Special Interest influence and the interpretability of the law [†]

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Abstract

Because laws are susceptible to multiple interpretations, interest groups care not only about the choices of lawmakers but also those of interpreters. When institutions restrict groups from directly influencing interpreters, such as judges, they may instead seek to shape the interpretability of laws in ways that advance their interests. Data from the United States show that activities aimed at influencing the interpretability of laws have increased dramatically over the last sixty years and that those involved in these efforts also tend to influence through traditional lobbying. We discuss these ideas within an agency model that links the arenas of influence, lawmaking and law interpretability, and report multiple evidence of complementarities in interest group involvement across both.

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1 Introduction

In a recent paper, Ash, Chen, and Naidu (2025) provide evidence that Law and Economics' courses influence U.S. judges' rulings, suggesting a potential channel for Special Interest Groups to influence policies through the judiciary. However, it is important to note that influencing the courts does not automatically imply that final policy outcomes will be necessarily affected. Legislators can update their expectations about judicial rulings and modify legislation accordingly, potentially neutralizing any effect on final outcomes. A more encompassing approach that simultaneously considers legislation, law interpretation, and Special Interest Groups influence decisions in both instances is therefore warranted.

In this paper, we construct a simple model of legislation and law interpretation in which a legislator faces a biased law interpreter and must decide whether to pass legislation that neutralizes this bias. Once we understand the incentives of such a legislator, we introduce interest groups that can provide campaign contributions to the legislator, as well as invest in increasing (reducing) the probability that the law interpreter will interpret the law in favor of (against) the position of the interest group. We deduce the conditions under which complementarities in influence activities emerge in equilibrium and offer a range of empirical evidence that supports the presence of these complementarities in the United States. Our theoretical results together with the supporting empirical evidence might help explain the synchronous rise of both forms of influence in the US since, at least, the 1990s.

Law interpretation has been explored in Political Economy and Law and Economics, departing from the fundamental idea that "what the law means" emerges endogenously from the interaction of institutional stakeholders rather than from the doctrinal principles in which the written law is carved.[1] However, it is not an exaggeration to say that law interpretation has been almost neglected in the analysis of Special Interest Politics.[2]

[1] In Ferejohn and Weingast (1992), the relevant stakeholders are the two branches of Congress and the courts. When the written law originates from a previous Congress but can be rewritten by the current one, judges anticipate potential legislative responses and condition their interpretive choices accordingly, leaving the intentions of the legislators who originally enacted the law with little influence over the courts' interpretation. In the context of common law, the crucial actors are successive judges who must adjudicate similar cases over time. In this setting, law interpretation is adaptive: precedents and doctrines shift at the margin, and the law evolves under the pressure of error correction and learning (Gennaioli & Shleifer, 2007a, 2007b), even when personal agendas influence interpreters' decisions. More recent contributions sharpen the trade-offs judges face under interpretive constraints: how far they can move doctrine toward efficient outcomes without undermining stability or predictability (Anderlini, Felli, & Riboni, 2020). In parallel, economic accounts synthesize these forces into a general framework: interpretation reflects incentives (career, reputation, workload), constraints (precedent, procedure, appellate review), and informational frictions (Epstein, Landes, & Posner, 2013)

[2] See survey articles such as de Figueiredo and Richter (2014), Bombardini and Trebbi (2020), Whittlestone and Klitgaard (2024), and Garlick, Junk, and Brown (2025). For a less recent but theory-focused treatment of mechanisms of SIG influence, see Helpman and Grossman (2002), and more recently Polk (2023).

That interest groups engage in onerous activities to influence lawmakers in pursuit of their private interests has been widely examined in the literature. But laws are subject to interpretations that can alter their practical consequences, sometimes to the point where the same written law can produce strikingly opposite outcomes. The question often overlooked is how special interest groups respond to law interpretation, including efforts to shape interpretations or influence interpreters.

One possible reason the literature on Special Interest Politics has disregarded law interpretation is that in most democracies there are a number of institutional constraints that limit direct lobbying or financial contributions aimed at judges, effectively circumscribing the analysis to the independence of law interpreters from political influence by other branches of government. Indeed, seminal work in Law and Economics (Landes & Posner, 1975) frames courts as institutions that respond to organized interests—albeit indirectly, through political and institutional pressures. Within this framework, the direct channel that special interest groups have to influence judiciary decisions is litigation (Collins, 2008) or, in the case of countries with weak judicial institutions, pure bribes.

We propose a different perspective that helps us connect the analysis of interest-group behavior in lawmaking and law interpretation. We introduce the concept of *law interpretability* and postulate that the involvement of private interests in law interpretation occurs through their influence on *law interpretability*, that is, affecting the probability of a favorably interpreted law. In our view, interest groups do not merely lobby or bribe interpreters (both illegal in most countries), but rather preemptively shape the environment in which judges interpret laws by supplying arguments, expertise, and signals about downstream consequences of their rulings.

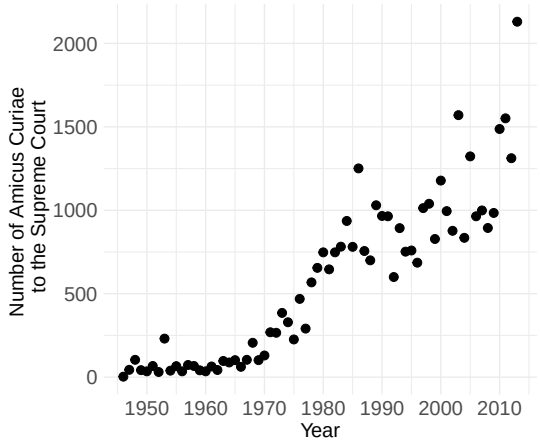
One salient and observable mechanism is the submission of amicus curiae ("friend of the court") briefs (Box-Steffensmeier, Christenson, & Hitt, 2013; Collins & McCarthy, 2017; Kane, 2017), through which interest groups indirectly, rather than directly like in litigation, influence judicial decision-making. Although not formal parties to the case, interest groups fill amicus curiae briefs to provide information, legal arguments, or policy perspectives that can shape how the courts interpret the law. Panel 1a of Figure 1 shows that the number of amicus briefs filed in the U.S. Supreme Court has grown dramatically since the mid-1980s.

Other instruments that special interest groups can employ to influence interpretability are investing in research and its dissemination and providing specialized instruction to judges on technical subjects. An example of the latter is in Ash et al. (2025), who documents the impact of the Manne Economics Institute for Federal Judges—an intensive economics training program—on subsequent judicial behavior, particularly a more anti–antitrust orientation in later rulings. Panel 1b of Figure 1 shows the increasing

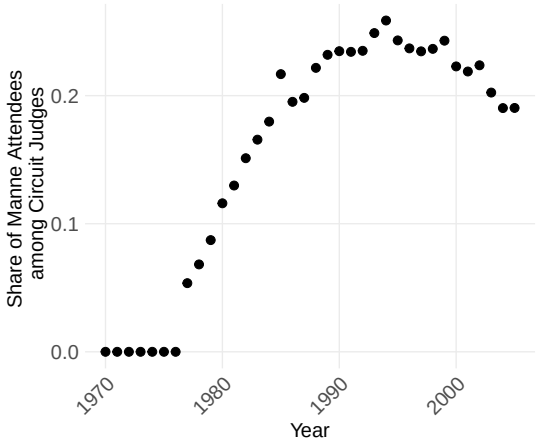
percentage of circuit judges[3] who attended Manne Institute training since its launch in 1976, reaching a peak in the mid-1990s.

In addition to the notion of law interpretability, an important novelty of our approach is that we do not merely add law interpretation as another orthogonal arena for Special Interest Politics. In contrast, we adopt the opposite perspective; we are convinced that it is almost impossible to make sense of what special interest groups have been doing in the last decades, without integrating their influence activities toward law making and law interpretability. What is the point of investing in influencing a new legislation expected to be easily stripped in the courts? Why invest in training judges if legislators will easily neutralize any expected change in law interpretation? Panel 1d of Figure 1 suggests that influencing law making and interpretation might not be disconnected. It shows that political contributions made by entities that also fund seminars for federal judges have increased since the early 2000s, with a peak of $532 millions (2017 USD) in 2006. In the same line, Panel 1c shows an increasing trend of political contributions by those filing amicus curiae.

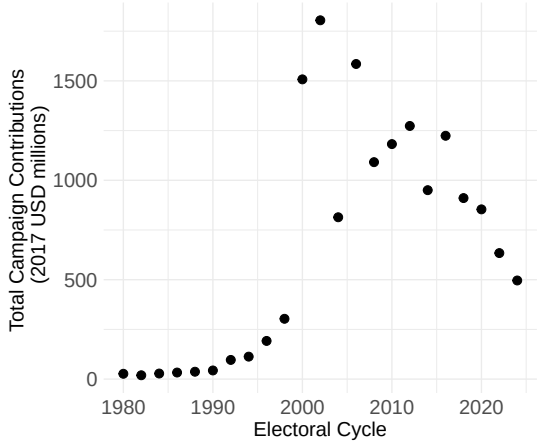
[3]Circuit judges typically decide most federal cases on appeal.



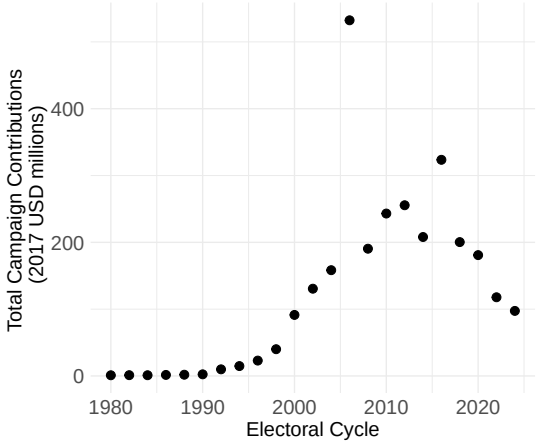
(a) Amicus Curiae Submitted to the Supreme Court



(b) Manne Institute Attendees among Circuit Judges



(c) Campaign Contributions by Amicus Curiae Signers



(d) Campaign Contributions by Funders of Seminars for Federal Judges

Figure 1: Evolution of Interest Groups in the US

Notes: Figure sub-panel a provides the trend in the number of amicus curiae signatories submitted to the Court by year of Supreme Court opinion. Data on number of Amicus Curiae submitted to the Supreme Court comes from Box-Steffensmeier and Christenson (2022). Figure sub-panel b reports the percentage of circuit judges, weighted by caseload, who have attended the Manne Economics Institute for Federal Judges using data from Ash et al. (2025). Figure sub-panel d provides total campaign contributions in a given electoral cycle that has been given by seminar funders. Contributions are measured from DIME; funders of seminars for federal judges have been obtained from the Privately Funded Seminars Disclosure System (PFSDS). See Appendix A.7 for details.

We formalize our ideas within a fairly standard agency model in which a lawmaker enacts a law, a voter observes this law and decides whether to re-elect the lawmaker, and a non-elected interpreter (e.g., a judge) can subsequently shift the law through interpretation, provided that the law is interpretable. To this baseline setting, we add interest groups that can exert influence not only on the lawmaker but also on the interpretability of the law—that is, the probability that a future law will be open to interpretation.

In the baseline model, the lawmaker faces the following trade off. It can neutralize the expected bias of the interpreter moving legislation in the opposite direction but at an electoral cost; voters might not distinguish if this move is just to offset the interpreter or a fundamental change in policy preferences. Interest groups can influence the legislator's choice by providing campaign contributions and influencing the probability that the law is interpretable. We show that in most cases there is a positive investment in interpretability, more so when the interest groups lobbying the lawmaker and investing in interpretability are aligned. We also identify the mechanisms and conditions under which engagements in the two arenas are complementary or offsetting activities. Although the possibility of offsetting activities cannot be theoretically eliminated, in relevant scenarios complementarities are the norm.

The mechanisms linking lawmaking and interpretability arise from two models. In the first model, the interest group active at the lawmaking stage can exert influence only through campaign contributions in the form of electoral rents, and this occurs before it is known whether the law will be interpretable. Interest groups can directly influence the decisions of the group in lawmaking by changing interpretability, thus activating or deactivating congressional influence. In contrast, when campaign contributions take the form of menus and can be conditioned on the realization of the state that determines whether the law is interpretable, it is the expectation of future congressional influence that generates incentives to affect interpretability.

As for the empirical exercise, using several alternative methodologies and datasets, we provide evidence consistent with complementarity between the two arenas of influence in the US. First, we show that there is substantial overlap between interest groups engaging in activities aimed at influencing lawmaking and interpretability. Second, we provide evidence consistent with the existence of complementarities between investing in law interpretability and campaign contributions. In this regard, we show that interest groups acting on law interpretability, either through funding of courses for federal judges or by submitting amicus curiae to the supreme court, are more likely to produce political contributions than comparable entities not engaging on law interpretability. Consistent with complementarities between the two arenas, we also provide evidence showing that interest groups with aligned interests in law interpretability are more likely to also act on lawmaking. Finally, we provide evidence showing that interest groups' investment in lawmaking increases following a successful investment in influencing the Supreme Court. Although certainly possible, we do not push our interpretation of any of these estimates to claim a clearly identified causal effect. Rather, we argue that through different approaches, the evidence always points in the same direction: interest groups invest in influencing law interpretability and there are complementarities with other traditional forms of lobbying, such as campaign contributions.

As we have already mentioned, there are not many works that study the connection between special interest groups and law interpretation. There are, however, some notable exceptions. Our benchmark setting is related to Fox and Stephenson (2011), who also develop an agency framework to examine the effect of judicial review on politicians' incentives to posture. The key difference of our model is that we incorporate interest groups that can actively influence both lawmaking and law interpretability.[4]

de Figueiredo and de Figueiredo (2002) introduces interest groups into a model in which a regulator faces a court that can subsequently reverse the regulator's decision. Interest groups must allocate their limited resources between lobbying the regulator and potential litigation. Crucially, de Figueiredo and de Figueiredo (2002) shows that lobbying and litigation are strategic substitutes: the more likely litigation is to overturn the policy, the less interest groups invest in lobbying. In contrast, our analysis focuses on how interest groups influence interpretability rather than litigation and show that investing in interpretability can improve influence on the lawmaking stage by altering lawmakers' incentives, rendering the two arenas of influence as complements. This has important institutional implications. While in de Figueiredo and de Figueiredo (2002)'s setup, the possibility of judicial review acts as a check and balance on lobbying, in our setting investments in interpretability often paved the way to lobbying the lawmaker.

In summary, our central contribution is to show that "interpretability efforts"—where private interests shape how laws are interpreted—and traditional channels of influence, such as campaign contributions, are mutually reinforcing components of a unified lobbying strategy. These practices operate as two sides of the same coin and must be analyzed in tandem. Our integrated perspective suggests that overlooking the interpretability channel may lead to an overestimation of the impact of campaign contributions, as a significant portion of observed political influence stems from combined efforts to shape laws and the subsequent interpretation of those laws.

The remainder of the paper is structured as follows. Section 2 expands on the motivation with empirical and anecdotal evidence on the relevance of law interpretation and the active participation of interest groups in activities aimed at influencing the interpretability of the law. Section 3 characterizes and discusses the baseline model. Section 4 analyzes the involvement of interest groups and derives the main theoretical results. Section 5 presents empirical evidence on the complementarities between campaign contributions and activities related to law interpretability. Section 6 concludes. All proofs, technical details, and additional evidence are provided in Appendix A.

[4]Another difference is that in judicial review, the judiciary can only confirm or strike down legislation passed by the legislature, whereas in our setting of law interpretation, the interpreter can move the (interpretation of the) law towards an outcome closer to their own preferences.

2 Motivation: law interpretation and interest groups

It is regularly acknowledged that law interpretation by the courts (especially Supreme Courts or Constitutional Tribunals) has played a substantial role in shaping the final substantive law in important issues. Segregated schools and abortion are key examples in the United States, with the US Supreme Court favoring radically opposite interpretations of the US Constitution at different moments.[5,6] In contrast to schools segregation and abortion, the constitutionality of a federal income tax is an example of a change in the US Supreme Court ruling triggered by a modification in the law, in this case a constitutional amendment. But even in this case, the Supreme Court played an important role in interpreting what constitutes income.[7]

Less well-known is that law interpretation and reinterpretation is present not only in famous controversial and constitutional issues but also in regular legislation, such as antitrust laws, and that interest groups may influence the interpretation process. This section reviews the literature on the influence that interest groups exhort on policy interpreters. We begin with a brief summary of the case of antitrust laws.

[5]In *Plessy v. Ferguson* (1896), the US Supreme Court upheld the constitutionality of racial segregation under the "separate but equal" doctrine. This meant that if the facilities for different races were equal, they could be separate. In *Brown v. Board of Education* (1954), the Supreme Court unanimously declared that the "separate but equal" doctrine was unconstitutional in the context of public education. The change cannot be attributed to a constitutional amendment and should be considered a case of radical reinterpretation of the same written rule.

[6]In *Roe v. Wade* (1973), the US Supreme Court recognized a woman's right to privacy, protected by the Fourteenth Amendment, which implied a right to an abortion. The decision established a trimester framework, allowing states to regulate abortion more as a pregnancy progressed, but prohibiting it after fetal viability except to protect the mother's life or health. In *Planned Parenthood v. Casey* (1992), the Supreme Court affirmed the essential holding of Roe but replaced the trimester framework with the "undue burden" standard, which prohibited states from placing substantial obstacles in the path of a woman seeking an abortion before fetal viability. In *Dobbs v. Jackson Women's Health Organization* (2022), the US Supreme Court specifically addressed Mississippi's law banning abortions after 15 weeks of pregnancy. In this decision, the Court held that the U.S. Constitution does not confer a right to abortion, overturning Roe and Casey and returning the issue to the states. Similarly, to the ruling on segregated schools, the change was not triggered by a constitutional amendment, and it should be considered another example of a radical reinterpretation of the same constitutional text.

[7]In *Pollock v. Farmers' Loan and Trust Co.* (1895), the US Supreme Court ruled that the Income Tax Act of 1894 was an unconstitutional direct tax that was not apportioned among the states as required by the Constitution. This decision spurred calls for a constitutional amendment to allow a federal income tax without apportionment. The Sixteenth Amendment (1913) reversed Pollock, granting Congress the power to tax incomes from any source without apportionment among the states. In *Brushaber v. Union Pacific Railroad Co.* (1916), the Supreme Court upheld the federal income tax enacted after the Sixteenth Amendment, confirming the amendment eliminated the apportionment requirement for income taxes. Following the Sixteenth Amendment, the Supreme Court focused on defining "income." In *Eisner v. Macomber* (1920), the Court established a "realization requirement," stating that income must be separate from its source to be taxable, ruling that a stock dividend was not income. *Commissioner v. Glenshaw Glass Co.* (1955) broadened the definition of income to include any "undeniable accession to wealth, clearly realized, and over which the taxpayers have complete dominion," a standard still used today. Finally, in *James v. United States* (1961), the Court determined that even illegally obtained funds, such as embezzled money, are taxable income.

2.1 The decline of antitrust enforcement in the US

Antitrust enforcement in the United States illustrates the importance of law interpretation, how law interpretation can be shaped, and the role of interest groups in this process.

A study by Lancieri, Posner, and Zingales (2023) shows a significant decline in US antitrust enforcement since the 1970s, despite minimal changes to formal statutes. They argue that this downturn did not stem from a lack of public support but occurred primarily during the implementation stage within federal courts and administrative agencies. Judges and regulators, frequently confirmed without explicitly stating their antitrust views, were pivotal in narrowing enforcement through shifts in legal interpretation and agency priorities.

Judges' exposure to Law and Economics probably played a significant role in these shifts in antitrust law interpretation. For instance, Ash et al. (2025) examine the effect of federal judges attending the Manne Economics Institute on their judicial decisions. The Manne program consisted of intensive two- to three-week Law and Economics seminars, initially established by Henry Manne, where judges received tuition and interacted with leading economists such as Milton Friedman and Paul Samuelson. These popular programs were attended by judges from across the political spectrum (see also Butler, 1999). Ash et al. (2025) provide evidence that, after attending, judges' behavior changed significantly across several dimensions: they used more economic language in their opinions, imposed longer criminal sentences, and became more lax in their *antitrust enforcement*.

Importantly, the impact of the Manne Economics Institute's activities on judges has been general rather than specific: they were not directed at influencing any particular dispute or individual judge. Instead, their influence has shaped judges' subsequent interpretations of the law. This point is further supported by the work of Cao (2023), which suggests that judges' economic reasoning and pro-business decisions are influenced by their exposure to law and economics faculty while in law school.

Crucially, it is not difficult to establish a link between interest groups and the shift in antitrust law interpretation. For example, the ideas transmitted at the Manne Institute most likely aligned with the interests of big business, a point emphasized in a Washington Post article from 1980.[8] The article highlights that close to 20 percent of the federal judiciary had been attending an economics seminar to which 105 corporations, 33 of which had been involved in major federal court cases, had financially contributed.

Finally, it is worth stressing that we are not making a normative assessment regarding the welfare implications of the decline in antitrust enforcement. Instead, we argue that antitrust law interpretation mattered, that specific mechanisms existed to shape antitrust

[8] See https://www.washingtonpost.com/archive/politics/1980/01/20/big-corporations-bankroll-seminars-for-us-judges/8385bf9f-1eb7-451a-8f3d-bdabb4648452/.

law interpretability, and that interest groups were involved in the process.

2.2 Amicus curiae briefs

In the US legal system, interest groups often file amicus curiae briefs to try to influence the court's reasoning or the outcome of a case. When judges cite or adopt arguments from amicus briefs in their opinions, those ideas may indirectly become part of the reasoning (*the ratio decidendi*) of the case, and that reasoning may become precedent. So, even though the amicus brief does not itself set the precedent, its content can shape the precedent through the court's opinion. In this section, we argue that the modern amicus curiae represents a mechanism of anticipatory legal influence, enabling interest groups to project their policy preferences into the judicial process, or in our terms, to shape the interpretability of the law.

Collins Jr, Corley, and Hamner (2015) show that Supreme Court justices systematically incorporate language from amicus curiae briefs. They find that judges are more likely to borrow the language of amicus briefs when these replicate arguments from other information sources, i.e., from opinions of lower courts that handled the litigation, litigant briefs, and other amicus briefs. In this sense, amicus curiae briefs influence judges in ways similar to the Manne Economics Institute documented in Ash et al. (2025).

Judges may rely on amicus briefs not only because they supplement their technical skills in some areas but because these are their primary sources of scientific information (Collins Jr et al., 2015). In such a case, interest groups work similarly to legislative lobbying as framed in Hall and Deardorff (2006), in that interest groups assist or *subsidize* lawmakers, providing policy information, political intelligence, and legislative labor.

Judges do not respond equally to all briefs. Box-Steffensmeier et al. (2013) show that groups with stronger and more central positions in the amicus network are more likely to influence judicial decisions. Box-Steffensmeier et al. (2013) also show that the influence of interest groups is moderated by judges' ideological orientation. For example, conservative judges are less likely to be persuaded by briefs filed by powerful liberal groups and, in some cases, may react negatively to them. This finding supports the view that amicus briefs function not only as legal arguments but also as ideological signals, allowing judges to infer the broader political implications of a given decision.

Finally, the importance of amicus brief in the judicial process seems to have increased over time. Larsen (2014) documents that justices increasingly cite amicus briefs directly as factual authorities, often without referencing the underlying sources, and that these briefs frequently introduce new, untested, or advocacy-driven factual claims. Larsen (2014) also notes a growing reliance on *generalized facts as opposed to case-specific and record-specific*

ones (Larsen, 2014, p. 1803).[9]

In summary, the decline of antitrust enforcement and the use of amicus curiae briefs motivate the idea that interest groups can influence policy outcomes by also targeting the interpretability of legislation and not only the legislation itself. Even with a given set of formal legal rules, the strategic deployment of resources by private interests can lead to outcomes that favor organized interests. In the next two sections, we formalize this idea and go one step forward, making a strategic link between the two arenas of influence (lawmaking and law interpretability).

3 A model of lawmaking with law interpretation

In this section, we first develop and discuss a fairly standard framework[10], into which we incorporate a stage of law interpretation. This addition naturally opens space for a complex interest-group activity connecting direct influence in Congress to the indirect one over interpreters, which we analyze in the next section.

The model has two periods and, initially, three different agents: a voter (V), a lawmaker (M) and a law interpreter (I). In period $t = 1$, the lawmaker passes a law $x_M \in \{l, c, r\}$ out of a law space that has three elements or positions, say left (l), center (c) and right (r). A law passed in period 1, x_M, is interpreted by I, who can shift it, for the time being, to any other position in the law space, i.e. $x_I \in \{l, c, r\}$. As we explain below, x_F is the final law, which can seldom differ from the original intention of the law interpreter. After the lawmaking of period-1 but before the law interpretation of the same period, there is an election in which the voter decides whether to reelect or replace the incumbent lawmaker with a challenger.

States of the world: Two states of the world, θ^M and s, are drawn at the beginning of period-1. The first is the type of period-1's incumbent lawmaker, $\theta^M \in \{c, d\}$, who can be either congruent with (c) or dissociated from (d) the voter's most preferred option c. The incumbent type is congruent with probability $\pi \in (0, 1)$, and this prior is common knowledge. A congruent lawmaker can play strategically, choosing *a priori* any law position. In contrast, the dissociated lawmaker is dogmatic and always passes their preferred law, l, regardless. That is, $X_M(\theta^M = d) = l$. In turn, the state $s \in \{y, n\}$ determines whether the law is interpretable (y), *adaptive-law state*, susceptible to being

[9] Kochevar (2013) documents the growing presence of amicus curiae in civil law jurisdictions, where they were historically absent. Brazil, Argentina, Peru and Mexico have all formally recognized amicus briefs in civil law courts between the late 1990s and the 2010s. In the EU, national antitrust authorities and the European Comision may submit amicus to national courts dealing with antitrust cases, and general amicus briefs have been formally recognized in countries such as France and Poland.

[10] The general structure follows political agency models suited to the study of institutional design, as in Maskin and Tirole (2004), or of judicial review, as in Fox and Stephenson (2011).

changed by I, or not (n), *dogmatic-law state*. With probability $\xi \in [0,1]$, the state of the world is equal to y.

Lawmaking and elections: The lawmaker observes s and then passes a law x_M. V observes x_M and then decides whether to re-elect or replace M with a challenger whose type is drawn from an identical, albeit independent, distribution as the incumbent's. At the moment of casting their vote, the voter observes the law passed x_M, and knows the (prior) probability π that the incumbent is congruent and the probability ξ that the law is interpretable, but does not observe the realization of θ^M or s.

Law interpretation: The law interpreter, after observing s and x_M, if $s = y$, conducts their interpretation into x_I. However, after interpretation, a state $\omega \in \{0,1\}$ can further change x_I, according to $x_F = \omega \times x_I + (1-\omega) \times x_M$. In the case where $x_I \neq x_M$ and $\omega = 0$, the state of *unenforced interpretation*, the interpreter is unable to effectively shift the law, resulting in a final law that coincides with the original law of the legislator, $x_F = x_M \neq x_I$. In contrast, if $x_I \neq x_M$ but $\omega = 1$, I's interpretation prevails. The probability of ω being equal to zero is assumed to be small and is represented by $\phi \in [0, \epsilon)$, with $\epsilon < 1$. Of course, when $x_I = x_M$ so is x_F, regardless of ω. If $s = n$, $x_F = x_M$. At the end of period-1 the payoffs are realized.

In period 2, the agendas of all players differ from those in period 1, so the policy concerns associated with the period-1 law no longer apply. Nevertheless, the voter prefers a congruent incumbent in period 2, and lawmakers receive rents from holding office, as specified below. Period-2 payoffs are then realized, and the game ends. We next elaborate on several relevant features of the model.

Institutional limits on law interpretation: We assume that the interpretation can move x_M at most to adjacent positions, that is, if $x_M = c$ then $x_I \in \{l, c, r\}$, if $x_M = l$ then $x_I \in \{l, c\}$, and if $x_M = r$ then $x_I \in \{c, r\}$.

Payoffs: All agents' payoffs accrue from x_F, referred to as the 'final law'. Some agents can also receive or pay rents, as detailed below. If the voter reelects the incumbent, her payoff is

$$V_V(x_F, 1) = v(x_F) + \delta \left[\mu(c \mid x_M) B^c + (1 - \mu(c \mid x_M)) B^d \right].$$

If instead the incumbent is not reelected, the voter's payoff is

$$V_V(x_F, 0) = v(x_F) + \delta \left[\pi B^c + (1 - \pi) B^d \right].$$

where $\delta \in (0,1]$ is the discount factor, B^c and B^d denote the payoff the voter receives in the second period from having a congruent and a dissociated lawmaker, respectively, with $B^c > B^d$. The voter prefers the final law to be c, i.e., $v(x_F = c) > v(x_F \neq c)$. Since

the voter prefers a congruent lawmaker in office, she reelects the incumbent whenever, after observing x_M, the posterior belief that the lawmaker is congruent exceeds the prior. These posterior beliefs are denoted by $\mu(c \mid x_M)$.

