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The bright side of bank lobbying: Evidence from the corporate loan market

Abstract

Bank lobbying has a bitter taste in most forums, ringing the bell of preferential treatment of big banks from governments and regulators. Using corporate loan facilities and hand-matched information on bank lobbying from 1999 to 2017, we show that lobbying banks increase their borrowers' overall performance. This positive effect is stronger for opaque and credit-constrained borrowers, when the lobbying lender possesses valuable information on the borrower, and for borrowers with strong corporate governance. Our findings are consistent with the theory positing that lobbying can provide access to valuable lender-borrower information, resulting in improved efficiency in large firms' corporate financing.

JEL classification: D72; G21; G30

Keywords: Bank lobbying; Firm performance; Syndicated loans; Information-transmission theory; Opaque firms

1. Introduction

Political lobbying is the main avenue through which banks attempt to influence regulation and supervisory decisions. To advance their interests, banks hire external lobbyists or set up in-house lobbying teams to meet privately with politicians and regulators. Based on data from the Centre for Responsive Politics, the financial sector spent a staggering \$7.4 billion on lobbying from 1998 to 2016 (Igan and Lambert, 2019). Moreover, while \$488 million was spent on lobbying in 2012, only \$81 million was spent on contributions to political action committees (PACs) during the 2011-2012 congressional cycle. Despite the significant sums spent on lobbying by the financial sector each year, clear evidence on whether and how this type of political activity affects the real sector (the borrowing firms) remains scant.

In this study, we examine the effect of bank lobbying on firm performance after credit origination and analyze their key transmission mechanisms. Answers to these questions are important to further our understanding of the role of bank lobbying in terms of real economic outcomes, especially when considering the two theories of its potential effects, i.e., the information-transmission and the regulatory-capture theories.

On one hand, the information-transmission theory suggests that banks possess better information than regulators and meeting with regulators reveals their superior information. Theoretical and empirical evidence is consistent with the view that lobbying activities in the United States typically consist of sharing information with policymakers rather than exchanging money for favors, and this transmission of information often leads to better-informed

policymaking (Austen-Smith and Wright, 1992; Bennedsen and Feldmann, 2006; Cotton, 2009, 2012).¹

In our context, lobbying banks and regulators might share valuable borrower information that improves supervisory and lending decisions. Igan and Lambert (2019) suggest that, due to industry expertise, certain lenders have more information about opaque borrowers than regulators possess. Thus, lobbying lenders can reveal private information to regulators in hopes of avoiding tighter lending regulations, which would enable them to make more loans to underfunded opaque firms. Thus, bank lobbying can lead to better loan decisions, provide credit access to constrained borrowers, and improve their corporate performance.

On the other hand, the regulatory-capture view (e.g., Stigler, 1971; Peltzman, 1976), suggests that banks lobby to seek preferential treatment. Thus, before making loans with a high default probability, banks might lobby for preferential treatment to mitigate the potential costs of such default. This argument is in line with recent studies documenting that politically connected banks are more likely to obtain preferential treatment. For example, Duchin and Sosyura (2012; 2014) find that politically connected financial institutions received more TARP funding from the federal government during the global financial crisis. However, investments in politically connected financial institutions underperformed those in unconnected financial institutions, while volatility and default risk increased for politically connected institutions. Under the regulatory-capture view, moral-hazard elements drive banks' decisions to lobby regulators,

¹ Empirical evidence supports the view that lobbying typically consists of sharing information with policymakers rather than exchanging money for favors (Langbein, 1986; Hall and Wayman, 1990; Wright, 1990; Hansen 1991; Hall, 1996; Milyo, Primo, and Groseclose, 2000; Ansolabehere, Snyder Jr, Micky, 2002). Former congressman Thomas Downey of New York shares this view, asserting, "Money doesn't buy ... a position. But it will definitely buy you some access so you can make your case" (Schram, 1995). This is also the perspective of The National Institute for Lobbying & Ethics (a trade association representing American lobbyists), which states: "Lobbying is a legitimate and necessary part of our democratic political process. Government decisions affect both people and organizations, and information must be provided in order to produce informed decisions. Public officials cannot make fair and informed decisions without considering information from a broad range of interested parties" (www.lobbyinginstitute.com/about).

which is distinctly different from the information-transmission view, where the greater opportunities to reveal private information for mitigating regulatory costs drives the decision to lobby. Hence, under the regulatory-capture view, bank lobbying, on average, leads to worse loan decisions and lower borrower performance.²

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

Controlling for bank and firm characteristics, together with bank, firm, and year fixed effects, we draw first inferences from a simple difference-in-differences (DID) model before and after the initiation of lobbying activities by a bank (and controlling for banks without a status

² It is also plausible that regulatory capture leads to more loans being extended to risky firms and some of these risky firms benefit and experience an increase in their performance. However, under the regulatory capture view, banks' decision to lobby regulators is driven by moral hazard rather than the aim to improve loan decisions. Therefore, on average, bank lobbying would lead to worse loan decisions and borrower performance.

change using bank fixed effects). Our results show that bank lobbying is positively related to firm performance, as measured by the return on assets and Tobin's q for borrowing firms in the year following loan origination. The results are robust to the exclusion of large banks, banks that have no history of political lobbying and sample selection correction.

Our baseline results lend more support to the information-transmission view of bank lobbying. A potential concern, however, is that unobservable time-varying heterogeneity correlated with both bank lobbying and firm performance could drive the results. To ease endogeneity concerns, we employ two additional identification methods. First, we examine events that reflect the addition of in-house lobbyists. In general, banks employ very few in-house lobbyists and there is much less turnover among in-house lobbying personnel compared to external lobbyists. Hence, the decision to initiate an in-house lobbying team should be closely related to concerted lobbying efforts, *whereas this decision cannot directly affect the borrowers' performance*. We also show that this decision does not correlate with several bank characteristics. Consistent with our baseline findings, this tighter DID model predicts better future firm performance for firms that obtain credit from treated banks (those adding in-house lobbyists) compared to those obtaining credit from nontreated banks (those without adding in-house lobbyists). Second, we follow Lambert (2019) and use an instrumental variable (IV) based on the geographical distance of the lending bank from Washington D.C. We find that our results continue to hold across these alternative empirical checks.

Next, we examine the channels through which bank lobbying improves firm performance. Taking an information-transmission view, we predict that bank lobbying improves firm performance, because opaque firms, which typically find it difficult to raise external capital

for profitable projects, can access bank financing when lobbying banks provide valuable firm information to regulators. To validate our prediction, we conduct five separate tests.

First, we show that lobbying banks are more likely to lend to less transparent firms, i.e., those with greater analyst forecast dispersion and error as well as earnings volatility. Second, we identify the types of firms that benefit the most in terms of firm performance. Consistent with our predictions, we find that opaque firms drive the positive relation between bank lobbying and firm performance, as these firms, which are often more financially constrained, can embark on potentially profitable projects via external financing from lobbying banks.

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

Fourth, we investigate how managerial monitoring drives the relation between bank lobbying and firm performance, since unmonitored managers may waste funds borrowed from lobbying banks on self-serving projects rather than investing in projects that enhance shareholder value. Using board independence and institutional-investor monitoring as proxies for managerial monitoring, we find that firms in which managers are adequately monitored drive the positive effect of bank lobbying on firm performance.

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

Lastly, we find an unintended consequence of bank lobbying in that banks' lobbying activities shields their existing clientele and increases industry concentration in their clients' industries. This is likely to create high barriers for new firms to entry in the industry, thereby influencing the competitive dynamics of industries.

Our paper contributes to studies on political connections in the banking industry. For example, Braun and Raddatz (2010) provide international evidence suggesting that politically connected banks tilt regulations in their favor, consistent with theoretical work by Tullock (1972) and Gersbach and Papageorgiou (2021). Duchin and Sosyura (2012, 2014) study the effect of TARP investment on risk-taking and performance in the financial sector and find that politically connected financial institutions were more likely to receive TARP investments, initiate riskier loans, and shift assets toward riskier securities after receiving TARP funding. Kostovetsky (2015) shows that politically connected financial institutions have greater leverage and their stock has higher volatility and beta. Our paper adds to this literature by showing that, since lobbying banks lend to more informationally opaque borrowers, their political lobbying activities improve the performance of these firms.

Our paper also contributes new evidence to the emerging literature on bank lobbying. Igan, Mishra, and Tressel (2012) find that lobbying banks engaged in risky mortgage lending in the lead-up to the Great Recession, e.g., they originated mortgages with higher loan-to-income ratios, securitized a larger proportion of the loans they originated, and had more rapidly growing mortgage loan portfolios. Igan and Mishra (2014) show that lobbying in the financial industry is positively associated with the probability of a legislator changing positions in favor of deregulation. Lambert (2019) finds that regulators are less likely to initiate enforcement actions against lobbying banks. Lambert, Wagner and Zhang (2022) show that bank lobbying improves

local financing conditions especially for riskier firms, thereby reducing restructuring costs for the local economy. Our paper contributes to this literature by showing that bank lobbying provides regulators with valuable borrower information.

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

2. Data sources and bank lobbying

2.1. Data sources

We use syndicated-loans data from Thomson Reuters DealScan database to examine whether bank lobbying affects borrower performance. Syndicated loans are the largest source of U.S. corporate financing activity (Sufi, 2007; Ivashina, 2009), with total U.S. loan volume reaching \$2.4 trillion in 2019. These loans are so large that federal examiners review them on a loan-by-loan basis every year.³ During the review process, each examiner independently gives each loan one of five grades: “pass” (best), “special mention,” “substandard,” “doubtful,” and “loss” (worst). Adverse ratings are more likely to lead to a review in subsequent checks, heightened supervisory monitoring, and higher loan-loss reserve requirements. Loans rated “substandard,” “doubtful,” or “loss” entail required loan reserves of 20%, 50%, and 100% of the loan utilized exposure amount, respectively. Increases in loan-loss reserves lead to a higher provision of expenses for banks and as a result, lower net income. Banks, therefore, have an incentive to engage in political lobbying to influence the rating process. Furthermore, Ivanov and Wang

³ <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200131a.htm>

(2022) document that less than 0.25% of the examined loans are appealed and appeals are successful in only a fifth of those cases, furthering indicating that banks have an incentive to engage in political lobbying ex-ante.

