

Essential or Expedient? COVID-19 and Business Closures in the U.S. States

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ABSTRACT

To what extent has political pressure or connectedness influenced governors' responses to public health recommendations regarding business closures? We investigate whether campaign contributions from particular industries track governors' designations of those industries as "essential" during the COVID-19 pandemic. Analyzing the initial iteration of states' lockdown orders, we find preliminary evidence linking receipt of gubernatorial campaign contributions from industry to an increased likelihood of designating that business area as essential. In other words, governors are more likely to designate a business area as essential if they received campaign contributions from that business area. Our result preliminarily suggests that money in politics plays a role in shaping public health responses, and we recommend further research on this matter.

Keywords: Campaign finance; COVID-19; federalism; political economy; business and politics

Introduction

National disasters, whether in the form of extreme weather events, attacks by hostile forces or, most recently, the outbreak of a deadly infectious disease, present political leaders with myriad challenges. In addition to coordinating

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economic relief and, when necessary, providing physical protections to citizens, politicians face difficult policy decisions with respect to the economy and workforce, K-12 education, international and domestic travel, and more. Amidst the growing threat to public health caused by the arrival of the novel coronavirus to American shores in early 2020, American governors in particular found themselves deciding between two undesirable alternatives as COVID-19 case numbers swelled: risk over-crowding hospitals with COVID patients, or cripple the economy — during an election year for many — by enacting a statewide shutdown.

Ultimately, most governors responded to the outbreak of coronavirus by temporarily shutting down the states' economies. However, due in large part to the federal government's decision against a national-level shutdown or program of restrictions, governors bore the responsibility for deciding which industries were truly "essential" to the health and well-being of each state's residents. At least publicly, governors cited their consultations with public health experts and infectious disease scientists as the primary drivers for their decision-making. However, given the gravity of the decision to shut down major sectors of the economy — as well as to provide exceptions for particular subsectors — it is not unreasonable to wonder whether and to what extent industries' political connections may have influenced governors' initial shutdown orders. Indeed, while a variety of studies have underscored the efficiency gains associated with expert-led policymaking (Alesina and Tabellini, 2007; Koo *et al.*, 2020), a long literature in political science and economics has demonstrated the opportunities for businesses and other interests to see favorable treatment in response to major governmental interventions in the economy. And, as this literature illustrates, these departures equitable from treatment, particularly in granting "rents" to certain economic interests over others, lead to a wide variety of inefficiencies and negative outcomes (Dougan, 1991; Krueger, 1974; Piketty *et al.*, 2014; Tullock, 1967).

In this study, we examine whether industries' political connectedness provide them insulation from the worst of the COVID-induced economic ramifications, in the form of "essential status" declarations from the governor's office. More specifically, we investigate whether a governor's prior receipt of campaign fund from a given industry positively predicts that industry's designation as "essential" during the initial wave of COVID-related shutdowns. Ultimately, we find suggestive evidence that industries' campaign ties do correspond with essential-business designations. While we encourage future research to further interrogate this relationship, particularly in the context of shutdown repeals later in spring of 2020, we believe this result provides a concerning depiction of U.S. states' coronavirus responses. Despite the counsel that both scientific and public health experts provided to state governments, and even considering the cross-state response standardization encouraged by

federal-level recommendations, we nevertheless uncover a correlation between campaign finance and COVID-19 shutdown orders.

Interest Groups, Political Money, and Protective Rent-Seeking

Generally speaking, quantitative examinations of interest group politics and campaign finance have failed to uncover a stable relationship between political donations and policy outcomes. Indeed, while some macro-level research points to overall advantages that business and moneyed interests enjoy in mobilization and policy outcomes (e.g., Gilens and Page, 2014; Olson, 1965), dozens of examinations of campaign donations uncover little evidence of influence over roll call votes (e.g., Wawro, 2001), and even some of the most carefully identified examinations of policy change struggle to tie donations to favorable policy outcomes (e.g., Fowler *et al.*, 2020). In fact, empirical investigations of campaign finance have so consistently failed to identify positive returns for donations that some studies have gone so far as to suggest that donations more resemble “consumption” behavior than an investment in influence (Ansolabehere *et al.*, 2003).

Nevertheless, businesses and other interest groups continue to donate billions of dollars to candidates at the state and federal levels each election. The persistence of these donations, then, has led scholars to reconsider the source of value provided by campaign donations. Most prominently, scholars have found that campaign donations may enable interest groups (and other political actors) to gain access to congressional offices and heighten attention to favored policy issues. In their seminal study, for example, Hall and Wayman (1990) find that donations to members of key committees are associated with greater participation in relevant committee proceedings. More recently, Kalla and Broockman (2016) find that citizens who legislators identify as donors are more likely to secure a meeting with the office than are non-donors.

As Hall and Wayman’s (1990) findings suggest, the policy value of access and attention is most likely manifest in committee and in the details of broader policy initiatives. Qualitative evidence in particular provides evidence to this effect, perhaps most famously in Schattschneider’s (1935) analysis of the Smoot-Hawley Act of 1928. Similar accounts of tax legislation, such as the Reagan tax cuts of the 1980s, underscore the how broad legislation frequently includes narrower carve-outs.¹ More recently, both the 2009 economic stimulus package and 2010 health care reform presented opportunities for interests to pursue their individual interests as part of much broader legislative efforts (see, for example, Jacobs and Skocpol, 2010).

¹During the push for the Reagan tax cuts, one White House staffer went so far as to remark that “the hogs were really feeding. The greed level, the level of opportunism, just got out of control” (Greider, 1981).

