

Market Structure and Political Influence in the Auto Retail Industry

Cailin SLATTERY

Abstract :

We study the relationship between industry structure and lobbying in the automobile retail industry. Lobbying is a public good, so larger firms will internalize more of the benefits. However, the majority of lobbying in the industry occurs via trade association, which means that firms may have already solved the collective action problem. We create a new data set of lobbying at the state level and exploit variation in the misalignment of local political and product markets to identify the public goods effect of concentration on lobbying. We then turn to the effect of automobile retail lobbying on one outcome of interest in the industry---blocking direct to consumer sales. Automobile dealer trade associations have had some success in preventing Tesla from selling cars in their states; using their political influence to erect barriers to entry.