

SLEEPING WITH THE ENEMY: HOW POLITICIANS AND INTEREST GROUPS ADAPT THEIR COLLABORATIONS IN THE FACE OF REPUTATIONAL THREATS*

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Abstract

How does the reputation of interest groups affect their collaboration with politicians? We address this question using unique data on the public speeches and lobbying contacts of U.S. legislators. We find that when external events tarnish a foreign country’s reputation, legislators with prior connections to that country publicly distance themselves from it through their speeches, while meeting more often with its lobbyists. Our results suggest that politicians and interest groups navigate crises by strategically decoupling the public and private dimensions of their collaboration. On the one hand, politicians protect themselves from reputational spillovers through public distancing. On the other hand, interest groups increase the assistance they provide to politicians via lobbying in order to motivate those politicians to continue a private collaboration that is now less appealing to them.

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1 Introduction

Organizations deploy a vast array of non-market strategies, from campaign contributions to lobbying and grassroots mobilization, to gain access to, and influence on policy-makers (Hillman et al., 2004; Bonardi et al., 2005; de Figueiredo and Richter, 2014). While potentially beneficial, interactions and collaborations with interest groups also expose politicians to risks. Once voters, social movements and other stakeholders associate a politician with a particular interest group, events or actions that harm the reputation of such group may spill over to the politician through a process of stigma by association. A central question for organizations seeking political access, which we address in this paper, is therefore how politicians will respond to the threat of reputation spillovers, and what strategies will preserve the organization’s ability to collaborate with politicians.

Recent research has shown that the bad reputation of interest groups reduces politicians’ willingness to support them in public – for instance, by inviting their representatives to appear in Congress or awarding them government contracts (McDonnell and Werner, 2016).¹ Does that mean, however, that groups with a bad reputation cannot receive any political support? Or do politicians collaborate with such groups “under the radar”, using public distancing as a strategic tool to limit reputational spillovers? Our paper tackles this puzzle, providing evidence that politicians decouple their public and private collaboration with interest groups.

To frame and guide our empirical analysis, we begin by developing a simple analytical model that draws upon the view of lobbying as a “legislative subsidy” (Hall and Deardorff, 2006). Our model predicts that when the reputation of an interest group deteriorates, politicians with prior ties to the group withdraw their public support while continuing to provide private support. Moreover, in order to compensate the politicians’ reduced benefits from maintaining such private support, the disreputable interest group provides more assistance to those politicians via lobbying meetings.

While we cannot observe whether politicians privately support interest groups (e.g.,

¹Werner (2015) shows that the reverse is also true: politicians are more willing to publicly support interest groups with a good reputation.

by mobilizing committee colleagues), we assembled a unique dataset that allows us to observe their lobbying contacts with those groups, and hence to explore the hypothesized link between lobbying and the decoupling of public and private support. Specifically, we collected and digitized the universe of Foreign Agent Registration Act (FARA) registries, which unlike data used in prior studies, report details on all contacts and personal meetings between U.S. legislators and the lobbyists of foreign entities between 1999 and 2017.² We combine our FARA lobbying contacts data with another unique dataset on the sentiment politicians express towards foreign governments in their speeches, which allows us to measure politicians’ public support to interest groups, and study how it co-varies with lobbying intensity. This second data is the universe of congressional hearings, in text formats, between 1985 and 2017. We use VADER, a Natural Language Processing Tool, to extract politicians’ sentiment towards specific foreign governments from their congressional speeches.

Armed with these data, we analyze the relationships between U.S. politicians and foreign governments around a series of major international events that negatively affected the reputation of those governments in the U.S. We uncover three empirical patterns. First, consistent with the importance of reputational spillovers, we find that following negative shocks to a foreign government’s reputation, politicians with prior connections to such government receive fewer individual campaign contributions in the U.S. Second, consistent with the hypothesized withdrawal of public political support, we find that U.S. politicians connected to the shocked government are less likely to express support for it in their congressional speeches. Third, consistent with the survival of private support and the instrumental role of lobbying in eliciting and preserving it, we observe a substantial post-shock increase in the personal meetings between connected U.S. politicians and the lobbyists of the shocked government. Importantly, our setting and data allow us to rule out alternative interpretations of this result. In particular, because lobbying meetings are bilateral and consensual, our finding does not reflect failed attempts to approach politicians by “desperate” clients. Moreover, because explicit forms of corporate political

²The only other working paper we know of that uses data from the FARA registries, [Hirsch et al. \(2021\)](#), has access to a sub-section of such data only for the 2007-2010 period.

activity, such as campaign contributions, are precluded to foreign entities, our result does not reflect substitution of one type of political activity for another, as in [Shanor et al. \(2021\)](#). These effects are substantial: a reputational shock decreases the public sentiment of connected politicians, and increases their lobbying contacts with the shocked country, by 70% and 50% of the pre-shock mean, respectively.

Altogether, our findings suggest that interest groups and stakeholders should not take politicians’ public actions at face value. Rather, they should view public distancing and lobbying as elements of a more complex strategy to confront reputational spillovers, which may allow politicians’ support of interest groups, and the latter’s access to politics, to survive in a more covert fashion.

The rest of this paper is organized as follows. In the next section, we review the literatures related to our study and discuss our contributions to each of them. In section [3](#), we present our theoretical model. After describing our context and data in section [4](#), in section [5](#) we present our empirical strategy and results. We conclude in section [6](#) by discussing our paper’s implications for future research and for management, both within and beyond the political realm.

2 Contribution to the Literature

2.1 Non-market strategy

A vast body of research in management and political science studies when and how organizations use lobbying, campaign contributions, and other non-market strategies (*NMS*) to influence public policy and the political process (e.g., [Hillman et al. \(2004\)](#); [Bonardi et al. \(2005\)](#); [Baron \(2013\)](#)). An important stream of the *NMS* literature, to which our paper belongs, focuses on how politicians’ reputational concerns shape *NMS*. On the “supply side,” a few recent papers discuss how reputational concerns may induce interest groups to choose less visible *NMS*. For instance, [Jia et al. \(2021\)](#) develop a conceptual model in which “concealed” corporate political activity reduces the likelihood that politicians supporting the corporation’s policy will be punished by stakeholders. Consistent with this

view, [Shanor et al. \(2021\)](#) show empirically that the lower a firm’s reputation, the greater its reliance on lobbying, relative to (more easily traceable) campaign contributions, as a strategy to influence politicians.

Other studies focus on the “demand side” of *NMS*, showing that politicians are less (more) willing to grant political access to disreputable (reputable) interest groups. For instance, [Werner \(2015\)](#) finds that high-CSR firms are more frequently invited to appear before congressional committees, while [McDonnell and Werner \(2016\)](#) find that firms targeted by social movement boycotts are less frequently invited to appear, and that U.S. legislators are more likely to refuse the campaign contributions of those firms.

Our paper contributes to this literature in several ways. First, while earlier works focus on either the demand or supply of *NMS* in the face of reputational threats, our study jointly analyzes lobbying by interest groups and the political support decisions of politicians. Second, while previous studies investigate how interest groups strategically choose the visibility of their *NMS* ([Shanor et al., 2021](#)), our paper provides evidence on how politicians strategically choose the visibility of their responses to such strategies, decoupling their public support to interest groups from the decision to privately meet their lobbyists. Third, our results on campaign contributions complement and reinforce the finding that politicians distance themselves from disreputable interest groups (e.g., [Werner \(2015\)](#); [McDonnell and Werner \(2016\)](#)) by providing direct evidence of negative reputational spillovers from interest groups to politicians.

2.2 Reputational spillovers

By showing that politicians tied to a disreputable country lose campaign contributions, our paper relates to an emerging literature in management, which studies how an organization’s reputation can spill over to other organizations. A related literature studies how scandals — egregious transgressions of values and societal norms that trigger widespread notoriety and disapproval ([Jourdan, 2022](#)) — affect reputational spillovers across organizations.

Several papers on reputational spillovers focus on how one firm’s reputation affects

that of other firms in the same industry. Some of these studies document how accidents, failures or misconduct at one firm reduce the market valuation of other firms in the industry through a mechanism of stigma by association (e.g., [Barnett and King \(2008\)](#)). More recent studies (e.g., [Piazza and Jourdan \(2018\)](#); [Paruchuri et al. \(2019\)](#)) show that when failures or misconduct can be clearly and uniquely attributed to the focal organization, there can also be positive reputational spillovers on organizations offering substitute products.

A few papers, more related to ours, investigate reputational spillovers that are not triggered by industry co-membership. [Werner \(2017\)](#) finds that corporations tied to a political organization (the Republican Governors Association, or RGA) experienced positive abnormal returns once their ties to the RGA were accidentally revealed. Using a similar research design, but focusing on a different political organization (the American Legislative Exchange Council), [Minefee et al. \(2021\)](#) find evidence of negative spillover effects. Lastly, [McDonnell et al. \(2021\)](#) find that following a major scandal in the oil and gas industry (the Deepwater Horizon spill), social movement organizations that had previously collaborated with the industry received fewer contributions from the public, whereas those that had antagonized the industry received greater contributions. [McDonnell et al. \(2021\)](#) also show that following the spill, social movement organizations reduced their long-run collaborations with the oil and gas industry.

Our paper offers several contributions to the literature on reputational spillovers. First, we document a novel type of spillover, whereby the negative reputation of a non-corporate entity (foreign governments) propagates to politicians. Second, and related, we document a novel channel — namely, connection via past lobbying activity — through which negative reputational spillovers occur. Third, our paper documents a case in which unlike in [McDonnell et al. \(2021\)](#), the response to increased reputational risks following a shock is mixed and ambivalent: on the one hand, politicians connected to a shocked country reduce their public collaboration with it but on the other hand, they intensify their private meetings with the country’s lobbyists.

2.3 Lobbying

By showing that reputational shocks induce lobbyists of foreign countries and politicians to increase their contacts and meetings, our paper also contributes to a vast literature on lobbying that spans management, political science, and economics. [de Figueiredo and Richter \(2014\)](#) provide an extensive review of this literature.

Early models (e.g., [Grossman and Helpman \(1994\)](#)) focus on direct political influence buying by interest groups, and thus largely abstract from the activity and process of lobbying. More recent empirical studies (e.g., [Blanes i Vidal et al. \(2012\)](#)) link influence buying to lobbying by documenting the role of lobbyists as intermediaries, who put interest groups in touch with their network of political connections. None of these papers directly models or empirically analyzes lobbying effort and the interaction between lobbyists and politicians.

Two complementary theoretical approaches analyze this interaction. In the first approach, inspired by formal models of cheap talk and signaling games, campaign contributions ([Austen-Smith, 1995](#)) and costly lobbying effort ([Grossman and Helpman \(2001\)](#), chapter 5) allow interest groups to signal policy-relevant information to politicians. Consistent with this view, [de Figueiredo and Silverman \(2006\)](#) provide evidence that campaign contributions increase in the interest groups’ temptation to misreport information, measured by the distance between their preferences and those of politicians. A distinct but related approach, pioneered by [Hall and Deardorff \(2006\)](#), views lobbying efforts as a “subsidy”: through their lobbyists, interest groups offer staff and expertise to like-minded politicians in order to reduce their cost of producing political support.

A stream of the empirical literature on lobbying focuses, as we do, on lobbying activities of foreign entities in the U.S. For instance, [Kim \(2019\)](#) and [Kim and Hiatt \(2021\)](#) provide evidence that foreign firms rely on outsourced U.S. lobbyists to overcome a liability of foreignness. [Kim et al. \(2022\)](#) show that the high-profile enforcement of FARA against Paul Manafort led foreign firms to report reputationally hazardous relationships they previously kept secret. [Hirsch et al. \(2021\)](#) use two years of FARA data to show that consistent with a view of lobbyists as gatekeepers, lobbyists have more contacts with, yet

bring fewer clients to those politicians with whom they are more aligned.

Both our data and empirical analyses offer novel contributions to the lobbying literature. First, as mentioned above, our paper provides the most comprehensive panel of FARA registries (twenty years, as opposed to the data in [Hirsch et al. \(2021\)](#)). These data contain detailed information on lobbying effort (frequency and form of contacts between lobbyists and politicians), which were unavailable to prior research. Second, our findings – greater post-reputation-shock increases in lobbying effort towards politicians who had been meeting the client before – provide novel insight on the strategic role of lobbying. On the one hand, the observed pattern is hard to reconcile with signaling models, because previously contacted politicians already had the opportunity to obtain policy-relevant information from the client. On the other hand, our finding is consistent with subsidy models of lobbying, because politicians tied to an interest group are more vulnerable to reputational spillovers, and hence will demand greater assistance in order to maintain their support.

2.4 Collaborative relationships

Finally, by showing how clients’ reputational shocks differentially affect politicians with prior interactions with those clients, our paper relates to a vast literature in strategy and organizational economics, which studies repeated interactions and relationships between individuals and/or organizations (see [Gil and Zanarone \(2017, 2018\)](#), and [Cao and Lumineau \(2015\)](#), for recent and complementary reviews).

Most of this literature emphasizes relationships as private governance mechanisms that foster cooperation and trust (e.g., [Baker et al. \(2002\)](#); [Poppo and Zenger \(2002\)](#)). A few recent studies emphasize potential “dark sides” of repeated interactions and tight collaborations. For instance, repeated relationships may generate insufficient partner turnover ([Board, 2011](#)) and rigid routines that hamper performance ([Poppo et al., 2008](#)). Also, close interaction may facilitate the appropriation of a partner’s know-how and technology ([Alcacer and Oxley \(2014\)](#); [Zanarone et al. \(2016\)](#)).

Our paper contributes to the emerging literature on the dark side of collaborative

relationships by documenting a novel channel through which relationships may backfire – namely, the spillover of negative reputational shocks from one party in the relationship (the foreign country) to another (the politician). Consistent with recent work on relationships’ resilience to external shocks (Ghani and Reed (2022); Gil et al. (2022)), our evidence also suggests that a careful mix of public distancing and private collaboration may help both parties to preserve their relationship in the face of a reputational threat.

3 Theoretical model and predictions

In this section, we develop a simple analytical model of how the reputation of interest groups affects (1) politicians’ decision to support them, publicly and privately, and (2) a key input in the politicians’ support decisions – namely, the interest groups’ lobbying effort. By uniquely linking a variable we cannot measure (politicians’ private support to interest groups) to variables that we can measure (public support and lobbying contacts), the model will enable us to develop an empirical test of the strategic decoupling of politicians’ public and private responses to reputational threats.

