Firms as Electoral Monopsonies*

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We study how dominant employers can act as electoral monopsonies, directly shaping electoral outcomes by leveraging local labor market power. To motivate our analysis, we present original survey evidence showing that workers at major local employers are more likely to experience employer political communication and report being influenced on their voting behavior. We then develop a model where a dominant employer can reshape the political preferences of the local electorate by conditioning their expected economic activity on electoral outcomes. We use the model to study how the firm can leverage its market power to influence political outcomes, and characterize the welfare and political implications of electoral monopsonies. Using U.S. individual voting records data and a shift-share instrument based on national industry trends and historical local employment patterns, we test the model's predictions and show that areas with higher employment concentration are more likely to see increased voter registration, turnout, and campaign donations for the Republican Party. Our estimates suggest that, absent electoral monopsonies, the 2016 presidential election would have resulted in a different outcome.

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"I hope you make it very clear to your employees what you believe is in the best interest of your enterprise and therefore their job and their future in the upcoming elections... Nothing illegal about you talking to your employees about what you believe is best for the business, because I think that will figure into their election decision[.]"

– Mitt Romney, October 2012

1 Introduction

The relationship between economic power and political influence has long occupied a central place in debates within political economy and antitrust law (Brandeis 1914; Olson 1968; Acemoglu and Robinson 2006a; Khan 2017; Cowgill, Prat, and Valletti 2022). While most work has concentrated on national-level channels such as lobbying and campaign finance (Grossman and Helpman 1994; Bombardini and Trebbi 2011; Callander, Foarta, and Sugaya 2022), recent evidence suggests that firms can also exert political influence through personnel decisions, shaping hiring and career choices (Colonnelli, Neto, and Teso 2022; Chinoy and Koenen 2024) and employee political contributions (Babenko, Fedaseyeu, and Zhang 2020) along partisan lines. Beyond these patterns, survey evidence (both in the literature (Hertel-Fernandez 2017) and our original survey data), numerous anecdotal accounts in the media,[1] and the statutory record – reflected in the laws of more than a quarter of U.S. states[2] – point to a deeper phenomenon: employers using their economic leverage to directly sway electoral outcomes.

This *prima facie* evidence that firms have the potential to directly shape political behavior raises the question we address in this paper: how does the structure of local labor markets – particularly, the presence of dominant employers – create conditions for direct electoral influence? Where a single firm holds disproportionate sway over employment, it may leverage that position to shape political preferences in the community, sometimes in ways that conflict with the broader public

[1] E.g., "Prominent Romney-backing coal company 'coercing' employees into donating to PACs, GOP candidates," *NBC News*, Oct. 2012. "The Koch Brothers Sent Employees a List of People to Vote For," *The Atlantic*, Oct. 2012. "Here's a Memo From the Boss: Vote This Way," *New York Times*, Oct. 2012. "Insurance Company Begs Employees to Give Money to Democrat Whose Opponent Backs Single-Payer," *Jezebel*, Feb. 2018. "Shell Oil allegedly coerced its workers to attend a Trump rally. Blame the Supreme Court," *Los Angeles Times*, Aug. 2019. "Leader of company that flies Trump 2020 flag warns of layoffs if president isn't reelected," *The Washington Post*, Oct. 2020. "Republican mega-donors asked their employees who they will vote for in survey," *The Guardian*, Nov. 2024.

[2] See electoral codes of: Arizona, Idaho, Indiana, Kentucky, Maryland, Nebraska, New Jersey, Pennsylvania, Ohio, Rhode Island, South Dakota, Utah, West Virginia, and Wisconsin.

interest. We conceptualize this dynamic as a form of "electoral monopsony" – where concentrated employer power shapes not only labor market outcomes, but also democratic participation. Understanding this phenomenon is especially important given the high levels of employer concentration across U.S. labor markets (Berger, Herkenhoff, and Mongey 2022; Azar, Marinescu, and Steinbaum 2022; Benmelech, Bergman, and Kim 2022), and the potential to undermine the responsiveness and equity of democratic processes from the ground up.

Motivating evidence. Our first step is to ask 2,100 U.S. workers about their experience with the American political system through the lens of their employers. 75.8% of participants report that their employers communicate about political developments, express political preferences internally, or frame firm decisions (such as downsizing or expansion) as contingent on electoral outcomes. 18.9% of participants perceived their employer's stances on political issues or candidates affect their career opportunities. 7.4% explicitly reveal that their employer's political stances influenced the way they voted in an election. Importantly, we find major local employers are substantially more likely to engage in these practices and, when they do, exert a greater influence on workers' political preferences and perceived career prospects.

These findings are particularly salient given the degree of employer concentration faced by the typical U.S. voter: After accounting for concentration both within industry and county, the dominant industry within the median U.S. county has an employment concentration equivalent to an industry with four or five equally-sized firms and employs 23% of the county's workforce. Motivated by these stylized facts, we study (both theoretically and empirically) the political implications of local labor market concentration.

Theoretical framework. We formalize the link between employment concentration and politics in a simple model of a local community. Firms hire from the pool of agents in the community, and each agent accepts a job at a local firm if the market-clearing wage is larger than their reservation wage. Agents differ in their reservation wages, and firms in their size: There is a large, dominant firm, ℓ, who understands how its production choices affect local wages, and a mass of small, competitive firms, who take wages as given. The community votes (following a majority rule) on a policy that redistributes surplus from firms to agents (e.g., stricter enforcement of regulations

or higher taxes on firms). Redistribution benefits voters, but is costly to the firms. So, voters who are also workers may internalize some of these costs, or firms may take actions to sway the public against the policy.

We use the model as a framework to think about how ℓ's market power influences the alignment between voters' and firms' preferences over the policy, and examine the welfare and political implications. We consider two possible channels for this alignment: First, a *passive* channel, where voters internalize firms' preferences on their own, as they anticipate how the policy would affect equilibrium outcomes. Second, an *active* channel, where firms take direct actions to engineer this internalization, by leveraging their influence over employment and wages.

Our first insight is that, under the passive channel, the link between market power and political power is ambiguous, in the sense that workers and firms may be more aligned in *less* concentrated labor markets. To formalize this insight, we consider a policy that makes production costlier for firms (e.g., a tax on emissions or a sale tax, where the tax revenue is redistributed to voters), and compare the equilibrium outcomes in the model with the large firm ℓ against a benchmark where all firms are competitive (i.e., take wages as given). The way the large firm affects aggregate employment and wages, and how these adjust to the policy, generates two contrasting effects on the political support for the policy.

On the one hand, firms compete more intensely for workers in the competitive benchmark, which results in higher employment and wages. When the policy is sufficiently costly to force the competitive firms to downsize, these effects generate *more* opposition to the policy in the benchmark, since (a) workers receive better wages, so they value their jobs more and are thus more concerned about employment contractions, and (b) a larger number of people work in the local economy and, thus, a larger fraction of voters internalizes the costs of the policy for the firms.

On the other hand, when the policy is not too costly, ℓ's production can be more sensitive to it than the production of competitive firms. ℓ takes into account how its production affects wages, so it has an incentive to limit production and keep wages low. The competitive firms are smaller and take wages as given, so they may find it optimal to operate at full capacity regardless of the policy, even when ℓ instead adjusts to it by reducing production. These effects generate *less* opposition to

the policy in the competitive benchmark, since, even though total employment is larger overall in the benchmark, it is also less sensitive to whether the policy is implemented.

Next, we examine the active channel of internalization, where firms take direct actions to influence voters' preferences. To keep the two channels separate, we consider non-distortionary policies, which do not *directly* influence firms' production choices (e.g., a tax on profits). Unless firms actively try to influence the voting outcome, the policy then does not affect employment, so that the passive channel of internalization is muted. Yet, firms may still be able to reshape voters' political preferences by conditioning their production choices (or voters' beliefs about these choices) on electoral outcomes.

To build intuition, suppose for example firms can commit to production plans that are contingent on the voting outcome (e.g., through reputation (Kreps and Wilson 1982; Mailath and Samuelson 2006) or contractual agreements (Laffont and Tirole 1993)). For instance, they might threaten to cut down production (e.g., downsize and layoff workers) if the policy passes, and promise to expand (e.g., new investments and more employment) if it does not. For agents working in the local economy, this creates an economic cost to redistribution, as they may lose their jobs or receive lower wages if the policy is implemented. Commitment is not necessary for our results: A similar mechanism applies if firms cannot directly condition their production to electoral outcomes, but can influence voters' beliefs about how they will respond to the policy. For example, they may be able to convince voters that it will be incentive-compatible for them to relocate production to other states if the policy passes, and/or to grow their size and employment if it does not.

Our second insight is that, under the active channel, market power *translates* into political power. In our model, only the large firm ℓ may want to engage in this type of electoral influence: Each competitive firm is too small to affect equilibrium wages, so it cannot influence voters' payoff and, thus, voting preferences on its own. Moreover, for ℓ to be able to influence the voting outcome, its employment must be sufficiently large compared (a) to that of the competitive firms, so that changes in ℓ's employment have a large impact on equilibrium wages, and (b) to the voting population, so that enough voters are affected by the wage changes. If these conditions are

satisfied, ℓ uses the threats and promises described above to make the median voter, who here is the agent with the median reservation wage, better off (at least weakly) if the policy does not pass.

Through this mechanism, ℓ uses its market power to generate a political failure: It sways the public against redistribution, even when redistribution would be both socially desirable and politically feasible had it not done so. Having established how ℓ can leverage its market power to influence political outcomes, we use the model to study the implications of this novel form of electoral interference.

Our first step is to compare the equilibrium where ℓ influences voting to a benchmark where the firm cannot manipulate the election and, as a consequence, the policy always passes.[3] When it influences voting, ℓ always threatens to produce *less* than in the benchmark if the policy passes, to depress wages. If this is costly enough to the median voter, this threat alone is sufficient to sway them against the policy. If the threat alone is not enough, the firm will also need to make concessions – promise to produce more and boost wages if the policy does *not* pass, just enough to make the median voter indifferent.

We find that the median voter is always worse off than in the benchmark where ℓ cannot influence the election: In the equilibrium where ℓ does influence the election, the median voter is at best indifferent between (i) the scenario where the policy fails and the firm expands, and (ii) the scenario where the policy passes but the firm downsizes. In scenario (ii), their wage (as well as the transfer) is lower than in the benchmark. Since they are indifferent between scenarios (i) and (ii), and (ii) is worse than the benchmark, the median voter is then always strictly worse off when ℓ influences the election than when it doesn't. By a similar logic, agents with reservation wages that are larger, or not much lower, than the median voter are also always worse off than in the benchmark. The threat of cutting production, which would depress employment and wages, makes it then possible for ℓ to sway the public against redistribution *even though* the majority of the electorate is worse off than in a counterfactual where ℓ does not engage in electoral influence.

However, agents with small reservation wages may be better off when ℓ influences voting. They are more exposed to the wage effects of ℓ's strategy, since their reservation wages are low and they

[3]Recall that the policy is non-distortionary, thus the passive channel is muted here.

always work in the local economy. So, they benefit relatively more when the policy does not pass and ℓ expands as promised, as in that case wages rise above the benchmark equilibrium. This effect can be large enough that the wage increase more than compensates this group of agents for the lost transfer. These results have two important implications. First, ℓ's electoral influence can have sharp distributional effects *across* voters and, thus, contribute to political polarization: Agents with reservation wages large enough are always in favor of redistribution; the other agents are against it, in some cases strongly, as they may even benefit from the firm's influence. Second, they provide a novel explanation for political support for pro-business platforms among lower-income voters, which are typically viewed as natural beneficiaries of redistributive policies.

Last, we use the model to think about the optimal policy response to electoral monopsonies. We consider an election between two candidates, and let one candidate, h, play the role of a politically constrained planner: They are interested in maximizing total welfare, but can only implement policies that are supported by a majority of voters. h chooses the size (e.g., how much to tax firms) and form of redistribution (e.g., catering to a specific group of voters). The other candidate is aligned with ℓ and thus always runs on a no-transfer agenda. The threat of ℓ's electoral interference can create a constraint to the set of policies h can run on to win the election, since ℓ has more incentives to influence the election in favor of the business-friendly candidate when the transfer is large.

When this constraint binds, h is faced with a tradeoff: Either they adopt a relatively moderate, business-friendly platform to remain competitive and win the election, or they run on a losing but more aggressive platform, which is relatively more attractive to the public and, thus, forces the firm to make more concessions to the community. In either case, h's choice seems suboptimal to an observer who fails to account for the strategic interaction with ℓ: When the moderate agenda is optimal, ℓ does not engage in electoral interference in equilibrium. h's platform then seems too moderate compared to the preferences of the local electorate. When the aggressive agenda is instead optimal, ℓ makes enough concessions to turn the median voter against redistribution. So, h's platform deviates again from the preferences of the local electorate. These results suggest that electoral monopsonies can shape democratic institutions both directly – by influencing voters' preferences, and indirectly – by undermining political accountability, as they call for socially

desirable policy platforms that may appear misaligned with the electorate in equilibrium.

Evidence on electoral monopsonies and partisan voting. We provide empirical evidence on how local labor market concentration shapes political behavior in the U.S. Central to our analysis is a measure of electoral monopsony power, which captures the ability of dominant employers to exert political influence by combining three elements: an industry's employment share within a county, concentration within that industry, and overall employer concentration in the local labor market. This measure translates the structural conditions highlighted by our theoretical framework into an empirically tractable index of firms' potential electoral influence. Put simply, the potential for electoral monopsonies is high where a small number of firms employ a large share of workers both within the industry and the county.

Our empirical strategy links county-level measures of electoral monopsony power to individual-level voting records. We employ a shift-share design in which national industry-level changes in employer concentration serve as common shocks, and pre-determined local employment shares govern differential exposure to those shocks across counties. Controlling for census-tract fixed effects, voter age, and state-by-party and age-by-party fixed effects, identification comes from within-neighborhood comparisons across individuals whose exposure to these common shocks differs systematically with predetermined political characteristics. Under the identifying assumption that national industry concentration shocks are orthogonal to unobserved local political and demographic trends, conditional on individual- and neighborhood-level fixed effects, this design isolates plausibly exogenous variation in electoral monopsony power. We use this variation to estimate heterogeneous responses to electoral monopsony power by comparing individuals who share the same finely defined local and political context. Our focus is on differences in electoral engagement across partisan groups, as well as on changes in partisan affiliation among previously nonpartisan voters.

Our most consequential empirical finding is that exposure to an employer with electoral monopsony power systematically increases support for the Republican Party. We show that areas with higher employment concentration are more likely to see increased voter registration, turnout, and campaign donations for the Republican Party, which we interpret as the more business-friendly

political platform.[4] These effects are (i) robust to a battery of controls, including pre-treatment economic controls, individual-level demographic characteristics, and neighborhood fixed effects, (ii) are not driven by any specific industries, and (iii) extend to more local, lower-salience elections (e.g., special elections). Importantly, these political shifts are strongest in counties where (a) dominant firms are more right-leaning than the local electorate and (b) unionization rates are low, which is more consistent with the active channel of influence, and suggests that unions operate as an effective counterweight to electoral monopsony power. Taken together, our results suggest that employer concentration has direct political implications, as it shapes electoral choices at the individual level.

1.1 Contributions

Our findings contribute to the understanding of how economic power translates into political influence by examining the role of employer concentration in shaping electoral outcomes through voter mobilization. As such, this paper contributes to the literature documenting employer voter mobilization and the literature documenting the effects of employer concentration.

Employer Voter Mobilization. Firms deliberately engage in voter mobilization, encouraging or pressuring employees to participate in politics in ways that advance corporate objectives. Hertel-Fernandez (2017) documents that, in 2014, 46% of managers report their company did at least one thing to mobilize workers, that employer contact rates are similar in magnitude to those of unions, and that such mobilization can be just as effective at increasing political participation. Moreover, employee responsiveness is greatest when managers have the ability to monitor or sanction political behavior. Consistent with these findings, Bombardini and Trebbi (2025) highlight that firms view their workforce as a strategic electoral resource: employees' votes can substitute for costly financial contributions, with Wal-Mart providing a salient example of a corporation that secures political access by virtue of its employment base rather than its donations (Walker 2014; Hertel-Fernandez 2018). This concern extends beyond contemporary employer behavior:

[4] In all but four counties – Gilpin County (CO), Decatur County (IA), Arthur County (NE), and Oglala Lakota County (SD) – the employment-weighted average industry's partisan skew (based on industry donations data from OpenSecrets) is Republican. That constitutes 99.97% of the electorate. In addition, Cohen, Hazan, Tallarita, and Weiss (2019) find that CEOs are three times more likely to be Republicans than Democrats in a sample of individuals who served as CEOs of S&P's 1500 companies between 2000 and 2017.

more than a quarter of U.S. states have long had statutory prohibitions on employer coercion of employee political choices, although these prohibitions have been rendered largely inoperative after *Citizens United*. Evidence from other contexts suggests this dynamic is not unique to the U.S.: employer attempts to sway worker-voters have been documented in Latin America (Baland and Robinson 2008) and in post-Soviet countries (Frye, Reuter, and Szakonyi 2014). We contribute to this literature by showing how firms in concentrated markets can deploy their local labor market power to directly shape electoral outcomes.

Employer Concentration. A large literature studies the consequences of market concentration for wages and the labor share. Benmelech, Bergman, and Kim (2022) show that local labor market concentration lowers wages in U.S. Census plant-level data, with effects strongest when unionization is weak and when productivity gains would otherwise flow to workers. Azar, Marinescu, and Steinbaum (2022) document similar patterns using vacancy-level data, finding that more concentrated labor markets post substantially lower wages. Rinz (2022) also finds a negative relationship between local labor market concentration and wages. For the U.S., Berger, Herkenhoff, and Mongey (2022) estimate that labor market power leads to welfare losses and output declines of around 7.6% and 20.9%, respectively. Related work emphasizes concentration within product markets, linking higher markups to declining labor shares (Barkai 2020; De Loecker, Eeckhout, and Unger 2020; Autor, Dorn, Katz, Patterson, and Reenen 2017; Grullon, Larkin, and Michaely 2019; Covarrubias, Gutiérrez, and Philippon 2020). Whereas this research shows how concentration distorts economic outcomes – by reducing wages in labor markets or reducing consumer surplus in product markets – our contribution is to demonstrate that concentration also distorts electoral outcomes. In particular, we show that dominant employers leverage their labor market position to shape voter registration, turnout, and partisan alignment, with consequences that extend beyond the distribution of income to the functioning of democratic institutions.

2 Motivating Survey Evidence on Employer Political Activity

We present original survey evidence designed to capture forms of employer political activity, worker perceptions, and channels of influence that are not directly observable.

The survey was administered online in December 2025 to a national sample of 2,100 U.S. workers through the Prolific platform, from which 2,083 completed the survey. The instrument focuses on respondents' employment relationships, exposure to employer political communication, perceived links between elections and firm decisions, and self-reported effects on political behavior and career expectations. Respondents report whether their employers communicate political views, discuss elections in the context of firm actions such as expansion or layoffs, endorse candidates, or solicit political participation or donations. They also report whether these activities affected their voting behavior or perceived job prospects. These measures allow us to directly observe margins of political engagement and influence within the workplace and to document how such activity varies systematically with an employer's local dominance. We discuss details of the administration of the survey in Appendix C.

The survey evidence we present here provides context for the mechanism studied in the paper. Figure 1 summarizes the key patterns from the survey. Figure 1 Panel (a) documents that employer communication about political issues is widespread and occurs more frequently among large, major employers, which we obtain directly from the survey respondents (we ask respondents whether they work for a major employer in their town or county). Among respondents employed by major local employers, 76% report exposure to some form of political communication by their employer, compared to 64% among workers employed by other firms. Similarly, 44% of respondents working for major local employers report that their employer discussed potential firm actions following elections, such as expansion or downsizing, compared to 31% among other workers. Panels (b) and (c) show that these experiences are shared across workers with different partisan affiliations.

The survey responses also indicate that employer political activity often extends beyond general communication. Forty percent of respondents employed by major local employers report that their employer endorsed a specific political candidate, in line with 40% among workers employed by

other firms. More direct links between elections and employment outcomes are more unevenly distributed: 22% of respondents working for major local employers report election-related job discussions with supervisors or human resources personnel, compared to 11% among other workers, and 14% report explicit threats of layoffs, compared to 6% among workers employed by other firms. Requests for campaign donations or participation in campaign-related events are reported by 11% of workers employed by major local employers, compared to 4% among other workers.

To complement the descriptive patterns shown in Figure 1 and to assess whether these differences persist after accounting for observable worker characteristics, Table 1 reports regression estimates relating major local employer status to survey measures of workplace political activity and perceived political influence. Each column corresponds to a binary indicator for a distinct form of employer political communication, action, or perceived influence, and the main regressor of interest is an indicator for whether the respondent is employed by a major local employer.

Panel A presents specifications without additional controls. Employment at a major local employer is associated with an 11.6 percentage point higher likelihood of reporting general political communication by the employer and a 12.6 percentage point higher likelihood of reporting election-related discussions. The estimated association with discussions of layoffs or firm actions in the context of elections is 7.8 percentage points, while the likelihood of being asked to participate in campaign-related donations or events is higher by 7.2 percentage points. Employment at a major local employer is associated with a 5.4 percentage point higher likelihood of reporting influence on voting behavior and an 12.5 percentage point higher likelihood of reporting effects on perceived career opportunities. The coefficient on employer endorsements of specific candidates is small and not statistically distinguishable from zero.

Panel B adds a rich set of individual-level controls, including race, gender, education, industry, income, and political party fixed effects. The inclusion of controls leads to only modest attenuation of the estimates and leaves their qualitative pattern unchanged. Employment at a major local employer remains associated with a 9.2 percentage point increase in reported political communication and a 10.1 percentage point increase in election-related discussions. The estimates for

discussions linking elections to layoffs or firm actions (7.3 percentage points) and for solicitation of campaign donations or events (7.0 percentage points) remain positive and statistically significant. Employment at a major local employer is also associated with a 4.1 percentage point higher likelihood of reporting influence on voting behavior and an 11.2 percentage point higher likelihood of reporting effects on perceived career opportunities. As in Panel A, the coefficient on employer endorsements of specific candidates remains small and statistically insignificant.

Notably, the estimated differences in perceived career opportunities are of similar magnitude to the differences in reported political communication. The estimated differences in reported influence on voting behavior are of smaller magnitude than the differences in political communication, but only by about half. Within the comparison between major and non-major employers, this pattern suggests a close correspondence between exposure to employer political activity and workers' perceptions of its relevance for their own decisions. This interpretation is specific to the relative differences between major and non-major employers and does not speak to the absolute effect of political communication in other settings.

3 A Model of Electoral Monopsonies

3.1 Model Setup

The local economy is populated by a mass $m > 0$ of agents (indexed by i), a large firm (indexed by ℓ), and a mass N of competitive firms (indexed by j). Firms sell their products outside the local economy, at an exogenous price p, but they hire from the pool of agents in the local economy, so they compete with each other in the labor market. Agents differ in their reservation wages, v_i, with $v_i \sim U[0, A]$. Agent i chooses to work in the local economy if the wage w is larger than v_i.

The sequence of events is: (i) agents vote on a policy that redistributes surplus from firms to agents; (ii) the policy is implemented if it receives a majority of votes in favor; (iii) wages adjust to balance supply and demand in the local labor market; (iv) firms produce and sell their products. We use *subgame perfect equilibrium* as the equilibrium concept.

A. Voting

Agents vote on whether to implement a policy that has the effect of redistributing surplus from firms to agents. We first introduce the cost to firms and benefits to voters of the policy in a general, reduced-form way, and then consider specific policies in the equilibrium analyses.

The policy has a cost T_k on firm k, where k is either a competitive firm j or the large firm ℓ, and generates a total benefit R to voters. The policy is implemented ($\mathcal{P} = r$) if a majority of agents vote in favor, and is discarded otherwise ($\mathcal{P} = nr$). The interpretation we have in mind is that agents vote between two different candidates to run the local government, one of which has a less business-friendly agenda (e.g., stricter enforcement of regulations or higher taxes on firms), with the cost T_k and the benefit R capturing the redistributive consequences of such an agenda.

To simplify the exposition, we assume that firms' owners represent a negligible fraction of the voting population. Our qualitative insights carry through as long as the mass of owners, or workers who have equity shares in the firms, represent a minority of the voting population.[5] We initially treat T_k and R as parameters, and assume that the policy generates the same benefit to all voters, with the value of the policy to each agent being $\frac{R}{m}$. In Section 4.3, we allow the less business-friendly candidate to choose its policy platform, which includes how aggressively to collect firms' profits (that is, the cost T_k to firms) and how to redistribute them across voters (that is, a type-dependent function $\mathcal{R}(v_i)$), with the objective of maximizing the total surplus in the community.

As is typical in the voting literature, we analyze subgame perfect Nash equilibria in undominated strategies, which implies that agents vote as-if-pivotal.[6] Given wage w and transfer R, agent i's utility is

$$u_i = \max\{w, v_i\} + \mathbb{1}_{\mathcal{P}} \frac{R}{m}, \tag{1}$$

where $\mathbb{1}_{\mathcal{P}}$ is an indicator function taking the value 1 if the policy passes, and zero otherwise.

The max function in Eqn. (1) takes into account that i chooses to work if w is larger than v_i, and chooses its reservation wage or outside option otherwise.

[5] If all firms' owners are eligible to vote in the election, and N is a non-negligible fraction of the voting population, ℓ may have to convince a smaller mass of voters ($\frac{m+N}{2} - N$ instead of $\frac{m}{2}$) to vote against the policy: The policy is costly for all firms, including the competitive firms; so, depending on the parameters, the competitive firms' owners may already be against it. The same logic applies if some agents own sufficiently large equity stakes in the firms to create a bias against the policy.

[6] See, e.g., Baron and Ferejohn (1989), Austen-Smith and Banks (1996), and Levit, Malenko, and Maug (2024).

B. Labor and production

In equilibrium, the mass of agents seeking jobs in the local economy is equal to the mass of agents with $v_i \leq w$, which, given our distributional assumption, is $m\frac{w}{A}$. Each unit of output requires one unit of labor, and firms can produce up to their capacity constraints ($\underline{q}$ for the competitive firms, and $\overline{q}$ for the large firm, with $\overline{q} > \underline{q} > 0$). Given wage w and production q_k, firm $k \in \{j, \ell\}$ generates profits

$$\pi_k = (p - w)q_k - \mathbb{1}_{\mathcal{P}} T_k, \tag{2}$$

since k incurs the cost T_k only if the policy is implemented.

The competitive firms are atomistic, so they take equilibrium outcomes as given when making their production plans. To give the large firm ℓ a dominant position in the local economy, we assume that (a) it has market power in the local labor market, that is, it takes into account how its production will affect wages, and (b) it has a larger production capacity than the competitive firms. (b) ensures ℓ can produce more and make more profits than the competitive firms, so that it has more influence on aggregate outcomes (both on wages, through its labor demand, and on the transfer associated with the policy, through its profits).

The aggregate production and demand for labor is $N\int_0^N q_j \, dj + q_\ell = Q$. Assuming that the labor market clears, the equilibrium wage is then the value of w that satisfies the market-clearing condition:

$$\underbrace{m\frac{w}{A}}_{\textit{Labor supply}} = \underbrace{\int_0^N q_j \, dj + q_\ell}_{\textit{Labor demand}}. \tag{3}$$

We make the following assumption on the parameters.

Assumption 1 *We assume (i)* $\overline{q} + \underline{q}N \leq m$ *and (ii)* $\frac{m}{A}p > \overline{q} + 2N\underline{q}$.

Assumption 1.(i) ensures that the demand for labor is always lower than its supply, so the labor market clears. Assumption 1.(ii) ensures that industry profits are the smallest when ℓ chooses not to produce (i.e., at $q_\ell = 0$), so that its optimal strategy to influence voting under the active channel (Section 3.3) includes threatening to shut down production if the policy is implemented.[7]

[7]Without Assumption 1.(ii), ℓ may prefer to threaten to produce enough that $w = p$ if the policy r passes, so that all firms make zero

Lastly, for simplicity, in the main model voters have no intrinsic preferences for a certain policy (e.g., political ideology), and there is no cost of casting a vote. Section D.3 considers a model with political ideologies and costly voting, and shows that our main insights carry through.

3.2 Passive Influence

Our objective is to study how ℓ's market power influences the alignment between voters' and firms' preferences over the policy. We begin by evaluating a passive channel of alignment, where firms do not actively try to influence voting, but the policy affects their production choices and, through this channel, the payoffs of voters who work in the local economy.

We consider the case where the policy r imposes a unit cost $\tau > 0$ on each firm's output (e.g., a carbon or sale tax), and a benefit to voters that is proportional to the tax revenue (e.g., a carbon dividend or other forms of government handouts).[8] The cost of the policy to firm $k \in \{\ell, j\}$ is then $T_k = \tau q_k$, and the benefit to voter i is a transfer $\frac{\delta \tau Q}{m}$, where $\delta > 0$ captures the efficiency of redistribution and Q is aggregate production. If the policy does not pass ($\mathcal{P} = nr$), there is no tax on firms and no transfer to voters.

Under this specification for the policy r, firm k's profits become

$$\pi_k = (p - w)q_k - \mathbb{1}_{\mathcal{P}} \tau q_k, \tag{4}$$

and voter i's payoff becomes

$$u_i = \max\{w, v_i\} + \mathbb{1}_{\mathcal{P}} \frac{\delta \tau Q}{m}. \tag{5}$$

All firms (including ℓ) here take voting behavior as given, and choose output to maximize profits.

We compare political support for r in our main model (with the dominant firm ℓ and a mass N of competitive firms) to a benchmark where all firms are competitive. To isolate the effect of ℓ's market power, we hold total production capacity constant across models, that is, we impose

$$\bar{q} + N\underline{q} = N^c \underline{q}, \tag{6}$$

profits and, as a consequence, the transfer to voters R is zero. Since $w = p$ is also the largest possible value for the equilibrium wages, this is an optimal threat from the perspective of minimizing voters' welfare under r only in knife-edge cases. Our insights carry through if we allow for these knife-edge cases, but the exposition becomes more cumbersome.

[8] If one interprets the policy as a sale tax, the tax rate should be $\frac{\tau}{p}$ to obtain the exact same expressions as in Eqns. (4) and (5).

where N^c is the mass of firms in the competitive benchmark.

Proposition 1 (Passive influence) *Suppose the policy r is a tax on output (that is, $T_k = \tau q_k$ and $R = \delta\tau Q$) and all firms take the voting outcome as given. The political support for r (that is, the mass of voters who are in favor of r) may be larger or smaller in the main model compared to the competitive benchmark.*

Under the passive channel of internalization, the relationship between market power and political power is ambiguous. This is due to how the dominant firm ℓ affects aggregate production and equilibrium wages, and how these adjust to the policy. On the one hand, firms compete more intensely for workers in the competitive benchmark, which results in higher employment and wages. For intermediate values of τ (large enough to force the competitive firms to reduce production), these effects generate *more* opposition to the policy in the benchmark, where (a) workers receive better wages, so they value their jobs more and are thus more concerned about employment contractions, and (b) a larger number of people work in the local economy and, thus, a larger fraction of voters internalizes the costs of the policy for the firms.

On the other hand, ℓ's production can be more sensitive to the policy than that of the competitive firms: ℓ takes into account how its production affects wages, so it has an incentive to limit production and keep wages low, while the competitive firms are smaller and take wages as given. This means that, for small values of τ, the competitive firms continue to operate at full capacity also under the policy, while ℓ instead adjusts to it by reducing production. This generates *less* opposition to the policy in the competitive benchmark, since, even though total employment is larger overall in the benchmark, it is also less sensitive to whether the policy is implemented.

Figure 2 describes how political support for the policy change with the output tax τ. In the benchmark, for τ small, firms operate at full capacity under both r and nr, so the policy does not affect employment and wages in equilibrium and, thus, always passes. As τ increases past the threshold τ^C, profits are too small for all firms to produce $\underline{q}$. Under r, the equilibrium then enters a region where firms make zero profits and production decreases. So, r only passes if redistribution is sufficiently efficient (δ large enough). With τ larger than p, production is no longer sustainable (firms make negative profits if they produce) and all firms shut down under r, so both tax revenues and wages collapse under the policy. Hence, the policy cannot benefit any

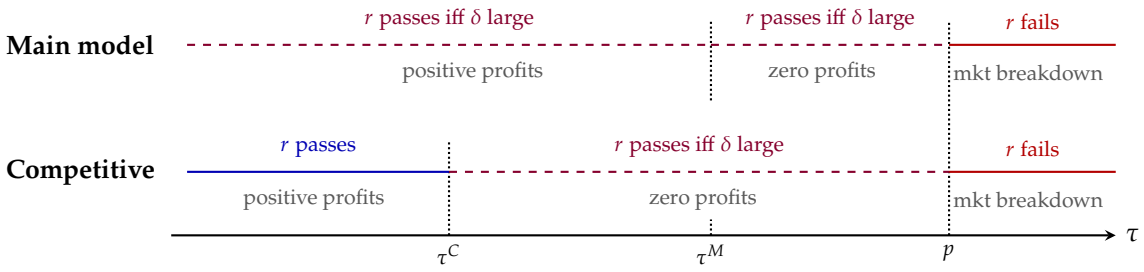


Figure 2: Voting outcomes under an output tax τ in our main model versus the competitive benchmark. Thresholds satisfy $\tau^C \leq \tau^M$. Solid segments indicate that r always passes or always fails. Dashed segments indicate that r passes only for sufficiently large δs.

voter and, thus, never passes in this case. In the main model, even for low tax rates, ℓ responds to the policy by scaling back production, which lowers political support for r. As τ increases past the threshold τ^M, the equilibrium enters a zero-profit region also in the main model. For values of τ such that the equilibrium is in the zero-profit regions in both models, wages are the same across models under r, but they are larger in the benchmark under nr (where firms compete more intensely). This creates more support for r in the main model.

