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1-1-2009

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## Recommended Citation

Flynn, Stephen X., "Switchers and Sustainers: The Use of Side Issues in the 2008 Financial Bailout Bill" (2009). *Government Conference Papers*. Paper 1.

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***Switchers and Sustainers***  
***The Use of Side Issues in the 2008 Financial Bailout Bill***

**Stephen X. Flynn**  
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When the House tried to pass the \$700 billion bank bailout, the first version of the bill failed while a week later the second version passed with 58 members of the House switching their votes in favor of the second version. This paper explains how Congressional leadership ensured the second bill's passage. With the Hixon-Marshall model on using side issues to manipulate the dimensions of legislative choice, I find that by amending the first bill with a variety of tax extenders, mental health parity, disaster relief and the alternative minimum tax patch, leaders in the House could attract enough votes to pass the bill without compromising on the primary bailout provisions.

## **Introduction**

On October 3, 2008 the House of Representatives passed a version of the Emergency Economic Stabilization Act of 2008<sup>1</sup> that contained unrelated tax provisions and extenders, a week after it rejected a version of the same bill without those provisions. 58 members (33 Democrats and 25 Republicans) switched their votes to YEA on the second bill, ensuring its passage. Before, during, and immediately following the passage of the bailout, media commentators derided the bailout's inclusion of unrelated tax extenders as "pork," yet the way Congress included those changes reveals an underappreciated element of coalition building. In this study I find that using the Hixon-Marshall model on legislative dimension manipulation, House leaders attracted votes through attaching side issues to the second bill. In addition, I find that contrary to what the literature would suggest, the switchers are not exclusively ideologically moderate voters, but rather are found across the entire liberal-conservative dimension.

## **Literature Review and Hypothesis**

Existing literature attempts to explain how leaders in the House pass general interest legislation through the use of targeted distributive benefits or pork barrel projects (Evans 1994; Evans 2004). Evans finds that House leaders will attract moderate votes by enticing them with side payments in the form of targeted benefits for their district, such as highway demonstration projects in a highway bill and protections for tomato farmers in a free trade bill.

Although pork is widely acknowledged as an effective tool in coalition building, other literature suggests that the same manipulating effect can otherwise be achieved by expanding the dimensions of legislative choice by using side issues (Hixon and Marshall, 2007). By adding policy dimensions to a bill, House leaders can attract votes from moderates without

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<sup>1</sup> hereinafter referred to as the "bailout"

compromising on the primary dimension or issue in the bill. My goal is to use a single case study to test the Hixon-Marshall model on the 2008 bailout.

I hypothesize that House leaders avoid compromising on the core components of the bailout and attract additional votes by attaching side issues to the bill. A key assumption is that ideologically moderate members will be more attracted to the side issues introduced than they would be to the bill's primary issue. I predict that members who switch their votes due to the inclusion of side issues will tend towards the middle of the liberal-conservative spectrum or dimension.

In this study the process begins when House leaders propose a \$700 billion Wall Street bailout package. They care deeply about the bill's main purpose: to alleviate the economic crisis by injecting hundreds of billions of government capital into the unstable banking industry. However, the majority of members in the House oppose this bill. Some see it as an illegitimate government intrusion into the banking industry, while others view it as rewarding Wall Street over "Main Street." The bill fails with a deficit of 13 votes. Determined to pass the bailout, House leadership has two options: either compromise on the core issue in the bill (how to bailout the financial sector), or amend the bill by attaching to it other unrelated legislation that would attract moderates who initially voted against the bill. House leadership decides to attach side issues to the bailout legislation. The maneuver works and 58 members of the House switch their vote in favor of the 2nd version of the bill.

### **Data**

The data in this case study is found in two major areas: first, which Congressmen switched their votes, and second, exactly what was added to the second bill to entice them? I find that the two

big changes to the second bill are an FDIC increase provision, and the Energy Improvement and Extension Act of 2008, the latter of which will be the focus of this paper.

Earlier in 2008, the House passed the Energy Improvement and Extension Act, 263 to 160, the same bill that would later be added word for word to the bailout. The EIEA, like an omnibus budget bill, contained dozens of provisions unrelated to each other. All of these provisions, while part of the larger Energy Improvement and Extension Act, were at one time individual pieces of legislation that had passed in the House with significant majorities.