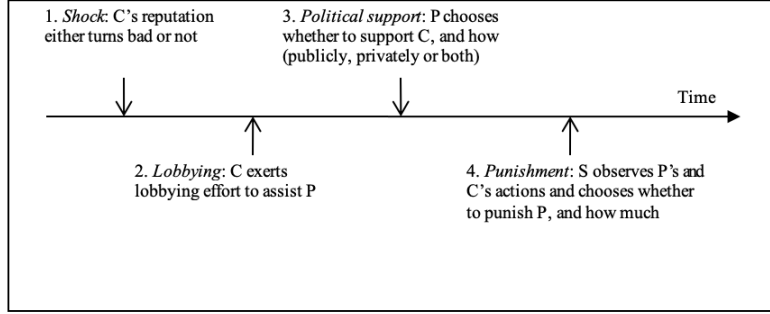
Our model draws upon the view of lobbying effort as a “subsidy” that interest groups offer in order to mobilize like-minded politicians (Hall and Deardoff, 2006; Hall and Miler, 2008; Cotton and Déllis, 2016). We discuss the appropriateness and relevance of this lobbying model in our empirical context (vis-a-vis other models in the literature) in section 5.5 below.

3.1 Setting and timeline

An interest group or “client”, C , needs the support of a politician, P , to advance its own interests. A “stakeholder”, S (e.g., a voter or social activist), monitors and cares about P ’s support to C . Figure 1 below summarizes the sequence of moves in the model.

At the outset, S has a positive view of C , that is, C has a “good reputation”. At stage 1 of the game, C ’s reputation may turn from good to bad due to a publicly observed shock. At stage 2, C chooses how much assistance $l \in [0, \bar{l}]$ to give P through lobbying

Figure 1: Timeline of events



(e.g., by producing issue-specific research of quality l). At stage 3, P chooses whether to use the received assistance to politically support C , and in what fashion. Specifically, if P chooses to support C , she may do so publicly, privately (i.e., in a way that is only observed by C and P), or fully (i.e., both publicly and privately). For example, P may provide public support by giving a favorable speech informed by C 's research, and may provide private support by using arguments and information in C 's research to convince committee colleagues to support C 's favorite bill.³ Lastly, at stage 4, S observes P 's public support decision, and based on such observation decides whether to punish P . We assume S punish P if (and only if) she observes P to support a disreputable client. Formally, if C 's reputation is bad and P publicly supports C , S inflicts a punishment $\theta > 0$ on P . If C 's reputation is good or P does not provide public support, there is no punishment (that is, private support is not observed by S and hence is not punished). The parameter θ measures how strongly P is connected to C in S 's view. Our model therefore captures the idea that C 's negative reputation may spill over to P (via S 's punishment) through a process of stigma by association (e.g., [McDonnell and Werner 2016](#); [McDonnell et al. 2021](#))

³Notice that we model political support as a discrete choice (support of any given kind, public or private, is either provided or not). We do so because in the presence of contested political decisions, half-hearted support is unlikely to be effective. For instance, if a politician wants to provide public support to a client, she should make strong statements in his favor, or else she would likely be perceived by other politicians and decision makers as not supporting the client. The same logic applies to private support.

3.2 Key assumptions

The view of lobbying as a “subsidy” from interest groups to politicians motivates our model’s key features. First, C ’s lobbying reduces P ’s cost of “producing” political support (e.g., because P is time and resource constrained). Formally, we assume P ’s production cost is $\bar{c} - c(l)$, where $\bar{c}$ is the cost if C exerts no lobbying effort, and $c(l)$ is a cost reduction that increases in C ’s lobbying, ranging from $0 = c(\bar{l})$ to $c(0)$ to $\bar{c} = c(0)$.

Second, P and C have similar policy preferences (if they had diverging preferences, no cost subsidization could persuade P to support C). Formally, we assume that both P and C receive the same benefit from P ’s political support, and that this benefit increases in the size of such support, that is, the benefit is $\bar{B} > 0$ if P provides full support (public and private), $\underline{B} > 0$, with $\underline{B} < \bar{B}$, if P provides partial support (purely public or purely private), and zero if P provides no support.

Third, the use of lobbying as a subsidy matters for P ’s support decisions. We formally capture this by assuming that P ’s benefit of providing political support is less than the cost when the client offers her zero lobbying assistance ($\bar{B} < c(0) = \bar{c}$), and larger than the cost when the client offers maximum lobbying assistance ($\bar{B} - \theta > c(\bar{l}) = 0$). Additionally, we assume that both lobbying and political support (and the payoffs they generate) are non-contractible. This is a natural assumption: any contract in which P and C exchange political support for assistance or money would be illegal influence buying, and hence unenforceable.

The last assumption in our model is that as an issue specialist, C can lobby at relatively low cost. Formally, we denote C ’s lobbying cost as $k(l)$, increasing in l , and assume $k(0) = 0$ and $k(\bar{l}) < \underline{B}$. We further discuss our modeling assumptions in section 3.4 below.

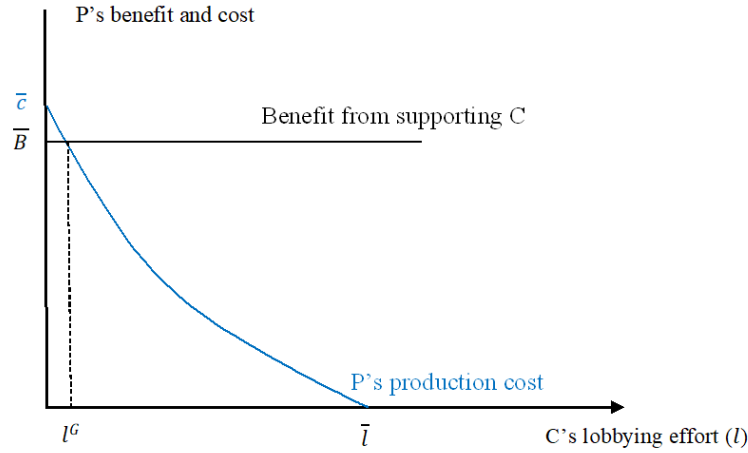
3.3 Analysis of the politician-client collaboration

We now analyze how C uses lobbying to incentivize P ’s political support, and how C ’s reputation and its connection to P constrains and shapes both the lobbying and political support decisions.

Case 1: The client has a good reputation

We begin with the simpler case in which C has good reputation (i.e., no shock occurs at stage 1). This case is illustrated in Figure 2 below. The curve is P 's production cost, and the horizontal line is P 's benefit from offering full political support to C . Because C has a good reputation, and hence P risks no punishment for supporting C , we can ignore partial support.

Figure 2: Political support and lobbying when the client has good reputation



Absent lobbying effort, P 's cost of supporting C is higher than the benefit. To elicit P 's support, C must therefore raise l till P 's cost becomes lower than the benefit. Because lobbying effort is costly to C , C will settle on the minimum effort that achieves this goal, that is, effort l^G at the intersection between P 's benefit and cost curves.

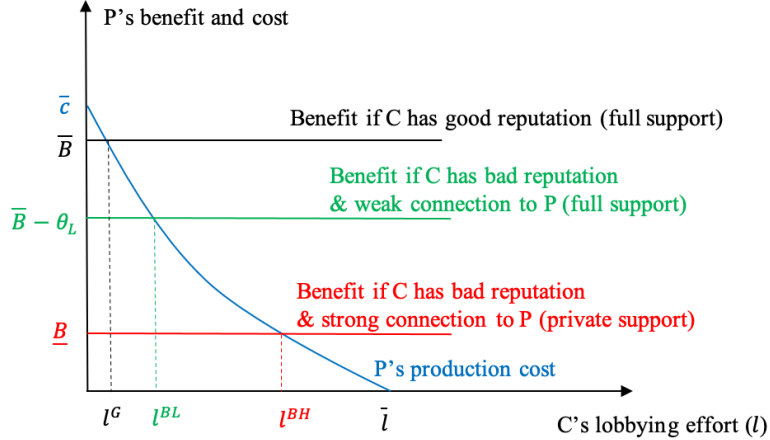
Case 2: The client has a bad reputation

Consider now the case in which C has a bad reputation (i.e., a shock has occurred at stage 1). Suppose that after receiving C 's lobbying, P decides to provide some political support. When choosing which kind of support to provide, P now faces a tradeoff. If she provides full support, she receives a high benefit but also faces a punishment. P 's net benefit is therefore $\bar{B} - \theta$. If P instead provides purely private support, she faces no punishment but receives a lower benefit, $\underline{B}$. Thus, P prefers full support if she is weakly

connected to C , $\theta < \bar{B} - \underline{B} \equiv \theta^*$, such that her punishment is not too high, and private support otherwise.

Given this premise, the analysis of C 's optimal lobbying effort and P 's optimal support decision is straightforward. Figure 3 below augments Figure 2 by adding P 's net benefit from supporting C when C has a bad reputation for the two alternative cases in which C and P are weakly connected $\theta_L < \theta^*$ (intermediate horizontal line), and strongly connected $\theta_H > \theta^*$ (lower horizontal line). If P is weakly connected to C , she provides full support provided C slightly raises his lobbying effort, from l^G to l^{BL} , to compensate her for the relatively mild punishment θ_L . If P is strongly connected to C , she withdraws public support to avoid the strong punishment θ_H . To induce P to at least maintain her private support, C must further raise his lobbying effort, from l^{BL} to l^{BH} , to compensate P for the reduced policy benefit caused by the withdrawal of public support.

Figure 3: Political support and lobbying when the client has bad reputation



Thus, P may respond to a shock that turns C 's reputation from good to bad by decoupling her public and private behavior: if P is strongly connected to C , she withdraws public political support to escape punishment, while continuing to support C privately. Moreover, and somewhat counterintuitively, C raises his lobbying effort following a loss of reputation, and more so if P is strongly connected to him – that is, decoupling is associated to an increase in lobbying. These predictions are summarized below.

Proposition: *Suppose C 's reputation turns from good to bad. Then, (i) if P is*

strongly connected to C , she switches from providing full (public and private) political support to providing purely private support. Moreover, (ii) C 's lobbying of P increases following the loss of reputation, and more so if P is strongly connected to C .

In the rest of the paper, we take our testable predictions to the data. Before doing so, however, we briefly discuss our modeling assumptions.

3.4 Discussion of the modeling assumptions

Several simplifying assumptions in the model could be readily relaxed without qualitatively altering our predictions. First and foremost, while we have assumed for simplicity that private support is fully invisible to S , the stakeholder, our results would hold a fortiori if private support could be detected by S with some positive probability $\tau < 1$. In that case, P 's benefit under purely private support would be lower (because of the positive risk of punishment), and hence decoupling would imply a greater increase in C 's lobbying effort, than in the current model. Relatedly, our predictions would continue to hold if lobbying contacts with C also posed a punishment risk for P – that is, if the green and red lines in Figure 3 were negatively sloped – so long as P 's benefit decreases in lobbying effort more slowly than P 's production cost. Second, P need not benefit as much as C from offering political support, so long as she receives a non-negligible benefit. Third, it would be straightforward to allow such benefit to increase in θ , the strength of the connection between P and C . It would also be possible to cap C 's willingness to lobby (i.e., relax the $k(\bar{l}) < \underline{B}$ assumption): in that case, C 's post-shock lobbying effort would increase in θ up to a point, and drop to zero thereafter. Fourth, it would be easy to allow for regions in which lobbying is useless (i.e., relax the $\bar{c} > \overline{B}$ assumption). In that case, lobbying effort would be zero in the good reputation scenario, and also in the bad reputation scenario at very low levels of θ , whereas it would become positive at high enough θ levels. Lastly, it would be straightforward to relax the economies of scale in political support, allowing P 's production cost to increase when support grows from partial to full.

A more subtle concern is that by focusing on a one shot model, we may overplay lobbying as a tool to incentivize politicians. In particular, one may argue that “relational

contracts” sustained by the shadow of future interactions (e.g., [Baker et al. 1994](#); [Levin 2003](#)) may enable C to reward P ’s political support ex post (e.g., through a campaign contribution), thereby reducing the need for an ex ante “subsidy” in the form of lobbying. Even if we extended the model to allow for such relational contracts, however, lobbying would continue to play an important incentive role, because C ’s ability to credibly reward P ex post would be capped by the value of their relationship. Additionally, ruling out rewards via campaign contributions is natural given our empirical setting, which features U.S. Congressmen and foreign clients: foreign entities are forbidden from making campaign contributions to U.S. politicians.

4 Data

Below, we describe the data on lobbying contacts and public speeches of US legislators, and the reputational shocks to foreign countries lobbying those legislators, that are used in our empirical analysis to test the theoretical predictions.

4.1 Lobbying contacts

To measure the lobbying effort that clients exert on politicians, we collected and digitized the universe of U.S. Foreign Agent Registration Act (FARA) supplemental statements of all of the registries between 1999 and 2017. Under FARA, it is mandatory for lobbying companies to register their contacts with politicians on behalf of foreign clients every six months. A failure to do this can lead to five years of imprisonment. In addition to lobbying contacts, the FARA data also includes the names of the lobbied politicians and the media used for lobbying. More than 86% of the files in our data correspond to lobbying reports filed on behalf of foreign governments while the rest of the observations are on behalf of foreign firms and citizens. Because of the limited information on non-governmental foreign entities, we restrict attention to lobbying contacts made on behalf of foreign governments in our empirical analysis.

As discussed in the introduction, the fact that FARA requires lobbying companies to

disclose whom they contact, and when, why, and how, offers an important advantage on the domestic Lobbying Disclosure Act (LDA) data used in most of the lobbying literature. The LDA does not require lobbying companies to report the names of targeted policy-makers or the contact date. Instead, the LDA only requires disclosure of the names of federal agency being lobbied (e.g., House, Senate, or an executive Department). See [Kim et al. \(2022\)](#), for detailed comparisons of the FARA and LDA data.

Figures [A1](#) through [A3](#) in appendix A summarize our lobbying contact data. Figure [A1](#) shows that the total number of lobbying companies that made at least a contact with U.S. politicians on behalf of foreign clients during a given semester nearly quadrupled during our period of analysis. Relatedly, figure [A2](#) shows that the total number of countries that made at least one contact with U.S. politicians during a given semester more than doubled during our period of analysis. Overall, a total of 181 countries have lobbied in the U.S. during this time period. Figure [A2](#) also shows that the average number of countries that a given lobbying company serves in a semester, on average, goes from 1.6 countries in 1999 to 2.1 countries in 2016. This evidence indicates that lobbying companies tend to specialize in the service of specific foreign clients. Figure [A3](#) shows the intensity of countries’ lobbying activity in terms of the number of times they contacted a politician/bureaucrat in the U.S. There is a lot of variation across countries: Japan, China, Mexico and Canada made contacts most often while Nepal, Laos, Togo and Ireland make a contact least often.

