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Paper Information	
Title	Identifying a Fundamental Source of the Liability of Foreignness: Evidence from Lobbying Fees Charged to Foreign Firms
Abstract	The concept of the liability of foreignness has been criticized in the literature for lacking (1) theoretical clarity, (2) precision about the liability's duration and permanence, and (3) specificity about its real economic costs—all of which has motivated calls to address these perceived deficiencies. This study seeks to help address this call for further research by looking at the fees charged to foreign firms by U.S. lobbyists. We argue that lobbyists function as institutional gatekeepers, providing certification for their foreign clients, but charging them a premium, approximately 9.74% higher than U.S. firms holding all other control variables at their means, to compensate for the career and economic risk that representing foreign firms entails. We show that this fee premium is largest for foreign firms from more authoritarian countries–as high as 32%--because of the perceived illegitimacy of such firms in political arenas where legitimacy is at issue. The theory and the empirical results from this study therefore suggest that the liability of foreignness persists to a significant degree as a large certification premium targeted foremost at firms from countries with different political institutions that are perceived as illegitimate. We further show that this fee premium for illegitimacy is both economically large and long-lasting. Our study contributes to the understanding of the liability of foreignness, nonmarket strategy, and certification.

INTRODUCTION

Among the most influential and widely studied concepts in global strategy and international business is the liability of foreignness: the principle that foreign firms pay higher costs of doing business in a host market, due to (1) lack of institutional knowledge, (2) relative lack of social embeddedness, and (3) discrimination against them for being foreign (including being viewed as less legitimate than domestic firms) (Hymer, 1960/1976; Zaheer, 1995; Ahmadjian, 2016; Zhou & Guillen, 2016). Numerous studies have examined the liability of foreignness both theoretically and empirically, in such contexts as U.S. human-resource and management practices (Mezias, 2002), regulatory violations in banking (Wu & Salomon, 2017), and global capital markets (Bell, Filatotchev, & Rasheed, 2012).

Prior studies have deepened our understanding of the liability of foreignness, but the literature has three noteworthy gaps in our collective understanding. First, though many studies show that foreign firms are penalized, other research argues that foreignness itself might not be the sole or even the main explanation (Luo, 2002; Luo & Mezias, 2002; Kronborg & Thomsen, 2009). This assertion is supported by the welcome that many countries extend to multinational firms (MNEs); due to their positive impact on host markets' economies, multinationals may even under certain conditions be treated more favorably than domestic firms (Nachum, 2003, 2010; Un, 2011). On the other hand, recent international conflicts on such issues as trade, the environment, and the global pandemic illustrate that foreign firms can be penalized for their foreign status (Evenett, 2019; Chatterji, Findley, Jensen, Meier, & Nielson, 2016). These contradictory realities raise an important question about *the fundamental source of the liability of foreignness*: namely, what determines whether foreign firms face larger or smaller liabilities for their foreignness in host markets? Second, most studies assume that the liability of foreignness can be overcome, at least in part, as MNEs transfer their competitive advantages from their home

countries (Zaheer, 1995) and/or accumulate more experience and competitive advantages in their host countries (Perkins, 2014; Hernandez, 2014). However, as Kim (2019) shows for the U.S. defense sector, there may be economically and institutionally important contexts where (1) the penalty that foreign firms face is enduring, even after accounting for their experience and strategy in a host country, and where (2) the liability of foreignness cannot be significantly overcome and thus persists. If this is true, it is both theoretically and practically important to identify the sources and mechanisms that underlie it. Finally, to our knowledge, scholars have rarely attempted to quantify the economic costs of the liability of foreignness that foreign MNEs are obliged to pay. The most fundamental feature of the liability of foreignness is that foreign MNEs incur higher costs while doing business abroad. But most studies focus on survival (e.g., Zaheer & Mosakowski, 1997) or institutional violations (e.g., Mezias, 2002; Wu & Salomon, 2017). We thus see a need for examination of the real economic costs that foreign firms incur.

This study addresses these theoretical gaps through the lens of certification (Carlos & Lewis, 2018). We argue that a fundamental source of foreign firms' liability is the perceived illegitimacy of their home countries' political institutions and the societal values and ideology they manifest (McClosky, 1964; Snow, 1913). Because the prevailing host-country perception of a foreign MNE is often associated with the perceived characteristics of its home country (Vasudeva, Nachum, & Say, 2020; Shi, Gao, & Aguilera, 2020), host-country stakeholders will frequently assess the legitimacy of a foreign firm in light of differences in political institutions between the firm's home and host countries (Soule, Swaminathan, & Tihanyi, 2014). In an environment in which local incumbent firms are dominant, and legitimacy is pivotal in defining interactions among market players (Dorobantu, Kaul, & Zelner, 2017; Jia, 2018), certification would be crucial for an outsider to participate in the market. Also, because policy-making is an arena in which perceived differences between the two countries' political institutions play a

significant role in defining foreign firms' legitimacy (Boddewyn, 1995), we further argue that lobbyists essentially sell certification to foreign firms eager to influence the policy-making process.[1] However, lobbyists may charge a significantly higher risk premium to foreign firms, particularly those from politically distant home countries, due to the potential reputational hazard and career consequences (Kim, 2019) of persistent home-country characteristics (Bucheli & Salvaj, 2018; Vasudeva, Nachum, & Say, 2020). What lobbyists are providing to their foreign clients is the loaning of legitimacy through their active certification of these firms when representing them in front of politicians and regulators. Therefore, dissimilarities in home and host countries' political institutions will prompt lobbyists, as providers of certification, to make foreign firms pay significantly higher fees, a form of enduring liability of foreignness that will tend to persist. Also, what these significantly higher fees represent is the price for attaining legitimacy in this market.

Empirically, we look at all U.S. federal lobbying transactions conducted by professional lobbyists hired by foreign MNEs and U.S. firms—approximately 354,000 transactions in total—between 1998 and 2012. Our sample consists of 18,046 U.S. firms and U.S. subsidiaries of foreign MNEs represented by 3,641 independent lobbying firms. The Lobbying Disclosure Act (LDA) of 1995 requires that all registered lobbyists disclose their lobbying activities. These reporting requirements reveal lobbying fees; each lobbying report also lists the specific congressional issues that each client firm wants to target, the agencies lobbied, and the number of lobbyists hired. This array of information provides two critical forms of insight into actual costs. First, the reporting requirements enable us to pinpoint lobbyists' activities and the factors

[1] We will use the terms *lobbyist* and *lobbying firm* interchangeably, and in the rare passages where we specifically mean an *individual* lobbyist, we will say so explicitly. Also, all of these terms refer to *external* lobbyists unless in-house lobbyists are specified.

that determine the fees that they charge. Second, we can tease apart the unit cost of each lobbying activity; thus we can compare what each client firm pays after accounting for heterogeneity in lobbying activities. Our empirical results show that lobbying firms charge approximately 7.4% to 10.1% higher fees to foreign MNEs than to U.S. firms. These results are robust to the use of many alternative fixed effects and matching techniques. The results lend support to our argument that dissimilarity in the political institutions/systems of home and host countries is one of the most enduring source of the liability of foreignness, particularly in the context of political lobbying.

Our study makes the following theoretical contributions. First, it contributes to the literature on the organizational theory of the multinational enterprise, specifically regarding the liability of foreignness. Despite the centrality of the concept of the liability of foreignness in the literature, the concept of such a liability has been questioned on grounds of validity in a globalized era, an ambiguous definition that makes it difficult to test, and its possibly transient effect (Luo & Mezias, 2002; Eden & Miller, 2004; Denk, Kaufmann, & Roesch, 2012). By showing that differences in political systems between home and host countries can be an enduring source of the liability of foreignness, our study helps to explain why foreign firms still suffer from it even after an extended presence in the host market. We further show that lobbyists, as providers of certification for foreign firms, take into account possible negative economic and career impacts driven by the illegitimacy of certain categories of foreign firms, particularly those from authoritarian countries, and that this consideration is manifested in higher risk premiums. By quantifying this risk premium, our study sheds new light on the original construct of liability of foreignness.

The study also speaks to the nonmarket strategy literature. Studies on nonmarket strategy that explore how legitimacy can affect firms' political strategy (e.g., Jia, 2018; McDonnell &

Werner, 2016) tend to focus on firms' legitimacy as perceived by elected politicians, at the expense of attention to lobbying firms. By showing that these intermediaries also take legitimacy into account in their representation of foreign firms, as manifested in economic premiums, the study enhances our understanding of interactions and relationships among firms, lobbyists, and elected politicians, and thus paints a more holistic picture of the role of legitimacy in politics and corporate political strategy.

THEORY AND HYPOTHESES

The Liability of Foreignness and its Source

For a quarter-century, since Zaheer (1995) elaborated on Hymer's (1960/1976) original formulation of the liability of foreignness, the concept has been central to our understanding of the operations and strategies of foreign multinational enterprises in host countries. The concept's fundamental premise is that foreign firms pay higher costs than domestic firms to do businesses in a host country because of their foreignness (Hymer, 1960/1976). Many international business scholars have studied the liability of foreignness because it can critically impact the strategic decision-making of foreign MNEs and must be overcome if foreign firms are to perform successfully in host markets (Luo & Mezias, 2002).

In principle, studies of the liability of foreignness can be assigned to two distinctive streams of research (Denk, Kaufmann, & Roesch, 2012). One stream has focused on understanding why foreign firms face a liability of foreignness in host markets. These studies largely agree that the liability of foreignness arises from (1) foreign firms' lack of social embeddedness, (2) their scant institutional knowledge of the foreign market, and (3) explicit or implicit discrimination (Ahmadjian, 2016; Eden & Miller, 2004; Salomon & Wu, 2012). The other stream of studies has extensively examined how to overcome the liability of foreignness (e.g., Delios & Henisz, 2000; Miller & Eden, 2006). For example, Siegel, Pyun, and Cheon

(2019) suggest that foreign firms align with an excluded group in the host society as a contrarian strategy to transform the effect of the liability of foreignness to their competitiveness.

Prior studies have undoubtedly enriched our understanding of the liability of foreignness. But a number of notable shortcomings persist. First, when the liability of foreignness was initially conceptualized, the overly broad boundaries of its definition provoked questions about its empirical operationalization (Luo & Mezias, 2002; Eden & Miller, 2004). For example, the liability of foreignness as operationalized in many studies might easily have been confounded with other factors, such as the liability of newness (Miller & Eden, 2006). Furthermore, being foreign is not always a liability (Nachum, 2003, 2010; Shi & Hoskisson, 2012), as both scholarly works and anecdotal evidence attest (e.g., preferential tax benefits or subsidies to attract foreign FDI). Thus the mere fact that a firm is from a foreign country might not explain why it is penalized. Alternatively, if the liability of foreignness is indeed the key driver of a penalty, the fundamental source of the liability may merit investigation and rigorous testing.

Secondly, many studies argue that the liability of foreignness can be overcome if (1) competitive advantages that can be transferred from the home country can mitigate their liability, or (2) a subsidiary can accumulate necessary experience or competitive advantages over time in the host country (Zaheer, 1995; Perkins, 2014; Mezias, 2002). Although this may be true in certain contexts, the liability might never be easy to overcome (Hymer, 1960/1976; Eden & Miller, 2004) because the company's foreignness is tightly linked to its identity, which is highly likely to persist over time. This possibility is supported by recent studies showing that certain institutional and industry contexts make it particularly hard for foreign MNEs to fully overcome their liability (Baik, Kang, Kim, & Lee, 2013; Edman, 2016).

Finally, although the fundamental concept of liability of foreignness is that foreign firms pay higher costs to do businesses in a host country (Hymer, 1960/1976; Zaheer, 1995), few

studies measure actual economic costs; instead they survey indirect costs, such as institutional violations, and measures of long-term firm performance such as survival rate (Calhoun, 2002). For example, Mezias (2002) shows that foreign MNEs face substantially more labor lawsuit judgments than do U.S. domestic firms, which he attributes to their lack of institutional knowledge of U.S. human-resource and management practices. Similarly, Wu and Salomon (2017) show that foreign banks are more likely to be accused of local stakeholder-related regulatory violations—driven by differences in regulations between their home and host countries. These studies show how the liability of foreignness can entail higher costs, but our knowledge of its real economic costs remains incomplete.

In short, though existing work elucidates the liability of foreignness, more research is needed to advance our collective understanding of the liability of foreignness (Luo & Mezias, 2002; Denk, Kaufmann, & Roesch, 2012). We address these persistent theoretical gaps and limitations by proposing that, due to their perceived illegitimacy (Edman, 2016) and institutional capture by domestic firms (Dorobantu et al., 2017) embedded in host countries, certain categories of foreign firms seek external certification (Bell, Filatotchev, & Rasheed, 2012) when they engage in political strategy. However, due to legitimacy concerns and information asymmetry, we argue, these foreign firms pay a higher premium than do local firms to external certifiers; this premium is a significant source of the higher costs that foreign firms pay in a host country.