Table 1 serves as an illustration of the variety of issues at stake in the EIEA, as well as the degree to which they were supported. My assumption is that House leadership knew attaching the EIEA, along with all these popular initiatives, would increase support for the failed bailout. Now I will explain how I tested that assumption, both with suggestive evidence and rigorous statistical analysis.

<b>Bill name</b>	Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008	Alternative Minimum Tax Relief Act of 2008	Disaster Tax Relief Act of 2008	Renewable Energy and Job Creation Tax Act of 2008
<b>Bill number</b>	H.R. 6983	H.R. 7005	H.R. 7006	H.R. 7060
<b>Summary or goal of legislation</b>	End discrimination by health insurance companies against those with a mental illness.	One-year extension of tax credits to patch the Alternative Minimum Tax (AMT)	Provide tax relief to federally-declared disaster areas, such as those affected by Hurricane Ike	Provides billions of dollars in tax credits for renewable energy investments
<b>Vote</b>	Passed 376-47	Passed 393-30	Passed 419-4	Passed 256-166

## First Glance Analysis

The question in this paper is, did attaching the EIEA to the bailout cause 58 members of the House to switch their votes in favor of the second bailout? Some suggestive evidence shows that they did. The first assumption I make is that by amending the bailout with the EIEA, House leaders do so to attract the 225 members who voted against the first bailout bill. Of those 225, 112 had previously voted for the EIEA. The second assumption is that voting for the EIEA would increase your likelihood of switching your vote. Of those 112 voters, 36 (32%) ended up switching to YEA on the second bailout (out of a total of 58 switchers).

<b>Table 2</b>	
<b>First Glance Analysis</b>	
Members who voted NAY on the first bailout but also previously voted for the Energy Improvement and Extension Act.	112 of 228 49.77%
The voters above who went on to switch their vote in favor of the second bailout bill.	36 of 112 32.14%

Other suggestive evidence to support my hypothesis comes from the switchers themselves. After voting for the second bailout, many switchers cited the inclusion of side issues as a reason for supporting the bill. Rep. Ed Pastor from Arizona's 4<sup>th</sup> district, after the bailout passed, stated in a press release that all the additional tax credits were "critical" to his district (Representative Pastor). Rep. Mike Conaway from Texas's 11<sup>th</sup> district similarly mentioned the Alternative Minimum Tax relief and the disaster relief in his press release following the second bailout (Representative Conaway). The highest acclaim poured on side issues came from Rep. Jim Ramstad, also a switcher. During the debate on the House floor, he only spoke of the importance of mental health parity, never once mentioning the bailout provisions themselves.

(Rep. Ramstad) It seemed like Rep. Ramstad supported the side issues more than he opposed the bailout, which could explain why he switched his vote when mental health parity became a part of the second bailout bill.

### **Statistical Analysis**

The goal of this paper is to determine whether or not voting for the Energy Improvement and Extension Act, a bill which House leaders attached to the bailout, would cause a member who voted NAY initially on the bailout, to switch their vote on the second bill. The dependent variable in this test is switching one's vote in favor of the second bailout. The predictive value voting for the EIEA must be compared to that of other independent variables.

#### **Democrat**

This independent variable should test the effects of party membership on whether one will switch their vote.

#### **Ideology**

Using the first dimension D-NOMINATE scores, a measure of ideology extensively used in the literature, I test the predictive value of ideology on whether or not a member was more likely to switch their vote.

#### **District competitiveness**

With the public in tepid opposition to the bailout, members in a competitive district may be more inclined to vote against the bill. The bailout was one of the

most highly visible votes in recent history, aided by the fact that it concerned an extraordinary amount of money and took place 5 weeks before an historic and widely observed presidential election. I will rate district competitiveness by using data from CQ Politics, a reputable organization capable of making this variable's determination based on polling data and other factors.

