The Political Power of Firms

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Daron Acemoglu and Jim Robinson, Editors

by Matilde Bombardini[1], Francesco Trebbi[2]

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Abstract: This chapter presents a holistic view of the channels of political influence of large corporations in modern democracies, focusing not only on well-studied instruments, such as campaign contributions and lobbying, but also on more opaque ones, such as charitable giving, political connections, dark money, public advocacy, and employee mobilization. Our quantitative perspective draws on recent work on US politics, including congressional voting, special interest politics, corporate political connections, grassroots, and philanthropic activities. In the process, the chapter offers also a discussion of recent methodological innovations around money in politics. We conclude with some considerations on corporate political disclosure.

[1] University of California, Berkeley and National Bureau of Economic Research, mbombardini@berkeley.edu
[2] University of California, Berkeley and National Bureau of Economic Research, ftrebbi@berkeley.edu. Trebbi acknowledges partial support for this article from the Smith Richardson Foundation grant #2022-2935. Jonathan Old and Amol Singh provided excellent research assistance and comments. We also thank Logan Emery and Mara Faccio for providing additional data and help to facilitate the replication of their results.

1. Introduction

This chapter focuses on the measurement of the political footprint of business corporations, taking the United States system as its main case study.[3]

To clarify from the onset what we mean by political footprint, let us imagine a member of Congress sitting across the table from a representative from an S&P 500 firm. What would be an appropriate measure of the firm's clout over the politician in a negotiation about a specific policy? Would it be the firm's corporate political action committee (PAC) spending, say based on what the Federal Election Commission records, limits, and requires organizations to disclose?[4] Or would it be the corporation total lobbying expenditures, as reported by registered federal lobbyists, hired by the firm internally and on K Street in Washington DC?[5] Could it be the firm's roster of political connections and government links, such as employees who recently occupied positions in government or former employees serving in the executive branch or in regulatory agencies?[6] Or the large charitable donations that a firm may be able to grant for projects relevant to the congressmember's reelection?[7] The blocs of voters that the organization could sway or deploy in primaries and general elections, say by mobilizing its employees or even consumers?[8]

As we can see from this (not so fictional) example, the political footprint of the firm – in fact its political clout and bargaining power – is a function of a varied set of tools. From the perspective

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[3] This geographic limitation of this chapter is severe and should be explicitly acknowledged. It is due to two main factors. The first is data availability for the US context, which is superior in many dimensions to other political contexts where disclosure and digitization of documents are absent. The second factor is the authors' relative familiarity with the institutional details for the US system, some of which are intricate from the legal perspective.
[4] See Kroszner and Stratmann (2001); Stratmann (2002).
[5] See Kerr, Lincoln, and Mishra (2014); Bertrand, Bombardini and Trebbi (2014).
[6] See Faccio (2006); Faccio, Masulis, and McConnell (2006); Blanes-i-Vidal, Draca and Fons-Rosen (2012).
[7] See Bertrand, Bombardini, Fisman and Trebbi (2020); Bertrand, Bombardini, Fisman, Hackinen, and Trebbi (2021).
[8] See Peltzman (1984, 1985); Bombardini and Trebbi (2011).

of the researcher interested in quantifying it, political power includes dimensions that are disclosed and easy to measure, such as campaign contributions by employees or corporate PACs, while others that are much less so (e.g., a firm's political connections and their value, or the amounts of anonymous but politically targeted charitable grants). Indeed, some of these influence channels are altogether untraceable to researchers (and voters), such as firm's donations to 501(c)(4) social welfare organizations (also known as political "dark money").[9] While this complexity is intuitive and well understood in the Political Economy and Political Science literature (Tripathi et al. 2002; Stratmann, 2005; Bombardini and Trebbi, 2020; Bertrand, Bombardini, Fisman, and Trebbi, 2020), the exact measurement exercise of homogenizing and aggregating this large vector of political instruments, which we begin in Section 2 of this chapter, has never been performed to the best of our knowledge.

Our empirical approach can be summarized as follows: We propose to simply sum up measures of corporate political influence across a variety of dimensions—PAC contributions, employee political giving, direct campaign contributions, lobbying expenditures, the politically motivated part of charitable donations, public advocacy efforts, employee voting bloc value, and the value of political connections— to create a comprehensive firm-level political footprint.

A holistic angle seems important for several reasons. The first reason lies in the common argument, most forcefully made in the influential Ansolabehere, De Figueiredo and Snyder (2003), that there is "*so little money in US politics*" that it can hardly be a first-order source of policy distortion. This argument has often been in strident contrast to public opinion survey responses in the US voting population, indicating a perception of the exact opposite: that there is

[9] See Mayer (2016) for a discussion of traceability.

way too much money in US politics, and that it is a source of corruption. The belief that excessive, almost amoral, amounts of dollars are deployed by special interests within the political process, corrupting it, is widespread (Pew, 2023 for recent evidence). Are American voters misperceiving the issue? As it turns out, when looking at comprehensive aggregates, following the approach laid out in this chapter, there is a fairly substantial amount of "*money in US politics*". And it is growing. Some concern may be, therefore, justified.

A second rationale for the comprehensive measurement effort in this chapter lies in the issue of nonclassical measurement error plaguing current empirical research focused on the effects, determinants, or channels of money in politics and political influence. Certain special interests, like corporations, may avoid public political contributions to reduce the risk of customer boycotts (Abito et al., 2019) or worker backlash (Adrjan et al., 2024). Compared to nonprofit organizations, they might instead rely on less traceable methods, such as forming political connections or hiring shadow lobbyists (Thomas and LaPira 2017; d'Este et al. 2020), which can introduce biases into statistical analysis.[10] Indeed, it is well known that many influential special interest groups (SIGs), for instance the American Association of Retired Persons (AARP) and the National Rifle Association (NRA), systematically skew their influence arsenal towards grassroots mobilization and voter bloc deployment.[11] Research such as Bombardini and Trebbi (2011) has shown how taking a more holistic perspective can help in resolving open puzzles in the empirical literature (Tullock, 1972). We discuss this jointly with our results in Section 3.

A third reason for a more holistic angle on corporate political power is that focusing on one single dimension at a time ignores important complementarities that may exist between different

[10] See Jacobsen (1978); Levitt (1994).
[11] The AARP, for instance, explicitly limits its political donations to candidates to $0, while the NRA's large political footprint is well larger than its meager low seven figure PAC donations.

instruments of persuasion. We have, for example, clear guidance from theory of the importance of interactions between campaign contributions and political connections/access (Austen-Smith, 1995; Bennedsen and Feldman, 2006) or empirical evidence of the signaling value of these interactions, for instance between charitable giving and political giving (Bertrand, Bombardini, Fisman and Trebbi, 2020). Understanding these complementarities is crucial for assessing the sophistication of special interest groups (SIGs) and ensuring that disclosures help voters identify who is influencing political candidates. This chapter addresses some new issues of disclosure in Section 4.

Besides presenting a synoptic view of corporate political power, this chapter's goals include presenting a brief review on the measurement and use of electoral donations and campaign contributions, lobbying, political connections, charitable giving, grassroots and coalition building, testimony, public advocacy, and judicial strategies as standalone levers of influence, with their specific benefits and costs. SIGs and nonmarket strategists already understand the value of these tools all too well. As an example, Figure 1 reports Philip Morris' "*Influence Wheel*" as presented by Tesler and Malone (2008) and obtained from trial records filed during the tobacco litigations of the late 1990s.[12] It is a stark visual representation of the different channels through which influence can be exerted in the political arena as perceived by the firm. The wheel encompasses a wide array of strategies, from direct federal lobbying and campaign contributions to more indirect methods like grassroots mobilization and public advocacy. All of these can be adjusted, it turns out, to the exact contingencies of each politician's electoral race.

[12] Tesler and Malone (2008) obtain information for their analysis from the "Legacy Tobacco Documents Library (http://legacy.library.ucsf.edu), which includes more than 7 million internal tobacco industry documents obtained after the 1998 Master Settlement Agreement in the United States".

The new results offered in this chapter focus on the metrics generated by this approach focusing on large US corporations, particularly S&P 500 companies. For the sake of giving a concrete representation of the example opening this chapter, consider the case of Tesla and SpaceX, two companies associated with Elon Musk, a prominent policy advisor of President Trump in his campaign and second term in office. Musk's political spending during the 2024 presidential election has been recently estimated at around $288 million[13] from official filings. This amount can be compared to aggregate revenues for Tesla ($97.7 billion) and Space X (approximately $13.3 billion), or $113 billion total. In correspondence with a political effort of about 0.25 percent of total revenue for Musk's two major companies, "*President Trump has empowered Elon Musk, one of the richest men in the world, to fire government employees, eliminate federal agencies and run roughshod over both federal law and the Constitution*."[14]

In Section 3, we show that performing the calculation of corporate political footprints for S&P 500 companies in 2015-2016, a period for which we have the best coverage, produces an average of about 0.05 percent of total revenues. The political footprint of corporations is obtained there as the sum across campaign contributions, politically driven charitable disbursements, lobby expenditures, employee voting blocs mobilization, and the value of political connections, so more comprehensive than the Musk example above.

Are these shares relevant from a quantitative perspective or are they immaterial? Referring to Ansolabehere, De Figueiredo and Snyder (2003), *is there too little money?*

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[13] https://www.washingtonpost.com/politics/2025/01/31/elon-musk-trump-donor-2024-election/ last accessed 2/18/2025.
[14] https://www.nytimes.com/2025/02/18/opinion/musk-trump-doge-tech.html last accessed 2/18/2025.

Answering this question depends on the perspective of the reader. On the one hand, the average political footprint as share of revenues appears quantitively small when compared to R&D expenditure shares or marketing and advertising shares, which typically hover in the range of 5 to 10 percent of total revenues in S&P500 firms. On the other hand, one would hardly deny that Elon Musk gained unprecedented access in the aftermath of his political effort in canvassing and voter mobilization, and many recognize his political contributions as decisive. Consider, further, as a way of counterexample, that in 2015-16 the median total compensation of S&P 500 CEOs, including equity awards and cash pay, was $9.9 million,[15] while in the same period the median total value of political footprint of S&P500 firms was over $2.6 million and $7 million on average. Unless one also postulates that firm spending on CEO compensation may be an inconsequential voice of corporate expenditure, the magnitudes uncovered in our analysis are of comparable scale and may deserve consideration.[16]

Finally, there is a more theoretical caveat to the exercise performed in this chapter. The amounts we measure are "on the equilibrium path" payments, meaning that we do not consider the important element of off equilibrium threats and payments by the firm that may still discipline the politician, but cannot be observed. Let us consider, for instance, a corporation threatening to fund a challenger's campaign in the primaries if the politician does support a policy unfavorable to the corporation. Or to launch an independent "educational" campaign against the politician in the general election if a subsidy is not granted. The more serious and credible the threat is, the more likely the politician will try to avoid it, yielding to the corporation's will. The corporation will not need to intervene in primaries or sponsor independent ads then. These off equilibrium

[15] https://www.wsj.com/business/highest-paid-ceo-2023-charts-0d65be3b , last accessed 2/18/2025.
[16] In another parallel, the anticipation of public oversight over perceived excessive spending imposes a certain discipline on both forms of corporate expenditure.

threats are often discussed in the theoretical literature (Grossman and Helpman, 2001 ch. 7 for a review). They are also close to the concept of dependence emphasized by political theorists such Philip Pettit (Pettit 1997).

This chapter proceeds as follows. In Section 2 we motivate and give a brief overview of the literature on each component of our measurement exercise. In Section 3 we perform the analysis and present the data for the political footprint of large corporations. Section 4 discusses political disclosure in its role of shedding light on the issue of political influence of corporations. Section 5 concludes.