Using DealScan, we obtain information on the borrowers, lenders, and characteristics of these syndicated loans. We also obtain bank lobbying data from the Centre for Responsive Politics, financial data from Compustat, and company executive information from Execucomp.⁴ Our sample spans 1999 to 2017, given that bank-lobbying data is only available back to 1998, and we measure bank lobbying using annual lags. We consider only the lobbying status of the lead banks (lead arrangers) for each syndicated loan because the lead arranger selects the borrowers and sets the lending terms for the lending syndicate. Hence, we only keep observations where *Lead arranger credit* takes the value “Yes” in DealScan. The final sample has 30,048 loan facilities in our baseline regressions. We define all variables used in our empirical analysis in Table 1 and provide summary statistics in Table 2.

(Insert Tables 1 & 2 here)

2.2. Bank lobbying

The Lobbying Disclosure Act of 1995 requires lobbyists to report information on their activities to the Senate Office of Public Records. Following prior studies (Igan, Mishra, and Tressel, 2012; Lambert, 2019), we use lobbying disclosure reports available from the Center for Responsive Politics, a nonprofit organization based in Washington, D.C., to identify the annual expenses of lobbying banks.⁵ In line with prior studies, we consider all lobbying activities at the parent

⁴ We link the bank-level lobbying expense variable from the Centre for Responsive Politics to DealScan via the “lender linking table” by Schwert (2018). We also link the firm-level control variables from Compustat to DealScan via the “borrower linking table” provided by Chava and Roberts (2008).

⁵ Details can be found on www.opensecrets.org.

financial-institution level, as bank subsidiaries benefit from the lobbying activities of parent banks, and parents may lobby on behalf of subsidiaries. To reduce simultaneity concerns, we use bank-lobbying expenses in the year prior to loan origination.

Matching the lobbying database with DealScan and Compustat is nontrivial. Schwert (2018) provides the link between a lender in Dealscan and a bank's gvkey in Compustat (and also provides the years that the link is effective). However, we must also hand-match the bank name displayed in the lobbying database with the bank name displayed in Compustat and consider the role of bank M&As. For example, the lender name "Wachovia Bank" was still in Dealscan in 2011, even though Wachovia was acquired by Wells Fargo in 2009. Therefore, for lender "Wachovia Bank" in 2011, we match the lobbying expense with that of Wells Fargo.

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

2.3. Firm and bank characteristics

Our main outcome variables are firms' return on assets (ROA) and Tobin's q, which are the most common measures of firm performance in the corporate finance literature (detailed definitions are provided in Table 1). As explanatory variables, besides bank lobbying, we use a vector of bank, firm, and loan characteristics. At the bank-year level, we control for bank size, bank age, tier 1 capital, and bank liquidity. Larger and older banks lobby harder (*Wall Street Journal*, 2010) and are likely to exhibit different lending behavior than smaller and younger banks; hence,

we must control for bank size and age.⁶ We also control for tier 1 capital and bank liquidity, as banks with higher tier 1 capital and liquidity are also likely to exhibit different lobbying and/or lending behavior, e.g., they are likely to be more risk-tolerant or lobby more to avoid regulatory compliance.

At the firm-year level, we control for firm size, age, leverage, ROA, R&D, CEO age, and CEO gender. First, larger and older firms tend to have more limited growth opportunities compared to smaller and younger firms and, hence, are likely to have very different investment and financing policies. Second, firm leverage is the most important determinant of financing policy and loan structure. Third, prior-year ROA and R&D are two of the most important factors in determining future performance. Fourth, CEO age and gender affect investment and financing decisions (Huang and Kisgen, 2013; Yim, 2013).

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

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

3. Bank lobbying and firm performance

3.1. Baseline results

⁶ We find qualitatively similar results when we scale bank lobbying expenditures by bank size. Results are presented in Internet Appendix Table IA1.

We estimate the following model:

$$\begin{aligned}
 FirmROA_{i,t+1} = & \alpha + \beta BankLobbying_{j,t-1} + \gamma Z_{i,j,t-1} \\
 & + Bank_j + Firm_i + Year_t + \varepsilon_{i,t}
 \end{aligned} \tag{1}$$

where t denotes year, i denotes the firm, and j denotes the bank. $FirmROA_{i,t+1}$, is the borrower's ROA (alternatively, we use Tobin's q). The bank lobbying measure, $BankLobbying_{j,t-1}$, equals 1 for lobbying banks (Lobbying expenses > 0) and 0 otherwise (our alternative measure is bank lobbying expense, which equals the logarithm of 1 plus the value of bank's lobbying expenses). $Z_{i,t}$ is a vector of bank and firm characteristics that are likely to affect the relation between bank lobbying and firm performance. $Bank_j$, $Firm_i$, and $Year_t$ capture bank, firm, and year fixed effects, respectively.

(Insert Table 3 here)

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

The availability of panel data and the fact that the changes (banks moving from a nonlobbying to a lobbying state) are initiated at different points in time, imply a staggered DID model (making more unlikely that confounding factors drive our inferences). Thus, we compare the effect on firm performance stemming from banks moving from a nonlobbying state to a lobbying state (holding banks without changing status constant via bank fixed effects). The main and interaction terms in equation (1) are omitted given the respective bank and year fixed effects.

Assuming that the initiation of lobbying activities by banks is not correlated with unobserved bank or firm characteristics, this is a valid DID model (we provide additional tests on the validity of this assumption below).

Table 3 reports our baseline results. Due to the presence of serial lenders in our sample, the residuals in our regressions may be correlated and hence may overstate the t -statistics (Petersen, 2009). Thus, we cluster standard errors by bank (the unit of *BankLobbying*).⁷ Columns 1 and 2 show the results for the full sample. We find that bank lobbying is positively related to firm performance, resulting in a ROA increase of 0.507 points for the average corporate borrower in the following year. This represents an increase of 4.2% ($0.507/12.20$) for the average corporate borrower (ROA of 12.20%). More interestingly, we look at the amount of lobbying expenditure, which carries a higher statistical and economic significance.⁸ Specifically, a one-standard-deviation increase in bank lobbying expenses, increases ROA for the average corporate borrower in the following year by approximately 6.41% ($((12.2+0.044)/12.2)*6.39$).

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

As a robustness check, we repeat the analysis in Table 3 using Tobin's q as the dependent variable. Tobin's q is a future-oriented measure of firm performance, reflecting the premium the

⁷ As a robustness check, we also cluster standard errors by bank and firm, and by bank and firm and year. We present the regression results in Internet Appendix Table IA2.

⁸ The importance of the amount of lobbying expenditure is in agreement with Langbein (1986), who finds a positive link between the amount of political contributions and the amount of time the politicians spend meeting with interest groups.

capital market pays for book assets. Table IA3 in the Internet Appendix reports the results. We continue to find a positive and significant relation between bank lobbying and firm performance. Specifically, the coefficient estimates indicate that bank lobbying results in a 1.9% (0.032/1.69) increase in Tobin's q for the average corporate borrower in the following year, and a one-standard-deviation increase in bank lobbying expenses results in an increase in Tobin's q of 6.4% $((1.69+0.003)/1.69)*6.39$ in the following year. These findings fully support those in Table 3.

In addition, we examine the relation between bank lobbying and the probability of a covenant violation, as a potential concern is that due to rapid credit expansion borrowers may end up breaching covenant restrictions and default risk increases (Gu, Mao, and Tian, 2017; Chen, Li, and Shen, 2020).⁹ We present the results in Table IA4 and show that there is no relation between bank lobbying and the probability of a covenant violation, which indicates that bank lobbying improves firm performance through providing capital to underfunded opaque firms.

Another potential concern is sample selection bias. Large banks are more likely to act as lenders in the syndicated loans market and at the same time large banks are also more likely to lobby compared to smaller banks. As a result, our syndicated loans sample consists of mainly large banks who are more likely to lobby. To alleviate this potential concern, we report the results of a Heckman two-stage model that addresses such sample selection bias. In the first stage, shown in Panel A of Table IA6 in the Appendix, we run a logit model using bank characteristics to estimate the likelihood that a bank would participate in the syndicated loans market, and then calculate the inverse Mills ratio from the logit model residuals. We include the

⁹ Covenant violation data is obtained from Roberts and Sufi (2009).

inverse Mills ratio in the second-stage regression. The second stage results shown in Columns 1 and 2 in Panel A of Table 4 confirm that selection bias has little influence on our findings.

We also conduct placebo (falsification) tests to assess the robustness of our Heckman analysis. In our placebo tests, we falsely assume that the bank lobbying occurs in the 2 years before or 2 years after the actual bank lobbying year. Columns 3 to 6 in Panel A of Table 4 report the results. We do not find any significant effect on borrower performance from these pseudo bank lobbying activities, which indicates that the parallel-trends assumption is likely to be satisfied. Moreover, we also expand our sample to include global banks and firms to increase the sample of non-lobbying banks in our sample. Panel B of Table 4 shows the Heckman analysis and placebo test results using the global sample. The results are similar to our results using our main sample.

Overall, our baseline results are consistent with the information-transmission view of political lobbying; i.e., due to industry expertise, lobbying banks possess relatively more information regarding opaque borrowers. Lenders would thus lobby to reveal private information and thereby make better loan decisions and improve borrower performance. We pinpoint this channel in section after addressing any remainder endogeneity concerns.

(Insert Table 4 here)

3.2. Addressing endogeneity concerns

A potential endogeneity issue that may affect our baseline results is omitted-variable bias.¹⁰ Even after controlling for several known firm and bank characteristics, as well as for year, bank, and

¹⁰ Simultaneity / reverse causality is unlikely to drive our results (e.g., corporate performance affecting bank lobbying). Several studies also show that firms self-selecting into the syndicated loans market do not generally affect inferences in these data (e.g., Dass and Massa 2011; Delis et al., 2021). In untabulated regressions, we replicate Das and Massa and estimate a Heckman model, with a first-stage probit representing a firm's decision to borrow. For the

firm fixed effects, unobservable time-varying bank or firm characteristic may still be correlated with both bank lobbying and firm performance. Below, we provide two tests to alleviate such endogeneity concerns.

