

BETTING ON THE WRONG HORSE: Lobbying on TPP and the 2016 U.S. presidential election*

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Abstract

Recent trade agreements have moved beyond tariff reductions, encompassing provisions and obligations related to non-tariff issues. These aspects are often seen as the reflection of interest groups, able to manipulate and extract additional rents from the ratification of these agreements. We provide empirical evidence that corporate lobbying on trade agreements matters for corporate profits. We use the historical shock to U.S. trade policy – the non-ratification of the Trans-Pacific Partnership (TPP) – following the unexpected victory of Donald Trump in the 2016 U.S. presidential election. We find that stock prices of companies that lobbied in favor of the TPP underperformed following the election. Lobbying firms displayed four consecutive days of negative returns, compared to the market benchmark that remained positive over the same period. Analyzing the cumulative impact of the shock, we show that this negative effect was persistent, lasting more than 5 weeks. On the intensive margin, we find a strong and positive relationship between the amount spent in lobbying and the cumulative losses of lobbying firms. Finally, by comparing the original TPP agreement with its newer version (CPTPP), we provide evidence that firms' lobbying activity was related to having some specific provisions included in the agreement.

JEL classifications: F13, F14, F61.

Keywords: Trade agreements, lobbying, heterogeneous firms.

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1 Introduction

A major trend has characterized international trade in recent decades: the proliferation of regional trade agreements (RTAs). There are currently more than 300 RTAs in force, with many more being negotiated, most of which take the form of free trade agreements (FTAs).¹ RTAs have not only risen in number but have also become "deeper" over time, often encompassing provisions that go beyond traditional trade policy, such as rules on investment and intellectual property rights (IPR).² A prominent argument is that these rules are needed to promote and facilitate the operation of global supply chains. As pointed out by Baldwin (2011), when firms set up production facilities abroad – or form long-term ties with foreign suppliers – they can gain from trade agreements not only through the elimination of tariffs, but also through the inclusion of provisions that help to protect their tangible and intangible assets in foreign markets. This argument is formalized by Antràs and Staiger (2012), who develop a theoretical model showing that in the presence of offshoring of intermediate inputs deep integration is necessary to achieve internationally efficient policies. More recently, Rodrik (2018) argues that deep trade agreements are "the result of rent-seeking, self-interested behavior on the part of politically well-connected firms – international banks, pharmaceutical companies, multinational firms." Concerns about the influence of powerful multinational corporations have also stirred strong public opposition to recent trade agreements such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP).

We conduct an event study on the 2016 U.S. presidential elections. We study the impact of the protectionist shock in U.S. trade policies – following the unexpected victory of Donald Trump – on firms. In this paper we provide empirical evidence that corporate lobbying on trade agreements matters for corporate profits.

First, using detailed information from lobbying reports available under the Lobbying Disclosure Act of 1995, we construct a dataset that allow us to trace firms' lobbying expenditures on the Trans-Pacific Partnership agreement negotiated by the United States (US). The reports provide information on the identity of the lobbying firm, how much it spent, and whether it supported or opposed the FTA. Our main dataset is based on all reports filed in 2016 that explicitly mention the

¹In the WTO, regional trade agreements are defined as reciprocal trade agreements between two or more partners. They include free trade agreements and customs unions. As of 1 February 2019, 310 RTAs were in force (and all WTO members were part of at least one of them). These correspond to 459 notifications from WTO members, counting goods, services and accessions separately (WTO Secretariat).

²To illustrate the increase in depth of trade agreements, Rodrik (2018) compares US trade agreements with two small nations, Israel and Singapore, signed two decades apart. The US-Israel FTA, which went into force in 1985, is less than 8,000 words in length and contains 22 articles and three annexes, mostly devoted to trade issues such as tariffs, agricultural restrictions, import licensing, and rules of origin. By contrast, the US-Singapore FTA, which went into force in 2004, is nearly ten times as long, taking up 70,000 words and containing 20 chapters, more than a dozen annexes, and multiple side letters; of its 20 chapters, seven cover conventional trade topics, while the others deal with behind-the-border topics. For example, provisions on intellectual property rights (IPRs) take up a third of a page (and 81 words) in the US-Israel agreement. They occupy 23 pages (and 8,737 words) plus two side letters in the US-Singapore agreement.

Trans-Pacific Partnership agreement. We first uncover that virtually all lobbying firms are in favor of the TPP, confirming a result from Blanga-Gubbay *et al.* (2018). We then match our lobbying database with firms' returns in the US stock market, firms' characteristics and their political leaning. We find that stock prices of companies that lobbied in favor of the TPP underperformed following the election. Lobbying firms displayed four consecutive days of negative returns, compared to the market benchmark that remained positive over the same period. Analysing the cumulative impact of the shock, we show that this negative effect was persistent, lasting more than 5 weeks. On the intensive margin, we find a strong and positive relationship between the amount spent in lobbying and the cumulative losses of lobbying firms. Finally, we provide evidence of the determinants of corporate lobbying. Following the withdrawal of the U.S. from the TPP agreement the remaining 11 countries signed a new multilateral agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). We exploit the differences between the two agreements, and more specifically we look at the twenty-two items and provisions included in the original TPP that have been suspended under CPTPP. These items are most likely expression of U.S. firms' interests, given that the 11 remaining countries unanimously suspended them as soon as the U.S. withdrew from the agreement. We show that U.S. firms' probability of lobbying and lobbying expenditure was related to these specific provisions that corporations were able to force into the agreement.

Our analysis is related to two main streams of literature. First, we build on the extensive literature on event studies. Fama *et al.* (1969) conduct the very first event study. They examine the process and speed by which stock prices adjust to new information, concluding that stock markets are efficient in adjusting prices. Many papers have look at political events as the cause of the information shocks to the market. Acemoglu *et al.* (2016) study the effect of the announcement of Timothy Geithner as nominee for Treasury Secretary on firms with which he had a prior connection. They show that personal connections to top executive branch officials matter even in a country with strong institutions. As done by Acemoglu *et al.* (2016), our procedure for calculating abnormal returns follows Campbell *et al.* (1997) market model, to adjust for large movements around the election. In terms of the event study that we conduct, the paper closest to ours is Wolfers and Zitzewitz (2018). They analyse the 2016 U.S. presidential election showing that, during the campaign, the aggregate stock market responded sharply to the odds of a Trump presidency – falling if an event raised the probability of Mr. Trump winning the election, and rising if it reduced his chances. On the other hand, they show that the market closed up on the day after the election, concluding that the market responded to this event – the election of President Trump – quite differently to how the market had thought it would respond. In our paper, by using as treatment group firms that lobbied for the ratification of the TPP agreement, we are able to single out the losers from the presidential election outcome, and find a negative effect on their stock prices.

Our analysis is also related to the literature on the political economy of trade policy, and in particular on those studies focused on the relationship between lobbying and trade policy outcomes.

The workhorse theoretical framework in this area is the protection for sale model of Grossman and Helpman (1994). This model emphasizes the interactions between lobby groups representing industry special interests and an incumbent government: in a perfectly competitive setting, industry lobbies promise campaign contributions to the government as a function of potential trade policies; the government chooses trade policy so as to maximize a weighted sum of campaign contributions and aggregate welfare. We actually depart from this setting, since we focus on firms rather than industries and we observe lobbying expenditures payed ex-ante and not promised contributions payed once the preferred outcome is implemented. In this literature, the papers closest to ours are Rodrick (2018) and Blanga-Gubbay *et. al* (2018). Both papers show that “trade agreements are the result of rent-seeking, self-interested behavior on the part of politically well-connected firms”. The first focuses on “deep” trade agreements, which cover domestic rules, regulations, and standards. The second, applies the same argument to “traditional” trade agreements, which eliminate tariffs among member countries, and shows – theoretically and empirically – that lobbying on FTAs is dominated by a few large firms that engage in exporting and global sourcing, which can greatly benefit from reductions in tariffs on their final goods and inputs. All of these studies have looked at the impact of lobbying on trade policy outcomes. In this paper we assess the impact of trade policies on firms’ expected profits and returns, making use of an unprecedented shock to U.S. trade policies. We use information from the lobbying reports as firms’ revealed preferences over the TPP agreement – both at the extensive and intensive margin – and we find that, following the election of Donald Trump and the certainty of the non-ratification of the Trans-Pacific Partnership, firms that bet on the trade agreement displayed negative returns in the stock market.

The rest of the paper is structured as follows. Section 2 briefly discusses the Trans-Pacific Partnership agreement and the framework of our event study. Section 3 describes the data used in our analysis. In section 4 we present our empirical results. Section 5 discusses the mechanism that drives the results, and concludes.

2 Trade policy and the 2016 US presidential election

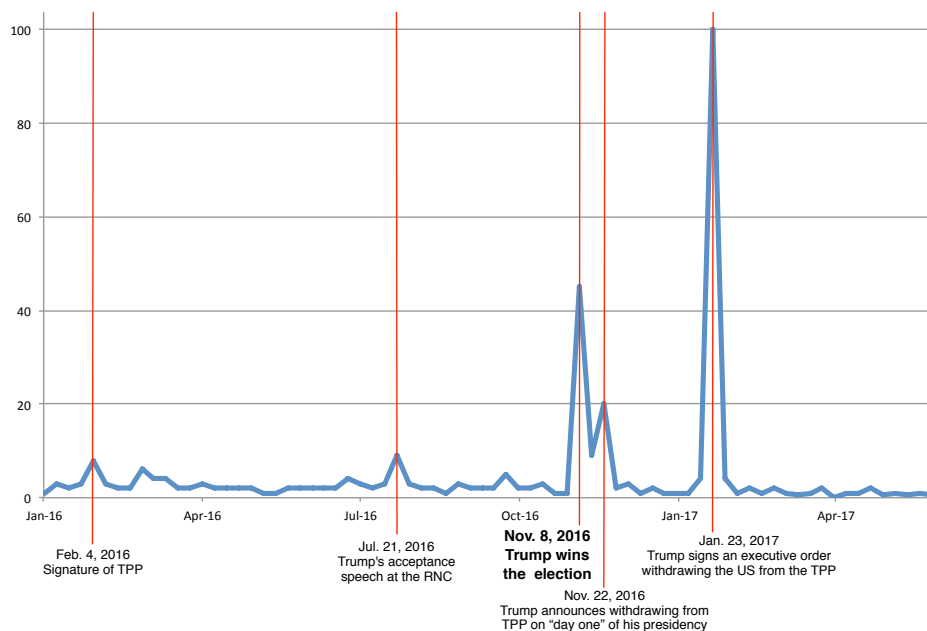
2.1 The Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) was a proposed trade agreement between 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and United States. It was the largest regional trade agreement in history: it encompassed about 800 million people, and participating countries accounted for roughly a quarter of global trade and approximately 40% of the worlds GDP. The TPP was a deep trade agreement. It contained measures to lower more than 18,000 tariffs and non-tariff barriers to trade, and establish an investor-state dispute settlement (ISDS) mechanism. The contents of the TPP went far beyond the standards

drafted by the World Trade Organization. The TPP included new regulation for online commerce, treatment of foreign investors, far more comprehensive protection for intellectual property, labor codes, and an agreement for neutrality regarding state-owned enterprises. The final version of the Trans-Pacific Partnership was drafted on October 5, 2015 and signed by the twelve countries on February 4, 2016.

