Internet Appendix IA – Event Studies at Tariff Announcement
The Political Economy of Tariff Exemption Grants
July 29, 2024

We aim to investigate the impact of trade tariffs on the valuation of affected firms. The event dates we use for our test cover the announcement of the first set of steel and aluminum tariffs (January 22, 2018); the resignation of Gary Cohn (March 6, 2018) who, until then, was the White House's chief economic advisor and was widely seen as opposing tariffs and whose departure was interpreted in the media as a precursor for a more stringent tariff regime; the announcements of the four lists of tariffs on Chinese goods (respectively on March 3, August 23, September 24, in 2018, and May 20, 2019); the threat to impose additional tariffs on over $500 billion of goods from China (articulated by then President Trump on September 7, 2018), and finally the January 15, 2020 agreement between China and the USA which prohibited further tariff impositions or increases—but did not remove existing tariffs as had been expected.

Defining a sample of companies that would be subject to prospective tariffs before the scale and scope of these were even specified is a challenge. As a rough proxy, we define as "treated" all US publicly traded firms in manufacturing sectors (industry codes 1, 2, 3, and 6 in the Fama-French 12-industry classification); all other US publicly traded firms (with the exclusion of industry code 9, which we cannot confidently code as either manufacturing or not-manufacturing) are part of the control group. We compute cumulative abnormal returns (CARs) over various short-term event windows (three, seven, and eleven days) around the day of the announcement (day *t*), using the Fama-French three-factor model for the estimation period (ranging days *t*-115 to *t*-15). We compute the difference between CARs for treated and untreated firms over the different event days and windows; we present our findings in Appendix Table IA1.

Based on the short (three-day) event window, we find that announcements are mostly met

with negative reactions (estimated abnormal returns are negative in all cases, except for dates "2" and "7" – the resignation of Gary Cohn and the threat of additional tariffs in September 2018). Statistical significance, however, is inconsistent, as we find that only the market reaction to Steel and Aluminum tariffs and "list 3" tariffs are statistically significant. The longer, eleven-day event window, leads to estimates that are larger in magnitude and, in general, higher levels of statistical significance. Given the large amount of rumors and speculation in the days leading to the actual announcements, and the clarifying statements issued in subsequent days, we believe that a focus on the longer event windows is appropriate. For the announcement of steel and aluminum tariffs, the resignation of Gary Cohn, and at the announcement of list 2, 3, and 4 tariffs, we find statistically significant negative abnormal CARs ranging from -1.1% to -1.8%. The announcement of list 4 tariffs and the January 15, 2020 agreement both lead to negative but not statistically significant CARs. The announcement of list 1 goods is similarly associated with an insignificant market reaction. Given the much smaller aggregate value of goods covered by list 1, compared to subsequent lists, we believe the weaker market reaction is not surprising.

For robustness, we replicate the same analysis using a different set of firms. We use firms that apply for tariff exemptions as our set of "treated" firms and all other US based, publicly traded, non-manufacturing firms as controls. The findings, presented in Appendix Table IA2, are mostly equivalent, but the estimated abnormal returns are somewhat larger in magnitude. The exception is the announcement of the first list of tariffs, which produces inconsistent results across different event windows.

Overall, our findings indicate that the tariff announcements induced a significant decline in the market capitalization of affected firms. In other words, the tariffs were material and unanticipated.

Appendix Table IA1: Event Studies at Tariff Announcement

This table presents cumulative abnormal returns (CARs) for treated firms minus CARs for control firms around key trade related announcements. Treated firms are those in manufacturing (industries 1, 2, 3, and 6 in the Fama French-12 industry classification) whereas control firms are the rest. We exclude industry 9 in the Fama French-12 industry classification. The estimation period as t-115 to t-15 where day t is the key event date. We use the Fama French 3-factor model for the estimation period. CARs are presented in Panel A and the key dates are described in Panel B. ***, **, and * represent 1%, 5%, and 10% statistical significance levels (for the hypothesis test that the CARs are equal to zero), respectively.

Panel A.

	Event study windows		
Key Dates	**t-1 to t+1**	**t-3 to t+3**	**t-5 to t+5**
Date 1	-0.8027% ***	-0.192%	0.273%
Date 2	0.0893%	-1.776% **	-2.047% **
Date 3	-0.2698%	0.284%	1.592% ***
Date 4	-0.2496%	-0.132%	-1.475% ***
Date 5	-1.2881% ***	-1.653% ***	-2.522% ***
Date 6	-0.2496%	-1.124% ***	-2.732% ***
Date 7	0.5780% ***	0.106%	-0.029%
Agreement date	-0.4925% ***	-0.225%	-0.824%

Panel B.

