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Diana W. Thomas
Utah State University

Benjamin Blau
Utah State University

Tyler Brough
Utah State University

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Corporate Lobbying, Political Connections, and the Bailout of Banks

Abstract

Political involvement has long been shown to be a profitable investment for firms that seek favorable regulatory conditions or support in times of economic distress. But how important are different types of political involvement for the timing and magnitude of political support? To answer this question, we take a comprehensive look at the lobbying expenditures and political connections of banks that were recipients of government support under the 2008 Troubled Asset Relief Program (TARP). We find that politically-engaged firms were not only more likely to receive TARP support, but they also received a greater amount of TARP support and received the support earlier than firms that were not politically involved.

JEL Classification: D72; D73; G28

Key words: Lobbying, Corporate Bailouts, Government Policy, Regulation of Financial Institutions

1. Introduction

Economists have long noted that firms that lobby or maintain other types of political connections receive a variety of economic benefits in return (Richter, Samphantharak, and Timmons, 2009; Hochberg, Sapienza, and Vissing-Jorgensen, 2009; Igan, Mishra, and Tressel, 2009; Stratmann, 1991; Cooper et al., 2010; Hill, Kelly, and Van Ness, 2010; Jayachandran, 2006; Faccio & Parsley, 2009; Fisman, 2001; Roberts, 1990; Yu and Yu, 2010). Prior research shows that engagement in the political process might be used as a form of insurance against economic crises. For instance, Faccio, Masulis, and McConnell (2006) show that firms with political connections in 35 different countries are more likely to receive government bailouts in times of economic distress than non-connected firms.[1,2] This study extends this literature by not only examining whether politically connected firms have a higher likelihood of receiving government support than non-connected firms,

[1] Goldman, Rocholl, and So (2009) show that the effect of political connections on the value of the firm changes with the poltical landscape.

[2] Their research also shows that firms with political connections underperform relative to non-connected firms during the post-bailout period indicating that the outcome of the bailout was less effective for politically connected firms.

but this study also examines whether connected firms are more likely to receive support sooner and whether connected firms are more likely to receive more support than non-connected firms.

Using the 2008 troubled asset relief program (hereafter TARP) as a natural experiment, we address three main questions: Did political ties determine the overall distribution of TARP funds? Was the timing of TARP payouts influenced by firms' political engagement? And, did political ties influence the magnitude of TARP payouts?

To answer these questions, we use two approximations for political engagement. First, we follow Yu and Yu (2010) and proxy political engagement with lobbying expenditures. In particular, we examine lobbying expenditures during the five years prior to the passage of TARP. Second, we follow Faccio, Masulis, and McConnell (2006) and proxy politcal engagement with the number of political connections a firm maintains. We obtain data from the Center for Responsive Politics (CRP), which considers a firm to be politically connected if at least one of the following three conditions applies: (1) the firm previously employed an individual that is currently employed by the federal government, (2) the firm currently employs an individual that used to be employed by the federal government, (3) the firm currently employs an individual that is concurrently employed by the federal government.

Results in this study are striking. We find that firms that lobbied had a 42 percent higher chance of receiving TARP support than firms that did not lobby. Firms that received TARP support, spent up to four times as much on lobbying as firms that did not receive TARP support. Further, our univariate tests show that the fraction of TARP firms that lobbied is nearly five times greater than the fraction of non-TARP firms that lobbied. In addition, firms with political connections had a 29 percent higher chance of receiving support than non-connected firms. In fact, the percentage of TARP firms that were politically connected is nearly three times greater than the percentage of non-TARP firms that were politically connected. These results suggest that political engagement is directly related to the distribution of TARP support.[3]

In our next set of tests, we examine the length of time between the signing of TARP and a firm's receipt of TARP funds, which we denote as the timing of TARP for brevity. The allocation of TARP funds were paid out over 33 different days. All of the eight firms that received support on the first payout date, October 28th, 2008, had lobbied during

[3] During the process of our research, we found a similar paper by Duchin and Sosyura (2012) that shows that a bank's level of political connections are related to the probability of receiving TARP support. Our paper is different from Duchin and Sosyura (2012) for several reasons. First, we use different measures of political connections. Besides using lobbying expenditures, we also include the employment of politically connected individuals. Second, our study is not only focused on the distribution of TARP funds, but also on the timing of the receipt of TARP funds and magnitude of the funds received by politically connected banks.

the five years prior to the bailout and all of the firms were also politically connected. Of the 15 firms that received TARP support on the second payout date, November 17th, 2008, five had lobbied and four of the firms were politically connected according to the CRP. We show that nearly 62 percent of firms that lobbied and received TARP, received the support during the first two payouts. Likewise, more than 70 percent of politically connected firms that received TARP, received support during the first two payouts. Ninety-five percent of firms that lobbied received TARP support during the first nine payouts while 100 percent of firms that were politically connected were recipients of TARP funds during the first nine payouts.

We use robust econometric techniques to show that firms that lobbied and/or were politically connected received TARP support sooner than other firms. In economic terms, firms that lobbied during the five years prior to TARP received support 21.34 percent sooner than firms that did not lobby. Similarly, our multivariate estimates suggest that firms with political connections received TARP support 35.37 percent sooner than firms without connections. Combined with our earlier results, these findings suggest that, not only is political engagement related to *who* received TARP support, but political engagement is also related to *when* firms received support.

In our final set of tests, we estimate the marginal effect of political engagement on the distribution of TARP funds. First, we find that, of the firms that received TARP support, those that lobbied received between $2.02 and $5.14 billion more in total support than firms that did not lobby. Similarly, we find that firms with political connections received between $3.08 and $6.47 billion more in TARP support than firms without political connections. We also test whether firms that both lobbied and had political connections drive our results. Indeed, we find that these firms received between $3.73 billion and $6.18 billion more in TARP support than firms that did not have both types of political ties. These results support the idea that corporate political engagement is directly related to the amount of TARP funds received by firms.

Additional multivariate tests show that for every dollar spent on lobbying during the five years prior to TARP, firms received between $485.77 and $585.65 in TARP support. We then condition these results on firms that both lobbied and had political connections. Interestingly, we find that those firms that had both lobbied and were politically connected drive our results. For instance, for every dollar spent on lobbying, politically connected firms received approximately $440 dollars in TARP support.

While our results tend to show that political engagement heavily influenced the distribution, timing, and magnitude of the TARP bailout, our results are peculiar given that some banks did not want to be bailed out. For instance, the New York Times reported that both BB&T and Wells Fargo protested the manditory acceptance of TARP

support.[4] In fact, banks that were bailed out were not at liberty to return the TARP loans until certain standards set by the U.S. Treasury Department were met. If some banks were forced to accept TARP support despite protesting the support generally, other questions regarding the relation between political ties and government bailouts become important. While prior research suggests that the motivation to become politically engaged is to provide a form of insurance during periods of economic crisis (Faccio, Masulis, and McConnell, 2006; Yu and Yu, 2010), why would some firms, who were heavily connected, not want the insurance (i.e. government support) during the 2008 economic crisis? Further, and perhaps a more important question, why are we able to observe a significant relationship between the level of political engagement and the characteristics of the distribution of TARP? These questions are difficult to answer because the motivation by firms to become politically connected and the motivation by government to bailout firms is unobserved. Perhaps politically-connected banks truly did want to be bailed out but also wanted to signal strength to their shareholders by protesting the acceptance of the bailout. Or perhaps unwanted government bailouts are more easily forced upon those firms with greatest level of political connections. At a minimum, the case of TARP provides a unique look at the complexities of how the economic benefits of political engagement are passed along to politically engaged firms.

