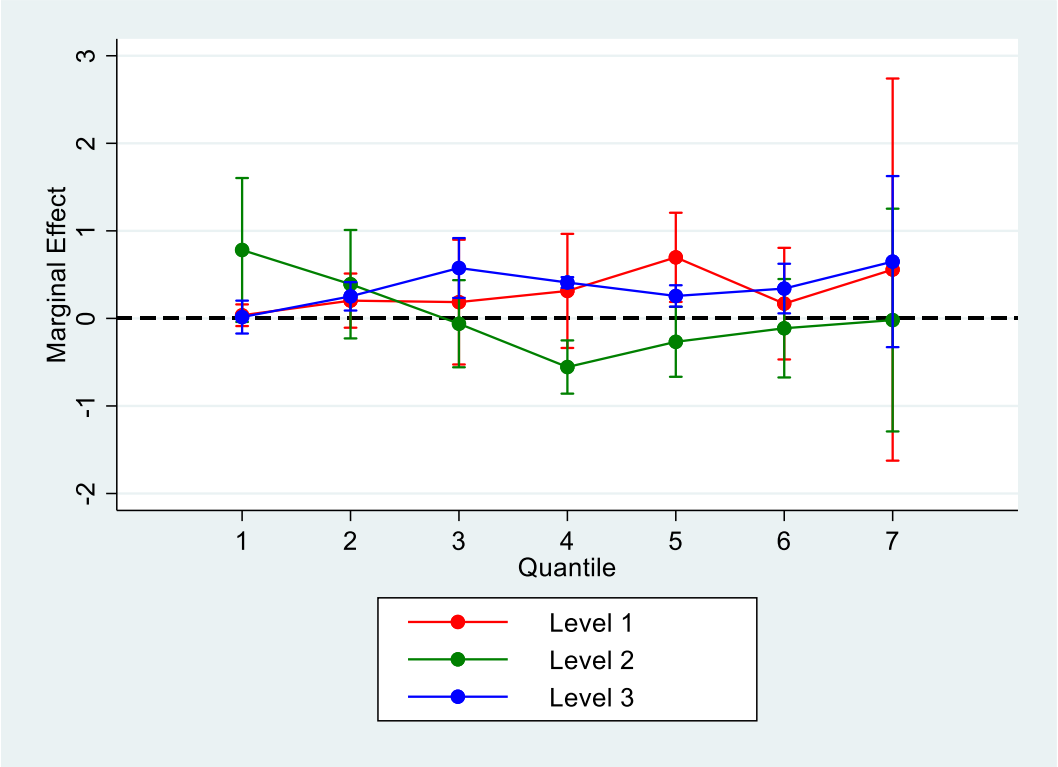


Figure 5-5B: Marginal Effects Across Quantiles



5.5 Multiyear Contracts and Organizational Insulation

Poisson-logit hurdle regression is used to determine first if organizational insulation impacts whether donors have advantages receiving multiyear contracts, and if those contracts are longer than those received by non-donors. The Logit portion of the model presented in **Table 5-3A** does not reveal significant advantages for donors in Executive or Managerial Level offices relative to donor contracts in Field Offices (the excluded reference variable).

Receiving multiyear contracts is also associated with firms that have received more contracts overall, suggesting that the overall reputation of a firm also plays a role in whether they are trusted with a long-term commitment from the government. A one-unit increase in the natural log quantity of contracts won by a vendor increases the log-odds of winning a multiyear contract by 0.2111 ($p < 0.001$). Strangely, more donors to the winning candidates make donors *less* likely to win multiyear contracts, and more donors to the losing candidate makes vendors *more* likely to win multiyear contracts. The lack of an advantage for more donations to the winner is not surprising considering the lack of benefits for donors winning multiyear contracts from Executive and Managerial Level offices.

Similarly, while vendors in districts represented by the president's party usually receive larger contracts, they are not more likely to receive multiyear contracts. In fact, they are significantly less likely, with an odds ratio of -0.119 ($p = 0.01$). Similarly, vendors represented by members of the Appropriations Committee are also less likely to receive multiyear contracts than non-members, and there is not a significant result for members of the House Ways and Means committee. The political variables are highly inconsistent in terms of how multiyear contracts are awarded. Vendors represented by a Committee Chair on the other hand are significantly more likely to receive multiyear contracts ($p < 0.001$). This potentially suggests that

members of Congress who are in positions of power (often associated with seniority) are either more likely to be able to influence long-term contracts for their constituents, or that the president is more willing to allow these contracts to be awarded by agencies because it builds positive relationships with Congress.

Now looking at the Poisson model estimating the length of contracts (**Table 5-3B**), there is evidence of advantages for donors in Executive Level and Managerial Level offices receiving longer multiyear contracts. Again, these results are relative to Field Offices, so the marginal effects are more informative. Ultimately, while donors do receive longer contracts than non-donors in the Executive and Managerial Level offices, the difference is not dramatic. The average multiyear contract for donors in Executive Level offices lasts for 2.43 years compared to 2.39 years for non-donors. Similarly, for Managerial Level offices, non-donor contracts are actually slightly longer on average at 2.41 years, compared to 2.40 years for donors. The length of multiyear contracts in Field Offices is identical for both groups at 2.41 years. Ultimately, from these results, it is clear that multiyear contracts do not differ significantly by either level or donor status. Based on this evidence, multiyear contracts do not favor donors over non-donors, suggesting that this is not a component of contracts that benefits politically connected vendors.

Multiyear contracts represent a way for the government to lock in vendors. While this provides stability both for the government and the contractor, it also removes discretion from the lower level offices. When these decisions, which require upper-level approval, are made, it creates the potential that a politically preferred vendor can be locked in to an office for several years, removing the ability of lower-level bureaucrats to re-bid the contract. Certainly, in cases of extreme negligence vendors can be dropped in the middle of a contract, for the most part, the upper-level offices will be able to insert preferred vendors for longer periods of time, even if the

contracts extend beyond the administration that is in power at the time of the contract award. It does not appear however that multiyear contracts are systematically being used to benefit vendors however, which suggests that this is an area where bureaucrats maintain discretion regardless of where in the organizational hierarchy a decision is occurring.

Table 5-3A: Logit Hurdle Predicting Multiyear Contracts	
Covariates	**Political Controls Model**
Vertical Insulation	
Presidential Donor	-0.461***
	(0.159)
Level 1 Contract	-0.944***
	(0.272)
Level 2 Contract	-0.225
	(0.215)
Presidential Donor *Level 1 Contract	**0.2443**
	(0.229)
Presidential Donor *Level 2 Contract	**0.2160**
	(0.159)
Agency Controls	
Agency Insulation	-0.376*
	(0.209)
Politicization	0.1799
	(0.212)
Contract Controls	
Multiple Bids	-0.105
	(0.221)
Quantity of Contracts for Vendor (ln)	0.2111***
	(0.058)
Donor Controls	
Number of Donors to Winning Candidate (ln)	-0.255***
	(0.051)
Number of Donors to Losing Candidate (ln)	0.2535***
	(0.078)
Political Controls	
Unified Government	0.0119
	(0.288)
District Represented by President's Party	-0.119***
	(0.046)
Member of Appropriations	-0.127***
	(0.026)
Member of Ways and Means	0.0463
	(0.107)
Member of House Majority	0.0626*
	(0.037)
Committee Chair	0.3258***
	(0.085)
Ranking Member	0.0176
	(0.093)
Close Election	-0.156*
	(0.083)
Constant	0.7428
	(0.526)
N	16,380,951
AIC	0.647

