

Media Partisanship and Fundamental Corporate Decisions

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ABSTRACT

Using the introduction of Fox News as a natural experiment, we investigate whether partisanship in television coverage influences corporate decisions. We find that, during the George W. Bush presidency, firms led by Republican-leaning managers headquartered in regions into which Fox was introduced shift upward their total investment expenditures, investment expenditures devoted to R&D, and leverage. Our findings imply that in making fundamental corporate decisions, Republican-leaning managers are swayed by the Republican slant of Fox that presents an optimistic macroeconomic outlook. The results highlight the importance of heterogeneity in media slant in understanding the role of the media in corporate decision-making.

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The recent decade has witnessed the emergence of a set of studies in financial economics that examines the role of the media in influencing security prices and corporate financial decisions.² These studies attribute to the media the role of collecting, aggregating, and disseminating information and, thereby, shaping public perceptions. A commonality of these studies is that they treat various media outlets as being components of a homogeneous set. An alternative perspective is that the objective of the media is not to maximize the collection, aggregation and dissemination of information but, rather, to maximize circulation, readership, and profitability (Mullainathan and Shleifer (2005)). The latter perspective implies competition among news outlets such that different outlets may target different audiences. To the extent that different audiences have different tastes, media outlets may slant news to cater to their target audience (Jensen (1979)). An implication of that perspective is that media outlets should be viewed as heterogeneous in the way in which their news coverage influences security prices and corporate decisions and that such heterogeneity should be taken into account in studies of the effect of media coverage in financial markets.

A note of caution, though, is found in Baloria and Heese (2018). Using the 2000 presidential election as a quasi-natural experiment and exploiting geographic variation in Fox News (henceforth, Fox) availability in 2000, they find that Democratic-leaning firms delayed the release of bad news until after the election in anticipation of the negative slant with which such information would be covered by Fox. They interpret their results as providing “evidence of firms’ strategic behavior in response to anticipated slanted media coverage.” That is, corporate managers are aware of partisan media slant and adjust accordingly in making corporate decisions. If

² Such studies include, for example, Tetlock (2007, 2010), Tetlock, Saar-Tsechansky and Macskassy (2008), Dyck, Volchkova, and Zingales (2008), Fang and Peress (2009), Engelberg and Parsons (2011), Gurun and Butler (2012), Liu and McConnell (2013), and Peress (2014).

managers do so, and do so fully, the implication is that media slant will have little or no effect on fundamental corporate decisions. If that is the case, then studies of the effect of media coverage on corporate actions need not be concerned with heterogeneity in media coverage as managers will have taken that partisanship into account. In this study, we examine whether partisan slant in media coverage influences certain fundamental corporate investment and financing decisions.

In particular, we examine whether the introduction of Fox into specific geographic regions on the eve of and during the years in which the White House was occupied by the Republican administration of George W. Bush had a predictable influence on fundamental corporate operating decisions.³ This investigation rests on two presumptions. The first is the well-documented observation that, relative to other mainstream television networks, Fox leans toward Republican views in its coverage of economic and political events.⁴ The second is that top corporate managers are well informed about the unique prospects of their firms, but, like the rest of us, depend upon the media to gather information about the macroeconomic outlook.⁵ These presumptions lead to an implication that frames our investigation. The implication is that the introduction of Fox to a geographic region on the eve of or during the Bush Republican administration represented a partisan shock to coverage that tilted the economic news to which managers were exposed in a more positive direction. To illustrate, consider the monthly unemployment rate released by the Bureau of Labor Statistics on November 1, 2002. The rate was 5.7%. On that day, CNN correspondent, Mary Snow, reported the employment situation as follows:

As for the economic figures, the job market remains weak. The nation's unemployment rate edged higher to 5.7 percent as the economy shed 5,000 jobs and that weakness also hurt consumer spending. It saw its biggest drop in 10 months in the month of September.

³ The Bush administration commenced with January 2001 and ended with December 2009.