As all the other trade agreements negotiated by the United States, also the TPP agreement have been negotiated under fast track authority.³ The fast track authority for brokering trade agreements is the authority of the President of the United States to negotiate international agreements that Congress can approve or deny but cannot amend or filibuster. Renamed the trade promotion authority (TPA) in 2002, fast track negotiating authority is an impermanent power granted by Congress to the President. Congress holds primary responsibility for matters dealing with taxation, including tariffs on foreign imports. Indeed, Article 1 of the Constitution gives the legislative branch the power to “regulate commerce with foreign nations ...” (United States Constitution Article I, Section 8, Clause 3). Although Congress cannot explicitly transfer its powers to the executive branch, the TPA has the effect of delegating power to the executive, minimizing consideration of the public interest, and limiting the legislature’s influence over the bill to an up or down vote. In early 2012, the Obama administration indicated that renewal of the authority was a requirement for the conclusion of TPP negotiations. On June 23, 2015 the Senate granted President Obama the trade promotion authority.

Figure 1: Public Interest in TPP led by Donald Trump



Source: Google Trends, Trans-Pacific Partnership queries since 2016)

³Since 1979, the authority has been used for 14 bilateral/regional free trade agreements and one additional set of multilateral trade liberalization agreements under the GATT – the Uruguay Round Agreements Act of 1994. One FTA – the U.S.-Jordan FTA –was negotiated and approved by Congress without TPA.

As shown in Figure 1, public interests on the trade agreement was led by Donald Trump. The figure shows the number of online queries related to TPP since 2016, and except the spike on February 4, 2016 – when the TPP agreement was signed by the 12 Countries – all the other spikes are related to Donald Trump.

In a series of tweets in late April 2015, Trump offered his now-familiar critique of the trade deal, emphasizing it would be bad for U.S. workers and enable other countries to take advantage of the United States. At the same time he harshly criticized Republicans intention to give President Obama fast track authority.

Figure 2: Donald Trump tweets on TPP and Fast Track authority - April 22, 2015



At the first Republican presidential debate – on November 11, 2015 – Trump spoke again against the TPP. He also used the trade agreement to criticize Republican rivals, such as Ohio Gov. John Kasich: “Gov Kasich voted for NAFTA, which devastated Ohio and is now pushing TPP hard – bad for American workers” (March 14, 2016) At a campaign rally in Ohio on June 6, 2016 Trump – now the presumptive Republican nominee – offered his harshest criticism of TPP yet, calling it a rape of the United States and blaming special interests: “The Trans-Pacific Partnership is another disaster done and pushed by special interests who want to rape our country, just a continuing rape of our country. Thats what it is, too. Its a harsh word: Its a rape of our country.”

Following his official nomination as Republican presidential candidate, Donald Trump used the TPP agreement to attack the Democratic presidential candidate Hillary Clinton. During the first presidential debate Trump directly attacked Clinton on her position on the trade agreement: “You [H. Clinton] called it the gold standard of trade deals. You said its the finest deal youve ever seen”

(September 26, 2016). Even if Democratic presidential candidate Hillary Clinton tried to distance herself from TPP, her position on the agreement was less clear. On July 26, 2016 Virginia governor Terry McAuliffe (Dem.), a long-time Clinton family friend, told the web site Politico this week that a President Clinton will support and pass the TPP if elected president.⁴ Republican presidential candidate Donald Trump tweeted the news right away.

Figure 3: Donald Trump tweets on Hillary Clinton and TPP - July 27, 2016



Finally on October 7 2016, just one month prior the presidential elections, WikiLeaks released 19.000 emails of John Podesta – Clinton campaign chairman – revealing Clintons unclear stance on the TPP agreement. Ahead of the election, Trump repeatedly made the suggestion that Clinton planned to stay in the TPP if elected.

Figure 4: Donald Trump tweets on Hillary Clinton and TPP - November 2, 2016



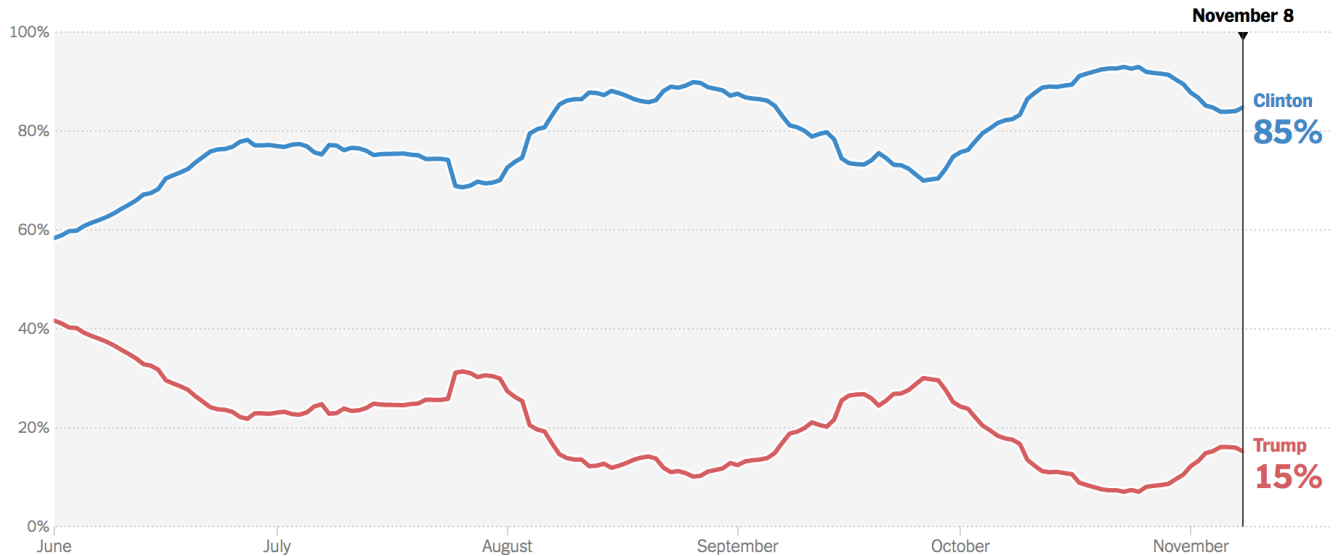
⁴“Clinton friend McAuliffe says Clinton will flip on TPP” POLITICO - July 26, 2016. Source: [https://www.politico.com/story/2016/07/terry-mcauliffe-hillary-clinton-tpp-trade-226253](\"https://www.politico.com/story/2016/07/terry-mcauliffe-hillary-clinton-tpp-trade-226253\")

2.2 The election as a stock market event

2.2.1 Election Forecasts

Most of the election model suggested that Hillary Clinton was favored to win the presidency. The New York Times estimates (Figure 5), based on state and national polls, forecasted the Democratic candidate's chance of winning constantly above 60% from June 2016 onward.

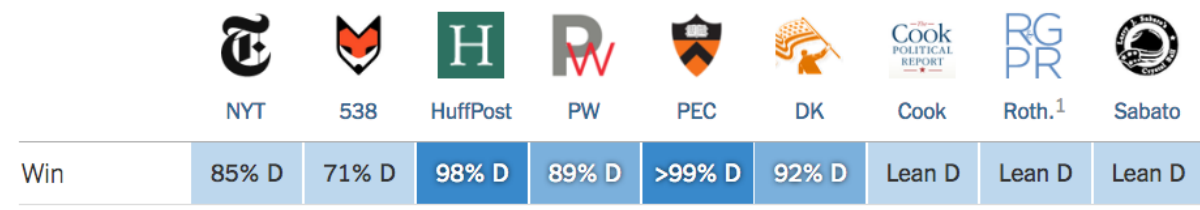
Figure 5: US Presidential Election Estimates - Chance of Winning



The New York Times – TheUpshots (see <https://www.nytimes.com/interactive/2016/upshot/presidential-polls-forecast.html>)

At the eve of the November 8, 2016 presidential election, The New York Times predicted that Hillary Clinton had an 85% chance to win. The New York Times is one of many news organizations to publish election ratings or forecasts. Some, like FiveThirtyEight or the Princeton Election Consortium, use statistical models; others, like the Cook Political Report, rely on reporting and knowledgeable experts opinions. PredictWise uses information from betting markets. Disregarding from the methodology used, all of the forecasters gave very similar forecasts (Figure 6).

Figure 6: Forecasts at the eve of the election



2.2.2 Betting on the Wrong Horse

We use the 2016 US presidential election to structure our event study as follow:

1. Firms reveal their preferred trade policy outcome by lobbying on the TPP agreement. Market participants form positive expectations about firms future gains from the ratification of the trade agreement, and start to internalize them.
2. Donald Trump is very vocal against the TPP, but all major forecasts underestimate his chances to win. Market perception of firms future profits from TPP does not change.
3. Donald Trump wins the election. Investors internalize the fact that the agreement will not be ratified, and update their expectations about future profits of lobbying firms downwards.