3.3 Active Influence

Next, we examine the active channel of internalization, where firms take direct actions to influence voters' preferences over the policy implementation. Put differently, while in the passive channel voters internalize firms' political preferences on their own, here firms take direct actions to *engineer* that internalization.

To keep the active and passive channels separate (more on this shortly), here we assume that the policy is a tax on profits: The local government collects a fraction $\tau \in (0, 1]$ of firms' profits, and redistributes the tax revenue to voters. The cost to firm $k \in \{\ell, j\}$ is then $T_k = \tau(p - w)q_k$, and the benefit to each voter is $\frac{\delta\tau(p-w)Q}{m}$ (like before, $\delta > 0$ captures the efficiency of redistribution).

Under this specification for the policy r, firm k's profits become

$$\pi_k = (p - w)q_k(1 - \mathbb{1}_{\mathcal{P}}\ \tau), \tag{7}$$

and voter i's payoff becomes

$$u_i = \max\{w, v_i\} + \mathbb{1}_{\mathcal{P}} \frac{\delta\tau(p-w)Q}{m}. \tag{8}$$

Since maximizing before-tax or after-tax profits is equivalent in this model, the policy here does not *directly* affect firms' production choices and, therefore, employment and wages in equilibrium. So, the passive channel of internalization cannot arise in this case.[9]

Yet, firms may still try to reshape political preferences by conditioning their employment choices (or voters' perceptions about these choices) on electoral outcomes. We assume that each firm k can send a public message $m_k = \{q_k^r, q_k^{nr}\}$, at a cost $\gamma > 0$, with the message describing how much k will produce under each policy regime. k must adhere to the production plan in m_k with probability $\theta_k \in [0,1]$; with probability $1-\theta_k$, the firm is free to choose its production ex-post (after voting takes place and the policy regime realizes). Voters have potentially biased beliefs about θ_k: They believe that k produces as in the message m_k with probability $\widehat{\theta}_k \in (0,1]$, and it is free to choose any quantity with probability $1-\widehat{\theta}_k$.[10] If k does not send any message ($m_k = \emptyset$), it always chooses q_k to maximize profits under each policy, and that is correctly anticipated by voters. Firms choose their messages simultaneously and non-cooperatively.

This modeling of the active channel captures different ways in which firms can shape voters' expectations about how the policy will affect economic outcomes. With $\theta_k = \widehat{\theta}_k$, the model captures settings where firms have commitment power and can publicly condition their production to the policy regime ($\theta_k = \widehat{\theta}_k = 1$ corresponds to the case of perfect commitment). With θ_k different from $\widehat{\theta}_k$, the model captures settings where voters have some degree of naïveté or incomplete information about the policy. For example, firms may be able to convince voters that it will be incentive-compatible for them to downsize if the policy r passes (e.g., relocate production to another state with a lower tax rate), or to expand if it doesn't (e.g., extract employment subsidies if their favorite candidate is elected), even though, in reality, they will not adjust their production to the policy ($\widehat{\theta}_k > \theta_k = 0$).

[9] Even a tax on profits would affect production choices in a richer model (e.g., with capital or entry choices). Here we need the policy to be non-distortionary to shut down the passive channel, so that all the political effects flow through the active channel.

[10] We assume $\widehat{\theta}_k > 0$, otherwise firms cannot influence voters and the active channel is never at work, and that $\widehat{\theta}_k$ and θ_k are the same across policy regimes (i.e., k must adhere to q_k^r and q_k^{nr} with the same probability). Allowing for these probabilities to depend on $\mathcal{P}$ (e.g., promises are more credible than threats) would not change our qualitative results, provided that firms can use both levers.

In Appendix D.2, we describe simple ways to model the examples described above that map directly into our framework for the active channel. We show how firms may be able to make their production choices contingent on the voting outcome via contractual agreements or reputation, or exploit voters' incomplete information to manipulate their beliefs about the economic impact of the policy.

The competitive firms take the equilibrium wages and, as a consequence, the voters' payoff as given. So, each competitive firm j has no incentive to pay the cost γ and send a message, since this would not affect the way agents vote anyways. It follows that, in equilibrium, j always waits for the voting outcome to realize, and then chooses the production level that maximizes its profits under each policy. Formally, given the policy regime $\mathcal{P}$ and the correctly anticipated equilibrium wage $w^{\mathcal{P}}$, firm j's optimal production is

$$q_j = \begin{cases} \underline{q} & \text{if } p - w^{\mathcal{P}} \geq 0 \\ 0 & \text{otherwise} \end{cases}, \tag{9}$$

as j produces at full capacity if it can sell at a profit, and does not produce otherwise.

The large firm ℓ instead takes into account how its production will affect wages. So, it may have an incentive to condition q_ℓ to the policy outcome. Formally, if ℓ wants to influence voting, it chooses the message $\{q_\ell^r, q_\ell^{nr}\}$ that solve the following optimization problem:

$$\max_{q_\ell^r, q_\ell^{nr}} \ \theta_\ell (p - w^{nr}) q_\ell^{nr} + (1 - \theta_\ell)(p - w^*) q_\ell^* \tag{P_ℓ}$$

subject to

$$\mu(\mathcal{I}) \geq \frac{m}{2} \tag{MR}$$

where q_ℓ^* is the production choice ℓ makes when it can choose q_ℓ after voting takes place, w^* is the equilibrium wage in that case, and $\mu(\mathcal{I})$ is the measure of agents who vote against the policy, that is, for whom the incentive-compatibility constraint below holds

$$\widehat{\theta}_\ell \max\{w^{nr}, v_i\} + (1 - \widehat{\theta}_\ell) \max\{w^*, v_i\} \geq \widehat{\theta}_\ell \left[\max\{w^r, v_i\} + \frac{R(q_\ell^r)}{m} \right] + (1 - \widehat{\theta}_\ell) \left[\max\{w^*, v_i\} + \frac{R(q_\ell^*)}{m} \right], \tag{IC_i}$$

where $R(q_\ell^r) = \delta\tau(p - w^r)Q^r$ and $R(q_\ell^*) = \delta\tau(p - w^*)Q^*$ denote the aggregate transfer to voters when

ℓ produces q_ℓ^r and q_ℓ^*, respectively.[11]

ℓ chooses $\{q_\ell^r, q_\ell^{nr}\}$ to maximize its profits conditional on the policy not being implemented, under the constraint that at least half of the agents votes against it – the majority-rule constraint (MR). When ℓ influences voting, the policy r is never implemented on the equilibrium path. So, ℓ receives the profits implied by q_ℓ^{nr} in equilibrium if it has to stick to the production plan (which occurs with probability θ_ℓ); otherwise ℓ chooses q_ℓ^* and makes profits $(p - w^*)q_\ell^*$. Still, ℓ can use both q_ℓ^{nr} and q_ℓ^r to sway voters against the policy, since both affect their incentive-compatibility constraint (IC_i) through the market-clearing wages w^r and w^{nr}. Satisfying (MR) may not be possible within the firm's capacity constraint, that is, for any $(q_\ell^r, q_\ell^{nr}) \in [0, \overline{q}]^2$, in which case influencing voting is not feasible.

Benchmarks without electoral influence. As we discussed above, the competitive firms always take the voting outcome as given, so the active channel is never at work if there is no large firm ℓ. Given that the policy is non-distortionary here, employment and wages do not adjust to the policy regime and, thus, r is always supported by all voters in the competitive benchmark.

Another useful benchmark here is one where *also* ℓ takes the voting outcome as given, so it does not have an incentive to distort its production plans to influence voting. As we will see shortly, ℓ's payoff in this benchmark is the same as in the main model when the firm *chooses* not to influence elections (sends $m_k = \emptyset$), or when ℓ has communicated a certain production plan but deviates from it ex-post (which occurs with probability $1 - \theta_\ell$). We use the superscript $*$ to indicate the equilibrium outcomes in this second benchmark. Since maximizing before or after-tax profits are equivalent problems, ℓ's production choices do not depend on the policy regime in this case. Formally, the equilibrium value q_ℓ^* solves:

$$\max_{q_\ell \in [0, \overline{q}]} (p - w) q_\ell, \tag{10}$$

where w is the market-clearing wage implied by Eqn. (3), and ℓ internalizes how q_ℓ affects w.

The solution to Program (10), q_ℓ^*, together with the market-clearing condition in Eqn. (3) and

[11] ℓ correctly anticipates that the competitive firms will not try to influence the elections. Therefore, the equilibrium outcomes (aggregate production and wages) in Program (P_ℓ) are those implied by the competitive firms supply functions in Eqn. (9). The competitive firms see ℓ's message and so are able to correctly anticipate the equilibrium wages on and off the equilibrium path.

the competitive firms supply function q_j in Eqn. (9), yields the other equilibrium outcomes.[12]

Similar to the competitive benchmark, in the benchmark where also ℓ takes voting outcomes as given, employment and wages are the same across policy regimes. So all voters prefer to receive the transfer and, thus, always vote in favor of r. Lemma 1 summarizes these results.

Lemma 1 (Benchmarks without electoral influence) *Suppose the policy r is a tax on profits (that is $T_k = \tau(p-w)q_k$ and $R = \delta\tau(p-w)Q$) and either (a) all firms are competitive, or (b) all firms take the voting outcome as given. All voters strictly support the tax and, thus, r is always implemented in equilibrium.*

The results in Lemma 1 have an important implication: The presence of the dominant firm ℓ, which implies the existence of some degree of monopsony power, is crucial for the active channel to emerge in equilibrium. Later, we will show that this relationship is more continuous: the more market power ℓ has, the more likely it is to influence the election.

Optimal way to influence voting. Next, we study the optimal strategy to influence the elections, that is, the solution to Program (P_ℓ), assuming that ℓ can and wants to do so. We characterize the conditions under which this is the case in Section 4.1.

For ℓ to turn voter i against the policy, its expected wage and transfer under r must be small, and the expected wage under nr must be large, so that i prefers to give up on the transfer to keep the higher wage. Voters with worse outside options (lower v_i) are easier to sway, as they are more likely to work in the local economy (that is, to satisfy $v_i \leq w$), so they are more exposed to the wage effects of the policy. That means the standard median-voter theorem (Black 1958) holds in our setting: Voters can be ordered by their willingness to vote against the policy, so the median type's preference decides the voting outcome.

Lemma 2 (Voting with electoral influence) *Suppose the policy r is a tax on profits (that is $T_k = \tau(p-w)q_k$ and $R = \delta\tau(p-w)Q$), and fix the wages w^r and w^{nr}, and the redistribution R. If there exists a voter type $\tilde{v}$ who is against r, then any voter i with type $v_i < \tilde{v}$ is also against r. It follows that the voting outcome is determined by the preferences of the median type, $A/2$.*

[12]For brevity, we describe these expressions in Appendix A.2.

Lemma 2 implies that, for ℓ to influence voting, it is sufficient to make the median type at least weakly better off in expectation if the policy is not implemented. Next, we describe the optimal way to do so, that is, the optimal menu $\{q_\ell^r, q_\ell^{nr}\}$ that solves Program (P_ℓ).

Proposition 2 (Optimal way to influence voting) *Suppose the policy r is a tax on profits (that is, $T_k = \tau(p - w)q_k$ and $R = \delta\tau(p - w)Q$). The optimal way for ℓ to influence voting is to threaten to shut down production ($q_\ell^r = 0$) if r is implemented, which would result in the lowest possible wage $\underline{w}^r$ and transfer $\underline{R}$, and to promise to produce more than in the benchmark where ℓ takes the voting outcome as given if r is not implemented, $q_\ell^{nr} \geq q_\ell^*$:*

1. *If threatening to shut down production is sufficient to sway the median voter against r, ℓ produces the same as in the benchmark in equilibrium, i.e., $q_\ell^{nr} = q_\ell^*$ and $w^{nr} = w^*$.*

2. *Otherwise, ℓ promises q_ℓ^{nr} that makes the median voter indifferent between whether r is implemented or not. That is, $q_\ell^{nr} > q_\ell^*$ such that $w^{nr} = \max\{\underline{w}^r, \frac{A}{2}\} + \frac{\underline{R}}{m} + \frac{1-\widehat{\theta}_\ell}{\widehat{\theta}_\ell}\frac{R(q_\ell^*)}{m}$, where $w^{nr} > w^*$.*

Proposition 2 describes the optimal strategy to influence voting. The best way to make expected wages and transfers under the policy r small is to threaten to shut down production if the policy is implemented: A lower q_ℓ^r reduces the labor demand and, therefore, the market-clearing wage w^r. It is also the case that ℓ makes less profits when it produces less which, all else equal, reduces the government collection and, thus, the value of the transfer. The competitive firms benefit from the wage reduction and, thus, make more profits when q_ℓ^r decreases. But they have less impact on aggregate outcomes (since they are smaller than ℓ), so the total profits in the economy still decrease when ℓ produces less. The optimal threat for ℓ is thus to commit to shut down production if r passes the vote, which results in the lowest possible wage $\underline{w}^r$ and transfer $\underline{R}$.

This threat may be enough to sway the majority of voters against the policy. If that is the case, the firm does not need to distort its production choices on the equilibrium path; that is, it can announce the same production choice as in the benchmark model ($q_\ell^{nr} = q_\ell^*$), where the firm solves an unconstrained problem. If the threat alone is not enough, ℓ will also have to promise to increase production if the policy does not pass the vote, to make redistribution even less attractive. That is, ℓ needs to choose q_ℓ^{nr} above q_ℓ^*, so that the equilibrium wage w^{nr} is above the benchmark level

w^*. Producing more than the unconstrained optimum is, all else equal, costly for ℓ. So, the firm will want to do that just enough to make the median voter indifferent between the two policies. In this case, the majority-rule constraint is binding in equilibrium, and it pins down the optimal value of q_ℓ^{nr}. We illustrate these results in Figure 3.

4 The Economics of Mobilizing Workers

Having established how ℓ can leverage its market power to influence political outcomes, we use our model of the active channel to study the economics of this form of electoral interference. Since we focus on the active channel, the policy r is always a tax on profits (that is, $T_k = \tau(p - w)q_k$ and $R = \delta\tau(p - w)Q$) in the analyses in this section.

4.1 When does the large firm influence voting?

Our first step in understanding the economics of electoral monopsonies is to describe the conditions under which electoral influence occurs in equilibrium. Whenever ℓ does not engage in electoral influence, the equilibrium is the same as in the benchmark where ℓ takes the voting outcome as given.

In the previous section, we showed how ℓ uses a combination of threats and promises to voters to influence the election. However, promising to produce enough to make the median voter indifferent between policy regimes may not be possible within the firm's capacity constraint, in which case influencing the voting outcome is not feasible for ℓ.

Proposition 3 (Feasibility) *Influencing voting is feasible for ℓ iff the median voter is against redistribution at $\{q_\ell^r, q_\ell^{nr}\} = \{0, \overline{q}\}$. This is never the case if:*

1. ***(Concentration within the industry)*** *ℓ's employment at full capacity is a small fraction of total industry employment, that is, if $\frac{\overline{q}}{N\underline{q}+\overline{q}}$ is sufficiently small.*
2. ***(Concentration within the community)*** *ℓ's employment at full capacity is a small fraction of the population, that is, if $\frac{\overline{q}}{m}$ is sufficiently small.*

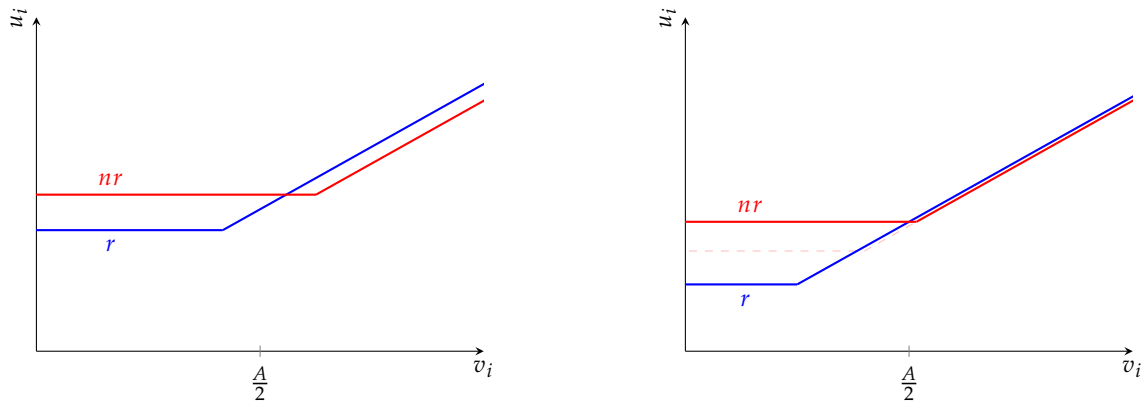


Figure 3: Illustration of voters' utility functions under two regimes.
The kinks represent the types who are indifferent between working in the local economy and taking their outside options under each regime. The median voter is $A/2$. Types for whom the blue line is above the red line are in favor of r, and vice versa.
Left: Scenario where threats alone are enough to sway enough voters against r, that is, the median voter $A/2$ is better off under nr.
Right: Scenario where ℓ has to employ both threats and concessions to sway enough voters against r, that is, to make the median voter $A/2$ indifferent between nr and r.

Proposition 3 describes two necessary conditions for ℓ to be able to influence voting. First, ℓ must have a sufficiently dominant position within the industry: If the aggregate production of the competitive firms is too large, ℓ does not have a sufficiently large effect on equilibrium wages. In that case, neither the threat to shut down production nor the promise to increase it have a sufficiently large effect on the voters' utility to change their preferences about the policy. Second, ℓ must have a sufficiently dominant position as an employer within the community: If ℓ can employ at most only a small fraction of the population, the mass of voters who are exposed to its production decisions are too small for ℓ to change the voting outcome.

Even when it is feasible, influence is costly for the firm: If the threat alone is not enough to satisfy (MR), ℓ will have to produce more than its unconstrained optimal production to sway enough voters against redistribution, which reduces its profits. Depending on the parameters, ℓ may then be better off paying the transfer than interfering with the electoral process.

Proposition 4 (Profitability) *Influencing voting is profitable for ℓ iff the following inequality holds:*

$$\theta_\ell(p - w^{nr})q_\ell^{nr} - \gamma \geq (\theta_\ell - \tau)(p - w^*)q_\ell^*. \tag{11}$$

Suppose $\theta_\ell = \widehat{\theta}_\ell = 1$. The set of parameters for which Inequality (11) holds is the largest in the limit where the production of the competitive firms approaches zero ($N\underline{q} \to 0$).

Proposition 4 shows that competition by the fringe firms reduces the profitability of electoral influence. A larger competitive fringe (that is, a larger value of $N\underline{q}$) reduces ℓ's profits by increasing the equilibrium wages, both when ℓ influences voting and when it doesn't. However, the impact on ℓ is larger (more negative) when it influences the election: In that case, ℓ produces more than in the benchmark ($q_\ell^{nr} \geq q_\ell^*$) and it keeps all of its profits, so the increase in wages is relatively more costly. It follows that ℓ has the strongest incentives to influence the election when it has no competition in the labor market.[13]

4.2 Welfare Effects

Because of the heterogeneity in voters' outside options, the threats and concessions ℓ uses to influence voting do not have the same effect on all voters. For example, those with high reservation wages do not participate in the local labor market and, therefore, are unaffected by the wage effects we described earlier. Our next step is to study the aggregate and distributional effects of the firm's political interference on voters' and firms' welfare.

Proposition 5 (Welfare & Polarization) *The following results hold:*

1. *Voters with reservation wages large enough ($v_i \geq \bar{v}$) are always worse off when the large firm ℓ influences voting compared to the benchmark equilibrium; voters with $v_i < \bar{v}$ may be worse off or better off. The median voter is always worse off when ℓ influences voting.*
2. *If the median voter works in the benchmark equilibrium, aggregate voters' welfare is always smaller when ℓ influences voting. Otherwise, aggregate voters' welfare may be larger or smaller when ℓ influences voting.*
3. *ℓ is always better off when it influences voting, but the competitive firms may be worse off. Total welfare (aggregate voters' welfare plus firms' welfare) may be larger or smaller when ℓ influences voting.*

[13] We establish this result by focusing on the case of perfect commitment ($\theta_\ell = \widehat{\theta}_\ell = 1$), which admits a simpler analytical characterization. The underlying intuition – that wage increases are more costly when firms influence voting, so that Inequality (4) becomes harder to satisfy as $N\underline{q}$ increases – extends to the more general specification of the model.

Proposition 5 compares voters' welfare when ℓ influences voting to the benchmark model without electoral influence. Voters with reservation wages large enough are always worse off when the firm influences voting, since they do not participate in the local labor market, so they always lose the transfer when ℓ influences voting, but never benefit from the increase in wages. That includes the median voter, who is made indifferent between the threat scenario where the redistribution policy passes, but the firm shuts down production and, thus, wages and transfers are the smallest, and the equilibrium path where the policy does not pass but the wage is at least as high as in the benchmark. Since the threat scenario is always worse than the benchmark equilibrium, the median voter is always strictly worse off in equilibrium.

If the firm makes concessions, voters with low reservation wages may be strictly better off under the equilibrium with electoral influence, since they work in the local economy and, thus, benefit from the wage increase. Perhaps surprisingly, the aggregate welfare may be larger than in the benchmark, even though more than half of the population is strictly worse off. This is because the firm cannot "fine-tune" the wage increase, as it cannot offer different wages to different types, so it may have to leave large rents to voters with low outside options. This has an interesting implication: The firm's electoral interference has potentially large distributional effects, in the sense of making a minority of the population better off at the expense of the majority, which leads to strongly polarized political preferences in the community. We illustrate these results in Figure 4.

On the firms' side, ℓ is always better off (at least weakly) when it influences voting, by a revealed-preference argument, as ℓ can always choose not to interfere and replicate the benchmark outcomes. The competitive firms may be better or worse off: On the one hand, they free-ride on ℓ's effort to stop the policy from being implemented. On the other hand, ℓ may have to produce more than in the benchmark (give *concessions*) to do so, which drives wages up and erodes firms' profit margin. The increase in wages is relatively more costly to the competitive firms, since ℓ increases its supply, while the competitive firms don't. So, for example, when ℓ is indifferent between influencing the election or not, because the increase in wages necessary to influence voters offsets the cost of the collection, the competitive firms are strictly worse off when ℓ influences the election, since the increase in wages is relatively more costly to them.

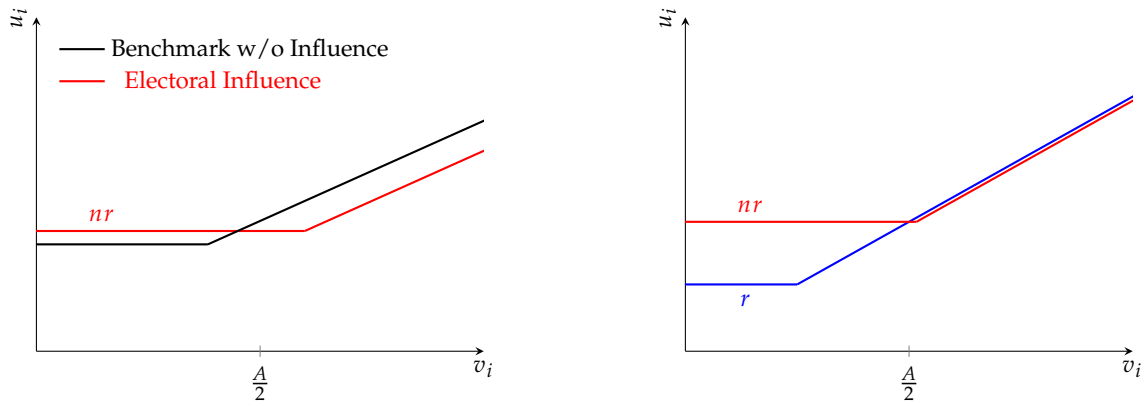


Figure 4: Distributional effects of electoral monopsonies.
Left: Voters' utilities in the benchmark without electoral influence (black line) and the equilibrium where ℓ influences voting (red line).
Right: Voters' utilities if redistribution is implemented but the firm downsizes (blue line) and if redistribution is not implemented but the firm produces more than the benchmark (red line).

In Appendix D.1, we study how ℓ's electoral influence affects the joint dynamics of political and economic outcomes over time. We show that, when we account for the effects on the quality of local institutions, the potential voter benefits of electoral influence we highlighted here tend to disappear over time.

4.3 Optimal Policy Response

The last step of our theoretical analysis is to study the optimal policy response to ℓ's electoral influence within our framework.

We consider two parties/candidates running in the election: One candidate is aligned with the large firm's interest, so always runs on a no-transfer agenda. The other candidate (h) runs on a pro-redistribution agenda and effectively plays the role of a constrained, benevolent planner, who is interested in maximizing total welfare, but can only implement policies that are supported by the majority of voters, and cannot force firms to choose a certain level of production. We assume that voters have correct beliefs about ℓ's production plans ($\theta_\ell = \widehat{\theta}_\ell$), so that there is no ambiguity about how to define total welfare.[14]

[14] If voters have biased beliefs, there is the issue of whether the planner should consider the true probabilities θ_ℓ, or the voters' subjective beliefs $\widehat{\theta}_\ell$ (see, e.g., Brunnermeier, Simsek, and Xiong 2014; Bernheim 2009; Bernheim and Rangel 2007).

h chooses how aggressively to collect firms' profits (the size of the collection τ) and how to redistribute them across voters (a type-dependent function $\mathcal{R}(v_i)$) to maximize the sum of aggregate voters' and firms' welfare. Welfare under policy $\mathcal{P} \in \{nr, r\}$ is

$$\mathcal{W}^{\mathcal{P}} = \underbrace{(1 - \mathbb{1}_{\mathcal{P}}\tau)\left(\theta_\ell(p - w^{\mathcal{P}})Q^{\mathcal{P}} + (1 - \theta_\ell)(p - w^*)Q^*\right)}_{\text{Firms' surplus}} + \underbrace{\mathcal{V}^{\mathcal{P}}}_{\text{Agents' surplus}} \tag{12}$$

where $Q^{\mathcal{P}} = q_\ell^{\mathcal{P}} + N\underline{q}$, $Q^* = q_\ell^* + N\underline{q}$, and aggregate voters' welfare is

$$\mathcal{V}^{\mathcal{P}} = \int_0^A \left(\theta_\ell \max\{w^{\mathcal{P}}, v_i\} + (1 - \theta_\ell)\max\{w^*, v_i\} + \right) \frac{m}{A} dv_i + \mathbb{1}_{\mathcal{P}}\mathbb{E}[R], \tag{13}$$

where $\mathbb{E}[R]$ is the expected total redistribution ($\mathbb{E}[R] = \tau\delta\left(\theta_\ell(p - w^{\mathcal{P}})Q^{\mathcal{P}} + (1 - \theta_\ell)(p - w^*)Q^*\right)$).

First-best allocation. Before characterizing h's optimal policy platform, it is useful to describe the first-best allocation, that is, the allocation that h would want to implement if it could freely choose which policy to implement and how much each firm produces.

Lemma 3 (First-best allocation) *In the first-best allocation, redistribution is implemented iff $\delta \geq 1$ and, if δ is not much larger than 1 ($1 \leq \delta < \overline{\delta}$), all firms produce at full capacity.*

Since h maximizes aggregate welfare, they would want to implement the transfer only when redistributing profits to the community generates a net positive value for the economy (i.e., when $\delta \geq 1$). As we have shown before, depending on the other parameters, redistribution may fail to pass the vote in equilibrium when $\delta \geq 1$, or may be implemented when $\delta < 1$. So, the equilibrium policy regime may deviate from the first-best allocation.

Abstracting from redistribution, the surplus generated in the labor market is maximized when all firms operate at full capacity.[15] The competitive firms always operate at full capacity in equilibrium, but the large firm may not, as it anticipates that increased production will lead to higher wages and erode its profits. If the net positive value of redistribution is not too large (δ not much larger than 1), welfare is maximized when labor market surplus is also maximized. If δ is

[15]Since the product price is exogenous, and wages are transfers between firms and workers, surplus is maximized when firms operate at full capacity, so that they maximize the revenues generated in the local economy.

very large, h may prefer to limit production, to maintain high profits and generate value through redistribution. To simplify the exposition, we consider the former case in the analysis, so that the first-best allocation and, thus, h's policy objectives are well-defined.

Assumption 2 *δ is not much larger than 1 ($\delta < \overline{\delta}$), so all firms produce at full capacity in the first-best.*

From an aggregate welfare perspective, there are two potential sources of inefficiency in equilibrium: First, a typical deadweight loss deriving from ℓ's market power, which leads to too little production and employment compared to the first-best. Second, a political economy friction, since redistribution may not be implemented if it is socially efficient.

The first-best allocation in Lemma 3 highlights an interesting tradeoff for h. When winning the election is possible, h either chooses the policy platform $(\tau, \mathcal{R}(v_i))$ that maximizes welfare conditional on winning the election, or the one that forces ℓ to give the most concessions to the community in order to influence voting and have the business-friendly candidate win the election. In the first case, h gets to implement the transfer when it is socially desirable, which mitigates the political economy friction in the model. In the second case, h uses ℓ's willingness to give concessions to move its production closer to the first-best level, to mitigate the deadweight loss from ℓ's market power. Whenever h wins the election, ℓ produces at the benchmark level q_ℓ^*, which is typically smaller than the first-best level $\overline{q}$. So, h cannot mitigate both frictions at the same time.

Optimal collection. To build intuition, we first focus on the optimal choice of τ when the redistribution function is fixed and flat. In this case, for a given τ, the model we described here is equivalent to our main model of active influence in Section 3.3, so all the results we derived there carry through.

Redistribution always wins the election if ℓ chooses not to interfere with the political process (Lemma 1), and it always loses the election if ℓ interferes (Proposition 2). As we discussed in Section 4.1, ℓ can and wants to influence the election when the two inequalities below jointly hold:

$$\theta_\ell \max\left\{w^{nr}(\bar{q}), \frac{A}{2}\right\} \geq \theta_\ell \max\left\{\underline{w}^r, \frac{A}{2}\right\} + \theta_\ell \frac{\underline{R}}{m} + (1-\theta_\ell)\frac{R(q_\ell^*)}{m}, \tag{14}$$

and

$$\theta_\ell(1 - w^{nr})q_\ell^{nr} - \gamma \geq (\theta_\ell - \tau)(p - w^*)q_\ell^*. \tag{15}$$

Redistribution is socially desirable under Assumption 2. Ideally, h would then want to implement the most aggressive redistribution policy ($\tau = 1$). If either of the inequalities above fail at $\tau = 1$, h can run on such a platform and win the election. The feasibility constraint (Inequality 14) is hardest to satisfy at $\tau = 1$, since, all else equal, voters benefit more from a more aggressive policy. When influence is feasible at $\tau = 1$, it is then also feasible at $\tau < 1$. This is not the case for the profitability constraint (Inequality 15), since ℓ always prefers paying the tax to incurring the cost γ and distorting its production choices if τ is sufficiently close to 0.

When influence is both feasible and profitable for ℓ at $\tau = 1$, h then is faced with a tradeoff: Either they adopt a relatively more moderate platform ($\tau < 1$), with τ small enough that ℓ prefers not to influence voters and, thus, h can win the election, or they run on a politically unfeasible but more aggressive platform ($\tau = 1$), which is more attractive to voters and, thus, forces the firm to make more concessions to the community.[16] Proposition 6 summarizes these insights.

Proposition 6 (Optimal collection) *If influence is either not feasible or not profitable for ℓ at $\tau = 1$, then h sets $\tau = 1$ and wins the election in equilibrium. Otherwise, h picks the best (the one that leads to larger total welfare) of the two following strategies:*

1. ***(Moderatism)*** *h sets the largest $\tau < 1$ that violates Inequality (15), in which case h wins the election and implements redistribution.*
2. ***(Extremism)*** *h sets $\tau = 1$, in which case it loses the election but forces ℓ to give the most concessions to the community.*

If redistribution is socially undesirable ($\delta < 1$), h always chooses the extremist strategy. In some cases, even if $\delta \geq 1$ and winning the election is feasible, h chooses the extremist strategy.