Table 5-3B: Poisson Regression for the Length of Multiyear Contracts	
Covariates	**Political Controls (3)**
Vertical Insulation	
Presidential Donor	-3.311
	(2.239)
Level 1 Contract	2.391
	(5.580)
Level 2 Contract	-11.72
	(12.05)
Presidential Donor *Level 1 Contract	**14.93****
	(6.225)
Presidential Donor *Level 2 Contract	**11.62***
	(6.822)
Agency Controls	
Agency Insulation	10.26**(4.936)
Politicization	-5.492
	(6.546)
Contract Controls	
Multiple Bids	15.52***
	(4.596)
Quantity of Contracts for Vendor (ln)	-2.013*
	(1.075)
Donor Controls	
Number of Donors to Winning Candidate (ln)	0.041
	(1.079)
Number of Donors to Losing Candidate (ln)	-3.117*
	(1.700)
Political Controls	
Unified Government	9.526
	(13.25)
District Represented by President's Party	2.153
	(3.619)
Member of Appropriations	-2.515
	(2.267)
Member of Ways and Means	2.341
	(5.389)
Member of House Majority	-3.213*
	(1.772)
Committee Chair	-3.704
	(3.133)
Ranking Member	3.231
	(7.508)
Close Election	1.510
	(3.947)
Constant	111.6***
	(16.07)
N	16,380,951
AIC	0.647

5.6 Implications

The analysis in this chapter allows for the evaluation of whether political influence occurs uniformly regardless of the value of the contract, and whether this varies based on where the contract is awarded within the agency hierarchy. The findings suggest that the value of the contract does not, in fact, yield greater benefits for donors regardless of the hierarchy. Instead, hierarchy plays a key role in determining how the advantage that donors receive relative to non-donors. Due to organizational insulation, it is primarily in the Executive Level offices that this advantage occurs, and the advantage grows as the contracts grow larger. In the Managerial and Field Offices, the advantages for donors are mostly non-existent and do not increase with the rise in contracts.

These findings suggest that organizational insulation provides opportunity for increased discretion for bureaucrats below the Executive Level offices in agencies. The president can put pressure on agencies to direct contract to preferred vendors, but this influence is limited. On the vendor side, contractors can get returns on their campaign donation investment, but this only occurs if they are pursuing contract in the highest levels of government. Below that, there is no benefit for their donations.

In some ways, these findings both confirm Schattschneider's concerns about a small circle of elites running the government, and also partially rejects his thesis. Campaign donors are getting increased access to government and government money, but it is contained in the top levels of agencies. While this is isolated, the access is to potentially the most influential parts of government. This influence does not trickle down to the remainder of the agencies however. Furthermore, while these vendors do receive access to the highest levels of government, they do not appear to receive advantages in terms of how long contracts last. This provides further

confirmation that bureaucrats do have some discretion within agencies to structure contracts in such a way that puts limits on the advantages for politically connected vendors.

In terms of inequality in how money is distributed by the government through contracts, there are clear concerns about how the vendors most ingratiated to the network of Washington, D.C. elites dominate contracts, particularly of the greatest value. As noted previously, large contracts make up around 90% of the value of all contracts. So while other vendors can win contracts, particularly in lower levels of agencies, the value is concentrated in the largest contracts, and this is where the largest advantages exist. There are both positive and negative aspects of this scenario. A politically connected vendor with repeated contracts would likely argue that they have built up an expertise and changing vendors would create inefficiencies as a new vendor got up to speed. In contrast, complacency by a vendor could also create inefficiencies if they feel guaranteed of receiving additional contracts, leading to poorer work. Ideally a balance would exist, and as intended, advantages would only be given for the ability to complete work for the government effectively and efficiently, and not because an administration put a thumb on the scales to deliver large sums of money to a political ally.

The further implication of these findings is that we need to consider more nuance when examining agency decisions. Hierarchy does matter, but so does the type of specific decisions that are being made. When examining government expenditures, considerable scholarly work has broadly looked at how money gets distributed and the impacts of that distribution (Berry, Burden, and Howell 2010; Kriner and Reeves 2015; Miller 2015; Berry & Gersen 2017), but lumping all grants and contracts together, or grants and contracts individually, is missing considerable detail about how these types of money are distributed. Instead, the specific characteristics of decisions on expenditure shed more light on how decisions are made within the

government. These characteristics include both details of the expenditures, such as the specifics of a grant or contract, along with information about the types of offices and agencies that are overseeing the distribution of the funds.

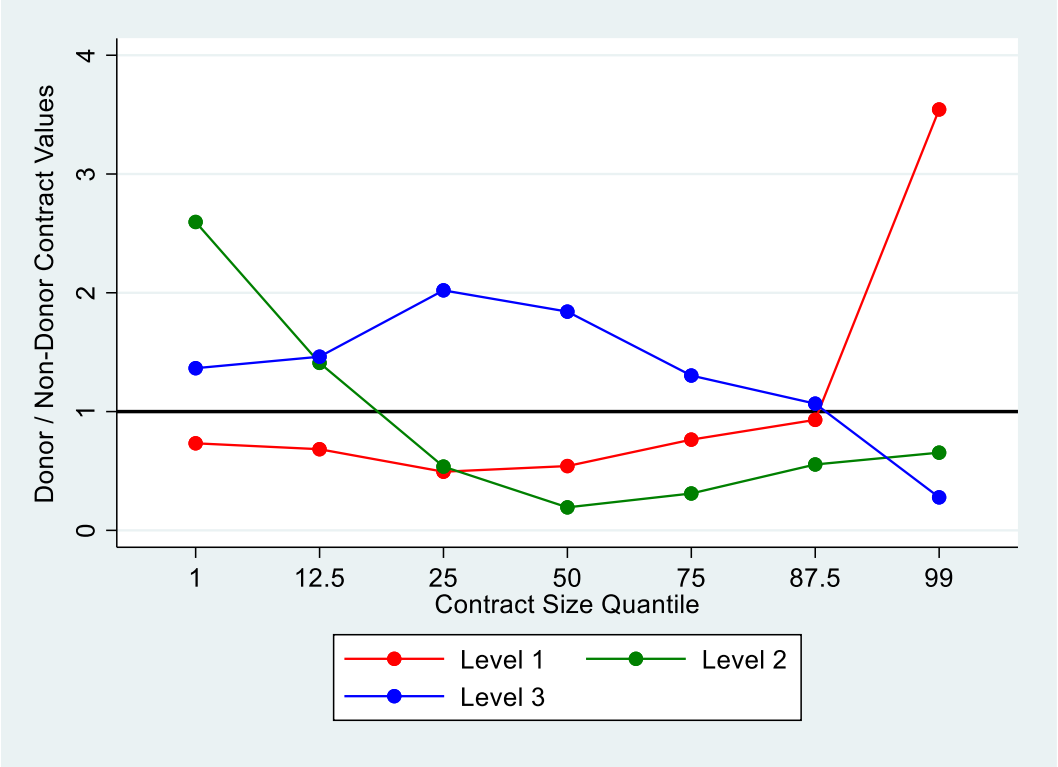
Furthermore, much of the focus has been on the districts or states that have won awards (Berry, Burden, and Howell 2010; Kriner and Reeves 2015; Miller 2015; Berry & Gersen 2017), or which agencies receive money (Krause and Zarit 2018). Instead, increased attention is needed on how agencies function as organizations that are being faced with political influence. While reports of congressional influence on contracts as nearly nonexistent in interviews conducted with contracting officers, there is potential for congressional attention on other issues of importance on distribution. There is also potential for other types of outside influence, such as lobbying by both companies and interest groups that could affect decision-making on specific types of distribution, but their access may be mitigated by the organizational characteristics of specific offices and agencies. As shown in this chapter, the size and duration of contracts can impact how and where vendors influence decisions, but there is still potential to learn more about the hierarchies and networks involved in decision-making. More specifically, while this has largely been a 10,000-foot view of influence on government contract awards, gaining a specific understanding of how agencies differ in their processes based on their individual hierarchies would shed light on the similarities and differences that exist both within and between agencies.