3 Data

3.1 Lobbying on trade

We construct a novel dataset on lobbying expenditures that allows us to trace the payments firms make to influence the passage of the Trans-Pacific Partnership. We compile this dataset using the lobbying reports available under the Lobbying Disclosure Act (LDA) of 1995. This Act requires individuals and organizations to provide information on their lobbying activities at the federal level. Such activities generally encompass all efforts to influence the thinking of legislators or other covered federal officials for or against a specific cause. They include lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research and other background work. All lobbyists have to file semi-annual reports to the Secretary of the SOPR, listing the name of each client (firm) and the total income they have received from each of them. All firms with in-house lobbying departments are required to file similar reports stating the total dollar amount (i.e., both for in-house and outside lobbying) they have spent. Semi-annual lobbying disclosure reports can be found on the website of the Center for Responsive Politics (CRP) and in the Senate's Office of Public Records (SOPR). Starting from 2008, following the Honest Leadership and Open Government Act of 2007, lobbying reports are filed electronically at the quarterly level.

Earlier empirical studies on the political economy of trade policy use data on campaign contributions to classify sectors into politically organized or not (e.g. Goldberg and Maggi, 1999; Gawande and Bandyopadhyay, 2000). There are two key advantages of using lobbying reports. First, data on lobbying expenditures allows us to directly trace the issues targeted by lobbyists, which is not possible for data on contributions. This is because the Lobbying Disclosure Act of 1995 requires the disclosure not only of the amounts actually received/spent, but also of the issues for which lobbying is carried out.⁵ Second, lobbying expenditures are the most important channel

⁵When filing its report, a firm has to choose the issue(s) it lobbied on from a list of 76 general issues (trade being one of them), and must indicate at least one specific issue (e.g. ratification of a particular trade agreement).

of political influence, more than ten times larger than PAC contributions (see Figure A-1 in the Appendix).

Our main sample is based on all reports filed by firms in 2016 that explicitly mention the Trans-Pacific Partnership agreement.⁶ Following more than 5 years of negotiations, on February 4, 2016 Obama signed the TPP deal in Auckland, together with the representatives of the other 11 countries involved. Focusing on lobbying reports filed in 2016 allows us to focus on the final version of a trade agreement, and examine whether firms lobby in favor or against its implementation.⁷

Each report in our dataset provides information on the identity of the lobbying firm and the amount of expenditures on a specific trade agreement. A firm can lobby directly (through its own lobbying department) or indirectly (through a lobbying company).⁸

The LDA requires organizations that employ lobbyists to register with the federal government and to disclose their lobbying expenditures on a regular basis, and imposes significant civil and criminal penalties for violations of its requirements. Section 4 of the LDA requires all organizations to register if they want to be involved in lobbying activities.⁹ Section 5 of the LDA specifies the criteria for reporting lobbying expenditures and requires all firms/lobbying firms to report their lobbying expenditure every quarter, even if they are below \$5,000.¹⁰

To link the expenditures to a particular agreement, we use information contained in Sections 15 and 16 of each report, in which firms have to declare the general and specific issues to which their lobbying activities are associated. All the reports in our main sample mention trade as a general issue and the Trans-Pacific Partnership agreement as a specific issue. Given that individual firms tend to file multiple reports on the same agreement, we then sum up the amounts each firm spent in a given year on a particular agreement. The variable $Lobbying\ Expenditure_{f,k}$ is the amount (in US dollars) that firm f , in sector k , spent on the ratification of the agreement.

Figures A-2 in the Empirical Appendix provides an example of a lobbying report. This was filed by Qualcomm in the first quarter of 2016. The firm reports having spent \$1,730,000 lobbying on the ratification of the Trans Pacific Partnership. The same firm filed three other reports on the same issue in 2016, spending a total of \$5,560,000 on TPP.

⁶To try to collect all the lobbying reports related to the Trans-Pacific Partnership, we had to use several different keywords: Trans-Pacific Partnership, Transpacific Partnership, TPP

⁷The TPP agreement has been negotiated under Fast Track Authority, which implies that US congressmen cannot amend it, but can only vote up or down on its ratification.

⁸In the first case, the firm reports its name and address in Sections 1-2 of the report and the amount of the lobbying expenses in Section 1-3. In the second case, the registrant is the lobbying firm, which reports the amount received by the firm as income in Section 1-2. Direct lobbying is the prevalent mode: in more than 60% of the cases, firms use their own lobbying department to influence the ratification of FTAs; in the remaining cases, they use lobbying firms (32.92%) or combine the two modes (6.83%). There is no evidence that firms coordinate their lobbying efforts by using the same lobbying firm.

⁹An organization whose employees engage in lobbying activities on its own behalf has to register if its overall lobbying expenses (not on a specific issue) during the quarter exceed \$10,000. In the case of lobbying firms, they have to register if their total income for matters related to lobbying activities on behalf of a particular client exceeds \$2,500. The LDA also specifies that, if a lobbying firm represent many companies on the same issue, the client (to which the \$2,500 registration threshold applies) is “the coalition or association and not its individual members.”

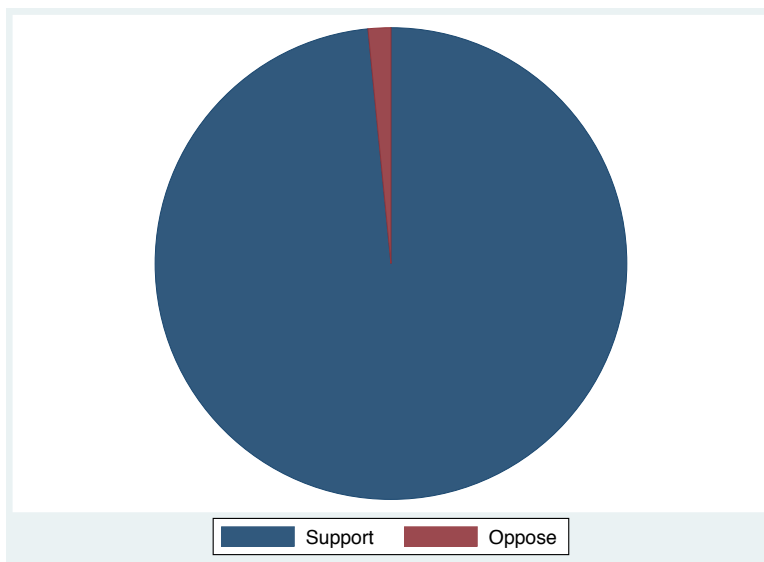
¹⁰In this case, they do not have to specify the exact amount. In our lobbying dataset, there are a few firms/lobbying firms reporting lobbying expenditures of “less than \$5,000” in one quarter.

Our main lobbying database contains 1,041 reports related to the ratification of TPP, which were filed by 276 firms in 2016. We collapse the data at the firm level. Table A-1 provides some descriptive statistics at the firm level on lobbying expenditures, number of reports filed, and mode of lobbying. On average, individual firms spent \$1,690,042 on the ratification of a FTA. Firms usually lobby on the agreement more than once: the average number of reports filed by firms in 2016 on TPP is 3.77. In most cases, firms lobby directly: in 53.62% of the cases the registrant is the firm. In the remaining cases, firms use a lobbying firm (40.94%) or combine the two lobbying modes (5.79%).

To determine whether the lobbying firm supported or opposed the agreement, we use the information contained in Section 16 of the report. For example, the report by Qualcomm mentioned above states that the firm lobbied in “Support for Trans Pacific Partnership.” When information on the firm’s position is missing, the coding is based on official statements (e.g. company websites, public statements).

We were able to code the position of the firm in 93.8% of the cases. We uncover that virtually all firms for which we could sign the position on the FTA lobbied in favor of the agreement. This result is in line with the one in Blanga-Gubbay *et. al* (2018).

Figure 7: Firms position on the TPP agreement



This figure is based on all lobbying reports filed by firms in 2016, which mention the Trans Pacific Partnership agreement.

3.2 Firm characteristics

We match our lobbying database with firm’s stock market returns using firms’ ticker symbols. More than 80% of the lobbying firms are listed in the US stock market. Among the unmatched lobbying firms are some of the largest privately held companies of the United States.¹¹ The high share of listed firms among lobbying firms is not surprising given that lobbying is a rare event and only the largest firms self-select into lobbying activity. Recent studies have shown, in fact, that lobbying firms are larger than non-lobbying firms (Bombardini, 2008; Blanga-Gubbay *et. al*, 2018; Huneus and Kim, 2018), and that they differ on many other dimensions. To take into account for these differences, we collect additional information about lobbying and non-lobbying firms from Yahoo Finance. Moreover, in order to have more homogeneous treatment and control groups, we restrict our analysis only to firms that in 2016 were in the S&P 500.¹² Our final sample is then characterized by the 510 firms, 108 of which lobbied in favor of the Trans Pacific Partnership, and 426 did not lobby on the trade agreement.

Table 1

Lobbying on TPP	S&P 500	
	No	Yes
No	1923	402
Yes	34	108
Total	1957	510

Finally, given that our study is based on a political event, we need to control also for the political leaning of the firms. We collected firms’ campaign contributions to the 2016 presidential election from the Center for Responsive Politics (<http://www.OpenSecrets.org>). We construct two different variables. *Pro Republicans_f* is a dummy equal to one if between 2015 and 2016 firm *f* payed more campaign contributions to the Republicans than to the Democrats. Since firms usually contribute to both political parties (but in different shares), we construct a variable accounting for the net contribution to the Republicans; *Contributions to Republicans_f* is the difference between the campaign contributions that firm *f* payed to Republicans and Democrats in 2015 and 2016 (in million of \$). Negative values of the variable imply that firm *f* payed more campaign contributions to the Democratic party, while positive values of the variable mean that firm *f* contributed more to the Republican party.

