THE DUALITY OF CORPORATE POLITICAL ACTIVITY:
IMPACT OF INSTITUTIONS ON LOBBYING AND CAMPAIGN CONTRIBUTIONS

BY

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DISSERTATION

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ABSTRACT

Corporations actively engage in the public policy process to manage the influence of the state and public policy. The pervasive role of corporations and their money in politics has caused controversies and discussion about the desirability and the extent of their influence on politics. Most of the theoretically oriented research on corporate political activity has emphasized mainly economic and strategic determinants of corporations and industries to investigate why corporations engage in political activities. Considering growing social pressures over corporate use of political activities, however, there is a need to pay more attention to social and institutional environments that are likely to affect corporate political activity. Thus, I build upon the institutional theory to investigate how corporate political activity as strategic, self-interested behavior is affected by various institutional conditions. Drawing on the institutional theory, I argue that corporate use of highly visible political tactics is likely to be constrained by institutional push-pull factors, such as changes in regulations, industry norms, and media attention to corporate political activity, to maintain legitimacy in institutional environments when they engage in political activity. Moreover, I argue that corporate use of highly visible political tactics is influenced by organizational factors that are likely to affect the degree to which corporations are susceptible to institutional forces. In this dissertation, I examine the corporate use of lobbying and campaign contributions of the S&P 500 companies from 1998 to 2012, which are highly visible due to their disclosure requirement in the United States and thus provide an appealing context to examine the social meaning attached to political activities in institutional environments.

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INTRODUCTION

Corporations are prominent political actors in the United States. They participate in public policymaking through various tactics, such as lobbying, campaign contributions, advocacy building, and constituency building. Through their interviews with lobbyists, Baumgartner and colleagues (2009) found that business firms and business/trade associations are the largest group of special interests, as they represent 35 percent of the major interest-group participants. The Center for Responsive Politics' website (http://www.opensecrets.org) shows that business firms have made a considerable amount of campaign contributions.

The pervasive role of corporations and their money in politics has also caused controversies about the desirability and the extent of their influence on politics. After the Supreme Court's 2010 decision in *Citizens United v. Federal Election Commission*, which relaxed the restriction of corporate contributions to elections, there has been growing concern about the more pervasive influence of corporations in politics. While corporations are given the right to free speech corporate money in politics is often characterized as "dark money" or hidden influence that poses the risk of reshaping politics according to corporate interests. As the public and the media express concern about the risk that money from big donors may corrupt politics, there has been a series of efforts by the government and legislators designed to regulate the extent to which corporations donate campaign contributions to political parties and candidates and influence government officials, such as legislators and members of regulatory agencies (e.g., the Lobbying Disclosure Act of 1995; the Bipartisan Campaign Reform Act of 2002).

Given the influence of corporations on politics, it is not surprising that scholars in diverse disciplines have paid much attention to why and how corporations engage in political activities.

In most of the theoretically oriented research on corporate political activity, defined as corporate attempts to generate public policy outcomes reflecting the goals of the firm (Baysinger, 1984), the behavior of actors—whether individuals, organizations, or states—is attributed to the self-interest of that entity (Buchanan, 1987; Hillman, Keim, & Schuler, 2004). The objective of self-interested business firms in engaging in political activities is to manage dependence created by external organizations or to generate outcomes that reflect organizational interests, primarily economic ones. For instance, Pfeffer and Salancik note that when dependence cannot be managed by negotiation, organizations as political actors may attempt to "use the power of the larger social system and its government to eliminate the difficulties" (1978: 189).

In management research, the public policy process in which corporations pursue their self-interests is described as political exchange within "political markets" (Hillman et al., 2004). In this framework, corporations are primarily characterized as strategic actors that compete with others within the political markets to enhance their economic performance through influencing public policies (Baron, 1995; Buchanan, 1987; Hillman et al., 2004). Hillman and colleagues (1999; 1995) argue that public policy processes can be conceived as the marketplace in which the demanders and suppliers of public policy participate to pursue their various individual interests. In this political marketplace, demanders, including corporations, compete with other interest groups in the policy markets by offering information, votes, and financial support to such policy suppliers as government officials and legislators. Thus, as demanders of public policy, corporations are likely to be politically active when public policy has a substantial impact on their performance and survival (Hillman & Hitt, 1999).

The existing literature on corporate political activity, which is mostly based on the assumption that firms engage in political activities in order to pursue economic objectives, helps identify important antecedents and the basic process of corporate political activity. Lux et al.'s (2011) meta-analysis found that most of the antecedents drawn from traditional perspectives were significantly related to corporate political activity. Despite these findings, they also pointed out that those determinants explaining why firms engage in corporate political activity appear to have relatively small effects. As a result, there is a need for more inquiry into potential antecedents that might help further explain corporate political activity beyond economic objectives of firms.

Researchers have increasingly realized that social and institutional conditions may determine the formulation and implementation of strategic choices (Ingram & Silverman, 2002; Peng, 2003). Corporate political activity is a strategic tool, which is allowed by law, to enhance economic outcomes by managing regulatory environments. Nevertheless, institutional conditions, whether they are formal institutions or informal institutions, may influence whether corporations engage in political activities or not. Due to their pervasive role in politics and the controversy over it, corporations have faced pressures from various stakeholders and the institutions in which they operate. As corporations need to be responsive to the institutional pressures (Suchman, 1995), corporate political activity is likely to be influenced by institutional conditions.

According to Scott (2001: 48), institutions are composed of "cultural-cognitive, normative, and regulative elements that . . . provide stability and meaning to social life." Organizational structures and behaviors reflect all three of these elements. On the contrary, researchers in strategic management and corporate political activity have mostly focused on regulatory elements of institutions, such as laws and rules (North, 1990; Williamson, 1975).

While these three types of institutions are complementary (Scott, 2001), the role of shared norms and cultural beliefs has received less attention in research on the strategic choice of organization.

Research in institutional theory is expected to provide an adequate framework for understanding the impact of normative and cognitive elements of institutions, as well as a regulative factor, on corporate political activity. Institutional researchers point out that institutional environment plays a constitutive role in that institutions determine socially appropriate and legitimate behavior (DiMaggio & Powell, 1983). Thus, organizational actions can be driven by rules of appropriateness or what is socially taken for granted, in spite of calculation of consequences (March & Olsen, 2004). Furthermore, institutional environment may affect organizational behavior, as organizations take into account institutional factors in pursuit of their goals. Scholars who emphasize strategic moves of organizations in institutional environments posit that organizations "extract" legitimacy from cultural environments by symbolically conforming to socially appropriate practices within their institutional fields (Suchman, 1995). From this perspective, institutional conditions surrounding organizations can be seen as systematic constraints, which may enter into cost-benefit calculation of conforming to institutional pressures.

In this dissertation, I examine the corporate use of lobbying and campaign contributions in the United States. Corporate lobbying and campaign contributions provide an appealing context to examine the social meaning attached to political activities in institutional environments. Briscoe and Murphy (2012) posit that the adoption of controversial practices is likely to be affected by their transparency or visibility to stakeholders of the firm. Corporate lobbying and campaign contributions appear to draw more public attention and cause more controversies than other political tactics that are not publicly disclosed. As corporations are required to disclose information about their lobbying and campaign contributions, and several sources (e.g., the Center for Responsive Politics and the Sunlight Foundation) provide readily available data on corporate expenditures on these activities, corporations heavily engaging in lobbying and campaign contributions are likely to receive unwanted attention and publicity. Thus, corporate political expenditures of a firm represent a part of the political posture of a corporation in society, beyond the corporate investment to get desired public policy outcomes. In order to explore institutional factors surrounding corporate political activity, this study emphasizes the relatively high visibility of corporate lobbying and campaign contributions, which may hurt the social legitimacy of the corporations and their political activity.

Then, given potential benefits and costs, under what institutional conditions are corporations more or less likely to engage in highly visible corporate political activity? The purpose of this paper is to answer this question by exploring institutional properties of corporations and their political activity, which are largely ignored in the previous literature. Recently, scholars have suggested that corporate decision to engage in political activity is likely to be influenced by institutional factors (e.g., Bonardi, Hillman, & Keim, 2005; Hillman & Hitt, 1999). Nonetheless, they have not determined how and why institutional conditions affect corporate political activity (Schuler, Rehbein, & Cramer, 2002). Considering the questionable efficiency (e.g., Hadani & Schuler, 2013) and socially controversial nature of corporate political activity, corporate expenditures on political activity have a symbolic meaning beyond economic considerations. Thus, institutional theory is expected to provide an appropriate theoretical framework to explore a new insight into the antecedents of corporate political activity.

I develop and empirically test a theoretical model of whether and how institutional conditions affect corporations' use of political activities. My main argument is that institutional forces, over and above self-interest and resource dependence of corporations, enter into the explanation of corporate political activity. First of all, I explore contextual factors beyond the boundary of a corporation that are likely to shape corporate political activity. As an organizational practice is socially constructed as appropriate and legitimate (DiMaggio & Powell, 1983; Strang & Meyer, 1993), it is necessary to consider various institutional forces that influence corporate decision-making on political activity. Thus, I argue that the corporate use of lobbying and campaign contributions, which are highly visible and controversial in society, is constrained by such institutional factors as regulatory changes on corporate political activity, availability of alternative activities that are less visible to stakeholders, media attention to the political activity of a firm or industry, and diffusion, among similar others.

Furthermore, I examine organizational factors that may influence corporations' interpretations of and responses to institutional pressures on corporate political activity. That is, organizational conditions are likely to determine whether a corporation either takes for granted corporate political activity or becomes more susceptible to institutional pressures. I argue that organizational determinants, including leaders' value on political activity, internal advocates of supporting political activity (e.g., in-house lobbyists), and pressure from key shareholders, are likely to affect the degree to which corporate political activity is institutionalized within firms and corporations adopt socially controversial political strategies.

I test the hypotheses by using data on the corporate lobbying and campaign contributions of every company in the S&P 500 from 1998 to 2012. Compared with other political tactics, lobbying and campaign contributions are more visible to and draw the most attention from institutional constituents exerting pressures on corporations. For instance, the U.S. government has made efforts to regulate campaign contributions and lobbying by corporations and improve their transparency through the disclosure requirement (e.g., the Federal Election Campaign Act of 1971, the Lobbying Disclosure Act of 1995, and the Bipartisan Campaign Reform Act of 2002). The media coverage of corporate political activity has mostly focused on campaign contributions and lobbying activity because of information availability. Given my assertion that the highly visible nature of these tactics adds a social meaning to them, corporate lobbying and campaign contributions provide an appealing context to understand firms' strategic actions in institutional environments.

This paper aims to make contributions to management research on institutional theory and corporate political activity. This extends research on agency and strategic behavior of organizations in institutional theory by examining how self-interested organizations behave to achieve their goals in institutional environments. In addition, this study contributes to the literature on corporate political activity by moving beyond the dyadic relationship between firms and the state. This study will broaden the theoretical scope of the literature by exploring how corporate strategic decision-making on corporate political activity is contingent on institutional conditions, in addition to economic considerations. More specifically, the theoretical argument and empirical results show that firms can strategically take into consideration institutional pressures as they use political tactics to pursue their interests.

This study proceeds as follows: After a brief review of the literature on corporate political activity and institutional theory, I develop hypotheses that describe how institutional conditions influence a firm's use of lobbying and campaign contributions, and how organizational factors affect the firm's political reaction to institutional pressures. I then describe the sample and empirical methods.

CHAPTER 1. CORPORATE POLITICAL ACTIVITY AND INSTITUTIONAL ENVIRONMENTS

In this review, I examine how corporate political activity as agentic, strategic behavior interacts with larger social environments, including political and institutional environments. Corporations as significant players in politics attempt to gain access to policymakers to create or manage the public policy process. Because the economic performance of corporations is largely dependent on laws and regulations, they have economic incentives to engage in political activity in political environments. While using political strategies, however, corporations should manage the duality of corporate political activity in social environments. On the one hand, corporate political activity is legal and strategic behavior to pursue their self-interest in technical and political environments; on the other hand, this strategic political action is not "taken for granted" by many institutional constituents and thus is likely to be constrained by institutional and cultural environments in which organizations should gain resources and legitimacy for their behavior.

Corporate Political Activity as Strategic Action

A staple of a representative democracy is interest groups comprised of individuals, firms, and other organizations. These interest groups petition legislators and government officials to influence the public policy process. Of these interest groups, business firms have become most significant political players in the political process by employing various methods, such as campaign contributions, lobbying, supporting industry/trade associations, and grassroots lobbying and advocacy campaigns. Because of their influence, corporate participation in the political process has long been a contentious issue among scholars, policymakers, and the general public, as business firms and trade associations have been “by far the best endowed and most active” in Washington (Baumgartner & Leech, 2001: 1195).

Because of the significant influence of corporations in politics, corporate political activity is of great interest to managers, policymakers, the media, and the general public. While theoretical and empirical understandings of corporate political activity are still limited (Hart, 2004), scholars from multiple disciplines have also investigated the relationship between business firms and politics. For instance, political scientists usually pay attention to political institutions, including policy changes and politicians’ influence (e.g., Baumgartner et al., 2009; de Figueiredo & King, 2004; Hall & Reynolds, 2012). Economists have examined industry characteristics, such as the number of competitors and the degree of industry concentration (e.g., Kim, 2008). Strategic management researchers have investigated the financial performance of corporate political activity (e.g., Hadani & Schuler, 2013; Hillman & Zardkoohi, 1999). As these researchers tend to investigate some aspects of corporate political activity that are most relevant to their own fields, there is a need to explore business firms in politics from a broader perspective (Lux et al., 2011).

While each of disciplines focuses on different aspect of corporate political activity, most of the literature across multiple disciplines usually assumes that corporations and their managers make strategic and “rational” decisions about their political actions to enhance performance (Lux et al., 2011; Mitchell, Hansen, & Jepsen, 1997; North, 1990). In general, corporate political activity is portrayed as a component of overall strategic action, like other market strategies, such as advertising and R&D investment (Baron, 1995). Scholars from management, economics, and political science emphasize that corporations make strategic decisions on whether to engage in political activity by comparing the costs and benefits of their political actions as they make investment decisions. As when making other investment decisions, corporations are more likely to use political tactics when the expected benefits from managing the policy process outweigh the incurred costs. As actors interact with other players within formal and informal institutional structures (North, 1990), corporations as "rational" actors have incentives to respond to political issues that may affect their profitability in economic environments. Thus, this view suggests that corporations use political strategies in order to respond to situations that might affect firm performance if their political investments pay off and enhance their profitability.

The resource dependence perspective also emphasizes a self-interested objective of corporate political activity. Pfeffer and Salancik (1978) maintain that corporate political activity can be viewed as organizational efforts to "create" the political environment in order to guarantee their access to the resources they need. When the possibility of absorbing the interdependencies or negotiating for coordinated behavior diminishes, organizations may seek to satisfy their own interests of survival and growth by making a political choice in the political environment. Baysinger (1984) also argues that political tactics are implemented to use the power of governmental organizations on behalf of the firms to manage uncertainty and fulfill their needs. These views suggest that not only are organizations constrained by their political environments but public policies reflect organizations' political decisions and needs.

In strategic management, one of the prominent views on processes of corporate political activity is that business firms are demanders of public policy in the political marketplace that operates on the principles of supply and demand (Buchanan, 1987; Hillman & Keim, 1995). In this political market, individuals, business firms, labor unions, and other interest groups are demanders of public policy. While corporations compete with others, in some cases corporations may form temporary or permanent coalitions, such as interest groups and trade associations, to compete more effectively with other individuals and groups in a political market (Bonardi et al., 2005). Suppliers of public policy are those in government who can affect public policy outcomes. These suppliers include government officials, legislators, and appointed or career members of government agencies or bureaus (Hillman & Keim, 1995).

In the framework of the political marketplace, competition among demanders and suppliers of public policies who pursue their individual interests drives public policy outcomes. This view emphasizes that the public policy process is driven by interactions among competing individual interests, not by the independent “public interest” (Bonardi et al., 2005). In an economic market, demanders exchange money for goods and services from suppliers. In contrast, a political market can be defined around public policy issues, such as laws and regulations that might affect a group of actors. Demanders participate in policy markets by offering information, votes, and financial support; on the other hand, suppliers of public policy are legislators and other members of government who can uphold or change policies (Hillman & Hitt, 1999).

Antecedents and Consequences of Corporate Political Activity. One of the key questions in the research streams previously mentioned is why companies participate in the political process and how they engage in political activity (Hillman et al., 2004; Oliver & Holzinger, 2008). Research to date has identified important antecedents at different levels that are likely to affect managers’ decisions on political activities. First of all, management scholars have examined firm-level factors of corporate political activity. The most prominent antecedent of corporate political activity seems to be *firm size* (Bhuyan, 2000; Hansen & Mitchell, 2000;

Hillman et al., 2004). There are several reasons why firm size is correlated with corporate political activity. One of the reasons is that larger firms tend to be more exposed to external environments and a number of stakeholders (Lux et al., 2011). A second reason is that larger firms have more resources and capability to engage in political activities (Meznar & Nigh, 1995; Schuler et al., 2002). Moreover, larger firms with more resources and better access to politicians tend to engage in political activities independently, rather than collectively with other interest groups, such as through joining trade associations (Bertrand, Bombardini, & Trebbi, 2012; Hillman & Hitt, 1999). *Firm dependence on government* is another important driver of corporate political activity (Stigler, 1971). When performance or survival of a firm is largely dependent on government (e.g., a firm's sales to government or regulation from government agencies), the firm has more incentives to manage its dependence on government through political actions (Pfeffer & Salancik, 1978; Schuler, 1999). In addition to firm size and dependence to government at the firm level, corporate strategy (e.g., diversification level), firm age, and firm ownership (foreign vs. domestic) have been identified as prominent antecedents of corporate political activity.

Second, studies on corporate political activity have looked at the industry- or market-level factors. These studies found that industry structures affect corporate decisions on the degrees and types (e.g., independent vs. organized action) of participation. For example, Schuler et al. (2002) found that firms in concentrated industries are more likely to use multiple political tactics, including lobbying and campaign contributions. In concentrated industries, firms are also less likely to free-ride because firms in fragmented industries share the benefits of favorable policy outcomes with other free-riding firms (Esty & Caves, 1983; Olson, 1965). The economic opportunities of an industry also affect corporate political activity. For example, Grier, Munger, and Roberts (1994) show that industry economic opportunities, measured as industry sales, make political action less attractive, and thus are negatively related to the number of firms engaging in political activity.