In many regards, the advent of the coronavirus pandemic introduced opportunity for similar carve-outs for individual industries and interests. At the federal level, for example, the CARES Act passed through Congress, reportedly full of industry-friendly provisions for which interests had previously lobbied (Phillips *et al.*, 2020). While such behavior constitutes classic rent-seeking behavior, political and economic dynamics following the outbreak of COVID-19 were not confined to the provision of relief packages and loan money. Indeed, in the initial weeks of the pandemic, governors across the U.S. faced the difficult decision of whether, when, and how to shut down their states' businesses, educational facilities, and houses of worship. In doing so, governors weighed the possibility of further contagion against the almost certain economic downturn that would follow a shutdown.

Much as lobbyists used the federal-level coronavirus response package to pursue pre-COVID political goals, we posit that states' institution of shutdowns presented an opportunity for industries to insulate themselves from the worst effects of the economic shutdown. More specifically, we investigate whether particular industries were able to leverage their political contacts in order to ensure that their businesses would earn an "essential" designation, enabling them to remain open in spite of the general COVID-19 shutdown.

In theory, there are certainly reasons why one should expect the logic of "traditional" log-rolling, rent-seeking, and pork-barrel politics to extend to an industry's ability to insulate itself from losses. That is, while rent-seeking behavior is most often associated with a business's pursuit of "positive" rents, in the form of specialized tax treatment or favorable regulation, one can imagine that "negative" *protections* could prove just as valuable to a business's bottom line. In the case of coronavirus shutdowns specifically, essential business declarations provided industry leaders with an especially appealing outlet for seeking protections, as states' declarations were both highly *specific* with regard to individual industries and were generally issued by a *single actor* within the executive branch.

Of course, despite these appealing features, there are also reasons to suspect that businesses would experience considerably less success in "protective" rent-seeking — particularly in the case of essential business declarations — than they might enjoy under more "traditional" circumstances. In the first place, states' shutdown orders were generally not cut from full cloth. That is, in crafting their individual declarations, states likely took cues from federal-level authorities, such as the Centers for Disease Control (CDC) and the Cybersecurity and Infrastructure Security Agency (CISA). Second, unlike small provisions within larger relief legislation, many aspects of states' shutdown orders were well publicized and highly salient to the average American. Indeed, not only did the shutdowns affect the statuses of millions of *workers* (rather than merely influencing, say, the top-line tax rate paid by an entire corporation), but also these decisions were often controversial and covered extensively by the press.

Such high salience and actor specificity clearly generate a high level of policy traceability (Arnold, 1990), and the economic downturn that was likely to follow shutdown orders undoubtedly left governors searching for ways to limit traceability. Given that federal guidelines offered governors a clear, outside actor to whom they could foist responsibility, political connections may well have fallen to the wayside as governors pursue the largely necessary evil of issuing shutdown orders.

Although these features of shutdown orders may undercut rent-seeking behavior, we suspect that politically connected industries may nevertheless have fared better in the wake of coronavirus shutdowns than other industries. Faced with an undeniably trying political environment, governors may well have sought to salvage what little political currency they could, opting (in an election year, no less) to protect those industries to which they were politically connected. More specifically, we expect that industries that donated to governors are more likely, all else equal, to have been declared as “essential” than industries who did not.

Donations provide industries with several important connections to governors. First, having demonstrated additional “commitment” to a politician’s re-election constituency previously, a member understands that maintaining positive relationship with the industry will remain crucial in future political endeavors (Fenno, 1978). Second, as Hall *et al.* (n.d.) underscore, donations frequently serve as a signal regarding an interest’s intention to partner with and provide legislative subsidies to the targeted elected official. Given the unforeseeable policy challenges associated with a global pandemic, governors may wish to rely upon particular industries’ support and expertise in future legislative efforts.

Taken together, then, our central expectation is that — particular with respect to initial shutdown orders — industries that contributed to a governor’s most recent campaign will enjoy a higher likelihood than non-donor industries, all else equal. While this central expectation orients our empirical examinations below, it is worth noting that we are ambivalent as to whether or not the *magnitude* of industries’ donations will influence essential declaration status. That is, while it makes intuitive sense that governors may feel more obligated to service their largest donors, the “binary” nature of the declaration order introduces practical challenges for governors who wish to protect “large” donors differently from “small” ones. Doing so would require governors to select a *de facto* “cutoff” for (un)worthy industries, at a time when government was expected to take quick, decisive action. Moreover, as Hall *et al.* (n.d.) argue, the raw magnitude of donation may not even capture the relative commitment of interests and industries to individual politicians, since similarly sized donations from large and small industries are likely perceived differently by candidate recipients. Thus, we focus our primary analyses on whether or not the governor accepted money from a particular industry. However, in supplemental analyses,

we do examine whether magnitude — whether in the total number of donations or the actual dollar amounts — contributes additional explanatory power.²

Before detailing our data collection and measurement strategies, it is worth pointing out that COVID-related economic shutdowns present a fairly unique opportunity for investigating rent-seeking in general and “protective” rent-seeking in particular. First, nearly every governor felt pressure from public health experts to take decisive action, all at roughly the same time. That is, the rapid outbreak of the coronavirus shocked the “status quo” in such a dramatic fashion that inaction was likely not due to a satisfaction with the contemporaneous state of affairs. Second, the nature of a shutdown itself generated a policy decision of import to effectively every economic sector conceivable. As a result, essential business declarations present an opportunity to examine the (non-)receipt of governmental protections across a wide range of economic actors. Finally, the concentrated nature of essential business declarations removes any ambiguity as to political target for business interests. Indeed, whereas the U.S.’s separation of powers system frequently obfuscates which actors are truly “pivotal” on any given political decision, economic shutdowns and essential business declarations ultimately came down to decision-making by each state’s governor. Even in states that issued shutdown orders via public health agencies, the governor played a pivotal role in shaping shutdown orders. Taken together, then, coronavirus-related shutdowns and essential business declarations exhibit a variety of traits desirable for examining beneficial treatment for some interests compared to others.