5.7: Appendix

Table A5-1: Quantile Regression Test of Vertical Insulation with Appointee Interaction								
Covariates	**Baseline (OLS)**	**0.01 Quantile**	**0.125 Quantile**	**0.25 Quantile**	**0.50 Quantile**	**0.75 Quantile**	**0.875 Quantile**	**0.99 Quantile**
Vertical Insulation								
Presidential	57.61***	20.25**	42.34***	97.02***	62.41***	47.70***	49.48**	87.43*
Donor	(7.836)	(9.007)	(11.85)	(20.13)	(14.25)	(15.66)	(17.75)	(45.78)
Level 1	160.3***	107.0**	126.5***	254.1**	126.1***	142.6***	132.1***	170.1**
Contract	(24.16)	(34.13)	(27.78)	(35.90)	(31.14)	(17.52)	(9.690)	(48.43)
Level 2	-23.97*	-26.11	-13.87	-26.88	-33.40**	-16.58	-5.980	8.261
Contract	(15.58)	(20.81)	(23.60)	(31.67)	(21.07)	(13.59)	(8.173)	(49.70)
Presidential	**27.60****	**-0.405****	**1.277**	**2.243***	**3.318*****	**4.016*****	**6.812*****	**14.73****
Donor *Level	**(14.78)**	**(0.185)**	**(1.193)**	**(1.305)**	**(0.523)**	**(0.847)**	**(1.869)**	**(5.983)**
1 Contract								
Presidential	**-11.73*****	**Omitted**	**Omitted**	**Omitted**	**Omitted**	**Omitted**	**Omitted**	**Omitted**
Donor *Level	**(4.151)**							
2 Contract								
Agency Controls								
Agency	-98.36***	-31.30***	-62.65***	-94.97***	-99.71***	-97.35***	-97.02***	-95.41***
Insulation	(154.7)	(10.00)	(26.97)	(96.06)	(333.6)	(149.7)	(112.1)	(101.2)
Politicization	-53.47*	-18.27***	-43.95***	-69.01**	-67.94*	-26.94	-2.913	132.0***
	(51.40)	(5.344)	(19.50)	(59.92)	(87.00)	(34.32)	(28.77)	(36.15)
Presidential		**-6.172**	**17.30**	**17.39**	**17.60**	**12.99**	**-13.58**	**-23.59**
Donor *		**(22.69)**	**(21.29)**	**(43.10)**	**(52.49)**	**(42.99)**	**(60.18)**	**(198.9)**
Politicization								
Presidential		**-26.68***	**-31.68***	**-50.61***	**-45.86**	**-23.60**	**-6.944**	**254.3**
Donor * Level		**(20.23)**	**(25.38)**	**(49.39)**	**(55.24)**	**(44.99)**	**(85.97)**	**(302.7)**
1 *								
Politicization								
Presidential		**159.6*****	**40.99***	**-46.31***	**-80.63*****	**-68.93*****	**-44.52**	**-34.57**
Donor * Level		**(20.25)**	**(21.60)**	**(45.27)**	**(50.68)**	**(44.09)**	**(43.79)**	**(91.62)**
2 *								
Politicization								
Contract Controls								
Multiple Bids	86.51***	-15.50	38.36***	113.3***	139.6***	64.24	30.89	31.16

	(25.38)	(24.64)	(9.255)	(26.45)	(23.98)	(36.98)	(38.11)	(64.58)
Quantity of Contracts for Vendor (ln)	-19.39***	-11.95	-17.73**	-25.03**	-18.18***	-11.90***	-11.57***	-14.61***
	(6.823)	(8.947)	(9.692)	(13.06)	(5.043)	(1.751)	(1.158)	(5.199)
Donor Controls								
Number of Donors to Winning Candidate (ln)	25.31***	23.49	3.788	17.57	44.08***	37.59***	40.48***	66.70***
	(3.954)	(27.80)	(9.030)	(15.41)	(10.30)	(7.104)	(7.215)	(16.22)
Number of Donors to Losing Candidate (ln)	4.368	-10.08	17.26***	19.65***	2.224	3.077	-13.14*	-28.41*
	(4.739)	(20.35)	(2.311)	(6.430)	(4.899)	(2.538)	(7.943)	(20.61)
Political Controls								
Unified Government	41.45	9.626	23.37**	9.891	18.91	-54.65	-72.21	-92.59*
	(96.53)	(13.51)	(10.43)	(11.54)	(61.42)	(102.2)	(134.0)	(282.0)
District Represented by President's Party	12.77**	1.204	8.458*	8.106	12.45**	12.25***	11.68*	25.93**
	(5.546)	(3.173)	(4.265)	(7.870)	(5.195)	(4.482)	(4.651)	(9.386)
Member of Appropriations	13.06**	17.40	7.373	11.97	13.64*	7.380	11.82	22.63**
	(6.306)	(11.18)	(13.14)	(15.25)	(6.926)	(10.24)	(9.030)	(8.155)
Member of Ways and Means	-11.17	6.327***	-1.026	-20.14***	-20.20	-12.46	1.553	16.31**
	(8.353)	(1.428)	(5.329)	(7.975)	(19.50)	(16.02)	(12.08)	(6.749)
Member of House Majority	1.510	9.611*	17.79***	22.14***	-4.067	-5.952	-15.01*	-29.34***
	(11.09)	(4.768)	(5.170)	(6.326)	(11.01)	(12.33)	(8.936)	(7.535)
Committee Chair	-1.868	9.577***	9.515***	0.915	1.936	5.426	-18.92***	-22.59***
	(6.848)	(1.679)	(0.821)	(11.26)	(19.10)	(12.98)	(2.357)	(6.372)
Ranking Member	-20.89*	-27.23	-39.46	-29.99	-13.80	-3.035	-7.664	12.18
	(12.57)	(37.21)	(46.14)	(27.72)	(16.24)	(10.10)	(6.382)	(8.752)
Close Election	17.85***	24.93	18.55	23.57***	12.08	4.918	8.649	11.34
	(4.523)	(20.93)	(7.208)	(2.957)	(8.662)	(8.546)	(10.49)	(15.74)
Constant	28,582,828***	1,751.2***	50,287.5***	1,864,487***	77,894,733***	126,428,740***	710,329,883***	99,250,241,025***
	(78.42)	(110.8)	(141.5)	(294.5)	(286)	(165.6)	(185.8)	(658.5)
N	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768	17,315,768
R-Squared	0.4816	0.0136	0.1079	0.1423	0.1143	0.0778	0.0388	0.0078

Figure 5A-1: Ratio of Donors/Non-Donors with Appointees



Chapter 6: Conclusion and Looking Forward

Presidential power extends into agencies but is mitigated by organizational hierarchy. The implications of this finding and the results presented in the previous chapters is that the idea of "pay-for-play" by federal contractors is effective, but not uniformly in federal agencies. Instead, there is a tension between presidential influence pushing from the top of agencies, and bureaucratic discretion pushing back from the lower-levels. The offices with the least organizational insulation from the president provide greater advantages to the politically connected compared to those who do not have the same relationship with the president through campaign donations. Still, there are ways that the president, particularly using no-bid contracts, can subvert hierarchy and direct money to preferred vendors. The implications of this are important to our understanding of the relationship between the president and agencies, and the relationship between government and businesses.

Much of the work on government contracting has focused on the actual mechanisms of contracts, including when to contract out services (Brown and Potoski 2003), transaction costs associated with outsourcing (Brown and Potoski 2005), and managing product uncertainty (Brown, Potoski, and Van Slyke 2010). This excellent work has focused primarily on the technical side of contracting, providing practical research on the challenges that both public managers and vendors face during the contracting process. This dissertation has built on this work by determining when elements of contracts can be used to provide benefits for political purposes. Moving beyond the technical aspects to the political realities of bureaucracies illuminates another element of factors that impact decisions on government contracts.

Furthermore, this work builds on Witko (2011) which used a sample of contracts and donations to show that vendors can earn more contracts by contributing money to politicians. Similarly, Gordon (2011) examined one agency, the General Services Administration, to show the effects of the administration putting pressure on agencies to politically direct contracts to vendors in competitive congressional districts. Using a complete dataset of contracts from 2001 through 2016, there is clear evidence that "pay-for-play" is generally a successful practice by vendors. While there have been some attempts by the federal government to regular this practice, donations from vendors to the president still yield larger contracts for contractors than those who choose not to participate. The federal bureaucracy does however create limits to the influence that the president can place on agencies to deliver contracts to preferred vendors. The organizational hierarchy within agencies limits the advantages enjoyed by vendors, highlighting the tension between presidents and their agencies.