4.2 Public speeches and politicians’ sentiment

To measure the extent to which politicians publicly support clients, we obtained data on the universe of Congressional Hearings in text format for the years 1985-2017. During Congressional Hearings, politicians study, debate and amend legislative proposals. Members of both the Senate and the House participate in Congressional Hearings.⁴ Committee hearings are a key forum where members of Congress collect relevant information for policy making (see [Ban et al. \(2022\)](#) for a detailed discussion and further references).

⁴For an earlier contribution of the use of these hearings in a lobbying context, see [Espinosa \(2021\)](#).

Committee hearings are especially suitable to measure politicians’ public sentiment in our context because they are accessible to the broad public rather than specific audiences and constituencies. A large fraction of these hearings is broadcast on TV and even when they are not, the transcription is available to anyone interested. Moreover, congressional hearings are broadly attended by policy makers: all politicians are assigned to at least one committee, and all committees have hearings, which means that all politicians can and do use congressional hearings to show their support (or lack thereof) to specific countries.

Figure A4 in appendix A shows the distribution of speeches across committees. Appropriations, Energy and Commerce, and Armed Services are the committees that hold hearings most frequently. While restricting the focus of above exercise to the speeches which mention the top 20 countries by the number of lobbying contacts made, we find that a large fraction of such observations come from hearings held by Committee of Appropriations, Armed Services, Foreign Affairs and Foreign Relations.

We use VADER, a Natural Language Processing tool, to measure the sentiment expressed by politicians towards foreign countries in their public speeches at Congressional Hearings.⁵ VADER gives a score to each speech based on a dictionary of words and groups of words labeled according to their semantic orientation as positive, negative or neutral. VADER is also sensitive to both the intensity and the context of speeches. Every time a politician speaks at a hearing, we measure that politician’s sentiment towards each mentioned foreign country as a real number in the interval between -1 (most negative sentiment) and 1 (most positive sentiment).⁶

Figure A5a shows the total number of times each country has been mentioned in the hearings during the data period. There is a lot of variation across countries: Iraq, India, China and Afghanistan were mentioned most often while UAE, Brunei, Western Sahara and San Marino are some of the countries that were mentioned least often. Figure A5b also shows substantial variation in the average sentiment expressed by politicians towards foreign countries: Australia, Canada, Japan and Singapore are some of the countries

⁵VADER stands for Valence Aware Dictionary and Sentiment Reasoner. For more information, see <https://github.com/cjhutto/vaderSentiment>. See appendix B.1 for more details.

⁶See Appendix B for more details on text analysis.

receiving favorable sentiment while Yemen, Algeria, Jordan and North Korea are some of the countries receiving unfavorable sentiment.⁷

Figure A6 shows that our measure of sentiment is strongly consistent with existing evidence on the public perception of foreign countries in the U.S., as measured by the Gallup World Affairs annual survey.

Figure A7 considers the 40 most frequently mentioned countries and ranks them based on the average sentiment. It also highlights the 20 countries that lobby the most when ranked in terms of the number of contacts they made to US politicians. This figure highlights a significant correlation between received sentiment and lobbying frequency. For instance, Japan, Canada and UK are among the countries that make most contacts, have high lobbying expenditure, are mentioned often and with a high sentiment. Figure A8 documents this (correlation=0.55) by plotting the log of number of lobbying contacts made by a country against the log of number of mentions of a country in speeches.

4.3 Additional data

For each politician, we also collected data on party affiliation, year when the politician was first elected as a congressperson, chamber of the hearing (House or Senate) and congressional committee allocations by year. Table A1 shows that all the countries in our sample have largely followed a bipartisan approach to contacting politicians. Figure A9 complements this results by showing that shocked countries are largely bipartisan in contacting members of the House and Senate, with a small bias towards the party that holds the majority in each chamber.

We also collected data on campaign contributions received by politicians for the years 1998 - 2016 from the *Federal Election Commission*. We obtained the total contribution made by individuals living in the U.S. to each politician and in each (bi-annual) election campaign in our data period.⁸ As discussed below, we interpret this variable as a measure

⁷These observations are made after dropping countries which were mentioned very few times to avoid misinterpretations arising from rare and highly positive mentions of some countries. In other words, it helps us calculate the average sentiment across a credibly large sample.

⁸Note that the U.S. federal law prohibits foreign nationals/entities from making campaign contributions, donations and other expenditures, in connection with any U.S. election. See, for instance,

of how favorably the U.S. public views a politician. Figure A10 in appendix A shows that the natural log of the total individual contributions received by politicians for their campaigns during the years 1998-2016 is normally distributed.

4.4 Reputational shocks

The identification of the effect of reputational spillovers on the collaboration between politicians and clients comes from a set of shocks. We selected three undergraduate students in Economics and International Business Studies, and instructed them to use google, Wikipedia and similar public sources to identify unexpected events in our data period that (1) negatively affected the reputation of one or more foreign countries in the U.S., and (2) received wide media coverage and attention in the U.S. An event was retained if all of the three RAs agreed it satisfied these criteria, and dropped otherwise. The students were instructed to classify an event as having wide media coverage if the event was followed by different national media outlets such as New York Times, CNN, Fox, Washington Post, and the like. Students classified the event as unexpected if it was specifically described as such in media outlets.

The resulting list of shocks includes diverse and heterogeneous events, such as the 9/11 terrorist attacks, which negatively affected the view of Afghanistan and Saudi Arabia, the 2001 Hainan Island Jet Collision, which negatively affected the reputation of China, and the refusal of Spanish opposition leader Zapatero to stand at the passing of the US flag during the Iraq war, which negatively affected the view of Spain. The shocks are described in detailed in Appendix B.2, and summarized in Table B1 there. Figure B2 shows the timeline of the shocks. The shocks are distributed across our data period.

Notice that some of our shocks (e.g., 9/11, Hainan Island) had an arguably stronger impact on U.S. public opinion than others (e.g., Zapatero). By including both strong and weaker shocks in our empirical analysis, we therefore perform a conservative test of our theoretical predictions, that is, we bias our results towards not finding significant effects of the shocks on our outcomes of interest (politicians' public sentiment towards,

<https://www.fec.gov/help-candidates-and-committees/foreign-nationals/>.

and lobbying contacts with the shocked countries).

Figure A11 plots the change in politicians’ sentiment towards shocked countries, for strongly vs. weakly connected politicians, as expressed in their public speeches in U.S. Congressional Hearings. The graph shows four semesters before and four semesters after the shock. It suggests that the main effect of a reputational shock on the public support of politicians towards the shocked country is negative and happens at the moment of the shock. Figure A12 plots the change in the number of lobbying contacts between politicians and shocked countries. This Figure suggests that a shock’s main effect on the meetings between politicians and the shocked country is positive, and happens one semester after the shock. This descriptive evidence is in line with our predictions from Section 3.

However, the simple raw data analysis in the above graphs does not provide conclusive evidence on our theoretical predictions because the observed effects may be driven by few specific countries/politicians or relevant omitted variables. Therefore, to identify the effect of the shocks across countries and politicians, we conduct regression analysis in Section 5 below.

5 Empirical analysis

Using the data described above, we conduct difference-in-differences analysis to evaluate the impact of negative reputational shocks to foreign countries on the behavior of US politicians towards those countries. Importantly, we estimate the differential effect of reputational shocks on politicians who are strongly connected to the shocked countries and those who are more weakly connected. In our analysis, we restrict attention to four semesters preceding and four semesters succeeding the semester in which each shock occurs. The events are stacked together to construct a panel dataset with timing of shock normalised to $t = 0$. Descriptive statistics for all of our dependent and independent variables (which are described in detail below) are presented in Table 1.

5.1 Methodology

5.1.1 Reputational Spillovers

Our theoretical predictions rest on the assumption that the negative reputation of interest groups spills over to politicians who are strongly connected to those groups. While evidence consistent with the existence of negative reputational spillovers has been produced in other contexts (e.g., [Minefee et al. \(2021\)](#); [McDonnell et al. \(2021\)](#)), it is important to verify this assumption in our setting before presenting our main analyses. In order to do so, we estimate the following equation:

$$\begin{aligned} SP_{i,t} = & \beta_1 \cdot Conn_{i,c} + \beta_2 \cdot Post_{c,t} + \beta_3 \cdot (Conn_{i,c} \times Post_{c,t}) \\ & + \alpha_i + \alpha_c + \alpha_t + \alpha_{I,t} + \gamma_1 \cdot X_{i,t} + \gamma_2 \cdot X_{c,t} + \epsilon_{i,c,t} \end{aligned} \quad (1)$$

The dependent variable, $SP_{i,t}$, measures the reputation of politician i in semester t . We use two alternative proxies to measure this variable. The first one is the amount of campaign contributions that politician i received in semester t from individuals in the U.S. The rationale underlying this proxy is straightforward: a politician who enjoys good reputation among voters should receive larger campaign contributions, and vice versa. Our second proxy is the number of non-shocked countries that contacted politician i in period t . The rationale for this second proxy is that a politician who enjoys a strong reputation should have, all else equal, greater prospects of re-election and greater political influence, and hence should be targeted for lobbying by more countries. $Post_{c,t}$ is a binary indicator that switches from zero to one starting from the semester in which country c receives a shock. Our measure of whether a politician is strongly or weakly connected to a given country is $Conn_{i,c}$, a binary indicator equal to one if on average, politician i was contacted by country c more than any other politician during the four semesters prior to a shock to that country. Notice that we use a binary variable because our theoretical prediction depend on whether the politician has a high enough connection to the shocked client or not (that is, whether parameter theta is large enough).

We include a battery of fixed effects and controls in our regression. α_t are semester

FE to account for common influence of time trend, α_i are politician FE to account for time-invariant politician-specific factors (such as origin or ethnicity of politician, origin or ethnicity of the citizens from the politician’s district/state, etc.), α_c are country FE to account for differences in lobbying strategies as well as institutional distance between countries (Kim and Hiatt (2021)), and $\alpha_{I,t}$ are party*semester FE to control for time-varying party characteristics such as change in party leadership or stance, appeal of a party to a country due to common issues of interest, and the like. $X_{i,t}$ are politician-specific control variables - namely, a binary indicator equal to one if politician i is affiliated to the party that holds the majority in the relevant chamber (House or Senate) in semester t , and a binary indicator equal to one if politician i is the chairman of the congressional committee she belongs to in semester t . $X_{c,t}$ are country-specific control variables: the annual volume of bilateral trade between the US and country c , and an indicator for country c ’s usage of US media for lobbying purposes during semester t (includes ‘no usage’, ‘print’ and ‘audio/video’).

Our theoretical model is based on the assumption that when a client becomes disreputable, politicians who are strongly connected to such client are punished, and more so than politicians with weaker connections to the client. Thus, we expect $\beta_2 + \beta_3 < 0$, and $\beta_3 < 0$.

5.1.2 Public political support

To analyse the effect of a negative reputational shock to foreign countries on politicians’ public sentiment towards those countries, we estimate the following equation:

$$\begin{aligned} \psi_{i,c,t} = & \beta_1 \cdot Conn_{i,c} + \beta_2 \cdot Post_{c,t} + \beta_3 \cdot (Conn_{i,c} \times Post_{c,t}) \\ & + \alpha_i + \alpha_c + \alpha_t + \alpha_{I,t} + \gamma_1 \cdot X_{i,t} + \gamma_2 \cdot X_{c,t} + \epsilon_{i,c,t} \end{aligned} \quad (2)$$

The main dependent variable, $\psi_{i,c,t}$, is a binary indicator equal to one if the *public sentiment* of politician i towards country c in the congressional speeches delivered in semester t is greater than the average pre-shock sentiment of connected politicians towards

that country.⁹

Our theoretical model predicts that when a client becomes disreputable, politicians who are strongly connected to such client are more likely to withdraw their public support to him than weakly connected politicians. Thus, we expect $\beta_2 + \beta_3 < 0$, and $\beta_3 < 0$.

5.1.3 Private political support and lobbying

We cannot directly observe whether a politician who publicly distances herself from a client continues to privately support such client. However, our FARA data allow us to observe lobbying contacts between the politician and the client, before and after a reputational shock. Our theoretical model predicts that in the event of a shock, politicians who support the shocked country only in private (strongly connected) increase their meetings with the client’s lobbyists more than politicians who support the client both in public and in private (weakly connected). By estimating how countries’ lobbying contacts to strongly vs. weakly connected politicians change around reputational shocks, we can therefore test for the hypothesized decoupling of public and private political support. In order to do so, we estimate the following equation:

$$y_{i,c,t} = \beta_1 \cdot Conn_{i,c} + \beta_2 \cdot Post_{c,t} + \beta_3 \cdot (Conn_{i,c} * Post_{c,t}) + \alpha_i + \alpha_c + \alpha_t + \alpha_{I,t} + \gamma_1 \cdot X_{i,t} + \gamma_2 \cdot X_{c,t} + \epsilon_{i,c,t} \quad (3)$$

The dependent variable, $y_{i,c,t}$, is the number of contacts between politician i and country c in semester t . The independent variables, fixed effects and controls are the same as in the previous regressions.

Our theoretical model predicts that when a client becomes disreputable, politicians are more likely to have contacts with his lobbyists, and more so if they are strongly connected to the client. Thus, we expect $\beta_2 > 0$, $\beta_2 + \beta_3 > 0$, and $\beta_3 > 0$.

⁹To alleviate concerns on the choice of threshold to define “high” sentiment, we show that the baseline results hold under alternative specifications of the binary variable. See section 5.3.2.

5.2 Evidence on reputational spillovers

Tables 2 and 3 present the results from estimating equation (1). These tables show that following a negative reputational shock to a foreign client, politicians who are strongly connected to the shocked country experience a decrease in the total contributions received for their election campaigns (Table 2), and in the frequency with which they are lobbied by other foreign countries (Table 3).

Altogether, this evidence suggests that politicians associated to a disreputable country suffer a decrease in their prestige and status in the U.S., which is consistent with our theoretical assumption that negative reputations spill over from clients to politicians.

5.3 Evidence on Politicians' public distancing

5.3.1 Main Result

Table 4 presents the results from estimating equation 2. Estimates are robust across specifications and show a significant reduction in the public support of politicians to shocked countries they are connected to.

Consider our strictest specification in column (4), which includes the full battery of fixed effects and controls. For politicians with a weak connection to the shocked country, public sentiment towards such country barely decreases after the shock. In contrast, for politicians with a strong connection to the shocked country, public sentiment decreases much more strongly. The mean of the dependent variable for connected politicians is about 0.86. Given that the interaction term is -0.6, the differential post-shock effect represents a decrease in the political sentiment of about 70%. These results are in line with our theoretical model, according to which strongly connected politicians are more likely to withdraw public support from shocked countries because they face a higher risk of reputational spillovers.