Data

To evaluate whether donating industries are any more likely to benefit from governors’ essential business declarations during COVID-related lockdowns, we compiled an original dataset of governors’ lockdown orders, broken down by industry. The National Governors Association (NGA) has compiled a list of state executive orders concerning COVID, and using this list to locate text of the state executive orders, we were able to identify which business sectors in a given state were considered as essential, meaning that businesses were referenced as being exempt from lockdown orders (National Governors Association, 2020).

Being able to identify which business sectors are designated as essential allows us to investigate factors influencing its designation as such. However,

²It is worth noting that our data on magnitudes are also significantly noisier than our data on whether or not industries contributed *at all*. This is due to missingness in the underlying industry classification information from the National Institute on Money in State Politics, discussed below.

several key cross-state differences preclude us from comparing business treatment across states, absent further cleaning and classification. Consequently, our first step was to standardize industry names across states, ensuring that business sectors referenced in one state accurately correspond to the same type of industry in another state. That is, we needed to ensure that an order listing “lodging” as essential in Alaska, for example, and an order listing “hotels” as essential in Arizona were classified on the same industry in our dataset. We therefore coded each listed essential industries according to the North American Industry Classification System (NAICS) subsector, thereby giving us a standardized view of essential declarations across states. The specificity of the state lockdown orders permitted us to classify industries across the three-digit version of NAICS, leaving us with 91 unique industry classifications. In an Appendix to this paper, we list each of the subsectors along with an appropriate subsector description as well as corresponding NAICS subsector and sector numbers.³

After standardizing industries across states, we next organized the dataset so as to ascertain the timing of industry lockdowns. Beyond the actual text of the lockdowns, the NGA list provided us with the dates when governors issued their lockdowns. With this information, we can analyze a respective governor’s potential motivations in designating any one of 91 potential business areas as essential and examine why some of these 91 areas are considered essential while others are not. Our data are longitudinal in the sense that different states issue lockdowns at different times, but given that we ultimately leverage only within-state variation, they are presently better described as cross-sectional. That is, by examining within-state variation primarily, we are looking at a snapshot of each state with a lockdown order (when that state issues its lockdown order) and investigating why that lockdown includes certain components but not others.⁴

³These 91 areas correspond to NAICS subsectors from 111 through 814. This range of NAICS subsectors corresponds to all potential NAICS subsectors except for those identifying public administration. Public administration includes the officials (governors and key lieutenants of governors) making the decisions about which businesses are essential, and we do not want observations from this subsector artificially influencing our analysis of how governors may be influenced by campaign contributions in deciding whether other subsectors (of which they are not part) should be deemed essential.

⁴We should emphasize that our data are not in an event history format in that we do not follow a state over time looking at how its slate of essential declarations changes (the NGA, in our observation, has not yet compiled such longitudinal information in an easy-to-find format). We also do not include *pre-declaration* observations for states because we do not want to make strong assumptions about when states realistically had the opportunity to issue such declarations (it is possible that different states faced differential realities on when they could actually issue lockdowns, which would complicate the assumption that each state theoretically had the opportunity to issue a lockdown at the same time). We do believe that a full event history analysis of lockdowns and reopenings is an ideal follow-up to this study; however, this will require additional data collection of follow-up orders by governors.

Taken together, our unit of analysis is state-NAICS industry subsector declaration-choice.⁵ Our strategy of leveraging within-policy variation and explicitly making the components of that policy the focus of our attention is a strategy that has become increasingly common in political science (Boushey, 2016; Kreitzer and Boehmke, 2016; Parinandi, 2020). This strategy is desirable here, as it permits us to embrace a level of data granularity or specificity that would be lost if we treated all lockdowns as if they were the same and ignored that each governor could choose different mixes of the 91 business subsectors to designate as essential.⁶

As our description suggests, our dependent variable, *Essential*, is binary and receives a value of 1 if a state governor deems an industry as being essential under their state's lockdown order, and 0 otherwise. Figures 1 and 2 provide depictions of our dependent variable. In Figure 1, we present the total

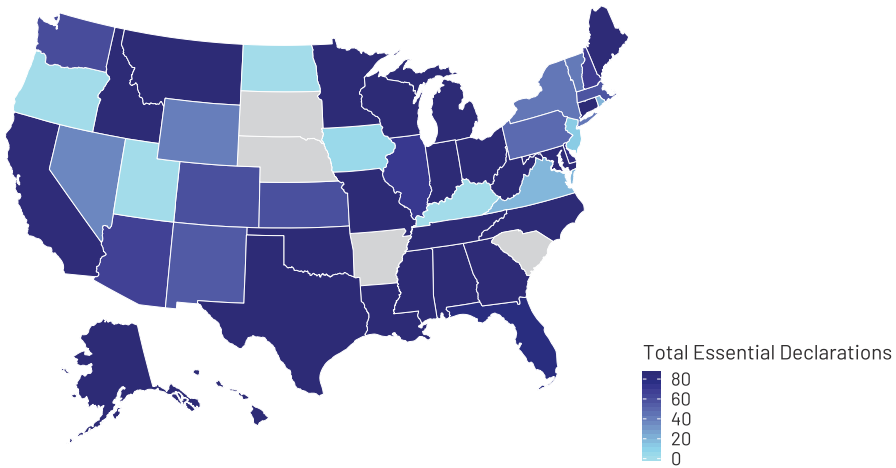


Figure 1: Number of essential business declaration by state.

States depicted in gray did not issue any kind of shutdown order during the period of study.

⁵Recall that our data are essentially cross-sectional, as we evaluate each state lockdown at a particular point in time based on when that lockdown was issued. However, in light of the fact that many states issued lockdowns in different weeks, we include a time variable in our main empirical model.