Congruent lawmakers ($\theta^M = c$) share the same preferences over final laws as the voter, while dissociated lawmakers ($\theta^M = d$) prefer l. All types of lawmakers, congruent or dissociated, as does the voter, discount future payoffs by δ. And both earn rents E when they hold office. Importantly, the law interpreter prefers the law positioned to the right. Finally, the preferences of all agents are single-peaked according to the ordered set of positions $\{l, c, r\}$. For example, a dissociated lawmaker $\theta^M = d$ prefers c to r, since their most preferred final law is l.

Solution concept: The solution concept is (pure) Perfect Bayesian Equilibrium (PBE), which we hereafter refer to simply as PBE. A formal presentation of the strategies is given in Appendix A.

3.1 Discussion of the model

To understand the logic of the model and its assumptions, it is useful to focus on the trade-off faced by a congruent lawmaker. A (congruent) lawmaker fully understands and internalizes that the interpreter may modify the law it intends to pass. Moreover, it has the ability to neutralize a known biased interpreter before elections, albeit at an electoral cost. Specifically, the congruent lawmaker can either signal its congruence to voters and allow the interpreter to shift the law, or mimic a dissociated lawmaker at the risk of losing the election, but with the benefit of neutralizing a damaging interpretation. As typical in agency models, the central assumption raising this trade-off is the asymmetry of information between the lawmaker and the voter since the latter cannot observe the lawmaker type. What makes things even more difficult for the voter is not knowing with certainty whether the law is interpretable or not, which otherwise would help them better update the prior over the type of the incumbent.

We use a simple approach to model the congruent lawmaker's trade-off: we anchor the dissociated lawmaker on the left and the law interpreter on the right. Neutralizing an r-biased interpreter then comes at the cost of mimicking an l-biased dissociated lawmaker. If c is passed, it signals congruence to voters at the risk that the interpreter will push the interpretation to the right. Choosing l avoids this but prevents signaling congruence, and there is a small chance that the interpreter cannot shift the outcome back toward the center.

In the model, we implement a number of simplifications. First, we abstract from concerns about the fate of the law in period 2. In particular, the voter's incentives to

reelect a congruent incumbent or replace a dissociated one are not tied to the fate of law x_F in period-2, but rather to the general benefit of having high-quality lawmakers in office in the future. Similarly, a congruent lawmaker does not care about the future evolution of the period-1 law, but only about the benefits from reelection, which are orthogonal to x_F. Importantly, while these assumptions considerably simplify the notation and the proofs, and streamline the voter's off-equilibrium beliefs, they do not affect the qualitative nature of the results. All of our qualitative findings would continue to hold if congruent lawmakers also cared about the future path of the period-1 law, and if voters based their re-election decisions on the expected impact of different types of lawmakers on future law outcomes in period 2.

Second, the interpreter is an automaton that, whenever possible, always moves the law to the right. Most likely, interpreters exercise some level of discretion on which laws they are willing to reinterpret, under what circumstances, in which direction, and to what extent. The advantage of our simple setting is that it focuses on the fundamental conflict of interest between a lawmaker and a law interpreter, i.e., a divergence in policy preferences.

Third, we only allow the interpreter to move the law one position from the law passed by the lawmaker. In other words, the model introduces institutional limits to law interpretation: the law can be shifted by an interpreter, yet interpretation cannot radically change a law. In the real world, when a judge interprets a law, this interpretive act unfolds within a set of institutional boundaries that constrain the judicial discretion. The text itself provides an immediate limit, since the meaning must remain plausibly anchored in the statutory or constitutional language. Interpretation is also guided by the purpose of the legislator and shaped by adherence to precedent.[11] In the case of interpreters with lower ranks, higher courts and established legal principles limit how freely judges can interpret the law, while constitutional coherence ensures that rulings do not disrupt the broader legal system. In addition, the procedures of adjudication and the need to preserve judicial legitimacy act as practical checks, keeping interpretation within the bounds of legal reasoning.

Finally, a word on interpretability, which we formalize as ξ, the probability that the law is interpretable. ξ captures the interpreter's ability to move an enacted law towards r. In our baseline setting, ξ is given exogenously, but in Section 4 it will be endogenous; in particular, affected by an interest group.

[11] In the context of common law, Gennaioli and Shleifer (2007a) (also, see Gennaioli and Shleifer (2007b)) assume that changing precedent is personally costly for judges, as it requires additional research, writing, effort to persuade colleagues on a panel and exposes them to greater risk of criticism.

3.2 Benchmark Equilibrium

This section presents the characterization of benchmark equilibria. Formally, our equilibrium concept is as follows.

Definition 1 (Equilibrium and notation)**.** *A Law Interpretation Equilibrium, PBE, is a pure-strategy Perfect Bayesian Equilibrium of our setting.* PBE_{pq} *refers to a PBE where the congruent lawmaker opts for* $x_M = p$ *when* $s = y$ *and* $x_M = q$ *when* $s = n$*, with* $p, q \in \{l, c, r\}$*. For example, in a* PBE_{lc} *the congruent lawmaker passes* l *in state* y *and* c *in state* n*.*

In the following proposition, we characterize the benchmark equilibrium behavior of the congruent lawmaker and the voter in the two classes of Perfect Bayesian equilibria (PBE): informative and non-informative. The proposition relies on the result that the voter always reelects the incumbent when observing $x_M = c$ or $x_M = r$ and replaces it when observing $x_M = l$. The statement and proof of this result are provided in Appendix A.1, Lemma A1.

Proposition 1 (PBEs and the Law Signaling Condition)**.** *Suppose that out of the equilibrium path, the voter's belief that the incumbent is congruent conditional on observing* $x_M = c, r$ *satisfies* $\mu(c \,|x_M) > \pi$*, i.e. the posterior belief that the incumbent is congruent is higher than the prior. Consider the following Law Signaling condition*[12]

$$\delta E \geq (1 - \phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right]. \tag{1}$$

1. *If (1) holds, then the unique PBE equilibrium is* PBE_{cc}*:* $x_M(c, n) = x_M(c, y) = c$*.*
2. *If (1) does not hold, then the unique PBE equilibrium is* PBE_{lc}*:* $x_M(c, y) = l$ *and* $x_M(c, n) = c$*.*

Proof. The proof is given in Appendix A.1, Proof Proposition 1. □

Proposition 1 derives the condition that divides the set of *PBE* equilibria into informative, PBE_{cc}, and non-informative, PBE_{lc}. In the former case, a congruent lawmaker signals its type to win the election because the present value of office rents, δE, is larger than the benefits of neutralizing the interpreter. In the latter case, the congruent lawmaker does not separate from the dissociated one because it values the final law, and hence, neutralizing the interpreter, more than holding office. Note that this applies to a situation in which the law is interpretable. When the law is not interpretable, the congruent lawmaker simply selects c and separates from the dissociated lawmaker at no cost.

[12]Technically speaking, when (1) holds with equality, (c, c) and (l, c) are both PBE. To break the tie, we assume that in such knife-edge situation, M selects (c, c), which ensures that it will be reelected.

Proposition 1 formalizes the idea that studying the effects of law interpretation requires understanding the incentives of lawmakers to neutralize any expected bias in law interpretation. If the 'Law Signaling Condition' (1) does not hold, law interpretation has almost no effect on the final law in period 1, except when the interpreter fails to be active for an interpretable law. The reason is that the lawmaker is willing to sacrifice electoral rents to neutralize the interpreter. Law interpretation, however, is not irrelevant. It affects electoral selection incentives, increasing the probability that a dissociated lawmaker is elected to make decisions, on other issues, in period 2. In contrast, when the 'Law Signaling Condition' (1) holds, law interpretation has no effect on electoral outcomes (the congruent lawmaker is always reelected), but it seriously affects the final law in period 1. Finally, note that the probability that the law is interpretable ξ does not affect the 'Law Signaling Condition' (1), which comes from the trade-off faced by the congruent lawmaker when the law is interpretable.

4 Arenas of private influence: Interpretability and lawmaking

In this section, we study the strategic behaviour of two interest groups: one influencing interpretability (IG) and the other engaged in lawmaking (MG). Figure 2 illustrates in black font the route of the law in the first period, in the absence of influence by private interests. It begins with *Nature* determining whether the law is interpretable with initial (free-of-influence) probability ξ^0, followed by the lawmaking stage, where electoral incentives play a role. When the law is open to interpretation, $s = y$, a congruent lawmaker have to choose between neutralizing the interpreter by passing l, which—once interpreted as c—ultimately benefits the voter, or instead sending the signal c solely to win the election. In the figure, in red, there are two openings for potential influence, one at the beginning of the diagram that affects the probability of interpretability ξ. The other, before or after the sub-histories $s = n$ and $s = y$, offering contributions that can potentially twist the lawmaker's arm. Whether MG can condition its influence on the realization of s will determine the mechanism of IG influence.

That is why in what follows, we propose two alternative models to study the influence of IG and MG. In Model 1, MG can alter the incumbent's electoral rents. One advantage of this setup is that the underlying PBE equilibria remain unchanged: MG can only induce a switch from one equilibrium class of PBE to the other. In this model, IG and MG share the same information about the state s. That is, at the moment of choosing its strategy, MG neither observes nor can condition its contribution on the realization of s.

However, offering electoral rents functions more as a promise of future contributions

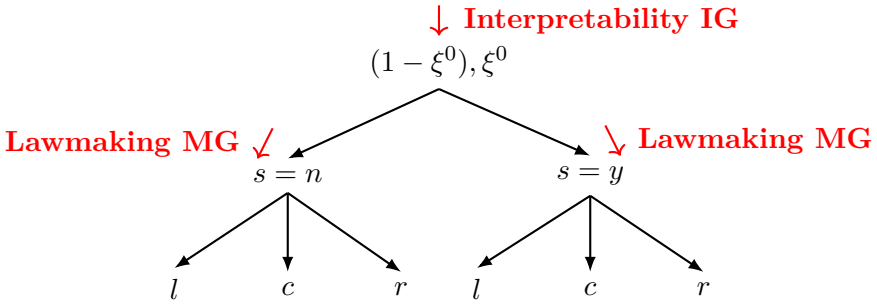


Figure 2: The route of the law and the arenas of influence.

than as a payment for a law chosen today. We therefore introduce Model 2, in which MG offers menu contributions to M to influence x_M. The menu conditions contributions not only on the law enacted by M but also on the realization of the state s, which gives MG an informational advantage over IG regarding the realization of the state s that determines whether the law is interpretable.

Importantly, each model better depicts a different mechanism behind the connection between interpretability and lawmaking influence. In Model 1, IG can use its influence on interpretability to facilitate or thwart the ability of MG to engage in lobbying activities. In Model 2, IG can induce different outcomes from the expected strategic behaviour of MG.

4.1 Model 1: IG and MG equally informed about interpretability

There are two interest groups: MG, which influences electoral rents, and IG, which influences interpretability. In particular, MG can affect the electoral rents collected by the lawmaker M as follows

$$E = E_0 + E_{MG},$$

where $E_0 > 0$ is the exogenous component of electoral rents and $E_{MG} \geq -E_0$ is the endogenous component, that is, the part attributed to MG's activities. $E_{MG} > 0$ is an additional incentive to win the election. For example, MG can provide campaign contributions or future support for M's agenda. $E_{MG} < 0$ reduces M's incentive to win the election. For example, MG can provide campaign contributions to M's rivals,[13] or simply credibly oppose M's agenda. Assume that the payoff function of MG is given by

$$V_{MG}(x_F) = v_{MG}(x_F) - c_E |E_{MG}|,$$

[13]This interpretation might not fit well in our setting with a behaviorally dogmatic, disassociated lawmaker; however, there might be rivals to the incumbent in other elected offices that oppose other elements of its future agenda.

where $v_{MG}(x_F)$ denotes the component of the payoff derived from the final law outcome. In this regard, we consider two types: an r-leaning MG and an l-leaning MG. For an r-leaning MG, $v_{MG}(r) > v_{MG}(c) \geq v_{MG}(l) \geq 0$. For an l-leaning MG, $v_{MG}(l) > v_{MG}(c) \geq v_{MG}(r) \geq 0$. The term $c_E|E_{MG}|$ represents the cost borne by MG to generate electoral rents, which induces total electoral rents given by $E = E_0 + E_{MG}$.

IG can influence interpretability. Specifically, assume that

$$\xi = \xi_0 + \xi_{IG},$$

where $\xi_0 > 0$ is the exogenous component of interpretability and ξ_{IG} is the endogenous component, that is, the part attributed to IG's activities. In the real world several attributes can determine how interpretable a law is, such as the body of precedents, both previous judicial decisions and previous laws, the nature of the subject matter, and the body of scientific and legal knowledge, among others. Some of these factors are exogenous to our theory and therefore determinants of ξ^0. Yet IGs can actively move ξ from ξ^0 through future-oriented activities such as funding training for judges or scientific research, and filing amicus curiae briefs—as we show in our empirical exercise—among others, all captured by ξ_{IG}.

Assume that the payoff function of MG is given by:

$$V_{IG}(x_F) = v_{IG}(x_F) - \frac{c_I(\xi_{IG})^2}{2},$$

where $v_{IG}(x_F)$ are IG's preferences over (final) laws. Once again, we consider two types of IG. For an r-leaning IG, $v_{IG}(r) > v_{IG}(c) \geq v_{IG}(l) \geq 0$. For an l-leaning IG, $v_{IG}(l) > v_{IG}(c) \geq v_{IG}(r) \geq 0$. $\frac{c_I(\xi_{IG})^2}{2}$ is the cost IG pays to induce interpretability level $\xi = \xi_0 + \xi_{IG}$.

Finally, the timing of events is as follows:

1. IG selects ξ_{IG}, which induces $\xi = \xi_0 + \xi_{IG}$.
2. MG selects E_{MG}, which induces $E = E_0 + E_{MG}$.
3. The game proceeds as in the previous section (Section 3).

MG's choice

Before we formally characterize MG's choice, it is useful to compute MG's gross payoff (i.e., before paying $c_E|E_{MG}|$) under each class of equilibrium: PBE_{cc} (labeled cc), and PBE_{lc} (denoted by lc).

MG's Gross Payoff when the equilibrium is PBE_{lc} is given by

$$\mathbf{E}\left(v_{MG}^{lc}\right) = \pi v_{MG}(c) + (1-\pi)\, v_{MG}(l) + \xi\Delta_{MG}^{lc}, \text{where}$$

$$\Delta_{MG}^{lc} = (1-\pi-\phi)\left[v_{MG}(c) - v_{MG}(l)\right].$$

Instead, MG's Gross Payoff under PBE_{cc}

$$\mathbf{E}\left(v_{MG}^{cc}\right) = \pi v_{MG}(c) + (1-\pi)\, v_{MG}(l) + \xi\Delta_{MG}^{cc}, \text{with}$$

$$\Delta_{MG}^{cc} = (1-\phi)\left\{\pi\left[v_{MG}(r) - v_{MG}(c)\right] + (1-\pi)\left[v_{MG}(c) - v_{MG}(l)\right]\right\}.$$

Comparing gross payoffs across equilibrium classes, we find that, for an **r-leaning** MG, $\Delta_{MG}^{cc} > \Delta_{MG}^{lc} \geq 0$. Also, $\mathbf{E}\left(v_{MG}^{cc}\right) > \mathbf{E}\left(v_{MG}^{lc}\right)$. Importantly, the effect of interpretability is as follows

$$\frac{\partial \mathbf{E}\left(v_{MG}^{cc}\right)}{\partial \xi} > \frac{\partial \mathbf{E}\left(v_{MG}^{p}\right)}{\partial \xi} \geq 0$$

For an **l-leaning** MG, $\Delta_{MG}^{cc} < \Delta_{MG}^{lc} \leq 0$. Also, $\mathbf{E}\left(v_{MG}^{lc}\right) > \mathbf{E}\left(v_{MG}^{cc}\right)$. Thus, the effect of interpretability is

$$\frac{\partial \mathbf{E}\left(v_{MG}^{cc}\right)}{\partial \xi} < \frac{\partial \mathbf{E}\left(v_{MG}^{lc}\right)}{\partial \xi} \leq 0.$$

An r-leaning MG prefers the PBE_{cc} to the PBE_{lc}. Although in both classes MG gains from an increase in interpretability, it gains more when M enacts a law closer to r. In contrast, an l-leaning MG prefers the PBE_{lc} to the PBE_{cc}. In both, MG loses with an increase in interpretability, but it loses more under a PBE_{cc}. Table A.2 in Appendix A.1 provides a detailed derivation of $\mathbf{E}\left(v_{MG}^{cc}\right)$ and $\mathbf{E}\left(v_{MG}^{lc}\right)$.

Naturally, MG cannot simply choose which PBE will prevail. All that MG can do is alter electoral rents, which influences M's choice, and, ultimately, which equilibrium is played. However, altering electoral rents is costly for MG. Lemma 1 characterizes MG's decisions.

Lemma 1 (MG's influence through electoral rents)**.** *Suppose that IG has selected ξ. Let*

$$\bar{\xi} = \frac{c_E \bar{E}_{MG}}{\Delta_{MG}^{cc} - \Delta_{MG}^{lc}} = \frac{c_E\left\{(1-\phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right] - \delta E_0\right\}}{\delta\pi\left\{(1-\phi)\left[v_{MG}(r) - v_{MG}(c)\right] + \phi\left[v_{MG}(c) - v_{MG}(l)\right]\right\}}$$

where

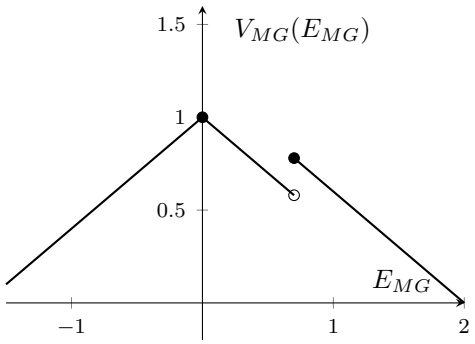
$$\bar{E}_{MG} = \frac{(1-\phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right] - \delta E_0}{\delta}$$

1. *Suppose that MG is r-leaning. If* $\xi \geq \bar{\xi}$*, then MG selects* $E_{MG} = \max\left\{\bar{E}_{MG}, 0\right\}$*, which induces* $x_M(c,n) = x_M(c,y) = c$*. In contrast, if* $\xi \leq \bar{\xi}$*, then MG selects* $E_{MG} = 0$*, which induces* $x_M(c,n) = c$ *and* $x_M(c,y) = l$*.*

2. *Suppose that MG is l-leaning. If* $\xi \geq \bar{\xi}$*, then MG selects* $E_{MG} = \min\left\{\bar{E}_{MG}, 0\right\}$*, which induces* $x_M(c,n) = c$ *and* $x_M(c,y) = l$*. In contrast, if* $\xi \leq \bar{\xi}$*, then MG selects* $E_{MG} = 0$*, which induces* $x_M(c,n) = x_M(c,y) = c$*.*

Proof. See Appendix A.2, Proof Lemma 1. □

(a) Low interpretability - Zero contributions



(b) High interpretability - Positive contributions

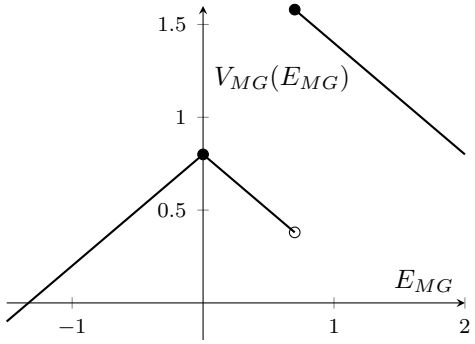


Figure 3: Payoff functions of an r-leaning MG when $\bar{E}_{MG} > 0$. Left (a): $\xi < \bar{\xi}$ and $E_{MG} = 0$. Right (b): $\xi > \bar{\xi}$ and $E_{MG} = \bar{E}_{MG} > 0$.

In general, when the law is sufficiently open to interpretation, the distinction between PBE_{cc} and PBE_{lc} becomes relevant and galvanizes MG action. The interpretation of Lemma 1 departs from the observation that an r-leaning MG prefers that the equilibrium is PBE_{cc}, $x_M(c,n) = x_M(c,y) = c$, rather than PBE_{lc}, $x_M(c,n) = c$ and $x_M(c,y) = l$. Thus, $\Delta^{cc}_{MG} > \Delta^{lc}_{MG}$. When

$$\delta E_0 \geq (1-\phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right]$$

we have that $\bar{\xi} \leq 0$ and $\bar{E}_{MG} \leq 0$. As a result, MG does not need to provide additional incentives for M to choose $x_M(c,n) = x_M(c,y) = c$. The Law Signaling condition (1) holds even when $E_{MG} = 0$. In such a case, MG chooses $E_{MG} = 0$. In contrast, when

$$\delta E_0 < (1-\phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right]$$

we have $\bar{\xi} > 0$ and $\bar{E}_{MG} > 0$. Figure 3 represents this case. MG must offer $E_{MG} = \bar{E}_{MG} > 0$ to switch the equilibrium from an PBE_{lc} to a PBE_{cc}. That MG can induce this switch does not necessarily implies that it is willing to do so. When the level of interpretability is below a threshold $\bar{\xi}$, Panel (a) of Figure 3, the expected benefits of such

a switch do not compensate the cost. Then, MG selects $E_{MG} = 0$ and the equilibrium stays in $x_M(c,n) = c$ and $x_M(c,y) = l$. Conversely, when interpretability is above $\bar{\xi}$, MG chooses $E_{MG} = \bar{E}_{MG}$, Panel (b) of Figure 3, which moves the equilibrium to $x_M(c,n) = x_M(c,y) = c$. This confirms that the reason interpretability affects MG's choice is that the higher the probability that the law is interpretable, the greater the chances that the outcomes under PBE_{lc} and PBE_{cc} differ. A similar interpretation applies when MG is l-leaning.

IG's choice

To solve the IG's problem we introduce two assumptions. First, note when $\xi = \bar{\xi}$, MG is indifferent between $E_{MG} = 0$ and inducing the less preferred PBE and $E_{MG} = \bar{E}_{MG}$ and inducing the more preferred PBE (Lemma 1). To break this multiplicity, we introduce the following selection criterion.

Assumption 1 (Selection criterion)**.** *For $\xi = \bar{\xi}$, MG induces the PBE preferred by IG.*

Note that this selection criterion is not needed when IG and MG are aligned. When they are not, it ensures that IG's problem always has a solution.

In addition, we restrict attention to the realm where IG can influence MG's choice by altering interpretability:

Assumption 2 (IG has room for influence)**.** $\bar{\xi} \in [0,1]$.

Finally, we define the part of IG's payoff function that depends on ξ as follows,

$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right].$$

IG's choice when IG is aligned with MG

Here we consider IG's choices when IG is aligned with MG, starting with both being r-leaning.

Proposition 2 (Influence on interpretability when IG and MG are r-leaning)**.** *Suppose that IG and MG are both r-leaning. Assume that $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$.*

1. *Suppose that $\bar{\xi} \leq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, IG selects $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, which induces $x_M(c,n) = x_M(c,y) = c$.*
2. *Suppose that $\bar{\xi} > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, there exists $\bar{c}_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ and for each $c_I > \bar{c}_I$, there exists $\hat{\xi}(c_I) \in \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right)$ such that:*

(a) *If* $c_I \leq \bar{c}_I$ *or* $c_I > \bar{c}_I$ *and* $\bar{\xi} \leq \hat{\xi}(c_I)$*, then IG selects* $\xi = \bar{\xi}$*, which induces* $x_M(c,n) = x_M(c,y) = c$.

(b) *If* $c_I > \bar{c}_I$ *and* $\bar{\xi} \in \left(\hat{\xi}(c_I), 1\right]$*, then IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$*, which induces* $x_M(c,n) = c$ *and* $x_M(c,y) = l$.

Proof. See Appendix A.2, Proof Proof Proposition 2. □

Similarly to the case of an r-leaning MG in Table A.2, an r-leaning IG gains more from an increase in interpretability when the equilibrium is PBE_{cc} than when it is PBE_{lc}. Formally, $\Delta_{IG}^{cc} > \Delta_{IG}^{lc}$. Thus, knowing that MG shares a preference for a PBE_{cc}, IG would induce MG to increase electoral rents to ensure that the equilibrium is indeed a PBE_{cc}. In these circumstances, IG would optimally increase interpretability to

$$\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

The assumption $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$. That is, even under the most favorable conditions, it is too costly for IG to make the law completely interpretable. When $\bar{\xi} \leq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, IG can implement its optimal choice because $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ induces MG to offer $E_{MG} = \bar{E}_{MG}$, which induces M to select $x_M(c,n) = c$ and $x_M(c,y) = c$.

In contrast, when $\bar{\xi} > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, IG faces a dilemma. It can increase interpretability to $\xi = \bar{\xi}$, which is above its optimal level but will induce MG to select $E_{MG} = \bar{E}_{MG}$ or, give up inducing a switch in the political equilibrium and choose its $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, i.e., its optimal level of interpretability when the equilibrium involves $x_M(c,n) = c$ and $x_M(c,y) = l$. The cost parameter c_I and the interpretability threshold $\bar{\xi}$ required to induce $x_M(c,n) = c$ and $x_M(c,y) = c$ play a defining role in the final call.

Importantly, what is central to our argument is the connection between the two arenas of influence. To see this clearly, suppose that

$$\xi_0 < \bar{\xi} \leq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

If it is not possible to change interpretability, the equilibrium is $x_M(c,n) = c$ and $x_M(c,y) = l$ because when $\xi = \xi_0$, MG does not find profitable to pay $E_{MG} = \bar{E}_{MG}$ to change the equilibrium to $x_M(c,n) = c$ and $x_M(c,y) = c$. In contrast, when IG can influence interpretability, the equilibrium moves to $x_M(c,n) = c$ and $x_M(c,y) = c$ because IG increases interpretability above $\bar{\xi}$, the threshold that MG requires to offer additional electoral rents $E_{MG} = \bar{E}_{MG}$.

It is precisely the existence of the interpretability arena that makes a PBE_{cc} possible rather than an PBE_{lc}, for otherwise MG would not exert influence under ξ^0. This is

a neat case of complementarity between the two arenas of private influence, where the investment in interpretability makes the investment in lobbying profitable.

Proposition 3 (Influence on interpretability when IG and MG are l-leaning)**.** *Suppose that IG and MG are both l-leaning. Assume that* $\xi_0 < \frac{1}{2}$ *and* $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$.[14]

1. *Suppose that* $\bar{\xi} \leq \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. *Then, IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *which induces* $x_M(c, n) = c$ *and* $x_M(c, y) = l$.
2. *Suppose that* $\bar{\xi} > \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. *Then, there exists* $\hat{\xi}(c_I) \in \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, 1\right)$ *such that:*
   (a) *If* $\bar{\xi} \leq \hat{\xi}(c_I)$, *IG selects* $\xi = \bar{\xi}$, *which induces* $x_M(c, n) = c$ *and* $x_M(c, y) = l$.
   (b) *If* $\bar{\xi} \in \left(\hat{\xi}(c_I), 1\right]$, *IG selects* $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *which induces* $x_M(c, n) = x_M(c, y) = c$.

Proof. See Appendix A.2, Proof Proposition 3. □

Proposition 3 also presents a case for complementarity between the arenas of private influence in law, although in a less neat form than in Proposition 2. To see this, consider the case in which the Law Signaling condition is satisfied and, therefore, free from interest-group involvement, a PBE_{cc} would take place and $\bar{E}_{MG} < 0$. Further suppose that

$$\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < \xi_0 < \bar{\xi} \leq \hat{\xi}(c_I).$$

Then, when the exogenous level of interpretability is sufficiently small ($\xi_0 < \bar{\xi}$), Lemma 1 implies that an l-leaning MG remains inactive, $\bar{E}_{MG} = 0$, as intervention would be too costly to overturn the equilibrium.

However, since $\bar{\xi} \leq \hat{\xi}(c_I)$, Proposition 3 implies that IG moves interpretability up to $\xi = \bar{\xi} > \xi_0$, thereby creating incentives for MG to intervene with $\bar{E}_{MG} < 0$ and induce an PBE_{lc}, which constitutes the resulting equilibrium. Note that $\hat{\xi}$ is a threshold such that, when $\bar{\xi} < \hat{\xi}$, IG's net payoff from influencing interpretability is maximized at $\bar{\xi}$ rather than at $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.

IG's choice when IG is in conflict with MG

Next, we consider IG's choices when IG and MG are not aligned.

[14]The assumption that $\xi_0 < \frac{1}{2}$ can be relaxed to $\xi_0 < \frac{-\Delta_{IG}^{cc}}{2\left(\Delta_{IG}^{lc} - \Delta_{IG}^{cc}\right)}$. Moreover, it is only required for part 2.

Proposition 4 (Influence on interpretability when IG is in conflict with MG)**.** *Consider the following cases,*

1. *Suppose first that IG is l-leaning and MG is r-leaning. Assume that* $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$. *If* $\bar{\xi} \geq \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *while if* $\bar{\xi} < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *it selects* $\xi = \bar{\xi}$. *In both cases, IG's choice induces* $x_M(c, n) = c$ *and* $x_M(c, y) = l$.

