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The Effects of Bank Lobbying and Elections Surprises

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By

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Abstract:

This paper examines the stock market reaction to banks that lobby relative to banks that did not lobby in the period around the November 9, 2016 U.S. presidential election. Using three different methods of event studies to calculate the cumulative average return, we find that lobbying in banks has a meaningful relationship to an abnormal increase in those firm's stock prices. Then we attempt to control for both the systemic importance and size of these institutions by performing cross-sectional regressions that include matched size, and the systemic nature of the banks. The results suggest that a heavily regulated industry such as banking, can see a noteworthy impact from a strong lobbying strategy.

JEL Codes: G10, G14, G20

Keywords: Banks; Lobbying; Regulation; Event Study

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I. Introduction

The Dodd-Frank Act, which was introduced in 2009 by then U.S. President Barack Obama, gave additional power to the Federal Reserve to regulate and oversee systemically significant institutions, and restrict banks from engaging in proprietary trading. This regulation was implemented in response to the 2008 financial crisis, which was arguably the result of regulatory oversight. When Donald Trump was announced to be the 45th President-elect in the early morning of November 9th, 2016, it came as a surprise to many market participants. President Trump pledged as part of his policy platform that he would reduce bank regulations, specifically by replacing the Dodd-Frank Act. In fact, Trump's transition team stated the following: "The Dodd-Frank economy does not work… The Financial Services Policy Implementation team will be working to dismantle the Dodd-Frank Act and replace it with new policies to encourage economic growth and job creation."[1]

The removal of current regulations (e.g., Dodd-Frank) and the addition of new regulations is the perfect opportunity to determine lobbying effectiveness. Lobbyists use the connections formed by former government officials, bureaucrats, and regulators, to leverage existing government entities to change or create laws that might be beneficial to the companies that hire them (Ban and You, 2019). Lobbying is a massive monetary industry, with the financial services sector being a large contributor. Between 1998 and 2016, the financial sector (finance, insurance, and real estate) spent $7.4 billion on lobbying activities (Igan and Lambert, 2019). These expenditures dwarf the amount spent on campaign contributions over the same time period, giving some tangential evidence that these firms view lobbying as the more effective way to impact the high levels of regulation facing the industry. Ban and You (2019) find that over 2,900

[1] See the article "Trump transition vows to 'dismantle' Dodd-Frank by The Hill at: https://thehill.com/business-a-lobbying/305441-trump-transition-vows-to-dismantle-dodd-frank.

organizations engaged in some type of lobbying during the congressional bill stage of the Dodd-Frank Act. Big banks see lobbying as a vital part of their overall business strategy, with current CEO of JP Morgan Chase, Jamie Dimon, having said that it is the company's "seventh line of business."[2]

The purpose of this paper is to determine the effectiveness of lobbying as perceived by stock markets. More specifically, we compare the stock prices of banks that lobby (i.e., are politically active) against the stock prices of banks that do not lobby around November 9th, 2016, which is the first trading day after the announcement of president-elect Trump. The election was arguably a surprise to most of the market, as many pollsters had picked Hilary Clinton in a landslide vote.[3] This provides a clean timeline in which to conduct an event study.[3] In particular, we can study the effects that a promise of deregulation had on banks that are politically active. We believe that banks that are more actively involved in lobbying will have an abnormal return over those banks which are not politically active.

We find that lobbying played an important part in the banks that saw the most growth during that time. The financial institutions that were politically active and lobbied during that time saw a statistically significant stock price increase above the financial institutions that did not lobby. We contribute to the growing literature that examines the effects of banking regulations on stock markets. Gao, Liao, and Wang (2018) show that large financial institutions experienced negative (positive) abnormal stock (bond) returns around different events associated with the Dodd-Frank Act. These results suggest that market participants anticipated a decrease in risk-seeking

