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Abstract

Using a large sample of corporate loan facilities and hand-matched information on bank lobbying, we show that borrower performance improves after receiving credit from lobbying banks. This especially holds for opaque borrowers about which a bank possesses valuable information, as well as for borrowers with strong corporate governance. We also find that credit from lobbying banks funds corporate capital expenditures that increase the scope of firm operations, thereby leading to sales growth. Our findings are consistent with the information-transmission theory that political lobbying provides regulators with valuable borrower information, which results in improved bank-lending supervisory decisions and corporate borrower performance.

JEL classification: D72; G21; G30
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1. Introduction

Political lobbying is the main avenue through which banks attempt to influence regulations and supervisory decisions. Banks hire external lobbyists or set up in-house lobbying teams to meet privately with politicians and regulators in order to advance their interests. Based on data from the Centre for Responsive Politics and reported by Igan and Lambert (2019), the financial sector spent $7.4 billion on lobbying from 1998 to 2016. Moreover, the financial sector spent $488 million on lobbying in 2012 but only $81 million on contributions to political action committees (PACs) during the 2011-2012 congressional cycle. In spite of the significant sums spent on lobbying by the financial sector each year, clear evidence on the economic benefits arising from this type of political activity remains scant.

To address this void, in this study we examine the real effects of bank lobbying, focusing on borrower performance after credit origination. We also examine the means through which these effects transmit. The answers to these questions are important to understand the role of bank lobbying in real economic outcomes, especially considering the two contradicting theories of the potential effects of bank lobbying: the information-transmission and the regulatory-capture theories.

On one hand, the information-transmission theory suggests that banks have better information than regulators do and hence they lobby in order to meet with regulators and reveal their superior information. Scholars find that lobbying activities in the United States typically consist of sharing information with policymakers rather than exchanging money for favors (Hansen 1991; Hall, 1996; Cotton, 2012), and this transmission of information often leads to

better-informed policymaking (Austen-Smith and Wright, 1992; Cotton, 2009).[1] The evidence that the financial sector spent six times more on lobbying expenses than on campaign contributions during the 2011-2012 congressional cycle further suggests that the communication of information, rather than the exchange of favors, makes up the majority of lobbying spending. Former congressman Thomas Downey of New York shares this view, asserting, "*Money doesn't buy … a position. But it will definitely buy you some access so you can make your case*" (Schram, 1995). It is also the perspective of The National Institute for Lobbying & Ethics (a trade association representing American lobbyists). It states: *"Lobbying is a legitimate and necessary part of our democratic political process. Government decisions affect both people and organizations, and information must be provided in order to produce informed decisions. Public officials cannot make fair and informed decisions without considering information from a broad range of interested parties."*

Under the information-transmission view, bank lobbying provides regulators with valuable borrower information that improves supervisory and lending decisions. Igan and Lambert (2019) suggest that, due to industry expertise, certain lenders have more information than regulators do about opaque borrowers. Lobbying lenders can thus reveal private information to regulators in order to avoid tighter lending regulation. Overall, under the information-transmission view, bank lobbying thus leads to better loan decisions and borrower performance.

On the other hand, the regulatory-capture view that Stigler (1971) and Peltzman (1976) propose suggests that banks lobby simply to seek preferential treatment. For example, banks foresee that risky loans might default; before making those loans, they might lobby for preferential

[1] The empirical evidence strongly supports the view that lobbying typically consists of sharing information with policymakers rather than exchanging money for favors (Langbein, 1986; Hall and Wayman, 1990; Wright, 1990; Milyo, Primo, and Groseclose, 2000; Ansolabehere, Snyder Jr, and Micky, 2002).

treatment that mitigates the potential costs of default. This is in line with recent studies documenting that politically connected banks are more likely to obtain preferential treatment. For example, Duchin and Sosyura (2012, 2014) find that politically connected financial institutions receive more TARP funding from the government during the global financial crisis. Under the regulatory-capture view, moral-hazard elements drive the decision to lobby regulators. This is distinctly different from the information-transmission view, where revealing private information drives the decision to lobby. Hence, under the regulatory-capture view, bank lobbying leads to worse loan decisions and borrower performance.

In this paper, we test these two competing theoretical considerations by examining the relation between bank lobbying and borrower performance using an extensive sample of 30,048 syndicated loan facilities from 1999 to 2017. There are three main advantages of using syndicated loan facilities to examine the relation between bank lobbying and borrower performance. First, federal examiners review and rate syndicated loans on a loan-by-loan basis every year. Adverse ratings lead to higher loan-loss reserve requirements and higher provision expenses for banks, ultimately leading to lower net income. There is therefore an incentive for banks to engage in political lobbying every year to influence the rating process. Second, syndicated loans are the largest source of U.S. corporate financing activity (Sufi, 2007; Ivashina, 2009), with total U.S. loan volume reaching $2.4 trillion in 2019. Third, the syndicated loans data allow cleanly matching specific lenders to specific borrowers and thus allows examining the mechanisms through which bank lobbying affects firm performance.

Controlling for bank and firm characteristics, together with bank, firm, and year fixed effects, our baseline results show that bank lobbying is positively related to firm performance, as measured by return on assets and Tobin's q for borrowing firms in the year after the loan

origination. The results are robust to the exclusion of large banks and banks that have no history of political lobbying.

Our baseline results support the information-transmission view of bank lobbying. However, a potential concern is that unobservable firm heterogeneity correlated with both bank lobbying and firm performance could drive the results. We use three approaches to mitigate the endogeneity issue. First, we examine events of additions of in-house lobbyists. Together with the use of bank and year fixed effects, these additions constitute treatments that take place in different points in time (what Gormley and Matsa, 2011, name differences-in-differences – DID – with multiple events). Consistent with our baseline findings, this model predicts better future firm performance for firms obtaining credit from treated banks (those adding in-house lobbyists) compared to firms obtaining credit from nontreated banks (those without in-house lobbyist additions). Second, we follow Lambert (2019) and use an instrumental variable (IV) based on the geographical distance from Washington D.C. Third, we perform a regression analysis based on a propensity-score matched sample to control for the potential systematic differences between lobbying and nonlobbying banks. We find that our results continue to hold across these latter two robustness tests.

Next, we examine the channels through which bank lobbying improves firm performance. The information-transmission view predicts that bank lobbying improves firm performance because opaque firms that typically find it difficult to raise external capital for profitable projects can now access bank financing if lobbying banks provide valuable firm information to regulators. To validate our hypothesis, we conduct five tests.

First, we show that lobbying banks are more likely to lend to less transparent firms — that is, firms with higher analyst forecast dispersion, analyst forecast error, and earnings volatility.

Second, we identify the types of firms that benefit the most in terms of firm performance. Consistent with our predictions, we find that opaque firms drive the positive relation between bank lobbying and firm performance, as these often more financially constrained firms can now take up profitable projects through external financing from lobbying banks.

Third, we examine how information transmission between banks and regulators improves firm performance. We find that the positive relation between bank lobbying and firm performance is concentrated in the sample of loans to borrowers for which the lending banks possess valuable knowledge, consistent with the information-transmission view.

Fourth, we investigate how managerial monitoring drives the relation between bank lobbying and firm performance, as managers who are not monitored may waste funds borrowed from lobbying banks on self-serving projects rather than spend them on projects that enhance shareholder value. Using board independence and institutional monitoring as proxies of managerial monitoring, we find that firms in which managers are adequately monitored drive the positive effect of bank lobbying on firm performance.

Fifth, we examine how firms improve their performance after receiving credit from lobbying banks. We find that credit from lobbying banks enables corporate borrowers to make capital expenditures that increase the scope of their operations, thereby leading to increased sales growth.

Our paper is related to studies on political connections in the banking industry. For example, Braun and Raddatz (2010) provide international evidence suggesting that politically connected banks tilt regulations in their favor, consistent with theoretical work by Tullock (1972) and Gersbach and Papageorgiou (2021). Lambert, Wagner and Zhang (2022) show that bank lobbying influences economic activity in the US. They argue that lobbying helps banks to improve

local financing conditions for particularly riskier firms thereby reducing the restructuring costs for the economy. Duchin and Sosyura (2012, 2014) study the effect of TARP investment on risk-taking and performance in the financial sector. They find that politically connected financial institutions are more likely to receive TARP investments, initiate risker loans, and shift assets toward risker securities after receiving TARP funding. Kostovetsky (2015) show that politically connected financial institutions have higher leverage, and their stocks have higher volatility and beta. Our paper adds to this literature by showing that lobbying banks lend to more opaque borrowers, and their political lobbying activities improve the performance of these informationally opaque borrowers.

Moreover, our paper contributes new evidence to the emerging literature on bank lobbying. Igan, Mishra, and Tressel (2012) find that lobbying banks engage in risky mortgage lending in the lead-up to the Great Recession. They show that lobbying banks originate mortgages with higher loan-to-income ratios, securitize a larger proportion of the loans they originate, and have more rapidly growing mortgage loan portfolios. Also, Igan and Mishra (2014) show that lobbying in the financial industry is positively associated with the probability of a legislator changing positions in favor of deregulation. In addition, Lambert (2019) finds that regulators are less likely to initiate enforcement actions against lobbying banks. Our paper contributes to this literature by showing that bank lobbying provides regulators with valuable borrower information.

The rest of the paper is organized as follows. Section 2 describes the data and sample selection and explains the construction of various variables in this study. Section 3 examines the impact of bank lobbying on firm performance. Section 4 analyzes the channels through which bank lobbying improves firm performance, and section 5 concludes.

2. Data sources and bank lobbying

2.1. Data sources

We use syndicated loans data from the Thomson Reuters DealScan database to examine whether bank lobbying affects borrower performance. Syndicated loans are the largest source of U.S. corporate financing activity (Sufi, 2007; Ivashina, 2009), with total U.S. loan volume reaching $2.4 trillion in 2019. These loans are so large that federal examiners review them on a loan-by-loan basis every year.[2] During the review process, each examiner independently gives each loan one of five grades: "pass" (best), "special mention," "substandard," "doubtful," and "loss" (worst). Adverse ratings are more likely to lead to a review in subsequent checks, heightened supervisory monitoring, and higher loan-loss reserve requirements. Loans rated "substandard," "doubtful," or "loss" entail required loan reserves of 20%, 50%, and 100% of the loan utilized exposure amount, respectively. Increases in loan loss reserves lead to higher provision expenses for banks, and as a result, lower net income. There is therefore an additional incentive for banks participating in the syndicated loans market to engage in political lobbying.

Using DealScan, we obtain information on the borrowers, lenders, and characteristics of these syndicated loans. In addition, we obtain bank lobbying data from the Centre for Responsive Politics, financial data from Compustat, and company executive information from Execucomp.[3] Our sample spans 1999 to 2017, given that bank-lobbying data is only available back to 1998, and we measure bank lobbying using annual lags. We consider only the lobbying status of the lead banks (lead arrangers) for each syndicated loan because the lead arranger chooses the borrowers

[2] https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200131a.htm

[3] We link the bank-level lobbying expense variable from the Centre for Responsive Politics to DealScan via the "lender linking table" by Schwert (2018). We also link the firm-level control variables from Compustat to DealScan via the "borrower linking table" provided by Chava and Roberts (2008).

and the lending terms. Hence, we only keep observations where *Lead arranger credit* takes the value "Yes" in DealScan. The final sample has 30,048 loan facilities in our baseline regressions. We define all variables used in our empirical analysis in table 1 and provide summary statistics in table 2.