Name	**Date**	**Description of announcement**
Date 1	1/22/18	Steel and Aluminum tariffs
Date 2	3/6/18	Resignation of Gary Cohn
Date 3	3/22/18	Tariffs on $34 billion of goods (list 1)
Date 4	8/23/18	Tariffs on $50 billion of goods (list 2)
Date 5	9/24/18	Tariffs on $200 billion of goods (list 3)
Date 6	5/10/19	Tariffs on $250 billion of goods (list 4)
Date 7	9/7/18	President Trump threatens to impose tariffs on up to $517 billion
Agreement date	1/15/20	China and US agreement (without removal of tariffs to products from China)

Appendix Table IA2: Event Studies at Tariff Announcement

This table presents cumulative abnormal returns (CARs) for treated firms minus CARs for control firms around key trade related announcements. Treated firms are those that applied for tariff exemptions from China tariffs. Control firms are those not in manufacturing (industries 4, 5, 7, 8, 10, 11, and 12 in the Fama French-12 industry classification. The estimation period as t-115 to t-15 where day t is the key event date. We use the Fama French 3-factor model for the estimation period. CARs are presented in Panel A and the key dates are described in Panel B. ***, **, and * represent 1%, 5%, and 10% statistical significance levels (for the hypothesis test that the CARs are equal to zero), respectively.

Panel A.

	Event study windows		
Key Dates	**t-1 to t+1**	**t-3 to t+3**	**t-5 to t+5**
Date 1	-1.019% ***	-1.063% ***	-1.096% ***
Date 2	0.004%	-1.315% ***	-1.247% ***
Date 3	-0.053%	0.341%	1.037%
Date 4	-0.003%	-0.045%	-1.155% **
Date 5	-0.886% **	-1.461% ***	-1.608% ***
Date 6	-0.366% **	-0.636% ***	-1.832% ***
Date 7	0.376%	-0.210%	-0.088%
Agreement date	0.219%	-0.265%	-0.438%

Panel B.

Name	**Date**	**Description of announcement**
Date 1	1/22/18	Steel and Aluminum tariffs
Date 2	3/6/18	Resignation of Gary Cohn
Date 3	3/22/18	Tariffs on $34 billion of goods (list 1)
Date 4	8/23/18	Tariffs on $50 billion of goods (list 2)
Date 5	9/24/18	Tariffs on $200 billion of goods (list 3)
Date 6	5/10/19	Tariffs on $250 billion of goods (list 4)
Date 7	9/7/18	President Trump threatens to impose tariffs on up to $517 billion
Agreement date	1/15/20	China and US agreement (without removal of tariffs to products from China)

Internet Appendix IB – Additional Robustness Tests

Appendix Table IB1. Linear Probability Models

This table presents coefficient estimates from OLS models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Complete variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

VARIABLES	(1) Approved	(2) Approved
Rep contributions / AT	0.0127	0.0142
	(5.69)**	(13.59)***
Dem contributions / AT	-0.0358	-0.0366
	(-6.04)**	(-5.25)**
Contribution Ratio		
Lobbying / AT	0.0031	0.0034
	(2.27)	(1.84)
Dual donor	0.0103	0.0335
	(0.17)	(1.25)
PAC	-0.0622	-0.0925
	(-1.14)	(-3.26)*
Substitute		-0.0603
		(-2.24)
Final product		-0.0179
		(-0.92)
China 2025		-0.1194
		(-2.00)
Size	0.0008	0.0005
	(0.17)	(0.11)
ROA	-0.2635	-0.2324
	(-0.81)	(-0.70)
R&D/AT	-0.4775	-0.4592
	(-3.07)*	(-3.11)*
Capex/AT	-1.3326	-1.3604
	(-2.19)	(-2.20)
Constant	0.1251	0.1578
	(2.42)	(3.13)*
List fixed effects	YES	YES
Product code fixed effects	YES	YES
Industry fixed effects	YES	YES
Observations	7,015	6,716
Adjusted R^2	0.184	0.193

Appendix Table IB2. Exemption Approval Determinants, Robustness Tests, Multicollinearity