Proposition 6 formalizes two important insights of the model. First, h can improve welfare even when they do not have enough political support to win the election, in which case they would want to run on a very aggressive agenda, to force the most concessions from ℓ. Second, when

[16] This is because, by the same logic as above, the value of q_ℓ^{nr} that satisfies the median-voter IC constraint increases with τ.

the threat of ℓ's electoral influence constrains the set of policies h can run on to win the election, a wedge emerges between the socially-desirable platform and the preferences of the electorate: When the moderate agenda is optimal, ℓ does not engage in electoral interference in equilibrium. h's platform then seems too moderate compared to the preferences of the local electorate. When the aggressive agenda is instead optimal, ℓ makes enough concessions to turn the median voter against redistribution. So, h's platform deviates again from the preferences of the local electorate. This suggests that electoral monopsonies can undermine political accountability, as they call for socially desirable policy platforms that may appear misaligned with the electorate in equilibrium.[17]

Optimal redistribution Next, we allow h to choose a redistribution function $\mathcal{R}(v_i)$, which specifies transfers to individual voters as a function of their reservation wage $v_i \in [0, A]$. The idea is to study whether catering to specific groups of voters helps h in gaining votes. In practice, many redistributive programs are not uniform, but instead target different groups based on characteristics such as employment status, background, or economic vulnerability.[18]

To simplify the exposition, here we set $\theta_\ell = \widehat{\theta}_\ell = 1$.[19] h chooses $\mathcal{R}$ from the domain of positive functions that satisfy the resource constraint

$$R - \int_0^A \mathcal{R}(v_i) \cdot \frac{m}{A}\, dv_i \geq 0, \tag{16}$$

and $R = \delta\tau(p - w^r)Q^r$ is the total budget for redistribution.

h's objective is now to choose the pair $(\tau, \mathcal{R}(v_i))$ that maximizes $\mathcal{W}^{\mathcal{P}}$ in Eqn. (12), subject to the constraint that the policy is implemented only if it receives the majority of votes, that is, if there is a set $\mathcal{S} \in [0, A]$, with measure of at least $\frac{m}{2}$, of voters $v_i \in \mathcal{S}$ for whom the (IC_i) constraint is

[17] It is worth emphasizing that this wedge only arises if there is an electoral monopsony: In the benchmark where ℓ takes the voting outcome as given, all voters always are in favor of the aggressive agenda and h always chooses $\tau = 1$.

[18] In our model, the reservation wage v_i represents a voter's outside option, which is the payoff they receive if they do not participate in the local economy. It is worth emphasizing that a high v_i does not necessarily correspond to wealthier individuals, since some low-income individuals may be unable to work (e.g., due to health or family constraints), in which case a high reservation wage captures the fact that entering the labor market is too costly for them.

[19] With $\theta_\ell < 1$, when ℓ tries to influence the election, the size of the collection depends on whether ℓ sticks to the threat (q_ℓ^r) or produces as in the benchmark (q_ℓ^*). The qualitative insight in Proposition 7 continue to hold also for $\theta < 1$, but the exposition becomes more cumbersome, since the specific expression for the optimal redistribution schedule depends on whether h can make this schedule contingent on the firm's production choice.

violated:

$$\max\{w^{nr}, v_i\} < \max\{w^{r}, v_i\} + \mathcal{R}(v_i). \tag{17}$$

Proposition 7 characterizes the optimal redistribution policy for any choice of τ.

Proposition 7 (Optimal redistribution) *Suppose the pro-redistribution candidate h can choose any positive redistribution function $\mathcal{R}(\cdot)$ that satisfies the feasibility constraint in Eqn. (16), and set $\theta_\ell = \widehat{\theta}_\ell = 1$. The optimal redistribution policy, that is, the one that either allows h to implement the largest τ, or forces ℓ to give more concessions to the community, favors the voters in a right neighborhood of the median voter's type ($\frac{A}{2}$). Formally, for $\epsilon > 0$ arbitrarily small,*

$$\mathcal{R}(v_i) = \begin{cases} 0 & \text{if } v_i \leq \frac{A}{2}, \\ \max\{w^{nr}, v_i\} - \max\{w^{r}, v_i\} + \epsilon & \text{if } \frac{A}{2} < v_i \leq w^{nr}, \\ \epsilon & \text{if } v_i > w^{nr}. \end{cases} \tag{18}$$

Proposition 7 shows that a flat redistribution policy, where all voters get the same transfer, is generally suboptimal as a strategy against ℓ's electoral influence. To shift the election, ℓ conditions its production to the policy outcome, with the objective of depressing wages if the policy passes, and increasing them if it doesn't. Voters with very high reservation wages never participate in the local economy, so they cannot be swayed by ℓ's strategy. Conversely, voters with very low reservation wages are the most exposed to ℓ's threats and concessions, which makes them relatively easier to influence. The pivotal group is therefore the set of intermediate types around the median voter. The optimal redistribution policy then targets this group, providing them with large enough transfers that either they are too costly to influence, so ℓ gives up on influencing the election, or it must make large concessions to the community to do so.

It is worth emphasizing that even with this optimal targeting, h may still be unable to implement a high tax rate τ in equilibrium. The reason is that ℓ's relocation threat may still be binding: If the firm's presence is crucial for the local economy, its exit following redistribution would drastically reduce the budget available for transfers. In such cases, even an optimally designed redistribution scheme cannot mobilize sufficient electoral support for high tax rates.

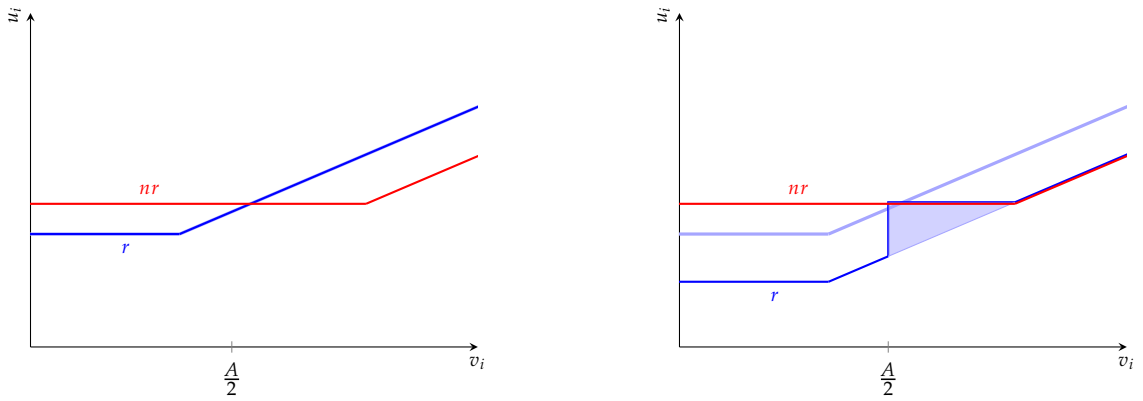


Figure 5: Optimal response to electoral monopsonies.
Left: Flat redistribution. **Right:** Optimal redistribution.

5 Measuring Electoral Monopsony Power and Its Political Effects

5.1 Empirical Measure of Electoral Monopsony Power (EMP)

Proposition 3 formalizes the conditions under which a dominant employer can exert electoral influence in local elections, which require high concentration both within the relevant industry and in the broader local labor market.[20] In this section, we capture the structural conditions identified in the model into an empirical measure of electoral monopsony power that incorporates both within-industry concentration and the broader structure of the county's employement base.

The electoral influence of industry j in county c, denoted EMP_{jc}, depends on two components: the degree of concentration within industry j, and the contribution of industry j to the overall employment concentration in the county. We define:

$$\text{EMP}_{jc} = HHI_{jc}^{\alpha} \cdot HHI_{j \mapsto c}^{1-\alpha} \tag{19}$$

where HHI_{jc} is the Herfindahl-Hirschman Index (HHI) measuring within-industry j concentration in county c, and $HHI_{j \mapsto c}$ is the contribution of industry j to the overall employer concentration in county c.[21] The parameter $\alpha \in [0, 1]$ governs the relative importance of intra-industry versus

[20] In our theoretical framework, when the large firm ℓ produces at full capacity ($q_\ell = \bar{q}$), its share of aggregate industry output Q is $\bar{q}/Q$, and its share of aggregate employment m (which includes agents who choose their outside options) is $\bar{q}/m$. Electoral influence requires that both these shares are sufficiently large (Proposition 3), which translates into a large within-industry concentration (large HHI_{jc} in Eqn. 19) and a large contribution of industry j to the broader labor market concentration (large $HHI_{j \mapsto c}$ in Eqn. 19).

[21] Denote emp_{kjc} the employment of firm k in industry j and county c, and $emp_{jc} = \sum_k emp_{kjc}$ the total employment of industry j in

inter-industry employer dominance in shaping electoral power.

The structure of Eqn. (19) is intentionally flexible. When $\alpha = 1$, electoral power derives solely from concentration within the industry. When $\alpha = 0$, it reflects only the concentration of the broader employer landscape. Intermediate values of α allow for joint influence. The special case $\alpha = 0.5$ – which we will use in our main analysis – corresponds to a geometric mean of the two concentration measures, in which case Eqn. (19) reduces to $\text{EMP}_{jc} = \sqrt{HHI_{jc} \cdot HHI_{j \mapsto c}}$.

To obtain our measure of overall electoral monopsony power in a given county, we aggregate EMP_{jc} at the county level:

$$\text{EMP}_c = \sum_{j \in \mathcal{J}} s_{jc} \cdot \text{EMP}_{jc}, \tag{20}$$

where $\mathcal{J}$ is the set of industries, and each industry j's size within the local labor market (s_{jc}) determines the scope of its potential political reach, while the concentration components capture its coordination capacity and contextual leverage.

We compute electoral monopsony power for all U.S. counties, with its geographic distribution shown in Figure 6. For the median U.S. county, their dominant industry (the one with the largest EMP_{jc}) has an employment concentration equivalent to an industry with four or five equally-sized firms and employs 23% of the county's workforce.

5.2 Data

Our primary dataset consists of three components: voter records, County Business Patterns (CBP) data, and tract-level characteristics. The CBP data is used for constructing Herfindahl-Hirschman Index (HHI) measures, as it provides detailed industry-level employment and establishment counts at the county level. These data allow us to track changes in industrial concentration during the pre-measurement period, 2000–2014, as well as county-level industry employment shares, which we use to examine the relationship between electoral monopsony power and subsequent voter behavior.

The voter records are sourced from L2, a non-partisan data vendor commonly used in both

county c. HHI_{jc} is calculated as $\sum_k (emp_{kjc}/emp_{jc})^2 * 100^2$, and $HHI_{j \mapsto c}$ is calculated as $(emp_{jc}/\sum_j emp_{jc})^2 * 100^2$. For brevity, in the rest of the paper we adopt the notation $s_{jc} := emp_{jc}/\sum_j emp_{jc}$.

political campaigns and academic research. The L2 data includes detailed information on all registered voters, such as birth year, gender, and ethnicity, with each voter assigned a unique ID for identification purposes. In addition, the data include information on individuals' political partisanship. In 34 states and the District of Columbia, L2 assigns political affiliation based on self-reported voter registration. In the remaining states, party affiliation is inferred using a range of data sources, including primary election participation, demographic characteristics, exit polls, and commercial lifestyle data. L2 data are widely used by political campaigns, and prior academic research has evaluated and validated the accuracy of the partisanship measures in voter files.[22] Importantly, conditional on an individual appearing in the 2020 L2 vintage, the dataset also contains historical records for that individual, including registration dates and voting history. Using these records, we construct a measure of voting propensity defined as the share of even-year general and primary elections in which the individual voted since 2014.

5.3 Empirical Specification

Our objective is to estimate the relationship between electoral monopsony power and voter behavior. A naïve implementation of this analysis would directly estimate the relationship between EMP_c and individual-level voting outcomes without using an instrumental variable approach. A more demanding version of such regression would focus on differential behavior along an individual-level dimension (more on this shortly), and include age and tract fixed effects to control for unobserved heterogeneity across demographic groups and geographic areas. The specification takes the form:

$$Y_{ic} = \beta(\text{EMP}_c \times I_i) + X_{ic}\Gamma + \delta_{age \times I} + \delta_{\text{tract}} + \delta_{state \times I} + \epsilon_{i,c} \tag{21}$$

where Y_{ic} represents an individual's voting behavior in county c. The term I_i represents an individual-level characteristic, such as party affiliation or swing-voter status, allowing the effect of county-level electoral monopsony power EMP_c to vary across different voter groups. The coefficient β captures how the relationship between EMP_c and voting behavior differs based on

[22] Bernstein, Billings, Gustafson, and Lewis (2022) compare L2 partisanship measures to state voter files; Brown and Enos (2021) validate L2 partisanship using survey data; and Pew (2018) benchmark multiple commercial voter file providers against microdata from Pew national surveys.

the individual characteristic I_i.

The specification in Eqn. (21) includes X_{ic}, a vector of individual- and county-level controls, as well as age × individual characteristic fixed effects ($\delta_{age \times I}$) to account for systematic differences in political behavior across age cohorts and individual-characteristic partition. Additionally, tract fixed effects (δ_{tract}) control for unobserved geographic variation at the neighborhood level that might influence both electoral monopsony power and voting patterns, and state × individual characteristic fixed effects ($\delta_{state \times I}$) control for heterogeneity in the individual characteristics across states. The main effect of EMP_c is omitted because it is collinear with the tract fixed effects, which already absorb all variation in electoral monopsony power at the local level. By including these fixed effects, the model improves identification by focusing on within-tract variation in how individuals with different characteristics respond to electoral monopsony power. However, as with the naïve specification, this approach may still suffer from endogeneity concerns, as EMP_c may be correlated with unobserved local or individual-level factors. Without an appropriate instrument, the estimated effects may be biased due to omitted variable bias or reverse causality.

To account for potential endogeneity concerns, we use a Bartik instrument (Z_c) instead of directly regressing against EMP_c. The first stage to our main specification thus takes the following form:

$$\text{EMP}_c \times I_i = \gamma(Z_c \times I_i) + X_{ic}\Gamma + \delta_{age \times I} + \delta_{\text{tract}} + \delta_{state \times I} + \epsilon_{i,c}. \tag{22}$$

As before, our specification also includes X_{ic}, a set of control variables accounting for county-level factors like demographics, education, and policy changes. We also include age × individual characteristic fixed effects ($\delta_{age \times I}$), which control for age-related variation in voting behavior, and tract fixed effects (δ_{tract}), which capture unobserved differences across census tracts that could influence economic or voting conditions, and state × individual characteristic fixed effects ($\delta_{state \times I}$). The error term, $\epsilon_{i,c}$, accounts for residual variation.

The key variable, Z_c, serves as the Bartik instrument and is constructed as:

$$Z_c = \sum_j \left(s_{jc,t_0}^{2-\alpha} \times \Delta HHI_j \right),$$

where the industry share s_{jc,t_0} reflects the fraction of employment in industry j within county c

at the baseline time t_0, ΔHHI_j denotes the change in national concentration in industry j between $t_0 = 2000$ to 2014 (the last electoral cycle prior to the 2016 election), and $\alpha \in [0, 1]$ parametrizes the uneven contribution of ΔHHI_j to within-county industry-level concentration *vis-à-vis* county-level concentration, to mirror the structure of electoral monopsony power in Eqn. (19).[23]

Our identifying variation exploits the individual-level differential impact of local level exposure to national industry shocks conditional on tract, age × individual characteristic (such as party affiliation) and state × individual characteristic fixed effects. Not only our design isolates plausibly exogenous variation in measures of local labor market concentration driven by differential exposure to national trends, rather than by local economic or political shocks, but more importantly variation that is plausibly exogenous to the individual, conditional on individual- and neighborhood-level controls. The identifying assumption is thus that these national shocks are orthogonal to unobserved county-level characteristics that may be correlated with individual-level traits such as party affiliation, conditional on fixed effects. By interacting the instrument with individual political identity, we capture how electoral monopsony power differentially affects individuals within the same geographic and political context, conditional on finely grained demographic and spatial controls.

Choice of baseline time t_0. To select our baseline year for constructing industry shares, t_0, we need to ensure shares are not contaminating the construction of the instrument. Figures IA5 and IA6 show that both concentration and shares were relatively stable from 1998 to 2003, while there is a sharp change in concentration as we enter the great recession, and a structural change in the year-by-year dynamics of industrial composition. Given that this period marks a transitional moment in local concentration dynamics, we want to select a baseline year that strictly precedes this period. We thus set our baseline year – for selecting both county-level industrial shares and ex-county trends in industrial concentration – to be 2000. Setting shares prior to the large

[23] Following Eqn. (19), the electoral monopsony power of industry j in county c (EMP_{jc}) depends on both within within-industry j concentration, and its contribution to the overall employer concentration in the county (across-industry concentration). Because EMP_{jc} depends on both components, the exposure to these shocks in Z_c must then reflect the relative importance of each component. When $\alpha = 1$, EMP_{jc} only depends on within-industry concentration; after aggregating across industries, Z_c then reduces to the conventional Bartik construction with linear employment-share weights ($Z_c = \sum_j s_{jc,t_0} \times \Delta\text{HHI}_j$). When $\alpha = 0$, EMP_{jc} only depends on across-industry concentration, so the effect of ΔHHI_j is first directly mediated by the relative importance of industry j in the county ($Z_c = \sum_j s_{jc,t_0} \times (s_{jc,t_0} \times \Delta\text{HHI}_j)$). The interpolation between these two cases governed by α weights baseline industry shares in proportion to the contribution of each channel to electoral monopsony power.

concentration changes in the mid-2000s minimizes mechanical correlation between the shares and subsequent concentration growth, consistent with the guidance in Goldsmith-Pinkham, Sorkin, and Swift (2020) on avoiding endogenous timing of shares in shift-share designs.

Balance. To assess whether the identifying variation in the instrument is correlated with pre-existing individual characteristics, we conduct a series of balance tests reported in Figure IA7. We regress a range of predetermined individual characteristics and pre-period outcomes on the instrument interacted with individual exposure, using the same fixed-effects structure as in the main specifications:

$$B_{i,pre} = \gamma(Z_c \times I_i) + X_{ic}\Gamma + \delta_{age \times I} + \delta_{\text{tract}} + \delta_{state \times I} + \epsilon_{i,c}. \tag{23}$$

where $B_{i,pre}$ are pre-determined individual characteristics.

All regressions include census-tract fixed effects, so identification relies on within-tract comparisons across individuals with different exposure levels. The specifications also incorporate the same additional fixed effects used in the main analysis.

The outcomes span demographic characteristics from the voter file, housing and wealth measures from CoreLogic, and credit characteristics from Experian. Demographic variables include gender, race, marital status, homeownership status, age at first registration, estimated education and income, and household count. For homeowners, we additionally examine new construction status, holding period, and return. Finally, using an anonymized subsample of North Carolina voters matched to Experian records, we analyze credit score, mortgage indicators, and loan performance measures. We find no evidence of differential exposure across these pre-determined characteristics; observable covariates are well balanced across exposure levels.

Relevance. Table 2 presents the first-stage regression results, which assess the relationship between the instrumental variable and electoral monopsony power across different model specifications. Columns (1) and (2) examine the extent to which changes in electoral monopsony power influence partisan engagement, particularly among voters with Republican affiliation. The first

column reports the estimate from the first-stage regression to our baseline specification, presented in Eqn. (23), without additional fixed effects. It shows a strong positive relationship between the instrument and electoral monopsony power. The second column introduces state- and age-specific fixed effects interacted with Republican affiliation, which slightly reduces the coefficient but maintains statistical significance. The strong F-statistics across all columns suggest that the instrument is strongly correlated with the endogenous variable, indicating its relevance for the second-stage analysis.

Columns (3) and (4) replicate the analysis for swing voters to capture the effects of electoral monopsony power on voting behavior among those more likely to switch parties. The first column again shows a strong and positive association between the instrument and electoral monopsony power for swing voters. This relationship persists after including additional fixed effects in column (4). As before, the F-statistics confirm the strength of the first-stage relationship across all specifications.

5.4 Main Empirical Results: Swaying Electoral Participation

To assess the relationship between electoral monopsony power and voter behavior, we estimate the effect of electoral monopsony power (EMP) on participation, registration, political donations, and party affiliation changes according to Eqn. (23). To account for broader structural shifts in the labor market, we instrument for electoral monopsony power using national industry shocks as described above.

We present our results in Table 3. Across all specifications, we find that higher electoral monopsony power is associated with increased political engagement, with effects concentrated among Republican voters. In the voting participation regressions, the interaction between EMP and Republican affiliation is positive and statistically significant at the 1% level in both OLS and IV specifications. The OLS estimate suggests a 1.49 percentage point increase in Republican voting, while IV estimates range from 2.35 to 2.79 percentage points. A similar pattern emerges for first-time registration, where EMP is associated with a 0.96 percentage point increase in the OLS specification and between 1.48 and 1.66 percentage points in IV estimates, all statistically

significant at the 1% level. Political donations also respond to electoral monopsony power, with the $Republican \times EMP$ interaction increasing donor likelihood by 0.27 percentage points in OLS and between 0.41 and 0.81 percentage points in IV models, again statistically significant at the 1% level. The IV estimates exceed those from OLS in magnitude, suggesting that simple correlations may understate the causal impact of electoral monopsony power on political engagement.

We next examine the extent to which electoral monopsony power influences party switching among swing voters. Table 4 shows the results. Here too, we find positive and statistically significant effects, with OLS estimating a 4.03 percentage point increase in the probability of party switching, while IV estimates range from 8.32 to 14.92 percentage points, all statistically significant at the 1% level.

These results suggest that electoral monopsony power plays a meaningful role in shaping partisan realignment, likely by influencing voters' economic perceptions. In highly concentrated labor markets, firms may gain greater leverage over workers, enabling them to adopt pro-business stances that align with policies favored by firms. Empirically, these dynamics shape political preferences, as regions with dominant employers see voters become more closely aligned to parties advocating for business-friendly policies.[24] As a matter of example, the aggregate implications for the Electoral College arising from these local shifts are illustrated in Figure 7, which compares actual Electoral College outcomes with counterfactual outcomes that shut down electoral monopsony power. Figure 7 shows that the resulting changes in state-level vote margins are large enough to alter the presidential winner of some states; in 2016, the resulting changes would have been enough to change the presidential outcome altogether. Interpreting these patterns through the lens of our theoretical framework suggests that electoral monopsony power can meaningfully contribute to shifts in political support at both the local and national levels.

[24] In all but four counties – Gilpin County (CO), Decatur County (IA), Arthur County (NE), and Oglala Lakota County (SD) – the employment-weighted industry partisan skew (based on OpenSecrets donation data) favors Republicans, covering 99.97% of the electorate. Consistent with this, Cohen, Hazan, Tallarita, and Weiss (2019) show that CEOs of S&P 1500 firms (2000–2017) are three times more likely to be Republican than Democrat.

5.5 Additional Evidence

When Firms Are More Right-Wing than the Local Electorate. We explore how firms behave when their incentives to mobilize workers are stronger, which we do by evaluating heterogeneity based on the ideological gap between the voter preferences of the local electorate and the political leanings of the local industry, as measured by employment-weighted net political contributions (based on industry donations data from OpenSecrets). Table IA1 presents estimates of heterogeneity along this firm-electorate ideological gap. While voting participation among Republicans does not present relative increase when there are ideological gaps between firms and the electorate, for first-time registration and donor incidence among Republicans, the triple interaction between EMP, $Republican$, and ideological gap is large and statistically significant. That is, there are more first-time registrants and donations for the Republican Party in the presence of electoral monopsony power as the ideological gap increases. Table IA2 shows that firm-electorate ideological gaps also amplify the effect of electoral monopsony power on partisan affiliation. Again here, the triple interaction is positive and significant across all specifications. Overall, electoral monopsony power appears to be more effective, or more likely to be deployed, when industries are more right-leaning than the electorate.

Counterinfluence to Electoral Monopsony Power. We evaluate whether the presence of unions, who are shown to engage in voter mobilization (Ahlquist 2017) and counterinfluence the firm along other dimensions (e.g. financial resilience (Avenancio-León, Piccolo, and Pinto 2025)), counter-influence firm voter mobilization. Table IA3 examines whether unionization rates moderate the effects of electoral monopsony power on electoral participation, new voter registration, and donor activity. Across panels, the triple interaction between EMP, $Republican$ status, and pre-period unionization generally yields negative and often statistically significant IV estimates, which is consistent with unionization moderating the relationship between electoral monopsony power and Republican engagement. Table IA4 extends the unionization heterogeneity analysis to the relationship between electoral monopsony power and partisan affiliation among swing voters, again finding similar results. The IV estimates for lower-order $EMP \times Republican$ and $EMP \times$

Swing Voter terms remain positive and significant across all outcomes.

Electoral Monopsony Power versus Large Firms. Table IA5 presents a horse-race specification contrasting the effects of electoral monopsony power against the prevalence of large firms on Republican electoral engagement. Across voting participation, first-time registration, and donor activity, IV estimates for the $EMP \times Republican$ interaction remain positive, highly significant, and consistently larger than OLS. In several cases, the large-firm share yields negative or insignificant coefficients, indicating that firm size alone does not account for the observed political responses. To be clear, it is not our interpretation that firm size is not a relevant marker of political influence,[25] but that electoral monopsony power operates through different mechanisms. Table IA6 performs an analogous horse-race analysis for partisan affiliation among swing voters, and again, finds similar results to our baseline estimates.

Voting on Minor Elections. While most local electoral choices are made concurrently with larger races, it would still be valuable to know if the political consequences of electoral monopsony power extend to the most localized electoral measurements. Table IA7 presents evidence that our main findings persist when we use voting behavior in uniquely local, lower-salience elections as our variable of interest. Across most specifications, the interaction between EMP and $Republican$ status remains positive and statistically significant, indicating that higher electoral monopsony power increase the intensity of Republican electoral participation even in these minor electoral contexts.

Product Market Concentration. Table IA8 investigates whether electoral monopsony power is partly channeled via product market competition, which we do by evaluating whether counties with predominantly nontradable industries (e.g., Mian and Sufi 2014), where (lack of) local competitive conditions should matter more, exhibit larger effects. We extend our baseline analysis to include heterogeneity by the level of tradability of local industries. The triple interaction terms are generally insignificant across all panels, which suggests that product market concentration

[25] For instance, using Brazilian data, Aparicio and Avenancio-León (2022) show that large firms benefit more from making corporate political contributions than smaller firms.

does not mediate electoral monopsony power. Table IA9 performs the same tradability heterogeneity analysis to effects on voter affiliation and, similarly, finds that tradability does not mediate the main findings. In contrast, the $EMP \times Republican$ coefficients (Table IA8) and the $EMP \times Swing\ Voter$ coefficients (Table IA9) remain positive and significant in most specifications. These results suggest that the effects of electoral monopsony power are pervasive across both tradable and non-tradable local economies, with little variation attributable to industrial tradability.

Selective Hiring. One potential interpretation is that the patterns documented in Tables 3 and 4 could be attributed to differential hiring or shifts in workforce composition. Our empirical design uses individual-level voter data to trace changes in behavior after controlling for their affiliation status. Increases in Republican turnout and campaign activity are concentrated among individuals already affiliated with the party – evidence of greater engagement at the intensive margin, not the result of firms hiring more partisan workers. Similarly, the observed increases in Republican affiliation occur among voters who were previously unaffiliated or weakly attached, a shift in partisan identity that takes place within the individual. Because these effects emerge at the individual level after holding constant party affiliation or affiliation attachment – and holding constant detailed geographic and demographic characteristics, they are unlikely to be driven by selective hiring. Instead, the results point to mechanisms of political persuasion or realignment in response to economic dependence on dominant employers.

Robustness to County-level Pre-period Characteristics. Table IA10 examines sensitivity to the inclusion of additional pre-period county characteristics, interacted with individual political affiliation. These controls include measures of local economic conditions – poverty rates, percentage of area classified as rural, public assistance, unemployment, and median income – as well as demographic characteristics including racial composition, educational attainment, age structure, and vital statistics. Across specifications, the estimated interaction between electoral monopsony power and Republican affiliation remains stable.

Excluding Industries with Largest Rotemberg Weights. Table IA11 evaluates the sensitivity of the results to the composition of the shift-share instrument by sequentially excluding industries with the largest Rotemberg weights, which we compute following the methodology in Goldsmith-Pinkham, Sorkin, and Swift (2020). The estimates remain similar across leave-one-industry-out specifications for voting participation, registration, donations, and party affiliation, indicating that the results are not driven by any single industry contributing disproportionately to identification.

6 Conclusions

This paper introduces the concept of electoral monopsony: a setting in which dominant employers leverage labor market power to shape democratic outcomes. We combine original survey evidence, a formal political economy model, and individual-level voting data to show how concentrated employer power can translate into electoral influence.

Our theoretical framework distinguishes two channels linking market power to political power. Under a passive channel, voters internalize how policies affect wages and employment. We show that this channel yields an ambiguous link between market power and political power: greater concentration does not necessarily generate more support for business-friendly policies. By contrast, under an active channel, dominant firms strategically condition production – through credible threats and promises – on electoral outcomes. In this case, market power translates directly into political power: A sufficiently large employer can sway the median voter in favor of business-friendly policies, even when these policies would not have passed otherwise, and even when the majority of voters are economically worse off as a result.

The model generates sharp distributional predictions. Voters with limited outside options are more exposed to wage effects, so they are easier to sway for firms, and may even benefit from this form of electoral interferences when firms promise to expand if the business-friendly policies pass. Meanwhile, voters with stronger outside options are systematically worse off when firms interfere. Electoral monopsonies therefore produce endogenous polarization: They can realign political coalitions along lines of economic dependence rather than income alone, offering a novel explanation for support of pro-business platforms among economically vulnerable voters.

Our original survey evidence provides direct micro-level support for the active channel, by documenting that employer political communication is widespread and disproportionately concentrated among major local employers. Workers employed by large, locally dominant firms are significantly more likely to report exposure to political messaging, discussions linking elections to firm expansion or layoffs, and perceived influence on both career opportunities and voting behavior. These patterns provide micro-level support for the active channel of influence modeled in the paper: employers do not merely benefit from workers' passive internalization of firm interests, but actively communicate, frame, and sometimes condition economic outcomes on electoral results.

Empirically, using a shift-share design linking employer concentration to individual voting records, we show that greater exposure to electoral monopsony power increases Republican voter registration, turnout, and campaign contributions. These effects operate at the individual level, are robust to rich fixed effects and controls, and are strongest where dominant firms are more right-leaning and unions are weaker. Quantitatively, our estimates imply that absent electoral monopsonies, the 2016 presidential election would likely have produced a different outcome.

Our results show that labor market structure can endogenously shape the boundaries of democratic choice. When dominant employers internalize the political consequences of their economic decisions, electoral outcomes reflect not only voters' underlying preferences but also firms' strategic incentives. In such environments, policies supported by a majority may nonetheless be defeated – not through lobbying or campaign finance, but through the quieter mechanism of economic dependence in concentrated local labor markets. By highlighting this channel, our findings contribute to a growing literature on the economic foundations of political power and raise important normative questions about democratic accountability where employment is highly concentrated.

