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

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Abstract

We analyze 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 is associated with 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 with Ethics in Government Act requirements similarly exhibit patterns that are consistent with political dependence. Our analysis suggests that firms may deploy their charitable foundations as a form of tax-exempt influence seeking. Based on a stylized model of political influence, our most conservative estimates imply that around 7 percent of total U.S. corporate charitable giving can be interpreted as politically motivated, an amount that is economically significant: it is 2.5 times larger than annual PAC contributions and about 36 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 subsidized by taxpayers.

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1 Introduction

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 which robustly suggests that corporate philanthropy may serve 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 there exists evidence consistent with companies using 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 Form 990 includes

[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).

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 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 of the types of connections and potential influence we aim to measure, consider the case of Congress member Joe Baca. 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.[2]

We then use this measure to explore whether charitable donations directed at a politicians' non-profits (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, makes it less plausible 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 and district-time fixed effects. The first of these sets of fixed effects absorbs all time-invariant pair-specific effects, while the latter allows for general shifts in issue priorities and/or influence over time for a given congressional district. Furthermore, 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 exit is related to the flow of donations into a district, again using within-district variation based on legislator turnover to detect the political

[2]This example comes from "Congressional Charities Pulling In Corporate Cash," *The New York Times*, September 5, 2010.

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 dating 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).[3] 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 electoral 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 to keep one of our state's most important industries strong...*".[4] 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.*"[5] 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.[6]

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.[7] This correlation survives the inclusion of foundation-district and district-time fixed effects, as well as a battery of robustness checks, and it is suggestive that political forces may be 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 foundation to recipient charities in the politician's

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

[4] *https://www.murray.senate.gov/public/index.cfm/ruralhousing* last accessed April 2019.

[5] *http://web.archive.org/web/20160922002911/http://sunlightfoundation.com/blog/2011/07/12/some-lobbyists-gifts-lawmakers-pet-causes-remain-dark/* last accessed April 2019.

[6] 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.

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

district (again, robust to the inclusion of foundation-district and district-time 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.[8] As an alternative approach to linking corporate charity to political motivations, we also show that legislators' exits are associated with a decline (and then a recovery) in charitable giving to the departing politicians' congressional districts, as their replacements are by definition of lower rank. Importantly, again, this pattern is very similar for PAC contributions.

As a complementary measure linking politicians' interests to individual charities, we use information on board memberships from politicians' annual public financial disclosures to explore whether the data are consistent with companies attempting 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 establish, 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. These results survive the inclusion of firm-grantee and grantee-time fixed effects.

To gauge the magnitudes of the effects, we present a stylized model of political influence, 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 model (see Grossman and Helpman, 2001). Our setting posits that, while only a fraction of corporate charity is politically motivated, PAC contributions are driven entirely by political concerns. Based on this intuitive assumption, and for fairly general production functions, our framework yields the result that the fraction of corporate charity that is politically motivated can be obtained by the ratio of the charity-issues-covered elasticity (0.042) to the PAC-issues-covered elasticity (0.636). This is 6.6 percent (and up to 16.1 percent depending on the specification) of corporate CSR. 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 6.6 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 $1.2 billion in that year. This amount is 2.5 times higher than annual PAC contributions made to candidates in the 2013-14 cycle, and about 37 percent of total annual lobbying expenditures in 2014.

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

While the baseline quantification exercise requires otherwise very mild functional form assumptions, it does assume that committee assignment affects the "productivity" of PAC and charitable spending in a neutral way. To examine how our conclusions are affected by relaxing this very strong assumption, we extend the model to consider the case where committee assignment can affect the productivity of PAC spending more or less than that of charitable spending. In this simple extension we find that, for example, if committee assignment increases the productivity of PAC spending by twice its effect on charitable giving, then our estimate of politically-motivated charity will double from 6.6 to 13.2 percent.

Our results suggest that corporate foundations act, at least in part, as a means of influencing government decision-makers, which, broadly speaking, could potentially lead to welfare loss, as policies may be distorted away from the voters' optimum as a result of quid-pro-quo politics.[9] While this contributes to our general understanding of the role of corporate social responsibility, it offers 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 becoming pervasive.[10] 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 considered in policy design 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 useful to voters in forming their decision strategies. While foundation grantees are disclosed via tax records, their link to political interests is far from transparent, which makes influence of the sort described in the preceding paragraphs extremely hard for voters and for the media to infer or 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

[9]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). While our methodology in this paper does not allow us to measure possible benefits that firms receive in exchange for their political support, we aim to measure both sides of the exchange in ongoing research on the role of foundation giving on rulemaking, using data from the Federal Registry (see Bertrand et al., 2018). See also Bombardini and Trebbi (Forthcoming) for a review.

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

tens of millions of dollars, would 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] To the extent that foundation giving is publicized by politicians themselves, that may serve as a distinct form of opacity – voters make positive attributions to both firm and politician, rather than interpreting giving through the lens of influence-seeking.

A second source of welfare loss may result 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 (neither of which may be deducted as a business expense), charitable giving potentially represents 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).

Fourth, there may be welfare losses due to the misallocation of charitable funds. If we start from the premise that corporations allocate their charitable giving across recipients based on their 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 may get funding nonetheless, because it sits in the right congressional district, while an efficient charity may lose funding for the opposite reason.

This paper contributes 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

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

overviews[12]) or lobbying (e.g. de Figueiredo and Silverman, 2006, Blanes i 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 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

[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 (2018).

[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.

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 to charities collected from their Personal Disclosure Forms. We present a 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 in general). 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]

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

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, 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 5.5 billion dollars in donations via their foundations in 2014,[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 corporate 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

[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] *http://data.foundationcenter.org/#/foundations/family/nationwide/total/list/2014* last accessed April 2019.

[20] See *https://www.opensecrets.org/pacs/* last accessed April 2019.

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.

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.[21] We have complete data for 323 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.[22]

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 all grants greater than $4,000 (the limit was raised to $5,000 in recent years). 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

[21] Two foundations are associated with firms by name, the Goldman-Sachs Philanthropy Fund and the T. Rowe Price Program for Charitable Giving, but represent the interests of individual donors through donor-advised funds. Since donations still often (but not always) appear as associated with the company's name, we have included these in our dataset, but have confirmed that our results are virtually unchanged if they are dropped from the sample.

[22] 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.

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

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 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

[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.

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 can be clearly linked to a 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 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.

[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.

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.

3.4 Basic data facts

Our sample consists of the 323 grant-giving foundations affiliated with the set of companies in the S&P500 and Fortune 500 as of 2014, over the period 1998-2014, which spans the 105th to the 113th Congresses. Table 1 reports summary statistics for our two sets of analyses provided in Section 4 (Panel A) and Section 5 (Panel B).

In the first part of Panel A, we provide basic information at the foundation-year level to illustrate the scale of giving by the corporate foundations in our sample. The average foundation made grants totaling nearly $6 million per year during our sample period, concentrated on a relatively small number of organizations – the average number of grantees was 125, making the average grant nearly $90,000. The distributions of both total grant-making and average grant size have long right tails, as indicated by the high maximum values and standard deviations. The second part of Panel A provides basic information on legislators. The average member of Congress sits on 2 committees, and has a tenure of more than 4 terms in office, a result of the very strong incumbency advantage in the U.S. The third part of Panel A summarizes data at the level of our geography-based analysis in Section 4. The unit of observation for PAC contributions is firm/foundation-congressional district-congressional cycle, and we therefore sum across all grant recipients located in a congressional district to obtain the corresponding level of aggregation for charitable contributions. In the table, we report 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 $508 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 $21,457, but as noted previously, zeros represent more than 90 percent of all foundation-congressional district combinations.

In Table 1 Panel B, we summarize the data used to analyze links via the personal financial

[26] *http://web.mit.edu/17.251/www/data_page.html#2* last accessed April 3, 2019.
[27] See Poole and Rosenthal (2017).

disclosure (PFD) forms of politicians. In the first part of Panel B we summarize our cross-sectional data. Just under 4 percent of non-profits in existence 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 0.09 and mean total foundation contributions received is $9,714 across all non-profits. A little less than 0.05 percent of non-profits have a tie to a member of Congress per PFD disclosure. Finally, the latter part of Panel B summarizes the panel data employed in Section 5. That sample consists of all non-profits that appear 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 more likely to go 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 f are covered by the representative in district d through her committee assignment in Congress t.[28] 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

[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 C.3 for the complete list of 79 issues.

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 the three sources of information in the following variable:

$$IssuesCovered_{fdt} = \sum_{c} \sum_{i} l_{fit} x_{ic} Membership_{cdt} \tag{1}$$

where:

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

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

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

Panel A of Table 1 reports summary statistics for the variable $IssuesCovered_{fdt}$. Its median is 0 while its mean is 0.3, and with a right-skewed distribution – the maximum number of $IssuesCovered$ is 33 (for the Parker-Hannifin Foundation Massachusetts – 5th congressional district pair 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:

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

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 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 (δ_{fd}). 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. The inclusion of district $\times$ Congress fixed effects (γ_{dt}) accounts for the possibility that as a district grows in importance, its legislator may be more likely to get committee assignments that are relevant for local business and, for reasons unrelated to politics, firms with a presence in the district may direct more of their charitable contributions there.

Although suitable to address the endogeneity concerns discussed above, foundation $\times$ congressional district and district $\times$ Congress 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 and state $\times$ Congress fixed effects.