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Complete variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Variable	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*
Rep contributions / AT		0.0363		0.0292	
		(1.94)*		(5.75)***	
Dem contributions / AT			-0.0794		-0.0623
			(-1.93)*		(-1.44)
Lobbying / AT	0.0161	0.0105	0.0217	0.0168	0.0219
	(3.97)***	(2.60)***	-1.53	(3.44)***	(8.17)***
Dual donor	-0.423	-0.4611	-0.2762	-0.2699	-0.1502
	(-1.82)*	(-2.34)**	(-2.62)***	(-1.87)*	(-2.12)**
PAC	-0.0045	-0.1827	-0.0692	-0.3173	-0.2153
	(-0.02)	(-0.70)	(-0.39)	(-2.32)**	(-1.99)**
Substitute				-0.3029	-0.2092
				(-3.53)***	(-3.46)***
Final product				-0.1522	-0.1322
				(-2.36)**	(-2.14)**
China 2025				-4.402	-4.5423
				(-13.06)***	(-13.05)***
Size	0.0047	0.0549	0.008	0.0182	-0.0098
	(0.24)	(2.92)***	(0.35)	(0.72)	(-0.48)
ROA	-1.8619	-1.0909	-0.7949	-1.6692	-1.747
	(-1.12)	(-1.26)	(-0.72)	(-0.99)	(-0.97)
R&D/AT	-1.7733	0.357	1.0676	-1.8738	-1.7158
	(-2.91)***	(0.46)	(1.46)	(-3.88)***	(-6.68)***
Capex/AT	-6.4705	-8.5032	-6.659	-7.0035	-6.476
	(-1.97)**	(-3.95)***	(-2.81)***	(-2.44)**	(-1.78)*
Constant	-2.0483	-2.6597	-2.3762	-1.8172	-1.6539
	(-4.02)***	(-6.89)***	(-5.70)***	(-3.11)***	(-3.15)***
List fixed effects	YES	YES	YES	YES	YES
Product code fixed effects	YES	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES	YES
Observations	7,015	7,015	7,015	6,716	6,716
Pseudo R^2	0.221	0.224	0.224	0.236	0.232

Internet Appendix IC – Contributions to Both Parties, Politically Active Firms, and Unscaled Contributions

For additional robustness tests aimed at the correlation of contribution variables, we construct a new variable, measuring the difference between contributions to Republican and contributions to Democratic politicians (scaled by total assets). We use this variable in model (1) of Table IC1; our prior is that this variable will directly relate to the probability of subsequent approval. Our findings are consistent: the difference between contributions to Republican and Democratic candidates is associated with a statistically significant and positive coefficient. As a second robustness test, we replicate the same model, but we exclude the *Dual donor* binary variable; our findings, presented under model (2) are robust.

As a third robustness test, we focus on firms that tend to donate predominantly to one, or to the other, party. We identify such "concentrated donors" if over 66% of their contributions are to politicians from one specific party. We replicate our analysis in this smaller sample, spanning 1,217 trade tariff exemption applications. We present our findings in model (3) of Table IC1. The probability of approval is positively related to the size of the lobbying expenditures, and positively (negatively) related to the size of contributions to Republican (Democratic) politicians. Compared to our baseline analysis, the magnitude of the estimated coefficients is larger. This is not surprising, given that we are effectively identifying the firms with the strongest links to one of the parties.

In addition, to ensure that our results are not driven by the distinction between "politically active" and "politically inactive" firms, in additional tests, we restrict our analysis to firms that make a non-zero campaign contribution. In this sample in model (4) of Table IC1, spanning 1,928 trade tariff exemption applications, we once more find consistent results. The probability of approval is positively related to the size of the lobbying expenditures, and positively (negatively)

related to the size of contributions to Republican (Democrat) politicians.

In the analysis presented so far, all political expenditures (lobbying and campaign contributions) are scaled by firms' total assets. In additional analyses, we substitute the natural logarithm of the dollar value of political expenditures for the scaled variables used in previous analyses. Our findings are presented in models (5)-(7) of Table IC1. For brevity, we simply note here that the results indicate that our main inferences are robust, regardless of scaling political expenditures; the statistical significance of our findings is however weaker, in this specification.

As additional robustness tests, we construct alternative "ratio" metrics to replace the Contribution Ratio presented in Table 3 of the main manuscript. We construct a second metric, *Contribution Ratio B*, as the simple ratio of the dollar value of contributions to all Republican politicians divided by the dollar value of contributions to all Democrat politicians, by the same firm, over the 2016 cycle). Finally, we construct *Contribution Ratio C* just as we compute *Contribution Ratio* , but we set *Contribution Ratio C* to be equal to zero if contributions to Democrat politicians add to zero. We add these ratios, one at the time, in lieu of contributions variable to our models. Results are presented in Appendix Table IC2. In all cases, as expected, the coefficient estimates associated with these ratios are positive and statistically significant, indicating that a higher proportion of contributions going to Republican (rather than Democrat) politicians is associated with a higher likelihood of obtaining exemptions, as per our priors.