The rest of the paper is organized as follows. Section 2 described the data used in the analysis in more detail. Section 3 reports the results from our empirical tests. Section 4 concludes.

2. Data

We obtain data on lobbying expenditures for the 237 financial firms that received TARP support from the Center for Responsive Politics (CRP). The data are compiled using quarterly lobbying disclosure reports filed with the Secretary of the Senate's Office of Public Records. They include hard, soft, and grassroots lobbying expenditures for each firm. Our measure of lobbying expenditures is an aggregate measure and does not include information on the specific legislators who were lobbied. We believe that an aggregate measure is sufficient in this case insofar as a majority of the recipients of TARP support were commercial banks who, as a group, exhibit similar contribution patterns.[5]

[4] See, for example, http://www.nytimes.com/2009/08/02/business/02bbt.html?pagewanted=all and http://www.nytimes.com/2009/12/15/business/economy/15bank.html

[5] Kroszner and Stratmann (1998) show that prior to the repeal of the Glass-Steagall act in 1999 there were three different types of financial service PACs that competed in their lobbying efforts for legislative support and accordingly showed different contribution patterns: commercial banks, securities firms/investment banks, and insurance companies. All three groups matched each other's contributions to legislators who were not members of the House Banking Committee, but they did not match each

In addition, we obtain data on political connections from the CRP's Revolving Door database. This database "intends to identify those people whose career trajectory has taken them from Capitol Hill, the White House, and Cabinet office suites to K Street, and vice versa."[6] Using these data, we calculate an indicator variable called *CONNECT* that is equal to unity if a particular firm has employed, or is currently employing an individual who is also employed or has been employed in the federal government or appointed to a government advisory board, independent commission, or a congressional or presidential cabinet entity.

The firm-specific data used for this analysis come from several sources. From the Center for Research on Security Prices (CRSP), we obtain daily prices, trading volume, and market capitalizations. We also gather quarterly balance sheet data from Compustat in order to calculate each firm's debt-to-equity ratio and total assets. From the U.S. Treasury Department, we gather the list of financial institutions that received bailout funds and the date the bailout was received. To obtain a sample of financial institutions, we gather, from the universe of publicly traded firms, companies with a major Standard Industrial Classification Code (SIC) header of 60, 61, and 62.[7] We also require these stocks to have CRSP data. The final sample includes 237 firms that received bailout funds. We also obtain data for 334 financial firms with similar SIC codes that did not receive bailout funds.

Table 1 reports summary statistics for firms in our sample (Panel A). We also report the summary statistics for the 334 firms that did not receive bailouts (Panel B). The average firm in Panel A has a stock price ($Price$) of \$17.12, a market capitalization ($Size$) of \$4.2 billion, assets ($TotAssets$) of \$47.16 billion, and a debt-to-equity (D/E) ratio of 10.48. The average amount of money received from TARP (TARP) is approximately \$681 million. We also report share turnover ($Turn$) and stock return volatility ($Volt$). Turnover is the percentage of shares outstanding that are traded each day, while volatility is the standard deviation of daily CAPM residuals.[8] The average firm in Panel A has a daily turnover of 0.11 percent and a volatility measure of 3.61 percent. $LobDUM$ is an indicator variable that equals one if a firm has positive lobbying expenditures during

other's contributions to members of the same committee. From this research follows the conclusion that within each subgroup, the different PACs follow similar contribution patterns.

[6] Revolving Door: Methodology, retrieved from the world wide web on March 4, 2011: `http://www.opensecrets.org/revolving/methodology.php`.

[7] The Standard Industrial Classification Code System is a system employed by different US government agencies for classifying industries by a four-digit code. Codes starting with 60 classify banks, 61 classifies credit agencies, and 62 classifies security and commodity service providers like brokers, dealers, and exchanges.

[8] In particular, we estimate a regression where the dependent variable is the daily return less the daily risk–free rate and the independent variable is the market risk premium. After capturing the daily residuals from this regression, we take the standard deviation during each year.

the five years prior to TARP (2004 to 2008); zero otherwise. We find that nearly nine percent of firms that received TARP also lobbied. Further, of the firms that lobbied in Panel A, the average company spent ($LobDol$) \$9.1 million on lobbying from 2004 to 2008 and was active in ($\%YearsLob$) 67.6 percent of these years. When examining the indicator variable $CONNECT$, we find that over seven percent of firms that received TARP support currently employ or have employed at least one individual that is also affiliated with the government.

Panel B reports the summary statistics for the other financial firms that did not receive bailout dollars. The average firm in Panel B has a $Price$ of \$17.88, a $Size$ of \$1.9 billion, $TotAssets$ of \$72.5 billion, a D/E of 13.42, $Turn$ of 0.12 percent, and $Volt$ of 3.75 percent. Of firms in Panel B that lobbied, we find that the mean value for $LobDUM$ is 0.018 while the average firm has a $LobDol$ value of \$2.2 million. We also find that the mean value of $CONNECT$ is 0.024.

Panel C reports the difference in means. We find that larger firms, in terms of market capitalization, were more likely to be bailed out as the difference in Size is \$2.274 billion (p-value = 0.05). We show that the $LobDUM$ is significantly larger for firms that received TARP support than for firms that did not receive support (difference = 0.0706, p-value = 0.000). In economic terms, $LobDUM$ is nearly five times larger in Panel A than in Panel B. We also find that the difference in $LobDol$ is significant (difference = \$6.88 million, p-value = 0.047). Finally, we report that firms that received TARP had nearly three times the value of $CONNECT$ than firms that did not receive TARP (difference = 0.0477, p-value = 0.011). The differences in the other variables reported in Table 1 are statistically close to zero. The finding that lobbying is more prevalent for firms in Panel A than in Panel B is consistent with the argument that lobbying expenditures and political connections help explain which firms received TARP support as firms that received bailout dollars spent four times more on lobbying than firms that did not receive bailout dollars. However, these results must be interpreted with caution because lobbying expenditures are likely related to the size of firms, which is also different between samples. We control for size and other factors that may have influenced the distribution of TARP funds in multivariate tests below.

3. Analysis and Results

3.1. Who Received TARP Support

The univariate results in Table 1 suggest that both lobbying and political connections are positively related to the payout of TARP. We continue in this direction by estimating the following equation using a Probit regression.

$$
\begin{aligned}
TARPDUM_i &= \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i \\
&+ \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 DUMMY_i + \varepsilon_i \qquad (1)
\end{aligned}
$$

The number of firms in the sample is 571. 237 of those firms received TARP support and 334 firms did not. The dependent variable is an indicator variable equal to one if firm i received TARP support; zero otherwise. The independent variables include $Price$, $Size$, $TotAssets$, D/E, $Turn$, and $Volt$, which have each been defined previously. The variable of interest is the indicator variable $DUMMY$, which is defined in two ways. We first define $DUMMY$ as $LobDUM$, which equals one if firm i had positive lobbying expenditures during the five years prior to their receipt of bailout funds; zero otherwise. Second, we define $DUMMY$ as $CONNECT$, which equals unity if firm i is reported to have political connections according to the CRP.