Lastly, scholars have focused on how institutional-level factors, mainly formal rules and Congressional characteristics, influence corporate political activity. The main approach of the institutional-level analysis is to identify institutional factors that affect the attractiveness of political markets, which is a function of the likelihood that political action will generate desirable policy outcomes (Bonardi et al., 2005). What scholars have found is that corporate decision on political activity depends on a politician's ability to deliver desired policy, such as member seniority, incumbent politicians (Hersch & McDougall, 2000), and ideology of politicians (de Figueiredo & Silverman, 2006). Political competition on the demand side also affects corporate political activity. Unlike in economic markets, in political markets policymakers are more likely to provide the policy outcomes that a corporation wants to obtain. When there is a competition over a policy with competing firms or other interest groups, companies are more likely to engage in corporate political activity to manage political threats (Hansen & Mitchell, 2000).

As mentioned previously, one important assumption that most studies on corporate political activity make is that corporate political choice is dependent on the possibility of obtaining desired outcomes (Mitchell et al., 1997; Stigler, 1971). In order to empirically examine the validity of this assumption, a number of studies have attempted to test the effects of corporate political activity on both policy outcomes and firm performance outcomes. The examination of the effects of corporate political activity, however, is a challenging task because empirical efforts on this topic are constrained by the availability of data, and it is difficult to isolate the causal mechanisms of complicated political issues.

The first area in which to examine the effects of corporate political activity is public policy outcomes. Studies on financial regulatory conditions show that politically engaged firms are more likely to avoid fraud detection and receive government support in times of economic distress (Blau, Brough, & Thomas, 2013; Gehlbach, 2006). Similarly, studies on taxation report that U.S. firms that spent more on lobbying paid lower effective tax rates (Richter, Samphantharak, & Timmons, 2009). Based on their extensive study covering about 100 policy issues, however, Baumgartner et al. (2009) argue that the relationship between corporate political efforts and gaining desired outcomes is complex because the status quo reflects the previous distribution of power. Also, diverse interest groups, including business firms, try to change or protect public policy, and any sides of a policy issue are able to use their resources as a counterbalancing effort. Thus, they found that policies are relatively stable, but when advocates for a policy issue are successful, policy changes are significant.

A few recent studies have examined the direct effect of corporate political activity on firm financial performance, which is implied by other studies on the effect of corporate political activity. On the one hand, some studies argue that there is positive relationship between political strategies and firm performance. For instance, Hillman and Zardkoohi (1999) hold that personal service by corporate executives as elected officials or as members of government departments is positively related to firm performance. They argue that the linkage between the firm and government through executives' personal service provides the firm with increased access and information, which reduces uncertainty. Shaffer, Quasney, and Grimm (2000) also found that corporate political activity has significant effects on firm performance in the airlines industry. On the other hand, studies recently raised a question about positive outcomes of corporate political activity by showing a negative relationship between firms' political investments and financial performance (Aggarwal, Meschke, & Wang, 2012; Hadani & Schuler, 2013). Overall, findings about the effects of corporate political activity on financial performance are mixed in recent studies. These mixed findings suggest that previous theoretical frameworks based on the "rational" decision-making assumptions on corporate political choice may not accurately describe corporate political activity. Moreover, as investigating the effects of corporate political activity has been driven largely by the availability of data, there is a need to reconsider the meaning and importance of a specific political strategy in relation to different components of corporate political activity (Milyo, Primo, & Groseclose, 2000).

Corporate Political Activity in Larger Social Environments

As discussed previously, corporate political activity is conceptualized mainly as strategic behavior to navigate political environments through gaining access to public policymakers. While social environments have paid much attention to corporate influence in politics, the conceptualization of corporate political activity as strategic action in the political markets does not take into account potential influences of social environments. Literature from organizational theory and sociology suggests that institutional and cultural environments can have an impact on organizational strategic behavior in task environments (e.g., Fiss, Kennedy, & Davis, 2012; Fligstein, 1996; Meyer & Rowan, 1977).

The role of business in American politics has caused controversy among the general public, the media, and the government. In his study on public attitudes toward business interests, Smith (2000) found that the favorability ratings of business have been dropping since the 1970s. Similarly, according to the American National Election Study (ANES) in 2012, the average thermometer score of big business was 53.0 (out of 100), which was the lowest among economic groups including labor unions, middle class people, welfare recipients, and poor people. This result is consistent with what Bartels (2009) found in his analysis of the ANES in 2004.

Due to concerns and controversies over the influence of business in politics, the federal government has a long history of creating laws and regulations that target political activities by business firms. For example, more than a century ago, the Tillman Act of 1907 prohibited corporations and national banks from spending corporate funds in connection with a federal election; however, the ban on corporate donations was not effective because the act provided no actual methods to enforce the law. The Federal Election Campaign Act of 1971 (FECA), which became the basis of modern federal campaign regulations, requires full disclosure of contributions and expenditures for federal elections. This act prohibited corporations and labor unions from using their treasury funds to influence federal elections but allowed them to solicit voluntary contributions from employees and shareholders for their separate funds (i.e., political action committees or PACs). More recently, the Bipartisan Campaign Reform Act of 2002 (BCRA), a major revision of campaign finance law, banned “soft money” (funds raised outside the federal contribution limits) contributions to the parties and prohibited corporations and labor unions from funding “issue ads” that refer to a clearly identified federal candidate within a particular time period before a general or primary election.

In addition to regulatory efforts, corporate political activity is closely scrutinized by institutional constituents, such as the media, research organizations, and activist groups. Media and collective action researchers maintain that the media and interest groups play a significant role in the adoption of controversial corporate activities (Briscoe & Murphy, 2012). Media outlets often describe corporate influence and money in politics negatively (e.g., “dark money” or “hidden influence”), and tend to seek out news items having dramatic elements (e.g., political scandals and corruptions). Interest groups (e.g., the Center for Responsive Politics and the Center for Political Accountability) also provide the public and news media with readily available information and reports on campaign contributions and lobbying, which make corporate money in politics more salient.

Corporations are embedded in institutional and cultural environments that affect their behavior (e.g., Campbell, 2007; Fligstein, 2001). As most studies on corporate political activity have focused on economic and political conditions to explain why corporations use political strategies, they do not explore whether institutional determinants affect the tendency for firms to engage in political activities. The significant roles in politics have long been a controversial issue among many institutional constituents, and some of their activities have become more transparent to external environments. Given the importance of social legitimacy to firm survival, corporations are likely to take into account social pressures and the risks of losing social legitimacy when appearing not to conform to those pressures. Thus, we need to pay more attention to social and institutional aspects of corporate political activity.

The narrow conceptualization of corporate political activity by scholars, however, does not provide a theoretical framework to understand how corporations might address the issues of social legitimacy for using political strategies. Organizations in the strategic management literature have been characterized mainly as strategic, self-interested entities that pursue their interests and enhance utility by making choices within institutional constraints (Ingram & Clay, 2000; North, 1990). This view emphasizes actors rather than structures or environments in that actors’ behavior is essentially outcome-oriented and conditional (Elster, 1989). Studies in strategic management have shown that organizations pursuing their self-interests make strategic decisions to take advantage of their capabilities and resources as well as industry conditions. For instance, Williamson (1975) posits that organizations pursuing their self-interests select their different governance structures to minimize economic transactions and associated costs within institutional environments as "background conditions."

Scholars in strategic management have realized that institutions are more than background conditions (Ingram & Silverman, 2002; Peng & Heath, 1996). Ingram and Silverman (2002: 20) argue that "institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy, and to create competitive advantage." Given the important role of institutions in determining the success of strategic actions, it is necessary to consider how institutions affect organizations' choices of strategies and how organizations interact with institutions to create or maintain favorable institutional environments.

Research in strategic management, however, has mostly paid attention to formal institutional conditions, such as laws and regulations (e.g., La Porta, Lopez-de-Silanes, & Shleifer, 2008; Williamson, 1985). Institutions, which are commonly known as "the rules of the game," are defined as "the humanly devised constraints that structure human interaction" (North, 1990: 3). These institutions include formal rules (e.g., laws and regulations) and informal institutions (e.g., norms, culture, and ethics). Scott (2001: 48) defines institutions as "regulative, normative and cognitive structures and activities that provide stability and meaning to social behavior." Although the economic and sociological versions of institutions are complementary, it appears that the informal component of institutions, such as informal culture, norms, and values, has received less attention in research on the strategic choices of organizations. In the next section, I draw on institutional theory to develop an institutional perspective on corporate political activity.

Institutional Environment and Corporate Political Activity as Non-Market Strategy

New institutional theory suggests that informal institutions, such as social and cultural forces, have considerable influence over the strategic decisions of actors (Ingram & Silverman, 2002). This approach argues that the behavior of actors is attributed to larger social or institutional conditions, as well as the characteristics or incentives of individual actors (Meyer & Rowan, 1977; Oliver, 1991; Suchman, 1995). Institutions exert influences on organizations in various ways, such as through rules and regulations, normative prescriptions, and cultural/cognitive expectations. Organizational responses to these institutions vary depending on the nature of their effects on actors. Organizational behavior derives from prescribed rules and norms that are seen as legitimate or appropriate in institutional environments (March & Olsen, 2004). By following institutional scripts and logics, organizations may gain social legitimacy and resources from external constituents (DiMaggio & Powell, 1983). Thus, neo-institutional scholars have traditionally focused on how organizational behavior and practices converge through conforming to institutional pressures.

The institutional theory emphasizes a socially constructed meaning attached to actions or practices within a particular social and cultural context. Organizational structures and practices can have symbolic aspects, as they "become invested with socially shared meanings . . . in addition to their 'objective' functions" (Tolbert & Zucker, 1996). In order to obtain legitimacy, actors can be "pushed" to stick to institutionally appropriate behavior in social and cultural environments (DiMaggio & Powell, 1983). For instance, Fligstein (1987) shows that corporate decisions to choose a manager were guided by institutional and cultural understandings of organizational control and structure.

An important issue for a corporation is that conforming to socially prescribed behavior may conflict with making strategic decisions to pursue self-interests in technical or economic environments. Meyer and Rowan (1977) note that adapting organizational structures and practices to institutional pressures may undermine an organization's technical efficiency. Thus, conforming to a certain institutional pressure may constrain the efficiency of a strategic activity and incur higher costs of conformity in technical environments. Thus, corporate decision-making, which is typically influenced by both institutionally prescribed norms and instrumental calculations, is likely to be affected by the costs of conformity associated with a certain institutional norm or rule. For instance, Walmart's "everyday low price" cost leadership strategy has often caused strong adverse reactions from some institutional constituents, including the community, local government bodies, and social activists. Ingram, Yue, and Rao (2010) found that Walmart took into account both institutional pressures from local activists and potential profitability when making decisions on new store openings. Thus, several authors have argued that it is necessary to examine both institutional and technical or market forces that are likely to affect corporate behavior (D'Aunno, Succi, & Alexander, 2000; Kraatz & Zajac, 1996).

Recent studies suggest a more complex nature of the interaction between actors and the institutional environments surrounding them. First, individuals and organizations try to influence the institutions that constrain them, while organizations as strategic actors pursue their interests within institutional constraints (Ingram & Silverman, 2002). Oliver (1991) posits that under some circumstances institutional pressures are not taken-for-granted constraints to be obeyed. In those situations, organizations actively co-opt, shape, or even control institutional conditions that are imposed on them, depending on institutional conditions and organizational factors. In addition, research on institutional change pays more attention to the purposive efforts of institutional actors (e.g., institutional entrepreneurship) to shape institutional structures (Garud, Jain, & Kumaraswamy, 2002; Greenwood & Suddaby, 2006).

Moreover, recent studies on corporate adoption of controversial practices, which may trigger contestation by external constituents in institutional environments, show that actors do not passively conform to institutional pressures (e.g., Briscoe & Murphy, 2012; Fiss et al., 2012; Sanders & Tuschke, 2007). Some practices that are widely diffused and thus appear to be legitimate among business firms may be controversial in larger social and institutional spheres. The contestation creates uncertainty for corporations that would adopt a controversial practice because the practice is not consistent with certain institutional values, and corporations consequently face a loss of legitimacy in the eyes of external constituents.

Institutional Environment and Corporate Political Activity. Corporate political activity is an important way that corporations interact with the institutional environments surrounding them. First of all, corporate political activity is a strategic action to manage political environments, especially regulatory institutions, for the purpose of enhancing economic performance (Oliver & Holzinger, 2008). Corporations have been confronted with uncertainty and constraints resulting from legislative and federal regulatory activity (Keim & Baysinger, 1988; Lenway & Rehbein, 1991). Considering the pervasive influence of public policy on firm activities and performance, corporations may engage in political activities to influence institutional environments. Firms may exert pressures on public policy processes through funding campaigns or using lobbyists, or rather indirectly by mobilizing grassroots constituencies (Hillman & Hitt, 1999). Thus, firms, which pursue their self-interests within institutional conditions, may also use strategically political tactics to maintain or change the rules of the game to conditions under which their activities are likely to be effective.

While corporate political activity is an important component of overall firm strategy to manage regulatory institutions (Baron, 1995), it is necessary to pay attention to its symbolic meanings in institutional environments. Given the fact that firms have “free-speech” rights, corporate political activity is a legally legitimate means to enhance their capabilities to improve performance and manage dependence on government and key stakeholders. However, public criticisms on the pervasive role of corporations in politics and continuous efforts to regulate them suggest that corporate political activity may be a controversial practice that is not taken for granted by some constituents in institutional environments. Zuckerman (1999) posits that organizations that fail to conform to constituents’ expectations in institutional environments may face penalties for their illegitimacy. For instance, Target, which is well recognized for its support of diversity, experienced public criticism and boycott threats after it made a political donation to a political group supporting a pro-business candidate who opposed same-sex marriage.

Thus, corporations face the duality of political activities in institutional environments when adopting controversial political activities. That is, corporations may attempt to manage regulatory institutions under conditions in which estimated benefits from political activities exceed costs associated with their political actions; at the same time, however, they may risk losing legitimacy or receiving negative publicity by using controversial political tactics. Therefore, when deciding whether to adopt a controversial practice, organizations need to be cautious and look beyond estimated economic outcomes.

Then under what conditions are firms more or less likely to use controversial political tactics, which are more visible than other alternatives? Because I argue that corporate political activity as firms' strategic action can be influenced by institutional elements at various levels, now I attempt to identify those factors that are likely to push or pull corporate use of controversial political activities. Moreover, I explore organizational factors that affect corporate decision-making on political activities in that organizational response to institutional pressures may vary depending on the intra-organizational processes and the interaction between institutional forces and internal dynamics (Pache & Santos, 2010).

CHAPTER 2. RESEARCH SETTING AND HYPOTHESES

Campaign Contributions and Lobbying

Business firms engage in political activity in various ways: They hire in-house or outside lobbyists, establish political action committees (PACs) and make campaign contributions through them, use their public relations departments, mobilize "grassroots" lobbying efforts, and so forth. Of these various political tactics, campaign contributions and corporate lobbying, the main focus of this study, have received the most substantial attention from the media and scholars and have also caused more controversies. One of the main reasons for this attention is the disclosure requirement, which makes them more visible than other tactics (de Figueiredo & Richter, 2014; Milyo et al., 2000). As disclosure rules regarding campaign contributions and lobbying (e.g., the Federal Election Campaign Act of 1971 and the Lobbying Disclosure Act of 1995) require corporations and other interest groups to disclose information about their campaign contributions and lobbying activities, and several sources also provide readily available data on corporate expenditures on these activities, corporations heavily engaging in lobbying and campaign contributions are likely to receive unwanted attention and publicity.

A less understood aspect of corporate political activity as a non-market strategy is that heavily using political strategies as a way of enhancing firm performance can draw attention from external environments and increase risks of unwanted controversy. The visibility of corporate political activity to external constituents may increase the possibility of damage from constituents who oppose it (Briscoe & Murphy, 2012). Thus, the fact that the public and the media have criticized pervasive corporate political activity calls for the need to develop a mechanism to explain when and how social factors influence the use of lobbying and campaign contributions by business firms while corporations face criticism about the influence and transparency of corporate money in politics. For this reason, the investigation of corporate lobbying and campaign contributions through PACs is expected to show how corporations decide to use political strategies to manage formal institutions, and how institutional forces influence firms' adoption of highly visible political strategies.

Hypotheses

Based on the existing literature on corporate political activity, I assume that the main cause of corporate decision to use political strategies is the economic imperatives of enhancing performance through managing public policy processes. However, my primary argument is that economic conditions affect the degree to which corporations engage in lobbying and campaign contributions, but this relationship is moderated by institutional factors. Because I argue that corporate political activity as firms' strategic actions can be influenced by institutional elements, now I attempt to identify those push or pull factors that are likely to affect corporate use of campaign contributions and lobbying, which are highly visible to external environments.

Figure 1 depicts the relationships between (1) economic factors that affect either positively or negatively corporate lobbying and (2) institutional pressures from key stakeholders and internal organizational members. This model suggests that institutional conditions related with corporate political activity moderate the effects of economic factors on corporate lobbying.

Institutional-Level Conditions of Highly Visible Corporate Political Activity

The regulatory environment has been regarded as an important coercive mechanism that guides corporate behaviors (Scott, 2001). In the regulative view of institutions, organizational behavior is viewed as legitimate when it is in line with existing rules and laws (North, 1990; Pfeffer & Salancik, 1978). Regulatory sanctions may influence organizations' motivation to conform to institutional pressures in the regulatory environment. While studies have focused on the diffusion of new practices due to the endorsement by the regulatory environment, findings from these studies also suggest that negative sanctions to the corporation that uses a controversial practice affect its decision to use the practice. For instance, the role of government regulation in food safety and workplace safety of meat packers in the United States shows that the regulatory environment can affect controversial corporate practices (Campbell, 2007).

Due to the scandals and increasing public concerns over corporate money in politics over last few decades, the government has made an effort to regulate campaign contributions by individuals and corporations and to make lobbying activities more transparent. More recently, the Obama Administration introduced new regulations to close the "revolving doors" by not allowing lobbyists to serve on agency boards and commissions. Although these regulations do not impose explicit negative sanctions on corporations that use lobbying and campaign contributions, they reflect broader concerns about the pervasive influence of lobbying and campaign contributions on policy processes. The regulatory pressures are also likely to make corporations worry about losing legitimacy as a result of using highly visible and controversial political activities. That is, as the regulatory pressures on lobbying and campaign contributions increase, the expected benefits to corporations from using lobbying and campaign contributions are likely to decrease.