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 0.125 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 6 shows that PAC and CSR contributions are positively correlated even when we include foundation $\times$ congressional district as well as district $\times$ Congress and foundation $\times$ Congress fixed effects, indicating that the two variables move together over time within a specific foundation-congressional district pair, within a given district at a point in time, within a given district at a point in time and within a given foundation in the same Congress.

In Figure 1 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 chari-

table 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.

To the extent that the collection of fixed effects in our most stringent specification absorb unobserved differences that might drive the charity-PAC correlation, we are not aware of any extant model that would rationalize this set of findings, and in the 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, $AnyIssue$, to denote whether $IssuesCovered$ is positive. Columns 1-3 in Table 3 include foundation $\times$ state and state $\times$ Congress fixed effects, while columns 4-6 include the more restrictive foundation $\times$ congressional district and congressional district $\times$ Congress fixed effect. Finally, columns 7-9 add to columns 4-6 foundation $\times$ Congress fixed effects. Columns 1, 4 and 7 indicate that a 1 percent increase in $IssuesCovered$ is associated with an increase in PAC contributions between 0.56 and 1.15 percent. The more saturated specification in column 7 presents a PAC elasticity estimate of 0.64, 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 $IssuesCovered$ ranges between 0.042 and 0.09. The most conservative estimate, 0.042, is obtained in the fully saturated specification, which includes foundation $\times$ congressional district, district $\times$ Congress, and foundation $\times$ Congress fixed effects. The addition of foundation $\times$ Congress pairs to the analysis does affect our elasticity parameter (a reduction from 0.09 to 0.042), but the confidence intervals of the two point estimates overlap. The other specifications in columns 2, 3, 5, and 6, with the level instead of the logarithm of $IssuesCovered$ and a dummy for whether any issues are covered, also find a positive and significant relationship.[30]

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

We will return to explore the scale of politically motivated corporate giving in Section 6. There we will use the preceding estimates to show that CSR contributions for political purposes plausibly 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 fifteen times greater than the CSR-Issue elasticity (0.636 versus 0.042), average charitable contributions are more than 40 times higher than average PAC spending.

4.3 Heterogeneity

In this section we present some 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 2 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), health (HE), unclassified (UN), and arts (AR) . The top five (in ascending order) are international (IN), religion (RE), public benefit (PU), human services (HU), and education (ED). (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. In Appendix Table C.2 we look at 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 a significant 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). In Appendix Table C.1 we show that our results are qualitatively similar if we focus on the extensive margin of CSR

our outcome variable.

contributions, by employing a dummy variable denoting non-zero contributions as the outcome variable. In Appendix Table C.3 we add the square of the variable $ln\,(1 + IssuesCovered_{fdt})$ 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 C.4 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] The summary statistics make it clear that there is a large fraction of zeros in the data, for both PAC and charitable contributions, which may generate a concern when we take the logarithm of 1 plus the contribution. We thus checked the robustness of our results to rescaling by adding 0.1 and 0.01 (rather than 1) to the contributions variables. Although the coefficients change because of this not-purely-multiplicative rescaling, they change in a proportional manner for both PAC and charitable giving, and thus do not affect the results of the quantification exercise in Section 6.

We are also able to explore the robustness of our results to the main sources of variation in the data. The variation in $IssuesCovered$ (i.e., our main independent variable) stems from two sources: legislators' committee assignments and the topics that corporations lobby on. As both dimensions vary over time, we are able to assess the importance of each. We begin by determining how much of the overall variation in $IssuesCovered_{fdt}$ derives from the shifts in issues lobbied at different times. To do so, we regress the measure constructed using a time-varying estimate of $IssuesCovered$ on a measure constructed based on the most-lobbied issues over the entire period. The R^2 of this regression is 42.1% indicating that more than half of the variation derives from shifts over time in the issues most emphasized in firms' lobbying efforts. We also present in Tables C.5 and C.6 regressions using a version of $IssuesCovered$ calculated using the (time-invariant) most-lobbied issues over the entire sample period. This specification utilizes only turnover in committee assignments to generate within-firm variation in $IssuesCovered$. This analysis generates coefficients that are slightly smaller than those reported in Tables 3 and 4, but that remain significant in all specifications.

Finally, as additional validation of the mechanism, Appendix Table C.7 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

[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.

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 Appendix Table C.8 we explore the predictive power of lagged contributions (from one period only, up to four periods) on current $IssuesCovered$. In the most restrictive foundation $\times$ 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 to 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, in terms of political and charitable contributions relative to subsequent congressional assignments. The evidence of systematic anticipatory behavior appears fragile. Specifically, while some form of anticipatory behavior 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 completely 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.[32]

[32]If present, anticipatory donations would most plausibly lead us to underestimate the true relationship between

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 this 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 would plausibly 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 $\times$ congressional district fixed effects (we cannot identify the exit coefficient if we employ the district $\times$ Congress fixed effects employed in our earlier analyses), 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*. To control flexibly for tenure, we additionally include fixed effects for the number of congressional cycles a politician has been 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 on congressional districts within which we observe only one exit over our sample period.

We employ the following modification of our most stringent specification:

$$\begin{aligned} ln\left(1+Contributions_{fdt}\right) &= \beta_0+\beta_1\, ln\left(1+IssuesCovered_{fdt}\right) \\ &\quad +\beta_2\, Exit_{dt}+\tau_{dt}+\delta_{fd}+\gamma_t+\varepsilon_{fdt} \end{aligned} \tag{3}$$

where the independent variable $Exit_{td}$ indicates whether congressional cycle t is the last one observed for the House representative of congressional district d, and τ_{td} is a set of fixed effects to (flexibly) control for legislator tenure. 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. They also suggest that, given the very high incumbency advantage, selection issues due to the probability of reelection are low. Issues such as

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.

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), in which 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 PAC donations to that district. 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, relative to seasoned politicians.

Figures 3 and 4 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 a 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 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 disclosure (PFD) forms 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. 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 (see Table 1 Panel B), 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 501(c)(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 TablesC.9 and C.10 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 suggests 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 clarify the construction of our 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 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 C.11.

The lower half of Table 1 Panel B 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 27 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 8.

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. Three of the four estimated estimated coefficients of interest remain positive and statistically significant. Columns 13 and 14 further show that the results are robust to the inclusion of foundation $\times$ Congress as well non-profit $\times$ Congress fixed effects.

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 0.00077, which is an increase of about 18 percent (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 C.11 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 12 out of 14 are statistically significant at least at the 10 percent level.

5.3 Additional robustness: Disaggregation

In this section we discuss an alternative estimation approach in which we utilize the CSR data disaggregated across foundations and grantees. Specifically, we consider a framework of the form:

$$\begin{aligned} ln\left(1+Contributions_{fgdt}\right) &= \beta_0+\beta_1\, ln\left(1+IssuesCovered_{fdt}\right) \\ &\quad +\beta_2\, ln\left(1+RelevantIssues_{fgt}\right)+\delta_{fg}+\gamma_{dt}+\lambda_{gt}+\varepsilon_{fgdt} \end{aligned} \tag{4}$$

where f is foundation, g is grantee, d is congressional district and t is Congress, β_1 is the elasticity on the issues covered by congressional committees on which firm f lobbies in a cycle and overseen by d's representative, and β_2 is the elasticity on the "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 PFD in a given cycle.

Note that the CSR contributions employed in this exercise are analyzed at the level of the corporate foundation-grantee level at each point in time, and as such the exercise requires us to extend the data for all possible $f \times g \times d \times t$ combinations.[33] This extension has the advantage

[33] As we will discuss below, one complication introduced by this approach is the very high number of zero values

of relying on a finer level of variation and of nesting within a unified framework the approaches followed in Section 4 (at the geographic level of a congressional district) and the preceding part of Section 5 of this paper (based on grantees linked to the politician via PFD).

We report the results of this approach in Appendix Table C.12. We show that, for the most part, these additional robustness checks support the results obtained in both Sections 4 and 5. This is done across a range of specifications saturated by various combinations of foundation $\times$ grantee, grantee $\times$ Congress, and foundation $\times$ Congress fixed effects. Notice that in column 4 of Appendix Table C.12, while the PFD channel survives the fully saturated specification with three different pairs of fixed effects, the effect on CSR through geographic variation becomes statistically insignificant. Although we prefer standard errors clustered at the foundation $\times$ district level because this is the relevant unit of covariation in this case, in table C.13 we present the same specifications are in C.12 with standard errors clustered at the district level.

Employing disaggregated data also allow us to take advantage of more plausibly exogenous shifts in the political importance of non-profits to firms, by exploiting the redistricting that occurs following each decennial census. For these analyses, we limit the sample to non-profits that experience a change in congressional district, and analyze giving to these non-profits in Congresses around the implementation of redistricting, focusing on the Congresses immediately pre- and post-redistricting (i.e., Congresses 107, 108, 112 and 113). We present these results in Table C.14. The point estimates in these analyses that focus on variation induced by redistricting are marginally larger than those reported in the full sample specifications and here the effect on CSR through geographic variation is statistically significant even when all sets of fixed effects pairs are included.

Although largely supportive of the findings reported in our earlier analyses, there are three main concerns that arise in interpreting the estimates from equation (4). First, as mentioned above, disaggregation requires the expansion of our data to all potential foundations-grantee donations over time, thus inducing an enormous proliferation of zero-value entries. Appropriately modeling the zero entries through nonlinear estimators is not possible in our case due to the presence of an extremely demanding set of multi-way fixed effects across several dimensions. A second and more subtle issue is that the disaggregate approach of (4) may lead to downward-biased estimates of our elasticities due to the introduction of selection bias in the choice of grantees. To understand this selection concerns, consider two grantees g and g' located in d. Further consider the scenario in which firm f wishes to influence a politician from d through providing a CSR grant to g in one congressional cycle, but switches to giving to g' in the next cycle with the same intent.[34]

for CSR contributions: given the millions of non-profits, and the relatively sparse number of grants made each year by our sample of several hundred foundations, the vast majority of potential grantees do not receive a donation in a given congressional cycle. To make the analysis tractable, we focus on grantees that receive at least 1 donation over our sample period. Even with this restriction, the number of zero entries for CSR at the $fgdt$ level of disaggregation is 99 percent.