Lobbyists as Institutional Gatekeepers through Certification

Lobbying has been defined as a communication between interest groups, including firms, and elected politicians (de Figuiredo & Richter, 2014). Firms aim to persuade elected politicians to take their positions on regulatory issues and proposed legislation into account when drafting legislation. Such efforts do not always succeed: politicians evaluate the potential benefits and

risks of association with firms when deciding whether or not to interact with them. First, politicians may gauge the resources that firms can provide—in the form of help designing a piece of legislation or winning re-election (Werner, 2012; Keim & Baysinger, 1988; Stigler, 1971). Second, to prevent negative legitimacy spillover, politicians try to avoid interaction with players widely viewed as illegitimate or questionably legitimate (McDonnell & Werner, 2016; Werner, 2015). If politicians believe that interacting with firms will be beneficial, they will do so; otherwise they will not.

Certification offers legitimacy to an organization (Carlos & Lewis, 2018) by providing information that is not readily observable to relevant outside stakeholders (King, Lenox, & Terlaak, 2005). In other words, third-party individuals and organizations with institutional credibility and knowledge enable less-known or less-credible individuals and organizations to participate in a market transaction that would have been unavailable to them without external certification (Sine, David, & Mitsuhashi, 2007). Thus lobbyists can be viewed as providing certification by functioning as institutional gatekeepers (Baumgartner, Berry, Hojnacki, Kimball, & Leech, 2009). They connect firms to elected politicians by employing their own political access and institutional knowledge, lobbyists' two most important assets (Blanes i Vidal, Draca, & Fons-Rosen, 2012; Drutman, 2015).

Foreign firms are often assumed to lack sufficient political capital to engage in political activities in a host country due to their scant social embeddedness and political connectedness (Siegel, 2007; Zaheer, 1995). Furthermore, the kind of institutional knowledge needed to navigate political access cannot typically be transferred from home countries—which makes foreign firms build their own subsidiary-level host-country political capability (Bae & Salomon, 2010; Kostova, Beugelsdij, Scott, Kunst, Chua, & Essen, 2020). Thus, even foreign firms that could be helpful to elected politicians might be unable to access and communicate with them in a

timely and effective manner (Kim, 2019) because they do not have access. A few well-known foreign companies may enjoy reputations comparable to domestic firms', but such status is rare. A lobbyist at one of the largest D.C. lobbying firms confirmed this observation:

> Politicians care about their constituents. They are willing to meet with well-known foreign companies because they believe that these firms can help them. However, it may be very difficult for most since most are not known. Unless they have factories or something in senators' or House members' state or congressional district, it will be very, very difficult. (interview with a Washington, D.C. lobbyist, September 2018)

This comment implies that politicians will meet with only a few foreign firms solely on the strength of their status or reputation. Furthermore, in addition to foreign firms' shortage of political capital, information about foreign firms is typically quite limited (Kang & Kim, 2010), creating information asymmetry between firms and politicians (Li, Li, & Wang, 2019). Such an information asymmetry in turn makes it unlikely that politicians will communicate with unfamiliar foreign firms when they cannot evaluate the potential consequences of doing so (Jia, 2018). Thus, certification via lobbying ultimately entails channeling information to politicians about whether a given firm can provide benefits to a politician and whether it is reliable (Jia, 2018); politicians can then decide whether to pursue communication (Werner, 2015). Professional lobbyists' political access and institutional knowledge position them well to channel such information (Baumgartner, Berry, Hojnacki, Kimball, & Leech, 2009): in fact, most professional lobbyists are revolving-door lobbyists, meaning that they have previously worked in the legislative and/or executive branch, and developed friendships and alliances with congressional staff (Birnbaum, 1992; Kaiser, 2010). One current revolving-door lobbyist who previously worked for the Senate Armed Services Committee confirmed this scenario:

> We [lobbyists and elected politicians or their staff] always help [each other]. They ask me about how my clients think of what's going on on the Hill and I share this info. This also helps me to craft a lobbying strategy for my clients. (interview with a Washington, D.C. lobbyist, September 2018)

A different revolving-door lobbyist who previously worked for a member of the House of Representatives described the same pattern:

> Senators and House members will meet with firms only if they see any benefits. I try to connect these firms to them [elected politicians] by giving them information they need or might be interested. (interview with a Washington, D.C. lobbyist, September 2018)

Lobbying can be understood as a type of social exchange and exchange of favors in which mutual trust and the lobbyist's credibility offer assurance that nothing will go wrong for the politician (Werner, 2015; Drutman, 2015). When certifying their lobbying clients, in turn, lobbyists try to assure that politicians need not worry about being tainted by association (McDonnell & Werner, 2016). Lobbyists' success hinges on their personal connections to current members of Congress and their staffers (Bertrand, Bombardini, & Trebbi, 2014). Thus if a politician faces legal trouble or scandal because of lobbying, scrutiny and blame will inevitably extend to the lobbyist, as several such scandals attest (e.g., Jack Abramoff in 2006, Paul Manafort in 2017, where both were convicted and imprisoned). To protect their future careers and incomes, therefore, lobbyists take pains to protect their own reputations and legitimacy. Doing so, however, is not always feasible: lobbyists often work for clients they barely know. In such cases, because it is hard to predict the consequences of their certification ex ante, lobbyists will want to be better compensated for reputation hazard and legitimacy hazard.

Hsu (2004) showed that start-up firms in need of certification were willing to sell their equity at a 10–14% discount to highly reputable venture-capital firms: when facing a price–reputation tradeoff, they chose to pay a hefty price for enhanced reputation. Hsu's (2004) analysis implies that conspicuous affiliation with high-status organizations is a normal economic good characterized by prices and reputation/quality tradeoffs. Those in urgent need of certification (such as start-up firms without access to capital markets) will thus probably need to pay more for more intensive certification. We argue that foreign firms are often willing to pay a

high premium for certification via political lobbying because of their liability of foreignness—which is in turn driven by lack of political capital and by information asymmetry.

> *Hypothesis 1: Lobbyists in Washington, D.C., charge significantly higher fees to foreign firms operating in the United States than to domestic firms as a risk premium.*

Home-Country Institutions as a Fundamental Source of the Liability of Foreignness in Certification

Lobbyists take various information into account to determine the fee premium they will charge a client. In most cases, however, it is not feasible for lobbyists to obtain complete information on a potential client seeking their certification. Because of this information asymmetry, lobbyists may use a simple heuristic process to determine a fee premium; one factor that lobbyists are apt to use is perceived organizational legitimacy (Suchman, 1995).

As many studies of nonmarket strategy and political strategy have shown, legitimacy is among the most important factors that political and nonmarket players consider (Hiatt, Grandy, & Lee, 2015; McDonnell & Werner, 2016). Legitimacy promotes acceptance of one's assertions and behavior by relevant stakeholders, even without complete information (Deephouse, Bundy, Tost, & Suchman, 2017; Suchman, 1995); conversely, those who contemplate interacting with firms considered marginally legitimate or illegitimate will question the potential benefits of such interaction (Jia, 2018). In other words, an organization's legitimacy is an important cue that lobbyists will take into account to compensate for an information asymmetry. Because foreign firms' legitimacy is often driven by perceptions of their home countries' characteristics (Shi, Gao, & Aguilera 2020), lobbyists might charge a premium to foreign clients whose perceived negative legitimacy politicians can readily observe (Li, Yang, & Yue, 2007; Tse & Gorn, 1993).

Many studies have shown that the perceived legitimacy of foreign MNEs in a host country is determined by prevailing perceptions of their home countries (Edman, 2016; Bucheli & Salvaj, 2018; Peterson & Jolibert, 1995). This phenomenon has been rendered more

conspicuous by such contentious global issues as the global pandemic, trade protectionism, and security relations (Evenett, 2019; Norris & Inglehart, 2019). In the sphere of political lobbying, a country's political institutions can be one of the most important factors to generate heterogenous perceptions of its legitimacy. In the political-science and international-relations literatures, it is axiomatic that similarities in political institutions promote mutual understanding and interaction between countries (Zhou, 2011; Weeks, 2008): perceptions of a country with similar political institutions tend to be positive and vice-versa (Nili, 2016; Walt, 1987). For example, it is generally accepted that citizens of democratic countries see other democratic countries' regimes as reliable and trustworthy (Cowhey, 1993; Talbott, 1996). In other words, though foreignness itself often activates legitimacy concerns, the perceived legitimacy of foreign firms will vary (Kostova & Zaheer, 1999) with the nature of their home-country political institutions (Shi, Hoskisson, & Zhang, 2016). In turn, the risk premium that lobbyists charge to foreign firms for certification will also vary with the perceived legitimacy of their home countries. As one lobbyist commented in a field interview:

> You've got to make a judgment call and weigh some of that stuff. We've taken clients and found, once we're in, that it's not something we want to do. Our contracts have 60-day out clauses for the clients and for us. (interview with a Washington, D.C. lobbyist, January 2019)

Asked whether his lobbying firm would be willing to represent firms from China and other autocratic countries, that same lobbyist stated:

> We will not take a Chinese company that has any state ownership. We do a lot of due diligence. We have to err on the side of being conservative. (interview with a Washington, D.C. lobbyist, January 2019)

Another lobbyist expressed a similar position:

> We might not represent firms from undemocratic countries or dictatorships. (interview with a Washington, D.C. lobbyist, September 2018)

Evidence from other fields attests to the reality of the phenomenon. The health economics literature documents the practice of charging premiums to clients who pose an elevated career risk for the provider. Gertler, Shah, and Bertozzi (2005) present evidence of higher prices in the market for sexual services (23–46% higher, in the two Mexican states surveyed) when the client asks not to use a condom; those authors argue that the premium compensates the provider for the added risk of a sexually transmitted disease. Similarly, Bjerk and Mason (2014) found the negotiated fees of couriers who cross the U.S. border with illegal drugs to positively correlate with the duration of the expected prison sentence for transporting specific drugs. Studies in the management and finance literature document that high-status organizations and individuals avoid associating with low-status organizations (Wolfe, Cooperman, & Ferris, 1994). Unavoidable involvement with lower-status organizations typically requires compensation for the higher risk of doing so (McLaughlin, Safieddine, & Vasudevan, 2000; Podolny, 1993; Stuart, 1998).

A senior U.S. government affairs specialist who has worked for a foreign firm's internal public-affairs office confirmed this pattern. Asked why many lobbyists would choose not to represent a firm from a country whose political institutions are at odds with U.S. democratic institutions, he answered:

> The lobbyist would think twice. You do get on a list of the people who are willing to represent companies that may not have the same values and ethics. You may find yourself representing members of the Communist party. That affiliation may cast a shadow on you. But everybody's got their price. I knew a gentleman who was struggling to get a job representing clients. So you'll get a smattering of those people. (interview with a Washington, D.C. senior U.S. government affairs specialist, December 2018)

Representing firms from authoritarian countries entails the greatest risk because of legitimacy concerns (Shi, Hoskisson, & Zhang, 2016). Furthermore, the foreign firms most in need of certification would be those whose home countries elicit the most severe reputational penalties for transacting with U.S. policy elites. Resulting legitimacy issues will thus prompt

lobbyists willing to certify these organizations to charge them higher risk premiums (Brown, 2018). And, given that the fundamental argument of the liability of foreignness is that certain types of foreign firms pay higher costs of doing business in a host country due to their foreignness, in political lobbying, legitimacy driven by home country political institutions can be one of the fundamental sources of the foreign liability thus we argue that this is one of the sources of the liability of foreignness. We thus make the following prediction:

> *Hypothesis 2: Lobbyists in Washington, D.C., charge significantly higher lobbying fees to foreign firms from countries with more authoritarian political system than to other firms, all else equal.*

Such treatment of foreign firms from more authoritarian political systems is unlikely to diminish over time because prevailing perceptions of countries are persistent (Bell, Filatotchev, & Aguilera, 2014; Wan, Chen, & Yiu, 2015). As noted, for the last couple decades, countries around the globe set behavioral norms in international relations depending upon their political and societal ideology, and each country sees the other countries through their own ideological lenses when they evaluate legitimacy of and things related to the partner country (Brands, 2018; Cassels, 1996; Perez-Lopez, 1991; Suchman, 1995). This implies that companies coming into a democratic country from an authoritarian regime will go through a socialization process in which those connected to authoritarianism can be stigmatized (Adler-Nissen, 2014). In the international business context, stigmatization can be defined as a company from a country with dissimilar political systems being branded as abnormal or improper (Adler-Nissen, 2014; Pontikes, Negro, & Rao, 2010) because it has an attribute that communicates a social identity that is then in turn devalued thus abnormal or improper in the host society (Crocker, Major, & Steele, 1998: 505; Hudson, 2008). Studies on stigma shows that stigmatization can occur by mere association with stigmatized entities (Pontikes, Negro, & Rao, 2010; McDonnell & Werner, 2016) and stigma is often a "persistent predicament" (Link & Phelan, 2001: 363) that carries an element of

permanence (Devers, Dewett, Mishina, & Belsito, 2009). Part of the reason for an authoritarianism-based liability of foreignness being long-lasting is because the discrimination against those companies from authoritarian countries is "flexible and extensive" (Link & Phelan, 2001: 379) in the host country. In other words, firms from authoritarian counties can be discriminated against in a way that is socially accepted, and also because the discrimination can be formulated in a multitude of broad-based ways (Link & Phelan, 2001; Pescosolido & Martin, 2014) (from social isolation of their managers to being charged higher fees for D.C. lobbying services)—all because of the perceived illegitimacy of their home-country norms and values (Adler-Nissen, 2014). It is therefore an illegitimacy-derived stigmatization of firms from authoritarian regimes that leads them to have to pay higher lobbying fees which persists thus cannot be overcome easily in order to have any influence on the local institutional environment. Thus we predict:

> *Hypothesis 3: Higher lobbying fees charged to foreign firms from countries with authoritarian political system will not diminish over time.*

RESEARCH SETTING

We look at the fee that each outside professional lobbyist charges a client firm for its lobbying and related professional services. The Lobbying Disclosure Act of 1995, modified in 2007, requires all lobbyists to report their lobbying activities to the House of Representatives and the Senate in accordance with specific guidelines (every six months before 2008 and every quarter thereafter); each report specifies the fees paid to outside lobbyists, our main variable of interest, as well as the number of issues addressed, the number of individual lobbyists hired at a given lobbying firm in each transaction, and the like. For example, if Company A hires four lobbying firms and also lobbies on its own behalf during a given filing period, five separate lobbying reports must be filed, by the four lobbying firms and by Company A itself. We focus on

the reports filed by the outside lobbyists since that is where the fee premium can be compared and identified.