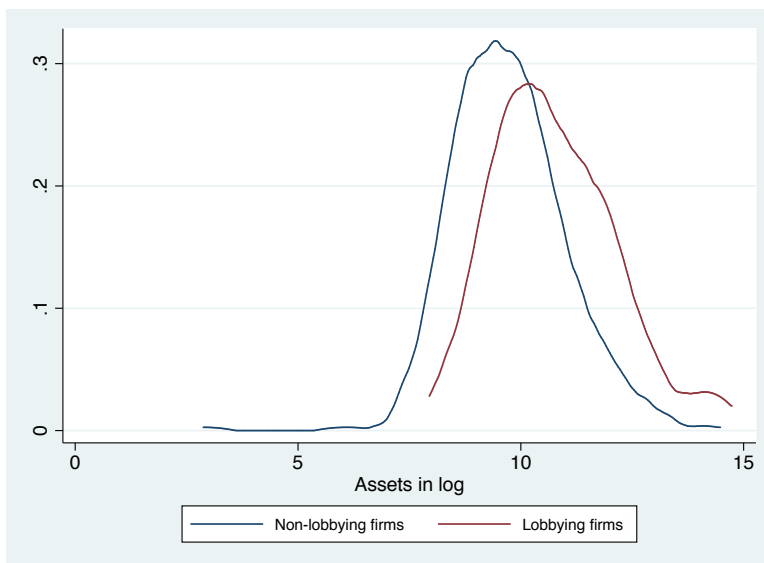
¹¹For example, the unmatched firms include Koch Industries, Mars Inc., and Bechtel Group, which are respectively the 2nd, 3rd and 5th largest private companies in the United States.

¹²The S&P 500 (Standard & Poor’s 500), is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

3.3 Summary statistics

Even when restricting our sample group to S&P 500 firms, we find that lobbying firms are larger than non-lobbying firms. Figure 8 shows that the distribution of assets of lobbying firms is shifted to the right relative to the distribution of firms that do not lobby (the same holds when looking at the distribution of firms' revenues). This systematic difference between lobbying and non-lobbying firms is consistent with similar findings in the lobbying literature (e.g. Bombardini, 2008; Blanga-Gubbay *et al.*, 2018; Huneeus and Kim, 2018).

Figure 8: Assets distribution (lobbying vs non-lobbying firms)



The figure plots the log of $Assets_f$ for lobbying and non-lobbying firms.

Even in terms of campaign contributions, firms that lobbied on TPP differ from firms that did not lobby on the agreement. Lobbying firms spend more campaign contributions in total, Figure 9 shows that the distribution of total campaign contributions of lobbying firms is shifted to the right relative to the distribution of firms that do not lobby.

On the other hand, as shown in Figure 10, both groups contribute to both political parties. Figure 10 plots the difference between the campaign contributions that firm f payed to Republicans and Democrats in 2015 and 2016 (in million of \$) for lobbying and non-lobbying firms. Since non-lobbying firms pay less campaign contributions, their distribution is more concentrated around the zero; lobbying firms distribution has fatter tails instead. From Figure 10 we can see also that Republicans receive more campaign contributions. The distribution for both lobbying and non-lobbying firms is not centered in zero, but to the right of it.

Figure 9: Campaign Contributions

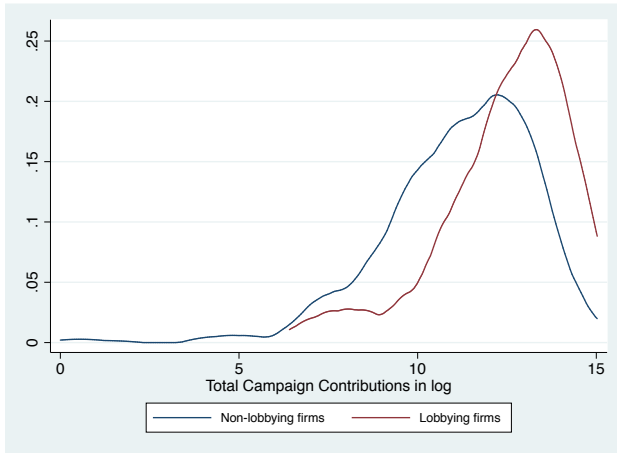
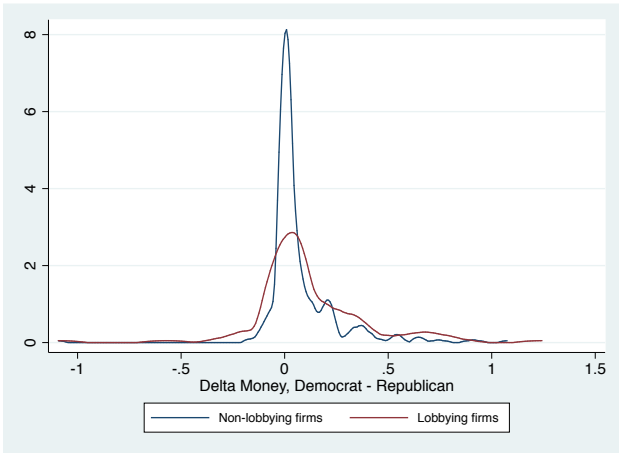
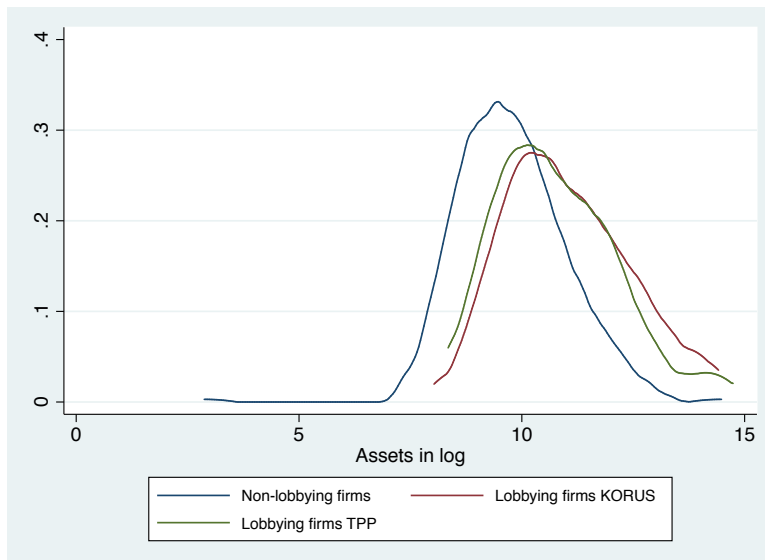


Figure 10: Delta Contributions



Finally, we run robustness checks of our specifications on a restricted sample of firms. Given that lobbying is a rare event and firms self-select into lobbying, we want to be sure not to capture this effect in our analysis. We run the same regressions on a subsample of firms that in 2011 lobbied for the US-Korea Free Trade Agreement (KORUS). This agreement was the biggest trade deal that the United States ratified since the NAFTA agreement. All the firms in this restricted sample are politically connected, meaning that they know how to lobby and that they already lobbied on a trade agreement in the past. The drawback is that the sample size is much smaller. Figure 11 shows that the distributions of assets for firms that lobbied on KORUS and on TPP overlap, and they are shifted to the right relative to the distribution of assets of firms that did not lobby on either of the two trade agreements. Table A-2 in Appendix reports the means of firms' characteristics of pro TPP firms and the two different market control group (S&P 500 firms and KORUS firms).

Figure 11: Assets distribution (lobbying vs non-lobbying firms)



4 Empirical results

In this section we show the results of our specifications. In Section 4.1 we show results for our baseline specification on daily and abnormal returns. Stock prices of companies that lobbied in favor of the TPP underperformed following the election: lobbying firms displayed four consecutive days of negative returns, compared to the market benchmark that remained positive over the same period. In Section 4.2 we analyse the cumulative impact of the shock, and show that this negative effect was persistent, lasting more than 5 weeks. Moreover, on the intensive margin, we find a strong and positive relationship between the amount spent in lobbying and the cumulative losses of lobbying firms. Finally, in Section 4.3 we show that there is no effect on the day of actual withdrawal from the agreement, which is in line with the efficient market hypothesis. Because there were large market movements during the event window, it is important to also calculate abnormal returns for the event days. Our procedure for calculating abnormal returns follows Campbell *et al.* (1997). We first regress firm returns R_{it} on the S&P 500 index (R_{mt}) in a pre-event period $t = \{-280, -30\}$ ¹³

$$R_{it} = \alpha_i + \beta_i R_{mt} + \epsilon_{it}$$

We then recover $\hat{\alpha}_i$ and $\hat{\beta}_i$ for each stock and compute abnormal returns

$$AR_{it} = R_{it} - \hat{R}_{it} = R_{it} - [\hat{\alpha}_i + \hat{\beta}_i R_{mt}]$$

Finally, the cumulative abnormal returns from day 0 through n are defined by:

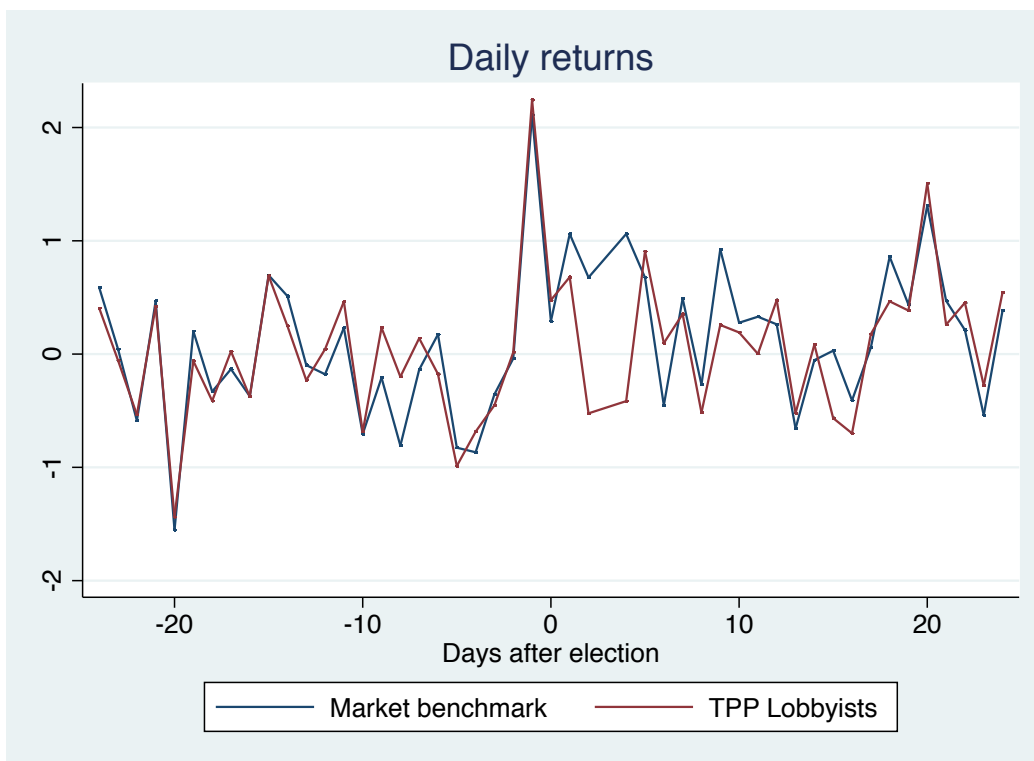
$$CAR[0, n]_i = \sum_{t=0}^n AR_{it}$$

4.1 Daily returns

In our baseline specification we look at daily returns of firms that lobbied on the TPP agreement compared to the market benchmark (S&P 500 firms). Figure 12 gives already a visual interpretation of the results. Firms that supported the Trans Pacific Partnership displayed four consecutive days of negative returns, compared to the market benchmark that remained positive over the same period. This result still holds when looking at a day-by-day regression, controlling for the political leaning of the firms, and using SIC 2 digit fixed effects.