5.3.2 Robustness checks

We conduct three exercises to assess the robustness of our findings in Table 4.

First, politicians may mention one or more countries in their congressional speeches. One may be therefore be concerned that when we measure the public support of a politician towards a country, we might instead be picking up the politician’s sentiment towards a group of countries. We address this concern by repeating our baseline analysis focusing on the sub-sample where politicians speak about a single country. Table A2 in appendix A shows that the results of this robustness check are entirely consistent with those in Table 4.

Second, we repeat the baseline analysis using alternative definitions of “strong connection” between a politician and a country. We compare the estimates while defining $Conn_{i,c}$ as a binary indicator equal one if (i) the average, (ii) the median, (iii) the 75th percentile, and (iv) 90th percentile number of times politician i was contacted by country c during the four semesters prior to a shock to that country is more than the average number of times any politician was contacted during the four semesters prior to a shock to that country.

Table A3 shows that the results of this robustness check are, again, entirely consistent with those in Table 4.

Third, we repeat the baseline analysis using alternative definitions of politicians’ public sentiment: (i) an indicator for whether a politician’s sentiment about a given country in a given period is above the full sample average sentiment, (ii) an indicator for whether the politician’s sentiment is above the pre-shock median, (iii) an indicator for whether the politician’s sentiment is above the 75th or 90th percentile, (iv) an indicator for whether the politician’s sentiment is above the average sentiment towards the same country of politicians ever contacted by the country. Table A4 shows that results of this robustness check are entirely consistent with those in Table 4.

Finally, one may consider that a politician’s choice of not mentioning a country after a reputational shock is itself a form of public distancing. Table A5 presents the results from estimating equation 2 when the dependent variable is the number of times a given politician talks about a shocked country. Consistent with Table 4 we find that the number of times that connected politicians mention the country falls significantly after the shock.

5.4 Evidence on the decoupling of public and private support

5.4.1 Main Result

Table 5 (panel A) presents the results from estimating equation 3. Estimates are stable across specifications, and show that in contrast to the observed reduction in politicians’ public sentiment, the lobbying contacts between politicians and shocked countries increase after the shocks. Moreover, such increase in lobbying is substantially greater for politicians who are strongly connected to the shocked country, that is, precisely those politicians who withdrew their public support.

Importantly, this finding holds both when we consider all lobbying contacts (panel A) and when we restrict attention to in-person meetings (panel B). Panel B is reassuring as it indicates that the observed increase in lobbying contacts is not driven by the shocked countries e-mailing or calling politicians to “beg” for attention. Instead, panel B indicates that politicians willingly accept more frequent meetings with the shocked countries. This result is inconsistent with full withdrawal of political support after the shock, and consistent with decoupling, that is, withdrawal of public support combined with the continuation of private support. In particular, panel B supports our view that lobbying effort is an input, which interest groups need to supply in greater quantity to mobilize politicians’ support after a negative reputational shock makes such support less beneficial.

To illustrate the economic significance of these effects, consider our strictest specification in panel B, that is, column (4). Connected politicians were having about 15 meetings with shocked-to-be countries before the shock. After the shock, this number goes up by about 8 meetings, which corresponds to a 50% increase.

5.4.2 Robustness Checks

Like we did for public distancing, in Table A6 we address the concern that our results may be sensitive to the way we define “strong connection” by repeating the baseline analysis of lobbying contacts using our alternative definitions of connection. The results from this exercise are entirely consistent with those in Table 5.

5.5 Discussion of the results and Alternative Mechanisms

Taken together, tables 4 and 5 support our prediction that when politicians fear reputational spillovers, they strategically decouple their public and private behavior towards the disreputable clients they are connected to – that is, they withdraw public support from those clients while maintaining covert, private support. While we cannot directly measure decoupling (because politicians’ private support to their clients is unobservable), we can measure an important input in such support, lobbying effort, which we have shown theoretically to be more intensively used by those (connected) politicians who engage in decoupling.

While a positive relationship between lobbying effort and politicians’ decoupling may also arise through mechanisms other than the subsidy one we model here, in this section we discuss how those alternative mechanisms do not fit our empirical results and setting well. Thus, in addition to providing evidence on decoupling, our results also provide specific empirical support for the view that lobbying is a legislative subsidy from clients to politicians.

In the key alternative theory of lobbying, integrated and reviewed by Grossman and Helpman (2001), interest groups meet uninformed politicians to persuade them to support their own preferred policies. The most obvious persuasion mechanism that may deliver a positive association between lobbying effort and decoupling is signaling. In a signaling model (e.g., Grossman and Helpman (2001), ch. 5), clients may spend costly effort to make credible policy recommendations to politicians with diverging preferences. Consider a reputational shock that increases the distance between a politician’s and a client’s preferred policy actions, and thus induces the politician to withdraw public support, as in our model. If the client wants private political support, he must now exert greater costly effort to make his policy recommendations credible to the politician despite their more diverging interests. However, our finding that clients raise their lobbying effort more on the politicians they were already in touch with before the shock is hard to reconcile with this signaling story. Previously contacted politicians already had the opportunity to obtain information from the client before the shock, and it is unlikely that the set of

issues on which these politicians seek information changes immediately after the shock.

A second persuasion mechanism is the reallocation of lobbying efforts across politicians. Suppose client C attempts to persuade multiple politicians over multiple periods, and that C’s reputation is suddenly tarnished. If politicians are forward-looking, those lacking a strong prior connection to C may avoid meeting C now in order to prevent reputational spillovers during future shocks. As a result, C may be forced to concentrate his persuasion efforts on the politicians who are already connected to him. This model, however, is not consistent with our finding that shocked foreign clients increase their lobbying of *both strongly connected and weakly connected politicians* (albeit at different paces). In contrast, the reallocation mechanism implies a reduction in the lobbying of weakly connected politicians in favor of the strongly connected ones.¹⁰

A third alternative mechanism is the client’s substitution of persuasion efforts (lobbying) for “influence buying” via campaign contributions as a means to influence the politician. Such substitution may arise because campaign contributions are traceable, and hence become risky for the politician once her client’s reputation deteriorates (Shanor et al., 2021). This substitution mechanism is not plausible in our empirical setting, however, because foreign entities cannot make campaign contributions to U.S. politicians.¹¹

In a fourth alternative mechanism, lobbying effort may increase because politicians connected to a disreputable country are unlikely to be re-elected (as suggested by our campaign contributions result), and hence stand to lose less from supporting such country. This mechanism may be at play if stakeholders punished a politician (e.g., by not voting her in the next election) not only for supporting a client with bad reputation (as assumed by our model), but also for the mere fact of meeting with such client or his lobbyists. This alternative mechanism, however, is inconsistent with our distancing results: if politicians connected to a shocked country were no longer worried about reputational spillovers and

¹⁰For the same reason, our results would not be consistent with a model in which clients other than C refuse to lobby a connected politician because they anticipate her non-reelection or loss of influence, and the information-eager politician responds by concentrating her lobbying meetings into C. Again, this model would predict an increase in contacts only for the politicians strongly connected to C, whereas we observe both strongly and weakly connected politicians to increase their lobbying contacts with C after the shock.

¹¹See rules of the FEC at <https://www.fec.gov/help-candidates-and-committees/foreign-nationals/>.

its impact in re-election prospects, then why would bother trying to distance themselves from such country, as that would cause them to lose part of the present benefits from cooperation with the affected country.

In a fifth alternative mechanism, the reduction in public support to shocked countries may be explained by a change in politicians’ opportunities to speak in Congressional Hearings. Politicians connected to a shocked country may be less often included in the agenda of Congressional Hearings, and having reduced opportunities to speak, they may use more extreme language to convey their given sentiment towards the country. To alleviate this concern, we replicate our baseline regression specification for public political support, controlling for the number of times a politician speaks in congressional hearings. Table A7 shows that results of this exercise are entirely consistent with those in Table 4.

Lastly, one may be concerned that the shocks analyzed in our study trigger increased enforcement of FARA provisions against the lobbyists of shocked countries – that is, they may act as enforcement shocks similar to the prosecution of Manafort in Kim et al. (2022). One may then worry that our results are driven by increased reporting of previously hidden contacts due to the fear of prosecution. The patterns of lobbying contacts we observe, however, are not consistent with this mechanism. If our reputational shocks triggered increased reporting of previously hidden contacts, as in Kim et al. (2022), we should expect shocked countries to report more contacts with the politicians for whom they used to report fewer contacts in the past. However, we see the opposite pattern in the data: shocked countries more strongly increase their lobbying contacts with the politicians they used to contact more in the past (i.e., the “strongly connected” politicians).¹²

In addition to supporting the subsidy view of lobbying more than alternative mechanisms, our data on contacts are also consistent with a key premise of the subsidy view, namely, that interest groups lobby the politicians they agree with. Evidence in support of this premise is provided in Figure A13. This figure plots the average public sentiment of politicians who are contacted by a country at some point in our data period, before

¹²One may also worry that the Manafort shock may have changed the compliance with FARA reporting in our data. However, this should not be a concern for the interpretation of our results because the Manafort shock occurred at the end of our sample period.

and after the first contact is made, relative to the sentiment of politicians who are never contacted by that country. The left-hand side shows that politicians who have not been contacted yet by a country, but will be contacted in the future, have higher sentiment towards that country than politicians who will never be contacted. The right-hand side further shows that the sentiment of politicians does not change after they are contacted by a country.

6 Conclusion

In this paper, we have used novel data on the speeches of U.S. Congress members, and their lobbying contacts with foreign governments, to investigate how the reputation of interest groups affects their collaboration with politicians. After documenting that negative reputational shocks spill over from clients to politicians, we have shown robust evidence that in the aftermath of these shocks, politicians are less likely to support clients in their public speeches, yet they more frequently meet those clients' lobbyists in private.

These patterns indicate that politicians respond to reputational threats by decoupling their public and private behavior towards interest groups. Additionally, our finding that lobbying contacts increase after reputational shocks provides empirical support for the view of lobbying as a subsidy through which interest groups mobilize like-minded but time-constrained politicians.

In addition to contributing to the scholarly literature on non-market strategies, our research offers important lessons to the organizations designing such strategies, the politicians targeted by them, and the social activists and stakeholders who seek to limit the influence of interest groups on politics.

For organizations, the main lesson is that they may be able to preserve their collaboration with politicians in the aftermath of shocks and scandals. In order to achieve this goal, however, organizations must accept politicians' public distancing as a defensive strategy, and avoid misreading it as a desire to terminate the relationship. Moreover, our data suggest that covert collaboration with politicians comes at a price: organizations must

enhance their lobbying efforts to compensate politicians for the higher cost of supporting them.

For politicians, a key insight from our data is that while close relationships with interest groups may be valuable, there is a “dark side” to them. When the risk and cost of reputational spillovers is high (depending on the interest group’s identity and line of business, and the political and social landscape), politicians may want to diversify the portfolio of organizations they engage with; by doing so, they may avoid being perceived as a particular organization’s “ally” and be less exposed to reputational spillovers.

Lastly, our results suggest that social activists should not take politicians’ public and visible distancing from interest groups at face value, and should strive to scrutinize politicians’ interactions with such groups more closely. Moreover, activists may learn important information on the collaboration between interest groups and politicians from observing their lobbying activity. In particular, our model and empirical findings suggest that activists should pay closer attention to data on lobbying contacts and meetings rather than narrowly focusing on campaign contributions and the more visible facets of non-market strategies. Relatedly, activists may consider demanding that the strict disclosure requirements applying to foreign lobbying (per *FARA*), be extended to domestic lobbying.

An important avenue for future research that our study may stimulate is reputational spillovers in business-to-business collaborations. For instance, a manufacturer may find out that one of its key suppliers has been using child labor, or a supplier may find out that the reckless actions of one of its key clients have severely damaged the environment. In the former case, the buyer plays the role of our “politician” and the supplier plays the role of the “client”. In the second example, the roles are reversed. Consumers and their associations may be key stakeholders in both examples. If extrapolated to these contexts, our model and evidence would suggest that buyers and suppliers may want to decouple their public and private collaboration. Future research should investigate that hypothesis by identifying channels through which a client could publicly distance itself from a disreputable supplier without terminating the relationship altogether, and how a firm the increased risk of collaborating with a disreputable partner might be “priced”.

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Main Tables

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max	25th Pctl.	75th Pctl.
<u>Outcome variables</u>						
public sentiment (dummy)	0.18	0.39	0	1	0	0
total # lobbying contacts	11.45	70.94	0	4290	0	0
in-person # lobbying contacts	7.51	49.54	0	4290	0	0
total individual campaign contributions (in million \$)	1.39	15.76	0	664.87	0.0003	0.77
non-shocked countries	11.33	19.78	0	176	1	14
<u>Explanatory variables</u>						
connection (dummy)	0.78	0.41	0	1	1	1
post (dummy)	0.65	0.48	0	1	0	1
<u>Control variables</u>						
chairman (dummy)	0.06	0.23	0	1	0	0
majority in chamber (dummy)	0.18	0.39	0	1	0	0
lobbyist's media usage (categorical)	0.54	0.63	0	2	0	1
ln(bilateral trade volume)	9.49	2.57	0.18	13.36	7.39	11.23

Note: This table reports the unconditional summary statistics using the full panel of observations. The statistics reported are the mean, standard deviation, minimum value, maximum value, 25th percentile value, and 75th percentile value.

Table 2: *Evidence on reputational spillovers*: effect of country shocks on campaign contributions received by politicians

	(1)	(2)	(3)	(4)
Outcome: campaign contributions (in million \$)				
connection	0.366*** (0.131)	0.359*** (0.128)	0.356*** (0.127)	0.347*** (0.124)
post	0.376*** (0.127)	0.369*** (0.124)	0.365*** (0.123)	0.356*** (0.121)
connection $\times$ post	-0.404*** (0.134)	-0.397*** (0.131)	-0.393*** (0.131)	-0.383*** (0.128)
Observations	11,850	11,850	11,850	11,850
R-squared	0.997	0.997	0.997	0.997
mean(y)	3.900	3.900	3.900	3.900
sd(y)	40.60	40.60	40.60	40.60
time period	year	year	year	year
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓
SE clustered by country*year				
*** p<0.01, ** p<0.05, * p<0.1				

Note: This table reports coefficients of connection, post and the interaction of both variables when regressed with the outcome variable, total individual campaign contributions. The first column has time and politician fixed effects. The second column has in addition country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (year). The table also reports the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*year level.