[34]There are many reasons why this switch might occur. The grants made by corporate foundations are large,

The selection process and the pattern of substitution are unobserved to the econometrician. In Appendix B we show in detail through Monte Carlo simulations how, if such switching among grantees occurs, only the approach of equation (2) in Section 4 allows us to consistently recover β_1 by integrating out the selection equation. Even in what would appear a rather innocuous process of random selection of grantees, the disaggregated approach of equation (4) induces substantial downward bias in the estimation.[35] Finally, as a third issue, we remark that the disaggregate approach of (4) does not allow for a comparison of the elasticities of PAC and CSR contributions to political shocks relevant to a specific firm. The reason is that f's PAC contributions reach politician d directly, and, in this sense, the analysis of PAC contributions inherently operates at the $f \times d \times t$ level of variation (i.e., not $f \times g \times d \times t$ as in this robustness check). We will show in the following section how the possibility of comparing the behavior of PAC and CSR contributions is indeed crucial to quantitatively assessing the share of political CSR.

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 may be used for political purposes. This exercise is important as a step in providing a quantitative benchmark of the economic importance for the phenomenon we have documented thus far. Below we show how, in a fairly general environment of quid-pro-quo politics, one can employ the sensitivity of PAC contributions to proxy for the sensitivity of *politically-motivated* corporate charitable giving. Intuitively, this allows us to then back out the fraction of corporate charity that is politically motivated based on the ratio of the CSR-issue and PAC-issue estimated elasticities.

To see this more 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, $C + \tilde{C}$, rather than C and $\tilde{C}$ separately. 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

and hence may be lumpy, occasional contributions to beneficiaries. Perhaps g' might have become more useful for credit claiming to the politician, or the foundation may simply try obscure its efforts at influence by changing its beneficiaries.

[35] Notice that the issue of selection is less relevant for the PFD analysis, in which there is typically one grantee directly associated with a politician and therefore no issues around the selection of g with the goal of reaching a given politician.

outcome of interest to the firm, τ. The reader versed in special interest politics can interpret this framework as a 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:

$$\tau = h\left(A, C, P\right) \tag{5}$$

The firm's maximization problem is therefore:

$$\max_{C,P} h\left(A, C, P\right) - qC - P \tag{6}$$

where $q < 1$ reflects the lower price of charitable giving (given its tax-exempt nature) relative to campaign contributions. This political economy 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:*

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

Proof. See Appendix C. □

A function $f\left(.\right)$ 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 $h\left(A, C, P\right) = AC^{\alpha}P^{\beta}$ 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.,

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

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 $h(\cdot)$.[36] 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 column (7), so that:

$$\frac{dC}{C}/\frac{dA}{A} = \frac{dP}{P}/\frac{dA}{A} = 0.636 \tag{7}$$

We may further use our estimates from Table 4 column (7), which reflect the elasticities for *total* giving, to obtain:

$$\frac{dC}{C+\widetilde{C}}/\frac{dA}{A} = 0.042 \tag{8}$$

Combining (7) and (8), it follows that:

$$\frac{\frac{dC}{C+\widetilde{C}}}{\frac{dC}{C}} = 0.066 \Longrightarrow \underbrace{\frac{C}{C+\widetilde{C}}}_{Political\ CSR\ share} = 6.6\%$$

That is, based on our representation of the political investment problem of the firm and our most conservative estimated elasticities, 6.6 percent of corporate charitable giving is political motivated.[37] If we adopt the less stringent specification of column (4) of Tables 3 and 4, the figure increases to 16.1 percent of corporate charitable giving. In the following discussion we will adopt the most conservative figure of 6.6%. The bias-corrected 95% confidence interval for this point estimate obtained through bootstrap is [0.03, 0.11].[38]

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 $1.19 billion in 2014. The confidence interval is centered at $1.21 billion and ranges from $0.54 billion to about $2 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 2.5 times larger. As a second point of

[36] 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.

[37] This exercise assumes that the firm's first order condition is satisfied and therefore that there is an interior solution to the optimization problem. The model cannot therefore fully account for the presence of zeros in the data for both PAC and charitable giving. However, accounting for the presence of zeros would require a non-trivial modification both of the model and of the empirical specification to include a selection component. Although more realistic, such model would make it substantially more difficult to include the large number of fixed effect that the current log-linear specification affords us.

[38] 100 replications performed. Bootstrap is preferable to the Delta method here because the estimator is a nonlinear function of the OLS parameters and the asymptotic approximation using the Delta method tends to be worse than bootstrap in these situations. See Lafontaine and White (1986) for an early discussion.

comparison, political CSR amounts to 37.5 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 may 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 C.1 we allow for an asymmetric effect of committee assignment on CSR productivity versus 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 that of CSR productivity. In that case we would expect a much larger elasticity of PAC giving as compared to CSR contributions. In particular, we can show that the elasticity of PAC should be twice that of CSR, and therefore the implied share of political CSR is twice the baseline, i.e. $6.6\% \times 2 = 13.2\%$. This would shift the magnitude of political CSR to $2.4 billion. The baseline number of 6.6% must symmetrically be reduced if one were to hypothesize that committee assignment increases CSR productivity more than PAC productivity.

The exercise we present in this section has the primary goal of exploiting the estimated elasticities of PAC and CRS spending to gauge the magnitude of "political" charitable giving. In this simple framework, our finding that political charitable giving is estimated to be much larger than PAC can only be justified by a higher productivity or a lower cost of CSR giving. It is unlikely that the tax-exempt status of charitable giving alone can explain a sixfold difference between the two types of contributions.[39] More plausibly other factors, such as its opacity (for both firms and politicians) and its other benefits (such as enhancing the firm's public image), reduce the cost or increase the productivity of charitable giving.

7 Concluding remarks

This paper explores the role of charitable giving as a means of political influence. In documenting the relationship between political interests and private corporate charitable giving, we highlight

[39]To see this, at a corporate tax rate of 35%, the purely pecuniary difference in relative prices would, at most, justify CSR giving that is roughly 50% higher than that of PAC giving.

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 among the first to provide robust empirical evidence speaking to such concerns.

In our analysis, we show that corporate charitable donations are responsive to the same types of political incentives as a more standard instrument of political influence, 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 connected to legislators via financial disclosure ties. 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 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 in 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.[40] 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. Indeed, a valuable direction for future research may be identifying and measuring the role of other less visible channels. Collectively, our findings highlight the challenges in identifying the full set of instruments employed by special interests in Washington,

[40] Tullock (1972)

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 efforts to reduce undue tilting of the political scale.