⁶To be clear, we analyze essential business declarations in states that issued lockdowns. We do not examine states (e.g., South Dakota) that never issued lockdowns. We also do not model a governor's decision to issue a lockdown declaration separately from that governor's decision about which industries to declare essential. Doing so would require us to find a variable that predicts issuing a declaration but does not predict making an industry essential, and we do not believe that it is possible to find such a variable. Instead, our analysis reveals the factors making an essential declaration more likely within the group of states that issued lockdown declarations.

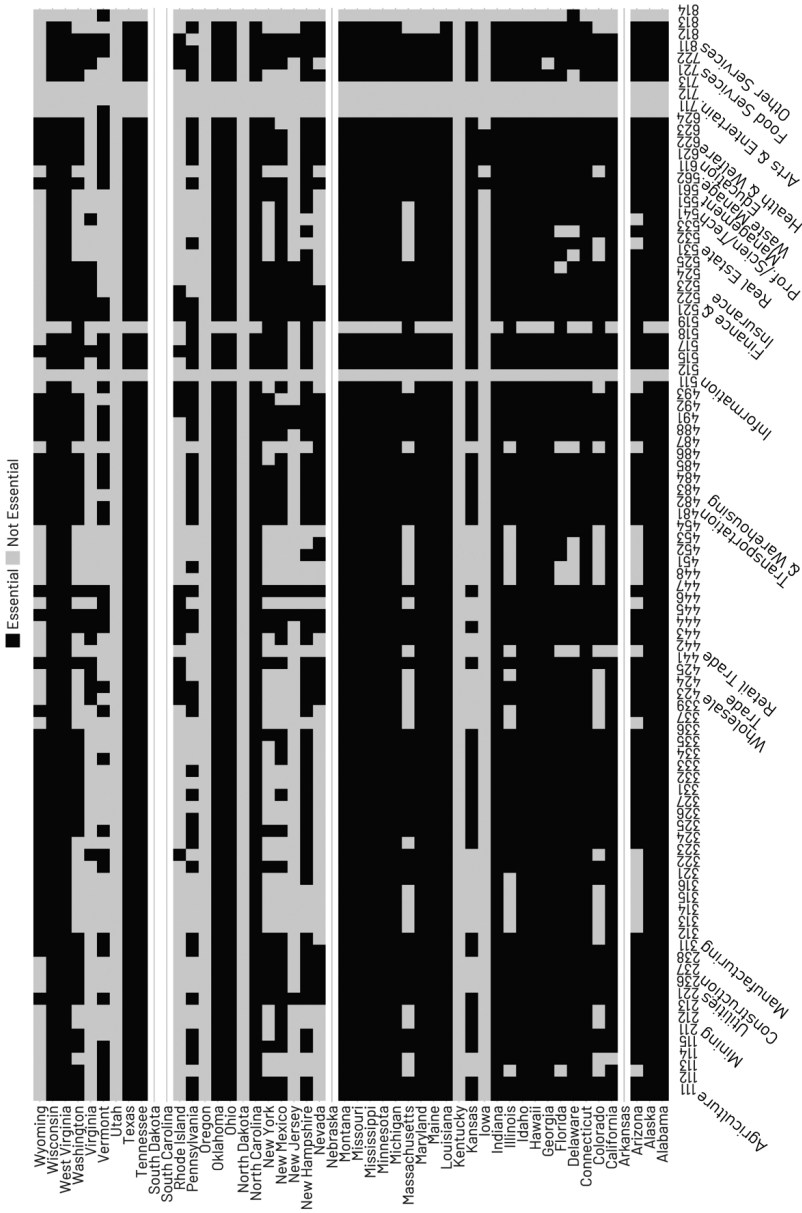


Figure 2: Number of essential business declaration by state. States depicted in white did not issue any kind of shutdown order during the period of study.

number of industries declared as “essential” by gubernatorial order. Since we categorize essential declarations using three-digit NAICS codes, the maximum number of declaration is 91. As the map underscores, states exhibit notable cross-sectional variation in essential declarations, despite guidance from federal agencies. This variation is depicted with greater granularity at the industry level in Figure 2. Here, industries are depicted on the x axis, while states are displayed on the y axis. As the black shading indicates, essential status is quite widely applied in some states and considerably more scarce in others. Moreover, while some industries achieve essential status across nearly all states, others vary across state lines.

Our key independent variable, *Gubernatorial Campaign Contribution*, is binary and receives a value of 1 if a state’s governor received a campaign contribution from an entity in a given NAICS industry subsector, during their most recent election. We opt for a binary operationalization of this variable not because we believe large and small donations function precisely the same way, but rather because we lack the necessary information to distinguish between large and small donations in a theoretically satisfying fashion. That is to say, the “size” of a donation, in terms of the signal it sends to a candidate, is very likely relative to the overall resource levels of the donating interest. That is, as Hall *et al.* (n.d.) have recently found, the correlation between donations and subsequent access is *not* governed by the absolute size of a donation. Rather, as a costly signal of alignment (and desire for entering into a future subsidy relationship with the legislator, see Hall and Deardorff (2006)), donations are perceived as “large” (costly) or “small” (costless) by the receiving legislator based on the donor’s ability to pay — not the actual monetary value to the legislator’s campaign. Without more information about each industry’s political “budget,” it is difficult for us to assess how members perceive the size of donations received from the industries in our dataset.⁷ Nevertheless, when we do include absolute donation amounts in our regressions, our results replicate those of Hall *et al.* (n.d.): that is, they retain the expected positive sign but fall below standard statistical significance.

