

# Betting on the Wrong Horse:

## Lobbying on TPP and the 2016 U.S. Presidential Election

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### Background

"The Trans-Pacific Partnership is another disaster done and pushed by special interests who want to rape our country, just a continuing rape of our country" Donald Trump in June 2016

### Motivation

- ▶ New new trade theory: Firms are heterogenous in size and trade participation, even **within sectors** [Bernard et al., 2007]
- ▶ Lobbying on FTAs done by the **largest firms** [Blanga-Gubbay et al., 2018]
- ▶ Do these firms gain from trade?

### Our Contributions

- ▶ Evidence on how firms profit from (legislative) lobbying
- ▶ Evidence of the dispersion of gains from trade within sectors

### Event study

Following Acemoglu et al. [2016]

- ▶ Firms reveal profitable projects by lobbying
- ▶ Investors form expectations about future profits based on election forecast
- ▶ Underestimated victory of Trump leads to adjustments

### Conclusion

- ▶ Stock prices of firms that lobbied in favor of TPP experienced 4 days of negative returns
- ▶ For every million spent on lobbying stocks dropped by 0.3 percentage points per day

### Outlook

 **Donald J. Trump**   
@realDonaldTrump

Would only join TPP if the deal were substantially better than the deal offered to Pres. Obama. We already have BILATERAL deals with six of the eleven nations in TPP, and are working to make a deal with the biggest of those nations, Japan, who has hit us hard on trade for years!

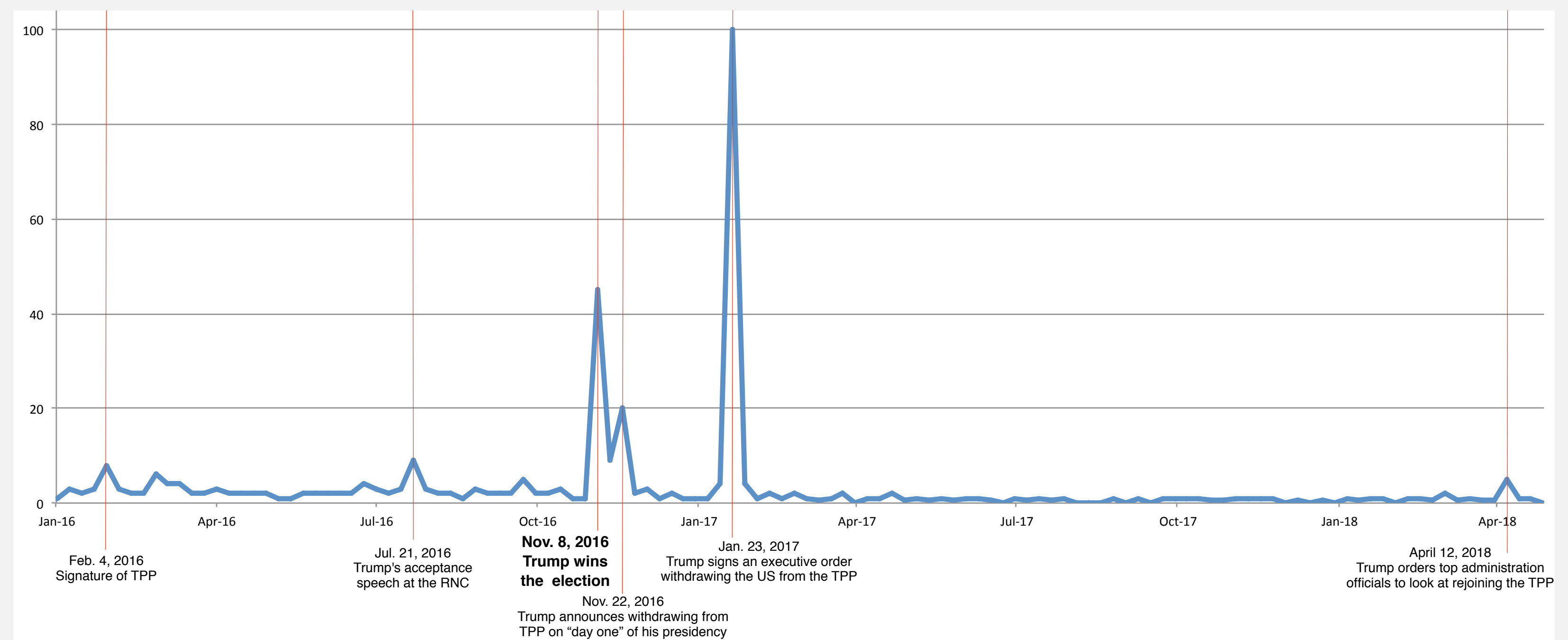
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 78.6K  31.9K people are talking about this