¹³Although there is no generally agreed-upon length for the estimation window, a length of 250 days corresponds to roughly one year of trading and has been used in other studies such as Jayachandran (2006) and Li and Lie (2006).

Figure 12: U.S. Stock Prices around November 8, 2016



Our baseline specification is a diff-in-diff regression on an event window from January 2016 to one week (5 working days) after November 8, 2016 – the day of the US presidential election. After centering the election day at $t = 0$, we regress stock market returns R_{it} (daily returns and abnormal returns) on our treatment $Lobby_i$ ¹⁴

$$R_{i,t} = \beta Lobby_i + \gamma Election_t + \delta Lobby_i * Election_t + \alpha_i + \tau_t + \varepsilon_{i,t}$$

we measure our treatment $Lobby_i$ in two different ways: $ProTPP_i$ which is an indicator equal to 1 if firm i lobbied in favor of the TPP agreement, and $ExpenditureTPP_i$, the \$ amount of lobbying expenditure of firm i on TPP. $Election_t$ is an indicator equal to 1 for $t > Nov.8$. And α_i and τ_t are respectively firm and time fixed-effects, in order to absorb any other firms specific characteristic influencing the market returns, and any additional time trend.

The results of the daily returns regression are reported in Table 2. We run the same regression including also campaign contributions, in order to account for the political leaning of the firms. The results are very similar to the baseline specification, and are reported in Table A-3 in Appendix. In Column (1) we report the coefficient of our baseline specification. Firms that lobbied for the trade

¹⁴Figure A-3 in Appendix gives visual evidence of the common trends assumption. We show the daily and average weekly differences in firms stock returns between lobbying and non lobbying firms. The daily difference in stock returns ranges between -0.35 and +0.32 percentage points, the weekly difference is between -0.14 and +0.18. Following the 2016 presidential election, the daily difference in returns jumped to -1.55 percentage points, and the average weekly difference was of about -0.75 percentage points. Following the shock the two series start to comove again.

agreement have a negative, and statistically significant, impact on their market returns compared to the market control (the other S&P 500 firms that did not lobby on TPP), even when controlling for firms and time fixed-effects.

In order to control for self-selection into lobbying, in Column (2) we run the same regression on a subsample of S&P 500 firms that in 2011 lobbied in support of the US-Korea Free Trade Agreement (KORUS). All the firms in this restricted sample – both the treated and the control groups – are politically connected, meaning that they know how to lobby, and that they already lobbied on a trade agreement in the past. Even when running the regression on this smaller subsample of politically connected firms, we see that the coefficient for lobbying in favor of the TPP agreement is negative and significant.

In Column (3) and (4) we run the same regression on our alternative treatment, $ExpenditureTPP_i$. As before, the coefficient we are interested in is δ , which measure the effect of our treatment $Lobby_i$ interacted with the $Election_t$ dummy.

Table 2

	(1) Daily returns	(2) Daily returns	(3) Daily returns	(4) Daily returns
T	2.149*** (0.3767)	1.964** (0.6081)	2.143*** (0.3758)	1.776** (0.6432)
Pro TPP	-0.049 (0.0461)	0.042 (0.0324)		
Pro TPP*T	-0.622** (0.2553)	-0.564** (0.1749)		
ExpenditureTPP			-0.004 (0.0032)	0.003 (0.0025)
ExpenditureTPP*T			-0.043** (0.0180)	-0.022* (0.0104)
Sample	S&P 500	KORUS	S&P 500	KORUS
Fixed Effects	Firm + Day	Firm + Day	Firm + Day	Firm + Day
S.E. cluster	SIC 1d	SIC 1d	SIC 1d	SIC 1d
N	107823	11359	107823	11359
R ²	0.255	0.375	0.255	0.375

Again, as expected, looking at Column (3) we can see that the coefficient of the interaction between $ExpenditureTPP_i$ and $Election_t$ is negative and significant at the 5% level. When we restrict our sample to firms that lobbied on KORUS (Column (4)), the coefficient is still negative and significant at the 10% level.

In order to analyse sectoral differences in the response to the trade shock, we run the same regression also by SIC division. Results are reported in Table A-4 in Appendix. The table shows that even within Manufacturing, Services and Wholesale/Retail lobbying firms underperformed

following the election of President Trump: the coefficient of the interaction term is negative and significant. We don't see any effect for the Financial sector.

4.2 Cumulative abnormal returns - The intensive margin

In this subsection we investigate two additional features of our event study: the persistence of the negative shock and the impact of it on the intensive margin. From Figure 13 we can already see that the cumulative impact of the shock was persistent, lasting more than 30 working days, or 5 weeks.¹⁵

Figure 13

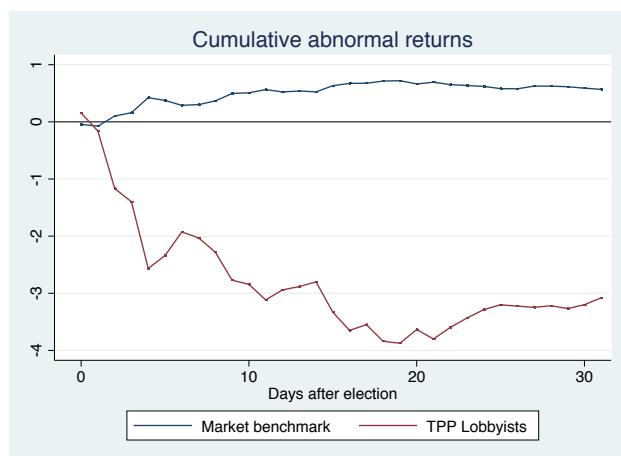
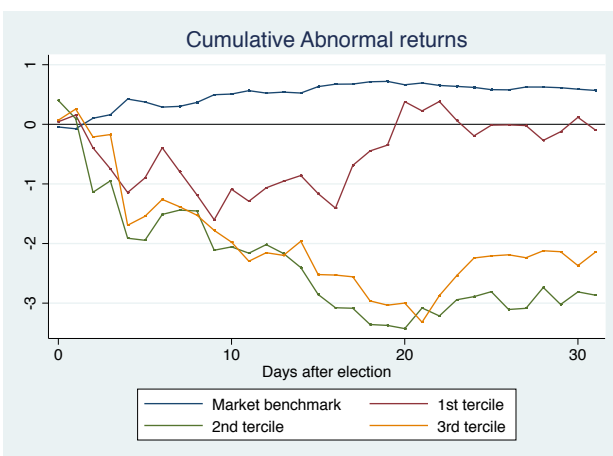


Figure 14



In Figure 14 we divide lobbying firms in three different categories, according to the total lobbying expenditure in favor of the ratification of the TPP agreement. We can see that firms in the first tercile of the lobbying expenditure distribution – firms that spent less lobbying on TPP – experience the smaller losses, and recover quickly from the shock: after 20 days the cumulative abnormal returns are again positive. Firms in the second and third terciles of the lobbying expenditure distribution are the ones driving the effect, suggesting a correlation between lobbying expenditure and market losses.

We then regress the CAR_i (the cumulative abnormal returns of firm i), on $Lobbying\ expenditures_i$, the amount spent by firm i in year 2016 in support of the TPP agreement (in millions of \$), and $Contributions\ to\ Republicans_i$, the net campaign contributions (in millions of \$) paid by firm i to the Republicans between 2015 and 2016. We control also for other firms characteristics that could have some effect on the relationship between lobbying and returns like size and profitability. Table 3 reports the results for this regression. In the different columns of the table we report results for different lengths of the event window to see how long lasted the effect.

The results strongly confirm our expectations. $Lobbying\ expenditures_i$ is negative and significant in all the columns of Table 3. This result confirms that the more firms spent in support of

¹⁵Stock markets are closed on Saturdays and Sundays, hence 30 days from the presidential election correspond to almost 6 weeks.

the TPP the higher were their cumulative abnormal losses in the stock market. At the same time we see that *Contributions to Republicans_i* is positive and significant, in line with the assumption that there is a positive correlation between the political leaning of a firm and the positive gains that generates when the supported party wins the elections.

Table 3

	CAR(1 day)	CAR(4 days)	CAR(1 week)	CAR(3 weeks)	CAR(5 weeks)
Lobbying expenditures	-0.326** (0.14)	-1.183*** (0.28)	-0.872*** (0.23)	-0.805*** (0.23)	-0.744*** (0.27)
Contributions to Republicans	0.003*** (0.00)	0.015*** (0.00)	0.011*** (0.00)	0.012*** (0.00)	0.012*** (0.00)
Size	Yes	Yes	Yes	Yes	Yes
Profitability	Yes	Yes	Yes	Yes	Yes
Leverage	Yes	Yes	Yes	Yes	Yes
Division FE	Yes	Yes	Yes	Yes	Yes
Observations	383	383	383	383	383
R ²	0.095	0.223	0.211	0.216	0.154

Standard errors in parenthesis clustered at the SIC1 level. Significance levels: *, 10%; **, 5%; ***, 1%.