The limits on presidential control indicate that the vertical nature of agencies provide a check on their ability to direct decision making from the top of the hierarchy. Instead, below the highest-level offices, and particularly those in the middle, can maintain levels of discretion. This moves research on the relationship between presidents and agencies beyond only considering appointees (Lewis 2008), because they reside mostly in the highest levels of agencies. Furthermore, while the overall design of agencies is an important consideration (Rudalevige 2002), the organizational structure of any agency limits presidential control.

The challenges associated with managing the hierarchy of a large organization are well-documented (Weber 1947; Simon 1997: 196) but not enough attention has been given to the impact on presidents as the manager of federal agencies. The management challenges are highlighted in a government where much of policymaking authority is delegated to bureaucrats

out of necessity. It is impossible for a president or their appointees to micromanage every single decision, and instead they must delegate to bureaucrats. The pressure that they apply to adhere to administration preferences has limited effectiveness. Organizational hierarchies are the mediator between whether federal contractors are rewarded for their donations to the president, or if contracting decisions are based on the discretion of bureaucrats to award contracts to the most qualified and cost-efficient vendor.

If the president is concerned about the prospect of diminishing influence in the agency hierarchy, there are several tools that could be used. As noted, there are contract structures, particularly no-bid contracts, that can be used to subvert hierarchy. They can also change the way that decisions are made within agencies. Rather than allowing decisions to be made in offices that execute policies, they could centralize all decision-making within agencies. The costs of this type of change would likely create massive inefficiencies in government. One prime advantage that lower-level bureaucrats have over the president and their appointees is expertise at how they run their offices. As such, they are more likely to pick vendors or make other policy decisions that are going to most effective at accomplishing their policy goals. If these decisions were centralized, it is unlikely that the result would be more efficiency in government. Instead, the winners would undoubtedly be the vendors preferred by the president, regardless of their ability to fulfill the obligations of contracts.

It is this balance between expertise and presidential preferences that is evident in the hierarchy. The president can deliver goods to their supporters by putting pressure on the top-levels of agencies, but the middle-level offices are able to administer contracts generally as they see fit. The bottom-level offices, the Field Offices, show more signs of political influence. This is likely occurring because of the acknowledgement of the need to control these offices because

of their geographic distance from headquarters (Hudak 2012). Additionally, managers in the Field Offices may be influenced by a desire of promotion of the field and to headquarters (Light 1995: 90-91). The intuition is that decisions insulated from politics will lead to better policy outcomes or efficiency in government, though that is a research question that has yet to be answered.

The relationship between the president and businesses suggest that campaign donations can make a difference in how a contractor is treated by the government. While organizational insulation limits this influence, the flow of large contracts to politically connected vendors is concerning. While some of the campaign contributions by vendors are undoubtedly innocent, the results showing significant advantages for donors, regardless of where they are occurring in agencies, suggests problematic influence. While outsourcing has become commonplace in government in the name of creating efficiency (Duggan 2004), this will only occur if vendors are awarded contracts based on their ability to complete the contract, not because of their political connections. If the system were working properly, there would be no significant differences between vendors that donate and those that do not.

The primary implication of this type of cronyism is increased risk for the government. Consequences of contracting to the wrong vendors could take the form of cost inefficiencies (Boyne 1998), or even in the case of Blackwater (Hsu, St. Martin, and Alexander 2014), lost lives because of an irresponsible contractor. From a broader perspective, creating an unfair advantage for politically connected vendors bolsters the fear that the government is heavily influenced by a small group of corporations. This creates an insular network of political and business elites who have interests that go beyond the public good. Rather than focusing on the end results of contracts and policies, they are focused on delivering benefits to preferred

businesses. This has potential impacts on the execution of policies, the delivery of services, the quality of goods purchased by the government, and the quality of personnel supplied by contractors.

6.1 Understanding the Differences Within *and* Between Agencies

This study has sought to understand the hierarchy that exists across agencies and has shown that organizational insulation occurs. A natural extension of this work is to examine agencies individually to first look at which agencies experience the most and least insulation, but also to explore the structural and personnel attributes that either create more insulation or extend presidential influence deeper into agencies. The results in chapter three remained robust when the Department of Defense was omitted, but more consideration should be given to understanding how the differences between agencies specifically impacts organizational insulation within agencies. Furthermore, while appendices in chapters three and five considered centralization and appointments respectively, more work could be done in this area to understand how these control strategies by presidential administrations impact decision-making within the hierarchies of specific agencies.

Existing studies have focused heavily on the horizontal differences between agencies. This has established that there are generally ideological differences between agencies (Clinton and Lewis 2008; Clinton, Bertelli, Grose, Lewis, and Nixon 2012) and how agencies relate to the powers of the president and Congress (Selin 2015). By considering hierarchy, we could gain a better understanding of whether the ideology of an agency is concentrated in the higher levels of agencies, or if it penetrates to the lower levels as well. Furthermore, how does the ideology of an agency change how it makes decisions at different levels in its hierarchy? For example, do lower

levels of a conservative agency show a greater likelihood to make decisions against the preferences of a liberal president, whereas the higher levels are under greater control of the administration? A similar construct as presented in this dissertation could be used to examine whether insulated offices in agencies in conflict with the president are less likely to give advantages to vendors associated with the president.

Similarly, in an agency that is generally insulated from political interference, are there significant differences between how decisions are made at the highest as lowest levels of the agency? By breaking down agencies and hierarchies, we could gain a greater understanding of how agency design impacts decision-making at each level in the hierarchy. Most agencies were designed with a relatively narrow purpose in mind, but as government has expanded (Light 1995), agencies have begun to sprawl. While many of these design factors were implemented at the origin of a given agency, the expansion of agencies over time may have created hierarchical differences that create challenges for presidential control. Differentiated between types of agencies and examining their decision-making would further our understanding of political controls and bureaucratic discretion.

6.2 Determining the Quality of Contractors

One area that needs to be explored is determining how to estimate the quality of vendors providing services to the government. An assumption in this dissertation has been that it is normatively a bad thing for politically connected vendors to be given preference over those who do not donate to campaigns. As such, it is necessary to gain an understanding of quality and efficiency of federal contractors and whether those who are politically connected are necessarily doing a poor job.

There a few ways that this data could be gathered. First, there is a code in the government contracting data that states why a contract was modified, including stopped. Three of those codes deal with terminations. The most relevant is used when a contract is terminated for cause. The others including termination for default by the contractor, and the other involves termination for convenience of the government. These codes could be explored to better understand when contracts are being terminated. Unfortunately, this may only capture the most extreme cases. Plenty of contractors may be doing work that is subpar, but not poor enough to merit termination by the government.

Another possibility is a survey of federal bureaucrats who work directly with contractors on a regular basis. In particular, a survey would need to gather information from staff in the three levels of government as defined in this study. This could be useful in gathering information about the quality of work that contractors perform, along with more perceptions about potential political influence, beyond the small sample of interviews conducted for this work.

Regardless, similar to the evaluation of government programs conducted by Lewis (2008), more information is needed to understand the quality of work performed by contractors and how that may be related to the circumstances of their selection. This will lead to a better understanding of the outcomes of biased selection for the agencies, as well as for taxpayers.

6.3 Other Methods of Influence

This study focused exclusively on the presidencies George W. Bush and Barack Obama. As of this writing, we are now in the second year of the Trump administration, which has revealed additional ways that businesses can gain access to a presidential administration and the bureaucracy. A report by the Center for Responsive Politics found that 63 federal contractors

gave $16.3 million dollars to help fund Trump's inauguration (Baumgart 2018)[27]. While this study focused on individual contributions by employees at contractors because federal contractors cannot make campaign donations as a business, there is no such limit for donations to an inauguration.

The report found that more than half of these companies won multi-million contracts in 2017, and six of the companies earned contracts in 2017 while having not received any contracts in 2016 under the Obama administration. The influence potentially gained by these companies extended beyond contracts and into government policy. For example, Dow Chemical and DuPont were allowed to merge despite antitrust concerns (Reuters 2017). Following the merger, the Environmental Protection Agency ruled that a pesticide created by Dow, which has been shown may be dangerous to humans, was approved for use (Lipton 2017).