### Bibliography

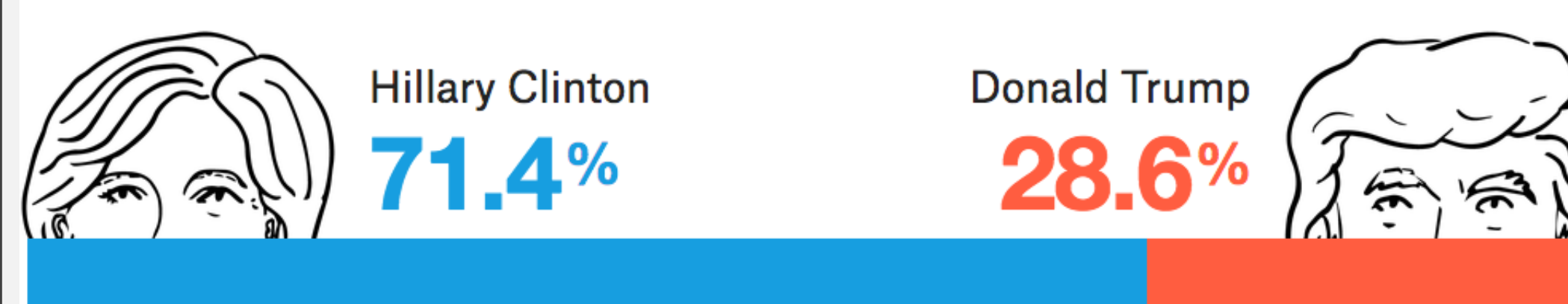
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### US Presidential Race 2016 and interest in TPP