(Insert Tables 1 & 2 here)

2.2. Bank lobbying

The Lobbying Disclosure Act of 1995 requires lobbyists to report information on their activities to the Senate Office of Public Records. Following prior studies (Igan, Mishra, and Tressel, 2012; Lambert, 2019), we use lobbying disclosure reports available by the Center for Responsive Politics, a nonprofit organization based in Washington, D.C., to identify what lobbying banks spend in a given year. The information includes the names of lobbying banks and their annual lobbying expenses.[4] In line with prior studies, we consider all lobbying activities at the parent financial-institution level, as individuals benefit from lobbying activities of parent banks, and parents may lobby on behalf of subsidiaries. To reduce simultaneity concerns, we use bank-lobbying expenses in the year before the loan origination.

Matching the lobbying database with DealScan and Compustat is nontrivial. Schwert (2018) provides the link between the lender's in Dealscan and the bank's gvkey, in Compustat (also provides the years that the link is effective). However, we need to hand-match the bank name displayed in the lobbying database with the bank name displayed in Compustat. This way we also consider the role of bank M&As. For example, lender name "Wachovia Bank" was still in Dealscan

[4] Details can be found on www.opensecrets.org.

in 2011 even though Wachovia was acquired by Wells Fargo in 2009. Therefore, for lender "Wachovia Bank" in 2011, we match the lobbying expense with Wells Fargo's lobbying expense.

Table 1 provides definitions for the variables in our empirical analysis, and table 2 provides summary statistics. Panel A of table 2 shows that 76% of the syndicated loans in our sample are from a lobbying bank. Panel B of table 2 presents bank lobbying expenses by year. We find that bank lobbying increases steadily over our sample period, from a trough of $14.24 million in 2005 to a peak of $36.68 million in 2011.

2.3. Firm and bank characteristics

Our main outcome variables are firms' return on assets (ROA) and Tobin's q, which are the most common measures of firm performance in the corporate finance literature (exact definitions in Table 1). As explanatory variables, besides bank lobbying, we use a vector of bank, firm, and loan characteristics. At the bank-year level, we control for bank size, bank age, tier 1 capital, and bank liquidity. Larger and older banks lobby harder (*Wall Street Journal*, 2010) and are likely to exhibit different lending behavior than smaller and younger banks; hence, we need to control for bank size and age.[5] We also need to control for tier 1 capital and bank liquidity, as banks with higher tier 1 capital and liquidity are also likely to exhibit different lobbying and/or lending behavior. For example, they are likely to be more risk-tolerant or lobby more to avoid regulatory compliance.

At the firm-year level, we control for firm size, age, leverage, ROA, R&D, CEO age, and CEO gender. First, larger and older firms are likely to have more limited growth opportunities compared to smaller and younger firms; hence, they are likely to have very different investment and financing policies. Second, firm leverage is the most important determinant of financing policy

[5] We find qualitatively similar results when we scale bank lobbying expenditure by bank size. Results are presented in Internet Appendix Table IA3.

and loan structure. Third, prior-year ROA and R&D are two of the most important factors in determining future performance. Fourth, CEO age and gender affect investment and financing decisions (Huang and Kisgen, 2013; Yim, 2013).

At the loan level, we control for loan spread, loan amount, loan maturity, the number of financial covenants, the presence of performance-pricing provisions, collateralization, and the number of lenders in the syndicate. The price and nonprice terms define the cost and riskiness of the loan, whereas the number of lenders in the syndicate measures the lead arranger's risk-taking.

Panel A of table 2 reports summary statistics. The average borrower has an ROA of 12.20%, a leverage ratio of 32%, and a 56-year-old CEO. The average syndicate has 12 lenders, 42% of the loans have performance-pricing provisions in place, and 39% of the loans are collateralized.

3. Bank lobbying and firm performance

3.1. Baseline results

To examine how bank lobbying affects firm performance, we estimate the following model:

$$FirmROA_{i,t+1} = \alpha + \beta BankLobbying_{j,t-1} + \gamma Z_{i,j,t-1} + Bank_j + Firm_i + Year_t + \varepsilon_{i,t} \quad (1)$$

where *t* denotes year, *i* denotes the firm, and *j* denotes the bank. $FirmROA_{i,t+1}$, is the borrower's return on assets (alternatively, we use Tobin's q). The bank lobbying measure, $BankLobbying_{j,t-1}$, equals 1 for lobbying banks (Lobbying expenses >0) and zero otherwise (our alternative measure is bank lobbying expense, which equals the logarithm of 1 plus the bank's lobbying expense). $Z_{i,t}$ is a vector of bank and firm characteristics that are likely to affect the

relation between bank lobbying and firm performance. $Bank_j$, $Firm_i$, and $Year_t$ capture bank, firm, and time fixed effects, respectively.

(Insert Table 3 here)

In equation (1), we assume a timing of events (determining the leads and lags) as follows: the banks conduct lobbying in the year *t*-1 prior to the loan origination in year *t*. The loan origination can take place any time during year *t* (e.g., in the beginning of that year) and thus at *t* the bank will function based on lobbying expenses in *t*-1. Moreover, firm performance will most likely be affected by loan origination from year *t*+1 onward (especially for loans originated in the last months of year *t*).

Table 3 reports our baseline results. Due to the presence of serial lenders in our sample, the residuals in our regressions may be correlated and hence may overstate the *t*-statistics (Petersen, 2009). To control for this potential problem, we cluster standard errors by bank (the unit of *BankLobbying*).[6]

Columns 1 and 2 show the results for the full sample. We find that bank lobbying is positively related to firm performance. In terms of economic significance, we find that bank lobbying results in a ROA increase of 0.507 points for the average corporate borrower in the following year. This represents an increase of 4.2% (0.507/12.20) for the average corporate borrower (ROA of 12.20%). More interestingly, we look at the amount of lobbying expenditure, which carries a higher statistical and economic significance.[7] Specifically, a one standard deviation increase in bank lobbying expense increases ROA for the average corporate borrower in the

[6] As a robustness check, we also cluster standard errors by bank and firm, and by bank and firm and year. We present the regression results in internet appendix table IA2.

[7] The importance on the amount of lobbying expenditure is shared with Langbein (1986), who finds a positive link between the amount of contribution and the amount of time the politicians spend meeting with interest groups.

following year by approximately 6.41% ((12.2+0.044)/12.2)*6.39), which is economically substantial.

Next, from each year we exclude the largest banks (the top 20% by asset size), as unobserved characteristics of these banks likely lead them to lobby and take higher risk. Columns 3 and 4 of table 3 report the results, which are consistent with those in the first two columns. Next, we exclude from our sample banks that never lobby, as these may be systematically different from lobbying banks. Columns 5 and 6 of table 3 report the results. Again, our baseline result holds.

As a robustness check, we repeat the analysis in table 3 using Tobin's q as the dependent variable. Tobin's q is a future-oriented measure of firm performance, reflecting the premium the capital market pays for book assets. Table IA1 in the internet appendix reports the results. We continue to find a positive and significant relation between bank lobbying and firm performance. Specifically, the coefficient estimates indicate that bank lobbying results in a 1.9% (0.032/1.69) increase in Tobin's q for the average corporate borrower in the following year, and a one-standard-deviation increase in bank lobbying expense results in an increase in Tobin's q of 6.4% ((1.69+0.003)/1.69)*6.39) in the following year. Obviously, these findings are fully in line with those in Table 3.

Our baseline results are consistent with the information-transmission view of political lobbying. That is, due to industry expertise, certain lenders have more information than regulators do about opaque borrowers. Lenders would thus lobby to reveal private information to regulators. This helps lenders avoid tighter lending regulation, leading to better loan decisions and borrower performance.

3.2. Addressing endogeneity concerns

A potential endogeneity issue that may affect our baseline results is omitted-variables bias. Even after controlling for several known firm and bank characteristics, as well as for year, bank, and firm fixed effects, there may still be unobservable bank or firm heterogeneity correlated with both bank lobbying and firm performance. In what follows, we provide three tests to alleviate these endogeneity concerns.

First, we observe much less turnover among in-house lobbying personnel at banks compared to external lobbyists. Using hand-collected data from the Centre for Responsive Politics, we find that each bank on average only expands its in-house lobbying team three times over our 18-year sample period. This indicates that the decision to expand an in-house lobbying team is closely related to lobbying efforts and is not associated with fluctuations in the general business environment or to other bank characteristics. As we show in internet appendix table IA4, the observed bank characteristics do not determine the timing of in-house lobbyist addition.

To examine how the addition of an in-house lobbyist affects firm performance, we estimate the following model:

$$FirmROA_{i,t+1} = \alpha + \beta AdditionofInhouselobbyist_{j,t-1} + \gamma Z_{i,j,t-1} + Bank_j + Year_t + \varepsilon_{i,t} \quad (2)$$

where *Addition of In-house lobbyist* is an indicator variable that equals 1 in the year of the in-house lobbyist addition and 0 in all the other years. The vector *a* includes bank fixed effects, controlling for the treatment dummy in each event (addition of an in-house lobbyist); and year fixed effects, controlling for the post dummy in each event. Thus, equation (2) resembles a DID model in which treatment (an addition of an in-house lobbyist) can take place in different years, with the number

of time periods being larger than 2 (as is the case in the standard DID).[8] The control group is banks that do not add in-house lobbyists. The key identification assumption of this model is that it is hard to think of confounding effects on firm ROA consistently occurring at the same time in which banks hire an additional in-house lobbyist, with these events occurring in different time periods (Gormley and Matsa, 2011).

Table 4 shows the results. Consistent with our baseline findings and the information-transmission view, the results show that the addition of an in-house bank lobbyist on average increases ROA by 2.2% (0.265/12.2) for the average borrower in our sample.

(Insert Table 4 here)

Our second approach to alleviate endogeneity bias is to use an IV model. We resort to the framework of Lambert (2019) and use *Distance to D.C.* as the instrument.[9] *Distance to D.C.* is the interaction between the distance (in km) from a bank's headquarters to Washington, D.C. (bank-specific cost of lobbying) and the foreign purchases of U.S. Treasury securities (time-varying cost of lobbying). We obtain headquarters locations for U.S. banks from SEC Form 10-K filings, and we obtain global purchases of U.S. Treasury securities from the Flow of Funds Accounts published by the Federal Reserve.