In addition to specific policy benefits, these contributions led to the kind of access that has the potential to influence other decisions within the government. The Center for Responsive Politics report also found that the vendors who donated to the inauguration have been giving considerable access to administration appointees, including lunches with cabinet secretaries and dinners with Vice President Pence (Baumgart 2018). In one case, one of the vendors, Murray Energy, submitted 16 policy requests for the Trump Administration. The administration has either completed these requests or is in the process of completing them (Friedman 2018).

While in some ways the Trump administration has not been transparent about their motivations on certain policies, they have been extremely open about the ways that business interests can influence their administration. This provides an opportunity to understand influence beyond contracting and how these vendors can influence broader policies. Furthermore, given

[27] President Obama did not accept contributions from contractors for his 2009 inauguration but did accept $1.6 million from contractors for his 2013 inauguration (Baumgart 2018).

the sluggish pace of the Trump administration to fill appointments, comparative analysis between agencies that received appointees and those that did not could prove fruitful in understanding how agencies make decisions when there are fewer representatives of the administration within their ranks. Studying agencies in this way will help differentiate the effects of politicization and organizational insulation within agencies.

6.4 Conclusion

This dissertation has sought to understand how the organizational hierarchy within agencies limits influence on decision making by the president. Broadly speaking, evidence exists that presidential influence is concentrated in the highest levels of agencies, and beyond that, bureaucrats have greater discretion. While there are many signs that presidents have many tools at their disposal to wield increasing power (Moe and Howell 1999), there are limits to the effects of these powers on individual decisions within agencies. If the president is seen as a purely political force who is looking to reward cronies, then this is heartening that their power has limits within the so-called "Deep State." In contrast, if the president is truly seen as a national representative of the people (or at least the electoral college), then organizational insulation could be perceived as a negative feature of bureaucracy.

Nonetheless, considering the impact of hierarchy on government policies and decision-making is something needs to be explored further to gain more insight into the inner-workings of agencies. This has the potential to reveal more about how policies are implemented, money is distributed, and decisions are made, balancing both the preferences of the president and the expertise of bureaucrats.

Bibliography

Aberbach, Joel D., and Bert A. Rockman. 1981. Bureaucrats and Politicians in Western Democracies. Cambridge, MA: Harvard University Press.

Aberbach, Joel D., and Bert A. Rockman. 2000. *The Web of Executive Politics: Three Decades of the U.S. Federal Executive*. Washington, DC: Brookings Institution Press.

Ansolabehere, Stephen, John M. de Figueiredo, and James M. Snyder Jr. 2003. "Why is There so Little Money in Politics." *Journal of Economic Perspective* 17(Winter): 105-130.

Ansolabehere, Stephen, James M. Snyder Jr., and Charles Stewart III. 2001. "Candidate Positioning in U.S. House Elections." *American Journal of Political Science* 45(January): 136-159.

Baldwin, Robert E. and Christopher S. Magee. 2000. "Is Trade Policy for Sale? Congressional Voting on Recent Trade Bills." *Public Choice* 105(October): 79-101.

Balla, Steven J. 2001. "Interstate Professional Associations and the Diffusion of Policy Innovations." *American Politics Research* 29(May): 221-245.

Baumgart, Alex. 2018. "Companies that funded Trump's inauguration came up big in 2017." *Center for Responsive Politics* 19 January 2018. https://www.opensecrets.org/news/2018/01/companies-that-funded-trumps-inauguration/

Bennett v. Kentucky Department of Education, No. 83-1798, 470 656 (United States Supreme Court 1985).

Berrios, Ruben. 2006. "Government Contracts and Contractor Behavior." *Journal of Business Ethics* 63(January): 119-130.

Berry, Christopher R., Barry C. Burden, and William G. Howell. 2010. “The President and the Distribution of Federal Spending.” *American Political Science Review* 104(December): 783–99.

Berry, Christopher R., and Jacob E. Gersen. 2017. “Agency Design and Political Control.” *The Yale Law Journal* 126(February): 1002-1049.

Bertelli, Anthony M. and Christian R. Grose. 2009. "Secretaries of Pork? A New Theory of Distributive Public Policy." *Journal of Politics* 71(July): 926-26.

Bickers, Kenneth N. and Robert M. Stein. 1996. "The Electoral Dynamics of the Federal Pork Barrel." *American Journal of Political Science* 40(November): 1300-26.

Bickers, Kenneth N. and Robert M. Stein. 2000. "The Congressional Pork Barrel in a Republican Era." *The Journal of Politics* 62(November): 1070-86.

Blau, Benjamin M., Tyler J. Brough, and Diana W. Thomas. 2013. “Corporate Lobbying, political connections, and the bailout of banks.” *Journal of Banking and Finance* 37(August): 3007-3017.

Blau, Peter M. 1968. “The Hierarchy of Authority in Organizations” *American Journal of Sociology* 73(January): 453-467.

Bloch, Scott J. 2004. "The Judgment of History: Faction, Political Machines, and the Health Act." *University of Pennsylvania Journal of Labor and Employment Law* 7: 225-77.

Bouckaert, Geert, B. Guy Peters, and Koen Verhoest. 2010. *The Coordination of Public Sector Organizations: Shifting Patterns of Public Management* London: Palgrave MacMillan.

Boyne, George A. 1998. “Bureaucratic Theory Meets Reality: Public Choice and Service Contracting in U.S. Local Government.” *Public Administration Review* 58(November): 474-484.

Bozeman, Barry and Gordon Kingsley. 1998. “Risk Culture in Public and Private Organizations.” *Public Administration Review* 58(March): 109-118.

Brehm, John, and Scott Gates. 1997. *Working, Shirking, and Sabotage: Bureaucratic Response to a Democratic Public.* Ann Arbor, MI: University of Michigan Press.

Bromberg, Daniel. 2014. "Can Vendors Buy Influence? The Relationship between Campaign Contributions and Government Contracts." *International Journal of Public Administration* 37(July): 556-67.

Bronars, Stephen G. and John R. Lott Jr. 1997. “Do Campaign Donations Alter How a Politician Votes? Or, Do Donors Support Candidates Who Value the Same Things That They Do?” *The Journal of Law and Economics* 40(October): 317-350).

Brown, Jennifer L., Katharine Drake, Laura Wellman. 2015. “The Benefits of a Relational Approach to Corporate Political Activity: Evidence from Political Contributions to Tax Policymakers.” *American Accounting Association* 37(Spring): 69-102.

Brown, Trevor L. and Matthew Potoski. 2003. “Transaction Costs and Institutional Explanations for Government Service Production Decisions.” *Journal of Public Administration Research and Theory* 13(October). 441-468.

Brown, Trevor L. and Matthew Potoski. 2005. “Transaction Costs and Contracting: The Practitioner Perspective.” *Public Performance and Management Review* 28(March): 326-351.

Brown, Trevor L., Matthew Potoski, and David M. Van Slyke. 2006. “Managing Public Service Contracts: Aligning Values, Institutions, and Markets.” *Public Administration Review* 66(May): 323-331.

Brown, Trevor L., Matthew Potoski, and David M. Van Slyke. 2010. “Contracting for Complex Products.” *Journal of Public Administration Research and Theory* 20(January): i41-i58.

Brown, Trevor L., Matthew Potoski, and David M. Van Slyke. 2013. *Complex Contracting: Government Purchasing in the Wake of the U.S. Coast Guard's Deepwater Program.* Cambridge: Cambridge University Press.

Brudney, Jeffrey L., Sergio Fernandez, Jay Eungha Ryu, and Deil S. Wright. 2005. “Exploring and Explaining Contracting Out: Patterns Among the American States.” *Journal of Public Administration Research and Theory* 15(July): 393-419.

Carpenter, Daniel P. 1996. Adaptive Signal Processing, Hierarchy, and Budgetary Control in Federal Regulation. The American Political Science Review, 90(2), pp. 283--302.

