Politicization of the Supreme Court and Firm Value: Evidence from Ruth Bader Ginsburg's Death[*]

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Abstract

We exploit the sudden passing of justice Ruth Bader Ginsburg (RBG) – an event that signaled a more conservative Supreme Court of the US (SCOTUS) – to examine the impact of a change in the partisan composition of the SCOTUS on firm value. Consistent with a more conservative SCOTUS, we find that Republican-leaning firms exhibit more positive abnormal announcement returns around RBG's passing. This result is driven by industry-level political preferences. Republican-leaning firms located in Republican-controlled states exhibit more positive returns. Firms facing more political risk exhibit lower announcement returns, consistent with an increase in economic policy uncertainty following RBG's passing.

JEL Classification: supreme court, shareholder value, political risk, political economy

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1. Introduction

The legal system is critical to a well-functioning financial market and economy (e.g. La Porta, Lopez-de-Silanes, Shleifer and Vishny (1997), Levine (1999)). The Supreme Court of the United States (SCOTUS henceforth), as the highest court in the judiciary of the United States, is a key element of the legal system. The SCOTUS interprets the constitution which affects the boundaries at which businesses can operate and adjudicates on issues that directly affect businesses, corporations and the economy at large and therefore has the potential to impact the economy in very significant ways.[1]

The SCOTUS is designed to be nonpartisan – its members consist of Justices who are appointed rather than elected, with lifetime tenure. However, because Justices of the SCOTUS are nominated by the president and confirmed by the Senate, they may be viewed as political appointees to an extent. Efforts by both major political parties – Democratic and Republican – to stack the court with justices who share their ideology appear to have increased in recent times and, as a result, the politicization of the SCOTUS has become a significant concern.[2] However, the economic impact of the politicization of the SCOTUS is not well-understood. We fill this gap by examining how a change in the partisan composition of the SCOTUS impacts the valuation of firms.

We utilize the sudden death of Supreme Court Justice Ruth Bader Ginsburg (RBG) in September 2020 as a setting for our analysis. RBG was an important pillar of the liberal wing of the SCOTUS. The presidency and senate majority were, on the other hand, both held by the Republican Party at the time of RBG's passing. The Republican President and Senate were expected to fill RBG's vacancy with a conservative justice, having declared their intent to do so immediately after RBG passed away, resulting in a clear conservative ideological majority in the SCOTUS.[3]

[1] E.g. McKinnon (October 30, 2022), Liptak (October 1, 2022), Feldman (June 13, 2022). See also De Vany and McmIllan (2004); Hilliard, Liebenberg, Liebenberg and Ruhland (2018); Katz, Bommarito, Soellinger and Chen (2017).
[2] See e.g. Lexington (October 13, 2022) and Financial Times Editorial Board (October 27, 2020).
[3] See e.g. Dennis and Litvan (September 18, 2020), Shalal and Hurley (September 19, 2020) and Folley (November 24, 2020)

The timing of RBG's death is key. With the 2020 presidential election being only 45 days away, it was uncertain whether Republicans' control of Presidency and Senate, and hence their ability to pick RBG's successor, would have persisted had RBG passed away at a later date. Moreover, although RBG was known to be chronically ill with cancer, there was no indication of a deterioration in her condition immediately prior to her death. Anecdotal evidence clearly indicates that her death prior to the 2020 presidential election was surprising. In sum, RBG's death presents a shock that unexpectedly created a vacancy in the SCOTUS, which was expected to result in a significant conservative ideological shift in the composition of the SCOTUS. A significant spike in the Baker, Bloom and Davis (2016) daily economic policy uncertainty index is apparent immediately following RBG's death and is suggestive of both the potential economic impact of RBG's death as well as its unexpectedness.

We conduct an event study around RBG's death to examine the impact of a more conservative SCOTUS on firm value. Our sample consists of Execucomp firms and we focus on Cumulative Abnormal Returns (CARs) in a 3-day (-1,+1) window around RBG's death.

Motivated by existing evidence indicating that firms express their political preferences through political contributions in a manner that is consistent with maximizing firm value (e.g. Cooper, Gulen and Ovtchinnikov (2010), Borisov, Goldman and Gupta (2016)), we test whether firms are differentially impacted by RBG's death based on their political preferences. We focus on political contributions made by firms via corporate political action committees (PACs) and measure the share of firms' total PAC contributions made to Republican candidates, which we term the Republican Leaning Ratio. We view this ratio as being indicative of firms revealed preferences for more conservative policies and rulings.

Among firms that actively engage in PAC contributions, we find a positive and statistically significant association between CARs around RBG's death and the Republican Leaning Ratio. This result indicates that the market values of firms that exhibit a relative preference for conservative politicians are positively impacted by a more conservative SCOTUS after RBG's death. More broadly, these results constitute evidence that the composition of the SCOTUS has a significant economic impact on firms.

We further find that the relationship between firms' political preferences and their CARs around RBG's death is driven by industry-level political preferences. In particular, we proxy for firms' industry-level political preferences using the average Republican Leaning Ratio of firms in their 2-digit SIC industries that engage in PAC contributions. We find that the industry-level Republican Leaning Ratio is positively related to CARs around RBG's death. This holds both for firms that do engage in PAC contributions and firms that do not engage in PAC contributions.

Interestingly, the CARs around RBG's death are negatively correlated with the CARs around 2020 election which resulted in the Joe Biden (Democrat) becoming the president. This finding validates the view that RBG's death led to a conservative ideological change in the SCOTUS, adding another layer to our evidence on the impact of the partisan composition of SCOTUS on firm value.

We next examine two specific industries that could plausibly be impacted significantly by a conservative shift in the SCOTUS as illustrative examples – the fossil fuels industry and the computer programming and data processing industry (which includes firms such as Alphabet, Meta Platforms and Twitter). A more conservative SCOTUS is likely to take a significantly different view on regulatory issues that impact firms in these industries such as environmental issues and liability for user-generated content on online platforms than a less conservative SCOTUS.[4] The average 3-day CARs around RBG's death for firms in the fossil fuel and computer programing industries are positive and statistically significant, and are economically large with values of 5% and 2%.

We conduct additional tests to further validate our findings. First, we examine CARs around the death of conservative Justice Antonin Scalia. Similar to RBG's passing, Justice Scalia's death was sudden and unexpected however; unlike in the case of RBG there was divided government. Specifically the President

[4] For instance, Liu (2020) finds environmental lawsuits with Republican-appointed judges are less likely to succeed in reaching a settlement and Gormley, Kaviani and Maleki (2022) find that Democrat-appointed federal judges impose much larger fines for pollution-related violations. The SCOTUS is expected to play a pivotal role in evaluating the federal shield law, known as Section 230, that protects internet platforms from liability for content posted by third parties on their platforms – see McKinnon (October 30, 2022). In addition the Supreme Court is discussing whether to hear cases challenging laws in Texas and Florida that prohibit online platforms from taking down some political content. (McCabe (January 19, 2023)).

was from the Democratic Party (Obama), while the Senate had a Republican majority – which implies that there was no clear expectation as to whether Justice Scalia's death would affect the ideological composition of the SCOTUS. We do not find evidence that CARs around Justice Scalia's death are related to firms' Republican Leaning Ratios. This result further validates that our main findings are driven by a change in the ideological composition of the SCOTUS rather than being an artifact of Republican leaning firms reacting to the sudden vacancies on the SCOTUS.

Second, we examine the relationship between CARs around the unexpected leak of the SCOTUS draft opinion for *Dobbs v. Jackson Women's Health Organization* which would effectively undo the landmark *Roe v.Wade* ruling that had a set a legal precedent on the constitutional right to abortion for almost 50 years. The commentary around the leak suggests that it was drastic and highly unexpected. This event therefore arguably further signaled the extent of the ideological shift in the SCOTUS set in motion by RBG's death, as indicated by the SCOTUS's willingness to revise a well-established legal precedent. We find some weak evidence that the CARs around the leak of the draft opinion are positively associated with firms' Republican Leaning Ratios, consistent with a revision in market expectations of the change in the SCOTUS's ideology. Thus, although this result is consistent with RBG's death being incrementally informative about the future direction of the court, the weakness of the results suggests that the impact of a more conservative SCOTUS was largely incorporated into firm values following RBG's death.

Third, we investigate how a more conservative court – which was more likely to adjudicate in favor of state rights – impacts firms according to which state they are located in. Increased legislative power at the state level would allow state governments more freedom to pass laws in areas that were previously subject to federal laws. To the extent that the more conservative SCOTUS increases state rights in ways that cater to Republican policy preferences,[5] firms headquartered in states controlled by Republicans states may benefit – a benefit that may be even more pronounced for Republican-leaning firms. Consistent with this conjecture, we find that firms located in Republican-controlled states have more positive CARs

[5] Post-RBG this has been seen in abortion rights (Dobbs v. Women's Health Organization (2022)), environmental regulations (West Virginia v. EPA) (2022)), etc.

around RBG's death. This effect is driven by firms in industries with higher Republican Leaning Ratios.

Finally, we explore other mechanisms on how a change in the ideological composition of the SCOTUS impacts firm value. We find that firms subject to a higher level of political risk, measured as in Hassan, Hollander, van Lent and Tahoun (2019), exhibit lower CARs around RBG's death. This result is consistent with the ideological shift in the composition of the SCOTUS associated with RBG's death leading to exacerbated uncertainty in the legal environment for businesses. The impact of RBG's death on economic policy uncertainty is also evident from a significant spike in the Baker, Bloom and Davis (2016) index following RBG's death. We do not find evidence suggesting that the CARs around RBG's death are related to intangible capital, labor relations and product market competition which are also plausible channels through which the SCOTUS could impact firm value.

At a high level, our paper builds on the literature on the impact of legal systems on financial markets and the economy, such as La Porta, Lopez-de-Silanes, Shleifer and Vishny (1997, 2002), Levine (1999) and Lerner and Schoar (2005). Our study shows that the partisan composition of the SCOTUS – which is highest court in the judicial branch of the United States government and is intended to be nonpartisan – has a significant impact on firm value. The fact that this impact varies with firms' political alignment – a more conservative SCOTUS appears to benefit firms that support conservative politicians – suggests that the partisan composition of the SCOTUS favors some firms over others. This is an important insight in light of the economic importance of judicial independence (La Porta, Lopez-de-Silanes, Pop-Eleches and Shleifer, 2004).

Our paper fits within the literature on the economic impact of political partisanship. Studies show that the partisan preferences of external stakeholders impact firms (Kempf and Tsoutsoura, 2021; Dagostino, Gao, and Ma, 2022; Wintoki and Xi, 2020; Cassidy and Vorsatz, 2021; Duchin, Farroukh, Harford, and Patel, 2021). In this vein, our paper is related to studies on the impact of partisanship in the government on firm value. The outcomes of presidential and congressional elections have been shown to impact firm value (Knight, 2006; Wagner, Zeckhauser and Ziegler, 2018; Child, Massoud, Schabus and Zhou, 2021;

Akey, 2015). The influence of executive and legislative branches on judicial appointments (Cottrell, Shipan, and Anderson, 2019) would, by extension, suggest that changes in the partisan composition of the SCOTUS could impact firm value. However, the existence of such an impact is not obvious because evidence on the influence of presidents on SCOTUS rulings is mixed (Epstein and Posner, 2016, 2018), as is evidence on courts' partisanship in business rulings specifically (Epstein, Landes and Posner, 2017; Liu, 2020; Gormley, Kaviani and Maleki, 2022). To our knowledge, our paper is the first to document how a change in the partisan composition of the SCOTUS impacts firm value.

