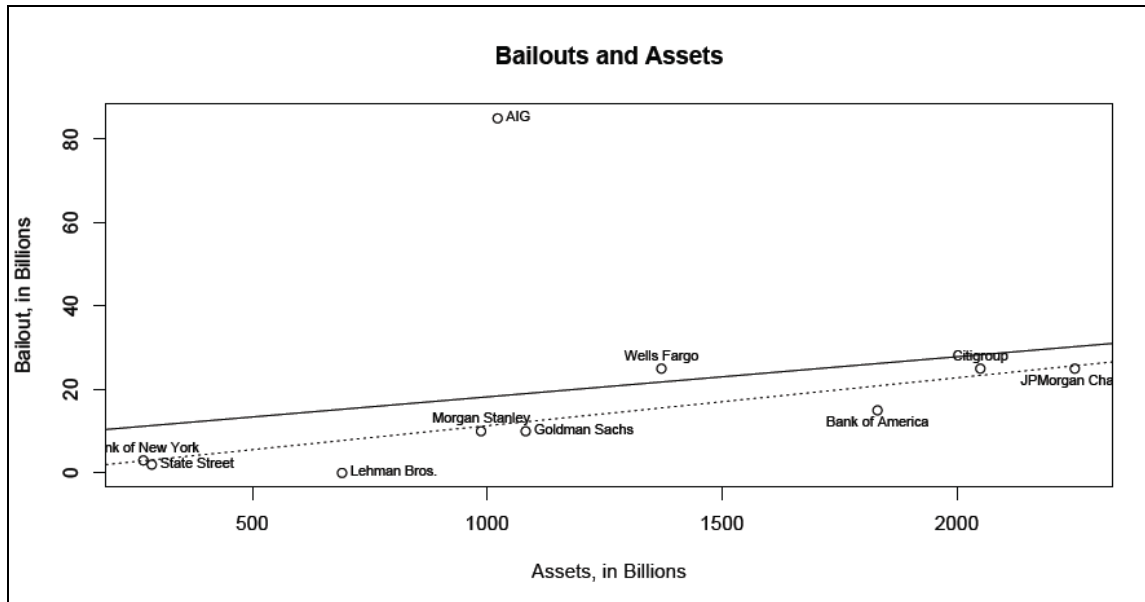


Does More Lobbying Buy a Better Bailout?

Lee Drutman

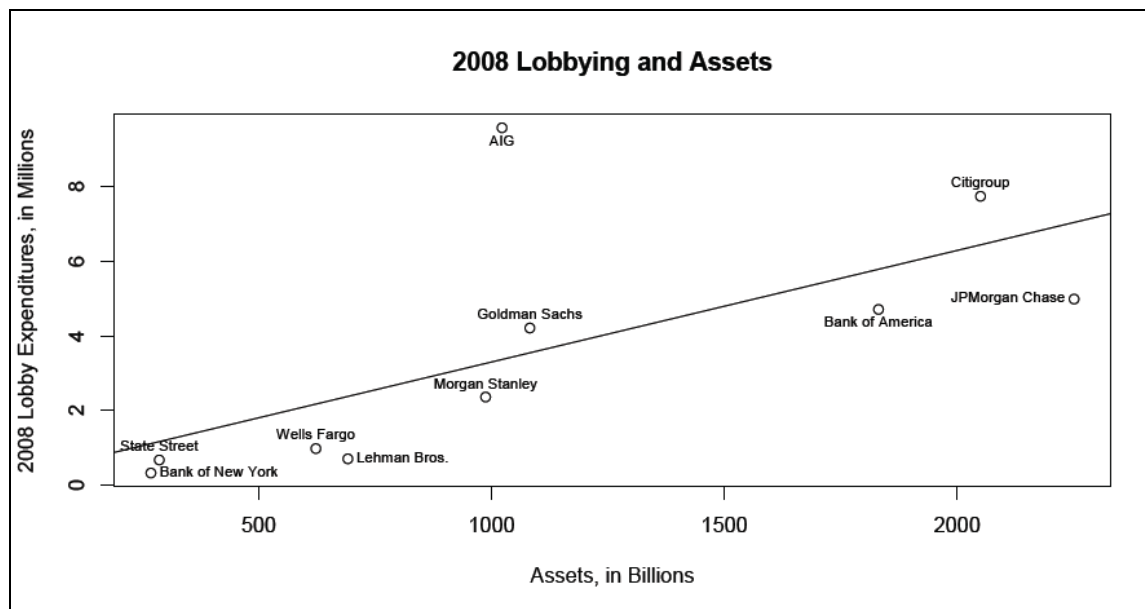
Did lobbying help certain companies get better bailouts than others? Looking at the data on lobbying and bailout size, it becomes clear that the one company that got the biggest bailout – AIG – spent the most on lobbying; Meanwhile, the one company that got left out of the bailout party – Lehman Brothers – spent comparably little on lobbying for a firm of its size.