Appendix Table IC1. Additional Robustness Tests – Contributions to Both Parties and Unscaled Contributions

This table presents coefficient estimates (not marginal effects) from probit models of robustness tests of the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Model (3) is restricted to firms whose political contributions are at least 66% focused on republican or democrat candidates. Model (4) is restricted to the sample of firms that make political contributions. Complete variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

			Only concentrated donors	Only donor firms			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variable	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*
Rep contributions / AT			0.1090	0.0594			
			(15.95)***	(4.88)***			
Dem contributions / AT			-0.3663	-0.1877			
			(-6.62)***	(-8.68)***			
Lobbying / AT	0.0158	0.0158	0.0065	0.0094			
	(1.87)*	(1.77)*	(0.61)	(1.57)			
(Republican minus Democrat contributions) / AT	0.0439	0.0460					
	(5.61)***	(6.51)***					
Log (1 + Rep contributions)					0.0578		0.0756
					(1.70)*		(1.73)*
Log (1 + Dem contributions)						-0.1683	-0.2327
						(-1.93)*	(-1.86)*
Log (1 + Lobbying)					0.0409	0.0469	0.0435
					(5.29)***	(6.93)***	(6.64)***
Dual donor	-0.1507		0.9842	0.4525	-0.7387	1.2646	1.5461
	(-1.32)		(3.33)***	(1.82)*	(-2.00)**	(1.70)*	(1.60)
Includes control variables	YES	YES	YES	YES	YES	YES	YES
List fixed effects	YES	YES	YES	YES	YES	YES	YES
Product code fixed effects	YES	YES	YES	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES	YES	YES	YES
Observations	6,716	6,716	1,217	1,928	6,716	6,716	6,716
Pseudo R^2	0.240	0.240	0.366	0.243	0.214	0.212	0.220

Appendix Table IC2. Exemption Approval Determinants, Robustness Tests

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). *Contribution ratio B* is the ratio of the dollar value of total contributions to Republican politicians divided by the dollar value of total contributions to Democrat politicians, by firm. *Contribution ratio C* is identical to *Contribution ratio B*, but is set equal to zero if the firm is making no contributions to Democrat politicians. Other variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	(1)	(2)	(3)	(4)
Variable	*Approved*	*Approved*	*Approved*	*Approved*
Contribution ratio B	0.0469	0.0485		
	(2.10)**	(2.19)**		
Contribution ratio C			0.0457	0.0396
			(3.38)***	(2.39)**
Lobbying / AT	-0.0065	-0.0053	0.0243	0.0285
	(-0.43)	(-0.40)	(2.32)**	(4.06)***
Dual donor			-0.6552	-0.5216
			(-3.49)***	(-3.66)***
PAC			0.0185	-0.1533
			(0.07)	(-1.86)*
Substitute		-0.5379		-0.1637
		(-1.07)		(-1.27)
Final product		0.9707		-0.1811
		(1.42)		(-3.15)***
China 2025		-5.1309		-4.5123
		(-15.89)***		(-21.30)***
Size	0.1036	0.0988	-0.0053	-0.0092
	(0.95)	(1.36)	(-0.28)	(-0.38)
ROA	-7.5313	-9.2160	-1.4309	-1.4119
	(-4.49)***	(-10.92)***	(-0.74)	(-0.73)
R&D/AT	-7.5216	-4.6783	-0.4670	-0.3687
	(-0.98)	(-0.61)	(-7.70)***	(-4.95)***
Capex/AT	-6.3653	-11.8774	-5.8130	-5.7619
	(-1.17)	(-1.63)	(-1.57)	(-1.61)
Constant	-2.8219	-3.2241	-1.0891	-0.7471
	(-2.57)**	(-2.54)**	(-2.74)***	(-1.84)*
List fixed effects	YES	YES	YES	YES
Product code fixed effects	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES
Observations	1,335	1,296	7,015	6,716
Pseudo R^2	0.216	0.237	0.213	0.222

Internet Appendix D. Multiple Applications, Same Product Code

In the data that are made publicly available, USTR identifies products on the basis of ten-digit Harmonized Tariff Schedule (HTS) product codes—and applicants are asked to identify the relevant HTS product code on the application forms. In reality, adjudicators might identify products at more granular levels of detail, based on "A comprehensive physical description of the product, including (but not limited to) its form, dimensions, weight, constituent material(s), and any unique physical features that can assist in distinguishing the product."[1] Accordingly, we might see in the sample multiple applications, for different products, carrying the same ten-digit product code. In addition, multiple applications for the same product, or with the same product code, might be submitted by different firms. To ensure that our empirical analysis is robust to multiple applications carrying the same product code, and that our results are not affected by the lack of granular product identifiers, we implement an additional series of robustness tests.