Our paper is also related to studies on the impact of partisanship at the firm level, with evidence indicating that executive partisanship has increased over time (Fos, Kempf and Tsoutsoura, 2022) and shapes employee's political choices (Babenko, Fedaseyeu and Zhang, 2020), and mixed evidence on the impact of corporate political contributions and connections on firm value (Coates, 2012; Goldman, Rocholl and So, 2009; Cooper, Gulen, and Ovtchinnikov, 2010; Aggarwal, Meschke, and Wang, 2012; Akey, 2015; Borisov, Goldman and Gupta, 2016; Brown and Huang, 2020). Our findings add a new dimension to evidence on the impact of corporate political contributions on firm-value.

Finally our paper also adds to the literature on the economic impact of policy uncertainty and political risk (Hassan, Hollander, van Lent and Tahoun, 2019; Baker, Bloom and Davis; 2016, Gulen and Ion; 2016; Bonaime, Gulen and Ion, 2018) in that our results identify the partisan composition of the SCOTUS as an economically-significant source of policy uncertainty and political risk.

2. Background

2.1. The Supreme Court of the United States

The Supreme Court of the United States, the highest court in the federal judiciary of the United States, plays an important role in how the United States is governed and therefore has significant impact on both business and society at large. The importance of the Supreme Court stems firstly from its appellate jurisdiction on almost any case that involves a point of constitutional and/or federal law. Second, and most importantly, the Court holds the power of judicial review, the ability to invalidate a statute for violating a

provision of the Constitution. It can also strike down presidential directives for violating either the Constitution or statutory law. Thus, the Supreme Court serves as a critical check on the legislative, executive and states and provides another layer that may protect some businesses from laws that hurt their value.

In principle, the judiciary, and the Supreme Court in particular, was designed to be an exemplar of nonpartisan federal government; the branch is composed of officials who are appointed, not elected, and have studied and sworn to faithfully abide by the Constitution. Moreover, the life tenure of the Supreme Court justices removes them from direct responsibility to popular will during their tenure. Thus, aside from impeachment - which not only has a high threshold (A two-third majority of the Senate), but also has never been used to successfully remove a Supreme Court justice – there is no mechanism for removing a Supreme Court justice. The purpose of this strictly guarded sanctity and immunity of the judiciary is to secure the Supreme Courts independence as an arbitrator of the law without regard for short-term political pressures. This in turn should theoretically ensure a nonpartisan court.

Despite this, there are reasons that the court may be partisan. First, Supreme Court justices are appointed by the president and confirmed by the Senate. Thus, despite lifetime tenure, the justices are – at least at the start of their term – political appointees. This implies that Republican (Democratic) Presidents, whose party also controls the senate, may be more likely to appoint conservative (liberal) judges. Second, the US constitution which establishes the Supreme Court, gives congress the authority to organize and potentially restrict the power of the Supreme Court. For example, the Congress may restrict the appellate jurisdiction of the Supreme Court. Moreover, the power of judicial review is not expressly granted by the constitution, but stems from a Supreme Court decision in 1804 in *Marbury v. Madison*. Furthermore, the constitution is silent on the size of the Supreme Court. This implies that a President whose party also has control of the Senate can increase or decrease the size of the Supreme Court to ensure the court is more subservient to the President's agenda. Such court-packing initiatives, which are more likely to lead to a partisan court, were employed frequently during the first eight decades after the founding of the US. Between 1789 and 1869 the size of the Supreme Court was altered seven times (1801, 1802, 1807, 1837,

1863, 1866 and 1869) – predominantly for political reasons (Braver, 2020). Nonetheless relatively strong norms have ensured that especially since 1870 the Supreme Court has been relatively non-partisan and there have been no changes to the size of the Supreme Court since.[6]

The decades old norms underpinning the largely nonpartisan Supreme Court nomination and confirmation process started gradually breaking down in the 90s and 00s – and accelerated in the past decade.[7] Following the elimination of the filibuster for other judicial nominees in November 2013, the Senate eliminated the filibuster for Supreme Court nominees in April 2017. The elimination of the filibuster makes it easier to confirm a party's nominee to the court with a party line vote.[8] Some experts (e.g., Cameron and Kastellec (2021)) believe that henceforth it likely that any Supreme Court nominees by President when the other party controls the senate will no longer be considered regardless of their merit or resume (i.e., a permanent "Garland scenario" where the court operates – as it did from February 2016 until April 2017 – without all nine justices). Moreover, Supreme Court retirements also seem to be trending towards being opportunistically timed to ensure political agendas. For instance, sources indicate that Steven Breyer retired in 2022 largely to ensure that a Democratic Senate and President would be able to nominate Democratic leaning replacement (Howe, (January 26, 2022), Viser, Pager and Kim (January 29, 2022)). Thus, the evidence is consistent with the Supreme Court confirmation process having become,

[6] The strength of this norm is illustrated by the defeat of the only serious court-packing initiative since 1870: Franklin Roosevelt's (FDR) court-packing push in 1937 – this defeat is notable as it occurred despite FDR's party enjoying large congressional majorities at the time and the Supreme Court blocking important 'New Deal' legislation. Moreover, the nomination process for new Supreme Court justices has been largely nonpartisan. Nomination votes passed overwhelmingly for relatively moderate, competent and scandal-free nominees such as recent conservative (Antonin Scalia (98-0 in 1986)) and liberal (Ruth Bader Ginsburg (96-3 in 1993)) icons respectively who were both approved overwhelmingly by the Senate. Nominees that were rejected or narrowly approved tended to be ideologically extreme (Carswell (1969), Bork (1987)) or embroiled in scandal (Thomas (1991)).

[7] Although John Roberts (2005; 78-22) – and to a lesser extent Elena Kagan (2010; 63-37) and Sonia Sotomayor (2009; 68-31) – had significant bipartisan support, Samuel Alito's confirmation (2005; 52-48) was largely along party lines. A significant break came in 2016 when the Republican Senate refused to consider President Barrack Obama's nominee for the Supreme Court, Merrick Garland.

[8] A filibuster is a tactic used in the US Senate designed to prolong debate and delay or prevent a vote on a bill, resolution, amendment, or other debatable question. A filibuster can be ended with a three-fifths majority vote in the Senate (i.e. 60 out of the 100-member Senate) in a procedure known as "cloture" (see https://www.senate.gov/about/powers-procedures/filibusters-cloture.htm). Although the filibuster was rarely used in Supreme Court nominations in modern times (see Berenson (March 27, 2017)), nominees still had to clear the 60-vote threshold to advance their candidacy for a vote in the Senate. With the elimination of a filibuster for Supreme Court nominees, a simple majority (50 votes) rather than 60 votes is required for Senate approval of a nominee.

especially since 2016, a largely partisan political process in which the two political parties engage in partisan warfare to get their nominee on the court.

2.2. The Impact of the Supreme Court on Corporations

In this section, we discuss why the Supreme Court matters for economic policy more broadly – and for firm value specifically. There are several reasons why the Supreme Court could have a material effect on policies and legislation that matters for firms. First, the rule of law is of critical importance for the functioning of a capitalist economy. Therefore, the way in which the Supreme Court interprets the law can have a significant impact on economic matters that affect firms. This is illustrated by important Supreme Court decisions regarding (1) campaign finance – Citizens United v. FEC (2010), (2) corporate fraud – Skilling v. United States (2010), (3) labor unions – Janus vs. AFSCME (2018), (4) class action law suits – Halliburton v. Erica P. John Fund (2014), (5) antitrust – Apple v. Epic (2021) and (6) regulatory agencies – Lucia v. SEC (2018). In addition, the Supreme Court can decide which cases from lower courts to hear and decide.[9]

Second, due to increases in partisanship over the past decades, it has gotten increasingly difficult to pass legislation through the Congress. For instance, the increasing use of filibusters in the Senate – 40 out of 100 senators can block any legislation even if supported by the majority – has greatly exacerbated legislative gridlock.[10] This is important because the inability of the Congress to effectively pass new legislation increases the importance of the judiciary as the Congress cannot pass or clarify laws – which the courts may interpret in ways that may not reflect the will of the majority of voters. Moreover, Supreme Court's rulings can serve as precedents becoming the law of the land even if they are potentially inconsistent with the majority opinion.

9 For example, important cases such as Jarkesy vs. SEC (2022) from the Fifth Circuit Court of Appeals – which limits the ability of agencies such as the SEC to use administrative proceeding to enforce regulations – rest on the discretion of the Supreme Court to take up and adjudicate the case.

[10] Filibuster use has skyrocketed in the past decades – on average filibuster were used 2 times per year from 1917-1970, 39 times per year from 1971-1992 , 87 times per year from 1993-2012 and 244 times per year from 2013-2022 (see https://www.senate.gov/legislative/cloture/clotureCounts.htm). .

Third, legislative gridlock has led to increased use of executive orders issued by the President to advance legislation that is traditional under the purview of Congress.[11] However, the legality of executive orders and what is allowed in national emergencies is vague and mostly unspecified in the constitution giving the Supreme Court significant powers to decide on what is permissible.[12]

Fourth, if the Supreme Court rules a law or statue unconstitutional this is hard to reverse. Either the Supreme Court has to reverse itself – which is quite rare – or alternatively, the legislature can amend the constitution in order for it to reflect the will of the majority. However, amending the US constitution is difficult and time consuming – requiring three quarters of states, two thirds of both the Senate and House and the President to all vote in favor – and is consequently also rare.[13] Thus, in an era of increasing partisanship in which the two major parties are less likely to cooperate and compromise, changing the US constitution is essentially not possible – which increases the power of the courts overall and the Supreme Court in particular for important decisions affecting business.

2.3. Ruth Bader Ginsburg's Death

Justice Ruth Bader Ginsburg (RBG) passed away at 8:00 PM on September 18, 2020. The SCOTUS announced her death, stating that the cause of death was complications from metastatic pancreatic cancer.[14]

Although RBG was the oldest justice in the SCOTUS at the time (she passed away at age 87), and had faced a series of health concerns related to cancer (1999, 2009, 2018, 2020), the exact timing of her death appears to have been unexpected for several reasons. For instance, when RBG announced the return

[11] An average of 41 executive orders per year were passed during the years encompassing the presidencies of Ronald Reagan to Barrack Obama (1980-2016); 55 per year during Donald Trump's Presidency (2016-2020); and 60 per year during Joe Biden's presidency (2021-present).
[12] For example, President Obama used an executive order (presidential memorandum) to enact the Deferred Action for Childhood Arrivals (DACA) in 2012. President Trump subsequently rescinded DACA in 2017, also by executive order. In 2020, the Supreme Court intervened with a ruling that blocked the 2017 rescission of the DACA.
[13] Only 33 amendments have been proposed since 1789, with only 27 having been ratified (10 of those in 1791 as the Bill of Rights). With the exception of the 27th amendment (proposed in 1789 and ratified in 1992), no amendments have been ratified since 1971.
[14] https://www.supremecourt.gov/publicinfo/press/pressreleases/pr_09-18-20

of her cancer on July 17, 2020 she stated that she would be "fully able" to serve on the Supreme Court (Liptak, 2020). She also indicated that she would remain on the court "as long as I can do the job full steam…I remain fully able to do that." Second, although doctors noted that when cancers spreads to a different organ, as in RBG's case, it usually cannot be cured, other doctors not involved in treating RBG stated that "we're pretty good at controlling it [her type of cancer] with chemotherapy and target therapy." Third, a Lexis Nexis search in the period prior to RBG's passing – specifically after RBG's July 17, 2020 announcement that her cancer had returned - does not yield any new reports of her condition deteriorating. For instance, even in the days before RBGs death new articles routinely used language such as "Ginsburg has experienced recurring health problems" on September 9 or "Ginsburg, who is being treated for cancer" on September 17 (Restuccia and Bender (September 19, 2020) and Shalal and Holland (September 9, 2020)). This type of language had been consistently used in the press ever since RBG's July 17th announcement and therefore did not represent new information regarding her health. Finally, Google trends data indicates no increase in searches for RBG until the day of her passing. Except for a slight uptick in Google searches surrounding her July 2022 announcement that her cancer has recurred, there was no significant increase in Google searches from July until September 18th.