[2] See New York Times "Obama Aide Declines Visit to Bank Board."
[3] See https://projects.fivethirtyeight.com/2016-election-forecast/national-polls/
[3] A similar study could be done using the initial introduction of the Dodd-Frank Act, when the Dodd-Frank act was introduced by President Obama. The democrat party held majority in both the house and the senate ensuring that the bill would be passed, creating an ambiguous timeline as to the specific event date that markets would have reacted, making an event study difficult.

investment behavior by financial firms that would negatively affect the firms' future cash flows. Hachenberg, Kiesel, Kolaric, and Schiereck (2017) show that the stock prices for global systemically important banks (GSIBs) increased substantially around the 2016 U.S. presidential election, relative to non-GSIB banks. These results are consistent with the notion that stock markets expected deregulation of the financial industry that would benefit shareholders. We find that whether or not a bank engages in lobbying activities better explains the abnormal returns seen in the banking industry around the election than if it is deemed systemically important. Our results seem to suggest that stock markets view lobbying as an effective avenue through which to affect corporate policy.

II. Data Description

The data for our study are obtained from three sources: The Center for Responsive Politics (CRP), Compustat, and The Center for Research in Security Prices (CRSP). From the CRP, we obtain annual lobbying expenditures for each firm during 2015. From Compustat annual filings on December 31, 2015, we obtain financial statement information to calculate the following variables: *MCAP* is the market capitalization, or price times shares outstanding; *D/E* is the debt-to-equity ratio or total liabilities divided by total stockholders' equity; and *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the market price. The following trading statistics are averages from daily CRSP files from January 2, 2015 to December 31, 2015: *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price. We are left with a cross-sectional dataset of 449 financial institutions, which are identified as share codes between 6000 and 6199.

[Insert Table 1 Here]

Table 1 demonstrates that the banks that lobby are among the largest banks with the median market cap of 0.0848 (billion) versus a median market cap of 0.0037 (billion) for those banks that do not actively lobby. Furthermore, the average stock price for a bank that lobbies is $43.47, while it is only $24.88 for bank that do not lobby. From the total of 449 banks in this study, only 18 engaged in lobbying activities during 2015. Igan and Lambert (2019) explain that very few banks can afford to lobby due to the high fixed costs that bar entry to all but the largest banks. These high fixed costs are things like the creation of a political action department, creating a coherent strategy, building the relationships with the lobbying firms, bureaucrats, and elected officials. The other large consideration is that with all these fixed costs a firm will only want to have to pay them one time and so they need to be committed to having a presence in politics for a substantial amount of time to make the investment worth it. We also show that banks are highly leveraged with average D/E ratios between 8.49 (non-lobbying firms) and 8.92 (lobbying firms).

[Insert Table 2 Here]

Table 2 is our first look into how these different variables interact, by using a correlation matrix. *MCAP* has a high correlation between the GSIB indicator variable, which is equal to one if the bank is considered systemically important and zero otherwise. This gives us an idea that there is a connection between size and the designation of a bank as a GSIB. There is also a high correlation between MCAP and Lobbying, as Igan and Lambert (2018) point out, only the wealthiest of firms can afford the high costs of lobbying.

III. Empirical Results

In this section, we report the results from our empirical analysis. In particular, we use the surprise victory of Donald Trump in the 2016 U.S. presidential election as a shock to the 'expected' regulatory environment in the banking sector. Since the Trump administration was extremely vocal

about the removal, or complete overhaul, of the Dodd-Frank Act, stock market participants might have perceived this deregulation as a buying opportunity into financial institutions' stocks. Furthermore, banks that engaged in lobbying might have been in a better position to help shape future regulation, which markets may have perceived as value adding.

In our first set of tests, we compare raw cumulative returns for banks that lobbied in 2015 with those that did not during the same period. We also compare market adjusted returns (MAR), which are calculated on day *t* as follows:

$$MAR_{i,t} = R_{i,t} - R_{m,t} \quad (1)$$

where $R_{i,t}$ is the return on bank *i* on day *t* and $R_{m,t}$ is the market return either equal-weighted (Panel B) or value weighted (Panel C) across CRSP securities on day *t*. These returns are then cumulated (CARs) over various event windows. The results of this analysis are reported in Table 3.