2. Institutional background and measurement

2.1 Political donations: PAC and individual campaign contributions

Political Action Committees – Corporate Political Action Committees (PACs) are the first in the repertoire of tools discussed in this chapter, as they often represent the first variable researchers consider when approaching political influence problems in the United States. Oversimplifying for the sake of exposition, PAC money are financial transfers originating from (the orbit of) a firm and reaching a politician. Considering PACs a fundamental instrument of political influence seems uncontroversial and their disbursements presenting the potential for an "*appearance of corruption*" (*Buckley v. Valeo 424 U.S. 1, 1976*) salient to the public.

A product of the Progressive Era and the sweeping trust-busting efforts of President Teddy Roosevelt, the Tillman Act of 1907 bans corporations from making direct campaign contributions to political candidates, leaving individual contributions by executives and owners as the only legal alternative for business organizations. It was not until the Federal Election Campaign (FEC) Act of 1971, which codified Political Action Committees (PACs), and the disclosure requirements of the landmark case involving its constitutionality (*Buckley v. Valeo*) in 1976, however, that we have been able to systematically measure the campaign donations made by separate segregated funds connected to (but not spent by) corporations – so-called corporate PACs.

In practice, corporate PACs collect donations mainly from company employees and shareholders. PACs, as independent organizations, donate to candidates under strict legal limits and under the supervision of the FEC. With these caveats in mind, corporate PAC donations are historically the main type of data that has been used to study the political activity of corporations not only because they have been available since the 1970's through FEC disclosures, but also because, until 2010, this was essentially the only allowed form of campaign contribution for firms. Corporate PACs can currently only receive $5,000 per donor and donate $5,000 per candidate ($15,000 per party committee) per year. These limits imply well-known small magnitudes of corporate PAC donations discussed by Ansolabehere, De Figueiredo and Snyder (2003), and limits are often not binding. Such small magnitudes of disbursements, in turn, pale in comparison to the total value of subsidies and policies benefiting corporations (the authors discuss the multibillion Farm Bill vis-à-vis the few hundred million dollars of PAC donations per cycle), inducing absurdly high rates of return (Bombardini and Trebbi, 2011).[17]

Total PAC giving in the United States from the 1990 to 2024 electoral cycle are reported in Figure 2 and are obtained from the Center for Responsive Politics (opensecrets.org), a nonpartisan organization working on electoral transparency. As it can be seen in the figure, totals

[17] This is one of the main pieces of evidence leading to the provocative conclusion by Ansolabehere, De Figueiredo and Snyder (2003) that corporate money in politics appears too small to be considered a form of investment.

of half a billion dollars per cycle are common since the 2010 cycle, and most, but not all funds originate from corporate PACs.

Individual campaign contributions – Corporate PACs raise and spend considerably less money compared to the campaign contributions that individual voters directly give to candidates as personal donations or through leadership PACs (a form of PAC that can be established by an officeholder or candidate and designed to finance the election of candidates other than himself/herself) or national party committees. Unsurprisingly, many of these individual donors are corporate insiders, opening a secondary form of corporate influence through their personal donations to candidates that is on top of what insiders give to their firm's PAC. The question, from the perspective of measurement of the political power of the firm, is how much of these employees' donations the corporation can really direct to political target in some form of strategic influence and how instead is simply the expression of individual preferences of citizens for the election of preferred candidates.

A strict dichotomy that views corporate PACs as the only vehicle of corporate political interest activity, while assuming that individual donations take the role of an expression of personal political preference and ideology, appears naive. Individual donations of employees and executives are often related to the economic interests of the individual's employer. Recent papers empirically support the view that campaign contributions by employees, and in particular executives, of a company are not purely driven by ideology or partisanship, but rather linked to their firm's strategic interests akin to corporate PACs' giving. For example, Stuckatz (2022) shows that employees contribute more than proportionally to political candidates funded by their firm's PAC and that the two series correlate closely over time, even within a candidate-firm pair. And it is also not by accident that individual donors, for instance, are asked to report their profession and the name of their employer when making a campaign donation in federal disclosure forms. The Federal Election Commission requires it, as the assumption is that employer interests play a role.[18]

While it is in principle possible that it is the firm's PAC giving that follows from the employees' choices of candidates, it is more plausible that the reverse is true, given the wealth of evidence on political direction by firms to their employees (Hertel-Fernandez, 2018; Bombardini and Trebbi, 2011). A way to detect whether employees individual giving is related to their firm interests is to check that employee donations "behave" similarly to firm PAC donations. It is by now well established that corporate PACs donate more to politicians sitting on powerful committees, in particular those that oversee their economic interests (Fouirnaies and Hall, 2014; Powell and Grimmer, 2016; Fouirnaies and Hall, 2018; Berry and Fowler, 2018). If employee donations respond similarly to politicians committee assignments, then one can deduce that at least part of their donations are not purely ideological but in line with corporate political strategy. This is the empirical exercise that Teso (2025) performs for an important (and perhaps special) class of corporate employees: company top executives.[19] First, Teso shows that campaign contributions by corporate directors and executives are large. They represent 19% of all federal campaign donations. More importantly, these donations are responsive to the interests of the firm they are tied to. Contributions to members of Congress increase by 11% when the members are assigned to Congressional committees relevant to the business interests of the firm

[18] The requirement is likely to be dictated by the fact that, historically, even when corporations could not give directly to politicians, the individual owners could (see the 1907 Tillman Act). This requirement helps keeping track of the corporate affiliation of donors.

(as manifested in the firm's lobbying activity reports that we will discuss in Section 2.4 and contain such information).[20]

One may object that Teso (2025)'s results may only apply to the very top echelon of a company and are simply non representative enough to speak to universe of individual donations by all employees. Indeed, while this is an important group of employees that represents a large share of total individual donations, it is plausible to hypothesize that executives may be somewhere in between rank-and-file employees and the actual firm PAC in the ideological vs. strategic giving spectrum. Stuckatz (2022) shows that 16.7% of all employee donations are directed to candidates also supported by their employer's PAC. The share is strictly higher for company executives (21.1%) than for rank-and-file employees (12.9%). Both groups' individual contribution time series closely track their firm PAC contributions over time.

In another recent contribution, Kaplan, Perilla, Sweeting and Xu (2024) support the hypothesis that executives behave more similarly to firms in their giving. The authors show that, while corporate PACs have historically been (and continue to be) bipartisan, by giving evenly to both Republicans and Democrats based on their chances of election, individuals tend to do the opposite: they donate to one preferred party only. Interestingly, large individual donors, a category which plausibly contains many corporate elites, are somewhere in between, showing therefore strategic bipartisanship. If one interprets giving to both parties as a signal of an attempt

[20] That corporate elites' giving is aligned with their firm's interest is reminiscent of the results documented by Gordon, Hafer, and Landa (2007) that executives whose compensation is linked to firm's profits contribute more than executives on fixed salaries.

at influencing policy choice (see discussion in Section 3), then executives' giving is (at least in part) strategic and should be counted as contributing to the political power of firms.[21]

To measure precisely how big this strategic component is, it may appear necessary to disentangle how much of the alignment between firm and employees giving is due to selection (employees being attracted to firms with similar partisan leaning, see Colonnelli et al., 2022), as opposed to the firm influencing their employees' giving. We do not have the definitive answer to this question when it comes to campaign contributions, but recent papers point to the importance of selection in the overall partisan sorting of workers across firms. Colonnelli et al. (2022) and Chinoy and Koenen (2024) show that (self-)selection is important, but also find evidence that employees align their political behavior (in this case party registration) with the firm's orientation and polarization is increasing in US C-suites (Fos et al. 2022).

To summarize, we believe that a non-trivial part of an individual's political giving is related to the interests of the firm that employs them and therefore should "count" in our overall assessment of the political power of the firm. For the measurement purposes of this chapter, it is not clear whether the degree and the source of the coincidence of political giving matters for whether individual contributions should be considered part of the political power of the firm, if not for the simple reason that individual and PAC contributions are not necessarily complementary. If giving by executives to a given member of Congress obviates the need for the firm PAC to give to the same politician, i.e. individual and PAC contributions are substitutes, then we may observe very little overlap. Another reason for the substitutability may be more

[21] This discussion has focused on the ideological-strategic dichotomy, but not all strategic giving by employees of a firm can, by default, be classified as being aligned with the firms' objective. Similarly, donations by employees that simply follow their firm's actions may not be strategically motivated, but have the effect of amplifying the firm's strategic contributions.

subtle and related to the visibility in the ties between the corporation and the politician made explicit by PAC donations. Such clear ties have sometimes proven costly to firms, by associating them to unsavory corruption scandals or journalistic scrutiny and backlash. Individual employee contributions suffer less from this stigma, as they maintain the plausible deniability that comes from the fact that individuals have the right to express their partisan preferences.

For these reasons, in our exercise in Section 3 we err on the side of abundance and include individual giving by firm employees as part of the overall measure of the political power of firms.

2.2 Independent Spending and Super PACs

While PAC and individual giving are directed at candidates and then, in turn, used by these candidates for election purposes, firms are also able to independently spend to influence elections in favor of their preferred candidates during a campaign. The on-equilibrium spending and even off-equilibrium spending threats are clearly part of the corporate political arsenal, and increasingly so over time, and are the political influence tools that we address here.

SuperPACs are a relatively recent, but important and evolving phenomenon. They were brought to existence through to the landmark Supreme Court decision in *Citizens United v. Federal Election Commission, 558 U.S. 310 (2010)*, which set the foundations for a much stronger corporate presence in US electoral spending. At its essence, the modern jurisprudence, especially after *Citizens United v. FEC*, has been moving towards awarding corporations, as organizations of individuals, expansive political rights, including freedom of speech and therefore the right to political spending.[22] While firms still do not have the ability to directly contribute to political candidates, from *Citizens United v. FEC* on they can give to independent political committees called SuperPACs (for their size) or spend directly in electoral campaigns “to educate” voters. As shown in Figure 3, independent expenditures (Panel A for independent expenditures, communication costs, and electioneering communications) and SuperPACs (Panel B for Super PACs raised funds) have rapidly grown to over $5 billion in the 2024 election cycle via a universe of over 2400 independent Super PAC committees. What this means in practice is that a deep-pocketed entrepreneur may set up a political campaign, in theory independently organized from any of the major candidates, to damage politically the closest challenger of their favorite candidate. Or – and this is a 2024 phenomenon – even organize the grassroot mobilization efforts of their favorite candidate in a Presidential election, as in the case of Elon Musk’s “America PAC” running electoral canvassing for the re-election campaign of Donald Trump.[23]

As can be seen from Figure 3, Super PAC amounts exceed regular PAC spending and represent an important new tool of political influence that more and more special interests are keen on actively using. Cox (2023) presents one of the most interesting new quantitative analyses of the role of SuperPACs in US elections. SuperPACs tend to arise on the Left and on the Right, somewhat cancelling each other (with mild advantage for Republicans). This translates into muted equilibrium outcomes in terms of the effect of these new behemoths on elections. One

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[22] The door for corporations to directly participate in political activity had pried open since First National Bank of Boston v. Bellotti, 435 U.S. 765 (1978), which recognized the First amendment right of free speech to corporations by allowing them to participate in ballot initiatives, but only in 2010 the limits to using own corporate funds to independently support political candidates were finally struck down.

[23] See FEC advisory opinion request on behalf of Texas Majority PAC of January 2024 on coordinated communication and coordinated expenditures between candidates and super PACs. The FEC opinion stating “*…canvassing literature and scripts are not public communications, and as a result are not coordinated communications…the costs to produce and distribute the canvassing literature and scripts are not coordinated expenditures*” opened up the possibility to further integration between super PACs and candidate campaigns. Available at https://www.fec.gov/files/legal/aos/2024-01/2024-01.pdf , last accessed 2/18/2025.

important implication to consider nonetheless is that, as the need to match heightened financial opposition grows, candidates become even more in need of funding and captive to moneyed interests. Today SuperPACs offer vastly more potential for corporate influence.