The significance of RBG's death for the economy is evident in the Economic Policy Uncertainty (EPU) Index (Baker, Bloom and Davis, 2016) – we plot the daily values of the index for the month of September 2020 in Figure 1.[15] The figure indicates that there is a significant increase in the EPU index following RBG's death. Strikingly, the size of this spike in the EPU is comparable to a spike in the EPU earlier that month which followed the Federal Reserve's announcement of its intent to lower interest rates.

2.4. The Impact of Ruth Bader Ginsburg's Death on the Supreme Court

The key aspect of the uncertainty over when RBG might pass away, in the context of our study, was the timing of her passing relative to the upcoming 2020 presidential election. Whether RBG would pass

[15] The EPU Index is the US aggregate economic policy uncertainty based on textual analysis of newspaper articles developed by Baker et al. (2016).

away before or after the 2020 election – which was only 45 days after her death – would have profound consequences for the composition of the SCOTUS given that Donald Trump, a Republican, was the incumbent president, and that the Senate (as well as the House) had a Republican majority. This would allow President Trump to appoint a replacement and have this replacement speedily confirmed.[16] However, it was unclear whether Republican control of both the Senate and the Presidency would persist following the 2020 election. Thus, if RBG passed away after (or close to) the inauguration of the next President in January 2021 then the political lean of the next justice was highly uncertain.

Next, we argue that RBG's passing was likely to significantly increase the conservative lean of the Supreme Court. RBG was considered one of the pillars of the court's liberal wing during her 27 years on the court. This is evidenced by her Martin-Quinn scores which are a dynamic measure of the ideology of a Supreme Court judge based on their voting record, with more negative (positive) scores indicating more liberal (conservative) voting records (Martin and Quinn, 2002). RBG's Martin-Quinn score from 2000-2019 was -2.12 relative to an average of 0.07 for the whole court.

It was widely believed that President Trump would nominate a conservative justice to replace RBG. President Trump had campaigned on appointing conservative judges to the Supreme Court (Montgomery (January 2, 2019) and Shalal and Holland (September 9, 2020)), and had previously appointed conservative justices Brett Kavanaugh in October 2018 and Neil Gorsuch in April 2017. Indeed, President Trump had previously declared his intention to nominate a conservative justice prior to RBG's passing, asserting that "he would 'absolutely' nominate a new justice should a vacancy arise during the remainder of his term" (Colvin and Gresko (September 9, 2020)). Moreover, it was well-known at the time that President Trump actively sought advice from conservative activist organizations such as the Heritage Foundation and the Federalist Society in the search for potential nominees for the SCOTUS (Restuccia

[16] It is possible that the Republicans would have been able to put a conservative on the court even in the lame-duck session (the period after the November Presidential election, but prior to the next President's inauguration in January). Lame-duck confirmations of SCOTUS justices occurred under six Presidents in the in the 1800s. More recently, future Supreme Court justice was approved to the US Court of Appeals for the First Circuit in the 1980 lame duck period.

and Bender (September 19, 2020)). Upon RBG's passing, Senate Majority Leader Mitch McConnell promptly clarified that "President Trump's nominee [to the Supreme Court] will receive a vote on the floor of the…Senate" (Elliott (September 19, 2020). Thus, it was clear that RBG would be replaced with a conservative justice, even though some uncertainty remained given that the presidential election was only 45 days after RBG's death.[17]

Prior to RBG's death the court had a 5-4 conservative composition. Thus, if RBG was to be replaced with a conservative justice, the SCOTUS would have a 6-3 conservative lean. This change would be significant because it meant that the conservative Chief Justice Roberts would no longer hold the swing vote in closely contested cases as he often had prior to RBG's passing. In particular, despite being appointed by Republican President George W. Bush, Chief Justice Roberts had sided with the liberal justices on important 5-4 decisions (e.g., to protect DACA recipients from deportation, to uphold a major abortion precedent and to uphold COVID pandemic related bans on large religious gatherings). Relative to the rest of the conservative faction of the court, Roberts also favored gradualism and respecting existing precedent. Confirming the importance of Roberts as a swing justice, his Martin-Quinn scores had gradually decreased since 2005 – when he had similar Martin-Quinn scores as one of the most conservative justices on the 2020 court: Samuel Alito - moving him more towards the ideological center. Thus, with a conservative justice replacing RBG, the act of Chief Justice Roberts siding with the liberal justices would likely be inconsequential for the final ruling.

Amy Coney Barrett (ACB), was nominated by President Trump to fill in the vacancy created by RBG's passing on September 26, 2020 and was subsequently confirmed by Senate on October 26, 2020,

[17] The uncertainty was related to several factors. First, no other Supreme Court justice in US history had been appointed this close to a Presidential election – prior to Amy Coney Barrett no Supreme Court justice had been confirmed after mid-July in Presidential Election year (see https://www.senate.gov/legislative/nominations/SupremeCourtNominations1789present.htm). Second, the average confirmation period for Supreme Court justices in the forty years prior to 2020 was 69 days. Third, during the previous Obama administration, upon the sudden death of Justice Scalia, President Obama, despite having 11 months left in his term, was unsuccessful in nominating Merrick Garland to fill the Scalia vacancy due to a Republican majority Senate. At the time leading Republicans including Senate Majority leader Mitch McConnell and Senator Lindsey Graham had stated that no Supreme Court seat should be filled in an election year – these statements were swiftly walked back on September 19, 2020 (Schwartz, September 19, 2020), (Elliott (September 19, 2020).

following a vote that passed along party lines with the exception of one Republican senator who voted against. Consistent with expectations that RBG's vacancy would be filled by a conservative judge, ACB had a Martin-Quinn score of 1.98 in her first year on the court – in comparison, President Trump's other nominees, justices Gorsuch and Kavanagh, have had Martin-Quinn scores of 1.65 and 0.83 since being appointed to the Supreme Court. Although, ACB's Martin-Quinn score is based on only one year of data, it is consistent with ACB having the most conservative voting records on the US Court of Appeals for the Seventh Circuit during her tenure there from 2017-2020 (Cope and Fischman (2020)).

What is the impact of RBG's vacancy and ACB's subsequent appointment on the conservative lean of the SCOTUS? The average Martin-Quinn scores for justices and the score for the median justice (which is key in contested cases) from 2000-2019 were 0.072 and 0.03 respectively. In 2020 after the appointment of ACB, the scores became significantly (see Figure 2) more conservative increasing from -0.33 in 2019 to 0.11 in 2020 (average M-Q scores) and from 0.33 pre-ACB to 0.55 post-ACB (median M-Q scores). These shifts are corroborated by Bridge Ideal Point scores which adjust for the type of caseload justices rule on each year (Bailey 2013; Bailey and Maltzman 2011). In sum, it seems clear that the sudden death of RBG constituted an exogenous shock to the ideological composition of the SCOTUS – specifically leading to a significantly more conservative SCOTUS.

3. Data and Sample

In this section, we present an overview of our data sources and describe the sample construction. Our sample consists of firms that appear in Execucomp at any point between 1992 and 2020. The Execucomp data covers firms that constitute the S&P 1500 index, which accounts for approximately 90% of the market capitalization of U.S. stocks. We collect data on federal political donations for these firms from the campaign finance data from the Federal Election Commission (FEC). We obtain data on firm financial characteristics from Compustat and stock return data from the Center for Research in Security Prices (CRSP).

3.1. Variable Construction

Our main dependent variable is the stock market reaction around RBG's death. Although RBG passed away on September 18, 2020, we consider the next trading day – September 21, 2020 – to be our event date (i.e. day 0) because RBG passed away at about 8 PM which is after trading hours. Nevertheless, all of our measures of the market reaction include day -1 (i.e. September 18, 2020) and our results are similar if we instead use September 18, 2020 as day 0. We compute cumulative abnormal returns (CARs) following standard event study methodology (see e.g., Campbell, Lo and Mackinlay, 2012). We use a 4-factor return model (Fama and French, 1993, Carhart, 1997) and a 250-day estimation window ending 60 days before the event date.

We measure corporate political leaning based on corporate federal political donations made by corporate Political Action Committees (PACs). We rely on the table constructed by Christensen et. al. (2022a, 2022b) linking FEC to Compustat so as to match S&P 1500 companies with corporate PACs in the FEC federal political donation data.[18] To measure firm's political leaning, we calculate the fraction of corporate political donations made by firms' PACs to Republican candidate PACs over the past 10 years – starting from Jan 1st, 2011 to Sep 1st, 2020 (RBG passed away on Sep 18th, 2020). We use a 10-year window to capture the political leaning over a long horizon.[19] We calculate the *Republican leaning ratio* by dividing contributions by firms' PACs to Republican candidate PACs, by contributions firms' PACs to all candidate PACs. We set *Republican Leaning Ratio* to missing for 37 companies that contributed a total of less than $10,000 over the last 10 years because the ratio may be misleading for companies that donate infrequently.[20]

Finally, we measure firms' sensitivities to political risk using the firm-level political risk variable from Hassan, Hollander, van Lent and Tahoun (2019). Their variable captures the share of the discussion in quarterly earnings conference calls that is on the topic of political risk and has values between 0 to over 10,000. We take the natural logarithm of the political risk variable.

[18] We thank the authors for sharing their data.
[19] Our results are similar with 5 years window.
[20] Our findings are similar without this filter.

Our final sample consists of 1,668 firms. However, because not all S&P 1500 firms have PACs, the sample reduces to 598 firms in tests that utilize the firm-level *Republican leaning ratio* that focuses only on contributing firms. We winsorize the CARs, Republican-leaning ratio variable, and all control variables at the 1st and 99th percentiles. We provide detailed definitions for all variables used in our analysis in Appendix Table A.1 and report summary statistics for our sample in Appendix Table A.2.

4. Results

In this section we examine the impact of the politicization of the SCOTUS on firm value.