2. *Suppose now that IG is r-leaning and MG is l-leaning. Assume that* $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$. *If* $\bar{\xi} \geq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *then, IG selects* $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *while if* $\bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *it selects* $\xi = \bar{\xi}$. *In both cases, IG's choice induces* $x_M(c, n) = x_M(c, y) = c$.

Proof. See Appendix, Proof Proposition 4. □

In the case where IG is l-leaning, i.e., $\Delta_{IG}^{cc} < \Delta_{IG}^{lc} < 0$, and MG is r-leaning, IG always reduces interpretability, either to its optimal level, $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, provided this does not induce MG to provide additional electoral rents, or to an even lower level in order to discourage MG from providing additional electoral rents.

On the other hand, when IG is r-leaning, i.e., $\Delta_{IG}^{cc} > \Delta_{IG}^{lc} \geq 0$, and MG is l-leaning, IG proceeds as follows. If increasing interpretability to its optimal level ($\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$) does not induce MG to reduce electoral rents, then IG selects this optimal level. Otherwise, IG sets interpretability to the highest level that does not induce MG to reduce electoral rents.

The main takeaway from Proposition 4 is that, when the interest groups in interpretability and lawmaking are in conflict, the equilibrium results in no simultaneous investment across both arenas of influence. Instead, the interest group on interpretability is always willing to undertake the required investment to induce its most preferred equilibrium. This result is facilitated by IG's first-mover advantage, derived from the fact that they share the same information as MG about interpretability. In the next subsection, we provide a model that allows MG to condition their contributions to the lawmaker on the realisation of the state $s \in \{y, n\}$.

4.2 Model 2: Menu contributions and MG's informational advantage

In this section, we explore a mechanism of influence, different from the electoral rent's, by which the interest group at lawmaking, MG, before the lawmaker, M, chooses x_M, offers a menu of state-contingent contributions given by the pair $(C(n, x_G(n)), C(y, x_G(y)))$, with $C(s, x_G(s)) \geq 0$ for $s \in \{n, y\}$. When $x_M \neq x_G(s)$, contributions are zero. Thus,

given state $s \in \{n, y\}$, the realized transfer to M is

$$T(s, x_M) = C(s, x_G(s))\mathbf{1}_{\{x_M = x_G(s)\}}.$$

In this way, the menu technology gives MG an informational advantage with respect to contributions as electoral rents, because the realised contributions are conditional not only on the law enacted but also on whether the law is interpretable or not.

The payoff function of MG is given by:

$$V_{MG}(s, \theta, x_F) = v_{MG}(x_F) - T(s, x_M),$$

where $v_{MG}(x_F)$ are MG policy preferences. As before, we consider two types: an r-leaning MG and an l-leaning MG. For an r-leaning MG, $v_{MG}(r) > v_{MG}(c) \geq v_{MG}(l) \geq 0$. For an l-leaning MG, $v_{MG}(l) > v_{MG}(c) \geq v_{MG}(r) \geq 0$.

Same as before, IG can influence interpretability. Specifically, assume that

$$\xi = \xi_0 + \xi_{IG}$$

where $\xi_0 > 0$ is the exogenous component of interpretability and ξ_{IG} is the endogenous component, that is, the part attributed to IG's activities. The payoff function of MG is given by:

$$V_{IG}(x_F) = v_{IG}(x_F) - \frac{c_I(\xi_{IG})^2}{2}$$

$v_{IG}(x_F)$ are IG policy preferences. Once again, we consider two types of IG. For an r-leaning IG, $v_{IG}(r) > v_{IG}(c) \geq v_{IG}(l) \geq 0$. For an l-leaning IG, $v_{IG}(l) > v_{IG}(c) \geq v_{IG}(r) \geq 0$. $\frac{c_I(\xi_{IG})^2}{2}$ is the cost IG pays to induce interpretability level $\xi = \xi_0 + \xi_{IG}$.

The timing of events is as follows:

1. IG selects ξ_{IG}, which induces $\xi = \xi_0 + \xi_{IG}$.
2. MG selects a menu of contributions.
3. The game proceeds as in the baseline model.

A relevant assumption is that the voter (V) does not observe the activity of the interest groups and can only update their belief about the incumbent type based on the observed lawmaking choices x_M. Lemma A1 in Appendix A.1 formally characterizes V's reelection decision.

In our characterization of MG's optimal menus, we use the following definitions of the

differential payoffs of the congruent type of lawmaker

$$\Delta(c,r) = v(c) - v(r), \ \Delta(r,l) = v(r) - v(l) \text{ and } \Delta(c,l) = v(c) - v(l).$$

Finally, we define the part of IG's payoff function that depends on ξ as follows,

$$\begin{aligned}
\Delta_{IG}^{rr} &= (1-\phi)(1-\pi)[v_{IG}(c) - v_{IG}(l)] \\
\Delta_{IG}^{cc} &= (1-\phi)\{\pi[v_{IG}(r) - v_{IG}(c)] + (1-\pi)[v_{IG}(c) - v_{IG}(l)]\} \\
\Delta_{IG}^{lc} &= (1-\pi-\phi)[v_{IG}(c) - v_{IG}(l)] \\
\Delta_{IG}^{ll} &= (1-\phi)[v_{IG}(c) - v_{IG}(l)] = \frac{\Delta_{IG}^{rr}}{1-\pi}.
\end{aligned}$$

Note that with menu contributions, there will be four different classes of equilibrium: (r,r), (c,c), (l,c) and (l,l), where with electoral rents, there are only two: (c,c) and (l,c).

MG and IG are both r-leaning

The following lemma characterizes MG's optimal menu of contributions when MG and IG are both r-leaning.

Lemma 2 (Optimal menu contributions of an r-leaning MG)**.** *Suppose that MG is r-leaning and IG has selected ξ.*

1. *Suppose that the Law Signaling condition (1) holds.*
   (a) *If $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, then MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = \phi\Delta(c,r)$, which induces $x_M(c,n) = x_M(c,y) = r$.*
   (b) *If $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then MG selects $C(n,c) = C(y,c) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$.*
2. *Suppose that the Law Signaling condition (1) does not hold.*
   (a) *If $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = r$.*
   (b) *If $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then MG selects $C(n,c) = 0$ and $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = c$.*
   (c) *If $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, then MG selects $C(n,c) = C(y,c) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$.*

Proof. See Appendix A.3, Proof Lemma 2. □

As MG can condition contributions on the realisation of s, its optimal menus do not depend on the level of interpretability ξ, but rather on the Law Signaling Condition (LSC). When LSC (1) holds, MG can induce $x_M(c,n) = x_M(c,y) = c$ at zero cost, because the lawmaker chooses c in either state. Still, an r-leaning MG may decide to go further and induce $x_M(c,n) = r$ if it offers $C(n,r) = \Delta(c,r)$ and $x_M(c,y) = r$ if it offers $C(y,r) = \phi\Delta(c,r)$, amounts that are just enough to sway a congruent lawmaker. An interpretable law state is on the side of MG, since an interpreter can take on the job of moving the final law to r, albeit with a small error ϕ and therefore $C(y,r) < C(n,r)$. The benefit of inducing $x_M(c,n) = r$ is $v_{MG}(r) - v_{MG}(c)$, while the benefit of inducing $x_M(c,y) = r$ is $\phi[v_{MG}(r) - v_{MG}(c)]$. Thus, in both circumstances, MG is willing to induce r if and only if $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$.

When LSC (1) does not hold, MG faces a slightly more complicated problem. Offering zero contributions induces $x_M(c,n) = c$ and $x_M(c,y) = l$, since a congruent lawmaker finds the electoral rents too low to signal the voter when the law is interpretable. Alternatively, MG has options to incentivize a congruent lawmaker to pass a law closer to r. It can induce $x_M(c,n) = r$ by offering M a contribution $C(n,r) = \Delta(c,r)$.

Conditional on the law being interpretable, there are two options:

1. induce $x_M(c,y) = c$ by offering $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, or,
2. induce $x_M(c,y) = r$ by offering $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$.

It follows that if MG is willing to offer $C(n,r) = \Delta(c,r)$ to induce $x_M(c,n) = r$, then it is also willing to offer $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$ to induce $x_M(c,y) = r$. Thus,

$$v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$$

is sufficient for MG to induce $x_M(c,n) = x_M(c,y) = r$.

When $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, MG is not interesting in inducing $x_M(c,n) = x_M(c,y) = r$, but it is still worthwhile to induce $x_M(c,n) = x_M(c,y) = c$.

Finally, when $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, it is too costly for MG to induce any change in the equilibrium and, hence, the equilibrium remains $x_M(c,n) = c$ and $x_M(c,y) = l$.

The following proposition characterizes the solution to the IG's problem.

Proposition 5 (Influence on interpretablity when IG and MG are both r-leaning)**.** *Suppose that IG and MG are both r-leaning. Assume that* $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$. *Furthermore, because IG is r-leaning:* $0 < \Delta_{IG}^{lc} < \Delta_{IG}^{rr} < \Delta_{IG}^{cc}$.

1. *Suppose that LSC (1) holds.*

   (a) *If* $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, *then IG selects* $\xi = \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0$, *which induces* $C(n,r) = \Delta(c,r)$, $C(y,r) = \phi\Delta(c,r)$, *and* $x_M(c,n) = x_M(c,y) = r$.

   (b) *If* $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, *then IG selects* $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *which induces* $C(n,c) = C(y,c) = 0$ *and* $x_M(c,n) = x_M(c,y) = c$.

2. *Suppose that LSC (1) does not hold.*

   (a) *If* $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, *then IG selects* $\xi = \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0$, *which induces* $C(n,r) = \Delta(c,r)$, $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$, *and* $x_M(c,n) = x_M(c,y) = r$.

   (b) *If* $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, *then IG selects* $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *which induces* $C(n,c) = 0$, $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, *and* $x_M(c,n) = x_M(c,y) = c$.

   (c) *If* $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, *then IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *which induces* $C(n,c) = C(y,c) = 0$, $x_M(c,n) = c$ *and* $x_M(c,y) = l$.

Proof. See Appendix A.3, Proof Proposition 5. □

When the Law Signaling Condition (LSC) holds—that is, when, in the absence of interest groups, electoral incentives lead a congruent lawmaker to pass c regardless of interpretability—there are only two possibilities: either MG is willing to move the equilibrium to $x_M(c,n) = x_M(c,y) = r$, or it is not. In the first case, IG is less interested in increasing interpretability than in the second case. The intuition is as follows. When MG moves the equilibrium to $x_M(c,n) = x_M(c,y) = r$, there is little scope for IG to improve payoffs by increasing interpretability, because MG is already doing all the work. Indeed, when M is congruent, regardless of whether the law is interpretable, $x_F = r$ prevails. Thus, for IG, gains from increased interpretability arise only when M is dissociated, since a more interpretable law empowers an aligned interpreter to counteract M. Formally, since $\Delta_{IG}^{cc} > \Delta_{IG}^{rr}$, we have

$$\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0.$$

Hence, when (LSC) holds, IG is less interested in increasing interpretability when MG makes contributions. In other words, the two instruments of influence operate as substitutes.

In contrast, complementarity between the two arenas of influence may arise when LSC (1) does not hold. There are then three possible situations:

1. When MG is willing to move the equilibrium to $x_M(c,n) = x_M(c,y) = r$, then IG is only interested in increasing interpretability for the gains that arise when M is dissociated.

2. When MG is not willing to affect the equilibrium at all and, hence, $x_M(c,n) = c$ and $x_M(c,y) = l$ prevail, IG is even less interested in increasing interpretability. Indeed, when M is congruent, it is better for IG that the law is not interpretable, in which case $x_F = c$, while when the law is interpretable $x_F = l$ with probability ϕ and $x_F = c$ with probability $(1-\phi)$.

3. Finally, when MG is only willing to move the equilibrium to $x_M(c,n) = x_M(c,y) = c$, IG finds it more appealing to increase interpretability. In this case, when M is congruent and the law is interpretable, $x_F = c$ with probability ϕ and $x_F = r$ with probability $(1-\phi)$, while when the law is not interpretable $x_F = c$.

Thus, IG's reaction to MG's willingness to influence M is non-monotonic. For $v_{MG}(r) - v_{MG}(c)$ low enough, MG is not willing to change the equilibrium and IG steps in by increasing interpretability which render the arenas substitutes. For $v_{MG}(r) - v_{MG}(c)$ high enough, MG does all the job and IG becomes a free rider, still a case of substitutes arenas.

For intermediate values of $v_{MG}(r) - v_{MG}(c)$, the two instruments are complements. In this case, MG offers $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$ to induce $x_M(c,n) = x_M(c,y) = c$. Anticipating this change in the equilibrium, IG chooses to increase interpretability more than when $v_{MG}(r) - v_{MG}(c)$ is either very high or very low. More formally,

$$\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0 < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0,$$

because $0 < \Delta_{IG}^{lc} < \Delta_{IG}^{rr} < \Delta_{IG}^{cc}$.

MG and IG are both l-leaning

We start characterizing MG's optimal menu of contributions.

Lemma 3 (Optimal menu contributions of an l-leaning MG)**.** *Suppose that MG is l-leaning and IG has selected ξ.*

1. *Suppose that LSC (1) holds.*

   (a) *If $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$, then MG selects $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = x_M(c,y) = l$.*

(b) *If* $\Delta(c,l)+\delta E-\frac{(1-\phi)\{\Delta(c,r)-\delta E+[v_{MG}(c)-v_{MG}(r)]\}}{\phi} \leq v_{MG}(l)-v_{MG}(c)<\Delta(c,l)+\delta E$, *the MG selects* $C(n,l)=0$ *and* $C(y,l)=\phi\Delta(c,l)-(1-\phi)\Delta(c,r)+\delta E$, *which induces* $x_M(c,n)=c$ *and* $x_M(c,y)=l$.

(c) *If* $v_{MG}(l)-v_{MG}(c)<\Delta(c,l)+\delta E-\frac{(1-\phi)\{\Delta(c,r)-\delta E+[v_{MG}(c)-v_{MG}(r)]\}}{\phi}$, *then MG selects* $C(n,l)=C(y,l)=0$, *which induces* $x_M(c,n)=x_M(c,y)=c$.

2. *Suppose that LSC (1) does not hold.*

(a) *If* $v_{MG}(l)-v_{MG}(c)\geq\Delta(c,l)+\delta E$, *then MG selects* $C(n,l)=\Delta(c,l)+\delta E$ *and* $C(y,l)=0$, *which induces* $x_M(c,n)=x_M(c,y)=l$.

(b) *If* $v_{MG}(l)-v_{MG}(c)<\Delta(c,l)+\delta E$, *then MG selects* $C(n,l)=C(y,l)=0$, *which induces* $x_M(c,n)=c$ *and* $x_M(c,y)=l$.

Proof. See Appendix A.3, Proof Lemma 3. □

When LSC (1) does not hold, in case 2 of Lemma 3, if MG's preference for l is sufficiently strong, i.e. $v_{MG}(l)-v_{MG}(c)\geq\Delta(c,l)+\delta E$, then MG can induce $x_M(c,y)=l$ with zero contributions, because when the law is interpretable the lawmaker chooses l even in the absence of contributions. When the law is not interpretable, the minimum contribution required to induce M to switch from c to l is $C(n,l)=\Delta(c,l)+\delta E$. In addition to the cost associated with the change in law, MG must compensate the congruent lawmaker for the foregone rents δE, since the law change leads to non-reelection. Conversely, if MG's preference for l is not sufficiently strong, i.e. $v_{MG}(l)-v_{MG}(c)<\Delta(c,l)+\delta E$, then positive contributions are too costly, so $C(y,l)=C(n,l)=0$, and an PBE_{lc} survives.

When LSC (1) holds, in case 1 of Lemma 3, a strong preference for l on the part of MG still induces $x_M(c,y)=x_M(c,n)=l$, and we still have $C(n,l)=\Delta(c,l)+\delta E$. However, the contribution in the menu conditional on $s=y$ is now strictly positive, $C(y,l)=\phi\Delta(c,l)-(1-\phi)\Delta(c,r)+\delta E>0$, because, in the absence of these contributions, M would choose to pass law c rather than l. At the other extreme, when MG's preference for l is very low, as in part (c) of case 1, contributions conditional on both states $s\in\{y,n\}$ are zero, which results in $x_M(c,y)=x_M(c,n)=c$.

Midway between these two extremes, there is

$$\Delta(c,l)+\delta E-\frac{(1-\phi)\{\Delta(c,r)-\delta E+[v_{MG}(c)-v_{MG}(r)]\}}{\phi}\leq v_{MG}(l)-v_{MG}(c)<\Delta(c,l)+\delta E.$$

In this region, MG's preference for l is strong enough to pay the cost to induce $x_M(c,y)=l$, but not strong enough to warrant positive contributions when $s=n$. Consequently, $C(n,l)=0$, and the congruent lawmaker chooses $x_M(c,n)=c$.

The following proposition characterizes the solution to the IG's problem.

Proposition 6 (Influence on interpretablity when IG and MG are both l-leaning)**.** *Suppose that IG and MG are both l-leaning. Assume that* $c_I > \frac{\max\left\{-\Delta_{IG}^{cc}, -\Delta_{IG}^{ll}\right\}}{\xi_0}$. *Furthermore, because IG is l-leaning:* $\Delta_{IG}^{cc}, \Delta_{IG}^{ll} < \Delta_{IG}^{lc} < 0$.

1. *Suppose that LSC (1) holds.*

   (a) *If* $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$, *then IG selects* $\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0$, *which induces* $C(n,l) = \Delta(c,l) + \delta E$, $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, *and* $x_M(c,n) = x_M(c,y) = l$.

   (b) *If* $\Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi} \leq v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$, *then IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *which induces* $C(n,l) = 0$, $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, $x_M(c,n) = c$ *and* $x_M(c,y) = l$.

   (c) *If* $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$, *then IG selects* $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$, *which induces* $C(n,l) = C(y,l) = 0$ *and* $x_M(c,n) = x_M(c,y) = c$.

2. *Suppose that LSC (1) does not hold.*

   (a) *If* $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$, *then IG selects* $\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0$, *which induces* $C(n,l) = \Delta(c,l) + \delta E$, $C(y,l) = 0$, *and* $x_M(c,n) = x_M(c,y) = l$.

   (b) *If* $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$, *then IG selects* $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, *which induces* $C(n,l) = C(y,l) = 0$, $x_M(c,n) = c$ *and* $x_M(c,y) = l$.

Proof. See Appendix A.3, Proof Proposition 6. □

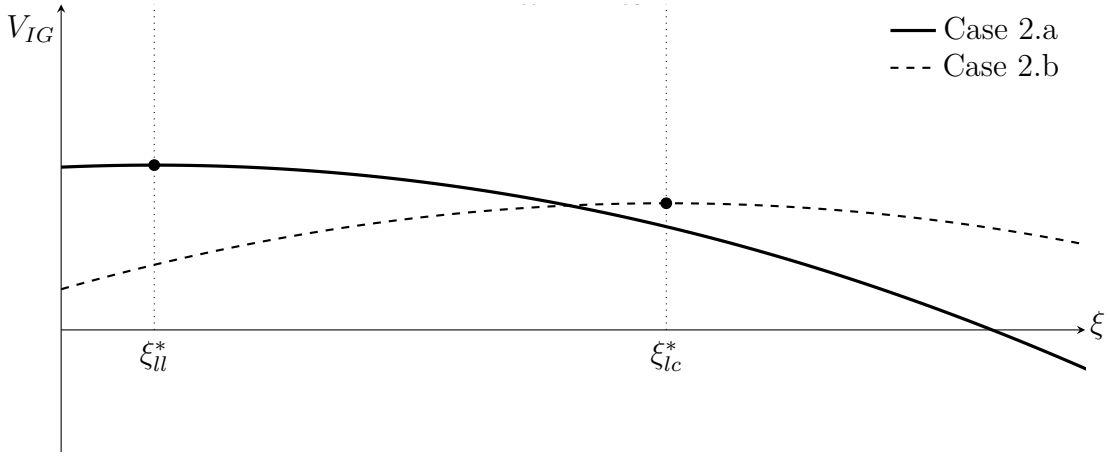


Figure 4: Payoff functions of an l-leaning IG for two different menus of an l-leaning MG. Case 2.a: $C(n,l) > 0$, $C(y,l) = 0$. Case 2.b: $C(n,l) = C(y,l) = 0$.

Suppose that LSC (1) does not hold, as in case 2 of Proposition 6. This situation is represented in Figure 4. This means that, without any interest group involvement, the PBE

will be $x_M(c,n) = c$ and $x_M(c,y) = l$, since a congruent lawmaker has an incentive to pass l when the law is interpretable and then let the interpreter, with high probability, finish the job. If MG, as in part (a), is willing to pay high contributions because their preference for l is sufficiently strong, then the equilibrium moves to $x_M(c,n) = x_M(c,y) = l$. In this case, IG has an incentive to reduce interpretability significantly to

$$\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0 < \xi_0$$

simply because lower interpretability increases the chances of a toothless interpreter who would otherwise be eager to reverse an enacted law l. Still, $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = 0$. Figure 4 shows the payoff function of IG for this case with a thick continuous line, and the corresponding optimal level of law interpretability it induces, ξ_{ll}^*.

If instead M is not willing to pay high contributions, as in part (b), the equilibrium remains in $x_M(c,n) = c$ and $x_M(c,y) = l$. In this case, IG has less incentive to reduce interpretability because, in the non-interpretable state, the lawmaker passes (relative to the previous case) a less convenient law, c. They then will set $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, but

$$\frac{\Delta_{IG}^{ll}}{c_I} + \xi_0 < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < \xi_0.$$

Still, $C(n,l) = C(y,l) = 0$. Figure 4 shows the payoff function of IG for this case with a dashed line, and the corresponding optimal level of law interpretability it induces, $\xi_{cl}^* > \xi_{ll}^*$. Thus, a comparison of parts (a) and (b) when LSC (1) does not hold shows that the two instruments are complements: when M offers high contributions, IG has stronger incentives to manipulate interpretability.

Suppose that LSC (1) holds, as in case 1. This means that without influence, the PBE will be $x_M(c,n) = x_M(c,y) = c$. If M is willing to pay high contributions, as in part (a), the equilibrium moves to $x_M(c,n) = x_M(c,y) = l$. IG has incentives to reduce interpretability significantly to

$$\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0 < \xi_0.$$

MG's menu of contributions is $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$ with the induced equilibrium $x_M(c,n) = x_M(c,y) = l$.

If M is willing to pay an intermediate level of contributions as in part (b), the equilibrium moves to $x_M(c,n) = c$ and $x_M(c,y) = l$. IG does not have incentives to

reduce interpretability much, just to $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$, but

$$\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 > \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

The menu of contributions is $C(n,l) = 0$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$.

Lastly, if M is not willing to pay contributions, as in part (c), the equilibrium remains in $x_M(c,n) = x_M(c,y) = c$. IG once again has incentives to reduce interpretability significantly to

$$\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < \xi_0.$$

The menu of contributions is $C(n,l) = C(y,l) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$.

Overall, in case 1 of Proposition 6, IG reduces interpretability more when MG either fully determines the outcome or does not affect the equilibrium at all. The reason is that, in these extreme cases, the resulting equilibria involve the same law in both states of interpretability, and therefore there are stronger incentives to reduce interpretability in order to offset the power of the r-biased interpreter. In the intermediate case, this incentive is weakened by the fact that, when the law is non-interpretable, M chooses a less favorable policy than when it is interpretable.

In other words, when LSC (1) holds and MG and IG are both l-leaning, the two instruments can be complements or substitutes. For example, if $\Delta_{IG}^{ll} < \Delta_{IG}^{cc}$ we have

$$\Delta_{IG}^{ll} < \Delta_{IG}^{cc} < \Delta_{IG}^{lc} < 0$$

Then, the maximum reduction in interpretability chosen by IG occurs when maximum contributions by MG are expected. Formally,

$$\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0$$

with menu $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = x_M(c,y) = l$.

MG and IG have conflicting preferences

The results corresponding to Model 2 for the cases in which IG and MG have conflicting preferences are in Appendix A.4, and consist of Proposition A1 and Proposition A2.

4.3 Differences between Interest Group Models

The difference between Model 1 and Model 2 lies in the influence technology available to the group active at the lawmaking stage (MG) to affect the lawmaker's decision. In the first model, MG can induce which PBE from the baseline model—PBE_{cc} or PBE_{lc}—the (congruent) lawmaker M chooses to play, although it cannot make other outcomes PBEs. The reason is that MG can influence M only by altering electoral rents. As such, MG has only an indirect way of affecting M's choices. In contrast, in Model 2, MG can directly reward the (congruent) lawmaker for a specific law enacted in each relevant state of the world.

The informational advantage that Model 2 gives MG affects the channel through which the two arenas of influence are connected. In the first model, since MG manipulates electoral rents before the state of the world is realized, its choice may depend on the level of interpretability. In particular, as interpretability increases, MG has stronger incentives to modify electoral rents. For example, for an r-leaning MG, if interpretability exceeds a threshold, MG is willing to increase electoral rents to induce $x_M(c,n) = x_M(c,y) = c$ rather than $x_M(c,n) = c$ and $x_M(c,y) = l$. This implies that, by selecting the level of interpretability, IG can activate or deactivate MG's influence. In other words, IG's choice may have equilibrium effects. This formalizes the narrative that IG's influence facilitates MG's influence, making the two instruments complements.

In the second model, MG can make some outcomes PBEs that would not be PBEs in the absence of contributions. However, since MG offers contributions in each relevant state of the world, the level of interpretability does not affect MG's choice. Thus, in this model, IG plays no role in determining the equilibrium chosen by MG. This, however, does not imply that the influence activities of IG and MG cannot be complementary. The reason is that, when IG selects the level of interpretability, it must anticipate which equilibrium MG will choose, which naturally shapes IG's decision. Accordingly, it is perfectly possible that IG changes interpretability because it expects that MG will not be willing to influence M in all states of the world. In this sense, IG and MG complement each other. This formalizes a narrative stressing that IG's influence is triggered, or at least augmented, by expectations about MG's influence and its limitations.

Importantly, both models suggest that interest groups have strong incentives to influence interpretability, and that the two arenas of influence are strategically connected.

5 Empirical evidence

Here we provide empirical evidence showing that there is substantial overlap between interest groups engaging in activities aimed at influencing interpretability and lawmaking. Furthermore, we provide evidence consistent with the existence of complementarities between law interpretability influence and traditional lobbying through campaign contributions.

We capture influence on interpretability through two complementary measures. Our first measure is based on funders of seminars for federal judges from the Privately Funded Seminars Disclosure System (PFSDS). This system provides organizer, funder and speaker information for privately funded seminars attended by US judges as long as *"the organization offers to pay for or reimburse a federal judge, in excess of $480, for the expense of travel, food, lodging, or anything that would be considered to be a gift under the Judicial Conference Ethics Reform Act Gift Regulations for attending an educational program as a speaker or participant; and [a] significant purpose of the educational program is the education of federal or state judges."* (see USCOURTS).

The requirement to report and publish these data has been effective since 1^{st} January 2007, but US Courts only publish data for the last three years. Instead, we have been able to obtain complete series for the period covering 05 February 2008 to 05 February 2011 and 02 February 2012 to 30 October 2025 from captures of the repository at `https://psds.uscourts.gov/psdsdetail.pdf` held at the Internet Archive. Inspection of these data reveals that the level of disaggregation for funders varies over time. Take the Economics Institute for Judges organized by George Mason University Law & Economics Center. In 2008, funding data lists over 500 funders including corporate interests such as Exxon Mobil Corporation, Johnson & Johnson and State Farm Insurance Company. In 2025, a seminar of identical name also organized by George Mason University Law & Economics Center lists a single funder: GMU Foundation. This is despite, as of 3 November 2025, George Mason University Law & Economics Center listing several corporations, including Exxon Mobil Corporation, Johnson & Johnson and State Farm, among their donors in their website. These patterns make us dubious of time consistency in terms of funder reporting detail in these data. Therefore, we will not exploit specific timings for funders appearing in these data. Instead, we report characteristics of entities ever appearing in the PFSDS data. In addition to this, we also report some time trends that do not depend on the timing of appearance for particular funders.

Second, we complement the funder data with data on amicus curiae to the Supreme Court, from Box-Steffensmeier and Christenson (2022), which we believe do not suffer, or at least suffer to a lesser extend, from similar changes in reporting detail. In particular, interest groups have incentives to be signatories if they are perceived as important actors,

as their briefs are more likely to be acted upon by the Court (Box-Steffensmeier et al., 2013).