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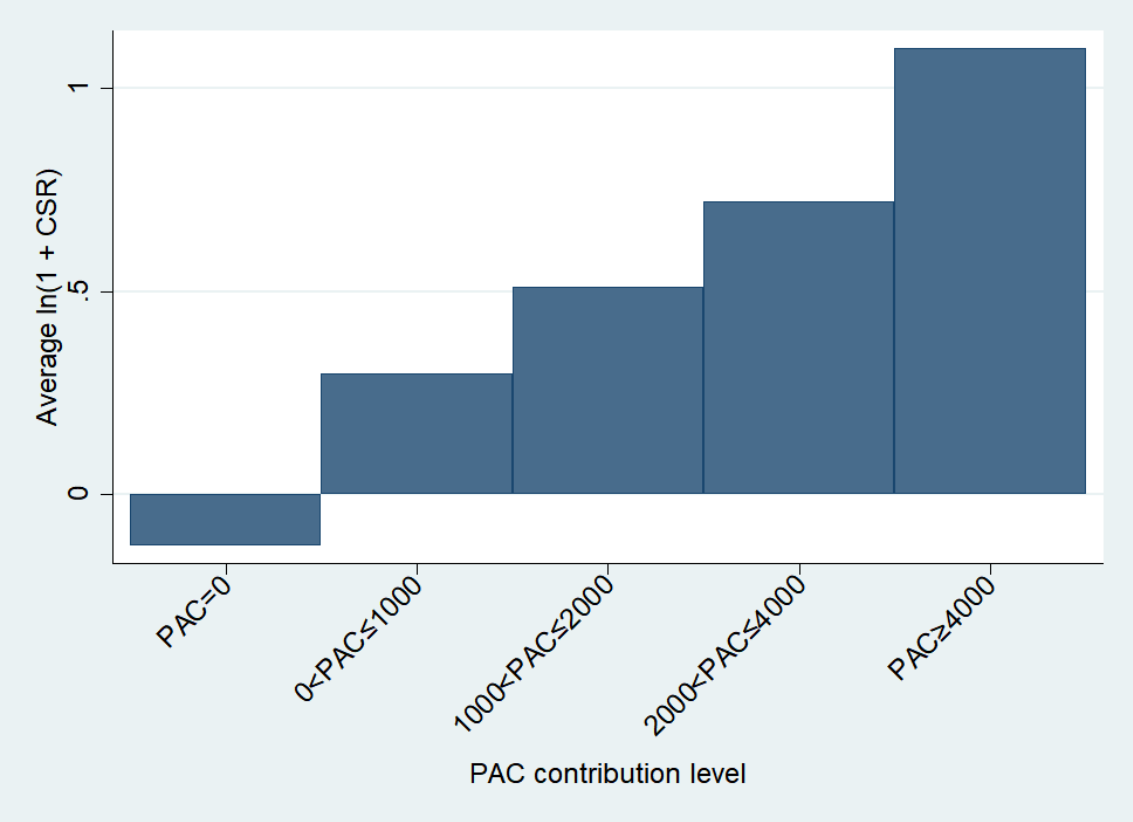
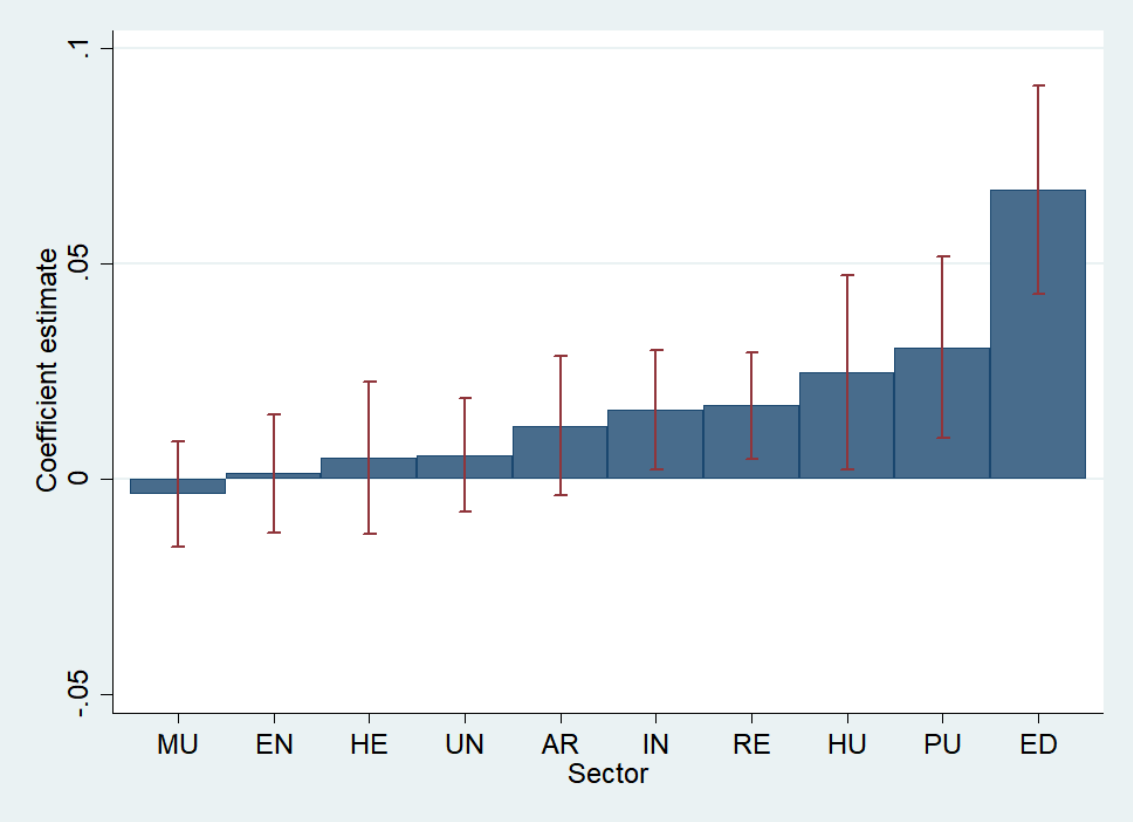
Figure 1: PAC and CSR Contributions



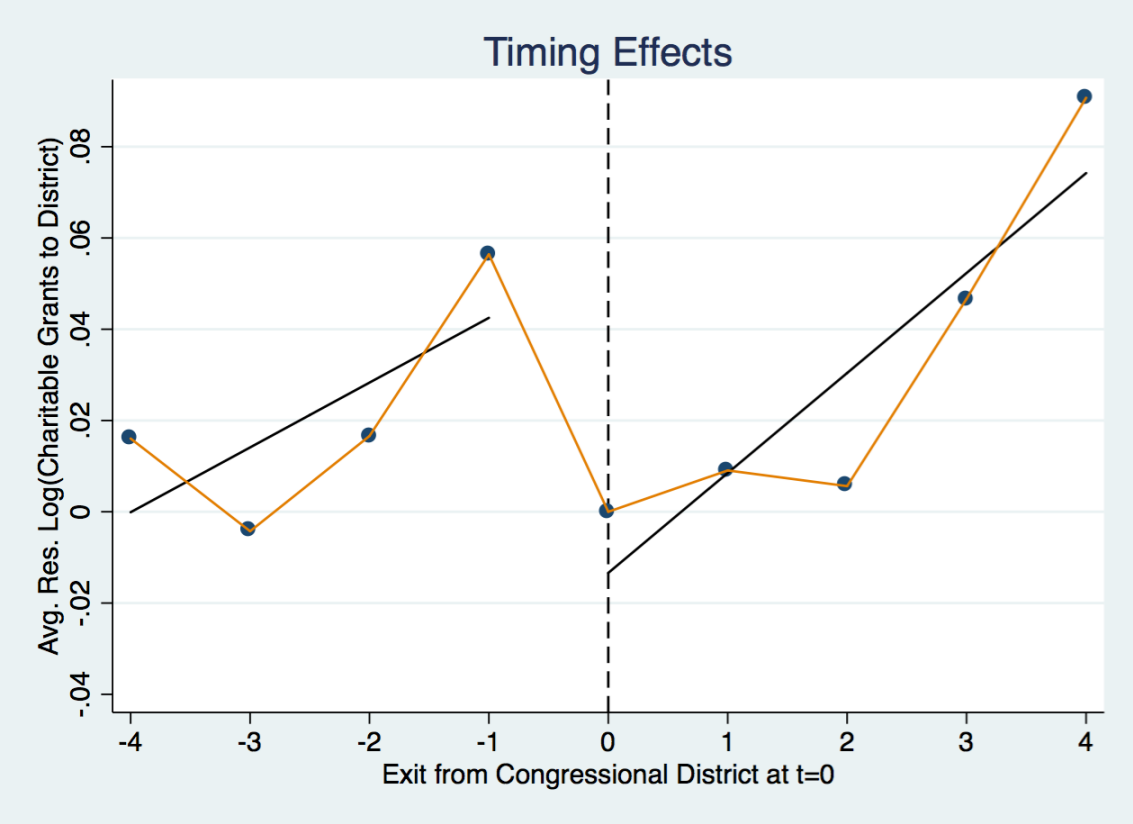
Notes: Each bar shows the average of the residual of $ln(1 + CSRContributions)$, generated at the foundation-constituency-Congress level, after conditioning on foundation × Congress fixed effects. The averages are binned in five groups based on the PAC contributions made by the foundation's company to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

Figure 2: Individual Sector Estimates of the Sensitivity of CSR to Lobbying Issues



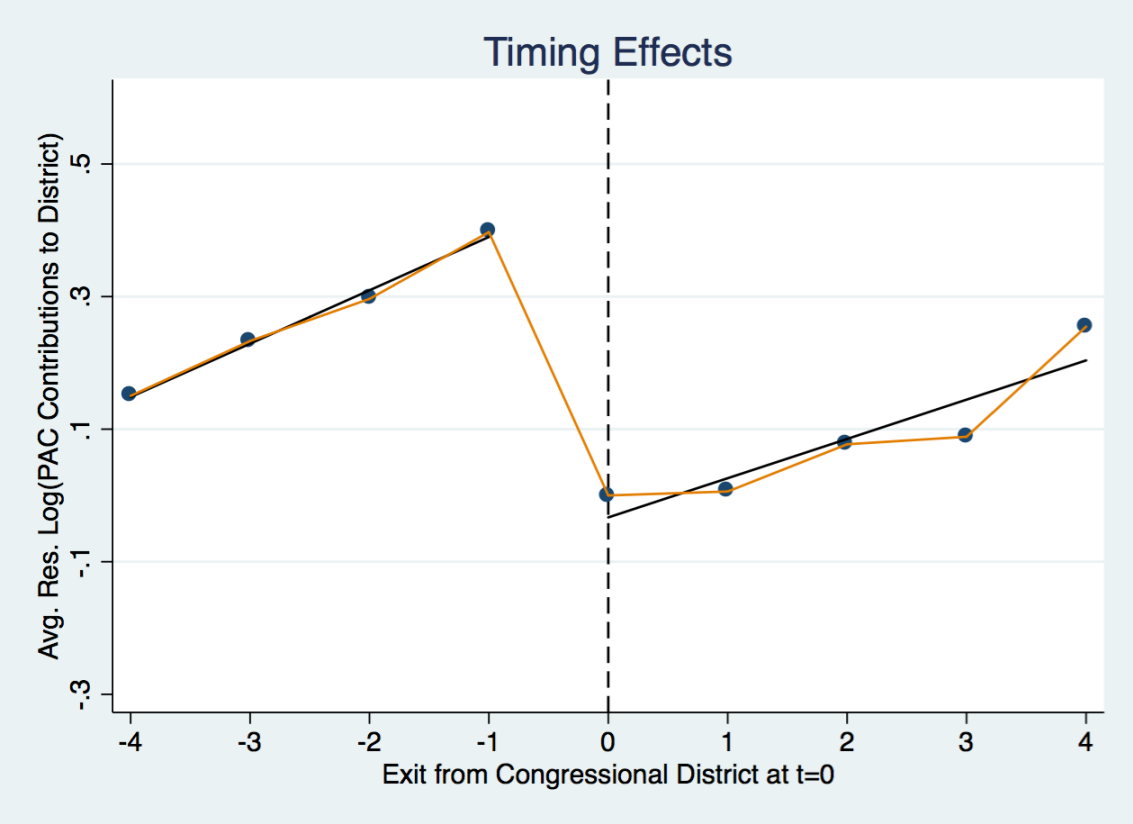
Notes: Each bar in the figure reflects the point estimate from regressing $ln\,(1 + CSR\ Contributions_{fdt})$on $ln(1 + Issues\,of\,Interest)$ for donations to one of the 10 NTEE sectors, listed below. The 'whiskers' provide the 95 percent confidence interval. We include state $\times$ foundation and 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 3: CSR Contributions and House Member Exits



Notes: The figure reports the mean residuals from regressing $ln\,(1 + CSR\ Contributions_{fdt})$ on Congress and foundation×congressional district fixed effects averaged for each Congress around exit events ($t = 0$). The sample includes all districts with a single exit event during our sample period. We normalize by rescaling so that the mean residual at the exit event is zero.