Source: Google Trends on TPP

### Chance of winning



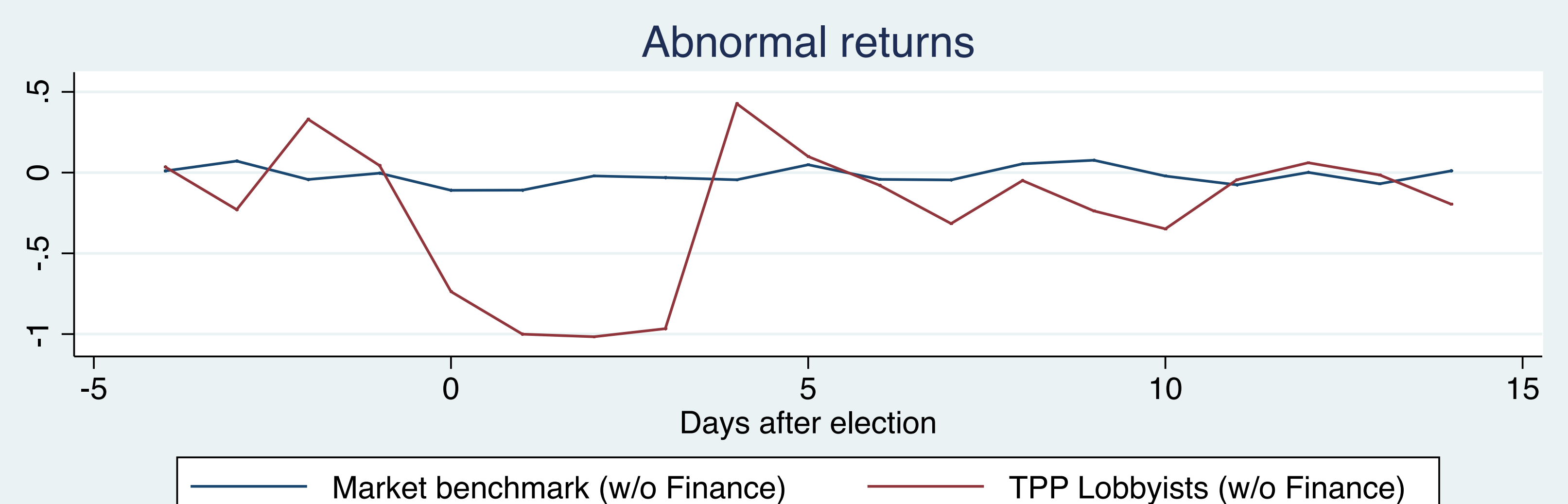
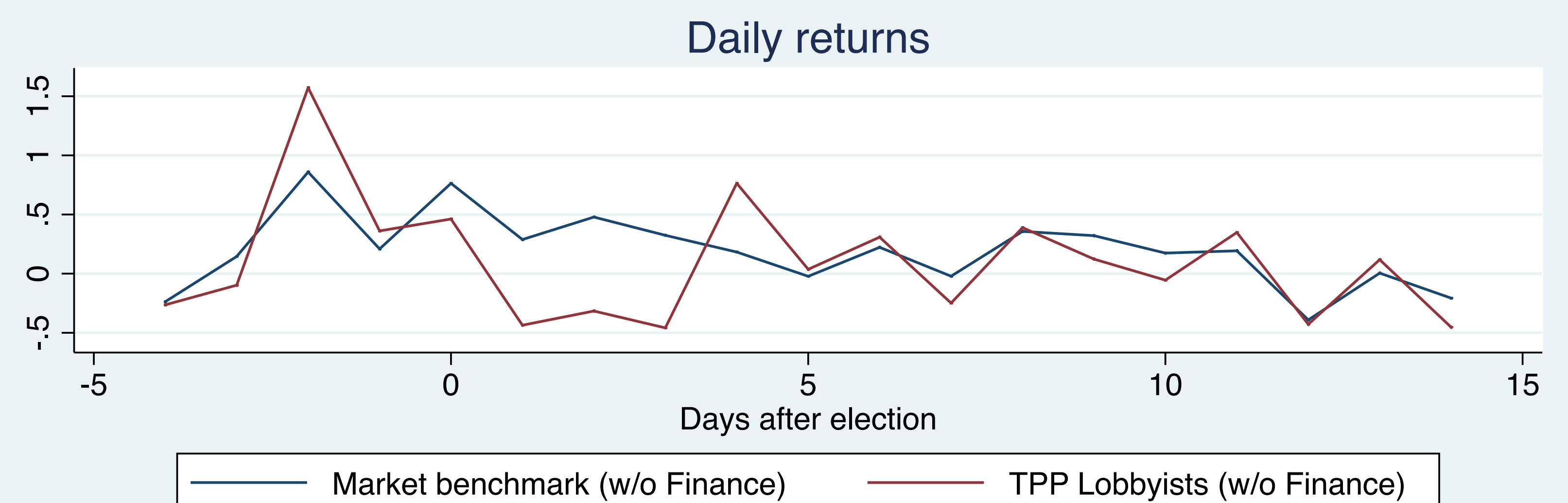
Source: 538.com Election Forecast



### The Trumpothesis

*Firms lobbying on TPP lost after the unexpected victory of Donald Trump*

### Results



### Daily returns of firms, by sector

	(1)	(2)	(3)	(4)	(5)	(6)
	All Sectors	Finance	Manufacturing	Services	Wholesale and Retail	Other
T (Nov. 8)	<b>0.0999**</b> (-2.25)	0.454*** (2.86)	-0.0331 (-0.77)	-0.0523 (-0.80)	0.459*** (4.60)	-0.0873 (-1.40)
T*Lobbying expenditure	<b>-0.359***</b> (-7.02)	-0.119 (-0.38)	-0.0684* (-1.83)	-1.165*** (-15.81)	-1.705*** (-12.95)	-0.0652 (-0.49)
Firm FE	<b>Yes</b>	Yes	Yes	Yes	Yes	Yes
N	<b>19808</b>	4376	7336	2896	1776	2936
R <sup>2</sup>	<b>0.003</b>	0.002	0.001	0.092	0.103	0.001