Why do corporations contribute (directly or indirectly) to political campaigns? We have discussed so far the broad distinction between an instrumental or strategic motive versus an ideological one. While, of course, the boundary between the two is not always easy to draw (is an oil and gas company PAC donating to a Republican candidate ideological or instrumental?), several studies have uncovered that corporate political activity seems to be less ideological and more instrumental than individual giving. If we define "instrumental" as directed to increase the profitability of the firm by attempting to influence policy, then the question is how this happens in practice.

From a theoretical standpoint, campaign contributions can have an effect on policy by influencing: (i) the probability of politicians with a given policy platform being elected (Grossman and Helpman, 1996); (ii) the electoral policy platform chosen by candidates in order to attract donations (Grossman and Helpman, 1996); (iii) the policy implemented by elected officials and government agencies through (iii.a) increased access (Austen-Smith and Banks 1995) or (iii.b) quid-pro-quo politics (Grossman and Helpman, 1994; 1995) or (iii.c) costly signaling (Potters and van Winden 1992; Austen-Smith, 1994; Austen-Smith and Banks, 2002).

The relatively even giving between parties (Kaplan, Perilla, Sweeting and Xu, 2024) points away from (i) and we are not aware of any research specifically showing (ii). Distinguishing the importance of access (iii.a) relative to quid pro quo (iii.b) is not trivial from an empirical point of view (see Bertrand et al., 2014 for a discussion). Nevertheless, there is some evidence for (iii), with a series of papers showing how campaign contributions are related to outcomes at the firm level. Cooper, Gulen and Ovtchinnikov (2010) construct a panel of firm-level contributions to political campaigns in the US for a large time horizon (1979 to 2004) and show that firms supporting more candidates receive higher future stock returns. Akey (2015) uses a close election regression discontinuity design for off-cycle congressional elections and finds that firms donating to winning candidates receive approximately a 3% abnormal equity return premium compared to supports of close losers. There is more recent micro-economic evidence about the mechanisms driving these changes: Brogaard, Denes, and Duchin (2021) show that donating firms are less successful in receiving better terms around the renegotiation of procurement contracts when a politician they donate to unexpectedly exits offices. Fan and Zhou (2023) present evidence that firms who donate to politicians that lose committee seats through the so-called "committee exile" procedure experienced relative declines in firm-level market power. The literature on political connections (which often does not conceptually distinguish between personnel connections or campaign contributions, and which is summarized in Section 2.6) may give some indications about additional drivers of aggregate distortions from campaign finance.

2.3 Lobbying

Lobbying is the strategic communication of politically relevant information. Such communication typically involves a set of senders (typically firms), a set of targets (typically politicians), and potentially a set of strategic intermediaries (for hire or in house lobbyists), all with distinct features. While the First Amendment to the US Constitution recognizes the right of citizens to engage in such communication, and it explicitly protects the right "*to petition the Government for a redress of grievances*", providing robust defense to lobbying activities, private citizens rarely lobby. It is business corporations and trade organizations that are the most common senders in these strategic communication interactions. This specificity makes lobbying an ideal element for the corporate political influence analysis offered in this chapter.

The targets of lobbying are multiple and belong to different branches of government. They include the President, executive branch officials and staff, Governors, Members of Congress and state legislatures, in addition to national (and international) regulatory and administrative officials. To reach out to these targets, US corporations and entities spent upwards of four billion dollars in 2023, the most recent year with complete data, according to the Center for Responsive Politics, a nonprofit tracking lobbying and campaign spending (see Figure 4).[24] The overall trends in Figure 4 show a substantial increase in lobbying expenditures over time, adjusted for inflation, suggesting that lobbying has become an increasingly popular tool for influencing policy decisions. Of the top industries engaged in lobbying, one typically finds heavily regulated industries leading the rankings. Pharmaceuticals/Health Products ($383,686,639), Electronics Manufacturing & Equipment ($244,886,086), Insurance ($157,647,164), Securities & Investment ($148,032,294), Air Transport ($138,578,012) stand out for their large expenditure in 2023. This is intuitive, as the potential impact of policy decisions on the profitability of these specific sectors is high.

Data on federal lobbying in the US is available thanks to the legal framework regulating its disclosure: the Lobbying Act of 1946 and subsequent amendments as the principal legislation.[25] Unfortunately, as we will discuss further in Section 4, the requirements for lobbyists to register and file extensive quarterly reports are typically limited at the extent of the transactions between SIGs (the client listed in the report) and lobbying agents. What is missing is the element of the

[24] www.opensecrets.org
[25] The specific definitions of terms such as "lobbyist," "lobbying contact," and "lobbying activities" as per US lobbying legislation are discussed in Bertrand, Bombardini, and Trebbi (2014) and d'Este et al. (2020).

communication chain that connects the lobbyist to the politician (the target) and details on the content that is communicated (e.g. opposition against a specific policy). Besides rare exceptions, typically limited to the notice-and-comment regulation procedures laid out by the Administrative Procedure Act of 1946, information on what is exactly communicated, to whom, and with what purpose is missing or hard to trace for Congress or other agencies.[26] Nevertheless, evidence shows that lobbying influences, to a small amount, equilibrium policy outcomes (Kang, 2016), has substantial economic returns to firms (ibid., Huneeus and Kim, 2024), and leads to aggregate productivity distortions.

In terms of measuring the political clout of firms through lobbying, it is fair to say that salaries and retainers of the large number of registered lobbyists in Washington (around 12,000 in 2023 as indicated in Figure 4), including both in-house and for hire experts in Washington DC, can represent an important (and underestimated[27]) component.

Lobbying expenditures achieve several goals for firms, but also for members of Congress. It is indeed too simplistic to think about lobbying expenditures as purely buying policy from corrupt politicians. While certainly economic incentives play a role for Congress members, electoral survival is a primary objective and information on the political consequences of congressional voting a valuable and scarce commodity. In fact, the informational needs of Congress members are acute and not all satisfiable via unbiased sources. In terms of their needs, members of Congress discuss and deliberate on thousands of legislative items per cycle. For example, including bills and resolutions that were introduced or reported by a committee but did not have additional action, the government monitoring website GovTrack.us reports for the Congressional

[26] The careful tracing of policy issues across bills and SIGs in Kang (2016) is a notable exception.
[27] See d'Este et al. (2020).

cycle 2023-2025 (the 118th) 19,315 legislative items, of which 614 enacted bills – an average of 4-6 million words of new enacted legislation in each Congressional cycle since 1946.[28] In terms of their resources, Congress members are allotted a modest staff of aides for research purposes, about 15 people on average in the 117th Congressional cycle.[29] The Congressional Research Service (CRS), a nonpartisan public policy institute of the US Congress, can be a primary source of information as well, but mostly on the technical elements of policy and not on their electoral consequences for a specific member's constituency. CRS is also a relatively small agency, with 600 employees and an appropriated budget of $134 million in 2023 – an order of magnitude smaller than the lobbying industry.

Consequently, corporations step into the information provision process by supplying their own expertise on specific policy domains. The supplied information is both topical and targeted, but potentially biased by the firm's incentives. Information about employment and economic performance metrics in each politician's constituency may be exaggerated, or the costs of certain policies to a Congressional district downplayed. While the principal (the politician) is well aware of the incentives of the agent (the firm), a simple two-player strategic communication environment is simplistic, and overweighs the power of the firm. Lobbyists with explicit partisan allegiances and ties to members of Congress act as strategic intermediaries. They have both an economic incentive in advocating for their clients, but also a career-concern incentive in making sure their political patrons are reelected and promoted to more powerful committees. Lobbyists, in fact, screen and vet corporate clients and gate-keep access to politicians. Members of

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[28] https://www.govtrack.us/congress/bills/statistics *last accessed 2/18/25*

[29] The congressional database Legistorm reports for the 117th cycle a total of 3,717 staffers working for Republican members and 4,467 staffers working for Democrats. See https://www.legistorm.com/congress_by_numbers/index/by/house/mode/race/term_id/64.html *last accessed 2/18/25*

Congress are aware of the economic incentives of the lobbyists and grant them access with a clear understanding that their fortunes are tied together, and their personal relationship and future revenues are at stake. Lobbyists are therefore common agents of both the firm and the politician. They provide access to firms and protect politicians from making policy blunders that could cost them an election.

This perspective is useful as it helps reconcile several empirical features of the lobbying industry. Access is a valuable asset offered in exchange for politically valuable resources on K Street.[30] Large lobbying firms are noted for explicitly advertising their political ties and for selling access through the enlistment of former cabinet and Congress members and aides on their websites.[31] The significant number of registered lobbyists with direct ties to former political positions emphasizes the role of connections in lobbying. Research by Blanes-i-Vidal et al. (2012) shows both a significant increase in the number of "revolving door" lobbyists over time, that is individuals with previous congressional experience, and, more importantly, that lobbyists who were former aides of US Senators suffer a 25 percent immediate drop in their annual lobbying revenues at the time their Senator exits Congress. The question of whether lobbyists are primarily well-connected individuals or policy-issue experts is addressed empirically in research by Bertrand, Bombardini, and Trebbi (2014). Their findings suggest that both issue expertise (what you know) and connections (who you know) are valuable in the lobbying process, with connections being particularly lucrative for professional lobbyists. The authors show that when a

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[30] Brown and Huang (2020) provide evidence for the value of access to firms by showing that meetings between corporate executives and policymakers in the White House are associated with abnormal cumulative returns for the represented firms, and that turnover after the 2016 election was associated with negative relative stock returns of these firms with access to the White House.

[31] For example, the lobbying practice Akin & Gump states on their lobbying and public policy main page: "*Our team includes former members of Congress and other lawyers and professionals with considerable government service experience, who also engage in political activities for both major U.S. political parties.*" *https://www.akingump.com/en/services/public-law-and-policy last accessed 2/18/25*

politician connected to a lobbyist changes their policy domain, moving between two unrelated congressional committees, the lobbyist typically does not stick to the initial area of expertise, but follows the politician along. The paper further shows that the economic returns of connected lobbyists correlate strongly with the political fortunes of their patrons.

The discussion so far would suggest that imputing all lobbying expenditure to corporate political power may overestimate the ability of firms to drive policy action closer to their preferences, as part of the lobbying payment, in fact, likely pays for the reputational capital of the lobbyist, the mechanism allowing information to be transferred in the first place.

There is, however, reason for considering officially reported lobbying expenditures to be substantial underestimates. This is due to an orthogonal element to the discussion above, and specifically to the lax enforcement of the Lobbying Disclosure Act (LDA) of 1995, as amended, which mandates the registration and reporting of lobbying activities to ensure transparency in the political process. This issue, discussed in detail in d'Este et al. (2020) and Thomas and LaPira (2017), biases the measurement downwards. A prime example of underreporting is the "Daschle loophole". This loophole arises from the LDA's definition of a "lobbyist", which excludes from disclosure individuals who spend less than 20 percent of their time on lobbying activities. Former Democratic Senator Tom Daschle notably joined the lobbying firm Alston & Bird as a "special policy adviser" in 2005 after leaving office, providing strategic advice to corporate clients on policy matters. While his activities involved influencing policy decisions, Daschle did not register as a lobbyist until 2016, because he purportedly spent less than 20 percent of his time on direct lobbying.[32] Another example relates to the presence of a "lobbying contact". The

[32] https://www.politico.com/story/2016/03/tom-daschle-officially-lobbyist-221334 last accessed 2/18/2025

LDA defines a “contact” any form of direct communication or correspondence with government officials. Some individuals, however, engage in "shadow lobbying" by providing strategic advice or behind-the-scenes support to lobbying efforts without directly contacting policymakers, and therefore avoiding registration. Indeed, multiple other loopholes allow individuals to engage in lobbying-like activities without disclosing their efforts, undermining the LDA's intent.