Our premise is that *Distance to D.C.* theoretically satisfies both the relevance and the exclusion conditions. Concerning the relevance condition, proximity to Washington, D.C. should be less costly for lobbyists in their regular interactions with politicians and regulators. Hence, banks near Washington, D.C. are more likely to hire lobbyists and intensify their lobbying intensity

[8] This is a DID model because of two-way fixed effects transformation across dimensions *j* and *t*, which drops the rest of the usual DID terms (see Gormley and Matsa, 2011; Callaway and Sant'Anna, 2021; Goodman-Bacon, 2021; Wooldridge, 2021).

[9] Lambert (2019) also uses *Initial market size* as an instrument; however, this instrument is perfectly collinear with bank fixed effects.

(Igan, Mishra, and Tressel, 2012; Gao and Huang, 2016). Relating to global purchases of U.S. Treasury securities, the rationale is that when capital inflows are high, the cost of capital decreases, and therefore the opportunity cost of lobbying decreases. Importantly, *Distance to D.C.* satisfies the exclusion condition because the distance between bank headquarters and Washington, D.C., and foreign purchases of U.S. Treasury securities are unlikely to affect directly a particular borrower's performance; if anything, any effect comes via the bank lending process we examine in this paper.

Table 5 shows the IV results. The first-stage results in columns 1 and 3 show that *Distance to DC* is indeed negatively related to bank lobbying, consistent with the relevance conditions. The second-stage results in columns 2 and 4 show that the coefficient estimates of bank lobbying remain positive and significant, indicating that our baseline finding holds. The coefficient estimates reveal that bank lobbying results in a 28.8% (3.512/12.20) increase in ROA for the average corporate borrower in the following year, and a one-standard-deviation increase in bank lobbying expense results in an increase in ROA of 6.51% ((12.2+0.23)/12.2)*6.39) in the following year for the average borrower.[10]

(Insert Table 5 here)

Our third approach to alleviate endogeneity is via propensity-score matching, in which we match lobbying banks with "similar" nonlobbying banks to control for potential systematic differences between these two groups. To construct the matched sample, we first estimate a logit regression where the dependent variable is *Lobby*, which equals 1 if the bank lobbies in the year before providing the loan and zero otherwise. The independent variables include all bank

[10] The reported magnitude of the bank lobbying effect is seven times larger in the IV estimations compared to the baseline results, which is a common problem in empirical studies, as Jiang (2017) documents. Hence, we focus our economic interpretation on the baseline estimates, as they provide a lower bound on the likely effect of bank lobbying.

characteristics in our baseline regressions. This generates a predicted probability of being a lobbying bank for each observation, which is the propensity score. Second, we match each lobbying bank with a matched nonlobbying bank that has the closest propensity score within a caliper of 1%.

Using the matched samples, we reestimate the baseline regressions. Table 6 reports the regression results. We find a positive relation between bank lobbying and firm performance. In terms of economic significance, the regression results show that bank lobbying results in a 5.8% (0.704/12.20) increase in ROA for the average corporate borrower in the following year, and a one-standard-deviation increase in bank lobbying expense results in an ROA increase of 6.41% ((12.2+0.061)/12.2)*6.37).

(Insert Table 6 here)

3.3. Bank lobbying, corporate investment, and sales growth

Next, we investigate how firms improve their performance after receiving credit from lobbying banks. Under the information-transmission theory, lobbying banks have information on how borrowers allocate their resources to increase firm performance. Given the sheer size of syndicated loan amounts, we expect that corporate borrowers are likely to use credit from lobbying banks to boost capital expenditures and increase the scope of their operations, thereby leading to increased sales growth. To test this prediction, we examine the relation between bank lobbying and corporate capital expenditures in year t+1, as well as the relation between bank lobbying and sales growth at year t+1.

Table 7 presents these results. We find that, consistent with our predictions, borrowers' capital expenditures and sales growth increase after receiving credit from lobbying banks.

Specially, bank lobbying results in a 7.2% (0.327/4.54) increase in corporate capital expenditures and a 23.1% (2.184/9.44) increase in sales growth for the average corporate borrower in the following year. This finding is consistent with Stiglitz and Weiss (1981) and Greenwood, Sanchez, and Wang (2010), who propose that constraints on external financing stemming from asymmetric information results in opaque firms being underfunded. Corroborating the recent study by Lambert, Wagner and Zhang (2022), our results go further to show that the alleviation of information problems via bank lobbying can spur real economic activity. The easing of financing conditions for particularly riskier firms within the economy enhances economic growth.

(Insert Table 7 here)

4. Which firms benefit?

4.1. Lobbying banks' lending behavior

We first look at the types of firms that lobbying banks are more likely to lend to, as those firms directly benefit from bank lobbying. The information-transmission view of lobbying predicts that lobbying banks are more likely to lend to opaque firms. We test this prediction by using analyst forecast dispersion, analyst forecast error, and earnings volatility to proxy for firm opaqueness. Analyst forecast dispersion is the standard deviation of analyst forecasts divided by mean analyst forecast value. Analyst forecast error is the absolute value of the difference between estimated and realized earnings, scaled by stock price as of the forecast date. Earnings volatility is the standard deviation of ROA over the five years prior to obtaining the bank loan.

Table 8 presents the results. Consistent with our prediction, lobbying banks are more willing to lend to more opaque and volatile firms. For example, the results indicate that a lobbying bank lends to firms with 12.8% (0.152/1.19) higher forecast error and 6% (0.178/2.95) higher

earnings volatility. Moreover, lobbying banks also charge higher loan spreads to pass on the lobbying costs to the borrowers.

(Insert Table 8 here)

Next, we identify exactly the types of firms that benefit from bank lobbying. The information-transmission view of lobbying predicts that bank lobbying improves firm performance because opaque firms that often find it difficult to raise external capital due to asymmetric information can now take up profitable projects by borrowing from lobbying banks. To test this hypothesis, we split our sample of borrowing firms based on analyst forecast dispersion, analyst forecast error, and earnings volatility. We run the baseline regressions again to identify the types of firms that drive our results. Table 9 shows the results. Consistent with our expectations, we find that opaque and volatile firms drive the positive effect of bank lobbying on firm performance.

(Insert Table 9 here)

Importantly, we examine how information transmission between banks and regulators improves bank-lending supervisory decisions and corporate borrower performance. The information-transmission theory suggests that banks have better information than regulators and hence they lobby in order to meet with regulators and reveal their superior information, thereby improving supervisory decisions and corporate borrower performance. If this is the case, the improvement in corporate borrower performance should be concentrated in the sample of information-intensive borrowers for which the bank is likely to have superior information, especially for firms with little or no history of syndicated loan borrowings, as it is very difficult for regulators to determine the credit risk of these firms and hence may result in overestimation of credit risk. Banks are most likely to have superior information on borrowers in sectors and regions where a bank has the greatest relative exposure. Berger, Minnis, and Sutherland (2017) share this

view; they find that banks are less likely to collect audited financial statements from firms in industries and regions in which they have more exposure. They conclude that portfolio concentration reveals a bank's expertise.

To test the information-transmission theory of lobbying, we divide firms according to whether the borrower is in an industry in which the bank has the greatest relative sectoral exposure and whether the borrower is from a region in which the bank has the greatest relative geographical exposure. Specifically, we calculate each bank's percentage of loans to firms in different Fama-French-12 industries (states) and define the industry (state) as high exposure for the bank if the percentage of loans to that industry (state) ranks within the top quintile of all banks.[11]

Table 10 shows the results. Consistent with the information-transmission theory, we find that the positive relation between bank lobbying and firm performance is concentrated in the subsample of corporate borrowers in industries and regions in which the bank has expertise. For example, for corporate borrowers from industries in which a bank has expertise, bank lobbying results in a 25.2% (3.080/12.20) increase in ROA for the average corporate borrower in the following year. This is distinctly different from the sample of borrowers in industries that a bank has less exposure to, as we find that bank lobbying expenses on average only increase ROA for these borrowers by 1.6% (0.194/12.20) in the following year.

(Insert Table 10 here)

4.2. Firm corporate governance

Our results so far suggest that opaque firms benefit from external bank financing from lobbying banks. However, it is also plausible that managers in these firms promote their self-serving

[11] Data on borrower headquarter states are from SEC Form 10-K filings.

investments if they are not monitored. Thus, we expect the positive effect of bank lobbying on firm performance to be concentrated in firms that adequately monitor managers. Adams and Ferreira (2007) and Harris and Raviv (2008) suggest that the primary role of independent directors is to monitor firm managers, while Aggarwal, Saffi, and Sturgess (2015) and McCahery, Sautner, and Starks (2016) show that institutional investors have the power to monitor and discipline firm managers through voting. Following these findings, we proxy managerial monitoring with board independence and institutional monitoring. Specifically, we classify firms as having a high level of managerial monitoring if at least 70% of firm directors are independent directors and/or at least 70% of shareholders are institutional shareholders.

Table 11 shows the subsample results. We find that the positive effect of bank lobbying on firm performance is indeed concentrated in firms with a high level of managerial monitoring. For instance, bank lobbying results in an 8.6% (1.052/12.20) increase in ROA for corporate borrowers with higher board independence, whereas bank lobbying results in a 1.9% (-0.230/12.20) decrease in ROA for corporate borrowers with low board independence.

(Insert Table 11 here)

Taken together, these results indicate that bank lobbying is most effective for the corporate sector in the presence of strong internal corporate governance standards and effective monitoring of corporate activities by independent directors and active institutional investors.

5. Conclusion

In this paper, we examine how bank lobbying affects firm performance through the prism of syndicated bank lending. Using an extensive sample of 30,048 syndicated loan facilities and bank-lobbying data from the Centre for Responsive Politics, we find that bank lobbying improves firm

performance one year after loan origination. Our findings hold in an analysis based on additions of in-house lobbyists, an instrumental-variable model, and propensity-score matched sample regressions. We also find that lobbying banks are more likely to provide loans to opaque and volatile firms, and the credit from lobbying banks enables corporate borrowers to make capital expenditures and increase the scope of their operations, thereby leading to increased sales growth. Moreover, the positive effect of bank lobbying on firm performance especially holds if firm managers are monitored. Overall, our findings are consistent with the information-transmission theory that lobbying provides regulators with valuable information that results in better bank-lending supervisory decisions and firm performance.

Our paper contributes to the extant literature on political connections in the banking industry. Although prior studies document that politically connected financial institutions receive preferential treatment and create moral-hazard problems, our study contributes to the literature by highlighting the bright side of political connections in the banking industry. Specifically, we show that bank lobbying allows information-intensive firms to access bank credit, which helps these firms to undertake more productive investments and boosts corporate performance.