First, we observe much less turnover among in-house lobbying personnel at banks compared to external lobbyists. Specifically, on average, each bank has only two in-house lobbyists and expands its in-house lobbying team only three times over our 18-year sample period. This indicates that the decision to expand an in-house lobbying team is closely related to a financial institution's lobbying efforts, and is not associated with fluctuations in the general business environment or to other bank characteristics. As we show in Internet Appendix Table IA5, observed bank characteristics do not correlate with the timing of an in-house lobbying team expansion.¹¹ Thus, the addition of in-house lobbyists provides a tighter DID setting.

We concentrate on events where a bank did not previously have in-house lobbyists, as this switch represents the most significant increase in bank lobbying efforts. There are 13 of these events in our sample. Naturally these events are staggered in different years, allowing a multiple-events DID setting (e.g., Bertrand and Mullainathan, 2003; Gormley and Matsa, 2016). To reduce the influence of confounding factors, we restrict the sample to three years before and two years after each event, and conduct stacked DID analysis (Baker, Larcker, and Wang, 2022). This approach is preferred in our setting vis-à-vis other recent approaches based on panel data (e.g., Callaway and Sant'Anna, 2021) because our sample is a cross section of loans and not a panel (we do not observe repeated loans over time). The stacked DID regression is as follows:

first stage, we use all firms in Compustat and median size of banks, median distance from banks, lending market concentration and the firms' financial characteristics as right-hand side variables. The results, available on request, very closely track our baseline.

¹¹ Adding all bank, firm, and loan characteristics used in our study in column 2 of Table IA5 yields a very similar picture. The only variable that enters with a significant coefficient is *Ln (Loan Amount)*. However, even that coefficient has the opposite sign from the theoretical implications of the information-transmission view identified in our baseline results, as it predicts that a higher loan amount is associated with a lower probability to lobby.

$$\begin{aligned}
FirmROA_{i,t+1} = & \alpha + \beta AdditionofInhouselobbyist_{j,t-1} + \gamma Z_{i,j,t-1} \\
& + Bank_j + Firm_i + Year_t + Cohort_k + \varepsilon_{i,t}
\end{aligned} \tag{2}$$

where t denotes year, k denotes cohort, i denotes the firm, and j denotes the bank. *AdditionofInhouselobbyist* equals 1 for years 0, 1 and 2, and equals 0 for years -3, -2 and -1. We include bank, firm, and year fixed effects to control for respective confounding characteristics.

The coefficient of interest is β . It captures the difference between changes in borrower performance in banks that added in-house lobbyists for the first time and those without in-house lobbyists. The key identification assumption is that it would be unlikely for confounding effects on firm ROA to consistently occur at the same time in which banks hire additional in-house lobbyists, *with these events occurring in different time periods* (again this makes more unlikely that common confounding factors drive our inferences). If the addition of in-house lobbyists work to increase borrower performance, we expect β to be significantly positive.

Column 1 of Table 5 reports the results. Consistent with our baseline findings and the information-transmission view of political lobbying, this second and tighter DID model predicts better future firm performance for firms that obtain credit from banks that added in-house lobbyists compared to those obtaining credit from banks that have not yet added in-house lobbyists. In terms of economic significance, we find that the addition of in-house bank lobbying on average increases ROA by 29.6% (3.556/12.2) for the average borrower in our sample. We also illustrate the DID graph on Figure 1. The graph clearly shows parallel trends between the ROA of borrowers from treated and control banks before the addition of an in-house lobbyist, with the trends breaking after the addition in favor of the treated firms.

(Insert Table 5 and Figure 1 here)

We further conduct dynamic DID and placebo tests to assess whether the documented treatment effect of in-house lobbyist addition on borrower performance is driven by potential nonparallel borrower performance trends between the treated banks and control banks prior to in-house lobbyist additions. In our dynamic DID model, we replace *AdditionofInhouselobbyist* with indicator variables that track the effect of in-house lobbyists before and after they are employed. Specifically, we include the indicator variables Year (-1), Year (+1) and Year (+2). Year (-1) equals one for the year before the in-house lobbyist addition, and zero otherwise. Year (+1) equals one for the year after the in-house lobbyist addition, and zero otherwise. Year (2) equals one for the second year after the in-house lobbyist addition, and zero otherwise.

Column 2 of Table 5 reports the results. The coefficient estimate of Year (-1) is insignificantly different from zero, which suggests that there is no difference between the changes in borrower performance of treatment banks and the changes in borrower performance of control banks before the in-house lobbyist addition, confirming that the parallel trends assumption is satisfied. Moreover, we find that the treatment effect of in-house lobbyist addition on borrower performance materializes from the year of in-house lobbyist addition Year(0) onward.

We conduct placebo (falsification) tests to assess the robustness of our DID analysis. In our placebo tests, we falsely assume that the in-house lobbyist addition occurs in the 2 years before, 1 year before, 1 year after, or 2 years after the actual in-house lobbyist addition year. Columns 3 to 6 of Table 5 report the results. We do not find any significant effect on borrower performance from these pseudo in-house lobbyist additions. We next identify, in the year prior to an in-house lobbyist addition, banks very similar to treatment banks that do not add in-house lobbyists in the following year; we classify them as “placebo” banks. Next, we estimate a logit

regression where the dependent variable is *Addition of Inhouse Lobbyist*, which equals 1 in the year before a bank's in-house lobbyist addition, and zero otherwise. The independent variables include all bank characteristics in our baseline regressions. This analysis generates a predicted probability of in-house lobbyist addition, which is the propensity score. Subsequently, we match each treatment bank with a matched bank with the closest propensity score within a caliper of 1%. The matched banks are then classified as placebo banks. Similar to our main DID specification, we then restrict our sample to only include loan observations from three years before the actual event to two years after the actual event for the placebo banks and then we conduct the DID analysis. Column 7 of Table 5 reports the results. Consistent with the validity of the DID, the results show a statistically insignificant effect on borrower performance for the placebo banks.

Our second approach to alleviate endogeneity bias is to use an IV model. We employ the framework of Lambert (2019) and use *Distance to D.C.* as the instrument.¹² *Distance to D.C.* is the interaction between the distance (in km) from a bank's headquarters location to Washington, D.C. (bank-specific cost of lobbying) and the foreign purchases of U.S. Treasury securities (time-varying cost of lobbying). We obtain headquarters locations for U.S. banks from SEC Form 10-K filings, and we obtain global purchases of U.S. Treasury securities from the Flow of Funds Accounts published by the Federal Reserve.

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

¹² Lambert (2019) also uses *Initial market size* as an instrument; however, this instrument is perfectly collinear with bank fixed effects.

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

Table 6 shows the IV results. The first-stage results in columns 1 and 3 show that *Distance to DC* is indeed negatively related to bank lobbying, consistent with the relevance conditions. The second-stage results in columns 2 and 4 show that the coefficient estimates of bank lobbying remain positive and significant, indicating that our baseline finding holds. The coefficient estimates reveal that bank lobbying results in a 28.8% ($3.512/12.20$) increase in ROA for the average corporate borrower in the year following loan origination, and a one-standard-deviation increase in bank lobbying expenses results in an increase in ROA of 6.51% ($((12.2+0.23)/12.2)*6.39$) in the following year for the average borrower.¹³

(Insert Table 6 here)

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

¹³ The reported magnitude of the bank lobbying effect is seven times larger in the IV estimations compared to the baseline results, which is a common problem in empirical studies, as Jiang (2017) documents. Hence, we focus our economic interpretation on the baseline estimates, as they provide a lower bound on the likely effect of bank lobbying.

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

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

(Insert Table 7 here)

3.3. Bank lobbying, corporate investment, and sales growth

Next, we investigate how firms improve their performance after receiving credit from lobbying banks. According to the information-transmission theory, lobbying banks have information on how borrowers allocate their resources to increase firm performance. Given the sheer size of syndicated loan amounts, we expect that corporate borrowers are likely to use credit from lobbying banks to boost capital expenditures and increase the scope of their operations, thereby leading to increased sales growth (Campello and Chen, 2010). To test this prediction, we examine the relation between bank lobbying and corporate capital expenditures in year $t+1$, as well as the relation between bank lobbying and sales growth at year $t+1$.

Table 8 presents these results. We find that, consistent with our predictions, borrowers' capital expenditures and sales growth increase after receiving credit from lobbying banks.

Specially, bank lobbying results in a 7.2% (0.327/4.54) increase in corporate capital expenditures and a 23.1% (2.184/9.44) increase in sales growth for the average corporate borrower in the following year. This finding is consistent with Stiglitz and Weiss (1981) and Greenwood, Sanchez, and Wang (2010), who propose that constraints on external financing stemming from asymmetric information typically result in the underfunding of opaque firms. Our results corroborate the recent study by Lambert, Wagner, and Zhang (2022), and go further to show that through bank lobbying activities, the problem of having insufficient firm-specific information can be alleviated to improve capital allocation efficiency thereby boosting real economic activity. The easing of financing conditions for especially risky firms within the economy enhances economic growth.

(Insert Table 8 here)

4. Which firms benefit?

4.1. Lobbying banks' lending behavior

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

Table 9 presents the results. Consistent with our prediction, lobbying banks are more willing to lend to more opaque and volatile firms. For example, results indicate that a lobbying bank lends to firms with a 12.8% (0.152/1.19) higher forecast error and 6% (0.178/2.95) higher earnings volatility. Moreover, lobbying banks also charge higher loan spreads to pass on their lobbying costs to borrowers.