### **Foreclosure Rates**

I obtained foreclosure rates for each individual member's district<sup>2</sup>. High foreclosure rates in a member's district should sway her to vote against the 1st bailout bill and for the 2nd bill. The first bill was widely seen as helping "Wall Street" while the second bill included assistance for homeowners, or "Main Street." Foreclosure Rates are useful in measuring how members might be reacting to constituency rather than party pressure.

### **H.R. 6049: Energy Improvement and Extension Act of 2008**

This bill contained over one hundred billion dollars in tax credits and tax extenders for businesses and individuals. It also contained mental health parity, alternative energy tax incentives, alternative minimum tax relief and disaster relief provisions, the four of which were identical to H.R. 6983, 7005, 7006 and 7060 mentioned in Table 1. The bill passed with 263 votes in favor. Voting for this bill should predict an increased likeliness to switch one's vote.

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<sup>2</sup> The foreclosure rates were obtained from HotPads.com, a home realty website.



This test calls for binary logistic regression analysis because the dependent variable is dichotomous. I disregard House members who initially supported the bailout and only test those who initially voted against it. I set the dependent variable to whether or not a member switched their vote in favor of the second bailout. 1 represented a switcher, 0 represented a sustainer, a voter who remained opposed to the bailout on the second bill. The Democratic Party variable and the roll call vote were set up as dummy variables with 0 meaning "no" and 1 meaning "yes." The competitiveness variable will assign a competitive district a score of 0 for “competitive”, to 3 for “safe”.

### Results

<b>Independent variable</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>P value*</b>
Democrat	-.852	1.071	.426
Ideology	-1.224	1.099	.265
Competitiveness	-.098	.196	.616
Foreclosure Rate	1.029	.221	.000
<b>H.R. 6049</b>	<b>.656</b>	<b>.628</b>	<b>.297</b>
Constant	-1.378	.885	.120

Number of observations : 228  
 Dependent variable : whether a member switched their vote  
 \*The coefficient is considered statistically significant when its P value is smaller than 0.05

The results of the binary logistic regression analysis show the hypothesis to indeed be correct, that the evidence points to members of Congress switching their vote because of the addition of the Energy Improvement and Extension Act of 2008 to the bailout bill. The results for the Party affiliation and Ideology independent variables however show that members are less likely to switch their vote if they are Republican or Conservative. The analysis I conducted cannot speak to the substantive significance of the findings, in other words, my research only

confirms that a relationship exists between the dependent variable and these independent variables but does not comment on the magnitude of those findings. The P value of all the independent variables save Foreclosure rates were above 0.05 which means I cannot declare with a standard of confidence that the independent variable is correlated with the dependent variable. Nevertheless, a positive coefficient for HR. 6049 demonstrates a relationship that is worthy of reporting.

Ideology forms a key component to the Evans and Hixon-Marshall models, which depend on ideological moderates to provide the pivotal votes in a bill's passage that are cheaper to attract than more ideologically rigid members. In Evans, moderates care more about the pork than the ultimate issue in the general interest legislation (Evans 1994)<sup>3</sup>. Hixon-Marshall rely on first dimension moderates to consider the second dimension issue attractive enough to compromise their first dimension preferences (Hixon and Marshall 2007)<sup>4</sup>. The question for this bill is whether or not moderates were the targets of the dimensional manipulation, and whether or not moderates were the ones who switched their votes. I find the answer to both of those questions both yes and no.

First, from the outset on this bill, ideology appears to negligibly impact members voting behavior. Figure 1 displays two histograms with a smoothed curve illustrating the distribution of ideology in the House among both the NAY and YEA voters on the first bill. When party and ideological effects are strong, NAY and YEA votes will each occupy opposite ends of the ideological spectrum, but in the case of the bailout, each vote attracts substantial numbers from each ideological camp. Figure 2 illustrates the ideological distribution of those who switched and

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<sup>3</sup>Pg. 895 (“[t]he strategy is successful when the distributive benefits that the leaders offer are more important to the recipients than the policy matters on which they oppose the leaders”).

<sup>4</sup> Pg. 84 (“[t]he strategy we describe involves exploiting relatively minor dimensions to attract support from just enough moderates to pass a bill.”)

voted for the 2nd bailout. Contrary to what the literature may suggest, the switchers do not concentrate in the center of the ideological spectrum.