In this study, I propose that two major regulatory changes after 1998 could have an impact on corporate political activity. First, the Bipartisan Campaign Reform Act of 2002 (BCRA), commonly known as the McCain-Feingold bill, significantly restricted corporations from using corporate funds to influence federal elections. The BCRA was expected to effectively close many of the loopholes in campaign finance regulations by regulating corporate contributions from treasury funds and the use of electioneering communications referring to federal candidates directly before an election. As corporate use of highly visible political strategies became less legitimate in society due to the BCRA, I estimate that economic conditions for corporate political activity have a smaller impact on lobbying and campaign contributions.

Hypothesis 1. The Bipartisan Campaign Reform Act of 2002 will negatively moderate the impact of both positive and negative economic factors on a firm's campaign contributions and lobbying expenditures.

Second, the Supreme Court decision in *Citizens United v. Federal Election Commission* may have the opposite effect on corporate political activity. As the decision lifted restrictions on independent political spending by corporations, it opened up ways for corporations to participate in public policy processes. The Court maintained that political spending by corporations and their access to elected officials "do not give rise to corruption or the appearance of corruption," and "the appearance of influence or access will not cause the electorate to lose faith in this democracy," which lent legitimacy to corporations actively engaging in political activities. Thus, I predict that the *Citizens United v. Federal Election Commission* decision is likely to have positive impact on corporate political activity.

> *Hypothesis 2. The Citizens United v. Federal Election Commission decision will positively moderate the impact of both positive and negative economic factors on a firm's campaign contributions and lobbying expenditures.*

Industry-Level Conditions of Highly Visible Corporate Political Activity

Political activity by trade associations. The presence of regulatory pressures as a coercive mechanism plays an important role, but it does not necessarily work as intended. Researchers argue that corporations seek to strategically respond to institutional pressures for their self-interests (Oliver, 1991). While organizations may comply with laws and regulations in the first place, legal ambiguity gives them opportunities to mediate laws and regulations (Edelman, 1992). Similarly, many have argued that corporations can take advantage of a number of loopholes in the regulations by engaging in political activities that are not publicly disclosed.

The availability of alternative political practices, which are not required to disclose, may affect corporate use of lobbying and campaign contributions. As noted previously, the disclosure requirement of corporate lobbying activities and campaign contributions makes them highly visible in society, and corporate spending on these activities receives much attention from the media and the public. Because corporate lobbying and campaign contributions are often seen negatively, adoption of highly visible political practices may increase the likelihood that corporations will lose their legitimacy in society. Thus, corporations as strategic actors are likely to use alternative practices, including grassroots lobbying, public relations efforts among voters, and issue advocacy advertisement, to achieve their goals without disclosure of their activities while managing organizational legitimacy.

Scholars have reported that corporations become less active when they get involved in political activity through trade associations rather than using their own PACs or lobbying. Based on his survey of *Fortune* 500 companies, Sabato (1984) found that many *Fortune* 500 companies relied on trade associations when they were concerned about a hostile public atmosphere or perceived corruption. For instance, during the recent financial crisis in the United States, the government and Congress introduced a bill to reform the financial industry, which was criticized for causing the crisis, and protect consumers from risky financial products. The American Bankers Association (ABA) lobbied government officials and congress members to block the new regulatory agency. Therefore, I hypothesize as follows:

> *Hypothesis 3. Political expenditures by trade associations representing an industry will positively moderate the impact of both positive and negative economic factors on a firm's campaign contributions and lobbying expenditures.*

Diffusion among similar others. Institutional theory suggests that a firm is more likely to adopt a practice and strategy if other actors in its field do the same (DiMaggio & Powell, 1983). When facing uncertainty, organizations can gain legitimacy by imitating competitors within an industry (Fligstein, 1991). This model of imitation is also applied to the adoption of institutionally controversial practices. With the decision to use lobbying and campaign contributions, firms may face a trade-off between expected economic benefits and the potential social cost, such as reputational loss. When only a small number of firms decide to use a controversial practice, they are more likely to be singled out for criticism. However, as more firms adopt a controversial practice, individual firms are less likely to face a backlash by stakeholders who oppose it (Sanders & Tuschke, 2007).

In addition, rivalry among competitors also explains why a firm is likely to imitate others (Schuler et al., 2002). A firm may face intense competition in political markets with others in its industry. In order to manage policy outcomes, a firm strategically decides to engage in political activities. Perspectives emphasizing political competition suggest that "Competition for viable niches will be especially fierce among those interests that are most similar to each other" (Gray & Lowery, 1997: 327). Therefore, a firm would use lobbying and make campaign contributions to get access to policymakers when political competitions within its industry are intense.

Both the institutional perspective and the political competition argument indicate that a company is more likely to use highly visible political tactics if other firms in its industry actively use those tactics. I therefore expect that, when the competitors within its industry spend on lobbying and campaign contributions or have PACs, the company is more likely to engage in those activities, depending on its economic conditions.

Hypothesis 4a. Average political spending on lobbying and campaign contribution in a firm's industry will positively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

Hypothesis 4b. (PACs) in a firm's industry will positively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

Firm-Level Conditions of Highly Visible Corporate Political Activity

Media coverage of corporate political activity. Widely shared norms and values as normative pressures guide organizational behaviors (Scott, 2001). By conforming to such norms and values, organizations may gain legitimacy and acquire resources more easily from external constituents (DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978). Previous studies have found that normative pressures, including media coverage, professionals, and the educational background of top managers, lead the organizations to adopt practices and forms that are aligned with those pressures (e.g., Greenwood, Suddaby, & Hinings, 2002; Hoffman, 1999; Sanders & Tuschke, 2007).

I expect that media attention to corporate political activity may play a role of normative pressures that influence the corporate decisions on using controversial political practices. In the context of corporate political activity, media coverage is likely to have a negative effect on the use of controversial practices. First, corporate lobbying and campaign contributions attract more media coverage because corporations are required to disclose their use of those practices and various sources provide data on corporate spending to the media. Relatively high visibility due to the disclosure and media attention may increase the possibility that the corporate use of the controversial political practices (i.e., lobbying and campaign contributions) receives unwanted publicity.

In addition, it appears that scandalous cases of corporate political activity attract more media coverage because they provide stories that make them more newsworthy. More media coverage of the controversial events may increase the negative reactions from external constituents, which can influence corporate decisions on adopting controversial practices (Briscoe & Murphy, 2012). Some studies maintain that the media may play a role in disseminating information about a contested practice and reducing uncertainty for potential adopters (e.g., Fiss et al., 2012; Mooney & Lee, 1999). However, media coverage of corporate political activity is expected to have constraining effects because information on lobbying and campaign contributions is already available and the average tone of media coverage is mostly negative. Therefore, I predict that media coverage of the use of a controversial political practice and the following negative reactions may have a negative impact on corporate use of lobbying and campaign contributions.

Hypothesis 5. Media coverage of a firm's political activity will negatively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

Social perception of corporate responsibility. Organizations respond to social expectations and evaluations in order to manage their legitimacy in institutional environments (Campbell, 2007; Oliver, 1991). Studies on social evaluation (e.g., reputation and status) suggest that the interpretation of firm behavior depends on the social judgment that evaluators made about the target firms (Fombrun & Shanley, 1990; Pfarrer, Pollock, & Rindova, 2010). What these studies find is that a highly favorable perception of an organization may provide a buffer against the negative consequences of incongruous behaviors (Mishina, Block, & Mannor, 2012). That is, when a firm in good standing violates social expectations, it faces smaller risks and suffers a smaller penalty than a firm with low social evaluations (Pfarrer et al., 2010).

An important problem that businesses need to address is the declining approval of business in society and politics (Schneider & Ingram, 1993; Smith, 1999). If a firm appears to engage heavily in highly visible political activity, it may draw unwanted attention, causing negative publicity and a loss of support from stakeholders. As a result, managers and firms have incentives to manage potential risks that they may face in gaining access to policymakers.

Corporate social responsibility, which can be understood as society's evaluation of whether business firms are good corporate citizens (Vogel, 2006), can be a social buffer for highly regarded firms that engage in political activity. Firms that are perceived as socially responsible may more effectively protect themselves from key stakeholders' criticism of their behavior (Fombrun & Shanley, 1990). Similarly, Godfrey and colleagues (2009) argue that engagement in corporate social responsibility can be seen as a type of "insurance" or risk management to protect firm value. These findings suggest that firms with a high perception of corporate social responsibility may lower risks that they face while engaging in controversial political activity. Thus, I hypothesize as follows:

Hypothesis 6. A firm's perceived social responsibility will positively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

Leadership influence. Although corporate leaders' behavior is constrained by institutional and technical conditions (DiMaggio & Powell, 1983; Lieberson & O'Connor, 1972), these leaders often have considerable influence on firm decisions and actions (Finkelstein, Hambrick, & Cannella, 2009). Hambrick and Mason (1984) hold that organizational choices and outcomes are reflections of executives' value. According to the upper echelons theory, leaders perceive the situations through their own lenses, which are influenced by their personalities, experiences, and values. Recent studies suggest executives' values, though they have not received much attention in the literature, may have a significant impact on organizational actions (e.g., Chin, Hambrick, & Treviño, 2013). Values may enter into executives' actions either directly, through consciously choosing a course of action that fits with their values (Finkelstein et al., 2009), or indirectly, filtering information that is not congruent with their values (Weick, 1979).

The extent to which a corporation adopts controversial political practices is expected to be influenced by the values and beliefs of leaders who make important organizational decisions. Organizational leaders can play an important role in maintaining institutionalized values and integrity because their values and beliefs affect organizational decisions on the adoption of practices and forms (Hambrick & Mason, 1984; Selznick, 1957). Recent studies emphasize the importance of leaders in organizational response to institutional processes (e.g., Kraatz & Moore, 2002; Sanders & Tuschke, 2007). Because leaders play an important role in defining and defending organizational values and missions (Scott, 2001; Selznick, 1957), the values of these leaders are expected to have a significant impact on organizational decisions related to institutional forces.

CEOs who personally engage in political activity are likely to take for granted corporate engagement in political activities. They are more likely to have an interest in and knowledge about political processes than CEOs who do not participate in political activity. CEOs' personal participation is likely to increase the likelihood that CEOs will consider corporate lobbying and campaign contributions a legitimate behavior of "corporate citizens" in society and assess the potential benefits of political practices more positively. Consequently, corporations with CEOs who participate in political activity are more likely to use controversial political practices when they face institutional pressures on their controversial political activities.

Hypothesis 7a. A CEO's campaign contributions to parties and candidates will positively moderate the impact of both positive and negative economic factors on a firm's campaign contributions and lobbying expenditures.

In addition to CEOs' individual campaign contributions, their political stances or ideologies are likely to influence corporate political activity. Corporate executives vary in their political values and, in turn, these differences affect their preferences for broad corporate behavior (Chin et al., 2013; Tetlock, 2000). Tetlock (2000) showed that the political ideologies of managers (politically conservative or liberal) influence their attitudes toward organizational strategies to manage demands from society. He also obrserved that conservative managers tended to be more skeptical about the stakeholder model, which asks managers to balance difference demands from various constituents. Thus, if a CEO holds a politically conservative stance, he or she is less likely to take into account pressures from institutional constituents.

Hypothesis 7b. A CEO's conservative political stance will positively moderate the impact of both positive and negative economic factors on a firm's campaign contributions and lobbying expenditures.

Shareholder pressures. An organization is "politically plural" in that it comprises diverse constituent groups and beliefs that are not perfectly integrated (Kraatz, 2009). As institutional pressures are interpreted and conveyed by plural organizational members, organizational responses to institutional pressures can vary due to the internal processes of organizations (Greenwood & Hinings, 1996). For instance, Fiss and Zajac (2004) found that organizational decisions about the adoption of a shareholder value orientation are influenced by the different interests and preferences of organizational members. Thus, the interaction between institutional conditions and the internal dynamics of organizations may affect organizational responses to institutional pressures (Pache & Santos, 2010).

Based on this argument, I predict that corporations may differ in their use of lobbying and campaign contributions depending on the existence of organizational members who may represent different interests and values. First, a number of works in organizational theory suggest that shareholders as important stakeholders may affect corporate behavior under institutional pressures (Davis & Thompson, 1994; Fiss & Zajac, 2004). Corporations and their behavior are political in that diverse interests and values are expressed and play an important role in the adoption of organizational practices (Cyert & March, 1963; Mintzberg, 1983; Westphal & Zajac, 1995). In the current legal environment, business firms are primarily concerned with shareholders' interests and needs. If a group of shareholders promotes a goal and value, this is likely to affect the priorities that corporations pursue.

A corporation may be less likely to use highly visible political practices when certain shareholder groups have requested more transparency and accountability of its political activities. As corporate participation in politics has developed more significant economic and reputational consequences, shareholders have paid more attention to corporate political activity. Since the mid-2000s, shareholder groups and pension funds have used their voting rights to request that corporations disclose all of their political expenditures (Center for Political

Accountability, 2010). While these groups do appear to oppose corporate political activity in general, they express concerns that corporate executives may not use company resources for shareholders' interests. Thus, when shareholder groups as key stakeholders express potentially conflicting demands, the corporation becomes more wary of using political practices, especially controversial ones.

Hypothesis 8. Proxy voting proposals on a firm's political activity will negatively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

In-house lobbyists. I predict that whether a firm hires in-house lobbyists as internal members supporting political activity influences corporate decision to use lobbying and campaign contributions. Organizations are more likely to use controversial political practices to enhance their interests when they have internal organizational members who may promote the use of political practices. As an institutional logic provides actors with templates of behaviors, organizational members with a specific institutional logic are likely to be committed to it.

Companies use two basic types of lobbyists: a) contract lobbyists hired for a specific issue or on a contract basis, and b) in-house lobbyists permanently employed by a company to represent the interests of the company in Washington. While a more common approach to Washington is to hire contract lobbyists who already have ties to government agencies and elected officials, politically active firms tend to have in-house lobbyists (Lee, 2015). Because in-house lobbyists who are trained and socialized in an institutional logic in the current political systems, they are more likely to act as internal advocates who defend and promote the use of corporate lobbying and campaign contributions. Lee's (2015) study notes that as in-house lobbyists gain information and experience in politics, they become more confident that they can achieve desired policy outcomes and advocate expanding political activity. Also, their internal advocacy changes the way their companies interpret political issues, and leads their companies to believe that corporate political activity is worthwhile.

Hypothesis 9. The presence of in-house lobbyists in a firm will positively moderate the impact of both positive and negative economic factors on the firm's campaign contributions and lobbying expenditures.

CHAPTER 3. DATA AND METHODS

Sample and Data Collection

The analysis of how corporate political activity is influenced by institutional conditions is examined using lobbying expenditures and campaign contributions of the companies in the Standard & Poor's (S&P) 500 Index during the period from 1998 to 2012. The advantage of the sample is that it covers a group of companies that possess the necessary resources to engage in political activities and receive considerable attention from various constituents in institutional environments. The beginning year of this study is 1998 because the Lobbying Disclosure Act of 1995 required lobbyists that are employed by any person or entity to file quarterly reports of lobbying activity, and data on lobbying became accessible in 1998.

Data on lobbying expenditures and campaign contributions were obtained from the Center for Responsive Politics (CRP), a non-profit organization that provides a public database on lobbying and campaign contributions by individuals and organizations in the United States.[1] Data on proxy voting on political activity were primarily collected from the Fund Votes database, which began collecting records on proxy voting in 2004. Proxy voting data were supplemented with the Wharton Research Data Services (WRDS) SEC Analytics Suites by using filing searches for proxy voting issues related to corporate political activity (e.g., political spending, lobbying, and disclosure of political expenditures). Media data were drawn from the *New York Times* and the *Wall Street Journal* via the LexisNexis news database. Financial data were from the Compustat database. The panel includes all firm-years during which companies

[1] Details on the methodology of the Center for Responsive Politics can be found at: https://www.opensecrets.org/lobby/methodology.php and https://www.opensecrets.org/industries/methodology.php.

were included in the S&P 500 and Compustat and other data were available, leading to a total of 5,974 firm-years. Foreign-owned companies are excluded because of certain prohibitions on PAC contributions and their subsidiaries under the Federal Election Campaign Act of 1971.

Measures

Dependent variables

A firm's political activity to gain access to policymakers is measured by the two major corporate political activities: (a) lobbying expenditures at the federal level, and (b) campaign contributions through PACs to congressional candidates at the federal level. The Center for Responsive Politics (CRP) has compiled all registered political lobbying in the public record since 1998 and campaign contributions since 1990. I took the company name and manually matched it to the Global Company Key (GVKEY) in the Compustat database. The CRP and Compustat data were merged by using firms' GVKEYs.[2] Because firms use different combinations of political tactics (Schuler et al., 2002), I compared the combined and separate political expenditures of lobbying and campaign contributions.

(a) To test the hypotheses, I created two measures of lobbying expenditures. *Lobby* is defined as the natural logarithm of the inflation-adjusted lobbying expenditures of a firm for a given year. I used the log of lobbying expenditures to normalize the distribution of lobbying expenditures, as it appears to have a long, skewed tail. *Normalized lobby expenditure*—lobbying expenditures relative to total expenses—is defined as the natural logarithm of a firm's lobbying expenditures relative to total

[2] When a firm appearing in the CRP data was a closely held subsidiary of a parent company and did not have a GVKEY, I aggregated political expenditures to the lowest-level parent company with the GVKEY. If some companies underwent M&As, I used surviving firms' political expenditures in the year the M&A happened.

expenses for a given year. I calculate total expense by subtracting net income from sales. The virtue of this measure is that it is less sensitive to the size of a firm and helps examine the relative strategic importance of political tactics.

(b) *Campaign Contribution* is defined as the natural logarithm of the amount of inflation-adjusted contributions to candidates and political parties by a firm's political action committee (PAC) in an election cycle. Because campaign contributions are made over a two-year election cycle, I take an average of the total amount of contributions within the election cycle to measure campaign contributions by a firm over each year of the election cycle. For instance, if the PAC of General Electric made 1.7 million dollars of campaign contributions during the 2012 election cycle (2011–2012), the amount of campaign contributions in both 2011 and 2012 is 1.7 million dollars. To measure normalized campaign contributions, in the same way as lobbying expenditures, I use a firm's campaign contributions relative to total expense for a given year.

(c) *Political Expenditure* is the natural logarithm of the sum of lobbying expenditures and campaign contributions. Normalized political expenditure is measured as the natural logarithm of the sum of lobbying expenditures and campaign contributions relative to total expenses.

