

Economics Influence Activities: Theories and Empirical Methods

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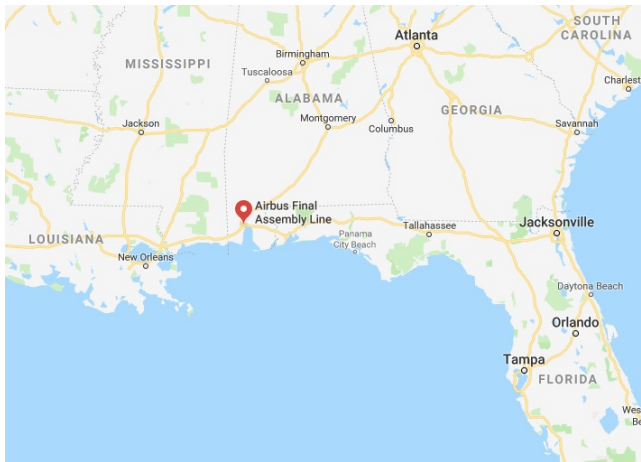
May 19, 2023

The image shows the Airbus logo, which consists of the word "AIRBUS" in a bold, blue, sans-serif typeface. The letters are evenly spaced and the overall font is clean and modern.

Examples



Examples



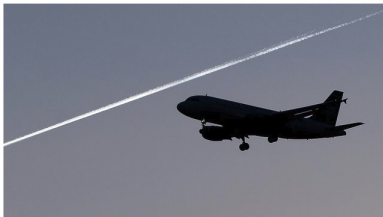
Examples





Airbus' Alabama plant is for building political capital, not planes

BY MICHAEL FARREN AND TAD DEHAVEN, OPINION CONTRIBUTORS — 02/04/19 04:30 PM EST
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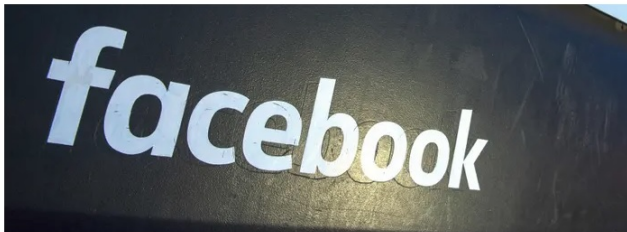
© Greg Nash

Airbus admits that it doesn't save money by assembling the planes in America. Its Mobile plant is for building political capital, not airplanes.

It has worked, too. Airbus Americas Chairman Allan McArtor told [The New York Times](#): "It's been night and day how we're received on Capitol Hill. The attitude started changing immediately."

Noted Pentagon budget hawk [Franklin Spinney](#) coined the term "[political engineering](#)" to describe spreading production across many locations to maximize political support. This appears to be exactly what Airbus has

Revealed: Facebook's global lobbying against data privacy laws



▲ In an internal Facebook document, the company said it faced an 'uphill battle' against 'overly prescriptive new laws'. Photograph: Josh Edelson/AFP/Getty Images

Social network targeted legislators around the world, promising or threatening to withhold investment

Facebook has targeted politicians around the world - including the former UK chancellor, George Osborne - promising investments and incentives while seeking to pressure them into lobbying on Facebook's behalf against data privacy legislation, an explosive new leak of internal [Facebook](#) documents has revealed.

- Much of the economics, political science, and management literatures have focused on campaign contributions and lobbying.
 - Many results have been puzzling and mixed (e.g. Tullock paradox).
- Emerging literature has studied how firms strategically locate investment and employment to influence the policy environment.
- **Economic Influence Activities**
 - Operational decisions and activities intended to influence the economic environment of a jurisdiction with the aim of affecting electoral outcomes and/or public policy.
 - E.g. location of investment and employment.
- An increasingly important factor affecting industrial and economic geography.

Studies show that the economic “clout” and employment of firms affects their approach to the public policy sphere.

- Stratman (1992)
 - Farm PACs contribute less to representatives of high farm employment districts.
- Bombardini and Trebbi (2011)
 - In U.S., Show an inverted U-shaped relationship between firm employment and campaign contributions.
 - Above a certain size, as economic clout grows firms systematically decrease contributions.

Economic clout matters

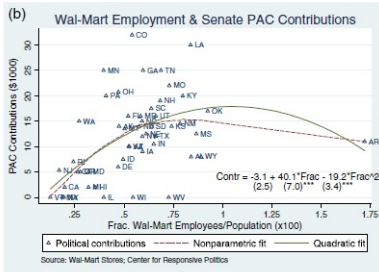
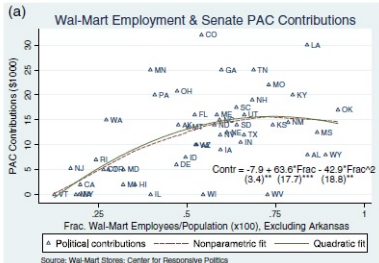


Fig. 1. Wal-mart's electoral weight and campaign contributions across US states.