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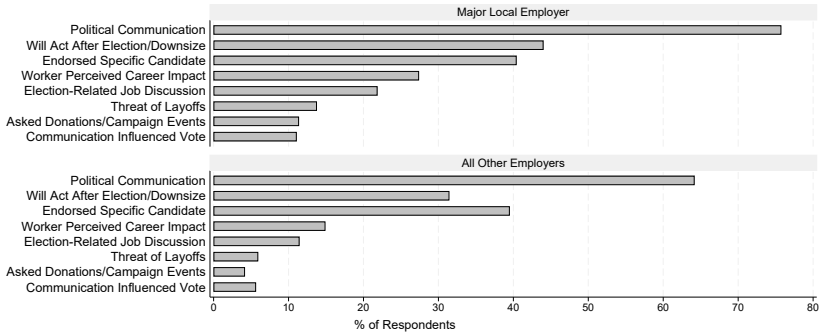
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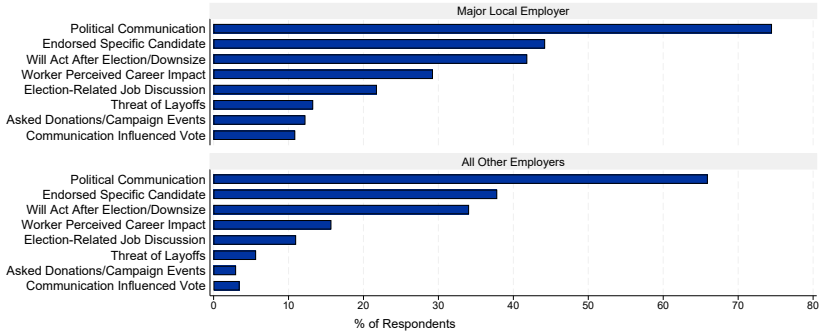
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Figures and Tables

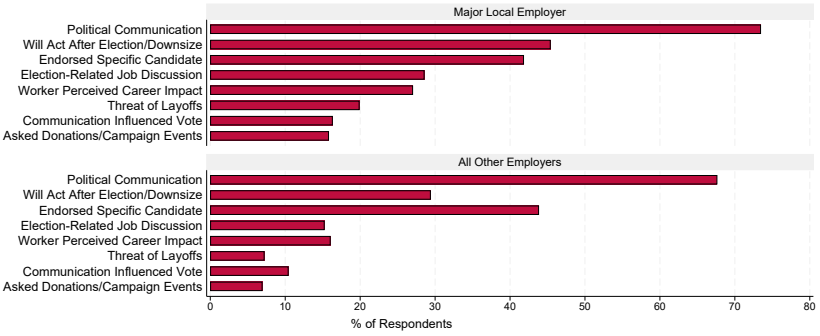
Figure 1: Reported Employer Political Activity among Major and Non-Major Local Employers



(a) All Survey Respondents



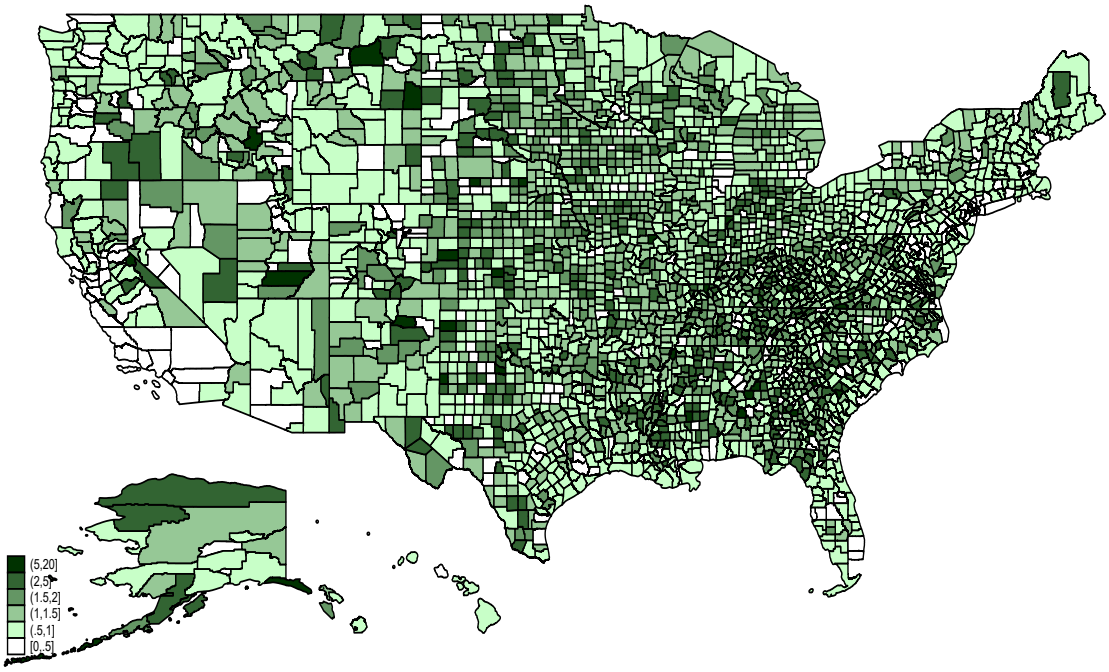
(b) Democratic Survey Respondents



(c) Republican Survey Respondents

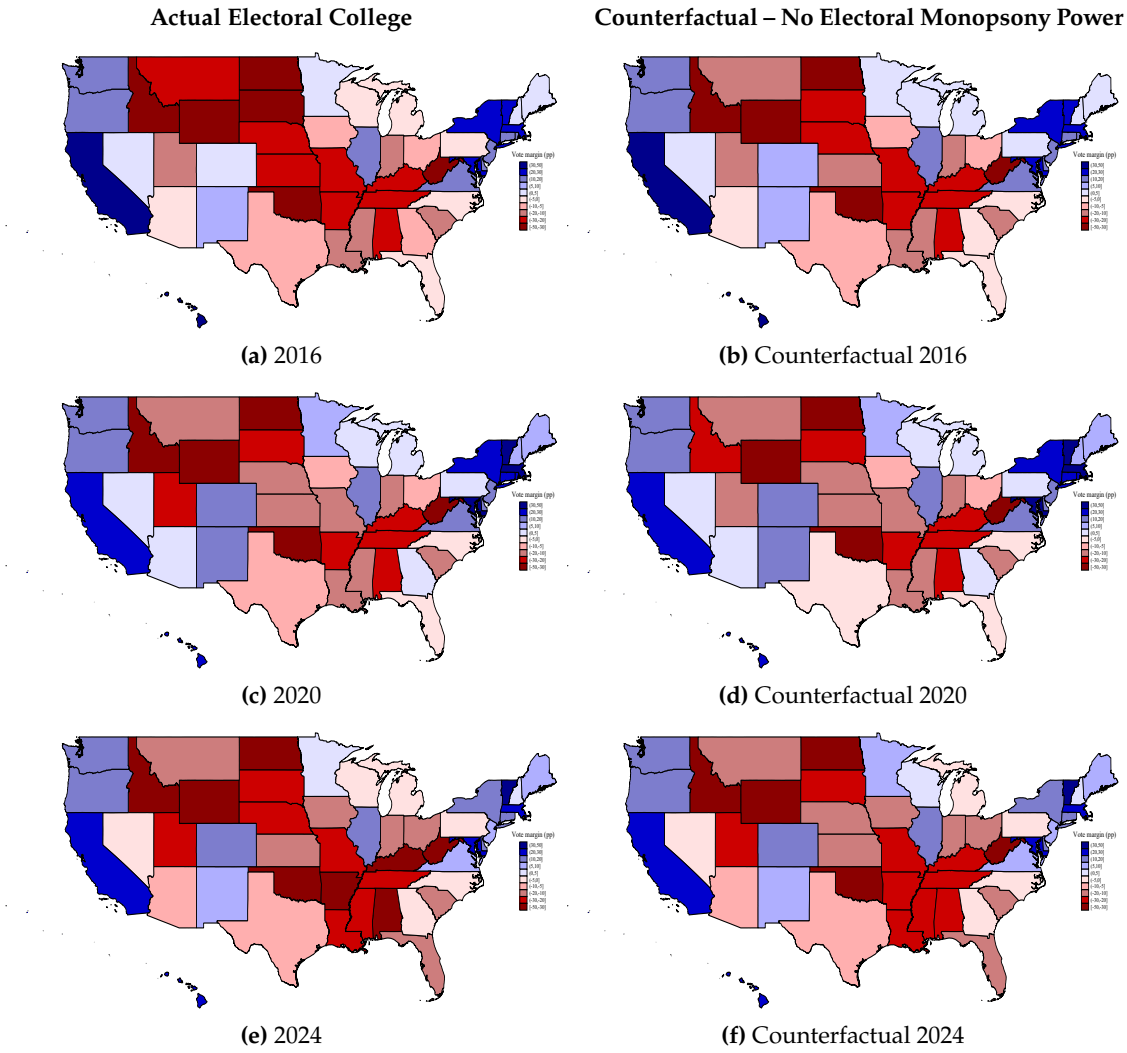
This figure reports the share of survey respondents who report exposure to different forms of employer political activity, separately for workers employed by major local employers and by other employers. Outcomes include political communication, discussions linking elections to job security or firm actions, endorsements of political candidates, and requests for campaign donations or participation in campaign-related events. Responses are based on an original survey of U.S. workers which is described in Appendix C. Bars represent the percentage of respondents reporting each activity. Panel (a) presents results for all respondents. Panel (b) presents results for respondents self-identified with the Democratic Party. Panel (c) presents results for respondents self-identified with the Republican Party.

Figure 6: Geographical Distribution of Electoral Monopsony Power



This figure maps county-level Electoral Monopsony Power (EMP), an empirical measure designed to capture the conditions under which dominant employers can exert electoral influence, as formalized in Proposition 3 and Section 5. County-level EMP is constructed by aggregating industry-level electoral power within each county according to Eqns. (19) and (20) with $\alpha = 0.5$ – which assigns equal weight to intra-industry dominance and broader county-level employer concentration. Higher values indicate counties where large, concentrated employers are more likely to have the scale and coordination necessary to influence local electoral outcomes. The measure is constructed using County Business Patterns data.

Figure 7: Counterfactual of the Electoral College with No Electoral Monopsony Power



(a) 2016 **(b)** Counterfactual 2016

(c) 2020 **(d)** Counterfactual 2020

(e) 2024 **(f)** Counterfactual 2024

This figure compares actual Electoral College outcomes with counterfactual outcomes in which electoral monopsony power is shut down. Panels (a), (c), and (e) report the actual state-level presidential vote margins (in percentage points) in the 2016, 2020, and 2024 elections, respectively. Panels (b), (d), and (f) report counterfactual vote margins obtained by removing the estimated effect of local electoral monopsony power on individual voting behavior. States are colored by the Democratic minus Republican vote margin, with positive values indicating Democratic victories and negative values indicating Republican victories.

Table 1: Survey Evidence

	(1) Pol. comm.	(2) Election Disc.	(3) Endorse.	(4) Layoff	(5) Campaign	(6) HR discuss	(7) Vote infl.	(8) Career imp.
Panel A: No Controls								
Major Local Employer	0.1158***	0.1256***	0.0091	0.0784***	0.0721***	0.1041***	0.0542***	0.1248***
	(0.0209)	(0.0228)	(0.0230)	(0.0147)	(0.0134)	(0.0181)	(0.0136)	(0.0197)
N. obs.	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083
Panel B: With controls								
Major Local Employer	0.0916***	0.1008***	0.0184	0.0731***	0.0696***	0.0786***	0.0409***	0.1124***
	(0.0247)	(0.0263)	(0.0263)	(0.0170)	(0.0155)	(0.0207)	(0.0158)	(0.0223)
N. obs.	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859
Race FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Education FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Income FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Party FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Note: This table reports estimates from regressions relating survey measures of major local employer status to those of workplace political activity and perceived political influence. Survey details are provided in Appendix C. The independent variable *Major Local Employer* is an indicator equal to one if the respondent reports that their employer is one of the largest employers in their town or county. The dependent variables are binary indicators for whether respondents report: political communication by the employer, election-related discussions, employer endorsements of political candidates, discussions of layoffs or firm actions in the context of elections, solicitation of campaign donations or events, discussions with supervisors or human resources personnel about elections, perceived influence on voting behavior, and perceived impact on career opportunities. Panel A reports specifications without additional controls. Panel B includes controls for race, gender, education, industry, income, and political party fixed effects. All regressions are estimated using OLS. Robust standard errors are reported in parentheses. *** 1%, ** 5%, * 10% significance level.

Table 2: First Stage Regressions

	Partisan Engagement		Affiliation	
First-Stage DV:	*EMP* × *Republican*		*EMP* × *Swing Voter*	
	(1)	(2)	(3)	(4)
Shift-Share × Republican	0.5930***	0.5866***		
	(0.0466)	(0.0450)		
Republican	0.0051			
	(0.0258)			
Shift-Share × Swing Voter			0.6105***	0.5903***
			(0.0461)	(0.0459)
Swing Voter			0.0237	
			(0.0275)	
F-Stat	162.1988	169.9829	175.7578	165.4745
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	Yes	No	No
Age × Republican FE	No	Yes	No	No
State × Swing Voter FE	No	No	No	Yes
Age × Swing Voter FE	No	No	No	Yes

Note: This table presents the first-stage results from instrumental variable (IV) regressions estimating the impact of partisan or swing-voter presence on electoral monopsony power (measured using our EMP measure in Eqn. (19)). The instruments are constructed as interactions between shift-share national industry trends in concentration and individual-level partisan affiliation or partisan attachment (i.e., Republican or Swing Voter) in 2000–2014 following the methodology outlined in Section 5. Columns (1) and (2) report estimates for Republican affiliation; Columns (1) and (2) report estimates for Swing Voters. All specifications include tract and age fixed effects. Columns (2) and (4) additionally include interaction fixed effects by state and age with the relevant political group. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table 3: Effects of Electoral Monopsony Power on Voters' Electoral Engagement

	OLS (1)	IV (2)	IV (3)	IV (4)
Panel A: Voting Percentage				
EMP × Republican	0.0149***	0.0235***	0.0254***	0.0279***
	(0.0018)	(0.0029)	(0.0027)	(0.0072)
Republican	0.0107***	0.0105***		
	(0.0018)	(0.0018)		
(log) Population $_{Pre}$ × Republican				0.0017
				(0.0038)
Panel B: First-Time Registration				
EMP × Republican	0.0096***	0.0166***	0.0148***	0.0157***
	(0.0010)	(0.0017)	(0.0015)	(0.0037)
Republican	0.0054***	0.0053***		
	(0.0012)	(0.0011)		
(log) Population $_{Pre}$ × Republican				0.0006
				(0.0017)
Panel C: Donor Likelihood				
EMP × Republican	0.0027***	0.0045***	0.0041***	0.0081***
	(0.0003)	(0.0006)	(0.0006)	(0.0019)
Republican	-0.0053***	-0.0053***		
	(0.0004)	(0.0004)		
(log) Population $_{Pre}$ × Republican				0.0027***
				(0.0009)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	No	Yes	Yes
Age × Republican FE	No	No	Yes	Yes

Note: This table reports estimates of the effects of changes in electoral monopsony power on three electoral outcomes: voting participation (Panel A), first-time voter registration (Panel B), and political donations (Panel C). Each panel shows OLS estimates and IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. The main interaction term $EMP \times Republican$ captures heterogeneous effects by party affiliation. All models include tract and age fixed effects. Columns (3) and (4) additionally include party-state and party-age fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table 4: Effects of Electoral Monopsony Power on Voters' Affiliation

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Swing Voter	0.0403***	0.0832***	0.0667***	0.1492***
	(0.0067)	(0.0124)	(0.0109)	(0.0308)
Swing Voter	0.0805***	0.0779***		
	(0.0097)	(0.0097)		
(log) Population $_{Pre}$ × Swing Voter				0.0547***
				(0.0154)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports estimates of the effect of electoral monopsony power on party affiliation, measured as the likelihood of registering as a Republican among prior swing voters. The key regressor of interest is $EMP\times$ Swing Voter. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

A Proofs

A.1 Proof of Proposition 1

We prove Proposition 1 in three steps. In Step One (Step Two) we characterize the equilibrium in the competitive benchmark (main model) as a function of the tax level τ. Step Three shows that, depending on the parameters, political support for r can be larger or smaller in the main model.

In the remainder of this proof, we use M to denote the main model, C to denote the competitive benchmark, and $\bar{Q}$ to denote aggregate production capacity in both models ($\bar{Q} := \bar{q} + N\underline{q} = N^c\underline{q}$). The labor-market clearing wage is $w = \frac{A}{m}Q$, where Q denotes aggregate output.

Step One: Competitive Benchmark.

Given expected wage $\mathbb{E}[w]$ and tax level τ, a competitive firm j produces $q_j \in [0, \underline{q}]$ only if the expected (per-unit) profit margin is nonnegative (i.e., if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau \geq 0$). j produces at capacity if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau > 0$, shuts down if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau < 0$, and is indifferent over $q_j \in [0, \underline{q}]$ if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau = 0$. The equilibrium therefore depends on whether the expected profit margin $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau$ is strictly positive, exactly zero, or negative.

When all N^c firms produce at capacity, we have $Q = N^c\underline{q} = \bar{Q}$, $w = \frac{A}{m}\bar{Q}$, and the per-unit profit margin is $p - \frac{A}{m}\bar{Q} - \mathbb{1}_{\mathcal{P}}\tau$. This is always the case when the tax is not implemented ($\mathcal{P} = nr$), since the per-unit profit margin $p - \frac{A}{m}\bar{Q}$ is positive in this case by Assumption 1.(ii). If the tax is implemented ($\mathcal{P} = r$), depending on the value of τ, we have one of three possible types of equilibria:

(C1) Positive profits ($\tau < \tau^C$). If τ is sufficiently small, all firms continue to produce at capacity also under r. The profit margin $p - \frac{A}{m}\bar{Q} - \tau$ is strictly positive for $\tau < \tau^C$, where $\tau^C := p - \frac{A}{m}\bar{Q}$. So, for $\tau < \tau^C$, all firms make positive profits and produce $\underline{q}$ in equilibrium.

(C2) Zero profits ($\tau^C \leq \tau < p$). When $\tau \in [\tau^C, p)$, all firms making positive profits and producing at capacity is no longer sustainable in equilibrium. So, the profit margin must be zero in equilibrium and aggregate output must satisfy $Q \leq \bar{Q}$. Since we have $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau = 0$, the equilibrium can

be in mixed-strategy in this region, with firms randomizing over production levels.

Formally, firm j selects a probability distribution over its output, $\sigma_j \in \Delta([0, \underline{q}])$, to solve

$$\max_{\sigma_j} \ \mathbb{E}[(p - w - \tau)q_j]. \tag{A.1}$$

Since firms are ex ante identical, we restrict attention to symmetric equilibria, in which all firms use the same distribution σ on $[0, \underline{q}]$ and, thus, aggregate production is $Q = N^c \int_0^{\underline{q}} q\, \sigma(q)\, dq$.[26]

The profit margin being zero requires $p - \tau = \frac{A}{m}Q$, which implies $Q = \frac{m}{A}(p - \tau)$. $Q \leq \bar{Q}$ then requires $\tau \geq p - \frac{A}{m}\bar{Q} \equiv \tau^C$, and $Q > 0$ requires $\tau < p$. So, for any $\tau^C \leq \tau < p$, any distribution $\sigma \in \Delta([0, \underline{q}])$ satisfying $N^c \int_0^{\underline{q}} q\, \sigma(q)\, dq = \frac{m}{A}(p - \tau)$ represents an equilibrium of the game, with aggregate output $Q = \frac{m}{A}(p - \tau)$ and equilibrium wage $w = p - \tau$.

(C3) Market breakdown ($\tau \geq p$). If $\tau \geq p$, production is no longer profitable even at the lowest wage $w = 0$. So, no firm produces in equilibrium and, thus, $Q = 0$, and $w = 0$.

Step Two: Main Model.

We now characterize the equilibrium in the main model (M).

Given expected wage $\mathbb{E}[w]$ and tax level τ, each competitive firm j chooses its output the same as in C (j produces at capacity if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau > 0$, shuts down if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau < 0$, and is indifferent if $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau = 0$). ℓ chooses q_ℓ taking into account how that will affect the equilibrium wage $w = \dfrac{A}{m}(q_\ell + N \int_0^N q_j\, dj)$.

If the tax is not implemented ($\mathcal{P} = nr$) and all competitive firms produce at capacity, ℓ solves

$$\max_{0 \leq q_\ell \leq \bar{q}} \left(p - \frac{A}{m}(q_\ell + N\underline{q})\right)q_\ell, \tag{A.2}$$

which implies $q_\ell = \min\left\{\frac{1}{2}\left(\frac{mp}{A} - N\underline{q}\right),\ \bar{q}\right\}$.

Like before, Assumption 1.(ii) implies that the profit margin is positive in this case ($p - \frac{A}{m}Q > 0$).

[26] Throughout the paper, we make the common assumption that with a continuum of i.i.d. random variables, the empirical mean equals the expectations with probability 1 (see, e.g., Judd 1985). It follows that all the equilibria in this region and in region (M2) in the main model have the same aggregate outcomes Q and w, independently of whether firms play mixed strategies and, if they do, independently of the realizations of each firm's individual production choice.

So, when $\mathcal{P} = nr$, the equilibrium outcomes are the ones described above. If the tax is implemented ($\mathcal{P} = r$), depending on the value of τ, we have one of three possible types of equilibria:

(M1) Positive profits ($\tau < \tau^M$). Suppose all competitive firms produce $\underline{q}$. ℓ then solves

$$\max_{0 \leq q_\ell \leq \bar{q}} \left(p - \tau - \frac{A}{m}(q_\ell + N\underline{q}) \right) q_\ell, \tag{A.3}$$

which implies $q_\ell = \min\left\{ \max\left\{ \frac{1}{2}\left(\frac{m(p-\tau)}{A} - N\underline{q} \right), 0 \right\}, \bar{q} \right\}$.

The profit margin is $p - \tau - \frac{A}{m}(q_\ell + N\underline{q})$, which is strictly positive for all $0 \leq \tau < \tau^M$, with $\tau^M := p - \frac{A}{m}N\underline{q}$. So, for $\tau < \tau^M$, all competitive firms produce at capacity and ℓ chooses $q_\ell = \min\left\{ \frac{1}{2}\left(\frac{m(p-\tau)}{A} - N\underline{q} \right), \overline{q} \right\}$ in equilibrium. In this region, q_ℓ is positive ($\tau < \tau^M$ implies $\frac{m(p-\tau)}{A} - N\underline{q} > 0$) but it decreases with τ, while the competitive firms always produce at capacity.

(M2): Zero profits ($\tau^M \leq \tau < p$). When $\tau \in [\tau^M, p)$, positive profits are no longer sustainable in equilibrium, so we must have $p - \mathbb{E}[w] - \mathbb{1}_{\mathcal{P}}\tau = 0$ in this region. This means that the competitive firms may randomize over production levels. Like before, we restrict attention to equilibria where the competitive firms play the same strategies, that is, they choose the same distribution σ on $[0, \underline{q}]$. For any given q_ℓ, this implies an aggregate output $Q = q_\ell + N\int_0^{\underline{q}} q\,\sigma(q)\,dq$.

In principle, ℓ may also want to play a mixed strategy. Formally, ℓ chooses $\sigma_\ell \in \Delta([0, \overline{q}])$ to solve

$$\max_{\sigma_\ell} \ \mathbb{E}[(p - w - \tau)q_\ell]. \tag{A.4}$$

Because ℓ internalizes the effect of its output on the expected equilibrium wage, the objective in Eqn. (A.4) is concave in q_ℓ, which means there is always a unique value of q_ℓ that maximizes ℓ's expected profits. It follows that ℓ cannot be indifferent between two values of q_ℓ and, thus, it always plays a pure strategy in equilibrium, even when the competitive firms randomize.

In equilibrium, ℓ then solves

$$\max_{0 \leq q_\ell \leq \bar{q}} \left(p - \frac{A}{m}\left(q_\ell + N\int_0^{\underline{q}} q\,\sigma(q)\,dq\right) - \tau \right) q_\ell, \tag{A.5}$$

which implies $q_\ell = 0$, since taking the derivative of the objective in Eqn. (A.5) with respect to q_ℓ

yields $p - \frac{A}{m}(q_\ell + N\int_0^q q\,\sigma(q)\,dq) - \tau - \frac{A}{m}q_\ell$ which, by the profit margin $p - \frac{A}{m}(q_\ell + N\int_0^q q\,\sigma(q)\,dq) - \tau$ being zero in equilibrium, is always negative for any $q_\ell > 0$.

Since only the competitive firms produce in this region, we must have $Q \leq N\underline{q}$, which implies $\tau \geq \tau^M$. $Q > 0$ instead requires $\tau < p$. So, similar to before, for any $\tau^M \leq \tau < p$, any distribution $\sigma \in \Delta([0, \underline{q}])$ satisfying $N^c\int_0^q q\,\sigma(q)\,dq = \frac{m}{A}(p-\tau)$, and $q_\ell = 0$ together represent an equilibrium of the game, with aggregate output $Q = \frac{m}{A}(p-\tau)$ and equilibrium wage $w = p - \tau$.

Notice that the equilibrium outcome in this region are the same as in region (C2) of the competitive benchmark, and that we have $\tau^C = p - \frac{A}{m}\bar{Q} < p - \frac{A}{m}N\underline{q} = \tau^M$, since $\bar{Q} > N\underline{q}$.

(M3): Market breakdown ($\tau \geq p$). Like before, if $\tau \geq p$, production is no longer profitable even at the lowest wage $w = 0$. So, we have $Q = 0$, and $w = 0$ in equilibrium.

Step Three. Voting.

Having characterized equilibrium production and wages in each model, we can compare the political support for the policy across models. Voter i supports r if

$$\Delta U(v_i) := u_i^r - u_i^{nr} = \max\{w^r, v_i\} - \max\{w^{nr}, v_i\} + \mathbb{1}_{\mathcal{P}}\frac{\delta\tau Q^r}{m} > 0, \tag{A.6}$$

where w^r and Q^r are the equilibrium wages and output under $\mathcal{P} = r$, and w^{nr} is the equilibrium wage under $\mathcal{P} = nr$.

In both the benchmark and the main model, we always have $Q^{nr} \geq Q^r$ and, thus, $w^{nr} \geq w^r$ in equilibrium. It follows that the $\Delta U(v_i)$ function above always increases with v_i, so that types with larger outside options are more willing to support r. This means that voters can be ordered by their willingness to vote against the policy, so the median type's preference decides the voting outcome (Black 1958).

$\tau \in (0, \tau^C)$: *benchmark has more support for policy r.* $\tau \in (0, \tau^C)$ implies we are in region (C1) in the competitive benchmark, and region (M1) in the main model (recall that $\tau^C < \tau^M$). In the benchmark, we have $Q^r = \bar{Q}$ and $w^r = w^{nr}$, so $\Delta U(v_i)$ is positive for all voters and r always passes. In the main model, ℓ produces less when $\tau > 0$ (which implies that $Q^r < Q^{nr}$ and $w^r < w^{nr}$). The

median voter supports r iff

$$\max\{w^r, A/2\} + \frac{\delta\tau Q^r}{m} > \max\{w^{nr}, A/2\},$$

implying a cutoff $\delta^M = \frac{m\left(\max\{w^{nr},A/2\}-\max\{w^r,A/2\}\right)}{\tau Q^r} > 0$ below which r does not pass in the main model. So, for $\tau \in (0, \tau^C)$ and $\delta \in [0, \delta^M)$, the policy has enough political support to be implemented in the competitive benchmark, but not in the main model.

$\tau \in (\tau^M, p)$: *main model has more support for policy r.* $\tau \in (\tau^M, p)$ implies we are in regions (C2) in the competitive benchmark and (M2) in the main model, where the expected profit margins are zero in equilibrium in both models and, as a consequence, aggregate production (Q^r) and wages (w^r) are also the same. If the tax is not implemented, Q^{nr} and, thus, w^{nr} are larger in the competitive benchmark whenever $q_\ell < \overline{q}$.

It follows that there exist parameter configurations such that the inequalities

$$\max\left\{\frac{A}{m}\bar{Q}, \frac{A}{2}\right\} \underbrace{>}_{r \text{ fails in } C} \max\left\{p-\tau, \frac{A}{2}\right\} + \frac{\delta\tau\frac{m}{A}(p-\tau)}{m} \underbrace{>}_{r \text{ passes in } M} \max\left\{\frac{A}{m}(q_\ell + N\underline{q}), \frac{A}{2}\right\}, \quad \text{(A.7)}$$

and $\frac{1}{2}\left(\frac{m(p-\tau)}{A} - N\underline{q}\right) < \bar{q}$ hold ($q_\ell < \overline{q}$ implies $q_\ell + N\underline{q} < \bar{Q}$, so that the left-hand side of the first inequality in Eqn. (A.7) is larger than the right-hand side of the second inequality), so that the median voter supports the tax only in the main model.

A.2 Proof of Lemma 1

In the benchmark, a proportional profit tax does not distort firms' marginal production incentives. Hence the equilibrium production profile is identical under nr and r. Competitive firms therefore produce at capacity, and the large firm ℓ chooses q_ℓ to maximize $(p - w(q_\ell))q_\ell$, which yields an equilibrium wage w^* and strictly positive total industry profits $\Pi^* \equiv \pi^*_\ell + N\pi^*_j > 0$.

Applying the voting condition (A.6), for any voter i we obtain

$$\Delta U(v_i) = \left(\max\{w^*, v_i\} + \frac{R^*}{m}\right) - \max\{w^*, v_i\} = \frac{R^*}{m}, \quad \text{(A.8)}$$

where the aggregate transfer is $R^* = \delta\tau\Pi^*$.

Since $\delta > 0$, $\tau > 0$, and $\Pi^* > 0$, we have $R^* > 0$ and thus $\Delta(v_i) > 0$ for all i. Therefore every voter strictly prefers redistribution, and the realized allocation is the Benchmark Equilibrium. ■

Benchmark equilibrium.

For later reference, we collect here the equilibrium allocation and profit expressions in the benchmark without ℓ's influence. The large firm ℓ chooses a production level that solves Program (10), yielding production, wage and aggregate output

$$q_\ell^* = \min\left\{\frac{1}{2}\left(\frac{mp}{A} - N\underline{q}\right), \bar{q}\right\}, \quad w^* = \min\left\{\frac{1}{2}\left(p + \frac{A}{m}N\underline{q}\right), \overline{w}\right\}, \quad Q^* = \min\left\{\frac{mp}{2A} + \frac{N\underline{q}}{2}, \bar{Q}\right\}. \tag{A.9}$$

Under policy r, total redistribution equals

$$R^* = \delta\tau(\pi_\ell(q_\ell^*) + N\pi_j^*) = \delta\tau \min\left\{\frac{m}{4A}\left(p^2 - \left(\frac{AN\underline{q}}{m}\right)^2\right), \left(p - \frac{A}{m}(N\underline{q} + \bar{q})\right)(N\underline{q} + \bar{q})\right\}. \tag{A.10}$$

A.3 Proof of Lemma 2

We need to show that if there exists a voter type $\tilde{v}$ who is against policy r, then any voter with $v_i < \tilde{v}$ is also against r. Hence, the voting outcome is determined by the median type $A/2$.

First, we show that $\tilde{v} < w^{nr}$, that is, the voter type opposing r must be working under nr. Start from (IC_i), cancel the common term $(1 - \widehat{\theta}_\ell)\max\{w^*, v_i\}$ from both sides and divide by $\widehat{\theta}_\ell (> 0)$. The condition for voting against the policy simplifies to:

$$\max\{w^{nr}, v_i\} \geq \max\{w^r, v_i\} + \frac{R(q_\ell^r)}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}, \ \kappa(\widehat{\theta}_\ell) \equiv \frac{1 - \widehat{\theta}_\ell}{\widehat{\theta}_\ell} \tag{A.11}$$

where $R^* \equiv R(q_\ell^*) = \delta\tau(p - w^*)Q^*$.

Step One: Voter opposing r is employed under nr ($\tilde{v} < w^{nr}$).

Suppose that there exists $\tilde{v}$ such that (A.11) is satisfied, i.e.,

$$\max\{w^{nr}, \tilde{v}\} \geq \max\{w^{r}, \tilde{v}\} + \frac{R(q_\ell^r)}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}. \tag{A.12}$$

Assume by contradiction that $\tilde{v} \geq w^{nr}$. Since $w^{nr} \geq w^r$ (otherwise Inequality (A.12) cannot be satisfied), the condition $\tilde{v} \geq w^{nr}$ implies that $\max\{w^{nr}, \tilde{v}\} = \tilde{v}$ and $\max\{w^r, \tilde{v}\} = \tilde{v}$. Then Eqn. (A.12) simplifies to $0 \geq \frac{R(q_\ell^r)}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}$, which cannot be true since $\widehat{\theta}_\ell \in (0, 1]$ and R^* is strictly positive under Assumption 1. Hence $\tilde{v} < w^{nr}$.

Step Two: If $\tilde{v}$ opposes r, all $v_i < \tilde{v}$ oppose r.

If $\tilde{v}$ opposes r, Inequality (A.12) must hold. For any $v_i < \tilde{v}$, since $w^{nr} > \tilde{v} > v_i$, then $\max\{w^{nr}, v_i\} = w^{nr} = \max\{w^{nr}, \tilde{v}\}$. Moreover, $\tilde{v} > v_i$ implies $\max\{w^r, \tilde{v}\} \geq \max\{w^r, v_i\}$, and $\max\{w^*, \tilde{v}\} \geq \max\{w^*, v_i\}$. It follows that

$$\max\{w^{nr}, v_i\} = \max\{w^{nr}, \tilde{v}\} \geq \max\{w^{r}, \tilde{v}\} + \frac{R}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m} \geq \max\{w^{r}, v_i\} + \frac{R}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}.$$

Therefore, (A.11) holds for type $v_i (< \tilde{v})$ as well, i.e., voter i is also against the policy r.

A.4 Proof of Proposition 2

We proceed in two steps. First, we show that, among all influence plans, it is optimal to choose the strongest feasible threat under redistribution r, i.e., shutdown $q_\ell^r = 0$. Second, given shutdown under r, we characterize the optimal influence strategy under nr: through threats only, or through threats plus concessions.

Step One: The optimal threat is shutdown, $q_\ell^r = 0$.