Carpenter, Daniel P. 2000. “State Building Through Reputation Building: Coalitions of Esteem and Program Innovation in the National Postal System, 1883 – 1913.” *Studies in American Political Development* 14(Fall): 121-155.

Carpenter, Daniel P. 2001. "The Political Foundations of Bureaucratic Autonomy: A Response to Kernell." *Studies in American Political Development* 15(Spring): 113-22.

Carpenter, Daniel P. 2001. *The Forging of Bureaucratic Autonomy: Reputations, Networks, and Policy Innovation in Executive Agencies, 1862-1928.* Princeton, NJ: Princeton University Press.

Clement, Joel. 2017. “I’m a Scientist. I’m Blowing the Whistle on the Trump Administration.” *The Washington Post.* July 19, 2017. https://www.washingtonpost.com/opinions/im-a-scientist-the-trump-administration-reassigned-me-for-speaking-up-about-climate-change/2017/07/19/389b8dce-6b12-11e7-9c15-177740635e83_story.html?utm_term=.84fad9f94615

Clement, Joel. 2017. "I'm a Scientist. I'm Blowing the Whistle on the Trump Administration." *The Washington Post.* July 19, 2017. https://www.washingtonpost.com/opinions/im-a-scientist-the-trump-administration-reassigned-me-for-speaking-up-about-climate-change/2017/07/19/389b8dce-6b12-11e7-9c15-177740635e83_story.html?utm_term=.84fad9f94615

Clinton, Joshua D. and David E. Lewis. 2008. "Expert Opinion, Agency Characteristics, and Agency Preferences." *Political Analysis* 16(January): 3-16.

Clinton, Joshua D., Anthony Bertelli, Christian R. Grose, David E. Lewis, and David C. Nixon. 2012. "Separated Powers in the United States: The Ideology of Agencies, Presidents, and Congress." *American Journal of Political Science* 56(April): 341-354.

Committee for Economic Development. 2013. "American Business Leaders on Campaign Finance and Reform." http://www.ced.org/pdf/Campaign_Finance%2C_Hart_and_AmView.pdf

Committee on Government Reform. 2006. "Dollars, Not Sense: Government Contracting Under the Bush Administration" *United States House of Representatives*: June.

Cooper, Phillip J. 2002. *By Order of the President: The Use and Abuse of Direct Executive Action* Lawrence, KS: University Press of Kansas.

Cooper, Phillip J. 2003. *Governing by Contract: Challenges and Opportunities for Public Managers.* Washington, D.C.: CQ Press.

Coto, Danica. 2017. "Puerto Rico utility moves to scrap $300 million Whitefish contract." *Associated Press* 30 October 2017.

Crocker, Keith J. and Kenneth J. Reynolds. 1993. “The Efficiency of Incomplete Contracts: An Empirical Analysis of Air Force Engine Procurement.” *The RAND Journal of Economics* 24(Spring): 126-146.

Curry, William S. 2016. *Government Contracting: Promises and Perils* New York: Routledge.

de Figueiredo, Rui J.P. Jr. and Geoff Edwards. 2007. “Does Private Money Buy Public Policy? Campaign Contributions and Regulatory Outcomes in Telecommunications.” *Journal of Economics and Management Strategy* 16(Fall): 547-576.

DiIulio, John D. Jr. and John J. DiIulio. 1994. “Principled Agents: The Cultural Bases of Behavior in a Federal Government Bureaucracy.” *Journal of Public Administration Research and Theory* 4(July): 277-218.

Downs, Anthony. 1967. *Inside Bureaucracy* Boston, MA: Little, Brown, and Company.

Duggan, Mark. 2004. “Does contracting out increase the efficiency of government programs? Evidence from Medicaid HMOs.” *Journal of Public Economics* 88(December): 2549-2572.

Evans, Peter B. 1975. “Multiple Hierarchies and Organizational Control.” *Administrative Science Quarterly* 20(June): 250-259.

Federal Acquisition Regulation. 2014. 15.303-b1.

Federal Election Commission. 2017. "Citizens' Guide." https://transition.fec.gov/pages/brochures/citizens.shtml.

Firpo, Sergio, Nicole M. Fortin, and Thomas Lemieux. 2009. “Unconditional Quantile Regressions.” *Econometrica* 77(May): 953-973.

Friedman, Lisa. 2018. “How a Coal Baron’s Wish List Became President Trump’s To-Do List.” *The New York Times* 9 January 2018. https://www.nytimes.com/2018/01/09/climate/coal-murray-trump-memo.html

Gailmard, Sean and John W. Patty. 2007. “Slackers and Zealots: Civil Service, Policy Discretion, and Bureaucratic Expertise.” *American Journal of Political Science* 51(October): 873-889.

Gailmard, Sean, and John W. Patty. (2013). Learning While Governing: Expertise and Accountability in the Executive Branch. Chicago: The University of Chicago Press.

General Services Administration. 2009. "Federal Acquisition Regulation." Vol. Subpart 15.

Gitterman, Daniel P. 2013. “The American Presidency and the Power of the Purchaser.” *Presidential Studies Quarterly* 43(June): 225 – 251.

Gordon, Sanford. 2011. "Politicizing Agency Spending Authority: Lessons from a Bush-Era Scandal." *American Political Science Review* 105(November): 717-34.

Government Accountability Office. 2008. “Defense Acquisitions: DOD’s Practices and Processes for Multiyear Procurement Should Be Improved” *Report to the Committee on Armed Services, U.S. Senate* February 2008. GAO-08-298.

Government Accountability Office. 2009. “Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used.” Report to the Committee on Oversight and Government Reform: September: GAO-09-921.

Government Accountability Office. 2014. “Federal Contracting: Noncompetitive Contracts Based on Urgency Need Additional Oversight.” Report to Congressional Committees: March: GAO-14-304.

Government Accountability Office. 2017. “Contracting Data Analysis: Assessment of Government-wide Trends.” GAO-17-244SP. March.

Hammond, Thomas H. and Paul A. Thomas. 1989. “The Impossibility of a Neutral Hierarchy.” *Journal of Law, Economics, & Organization* 5(Spring): 155-184.

Hannan, Michael T. and John Freeman. 1984. “Structural Inertia and Organizational Change.” *American Sociological Review* 49(April): 149-164.

Hansen, Janna J. 2003. “Limits of Competition: Accountability in Government Contracting.” *The Yale Law Journal* 112(June): 2465-2507.

Hay, C. (2004). Theory, Stylized Heuristic or Self-Fulfilling Prophecy? The Status of Rational Choice Theory in Public Administration. Public Administration, 82(1), 39-62.

Heath, Chip and Nancy Staudenmayer. 2000. “Coordination Neglect: How Lay Theories of Organization Complicate Coordination in Organizations” *Research in Organizational Behaviour* 22: 153-191.

Heclo, Hugh. 1975. “OMB and the Presidency – the problem of ‘neutral competence’”. *The Public Interest* 38(January): 80-98.

Heclo, Hugh. 1977. *A Government of Strangers: Executive Politics in Washington.* Washington, D.C.: Brookings Institution Press.

Heclo, Hugh. 1978. "Issue Networks and the Executive Establishment." in *The New American Political System*, ed. Anthony King. Washington, D.C.: American Enterprise Institute. 87-107, 15-24.

Hefetz, Amir, and Mildred Warner. 2004. "Privatization and Its Reverse: Explaining the Dynamics of the Government Contracting Process." *Journal of Public Administration Research and Theory* 14(April): 171-90.

Hollibaugh, Gary E. and Lawrence S. Rothenberg. 2018. “The Who, When, and Where of Executive Nominations: Integrating Agency Independence and Appointee Ideology.” *American Journal of Political Science* 62(April): 296-311.

Holman, Craig and Michael Lewis. 2012. “Pay-to-Play Laws in Government Contracting and the Scandals that Created Them.” *Public Citizen*. 26 June 2012. https://www.citizen.org/sites/default/files/wagner-case-record.pdf

Howell, William G. 2003. *Power Without Persuasion: The Politics of Direct Presidential Action* Princeton, NJ: Princeton University Press.