[Insert Table 3 Here]

Over the [-1,+1] event window, we find that the stock prices for banks that lobby increased by 10.33% and they increased by 5.20% for banks that do not lobby. These results suggest that the stock prices of banks increased generally around the election period. More importantly, we find that there is a 5.13% difference in the cumulative returns for banks that lobby, relative to those that do not lobby. Similarly, over the [-2,+2] event window, there is a 5.38% difference in cumulative returns for banks that lobby, relative to those that do not lobby. Furthermore, during the [-5,+5] event window, we see a 5.64% difference in cumulative returns for lobbying banks, relative to non-lobbying banks. These differences are not only statistically significant, but they are economically meaningful. The results also lend support for our hypothesis that the market values lobbying, particularly during time of regulatory uncertainty.

[Insert Table 4 Here]

In Table 4, we use the Market Model, which adds more clarity to effects of lobbying versus non-lobbying in bank stocks. It does this by controlling the study for the systemic risk that are part of the market. We obtain the β_0 and β_1 parameter estimates from the following market model that is estimated in the period ending 46 days before the event date (maximum of 255 days and minimum of 3 days):

$$E[R_{i,t}] = \beta_0 + \beta_1 R_{m,t}, \quad (2)$$

where $R_{m,t}$ is the market return either equal-weighted (Panel A) or value weighted (Panel B) across CRSP securities on day *t*. We then estimate the abnormal returns for each stock day during the event window as follows:

$$AR_{i,t} = R_{i,t} - E[R_{i,t}], \quad (3)$$

These abnormal returns are then cumulated over various event windows.

Focusing on the value-weighted model in Panel B of Table 4, we see that during the [-1,+1] event window, the difference in cumulative abnormal returns between banks that lobby, relative to those that do not lobby, is 4.18%, which is significant at the 0.05 level. We find similar results over longer event windows and equal-weighting the market benchmark.

[Insert Table 5 Here]

Using the Fama-French four factor model we can control for risk factors that we have not yet accounted for in our previous models. We obtain the beta parameter estimates from the following four-factor model that is estimated in the period ending 46 days before the event date (maximum of 255 days and minimum of 3 days):

$$E[R_{i,t}] = \beta_0 + \beta_1 EXMKT_t + \beta_2 HML_t + \beta_3 SMB_t + \beta_4 UMD_t, \quad (4)$$

where $EXMKT_t$ is the market risk premium, the return on the market (either equal-weighted (Panel A) or value weighted (Panel B) across CRSP securities on day *t*) minus the risk-free return. HML_t is the high minus low book-to-market risk factor. SMB is the small minus large market capitalization risk factor. UMD is the winners minus losers momentum risk factor. The first two risk factors are discussed in Fama and French (1993), while the last is outlined in Carhart (1997). We then estimate the abnormal returns for each stock day during the event window using equation (2). These abnormal returns are then cumulated over various event windows.

By controlling for other factors, we can more clearly see the impact of corporate lobbying. Concentrating on the value-weighted market index in Panel B of Table 5, we find that over the [-1,+1] event window, the difference in CARs between banks that lobby and those that do not lobby is 3.10%, which is significant at the 0.05 level. Again, we find similar results over different event windows that model specifications.

Based on what we found from the CARs, we can conclude that during our event windows, there is an abnormal return on banks that are politically active. Using a cross-sectional regression in Table 6, we can determine some of the factors that played a role in these abnormal returns. We do that by running the following cross-sectional regression equation on aggregated stock data as of December 31, 2015:

$$CAR_i = \alpha + \beta_1 Lobby_i + \beta_2 GSIB_i + \beta_3 MCAP_i + \beta_4 D/E_i + \beta_5 B/M_i + \beta_6 Price_i + \beta_7 Volume_i + \beta_8 \%\, Spread_i + \beta_9 Rvolt_i + \varepsilon_i \quad (5)$$

where the dependent variable is the market model cumulative abnormal return around the November 9, 2016 U.S. presidential election. *Lobby* is an indicator variable equal to one if the bank lobbied in 2015 and zero if the bank did not lobby in the same calendar year. *GSIB* is an indicator equal to one if the bank is listed as systemically important and zero otherwise. *MCAP* is the market capitalization, or price times shares outstanding. *D/E* is the debt-to-equity ratio or total

liabilities divided by total stockholders' equity. *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the price. *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price. The results of estimating equation (5) are reported in Table 6, with t-statistics in parentheses obtained from robust standard errors clustered at the stock level.

