Tax-Exempt Lobbying: Corporate Philanthropy as a Tool for Political Influence

Marianne Bertrand, Matilde Bombardini,
Raymond Fisman, and Francesco Trebbi*

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Abstract

We explore the role of charitable giving as a means of political influence, a channel that has been heretofore unexplored in the political economy literature. For philanthropic foundations associated with Fortune 500 and S&P500 corporations, we show that grants given to charitable organizations located in a congressional district increase when its representative obtains seats on committees that are of policy relevance to the firm associated with the foundation. This pattern parallels that of publicly disclosed Political Action Committee (PAC) spending. As further evidence on firms' political motivations for charitable giving, we show that a member of Congress's departure leads to a short-term decline in charitable giving to his district, and we again observe similar patterns in PAC spending. Charities directly linked to politicians through personal financial disclosure forms filed in accordance to Ethics in Government Act requirements exhibit similar patterns of political dependence. Our analysis suggests that firms deploy their charitable foundations as a form of tax-exempt influence seeking. Based on a straightforward model of political influence, our estimates imply that 7.2 percent of total U.S. corporate charitable giving is politically motivated, an amount that is economically significant: it is 280 percent larger than annual PAC contributions and about 40 percent of total federal lobbying expenditures. Given the lack of formal electoral or regulatory disclosure requirements, charitable giving may be a form of political influence that goes mostly undetected by voters and shareholders, and which is directly subsidized by taxpayers.

1 Introduction

Representative Joe Baca has achieved near celebrity status in his suburban Los Angeles district...a charity his family set up three years ago to aid local organizations. It provides another benefit, too: helping the Democratic congressman run something akin to a permanent political campaign...But unlike most private foundations, Mr. Baca's gets little of its money from its founders' pockets. Instead, local companies and major corporations that have often turned to Mr. Baca's Washington office for help, and usually succeed in getting it, are the chief donors.

["Congressional Charities Pulling In Corporate Cash", New York Times, Sep 5, 2010]

[Joe Barton] the top Republican on the House Energy and Commerce Committee operates a foundation that has raised donations from the industries his committee oversees...taking credit when companies give directly to community groups in the foundation's name - essentially bypassing a 2007 congressional requirement that donations from lobbying interests to lawmakers' charities be disclosed...The Barton foundation also promised...to help build a $1.2 million Boys and Girls Club in Corsicana, Texas, and those attending the meeting "burst into applause" ... Texas Monthly magazine reported in 2005...The [Exelon] contribution was made at a time when Mr. Barton...was proposing legislation that would help expand the market for nuclear energy. Exelon also had been negotiating for government approval to build a multimillion-dollar nuclear power plant in Mr. Barton's home state.

["EXCLUSIVE: Barton's foundation not so charitable" The Washington Times, Apr 6, 2009]

In the United States, as in any representative democracy, legislators are tasked with creating laws that serve voters' interests. Politicians, however, are thought to be influenced via a number of channels that may untether the link from voter well-being to legislative decisions. Lawmakers rely on donations from individuals and businesses to run their campaigns, they may be promised lucrative jobs or board appointments after exiting politics, and they may be cajoled, rather than merely informed, by lobbyists. The extent to which we should concern ourselves with special interests' influence (the broader connotation of the term *lobbying* used in this paper's title), and the effectiveness of potential regulatory responses, are governed by both the degree of influence and the potential strategic responses to the tightening of campaign finance rules or other regulations.

A large literature that straddles economics, law, and political science aims to study both the amount of money in politics, as well as its influence. With few exceptions, past research has tended to focus on campaign finance and lobbying, which are easily observable both to the researcher as well as to the electorate. This visibility is a result of explicit legislative provisions that serve to inform voters of large monetary transfers to politicians, thereby tracing special interest influence in politics.[1] The amounts of money involved in these channels – as well as the outsized influence per dollar that some papers measure (Ansolabehere et al., 2003) – have led to concerns that these observable channels may be a small subset of the broader mechanisms by which special interests influence politics (for example, through voter mobilization, Bombardini and Trebbi, 2011). To better understand the scale and scope of influence-seeking activities it is necessary to assess the existence, and potential importance, of other channels. This may be also required for an informed assessment of corporate governance regulations, as suggested by Bebchuk et al. (2010), who advocate that the government *"develop rules to require public companies to disclose to shareholders the use of corporate resources for political activities."*

This paper provides systematic empirical evidence that corporate philanthropy serves as a tool of political influence in American politics, involving sums that are economically significant when compared to other channels of influence seeking.

We begin by examining whether companies use corporate social responsibility (CSR), more specifically their charitable foundations, to cater to the interests of politicians who are particularly important to the firm's profitability. To this end, we assembled a data set based on the IRS Form 990 tax returns from the (tax-exempt) charitable foundations funded by Fortune 500 and S&P 500 corporations. Schedule I of the Form 990 includes information on all charities (typically organizations claiming 501(c)(3) tax-exempt status) funded by the foundation, as well as the dollar value of their charitable grant giving.

Using a combination of lobbying data and congressional committee assignments, we generate a time-varying, pair-specific measure that links company interests to specific legislators, which we then show is predictive of donations by the company's foundation to charities in the legislator's own district and charities for which the legislator sits on the board. To construct this measure for our empirical analysis, we employ issues listed in lobbying disclosure forms available from the Senate Office of Public Records under the dictate of the Lobbying Disclosure Act of 1995 to link corporate interests to specific congressional committees, which in turn allows us to link companies' interests to specific lawmakers based on (time-varying) congressional committee assignments. That is, we use the data to construct, for each company-legislator pair, a variable which captures the number

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[1]See, for example, the Federal Election Campaign Act of 1972 and the Lobbying Disclosure Act of 1995. For a review of empirical and theoretical analyses based on the disclosure data, see Stratmann (2005). For lobbying specifically, see Bertrand et al. (2014).

of legislative issues covered both in a company's federal lobbying disclosures and by committees that include the legislator as a member. As an illustrative example, consider the case of Congress member Joe Baca, cited in the *New York Times* quote above. Baca was a member of the House of Representatives between 2003-2013 and in 2007 the Joe Baca Foundation was established in San Bernardino, California, in his district. In 2010 the Walmart Foundation gave $6,000 to this charity when Baca was sitting on the Financial Services Committee. At the time Walmart Stores was battling Visa/Mastercard on credit card fees and multiple financial issues, as disclosed in multiple lobbying reports filed by lobbying firms Patton Boggs LLP, Bryan Cave LLP, Cornerstone Government Affairs LLP, all hired by the corporation.

We then use this measure to explore whether donations directed at a politicians' charities (either those in her constituency or those for which she sits on the board) vary as a function of the number of issues covered. We emphasize that our identification strategy, by exploiting turnover in committee membership, and issue relevance to a firm, to generate within-legislator variation in issues covered, credibly rules out the possibility that companies simply provide donations to like-minded representatives and/or have non-political interests in supporting particular geographies. In our most stringent specification, we include firm-congressional district fixed effects which absorb all time-invariant pair-specific effects. Because we employ time variation in the issues of relevance for a given firm across different Congresses based on its lobbying activities, we are also simultaneously controlling for self-selection of firms into charitable giving and for any fixed firm-specific unobservables. We additionally analyze how legislator exits affect the flow of donations into a district, again using within-district variation based on legislator turnover to detect the political sensitivity of charitable giving.

To understand how charitable contributions directed to a congressional district may serve as a useful channel of political influence, one can build on the notion of credit-claiming by self-motivated politicians, an idea in political economy and political science that dates back at least to David Mayhew's observation that "*Credit claiming is highly important to congressmen, with the consequence that much of congressional life is a relentless search for opportunities to engage in it.*" (Mayhew, 1974, p.53).[2] Although it is typically discussed in the context of federal grants and earmarks, political credit-claiming of local charities is a natural means of appealing to voters, given the visibility of many charities to politicians' constituencies. To provide some context, the close relationship between the Washington State Farmworker Housing Trust and Washington's senior Senator, Patricia Murray, serves as an instructive example. Senator Murray's official webpage features the charitable organization in describing her work on housing, stating "*I was proud to help establish the Washington State Farmworker Housing Trust to help families who work hard*

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[2]For a recent discussion see Grimmer et al. (2012).

to keep one of our state's most important industries strong. . .".[3] According to a report by the Sunlight Foundation, "*[t]he charity's donors include the foundations of JPMorgan Chase, Bank of America and Wells Fargo, yet only JPMorgan reported gifts to the charity to the Senate.*"[4] The same report discusses a similar case involving Utah Senator Orrin Hatch and the local Utah Families Foundation, a beneficiary of grants by the charitable arms of many large banks and pharmaceutical companies. Senator Hatch often attends golf tournaments for the charity, which provide both visibility in his home state and the opportunity to interact with powerful donors.[5]

We summarize our main results as follows. We begin by documenting a very robust positive relationship between charitable contributions and a more direct channel of political influence, political action committee (PAC) contributions.[6] This correlation survives the inclusion of constituency fixed effects and a battery of robustness checks, suggestive of political forces at play in charitable giving.

We then show that our proxy for a politician's relevance to a firm through committee assignment is correlated with donations by the firm's charity to recipient charities in the politician's constituency (again, robust to the inclusion of constituency fixed effects). We similarly find a strong link between a politician's relevance to a company and its PAC contributions to the legislator, a finding that is complementary to more standard extant research in political economy and political science.[7] As an alternative approach to linking corporate charity to political motivations, we show that legislators' exits induces a decline (and then a recovery) in charitable giving the departing politicians' congressional districts, as their replacements are by definition of lower rank. Importantly, this pattern is very similar for PAC contributions.

As an alternative measure linking politicians' interests to individual charities, we use information on board memberships from politicians' annual financial disclosures to explore whether companies attempt to influence relevant legislators via donations to charities of *personal* interest to them. In our first analysis using these data, we show that a non-profit is more than four times more likely to receive grants from a corporate foundation if a politician sits on its board, controlling for the non-profit's state as well as fine-grained measures of its size and sector. We then go on

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[3]https://www.murray.senate.gov/public/index.cfm/ruralhousing Accessed last December 16, 2017

[4]http://web.archive.org/web/20160922002911/http://sunlightfoundation.com/blog/2011/07/12/some-lobbyists-gifts-lawmakers-pet-causes-remain-dark/ last accessed December 23, 2017.

[5]A more malignant form of political influence through charitable giving is made possible by the outright embezzlement of the recipient charity's funds by a politician, which effectively allows the politician to use the charity as a front for extracting bribes. Former Florida Representative Corinne Brown was sentenced to 5 years in prison in December 2017 for misusing and appropriating funding of the One Door for Education, a nonprofit dedicated to supporting financially disadvantaged students. Former Pennsylvania Representative Chaka Fattah was convicted in 2016 for a similar misuse of funds from the Educational Advancement Alliance, a local charity, for personal use and racketeering.

[6]Because it supplies more variation both cross-sectionally and over time, the focus in most of our analysis is on the House of Representatives.

[7]For a recent contribution see Powell and Grimmer (2016).

to show, in results paralleling those described in the preceding paragraphs, that a foundation is more likely to give to a politician-connected non-profit if the politician sits on committees lobbied by the firm.

To gauge the magnitudes of the effects we document, we present the analysis of a political influence setting, with PAC and charitable contributions as inputs whose productivity depends on the influence of the targeted legislator. The reader versed in special interest politics may think of this framework as a reduced-form representation of a quid-pro-quo political models (see Grossman and Helpman, 2001). Our model assumes that, while only a fraction of corporate charity is politically motivated, PAC contributions are, by definition, driven entirely by political concerns. Based on this intuitive assumption, this framework yields the result that the fraction of corporate charity that is politically motivated is the ratio of the charity-issues-covered elasticity (0.053) to the PAC-issues-covered elasticity (0.742), that is 7.2 percent. For firms in our sample, the implied scale of politically-motivated charity is higher than PAC giving, since total charitable giving per congressional district ($15,078) is so much higher than average per district PAC contributions ($368). If we assume that 7.2 percent of the $18 billion in total corporate charitable contributions made in 2014 is politically motivated, the implied dollar value of political charitable giving is about $1.3 billion in that year, 280 percent higher than annual PAC contributions made to candidates in the 2013-14 cycle, and about 40 percent of total annual lobbying expenditures in 2014.

Our results indicate that corporate foundations act, at least in part, as a means of influencing government decision-makers which, broadly speaking, potentially leads to welfare loss, as policies are distorted away from the voters' optimum as a result of quid-pro-quo politics.[8] This per se contributes to our general understanding of the role of corporate social responsibility, although offering a somewhat more nuanced and less optimistic perspective than much prior literature. In addition, we see our findings as highlighting the need to go beyond easily-observable channels in order to gain a broader appreciation of the full role of corporate influence in politics, to both understand the potential welfare loss from different channels of political influence seeking as well as inform the design of regulation. Grassroots operations, dark money in the form of 501(c)(4) organizations, shadow lobbying and other covert forms of influence are already pervasive.[9] Our findings suggest that caution is in order in limiting influence through oversight of easily documented channels. This may merely lead to displacement of influence-peddling to less visible channels. At the very least the potential for such displacement effects should be fully considered in policy design

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[8]These are welfare losses akin to those arising in menu auction models a la Grossman and Helpman (1994). Such losses are central to a large literature on political capture and rent seeking in political economy and cannot be a priori excluded as a consequence of the politically-motivated charitable giving (see Grossman and Helpman, 2001 ch. 7).

[9]For shadow lobbying see LaPira and Thomas, 2014 and for the use of trade associations in lobbying see Bombardini and Trebbi (2012).

or campaign finance and lobbying disclosure regulation.

We also see a number of potentially significant sources of welfare loss that are more specific to the type of influence seeking channel we document in our paper. First, there is the loss of information that may be useful to voters in forming their decision strategies. While foundation grantees are disclosed via tax records, the link to political interests is far from transparent, which makes influence of the sort described in the preceding paragraphs extremely hard for voters and the media to infer or to monitor systematically. In fact, charitable giving is even afforded the right to anonymity under the law along several dimensions. Yet such grants, sometimes extending into the tens of millions of dollars,[10] appear to warrant disclosure and regulation in *"the prevention of corruption or the appearance of corruption spawned by the real or imagined coercive influence of large financial contributions on candidates' positions and on their actions if elected to office."*[11]

A second source of welfare loss results from the tax subsidization of what amounts to the political voice of certain special interests. Foundations taking a 501(c)(3) organizational form for tax purposes are explicitly prohibited by the 1954 Johnson amendment to the U.S. tax code to *"participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office."* This provision aims to exclude direct tax subsidization of political voice for selected groups. While the First Amendment of the U.S. Constitution prevents Congress from abridging the freedom of speech, it does not guarantee the public subsidization of certain voices over others. Unlike lobbying or campaign contributions, charitable giving potentially represent a tax-advantaged and hard-to-trace form of influence.