Consider any influence plan $m_\ell = \{q_\ell^r, q_\ell^{nr}\}$ such that the median voter votes agains the policy r, i.e., Inequality (A.11) holds for $v_i = \frac{A}{2}$:

$$\max\{w^{nr}, \frac{A}{2}\} \geq \max\{w^{r}, \frac{A}{2}\} + \frac{R(q_\ell^r)}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}. \tag{A.13}$$

We show that among feasible threats, setting $q_\ell^r = 0$ minimizes the right-hand side of the constraint (it minimizes both the wage component and the transfer component). Therefore, if the constraint is satisfied for some threat, it is also satisfied under shutdown.

Under regime r, market clearing implies $w^r = \frac{A}{m}(N\underline{q} + q_\ell^r)$, which is increasing in q_ℓ^r. Hence $\max\{w^r, A/2\}$ is minimized at $q_\ell^r = 0$. Redistribution per-capita under r is

$$\frac{R(q_\ell^r)}{m} = \delta\tau\left(p - \frac{A}{m}(N\underline{q} + q_\ell^r)\right)\frac{N\underline{q} + q_\ell^r}{m}, \tag{A.14}$$

which is concave quadratic in q_ℓ^r. A concave function on a closed interval is minimized at one of the boundaries. Let q_ℓ^{alt} denote the point at which redistribution equals its value at zero: $\frac{R(q_\ell^{alt})}{m} = \frac{R(0)}{m}$. Solving yields $q_\ell^{alt} = \frac{m}{A}p - 2N\underline{q}$. Recalling Assumption 1(ii), which imposes $\frac{m}{A}p > \overline{q} + 2N\underline{q}$, we have that $q_\ell^{alt} > \overline{q}$. Since (A.14) has a maximum at $q_\ell^{alt}/2$, the first point at which redistribution equals $R(0)$ again lies beyond $\bar{q}$. Hence the transfer function attains its minimum on $[0, \bar{q}]$ at the boundary $q_\ell^r = 0$, and thus $R(q_\ell^r) \geq R(0)$ for all $q_\ell^r \in [0, \bar{q}]$, with strict inequality for all $q_\ell^r \in (0, \bar{q}]$. Thus the transfer term in the voting constraint is (uniquely) minimized at shutdown, $q_\ell^r = 0$.

Combining the two components, we have shown that the right-hand side of (A.13) is minimized at $q_\ell^r = 0$ (the wedge term $\kappa(\widehat{\theta}_\ell)R^*/m$ is constant in q_ℓ^r). Therefore, if (A.13) is satisfied for some threat output $q_\ell^r \in [0, \bar{q}]$, it is necessarily satisfied under shutdown, $q_\ell^r = 0$. Since the firm's objective in Program (P_ℓ) depends only on the no-redistribution branch (policy r is off-path under successful influence), it is without loss of generality optimal to set $q_\ell^r = 0$.

Let $\underline{w}^r$ and $\underline{R}$ denote the wage and transfer induced by shutdown under r, $q_\ell^r = 0$. The competitive firms follow the production schedule (9). In particular, since $\underline{w}^r \leq \overline{w} = \frac{A}{m}(N\underline{q} + \bar{q}) < p$, we have $p - \underline{w}^r > 0$ and therefore each competitive firm produces at capacity, $q_j = \underline{q}$. Aggregate output under r is then $Q^r = N\underline{q}$ and by labor-market clearing (3), the corresponding wage is

$$\underline{w}^r = \frac{A}{m}N\underline{q}. \tag{A.15}$$

The aggregate transfer follows $R = \delta\tau(p - w)Q$, so under shutdown:

$$\underline{R} \equiv R(q_\ell^r = 0) = \delta\tau\left(p - \frac{A}{m}N\underline{q}\right)N\underline{q}. \tag{A.16}$$

Dividing by m gives the per-capita transfer $\underline{R}/m$, which is the object that enters the constraint (A.13) via $R(q_\ell^r)/m$, which becomes

$$\max\left\{w^{nr}, \frac{A}{2}\right\} \;\geq\; \max\left\{\underline{w}^r, \frac{A}{2}\right\} + \frac{\underline{R}}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}. \tag{A.17}$$

Step Two: Optimal production under nr (threats-only vs. threats+concessions).

In determining production under nr, firm ℓ seeks to set the equilibrium wage w^{nr} as close as possible to the benchmark equilibrium wage w^* (as defined in (A.9)), since deviations from the profit-maximizing quantity q_ℓ^* are costly.

We define $\Lambda(q_\ell^{nr})$ as the difference between the median voter's utility under nr and r:

$$\Lambda(q_\ell^{nr}) \equiv \max\left\{w^{nr}(q_\ell^{nr}), \frac{A}{2}\right\} - \left(\max\left\{\underline{w}^r, \frac{A}{2}\right\} + \frac{\underline{R}}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}\right). \tag{A.18}$$

The voting constraint is satisfied if and only if $\Lambda(q_\ell^{nr}) \geq 0$. The terms in the parenthesis are constant with respect to q_ℓ^{nr}, while the first term is weakly increasing in q_ℓ^{nr} (since the equilibrium wage $w^{nr}(q_\ell^{nr})$ is strictly increasing in production). Thus, $\Lambda(q_\ell^{nr})$ is a continuous and weakly increasing function. Hence, whenever the constraint is feasible, there exists a cutoff $\underline{q}_\ell^{nr} \in [0, \bar{q}]$ such that (A.17) holds iff $q_\ell^{nr} \geq \underline{q}_\ell^{nr}$. Since profits under nr are strictly concave and uniquely maximized at q_ℓ^*, the firm optimally chooses the quantity in the feasible set $[\underline{q}_\ell^{nr}, \bar{q}]$ that is closest to q_ℓ^*. The resulting optimal choice q_ℓ^{nr} is unique and yields two cases:

(a) Threats-only. If $\Lambda(q_\ell^*) \geq 0$ (meaning $q_\ell^* \geq \underline{q}_\ell^{nr}$), the unconstrained profit-maximizing quantity is feasible. The firm sets $q_\ell^{nr} = q_\ell^*$ and $w^{nr} = w^*$. The threat of shutdown alone is sufficient to win the election without distorting equilibrium outcomes.

(b) Threats+concessions. If $\Lambda(q_\ell^*) < 0$ (meaning $q_\ell^* < \underline{q}_\ell^{nr}$), that is, if threats alone coupled with the benchmark wage on the equilibrium path are insufficient to satisfy (A.17), then ℓ must increase production above q_ℓ^*. Optimality requires deviating as little as possible, so the firm sets production exactly at the binding cutoff, $q_\ell^{nr} = \underline{q}_\ell^{nr}$. Consequently, $q_\ell^{nr} > q_\ell^*$, the corresponding wage satisfies

$w^{nr} > w^*$, and the optimal wage is determined by the binding median voter constraint (A.17):

$$w^{nr*} = \max\left\{w^{nr}(q_\ell^{nr}), \frac{A}{2}\right\} = \max\left\{\underline{w}^r, \frac{A}{2}\right\} + \frac{\underline{R}}{m} + \kappa(\widehat{\theta}_\ell)\frac{R^*}{m}. \tag{A.19}$$

This completes the proof.■

A.5 Proof of Proposition 3

We prove Proposition 3 by looking at two limiting cases of the influence-feasibility condition we derived in Proposition 3. Influencing the election is possible for ℓ iff the median-voter's IC (A.17) holds when ℓ sends a message $m_\ell = \{0, \overline{q}\}$,[27] which is equivalent to

$$\Gamma = \max\left\{\frac{A}{m}\bar{Q}, \frac{A}{2}\right\} - \max\left\{\frac{A}{m}N\underline{q}, \frac{A}{2}\right\} + \frac{\delta\tau}{m}\left(p - \frac{A}{m}N\underline{q}\right)N\underline{q} + \kappa(\widehat{\theta}_\ell)\left[p - \frac{A}{m}(q_\ell^* + N\underline{q})\right](q_\ell^* + N\underline{q})\frac{\tau\delta}{m} \geq 0, \tag{A.20}$$

where $\bar{Q} = \bar{q} + N\underline{q}$, and $q_\ell^* = \min\left\{\frac{1}{2}\left(\frac{mp}{A} - N\underline{q}\right), \bar{q}\right\}$.

Step One: Concentration within the industry.

Define $s_{ind.} \equiv \frac{\bar{q}}{\bar{Q}} \in (0,1)$, so that $N\underline{q} = (1 - s_{ind.})\bar{Q}$. Substituting this into Eqn. (A.20) yields

$$\begin{aligned}\Gamma(s_{ind.}) = &\max\left\{\frac{A}{m}\bar{Q}, \frac{A}{2}\right\} - \max\left\{\frac{A}{m}(1 - s_{ind.})\bar{Q}, \frac{A}{2}\right\} \\ &- \frac{\delta\tau}{m}\left(p - \frac{A}{m}(1 - s_{ind.})\bar{Q}\right)(1 - s_{ind.})\bar{Q} - \kappa(\widehat{\theta}_\ell)\left[p - \frac{A}{m}(q_\ell^* + (1 - s_{ind.})\bar{Q})\right](q_\ell^* + (1 - s_{ind.})\bar{Q})\frac{\tau\delta}{m} \geq 0,\end{aligned} \tag{A.21}$$

with $q_\ell^* = \min\left\{\frac{1}{2}\left(\frac{mp}{A} - (1 - s_{ind.})\bar{Q}\right), \bar{q}\right\}$

$\Gamma(s_{ind.})$ is a continuous function of $s_{ind.}$, and satisfies $\lim_{s_{ind.}\to 0}\Gamma(s_{ind.}) < 0$, since the first two terms converge to the same value in the limit as $s_{ind.}$ approaches 0, and the third and fourth terms are always positive (strictly for the third term) under Assumption 1. It follow that there always exists a threshold $\underline{s}_{ind.}$ such that the inequality in Eqn. (A.20) never holds and, thus, ℓ cannot influence voting for all $s_{ind.} \leq \underline{s}_{ind.}$. This proves the first part of Proposition 3.

[27] If producing at full capacity $\overline{q}$, which yields the highest wage, still fails to make the median voter weakly prefer nr, then the firm cannot influence the voting outcome.

Step Two: Concentration within the community.

Define $s_{com.} \equiv \frac{\bar{q}}{m} \in (0,1)$. Substituting this into Eqn. (A.20), and using $\bar{Q} = \bar{q} + N\underline{q}$, yields

$$\begin{aligned}\Gamma(s_{com.}) = &\max\left\{A(s_{com.} + \frac{N\underline{q}}{m}), \frac{A}{2}\right\} - \max\left\{\frac{A}{m}N\underline{q}, \frac{A}{2}\right\} \\ &- \frac{\delta\tau}{m}\left(p - \frac{A}{m}N\underline{q}\right)N\underline{q} - \kappa(\widehat{\theta}_\ell)\left[p - A(\frac{q^*_\ell}{m} + \frac{N\underline{q}}{m})\right](\frac{q^*_\ell}{m} + \frac{N\underline{q}}{m})\tau\delta \;\geq\; 0.\end{aligned} \tag{A.22}$$

Similar to before, $\Gamma(s_{com.})$ is a continuous function of $s_{com.}$, and satisfies $\lim_{s_{com.}\to 0}\Gamma(s_{com.}) < 0$, since the first two terms converge to the same value in the limit as $s_{com.}$ approaches 0, and the third and fourth terms are always positive (strictly for the third term) under Assumption 1.[28] It follow that there always exists a threshold $\underline{s}_{com.}$ such that the inequality in Eqn. (A.20) never holds and, thus, ℓ cannot influence voting for $s_{com.} \leq \underline{s}_{com.}$. This proves the second part of Proposition 3. ■

A.6 Proof of Proposition 4

Assume $\widehat{\theta}_\ell = \theta_\ell = 1$. Influencing the election is profitable for ℓ iff

$$(p - w^{nr})q^{nr}_\ell - \gamma \;\geq\; (1-\tau)(p - w^*)q^*_\ell. \tag{A.23}$$

Whenever the benchmark profit $(p - w^*)q^*_\ell$ is positive, dividing both sides of (A.23) by $(p - w^*)q^*_\ell$ we have

$$\frac{(p - w^{nr})q^{nr}_\ell}{(p - w^*)q^*_\ell} - \frac{\gamma}{(p - w^*)q^*_\ell} \;\geq\; 1 - \tau. \tag{A.24}$$

We argue that the left-hand side of (A.24) is maximized in the limit $N\underline{q} \to 0$.

Following Proposition 2, $\frac{(p-w^{nr})q^{nr}_\ell}{(p-w^*)q^*_\ell} \leq 1$, with equality if $q^{nr}_\ell = q^*_\ell$, which is the case whenever the benchmark (w^*, q^*_ℓ) satisfies the median voter's IC. Intuitively, the inequality is due to the fact that (w^*, q^*_ℓ) is the firm's unconstrained profit-maximizing choice, while influencing requires satisfying the additional median voter IC constraint.

[28] Since $q^*_\ell \leq \bar{q}$, the ratio $\frac{q^*_\ell}{m}$ also converges to 0 in the limit $s_{com.} \to 0$.

Step One: The benchmark satisfies the median voter's IC at $N\underline{q} = 0$.

By Proposition 2, under policy r the firm ℓ's optimal strategy is to shutdown, so $q_\ell^r = 0$. Under full commitment, the median voter's IC is

$$\max\left\{w^{nr}, \frac{A}{2}\right\} \;\geq\; \max\left\{\underline{w}^r, \frac{A}{2}\right\} + \frac{\underline{R}}{m}. \tag{A.25}$$

If $N\underline{q} = 0$, then $\underline{w}^r = 0$ and $\underline{R} = 0$ (by (A.15) and (A.16)), so the RHS of (A.25) equals $A/2$. But for any w^{nr} we have $\max\{w^{nr}, A/2\} \geq A/2$, so the benchmark (w^*, q_ℓ^*) satisfies (A.25). Consequently, ℓ optimally chooses $q_\ell^{nr} = q_\ell^*$, and the profit ratio in (A.24) equals 1 at $N\underline{q} = 0$.

Step Two: $\frac{\gamma}{(p-w^*)q_\ell^*}$ is the smallest when $N\underline{q} \to 0$.

As $N\underline{q}$ decreases, competitive employment shrinks. From the expressions defining the benchmark equilibrium (see Eqn. (A.9)), the benchmark wage w^* is weakly increasing in $N\underline{q}$, while the ℓ's output q_ℓ^* is weakly decreasing in $N\underline{q}$. It follows that benchmark profit $(p - w^*)q_\ell^*$ is weakly decreasing in $N\underline{q}$. Consequently, $\frac{\gamma}{(p-w^*)q_\ell^*}$ is weakly increasing in $N\underline{q}$ and therefore attains its minimum in the limit $N\underline{q} \to 0$.

Combining Steps 1 and 2, at $N\underline{q} = 0$ the first term on the LHS of (A.24) attains its upper bound 1, while the second term is minimized. Therefore, the left-hand side of (A.24) is maximized in the limit $N\underline{q} \to 0$. It follows that the set of parameters for which (A.23) holds is largest in that limit. ■

A.7 Proof of Proposition 5

We compare welfare under successful influence to the benchmark without influence. The proof proceeds in three steps: we first characterize who gains or loses at the individual level, then derive aggregate voter welfare, and finally evaluate firm and total welfare.

Step One: Individual voter welfare.

Each voter's utility under regime $\{r, nr\}$ is

$$u_i^{\mathcal{P}} = \widehat{\theta}_\ell \left[\max\{w^{\mathcal{P}}, v_i\} + \mathbb{1}_{\mathcal{P}} \frac{R(q_\ell^r)}{m} \right] + (1 - \widehat{\theta}_\ell) \left[\max\{w^*, v_i\} + \mathbb{1}_{\mathcal{P}} \frac{R^*}{m} \right] \tag{A.26}$$

and under the benchmark without influence it is $u_i^* = \max\{w^*, v_i\} + R^*/m$.

(a) Threats-only. If influence only changes the policy (from r to nr) but not wages, then $w^{nr} = w^*$ and $R^* > 0$, so

$$u_i^{nr} = \max\{w^*, v_i\} < \max\{w^*, v_i\} + \frac{R^*}{m} = u_i^* \quad \forall i. \tag{A.27}$$

(b) Threats+concessions. In this case $w^{nr} > w^*$ and the median IC binds, meaning that

$$\max\left\{w^{nr}, \frac{A}{2}\right\} = \max\left\{w^r, \frac{A}{2}\right\} + \frac{R(q_\ell^r)}{m} + \frac{1 - \widehat{\theta}_\ell}{\widehat{\theta}_\ell} \frac{R^*}{m}. \tag{A.28}$$

We compare the median voter's equilibrium utility $u_{med}^{nr} = \widehat{\theta}_\ell \max\{w^{nr}, A/2\} + (1 - \widehat{\theta}_\ell) \max\{w^*, A/2\}$ to the benchmark utility $u_{med}^* = \max\{w^*, A/2\} + R^*/m$. Substituting (A.28) into $u_{med}^{nr} - u_{med}^*$ yields

$$u_{med}^{nr} - u_{med}^* = \widehat{\theta}_\ell \Big(\max\left\{w^r, \frac{A}{2}\right\} - \max\left\{w^*, \frac{A}{2}\right\} + \frac{R(q_\ell^r) - R^*}{m} \Big). \tag{A.29}$$

Since the threat involves restricting output ($q_\ell^r < q_\ell^*$), we have $w^r < w^*$, and $R(q_\ell^r) < R^*$, the bracket is strictly negative, and therefore $u_{med}^{nr} < u_{med}^*$ for any $\widehat{\theta}_\ell > 0$.

Since $w^{nr} \geq w^*$ in the threats+concessions case, for any $v_i \geq A/2$, $\max\{w^{nr}, v_i\} - \max\{w^*, v_i\} \leq \max\{w^{nr}, A/2\} - \max\{w^*, A/2\}$. Therefore,

$$u_i^{nr} - u_i^* = \widehat{\theta}_\ell \Big(\max\{w^{nr}, v_i\} - \max\{w^*, v_i\} \Big) - \frac{R^*}{m} \leq \widehat{\theta}_\ell \Big(\max\{w^{nr}, \frac{A}{2}\} - \max\{w^*, \frac{A}{2}\} \Big) - \frac{R^*}{m} = u_{med}^{nr} - u_{med}^*. \tag{A.30}$$

Hence, whenever $u_{med}^{nr} < u_{med}^*$, all voters with $v_i \geq \bar{v} \equiv A/2$ are also worse off.

For low v_i the utility comparison can go either way. If $v_i \leq \min\{w^{nr}, w^*\}$, then $u_i^{nr} - u_i^* = \widehat{\theta}_\ell(w^{nr} - w^*) - \frac{R^*}{m}$, so such voters can be better off under political influence if the scaled wage increase exceeds the foregone transfer. More generally, when $w^* < v_i < w^{nr}$ we have $u_i^{nr} - u_i^* = \widehat{\theta}_\ell(w^{nr} - v_i) - \frac{R^*}{m}$, so the sign remains ambiguous for sufficiently low v_i. This proves the first part

of Proposition 5.

Step Two: Aggregate voter welfare.

Let aggregate voters' welfare be $\mathcal{V} \equiv \int_0^A u_i \frac{m}{A} dv_i$. In the benchmark where policy r is implemented,

$$\mathcal{V}^* = \int_0^A \left(\max\{w^*, v_i\} + \frac{R^*}{m} \right) \frac{m}{A} dv_i = \frac{m}{A} \left(\frac{A^2 + (w^*)^2}{2} \right) + R^* = \frac{mA}{2} + \frac{m(w^*)^2}{2A} + R^*. \quad \text{(A.31)}$$

Under influence, that is, under nr

$$\mathcal{V}^{nr} = \int_0^A \left(\widehat{\theta}_\ell \max\{w^{nr}, v_i\} + (1 - \widehat{\theta}_\ell) \max\{w^*, v_i\} \right) \frac{m}{A} dv_i = \frac{mA}{2} + \frac{m}{2A} \left(\widehat{\theta}_\ell (w^{nr})^2 + (1 - \widehat{\theta}_\ell)(w^*)^2 \right). \quad \text{(A.32)}$$

Hence

$$\mathcal{V}^{nr} - \mathcal{V}^* = \widehat{\theta}_\ell \frac{m}{2A} \left((w^{nr})^2 - (w^*)^2 \right) - R^*. \quad \text{(A.33)}$$

(a) Threats-only. In this case $w^{nr} = w^*$, hence $\mathcal{V}^{nr} - \mathcal{V}^* = -R^* < 0$.

(b) Threats+concessions, with a working median voter. The median voter works when $w^* \geq A/2$. The median voter's benchmark utility is $u^*_{med} = w^* + R^*/m$. Under influence, with concessions we have $w^{nr} \geq w^* \geq A/2$, hence $u^{nr}_{med} = \widehat{\theta}_\ell w^{nr} + (1 - \widehat{\theta}_\ell) w^*$. From Step One, we already established that $u^{nr}_{med} < u^*_{med}$ for any $\widehat{\theta}_\ell > 0$, so we obtain the following bound in the wage concession:

$$\widehat{\theta}_\ell w^{nr} + (1 - \widehat{\theta}_\ell) w^* < w^* + R^*/m \quad \Rightarrow \quad w^{nr} - w^* < \frac{R^*}{m \widehat{\theta}_\ell}. \quad \text{(A.34)}$$

Now use the aggregate difference formula, factor the difference of squares and apply the bound (A.34):

$$\mathcal{V}^{nr} - \mathcal{V}^* = \widehat{\theta}_\ell \frac{m}{2A} (w^{nr} + w^*)(w^{nr} - w^*) - R^* < \frac{R^*}{2A} (w^{nr} + w^*) - R^*. \quad \text{(A.35)}$$

Since wages are bounded above by A (since $w = Q \cdot m/A$ and by Assumption 1(i)), we have $(w^{nr} + w^*) \leq 2A$ and thus the RHS of (A.35) is negative, so $\mathcal{V}^{nr} - \mathcal{V}^* < 0$.

Thus, when median voter works in the benchmark, the median IC tightly limits the wage concession under nr, while the foregone transfer R^* is a first-order loss. As a result, the aggregate wage gain cannot offset the lost transfer.

(c) Threats plus concessions, with a non-working median voter. Using expression (A.33), aggregate

voter welfare is higher when ℓ influences voting, $\mathcal{V}^{nr} - \mathcal{V}^* \geq 0$, if

$$\widehat{\theta}_\ell \frac{m}{A} \frac{(w^{nr})^2 - (w^*)^2}{2} \;\geq\; R^*. \tag{A.36}$$

In the threats plus concessions region we have $w^{nr} > w^*$, so the left-hand side is strictly positive. Moreover, R^* scales with δ while w^{nr} is bounded by feasibility. It follows that for δ sufficiently small, R^* is arbitrarily small and the inequality holds, so $\mathcal{V}^{nr} - \mathcal{V}^* \geq 0$. Conversely, for δ sufficiently large, R^* exceeds the left-hand side and the inequality fails, so $\mathcal{V}^{nr} - \mathcal{V}^* < 0$. Therefore, when $w^* < A/2$, the sign of $\mathcal{V}^{nr} - \mathcal{V}^*$ is in general ambiguous and is pinned down by condition (A.36).

When the median voter does not work in the benchmark, wage concessions under nr can move a large mass of types into employment, so the aggregate wage gain can dominate for some parameters. But R^* grows with δ, so for sufficiently large δ the lost transfer dominates. This proves the second part of Proposition 5.

Step Three: Firm ℓ, competitive firms, and total welfare.

Firm ℓ. Firm ℓ can always choose *not* to influence voting, i.e., it can replicate the benchmark allocation (q_ℓ^*, w^*) and accept the after-tax payoff $(1-\tau)\pi_\ell^*$. When the firm does choose to influence, it selects the menu $\{q_\ell^r, q_\ell^{nr}\}$ optimally. Hence, by revealed preference, $\theta_\ell \pi_\ell^{nr} + (1-\theta_\ell)\pi_\ell^* - \gamma \;\geq (1-\tau)\,\pi_\ell^*$, so ℓ is weakly (and generically strictly) better off under influence. This proves the first statement in part three.

Competitive firms. When policy r implemented, competitive firm face the benchmark wage and the after-tax profit is $(1-\tau)\,(p-w^*)\,\underline{q}$. Under influence, the tax is blocked and the competitive faces wage w^{nr}, earning $(p-w^{nr})\,\underline{q}$. Since $w^{nr} \geq w^*$ whenever influence occurs, the comparison between profits under r and nr is ambiguous:

$$(p-w^{nr})\underline{q} - (1-\tau)(p-w^*)\underline{q} \tag{A.37}$$

can be positive or negative depending on the interaction between the wage increase and the removal of the tax. Thus, competitive firms may be better or worse off when ℓ influences voting. This proves the second statement in part three.

Total welfare. Let $\Pi^{\mathcal{P}}$ denote the *before–tax, before-γ* sum of all firms' profits under policy outcome $\mathcal{P} \in \{r, nr\}$. If ℓ does not influence voting, policy r passes, so aggregate welfare is $\mathcal{W}^* = \mathcal{V}^* + (1-\tau)\Pi^*$. When ℓ successfully influences voting, the realized policy is nr, no tax is collected and welfare is

$$\mathcal{W}^{nr} = \mathcal{V}^{nr} + [\theta_\ell \Pi^{nr} + (1-\theta_\ell)\Pi^* - \gamma]. \tag{A.38}$$

(a) Threats only. In this case, ℓ uses only the shutdown threat off–equilibrium, but on the equilibrium path production coincides with the benchmark: $q_\ell^{nr} = q_\ell^*$, hence $w^{nr} = w^*$ and $\Pi^{nr} = \Pi^*$. The only difference relative to the benchmark is that the tax is not implemented and voters receive no transfer. From Step Two, we have $\mathcal{V}^{nr} = \mathcal{V}^* - R^*$, where $R^* = \delta\tau\Pi^*$ is the total transfer in the benchmark. Thus the welfare differential induced by political influence is

$$\mathcal{W}^{nr} - \mathcal{W}^* = (-R^*) + (\Pi^* - (1-\tau)\Pi^*) - \gamma = -R^* + \tau\Pi^* - \gamma = \tau\Pi^*(1-\delta) - \gamma. \tag{A.39}$$

For $0 < \delta < 1$, redistribution is socially wasteful and $\mathcal{W}^{nr} - \mathcal{W}^* > 0$ when γ is small; for $\delta > 1$, redistribution is socially beneficial and $\mathcal{W}^{nr} - \mathcal{W}^* < 0$. Thus even in the threats–only case, total welfare may be higher or lower under influence, depending on δ.

(b) Threats + concessions. When threats alone are insufficient to sway the median voter, ℓ must raise production under nr above the benchmark level, $q_\ell^{nr} > q_\ell^*$, hence total output satisfies $Q^{nr} > Q^*$ and the wage is higher, $w^{nr} > w^*$. Since the industry before-tax profit $\Pi(Q)$ is strictly concave in Q and is maximized at Q^*, any concessions equilibrium satisfies $\Pi^{nr} = \Pi(Q^{nr}) < \Pi(Q^*) = \Pi^*$.

Using the expression for aggregate voter welfare (A.33), $\mathcal{V}^{nr} - \mathcal{V}^* = \widehat{\theta}_\ell \frac{m}{A} \frac{(w^{nr})^2 - (w^*)^2}{2} - R^*$, with $R^* = \delta\tau\Pi^*$, we can rewrite the difference in welfare as

$$\mathcal{W}^{nr} - \mathcal{W}^* = \widehat{\theta}_\ell \frac{m}{A} \frac{(w^{nr})^2 - (w^*)^2}{2} + \theta_\ell(\Pi^{nr} - \Pi^*) + \tau(1-\delta)\Pi^* - \gamma. \tag{A.40}$$

In a threats and concessions equilibrium, the first term is strictly positive (since $w^{nr} > w^*$), the second term is strictly negative (since $\Pi^{nr} < \Pi^*$), and the third term is positive if $\delta < 1$ and negative if $\delta > 1$. Hence, the sign of $\mathcal{W}^{nr*} - \mathcal{W}^*$ is generally ambiguous

Combining (a) and (b), we conclude: when ℓ influences voting, firm ℓ is always (weakly) better

off and the competitive firm is weakly worse off, while *total* welfare—aggregate voter welfare plus firms' after–tax profits—can be either higher or lower than in the no–influence benchmark, depending on primitive parameters. This proves the third part of Proposition 5 and completes the proof. ■

A.8 Proof of Lemma 3

Let total output $Q \in [0, \bar{Q}]$. Define $w(Q) = \frac{A}{m}Q$, before-tax profit $\Pi(Q)$ and transfer under r given by $R(Q) = \delta\tau\Pi(Q)$. Voter welfare under policy $\mathcal{P} \in \{nr, r\}$ is

$$\mathcal{V}^{\mathcal{P}}(Q) = \frac{mA}{2} + \frac{A}{2m}\left(\theta_\ell Q^2 + (1-\theta_\ell)(Q^*)^2\right) + \mathbb{1}_{\mathcal{P}}\tau\delta\left(\theta_\ell\Pi(Q) + (1-\theta_\ell)\Pi^*\right). \tag{A.41}$$

Welfare under policy $\mathcal{P} \in \{nr, r\}$ is

$$\mathcal{W}^{\mathcal{P}}(Q) = \mathcal{V}^{\mathcal{P}}(Q) + (1 - \mathbb{1}_{\mathcal{P}}\tau)\left(\theta_\ell\Pi(Q) + (1-\theta_\ell)\Pi^*\right). \tag{A.42}$$

First, we determine which policy regime is first-best by comparing welfare under r and nr for any feasible Q. Second, conditional on the first-best regime, we solve for the planner's optimal output.

Step One: First-best implements policy r iff $\delta \geq 1$.

In the first best, Q is chosen by the planner, not pinned down by firms' incentives. Fix any feasible $Q \in [0, \bar{Q}]$. To determine whether redistribution is desirable, it suffices to compare $\mathcal{W}^r(Q)$ and $\mathcal{W}^{nr}(Q)$ pointwise for each feasible Q:

$$\mathcal{W}^r(Q) - \mathcal{W}^{nr}(Q) = \tau(\delta - 1)\left[\theta_\ell\Pi(Q) + (1-\theta_\ell)\Pi^*\right]. \tag{A.43}$$

For any feasible Q with non-negative profits, the term in square brackets is weakly positive. Therefore the sign of (A.43) depends on the sign of $(\delta - 1)$. r pointwise dominates nr iff $\delta \geq 1$, and the first-best implements policy r if and only if $\delta \geq 1$.

Step Two: First-best output when $\delta \geq 1$.

Having established that the first-best chooses r iff $\delta \geq 1$, we focus on this case and maximize $\mathcal{W}^r(Q)$ over $Q \in [0, \bar{Q}]$. Welfare under r is

$$\mathcal{W}^r(Q) = \frac{mA}{2} + \frac{A}{2m}\left(\theta_\ell Q^2 + (1-\theta_\ell)(Q^*)^2\right) + (1 - \tau + \tau\delta)\left(\theta_\ell \Pi(Q) + (1-\theta_\ell)\Pi^*\right). \tag{A.44}$$

Collecting the terms that are independent on Q, and substituting $\Pi(Q) = pQ - A/mQ^2$, welfare becomes

$$\mathcal{W}^r(Q) = const + \theta_\ell \left[p(1 + \tau(\delta-1)\mathbb{1}_{\mathcal{P}})Q - \frac{A}{m}\left(\frac{1}{2} + \tau(\delta-1)\mathbb{1}_{\mathcal{P}}\right)Q^2\right], \tag{A.45}$$

which is strictly concave quadratic in Q with unconstrained maximizer

$$Q^{\text{uc}}(\delta) = \frac{mp}{A} \cdot \frac{1 + \tau(\delta-1)}{1 + 2\tau(\delta-1)}. \tag{A.46}$$

At $\delta = 1$, $Q^{\text{uc}}(1) = mp/A$. By Assumption 1(ii), $mp/A > \bar{Q}$, so $Q^{\text{uc}}(1) > \bar{Q}$. Since the capacity bound $\bar{Q}$ is fixed and $Q^{\text{uc}}(\delta)$ is continuous and decreasing in δ, there exists $\bar{\delta} > 1$ such that $Q^{\text{uc}}(\delta) \geq \bar{Q}$ for all $1 \leq \delta < \bar{\delta}$. For such δ, the unconstrained maximizer lies weakly above the feasible set $[0, \bar{Q}]$, and since $\mathcal{W}^r(Q)$ is strictly concave, the objective is increasing on $[0, \bar{Q}]$. Therefore the capacity constraint binds and the first-best choice is $Q^*(\delta) = \bar{Q}$ for all $1 \leq \delta < \bar{\delta}$. Because $Q = \bar{Q}$ requires every firm to operate at capacity, this completes the proof. ■

A.9 Proof of Proposition 6

We proceed in three steps. First, we characterize the firm's decision to influence voting (feasibility and profitability) as a function of the tax rate τ. Second, we derive the optimal tax rate that the political opponent h would propose conditional on each policy outcome, $\mathcal{P} \in \{r, nr\}$. Finally, we compare the resulting welfare levels to determine h's global optimal strategy.