⁴ See for example, Groseclose and Milyo (2005) and Baum and Groeling (2008).

⁵ As noted by Baloria and Heese (2018), anecdotal evidence suggests that corporate executives actively consume television news (Auletta (2001)).

On the same day, Fox correspondent Major Garrett commented on the same number as:

Up just slightly, one tenth of a percent to 5.7 percent, up one tenth from where they were just a month ago. Not a big spike in unemployment, and for that, Republicans in Washington and probably across the country are breathing a huge sigh of relief.... From the president's point of view, and the point of view of White House economic advisers, the fundamentals of the U.S. economy are strong.

The difference in commentary illustrates two points. First, different media outlets slant the same news differently. Second, Fox's commentary on the economic news during the Bush administration was more positive than that of CNN.

To the presumptions outlined above, we add a behavioral characteristic. The behavioral characteristic is that Republican-leaning (henceforth, RL) managers are attracted to Fox and, potentially, are swayed by that coverage. A formal label for this characteristic is that managers are subject to a confirmatory bias.⁶ We refer to firms headed by RL managers as RL firms.

We conjecture that the introduction of Fox during the Bush administration tilted the general economic outlook in a more positive direction in those regions into which Fox was introduced and that RL managers were likely to adopt this outlook in making their corporate decisions. That more positive outlook, in turn, became manifest in relatively more investment expenditures by RL firms headquartered in those regions than in RL firms headquartered elsewhere and, among projects undertaken, RL firms in these regions shifted their investment expenditures toward projects with more extreme (or positively skewed) outcomes. Given the more positive economic outlook and the accompanying higher projected cash flows, we further conjecture that RL firms in these regions chose to finance these expenditures with a greater use of debt financing subsequent to the introduction of Fox than did RL firms headquartered elsewhere.

⁶ A lengthy psychology literature, including, for example, Popper (1959, 1972), Wason (1960, 1968), Platt (1964), Lakatos (1970), and Klayman and Ha (1987), develops and presents evidence on this phenomenon. Yariv (2002) and Mullainathan and Shleifer (2005) present economic models of confirmatory bias.

We test these conjectures using data from DellaVigna and Kaplan (2007) on the availability of Fox in geographic regions during 1998, 2000, and 2003. We use firms and firm financial data from *Execucomp* and *Compustat* for the years 1998-2005 and stock price data from *CRSP* to conduct the analysis.

Firms are classified as RL in two ways. First, a firm is classified as RL if the firm's top five managers contribute more to the campaigns of Republican candidates than to those of Democratic candidates.⁷ Second, firms are classified as RL if the firm's headquarters are located in a state in which the delegate votes went to George W. Bush in the 2000 presidential election.

The results of our analysis are consistent with the proposition that partisanship in media coverage influences managerial decisions. We find that, during the Bush presidency, in comparison with RL firms headquartered elsewhere, RL firms headquartered in regions where Fox was introduced adopt more expansive policy choices including a relatively higher annual investment expenditures-to-total asset ratio and a relatively higher fraction of their annual investment expenditures being devoted to R&D. We further find that such firms make a relatively greater use of debt financing. In particular, using campaign contributions to classify firms, relative to RL firms headquartered elsewhere, RL firms headquartered in regions where Fox was introduced increase their annual investment expenditures as a percentage of total assets by 2.51%, increase the percentage of their annual investment expenditures devoted to R&D by 15.84%, and increase their market leverage ratio by 2.29% (all p-values < 0.05). Recognizing that the sample averages of annual investment expenditures-to-total asset ratio, R&D to annual investment expenditures ratio, and leverage ratio are 11.80%, 21.68%, and 16.31%, respectively, from our perspective, the differences-in-differences in corporate investment and financing policies are

⁷ Data on campaign contribution are manually assembled from the Center for Responsive Politics ("Open Secrets").

economically significant. The results are similar when firms are classified as RL (or not) based on the state delegate vote in the 2000 presidential election (all p-values < 0.05).