In the five columns of Table 3, we report results for different lengths of the event window to show that the effects were not quickly reversed. In fact we can see that the coefficient of *Lobbying expenditures_i* is still negative and significant at the 1% level 5 weeks after the election. By comparing the coefficients of *Lobbying expenditures_i* across columns we can see that the higher coefficient is for the 4 days cumulative abnormal returns specification (Column (2)). This again is in line with our previous result that showed that firms that lobbied on TPP experiences 4 consecutive days of negative returns. If we recall Figure 12, after these 4 days of negative returns, the daily returns of lobbying firms jumped-up again and then started to co-move with the market benchmark. This jump absorbed partially the negative effect, we can see this by comparing Column (2) and Column (3) coefficients, respectively 4 days and 1 week cumulative abnormal returns after the election. The size of the coefficient in Column (3) is smaller than in Column(2) and continues to shrink over time (Column (4) and (5)) but it stays negative and significant at the 1% across all the different specifications.

4.3 Withdrawal from TPP

Donald Trump repeated many times, both during the electoral campaign and after he became the President Elect, that withdrawal from TPP was one of his top-one priorities. On November 22, 2016, two weeks after the election, he announced in an interview that withdrawing from TPP would have been his “day one” act in his presidency. On January 23 Trump issued a presidential memorandum for the United States to withdraw from the Trans-Pacific Partnership negotiations and agreement, following up on the promise made during and the campaign and after the election. We want to see if this event had an impact on the returns of lobbying firms, or if the effect was already anticipated and internalized following the elections.

Table 4 reports coefficients of a day-by-day regression for 10 days starting from the Swearing-

in Ceremony of President Donald Trump (January 20, 2017). In line with the efficient market hypothesis, we find no impact on the day of the actual withdrawal, meaning that the market already internalized the negative impact of the withdrawal following the unexpected result of the presidential election.

Table 4
Daily returns of S&P 500 firms

	Jan. 20	Withdrawal	Jan. 24	Jan. 25	Jan. 26	Jan. 27	Jan. 30
Lobbying	-0.086 (0.1238)	0.213 (0.2311)	0.005 (0.1575)	0.300 (0.1914)	-0.011 (0.2725)	-0.056 (0.1807)	-0.295 (0.2174)
Pro Republicans	0.037 (0.1165)	-0.204 (0.2174)	-0.071 (0.1481)	-0.414** (0.1801)	0.310 (0.2564)	0.056 (0.1700)	0.421** (0.2045)
SIC 2 Digit FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	464	464	464	464	464	464	464
R ²	0.119	0.276	0.232	0.220	0.177	0.155	0.127

Standard errors in parenthesis clustered at the SIC1 level. Significance levels: *, 10%; **, 5%; ***, 1%.

4.4 Determinants of Corporate Lobbying

In the previous subsections we showed how market returns of lobbying firms were affected by the unforecasted victory of Donald Trump at the 2016 U.S. presidential election. In this subsection we analyse, instead, what were the determinants of corporate lobbying. Rodrik (2018) argues that deep trade agreements are “the result of rent-seeking, self-interested behavior on the part of politically well-connected firms – pharmaceutical companies, multinational firms”, namely firms that are able to manipulate and extract additional rents from the ratification of these agreements. To study that we can investigate if lobbying expenditure by U.S. corporations was related to specific provisions that these firms were able to force into the agreement.

Usually, in the context of a multilateral trade agreement, it is very hard to argue which country pushed for specific provisions to be included in the FTA. The same is true for the TPP, since 12 countries were involved in the negotiation of the agreement. Nevertheless, we can exploit the fact that following the U.S. withdrawal from the TPP, the remaining 11 original TPP signatories agreed to revive it. From these negotiations a new trade agreement originated, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP11 or TPP-11.

The CPTPP incorporates most of the TPP provisions by reference – about two-thirds of the provisions in the signed CPTPP are identical to the TPP draft at the time the United States left the negotiating process – however, twenty-two TPP provisions that were priorities of the United States but not other negotiating partners were suspended or modified from the signed CPTPP. They include provisions in the areas of investment, intellectual property, and pharmaceuticals. Among the suspended provisions are: term of protection for copyright and related rights (Article: 18.63), patent term adjustment for unreasonable curtailment (Article 18.48), technological protection measures

(Article 18.68), protection of encrypted program-carrying satellite and cable signals (Article 18.79).

We link these provisions pushed by U.S. corporations to the sectors that were more protected, or that were benefitting the most, by their inclusion in the FTA. We construct a variable *TPP provisions* equal to 1 if a sector had a specific provision in the TPP agreement, then suspended under the CPTPP. We construct also two variables to capture sectoral variation in terms of the potential gains firms can derive from the reductions in tariffs from the TPP agreement. The source of the tariff data is the World Integrated Trade Solution (WITS) database. We use the Effectively Applied Tariff, which is defined as the lowest available tariff, i.e. Most Favored Nation (MFN) or preferential.¹⁶ *Pre-agreement Export tariff* is the tariff faced by US producers when exporting to the TPP partners, before the ratification of the agreement. *Pre-agreement Import tariff* is the tariff faced by US producers when importing their inputs from the TPP partners. To identify the relevant inputs, we use input-output data from the Bureau of Economic Analysis (BEA).¹⁷ For every firm we focus on its top 100 inputs as ranked by the IO coefficients (as in Alfaro et al., 2018), and collect data on the pre-agreement tariffs applied by the US on imports of these goods. The variable is constructed as a weighted average of the tariffs applied on the top 100 inputs, using the IO coefficients as weights.

We estimate if firms' lobbying activity was related to the suspended provisions and to the reduction in export and import tariffs. Results are reported in Table 5

Table 5

	(1) pro TPP	(2) pro TPP	(3) pro TPP	(4) Expenditure	(5) Expenditure	(6) Expenditure
TPP provisions	1.388*** (0.1888)		1.407*** (0.2567)	6.071*** (0.8005)		5.341*** (0.9379)
Pre-agreement Export tariff		0.084* (0.0453)	0.118** (0.0572)		0.337* (0.1676)	0.355** (0.1622)
Pre-agreement Import tariff		0.145* (0.0614)	0.218*** (0.0595)		0.522** (0.2289)	0.780*** (0.1975)
Firm characteristics	Yes	Yes	Yes	Yes	Yes	Yes
S.E. cluster	SIC	SIC	SIC	SIC	SIC	SIC
N	151521	62685	62685	151521	62685	62685
Pseudo R ²	0.238	0.240	0.383			
R ²				0.279	0.315	0.443

In Column (1) to (3) of Table 5 we estimate a probit regression model. The dependent variable is *pro TPP*, a dummy equal to 1 if the firm lobbied in favor of the TPP agreement. The probability

¹⁶Using Effectively Applied Tariffs is key when looking at the pre-agreement tariffs applied by the United States to imports from FTA partners. In several cases, producers in these countries were already able to export at preferential (i.e. GSP) rates before the agreement.

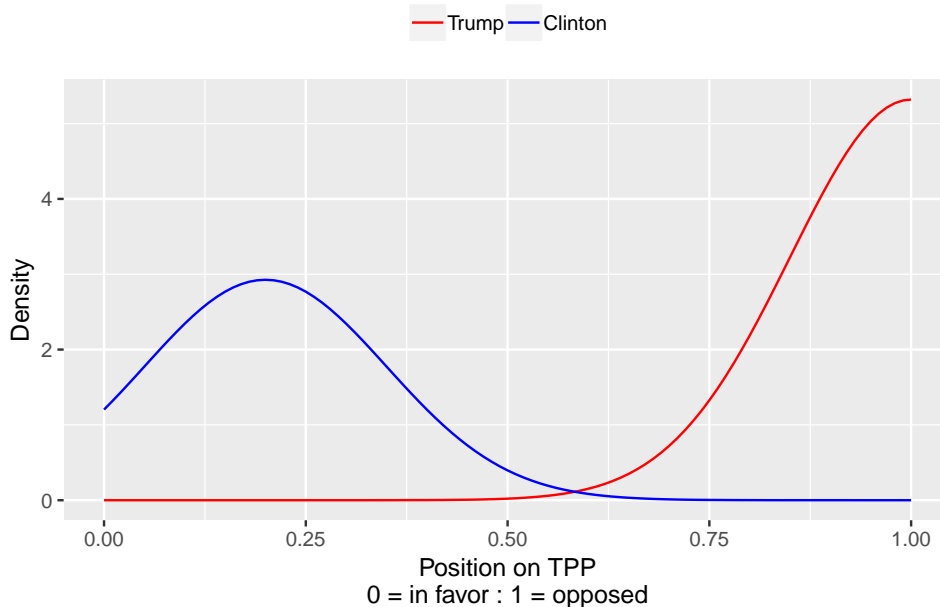
¹⁷For every pair of industries, i, j , the input-output accounts provide the dollar value of i required to produce a dollar's worth of j .

of a firm lobbying increases in having a specific provision included in the agreement, and in the reduction in export and import tariffs. We run also an OLS regression to see if firms' lobbying expenditure is correlated to the suspended provisions and the tariff reduction. Column (4) to (6) of Table 5 confirm that firms spent more money in favor of the TPP agreement if they were able to push some specific provision in the trade agreement, and the higher was the potential reduction in the export and import tariffs.

5 Conclusion

Before concluding we want to assess briefly the magnitude of the potential corporate profits from the TPP agreement, or more precisely the magnitude of the losses from the non ratification of the trade agreement. In our paper we use firms' market returns to suggest how much rent-seeking lobbying firms lost from the trade shock. This measure is only a lower bound of total corporate non-realized profits. First, the market partially internalized the probability of Donald Trump winning the election; losses would have been higher if the market didn't internalize this small probability. Second, while the market assumed that the probability of TPP ratification under Donald Trump was 0, it did not assume that the probability under Hillary Clinton was 1; hence, some uncertainty about the ratification was attached also to an outcome in which Hillary Clinton would have won the election.

Figure 15: Presidential candidates' stance on TPP



To study how stock market returns would have reacted in the absence of these two effects, we interact the treatment $Lobby_i$ with the shock to the probability ΔP_t that the Trans Pacific Partnership will not be ratified.