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ORIGINAL ARTICLE

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Economic influence activities

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Abstract

Firms frequently make operational and strategy decisions to gain political influence. They locate plants, expand workforces, or choose suppliers, with the aim of affecting the economy and the electoral success of politicians. This behavior constitutes a non-traditional form of influence, which I refer to as economic influence activities (EIA). In this paper, I show how such activities influence policymaking and why firms may prefer it to more traditional influence activities such as campaign contributions. What distinguishes EIA is that a firm's strategy choices affects the state of a local economy and, in turn, the evaluations that voters make of the performance of an officeholder. I show how firms can use this capability to extract subsidies and policy favors from incumbent officeholders.

Economic Influence Activities

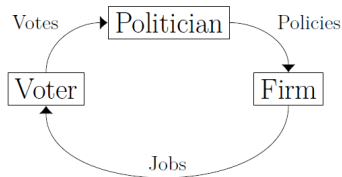


Figure 1: Theoretical equilibrium in which voters value jobs which are provided by firms; firms value policy favors and effort which are provided by politicians; and politicians value votes which are provided by voters.

From Bisbee & You (forthcoming)

Overarching forces (Raiha, 2018):

- Some firms carry economic clout – their actions can have significant economic consequences.
 - E.g. Facebook, Airbus.
- Voters care about economic consequences.
 - E.g. Jobs, layoffs, housing values.
- Economic outcomes are often attributed to incumbent politicians by voters.
 - E.g. Ansolabehere, Meredith, and Snowberg (2014)
- Opportunity for a firm to take an economically influential action, to the political benefit/detriment of an incumbent, in exchange for policy favours.
 - E.g. Similar to Bayesian persuasion

Theory/Mechanisms (Raiha, 2018):

- Model features a firm, an incumbent politician, and a representative voter.
 - The firm seeks a policy favor, the politician wants to be re-elected, the voter wants to maximize their welfare (which is, in part, a function of the economy).
- The performance of the local economy is a function of both the competence/type of the politician, and the actions of the firm.
 - The firm can elect to take a costly action that improves (stochastically) the local economy.
- If the economy performs well, then the voter will form more positive impressions of the incumbent's competence.
 - The voter is unable to perfectly separate the impact the firm had, from the incumbent's type.
- In equilibrium, the firm and politician will engage in a quid pro quo.
 - The politician will grant a policy favor (paid by voter), and the firm will take the costly but economy improving action.

Theory/Mechanisms (Raiha, 2018):

- The equilibrium use of EIA does not require the net value (i.e. project minus policy favor cost), to be positive for the voter.
 - Raiha & Slivinski (2020) – specifically studies an extension of the model focused on understanding the political economy of over-subsidization.
- The full model also gives the firm the option of using campaign donations to influence the politician.
 - Modeled similarly to Prat (2002).
- There are equilibria where EIA is solely used, donations are solely used, and both are used.
- Ultimately, EIA can accomplish things donations cannot.
 - Donations do not create jobs or tax revenue. Donations cannot buy an improved economy or economic track record.

Key Predictions (Raiha, 2018):

- EIA is more likely to be used in contested/competitive political districts.
- EIA is more likely to be used in jurisdictions where the economy is an important electoral issue.
 - Less important is districts where social issues, crime, environment, etc. are more important.
- EIA is more likely to be used by firms that can flexibly wield sufficiently significant economic clout, relative to the size of the jurisdiction.
 - Sufficiency may depend on level of competitiveness.
- EIA is more likely to be used when the quality of the incumbent is more uncertain.
- EIA is more likely to be used in settings where campaign contributions, lobbying, and other influence activities are restricted.

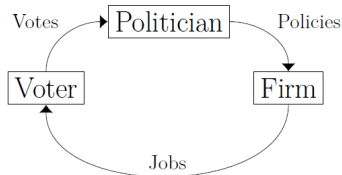


Figure 1: Theoretical equilibrium in which voters value jobs which are provided by firms; firms value policy favors and effort which are provided by politicians; and politicians value votes which are provided by voters.

Given these predictions, what do the empirical studies find? How can EIAs be systematically studied empirically? What are the distinct challenges?