A third source of welfare loss, borne by corporate shareholders, could arise due to the lack of information and transparency in the use of corporate funds for political charitable giving. Bebchuk and Jackson (2013) provide empirical evidence in support of the view that disclosure of corporate political giving is a necessary governance tool for shareholders to assure that such funds are used in their own interests. The philanthropic foundations in our setting display a similar degree of opacity as the active intermediaries (trade associations, umbrella coalitions, third party organizations, and other) that Bebchuk and Jackson (2013) discuss in their work, and for which they present a strong case for potential conflicts of interests between management and shareholders. In essence, the opacity of this channel compounds the accountability argument raised by Friedman (1970).

Finally, there are welfare losses due to the misallocation of charitable funds. If we start from the premise that corporations allocate their charitable grant giving across recipients based on their

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[10]The largest aggregate grant recorded in our dataset is a charitable contribution of 62.7 million dollars by the Goldman Sachs Philantrophy Fund to charities in Minnesota's 5th District. The largest campaign contribution recorded is $25,000, a result of the $5,000 maximum cap by PACs for each election — primary and general –– and candidate, on a two year election cycle.

[11]Buckley vs. Valeo, 1(1976) U.S. Supreme Court

quality and on the desirability of a charity's services to its community, then the optimal allocation of charitable funds may be distorted by political motivations. A charity whose work is not very valuable to the community may get funding nonetheless, because it sits in the right congressional district, while an efficient charity may lose funding for the opposite reason.

We contribute most directly to the literature on corporate influence in politics, particularly in the U.S. Most work in this area has emphasized influence via campaign contributions (see Grossman and Helpman, 2001, Milyo et al., 2000, and Ansolabehere et al., 2003 for earlier overviews[12]) or lobbying (e.g. de Figueiredo and Silverman, 2006, Vidal et al., 2012, Bertrand et al., 2014, Drutman, 2015 or from a more structural perspective Kang, 2016 and Kang and You, 2016). As emphasized by Stratmann (2005) and de Figueiredo and Richter (2014), interpretation of many of these papers is clouded by issues of causation – do corporations support candidates because of preexisting shared policy preferences, or because they wish to buy influence? A number of more recent papers share our approach of exploiting committee assignments as a means of generating credible causal identification.[13] Others exploit exits of politicians.[14]

Our research also contributes to an entirely distinct literature on the motivations of firms to engage in pro-social activities, such as charitable giving (Bénabou and Tirole, 2010). Much of this research focuses on whether and how firms can "do well by doing good," to the extent that ethical conduct is demanded by consumers, employees, investors, or other stakeholders (see, e.g. Margolis et al., 2009 for an overview).[15] Our findings turn the standard argument on its head. If corporations' good deeds (in the form of charitable contributions) cater to politicians' interests, who as a result put the interests of business ahead of those of voters, the overall welfare effects are ambiguous – society benefits via increased charity, at the potentially high cost of distorting laws and regulation. We expand on this discussion in the next section. While the connection between philanthropic behavior and political influence has, to our knowledge, largely been overlooked, one notable exception that relates directly to our work is Richter (2016), which jointly analyzes corporate social responsibility (CSR) and lobbying by firms. He shows that firms at both negative and positive extremes of the CSR range lobby more than firms that display intermediate levels of CSR. CSR and lobbying appear to work as complements: the interaction between lobbying intensity and CSR quality correlates with higher firm valuations.

Finally, while our emphasis in this paper is on the U.S., charity-as-influence-seeking is a global

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[12]Milyo et al. (2000) is particularly notable in this list, as the absolute magnitudes of philanthropic giving are explored in that paper. They are however mostly used to benchmark magnitudes of the more standard political spending components, PAC and lobbying.

[13]For two recent applications, see Powell and Grimmer, 2016 and Fouirnaies and Hall, 2017.

[14]See Mian et al. (2010).

[15]We also contribute to the related literature that explores whether *individual* charitable giving has non-altruistic motivations. See in particular Meer and Rosen (2009) and Butcher et al. (2013) on the motivations of college alumni giving.

phenomenon, and the implications of our analysis may thus have broader applicability. Israel's Holyland scandal, for example, which led to the imprisonment of a former Jerusalem mayor, Uri Lupolianski (as well as the imprisonment of Prime Minister Ehud Olmert), involved charitable donations by a real estate developer to a charity founded by Lupolianski in his grandmother's name. Worldwide, charitable donations are sufficiently common a means of influence-seeking that there are charity-related provisions in the U.S. Foreign Corrupt Practices Act, as well as the U.K. Bribery Act. Intriguingly, the U.K. Bribery Act pairs charitable and political donations in its language throughout, implying a similarity in their use by corporations operating abroad.

The rest of the paper is organized as follows. Section 2 provides a more detailed discussion of charitable giving and corporate social responsibility, a literature to which this paper contributes directly, and Section 3 presents our data. Section 4 introduces parallel analyses of corporate giving and PAC contributions that explores whether contributions flow to congressional districts whose legislators are more important to the firm. Section 5 presents evidence on the link between corporate giving and politics based on the direct personal ties of politicians collected from their Personal Disclosure Forms. We present a simple model of political influence in Section 6, and use it to calibrate the scale of corporate giving as a tool for political influence. Section 7 concludes.

2   Primer on corporate social responsibility

As background, it is helpful to have some context for the broader set of explanations for corporate philanthropy (and corporate citizenship more broadly). Bénabou and Tirole (2010) provide a useful delineation of the primary motives for such behavior: (a) a "win-win" in which the firm's prosocial behavior makes it easier to, for example, sell its products to socially conscious consumers or recruit and retain ethically-minded employees, and in the process increase profits; (b) "delegated philanthropy" in which stakeholders – customers, investors, or employees – effectively pay the firm (through higher prices or lower wages/returns) to engage in prosocial behavior on their behalf because, owing to information or transaction costs, the firm is better positioned to act on stakeholders' behalf; and (c) insider-initiated philanthropy, in which a firm's board or management exploits weak governance to spend shareholder profits on their own charitable interests, a view most prominently associated with Friedman (1970), but also aligned with the analysis in Bebchuk and Jackson (2013).

Our setting fits within what Benabou and Tirole describe within their "win-win" category as "strategic CSR" (Baron, 2001), in which firms give to charity in order to strengthen their market positions and hence longer-term profits. As the authors note, this form of CSR has "*more ambiguous social consequences*" if it serves as "*a means of placating regulators and public opinion in order to avoid strict supervision in the future.*" We see the primary purpose of our paper as

providing empirical evidence on exactly this concern – to the extent that firms use charity as a means of securing favorable regulatory treatment, the societal benefits of their contributions to charity (a public good) may be swamped by the social cost of, for example, weaker environmental regulations that lead to excessive (relative to the social optimum) pollution, favorable treatment by antitrust authorities that reduces consumer surplus, or lax financial oversight that increases the chances of a banking crisis.[16]

Firms may act on social concerns in a variety of ways: for example greening supply chains or paying unskilled workers above minimum wage. Given our focus on philanthropy, we limit our discussion here to the mechanisms available to firms for charitable giving. The simplest method for a corporation to make charitable donations is through *direct giving*, in which the firm makes a direct (tax-deductible) donation to a non-profit, tax-exempt organization (a so-called 501(c)(3) organization).[17] Such direct gifts require little administrative overhead and, critically for our purposes, are difficult to track because firms are not required to disclose publicly the recipients of their directed donations. In fact, if anything, the government protects the right to privacy of donors and philanthropists in providing support for their causes.

A corporation may also set up a foundation, which allows a firm to take a tax deduction in the present by giving to its foundation, without necessarily disbursing the funds to charities until later. A foundation provides a greater visibility for the firm's philanthropic efforts, serving as an ongoing reminder to employees and the public more broadly of the company's prosocial efforts, as the foundation itself generally bears the company's name. It also incurs an additional layer of costs relative to direct giving, including the upfront cost to the firm of incorporating its own non-profit corporation, and the continued expense and administrative burden associated with an additional layer of reporting requirements (in particular the filing of an IRS Form 990-PF, a state return, a state Attorney General report, among others) and managing a foundation board as a means of oversight. It is precisely this additional layer of oversight which allows us to observe, via foundation disclosures, the beneficiaries and amounts received from corporate giving.[18]

For all mechanisms, the sums involved are substantial – corporations made just over 5.1 billion dollars in donations via their foundations in 2014, the most recent year for which data are available,[19] and a total of 17.8 billion dollars overall in that year (Giving Institute, 2014). These figures comprise a nontrivial fraction of overall giving: 60.2 billion dollars for all foundations in 2014, and 358.8 billion dollars in total charitable contributions overall. Further, aggregate corpo-

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[16]For additional examples, see Kotchen and Moon (2012).

[17]Donations to foreign entities are not tax deductible, nor are non-profits that do not have 501(c)(3) status, such as local chambers of commerce or professional membership associations.

[18]A final option available to corporations is a donor-advised fund which has lower administrative costs than a foundation but also limits a firm's subsequent control over donated funds.

[19]See the Foundation Center website, http://data.foundationcenter.org/#/foundations/corporate/nationwide/total/ last accessed December 16, 2017.

rate giving is very large when compared to more direct channels of corporate influence: total PAC contributions in 2013 and 2014 were 464 million dollars (out of 1.7 billion dollars raised by PACs each year of that congressional cycle), while total federal lobbying expenditures in 2014 were 3.2 billion dollars.[20]

Our focus on foundation giving, dictated by data availability, plausibly leads us to understate the extent of philanthropy as a means of hidden corporate influence, particularly when it comes to donations of personal interest to legislators. Since foundations are more subject to public and media scrutiny because of the requisite disclosures, firms wishing to obscure their efforts at currying favor with lawmakers by donating to their pet charities may choose to do so more often through direct donations, which we do not detect in our analysis, rather than via foundation giving. This downward bias is less likely to affect our analyses focused on giving which targets legislators' constituents, because both the corporation and politician have an incentive to publicize these donations: the corporation aims to boost its social image; the politician wishes to claim credit in elections. Figure 1 reports as an example the executive summary of Bank of America's 2012 CRS Report, showcasing the social committment of the bank.

3 Data

3.1 Charitable giving by foundations

Data on charitable donations by foundations linked to corporations come from *FoundationSearch*, which digitizes publicly available Internal Revenue Service data on the 120,000 largest active foundations. The starting point for our sample is the companies in the Fortune 500 and S&P 500 in 2014 that can be matched by name to an active foundation. We have complete data for 320 of these foundations. As noted in Brown et al. (2006), larger and older companies are more likely to have corporate foundations, which results naturally from the fixed cost of establishing a foundation.[21]

Each foundation must submit Form 990/990 P-F "Return of Organization Exempt From Income Tax" to the IRS annually, and this form is open to public inspection. The Form 990 includes contact information for each foundation, as well as the yearly total assets and total grants paid to other organizations. Schedule I of Form 990, entitled "Grants and Other Assistance to Organizations, Governments, and Individuals in the United States," requires the foundation to report

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[20]See https://www.opensecrets.org/pacs/ last accessed December 16, 2017.

[21]They also find that state-level statutes – in particular laws relating to shareholder primary and the ability of firms to consider broader interests in business decisions – predict establishment of a foundation. Various endogenous financial variables are also predictive of foundation establishment. The analysis in Brown et al. (2006) is cross-sectional, so their variables are absorbed by the various fixed effects in our analysis.

all grants greater than \$4,000 (the limit was raised to \$5,000 in recent years).[22] For each grant, *FoundationSearch* reports the amount, the recipient's name, city and state, and a giving category created by the database.[23]

While the IRS assigns a unique identifier (EIN) to each nonprofit organization, unfortunately *FoundationSearch* does not report this code, so we rely on the name, city and state information to match it to a master list of all nonprofits. This list, called the Business Master File (BMF) of Exempt Organizations, is put together by the National Center for Charitable Statistics (NCCS) primarily from IRS Forms 1023 and 1024 (the applications for IRS recognition of tax-exempt status). The BMF file reports many other characteristics of the recipient organization, including a precise address which allows us to recover the Census Tract of each location (with the exclusion of PO boxes) and thus match the organization to a congressional district using the program MABLE/Geocorr from the Missouri Census Data Center. The results of the matching between all 501(c)3 organizations in the BMF and the recipient *FoundationSearch* charitable giving by Fortune 500 and S&P 500 companies is reported in Appendix A.1. The construction of the sample is described in Appendix A.2.

3.2   Personal financial disclosures and ties of legislators to non-profits

As an alternative way of linking legislators to charities, we utilize information required of members of the House and the Senate in their personal financial disclosure (PFD) forms. Members of Congress are required by the Ethics in Government Act of 1978 to file annual forms with the Clerk of the House and the Senate Office of Public Records disclosing their personal finances, including a list of positions held with non-governmental organizations. This requirement covers positions in non-profits, but excludes religious, social, fraternal and political organizations.[24] The Center for Responsive Politics obtained personal financial disclosure forms from the Senate Office of Public Records and the Office of the Clerk of the House for the years 2004 to 2016, and we obtained an electronic version of these data from Opensecrets.org.

Starting from these data, we isolate positions (often board memberships) held at non-profit organizations and match, based on name (or name, city and state when available) the non-profits in the personal financial disclosure forms to their EIN and other information contained in the Exempt Organization Business Master Files (BMF). Because the personal financial disclosure forms are often incomplete in specifying the start and end dates of a given position, we treat the data as time-invariant. Overall, we identify 1087 unique non-profits in the personal financial disclosure

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[22]The form is shown in Figure 2.

[23]The 10 categories are: Arts & Culture, Community Development, Education, Environment, Health, International Giving, Religion, Social & Human Services, Sports & Recreation, Misc Philanthropy.

[24]There is no requirement for members of Congress to list purely honorary positions, nor are they required to list positions held by spouses or dependent children.

forms with links to 451 unique members of Congress; there are 1285 unique links between members of Congress and non-profits.

Finally, to create a data set that indicates whether a non-profit has a direct link to a legislator via a board tie, we use the BMF data to consider the universe of non-profits in existence in at least one of the years 1998, 2004, or 2015, and then create an indicator variable which denotes whether a non-profit has a connection to at least one member of Congress. We also compute, for each non-profit, the total number of members of Congress it is linked to via PFD forms. Using the foundation data, we compute for each non-profit in the BMF data whether it received any grants from any of the corporate foundations in our data set at any point in time, as well as the total donation amounts received (summing across years and foundations). Finally, we compute the number of different corporate foundations financially supporting each non-profit at any point during our sample period.