[Insert Table 6 Here]

In each of the event windows, we find that the coefficient on the categorical variable, *Lobby*, is positive and significant at the 0.01 level. In economic terms, the results suggest that banks that lobbied outperformed banks that did not lobby between 4.37 and 5.87 percentage points around the election, depending on the model specification. Interestingly, we find that the coefficients on GSIB are generally insignificant, or lower than those on Lobby. These results indicate that whether or not a bank lobbied is more important in explaining the election returns than if the financial institution is categorized as systemically important.

[Insert Table 7 Here]

Our goal is to fully understand whether the lobbying effort of a firm were the main impact in the abnormal returns we saw around the 2016 election. To accomplish this, we create a matched sample between banks that lobbied with banks that did not lobby based on market capitalization and price. This took our pervious data set of 449 down to a total sample of 36 financial institutions. We then reran the same cross-sectional regression equation as above on a sample of banks that lobbied during 2015 and a matched sample of banks that did not lobby during the same period. We do this in order to find if the systemic importance of the bank or its lobbying activities, are the

driving factor of the abnormal returns that exist during the event windows. Due to the reduced sample size most of the beta coefficients become less statistically significant. We find that even with this smaller sample size the Lobby variable has an impact at the 0.10 significance level on the [-1,+1] and [-5,+5] event windows, while the GSIB variable is not significant at all in this sample. This leads us to believe that the effect of lobbying is more impactful than the systemic significance of the banks.

IV. Concluding Remarks

The purpose of this study is to examine if lobbying done by banks was perceived as an effective strategy by market participants surrounding the 2016 election results. We find that lobbying played an important part in the banks that saw the most growth during that time. The 18 financial institutions that were politically active and lobbied during that time saw a statistically significant stock price increase above the financial institutions that did not lobby.

This could be a strong strategy for both investors and companies to consider. By being aware of the companies who are engaged in lobbying they could see excess returns above the market any time a new regulation is proposed upon any government regulated industry. Companies can capitalize on this by making use of Lobbying, especially firms who operate in heavily regulated industries. When firms are seen to be actively involved in the creation of the regulation that governs them, the market sees this as a positive event, and values those companies higher than the rest of the industry they operate in.

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Table 1. Summary Statistics

This table reports summary statistics that describe the sample of banks that lobbied in 2015 (Panel A) and banks that did not lobby in the same calendar year (Panel B). The following financial statement measures are estimated from Compustat as of December 31, 2015: *MCAP* is the market capitalization, or price times shares outstanding. *D/E* is the debt-to-equity ratio or total liabilities divided by total stockholders' equity. *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the price. The following trading statistics are averages from daily CRSP files from January 2, 2015 to December 31, 2015: *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price.

Panel A. Banks that lobbied in 2015

Variable	N	Mean	Std. Dev.	p25	Median	p75
MCAP (in $billions)	18	0.3941	0.6912	0.0294	0.0848	0.3330
D/E	18	8.9248	5.0445	6.2575	7.3951	10.8001
B/M	18	1.1606	0.6186	0.7619	0.9908	1.3757
Price	18	43.4701	34.5179	19.8177	34.9453	44.6898
Volume (in millions)	18	3.8260	4.2202	0.8954	2.3386	4.1810
% Spread	18	0.0005	0.0003	0.0002	0.0004	0.0007
Rvolt	18	0.0218	0.0067	0.0168	0.0199	0.0248