Bonardi and Urbiztondo (2011) – “Asset freezing, Campaign Contributions, and the Tullock Paradox”

- First attempt to empirically indicate economic influence activities.
- Data: [United States] Employment data from Bureau of Labor Statistics, on a quarterly basis from 1992 Q3 to 2010 Q3 (18 years).
 - Data are broken up by firm size, but still at country-level.
- Empirical Strategy: Examines cross-time variation in employment (crucially controlling for GDP), comparing periods leading up to elections, across different categories of firm size.
- Findings: Employment experiences a statistically significant uptick leading up to elections, for large firms. Effect is smaller for medium firms, and non-existent for small firms.

Hansen, Libecap, and Lowe (2011) – “The Political Economy of Major Water Infrastructure Investments in the Western United States and the Impact on Agriculture”

- Data: [United States] Dam construction data from the National Inventory of Dams, on a decadal basis from 1880 to 2000 (120 years). Dataset includes over 80k dams constructed.
- Empirical Strategy: Examine cross-time and cross-sectional variation in dam construction depending on whether districts were represented by relevant committee members (i.e. water resources, agriculture, etc.), controlling for other relevant site selection factors.
- Findings: Water dams were significantly more likely to be built in districts of relevant committee members. They also establish (beyond this work) that such water infrastructure was important for economic development (i.e. EIAs have long-run economic consequences).

Carvalho (2014, Journal of Finance) – “The Real Effects of Government-Owned Banks: Evidence from an Emerging Market”

- Data: [Brazil] Employment data from the Ministry of Labor at firm-state-year level, from 1995-2005 (11 years), specifically in manufacturing sector.
- Empirical Strategy: Examines cross-time and cross-sectional variation in manufacturing employment, comparing regions that were politically aligned with the central government or not, whether districts had close elections, and if the industry was prioritized.
- Findings: Employment was significantly expanded in politically allied regions, where elections were close. He shows the mechanism is that firms who expanded employment received cheaper loans from public banks (i.e. EIAs can clearly benefit firms).

Bandeira-de-Mello (2018) – “Leveraging the Winner: Corporate political action under resource-dependence heterogeneity”

- Data: [Brazil] Publicly available data on BNDES loans, from 2005-2012. Focus is on the location of projects.
- Empirical Strategy: Less straightforward since he is also examining the benefits of having a project in an area that ends up being politically aligned (via RDD).
- Findings: Finds that firms systematically targeted new projects and investments, in municipalities with mayors connected aligned with the national government. Benefit mechanism is similar to Carvalho (2014), in that firms benefit from cheaper bank loans.

Bertrand, Kramarz, Schoar, and Thesmar (2018, Review of Finance) – “The Cost of Political Connections”


- WP title was “Politicians, Firms, and the Political Business Cycle”
- Data: [France] Plant data at the firm-year-level from a directory of publicly traded firms, from 1987-2002.
- Empirical Strategy: Examines cross-time and cross-sectional variation in plants depending on whether the firm had a politically connected CEO, comparing election vs. non-election years, and whether firms operated in politically contested areas.
- Findings: Politically connected firms exhibited greater plant creation/lower plant destruction in election years, in contested regions. However, they show no meaningful benefit to the firms, and in fact costs borne by the firms.

Pang, Funk, & Hirschman (2020) – “We Fly Congress: Market Actions as Corporate Political Activity in the U.S.”

- Data: [United States] Airport airline route data from Bureau of Transportation, from 1990-2019. Have airport-month data on # of unique carriers, departures, available seats, revenue passengers transported, etc.
- Empirical Strategy: Examines cross-time and cross-sectional variation in incidence of airport outcomes for airline routes between a politician's home district (or close by) and the three airports in the Washington D.C. region. Focus on key congressional leadership positions.
- Findings: The supply of flights from the districts of key committee members to D.C. increases. Interesting potential economic perk, but altogether not too costly.

RESEARCH ARTICLE

Economic influence activities and the strategic location of investment

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Abstract

This article examines the economic influence activities (EIAs) of firms. We argue that firms invest in jobs and establishments in districts of congressional committee members that have oversight over their businesses and industries. This investment increases as legislators' power rises in Congress. Our theory makes three predictions. First, EIAs by firms will be higher in congressional districts where the legislators have substantial political influence over the firm, relative to districts where legislators have little influence over the firm. Second, EIAs will increase with the legislators' power on the focal committee. Third, when a legislator exits the committee, EIAs will diminish, but previous investments in the district will remain. We test these predictions by analyzing the Trinet census of establishments, mapped into the committee structure of the US Congress, by tracking the investment and employment of firms in each industry in each congressional district over time. Using fixed-effects models, we show the predictions of the theory find substantial support in the US Senate but not the House. We explore causality by using exogenous exits of politicians by death and scandals to further complement our analysis, and discuss why EIAs may be less likely to occur and detect in the House.