4.1. Firms' Political Preferences and the Market Reaction to RBG's Death

We begin by examining how the market reaction to RBG's death varies with firms' political leaning. We test whether firms are differentially impacted by RBG's death based on their political preferences, measured using the share of firms' total PAC contributions made to Republican candidates, which we term the Republican Leaning Ratio. Motivated by existing evidence suggesting that firms express their political preferences through political contributions in a manner that is consistent with maximizing firm value (e.g. Cooper, Gulen and Ovtchinnikov (2010), Borisov, Goldman and Gupta (2016)), we view this ratio as capturing firms' revealed preferences for more conservative policies and rulings. A key advantage of this ratio is that it is a "catch-call" measure of extent to which firms benefit from more conservative policies irrespective of the means through which they benefit from such policies.

We estimate OLS regressions with the dependent variable equal to the CAR around RBG's death in the (-1,+1) window in models (1)-(2) and (-1,+3) window in models (3)-(4). The main explanatory variable of interest is a firm's Republican leaning ratio. Control variables consisting of Log(Assets), Tobin's Q, Leverage Ratio, and R&D expense ratio are included in models (2) and (4). Standard errors

are clustered at the 2-digit SIC level.[21] We estimate specifications with and without industry fixed effects at the 2-digit SIC level. We report the results in Table 1.

We first examine only firms that are politically active – those that have active PACs during our sample period – without industry fixed effects in Panel A and with industry fixed effects in Panel B. In Panel A, the coefficients on the Republican Leaning Ratio are positive and statistically significant at the 5% level. The coefficients imply that a one standard deviation increase in the Republican-leaning ratio is associated with a CAR(-1, +1) [CAR(-1,+3)] that is 0.52 [0.61] percentage points larger.

We further validate these results by illustrating the distribution of placebo coefficients obtained from repeating our analysis in Panel A for placebo event dates in the (-300,+300) window, excluding the (-50,+50) window, in Figure 4. The figure shows that the actual event coefficient lies far in the right tail, at the 93rd percentile, of the distribution of placebo event coefficients. Moreover, only 3.4% of the placebo coefficients are larger than the actual coefficient and significant at the 5% level. Thus, the placebo analysis makes it more likely that our results are unique to RBG's passing and not an artifact of persistent differences between firms that are related to their political contributions.

In Panel B we repeat the same specifications as Panel A, this time with the inclusion of industry fixed effects. The coefficients are positive but no longer statistically significant in models (1)-(2) for the (-1,+1) window. The coefficients are statistically significant at the 10% level in models (3)-(4) for the (-1,+3) window, with lower magnitudes – these imply that a one standard deviation increase in the Republican-leaning ratio is associated with a CAR(-1, +1) [CAR(-1,+3)] that is 0.24 [0.42] percentage points larger.

In our analysis in Table 1, we include only those firms with corporate political donations made by their PACs to candidate PACs over the 10 years prior to RBG's passing. In Table 2, in order to expand our sample, we include all S&P1500 firms rather than only those with active PACs during our sample period. We set the Republican Leaning Ratio equal to 0.5 for firms for which it is missing. In Panel A,

[21] Our results are stronger if we don't cluster by industry and instead use heteroskedasticity-consistent standard errors.

that excludes industry fixed effects, the coefficient on the Republican Leaning Ratio is positive and is statistically significant in models (2) (5%) and (3) (1%). In Panel B, after including industry fixed effects, the coefficients are positive but not statistically significant. Thus, broadly speaking, the results in Table 2 exhibit a similar pattern to Table 1.

Thus far, the results indicate that Republican-leaning firms have higher CARs around RBG's death, suggesting that they benefited more from the change in the composition of the Supreme Court that was expected as result of RBG being replaced. However, the statistical significance of the results weaken upon the inclusion of industry fixed effects suggesting that variation in firms' political leaning at the industry level may be an important driver of how their values are impacted by RBG's death.

We further investigate variation in firms' political leanings at the industry level as follows. First, in Table 3, we re-estimate the specifications in Tables 2, setting the Republican Leaning Ratio of *all* firms in a 2-digit SIC industry equal to the industry-average Republican Leaning Ratio of firms that have an active PAC. In doing so, we assume that the political preferences of all firms, regardless of whether they engage in PAC contributions, is captured by their industry average share of contributions to Republican candidates. We report the results in Panel A. The coefficients on the Republican Leaning Ratio are positive and statistically significant (10% in (1) and (3); 5% in (2) and (4)). In Panel B, we repeat the analysis including only firms that do not have PACs in the sample and obtain similar results. This confirms that the variation in shareholder value is related to the political lean of the firm's industry proxied by the industry average share of contributions to Republican candidates even for firms that do not contribute politically.

Second, we examine two specific industries that could plausibly benefit from a more conservative SCOTUS – namely the fossil fuel industry (SIC 1311) and the computer programming and data processing industry (SIC 7370) that have average Republican leaning ratios of 0.92 and 0.59 respectively. In regards to the fossil fuel industry, Republican President Trump's administration championed rolling back environmental regulation and opening up more areas for oil and gas exploration (Montgomery and

Karni, May 14, 2019). Moreover, 19 Republican states spearheaded efforts to limit the EPA's authority to regulate greenhouse gas emissions – eventually leading to the case of West Virginia v. EPA (2022) in which SCOTUS limited the EPA's authority to regulate emissions. The computer programming and data processing industry (which includes firms such as Alphabet, Meta Platforms and Twitter) faces important regulatory and judicial uncertainty – partially due to a paucity of recent congressional rulemaking. An important SCOTUS cases regarding the liability of online platforms for user-generated content (Gonzalez v. Google LLC) and a potential SCOTUS case regarding the ability of online platforms to take down content (McCabe (January 19, 2023)) could upend the business models of online platforms (McKinnon, October 30, 2022). For these reasons, the composition of SCOTUS is pivotal for SIC 7370 firms.

In Table 4, we report the average CARs around RBG's death for firms in both of these industries, with standard errors computed following Kolari and Pynnönen (2010) that address the potential bias due to cross-correlation and event-driven variance. The CARs are positive for both of these industries, with large magnitudes. The average CARs in the (-1,+1) and (-1,+3) windows are 4.9% and 2.6% for firms in the fossil fuel industry and are statistically significant at the 10% level only for the (-1,+1) window. The average CARs in the (-1,+1) and (-1,+3) are 2.0% and 1.7% for firms in the computer programming and data processing industry, and are statistically significant at the 5% level.[22]

In summary, in this section we find that consistent with a more conservative SCOTUS Republican leaning firms exhibit positive abnormal announcement returns around RBG's passing. This result seems to be driven by industry-level political preferences. In particular, we find evidence that industries that may be significantly impacted by important future SCOTUS rulings – the fossil fuel industry and the computer programming and data processing industry – benefit from a more conservative leaning court.

4.2. President Biden's Election

[22] The standard unadjusted t-statistics are much larger, with all CARs statistically significant at the 1% level.

The election of President Biden in 2020 – which gave Democrats the ability to both nominate SCOTUS justices and a have greater influence on legislative outcomes – may have had the effect of moderating any effects of a post-RBG court on firm value. In particular, it is plausible that the benefits to Republican leaning firms of a more conservatively leaning court (see section 4.1 above) may be reduced after Biden's victory.[23]

In Figure 3, we illustrate the relationship between the CARs around Biden's election win and RBG's death in a scatterplot, with a line of best fit.[24] As, the figure illustrates that the CARs around the two events are negatively correlated – there is a general tendency for firms that have higher CARs around RBG's death to have lower CARs around Biden's election win – with a correlation coefficient of -0.402. We test for this relationship more formally in an OLS regression and report the results in Table 5, where the dependent variable is the (-1,+1) CAR around Biden's election win, and the explanatory variable of interest is the (-1,+1) CAR around RBG's death. We report results with and without control variables that are similar to our previous tests (e.g. Table 1), and also report results with and without industry fixed effects. The coefficients are negative and statistically significant (1% level) across all specifications. A one percentage point-increase in the CAR around RBG's death is associated with CARs around Biden's election win that are 0.7-0.8 percentage points lower. These results suggest that a change to a Democratic presidency moderates the impact of a more conservative SCOTUS. More broadly and importantly, these results also add to the evidence that the composition of the SCOTUS has a significant economic impact on corporations.

4.3. Firm political risk and other mechanisms through which the SCOTUS could impact firms

The expected conservative shift in the composition of the SCOTUS following RBG's passing could potentially result in a more homogenous SCOTUS that behaves in a more predictable way. Alternatively, a

[23] This is even more so after the Democrats surprisingly took control of the Senate following the two Georgia runoffs on January 8th.

[24] We use November 9 2020 as the date for President Biden's election win as this is the first trading day after the Associated Press (AP) declared Joe Biden the winner of the U.S. presidential race on Saturday November 7 2020 (Maks (November 8, 2020)).

more conservative SCOTUS may be more likely to overturn previous well-established rulings, creating further uncertainty in the legal environment for businesses, as well as more uncertainty generally. The pattern of increased economic policy uncertainty following RBG's passing, as illustrated in Figure 1, is consistent with this possibility of increased economic uncertainty post-RBG (also see the related discussion in Section 2.3).

We investigate this phenomenon further by examining how firms CARs around RBG's death vary with their political risk – we measure political risk at the firm level using a measure constructed by Hassan et al. (2019) that is based on management conference calls with analysts. Specifically, firms with higher (lower) political risk are those that at a given time have a higher (lower) share of conversations on conference calls related to political risks.

In Table 6, we estimate OLS regressions with CARs around RBG's death as the dependent variable – the specifications are similar to Table 1 – and the natural logarithm of Hassan et al.'s (2019) firm political risk measure for the year 2020 as the key explanatory variable. The results are negative and statistically significant in models (1) and (2) (5% level)) both with and without industry fixed effects. These results suggest that firms that face greater political risk are more negatively impacted following RBG's death. The results are therefore consistent with the view that the expected change in the composition of the SCOTUS – a more conservative shift – is associated with exacerbated uncertainty in the legal environment for businesses.

We test three other mechanisms through which the SCOTUS, and therefore a change in its composition, could impact firm value. First, we consider intangible capital. Given that firms with more intangible capital are likely to cope more with incomplete contracts, it could be argued that they would rely on the legal system more often to enforce such contracts (Grossman and Hart (1986), Hart and Moore (1988) and Aighon and Tirole (1994)). Thus, the SCOTUS has the potential to impact such firms more with key rulings (e.g., recent intellectual property cases such as Samsung v. Apple (2016), Star Athletica

LLC v. Varsity Brands (2017) and Vanda Pharmaceuticals v. West-Ward Pharmaceuticals (2018)). We measure firms' intangible capital ratios using data provided by Peters and Taylor (2016).

We next consider labor relations because the SCOTUS has the potential to impact firms significantly through key rulings on labor issues (e.g., see recent cases related to unions such as Janus vs. AFSCME (2018), Cedar Point Nursery v. Hassid (2021) and Glacier Northwest Inc. v. International Brotherhood of Teamsters (2023)). Moreover, the conservative tilt of the court may matter for firm's that are sensitive to labor issues as conservatives and liberals differ in their views related to labor unions. To capture a firm's sensitivity to labor relations – and a firm's exposure to SCOUTS cases relating to unions - we focus specifically on unionization. We measure union coverage at the firm-level using data from Masulis, Wang and Xie (2020).