Figure 4: PAC Contributions and House Member Exits



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 ($t = 0$). The sample includes all districts with a single exit event during our sample period. We normalize by rescaling so that the mean residual at the exit event is zero.

Table 1: Summary Statistics

	Mean	St Dev	Median	Max	Number of observations
Panel A - Summary Statistics for Foundation - District - Congress Analysis					
Foundation-Year data					
Dollar amount of grants (in 1000s)	5,875	13,902	1,714	193,417	6,574
Number of grantees	125	297	43	4,566	6,574
Average grant (in 1000s)	89.72	448.30	33.82	18,825	6,574
District-Congress data					
Number of committees	2.1	2	0.9	8	4,704
Tenure	4.6	3.6	4	24	4,341
Foundation-District -Congress data					
PAC Contributions	508.5	1,604.4	0	36,500	626,661
CSR Contributions (in 1000s)	21.465	323.25	0	102,035	626,661
IssuesCovered	0.3	0.6	0	33	626,661
log (1+PAC)	1.3	2.9	0	10.5	626,661
log (1+CSR)	1.2	3.4	0	18.4	626,661
log (1+IssuesCovered)	0.2	0.3	0	3.5	626,661
Panel B - Summary Statistics for Personal Financial Disclosure Analysis					
Grantee					
Any CSR received?	0.037	0.19	0	1	2,179,096
Number of foundations giving grants	0.085	0.806	0	159	2,179,096
Total CSR received (1000s)	9.71	494	0	302,000	2,179,096
Log(1 + total CSR received)	0.39	1.99	0	19.53	2,179,096
Any connections to Congress?	0.00047	0.0217	0	1	2,179,096
Number of connections to Congress	0.00061	0.0318	0	11	2,179,096
Foundation-Grantee-Congress					
Any CSR Received?	0.0043	0.0654	0	1	4,054,160
Log (1 + CSR)	0.043	0.663	0	17.453	4,054,160
Relevance (Issue-Congressmen pairs)	0.727	1.690	0	38	4,054,160
Relevance (Congressmen)	0.3004	0.5341	0	8	4,054,160
Relevance(Issues)	0.7271	1.6901	0	37	4,054,160
Any Relevance	0.2731	0.4455	0	1	4,054,160

Notes: Notes: Panel A provides summary statistics for our analyses based on geographic ties in Section 4 while Panel B provides statistics for Section 5. Each sub-heading provides the level of aggregation of the data presented in that part of the table. The foundation-year data provide the annual level of grantmaking for the corporate foundations in our data. The district-Congress data show the average number of committees that a legislator sits on during a congressional cycle, and the average number of congressional cycles that a legislator has been in office. The foundation-district-Congress data are at the level of disaggregation employed in our analysis. *PAC* and *CSR Contributions* are variables capturing Political Action Committee and corporate foundation giving respectively, into district d in cycle t, from firm f. *Issues Covered* captures the number of issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. The first part of Panel B summarizes our cross-sectional data for the full set of non-profits in the IRS Business Master Files in 1994, 2004, or 2015. The *CSR* variables capture the grants received from corporate foundations in our dataset, while the connections to Congress variables capture political ties documented via legislators' Personal Financial Disclosure (PFD) forms. The second part of Panel B summarizes our panel data at the foundation-grantee-Congress level. The sample includes all non-profits that appear in the PDF forms. The *Relevance* variables capture whether a legislator with personal ties to a grantee g is on a committee that is relevant to firm/foundation f in Congress t. Please see text for further details on variable definitions and construction.

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)	(6)
Log PAC Contributions from f to d	0.125*** (0.007)	0.140*** (0.003)	0.039*** (0.002)	0.019*** (0.002)	0.022*** (0.002)	0.018*** (0.002)
Fixed Effects						
Foundation f	x	x				
State	x					
Congressional District d		x				
Congress	x	x	x	x		
Found. f×State			x			
Found. f×Cong Dist d				x	x	x
Cong Dist d ×Congress					x	x
Found. f×Congress						x
N	626,661	626,661	626,489	618,310	618,310	618,310
R^2	0.210	0.254	0.323	0.579	0.591	0.617

Notes: For both measures of contributions, we employ the functional form $log(1+x)$ to construct the variables used in the analysis. 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)	(7)	(8)	(9)
Log Issues of Interest to Found. f	1.148***			0.559***			0.637***		
Covered by Representative in d	(0.016)			(0.015)			(0.016)		
Issues of Interest to Found. f		0.585***			0.259***			0.314***	
Covered by Representative in d		(0.010)			(0.008)			(0.009)	
Any Issue of Interest to Found. f			0.945***			0.482***			0.519***
Covered by Representative in d			(0.013)			(0.012)			(0.013)
Fixed Effects									
Found. f×State	x	x	x						
Congress×State	x	x	x						
Found. f×Cong Dist d				x	x	x	x	x	x
Congress ×Cong Dist d				x	x	x	x	x	x
Found. f×Congress							x	x	x
N	626,489	626,489	626,489	618,310	618,310	618,310	618,310	618,310	618,310
R^2	0.322	0.319	0.322	0.597	0.596	0.597	0.614	0.613	0.614

Notes: The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. The dependent variable is $log(1 + PAC\ Contributions)$ in all specifications. See text for further details on variable definitions and construction. Columns (1) and (4) employ $log(1 + Issues)$ as the main explanatory variable, columns (2) and (5) employ the number of issues covered, and columns (3) and (6) use a dummy variable denoting at least 1 issue covered. Standard errors are clustered at the foundation-congressional district 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	0.090***			0.090***			0.042***		
Covered by Representative in d	(0.015)			(0.015)			(0.015)		
Issues of Interest to Found. f		0.044***			0.043***			0.019**	
Covered by Representative in d		(0.008)			(0.008)			(0.009)	
Any Issue of Interest to Found. f			0.079***			0.079***			0.041***
Covered by Representative in d			(0.012)			(0.012)			(0.012)
Fixed Effects									
Found. f×State	x	x	x						
Congress×State	x	x	x						
Found. f×Cong Dist d				x	x	x	x	x	x
Congress ×Cong Dist d				x	x	x	x	x	x
Found. f×Congress							x	x	x
N	626,489	626,489	626,489	618,310	618,310	618,310	618,310	618,310	618,310
R^2	0.323	0.323	0.323	0.591	0.591	0.591	0.617	0.617	0.617

Notes: The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. See text for further details on variable definitions and construction. Columns (1) and (4) employ $log(1 + Issues)$ as the main explanatory variable, columns (2) and (5) employ the number of issues covered, and columns (3) and (6) use a dummy variable denoting at least 1 issue covered. The dependent variable is $log(1 + CSR\ Contributions)$ in all specifications. Standard errors are clustered at the foundation-congressional district 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	0.108***	1.036***	0.095***	0.603***
Covered by Representative in d	(0.025)	(0.029)	(0.027)	(0.029)
Exit of Representative in d	-0.062***	-0.288***	-0.045**	-0.316***
at end of t	(0.019)	(0.018)	(0.021)	(0.020)
Fixed Effects				
Tenure	x	x	x	x
Congress	x	x	x	x
Found. f×State	x	x		
Found. f×Cong Dist d			x	x
N	223,545	223,642	223,642	223,642
R^2	0.370	0.364	0.601	0.595

Notes: The sample in this table includes all districts for which there was a single exit of the incumbent representative during our sample period, excluding the final (113th) Congress. Columns (1) and (3) use CSR contributions as the outcome while columns (2) and (4) use PAC contributions. For both measures of contributions, we employ the functional form $log(1+x)$ to construct the variables used in the analysis. See text for further details on variable definitions and construction. 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										
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: The sample in this table is a cross-section that includes all non-profits that appear at least once in the IRS Business Master Files for 1998, 2004, and 2015. The connections to Congress variables capture whether a non-profit is connected to a legislator via information on their Personal Financial Disclosure forms. The outcome variable is the number of corporate foundations in our data that make at least one contribution to the non-profit during our sample period. Log Income is reported income and Log Assets is the book value of assets for the non-profit in the most recent year available. See text for additional details. All specifications control for whether the organization is a 501(c)(3) charity. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 7: CSR Contributions to Relevant Charities