We link seminar funders and amicus curiae signatories with political contribution data from DIME (Bonica, 2024). The funder data contains a mix of individuals and organizations. Our focus is on the latter and we identify them by linking them to firm data from S&P Global Market Intelligence Data. Linking is based on reported names across the three datasets where we allow for, small, name differences across and within datasets and restrict entities in DIME to those classified as "committee/organization".[15]

5.1 Campaign Contributions and Funding of Seminars for Federal Judges

We begin by reporting descriptive statistics that suggest substantial overlap between interest groups funding seminars for federal judges, funders for short, and those providing political contributions. Figure 1d in the introduction shows that, among PFSDS funders that we have been able to link to the DIME data, political contributions have increased since the early 2000s, reaching a maximum over our observation period of $532 Million (2017 USD) in the 2006 electoral cycle.[16] This increase is above the overall trend. Figure 8 in the Appendix shows that, among all contributions made by committees and organizations in a given political cycle, contributions from funders linked to the DIME data rose from below 2% in 2000 to around 6% in 2006, and remained around 3% during the 2010–2020 period.[17]

Among funders of seminars for federal judges we find a mix of individiuals and organizations, with the latter including publicly traded firms. To provide some descritives on which type of firms are found funding these seminars we have linked seminar funders to firms contained in S&P Global Market Intelligence Data[18]. For every firm in these data we search for whether we can find a funder with the same, or similar, name. We find that about 5%[19] of these firms can be found among funders of seminars for federal judges and

[15]For further details, see Appendix A.7.

[16]Figure 9 provides the top five political contributors in each electoral cycle among those ever funding seminars for judges. Note that, in this figure we do not restrict the sample to those entities that are publicly traded firms.

[17]Consistent with Ash et al. (2025), Figure 10 shows that economic topics have been most frequent in these seminars. However, there appears to have been a shift since 2020, with economic topics becoming less prominent relative to constitutional and judiciary issues. This coincides with an increase in the supply of seminars with *Originalism* content, see Figure 11 in the Appendix. Originalism is a mode of constitutional interpretation (see Scalia, 1988 and the review in Murrill, 2018) typically associated with conservative positions (Whittington, 2011).

[18]Obtained from Wharton Research Data Services where we select firms with either headquarters or incorporation in the United States.

[19]We compute statistics after we have clustered entities based on their names as described in Appendix A.7.

that who funds seminars is not random. Estimates in Table 7 show that firms funding seminars are larger than the average firm in terms of total assets. These differences are large, strongly statistically significant and are not driven by industrial composition, see columns 2 and 7, despite the share of funders varying across industries, see Table 8 in the Appendix.

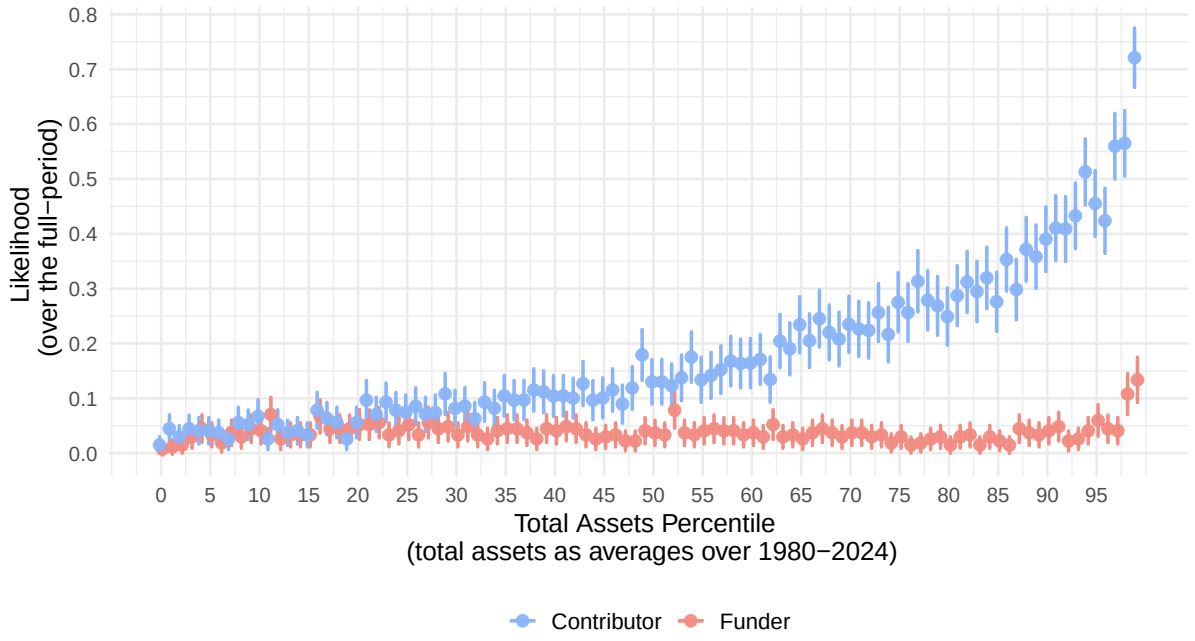


Figure 5: Firm Size and Lobbying Lawmaking and Law Interpretability

Notes: Figure shows, for every asset percentile, the share of firms who have ever made political contributions measured as appearing in DIME, in blue, and the share of firms who have funded seminars for federal judges measured as appearing in PFSDS, in red. Percentiles are computed based on real total assets over the 2008-2024 period, this is the sub-period covered by both PFSDS and DIME. 95% confidence intervals from robust standard errors in vertical lines.

To explore whether firms are active in influencing lawmakers we have linked the same firm data to political contribution data provided by DIME. We find that about 31% of these firms appear in DIME. Among those appearing as contributors about 6% of them have also funded seminars for federal judges. Column 3 of Table 7 shows that those known to have made political contributions are larger, and that controlling for this reduces the size difference found by funders in columns 1 and 2. Complementing these estimates, Figure 5 shows a clear gradient between the likelihood of ever producing political contributions and firm size.

Figure 5 shows that firms at the very top in terms of size are significantly more likely to lobby both law interpretability and lawmaking than smaller firms, see also column 1 of Table 1. This connection between the two arenas of interest may be just driven by these firms having more available resources to expend on supporting their interests. Column 2 of Table 1 shows that this may be partially the case but not completely: controlling for total assets decreases the contribution advantage of firms acting on law interpretability,

Funder in the table, but this advantage is still economically meaningful and statistically significant. Furthermore, column 3 shows that firms who act on law interpretability have a stronger correlation between the likelihood of political contributions and firm size than those not acting on interpretability. This amplification holds when we exploit within firm variation, column 4, and when we take into account the size of contributions, columns 7 to 8. Moreover, Table 9 in the Appendix shows that we find qualitatively similar correlations when we look at the size of contributions conditional on any contributions being made. Together estimates in Table 1 suggest the existence of complementarities between influencing law interpretability and lawmaking.

Table 1: Funding of Seminars, Political Contributions and Size Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Any Contributions				**(asinh) Total Contributions**			
Funder	0.081***	0.057***	0.049***		1.100***	0.828***	0.679***	
	(0.012)	(0.010)	(0.008)		(0.163)	(0.133)	(0.105)	
(log-)Total Assets†		0.106***	0.102***	0.050***		1.221***	1.161***	0.547***
		(0.002)	(0.002)	(0.003)		(0.032)	(0.031)	(0.032)
(log-)Total Assets† × Funder			0.060***	0.047**			1.031***	1.036***
			(0.011)	(0.019)			(0.159)	(0.267)
Observations	160,715	160,715	160,715	157,847	160,715	160,715	160,715	157,847
R^2	0.113	0.184	0.185	0.565	0.124	0.207	0.212	0.623
Average	0.118	0.118	0.118	0.120	38,749	38,749	38,749	39,199
Additional Fixed Effects:								
Cycle	✓	✓	✓	✓	✓	✓	✓	✓
Industry	✓	✓	✓	✓	✓	✓	✓	✓
Organization				✓				✓

Notes: Table provides correlations between an organization's total assets and the likelihood of producing political contributions in a given electoral cycle, columns 1 to 4, or the inverse hyperbolic sine of total contributions in a given cycle, columns 5 to 9. †Log total assets have been standardized to have mean zero and standard deviation one. *Funder* is a dummy taking value one when an firm is also found among the funders of seminars for federal judges. Average provides the average of the lef-hand side, for columns 5 to 8 we provide the dollar value instead of its inverse hyperbolic sine transform. We use those organization-cycle observations for which total assets are known and positive. Organization clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

In our theory, the decision of IGs to act either or both at the interpretability or/and lawmaking stage depends on the ideological positions of IGs with respect to the interpreters, the policy maker and other IGs. We start exploring this point empirically using the data provided by Ash et al. (2025) for the Manne Economics Institute for Federal Judges (1976-1999). In particular, from Ash et al. (2025) we know the identities of a subset of corporate interests which were donors of the Manne institute. We code firms into whether they are known donors or otherwise, and combine this with time series for the share of circuit judges, weighted by caseload, that have attended the Manne institute for years 1980 to 2004, see Figure 1b.

Column 1 of Table 2 shows that Manne donors are more likely to produce political contributions, even when we control for firm size over the duration of the institute,

see column 2. When we interact the share of circuit judges who are Manne attendees, *Share Attendees*, with whether the firm is a donor we observe that the likelihood of donors producing political contributions increases when the share of attendees increases. Interestingly, for non-donors we see that their likelihood of producing contributions decreases when the share of attendees is larger. This would be consistent with our model, where investment of non-aligned interests at law interpretability close the space for subsequent interests in lawmaking. In column 4, we allow for firm specific time trends, we see both correlations persist when we look at the extensive margin. We observe qualitatively similar correlations when we look at total contributions, see column 7 to 8. For donors, share of attendees in column 8 is statistically insignificant suggesting that estimates in column 4 may be driven by the extensive margin alone. Indeed, estimates in Table 10, where we look at log-total political contributions conditional on any contributions being made, shows that these correlations are driven by the extensive margin, as on the purely intensive one we find no evidence of displacement for non-donors.

Table 2: Manne Donors, Manne Attendees and Political Contribution

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Any Contributions				**(asinh) Total Contributions**			
Donor	0.345***	0.241***			4.552***	3.428***		
	(0.056)	(0.054)			(0.746)	(0.729)		
(log-)Total Assets (1976-1999)†		0.049***	0.049***			0.535***	0.534***	
		(0.001)	(0.001)			(0.017)	(0.017)	
Share Attendees × Non-Donor			-0.228***	-0.314***			-1.879***	-3.206***
			(0.035)	(0.014)			(0.305)	(0.142)
Share Attendees × Donor			0.982***	0.999**			15.148***	4.682
			(0.260)	(0.482)			(3.450)	(5.509)
Observations	263,159	263,159	263,159	263,159	263,159	263,159	263,159	263,159
R^2	0.069	0.099	0.099	0.586	0.075	0.111	0.111	0.657
Average	0.056	0.056	0.056	0.056	6,353	6,353	6,353	6,353
Additional Controls:								
Cycle (quadratic)	✓	✓	✓		✓	✓	✓	
Industry FE	✓	✓	✓	✓	✓	✓	✓	✓
Firm Time Trends				✓				✓

Notes: Table provides correlations between whether a firm was a donor to the Manne Economics Institute for Federal Judges and the likelihood of producing political contributions in a given electoral cycle, columns 1 to 4, or the inverse hyperbolic sine of total contributions in a given cycle, columns 5 to 9. †Log total assets have been standardized to have mean zero and standard deviation one and are measured as average real total assets over the 1976-1999 period. *Donor* (*Non-Donor*) is a dummy taking value one (zero) when a firm is also found among the donors of the Manne Economics Institute for Federal Judges. *Share Attendees* measures the share of circuit judges, weighted by caseload, in a given electoral cycle who have attended the Manne institute, see Figure 1b. *Firm Time Trends* includes firm specific linear time trends. Average provides the average of the lef-hand side, for columns 5 to 8 we provide the dollar value instead of its inverse hyperbolic sine transform. We use those firms with positive observed assets over the 1976-1999 period, when the Manne Economics Institute for Federal Judges was active. Period of analysis covers electoral cycles 1980 to 2004 for which we have both political contribution data from DIME and we know the share of Manne attendees among circuit judges from data provided by Ash et al. (2025). Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

To end this subsection, we provide further evidence of whether aligned IGs in one arena influence the investment in the other arena by exploiting the network structure

of the funder data. In the funder data, two entities have an edge connecting them if they are ever found funding the same seminar. The intuition is that entities with a large number of close collaborators in the seminar funding arena, that we interpret as law interpretability, may produce larger political contributions, i.e. investment in lawmaking, if complementarities exist between the two arenas. For every firm in S&P Global Market Intelligence Data that we have identified in the funder data we measure its connections among IGs at interpretability using the normalized harmonic centrality[20] in the network defined by seminar co-funding relations.

Estimates in column 1 of Table 3 show that the advantage of firms acting on interpretability in terms of political contributions is solely driven by better connected firms within the interpretability stage. Moreover, we see that better connected firms in the interpretability arena have a stronger correlation between the likelihood of political contributions and their size, with the latter measured as total assets in a given cycle. We also find this heterogeneity in the correlation between size and political contributions when we exploit within firm variation, column 3 although not statistically significant, and when we look at total contribution including those with zero contributions, columns 5 and 6. Finally, Table 11 in the appendix shows that this hetherogeneity is not driven by the extensive margin alone, as we find a similar gradient heterogeneity at least when we exploit within firm variation.

Summing up, evidence provided in this section shows that funders of seminars for federal judges, that we interpret as acting on law interpretability, also produce substantial political contributions, that we interpret as also lobbying the lawmaking stage. At its maximum, in the 2006 electoral cycle, entities which we have been able to link to seminar funding contributed $532 millions (2017 USD), or 6% of all contributions recorded in DIME as being made by organizations. This is despite just 0.05% of all organizations in DIME making contributions in 2006 being funders. When we focus on firms, we see that large corporate interests are likely to act both on law interpretability and lawmaking. Moreover, we find that entities acting on law interpretability are more likely to also act on lawmaking and that this is robust to controlling for the size of these entities, measured as total assets, and it is driven by entities with aligned interest in the law interpretability arena. Finally, we find some evidence of investment on law interpretability crowding out non-aligned interests from investing on lawmaking.

[20]This is the sum of the inverse of the minimum distance between a given node and all other nodes divided by the total number of nodes minus one. If two nodes are not connected their inverse minimum distance is zero.

Table 3: Interest Group Alignment in Interpretability and Political Contributions

	(1)	(2)	(3)	(4)	(5)	(6)
	Any Contributions			**(asinh) Total Contributions**		
Funder	-0.053*	-0.017		-0.904**	-0.230	
	(0.030)	(0.024)		(0.406)	(0.278)	
Centrality	0.226***	0.131***		3.536***	1.787***	
	(0.063)	(0.049)		(0.887)	(0.571)	
(log-)Total Assets†	0.105***	0.102***	0.050***	1.219***	1.160***	0.548***
	(0.002)	(0.002)	(0.003)	(0.032)	(0.031)	(0.032)
(log-)Total Assets† × Funder		-0.022	-0.010		-0.552	-0.374
		(0.031)	(0.040)		(0.448)	(0.722)
Centrality × (log-)Total Assets†		0.154**	0.117		3.022***	2.902*
		(0.060)	(0.089)		(0.858)	(1.502)
Observations	160,715	160,715	157,847	160,715	160,715	157,847
R^2	0.184	0.186	0.565	0.208	0.213	0.623
Average	0.118	0.118	0.120	38,749	38,749	39,199
Additional Fixed Effects:						
Cycle	✓	✓	✓	✓	✓	✓
Industry	✓	✓	✓	✓	✓	✓
Firm			✓			✓

Notes: Table provides correlations between a firm total assets and funders' network centrality, and the likelihood of producing political contributions in a given electoral cycle, columns 1 to 3, or the inverse hyperbolic sine of total contributions in a given cycle, columns 4 to 6. †Log assets has been standardized to have mean zero and standard deviation one. *Funder* is a dummy taking value one when an entity is also found among funders of seminars for federal judges. *Centrality* is the normalized harmonic centrality of an entity within the network of seminar funders. For non-funders their connectivity is zero, maximum connectivity is one. Average provides the average of the left-hand side, for columns 4 to 6 we provide the dollar value instead of its inverse hyperbolic sine transform. We use those firm-cycle observations for which total assets are known and positive. Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

5.2 Campaign Contributions and Amicus Briefs

This section provides further evidence of interest groups operating in both the interpretability and lawmaking arenas, using amicus brief submissions as a measure of the former. Interest groups typically submit briefs to the Court to influence judicial reasoning by offering information or arguments aligned with their policy interests, and we argue that this activity can have a prospective effect similar to that of funding seminars for judges. To support this claim, we have linked data on amicus briefs submitted to the Supreme Court with data on political contributions in DIME.

Before we report correlations let us describe the amicus data. After we homogeneise and cluster entities based on names, we find 15,199 unique entities submitting amicus briefs to the Supreme Court between 1916 and 2012. We find that 27% of them have made political contributions at some point, i.e. we find an entity in DIME with the same name. In total, over the 1980-2024 period, we find that amicus brief signers contributed 15,219 millions (2017USD) in terms of political contributions. This is 14% of all political contributions in DIME recorded as having been made by an organization. This is despite amicus brief signers accounting for just 0.19% of entities in DIME after we perform homogenization, see Appendix A.7. Among amicus briefs signers, those that also make political contributions are also more active in the production of amicus curiae briefs: they produce on average 4 briefs while those that have not been found producing political contributions produce on average 2 briefs. Indeed, we find that 67% of amicus briefs producers in the top 20 in terms of amicus brief production made political contributions at some point. At the very top, we find that all top four entities in terms of amicus brief production can be found making political contributions.[21]

As the sequential nature of influence on law interpretability and lawmaking is relevant for the mechanism we propose, in this section we exploit the timing of two events, filing amicus curiae briefs and making campaign contributions. To exploit the timings of both events we perform an event study design around the electoral cycle of the earliest Supreme Court opinion to which an entity submitted an amicus curiae brief. For this we select ACNet entities which submitted their first amicus curiae brief after the 1980 electoral cycle. This is the first cycle for which we have political contributions data. Moreover, we constraint our political contributions to those made by the 2010 electoral cycle. This allows us to treat those entities that submitted their first amicus curiae brief in 2012, the last year covered by ACNet, as never treated. Moreover, we split entities into two groups: those for whom the Supreme Court sided with the party they supported with

[21]These are the American Civil Liberties Union (752), the National Association of Criminal Defense Lawyers (376), the American Federation of Labor and Congress of Industrial Organizations (304), and the National Association of Counties (266). We report the number of amicus briefs they have contributed to between parenthesis. Figure 12 provides the top amicus signer in terms of political contributions for each electoral cycle.

their amicus brief, winners, and otherwise, losers.[22] Let D_i be a dummy taking value one if entity i is a winner, i.e. the Supreme Court sided with the party i supported with its first amicus curiae brief. Furthermore, let T_i be the electoral cycle in which the Supreme Court releases the earliest opinion concerning one of i's amicus curiae. Letting y_{it} be an indicator of whether entity i makes any contributions in electoral cycle t, we estimate the event study below

$$\begin{aligned} y_{it} =& \alpha + \sum_{k=-15}^{-3} \beta^k \mathbb{1}[k = t - T_i] + \sum_{k=-1}^{14} \beta^k \mathbb{1}[k = t - T_i] \\ &+ \sum_{k=-15}^{-3} \gamma^k D_i \mathbb{1}[k = t - T_i] + \sum_{k=-1}^{14} D_i \gamma^k \mathbb{1}[k = t - T_i] \\ &+ D_i \theta_t + (1 - D_i)\vartheta_t + \omega_i + \epsilon_{it} \end{aligned} \tag{2}$$

where θ_t and ϑ_t are status-specific cycle fixed effects and ω_i are entity fixed effects. Estimates for losers, i.e. β^k, and winners, i.e. $\beta^k + \delta^k$, are reported in Panel a of Figure 6. These show an increase in the likelihood of producing political contributions following the release of a Supreme Court opinion to which entities contributed an amicus brief for both winners and losers. The increase for winners, however, is larger than for losers and persistent across time, while the increase for losers declines overtime. Moreover, we observe that both losers and winners were less likely to produce political contributions in periods before the release of the Supreme Court opinion.[23] These pre-trends, however, are parallel between winners and losers at least back to eight electoral cycles prior to the release of the Supreme Court opinion. In Panel b of Figure 6 we provide differences between winners and losers, i.e. the γ^k in (2). When comparing winners and losers across time relative to the Supreme Court opinion we observe no pre-trends and, still, an increase in the likelihood of making political contributions following a ruling of the Court aligning with their preferences.

One concern with estimates in (2) is that we are comparing winners and losers at different points in time with respect to both the electoral cycle and the timing of opinions. To address this, inspired by Wooldridge (2023), we estimate effects by cycle and opinion timing for both winners and losers, see equation (3), and aggregate these to the relative event time, giving the same weight to winners and losers, see equation (4).

[22] If the same entity submitted more than one amicus in given cycle we assign as winner if any of them was a winner and loser otherwise.

[23] Where we have made comparisons with respect to two electoral cycles before the Supreme Court opinion is released to allow for anticipation effects as entities may be able to form accurate predictions about Supreme Court decisions (Katz, Bommarito II, & Blackman, 2017).

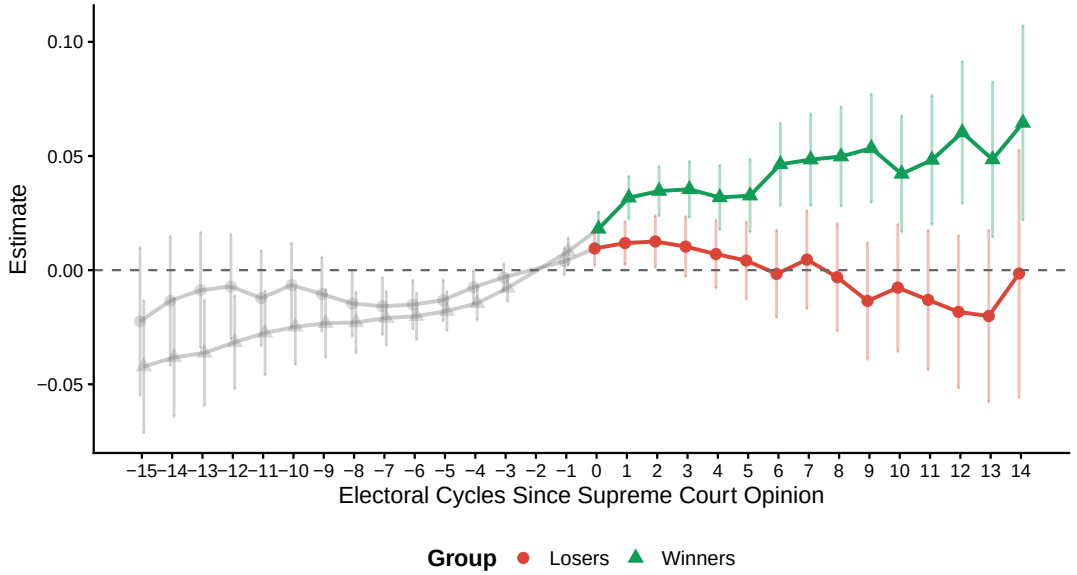
$$
\begin{aligned}
y_{it} =& \alpha + \sum_{\tau,l} \delta^{\tau l}(1 - D_i)\mathbb{1}[\tau \geq T_i, t = \tau, T_i = l] \\
&+ \sum_{\tau,l} \phi^{\tau l} D_i \mathbb{1}[\tau \geq T_i, t = \tau, T_i = l] + D_i\theta_t + (1 - D_i)\vartheta_t + \omega_i + \epsilon_{it}
\end{aligned} \tag{3}
$$

We use the $\phi^{\tau l}$ and $\delta^{\tau l}$ in (3) to form estimates of the differential likelihood of making political contributions between winners and losers for every relative time from 0 to 14. For example, the differential likelihood for event time k is estimated as

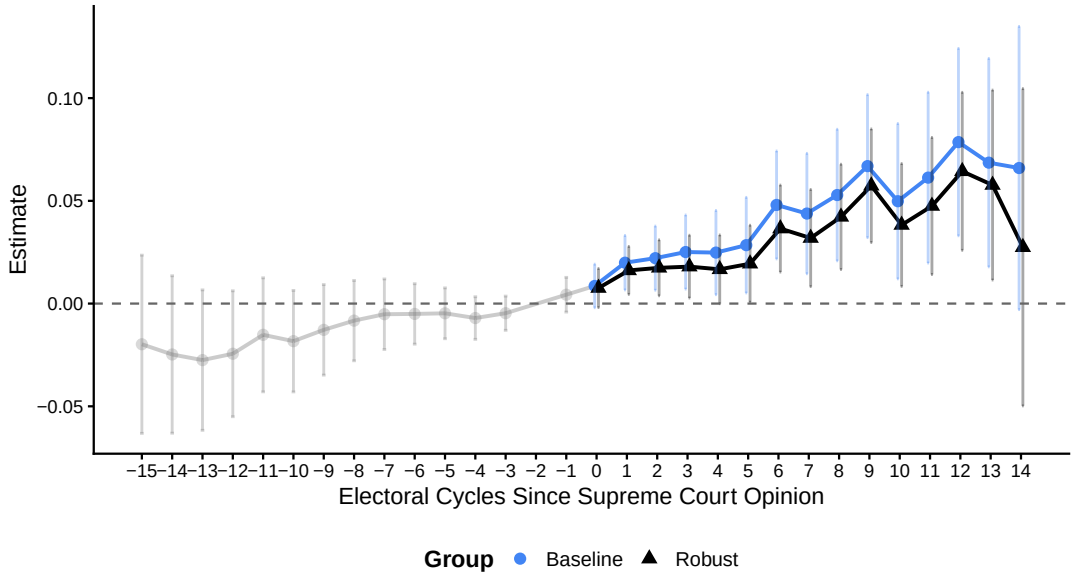
$$
\hat{\lambda}^k \equiv \frac{\sum_{\tau,l}(\hat{\phi}^{\tau l} - \hat{\delta}^{\tau l}) \sum_{i,t} \mathbb{1}[t = \tau, T_i = l, t - T_i = k]}{\sum_{i,t} \mathbb{1}[t - T_i = k]} \tag{4}
$$

In Panel b of Figure 6 we plot our estimates for λ^k for every post-opinion period in black. These estimates show that, following a Supreme Court opinion, winners increase their likelihood of making political contributions more than losers. These estimates are similar both in evolution and magnitude to those we find with the baseline event study design in (2). Figure 13 in the Appendix provides similar estimates where we take into account the size of contributions being made by taking the inverse hyperbolic sine of total contributions and applying the transformation in Bellemare and Wichman (2020) to obtain elasticities. Results are qualitatively similar to our baseline estimates using the likelihood of making any contributions.

In the previous section, we showed that the position of IGs acting on law interpretability with respect to other IGs also acting on law interpretability shifts IGs participation in lawmaking. Related to this, Box-Steffensmeier et al. (2013) provide evidence of the position of entities within the network defined by co-signers of amicus curiae shaping the influence of said entities on Supreme Court decisions. We explore whether collaborators in the production of amicus curiae briefs, i.e. on interpretability, influence political contributions, i.e. lawmaking. For this, following Box-Steffensmeier et al. (2013) and Box-Steffensmeier and Christenson (2014), we construct a network of collaborators based on amicus curiae to the Supreme Court brief co-signing relations. With this network, and using all organizations ever observed producing political contributions in DIME, we replicate the estimates in Table 3 but using measures of interest groups connectivity among amicus curiae signers. We find similar qualitative results. Estimates in Table 4 show that interest groups acting on law interpretability through amicus curiae are more likely to produce political contributions in a given cycle, columns 1 to 3 of Table 4. Moreover, they are also more likely to produce larger contributions, columns 4 to 6 of Table 4, even conditional on any contributions being made, see Table 12 in the Appendix.



(a) Winners vs Losers



(b) Differences Between Winners and Losers

Figure 6: Winning and Losing Supreme Court Support and Likelihood of Campaign Contributions

Notes: Figure provides event-study estimates for the dynamic effect of the Supreme Court aligning with the party for whom an entity has written a supportive amicus curiae and the likelihood of campaign contributions. Panel a, provides event study estimates for entities with whom the Supreme Court (did not) sided, green (red), with the party they supported with their first amicus brief. Panel b provides differences between winners and losers at each cycle relative to the Supreme Court opinion. In dark blue, we provide baseline estimates, i.e. the difference between the two lines in the top panel. In black, we provide robust estimates, for the post-treatment period only, where we use an estimator based on Wooldridge (2023) that allows us to compare winners and losers with the same calendar and treatment times, see main text for details. Sample consist of all amicus signers for whom the opinion for the first case they provided a brief for took place after, and including, 1980. We do this in order to discard *always treated* observations as political contribution data is available from 1980 onward. We do not use contributions taking place after, and including, 2012. Amicus curiae data from ACNet is available up to this year and thus we have no control group for observations after 2012. We use amicus signers with a Supreme Court opinion released in 2012 as our *never-treated* group. Data on Amicus Curiae submitted to the Supreme Court comes from Box-Steffensmeier and Christenson (2022). Data on campaign contributions comes from Bonica (2024). We linked both datasets based on names allowing for small differences between them. Linking between ACNet and DIME is described in Appendix A.7. 95% confidence intervals from entity clustered standard errors in vertical lines.