Keywords: Economic influence activities; firm political influence; economic geography; firm investment; nonmarket strategy

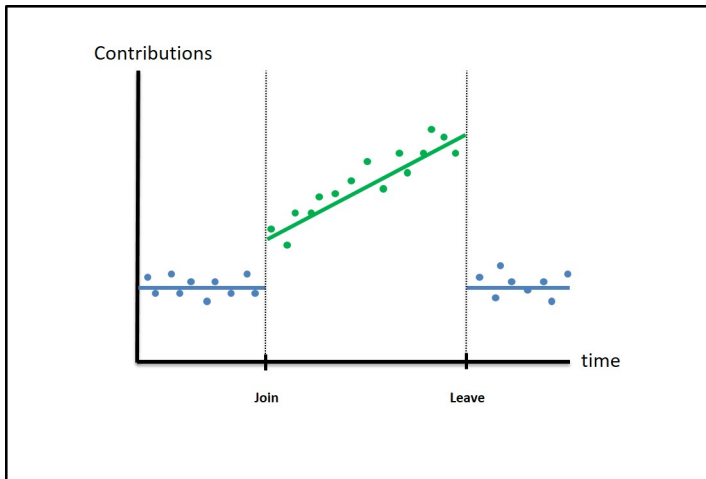
- We know that firms often focus attention on important and/or relevant committee members.
 - Grier and Munger (1991), Romer and Snyder (1994), Kroszner and Stratmann (1998), Ovtchinnikov and Pantaleoni (2012), Bertrand, et al. (2018).

“Contractors [...] understand the game and purposely locate defense plants in the districts of key Congressional committee members. When Oklahoma’s Senator Robert Kerr, Chairman of the Senate Finance Committee, asked North American Aviation what Oklahoma would receive for his support, North American responded with two factories, one in Kerr’s home town of Tulsa and one in the district represented by House Majority Leader Carl Albert.”
(Sorenson, 1995)

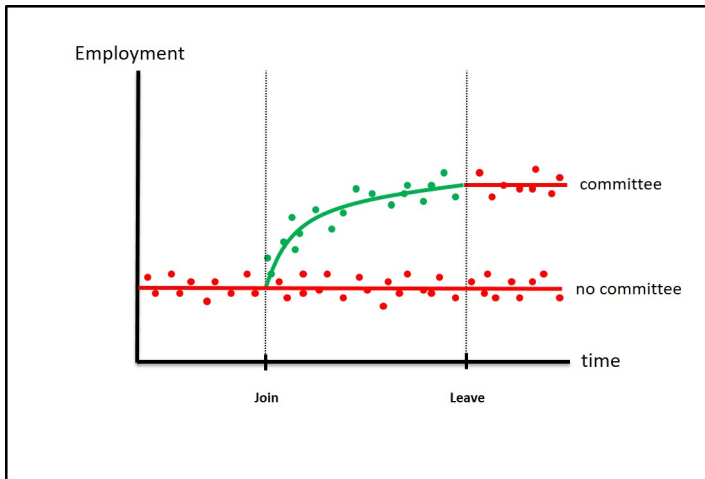
- Using establishment-level data, examine the impact of changes in congressional committee membership/seniority on firm location and employment.

- Trinet Inc. *Large Establishment Database*
 - a biennial census of establishments in the U.S. from 1979 to 1989.
 - covers 80 percent of all establishments, and 95 percent of establishments owned by public firms in U.S.
- Can determine the location (i.e. congressional district), and aggregate to get total number of establishments and employment within a district.
 - For any given SIC industry.
- Combine with data on congressional committee membership and duration.
- Certain committees carry greater relevance to particular industries.
 - Use the mappings of Ovtchinnikov and Pantaleoni (2012) and Roberts (1986), to determine committee relevance to 4-digit SIC industries.

Campaign contributions



Economic influence activities



Our main regression specification is:

$$\begin{aligned} \ln(y_{idt}) = & \beta_0 + \beta_1 DClockIn_{idt} + \beta_2 DClockIn_{idt}^2 \\ & + \beta_3 DClockOut_{idt} + \beta_4 DClockOut_{idt}^2 \\ & + \alpha_1 \iota + \alpha_2 \delta + \alpha_3 \tau + \epsilon \end{aligned} \quad (1)$$

where y_{idt} is the employment/establishments in industry i , in district d , in year t .

$DClockIn_{idt}$ is a running total of a district's accumulated committee service that is relevant to industry i .