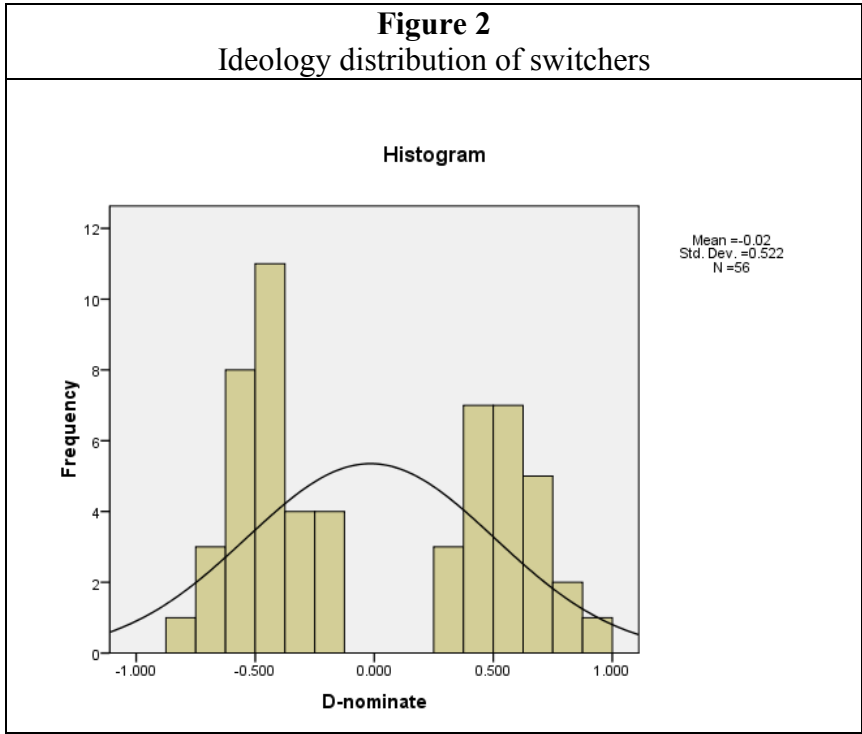
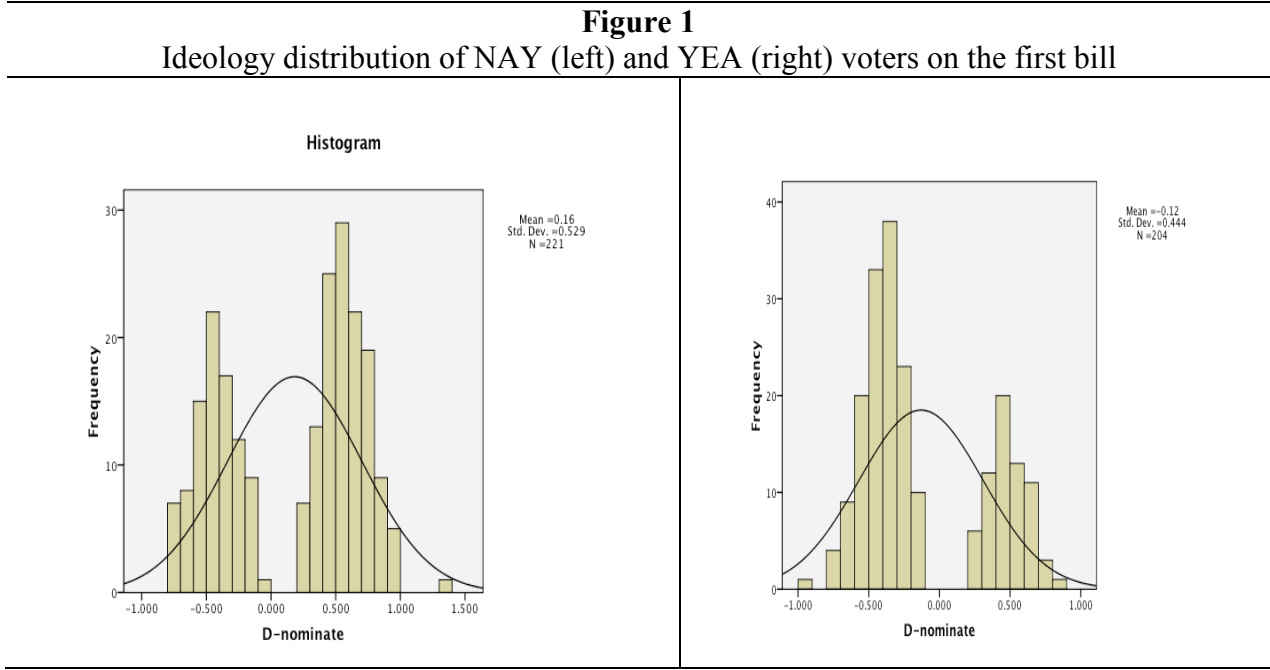