Also similar to estimates exploiting the funder network, we see that better connected interest groups acting through amicus curiae produce contributions more frequently and their contributions are larger. However, differently to the case of funders, we do not see that high connectivity drives the positive correlation between investment on lawmaking and being active in the law interpretability stage.

Finally, in Table 5 we provide a related exercise to produce further evidence of whether IG alignment in one sphere of interest affects investments in the other. For this, we exploit again the network structure of ACNet. Thus for every entity in ACNet, say i, we compute the distance to every other entity in ACNet, say d_{ij}. With this distance we compute the total weighted political contributions made by aligned IGs in a given electoral cycle, t, as $\sum_{j \neq i} w_{jt}/d_{ij}$, where w_{jt} are total political contributions of entity j in electoral cycle t. We then regress the likelihood of having an amicus curiae brief on a given cycle on political contributions made by aligned IGs. Estimates in Table 5 support that IGs are more likely to produce amicus briefs in cycles when aligned IGs produce larger political contributions. This further supports the complementarity equilibrium presented in our theory.

Table 4: Amicus Curiae Centrality and Political Contributions

	(1)	(2)	(3)	(4)	(5)	(6)
	Any Contributions			**(asinh) Total Contributions**		
Amicus Signer	0.214***	0.203***	0.198***	2.549***	2.336***	2.286***
	(0.004)	(0.007)	(0.007)	(0.050)	(0.091)	(0.091)
Centrality		0.073	0.088*		1.539***	1.666***
		(0.046)	(0.045)		(0.588)	(0.583)
Ideal Point			-0.002***			-0.024***
			(0.000)			(0.001)
Corporation			0.023***			0.208***
			(0.000)			(0.001)
Observations	50,010,096	50,010,096	50,010,096	50,010,096	50,010,096	50,010,096
R^2	0.059	0.059	0.061	0.057	0.057	0.059
Average	0.079	0.079	0.079	2,183	2,183	2,183
Additional Controls:						
Cycle FE	✓	✓	✓	✓	✓	✓

Notes: Table reports partial correlations between the likelihood of making political contributions, columns 1 to 4, or the inverse hyperbolic sine of total contributions, columns 5 to 8, and measures of an entity centrality within the network of amicus curiae signers. *Amicus Signer* is a dummy taking value one when an entity is also found among the signers of amicus curiae to the Supreme Court. *Centrality* is the normalized harmonic centrality of an entity within the network of amicus curiae signers. For non-signers their connectivity is zero, maximum connectivity is one. Average provides the average of the lef-hand side, for columns 4 to 6 we provide the dollar value instead of its inverse hyperbolic sine transform. Data comprises all organizations ever observed producing political contributions in DIME. Clustered standard errors at the entity level provided between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Summing up, evidence in this section suggests that entities with whom the Supreme

Court sided with in their first amicus curiae brief are more likely to make future political contributions. Moreover, we find evidence supporting that interest groups with aligned peers at the interpretability stage invest more in lobbying the lawmaker through political contributions, and vice versa. This supports the central idea of this paper: that special interest groups at law interpretability and lawmaking are connected. Moreover, our evidence suggests that, in the US, mechanisms leading to complementarities dominate mechanisms of offsetting.

Table 5: Amicus Curiae Peers' Political Contributions and Likelihood of Submitting a Brief

	(1)	(2)	(3)	(4)	(5)	(6)
No Peer Making Contributions	-0.068***	-0.087***	-0.085***	-0.085***	-0.079***	
	(0.004)	(0.004)	(0.004)	(0.022)	(0.022)	
(log-)Peer Contributions		0.012***	0.012***	0.008***	0.007***	0.014***
		(0.001)	(0.001)	(0.002)	(0.002)	(0.004)
(log-) Contribution			0.008***		0.001	0.001
			(0.002)		(0.001)	(0.001)
Has Made Contribution			0.055***		0.023***	0.024***
			(0.008)		(0.007)	(0.008)
Observations	62,628	62,628	62,628	62,628	62,628	51,393
R^2	0.012	0.016	0.018	0.205	0.205	0.222
Average	0.127	0.127	0.127	0.127	0.127	0.139
Additional Controls:						
Cycle FE	✓	✓	✓	✓	✓	✓
Entity FE				✓	✓	✓
Sample Restrictions:						
Only Those with Peers						✓

Notes: Table provides partial correlations between the likelihood of producing an amicus brief in a given electoral cycle and measures of political contributions made by peers in the production of amicus curiae briefs. *No Peer Making Contributions* is a dummy indicating that no entity to which the focal entity is connected through amicus brief co-authoring relations has made political contributions in a given cycle. *(log-)Peer Contributions* is the log of total, weighted, contributions made by amicus brief co-authors in a given electoral cycle. Weights are equal to the inverse minimum distance over the amicus network between the focal entity and each entity it is connected to. For entity-cycles with no peers producing political contributions we assign the mean value of peer contributions. Thus *No Peer Making Contributions* compares to the entity with mean peer contributions. *(log-) Contributions* and *Has Made Contribution* measure analogous quantities but for own political contributions of the focal entity. Entity clustered standard errors are reported between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

6 Final remarks

There is little doubt that interpreters have room to steer the same piece of written legislation toward different outcomes. Given this, why would special-interest groups invest costly efforts in influencing a legislator whose power could later be overturned by the judiciary? Conversely, why would they focus on equipping interpreters if a legislator can pre-emptively neutralise a potential favourable interpretation? Of course, this is a

somewhat extreme way of presenting the problem, and there may still be room for partially effective action within individual arenas, such as Congress. Still, by and large, the main idea remains: there are as many arenas for special-interest influence as there are stages in the policymaking process that shape a law's material outcome. Consequently, any effective analysis of how special-interest groups seek to influence policy should encompass all of these arenas and the ways in which they interact.

In this article, we take a step forward in this direction by analysing special-interest strategies across two intertwined stages: lawmaking and law interpretability. In our theoretical model, an interest group can influence a lawmaker who faces a trade-off between signaling alignment with voters to win the election or neutralising a future reversal by a biased interpreter at the risk of losing office. Several factors shape the group's influence at lawmaking, including electoral incentives, distances between the positions of different actors, and, crucially, the interpretability of the law, which affects the likelihood of judicial intervention. This, in turn, creates a second arena of influence, where groups can alter ex-ante the effective cost of lobbying at the lawmaking stage. The reverse is also true. The expectation of lobbying strategies at the lawmaking stage may itself generate greater influence over interpretability. For both mechanisms, we identify the conditions under which the actions of aligned groups in both arenas are complementary, and when competing groups generate offsetting effects.

The holistic approach required poses several challenges for producing empirical evidence in a framework where interest groups operate across multiple stages. The first one, is that interest-groups may act on law interpretability through mechanisms that may be difficult to measure. For example, they may engage in the production of research that may open the law in a desirable dimension, but such research may be difficult to identify. We address this challenge by looking at two prominent mechanisms aimed at shifting the interpretability of the law: funding of seminars for federal judges and the submission of amicus curiae briefs to the Supreme Court. Several empirical exercises using different data sources consistently document complementarities between interest-group activity in law interpretability and in lawmaking, with the latter measured as campaign contributions. We not only find substantial overlap between groups active in both arenas, but also that aligned interests in an arena of influence shape investments in the other.

Future research could advance along two main fronts. First, on the theoretical side, by providing micro-foundations for judicial decision-making and exploring the mechanisms through which a written law can be "shifted" via interpretation. This, in turn, would offer further insights into how and through which channels interest-group activities shape future interpretations. Beyond mechanisms, an even more challenging task is to produce causal empirical evidence on the connection between interest-group activity across multiple arenas and its impact on final policy outcomes. In this regard, we believe there is scope

to improve the measurement of influence on law interpretability.

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A Appendix

A.1 Proofs Baseline Model

Strategies. We focus on pure strategies. An enacted law is a function $x_M : \{c, d\} \times \{y, n\} \to \{l, c, r\}$ such that $x_M\left(\theta^M, s\right)$ is M's law when her type is θ^M and the state is s. An interpreted law x_I is a function $x_I : \{l, c, r\} \times \{y, n\} \to \{l, c, r\}$ such that $x_I\left(x_M, s\right)$ is I's law interpretation when the enacted law is x_M and the state is s. The final law is

$x_F = \omega \times x_I + (1-\omega) \times x_M$. Given that Prob$[\omega = 0] = \phi$, the expected x_F becomes $\phi \times x_M + (1-\phi) \times x_I$. As explained in the presentation of the model, the electoral decision of the voter, reelect or replace, takes place after the voter observes x_M, and depends on updates on the beliefs that the incumbent is congruent. This posterior belief function $\mu(\theta^M \mid x_M)$ is the mapping $\mu : \{c, d\} \times \{l, c, r\} \to [0, 1]$. Lastly, the dissociated type of lawmaker, if incumbent, does not engage in strategic behavior and will (always) pass law l.

In the Proof of Proposition 1, we use the following lemma:

Lemma A1. *Suppose that out of the equilibrium path, the voter's belief that the incumbent is congruent conditional on observing $x_M = c, r$ satisfies $\mu(c \,|x_M) > \pi$. Then, the voter always reelects the incumbent when it observes c or r and replaces it when it observes l.*

Proof. After observing x_M, the voter infers the probability that the incumbent is congruent which we denote $\mu(c \,|x_M)$. Naturally, $\mu(d \,|x_M) = 1 - \mu(c \,|x_M)$ is V's inference that the incumbent is dissociated. Then, if V reelects the incumbent, it gets:

$$V_V(x_V = 1) = \mu(c \,|x_M) B^c + [1 - \mu(c \,|x_M)] B^d$$

while if V does not reelect the incumbent, it gets

$$V_V(x_V = 0) = \pi B^c + (1 - \pi) B^d$$

Since $B^c > B^d$, $V_V(x_V = 1) > V_V(x_V = 0)$ if and only if $\mu(c \,|x_M) > \pi$. Thus, if $\mu(c \,|x_M) > \pi$, V reelects the incumbent, while if $\mu(c \,|x_M) < \pi$, V does not reelect the incumbent. For $\mu(c \,|x_M) = \pi$, V is indifferent and we assume in those circumstances V does not reelect the incumbent.

Let $\alpha(x_M \,|c)$ $(\alpha(x_M \,|d))$ denote the probability that a congruent (dissociated) M plays $x_M \in \{l, c, r\}$. Suppose that it is not the case that $\alpha(x_M \,|c) = \alpha(x_M \,|d) = 0$. That is, x_M is on the equilibrium path. Then, Bayes' rule implies that

$$\mu(c \,|x_M) = \frac{\pi \alpha(x_M \,|c)}{\pi \alpha(x_M \,|c) + (1 - \pi) \alpha(x_M \,|d)}$$

In contrast, suppose that $\alpha(x_M \,|c) = \alpha(x_M \,|d) = 0$. That is, x_M is out of the equilibrium path. Then, any $\mu(c \,|x_M)$ such that $\mu(c \,|x_M) \in [0, 1]$ is acceptable.

Since a dissociated incumbent always plays $x_M(d, y) = x_M(d, n) = l$ and M plays a pure strategy, there are 9 cases to consider. The following table lists each of these cases, the corresponding belief that M is congruent, and V's reelection decision.

	Congruent M choices		V's belief and reelection decision					
Case	$x_M(c,n)$	$x_M(c,y)$	$\mu(c\,\vert x_M=l)$	x_V	$\mu(c\,\vert x_M=c)$	x_V	$\mu(c\,\vert x_M=r)$	x_V
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	l	l	π	0	$>\pi$ $(*)$	1	$>\pi$ $(*)$	1
2	l	c	$\frac{(1-\xi)\pi}{1-\pi+\pi(1-\xi)}<\pi$	0	1	1	$>\pi$ $(*)$	1
3	l	r	$\frac{(1-\xi)\pi}{1-\pi+\pi(1-\xi)}<\pi$	0	$>\pi$ $(*)$	1	1	1
4	c	l	$\frac{\xi\pi}{1-\pi+\pi\xi}<\pi$	0	1	1	$>\pi$ $(*)$	1
5	c	c	0	0	1	1	$>\pi$ $(*)$	1
6	c	r	0	0	1	1	1	1
7	r	l	$\frac{\xi\pi}{1-\pi+\pi\xi}<\pi$	0	$>\pi$ $(*)$	1	1	1
8	r	c	0	0	1	1	1	1
9	r	r	0	0	$>\pi$ $(*)$	1	1	1

Table A.1: Re-election Decisions

Note: $(*)$ indicates that this belief is out of the equilibrium path.

Note that in column (4), it is always the case that $\mu(c\,|x_M=l)\leq\pi$, which implies that when V observes $x_M=l$, it selects $x_V=0$ (column (5)). In contrast, in columns (6) and (8), we always have $\mu(c\,|x_M=c)>\pi$ and $\mu(c\,|x_M=r)>\pi$, respectively, which implies that when V observes $x_M=c,r$, it always selects $x_V=1$ (columns (7) and (9)).

This completes the proof of Lemma A1. □

Proof of Proposition 1. Since a dissociated incumbent always plays $x_M(d,y)=x_M(d,n)=l$ and M plays a pure strategy, there are 9 possible cases to consider, listed in Table A.1.

Cases 1, 2, and 3: Suppose that $x_M(c,n)=l$ and $x_M(c,y)\in\{l,c,r\}$. Then, when $s=n$, a congruent M obtains $V_M(c,n)(l)=v(l)$, while if it deviates to $x_M(c,n)=c$, it obtains $V_M(c,n)(c)=v(c)+\delta E$. Since $v(c)>v(l)$ and $\delta E>0$, $V_M(c,n)(c)>V_M(c,n)(l)$. Thus, this is not a PBE.

Case 4: Suppose that $x_M(c,n)=c$ and $x_M(c,y)=l$. Then, when $s=n$, a congruent M obtains $V_M(c,n)(c)=v(c)+\delta E$. If M deviates to $x_M(c,n)=l$, it obtains $V^M(c,n)(l)=v(l)$, while if it deviates to $x_M(c,n)=r$ it obtains $V_M(c,n)(r)=v(r)+\delta E$. Since $v(c)>v(l)$, $v(c)>v(r)$, and $\delta E>0$, $V_M(c,n)(c)>V_M(c,n)(l)$ and $V_M(c,n)(c)>V_M(c,n)(r)$. Thus, when $s=n$, a congruent M has no incentive to deviate from $x_M(c,n)=c$. When $s=y$, a congruent M obtains $V_M(c,y)(l)=\phi v(l)+(1-\phi)v(c)$. If M deviates to $x_M(c,y)=c$, it obtains $V_M(c,y)(c)=\phi v(c)+(1-\phi)v(r)+\delta E$, while if it deviates to $x_M(c,y)=r$, it obtains $V_M(c,y)(r)=v(r)+\delta E<V_M(c,y)(c)$. Thus, M does not have an incentive to deviate if and only if

$$\delta E\leq(1-\phi)[v(c)-v(r)]-\phi[v(c)-v(l)]$$

Thus, $x_M(c,n) = c$ and $x_M(c,y) = l$ is a PBE if and only if the above inequality holds.

Case 5: Suppose that $x_M(c,n) = c$ and $x_M(c,y) = c$. Then, when $s = n$, a congruent M obtains $V_M(c,n)(c) = v(c) + \delta E$. If M deviates to $x_M(c,n) = l$, it obtains $V^M(c,n)(l) = v(l)$, while if it deviates to $x_M(c,n) = r$ it obtains $V_M(c,n)(r) = v(r) + \delta E$. Since $v(c) > v(l)$, $v(c) > v(r)$, and $\delta E > 0$, $V_M(c,n)(c) > V_M(c,n)(l)$ and $V_M(c,n)(c) > V_M(c,n)(r)$. Thus, when $s = n$, a congruent M has no incentive to deviate from $x_M(c,n) = c$. When $s = y$, a congruent M obtains $V_M(c,y)(c) = \phi v(c) + (1-\phi)v(r) + \delta E$. If M deviates to $x_M(c,y) = r$, it obtains $V_M(c,y)(r) = v(r) + \delta E$, which offers a lower payoff for all $\phi > 0$. However, if it deviates to $x_M(c,y) = l$, it obtains $V_M(c,y)(c) = \phi v(l) + (1-\phi)v(c)$. Thus, M does not have an incentive to deviate to l if and only if

$$\delta E \geq (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$$

Thus, $x_M(c,n) = c$ and $x_M(c,y) = c$ is a PBE if and only if the above inequality holds.

Case 6: Suppose that $x_M(c,n) = c$ and $x_M(c,y) = r$. Then, when $s = y$, the congruent M obtains $V_M(c,y)(r) = v(r) + \delta E$, while if it deviates to $x_M(c,y) = c$, it obtains $V_M(c,y)(c) = [\phi v(c) + (1-\phi)v(r)] + \delta E$. Since $v(c) > v(r)$ and $\delta E > 0$, $V_M(c,y)(c) > V_M(c,y)(r)$. Thus, this is not a PBE.

Cases 7, 8 and 9: Suppose that $x_M(c,n) = r$ and $x_M(c,y) \in \{l,c,r\}$. Then, when $s = n$, a congruent M obtains, $V_M(c,n)(r) = v(r) + \delta E$, while if it deviates to $x_M(c,n) = c$, it obtains $V_M(c,n)(c) = v(c) + \delta E$. Since $v(c) > v(r)$ and $\delta E > 0$, $V_M(c,n)(c) > V_M(c,n)(r)$. Thus, this is not a PBE.

In summary, when $\delta E > (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$, the unique PBE is $x_M(c,n) = c$ and $x_M(c,y) = c$ (case 5). In contrast, when $\delta E < (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$, the unique PBE is $x_M(c,n) = c$ and $x_M(c,y) = l$ (Case 4). For $\delta E = (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$, $x_M(c,n) = c$ and $x_M(c,y) = c$ and $x_M(c,n) = c$ and $x_M(c,y) = l$ are both PBE. In such a knife-edge situation, we assume that M always plays $x_M(c,n) = c$ and $x_M(c,y) = c$, which ensures that M will be reelected.

This completes the proof of Proposition 1. □

A.2 Proofs Model 1: IG and MG symmetrically informed

MG's Choices

	PBE_{lc}		PBE_{cc}	
(θ, s)	$x_M(\theta, s)$	$\mathbf{E}\left[v_{MG}\left(x_F\right)/(\theta, s)\right]$	$x_M(\theta, s)$	$\mathbf{E}\left[v_{MG}\left(x_F\right)/(\theta, s)\right]$
(1)	(2)	(3)	(4)	(5)
(c, n)	c	$v_{MG}(c)$	c	$v_{MG}(c)$
(c, y)	l	$\phi v_{MG}(l) + (1-\phi) v_{MG}(c)$	c	$\phi v_{MG}(c) + (1-\phi) v_{MG}(r)$
(d, n)	l	$v_{MG}(l)$	l	$v_{MG}(l)$
(d, y)	l	$\phi v_{MG}(l) + (1-\phi) v_{MG}(c)$	l	$\phi v_{MG}(l) + (1-\phi) v_{MG}(c)$
MG's **Gross Payoff** PBE_{lc}: $\mathbf{E}\left(v_{MG}^{lc}\right) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc}$ $\Delta_{MG}^{lc} = (1-\pi-\phi)\left[v_{MG}(c) - v_{MG}(l)\right]$				
MG's **Gross Payoff** PBE_{cc}: $\mathbf{E}\left(v_{MG}^{cc}\right) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc}$ $\Delta_{MG}^{cc} = (1-\phi)\left\{\pi\left[v_{MG}(r) - v_{MG}(c)\right] + (1-\pi)\left[v_{MG}(c) - v_{MG}(l)\right]\right\}$				
Comparison	PBE_{lc} **or** PBE_{cc}**?**		**Effect of Interpretability**	
r**-leaning** MG $(\Delta_{MG}^{cc} > \Delta_{MG}^{lc} \geq 0)$	$\mathbf{E}\left(v_{MG}^{cc}\right) > \mathbf{E}\left(v_{MG}^{lc}\right)$		$\frac{\partial \mathbf{E}\left(v_{MG}^{cc}\right)}{\partial \xi} > \frac{\partial \mathbf{E}\left(v_{MG}^{lc}\right)}{\partial \xi} \geq 0$	
l**-leaning** MG $(\Delta_{MG}^{cc} < \Delta_{MG}^{lc} \leq 0)$	$\mathbf{E}\left(v_{MG}^{lc}\right) > \mathbf{E}\left(v_{MG}^{cc}\right)$		$\frac{\partial \mathbf{E}\left(v_{MG}^{cc}\right)}{\partial \xi} < \frac{\partial \mathbf{E}\left(v_{MG}^{lc}\right)}{\partial \xi} \leq 0$	

Table A.2: MG's gross payoffs

Proof of Lemma 1. Given ξ and E, Proposition 1 still characterizes the unique PBE equilibrium. In particular, there are two possible situations to consider.

Suppose that (1) holds or, which is equivalent,

$$E_{MG} \geq \bar{E}_{MG} = \frac{(1-\phi)\left[v(c) - v(r)\right] - \phi\left[v(c) - v(l)\right] - \delta E_0}{\delta}$$

Then, the unique PBE equilibrium is $x_M(c, n) = x_M(c, y) = c$. In such a situation, MG's expected payoff is given by:

$$V_{MG}\left(E_{MG}\right) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc} - c_E \left|E_{MG}\right|$$

where

$$\Delta_{MG}^{cc} = (1-\phi)\left\{\pi\left[v_{MG}(r) - v_{MG}(c)\right] + (1-\pi)\left[v_{MG}(c) - v_{MG}(l)\right]\right\}$$

Suppose that (1) does not hold or, which is equivalent,

$$E_{MG} < \bar{E}_{MG}$$

Then, the unique PBE equilibrium is $x_M(c, n) = c$ and $x_M(c, y) = l$. In such a situation,

MG's expected payoff is given by:

$$V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc} - c_E |E_{MG}|$$

where

$$\Delta_{MG}^{lc} = (1-\pi-\phi)[v_{MG}(c) - v_{MG}(l)]$$

In summary, MG's expected payoff as a function of E_{MG} is given by:

$$V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \begin{cases} \xi \Delta_{MG}^{cc} - c_E |E_{MG}| & \text{if } E_{MG} \geq \bar{E}_{MG} \\ \xi \Delta_{MG}^{lc} - c_E |E_{MG}| & \text{if } -E_0 \leq E_{MG} < \bar{E}_{MG} \end{cases}$$

Note that $V_{MG}(E_{MG})$ is a continuous function of E_{MG} for all $E_{MG} \in \left[-E_0, \bar{E}_{MG}\right)$ as well as for all $E_{MG} \in \left(\bar{E}_{MG}, \infty\right)$, but it is discontinuous at $E_{MG} = \bar{E}_{MG}$ because $\Delta_{MG}^{cc} \neq \Delta_{MG}^{lc}$.

Consider an r-leaning MG. Then, $\Delta_{MG}^{cc} > \Delta_{MG}^{lc} \geq 0$. There are two possible cases to consider.

Case 1: Suppose that $\bar{E}_{MG} \leq 0$ (equivalently, $\delta E_0 \geq (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$). Then, $V_{MG}(E_{MG})$ is strictly increasing in E_{MG} for all $E_{MG} \in \left[-E_0, \bar{E}_{MG}\right)$, it is strictly increasing in E_{MG} for all $E_{MG} \in \left(\bar{E}_{MG}, 0\right]$, and it is strictly decreasing in E_{MG} for all $E_{MG} \in (0, \infty)$. Moreover,

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^-} V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc} - c_E \bar{E}_{MG}$$

$$<$$

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^+} V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc} - c_E \bar{E}_{MG}$$

Thus, $V_{MG}(E_{MG})$ adopts its unique global maximum at $E_{MG} = 0$.

Case 2: Suppose that $\bar{E}_{MG} > 0$ (equivalently, $\delta E_0 < (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$). Then, $V_{MG}(E_{MG})$ is strictly increasing in E_{MG} for all $E_{MG} \in [-E_0, 0]$, it is strictly decreasing in E_{MG} for all $E_{MG} \in \left[0, \bar{E}_{MG}\right)$, and it is strictly decreasing in E_{MG} for all $E_{MG} \in \left(\bar{E}_{MG}, \infty\right)$. Moreover,

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^-} V_{MG}(E_{MG}) = \xi \Delta_{MG}^{lc} - c_E \bar{E}_{MG} < \lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^+} V_{MG}(E_{MG}) = \xi \Delta_{MG}^{cc} - c_E \bar{E}_{MG}$$

Thus, $V_{MG}(E_{MG})$ adopts its global maximum either at $E_{MG} = 0$ or at $E_{MG} = \bar{E}_{MG}$.

Evaluate $V_{MG}(E_{MG})$ at $E_{MG} = 0, \bar{E}_{MG}$:

$$V_{MG}\left(\bar{E}_{MG}\right) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc} - c_E \bar{E}_{MG}$$
$$V_{MG}(0) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc}$$

$V_{MG}\left(\bar{E}_{MG}\right) \geq V_{MG}(0)$ if and only if

$$\xi \geq \frac{c_E \bar{E}_{MG}}{\Delta_{MG}^{cc} - \Delta_{MG}^{lc}} = \frac{c_E \{(1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)] - \delta E_0\}}{\delta\pi \{(1-\phi)[v_{MG}(r) - v_{MG}(c)] + \phi[v_{MG}(c) - v_{MG}(l)]\}}$$

Consider an l-leaning MG. Then, $0 \geq \Delta_{MG}^{lc} > \Delta_{MG}^{cc}$. There are two possible cases to consider.

$$V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \begin{cases} \xi \Delta_{MG}^{cc} - c_E |E_{MG}| & \text{if } E_{MG} \geq \bar{E}_{MG} \\ \xi \Delta_{MG}^{lc} - c_E |E_{MG}| & \text{if } -E_0 \leq E_{MG} < \bar{E}_{MG} \end{cases}$$

Case 1: Suppose that $\bar{E}_{MG} < 0$ (equivalently, $\delta E_0 > (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$). Then, $V_{MG}(E_{MG})$ is strictly increasing in E_{MG} for all $E_{MG} \in \left[-E_0, \bar{E}_{MG}\right)$, it is strictly increasing in E_{MG} for all $E_{MG} \in \left(\bar{E}_{MG}, 0\right]$, and it is strictly decreasing in E_{MG} for all $E_{MG} \in (0, \infty)$. Moreover,

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^-} V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc} - c_E \left|\bar{E}_{MG}\right|$$
$$>$$
$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^+} V_{MG}(E_{MG}) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc} - c_E \left|\bar{E}_{MG}\right|$$

Thus, $V_{MG}(E_{MG})$ adopts its global maximum either at $E_{MG} = 0$ or at $E_{MG} = \bar{E}_{MG}$. Evaluate $V_{MG}(E_{MG})$ at $E_{MG} = 0, \bar{E}_{MG}$:

$$V_{MG}(0) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{cc}$$
$$V_{MG}\left(\bar{E}_{MG}\right) = \pi v_{MG}(c) + (1-\pi) v_{MG}(l) + \xi \Delta_{MG}^{lc} - c_E \left|\bar{E}_{MG}\right|$$

$V_{MG}\left(\bar{E}_{MG}\right) \geq V_{MG}(0)$ if and only if

$$\xi \geq \frac{c_E \left|\bar{E}_{MG}\right|}{\Delta_{MG}^{lc} - \Delta_{MG}^{cc}} = \frac{c_E \{(1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)] - \delta E_0\}}{\delta\pi \{(1-\phi)[v_{MG}(r) - v_{MG}(c)] + \phi[v_{MG}(c) - v_{MG}(l)]\}}$$

Case 2: Suppose that $\bar{E}_{MG} > 0$ (equivalently, $\delta E_0 < (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)]$). Then, $V_{MG}(E_{MG})$ is strictly increasing in E_{MG} for all $E_{MG} \in [-E_0, 0]$, it is strictly decreasing in E_{MG} for all $E_{MG} \in \left[0, \bar{E}_{MG}\right)$, and it is strictly decreasing in E_{MG} for all

$E_{MG} \in \left(\bar{E}_{MG}, \infty\right)$. Moreover,

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^{-}} V_{MG}\left(E_{MG}\right) = \pi v_{MG}\left(c\right) + \left(1-\pi\right) v_{MG}\left(l\right) + \xi \Delta_{MG}^{lc} - c_E \bar{E}_{MG}$$

$$>$$

$$\lim_{E_{MG} \to \left(\bar{E}_{MG}\right)^{+}} V_{MG}\left(E_{MG}\right) = \pi v_{MG}\left(c\right) + \left(1-\pi\right) v_{MG}\left(l\right) + \xi \Delta_{MG}^{cc} - c_E \bar{E}_{MG}$$

Thus, $V_{MG}\left(E_{MG}\right)$ adopts its unique global maximum at $E_{MG} = 0$. □

IG's choices when IG is aligned with MG

Proof of Proposition 2. Using Lemma 1 and the Selection Criterion 1, the expected payoff of IG as a function of ξ is given by:

$$V_{IG}\left(\xi\right) = \pi v_{IG}\left(c\right) + \left(1-\pi\right) v_{IG}\left(l\right) + \begin{cases} \xi \Delta_{IG}^{cc} - c_I \frac{\left(\xi - \xi_0\right)^2}{2} & \text{if } \bar{\xi} \leq \xi \leq 1 \\ \xi \Delta_{IG}^{lc} - c_I \frac{\left(\xi - \xi_0\right)^2}{2} & \text{if } 0 \leq \xi < \bar{\xi} \end{cases}$$

where

$$\Delta_{IG}^{cc} = \left(1-\phi\right)\left\{\pi\left[v_{IG}\left(r\right) - v_{IG}\left(c\right)\right] + \left(1-\pi\right)\left[v_{IG}\left(c\right) - v_{IG}\left(l\right)\right]\right\}$$
$$\Delta_{IG}^{lc} = \left(1-\pi-\phi\right)\left[v_{IG}\left(c\right) - v_{IG}\left(l\right)\right]$$

Note that:

- $V_{IG}\left(\xi\right)$ is a C^2 function of ξ for all $\xi \in \left[0, \bar{\xi}\right)$ as well as for all $\xi \in \left(\bar{\xi}, 1\right]$, but it discontinuous at $\xi = \bar{\xi}$ because $\Delta_{IG}^{cc} > \Delta_{IG}^{lc}$.
- Take the derivative of $V_{IG}\left(\xi\right)$ with respect to ξ for $\xi \in \left[0, \bar{\xi}\right)$:

  $$\frac{\partial V_{IG}\left(\xi\right)}{\partial \xi} = \Delta_{IG}^{lc} - c_I\left(\xi - \xi_0\right) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

  Moreover, $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$ and, hence, $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < 1$. Thus, for $\xi \in \left[0, \bar{\xi}\right)$, $V_{IG}\left(\xi\right)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$.
- Take the derivative of $V_{IG}\left(\xi\right)$ with respect to ξ for $\xi \in \left[\bar{\xi}, 1\right]$:

  $$\frac{\partial V_{IG}\left(\xi\right)}{\partial \xi} = \Delta_{IG}^{cc} - c_I\left(\xi - \xi_0\right) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

Moreover, $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$. Thus, for $\xi \in \left[\bar{\xi}, 1\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

- Finally

$$\lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

$$<$$

$$\lim_{\xi \to (\bar{\xi})^+} V_{IG}(\xi) = V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

There are several cases to consider.