Let's consider the first round of bailouts under TARP, in which the largest financial companies received sizeable bailouts. Presumably, the bailouts were allocated based on the size of the company. If we plot the size of the bailouts and the size of the companies by assets, we see a mostly linear relationship between bailout size and assets. AIG, however, is a major outlier in getting a very large bailout (\$85 billion). Wells Fargo and Citigroup also appear to have done slightly better than might be expected for their size. Lehman, of course, was left out entirely. Another company that seems to get less for its size is Bank of America.

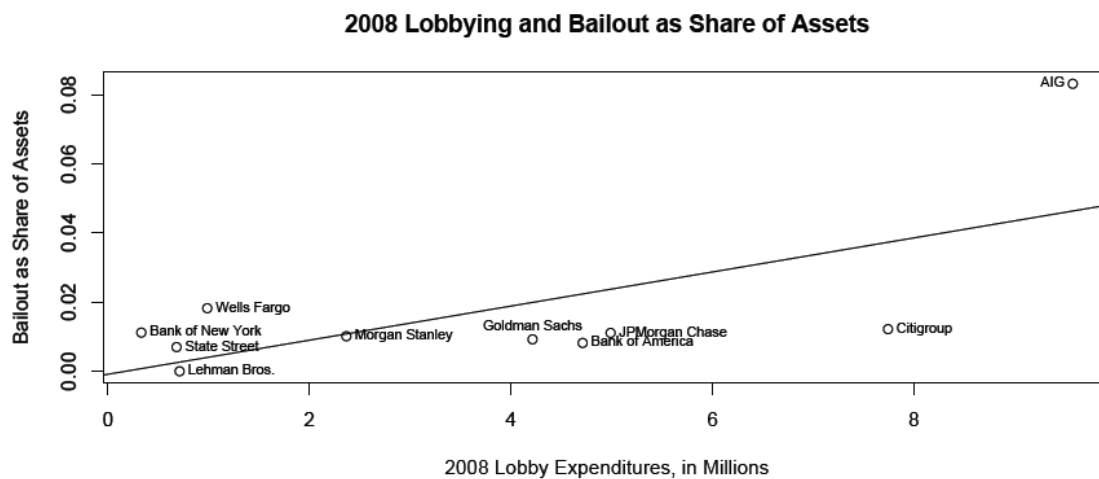


(Note: The solid line is fit to all cases. The dotted line excludes Lehman and AIG as potential outliers.)