Finally, we consider product market competition, motivated by the fact that the SCOTUS has jurisdiction over key antitrust issues. In addition, there has been an uptick in anti-trust cases taken on by the SCOTUS after Justice Roberts became Chief Justice in 2005 relative to the prior Rehnquist court (Lambert (2011). Some examples of important recent SCOTUS cases relating to anti-trust include Ohio v. American Express Co. (2018), AMG Capital Management v. Federal Trade Commission (2020), NCAA v. Alston (2020) and Apple v. Epic (2021). We quantify product market competition using Hoberg and Phillip's text-based concentration measure (at the industry level).

In Table 7, we report OLS regressions where the dependent variable is the (-1,+1) CAR around RBG's passing. The results are similar for the (-1,+3) CAR so we do not tabulate them for brevity. We include control variables from Table 1 and report specifications with and without industry fixed effects. We do not find evidence of a relationship between CARs around RBG's death and firms' intangible capital ratios (models (1)-(2)), firms' union coverage ((3)-(4)) or product market competition ((5)-(6)).

4.4. Federalism-based Limitations on Congressional Power and SCOTUS Impact on Firm Value

An important role of SCOTUS relates to the relative power of the federal and state governments to legislate (Barron (2001)).[25] It has been argued that conservative justices favor federalism-based limitations on congressional power. Fallon (2002), who focuses on the appointment of conservative justice Clarence Thomas in 1991, shows that Thomas's appointment created a relatively stable five-justice conservative majority throughout the 1990s committed to enforcing limits on national power and to protecting the integrity of the states.[26] This is evidenced by the SCOTUS in the 90s holding at least ten federal statutes to be constitutionally invalid, either in whole or in part, on grounds involving federalism. By contrast, the SCOTUS had found only one federal statute to violate principles of constitutional federalism during the previous span of more than fifty years (Fallon (2002)).

Upon the passing of RBG, and the expected appointment of a conservative justice, it was probable that a more conservative-majority on the SCOTUS would increasingly adjudicate in favor of states' rights as occurred during the federalism revival era of the 1990s following the appointment of Justice Thomas. Increased delegation of legislation to the states may have important consequences for corporations according to in which state they are located. Increased legislative power would allow state governments more freedom to pass laws in areas that were previously subject to federal laws. To the extent that the more conservative SCOTUS increases state rights in ways that cater to Republican policy preferences,[27] firms headquartered in *Red States,* where Republicans held a trifecta (i.e., the governorship as well as a majority in the both the state House and Senate) at time of passing of RBG, may benefit.[28] This benefit may be even more pronounced for Republican-leaning firms located in *Red States*.

[25] Also see Arizona v. United States, 567 U.S. 387, 398 (012).

[26] Average Martin-Quinn scores were about 0.58 (higher numbers indicate a more conservative court) in the 90s compared to 0.27, 0.13 and -0.21in the 00s, 80s and the last 50 years before Justice Thomas's appointment respectively.

[27] Post-RBG this has been seen in abortion rights (Dobbs v. Women's Health Organization (2022)), environmental regulations (West Virginia v. EPA) (2022)), etc.

[28] The opposite may not be true for the blue states, where Democrats held a trifecta (i.e., states with a Democratic governor as well as Democratic control of the state House and Senate) at time of passing of RBG. This is because laws in these states may be challenged by the conservative-majority SCOTUS (i.e., the SCOTUS may prefer not to devolve more rights to states for policies favored by Democrats). An example of this is the recent decision in New York State Rifle and Pistol Association vs. Bruen (June, 2022) where SCOTUS ruled that New York's law requiring a license to carry concealed weapons in public places is unconstitutional. In untabulated tests we do not find statistically significant market reactions around the death of RBG for firms located in blue states.

We investigate these hypotheses by examining how firm CARs around RBG's death vary with whether they are located in *Red States*. In Table 8, we estimate OLS regressions with CARs around RBG's death as the dependent variable – the specifications are similar to Table 1 – and a *Red State* indicator which is one if the firm is located in a state with a Republican trifecta in 2020 as the key explanatory variable.[29] The results are positive and statistically significant (5% level) in model (1) but become statistically insignificant in model (2) when we include industry fixed effects suggesting that the results are specific to certain industries. In models (3) and (4), we include the interaction of the *Red State* indicator and industry average Republican Leaning Ratio as an independent variable.[30] The results are positive and statistically significant (10% level) in model (3) but becomes statistically insignificant in model (4) where we include industry fixed effects.

These results provide some evidence that firms that are located in states with a Republican trifecta are positively impacted following RBG's death – an effect that is driven by firms in industries that make larger contributions to Republicans. These results are therefore consistent with the view that the expected change in the composition of the SCOTUS – a more conservative shift – is associated with more delegation of legislation to the states consistent with federalism.

4.5. Further Analysis of Firms' Political Preferences

4.5.1. Death of Justice Scalia

Justice Antonin Scalia ("Scalia" henceforth) passed away unexpectedly on February 13, 2016 creating a scenario that was similar to RBG's passing in that it was unexpected and happened during a presidential election year. Furthermore, there was a possibility for the then incumbent Democratic President Obama to appoint a liberal justice to fill Scalia's vacancy, creating a liberal majority in the SCOTUS. However, a key difference between Scalia's vacancy and RBG's vacancy was that the Senate was not controlled by the

[29] The results from this analysis remain similar whether we use data pre or post the 2020 elections to define the Red State indicator variable (i.e., 2020 or 2021).

[30] We use industry average Republican Leaning Ratio in this analysis to avoid a large drop in the sample size. The use of the industry average allows us to also include firms that do not contribute to political candidates in the regressions.

party of the President at the time of Scalia's passing – it was Republican controlled. Thus, the potential for the SCOTUS to have a more partisan composition was far lower following Scalia's death than it was following RBG's death.[31] For this reason, Scalia's death presents a useful setting for a placebo to test whether our main results are specific to the unique circumstances following RBG's passing. If we were to find similar results around Scalia's passing, it could be the case, for instance, that our main results reflect general uncertainty over the replacement of a Supreme Court justice. In Table 9, we report results of analysis akin to that of Table 1 for the CAR(-1,+1) window (untabulated results for the (-1,+3) window are similar), replacing the dependent variable with CARs around Scalia's death instead of RBG's death. The coefficients on the Republican Leaning Ratio are not statistically significant lending credence to our RBG results reflecting a more partisan court rather than uncertainty following a SCOTUS vacancy.

4.5.2. Dobbs v. Jackson Women's Health Organization

In Section 2 we highlighted that a possible consequence of having a more conservative SCOTUS following RBG's death is the overturning of previous well-established rulings by the SCOTUS. On May 2, 2022, there was a well-publicized leak of a draft opinion for *Dobbs v. Jackson Women's Health Organization* which would overturn the landmark *Roe vs. Wade* ruling that had set the precedent for close to fifty years. Our main results indicate that markets reacted to RBG's death by pricing in the potential consequences of a more conservative SCOTUS. This suggests that rulings such as *Dobbs v. Jackson Women's Health Organization* may be at least partially anticipated. On the other hand, the media reaction and commentary to the draft opinion leak suggest that its content was highly unexpected. In this vein, it is plausible that the leaked draft opinion signaled the extent of the SCOTUS's willingness to overturn landmark rulings. In Table 10, we report results of analysis akin to that of Table 1 for the CAR(-1,+1) window (untabulated results for the (-1,+3) window are similar), replacing the dependent variable with

[31] As previously noted, President Obama was indeed unsuccessful in his attempts to nominate Merrick Garland to fill Scalia's vacancy. Scalia's vacancy was subsequently filled by Justice Neil Gorsuch during President Trump's term of office.

CARs around the leaked draft opinion instead of RBG's death.[32] Consistent with our main analysis, the coefficients on the Republican Leaning Ratio are positive, but are only statistically significant (10% level) in Model (2). Thus, although there is weak evidence that the leaked draft opinion further signaled the SCOTUS's willingness to overturn landmark rulings, these results are consistent with the economic impact of a more conservative SCOTUS having been incorporated into firm values following RBG's death.

5. Conclusion

Our study shows that a change in the partisan composition of the SCOTUS impacts firm value. In particular, a more conservative SCOTUS positively impacts the values of firms that appear to have a preference for more conservative policy, as indicated by their contributions to political action committees of Republican politicians. An interesting perspective is that the impact of the SCOTUS on firm value could be due the SCOTUS impacting firms' cash flows or discount rates. Our findings point to both being a possibility. For instance, the fossil fuel and the computer programming and data processing industries, exhibit large positive returns in response to a conservative shift in the SCOTUS. The potential for future regulation and executive orders impacting firms in these industries would directly impact firm cash flows in these industries. On the other hand, the negative effect that a more conservative SCOTUS has on firm value for firms that face more political risk suggests that firms' discount rates are also affected by the change in SCOTUS composition. A more precise delineation between the cash flow and discount rate impacts of the SCOTUS warrants further research.

[32] We consider May 3 2022 as the event day as it is the first trading day after the leak of the draft. Politico first reported the leaked draft opinion on May 2 2022 at 8:32 pm (Gerstein and Ward (May 5, 2022)).