We also conduct these analyses using non-RL firms where a non-RL firm is any firm that is not classified as an RL firm. For these firms the picture is quite different. In comparison with non-RL firms headquartered elsewhere, for non-RL firms headquartered in regions where Fox was introduced, none of the changes in investment expenditures, R&D expenditures, or debt financing are significantly different from zero (all p-values > 0.30). The results are similar when firms are classified as non-RL according to the state delegate vote in the 2000 presidential election (all p-values > 0.15). The analysis of non-RL firms is useful in ruling out the possibility that the significant differences-in-differences detected for RL firms are due to an omitted event or characteristic that coincides with Fox introduction.

In sum, the results of our analysis indicate that corporate managers are influenced by partisan media slant in making fundamental corporate investment and financing decisions.

We, then, undertake a further consideration. If the results that we document for corporate decisions are due to the introduction of Fox during a Republican administration influencing managerial outlook in a more positive direction, presumably, we would observe managers making personal decisions consistent with such a shift in outlook. One place in which such a shift might be observable is in managerial compensation. Managers with a more optimistic economic outlook are likely to be inclined to accept (or even seek out) more equity-linked compensation to take advantage of the bright upside potential. To consider that possibility, we examine the dollar value of annual stock option grants using CEO options awarded as a proxy for options awarded to the top management team. With managers' political contributions used to classify firms, the CEOs of RL firms headquartered in regions where Fox was introduced receive an average increase of

16.19% (p-value < 0.01) in annual stock option grants in comparison with CEOs of RL firms in regions where Fox was not introduced. The results are similar when we use the 2000 presidential delegate vote to classify firms as RL (p-value = 0.04). We conduct the same tests with non-RL firms. In neither case is the increase in CEO option grants from before to after the introduction of Fox statistically significant (p-values > 0.34).

The results of our analysis of option grants support the proposition that the differences-in-differences results of corporate investment and financing decisions are due to a partisan media slant in Fox coverage having a positive effect on the economic outlook of RL managers.

This study extends the literature that connects media coverage to financial and economic decisions. Our extension emphasizes the role of heterogeneity in media coverage. One lesson is that such heterogeneity should be taken into account in future studies of the effect of media coverage on corporate investment and financing decisions. Though it is very likely that corporate managers are aware of the partisanship in Fox News coverage, they are apparently not immune to that partisanship in making fundamental corporate (and certain personal) financial and operating decisions. In that regard, this study has a modest message for behavioral financial economics as well. The message is that even if managers prioritize the maximization of shareholder wealth, their assessments of which course of action will accomplish that objective may be influenced by media slant in combination with their confirmatory biases.

The rest of the paper proceeds as follows. The next section provides a brief review of certain prior related studies. Section II states the hypotheses to be tested. Section III describes the sources of the data and gives certain descriptive statistics. Section IV reports the main empirical results of our differences-in-differences analysis. Section V presents the results of robustness tests

including a triple difference analysis that further alleviates certain endogeneity concerns with the main empirical results. Section VI concludes.

I. Literature Review

This section provides a brief review of certain studies that frame our investigation.

A. *Homogeneity in Media Coverage and Capital Markets*

A body of extant literature examines the way in which the media influence capital markets through their role in dissemination of information and formation of perceptions. Most of these studies collect information content from news articles across multiple printed media outlets and construct an aggregate measure of content that does not distinguish among outlets. The studies then investigate whether the aggregate measure influences either corporate behavior or security prices. The former set of studies reports evidence that the media, treated as a homogeneous set, influence executive compensation (Core, Guay, and Larcker (2008) and Kuhnen and Niessen (2012)), corporate governance (Dyck, Volchkova, and Zingales (2008) and Joe, Louis, and Robinson (2009)), capital allocation (Liu and McConnell (2013)), the detection of corporate fraud (Miller (2006)), and the prevention of insider trading (Dai, Parwada, and Zhang (2015)).