To create our donations variable, we used gubernatorial campaign finance data from the National Institute for Money in State Politics (NIMSP) (National Institute on Money in Politics, 2020). NIMSP classifies campaign contributions according to business sector, using a modified version of the Center for Responsive Politics’s classification code system. Although both systems are loosely based on both the SIC and NAICS taxonomies, the names of NIMSP business sectors do not correspond directly with NAICS industry subsectors. We therefore hand-matched the names of each NIMSP business

⁷In addition to these theoretical concerns, the missingness in our data (discussed below) gave us practical pause, in terms of the noisiness of the actual dollar amounts donated by each industry. We feel much more confident about the ability of our data to capture the existence of industry donations, rather than the overall amount of donations.

sector to the corresponding NAICS subsector by consulting the descriptions of NAICS subsectors (provided by NAICS). As a result, we were able to link each NIMSP business sector to the NAICS subsector that most closely describes that business area. We unfortunately were unable to acquire past gubernatorial campaign finance data for the incumbent governors of several states and must drop these states from the analysis.^{8,9} Additionally, in states for which we have gubernatorial campaign finance data, NIMSP does not provide values for business areas that do not have contributions; for these states, we therefore code all business areas without contributions as 0. Our number of observations total 3,458 spread out over 38 states.

To investigate if the gubernatorial campaign contribution variable is associated with a governor's "essential" declaration for a particular industry, we utilize state random effects logistic regression. Random effects regression permits us to acknowledge that states may differ in their propensities to designate businesses as essential while also allowing us to include slow-moving or time-invariant controls in our analysis (Gelman and Hill, 2007). Controls include the *Political Party* of a governor. The political party variable is binary and receives a value of 1 if a governor is affiliated with the Republican Party and 0 otherwise. We expect Republican governors to be more likely to designate businesses as essential based on the logic that the Republican Party has been more opposed than the Democratic Party to utilizing shutdowns in combatting COVID. In addition to the gubernatorial party variable, we also include the percentage of a state's 2016 presidential votes that went to Trump (the *Trump Vote* variable) as well as a binary variable capturing whether a state has a *Republican Legislature*. Both of these variables capture potential opposition to declaring industries as non-essential, and we expect ex-ante that they will relate positively with the likelihood of declaring an industry an essential.

We also include a variable capturing a state's number of cumulative *COVID Cases* as of the end of the week preceding the week of observation for a given state. We obtained this information from the Coronavirus Resource Center at Johns Hopkins University, and we expect this variable to relate negatively with the likelihood of an industry being declared essential on average (Johns Hopkins University, 2020).¹⁰ We also include a variable capturing the *Week of*

⁸These states are Indiana, Missouri, Montana, North Carolina, North Dakota, Utah, Washington, and West Virginia. This missingness is due to missingness in the underlying industry classifications of campaign donors.

⁹These missing states do not exhibit obvious geographic similarities; however, to ensure this missingness is not correlated with our measured public health activities, we further investigated potential differences driven by this missingness. Fortunately, a *t*-test comparison states with and without industry classifications reveals no significant differences in essential-declaration activity.

¹⁰While we use raw COVID case numbers in this variable, we substitute a logged version of this variable in corresponding empirical models in Tables 1 and 2. Our key substantive result does not change with the use of the logged COVID measure.

the year based on the idea that state likelihood of issuing a COVID lockdown may be related to how much time has progressed in the year 2020. Finally, we include a state’s level of *Legislative Professionalism* to account for the possibility that greater governmental capacity may better enable states to respond to the logistical challenges of issuing aggressive lockdowns (Squire, 2017). While state random effects regression constitutes our main workhorse model, we also estimate a supplementary model utilizing state fixed effects regression with standard errors clustered within each state.

Results

In Table 1, the first two model specifications pertaining to the relationship between the gubernatorial campaign contribution independent variable and the essential dependent variable. Specification 1 displays the results of state

Table 1: Gubernatorial campaign contributions and essential business declarations.

Variable	Random effects [^]	Fixed effects w/clustering	Random effects	Random effects
Gubernatorial campaign contribution	0.669*** (0.102)	0.686*** (0.089)		0.425*** (0.652)
Only contributed to governor			0.103 (0.137)	
Contribution to opponent				0.366** (0.154)
Political party of governor	0.527 (0.649)		0.490 (0.639)	0.577 (0.652)
Trump vote	-0.003 (0.058)		-0.007 (0.057)	-0.004 (0.058)
Republican legislature	0.615 (1.087)		0.707 (1.070)	0.569 (1.091)
COVID cases	0.0001 (0.0003)		0.0001 (0.0003)	0.0001 (0.0003)
Week	-0.347 (0.549)		-0.360 (0.540)	-0.336 (0.551)
Legislative professionalism	0.849 (3.413)		0.871 (3.356)	0.786 (3.423)
Observations	3,458 [†]	3,458 [†]	3,458 [†]	3,458 [†]

*** < 0.01; ** < 0.05; and * < 0.10 with respect to critical thresholds.
[^]In the random effects specification, a likelihood ratio test of the proposition that ρ equals 0 is rejected. The test statistic value is 1081.02 with a corresponding probability of being greater than or equal to the test statistic of 0.000.
[†]3,458 refers to the number of observations including zero values for the dependent variable. 2,474 refers to the number of positive values (essential business declarations) for the dependent variable.

random effects logistic regression, while specification 2 displays the results of state fixed effects logistic regression with standard errors clustered by state. All controls are functionally time-invariant by state (based on our analyzing of each state's decision-making as a snapshot in time), so we only include the independent variable and state indicator variables in the fixed effects model.

Table 1 reveals a positive and significant association in both model specifications 1 and 2 between the gubernatorial campaign contribution variable and whether a state declares a particular NAICS subsector to be essential, offering preliminary evidence that governors are more likely to consider a business subsector to be essential if they received campaign contributions linked to that subsector. Turning to the other variables, we do not find evidence of a meaningful statistical relationship, although the political party (recall that Republican governors receive a value of 1) and Republican legislature variables possess expected directionalities in terms of how they influence essential business declarations.