Dependent Variable: Any Giving? (Y=1)														
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Relevance/1000	0.774***				0.464***				0.147***					
(Issue-Congressmen pairs)	(0.079)				(0.074)				(0.053)					
Relevance/1000		3.116***				1.469***				0.177				
(Congressmen)		(0.222)				(0.189)				(0.139)				
Relevance/1000			0.771***				0.461***				0.145***			
(Issues)			(0.078)				(0.074)				(0.053)			
Any relevance/1000				2.230***				0.744***				0.232*	0.326**	0.245*
				(0.171)				(0.149)				(0.130)	(0.137)	(0.144)
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	X	X
Year t	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Charity $c \times$ Congress													X	X
Found. $f\times$ Congress														X
Observations	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160
R-squared	0.013	0.013	0.013	0.013	0.058	0.058	0.058	0.058	0.443	0.443	0.443	0.443	0.447	0.449

Notes: The sample includes all non-profits that appear in the Personal Financial Disclosure (PFD) forms. The outcome in each regression is an indicator variable denoting that non-profit g received a grant from firm/foundation f in Congress t. *Relevance* variables capture whether a legislator with personal ties (as documented in the PFD forms) to a grantee g is on a committee that is relevant to firm/foundation f in Congress t. We control in all specifications for the logarithm of total CSR contributions by corporation f in year t. See text for further details on variable definitions and construction. Standard errors are clustered at the foundation-charity level. *** p<0.01, ** p<0.05, * p<0.1

Appendix Material for Online Publication Only

A Data 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 323 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. Redistricting occurs on the basis of decennial censuses. We allow an additional election cycle of delay (e.g., we only begin using the districts based on the 2010 Census

in the 113th (2013-14) Congress to account for the fact that states generally take several years to design and implement redistricting plans).

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.

B Appendix: Congressional district level aggregation of charitable grants

This appendix explores the issue of selection of specific grantees by firms with the purpose of providing electoral benefits to a local representative. Specifically, we show how aggregating across grantees within a congressional district and within a congressional cycle alleviates issues of grantee selection and substitution. We also shows through Monte Carlo simulations how regression specifications akin to those employed in Section 5.3 of the paper, run at the firm-grantee-congressional cycle level, may suffer from substantial downward bias, as a result of failure to account for issues of grantee selection. The bias is shown to be proportional to the number of grantees in a district, so potentially very large in magnitude.

As in our analysis in Section 4.2 we employ the following notation. Let firm/foundation be f; grantee g; time t; congressional district d. For our main variables, we use the notation Y_{fgtd} for $ln(1+Contributions_{fgtd})$ and for a political shock relevant to firm in year t stemming from certain congressional committee appointments $ln(1+IssuesCovered_{fdt})$ we use the notation X_{fdt}.

B.1 Selection problem and setup

The econometric problem we present is one in which a firm aims to cater to a politician of relevance to its business and decides to do so through the allocation of charitable grants within that politician's district (e.g. so the she can claim credit for it). We will assume that there is one set of G potential grant recipients located in d and that the firm decides to donate to a subset of G (with abuse of notation we use G for both the set of grantees and its cardinality). In our standard notation, we consider the problem in which a firm f perceives a political shock X_{fdt} and decides to influence the representative from d by donating funds Y_{fgtd} to grantee $g \in G$ located in that congressional district at t.

Suppose that f's funds are limited or that only certain grantees are electorally valuable from the perspective of the political beneficiary (the representative from district d) at t. For the purpose

of presenting the econometric problem, only one grantee per period is assumed to be chosen as the recipient of grant funds each period. The fact that there is only one grant recipient is not strictly necessary, and all results below will hold if a different (strict) subset of G is selected at each t. Let us use the indicator function $I(f$ chooses to influence the representative from d through g at time $t)$ to indicate the selection process.

The true underlying econometric specification is therefore:

$$Y_{fgtd} = \beta X_{ftd} * I(f \text{ chooses to go through } g \in G \text{ at time } t) + \epsilon_{fgtd}$$

Note that the econometrician does not observe the choice $I(.)$. (To avoid needless additional notation, we do not report the multi-way fixed effects considered in Section 4.2.) The econometrician's objective is to estimate the parameter β.

B.2 Aggregate regression

As an illustration of how our district level aggregate regressions can address the selection issue presented above, consider the following system of equations:

$$\begin{aligned}
Y_{fgtd} &= \beta X_{ftd} * I(f \text{ chooses to go through } g \text{ at time } t) + \epsilon_{fgtd} = \beta X_{ftd} + \epsilon_{fgtd} \\
Y_{fgt'd} &= \beta X_{ft'd} * I(f \text{ chooses to go through } g' \text{ at time } t') + \epsilon_{fgt'd} = \epsilon_{fgt'd} \\
Y_{fg'td} &= \beta X_{ftd} * I(f \text{ chooses to go through } g \text{ at time } t) + \epsilon_{fg'td} = \epsilon_{fg'td} \\
Y_{fg't'd} &= \beta X_{ft'd} * I(f \text{ chooses to go through } g' \text{ at time } t') + \epsilon_{fg't'd} = \beta X_{ft'd} + \epsilon_{fg't'd} \\
Y_{fg''td} &= \beta X_{ft'd} * I(f \text{ chooses to go through } g \text{ at time } t) + \epsilon_{fg''td} = \epsilon_{fg''td} \\
Y_{fg''t'd} &= \beta X_{ft'd} * I(f \text{ chooses to go through } g' \text{ at time } t') + \epsilon_{fg''t'd} = \epsilon_{fg''t'd} \\
&... \\
\end{aligned}$$

Let us indicate with β^{full}, the the estimator of the parameter β under full knowledge of each selection $I(.)$.

Now observe that aggregating the information across all potential grantees $k = g, g', g'', ...$ at time t in d produces an estimating equation of the form:

$$\sum_k Y_{fktd} = \beta X_{ftd} * \sum_k I(f \text{ chooses to go through } k \text{ at time } t) + \sum_k \epsilon_{fktd}$$

or, simplifying by noting that $\sum_k I(f$ chooses to go through k at time $t) = 1$,

$$\overline{Y}_{ftd} = \beta X_{ftd} + \overline{\epsilon}_{ftd}$$

where $\overline{Y}_{ftd} = \sum_k Y_{fktd}$. Let us indicate with β^{agg} the estimator of this regression.

We note that this aggregate approach provides a consistent estimate of β (in levels or with fixed effects within congressional district d and over time), because it integrates over the selection by f of which g to employ at every period t. In this case, the unobserved choice variables $I(f$ chooses to go through k at time $t)$ drop out of the estimating equation and therefore their omission is immaterial to the consistency of the estimator, that is $plim\ \beta^{agg} = \beta$.

B.3 Disaggregate regression

Consider a disaggregated approach to the analysis in which β is estimated directly from the system of equations presented in the previous section. This is done without information on which g is selected at each period as the focus of f's efforts. This implies a regression of the form:

$$Y_{fgtd} = \beta X_{ftd} + \epsilon_{fgtd}$$

Let us indicate with β^{dis} the estimator from this regression. This approach averages estimates across periods when $I(f$ chooses to go through g at time $t) = 1$ and $I(f$ chooses to go through g at time $t) = 0$. For each g this specification leads to inconsistent estimation of β. In the simplest possible case where f picks one grantee at random in each period, it is evident that the inconsistency of the estimator is determined by $plim\ \beta^{dis} = \frac{\beta}{G}$. If selection is not random (and thus $I(.)$ is correlated with X) the inconsistency will be further amplified by the omission of the selection variable.

B.4 Monte Carlo simulations

The following Monte Carlo simulations illustrate these results empirically. We simulate 100 samples generated using 50 firms, 50 grantees, 100 districts, and 10 time periods (2.5 million observations per sample). We also generate random X_{fdt} from a uniform distribution between $[0, 1000]$ and ϵ_{fgtd} i.i.d. normal with mean zero and standard deviation equal to 10 (i.e., a low noise to signal ratio) or 1000 (a high noise to signal ratio). We assume $I(f$ chooses to go through k at time $t)$ takes the form of a uniform random draw among all possible grantees in a district every period. We assume a true β equal to 1 (and an intercept 10). This allows us to generate Y_{fgtd}.

As can be seen in Appendix Table C.15, both the the full information and the aggregate regression approaches deliver an unbiased estimate of β, $\beta^{full} \sim \beta^{agg} \sim 1$. The disaggregate estimator β^{dis} delivers instead the expected $\frac{\beta}{G}$, where $1/G$=1/50=0.02, due to selection, and irrespective of the noise/signal ratio.

C Proof of Claim 1

The first-order conditions of the firm maximization problem in (6) are:

$$\begin{cases} Ag'f_C = q \\ Ag'f_P = 1 \end{cases} \tag{A.1}$$

We can take logarithms and differentiate each equation in (A.1):

$$\begin{cases} \frac{dA}{A} + \frac{g''}{g'}\left(f_C dC + f_P dP\right) + \frac{f_{CP}}{f_C}dP + \frac{f_{CC}}{f_C}dC = 0 \\ \frac{dA}{A} + \frac{g''}{g'}\left(f_C dC + f_P dP\right) + \frac{f_{PP}}{f_P}dP + \frac{f_{PC}}{f_P}dC = 0 \end{cases} \tag{A.2}$$

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:

$$Cf_{CC} + Pf_{CP} = 0$$
$$Cf_{PC} + Pf_{PP} = 0$$

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

$$\begin{cases} f_{CC} = -\frac{P}{C}f_{CP} \\ f_{PP} = -\frac{C}{P}f_{PC} \end{cases} \tag{A.3}$$

We can substitute the expressions for f_{CC} and f_{PP} from (A.3) into (A.2), 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:

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

C.1 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:

$$\tau = A^{\gamma}P^{\sigma} + AC^{\sigma},$$

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).[41] Notice how γ describes the bias of the committee assignment productivity shock. If $\gamma > 1$ then the committee 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 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 that non-political charitable contributions are unresponsive to A, we find the share of CSR contributions that is political:

$$\frac{C}{C+\widetilde{C}} = \gamma * 16.1\%$$

Intuitively, when γ is larger we expect the elasticity of PAC to committee assignment to be larger than the elasticity of CSR, so we need to scale up the ratio of the two elasticities to obtain

[41] 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.

