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Wall Street, Capitol Hill, and K Street: Political Influence and Financial Regulation

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 Abstract

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Abstract

This paper explores the link between the political influence of the financial industry and financial regulation in the run-up to the global financial crisis. We construct a detailed database documenting the lobbying activities, campaign contributions, and political connections of the financial industry from 1999 to 2006 in the United States. We find evidence that spending on lobbying by the financial industry and network connections between lobbyists and legislators were positively associated with the probability of a legislator changing positions in favor of deregulation. The evidence also suggests that hiring lobbyists who had worked for legislators in the past enhanced this link.



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