$DClockOut_{idt}$ is a running total of time transpired since a district's representative left a committee of relevance to industry i .

Empirical Results

Table 2: Full sample regressions—employees/establishments and Senate committees.

DV	ln(Employment)				ln(Establishments)			
	A	B	C	D	E	F	G	H
DClockIn	0.0084*** (4.89)	0.0153*** (5.23)	0.0151*** (5.13)	0.0116*** (3.77)	0.0046*** (4.28)	0.0075*** (3.98)	0.0074*** (3.93)	0.0049** (2.46)
DClockIn-squared.		-0.0006*** (-3.20)	-0.0005*** (-2.78)	-0.0003 (-1.49)		-0.0003** (-2.22)	-0.0002** (-1.99)	-0.0001 (-0.65)
DClockOut	0.0044** (1.98)		0.0026 0.65	0.0027 (0.67)	0.0021 (1.61)		0.0037 (1.48)	0.0034 (1.34)
DClockOut-squared.			-0.0000 (-0.02)	-0.0001 (-0.19)			-0.0003 (-1.26)	-0.0003 (-1.26)
Pres. Democrat Vote Share				-0.0013*** (-4.35)				-0.0009*** (-5.00)
State Unemployment				0.0062** (2.07)				-0.0001 (-0.05)
District FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
F-statistic	12.24	15.51	8.01	7.50	9.34	9.97	5.80	6.64
Observations	441,756	441,756	441,756	371,316	441,756	441,756	441,756	371,316

Confidence levels: * = 10%; ** = 5%; *** = 1% (t-values).

Note: This table presents estimates of eight regression models, of accumulated committee service in the Senate on relevant industry employment and establishments, using the full sample. In specifications A-D the dependent variable is the log of industry employment, while in specifications E-H the dependent variable is the log of industry establishments. All specifications include industry, district, and year fixed effects. The F-statistic of the test of the joint significance of all explanatory variables, is reported below each column. T-statistics are reported in parentheses. Standard errors are clustered at the four-digit SIC-state level.

Empirical Results

Table 3: Full sample regressions—employees/establishments and House committees.

DV	ln(Employment)				ln(Establishments)			
	A	B	C	D	E	F	G	H
DClockIn	0.0009 (0.90)	0.0007 (0.30)	0.0031 (1.25)	0.0038 (1.40)	0.0004 (0.76)	-0.0034*** (-2.76)	-0.0025* (-1.82)	-0.0024 (-1.64)
DClockIn-squared.		-0.0000 (-0.02)	-0.0001 (-0.78)	-0.0002 (-0.86)		0.0003 (3.22)	0.0002** (2.40)	0.0002** (2.19)
DClockOut	-0.0010 (-1.31)		-0.0043* (-1.86)	-0.0047* (-1.90)	-0.0013*** (-3.02)		-0.0006 (-0.49)	-0.0005 (-0.34)
DClockOut-squared.			0.0002 (1.48)	0.0003 (1.56)			-0.0000 (-0.24)	-0.0000 (-0.18)
Pres. Democrat Vote Share				-0.0012*** (-3.92)				-0.0008*** (-4.36)
State Unemployment				0.0051* (1.68)				-0.0009 (-0.41)
District FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
F-statistic	1.06	0.20	1.10	3.86	4.59	5.21	3.67	4.96
Observations	431,437	431,437	431,437	363,211	431,437	431,437	431,437	363,211

Confidence levels: * = 10%, ** = 5%, *** = 1% (t-values)

Note: This table presents estimates of eight regression models, of accumulated committee service in the House of Representatives on relevant industry employment and establishments, using the full sample. In specifications A-D the dependent variable is the log of industry employment, while in specifications E-H the dependent variable is the log of industry establishments. All specifications include industry, district, and year fixed effects. The F-statistic of the test of the joint significance of all explanatory variables, is reported below each column. T-statistics are reported in parentheses. Standard errors are clustered at the four-digit SIC-state

Empirical Results

Table 4: Robustness regressions—Senate committees.

DV	ln(Employment)		ln(Establishments)		ln(Sales)
	A	B	C	D	E
DClockIn	0.0189** (2.17)	0.0092** (2.15)	0.0107* (1.74)	0.0051* (1.76)	0.0198*** (6.44)
DClockIn-squared.	-0.0010** (-2.40)	-0.0003 (-1.24)	-0.0009** (-3.07)	-0.0002 (-1.01)	-0.0005*** (-2.64)
DClockOut	-0.0203 (-1.46)	0.0037 (0.82)	-0.0079 (-0.89)	0.0039 (1.39)	0.0004 (0.08)
DClockOut-squared.	-0.0011 (-0.74)	-0.0002 (-0.36)	0.0007 (0.75)	-0.0004 (-1.48)	0.0004 (0.87)
District FEs	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
F-statistic	6.66	1.40	4.27	1.61	14.93
Observations	100,911	254,639	100,911	254,639	439,171

Confidence levels: * = 10%; ** = 5%; *** = 1% (t-values).