3.3 Other data

3.3.1 Campaign contributions and lobbying reports

We employ the Center for Responsive Politics data on PAC contributions, originally from the Federal Election Commission. For each congressional cycle we use information on the amount donated by the PAC associated with each corporation to individual members of Congress. The vast majority of S&P 500 and Fortune 500 firms have PACs and give politically (their share is above 82 percent on average). In addition, 87 percent of the CEOs of S&P 500 companies give at least once during the period 1991-2008 (Fremeth et al., 2013). However, not all S&P 500 and Fortune 500 firms present a clearly linkable 501(c)(3) entity. This may be because the firms themselves do not use foundations and instead make direct charitable donations, or because they do not give at all. Even if our data set is one of the most comprehensive CSR resources available in the literature, our information may be incomplete in this respect. Plausibly the campaign contribution data from the FEC may be also more accurate in pinpointing links to firms than our grant-making data from the IRS, as the former is designed for public disclosure. However, because we will employ time variation within a foundation, our estimates de facto condition on self-selection of firms into charitable giving and on any firm-specific fixed unobservables.

From the Center for Responsive Politics we also obtain the lobbying reports that feature our list of corporations as clients. These records list the issues and the dollar amounts related to the lobbying work performed by a registrant (the lobbying firm or the lobbyist) on behalf its clients (generally corporations). These reports allow us to determine the issues on which corporations focus their lobbying efforts, by summing expenditures across all reports that mention a particular issue. For each firm-Congress combination we generate a variable, $TopIssue_{ft}$, which denotes the

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issue (or issues) with the highest expenditure for firm f in Congress t.[25] Note that we allow the interests of a firm/foundation to change over time, since we keep track of the topic(s) that feature more often in its lobbying reports across congressional cycles; furthermore, we observe that this procedure may result in more than one top lobbying issue per foundation per Congress if there are several issues associated with the same level of spending.

3.3.2 Members of Congress and committee assignments

We obtain the list of members of the U.S. Congress and their committee assignments from Charles Stewart III's website[26] and member seniority from Poole and Rosenthal's voteview.org website.[27] The analysis in Section 4 employs only members of the House while the analysis in Section 5 also includes the Senate, both for robustness and also because the PFD data can be linked to fewer grants than the constituency data.

3.4 Basic data facts

Our sample consists of the 320 grant-giving foundations affiliated with the set of companies in the S&P500 and Fortune 500 as of 2014, over the period 1998-2015, which spans the 105th to the 114th Congresses.

The unit of observation for PAC contributions is firm/foundation-congressional district-congressional cycle; we sum across all recipients located in a congressional district d to obtain the corresponding structure for charitable contributions. Table 1 reports the average contribution levels for both PAC and corporate foundations (which we denote as "CSR contributions" or simply "CSR" for brevity in reporting our results) across all firm-district-Congress observations in our sample. The average PAC contribution is $515 with a maximum of $36,500. The latter figure can be rationalized if we consider that each PAC can contribute $5,000 dollars to each candidate for each race and each year (and sometimes there are more than two candidates and special elections). On average, each foundation donates to non-profits in fewer than 10 percent of all 435 congressional districts. The average CSR contribution is $21,639, but as noted previously, zeros represent more than 90 percent of all foundation-congressional district combinations. The largest cumulative donation to a congressional district is $62.7 million by Goldman Sachs Philantrophy Fund to charities located in Minnesota's 5th District.

In Appendix Table A.10 we summarize the data we will use to analyze links via the personal financial disclosure forms of politicians. Slightly less than 4 percent of non-profits in existence

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[25]There may be many client names in the lobbying data set associated with the same firm/foundation. See Appendix A.2 for a discussion of how we treat these cases.

[26]http://web.mit.edu/17.251/www/data_page.html#2

[27]See Poole and Rosenthal (2017).

in 1998, 2004 or 2015 (or any subset of these years) were recipients of corporate philanthropy. The mean number of connections to a corporate foundation is 0.08 and mean total foundation contributions received is $9, 714 across all non-profits. Only about 0.05 percent of non-profits have a tie to a member of Congress that we can measure in the PFD forms.

4 Evidence based on geographical link between non-profits and House members

4.1 Empirical specification

In this section we measure the extent to which charitable contributions are targeted to non-profits that are linked geographically to a specific House member, as the member moves to (or departs from) committees that are of interest to a given firm/foundation. The key assumption in this section is that the link between a charity and a House member is based on the location of the charity. If the charity's address is within the boundaries of the congressional district of the House member, then we consider the two to be linked. This assumption fits with anecdotal evidence that members of Congress are concerned with charity-funded initiatives like youth centers and musical events that are situated within their districts. In Section 5 we adopt an alternative strategy to focus on links between charities and members of Congress based on board memberships.

We begin by describing the construction of our key independent variable, which measures the degree to which a congressional district is of interest to a given firm/foundation. We then discuss our specification and possible identification concerns.

The key variable of interest $IssuesCovered_{fdt}$ is a measure of how many issues of interest to foundation/firm[28] f are covered by the representative in district d through her committee assignment in Congress t. To create this measure, we start by defining $Membership_{cdt}$ to be equal to one if the representative in d has a seat on committee c in Congress t. We then employ the crosswalk constructed in Bertrand et al. (2014) to match all congressional committees to issues listed in lobbying reports.[29] The crosswalk is a matrix in which element x_{ic} is equal to 1 if issue i is covered by committee c. Note that a committee often covers more than one issue and that some issues are overseen by more than one committee. We then denote by $l_{fit} \in \{0, 1\}$ whether issue i is of top interest to foundation/firm f, which we gather from the reports that lobbying firms submit on behalf of their client f, using the definition provided in Section 3.3. We assemble

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[28]We often use the terms firm and foundation interchangeably, but there are a handful of cases where one firm has more than one foundation. Strictly speaking our unit of analysis is the foundation (EIN).

[29]See Appendix A.6 for the complete list of 79 issues.

the three sources of information in the following variable:

$$IssuesCovered_{fdt} = \sum_c \sum_i l_{fit} x_{ic} Membership_{cdt} \tag{1}$$

where:

$$l_{fit} = \begin{cases} 1 & \text{if issue } i \text{ is a top issue for firm } f \text{ lobbying in Congressional cycle } t \\ 0 & \text{otherwise} \end{cases}$$

$$x_{ic} = \begin{cases} 1 & \text{if issue } i \text{ is overseen by Committee } c \\ 0 & \text{otherwise} \end{cases}$$

$$Membership_{cdt} = \begin{cases} 1 & \text{if Rep in } d \text{ sits on Committee } c \\ 0 & \text{otherwise} \end{cases}$$

Table 1 reports summary statistics for the variable $IssuesCovered_{fdt}$. Its median is 0 while its mean is 0.2, once again revealing a skewed distribution with a maximum number of $IssuesCovered$ of 15 (for the Parker-Hannifin Foundation and Congressional Districts Texas 4 and Mississippi 3 in the 113th Congress).

Our main hypothesis is that there will be a positive relationship between the contributions (both PAC and CSR) a firm makes toward a congressional district and the importance of its representative to the firm as captured by our measure of committee relevance. We employ the following specification:

$$ln\left(1 + Contributions_{fdt}\right) = \beta_0 + \beta_1 \, ln\left(1 + IssuesCovered_{fdt}\right) + \delta_{fd} + \gamma_t + \varepsilon_{fdt} \tag{2}$$

where f is foundation, d is congressional district and t is Congress. The dependent variable $Contributions_{fdt}$ is either (a) contributions from the PAC associated with firm f, or (b) CSR contributions from the foundation associated with firm f directed to non-profit entities located in Congressional District d. There are clearly a number of potential determinants of a foundation's charitable contributions, which may include a preference for specific geographical areas, or a desire to focus on specific programs like education or health research. This can introduce bias in the estimation of the effect of $IssuesCovered$ if representatives from certain areas also self-select or are assigned to committees that systematically correlate with the interests of the foundation. Take for example the Bank of America Charitable Foundation. It is straightforward to see why it donates to charities located in New York, since Bank of America has a large number of employees living in many of New York City's congressional districts and the company may thus be attuned to their

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preferences for local charities. Representatives of New York's congressional districts may also be particularly interested in issues pertaining to the financial industry and therefore may seek seats on the Financial Services Committee (6 members of the current committee are from the state of New York). This could lead to a positive coefficient β_1 even if there is no causal nexus between committee assignment and charitable contributions. However, to the extent that these tendencies are time-invariant, we can control for them by including foundation $\times$ congressional district fixed effects. By including these fixed effects we exploit the variation in contributions and committee assignments over time within a congressional district, and thus pick up the increase or decrease in donations that occur when representatives join or depart from different committees. A similar argument may be made regarding PAC contributions from Bank of America to representatives of New York's congressional districts, and it is also addressed by including the same set of fixed effects.

Although suitable to address the endogeneity concerns discussed above, foundation $\times$ congressional district fixed effects are very restrictive in that they absorb a large portion of the overall variation. To achieve a compromise between credible identification while utilizing potentially relevant between-district variation, we always report specifications with foundation $\times$ state fixed effects. All specification also include Congress fixed effects, to account for time variation in average contributions and committee size.

4.2 Main results

We begin by showing the association between PAC and CSR contributions in Table 2, controlling for increasingly more demanding sets of fixed effects. The OLS coefficient is 0.137 when we only include state and Congress fixed effects and remains positive and significant, but decreases in size, as we consider the variation within finer groups. Column 5 shows that PAC and CSR contributions are positively correlated even when we include foundation $\times$ congressional district fixed effects, indicating that the two variables move together over time within a specific foundation-congressional district pair.

In Figure 3 we present a graphical depiction of the PAC-CSR relationship, to show that this relationship is monotonic, even if we look at a given firm's allocation of PAC and charitable funds within a single Congressional cycle. To do so, we regress $ln(1 + CSR)$ on a set of foundation $\times$ Congress fixed effects, and show the average residuals for each of five bins of PAC spending that, for non-zero values, divide observations approximately into quartiles: $\{[0], (0, 1000], (1000, 2000], (2000, 4000], (4000, 25000]\}$. The Figure shows a clear and monotonic increase in charitable giving by a firm (within a Congressional cycle) as its PAC giving increases.

We are not aware of any extant model that would rationalize this set of findings, and in the

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discussion of our next set of results we put forward the view that the two types of contributions may co-move because they both respond to the same set of political incentives induced by changes in the committee assignments of representatives in the congressional district over time, based on the specification in equation 2.

Table 3 shows the relationship between a firm's PAC contributions directed to a congressional district and the number of issues of interest to the firm that are covered by the district's representative due to her committee assignments; Table 4 shows the analogous relationship for charitable contributions by the firm's foundation. We report results in which we take the logarithm of both $Contributions$ and $IssuesCovered$ so that the coefficient has an elasticity interpretation; we also include specifications that regress the logarithm of contributions on the level of $IssuesCovered$, as well as specifications that measure political relevance using an indicator variable, $Any\ Issue$, to denote whether $IssuesCovered$ is positive. Columns 1-3 in Table 3 include foundation × state fixed effects, while columns 4-6 include the more restrictive foundation × congressional district fixed effects. In the latter set of specifications, the results in column 4 indicate that a 1 percent increase in $IssuesCovered$ is associated with an increase in PAC contributions of 0.742 percent. This PAC elasticity estimate of 0.742 is quantitatively similar to that of Berry and Fowler (forthcoming), who estimate the overall effect of entering a committee that is relevant for the industry increases PAC contributions by 62 percent.

Table 4 has the same structure as Table 3, and shows that the elasticity of CSR contributions with respect to $IssuesCovered$ is 8.8 percent and 5.3 percent depending on whether foundation× state fixed effects or foundation ×congressional district fixed effects are used. The other specifications in columns 2, 3, 5 and 6 also find a positive and significant relationship.[30]

We return to explore the scale of politically motivated corporate giving in Section 6, where we will use the preceding estimates to show that CSR contributions for political purposes may run into the billions of dollars, potentially involving sums much greater than corporate PAC contributions. To see how this can be the case, we note for now that, while the estimated PAC-Issue elasticity is more than ten times greater than the CSR-Issue elasticity (0.742 versus 0.053), average charitable contributions are more than 40 times higher than average PAC spending.

4.3   Heterogeneity

In this section we present a number of additional findings that explore possible heterogeneity in the responsiveness of CSR contributions to political considerations, both as a function of characteristics of targeted charities as well as the electoral environment of the House member. We begin by showing how the sensitivity of CSR contributions to issues of interest varies by charity type. Figure

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[30]In Appendix Table A.1, we show that the results are virtually unchanged if we use a dummy, $Sign(CSR)$,as our outcome variable.

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4 presents the point estimates from specifications of the form of equation (2), run separately for charities in each of ten non-profit sectors, as well as the 95 percent confidence intervals around these estimates. For ease of interpretation, we order sectors from smallest to largest effect. While we are circumspect in taking a stand on the types of non-profits that would best cater to constituents' interests, we believe that the ordering of effect sizes lines up roughly with one's intuitions of which sectors would most appeal to voters' concerns. The bottom five, none of which approach statistical significance, are membership benefit (MU), environmental (EN) unclassified (UN), health (HE), and international (IN). The top five (in ascending order) are religion (RE), arts (AR), public benefit (PU), education (ED), and human services (HU), with the last three having much larger (and more statistically robust) effect sizes than other sectors. (If we scale each coefficient by the standard deviation of the dependent variable, it only amplifies the differences across sectors.)

We next turn to examine whether the electoral environment affects the issues-charity relationship. First, in Appendix Table A.2 we check whether charitable contributions are more sensitive to $IssuesCovered$ in election years, and we do not find any change in sensitivity. In Appendix Table A.3 we examine whether the closeness of an electoral race has any effect on charitable contributions to the congressional district of the House member. We capture the closeness of the race with a dummy for whether the ex-post victory margin was less than 5 percent, and we do not find an effect, even though PAC contributions appear to be sensitive to whether the seat is more contested (columns 2 and 4). These results must naturally be treated with caution, given the many factors that are correlated with victory margin and would plausibly affect contributions as well.

4.4   Robustness

We perform several additional robustness checks for our main specification (2). We begin in Appendix Table A.4 by adding the square of the variable $ln\left(1 + IssuesCovered_{fdt}\right)$ to assess whether the responsiveness of contributions to congressional issues of interest is sensitive to nonlinearities or other hard-to-interpret behavior. While we detect a degree of concavity in the relationship for both CSR and PAC, the main message of our analysis is largely unaffected, both in terms of magnitudes and statistical precision. In Appendix Table A.5 we run a specification in which the dependent variable is not expressed in logs, but winsorized at the highest 1 percent of the values in the sample to account for extremely large donations, which could be especially problematic for CSR contributions. Again, our main results are qualitatively unaffected by this transformation.[31]

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[31]Similarly, our results are not affected by focusing only on the "large-ticket" giving, which may be more politically visible, for example by considering only CSR or PAC giving amounts above the sample mean and setting all other giving to 0. Results available from the authors upon request.