Table 2 reports the results of the probit analysis. In unreported tests, we estimate the cross correlation between the independent variables and find that several variables are significantly correlated. We therefore estimate equation (1) using a linear probability model and calculate variance inflation factors to determine the severity of multicollinearity. First, we find that the estimates from the linear probability model are qualitatively similar to those reported in Table 2. Second, we find that the variance inflation factors of the linear probability model are well under four. However, we report a variety of versions of the model to show the robustness of our results to potential multicollinearity bias. We find in column 1 that after controlling for $Price$, D/E, $Turn$, and $Volt$, the estimate for $LobDUM$ is 1.0474. This estimate is statistically significant at the 0.01 level. Below the estimates for the indicator variable, we report the marginal probabilities for the variable $DUMMY$ (in brackets). We find in column 1 that, after controlling for other factors that potentially influence the level of TARP support, the probability of receiving TARP is 0.3836 if a firm had lobbied. Column 2 controls for the natural log of market capitalization ($\ln(Size)$) instead of $Price$. Again we find that the estimate for $LobDUM$ is positive and significant (estimate = 1.1255, p-value = 0.000). The computed marginal probability is 0.4118. We find similar results in column 3 when we include the natural log of Assets ($\ln(TotAssets)$) and in column 4 when we include the full model. In both columns, the estimate for $LobDUM$ is positive and significant and the marginal probability is 0.5105 and 0.3700.

Results in columns 1 through 4 indicate that lobbying during the five years prior to TARP significantly increased the probability of receiving TARP support. In columns 5 through 8, we include the indicator variable $CONNECT$ as our variable of interest. As

before, we report various versions of the full model to show that our results are robust to multicollinearity bias. For brevity, we discuss the results of the full model in column 8. We find that size (in terms of market capitalization) increased the probability of receiving TARP support. We also show that firms that were less volatile and had fewer assets were more likely to receive TARP. After including these control variables, we find that $CONNECT$ produces a positive estimate that is both statistically significant (p-value = 0.029) and economically significant (the marginal probability for $CONNECT$ in column 8 is 0.2351). Similar results are found in columns 5 through 7. These results support the findings in columns 1 through 4 and our univariate results in Table 1, which show a direct relation in the level of political engagement and the likelihood of receiving TARP support.

3.2. The Timing of the TARP Payout

In Tables 1 and 2, we document that political engagement - measured by lobbying expenditures and political connections - increases the likelihood that a firm received TARP support. Throughout the remainder of the paper, we focus only on firms that received TARP funds. In this subsection, we examine the timing of TARP payouts for those firms. In the following subsections, we investigate the variability in the amount of TARP funds received by firms while controlling for our measures of political engagement. Table 3 reports the date of the TARP payout, the number of firms receiving the payout, the sum of the total payout on each day, the number of firms that lobbied and received support, and the number of firms that received support and had political connections according to the CRP. In column 1, we find that the TARP payout took place over 33 days beginning on October 28th, 2008. On that day, eight firms received a total of $106 billion dollars. This figure represents nearly 66 percent of all monies paid out during the 33 day period. Interestingly, of the eight firms that received TARP funds on October 28th, all eight firms had lobbied at some point during the five years prior to the bailout (column 4). Further, all eight firms had political connections according to the CRP (column 5).

Nearly $28 billion of TARP support was paid out to 15 firms on the next payout date, November 17th, 2008. Of these 15 firms, five firms had lobbied during the five years prior to the bailout, while four had political connections. Interestingly, nearly 62 percent of the firms that lobbied at some point during the five years prior to TARP, received support during the first two payouts. Likewise, more than 70 percent of firms with political connections received support during the first two payouts. Further, 95 (100) percent of lobbying (politically connected) firms received TARP support during the first nine days of the payout. In light of the preliminary tests in Tables 1 and 2, which show that past lobbying expenditures and political connections explain which firms received TARP support, the findings in Table 3 suggest that the firms that were politically active

were among the first firms to receive TARP support. However, these results should be interpreted with caution as other factors influencing the payout of TARP are not controlled for.

Next we control for other factors that may have influenced the timing of the payout of TARP. We estimate the following equation for the 237 firms that received support.

$$\begin{aligned} TimeToTarp_i &= \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i \\ &+ \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 LobDUM_i + \beta_8 CONNECT_i \\ &+ \beta_9 LobDUM_i \times CONNECT_i + \varepsilon_i \end{aligned} \tag{2}$$

The dependent variable in the equation above is a discrete count variable which represents the number of days from the signing of TARP (October 3rd, 2008) to the receipt of TARP. For instance, for firms that received TARP funds during the first payout on October 28th, 2008, $TimeToTarp$ is 25 or 25 days since the signing of TARP. The independent variables include $Price$, $\ln(Size)$, $\ln(TotAssets)$, D/E, $Turn$, and $Volt$, which we have defined previously. The dummy variable $LobDUM$ equals one if firm i had positive lobbying expenditures during the five years prior to the bailout; zero otherwise. The dummy variable $CONNECT$ equals unity if firm i has political connections according to the Center for Responsive Politics; zero otherwise. The interaction variable is the product of $LobDUM$ and $CONNECT$.

Because the dependent variable is discrete and counts the days since the signing of TARP, we use the appropriate count regression framework. The Poisson regression requires a distribution such that the mean is equal to its variance. The mean of $TimeToTarp$, however, is 98, while the variance is over $3,600$. We estimate this dispersion using maximum likelihood and find dispersion estimates that range from 0.1560 to 0.1642, which are significantly greater than zero. These estimates suggest that the dependent variable is over-dispersed and therefore the distributional assumptions of the Poisson regression are violated. We therefore estimate equation (2) using a negative binomial regression and report the results in Table 4. We do note that in unreported tests, we use both OLS while controlling for robust standard errors (White, 1980) and a Poisson regression. Estimates obtained from these alternative specifications are qualitatively similar to those reported in this study. In addition, variance inflation factors from the OLS regression are well below four. However, as before, we report a variety of versions of the model to show robustness to potential multicollinearity.

In other tests, we attempt to use the Cox Proportional Hazard model that is common when analyzing survival data or duration models. We conduct a series of tests

to determine whether the proportionality assumption, which is required for consistent Hazard estimates, holds in our data. When estimating equation (2) but excluding the variable $CONNECT$ and the interaction between $CONNECT$ and $LobDUM$, we find that the time dependent covariate for $LobDUM$ is significantly different from zero (p-value = 0.093) thus rejecting the null hypothesis that this variable is proportional. A Wald statistic, testing for the proportionality of all time dependent covariates simultaneously is 28.92 (p-value = 0.000), which rejects the proportionality of the entire model. When including $CONNECT$ instead of $LobDUM$, the time dependent covariate for $CONNECT$ is significantly different from zero (p-value = 0.071) while the simultaneous test for all time dependent covariates produces a Wald statistic of 24.53 (p-value = 0.001). Because the proportionality assumption is violated according to these tests, we rely on the negative binomial regression estimates in Table 4.