In Figure 3, we plot how the presence of a gubernatorial campaign contribution in an NAICS subsector influences the probability of an industry within that subsector being classified as essential.¹¹

Figure 3 depicts an increased slope with regard to how the gubernatorial campaign contribution variable relates to the essential business declaration-dependent variable. In terms of quantifying the estimated influence of the gubernatorial campaign contribution variable on essential business declaration, the presence of a gubernatorial campaign contribution in an NAICS subsector leads to a roughly 10 percent increase in the probability that an industry within that subsector will be declared essential.¹² While such a percentage might seem small at face value, we emphasize that the magnitude of the prediction has important and substantive implications. Given that there are 2,474 positive instances of the dependent variable in our data (where a positive instance, as a reminder, means that an industry in a specific NAICS subsector was designated as essential), one could speculate that a percentage of 10 suggests that approximately 247 ($2,474 \times 0.100$) essential declarations were attributable to gubernatorial campaign contributions. Considering that each and every essential declaration has an effect on public health as well as economic outcomes (Hsiang *et al.*, 2020), a potential link between gubernatorial campaign contributions and the decision to declare an industry as essential is non-negligible.

¹¹In the figure, the political party variable is set to its most frequently occurring value (0, or non-Republican control). The Republican legislature variable is set to 0 (a legislature that is not controlled by the Republican Party), but the same number of observations features Republican legislative control as opposed to does not feature it.

¹²The calculated values are actually 0.665 in the presence of a gubernatorial campaign contribution versus 0.555 in the absence of such a contribution. The difference between these two values is 0.100, which multiplied by 100 yields 10 percent.

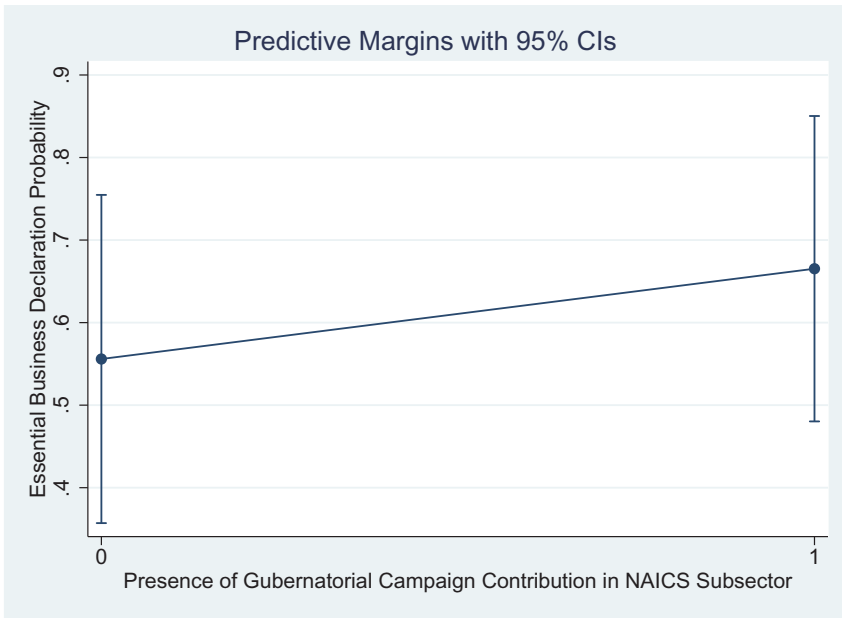


Figure 3: Gubernatorial campaign contributions on essential business declarations.

While these results provide evidence consistent with the notion that governors were sensitive to political donations as they rendered essential business declarations, the nature of these considerations remains unclear in a variety of regards. In particular, as previous research has underscored (e.g., Bonica, 2016), interest groups differ dramatically in their broader political donation strategies. Whereas some interests signal their ideological or policy alignment with a party by donating almost exclusively to one party or the other, others adopt an “access-oriented” or “hedging” strategy, giving large sums to both parties. Given that this strategy is especially prevalent among business interests, the business-declaration application in this study offers an opportunity to examine whether governors appear to reward loyal partisan industries — or whether they merely favor the politically active over the politically inactive.

We examine this mechanism in the third and fourth models of Table 1. In the third model, we substitute our binary donations-to-governor variable for a variable that captures whether an industry donated *only* to the governor’s campaign — and not the opponent. Given this operationalization, the variable measures both political activity *and* loyalty to the governor in particular. As the results depict, governors do not appear to reward interests for exclusivity of support. Indeed, the coefficient on the *Only Contributed to Governor* variable

is both substantively and statistically insignificant. In the fourth and final model, we adopt a complementary approach, this time including two binary contribution variables. The first variable is identical to our original variable in the first two models, capturing whether or not the governor received a donation from a given industry. The second variable, however, captures whether or not the governor's opponent received donations from a given industry. As the final model illustrates, the governor does not appear to distinguish much between "his" or "her" supporters and the politically active more broadly. To be sure, donating to the governor's campaign is a stronger predictor when both variables are included in the same model. But it does not appear that the governor is *punishing* industries if they have donated to the opponent.^{13,14}

As another check on the results discussed in Table 1, we utilize the same model specifications from that table but divide our sample into two groups depending on whether states reference federal critical infrastructure (CISA) guidance in their orders or not. Federal CISA guidance is meant to encourage a standardized COVID response among the individual states by highlighting industries that the federal government believes is absolutely necessary to keep open, and it is possible that the influence of gubernatorial campaign contributions may be blunted in states where CISA was referenced in lockdown orders. Table 2 shows results from replicating the random and fixed effects analyses on the two groups of states that do and do not reference CISA.