First, we exclude all applications with overlapping product codes. This greatly reduces our usable sample in regression analysis, to 1,746 observations. Our findings are presented in model (1) of Table ID1. As in the base analysis, we find that contributions to Republicans (Democrats) are positively (negatively) related to the likelihood of approval. In this reduced sample, we do not find evidence of a link between lobbying expenditures and likelihood of approval.

Given that this first robustness test greatly reduces the size of the sample, which might affect the power of our tests, we attempt a second robustness test. In this second model, we include all applications, but identify those with overlapping product codes with a binary variable, *Multiple applications*, equal to one for all applications with a product code that appears in at least one other application. We present our findings in model (2) of Table ID1. As before, we find that contributions to Republicans are positively related to the likelihood of approval, while contributions to Democrats are negatively related. In this specification, we find statistically significant evidence of lobbying expenditures being positively linked to the probability of approval.

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[1] For more detail, see the USTR provided "Filing Guidelines for Product-Specific Exclusion Requests":https://ustr.gov/sites/default/files/enforcement/301Investigations/Section%20301%20Exclusion%20Request%20Guidelines.pdf.

Applications with the same product code offer sharp identification—by comparing applications for the same product code, we can effectively construct a difference-in-difference test. We do so in regression format, by keeping only applications for multiple products by different firms sharing the same product code. Our regression results, including product-code fixed effects, are presented in model (3) of Table ID1. Once more, we confirm our main results.

Internet Table ID1. Multiple Applications – Robustness Tests

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions after controlling for multiple applications by firms. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Complete variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	Excluding applications submitted by multiple companies for the same product codes	Instead of dropping applications, a dummy variable (*Multiple applications*) is added	Applications for the same product codes submitted by multiple companies with different decisions
	(1)	(2)	(3)
Variable	*Approved*	*Approved*	*Approved*
Rep contributions / AT	0.1511	0.0519	0.0425
	(1.95)*	(3.61)***	(1.83)*
Dem contributions / AT	-0.2318	-0.1319	-0.3697
	(-1.67)*	(-2.25)**	(-2.78)***
Lobbying / AT	-0.0010	0.0038	0.0028
	(-0.52)	(2.57)**	(1.70)*
Dual donor	-0.2161	0.0983	0.5098
	(-0.43)	(0.33)	(0.91)
PAC	-0.4776	-0.5025	-0.1984
	(-1.40)	(-1.79)*	(-0.42)
Substitute	-0.1376	-0.3312	-0.3728
	(-0.54)	(-1.85)*	(-1.36)
Final product	0.3329	-0.1678	-0.6773
	(1.34)	(-1.04)	(-2.83)***
China 2025	-4.0933	-4.2322	0.1903
	(-8.73)***	(-13.82)***	(0.30)
Size	0.1281	0.0324	-0.0564
	(1.60)	(0.56)	(-0.74)
ROA	0.0449	-0.8266	2.0351
	(0.03)	(-0.72)	(1.27)
R&D/AT	2.3166	-1.1873	3.0038
	(1.05)	(-0.61)	(0.91)
CAPEX/AT	-14.0800	-9.5958	-5.2531
	(-3.01)***	(-2.32)**	(-1.09)
Multiple applications		-0.0717	
		(-0.57)	
Constant	-3.0786	-2.1838	1.0732
	(-5.04)***	(-3.62)***	(0.82)
List fixed effects	YES	YES	YES
Product code fixed effects	YES	YES	YES
Observations	1,754	6,716	1,836
Pseudo R^2	0.2626	0.2285	0.1490

Internet Appendix E – Alternative Explanations – Robustness Tests

Table IE1. Alternative Explanations – Robustness Tests

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Firm-level control variables (*Dual donor*, *PAC*, *Size*, *ROA*, *R&D/TA*, *Capex/TA*) are included but suppressed for brevity. Complete variable definitions are in Appendix Table C1. Model (1) and (2) exclude red states, identified as (1) states that are consistently Republican states in presidential elections since 2000 (AK, AL, AR, AZ, GA, ID, KS, KY, LA, MO, MS, MT, ND, NE, OK, SC, SD, TN, TX, UT, WV, WY) and (2) as states that had two Republican senators in 2016 (AK, AL, AZ, AR, ID, IA, GA, KS, KY, LA, MS, NE, NC, OK, SC, SD, TN, TX, UT, WY). Model (3) includes state fixed effects and excludes anti-trade states (i.e. states where at least one senator voted against the USMCA: CA, HI, MA, NJ, NY, OK, PA, RI, VT). Models (4) and (5) control for firm-level employment. *Employee/Revenue* is the number of employees of the firm scaled by the firm's revenue. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels respectively.