The reasons for underreporting are multiple. In Daschle’s case a possible rationale was avoiding the stigma associated with being a “lobbyist”, a potential liability in case of candidacy to political office. In other cases, opacity and lack of public evidence may protect the firm or its lobbyists from scrutiny or pressure.[33]

As we are unfortunately unable to credibly assess the relative magnitudes of upwards and downward bias, we will simply consider official lobbying expenditures at their face value, with the understanding the future research should investigate these additional dimensions quantitatively and in greater detail.

2.4 Political charitable giving

Amid a rising corporate involvement in Environmental, Social, and Governance (ESG) causes, in the years between 2014 and 2023 total charitable giving by US corporations has doubled in nominal value from $18.55 billion to $36.55 billion.[34] Research has shown that corporate philanthropy pursues multiple goals, such as motivating workers, pleasing consumers and shareholders (Bénabou and Tirole, 2010). Recent research has shown, however, that a more subtle and harder-to-detect political motive leads corporations to disburse charitable

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[33] These forces appear substantial. The dip in number of registered lobbyists over the period post 2008 that is clearly observed in Figure 4 is artificial. It is most likely due to these concurrent incentives to avoid registration and disclose, combined with a lax enforcement of the LDA.
[34] GivingUSA (2024).

contributions to specific geographical areas or non-profits. Corporations engage in philanthropy in a variety of ways that are not always traceable: if they give directly to charities, this is not systematically available to the public unless they disclose it voluntarily.[35] One important exception is donations that are given through corporate foundations. As private foundations, these entities, which most often bear the name of the corporation that contributes the bulk of their assets and income, have file to Form 990-PF with the IRS, together with a detailed list of grant recipients (Part XV), amount and location. For example, the Wal-Mart Foundation, which in 2020 disbursed $156 million, gave grants to local Bentonville and Little Rock (AR) charities, but also to nonprofits located throughout the country, such as the American Heart Association in Dallas (TX) and Boys and Girls Clubs of America in Atlanta (GA). The data show that the patterns of giving of corporations are in part political and squarely belong to the set of tools that make the political footprint of corporations larger. Bertrand, Bombardini, Fisman and Trebbi (2020) groups these grants according to the location of their recipient target in one of the US 435 Congressional Districts. The authors ask then whether corporate foundations give more to charities located in congressional districts represented by members of Congress that, because of their committee assignment and oversight, are more politically relevant for the corporation associated with the foundation. Using a strategy similar to Bertrand, Bombardini and Trebbi (2014), the authors employ lobbying reports, which detail the issues covered by their lobbyists, to link corporations to relevant committees. The paper finds that, indeed, a firm's charitable giving rises in the overlap between the member of Congress' assignment and the firm's lobbying interests. This is true even after including multi-dimensional fixed effects that account, for

[35] Although these data are not available to the public, corporations report total charitable donations (not individual recipients) to the Internal Revenue Service through Form 1120. Corporations may elect to report individual gifts in annual or Corporate Social Responsibility reports.

example, for the tendency of a firm to always donate to charities in a given geography and relies on the time-variation in the relevance of the Representative of that area. In fact, the authors show that charitable giving behaves similarly to corporate PAC giving, the tool discussed in Section 2.1. Why do politicians value charitable contributions made in their Congressional district? Personal connections to the charity and claiming credit for benefits to their constituents appear likely candidates, but a systematic study of the mechanisms underlying the findings of Bertrand, Bombardini, Fisman and Trebbi (2020) is missing.

One of the main takeaways of Bertrand, Bombardini, Fisman and Trebbi (2020) is that 6.3% of all corporate charitable giving has political motivations, a figure we will employ when building our measure of political power of corporations. This implies that in 2023 corporations gave $0.063 \times 36.55 =$ \$2.3 billion of their philanthropic donations based on the political importance a charity's location.

A non-profit organization's location is not the only factor making it an attractive target of politically motivated grants. Among the recipients of corporate philanthropy are entities, like think-tanks and charities, that are active in the important process of rulemaking. Bertrand, Bombardini, Hackinen, Fisman and Trebbi (2021) combine data on the corporate foundation grants to non-profits from Bertrand, Bombardini, Fisman and Trebbi (2020) with the universe of comments submitted by those entities to 150 Federal agencies through the Notice and Comments procedure established by the ADA of 1946. Every rule that implements statutes passed by Congress is published in preliminary form on the Federal Register, while the website Regulations.gov collects, typically for 30 to 60 days, comments from businesses, other entities and individuals. Businesses like banks, insurance companies, and firms in all businesses subject to government regulation frequently submit detailed comments suggesting modifications to rules, objecting a policy, or favoring a merger. Non-profit entities are also prolific in submitting comments on preliminary rules and anecdotes abound about comments submitted by non-profits on behalf of corporate patrons that previously funded their operations (see for example Peng (2016) on the discussion of comments regarding the merger of AT&T and T-Mobile submitted by a homeless shelter in Louisiana and other grant recipients of the AT&T Foundation).

Bertrand, Bombardini, Hackinen, Fisman and Trebbi (2021) show that a donation from a corporate foundation to a grantee increases the likelihood of the grant recipient submitting a comment on the same rule as the corporation by 76%. The authors also demonstrate that these paired comments exhibit greater linguistic similarity and that rules receiving more comments from grantees are more likely to evolve in ways that benefit the donor corporation.

This additional political use of charitable giving is large. Foundations give 8% of their total grants to non-profits that comment on the same rule as they do. Based on the results of Bertrand, Bombardini, Fisman and Trebbi (2020) and Bertrand, Bombardini, Hackinen, Fisman and Trebbi (2021), we include as a component of the political power of firms 6.3%+8%=14.3% of the total grants by a corporate foundation.

Finally, to conclude this section, we underscore that the advantages of using charitable entities, such 501(c)(3)s, are multiple for a firm. First, 501(c)(3) non-profits are tax-exempt entities and legally separate from the firm. Secondly, due to general support for anonymity and donor privacy in matters of charitable activity, charitable grants are much more arduous to retrace than PAC donations and lobbying, for example by voters and the media. Limited disclosure requirements in addition to oversight under tax authorities (the IRS) rather than electoral ones (the FEC) further complicates sampling and measurement.

2.5 Dark Money

A particularly hard tool of political influence to trace is "Dark money". The term refers to political spending where the source of the funds may not need to be publicly disclosed. A key vehicle for dark money in the United States is the use of 501(c)(4) social welfare organizations. 501(c)(4) organizations are non-profit groups designated by the IRS as "social welfare" organizations. While their primary purpose cannot be political activity and only 50 percent of their annual spending can be political in nature, 501(c)(4)s can engage in political advocacy if it remains a secondary function and, importantly, are never required to publicly disclose their donors. The vague definition (originally mostly utilized for local firefighter organizations, community development or neighborhood improvement organizations), combined with the removal of limits to independent political spending in the aftermath of *Citizens United*, has allowed 501(c)(4)s to become major players in elections (Mayer, 2016). Dark money entities can raise and spend unlimited amounts of money to influence elections, often through issue ads that stop short of explicitly endorsing or opposing a candidate (electioneering) and rather purport “to educate” voters on specific issues. Analyzing tax filings of 501(c)(4) shows that donor names are redacted. However, 501(c)(4)s are required to file annual reports with the IRS, containing information about their expenditures and overall financial activity, including funds directed to other 501(c)(4). As a grant from a 501(c)(4) organization to another 501(c)(4) does not constitute a form political spending, even if part of such grant can be spent politically by the recipient (up to the 50% requirement), there are interesting implications. One politically directed dollar seeded in a first 501(c)(4) can be spent politically in the amount of 50 cents, with the rest being transferred as a grant to a second 501(c)(4). This second entity, in turn, can spend an additional 25 cents of the 50 received, and donate the rest, possibly producing 12.5 cents of additional political spending in a third 501(c)(4). This is a geometric series converging to the whole dollar being eventually spent politically. Therefore, while 501(c)(3) non-profit organizations can more freely spend politically, but are required to disclose their donors, 501(c)(4) are only marginally more constrained. Their anonymous funds can fully reach their electoral targets through "daisy chains" of donations.

The consequences of dark money in terms of political equilibrium outcomes are not well-studied. Cox (2022) discusses their lack of effectiveness due to mutual neutralizing efforts between parties. Yet its effects on the perception of corruption among voters may be less ambiguous. The Pew Research Center (2024) reports how "*reducing the influence of money in politics should be a top priority for the president and Congress to address this year*" was one of the top three concerns of American voters in 2024.

To conclude, for the purposes of our analysis, given the lack of traceability of dark money seeded by corporations and executives, we omit this component. This materially biases our measurement exercise downwards.

2.6 Political connections

Among the dimensions we study, political connections stand out as particularly difficult to identify and measure. Much of the literature on political connections refers to countries outside of the US, where campaign finance and lobbying disclosure is often not mandatory, and so researchers have turned to using other measures of political connections, often not conceptually distinguishing those from donations or lobbying. Political connections of firms can potentially capture personnel overlap (Khwaja and Mian, 2005; Akcigit, Baslandze, and Lotti, 2023) or shareholder connections (Faccio, 2006), transition of personnel between political and firm positions (Emery and Faccio, 2025), as well as networks through party membership (Li et al., 2008), for instance in the Chinese Communist Party (Francois, Trebbi and Xiao 2023), family (Amore and Bennedsen, 2013; Brugués, Brugués, and Giambra, 2024), friendship, co-ethnicity (Lehne, Shapiro, and Vanden Eynde, 2018), shared geography (Deng, Wu, and Xu, 2020), or shared education and career paths (Schoenherr, 2019). In low-information contexts, recent research leverages natural language processing and machine learning to measure political connections, such as identifying relationships through co-occurrence in scraped newspaper and Wikipedia text (Chen et al., 2023).

Because connected firms are highly selected, estimation of causal effects is difficult, but the literature has made significant progress by employing two main identification strategies. The first exploits shocks to the power of politicians that affect connections, such as health rumors about Indonesia's president Suharto (Fisman, 2001), being elected to office (Schoenherr, 2019), or sudden deaths or resignations of local politicians (Cheng and Li 2023; Brogaard, Denes, and Duchin, 2021). Large-sample studies often rely on close election designs (Do, Lee, and Nguyen, 2012; Lehne, Shapiro, and Vanden Eynde, 2018; Akcigit, Baslandze, and Lotti, 2023). The second strategy focuses on job transitions, exploiting within-firm changes in connectedness (e.g., Bertrand et al., 2018). Emery and Faccio (2025) present a study of the "Revolving Door" between specific federal agencies and firms in the US, using detailed employment histories of top corporate officials.

The literature has documented substantial static firm-level revenue and size gains from political connections, through preferential access to credit, particularly in less developed financial markets (e.g., Khwaja and Mian, 2005; De Nicola et al., 2019; Chen et al., 2023), as well as an increased likelihood for connected firms to get bailouts (Faccio, Masulis, and McConnell 2006), win procurement contracts and obtain higher-value ones (Lehne, Shapiro, and Vanden Eynde, 2018; Schoenherr 2019;). Emery and Faccio (2025) show that the transition of a regulator from a US federal agency to a firm almost doubles the incidence and value of procurement contracts received by the firm from that agency in the year after the appointment. Finally, some papers have shown that connected firms receive preferential treatment relating to enforcement, such as SEC investigations (Correia, 2014) and enforcement of environmental (Heitz, Wang, and Wang, 2023) or worker safety (Fisman and Wang, 2015) regulation.