Case 1: Suppose that $\bar{\xi} \leq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

Case 1.a: Suppose that $\bar{\xi} \leq \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right)$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[\bar{\xi}, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

Case 1.b: Suppose that $\xi_0 < \bar{\xi} < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right)$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[\bar{\xi}, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

Case 1.c: Suppose that $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 \leq \bar{\xi} \leq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{p}}{c_I} + \xi_0\right]$, it is strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, \bar{\xi}\right)$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[\bar{\xi}, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right]$. Thus, $V_{IG}(\xi)$ adopts its global maximum either at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$ or $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Evaluate $V_{IG}(\xi)$ at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$:

$$V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{lc}$$

$$V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{cc}$$

Thus, $V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I}+\xi_0\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I}+\xi_0\right)$ if and only if

$$\frac{\left(\Delta_{IG}^{cc}\right)^2-\left(\Delta_{IG}^{lc}\right)^2}{2c_I}+\xi_0\left(\Delta_{IG}^{cc}-\Delta_{IG}^{lc}\right) \geq 0$$

which always holds. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi=\frac{\Delta_{IG}^{cc}}{c_I}+\xi_0$.

Case 2: Suppose that $\bar{\xi} > \frac{\Delta_{IG}^{cc}}{c_I}+\xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{lc}}{c_I}+\xi_0\right]$, it is strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{lc}}{c_I}+\xi_0, \bar{\xi}\right)$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left[\bar{\xi}, 1\right]$. Thus, $V_{IG}(\xi)$ adopts its global maximum either at $\xi=\frac{\Delta_{IG}^{lc}}{c_I}+\xi_0$ or $\xi=\bar{\xi}$. Evaluate $V_{IG}(\xi)$ at $\xi=\frac{\Delta_{IG}^{lc}}{c_I}+\xi_0, \bar{\xi}$:

$$V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I}+\xi_0\right)=\pi v_{IG}(c)+(1-\pi)\, v_{IG}(l)+\frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I}+\xi_0\Delta_{IG}^{lc}$$

$$V_{IG}\left(\bar{\xi}\right)=\pi v_{IG}(c)+(1-\pi)\, v_{IG}(l)+\bar{\xi}\Delta_{IG}^{cc}-c_I\frac{\left(\bar{\xi}-\xi_0\right)^2}{2}$$

Thus, $V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{p}}{c_I}+\xi_0\right)$ if and only if

$$\Delta\left(\bar{\xi}\right)=\bar{\xi}\Delta_{IG}^{cc}-c_I\frac{\left(\bar{\xi}-\xi_0\right)^2}{2}-\frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I}-\xi_0\Delta_{IG}^{lc} \geq 0$$

Note that:

$$\lim_{\bar{\xi}\to\left(\frac{\Delta_{IG}^{cc}}{c_I}+\xi_0\right)^+}\Delta\left(\bar{\xi}\right)=\xi_0\left(\Delta_{IG}^{cc}-\Delta_{IG}^{lc}\right)+\frac{\left(\Delta_{IG}^{cc}\right)^2-\left(\Delta_{IG}^{lc}\right)^2}{2c_I}>0$$

$$\frac{\partial\Delta\left(\bar{\xi}\right)}{\partial\bar{\xi}}=\Delta_{IG}^{cc}-c_I\left(\bar{\xi}-\xi_0\right)<0 \Leftrightarrow \bar{\xi}>\frac{\Delta_{IG}^{cc}}{c_I}+\xi_0$$

Thus, $\Delta\left(\bar{\xi}\right) \geq 0$ holds for $\bar{\xi} \to \left(\frac{\Delta_{IG}^{cc}}{c_I}+\xi_0\right)^+$ and it is strictly decreasing in $\bar{\xi}$ for all $\bar{\xi} > \frac{\Delta_{IG}^{s}}{c_I}+\xi_0$.

Also note that:

$$\Delta(1) = \xi_0\left(\Delta_{IG}^{cc} - \Delta_{IG}^{p}\right) + (1-\xi_0)\left[\Delta_{IG}^{cc} - \frac{c_I(1-\xi_0)}{2}\right] - \frac{\left(\Delta_{IG}^{p}\right)^2}{2c_I}$$

$$\lim_{c_I \to \left(\frac{\Delta_{IG}^{cc}}{1-\xi_0}\right)^+} \Delta(1) = \xi_0\left(\Delta_{IG}^{cc} - \Delta_{IG}^{p}\right) + \frac{(1-\xi_0)\left[\left(\Delta_{IG}^{s}\right)^2 - \left(\Delta_{IG}^{lc}\right)^2\right]}{2\Delta_{IG}^{s}} > 0$$

$$\frac{\partial \Delta(1)}{\partial c_I} = -\frac{(1-\xi_0)^2}{2} + \frac{\left(\Delta_{IG}^{lc}\right)^2}{2(c_I)^2} < 0 \Leftrightarrow c_I > \frac{\Delta_{IG}^{lc}}{(1-\xi_0)}$$

$$\lim_{c_I \to \infty} \Delta(1) = -\infty$$

Thus, $\Delta(1) > 0$ holds when $c_I \to \left(\frac{\Delta_{IG}^{cc}}{1-\xi_0}\right)^+$, $\Delta(1)$ is strictly decreasing in c_I, and $\Delta(1) < 0$ for $c_I \to \infty$. Hence, there must exist $\bar{c}_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ such that $\Delta(1) > 0$ for all $c_I \in \left(\frac{\Delta_{IG}^{cc}}{1-\xi_0}, \bar{c}_I\right)$, $\Delta(1) = 0$ for $c_I = \bar{c}_I$, and $\Delta(1) < 0$ for all $c_I \in (0, \infty)$.

Therefore, there are two possible cases to consider:

Case 2.a: Suppose that $c_I \in \left(\frac{\Delta_{IG}^{cc}}{1-\xi_0}, \bar{c}_I\right]$. Then, $\Delta\left(\bar{\xi}\right) \geq 0$ for all $\bar{\xi} \in \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right]$. Thus, $V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)$ always holds, and, hence, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$.

Case 2.b: Suppose that $c_I \in (\bar{c}_I, \infty)$. Then, $\Delta(1) < 0$ and, hence, there exists $\hat{\xi} \in \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right)$ such that $\Delta\left(\bar{\xi}\right) > 0$ for all $\bar{\xi} \in \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \hat{\xi}\right)$, $\Delta\left(\hat{\xi}\right) = 0$, and $\Delta\left(\bar{\xi}\right) < 0$ for all $\bar{\xi} \in \left(\hat{\xi}, 1\right]$. Thus, $V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)$ if and only if $\bar{\xi} \leq \hat{\xi}$. In other words, if $\bar{\xi} \leq \hat{\xi}$, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$, while if $\bar{\xi} > \hat{\xi}$, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.

□

Proof of Proposition 3. Using Lemma 1 and the Selection Criterion 1, the expected payoff of IG as a function of ξ is given by:

$$V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \begin{cases} \xi\Delta_{IG}^{lc} - c_I\frac{(\xi-\xi_0)^2}{2} & \text{if } \bar{\xi} \leq \xi \leq 1 \\ \xi\Delta_{IG}^{cc} - c_I\frac{(\xi-\xi_0)^2}{2} & \text{if } 0 \leq \xi < \bar{\xi} \end{cases}$$

where

$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right]$$

Note that:

- $V_{IG}(\xi)$ is a C^2 function of ξ for all $\xi \in \left[0, \bar{\xi}\right)$ as well as for all $\xi \in \left(\bar{\xi}, 1\right]$, but it discontinuous at $\xi = \bar{\xi}$ because $\Delta_{IG}^{cc} < \Delta_{IG}^{lc}$.

- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left[0, \bar{\xi}\right)$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{cc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

  Moreover, $c_I > -\frac{\Delta_{IG}^{cc}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > 0$. Thus, for $\xi \in \left[0, \bar{\xi}\right)$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left[\bar{\xi}, 1\right]$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{lc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

  Moreover, $c_I > -\frac{\Delta_{IG}^{cc}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > 0$ and, hence, $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 > 0$. Thus, for $\xi \in \left[\bar{\xi}, 1\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$.

- Finally

$$\lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

$$<$$

$$\lim_{\xi \to (\bar{\xi})^+} V_{IG}(\xi) = V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

There are several cases to consider.

Case 1: Suppose that $\bar{\xi} \leq \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, either $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right)$ or $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \bar{\xi}\right)$. We also have that $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi)$. Finally, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[\bar{\xi}, \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, 1\right]$. If $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right)$, then it adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. If $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{s}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \bar{\xi}\right)$, it adopts its global maximum either at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ or $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Evaluate $V_{IG}(\xi)$ at

$\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$:

$$V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{lc}$$
$$V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{cc}$$

Thus, $V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right)$ if and only if

$$\frac{\left(\Delta_{IG}^{lc}\right)^2 - \left(\Delta_{IG}^{cc}\right)^2}{2c_I} + \xi_0\left(\Delta_{IG}^{lc} - \Delta_{IG}^{cc}\right) \geq 0$$
$$0 > \Delta_{IG}^{lc} > \Delta_{IG}^{cc}$$

which always holds. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.

Case 2: Suppose that $\bar{\xi} > \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \bar{\xi}\right)$. We also have that $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to (\bar{\xi})^-} V_{IG}(\xi)$. Finally, $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left[\bar{\xi}, 1\right]$. Thus, $V_{IG}(\xi)$ adopts its global maximum either at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ or $\xi = \bar{\xi}$. Evaluate $V_{IG}(\xi)$ at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \bar{\xi}$:

$$V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$
$$V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{cc}$$

Thus, $V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{s}}{c_I} + \xi_0\right)$ if and only if

$$\Delta\left(\bar{\xi}\right) = \bar{\xi}\Delta_{IG}^{lc} - \xi_0 \Delta_{IG}^{s} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2} - \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} \geq 0$$

Note that:

$$\lim_{\bar{\xi} \to \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)^+} \Delta\left(\bar{\xi}\right) = \xi_0\left(\Delta_{IG}^{lc} - \Delta_{IG}^{cc}\right) + \frac{\left(\Delta_{IG}^{lc}\right)^2 - \left(\Delta_{IG}^{cc}\right)^2}{2c_I} > 0$$
$$\frac{\partial \Delta\left(\bar{\xi}\right)}{\partial \bar{\xi}} = \Delta_{IG}^{lc} - c_I\left(\bar{\xi} - \xi_0\right) < 0 \Leftrightarrow \bar{\xi} > \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

Thus, $\Delta\left(\bar{\xi}\right) \geq 0$ holds for $\bar{\xi} \to \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)^+$ and it is strictly decreasing in $\bar{\xi}$ for all

$\bar{\xi} > \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$.

Also note that:

$$\lim_{c_I \to \left(-\frac{\Delta_{IG}^{cc}}{\xi_0}\right)^+} \Delta(1) = \Delta_{IG}^{lc} + \frac{\Delta_{IG}^{cc}}{2\xi_0}(1 - 2\xi_0) < 0$$

$$\frac{\partial \Delta(1)}{\partial c_I} = -\frac{(1-\xi_0)^2}{2} + \frac{\left(\Delta_{IG}^{cc}\right)^2}{2(c_I)^2} < 0 \Leftrightarrow c_I > \frac{|\Delta_{IG}^{cc}|}{(1-\xi_0)}$$

where we have used that $\xi_0 < 1/2$, which implies $1 - 2\xi_0 > 0$ and $c_I > \frac{|\Delta_{IG}^{cc}|}{\xi_0} > \frac{|\Delta_{IG}^{cc}|}{(1-\xi_0)}$. Thus, $\Delta(1) < 0$ for all $c_I > \frac{|\Delta_{IG}^{s}|}{\xi_0}$.

Given the properties of $\Delta\left(\bar{\xi}\right)$, there exists $\hat{\xi} \in \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, 1\right)$ such that $\Delta\left(\bar{\xi}\right) > 0$ for all $\bar{\xi} \in \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, \hat{\xi}\right)$, $\Delta\left(\hat{\xi}\right) = 0$, and $\Delta\left(\bar{\xi}\right) < 0$ for all $\bar{\xi} \in \left(\hat{\xi}, 1\right]$. Thus, $V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right)$ if and only if $\bar{\xi} \leq \hat{\xi}$. In other words, if $\bar{\xi} \leq \hat{\xi}$, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$, while if $\bar{\xi} > \hat{\xi}$, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. □

IG's choices when IG is in conflict with MG

Proof of Proposition 4. **IG is l-leaning and MG is r-leaning**: Using Lemma 1 and the Selection Criterion 1, the expected payoff of IG as a function of ξ is given by:

$$V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \begin{cases} \xi\Delta_{IG}^{cc} - c_I\frac{(\xi-\xi_0)^2}{2} & \text{if } \bar{\xi} < \xi \leq 1 \\ \xi\Delta_{IG}^{lc} - c_I\frac{(\xi-\xi_0)^2}{2} & \text{if } 0 \leq \xi \leq \bar{\xi} \end{cases}$$

where

$$\Delta_{IG}^{cc} = (1-\phi)\{\pi[v_{IG}(r) - v_{IG}(c)] + (1-\pi)[v_{IG}(c) - v_{IG}(l)]\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)[v_{IG}(c) - v_{IG}(l)]$$

Note that:

- $V_{IG}(\xi)$ is a C^2 function of ξ for all $\xi \in \left[0, \bar{\xi}\right)$ as well as for all $\xi \in \left(\bar{\xi}, 1\right]$, but it discontinuous at $\xi = \bar{\xi}$ because $\Delta_{IG}^{cc} < \Delta_{IG}^{lc}$.
- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left[0, \bar{\xi}\right]$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{lc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

Moreover, $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > 0$ and, hence, $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 > 0$. Thus, for $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$.

- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left(\bar{\xi}, 1\right]$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{cc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

Moreover, $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > 0$. Thus, for $\xi \in \left(\bar{\xi}, 1\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

- Finally

$$\lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi) = V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

$$>$$

$$\lim_{\xi \to \left(\bar{\xi}\right)^+} V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

There are several cases to consider.

Case 1: Suppose that $\bar{\xi} \geq \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right]$, strictly decreasing in in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi)$, and $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left(\bar{\xi}, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.

Case 2: Suppose that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 \leq \bar{\xi} < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi)$, and $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left(\bar{\xi}, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$.

Case 3: Suppose that $\bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left(\bar{\xi}, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$ and strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, 1\right]$. Thus, $V_{IG}(\xi)$ adopts its global maximum either at $\xi = \bar{\xi}$ or $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Evaluate $V_{IG}(\xi)$ at

$\xi = \bar{\xi}, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$:

$$V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$
$$V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{cc}$$

$V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right)$ if and only if

$$\Delta\left(\bar{\xi}\right) = \bar{\xi}\Delta_{IG}^{lc} - \xi_0 \Delta_{IG}^{s} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2} - \frac{\left(\Delta_{IG}^{cc}\right)^2}{2c_I} \geq 0$$

Note that:

$$\lim_{\bar{\xi} \to \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right)^-} \Delta\left(\bar{\xi}\right) = \left(\Delta_{IG}^{p} - \Delta_{IG}^{cc}\right)\left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right) > 0$$
$$\frac{\partial \Delta\left(\bar{\xi}\right)}{\partial \bar{\xi}} = \Delta_{IG}^{lc} - c_I\left(\bar{\xi} - \xi_0\right) < 0 \Leftrightarrow \bar{\xi} < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

Thus, $\Delta\left(\bar{\xi}\right) > 0$ holds for $\bar{\xi} \to \left(\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right)^-$ and it is strictly decreasing in $\bar{\xi}$ for all $\bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Thus, $\Delta\left(\bar{\xi}\right) > 0$ always holds. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$.

IG is r-leaning and MG is l-leaning: Using Lemma 1 and the Selection Criterion 1, the expected payoff of IG as a function of ξ is given by:

$$V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \begin{cases} \xi\Delta_{IG}^{lc} - c_I \frac{(\xi-\xi_0)^2}{2} & \text{if } \bar{\xi} < \xi \leq 1 \\ \xi\Delta_{IG}^{cc} - c_I \frac{(\xi-\xi_0)^2}{2} & \text{if } 0 \leq \xi \leq \bar{\xi} \end{cases}$$

where

$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right]$$

Note that:

- $V_{IG}(\xi)$ is a C^2 function of ξ for all $\xi \in \left[0, \bar{\xi}\right)$ as well as for all $\xi \in \left(\bar{\xi}, 1\right]$, but it discontinuous at $\xi = \bar{\xi}$ because $\Delta_{IG}^{cc} > \Delta_{IG}^{lc}$.

- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left[0, \bar{\xi}\right]$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{cc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

  Moreover, $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$. Thus, for $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

- Take the derivative of $V_{IG}(\xi)$ with respect to ξ for $\xi \in \left(\bar{\xi}, 1\right]$:

$$\frac{\partial V_{IG}(\xi)}{\partial \xi} = \Delta_{IG}^{lc} - c_I(\xi - \xi_0) > 0 \Leftrightarrow \xi < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$$

  Moreover, $c_I > \frac{1-\Delta_{IG}^{cc}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$ and, hence, $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < 1$. Thus, for $\xi \in \left(\bar{\xi}, 1\right]$, $V_{IG}(\xi)$ is strictly increasing if $\xi < \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$ and strictly decreasing if $\xi > \frac{\Delta_{IG}^{p}}{c_I} + \xi_0$.

- Finally

$$\lim_{\xi \to \left(\bar{\xi}\right)^-} V_{IG}(\xi) = V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

$$>$$

$$\lim_{\xi \to \left(\bar{\xi}\right)^+} V_{IG}(\xi) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{lc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

  There are several cases to consider.

  Case 1: Suppose that $\bar{\xi} \geq \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0\right]$, it is strictly decreasing in ξ for all $\xi \in \left[\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^+} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left(\bar{\xi}, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$.

  Case 2: Suppose that $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 \leq \bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^+} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly decreasing in ξ for all $\xi \in \left(\bar{\xi}, 1\right]$. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$.

  Case 3: Suppose that $\bar{\xi} < \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Then, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left[0, \bar{\xi}\right]$, $V_{IG}\left(\bar{\xi}\right) > \lim_{\xi \to \left(\bar{\xi}\right)^+} V_{IG}(\xi)$, $V_{IG}(\xi)$ is strictly increasing in ξ for all $\xi \in \left(\bar{\xi}, \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right]$ and strictly decreasing for all $\xi \in \left[\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0, 1\right]$. Thus, $V_{IG}(\xi)$ adopts

its global maximum either at $\xi = \bar{\xi}$ or $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Evaluate $V_{IG}(\xi)$ at $\xi = \bar{\xi}, \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$:

$$V_{IG}\left(\bar{\xi}\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2}$$

$$V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I} + \xi_0 \Delta_{IG}^{lc}$$

$V_{IG}\left(\bar{\xi}\right) \geq V_{IG}\left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)$ if and only if

$$\Delta\left(\bar{\xi}\right) = \bar{\xi}\Delta_{IG}^{cc} - c_I \frac{\left(\bar{\xi} - \xi_0\right)^2}{2} - \frac{\left(\Delta_{IG}^{lc}\right)^2}{2c_I} - \xi_0 \Delta_{IG}^{lc}$$

Note that:

$$\lim_{\bar{\xi} \to \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)^-} \Delta\left(\bar{\xi}\right) = \frac{\Delta_{IG}^{p}\left(\Delta_{IG}^{cc} - \Delta_{IG}^{lc}\right)}{c_I} + \xi_0\left(\Delta_{IG}^{cc} - \Delta_{IG}^{lc}\right) > 0$$

$$\frac{\partial \Delta\left(\bar{\xi}\right)}{\partial \bar{\xi}} = \Delta_{IG}^{cc} - c_I\left(\bar{\xi} - \xi_0\right) < 0 \Leftrightarrow \bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$$

Thus, $\Delta\left(\bar{\xi}\right) > 0$ holds for $\bar{\xi} \to \left(\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0\right)^-$ and it is strictly decreasing in $\bar{\xi}$ for all $\bar{\xi} < \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Thus, $\Delta\left(\bar{\xi}\right) > 0$ always holds. Therefore, $V_{IG}(\xi)$ adopts its unique global maximum at $\xi = \bar{\xi}$. □

A.3 Proofs Model 2: Menu contributions and MG's informational advantage

MG and IG are both r-leaning

Proof of Lemma 2. Since, when there no contributions M always selects $x_M(c,n) = c$ and MG is r-leaning, we must consider three possible choices that MG might consider to induce, namely, $x_M(c,n) = r$, $x_M(c,y) = c$, and $x_M(c,y) = r$.

To induce $x_M(c,n) = r$: Suppose that MG offers $C(n,r) \geq 0$ if $x_M(c,n) = r$. Then, from Lemma 1, M's payoff is given by:

$$V_M(c,n)(l) = v(l)$$
$$V_M(c,n)(c) = v(c) + \delta E$$
$$V_M(c,n)(r) = v(r) + C(n,r) + \delta E$$

Thus, to induce $x_M(c,n) = r$, MG must offer

$$C(n,r) \geq v(c) - v(r)$$

To induce $x_M(c,y) = c$: Suppose that MG offers $C(y,c) \geq 0$ if $x_M(c,y) = c$. Then, from Lemma 1, M's payoff is given by:

$$\begin{aligned}
V_M(c,y)(l) &= \phi v(l) + (1-\phi) v(c) \\
V_M(c,y)(c) &= \phi v(c) + (1-\phi) v(r) + C(y,c) + \delta E \\
V_M(c,y)(r) &= v(r) + \delta E
\end{aligned}$$

Note that $V_M(c,y)(c) > V_M(c,y)(r)$. There are two possible cases to consider.

Case 1: Suppose that (1) holds. Then, $V_M(c,y)(c) \geq V_M(c,y)(l)$ for all $C(y,c) \geq 0$. Thus, to induce $x_M(c,y) = c$, MG must offer

$$C(y,c) \geq 0$$

Case 2: Suppose that (1) does not hold. Then, $V_M(c,y)(c) \geq V_M(c,y)(l)$ if and only if $C(y,c) \geq (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)] - \delta E$. Thus, to induce $x_M(c,y) = c$, MG must offer

$$C(y,c) \geq (1-\phi)[v(c) - v(r)] - \phi[v(c) - v(l)] - \delta E$$

To induce $x_M(c,y) = r$. Suppose that MG offers $C(y,r) \geq 0$ if $x_M(c,y) = r$. Then, from Lemma 1, M's payoff is given by:

$$\begin{aligned}
V^M(c,y)(l) &= \phi v(l) + (1-\phi) v(c) \\
V^M(c,y)(c) &= \phi v(c) + (1-\phi) v(r) + \delta E \\
V^M(c,y)(r) &= v(r) + C(y,r) + \delta E
\end{aligned}$$

There are two possible cases to consider.

Case 1: Suppose that (1) holds. Then, $V_M(c,y)(c) \geq V_M(c,y)(l)$. Thus, to induce $x_M(c,y) = r$, MG must offer

$$C(y,r) \geq \phi[v(c) - v(r)]$$

Case 2: Suppose that (1) does not hold. Then, $V_M(c,y)(l) > V_M(c,y)(c)$. Thus, to

induce $x_M(c,y) = r$, MG must offer

$$C(y,r) \geq (1-\phi)[v(c) - v(r)] - \phi[v(r) - v(l)] - \delta E$$

Using the above results, the following table summarizes the minimum contribution that M must offer to induce each equilibrium listed in the first two columns.

$x_M(c,n)$	$x_M(c,y)$	LSC	$C(n,r)$	$C(y,c)$	$C(y,r)$
c	c	*yes*	0	0	0
c	r	*yes*	0	0	$\phi\Delta(c,r)$
r	c	*yes*	$\Delta(c,r)$	0	0
r	c	*yes*	$\Delta(c,r)$	0	$\phi\Delta(c,r)$
c	l	*no*	0	0	0
c	c	*no*	0	$(1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$	0
c	r	*no*	0	0	$(1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$
r	l	*no*	$\Delta(c,r)$	0	0
r	c	*no*	$\Delta(c,r)$	$(1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$	0
r	r	*no*	$\Delta(c,r)$	0	$(1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$

Table A.3: Minimum contributions required to induce each equilibrium

Next, we compute the optimal menu for MG. There are two cases to consider:

Case 1: Suppose that (1) holds. Then, the expected payoff of MG for each menu is given by:

$$V_{MG}(c,c) = (1-\pi)V_{MG}(\theta = d) + \pi\{(1-\xi)v_{MG}(c) + \xi[\phi v_{MG}(c) + (1-\phi)v_{MG}(r)]\}$$
$$V_{MG}(c,r) = (1-\pi)V_{MG}(\theta = d) + \pi\{(1-\xi)v_{MG}(c) + \xi[v_{MG}(r) - \phi\Delta(c,r)]\}$$
$$V_{MG}(r,c) = (1-\pi)V_{MG}(\theta = d) + \pi\{(1-\xi)[v_{MG}(r) - \Delta(c,r)] + \xi[\phi v_{MG}(c) + (1-\phi)v_{MG}(r)]$$
$$V_{MG}(r,r) = (1-\pi)V_{MG}(\theta = d) + \pi\{(1-\xi)[v_{MG}(r) - \Delta(c,r)] + \xi[v_{MG}(r) - \phi\Delta(c,r)]\}$$

where

$$V_{MG}(\theta = d) = (1-\xi)v_{MG}(l) + \xi[\phi v_{MG}(l) + (1-\phi)v_{MG}(c)]$$

There are two cases to consider:

Case 1: Suppose that $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$. Then, $V_{MG}(r,x) \geq V_{MG}(c,x)$. Moreover, $V_{MG}(r,r) > V_{MG}(r,c)$ if and only if $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$.

Case 2: Suppose that $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$. Then, $V_{MG}(c,x) > V_{MG}(r,x)$. Moreover, $V_{MG}(c,c) > V_{MG}(c,r)$ if and only if $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$.

Therefore, if $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, the menu of contributions that maximizes

the expected payoff of MG is $C(n,r) = \Delta(c,r)$ and $C(y,r) = \phi\Delta(c,r)$, which induces $x_M(c,n) = x_M(c,y) = r$. If $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then the menu of contributions that maximizes the expected payoff of MG is $C(n,r) = C(y,r) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$.