	(1)	(2)	(3)	(4)	(5)
VARIABLES	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*
Republican contributions / AT	0.0648	0.0645	0.0608	0.0581	0.0587
	(8.89)***	(7.34)***	(5.34)***	(5.51)***	(7.16)***
Democratic contributions / AT	-0.168	-0.1735	-0.1995	-0.174	-0.1778
	(-5.84)***	(-4.97)***	(-5.33)***	(-14.97)***	(-10.09)***
Lobbying / AT	0.0201	0.0199	0.016	0.0216	0.0217
	(4.32)***	(3.92)***	(2.86)***	(1.04)	(1.06)
Employees/Revenues				0.0121	
				(1.84)*	
Ln (1+ Employees)					0.1033
					(0.96)
Constant	-1.3757	-1.4025	-1.4776	-1.4702	-1.0386
	(-3.97)***	(-3.91)***	(-2.05)**	(-4.02)***	(-3.04)***
Firm-level controls	YES	YES	YES	YES	YES
List fixed effects	YES	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES	YES
State fixed effects	NO	NO	YES	YES	YES
Pseudo R^2	0.252	0.249	0.263	0.293	0.293
Observations	5,732	5,669	5,117	6,504	6,504

Internet Appendix IF – Industry Fixed Effects Robustness Tests

The fixed effects in the regressions in the manuscript (Table 3 and related) include industry fixed effects based on the Fama and French 17-industry classification scheme. In Internet Appendix Table IF1, we tabulate robustness tests using, alternatively, fixed effects based on the Fama and French 30-industry and 12-industry classification schemes, findings robust results.

We further exclude, in turn, specific industries ("consumer durables," "manufacturing," and "business equipment"), to ensure robustness of our findings (as mentioned above, the Trump administration might have shielded certain industries, especially manufacturing sectors, following campaign promises). In all cases, our core results remain unaffected.

Internet Table IF1. Robustness of Industry FE Specifications

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of campaign contributions by party on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Model (1) includes F&F 30 fixed effects; (2) includes F&F 12 fixed effects; (3) includes F&F 12 fixed effects but we restrict the analysis to consumer durables, manufacturing, and business equipment (F&F 12 industries 2, 3, and 6 respectively); (4) includes F&F 12 fixed effects but we restrict the analysis to manufacturing, and business equipment (F&F 12 industries 3, and 6 respectively); (5) includes F&F 12 fixed effects and we eliminate all manufacturing firms (F&F 12 industry #3); (6) includes F&F 12 fixed effects and we eliminate all consumer durables and business equipment firms (F&F 12 industry #2 and #6). Complete variable definitions are in Appendix Table D1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*	*Approved*
Rep contributions / AT	0.0730	0.0689	0.0737	0.0866	0.0461	0.0814
	(6.30)***	(20.57)***	(10.37)***	(5.44)***	(2.75)***	(33.34)***
Dem contributions / AT	-0.2099	-0.2043	-0.2438	-0.1708	-0.2380	-0.1370
	(-6.25)***	(-5.86)***	(-2.48)**	(-4.38)***	(-6.67)***	(-3.90)***
Lobbying / AT	0.0095	0.0132	0.0113	0.0104	0.0163	0.0064
	(1.63)	(3.75)***	(1.64)	(1.39)	(23.73)***	(2.22)**
Substitute	-0.3291	-0.3504	-0.4096	-0.4801	-0.2942	-0.4090
	(-4.85)***	(-3.61)***	(-6.17)***	(-4.19)***	(-2.03)**	(-3.16)***
Final product	-0.0694	-0.1046	-0.1542	-0.1710	0.1065	-0.2167
	(-1.79)*	(-1.74)*	(-2.11)**	(-2.03)**	(1.35)	(-2.14)**
China 2025	-4.4844	-4.1597	-4.0695	-3.8224	-4.1989	-3.7667
	(-10.87)***	(-17.09)***	(-19.16)***	(-15.74)***	(-9.01)***	(-18.91)***
Size	0.0159	0.0340	0.0278	0.1079	0.0553	0.0636
	(0.66)	(0.90)	(0.59)	(4.34)***	(1.18)	(0.62)
ROA	-0.6789	-0.9719	-1.2181	-1.4896	-0.4191	-1.6104
	(-0.48)	(-0.58)	(-0.43)	(-0.48)	(-0.84)	(-0.79)
R&D/AT	-1.7255	-1.0133	-2.0472	-5.3087	2.2444	-5.0176
	(-0.89)	(-0.52)	(-1.76)*	(-2.56)**	(0.83)	(-2.54)**
Capex/AT	-5.8212	-10.1249	-9.8482	-5.3092	-12.4196	-6.6794
	(-1.67)*	(-2.39)**	(-2.07)**	(-1.37)	(-6.36)***	(-0.99)
Dual donor	0.3464	0.2411	0.5846	0.4509	0.1423	-0.0937
	(2.06)**	(10.36)***	(5.04)***	(1.20)	(0.75)	(-0.31)
PAC	-0.5457	-0.5906	-0.5739	-0.8491	-0.6113	-0.5076
	(-3.94)***	(-10.26)***	(-5.37)***	(-2.75)***	(-11.20)***	(-3.95)***
Constant	-6.9817	-2.4313	-2.8912	-3.4288	-2.6936	-2.4079
	(-12.87)***	(-2.33)**	(-4.28)***	(-5.86)***	(-4.21)***	(-1.59)
Observations	6,716	6,716	4,542	3,130	4,515	4,211
Includes F&F 30 FE	YES	NO	NO	NO	NO	NO
Includes F&F 12 FE	NO	YES	YES	YES	YES	YES
Includes product FE	YES	YES	YES	YES	YES	YES
Includes list FE	YES	YES	YES	YES	YES	YES
Pseudo R^2	0.264	0.236	0.222	0.241	0.218	0.273