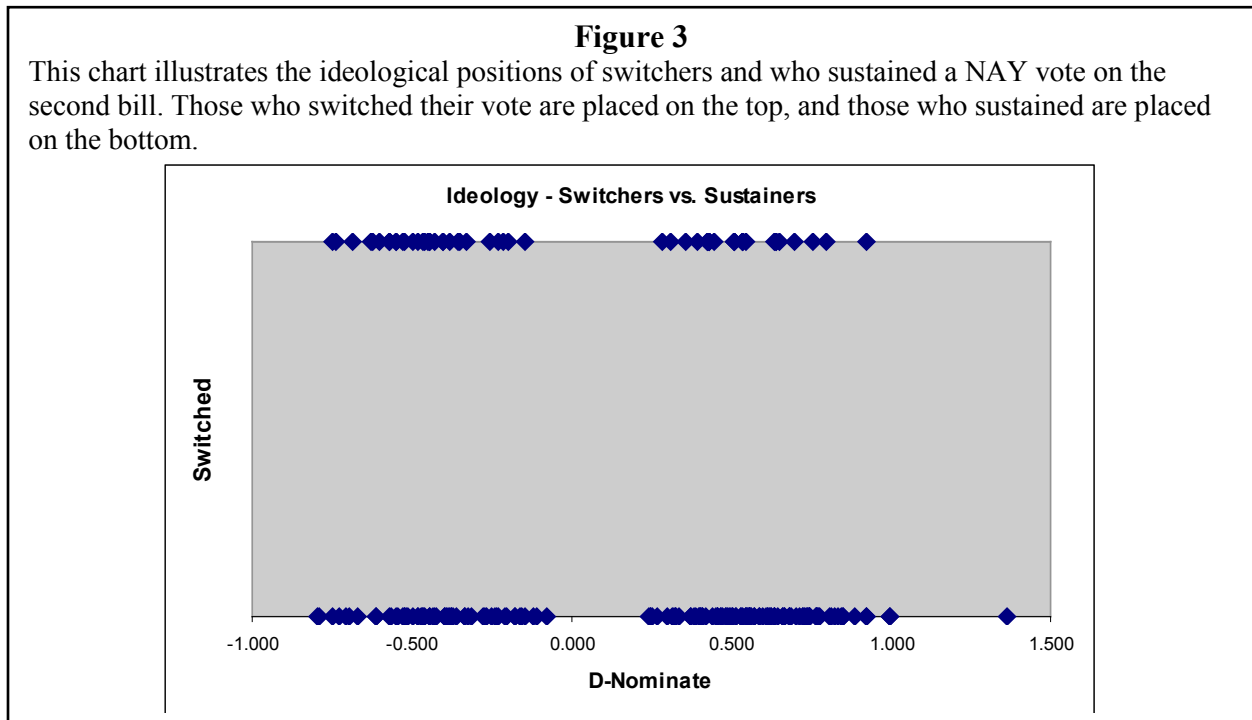