Table 2 shows that the gubernatorial campaign contribution variable influences whether a governor deems an industry to be essential in both the states referencing CISA guidance and those not referencing such guidance. Interestingly, the coefficient value associated with gubernatorial campaign contribution is larger with respect to the sample of states that do not reference CISA compared to the sample of states that reference CISA, suggesting the possibility that the encouragement of standardization provided by CISA guidance may ameliorate the influence of campaign contributions on essential business declarations.¹⁵ Table 2 also provides some defense against the possibility that our results are an artifact of businesses commonly deemed to be "essential" simply contributing more to campaigns than businesses not commonly deemed to be essential. If our result was purely an artifact of businesses commonly perceived as essential contributing more than other businesses, we would expect

¹³It is worth noting here that we did not uncover any interests that gave *only* to the opponent. Instead, our results are driven by industries who were "loyal" to the governor, compared to those who were politically active or inactive overall.

¹⁴We thank an anonymous reviewer for suggesting this supplemental analysis. We believe the last several models add useful nuance to the empirical results we present.

¹⁵A test for equality with respect to whether the gubernatorial campaign contribution variable has the same influence on essential business declarations across both CISA samples is not supported, suggesting that the influence of the gubernatorial campaign contribution variable is different quantitatively in the sample of states referencing CISA compared to the sample of states that do not reference CISA.

Table 2: Gubernatorial campaign contributions and essential business declarations based on CISA reference.

Variable	FE		FE	
	RE [^]	w/clustering	RE ^{^^}	w/clustering
Gubernatorial campaign contribution	0.636*** (0.154)	0.605*** (0.170)	0.731*** (0.137)	0.741*** (0.088)
Political party of governor	-0.373 (0.421)		0.676 (1.375)	
Trump vote	0.028 (0.031)		-0.050 (0.170)	
Republican legislature	0.512 (0.715)		0.359 (3.084)	
COVID cases	0.0002 (0.0002)		0.00002 (0.00009)	
Week	-0.752* (0.394)		-0.010 (0.977)	
Legislative professionalism	0.631 (1.988)		-2.417 (10.790)	
	Referencing CISA		Not referencing CISA	
Observations	2,002 (1,747) [†]	2,002 (1,747) [†]	1,456 (727) ^{††}	1,456 (727) ^{††}

*** < 0.01; ** < 0.05; and * < 0.10 with respect to critical thresholds.
[^]In the random effects specification, a likelihood ratio test of the proposition that ρ equals 0 is rejected. The test statistic value is 59.75 with a corresponding probability of being greater than or equal to the test statistic of 0.000.
[†]2,002 refers to the number of observations including zero values for the dependent variable. 1,747 refers to the number of positive values (essential business declarations) for the dependent variable.
^{^^}In the random effects specification, a likelihood ratio test of the proposition that ρ equals 0 is rejected. The test statistic value is 405.98 with a corresponding probability of being greater than or equal to the test statistic of 0.000.
^{††}1,456 refers to the number of observations including zero values for the dependent variable. 727 refers to the number of positive values (essential business declarations) for the dependent variable.

to see an association between the gubernatorial campaign contribution variable and essential business declaration in the sample of states referencing CISA (since CISA enumerates a list of business areas that are commonly considered essential) but do not see an association between the gubernatorial campaign contribution variable and essential business declaration in the sample of states not referencing CISA. The fact that an effect exists across both samples suggests that campaign contributions germanely influence essential business declarations.¹⁶

¹⁶We utilize other operationalizations of campaign contribution influence in addition to the gubernatorial campaign contribution variable, including the percentage of total receipts coming from a given industry as well as the percentage of total contributions coming from a given industry. Results using these variables are less consistent in terms of predicting essential business declarations.

Conclusion

In this paper, we conduct an exploratory investigation into whether the giving of gubernatorial campaign contributions influences governors' decisions to declare business areas as essential when responding to the ongoing COVID-19 pandemic. The question not only has pertinence to the immediate issue of how money in politics may play a role in shaping the course of public health policy but also relates to the broader matter of how money in politics shapes executive action more generally. Our cross-sectional study of initial executive state lockdown orders provides preliminary evidence that receiving campaign contributions from a particular NAICS business subsector makes governors more likely to declare that subsector as being essential in their orders. The estimated magnitude of the influence is appreciable, and the influence persists regardless of whether a state references federal CISA guidelines in its policy-making, suggesting that the result is not an artifact of states not following CISA guidance.

We issue some notes of caution in interpreting the result. First, while we find evidence that gubernatorial campaign contributions influence essential business declarations, this does not automatically imply that particular business sectors are "buying" policy concessions from governors. It could be the case, for example, that governors are proactively taking contributions into consideration when setting policy without overt prodding from specific industries. Second, we recommend that observers not immediately assume that governors are undermining or acting antithetical to public health interests. Some industries that contributed to gubernatorial campaigns may actually be essential from the vantage point of providing necessary goods and services to the general public, and insofar as governors are making decisions with this vantage point in mind, they are not necessarily detracting from public health concerns while setting COVID-related policy. Our goal here is not to disparage state COVID lockdown responses but rather to start an intellectual conversation about how the pervasive presence of money in politics could impact those responses, and our preliminary results here suggest that this is an intellectual conversation worth continuing.

There are several potential extensions to this project that would serve to advance this intellectual conversation. Our analysis is cross-sectional and focuses on initial state lockdown essential business declarations. Once data on phases of reopening and (if applicable) reclosing across the states are fully and systematically available, researchers could analyze our initial essential business declarations as part of a larger spectrum of COVID-related business area activity and evaluate (1) whether gubernatorial campaign contributions also influence reopening and reclosing decisions, and (2) whether the influence of gubernatorial campaign contributions has been more pronounced at certain stages of the COVID crisis compared to others (for example, it may be the

case that contributions are more influential later on compared to during the initial states' responses).