Internet Appendix G – Firm Direct Links to the Trump Administration

To test connections to the executive branch, we identify firms which hire lobbyists linked to the Trump administration. We note that individuals are barred from lobbying activity while serving as part of the administration, and in some cases even for a period of time following their service. Accordingly, we identify firms that hire lobbyists who subsequently serve in the Trump administration (with the implicit assumption that the "ties" to these lobbyists persist) or after their service has ended. This "revolving door" phenomenon, of lobbyists moving between the executive branch and the private sector, has been identified as an important source of political connections in extant literature (Blanes i Vidal, Draca, and Fons-Rosen (2012)).[2] We test whether such connections increase the likelihood of approval by adding the relevant variable to the model disaggregating contributions by party estimated in Table 3 of the manuscript. Whilst lobbying connections might be correlated with lobbying spending, in a first model we omit controlling for lobbying expenditures, to avoid spurious findings due to multicollinearity. Our findings are presented in Appendix Table IG1. We find that connected lobbyists are associated with positive, statistically significant coefficients, indicating that firms with lobbyists connected to the executive branch are more likely to obtain tariff exemptions. In a second model, controlling for lobbying expenditures, we find consistent results.

In an additional set of tests, we identify firms which have contributed to President Trump's

[2] President Trump initially signed a rule imposing a five-year lobbying ban for administration official and a lifetime ban on lobbying for foreign governments, but subsequently revoked the same rule; anecdotal evidence of violation of lobbying-related restrictions and disclosure rules abounds.

inaugural committee following the 2016 election. We try various model specifications with different sets of control variables (including and excluding contributions, disaggregated contributions, and lobbying expenditures), to examine the robustness of our findings to multicollinearity. In all cases, we fail to find evidence that contributions to an electoral campaign increase the likelihood of approval (and some of the estimated coefficients are negative, contrary to our priors, but significance is not robust across alternative specifications). For brevity, we do not tabulate these results.

Internet Table IG1. Lobbyists Connected to the Administration

This table presents coefficient estimates (not marginal effects) from probit models to test the effect of firm lobbyists in the Trump administration on the probability of receiving tariff exemptions. The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). *Lobby connection* is a binary variable set equal to one if the filing firm has hired a lobbyist employed, currently or in the past, by the Trump administration. Complete variable definitions are in Appendix Table C1. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	(1)	(2)
Variable	*Approved*	*Approved*
Lobby connection	0.2725	0.2251
	(1.97)**	(2.12)**
Republican contributions/AT	0.0630	0.0573
	(13.11)***	(18.74)***
Democratic contributions/AT	-0.1620	-0.1642
	(-7.34)***	(-7.16)***
Lobbying/AT		0.0161
		(3.01)***
Dual donor	0.0158	0.0375
	(0.05)	(0.17)
PAC	-0.2543	-0.4507
	(-0.92)	(-2.58)***
Substitute	-0.3130	-0.3177
	(-5.70)***	(-5.92)***
Final product	-0.1365	-0.1423
	(-2.28)**	(-2.42)**
China 2025	-4.3331	-4.3892
	(-17.11)***	(-13.03)***
Size	-0.0040	-0.0062
	(-0.23)	(-0.35)
ROA	-1.7811	-1.5415
	(-0.94)	(-0.90)
R&D/AT	-2.5442	-2.5215
	(-4.96)***	(-5.40)***
Capex/AT	-6.9322	-8.0743
	(-2.67)***	(-2.53)**
Constant	-1.7010	-1.5590
	(-3.34)***	(-3.48)***
List fixed effects	YES	YES
Product code fixed effects	YES	YES
Industry fixed effects	YES	YES
Observations	6,716	6,716
Pseudo R^2	0.242	0.246