Table 3: *Evidence on reputational spillovers*: effect of country shocks on the number of non-shocked countries contacting politicians

	(1)	(2)	(3)	(4)
Outcome: total # non-shocked countries that contacted				
connection	-1.267*** (0.065)	-1.246*** (0.064)	-1.222*** (0.065)	-1.204*** (0.063)
post	0.877*** (0.079)	0.860*** (0.077)	0.911*** (0.079)	0.894*** (0.078)
connection $\times$ post	-1.097*** (0.092)	-1.075*** (0.090)	-1.141*** (0.092)	-1.120*** (0.091)
Observations	355,359	355,359	355,359	355,359
R-squared	0.952	0.953	0.952	0.953
mean(y)	14.88	14.88	14.88	14.88
sd(y)	12.06	12.06	12.06	12.06
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
SE clustered by country*semester				
*** p<0.01, ** p<0.05, * p<0.1				

Note: This table reports coefficients of connection, post and the interaction of both variables when regressed with the outcome variable, total number of non-shocked countries that contacted a politician in a given semester. The first column has time and politician fixed effects. The second column has additional country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports t-tests for the linear combinations of coefficients, the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

Table 4: *Public support*: Effect of country shocks on politicians' sentiment in congressional speeches

	(1)	(2)	(3)	(4)
Outcome: sentiment				
connection	0.600*** (0.016)	0.602*** (0.016)	0.602*** (0.016)	0.603*** (0.016)
post	-0.022* (0.012)	-0.022* (0.012)	-0.020* (0.011)	-0.021* (0.011)
connection $\times$ post	-0.593*** (0.016)	-0.595*** (0.016)	-0.595*** (0.016)	-0.597*** (0.016)
Observations	18,693	18,693	18,693	18,693
R-squared	0.580	0.581	0.584	0.586
mean(y)	0.862	0.862	0.862	0.862
sd(y)	0.344	0.344	0.344	0.344
$\beta_1 + \beta_3 = 0$	0.007	0.007	0.006	0.007
standard error	0.005	0.018	0.005	0.018
p-value	0.164	0.137	0.175	0.150
$\beta_2 + \beta_3 = 0$	-0.615	-0.617	-0.615	-0.617
standard error	0.018	0.005	0.018	0.005
p-value	0	0	0	0
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓

SE clustered by country*semester

*** p<0.01, ** p<0.05, * p<0.1

Note: This table reports coefficients of connection, post and the interaction of both variables when regressed with the outcome variable, sentiment. The first column has time and politician fixed effects. The second column includes in addition country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports the pre-shock mean and standard deviation of the dependent variable for the treated group. Standard errors clustered at the country*semester level.

Table 5: *Private support*: Effect of country shocks on lobbying contacts between foreign countries and politicians

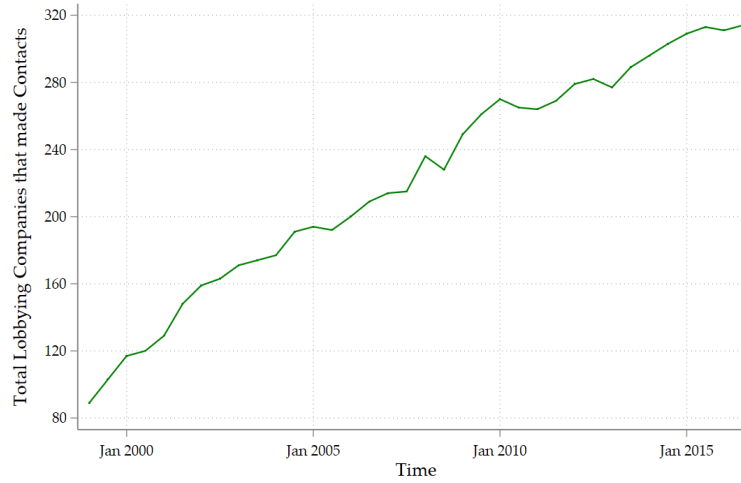
	(1)	(2)	(3)	(4)
Panel A: total # contacts				
connection	7.408 (7.340)	16.03** (6.639)	7.334 (7.411)	16.13** (6.668)
post	11.99 (7.390)	10.53 (6.860)	11.46 (7.362)	10.13 (6.810)
connection $\times$ post	21.98*** (7.884)	15.77** (7.190)	22.20*** (7.903)	15.81** (7.165)
Observations	18,693	18,693	18,693	18,693
R-squared	0.235	0.255	0.239	0.260
mean(y)	22.62	22.62	22.62	22.62
sd(y)	95.15	95.15	95.15	95.15
Panel B: in-person # contacts				
connection	7.965** (4.035)	8.204** (4.085)	7.790* (4.035)	8.137** (4.090)
post	17.58*** (5.137)	12.81*** (4.488)	17.20*** (5.114)	12.48*** (4.450)
connection $\times$ post	9.628** (4.745)	7.741* (4.541)	9.810** (4.751)	7.816* (4.539)
Observations	18,693	18,693	18,693	18,693
R-squared	0.226	0.241	0.233	0.248
mean(y)	14.89	14.89	14.89	14.89
sd(y)	64.94	64.94	64.94	64.94
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓
SE clustered by country*semester				
*** p<0.01, ** p<0.05, * p<0.1				

Note: This table reports coefficients of connection, post and the interaction of both variables when regressed with the outcome variable, total number of contacts made (Panel A) and number of in-person contacts (Panel B). The first column has time and politician fixed effects. The second column has in addition country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

A Figures and Tables

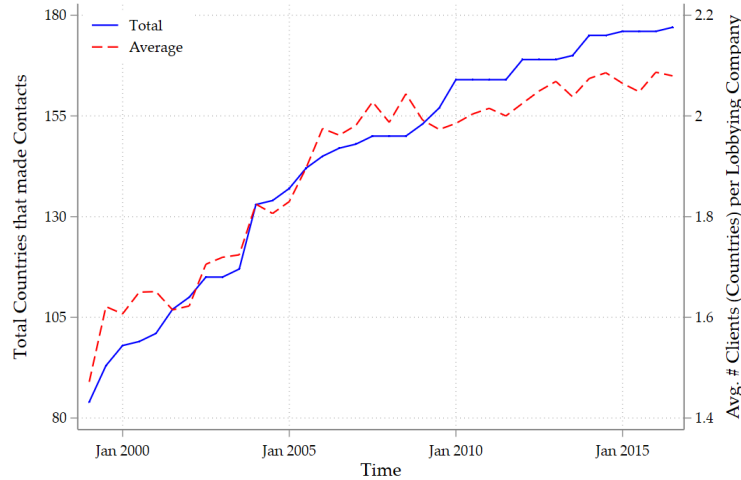
Figures

Figure A1: Lobbying Companies



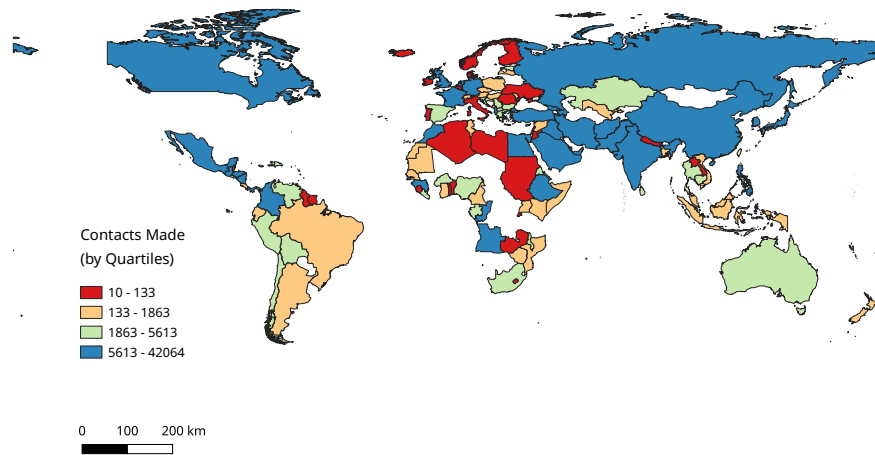
Note: This figure displays the number of lobbying companies that made at least one contact on behalf of a foreign client during a given semester. The unit of observation is semester. Sample size is equal to 36 semi-annual observations from January 1999 to July 2016.

Figure A2: Countries that lobbied



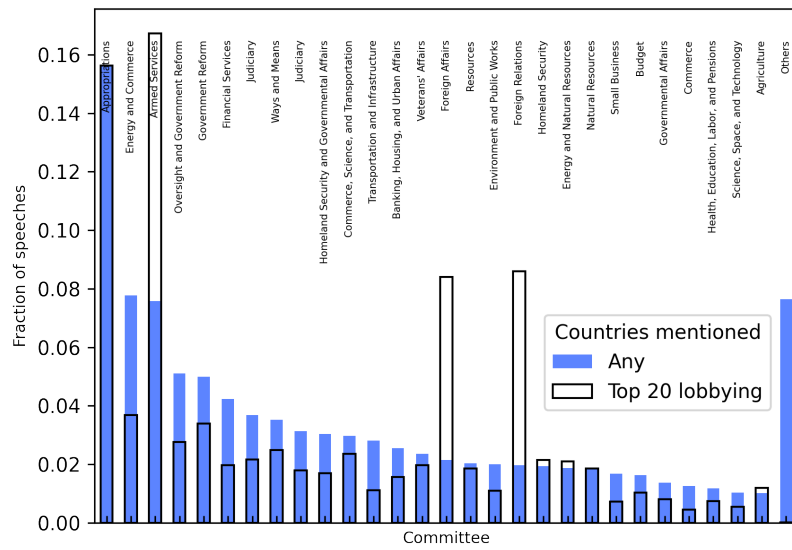
Note: This figure displays, on the left axis, the number of countries that made at least one contact during a given semester and, on the right axis, the average number of clients per lobbying company. The unit of observation is semester. Sample size is equal to 36 semi-annual observations from January 1999 to July 2016.

Figure A3: Lobbying behavior of countries, by contacts made



Note: This figure displays the variation across countries when their intensity of lobbying activity is expressed in terms of the number of times they contacted a politician/bureaucrat in the US. Categories are split by quartiles.

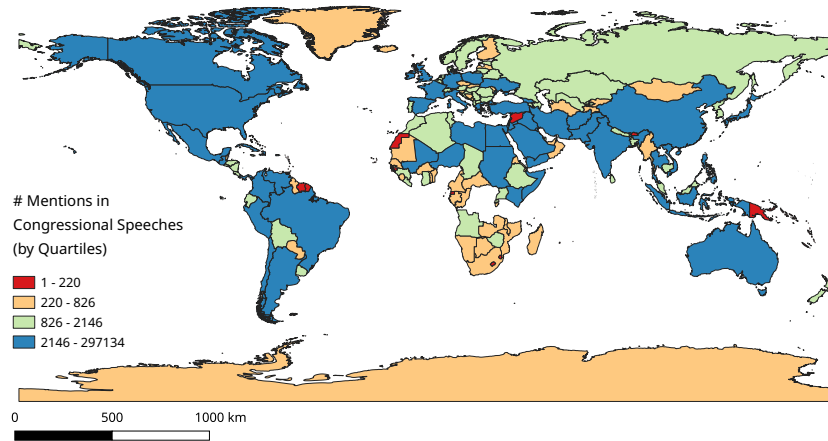
Figure A4: Distribution of hearings across committees



Note: This figure displays the distribution of hearings across committees where any country is mentioned (blue) and where the top 20 lobbying countries are mentioned (white).

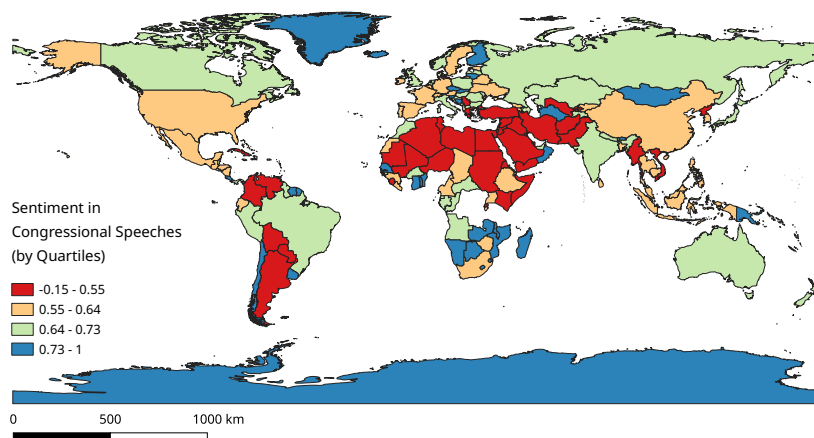
Figure A5: Countries mentioned in the hearings

(a) by frequency of mentions



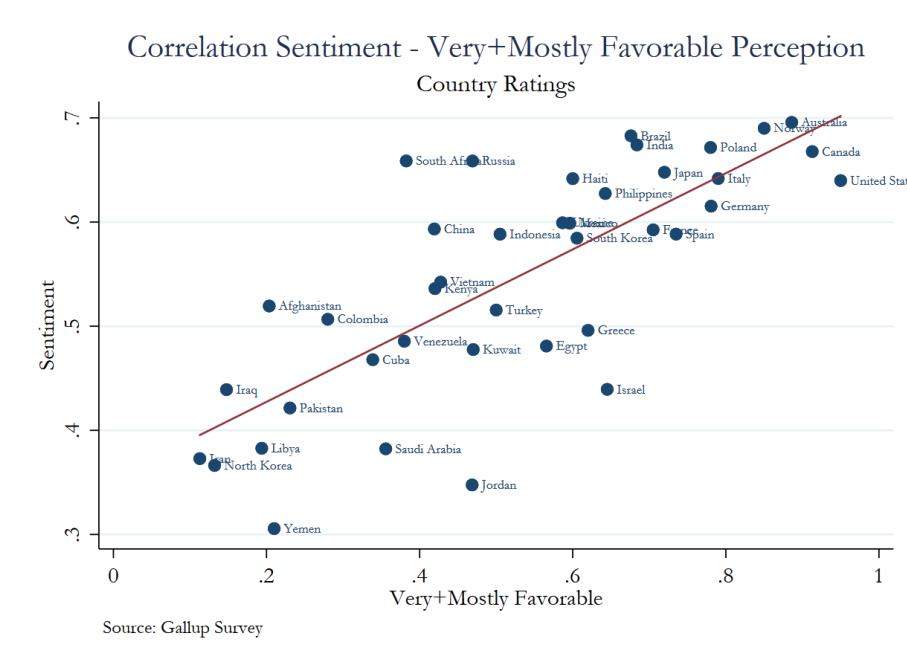
Note: This figure displays the variation across countries in terms of the total number of times each country has been mentioned in congressional speeches. Categories are split by quartiles.