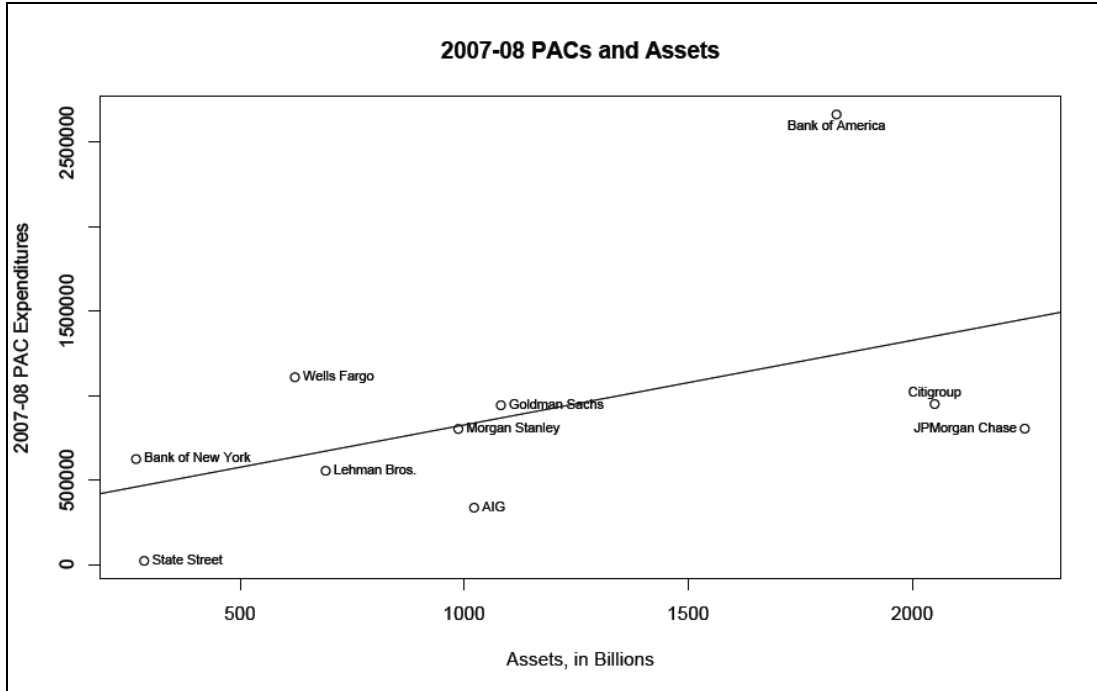
If we turn to lobbying expenditure, AIG is also an outlier, spending far more on lobbying than one would expect for a similar company its size. Lehman Brothers, meanwhile, appears to be the biggest outlier on the under-investment in lobbying side. Bank of America, which also got a smaller bailout for its size, also spent less on lobbying. By contrast, Citigroup, which also did a little better for its size, also was a relatively big spender on lobbying. Wells Fargo also appears to have gotten a big bailout for a smaller investment (note that I used Wells Fargo's size here before it purchased Wachovia, which more than doubled its assets). Perhaps Wells Fargo benefited from having its headquarters in San Francisco, the home district of the Speaker of the House, Nancy Pelosi?



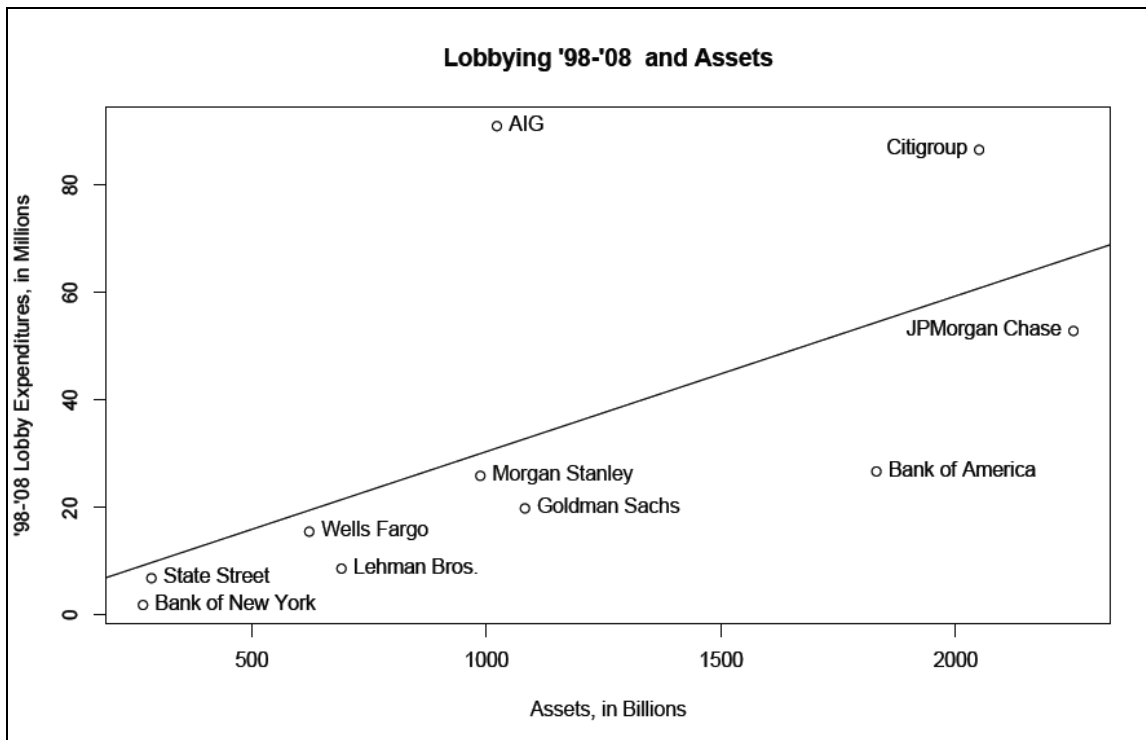
Another way to view this is to compare lobbying expenditures and bailouts as share of total assets (in effect, controlling for size). Again, AIG is the outlier on the high side, and Lehman is on the low side.