Panel A shows the results when we include $LobDUM$. Panel B reports the results when including the indicator variable $CONNECT$. Panel C reports the results when including both $LobDUM$ and $CONNECT$ as well as the interaction between the two. For brevity, we only discuss the findings of the full models reported in column 4 in each of the panels. As can be seen in Table 4, the results in the other columns are generally similar.[9]

Column 4 shows that, after controlling for other factors that might influence the timing of the payout of TARP, the estimate for $LobDUM$ is negative (estimate = -0.2400, p-value = 0.048) suggesting that lobbying firms waited fewer days to receive TARP support than non-lobbying firms did . Column 4 in Panel B reports the results when we include $CONNECT$ instead of $LobDUM$. The indicator variable $CONNECT$ also produces a significantly negative estimate (estimate = -0.4365, p-value = 0.000). These results indicate that politically connected firms received TARP support sooner than firms without political connections. In Panel C, we interact the two indicator variables to determine whether the combination of lobbying and political connectedness drive the results. In each of the columns, we do not find interaction estimates that are statistically different from zero. For instance, column 4 reports an interaction estimate that, while negative, is statistically close to zero (estimate = -0.2085, p-value = 0.665).

To determine the economic significance of the estimates we transform the negative binomial estimates into percentage differences. In particular, the percentage difference between firms that lobbied (or had political connections) and those that did not is obtained by using the expression $100 \times \exp \beta_j \; - 1$, where β_j is either β_8 or β_9. In Panel A column 4, the percentage difference is -21.34 indicating that firms that lobbied received

[9] In columns 2 and 3, the estimates for $LobDUM$ are only marginally significant (p-values = 0.101 and 0.133).

TARP support 21.34 percent sooner than firms that did not lobby. Similarly, in Panel B column 4, the percentage difference is -35.37 percent suggesting that firms with political connections received support 35.37 percent sooner than firms without political connections. This exercise helps verify that the estimates reported in Table 4 are not only statistically significant but are also economically significant. The multivariate results in Table 4 offer support for the conclusions we draw in Table 3, which suggest that firms that were politically engaged not only were more likely to receive TARP support, but they were also more likely to receive support sooner than firms that were not politically engaged.

3.3. Explanations of the Level of TARP Support

Next, we begin to determine whether lobbying expenditures and political connections relate directly to the amount of TARP support received by firms in a multivariate setting. We begin by estimating the following equation using cross-sectional data for the 237 firms that received TARP.

$$\begin{aligned} TARP_i &= \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i \\ &+ \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 LobDUM_i + \beta_8 CONNECT_i \\ &+ \beta_9 LobDUM_i \times CONNECT_i + \varepsilon_i \end{aligned} \tag{3}$$

The dependent variable is the amount of dollars (in billions) received by firm i as part of TARP. The independent variables include $Price$, $\ln(Size)$, $\ln(TotAssets)$, D/E, $Turn$, and $Volt$, which have each been defined previously. The variables of interest are the variables $LobDUM$, $CONNECT$, and the interaction between the two variables. The regression results are reported in Table 5. We report the OLS estimates and p-values (in parentheses) that are obtained from White (1980) robust standard errors.[10] To determine whether the results in Table 5 suffer from multicollinearity, we estimate variance inflation factors (unreported) for each specification. In each panel, all of the columns except column 4, have variance inflation factors that are well below four for each of the variables. However, in column 4 of each panel, variance inflation factors are approximately 10 for $\ln(Size)$ and $\ln(TotAssets)$. Results in these columns should therefore be interpreted with caution.

In Panel A columns 1 through 3, we estimate a version of equation (1) by including some of the control variables individually along with the first variable of interest,

[10] Out results are also robust to clustering in the error term.

$LobDUM$. The control variables produce estimates that are generally consistent with our expectations. For instance, column 2 shows that $\ln(Size)$ is positively related to the amount of TARP support received by firms. Similarly, column 3 shows that $\ln(TotAssets)$ is directly related to the amount of TARP support received. We also find some evidence in columns 1 through 3 that firms with high D/E ratios, lower share turnover, and higher idiosyncratic volatility received a greater amount of TARP support. These latter results are not robust to each alternative specification, however. The variable of interest $LobDUM$ produces positive estimates consistently across columns 1 through 3. In fact, the estimate for $LobDUM$ in column 1 suggests that firms that lobbied received \$5.14 billion more in TARP support than firms that did not lobby. These results hold in the full model in column 4 although the magnitude of the estimate decreases. Column 4 suggests that firms that lobbied still received \$2.02 billion more in TARP support than firms that did not lobby, however. The estimate for $LobDUM$ is statistically significant at the 0.01 level. Combined with results in Tables 1 and 2 that suggest that the level of lobbying expenditures is directly related to the likelihood of firms receiving TARP support, Table 5 indicates that, of the firms that received TARP, those that lobbied received substantially more than those that did not lobby.

We next turn our attention to Panel B. The variable of interest in this panel is the indicator variable $CONNECT$. In each of these columns, the estimate for $CONNECT$ is positive and significant. In column 1, the estimate is 6.47 suggesting that firms with political connections - according to the Center for Responsive Politics - received \$6.47 billion more in TARP support than firms without political connections. As before, the magnitude of the estimate for $CONNECT$ decreases when we include size and total assets as control variables. The estimate for $CONNECT$ is still 3.08 and statistically significant at the 0.01 level in column 4, however. In economic terms, the estimate for $CONNECT$ in column 4 indicates that firm with political connections received \$3.08 billion more in TARP support than firms without political connections.

Next, we interact the two indicator variables to determine the combined effect of lobbying and political connections. Panel C shows the results from this interaction. Interestingly, we find that firms that both lobbied and were politically connected received \$6.18 billion more TARP support than other firms in column 1 (p-value = 0.014). In column 4, after controlling for all other factors, firms that both lobbied and were politically connected received \$3.89 billion more in TARP than other firm. The interaction estimate is statistically significant at the 0.10 level (p-value = 0.060). We note that in columns 1 through 4 the dummy variables $LobDUM$ and $CONNECT$ produce estimates that are statistically close to zero, which indicates that firms that both lobbied and were politically connected drive our results in Panels A and B.

Thus far, we have only examined the relationship between TARP support and an indicator variable determining whether a firm has lobbied. Our final set of tests examines the relation between lobbying expenditures and the level of TARP support. In particular, we estimate the following equation for the 237 firms that received TARP support.

$$\begin{aligned} TARP_i &= \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i \\ &+ \beta_5 Turn_i + \beta_6 Volt_i \beta_7 LobDol_i + \beta_8 CONNECT_i \\ &+ \beta_9 LobDol_i \times CONNECT_i + \varepsilon_i \end{aligned} \tag{4}$$

The dependent variable and the independent variables have been defined previously. However, instead of including $LobDUM$, we include the continuous variable $LobDol$, which is equal to the amount of lobbying expenditures for each firm that received TARP support. Similar to equation (3), we include $CONNECT$ as well as the interaction between $CONNECT$ and $LobDol$ to determine whether the positive relationship between $LobDol$ and TARP is driven by firms that lobby and have political connections. The variables of interest are $LobDol$ and the interaction between $LobDol$ and $CONNECT$. We again report the OLS estimates and p-values (in parentheses) obtained from White (1980) robust standard errors although similar results are found when controlling for clustering in the error term. Similar to previous tests, we report a variety of versions of the model to show the robustness of our results. Panel A of Table 6 reports the results when excluding the variable $CONNECT$ and the interaction variable, while Panel B reports the results when including these two additional variables. As before, we estimate variance inflation factors to determine the severity of multicollinearity. The unreported variance inflation factors in columns 1 through 3 of Panel A and columns 1 through 3 of Panel B are well below four. However, in column 4 of both panels, variance inflation factors are close to 10 for $\ln(Size)$ and $\ln(TotAssets)$ and should therefore be interpreted with caution. As a measure of robustness, we again report various specifications of equation (4) to show that our results hold whether we control for size and assets simultaneously, or not.