(b) by average sentiment



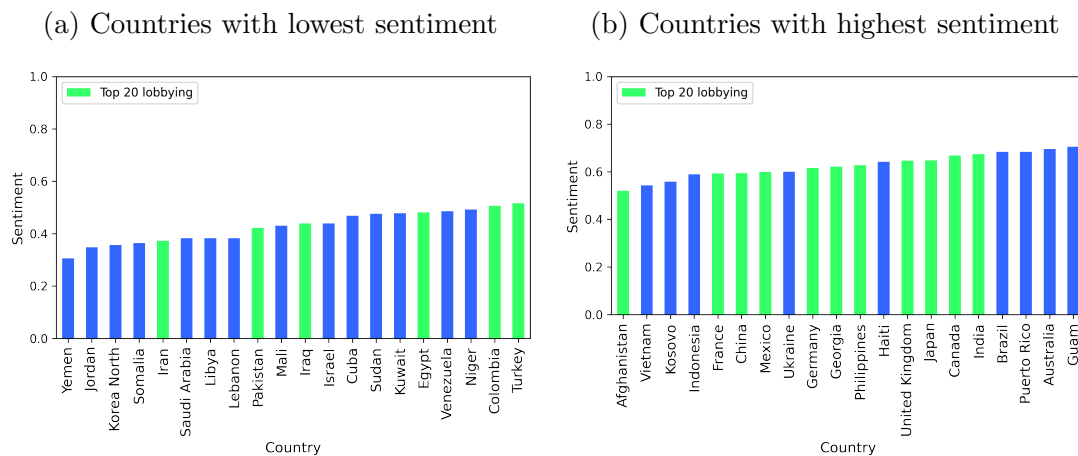
Note: This figure displays the variation across countries in terms of the average sentiment with which politicians speak about them in congressional speeches. Categories are split by quartiles.

Figure A6: Correlation between our measure of sentiment and public survey of sentiment about countries



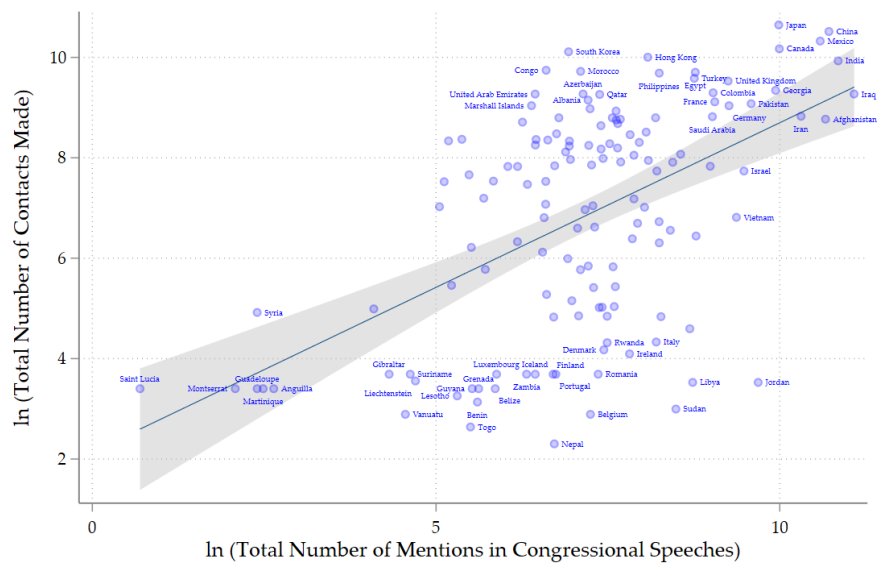
Note: The figure shows the scatter plot between two variables. The first one is the politician sentiment in the congressional hearings towards different countries (shocked and non-shocked). The second variable expresses the percentage of Americans that have a mostly favorable or very favorable opinion about each of these countries. Data from Gallup Survey.

Figure A7: Countries mentioned in hearings, which lobby most (by contacts made)



Note: This figure displays the top 40 most frequently mentioned countries and ranks them based on the average sentiment. It highlights the countries with the top 20 most lobbying in terms of the number of contacts. Panel (a) shows countries with lowest sentiment, and panel (b) shows countries with highest sentiment.

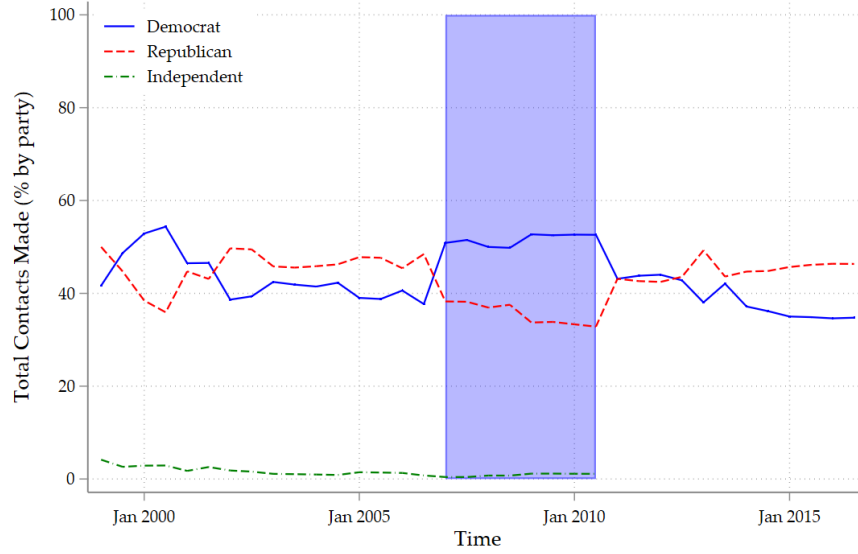
Figure A8: Correlation between lobbying activity of a country and mentions in congressional speeches



Note: This figure displays the correlation between the logarithm lobbying activity of a country, i.e. total number of contacts made, and the logarithm of total number of mentions in congressional speeches. Sample contains 142 countries.

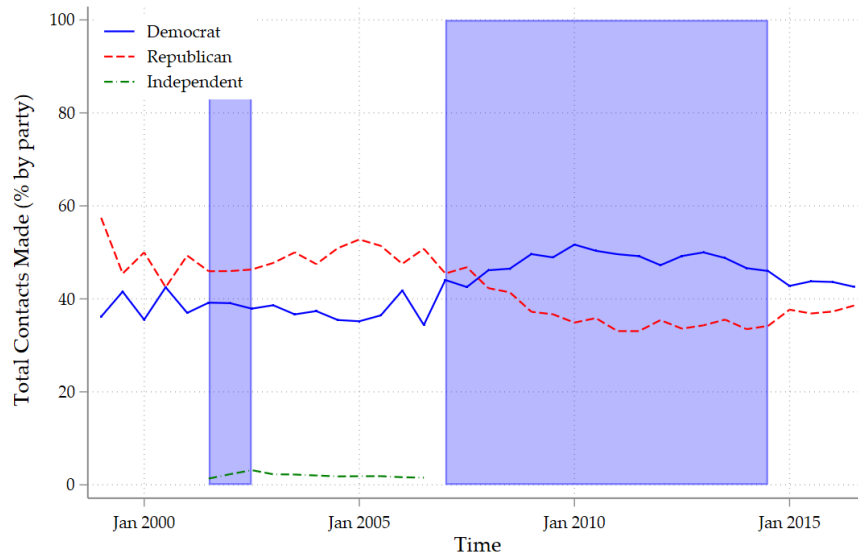
Figure A9: Partisanship (for the countries affected by a reputational shock)

(a) Chamber: House



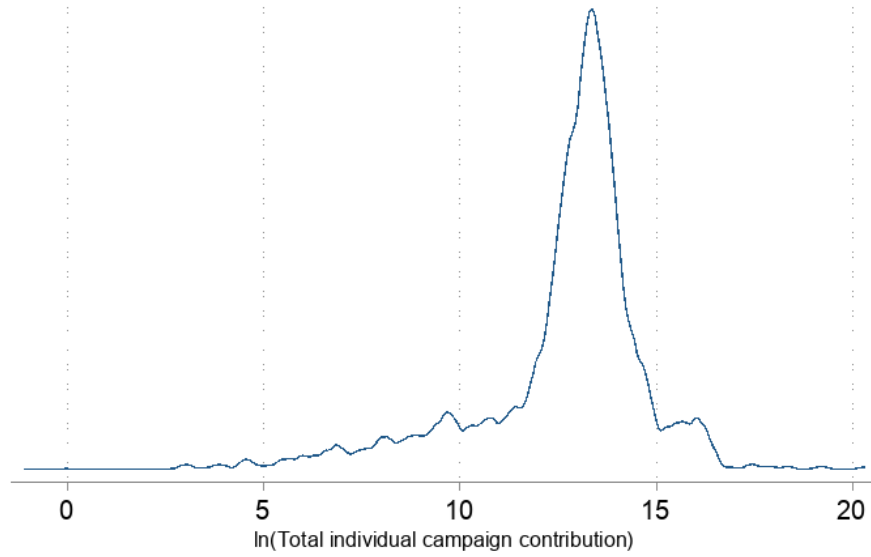
Note: This figure displays the partisanship in lobbying activity, of countries that received a shock, in contacting members of the House. Blue background denotes Democrat majority. Sample size is equal to 36 semi-annual observations from January 1999 to July 2016.

(b) Chamber: Senate



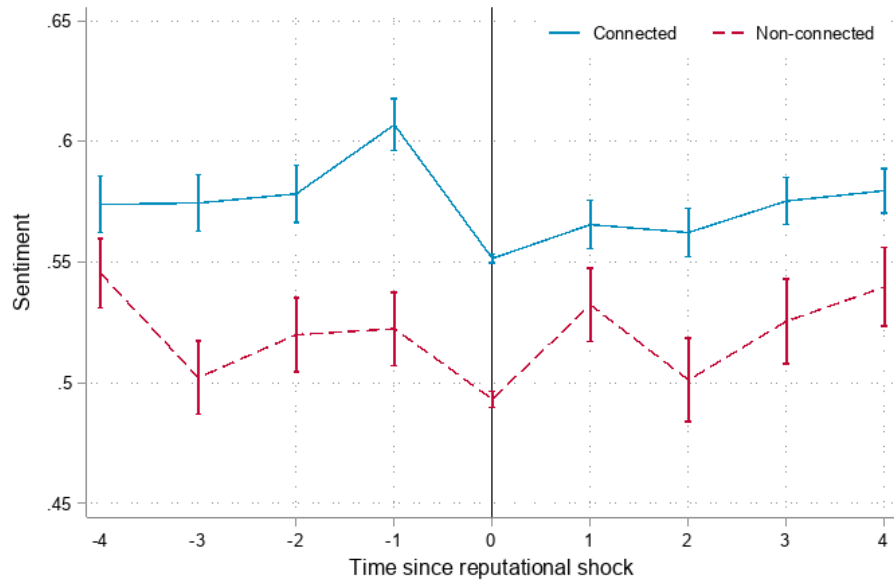
Note: This figure displays the partisanship in lobbying activity, of countries that received a shock, in contacting members of the Senate. Blue background denotes Democrat majority. Sample size is equal to 36 semi-annual observations from January 1999 to July 2016.

Figure A10: Distribution of total individual campaign contribution received by politicians



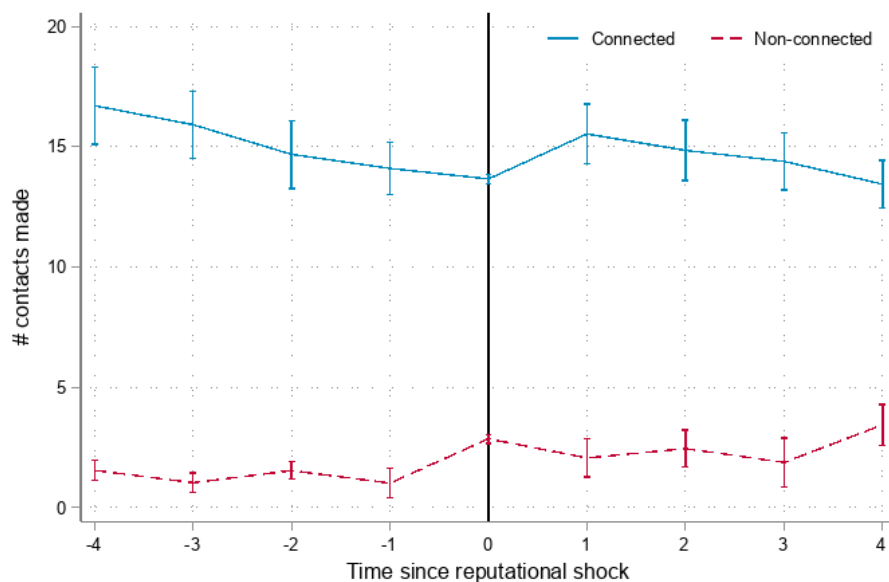
Note: This figure displays the density plot of the natural log of total individual contribution received by politicians for their campaigns during the years 1998-2016.

Figure A11: Descriptive Evidence: Sentiment



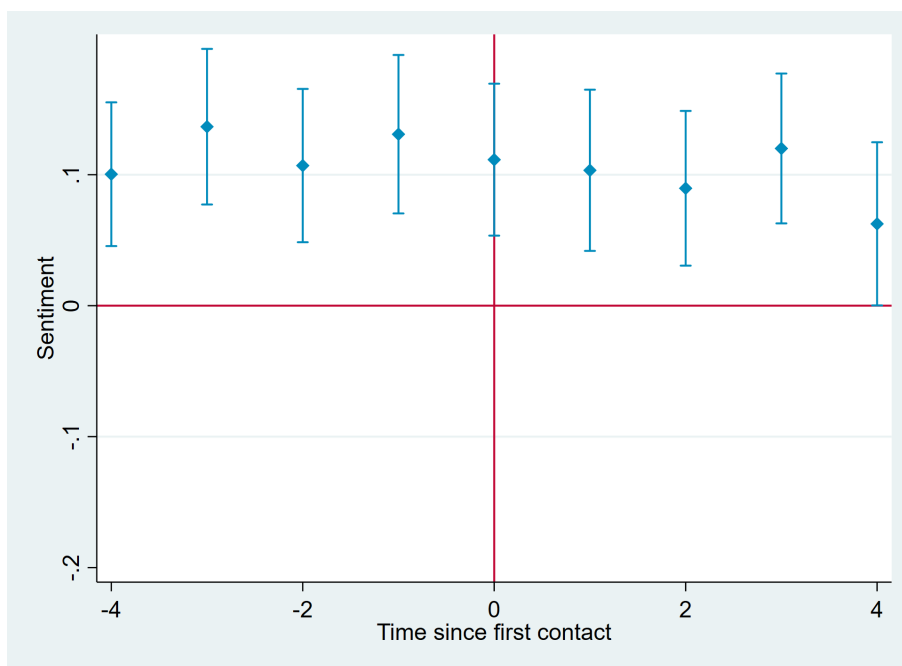
Note: This figure displays the raw measure of sentiment about shocked countries, in public speeches made by connected and non-connected politicians in the U.S. Congressional Hearings, for four semester before and after the shock.