Step One: Feasibility and Profitability of Electoral Influence.

(i) q_ℓ^{nr} increases with τ. Recall the net utility function $\Lambda(q_\ell^{nr})$ from (A.18). Making the dependence on the tax rate explicit, we write:

$$\Lambda(q_\ell^{nr};\tau) \equiv \max\left\{w^{nr}(q_\ell^{nr}), \frac{A}{2}\right\} - \left(\max\left\{\underline{w}^r, \frac{A}{2}\right\} + \frac{\underline{R}(\tau)}{m} + \kappa(\theta_\ell)\frac{R^*(\tau)}{m}\right). \tag{A.47}$$

The binding cutoff $\underline{q}_\ell^{nr}(\tau)$ is uniquely defined by $\Lambda(\underline{q}_\ell^{nr}(\tau);\tau) = 0$. Note that Λ is strictly increasing in q_ℓ^{nr} (as shown in the Proof of Proposition 2) and strictly decreasing in τ (since the transfer terms $\underline{R}(\tau)$ and $R^*(\tau)$ are proportional to τ). Consider an increase from τ to $\tau' > \tau$. Since Λ shifts downward, $\Lambda(\underline{q}_\ell^{nr}(\tau);\tau') < \Lambda(\underline{q}_\ell^{nr}(\tau);\tau) = 0$. To restore equality, the quantity must increase along the rising curve, implying $\underline{q}_\ell^{nr}(\tau') > \underline{q}_\ell^{nr}(\tau)$. Since the optimal choice is $q_\ell^{nr*}(\tau) = \max\{q_\ell^*, \underline{q}_\ell^{nr}(\tau)\}$, it is weakly increasing in τ.

(ii) Influence thresholds. Policy r passes if influence is not feasible (ℓ cannot influence voting) or it is not profitable (ℓ can influence voting but chooses not to). Political influence is **feasible** if the median voter constraint holds at the maximal concession $\bar{q}$, that is, if

$$\Gamma(\tau) \equiv \max\left\{w^{nr}(\bar{q}), \frac{A}{2}\right\} - \max\left\{\underline{w}^r, \frac{A}{2}\right\} - \frac{\underline{R}}{m} - \kappa(\theta_\ell)\frac{R^*}{m} \geq 0. \tag{A.48}$$

Only the transfer terms increase linearly with the tax τ, so $\Gamma(\tau)$ is a continuous and strictly decreasing function of τ. At $\tau = 0$, no tax revenue is collected and since maximal concessions imply a wage strictly higher than the threat wage ($w^{nr}(\bar{q}) > \underline{w}^r$), it follows that $\Gamma(0) > 0$. At $\tau = 1$ the tax revenue is maximized. The sign of $\Gamma(1)$ depends on the magnitude of the redistributive transfer relative to the wage gains from concessions. Since $\Gamma(\tau)$ is continuous and monotonic with $\Gamma(0) > 0$, the behavior of the function at $\tau = 1$ determines the feasible set. This yields two cases:

(a) Feasibility fails at $\tau = 1$. Suppose $\Gamma(1) < 0$. Since $\Gamma(0) > 0$ and $\Gamma(1) < 0$, by the Intermediate Value Theorem (IVT), there exists a unique cutoff $\overline{\tau} \in (0,1)$ such that $\Gamma(\overline{\tau}) = 0$. Because $\Gamma(\tau)$ is strictly decreasing, we have $\Gamma(\tau) \geq 0$ for all $\tau \leq \overline{\tau}$, meaning that for any tax rate $\tau > \overline{\tau}$, influence is infeasible even under maximal concessions.

(b) Feasibility holds at $\tau = 1$. Suppose $\Gamma(1) \geq 0$. Since $\Gamma(\tau)$ is decreasing, it follows that $\Gamma(\tau) \geq 0$ for all $\tau \in [0,1]$. Influence is therefore feasible for any tax rate, and the relevant constraint becomes

the **profitability** condition:

$$\theta_\ell \pi_\ell^{nr} + (1 - \theta_\ell)\pi_\ell^* - \gamma \geq (1 - \tau)\pi_\ell^*. \tag{A.49}$$

Define the difference

$$\Delta(\tau) \equiv \theta_\ell \pi_\ell^{nr}(\tau) + (1 - \theta_\ell)\pi_\ell^* - \gamma - (1 - \tau)\pi_\ell^*. \tag{A.50}$$

The profitability condition (A.49) holds if and only if $\Delta(\tau) \geq 0$. Note that $\Delta(0) \leq 0$, since concessions strictly reduce profits relative to the benchmark ($\pi_\ell^{nr}(0) \leq \pi_\ell^*$). The sign of $\Delta(1)$ depends on how γ compares to the expected profits. Since $\Delta(\tau)$ is continuous, the behavior of the function at $\tau = 1$ determines the feasible set. As before, we have two cases:

(a) Profitability fails at $\tau = 1$. In this case $\Delta(1) < 0$, and since $\Delta(0) \leq 0$, it is never profitable to influence the voting outcome.

(b) Profitability holds at $\tau = 1$. In this case $\Delta(1) \geq 0$ and since $\Delta(0) \leq 0$, the IVT implies there exists at least one $\tau \in [0, 1]$ such that $\Delta(\tau) = 0$, i.e., (A.49) holds with equality. Let $\overline{\tau}$ be the largest such solution. It follows that $\Delta(\tau) \geq 0$ for all $\tau \in [\overline{\tau}, 1]$. Hence, provided that influence is feasible, there exists a threshold $\overline{\tau}$ such that influence is profitable for all $\tau \geq \overline{\tau}$.

Step Two: Optimal τ proposed by political opponent h conditional on regime $\mathcal{P} \in \{r, nr\}$.

Candidate h chooses τ to maximize total welfare, $\max_{\tau \in [0,1]} \mathcal{W}^{\mathcal{P}}(\tau)$, where the superscript $\mathcal{P} \in \{r, nr\}$ indicates the equilibrium policy outcome for a given τ.

Welfare when $\mathcal{P} = r$. Policy r is implemented if influence by ℓ is either not feasible or it is feasible but not profitable. In this case, ℓ takes the outcome as given and produces q_ℓ^*, so that

$$\mathcal{W}^r(\tau) = \frac{mA}{2} + \frac{m(w^*)^2}{2A} + (\tau(\delta - 1) + 1)\,\Pi^*. \tag{A.51}$$

Differentiating yields $\frac{d\mathcal{W}^r}{d\tau} = (\delta - 1)\Pi^*$. If $\delta < 1$, welfare falls with τ and redistribution is socially undesirable. Otherwise, if $\delta > 1$, welfare rises with τ. Hence, conditional on r being implemented (h winning the election), h wants to set τ as large as possible.

Welfare when $\mathcal{P} = nr$. The redistributive policy is not implemented if influence is feasible and it

is profitable. In this case ℓ produces $q_\ell^{nr}(\tau) \geq q_\ell^*$ subject to the profitability constraint. Recalling (A.41) and (A.42) total welfare under nr, is

$$\mathcal{W}^{nr}(\tau) = \frac{mA}{2} + \frac{A}{2m}\left(\theta_\ell(Q^{nr}(\tau))^2 + (1-\theta_\ell)(Q^*)^2\right) + (\theta_\ell \Pi^{nr}(\tau) + (1-\theta_\ell)\Pi^*) - \gamma. \tag{A.52}$$

Substituting $\Pi^{nr}(\tau) = (p - w^{nr}(\tau))Q^{nr}(\tau)$ and $w^{nr}(\tau) = \frac{A}{m}Q^{nr}(\tau)$, and collecting the terms that are independent of τ, which are an additive constant, we have

$$\mathcal{W}^{nr}(\tau) = \frac{A}{2m}\theta_\ell(Q^{nr}(\tau))^2 + \theta_\ell\left(p - \frac{A}{m}Q^{nr}(\tau)\right)Q^{nr}(\tau) + \text{const} = \theta_\ell\left[pQ^{nr}(\tau) - \frac{A}{2m}(Q^{nr}(\tau))^2\right] + \text{const} \tag{A.53}$$

Recalling that $Q^{nr}(\tau) = q_\ell^{nr}(\tau) + N\underline{q}$ and differentiating with respect to τ we have

$$\frac{\partial \mathcal{W}^{nr}(\tau)}{\partial \tau} = \theta_\ell\left(p - \frac{A}{m}(q_\ell^{nr}(\tau) + N\underline{q})\right)\frac{\partial q_\ell^{nr}(\tau)}{\partial \tau}. \tag{A.54}$$

From Assumption 1.(ii) we have $p > \frac{A}{m}(\bar{q} + 2N\underline{q})$, which means that the term in parenthesis is positive, whereas q_ℓ^{nr} increases with τ as shown in in Step One (i) above. Therefore, welfare increases in τ and h would like to set it as high as possible. As discussed in Step 1 above, provided that influence is feasible at $\tau = 1$, influence is profitable and thus nr is implemented for all $\tau \geq \overline{\tau}$, so h wants to set $\tau = 1$.

Step Three: Optimal strategy.

Let $\mathcal{W}_M \equiv \mathcal{W}^r(\underline{\tau})$, and $\mathcal{W}_X \equiv \mathcal{W}^{nr}(1)$, where the subscripts M and X stand for *moderatism* and *extremism*, respectively. Under moderatism, h wins and implements redistribution at $\overline{\tau}$; under extremism, h proposes the maximal tax $\tau = 1$ and loses but forces maximal concessions $q_\ell^{nr}(1)$. h chooses the regime with higher welfare:

$$h \in \arg\max_{s\in\{M,X\}} \mathcal{W}_s. \tag{A.55}$$

When $\delta < 1$, $\mathcal{W}^r(\tau)$ is decreasing in τ while $\mathcal{W}^{nr}(\tau)$ is increasing, so extremism strictly dominates. When $\delta > 1$, both $\mathcal{W}^r$ and $\mathcal{W}^{nr}$ increase in τ, but $\mathcal{W}^{nr}$ may grow faster if wage and employment gains from induced concessions exceed redistributive gains. Hence, extremism can have a higher welfare even when redistribution is efficient ($\delta \geq 1$) and politically feasible ($\overline{\tau} < 1$). This completes the proof.■

A.10 Proof of Proposition 7

Fix τ and assume $\theta_\ell = \widehat{\theta}_\ell = 1$. Allow the pro-redistribution candidate h to specify type-dependent per-capita transfer $\mathcal{R}(v_i) \geq 0$. h wins iff it can satisfy the majority of voters' IC

$$\max\{w^{nr}, v_i\} < \max\{w^r, v_i\} + \mathcal{R}(v_i), \tag{A.56}$$

for a set of types of measure at least $m/2$. Notice that, the wage gap $\max\{w^{nr}, v_i\} - \max\{w^r, v_i\}$ is weakly decreasing in v_i and equals zero for all $v_i > w^{nr}$. Indeed,

$$\max\{w^{nr}, v_i\} - \max\{w^r, v_i\} = \begin{cases} w^{nr} - w^r, & v_i \leq w^r, \\ w^{nr} - v_i, & w^r < v_i \leq w^{nr}, \\ 0, & v_i > w^{nr}. \end{cases} \tag{A.57}$$

Step One: Minimum-cost majority and targeting.

A redistribution platform wins if there exists a set $S \subseteq [0, A]$ with $|S| \geq m/2$ such that (A.56) holds for all $v_i \in S$. For any fixed S, the cheapest way to satisfy (A.56) is to make the constraint arbitrarily close to binding pointwise on S (i.e., binding up to an arbitrarily small slack $\epsilon > 0$), and to set transfers to zero outside S.

Thus, the total redistribution to a given subset of voter S is $\int_S (\max\{w^{nr}, v_i\} - \max\{w^r, v_i\} + \epsilon) \frac{m}{A} dv_i$. Since the integrand is weakly decreasing in v_i and types are uniformly distributed, the least costly set of measure $m/2$ is the upper tail $S^* = [A/2, A]$.

Step Two: Optimal redistribution schedule.

Combining Step 1 with pointwise binding on S^* implies that an optimal winning platform satisfies

$$\mathcal{R}(v_i) = (\max\{w^{nr}, v_i\} - \max\{w^r, v_i\} + \epsilon) \, \mathbb{1}\{v_i \in [A/2, A]\}, \tag{A.58}$$

where $\epsilon > 0$ is arbitrarily small. Thus, the right-hand side equals 0 for $v_i \leq A/2$, is strictly decreasing in v_i on $(A/2, w^{nr}]$, and is ϵ for $v_i > w^{nr}$. Therefore the optimal redistribution policy is progressive only in a right neighborhood of the median voter, and identically zero outside this

interval. ■

Internet Appendix

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C Survey Appendix

This appendix documents the survey instrument used in the analysis, including eligibility criteria, fielding details, and the exact classes of questions used to construct the survey-based measures. The survey was designed to measure exposure to political activity in the workplace, perceptions of employer influence, and related political attitudes and behaviors.

C.1 Survey Administration

The survey was administered online using Qualtrics and fielded in 2025 through Prolific. Eligibility was restricted to U.S. residents aged 18 or older, as determined by Prolific's prescreening criteria. Respondents completed the survey once and received monetary compensation upon completion.

Prior to beginning the survey, respondents viewed an informed consent form describing the purpose of the study and their rights as participants. Participation was voluntary and anonymous, respondents could skip any question, and they could exit the survey at any time without penalty. The median completion time was approximately eight minutes. All study procedures were approved by the relevant institutional review board.

C.2 Survey Content and Variable Construction

The survey consists of five blocks. Below we list the questions in each block and describe how responses are used in the analysis.

Block 1: Employer characteristics and local labor market conditions. Respondents report whether their employer is one of the largest employers in their town or county. They assess local labor market outside options by answering a Likert-scale question on how easy it would be to find a similar job with another employer in the same area. Respondents also describe their employer's current employment situation, indicating whether the organization appears to be hiring, reducing staff, or remaining stable. These variables are used to proxy for employer salience and worker bargaining position.

Block 2: Employer political communications. Respondents indicate whether their employer has communicated about political issues, including: (i) government programs affecting households through taxes or benefits; (ii) how election outcomes could lead to changes in laws or policies; (iii) how the firm might respond to political developments (e.g., expansion or layoffs); (iv) support for specific political candidates; and (v) government policies affecting businesses (e.g., taxation or equal employment laws). Responses are recorded on five-point Likert scales from "Definitely not" to "Definitely yes." The survey also records the channels through which such communications occurred (e.g., email, in-person events, informal conversations).

Block 3: Workplace political discussion and actions. To measure peer-level exposure, respondents report whether they have discussed elections, candidate preferences, or firm employment prospects with coworkers. The survey also asks whether supervisors or human resources personnel have discussed political issues in the context of job security or contract negotiations. Additional questions capture whether the employer has publicly endorsed political candidates, organized campaign-related events, or solicited political donations within the workplace.

Block 4: Perceived influence and comfort. Respondents assess whether their employer's political positions affect their own career opportunities or the firm's future prospects. They also report whether employer political activity has influenced their voting decisions. Comfort with political discussion at work is measured using a five-point scale ranging from "Extremely uncomfortable" to "Extremely comfortable." These measures are used to construct indices of perceived political influence and workplace political pressure.

Block 5: Political attitudes and demographics. Respondents report age, race, ethnicity, gender, state and county of residence, educational attainment, industry of employment, household income, and political affiliation. The survey concludes with an open-ended question inviting respondents to describe any experiences they have had with politics in their workplace. Demographic variables are used as controls in the empirical analysis.

C.3 Coding Notes

Unless otherwise stated, Likert-scale responses are coded so that higher values correspond to greater exposure to or agreement with employer political activity. Binary indicators are constructed for whether respondents report any exposure to employer political communications or actions. Open-ended responses are not used in the main analysis but are retained for qualitative validation.

C.4 Survey Questions

Block 1: Employer characteristics and local labor market conditions.

Q1: Would you say your employer is one of the largest employers in your town or county?

a) Definitely yes (1)
b) Probably yes (2)
c) Might or might not (3)
d) Probably not (4)
e) Definitely not (5)

Q2: If you had or wanted to leave your current job, how easy would it be to find a similar job with another employer in your town or county?

a) Extremely difficult (1)
b) Somewhat difficult (2)
c) Neither easy nor difficult (3)
d) Somewhat easy (4)
e) Extremely easy (5)

Q3: How would you describe your employer's current situation? Does it seem like the organization needs to hire more people, reduce staff, or stay about the same?

a) Definitely hire more people (1)
b) Probably hire more people (2)

c) Stay about the same (3)

d) Probably reduce staff (4)

e) Definitely reduce staff (5)

Block 2: Employer political communications.

Q4: Do you know where your employer stands on government programs that use business profits to help households through taxes or benefits?

a) Definitely not (1)

b) Probably not (2)

c) Might or might not (3)

d) Probably yes (4)

e) Definitely yes (5)

Q5: Has your employer ever communicated about how the results of an upcoming election could lead to changes in laws or government policies?

a) Definitely not (1)

b) Probably not (2)

c) Might or might not (3)

d) Probably yes (4)

e) Definitely yes (5)

Q6: Has your employer ever communicated about how the company might respond to the current political situation, for example, by taking actions such as downsizing?

a) Definitely not (1)

b) Probably not (2)

c) Might or might not (3)

d) Probably yes (4)

e) Definitely yes (5)

Q7: Has your employer ever expressed support for a specific political candidate in internal communications?

a) Definitely not (1)

b) Probably not (2)

c) Might or might not (3)

d) Probably yes (4)

e) Definitely yes (5)

Q8: Has your employer ever communicated about possible government policies, such as raising taxes on some businesses to fund public programs, or laws promoting equal hiring and workplace treatment?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q9: How did these communications take place? (Check all that apply.)

a) By email (1)
b) By letter (2)
c) In an in-person event (3)
d) Informally, by text (4)
e) Informally, in person (5)
f) Other (6)
g) N/A (7)

Block 3: Workplace political discussion and actions.

Q1: Have you ever discussed with your colleagues an upcoming election and how this will affect your employer's outlook?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q2: Have you ever talked with your coworkers about which candidates your employer preferred in past elections?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q3: Have you ever talked with your coworkers about whether your company might expand or lay off workers as a result of an election?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)

e) Definitely yes (5)

Q4: Has a supervisor or human resources manager ever talked about how an upcoming election might affect your job or contract during contract negotiations?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q5: Has your employer publicly endorsed one candidate for an upcoming election?

a) Definitely yes (1)
b) Probably yes (2)
c) Might or might not (3)
d) Probably not (4)
e) Definitely not (5)

Q6: Has your employer organized a campaign event or solicited donations in support of specific candidates for an upcoming election within your workplace?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q7: Has your employer ever discussed possible layoffs or company expansion in the context of an endorsement of a political candidate?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Block 4: Perceived influence and comfort.

Q1: Do you think your employer's stances on political issues or candidates affect your own career opportunities or the company's future prospects?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)

d) Probably yes (4)
e) Definitely yes (5)

Q2: Do you think your employer's positions on political issues or candidates have ever influenced how you voted in an election?

a) Definitely not (1)
b) Probably not (2)
c) Might or might not (3)
d) Probably yes (4)
e) Definitely yes (5)

Q3: How do you feel about your employer talking about political issues at work?

a) Extremely uncomfortable (1)
b) Somewhat uncomfortable (2)
c) Neither comfortable nor uncomfortable (3)
d) Somewhat comfortable (4)
e) Extremely comfortable (5)

D Model Extensions

D.1 Dynamics

In this section, we examine how ℓ's electoral influence affects the joint dynamics of political and economic outcomes in the long-run. Our objective is to understand when ℓ's electoral influence is more likely to become an 'absorbing' state, whereby its electoral interference becomes increasingly more likely over time, or otherwise if there are economic forces that may swing the economy back to the no influence equilibrium.

We extend our modeling of the active channel (Section 3.3) to a dynamic setting, with discrete time and infinite horizon. In each period $t \in \{0, ..., \infty\}$, the same game as in the main model takes place. For simplicity, we assume that firms and agents are myopic, meaning that they maximize only their current-period utility.[1] We consider two examples, where we allow different parameters of the static model – the redistribution-efficiency parameter δ in the first example, and the mass of agents m in the second – to evolve with the political environment, as we posit that the history of voting outcomes shapes future realizations of these parameters. To simplify the analysis, here we set $\theta_\ell = \widehat{\theta}_\ell = 1$.

Self-Reinforcing Influence In our first example, we study the long-run impact of electoral monopsonies through the dynamics of the redistribution efficiency parameter δ_t. Formally, we assume

$$\delta_t = \psi_\delta(\mathcal{P}_{t-1})\, \delta_{t-1} + \varepsilon_{\delta t}, \tag{D.1}$$

where $\psi_\delta(r) \geq 1 > \psi_\delta(nr) > 0$, and $\varepsilon_{\delta t} \in [0, \overline{\epsilon}]$ is an iid, continuous random shock.[2]

The assumption $\psi_\delta(r) \geq 1 > \psi_\delta(nr)$ implies that the expected value of δ_t is larger when policy r was implemented the last period, that is, when $\mathcal{P}_{t-1} = r$. This captures a form of increasing returns to scale in implementing redistribution, where the more often the local government implements r, the more efficient it becomes at creating value for the public from it (Coate and Morris 1995; Acemoglu, García-Jimeno, and Robinson 2015).

We begin with examining the role of δ_t in the equilibrium characterization at time t. To turn voters against redistribution, ℓ has to create enough difference between the wages with and without redistribution to compensate the voters for the loss of the transfer. The larger the redistribution efficiency, the more difficult is to convince voters to give up on the transfer. That implies that we can rewrite the condition for when ℓ can and wants to influence voting as a function of δ_t.

Lemma 4 (Role of Institutions) *Within a period t, the large firm ℓ influences voting iff the redistribution is sufficiently inefficient, that is, if $\delta_t \leq \overline{\delta}_t$.*

The large firm can and chooses to engage in electoral influence if the redistribution efficiency parameter δ_t is sufficiently small. For δ_t low enough, redistribution does not create much value for voters, so the threat to shut down production alone is then enough to turn the majority of voters against redistribution. In that case, influencing the voting outcomes is costless for the firm, so it always chooses to do so. For

[1] The competitive firms are price-takers, so their choices would not change if we allowed them to optimize over a longer horizon. The large firm and voters would internalize some of the long-run effects we describe here, so the equilibrium thresholds for when ℓ is successful in influencing voting would be different. Appendix D.2 studies a version of the model where ℓ is long-lived and maximizes the present value of its future payoffs.

[2] In both the analyses of institutions and demographic effects, we assume that the ψ functions and the initial values of the parameters at the beginning of the game, $\{\delta_0, m_0\}$, are such that Assumption 1 holds in every period.

intermediate values of δ_t, the threat alone is not enough to satisfy the majority-rule constraint, so the firm weighs the private cost of redistribution against the cost of influencing the election, that is, the distortion in the equilibrium production $q^{nr}_{\ell,t}$. The larger is δ_t, the more attractive is redistribution for voters, so satisfying (MR) is either too costly, or no longer feasible. Figure IA1 illustrates these results.

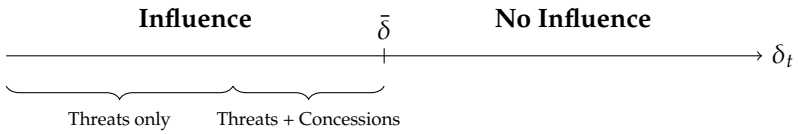


Figure IA1: Equilibrium regimes based on redistribution efficiency parameter δ_t.

Having characterized how δ_t affects the equilibrium within each period, we can now study the effects on the equilibrium dynamics.

Proposition 8 (Weakening of Institutions) *Suppose the stochastic process governing the redistribution efficiency parameter δ_t is as described in Eqn. (D.1), with $\overline{\epsilon} < (1 - \psi_\delta(nr))\overline{\delta}$. Compare two economies that, at time t, only differ in their δ_t, one with $\delta_t = \bar{\delta} - \xi$, the other with $\delta_t = \bar{\delta} + \xi$, for $\xi > 0$ small. δ_t is close to the cutoff $\overline{\delta}$ in both economies, but the large firm ℓ influences voting only in the one where $\delta_t < \overline{\delta}$.*

1. *Suppose voter i is better off in the economy where ℓ influences voting at time t. In expectation, for s sufficiently large, i becomes worse off at time $t + s$.*
2. *Over time, the expected welfare of voters in the economy where ℓ influenced voting at time t becomes increasingly smaller than in the economy where it did not.*

When we account for the effects on the quality of local institutions, the potential voter benefits of electoral influence we highlighted in Section 4.2 may disappear over time. This result works through how ℓ's concessions change with the efficiency of the local government: a more efficient government generates more value from redistribution, so ℓ has to expand production more to compensate agents for the lost transfer. Over time, however, a government that does not engage in redistribution becomes less efficient at it. So, the firm needs to make fewer concessions over time, up to the point where it will not need to make any concessions, and even the agents that supported its electoral influence in the short-run end up ultimately regretting it.

For similar reasons, voters' welfare in a community where the firm influences voting diverges from that of a community without electoral influence. As the quality of local institutions decreases, it becomes easier for ℓ to turn the community against redistribution. So, the firm becomes increasingly more likely to influence voting. Over time, this creates a feedback loop: weaker institutions are more vulnerable to influence, and increased influence further deteriorates institutional quality. So, voters become increasingly more worse off in the community where ℓ influenced voting. These dynamics can resemble the phenomenon that Acemoglu and Robinson (2006b) describe as the "persistence of extractive institutions," in which elites shape policy to entrench their advantage. These results are illustrated in Figure IA2.

Influence Cycles Starting from Tiebout (1956), there is a large literature studying the demographic response to local political outcomes (e.g., Stiglitz 1977; Kline and Moretti 2014; Diamond 2016; Dittmar and

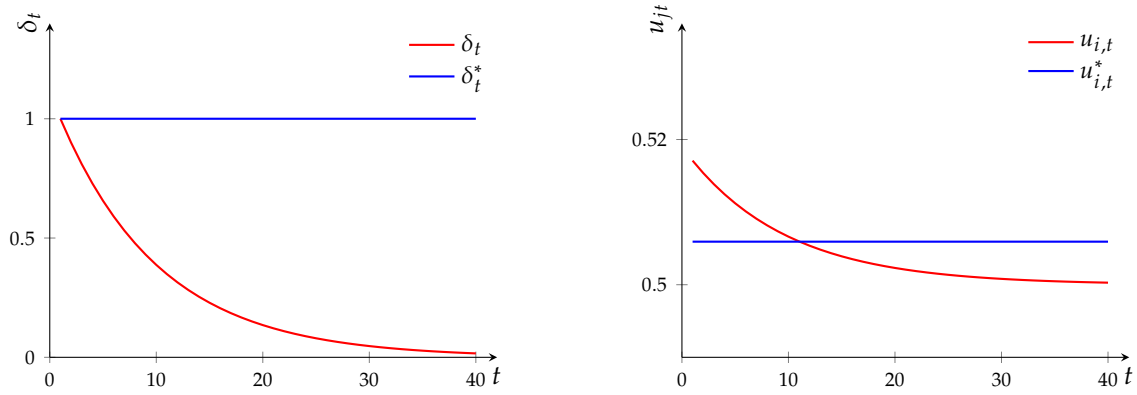


Figure IA2: Long-run effects of electoral influence through the quality of institutions.
Left: Evolution of the efficiency of redistribution, δ_t, when ℓ influences the voting outcome (red line) and in the benchmark case when it does not (blue line). Over time, δ_t changes according to Eqn. (D.1) and all other parameters stay constant: $m = 16, n = 1, \underline{q} = 1, \overline{q} = 31/4, p = 39/64, A = 1, \tau = 0.5, \delta_0 = 1, \psi_\delta(r) = 1, \psi_\delta(nr) = 0.9$, and $\varepsilon_\delta = 0$.
Right: Evolution of the utility of agent i with reservation utility $v_i = 0.46$ in the case when ℓ influences the voting outcome (red line) and in the benchmark case when it does not (blue line). Parameters are the same as in the left panel.

Meisenzahl 2020). In our model, most agents are worse off when ℓ influences the voting outcome (Proposition 5). So, over time, some of these people may choose to move to other communities. We capture this effect through the properties of the dynamic process for m_t:

$$m_t = \psi_m(\mathcal{P}_{t-1})\, m_{t-1} + \varepsilon_{mt}, \tag{D.2}$$

where $\psi_m(r) \geq 1 > \psi_m(nr)$, and ε_{mt} is an iid, positive random shock.

The assumption that $\psi_m(r) \geq 1 > \psi_m(nr)$ implies that the expected population size m_t is larger when r was implemented the last period, that is, when $\mathcal{P}_{t-1} = r$.

Next, we describe how these dynamics affect ℓ's incentives and ability to influence the elections over time. When m_t is small, the per-capita transfer from redistribution becomes large, so voters will require a lot of concessions from ℓ to forgo the transfer. Depending on the parameters, this may be too costly for ℓ, so the firm may prefer not to influence voting. When m_t is large, ℓ's impact on the equilibrium outcomes is too small, which makes influence unfeasible (Proposition 3). In this case, electoral influence then arises only for intermediate values of m_t, as illustrated in Figure IA3.

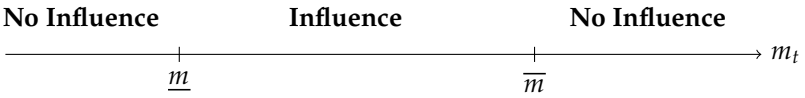


Figure IA3: Equilibrium regimes based on mass of agents m_t.

Proposition 9 (Cycles of Political Influence) *Suppose the stochastic process governing the population size m_t is as described in Eqn. (D.2), and all other parameters are constant over time. Then ℓ may influence voting in cycles, that is, $\mathcal{P}_t$ may oscillate between r and nr over time.*

Proposition 9 shows that the dynamics described above may lead to "cycles of electoral influence," with the equilibrium oscillating, over time, between the one with electoral influence and the benchmark. To understand this result, suppose ℓ influences voting in the earlier periods and, as a result, people begin to leave the community. As m_t shrinks, the per-capita value of the transfer increases: there are fewer agents that split the transfer, so each agent benefits more from redistribution. It also becomes increasingly more costly for the firm to give concessions to the community, since the pool of potential hires is smaller, and increasing employment is relatively more costly (the firm is forced to hire types with better outside options).[3] Both these channels increase ℓ's cost of influencing the election. So, there exists a threshold $\underline{m}$, such that if the mass of agents in the local community falls below this threshold, it is no longer incentive-compatible for the firm to influence voting, and the economy switches back to the benchmark equilibrium, where the redistribution policy passes and voters receive the transfer. The community then returns to being a relatively more attractive place to live in, and m_t can go back to an upward trend, until its realization passes the threshold again, and another cycle of electoral influence begins. Figure IA4 illustrates this cycles in a numerical example of the model.

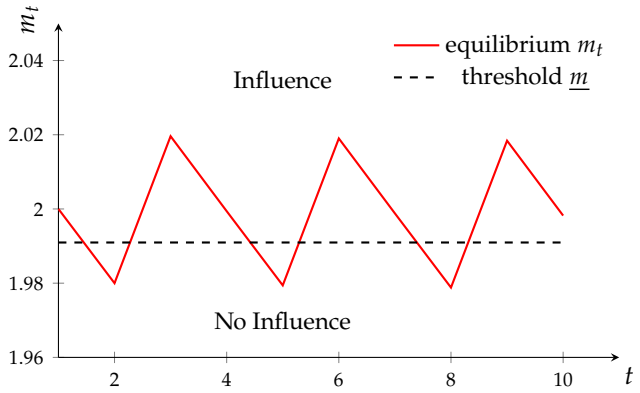


Figure IA4: Long-run effects of electoral influence through demographic effects.
Evolution of the mass of agents in the local economy, m_t, when ℓ influences the voting outcome. The dashed line indicates the indifferent threshold mass $\underline{m}$ above which the firm finds it optimal to exert influence. Over time, m_t changes according to Eqn. (D.2) and all other parameters stay constant: $N = 3/2$, $\underline{q} = 1/2$, $\overline{q} = 1$, $p = 1$, $A = 3/4$, $\delta = 1$, $\tau = 9/32$, $m_0 = 2$, $\psi_m(r) = 0.99$, $\psi_m(nr) = 1.02$ and $\varepsilon_m = 0$.

D.2 Active Channel Microfoundations

In this section, we describe simple microfoundations for the general framework of the active channel we present in Section 3.3. We first present two different ways to microfound the perfect commitment case

[3] In fact, it could be the case that, in the long run, ℓ itself may be worse off from having influenced voting in the past. As the population shrinks as a byproduct of the firm's electoral influence, the local labor supply also decreases. Over time, ℓ then has to pay higher wages to convince enough people to work for the firm. This may impose an overall larger cost on the firm than redistribution itself, so that ℓ ends up being worse off from having influenced the politics of the community in earlier periods.