In Appendix Tables A.6 and A.7 we further expand our set of fixed effects. We maintain in all specifications either foundation × congressional district or foundation×state fixed effects, but instead of employing Congress fixed effects, we include foundation×Congress (in Table A.6) or congressional district×Congress (in Table A.7) fixed effects. These saturated specifications still exhibit a robust relationship between CSR and issues of importance to the foundation. This is also the case for PAC contributions.

Finally, as additional validation of the mechanism, Appendix Table A.8 focuses on the issues covered by politicians who are committee chairs and ranking members only, rather than all committee members. Relative to our baseline specifications, the elasticities we measure for committee leaders are at least 30-40 percent larger, as is expected given the higher strategic value of connections to these top appointments (and as documented by Berry and Fowler (forthcoming)for PAC contributions).

In the most restrictive foundation ×congressional district fixed effect specification, our identification strategy exploits plausibly exogenous variation in the number of legislative issues of interest to a corporation that overlap with those overseen by committees for which the district's representative is a member. Such variation emerges from the idiosyncrasies of firms' interests, which may vary over time, and of the committee assignments of representatives from different districts. Assignments of representatives to committees can be thought of primarily as a queuing process (Munger, 1988; Groseclose and Stewart III, 1998) in which members of Congress rise through the ranks within a committee based on seniority, and access more valuable committees based on available openings resulting from extant members' exits, a member's seniority, and status within the party (Bertrand et al., 2014). Munger (1988) also points at the congressional leadership's decisions to increase the overall size of committees, which create more openings, but dilute the value of assignments. While desirability and fit of committee assignments to legislators' aspirations may be predictable in the cross-section, the availability of openings over time and the precise timing of exits may be more difficult to anticipate. That is, for example, exit from the queue for assignment to the House Committee on Financial Services is a less predictable process than the list of members of Congress with an ex ante interest in sitting on the committee. Under imperfect foresight on turnover for valuable committees assignments, we may estimate the effects of the resolution of uncertainty on whether a particular member of Congress is assigned to a particular committee. This is the clearest interpretation of our coefficients.

This interpretation also suggests that one may investigate the extent of anticipatory behavior, both in terms of political and charitable contributions relative to subsequent congressional assignments. In Appendix Table A.9 we explore the predictive power of lagged contributions (from one period only, up to four periods) on current *IssuesCovered*. The evidence of systematic anticipatory behavior appears fragile. Specifically, while some form of anticipatory behavior

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may appear present especially in PAC contributions, allowing for more lags in the anticipatory process erodes the precision and magnitude of all past contributions. In addition, several of the lag coefficients change sign depending on the specification, indicating a lack of robustness. While these results do not cleanly rule out the possibility of anticipatory donations (after all, firms are sophisticated agents and will use any information at their disposal, including the queuing process for specific committees), our reading is that these patterns do not appear sufficiently robust to introduce substantial attenuation around the actual congressional assignment changes that provide our identifying variation. If present, anticipatory donations would most plausibly lead us to underestimate the true relationship between committee assignment and donations. This attenuation has two potential sources. First, anticipation of giving in expectation of future committee changes may dilute the estimated effect at the moment the change is realized. Second, if firms give to several potential entrants each of whom has uncertain prospects of committee assignments (only a few of which will be successful), donations will appear less strongly related to *IssuesCovered* than would be the case if we could fully observe firms' beliefs about potential appointments.

4.5 Evidence from House member exits

In this subsection we provide additional evidence of the political sensitivity of corporate charitable giving using a distinct source of variation in the data. We focus on the dynamics of donations around the exits of House members from specific districts.

The intuition behind our approach is straightforward. If we observe a decline in charitable contributions by corporations to charities in the politician's district that is coincident with his departure from Congress (whether due to death, resignation, or primary defeat) then, we argue, the donations must have been politically motivated in part in the first place, as the departure leads to a seasoned and influential legislator being replaced by a relatively inexperienced freshman. We will again show that virtually identical dynamics exist for a standard channel of political influence, i.e. PAC spending in the district, which we argue serves as an important consistency check.

As in the preceding analysis, we condition on a restrictive set of Congress and foundation × congressional district fixed effects, but now we introduce information on whether this is the final congressional cycle for the politician representing a particular district based on House membership data from voteview.org. In the analysis below we also consider the extent in which charitable or PAC giving responds to the tenure of the politician, which correlates strongly with congressional ranking and power, and whether it is the politician's first term in office. In order to keep the event study approach as clean as possible from confounding overlap between pre- and post-exit periods, we focus here on congressional districts within which we observe only one exit over our sample period.

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We employ the following modification of our most stringent specification:

$$ln\left(1 + Contributions_{fdt}\right) = \beta_0 + \beta_1\, Exit_{dt} \tag{3}$$
$$+\beta_2\, Tenure_{dt} + \beta_3\, Entry_{dt} + \delta_{fd} + \gamma_t + \varepsilon_{fdt}$$

where the independent variable $Exit_{td}$ indicates whether congressional cycle t is the last one observed for the House representative of congressional district d, $Tenure_{td}$ indicates his tenure at t, and $Entry_{td}$ indicates whether congressional cycle t is the first observed for the representative of congressional district d. According to a comprehensive study of congressional careers by Diermeier et al. (2005), exits of politicians from Congress are most typically official retirement from office, sudden deaths, or scandals. Given the very high incumbency advantage, selection issues due to the probability of reelection are low, according to the authors. Issues such as compensatory behavior in the request of funds for political campaigning before a tough election bid or accumulation of funds before a run for higher office are not quantitatively relevant and, in any case, would tend to dampen the evidence of a drop in resources around exits.

Our results are reported in Table 5. Notice that in the table we also maintain a less stringent specification relative to specification (3), where we condition on a still-restrictive set of Congress and foundation×state fixed effects. Table 5 shows that the congressional cycle marking the exit of a politician from a district is systematically characterized by a drop in charitable giving and of PAC donations to that district. With congressional tenure, charitable giving increases, while for new politicians the effect size is nearly zero. These results require some elaboration. Notice first that, while a new representative enters a district in the cycle following an exit, we ascribe to a district only the current incumbent's PAC contributions, so the analysis emphasizes the withdrawal of funds from the incumbent politician, which typically occurs because retirements are announced well in advance (i.e. we do not consider donations to the open race that follows). Second, our results on charitable giving also show a reduction at exit, indicating that a foundation reallocates its resources to other districts. The rationale behind this pattern may be that congressional committee assignments for freshmen may be less valuable.

Figures 5 and 6 present the evidence graphically, illustrating the dynamics of giving through charities and PACs around the exit date. The figures report the means of the residuals from regressing $ln\left(1 + Contributions_{fdt}\right)$ on Congress and foundation×congressional district fixed effects for each Congress surrounding an exit event. We also normalize each graph by rescaling so that the mean residual at the time of the exit event is zero. The graphs indicate that both political and charitable giving follow see-saw pattern around exits, with funds withdrawn at exit and then rebuilding as new incumbents acquire ranking and status within their party and in the Congress.

The patterns we observe for PAC giving and charitable contributions are quite similar. Although these figures are new (including for PAC contributions), a role for tenure in office as a driver of campaign donations has been hypothesized within the political economy literature at least since Snyder (1992).

5   Evidence from personal financial disclosure forms

Our analysis thus far has leveraged geographical linkages to identify the set of non-profits that may be of relevance to particular members of Congress. As an alternative, we identify specific non-profits with direct personal connections to members of Congress from the personal financial disclosures (PFD) that members of Congress have to file in accordance to the Ethics in Government Act of 1978.

5.1   Political ties and corporate charitable giving

While our main goal with these data is to conduct an empirical analysis that parallels the one laid out in the previous section, we start with a simple cross-sectional exercise to assess whether disclosure on a politician's PFD is correlated with donations received from corporations in our sample. To do so, we use the data set we generated by linking the universe of non-profits to those with political ties (see Section 3.2).

A simple tabulation of the data immediately suggests that non-profits connected to members of Congress receive more contributions from corporate foundations (recall that we refer to these as CSR contributions). For example, while the mean number of corporate foundations giving grants to non-profits without any reported connections to Congress in politicians' PFD forms is only .08, this number rises to 5.15 for non-profits that are listed in the disclosures. Of course, this simple tabulation could be explained by many other factors beyond the strategic use of charitable giving by corporations as a tool for political influence. For example, members of Congress may be disproportionately linked to larger non-profits, which might also be more effective in attracting corporate philanthropy. It is also possible that both members of Congress and corporate foundations are more likely to be connected to non-profits in larger urban centers because of physical proximity.

Table 6 assesses the sensitivity of the simple tabulation above to the addition of a battery of controls for non-profits characteristics, including size, location and sector. We begin in columns 1 and 2 with the baseline correlation, only controlling for whether the non-profit is a 501c(3) or other tax-exempt organization. As reported above, non-profits with any connection to Congress received grants from 5.05 more corporate foundations than non-profits without such connections

(column 1). Column 2, which uses the number of connections as the right hand side variable, shows that an additional connection to a member of Congress increases the number of different corporate foundations contributing to the non-profit by 4.20. Remarkably, these two estimated coefficients do not change substantially as we add controls for the non-profit characteristics that would most plausibly have been responsible for large omitted variable bias in columns 1 and 2. In particular, we first control in columns 3 and 4 for non-profit size (log assets and log income). As expected, larger non-profits have connections to a greater number of corporate foundations, but the estimated coefficients on "Any connection to Congress" and "Number of connections to Congress" are barely affected. The same is true in columns 5 and 6, in which we further control for location (state fixed effects and city fixed effects), as well as columns 7 to 10, where we additionally control for non-profit sector fixed effects (coarse or detailed classifications). In the most saturated specifications (columns 9 and 10), the estimated coefficient on "Any connection to Congress" is 4.61 (compared to 5.05 in the baseline) and the estimated coefficient on "Number of connections to Congress" is 3.91 (compared to 4.20 in the baseline). Appendix TablesA.11 and A.12 replicate the exercise in Table 6 for two alternative dependent variables: a dummy variable for receiving any CSR contribution and the logarithm of total CSR contributions received by the non-profit. Any connection to Congress increases the likelihood of receiving CSR contributions by 46 percentage points and nearly sextuples the amount of corporate donations a non-profit receives. Controlling for non-profit characteristics somewhat weakens these estimates, but as in Table 6, the correlation remains economically and statistically very strong even in the most saturated specifications.

5.2 Political ties, issue relevance, and corporate charitable giving

These initial results should naturally be treated as only suggestive. Even in the most saturated specification, the R^2 is only about 10 percent, indicating that there are many unobserved factors apart from size, location and sector that determine which non-profits receive CSR contributions, and hence we cannot rule out remaining omitted variable biases. That said, the relative stability of the results across specifications is strongly suggestive that political influence might be one of the factors that corporations consider in allocating charitable contributions.

We now turn to our main empirical exercise leveraging the data collected via the PFD forms, which more closely parallels the results presented in Section 4. In particular, we restrict the sample of non-profits to those identified as connected to Congress in the PFD forms and ask whether corporations are more likely to make charitable donations to any of the non-profits in this sample when these non-profits are more politically relevant to the corporation's main business interests. For every non-profit/corporation/year cell, we can assign measures of the political relevance of a non-profit to the corporation in a specific year. The most straightforward measure is simply

a 0/1 categorical variable constructed as follows. Consider first the set of issues appearing in the lobbying portfolio of a corporation in a given year. Then consider the set of issues that are indirectly linked to a non-profit in that year as a result of the committee assignments (in that year) of any members of Congress that are board members of or otherwise connected to the non-profit. If there is any overlap between the set of issues relevant to the corporation in that year and the set of issues indirectly "covered" by the non-profit in that year, we set the variable "Any political relevance" equal to 1. It is also possible to identify variation in such political relevance on the intensive margin. We define the variable "relevant (number of issues)" as a count of the number of issues that are both in the corporation's lobbying portfolio and tied to the non-profit via a member of Congress in a given year. We define the variable "relevant (number of Congressmen)" as a count of the number of members of Congress that are tied to the non-profit and, because of their committee assignments in that year, cover at least one issue of relevance to the corporation in the same year. Finally, we define the variable "relevant (number of Congressmen-issue pairs)" as a count of separate Congressmen-issue links for a non-profit in a given year that are relevant to the corporation in that year.

An example may help to clarify the extensive margin measures. Imagine Firm F lobbies on Issues A, B and C in year t. Imagine also that members of Congress X and Y are have ties to non-profit NP. Member X's committee assignment in year t covers issues A and D; member Y's committee assignment in year t covers issues A, B and E. In the context of this example, for the cell (Firm F, non-profit NP, year t), the variable "relevant (number of Congressmen)" would be equal to 2 (X and Y); the variable "relevant (number of issues)" would equal 2 (A and B); and the variable "relevant (number of Congressmen-issue pairs) would equal 3 (pairings X-A, Y-A, and Y-B).

Using the corporate foundation data from *FoundationSearch*, we then create a data set that determines for each corporation/non-profit pair in each year (excluding years with missing contributions data for that corporation), whether or not the corporation gave to the non-profit in that year, and if so, how much. Our main empirical specification directly follows:

$$AnyGiving_{fct} = \beta * AnyRelevant_{fct} + \omega_{fc} + \upsilon_t + \epsilon_{fct}$$

where f indexes corporations, c indexes non-profits and t indexes year. We include year (and thus Congress) fixed effects in all specifications. We also control for corporation and non-profit fixed effects. Our preferred specification, as shown in the equation above, includes corporation/non-profit pair fixed effects. In other words, under this preferred specification, we ask whether a corporation gives more to a particular non-profit in a given year when that non-profit is politically relevant, holding constant how much the corporation gives on average to that non-profit across years. Finally, we control in all specifications for the logarithm of total CSR contributions by corporation

f in year t to account for variation in total giving over time within a foundation/corporation. Given the time invariance of the links between members of Congress and non-profits, the source of identification comes from changes over time in committee assignments for members of Congress and changes over time in the set of issues in the lobbying portfolios of corporations.

There are multiple candidates for the dependent variable. One can simply define an indicator variable denoting whether a non-profit received any donation from a corporation in a given year. Alternatively, one can define the dependent variable as the amount of charitable donations, i.e. $log(1 + CSR\,contributions)$, by a corporation to a non-profit in a given year. We present the results in which we define the dependent variable as "*Any giving*" in Table 7. Results for the alternative dependent variable are presented in Appendix Table A.14.

Appendix Table A.13 summarizes the data for this part of our analysis. The likelihood that a non-profit in this data set of connected non-profits receive any charitable donation from a corporation in a given year is about 0.4 percent. On average, about 28 percent of the non-profits in the sample are of any political relevance (as defined above) to a corporation in a given year. The political relevance (number of issues) of a given non-profit to a given corporation in a given year is on average 0.7, with a maximum of 37. On average, there are 0.3 members of Congress with ties to a given non-profit that are politically relevant to a corporation in a given year, with a maximum of 9.

