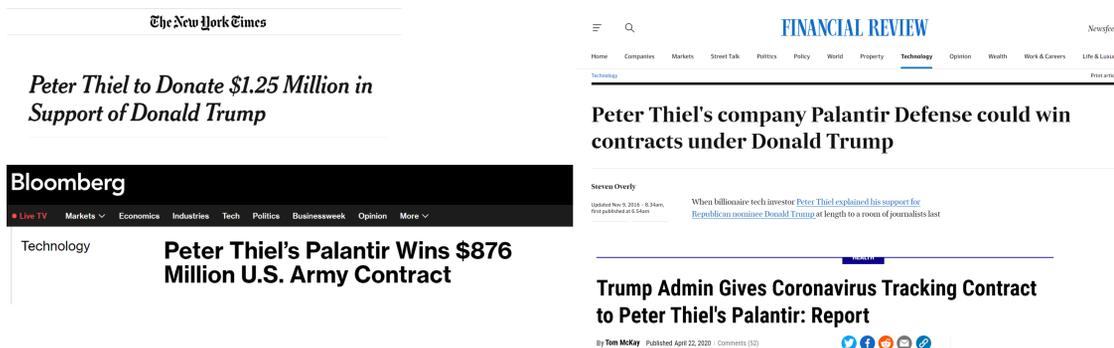


Introduction



- It seems that personal political contributions bring economic benefits
- Prior studies focus on PAC contribution (dark red flows in Figure 1) and benefits to firms but ignores CEO contribution (dark blue flows in Figure 1)
- CEO contributions are more flexible and prevalent than PAC contribution, and also driven by interests
- Do CEO's political contributions bring economic benefits?**

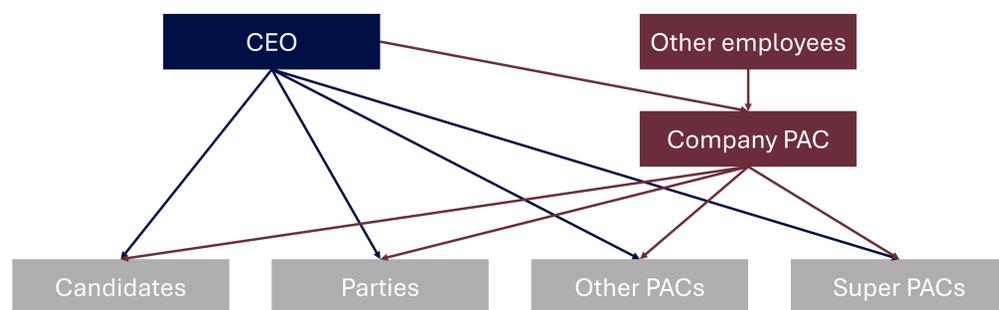


Figure 1: Political contribution paths for company PACs and CEOs

Methodology

$$Y_{j,t} = \beta_0 + \beta_1 TYearPC_{i,t-1} + \beta_2' X_{j,t-1} + \beta_3' Y_{j,t-1} + \beta_4' Z_{i,t} + c_i + \gamma_t + \lambda_j + \epsilon_{j,t}$$

- $Y_{j,t}$ is the economic benefit, such as government contract value, firm performance or CEO compensation
- $TYearPC_{i,t-1}$ is the measure of CEO's political contribution in prior T years
 - Measure 1: total contribution dollar value in the past T years
 - Measure 2: total supported candidates in the past T years
 - Measure 3: average loyalty level in the past T years
- i, j, t stands for CEO, firm and year, respectively
 - Other political connections on firm level, firm fundamentals and CEO characteristics are controlled
 - CEO, year and firm FEs are added

Data

- Sample size: The intersection of all Execucomp and BoardEx companies: 2594 firms, 2000-2022
- Contribution data: OpenSecret 1989-2022 (17 Cycles), longer than sample period to check CEO's full contribution history
- Contract data: Federal Procurement Data System (FPDS) annual newly issued contracts
- CEO, director and firm information: Execucomp, BoardEx, and Compustat

Results



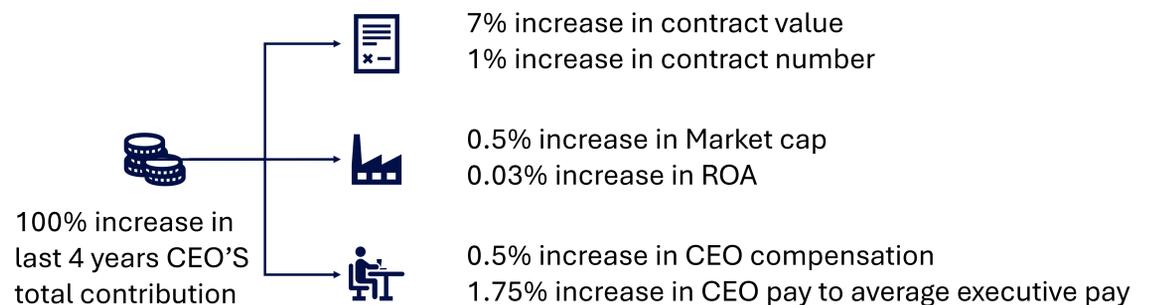
	(1) Ln Contract Value	(2) Ln Contract Num
Ln4YearContribution	0.07*** (4.95)	0.01*** (3.50)
Controls	Y	Y
FEs	Y	Y
N	30,542	30,542
R-squared	0.82	0.88



	(3) Ln Market Cap	(4) ROA
Ln4YearContribution	0.0047*** (2.91)	0.0003* (1.72)
Controls	Y	Y
FEs	Y	Y
N	30,542	30,542
R-squared	0.94	0.51



	(5) Ln Total Compensation	(6) CEO PayRatio
Ln4YearContribution	0.0052** (2.10)	0.0175*** (2.77)
Controls	Y	Y
FEs	Y	Y
N	30,542	30,542
R-squared	0.75	0.11



Takeaways

- CEO contributions are a crucial avenue for companies to build political connections
- CEO contributions can increase government contract allocation, improve firm performance, and boost CEO compensation
- CEO contributions bring economic benefits to the firm and CEO themselves

Next Steps

- Collect candidate-level CEO contributions to politicians and contract-level detail data, pin down the channels of contract allocation
- Check other channels of firm benefit such as favoured regulation, and personal benefits such as CEO's future career, government position appointment or turnover
- Investigate heterogeneity in different political contribution measures: which dimension dominates?