Figure 2 presents the annual trend of political expenditures among S&P 500 companies. During the study period, the average political spending increased from \$1.8 million in 1998 to \$3.2 million in 2010, but it started to slightly decrease after 2010. Figure 3 shows the proportion of companies that made political expenditures among S&P 100 firms and the rest of the S&P 500 firms. According to the figure, about 90% of S&P 100 companies made political expenditures, compared to about 70% of the rest companies in the sample. The proportion of the S&P 100 companies making political expenditures is higher than that of the S&P 500 companies, which is consistent with the finding from the previous literature that larger firms are more likely to engage in political activity. While it is not as salient as the average spending, the proportion of firms engaging in lobbying and campaign contributions also shows a slightly downward trend after the late 2000s.

Table 1 presents the variation in lobbying and campaign contributions across industries, defined by the two-digit North American Industry Classification System (NAICS) code. Columns 1 through 3 show the number of firms belonging to each category of political activity. The distribution of firms making political expenditures does not show significant variation across industries. The last three columns of Table 1 show average annual spending and the ratio between lobbying and campaign contributions. The first two columns show that companies in the transportation and warehousing industries were most active in terms of the amount of political spending; on the other hand, companies in the real estate rental industry spent the least on lobbying and campaign contributions. The last column shows the ratio of lobbying to campaign contributions through PACs. It indicates that, on average, lobbying expenditures were 9.1 times larger than campaign contributions in this sample, which is similar to findings from the previous literature (e.g., Kim, 2008; Milyo et al., 2000).

Institutional-Level Moderating Variables

Regulatory pressures. In order to capture the effects of major regulatory initiatives on lobbying and campaign contributions, I define two dummy variables, equal to one for observations after the regulations were introduced. I identify two major regulations and court decisions that were likely to have substantial effects on corporate political activity: (a) the Bipartisan Campaign Reform Act (BCRA) of 2002, which prohibited unregulated soft money contributions to national political parties, and (b) the 2010 U.S. Supreme Court decision in *Citizens United v. Federal Election Commission*, which removed the restriction of the BCRA on independent political expenditures and "electioneering communications" by corporations and labor unions. Reactions to the Court's decision by many politicians and pundits included predictions that that *Citizens United* would result in increasing influence of corporations in politics, as they have more political instruments. I constructed the time-varying measures: The BCRA coded 1 after 2002 and 0 otherwise, and *Citizens United* coded 1 after 2010 and 0 otherwise.

Industry-/Market-Level Moderating Variable

Political Expenditure by Trade Associations. To examine whether corporate political expenditures are influenced by the availability of alternative, less visible tactics, I constructed the measure *Political Expenditure by Trade Associations* using data on political spending by trade associations from the Center for Responsive Politics. Because trade associations are not required to disclose their donors as long as the political activity is not a trade association's primary activity, political spending by a corporation may run through trade associations representing its industry without the risk of being visible to external environments. First, I searched for information about non-profit organizations in the list from the CRP—"social welfare" organizations (501(c)(4) organizations) and business leagues and trade associations (501(c)(6) organizations)—to identify whether a non-profit organization is either a 501(c)(4) or 501(c)(6) organization by using information from its website and the GuideStar directory of charities and non-profit organizations. After identifying trade associations, I kept only 501(c)(6) organizations from the list. Then, because the CRP has its own industry classification scheme, I compared the industry classification by the CRP and the North American Industry Classification System (NAICS) and matched these two different industry classification schemes. Some of the industry sectors from the CRP (e.g., ideology and labor) were excluded because they were not business-related sectors. Lastly, I aggregated the amount of political expenditures made by trade associations in each industry defined by the three-digit industry level NAICS code, and then applied the natural logarithm transformation.

Diffusion among similar others. To test hypotheses 4a and 4b, which examine the prevalence of political activity among other companies in a target company's industry, I used two measures: (a) A*verage Political Expenditure in Industry* and (b) *Prevalence of PACs in industry*. Average political expenditure in industry is measured as average of political expenditures by other rivals in a target firm's industry, which is defined by its three-digit NAICS code. Prevalence of PACs is measured as the proportion of a firm's competitors within its three-digit NAICS code that had PACs.

Firm-Level Moderating Variables

Media Coverage. I used the number of articles per year that mention a sampled company involved in various political activities to assess the impact of media attention on corporate political activity. I lagged this variable by one year to address the issue of reverse causality.

To obtain data on media coverage, the LexisNexis news database was used to search for news articles in the *New York Times* and the *Wall Street Journal*. Because these two publications are considered leading media outlets, their media coverage can be representative of how a company is portrayed by the press. I used articles mentioning possible combinations of a list of search terms related to political activity (e.g., political activity, political spending, lobbying, and campaign contributions) and terms relating to a corporation (e.g., company, firm, and corporation) within a paragraph for the articles in the *New York Times* and in the abstract in the *Wall Street Journal*. I initially downloaded 5,015 total articles during the period from 1997 to 2011 by using these search terms. After articles under 100 words or ones in which the main subject was not corporate political activity were manually dropped, the number of final sample articles was 823: 551 articles from the *New York Times* and 272 from the *Wall Street Journal*.

Proxy Voting Proposals. Using the ProxyDemocracy database and the WRDS SEC Analytics Suites, I collected information on proxy voting proposals related to corporate political activity. I used SEC forms 10-Q, 8-K, and DEF 14A to identify proxy voting proposals, including reports on political spending, political nonpartisanship, and board committees on political activity. Based on these data, I constructed *Proxy Voting Proposals* as the cumulative number of proxy voting proposals for political spending disclosure since 1998. The number of proxy voting proposals by shareholders increased from two cases in 1999 to 37 in 2012. The average number of proposal each year is 25 after 2004.

Social Responsibility Perception. To measure *Social Responsibility Perception* of a firm, I employed the ratings of Kinder, Lydenberg, Domini Research & Analytics (KLD) Stats dataset. KLD ratings have been considered a valid measure of corporate social responsibility in the existing literature. KLD analysts examine seven attributes—community, corporate governance, diversity, employee relations, environment, human rights, and product—and evaluate whether firms have strengths or concerns in subcategories of each issue area. In addition, KLD rates companies on whether they engage in businesses that have received significant external pressures, such as military contracting, nuclear power, tobacco, gambling, firearms, and alcohol. KLD awards only negative assessment of firm activities in these controversial domains. In order to create the measure for analysis, I used the net scores by calculating the difference between the sum of strengths and the sum of concerns for each firm-year. Applying net KLD ratings is consistent with prior research on corporate social responsibility (e.g., Chin et al., 2013; Choi & Wang, 2009).

Leadership influence. To test hypotheses 8a and 8b, which propose that CEOs as key decision-makers inside the firms may affect their firms' propensities to engage in highly visible political activities, I constructed two measures on CEO influence: (a) *CEO Campaign Contributions*, and (b) *CEO Political Stance*. CEO campaign contributions were measured as the amount of campaign contributions made by CEOs during each two-year election cycle. CEO political stance was defined as the dollar amount of campaign donations to Republicans divided by the amount of contributions to both Republicans and Democrats.[3] I included contributions to individual candidates, party committees, and PACs. I identified CEOs of sampled firms from the Compustat ExecuComp database. I compared this list of CEO names and company names from ExecuComp and the database on individuals' campaign contributions and their affiliated organizations, compiled by the Center for Responsive Politics. The mean of CEO campaign contributions is $5,862 and the standard deviation is $9,642, which suggests that CEOs' political

[3] While there are multiple ways to measure a CEO's political stance, previous studies show that these different indicators are highly correlated (Chin et al., 2013).

contributions have huge individual differences. The mean of CEO political stance is 0.58, indicating that, on average, CEOs tended to make more campaign contributions to the Republican Party and candidates. While CEOs appear to take a somewhat conservative stance, they are "strategic" in that they usually make campaign donations to both Republicans and Democrats.

In-house lobbyists. I used the database of the Center for Responsive Politics to identify the presence of in-house lobbyists. I created a dummy variable coded 1 if the firm hired staff members in its Washington office. During the sample period, 58% of companies hired one or more in-house lobbyists. The correlation between the size of a firm and whether the firm hired an in-house lobbyist was 0.248, which is not statistically significant.

Economic Factors: Moderating and Control Variables

To measure the economic factors as the moderating variable, I selected a set of variables that have been shown to have effects on corporate political activity in the previous literature in political science, economics, and strategic management. I separated these variables into two groups (positive vs. negative) and used interaction terms between these economic factors and independent variables to test moderating effects of institutional factors on corporate lobbying and campaign contributions.

Positive Economic Factors. On the basis of the previous literature, I include the following variables as *Positive Economic Factors*: Firm size, Firm diversification, and industry regulation. Firm Size is measured by log of number of employees. Firm diversification is measured by the reverse of the Herfindahl index (i.e., 1 – HHI). Regulated industry is a binary variable for nine heavily regulated industries out of 49 Fama-French industry classifications. These heavily regulated industries include liquor, tobacco, pharmaceutical products, aircraft, utilities, communication, transportation, banking, and insurance industries. *Positive Economic Factor* is measured as the sum of standardized value of these three variables.

Negative Economic Factors. I included several measures of contemporaneous and historical financial performance to measure *Negative Economic Factors* that make a firm less likely to engage in lobbying activity. Profit Change and Market Value Change are measured as the change in return on sales and the change in the market value of equity, respectively, from the prior year to the current year. Historical Profitability is the average of return on sales during the three years prior to the current year, and Historical Market Value Change is the average of change in the market value of equity during the three prior years. To measure *Negative Economic Factor*, I use the sum of standardized value of these firm performance measures.

Other Control Variables. In addition to the control variables defined previously, I used two additional variables to control for overall economic and institutional conditions that might affect corporate political activity: *Gross Domestic Product* and *Average Election Spending*. To define Gross Domestic Product, I used the real gross domestic product, adjusted by 2009 dollars, from the Bureau of Economic Analysis. I defined *Average Election Spending* as the average amount of congressional election spending by winners, in both the Senate and the House, and the amount was inflation-adjusted.

Analysis Models

In this study, I used cross-sectional time series regression with random effects (xtreg in Stata). This analysis is appropriate for panel data analysis when a dependent variable is continuous and multiple observations are nested within companies (Hsiao, 2003). In order to account for industry and time effects, fixed-year and industry dummies (defined by three-digit NAICS codes) were used. The final sample consists of 5,974 firm-year observations for 696 companies. The descriptive statistics and correlations of the dataset are reported in Table 2.

I also use a Heckman-type sample selection model because the characteristics of firms that spend on lobbying or campaign contributions through PACs are not random. That is, lobbying expenditures are observed only when the underlying propensity of firms to engage in political activities exceeds a certain threshold. Unmeasured factors that affect both the likelihood of firms engaging in political activity and the firms' actual political spending may create a potential issue of endogeneity (Hamilton & Nickerson, 2003). The Heckman-type two-stage model yields consistent estimates by including the hazard rate (the inverse Mills ratio) as an additional independent variable. In order to calculate the inverse Mills ratio, I ran the panel probit model to estimate whether or not a firm made lobbying expenditures or campaign contributions through PACs. This binary dependent variable was regressed on firm size measured by log of firm size, diversification ratio, regulated industry, free cash flow, recent profitability from t-1 to t, historical profitability from t-3 to t-1, recent market value change from t-1 to t, and historical market value change from t-3 to t-1. Then, I calculated the inverse Mills ratio and included this ratio as an additional independent variable to address sample selection problems.

CHAPTER 4. ANALYSES AND RESULTS

In this chapter, I report the results of my statistical analyses to test the hypotheses on how institutional conditions at various levels affect corporate lobbying and campaign contributions. Table 2 presents descriptive statistics and a correlation matrix for all of the variables. The correlations between *Positive Economic Factor* and political expenditures (i.e., *Lobbying Expenditure*, *PAC Contributions*, and total *Political Expenditure*) are 0.47, 0.49, and 0.52, respectively, which preliminarily indicates that positive economic factors affect corporate use of lobbying and campaign contributions.

Table 3 examines the effects of both the individual control variables and the composite measures (i.e., *Positive Economic Factor* and *Negative Economic Factor*) of these individual ones on corporate political expenditures in order to confirm what previous studies on corporate political activity have suggested. The coefficients of *Firm Size* are positively significant ($p<.001$), providing support for the finding that larger firms are likely to spend more on lobbying and campaign contributions. Previous studies predicted that diversified firms would engage more in political activities because they are likely to have more issues and stakeholders to deal with in political environments, but the coefficients for *Diversification* are not significant. The coefficients of *Heavily Regulated Indu*stries are positive and significant ($p<.001$), so I found evidence that regulated firms have more incentives to engage in political activity to influence the public policy process through various political tactics. The coefficients of firm performance measures, which are predicted to have a negative relationship with corporate political activity, mostly are negative, but some of them are not statistically significant. Both current and historical *Market Value Change* have positive and significant relationships with lobbying and campaign contributions. However, the coefficients of *Profitability*, whether current or historical, are negative but not statistically significant. Overall, the estimated effects of the individual factors discussed in the previous literature are mostly supported.

Based on these results, I tested the effects of the two composite measures of the economic factors. In Table 3, the coefficients of *Positive Economic Factor* are highly significant ($p<.001$) and positive, supporting the estimated effect. The *Negative Economic Factor* coefficients are also highly significant ($p<.001$) and negative as estimated. In Table 4, which shows the analysis results with the normalized measures of political expenditures, these composite measures are not significant. These results suggest that the economic factors identified in the literature explain the absolute amount of political spending, not those relative to total expense.

Absolute Political Expenditures: Lobbying and Campaign Contributions

Tables 5 through 7 present models that test the hypotheses. Model 1 of each table is a baseline controls-only model; Models 2 through 4 examine the institutional factors at institutional, industry, and firm levels featured in our hypotheses; and Model 5 is the full model. I consider these models in sequence.

Lobbying Expenditures

Table 5 presents the results of random-effects models estimating the influence of institutional conditions on lobbying expenditures. Model 1 is a baseline model that tests economic factors and the control variables. Models 2 through 4 examine institutional conditions at three different levels, and Model 5 is the full model. Model 2 estimates the effects of institutional-level factors (i.e., important regulatory changes and court decisions). The coefficient of the Bipartisan Campaign Reform Act (BCRA) is positive and significant, suggesting that the companies in the sample spent more on lobbying after the BCRA, which was expected to regulate the excessive control of business interests. The coefficients of *BCRA x Positive Factor* and *BCRA x Negative Factor* are not significant, providing no support for Hypothesis 1. In Models 2 and 5, the interaction of *Citizens United* with *Positive* or *Negative Economic Factors* is not significantly associated with lobbying expenditures. Overall, I do not find statistical evidence of the hypothesized relationship between the institutional-level conditions and corporate lobbying.

Model 3 estimates the effects of industry-level factors on lobbying. The coefficients of *Trade Association Political Expenditure x Positive Economic Factor* and *Trade Association Political Expenditure x Negative Economic Factor* are negative but not significant, proving no support for Hypothesis 3. The results in Models 3 and 5 indicate that the firm in the industry where more competitors engage in political activities tends to spend more on lobbying. The coefficient of *Average Industry Political Expenditure x Negative Economic Factor* is positive and significant in Model 3 and marginally significant in Model 5, providing some support for Hypothesis 4a. Model 3 shows the opposite effect of the proportion of companies having PACs in the industry on corporate lobbying. While Hypothesis 4b predicted the positive moderation of the prevalence of PACs in industry, the coefficient is negatively significant.

Model 4 tests the effects associated with firm-level institutional factors. Hypothesis 5 predicted that media coverage of corporate political activity would have a negative effect on lobbying. The coefficients of *Media Coverage x Positive Economic Factor* are significant and negative, suggesting that, when a firm receives more media attention to its political activity, economic factors of political activities have a smaller impact on lobbying. The positive relationship between media coverage and lobbying expenditures can be interpreted to mean that the media pay more attention to firms that are “heavy” political actors. The coefficients of *Proxy Voting x Negative Economic Factor* are negative and significant in Models 4 and 5, providing support for Hypothesis 6. In Model 4, social perception of corporate social responsibility was not significantly associated with corporate lobbying and campaign contributions, which does not support Hypothesis 7.

I predicted that if a CEO makes a larger campaign contribution, the firm is more likely to spend on lobbying given economic conditions (Hypothesis 8a). While the amount of CEO campaign contributions is positively related with lobbying expenditures, the coefficient of *CEO Campaign Contribution x Negative Economic Factor* is negatively significant. The coefficients of *CEO Political Stance x Positive or Negative Economic Factor* are not significant in Models 4 and 5. So I do not find evidence of the moderating effect of CEOs’ political activity and stance on corporate lobbying decisions, even though the company whose CEO makes campaign contributions spends more on lobbying on average.

As Hypothesis 9 estimated, the coefficients of *In-house Lobbyists x Positive Economic Factor* are significant and positive in Models 4 and 5. Firms employing in-house lobbyists tend to spend more on lobbying, as the coefficient of *In-house Lobbyists x Positive Economic Factor* indicates. The coefficient of *In-house Lobbyists x Positive Economic Factor* is positive and significant, providing support for Hypothesis 9.

Campaign Contributions through PACs

Table 6 presents the effects of institutional conditions on campaign contributions through PACs, which is a complementary but different political tactic from lobbying. Model 2 shows that, after the Bipartisan Campaign Reform Act was passed in 2002, corporations used the political tactic of campaign contributions more actively. The coefficient of *BCRA x Positive Factor* is positive and significant in Models 2 and 5, while the opposite effect was predicted in Hypothesis 1. The moderating effect of *Citizens United x Negative Factor* is negative and significant in Model 2 but not significant in Model 5. While the Supreme Court decision on *Citizens United v. Federal Election Commission* was considered to give business firms more power in politics, Model 2 indicates that the decision did not positively moderate the relationship between economic factors and corporate campaign contributions. According to these results in Models 2 and 5, regulatory institutions did not have estimated effects on corporate political activity.

Models 3 and 5 assess whether the industry-level factors are associated with more campaign contributions given the economic factors. Consistent with corporate lobbying expenditures, competitors' political activity, measured as either average political expenditure among other firms in the same industry or the proportion of firms having PACs, has positive effects on campaign contributions. The coefficient of *Prevalence of PACs x Negative Economic Factor* in Model 5 is positive and significant ($p<.05$), providing some support for Hypothesis 4b. While the political activity of other firms in the industry did not affect corporate lobbying expenditures, it did have moderating effects on campaign donations.

In Models 4 and 5, the coefficient of *Proxy Voting x Positive Economic Factor* is significant and negative, suggesting that, when a firm is under pressure from shareholder groups about issues related to corporate political activity, its economic conditions tend to have smaller effects on campaign contributions. *Proxy Voting x Positive Economic Factor* shows a marginally significant effect (p<.1). Media coverage of corporate political activity also has a similar effect, that media attention negatively moderates the relationship between positive economic factors and campaign contributions. However, in Model 5, media coverage has the opposite effect on the relationship between negative economic conditions and campaign contributions. The results on the influence of perception of social responsibility do not show support for Hypothesis 7.