Panel B. Banks that did not lobby in 2015

Variable	N	Mean	Std. Dev.	p25	Median	p75
MCAP (in $billions)	431	0.0591	0.2286	0.0011	0.0037	0.0146
D/E	431	8.4906	4.3587	6.7105	8.3335	9.7883
B/M	431	0.8907	0.3742	0.6925	0.8518	1.0286
Price	431	24.8803	23.1597	12.4373	18.9861	29.6749
Volume (in millions)	431	0.7272	4.4207	0.0078	0.0395	0.2381
% Spread	431	0.0098	0.0141	0.0009	0.0026	0.0152
Rvolt	431	0.0227	0.0089	0.0174	0.0216	0.0247

Table 2. Cross-Sectional Correlation Matrix

This table reports pooled correlation coefficients for the variables used in the cross-sectional analysis. *Lobby* is an indicator variable equal to one if the bank lobbied in 2015 and zero if the bank did not lobby in the same calendar year. *GSIB* is an indicator variable equal to one if the bank is a G-SIB according to the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision 2015 list, and zero otherwise. The following financial statement measures are estimated from Compustat as of December 31, 2015: *MCAP* is the market capitalization, or price times shares outstanding. *D/E* is the debt-to-equity ratio or total liabilities divided by total stockholders' equity. *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the price. The following trading statistics are averages from daily CRSP files from January 2, 2015 to December 31, 2015: *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price.

	Lobby	GSIB	MCAP	D/E	B/M	Price	Volume	%Spread	Rvolt
Lobby	1.000								
GSIB	0.123	1.000							
	[0.0091]								
MCAP	0.244	0.649	1.000						
	[<.0001]	[<.0001]							
D/E	0.019	0.098	0.066	1.000					
	[0.681]	[0.0385]	[0.1657]						
B/M	0.136	0.159	0.008	0.121	1.000				
	[0.0039]	[0.0007]	[0.8644]	[0.0106]					
Price	0.152	0.090	0.250	-0.037	-0.277	1.000			
	[0.0012]	[0.0555]	[<.0001]	[0.433]	[<.0001]				
Volume	0.137	0.505	0.563	-0.019	0.069	0.043	1.000		
	[0.0037]	[<.0001]	[<.0001]	[0.6924]	[0.1445]	[0.3600]			
%Spread	-0.132	-0.098	-0.171	0.180	0.167	-0.243	-0.121	1.000	
	[0.0051]	[0.0379]	[0.0003]	[0.0001]	[0.0004]	[<.0001]	[0.0103]		
Rvolt	-0.020	-0.117	-0.176	0.136	-0.091	-0.047	-0.057	0.220	1.000
	[0.6692]	[0.0134]	[0.0002]	[0.0039]	[0.0539]	[0.3228]	[0.2313]	[<.0001]	

Table 3. Cumulative Raw and Market Adjusted Returns

Panel A of this table reports raw cumulative returns for banks that lobbied in 2015 and those that did not during the same time period around the November 9, 2016 U.S. presidential election. Panels B and C of this table reports cumulative market adjusted returns for the same stocks over the same time period. The market adjusted return (MAR) on day *t* is determined as follows:

$$MAR_{i,t} = R_{i,t} - R_{m,t}$$

where $R_{i,t}$ is the return on stock *i* on day *t* and $R_{m,t}$ is the market return either equal-weighted (Panel B) or value weighted (Panel C) across CRSP securities on day *t*. These returns are then cumulated (CARs) over various event windows. T-statistics are reported in parentheses. ***, **, * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Panel A. Raw Returns

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	10.33%	5.20%	5.13%***
	(5.74)	(20.84)	(4.03)
[-2, +2]	14.74%	9.36%	5.38%***
	(8.13)	(26.33)	(3.03)
[-5, +5]	15.70%	10.07%	5.64%***
	(7.23)	(27.32)	(3.04)