Lobbying data represents an ideal setting in which to examine our research question. First, it is ordinarily very difficult to collect transaction-level data on contracts between two parties, a principal and an agent, that also delineates in detail the activities involved in each transaction thus a lobbying report is unusual in that it stipulates the activities that an agent—the lobbying firm—agrees to conduct on behalf of a principal. Second, our interview and anecdotal evidence suggests that the fee charged to a client is determined by many factors, including but not limited to the number of professionals involved in a project, their experience, the demands of the project, and the like. Longitudinal data that encompasses the entire population of federal lobbying activities in the United States enables us to gauge the capability and experience of each lobbying firm and of individual lobbyists. Lastly, it is generally difficult to compare contracts whose scope, purpose, and process can be quite idiosyncratic. The standardization imposed by the disclosure requirements makes it easy to compare and to identify the nature of the work in each lobbying transaction. For example, each lobbying report specifies the legislative issue that the client firm aims to address. Thus we can effectively control for many factors that could affect contract amounts while teasing apart the effect of our main variable of interest.

METHODS

Data and Sample

We obtained lobbying data filed between 1998 and 2012 by 3,641 unique lobbying registrants, lobbyists and lobbying firms, from the Center for Responsive Politics. Our sample consists of 354,555 observations (transactions) with 15,931 U.S. firms and 2,115 subsidiaries of foreign MNEs. Each report lists the lobbying activities of each lobbying firm or lobbyist hired in a given filing period. Using this transaction-level data, we identify relevant lobbying activities

and construct relevant variables at the transaction, client firm, and lobbying-firm levels. In our main analyses, we include all lobbying transactions including Congress and other U.S. executive branches since the same legitimacy mechanism will apply to lobbyists representing foreign firms when lobbyists and lobbying firms calculate lobbying fee charged to their clients. However, to rule out the possibility that the results can be driven by agencies lobbied, we conduct additional analyses limiting our samples to those lobbying transactions that have lobbied Congress, which is approximately 87.9% of total number of lobbying transactions (Tables A7 and A8 in the Appendix). We also use multiple country-level variables, which subsequent sections will discuss.

Dependent Variable

Our dependent variable is the natural logarithm of the *lobbying fee* to a client in each transaction. Due to the skewness of the dependent variable, we transform the dollar amount of each lobbying contract to the natural logarithm. Exact amounts need not be disclosed if a given client's lobbying expenditure is less than $10,000 per half year before 2008 and less than $5,000 per quarter since 2008. Current and former lobbyists agreed that actual unreported lobbying expenditures tend to be close to the threshold amounts. We thus attribute the threshold amount to any lobbying expenditure whose exact amount is not reported and run the regression accordingly. In our robustness checks, we exclude lobbying reports whose expenditures fall below the threshold. Tables A5 and A6 in the Appendix report the results.

Explanatory Variables

Our first main explanatory variable is a binary variable that indicates whether or not the client firm in each transaction is foreign (*foreign firm*). Lobbying reports do not include detailed information about client firms, such as their ownership and home countries. Thus we use various data sources, such as Orbis, Capital IQ, Worldscope, and Zephyr, to determine whether or not a firm is a U.S. subsidiary of a foreign MNE. To do so, we designate a firm as foreign only if a

foreign entity at the top of the ownership hierarchy controls the operations of the subsidiary. We view this strict measure of ownership, which includes both operational and ownership aspects, as appropriate to our study; this classification will be conservative in estimating the effect of the main explanatory variable. We manually reviewed each firm thus identified to further ensure the accuracy of the data.

To further analyze the source of variation in the higher lobbying fees charged to foreign firms that we observe in the main regression analysis (hypothesis 2), we use a country-polity measure obtained from Marshall, Gurr, & Jaggers (2016). Country polity is a measure of national political systems widely used in economics, political science, and management research. This variable captures the institutionalized authority patterns that characterize a country's position on a spectrum ranging from institutionalized democracy to autocracy, designated on a scale from +10 to −10. The higher a country's score, the more democratic it is. We then calculate *dissimilarity in political system* by subtracting the annual U.S. polity score from the home-country polity score and taking the absolute value. For example, throughout the sample period the U.S. polity score was +10 and that of China was −7; the polity dissimilarity between the two countries is thus calculated as 17. (Our measure of dissimilarity is equivalent to (home-country polity score – U.S. polity score) multiplied by -1.) Because a country's political institutions remain quite stable unless there is political turmoil, variation in the polity measure is minimal. Thus a host-country stakeholder's perception of a given country's legitimacy will also be unlikely to change, as recent publications attest (*Economist*, 2018; Weiss, 2019). Furthermore, one thing to noteworthy is that since lobbying capability is not transferable from a home country (Bae & Salomon, 2010), we can rule out the possibility that our explanatory variable, dissimilarity in political system, is not a measure of institutional distance between a home country and the United States but of the perceived legitimacy of the home country.

Lastly, to test whether experience in a host country can help firms overcome the liability of foreignness or home-country-associated stigma, we calculate the number of years that firms lobbied during our sample period by counting the number of fiscal years a foreign firm engaged in lobbying (*client lobbying experience*).

Control Variables

We include multiple control variables, at the firm (client), transaction, and lobbying firm levels, that could influence the fees charged to client firms by lobbyists. First, we include multiple firm-level (client) control variables. We attempt to account for the lobbying intensity of a given client and for willingness to pay in each lobbying contract (Schuler, 1996). To do so, we control for client firm status or size (*global Fortune 500 company*) and include the natural logarithm of each firm's *annual lobbying spending*. We also control for *in-house lobbying as a percentage of total lobbying spending* and for the *number of in-house lobbyists* within a client firm's government-affairs function, variables that capture a firm's lobbying capability and intensity (Kim, 2019). *Campaign contributions* are known to be an effective means of access to elected politicians (Holburn & Vanden Bergh, 2014; Snyder, 1992); thus, we control for the natural logarithm of a client firm's annual campaign-contribution amounts to account for political capability that could influence the lobbying fees it is charged (Keim & Zeithaml, 1986).

To capture heterogeneity across lobbying contracts that can affect lobbying fees, we also control for transaction-specific characteristics. Because the number of professionals involved in a transaction contributes to determining the fee, we include the number of lobbyists specified in a given contract (*number of lobbyists hired in a given transaction*). We also include a contract's duration (Joskow, 1987) (*contract duration* with lobbying firms and lobbyists). Finally, we control for registrants' (lobbying firm) characteristics, which can affect their charges to a client. Higher-status lobbying firms are likely to charge higher fees because their perceived superior

access increases demand for their services. Thus we control for status, using eigenvector centrality calculated via client–registrant nodes (*registrant eigenvector centrality*). We use one-year lagged status, likely to be the client's reference point when seeking to hire a lobbyist.[2] We also control for lobbying revenue (*registrant lobbying revenue*) to account for size of lobbying firms. Because a lobbying firm's industry expertise and client base are likely to affect its fees, we control for the Herfindahl-Hirsch Index of legislative issues addressed (*registrant issue Herfindahl-Hirsch index*) and the number of industries in which its clients operate (*number of industries lobbyist represents*) to indicate its degree of focus.

Identification Strategy and Statistical Analysis

Given the type of data to be analyzed, the context calls for the use of linear OLS specifications. With regards to potential endogeneity, we believe that our research setting and analytical approach serve to obviate endogeneity issues. First, our main argument is that lobbyists charge higher fees to foreign firms. Basically, lobbying fees are determined by lobbyists and lobbying firms depending on the scope and difficulty of the work. Second, one of our main assumptions is that it may be more difficult to represent a foreign firm because of home-country characteristics related to legitimacy. One of the virtues of the available lobbying data is that each lobbying report represents a transaction between a client and a lobbying firm and provides information that is very difficult to obtain in other settings. Specifically, each report specifies factors that determine the difficulty of the lobbying task (de Figueiredo & Richter, 2014). Thus we can reasonably expect to be able to control for the other most important factors that could drive the fee, such as the type of lobbying involved and the issue, other than our variables of interest. Though we believe our main explanatory variables to be exogeneous to the

[2] We also tested all of our regression equations with the current-year value of the lobbyist's eigenvector centrality; the results are qualitatively indistinguishable from our main results.

lobbyists who actually determine the fees, we test our hypotheses with various additional analytical approaches to alleviate potential endogeneity concerns. First, we include various sets of fixed effects in different specifications. In particular, because unobservable lobbying-firm characteristics could affect fees (such as eagerness to represent a wide range of clients), we include lobbying firm fixed effects in our main specifications. We also show the results of a robustness check where we further control for congressional issue (topic) fixed effects. We also use an exact-matching technique (e.g., industry, same lobbying firm or lobbyist, issue) to rule out the possibility that the fee charged to a client is driven by characteristics of the transaction. Even if a certain type of lobbying firm self-selects for a certain type of foreign client, these analytical approaches can effectively alleviate endogeneity issues in the present research context. Also, standard errors are corrected for clustering at each unique lobbying firm level.

RESULTS

Table 1 presents the descriptive statistics and pairwise correlations of variables included in our regression analyses. Table 2 presents our main ordinary-least-squares (OLS) regression with various fixed effects and exact matching approaches for the first hypothesis; Tables 3 and 4 provide results to test the second hypothesis. Table 3 includes all samples; Table 4 includes only foreign firms. Tables 5 and 6 further test the permanence of the home-country stigma effect, hypothesis 3. Results for robustness checks appear in Tables A1 through A8 in the Appendix. Because lobbying activities are typically highly correlated with each other (Kerr, Lincoln, & Mishra, 2014) we tested for multicollinearity. The mean variance-inflation factor for every variable included in the regression is less than 2.24, and no individual variance-inflation factor exceeds 5.0, which reflects the fact that there is not a multicollinearity issue.

Please insert Tables 1 and 2 about here

Table 2 provides the main OLS regression results for the first hypothesis, that lobbying fees charged to foreign firms are higher than those charged to U.S. firms. The sign of most control variables included in the specification is as expected, and most firm level control variables are strongly associated with lobbying fees charged. Model 1 includes only control variables; model 2 includes only our main explanatory variable, a foreign-firm indicator. Model 3 is our main specification; models 4 and 5 include (1) issue fixed effects and (2) issue and lobbying firm fixed effects respectively, in addition to all variables included in our main specification, model 3. Issue fixed effects are included to control for any heterogenous effects on lobbying fees of the particular legislative issues addressed. We also take unobservable lobbying-firm characteristics into account by including lobbying firm fixed effects. Models 6 through 8 use different exact matching methods. Model 6 compares lobbying fees only among transactions in the same year and the same NAICS 2-digit industry. Model 7 adds one more layer, comparing the fees that foreign and U.S. firms were charged by the same lobbying firm; model 8 compares only fees charged to address the same legislative issue. Regardless of the different fixed effects and exact matching techniques delineated above, the coefficients of our main explanatory variable, an indicator variable of foreign firm, are statistically significant at p-value<0.01 or 1% in all specifications. It is worthy of note that coefficients and standard errors across different specifications are quite stable but do not vary much, implying that the effect of foreignness is quite consistent and common across different lobbying firms, holding constant other factors that are assumed to directly affect lobbying fees. Furthermore, the coefficients of the explanatory variable in Table 2 range from 0.062 to 0.105, signifying that lobbyists charged approximately 6.2% to 10.5% higher fees to foreign firms than to U.S. firms. To estimate economic significance, we hold all control variables at their mean, and find using the 'margins' command in STATA that being foreign means an increase from $38,168 to $41,886 in each transaction, or

approximately 9.74% more than the fee charged to U.S. firms. This is quite a significant amount for a foreign firm; in a given year such firms spend, on average, $163,968 on outside lobbyists; because of their foreignness, foreign firms pay $14,553 more each year. Applying this finding to the $7.40 billion spent on outside lobbyists by foreign firms during the entire sample time period reveals that the lobbying-fee premium they paid more for being foreign is $0.66 billion. This is 0.81% of total lobbying industry revenue, which is quite a significant amount.