The coefficient of *CEO Campaign Contributions x Positive Economic Factor* is not significant, which does not support Hypothesis 5a. While I do not find evidence for the moderating effect of CEO campaign contributions (Hypothesis 8a), a company whose CEO makes more campaign contributions is likely to make more campaign contributions through PACs. The coefficient of *CEO Political Stance x Positive Economic Factor* is positive and significant, as estimated in Hypothesis 8b. If a CEO donates more to Republicans, positive economic conditions for corporate political activity make the firm rely more on the tactic of political campaign contribution. The coefficient of *In-house Lobbyists x Positive Factor* is positive and significant, partially providing support for Hypothesis 9. When in-house lobbyists who would advocate the use of political strategies in a firm are present, the positive factors are likely to have a stronger effect on campaign contributions.

Total Political Expenditure

Table 7 presents the effects of institutional factors on overall political expenditure, the aggregate amount of lobbying expenditures and campaign contributions. The results of the analyses in this table are quite similar to those in Table 5, apparently due to the relative size of lobbying expenditures compared with campaign contributions.[4] The key regulatory conditions as the institutional-level factors did not have significant influence on corporate use of political tactics. In Models 3 and 5, the coefficients of *Average Industry Political Expenditure x Positive Economic Factor* and *Average Industry Political Expenditure x Negative Economic Factor* are significant, indicating that firm performance as an economic factor has a weaker impact on highly visible corporate political activity (Hypothesis 4a).

According to Models 4 and 5, media coverage and proxy voting proposals on corporate political activity show the estimated effects. The interaction term between proxy voting proposals and negative factors is positive in Model 5. The coefficient of *Media Coverage x Positive Economic Factor* in Model 5 is negative and significant at the 95% level, supporting Hypothesis 5. Figures 4 and 5 graphically illustrate the moderating effects of media coverage of corporate political activity and proxy voting proposals on the relationship between economic factors and political expenditures. The result in Model 5 also offers support for Hypothesis 9, which predicted that the employment of in-house lobbyists would positively moderate the relationship between economic factors and corporate political activity. The coefficient of *In-house Lobbyists x Negative Economic F actor* is positive and significant at the 95% level.

[4] On average, S&P 500 companies spent about nine times more on lobbying than on campaign contributions during the sample year, as shown in Table 1.

In sum, the results of the analyses on lobbying and campaign contributions provide support for some of the hypotheses related to the industry-level (i.e., the prevalence of highly visible corporate political activity) and firm-level (i.e., proxy voting proposals by shareholders, media attention, CEOs' political stance, and the presence of an in-house lobbyist) factors. The institutional-level conditions, however, have mostly insignificant, or in some cases, opposite, effects on corporate use of political strategies.

Political Expenditure Relative to Total Expenses

In Table 8-10, I use the normalized measures—lobbying expenditures and campaign contributions divided by total expenses—as alternative measures instead of absolute political expenditures. The interaction effects of institutional factors on political expenditures relative to total expenses are less significantly captured in these analyses. I will briefly summarize the results in this section. The coefficients of *Citizens United x Positive Economic Factor* in Table 9 are negative and significant in all the tables, suggesting that this regulatory change had the opposite effect. However, this opposite effect might be consistent with trends of lobbying expenditures and campaign contributions. Similarly, the coefficient of *BCRA x Positive Economic Factor* in Table 9 (dependent variable: campaign contributions through PACs) is positively significant, which does not support Hypothesis 1.

Model 3 shows mixed effects of the industry-level institutional conditions on political expenditures. As hypothesis 3 predicted, the coefficient of *Trade Association Political Expenditure x Positive Economic Factor* is significant at the 5% level, suggesting that large corporations might hide their political activity from the public eye when a less visible alternative tactic is available. The interaction terms of proportion of firms having PACs in an industry are positive are significant (p<.001): While the coefficient of *Prevalence of PACs in Industry x Negative Economic Factor* is marginally significant, as estimated in Hypothesis 4b, the interaction with *Positive Economic Factor* has the negative coefficient, which is the opposite of the estimated effect.

The results in Model 4 show that pressures from key stakeholders have a negative impact on political expenditures. Media Coverage has a significant moderating effect, which is consistent with Hypothesis 5. The interaction term of proxy voting proposals with positive factors is also negatively significant, proving support for Hypothesis 6. Perception of social responsibility of the firm is significantly associated with the impact of positive economic factors on corporate political expenditures, as Hypothesis 7 predicted. On the other hand, the coefficient of *In-house Lobbyists x Negative Economic Factor* is positive and significant (p<.001). Overall, the firm-level factors have mostly predicted effects on corporate use of visible political tactics.

A summary of these empirical results is given in Table 11.

CHAPTER 5. DISCUSSIONS AND CONCLUSION

This dissertation investigated how institutional conditions affect corporate use of highly visible political strategies. In this study, I sought to extend research on corporate political activity by examining the social properties of using political strategies, which are important aspects of corporate behavior but have received little attention in management literature. Although the literature on corporate political activity in political science, economics, and strategic management has examined how business firms make rational and strategic decisions on using political tactics, this perspective has its limitations. Specifically, the perspective that views corporate political activity as primarily rational behavior in the political marketplace does not provide a framework to understand how corporate decisions on political activity interact with social and institutional environments surrounding business firms. Based on the theoretical arguments on strategic response to institutional pressures and the adoption of a controversial practice within institutional environments, this study proposed that the relationship between economic conditions and corporate political activity is likely to be moderated by institutional forces. I tested the proposed hypotheses by investigating lobbying expenditures and campaign contributions through PACs among S&P 500 companies from 1998 through 2012. The results of the analyses supported my prediction that industry-level prevalence of corporate political activity has a significant influence on corporate decision to use highly visible, often controversial political practices, and pressures from key institutional constituents and internal stakeholders play an important role in corporate political activity. The analyses, however, did not provide evidence that regulatory institutions have an impact on corporate political activity.

First, the results indicate that institutional pressures closely linked to corporations have a consistent effect on corporate political expenditures. In the analyses of lobbying expenditures and campaign contributions, corporations responded to media coverage of their political activities. When the media pay more attention to a corporation's controversial political activities and make them more transparent and visible to external environment, the corporation is less likely to adopt the practice in order to maintain social legitimacy (Briscoe & Murphy, 2012). Moreover, if a firm is under growing pressures from shareholders on improved transparency and accountability of corporate political activities, it tends to rely less on lobbying and campaign contributions.[5] These findings suggest that an organization is more likely to conform to institutional pressures when it becomes a direct target of those institutional forces.

Second, I proposed that internal members of an organization have different preferences and that organizational response to institutional forces may vary depending on the preferences and values of these members. The results show that in-house lobbyists as potential internal advocates play a role in "institutionalizing" political strategies in organizations. While politically active firms tend to hire permanent in-house lobbyists, the intensity of political activity measured as political expenditures may also reflect their influence on managers' decisions regarding when and how much to lobby and donate campaign contributions. While a CEO's politically conservative stance did not have the proposed moderating effects, it was negatively associated with political expenditures of the affiliated firm in some models. This result might suggest that CEOs' political actions are not driven mainly by their political values or ideologies.

Third, the impact of industry factors on corporate political expenditures showed mixed results. Average political expenditures in the industry consistently moderated the relationship

[5] Over 95% of the proxy voting proposals on the issues related to corporate political activity failed to earn a majority of shareholder votes from 2000 through 2012. Even though shareholder groups advocating these agendas did not gain the strength to directly influence corporate rules on corporate political activity, the existence of pressure itself appears to have a significant impact on corporate decisions.

between economic conditions and corporate political expenditures of companies within the industry. This suggests that, if other competitors in an industry spend on visible political activity, economic conditions relating to corporate political activity give the company more incentives to engage in highly visible political activities. But this result does not determine whether this effect is due to competition among rivals in the political marketplace or mimetic behavior to maintain legitimacy. The prevalence of PACs in an industry positively moderated the impact of economic conditions on campaign contributions and lobbying expenditures, as predicted. A possible explanation for these results is that lobbying and campaign contributions through PACs are closely related political tactics but are affected by different factors.

Lastly, the results showed that regulatory institutions relating to corporate political activity did not have the anticipated effects on highly visible corporate political activity. Campaign contributions increased after the Bipartisan Campaign Reform Act of 2002, which was intended to control the influence of corporate money in federal elections, was introduced. In addition, since the *Citizens United* decision, average corporate political expenditures have decreased, even though the decision removed a ban on corporate independent expenditures. These results suggest that corporations do not blindly adjust their behavior according to regulatory institutions on corporate political activity. The recent emergence of alternative political strategies, which are often described as public relations, advocacy, and consulting on government relations (e.g., Edsall, 2013; Yeager, 2014), suggests that a narrow definition of corporate political activity as lobbying and campaign contributions would not be enough to paint the full picture of how corporations engage in political activity under regulatory and other institutional conditions.

Contributions

The findings of this study make contributions to the following areas of research: First, this study extends research on agency and strategic behavior in institutional theory by investigating how organizations strategically adjust their behavior to pursue their self-interests in institutional environments. Research on agency in institutional theory has been criticized for portraying agents as either cultural dopes or heroic change actors (Powell & Colyvas, 2008). Organizations engage in daily actions and develop strategies to achieve their goals, which does not necessarily lead to macro-level institutional change. This aspect of organizational behavior has received less attention from the extant literature of institutional theory. The results of the current study indicate that organizations are politically active in order to shape institutional conditions that affect their economic outcomes and also strategically take into consideration institutional pressures as they use highly visible political tactics, which are not fully legitimate to many institutional constituents. Specifically, corporations are less likely to engage in lobbying, which is highly visible to external environments, as they feel more pressures from key stakeholders and the media.

Second, the findings of this study expand the existing literature on corporate political activity as non-market strategy by examining the role of larger social environments in which corporations interact with a variety of stakeholders. The results of the current study basically confirm that business firms are more likely to make attempts to influence policy processes when they have more economic incentives, which is the main presumption of the extant research. At the same time, corporate use of highly visible political activities is conditioned by institutional pressures on those activities because social meanings, as well as a technical meanings, are attached to corporate political activity in social environments. These findings complement extant models on corporate political activity that mainly emphasize rational aspects of corporations in the political marketplace. By understanding the role of institutional environments, we are able to account for corporate response to larger social contexts surrounding the political markets in which firms interact with policymakers. This study thus contributes to studies that point to the role of institutional structures and cultural norms (e.g., Hart, 2004).

Beyond the two main focus areas of corporate political activity and agency in institutional theory, this study also broadly contributes to strategy literature by introducing an approach for investigating the effect of institutional structures on strategic behavior. I believe combining institutional perspective and corporate political activity as non-market strategy can hold important potential for an integrated model between strategic and sociological approaches (Durand, 2012). This kind of combination will enable further analysis of the conditions for strategy within larger institutional norms and logics because corporations should survive not only in competitive economic markets but also in institutional environments that determine legitimacy of firm behavior.

Limitations and Future Research

My analysis has some limitations that suggest the possibility of future research. First of all, this study investigates lobbying activity and campaign contributions through PACs, which are visible to external constituents due to the disclosure requirements. It is necessary to examine more extensively less visible activities, such as donations to trade associations, grassroots lobbying, and public relations, in order to fully understand how the visibility of political strategies affects corporate decision to use a specific political strategy. Thus, further empirical studies are needed to examine other political practices that are not required to disclose to the public, especially associational political activities at the firm level. Further analysis and more comprehensive data may help clarify corporate use of political activity in social and cultural environments.

Moreover, we need to better understand how salience and social tension of issues that a firm politically deals with influence corporate political behavior. While I focused on institutional forces exerted on corporations, characteristics of the issues in question may affect corporate response to them. As we have noted, more companies engage in political activity, especially collective ones, to address social issues, such as immigration, environment, and inequality. Because these issues apparently are not closely related with firm performance and survival, the current framework in the literature does not well explain this type of corporate political activity.

Lastly, the methods could be improved by collecting more fine-grained data on institutional pressures targeting the company in question. While this study examines how much trade associations in each industry spent on political activities, data on issues that those associations cope with and access, or the influence that they have on government, will help us understand how corporations allocate their resources across diverse political tactics. Also, further analysis of the nature of political agendas and bills that a firm wants to address is needed to explore how the firm decides which political tactics it will use. Finally, future studies should use more advanced statistical methods (e.g., propensity score analysis and structural modeling) to tackle the endogeneity problem.

Corporate participation in the political process provides corporations with an important way to interact with political environments, and has considerable impacts on broader society.

The literature on corporate political activity has focused on a small area of its nature and implications because of the narrow definition and theoretical approaches. The motivation of this study was to examine corporate political activity in broader social environments by redefining some political activities based on their visibility and analyzing how institutional conditions entered into corporate decision to use highly visible activities. Even though this study did not answer all the important questions related to corporate political activity, I believe it was a meaningful attempt to better understand corporations as social actors navigate political and institutional environments.

APPENDIX. THE MEANING OF DUALITY OF CORPORATE POLITICAL ACTIVITY

What I suggest in this study is that research on corporate political activity, and broader strategic management as well, need to take account for the duality of organizational action as organizations are constrained by institutional environments while they act strategically to pursue their interests and goals. Recently there have attempts to present more balanced views between instrumental and sociological approaches in institutional and strategy literature (e.g., Durand, 2012; Ingram & Silverman, 2002). On the one hand, institutional studies focuses on conformity pressures from institutional constituents that constrain organizational behavior. Organizations may secure legitimacy by adopting certain practices or logics that are taken for granted within the field (DiMaggio & Powell, 1983). Depending on their status or resources of organizations, however, organizations decide to strategically respond to institutional pressures, for instance from passive acquiesce to even more active manipulation of pressures (Oliver, 1991). On the other hand, strategy literature pay more attention to economic motive for strategic action based on performance, or costs and benefits in the marketplace. Despite recent efforts in strategy literature, institutions are mostly considered as ‘given’ conditions that affect the effective operation of markets (Durand, 2012).

Institutional and strategy literature have made efforts to account for both strategic and institutional forces, but the theoretical and empirical meaning of the duality of organizational behavior is still not clear. In order to address this issue, I examine two approaches that combine instrumental and institutional components. First approach is a “main effect” model, in which strategic and institutional forces independently affect organizational behavior when organizations make strategic decisions. In this approach, organizations compare institutional and strategic/economic determinants (e.g., resources, governance, interests, etc.) when selecting their behavior. While organizations may conform to taken-form-granted logics to secure legitimacy, they also use organizational resources to achieve sustained competitive advantage and above-average economic returns. As conformity to secure legitimacy has been a main focus of institutional research (DiMaggio & Powell, 1983), economic components of organizational behavior have not been elaborated enough. By comparing institutional and economic components of firm behavior, we can capture interests of agency and better understand how institutional conditions affect corporate strategic behavior after properly take account of the role of economic determinants. In this perspective, when making decisions on political activity, corporations evaluate degrees of each of strategy and institutional factors and take the impact of those factors into consideration. While I did not hypothesize the independent effects of institutional factors on corporate political activity, I run supplementary analysis to test this possibility.

Second, institutional conditions may moderate the relationship economic determinants and corporate behavior, which is consistent with the empirical approach of this study. In this model, economic forces affecting firm strategic motivations are the main drivers of firm decisions, and the effectiveness of these forces are conditioned by institutional forces. Corporations compete one another in their industry or sectors, but the rules of competitions and the cost-benefit of using a practice or strategy may change due to broader institutional conditions. That is, taken-for-grantedness of a practice in institutional environments affect economic efficacy of strategic decision to use the practice. Thus, institutional forces are moderators of the relationship between strategic/economic components and use of a practice.

In order to examine how institutional and strategic factors affect corporate political activity, I ran supplementary analyses that test moderating effects of institutional conditions.

Tables 12 presents the result of main effect models estimating the influence of strategy and institutional factors. The hypothesized institutional factors in this study mostly show similar effects on corporate lobbying expenditures and campaign contributions. First of all, political activity of companies in the same industry, measured by average industry political spending and prevalence of PACs in industry, has significant and positive influence on corporate political expenditures ($p < .001$). In addition, the coefficient of political expenditures by trade associations representing the industry of a company was negative and significant ($p < .05$), which suggests that companies may avoid institutional pressures by engaging in political activity through trade associations. Second, the effect of CEOs' political activity is positive and significant ($p < .001$). Also, hiring in-house lobbyists is positive associated with corporate political spending on lobbying and campaign contributions. These results at the company-level indicate that companies having inside stakeholders who would advocate legitimacy of using corporate political activity are more likely to spend on highly visible corporate political activity. Lastly, institutional pressures against corporate political activity (i.e., media coverage and proxy voting) show the opposite effect: the coefficients of media coverage on corporate political activity and the number of cumulative proxy voting proposals are positive. These results might suggest that heavy spenders tend to receive more attention from the media and become targets of proxy voting proposals often requested by shareholder activists.

Overall, the results from these supplementary analyses, combined with the ones in Chapter 4, suggest that both institutional and strategy factors independently affect corporate decision on using political tactics, and institutional forces also act as the conditions for strategic action.