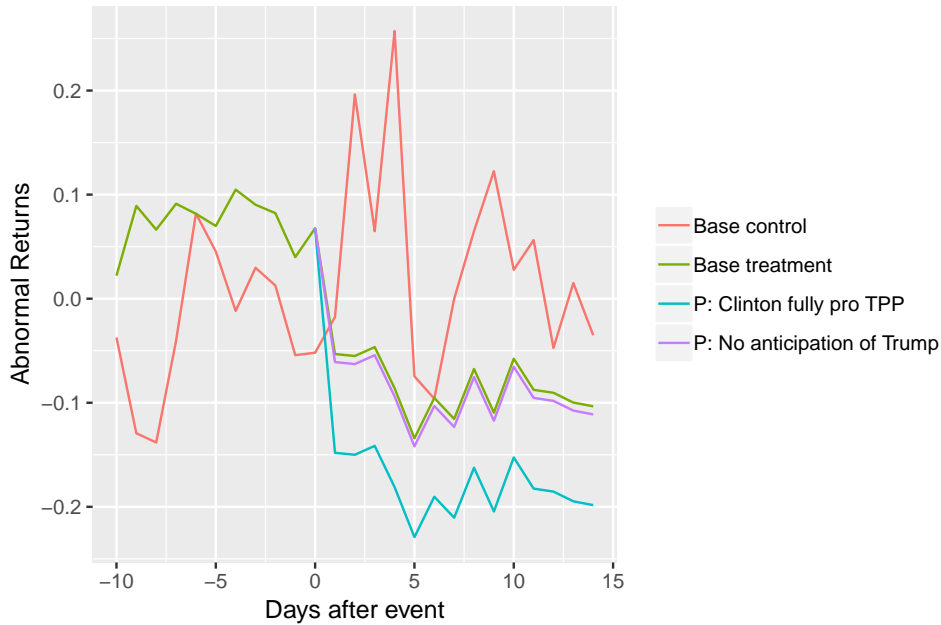
$$R_{it} = \sum_{t>0}^T \delta_{it} Day_t * Lobby_i * \Delta P_t + \alpha_i + \tau_t + \varepsilon_{it}$$

where ΔP_t is computed using \hat{p} , the empirical probability from the electoral polls for the two candidates to win the election (see Figure 6 in Section 2.2.1) and $TN(\mu, \sigma)$, representing the two presidential candidates’ policy stance on the TPP agreement.

$$\Delta P_t = \underbrace{\mu_T}_{P \text{ in } t > 0} - \underbrace{(\hat{p}_T \mu_T + \hat{p}_C \mu_C)}_{P \text{ in } t < 0}$$

Then it’s easy to show that, if the markets wouldn’t have hedged these two risks, lobbying firms’ losses would have been even higher. Figure 16 gives a visual interpretation of that. The green line plots the result of our base treatment, hence the realized effect of the 2016 US presidential election. This line – that represents the stock market losses of firms that lobbied in favor of the TPP – would have been lower in two counterfactual scenarios. If the market didn’t internalize at all Trump’s probability of winning the election (the purple line). And if the market assumed that the probability of ratification of the TPP would have been equal to 1 in case Hillary Clinton would have won the elections (the blue line).

Figure 16: Market losses under different scenarios



In this paper we conduct an event study on the 2016 U.S. presidential elections. We study the impact of the protectionist shock in U.S. trade policies – following the unexpected victory of Donald Trump – on firms, and we provide empirical evidence that corporate lobbying on trade agreements matters for corporate profits. We use information from the lobbying reports as firms’ revealed preferences over the TPP agreement – both at the extensive and intensive margin. We first

uncover that virtually all lobbying firms are in favor of the TPP, confirming a result from Blanga-Gubbay et al. (2018). We then match our lobbying database with firms' returns in the US stock market, firms' characteristics and their political leaning, and we find that, following the election of Donald Trump – and the certainty of the non-ratification of the Trans-Pacific Partnership – firms that bet on the trade agreement displayed negative returns in the stock market. We provide evidence that the market updates its information quickly and accurately. Differently from other studies (Wolfers and Zitzewitz, 2018), using our treatment we find strong market effects from the election of Donald Trump.

Lobbying firms displayed four consecutive days of negative returns, compared to the market benchmark that remained positive over the same period. Analysing the cumulative impact of the shock, we show that this negative effect was persistent, lasting more than 5 weeks. On the intensive margin, we find a strong and positive relationship between the amount spent in lobbying and the cumulative losses of lobbying firms. Moreover, consistently with the efficient market hypothesis, we find no impact on the day of the actual withdrawal (January 23, 2017), meaning that the market already internalized the negative impact of the withdrawal following the unexpected result of the presidential election (November 8, 2016). These results still hold if we restrict our analysis to firms that self-select into lobbying on other trade-related issues. Finally, by comparing the original TPP agreement with its newer version (CPTPP), we show that firms' lobbying activity was related to having some specific provisions included in the agreement.

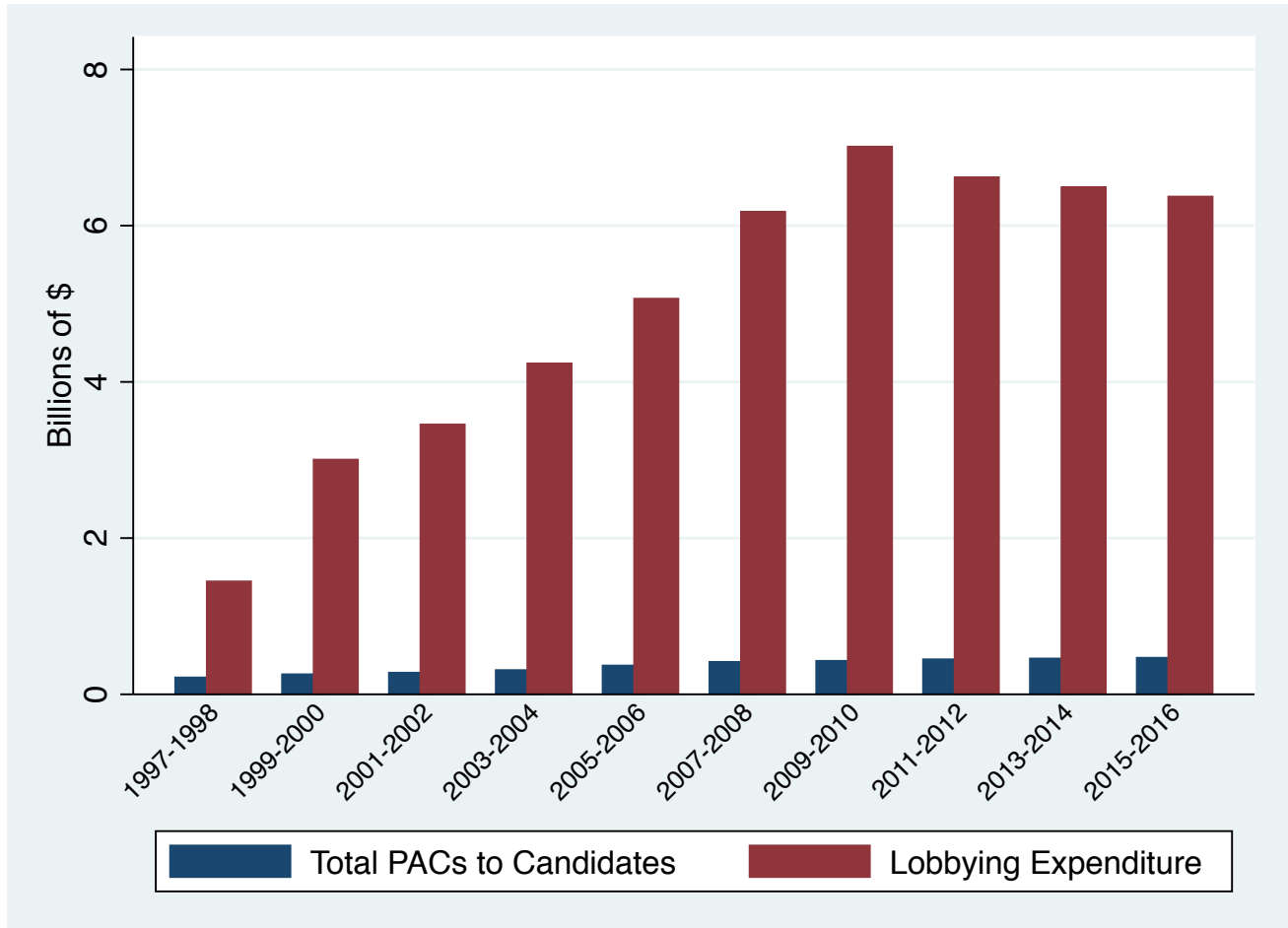
To conclude, in this paper we provide evidence of the heterogeneous gain from trade and from the ratification of trade agreements. This is in line with Rodrik (2018)'s argument that the political economy of FTAs is dominated by large firms that gain from these agreements. This event study highlights the role of this small set of rent-seeking and influential lobbying firms by showing that market losses, following the trade shock, were concentrated only on these politically connected firms within each sector. These firms, through lobbying, were able to include specific favorable provisions in the trade agreement. Given the unexpected victory of Donald Trump at the 2016 U.S. presidential election – and the consequent withdrawal from the TPP – the lobbying effort of these firms resulted in a bet on the wrong horse.

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A 1 Appendix

Figure A-1: Lobbying expenditures vs campaign contributions (all issues)



The figure reports the total amounts of lobbying expenditures and campaign contributions on all policy issues, between the 105th Congress (1997-1998) and the 114th Congress (2015-2016). The data come from the Center for Responsive Politics (see <http://www.OpenSecrets.org>).