Please insert Tables 3 and 4 about here

Tables 3 and 4 provide results that further tease apart the variance we observed in Table 2. The first hypothesis asserts that foreign firms pay higher lobbying fees due to their foreignness. Tables 3 and 4 include a country-level institutional variable—*dissimilarity in political system*—to learn whether including the variable explains significant amounts of the variance in the main specification presented in Table 2. Table 3 includes both U.S. and foreign firms; Table 4 includes only foreign firms. In both tables, including dissimilarity in political system explains variance similar to what we observe in Table 2, which is also statistically significant in all models in Tables 3 and 4. Thus Hypothesis 2 is strongly supported. The results confirm our hypothesis that firms from authoritarian countries carry a stigma in a democracy like the United States, and that providing services to such firms poses a career risk for lobbyists that prompts them to charge a compensatory risk premium. Economically this premium is quite significant. In Tables 3 and 4, the coefficients of dissimilarity in political system range from 0.008 to 0.016; thus, as the dissimilarity increases by one unit, the lobbying fee charged to a firm increases by 0.8% to 1.6%. For example, throughout the sample period the polity score of the United States was 10, that of Korea was 8, and that of China was -7. In other words, the calculated dissimilarities in political systems for firms from Korea and China were 2 and 17 respectively. Therefore, if we assume that lobbyists charge 1.6% higher premium by one unit

increase in the dissimilarity in political systems, the lobbying fee premium charged to Chinese companies could be up to 24% higher than that of Korean firms.

Please insert Figures 1 and 2 about here

Figures 1 and 2 present the results of Table 2, model 3, and Table 3, model 1, respectively. Figure 1 shows the predicted effects of foreignness on lobbying fees; Figure 2 shows the predicted effects of dissimilarity in political systems. We hold every variable except our explanatory variables at their mean and predicted the effects of each explanatory variable on lobbying fees charged. Both figures clearly illustrate and support our arguments that lobbying firms charge higher fees to foreign firms, and that as dissimilarity in political system increases between the United States and firms' home countries, lobbying fees also increase.

Please insert Table 5 about here

Hypothesis 3 asserts that, even if the liability of foreignness can be overcome as firms acquire more experience, it endures for firms from stigmatized countries. Table 5 presents our results. Models 1 through 3 correspond to Table 2, models 3 through 5; models 4 through 6 correspond to Table 3, models 1 through 3. To test the third hypothesis, we introduce an interaction term between each explanatory variable in Tables 2 and 3 and client lobbying experience, measured as the number of years that each client firm has engaged in lobbying. In models 1 through 3, the coefficients of foreign firm indicator, client lobbying experience, and interaction term with those two variables are statistically significant; the results thus tell us that it takes four to five years to fully cancel out the liability driven by foreignness. However, given that only approximately 45% of foreign firms in our sample lobbied more than five years, the majority did not overcome the liability of foreignness. This finding supports the hypothesis that the effect of the liability of foreignness is attenuated as foreign firms acquire more experience

with lobbying (Perkins, 2014). But considerable experience and time are necessary to fully enjoy this eventual outcome.

More interestingly, the average foreign firm from a country with an authoritarian political system never sees a statistically significant decrease in its lobbying-fee premium. The results in Tables 3 and 4 show that the source of the liability of foreignness in the sphere of political lobbying is the perceived legitimacy of the client firm's home-country political system, and particularly its dissimilarity to the U.S. political system (Nili, 2016; Walt, 1987). This finding is further supported by the results reported in Table 5, models 4 through 6. As is evident in Table 5, models 1 through 3, simply being foreign does not entail having to pay an enduring lobbying-fee premium; it shrinks gradually over a four- to five-year time span. But this axiom does not apply to foreign firms whose home countries' political systems are authoritarian. The coefficients of the interaction term between dissimilarity in political system and experience are never statistically significant, strongly supporting our third hypothesis (models 4 through 6).

Please insert Table 6 about here

To further support our arguments that lobbying fees charged to foreign firms from more authoritarian home countries do not diminish but persists quite a while, we did additional sub-sample analysis with propensity score matching (Table 6). To do this, we limit our samples to companies that have at least 5 years of lobbying experience, a threshold year where ordinary foreign firms start paying similar lobbying fees to that of U.S. firms. And then, we create two different sets of baseline and comparison groups. The baseline group for both sets is foreign firms from a home country whose dissimilarity in political systems is greater than or equal to 10. The first comparison group is U.S. firms with at least 5 years of lobbying experience while the second group is foreign firms with at least 5 years of lobbying experience and from home countries whose dissimilarity in political systems is smaller than 10. We matched each baseline

and comparison group based upon annual lobbying spending, a variable assumed to be most important in accounting for firms' political activity and capability (Kerr et al., 2014), using STATA command 'psmatch2' and the balance is achieved. In models 1 through 3 in Table 6, we use the first matched set (with the U.S. firms as a control group) and ran a regression while the second matched set (with foreign firms from home countries whose dissimilarity in political systems are smaller than 10) is used in models 4 through 6; models 1 and 4 are the baseline model, models 2 and 5 include issue fixed effects, and models 3 and 6 include lobbying firm fixed effects in addition to issues fixed effects. The coefficients of the main explanatory variable, a baseline group composed of firms from a home country whose dissimilarity in political system is greater than and equal to 10 with more than 5-year of lobbying experience, are positive and statistically significant in all models. The results further confirm our arguments that some types of foreign firms whose home country is stigmatized might not be able to overcome the liability of foreignness and that the fee premium will be long-lasting.

Robustness Checks

A plausible alternative argument is that our dependent variable is entirely determined by the resources that the lobbyist devotes to each transaction. Tables A1 through A4 present the results of calculating lobbying fees in a variety of ways (controlling for various transaction-level variables assumed to be directly tied to fees in the main specifications). In Tables A1 and A2, we divide the lobbying fee in each transaction by the number of lobbyists hired; in Tables A3 and A4, the fee is divided by the number of issues addressed in a given transaction. For our dependent variables, we take the natural logarithm of lobbying fee divided by number of lobbyists hired, and the natural logarithm of lobbying fee divided by the number of issues addressed. Tables A1 and A3 use a binary variable of foreign firm as a main explanatory variable; Tables A2 and A4 use dissimilarity of political system as the main explanatory

variable. Regardless of how we construct the dependent variable, the coefficients of our main explanatory variables are statistically significant, strongly supporting our hypothesis that foreign firms, particularly from home countries political dissimilar to the United States, pay higher fees than U.S. firms.

Tables A5 and A6 exclude transactions that disclose no clear expenditure. As above, Table A5 uses the foreign-firm indicator variable; Table A6 uses dissimilarity in political system as a main explanatory variable. As previously described, lobbyists are not required to disclose their fees when lobbying expenditures are below the disclosure threshold. In the main specification, we assume that the undisclosed amounts are close to the threshold amounts; this robustness check temporarily excludes these observations. The main results do not change and continue to strongly support our arguments. Furthermore, for example, the coefficient of foreign firm in the main specification (Table A5, model 1) is 0.101, which means that lobbyists charge 10.1% higher fees to foreign firms than to U.S. firms when we exclude transactions without undisclosed fees. The results strongly support our arguments. Similarly, the coefficient of dissimilar political systems (Table A6, model 1) is 0.019, which is approximately 0.005 higher than the corresponding model in Table 3, model 1. Using the example employed above, Chinese firms would be charged approximately 28.5% higher fees than Korean firms.

Tables A7 and A8 report the results of a sub-sample analysis limited to transactions for lobbying Congress (87.9% of total number of lobbying transactions). Although it is unlikely that lobbyists will consider thus charge different lobbying fee premiums depending upon the agencies to get lobbied because legitimacy effects will be same regardless of federal agencies to get lobbied, we still try to limit our sample to those lobbying transactions to Congress. Table A7 uses a binary foreign-firm indicator; Table A8 uses dissimilarity in political system as a main explanatory variable. The results still strongly support our argument.

Lastly, although we do not report the results, we correct standard errors for clustering at different levels: (1) country, (2) client firm, and (3) client-lobbyist pair—for every regression equation in Tables 2 through 6. The results are still robust and support our arguments, regardless of the standard errors corrected at different levels.

DISCUSSION

Firms burdened by perceived illegitimacy, or poor reputations or low status, can partially alleviate these negative images by means of certification by more credible or higher-status organizations or individuals (Sine et al., 2007), but at a price (Hsu, 2004). Foreign firms normally suffer from illegitimacy and thus need certification or external endorsement. What the lobbyist is providing the foreign firms is the provision of legitimacy. Also, what is being charge to the foreign in terms of a fee premium is essentially a price for attaining legitimacy. Though many scholars have examined the liability of foreignness, our understanding of the phenomenon is far from complete (Siegel et al., 2019; Kim, 2019). By examining the lobbying fee charged by lobbyists to foreign firms needing certification (Baumgartner et al., 2009), we try to enhance our collective understanding of the liability of foreignness, particularly the fundamental source and economic costs of the liability of foreignness. Our results show that the fees that U.S. lobbyists charge foreign firms are approximately 7.4% higher than those that U.S. firms pay (baseline model), and as much as 10.1% at the maximum as a form of risk premium. We further show that as the dissimilarity in political systems increases by 1, the lobbying fee premium can be increased by between 0.8% to 1.6% depending on the exact specification. For the most authoritarian regimes, this means that the fee premium is as high as 32%. We propose based on our interview evidence that this is likely associated with the motivation of lobbyists to be compensated for their potential reputational or career risk.

This paper seeks to make several theoretical contributions and proposes a future research agenda. First, the paper seeks to contribute to the literature on the organizational theory of the multinational firm and its core concept of the liability of foreignness. In spite of its theoretical validity and strong empirical support, the concept of a liability of foreignness has recently been challenged by many scholars (Denk, Kaufmann, & Roesch, 2012) for an overly broad definition and related failure to describe what nuanced operationalization would entail (Luo & Mezias, 2002). Political lobbying is a sphere in which (1) deficient institutional knowledge and social/political capital are difficult for foreign firms to remedy (Kim, 2019) and (2) legitimacy plays a paramount role (Jia, 2018). By showing that foreign firms pay economically significant higher costs than domestic U.S. firms, we confirm that the liability of foreignness is still an important and valid theoretical concept in understanding foreign firms' operations and strategies in a host market. The finding also suggests another interesting future research agenda. We are increasingly observing that inter-state relations are becoming more pervasive thus critical to determining foreign MNEs' various strategic decisions such as their entire global strategy, supply chain management, related host market strategy to mitigate the negative effects driven by the interstate conflicts (Aguilera, Henisz, Oxley, & Shaver, 2019). However, our understanding on the effect of the inter-state relations is limited (Arikan, Arikan, & Shenkar, 2020). Addressing how inter-state relations can affect various strategic initiatives of foreign MNEs not only in home but also in host countries would be a fruitful area of studying to better understand and delineate the foreignness and its impact.

Furthermore, in contrast to prior studies that foreign firms can mitigate the effect of the liability of foreignness (Perkins, 2014), our study provides a counter-intuitive result that there are institutional settings where foreign firms neither easily nor completely overcome the liability of foreignness. It may be true that foreign MNEs' lobbying efforts through professional lobbyists'

certification might result in a desirable outcome foreign MNEs attempt to achieve even if they have to pay economically significant higher premiums. If this is true, the higher costs foreign MNEs must pay might be worthy. However, we still don't know much about whether their efforts to overcome the liability of foreignness, in truth, compensates for the higher costs paid to outside entities in the form of certification. Thus, it would be interesting and worthwhile to further explore whether foreign MNEs can achieve better or at least comparable outcomes with certification than domestic firms or other types of foreign MNEs. And, if they achieve or do not achieve a desirable outcome, it would be informative to know when and in what conditions foreign MNEs can achieve their aims. This will provide more in-depth insights on various strategic efforts and the effectiveness of those efforts in overcoming the liability of foreignness..