Table 7 presents our main results for this section. In columns 1 to 4, we include both foundation (i.e., corporation) and year fixed effects. The estimated coefficients on the four measures of political relevance are positive and statistically significant. In columns 5 to 8, we further control for non-profit fixed effects. All four estimated coefficients remain positive and statistically significant, but decline substantially in magnitude. Columns 9 to 12 present our most demanding specifications, which include separate fixed effects for each corporation-non-profit pairing. The four estimated coefficients of interest remain positive and statistically significant.

To assess economic magnitude, consider the estimated coefficients on "relevance (number of issues)." The findings in column 3 indicate that any additional issue of relevance to a corporation indirectly covered by a non-profit in a given year (via the connection of that non-profit to members of Congress) increases the likelihood that the corporation makes any charitable grant to that non-profit in that year by 0.00075, which is about a 17 percent increase (from a mean of 0.0043). The estimate drops to about 10 percent in column 7 when we control for non-profit fixed effects, and about 3.5 percent in column 11 when we control for corporation/non-profit pair fixed effects.

We obtain qualitatively similar results in Appendix Table A.14 where we define the dependent variable of interest as the logarithm of CSR contributions by a corporation to a non-profit in a given year. All estimated coefficients in these tables are of the expected sign and all are statistically significant.

6 Quantifying the scale of politically motivated corporate charity

Our goal in this section is to use the estimates generated in Section 4.2 to gauge how much of total U.S. corporate giving is used for political purposes. This exercise is important for gauging the economic importance of the phenomenon we have documented thus far.

Even if we do not provide a full structural model of political influence by corporations, below we show how, in a fairly general environment of quid-pro-quo politics, one may employ the sensitivity of PAC contributions to proxy for the sensitivity of *politically-motivated* corporate charitable giving. This allows to back out the fraction of corporate charity that is politically motivated based on the ratio of the CSR-issue and PAC-issue elasticities.

To see this formally, we begin by defining political-motivated charitable contributions as C and non-political charitable contributions as $\tilde{C}$. Importantly, in the data the econometrician only observes the sum of the two, $C + \tilde{C}$. To model political influence, we further assume the firm has two tools at its disposal: C and PAC contributions, which we label P. Consider that a committee assignment A that is relevant to a corporation is, in essence, a factor which increases the productivity of the political investments in P and C, and presume that these three elements, A, P, and C together influence the formation of a policy outcome of interest to the firm, τ. The reader versed in special interest politics can interpret this framework as a straightforward reduced-form representation of a richer quid-pro-quo political environment, akin to several discussed in Grossman and Helpman (2001) (see chapters 7 and 8).

Let us posit a general production function of corporate influence:

$$\tau = h\left(A, C, P\right). \tag{4}$$

The firm's maximization problem is therefore:

$$\max_{C,P} h\left(A, C, P\right) - C - P \tag{5}$$

This transparent politico-economic environment, under standard properties, delivers the following optimization result, central to our quantification exercise.

Claim 1. If $h\left(A, C, P\right) = Ag\left(f\left(C, P\right)\right)$ where $g(.)$ is an increasing and concave function and $f(.)$ is increasing, quasi-convex and homogeneous of degree one, then the elasticity of C and P with respect to A is identical:

$$\frac{dC}{C} \bigg/ \frac{dA}{A} = \frac{dP}{P} \bigg/ \frac{dA}{A}.$$

Proof. See Appendix. $\square$

A function $f(.)$ that is Cobb-Douglas with constant returns to scale or a more general CES production function would fit this environment. In particular, if we adopt $h(A, C, P) = AC^\alpha P^\beta$ with $\alpha + \beta < 1$ then $C = \Phi_1 A^{\frac{1}{1-\alpha-\beta}}$ and $P = \Phi_2 A^{\frac{1}{1-\alpha-\beta}}$, where Φ_1 and Φ_2 are constants. It is easy to verify that the elasticity of C and P with respect to A is the same an equal to $\frac{1}{1-\alpha-\beta}$.

The three key assumptions in this exercise are:

1. The parameter A is a Hicks-neutral productivity shock. That is, it affects the productivity of the two types of investment in a neutral manner, i.e. it is not C-biased or P-biased.

2. PAC contributions P are politically motivated.

3. Non-political charitable giving, $\widetilde{C}$, is orthogonal to committee assignments, i.e.

$$\frac{d\widetilde{C}}{\widetilde{C}} \Big/ \frac{dA}{A} = 0.$$

Assumption 1 implies that committee assignments do not affect the productivity of PAC money more than the productivity of political CSR, or vice-versa. We have no good a priori reason to think that committee assignments or any political shock may induce such an asymmetry, but we explore the sensitivity of our results along this dimension below. Assumption 2 establishes the benchmark that PAC contributions are completely political, i.e. 100% of PAC contributions enter $h(\cdot)$.[32] Assumption 3 is definitional: non-political CSR is defined by a lack of correlation with political shocks, i.e. it is not driven by politics.

Under assumptions 1-3, we can take the elasticity from the PAC regressions in Table 3, so that:

$$\frac{dC}{C} \Big/ \frac{dA}{A} = \frac{dP}{P} \Big/ \frac{dA}{A} = 0.742 \tag{6}$$

We may further use our estimates from Table 4, which reflect the elasticities for *total* giving, to obtain:

$$\frac{dC}{C+\widetilde{C}} \Big/ \frac{dA}{A} = 0.053 \tag{7}$$

Combining (6) and (7), it follows that:

$$\frac{\frac{dC}{C+\widetilde{C}}}{\frac{dC}{C}} = 0.072 \implies \underbrace{\frac{C}{C+\widetilde{C}}}_{Political\ CSR\ share} = 7.2\%$$

That is, based on our representation of the political investment problem of the firm and our estimated baseline elasticities, 7.2 percent of corporate charitable giving is political motivated.

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[32]If we assume that less than 100% of PAC contributions are political then we simply have to rescale accordingly the charity coefficient in the rest of the exercise.

The bias corrected 95% confidence interval for this point estimate obtained through bootstrap is [0.032, 0.117].[33]

By scaling this percentage by the total US charitable giving by corporations of $18 billion, the implied CSR component that is politically motivated amounts to $1.3 billion in 2014. The confidence interval is centered at $1.3 billion and ranges from $576 million to more than $2.1 billion. As a benchmark, PAC contributions over 2013-14 were $464 million for each of the two years (Bertrand et al., 2014), so that political CSR is about 2.8 times larger. As a second point of comparison, political CSR amounts to 40 percent of U.S. federal lobbying expenditures, which were $3.2 billion in 2014, as reported by the Center for Responsive Politics. The estimated amount of political CSR is thus economically substantial. We also emphasize that $18 billion may well be an underestimate of total charitable activity by U.S. corporations. Givingusa.org estimates that total charitable contributions by American individuals, estates, foundations and corporations amounted to $390.1 billion in 2016. Included in this total are certain family foundations and operating foundations that are linked to corporate conglomerates, though not considered to be corporate foundations (e.g., the Gates and Michael and Susan Dell Foundations). Such entities plausibly also direct part of their giving politically.

We have so far assumed that committee assignment increases the productivity of both types of contributions in a neutral way (Assumption 1 above). In Appendix A.4 we introduce a simple version of the exercise that allows for an asymmetric effect of committee assignment on CSR productivity compared to PAC productivity. Although we do not report the derivation of this non-neutral case here, the procedure for inferring the share of CSR that is political is modified in an intuitive way. Take for example the case in which committee assignment increases PAC productivity by twice compared to CSR productivity. In that case we would expect a much larger elasticity of PAC compared to CSR. In particular, we can show that the elasticity of PAC should be twice the elasticity of CSR and therefore the implied share of political CSR is twice the baseline, i.e. $7.2\% \times 2 = 14.4\%$. This would shift the magnitude of political CSR to $2.6 billion. The baseline number of 7.2% must symmetrically be reduced if one were to hypothesize that committee assignment increases CSR productivity more than PAC.

7   Concluding remarks

This paper explores the role of charitable giving as a means of political influence. In documenting the effect of political interests to private corporate charitable giving, we further highlight the ambiguous social welfare consequences of firms' corporate social responsibility. While this point has been noted previously (e.g. in Bénabou and Tirole, 2010), we are, to our knowledge, the first

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[33]100 replications were performed.

to provide systematic empirical support for such concerns.

In our analysis, we show that corporate charitable donations are responsive to the same types of political incentives as more standard instruments of political influence, such as Political Action Committees' campaign contributions. We show that grants by firms' foundations tend to follow congressional committee assignment trajectories for legislative topics of specific relevance to firms over time. Further, our focus on philanthropy allows us to extend our examination of influence to explore a more *personal* channel of favor-seeking, via donations to charities a legislator has a personal connection to. Overall, we find that charity-as-influence may be economically substantial. For example, given our estimated elasticities ranging from 5 to 10 percent and the very large base rate levels of charitable spending (relative to PAC spending), total dollar magnitudes of this channel dwarf PAC giving and are almost half as large as federal lobbying expenditures.

The case of charity-as-influence has a number of properties that merit special consideration. Charitable contributions are a particularly opaque channel of influence, since they do not face the same public disclosure requirements, aimed at supplying voters with information concerning potential undue influence over legislators, as campaign donations or lobbying. Issues of accountability in the use of corporate funds may also be relevant to shareholders, who also face similar challenges in tracking companies' charitable donations. In addition, charitable foundations enjoy tax-exempt status and are typically identified for tax purposes as 501(c)(3) organizations. They are subject to the Johnson Amendment, a U.S. tax code provision dating back to 1954, that prohibits 501(c)(3) from endorsing or opposing political candidates. Our results, while falling short of a smoking gun, suggest that corporate foundations are at a minimum not in compliance with the spirit of the law. More generally, one should also be aware of the potential welfare losses that can be ascribed to policy distortion favoring contributing firms away from voters' optima. Losses due to inefficient allocation of philanthropic efforts to cater to political objectives may be of relevance as well.

Our results contribute to a number of contemporary debates, both conceptual and practical. First, by highlighting an omitted channel of influence, we contribute to efforts at understanding why the amount of money in politics – when measured just by PAC and lobbying expenditures – is so small, a puzzle originally posed by Gordon Tullock in 1972.[34] Once we consider the broader set of instruments available to firms, their expenditures are likely more substantial, and the returns on these expenditures more reasonable. Collectively, our findings highlight the challenges in identifying the full set of instruments employed by special interests in Washington, and the complexities involved in designing the socially optimal policy. Failing to recognize the various channels of influence (as well as their various degrees of oversight and visibility) can lead to substantial bias in the assessment of the returns to government influence, and misdirection of

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[34]Tullock (1972)

efforts to reduce undue tilting of the political scale.

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Figure 1: Sample CSR Report

2012 Overview

The summary below provides a snapshot of some of our achievements and challenges in 2012 as well as key priorities, events and industry trends. Additional information on several of the issues highlighted below can be found in our 2012 Form 10-K.

Strategic priorities

Over the past three years, our main strategic priority has been to transform the bank, based on a sustainable business model that creates value from building deep, broad, long-lasting relationships with customers, clients and people in the communities where we live and work. We have defined our core mission as making people's financial lives better by building closer connections to all of our stakeholders, including our customers, clients, investors, regulators, community partners and employees. Our focus has been on strengthening our financial foundation, simplifying and integrating the company, and working to resolve legacy issues, including litigation, which arose as a result of the economic downturn. We are continuing to improve the products, services, advice and expertise our customers and clients need to buy houses, grow businesses, manage their finances and improve their lives. The success of this strategy is reflected in our greater financial strength and renewed enthusiasm from the investment community.

Achievements

Financial strength

Among the critical achievements for the bank in 2012, a number of balance sheet improvements reflect the underlying strength and earnings potential of our company.

11.06%

- Built a strong balance sheet, improving our Tier One common capital ratio to 11.06 percent, among the highest for U.S. banks.

$100 billion

- Reduced long-term debt by nearly $100 billion from the end of 2011 to $276 billion.

$372 billion

- Maintained significant global excess liquidity sources of $372 billion.

$60 billion

- Completed the divestiture over three years of more than $60 billion in non-core activities with no meaningful impact to core earnings.

Key events of 2012

MARCH

We entered into settlement agreements (collectively, the National Mortgage Settlement) with the U.S. Department of Justice, various federal regulatory agencies and 49 state Attorneys General to resolve federal and state investigations into certain mortgage origination, servicing and foreclosure practices.

Under the terms of this agreement, Bank of America is committed to providing more than $30 billion in relief, including principal reduction, to customers in need of assistance.

JUNE

We fulfilled the promise of convenient coast-to-coast banking for our customers and employees by completing a technology conversion project that enabled 11 million customers in California to bank across our single nationwide platform across the U.S.

NOVEMBER

We sold our international Global Wealth and Investment Management business to Julius Baer Group, in accordance with our strategy to streamline and simplify the company.

DECEMBER

- We surpassed our $20 billion environmental business goal four years early.

- On December 31, our stock price closed at $11.61, up from $5.56 on December 31, 2011, making it the year's top-performing stock in the Dow Jones Industrial Average.

Economic and social impact

$475 billion

- Extended a total of $475 billion in credit to individuals, businesses and nonprofit organizations.

$105.5 billion

- Provided $105.5 billion toward our 10-year, $1.5 trillion community development lending and investment goal.

$19.6 billion

- Extended $19.6 billion to small businesses, some of which was renewal of credit lines. $14.5 billion was extended to small businesses in low- and moderate-income areas. (The U.S. government defines low and moderate income as individuals and households with income less than 80 percent of area median income.)

$75.1 billion

- Originated $75.1 billion in first mortgages in the U.S., including $15.5 billion for more than 96,500 low- and moderate-income families.

$200 million

- Contributed more than $200 million toward our 10-year, $2 billion philanthropic investment goal. Of this, more than $187 million was cash giving and more than $36 million was in kind.

1.5 million hours

- Volunteered over 1.5 million employee hours in communities in which we live and operate.

Environmental sustainability

$50 billion

- Set a new $50 billion environmental business goal in the wake of completing our existing $20 billion initiative, raising our total goal to $70 billion, the largest among our global peers.

14%

- Reached 14 percent reduction in global net scope 1 and scope 2 greenhouse gas (GHG) emissions against our baseline of 2010 (all direct and indirect GHG emissions from consumption of purchased electricity, heat or steam).

600,000 square feet

- Completed more than 600,000 square feet of certified projects in 2012, and by year end, 53 of our banking centers had achieved Leadership in Energy and Environmental Design (LEED) certification, comprising more than 266,000 square feet.

$4.5 billion

- Committed more than $4.5 billion toward underwriting, advising on and financing a number of environmentally beneficial transactions across our business lines.

