Local Dependence: Evidence from the Rollback of Dodd-Frank *

Daniel T. Roberts†

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Abstract

A number of important US banks secured looser risk oversight when Congress rolled back the Dodd-Frank Act in 2018. Existing theories suggest that large US banks wield instrumental power to secure deregulation, but this rollback benefited smaller banks. I explain this with a theory of local dependence, arguing that geographically concentrated and represented firms use local disinvestment threats to influence policy. I hypothesize that local dependence on banks predicts representatives' votes for the rollback, and test this by linking district-level local dependence on banks, banks' instrumental influence, and roll-call votes. Results show that credible local threats to small banks' lending and regional banks' high-risk lending predicts rollback support, while instrumental influence only does when it accompanies prospective threats to local headquarters employment at regional banks. Qualitative evidence provides further support. To conclude, I outline directions for future research, interpret these American results in comparative perspective, and suggest implications for the politics of international risk regulation.

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†Ph.D. candidate, Department of Government, Harvard University. danielroberts@g.harvard.edu

1 Introduction

On March 9th 2023, desperate depositors tried to withdraw $42 billion from their accounts at Silicon Valley Bank. By closing time, the bank was a billion dollars short. It had failed. Panicked clients triggered further bank failures in the following days. By the end of the month, the country had suffered three of its four largest bank failures in history. The only larger one occurred during the 2008 financial crisis. Passed in the wake of this scandalous crisis, the 2010 Dodd-Frank Act mandated that banks large enough that their failure could trigger such crises would be subject to internationally agreed upon risk standards. Banks like Silicon Valley Bank won relief from such rules when Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) in 2018 with bipartisan support. How could this have happened so soon after the financial crisis?

Political scientists have long argued that organized interests can secure their goals in democracies against diffuse publics (Schattschneider, 1960; Olson, 1971; Lukes, 1986). Applied to economic policy, theories of business power suggest that firms influence elected policymakers to ensure profitable policy despite popular opposition (Lindblom, 1977). By leveraging disinvestment threats, firms may strategically constrain policy agendas. They also offer policymakers resources like contributions and information to secure more specific policy priorities. Previous literature conceptualizes these respectively as "structural" and "instrumental" mechanisms of business power (Hacker and Pierson, 2002).

Applying such theories to the case of American finance, business power scholars argue that US banks influence policy primarily through instrumental rather than structural means. Unlike in other countries, US banks cannot credibly threaten to exit the world's dominant financial market (Culpepper and Reinke, 2014). While reaping exceptional profits, these banks operate under institutions that offer unique opportunities for instrumental influence (Johnson, 2010). Analyzing the 2008 financial crisis, political scientists have shown that large banks

secured lax regulatory rules by offering policymakers resources such as contributions while exploiting the lower public salience of complex financial policy issues (Hacker and Pierson, 2010; McCarty et al., 2013).

Business power scholars argue that electorates can constrain this instrumental influence after scandals which raise issue salience and interpret post-crisis US financial politics in this light, but this does not fully explain the high salience 2018 rollback of the Dodd-Frank act through a Congressional roll-call vote. Although financial policy is usually low salience, scandals can enrage electorates and limit the success of firms' otherwise "quiet" influence (Culpepper, 2011). Previous literature argues that the Dodd-Frank act passed in part because the media raised public salience by reporting on the connections that opponents to Dodd-Frank had to the banking industry (Culpepper and Lee, 2022), and suggests that shocks to salience can increase support for tighter financial regulation (Culpepper et al., 2024). Such theories might suggest that Dodd-Frank was rolled back because declining salience allowed large banks to once again exert instrumental influence. However, President Donald Trump won office in 2016 while promising to rollback Dodd-Frank in a highly salient presidential campaign, and shortly after highlighted the rollback of Dodd Frank as a signature policy accomplishment with bipartisan support. Furthermore, the rollback offered relief for relatively small banks with fewer resources for exercising instrumental influence, rather than the especially large banks that were particularly influential in pre-crisis regulatory politics (Johnson, 2010).

I outline a theory of local dependence to explain this legislative outcome. It combines complementary insights from existing literature on firms' structural power and economic geography. Structural power theories argue that firms exert influence by credibly threatening to disinvest from markets. Studies on economic geography show firms' activities vary geographically within countries and argue that locally-concentrated firms have disproportionate influence under majoritarian institutions. Drawing from both, I argue that locally-concentrated firms' constrain policy agendas under geographic representation by credibly threatening local

disinvestment, which I conceptualize as *local dependence*.

Applying this to the Dodd-Frank rollback, I expect local dependence on banks explains the otherwise puzzling support of Congressional Democrats for the EGRRCPA. I argue that the implementation of domestic and international post-crisis regulation offered banks with geographically concentrated activities both realized and prospective local disinvestment threats. Facing higher relative compliance costs, small banks in the post-crisis period exited from specific localities dependent on their relationship-based lending by accepting acquisition offers from larger banks. Constrained by the domestic implementation of international risk standards, regional banks exited from lending to higher-risk borrowers on the margin and could also prospectively threaten to accept exit from labor markets where their headquarters are located by accepting acquisition offers absent favorable re-regulation. I hypothesize that local dependence on small banks' lending and regional banks' lending to higher-risk borrowers in particular predicts representatives' support for the Dodd Frank rollback unconditionally, since local disinvestment had already been saliently realized. I also expect local dependence on regional bank headquarters employment predicts representatives' support when complemented by instrumental influence since firms' ambiguously credible prospective disinvestment threats rely on influencing representatives' perceptions through informational access.

To test these hypotheses, I construct a novel dataset that measures local dependence on banks and link it to data on banks' instrumental influence, representatives' roll-call votes and ideology, and district-level controls. Aggregating within regulatory size-groups, I use regulatory data on banks' branch-level deposits to measure local dependence on banks' lending and on the corporate-employment of banks to measure local dependence on bank headquarters employment. I also create measures of banks' representative-level campaign contributions and lobbying to test my hypothesis on how this may complement prospective local disinvestment as well as to test my theory against alternatives that focus on large banks' instrumental influence without accounting for local dependence. Finally, I interview Senate staffers to test

the plausibility of my theory's expectations about causal mechanisms and to better understand a substantively significant context for explaining the outcome where statistical methods are under-powered.

Results support my theory's relevance for explaining the rollback of Dodd-Frank. Representatives for districts locally dependent on the small bank lending are significantly more likely to support the EGRRCPA. Members of the Congressional Black Caucus disproportionately the rollback, but low district-level income and dependence on regional bank lending seems to better explain these representatives' behavior than instrumental influence. Banks' campaign contributions only predict representatives' support when complementing district-level concentrated employment at regional bank headquarters. In the setting of the Senate where the bipartisan compromise that led to the rollback was forged, preliminary evidence suggests that Democratic Senators support for rollback was primarily determined by perceptions of the significance of small and regional banks' activities for state-level economic conditions, in some cases supported by banks' instrumental influence efforts.

To conclude, I outline future research directions to test my theory's mechanisms, discuss implications for understanding specific firms' influence over policy in the American political economy, and suggest broader applications to the international politics of risk regulation.

2 A Theory of Local Dependence

Business power scholars argue that firms influence policy by both credibly threatening disinvestment and offering resources like contributions and information. This literature conceives of the former as "structural" and the latter as "instrumental" mechanisms of business power (Hacker and Pierson, 2002). These explain policy outcomes that are favorable to firms against countervailing public interests. Some business power theories suggest they offer firms alternative strategies to influence policy. For example, literature on US financial policy argues

that US banks lack credible disinvestment threats, and focus instead on their instrumental influence. However, as later sections of this paper show, large banks failed to achieve their goals in the 2018 Dodd-Frank rollback despite having more resources, while smaller banks secured deregulation with relatively less.

To explain why, I outline a theory of local dependence. It combines insights from literature on firms' structural power and economic geography. I argue that firms can have credible threats to disinvest *locally*, both generally and in specific market segments, even without national-level exit options. When political institutions promote local representation, policymakers will be particularly responsive to firms' local disinvestment threats. Local dependence on firms can explain how they secure favorable policy in settings with geographic representation like the US Congress, even when high issue salience limits the effectiveness of instrumental influence.

2.1 Disinvestment Threats and Structural Power

Firms can influence policymakers by threatening to disinvest from markets, a mechanism that business power scholars have labeled "structural power". Canonical theories of structural power argue that firms have a "privileged position" in democracies (Lindblom, 1977), because governments rely on them to organize economic activities. This literature has suggested that governments "depend" on firms (Culpepper, 2015), who make decisions on when and where to invest in response to market signals (Fairfield, 2015b). When profit-maximizing firms threaten to exit markets, they may compel policymakers to accommodate their policy preferences to prevent harmful economic disinvestment (Hacker and Pierson, 2002).

Firms' credible disinvestment threats influence policymakers in democracies because voters punish incumbents for salient economic under-performance. Studies on economic voting highlight that voters punish incumbents for poor economic performance (Lewis-Beck and Stegmaier, 2000; Healy and Malhotra, 2013). This mechanism grounds structural power theories: vote-seeking politicians depend on firms' investment decisions, because voters'

well-being depends on the consequences of such choices (Przeworski and Wallerstein, 1988). In other words, policymakers accommodate firms' policy preferences because they fear that economic deterioration will prompt electoral backlash (Hacker and Pierson, 2002).

Firms' structural power over policy outcomes varies, since the credibility of disinvestment threats depends on context. Critics of canonical structural power theories argue that firms often fail to achieve their policy goals like any other interest group (Vogel, 1987). Responding to this, contemporary business power scholars agree that firms' structural power depends on context (Hacker and Pierson, 2002), because policymakers must believe in firms' disinvestment threats. Just as governments depend on firms to organize economic activity, firms depend on policymakers to maintain profitable regulatory environments (Culpepper, 2015). This "mutual dependence" suggests firms and policymakers interact in settings akin to bargaining games, rather than firms' exercising unbounded power over policy. Firms signal disinvestment threats through their behavior, but policymakers make independent judgments about these threats' credibility (Hacker and Pierson, 2002). Firms' may be forced to stay in markets to maintain profitability, limiting the credibility of their disinvestment threats (Culpepper and Reinke, 2014). States may also have their own outside options, and may find alternative strategies to achieve policy aims when intransigent firms threaten disinvestment (Vogel, 1987).

Firms can also influence policymakers by offering them campaign contributions and private information, but success can depend on issue salience. Canonical scholarship on business power has labeled this "instrumental" power (Miliband, 1969; Hacker and Pierson, 2002). Narrow interest groups can more easily influence policy through instrumental means when issue salience is low (Culpepper, 2011). Public opinion constrains this influence when policy issues are more salient (Busemeyer et al., 2020; Culpepper and Lee, 2022). Empirical studies suggest that firms only conditionally influence policy through instrumental means. Well-resourced interest groups have often failed to secure their policy goals (Smith, 2000), and representatives don't always respond to firms' contributions and lobbying efforts (Ansolabehere

et al., 2003; Baumgartner et al., 2009).