This study also contributes to the literature on nonmarket strategy. Lobbyists are widely agreed to be institutional gatekeepers and important players in political strategy (Baumgartner et al., 2009). However, most studies of lobbying firms have been performed by political scientists and economists, not by management scholars (a notable exceptions including Raffie, 2017; Raffie & Byun, 2019). The multi-billion-dollar U.S. lobbying industry represents a promising research setting for management and strategy scholars. By looking at how lobbyists determine their fees and risk premiums, our study elucidates the strategic behavior of important market players in political strategy. Recent lobbying scandals have revealed that some lobbying firms and clients have attempted to conceal their identities and their activities. But we still know little about what drives them to engage in illicit activities and whether media attention or federal investigation could change their behaviors in the fear of potential punishment. Future research should examine the interactions between firms and lobbyists, and how lobbyists' strategic motivations could shape firms' strategies.

Lastly, the paper contributes to the literature on certification. The main mechanism of certification is that entities viewed as less than legitimate for whatever reason rely on external certifying entities to provide relevant information about them to important stakeholders and to share the reputational benefits of their own trustworthiness (King et al., 2005; Sine et al., 2007; Zott & Huy, 2007). Prior studies have shown that a lower-status organization is willing to sacrifice potential economic benefits for positive reputational spillover from direct association with higher-status organizations (Hsu, 2004); it remained unclear, however, how an intermediary organization or individual—an outside certifier—can compensate for the potential risk of association with a lower-status organization. Our study shows that intermediaries seek economic premiums to counterbalance the potential negative impact of such associations. It would be informative to examine whether such association truly stigmatizes intermediaries or negatively affects their earning potential or career trajectories. It would also be enlightening to determine whether there exists a status-sorting effect such that higher-status and higher-reputation organizations and individuals charge higher fees. We can assume that such entities would try to maximize their economic gains via their market power. But such a mechanism would imply in turn that representing low-status firms could easily harm their reputational asset. Teasing apart the underlying mechanism of status could enhance our understanding of the tradeoff or relationship between long-term status and short-term economic gains.

The paper also has practical implications for managers. It is widely agreed that stakeholder management is critical to success in a foreign market, and that legitimacy plays an important role in stakeholder management (McDonnell & Werner, 2016). Our study illustrates that being perceived as legitimate is critical to firms' political strategy. Thus managers at a foreign MNE may need to carefully assess what will enhance their legitimacy in the eyes of host-country stakeholders and how best to achieve their nonmarket aims. Foreign firms may have

relatively few legitimate and socially accepted nonmarket strategies available to them. However, our study also presents evidence that the distance between home-country and host-country political institutions can affect the availability and effectiveness of those strategies.

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Figure 1: Predicted Effects of Foreignness

This figure illustrates the predicted effects of foreignness on lobbying fee charged to foreign firms based on Table 2, model 3. After using 'margins' command in STATA and holding all variables other than foreign firm binary variable at their mean, we predicted the effect of foreignness.

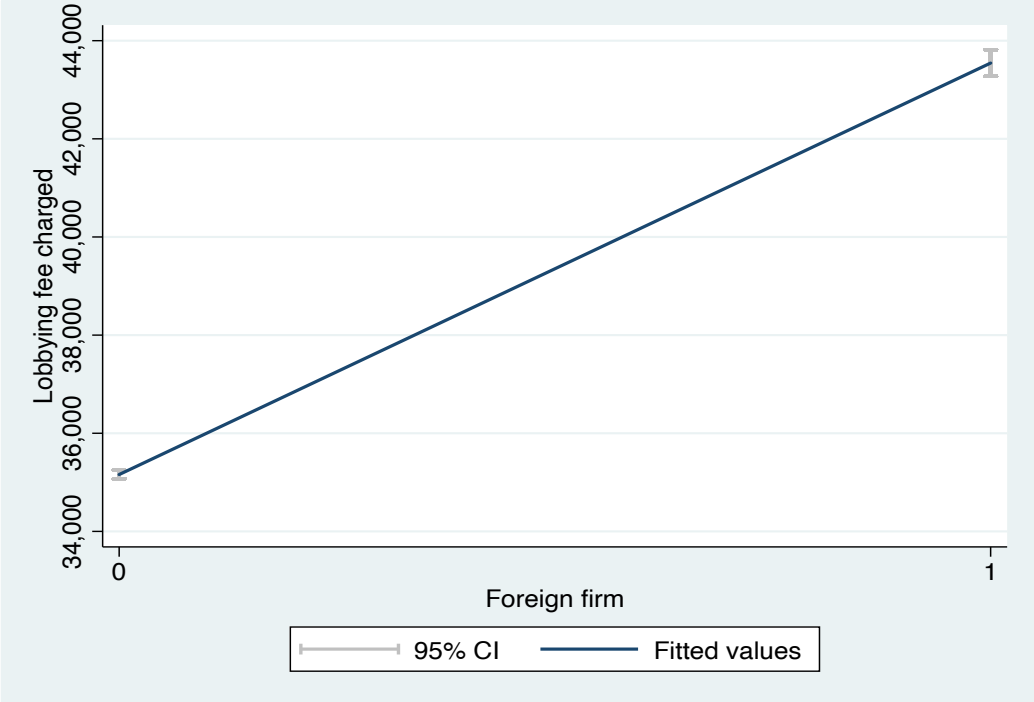

Figure 2: Predicted Effects of Dissimilarity in Political System

This figure illustrates the predicted effects of dissimilarity in political system on lobbying fee charged to foreign firms based on Table 3, model 1. After using 'margins' command in STATA and holding all variables other than dissimilarity in political system variable at their mean, we predicted the effect of dissimilarity in political system.

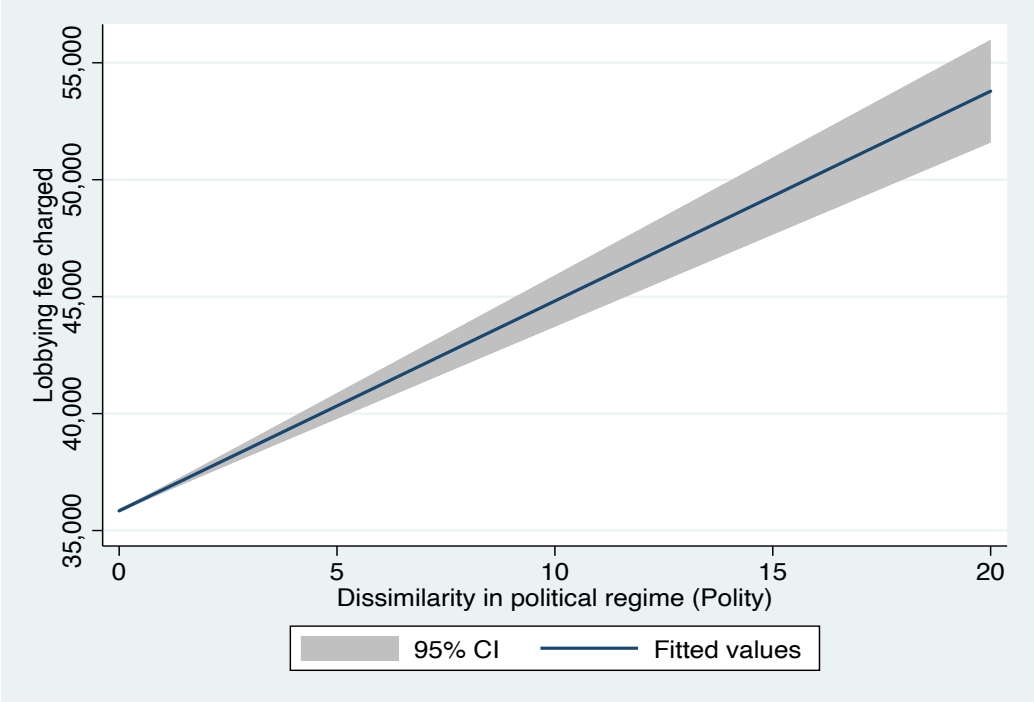

Table 1: Descriptive Statistics and Pairwise Correlations

This table presents summary statistics and pairwise correlations of variables for the main analysis at the firm level. The summary statistics are based on the sample in Table 2, model 3, and in Table 3, model 1, which are representative samples for the main regression results. * denotes significance at the 5% level.

	Variables	Mean	S.D.	Min.	Max.	1	2	3	4
1	Lobbying fee charged (logged)	10.096	0.947	2.996	16.118	1			
2	Foreign firm (1: Yes, 0: No)	0.117	0.321	0	1	0.041*	1		
3	Dissimilarity in political system	0.066	0.792	0	20	0.002	0.235*	1	
4	Client lobbying experience (years)	6.560	4.270	0	5.195	0.032*	-0.009*	-0.030*	1
5	Global Fortune 500 company (1: Yes, 0: No)	0.221	0.415	0	1	0.170*	0.120*	-0.002	0.232*
6	Annual lobbying spending (logged)	11.507	1.996	2.996	18.202	0.500*	0.031*	-0.024*	0.354*
7	In-house lobbying as a % of total lobbying spending	0.250	0.345	0	1	0.180*	0.023*	-0.025*	0.407*
8	Number of in-house lobbyists	2.406	6.161	0	95	0.135*	-0.057*	-0.023*	0.242*
9	Campaign contributions (logged/1-year lag)	1.672	4.058	0	16.173	0.106*	-0.067*	-0.025*	0.210*
10	Number of lobbyists hired in a given transaction	2.664	2.670	0	73	0.355*	0.007*	-0.004*	0.016*
11	Contract duration (months)	9.537	7.827	2	109	-0.028*	-0.022*	-0.016*	0.603*
12	Registrant eigenvector centrality (1-year lag)	0.045	0.092	0	0.864	0.175*	0.023*	0.004*	0.010*
13	Registrant lobbying revenue (logged)	13.603	1.452	3.045	16.951	0.355*	0.040*	0.007*	0.056*
14	Registrant issue Herfindahl-Hirsch index	0.319	0.242	0	1	-0.144*	-0.015*	-0.019*	-0.002
15	Number of industries lobbyist represents (in thousands)	22.560	19.271	1	149	0.139*	0.029*	0.016*	-0.022*

	5	6	7	8	9	10	11	12	13	14	15
5	1										
6	0.527*	1									
7	0.486*	0.802*	1								
8	0.283*	0.623*	0.562*	1							
9	0.095*	0.290*	0.340*	0.145*	1						
10	0.0734*	0.179*	0.106*	0.055*	0.048*	1					
11	0.038*	0.026*	0.084*	0.056*	0.054*	0.002	1				
12	0.050*	0.100*	0.062*	0.031*	0.026*	0.194*	0.001	1			
13	0.191*	0.409*	0.215*	0.187*	0.083*	0.295*	-0.062*	0.448*	1		
14	-0.073*	-0.119*	-0.035*	-0.044*	-0.038*	-0.133*	0.019*	-0.215*	-0.498*	1	
15	0.002	0.017*	-0.087*	-0.027*	-0.028*	0.195*	-0.012*	0.616*	0.757*	-0.438*	1

Table 2: Ordinary-Least-Squares Regression of Fees Charged to Lobbying Clients (Hypothesis 1)

This table presents the results of an ordinary-least-squares (OLS) regression in which the logarithm of the fee charged to a client in each lobbying transaction is the dependent variable. Control variables alone are included in model 1; all control variables are excluded in model 2. All models include filing-period and industry fixed effects. Model 3 is the baseline model; model 4 includes issue fixed effects. Model 5 includes issue and lobbying firm fixed effects. Models 6 through 8 show exact matching results of different matching approaches. Standard errors are corrected for clustering at the lobbyist level, and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Foreign firm (1: Yes, 0: No)		0.105***	0.074***	0.080***	0.062***	0.066***	0.078***	0.078***
		(0.018)	(0.014)	(0.014)	(0.012)	(0.014)	(0.016)	(0.015)
Global Fortune 500 company (1: Yes, 0: No)	-0.190***		-0.196***	-0.192***	-0.176***	-0.163***	-0.165***	-0.175***
	(0.013)		(0.013)	(0.013)	(0.011)	(0.016)	(0.025)	(0.020)
Annual lobbying spending (logged)	0.500***		0.499***	0.500***	0.510***	0.481***	0.495***	0.471***
	(0.008)		(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.009)
In-house lobbying as a % of total lobbying spending	-1.452***		-1.453***	-1.471***	-1.443***	-1.426***	-1.472***	-1.467***
	(0.030)		(0.030)	(0.030)	(0.029)	(0.033)	(0.051)	(0.040)
Number of in-house lobbyists	-0.033***		-0.032***	-0.032***	-0.029***	-0.035***	-0.036***	-0.033***
	(0.001)		(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.002)
Campaign contributions (logged/1-year lag)	0.002**		0.003**	0.002*	0.001	0.005***	0.009***	0.009***
	(0.001)		(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.002)
Number of lobbyists hired in a given transaction	0.081***		0.081***	0.064***	0.055***	0.087***	0.089***	0.094***
	(0.009)		(0.009)	(0.008)	(0.006)	(0.010)	(0.009)	(0.011)
Contract duration	0.003***		0.003***	0.002***	0.003***	0.003***	0.004***	0.001
	(0.001)		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.781**		0.778**	0.904***	0.093	0.818**	0.593**	0.878**
	(0.351)		(0.350)	(0.331)	(0.259)	(0.367)	(0.302)	(0.404)
Registrant lobbying revenue (logged)	-0.022**		-0.023**	-0.008	-0.190***	-0.022**	-0.025	-0.021*
	(0.010)		(0.010)	(0.010)	(0.008)	(0.010)	(0.020)	(0.011)
Registrant issue Herfindahl-Hirsch index	-0.103***		-0.103***	-0.023	0.081**	-0.137***	-0.096	-0.057
	(0.029)		(0.029)	(0.031)	(0.032)	(0.033)	(0.064)	(0.035)
Number of industries lobbyist represents (in thousands)	0.000		0.000	-0.000	0.005***	-0.001	0.001	-0.000
	(0.001)		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.954***	9.993***	4.959***	4.707***	5.768***	5.128***	5.063***	5.119***
	(0.118)	(0.042)	(0.117)	(0.122)	(0.114)	(0.119)	(0.249)	(0.132)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included	Included	Included
Issue fixed effects				Included	Included			
Lobbying firm fixed effects					Included			
Exact matching (Year)						Yes	Yes	Yes
Exact matching (Industry)						Yes	Yes	Yes
Exact matching (Lobbying firm)							Yes	
Exact matching (Issue)								Yes
R-squared	0.512	0.087	0.512	0.516	0.618	0.491	0.494	0.483
Number of lobbying firms	3,641	4,515	3,641	3,558	3,558	3,641	778	3,257
Number of observations	354,555	386,255	354,555	334,594	334,594	354,555	111,323	218,523