Challenges

Litigation issues

In the ordinary course of conducting our business, we are subject to legal actions, regulatory inquiries and examinations. We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current origination, servicing and foreclosure activities. A discussion of how we are addressing these issues and preparing for their potential impact can be found in our 2012 Form 10-K.

Changing revenue models

Regulatory changes in our industry in recent years have reduced some traditional revenue streams, but also created an avenue for companies like Bank of America to shift from a primarily transactional and fee-reliant revenue model to one grounded in deepening and broadening relationships with customers. This shift offers us an opportunity to grow our business more organically, transparently and responsibly, yet also challenges us to find new ways to provide fair and convenient access to financial products and services for all of our customers, while generating competitive returns for our shareholders.

Responsible home lending practices

Over the past several years, we have taken significant steps to modify our business practices, enhancing our focus on promoting responsible homeownership. After exiting the correspondent home lending market in 2011, Bank of America is concentrating entirely on retail distribution for its mortgage products and services. By withdrawing from the correspondent market, through which banks purchase loans originated by third parties, Bank of America is now able to align all its mortgage resources to its direct-to-consumer channel, with greater focus on deepening relationships with its core customers.

Customer and client satisfaction

Overall customer satisfaction with Bank of America improved in 2012. While our renewed financial strength validates the realignment of our business model, we continue to work to rebuild the confidence and increase the satisfaction of our customers and clients.

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Figure 2: Schedule I Form 990

SCHEDULE I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments, and Individuals in the United States

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.

▶ Attach to Form 990.

▶ Go to *www.irs.gov/Form990* for the latest information.

OMB No. 1545-0047

2017

Open to Public Inspection

Name of the organization

Employer identification number

Part I General Information on Grants and Assistance

1   Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . ☐ **Yes**   ☐ **No**

2   Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments. Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

1 **(a)** Name and address of organization or government	**(b)** EIN	**(c)** IRC section (if applicable)	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of noncash assistance	**(h)** Purpose of grant or assistance
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2   Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶

3   Enter total number of other organizations listed in the line 1 table . . . . ▶

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat. No. 50055P

Schedule I (Form 990) (2017)

Figure 3: PAC and CSR Contributions
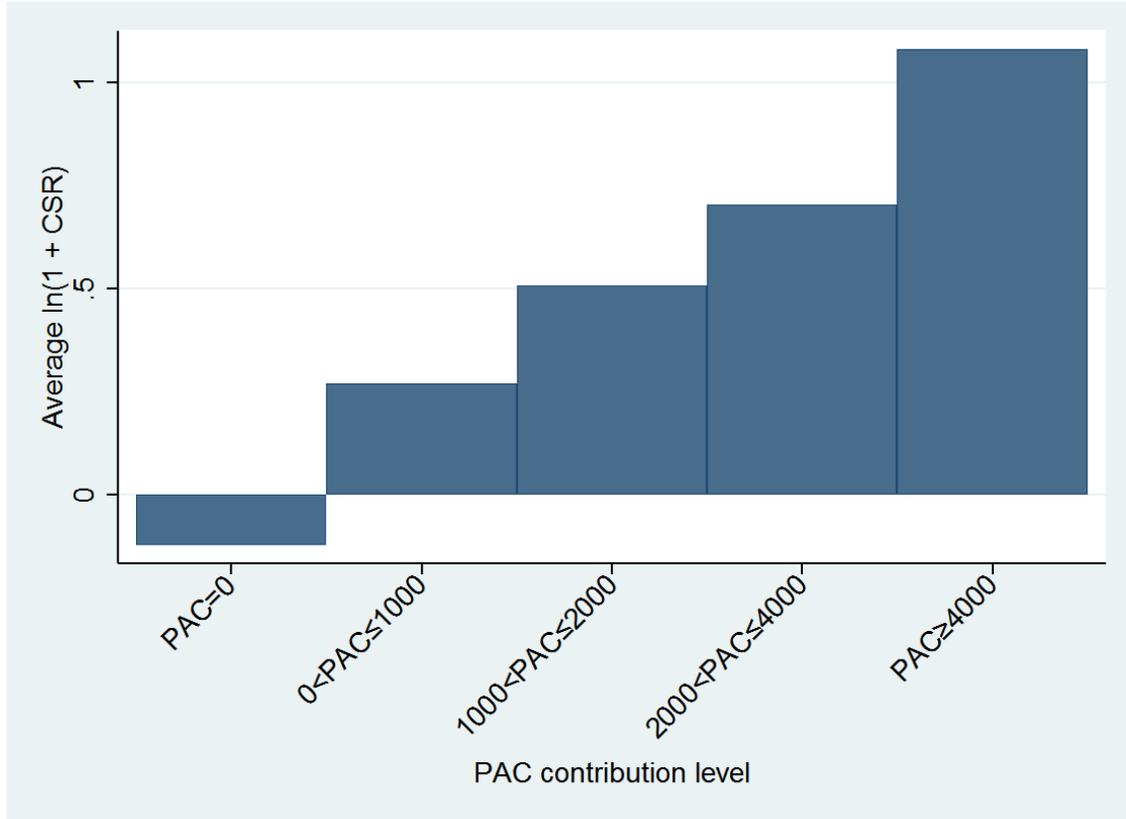
Notes: Each bar shows the average of the residual of $ln(1 + CSR\,Contributions)$, generated at the foundation-constituency-Congress level, after conditioning on foundation $\times$ Congress fixed effects. The averages are binned in five groups based on the PAC contributions made by the foundation's company to the member of Congress in the relevant constituency. See the text for details.

Figure 4: Individual sector estimates of the sensitivity of CSR to lobbying issues
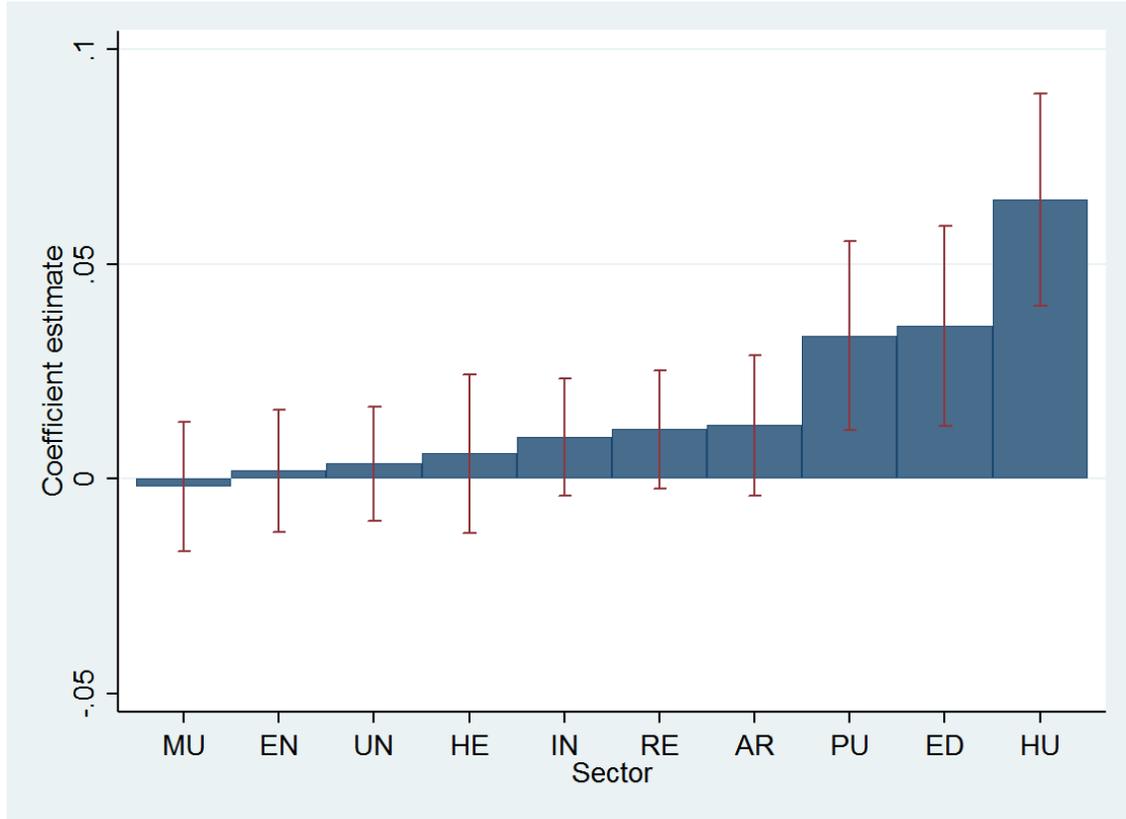
Notes: Each bar in the figure reflects the point estimate from regressing $ln\left(1+CSR\ Contributions_{fdt}\right)$ on $ln(1+Issues\ of\ Interest)$ for donations to one of the 10 NTEE sectors, listed below. The 'whiskers' provide the 95 percent confidence interval. We include state $\times$ foundation and Congress fixed effects, paralleling the specifications in the first three columns of Table 4. The sector definitions, from right to left, are: Human Services (HU), Education (ED), Public Benefit (PU), Arts (AR), Religion (RE), International (IN), Health (HE), Unclassified (UN), Environment (EN), and Mutual/Membership Benefit (MU).

Figure 5: CSR contributions and exits of House Members
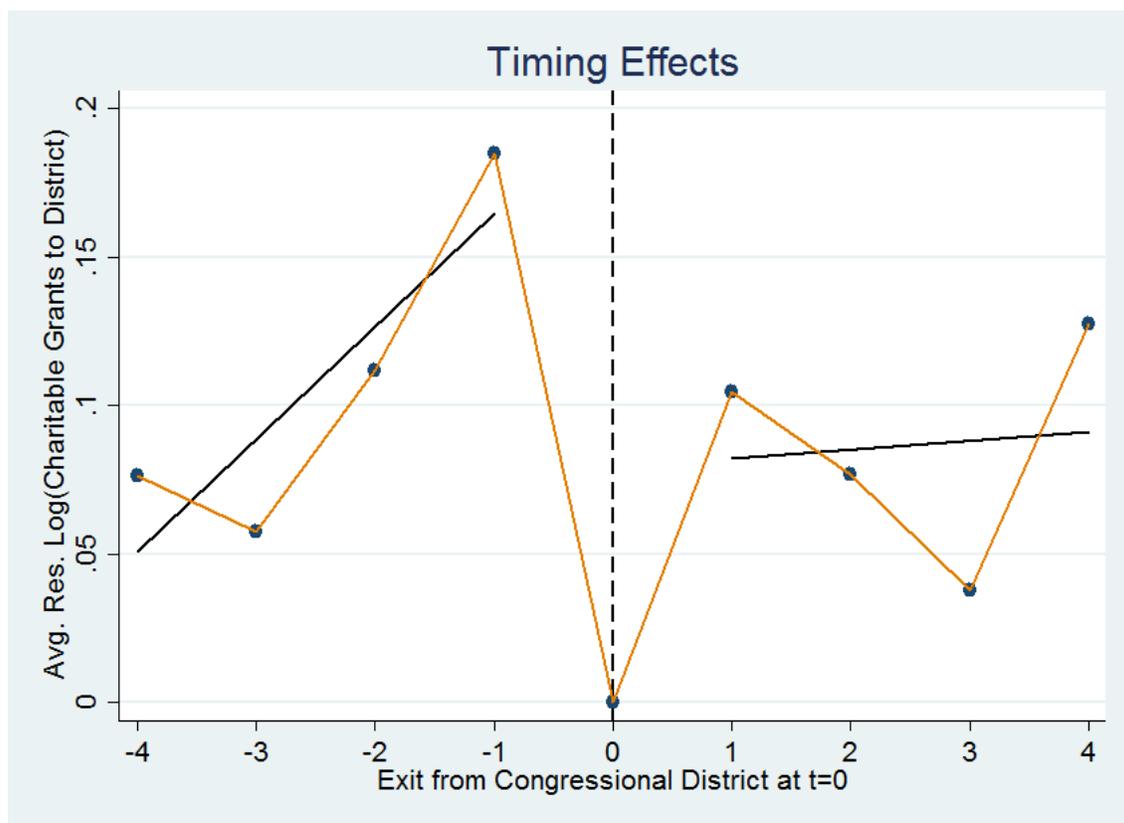
Notes: the figure reports the mean residuals from regressing $ln\left(1 + CSR\ Contributions_{fdt}\right)$ on Congress and foundation×congressional district fixed effects averaged for each Congress around an exit event ($t = 0$). We normalize by rescaling so that the mean residual at the exit event is zero.

Figure 6: PAC contributions and exits of House Members
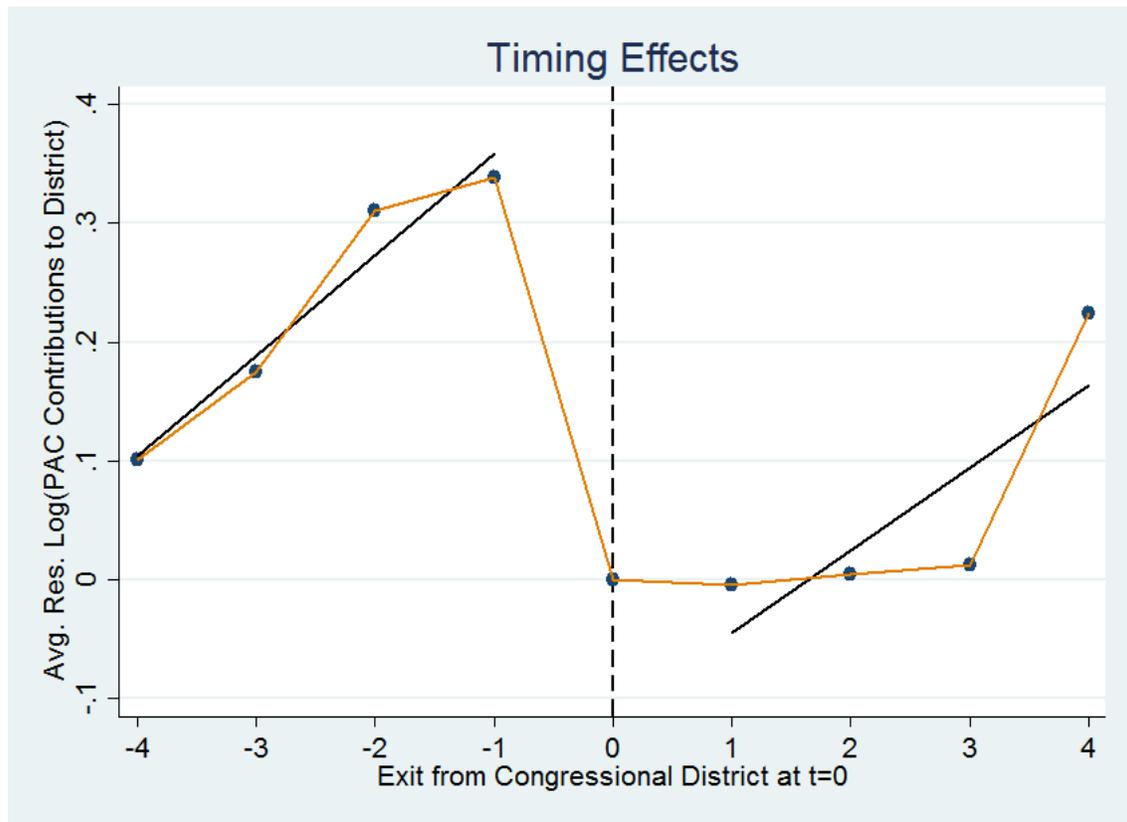
Notes: the figure reports the mean residuals from regressing
$ln\left(1 + PAC\ Contributions_{fdt}\right)$ on Congress and foundation×congressional district
fixed effects averaged for each Congress around an exit event ($t = 0$). We
normalize by rescaling so that the mean residual at the exit event is zero.