Recent business power literature has also argued that instrumental influence can complement rather than substitute for firms' disinvestment threats. The credibility of disinvestment threats depend not only on firms' activities, but also on policymakers' perceptions about their significance for economic outcomes (Hacker and Pierson, 2002; Babic et al., 2022). Business power scholars have thus distinguished between firms' observable economic significance, or "structural prominence, and their actual power over policy outcomes (Young, 2015). To influence policy, firms can use instrumental means to shape policymakers' perceptions about the credibility and significance of structural disinvestment threats (Culpepper and Reinke, 2014; Fairfield, 2015b). Structural prominence and instrumental power may be insufficient but jointly necessary to explain outcomes (Mahoney and Goertz, 2006), especially the credibility of disinvestment is ambiguous.

Existing business power theories largely focus on how firms' structural power varies nationally, both comparatively and over time. For example, Hacker and Pierson (2002) argue that US employers' power varies over time with changes in national decentralization. Although the mechanism they study is sub-national fragmentation, the source of variation is institutional change at the national-level. Likewise, Culpepper and Reinke (2014) focuses on banks' capacity to influence financial policy through disinvestment threats that vary cross-nationally. Studying Latin American cases, Fairfield (2015a,b) examines variation in business power across country cases and at the country-level over time.

More recent studies place greater emphasis on industry- and firm-level variation in structural power. Previous literature suggests that disinvestment threats can differ by industry, and many studies have examined how the financial firms' particular influence on economic conditions can give them particular influence over policy outcomes (Culpepper and Reinke, 2014; Dafe et al., 2022; Braun, 2022). In developing a theory of "structural prominence", Young (2015) also suggests that disinvestment threats can vary at the firm-level. Babic et al. (2022)

builds on this insight and offers a ”dyadic” theory of business power which emphasizes that influence operates in relationships between states and specific firms.

This turn towards industry- and firm-level variation suggests that political economy theories beyond the business power literature can help to build theory on firms' structural power. Literature on international political economy has long studied how interests and means for influence vary across industries and firms. Challenging models focused on cross-national or class-based cleavages in trade preferences, previous work argues that industries have distinct policy preferences because capital mobility cannot be assumed (Alt et al., 1996; Hiscox, 2002). Likewise, studies suggest that interests and mechanisms of political influence vary at the firm level even within industries (Osgood, 2016; Kim, 2017). This literature highlights that firms engaging in identical business activities can vary in size and risk exposure, with implications for their political strategies and influence (Kim and Osgood, 2019).

Firms and industries vary in one key respect with under-theorized implications for the politics of disinvestment: the economic geography of their activities. Before I apply my theory to argue that disinvestment threats can help explain the politics of the Dodd-Frank rollback, I first draw from the political economy literature on economic geography to suggest firms with geographically concentrated activities exercise out-sized influence over policy outcomes when they operate under locally representative institutions.

2.2 Economic Geography and Local Representation

Industry and firm activities vary geographically with consequences for politics, including within specific countries. Political economists have long argued that politics is influenced by differences in business activities across countries (Stolper and Samuelson, 1941; Rogowski, 1987), but recent work has explored the consequences of this “economic geography” for politics (Rodden, 2010; Rickard, 2020). For example, regions within countries can specialize across sectors like agriculture and manufacturing (Krugman, 1991), and this geography can

entail sub-national differences in exposure to competition from imports (Autor et al., 2013), with implications for the measured geography of political behavior. In the case of import competition, studies have shown that sub-national exposure to trade shocks is linked to geographic differences in political polarization and values (Autor et al., 2020; Ballard-Rosa et al., 2021). Although studies have also turned attention to how firm-level differences *within* industries influence politics (Kim and Osgood, 2019), the political consequences of firm-level *economic geography* has been understudied (Rickard, 2020). Recent exceptions measure how firms' exposure to targeted tariffs varies with their economic concentration at the state- and district-level (Eldes et al., 2025; Kim and Margalit, 2021).

Firms' influence over policy depends on how their geographic concentration interacts with electoral institutions. Previous work distinguishes industries' economic geography from their district-level political concentration, and argues that their interaction determines industry-level influence (Busch and Reinhardt, 1999). Separate studies build theories on how electoral institutions shape the relative representation of narrow and diffuse industries, but disagree on their expected effects. Some argue that majoritarian systems represent narrow industries better than proportional systems (Grossman and Helpman, 2005; Persson et al., 2007), while alternatives argue the opposite (Bueno de Mesquita, 2003; Rogowski and Kayser, 2002). Rickard (2012, 2018) offers a resolution, arguing that these effects depend on economic geography. Majoritarian rules are expected to favor industries that are geographically concentrated, an argument which should also apply at the firm-level (Rickard, 2020)

Geographically-concentrated firms exert particular influence over policymakers with geographic representation because voters react to local economic conditions when choosing whether to support representatives. Comparative literature on economic voting suggests voters react more to economic performance in majoritarian systems, where incumbents' accountability is clearer (Powell and Whitten, 1993; Lewis-Beck and Stegmaier, 2000). Studies on the American case suggest voters respond to economic conditions (Fair, 2009; Healy and

Lenz, 2014), and hold their representatives accountable for roll-call votes (Ansolabehere and Jones, 2010). Representation in the American case is distinctly geographic (Lee, 2008), so representatives seek policies that narrowly benefit their voters (Lee, 2003; Ritchie and You, 2019). Thus, representatives support the policy goals of geographically concentrated firms. Studies show that legislators support subsidies for automakers where these firms' employees are concentrated (Moore et al., 2013), and support trade protection where local industries are exposed to import-competition and electoral competition is also high (Feigenbaum and Hall, 2015).

Just as firms can influence policy through promises of local investment, they can also influence politics through credible threats of local disinvestment. Recent literature suggests voters respond positively to firms' local investments in corporate headquarters, so politicians offer firms inducements like tax incentives to re-locate (Jensen et al., 2015; Jensen, 2018), and firms strategically relocate to districts where representatives are influential but politically insecure (de Figueiredo and Raiha, 2022; Bisbee and You, 2024). Empirical evidence also shows that voters punish left-leaning politicians when corporations relocate out of districts (Yang, 2024). Behavioral studies suggest in turn that voters are loss averse (Kahneman and Tversky, 1979), biased towards negative information (Lau, 1985), and retrospective in evaluating policymakers (Healy and Malhotra, 2013). Consistent with structural power arguments albeit locally, firms exert power over representatives not only by promising to locally invest, but also by credibly threatening to locally disinvest.

Firms can influence policymakers' perceptions on the credibility of local disinvestment threats through instrumental means. Firms can influence perceptions by strategically offering policymakers otherwise private information (Potters and van Winden, 1992). Theoretical work argues that lobbying should be interpreted as an informational exchange (Austen-Smith and Wright, 1992; Hall and Deardorff, 2006), and suggests firms contribute to secure access for informational exchanges (Austen-Smith, 1995; Esterling, 2007). Studies show that firms

with concentrated employment contribute to local representatives (Bombardini and Trebbi, 2011), and that firms contribute to representatives before lobbying efforts (Kim et al., 2025). Thus, firms can be expected to contribute to representatives before engaging in informational exchanges that can shape policymakers' perceptions about whether local disinvestment threats are credible.

In sum, voters and their representatives can be observed supporting the policy interests of locally concentrated firms despite countervailing preferences if credible local disinvestment threats constrain feasible policy choices. Structural power theorists observe that firms' disinvestment threats can narrow feasible policy options (Lindblom, 1977; Swank, 1992). Thus, voters and representatives can support local firms' narrow interests from reluctant acquiescence rather than genuine preference over an unconstrained choice set (Hacker and Pierson, 2002). Structural power theories therefore contribute to ontologically interpreting specific cases where economic geography influences representatives' political behavior, a theme I return to in the conclusion.

2.3 Summary: A Theory of Local Dependence

Theories on firms' structural power and economic geography complement each other to explain how geographically concentrated firms influence policy. I argue that local dependence on such firms can explain otherwise puzzling cases where representatives and voters support policies in these firms' narrow interest despite diffuse public costs. With geography-specific representation and in high salience settings, locally concentrated firms with credible disinvestment threats exercise greater influence over policy than geographically diffuse firms even when they have less resources for instrumental influence. I argue that this explains the 2018 Dodd-Frank rollback better than alternatives in what follows, and provide evidence to support this claim in subsequent sections.

3 Case Application: The Dodd-Frank Rollback

Existing theories on US financial politics struggle to fully explain the 2018 rollback of Dodd Frank. Business power studies suggest large US banks influenced policymakers in favor of deregulation by offering them resources like campaign contributions during the run-up to the 2008 financial crisis, when voters were paying less attention to financial policy. Literature on the post-crisis period argues these banks influence over regulatory outcomes in high salience settings is diminished now that scandalized voters pay more attention, explaining these firms' failure to block the Dodd-Frank Act. Existing studies show banks continue to influence Dodd-Frank's implementation, but only in low-salience contexts like bureaucratic rule-making. However, when the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) passed in 2018, smaller banks with less resources for instrumental influence secured policy tailored to their interests. Representatives including 50 Congressional Democrats voted for this deregulation in a context where elite partisan figures like President Donald Trump and Senator Elizabeth Warren had increased issue salience.

To explain this, I apply my theory of local dependence to argue that small and regional banks achieved their aims against countervailing public interests because congressional representatives react to credible local disinvestment threats. Specific areas rely on the local lending of small banks with higher fixed regulatory compliance costs, which exited from many markets by accepting acquisition offers from larger banks in the post-crisis period. Larger regional banks could also threaten local disinvestment through two mechanisms. First, regional banks reduced local lending to high risk borrowers when constrained by international risk rules implemented by the Dodd-Frank Act. Second, headquarters employment at these banks is highly concentrated in specific labor markets, and banks could prospectively threaten to accept future acquisition offers from larger banks in lieu of regulatory relief. I argue that realized local disinvestment lead representatives to support rollback even without instrumental

influence. I also argue that prospective disinvestment threats leads representatives to support rollback when complemented by instrumental influence that raises threats' credibility. Thus, I hypothesize that local dependence on small bank lending, on regional bank lending to higher risk borrowers, and on regional banks' headquarters employment when complemented by instrumental influence predicts representatives' support for the Dodd-Frank rollback. Before I show how these predictions follow from my theory, I provide background on the Dodd-Frank rollback and on how banks affect local economic conditions.

3.1 Post-Crisis Politics and the 2018 Dodd Frank Rollback

The U.S. Congress passed the Dodd-Frank Act in 2010, responding to popular demands for stricter financial regulation after the scandalous 2008 financial crisis. This crisis was triggered when the investment bank Lehman Brothers declared bankruptcy after taking unsustainable losses on its portfolio of risky sub-prime mortgages. Banks exposed to this event failed in turn in an ever-widening domino effect, culminating in a financial crisis that had catastrophic effects on the U.S. and global economy (Tooze, 2018; Rajan, 2010). Many Americans held large banks responsible for this crisis, and were outraged that a taxpayer-funded $700 billion bailout helped to rescue many banks from failure in an effort to limit the scope of the crisis. This public sentiment helped lead President Obama and Congressional Democrats to electoral victory against the incumbent Republican party in November 2008. Responding to their mandate, Democrats crafted a bank regulation bill that was meant to prevent future financial crises by restraining banks' risky lending. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was passed by Congress in 2010, with the support of almost all Democrats and a few Republicans (Ziegler and Woolley, 2016; Culpepper and Lee, 2022).