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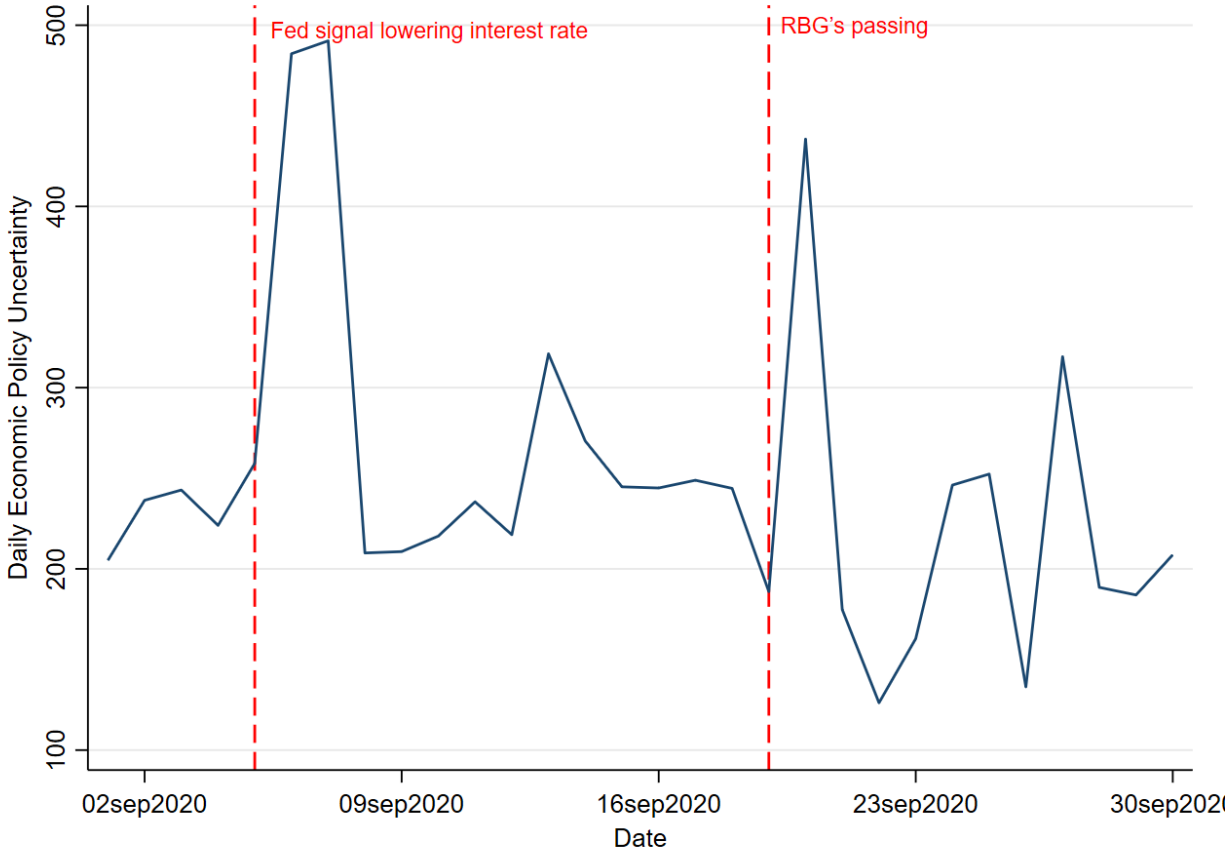
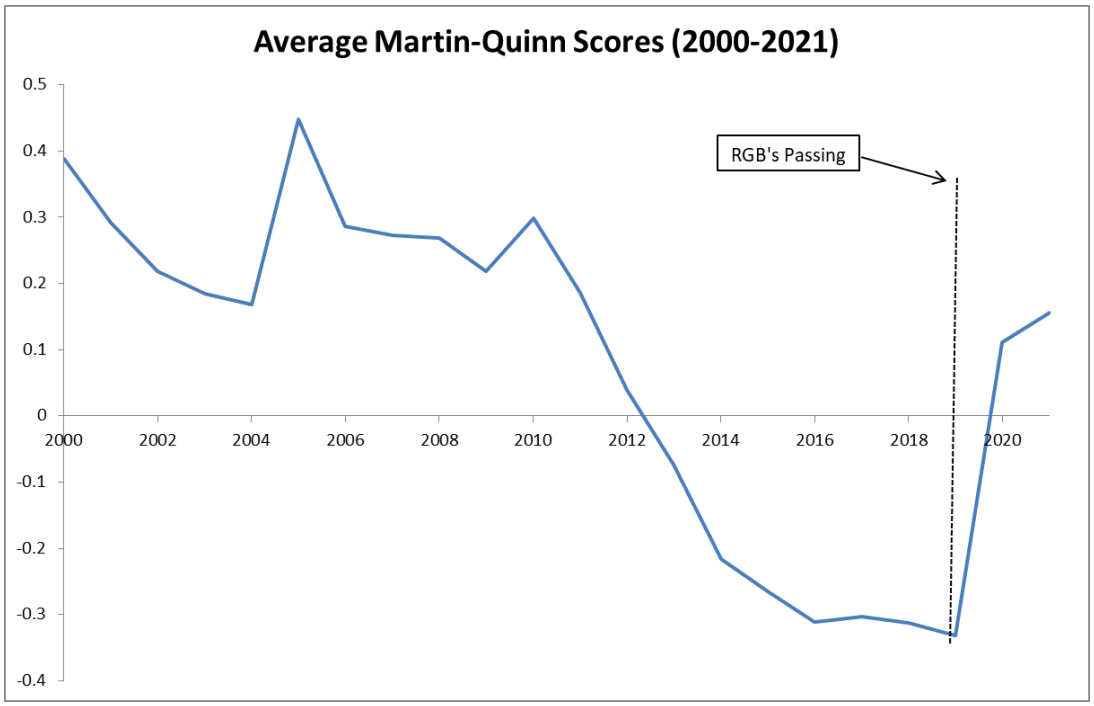


Figure 1: Daily economic policy uncertainty

This figure plots the Economic Policy Uncertainty (EPU) Index during the month when RBG passed away. The EPU Index is the US aggregate economic policy uncertainty based on textual analysis of newspaper articles developed by Baker et al. (2016). Figure 1 plots the economic policy uncertainty.



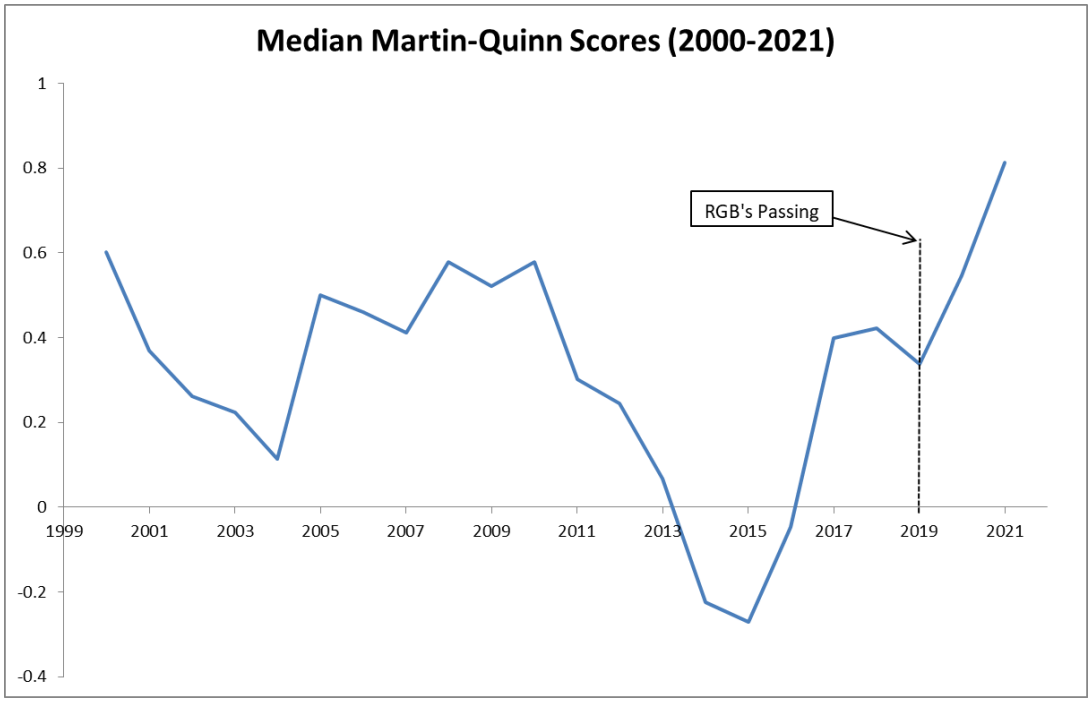


Figure 2: Conservative/Liberal lean of SCOTUS 2000-2021

The top figure plots the average Martin-Quinn scores of SCOTUS justices from 2000-2021. The bottom figure plots the median Martin-Quinn score of the SCOTUS justices each year. More positive (negative) Martin Quinn scores

(Martin and Quinn, 2002) denote SCOTUS justices that are more conservative (liberal) based on their voting for each year.

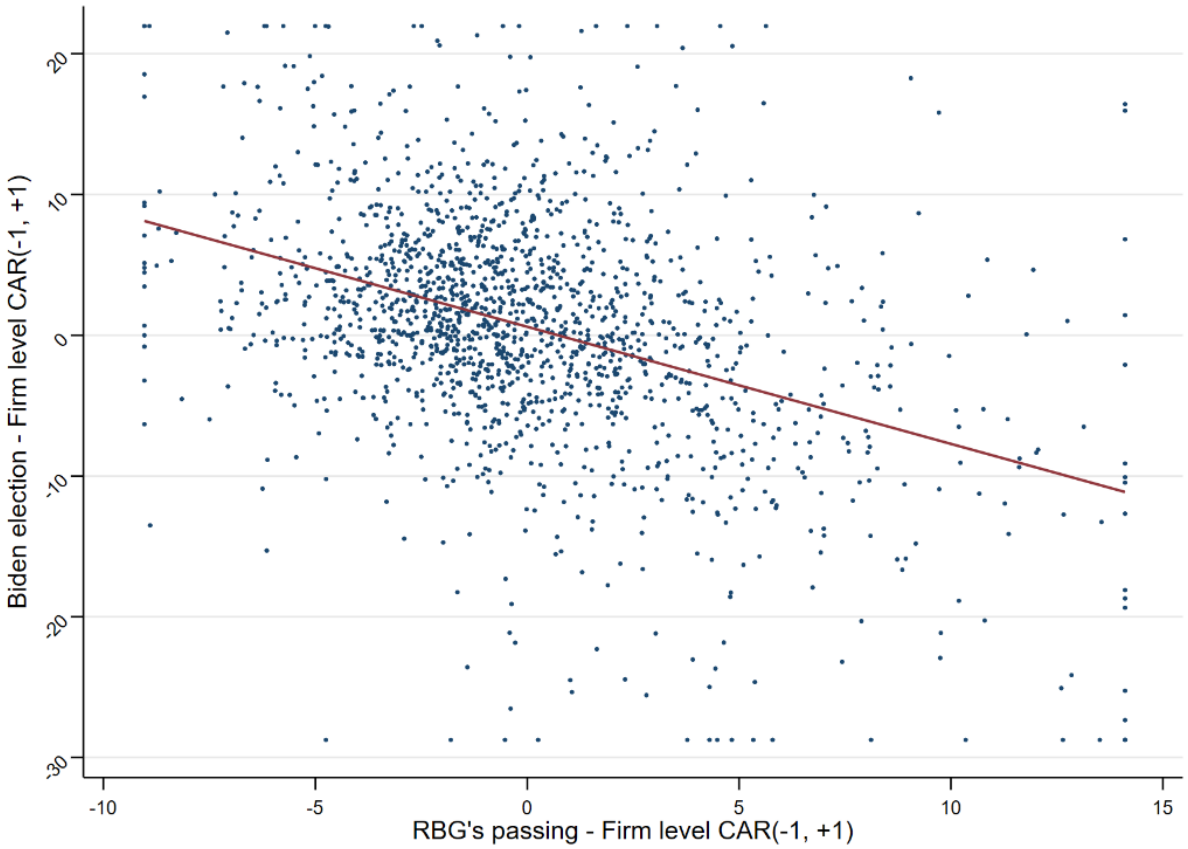


Figure 3: CARs correlation

This figure shows the scatter plot of the cumulative abnormal returns (CARs) around the news of President Biden's election win on November 9, 2020 against the CARs around the news of RBG's passing on September 18 2020. Event day is the first trading day after her passing (September 21 2020). For both events the CARs are 3-day CARs around the events (CAR(-1,+1)). There is a -0.402 correlation between the two CARs. The CARs are computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). The sample consists of 1,665 firms that constituted the S&P 1500 index in September 2020 and those that were part of the index within in the prior decade, for which required data were available.