Table 3: Ordinary-Least-Squares Regression of Fees Charged to Lobbying Clients, with Dissimilarity in Political System (Hypothesis 2)

This table presents the results of an ordinary-least-squares (OLS) regression in which the logarithm of the fee charged to a client in each lobbying transaction is the dependent variable with dissimilarity in political system as a main explanatory variable. Models 1 through 6 correspond to Table 2, models 3 through 8. Standard errors are corrected for clustering at the lobbyist level, and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Dissimilarity in political system	0.014***	0.016***	0.015***	0.013***	0.013***	0.011***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Global Fortune 500 company (1: Yes, 0: No)	-0.190***	-0.185***	-0.172***	-0.159***	-0.155***	-0.169***
	(0.013)	(0.013)	(0.011)	(0.015)	(0.024)	(0.020)
Annual lobbying spending (logged)	0.499***	0.500***	0.509***	0.481***	0.494***	0.470***
	(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.009)
In-house lobbying as a % of total lobbying spending	-1.449***	-1.468***	-1.440***	-1.423***	-1.461***	-1.462***
	(0.030)	(0.030)	(0.029)	(0.034)	(0.052)	(0.040)
Number of in-house lobbyists	-0.032***	-0.032***	-0.029***	-0.035***	-0.037***	-0.034***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Campaign contributions (logged/1-year lag)	0.002**	0.001	0.001	0.005***	0.008***	0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.002)
Number of lobbyists hired in a given transaction	0.081***	0.064***	0.055***	0.087***	0.089***	0.094***
	(0.009)	(0.008)	(0.006)	(0.010)	(0.009)	(0.011)
Contract duration	0.003***	0.002***	0.003***	0.003***	0.004***	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.784**	0.910***	0.093	0.822**	0.599**	0.883**
	(0.350)	(0.332)	(0.260)	(0.367)	(0.302)	(0.404)
Registrant lobbying revenue (logged)	-0.022**	-0.007	-0.189***	-0.021**	-0.025	-0.020*
	(0.010)	(0.010)	(0.008)	(0.010)	(0.020)	(0.011)
Registrant issue Herfindahl-Hirsch index	-0.102***	-0.021	0.082***	-0.136***	-0.094	-0.055
	(0.029)	(0.031)	(0.032)	(0.034)	(0.066)	(0.036)
Number of industries lobbyist represents (in thousands)	0.000	-0.000	0.005***	-0.001	0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.960***	4.706***	5.764***	5.129***	5.097***	5.124***
	(0.118)	(0.123)	(0.114)	(0.119)	(0.252)	(0.133)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.511	0.514	0.617	0.491	0.491	0.482
Number of lobbying firms	3,641	3,557	3,557	3,641	778	3,254
Number of observations	353,072	333,234	333,234	353,072	110,123	217,322

Table 4: Ordinary-Least-Squares Regression of Fees Charged to Lobbying Clients, with Dissimilarity in Political System (Hypothesis 2, Foreign-Firm-Only Sample)

This table presents the results of an ordinary-least-squares (OLS) regression in which the logarithm of the fee charged to a client in each lobbying transaction is the dependent variable with dissimilarity in political system as a main explanatory variable but with a foreign-firm-only sample. Models 1 through 6 correspond to Table 2, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level, and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Dissimilarity in political system	0.010***	0.010***	0.010***	0.010***	0.009**	0.008**
	(0.003)	(0.003)	(0.004)	(0.003)	(0.004)	(0.003)
Global Fortune 500 company (1: Yes, 0: No)	-0.072***	-0.079***	-0.105***	-0.072***	-0.080***	-0.086***
	(0.027)	(0.027)	(0.024)	(0.027)	(0.029)	(0.028)
Annual lobbying spending (logged)	0.517***	0.519***	0.536***	0.517***	0.533***	0.510***
	(0.015)	(0.015)	(0.015)	(0.015)	(0.017)	(0.015)
In-house lobbying as a % of total lobbying spending	-1.422***	-1.458***	-1.419***	-1.422***	-1.364***	-1.437***
	(0.064)	(0.060)	(0.057)	(0.064)	(0.070)	(0.067)
Number of in-house lobbyists	-0.067***	-0.064***	-0.067***	-0.067***	-0.074***	-0.063***
	(0.008)	(0.008)	(0.006)	(0.008)	(0.008)	(0.008)
Campaign contributions (logged/1-year lag)	0.003	0.001	0.005	0.003	0.004	-0.000
	(0.004)	(0.004)	(0.003)	(0.004)	(0.004)	(0.005)
Number of lobbyists hired in a given transaction	0.091***	0.072***	0.058***	0.091***	0.085***	0.095***
	(0.009)	(0.007)	(0.007)	(0.009)	(0.009)	(0.010)
Contract duration	0.004**	0.002	0.001	0.004**	0.005**	0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Registrant eigenvector centrality (1-year lag)	0.732**	0.978***	-0.005	0.732**	0.424	0.713**
	(0.352)	(0.305)	(0.279)	(0.352)	(0.267)	(0.325)
Registrant lobbying revenue (logged)	-0.031	-0.012	-0.157***	-0.031	-0.037	-0.028
	(0.020)	(0.020)	(0.020)	(0.020)	(0.027)	(0.020)
Registrant issue Herfindahl-Hirsch index	-0.079	0.028	0.134*	-0.079	-0.051	0.007
	(0.070)	(0.072)	(0.076)	(0.070)	(0.089)	(0.071)
Number of industries lobbyist represents (in thousands)	-0.000	-0.001	0.005***	-0.000	0.002	0.000
	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.002)
Constant	4.931^{***s}	4.590***	6.375***	4.931***	4.989***	4.931***
	(0.225)	(0.247)	(0.297)	(0.225)	(0.331)	(0.237)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.479	0.478	0.639	0.479	0.497	0.471
Number of lobbying firms	1,239	1,205	1,205	1,239	769	1,195
Number of observations	40,002	37,243	37,243	40,002	28,902	32,297

Table 5: Ordinary-Least-Squares Regression of Fees Charged to Lobbying Clients, with Clients' Lobbying Experience (Hypothesis 3)

This table presents the results of an ordinary-least-squares (OLS) regression in which the logarithm of the fee charged to a client in each lobbying transaction is the dependent variable. Models 1 through 3 use a foreign-firm indicator while models 4 through 6 include dissimilarity in political system as a main explanatory variable. Models 1 and 4 include industry and year fixed effects; models 2 and 5 include issue fixed effects along with year and industry fixed effects. Models 3 and 6 include lobbying firm fixed effects in addition to all year, industry, and issue fixed effects. Standard errors are corrected for clustering at the lobbying firm level, and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Foreign firm (1: Yes, 0: No)	0.111***	0.114***	0.089***			
	(0.017)	(0.018)	(0.016)			
Dissimilarity in political system				0.010*	0.014***	0.013***
				(0.005)	(0.005)	(0.004)
Client lobbying experience	-0.021***	-0.020***	-0.019***	-0.022***	-0.021***	-0.019***
	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)
Interaction: Foreign firm x Client lobbying experience	-0.006**	-0.006**	-0.005*			
	(0.003)	(0.003)	(0.002)			
Interaction: Dissimilarity in political system x Client lobbying experience				0.000	0.000	0.000
				(0.001)	(0.001)	(0.001)
Global Fortune 500 company (1: Yes, 0: No)	-0.187***	-0.182***	-0.168***	-0.182***	-0.177***	-0.163***
	(0.013)	(0.013)	(0.011)	(0.013)	(0.013)	(0.011)
Annual lobbying spending (logged)	0.510***	0.511***	0.520***	0.510***	0.510***	0.519***
	(0.008)	(0.009)	(0.009)	(0.008)	(0.008)	(0.008)
In-house lobbying as a % of total lobbying spending	-1.403***	-1.425***	-1.403***	-1.400***	-1.422***	-1.401***
	(0.030)	(0.029)	(0.028)	(0.030)	(0.030)	(0.028)
Number of in-house lobbyists	-0.033***	-0.032***	-0.029***	-0.033***	-0.033***	-0.030***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Campaign contributions (logged/1-year lag)	0.004***	0.003***	0.002**	0.004***	0.003***	0.002*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Number of lobbyists hired in a given transaction	0.080***	0.063***	0.054***	0.080***	0.063***	0.054***
	(0.009)	(0.008)	(0.006)	(0.009)	(0.008)	(0.006)
Contract duration	0.008***	0.007***	0.007***	0.008***	0.007***	0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.779**	0.904***	0.095	0.785**	0.910***	0.095
	(0.346)	(0.328)	(0.263)	(0.347)	(0.329)	(0.263)
Registrant lobbying revenue (logged)	-0.022**	-0.007	-0.187***	-0.021**	-0.006	-0.186***
	(0.010)	(0.010)	(0.007)	(0.010)	(0.010)	(0.008)

Registrant issue Herfindahl-Hirsch index	-0.093***	-0.012	0.091***	-0.092***	-0.010	0.092***
	(0.028)	(0.030)	(0.031)	(0.029)	(0.031)	(0.031)
Number of industries lobbyist represents (in thousands)	-0.000	-0.000	0.005***	-0.000	-0.001	0.005***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.831***	4.585***	5.660***	4.837***	4.589***	5.665***
	(0.117)	(0.122)	(0.115)	(0.118)	(0.122)	(0.114)
Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included		Included	Included
Lobbying firm fixed effects			Included			Included
R-squared	0.516	0.519	0.620	0.515	0.518	0.620
Number of lobbying firms	3,641	3,558	3,558	3,641	3,557	3,557
Number of observations	354,555	334,594	334,594	353,072	333,234	333,234

Table 6: Ordinary-Least-Squares Regression of Fees Charged to Lobbying Clients, A Sub-Sample Analysis of Firms with at Least 5 Years of Lobbying Experience

This table presents the results of an ordinary-least-squares (OLS) regression in which the logarithm of the fee charged to a client in each lobbying transaction is the dependent variable. Samples are limited to firms with at least 5 years of lobbying experience. We create two different sets of matching groups. The baseline group for both sets is foreign firms from a home country whose dissimilarity in political systems is greater than or equal to 10. The first comparison group is U.S. firms with at least 5 years of lobbying experience while the second comparison group is foreign firms with at least 5 years of lobbying experience and from home countries whose dissimilarity in political systems is smaller than 10. Using STATA command 'psmatch2' and a variable of lobbying spending as a matching variable, we created two matched samples after the balance is achieved. In models 1 through 3, we use the first matched set (with the U.S. firms as a comparison group) and ran a regression while the second matched set (with foreign firms from home countries whose dissimilarity in political systems are smaller than 10 as a comparison group) is used in models 4 through 6. Models 1 and 4 include industry and year fixed effects; models 2 and 5 include issue fixed effects along with year and industry fixed effects. Models 3 and 6 include lobbying firm fixed effects in addition to all year, industry, and issue fixed effects. Standard errors are corrected for clustering at the lobbying firm level, and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Foreign firms from a home country whose political system dissimilarity is greater than or equal to 10 (baseline; coded as 1) vs. U.S. firms (comparison; coded as 0)	0.294***	0.267***	0.391***			
	(0.089)	(0.088)	(0.122)			
Foreign firms from a home country whose political system dissimilarity is greater than or equal to 10 (baseline; coded as 1) vs. foreign firms whose home country political system dissimilarity is smaller than 10 (comparison; coded as 0)				0.266***	0.221***	0.303**
				(0.081)	(0.084)	(0.137)
Global Fortune 500 company (1: Yes, 0: No)	-0.232**	-0.382***	-0.432***	-0.191	-0.292***	-0.369***
	(0.117)	(0.111)	(0.085)	(0.118)	(0.109)	(0.103)
Annual lobbying spending (logged)	0.596***	0.586***	0.627***	0.598***	0.589***	0.636***
	(0.038)	(0.043)	(0.036)	(0.037)	(0.040)	(0.040)
In-house lobbying as a % of total lobbying spending	-1.370***	-1.366***	-1.267***	-1.386***	-1.407***	-1.314***
	(0.138)	(0.146)	(0.133)	(0.152)	(0.156)	(0.153)
Number of in-house lobbyists	-0.020	-0.024	-0.026**	-0.020	-0.020	-0.023**
	(0.022)	(0.016)	(0.011)	(0.020)	(0.016)	(0.011)
Campaign contributions (logged/1-year lag)	-0.008	-0.012	0.004	-0.009	-0.016	0.006
	(0.016)	(0.015)	(0.013)	(0.017)	(0.015)	(0.011)
Number of lobbyists hired in a given transaction	0.064***	0.047***	0.033	0.070***	0.055***	0.044*
	(0.015)	(0.016)	(0.023)	(0.016)	(0.017)	(0.025)
Contract duration	0.004	0.003	-0.001	0.003	0.003	-0.002
	(0.005)	(0.005)	(0.003)	(0.005)	(0.006)	(0.003)
Registrant eigenvector centrality (1-year lag)	0.576	0.614	-0.632*	0.555	0.700	-0.452
	(0.643)	(0.588)	(0.324)	(0.621)	(0.555)	(0.315)