Figure 3 most importantly compares the ideological positioning of switchers and sustainers by placing each member on the same left-to-right D-NOMINATE spectrum, with the switchers occupying the top line and the sustainers on the bottom line.



Although the switchers are not concentrated in the middle of the ideological spectrum, as Figure 3 demonstrates, there may be an alternative explanation for their placement. Only 13 additional votes were needed to pass the first bailout package. Table 4 lists the 13 most moderate switching members according to their D-NOMINATE scores. Had these members been the only switchers out of the total of 58, then the assumption that House leaders attract moderates with side issues would remain unchallenged. In a narrow sense, non-moderates switching their votes to YEA may have been attracted to the side issues at a level unanticipated by the Hixon-Marshall model. I will expand on that idea at the end of the conclusion to this paper.

**Table 4**

A list of the 13 most moderate vote switchers, sorted by ideology

<b>District</b>	<b>State</b>	<b>Representative</b>	<b>Party</b>	<b>D-NOMINATE</b>
1	NV	Berkley, Shelley	<b>DEM</b>	-0.351
1	IA	Braley, Bruce	<b>DEM</b>	-0.328
13	GA	Scott, David	<b>DEM</b>	-0.257
27	TX	Ortiz, Solomon	<b>DEM</b>	-0.230
8	AZ	Giffords, Gabrielle	<b>DEM</b>	-0.215
28	TX	Cuellar, Henry	<b>DEM</b>	-0.198
5	AZ	Mitchell, Harry	<b>DEM</b>	-0.148
6	PA	Gerlach, Jim	<b>REP</b>	0.284
15	PA	Dent, Charlie	<b>REP</b>	0.310
29	NY	Kuhl, Randy	<b>REP</b>	0.358
18	FL	Ros-Lehtinen, Ileana	<b>REP</b>	0.396
11	NJ	Frelinghuysen, Rodney	<b>REP</b>	0.427
9	MI	Knollenberg, Joe	<b>REP</b>	0.428

### **Conclusions and Opportunities**

The Hixon-Marshall model on manipulating legislative dimensions can account for and explain the behavior exhibited by House leaders and bailout switchers the days following the failed passage of the bailout. In attaching the Energy Improvement and Extension Act of 2008 to the bailout, House leaders could attract additional votes without compromising on the bailout provisions. To a limited degree, I found that conservative ideology had a negative correlation with the dependent variable, as the results of the logistic regression analysis show. What is certain is that the bulk of switchers were not moderates, as the literature might suggest. However, rather than measuring the first dimension for the purposes of the Hixon-Marshall model with ideology, we could imagine that the first dimension in the bailout bill is simply the dollar amount proposed, rather than any ideological preference. As a hypothetical, if House leaders insist on a \$700 billion bailout, but the majority only accepts up to a \$500 billion bailout, then adding a second dimension might be the only way to attract additional votes without compromising on the \$700 billion amount. This example only serves to illustrate a possible alternative to the

traditional left-right dimension used to compute D-NOMINATE scores. Future research may look into methodologies to create a first dimension for each piece of legislation on a case-by-case basis, rather than always relying on D-NOMINATE or other ideological scores to measure where moderates may be positioned.

On the other hand, the bailout issue may be too new to have been co-opted or captured by a particular ideology. On the House floor preceding the vote on the first bailout bill, Nancy Pelosi asked, “When was the last time someone asked you for \$700 billion?” (Speaker Pelosi, 2008). This rhetorical question reveals how the American people and political institutions haven’t fully grasped the reality of spending such an enormous amount of money all at once and in one sector. Further research in public opinion and Congressional politics could measure how political parties and institutions are dealing with this issue.

Finally, the economic climate at the end of September and beginning of October 2008 may have affected the switchers more than my research can discern. On the morning of Monday September 29, 2008, the day the House would reject the bailout, the Dow Jones Industrial Average opened at 11,139. That week on Friday, October 3, 2008, the DJIA opened at 10,483. Within a week the stock market dropped 656 points, or 5% of its value. News reports were blaming a \$1.2 trillion dollar loss in the economy on the failure of Congress to pass the bailout (Twin 2008). Future research could attempt to explain exactly how this economic hemorrhage might have caused members of Congress to change their mind and support the bailout. However, even if many switchers were influenced by the state of the economy, the House of Representatives is still an institution where leaders employ tools to pass legislation, and the use of side issues was certainly a tool that House leaders used in the case of the 2008 bailout.

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