Dodd-Frank mandated that large banks be supervised to limit the risk that their failure could trigger a financial crisis, and also regulated smaller banks' mortgage lending to reduce

system-wide financial risk[1]. Banks with over $50 billion in assets were subject to "enhanced supervision" over their balance sheets by the Federal Reserve to limit the chance that their failure could cause a financial crisis. This $50 billion threshold included a number of "Regional Banks" that dominate in specific markets, and which had largely weathered the 2008 crisis by maintaining more traditional business models with less exposure to financial markets. These banks were subject to modified versions of the same risk standards applied to much larger banks like JP Morgan Chase and Bank of America, which also engage in riskier investment banking activities. "Community Banks" with less than $10 billion in assets faced different regulatory standards on limiting their origination of risky mortgage loans that could eventually end up on the balance sheets of larger institutions like Lehman Brothers, whose failure could trigger a financial crisis.

Previous literature has shown that firms have sometimes succeeded in efforts to influence Dodd-Frank's implementation, but focus on low salience settings like bureaucratic rule-making. Separate studies suggest large banks failed to block Dodd-Frank because the salience of financial policy issues after the crisis was high enough that representatives feared electoral punishment (Culpepper and Lee, 2022), and argue sustained public attention continues to constrain financial firms' influence over policy (Ziegler and Woolley, 2016; Culpepper et al., 2024). In the lower salience setting of bureaucratic politics, firms have reaped profits by shaping rules that govern Dodd-Frank's implementation in their favor (Libgober, 2020; Libgober and Carpenter, 2024). Further research suggests that firms' influence is more effective when members of Congress lobby on their behalf (Ban and You, 2019), but do not suggest banks have used instrumental means to change these representatives own positions on financial regulation. Media reports have argued that Democrats in the Congressional Black Caucus joined Republicans to support deregulation in response to banks' instrumental influence (Carter and Grim, 2014), but committee votes are lower salience and my argument will also

[1]Table 1 at the end of section 3.2 summarizes these thresholds and their implications for the case

suggest these legislators may have been responding to district-level local dependence.

The Republican party's electoral victory in 2016 prompted efforts to fully repeal Dodd-Frank, but Congressional Democrats used their veto power to support an alternative rollback that was more tailored to the interests of community and regional banks. House Republicans attempted to enact bills like the Financial CHOICE Act in 2017, which would have loosened risk oversight over large banks with over $250 billion in assets, but these efforts were blocked by Congressional Democrats. Although Republicans passed this bill on a party-line vote in the House, it was dead on arrival in the Senate where Democrats held veto power. Senate Democrats threatened to filibuster any Dodd-Frank repealed and insisted on bipartisan negotiation over a more tailored rollback. After an uncertainty over whether a compromise would be reached, in November 2017 specific Senate Democrats announced their support for a compromise aligned with the policy interests of community and regional banks. This bill would reduce compliance costs for the smallest community banks by limiting oversight over risky lending, and also raised the threshold for automatic "enhanced supervision" from $50 billion to $250 Billion in assets.[2]

The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) was signed into law in May 2018 with the support of 50 Congressional Democrats despite high salience and partisan polarization. Interest groups like the Americans for Financial Reform and politicians like Elizabeth Warren raised the salience of this outcome by attacking Democrats who supported the bill, framing them as captured by Wall Street interests (Bolton, 2018). Donald Trump likewise attacked the Dodd Frank Act in a highly salient campaign for the presidency. When the bill was enacted, aisle-crossing Democrats joined President Trump to tout the new law in a well-publicized signing ceremony. The 2018 Dodd-Frank rollback was achieved through salient statutory rather than quiet regulatory means, and it did not

[2]To signal their approval of the deal, specific House Democrats joined nearly all of their Republicans colleagues to pass provisions of the Senate bill piece-meal in the House soon after the Senate compromise was passed in a set of low salience "pre-cursor" votes, a topic I return to in the conclusion in discussing future research directions.

fulfill the interests of larger banks equipped with resources for instrumental influence. These observations are difficult to explain with existing theories of post-crisis US financial politics.

The fears of this outcome's critics were nearly realized in 2023 when the U.S. suffered a historic banking panic beginning with the collapse of Silicon Valley Bank (SVB). SVB was one of the regional banks with between $50 and $250 billion in assets that secured regulatory relief under the EGRRCPA, and it had a uniquely risky business model that involved holding difficult to liquidate long-term loans against large uninsured deposits. This reflected the local specialty services it provided to start-ups. Had the original Dodd-Frank Act still been in place, SVB would have been subject to enhanced supervision by Federal Reserve regulators, and three of the four largest bank failures in American history likely would have been averted (Rev, 2023). This sparked renewed debate on whether legislators like Democrats who had crossed the aisle to supported the rollback of Dodd-Frank were captured by Wall Street. As I will argue in what follows, these legislators otherwise puzzling voting behavior may instead be explained by district-level dependence on the business activities of banks with credible local disinvestment threats.

3.2 US Banks' Local Disinvestment Threats under Dodd-Frank

Some communities in the United States depend on the geographically concentrated activities of specific types of banks. Banks facilitate the economic activities of individuals and other firms at the local level. Besides maintaining deposit accounts, banks offer access to funding for purchasing homes and financing small business investment through local lending relationships. While areas where the largest banks like Bank of America and Chase Bank compete are less reliant on specific banks' activities, certain local economies may depend much more on geographically concentrated banks. For example, as maps in section 5 illustrate, small banks hold a disproportionate share of branch-level deposits in parts of the American Mid-West, and specific regional banks have an out-sized presence in the "Rust-Belt" and Deep South.

These regional banks are significant in these markets not only because of their local lending, but also because they are among the most significant local employers where their corporate headquarters are located. I apply my theory of local dependence and draw on literature from political science and financial economics to argue that these geographically concentrated activities mean small and regional banks had credible local disinvestment threats under the Dodd-Frank Act, which help to explain legislators' support for deregulation.

Banks' decisions to disinvest are especially significant because they affect the economic well-being of individuals and firms that depend on their services. Business power theories argue that firms' structural power depends on whether their threats of disinvestment prompt policymakers' fears of economic deterioration (Hacker and Pierson, 2002). Studies on structural power have focused on the financial industry accordingly due to its consequential role in facilitating the activities of other firms (Young, 2015; Dafe et al., 2022) and have conceived of the financial industry as playing a role akin to basic economic "infrastructure" (Braun, 2020). They also suggest the credibility of this industry's disinvestment threats varies across contexts (Culpepper and Reinke, 2014; Woll, 2016). Comparative political economists likewise argue that banks determines economic well-being for other actors by determining their access to capital, and sees banks as coordinators that patiently lend to borrowers that might not have access to funding with more decentralized capital markets (Gerschenkron, 1962; Zysman, 1983; Hall and Soskice, 2001).

Specific borrowers may especially depend on banks' relationship-based lending, which is undertaken at the local-level by relatively small banks. Lending is risky because banks are uncertain about borrowers' ability to repay, and they may decide not to lend when they lack information (Stiglitz and Weiss, 1981). Banks as institutions help to resolve this problem by acting as intermediaries that collect information on borrowers by cultivating long-term relationships with them (Diamond, 1984). This relationship-based "soft" information about borrowers is distinct from more algorithmic "hard" information based on data, with credit

scores being an everyday example. Small banks specialize in relationship-based lending, while large banks are more reliant on data to make lending decisions at a distance (Elyasiani and Goldberg, 2004; Berger et al., 2005). Relationship-based lending benefits small businesses and less traditional borrowers that are closer to small banks, because proximity allows banks to collect information about otherwise "opaque" borrowers' reliability (Cole et al., 2004). Without these relationships, larger distant banks may be too uncertain about opaque borrowers to lend to them. Lending models that rely on accurate data rather than relationships to determine creditworthiness can exacerbate social inequalities by channeling credit to borrowers who are already financially secure especially when credit is tight (Wiedemann, 2021; Iversen and Rehm, 2022), whereas relationship-based local lending offers broader access to credit even during severe economic downturns (Beck et al., 2018).

By increasing fixed compliance costs, regulatory requirements like those established by the Dodd-Frank Act can give smaller banks incentives to accept acquisition offers from larger banks, causing local disinvestment through the mechanism of branch-level closures. Fixed-costs do not scale linearly with the size of firms, and characterize regulatory compliance costs in some cases. For example, firms within a fairly broad size range may need to hire a similar number of personnel to meet regulatory reporting requirements, meaning regulatory costs may not scale linearly with firm size (Franks et al., 1997; Trebbi and Zhang, 2022). Such costs have the greatest proportional impact on competitiveness for smaller firms (Hopkins, 1998; Crain and Crain, 2005), which motivates establishing regulatory tiers by firm-size (Brock and Evans, 1985; Gutiérrez and Philippon, 2019). These theories have been applied to Dodd-Frank implementation by both academic studies and representatives of small banks in Congressional testimony (Wilson, 2014; Cyree, 2016; Burak and Dale, 2020). An FDIC report likewise shows that noninterest expenses as a proxy for regulatory compliance costs increased more for smaller community banks than for larger ones, and suggests that mergers among community banks have increased in the post-crisis period (FDIC, 2020). Mergers are motivated partly by defraying

fixed costs over a larger consolidated revenue stream to improve profitability (Rubinovitz, 2009), including in the banking industry (Rhoades, 1998; Cornett et al., 2006), which suggests that community banks' high relative compliance costs and post-crisis consolidation through mergers may be linked. Such bank mergers can have sharp negative effects on local economies because they trigger bank branch closures, which severs relationship-based lending and leads to years of persistently depressed local small business lending (Nguyen, 2019).

Larger regional banks disinvested from local lending to higher-risk borrowers in particular when they complied to international risk standards implemented by Dodd Frank. These rules reduce banks' risk of failing like Lehman Brothers or Silicon Valley Bank by pushing them to hold more "liquid assets" like sovereign bonds that can be sold quickly in adverse financial conditions (Acharya and Richardson, 2012). By design, these rules encourage banks to limit "patient" lending to firms (Deeg and Hardie, 2016), and push them to act more like "market-based" banks that hold more liquid capital market securities (Hardie et al., 2013). Silicon Valley Bank could have survived a depositor panic under these rules because regulators would have limited its patient lending to local start-ups (Rev, 2023). This means Dodd-Frank regulations entail a policy trade-off between reducing financial risk and preserving local relational lending by banks. Empirical research shows that banks subject to enhanced supervision contributed less to aggregate financial risk with net public benefits, but also reduced lending to non-financial firms (Roberts et al., 2023). Specifically, they reduced small business lending in lower-income and majority-minority areas as reported in regulatory data on compliance to the Community Reinvestment Act (CRA) and riskier mortgage lending as reported in Home Mortgage Disclosure Act data (Sundaresan and Xiao, 2024). Studies also show stress-tests mandated by Dodd-Frank caused banks to exit from lending to these same borrowers (Acharya et al., 2018), and from riskier markets at the MSA-level (Cortés et al., 2020). This evidence is consistent with theories that argue regulatory changes can lead to reduced lending to higher risk borrowers on the margin (Acharya et al., 2018; Iversen and Rehm, 2022).