What about PAC contributions? Here Bank of America is the big outlier on the plus side, with a very large PAC, while AIG spent comparably much less on a PAC. And Lehman spends exactly what we would expect for a company its size. Perhaps this suggests that lobbying has much more influence than campaign contributions? Also note: Wells Fargo comes off as the most aggressive contributor for its size. Perhaps this helped it to get a bigger bailout?



Finally, we might also be interested in looking at the long-term lobbying profiles of these companies, since lobbying is a multi-year investment in relationships. Again, we see similar patterns. AIG and Citigroup, which comparably did the best in the bailout department for their size, were the biggest lobbyists over the last decade. Lehman Bros. and Bank of America, which both did poorly for their size, again were under-investors in lobbying for their size for the whole decade.



Did companies who lobbied more get better bailouts? This is obviously only suggestive, and bailouts were supposedly awarded on the basis of need. But given the lack of transparency with the entire process and certainly the lack of transparency in the way these companies accounted for their financial position, one can wonder whether lobbying had something to do with it. After all, how much did the government rely on the assessments that the companies provided? And were companies who spent more on lobbying better able to convince the government that they needed more money? Another possibility is that companies that lobbied more felt more emboldened to take riskier positions, confident that if they got into trouble, they could get government help.

To reiterate, these patterns are only suggestive. Lacking good information about the actual financial position of these companies and the way in which the bailouts were allocated, we can only speculate. Still, it is puzzling that the one company who got the biggest bailout was also the heaviest lobbyist of the group, and the one company that got left out lobbied comparably little for a company of its size.

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DATA

COMPANY	Bailout (MM)	Assets (MM)	2008 Lobbying	2007-08 PAC donations	1998-2008 Lobbying
AIG	\$85,000	\$1,022,237	\$9,573,800	\$337,358	\$90,964,400
Citigroup	\$25,000	\$2,050,000	\$7,740,000	\$950,936	\$86,555,000
JPMorgan Chase	\$25,000	\$2,251,000	\$4,987,500	\$805,516	\$52,857,013
Wells Fargo	\$25,000	\$1,371,000*	\$984,740	\$1,109,559	\$15,527,740
Bank of America	\$15,000	\$1,831,000	\$4,710,000	\$2,665,385	\$26,724,040
Morgan Stanley	\$10,000	\$987,000	\$2,365,000	\$803,569	\$25,914,000
Goldman Sachs	\$10,000	\$1,082,000	\$4,212,500	\$944,034	\$19,862,750
Bank of New York	\$3,000	\$268,000	\$330,402	\$625,275	\$1,890,402
State Street	\$2,000	\$286,000	\$680,000	\$22,500	\$6,876,340
Lehman Bros.	-	\$691,063	\$710,000	\$555,675	\$8,650,000

Note: Assets are of September 2008. *Includes Wachovia purchase. Prior to Wachovia purchase, Wells Fargo had assets of \$622,000 million.

Sources: Center for Responsive Politics, GAO