(Insert Table 9 here)

Next, we identify the specific types of firms that benefit from bank lobbying. The information-transmission view of lobbying predicts that bank lobbying improves firm performance because opaque firms that often find it difficult to raise external capital due to asymmetric information can now take up profitable projects by borrowing from lobbying banks. To test this prediction, we split our sample of borrowing firms based on analyst forecast dispersion, analyst forecast error, and earnings volatility. We rerun the baseline regressions to identify the types of firms that drive our results. Table 10 shows the results. Consistent with our expectations, we find that opaque and volatile firms drive the positive effect of bank lobbying on firm performance. This lends further support for the information transmission incentive for bank lobbying.

(Insert Table 10 here)

We next examine how information transmission between banks and regulators improves bank-lending supervisory decisions and corporate borrower performance. The information-transmission theory suggests that, since banks are in possession of better information, they strategically lobby to reveal their superior information to regulators, with the hopes of improving supervisory decisions and corporate borrower performance. If so, improvement in corporate borrower performance should be concentrated in the sample of information-intensive borrowers

for which the bank is likely to have superior information, especially those firms with little or no history of syndicated loans. It is difficult for regulators to determine the credit risk of these firms and, hence, they may overestimate their credit risk. Banks are most likely to possess superior information on borrowers in sectors and regions where they have the strongest exposure and thus greatest expertise. For example, Berger, Minnis, and Sutherland (2017) find that banks are less likely to collect audited financial statements from firms in industries and regions where they have more exposure and conclude that portfolio concentration reveals a bank's expertise.

To test the information-transmission theory of lobbying, we divide firms according to whether the borrower is in an industry and/or from a region in which the bank has the greatest relative sectoral or geographical exposure. Specifically, we calculate each bank's percentage of loans to firms in different Fama-French-12 industries (states) and define the industry (state) as high exposure for the bank if the percentage of loans to that industry (state) ranks within the top quintile of all banks.¹⁴

Table 11 shows the results. Consistent with the information-transmission theory, we find that the positive relation between bank lobbying and firm performance is concentrated in the subsample of corporate borrowers in industries and regions in which the bank has both exposure and expertise. For example, for corporate borrowers from industries in which a bank has expertise, bank lobbying results in a 25.2% (3.080/12.20) increase in ROA for the average corporate borrower in the following year. This result is distinctly different from the sample of borrowers in industries to which a bank has less exposure, since we find that, on average, bank lobbying expenses increase ROA for these borrowers only by 1.6% (0.194/12.20) in the following year.

(Insert Table 11 here)

¹⁴ Data on borrower headquarter states are from SEC Form 10-K filings.

4.2. Firm corporate governance

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

Table 12 shows the subsample results. We find that the positive effect of bank lobbying on firm performance is concentrated in firms with a high level of managerial monitoring. For instance, bank lobbying results in an 8.6% (1.052/12.20) increase in ROA for corporate borrowers with higher board independence, whereas bank lobbying results in a 1.9% (-0.230/12.20) decrease in ROA for corporate borrowers with low board independence.

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

(Insert Table 12 here)

4.3. Bank lobbying and industry concentration

So far in this paper we find that bank lobbying provides access to valuable lender-borrower information, resulting in improved efficiency in firms' corporate financing. However, a potential unintended consequence of the rapid firm expansions is that it may stifle the entry of new, potentially innovative players, thereby influencing the competitive dynamics of the sector. To examine the role bank lobbying plays in shaping industry structure and competitive landscapes in the borrowers' industries, we use industry concentration and product similarity scores computed by Hoberg and Phillips (2015). Higher industry concentration (Herfindahl-Hirschman Index) and lower product similarity indicates high barrier to entry for the industry. Table 13 shows the results. We find that bank lobbying indeed increases industry concentration and lowers product similarity.

(Insert Table 13 here)

5. Conclusion

In this paper, we examine how bank lobbying affects firm performance through the prism of syndicated bank lending. Using a broad sample of 30,048 syndicated loan facilities and bank-lobbying data from the Centre for Responsive Politics, we find that bank lobbying improves firm performance one year after loan origination. Our findings hold in a difference-in-differences analysis based on the addition of in-house lobbyists, an instrumental-variable model, and propensity-score-matched sample regressions. We also find that lobbying banks are more likely to provide loans to opaque and volatile firms, and that credit from lobbying banks enables corporate borrowers to make capital expenditures and increase the scope of their operations, thereby leading to increased sales growth. Moreover, the positive effect of bank lobbying on firm

performance especially holds if firm managers are adequately monitored. We also find an unintended consequence of bank lobbying in that banks' lobbying activities shields their existing clientele and increases industry concentration in their clients' industries, thereby influencing the competitive dynamics of industries. Overall, our findings indicate that political lobbying is informative for bank supervisors. Bank lobbying provides valuable lender-borrower information that ultimately helps information-intensive firms to improve their corporate performance.

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

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Table 1: Variable Definitions and Sources

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

Table 2: Summary Statistics

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

Panel A: Summary statistics					
	Mean	Std. dev.	Q1	Median	Q3
Bank-level variables					
Bank Lobbying (dummy)	0.76	0.43	1.00	1.00	1.00
Ln (1+Bank Lobbying Expense)	11.25	6.39	10.60	14.86	15.51
Ln (Bank Size)	13.90	0.92	13.52	14.26	14.59
Ln (Bank Age)	3.54	0.56	3.33	3.76	3.97
Bank Tier 1 Capital Ratio	11.36	2.38	8.74	11.90	12.90
Bank Liquidity	0.13	0.07	0.07	0.14	0.17
Firm-level variables					
Firm ROA (%)	12.20	8.45	8.34	11.39	15.47
Firm Tobin's Q	1.69	0.81	1.16	1.44	1.92
Ln (Firm Size)	8.72	1.57	7.64	8.70	9.73
Ln (Firm Age)	3.23	0.78	2.77	3.33	3.93
Firm Earnings Volatility (%)	2.95	3.76	1.19	2.04	3.40
Firm Forecast Dispersion (%)	3.73	15.22	1.35	2.40	5.15
Firm Forecast Error (%)	1.19	3.71	0.14	0.35	0.86
Firm Leverage	0.32	0.20	0.19	0.30	0.43
Firm R&D	0.01	0.03	0.00	0.00	0.01
Firm Capex (%)	4.54	4.46	1.79	3.36	5.88
Sales Growth (%)	9.44	63.14	-1.38	5.73	14.77
Firm CEO Age	55.92	6.58	52.00	56.00	60.00
Firm CEO Gender	0.03	0.17	0.00	0.00	0.00
Loan-level variables					
Ln (Loan Spread)	5.00	0.74	4.72	5.01	5.52
Ln (Loan Maturity)	3.81	0.60	3.69	4.09	4.09
Ln (Loan Amount)	19.88	1.29	19.11	20.00	20.72
Number of Lenders	12.05	8.83	6.00	10.00	15.00
Financial Covenants	1.04	1.09	0.00	1.00	2.00
Performance Pricing	0.42	0.49	0.00	0.00	1.00
Collateral	0.39	0.49	0.00	0.00	1.00
Panel B: Lobbying expenditures by year					
Year	Lobbying expense (\$ millions)		Year	Lobbying expense (\$ millions)	
1998	22.91		2007	25.11	
1999	18.33		2008	24.24	
2000	16.85		2009	26.38	
2001	19.03		2010	33.90	
2002	19.06		2011	36.68	
2003	28.66		2012	35.06	
2004	24.46		2013	34.46	
2005	14.24		2014	34.01	
2006	24.34		2015	32.90	

Table 3: Bank Lobbying and Firm Performance

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

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

Table 4: Bank Lobbying and Firm Performance: Sample Selection Correction and Placebo Tests

This table reports the second stage results of the Heckman model which corrects for potential sample selection bias and placebo test results. All variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Panel A: U.S Sample						
	(1)	(2)	(3)	(4)	(5)	(6)
Dep.: Firm ROA (<i>t</i> +1)	Heckman model		Placebo Lobbying 2 years before actual Lobbying	Placebo Lobbying 2 years after actual Lobbying		
Bank Lobbying (dummy)	0.536** (2.076)		-0.180 (-0.679)		0.205 (0.731)	
Ln (1+Bank Lobbying Expense)		0.046*** (2.852)		-0.015 (-0.783)		0.013 (0.634)
Ln (Bank Size)	-0.046 (-0.158)	-0.075 (-0.261)	-0.149 (-0.620)	-0.145 (-0.591)	-0.124 (-0.453)	-0.137 (-0.507)
Ln (Bank Age)	-0.863* (-1.688)	-0.845 (-1.654)	-0.955* (-1.878)	-0.945* (-1.863)	-0.953* (-1.834)	-0.965* (-1.858)
Bank Tier 1 Capital	0.034 (0.588)	0.033 (0.592)	0.021 (0.359)	0.020 (0.339)	0.032 (0.541)	0.031 (0.528)
Bank Liquidity	-0.620 (-0.444)	-0.460 (-0.328)	-0.935 (-0.641)	-1.015 (-0.675)	-0.776 (-0.555)	-0.794 (-0.567)
Ln (Firm Size)	-2.825*** (-13.691)	-2.827*** (-13.721)	-2.817*** (-13.697)	-2.817*** (-13.694)	-2.818*** (-13.720)	-2.819*** (-13.725)
Ln (Firm Age)	-0.063 (-0.119)	-0.066 (-0.125)	-0.063 (-0.119)	-0.062 (-0.117)	-0.064 (-0.121)	-0.064 (-0.121)
Firm Leverage	3.018*** (5.584)	3.021*** (5.592)	3.020*** (5.590)	3.020*** (5.587)	3.021*** (5.585)	3.023*** (5.588)
Firm ROA	-0.002 (-0.152)	-0.002 (-0.155)	-0.002 (-0.161)	-0.002 (-0.163)	-0.002 (-0.153)	-0.002 (-0.154)
Firm R&D	-13.804 (-1.597)	-13.870 (-1.606)	-13.526 (-1.570)	-13.482 (-1.567)	-13.604 (-1.577)	-13.619 (-1.579)
Firm CEO Age	0.040*** (3.548)	0.040*** (3.547)	0.040*** (3.549)	0.040*** (3.552)	0.040*** (3.558)	0.040*** (3.558)
Firm CEO Gender	0.187 (0.470)	0.190 (0.477)	0.176 (0.442)	0.176 (0.444)	0.176 (0.443)	0.177 (0.445)
Ln (Loan Spread)	-0.814*** (-10.793)	-0.815*** (-10.851)	-0.810*** (-10.842)	-0.810*** (-10.831)	-0.811*** (-10.724)	-0.811*** (-10.733)
Ln (Loan Amount)	-0.026 (-0.587)	-0.027 (-0.601)	-0.025 (-0.552)	-0.024 (-0.548)	-0.026 (-0.573)	-0.026 (-0.572)
Ln (Loan Maturity)	0.356*** (6.308)	0.356*** (6.318)	0.356*** (6.332)	0.356*** (6.336)	0.356*** (6.337)	0.356*** (6.344)
Number of Lenders	0.006 (1.201)	0.006 (1.170)	0.007 (1.271)	0.007 (1.276)	0.007 (1.254)	0.007 (1.256)
Financial Covenants	-0.080 (-1.353)	-0.080 (-1.353)	-0.083 (-1.392)	-0.083 (-1.393)	-0.083 (-1.391)	-0.083 (-1.395)
Performance Pricing	0.263** (2.238)	0.264** (2.245)	0.260** (2.237)	0.260** (2.233)	0.261** (2.221)	0.261** (2.224)
Collateral	-0.410** (-2.516)	-0.411** (-2.521)	-0.411** (-2.533)	-0.411** (-2.536)	-0.408** (-2.506)	-0.409** (-2.511)
Inverse mills ratio	-0.890* (-1.799)	-0.906* (-1.834)	-0.762 (-1.537)	-0.752 (-1.522)	-0.830 (-1.650)	-0.841 (-1.668)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	30018	30018	30018	30018	30018	30018
Adjusted R ²	0.609	0.609	0.609	0.609	0.609	0.609