Column 1 of Panel A shows that, after controlling for other factors that influence the payout of TARP, the estimate for $LobDol$ is 585.65 (p-value = 0.000). In economic terms, this estimate suggests that for every dollar of lobbying expenditures, firms received \$585.65. Similar results are found in columns 2 and 3. When including all of the control variables in column 4, the estimate for $LobDol$ is 485.77 (p-value = 0.000) indicating that the marginal benefit for every dollar spent on lobbying during the five years prior to TARP was more than \$485 in TARP support.

Columns 1 through 4 of Panel B report the results when including both $CONNECT$ and the interaction between *LobDol* and $CONNECT$. Column 5 shows that the interaction estimate is 417.99 (p-value = 0.032) suggesting that every dollar spent on lobbying by firms that were politically connected resulted in nearly \$418 dollar of TARP support. Similar results are found in columns 2 through 4. These results indicate that that our finding that lobbying expenditures are directly related to the amount of TARP support received by firms is driven by firms that are politically connected. Again we note that the variable *LobDol* produces estimates that are statistically close to zero in columns 1 through 4 of Panel B suggesting that the effect of lobbying expenditures on the amount of TARP support received is primarily driven by firms with political connections.

3.4. Robustness

We recognize an important potential bias in our results. Our results in Tables 5 and 6 may be driven by potential sample selection bias as some firms may not find it optimal to lobby thus violating the random sampling assumption required for consistent estimation. Furthermore, endogeneity might be affecting our results. We re-estimate equations (3) and (4) using the Heckman correction to account for both sample selection bias and endogeneity. This correction uses a two-stage approach wherein the first stage is a limited dependent variable estimation of the conditional probability that firm i lobbied given $\mathbf{X}$, where $\mathbf{X}$ is a vector of control variables. More specifically, we first estimate the following equation using a probit model.

$$P(LobDUM = 1 \mid \mathbf{X}) = \Phi(\mathbf{X}\eta) \tag{5}$$

where $LobDUM$ has been defined previously and Φ is the standard normal cumulative distribution function. We include in $\mathbf{X}$: $Price$, $Size$, $TotAssets$, D/E, $Turn$, and $Volt$. In the next stage, we include a transformation of these predicted probabilities to estimate a general model that is similar to equations (3) and (4). Specifically, we estimate the following:

$$E[TARP \mid \mathbf{X}, LobDUM = 1] = \mathbf{X}\beta + E[\varepsilon \mid \mathbf{X}, LobDUM = 1] \tag{6}$$

where TARP has been defined previously and $\mathbf{X}$ includes the control variables mentioned above. We specify the Heckman correction in general terms because, as noted previously, several variables included in $\mathbf{X}$ are strongly correlated with one another. We therefore include a variety of different combinations of control variables when accounting for the correction, in order to assure that our results are robust to sample selection bias. The results from these robustness tests are not reported in this paper. We find, however that, in general, lobbying expenditures and political connections have strong explanatory

power for TARP payouts. For instance, replicating Table 6 column 4 and including all independent variables in $\mathbf{X}$ when estimating both equation (5) and equation (6), we find that the average estimate for *LobDol* in the second stage of the Heckman correction is 450.05. In each specification that we report in Table 6, the estimates for *LobDol* are statistically significant at the 0.01 level. The results from these tests indicate that the findings reported above are robust to sample selection corrections and potential endogeneity.

We also note another important characteristic of equations (3) and (4). If endogeneity biases our estimates, our estimates are still asymptotically consistent. For instance, if the lobbying variables or the political connection variables are indeed correlated with the error terms, this correlation is not contemporaneous. In addition, the error term accounts for the amount of TARP received by firm i on the date of receipt. However, the lobbying variables and the political connection variables are measured before the receipt date. Even if the results we report Tables 5 and 6 suffer from endogeneity bias, at a minimum our estimates are still asymptotically consistent.

Based on our discussion in the introduction, some banks protested the acceptance of TARP funds and were not allowed to pay back TARP loans until certain U.S. Treasury standards were met. In other unreported tests, we control for payback as an independent variable The idea here is control for the likelihood that firms that were first able to payback the loans according to Treasury standards are not driving the relation between political engagement and characteristics related to the distribution of TARP. We include an indicator variable equal to unity if the bank had paid back TARP loans by the end of the 2009. The indicator variable captures firms that were able to repay the TARP loans the quickest based on the standards set by the Treasury. We replicate our entire multivariate analysis while including this variable and find that the results are qualitatively similar to those reported in the version of the study. These unreported results suggest that our results are not affected by firms that were quickest to repay the TARP loans.

4. Conclusion

Faccio et al. (2006) show that firms with political connections are more likely to receive corporate bailouts than firms without political connections suggesting that political engagement might be a form of insurance during periods of economic crises. In this paper, we examine whether the level of political engagement determined the allocation, timing, and the magnitude of TARP funds during the recent economic crisis. In particular, we extend the literature by testing whether corporate political engagement was important in determining which firms received support, under what is to this date the largest

government bailout in U.S. history. Second, we test whether political engagement also determined the timing of the payout of TARP. Third, we examine whether political ties influence the amount of TARP support received by firms. We approximate political engagement in two ways: First, we obtain lobbying expenditures for each firm during the five years prior to TARP. Second, we use the definition of political connections given by the Center for Responsive Politics. We examine the effect of these approximations of political engagement on the distribution of TARP for a sample of 237 firms that received support and 334 financial firms that did not receive support.

Our multivariate results are striking. After controlling for other factors that may have influenced the distribution of TARP funds, our probit analysis suggests that firms that lobbied during the five years prior to TARP had between a 37 to 51 percent better chance of receiving TARP support. Similarly, we find that politically connected firms had a 23.5 to 39.3 percent better chance of receiving TARP support. These results confirm findings in Faccio, Masulis, and McConnell (2010).

In other tests, we examine how soon firms that were politically engaged received TARP support. Our results suggest that both lobbying expenditures during the five years prior to TARP and political connections are directly related to the timing of bailout decisions. For instance, while TARP was paid out over 33 installments, we find that 62 percent of firms that lobbied during the five years prior to TARP received bailout funds in the first two payouts. Further, nearly 71 percent of firms with political connections received support in the first two payouts. We also find that 95 (100) percent of firms that lobbied (with political connections) received TARP support during the first nine payouts. Our regression analysis shows that firms that lobbied were more likely to receive TARP support 21.34 percent sooner than firms that did not lobby. Further, firms with political connections were more likely to receive support 35.37 percent sooner than firms without political connections.

Our final set of tests examines the amount of TARP support received by each firm while conditioning on our approximations of political engagement. First, our multivariate analysis shows that firms that lobbied received between $2.02 billion and $5.14 billion more in TARP support than firms that did not lobby. Further, we find that firms with political connections received between $3.08 billion and $6.47 billion more in TARP funds than firms without political connections. Second, we show that for every dollar spent on lobbying, firms received between $485.77 and $585.65 in TARP support. This result is primarily driven by firms with political connections.