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FIGURES AND TABLES

FIGURE 1
Research Model

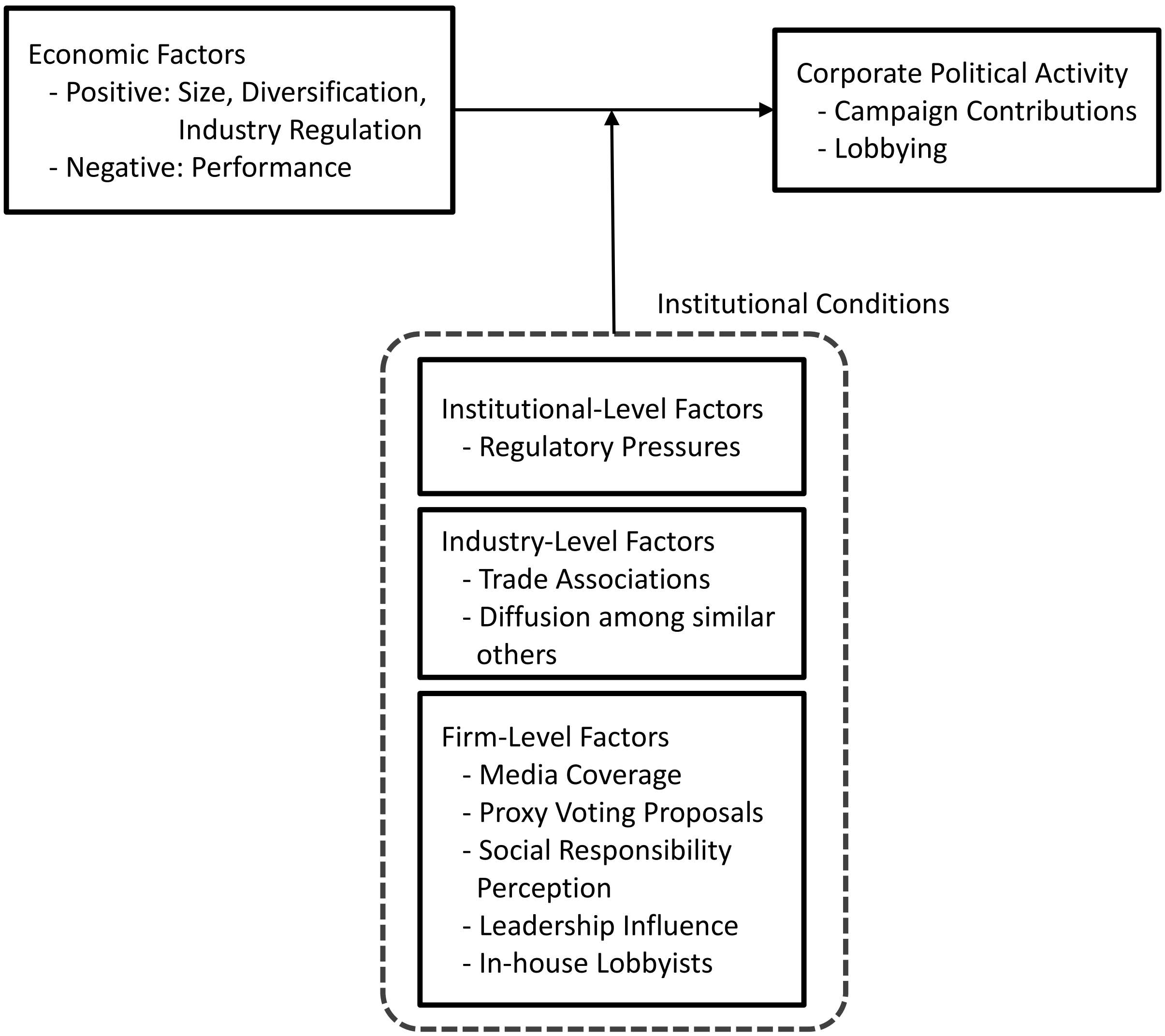

FIGURE 2
Average Political Expenditures of S&P 500 Companies

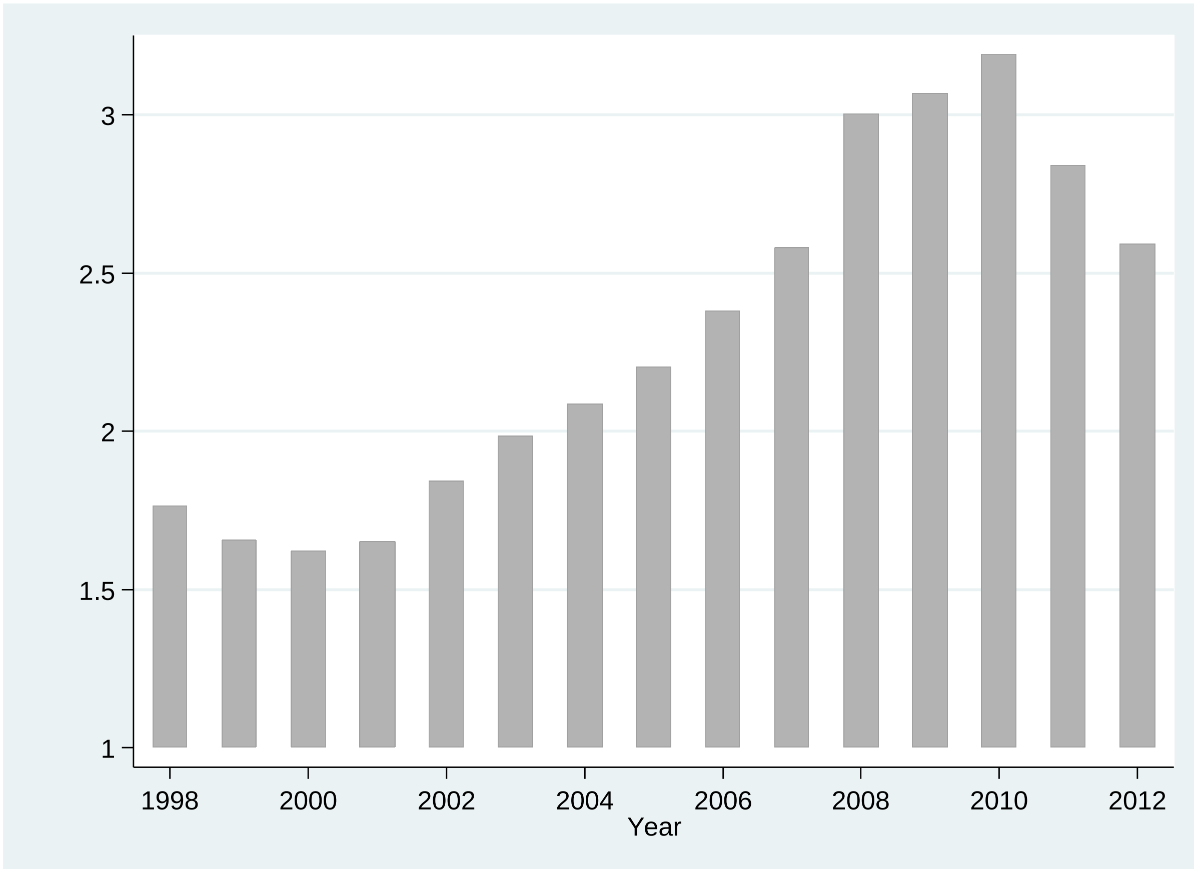

FIGURE 3
Political Activity of S&P 500 Companies

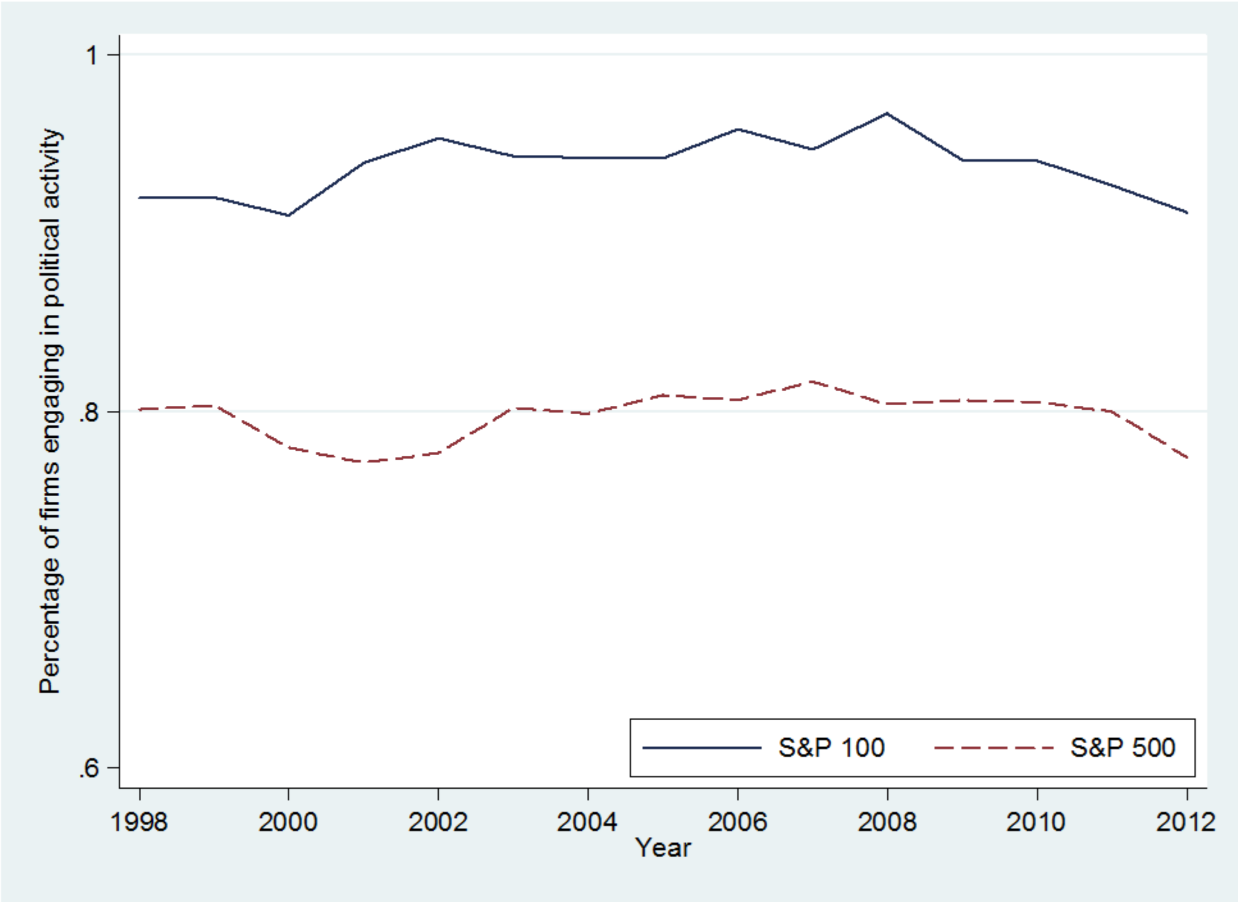

FIGURE 4

Interaction between Media Coverage and Positive Economic Factor

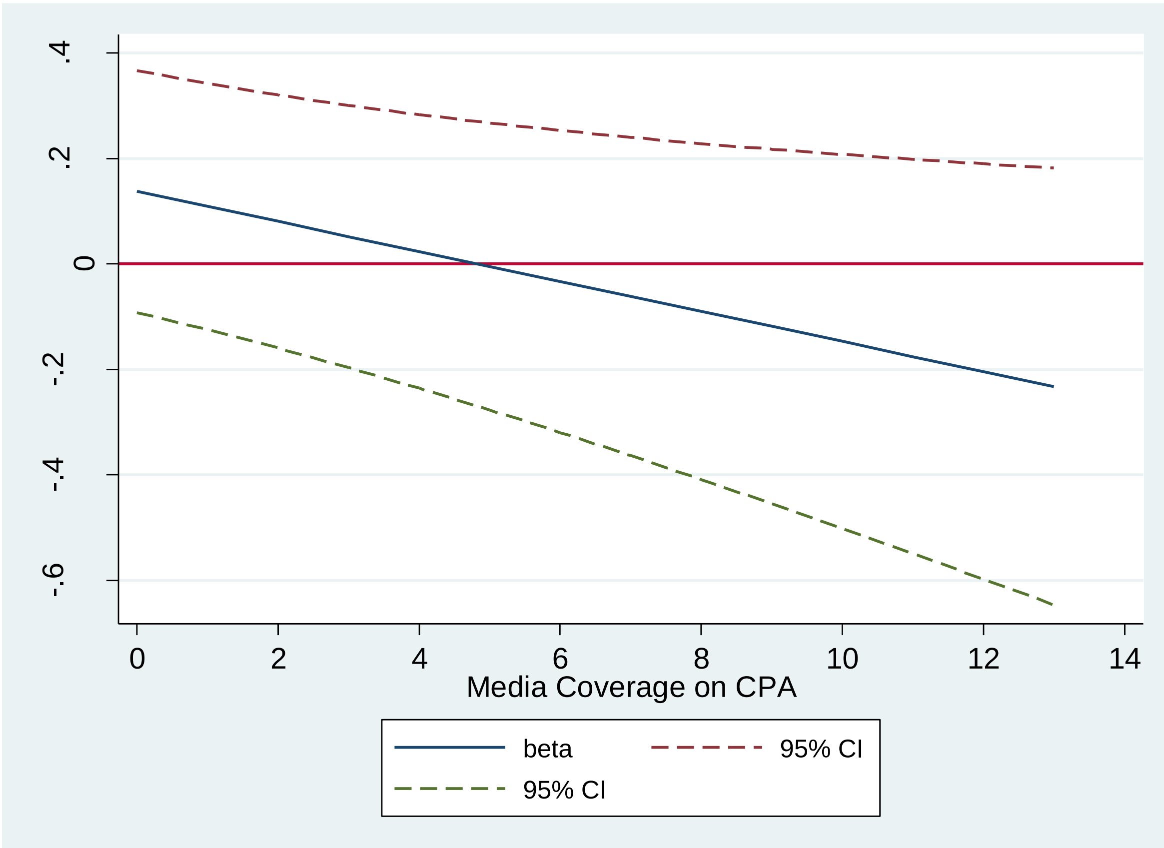

FIGURE 5
Interaction between Proxy Voting Proposals and Negative Economic Factor

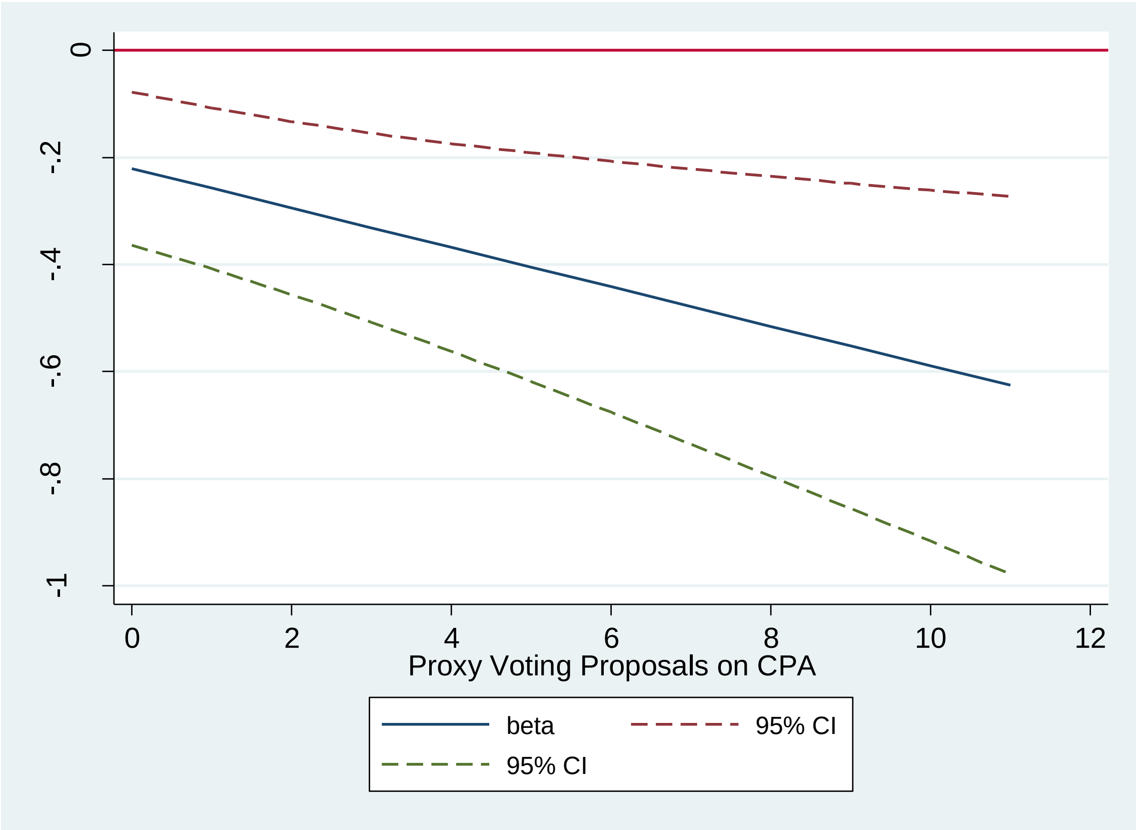

TABLE 1
Average Political Expenditure of S&P 500 Companies by Industry

Industry [a]	Number of Companies			Average of Annual Political Expenditure [b] (in thousand)		
	Total	Lobbying	PAC	Lobbying	PAC	Ratio (Lobbying/ PAC)
Agriculture, Forestry, Fishing and Hunting	2	2	2	3,942	188	11.8
Mining	32	27	27	2,150	165	8.5
Utilities	54	50	50	3,032	218	9.7
Construction	8	7	6	441	177	2.8
Manufacturing	314	250	203	2,284	278	9.6
Wholesale	5	5	5	840	189	2.5
Retail Trade	49	34	28	795	216	3.4
Transportation and Warehousing	14	14	13	5,355	792	7.6
Information	67	56	34	3,429	486	12.6
Finance and Insurance	73	62	59	2,594	290	10.6
Real Estate Rental and Leasing	18	11	4	298	47	33.5
Professional, Scientific, and Technical Services	21	16	13	1,529	131	6.9
Admin/Support/Waste Management	12	12	9	707	80	8.0
Educational Service	3	3	2	753	110	7.3
Health Care and Social Assistance	9	9	8	1,023	181	5.0
Arts, Entertainment, and Recreation	1	1	1	320	115	2.3
Accommodation and Food Services	12	10	10	806	193	4.1
Other	2	1	1	84	52	5.3
Total	**696**	**570**	**475**	**2,271**	**278**	**9.1**

[a] 2-digit NACIS Industry Classification
[b] Average of annualized political expenditures by firms within the industry