Panel B: Global Sample						
	(1)	(2)	(3)	(4)	(5)	(6)
Dep.: Firm ROA ($t+1$)	Heckman model		Placebo Lobbying 2 years before actual Lobbying	Placebo Lobbying 2 years after actual Lobbying		
Bank Lobbying (dummy)	0.488** (2.079)		0.191 (0.722)		0.388 (1.383)	
Ln (1+Bank Lobbying Expense)		0.040** (2.106)		0.014 (0.634)		0.032 (1.369)
Ln (Bank Size)	-0.167 (-0.194)	-0.112 (-0.129)	-1.430 (-1.450)	-1.414 (-1.446)	-1.008 (-1.112)	-0.953 (-1.039)
Ln (Bank Age)	-0.110 (-0.336)	-0.087 (-0.268)	-0.700*** (-5.338)	-0.695*** (-5.297)	-0.841 (-0.991)	-0.787 (-0.915)
Bank Tier 1 Capital	0.026 (0.642)	0.026 (0.655)	0.038 (0.692)	0.037 (0.684)	0.019 (0.361)	0.019 (0.360)
Bank Liquidity	-3.632* (-1.833)	-3.724* (-1.858)	-4.949 (-1.658)	-4.955 (-1.658)	-2.054 (-0.744)	-2.182 (-0.775)
Ln (Firm Size)	-2.486*** (-11.795)	-2.487*** (-11.780)	-2.390*** (-12.622)	-2.390*** (-12.631)	-2.493*** (-8.448)	-2.495*** (-8.461)
Ln (Firm Age)	0.668** (2.138)	0.668** (2.140)	0.551* (1.713)	0.551* (1.714)	0.536 (1.607)	0.536 (1.607)
Firm Leverage	2.781*** (4.522)	2.780*** (4.521)	2.838*** (4.384)	2.838*** (4.384)	2.277*** (3.039)	2.278*** (3.042)
Firm ROA	2.655 (1.366)	2.653 (1.364)	8.533*** (3.994)	8.532*** (3.995)	1.287 (0.515)	1.286 (0.515)
Firm R&D	4.821 (0.860)	4.780 (0.853)	8.146 (1.380)	8.136 (1.377)	1.164 (0.205)	1.102 (0.195)
Ln (Loan Spread)	-0.443*** (-3.596)	-0.444*** (-3.598)	-0.530*** (-5.136)	-0.530*** (-5.137)	-0.501*** (-4.729)	-0.502*** (-4.739)
Ln (Loan Amount)	-0.039 (-1.001)	-0.039 (-1.005)	-0.040 (-0.960)	-0.040 (-0.960)	-0.037 (-0.879)	-0.037 (-0.886)
Ln (Loan Maturity)	0.284*** (6.822)	0.283*** (6.802)	0.312*** (6.078)	0.312*** (6.078)	0.385*** (6.572)	0.385*** (6.565)
Number of Lenders	0.000 (0.016)	-0.000 (-0.000)	-0.004 (-0.993)	-0.004 (-0.990)	0.002 (0.595)	0.002 (0.591)
Financial Covenants	-0.173** (-2.361)	-0.173** (-2.357)	-0.152* (-1.878)	-0.152* (-1.879)	-0.211** (-2.669)	-0.211** (-2.670)
Performance Pricing	0.247*** (3.276)	0.248*** (3.275)	0.234** (2.628)	0.234** (2.628)	0.296*** (3.354)	0.296*** (3.356)
Collateral	-0.269*** (-2.846)	-0.270*** (-2.849)	-0.226** (-2.543)	-0.226** (-2.540)	-0.386*** (-4.196)	-0.386*** (-4.191)
Inverse mills ratio	0.021 (0.054)	0.084 (0.211)	-0.228 (-0.532)	-0.201 (-0.464)	-0.003 (-0.008)	0.054 (0.162)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	46094	46094	37679	37679	38827	38827
Adjusted R ²	0.713	0.713	0.723	0.723	0.700	0.700

Table 5: Bank Lobbying and Firm Performance: Addition of an In-House Lobbyist

This table reports the DID regression results, placebo DID regression results, and robustness test results on the effect of in-house lobbying addition on firm performance. *AdditionofInhouselobbyist* equals 1 for years 0, 1 and 2, and equals 0 for years -3, -2 and -1 in columns 1 to 5. All other variables are defined in table 1. *T*-statistics are calculated from robust standard errors clustered by bank and are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Placebo event 2 years before actual event	Placebo event 1 year before actual event	Placebo event 1 year after actual event	Placebo event 2 years after actual event	Placebo banks
Dep.= Firm ROA (<i>t</i> +1)	Stacked DID	Stacked Dynamic DID					
Addition of In-House Lobbyist	3.556*** (5.431)		-0.740 (-0.734)	-0.533 (-0.403)	-0.663 (-0.945)	1.003 (0.911)	0.840 (0.690)
Year (-1)		2.998 (1.121)					
Year (0)		6.169** (2.193)					
Year (+1)		7.360* (1.911)					
Year (+2)		8.953* (2.107)					
Ln (Bank Size)	1.574 (0.680)	2.032 (0.792)	3.517 (0.854)	1.347 (0.545)	2.396 (1.217)	1.114 (0.428)	4.827 (1.337)
Ln (Bank Age)	4.740 (1.660)	7.474* (1.913)	2.991 (0.670)	3.497 (1.047)	1.519 (0.564)	3.036 (1.084)	-14.839 (-0.071)
Bank Tier 1 Capital	-0.997 (-1.564)	-1.798** (-2.550)	-1.575** (-2.682)	-1.415* (-2.135)	-1.099* (-1.925)	-1.649** (-2.489)	2.533* (1.981)
Bank Liquidity	18.653 (0.875)	0.842 (0.032)	18.605 (0.723)	32.150 (1.215)	30.790 (1.474)	31.104 (1.419)	28.194 (0.678)
Ln (Firm Size)	-0.988 (-1.458)	-1.080 (-1.587)	-1.781** (-2.706)	-0.945 (-1.279)	-0.864* (-1.897)	-0.775 (-1.208)	-1.826*** (-3.858)
Ln (Firm Age)	0.279 (0.124)	0.791 (0.381)	0.586 (0.226)	1.068 (0.544)	0.753 (0.308)	-0.868 (-0.368)	-1.992 (-1.732)
Firm Leverage	10.779** (2.461)	12.155** (2.618)	11.779** (2.201)	11.248** (2.219)	9.674** (2.510)	10.068* (1.946)	3.986*** (8.503)
Firm ROA	-0.011 (-0.099)	0.020 (0.177)	-0.006 (-0.045)	0.044 (0.363)	0.000 (0.003)	0.038 (0.278)	0.141** (3.217)
Firm R&D	66.775 (0.991)	91.165 (1.177)	96.805 (1.081)	91.501 (1.173)	65.288 (0.899)	64.753 (1.018)	-15.982* (-2.244)
Firm CEO Age	-0.123 (-1.433)	-0.173 (-1.743)	-0.145 (-1.496)	-0.165 (-1.688)	-0.113 (-1.480)	-0.040 (-0.616)	-0.001 (-0.041)
Ln (Loan Spread)	-0.292 (-0.509)	-0.415 (-0.631)	-0.983* (-1.956)	-0.510 (-0.766)	-0.361 (-0.623)	-0.875 (-1.388)	-0.301 (-1.430)
Ln (Loan Amount)	-0.185 (-1.094)	-0.282 (-1.230)	-0.125 (-0.873)	-0.291 (-1.186)	-0.100 (-0.669)	-0.060 (-0.381)	-0.079 (-0.534)
Ln (Loan Maturity)	0.058 (0.327)	-0.038 (-0.194)	-0.242 (-0.986)	-0.048 (-0.256)	0.100 (0.541)	-0.049 (-0.216)	0.075 (0.845)
Number of Lenders	-0.077* (-1.802)	-0.069 (-1.636)	-0.055 (-1.290)	-0.069 (-1.626)	-0.054 (-1.317)	-0.077 (-1.432)	-0.005 (-0.804)
Financial Covenants	0.153 (0.526)	0.075 (0.238)	-0.089 (-0.271)	0.114 (0.379)	0.166 (0.617)	-0.036 (-0.102)	0.047 (0.452)
Performance Pricing	0.492 (0.738)	0.461 (0.581)	0.217 (0.443)	0.342 (0.485)	0.196 (0.322)	0.248 (0.291)	-0.196 (-0.911)
Collateral	-0.007 (-0.010)	0.021 (0.028)	0.420 (0.627)	0.013 (0.019)	0.014 (0.025)	0.279 (0.370)	0.759* (2.215)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cohort FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	2554	2072	1367	2019	3049	3998	9596
Adjusted R ²	0.945	0.945	0.939	0.946	0.945	0.934	0.893