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Table 1: Variable Definitions and Sources

Variable name	Variable definition	Source
Panel A: Bank-level variables		
Bank Lobbying (dummy)	Indicator variable that equals 1 if the bank engaged in lobbying, and zero otherwise (annual lag)	www.opensecrets.org
Ln (1+Lobbying Expense)	Log of 1 plus lobbying expenses incurred by the bank (annual lag)	www.opensecrets.org
Ln (Bank Size)	Log of total assets (*AT*)	Compustat
Ln (Bank Age)	Number of years since the bank's first appearance on Compustat	Compustat
Bank Tier 1 Capital	Bank tier 1 capital ratio (*CAPR1*)	Compustat
Bank Liquidity	Liquid assets (*CHE*) scaled by total assets (*AT*)	Compustat
Distance to D.C.	The interaction between the distance (in km) between the headquarter of the bank and Washington, D.C. (bank-specific component) and the foreign purchases of U.S. Treasury securities (time-varying component)	SEC Form 10-K filings and Federal Reserve
Panel B: Firm-level variables		
Firm ROA	Operating income before depreciation (*OIBDP*) divided by total assets (*AT*)	Compustat
Firm Tobin's Q	Market value of assets over book value of assets (*AT - CEQ + CSHO*PRCC)/AT*)	Compustat
Ln (Firm Size)	Log of total assets (*AT*)	Compustat
Ln (Firm Age)	Number of years since the firm's first appearance in Compustat	Compustat
Firm R&D	R&D expense (*XRD*) scaled by total assets (*AT*)	Compustat
Firm Leverage	Book value of debt (*DLC+DLTT*) divided by total assets (*AT*)	Compustat
Firm Capex	Capital expenditure (*CAPX*) scaled by total assets (*AT*)	Compustat
Sales Growth	Yearly sales growth (*SALE*)	Compustat
CEO Age	Age of the CEO	Execucomp
CEO Gender	Gender of the CEO	Execucomp
Forecast Dispersion	Standard deviation of earnings forecast divided by mean earnings forecast	I/B/E/S
Forecast Error	The absolute value of actual earnings minus mean earnings forecast, all divided by the stock price at the time of the earnings forecast	I/B/E/S
Earnings Volatility	Standard deviation of ROA over the past five years	Compustat
Board Independence	Percentage of independent directors on the board	Riskmetrics
Institutional Ownership	Percentage of institutional investors in the firm	Thomson Reuters
Panel C: Loan-level characteristics		
Ln (Loan Spread)	Log of *Loan Spread* in basis points over LIBOR	Dealscan
Ln (Loan Maturity)	Log of *Loan Maturity* in months	Dealscan
Ln (Loan Amount)	Log of *Loan Amount*	Dealscan
Number of Lenders	Number of lenders in the syndicate	Dealscan
Financial Covenants	Number of financial covenants	Dealscan
Performance Pricing	Indicator variable that equals 1 if the loan involves performance pricing, and zero otherwise	Dealscan
Collateral	Indicator variable that equals 1 if the loan involves collateral, and zero otherwise	Dealscan
Panel D: Instrument		
Distance to D.C.	The interaction between the distance (in km) between the headquarter of the bank and Washington, D.C. (bank-specific component) and the foreign purchases of U.S. Treasury securities (time-varying component)	Compustat, SEC Form 10-K filings, and Federal Reserve

Table 2: Summary Statistics

This table reports the summary statistics for variables and bank lobbying expenditures. Panel A reports the summary statistics for the bank-level, firm-level, and loan-level variables. *T*-statistics are calculated from robust standard errors clustered by bank and statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively. Panel B reports bank lobbying expenditures by year. We winsorize all continuous variables at the 1st and 99th percentile levels. We define all variables in table 1.

Panel A: Summary statistics					
	Mean	Std. dev.	Q1	Median	Q3
Bank-level variables					
Bank Lobbying (dummy)	0.76	0.43	1.00	1.00	1.00
Ln (1+Bank Lobbying Expense)	11.25	6.39	10.60	14.86	15.51
Ln (Bank Size)	13.90	0.92	13.52	14.26	14.59
Ln (Bank Age)	3.54	0.56	3.33	3.76	3.97
Bank Tier 1 Capital Ratio	11.36	2.38	8.74	11.90	12.90
Bank Liquidity	0.13	0.07	0.07	0.14	0.17
Firm-level variables					
Firm ROA (%)	12.20	8.45	8.34	11,39	15.47
Firm Tobin's Q	1.69	0.81	1.16	1.44	1.92
Ln (Firm Size)	8.72	1.57	7.64	8.70	9.73
Ln (Firm Age)	3.23	0.78	2.77	3.33	3.93
Firm Earnings Volatility (%)	2.95	3.76	1.19	2.04	3.40
Firm Forecast Dispersion (%)	3.73	15.22	1.35	2.40	5.15
Firm Forecast Error (%)	1.19	3.71	0.14	0.35	0.86
Firm Leverage	0.32	0.20	0.19	0.30	0.43
Firm R&D	0.01	0.03	0.00	0.00	0.01
Firm Capex (%)	4.54	4.46	1.79	3.36	5.88
Sales Growth (%)	9.44	63.14	-1.38	5.73	14.77
Firm CEO Age	55.92	6.58	52.00	56.00	60.00
Firm CEO Gender	0.03	0.17	0.00	0.00	0.00
Loan-level variables					
Ln (Loan Spread)	5.00	0.74	4.72	5.01	5.52
Ln (Loan Maturity)	3.81	0.60	3.69	4.09	4.09
Ln (Loan Amount)	19.88	1.29	19.11	20.00	20.72
Number of Lenders	12.05	8.83	6.00	10.00	15.00
Financial Covenants	1.04	1.09	0.00	1.00	2.00
Performance Pricing	0.42	0.49	0.00	0.00	1.00
Collateral	0.39	0.49	0.00	0.00	1.00

Panel B: Lobbying expenditures by year			
Year	Lobbying expense ($ millions)	Year	Lobbying expense ($ millions)
1998	22.91	2007	25.11
1999	18.33	2008	24.24
2000	16.85	2009	26.38
2001	19.03	2010	33.90
2002	19.06	2011	36.68
2003	28.66	2012	35.06
2004	24.46	2013	34.46
2005	14.24	2014	34.01
2006	24.34	2015	32.90

Table 3: Bank Lobbying and Firm Performance

This table reports the relation between bank lobbying and firm performance. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep.: Firm ROA (*t*+1)	Full sample		Exclude top 20% largest banks from each year		Exclude banks that never lobbied	
Bank Lobbying (dummy)	0.507*		0.556**		0.559*	
	(1.932)		(2.044)		(1.945)	
Ln (1+Bank Lobbying Expense)		0.044**		0.048***		0.050**
		(2.624)		(2.805)		(2.561)
Ln (Bank Size)	0.118	0.093	0.192	0.160	0.293	0.276
	(0.355)	(0.286)	(0.602)	(0.510)	(0.699)	(0.662)
Ln (Bank Age)	-0.202	-0.184	-0.086	-0.070	-0.264	-0.224
	(-0.541)	(-0.492)	(-0.208)	(-0.168)	(-0.670)	(-0.569)
Bank Tier 1 Capital	0.011	0.011	0.003	0.002	-0.015	-0.015
	(0.197)	(0.198)	(0.043)	(0.035)	(-0.261)	(-0.260)
Bank Liquidity	-0.602	-0.468	0.016	0.228	-0.700	-0.525
	(-0.462)	(-0.358)	(0.011)	(0.154)	(-0.427)	(-0.319)
Ln (Firm Size)	-2.819***	-2.821***	-2.845***	-2.847***	-2.928***	-2.930***
	(-13.694)	(-13.719)	(-11.714)	(-11.734)	(-13.304)	(-13.322)
Ln (Firm Age)	-0.047	-0.050	0.016	0.013	-0.338	-0.346
	(-0.088)	(-0.095)	(0.027)	(0.021)	(-0.787)	(-0.805)
Firm Leverage	3.009***	3.011***	3.393***	3.397***	3.183***	3.185***
	(5.578)	(5.586)	(6.941)	(6.953)	(5.892)	(5.899)
Firm ROA	-0.001	-0.001	0.009	0.009	0.002	0.002
	(-0.128)	(-0.131)	(0.744)	(0.743)	(0.161)	(0.158)
Firm R&D	-13.161	-13.222	-14.698	-14.778	-14.606	-14.681
	(-1.541)	(-1.549)	(-1.586)	(-1.597)	(-1.565)	(-1.572)
Firm CEO Age	0.040***	0.040***	0.035***	0.035***	0.042***	0.042***
	(3.532)	(3.532)	(2.816)	(2.814)	(2.928)	(2.924)
Firm CEO Gender	0.184	0.186	0.140	0.145	0.219	0.220
	(0.462)	(0.469)	(0.340)	(0.350)	(0.539)	(0.542)
Ln (Loan Spread)	-0.814***	-0.814***	-0.842***	-0.843***	-0.759***	-0.759***
	(-10.609)	(-10.661)	(-11.314)	(-11.414)	(-8.517)	(-8.536)
Ln (Loan Amount)	-0.028	-0.029	-0.015	-0.015	-0.016	-0.017
	(-0.627)	(-0.640)	(-0.304)	(-0.316)	(-0.344)	(-0.356)
Ln (Loan Maturity)	0.357***	0.357***	0.406***	0.406***	0.347***	0.347***
	(6.293)	(6.306)	(6.115)	(6.123)	(5.644)	(5.662)
Number of Lenders	0.007	0.007	0.006	0.005	0.012	0.012
	(1.245)	(1.217)	(0.932)	(0.900)	(1.526)	(1.508)
Financial Covenants	-0.080	-0.080	-0.113*	-0.113*	-0.091	-0.090
	(-1.352)	(-1.352)	(-1.881)	(-1.878)	(-1.344)	(-1.338)
Performance Pricing	0.264**	0.265**	0.347**	0.348**	0.217*	0.217*
	(2.241)	(2.248)	(2.594)	(2.601)	(1.757)	(1.763)
Collateral	-0.414**	-0.415**	-0.489***	-0.490***	-0.426**	-0.426**
	(-2.551)	(-2.556)	(-3.019)	(-3.028)	(-2.371)	(-2.377)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	30048	30048	25572	25572	26046	26046
Adjusted R^2	0.609	0.609	0.598	0.598	0.597	0.597

Table 4: Bank Lobbying and Firm Performance: Addition of In-House Lobbyist

This table reports the relation between the addition of an in-house lobbyist and firm performance. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Dep.= Firm ROA (*t*+1)	(1)	(2)
Addition of In-House Lobbyist	0.265***	0.205***
	(2.744)	(2.788)
Ln (Bank Size)	0.248	0.016
	(0.637)	(0.051)
Ln (Bank Age)	0.610	-0.312
	(1.436)	(-0.861)
Bank Tier 1 Capital	0.075	0.009
	(1.262)	(0.145)
Bank Liquidity	-0.860	-0.578
	(-0.409)	(-0.435)
Ln (Firm Size)	-1.034***	-2.811***
	(-11.567)	(-13.700)
Ln (Firm Age)	0.093	-0.044
	(0.939)	(-0.083)
Firm Leverage	5.380***	3.009***
	(14.602)	(5.571)
Firm ROA	0.393***	-0.001
	(12.174)	(-0.130)
Firm R&D	11.383***	-12.857
	(7.438)	(-1.505)
Firm CEO Age	0.007	0.040***
	(0.927)	(3.548)
Firm CEO Gender	0.378	0.162
	(1.276)	(0.407)
Ln (Loan Spread)	-1.836***	-0.810***
	(-11.488)	(-10.692)
Ln (Loan Amount)	0.089	-0.027
	(1.183)	(-0.593)
Ln (Loan Maturity)	0.433***	0.355***
	(4.753)	(6.264)
Number of Lenders	-0.011*	0.007
	(-1.720)	(1.320)
Financial Covenants	-0.215***	-0.083
	(-4.629)	(-1.387)
Performance Pricing	0.390***	0.260**
	(3.698)	(2.221)
Collateral	-0.228	-0.411**
	(-1.292)	(-2.531)
Bank FE	Yes	Yes
Firm FE	No	Yes
Year FE	Yes	Yes
Clustered SE	Yes	Yes
Number of Observations	30048	30048
Adjusted R^2	0.271	0.609