Howell, William G. and David E. Lewis. 2002. “Agencies by Presidential Design.” *Journal of Politics* 64(November): 1095-1114.

Hsu, Spencer S., Victoria St. Martin, and Keith L. Alexander. 2014. “Four Blackwater Guards Found Guilty in 2007 Iraq Shootings of 31 Unarmed Civilians.” *The Washington Post*. October 22, 2014.

Huber, John D. and Charles R. Shipan. 2002. *Deliberate Discretion? The Institutional Foundations of Bureaucratic Autonomy* Cambridge, UK: Cambridge University Press.

Hudak, John. 2014. Presidential Pork: *White House Influence over the Distribution of Federal Grants.* Washington, D.C.: Brookings Institution.

Jackson, Norwood J. 1997. "Recompilation of Omb Circular a-102." ed. Office of Management and Budget. Vol. A-102. Memorandum for the Record.

Jo, Jinhee and Lawrence S. Rothenberg. 2014. “The Importance of Bureaucratic Hierarchy: Conflicting Preferences, Incomplete Control, and Policy Outcomes.” *Economics and Politics* 26(March): 157-183.

Johnston, Jocelyn M., Barbara S. Romzek, and Curtis H. Wood. 2004. "The Challenges of Contracting and Accountability across the Federal System: From Ambulances to Space Shuttles." *The Journal of Federalism* 34(Summer): 155-82.

Jolson, Ilana B. 2017. "Benefits and Barriers to Award Term Contracts: A Cry for Regulatory Guidance." *Journal for Contract Management* Spring: 53-67.

Journals of the Continental Congress, 1774-1789. ed. Worthington C. Ford et al. Washington, D.C., 1904-37: 360.

Keegan, Natalie. 2012. *Federal Grants-in-Aid Administration: A Primer*. Congressional Research Service. 7-5700, R42769. Washington, D.C.: Library of Congress.

Kelleher, Christine A. and Susan Webb Yackee. 2009. "A Political Consequence of Contracting: Organized Interests and State Agency Decision Making." *Journal of Public Administration and Theory* 19(July): 579-602.

Kelman, Steven. 2002. "Remaking the Federal Government." *Public Contract Law Journal* 31(Summer): 581-622.

Kelman, Steven. 2005. *Unleashing Change: A Study of Organizational Renewal in Government* Washington, D.C.: Brookings Institution Press.

Krause, George. 2013. "Representative Democracy and Policy-Making in the Administrative State: Is Agency Policy-Making Necessarily Better?". *Journal of Public Policy* 33(August): 111-35.

Krause, George A. and Matthew Zarit. 2018. "The Administrative Foundations of Executive Particularism: How Institutional Arrangements Shape the Allocation of U.S. Federal Funds." *Typescript*. University of Georgia.

Kriner, Douglas L., and Andrew Reeves. 2015. The *Particularistic President: Executive Branch Politics and Political Inequality*. New York: Cambridge University Press.

Leder, Michelle. 2009. "Ponying Up for Politics at Halliburton." *The New York Times* 9 April 2009. https://dealbook.nytimes.com/2009/04/09/a-look-at-political-spending-at-halliburton/

Leech, Beth L. 2006. "Funding Faction or Buying Silence? Grants, Contracts, and Interest Group Lobbying Behavior." *The Policy Studies Journal* 34(January): 17-35.

Lewis, David E. 2004. *Presidents and the Politics of Agency Design: Political Insulation in the United States Government Bureaucracy, 1946-1997.* Stanford, CA: Stanford University Press.

Lewis, David E. 2008. *The Politics of Presidential Appointments: Political Control and Bureaucratic Performance.* Princeton: Princeton University Press.

Lewis, David E., and Andrew Rudalevige. 2007. "Parsing the Politicized Presidency: Centralization and Politicization as Presidential Strategies for Bureaucratic Control" *Typescript*. Princeton University.

Lewis, David E. 2009. "Revisiting the Administrative Presidency: Policy, Patronage, and Agency Competence." *Presidential Studies Quarterly* 39(March): 60-73.

Light, Paul C. 1995. *Thickening Government: Federal Hierarchy and the Diffusion of Accountability* Washington, D.C.: Brookings Institution Press.

Lipton, Eric. 2017. "E.P.A. Chief, Rejecting Agency's Science, Chooses Not to Ban Insecticide." *The New York Times* 29 March 2017. https://www.nytimes.com/2017/03/29/us/politics/epa-insecticide-chlorpyrifos.html

Long, Michael A., Michael J. Hogan, Paul B. Stretesky, and Michael J. Lynch. 2007. "The Relationship between Postwar Reconstruction Contracts and Political Donations: The Case in Afghanistan and Iraq." *Sociological Spectrum* 27(August): 453-72.

Long, Norton E. 1954. "Public Policy and Administration: The Goals of Rationality and Responsibility." *Public Administration Review* 14(Winter): 22-31.

Malone, Thomas W. 1987. "Modeling Coordination in Organizations and Markets" *Management Science* 33(October): 1317-1332.

Malone, Thomas W. and Kevin Crowston. 1994. "The Interdisciplinary Study of Coordination" *ACM Computing Surveys* 26(March): 87-119.

Maucione, Scott. 2016. "Congress to Scrutinize DoD Multi-Year Contracts Under Proposed Rule." *Federal News Radio* 4 January 2016. https://federalnewsradio.com/acquisition-policy/2016/01/congress-scrutinizes-defense-multiyear-contracts-proposed-rule/

Mayer, Jane. 2004. "Contract Sport: What did the Vice-President do for Halliburton?" *The New Yorker* 16 Feb 2004.

Mayer, Kenneth R. 1995. "Electoral Cycles in Federal Government Prime Contract Awards: State-Level Evidence from the 1988 and 1992 Presidential Elections." *American Journal of Political Science* 39(February): 162-185.

McCubbins, Mathew D., and Thomas Schwartz. 1984. "Congressional Oversight Overlooked: Police Patrols Versus Fire Alarms." *American Journal of Political Science* 28(February): 165-79.

Michaels, Jim. 2017. "Trump White House Weighs Unprecedented Plan to Privatize Much of the War in Afghanistan." *USA Today* August 8, 2017.

https://www.usatoday.com/story/news/world/2017/08/08/war-afghanistan-trump-white-house-weighs-bold-plan-privatize/548004001/

Milbank, Dana. 2007. "The Man from Blackwater, Shooting from the Lip." *The Washington Post* October 3, 2007. http://www.washingtonpost.com/wp-dyn/content/article/2007/10/02/AR2007100202022_2.html

Miles, Raymond E. *Theories of Management: Implications for Organizational Behavior and Development* New York: McGraw Hill.

Miller, Gary J. 1992. *Managerial Dilemmas: The Political Economy of Hierarchy* New York: Cambridge University Press.

Miller, Gary J. and Andrew B. Whitford. 2016. *Above Politics: Bureaucratic Discretion and Credible Commitment* New York: Cambridge University Press.

Miller, Susan M. 2016. "Public Support for Sale: Government Spending and Public Approval of Federal Agency Performance" *American Politics Research* 44(May): 523-547.

Mockler, Robert J. 1972. *The Management Control Process* New York: Appleton-Century-Crofts.

Moe, Terry M. 1989. "The Politics of Bureaucratic Structure." in *Can the Government Govern?* eds. John E. Chubb and Paul E. Peterson. Washington, D.C.: Brookings Institution. Pp. 267-329.

Moe, Terry M. 1995. "The Politics of Structural Choice: Toward a Theory of Public Bureaucracy" *Organization Theory: From Chester Barnard to the Present and Beyond* ed. Oliver Williamson. New York: Oxvord University Press: 116 – 153.

Moe, Terry M. and William G. Howell. 1999. "The Presidential Power of Unilateral Action." *Journal of Law, Economics, & Organization* 15(April): 132-179.

Moe, Terry M. and Scott A. Wilson. 1994. "Presidents and the Politics of Structure." *Law and Contemporary Problems* 57(Spring): 1-44.

Mosher, Frederick C. 1968. *Democracy and the Public Service* New York: Oxford University Press.