The latter set of studies reports evidence that the media, treated as a homogenous set, influence aggregate stock market performance (Tetlock (2007)), specific stock returns (Tetlock, Saar-Tsechansky and Macskassy (2008)), mutual fund allocations (Fang, Peress, and Zheng (2009)), investor trading behavior (Engelberg and Parsons (2011)), and trading volume and intraday stock price volatility (Peress (2014)).

As one example of the way in which the media are treated as a homogenous set, Liu and McConnell (2013) collect firm-specific news stories about firms' acquisition attempts from the *Wall Street Journal*, the *New York Times*, and the *Dow Jones News Services*. They, then, count

the number of negative words in the articles to measure the tone of media coverage given to the takeover attempt. This measure recognizes that media outlets can slant news but does not distinguish one outlet for another. If different outlets have different propensities to slant news differently, such heterogeneity (or ignoring such heterogeneity) could affect the conclusions drawn. In this study, we consider whether such heterogeneity has an influence on certain fundamental corporate investment and financing decisions.

B. Heterogeneity in Media Coverage and Financial Markets

In addition to Baloria and Heese (2018), Gurun and Butler (2012) consider the role of heterogeneity in media coverage and corporate events. In particular, they ask whether the location of the media influences its coverage. They do so by investigating whether the coverage given to a corporate event differs between local and national media. They find that when local media report news about local firms, they use fewer negative words in comparison with national media reporting on the events at the same firms. They conclude that media coverage is slanted according to local advertising budgets. We, too, consider heterogeneity in media coverage. Our study differs from Gurun and Butler (2012) in that they ask whether firms influence media slant. We ask whether media slant influences corporate behavior.

C. Partisanship in Media Coverage

A long-standing contention among public news consumers is that, in their coverage of political news, in addition to a slant, many media outlets display a partisan bias wherein the partisanship reflects a leaning toward either a liberal or conservative political perspective (Baron (2006) and Levendusky (2013)).

Of particular interest to us is a set of studies that evaluate the leaning of Fox. These include Groseclose and Milyo (2005), DellaVigna and Kaplan (2007), Groeling (2008), Gentzkow and

Shapiro (2010), and Martin and Yurukoglu (2017). Representative of those studies is the conclusion of Baum and Groeling (2008) who comment “FOX News leaned significantly toward conservative and Republican beliefs compared to the other news organizations.” The documented Republican leaning of Fox provides one of the bases for our investigation in that we presume that during the Republican administration of George W. Bush, Fox set forth a more optimistic picture of the general economic outlook than did other television news networks.

D. Heterogeneous Media and Confirmatory Bias

A well-studied phenomenon in the psychology literature is that human reasoning is prone to a confirmatory bias that hinders effective learning, where confirmatory bias means people tend to give more credit to sources that provide information consistent with their prior personal beliefs (e.g., Popper (1959, 1972), Wason (1960, 1968), Platt (1964), Lakatos (1970), and Klayman and Ha (1987)). Various economic studies explore the role of confirmatory bias in news consumption. A consensus of these studies is that consumers of news display a confirmatory bias wherein they seek out news sources that confirm their prior beliefs (Gentzkow and Shapiro (2008)). Given that conclusion and the background studies cited above, we propose that RL managers are likely to watch Fox and be swayed by the optimistic coverage of the economic outlook set forth by Fox during the Bush administration.

II. Hypotheses

The discussion above lays the foundation for the hypotheses to be tested. The first hypothesis is:

Hypothesis 1: *During the years in which the White House was occupied by the Republican administration of George W. Bush, the Republican slant of Fox News painted an optimistic portrait of the economic outlook that induced an upward shift in corporate investment expenditures and in*

the use of debt financing in firms headed by Republican-leaning managers in regions into which Fox was introduced.