Panel B. Equal Weighted Market Adjusted Returns

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	7.29%	2.16%	5.13%***
	(4.05)	(8.67)	(4.03)
[-2, +2]	8.81%	3.43%	5.38%***
	(4.86)	(9.66)	(3.03)
[-5, +5]	9.80%	4.16%	5.64%***
	(4.51)	(11.28)	(3.04)

Panel C. Value Weighted Market Adjusted Returns

	CARs		Differences
Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	8.42%	3.29%	5.13%***
	(4.68)	(13.19)	(4.03)
[-2, +2]	10.64%	5.26%	5.38%***
	(5.87)	(14.80)	(3.03)
[-5, +5]	12.01%	6.37%	5.64%***
	(5.53)	(17.30)	(3.04)

Table 4. Cumulative Market Model Returns

This table reports cumulative market model returns for banks that lobbied in 2015 and those that did not during the same time period around the November 9, 2016 U.S. presidential election. We obtain the β_0 and β_1 parameter estimates from the following market model that is estimated in the period ending 46 days before the event date (maximum of 255 days and minimum of 3 days):

$$E[R_{i,t}] = \beta_0 + \beta_1 R_{m,t}$$

where $R_{m,t}$ is the market return either equal-weighted (Panel A) or value weighted (Panel B) across CRSP securities on day *t*. We then estimate the abnormal returns for each stock day during the event window (AR) as follows:

$$AR_{i,t} = R_{i,t} - E[R_{i,t}]$$

These abnormal returns are then cumulated (CARs) over various event windows. T-statistics are reported in parentheses. ***, **, * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Panel A. Equal Weighted Market Model Returns

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	6.52%	2.95%	3.57%***
	(3.70)	(12.19)	(2.89)
[-2, +2]	7.24%	5.00%	2.25%
	(4.41)	(14.90)	(1.34)
[-5, +5]	8.60%	5.52%	3.08%*
	(4.18)	(15.67)	(1.73)

Panel B. Value Weighted Market Model Returns

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	7.82%	3.65%	4.18%***
	(4.30)	(15.22)	(3.40)
[-2, +2]	9.27%	6.07%	3.20%**
	(5.25)	(18.49)	(1.94)
[-5, +5]	11.15%	6.89%	4.26%**
	(5.07)	(19.69)	(2.41)

Table 5. Cumulative FF4 Factor Alphas

This table reports cumulative FF4 factor adjusted alphas for banks that lobbied in 2015 and those that did not during the same time period around the November 9, 2016 U.S. presidential election. We obtain the beta parameter estimates from the following four-factor model that is estimated in the period ending 46 days before the event date (maximum of 255 days and minimum of 3 days):

$$E[R_{i,t}] = \beta_0 + \beta_1 EXMKT_t + \beta_2 HML_t + \beta_3 SMB_t + \beta_4 UMD_t$$

where $EXMKT_t$ is the market risk premium, the return on the market (either equal-weighted (Panel A) or value weighted (Panel B) across CRSP securities on day *t*) minus the risk-free return. HML_t is the high minus low book-to-market risk factor. SMB is the small minus large market capitalization risk factor. UMD is the winners minus losers momentum risk factor. The first two risk factors are discussed in Fama and French (1993), while the last is outlined in Carhart (1997). We then estimate the abnormal returns for each stock day during the event window (AR) as follows:

$$AR_{i,t} = R_{i,t} - E[R_{i,t}]$$

These abnormal returns are then cumulated (CARs) over various event windows. T-statistics are reported in parentheses. ***, **, * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Panel A. FF4 Alphas Equal Weighted Market Index

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	5.26%	1.72%	3.54%***
	(4.19)	(10.60)	(2.80)
[-2, +2]	6.56%	3.28%	3.28%**
	(5.16)	(14.48)	(2.54)
[-5, +5]	6.21%	2.54%	3.67%**
	(3.85)	(11.14)	(2.25)

Panel B. FF4 Alphas Value Weighted Market Index

Event Range	Lobby	No Lobby	Lobby - No Lobby
[-1, +1]	4.22%	1.12%	3.10%**
	(3.31)	(7.65)	(2.42)
[-2, +2]	4.80%	2.25%	2.55%**
	(3.80)	(10.91)	(1.99)
[-5, +5]	4.89%	1.77%	3.12%*
	(2.86)	(8.11)	(1.81)