Combined, our results indicate that political engagement is not only directly related to the likelihood of receiving TARP support, but political engagement is also related to both the timing and magnitude of support. These findings seem to indicate that political

engagement was an important determinant in the distribution of TARP funds. However, media outlets reported instances where several banks protested the manditory acceptance of the TARP funds. If firms become politically engaged as a form of insurance during periods of economic crises, then why were some firms forced to be bailed out? Because the motivation behind the bailout is unobserved, we are left to speculate why our results show that political engagement apparently had such a profound effect on the distribution of TARP. Perhaps banks that vocally protested the bailout were much more willing to accept TARP support then they let on and their protest was intended to be a positive signal to shareholders. Or, perhaps forced government intervention is more likely to be easier with firms that have relationships with government officials. Regardless of the answer to these questions, the 2008 Troubled Asset Relief Program provides a unique look into the complexities of relation between political engagement and large bailouts.

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Table 1
Summary Statistics

	Price	*Size*	*TotAssets*	*D/E*	*Turn*	*Volt*	*TARP*	*LobDUM*	*LobDol*	*Connect*
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Panel A. Bailed Out Firm Characteristics ($N = 237$)										
Mean	17.12	4,197,187,974	47,159.87	10.48	0.1126	0.0361	681,171,106	0.0886	9,119,223	0.0717
Minimum	2.70	13,274,100	157.76	4.75	0.0035	0.0165	2,010,000	0.0000	13,056	0.0000
25th *Percentile*	10.03	60,439,600	827.28	8.45	0.0176	0.0278	16,300,000	0.0000	100,000	0.0000
Median	13.19	153,871,000	1,837.70	10.18	0.0407	0.0342	37,000,000	0.0000	825,044	0.0000
75th *Percentile*	19.85	499,650,000	4,765.84	11.99	0.1576	0.0421	108,000,000	0.0000	17,455,000	0.0000
Maximum	169.07	151,957,000,000	241,076.58	27.13	1.1439	0.0645	25,000,000,000	1.0000	43,888,088	1.0000
Panel B. Non-Bailed Out Firm Characteristics ($N = 334$)										
Mean	17.88	1,922,356,208	72,501.80	13.42	0.1222	0.0375	–	0.0180	2,241,781	0.024
Minimum	1.91	8,126,765	381.38	0.05	0.0019	0.0037	–	0.0000	105,000	0.000
25th *Percentile*	8.98	53,310,955	727.06	8.59	0.0177	0.0213	–	0.0000	130,000	0.000
Median	12.43	121,398,836	2,551.33	11.61	0.0374	0.0305	–	0.0000	962,966	0.000
75th *Percentile*	21.17	427,005,239	72,069.00	20.03	0.1236	0.0486	–	0.0000	1,983,000	0.000
Maximum	108.02	71,627,755,738	260,190.00	137.15	9.2321	0.2520	–	1.0000	9,306,752	1.000
Panel C. Difference in Means										
Difference	0.76	2,274,831,766	−25,341.93	−2.94	−0.0096	−0.0014	–	0.0706	6,877,442	0.0477
p−value	(0.553)	(0.050)	(0.366)	(0.846)	(0.782)	(0.393)	–	(0.000)	(0.047)	(0.011)

The table reports statistics that describe the sample. In particular, panel A reports the results for the 237 firms that received bailout dollars while panel B shows the results for financial firms that did not receive bailout dollars. We report the CRSP price (*Price*), the market capitalization (*Size*), the total assets in millions reported on Compustat (*TotAssets*), the Compustat Debt–to–Equity Ratio (*D/E*), the share turnover (*Turn*), which is the monthly CRSP volume scaled by shares outstanding, and the idiosyncratic volatility (*Volt*), which is the standard deviation of the residuals from the daily CAPM regressions. We obtain data regarding the lobbying expenditures from the Center for Responsive Politics (CPR). *LobDum* is a dummy variable equal to one if firm i lobbied during the five years prior to TARP. *LobDol* is the amount of lobbying expenditures for firms that lobbied. *Connect* is a dummy variable equal to one if firm i has political connections according to the CPR. In panel A, *LobDol* represents the number of dollars spent by firms that both lobbied during the last five years and received bailout dollars. Of the 237 firms that received bailout money, 21 of the firms spend money on lobbying. In panel B, *LobDol* is the number of dollars spent by firms that lobbied during the last five years but did not receive bailout money. Of the 334 firms that did not receive bailout dollars, only 10 firms spent money on lobbying.

Table 2
Probit Regressions

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Intercept	0.3983	1.2174	1.7285	−1.258	0.3820	0.6977	1.6210	−1.7698
	(0.028)	(0.159)	(0.000)	(0.198)	(0.034)	(0.445)	(0.000)	(0.066)
Price	−0.0021			0.0030	−0.0012			0.0030
	(0.621)			(0.550)	(0.785)			(0.550)
ln(Size)		−0.0441		0.1927		−0.0174		0.2196
		(0.298)		(0.002)		(0.701)		(0.000)
ln(TotAssets)			−0.1681	−0.2909			−0.1536	−0.2931
			(0.000)	(0.000)			(0.000)	(0.000)
D/E	0.0012	0.0013	0.0046	0.0050	0.0014	0.0014	0.0049	0.0055
	(0.763)	(0.731)	(0.495)	(0.494)	(0.730)	(0.722)	(0.483)	(0.472)
Turn	−0.4974	−0.2658	−0.0185	−0.0844	−0.4331	−0.3461	−0.0267	−0.0969
	(0.335)	(0.497)	(0.905)	(0.670)	(0.395)	(0.525)	(0.864)	(0.638)
Volt	−0.1764	−0.1892	−0.2145	−0.1465	−0.1744	−0.1783	−0.2122	−0.1361
	(0.000)	(0.000)	(0.000)	(0.002)	(0.000)	(0.000)	(0.000)	(0.004)
LobDUM	1.0474	1.1255	1.4501	1.0713				
	(0.000)	(0.000)	(0.000)	(0.001)				
Connect					0.7103	0.7304	1.0969	0.6729
					(0.016)	(0.016)	(0.000)	(0.029)
$Marginals_{DUMMY}$	[0.3836]	[0.4118]	[0.5105]	[0.3700]	[0.2631]	[0.2705]	[0.3927]	[0.2351]
LR	42.24	42.93	69.85	82.3	34.45	34.52	58.41	74.57
Pseudo R^2	0.0545	0.0554	0.0901	0.1062	0.0444	0.0445	0.0754	0.0962

The table reports the results from estimating the following equation using cross–sectional data from the sample of 571 financial firms – 237 firms that received bailout dollars and 334 firms that did not receive TARP support. We estimate the following Probit regressions: $TARPDUM_i = \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i + \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 Dummy_i + \varepsilon_i$. The dependent variable is an indicator variable equal to one if firm i received TARP support and zero otherwise. The independent variables include $Price$, $Size$, $TotAssets$, D/E, $Turn$, and $Volt$, which have each been previously defined. The variable of interest is the indicator variable $DUMMY$, which is defined two ways. In columns [1] through [4], we define $DUMMY$ as $LobDUM$, which equals one if firm i has spent a positive amount on lobbying during the give years prior to receipt of the bailout dollars and zero otherwise. In columns [5] through [8], we define $DUMMY$ as $Connect$, which equals one if firm i is reported to have political connections according to the Center for Responsive Politics. In unreported tests, we estimate the equation above using a linear probability model and calculate variance inflation factors. The estimates from the linear probability model are qualitatively similar to those reported reported in this table. Variance inflation factors from the linear probability model are well under four. However, we report a variety of versions of the model to show robustness to potential multicollinearity for our results. P–values are reported in parentheses.