($\theta_\ell = \widehat{\theta}_\ell = 1$), and then a simple microfoundation for the case where firms exploit voters' incomplete information to manipulate their beliefs about the economic impact of the policy ($\theta_\ell < \widehat{\theta}_\ell$).

Commitment through Managerial Incentives

First, we describe how ℓ can make its production contingent on the voting outcome through the design of managerial incentives, even though it cannot directly commit to a production menu based on whether the policy passes the vote.

We consider a variation of the model where ℓ's shareholders (through the board of directors) hire a manager to run the firm, publicly signing a compensation contract that is in place throughout the period. Voters cast their vote on the policy before firms make their production choices. Yet, they understand how the manager chooses the firm's production to maximize its pay, so they can correctly anticipate how its production choices will depend on the voting outcome.

If the manager accepts the contract, it observes the voting outcome $\mathcal{P}$ and chooses q_ℓ to maximize its pay, ϕ, which is a function of the firm's after-tax profits

$$\pi_\ell^{after-tax} := (1 - \mathbb{1}_{\mathcal{P}}\tau)(p - w)q_\ell, \tag{D.3}$$

where $\mathbb{1}_{\mathcal{P}}$ is one if redistribution passes the vote, and 0 otherwise, and its outside option is $\overline{u}$.

In what follows, we describe how ℓ's shareholders can design the function $\phi(\pi_\ell^{after-tax})$ at the beginning of the game in a way that, for a given $\mathcal{P}$, the manager makes the same production choices as in the main model with $\theta_\ell = \widehat{\theta}_\ell = 1$.

First, suppose the shareholders want the manager to produce like in the benchmark model. In this case, they offer a simple contract

$$\phi = \alpha * \pi_\ell^{after-tax}, \tag{D.4}$$

where α is such that $\alpha(1 - \tau)(p - w^*)q_\ell^* = \overline{u}$.

Under the contract in Eqn. (D.4), the manager's pay is linear in the firm's after-tax profit. So, the manager chooses q_ℓ to maximize $(p - w)q_\ell$ regardless of the voting outcome, just like the firm does in the benchmark of the main model. So, the manager's production choice is q_ℓ^* in both policy regimes, which means that equilibrium wages do not depend on the policy regime and, thus, all voters vote in favor of redistribution. The policy then always passes in equilibrium, and the manager's pay is $\alpha(1 - \tau)(p - w^*)q_\ell^*$.

Now, suppose the shareholders want to influence voting, so they have to design ϕ so that the manager wants to replicate the equilibrium menu in the main model (Proposition 2). To ensure the manager always chooses $q_\ell = 0$ when the policy r passes, and $q_\ell = q_\ell^{nr}$ when it does not, they offer the following contract

$$\phi = \begin{cases} \overline{u} & \text{if} \quad \pi_\ell^{after-tax} \geq (p - w^{nr})q_\ell^{nr} \\ 0 & \text{otherwise.} \end{cases} \tag{D.5}$$

Under the contract in Eqn. (D.5), the manager is paid its reservation value if the firm generates an after-tax profit weakly larger than when producing q_ℓ^{nr}, and nothing otherwise. Since shareholders only want to influence voting when $(p - w^{nr})q_\ell^{nr} > (1 - \tau)\pi_\ell^*$, the manager is never paid if the policy passes the vote, because the largest after-tax profit in that case would not cross the threshold to get paid. So, conditional on $\mathcal{P} = r$, the manager chooses $q_\ell = 0$. Conditional on $\mathcal{P} = nr$, the manager can only get paid if it chooses

$q_\ell = q_\ell^{nr}$, since in that case the firm is not taxed and $\pi_\ell^{after-tax} = (p - w^{nr})q_\ell^{nr}$. So, conditional on $\mathcal{P} = nr$, the manager chooses $q_\ell = q_\ell^{nr}$.

Notice that the manager always receives $\overline{u}$ in equilibrium, so having to pay the manager does not change the shareholder preferences on when to influence voting or not. It follows that shareholders can implement the same equilibrium outcomes as in the main model by offering the contract in Eqn. (D.4) when influencing voting is either not feasible or not profitable, and the contract in Eqn. (D.5) otherwise.

Commitment through Reputation

Next, we describe how ℓ can make its production contingent on the voting outcome through its reputation for influencing elections, even though it cannot directly commit to a production menu based on whether the policy passes the vote.

We consider a variation of the model where, with some probability $\beta \in (0, 1)$, the firm continues to live also in the next period, and make choices based on the discounted value of its current and future profits in each period. We model reputation via trigger strategies: In an equilibrium with electoral influence, the agents expect the firm to influence voting in each period it is alive. If the firm deviates from the equilibrium strategy in a certain period, the agents *punish* the firm by playing like in the benchmark model in all consecutive periods.

Notice that, in this version of the model, the firm cannot be short-lived, so it would take into consideration how its choices will affect the parameters in the next periods (δ and m). For simplicity, we assume that the parameters are constant in each period.[4] Agents can still be short-lived, or choose only based on their current utility, as the way they play in the equilibrium is still a best-response to their conjecture about how the firm will behave within the period.

Since the parameters stay constant, if it is profitable to influence voting at time t, it is also profitable to do it at time $t + 1$, and so on and so forth. So, the firm chooses based on the discounted value of its future payoffs. More formally, on the equilibrium path, the firm influences the election in every period and earns profits π_ℓ^{nr} each period. The firm's equilibrium value under perpetual influence is:

$$\frac{(p - w^{nr})q_\ell^{nr}}{1 - \beta}. \tag{D.6}$$

If the firm deviates and voters vote against the firm and therefore the firms produce as in the benchmark without making the promised concessions – agents revert to playing the benchmark in all future periods. The firm gains $(p - w^*)q_\ell^*$ immediately, but thereafter earns only

$$\frac{\beta}{1 - \beta}(1 - \tau)(p - w^*)q_\ell^*. \tag{D.7}$$

Thus, the condition for the firm to sustain the influence equilibrium via reputation is:

$$\frac{(p - w^{nr})q_\ell^{nr}}{1 - \beta} \geq (p - w^*)q_\ell^* + \frac{\beta}{1 - \beta}(1 - \tau)(p - w^*)q_\ell^*. \tag{D.8}$$

[4]Considering the dynamics of δ in Eqn. (D.1) would *reinforce* the firm's incentives to influence the elections, as the firm internalizes the weakening of institutions we describe in Proposition 8. Considering the dynamics of m in Eqn. (D.2) would *weaken* the firm's incentives to influence the elections, as the firm internalizes the declines in labor supply.

Rearranging:

$$(p - w^{nr})q_\ell^{nr} \geq (1-\beta)(p - w^*)q_\ell^* + \beta(1-\tau)(p - w^*)q_\ell^*, \tag{D.9}$$

or equivalently,

$$(p - w^{nr})q_\ell^{nr} \geq (1-\beta\tau)(p - w^*)q_\ell^*. \tag{D.10}$$

This inequality shows that the firm's willingness to influence depends on how profitable the influence strategy is relative to the benchmark, adjusted for the firm's patience β and the firm's disutility of redistribution τ.

Proposition 10 (Reputational equilibrium) *If $(p-w^{nr})q_\ell^{nr} > (1-\tau)(p-w^*)q_\ell^*$ and influencing voting is feasible, then there exists $\bar{\beta} \in (0,1)$ such that for all $\beta \geq \bar{\beta}$, the firm can maintain electoral influence through reputation.*

This condition indicates that the more patient the firm (higher β), the easier it is to maintain influence via reputation, since future punishment carries more weight. Similarly, the stronger the redistributive policy (higher τ), the greater the firm's gain from influencing the vote, and thus the stronger the reputational equilibrium.

Beliefs Manipulation through Signal-Jamming

Last, we present a simple microfoundation of the case where voters' beliefs about the probability that ℓ sticks to its communicated plan differs from the true probability. We focus on the simple case in which the true firm has no commitment ($\theta_\ell = 0$) but voters attach positive probability to it ($\widehat{\theta}_\ell > 0$).

The large firm ℓ can send a message $m_\ell = \{\emptyset, \{0, \bar{q}\}\}$ at zero cost $\gamma_\ell = 0$, whereas the competitive fringe face a cost $\gamma_j > 0$, so only ℓ communicates in equilibrium.

The large firm ℓ can be of two types: honest and opportunistic. Honest type has exogenous incentives that make the communicated policy-contingent plan $m_\ell = \{q_\ell^r, q_\ell^{nr}\}$ optimal ex-post. For example, ℓ may have an opportunity to relocate production at no cost to a state with lower tax rates, which implies $q_\ell^r = 0$ (so it is IC for honest-ℓ to shut down production if r passes). In addition, ℓ may receive subsidies to production if nr passes (e.g., the business-friendly candidate will favor ℓ), which implies $q_\ell^{nr} = \bar{q}$ (so it is IC for honest-ℓ to expand if r fails). By contrast, the opportunistic type has no such incentives. After the election it chooses output to maximize its own payoff given the implemented policy, as in the benchmark.

If ℓ is honest, since sending the message is costless and consistent with its ex-post incentives, it always sends the signal $m_\ell = \{0, \bar{q}\}$. If ℓ is opportunistic, it wants to mimic the honest type, because that increases the chance that the no-redistribution policy nr is selected.

Voters do not know if ℓ is honest or opportunistic. Because honest-ℓ never sends $m_\ell = \emptyset$, if voters observe $m_\ell = \emptyset$, they infer that the firm must be of opportunistic. On the other hand, if voters observe $m_\ell = \{0, \bar{q}\}$, they cannot tell whether the sender is honest or an opportunistic type mimicking.

In a pooling equilibrium, both types send $m_\ell = \{0, \bar{q}\}$, so the message does not reveal the firm's type. Let $\widehat{\theta}_\ell$ denote voters' posterior belief that the firm is honest after observing $m_\ell = \{0, \bar{q}\}$. In a pooling equilibrium this posterior equals the prior probability that ℓ is honest, so $\widehat{\theta}_\ell > 0$ whenever ℓ is honest with positive probability.

D.3 Probabilistic Voting with Ideology

We focus on the full commitment case when $\theta_\ell = \widehat{\theta}_\ell = 1$ and extend the analysis by allowing for (i) probabilistic voting through idiosyncratic shocks capturing the cost of voting and (ii) ideological warm-glow for supporting either policy. We show that the firm's optimal strategy, concessions under no-redistribution and threats under redistribution, remains robust in this setting. The key implication is that, because turnout is costly, only voters with intermediate net incentives are responsive, and the firm's concessions and threats operate by shifting the economic utility differential ΔU for precisely those engageable voters, which increases electoral support for no-redistribution and therefore raises the probability that no-redistribution wins.

Firm ℓ's problem is to maximize expected profits:

$$\max_{q_\ell^r, q_\ell^{nr} \in [0,\overline{q}]} \pi_\ell^{nr} \Pr(nr) + (1-\tau)\pi_\ell^r (1 - \Pr(nr)) \tag{D.11}$$

where $\pi_\ell^{\mathcal{P}}$ denotes the firm's profits under $\mathcal{P} \in \{r, nr\}$, $\Pr(nr)$ denotes the probability that the no-redistribution regime wins the election.

Let agent i's economic utility gain from no-redistribution relative to redistribution be

$$\Delta U(v_i) \equiv \max\{w^{nr}, v_i\} - \max\{w^r, v_i\} - \frac{R}{m}. \tag{D.12}$$

In addition to economic payoffs, voting reflects ideology and an idiosyncratic turnout cost. Let $\mathfrak{I}_i$ denote voter i's ideological bias toward nr (a warm-glow for voting against r), where $\mathfrak{I}_i \in \{+\iota, 0, -\iota\}$ and $\iota > 0$. We assume the population is partitioned into three ideological groups: a fraction λ_{nr} have $\mathfrak{I}_i = +\iota$ (pro-nr), a fraction λ_r have $\mathfrak{I}_i = -\iota$ (pro-r), and the remaining fraction $\lambda_0 = 1 - \lambda_{nr} - \lambda_r$ have $\mathfrak{I}_i = 0$ (non-ideological). Each voter draws a private voting cost $c_i \sim U[0, c]$ and votes for nr if $\Delta U(v_i) + \mathfrak{I}_i \geq c_i$. Symmetrically, voter i votes for r if $-(\Delta U(v_i) + \mathfrak{I}_i) \geq c_i$, and abstains otherwise.

We assume ideology is sufficiently strong to fix the direction of preferences. In particular, ι is large enough that pro-nr voters never prefer r, and pro-r voters never prefer nr, for any economic type v_i.[5] Thus, the mass of voters supporting nr is

$$\mu(nr) = \lambda_{nr}\, \mathbb{E}_v[\Pr(\Delta U(v_i) + \iota \geq c_i)] + \lambda_0\, \mathbb{E}_v[\Pr(\Delta U(v_i) \geq c_i)]\,, \tag{D.13}$$

and the mass supporting r is

$$\mu(r) = \lambda_r\, \mathbb{E}_v[\Pr(-\Delta U(v_i) + \iota \geq c_i)] + \lambda_0\, \mathbb{E}_v[\Pr(-\Delta U(v_i) \geq c_i)]\,. \tag{D.14}$$

To map vote shares into victory probabilities, we assume the election outcome is subject to an aggregate popularity shock ξ, realized after the firm's choice, with smooth CDF $H(\cdot)$. The no-redistribution regime wins if:

$$M(nr) \equiv \frac{\mu(nr)}{\mu(nr) + \mu(r)} \geq \frac{1}{2} + \xi. \tag{D.15}$$

Consequently, the probability of victory is $\Pr(nr) = \Pr\left(\xi \leq M(nr) - \frac{1}{2}\right) = H\left(M(nr) - \frac{1}{2}\right)$ which is strictly increasing and differentiable in $M(nr)$, $H'(\cdot) > 0$.[6]

[5] Specifically, $\Delta U(v_i) + \iota \geq 0$ for all v_i in the pro-nr group and $\Delta U(v_i) - \iota \leq 0$ for all v_i in the pro-r group. However, they may abstain if the voting cost c_i is sufficiently high. By contrast, non-ideological voters ($\mathfrak{I}_i = 0$) may support either regime depending on $\Delta U(v_i)$ and c_i.

[6] The aggregate shock ξ smooths the majority rule cutoff, so small changes in the vote share $M(nr)$ translate into smooth changes in the

Responsiveness of the Vote. Under $c_i \sim U[0, c]$, the probability that type v_i with ideology $\mathfrak{I}_i$ votes nr is linear on the band $0 < \Delta U(v_i) + \mathfrak{I}_i < c$ and flat elsewhere.[7] The always-vote terms (where net utility exceeds c) matter only for levels; only the swing bands (where net utility is between 0 and c) respond at the margin. Hence, we focus on the voters who can realistically be mobilized: those whose net utility difference is small relative to the cost of voting. These individuals are "engageable" in the sense that their probability of turning out shifts smoothly with changes in ΔU, effectively driving the decisive voting margin.

To capture the responsive margin, we define the set of voters who are marginally movable towards nr and r as:

$$\mathcal{S}_{nr} := \{v_i : 0 < \Delta U(v_i) + \iota < c\}\ ,\ \ \mathcal{S}_r := \{v_i : 0 < -\Delta U(v_i) + \iota < c\},\ \ \mathcal{S}_0 := \{v_i : 0 < |\Delta U(v_i)| < c\} \tag{D.16}$$

where $\mathcal{S}_{nr}$ and $\mathcal{S}_r$ denote the swing voters in the pro-nr and pro-r groups, respectively, and $\mathcal{S}_0$ denotes the neutral swing voters. Within these bands, the probability of voting changes with slope $1/c$. Outside these bands, the probability is either 0 or 1 and the derivative is zero.

Through threats and concessions ℓ changes the utility differential ΔU and through that the voting masses:

$$\frac{\partial \mu(nr)}{\partial \Delta U} = \frac{1}{c}\left[\lambda_{nr} \Pr(v_i \in \mathcal{S}_{nr}) + \lambda_0 \Pr(v_i \in \mathcal{S}_0^{nr})\right] \geq 0, \tag{D.17}$$

$$\frac{\partial \mu(r)}{\partial \Delta U} = -\frac{1}{c}\left[\lambda_r \Pr(v_i \in \mathcal{S}_r) + \lambda_0 \Pr(v_i \in \mathcal{S}_0^{r})\right] \leq 0, \tag{D.18}$$

where $\Pr(v_i \in \mathcal{S})$ denotes the measure of voters in the respective swing set, and the neutral swing band $\mathcal{S}_0$ partitions into $\mathcal{S}_0^{nr} := \{v_i : 0 < \Delta U(v_i) < c\}$ and $\mathcal{S}_0^{r} := \{v_i : -c < \Delta U(v_i) < 0\}$. These expressions show that responsiveness comes entirely from the swing bands, that is, the movable voter masses.

The vote share $M(nr)$ is strictly increasing in ΔU. By the quotient rule:

$$\frac{\partial M(nr)}{\partial \Delta U} = \frac{\mu(r)\frac{\partial \mu(nr)}{\partial \Delta U} - \mu(nr)\frac{\partial \mu(r)}{\partial \Delta U}}{(\mu(nr) + \mu(r))^2} \geq 0. \tag{D.19}$$

Since $\mu'(nr) \geq 0$ and $\mu'(r) \leq 0$, the numerator is strictly positive provided at least one swing set has positive measure.

Impact of Production on Utility. The utility differential is given by the difference in labor market outcomes net of transfers, as in (D.12). Marginal changes in wages affect only workers ($v_i \leq w^{\mathcal{P}}$), while transfer changes shift ΔU uniformly for all agents:

$$\frac{\partial \Delta U(v_i)}{\partial w^{nr}} = 1_{\{v_i \leq w^{nr}\}} \geq 0, \quad \frac{\partial \Delta U(v_i)}{\partial w^{r}} = -1_{\{v_i \leq w^{r}\}} \leq 0, \quad \frac{\partial \Delta U(v_i)}{\partial R} = -\frac{1}{m} < 0. \tag{D.20}$$

Concessions (higher q_ℓ^{nr}) and threats (lower q_ℓ^{r}) affect wages and transfers via production choices. Specifically, $\partial w^{nr}/\partial q_\ell^{nr} > 0$, $\partial w^{r}/\partial q_\ell^{r} > 0$, and $\partial R/\partial q_\ell^{r} > 0$ locally at the shutdown point $q_\ell^{r} = 0$.[8]

victory probability $\Pr(nr) = H\left(M(nr) - \frac{1}{2}\right)$, with local sensitivity governed by $H'(\cdot)$. Without ξ (that is, under deterministic majority rule), the win probability becomes a step function, $\Pr(nr) = \mathbf{1}\{M(nr) \geq \frac{1}{2}\}$, and the firm has no marginal incentive to change outcomes except at the knife edge.

[7] Specifically, the CDF is piecewise linear: $\Pr(x \geq c_i)$ equals 0 for $x \leq 0$, x/c for $0 < x < c$, and 1 for $x \geq c$.

[8] Locally at the threat point $q_\ell^{r} = 0$, the marginal revenue is $\frac{\partial R}{\partial q_\ell^{r}} = \delta\tau\left(p - \frac{2A}{m}(N\underline{q} + q_\ell^{r})\right)$. This is strictly positive because Assumption 1(ii) implies the condition $\frac{m}{A}p > 2N\underline{q}$.

The Firm's Optimal Strategy. Putting these together, we determine the effect of the firm's strategy on the election outcome. For concessions (higher q_ℓ^{nr}) we have:

$$\frac{\partial \Pr(nr)}{\partial q_\ell^{nr}} = \underbrace{H'(\cdot)}_{+} \underbrace{\frac{\partial M(nr)}{\partial \Delta U}}_{+} \underbrace{\frac{\partial \Delta U}{\partial w^{nr}}}_{+} \underbrace{\frac{\partial w^{nr}}{\partial q_\ell^{nr}}}_{+} > 0, \tag{D.21}$$

and for threats (lower q_ℓ^{r}):

$$\frac{\partial \Pr(nr)}{\partial q_\ell^{r}} = \underbrace{H'(\cdot)}_{+} \underbrace{\frac{\partial M(nr)}{\partial \Delta U}}_{+} \left(\underbrace{\frac{\partial \Delta U}{\partial w^{r}}}_{-} \underbrace{\frac{\partial w^{r}}{\partial q_\ell^{r}}}_{+} + \underbrace{\frac{\partial \Delta U}{\partial R}}_{-} \underbrace{\frac{\partial R}{\partial q_\ell^{r}}}_{+} \right) < 0. \tag{D.22}$$

Thus, the firm maximizes the probability of the no-redistribution outcome by expanding production under nr (concessions) and restricting production under r (threats). Both strategies work by shifting the economic utility differential ΔU, thereby expanding the set of engageable voters supporting the firm's preferred regime. Concessions raise support for no-redistribution by making work under that regime more attractive, while threats reduce support for redistribution by depressing wages and transfers. Both channels strictly increase the probability that no-redistribution wins. ■

E Proofs for Online Appendix

E.1 Proof of Lemma 4

Fix a period t and suppress the subscript t when no confusion arises. We prove that there exists a threshold $\overline{\delta}$ such that firm ℓ influences voting iff $\delta \leq \overline{\delta}$.

Step One: Feasibility cutoff of δ. As explained in the proof of Proposition 4, influence is feasible iff (A.20) holds, which can be rearranged as

$$\Gamma(\delta) = \underbrace{\max\left\{\frac{A}{m}\bar{Q}, \frac{A}{2}\right\} - \max\left\{\frac{A}{m}N\underline{q}, \frac{A}{2}\right\}}_{\Gamma_0} - \delta \underbrace{\left\{\frac{\tau}{m}\left(p - \frac{A}{m}N\underline{q}\right)N\underline{q} + \kappa(\widehat{\theta}_\ell)\left[p - \frac{A}{m}(q_\ell^* + N\underline{q})\right](q_\ell^* + N\underline{q})\frac{\tau}{m}\right\}}_{\Gamma_1} \geq 0. \tag{E.1}$$

Observe that $\Gamma(\delta)$ is linear in δ: $\Gamma(\delta) = \Gamma_0 - \delta \cdot \Gamma_1$. Notice that, we have $\Gamma_0 \geq 0$. Under Assumption 1, we have $p - \frac{A}{m}N\underline{q} > 0$ and $p - \frac{A}{m}(q_\ell^* + N\underline{q}) > 0$, hence $\Gamma_1 > 0$. It follows that $\Gamma(\delta)$ is strictly decreasing in δ. Therefore, there exists a unique $\overline{\delta}_1 \equiv \frac{\Gamma_0}{\Gamma_1}$ such that $\Gamma(\overline{\delta}_1) = 0$, and the feasibility condition $\Gamma(\delta) \geq 0$ is satisfied iff $\delta \leq \overline{\delta}_1$, (equivalently, infeasible if $\delta > \overline{\delta}_1$).

Step Two: Profitability cutoff of δ. The profitability cutoff is defined by the value of δ at which the firm is indifferent between influence and no influence. To characterize this cutoff, we first show that the equilibrium nr output q_ℓ^{nr} required to satisfy the median-voter IC is increasing in δ. We then show that the firm's expected payoff from influence is decreasing in this required output. Together, these monotonicity results imply the existence of a cutoff $\overline{\delta}_2$ (possibly infinite) such that influence is profitable iff $\delta \leq \overline{\delta}_2$.

(a) q_ℓ^{nr} is increasing in δ. Under influence, ℓ chooses the lowest concessions $q_\ell^{nr} \in [q_\ell^*, \bar{q}]$ that satisfies the median-voter IC:

$$\Gamma(q_\ell^{nr}, \delta) = \max\left\{\frac{A}{m}(q_\ell^{nr} + N\underline{q}), \frac{A}{2}\right\} - \left(\max\left\{\frac{A}{m}N\underline{q}, \frac{A}{2}\right\} + \delta\,\Gamma_1\right) \geq 0. \tag{E.2}$$

Here $\Gamma_1 > 0$ is defined in (E.1) and is independent of q_ℓ^{nr} and δ. In (E.2), the first max is weakly increasing in q_ℓ^{nr}, while the bracketed term is independent of q_ℓ^{nr} and strictly increasing in δ. Thus, as δ increases, the bracketed term of the IC shifts upward, and the minimal $q_\ell^{nr} \in [q_\ell^*, \bar{q}]$ required to satisfy $\Gamma \geq 0$ is weakly increasing in δ (and strictly increasing whenever the IC binds).

(b) Cutoff. Rewrite the profitability condition as a function of δ as:

$$\Delta(\delta) \equiv \theta_\ell \pi_\ell^{nr}(q_\ell^{nr}(\delta)) - \gamma - (\theta_\ell - \tau)\pi_\ell^* \geq 0. \tag{E.3}$$

By part (a), $q_\ell^{nr}(\delta)$ is weakly increasing in δ. Since q_ℓ^* maximizes profits over $[0, \bar{q}]$ and $q_\ell^{nr} \in [q_\ell^*, \bar{q}]$, profits under nr decrease as the quantity deviates toward $\bar{q}$, meaning that the term $\pi_\ell^{nr}(q_\ell^{nr}(\delta))$ is weakly decreasing in δ. The other terms are independent of δ. Consequently, $\Delta(\delta)$ is a continuous and weakly decreasing function of δ.

Consider the boundary at $\delta = 0$. The median-voter IC is weakest, so by (E.2), the equilibrium quantity is $q_\ell^{nr} = q_\ell^*$, implying $\pi_\ell^{nr} = \pi_\ell^*$. In this case, (E.3) holds whenever $\tau\pi_\ell^* \geq \gamma$ (we assume γ is sufficiently small).

Since $\Delta(\delta)$ is continuous and monotonic with $\Delta(0) \geq 0$, by the IVT there exists a unique threshold $\overline{\delta}_2 > 0$ (possibly infinite) such that $\Delta(\overline{\delta}_2) = 0$. Thus, influence is profitable if and only if $\delta \leq \overline{\delta}_2$.

Step Three: Combine feasibility and profitability. Influence by firm ℓ requires both feasibility and profitability. Define

$$\overline{\delta} \equiv \min\{\overline{\delta}_1, \overline{\delta}_2\}. \tag{E.4}$$

Then firm ℓ influences the election iff $\delta \leq \overline{\delta}$. For $\delta > \overline{\delta}$, either no feasible output can sway the median voter or influence is unprofitable, and there is no electoral influence in the equilibrium. This completes the proof of Lemma 4. ■

E.2 Proof of Proposition 8

Part 1 of Proposition 8

We first show that even voters who benefit initially from ℓ's electoral influence become worse off over time. We proceed in three steps. First, we show that given the cutoff characterization, the policy regime at time t becomes absorbing from $t+1$ onward. Then, we show that the implied paths of δ_{t+s} diverge over time across the two regimes: under nr, redistribution efficiency δ_{t+s} remains bounded, while under r it grows over time in expectation. This then implies that expected voter utility under nr is bounded, whereas under r it eventually dominates, so for large enough s voters are better off under r in expectation.

For any time t, under $\mathcal{P}_t = nr$, voter i's utility is

$$u_{i,t}^{nr}(\delta_t) = \max\{w_t^{nr}(\delta_t), v_i\}, \tag{E.5}$$

while under $\mathcal{P}_t = r$ it is

$$u_{i,t}^{r}(\delta_t) = \max\{w_t^{*}, v_i\} + \frac{R_t^*(\delta_t)}{m}. \tag{E.6}$$

Now fix t, and consider two economies that, at time t, only differ in their δ_t, one with $\delta_t = \overline{\delta} - \xi$, the other with $\delta_t = \overline{\delta} + \xi$, for $\xi > 0$ small. By Lemma 4, this implies $\mathcal{P}_t = nr$ in the first economy (where $\delta_t^{nr} = \overline{\delta} - \xi$) and $\mathcal{P}_t = r$ (where $\delta_t^{r} = \overline{\delta} + \xi$) in the second.

Step One: Regime persistence. Consider the economy with $\delta_t = \overline{\delta} - \xi$. Using $\psi_\delta(nr) \in (0,1)$ and $\varepsilon_{\delta,t+1} \leq \overline{\epsilon}$,

$$\delta_{t+1} = \psi_\delta(nr)\delta_t + \varepsilon_{\delta,t+1} \leq \psi_\delta(nr)\overline{\delta} + \overline{\epsilon} < \overline{\delta}, \tag{E.7}$$

where the strict inequality follows from the bounded shocks $\overline{\epsilon} < (1 - \psi_\delta(nr))\overline{\delta}$. Hence $\mathcal{P}_{t+1} = nr$. Iterating yields $\Pr(\delta_{t+s} < \overline{\delta} \mid \delta_t = \overline{\delta} - \xi) = 1$ (so that $\mathcal{P}_{t+s} = nr$) for all $s \geq 1$.

Now consider the economy where $\delta_t = \overline{\delta} + \xi$. Since $\psi_\delta(r) \geq 1$ and $\varepsilon_{\delta,t+1} \geq 0$,

$$\delta_{t+1} = \psi_\delta(r)\delta_t + \varepsilon_{\delta,t+1} \geq \delta_t > \overline{\delta}, \tag{E.8}$$

so $\mathcal{P}_{t+1} = r$, and thus $\Pr(\delta_{t+s} > \overline{\delta} \mid \delta_t = \overline{\delta} + \xi) = 1$ (so that $\mathcal{P}_{t+s} = r$), for all $s \geq 1$.

Step Two: Divergence in redistribution efficiency. Conditional on $\delta_t = \overline{\delta} - \xi$, the process $\{\delta_{t+s}\}_{s\geq 1}$ satisfies

$$\delta_{t+s} = \psi_\delta(nr)^s \delta_t + \sum_{k=1}^{s} \psi_\delta(nr)^{s-k} \varepsilon_{\delta,t+k}, \qquad \forall s \geq 1. \tag{E.9}$$

By Step 1 (regime persistence), $\delta_t < \overline{\delta}$ implies $\delta_{t+s} < \overline{\delta}$ for all $s \geq 1$. Therefore, $\{\delta_{t+s}\}_{s\geq 1}$ is bounded above by $\overline{\delta}$.

Conditional on $\delta_t = \overline{\delta} + \xi$, using $\psi_\delta(r) \geq 1$, we have instead

$$\delta_{t+s} \geq \delta_t + \sum_{k=1}^{s} \varepsilon_{\delta,t+k}, \qquad \forall s \geq 1. \tag{E.10}$$

Because $\varepsilon_{\delta,t}$ is continuously distributed on $[0, \overline{\epsilon}]$, we have $\mathbb{E}[\varepsilon_{\delta,t}] > 0$. It follows that $\mathbb{E}_t[\delta_{t+s} \mid \delta_t = \overline{\delta} + \xi]$ grows without bound as $s \to \infty$ (and in particular diverges to $+\infty$ when δ is not bounded above).

Step Three: Long-run divergence in voter welfare. For any voter i in the economy with $\delta_t = \overline{\delta} - \xi$, from (E.5),

$$u^{nr}_{i,t+s}(\delta_{t+s}) = \max\{w^{nr}_{t+s}(\delta_{t+s}), v_i\}, \tag{E.11}$$

where $w^{nr}_{t+s}(\delta)$ is (weakly) increasing in δ and bounded above by production capacity. It follows that $u^{nr}_{i,t+s}(\delta)$ is weakly increasing in δ and bounded above. Thus, there exists a constant $\bar{G}_i < \infty$, such that $u^{nr}_{i,t+s}(\delta_{t+s}) \leq \bar{G}_i$, and it follows that $\mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} - \xi] \leq \bar{G}_i$.

For any voter i in the economy with $\delta_t = \overline{\delta} + \xi$, from (E.6),

$$u^{r}_{i,t+s}(\delta_{t+s}) = \max\{w^{*}_{t+s}, v_i\} + \frac{R^{*}_{t+s}(\delta_{t+s})}{m_{t+s}}, \tag{E.12}$$

with $R^{*}_{t+s}(\delta)$ linear in δ with strictly positive slope. Hence we can write $u^{r}_{i,t+s}$ as $u^{r}_{i,t+s}(\delta) = a\,\delta + b_i$, where $a > 0$. Taking expectations conditional on δ_t yields

$$\mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} + \xi] - \mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} - \xi] \geq a\,\mathbb{E}_t[\delta_{t+s} \mid \delta_t = \overline{\delta} + \xi] + b_i - \bar{G}_i. \tag{E.13}$$

By Step Two, $\mathbb{E}_t[\delta_{t+s} \mid \delta_t = \overline{\delta} + \xi] \to \infty$ as $s \to \infty$. Since $a > 0$, the right-hand side diverges to $+\infty$, and therefore

$$\mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} + \xi] - \mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} - \xi] \to +\infty \quad \text{as } s \to \infty. \tag{E.14}$$

In particular, there exists $S > 0$ such that for all $s \geq S$, $\mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} - \xi] < \mathbb{E}_t[u_{i,t+s} \mid \delta_t = \overline{\delta} + \xi]$. This proves the first part of Proposition 8.