Figure A12: Descriptive Evidence: Meetings



Note: This figure displays the raw measure of the number of lobbying contacts made with shocked countries, by connected and non-connected politicians, for four semester before and after the shock.

Figure A13: *Evidence on Aligned Preferences*: Sentiment of politicians who eventually get contacted, compared to others



Note: This figure plots the absolute value of the sentiment that politicians who ever get contacted, express in their speeches, compared to that of those who never get contacted. The timing of the first contact is normalised to zero in this plot. This plot does not include any fixed effects or controls.

Appendix Tables

Table A1: Descriptive Statistics: Contacts made, by shocked country $\times$ US political party

Country	(in #)	(in %)		
	Politicians Contacted	Democrat	Republican	Independent
Afghanistan	132	54.55	44.55	0
Australia	26	46.15	50.00	3.85
China	496	46.17	53.23	0.60
Iran	99	36.36	63.64	0
Iraq	392	48.98	51.02	0
Israel	29	51.72	48.28	0
Qatar	50	32.00	68.00	0
Saudi Arabia	61	37.70	62.30	0
Spain	42	50.00	50.00	0
Total	1327	46.42	53.28	0.30

Note: This table summarises the contacts made by each shocked country, across US political parties. Column 2 reports the total number of politicians contacted. Among those, Columns 3, 4 and 5 report the percentage of Democrats contacted, the percentage of Republicans contacted, and the percentage of Independents contacted.

Table A2: Public support (only one country mentioned per speech)

	(1)	(2)	(3)	(4)
Outcome: sentiment				
connection	0.429*** (0.020)	0.433*** (0.020)	0.431*** (0.020)	0.435*** (0.020)
post	-0.009 (0.016)	-0.006 (0.017)	-0.007 (0.016)	-0.004 (0.017)
connection $\times$ post	-0.421*** (0.021)	-0.422*** (0.020)	-0.425*** (0.020)	-0.425*** (0.020)
Observations	8,548	8,548	8,548	8,548
R-squared	0.479	0.480	0.489	0.489
mean(y)	0.426	0.426	0.426	0.426
sd(y)	0.495	0.495	0.495	0.495
$\beta_1 + \beta_3 = 0$	0.007	0.010	0.007	0.010
standard error	0.008	0.008	0.008	0.020
p-value	0.336	0.000	0.388	0.225
$\beta_2 + \beta_3 = 0$	-0.431	-0.428	-0.431	-0.429
standard error	0.020	0.020	0.020	0.008
p-value	0.000	0.185	0.000	0.000
countries mentioned	single	single	single	single
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	-	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓
SE clustered by country*semester				
*** p<0.01, ** p<0.05, * p<0.1				

Note: This table reports coefficient of connection, post and interaction of both variables when regressed with the outcome variable, sentiment. In this exercise, we restrict our analysis to only those observations where only one country was mentioned in a speech by a politician. The first column has time and politician fixed effects. The second column has additional country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports t-tests for the linear combinations of coefficients, the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

Table A3: Public support (alternative definitions of strong connection)

	(1)	(2)	(3)	(4)
Outcome: sentiment				
connection (by mean)	0.603*** (0.016)			
post	-0.021* (0.011)	-0.020** (0.010)	-0.019 (0.012)	-0.019 (0.014)
connection $\times$ post	-0.597*** (0.016)			
connection (by median)		0.594*** (0.016)		
connection (by medium) $\times$ post		-0.588*** (0.017)		
connection (by 75th pctl.)			0.607*** (0.015)	
connection (by 75th pctl.) $\times$ post			-0.599*** (0.016)	
connection (by 90th pctl.)				0.611*** (0.016)
connection (by 90th pctl.) $\times$ post				-0.602*** (0.016)
Observations	18,693	18,693	18,693	18,693
R-squared	0.586	0.583	0.583	0.584
mean(y)	0.862	0.864	0.862	0.861
sd(y)	0.344	0.343	0.345	0.346
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	✓	✓	✓	✓
party $\times$ time FE	✓	✓	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓

SE clustered by country*semester

*** p<0.01, ** p<0.05, * p<0.1

Note: This table reports coefficient of connection, which is a dummy that equals one if (i) the average, (ii) the median, (iii) the 75th percentile, and (iv) 90th percentile number of times politician i was contacted by country c during the four semesters prior to a shock to that country is more than the average number of times any politician was contacted during the four semesters prior to a shock to that country. This table also reports coefficients of post and interaction of connection and post, when regressed with the outcome variable, sentiment. Fixed effects and controls included in each column are denoted using check-marks. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports t-tests for the linear combinations of coefficients, the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

Table A4: Public support (alternative definitions of sentiment)

Outcome:	(1) sentiment > preshock avg. of conn.	(2) sentiment > preshock median of conn.	(3) sentiment > preshock 75pctl. of conn.	(4) sentiment > preshock 90pctl. of conn.	(5) sentiment > avg. of ever contacted
connection	0.604*** (0.016)	0.384*** (0.020)	0.128*** (0.013)	0.0359*** (0.006)	0.809*** (0.014)
post	-0.021* (0.011)	-0.033** (0.016)	-0.009 (0.010)	-0.005 (0.004)	0.024* (0.013)
connection × post	-0.597*** (0.016)	-0.381*** (0.021)	-0.127*** (0.013)	-0.0375*** (0.006)	-0.794*** (0.014)
Observations	18,693	18,693	18,693	18,693	18,693
R-squared	0.586	0.400	0.182	0.112	0.772
mean(y)	0.316	0.290	0.262	0.252	0.342
sd(y)	0.344	0.408	0.452	0.463	0.251
$\beta_1 + \beta_3 = 0$	0.007	0.003	0.001	-0.002	0.015
standard error	0.005	0.005	0.003	0.006	0.013
p-value	0.116	0.463	0.715	0.377	0.000
$\beta_2 + \beta_3 = 0$	-0.618	-0.414	-0.136	-0.0425	-0.770
standard error	0.018	0.019	0.012	0.002	0.004
p-value	0	0	0	0	0
time	semester	semester	semester	semester	semester
time FE	✓	✓	✓	✓	✓
politician FE	✓	✓	✓	✓	✓
country FE	✓	✓	✓	✓	✓
party × time FE	✓	✓	✓	✓	✓
controls _{it}	✓	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓	✓

SE clustered by country × time

*** p<0.01, ** p<0.05, * p<0.1

Note: This table reports coefficient of connection, post and interaction of both variables when regressed with the outcome variable, sentiment, which is a dummy that equals one if politician i and country c in semester t is (i) greater than the average of connected politicians previously to the shock, (ii) is greater than the pre-shock median of connected politicians, (iii) 75th percentile, (iv) 90th percentile of sentiment of connected politicians, and (v) is greater than the average sentiment of politicians ever contacted by the country either pre or post-shock. Fixed effects and controls included in each column are denoted using check-marks. Unit of observation is politician × country × time (semester). The table also reports t-tests for the linear combinations of coefficients, the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

Table A5: Effect of country shocks on the number of congressional speeches delivered by politicians about that country

	(1)	(2)	(3)	(4)
Outcome: # speeches				
connection	3.420*** (1.148)	3.292*** (1.042)	3.802*** (1.246)	4.109*** (1.143)
post	8.294** (3.409)	6.752* (3.513)	9.912*** (3.596)	8.172** (3.741)
connection $\times$ post	-3.465*** (1.186)	-4.095*** (1.097)	-4.479*** (1.224)	-5.326*** (1.141)
Observations	23,157	23,157	18,693	18,693
R-squared	0.544	0.586	0.513	0.563
mean(y)	11.20	11.20	11.20	11.20
sd(y)	14.11	14.11	14.11	14.11
$\beta_1 + \beta_3 = 0$	-0.0445	-0.803	-0.677	-1.217
standard error	0.790	3.242	0.770	0.689
p-value	0.955	0.249	0.0839	0.407
$\beta_2 + \beta_3 = 0$	4.829	2.657	5.433	2.846
standard error	3.006	0.695	3.135	3.426
p-value	0.109	0.413	0.380	0.0783
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓
SE clustered by country*semester				
*p<.05; **p<.01; ***p<.001				

Note: This table reports coefficients of connection, post and the interaction of both variables when regressed with the outcome variable, number of congressional speeches about the shocked country. The first column has time and politician fixed effects. The second column includes in addition country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports the pre-shock mean and standard deviation of the dependent variable for the treated group. Standard errors clustered at the country*semester level.

Table A6: Lobbying contacts (alternative definitions of strong connection)

	(1)	(2)	(3)	(4)
Outcome: total # contacts				
connection (by mean)	16.130** (6.668)			
post	10.130 (6.810)	8.877 (6.387)	11.044 (7.098)	11.712 (7.592)
connection $\times$ post	15.813** (7.165)			
connection (by median)		20.251*** (6.522)		
connection (by medium) $\times$ post		16.531** (7.214)		
connection (by 75th pctl.)			12.308* (7.034)	
connection (by 75th pctl.) $\times$ post			13.482* (7.319)	
connection (by 90th pctl.)				9.272 (7.318)
connection (by 90th pctl.) $\times$ post				12.660 (7.708)
Observations	18,693	18,693	18,693	18,693
R-squared	0.260	0.261	0.258	0.258
mean(y)	22.624	22.429	22.594	22.573
sd(y)	95.153	93.842	94.910	94.716
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	✓	✓	✓	✓
party $\times$ time FE	✓	✓	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓

SE clustered by country*semester

*** p<0.01, ** p<0.05, * p<0.1

Note: This table reports coefficient of connection, which is a dummy that equals one if (i) the average, (ii) the median, (iii) the 75th percentile, and (iv) 90th percentile number of times politician i was contacted by country c during the four semesters prior to a shock to that country is more than the average number of times any politician was contacted during the four semesters prior to a shock to that country. This table also reports coefficients of post and interaction of connection and post, when regressed with the outcome variable, sentiment. Fixed effects and controls included in each column are denoted using check-marks. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

Table A7: Public support (after controlling for # speeches)

	(1)	(2)	(3)	(4)
Outcome: sentiment				
connection	0.626*** (0.017)	0.628*** (0.017)	0.602*** (0.015)	0.604*** (0.016)
post	-0.00511 (0.013)	-0.00626 (0.014)	-0.0190* (0.011)	-0.0201* (0.011)
connection $\times$ post	-0.620*** (0.017)	-0.622*** (0.017)	-0.596*** (0.016)	-0.597*** (0.016)
Observations	23,157	23,157	18,693	18,693
R-squared	0.601	0.603	0.584	0.586
mean(y)	0.787	0.787	0.787	0.787
sd(y)	0.409	0.409	0.409	0.409
$\beta_1 + \beta_3 = 0$	0.00529	0.00542	0.00628	0.00657
standard error	0.00475	0.0168	0.00472	0.0180
p-value	0.266	0.266	0.184	0.159
$\beta_2 + \beta_3 = 0$	-0.625	-0.628	-0.615	-0.617
standard error	0.0162	0.00486	0.0175	0.00466
p-value	0	0	0	0
time period	semester	semester	semester	semester
time FE	✓	✓	✓	✓
politician FE	✓	✓	✓	✓
country FE	-	✓	-	✓
party $\times$ time FE	-	-	✓	✓
controls _{it}	✓	✓	✓	✓
controls _{ct}	✓	✓	✓	✓

SE clustered by country $\times$ semester

*p<.05; **p<.01; ***p<.001

Note: This table reports coefficient of connection, post and interaction of both variables when regressed with the outcome variable, sentiment. In this exercise, we include a control for the number of times a politician speaks in the congressional hearings. The first column has time and politician fixed effects. The second column has additional country fixed effects. Column 3 has, in addition to column 1, the interaction of party and time fixed effects. Finally, column 4 adds the country fixed effects, in addition to column 3. All columns include controls for interactions of politician and time, and country and time. All columns include controls for interactions of politician and time, and country and time. Unit of observation is politician $\times$ country $\times$ time (semester). The table also reports t-tests for the linear combinations of coefficients, the pre-shock mean and standard deviation of the outcome variable for the treated group. Standard errors clustered at the country*semester level.

B Data

Lobbying

Lobbying data was manually encoded from FARA reports. Figure B1 shows an example.

B.1 Sentiment

We use the Valence Aware Dictionary and Sentiment Reasoner (VADER) tool for sentiment analysis. This is available as a Python package.¹³ It assigns a score to a word or group words while being sensitive to the intensity of the speech and the context of

¹³See, for instance, Davidson et al. (2017), Nithyanand et al. (2017), Dalal et al. (2019) for some recent applications.

U.S. Department of Justice
Washington, DC 20530

Supplemental Statement
Pursuant to Section 7 of the Foreign Agents Registration Act of 1938, as amended

For Six Month Period Ending JUN 29, 2001
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant
AUSTRIAN NATIONAL TOURIST OFFICE, INC.
AUSTRIAN NATIONAL RAILWAYS

(b) Registration No. 4985

(c) Business Address(es) of Registrant
500 5th AVE.
SUITE 300
NY NY 10110

2. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

(1) Residence address	Yes ☐	No ☐
(2) Citizenship	Yes ☐	No ☐
(3) Occupation	Yes ☐	No ☐

(b) If an organization:

(1) Name	Yes ☐	No ☒
(2) Ownership or control	Yes ☐	No ☒
(3) Branch offices	Yes ☐	No ☒

(c) Explain fully all changes, if any, indicated in items (a) and (b) above.

3. If you have previously filed Exhibit C¹, state whether any changes therein have occurred during this 6 month reporting period.

Yes ☐ No ☒

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

1 The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

Form OBD-64
1-13-68

Figure B1: FARA report

the speech. For example, the word ‘okay’ is assigned a score of +0.9, ‘good’ is assigned +1.9, ‘great’ is assigned +3.1, while ‘horrible’ is assigned a score of -2.5. VADER also considers contextual rules such as grammatical, syntactical and is word-order sensitive. For example, “extremely bad” gets a more negative score than “bad”, however, “kinda bad” gets a less negative score than “bad”.