Regional Banks' disinvestment from lending to higher risk borrowers has disproportionate negative impacts on communities that rely on credit as a social policy substitute. Credit can meet bottom-up demands for economic opportunity (Rajan, 2010; Ahlquist and Ansell, 2017), and acts as a welfare-state substitute in the American case (Trumbull, 2014; Wiedemann, 2023). The American welfare state was developed on racially exclusionary terms (Alesina and Glaeser, 2004; Katznelson, 2005; Thurston, 2025), and bank-mediated credit access has been contested by groups that seek to redress racial inequalities (Calomiris and Haber, 2014; Zackin and Thurston, 2024). Activists fought to pass the Community Reinvestment Act to ensure banks would lend to non-white and low-income borrowers in localities where they collect deposits (Immergluck, 2015; Krippner, 2017), and it continues to facilitate credit access for these borrowers (Bhutta, 2011; Ringo, 2023). Civil rights organizations fought for access to bank-mediated housing credit (Thurston, 2018), and studies have also shown that civil rights groups and elected Democrats can be observed in coalitions with banks on specific regulatory issues (McCarty et al., 2013; Gordon and Rosenthal, 2020). Taken together, this literature suggests American banks act as delegated social policy providers in channeling credit to specific higher-risk borrowers (Morgan and Campbell, 2011), redressing racial economics gaps through public-private means[3] (Thurston, 2021).

Regional Banks' headquarters are also significant employers in specific places, making potential employment disinvestment through mergers a significant but ambiguously credible disinvestment threat in the post-crisis period. While community banks' employment overlaps with their branches and large banks maintain multiple headquarters, regional banks have concentrated headquarters employment in specific metropolitan areas. This employment can be significant relative to the employment of other private-sector employers in these localities as well. For example, Regions Bank was the largest private sector employer in the Birmingham area and M&T bank was the largest non-healthcare employer in the Buffalo area

[3] I discuss implications of local dependence for interpreting this politics in the paper's conclusion.

when the EGRRCPA was passed (201, 2018; Buf, 2018). These Regional Banks might plausibly have similar reasons to accept acquisition offers as smaller community banks: their relative compliance costs may be higher than for much larger banks like Bank of America subjected to the same regulatory rules. Acquisitions can lead headquarters employment to consolidate at the location of the acquiring firm, and voters punish Democrats when corporations move headquarters and leave local employment markets (Yang, 2024). However, while the smallest banks had disproportionately accepted acquisitions after Dodd-Frank's implementation (FDIC, 2020), this was not true for regional banks. This suggests the credibility of regional banks' local disinvestment threat is highly ambiguous. Instrumental influence can be used to shape legislators perceptions in these cases.

Table 1: Dodd Frank Benefits vs. Costs, Changes After EGRRCPA Passes (2018)

	Requirements under Dodd-Frank (2010)	*Diffuse Benefits* vs **Concentrated Costs** under Dodd-Frank	**Changes after EGRRCPA (2018)**
Community Banks (<10bn in assets) including **Small Banks** (<1bn in assets)	– Rules to avoid subprime-crisis recurring; prevent predatory lending – Increased supervision by the new CFPB	– *Less risky & predatory mortgage lending* – **Disappearance of small banks (<1bn) due to compliance**	– Loosening of mortgage restrictions – Rollback of reporting and scrutiny
Regional Banks (50–250bn in assets)	– >50bn automatically "Systemically Important" – Subject to enhanced supervision; international regulation	– *Lower risk a large bank's failure triggers a financial crisis* – **Regulation reduces patient lending to firms / riskiest borrowers**	– 50–100bn exempt from enhanced supervision – 100–250bn only under enhanced supervision at regulator's discretion

Notes: *Italics = diffuse benefits*; **Bold = concentrated costs**.

My theory of local dependence fits the case of the 2018 Dodd-Frank rollback because geographically concentrated small and regional banks had credible local disinvestment threats while being geographically represented, and high salience likely limited the influence of instrumental influence. Table 1 summarizes how even though the regulation had *diffuse*

benefits in reducing the risk of a financial crisis, it also imposed **concentrated costs** on specific groups of banks and thus those who rely on their business activities. Geographically concentrated firms are especially likely to have credible disinvestment threats within the 435 single-member district constituencies of the U.S. House of Representatives than in larger state-level U.S. Senate constituencies. Members of the U.S. House support policies with geographically concentrated benefits for their constituents (Fenno, 1977; Lee, 2008), and vote for policy that prevents local economic disinvestment despite diffuse public costs (Moore et al., 2013; Feigenbaum and Hall, 2015). This argument suggests that local dependence can help to explain legislators' otherwise puzzling support for the rollback of Dodd Frank.

3.3 Summary of the Argument and Hypotheses

To summarize, the rollback of Dodd Frank was profitable for specific banks while plausibly harming the diffuse interests of the broader public by increasing the risk of a financial crisis. Crucially however, it also plausibly benefited specific constituencies that depend on specific banks' local business activities. Small banks benefit because less oversight over risky lending means lower compliance costs, which had increased as a share of expenditures compared to larger banks since the enactment of Dodd-Frank (FDIC, 2020). Since regulatory rollback reduces small banks' incentives to accept acquisition offers from larger banks, communities where these banks operate can benefit from roll-back at least in the short-term. Regional banks profited from the rollback because it raised the threshold for enhanced supervision from $50 billion to $250 billion. Studies suggest that these internationally agreed upon risk standards reduced the risk of a financial crisis recurring by pushing banks to hold more "liquid" securities that are easier to sell in a crisis but in turn reduced their traditional lending (Roberts et al., 2023), especially to the higher-risk borrowers in specific localities (Acharya et al., 2018; Sundaresan and Xiao, 2024). This regulation also has compliance costs that may be higher for these regional banks than for larger banks, meaning these banks may plausibly have had

incentives to accept acquisition offers from larger banks causing disinvestment from labor markets where their headquarters are located.

Where local disinvestment had already been realized due to Dodd-Frank's implementation, representatives are expected to act in accordance with firms' policy preferences on the Dodd-Frank rollback even without instrumental influence from banks. They do so to mitigate the economic impacts of realized local disinvestment. This is expected to apply for representatives of districts that disproportionately rely on lending by small banks, which had exited lending markets by accepting acquisition offers from larger banks during the post-crisis period.

H1: Local Dependence on Small Banks Lending

Higher local dependence on small bank lending is positively associated with support for rolling back Dodd-Frank even without instrumental influence.

This should also apply for representatives of districts that depend on regional bank lending affected by Dodd-Frank. Since empirical studies show that these banks specifically reduced lending to higher-risk borrowers as measured by Community Reinvestment Act and Home Mortgage Disclosure Act data, representatives for lower-income and majority-minority districts are expected to be more likely to support rollback.

H2: Local Lending Dependence on Regional Banks Lending to Higher-Risk Borrowers

Higher local dependence on the regional bank lending to higher-risk borrowers is positively associated with support for rolling back Dodd-Frank even without instrumental influence.

Compared to realized lending disinvestment, the credibility of regional banks' threats to disinvest from headquarters employment by accepting acquisitions from larger banks is ambiguous. This disinvestment threat is theoretically plausible, since the smallest banks above a regulatory threshold pay the highest relative compliance costs, but in practice no regional bank above $50 billion had accepted an acquisition offer between the passage of the Dodd-Frank Act and the EGRRCPA. Representatives are expected to need convincing about the credibility of firms' threats to disinvest from local headquarters employment without

regulatory relief, and instrumental influence can help to facilitate informational exchanges that shape legislators' perceptions on credibility.

H3: Local Dependence on Regional Bank HQ Employment and Instrumental Influence *Higher local dependence on headquarters employment at regional banks is positively associated with support for rolling back Dodd-Frank when complemented by banks' instrumental influence.*

4 Data and Methods

To test my hypotheses, I construct a novel dataset that measures district-level local dependence on banks of different regulatory size-groups. I aggregate data on branch-level bank deposits from Summary of Deposits data collected by the Federal Deposit Insurance Corporation (FDIC) to measure district-level dependence on size-group specific bank lending. I use data on banks' employment counts and headquarters location from reports collected by the Federal Financial Institutions Examination Council (FFIEC) and administrative data on the distribution of financial sector employees within commuting zones from U.S. Census sources to measure district-level local dependence on headquarters employment at specific bank size-groups.

To test my hypothesis on how contributions and lobbying can complement prospective local disinvestment threats and to test my theory more broadly against alternatives, I use data on firm-representative level instrumental influence, district and representative characteristics, and Congressional roll-call votes. I merge bank identifiers from my data to firm and industry identifiers in a dataset on contributions and lobbying to construct representative-level measures of instrumental influence by the commercial banking industry as a whole and in specific size-groups. I compare the predictive value of these measures of instrumental influence with that of my measures of local lending dependence to test hypotheses 1 and 2. I interact these with my measure of local headquarters employment dependence to test hypothesis 3.

To test my theory's expectations about the mechanisms by which local dependence affects

legislative behavior, I also conduct interviews with Senate staffers. This offers insight on the process that proximately caused the Dodd Frank rollback because Congressional Democrats' veto power was held in the Senate, and complements quantitative analyses of legislative behavior in the larger-N setting of the House of Representatives by examining a substantively significant smaller-N setting where statistical approaches are expected to be under-powered.

4.1 Local Dependence on Bank Lending: FDIC Summary of Deposits

To test H1 and H2 on how local dependence on banks' relationship-based lending affects votes for regulatory rollback, I use data on branch-level deposits collected by the Federal Deposit Insurance Corporation (FDIC). Economic theories suggest that traditional banks' deposit-taking and loan-making coincide at the branch level. When banks originate loans, they create deposit accounts for borrowers: loans create deposits (Tobin, 1982), meaning the overlap between banks' deposits and lending is not merely correlative but instead reflects the Janus-like nature of banks' business models. Deposits and loans also overlap because they are complementary for profitability: both rely on maintaining liquid assets at the branch-level, so banks are more efficient where they engage in both activities locally (Kashyap et al., 2002). "Core depositors", who rarely remove money from banks likewise complement patient lending because they provide stable funding. These mechanisms explain why loans and deposits are observed to move together within geographic units (Genay, 2000), and why deposit-taking branch closures depress local lending (Nguyen, 2019).

Therefore, I use the FDIC's Summary of Deposits (SoD) data on branch-level deposits to proxy for local lending, and measure local dependence as the share of aggregate deposits kept with banks of different regulatory size-groups at the district-level. SoD data is collected so that the FDIC can insure depositors if a bank fails. Since all but the largest deposits at almost banks are insured, SoD data is uniquely comprehensive[4]. Deposits have more limitations as a

[4]This partly motivates anti-trust regulators to use this data to measure expected local effects of bank mergers.

proxy for relatively larger banks' lending behavior[5]. The geography of smaller banks' deposit and lending activities coincide in larger geographic units, such as House of Representatives districts. This may not always hold for larger banks, which can take deposits in some areas and lend them in more profitable distant markets (Oberfield et al., 2024; Li and Trachter, 2025), with less reliance on local relationships to make underwriting decisions (Berger and Black, 2011). This motivates Community Reinvestment Act rules that mandate larger banks to lend to specific borrowers categories in markets where they take deposits (Bernanke, 2007), and explains why declines in smaller banks' deposits have a stronger relationship with local lending than for large banks (Genay, 2000).

Despite these limitations, this data is suitable for measuring local dependence on relatively smaller banks such as those that benefited from the Dodd Frank rollback and for comparing how dependence on different regulatory size-categories of banks differs. My theory expects that firms with geographically concentrated activities constrain legislators' policy choice sets because they can credibly threaten local disinvestment. My measure of local dependence captures how this varies geographically and across bank size-groups.