Figure A-2: Lobbying Report (Example)

Clerk of the House of Representatives Legislative Resource Center B-106 Cannon Building Washington, DC 20515 http://lobbyingdisclosure.house.gov	Secretary of the Senate Office of Public Records 232 Hart Building Washington, DC 20510 http://www.senate.gov/lobby
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LOBBYING REPORT

Lobbying Disclosure Act of 1995 (Section 5) - All Filers Are Required to Complete This Page

1. Registrant Name <input checked="" type="checkbox"/> Organization/Lobbying Firm <input type="checkbox"/> Self Employed Individual QUALCOMM, INCORPORATED			
2. Address Address1 1730 PENNSYLVANIA AVE, NW Address2 SUITE 850 City WASHINGTON State DC Zip Code 20006 Country USA			
3. Principal place of business (if different than line 2) City _____ State _____ Zip Code _____ Country _____			
4a. Contact Name	b. Telephone Number	c. E-mail	5. Senate ID#
Mrs. Alice Tornquist	2022630024	alicet@qualcomm.com	60674-12
7. Client Name <input checked="" type="checkbox"/> Self <input type="checkbox"/> Check if client is a state or local government or instrumentality QUALCOMM, INCORPORATED			6. House ID#
			353580000

TYPE OF REPORT 8. Year 2016 Q1 (1/1 - 3/31) Q2 (4/1 - 6/30) Q3 (7/1 - 9/30) Q4 (10/1 - 12/31)

9. Check if this filing amends a previously filed version of this report
 10. Check if this is a Termination Report Termination Date _____ 11. No Lobbying Issue Activity

INCOME OR EXPENSES - YOU MUST complete either Line 12 or Line 13	
<p align="center">12. Lobbying</p> <p>INCOME relating to lobbying activities for this reporting period was:</p> <p>Less than \$5,000 <input type="checkbox"/></p> <p>\$5,000 or more <input type="checkbox"/> \$ _____</p> <p>Provide a good faith estimate, rounded to the nearest \$10,000, of all lobbying related income from the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).</p>	<p align="center">13. Organizations</p> <p>EXPENSE relating to lobbying activities for this reporting period were:</p> <p>Less than \$5,000 <input type="checkbox"/></p> <p>\$5,000 or more <input checked="" type="checkbox"/> \$ <u>1,730,000.00</u></p> <p>14. REPORTING Check box to indicate expense accounting method. See instructions for description of options.</p> <p><input checked="" type="checkbox"/> Method A. Reporting amounts using LDA definitions only</p> <p><input type="checkbox"/> Method B. Reporting amounts under section 6033(b)(8) of the Internal Revenue Code</p> <p><input type="checkbox"/> Method C. Reporting amounts under section 162(e) of the Internal Revenue Code</p>

Signature Digitally Signed By: Alice Tornquist Date 4/20/2016 12:43:16 PM

LOBBYING ACTIVITY. Select as many codes as necessary to reflect the general issue areas in which the registrant engaged in lobbying on behalf of the client during the reporting period. Using a separate page for each code, provide information as requested. Add additional page(s) as needed.

15. General issue area code TRD

16. Specific lobbying issues

Support for Trans Pacific Partnership

17. House(s) of Congress and Federal agencies Check if None

U.S. SENATE, U.S. HOUSE OF REPRESENTATIVES

Table A-1
Descriptive statistics on firms lobbying on TPP

	All Firms	
	Observations	Mean
Lobbying expenditure _{<i>f</i>}	276	1,690,042
Number of reports _{<i>f</i>}	276	3.772
Firms lobbying directly _{<i>f</i>}	148	53.62%
Firms lobbying indirectly _{<i>f</i>}	113	40.94%
Firms lobbying directly and indirectly _{<i>f</i>}	16	5.79%
Listed Firms		
	Observations	Mean
Lobbying expenditure _{<i>f</i>}	161	1,742,105
Number of reports _{<i>f</i>}	161	3.894
Firms lobbying directly _{<i>f</i>}	97	60.25%
Firms lobbying indirectly _{<i>f</i>}	53	32.92%
Firms lobbying directly and indirectly _{<i>f</i>}	11	6.83%
S&P 500 Firms		
	Observations	Mean
Lobbying expenditure _{<i>f</i>}	107	2,205,624
Number of reports _{<i>f</i>}	107	4.093
Firms lobbying directly _{<i>f</i>}	65	60.75%
Firms lobbying indirectly _{<i>f</i>}	33	30.84%
Firms lobbying directly and indirectly _{<i>f</i>}	9	8.41%

The variable *Lobbying expenditure_f* is the total amount (in US dollars) spent by firm *f* in support of the TPP agreement. *Number of Reports_f* is the number of reports filed by firm *f* in support of the ratification of agreement *a*. The last three variables are indicators capturing different lobbying modes: *Firms lobbying directly_f* is equal to 1 if firm *f* lobbies TPP through its own lobbying department; *Firms lobbying indirectly_f* is equal to 1 if firm *f* lobbies on TPP through a lobbying firm; and *Firms lobbying directly and indirectly_f* is equal to 1 if firm *f* lobbies on TPP both through its own lobbying department and through a lobbying firm.

Table A-2

S&P 500	Pro-TPP	Control	Diff	P-value
Total Assets	151,707.90	45,445.61	106,262.30	0.00
Revenues	10,508.48	4,026.46	6,482.01	0.00
Money to Republicans	375,026.90	168,752.10	206,274.8	0.00
Money to Democrats	264,456.10	96,930.96	167,525.14	0.00

Korus	Pro-TPP	Control	Diff	P-value
Total Assets	165,401.8	181,261.4	-15,859.6	0.8857
Revenues	11,087.41	8,592.11	2,495.29	0.5289
Money to Republicans	469,941.1	588,092.1	- 118,151	0.5184
Money to Democrats	325,337.4	357,964	32,626.63	0.7883

Figure A-3: Difference in Stocks between Lobbying and Non-lobbying Firms

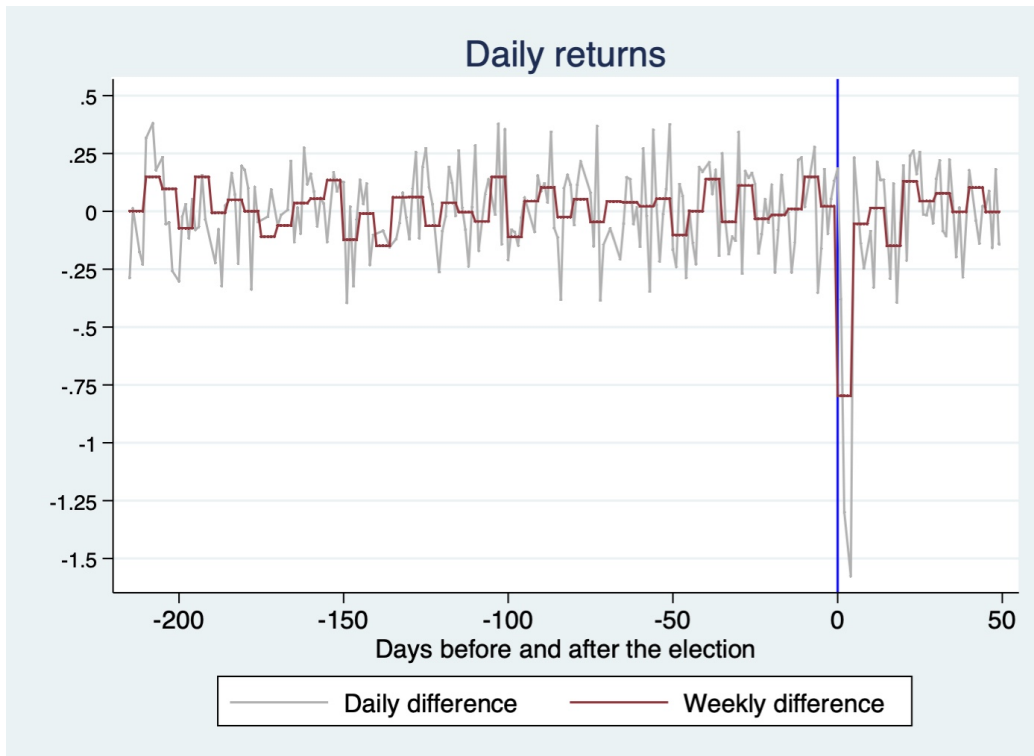


Table A-3

	(1)	(2)	(3)	(4)
	Daily returns	Daily returns	Daily returns	Daily returns
T	1.781*** (0.3480)	1.444 (0.7426)	1.452* (0.6304)	0.770 (1.1965)
Pro TPP	-0.023 (0.0493)	0.042 (0.0452)		
Pro TPP*T	-0.660** (0.2708)	-0.580* (0.2459)		
Pro Republicans	-0.036 (0.0537)	0.014 (0.0521)		
Pro Republicans*T	0.548* (0.2924)	0.696* (0.2847)		
ExpenditureTPP			-0.001 (0.0043)	0.014 (0.0171)
ExpenditureTPP*T			-0.053** (0.0206)	-0.046** (0.0159)
Money to Rep.			-0.007 (0.0112)	0.071 (0.0617)
Money to Rep.*T			0.068* (0.0276)	0.232* (0.0947)
Sample	S&P 500	KORUS	S&P 500	KORUS
Fixed Effects	Firm + Day	Firm + Day	Firm + Day	Firm + Day
S.E. cluster	SIC 1d	SIC 1d	SIC 1d	SIC 1d
N	102901	11139	104001	11359
R ²	0.258	0.374	0.257	0.377

Table A-4

	(1)	(2)	(3)	(4)	(5)
	All Sectors	Finance	Manufacturing	Services	Wholesale/Retail
T	2.149*** (0.3767)	3.697*** (0.5022)	1.531*** (0.1650)	1.858** (0.7494)	2.271*** (0.5681)
Pro TPP	-0.049 (0.0461)	0.014 (0.0134)	-0.050 (0.0400)	-0.046 (0.0365)	0.127 (0.0927)
Pro TPP*T	-0.622** (0.2553)	0.727 (0.7397)	-0.564** (0.2206)	-0.466* (0.1975)	-1.264* (0.6736)
Sample	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500
Fixed Effects	Firm + Day	Firm + Day	Firm + Day	Firm + Day	Firm + Day
S.E. cluster	SIC 1d	SIC 1d	SIC 1d	SIC 1d	SIC 1d
N	107823	20447	40735	12981	11220
R ²	0.255	0.417	0.275	0.335	0.268