Table 3
Time Series of Bailout Dollars

Bailout Date	Firms Receiving Bailout Dollars	Bailout Dollars Received	Firms that Lobbied	Firms with Connections
[1]	[2]	[3]	[4]	[5]
10/28/2008	8	$106,000,000,000	8	8
11/17/2008	15	$27,890,841,000	5	4
11/21/2008	17	$1,539,254,000	2	2
12/5/2008	29	$2,837,691,000	0	0
12/12/2008	22	$1,934,179,900	0	0
12/19/2008	27	$2,228,901,000	1	0
12/23/2008	18	$1,649,781,000	2	1
12/31/2008	4	$10,025,547,000	1	1
1/9/2009	20	$4,215,626,000	1	1
1/16/2009	15	$994,450,300	0	0
1/22/2009	4	$211,892,000	0	0
1/30/2009	15	$803,495,000	0	0
2/6/2009	4	$31,785,000	0	0
2/13/2009	6	$230,264,000	0	0
2/20/2009	4	$147,481,000	0	0
2/27/2009	3	$156,929,000	0	0
3/6/2009	3	$139,700,000	0	0
3/13/2009	2	$82,193,000	0	0
3/20/2009	1	$21,000,000	0	0
4/3/2009	1	$10,958,000	0	0
4/17/2009	1	$13,179,000	0	0
4/24/2009	1	$11,000,000	0	0
5/1/2009	1	$14,738,000	0	0
5/15/2009	2	$35,800,000	0	0
5/22/2009	2	$34,800,000	0	0
5/29/2009	2	$23,410,000	0	0
6/12/2009	3	$21,648,000	0	0
6/26/2009	1	$2,986,000	0	0
7/17/2009	1	$50,000,000	1	0
7/24/2009	1	$36,000,000	0	0
9/11/2009	2	$13,771,000	0	0
10/2/2009	1	$22,252,000	0	0
12/4/2009	1	$6,000,000	0	0

The table reports the dates of bailout, the number of firms that received bailout money, the sum of the bailout amount that was paid out on that day, the number of firms that lobbied during the last five years, and the number of firms that had political connections according to the Center for Responsive Politics.

Table 4
Negative Binomial Regressions

Panel A.

	[1]	[2]	[3]	[4]
Intercept	3.9683	4.7439	4.4929	4.3312
	(0.000)	(0.000)	(0.000)	(0.000)
Price	0.0048			0.0052
	(0.044)			(0.033)
ln(Size)		−0.0324		0.0053
		(0.304)		(0.912)
ln(TotAssets)			−0.0527	−0.0623
			(0.076)	(0.163)
D/E	−0.0023	0.0006	0.0033	0.0004
	(0.808)	(0.949)	(0.723)	(0.968)
Turn	−1.8456	−1.2746	−1.1037	−1.3435
	(0.000)	(0.002)	(0.004)	(0.001)
Volt	0.2312	0.1838	0.1799	0.2080
	(0.000)	(0.000)	(0.000)	(0.000)
LobDUM	−0.3222	−0.1978	−0.1749	−0.2400
	(0.003)	(0.101)	(0.133)	(0.048)
Dispersion	0.1618	0.1642	0.1629	0.1594
Pearson χ^2	309.32	317.35	314.87	308.45

Table 4 continued on next page.

Table 4
Negative Binomial Regressions

Panel B.

	[1]	[2]	[3]	[4]
Intercept	3.9177	4.4046	4.3635	4.0972
	(0.000)	(0.000)	(0.000)	(0.000)
Price	0.0056			0.0057
	(0.019)			(0.018)
ln(Size)		−0.0169		0.0110
		(0.588)		(0.814)
ln(TotAssets)			−0.0388	−0.0522
			(0.197)	(0.242)
D/E	0.0002	0.0032	0.0048	0.0022
	(0.986)	(0.734)	(0.602)	(0.817)
Turn	−1.6620	−1.2444	−1.0681	−1.3299
	(0.000)	(0.002)	(0.005)	(0.001)
Volt	0.2306	0.1895	0.1826	0.2148
	(0.000)	(0.000)	(0.005)	(0.000)
Connect	−0.5178	−0.3841	−0.3414	−0.4365
	(0.000)	(0.000)	(0.015)	(0.000)
Dispersion	0.1574	0.1613	0.1604	0.1561
Pearson χ^2	303.91	314.12	313.80	305.07

Table 4 continued on next page.

Table 4
Negative Binomial Regressions

Panel C.

	[1]	[2]	[3]	[4]
Intercept	3.9125	4.4243	4.3696	4.0967
	(0.000)	(0.000)	(0.000)	(0.000)
Price	0.0058			0.0059
	(0.016)			(0.017)
ln(Size)		−0.0179		0.0100
		(0.576)		(0.833)
ln(TotAssets)			−0.0398	−0.0500
			(0.195)	(0.268)
D/E	−0.0002	0.0032	0.005	0.0019
	(0.980)	(0.734)	(0.595)	(0.843)
Turn	−1.6763	−1.2373	−1.0621	−1.3493
	(0.000)	(0.002)	(0.006)	(0.001)
Volt	0.2322	0.1887	0.1820	0.2160
	(0.000)	(0.000)	(0.000)	(0.000)
LobDUM	0.0225	0.0566	0.0584	0.0360
	(0.903)	(0.765)	(0.755)	(0.847)
Connect	−0.2948	−0.3423	−0.3554	−0.278
	(0.539)	(0.432)	(0.414)	(0.519)
LobDUM ×	−0.2948	−0.0969	−0.0398	−0.2085
Connect	(0.538)	(0.841)	(0.934)	(0.665)
Dispersion	0.1572	0.1612	0.1604	0.1560
Pearson χ^2	303.86	313.41	312.92	304.76

The table reports the results from estimating the following equation using cross-sectional data from the sample of 237 firms that received bailout dollars and using Negative Binomial regression analysis. The Negative Binomial regression we estimate the following: $TimeToTarp_i = \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i + \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 LobDUM_i + \beta_8 Connect_i + \beta_9 LobDUM_i \times Connect_i + \varepsilon_i$. The dependent variable is a discrete count variable which is the number of days from the TARP signing (October 3rd, 2008) to the receipt of TARP. The independent variables include $Price$, $Size$, $TotAssets$, D/E, $Turn$, and $Volt$, which have each been defined previously. The dummy variable $LobDUM$ equals one if firm i has spent a positive amount on lobbying during the five years prior to receipt of the bailout dollars; zero otherwise. The dummy variable $Connect$ equals unity if firm i has political connections according to the CRP; zero otherwise. The interaction variable is the product of $LobDUM$ and $Connect$. We report the OLS estimates and P–values (in parentheses) obtained from White (1980) robust standard errors. Estimates from regular OLS are qualitatively similar to those reported in this table. In addition, Variance Inflation Factors from the OLS regression are well below four. However, we report a variety of versions of the model to show robustness to potential multicollinearity. P–values are reported in parentheses.

Table 5
Cross–Sectional Regressions

Panel A.