Table 6. Cross-Sectional Regressions - GSIB

This table reports the results from estimating specifications of the following cross-sectional regression equation on a sample of banks that lobbied during 2015 and a sample of banks that did not lobby during the same time period:

$$CAR_i = \alpha + \beta_1 Lobby_i + \beta_2 GSIB_i + \beta_3 MCAP_i + \beta_4 D/E_i + \beta_5 B/M_i + \beta_6 Price_i + \beta_7 Volume_i + \beta_8 \%\, Spread_i + \beta_9 Rvolt_i + \varepsilon_i$$

where the dependent variable is the market model cumulative abnormal return around the November 9, 2016 U.S. presidential election. *Lobby* is an indicator variable equal to one if the bank lobbied in 2015 and zero if the bank did not lobby in the same calendar year. *GSIB* is an indicator variable equal to one if the bank is a G-SIB according to the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision 2015 list, and zero otherwise. The following financial statement measures are estimated from Compustat as of December 31, 2015: *MCAP* is the market capitalization, or price times shares outstanding. *D/E* is the debt-to-equity ratio or total liabilities divided by total stockholders' equity. *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the price. The following trading statistics are averages from daily CRSP files from January 2, 2015 to December 31, 2015: *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price. T-statistics are reported in parentheses obtained from heteroscedastic corrected standard errors. ***, **, * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

	Equal Weighted			Value Weighted		
Event Window	[-1, +1]	[-2, +2]	[-5, +5]	[-1, +1]	[-2, +2]	[-5, +5]
	[1]	[2]	[3]	[4]	[5]	[6]
Lobby	0.0483***	0.0437***	0.0530***	0.0513***	0.0488***	0.0587***
	(2.80)	(2.78)	(2.69)	(2.91)	(3.00)	(2.92)
GSIB	0.0438**	0.0485	0.0506	0.0474**	0.0541*	0.0576
	(2.09)	(1.47)	(1.40)	(2.28)	(1.69)	(1.65)
MCAP	-0.0508***	-0.0820***	-0.0986***	-0.0500***	-0.0809***	-0.0971***
	(-2.66)	(-3.36)	(-3.73)	(-2.67)	(-3.46)	(-3.83)
D/E	0.0006	0.0000	0.0005	0.0005	-0.0001	0.0004
	(0.55)	(0.04)	(0.32)	(0.48)	(-0.05)	(0.25)
B/M	-0.0275***	-0.0387***	-0.0303**	-0.0254***	-0.0350***	-0.0264**
	(-3.49)	(-3.75)	(-2.33)	(-3.21)	(-3.41)	(-2.02)
Price	-0.0000	-0.0001	-0.0001	-0.0000	-0.0001	-0.0001
	(-0.36)	(-0.96)	(-0.90)	(-0.10)	(-0.69)	(-0.59)
Volume	0.0011***	0.0013**	0.0019***	0.0011***	0.0013***	0.0020***
	(2.62)	(2.46)	(3.24)	(2.66)	(2.63)	(3.49)
% Spread	-0.5077**	-1.0730***	-1.1267***	-0.6919***	-1.3309***	-1.4930***
	(-2.17)	(-3.35)	(-2.91)	(-3.32)	(-4.82)	(-4.21)
Rvolt	0.0165	-0.5452	-0.3782	0.4044	0.1275	0.3559
	(0.04)	(-0.99)	(-0.65)	(1.01)	(0.23)	(0.60)
Constant	0.0558***	0.1130***	0.1045***	0.0537***	0.1077***	0.1010***
	(4.20)	(6.12)	(4.85)	(4.01)	(5.80)	(4.64)
R^2	0.1022	0.1406	0.1299	0.1265	0.1615	0.1596
N	449	449	449	449	449	449