4.2 Local Dependence on Headquarters Employment: Call Reports

To test H3 on how local dependence on concentrated headquarters employment affects representatives' votes, I use regulatory data on bank-level characteristics collected by the Federal Financial Institutions Examination Council (FFIEC). The FFIEC is an inter-agency body which includes the five main regulators of banks in the United States[6], whose primary task is

[5]To test how local dependence on relatively larger regional banks' lending to higher risk borrowers affects legislators' behavior, an ideal measure would directly capture relevant lending. In a future version of this working paper, I will use census-tract level data on banks' lending to higher-risk borrower categories using data on lower income and majority-minority targeted lending reported under Community Reinvestment Act rules and non-conforming mortgage lending reported under the Home Mortgage Disclosure Act. In section 6, I discuss how this can be merged with geo-coded public opinion data to test my theory's expectations about economic voting and legislative responsiveness as suggested by my interpretation of results in section 5.3.

[6]The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial

to consolidate and release data on banks' financial condition. Among these are Consolidated Reports of Condition and Income or "call reports" which capture a broad range of bank-level characteristics. Nearly all banks are required to submit them quarterly, and among other items banks report on their corporate-level employee count and the location of their headquarters.

I measure local dependence on headquarters employment at banks of different size-groups by attributing employees to commuting zones, distributing these across counties, and merging this to House districts. Because employees may live in a different county than the establishment where they are employed, I match headquarters locations to one of 625 Commuting Zones (CZs) using definitions from the Penn State Commuting Zones project (Fowler and Jensen, 2020). These include one or more counties, and are imputed local labor markets meant to include both where employees live and work. I estimate branch-level employees using branch counts from the previously described Summary of Deposits data and subtract this from total corporate employees to approximate headquarters employment, and sum these within regulatory size-groups for banks headquartered in the same CZ. I attribute these to counties that comprise CZs using Census data on the share of county-level residents who work in the financial industry, which proxies where headquarters employees live within a CZ. Finally, I use a population-weighted crosswalk between counties and House districts to attribute county employee counts to districts and normalize by total employees to proxy local dependence on bank headquarters employment at the district-level[7].

Protection Bureau.

[7]This approach makes assumptions in both attributing corporate employment to headquarters locations and CZ level employees to residence areas. An ideal measure would combine *establishment-level* employment data and data on where employees at establishments commute from. For robustness, I will merge establishment-level data on bank headquarters and Census data on the origin of census block level commute destinations to create an alternate measure of local dependence on bank headquarters employment in a future version of this working paper.

4.3 Instrumental Influence: Bank Contributions and Lobbying

To test both hypothesis 3 on how instrumental influence complements prospective disinvestment threats as well as my theory more broadly against alternatives, I use firm-representative level data on campaign contributions and lobbying. Specifically, I use replication data from Kim et al. (2025), which links firm-representative level campaign contributions from Federal Election Commission filings, lobbying reports disclosed under the Lobbying Disclosure Act, and firm-level characteristics from Compustat.

To measure instrumental influence by commercial banks, I aggregate at the year-representative level using industry and firm-level identifiers. To measure contributions by the commercial banking sector as a whole at the representative-level, I sum across firms with the NAICS industry code identifier for commercial banks as well as a select set of interest groups representing segments of this industry[8]. This measure is used for the main analysis in section 5. Supplemental results compare this measure with alternatives that aggregate contributions from firms and interest groups that report lobbying on the EGRRCPA and its precursors, with and without lobbying expenditure weighting. Further supplemental results specifically examine instrumental influence by specific regulatory bank size-groups by linking firm-level gvkey identifiers in this data and RSSD IDs in the bank regulatory data using link tables produced by the Federal Reserve Bank of New York and Wharton Research Data Services[9].

[8] On account of the frequency of the replication data, this measure includes contributions both before and after the vote. While both past and anticipated contributions would be relevant to test my theory against "quid pro quo" alternatives, access-based theories would focus on pre-vote contributions and the measure may raise concerns about post-treatment bias. For robustness, a future version of this analysis will use more granular reporting data on firm-level contributions to distinguish the predictive value of pre- and post- vote contributions.

[9] These supplemental results will be reported in the Appendix of a future version of this paper. While outside the main scope of this paper, section 6 describes how lobbying-firm and size-group measures of instrumental influence can be used in future studies to better understand how firms' strategies can complement local dependence to influence policy outcomes.

4.4 Voting Outcomes and Controls: VoteView and CongressData

To measure the outcome of representatives' support for rolling back Dodd-Frank and to control for ideology as a confounder, I use data from "Voteview" (Boche et al., 2018). For a broader set of representative and district-level characteristics to use as controls, I use data from "CongressData" (Grossmann et al., 2025), which aggregates data on Congress across sources.

The dependent variable in the main logistic regression models is a binary variable that codes representatives' yes-vote for the 2018 EGRRCPA. First and second dimension DW-Nominate scores are used to control for representatives' ideology (McCarty et al., 1997). Incumbents' two-party general election margin and margin of victory over their top primary challenger are used to measure representatives' electoral incentives to cross the aisle (Hunt, 2022). I also use district-level median income and density from this source as controls for district-level structural characteristics that may confound for the relationship between local dependence and representatives' behavior. Finally, I use coding from Foster-Molina (2019) on whether members are part of the Congressional Black or Hispanic Caucus through 2013 and extend it manually through 2018 using archived webpages capturing caucus membership.

4.5 Qualitative Process Observation: Interviews with Senate Staffers

To test the plausibility of my theory's expectations about the mechanisms by which local dependence affects legislative behavior and to understand Senators' motives for supporting the rollback in a setting where quantitative methods may be under-powered, I conduct qualitative interviews with Senate staffers. Congressional Democrats had veto power in the Senate, which means the proximate cause of the rollback was the decision of at least six Senate Democrats to cross the aisle and support the Republican-sponsored EGRRCPA. Measuring these Senators' motives for supporting the bill with quantitative methods is challenging. Small sample size

imposes limits on statistical power in studying this upper-house, and local dependence on banks of specific regulatory size groups is expected to be weaker in larger state geographies than in more compact House districts where specific bank types may be especially dominant. This motivates using qualitative interviews to observe the process by which local dependence and firms' instrumental influence shaped Senators' support for the rollback to complement my quantitative analysis of House representatives' voting behavior, following the mixed-methods approach of existing studies on financial regulation (Stone, 2002; Mosley, 2003).

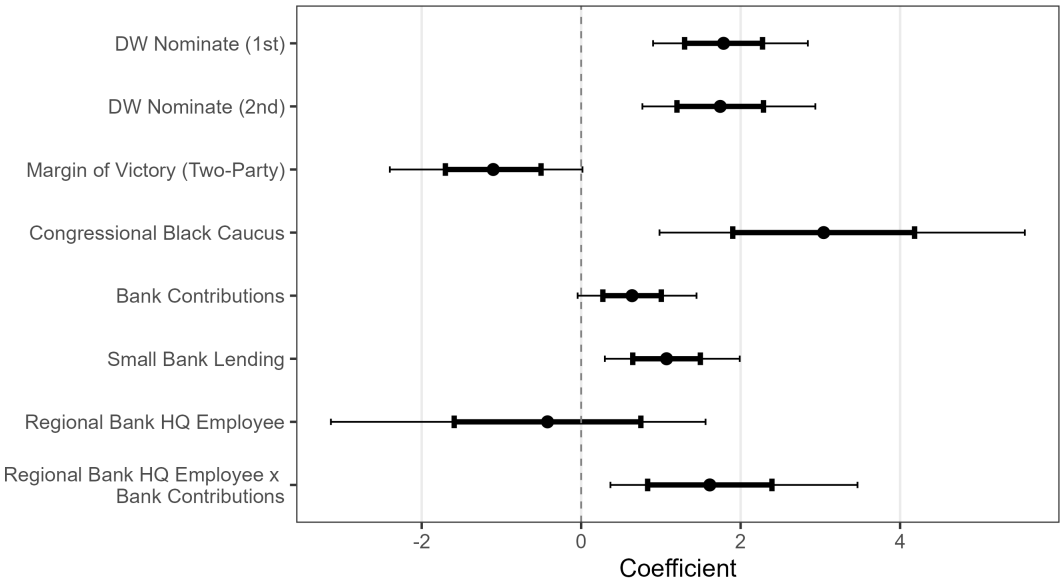
As discussed in Section 3.1, a compromise between a pivotal set of Senate Democrats and Republicans leading the rollback effort was brokered in the Senate Committee on Banking, Housing and Urban Affairs. I focus my interviews on understanding Senate Democrats' support for the rollback of Dodd Frank in this setting, and purposively sample relevant Senate staffers for interviews (Lynch, 2019; Martin, 2019). I ask staffers whether and in what way state-level economic considerations, firms' campaign contributions and lobbying, and ideological or electoral incentives help to explain Senators' position on the compromise bill. I use semi-structured interviews with scripted questions designed to elicit unbiased responses with respect to my hypotheses and unscripted follow-ups to probe for further context (Rubin and Rubin, 2005), including to address reliability and validity issues (Berry, 2002).

5 Results

5.1 Predictors of voting Yes on EGRRCPA among House Democrats

To test my argument that local dependence explains legislators' support for the Dodd Frank rollback, I examine predictors of House Democrats' votes for the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) as shown in figure 1. Consistent with H1, local dependence on small bank lending predicts House Democrats' votes for the EGRRCPA. The full results reported in appendix A show that an interaction between local dependence

Figure 1: Predictors of House Democrats Vote to Roll Back Dodd Frank



on small bank lending and bank contributions is not significant. Consistent with H3, an interaction between local dependence on headquarters employment at regional banks and bank contributions is a significant predictor of representatives' yes votes. This suggests local dependence on concentrated headquarters employment only predicts rollback support for House Democrats when complemented by banks' instrumental influence.

Members of the Congressional Black Caucus (CBC) were disproportionately likely to vote yes on the EGRRCPA. This is consistent with H2, which expects that legislators representing areas that are disproportionately reliant on regional banks' lending to higher risk borrowers are more likely to support the roll back of Dodd Frank. CBC members represent districts with lower income levels and higher shares of non-white residents, meaning their constituents are more likely to be negatively affected by reductions in lending to these categories of borrowers. By contrast, CBC members are among the most left-leaning ideologically and usually represent safe Democratic seats, meaning their support is difficult to explain with ideological or electoral motives for aisle crossing. However, this result is also consistent with alternative explanations, such as effective instrumental influence that targets this group as suggested by some media

sources (Carter and Grim, 2014). This motivates further examination of what explains variation in support *within* the CBC.

Further results suggest representatives in tightly contested districts are more likely to support the rollback, consistent with my theory's expectations about electoral motives for supporting roll back. Support for the roll back is negatively associated with two-party vote margin at the 10% level, which is inconsistent with theories that expect legislators to support financial deregulation only when they are insulated from democratic electoral pressure. Legislators who face more binding electoral constraints seem more likely to support roll back instead, controlling for ideology. This offers suggestive evidence for my theory's mechanism about how electoral incentives may drive legislators' support for regulatory rollback[10][11].

