

# Corporate Distress and Lobbying

## Evidence from the Stimulus Act

### ONLINE APPENDIX

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**Table A1 - Effect of Financial Health on Lobbying at the Industry Level**

The table reports the OLS regression results where the dependent variable is the growth in lobbying expenses of all entities within the same four-digit NAICS code level (companies and industry organizations) between different reference periods in 2008 to the beginning of 2009. The dependent variable is the growth in lobbying expenses from 2008q1 to 2009q1 (columns (1) and (2)); the growth in the average quarterly expenses during the first half of 2008 to 2009q1 (columns (3) and (4)); the growth in the average quarterly expenses during the first three quarters of 2008 to 2009q1 (columns (5) and (6)); the growth in the average quarterly expenses during 2008 to 2009q1 (columns (7) and (8)). Return is the one-year return on a value-weighted portfolio of firms in the same four-digit NAICS industry from 2007q4 to 2008q4. Log (Assets) is the logarithm of the sum of total assets (in millions) of all Compustat firms in each 4-digit NAICS industry as of 2007q4. Cash Flow is the quarterly weighted average (by market capitalization) of earnings before interest, taxes, depreciation, and amortization for companies with the same 4-digit NAICS code; it is in changes from 2007 to 2008. Industries that are below the 1st and above the 99th percentile in yearly returns are dropped. Heteroscedasticity-robust standard errors are in parentheses. \*, \*\*, \*\*\* denote the statistical significance at 10, 5, 1% levels, respectively.

	2008q1 vs. 2009q1		2008q1-q2 vs 2009q1		2008q1-q3 vs. 2009q1		2008 vs. 2009q1	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Return	-0.30*	-0.29*	-0.32**	-0.32**	-0.25**	-0.23*	-0.21*	-0.19
	(0.16)	(0.16)	(0.13)	(0.14)	(0.12)	(0.12)	(0.12)	(0.12)
Log (Assets)		-0.03**		-0.03**		-0.02*		-0.02**
		(0.02)		(0.01)		(0.01)		(0.01)
Cash Flow		-0.40		-0.28		-0.28		-0.26
		(0.50)		(0.40)		(0.38)		(0.35)
R2	0.03	0.03	0.04	0.04	0.03	0.03	0.03	0.03
N. Obs.	127	121	126	120	127	121	127	121

**Table A2 - Effect of Financial Health on Lobbying – Outliers Winsorized**

The table reports two-period OLS-based difference-in-differences estimates where the dependent variable is the firm lobbying expenses (normalized by lagged assets in million dollars). The first (pre-treatment) period is 2008q1 and the second (post-treatment) period is 2009q1. *CDS Spread* is the spread on the firm’s Credit Default Swaps in basis points, *Assets* are the book value of firm’s assets in millions, *Market-to-Book* is the sum of the market value of the firm’s equity and the book value of firm’s debt, all divided by the firm’s book value of assets; *Cash Flow* is the quarterly earnings before interest, taxes, depreciation, and amortization scaled by lagged assets. All the stock explanatory variables are as of the beginning of the period; all the flow explanatory variables are as of the previous quarter. Linear industry trends are based on 22 2-digit NAICS classification. The dependent variable and the change in CDS Spread are winsorized at the 1<sup>st</sup> and above the 99<sup>th</sup> percentile. *Active Lobbyists* are the firms with strictly positive lobbying expenses for at least one quarter in 2007 or later. Firm fixed effects are absorbed through first differencing before the actual estimation is performed. Heteroscedasticity-robust standard errors are in parentheses. \*, \*\*, \*\*\* denote the statistical significance at 10, 5, 1% levels, respectively.

	(1)	(2)	(3)	(4)
Ln(CDS Spread)	1.81*	1.96**	2.49	2.94**
	(0.93)	(0.90)	(1.55)	(1.45)
Ln(Assets)		-7.99		-19.46*
		(8.71)		(11.70)
Cash Flow		16.56		23.70
		(21.90)		(37.77)
Market-to-Book		1.84		3.87
		(2.77)		(4.93)
Industry Trends	Y	Y	Y	Y
Firm Fixed Effects	Absorbed	Absorbed	Absorbed	Absorbed
Sample	Full	Full	Active Lobbyists	Active Lobbyists
R2	0.09	0.10	0.14	0.17
Number of Firms	378	378	228	228

**Table A3 - Effect of Financial Health on R&D Expenditures**

The table reports two-period OLS-based difference-in-differences estimates where the dependent variable is the firm R&D expenditures (normalized by lagged assets). The first (pre-treatment) period is 2008q1 and the second (post-treatment) period is 2009q1. *CDS Spread* is the spread on the firm's credit default swaps in basis points, *Assets* are the book value of firm's assets in millions, *Market-to-Book* is the sum of the market value of the firm's equity and the book value of firm's debt, all divided by the firm's book value of assets. *Cash Flow* is the quarterly earnings before interest, taxes, depreciation, and amortization scaled by lagged assets. All the stock explanatory variables are as of the beginning of the period; all the flow explanatory variables are as of the previous quarter. Linear industry trends are based on 22 2-digit NAICS classification. Firms that are below the 1<sup>st</sup> and above the 99<sup>th</sup> percentile in the dependent variable or in the change of CDS Spread are dropped. *Active Lobbyists* are the firms with strictly positive lobbying expenses for at least one quarter in 2007 or later. Firm fixed effects are absorbed through first differencing before the actual estimation is performed. Heteroscedasticity-robust standard errors are in parentheses. \*, \*\*, \*\*\* denote the statistical significance at 10, 5, 1% levels, respectively.

	(1)	(2)	(3)	(4)
Ln(CDS Spread)	-0.24 (0.35)	-0.22 (0.32)	-1.25* (0.72)	-0.52 (0.49)
Ln(Assets)		-7.90** (3.76)		-9.44* (5.21)
Cash Flow		-2.65 (6.30)		8.64 (6.12)
Market-to-Book		-0.31 (0.82)		-0.06 (1.00)
Industry Trends	Y	Y	Y	Y
Firm Fixed Effects	Absorbed	Absorbed	Absorbed	Absorbed
Sample	Full	Full	Active Lobbyists	Active Lobbyists
R2	0.14	0.28	0.22	0.33
Number of Firms	137	137	75	75