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, the inferred share of political CSR is 32.2%.

C.2 Additional Tables

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

Table C.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	0.009***			0.009***		
	(0.001)			(0.002)		
Issues of Interest to Found. f Covered by Representative in d		0.004***			0.004***	
		(0.001)			(0.001)	
Any Issue of Interest to Found. f Covered by Representative in d			0.007***			0.007***
			(0.001)			(0.001)
Fixed Effects						
Found. f×State, Congress	x	x	x			
Found. f×Cong Dist d, Congress				x	x	x
N	626,489	626,489	626,489	618,310	618,310	618,310
R^2	0.299	0.299	0.299	0.551	0.550	0.551

Notes: The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. See the text for further details on the definition and variable construction. Columns (1) and (4) employ $log(1+Issues)$ as the main explanatory variable, columns (2) and (5) employ the number of issues covered, and columns (3) and (6) use a dummy variable denoting at least 1 issue covered. The dependent variable is an indicator variable denoting non-zero CSR contributions. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.2: CSR and PAC Contributions, and Close Elections

Dep. Variable: Log Contributions from Foundation f to Cong Dist d				
	Charity	PAC	Charity	PAC
	(1)	(2)	(3)	(4)
Margin<5%*Log Issues			0.0804	0.1337**
			(0.0597)	(0.0633)
Margin<5%	-0.0572***	0.0898***		
	(0.0195)	(0.0187)		
Log Issues of Interest to Found. f	0.1072***	0.6312***	0.1079***	0.4872***
Covered by Representative in d	(0.0184)	(0.0220)	(0.0191)	(0.0212)
Fixed effects				
Found. f×Cong Dist d	x	x	x	x
Congress t	x	x		
Cong Dist d × Congress t			x	x
Observations	440,482	440,482	440,482	440,482
R-squared	0.5987	0.5892	0.6090	0.6273

Notes: The sample includes all district-Congress observations in which the incumbent stands for reelection. Issues of Interest is the number of issues of interest to foundation/firm f that are covered by the representative in district d through her committee assignment in Congress t. We use $log(1 + Issues)$ in all specifications. Margin is the winning vote margin in district d for Congress t. Columns (1) and (3) use CSR contributions as the outcome while columns (2) and (4) use PAC contributions. For both measures of contributions, we employ the functional form $log(1 + x)$ to construct the variables used in the analysis. See text for further details. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.3: Robustness: Non-linear terms

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	0.179***	1.777***	0.160***	0.971***
Covered by Representative in d	(0.037)	(0.049)	(0.036)	(0.041)
(Log Issues)^2	-0.095***	-0.677***	-0.073**	-0.429***
	(0.034)	(0.042)	(0.034)	(0.036)
Fixed Effects				
Found. f×State, Congress	x	x		
Found. f×Cong Dist d, Congress			x	x
N	626,489	626,489	618,310	618,310
R^2	0.323	0.322	0.591	0.597

Notes: Issues of Interest is the number of issues of interest to foundation/firm f that are covered by the representative in district d through her committee assignment in Congress t. Columns (1) and (3) use CSR contributions as the outcome while columns (2) and (4) use PAC contributions. For both measures of contributions, we employ the functional form $log(1 + x)$ to construct the variables used in the analysis. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.4: Robustness: Winsorized Contributions (top 1%)

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	870.706***	520.809***	814.504***	244.287***
Covered by Representative in d	(241.044)	(14.090)	(211.593)	(11.026)
Fixed Effects				
Found. f×State	x	x		
Found. f×Cong Dist d			x	x
State×Congress	x	x		
Cong Dist d×Congress			x	x
N	626,489	626,489	618,310	618,310
R^2	0.265	0.315	0.643	0.609

Notes: Notes: Issues of Interest is the number of issues of interest to foundation/firm f that are covered by the representative in district d through her committee assignment in Congress t. We use $log(1 + Issues)$ in all specifications. Columns (1) and (3) use CSR contributions as the outcome while columns (2) and (4) use PAC contributions. For both measures of contributions, we employ the functional form $log(1+x)$ to construct the variables used in the analysis, winsorizing the highest 1% of donations. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.5: PAC Contributions and Issues Covered - Time-invariant issues

Depend. Variable: Log PAC Contributions from f to Congr. District d												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Log Issues of Interest to Found. f	1.120***			1.109***			0.964***			0.810***		
Covered by Representative in d	(0.024)			(0.025)			(0.026)			(0.025)		
Issues of Interest to Found. f		0.597***			0.592***			0.508***			0.423***	
Covered by Representative in d		(0.015)			(0.015)			(0.016)			(0.015)	
Any Issue of Interest to Found. f			0.910***			0.901***			0.780***			0.640***
Covered by Representative in d			(0.019)			(0.019)			(0.020)			(0.020)
Fixed Effects												
Congress	x	x	x				x	x	x			
Found. f×State	x	x	x	x	x	x						
Congress×State				x	x	x						
Found. f×Cong Dist d							x	x	x	x	x	x
Congress ×Cong Dist d										x	x	x
N	673,593	673,593	673,593	673,593	673,593	673,593	665,373	665,373	665,373	665,373	665,373	665,373
R^2	0.320	0.318	0.319	0.324	0.322	0.323	0.554	0.554	0.554	0.593	0.592	0.592

Notes: The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. In this table, we calculate Issues of Interest based on lobbying expenditures over our entire sample period. The dependent variable is $log(1 + PAC\ Contributions)$ in all specifications. See text for further details on variable definitions and construction. Columns (1), (4), (7), and (10) employ $log(1 + Issues)$ as the main explanatory variable, columns (2), (5), (8), and (11) employ the number of issues covered, and columns (3), (6), (9), and (12) use a dummy variable denoting at least 1 issue covered. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.6: CSR Contributions and Issues Covered - Time-invariant issues

Depend. Variable: Log CSR Contributions from f to Congr. District d												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Log Issues of Interest to Found. f	0.056***			0.055***			0.036**			0.034*		
Covered by Representative in d	(0.017)			(0.017)			(0.017)			(0.018)		
Issues of Interest to Found. f		0.029***			0.028***			0.022**			0.020*	
Covered by Representative in d		(0.010)			(0.010)			(0.009)			(0.010)	
Any Issue of Interest to Found. f			0.047***			0.046***			0.026*			0.025*
Covered by Representative in d			(0.014)			(0.014)			(0.014)			(0.015)
Fixed Effects												
Congress	x	x	x				x	x	x			
Found. f×State	x	x	x	x	x	x						
Congress×State				x	x	x						
Found. f×Cong Dist d							x	x	x	x	x	x
Congress ×Cong Dist d										x	x	x
N	673,593	673,593	673,593	673,593	673,593	673,593	665,373	665,373	665,373	665,373	665,373	665,373
R^2	0.320	0.320	0.320	0.321	0.321	0.321	0.574	0.574	0.574	0.586	0.586	0.586

Notes: The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative in district d through her committee assignment in Congress t. In this table, we calculate Issues of Interest based on lobbying expenditures over our entire sample period. The dependent variable is $log(1 + CAR\ Contributions)$ in all specifications. See text for further details on variable definitions and construction. Columns (1), (4), (7), and (10) employ $log(1 + Issues)$ as the main explanatory variable, columns (2), (5), (8), and (11) employ the number of issues covered, and columns (3), (6), (9), and (12) use a dummy variable denoting at least 1 issue covered. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.7: 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 Covered by Representative in d	0.101** (0.044)	1.649*** (0.057)	0.109** (0.045)	0.707*** (0.053)
Fixed Effects				
Found. f×State	x	x		
Found. f×Cong Dist d			x	x
State×Congress	x	x		
Cong Dist d×Congress			x	x
N	626,489	626,489	618,310	618,310
R^2	0.323	0.310	0.591	0.595

Notes: Issues of Interest is the number of issues of interest to foundation/firm f that are covered by the representative in district d through her committee assignments in Congress t in which she serves as committee chair or ranking minority member. We use $log(1 + Issues)$ in all specifications. Columns (1) and (3) use CSR contributions as the outcome while columns (2) and (4) use PAC contributions. For both measures of contributions, we employ the functional form $log(1 + x)$ to construct the variables used in the analysis. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.8: 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)
$ln\,CSR_{t-1}$	0.0006***	0.0002	-0.0001	-0.0003				
	(0.0002)	(0.0002)	(0.0002)	(0.0003)				
$ln\,CSR_{t-2}$		0.0001	-0.0003	-0.0007***				
		(0.0002)	(0.0002)	(0.0003)				
$ln\,CSR_{t-3}$			-0.0001	-0.0003				
			(0.0002)	(0.0003)				
$ln\,CSR_{t-4}$				-0.0005*				
				(0.0003)				
$ln\,PAC_{t-1}$					0.0022***	0.0018***	0.0008**	-0.0005
					(0.0002)	(0.0003)	(0.0003)	(0.0004)
$ln\,PAC_{t-2}$						-0.0009***	-0.0014***	-0.0022***
						(0.0003)	(0.0003)	(0.0004)
$ln\,PAC_{t-3}$							-0.0016***	-0.0017***
							(0.0003)	(0.0004)
$ln\,PAC_{t-4}$								-0.0013***
								(0.0004)
Observations	504,586	402,635	307,352	224,076	504,586	402,635	307,352	224,076
R^2	0.5372	0.5666	0.5893	0.6289	0.5374	0.5667	0.5895	0.6291