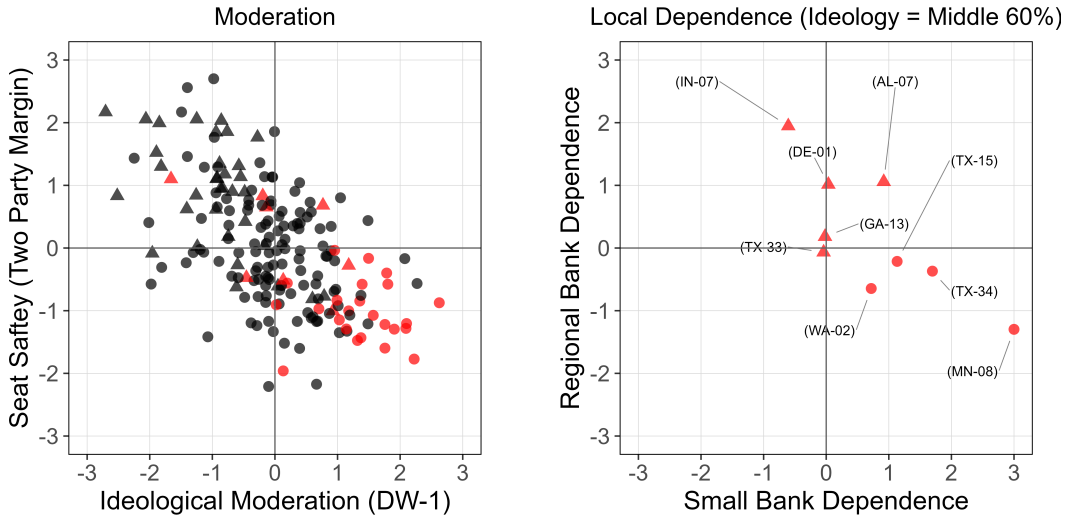
5.2 Local Dependence and Specific House Ds' Vote for EGRRCPA

Figure 2 plots individual House Democrats' votes on the EGRRCPA to offer qualitative insight on the results reported in figure 1. The left panel shows representatives' ideological moderation (DW=NOMINATE 1st dimension, x-axis) and seat safety (incumbent's two-party vote margin, y-axis) and the right panel shows local dependence on small (x-axis) and regional (y-axis) banks, normalized within the House Democratic caucus. House Democrats marked in red crossed the aisle to support the Dodd Frank rollback, and members of the Congressional Black Caucus (CBC) are represented with triangles. The left panel shows the relationship between yes votes, ideological moderation (x-axis), and seat safety (y-axis). The top three rows in Figure 1 show House Democrats' vote for the EGRRCPA is partly explained by representatives

[10]Testing this mechanism fully is beyond the scope of this paper, but I discuss how data merging regulatory data on lending and public opinion on bank regulation could offer a test in the conclusion.

[11]Results also give suggestive evidence that contributions from the banking industry are positively associated with support for the rollback . This is not inconsistent with my theory, since some legislators may respond to instrumental influence without local dependence while others are motivated by local dependence even without instrumental influence. Since this is sensitive to model specifications, the conclusion discusses how future research can test how salience mediates the affect of instrumental influence on legislative behavior by comparing votes for the highly salient final roll-call vote examined here and lower-salience precursor votes on the bill's individual provisions.

Figure 2: Moderation vs Local Dependence, House Ds Voting Yes on EGRRCPA (△ = CBC)



ideological moderation and perhaps electoral incentives to moderate in contested districts. The bottom right quadrant of this figure shows that moderates and representatives in competitive districts disproportionately cross vote for the EGRRCPA. This is consistent with existing studies that show voters in moderate districts reward aisle-crossing on economic policy, which electorally motivated politicians respond to despite high polarization (Ansolabehere et al., 2001; Canes-Wrone et al., 2002; Theriault, 2008).

However, accounting for these factors still leaves surprising support for the EGRRCPA to be explained. For example, although CBC members predominate among ideologically left leaning safe incumbents who vote against the EGRRCPA in the top-left quadrant of the left panel of figure 2's, a surprising number of CBC members support the bill as shown in figure 1. The right panel shows that local lending dependence helps to explain legislators' behavior by plotting district level local dependence of aisle-crossing House Democrats in the middle 60% of the caucus' ideological distribution. Almost all yes-voters represent districts with above median local dependence on either small (x-axis) or regional (y-axis) banks; the bottom left quadrant is empty. The numerical values are normalized Z-scores among House Democrats, meaning most yes-voters represent districts above the 80th percentile (+.84) of local

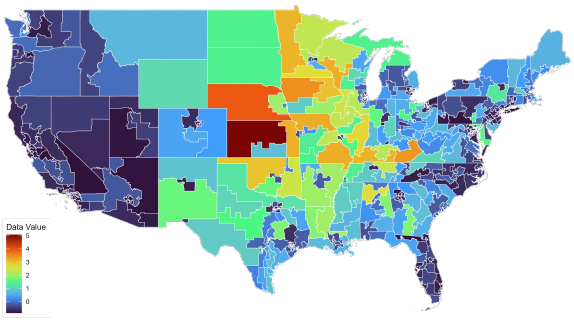
dependence on either small or regional votes. Examples in this group include Representative Rick Nolan (MN-08) who represents a rural Minnesota district with the third-highest measured dependence on small bank lending (+4.62) among seats held by Democrats[12], Representative Terri Sewell (AL-07) who represents a Birmingham Alabama district designed to pack in the state's Black citizens which has over 80th percentile local dependence on both small (+.92) and regional (+1.06) bank lending, and Representative Andre Carson (IN=07) who represents a district coinciding with Indianapolis which is above the 95th percentile in dependence on regional bank lending (+1.95). These members are just above (+.13, Nolan), just below (-.14, Sewell), and significantly below (-.46, Carson) the ideological median among House *Democrats*. All members among this ideologically typical set who crossed the aisle with above median dependence on regional bank lending are CBC members, further motivating examination into what explains voting for the EGRRCPA within the set of CBC members to test Hypothesis 2.

To better understand the coalition for rolling back Dodd Frank among House Democrats, I map district-level local dependence on small and regional bank lending in Figure 3. The left two panels show district level dependence on small bank lending, and the right two panels show dependence on regional banks' lending. The top two panels are standard cartographic maps, while the bottom two are maps where districts are proportionally sized to ensure equal visual representation of districts. The maps suggest that local dependence has a regional distribution. Local dependence on small banks is concentrated in the Western part of the Midwest, but does not characterize other rural places in the Mountain West or American South. By contrast, regional banks have almost no footprint in this region. Local dependence on these regional banks is high in both the Eastern half of the Midwest (i.e. "The Rust Belt") in cities like Indianapolis, Cleveland, and Buffalo, and also in the American South in places like Birmingham and Atlanta as well as their surroundings. This suggests that the contemporary politics of financial regulation may reflect echoes of what scholars of American political

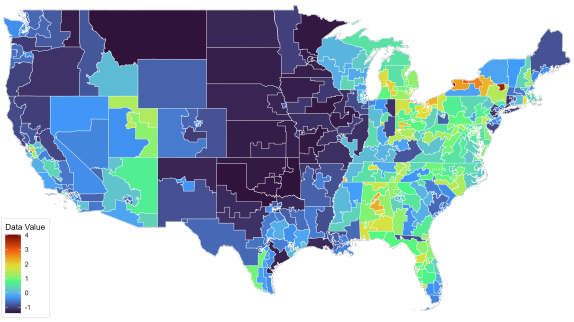
[12]For readability, the value is bounded above at x=3 in figure 2

Figure 3: District-Level Local Dependence Maps: Small vs Regional Banks

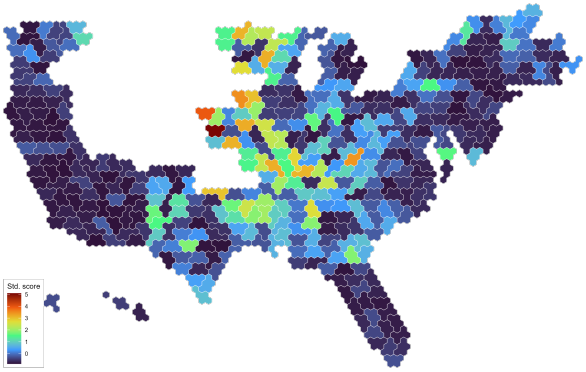
(a) Small Banks



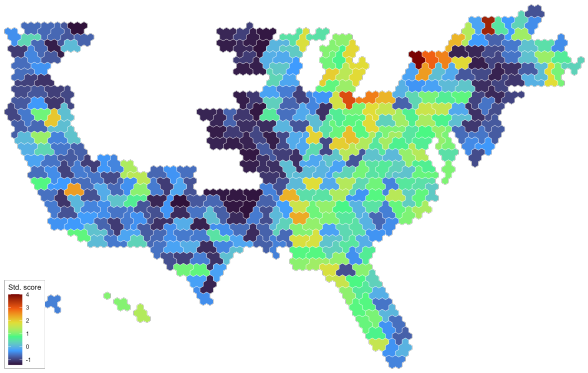
(b) Regional Banks



(c) Small Banks (Proportional Size)



(d) Regional Banks (Proportional Size)



development have characterized as its regional "sectionalism" (Bensel, 1984), perhaps driven by the differential impact of loosened restrictions on interstate banking which occurred in the 1990s (Kroszner and Strahan, 1999).

The relationship between the American South and dependence on regional banks whose lending to high risk borrowers declined under Dodd Frank again motivates further study on what explains the out-sized support for the rollback of Dodd Frank among members of the Congressional Black Caucus. Members of this caucus disproportionately represent districts in

the American South, some of which have among the lowest levels of income in the nation.

5.3 Predictors of voting Yes on EGRRCPA among CBC members

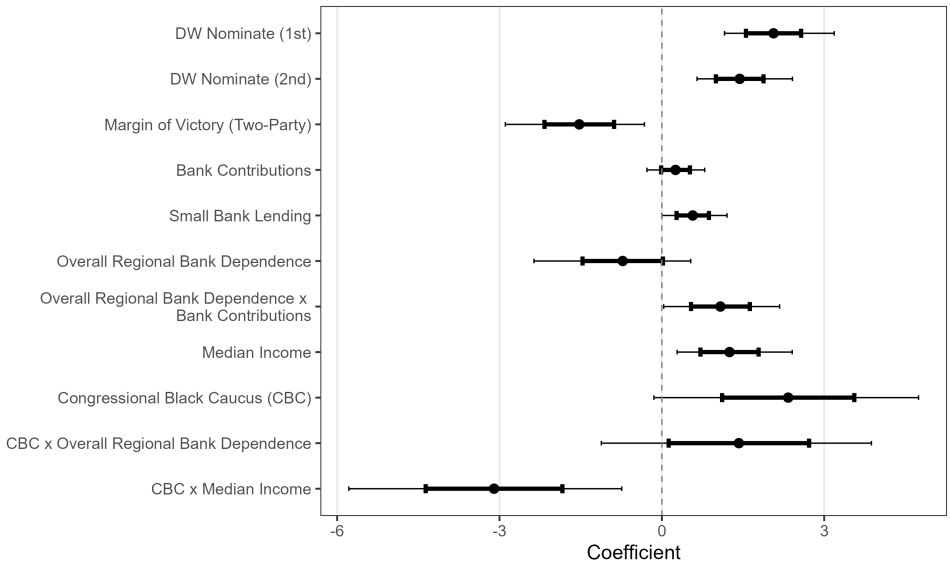
To understand why members of the Congressional Black Caucus (CBC) disproportionately support the roll back of Dodd Frank, I explore predictors of EGRRCPA yes votes *within* the CBC. In a small sample where statistical methods will be underpowered, exploratory methods can provide candidate explanations. Variable selection using a LASSO regression which penalizes over-fitting identifies the two measure of ideology, banking industry contributions, and local dependence on the lending of regional banks as candidate explanations as reported in Model 15 of appendix C. I also compare a series of parsimonious four-variate models for yes vote across a range of predictors holding fixed ideological controls, with results likewise reported reported in appendix C. The only candidate predictor significant at the 10% level is dependence on regional bank lending, which provides suggestive evidence for H2. Finally, while neither predictor is statistically significant, the coefficient for district-level median income is positive for the full sample of House Democrats while it is negative for CBC members. This motivates testing a version of the full sample model from Figure 1 with interactions between CBC membership, regional bank dependence, and district-level median income.