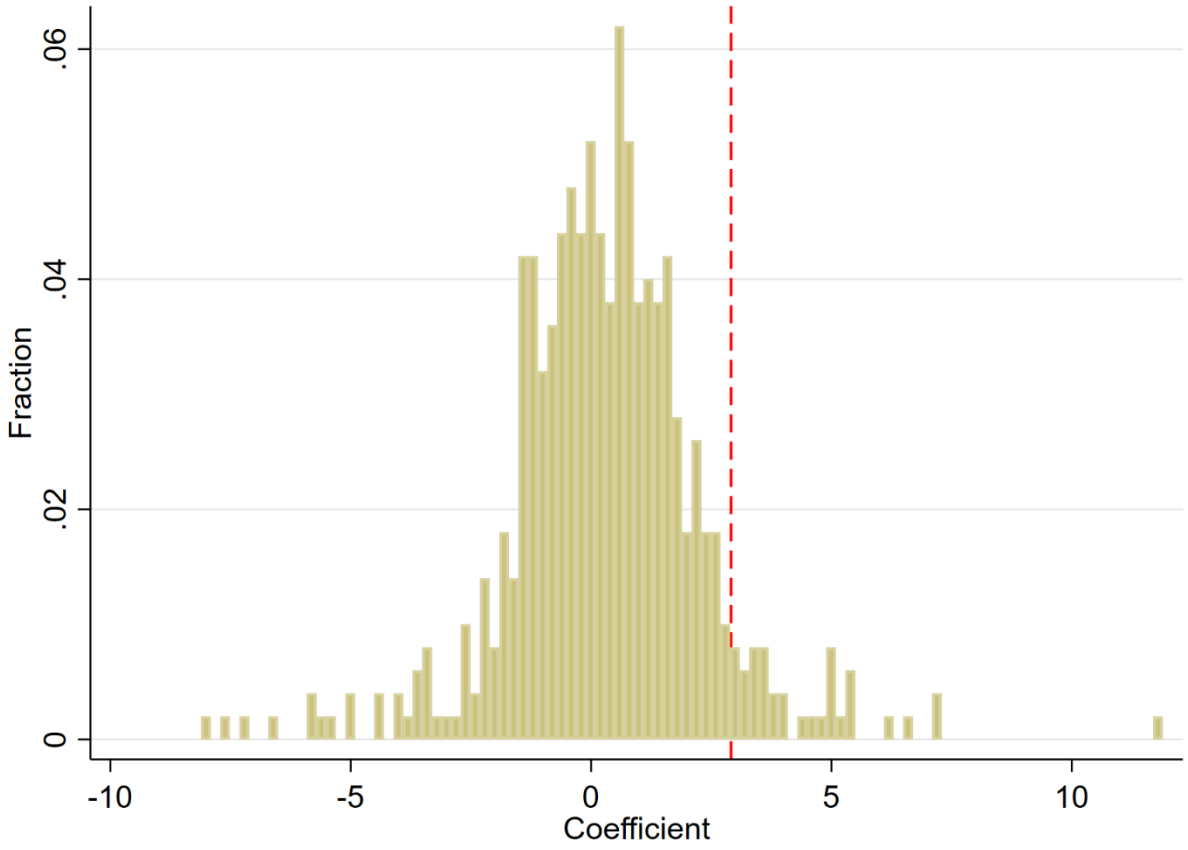


Figure 4: Placebo tests on the Republican Leaning Ratio

This histogram plots the distribution of 500 placebo regression coefficients for the variable Republican Leaning Ratio obtained from the following exercise. Each day in the period between days -300 and +300 relative to the announcement of RBG's death on September 18, 2020, excluding days -50 to +50 is considered as a placebo death date (i.e. 500 placebo dates in total). The real event day is the first trading day after her passing (September 21 2020). For each placebo date, we compute the CARs using the same methodology as Table 1, with the same estimation window relative to the placebo date (e.g. for the placebo death on day -300, the estimation window used is -580 to -359). Model (2) from Table 1 is then estimated with the CAR (-1,+1) for each placebo date used as the dependent variable in place of the CAR for the actual news to obtain 500 placebo coefficients each for the explanatory variable Republican Leaning Ratio. The actual sample consists of 598 constituents of the S&P 1500 index in the 10 years prior to RBG's passing that contributed to any federal candidates in the 10 years prior to RBG's passing. The vertical line indicates the coefficients for Republic Leaning Ratio from Table 1 using the real event date of September 21.

Table 1: CARs regressions around the news of RBG's passing – politically contributing firms

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). The sample consists of 598 constituents of the S&P 1500 index in the 10 years prior to RBG's passing that contributed to any federal candidates in the 10 years prior to RBG's passing. Specifications in Panel A do not include industry fixed effects. In Panel B industry fixed effects at the SIC division level ("2-digit SIC") are included. All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

Panel A: No Industry Fixed Effects

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Republican Leaning Ratio	3.40**	2.91**	3.53**	3.40**
	(1.58)	(1.40)	(1.45)	(1.33)
Log(Total Assets)		-0.47***		-0.42***
		(0.09)		(0.11)
Tobin's Q		-0.51***		-0.37**
		(0.14)		(0.17)
Leverage Ratio		0.05		0.08
		(0.04)		(0.05)
R&D Expense Ratio		12.76		17.52*
		(8.37)		(10.26)
Observations	598	598	598	598
Adjusted R-squared	0.02	0.07	0.02	0.05
Industry Fixed Effects	No	No	No	No

Panel B: 2 Digit SIC Industry Fixed Effects

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Republican Leaning Ratio	1.71	1.31	2.27*	2.34*
	(1.10)	(0.99)	(1.32)	(1.26)
Log(Total Assets)		-0.38***		-0.30**
		(0.11)		(0.12)
Tobin's Q		-0.45***		-0.43**
		(0.13)		(0.19)
Leverage Ratio		0.02		0.03
		(0.04)		(0.06)
R&D Expense Ratio		9.54		21.99**
		(7.39)		(10.62)
Observations	598	598	598	598
Adjusted R-squared	0.18	0.21	0.12	0.14
Industry Fixed Effects	Yes	Yes	Yes	Yes

Table 2: CARs regressions around the news of RBG's passing – the entire sample

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). The sample consists of 1,668 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. Republican Leaning Ratio is set to 0.5 for firms that did not contribute to any federal candidates in the 10 years prior to RBG's passing. Specifications in Panel A do not include industry fixed effects. In Panel B industry fixed effects at the SIC division level ("2-digit SIC") are included. All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

Panel A: No Industry Fixed Effects				
	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Republican Leaning Ratio	1.81	3.10**	1.45	2.82*
	(1.38)	(1.33)	(1.46)	(1.55)
Log(Total Assets)		-0.51***		-0.47***
		(0.08)		(0.09)
Tobin's Q		-0.25**		-0.06
		(0.09)		(0.09)
Leverage Ratio		0.06		0.07
		(0.04)		(0.06)
R&D Expense Ratio		2.41		2.29
		(6.01)		(6.85)
Observations	1,668	1,668	1,668	1,668
Adjusted R-squared	0.00	0.04	0.00	0.02
Industry Fixed Effects	No	No	No	No

Panel B: 2 Digit SIC Industry Fixed Effects				
	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Republican Leaning Ratio	0.47	1.20	0.48	1.24
	(0.78)	(0.79)	(0.92)	(1.00)
Log(Total Assets)		-0.36***		-0.34***
		(0.09)		(0.11)
Tobin's Q		-0.28***		-0.15
		(0.07)		(0.10)
Leverage Ratio		0.04		0.05
		(0.04)		(0.05)
R&D Expense Ratio		1.12		0.88
		(4.88)		(5.10)
Observations	1,668	1,668	1,668	1,668
Adjusted R-squared	0.16	0.17	0.11	0.11
Industry Fixed Effects	Yes	Yes	Yes	Yes

Table 3: CARs regressions around the news of RBG's passing – industry average Republican Leaning Ratio

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). The sample consists of 1,668 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. When calculating the 2-digit SIC industry average Republican Leaning Ratio, this variable is set to 0.5 for firms that did not contribute to any federal candidates in the 10 years prior to RBG's passing. None of the specifications includes industry fixed effects. Panel A includes the entire sample. In Panel B includes only firms that did not contribute to any federal candidates in the 10 years prior to RBG's passing. All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

Panel A: All S&P 1500 firms				
	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Ind Avg Republican Leaning Ratio	7.23*	7.48**	5.88*	6.27**
	(3.61)	(3.30)	(3.15)	(2.87)
Log(Total Assets)		-0.46***		-0.42***
		(0.08)		(0.09)
Tobin's Q		-0.25***		-0.06
		(0.09)		(0.09)
Leverage Ratio		0.06		0.07
		(0.04)		(0.06)
R&D Expense Ratio		3.80		3.41
		(6.76)		(7.32)
Observations	1,668	1,668	1,668	1,668
Adjusted R-squared	0.02	0.06	0.01	0.03
Panel B: S&P 1500 firms that never have PACs				
	(5)	(6)	(7)	(8)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Ind Avg Republican Leaning Ratio	7.41*	7.73**	6.30*	6.68**
	(3.88)	(3.72)	(3.27)	(3.19)
Log(Total Assets)		-0.54***		-0.48**
		(0.14)		(0.18)
Tobin's Q		-0.15*		0.03
		(0.09)		(0.10)
Leverage Ratio		0.09		0.07
		(0.08)		(0.09)
R&D Expense Ratio		2.56		1.36
		(7.05)		(7.68)
Observations	949	949	949	949
Adjusted R-squared	0.02	0.05	0.01	0.03

Table 4: CARs for the fossil fuel and the computer programming and data processing industries

This table reports mean cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). In Panel A, the sample consists of 53 firms that belong to the fossil fuel industry (2-digit SIC 13 and 12 representing oil and gas extraction and production and coal mining). In Panel B, the sample consists of 58 firms that belong to the computer programming and data processing industry (SIC 7370). All variables are defined in Appendix Table 1. Kolari *t*-statistics are computed following Kolari and Pynnönen (2010). *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively in the differences in means of the CARs with zero using the *t*-test for means and Kolari *t*-test for means.

Panel A: Fossil fuel industry				
VARIABLES	Mean	*t*-stats	Kolari *t*-stats	N
CAR (-1, +1)	4.93%	6.84***	1.789*	53
CAR (-1, +3)	2.55%	2.78***	0.748	53
Panel B: Computer programming and data processing industry				
VARIABLES	Mean	*t*-stats	Kolari *t*-stats	N
CAR (-1, +1)	2.00%	3.46***	2.212**	58
CAR (-1, +3)	1.69%	2.79***	2.029**	58

Table 5: The association between Biden election CARs and RBG's passing CARs

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around President Biden's win on November 9 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). The sample consists of 1,665 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. Industry fixed effects are at the SIC division level ("2-digit SIC"). All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)
RBG CAR (-1, +1)	-0.83***	-0.82***	-0.68***	-0.69***
	(0.10)	(0.10)	(0.07)	(0.07)
Log(Total Assets)		0.07		-0.07
		(0.15)		(0.13)
Tobin's Q		0.13		0.05
		(0.16)		(0.15)
Leverage Ratio		0.02		-0.00
		(0.08)		(0.07)
R&D Expense Ratio		-7.96		0.29
		(7.92)		(8.65)
Observations	1,665	1,665	1,665	1,665
Adjusted R-squared	0.16	0.16	0.26	0.26
Industry Fixed Effects	No	No	Yes	Yes

Table 6: CARs regressions around the news of RBG's passing – firm-level political risk

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). The sample consists of 1,627 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. Firm-level political risk is constructed by Hassan et al (2019) and is based on textual analysis of conference calls between managers and analysts. Specifications in Panel A do not include industry fixed effects. In Panel B industry fixed effects at the SIC division level ("2-digit SIC") are included. All variables are defined in Appendix Table 1. . Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