Table 6: Bank Lobbying and Firm Performance: 2SLS Results

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

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

Table 7: Bank Lobbying and Firm Performance: Matched Sample

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

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

Table 8: Bank Lobbying, Firm Capital Expenditures, and Sales Growth

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

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

Table 9: Bank Lobbying and Lending Behavior

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

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

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

Table 10: Bank Lobbying and Firm Performance Conditional upon Lending Behavior

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

	(1)	(2) Forecast dispersion		(4)	(5)	(6) Forecast error		(8)	(9)	(10) Earnings volatility		(12)
Dep.= Firm ROA (<i>t</i> +1)	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Bank Lobbying (dummy)	0.264 (1.136)	0.960 (1.617)			0.238 (1.458)	1.350* (1.909)			0.157 (1.242)	0.996* (1.846)		
	H0: $\beta(1) = \beta(2)$ (0.259)				H0: $\beta(1) = \beta(2)$ (0.088)				H0: $\beta(1) = \beta(2)$ (0.088)			
Ln (1+Bank Lobbying Expense)			0.020 (1.092)	0.081** (2.254)			0.023 (1.591)	0.108** (2.285)			0.015 (1.608)	0.086** (2.570)
			H0: $\beta(1) = \beta(2)$ (0.137)				H0: $\beta(1) = \beta(2)$ (0.061)				H0: $\beta(1) = \beta(2)$ (0.027)	
Ln (Bank Size)	0.031 (0.157)	0.413 (0.534)	0.015 (0.075)	0.371 (0.481)	-0.330 (-0.998)	1.313 (1.643)	-0.339 (-1.034)	1.245 (1.576)	-0.170 (-1.321)	0.499 (0.750)	-0.177 (-1.367)	0.455 (0.693)
Ln (Bank Age)	-0.484 (-1.092)	0.873 (1.199)	-0.485 (-1.094)	0.901 (1.249)	-0.203 (-0.391)	-0.216 (-0.268)	-0.190 (-0.363)	-0.201 (-0.254)	-0.181 (-1.259)	-0.099 (-0.143)	-0.172 (-1.170)	-0.063 (-0.091)
Bank Tier 1 Capital	0.001 (0.013)	0.149 (1.234)	-0.000 (-0.002)	0.148 (1.236)	0.038 (0.827)	0.076 (0.818)	0.038 (0.837)	0.073 (0.797)	-0.008 (-0.230)	-0.018 (-0.184)	-0.008 (-0.228)	-0.018 (-0.192)
Bank Liquidity	1.292 (0.910)	-1.878 (-0.719)	1.341 (0.940)	-1.684 (-0.638)	4.176*** (3.936)	-5.343* (-1.687)	4.236*** (4.006)	-5.061 (-1.584)	0.781 (1.148)	-1.520 (-0.637)	0.834 (1.207)	-1.282 (-0.538)
Ln (Firm Size)	-0.571** (-2.455)	-4.725*** (-8.076)	-0.572** (-2.452)	-4.725*** (-8.074)	-1.271*** (-4.675)	-5.141*** (-6.179)	-1.272*** (-4.679)	-5.143*** (-6.175)	-0.470** (-2.595)	-4.225*** (-10.313)	-0.472** (-2.603)	-4.226*** (-10.323)
Ln (Firm Age)	-1.419** (-2.466)	0.683 (0.331)	-1.419** (-2.465)	0.676 (0.327)	-1.858*** (-3.285)	2.772 (1.401)	-1.859*** (-3.283)	2.755 (1.395)	-0.670 (-1.346)	2.457** (2.198)	-0.673 (-1.350)	2.437** (2.173)
Firm Leverage	1.689* (1.798)	3.514*** (2.494)	1.692* (1.800)	3.511** (2.490)	0.117 (0.176)	8.954*** (5.992)	0.116 (0.174)	8.971*** (5.995)	1.886*** (3.421)	5.111*** (4.011)	1.887*** (3.422)	5.120*** (4.022)
Firm ROA	0.295*** (11.865)	-0.012 (-0.911)	0.295*** (11.863)	-0.012 (-0.918)	0.236*** (8.461)	-0.107*** (-3.170)	0.236*** (8.452)	-0.107*** (-3.169)	0.386*** (14.334)	-0.053* (-1.987)	0.386*** (14.319)	-0.053* (-1.991)
Firm R&D	20.064 (1.526)	-30.477** (-2.171)	20.068 (1.527)	-30.500** (-2.171)	30.371** (2.311)	-34.040* (-1.723)	30.356** (2.311)	-34.002* (-1.718)	49.928*** (6.154)	-20.116* (-1.800)	49.873*** (6.159)	-20.251* (-1.813)
Firm CEO Age	0.027* (1.799)	0.129*** (4.289)	0.027* (1.800)	0.129*** (4.299)	0.026** (2.309)	0.097*** (2.882)	0.026** (2.303)	0.098*** (2.892)	-0.001 (-0.226)	0.075** (2.453)	-0.001 (-0.222)	0.074** (2.453)
Firm CEO Gender	0.096 (0.178)	1.997*** (3.616)	0.097 (0.180)	2.001*** (3.623)	-0.633 (-1.468)	0.648 (1.140)	-0.630 (-1.463)	0.656 (1.155)	-0.869** (-2.446)	1.401** (2.102)	-0.867** (-2.442)	1.400** (2.100)
Ln (Loan Spread)	-0.817*** (-11.166)	-0.437* (-1.994)	-0.817*** (-11.186)	-0.440** (-2.018)	-0.710*** (-4.471)	-0.876*** (-4.074)	-0.710*** (-4.478)	-0.878*** (-4.096)	-0.327*** (-5.244)	-1.084*** (-5.777)	-0.328*** (-5.258)	-1.084*** (-5.797)
Ln (Loan Amount)	-0.225*** (-5.302)	0.041 (0.438)	-0.226*** (-5.294)	0.041 (0.435)	-0.162*** (-3.935)	0.097 (0.964)	-0.162*** (-3.965)	0.097 (0.963)	-0.065*** (-3.069)	0.075 (0.833)	-0.065*** (-3.074)	0.075 (0.823)
Ln (Loan Maturity)	0.275*** (4.098)	0.485*** (3.807)	0.275*** (4.100)	0.486*** (3.809)	0.250*** (3.838)	0.234 (1.351)	0.250*** (3.840)	0.234 (1.346)	0.125*** (3.189)	0.458*** (2.950)	0.125*** (3.186)	0.458*** (2.954)
Number of Lenders	-0.011* (-1.961)	0.051** (2.664)	-0.011* (-1.970)	0.050** (2.659)	0.005 (0.864)	0.037*** (2.776)	0.005 (0.845)	0.037*** (2.766)	-0.011** (-2.336)	0.029** (2.012)	-0.011** (-2.347)	0.028* (1.996)
Financial Covenants	0.056 (0.895)	-0.409** (-2.595)	0.055 (0.894)	-0.408** (-2.595)	-0.119 (-0.842)	-0.192 (-1.183)	-0.119 (-0.842)	-0.192 (-1.177)	-0.018 (-0.400)	-0.097 (-0.790)	-0.018 (-0.399)	-0.096 (-0.784)
Performance Pricing	0.073	0.319	0.074	0.319	-0.100	0.411	-0.099	0.408	0.085	0.354	0.085	0.354

	(1.105)	(1.155)	(1.107)	(1.156)	(-1.212)	(1.395)	(-1.205)	(1.386)	(1.212)	(1.319)	(1.216)	(1.318)
Collateral	0.121	-0.412	0.121	-0.415	0.065	-0.181	0.065	-0.183	0.044	-0.665**	0.044	-0.667**
	(0.988)	(-1.170)	(0.984)	(-1.177)	(0.292)	(-0.729)	(0.290)	(-0.741)	(0.454)	(-2.192)	(0.451)	(-2.201)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	11816	11732	11816	11732	11816	11732	11816	11732	11816	11732	11816	11732
Adjusted R ²	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457	0.866	0.457

Table 11: Bank Lobbying and Firm Performance Conditional upon Bank Information Intensity