Results of this analysis are reported in Figure 4[13]. Consistent with H2, support for the EGRRCPA is positively associated with lower district level income among members of the CBC despite being associated with *higher* district level income among other House Democrats[14].

[13]The model reported in figure 1 tested how an interaction between local dependence on regional bank headquarters *employment* and bank contributions predicted support for the Dodd Frank roll back to test H3. Testing H2 involves examining the relationship between local dependence on regional bank *lending* to high risk borrowers and support for the roll back. However, regional banks' headquarters employment and lending footprint are likely to be highly co-linear, since they are expected to dominate lending markets where their headquarters are located. To address this, I average my two normalized measures of regional bank dependence, corresponding to their first principal component, to create an aggregate measure of "overall regional bank dependence" and use this in the model.

[14]A parallel version of the analysis was conducted with members of the Congressional Hispanic Caucus. Results were consistently null, despite the fact that majority Latino communities may also plausibly expect to benefit from lending mandates targeted to low income and majority-minority areas. Results from this analysis

Figure 4: Predictors of Vote to Roll Back Dodd Frank: CBC interactions



Low-income districts represented by CBC members are most likely to suffer negative economic effects from reduced lending to higher-risk borrowers by regional banks due to Dodd-Frank's implementation. An interaction between local dependence on regional banks and CBC membership is not statistically significant but is signed correctly with high magnitude, which may suggest statistical power limitations due to multiple interaction terms rather than a definitive null result. Consistent with this interpretation, in a model where the interaction between regional bank dependence and contributions is omitted as reported in appendix D, the interaction between regional bank dependence and CBC membership is significant at the 10% level.

Taken together, the combination of relatively low median-income at the district-level and relatively high local dependence on regional banks helps to explain the otherwise surprising support of CBC members for the roll back of Dodd Frank. Figure 1 shows members of the CBC disproportionately support the roll back, while the right panel of figure 2 shows that CBC members whose votes for the roll back are poorly explained by ideological factors represent

will be included in the appendix of a future version of this working paper. Although beyond the scope of this papers, future research can explore why legislative behavior differs between these two caucuses.

districts with high dependence on regional bank lending. This helps to explain the reduced unconditional predictive value of CBC membership in explaining support for the EGRRCPA as reported in Figure 4. Once district-level median income and dependence on regional banks are accounted for, CBC membership is not a statistically significant predictor of support for the Dodd Frank rollback at the 5% level[15].

5.4 Local Dependence and Senators' Support for the Dodd Frank Rollback

Preliminary evidence from interviews with Senate staffers offers suggestive evidence consistent with my argument that local dependence on banks' activities helps to explain the 2018 roll back of Dodd Frank[16]. In committee discussions, proponents of the bill cited concerns about regulatory effects on real economy growth as a reason to support the bill. While this could be cheap talk, in actual negotiations over the bill's specifics, members were particularly concerned about whether or not banks with a prominent presence in their specific state were included within the scope of firms that would be granted regulatory relief. This was true even in the case of an ideologically left-wing Senator within the Democratic caucus. Interview subjects suggest that while contributions were a plausible explanation for legislators' support for other financial deregulation, support for the EGRRCPA was "always more about the economic significance of the bank to the members' geographic area"[17].

Distinct mechanisms by which local dependence on small and regional banks affected Senators' decision making also provides suggestive evidence consistent with my argument. An interview subject reports that local dependence on small banks was connected to Senators' perceptions of constituency interests. "Granting relief to community banks was an easier

[15]The indirect nature of this evidence motivates further investigation using more direct measures of affected categories of lending. I discuss this in relation to Community Reinvestment Act lending data in the paper's conclusion.

[16]Interviews are ongoing and results reported here are preliminary, meaning interpretations are subject to change in a future version of this working paper.

[17]Interview conducted 08/26/2025

sell to the public" because of broad dependence on their activities while "only so many states had a large regional bank" by contrast[18]. This is consistent with my hypotheses that local dependence on regional banks was specific to certain market segments (lending to higher-risk borrowers) and in specific metropolitan areas with concentrated headquarters employment, whereas local dependence on small bank lending more unconditionally influenced legislative behavior. Instances of banks' instrumental influence were also reported, with appeals designed to convince Senators about the effects of regulatory implementation on constituency-specific economic growth. Lobbyists would be accompanied by executives at state-specific banks for meetings, who would discuss how regulation was "hampering our economic growth" and how failing to achieve regulatory rollback would "hurt employment in our state".

While interviews were less definitive on the distinction between local dependence on lending and employment, separate archival evidence suggests concentrated local headquarters employment was highlighted by firms in attempts to influence Senators' views on regulatory rollback. For example, chief executives at three regional banks headquartered in Ohio pointed out the count of their employees in the state in a letter to Senator Sherrod Brown, a key Democrat on the Senate banking committee, while urging him to address the "unintended impacts" of Dodd-Frank in an earlier effort at raising the enhanced supervision threshold in 2015 (Tracy and McGrane, 2015).

6 Conclusion

This paper has shown that certain Congressional representatives supported a rollback of Dodd-Frank that led to some of the largest bank failures in American history, in part due to district and state-level dependence on banks' business activities. Applying a novel dataset aggregated from branch-level deposit data, my results suggest that local dependence on

[18]Interview conducted 08/26/2025

small bank lending and regional bank lending to higher-risk borrowers predicts legislators' support for rolling back Dodd Frank, controlling for ideology and other potential district-level confounders. I also show that prospective disinvestment threats associated with concentrated headquarters employment can be complemented by banks' contributions to explain legislators' support for regulatory roll back. Preliminary qualitative interviews with Senate staffers are also consistent with these results.

These results suggest that my theory of local dependence explains the 2018 rollback of Dodd Frank better than alternatives that would attribute it to banks' instrumental influence alone, especially since this happened through statutory rather than bureaucratic means in a high-salience setting and benefited relatively smaller banks with less means for instrumental influence. In the pre-crisis period, large banks' contributions and lobbying efforts may plausibly explain regulatory policy outcomes in their narrow interest at the expense of the public since complex policy areas like finance are usually less salient to voters (Culpepper, 2011). After the crisis, firms have continued to secure profitable policy outcomes in exceptionally low salience bureaucratic settings, as previous literature has documented (Ban and You, 2019; Libgober and Carpenter, 2024). However, scandalized electorates in the post-crisis period should pay more attention to cases where banks exercise political influence against the public interest in high salience settings like Congressional roll-call votes, and to punish elected officials perceived to act in favor of banks' narrow interests (Culpepper and Lee, 2022; Culpepper et al., 2024). This suggests instrumental influence alone is unlikely to fully explain substantial bipartisan support for the Economic Growth, Regulatory Relief, and Consumer Protection Act, which rolled back Dodd Frank's oversight over risk-taking by community and regional banks. This paper's results support my argument that local dependence explains this outcome instead.

Future studies can more directly test the plausibility of my theory's expectations about the mechanisms by which local dependence affects legislative behavior. First, the effect of salience on representatives' relative responsiveness to instrumental influence as opposed to

structural disinvestment threats can be tested by examining predictors of representatives support for financial deregulation in lower salience legislative settings. For example, in the immediate aftermath of the Senate compromise, House members voted for piece-meal provisions of what became the EGRRCPA with minimal media attention; my theory suggests instrumental power may more plausibly explain legislators' votes in these lower salience cases. Second, my theory's expectations about how firms use instrumental influence to complement prospective disinvestment threats can be tested with data that examines firms contributions and lobbying activity with greater granularity While this paper examined how contributions by the commercial banking sector seems to help explain legislative behavior when it complements prospective disinvestment threats, future research can examine contributions and lobbying at the firm and size-group level to examine whether firms with disinvestment threats themselves or actors like broader industry interest groups target legislators representing constituencies with local dependence on banks. Finally, my theory suggests voters' discontent with the economic impacts of local disinvestment is the mechanism that explains electorally-motivated politicians' support for policy that benefits geographically concentrated firms. Voters' responsiveness to disinvestment associated with regulatory implementation can be tested directly with data that merges time-series cross-sectional data on actual lending reported in regulatory sources like Community Reinvestment Act data and public opinion surveys that are likewise geo-coded while including survey questions specific to financial regulation such as the Cooperative Election Study.

Further theory-building can also explore whether local dependence helps to explain other cases where firms secure profitable policy outcomes despite apparent countervailing public interests in the American political economy. In the US, banks can be conceived as performing "delegated" social policy functions (Morgan and Campbell, 2011). In allocating credit according to statutory mandates, banks act as public-private providers for marginal borrowers who would otherwise lack access to credit that mediates long-term opportunities (Thurston, 2018).

Without commercial banks' local lending, many marginal borrowers would be forced to rely on less traditional creditors that have been characterized as predatory "fringe banks" in recent literature (Posey, 2019; Myerscough, 2022). Theories of "institutional power" would suggest that commercial banks can therefore be expected to exercise out-sized influence over policy given their delegated social policy functions which are challenging to substitute (Busemeyer and Thelen, 2020), and this paper's results on commercial banks' influence over regulation may be interpreted accordingly. If banks' influence over policy reflects local dependence on their social policy function, then my theory of local dependence may apply to other analagous cases. For example, non-public schools act as public-private providers with delegated social policy roles, and local dependence on them may influence public opinion and therefore elected officials' behavior in their favor.

Finally, domestic local dependence may help to explain why international risk standards are challenging to durably implement despite broad consensus in their favor among global policy elites. Post-crisis financial regulation in both the US and across the globe has involved national governments imposing risk standards agreed upon by international consensus in the Basel III accords (Singer, 2011). The domestic politics of implementing these standards has been salient and contentious even in the hard case of financial policy, which previous literature has identified as typically low salience. Congress rolled back Dodd Frank's domestic implementation of international standards as described in this paper, and European signatories of the Basel accords have responded by delaying their own implementation timelines, fearing beggar-thy-neighbor effects on international competitiveness. This paper's results imply then that local dependence on firms' business activities can help to explain failed international consensus on regulating firms' activities where they have international spillovers. This may also apply in other policy areas where international rules attempt to constrain the behavior of firms with geographically concentrated activities, for example in carbon-intensive industries. This suggests that addressing the local dependence of specific communities on firms through

alternative policy solutions may be necessary to achieve international consensus not only in the case of regulating financial risk, but also in other cases such as international AI and environmental risk regulation where consensus may be needed to limit firm-level risk taking that can cumulatively pose existential threats to global safety and well-being.