Note: This table presents estimates of five regression models, of accumulated committee service in the Senate on relevant industry employment or establishments. Specifications A and C use a subsample of SIC-CD-Ys for whom either (1) DClockOut is zero, due to an exogenous departure, or (2) DClockOut is positive, and the representative is on committee. Specifications B and D use a subsample of SIC-CD-Ys for whom DClockIn is nonzero. Specification E uses the full sample. In specifications A and B the dependent variable is the log of industry employment, in specifications C and D the dependent variable is the log of industry establishments, and in specification E the dependent variable is the log of industry sales. The F-statistic of the test of the joint significance of all explanatory variables, is reported below each column. T-statistics are reported in parentheses. Standard errors are clustered at the four-digit SIC-state level.

Empirical Results

Table 5: Win margins results—Senate and House con $\ln(\text{ClockOut} - \text{ClockIn} + \text{minus})$

DV Committees	ln(Employment)			
	Senate		House	
	A	B	C	D
DClockIn	0.0150*** (5.09)	0.0139*** (3.03)	0.0039 (1.44)	0.0038 (1.41)
DClockIn-squared.	-0.0005*** (-2.71)	-0.0004 (-1.51)	-0.0002 (-1.86)	-0.0002 (-0.87)
DClockOut	0.0027 (0.69)	0.0027 (0.69)	-0.0048* (-1.93)	-0.0050** (-1.99)
DClockOut-squared.	-0.0000 (-0.01)	-0.0000 (-0.01)	0.0003 (1.59)	0.0003 (1.62)
Vote Margin	0.0013*** (4.06)	0.0013*** (3.37)	0.0008*** (4.78)	0.0003 (1.42)
Vote Margin×DClockIn		0.0001 (0.32)		0.0003*** (4.05)
Vote Margin×DClockIn – squared.		-0.0000 (-0.43)		-0.00001** (-2.47)
Pres. Democrat Vote Share	-0.0047*** (-7.77)	-0.0047*** (-7.77)	-0.0075*** (-10.54)	-0.0075*** (-10.55)
State Unemployment	0.0024 (0.85)	0.0023 (0.84)	0.0067*** (2.21)	0.0069** (2.28)
District FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
F-statistic	14.79	11.54	19.25	17.65
Observations	441,756	441,756	363,211	363,211

Confidence levels: * = 10%; ** = 5%; *** = 1% (t-values).

Note: This table presents estimates of four regression models, of accumulated committee service in the Senate and House on relevant industry employment, using the full sample. In all models the dependent variable is the log of industry employment. In models A and B the committee service is in the Senate, while in models C and D the committee service is in the House. All models include industry, district, and year fixed effects. The F-statistic of the test of the joint significance of all explanatory variables, is reported below each column. T-statistics are reported in parentheses. Standard errors are clustered at the four-digit SIC-state level.

Key Findings

- Committee membership and seniority matter for the location of firm investment and employment.
 - Results stronger in Senate compared to House of Representatives.
- EIAs are observed across a broad spectrum from industries and committees.
 - Including many non-industrial.
- Electoral competitiveness appears to matter for House members.
 - Makes sense given the institutional features of the House relative to the Senate.
- Identification strategies (e.g. exogenous committee changes) help rule out alternative mechanisms.
 - E.g. Reverse causality, selection effects, Pork barrel spending.

Political Geography and Firm Strategies: How Electoral Competition Influences Local Job Creation*

James Bisbee[†]

Hye Young You[‡]

Abstract

Among the many promises made by politicians to their constituents, job creation is universal. Do firms strategically use job creation to exert influence? We take this question to the universe of firms in the United States between 1997 and 2018, linking each subsidiary to a congressional district. We find that firms open subsidiaries in more competitive districts, suggesting that firms employ politicians' constituents as a political strategy to build ties with vulnerable legislators. These patterns are also consistent with electorally insecure politicians exerting more effort to attract firms. Unlike other tools of political influence available to a firm, such as campaign contributions and lobbying, job creation is constrained by geography and time. We show that these patterns exist only for firms in geographically flexible industries, that local job creation increases a politician's electoral survival, and that subsidiary investments are correlated with longer tenures on valuable congressional committees.