TABLE 2
Descriptive Statistics and Correlation Coefficients

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1. Lobbying Expenditure	5.23	3.32																				
2. Lobbying Expenditure/Total Expense	0.02	0.05	0.37																			
3. PAC Contributions	3.24	2.56	0.67	0.25																		
4. PAC Contributions/Total Expense	0.00	0.01	0.25	0.51	0.41																	
5. Political Expenditure	5.56	3.12	0.96	0.36	0.77	0.29																
6. Political Expenditure/Total Expense	0.03	0.06	0.38	1	0.27	0.57	0.37															
7. Bipartisan Campaign Reform Act	0.68	0.47	0.11	0.07	0.07	0.05	0.09	0.07														
8. Citizens United vs. FEC	0.19	0.40	0.08	0.06	0.04	0.04	0.07	0.06	0.34													
9. Trade Association Political Expenditure	1.56	1.77	0.16	0.18	0.12	0.12	0.15	0.18	0.12	0.1												
10. Average Industry Political Expenditure	7.22	1.06	0.39	0.21	0.34	0.18	0.39	0.22	0.26	0.17	0.45											
11. Prevalence of PACs in industry	0.50	0.38	0.57	0.21	0.84	0.31	0.66	0.23	0.07	0.06	0.18	0.39										
12. CEO Campaign Contributions	1.28	1.23	0.36	0.19	0.39	0.19	0.39	0.2	0.09	0.02	0.08	0.16	0.31									
13. CEO Political Stance	0.58	0.29	0.06	-0.03	0.12	0.04	0.07	-0.03	-0.03	-0.02	-0.04	-0.02	0.09	0.17								
14. Proxy Voting	0.19	0.75	0.22	0.07	0.25	0.04	0.23	0.07	0.16	0.2	0.06	0.2	0.17	0.12	0							
15. Media Coverage	0.10	0.48	0.22	0.12	0.2	0.05	0.22	0.12	-0.04	0	0.04	0.12	0.1	0.12	0.01	0.19						
16. In-house Lobbyist	0.58	0.49	0.77	0.28	0.61	0.22	0.75	0.28	0.05	0.04	0.15	0.32	0.51	0.27	0.07	0.17	0.14					
17. Social Responsibility Perception	0.45	3.69	0.04	0.03	-0.03	-0.02	0.04	0.03	0.08	0.34	0.05	0.03	-0.08	0	-0.04	0.07	0.03	0.08				
18. Positive Economic Factor	0.30	2.42	0.47	0.04	0.49	0.03	0.52	0.04	-0.03	-0.03	0.14	0.29	0.41	0.22	0.02	0.24	0.2	0.39	0.02			
19. Negative Economic Factor	-0.03	2.15	-0.03	0.09	-0.05	0.1	-0.04	0.09	0	0.03	0.04	-0.01	-0.07	0.05	-0.01	0	0.05	-0.04	0.03	-0.15		
20. Average Spending by Congress Members	19.55	2.76	0.12	0.07	0.07	0.05	0.1	0.07	0.85	0.54	0.13	0.27	0.07	0.09	-0.04	0.2	-0.03	0.06	0.17	-0.03	0.02	
21. Gross Domestic Product	13808.81	1150.36	0.12	0.08	0.07	0.04	0.1	0.08	0.88	0.53	0.14	0.29	0.07	0.08	-0.06	0.21	-0.03	0.05	0.16	-0.04	0.02	0.91

TABLE 3

Random effects Panel Data Analysis of Control Variables on Political Expenditures [a]

Variables	Political Expenditures					
	Lobbying		PAC Contributions		Total	
Firm Size	0.963***		0.682***		0.941***	
	(0.062)		(0.041)		(0.055)	
Diversification	-0.006		-0.141		0.023	
	(0.143)		(0.091)		(0.123)	
Heavily Regulated Industries	1.949***		1.031**		1.854***	
	(0.443)		(0.340)		(0.411)	
Current Profitability$_t$	-0.117		0.129		-0.062	
	(0.141)		(0.088)		(0.120)	
Historical Profitability$_{t-1 \text{ to } t-3}$	-0.406		-0.094		-0.184	
	(0.293)		(0.185)		(0.251)	
Market Value Change$_t$	-0.138**		-0.109***		-0.121**	
	(0.044)		(0.028)		(0.038)	
Historical Market Value Change$_{t-1 \text{ to } t-3}$	-0.349***		-0.093*		-0.284***	
	(0.064)		(0.040)		(0.055)	
Positive Economic Factor		0.319***		0.179***		0.309***
		(0.032)		(0.021)		(0.028)
Negative Economic Factor		-0.070***		-0.023**		-0.054***
		(0.012)		(0.008)		(0.010)
Constant	6.017*	9.100***	3.434†	5.597**	6.034**	9.086***
	(2.419)	(2.465)	(1.861)	(1.929)	(2.248)	(2.306)
Observations	5974	5974	5958	5958	5972	5972
within R^2	0.103	0.087	0.099	0.078	0.108	0.088
between R^2	0.417	0.346	0.402	0.310	0.446	0.366
overall R^2	0.361	0.296	0.399	0.311	0.402	0.324

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 4

Random effects Panel Data Analysis of Control Variables on Political Expenditures relative to Total Expenses [a]

	Political Expenditure/Total Expense					
	Lobbying		PAC Contributions		Total	
Firm Size	-0.008***		-0.001***		-0.008***	
	(0.001)		(0.000)		(0.001)	
Diversification	-0.009**		-0.001***		-0.010**	
	(0.003)		(0.000)		(0.003)	
Heavily Regulated Industries	0.038***		0.002*		0.040***	
	(0.009)		(0.001)		(0.009)	
Current Profitability$_t$	0.004		0.001**		0.005	
	(0.003)		(0.000)		(0.003)	
Historical Profitability$_{t-1\ to\ t-3}$	0.008		0.000		0.008	
	(0.006)		(0.000)		(0.006)	
Market Value Change$_t$	-0.002†		-0.000**		-0.002†	
	(0.001)		(0.000)		(0.001)	
Historical Market Value Change$_{t-1\ to\ t-3}$	-0.002		-0.000**		-0.002†	
	(0.001)		(0.000)		(0.001)	
Positive Economic Factor		-0.004***		-0.000***		-0.004***
		(0.001)		(0.000)		(0.001)
Negative Economic Factor		-0.000		-0.000		-0.000
		(0.000)		(0.000)		(0.000)
Constant	0.129**	0.099*	0.000	0.003	0.135**	0.102*
	(0.047)	(0.048)	(0.000)	(0.004)	(0.049)	(0.050)
Observations	5865	5865	5865	5865	5865	5865
within R^2	0.028	0.024	0.026	0.021	0.030	0.026
between R^2	0.228	0.192	0.164	0.146	0.232	0.195
overall R^2	0.152	0.121	0.162	0.141	0.161	0.128

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 5

Random effects Panel Data Analysis of Institutional Conditions on Lobbying Expenditure [a]

	DV: Lobbying Expenditure				
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Positive Economic Factor	0.224***	0.218***	-0.082	0.157**	-0.004
	(0.037)	(0.042)	(0.179)	(0.050)	(0.174)
Negative Economic Factor	-0.060***	-0.056**	-0.283**	-0.012	-0.165†
	(0.012)	(0.020)	(0.089)	(0.026)	(0.085)
Gross Domestic Product	-0.000*	-0.000*	-0.000	-0.000*	-0.000†
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	0.018	0.020	0.056	0.071	0.090
	(0.108)	(0.108)	(0.107)	(0.100)	(0.099)
Inverse Mills Ratio: political expenditure	-0.627***	-0.637***	-0.415**	-0.354**	-0.209†
	(0.131)	(0.135)	(0.135)	(0.115)	(0.118)
Bipartisan Campaign Reform Act (BCRA)		1.477*			0.189
		(0.658)			(0.606)
Citizens United		0.160			0.116
		(0.147)			(0.134)
BCRA × Positive Factor		0.015			0.006
		(0.027)			(0.027)
Citizens United × Positive Factor		-0.026			-0.002
		(0.030)			(0.032)
BCRA × Negative Factor		0.000			-0.000
		(0.024)			(0.022)
Citizens United × Negative Factor		-0.022			-0.020
		(0.027)			(0.026)
Trade Association Political Expenditure			0.042		-0.041
			(0.050)		(0.046)
Average Industry Political Expenditure			0.749***		0.536***
			(0.069)		(0.064)
Prevalence of PACs in industry			1.867***		1.158***
			(0.124)		(0.112)
Trade Association Political Expenditure × Positive Factor			-0.010		0.006
			(0.018)		(0.016)
Average Industry Political Expenditure × Positive Factor			0.063*		0.033
			(0.025)		(0.025)
Prevalence of PACs × Positive Factor			-0.311***		-0.300***
			(0.059)		(0.055)
Trade Association Political Expenditure × Negative Factor			-0.006		-0.006
			(0.009)		(0.008)
Average Industry Political Expenditure × Negative Factor			0.035**		0.024*
			(0.013)		(0.012)
Prevalence of PACs × Negative Factor			-0.044		-0.029
			(0.031)		(0.033)

[a] Standard errors in parentheses

† $p<0.10$, * $p<0.05$, ** $p<0.01$, *** $p<0.001$, two-tailed tests.

TABLE 5 (cont.)

Variables	DV: Lobbying Expenditure				
	Model 1	Model 2	Model 3	Model 4	Model 5
Media Coverage				0.273***	0.271***
				(0.076)	(0.075)
Social Perception of Responsibility				-0.002	0.003
				(0.009)	(0.009)
CEO Campaign Contributions				0.123***	0.097***
				(0.023)	(0.022)
CEO Political Stance				-0.095	-0.074
				(0.082)	(0.081)
Proxy Voting				0.048	0.031
				(0.052)	(0.051)
In-house Lobbyist				3.136***	2.926***
				(0.071)	(0.072)
Media Coverage × Positive Factor				-0.057*	-0.062**
				(0.024)	(0.024)
Social Perception of Responsibility × Positive Factor				-0.005	-0.006
				(0.004)	(0.004)
CEO Campaign Contributions × Positive Factor				-0.013	-0.005
				(0.011)	(0.011)
CEO Political Stance × Positive Factor				-0.010	0.005
				(0.046)	(0.046)
Proxy Voting × Positive Factor				0.002	0.008
				(0.018)	(0.018)
In-house Lobbyist × Positive Factor				0.093*	0.139***
				(0.038)	(0.039)
Media Coverage × Negative Factor				0.019	0.017
				(0.018)	(0.018)
Social Perception of Responsibility × Negative Factor				0.001	0.002
				(0.003)	(0.003)
CEO Campaign Contributions × Negative Factor				-0.020*	-0.018*
				(0.008)	(0.009)
CEO Political Stance × Negative Factor				-0.040	-0.034
				(0.037)	(0.037)
Proxy Voting × Negative Factor				-0.026†	-0.031*
				(0.015)	(0.016)
In-house Lobbyist × Negative Factor				0.035	0.037
				(0.021)	(0.023)
Constant	15.091***	13.466***	3.600	10.816***	3.092
	(3.818)	(3.446)	(3.714)	(3.105)	(2.751)
Observations	5974	5974	5974	5974	5974
within R2	0.089	0.089	0.132	0.255	0.278
between R2	0.362	0.363	0.477	0.742	0.752
overall R2	0.309	0.310	0.412	0.663	0.679

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 6

Random effects Panel Data Analysis of Institutional Conditions on PAC Contributions [a]

	DV: Campaign Contributions through PAC				
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Positive Economic Factor	0.088***	0.030	-0.394***	0.053	-0.267**
	(0.024)	(0.026)	(0.085)	(0.035)	(0.092)
Negative Economic Factor	-0.014†	-0.025*	-0.010	0.009	0.010
	(0.008)	(0.013)	(0.043)	(0.017)	(0.044)
Gross Domestic Product	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.044	-0.045	-0.045	-0.039	-0.041
	(0.068)	(0.067)	(0.052)	(0.067)	(0.051)
Inverse Mills Ratio: political expenditure	-0.621***	-0.733***	-0.395***	-0.512***	-0.348***
	(0.085)	(0.088)	(0.064)	(0.085)	(0.063)
Bipartisan Campaign Reform Act (BCRA)		0.908*			0.586†
		(0.409)			(0.312)
Citizens United		0.022			-0.008
		(0.091)			(0.069)
BCRA × Positive Factor		0.089***			0.065***
		(0.017)			(0.014)
Citizens United × Positive Factor		-0.026			-0.011
		(0.019)			(0.016)
BCRA × Negative Factor		0.029†			0.029*
		(0.015)			(0.012)
Citizens United × Negative Factor		-0.044**			-0.022
		(0.017)			(0.013)
Trade Association Political Expenditure			-0.028		-0.049*
			(0.024)		(0.024)
Average Industry Political Expenditure			0.086*		0.046
			(0.033)		(0.033)
Prevalence of PACs in industry			4.590***		4.411***
			(0.061)		(0.060)
Trade Association Political Expenditure × Positive Factor			0.001		-0.000
			(0.008)		(0.008)
Average Industry Political Expenditure × Positive Factor			0.066***		0.035**
			(0.012)		(0.013)
Prevalence of PACs × Positive Factor			-0.053†		-0.044
			(0.029)		(0.030)
Trade Association Political Expenditure × Negative Factor			0.003		0.003
			(0.004)		(0.004)
Average Industry Political Expenditure × Negative Factor			-0.000		-0.002
			(0.006)		(0.006)
Prevalence of PACs × Negative Factor			0.021		0.042*
			(0.015)		(0.017)

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 6 (cont.)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	DV: Campaign Contributions through PAC				
Media Coverage				0.105*	0.112**
				(0.051)	(0.039)
Social Perception of Responsibility				0.000	-0.000
				(0.006)	(0.005)
CEO Campaign Contributions				0.140***	0.107***
				(0.016)	(0.012)
CEO Political Stance				-0.024	-0.021
				(0.056)	(0.042)
Proxy Voting				0.055	0.052†
				(0.035)	(0.027)
In-house Lobbyist				1.079***	0.622***
				(0.051)	(0.038)
Media Coverage × Positive Factor				-0.038*	-0.044***
				(0.016)	(0.012)
Social Perception of Responsibility × Positive Factor				0.006*	0.001
				(0.003)	(0.002)
CEO Campaign Contributions × Positive Factor				-0.003	-0.008
				(0.008)	(0.006)
CEO Political Stance × Positive Factor				0.030	0.046†
				(0.031)	(0.024)
Proxy Voting × Positive Factor				-0.016	-0.009
				(0.012)	(0.009)
In-house Lobbyist × Positive Factor				0.039	0.061**
				(0.027)	(0.021)
Media Coverage × Negative Factor				0.017	0.028**
				(0.012)	(0.010)
Social Perception of Responsibility × Negative Factor				-0.002	0.000
				(0.002)	(0.002)
CEO Campaign Contributions × Negative Factor				-0.007	-0.009†
				(0.006)	(0.004)
CEO Political Stance × Negative Factor				-0.016	-0.025
				(0.025)	(0.019)
Proxy Voting × Negative Factor				-0.001	-0.014†
				(0.010)	(0.008)
In-house Lobbyist × Negative Factor				-0.009	-0.013
				(0.015)	(0.012)
Constant	7.659**	6.870**	2.624	6.252**	1.932
	(2.651)	(2.437)	(1.736)	(2.392)	(1.468)
Observations	5958	5958	5958	5958	5958
within R2	0.086	0.091	0.488	0.141	0.513
between R2	0.322	0.327	0.823	0.504	0.857
overall R2	0.320	0.326	0.769	0.497	0.810

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 7

Random effects Panel Data Analysis of Institutional Conditions on Political Expenditure [a]

	DV: Political Expenditure				
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Positive Economic Factor	0.193***	0.187***	-0.074	0.216***	-0.039
	(0.032)	(0.036)	(0.150)	(0.044)	(0.150)
Negative Economic Factor	-0.043***	-0.048**	-0.312***	-0.017	-0.218**
	(0.010)	(0.017)	(0.074)	(0.022)	(0.073)
Gross Domestic Product	-0.000*	-0.000*	-0.000†	-0.000*	-0.000†
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.027	-0.027	-0.004	0.021	0.033
	(0.093)	(0.093)	(0.089)	(0.087)	(0.084)
Inverse Mills Ratio: political expenditure	-0.777***	-0.785***	-0.466***	-0.449***	-0.229*
	(0.113)	(0.118)	(0.114)	(0.103)	(0.102)
Bipartisan Campaign Reform Act (BCRA)		1.541**			0.481
		(0.562)			(0.517)
Citizens United		0.136			0.098
		(0.125)			(0.114)
BCRA × Positive Factor		0.009			-0.012
		(0.023)			(0.023)
Citizens United × Positive Factor		-0.004			0.005
		(0.026)			(0.027)
BCRA × Negative Factor		0.009			0.005
		(0.020)			(0.019)
Citizens United × Negative Factor		-0.006			-0.007
		(0.023)			(0.022)
Trade Association Political Expenditure			-0.038		-0.101*
			(0.042)		(0.040)
Average Industry Political Expenditure			0.542***		0.368***
			(0.058)		(0.054)
Prevalence of PACs in industry			2.598***		2.101***
			(0.104)		(0.096)
Trade Association Political Expenditure × Positive Factor			-0.000		0.015
			(0.015)		(0.013)
Average Industry Political Expenditure × Positive Factor			0.066**		0.050*
			(0.021)		(0.021)
Prevalence of PACs × Positive Factor			-0.430***		-0.395***
			(0.049)		(0.047)
Trade Association Political Expenditure × Negative Factor			-0.004		-0.004
			(0.007)		(0.007)
Average Industry Political Expenditure × Negative Factor			0.041***		0.031**
			(0.011)		(0.010)
Prevalence of PACs × Negative Factor			-0.035		-0.044
			(0.026)		(0.028)

[a] Standard errors in parentheses

† $p<0.10$, * $p<0.05$, ** $p<0.01$, *** $p<0.001$, two-tailed tests.