These intermediary benefits translate into substantial benefits for firms. A literature going back to the seminal paper by Fisman (2001) shows that firm connections increase stock valuations of firms. Several studies also show increased survival rates of connected firms (e.g., Akcigit, Baslandze, and Lotti, 2023). Most importantly, connected firms enjoy revenue and size premia. For Italy, Cingano and Pinotti (2013) find connections increased Italian firms' revenue by 5.7% and Akcigit, Baslandze, and Lotti (2023) show that connected firms' employment grows 3% faster. Similar evidence has been found in other contexts, such as Germany (Diegmann, Pohlan, and Weber, 2024) and India (Chen et al., 2023).

Political connections also distort public procurement, with connected firms charging higher prices and delivering with delays. These inefficiencies impose substantial welfare losses, estimated at 2–6% of procurement budgets (Brugués, Brugués, and Giambra, 2024). Overall, the social costs of political connections often outweigh any short-term gains.

2.7 Voter mobilization

An underappreciated element of political influence is a corporation's ability to electorally mobilize stakeholders against political adversaries or in support of allies. This group of stakeholders, notably, includes firm workers, who, through a profit-sharing channel or simply through incentives arising from enhanced job security and stability of employment, often side with management along political dimensions benefiting the firm.

Firms deliberately leverage this margin.[36] Hertel-Fernandez (2017), using original survey evidence around the 2014 electoral cycle, shows that: "*employer mobilization was most effective when employers used warnings of job loss to motivate participation and when employers could monitor the behavior of their employees, suggesting that employers are indeed acting as a type of political machine."* The National Association of Manufactures (NAM) Advocacy Program, as a salient example, traditionally engages in worker mobilization (e.g., in writing to Congress) to support its mission of reinforcing the US manufacturing sector. The Business-Industry Political Action Committee (BIPAC) licenses software to corporations designed explicitly to share political information with their employees. Indeed, as indicated in Figure 1, special constituents and voters do represent an important spoke of Philip Morris' "influence wheel".

Using information on electoral blocs associated to specific industries in the US and structurally estimating a Nash-in-Nash bargaining framework, Bombardini and Trebbi (2011) provide systematic evidence on the important political role that workers play in advancing a firm's negotiating position. The authors show that SIGs are systematically able to substitute political contributions to politicians in exchange for voter mobilization potential, thus saving resources relative to firms with a lower number of employees/voters in a district. For example, in the salient case of Wal-Mart, a large S&P 500 corporation with headquarters (and an employment base) in Arkansas, the authors show that the firm does not contribute much at all to the

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[36] For example, in 2012 "*David A. Siegel, 77, chief executive of Westgate Resorts, a major time-share company, wrote to his 7,000 employees, saying that if Mr. Obama won, the prospect of higher taxes could hurt the company's future."* https://www.nytimes.com/2012/10/27/us/politics/bosses-offering-timely-advice-how-to-vote.html, last accessed 2/18/2025.

congressional delegation from that state. House Representatives and Senators from Arkansas do not need political contributions from Wal-Mart to be open to hearing from the company. This is because so many of their voters have a strong stake in the company's continued success. Multiple subsequent studies present evidence of how Wal-Mart systematically leverages its electoral heft vis-à-vis politicians (Walker, 2014; Hertel-Fernandez, 2018).

Further speaking to the effectiveness of voter mobilization and grassroots advocacy is also the practice of "astroturfing". This represents the deliberate effort to overstate or altogether falsify evidence of voter support (grassroots) for certain policy positions close to special interest groups. Philip Morris, through its public relations firm, fabricated a grassroots movement in the 1990s called the "National Smokers Alliance", designed to appear as a genuine pro-smoking advocacy group. The "California Drivers Alliance" and the "Washington Consumers for Sound Fuel Policy" are fake grassroots sponsored by Oil, Gas and Coal SIGs to downplay the risks of climate change and oppose policies that would reduce fossil fuel consumption. The "Save Our Species Alliance" was revealed to be a fake grassroots group created by a timber and cattle lobbyist to weaken clauses in the Endangered Species Act in 2006. Another notable example is the case of the energy firm Entergy. To gain approval for building a power plant in New Orleans, it paid $55,000 through public affairs consultants to hire actors who turned up and spoke at two city council meetings. The effort helped secure approval for the project, but Entergy was fined US$ 5 million by the city council after the astroturfing campaign became public (Stein, 2018).

This particular form of influence has been used extensively online and across the world (Schoch et al., 2022). Astroturfing may be damaging to the political process because it hides the strategic interests of a firm, potentially impacting how voters for opinions on political issues. Walker and Le (2022) show through a survey experiment that individuals who get to know that a grassroots campaign on a hypothetical housing project was paid for by a corporation lose trust in advocacy groups overall.

Unfortunately, as systematic data on astroturfing is not available and typically kept highly confidential, just like in the case of dark money we are not able to add this extra element to the analysis.

2.8 Corporate Public Advocacy and Media Campaigns

Public advocacy is the process of direct communication to the public by firms or special interests about matters of policy relevant to the organization (Hillman et al., 2004). It broadly encompasses activities designed to shape public opinion in support of specific economic goals of a firm. Because it is lobbying of voters rather than politicians on policy issues, public advocacy can be considered a form of "reverse lobbying" and is sometimes termed "outside lobbying" (Kollman, 1998). Acemoglu and Johnson (2023, ch.3) discuss this as "*the power to persuade*" in the general population.

Firms often use public advocacy as part of broader advertising campaigns, frequently coordinating with trade organizations and combining it with other political influence strategies, such as grassroots campaigns and lobbying. For example, Google's 2012 "Take Action" campaign blocked proposed changes to IP address management on the World Wide Web. Similarly, the Aerospace Industries Association (AIA)—representing defense contractors—launched the "Second to None" campaign in 2013 to rally support for the aerospace industry and to counter budget sequestration impacts, generating 74,000 messages to Congress. Besides firms, special interest groups (SIGs) are also heavily invested in public advocacy. An example is the AARP's "Divided We Fail", a 2008 electoral advertising operation designed to shape Social

Security reform and "*to solve the increasingly difficult issues of affordable health care and lifetime financial security*".

Studying public advocacy is challenging because firms are not required to disclose these efforts, limiting data availability. Consequently, the economics literature on public advocacy is very sparse. Related fields, such as management, corporate finance, and political science have focused on theorizing motivations for engaging in public advocacy and conditions favoring its systematic use.

Theoretical work by Lyon and Maxwell (2004) extends standard lobbying models to the interaction between a firm, an SIG and a politician. Because the firm's payoff depends only on the policy imposed, not on the underlying state of the world, its lobbying is uninformative. In contrast, SIGs can potentially convey credible information through costly lobbying because their preferences depend on both the policy and the state. In this setting, firms can strategically subsidize the SIG's lobbying, potentially unravelling existing informative equilibria and improving the firm's payoffs to the detriment of the politician.

A systematic empirical analysis of firms' use of lobbying firms specializing in public affairs and grassroots campaigns is provided by Walker (2009, 2014). Combining data on these firms from the *Campaigns & Elections (C&E)* trade magazine with lobbying registers, he finds a positive correlation between firms' "inside" (to politicians) and "outside" (through grassroots campaigns) lobbying. Additional predictors of hiring grassroots lobbying firms are a firm's sector (sectors with more traditional lobbying have a higher share of firms engaging in public advocacy), public presence, and exposure to regulation.

Evidence on the effectiveness of and returns to public advocacy is rare, and mostly derived from case studies. For example, in 2012, Michigan voters could vote on a ballot measure, proposal 3, to amend the state constitution to require utilities to generate at least 25% of their electricity from renewable energy sources by 2025. Two months before the election, a majority of voters was in favor of the ballot measure. A campaign largely financed by two utilities and run by the communications firm Hawthorne Group managed to reverse this support, defeating the measure by 62 to 38 percent (Kasper, 2018; Hawthorne Group, 2024).

Finally, a related body of literature examines “Corporate Social Advocacy” (Dodd and Supa, 2014), exploring the motivations behind and the impacts of firms making broader political or ideological statements that are unrelated to their direct business interests. Typical cases for this are polarized social issues, such as marriage equality, abortion, health care, and gun control. Most studies focus on firm-level (not political) outcomes and do not consider them as a tool to influence policy, although Parcha and Westerman (2020) find small (and heterogeneous) shifts in individual attitudes in a survey experiment.

This brief overview of firms' public political advocacy reveals a diverse set of strategies for communicating with voters. Because of a lack of disclosure and the inherent difficulty disentangle it from other firm activities (other political activities, business operations, advertisement, and other public engagements), there is a lack of systematic data. Therefore, we do not incorporate public advocacy in our empirical analysis, underscoring the potential for future empirical research in this space.

3. Empirical results and discussion

3.1 Proof of concept of a comprehensive measure

This section presents a proof-of-concept exercise for the approach that we propose in this chapter. Although incomplete and partial, we believe this may be an informative exercise and one that, to the best of our knowledge, has never been presented in the literature with the coverage employed here.

We start from the set of companies that are part of the S&P500 at any point during the period 2000 to 2024 and that are active at least until 2015.[37] We focus on public companies because, in order to create some of our measure of the political footprint of corporations, we need access to employment measures that may not be systematically available for private firms. Because the variables we describe below are available for different subperiods, we perform our analysis using a cross-sectional sample for the election cycle 2015-16, that maximizes the number of companies with complete data. We take the mean of years 2015 and 2016 for all variables. The number of companies in the sample we analyze is 716. We assemble data across all dimensions described above and report some key features of the data below. Details on the data construction are available in the Online Appendix.

Campaign Contributions: We measure campaign contributions as the sum of PAC contributions, employee political contributions, and direct firm contributions.

PAC Contributions: Data on Political Action Committee (PAC) contributions comes from opensecrets.org, which tracks PAC-to-PAC and PAC-to-candidate donations. To link PACs to firms, we use a mapping table developed by Christensen et al. (2022, 2023), connecting PAC identifiers to Compustat firm identifiers (GVKEYs). The dataset captures firm-level contributions by aggregating PAC activity associated with each firm. Individual contributions

[37] Companies may no longer exist after 2015.

made directly to firm PACs are excluded to prevent double counting since these funds are already accounted for in PAC-to-PAC or PAC-to-candidate datasets.

Employee Political Contributions: Employee political giving is derived from opensecrets.org individual contributions dataset, which records self-reported employer names alongside contribution details. We link contributions to firms using fuzzy matching techniques and standardized employer names provided by opensecrets.org.

Direct firm contributions are derived from the same opensecrets.org individual contributions dataset, filtered for firms.

Charitable Giving: Charitable giving is estimated using tax return data for 501(c)(3) foundations affiliated with firms. We manually expand the dataset on foundations assembled by Bertrand, Bombardini, Fisman and Trebbi (2020). Politically motivated charitable disbursements are estimated by multiplying charitable disbursements from tax form 990-PF (Part I, line 25), obtained from ProPublica, with a 14.3% share of charitable giving that is politically motivated, as estimated by Bertrand, Bombardini, Fisman and Trebbi (2020) together with additional information from Bertrand, Bombardini, Fisman, Hackinen, and Trebbi (2021).

Lobbying Expenditures: Lobbying activity is tracked using LobbyView.com (Kim 2018), which is a database comprehensively covering federal lobbying expenditure reports linked to Compustat GVKEYs. This dataset captures direct lobbying efforts by firms over time.

Employee Voting Bloc Value: We collect employment data from Compustat. Since this includes total employees, we approximate domestic employee counts by adjusting with the ratio of domestic revenue over total revenue of a corporation. The value of the employee voting bloc is then calculated by multiplying the number of domestic employees by US$145.6, the value of a vote to a politician, as estimated by Bombardini and Trebbi (2011).