10,543 Words

18,093 Appendix

Bisbee & You (forthcoming in Journal of Politics)

Great news - @amazon is opening their first fulfillment center in Missouri, right here in our district where they will be creating 1,500 new full-time, full benefit jobs. Welcome to Missouri-03! - Congressman Blaine Luetkemeyer's tweet, March 3rd, 2018

Among the many promises made by politicians to earn the hearts and minds of voters during election campaigns, the promise of job creation is ubiquitous. Unlike other partisan issues, such as taxes and the scope of the social safety net, job creation is a “valence” issue: all members of the public agree on the simple axiom that more is better. Yet despite the primacy of jobs in the election process, little research has been dedicated to whether and how firms might exploit their valuable assets for political gain (but see Raiha 2018). In this paper, we posit that the decision on where to invest in a new subsidiary is partially influenced by the value an incumbent politician would place on the additional jobs provided, with more electorally insecure politicians placing greater value on the investment, and thereby exerting more effort to attract and keep firms.

- Data: [United States] Subsidiary data at the establishment-level from Reference USA, from 1997-2018 (220 years). Primary focus is on Top 500 largest firms (with most subsidiaries).
 - Did a given firm open a new subsidiary in a given district, in a given year?
- Empirical Strategy: Examines cross-time and cross-sectional variation in firm-district-year observations. Primary independent variable is vote margin (political competitiveness), while controlling for a rich set of covariates (including district, firm, year FEs). They also examine random shocks to political competitiveness resulting from unexpectedly open races (due to death, retirement, etc. of incumbent).

Bisbee & You (forthcoming in Journal of Politics)

Table 1: Subsidiary Investment ~ Location Characteristics

	Bivariate	Politics	District	Cubic Trends	FE 2	FE 3
	(1)	(2)	(3)	(4)	(5)	(6)
Incum: Elec. Competition	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.005*** (0.001)	0.004*** (0.001)
Incum: Democrat		-0.002* (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.0003 (0.001)	-0.002** (0.001)
Incum: Seniority		0.0003 (0.001)	-0.0004 (0.001)	-0.0004 (0.001)	-0.0003 (0.001)	0.001 (0.001)
Incum: Legislative Efficacy		0.001 (0.001)	0.0003 (0.001)	0.0003 (0.001)	0.001 (0.001)	-0.00005 (0.001)
Dist. Unemployment			0.001 (0.001)	0.001 (0.001)	0.003* (0.001)	-0.001 (0.001)
Dist. Avg. Wages			-0.005** (0.002)	-0.005** (0.002)	-0.011*** (0.002)	-0.006*** (0.001)
Dist. LFPR			0.007*** (0.002)	0.007*** (0.002)	0.019*** (0.002)	0.008*** (0.001)
Dist. Median HH Inc			0.004 [†] (0.002)	0.004 [†] (0.002)	-0.015*** (0.003)	-0.002 (0.001)
Dist. Population (log)			0.016*** (0.001)	0.016*** (0.001)	0.016*** (0.001)	0.014*** (0.001)
Dist. % Male			0.003 (0.002)	0.003 (0.002)	0.007** (0.002)	0.004** (0.001)
Dist. % White			0.014 [†] (0.007)	0.014 [†] (0.007)	-0.016 (0.011)	0.011*** (0.003)
Dist. % Black			0.003 (0.005)	0.003 (0.005)	-0.009 (0.007)	0.008*** (0.002)
Dist. % Hispanic			0.005 (0.005)	0.006 (0.005)	-0.012 (0.008)	0.007** (0.002)
Dist. % Working Age			-0.001 (0.002)	-0.001 (0.002)	-0.014*** (0.003)	-0.005*** (0.002)
Dist. % HS Diploma			-0.006* (0.003)	-0.006* (0.003)	0.013*** (0.003)	-0.003 [†] (0.002)
Dist. % Some College			-0.001 (0.002)	-0.001 (0.002)	0.010*** (0.003)	0.0003 (0.001)
Dist. % College Degree			0.001 (0.003)	0.001 (0.003)	0.034*** (0.003)	0.012*** (0.002)
N	4.56M	4.34M	4.32M	4.32M	4.32M	4.32M
R ²	0.103	0.106	0.106	0.107	0.172	0.179
Incumbent Controls		✓	✓	✓	✓	✓
District Controls			✓	✓	✓	✓
Firm-District Cubic Trends				✓	✓	✓
Firm FE	✓	✓	✓	✓		
District FE	✓	✓	✓	✓		
Year FE	✓	✓	✓	✓		
District-Firm FE					✓	
Firm-year FE						✓

Bisbee & You (forthcoming in Journal of Politics)