Table 5: Bank Lobbying and Firm Performance: 2SLS Results

The table reports the 2SLS regressions of bank lobbying on firm performance. Columns 1 and 3 report the result of the first stage, where measures of bank lobbying are regressed on *Distance to DC*. Columns 2 and 4 report the results for the second stage, where firm performance is regressed over instrumented measures of bank lobbying. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1) First stage Dep. = Bank Lobbying (dummy)	(2) Second stage Dep.=Firm ROA (*t*+1)	(3) First stage Dep. = Ln (1+Bank Lobbying Expense)	(4) Second stage Dep.=Firm ROA (*t*+1)
Bank Lobbying (dummy)		3.512*		
		(1.981)		
Ln (1+Bank Lobbying Expense)				0.230**
				(2.157)
Distance to DC	-0.039**		-0.596**	
	(-2.045)		(-2.115)	
Ln (Bank Size)	-0.242**	0.542	-2.167	0.190
	(-2.188)	(1.517)	(-1.304)	(0.628)
Ln (Bank Age)	-0.255	1.852	-2.501	1.533
	(-0.547)	(0.786)	(-0.380)	(0.681)
Bank Tier 1 Capital	-0.050*	0.160*	-0.657*	0.134*
	(-1.762)	(1.774)	(-1.721)	(1.840)
Bank Liquidity	-0.771**	2.715	-15.339***	3.530*
	(-2.402)	(1.569)	(-3.333)	(1.986)
Ln (Firm Size)	0.008**	-2.898***	0.142**	-2.901***
	(2.099)	(-11.712)	(2.401)	(-11.832)
Ln (Firm Age)	0.008	-0.040	0.167	-0.050
	(0.692)	(-0.063)	(0.986)	(-0.078)
Firm Leverage	0.002	3.160***	-0.017	3.173***
	(0.162)	(5.808)	(-0.086)	(5.877)
Firm ROA	-0.000	0.020	-0.001	0.020
	(-0.081)	(1.519)	(-0.222)	(1.528)
Firm R&D	0.436*	-18.221*	6.543**	-18.193*
	(1.777)	(-1.776)	(2.162)	(-1.801)
Firm CEO Age	0.000	0.041***	0.006	0.041***
	(0.920)	(2.837)	(0.934)	(2.832)
Firm CEO Gender	-0.012	0.038	-0.194**	0.039
	(-1.661)	(0.086)	(-2.059)	(0.089)
Ln (Loan Spread)	0.007*	-0.873***	0.086*	-0.868***
	(2.024)	(-11.691)	(1.693)	(-11.965)
Ln (Loan Amount)	0.003	-0.008	0.051*	-0.009
	(1.531)	(-0.143)	(1.925)	(-0.165)
Ln (Loan Maturity)	0.001	0.393***	0.006	0.393***
	(0.295)	(6.526)	(0.288)	(6.617)
Number of Lenders	0.000**	0.002	0.007***	0.002
	(2.243)	(0.390)	(3.195)	(0.313)
Financial Covenants	0.000	-0.054	0.006	-0.054
	(0.151)	(-0.799)	(0.286)	(-0.812)
Performance Pricing	-0.002	0.177	-0.047	0.180
	(-0.825)	(1.458)	(-1.354)	(1.488)
Collateral	0.003	-0.646***	0.032	-0.644***
	(0.811)	(-4.444)	(0.831)	(-4.409)
Bank FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Number of Observations	22202	22202	22202	22202

Table 6: Bank Lobbying and Firm Performance: Matched Sample

This table reports the relation between bank lobbying and firm performance using a matched sample. To construct this matched sample, we first estimate a logit regression in which the dependent variable equals 1 if a bank lobbies in the year before the loan is made and zero otherwise. The independent variables are all the bank-characteristics variables. The predicted likelihood is the propensity score. We then match each treatment bank (a lobbying bank) with a matching bank (a nonlobbying bank) that has the closest propensity score within a caliper of 1%. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Dep.=Firm ROA (*t*+1)	(1)	(2)
Bank Lobbying (dummy)	0.704***	
	(2.769)	
Ln (1+Bank Lobbying Expense)		0.052**
		(2.578)
Ln (Bank Size)	-0.119	-0.111
	(-0.307)	(-0.290)
Ln (Bank Age)	-0.058	-0.081
	(-0.132)	(-0.181)
Bank Tier 1 Capital	-0.043	-0.045
	(-0.634)	(-0.654)
Bank Liquidity	-1.134	-0.879
	(-0.295)	(-0.230)
Ln (Firm Size)	-2.066***	-2.065***
	(-4.252)	(-4.253)
Ln (Firm Age)	1.091	1.079
	(1.234)	(1.217)
Firm Leverage	0.131	0.146
	(0.091)	(0.101)
Firm ROA	0.095**	0.095**
	(2.196)	(2.196)
Firm R&D	-36.446*	-36.509*
	(-1.859)	(-1.863)
Firm CEO Age	0.027	0.027
	(1.300)	(1.296)
Firm CEO Gender	1.193	1.200
	(1.426)	(1.437)
Ln (Loan Spread)	-0.110	-0.114
	(-0.394)	(-0.411)
Ln (Loan Amount)	-0.199**	-0.199**
	(-2.234)	(-2.234)
Ln (Loan Maturity)	0.118	0.117
	(0.949)	(0.933)
Number of Lenders	0.009	0.009
	(0.707)	(0.712)
Financial Covenants	-0.088	-0.087
	(-0.833)	(-0.823)
Performance Pricing	0.378	0.375
	(1.680)	(1.661)
Collateral	0.478*	0.479*
	(1.986)	(1.994)
Bank FE	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Clustered SE	Yes	Yes
Number of Observations	4202	4202
Adjusted R^2	0.794	0.793

Table 7: Bank Lobbying, Firm Capital Expenditures, and Sales Growth

This table reports the relationship among bank lobbying, firm capital expenditures, and sales growth. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)
	Dep.=Firm capex (*t*+1)		Dep.=Sales growth (*t*+1)	
Bank Lobbying (dummy)	0.327**		2.184*	
	(2.403)		(1.859)	
Ln (1+Bank Lobbying Expense)		0.019*		0.175**
		(1.908)		(2.095)
Ln (Bank Size)	0.026	-0.001	-1.539	-1.661
	(0.162)	(-0.009)	(-0.725)	(-0.789)
Ln (Bank Age)	-0.350*	-0.365*	-4.568***	-4.529***
	(-1.705)	(-1.748)	(-3.646)	(-3.567)
Bank Tier 1 Capital	-0.033	-0.034	-0.876*	-0.878*
	(-1.506)	(-1.575)	(-1.787)	(-1.787)
Bank Liquidity	0.324	0.358	-3.472	-2.976
	(0.511)	(0.552)	(-0.292)	(-0.249)
Ln (Firm Size)	-0.454***	-0.454***	-13.801***	-13.807***
	(-5.041)	(-5.020)	(-7.764)	(-7.775)
Ln (Firm Age)	-1.190***	-1.192***	-22.438*	-22.453*
	(-5.257)	(-5.247)	(-1.957)	(-1.958)
Firm Leverage	-1.095***	-1.093***	5.292	5.305
	(-4.361)	(-4.341)	(1.347)	(1.349)
Firm ROA	0.031***	0.031***	-0.154	-0.154
	(8.962)	(8.957)	(-1.623)	(-1.623)
Firm R&D	-2.191	-2.182	-144.654**	-144.845**
	(-0.632)	(-0.629)	(-2.475)	(-2.478)
Firm CEO Age	0.027***	0.027***	-0.044	-0.044
	(3.577)	(3.580)	(-0.715)	(-0.716)
Firm CEO Gender	0.490***	0.489***	3.185**	3.192**
	(2.991)	(2.985)	(2.272)	(2.271)
Ln (Loan Spread)	-0.470***	-0.470***	-2.338**	-2.340**
	(-8.842)	(-8.851)	(-2.415)	(-2.421)
Ln (Loan Amount)	-0.071***	-0.071***	0.689**	0.687**
	(-3.764)	(-3.764)	(2.114)	(2.107)
Ln (Loan Maturity)	0.130***	0.130***	-0.330	-0.330
	(5.918)	(5.914)	(-1.205)	(-1.205)
Number of Lenders	0.002	0.002	0.009	0.009
	(0.557)	(0.561)	(0.166)	(0.158)
Financial Covenants	0.012	0.011	0.029	0.028
	(0.464)	(0.445)	(0.082)	(0.080)
Performance Pricing	-0.082	-0.081	0.191	0.194
	(-1.338)	(-1.337)	(0.145)	(0.148)
Collateral	-0.175***	-0.175***	-2.095***	-2.097***
	(-3.001)	(-3.000)	(-2.889)	(-2.893)
Bank FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Number of Observations	29950	29950	30007	30007
Adjusted R^2	0.807	0.807	0.270	0.270