Political Connections: We follow the methodology outlined by Emery and Faccio (2025) and use employment biographies of top corporate executives from BoardEx cross-referenced with a list of federal agencies. Political connections at the firm level are measured as the number of job transitions (within a two-year window) from a federal agency to that firm. We use event study estimates from Emery and Faccio (2025) to assign monetary values to these connections, based on their estimated impact on the value procurement contracts a firm obtains.

3.2 The Corporate Political Footprint: Some Results

Figure 5 presents the value of the five different components of the political power of corporations that we observe for the sample of S&P 500 firms. They include: (i) the value of campaign contributions; (ii) lobbying expenditures; (iii) the value of political charitable disbursements; (iv) the value of the employee voting bloc; (v) the value of direct political connections. We report these amounts by decile of the revenue distributions of firms.

As evident from the figure, such amounts are strongly increasing in firm size. Binning the data by firm revenue decile, however, masks a substantial amount of heterogeneity, as reported in Figure 6. Figure 6 plots each firm by revenue and by typology of political spending, focusing only on campaign contributions, charitable giving, and lobbying for clarity of presentation. We can see that different influence levers are activated differently by firms at different revenue levels, with certain tools employed with substantial intensity. The presence of uneven spikes in Figure 6 specifically indicates that in 2015-16 certain firms activated certain dimensions of their political influence toolbox beyond what done by other firms in a neighborhood of that firm's size level. It is hard to know why those tools and not others are activated at that moment and vis-à-vis which politician, but the message is clear. The arsenal of political influence tools is deployed on different margins differentially and, even if the intensity of such tools generally is positive function of firm size, even smaller firms can activate certain tools with high intensity when needed. For completeness, Tables 1 and 2 also report the detailed summary statistics for campaign contributions, charitable giving, and lobbying and the list of top organizations in each category. So, for example, one can note that Microsoft overspends Meta in terms of both independent spending and employee contributions. Similarly, while Goldman Sachs is particularly active on the charitable contribution dimension, Bank of America is much more involved in federal lobbying over the same period.

To scale the dollar measures of Figure 5, Figure 7 reports each amount as share of total revenues for firms in each bin of the revenue size distribution. The figure clarifies that, in order of diminishing importance for the political footprint of a firm we can rank the value of the voting bloc first, then lobbying, charitable giving, the value of political connections and campaign spending last. Interestingly this importance ranking appears fairly stable across deciles of the size distribution, with only mild and occasional reversions between connections and campaign contributions. Even if the ranking is stable, Figure 8 shows that, when we focus on the allocation across the five different dimensions of the firm's political footprint, one observes a different balance across these dimensions for firms of different sizes, which may not only reflect different fixed costs in their use, but also different incentives towards disclosure that firms of different revenue size may face.

To conclude, while the choice of focusing on S&P 500 corporations and on a specific year for this exercise is clearly arbitrary, we underscore nonetheless that researchers in Political Economy can gain a more complete perspective on the mechanisms of political influence taking the holistic perspective in this Chapter. This is a proof-of-concept exercise that should be followed by a more comprehensive measurement effort in future research. There is a suggestive empirical indication that the tools are diverse, their use varies with firm size, and they can be differentially activated, but a more systematic analysis is necessary. For instance, we can see that these tools of political influence relate to firm characteristics like size in terms of their scale, but less so in terms of their mix.

4. Outstanding issues of disclosure

Many of the measurement efforts described in this chapter could be enormously facilitated by further increasing transparency. Although this is not the main goal of this chapter, we believe it is worthwhile to highlight here that the fact that so many dimensions of the political power of corporation are left opaque and hard to trace is not only deleterious to the democratic process, but it may also abscond serious corporate governance issues (Bebchuk et al., 2020; Bertrand, Bombardini, Fisman, Trebbi and Yegen, 2024).

Enhancing transparency and regulation in political spending requires targeted reforms to address existing gaps in lobbying disclosure, corporate charitable giving, and the use of dark money. One key area of improvement involves the elimination of the “20% rule” in lobbying registration. A single pivotal phone call or meeting could influence legislative outcomes without meeting this threshold, effectively bypassing disclosure. Removing this rule and requiring all lobbying contacts to be reported would ensure greater accountability and transparency in the legislative process.

Another critical recommendation is to enhance disclosure requirements by listing the specific individuals contacted during lobbying efforts. Currently, lobbyists are required only to disclose the agencies or congressional bodies they engage with, a practice that is too generic to provide meaningful transparency. Identifying individual targets of lobbying efforts would allow for greater public scrutiny and accountability. This measure is both feasible and precedented; similar requirements exist under the Foreign Agents Registration Act (FARA), and many public officials voluntarily disclose their meeting schedules. Extending these requirements across the board would close a significant gap in lobbying transparency. Additionally, stronger enforcement of lobbying registration and compliance is necessary. Current enforcement is lax, relying on random checks that rarely lead to significant action. Enhancing oversight mechanisms and imposing stricter penalties for violations would deter non-compliance and ensure that lobbying activities adhere to disclosure requirements.

In the realm of corporate charitable giving, reforms should focus on revealing the recipients of direct corporate donations. While contributions made through corporate foundations are subject to reporting requirements, direct donations to non-profits remain largely opaque. Mandating disclosure of all corporate charitable contributions, whether made through foundations or directly, would provide voters, the media, and other stakeholders with a clearer understanding of corporate influence in the non-profit sector. Similarly, non-profits that engage in lobbying or participate in the rulemaking process should disclose their donors. This would illuminate financial ties between corporations and non-profits, ensuring transparency in the policy advocacy landscape. Furthermore, the tax-exempt status of corporate charitable giving should be reconsidered. While tax incentives for charitable contributions are intended to encourage socially beneficial activities, the line between politically motivated donations and genuine charity is often blurred. Revisiting these tax policies, including the possibility of reducing the overall degree of tax exemption for corporate giving, could help align incentives with societal benefits.

Dark money, perhaps the opaquest form of political spending, requires immediate and robust action. Oversight of 501(c)(4) organizations, which can engage in significant political activities while shielding their donors, should be shifted from the Internal Revenue Service (IRS) to the Federal Election Commission (FEC). The FEC is better equipped to enforce electoral laws and ensure compliance with political spending regulations. At a minimum, the IRS should be required to disclose donor information for 501(c)(4) organizations, a measure that would enhance transparency while addressing privacy concerns. Finally, the exploitation of “daisy chain” loopholes in the 50% political spending rule must be addressed. Currently, 501(c)(4) organizations can bypass limitations by transferring funds to other entities for political purposes, effectively circumventing the law. Closing these loopholes would ensure that political spending restrictions are enforceable and meaningful.

5. Conclusions

This chapter offers a primer in the tools of political influence that make corporations impactful players in the political arena. After an overview of what these tools are and how to measure their magnitudes, we study their aggregates and show that the political power of firms, when studied in its entirety, presents a multifaceted and larger volume of resources. For scholars interested in the mechanisms of transformation of economic power into political power (Cowgill et al., 2024; Callander et al., 2022), this seems an important quantity on which to focus. Specifically, our holistic measurement exercise, that presents a proof of concept applied to 2015-16 S&P 500 corporations, shows a political footprint comparable in magnitude to what these firms spend on their CEO compensation package, inclusive of base pay, performance payments, and long-term incentives. The data also show substantial heterogeneity across firms of similar size in the extent of their political efforts.

In the process of arriving to these figures, we also present important details concerning all the various influence tools employed by corporations when interacting with policymakers. As some of these tools are particularly opaque and understudied, we also include discussion pertinent to their more complete disclosure.

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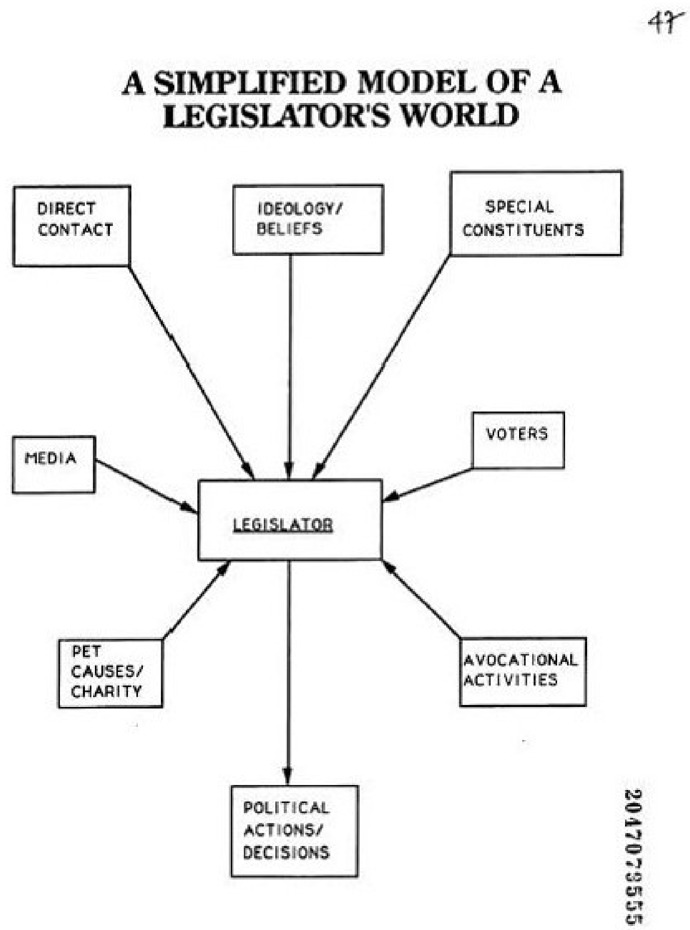
Figure 1 – Philip Morris' Influence Wheel



A 1992 Philip Morris document referred to by then–Director of Government Affairs Tina Walls as the "Influence Wheel" during internal company presentation on "grasstop" relations, including the role of donations to legislators' pet causes and favorite charities.

Figure 2 – The figure reports PAC giving totals, by year. Source: https://www.opensecrets.org/ (last accessed February 2025)