As an outcome, VADER gives a continuous score in the interval $[-1, 1]$. We consider each paragraph as in the text data as a separate observation. Below are two examples, each showing a paragraph with negative and positive sentiment along with the outcome variable.

“ That picture, sadly, is replicated and has been done over and over again, tens of millions of times throughout China, but in this case, there is a picture, and now it is posted and people are finally, at long last, seeing the gruesome reality of China’s one-child-per-couple policy with its reliance on forced abortion,

which is cruelty beyond words.”

- Sentiment: -0.9052

“Our strong ally and partner, Australia has demonstrated steadfast commitment and bold leadership in the GWOT and in essentially every other security endeavor in the region. ... Australia is the southern anchor of our security architecture in the region, and we will maintain the vibrancy of this strategic relationship.”

- Sentiment: +0.9231

Then, we find the mean sentiment across paragraphs where the same countries were mentioned. We do this for each politician for each day of each hearing. In the textual transcripts of the congressional hearings, a new speaker is denoted by their occupation (e.g., senator) and last name, before they start speaking. Hence, we cannot differentiate between speakers with the same occupation and last name. We drop such observations, which account for less than 4% of the total daily-level panel data observations.

B.2 Description of shocks

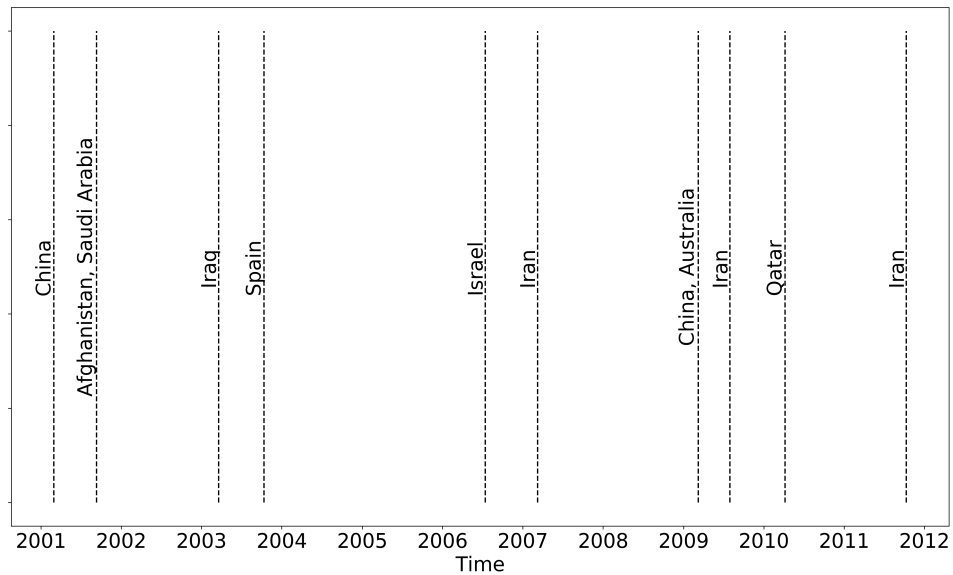
In this appendix we describe in detail the reputational shocks used in our empirical analysis. These shocks are unexpected events that occurred in our data period, negatively affected the reputation of one or more foreign countries in the U.S., and received wide media coverage and attention in the U.S.

Table B1: Shocks: a brief description

Date of Shock (DD/MM/YYYY)	Country Affected	Event (a short description)
01/03/2001	China	Hainan Island jet collision
11/09/2001	Afghanistan, Saudi Arabia	9/11 attacks
20/03/2003	Iraq	Invasion of Iraq
12/10/2003	Spain	Spanish leader disrespects the US flag
12/07/2006	Israel	Israel rocket launch on civilians
09/03/2007	Iran	Disappearance of Robert Levinson
09/03/2009	China	Chinese vessels harass US ship
15/03/2009	Australia	Australian censorship of US anti-abortion site
31/07/2009	Iran	Detention of American hikers by Iran
07/04/2010	Qatar	Terrorism scare on United Airlines Flight 663
11/10/2011	Iran	Assassination plot in the US

Note: This table presents a brief description of each shock.

Figure B2: Timeline of shocks



Note: This figure displays the timeline of shocks. They are distributed across the time horizon of data from FARA and the congressional hearings.

Here are more details about the shocks:

1. China - Hainan Island jet collision (March 1, 2001)

A U.S. Navy spy plane was on a routine surveillance mission near the Chinese coast when it was suddenly hit by the Chinese jet for no apparent reason ([Rosenthal and Sanger, 2001](#)). There were conflicting versions of the collision. The version of Chinese officials was that the U.S. plane turned abruptly into the Chinese jet, while the U.S. version was that the Chinese jet hit the U.S. plane ([Pomfret, 2001](#)).

The event negatively affected the reputation of China in the U.S. as several American journalists severely criticized China after the accident. An aviation expert told CNN that according to aviation protocols, the accident was not caused by the U.S., and the downed aircraft was a very sensitive piece of equipment ([CNN, 2001b](#)). After the release of the U.S. plane's crew, the U.S. questioned the Chinese version and criticized the handling of the incident ([FoxNews, 2001](#)).

2. Afghanistan - 9/11 attacks (September 11, 2001)

On this day, terrorist commandos hijacked and crashed four commercial passenger jets. Two aircraft slammed into the north and south towers of the World Trade Center in Manhattan, respectively. Afterwards, a third plane crashed into the Pentagon. Lastly, a fourth plane crashed near Shanksville, Pennsylvania ([CNN, 2001a](#)).

The event negatively affected the reputation of Afghanistan and Saudi Arabia in the U.S. Afghanistan served as a training camp and basis for the attack perpetrators and executors. Saudi Arabia was the country of origin of Osama Bin Laden, the attack's mastermind, and several hijackers. Besides receiving massive and prolonged media coverage, the event prompted a wave of controls and restrictions affecting Islamic countries, some episodes of discrimination against their citizens ([Mineo, 2021](#)), and a long-term deterioration in how Americans view such countries. In March of 2002, 25% of Americans had negative views of Islam, as they thought that Islam was a religion that promoted violence. Twenty years later, the share of Americans holding this negative view doubled to 50% ([Galston, 2021](#)).

3. Iraq - Invasion of Iraq (March 20, 2003)

While the U.S. plan to invade Iraq was known to many, the starting date of the invasion and military campaign came as a surprise given that the UN had not authorized military action against Iraq. The invasion therefore suddenly turned Iraq and its government into official war enemies of the U.S., with important and negative consequences on how U.S. citizens viewed Iraq.

Most Americans supported President Bush's decision to invade Iraq in March of 2003, as they were convinced that Iraq possessed nuclear weapons and supported Islamic terrorism – a major public concern after the 9/11 attacks ([Williams, 2007](#)). Right after the U.S. invaded Iraq, 72% of Americans favoured the U.S. war with Iraq, according to Gallup polls. In addition, one in three Americans were convinced that war was not only just but necessary ([Smith and Lindsay, 2003](#)).

4. Spain - Spanish leader disrespects the US flag (October 12, 2003)

In 2003 United States troops carrying the American flag marched during Spain's national military parade upon invitation of the Spanish government ([AP, 2006](#)). During the march, opposition leader José Luis Rodríguez Zapatero unexpectedly decided to remain seated as a sign of dissatisfaction with the war in Iraq.

This event negatively affected the reputation of Spain in the U.S. Through that gesture, Zapatero made it clear that a large part of Spain did not support the United States in the war with Iraq. Indeed, a year later Zapatero became Prime Minister, and, the United States were no longer invited to participate in the military parade (AP, 2006). Furthermore, in 2004 Spain brought home the 1,300 Spanish soldiers that the previous government had sent to Iraq, thereby completely withdrawing Spanish support to the U.S.-led military campaign.

5. Israel - Israel rocket launch on civilians (July 12, 2006)

The conflict started when Hezbollah, the Lebanese guerrilla group, launched a surprise attack on Israel, firing rockets at Israeli border towns (Myre and Erlanger, 2006). Israel responded by launching rockets that killed civilians in Lebanon.

This event negatively affected the reputation of Israel in the U.S. According to Saad (2006), most Americans agreed that Hezbollah was to blame for the conflict, but felt that the Israeli use of force was excessive. The USA Today/Gallup poll showed that the U.S. denounced the actions of the Hezbollah organization in Lebanon but stopped short of endorsing the extent of military action taken by Israel, and more than half of Americans said that Israel had gone too far or not justified its military action (Saad, 2006).

6. Iran¹⁴ - The disappearance of Robert Levinson (March 9, 2007)

Robert Levinson was an agent who disappeared under mysterious circumstances while in Iran, during an unauthorized mission. There are diverging accounts of the reason he travelled to Iran. For example, according to Johnson and Shesgreen (2020) the Associated Press reported in 2013 that Levinson was on a mission for the CIA. In contrast, the FBI said he was working as a private investigator. The White House declared that Levinson was not a U.S. government employee during that time. Finally, Levinson's wife said that she did not know why he travelled to Iran, because her husband never spoke about it.

This episode negatively affected the reputation of Iran in the U.S., as the U.S. blamed Iran for the disappearance of Levinson. According to Goldman (2020), during the Obama administration, Iranian officials informed that the remains of Levinson had been buried in Pakistan, but since the remains were never found, the U.S. accused Iran of attempting to disguise its role in Levinson's disappearance. Nearly 14 years after the U.S. officially blamed two intelligence Iranian officers for the actions that ended in the likely death of Levinson (Johnson and Shesgreen, 2020), U.S. judge ordered Iran to pay \$1.45 bn to Levinson's family in compensatory damages (BBC, 2020).

7. China - Chinese vessels harass US ship (March 9, 2009)

A U.S. Ocean surveillance ship was conducting routine operations when five Chinese ships suddenly sailed within 25 feet of the ship, waved flags and ordered to leave. Two of the Chinese ships blocked the American ship after it requested safe transit, while Chinese sailors tried to hook the cables towing the sonar equipment (Shanker, 2009).

¹⁴There have been different instances in which Iran and US faced tough international relations situations (such as the three shown on this research). Even though no effect on how attractive it is to engage in commercial activity with Iran surged directly in those seemingly independent situations, the diverse circumstances could combinely contribute to medium/long term effects on the commercial activity and relations between US and Iran. Therefore, the combination of US-Iran events decreases the attractiveness of Iran in commercial relations with other countries, since supporters of US could avoid relations with Iran and the continuous tension between US and Iran can have further political and economic implications.

This event negatively affected the reputation of China in the U.S. The incident prompted the US embassy in Beijing to lodge an official protest with the Chinese government. The Pentagon called the incident “one of the most aggressive actions they had seen” (CNN, 2009). In addition, the Defense Department said the Chinese ships “shadowed and aggressively maneuvered in dangerously close proximity” (France24, 2009), while the Pentagon stated that, “the unprofessional maneuvers by Chinese vessels violated the requirement under international law to operate with due regard for the rights and safety of other lawful users of the ocean” (France24, 2009).

8. Australia - Australian censorship of US anti-abortion site (March 15, 2009)

A user reported a US anti-abortion site to Australian Communications and Media Authority (ACMA) in 2009, and in response to this complaint, ACMA banned the U.S. website and removed its link (Cettl, 2014).

This unexpected action of ACMA negatively affected the reputation of Australia in the U.S. The Australian government censored an American website that displayed images of aborted fetuses thereby constraining the public’s ability to receive information on an important and controversial issue. Moreover, the actions of ACMA directly targeted a U.S. information outlet, thus bringing the American public’s attention on this event.

9. Iran - Detention of American hikers by Iran (July 31, 2009)

Three American vacationers were suddenly and unexpectedly arrested in Iran while hiking (Healy, 2009). The Iranian foreign minister said they had entered the country illegally, but the U.S. Secretary of State denied that and called the Iranian government’s actions totally unfounded (Healy, 2009).

This event negatively affected the reputation of Iran in the U.S. Iran arbitrarily arrested the three American hikers without evidence to corroborate their accusations. According to Goodman and Cowell (2011), the Iranian officials never produced any evidence that the American hikers were spies. Accordingly, the United Nations secretary-general and the human rights group Amnesty International called for hikers’ release. They were held in prison for more than two years, even though the U.S. repeatedly demanded their release. In 2011, when the hikers were finally released, they accused Iran of holding them hostage for the mere fact of being American (Walker, 2011).

10. Qatar - Fear of Terrorist Attack on United Airlines Flight 663 (April 7, 2010)

During flight 663 from Washington to Denver, a Qatari diplomat was found smoking in the aircraft lavatory in violation of safety rules and confronted by air marshals who were on the plane (Spencer, 2010; O’Connor, 2010).<https://www.overleaf.com/project/618a47ed01f06faf1c7d3c24>

This event received ample media coverage, and it negatively affected the reputation of Qatar in the U.S. The 9/11 attacks made Americans especially sensitive to the threat of terrorist attacks, and many people suspected the Qatari diplomat might have attempted a shoe bombing attack while in the bathroom. Furthermore, Fox News reported that the Qatari diplomat was on his way to a consular visit to a jailed Al Qaeda operative. The episode therefore created a tension with the U.S. government (FoxNews, 2015), and even triggered an alert to a Europe-bound President Obama aboard Air Force One.

11. Iran - Assassination plot in the US (October 11, 2011)

U.S. officials alleged that there was a plot by the Iranian government to assassinate the Saudi Ambassador in the United States. According to Esposito and Ross (2011), This

plot involved assassinating the ambassador with a bomb and subsequently bombing the Saudi and Israeli embassies in Washington, D.C. The U.S. Attorney General Eric Holder said the plan was “conceived, sponsored and was directed from Iran” ([Esposito and Ross, 2011](#)). The U.S. Department of Justice [doj2011](#) women declared that two people were charged for their alleged involvement in this plot.

This sudden and widely publicized event negatively affected the reputation of Iran in the U.S. The Obama administration accused the Iranian government of planning the attacks in collaboration with a Mexican drug cartel ([MacAskill, 2011](#)). According to [Warrick and Erdbrink \(2011\)](#), the allegation plunged U.S.-Iranian relations into a crisis. Furthermore, U.S. officials said the plot must have originated at the highest level of Iran’s government, given the cost and complexity of its execution. According to [Schimtt and Shane \(2011\)](#), bank transfers and intercepted telephone calls in the possession of U.S. officials indicated that Iranian’s senior leaders were likely involved in the plot.

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