Registrant lobbying revenue (logged)	-0.075	-0.047	-0.223***	-0.059	-0.038	-0.234***
	(0.057)	(0.063)	(0.072)	(0.059)	(0.060)	(0.063)
Registrant issue Herfindahl-Hirsch index	-0.333*	-0.280	-0.220	-0.244	-0.200	-0.161
	(0.178)	(0.171)	(0.203)	(0.192)	(0.178)	(0.229)
Number of industries lobbyist represents (in thousands)	0.004	0.003	0.007	0.004	0.002	0.007*
	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.004)
Constant	4.177***	3.800***	4.063***	3.956***	3.729***	4.192***
	(0.764)	(0.733)	(0.970)	(0.771)	(0.695)	(0.938)
Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included		Included	Included
Lobbying firm fixed effects			Included			Included
R-squared	0.609	0.640	0.787	0.611	0.646	0.792
Number of lobbying firms	131	126	126	129	124	124
Number of observations	2,009	1,886	1,886	2,038	1,911	1,911

APPENDIX

Table A1: Ordinary-Least-Squares Regression of Lobbying Fee Divided by Lobbyists Hired, per Transaction

This table presents the results of ordinary-least-squares (OLS) regressions. To test whether the fee charged to foreign firms is higher, regardless of the resources employed, we divide the fee by the number of lobbyists hired in each transaction and then take the natural logarithm of that amount. Models 1 through 6 correspond to Table 2, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee divided by number of lobbyists hired per transaction (logged)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Foreign firm (1: Yes, 0: No)	0.075***	0.075***	0.055***	0.064***	0.069***	0.075***
	(0.016)	(0.017)	(0.013)	(0.016)	(0.016)	(0.017)
Global Fortune 500 company (1: Yes, 0: No)	-0.169***	-0.171***	-0.157***	-0.135***	-0.096***	-0.140***
	(0.014)	(0.015)	(0.012)	(0.017)	(0.025)	(0.021)
Annual lobbying spending (logged)	0.478***	0.497***	0.462***	0.463***	0.449***	0.450***
	(0.009)	(0.010)	(0.007)	(0.009)	(0.011)	(0.009)
In-house lobbying as a % of total lobbying spending	-1.406***	-1.436***	-1.321***	-1.373***	-1.405***	-1.388***
	(0.031)	(0.032)	(0.027)	(0.034)	(0.050)	(0.041)
Number of in-house lobbyists	-0.026***	-0.027***	-0.024***	-0.029***	-0.028***	-0.026***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Campaign contributions (logged/1-year lag)	0.003**	0.003**	0.001	0.005***	0.008***	0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Contract duration	0.002**	0.003**	0.002**	0.001	0.003*	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Registrant eigenvector centrality (1-year lag)	0.181	0.257	-0.027	0.173	0.390***	0.253*
	(0.206)	(0.231)	(0.248)	(0.215)	(0.093)	(0.145)
Registrant lobbying revenue (logged)	-0.176***	-0.186***	-0.183***	-0.167***	-0.187***	-0.158***
	(0.016)	(0.017)	(0.009)	(0.015)	(0.024)	(0.015)
Registrant issue Herfindahl-Hirsch index	-0.065	-0.068	0.043	-0.061	-0.107	-0.060
	(0.045)	(0.045)	(0.036)	(0.053)	(0.082)	(0.055)
Number of industries lobbyist represents (in thousands)	0.004***	0.004***	0.005***	0.003***	0.005***	0.003***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	6.715***	6.657***	6.184***	6.757***	7.282***	6.740***
	(0.179)	(0.173)	(0.117)	(0.171)	(0.293)	(0.190)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.301	0.305	0.500	0.284	0.280	0.280
Number of lobbying firms	3,641	3,558	3,558	3,641	778	3,257
Number of observations	354,555	334,594	334,594	354,555	111,323	218,523

Table A2: Ordinary-Least-Squares Regression of Lobbying Fee Divided by Lobbyists Hired, per Transaction, with Dissimilarity in Political Regime

This table presents the results of ordinary-least-squares (OLS) regressions. To test whether the fee charged to foreign firms is higher, regardless of the resources employed, we divide the fee by the number of lobbyists hired in each transaction and then take the natural logarithm of that amount. The main explanatory variable is dissimilarity in political regime; that of Table A1 is a binary variable of foreign firm. Models 1 through 6 correspond to Table 3, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee divided by number of lobbyists hired per transaction (logged)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Dissimilarity in political system	0.016***	0.016***	0.015***	0.015***	0.017***	0.011***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)	(0.004)
Global Fortune 500 company (1: Yes, 0: No)	-0.164***	-0.166***	-0.153***	-0.132***	-0.090***	-0.135***
	(0.014)	(0.015)	(0.012)	(0.017)	(0.025)	(0.021)
Annual lobbying spending (logged)	0.477***	0.497***	0.461***	0.463***	0.448***	0.449***
	(0.009)	(0.010)	(0.007)	(0.009)	(0.011)	(0.009)
In-house lobbying as a % of total lobbying spending	-1.402***	-1.432***	-1.316***	-1.369***	-1.395***	-1.383***
	(0.031)	(0.032)	(0.027)	(0.034)	(0.051)	(0.041)
Number of in-house lobbyists	-0.026***	-0.027***	-0.024***	-0.029***	-0.029***	-0.027***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Campaign contributions (logged/1-year lag)	0.003**	0.003*	0.001	0.005***	0.007***	0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Contract duration	0.002**	0.003**	0.002**	0.001	0.004*	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Registrant eigenvector centrality (1-year lag)	0.183	0.259	-0.030	0.174	0.396***	0.256*
	(0.208)	(0.232)	(0.250)	(0.216)	(0.094)	(0.148)
Registrant lobbying revenue (logged)	-0.175***	-0.184***	-0.183***	-0.166***	-0.187***	-0.157***
	(0.016)	(0.017)	(0.009)	(0.015)	(0.024)	(0.015)
Registrant issue Herfindahl-Hirsch index	-0.062	-0.065	0.043	-0.059	-0.101	-0.057
	(0.045)	(0.045)	(0.036)	(0.053)	(0.082)	(0.055)
Number of industries lobbyist represents (in thousands)	0.004***	0.004***	0.005***	0.003***	0.005***	0.003***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	6.709***	6.652***	6.182***	6.753***	7.306***	6.738***
	(0.180)	(0.174)	(0.116)	(0.172)	(0.294)	(0.191)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.299	0.304	0.500	0.283	0.277	0.278
Number of lobbying firms	3,641	3,557	3,557	3,641	778	3.254
Number of observations	353,072	333,234	333,234	353,072	110,123	217,322

Table A3: Ordinary-Least-Squares Regression of Lobbying Fee Divided by Number of Issues, per Transaction

This table presents the results of ordinary-least-squares (OLS) regressions. To test whether the fee charged to foreign firms is higher, regardless of the resources employed, we divide the fee by the number of issues addressed in each transaction and then take the natural logarithm of that amount. Models 1 through 6 correspond to Table 2, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee divided by number of issues addressed per transaction (logged)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Foreign firm (1: Yes, 0: No)	0.085***	0.077***	0.056***	0.077***	0.063***	0.073***
	(0.015)	(0.014)	(0.012)	(0.016)	(0.017)	(0.016)
Global Fortune 500 company (1: Yes, 0: No)	-0.189***	-0.186***	-0.171***	-0.169***	-0.168***	-0.163***
	(0.014)	(0.013)	(0.011)	(0.015)	(0.024)	(0.020)
Annual lobbying spending (logged)	0.468***	0.491***	0.499***	0.449***	0.471***	0.456***
	(0.009)	(0.008)	(0.008)	(0.009)	(0.013)	(0.010)
In-house lobbying as a % of total lobbying spending	-1.496***	-1.473***	-1.437***	-1.454***	-1.551***	-1.500***
	(0.030)	(0.028)	(0.028)	(0.034)	(0.053)	(0.042)
Number of in-house lobbyists	-0.028***	-0.031***	-0.028***	-0.031***	-0.034***	-0.033***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.002)
Campaign contributions (logged/1-year lag)	0.002	0.001	0.000	0.004**	0.009***	0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Number of lobbyists hired in a given transaction	0.038***	0.065***	0.061***	0.041***	0.040***	0.070***
	(0.006)	(0.008)	(0.007)	(0.006)	(0.007)	(0.009)
Contract duration	-0.002**	0.002**	0.002***	-0.003**	-0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.702**	0.817***	0.060	0.794***	0.582***	0.723***
	(0.279)	(0.285)	(0.234)	(0.259)	(0.202)	(0.265)
Registrant lobbying revenue (logged)	0.031***	0.001	-0.178***	0.039***	0.024	-0.008
	(0.012)	(0.011)	(0.008)	(0.012)	(0.022)	(0.011)
Registrant issue Herfindahl-Hirsch index	0.461***	0.148***	0.167***	0.446***	0.395***	0.140***
	(0.034)	(0.032)	(0.032)	(0.039)	(0.063)	(0.041)
Number of industries lobbyist represents (in thousands)	-0.000	-0.000	0.005***	-0.001	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.251***	4.892***	6.081***	4.347***	4.515***	5.082***
	(0.133)	(0.122)	(0.113)	(0.136)	(0.288)	(0.141)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.401	0.543	0.635	0.381	0.381	0.425
Number of lobbying firms	3,641	3,558	3,558	3,641	778	3,257
Number of observations	354,555	334,594	334,594	354,555	111,323	218,523

Table A4: Ordinary-Least-Squares Regression of Lobbying Fee Divided by Number of Issues per Transaction, with Dissimilarity in Political Regime

This table presents the results of ordinary-least-squares (OLS) regressions. To test whether the fee charged to foreign firms is higher, regardless of resources employed, we divide the fee by the number of issues addressed in each lobbying transaction and then take the natural logarithm of that amount. The main explanatory variable is dissimilarity in political regime; that of Table A3 is a binary variable of foreign firm. Models 1 through 6 correspond to Table 3, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee divided by number of issues addressed per transaction (logged)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**
Dissimilarity in political system	0.013***	0.015***	0.014***	0.012***	0.011*	0.011***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)	(0.003)
Global Fortune 500 company (1: Yes, 0: No)	-0.182***	-0.179***	-0.167***	-0.164***	-0.159***	-0.157***
	(0.014)	(0.013)	(0.011)	(0.015)	(0.024)	(0.020)
Annual lobbying spending (logged)	0.468***	0.490***	0.498***	0.449***	0.469***	0.455***
	(0.009)	(0.008)	(0.008)	(0.009)	(0.013)	(0.009)
In-house lobbying as a % of total lobbying spending	-1.491***	-1.469***	-1.434***	-1.450***	-1.538***	-1.495***
	(0.030)	(0.029)	(0.028)	(0.034)	(0.054)	(0.042)
Number of in-house lobbyists	-0.029***	-0.032***	-0.028***	-0.031***	-0.034***	-0.034***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.002)
Campaign contributions (logged/1-year lag)	0.001	0.001	0.000	0.003**	0.008***	0.006***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Number of lobbyists hired in a given transaction	0.038***	0.065***	0.061***	0.041***	0.040***	0.069***
	(0.006)	(0.008)	(0.007)	(0.006)	(0.007)	(0.009)
Contract duration	-0.002**	0.002**	0.002***	-0.003**	-0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.708**	0.823***	0.060	0.799***	0.590***	0.730***
	(0.280)	(0.285)	(0.234)	(0.259)	(0.201)	(0.263)
Registrant lobbying revenue (logged)	0.032***	0.002	-0.177***	0.039***	0.023	-0.007
	(0.012)	(0.011)	(0.008)	(0.012)	(0.022)	(0.012)
Registrant issue Herfindahl-Hirsch index	0.463***	0.151***	0.169***	0.448***	0.397***	0.142***
	(0.034)	(0.032)	(0.032)	(0.039)	(0.063)	(0.041)
Number of industries lobbyist represents (in thousands)	-0.000	-0.000	0.005***	-0.001	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.253***	4.892***	6.080***	4.349***	4.551***	5.089***
	(0.133)	(0.123)	(0.112)	(0.137)	(0.290)	(0.142)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.400	0.542	0.634	0.380	0.378	0.423
Number of lobbying firms	3,641	3,557	3,557	3,641	778	3,254
Number of observations	353,072	333,234	333,234	353,072	110,123	217,322