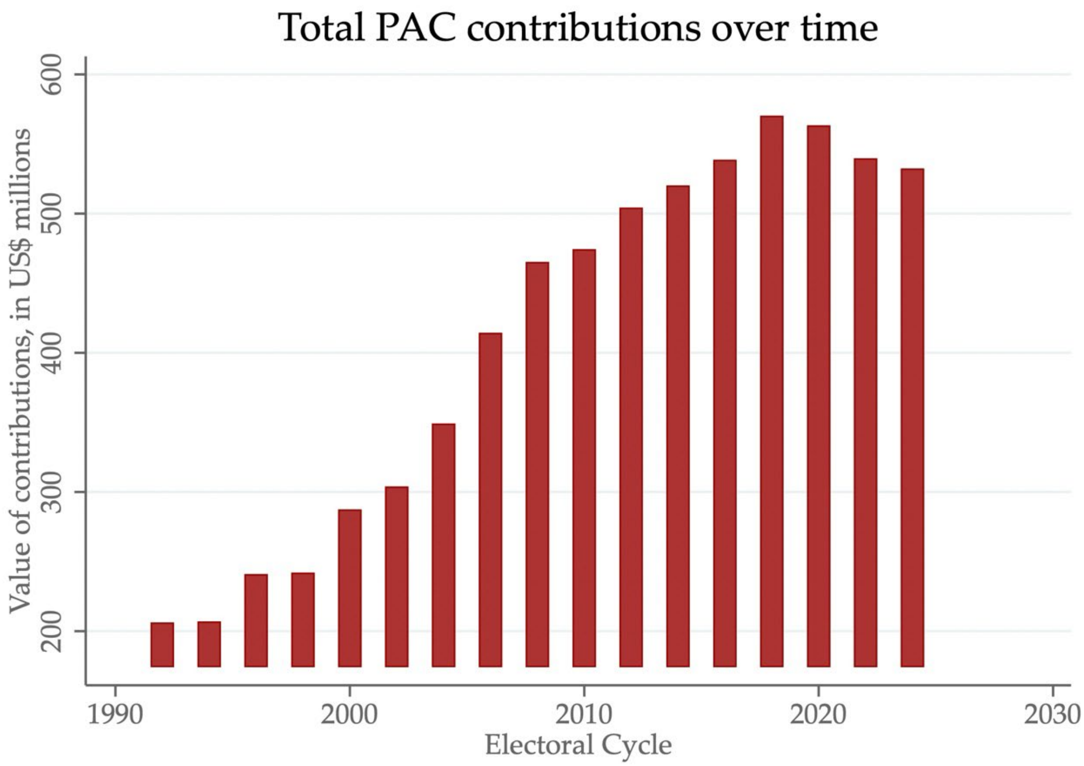
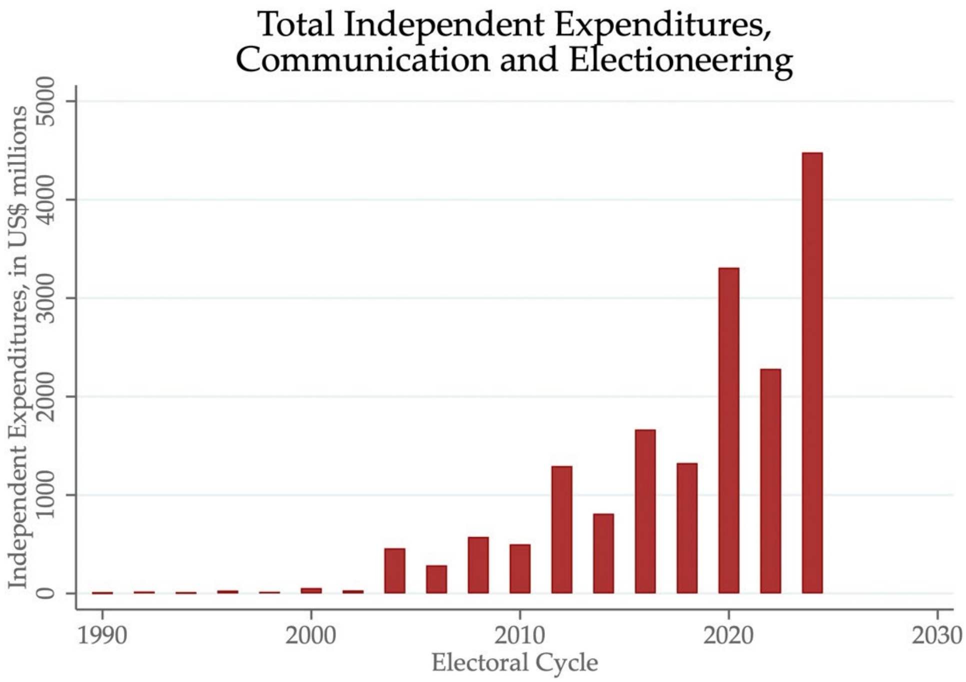


Figure 3 – The figure reports SUPERPAC raised totals, by year. Source: https://www.opensecrets.org/ (last accessed February 2025)

Panel A



Panel B

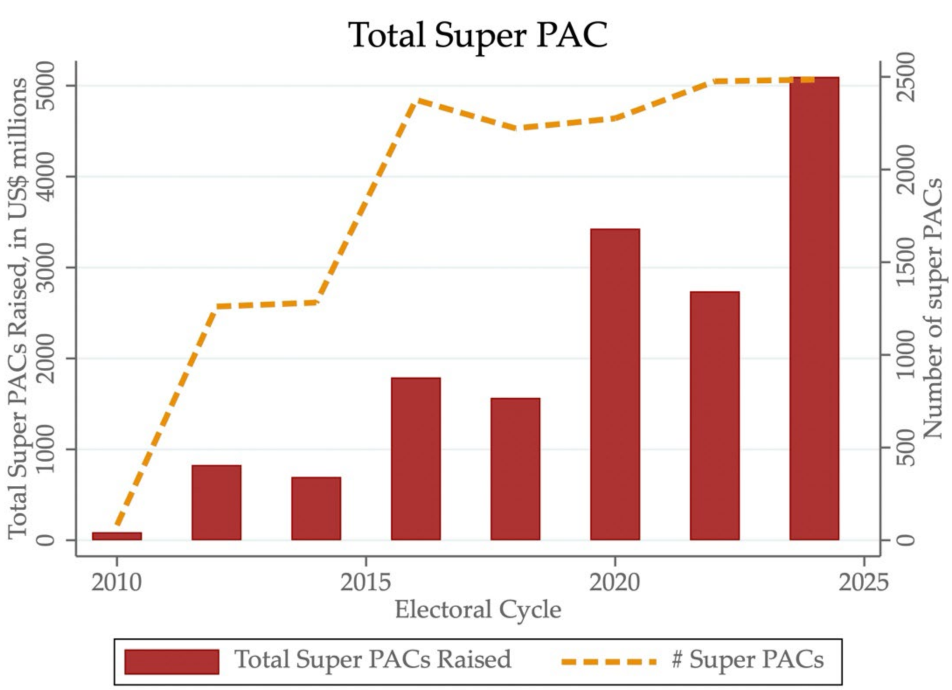


Figure 4 – The figure reports federal lobbying totals and number of registered lobbyists by year.

Source: https://www.opensecrets.org/ (last accessed February 2025)

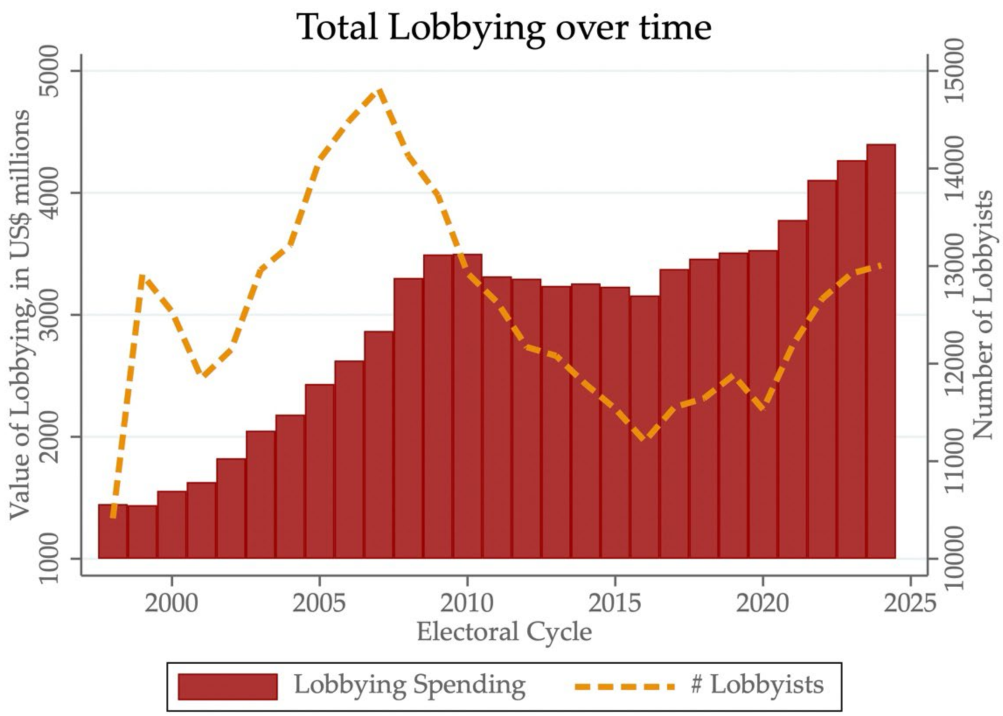


Figure 5 – The figure reports firm PAC giving to candidates or other PAC contributions, federal lobbying expenditures, political charitable contributions, and value of employees voting bloc and direct political connections for S&P 500 corporations. The figure displays yearly amounts for all variables averaged for the years 2015 and 2016. In US$ million.

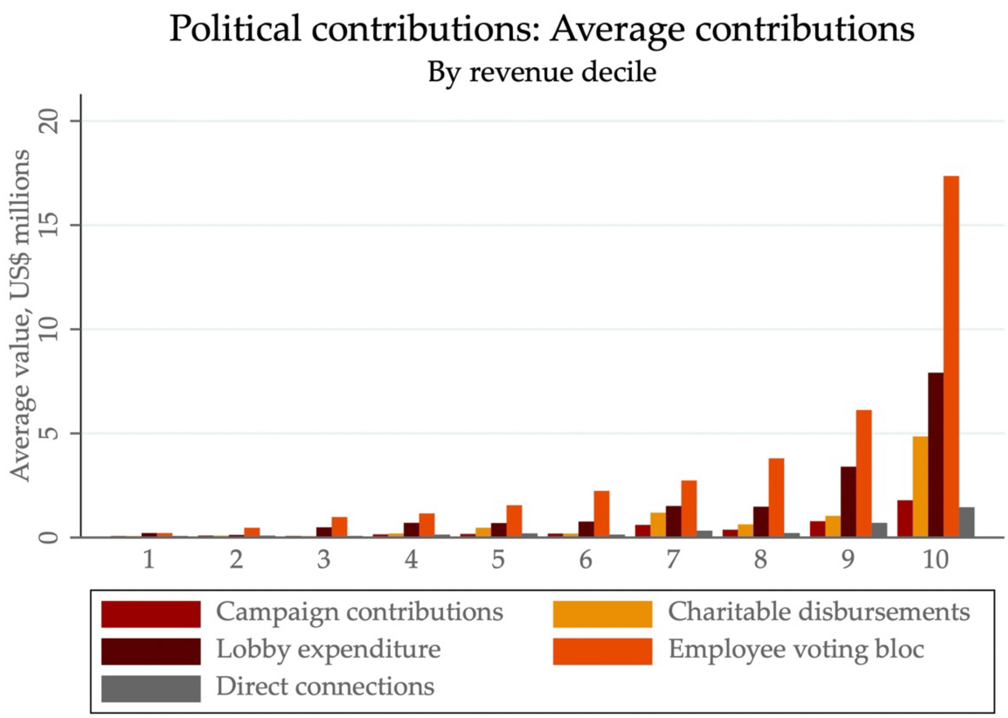


Figure 6 – The figure reports heterogeneity across firm size in PAC giving to candidates or other PAC contributions, federal lobbying expenditures, and political charitable contributions for S&P 500 corporations. The figure displays yearly amounts for all variables averaged for the years 2015 and 2016. In US$ million.