Nou, Jennifer. 2013. "Agency Self-Insulation Under Presidential Review." *Harvard Law Review* 126(May): 1755-1837.

Olivier, Jake, William D. Johnson, and Gailen D. Marshall. 2008. "The logarithmic transformation and the geometric mean in reporting experimental IgE results: what are they and when and why to use them?" *Annals of Allergy, Asthma & Immunology* 100(April): 333-337.

Ouchi, W. G. (1977). The Relationship Between Organizational Structure and Control. Administrative Science Quarterly, 22(1), 95-113.

O'Connell, Michael. 2012. "Competition in Contracting (1984)." *Federal News Radio* June 8: https://federalnewsradio.com/acquisition/2012/06/competition-in-contracting-act-1984/.

O'Harrow Jr., Robert. 2007. "Federal No-Bid Contracts on Rise." *The Washington Post*, August 22: A1.

O'Toole, Laurence J. 1997. "The Implications for Democracy in a Networked Bureaucratic World" *Journal of Public Administration Research and Theory* 7(July): 443-459.

Padgett, John F. 1981. "Hierarchy and Ecological Control in Federal Budgetary Decision Making." *American Journal of Sociology* 87(July): 75-129.

Porter, Eduardo. 2015. "Corporations Open Up About Political Spending." *The New York Times* 10 June 2015: B1.

Powell, Eleanor Neff and Justin Grimmer. 2016. "Money in Exile: Campaign Contributions and Committee Access." *Journal of Politics* 78(October): 974-988.

Resh, William G. 2015. *Rethinking the Administrative Presidency: Trust, Intellectual Capital, and Appointee-Careerist Relations in the George W. Bush Administration.* Baltimore: Johns Hopkins University Press.

Resh, William G. and John D. Marvel. 2017. "Loopholes to Load-Shed: Contract Management Capacity, Representative Bureaucracy, and Goal Displacement in Federal Procurement Decisions." *International Public Management Journal* 15(March): 525-547).

Reuters. 2017. "Dow Chemical and DuPont Have Won U.S. Antitrust Approval to Merge." *Fortune* 16 June 2017. http://fortune.com/2017/06/16/dow-chemical-dupont-merger-antitrust-approval/

Ring, Peter Smith and James L. Perry. 1985. "Strategic Management in Public and Private Organizations: Implications of Distinctive Contexts and Constraints." *Academy of Management Review* 10(April): 276-286.

Rohr, John A. 1988. "Bureaucratic Morality in the United States." *International Political Science Review* 9(July): 167-178.

Rosen, James. 2010. "U.S. Cancels No-Bid Contract for Afghan Work Given to Democratic Donor." *Fox News*. January 31: http://www.foxnews.com/politics/2010/01/30/cancels-bid-contract-afghan-work-democractic-donor.html.

Rudalevige, Andrew. 2002. *Managing the President's Program: Presidential Leadership and Legislative Policy Formation* Princeton: Princeton University Press.

Rudalevige, Andrew. 2012. "The Contemporary Presidency: Executive Orders and Presidential Unilateralism" *Presidential Studies Quarterly* 42(March): 138-160.

Rudalevige, Andrew. 2015. "Presidential Unilateralism: Centralization and the Issuance of Executive Orders." *Congress & The Presidency* 42(October): 342-365.

Sabatier, Paul A., John Loomis, and Catherine McCarthy. 1995. "Hierarchical Controls, Professional Norms, Local Constituencies, and Budget Maximization: An Analysis of the U.S. Forest Service Planning Decisions" *American Journal of Political Science* 39(February): 204-242.

Schattschneider, Elmer E. 1960. *The Semisovereign People: A Realist's View of Democracy in America* Vol. 3. Chicago: Holt, Rinehart, and Winston.

Scherer, Michael. 2004. "Are We Better Off: Contracts with America" *Mother Jones* May/June: 57-61, 92-93.

Selin, Jennifer L. 2015. "What Makes an Agency Independent?" *American Journal of Political Science* 59(October): 971-987.

Schmidt, Diane E. 1994. "NLRB Regional Office Decision Making: Independence, Partisanship, and Caseloads." *American Review of Public Administration* 24(June): 133-148.

Simon, Herbert A. 1997. *Administrative Behavior*. Fourth ed. New York: The Free Press.

Smith, R. Jeffrey. 2007. "Political Briefings at Agencies Disclosed." *The Washington Post* 26 April 2007. http://www.washingtonpost.com/wp-dyn/content/article/2007/04/25/AR2007042503046.html

Snyder, James M. Jr. 1992. "Long-Term Investing in Politicians: Or, Give Early, Give Often." *The Journal of Law and Economics* 35(April): 15-43.

Spiller, Pablo T. and Marian W. Moszoro. 2014. "Third-Party Opportunism and the Theory of Public Contracts: Operationalization and Applications," eds. Eric Brousseau and Jean-Michel Glachant. Cambridge University Press.

Stein, Robert M., and Kenneth N. Bickers. 1994. "Congressional Elections and the Pork Barrel." *The Journal of Politics* 56(May): 377-99.

Stratmann, Thomas. 1995. “Campaign Contributions and Congressional Voting: Does the Timing of Contributions Matter?” *Review of Economics and Statistics* 77(February): 127-136.

Stratmann, Thomas. 2002. “Can Special Interests Buy Congressional Votes? Evidence from Financial Services Legislation.” *Journal of Law and Economics* 45(October): 345-373.

Teodoro, Manuel P. 2013. "Moving in, Managing Up: Executive Job Formation and Political Behaviour." Journal of Public Policy 33(August): 137-64.

Thompson, James D. 1967. *Organizations in Action: Social Science Bases of Administrative Theory* New York: McGraw-Hill.

Tsai, Wenpin. 2002. “Social Structure of “Coopetition” Within a Multiunit Organization: Coordination, Competition, and Intraorganizational Knowledge Sharing.” *Organization Science* 13(March): 179-190.

Tullock, Gordon. 1965. *The Politics of Bureaucracy.* Washington, D.C.: Public Affairs Press.

U.S. Civil Service Commission V. National Association of Letter Carriers, (1973).

Vaughn, Justin S. and Jose D. Villalobos. 2009. “Obama’s Empty Cupboard: Contending with Vacancies and the Threat to Neutral Competence.” *International Journal of Public Administration* 32(July): 792-799.

Wamsley, Laurel. 2017. “Here’s What’s in that $300 Million Whitefish Contract.” *National Public Radio* 27 October. https://www.npr.org/sections/thetwo-way/2017/10/27/560422492/heres-what-s-in-that-300-million-whitefish-contract.

Weber, Max. 1947. *The Theory of Economic and Social Organization* Trans. A.M. Henderson and Talcott Parsons. New York: Oxford University Press.

Whitford, Andrew B. 2002. "Decentralization and Political Control of the Bureaucracy." *Journal of Theoretical Politics* 14(April): 167-193.

Whitford, Andrew B. 2005. "The Pursuit of Political Control by Multiple Principals" *The Journal of Politics* 67(February): 29-49.

Williamson, Oliver. 1971. *Corporate Control and Business Behavior*. Englewood Cliffs, NJ: Prentice Hall.

Willman, David. 2011. "Cost, need questioned in $433-million smallbox drug deal." *The Los Angeles Times* 13 November. http://articles.latimes.com/2011/nov/13/nation/la-na-smallpox-20111113

Wilson, James Q. 1989. *Bureaucracy.* United States of America: Basic Books.

Witko, Christopher. 2011. "Campaign Contributions, Access, and Government Contracting." *Journal of Public Administration Research and Theory* 21(March): 761-78.

Wittie, Patricia H. 2003. "Origins and History of Competition Requirements in Federal Government Contracting: There's Nothing New Under the Sun" *Ninth Annual Federal Procurement Institute*.

Wright, Austin. 2013. "DOD's Revolving Door in Full Swing." *Politico* October 25, 2013. https://www.politico.com/story/2013/10/department-of-defenses-revolving-door-in-full-swing-098813.

Zeleny, Jeff. 2009. "Obama to Change Contract Awarding." *The New York Times,* March 4: A21.