Case 2: Suppose that (1) does not hold. Then, the expected payoff of MG for each menu is given by:

$$\begin{aligned}
V_{MG}(c,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]\} \\
V_{MG}(c,c) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[\phi v_{MG}(c) + (1-\phi) v_{MG}(r) - (1-\phi)\Delta(c,r) + \phi\Delta(c,l) + \delta E] \\
V_{MG}(c,r) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[v_{MG}(r) - (1-\phi)\Delta(c,r) + \phi\Delta(r,l) + \delta E]\} \\
V_{MG}(r,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(r) - \Delta(c,r)] + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]\} \\
V_{MG}(r,c) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(r) - \Delta(c,r)] + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c) - (1-\phi)\Delta(c,r) + \phi\Delta \\
V_{MG}(r,r) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(r) - \Delta(c,r)] + \xi[v_{MG}(r) - (1-\phi)\Delta(c,r) + \phi\Delta(r,l) + \delta E]\}
\end{aligned}$$

where

$$V_{MG}(\theta = d) = (1-\xi) v_{MG}(l) + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]$$

There are two cases to consider:

Case 2.a: Suppose that $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$. Then, $V_{MG}(r,x) \geq V_{MG}(c,x)$ for all $x = l, c, r$. $V_{MG}(r,r) > V_{MG}(r,c)$ if and only if

$$v_{MG}(r) - v_{MG}(c) + \phi[v_{MG}(c) - v_{MG}(l)] > \phi\Delta(c,r)$$

which always holds. $V_{MG}(r,r) \geq V_{MG}(r,l)$ if and only if

$$v_{MG}(r) - v_{MG}(c) + \phi[v_{MG}(c) - v_{MG}(l)] \geq (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$$

which always holds.

Case 2.b: Suppose that $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$. Then, $V_{MG}(c,x) > V_{MG}(r,x)$ for all $x = l, c, r$. $V_{MG}(c,c) > V_{MG}(c,r)$ if and only if $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, which

always holds. Moreover, $V_{MG}(c,c) \geq V_{MG}(c,l)$ if and only if

$$(1-\phi)\left[v_{MG}(r) - v_{MG}(c)\right] + \phi\left[v_{MG}(c) - v_{MG}(l)\right] \geq (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$$

Therefore, if $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, the menu of contributions that maximizes the expected payoff of MG is $C(n,r) = \Delta(c,r)$ and $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = r$. If $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then the menu of contributions that maximizes the expected payoff of MG is $C(n,r) = \Delta(c,r)$ and $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = c$. Finally, if $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, then the menu of contributions that maximizes the expected payoff of MG is $C(n,r) = C(y,c) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. □

Proof of Proposition 5. Using Lemma 2, IG's expected payoffs for $x_M(c,n) = x_M(c,y) = r$, $x_M(c,n) = x_M(c,y) = c$, and $x_M(c,n) = c$, $x_M(c,y) = l$ are given by

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi) v_{IG}(l) + \xi\Delta_{IG}^{rr} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi\Delta_{IG}^{cc} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi\Delta_{IG}^{lc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

respectively, where

$$\Delta_{IG}^{rr} = (1-\phi)(1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]$$
$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right]$$

Note that $0 < \Delta_{IG}^{lc} < \Delta_{IG}^{rr} < \Delta_{IG}^{cc}$. Depending whether (1) holds or not, there are two or three cases to consider.

Case 1: Suppose that (1) holds.

Case 1.a: Suppose that $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$. Then, from lemma 3, MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = \phi\Delta(c,r)$, which induces $x_M(c,n) = x_M(c,y) = r$. Therefore, IG's expected payoff is given by:

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi) v_{IG}(l) + \xi\Delta_{IG}^{rr} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(r,r)$ with respect to ξ:

$$\frac{\partial V_{IG}(r,r)}{\partial \xi} = \Delta_{IG}^{s,r} - c_I(\xi - \xi_0), \frac{\partial^2 V_{IG}(r,r)}{(\partial \xi)^2} = -c_I < 0$$

Thus, $V_{IG}(r,r)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0$. Note that $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{rr}}{c_I} + \xi_0 < 1$.

Case 1.b: Suppose that $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$. Then, from lemma 3, MG selects $C(n,r) = C(y,r) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{cc} - \frac{c_I(\xi - \xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(r,r)$ with respect to ξ:

$$\frac{\partial V_{IG}(c,c)}{\partial \xi} = \Delta_{IG}^{s,c} - c_I(\xi - \xi_0), \frac{\partial^2 V_{IG}(c,c)}{(\partial \xi)^2} = -c_I < 0$$

Thus, $V_{IG}(c,c)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Note that $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$.

Case 2: Suppose that (1) does not hold.

Case 2.a: Suppose that $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$. Then, from lemma 3, MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = r$. Therefore, IG's expected payoff is given by:

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{rr} - \frac{c_I(\xi - \xi_0)^2}{2}$$

which adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{rr}}{c_I} + \xi_0$. Note that $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{rr}}{c_I} + \xi_0 < 1$.

Case 2.b: Suppose that $\Delta(c,r) - \frac{\phi\Delta(c,l) + \delta E + \phi[v_{MG}(c) - v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$. Then, from lemma 3, MG selects $C(n,c) = 0$, $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = c$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{cc} - \frac{c_I(\xi - \xi_0)^2}{2}$$

which adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Note that $c_I > \frac{\Delta_{IG}^{cc}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 < 1$.

Case 2.c: Suppose that $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$. Then, from lemma 3, MG selects $C(n,c) = C(y,c) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi\Delta_{IG}^{lc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(c,l)$ with respect to ξ:

$$\frac{\partial V_{IG}(c,l)}{\partial\xi} = \Delta_{IG}^{lc} - c_I(\xi-\xi_0), \frac{\partial^2 V_{IG}(c,l)}{(\partial\xi)^2} = -c_I < 0$$

Thus, $V_{IG}(c,l)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.Note that $c_I > \frac{\Delta_{IG}^{s,c}}{1-\xi_0}$ ensures that $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 < 1$. □

MG and IG are both l-leaning

Proof of Lemma 3. Since, when there no contributions M always selects $x_M(c,n) = c$ and $x_M(c,n) \in \{l,c\}$ and MG is l-leaning, we must consider two possible choices that MG might consider inducing, namely, $x_M(c,n) = l$ and $x_M(c,y) = l$.

To induce $x_M(c,n) = l$: Suppose that MG offers $C(n,l) \geq 0$ if $x_M(c,n) = l$. Then, from Lemma 1, M's payoffs are given by:

$$\begin{aligned}
V_M(c,n)(l) &= v(l) + C(n,l)\\
V_M(c,n)(c) &= v(c) + \delta E\\
V_M(c,n)(r) &= v(r) + \delta E
\end{aligned}$$

Thus, to induce $x_M(c,n) = l$, MG must offer

$$C(n,l) \geq v(c) - v(l) + \delta E$$

To induce $x_M(c,y) = l$: Suppose that MG offers $C(y,l) \geq 0$ if $x_M(c,y) = l$. Then, from Lemma 1, M's payoffs are given by:

$$\begin{aligned}
V_M(c,y)(l) &= \phi v(l) + (1-\phi) v(c) + C(y,l)\\
V_M(c,y)(c) &= \phi v(c) + (1-\phi) v(r) + \delta E\\
V_M(c,y)(r) &= v(r) + \delta E
\end{aligned}$$

Note that $V_M(c,y)(c) > V_M(c,y)(r)$. Thus, there are two possible cases to consider.

Case 1: Suppose that (1) holds. Then, $V_M(c,y)(l) \geq V_M(c,y)(c)$ if and only if

$C(y,l) \geq \phi[v(c) - v(l)] - (1-\phi)[v(c) - v(r)] + \delta E$. Thus, to induce $x_M(c,y) = l$, MG must offer

$$C(y,l) \geq \phi[v(c) - v(l)] - (1-\phi)[v(c) - v(r)] + \delta E$$

Case 2: Suppose that (1) does not hold. Then, $V_M(c,y)(l) \geq V_M(c,y)(c)$ for all $C(y,l) \geq 0$. Thus, to induce $x_M(c,y) = l$, MG must offer

$$C(y,l) \geq 0$$

Using the above results, the following table summarizes the minimum contribution that M must offer to induce each equilibrium listed in the first two columns.

$x_M(c,n)$	$x_M(c,y)$	LSC	$C(n,l)$	$C(y,l)$
c	c	*yes*	0	0
c	l	*yes*	0	$\phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$
l	c	*yes*	$\Delta(c,l) + \delta E$	0
l	l	*yes*	$\Delta(c,l) + \delta E$	$\phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$
c	l	*no*	0	0
l	l	*no*	$\Delta(c,l) + \delta E$	0

Table A.4: Minimum contributions required to induce each equilibrium

Next, we compute the optimal menu for MG. There are two cases to consider:

Case 1: Suppose that (1) holds. Then, the expected payoff of MG for each menu is given by:

$$\begin{aligned}
V_{MG}(c,c) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[\phi v_{MG}(c) + (1-\phi) v_{MG}(r)]\} \\
V_{MG}(c,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c) - \phi\Delta(c,l) + (1-\phi)\Delta(c,r) - \delta E]\} \\
V_{MG}(l,c) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(l) - \Delta(c,l) - \delta E] + \xi[\phi v_{MG}(c) + (1-\phi) v_{MG}(r)]\} \\
V_{MG}(l,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(l) - \Delta(c,l) - \delta E] + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c) - \phi\Delta(c,l) + (1-
\end{aligned}$$

where

$$V_{MG}(\theta = d) = (1-\xi) v_{MG}(l) + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]$$

Note that $V_{MG}(l,l) \geq V_{MG}(c,l)$ if and only if $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. $V_{MG}(l,c) \geq V_{MG}(c,c)$ if and only if $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. $V_{MG}(l,l) \geq V_{MG}(l,c)$ if and only if

$$v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$$

Finally, $V_{MG}(c,l) \geq V_{MG}(c,c)$

$$v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$$

Therefore, we have the following cases.

Case 1.a: Suppose that $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = x_M(c,y) = l$.

Case 1.b: Suppose that $\Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi} \leq v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = 0$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$.

Case 1.c: Suppose that $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$. Then, MG selects $C(n,l) = C(y,l) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$.

Case 2: Suppose that (1) does not hold. Then, the expected payoff of MG for each menu is given by:

$$\begin{aligned}
V_{MG}(c,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi) v_{MG}(c) + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]\} \\
V_{MG}(l,l) &= (1-\pi) V_{MG}(\theta = d) \\
&\quad + \pi\{(1-\xi)[v_{MG}(l) - \Delta(c,l) - \delta E] + \xi[\phi v_{MG}(l) + (1-\phi) v_{MG}(c)]\}
\end{aligned}$$

Note that $V_{MG}(l,l) \geq V_{MG}(c,l)$ if and only if $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. Therefore:

Case 2.a: Suppose that $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = 0$, which induces $x_M(c,n) = x_M(c,y) = l$.

Case 2.b: Suppose that $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = C(y,l) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. □

Proof of Proposition 6. Using Lemma 3, IG's expected payoffs for $x_M(c,n) = x_M(c,y) =$

l, $x_M(c,n) = c$, $x_M(c,y) = l$, and $x_M(c,n) = x_M(c,y) = c$ are given by

$$V_{IG}(l,l) = v_{IG}(l) + \xi\Delta_{IG}^{ll} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{lc} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{cc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

respectively, where

$$\Delta_{IG}^{ll} = (1-\phi)[v_{IG}(c) - v_{IG}(l)] = \frac{\Delta_{IG}^{rr}}{1-\pi}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)[v_{IG}(c) - v_{IG}(l)]$$
$$\Delta_{IG}^{cc} = (1-\phi)\{\pi[v_{IG}(r) - v_{IG}(c)] + (1-\pi)[v_{IG}(c) - v_{IG}(l)]\}$$

Note that $\Delta_{IG}^{cc}, \Delta_{IG}^{ll} < \Delta_{IG}^{lc} < 0$. Moreover, $\Delta_{IG}^{cc} > \Delta_{IG}^{ll}$ if and only if $v_{IG}(c) < \frac{v_{IG}(r)+v_{IG}(l)}{2}$. Depending whether (1) holds or not, there are three or two cases to consider.

Case 1: Suppose that (1) holds.

Case 1.a: Suppose that $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. Then, from Lemma 3, MG selects $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = x_M(c,y) = l$. Therefore, IG's expected payoff is given by:

$$V_{IG}(l,l) = v_{IG}(l) + \xi\Delta_{IG}^{ll} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(l,l)$ with respect to ξ:

$$\frac{\partial V_{IG}(l,l)}{\partial\xi} = \Delta_{IG}^{ll} - c_I(\xi-\xi_0), \frac{\partial^2 V_{IG}(l,l)}{(\partial\xi)^2} = -c_I < 0$$

Thus, $V_{IG}(l,l)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0$. Note that $c_I > \frac{\max\{-\Delta_{IG}^{cc}, -\Delta_{IG}^{ll}\}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{ll}}{c_I} + \xi_0 > 0$.

Case 1.b: Suppose that $\Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi} \leq v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$. Then, from Lemma 3, MG selects $C(n,l) = 0$ and $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{lc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(c,l)$ with respect to ξ:

$$\frac{\partial V_{IG}(c,l)}{\partial \xi} = \Delta_{IG}^{lc} - c_I(\xi - \xi_0), \ \frac{\partial^2 V_{IG}(c,l)}{(\partial \xi)^2} = -c_I < 0$$

Thus, $V_{IG}(c,l)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$. Note that $c_I > \frac{\max\{-\Delta_{IG}^{cc}, -\Delta_{IG}^{ll}\}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{lc}}{c_I} + \xi_0 > 0$.

Case 1.c: Suppose that $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$. Then, MG selects $C(n,l) = C(y,l) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{cc} - \frac{c_I(\xi - \xi_0)^2}{2}$$

Take the first and second derivatives of $V_{IG}(c,c)$ with respect to ξ:

$$\frac{\partial V_{IG}(c,c)}{\partial \xi} = \Delta_{IG}^{s,c} - c_I(\xi - \xi_0), \ \frac{\partial^2 V_{IG}(c,c)}{(\partial \xi)^2} = -c_I < 0$$

Thus, $V_{IG}(c,c)$ adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{cc}}{c_I} + \xi_0$. Note that $c_I > \frac{\max\{-\Delta_{IG}^{cc}, -\Delta_{IG}^{ll}\}}{\xi_0}$ ensures that $\frac{\Delta_{IG}^{cc}}{c_I} + \xi_0 > 0$.

Case 2: Suppose that (1) does not hold.

Case 2.a: Suppose that $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = \Delta(c,l) + \delta E$ and $C(y,l) = 0$, which induces $x_M(c,n) = x_M(c,y) = l$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,l) = v_{IG}(l) + \xi \Delta_{IG}^{ll} - \frac{c_I(\xi - \xi_0)^2}{2}$$

which adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{ll}}{c_I} + \xi_0$.

Case 2.b: Suppose that $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$. Then, MG selects $C(n,l) = C(y,l) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. Therefore, IG's expected payoff is given by:

$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{lc} - \frac{c_I(\xi - \xi_0)^2}{2}$$

which adopts its unique global maximum at $\xi = \frac{\Delta_{IG}^{lc}}{c_I} + \xi_0$.

□

A.4 Additional Propositions

Here, we present the propositions and proofs corresponding to Model 2 for the cases in which IG and MG have conflicting preferences.

Proposition A1. *Suppose that MG is r-leaning and IG is l-leaning. Assume that* $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$. *Let*

$$\Delta_{IG}^{rr} = (1-\phi)(1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]$$
$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right]$$

where $\Delta_{IG}^{cc} < \Delta_{IG}^{rr} < \Delta_{IG}^{lc} < 0$.

1. *Suppose that (1) holds.*
   (a) *If* $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, *then IG selects* $\xi = \xi_0 + \frac{\Delta_{IG}^{rr}}{c_I}$, *which induces* $C(n,r) = \Delta(c,r)$, $C(y,r) = \phi\Delta(c,r)$ *and* $x_M(c,n) = x_M(c,y) = r$.
   (b) *If* $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, *then IG selects* $\xi = \xi_0 + \frac{\Delta_{IG}^{c,r}}{c_I}$, *which induces* $C(n,c) = C(y,c) = 0$ *and* $x_M(c,n) = x_M(c,y) = c$.
2. *Suppose that (1) does not hold.*
   (a) *If* $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, *then IG selects* $\xi = \xi_0 + \frac{\Delta_{IG}^{rr}}{c_I}$, *which induces* $C(n,r) = \Delta(c,r)$,$C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$ *and* $x_M(c,n) = x_M(c,y) = r$.
   (b) *If* $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, *then IG selects* $\xi = \xi_0 + \frac{\Delta_{IG}^{c,r}}{c_I}$, *which induces* $C(n,c) = 0$, $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$ *and* $x_M(c,n) = x_M(c,y) = c$.
   (c) *If* $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, *then IG selects* $\xi = \xi_0 + \frac{\Delta_{IG}^{lc}}{c_I}$, *which induces* $C(n,c) = C(y,c) = 0$, $x_M(c,n) = c$ *and* $x_M(c,y) = l$.

Proof. Using Lemma 2, IG's expected payoffs for $x_M(c,n) = x_M(c,y) = r$, $x_M(c,n) = x_M(c,y) = c$, and $x_M(c,n) = c$, $x_M(c,y) = l$ are given by

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{rr} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{cc} - \frac{c_I(\xi-\xi_0)^2}{2}$$
$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{lc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

respectively, where

$$\Delta_{IG}^{rr} = (1-\phi)(1-\pi)[v_{IG}(c) - v_{IG}(l)]$$
$$\Delta_{IG}^{cc} = (1-\phi)\{\pi[v_{IG}(r) - v_{IG}(c)] + (1-\pi)[v_{IG}(c) - v_{IG}(l)]\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)[v_{IG}(c) - v_{IG}(l)]$$

Case 1: Suppose that (1) holds.

Case 1.a: If $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, then MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = \phi\Delta(c,r)$, which induces $x_M(c,n) = x_M(c,y) = r$. Then, IG's expected payoff is given by:

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{rr} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Thus, IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{rr}}{c_I}$. Note that $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ implies that $\xi_0 + \frac{\Delta_{IG}^{rr}}{c_I} > 0$.

Case 1.b: If $v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then MG selects $C(n,c) = C(y,c) = 0$, which induces $x_M(c,n) = x_M(c,y) = c$. Then, IG's expected payoff is given by:

$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{cc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Thus, IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{cc}}{c_I}$. Note that $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ implies that $\xi_0 + \frac{\Delta_{IG}^{cc}}{c_I} > 0$.

Case 2: Suppose that (1) holds.

Case 2.a: If $v_{MG}(r) - v_{MG}(c) \geq \Delta(c,r)$, MG selects $C(n,r) = \Delta(c,r)$ and $C(y,r) = (1-\phi)\Delta(c,r) - \phi\Delta(r,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = r$. Then, IG's expected payoff is given by:

$$V_{IG}(r,r) = \pi v_{IG}(r) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{rr} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Thus, IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{rr}}{c_I}$. Note that $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ implies that $\xi_0 + \frac{\Delta_{IG}^{rr}}{c_I} > 0$.

Case 2.b: If $\Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)} \leq v_{MG}(r) - v_{MG}(c) < \Delta(c,r)$, then MG selects $C(n,c) = 0$ and $C(y,c) = (1-\phi)\Delta(c,r) - \phi\Delta(c,l) - \delta E$, which induces $x_M(c,n) = x_M(c,y) = c$. Then, IG's expected payoff is given by:

$$V_{IG}(c,c) = \pi v_{IG}(c) + (1-\pi)v_{IG}(l) + \xi\Delta_{IG}^{cc} - \frac{c_I(\xi-\xi_0)^2}{2}$$

Thus, IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{cc}}{c_I}$. Note that $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ implies that $\xi_0 + \frac{\Delta_{IG}^{cc}}{c_I} > 0$.

Case 2.c: If $v_{MG}(r) - v_{MG}(c) < \Delta(c,r) - \frac{\phi\Delta(c,l)+\delta E+\phi[v_{MG}(c)-v_{MG}(l)]}{(1-\phi)}$, then MG selects

$C(n,c) = C(y,c) = 0$, which induces $x_M(c,n) = c$ and $x_M(c,y) = l$. Then, IG's expected payoff is given by:

$$V_{IG}(c,l) = \pi v_{IG}(c) + (1-\pi) v_{IG}(l) + \xi \Delta_{IG}^{lc} - \frac{c_I (\xi - \xi_0)^2}{2}$$

Thus, IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{lc}}{c_I}$. Note that $c_I > \frac{-\Delta_{IG}^{cc}}{\xi_0}$ implies that $\xi_0 + \frac{\Delta_{IG}^{lc}}{c_I} > 0$.

□

Proposition A2. *Suppose that MG is l-leaning and IG is r-leaning. Assume that $c_I > \frac{\max\left\{\Delta_{IG}^{cc}, \Delta_{IG}^{ll}\right\}}{1-\xi_0}$. Let*

$$\Delta_{IG}^{ll} = (1-\phi)\left[v_{IG}(c) - v_{IG}(l)\right] = \frac{\Delta_{IG}^{rr}}{1-\pi}$$
$$\Delta_{IG}^{cc} = (1-\phi)\left\{\pi\left[v_{IG}(r) - v_{IG}(c)\right] + (1-\pi)\left[v_{IG}(c) - v_{IG}(l)\right]\right\}$$
$$\Delta_{IG}^{lc} = (1-\pi-\phi)\left[v_{IG}(c) - v_{IG}(l)\right]$$

where $\Delta_{IG}^{cc}, \Delta_{IG}^{ll} > \Delta_{IG}^{lc} > 0$.[24]

1. *Suppose that (1) holds.*

   (a) *If $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$, then IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{ll}}{c_I}$, which induces $C(n,l) = \Delta(c,l) + \delta E$, $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, $x_M(c,n) = x_M(c,y) = l$.*

   (b) *If $\Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi} \leq v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$, the IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{lc}}{c_I}$, which induces $C(n,l) = 0$, $C(y,l) = \phi\Delta(c,l) - (1-\phi)\Delta(c,r) + \delta E$, $x_M(c,n) = c$ and $x_M(c,y) = l$.*

   (c) *If $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E - \frac{(1-\phi)\{\Delta(c,r) - \delta E + [v_{MG}(c) - v_{MG}(r)]\}}{\phi}$, then IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{cc}}{c_I}$, which induces $C(n,l) = C(y,l) = 0$ and $x_M(c,n) = x_M(c,y) = c$.*

2. *Suppose that (1) does not hold.*

   (a) *If $v_{MG}(l) - v_{MG}(c) \geq \Delta(c,l) + \delta E$, then IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{ll}}{c_I}$, which induces $C(n,l) = \Delta(c,l) + \delta E$, $C(y,l) = 0$ and $x_M(c,n) = x_M(c,y) = l$.*

   (b) *If $v_{MG}(l) - v_{MG}(c) < \Delta(c,l) + \delta E$, then IG selects $\xi = \xi_0 + \frac{\Delta_{IG}^{lc}}{c_I}$, which induces $C(n,l) = C(y,l) = 0$, $x_M(c,n) = c$ and $x_M(c,y) = l$.*

Proof. Analogous to Propositions 5, 6 and A1. □

[24] $\Delta_{IG}^{cc} > \Delta_{IG}^{ll}$ if and only if $\frac{v_{IG}(l) + v_{IG}(r)}{2} > v_{IG}(c)$.

A.5 Additional Figures

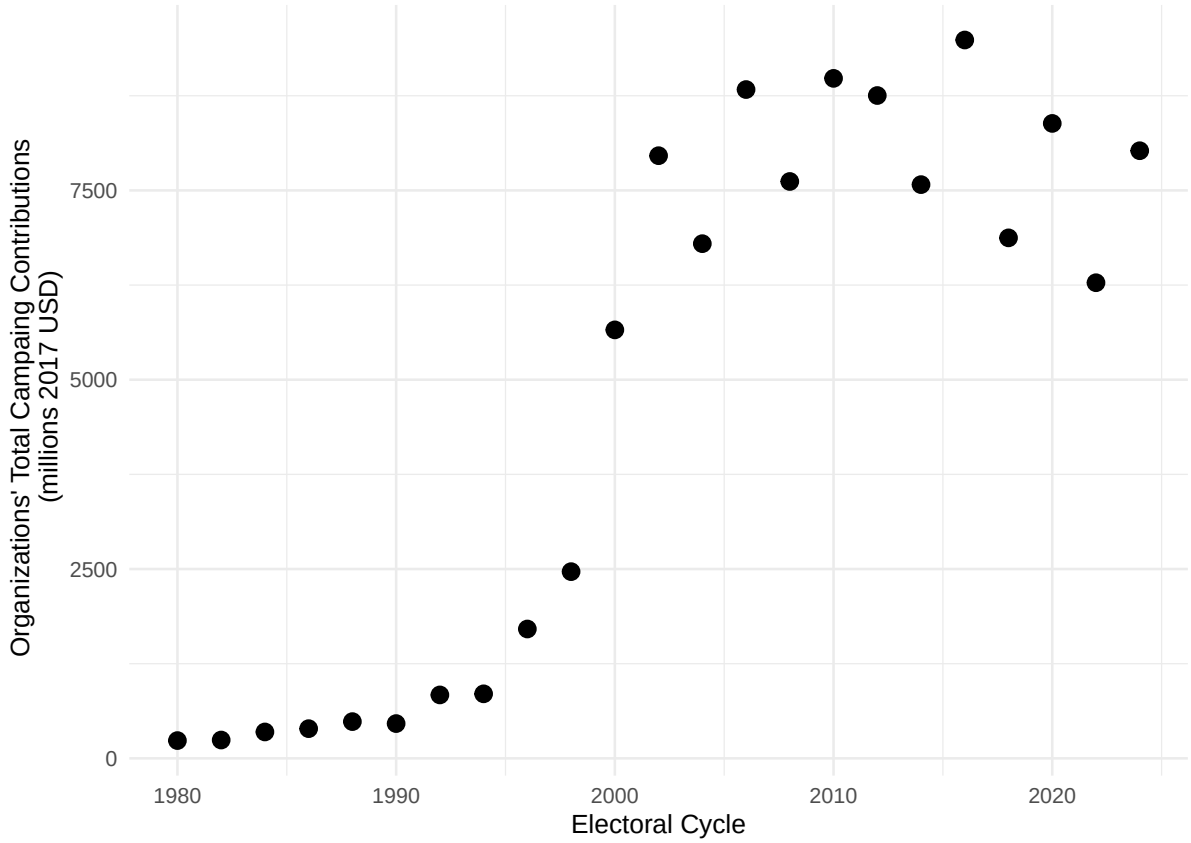


Figure 7: Trends in Total Election Contributions

Notes: Figure provides the total contributions made by organizations to electoral campaigns. Totals have been deflated to 2017 million US dollars. Underlying data comes from Bonica (2024), see DIME.

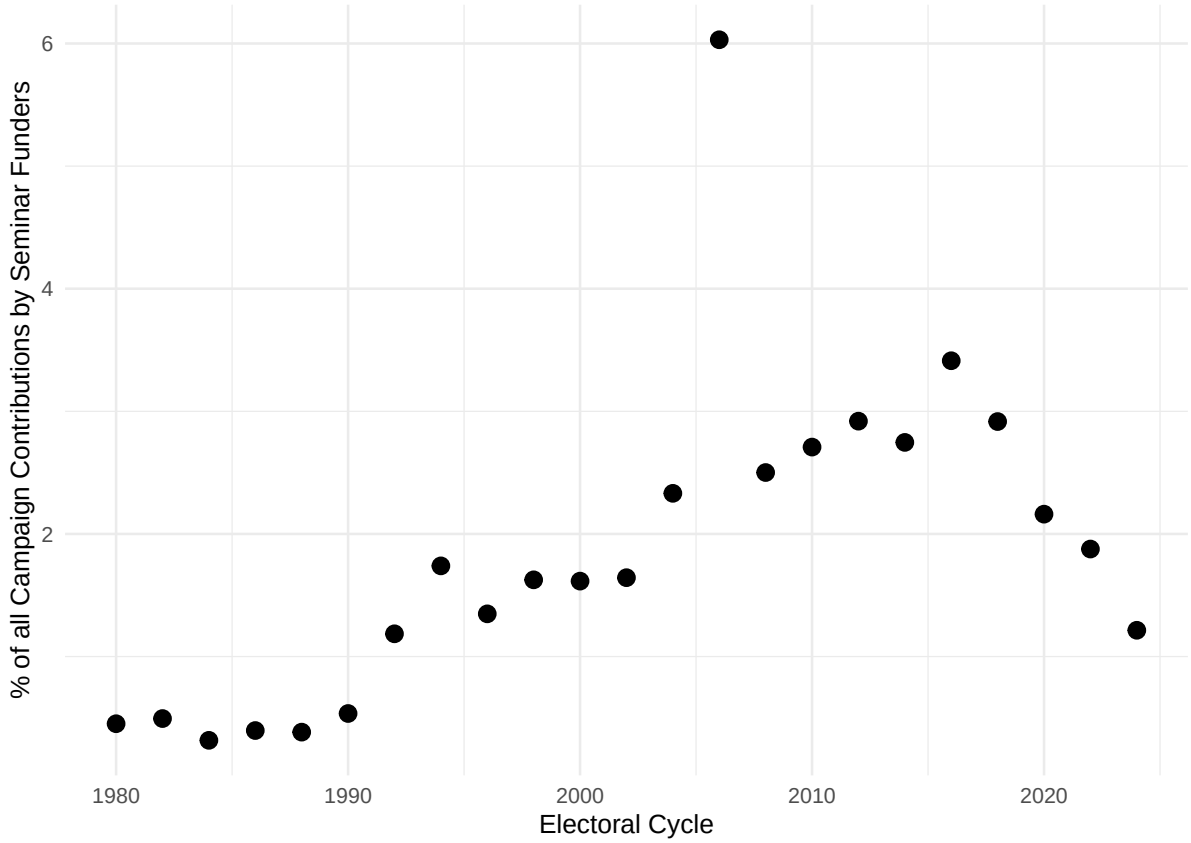


Figure 8: Share of Campaign Contributions by Seminar Funders

Notes: Figure provides the share of total campaign contributions in a given electoral cycle that has been given by seminar funders. Contributions are measured from DIME, funders of seminars for judges have been obtained from Privately Funded Seminars Disclosure System (PFSDS). We linked seminar funder information from PFSDS to contribution data from DIME based on names allowing for small variations in names, see Appendix A.7.