TABLE 7 (cont.)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	DV: Political Expenditure				
Media Coverage				0.254***	0.259***
				(0.067)	(0.064)
Social Perception of Responsibility				-0.008	-0.002
				(0.008)	(0.007)
CEO Campaign Contributions				0.139***	0.112***
				(0.020)	(0.019)
CEO Political Stance				-0.158*	-0.156*
				(0.072)	(0.069)
Proxy Voting				0.011	0.002
				(0.045)	(0.044)
In-house Lobbyist				2.532***	2.258***
				(0.063)	(0.062)
Media Coverage × Positive Factor				-0.050*	-0.056**
				(0.021)	(0.020)
Social Perception of Responsibility × Positive Factor				0.001	-0.003
				(0.004)	(0.004)
CEO Campaign Contributions × Positive Factor				-0.011	-0.003
				(0.010)	(0.010)
CEO Political Stance × Positive Factor				0.022	0.043
				(0.040)	(0.039)
Proxy Voting × Positive Factor				0.005	0.011
				(0.016)	(0.016)
In-house Lobbyist × Positive Factor				-0.042	0.021
				(0.034)	(0.034)
Media Coverage × Negative Factor				0.012	0.012
				(0.016)	(0.016)
Social Perception of Responsibility × Negative Factor				0.002	0.002
				(0.002)	(0.003)
CEO Campaign Contributions × Negative Factor				-0.013†	-0.010
				(0.007)	(0.007)
CEO Political Stance × Negative Factor				-0.036	-0.035
				(0.033)	(0.032)
Proxy Voting × Negative Factor				-0.018	-0.030*
				(0.013)	(0.013)
In-house Lobbyist × Negative Factor				0.046*	0.050*
				(0.019)	(0.020)
Constant	15.332***	13.656***	6.022†	11.154***	4.697*
	(3.392)	(3.087)	(3.117)	(2.783)	(2.375)
Observations	5972	5972	5972	5972	5972
within R2	0.092	0.092	0.172	0.234	0.286
between R2	0.387	0.387	0.585	0.725	0.786
overall R2	0.341	0.341	0.519	0.657	0.716

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 8

Random effects Panel Data Analysis of Institutional Conditions on Lobbying Expenditure relative to Total Expense [a]

Variables	DV: Lobbying Expenditure/Total Expense				
	Model 1	Model 2	Model 3	Model 4	Model 5
Positive Economic Factor	-0.005***	-0.006***	-0.005	-0.002†	-0.003
	(0.001)	(0.001)	(0.004)	(0.001)	(0.004)
Negative Economic Factor	0.000	0.000	-0.002	-0.001†	-0.003
	(0.000)	(0.000)	(0.002)	(0.001)	(0.002)
Gross Domestic Product	-0.000†	-0.000†	-0.000	-0.000*	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Inverse Mills Ratio: political expenditure	-0.010***	-0.010***	-0.004	-0.002	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Bipartisan Campaign Reform Act (BCRA)		0.029*			0.018
		(0.014)			(0.014)
Citizens United		0.003			0.003
		(0.003)			(0.003)
BCRA × Positive Factor		0.001			0.001
		(0.001)			(0.001)
Citizens United × Positive Factor		-0.001			-0.001
		(0.001)			(0.001)
BCRA × Negative Factor		-0.001			-0.001
		(0.000)			(0.001)
Citizens United × Negative Factor		-0.000			-0.001
		(0.001)			(0.001)
Trade Association Political Expenditure			0.001		0.000
			(0.001)		(0.001)
Average Industry Political Expenditure			0.008***		0.007***
			(0.001)		(0.001)
Prevalence of PACs in industry			0.011***		0.005*
			(0.003)		(0.003)
Trade Association Political Expenditure × Positive Factor			-0.000		-0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Positive Factor			0.001		0.001
			(0.001)		(0.001)
Prevalence of PACs × Positive Factor			-0.009***		-0.008***
			(0.001)		(0.001)
Trade Association Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Prevalence of PACs × Negative Factor			0.001†		0.001
			(0.001)		(0.001)

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 8 (cont.)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	DV: Lobbying Expenditure/Total Expense				
Media Coverage				0.013***	0.013***
				(0.002)	(0.002)
Social Perception of Responsibility				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions				0.002***	0.002***
				(0.001)	(0.001)
CEO Political Stance				-0.004*	-0.003†
				(0.002)	(0.002)
Proxy Voting				0.004***	0.004***
				(0.001)	(0.001)
In-house Lobbyist				0.018***	0.016***
				(0.002)	(0.002)
Media Coverage × Positive Factor				-0.003***	-0.003***
				(0.001)	(0.001)
Social Perception of Responsibility × Positive Factor				-0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Positive Factor				-0.001*	-0.000
				(0.000)	(0.000)
CEO Political Stance × Positive Factor				-0.001	-0.001
				(0.001)	(0.001)
Proxy Voting × Positive Factor				-0.001***	-0.001**
				(0.000)	(0.000)
In-house Lobbyist × Positive Factor				-0.002**	-0.001
				(0.001)	(0.001)
Media Coverage × Negative Factor				-0.001*	-0.001*
				(0.000)	(0.000)
Social Perception of Responsibility × Negative Factor				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Negative Factor				-0.000	-0.000
				(0.000)	(0.000)
CEO Political Stance × Negative Factor				0.001	0.001
				(0.001)	(0.001)
Proxy Voting × Negative Factor				0.000	0.000
				(0.000)	(0.000)
In-house Lobbyist × Negative Factor				0.002***	0.002**
				(0.000)	(0.001)
Constant	0.258***	0.224**	0.137†	0.237**	0.130†
	(0.077)	(0.069)	(0.078)	(0.075)	(0.068)
Observations	5865	5865	5865	5865	5865
within R2	0.026	0.027	0.043	0.060	0.072
between R2	0.195	0.195	0.222	0.282	0.287
overall R2	0.123	0.124	0.149	0.198	0.208

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 9

Random effects Panel Data Analysis of Institutional Conditions on PAC Contributions relative to Total Expense [a]

	DV: Campaign Contributions through PAC/Total Expense				
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Positive Economic Factor	-0.000***	-0.001***	-0.001**	-0.000	-0.001†
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Negative Economic Factor	0.000	0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Gross Domestic Product	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Inverse Mills Ratio: political expenditure	-0.001***	-0.001***	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Bipartisan Campaign Reform Act (BCRA)		0.001			0.001
		(0.001)			(0.001)
Citizens United		-0.000			-0.000
		(0.000)			(0.000)
BCRA × Positive Factor		0.000***			0.000**
		(0.000)			(0.000)
Citizens United × Positive Factor		-0.000***			-0.000*
		(0.000)			(0.000)
BCRA × Negative Factor		-0.000			-0.000
		(0.000)			(0.000)
Citizens United × Negative Factor		0.000†			0.000
		(0.000)			(0.000)
Trade Association Political Expenditure			0.000		0.000
			(0.000)		(0.000)
Average Industry Political Expenditure			0.000		0.000
			(0.000)		(0.000)
Prevalence of PACs in industry			0.002***		0.002***
			(0.000)		(0.000)
Trade Association Political Expenditure × Positive Factor			-0.000†		-0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Positive Factor			0.000**		0.000†
			(0.000)		(0.000)
Prevalence of PACs × Positive Factor			-0.001***		-0.001***
			(0.000)		(0.000)
Trade Association Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Prevalence of PACs × Negative Factor			0.000**		0.000*
			(0.000)		(0.000)

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 9 (cont.)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	DV: Campaign Contributions through PAC/Total Expense				
Media Coverage				0.000	0.000
				(0.000)	(0.000)
Social Perception of Responsibility				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions				0.000***	0.000***
				(0.000)	(0.000)
CEO Political Stance				0.000	0.000
				(0.000)	(0.000)
Proxy Voting				0.000	0.000
				(0.000)	(0.000)
In-house Lobbyist				0.001***	0.001***
				(0.000)	(0.000)
Media Coverage × Positive Factor				-0.000	-0.000
				(0.000)	(0.000)
Social Perception of Responsibility × Positive Factor				-0.000*	-0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Positive Factor				-0.000*	-0.000*
				(0.000)	(0.000)
CEO Political Stance × Positive Factor				-0.000	-0.000
				(0.000)	(0.000)
Proxy Voting × Positive Factor				-0.000	-0.000
				(0.000)	(0.000)
In-house Lobbyist × Positive Factor				-0.000***	-0.000***
				(0.000)	(0.000)
Media Coverage × Negative Factor				0.000	0.000
				(0.000)	(0.000)
Social Perception of Responsibility × Negative Factor				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Negative Factor				0.000	-0.000
				(0.000)	(0.000)
CEO Political Stance × Negative Factor				-0.000	-0.000
				(0.000)	(0.000)
Proxy Voting × Negative Factor				-0.000	-0.000
				(0.000)	(0.000)
In-house Lobbyist × Negative Factor				0.000**	0.000†
				(0.000)	(0.000)
Constant	0.010†	0.008	0.007	0.009	0.005
	(0.006)	(0.005)	(0.006)	(0.006)	(0.005)
Observations	5865	5865	5865	5865	5865
within R2	0.026	0.032	0.058	0.047	0.076
between R2	0.144	0.144	0.229	0.196	0.248
overall R2	0.140	0.142	0.213	0.188	0.234

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 10

Random effects Panel Data Analysis of Institutional Conditions on Political Expenditure relative to Total Expense [a]

	DV: Political Expenditure/Total Expense				
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Positive Economic Factor	-0.006***	-0.006***	-0.006	-0.002†	-0.004
	(0.001)	(0.001)	(0.004)	(0.001)	(0.004)
Negative Economic Factor	0.000	0.000	-0.002	-0.001†	-0.003
	(0.000)	(0.000)	(0.002)	(0.001)	(0.002)
Gross Domestic Product	-0.000*	-0.000*	-0.000†	-0.000*	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Inverse Mills Ratio: political expenditure	-0.011***	-0.011***	-0.004	-0.002	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Bipartisan Campaign Reform Act (BCRA)		0.031*			0.019
		(0.014)			(0.014)
Citizens United		0.003			0.003
		(0.003)			(0.003)
BCRA × Positive Factor		0.001			0.001
		(0.001)			(0.001)
Citizens United × Positive Factor		-0.001			-0.001
		(0.001)			(0.001)
BCRA × Negative Factor		-0.001			-0.001
		(0.000)			(0.001)
Citizens United × Negative Factor		0.000			-0.001
		(0.001)			(0.001)
Trade Association Political Expenditure			0.001		0.000
			(0.001)		(0.001)
Average Industry Political Expenditure			0.008***		0.007***
			(0.001)		(0.001)
Prevalence of PACs in industry			0.013***		0.007**
			(0.003)		(0.003)
Trade Association Political Expenditure × Positive Factor			-0.001		-0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Positive Factor			0.001		0.001
			(0.001)		(0.001)
Prevalence of PACs × Positive Factor			-0.009***		-0.008***
			(0.001)		(0.001)
Trade Association Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Average Industry Political Expenditure × Negative Factor			0.000		0.000
			(0.000)		(0.000)
Prevalence of PACs × Negative Factor			0.001†		0.001
			(0.001)		(0.001)

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 10 (cont.)

Variables	DV: Political Expenditure/Total Expense Model 1	Model 2	Model 3	Model 4	Model 5
Media Coverage				0.013***	0.013***
				(0.002)	(0.002)
Social Perception of Responsibility				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions				0.002***	0.002***
				(0.001)	(0.001)
CEO Political Stance				-0.004†	-0.003
				(0.002)	(0.002)
Proxy Voting				0.005***	0.004***
				(0.001)	(0.001)
In-house Lobbyist				0.019***	0.017***
				(0.002)	(0.002)
Media Coverage × Positive Factor				-0.003***	-0.004***
				(0.001)	(0.001)
Social Perception of Responsibility × Positive Factor				-0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Positive Factor				-0.001*	-0.000
				(0.000)	(0.000)
CEO Political Stance × Positive Factor				-0.001	-0.001
				(0.001)	(0.001)
Proxy Voting × Positive Factor				-0.001**	-0.001**
				(0.000)	(0.000)
In-house Lobbyist × Positive Factor				-0.003**	-0.001
				(0.001)	(0.001)
Media Coverage × Negative Factor				-0.001†	-0.001*
				(0.000)	(0.000)
Social Perception of Responsibility × Negative Factor				0.000	0.000
				(0.000)	(0.000)
CEO Campaign Contributions × Negative Factor				-0.000	-0.000
				(0.000)	(0.000)
CEO Political Stance × Negative Factor				0.001	0.001
				(0.001)	(0.001)
Proxy Voting × Negative Factor				0.000	0.000
				(0.000)	(0.000)
In-house Lobbyist × Negative Factor				0.002***	0.002**
				(0.000)	(0.001)
Constant	0.268***	0.233**	0.144†	0.247**	0.136†
	(0.079)	(0.071)	(0.080)	(0.077)	(0.070)
Observations	5865	5865	5865	5865	5865
within R2	0.028	0.029	0.047	0.064	0.077
between R2	0.198	0.198	0.230	0.287	0.294
overall R2	0.130	0.131	0.161	0.208	0.220

[a] Standard errors in parentheses
† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.

TABLE 11
Summary of Empirical Results

		Absolute Political Expenditure			Political Expenditure relative to Total Expense		
		Lobbying Expenditure	Campaign Contributions	Total Political Expenditure	Lobbying Expenditure	Campaign Contributions	Total Political Expenditure
Institutional-level	Bipartisan Campaign Reform Act	No support for H1	No support for H1 (opposite effect)	No support for H1	No support for H1	Partial support for H1 (mixed effect)	No support for H1
	Citizens United v. FEC	No support for H2	No support for H2	No support for H2	No support for H2 (opposite effect)	Partial support for H2 (mixed effect)	No support for H2 (opposite effect)
Industry-level	Trade Association Political Expenditure	No support for H3	No support for H3	No support for H3	No support for H3 (opposite effect)	No support for H3	No support for H3 (opposite effect)
	Average Industry Political Expenditure	Partial support for H4a	Partial support for H4a	Support for H4a	No support for H4a	Support for H4a	No support for H4a
	Prevalence of PACs in industry	No support for H4b (opposite effect)	Support for H4b	No support for H4b (opposite effect)	Partial support for H4b	Partial support for H4b (mixed effect)	Partial support for H4b
Firm-level	Media Coverage on CPA	Support for H5	Support for H5	Support for H5	Support for H5	No support for H5	Support for H5
	Social Perception of Responsibility	No support for H7	No support for H7	No support for H7	Partial support for H7	Support for H7	Partial support for H7
	CEO Campaign Contributions	No support for H8a (opposite effect)	No support for H8a	No support for H8	No support for H8a	No support for H8a	No support for H8a
	CEO Political Stance	No support for H8b	Partial support for H8b	No support for H8b	No support for H8b	No support for H8b	No support for H8b
	Proxy Voting Proposals on CPA	Support for H6	Marginal support for H6	Support for H6	Support for H6	No support for H6	Support for H6
	In-house Lobbyist	Support for H9	Support for H9	Support for H9	Support for H9	Partial support for H9 (mixed effect)	Support for H9

TABLE 12

Main Effects of Economic and Institutional Conditions on Absolute Political Expenditure [a]

Variables	Lobbying Expenditure	Campaign Contributions	Political Expenditure
Bipartisan Campaign Reform Act	0.402	0.799*	0.691
	(0.609)	(0.312)	(0.520)
Citizens United	0.092	-0.031	0.086
	(0.134)	(0.069)	(0.115)
Trade Association Political Expenditure	-0.030	-0.041†	-0.092*
	(0.046)	(0.024)	(0.039)
Average Industry Political Expenditure	0.500***	0.012	0.326***
	(0.063)	(0.032)	(0.054)
Prevalence of PACs in industry	1.024***	4.340***	1.948***
	(0.110)	(0.059)	(0.095)
Media Coverage	0.142**	0.018	0.130***
	(0.044)	(0.023)	(0.038)
Social Perception of Responsibility	-0.005	-0.000	-0.008
	(0.008)	(0.004)	(0.007)
CEO Campaign Contributions	0.078***	0.096***	0.097***
	(0.022)	(0.011)	(0.019)
CEO Political Stance	-0.049	0.016	-0.123†
	(0.078)	(0.040)	(0.066)
Proxy Voting	0.030	0.049**	0.012
	(0.033)	(0.017)	(0.028)
In-house Lobbyist	2.906***	0.592***	2.237***
	(0.072)	(0.038)	(0.062)
Firm Size	0.537***	0.385***	0.529***
	(0.057)	(0.031)	(0.050)
Diversification	0.051	-0.191**	0.008
	(0.132)	(0.069)	(0.113)
Industry Regulation	1.266***	0.619***	1.198***
	(0.274)	(0.157)	(0.244)
Current Profitability	-0.054	0.201**	-0.029
	(0.128)	(0.066)	(0.110)
Historical Profitability	0.016	0.058	0.118
	(0.260)	(0.135)	(0.223)
Current Market Value Change	-0.096*	-0.083***	-0.074*
	(0.041)	(0.021)	(0.035)
Historical Market Value Change	-0.228***	-0.018	-0.152**
	(0.062)	(0.032)	(0.053)
Gross Domestic Product	-0.000	-0.000	-0.000†
	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	0.056	-0.049	0.009
	(0.098)	(0.050)	(0.084)
Inverse Mills Ratio: political expenditure	0.065	-0.003	-0.112
	(0.120)	(0.064)	(0.104)
Constant	1.558	1.749	3.690
	(2.743)	(1.458)	(2.372)
Observations	5974	5958	5972
Overall R^2	0.675	0.818	0.714

[a] Standard errors in parentheses

† $p<0.10$, * $p<0.05$, ** $p<0.01$, *** $p<0.001$, two-tailed tests.

TABLE 13

Main Effects of Economic and Institutional Conditions on Normalized Political Expenditure [a]

Variables	**Lobbying Expenditure**	**Campaign Contributions**	**Political Expenditure**
Bipartisan Campaign Reform Act	0.014	0.001	0.015
	(0.014)	(0.001)	(0.014)
Citizens United	0.003	-0.000	0.002
	(0.003)	(0.000)	(0.003)
Trade Association Political Expenditure	0.001	0.000	0.001
	(0.001)	(0.000)	(0.001)
Average Industry Political Expenditure	0.008***	0.000	0.008***
	(0.001)	(0.000)	(0.001)
Prevalence of PACs in industry	0.005†	0.002***	0.007**
	(0.003)	(0.000)	(0.003)
Media Coverage	0.004***	0.000	0.004***
	(0.001)	(0.000)	(0.001)
Social Perception of Responsibility	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)
CEO Campaign Contributions	0.002***	0.000***	0.002***
	(0.000)	(0.000)	(0.001)
CEO Political Stance	-0.004*	0.000	-0.004*
	(0.002)	(0.000)	(0.002)
Proxy Voting	0.002**	0.000	0.002**
	(0.001)	(0.000)	(0.001)
In-house Lobbyist	0.018***	0.001***	0.019***
	(0.002)	(0.000)	(0.002)
Firm Size	-0.014***	-0.001***	-0.015***
	(0.001)	(0.000)	(0.001)
Diversification	-0.012***	-0.001***	-0.013***
	(0.003)	(0.000)	(0.003)
Industry Regulation	0.028***	0.001†	0.029***
	(0.008)	(0.001)	(0.008)
Current Profitability	0.003	0.001*	0.003
	(0.003)	(0.000)	(0.003)
Historical Profitability	0.009	0.000	0.010
	(0.006)	(0.000)	(0.006)
Current Market Value Change	-0.001	-0.000†	-0.001
	(0.001)	(0.000)	(0.001)
Historical Market Value Change	0.000	-0.000	0.000
	(0.001)	(0.000)	(0.001)
Gross Domestic Product	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Average Spending by Congress Members	-0.001	-0.000	-0.001
	(0.002)	(0.000)	(0.002)
Inverse Mills Ratio: political expenditure	-0.011***	-0.001**	-0.011***
	(0.003)	(0.000)	(0.003)
Constant	0.149*	0.007	0.157*
	(0.068)	(0.005)	(0.070)
Observations	5865	5865	5865
Overall R^2	0.226	0.239	0.239

[a] Standard errors in parentheses

† p<0.10, * p<0.05, ** p<0.01, *** p<0.001, two-tailed tests.