Panel A: without industry fixed effects				
	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Log(Firm-level Political Risk)	-0.31**	-0.26**	-0.18	-0.14
	(0.12)	(0.12)	(0.12)	(0.12)
Log(Total Assets)		-0.48***		-0.43***
		(0.08)		(0.09)
Tobin's Q		-0.28***		-0.09
		(0.09)		(0.09)
Leverage Ratio		0.04		0.04
		(0.03)		(0.05)
R&D Expense Ratio		2.63		2.76
		(4.89)		(5.83)
Observations	1,598	1,598	1,598	1,598
Adjusted R-squared	0.01	0.05	0.00	0.03
Industry FE	No	No	No	No

Panel B: with Industry Fixed effects				
	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +3)	CAR (-1, +3)
Log(Firm-level Political Risk)	-0.24**	-0.23**	-0.10	-0.10
	(0.11)	(0.11)	(0.10)	(0.11)
Log(Total Assets)		-0.38***		-0.34***
		(0.09)		(0.10)
Tobin's Q		-0.31***		-0.15
		(0.06)		(0.09)
Leverage Ratio		0.02		0.03
		(0.04)		(0.04)
R&D Expense Ratio		2.91		2.53
		(3.61)		(4.38)
Observations	1,598	1,598	1,598	1,598
Adjusted R-squared	0.17	0.19	0.13	0.14
Industry FE	Yes	Yes	Yes	Yes

Table 7: CARs regressions around the news of RBG's passing - other explanations

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). The sample consists of 1,627 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. Intangible replacement cost ratio denotes the ratio of intangible replacement cost to total assets (Peters and Taylor (2016)). Union coverage denote 4-digits NAICS level industry level union coverage constructed from the current population survey (Hirsch and Macpherson (2003)). Text-based industry concentration denotes 10-K Text-based Network (TNIC) Industry concentration (Hoberg and Phillips (2016)). Industry fixed effects are defined at the SIC division level ("2-digit SIC"). All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

Dependent Variable:	(1) CAR (-1, +1)	(2) CAR (-1, +1)	(3) CAR (-1, +1)	(4) CAR (-1, +1)	(5) CAR (-1, +1)	(6) CAR (-1, +1)
Intangible Replacement Cost Ratio	0.24	0.05				
	(0.75)	(0.42)				
Union Coverage			0.02	-0.18		
			(0.24)	(0.47)		
Text-based Industry Concentration					-0.17	0.00
					(0.75)	(0.46)
Observations	1,690	1,690	1,348	1,348	1,648	1,648
Adjusted R-squared	0.04	0.16	0.04	0.17	0.03	0.19
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	No	Yes	No	Yes	No	Yes

Table 8: CARs regressions around the news of RBG's passing – Red State

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of RBG on September 18 2020, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). Event day is the first trading day after her passing (September 21 2020). The sample consists of 1,605 constituents of the S&P 1500 index in the 10 years prior to RBG's passing. Red State is an indicator variable that equals one if the firm's headquarter state congress (House and Senate) and state governor are under Republican control in the year of 2020 (source: NCSL (National Conference of State Legislature)). Industry fixed effects are at the SIC division level ("2-digit SIC"). All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)
Red State	0.60**	0.2	-2.54	0.41
	(0.26)	(0.24)	(1.64)	(2.31)
Ind Avg Republican Leaning Ratio			4.38	
			(4.04)	
Red State			4.64*	-0.32
× Ind Avg Republican Leaning Ratio			(2.63)	(3.76)
Observations	1,605	1,605	1,605	1,605
Adjusted R-squared	0.04	0.18	0.07	0.18
Controls	Yes	Yes	Yes	Yes
Industry Fixed Effects	No	Yes	No	Yes

Table 9: CARs regressions around the news of Judge Scalia's passing

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the passing of Judge Scalia on February 13 2016, computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). The sample consists of 582 constituents of the S&P 1500 index in the 10 years prior to Scalia's passing that contributed to any federal candidates in the 10 years prior to his passing. None of the specifications include industry fixed effects. All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)
Republican Leaning Ratio	-4.58	-4.20	-0.77	-0.05
	(2.77)	(2.78)	(1.05)	(0.99)
Log(Total Assets)		0.17		0.06
		(0.17)		(0.14)
Tobin's Q		0.02		-0.09
		(0.23)		(0.18)
Leverage Ratio		-0.01		-0.01
		(0.04)		(0.03)
R&D Expense Ratio		5.70		27.04***
		(7.93)		(9.61)
Observations	582	582	582	582
Adjusted R-squared	0.03	0.03	0.28	0.29
Industry Fixed Effects	No	No	Yes	Yes

Table 10: CARs regressions around the leak of the draft opinion of Dobbs v. Jackson Women's Health Organization

This table reports results of OLS regressions. The dependent variables are cumulative abnormal returns (CARs) around the leak of the draft opinion of Dobbs v. Jackson Women's Health Organization that lead to the overturning of Roe v. Wade on May 2 2022. Event day is the first trading day after the leak of the draft (May 3 2022). The CARs are computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997). The sample consists of 565 constituents of the S&P 1500 index in the 10 years prior to Scalia's passing that contributed to any federal candidates in the 10 years prior to his passing. None of the specifications include industry fixed effects. All variables are defined in Appendix Table 1. Heteroskedasticity-robust standard errors, clustered at the 2-digit SIC industry level, are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)	CAR (-1, +1)
Republican Leaning Ratio	2.13	2.69*	1.53	1.70
	(1.52)	(1.54)	(1.13)	(1.11)
Log(Total Assets)		0.23		0.20
		(0.14)		(0.13)
Tobin's Q		-0.19		-0.13
		(0.12)		(0.16)
Leverage Ratio		0.00		0.01
		(0.03)		(0.04)
R&D Expense Ratio		11.27*		0.51
		(5.98)		(8.12)
Observations	565	565	565	565
Adjusted R-squared	0.01	0.02	0.13	0.13
Industry Fixed Effects	No	No	Yes	Yes

Appendix Table A1: Variable Definitions

Variable	*Definition*
Outcomes	
CARs (-1, +1)	The cumulative abnormal returns from -1 to +1 of firms around events. The benchmark returns are calculated by a Fama-French 4 factors model estimated in a period from 59 days to 310 days before announcement (Fama and French, 1993, Carhart, 1997). Source: CRSP.
CARs (-1, +3)	The cumulative abnormal returns from -1 to +3 of firms around events. The benchmark returns are calculated by a Fama-French 4 factors model estimated in a period from 59 days to 310 days before announcement (Fama and French, 1993, Carhart, 1997). Source: CRSP.
Explanatory Variables	
Republican Leaning Ratio	The fraction of political donations made by corporate political action committees to Republican politicians. Source: FEC.
Log(Firm-level Political Risk)	The log of firm-level political risk. Firm-level political risk is constructed by Hassan et al (2019) and is the share of their quarterly earnings conference calls that they devote to political risks. Source: Hassan et al (2019).
Intangible Replacement Cost Ratio	The replacement cost of intangible capital divided by the total assets of the firm. The replacement cost of intangible capital is defined by Peters and Taylor (2016) as the sum of the firm's externally purchased and internally created intangible capital. Source: Peters and Taylor (2016).
Union Coverage	4-digits NAICS level industry level union coverage. The union coverage data is constructed by Hirsch and Macpherson (2003) from the monthly current population survey (CPS) using the BLS methods. Source: Hirsch and Macpherson (2003)
Text-based Industry Concentration	10-K Text-based Network (TNIC) Industry concentration. The measurement is constructed by Hoberg and Phillips (2016) based on text-based analysis of firm 10-K product descriptions. Source: Hoberg and Phillips (2016).
Control Variables	
Log(Total Assets)	Log of total assets. Source: Compustat.
Tobin's Q	Tobin's Q. Tobin's Q is calculated as: (total assets + market capitalization – common equity)/total assets. Source: Compustat.

Leverage Ratio	Leverage ratio. Leverage ratio is calculated as: (long-term debt + debt in current liabilities)/Stockholders' equity. Source: Compustat.
R&D Expense Ratio	Research & development expense ratio. Research & development expense ratio is calculated as: research and development expense/total assets. Source: Compustat.
Other Variables	
Daily Economic Policy Uncertainty	The daily news-based Economic Policy Uncertainty index. The EPU index is constructed by Baker, Bloom, and Davis (2016) by running textual analysis on major newspapers on economic policy uncertainty. Source: Baker, Bloom, and Davis (2016).
Republican-leaning Ratio (below median)	The dummy variable on below median Republican-leaning Ratio. The fraction of political donations made by corporate political action committees to Republican politicians. Source: FEC.
Republican-leaning Ratio (above median)	The dummy variable on above median Republican-leaning Ratio. The fraction of political donations made by corporate political action committees to Republican politicians. Source: FEC.
Red State	The dummy variable on whether both the firm's headquarter state congress (House and Senate) and state governor are under Republican control in the year of 2020. Source: NCSL (National Conference of State Legislature).

Appendix Table A2: Summary Statistics

This table reports summary statistics for firm characteristics. In Panel A and C the sample consists of constituents of the S&P 1500 index in the 10 years prior to RBG's passing for which required data were available (see Table A1 for variable descriptions). In Panel B the sample consists of 598 constituents of the S&P 1500 index in the 10 years prior to RBG's passing that contributed to any federal candidates in the 10 years prior to RBG's passing.

VARIABLES	(1) N	(2) mean	(3) p25	(4) p50	(5) p75	(6) sd
Panel A: All S&P 1500 firms						
CAR (-1 to +1)	1,668	0.03	-2.46	-0.58	2.01	4.30
CAR (-1 to +3)	1,668	0.00	-2.80	-0.44	2.43	5.00
Republican Leaning Ratio	1,668	0.55	0.50	0.50	0.55	0.13
Industry Average Republican Leaning Ratio	1,668	0.63	0.60	0.64	0.65	0.09
Log(Total Assets)	1,668	8.45	7.27	8.34	9.56	1.69
Tobin's Q	1,668	2.04	1.11	1.49	2.36	1.50
Leverage Ratio	1,668	0.97	0.28	0.73	1.34	2.70
R&D Expense Ratio	1,668	0.02	0.00	0.00	0.02	0.05
Panel B: Only contributing firms						
CAR (-1 to +1)	598	-0.21	-2.41	-0.75	1.26	3.90
CAR (-1 to +3)	598	-0.34	-2.81	-0.79	1.58	4.59
Republican Leaning Ratio	598	0.64	0.53	0.61	0.77	0.18
Log(Total Assets)	598	9.66	8.52	9.66	10.73	1.57
Tobin's Q	598	1.81	1.08	1.38	2.05	1.19
Leverage Ratio	598	1.28	0.41	0.83	1.58	4.10
R&D Expense Ratio	598	0.01	0.00	0.00	0.01	0.03
Panel C: Other variables						
Log(Firm-level political risk)	1,627	6.92	6.31	7.01	7.65	1.08
Text Based Industry Concentration	1,648	0.27	0.09	0.17	0.36	0.26
Intangible replacement cost/total assets	1,690	0.50	0.09	0.48	0.77	0.43
Union Coverage	1,348	0.65	0.23	0.37	0.89	0.66
Biden election CAR (-1 to +1)	1,665	0.60	-3.43	0.85	5.22	8.28
Red State	1,605	0.35	0.00	0.00	1.00	0.48