Table 7. Cross-Sectional Regressions – Matched Sample

This table reports the results from estimating specifications of the following cross-sectional regression equation on a sample of banks that lobbied during 2015 and a matched sample of banks that did not lobby during the same time period:

$$CAR_i = \alpha + \beta_1 Lobby_i + \beta_2 GSIB_i + \beta_3 MCAP_i + \beta_4 D/E_i + \beta_5 B/M_i + \beta_6 Price_i + \beta_7 Volume_i + \beta_8 \%\, Spread_i + \beta_9 Rvolt_i + \varepsilon_i$$

where the dependent variable is the market model cumulative abnormal return around the November 9, 2016 U.S. presidential election. *Lobby* is an indicator variable equal to one if the bank lobbied in 2015 and zero for a similar matched bank that did not lobby in the same calendar year. *GSIB* is an indicator variable equal to one if the bank is a G-SIB according to the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision 2015 list, and zero otherwise. The following financial statement measures are estimated from Compustat as of December 31, 2015: *MCAP* is the market capitalization, or price times shares outstanding. *D/E* is the debt-to-equity ratio or total liabilities divided by total stockholders' equity. *B/M* is the book-to-market ratio or book value per share (total stockholders' equity divided by shares outstanding) divided by the price. The following trading statistics are averages from daily CRSP files from January 2, 2015 to December 31, 2015: *Price* is the average daily closing price. Volume is the average daily share volume. *%Spread* is the average daily difference between the closing ask and bid prices, scaled by the quote midpoint. *Rvolt* is the average daily range-based volatility, or the log of the daily high ask price minus the log of the daily low bid price. T-statistics are reported in parentheses obtained from heteroscedastic corrected standard errors. ***, **, * denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

	Equal Weighted			Value Weighted		
Event Window	[-1, +1]	[-2, +2]	[-5, +5]	[-1, +1]	[-2, +2]	[-5, +5]
	[1]	[2]	[3]	[4]	[5]	[6]
Lobby	0.0489*	0.0349	0.0450*	0.0514*	0.0393	0.0495*
	(1.73)	(1.54)	(1.72)	(1.76)	(1.63)	(1.80)
GSIB	0.0813	0.0828	0.0898	0.0845	0.0881	0.0961
	(1.17)	(1.08)	(1.12)	(1.19)	(1.12)	(1.17)
MCAP	-0.0124	-0.0203	-0.0268	-0.0147	-0.0237	-0.0314
	(-0.35)	(-0.51)	(-0.64)	(-0.41)	(-0.58)	(-0.74)
D/E	-0.0009	0.0009	0.0008	-0.0008	0.0009	0.0009
	(-0.23)	(0.20)	(0.16)	(-0.21)	(0.22)	(0.18)
B/M	-0.0468	-0.0517*	-0.0561*	-0.0449	-0.0487	-0.0524
	(-1.50)	(-1.83)	(-1.87)	(-1.41)	(-1.67)	(-1.70)
Price	-0.0007*	-0.0007	-0.0008*	-0.0006*	-0.0007	-0.0008*
	(-1.86)	(-1.55)	(-1.97)	(-1.78)	(-1.47)	(-1.82)
Volume	-0.0022	-0.0014	-0.0024	-0.0021	-0.0013	-0.0022
	(-0.57)	(-0.38)	(-0.65)	(-0.52)	(-0.35)	(-0.57)
% Spread	10.0843	8.6445	4.8932	9.3059	7.5220	3.3515
	(0.66)	(0.62)	(0.32)	(0.60)	(0.52)	(0.21)
Rvolt	2.6438	3.9556	6.1679**	3.1323	4.8605*	7.0769**
	(0.86)	(1.55)	(2.36)	(1.00)	(1.83)	(2.60)
Constant	0.0486	0.0351	0.0085	0.0458	0.0275	0.0041
	(0.66)	(0.49)	(0.12)	(0.61)	(0.38)	(0.06)
R^2	0.2931	0.3595	0.4568	0.3107	0.3979	0.4947
N	36	36	36	36	36	36