Table A5: Ordinary-Least-Squares Regression of Lobbying Fee, Excluding Transactions Below the Reporting Threshold

This table presents the results of ordinary-least-squares (OLS) regressions in which the dependent variable is the natural logarithm of fees charged by outside lobbyists, per transaction. Transactions in which the fee is below the reporting threshold are excluded. Models 1 through 6 correspond to Table 2, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Foreign firm (1: Yes, 0: No)	0.101***	0.093***	0.065***	0.092***	0.076***	0.094***
	(0.012)	(0.012)	(0.011)	(0.012)	(0.014)	(0.013)
Global Fortune 500 company (1: Yes, 0: No)	-0.147***	-0.149***	-0.135***	-0.119***	-0.119***	-0.138***
	(0.012)	(0.012)	(0.010)	(0.014)	(0.021)	(0.018)
Annual lobbying spending (logged)	0.435***	0.430***	0.438***	0.415***	0.430***	0.407***
	(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.010)
In-house lobbying as a % of total lobbying spending	-1.248***	-1.259***	-1.236***	-1.199***	-1.241***	-1.226***
	(0.029)	(0.028)	(0.028)	(0.032)	(0.048)	(0.038)
Number of in-house lobbyists	-0.027***	-0.027***	-0.024***	-0.029***	-0.030***	-0.028***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Campaign contributions (logged/1-year lag)	0.002**	0.001	0.001	0.004***	0.006**	0.006***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Number of lobbyists hired in a given transaction	0.058***	0.053***	0.047***	0.062***	0.061***	0.062***
	(0.007)	(0.007)	(0.005)	(0.007)	(0.007)	(0.008)
Contract duration	0.002***	0.002***	0.003***	0.002**	0.002*	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.867***	0.833***	0.160	0.954***	0.721***	1.028***
	(0.287)	(0.264)	(0.211)	(0.307)	(0.247)	(0.331)
Registrant lobbying revenue (logged)	0.003	0.012	-0.139***	0.001	0.017	0.006
	(0.009)	(0.009)	(0.007)	(0.009)	(0.017)	(0.010)
Registrant issue Herfindahl-Hirsch index	-0.068***	0.017	0.080***	-0.133***	-0.116***	-0.068**
	(0.022)	(0.023)	(0.028)	(0.026)	(0.040)	(0.028)
Number of industries lobbyist represents (in thousands)	-0.001	-0.001	0.004***	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)
Constant	5.586***	5.457***	7.235***	5.827***	5.484***	5.785***
	(0.120)	(0.122)	(0.109)	(0.122)	(0.228)	(0.136)
Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			

Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.501	0.512	0.609	0.480	0.474	0.458
Number of lobbying firms	3,225	3,186	3,186	3,225	743	2,814
Number of observations	283,207	276,320	276,320	283,207	92,529	168,860

Table A6: Ordinary-Least-Squares Regression of Lobbying Fee, Excluding Transactions Below the Reporting Threshold, with Dissimilarity in Political Regime

This table presents the results of ordinary-least-squares (OLS) regressions in which the dependent variable is the natural logarithm of fees charged by outside lobbyists, per transaction. Lobbying transactions in which the fee is below the reporting threshold are excluded. The main explanatory variable is dissimilarity in political regime; that of Table A5 is a binary variable of foreign firm. Models 1 through 6 correspond to Table 3, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level, and these are presented in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Dissimilarity in political system	0.019***	0.015***	0.013***	0.018***	0.016***	0.016***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Global Fortune 500 company (1: Yes, 0: No)	-0.140***	-0.142***	-0.131***	-0.114***	-0.111***	-0.131***
	(0.012)	(0.011)	(0.010)	(0.014)	(0.021)	(0.018)
Annual lobbying spending (logged)	0.435***	0.429***	0.437***	0.415***	0.428***	0.406***
	(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.010)
In-house lobbying as a % of total lobbying spending	-1.241***	-1.254***	-1.231***	-1.194***	-1.229***	-1.218***
	(0.029)	(0.028)	(0.028)	(0.032)	(0.049)	(0.038)
Number of in-house lobbyists	-0.028***	-0.027***	-0.024***	-0.029***	-0.031***	-0.028***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Campaign contributions (logged/1-year lag)	0.002*	0.001	0.001	0.004***	0.005**	0.006***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Number of lobbyists hired in a given transaction	0.058***	0.053***	0.047***	0.062***	0.061***	0.062***
	(0.007)	(0.007)	(0.005)	(0.008)	(0.007)	(0.008)
Contract duration	0.002***	0.002***	0.003***	0.002**	0.002*	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.871***	0.836***	0.159	0.956***	0.722***	1.029***
	(0.288)	(0.265)	(0.211)	(0.308)	(0.247)	(0.331)
Registrant lobbying revenue (logged)	0.004	0.013	-0.139***	0.001	0.017	0.007
	(0.009)	(0.009)	(0.007)	(0.009)	(0.017)	(0.010)
Registrant issue Herfindahl-Hirsch index	-0.067***	0.019	0.080***	-0.133***	-0.117***	-0.067**
	(0.022)	(0.023)	(0.028)	(0.026)	(0.040)	(0.028)
Number of industries lobbyist represents (in thousands)	-0.001	-0.001	0.003***	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)
Constant	5.583***	5.456***	7.234***	5.827***	5.511***	5.793***
	(0.120)	(0.122)	(0.109)	(0.122)	(0.228)	(0.137)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.499	0.510	0.608	0.479	0.471	0.455
Number of lobbying firms	3,224	3,185	3,185	3,224	741	2,810
Number of observations	281,987	275,146	275,146	281,987	91,521	167,906

Table A7: Ordinary-Least-Squares Regression of Lobbying Fee Charged to Outside Lobbyists (Lobbying Transactions of Congress only)

This table presents the results of ordinary-least-squares (OLS) regressions in which the dependent variable is the natural logarithm of fees charged by outside lobbyists, per transaction. This table includes only transactions to lobby Congress, to rule out alternative mechanisms driven by different legitimacy perceptions on the part of stakeholders. Models 1 through 6 correspond to Table 3, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Foreign firm (1: Yes, 0: No)	0.090***	0.090***	0.066***	0.082***	0.081***	0.088***
	(0.014)	(0.014)	(0.012)	(0.014)	(0.016)	(0.016)
Global Fortune 500 company (1: Yes, 0: No)	-0.186***	-0.187***	-0.171***	-0.152***	-0.151***	-0.162***
	(0.013)	(0.013)	(0.011)	(0.016)	(0.026)	(0.022)
Annual lobbying spending (logged)	0.508***	0.503***	0.511***	0.488***	0.507***	0.482***
	(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.010)
In-house lobbying as a % of total lobbying spending	-1.445***	-1.461***	-1.430***	-1.405***	-1.455***	-1.452***
	(0.030)	(0.030)	(0.028)	(0.033)	(0.051)	(0.042)
Number of in-house lobbyists	-0.033***	-0.032***	-0.029***	-0.035***	-0.036***	-0.035***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Campaign contributions (logged/1-year lag)	0.002**	0.002*	0.001	0.005***	0.007***	0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Number of lobbyists hired in a given transaction	0.067***	0.061***	0.053***	0.072***	0.070***	0.074***
	(0.008)	(0.008)	(0.006)	(0.009)	(0.007)	(0.010)
Contract duration	0.003***	0.003***	0.003***	0.003***	0.004***	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.976***	0.951***	0.067	1.030***	0.811***	1.171***
	(0.333)	(0.314)	(0.235)	(0.351)	(0.296)	(0.393)
Registrant lobbying revenue (logged)	-0.017	-0.008	-0.190***	-0.017	-0.017	-0.015
	(0.010)	(0.010)	(0.008)	(0.010)	(0.021)	(0.011)
Registrant issue Herfindahl-Hirsch index	-0.116***	-0.025	0.084**	-0.157***	-0.132*	-0.078*
	(0.031)	(0.031)	(0.033)	(0.035)	(0.068)	(0.040)
Number of industries lobbyist represents (in thousands)	-0.000	-0.000	0.005***	-0.001	0.000	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.837***	4.702***	5.978***	5.036***	4.894***	4.983***
	(0.123)	(0.124)	(0.113)	(0.124)	(0.263)	(0.142)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.515	0.524	0.625	0.494	0.495	0.478
Number of lobbying firms	3,431	3,431	3,431	3,431	752	2,961
Number of observations	311,501	311,119	311,119	311,501	97,049	183,797

Table A8: Ordinary-Least-Squares Regression of Lobbying Fee, with Dissimilarity in Political Regime (Lobbying Transactions of Congress only)

This table presents the results of ordinary-least-squares (OLS) regressions in which the dependent variable is the logarithm of fees charged by outside lobbyists, per transaction. It includes only transactions to lobby Congress, to rule out alternative mechanisms driven by different legitimacy perceptions on the part of stakeholders. The main explanatory variable is dissimilarity in political regime; that of Table A3 is a binary variable of foreign firm. Models 1 through 6 correspond to Table 3, models 3 through 8. Standard errors are corrected for clustering at the lobbying firm level and appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level respectively.

DV: Lobbying fee (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Dissimilarity in political system	0.015***	0.014***	0.014***	0.014***	0.013***	0.014***
	(0.004)	(0.003)	(0.003)	(0.004)	(0.005)	(0.004)
Global Fortune 500 company (1: Yes, 0: No)	-0.179***	-0.180***	-0.166***	-0.147***	-0.141***	-0.155***
	(0.013)	(0.013)	(0.011)	(0.016)	(0.026)	(0.021)
Annual lobbying spending (logged)	0.508***	0.503***	0.510***	0.488****	0.506***	0.482***
	(0.008)	(0.008)	(0.008)	(0.009)	(0.013)	(0.010)
In-house lobbying as a % of total lobbying spending	-1.440***	-1.457***	-1.426***	-1.401***	-1.444***	-1.447***
	(0.031)	(0.030)	(0.028)	(0.034)	(0.052)	(0.042)
Number of in-house lobbyists	-0.033***	-0.033***	-0.029***	-0.036***	-0.037***	-0.035***
	(0.002)	(0.001)	(0.001)	(0.002)	(0.003)	(0.002)
Campaign contributions (logged/1-year lag)	0.002*	0.001	0.001	0.004***	0.006**	0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Number of lobbyists hired in a given transaction	0.067***	0.061***	0.053***	0.072***	0.070***	0.074***
	(0.008)	(0.008)	(0.006)	(0.009)	(0.007)	(0.010)
Contract duration	0.003***	0.003***	0.003***	0.003***	0.005***	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Registrant eigenvector centrality (1-year lag)	0.980***	0.954***	0.063	1.032***	0.813***	1.175***
	(0.333)	(0.314)	(0.235)	(0.351)	(0.296)	(0.393)
Registrant lobbying revenue (logged)	-0.016	-0.007	-0.189***	-0.016	-0.017	-0.014
	(0.010)	(0.011)	(0.008)	(0.010)	(0.021)	(0.011)
Registrant issue Herfindahl-Hirsch index	-0.115***	-0.023	0.084**	-0.157***	-0.131*	-0.076*
	(0.031)	(0.032)	(0.033)	(0.036)	(0.070)	(0.041)
Number of industries lobbyist represents (in thousands)	-0.000	-0.000	0.005***	-0.001	0.000	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	4.831***	4.697***	5.977***	5.033***	4.924***	4.981***
	(0.123)	(0.125)	(0.113)	(0.125)	(0.266)	(0.143)

Filing-period fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
Issue fixed effects		Included	Included			
Lobbying firm fixed effects			Included			
Exact matching (Year)				Yes	Yes	Yes
Exact matching (Industry)				Yes	Yes	Yes
Exact matching (Lobbying firm)					Yes	
Exact matching (Issue)						Yes
R-squared	0.514	0.523	0.624	0.493	0.492	0.477
Number of lobbying firms	3,431	3,431	3,431	3,431	752	2,959
Number of observations	310,286	309,906	309,906	310,286	96,075	182,846