Table 1: Summary Statistics

	mean	std	median	95th	max
PAC Contributions$_{fdt}$	515.1	1,618.4	0	3500	36500
CSR Contributions$_{fdt}$	21,638.7	311,908.5	0	35000	62705500
IssuesCovered$_{fdt}$	0.2	0.6	0	1	15

Table 2: Correlation between Charitable and PAC Contributions

Dep. Variable: Log Charity Contributions from Foundation f to Cong Dist d	(1)	(2)	(3)	(4)	(5)
Log PAC Contributions from f to d	0.214***	0.122***	0.138***	0.037***	0.017***
	(0.009)	(0.006)	(0.006)	(0.003)	(0.003)
Fixed Effects					
State, Congress	x				
Found. f, State, Congress		x			
Found. f, Cong Dist d, Congress			x		
Found. f×State, Congress				x	
Found. f×Cong Dist d, Congress					x
N	560,395	560,395	560,395	560,395	560,395
R^2	0.040	0.211	0.253	0.321	0.579

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table 3: PAC Contributions and Issues Covered

Depend. Variable: Log PAC Contributions from f to Congr. District d	(1)	(2)	(3)	(4)	(5)	(6)
Log Issues of Interest to Found. f Covered by Representative in d	1.210*** (0.026)			0.742*** (0.025)		
Issues of Interest to Found. f Covered by Representative in d		0.604*** (0.018)			0.344*** (0.016)	
Any Issue of Interest to Found. f Covered by Representative in d			1.011*** (0.021)			0.647*** (0.020)
Fixed Effects						
Found. f×State, Congress	x	x	x			
Found. f×Cong Dist d, Congress				x	x	x
N	560,395	560,395	560,395	560,395	560,395	560,395
R^2	0.303	0.300	0.305	0.554	0.553	0.555

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table 4: CSR Contributions and Issues Covered

Depend. Variable: Log CSR Contributions from f to Congr. District d						
	(1)	(2)	(3)	(4)	(5)	(6)
Log Issues of Interest to Found. f Covered by Representative in d	0.088*** (0.017)			0.053*** (0.018)		
Issues of Interest to Found. f Covered by Representative in d		0.039*** (0.009)			0.019** (0.010)	
Any Issue of Interest to Found. f Covered by Representative in d			0.083*** (0.013)			0.059*** (0.014)
Fixed Effects						
Found. $f \times$ State, Congress	x	x	x			
Found. $f \times$ Cong Dist d, Congress				x	x	x
N	560,394	560,394	560,394	560,394	560,394	560,394
R^2	0.320	0.320	0.320	0.579	0.579	0.579

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table 5: Contributions, House Member Exits and Tenure

Depend. Variable: Log Contributions from f to Congr. District d				
	(1)	(2)	(3)	(4)
Contribution	CSR	PAC	CSR	PAC
Log Issues of Interest to Found. f	0.015	1.193***	0.042	0.572***
Covered by Representative in d	(0.029)	(0.036)	(0.033)	(0.033)
Exit of Representative in d	-0.174***	-0.242***	-0.130***	-0.331***
at end of t	(0.023)	(0.020)	(0.026)	(0.023)
Entry of Representative in d	-0.010	-0.003	0.023	-0.056**
at beginning of t	(0.026)	(0.022)	(0.031)	(0.027)
Tenure of Reprentative in d	-0.004	0.015***	0.006	0.031***
	(0.004)	(0.003)	(0.005)	(0.005)
Fixed Effects				
Found. $f\times$State, Congress	x	x		
Found. $f\times$Cong Dist d, Congress			x	x
N	173,533	173,533	173,533	173,533
R^2	0.368	0.358	0.595	0.608

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1. The sample excludes Congress 113.

Table 6: CSR Contributions to Connected Charities

Dependent variable: Number of corporate foundations contributing to the non-profit

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Any connections to Congress?	5.047***		4.892***		4.861***		4.838***		4.611***	
	(0.025)		(0.025)		(0.025)		(0.025)		(0.025)	
Number of connections to Congress		4.198***		4.099***		4.071***		4.056***		3.912***
		(0.018)		(0.018)		(0.018)		(0.018)		(0.018)
Log Income×1000			9.462***	9.435***	9.218***	9.200***	4.828***	4.826***	1.846***	1.831***
			(0.431)	(0.429)	(0.437)	(0.436)	(0.444)	(0.443)	(0.445)	(0.444)
Log Assets			9.396***	9.395***	9.202***	9.193***	14.504***	14.468***	17.124***	17.087***
			(0.434)	(0.433)	(0.442)	(0.440)	(0.453)	(0.452)	(0.455)	(0.454)
Fixed Effects										
501c(3)	X	X	X	X	X	X	X	X	X	X
City, State					X	X	X	X	X	X
Coarse non-profit sector (A-Z)							X	X		
Detailed non-profit sector (NTEECC)									X	X
Observations	2,179,096	2,179,096	2,179,096	2,179,096	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907
R-squared	0.022	0.029	0.039	0.046	0.047	0.053	0.050	0.057	0.080	0.086

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 7: CSR Contributions to Relevant Charities

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
					Dependent Variable: Any Giving? (Y=1)							
Relevance/1000 (Issue-Congressmen pairs)	0.758*** (0.036)				0.454*** (0.042)				0.148*** (0.040)			
Relevance/1000 (Congressmen)		2.992*** (0.102)				1.345*** (0.115)				0.198* (0.104)		
Relevance/1000 (Issues)			0.753*** (0.036)				0.448*** (0.042)				0.144*** (0.040)	
Any relevance/1000				2.146*** (0.092)				0.696*** (0.106)				0.228** (0.099)
Fixed Effects:												
Found. f	X	X	X	X	X	X	X	X				
Charity c					X	X	X	X				
Found. $f \times$ Charity c									X	X	X	X
Congress t	X	X	X	X	X	X	X	X	X	X	X	X
Observations	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363
R-squared	0.013	0.013	0.013	0.013	0.058	0.058	0.058	0.058	0.444	0.444	0.444	0.444

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

A Appendix

A.1 Matching

We start with the grants by Fortune 500 and S&P 500 companies as of 2014, a file that has 809,940 observations, covering grants issued between 1998 and 2015. In the initial file we have grants from 332 foundations to 76,321 unique recipients names. The first step is to match by name only when the name in the *FoundationSearch* file matches perfectly with the name in the BMF. For the remaining unmatched grants, we employed the matching algorithm -matchit- in Stata, which provides similarity scores for strings that may vary because of spelling and word order. We employed the option "token," which reduces computational burden because it splits a string only based on blanks, instead of generating all possible ngrams. Employing matches with a score above 0.85 we match 536,920 observations to the BMF (66.7 percent).

The number of grant-giving foundations with data that we employ is reduced slightly to 320 as a result of this matching process.

A.2 Sample construction

In this appendix we provide details on how the final sample was constructed. The basic sample is composed of companies in the Fortune 500 or S&P 500 as of 2014. The unit of analysis is an EIN, which is the code identifying a foundation. There are two important crosswalks that we have constructed. The first one connects the EIN to the client name from the lobbying data, which we use to determine the issues that are of importance to the firm/foundation. We assigned for each EIN one or more client names based on a search performed on the OpenSecrets.org website. There are several cases in which one EIN corresponds to more than one client name in the lobbying records. We keep all the client names that correspond to an EIN and we determine the most lobbied issue (based on total expenditures) for each one of those clients for each congressional cycle. So for one EIN we potentially end up with several most lobbied issues, but we eliminate duplications (e.g., the top issue lobbied by different divisions of Lockheed Martin is still Defense) and keep the full set of top issues. The second crosswalk is the one between an EIN and a PACID. The PACID is the identifier in the PAC contribution data. If there are multiple PACs per EIN we sum the respective contribution amounts for the relevant period/recipient. If there are two foundations/EINs that correspond to the same PAC, we split the PAC contributions equally in two for the relevant period/recipient.

We take into account redistricting when constructing the panel and assign PACs only when a congressional district exists. Importantly, because foundations are not active for the entire period (or the data are not fully digitized for the earlier years in the sample), and in order to keep

the same sample for both PAC and CSR regressions, we keep only observations in which both contributions are non-missing. This means that we drop some of the years in which PAC data for the firm are available and non-missing, but we do not have data for charitable giving by the corresponding foundation.

A.3 Proof of Claim 1

The first-order conditions of the firm maximization problem in (5) are:

$$
\begin{cases}
Ag'f_C = 1 \\
Ag'f_P = 1
\end{cases}
\tag{8}
$$

We can take logarithms and differentiate each equation in (8):

$$
\begin{cases}
\frac{dA}{A} + \frac{g''}{g'}\left(f_C dC + f_P dP\right) + \frac{f_{CP}}{f_C} dP + \frac{f_{CC}}{f_C} dC = 0 \\
\frac{dA}{A} + \frac{g''}{g'}\left(f_C dC + f_P dP\right) + \frac{f_{PP}}{f_P} dP + \frac{f_{PC}}{f_P} dC = 0
\end{cases}
\tag{9}
$$

Now we can exploit the homogeneity of degree of one function f, which implies that the marginal products f_C and f_P are homogeneous of degree zero. We can apply Euler's Theorem to the first derivatives f_C and f_P:

$$
C f_{CC} + P f_{CP} = 0
$$
$$
C f_{PC} + P f_{PP} = 0
$$

Therefore, the following relationships between the second-order derivatives of f hold:

$$
\begin{cases}
f_{CC} = -\frac{P}{C} f_{CP} \\
f_{PP} = -\frac{C}{P} f_{PC}
\end{cases}
\tag{10}
$$

We can substitute the expressions for f_{CC} and f_{PP} from (10) into (9), collect terms, and manipulate the equations to obtain the following:

$$
\begin{cases}
\frac{dA}{A}\frac{1}{P} + \frac{dC}{C}\left[\frac{g''}{g'}f_C\frac{C}{P} - \frac{f_{CP}}{f_C}\right] + \frac{dP}{P}\left[\frac{g''}{g'}f_P + \frac{f_{CP}}{f_C}\right] = 0 \\
\frac{dA}{A}\frac{1}{C} + \frac{dC}{C}\left[\frac{g''}{g'}f_C + \frac{f_{PC}}{f_P}\right] + \frac{dP}{P}\left[\frac{g''}{g'}f_P\frac{P}{C} - \frac{f_{PC}}{f_P}\right] = 0
\end{cases}
$$

This system of equations can then be rewritten as:

$$
\begin{cases}
\frac{dA}{A}\alpha + \frac{dC}{C}\beta + \frac{dP}{P}\gamma = 0 \\
\frac{dA}{A}\alpha' + \frac{dC}{C}\beta' + \frac{dP}{P}\gamma' = 0
\end{cases}
$$

where $\alpha = 1/P$, $\alpha' = 1/C$, $\beta = \frac{g''}{g'} f_C \frac{C}{P} - \frac{f_{CP}}{f_C}$, $\beta' = \frac{g''}{g'} f_C + \frac{f_{PC}}{f_P}$, $\gamma = \frac{g''}{g'} f_P + \frac{f_{CP}}{f_C}$, $\gamma' = \frac{g''}{g'} f_P \frac{P}{C} - \frac{f_{PC}}{f_P}$. It is easy to show that $\frac{dC}{C} / \frac{dA}{A} = \frac{dP}{P} / \frac{dA}{A}$ if and only if $\alpha'\beta - \alpha\beta' = \alpha\gamma' - \alpha'\gamma$. To complete the proof, it is easy to verify that this condition is satisfied in our system, as the following equality holds:

$$
\frac{1}{C} \left[\frac{g''}{g'} f_C \frac{C}{P} - \frac{f_{CP}}{f_C} \right] - \frac{1}{P} \left[\frac{g''}{g'} f_C + \frac{f_{PC}}{f_P} \right] =
$$
$$
\frac{1}{P} \left[\frac{g''}{g'} f_P \frac{P}{C} - \frac{f_{PC}}{f_P} \right] - \frac{1}{C} \left[\frac{g''}{g'} f_P + \frac{f_{CP}}{f_C} \right]
$$

A.4   Committee assignment as an asymmetric shock

In this section we modify the exercise in section 6 to allow for an asymmetric shock caused by committee assignment. More specifically we introduce the possibility that committee assignment increases productivity of PAC expenditures more or less than CRS contributions. The policy production function is modified as follows:

$$
\tau = A^\gamma P^\sigma + A C^\sigma,
$$

where $\gamma > 0$ and $\sigma < 1$. This functional form is a simplified version of the commonly assumed CES function in the literature on skill-biased technical change (Acemoglu, 2002).[35] Notice how γ describes the bias of the committee assignment productivity shock. If $\gamma > 1$ then the committe assignment shock is P-biased (it increases productivity of P more than it increases the productivity of C). If $\gamma < 1$ then the reverse is true. If $\gamma = 1$ then this collapses to a special case of section 6.

We can solve the firm's problem first order conditions to find the following elasticities of P and C to committee assignment shock A:

$$
\frac{dlogC}{dlogA} = \frac{1}{1 - \sigma}
$$
$$
\frac{dlogP}{dlogA} = \frac{\gamma}{1 - \sigma}
$$

Therefore in this simple case:
$$
\frac{dlogP}{dlogA} = \gamma \frac{dlogC}{dlogA}
$$

Under the same assumption we made that non-political chatirable contributions are unrespon-

---

[35]In particular this is $\tau = (AP^\sigma + A^\gamma C^\sigma)^{\frac{\alpha}{\sigma}}$ where $\alpha = \sigma$. We can solve the more general case, but because these parameters are hard to estimate, we would have to make a number of other assumptions to make progress.

sive to A, we find the share of CSR contributions that is political:

$$\frac{C}{C + \widetilde{C}} = \gamma * 7.2\%$$

Intuitively, when γ is larger we expect the elasticity of PAC to committee assignment to be larger than the elasticity of CRS, so we need to scale up the ratio of the two elasticities to obtain the ratio of political CSR to total CSR. For example, when $\gamma = 2$, i.e. committee assignment increases the productivity of PAC by twice as much as the productivity of CRS then the inferred share of political CSR is 14.4%.