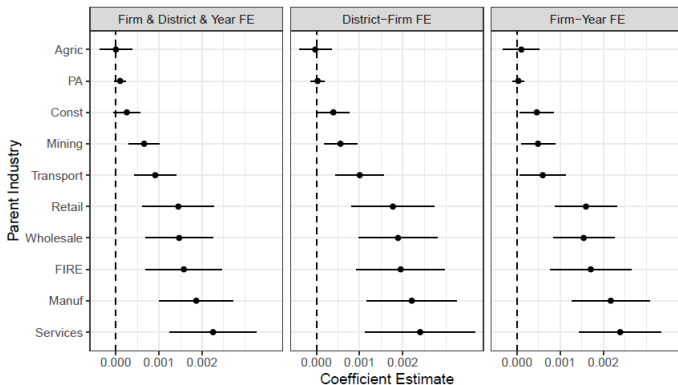


Figure 3: Correlations between the decision to open a new subsidiary and the electoral competition from the prior election for the largest 500 parent firms by industry (y-axis), for different choices of fixed effects. All coefficients are estimated with the full set of political, local, and regulatory controls, along with cubic polynomial time trends for the firm-district.

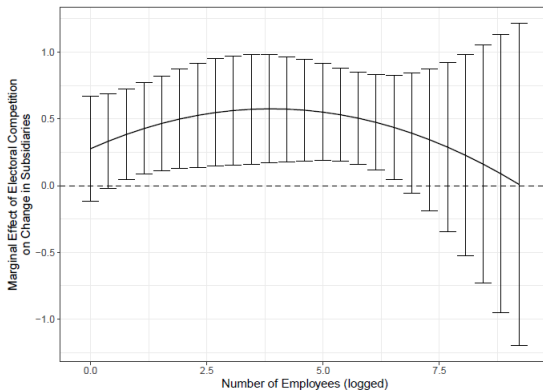
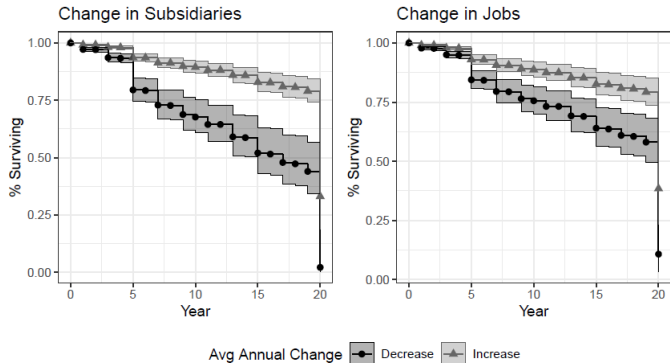


Figure 5: Margin effects linking electoral competitiveness with subsidiary investment (y-axis) across different sized subsidiaries, measured as total employees. (x-axis).

Bisbee & You (forthcoming in Journal of Politics)



Findings:

- Firms are more likely to open subsidiaries in electorally competitive districts. This robust result occurs also for new jobs, total number of new subsidiaries, as well as levels.
- Show heterogeneity across districts – firms in industries that can more flexibly locate, rather than those who are geographically constrained.
- Result holds more for smaller subsidiaries.
- Incumbent politicians benefit politically from subsidiaries created – as measured by survival analysis.

Where to go from here?

How to publish papers on EIAs:

- Is it enough to simply show that EIAs occur?
 - Probably yes! Given that this is fundamentally different and more challenging than campaign donations or lobbying. Extra points if you show it in another country setting, or using a technique or approach not previously seen in the literature.
- Can you show how EIAs interact with other firm activities, both in market and non-market strategies?
 - E.g. Do firms substitute away from lobbying or donations when they engage in EIAs? Do they change other market decisions of their business?
 - This is super interesting!
- Can you demonstrate the costliness of EIAs, compared to a benchmark of pure economic/operational/market efficiency?
- Can you show a clear quid pro quo between firms and politicians?

Where to go from here?

How to publish papers on EIAs:

- Can you show how EIAs are impacted by technological change?
 - E.g. banking call centers
- Can you show this in semi-democratic or non-democratic settings?
 - E.g. Work by Nan Jia.
- Can you demonstrate how EIAs can lead to further reaching economic consequences?
 - E.g. Residential real estate, economic clusters, etc.

Given the increasing political importance of the location of economic production, EIAs are likely to grow in their importance for years to come!

Where to go from here?

Can you think of any specific settings in which you might be able to observe and study economic influence activities?

If you're interested in this area of research, let me know! I would be very interested in discussing, or potentially collaborating.

- Davin Raiha (draiha@nd.edu)