Table 8: Bank Lobbying and Lending Behavior

This table reports the relation between bank lobbying and lending behavior. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Dep.= Forecast dispersion		Dep.= Forecast error		Dep.= Earnings volatility		Dep.=Ln (Loan Spread)	
Bank Lobbying (dummy)	1.030*		0.152*		0.178**		0.047*	
	(1.926)		(1.737)		(2.183)		(1.961)	
Ln (1+Bank Lobbying Expense)		0.090**		0.013*		0.013**		0.004**
		(2.371)		(1.901)		(2.146)		(2.081)
Ln (Bank Size)	-0.468	-0.511	0.358*	0.352*	-0.079	-0.090	-0.072*	-0.074*
	(-0.501)	(-0.568)	(1.948)	(1.926)	(-0.834)	(-0.945)	(-1.938)	(-1.977)
Ln (Bank Age)	1.512*	1.552*	-0.205	-0.198	-0.150	-0.151	-0.043	-0.042
	(1.929)	(1.972)	(-0.986)	(-0.960)	(-0.860)	(-0.861)	(-1.110)	(-1.096)
Bank Tier 1 Capital	0.135	0.135	0.021	0.021	0.017	0.016	0.007**	0.007**
	(0.974)	(0.964)	(0.715)	(0.716)	(0.753)	(0.734)	(2.071)	(2.040)
Bank Liquidity	2.750	3.004	0.183	0.220	-2.243***	-2.211***	0.346**	0.358**
	(0.762)	(0.838)	(0.244)	(0.292)	(-3.254)	(-3.192)	(2.564)	(2.629)
Ln (Firm Size)	-2.081***	-2.085***	-0.238**	-0.239**	-1.002***	-1.002***	-0.010	-0.010
	(-3.292)	(-3.293)	(-2.144)	(-2.147)	(-10.847)	(-10.851)	(-0.815)	(-0.827)
Ln (Firm Age)	2.473**	2.465**	0.658***	0.657***	-1.720***	-1.722***	-0.290***	-0.290***
	(2.202)	(2.197)	(3.699)	(3.705)	(-9.742)	(-9.744)	(-15.918)	(-15.916)
Firm Leverage	-3.767*	-3.760*	3.083***	3.084***	0.490*	0.491*	0.376***	0.376***
	(-1.823)	(-1.821)	(8.092)	(8.099)	(1.886)	(1.891)	(7.258)	(7.261)
Firm ROA	-0.002	-0.002	-0.043***	-0.043***	-0.281***	-0.281***	-0.005***	-0.005***
	(-0.028)	(-0.030)	(-7.973)	(-7.967)	(-16.166)	(-16.167)	(-4.495)	(-4.496)
Firm R&D	9.326	9.234	4.749	4.735	16.952***	16.943***	-0.861	-0.866
	(0.730)	(0.721)	(1.376)	(1.373)	(4.694)	(4.690)	(-1.458)	(-1.465)
Firm CEO Age	0.048	0.048	0.001	0.001	-0.006	-0.006	-0.002	-0.002
	(1.485)	(1.482)	(0.171)	(0.170)	(-1.433)	(-1.431)	(-1.169)	(-1.170)
Firm CEO Gender	-1.851**	-1.843**	0.000	0.001	-0.582***	-0.582***	0.036	0.036
	(-2.448)	(-2.441)	(0.001)	(0.004)	(-3.854)	(-3.850)	(1.017)	(1.020)
Ln (Loan Spread)	0.436	0.436	0.054	0.054	-0.162***	-0.162***		
	(1.085)	(1.084)	(0.836)	(0.836)	(-2.965)	(-2.967)		
Ln (Loan Amount)	-0.353***	-0.354***	0.006	0.006	0.044***	0.044***	-0.058***	-0.058***
	(-3.293)	(-3.302)	(0.270)	(0.263)	(3.226)	(3.222)	(-8.375)	(-8.381)
Ln (Loan Maturity)	-0.384*	-0.383*	0.105**	0.105**	0.057**	0.057**	0.038***	0.038***
	(-1.741)	(-1.741)	(2.547)	(2.548)	(2.352)	(2.355)	(5.108)	(5.107)
Number of Lenders	0.147***	0.146***	-0.037***	-0.037***	-0.002	-0.002	-0.007***	-0.007***
	(4.493)	(4.489)	(-5.387)	(-5.389)	(-0.686)	(-0.695)	(-7.707)	(-7.707)
Financial Covenants	-1.025***	-1.025***	0.088	0.088	-0.047	-0.047	0.022***	0.022***
	(-3.069)	(-3.069)	(1.067)	(1.068)	(-1.327)	(-1.331)	(3.434)	(3.438)
Performance Pricing	0.614*	0.614*	-0.183***	-0.183***	0.089*	0.089*	-0.051***	-0.051***

	(1.960)	(1.963)	(-4.024)	(-4.022)	(1.884)	(1.889)	(-4.827)	(-4.813)
Collateral	-1.572***	-1.575***	0.226***	0.225***	0.066	0.066	0.341***	0.341***
	(-3.116)	(-3.124)	(3.159)	(3.151)	(1.252)	(1.249)	(14.711)	(14.713)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	23733	23733	22356	22356	28233	28233	30084	30084
Adjusted R^2	0.339	0.339	0.622	0.622	0.734	0.734	0.749	0.749

Table 9: Bank Lobbying and Firm Performance Conditional upon Lending Behavior

This table reports the relation between bank lobbying and firm performance conditional upon lending behavior. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Forecast dispersion				Forecast error				Earnings volatility			
Dep.= Firm ROA (*t*+1)	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Bank Lobbying (dummy)	0.264	0.960			0.238	1.350*			0.157	0.996*		
	(1.136)	(1.617)			(1.458)	(1.909)			(1.242)	(1.846)		
	H0: β(1) = β(2)				H0: β(1) = β(2)				H0: β(1) = β(2)			
	(0.259)				(0.088)				(0.088)			
Ln (1+Bank Lobbying Expense)			0.020	0.081**			0.023	0.108**			0.015	0.086**
			(1.092)	(2.254)			(1.591)	(2.285)			(1.608)	(2.570)
			H0: β(1) = β(2)				H0: β(1) = β(2)				H0: β(1) = β(2)	
			(0.137)				(0.061)				(0.027)	
Ln (Bank Size)	0.031	0.413	0.015	0.371	-0.330	1.313	-0.339	1.245	-0.170	0.499	-0.177	0.455
	(0.157)	(0.534)	(0.075)	(0.481)	(-0.998)	(1.643)	(-1.034)	(1.576)	(-1.321)	(0.750)	(-1.367)	(0.693)
Ln (Bank Age)	-0.484	0.873	-0.485	0.901	-0.203	-0.216	-0.190	-0.201	-0.181	-0.099	-0.172	-0.063
	(-1.092)	(1.199)	(-1.094)	(1.249)	(-0.391)	(-0.268)	(-0.363)	(-0.254)	(-1.259)	(-0.143)	(-1.170)	(-0.091)
Bank Tier 1 Capital	0.001	0.149	-0.000	0.148	0.038	0.076	0.038	0.073	-0.008	-0.018	-0.008	-0.018
	(0.013)	(1.234)	(-0.002)	(1.236)	(0.827)	(0.818)	(0.837)	(0.797)	(-0.230)	(-0.184)	(-0.228)	(-0.192)
Bank Liquidity	1.292	-1.878	1.341	-1.684	4.176***	-5.343*	4.236***	-5.061	0.781	-1.520	0.834	-1.282
	(0.910)	(-0.719)	(0.940)	(-0.638)	(3.936)	(-1.687)	(4.006)	(-1.584)	(1.148)	(-0.637)	(1.207)	(-0.538)
Ln (Firm Size)	-0.571**	-4.725***	-0.572**	-4.725***	-1.271***	-5.141***	-1.272***	-5.143***	-0.470**	-4.225***	-0.472**	-4.226***
	(-2.455)	(-8.076)	(-2.452)	(-8.074)	(-4.675)	(-6.179)	(-4.679)	(-6.175)	(-2.595)	(-10.313)	(-2.603)	(-10.323)
Ln (Firm Age)	-1.419**	0.683	-1.419**	0.676	-1.858***	2.772	-1.859***	2.755	-0.670	2.457**	-0.673	2.437**
	(-2.466)	(0.331)	(-2.465)	(0.327)	(-3.285)	(1.401)	(-3.283)	(1.395)	(-1.346)	(2.198)	(-1.350)	(2.173)
Firm Leverage	1.689*	3.514**	1.692*	3.511**	0.117	8.954***	0.116	8.971***	1.886***	5.111***	1.887***	5.120***
	(1.798)	(2.494)	(1.800)	(2.490)	(0.176)	(5.992)	(0.174)	(5.995)	(3.421)	(4.011)	(3.422)	(4.022)
Firm ROA	0.295***	-0.012	0.295***	-0.012	0.236***	-0.107***	0.236***	-0.107***	0.386***	-0.053*	0.386***	-0.053*
	(11.865)	(-0.911)	(11.863)	(-0.918)	(8.461)	(-3.170)	(8.452)	(-3.169)	(14.334)	(-1.987)	(14.319)	(-1.991)
Firm R&D	20.064	-30.477**	20.068	-30.500**	30.371**	-34.040*	30.356**	-34.002*	49.928***	-20.116*	49.873***	-20.251*
	(1.526)	(-2.171)	(1.527)	(-2.171)	(2.311)	(-1.723)	(2.311)	(-1.718)	(6.154)	(-1.800)	(6.159)	(-1.813)
Firm CEO Age	0.027*	0.129***	0.027*	0.129***	0.026**	0.097***	0.026**	0.098***	-0.001	0.075**	-0.001	0.074**
	(1.799)	(4.289)	(1.800)	(4.299)	(2.309)	(2.882)	(2.303)	(2.892)	(-0.226)	(2.453)	(-0.222)	(2.453)
Firm CEO Gender	0.096	1.997***	0.097	2.001***	-0.633	0.648	-0.630	0.656	-0.869**	1.401**	-0.867**	1.400**
	(0.178)	(3.616)	(0.180)	(3.623)	(-1.468)	(1.140)	(-1.463)	(1.155)	(-2.446)	(2.102)	(-2.442)	(2.100)
Ln (Loan Spread)	-0.817***	-0.437*	-0.817***	-0.440**	-0.710***	-0.876***	-0.710***	-0.878***	-0.327***	-1.084***	-0.328***	-1.084***
	(-11.166)	(-1.994)	(-11.186)	(-2.018)	(-4.471)	(-4.074)	(-4.478)	(-4.096)	(-5.244)	(-5.777)	(-5.258)	(-5.797)
Ln (Loan Amount)	-0.225***	0.041	-0.226***	0.041	-0.162***	0.097	-0.162***	0.097	-0.065***	0.075	-0.065***	0.075
	(-5.302)	(0.438)	(-5.294)	(0.435)	(-3.935)	(0.964)	(-3.965)	(0.963)	(-3.069)	(0.833)	(-3.074)	(0.823)
Ln (Loan Maturity)	0.275***	0.485***	0.275***	0.486***	0.250***	0.234	0.250***	0.234	0.125***	0.458***	0.125***	0.458***
	(4.098)	(3.807)	(4.100)	(3.809)	(3.838)	(1.351)	(3.840)	(1.346)	(3.189)	(2.950)	(3.186)	(2.954)
Number of Lenders	-0.011*	0.051**	-0.011*	0.050**	0.005	0.037***	0.005	0.037***	-0.011**	0.029**	-0.011**	0.028*

	(-1.961)	(2.664)	(-1.970)	(2.659)	(0.864)	(2.776)	(0.845)	(2.766)	(-2.336)	(2.012)	(-2.347)	(1.996)
Financial Covenants	0.056	-0.409**	0.055	-0.408**	-0.119	-0.192	-0.119	-0.192	-0.018	-0.097	-0.018	-0.096
	(0.895)	(-2.595)	(0.894)	(-2.595)	(-0.842)	(-1.183)	(-0.842)	(-1.177)	(-0.400)	(-0.790)	(-0.399)	(-0.784)
Performance Pricing	0.073	0.319	0.074	0.319	-0.100	0.411	-0.099	0.408	0.085	0.354	0.085	0.354
	(1.105)	(1.155)	(1.107)	(1.156)	(-1.212)	(1.395)	(-1.205)	(1.386)	(1.212)	(1.319)	(1.216)	(1.318)
Collateral	0.121	-0.412	0.121	-0.415	0.065	-0.181	0.065	-0.183	0.044	-0.665**	0.044	-0.667**
	(0.988)	(-1.170)	(0.984)	(-1.177)	(0.292)	(-0.729)	(0.290)	(-0.741)	(0.454)	(-2.192)	(0.451)	(-2.201)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	11816	11732	11816	11732	11816	11732	11816	11732	11816	11732	11816	11732
Adjusted R^2	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457