Internet Appendix IH – Steel and Aluminum Tariffs

Internet Table IH1 – Steel and Aluminum Tariffs – Descriptive

This table reports mean, median, 10th and 90th percentile, and standard deviation of the key variables of interest in the sample of applications for exemptions against "Section 301 Steel and Aluminum Tariffs." Variables are defined in Appendix Table C1. *N Objections* is the number of objections filed on Regulations.gov against an application for exemption. *No US Production* is a binary variable set equal to one if the item is not available for purchase in the United States, as per the exemption application. Political expenditures (both contributions and lobbying expenditures) are scaled by "millions of total assets."

Variable	N	Mean	SD	p10	p50	p90
Approved	14671	0.8884	0.3149	0.0000	1.0000	1.0000
Total contributions / AT	14671	0.2177	0.4440	0.0000	0.0000	0.5562
Rep contributions / AT	14671	0.1425	0.3035	0.0000	0.0000	0.3156
Dem contributions / AT	14671	0.0892	0.2022	0.0000	0.0000	0.2407
Lobbying / AT	14671	2.6234	10.0040	0.0000	0.0000	0.0000
Size	14671	9.4914	2.0583	7.3610	9.2745	13.0684
ROA	14671	0.0414	0.0275	0.0168	0.0411	0.0784
R&D/AT	14671	0.0133	0.0138	0.0000	0.0059	0.0329
Capex/AT	14671	0.0399	0.0184	0.0180	0.0342	0.0715
N Objections	14671	0.2036	0.5217	0.0000	0.0000	1.0000
No US Production	14671	0.5968	0.4906	0.0000	1.0000	1.0000
PAC	14671	0.2789	0.4485	0.0000	0.0000	1.0000
Dual donor	14671	0.2541	0.4354	0.0000	0.0000	1.0000

Internet Table IH2 – Steel and Aluminum Tariffs – Regression Analysis

This table presents results (not marginal coefficients) from probit models to test the effect of lobbying expenditures and campaign contributions on the probability of receiving tariff exemptions from "Section 301 Steel and Aluminum Tariffs." The response variable is *Approved* (a binary variable set equal to one if the exemption application is approved). Complete variable definitions are in Appendix Table C1. *N Objections* is the number of objections filed on Regulations.gov against an application for exemption. *No US Production* is a binary variable set equal to one if the item is not available for purchase in the United States, as per the exemption application. Firm-level characteristics are winsorized at the 1st and 99th percentiles. Standard errors are adjusted for firm and list level clustering. Two-sided *z*-statistics are reported in parenthesis. ***, **, and * represent 1%, 5%, and 10% statistical significance levels, respectively.

	(1)	(1)
Variable	*Approved*	*Approved*
Total contributions / AT	-0.0322	
	(-0.10)	
Rep contributions / AT		0.0636
		(0.19)
Dem contributions / AT		-0.2565
		(-1.22)
Lobbying / AT	-0.0129	-0.0127
	(-0.84)	(-0.82)
Dual donor	-0.2804	-0.1607
	(-0.77)	(-0.35)
PAC	-0.1234	-0.2151
	(-0.16)	(-0.28)
N Objections	-2.8481	-2.8464
	(-5.13)***	(-5.10)***
No US Production	0.8762	0.8768
	(4.29)***	(4.30)***
Size	0.1585	0.1584
	(1.50)	(1.51)
ROA	-4.7628	-4.9128
	(-1.09)	(-1.14)
R&D/AT	-12.6066	-13.0008
	(-1.19)	(-1.26)
Capex/AT	-1.0767	-1.0319
	(-0.38)	(-0.37)
Constant	6.2893	6.0388
	(11.86)***	(10.48)***
Includes metal type fixed effects	YES	YES
Includes industry fixed effects	YES	YES
Includes year fixed effects	YES	YES
Includes state fixed effects	YES	YES
Observations	14,671	14,671
Pseudo R^2	0.733	0.733