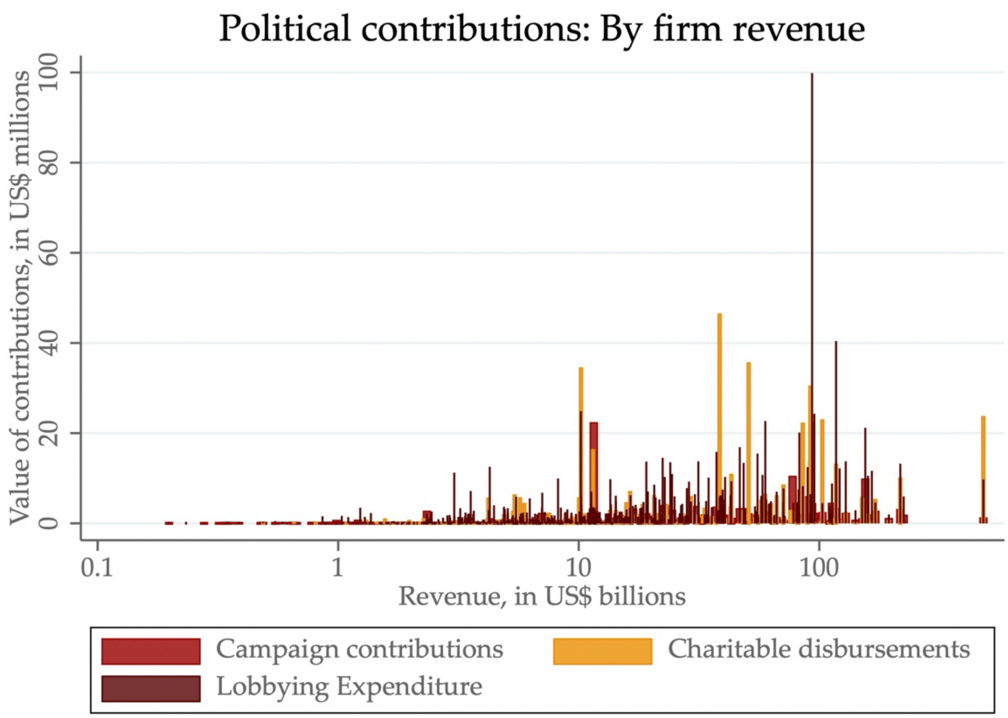


Figure 7 – The figure reports firm PAC giving to candidates or other PAC contributions, federal lobbying expenditures, political charitable contributions, and value of employees voting bloc and direct political connections for S&P 500 corporations. The figure displays yearly amounts for all variables averaged for the years 2015 and 2016. As share of total revenues.

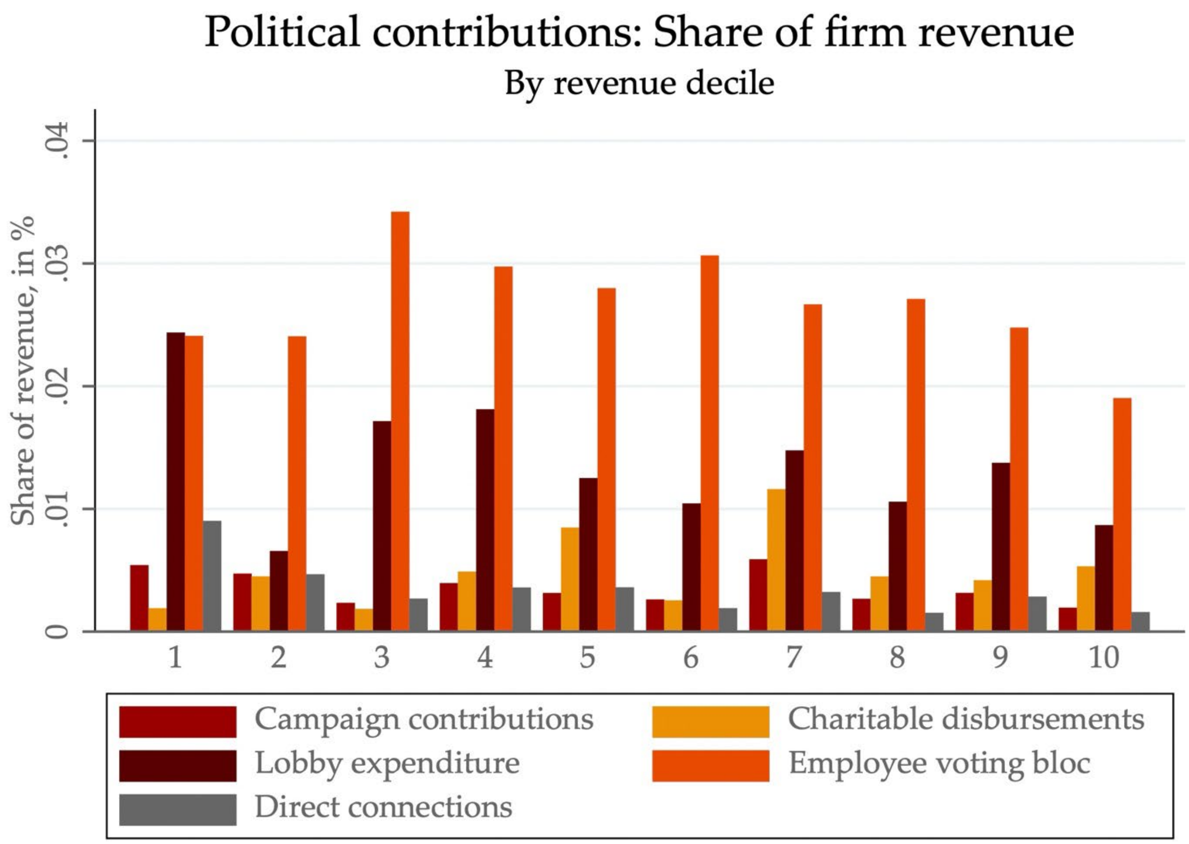


Figure 8 – The figure reports firm PAC giving to candidates or other PAC contributions, federal lobbying expenditures, political charitable contributions, and value of employees voting bloc and direct political connections for S&P 500 corporations. The figure displays yearly amounts for all variables averaged for the years 2015 and 2016. As share of total political footprint.

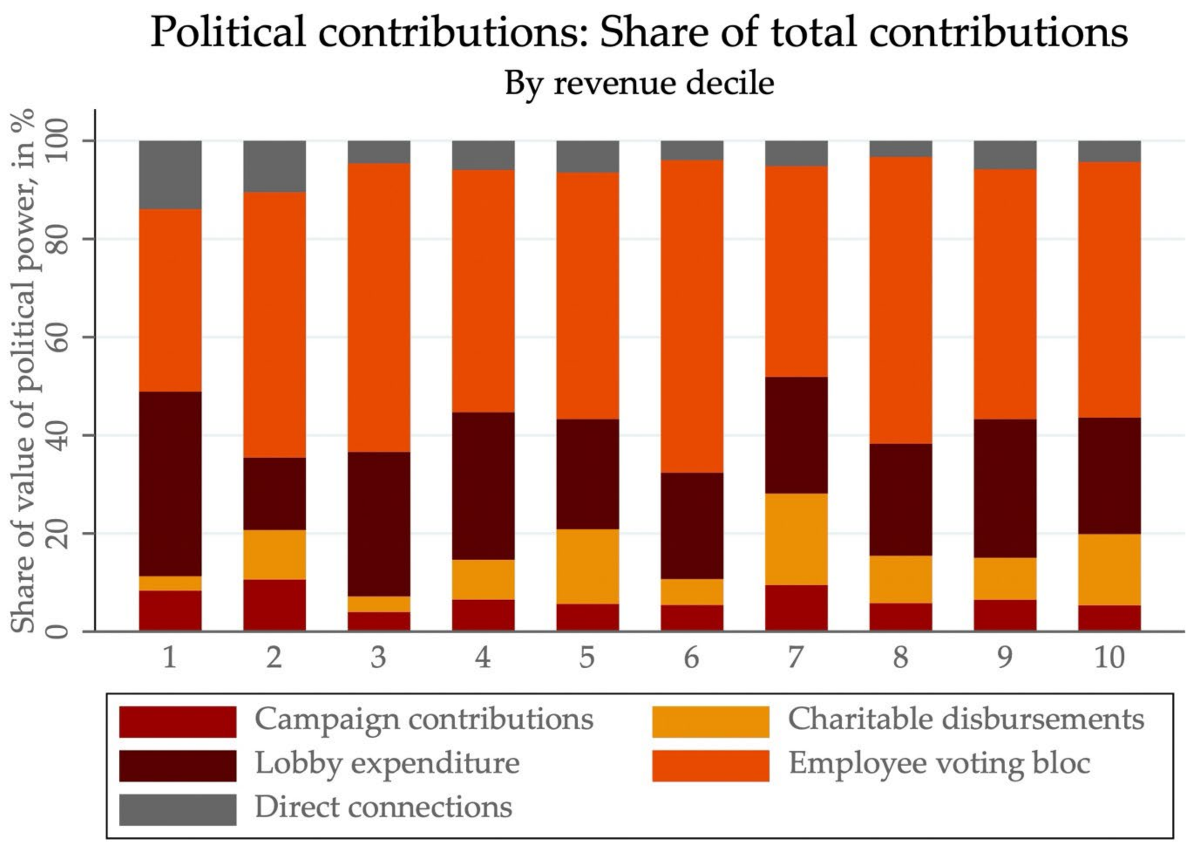


Table 1

	Firm PAC	Firm direct contr.	Employee contr.
Mean	0.191	0.030	0.205
Std. Dev.	0.420	0.202	0.953
Median	0.017	0.000	0.026
90th perc.	0.560	0.005	0.398
99th perc.	2.102	1.009	2.806
	Honeywell Int. (4.14)	AT&T (2.89)	Las Vegas Sands (22.35)
	AT&T (3.12)	Comcast (2.83)	Comcast (4.97)
Top 5 firms	Lockheed Martin (2.78)	Chevron (1.91)	AT&T (3.93)
	Comcast (2.75)	Microsoft (1.23)	Oracle (3.45)
	Northrop Grum. (2.33)	Meta Platforms (1.22)	Microsoft (3.41)

Table 1: Summary Statistics on campaign contributions, average 2015-16

Note: All numbers are in million US$ and refer to averaged values over 2015-16. Firm PAC is the value of firm PAC contributions, from opensecrets.org. Firm direct contr. refers to direct contributions of firms, from opensecrets.org. Employee contr. refers to contributions by firm employees, from opensecrets.org, matched to firms via self-reported employer names.

Table 2

	Political Charitable Giving	Lobbying	Campaign Contributions	Employee voting bloc	Direct connections	**Total value**
Mean	0.867	1.725	0.426	3.648	0.342	7.009
Std. Dev.	3.545	5.092	1.220	11.606	1.006	16.156
Median	0.008	0.200	0.078	1.138	0.000	2.581
90th perc.	1.629	4.620	1.119	7.900	0.844	16.023
99th perc.	22.346	16.885	4.101	40.039	4.400	65.117
Top 5 firms	Goldman Sachs Gr (46.57)	Bank Of America (99.87)	Las Vegas Sands (22.44)	Walmart (257.20)	Northrop Grum. (12.60)	Walmart (293.37)
	Pfizer (35.70)	General Electric Co (40.42)	Comcast (10.54)	Kroger Co (63.63)	Boeing Co (12.25)	Bank Of America (145.14)
	Mastercard (34.60)	Norfolk Southern (24.87)	AT&T (9.94)	United Parcel Serv (54.53)	Jpmorgan Chase (8.92)	United Parcel Serv (87.17)
	Wells Fargo (30.57)	Boeing Co (24.31)	Microsoft (6.02)	Home Depot (53.33)	Lockheed Martin (8.64)	AT&T (72.28)
	Walmart (23.80)	United Parcel Serv (22.67)	Honeywell Int. (5.26)	Target (44.47)	Raytheon Co (5.35)	Home Depot (72.25)

Table 3: Summary Statistics on firms' political footprint, average 2015-16

Note: All numbers are in million US$ and refer to averaged values over 2015-16. *Political charitable giving* refers to the part of charitable (501(c)(3)) giving of firms that is politically motivated, 14.3%, from Bertrand, Bombardini, Fisman and Trebbi (2020) together with Bertrand, Bombardini, Fisman, Hackinen, and Trebbi (2021). *Lobbying* captures direct lobbying expenditures, from LobbyView (Kim 2018). *Campaign contributions* are the sum of PAC giving, direct firm contributions, and employee contributions. *Employee voting bloc* is the number of domestic employees, from Compustat, multiplied by the value of a vote, US$145.6, from Bombardini and Trebbi (2011). *Direct connections* is the value of political connections using effects of revolving door transitions on procurement contract values, from Emery and Faccio (2025).