Table 10: Bank Lobbying and Firm Performance Conditional upon Bank Information Intensity

This table reports the relation between bank lobbying and firm performance conditional upon bank-information intensity about the borrower. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Bank-industry expertise				Bank-location expertise		
Dep.= Firm ROA (*t*+1)	No	Yes	No	Yes	No	Yes	No	Yes
Bank Lobbying (dummy)	0.194	3.080**			0.313	1.847**		
	(0.825)	(2.512)			(1.404)	(2.580)		
	H0: β(1) = β(2)				H0: β(1) = β(2)			
	(0.014)				(0.031)			
Ln (1+Bank Lobbying Expense)			0.022	0.257**			0.034**	0.146***
			(1.267)	(2.414)			(2.381)	(2.677)
			H0: β(1) = β(2)				H0: β(1) = β(2)	
			(0.022)				(0.044)	
Ln (Bank Size)	-0.258	2.856	-0.262	2.808	-0.007	2.465	-0.021	2.434
	(-1.346)	(0.932)	(-1.379)	(0.921)	(-0.042)	(1.272)	(-0.123)	(1.265)
Ln (Bank Age)	-0.074	-0.277	-0.036	-0.240	-0.064	0.080	-0.029	0.120
	(-0.146)	(-0.223)	(-0.072)	(-0.193)	(-0.171)	(0.082)	(-0.075)	(0.126)
Bank Tier 1 Capital	-0.025	0.263	-0.024	0.260	0.011	0.218**	0.012	0.216**
	(-0.462)	(1.192)	(-0.450)	(1.193)	(0.170)	(2.069)	(0.189)	(2.063)
Bank Liquidity	0.956	-15.266*	1.053	-15.340*	0.716	-10.650	0.833	-10.438
	(0.845)	(-1.716)	(0.907)	(-1.718)	(0.564)	(-1.646)	(0.643)	(-1.626)
Ln (Firm Size)	-2.807***	-3.026***	-2.808***	-3.039***	-2.997***	-2.329***	-2.998***	-2.330***
	(-12.383)	(-3.049)	(-12.394)	(-3.086)	(-10.259)	(-4.148)	(-10.268)	(-4.138)
Ln (Firm Age)	-0.122	1.413	-0.124	1.321	0.625	-2.256*	0.621	-2.309*
	(-0.227)	(0.756)	(-0.229)	(0.711)	(0.983)	(-1.847)	(0.977)	(-1.891)
Firm Leverage	3.020***	5.560***	3.020***	5.690***	3.275***	0.208	3.275***	0.265
	(5.084)	(3.028)	(5.087)	(3.053)	(6.145)	(0.132)	(6.148)	(0.167)
Firm ROA	-0.007	0.101	-0.007	0.099	-0.023**	0.048	-0.023**	0.049
	(-0.504)	(1.577)	(-0.505)	(1.567)	(-2.075)	(1.293)	(-2.079)	(1.301)
Firm R&D	-17.915**	44.237	-17.955**	44.150	-3.519	-5.458	-3.583	-4.919
	(-2.030)	(1.521)	(-2.036)	(1.515)	(-0.342)	(-0.355)	(-0.349)	(-0.319)
Firm CEO Age	0.042***	-0.005	0.042***	-0.005	0.037***	0.066***	0.037***	0.067***
	(3.737)	(-0.125)	(3.735)	(-0.123)	(2.761)	(3.006)	(2.752)	(3.037)
Firm CEO Gender	0.141	3.330*	0.144	3.363*	0.212	1.190	0.213	1.192
	(0.391)	(1.978)	(0.398)	(2.001)	(0.496)	(0.901)	(0.501)	(0.906)
Ln (Loan Spread)	-0.833***	-0.034	-0.834***	-0.040	-0.763***	0.232	-0.765***	0.231

	(-9.105)	(-0.074)	(-9.135)	(-0.087)	(-7.271)	(0.650)	(-7.322)	(0.646)
Ln (Loan Amount)	-0.015	-0.069	-0.016	-0.069	0.024	-0.204**	0.023	-0.205**
	(-0.271)	(-0.555)	(-0.276)	(-0.557)	(0.385)	(-2.245)	(0.377)	(-2.253)
Ln (Loan Maturity)	0.369***	-0.033	0.369***	-0.028	0.335***	0.099	0.335***	0.096
	(6.115)	(-0.109)	(6.120)	(-0.091)	(5.302)	(0.487)	(5.296)	(0.475)
Number of Lenders	0.002	0.039	0.002	0.039	0.002	0.013	0.001	0.013
	(0.389)	(1.591)	(0.371)	(1.594)	(0.249)	(0.738)	(0.224)	(0.730)
Financial Covenants	-0.048	-0.625**	-0.047	-0.631**	-0.063	-0.356*	-0.062	-0.361*
	(-0.992)	(-2.269)	(-0.987)	(-2.275)	(-0.759)	(-1.694)	(-0.753)	(-1.711)
Performance Pricing	0.168	1.080**	0.169	1.082**	0.198	0.230	0.199	0.235
	(1.418)	(2.066)	(1.422)	(2.091)	(1.537)	(1.276)	(1.543)	(1.303)
Collateral	-0.494***	0.005	-0.494***	0.009	-0.388***	0.307	-0.389***	0.310
	(-2.815)	(0.012)	(-2.817)	(0.020)	(-2.717)	(0.773)	(-2.724)	(0.779)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	26145	3586	26145	3586	23482	4166	23482	4166
Adjusted R^2	0.621	0.626	0.621	0.627	0.594	0.764	0.594	0.764

Table 11: Bank Lobbying and Firm Performance: Firm Corporate Governance

This table reports the relation between bank lobbying and firm performance conditional upon firm corporate governance. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Board independence				Institutional ownership			
Dep.= Firm ROA (*t*+1)	<70%	>=70%	<70%	>=70%	<70%	>=70%	<70%	>=70%
Bank Lobbying (dummy)	-0.230	1.052**			0.111	0.893**		
	(-0.583)	(2.420)			(0.368)	(2.449)		
	H0: β(1) = β(2)				H0: β(1) = β(2)			
	(0.015)				(0.003)			
Ln (1+Bank Lobbying Expense)			-0.020	0.081***			0.009	0.080***
			(-0.724)	(3.048)			(0.377)	(3.197)
			H0: β(1) = β(2)				H0: β(1) = β(2)	
			(0.005)				(0.011)	
Ln (Bank Size)	-0.416	1.023*	-0.404	0.965*	-0.262	0.663	-0.269	0.635
	(-0.653)	(1.800)	(-0.622)	(1.695)	(-0.707)	(1.148)	(-0.740)	(1.098)
Ln (Bank Age)	-0.549	-0.350	-0.554	-0.340	-0.436	0.310	-0.435	0.359
	(-1.224)	(-0.731)	(-1.249)	(-0.737)	(-1.311)	(0.453)	(-1.285)	(0.517)
Bank Tier 1 Capital	-0.120	0.180***	-0.120	0.177***	0.062	0.108	0.062	0.109
	(-1.200)	(3.452)	(-1.204)	(3.403)	(1.508)	(1.239)	(1.505)	(1.267)
Bank Liquidity	-0.779	-1.431	-0.883	-1.258	1.130	0.769	1.154	0.983
	(-0.228)	(-0.806)	(-0.257)	(-0.705)	(0.655)	(0.364)	(0.669)	(0.462)
Ln (Firm Size)	-3.641***	-3.048***	-3.642***	-3.050***	-1.645***	-3.992***	-1.645***	-3.994***
	(-11.785)	(-10.036)	(-11.770)	(-10.049)	(-3.138)	(-8.437)	(-3.137)	(-8.452)
Ln (Firm Age)	-2.544	0.647	-2.543	0.647	1.138	0.710	1.137	0.700
	(-1.182)	(0.742)	(-1.186)	(0.742)	(1.415)	(0.666)	(1.413)	(0.655)
Firm Leverage	3.414**	-0.090	3.416**	-0.087	3.003**	2.372**	3.004**	2.386**
	(2.020)	(-0.090)	(2.021)	(-0.087)	(2.464)	(2.349)	(2.464)	(2.362)
Firm ROA	-0.218***	-0.064***	-0.218***	-0.064***	-0.004	-0.026	-0.004	-0.026
	(-2.712)	(-3.423)	(-2.713)	(-3.421)	(-0.095)	(-0.902)	(-0.096)	(-0.904)
Firm R&D	21.942	-0.155	21.925	-0.256	28.482	-6.426	28.466	-6.492
	(0.645)	(-0.026)	(0.644)	(-0.044)	(1.412)	(-0.706)	(1.412)	(-0.715)
Firm CEO Age	0.011	0.016	0.011	0.016	0.021*	0.060***	0.021*	0.060***
	(0.375)	(1.238)	(0.375)	(1.243)	(1.711)	(3.240)	(1.714)	(3.251)
Firm CEO Gender	-0.391	0.191	-0.393	0.198	-1.190***	0.721	-1.189***	0.718
	(-0.415)	(0.350)	(-0.418)	(0.362)	(-3.158)	(0.949)	(-3.158)	(0.941)
Ln (Loan Spread)	-0.164	-0.261*	-0.164	-0.262*	-0.231	-0.672***	-0.231	-0.674***

	(-0.535)	(-1.951)	(-0.537)	(-1.968)	(-1.636)	(-3.131)	(-1.637)	(-3.151)
Ln (Loan Amount)	0.097	-0.004	0.098	-0.005	-0.139***	0.066	-0.139***	0.065
	(1.073)	(-0.062)	(1.075)	(-0.079)	(-2.713)	(0.629)	(-2.710)	(0.619)
Ln (Loan Maturity)	0.041	0.213**	0.041	0.214**	0.035	0.399***	0.035	0.399***
	(0.287)	(2.517)	(0.287)	(2.528)	(0.587)	(3.438)	(0.588)	(3.449)
Number of Lenders	0.004	0.022***	0.004	0.022***	-0.020*	0.027***	-0.021*	0.027***
	(0.373)	(2.690)	(0.386)	(2.674)	(-1.789)	(3.219)	(-1.790)	(3.186)
Financial Covenants	-0.173	-0.341***	-0.173	-0.341***	0.237*	-0.367**	0.237*	-0.367**
	(-0.650)	(-3.078)	(-0.650)	(-3.086)	(1.996)	(-2.649)	(1.994)	(-2.648)
Performance Pricing	0.428**	0.395**	0.427**	0.394**	-0.020	0.534**	-0.020	0.534**
	(2.289)	(2.074)	(2.284)	(2.074)	(-0.128)	(2.278)	(-0.128)	(2.278)
Collateral	-0.257	-0.111	-0.258	-0.113	-0.301*	-0.131	-0.301*	-0.135
	(-0.748)	(-0.504)	(-0.749)	(-0.514)	(-1.809)	(-0.490)	(-1.807)	(-0.504)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	5075	15900	5075	15900	7053	16453	7053	16453
Adjusted R^2	0.738	0.565	0.738	0.565	0.861	0.536	0.861	0.536