Part 2 of Proposition 8

The second part of the proof is to show that the expected welfare when ℓ influences voting becomes increasingly smaller relative to the case without influence.

From Step 3 of Part 1, for each voter i there exists $\bar{G}_i < \infty$ such that, in the economy with $\delta_t = \overline{\delta} - \xi$,

$u^{nr}_{i,t+s}(\delta_{t+s}) \leq \bar{G}_i$, $\forall s \geq 1$. Let $\bar{G} \equiv \sup_i \bar{G}_i < \infty$, and hence

$$\mathcal{V}_{t+s} \;=\; \int u^{nr}_{i,t+s}(\delta_{t+s})\, di \;\leq\; \int \bar{G}\, di \;=\; m\,\bar{G}, \tag{E.15}$$

so $\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} - \xi] \leq m\bar{G}$ for all $s \geq 1$.

In the economy with $\delta_t = \overline{\delta} + \xi$, voter utility satisfies

$$u^{r}_{i,t+s}(\delta_{t+s}) = \max\{w^*, v_i\} + \frac{R^*(\delta_{t+s})}{m} = b_i + a\,\delta_{t+s}, \tag{E.16}$$

where $a > 0$ constant, δ_{t+s} is independent of i and $b_i \equiv \max\{w^*, v_i\}$ does not depend on s. Aggregating and taking expectations yields

$$\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} + \xi] = \int b_i\, di \;+\; a\, m\, \mathbb{E}_t[\delta_{t+s} \mid \delta_t = \overline{\delta} + \xi]. \tag{E.17}$$

By Step 2 of Part 1, $\mathbb{E}_t[\delta_{t+s} \mid \delta_t = \overline{\delta} + \xi]$ grows without bound as $s \to \infty$, hence so does $\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} + \xi]$.

Since $\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} - \xi]$ is bounded above while $\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} + \xi]$ grows without bound,

$$\mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} + \xi] - \mathbb{E}_t[\mathcal{V}_{t+s} \mid \delta_t = \overline{\delta} - \xi] \xrightarrow[s\to\infty]{} +\infty. \tag{E.18}$$

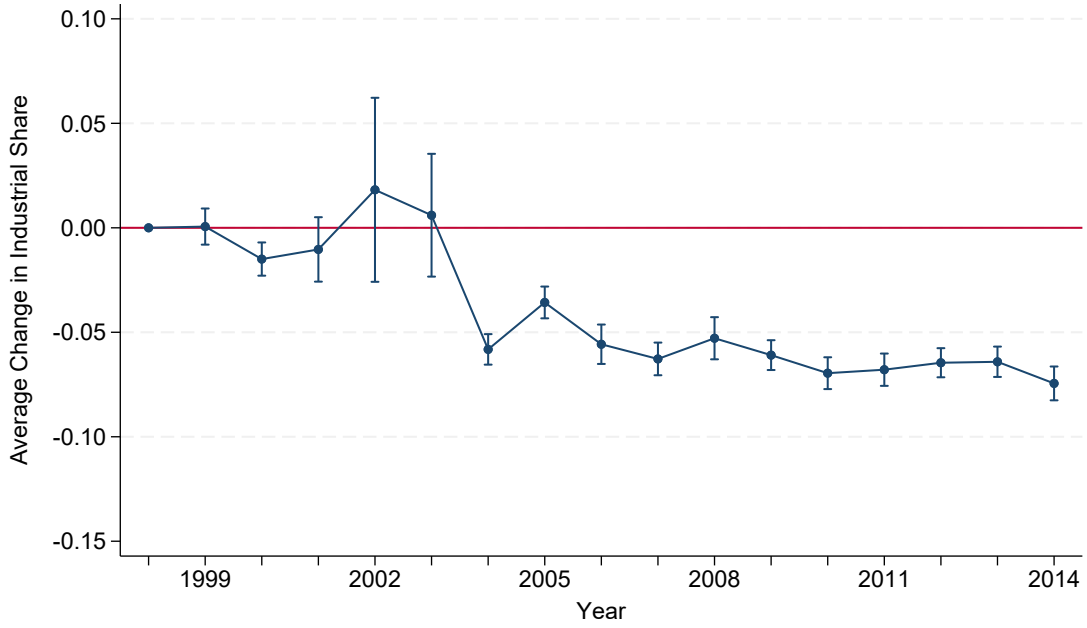
Moreover, because under r we have $\delta_{t+s+1} \geq \delta_{t+s}$ (since $\psi_\delta(r) \geq 1$ and $\varepsilon_{\delta,t+s+1} \geq 0$), the gap is nondecreasing in s, and it must be strictly increasing for some s. ■

E.3 Proof of Proposition 9

We prove the possibility result in Proposition 9 through the numerical example in Figure IA4.

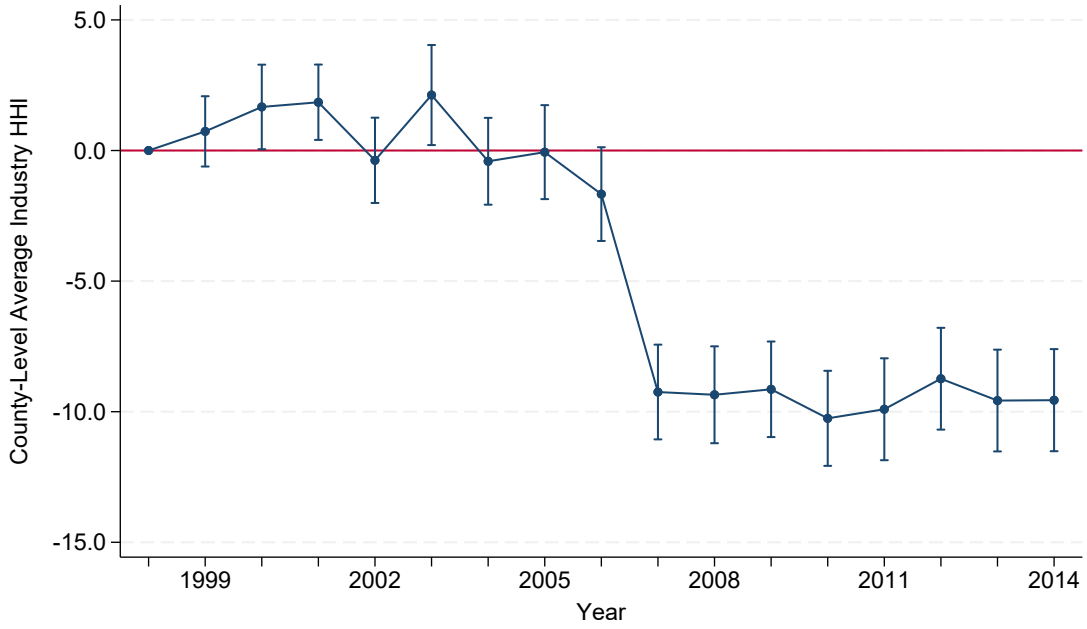
F Internet Appendix Figures and Tables

Figure IA5: Average %Change in Industrial Share



This figure shows trends in the yearly percentage change in average industry employment shares across U.S. counties, computed using County Business Patterns data. The dependent variable is the industry-level annual percentage change in employment share within each county. The plotted coefficients correspond to year fixed effects from a regression of the annual percentage change in industry share on a full set of year indicators, absorbing 2-digit NAICS industry fixed effects. Coefficients are normalized relative to the omitted base year. The figure reports point estimates and 95% confidence intervals clustered by county.

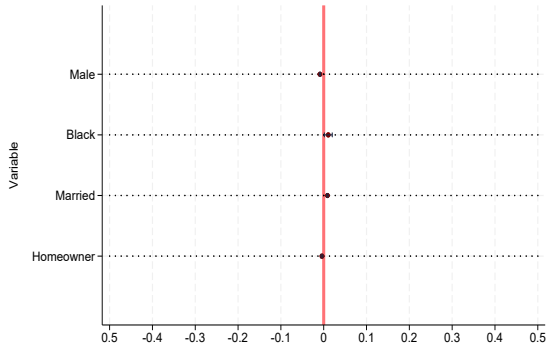
Figure IA6: Trends in Average Industrial Concentration at the Local Level



This figure shows trends in industrial concentration across U.S. industries measured using the Herfindahl–Hirschman Index (HHI) computed from County Business Patterns data. The dependent variable is the industry-level HHI. The plotted coefficients correspond to year fixed effects from a regression of HHI on a full set of year indicators, absorbing 2-digit NAICS industry fixed effects. Coefficients are normalized relative to the omitted base year. The figure reports point estimates and 95% confidence intervals clustered by county.

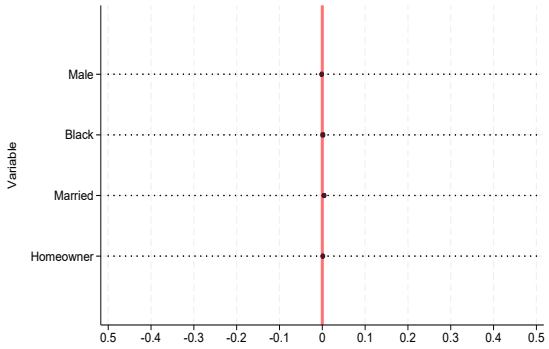
Figure IA7: Balance of Exposure to the Instrument on Pre-Period Individual Characteristics

Exposure Along Partisan Affiliation

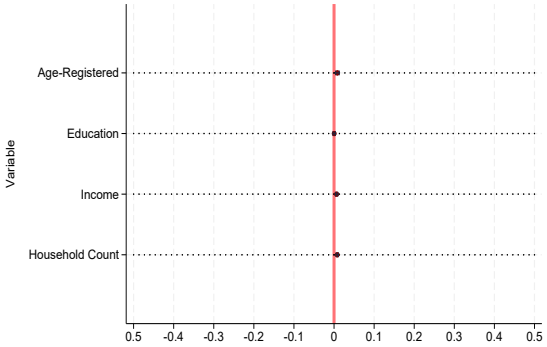


(a) Dummy Characteristics from Voting Records

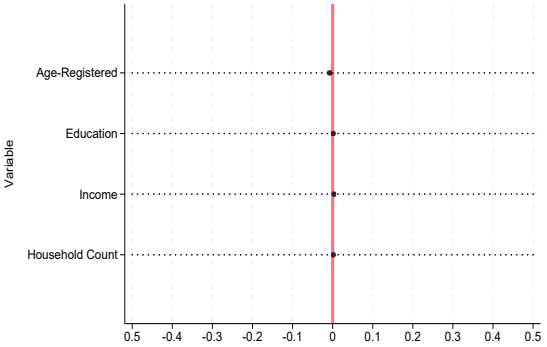
Exposure Along Swing Voter Status



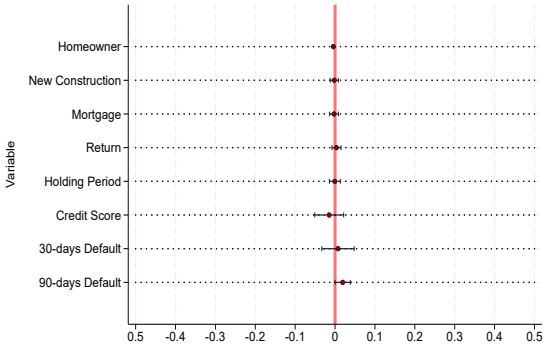
(b) Dummy Characteristics from Voting Records



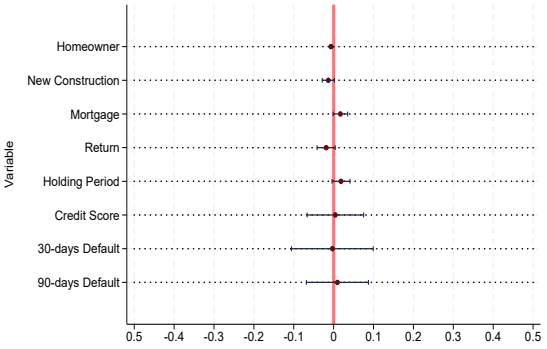
(c) Continuous Characteristics from Voting Records



(d) Continuous Characteristics from Voting Records



(e) Characteristics from Property & Credit Records



(f) Characteristics from Property & Credit Records

This figure reports coefficients from regressions of predetermined individual characteristics on the instrument interacted with individual exposure trait (I_i). Individual exposure traits are $1(Party_i = Republican)$ and $Swing\ Voter$ status. Predetermined individual characteristics in panels (a) and (b) are dummy variables, while variables in panels (c)–(f) have been standardized into z-scores. All specifications include census-tract, birth-year, and state $\times I_i$ fixed effects, state–party fixed effects. Credit characteristics also include year-of-credit-report fixed effects. Characteristics "New construction", "Mortgage", "(housing) Return", and "Holding Period" in Panel (e) and (f) come from Corelogic, and condition on the individual being a homeowner. Characteristics "Credit Score", "30-days Default", and "90-days Default" come from a subsample of voters in North Carolina with an Experian record, and as such condition on the individual having a credit record. Standard errors are clustered at the county level.

Table IA1: Electoral Monopsony Power on Voters' Electoral Engagement: Heterogenity By Voters-Industrial Complex Ideological Gap

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
Panel A: Voting Percentage				
EMP × Republican × Industry Politics	0.0005	0.0056	-0.0037	0.0004
	(0.0034)	(0.0063)	(0.0056)	(0.0069)
EMP × Republican	0.0097***	0.0142***	0.0140***	0.0259***
	(0.0013)	(0.0023)	(0.0023)	(0.0059)
Republican × Industry Politics	-0.0942***	-0.0909***	-0.0825***	-0.0920***
	(0.0044)	(0.0046)	(0.0052)	(0.0055)
Republican	0.0287***	0.0287***		
	(0.0015)	(0.0016)		
(log) Population $_{Pre}$ × Republican				0.0087***
				(0.0029)
Panel B: First-Time Registration				
EMP × Republican × Industry Politics	0.0124***	0.0133***	0.0092**	0.0088**
	(0.0033)	(0.0051)	(0.0043)	(0.0044)
EMP × Republican	0.0102***	0.0192***	0.0185***	0.0172***
	(0.0012)	(0.0020)	(0.0018)	(0.0039)
Republican × Industry Politics	0.0231***	0.0291***	0.0239***	0.0250***
	(0.0039)	(0.0038)	(0.0029)	(0.0031)
Republican	0.0027*	0.0021		
	(0.0014)	(0.0013)		
(log) Population $_{Pre}$ × Republican				-0.0009
				(0.0019)
Panel C: Donor Likelihood				
EMP × Republican × Industry Politics	0.0047***	0.0078***	0.0059***	0.0075***
	(0.0009)	(0.0023)	(0.0021)	(0.0026)
EMP × Republican	0.0020***	0.0034***	0.0031***	0.0079***
	(0.0003)	(0.0005)	(0.0006)	(0.0018)
Republican × Industry Politics	-0.0042***	-0.0031**	-0.0031**	-0.0070***
	(0.0014)	(0.0013)	(0.0013)	(0.0015)
Republican	-0.0040***	-0.0040***		
	(0.0004)	(0.0004)		
(log) Population $_{Pre}$ × Republican				0.0035***
				(0.0010)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	No	Yes	Yes
Age × Republican FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates along the ideological gap between the voter preferences of the local electorate and the political leanings of the local industry, as measured by employment-weighted net political contributions. Estimates are presented for three electoral outcomes: voting participation (Panel A), first-time voter registration (Panel B), and political donations (Panel C). Each panel shows OLS estimates and IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. The main interaction term $EMP \times Republican$ captures heterogeneous effects by party affiliation. All models include tract and age fixed effects. Columns (3) and (4) additionally include party-state and party-year fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA2: Electoral Monopsony Power on Voters' Affiliation: Heterogenity By Voters-Industrial Complex Ideological Gap

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Swing Voter × Industry Politics	0.0895***	0.1277***	0.0661**	0.0766**
	(0.0169)	(0.0338)	(0.0281)	(0.0347)
EMP × Swing Voter	0.0601***	0.1249***	0.1261***	0.1638***
	(0.0067)	(0.0116)	(0.0107)	(0.0289)
Swing Voter × Industry Politics	0.3894***	0.4367***	0.3844***	0.3523***
	(0.0220)	(0.0228)	(0.0177)	(0.0228)
Swing Voter	0.0207**	0.0156*		
	(0.0086)	(0.0083)		
(log) Population $_{Pre}$ × Swing Voter				0.0273*
				(0.0145)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates on party affiliation along the ideological gap between the voter preferences of the local electorate and the political leanings of the local industry, as measured by employment-weighted net political contributions. Baseline estimates capture the effect of electoral monopsony power on party affiliation, measured as the likelihood of registering as a Republican among prior swing voters. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA3: Electoral Monopsony Power on Voters' Electoral Engagement: Heterogenity By Unionization Rates

	OLS (1)	IV (2)	IV (3)	IV (4)
Panel A: Voting Percentage				
EMP × Republican × Unionization Rate$_{Pre}$	0.0347	-0.0745	-0.4166**	-0.4412**
	(0.0900)	(0.2042)	(0.1644)	(0.1929)
EMP × Republican	0.0112	0.0281*	0.0559***	0.0595***
	(0.0079)	(0.0167)	(0.0138)	(0.0194)
Republican × Unionization Rate$_{Pre}$	0.3340*	0.2074	0.5032**	0.5455**
	(0.1945)	(0.2624)	(0.2057)	(0.2445)
Republican	-0.0163	-0.0060		
	(0.0161)	(0.0212)		
(log) Population $_{Pre}$ × Republican				0.0012
				(0.0035)
Panel B: First-Time Registration				
EMP × Republican × Unionization Rate$_{Pre}$	-0.1609***	-0.3347***	-0.2717***	-0.2773**
	(0.0573)	(0.1245)	(0.0973)	(0.1093)
EMP × Republican	0.0218***	0.0408***	0.0343***	0.0351***
	(0.0050)	(0.0102)	(0.0079)	(0.0105)
Republican × Unionization Rate$_{Pre}$	0.4541***	0.4611***	0.3823***	0.3919***
	(0.1136)	(0.1602)	(0.1235)	(0.1398)
Republican	-0.0308***	-0.0310**		
	(0.0094)	(0.0129)		
(log) Population $_{Pre}$ × Republican				0.0003
				(0.0017)
Panel C: Donor Likelihood				
EMP × Republican × Unionization Rate$_{Pre}$	-0.0193	-0.0645	-0.1048**	-0.1516***
	(0.0172)	(0.0524)	(0.0428)	(0.0542)
EMP × Republican	0.0040***	0.0091**	0.0118***	0.0188***
	(0.0015)	(0.0043)	(0.0035)	(0.0053)
Republican × Unionization Rate$_{Pre}$	0.0933**	0.0912	0.1237**	0.2084***
	(0.0429)	(0.0681)	(0.0542)	(0.0650)
Republican	-0.0127***	-0.0125**		
	(0.0036)	(0.0055)		
(log) Population $_{Pre}$ × Republican				0.0025***
				(0.0008)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	No	Yes	Yes
Age × Republican FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates along the pre-period (industry employment-weighted) county-level unionization rates. Estimates are presented for three electoral outcomes: voting participation (Panel A), first-time voter registration (Panel B), and political donations (Panel C). Each panel shows OLS estimates and IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects. Columns (3) and (4) additionally include party-state and party-year fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA4: Electoral Monopsony Power on Voters' Affiliation: Heterogenity By Unionization Rates

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Swing Voter × Unionization Rate$_{Pre}$	-0.7873**	-1.8319**	-0.2278	-1.2616
	(0.3550)	(0.8638)	(0.6516)	(0.8782)
EMP × Swing Voter	0.0989***	0.2144***	0.0791	0.2311***
	(0.0309)	(0.0705)	(0.0528)	(0.0860)
Swing Voter × Unionization Rate$_{Pre}$	2.8332***	2.8932**	0.9642	2.7827**
	(0.8692)	(1.2289)	(0.9776)	(1.1589)
Swing Voter	-0.1461**	-0.1501		
	(0.0724)	(0.0990)		
(log) Population $_{Pre}$ × Swing Voter				0.0525***
				(0.0150)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates on party affiliation along the pre-period (industry employment-weighted) county-level unionization rates. Baseline estimates capture the effect of electoral monopsony power on party affiliation, measured as the likelihood of registering as a Republican among prior swing voters. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA5: Horse Race Between Electoral Monopsony Power and Size on Voters' Electoral Engagement

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
Panel A: Voting Percentage				
EMP × Republican	0.0117***	0.0188***	0.0235***	0.0253***
	(0.0018)	(0.0036)	(0.0031)	(0.0069)
Republican × Large-Firm Percentage	-0.1330***	-0.0866***	-0.0339	-0.0377
	(0.0267)	(0.0332)	(0.0260)	(0.0247)
Republican	0.0255***	0.0204***		
	(0.0031)	(0.0041)		
(log) Population $_{Pre}$ × Republican				0.0013
				(0.0036)
Panel B: First-Time Registration				
EMP × Republican	0.0094***	0.0200***	0.0164***	0.0177***
	(0.0010)	(0.0022)	(0.0020)	(0.0041)
Republican × Large-Firm Percentage	-0.0094	0.0596***	0.0274*	0.0248*
	(0.0145)	(0.0198)	(0.0151)	(0.0135)
Republican	0.0066***	-0.0009		
	(0.0018)	(0.0025)		
(log) Population $_{Pre}$ × Republican				0.0009
				(0.0018)
Panel C: Donor Likelihood				
EMP × Republican	0.0024***	0.0046***	0.0044***	0.0079***
	(0.0003)	(0.0007)	(0.0007)	(0.0019)
Republican × Large-Firm Percentage	-0.0122**	0.0024	0.0046	-0.0032
	(0.0057)	(0.0057)	(0.0045)	(0.0048)
Republican	-0.0039***	-0.0055***		
	(0.0006)	(0.0007)		
(log) Population $_{Pre}$ × Republican				0.0027***
				(0.0009)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	No	Yes	Yes
Age × Republican FE	No	No	Yes	Yes

Note: This table reports joint estimates of the effects of changes in electoral monopsony power and large-firm percentage on three electoral outcomes: voting participation (Panel A), first-time voter registration (Panel B), and political donations (Panel C). Each panel shows OLS estimates and IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. The main interaction term $EMP \times Republican$ captures heterogeneous effects by party affiliation. All models include tract and age fixed effects. Columns (3) and (4) additionally include party-state and party-year fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA6: Horse Race Between Electoral Monopsony Power and Size on Voters' Affiliation

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Swing Voter	0.0425***	0.1136***	0.0931***	0.1708***
	(0.0069)	(0.0175)	(0.0146)	(0.0346)
Swing Voter × Large-Firm Percentage	0.0816	0.5486***	0.4490***	0.2741**
	(0.1323)	(0.1828)	(0.1342)	(0.1288)
Swing Voter	0.0723***	0.0186		
	(0.0149)	(0.0211)		
(log) Population $_{Pre}$ × Swing Voter				0.0580***
				(0.0163)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports joint estimates of the effect of electoral monopsony power and large-firm percentage on party affiliation, measured as the likelihood of registering as a Republican among prior swing voters. The key regressor of interest is $EMP\times$ Swing Voter. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA7: Electoral Monopsony Power on Percentage Voting on Minor Elections

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Republican	0.0020***	0.0016	0.0026**	0.0063**
	(0.0006)	(0.0011)	(0.0011)	(0.0025)
Republican	0.0024***	0.0024***		
	(0.0008)	(0.0008)		
(log) Population $_{Pre}$ × Republican				0.0025**
				(0.0012)
N. obs.	57,616,909	57,616,909	57,616,909	57,616,493
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports estimates of the effect of electoral monopsony power on voting participation in minor elections. The key regressor of interest is $EMP \times Republican$. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA8: Electoral Monopsony Power on Voters' Electoral Engagement: Heterogenity By Local Levels of Tradability

	OLS (1)	IV (2)	IV (3)	IV (4)
Panel A: Voting Percentage				
EMP × Republican × Tradability	-0.0780*	0.1228	0.1178	0.1224
	(0.0445)	(0.1671)	(0.1555)	(0.1592)
EMP × Republican	0.0184***	0.0183**	0.0204***	0.0225**
	(0.0029)	(0.0078)	(0.0071)	(0.0093)
Republican × Tradability	0.1754**	-0.0750	-0.1463	-0.1456
	(0.0876)	(0.2397)	(0.2195)	(0.2242)
Republican	0.0035	0.0141		
	(0.0042)	(0.0103)		
(log) Population $_{Pre}$ × Republican				0.0015
				(0.0037)
Panel B: First-Time Registration				
EMP × Republican × Tradability	-0.0043	0.2302	0.1252	0.1296
	(0.0272)	(0.1400)	(0.0960)	(0.0984)
EMP × Republican	0.0098***	0.0066	0.0094**	0.0105*
	(0.0015)	(0.0061)	(0.0043)	(0.0053)
Republican × Tradability	0.1036*	-0.1810	-0.0951	-0.0971
	(0.0548)	(0.1708)	(0.1269)	(0.1301)
Republican	0.0011	0.0132*		
	(0.0026)	(0.0074)		
(log) Population $_{Pre}$ × Republican				0.0008
				(0.0018)
Panel C: Donor Likelihood				
EMP × Republican × Tradability	-0.0041	0.0784	0.0654	0.0755
	(0.0086)	(0.0537)	(0.0476)	(0.0578)
EMP × Republican	0.0029***	0.0011	0.0012	0.0047*
	(0.0004)	(0.0022)	(0.0020)	(0.0028)
Republican × Tradability	0.0170	-0.0813	-0.0961	-0.0977
	(0.0214)	(0.0725)	(0.0665)	(0.0805)
Republican	-0.0060***	-0.0018		
	(0.0009)	(0.0030)		
(log) Population $_{Pre}$ × Republican				0.0026***
				(0.0009)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Republican FE	No	No	Yes	Yes
Age × Republican FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates along the degree of tradability of local industries. Estimates are presented for three electoral outcomes: voting participation (Panel A), first-time voter registration (Panel B), and political donations (Panel C). Each panel shows OLS estimates and IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. The main interaction term $EMP \times Republican$ captures heterogeneous effects by party affiliation. All models include tract and age fixed effects. Columns (3) and (4) additionally include party-state and party-year fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA9: Electoral Monopsony Power on Voters' Affiliation: Heterogenity By Local Levels of Tradability

	OLS	IV	IV	IV
	(1)	(2)	(3)	(4)
EMP × Swing Voter × Tradability	-0.1044	1.0981	0.8391	1.2168
	(0.1465)	(0.9244)	(0.7383)	(1.1741)
EMP × Swing Voter	0.0433***	0.0358	0.0311	0.1039*
	(0.0097)	(0.0400)	(0.0321)	(0.0562)
Swing Voter × Tradability	1.4387***	-0.1667	-0.4235	-0.6865
	(0.3712)	(1.3054)	(1.1013)	(1.7742)
Swing Voter	0.0178	0.0850		
	(0.0199)	(0.0572)		
(log) Population $_{Pre}$ × Swing Voter				0.0587***
				(0.0158)
N. obs.	61,157,784	61,157,784	61,157,784	61,157,784
N. Clusters	1,696	1,696	1,696	1,696
Tract FE	Yes	Yes	Yes	Yes
Age FE	Yes	Yes	Yes	Yes
State × Swing Voter FE	No	No	Yes	Yes
Age × Swing Voter FE	No	No	Yes	Yes

Note: This table reports heterogeneity of our baseline estimates on party affiliation along the degree of tradability of local industries. Baseline estimates capture the effect of electoral monopsony power on party affiliation, measured as the likelihood of registering as a Republican among prior swing voters. The key regressor of interest is $EMP\times$ Swing Voter. Column (1) presents OLS estimates, while columns (2)–(4) present IV estimates using shift-share instruments constructed using the periods 2000–2014 following the methodology outlined in Section 5. All models include tract and age fixed effects, with some including interactions by state and age with swing voter status. Columns (3) and (4) additionally include state-swing voter and age-swing voter fixed effects. Standard errors clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA10: Electoral Monopsony Power on Voters' Voting Percentage: Robustness to Inclusion of Additional Controls

Panel A: Republican × County-level Economic Controls					
County Control$_{pre}$:	Poverty Rate$_{pre}$ × $Rep.$	Percentage Rural$_{pre}$ × $Rep.$	Public Assistance$_{pre}$ × $Rep.$	Unemployment$_{pre}$ × $Rep.$	Median Income$_{pre}$ × $Rep.$
	(1)	(2)	(3)	(4)	(5)
EMP × Republican	0.0272***	0.0315***	0.0265***	0.0264***	0.0263***
	(0.0030)	(0.0072)	(0.0028)	(0.0029)	(0.0029)
Panel B: Demographic Controls					
County Control$_{pre}$:	Percentage Black$_{pre}$ (6) × $Rep.$	Average Education$_{pre}$ (7) × $Rep.$	Birth Rate$_{pre}$ (8) × $Rep.$	Death Rate$_{pre}$ (9) × $Rep.$	Median Age$_{pre}$ (10) × $Rep.$
EMP × Republican	0.0258***	0.0204***	0.0236***	0.0246***	0.0237***
	(0.0033)	(0.0027)	(0.0033)	(0.0027)	(0.0027)
N. obs.	61,161,069	61,161,069	61,161,069	61,160,846	61,160,846
N. Clusters	1,700	1,700	1,700	1,697	1,697
Tract	Yes	Yes	Yes	Yes	Yes
Age	Yes	Yes	Yes	Yes	Yes
State × Republican	Yes	Yes	Yes	Yes	Yes
Age × Republican	Yes	Yes	Yes	Yes	Yes

Note: This table reports estimates of the effect of changes in electoral monopsony power on voting participation, as measured by voting percentage after controlling for pre-period county characteristics interacted with individual political affiliation. Panel A assesses robustness to the inclusion of additional county-level economic controls, measured prior to the sample period and interacted with Republican affiliation. Specifically, each column adds one county-level pre-period control – poverty rate, percentage rural, public assistance participation, unemployment rate, or median household income – interacted with Republican affiliation. Panel B assesses robustness to the inclusion of additional county-level demographic controls, also measured prior to the sample period and interacted with Republican affiliation. The controls include the percentage of Black residents, average educational attainment, birth rate, death rate, and median age. All specifications include tract and age fixed effects, as well as interactions between Republican affiliation and state and age. Standard errors are clustered at the county level. *** 1%, ** 5%, * 10% significance level.

Table IA11: Electoral Monopsony Power on Voters' Electoral Engagement: Robustness to Excluding High-Rotemberg-Weight Industries

Excluded Industry:	Admin. & Support, Waste Services	Retail Trade	Manufacturing	Arts, Ent. & Recreation	Accommodation & Food Services
	(1)	(2)	(3)	(4)	(5)
Panel A: Voting Percentage					
EMP × Republican	0.0252***	0.0202***	0.0226***	0.0250***	0.0296***
	(0.0030)	(0.0026)	(0.0027)	(0.0027)	(0.0033)
Panel B: First-Time Registration					
EMP × Republican	0.0132***	0.0136***	0.0143***	0.0146***	0.0161***
	(0.0015)	(0.0015)	(0.0016)	(0.0016)	(0.0018)
Panel C: Donor Likelihood					
EMP × Republican	0.0041***	0.0034***	0.0038***	0.0038***	0.0046***
	(0.0007)	(0.0005)	(0.0006)	(0.0006)	(0.0007)
Panel D: Voter's Affiliation					
EMP × Swing Voter	0.0490***	0.0715***	0.0633***	0.0600***	0.0739***
	(0.0107)	(0.0106)	(0.0100)	(0.0116)	(0.0137)
N. obs.	61,161,270	61,161,270	61,161,270	61,161,270	61,161,270
N. Clusters	1,702	1,702	1,702	1,702	1,702
Tract	Yes	Yes	Yes	Yes	Yes
Age	Yes	Yes	Yes	Yes	Yes
State × Republican	Yes	Yes	Yes	Yes	Yes
Age × Republican	Yes	Yes	Yes	Yes	Yes
Rotemberg weight	0.579	0.268	0.068	0.027	0.023

Note: This table reports estimates of the effect of changes in electoral monopsony power on political participation and party affiliation. Panel A reports effects on voting percentage. Panel B reports effects on first-time voter registration. Panel C reports effects on the likelihood of making a political donation. Panel D reports effects on party affiliation, measured as the likelihood that prior swing voters register as Republicans. Each column reports estimates from a specification that excludes one industry from the construction of the shift-share instrument. The excluded industry in each column is indicated in the header row labeled "Excluded Industry" and its associated Rotemberg weight reported. Rotemberg weights are computed following Goldsmith-Pinkham et al. (2020). Leave-one-industry-out estimates assess the sensitivity of estimates to exclusion of industries contributing most strongly to identification. Positive Rotemberg weights sum to 1.001 and negative weights sum to 0.001. All specifications include tract and age fixed effects, as well as interactions between Republican affiliation and state and age. Standard errors are clustered at the county level. *** 1%, ** 5%, * 10% significance level.