Another future extension involves applying our analysis to state legislators in addition to governors. While the emergency authority bestowed upon governors served as a springboard for governors to issue COVID-related lockdown orders, many state legislators have utilized their position to criticize executive branch-driven lockdown responses. For example, in commenting about Michigan Governor Gretchen Whitmer's response to COVID, Lee Chatfield, the Speaker of Michigan's House of Representatives, remarked that "we can prioritize public health, yet still be responsible in how we battle COVID-19" (Tribou, 2020). As House Speaker, Chatfield is in a position to apply pressure on Whitmer and potentially influence how the state's lockdown order has changed over time. Did campaign contributions to Chatfield and other legislators influence their own strategies in responding to the Governor's lockdown order?

A final extension relates to examining how businesses may influence state COVID responses in non-pecuniary ways. Our focus here has been on examining financial influence, but businesses and business-affiliated interest groups can also protest, use social media to marshal public opinion, and even issue challenges in the legal system.¹⁷ All of these methods of outreach can influence gubernatorial policy responses to COVID, and analyzing them together alongside contributions might give researchers a better understanding of which outreach method may be most effective at influencing gubernatorial action. Moreover, it should be emphasized that we should not expect that all business areas would be opposed to lockdowns *a priori*. Some businesses may indicate support for lockdowns, and understanding the dynamics of which business areas support versus do not support lockdowns would give us greater insight into the economic foundations of COVID-related lockdown support and opposition.

Ultimately, we find a link between gubernatorial campaign contributions and essential business declarations in initial COVID lockdown orders. Given the ongoing challenges of combatting COVID (as well as the ongoing stresses placed on state governments to continue issuing policy pronouncements to do so), our research may shed light on state-level COVID policy moving forward as well as provide clues as to how responses to other public crises might be crafted in the future.

¹⁷The use of legal challenges to influence lockdown orders is particularly interesting, as these challenges could impact governors' willingness to enforce lockdown orders, which may have downstream implications on what may be reclassified as essential.

Appendix

NAICS subsectors in analysis.

Sector Number	Subsector Number	Subsector Description
11	111	Crop Production
11	112	Animal Production
11	113	Forestry and Logging
11	114	Fishing, Hunting, and Trapping
11	115	Support for Ag and Forestry
21	211	Oil and Gas Extraction
21	212	Mining
21	213	Support Activities for Mining
22	221	Utilities
23	236	Construction of Buildings
23	237	Heavy and Civil Engineering Construction
23	238	Specialty Trade Contractors
31	311	Food Manufacturing
31	312	Beverage and Tobacco Manufacturing
31	313	Textile Mills
31	314	Textile Product Mills
31	315	Apparel Manufacturing
31	316	Leather and Allied Product Manufacturing
32	321	Wood Product Manufacturing
32	322	Paper Manufacturing
32	323	Printing and Related Support Activities
32	324	Petroleum and Coal Products Manufacturing
32	325	Chemical Manufacturing
32	326	Plastics and Rubber Products Manufacturing
32	327	Nonmetallic Mineral Product Manufacturing
33	331	Primary Metal Manufacturing
33	332	Fabricated Metal Product Manufacturing
33	333	Machinery Manufacturing
33	334	Computer and Electronic Product Manufacturing
33	335	Electric Equip., Appliance, Component Manufacture
33	336	Transportation Equipment Manufacturing
33	337	Furniture and Related Product Manufacturing
33	339	Miscellaneous Manufacturing
42	423	Merchant Wholesalers, Durable Goods
42	424	Merchant Wholesalers, Nondurable Goods
42	425	Wholesale Markets and Agents and Brokers
44	441	Motor Vehicles and Parts Dealers
44	442	Furniture and Home Furnishings Stores
44	443	Electronics and Appliance Stores
44	444	Building Material, Garden Supplies Dealers
44	445	Food and Beverage Stores
44	446	Health and Personal Care Stores
44	447	Gasoline Stations
44	448	Clothing and Clothing Accessories Stores

(Continued)

(Continued)

Sector Number	Subsector Number	Subsector Description
45	451	Sport Goods, Hobby, Book, and Music Stores
45	452	General Merchandise Stores
45	453	Miscellaneous Store Retailers
45	454	Nonstore Retailers
48	481	Air Transportation
48	482	Rail Transportation
48	483	Water Transportation
48	484	Truck Transportation
48	485	Transit and Ground Passenger Transportation
48	486	Pipeline Transportation
48	487	Scenic and Sightseeing Transportation
48	488	Support Activities for Transportation
49	491	Postal Service
49	492	Couriers and Messengers
49	493	Warehousing and Storage
51	511	Publishing Industries
51	512	Motion Picture, Sound Recording Industries
51	515	Broadcasting
51	517	Telecommunications
51	518	Data Processing, Hosting, and Related Services
51	519	Other Information Services
52	521	Monetary Authorities, Central Bank
52	522	Credit Intermediation and Related Activities
52	523	Securities, Commodity Contracts, Investments
52	524	Insurance Carriers and Related Activities
52	525	Funds, Trusts, Other Financial Vehicles
53	531	Real Estate
53	532	Rental and Leasing Services
53	533	Lessors of Nonfinancial Intangible Assets
54	541	Professional, Scientific, Technical Services
55	551	Management of Companies and Other Enterprises
56	561	Administrative and Support Services
56	562	Waste Management and Remediation Services
61	611	Educational Services
62	621	Ambulatory Health Care Services
62	622	Hospitals
62	623	Nursing and Residential Care Facilities
62	624	Social Assistance
71	711	Performing Arts, Spectator Sports, and Related
71	712	Museums, Historical Sites, and Similar Institutions
71	713	Amusement, Gambling, and Recreation Industries
72	721	Accommodation
72	722	Food Services and Drinking Places
81	811	Repair and Maintenance
81	812	Personal and Laundry Services
81	813	Relig., Grantmaking, Civic, Professional Orgs.
81	814	Private Households

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