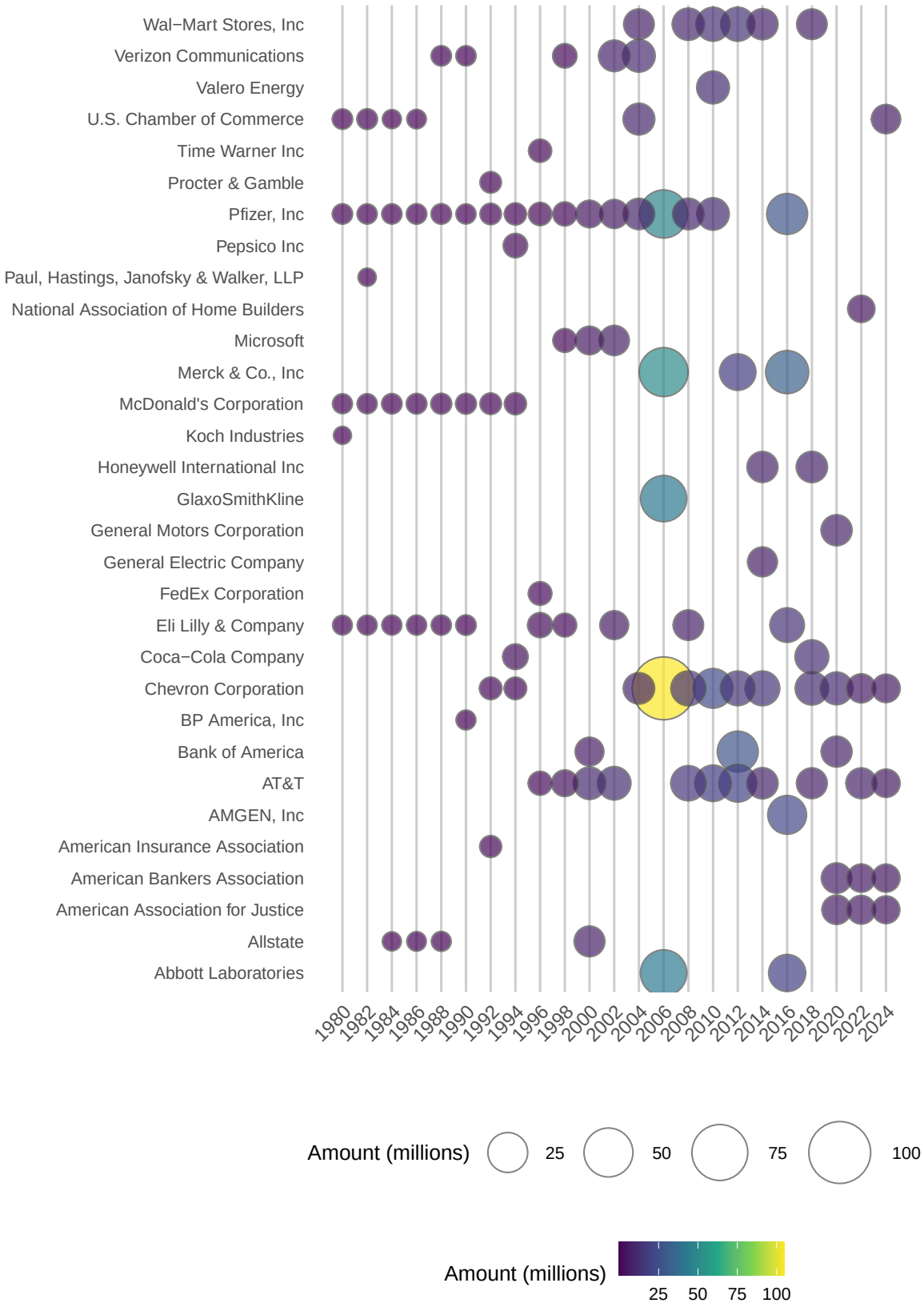


Figure 9: Top Campaign Contributors among Funders of Seminars for Federal Judges

Notes: Figure provides the top 5 campaign contributors, as measured from DIME, among contributors who are also funders of seminars for federal judges. We linked seminar funder information from PSDS to contribution data from DIME based on names allowing for small variations in names, see Appendix A.7.

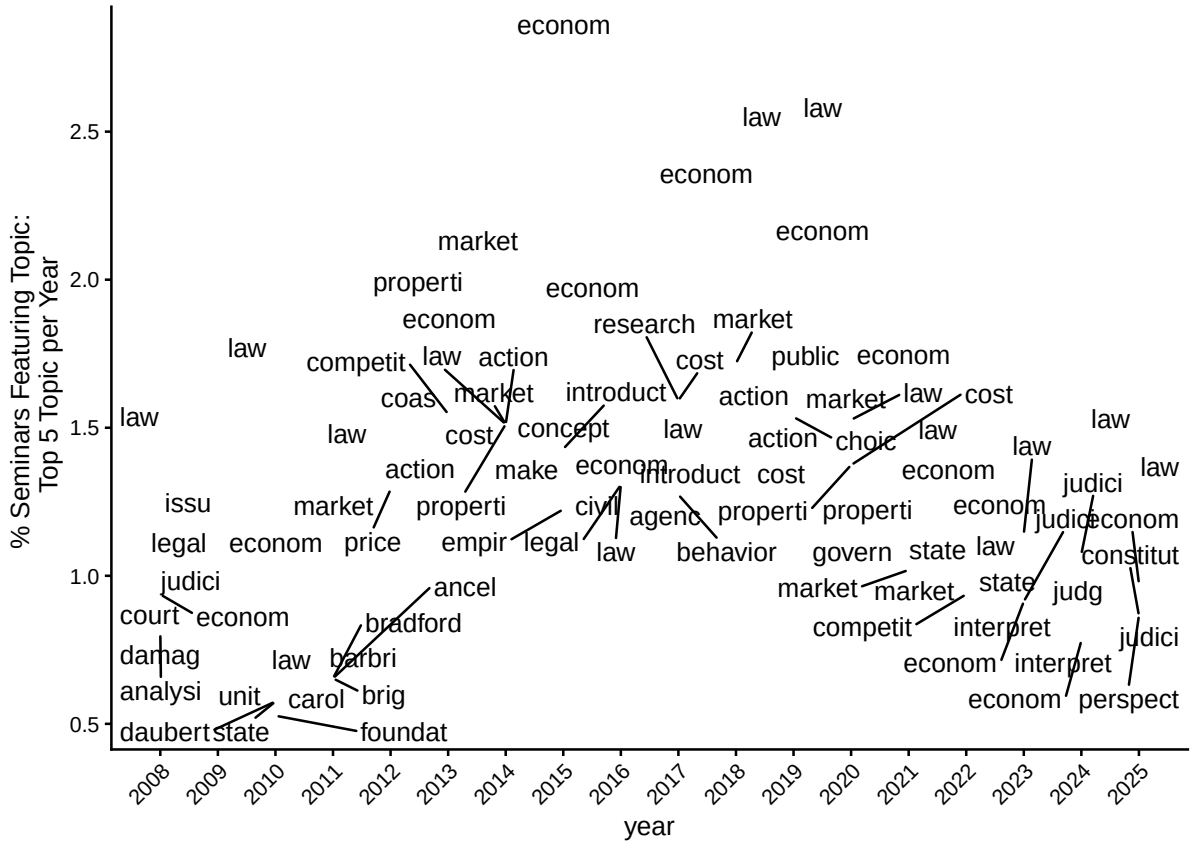


Figure 10: Time Series of Most Common Topics among Seminars for Federal Judges

Notes: Figure provides top five topics among seminars for federal judges. To do this we tokenize and lemmatize the title of the seminars and speaker's sessions, eliminating common stopwords, and count the number of seminars in which each of these tokens appear. Figure then provides the share of seminars that mention a given token for each year.

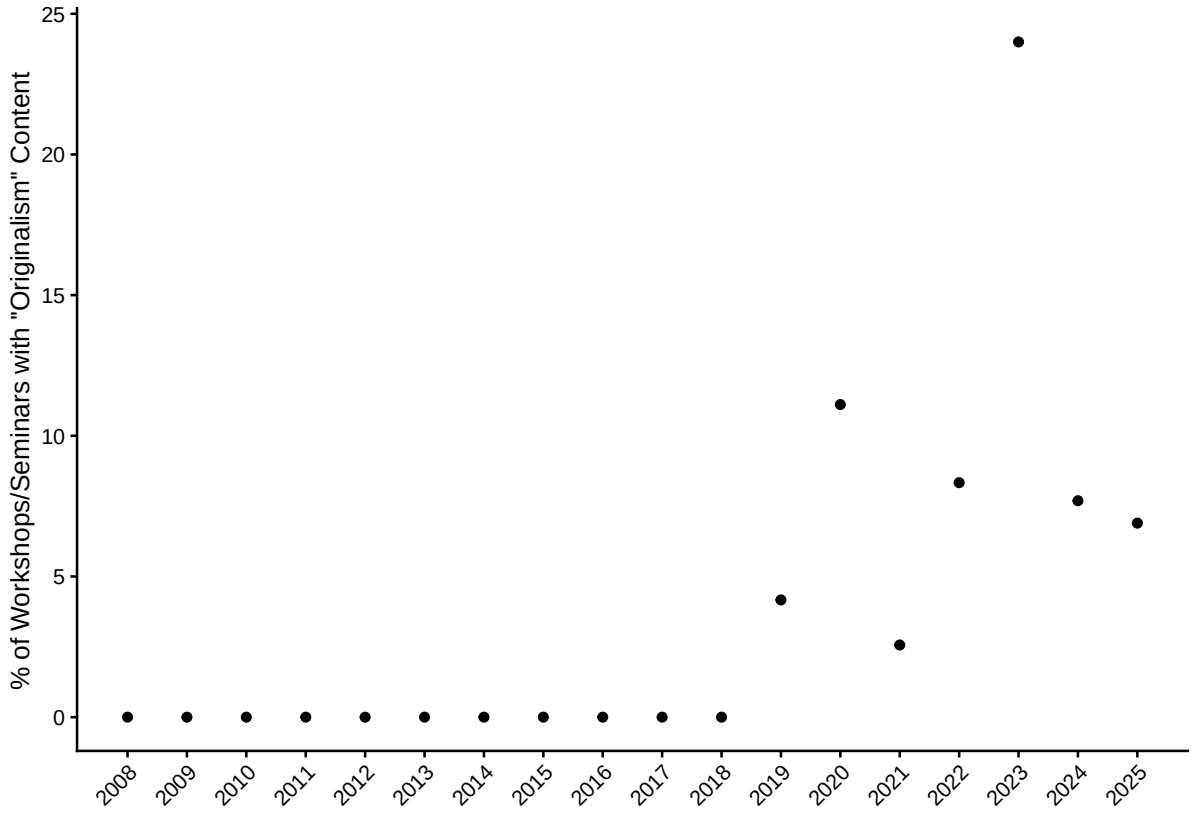


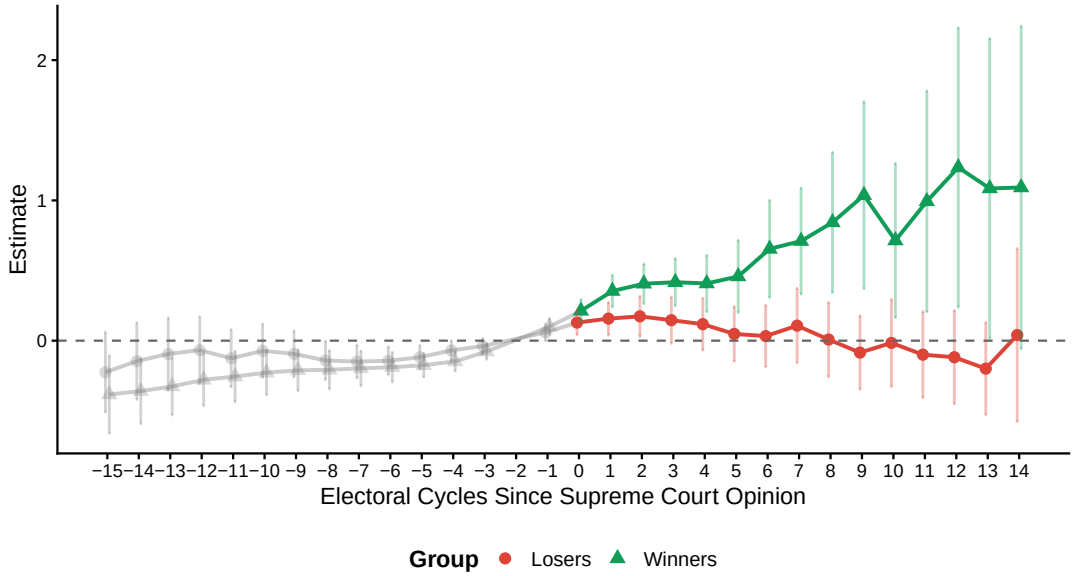
Figure 11: Seminars for Federal Judges with Originalism Content

Notes: Figure provides the share of seminars for federal judges over time mentioning the word "Originalism" either in their title or on speakers' session titles over time.

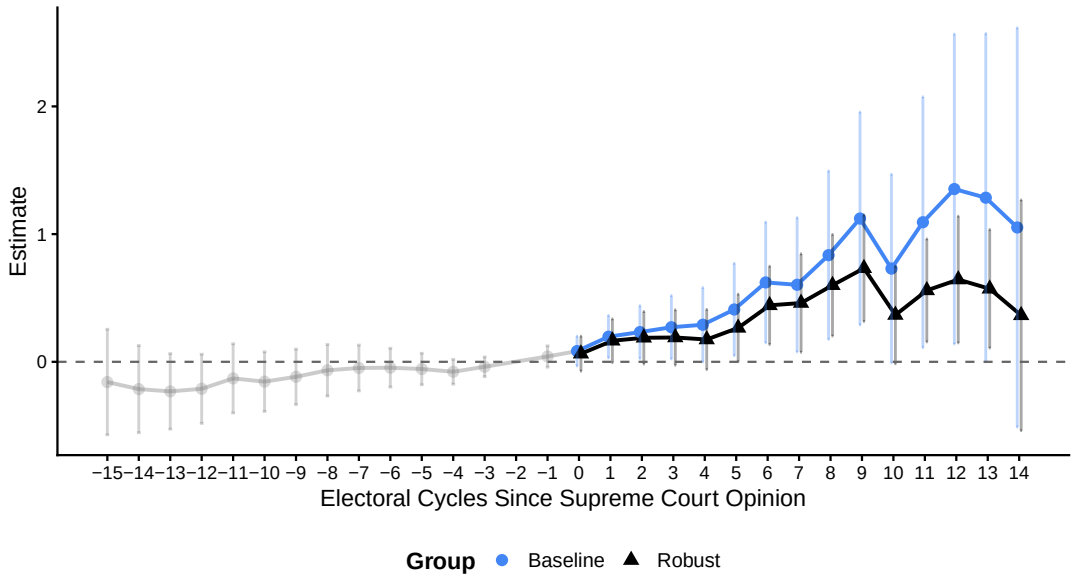


Figure 12: Top Campaign Contributors among Amicus Curiae Signers

Notes: Figure provides the top 5 campaign contributors, as measured from DIME, among contributors who also have ever produced an amicus curiae brief. We linked amicus curiae signers information from ACNet to contribution data from DIME based on names allowing for small variations in names, see Appendix A.7.



(a) Winners vs Losers



(b) Differences Between Winners and Losers

Figure 13: Winning and Losing Supreme Court Support and Size of Campaign Contributions

Notes: Figure provides event-study estimates for the dynamic effect of the Supreme Court aligning with the party for whom an entity has written a supportive amicus curiae and the quantity of campaign contributions. Total campaign contributions are transformed using the inverse hyperbolic sine, the resulting estimates are then transformed using the transformation provided in Bellemare and Wichman (2020). Panel a, provides event study estimates for entities with whom the Supreme Court (did not) sided, green (red), with the party they supported with their first amicus brief. Panel b provides differences between winners and losers at each cycle relative to the Supreme Court opinion. In dark blue, we provide baseline estimates, i.e. the difference between the two lines in the top panel. In black, we provide robust estimates, for the post-treatment period only, where we use an estimator based on Wooldridge (2023) that allows us to compare winners and losers with the same calendar and treatment times. Sample consist of all amicus signers for whom the opinion for the first case they provided a brief for took place after, and including, 1980. We do this in order to discard *always treated* observations as political contribution data is available from 1980 onward. We do not use contributions taking place after, and including, 2012. Amicus curiae data from ACNet is available up to this year and thus we have no control group for observations after 2012. We use amicus signers with a Supreme Court opinion released in 2012 as our *never-treated* group. Data on Amicus Curiae submitted to the Supreme Court comes from Box-Steffensmeier and Christenson (2022). Data on campaign contributions comes from Bonica (2024). We linked both datasets based on names allowing for small differences between them. Linking between ACNet and DIME is described in Appendix A.7. 95% confidence intervals from entity clustered standard errors computed

A.6 Additional Tables

Table 6: Firm Descriptive Statistics

	Funders		**Contributors**	
	Yes	**No**	**Yes**	**No**
Unique Firms	1,020	25,832	4,761	22,091
Firms x Cycles	7,706	153,011	50,507	110,210
First Cycle	1980	1980	1980	1980
Last Cycle	2020	2020	2020	2020
Total Assets:				
Average	39.279	12.869	35.061	4.607
Std.Dev.	334.478	180.361	319.160	79.091
Minimum	0.000	0.000	0.000	0.000
Maximum	11,108.783	15,246.952	15,246.952	10,482.548

Notes: Table provides descriptive statistics for firms that have are funders of seminars for judges, column 1, non-funders, column 2, those which made political contributions, column 3, and those which do not produce political contributions, column 4.

Table 7: Size Differences Between Firms Funding Seminars and Otherwise

	(1)	(2)	(3)	(4)
Funder	0.757***	0.653***	0.477***	0.148*
	(0.128)	(0.109)	(0.095)	(0.088)
Contributor			1.820***	1.776***
			(0.039)	(0.040)
Funder × Contributor				0.866***
				(0.215)
Observations	160,717	160,715	160,715	160,715
R^2	0.032	0.345	0.418	0.419
Average	14,157	14,158	14,158	14,158
Included Fixed Effects:				
Year	✓	✓	✓	✓
Industry (4 Digit)		✓	✓	✓

Notes: Table provides estimates for the regression of (log-) total assets on a dummy for whether a firm has been found among funders of seminars for federal judges. Data on firms comes from S&P Global Market Intelligence Data obtained from Wharton Research Data Services and covers year 1950 to 2025. We identify firms in the funder data based on string names as explained in Appendix A.7. Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Table 8: Percentage of Firms Funding Seminars for Federal Judges by Sector

Sector	**Share of Firms Funding Seminars**	**Share of Political Contributors**
Services	0.030	0.181
Manufacturing	0.043	0.166
Finance, Insurance, and Real Estate	0.039	0.181
Retail Trade	0.029	0.203
Wholesale Trade	0.048	0.171
Transportation, Communications, Electric, Gas, and Sanitary Services	0.045	0.301
Mining	0.053	0.144
Construction	0.051	0.213
Public Administration	0.036	0.057
Agriculture, Forestry, and Fishing	0.052	0.121
Total	0.040	0.181
Total Number	1,020	4,761

Notes: Table reports the share of firms contained in S&P Global Market Intelligence Data for whom we have found a seminar funder with the same, or similar, name, see Appendix A.7.

Table 9: Funding of Seminars, Political Contributions and Size Correlations: Robustness

	(1)	(2)	(3)	(4)
	(log) Total Contributions			
Funder	1.559***	0.885***	0.367	
	(0.214)	(0.154)	(0.228)	
(log-)Total Assets†		1.476***	1.434***	0.915***
		(0.047)	(0.048)	(0.118)
(log-)Total Assets† × Funder			0.406**	1.059***
			(0.163)	(0.377)
Observations	18,936	18,936	18,936	17,236
R^2	0.218	0.352	0.353	0.710
Average	328,864	328,864	328,864	356,568
Cycle	✓	✓	✓	✓
Industry	✓	✓	✓	✓
Firm				✓

Notes: Table provides correlations between a firm assets and log total political contributions in a given cycle conditional on any contribution being made. †Log total assets have been standardized to have mean zero and standard deviation one. We use those firm cycles for which total assets are known and positive. Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Table 10: Manne Donors, Manne Attendees and Political Contribution: Robustness

	(1)	(2)	(3)	(4)
	(log) Total Contributions			
Manne Donor	2.329***	0.853***		
	(0.291)	(0.269)		
(log-)Total Assets (1976-1999)†		1.065***	1.065***	
		(0.038)	(0.038)	
Share Attendees × Manne Non-Donor			1.650	8.763***
			(2.765)	(1.535)
Share Attendees × Manne Donor			5.498*	4.296
			(3.018)	(6.487)
Observations	14,714	14,714	14,714	12,901
R^2	0.183	0.295	0.295	0.853
Average	113,615	113,615	113,615	127,465
Additional Controls:				
Cycle (quadratic)	✓	✓	✓	
Industry FE (2-digit)	✓	✓	✓	✓
Firm Time Trends				✓

Notes: Table provides correlations between whether a firm was a donor to the Manne Economics Institute for Federal Judges and log total political contributions in a given cycle conditional on any contribution being made. †Log total assets have been standardized to have mean zero and standard deviation one and are measured as average real total assets over the 1976-1999 period. *Donor* (*Non-Donor*) is a dummy taking value one (zero) when an firm is also found among the donors of the Manne Economics Institute for Federal Judges. *Share Attendees* measures the share of circuit judges, weighted by caseload, in a given electoral cycle who have attended the Manne institute, see Figure 1b. *Firm Time Trends* includes firm specific linear time trends. Average provides the average of the lef-hand side, for columns 5 to 8 we provide the dollar value instead of its inverse hyperbolic sine transform. We use those firms with positive observed assets over the 1976-1999 period, when the Manne Economics Institute for Federal Judges was active. Period of analysis covers electoral cycles 1980 to 2004 for which we have both political contribution data from DIME and we know the share of Manne attendees among circuit judges from data provided by Ash et al. (2025). Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Table 11: Interest Group Alignment in Interpretability and Political Contributions: Robustness

	(1)	(2)	(3)
	(log) Total Contributions		
Funder	-0.244	-0.596	
	(0.535)	(0.716)	
Centrality	2.140**	1.914	
	(0.955)	(1.352)	
(log-)Total Assets†	1.470***	1.433***	0.925***
	(0.047)	(0.048)	(0.118)
(log-)Total Assets† × Funder		0.418	-0.971**
		(0.546)	(0.385)
Centrality × (log-)Total Assets†		-0.091	4.247***
		(0.933)	(0.889)
Observations	18,936	18,936	17,236
R^2	0.353	0.354	0.711
Average	328,864	328,864	356,568
Additional Fixed Effects:			
Cycle	✓	✓	✓
Firm			✓

Notes: Table provides correlations between a firm assets and log total political contributions in a given cycle conditional on any contribution being made. †Log assets has been standardized to have mean zero and standard deviation one. We use those firm cycles for which total assets are known and positive. Firm clustered standard errors between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Table 12: Amicus Curiae Centrality and Political Contributions: Robustness

	(1)	(2)	(3)
	(log) Total Contributions		
Amicus Signer	3.036***	2.643***	2.556***
	(0.043)	(0.087)	(0.087)
Centrality		2.802***	2.801***
		(0.552)	(0.548)
Ideal Point			-0.143***
			(0.002)
Corporation			0.376***
			(0.004)
Observations	3,937,813	3,937,813	3,937,813
R^2	0.036	0.036	0.046
Average	27,723	27,723	27,723
Additional Controls:			
Cycle FE	✓	✓	✓

Notes: Table reports partial correlations between the log-of total political contributions for those making positive contributions and measures of an entity centrality within the network of amicus curiae signers. *Amicus Signer* is a dummy taking value one when an entity is also found among the signers of amicus curiae to the Supreme Court. *Centrality* is the normalized harmonic centrality of an entity within the network of amicus curiae signers. For non-signers their connectivity is zero, maximum connectivity is one. Average provides the average dollar value instead of its log transform. Data comprises all organizations ever observed producing political contributions in DIME for cycles in which the provide positive contributions. Clustered standard errors at the entity level provided between parenthesis. *Significance codes:* $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

A.7 Dataset Linkage

For our analysis we have linked three datasets: DIME (Bonica, 2024) containing data on political contributions, ACNet (Box-Steffensmeier & Christenson, 2022) containing data on amicus curiae briefs to the Supreme Court and Privately Funded Seminars Disclosure System (PFSDS) containing data on organizers, funders and speakers of seminars for federal judges. All these datasets contain name strings for the entities they contain. We use these strings to link entities across datasets. For this we proceed in the following steps. First, we normalize strings by converting them to lowercase ASCII, convert multiple spacing within strings into single spacing, eliminate non-alphanumeric characters, transform "&" into "and", and remove leading and trailing whitespaces. Furthermore, we also eliminate tokens that denote types of legal entities, in particular: Inc, Incorporated, LLC, Limited

Liability Company, LLP, Limited Liability Partnership, Ltd, Limited Company, Limited, Co, Company, Corp, Corporation, Pac, Political Action Committee, Group, Committee and Fund.

After we have cleaned name strings we perform a next step of disambiguation. The idea is to cluster together entities with the same names. For this we first search for all matches within a dataset that have the same name string or a sufficiently close name string. This is performed with the python implementation of RapidFuzz. For this we select as links all those for which the string is the same or have a token sort ratio higher than 95. A token sort ratio sorts the words, tokens, in a string and calculates the normalized Indel similarity between them, where the latter is a function of the number of insertions and deletions required to change one sequence into the other. A feature of the token sort ratio is that it is order neutral, thus *ford motor credit* is the same as *ford credit motor*.

After the second step, we have a set of dyads which we have identified as being the same string name. We cluster these dyads into name groups based on connected components. This has the undesirable property that it may result in two strings clustered within the same group that have an Indel similarity lower than 95. To avoid this, we perform hierarchical clustering on each of these clusters splitting them into clusters that have at least Indel similarity equal to 95 for every possible string dyad in the cluster. At the end of this process we have disambiguated entities by grouping them into clusters, for example {*ford motor credit*, *ford credit motor*, *ford credet motor*} $\rightarrow$ *ford credit motor*.

One difference between linking organizations and peoples names, is that sometimes the same organization is denominated under different names or acronyms. For example, Microsoft-MSFT or GlaxoSmithKline-GSK. To take this into account we have queried Wikidata for all corporations (Q167037), public companies (Q891723), PACs (Q2101438), labor unions (Q178790) and organizations (Q43229) based in the United States of America. For public companies (Q891723), we obtain all of them with independence of whether the Wikidata property country (P17) is United States. From that query we obtain the label associated with every one of these entities along with their *also known as*. We link the clustered names from the previous step to Wikidata using RapidFuzz with the same parameters. If for a given cluster we find a unique match in Wikidata we update the cluster identifer with the Wikidata identifier. This allow us to further cluster some entities that the previous step did not classify as being the same because their name string was too far apart.

We follow the process above for all three datasets. Once we have disambiguated entities within each dataset, we link one dataset to another by searching for an entity string name from the first dataset within the second dataset. For this, again, we use RapidFuzz with the same parameters as above. For example, given a name string in

ACNet we get all name strings in DIME with Indel similarity of at least 95. This gives us a set of edges, or connections, between observations in ACNet and DIME that we use to cluster observations by name as discussed earlier: i.e. in a first step we divide observations into clusters by connected components and then, if necessary, we split this connected components using hierarchical clustering to ensure that all strings within a given cluster are within the chosen tolerance of 95. In the hierarchical clustering we take into account that entities that have been linked to Wikidata may have larger string distances, for they may have been matched based on aliases, and allow for this. At the end of this process we have clustered every observation in ACNet and DIME into clusters of entities with similar names that we treat as our unit of observation. We follow this procedure for every linkage used in the analysis.