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

Dep.= Firm ROA (<i>t</i> +1)	(1)	(2)		(3)	(4)	(5)	(6)		(7)	(8)
	No	Bank-industry expertise		No	Yes	No	Bank-location expertise		No	Yes
Bank Lobbying (dummy)	0.194 (0.825)	3.080** (2.512)				0.313 (1.404)	1.847** (2.580)			
	H0: $\beta(1) = \beta(2)$ (0.014)				H0: $\beta(1) = \beta(2)$ (0.031)					
Ln (1+Bank Lobbying Expense)			0.022 (1.267)	0.257** (2.414)					0.034** (2.381)	0.146*** (2.677)
			H0: $\beta(1) = \beta(2)$ (0.022)						H0: $\beta(1) = \beta(2)$ (0.044)	
Ln (Bank Size)	-0.258 (-1.346)	2.856 (0.932)	-0.262 (-1.379)	2.808 (0.921)	-0.007 (-0.042)	2.465 (1.272)	-0.021 (-0.123)	2.434 (1.265)		
Ln (Bank Age)	-0.074 (-0.146)	-0.277 (-0.223)	-0.036 (-0.072)	-0.240 (-0.193)	-0.064 (-0.171)	0.080 (0.082)	-0.029 (-0.075)	0.120 (0.126)		
Bank Tier 1 Capital	-0.025 (-0.462)	0.263 (1.192)	-0.024 (-0.450)	0.260 (1.193)	0.011 (0.170)	0.218** (2.069)	0.012 (0.189)	0.216** (2.063)		
Bank Liquidity	0.956 (0.845)	-15.266* (-1.716)	1.053 (0.907)	-15.340* (-1.718)	0.716 (0.564)	-10.650 (-1.646)	0.833 (0.643)	-10.438 (-1.626)		
Ln (Firm Size)	-2.807*** (-12.383)	-3.026*** (-3.049)	-2.808*** (-12.394)	-3.039*** (-3.086)	-2.997*** (-10.259)	-2.329*** (-4.148)	-2.998*** (-10.268)	-2.330*** (-4.138)		
Ln (Firm Age)	-0.122 (-0.227)	1.413 (0.756)	-0.124 (-0.229)	1.321 (0.711)	0.625 (0.983)	-2.256* (-1.847)	0.621 (0.977)	-2.309* (-1.891)		
Firm Leverage	3.020*** (5.084)	5.560*** (3.028)	3.020*** (5.087)	5.690*** (3.053)	3.275*** (6.145)	0.208 (0.132)	3.275*** (6.148)	0.265 (0.167)		
Firm ROA	-0.007 (-0.504)	0.101 (1.577)	-0.007 (-0.505)	0.099 (1.567)	-0.023** (-2.075)	0.048 (1.293)	-0.023** (-2.079)	0.049 (1.301)		
Firm R&D	-17.915** (-2.030)	44.237 (1.521)	-17.955** (-2.036)	44.150 (1.515)	-3.519 (-0.342)	-5.458 (-0.355)	-3.583 (-0.349)	-4.919 (-0.319)		
Firm CEO Age	0.042*** (3.737)	-0.005 (-0.125)	0.042*** (3.735)	-0.005 (-0.123)	0.037*** (2.761)	0.066*** (3.006)	0.037*** (2.752)	0.067*** (3.037)		
Firm CEO Gender	0.141 (0.391)	3.330* (1.978)	0.144 (0.398)	3.363* (2.001)	0.212 (0.496)	1.190 (0.901)	0.213 (0.501)	1.192 (0.906)		
Ln (Loan Spread)	-0.833*** (-9.105)	-0.034 (-0.074)	-0.834*** (-9.135)	-0.040 (-0.087)	-0.763*** (-7.271)	0.232 (0.650)	-0.765*** (-7.322)	0.231 (0.646)		
Ln (Loan Amount)	-0.015 (-0.271)	-0.069 (-0.555)	-0.016 (-0.276)	-0.069 (-0.557)	0.024 (0.385)	-0.204** (-2.245)	0.023 (0.377)	-0.205** (-2.253)		
Ln (Loan Maturity)	0.369***	-0.033	0.369***	-0.028	0.335***	0.099	0.335***	0.096		

Number of Lenders	(6.115)	(-0.109)	(6.120)	(-0.091)	(5.302)	(0.487)	(5.296)	(0.475)
	0.002	0.039	0.002	0.039	0.002	0.013	0.001	0.013
Financial Covenants	(0.389)	(1.591)	(0.371)	(1.594)	(0.249)	(0.738)	(0.224)	(0.730)
	-0.048	-0.625**	-0.047	-0.631**	-0.063	-0.356*	-0.062	-0.361*
Performance Pricing	(-0.992)	(-2.269)	(-0.987)	(-2.275)	(-0.759)	(-1.694)	(-0.753)	(-1.711)
	0.168	1.080**	0.169	1.082**	0.198	0.230	0.199	0.235
Collateral	(1.418)	(2.066)	(1.422)	(2.091)	(1.537)	(1.276)	(1.543)	(1.303)
	-0.494***	0.005	-0.494***	0.009	-0.388***	0.307	-0.389***	0.310
	(-2.815)	(0.012)	(-2.817)	(0.020)	(-2.717)	(0.773)	(-2.724)	(0.779)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	26145	3586	26145	3586	23482	4166	23482	4166
Adjusted R ²	0.621	0.626	0.621	0.627	0.594	0.764	0.594	0.764

Table 12: Bank Lobbying and Firm Performance: Firm Corporate Governance

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Board independence				Institutional ownership			
Dep.= Firm ROA (<i>t</i> +1)	<70%	>=70%	<70%	>=70%	<70%	>=70%	<70%	>=70%
Bank Lobbying (dummy)	-0.230 (-0.583)	1.052** (2.420)			0.111 (0.368)	0.893** (2.449)		
	H0: $\beta(1) = \beta(2)$ (0.015)				H0: $\beta(1) = \beta(2)$ (0.003)			
Ln (1+Bank Lobbying Expense)			-0.020 (-0.724)	0.081*** (3.048)			0.009 (0.377)	0.080*** (3.197)
	H0: $\beta(1) = \beta(2)$ (0.005)				H0: $\beta(1) = \beta(2)$ (0.011)			
Ln (Bank Size)	-0.416 (-0.653)	1.023* (1.800)	-0.404 (-0.622)	0.965* (1.695)	-0.262 (-0.707)	0.663 (1.148)	-0.269 (-0.740)	0.635 (1.098)
Ln (Bank Age)	-0.549 (-1.224)	-0.350 (-0.731)	-0.554 (-1.249)	-0.340 (-0.737)	-0.436 (-1.311)	0.310 (0.453)	-0.435 (-1.285)	0.359 (0.517)
Bank Tier 1 Capital	-0.120 (-1.200)	0.180*** (3.452)	-0.120 (-1.204)	0.177*** (3.403)	0.062 (1.508)	0.108 (1.239)	0.062 (1.505)	0.109 (1.267)
Bank Liquidity	-0.779 (-0.228)	-1.431 (-0.806)	-0.883 (-0.257)	-1.258 (-0.705)	1.130 (0.655)	0.769 (0.364)	1.154 (0.669)	0.983 (0.462)
Ln (Firm Size)	-3.641*** (-11.785)	-3.048*** (-10.036)	-3.642*** (-11.770)	-3.050*** (-10.049)	-1.645*** (-3.138)	-3.992*** (-8.437)	-1.645*** (-3.137)	-3.994*** (-8.452)
Ln (Firm Age)	-2.544 (-1.182)	0.647 (0.742)	-2.543 (-1.186)	0.647 (0.742)	1.138 (1.415)	0.710 (0.666)	1.137 (1.413)	0.700 (0.655)
Firm Leverage	3.414** (2.020)	-0.090 (-0.090)	3.416** (2.021)	-0.087 (-0.087)	3.003** (2.464)	2.372** (2.349)	3.004** (2.464)	2.386** (2.362)
Firm ROA	-0.218*** (-2.712)	-0.064*** (-3.423)	-0.218*** (-2.713)	-0.064*** (-3.421)	-0.004 (-0.095)	-0.026 (-0.902)	-0.004 (-0.096)	-0.026 (-0.904)
Firm R&D	21.942 (0.645)	-0.155 (-0.026)	21.925 (0.644)	-0.256 (-0.044)	28.482 (1.412)	-6.426 (-0.706)	28.466 (1.412)	-6.492 (-0.715)
Firm CEO Age	0.011 (0.375)	0.016 (1.238)	0.011 (0.375)	0.016 (1.243)	0.021* (1.711)	0.060*** (3.240)	0.021* (1.714)	0.060*** (3.251)
Firm CEO Gender	-0.391 (-0.415)	0.191 (0.350)	-0.393 (-0.418)	0.198 (0.362)	-1.190*** (-3.158)	0.721 (0.949)	-1.189*** (-3.158)	0.718 (0.941)
Ln (Loan Spread)	-0.164 (-0.535)	-0.261* (-1.951)	-0.164 (-0.537)	-0.262* (-1.968)	-0.231 (-1.636)	-0.672*** (-3.131)	-0.231 (-1.637)	-0.674*** (-3.151)
Ln (Loan Amount)	0.097 (1.073)	-0.004 (-0.062)	0.098 (1.075)	-0.005 (-0.079)	-0.139*** (-2.713)	0.066 (0.629)	-0.139*** (-2.710)	0.065 (0.619)
Ln (Loan Maturity)	0.041	0.213**	0.041	0.214**	0.035	0.399***	0.035	0.399***

	(0.287)	(2.517)	(0.287)	(2.528)	(0.587)	(3.438)	(0.588)	(3.449)
Number of Lenders	0.004	0.022***	0.004	0.022***	-0.020*	0.027***	-0.021*	0.027***
	(0.373)	(2.690)	(0.386)	(2.674)	(-1.789)	(3.219)	(-1.790)	(3.186)
Financial Covenants	-0.173	-0.341***	-0.173	-0.341***	0.237*	-0.367**	0.237*	-0.367**
	(-0.650)	(-3.078)	(-0.650)	(-3.086)	(1.996)	(-2.649)	(1.994)	(-2.648)
Performance Pricing	0.428**	0.395**	0.427**	0.394**	-0.020	0.534**	-0.020	0.534**
	(2.289)	(2.074)	(2.284)	(2.074)	(-0.128)	(2.278)	(-0.128)	(2.278)
Collateral	-0.257	-0.111	-0.258	-0.113	-0.301*	-0.131	-0.301*	-0.135
	(-0.748)	(-0.504)	(-0.749)	(-0.514)	(-1.809)	(-0.490)	(-1.807)	(-0.504)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	5075	15900	5075	15900	7053	16453	7053	16453
Adjusted R ²	0.738	0.565	0.738	0.565	0.861	0.536	0.861	0.536