Internet Appendix

Table IA1: Bank Lobbying and Firm Performance Measured by Tobin's Q

This table reports the relation between bank lobbying and firm performance proxied by Tobin's q. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
			Exclude top 20% largest		Exclude banks that never	
Dep.: Firm Tobin's q (t+1)	Full sample		banks from each year		lobbied	
Bank Lobbying (dummy)	0.032**		0.030*		0.037**	
	(2.125)		(1.955)		(2.207)	
Ln (1+Bank Lobbying Expense)		0.003**		0.003**		0.004**
		(2.495)		(2.231)		(2.490)
Ln (Bank Size)	0.013	0.012	0.011	0.009	0.016	0.016
	(0.654)	(0.600)	(0.512)	(0.449)	(0.680)	(0.670)
Ln (Bank Age)	-0.030	-0.029	-0.029	-0.028	-0.026	-0.022
	(-1.447)	(-1.325)	(-0.996)	(-0.932)	(-1.094)	(-0.913)
Bank Tier 1 Capital	0.001	0.001	-0.004	-0.004	0.000	0.001
	(0.275)	(0.281)	(-0.871)	(-0.882)	(0.109)	(0.124)
Bank Liquidity	0.152	0.162*	0.107	0.119	0.124	0.137
	(1.656)	(1.803)	(0.961)	(1.084)	(1.109)	(1.247)
Ln (Firm Size)	-0.267***	-0.268***	-0.277***	-0.277***	-0.269***	-0.269***
	(-17.228)	(-17.251)	(-15.724)	(-15.730)	(-16.640)	(-16.627)
Ln (Firm Age)	-0.050	-0.051	-0.044	-0.044	-0.088	-0.088
	(-0.899)	(-0.901)	(-0.752)	(-0.754)	(-1.456)	(-1.463)
Firm Leverage	0.144**	0.144**	0.144**	0.144**	0.122*	0.122*
	(2.333)	(2.336)	(2.249)	(2.252)	(1.935)	(1.937)
Firm ROA	0.004**	0.004**	0.004***	0.004***	0.003**	0.003**
	(2.662)	(2.661)	(2.741)	(2.741)	(2.424)	(2.424)
Firm R&D	1.391	1.387	1.630	1.626	0.955	0.950
	(1.052)	(1.049)	(1.137)	(1.134)	(0.590)	(0.586)
Firm CEO Age	0.001	0.001	0.000	0.000	0.001	0.001
	(0.836)	(0.836)	(0.138)	(0.136)	(0.556)	(0.551)
Firm CEO Gender	-0.016	-0.016	-0.041	-0.040	-0.019	-0.019
	(-0.411)	(-0.407)	(-1.322)	(-1.316)	(-0.459)	(-0.458)
Ln (Loan Spread)	-0.073***	-0.073***	-0.071***	-0.071***	-0.073***	-0.073***
	(-7.980)	(-8.006)	(-6.433)	(-6.456)	(-8.634)	(-8.626)
Ln (Loan Amount)	-0.007***	-0.007***	-0.006**	-0.006**	-0.006**	-0.006**
	(-2.669)	(-2.695)	(-2.397)	(-2.419)	(-2.456)	(-2.483)
Ln (Loan Maturity)	0.018***	0.018***	0.015***	0.015***	0.015***	0.015***
	(4.052)	(4.055)	(3.325)	(3.329)	(3.214)	(3.213)
Number of Lenders	-0.002***	-0.002***	-0.002***	-0.002***	-0.002***	-0.002***
	(-5.112)	(-5.146)	(-5.445)	(-5.478)	(-4.927)	(-4.967)
Financial Covenants	0.008*	0.008*	0.010**	0.010**	0.008	0.008
	(1.773)	(1.776)	(2.108)	(2.110)	(1.610)	(1.628)
Performance Pricing	-0.009*	-0.009*	-0.008	-0.008	-0.011*	-0.011*
	(-1.696)	(-1.685)	(-1.463)	(-1.454)	(-1.885)	(-1.877)
Collateral	-0.019*	-0.019*	-0.028***	-0.028***	-0.015	-0.015
	(-1.932)	(-1.938)	(-2.735)	(-2.741)	(-1.233)	(-1.240)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	29365	29365	25059	25059	25478	25478
Adjusted R^2	0.802	0.802	0.790	0.790	0.794	0.794

Table IA2: Bank Lobbying and Firm Performance: Alternative Standard Error Clustering

This table reports the relation between bank lobbying and firm performance with alternative standard-error clustering. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)
Dep.: Firm ROA (*t*+1)	Cluster by bank-firm		Cluster by bank-firm-year	
Bank Lobbying (dummy)	0.507**		0.507**	
	(2.078)		(2.014)	
Ln (1+Bank Lobbying Expense)		0.044**		0.044**
		(2.474)		(2.368)
Ln (Bank Size)	0.118	0.093	0.118	0.093
	(0.320)	(0.258)	(0.329)	(0.265)
Ln (Bank Age)	-0.202	-0.184	-0.202	-0.184
	(-0.600)	(-0.544)	(-0.632)	(-0.574)
Bank Tier 1 Capital	0.011	0.011	0.011	0.011
	(0.228)	(0.227)	(0.243)	(0.242)
Bank Liquidity	-0.602	-0.468	-0.602	-0.468
	(-0.391)	(-0.304)	(-0.404)	(-0.315)
Ln (Firm Size)	-2.819***	-2.821***	-2.819***	-2.821***
	(-9.671)	(-9.670)	(-10.669)	(-10.669)
Ln (Firm Age)	-0.047	-0.050	-0.047	-0.050
	(-0.093)	(-0.100)	(-0.120)	(-0.129)
Firm Leverage	3.009***	3.011***	3.009***	3.011***
	(4.535)	(4.537)	(5.569)	(5.573)
Firm ROA	-0.001	-0.001	-0.001	-0.001
	(-0.067)	(-0.068)	(-0.053)	(-0.054)
Firm R&D	-13.161	-13.222	-13.161*	-13.222*
	(-1.439)	(-1.446)	(-1.721)	(-1.728)
Firm CEO Age	0.040***	0.040***	0.040***	0.040***
	(3.202)	(3.200)	(3.252)	(3.252)
Firm CEO Gender	0.184	0.186	0.184	0.186
	(0.507)	(0.514)	(0.632)	(0.640)
Ln (Loan Spread)	-0.814***	-0.814***	-0.814***	-0.814***
	(-6.634)	(-6.645)	(-6.602)	(-6.614)
Ln (Loan Amount)	-0.028	-0.029	-0.028	-0.029
	(-0.489)	(-0.499)	(-0.453)	(-0.462)
Ln (Loan Maturity)	0.357***	0.357***	0.357***	0.357***
	(4.319)	(4.320)	(4.328)	(4.329)
Number of Lenders	0.007	0.007	0.007	0.007
	(1.004)	(0.985)	(1.126)	(1.104)
Financial Covenants	-0.080	-0.080	-0.080	-0.080
	(-0.995)	(-0.994)	(-1.134)	(-1.132)
Performance Pricing	0.264**	0.265**	0.264**	0.265**
	(2.059)	(2.064)	(2.363)	(2.370)
Collateral	-0.414**	-0.415**	-0.414***	-0.415***
	(-2.484)	(-2.488)	(-2.811)	(-2.815)
Bank FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Number of Observations	30048	30048	30048	30048
Adjusted R^2	0.609	0.609	0.609	0.609

Table IA3: Bank Lobbying and Firm Performance: Bank Lobbying Expense scaled by Bank Size

This table reports the relation between bank lobbying (bank lobbying expense scaled by bank size) and firm performance. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Dep.: Firm ROA (*t*+1)	(1) Full sample	(2) Exclude top 20% largest banks from each year	(3) Exclude banks that never lobbied
Ln (1+Bank Lobbying Expense) / Ln (Bank Size)	0.586**	0.625**	0.659**
	(2.638)	(2.709)	(2.585)
Ln (Bank Size)	0.142	0.215	0.338
	(0.426)	(0.672)	(0.791)
Ln (Bank Age)	-0.209	-0.101	-0.256
	(-0.562)	(-0.239)	(-0.655)
Bank Tier 1 Capital	0.013	0.004	-0.014
	(0.222)	(0.066)	(-0.233)
Bank Liquidity	-0.417	0.262	-0.484
	(-0.321)	(0.178)	(-0.296)
Ln (Firm Size)	-2.822***	-2.848***	-2.931***
	(-13.712)	(-11.726)	(-13.312)
Ln (Firm Age)	-0.050	0.011	-0.347
	(-0.095)	(0.019)	(-0.807)
Firm Leverage	3.011***	3.396***	3.185***
	(5.584)	(6.949)	(5.897)
Firm ROA	-0.001	0.009	0.002
	(-0.130)	(0.742)	(0.159)
Firm R&D	-13.259	-14.806	-14.725
	(-1.554)	(-1.599)	(-1.576)
Firm CEO Age	0.040***	0.035***	0.042***
	(3.532)	(2.814)	(2.924)
Firm CEO Gender	0.188	0.146	0.222
	(0.475)	(0.353)	(0.548)
Ln (Loan Spread)	-0.814***	-0.843***	-0.759***
	(-10.668)	(-11.419)	(-8.539)
Ln (Loan Amount)	-0.029	-0.015	-0.017
	(-0.645)	(-0.321)	(-0.362)
Ln (Loan Maturity)	0.357***	0.406***	0.348***
	(6.307)	(6.125)	(5.668)
Number of Lenders	0.007	0.005	0.012
	(1.213)	(0.900)	(1.505)
Financial Covenants	-0.080	-0.113*	-0.090
	(-1.350)	(-1.879)	(-1.338)
Performance Pricing	0.264**	0.347**	0.217*
	(2.246)	(2.599)	(1.763)
Collateral	-0.415**	-0.490***	-0.427**
	(-2.556)	(-3.029)	(-2.379)
Bank FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes
Number of Observations	30048	25572	26046
Adjusted R^2	0.609	0.598	0.597

Table IA4: Timing of In-House Lobbyist Addition

This table examines the timing of in-house lobbyist addition. The sample consists of bank-year observations from 1998 to 2015 for all banks in our sample. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Dep.=Addition of In-House Lobbyist	(1)
Ln (Bank Size)	0.025
	(0.624)
Ln (Bank Age)	0.008
	(0.309)
Bank Tier 1 Capital	-0.067
	(-0.337)
Bank Liquidity	-0.002
	(-0.340)
Bank FE	Yes
Year FE	Yes
Clustered SE	Yes
Number of Observations	830
Adjusted R^2	0.226