Notes: All regressions include Foundation×Congressional District fixed effects. Issues of Interest is the number of issues of interest to foundation/firm f that are covered by the representative in district d through her committee assignments in Congress t in which she serves as committee chair or ranking minority member. We use $log(1 + Issues)$ as the dependent variable in all specifications. $lnCSR_{t-1}$ is $log(1 + CSR\ Contributions)$ from foundation/firm f to charities in district d during Congress $t - 1$. The other independent variables are similarly defined. Standard errors are clustered at the foundation-state level. *** p<0.01, ** p<0.05, * p<0.1

Table C.9: 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										
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	0.016	0.016	0.052	0.052	0.068	0.067	0.075	0.074	0.107	0.107

Notes: The sample in this table is a cross-section that includes all non-profits that appear at least once in the IRS Business Master Files for 1998, 2004, and 2015. The connections to Congress variables capture whether a non-profit is connected to a legislator via information on their Personal Financial Disclosure forms. The outcome variable is the log of 1 plus contributions received from all the corporate foundations in our data during our sample period. Log Income is reported income and Log Assets is the book value of assets for the non-profit in the most recent year available. See text for additional details. All specifications control for whether the organization is a 501(c)(3) charity. *** p<0.01, ** p<0.05, * p<0.1

Table C.10: 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										
501(c)(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: The sample in this table is a cross-section that includes all non-profits that appear at least once in the IRS Business Master Files for 1998, 2004, and 2015. The connections to Congress variables capture whether a non-profit is connected to a legislator via information on their Personal Financial Disclosure forms. The outcome is an indicator variable denoting whether the non-profit received a donation from any of the corporate foundations in our data during our sample period. Log Income is reported income and Log Assets is the book value of assets for the non-profit in the most recent year available. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table C.11: CSR Contributions to Relevant Charities

Dependent Variable: Log(1+Charitable Contributions)														
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Relevance/1000	8.107***				4.935***				1.534***					
(Issue-Congressmen pairs)	(0.844)				(0.786)				(0.541)					
Relevance/1000		32.299***				15.342***				1.767				
(Congressmen)		(2.382)				(1.998)				(1.419)				
Relevance/1000			8.076***				4.894***				1.507***			
(Issues)			(0.841)				(0.783)				(0.540)			
Any relevance?/1000				22.651***				7.435***				2.423*	3.000**	0.245*
				(1.762)				(1.522)				(1.312)	(1.376)	(0.144)
Fixed Effects:														
Found. f	x	x	x	x	x	x	x	x						
Charity c					x	x	x	x						
Year t	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Found. f×Charity c									x	x	x	x	x	x
Charity c×Congress													x	x
Found. f×Congress														x
Observations	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160	4,054,160
R-squared	0.013	0.013	0.013	0.013	0.060	0.060	0.060	0.060	0.461	0.461	0.461	0.461	0.466	0.449

Notes: The sample includes all non-profits that appear in the Personal Financial Disclosure (PFD) forms. The outcome in each regression is the log of 1 plus the value of grants that non-profit g received from firm/foundation f in Congress t. *Relevance* variables capture whether a legislator with personal ties (as documented in PFD forms) to a grantee g is on a committee that is relevant to firm/foundation f in Congress t. We control in all specifications for the logarithm of total CSR contributions by corporation f in year t. See text for further details on variable construction. Standard errors are clustered at the foundation-charity level. *** p<0.01, ** p<0.05, * p<0.1

Table C.12: Pair-level Analysis

Dependent variable: Does the non-profit receive any corporate charity?					
	(1)	(2)	(3)	(4)	(5)
Log Issues of Interest to Found. f	0.0692***	0.0107**	0.0127**	0.0112*	0.0900***
Covered by Repres. linked to charity g	(0.0056)	(0.0051)	(0.0058)	(0.0058)	(0.0070)
Log Issues of Interest to Found. f	0.0037***	0.0017***	0.0021***	0.0004	0.0034**
Covered by Representative in d	(0.0012)	(0.0005)	(0.0006)	(0.0006)	(0.0014)
Fixed Effects					
Foundation f	x				
Grantee g	x				
Congress	x	x			
Found f×Grantee g		x	x	x	
Found f×Congress			x	x	x
Grantee g×Congress				x	x
Observations	73,400,217	71,479,250	71,479,250	71,479,250	73,400,217
R-squared	0.0277	0.4780	0.4829	0.4854	0.0351

Notes: The sample includes all foundation-nonprofit-Congress combinations for non-profits that receive at least one donation from a foundation/firm in our dataset during our sample period. The dependent variable is an indicator variable denoting whether non-profit g received a donation from foundation/firm f in Congress t. The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by a representative through her committee assignment in Congress t. The first measure is based on personal ties listed on legislators' Personal Financial Disclosures. The second is based on whether the non-profit is located in the legislator's district. In both cases we use $log(1 + Issues)$. See text for further details on the sample, estimation methodology, and variable construction. Standard errors are clustered at the foundation f×congressional district level. *** p<0.01, ** p<0.05, * p<0.1

Table C.13: Pair-level Analysis - Congressional district clustering

Dependent variable: Does the non-profit receive any corporate charity?					
	(1)	(2)	(3)	(4)	(5)
Log Issues of Interest to Found. f	0.0692***	0.0107*	0.0127**	0.0112**	0.0900***
Covered by Repres. linked to charity g	(0.0104)	(0.0063)	(0.0055)	(0.0054)	(0.0125)
Log Issues of Interest to Found. f	0.0037**	0.0017***	0.0021***	0.0004	0.0034*
Covered by Representative in d	(0.0015)	(0.0006)	(0.0007)	(0.0007)	(0.0018)
Fixed Effects					
Foundation f	x				
Grantee g	x				
Congress	x	x			
Found f×Grantee g		x	x	x	
Found f×Congress			x	x	x
Grantee g×Congress				x	x
Observations	73,400,217	71,479,250	71,479,250	71,479,250	73,400,217
R-squared	0.0277	0.4780	0.4829	0.4854	0.0351

Notes: The sample includes all foundation-nonprofit-Congress combinations for non-profits that receive at least one donation from a foundation/firm in our dataset during our sample period. The dependent variable is an indicator variable denoting whether non-profit g received a donation from foundation/firm f in Congress t. The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by a representative through her committee assignment in Congress t. The first measure is based on personal ties listed on legislators' Personal Financial Disclosures. The second is based on whether the non-profit is located in the legislator's district. In both cases we use $log(1 + Issues)$. See text for further details on the sample, estimation methodology, and variable construction. Standard errors are clustered at the congressional district level. *** p<0.01, ** p<0.05, * p<0.1

Table C.14: Pair-level Analysis - Redistricting

Dependent variable: Does the non-profit receive any corporate charity?					
	(1)	(2)	(3)	(4)	(5)
Log Issues of Interest to Found. f	0.0064***	0.0036***	0.0043***	0.0023*	0.0049**
Covered by Representative in d	(0.0022)	(0.0012)	(0.0014)	(0.0013)	(0.0025)
Fixed Effects					
Foundation f	x				
Grantee g	x				
Congress	x	x			
Found f×Grantee g		x	x	x	
Found f×Congress			x	x	x
Grantee g×Congress				x	x
Observations	8,734,286	8,009,533	8,009,533	8,009,533	8,734,286
R-squared	0.0380	0.6936	0.6958	0.6980	0.0444

Notes: The sample includes all non-profits that experience a shift in congressional district. We include the Congresses immediately pre- and post-redistricting (i.e., Congresses 107, 108, 112 and 113). The data are at the level of foundation-nonprofit-Congress, and includes non-profits that receive at least one donation from a foundation/firm in our dataset. The dependent variable is an indicator variable denoting whether non-profit g received a donation from foundation/firm f in Congress t. The Issues of Interest variables capture whether issues of interest to foundation/firm f are covered by the representative of district d through her committee assignment in Congress t. Standard errors are clustered at the foundation f×congressional district level. *** p<0.01, ** p<0.05, * p<0.1

Table C.15: Monte Carlo Simulations for Disaggregate Regression

Specification	Number of Simulations	Mean	Std Dev	Min	Max
Panel A. Beta =1, high noise/signal ratio					
Disaggregate And Selection	100	0.9995	0.0073	0.9831	1.0167
Disaggregate	100	0.0203	0.0025	0.0151	0.0270
Aggregate	100	1.0178	0.1230	0.7543	1.3508
Panel B. Beta =1, low noise/signal ratio					
Disaggregate And Selection	100	0.9999	0.0001	0.9998	1.0002
Disaggregate	100	0.0200	0.0000	0.0200	0.0201
Aggregate	100	1.0002	0.0012	0.9975	1.0035

Notes: This table reports regression coefficients (elasticities) from models estimated with 50 firms, 50 grantees, 100 districts, and 10 time periods. The true elasticity equal to 1. The variance of regression error to independent variable variance is equal to 1 in Panel A and 1/10 in Panel B. We assume uniform random selection of grantee recipient in each period. See the text for further details.

C.3 Lobbying Issues

Table C.16: 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