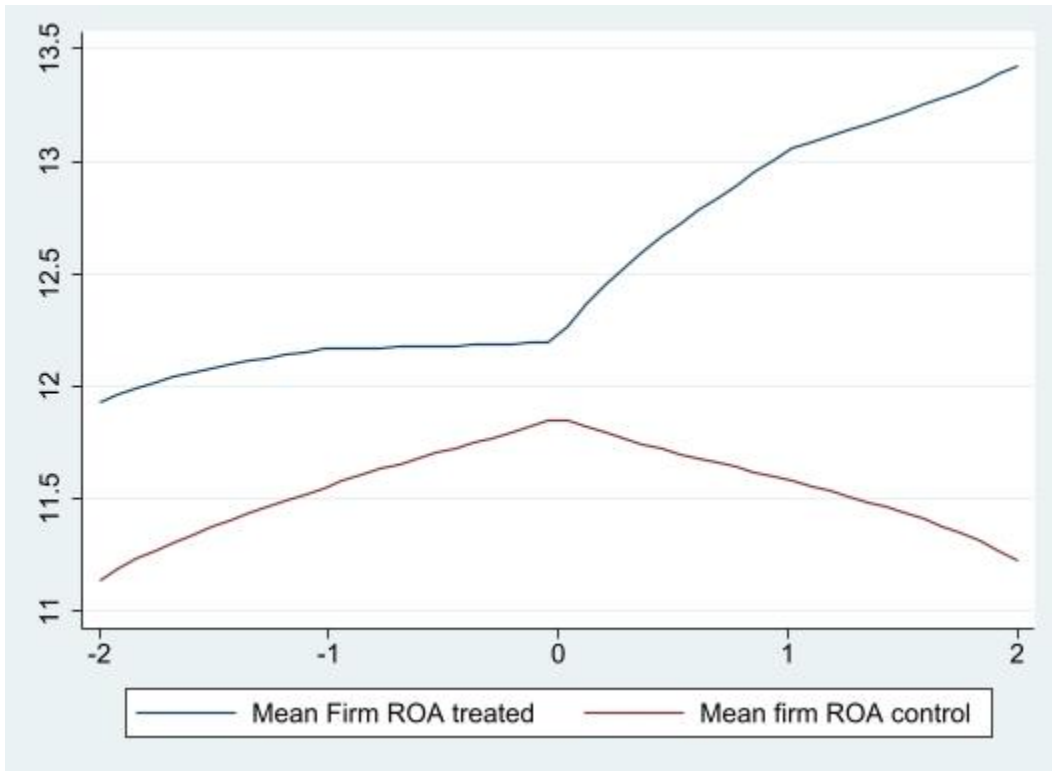
Table 13: Bank Lobbying and Industry Concentration

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

	(1)	(2)	(3)	(4)
		HHI		Product Similarity
Bank Lobbying (dummy)	0.011** (2.063)		-0.300*** (-3.211)	
Ln (1+Bank Lobbying Expense)		0.001** (2.483)		-0.023*** (-3.403)
Ln (Bank Size)	0.001 (0.351)	-0.000 (-0.029)	-0.018 (-0.306)	0.004 (0.059)
Ln (Bank Age)	-0.005 (-0.992)	-0.007 (-1.265)	0.246*** (2.970)	0.279*** (3.257)
Bank Tier 1 Capital	0.001 (0.883)	0.001 (0.910)	-0.025 (-1.063)	-0.025 (-1.057)
Bank Liquidity	-0.088*** (-3.182)	-0.087*** (-3.167)	0.847 (1.272)	0.815 (1.231)
Ln (Firm Size)	-0.022*** (-9.857)	-0.022*** (-9.873)	0.273*** (5.152)	0.273*** (5.169)
Ln (Firm Age)	0.045*** (20.315)	0.045*** (20.292)	-0.350*** (-7.997)	-0.350*** (-7.987)
Firm Leverage	0.062*** (7.501)	0.062*** (7.507)	-0.218 (-0.884)	-0.219 (-0.890)
Firm ROA	0.000* (1.935)	0.000* (1.941)	-0.012*** (-2.692)	-0.012*** (-2.702)
Firm R&D	-0.779*** (-8.931)	-0.780*** (-8.906)	17.034*** (4.851)	17.063*** (4.856)
Firm CEO Age	-0.001*** (-5.193)	-0.001*** (-5.200)	0.002 (0.356)	0.002 (0.364)
Firm CEO Gender	-0.007 (-0.663)	-0.007 (-0.662)	-0.514** (-2.408)	-0.514** (-2.405)
Ln (Loan Spread)	-0.017*** (-5.446)	-0.017*** (-5.384)	0.409*** (6.217)	0.407*** (6.161)
Ln (Loan Amount)	-0.000 (-0.227)	-0.000 (-0.230)	-0.035 (-0.876)	-0.035 (-0.870)
Ln (Loan Maturity)	0.002* (1.728)	0.002* (1.747)	-0.147*** (-4.071)	-0.147*** (-4.089)
Number of Lenders	-0.000 (-1.365)	-0.000 (-1.366)	-0.006* (-1.940)	-0.006* (-1.930)
Financial Covenants	-0.001 (-0.317)	-0.001 (-0.317)	0.076*** (2.673)	0.076*** (2.671)
Performance Pricing	-0.002 (-0.964)	-0.002 (-0.954)	0.031 (0.540)	0.031 (0.530)
Collateral	-0.007** (-2.311)	-0.007** (-2.311)	0.052 (0.807)	0.051 (0.797)
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	Yes
Number of Observations	29211	29211	29228	29228
Adjusted R ²	0.470	0.470	0.593	0.593

Figure 1: DID Graph

This figure plots the annual averages of mean Firm ROA ($t+1$) for treated banks (those that add an in-house lobbyist) relative to control banks (those without such an addition) in the years around the addition (year 0).



Internet Appendix

Table IA1: Bank Lobbying and Firm Performance: Bank Lobbying Expense scaled by Bank Size

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

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

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

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

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

Table IA3: Bank Lobbying and Firm Performance Measured by Tobin's Q

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

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

Table IA4: Bank Lobbying and Covenant Violation

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

Dep.: Financial Covenant violation ($t+1$)	(1)	(2)
Bank Lobbying (dummy)	-0.001 (-0.408)	
Ln (1+Bank Lobbying Expense)		-0.000 (-0.442)
Ln (Bank Size)	-0.000 (-0.020)	0.000 (0.000)
Ln (Bank Age)	-0.003 (-0.747)	-0.003 (-0.751)
Bank Tier 1 Capital	0.001 (1.560)	0.001 (1.555)
Bank Liquidity	-0.005 (-0.233)	-0.005 (-0.246)
Ln (Firm Size)	0.003** (2.040)	0.003** (2.044)
Ln (Firm Age)	-0.003 (-1.154)	-0.003 (-1.153)
Firm Leverage	0.003 (0.336)	0.003 (0.335)
Firm ROA	-0.000*** (-3.785)	-0.000*** (-3.785)
Firm R&D	-0.046 (-0.938)	-0.046 (-0.937)
Firm CEO Age	-0.000** (-2.617)	-0.000** (-2.616)
Firm CEO Gender	-0.004 (-1.256)	-0.004 (-1.258)
Ln (Loan Spread)	0.002* (1.812)	0.002* (1.815)
Ln (Loan Amount)	0.001*** (2.982)	0.001*** (2.985)
Ln (Loan Maturity)	-0.001*** (-3.537)	-0.001*** (-3.538)
Number of Lenders	-0.000 (-1.146)	-0.000 (-1.143)
Financial Covenants	0.003*** (4.301)	0.003*** (4.296)
Performance Pricing	-0.003*** (-2.708)	-0.003*** (-2.708)
Collateral	0.003** (2.051)	0.003** (2.050)
Bank FE	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Clustered SE	Yes	Yes
Number of Observations	30048	30048
Adjusted R ²	0.371	0.371

Table IA5: Timing of In-House Lobbyist Addition

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

Dep.: Addition of In-house Lobbyist	(1)	(2)
Ln (Bank Size)	0.024 (0.963)	0.009 (0.500)
Ln (Bank Age)	0.021 (1.071)	-0.007 (-0.443)
Bank Tier 1 Capital	-0.001 (-0.176)	-0.001 (-0.423)
Bank Liquidity	-0.094 (-0.809)	-0.038 (-0.911)
Ln (Firm Size)		-0.002 (-0.470)
Ln (Firm Age)		0.003 (0.582)
Firm Leverage		-0.007 (-0.617)
Firm ROA		0.000 (0.961)
Firm R&D		-0.082 (-0.715)
Firm CEO Age		-0.000 (-0.159)
Firm CEO Gender		-0.006 (-1.614)
Ln (Loan Spread)		0.003 (1.606)
Ln (Loan Amount)		-0.002** (-2.214)
Ln (Loan Maturity)		0.002 (1.336)
Number of Lenders		-0.000 (-0.498)
Financial Covenants		0.000 (0.412)
Performance Pricing		0.000 (0.292)
Collateral		-0.001 (-0.759)
Bank FE	Yes	Yes
Firm FE	No	Yes
Year FE	Yes	Yes
Clustered SE	Yes	Yes
Number of Observations	578	30048
Adjusted R ²	0.023	0.198

Table IA6: First stage of Heckman model: Sample selection correction

This table presents the results from the logit regression used in the first stage of the Heckman model, which corrects for potential sample selection bias. The sample consists of bank-year observations from 1998 to 2015 for all US banks. All variables are defined in table 1. *T*-statistics are displayed in parentheses. Statistical significance at the 10%, 5%, and 1% level is indicated by *, **, and ***, respectively.

Panel A: U.S Sample	
Dep.: Pr(Participate in syndicated loans market)	(1)
Ln (Bank Size)	1.614*** (24.056)
Ln (Bank Age)	1.309*** (12.267)
Bank Tier 1 Capital	-0.018 (-0.579)
Bank Liquidity	-2.573** (-2.209)
Year FE	Yes
Number of Observations	12476
Pseudo R ²	0.728
Panel B: Global Sample	
Dep.: Pr(Participate in syndicated loans market)	(1)
Ln (Bank Size)	0.985*** (32.121)
Ln (Bank Age)	0.270*** (2.741)
Bank Tier 1 Capital	-0.001 (-1.551)
Bank Liquidity	0.766 (0.699)
Year FE	Yes
Number of Observations	17651
Pseudo R ²	0.441