A.5 Additional figures and tables

In this section we report various robustness checks listed in the main text.

Table A.1: CSR Contributions and Issues Covered – Dummy variable as outcome

Depend. Variable: Sign(CSR Contributions from f to Congr. District d)	(1)	(2)	(3)	(4)	(5)	(6)
Log Issues of Interest to Found. f Covered by Representative in d	0.008*** (0.002)			0.005*** (0.002)		
Issues of Interest to Found. f Covered by Representative in d		0.004*** (0.001)			0.002** (0.001)	
Any Issue of Interest to Found. f Covered by Representative in d			0.008*** (0.001)			0.006*** (0.001)
Fixed Effects						
Found. $f\times$State, Congress	x	x	x			
Found. $f\times$Cong Dist d, Congress				x	x	x
N	560,395	560,395	560,395	560,395	560,395	560,395
R^2	0.295	0.295	0.295	0.540	0.540	0.540

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

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Table A.2: CSR Contributions in Election Years

Dep. Variable: Log Charity Contributions from Foundation f to Cong Dist d				
	Charity	Charity	Charity	Charity
	(1)	(2)	(3)	(4)
ElectionYear*Log Issues	-0.003		-0.002	
	(0.012)		(0.013)	
Log Issues	0.068***		0.041***	
	(0.015)		(0.014)	
ElectionYear*Issues		-0.002		-0.002
		(0.007)		(0.007)
Issues		0.034***		0.020**
		(0.005)		(0.006)
Fixed Effects				
Found. $f\times$State, Year	x	x		
Found. $f\times$Cong Dist d, Year			x	x
Observations	1,047,561	1,047,561	1,047,561	1,047,561
R-squared	0.290	0.290	0.513	0.513

Notes: Standard errors are clustered at the foundation-state level. *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table A.3: CSR Contributions and Close Elections

Dep. Variable: Log Charity Contributions from Foundation f to Cong Dist d				
	Charity	PAC	Charity	PAC
	(1)	(2)	(3)	(4)
Margin<5%*Log Issues			0.0377	0.2484***
			(0.0597)	(0.0617)
Margin<5%	-0.0281	0.1139***	-0.0335	0.0783***
	(0.0193)	(0.0188)	(0.0205)	(0.0196)
Log Issues	0.0620***	0.7424***	0.0596***	0.7263***
	(0.0184)	(0.0255)	(0.0190)	(0.0255)
Found. $f \times$Cong Dist d FEs, Year FEs	x	x	x	x
Observations	530,699	530,699	530,699	530,699
R-squared	0.5823	0.5551	0.5823	0.5551

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.4: Robustness: Non-linear terms

Depend. Variable: Log Contributions from f to Congr. District d				
	(1)	(2)	(3)	(4)
	CSR	PAC	CSR	PAC
Log Issues of Interest to Found. f Covered by Representative in d	0.226***	1.998***	0.173***	1.337***
	(0.038)	(0.054)	(0.042)	(0.052)
(Log Issues)^2	-0.147***	-0.846***	-0.124***	-0.616***
	(0.034)	(0.043)	(0.039)	(0.044)
Fixed Effects				
Found. $f \times$State, Congress	x	x		
Found. $f \times$Cong Dist d, Congress			x	x
N	560,395	560,395	560,395	560,395
R^2	0.320	0.305	0.579	0.555

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.5: Robustness: Winsorized Contributions (top1%)

Depend. Variable: Winsorized Contributions from f to Congr. District d				
	(1)	(2)	(3)	(4)
	CSR	PAC	CSR	PAC
Log Issues of Interest to Found. f	1,008.972***	564.095***	328.916	335.999***
Covered by Representative in d	(250.427)	(15.997)	(234.084)	(14.122)
Fixed Effects				
Found. $f \times$State, Congress	x	x		
Found. $f \times$Cong Dist d, Congress			x	x
N	560,395	560,395	560,395	560,395
R^2	0.264	0.303	0.626	0.564

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.6: Robustness: Foundation×Congress Fixed Effects

Depend. Variable: Log Contributions from f to Congr. District d				
	(1)	(2)	(3)	(4)
	CSR	PAC	CSR	PAC
Log Issues of Interest to Found. f	0.071***	1.312***	0.018	0.842***
Covered by Representative in d	(0.017)	(0.027)	(0.018)	(0.026)
Fixed Effects				
Found. f×State	x	x		
Found. f×Cong Dist d			x	x
Found. f×Congress	x	x	x	x
N	560,395	560,395	560,395	560,395
R^2	0.348	0.322	0.606	0.572

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.7: Robustness: Congressional District $\times$ Congress

Depend. Variable: Log Contributions from f to Congr. District d				
	(1)	(2)	(3)	(4)
	CSR	PAC	CSR	PAC
Log Issues of Interest to Found. f	0.097***	0.976***	0.071***	0.570***
Covered by Representative in d	(0.016)	(0.026)	(0.019)	(0.023)
Fixed Effects				
Found. $f\times$State,	x	x		
Found. $f\times$Cong Dist d			x	x
Cong Dist $\times$Congress	x	x	x	x
N	560,395	560,395	560,395	560,395
R^2	0.378	0.386	0.595	0.596

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.8: Robustness: Committee Chairs and Ranking Minority
Members Only

Depend. Variable: Log Contributions from f to Congr. District d

	(1) CSR	(2) PAC	(3) CSR	(4) PAC
Log Issues of Interest to Found. f	0.120**	1.713***	0.143***	1.013***
Covered by Representative in d	(0.047)	(0.062)	(0.047)	(0.058)
Fixed Effects				
Found. f×State, Congress	x	x		
Found. f×Cong Dist d, Congress			x	x
N	560,395	560,395	560,395	560,395
R^2	0.320	0.291	0.579	0.552

Notes: Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table A.9: Robustness: Past Contributions and Future Issues Covered

Dependent Variable: Log Issues of Interest to Found. f in Congress t								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$ln\,CRS_{t-1}$	0.0006***	0.0002	-0.0000	-0.0002				
	(0.0002)	(0.0002)	(0.0003)	(0.0003)				
$ln\,CRS_{t-2}$		0.0002	-0.0004	-0.0002				
		(0.0003)	(0.0003)	(0.0004)				
$ln\,CRS_{t-3}$			-0.0005	-0.0004				
			(0.0003)	(0.0004)				
$ln\,CRS_{t-4}$				0.0003				
				(0.0004)				
$ln\,PAC_{t-1}$					0.0034***	0.0028***	0.0020***	0.0007
					(0.0003)	(0.0003)	(0.0004)	(0.0005)
$ln\,PAC_{t-2}$						-0.0017***	-0.0020***	-0.0026***
						(0.0003)	(0.0004)	(0.0005)
$ln\,PAC_{t-3}$							-0.0021***	-0.0023***
							(0.0004)	(0.0005)
$ln\,PAC_{t-4}$								-0.0017***
								(0.0005)
Observations	456,908	362,402	277,865	200,812	456,908	362,402	277,865	200,812
R^2	0.4811	0.5092	0.5374	0.6051	0.4814	0.5095	0.5378	0.6054

Notes: All regressions include Foundation×Congressional District fixed effects. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

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Table A.10: Summary Statistics

Variable	mean	std	median	max
Any CSR received?	0.037	0.19	0	1
Number of foundations giving grants	0.085	0.806	0	159
Total CSR received (in dollars)	9,713.824	494,724	0	302,000,000
Ln total CSR received (in dollars)	0.387	1.987	0	19.525
Any connections to Congress?	0.00047	0.0217	0	1
Number of connections to Congress	0.0006103	0.0317546	0	11

Table A.11: CSR to Connected Charities - Robustness 1

Dependent variable: Log(total contributions received from corporate foundations)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Any connections to Congress?	5.787***		5.239***		5.170***		5.091***		4.650***	
	(0.061)		(0.060)		(0.061)		(0.061)		(0.060)	
Number of connections to Congress		3.850***		3.498***		3.447***		3.396***		3.129***
		(0.044)		(0.043)		(0.044)		(0.043)		(0.043)
Log Income			54.362***	54.361***	53.287***	53.289***	35.586***	35.576***	24.758***	24.737***
			(1.055)	(1.055)	(1.067)	(1.067)	(1.082)	(1.082)	(1.081)	(1.081)
Log Assets			12.720***	12.830***	12.289***	12.394***	32.429***	32.543***	41.102***	41.208***
			(1.064)	(1.064)	(1.078)	(1.078)	(1.103)	(1.103)	(1.106)	(1.106)
Fixed Effects										
501c(3)	X	X	X	X	X	X	X	X	X	X
City, State		X	X	X	X	X	X	X	X	X
Coarse non-profit sector (A-Z)							X	X		
Detailed non-profit sector (NTEECC)									X	X
Observations	2,179,096	2,179,096	2,179,096	2,179,096	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907
R-squared	0.016	0.016	0.052	0.052	0.068	0.067	0.075	0.074	0.107	0.107

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table A.12: CSR to Connected Charities - Robustness 2

Dependent variable: Does the non-profit receive any corporate charity?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Any connections to Congress?	0.462***		0.411***		0.405***		0.398***		0.361***	
	(0.006)		(0.006)		(0.006)		(0.006)		(0.006)	
Number of connections to Congress		0.298***		0.266***		0.262***		0.257***		0.235***
		(0.004)		(0.004)		(0.004)		(0.004)		(0.004)
Log Income/1000			5.371***	5.371***	5.262***	5.263***	3.572***	3.571***	2.574***	2.573***
			(0.101)	(0.101)	(0.102)	(0.102)	(0.104)	(0.104)	(0.104)	(0.104)
Log Assets/1000			0.808***	0.817***	0.789***	0.799***	2.705***	2.715***	3.483***	3.493***
			(0.102)	(0.102)	(0.103)	(0.103)	(0.106)	(0.106)	(0.106)	(0.106)
Fixed Effects										
501c(3)	X	X	X	X	X	X	X	X	X	X
City, State					X	X	X	X	X	X
Coarse non-profit sector (A-Z)							X	X		
Detailed non-profit sector (NTEECC)									X	X
Observations	2,179,096	2,179,096	2,179,096	2,179,096	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907	2,177,907
R-squared	0.015	0.015	0.049	0.048	0.064	0.064	0.071	0.071	0.100	0.100

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table A.13: Summary Statistics for PFD exercise

Variable	mean	std	min	max
Any giving?	0.0044	0.0657	0	1
Log (1+Charitable Contributions)	0.0436	0.6667	0	17.4534
Relevance (Issue-Congressmen pairs)	0.7372	1.6994	0	41
Relevance (Congressmen)	0.3046	0.5366	0	9
Relevance(Issues)	0.7371	1.6991	0	37
Any Relevance	0.2769	0.4475	0	1

Table A.14: CSR Contributions to Relevant Charities

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
					Dependent Variable: Log(1+Charitable Contributions)							
Relevance/1000 (Issue-Congressmen pairs)	7.952*** (0.378)				4.841*** (0.437)				1.548*** (0.400)			
Relevance/1000 (Congressmen)		30.957*** (1.064)				13.997*** (1.180)				2.013* (1.054)		
Relevance/1000 (Issues)			7.892*** (0.376)				4.762*** (0.434)				1.496*** (0.399)	
Any relevance?/1000				21.789*** (0.931)				6.952*** (1.072)				2.380** (0.985)
Fixed Effects:												
Found. f	X	X	X	X	X	X	X	X	X	X	X	X
Charity c					X	X	X	X	X	X	X	X
Congress t	X	X	X	X	X	X	X	X	X	X	X	X
Found. f×Charity c									X	X	X	X
Observations	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363	4,003,363
R-squared	0.013	0.014	0.013	0.013	0.060	0.060	0.060	0.060	0.461	0.461	0.461	0.461

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

A.6 Lobbying Issues

Table A.15: Lobbying Issues

ACC	Accounting	HOM	Homeland Security
ADV	Advertising	HOU	Housing
AER	Aerospace	IMM	Immigration
AGR	Agriculture	IND	Indian/Native American Affairs
ALC	Alcohol & Drug Abuse	INS	Insurance
ANI	Animals	INT	Intelligence and Surveillance
APP	Apparel/Clothing Industry/Textiles	LBR	Labor Issues/Antitrust/Workplace
ART	Arts/Entertainment	LAW	Law Enforcement/Crime/Criminal Justice
AUT	Automotive Industry	MAN	Manufacturing
AVI	Aviation/Aircraft/Airlines	MAR	Marine/Maritime/Boating/Fisheries
BAN	Banking	MIA	Media (Information/Publishing)
BNK	Bankruptcy	MED	Medical/Disease Research/Clinical Labs
BEV	Beverage Industry	MMM	Medicare/Medicaid
BUD	Budget/Appropriations	MON	Minting/Money/Gold Standard
CHM	Chemicals/Chemical Industry	NAT	Natural Resources
CIV	Civil Rights/Civil Liberties	PHA	Pharmacy
CAW	Clean Air & Water (Quality)	POS	Postal
CDT	Commodities (Big Ticket)	RRR	Railroads
COM	Communications/Broadcasting/Radio/TV	RES	Real Estate/Land Use/Conservation
CPI	Computer Industry	REL	Religion
CSP	Consumer Issues/Safety/Protection	RET	Retirement
CON	Constitution	ROD	Roads/Highway
CPT	Copyright/Patent/Trademark	SCI	Science/Technology
DEF	Defense	SMB	Small Business
DOC	District of Columbia	SPO	Sports/Athletics
DIS	Disaster Planning/Emergencies	TAR	Miscellaneous Tariff Bills
ECN	Economics/Economic Development	TAX	Taxation/Internal Revenue Code
EDU	Education	TEC	Telecommunications
ENG	Energy/Nuclear	TOB	Tobacco
ENV	Environmental/Superfund	TOR	Torts
FAM	Family Issues/Abortion/Adoption	TRD	Trade (Domestic & Foreign)
FIR	Firearms/Guns/Ammunition	TRA	Transportation
FIN	Financial Institutions/Investments/Securities	TOU	Travel/Tourism
FOO	Food Industry (Safety, Labeling, etc.)	TRU	Trucking/Shipping
FOR	Foreign Relations	URB	Urban Development/Municipalities
FUE	Fuel/Gas/Oil	UNM	Unemployment
GAM	Gaming/Gambling/Casino	UTI	Utilities
GOV	Government Issues	VET	Veterans
HCR	Health Issues	WAS	Waste (hazardous/solid/interstate/nuclear)
		WEL	Welfare