	[1]	[2]	[3]	[4]
Intercept	0.6771	−27.9807	−10.0655	−19.5884
	(0.436)	(0.000)	(0.000)	(0.000)
Price	0.0145			0.0046
	(0.288)			(0.693)
ln(Size)		1.4244		0.6701
		(0.000)		(0.019)
ln(TotAssets)			1.4144	0.8764
			(0.000)	(0.002)
D/E	0.0376	0.0825	0.0001	0.0305
	(0.513)	(0.095)	(0.988)	(0.557)
Turn	0.9679	−12.093	−11.2819	−13.1034
	(0.598)	(0.000)	(0.000)	(0.000)
Volt	−0.4151	0.3699	0.1614	0.3439
	(0.042)	(0.055)	(0.365)	(0.080)
LobDUM	5.1411	2.1823	2.4886	2.0207
	(0.000)	(0.000)	(0.000)	(0.003)
Adjusted R^2	0.3116	0.4797	0.4890	0.4976

Table 5 continued on next page.

Table 5
Cross–Sectional Regressions

Panel B.

	[1]	[2]	[3]	[4]
Intercept	0.9789	−26.1516	−9.3749	−18.2522
	(0.250)	(0.000)	(0.000)	(0.000)
Price	0.0107			0.0018
	(0.424)			(0.874)
ln(Size)		1.3409		0.6280
		(0.000)		(0.026)
ln(TotAssets)			1.3433	0.8385
			(0.000)	(0.002)
D/E	0.0148	0.0642	−0.0140	0.0177
	(0.793)	(0.189)	(0.772)	(0.729)
Turn	−0.2422	−12.2555	−11.5925	−13.1056
	(0.894)	(0.000)	(0.000)	(0.000)
Volt	−0.3728	0.3567	0.1669	0.3208
	(0.060)	(0.058)	(0.339)	(0.095)
LobDUM				
Connect	6.4682	3.2677	3.5179	3.0799
	(0.000)	(0.000)	(0.000)	(0.000)
Adjusted R^2	0.3453	0.4967	0.5059	0.5128

Table 5 continued on next page.

Table 5
Cross–Sectional Regressions

Panel C.

	[1]	[2]	[3]	[4]
Intercept	1.0745	−25.3724	−9.0205	−17.9907
	(0.201)	(0.000)	(0.000)	(0.000)
Price	0.0040			−0.0012
	(0.768)			(0.919)
ln(Size)		1.3014		0.6342
		(0.000)		(0.025)
ln(TotAssets)			1.2951	0.7946
			(0.000)	(0.004)
D/E	0.0237	0.0654	−0.0106	0.0236
	(0.671)	(0.180)	(0.826)	(0.646)
Turn	0.1353	−11.7948	−11.1124	−12.5374
	(0.940)	(0.000)	(0.000)	(0.000)
Volt	−0.4119	0.3345	0.1453	0.2896
	(0.036)	(0.076)	(0.407)	(0.136)
LobDUM	0.9951	−0.3836	−0.0077	−0.2906
	(0.377)	(0.705)	(0.994)	(0.771)
Connect	−0.1610	−0.5517	0.1159	−0.1935
	(0.949)	(0.805)	(0.958)	(0.931)
LobDUM ×	6.1799	4.5147	3.7257	3.8880
Connect	(0.014)	(0.035)	(0.067)	(0.060)
Adjusted R^2	0.3630	0.4998	0.5073	0.5139

The table reports the results from estimating the following equation using cross-sectional data from the sample of 237 firms that received bailout dollars: $TARP_i = \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E + i + \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 LobDUM_i + \beta_8 Connect_i + \beta_9 LobDUM_i \times Connect_i + \varepsilon_i$. The dependent variable is the amount (in billions) received by firm i in TARP support $Price$, $\ln(Size)$, $\ln(TotAssets)$, D/E, $Turn$, and $Volt$, which have each been defined previously. The dummy variable $LobDUM$ equals one if firm i has spent a positive amount on lobbying during the five years prior to receipt of the bailout dollars; zero otherwise. The dummy variable $Connect$ equals unity if firm i has political connections according to the CRP; zero otherwise. The interaction variable is the produce of $LobDUM$ and $Connect$. We report the OLS estimates and P–values (in parentheses) obtained from White (1980) robust standard errors. Variance Inflation Factors are well below four in columns [1] through [3], [5] through [7], and [9] through [11]. In columns [4], [8], and [12], the unreported variance inflation factors for $Size$ and $TotAssets$ are approximately 10. Therefore, we report a variety of versions of the model to show robustness to potential multicollinearity.

Table 6
Cross–Sectional Regressions

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Intercept	1.6463	−11.8005	−3.7174	−8.4879	1.6588	−11.7873	−3.6763	−8.5914
	(0.003)	(0.000)	(0.000)	(0.003)	(0.003)	(0.000)	(0.000)	(0.003)
Price	−0.0037			−0.0091	−0.0034			−0.0085
	(0.661)			(0.257)	(0.684)			(0.286)
ln(Size)		0.6551		0.3495		0.6523		0.3571
		(0.000)		(0.069)		(0.000)		(0.064)
ln(TotAssets)			0.6692	0.3949			0.6598	0.3816
			(0.000)	(0.039)			(0.000)	(0.044)
D/E	−0.1166	−0.0852	−0.1221	−0.0964	−0.1181	−0.0856	−0.1225	−0.0966
	(0.002)	(0.015)	(0.000)	(0.008)	(0.002)	(0.014)	(0.000)	(0.008)
Turn	2.2501	−5.0152	−4.7049	−5.1213	1.7633	−5.0913	−4.7553	−5.2001
	(0.048)	(0.001)	(0.001)	(0.001)	(0.134)	(0.001)	(0.001)	(0.001)
Volt	−0.1043	0.2605	0.1702	0.2041	−0.0918	0.2816	0.1866	0.2276
	(0.417)	(0.042)	(0.157)	(0.119)	(0.476)	(0.029)	(0.062)	(0.043)
LobDol	585.6500	490.6300	489.7300	485.7700	141.0752	31.4084	57.6871	48.7707
	(0.000)	(0.000)	(0.000)	(0.000)	(0.263)	(0.440)	(0.390)	(0.814)
Connect					0.9819	0.1526	0.2466	0.1318
					(0.219)	(0.841)	(0.744)	(0.861)
LobDol ×					417.9917	460.2962	430.6687	438.4339
Connect					(0.032)	(0.015)	(0.020)	(0.018)
Adjusted R^2	0.7260	0.7614	0.7633	0.7654	0.7302	0.7644	0.7658	0.7680

The table reports the results from estimating the following equation using cross-sectional data from the sample of 237 firms that received bailout dollars: $TARP_i = \beta_0 + \beta_1 Price_i + \beta_2 \ln(Size_i) + \beta_3 \ln(TotAssets_i) + \beta_4 D/E_i + \beta_5 Turn_i + \beta_6 Volt_i + \beta_7 LobDol_i + \beta_8 Connect_i + \beta_9 Connect_i \times LobDol_i + \varepsilon_i$. The dependent variable is the amount (in billions) received by firm i in TARP support $Price$, $\ln(Size)$, $\ln(Tot_Assets)$, D/E, $Turn$, and $Volt$, which have each been defined previously. The variable $LobDol$ is the amount (in billions) spent on lobbying expenditures during the five years prior to TARP. The dummy variable $Connect$ equals unity if firm i has political connections according to the CRP; zero otherwise. The interaction variable is the produce of $LobDol$ and $Connect$. We report the OLS estimates and P–values (in parentheses) obtained from White (1980) robust standard errors. Variance Inflation Factors are well below four in columns [1] through [3] and [5] through [7]. In columns [4] and [8], the unreported variance inflation factors for $Size$ and $TotAssets$ are approximately 10. Therefore, we report a variety of versions of the model to show robustness to potential multicollinearity.