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Appendices

Contents

Table 2: Baseline Logistic Regression Models, Predictors of House Democrat Yes for EGRRCPA

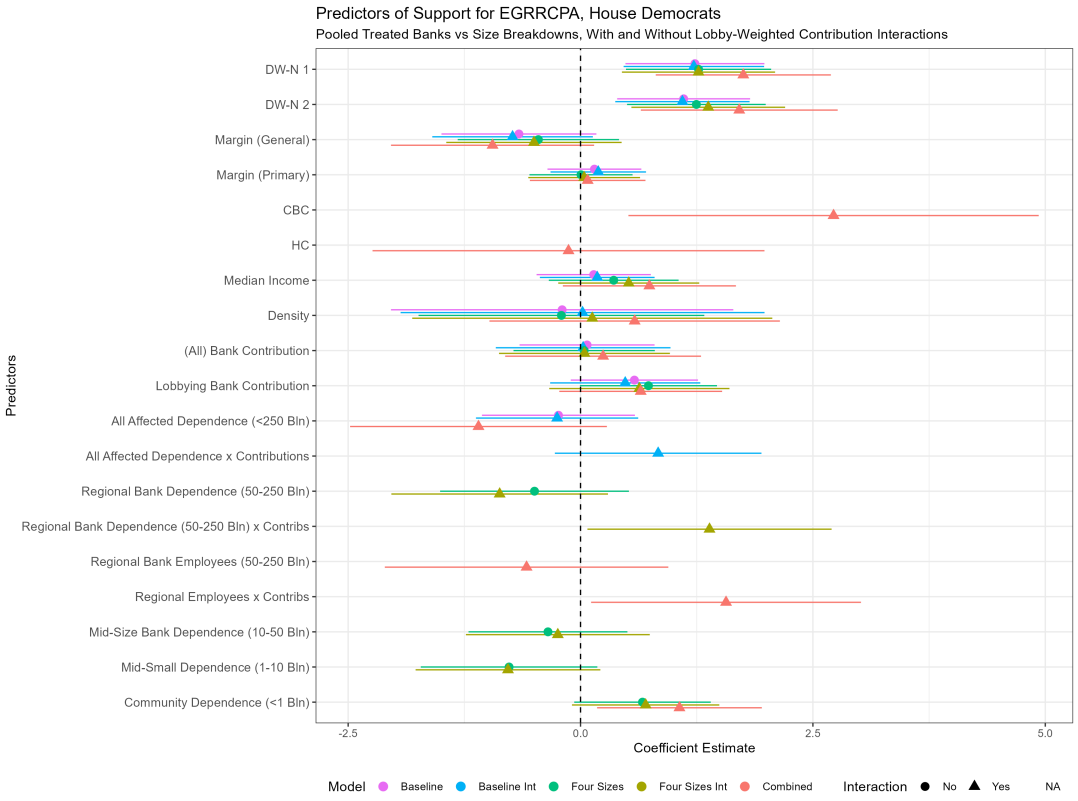
	(1) Baseline	(2) Baseline Int.	(3) Four Size	(4) Four Size Int.	(5) Components	(6) Combined	(7) CBC	(8) All House
Republican								−2.22
								(2.65)
DW-N 1	1.23***	1.22***	1.27***	1.27***	1.41***	1.39***	1.75***	7.56***
	(0.38)	(0.39)	(0.40)	(0.42)	(0.43)	(0.43)	(0.48)	(1.87)
DW-N 2	1.11***	1.10***	1.25***	1.37***	1.58***	1.56***	1.71***	1.95***
	(0.36)	(0.37)	(0.38)	(0.42)	(0.46)	(0.46)	(0.54)	(0.55)
Margin (General)	−0.66	−0.73*	−0.45	−0.50	−0.53	−0.51	−0.95*	−1.17**
	(0.43)	(0.44)	(0.44)	(0.48)	(0.48)	(0.48)	(0.56)	(0.54)
Margin (Primary)	0.15	0.19	0.01	0.04	0.12	0.12	0.08	0.21
	(0.26)	(0.26)	(0.28)	(0.31)	(0.29)	(0.29)	(0.32)	(0.30)
CBC							2.72**	2.90***
							(1.13)	(1.02)
HC							−0.13	
							(1.08)	
Median Income	0.14	0.18	0.36	0.52	0.36	0.45	0.74	0.63*
	(0.31)	(0.31)	(0.36)	(0.39)	(0.38)	(0.36)	(0.48)	(0.38)
Density	−0.20	0.02	−0.21	0.13	0.12	0.12	0.58	0.61
	(0.94)	(1.00)	(0.78)	(0.99)	(0.80)	(0.84)	(0.80)	(0.51)
(All) Bank Contribution	0.07	0.03	0.04	0.04	0.48	0.33	0.24	−0.03
	(0.37)	(0.48)	(0.39)	(0.47)	(0.52)	(0.45)	(0.54)	(0.39)
Lobbying Bank Contribution	0.58*	0.48	0.73*	0.63	0.55	0.66	0.65	0.45
	(0.35)	(0.41)	(0.38)	(0.49)	(0.44)	(0.40)	(0.45)	(0.32)
All Affected Dependence (<250 Bln)	−0.24	−0.25			−1.28	−1.15*	−1.10	−1.00
	(0.42)	(0.45)			(0.80)	(0.69)	(0.70)	(0.71)
All Affected Dependence x Contribs		0.84						
		(0.57)						
Regional Bank Dependence (50-250 Bln)			−0.50	−0.87				
			(0.52)	(0.59)				
Regional Bank Dependence (50-250 Bln) x Contribs				1.39**				
				(0.67)				
Regional Bank Deposits (50-250 Bln)					0.06			
					(0.40)			
Regional Bank Deposits (50-250 Bln) x Contribs					−0.26			
					(0.38)			
Regional Bank Employees (50-250 Bln)					−0.84	−0.82	−0.58	−0.66
					(0.82)	(0.78)	(0.78)	(0.49)
Regional Employees (50-250 Bln) x Contribs					1.71**	1.59**	1.57**	0.87**
					(0.71)	(0.68)	(0.74)	(0.34)
Mid-Size Bank Dependence (10-50 Bln)			−0.35	−0.24				
			(0.44)	(0.50)				
Mid-Size (10-50 Bln) x Contribs				0.43				
				(0.48)				
Mid-Small Dependence (1-10 Bln)			−0.77	−0.78				
			(0.48)	(0.51)				
Mid-Small (1-10 Bln) x Contribs				0.65				
				(0.49)				
Community Dependence (<1 Bln)			0.67*	0.70*		0.96**	1.06**	1.36**
			(0.37)	(0.40)		(0.43)	(0.45)	(0.60)
Community x Contribs				0.15				
				(0.53)				
Community Deposit Share (<1 Bln)					0.47			
					(0.41)			
Community HQ Employees					0.52			
					(0.42)			
AIC	117.04	116.14	116.07	117.83	112.44	106.95	103.10	107.91
BIC	149.56	151.91	158.34	173.12	164.48	149.23	151.88	168.37
Log Likelihood	−48.52	−47.07	−45.03	−41.91	−40.22	−40.47	−36.55	−38.95
Deviance	97.04	94.14	90.07	83.83	80.44	80.95	73.10	77.91
Num. obs.	191	191	191	191	191	191	191	416

Standard errors in parentheses. *p < 0.1; **p < 0.05; ***p < 0.01

A Baseline Results Table

B Baseline Results Full Figure

Figure 5



C CBC Correlate Search Table

Table 3: CBC vs Non-CBC Sub-Group Analaysis, Predictors of Support for EGRRCPA

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
DW-N 1	1.42*	1.48**	1.51**	1.72**	1.37*	1.39*	1.42*	1.59**	1.71**	1.28	1.69**	1.58**	1.69**	1.50**	1.58*	2.95***	2.26***	2.34***
	(0.83)	(0.75)	(0.74)	(0.81)	(0.72)	(0.76)	(0.76)	(0.71)	(0.75)	(0.82)	(0.75)	(0.72)	(0.76)	(0.70)	(0.81)	(0.89)	(0.47)	(0.59)
DW-N 2	1.35*	1.35*	1.35*	1.16	1.16	1.29*	1.56*	1.19	1.44*	1.62*	1.47*	1.79**	1.31*	1.46*	1.50*	2.52***	1.17***	2.21***
	(0.71)	(0.71)	(0.73)	(0.74)	(0.73)	(0.76)	(0.88)	(0.72)	(0.82)	(0.97)	(0.84)	(0.88)	(0.71)	(0.81)	(0.91)	(0.86)	(0.37)	(0.64)
Margin (General)	−0.19															−1.75*		−1.29*
	(0.75)															(0.93)		(0.68)
Margin (Primary)		−0.11														0.51		0.06
		(0.56)														(0.49)		(0.35)
CBC																	2.33***	1.68
																	(0.90)	(1.35)
Share Black			−0.07															
			(0.56)															
Median Income				−0.52												1.72**		1.62**
				(0.87)												(0.80)		(0.66)
Median Income x CBC																		−4.03***
																		(1.39)
Density					−1.82											1.15		0.50
					(2.84)											(1.09)		(1.15)
(All) Bank Contribution						0.70	0.10			0.15					0.58	0.53	0.80**	0.24
						(0.45)	(0.99)			(0.71)					(0.50)	(0.87)	(0.35)	(0.66)
Lobbying Bank Contribution							0.58									0.87		0.74
							(0.84)									(0.72)		(0.54)
All Affected Dependence (<250 Bln)								0.41								−2.81	−0.98	−1.80**
								(0.65)								(1.75)	(0.73)	(0.89)
Regional Bank Dependence (50-250 Bln)									1.14*	0.68					0.93	−0.91	−1.24	−0.96
									(0.66)	(0.81)					(0.72)	(1.42)	(0.92)	(1.12)
Regional Bank Dependence (50-250 Bln) x Contribs										1.11								
										(1.06)								
Regional Bank Deposits (50-250 Bln)											0.64							
											(0.51)							
Regional Bank Employees (50-250 Bln)											0.49					−1.01	−0.10	−0.46
											(0.53)					(1.53)	(0.80)	(1.02)
Regional Dependence x CBC																	2.56*	
																	(1.35)	
Regional Employees (50-250 Bln) x Contribs																2.99**	1.39**	2.15**
																(1.49)	(0.69)	(0.93)
Mid-Size Bank Dependence (10-50 Bln)												−0.96						
												(0.73)						
Mid-Small Dependence (1-10 Bln)													0.83					
													(1.07)					
Community Dependence (<1 Bln)														−0.29		1.71**	0.80*	1.37**
														(0.86)		(0.86)	(0.44)	(0.58)
AIC	34.69	34.71	34.74	34.43	34.13	31.83	33.32	34.36	31.61	32.81	33.58	32.67	34.15	34.64	32.22	65.79	100.30	95.06
BIC	41.64	41.67	41.69	41.38	41.08	38.78	42.01	41.31	38.57	43.24	42.27	39.62	41.10	41.59	40.91	107.84	136.08	150.34
Log Likelihood	−13.35	−13.36	−13.37	−13.21	−13.06	−11.91	−11.66	−13.18	−11.81	−10.40	−11.79	−12.33	−13.07	−13.32	−11.11	−18.89	−39.15	−30.53
Deviance	26.69	26.71	26.74	26.43	26.13	23.83	23.32	26.36	23.61	20.81	23.58	24.67	26.15	26.64	22.22	37.79	78.30	61.06
Num. obs.	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	149	191	191

Standard errors in parentheses. *p < 0.1; **p < 0.05; ***p < 0.01

D Alternative Specification: CBC Interactions

Figure 6