This hypothesis has several components. The first is that the introduction of Fox represented a noticeable shock to political and economic news and that shock slanted such news in an optimistic direction because the White House was occupied by a Republican administration. We do not test whether that did occur. We take as given that Fox leaned toward Republican views based on prior studies. Thus, we conduct the tests around two time periods in which we can identify geographic regions into which Fox was introduced while the White House was occupied by the George W. Bush administration. These are the years 2000 and 2003. The year 2000 just preceded the beginning of the first year of the Bush administration. In that regard, the introduction of Fox coincided with the beginning of a new administration. It is possible that the introduction of Fox would have had a positive effect on the macroeconomic outlook regardless of which party entered the White House. For that reason, we also consider firms headed by non-RL managers in regions into which Fox was introduced.

The second feature of the hypothesis is that we are interested in the effect of the shock on changes in investment and financing policies. To implement the analysis, we consider three specific items. The first is the total dollar amount of funds devoted to investment expenditures where investment expenditures is defined as the sum of capital expenditures, R&D expenditures, and net acquisitions. The notion is that investment projects that would have appeared to be marginal to managers become more appealing when the macroeconomic outlook is brighter. Further, we propose that during a Republican administration, Fox sets forth a brighter economic outlook. As a consequence, managers who were introduced to Fox raised their expectations of future cash flows from investment projects and that upward shift expanded the set of acceptable

projects. The second item is the fraction of the investment outlays devoted to research and development (R&D) projects. The presumption here is that the payoffs from R&D projects are heavily rightward skewed such that the outcome has a very high upside potential if the project “works” with a downside limited to the amount of funds devoted to the project. The idea is that such “risky” projects have especial appeal when the economic outlook is especially optimistic and Fox coverage sets forth such an outlook during Republican administrations. The third item is the use of debt financing. Debt has a leveraging effect on cash flows for residual cash flow recipients. Assuming that managers have an intent to maximize the value of residual claimants’ holdings, the more positive macroeconomic outlook and the associated more optimistic expectations for future cash flows induce managers to finance more projects with debt.

The third feature is that testing the hypothesis requires a benchmark. A simple benchmark is the change in the level of investment expenditures, the level of R&D, and the use of debt financing from before to after the introduction of Fox during a Republican administration by firms headed by RL managers whose firms are located in regions where Fox was introduced. That benchmark leaves open the possibility that all RL firms increased these items during a Republican administration. To control for that possibility, the benchmark that we consider is the change in these items in RL firms headquartered in regions where Fox was introduced in comparison with RL firms headquartered in regions in which Fox either provided coverage prior to the Bush administration or never had Fox coverage during the years in question. This benchmark allows for a differences-in-differences analysis in which we control for the possibility that some other event coincident with the introduction of Fox in some regions gave rise to a more positive economic outlook for all RL managers regardless of whether they were located in regions newly-introduced to Fox.

Our second hypothesis is closely connected to the first. It goes as follows:

Hypothesis 2: *During the years in which the White House was occupied by the Republican administration of George W. Bush, the Republican slant of Fox News painted an optimistic portrait of the economic outlook that induced Republican-leaning managers located in regions into which Fox was introduced to accept (or seek out) more equity-linked compensation so as to be able to take advantage of the right-tailed payoffs of such compensation.*

The foundations that underlie this hypothesis are essentially the same as those that underlie hypothesis 1. In particular, if Fox slants macroeconomic news in such a way as to shift RL managers' expectations for their firms' future prospects in a positive direction, then it reasonably follows that such managers will be willing to shift their compensation from a fixed claim toward a more equity-linked claim. Stock options are an extreme form of equity-linked compensation in which the payoff to the manager is especially rewarding when the firm has a positive outcome. Ergo, we propose that the managers of RL firms in regions into which Fox was introduced will receive an increase in stock option grants relative to managers of RL firms in regions into which Fox was not introduced.

III. Data and Variable Construction

A. Fox Introduction

We use data on the availability of Fox News in US townships during the years 1998, 2000, and 2003 from DellaVigna and Kaplan (DK) (2007) who use the *Television & Cable Factbook* to identify whether townships did or did not receive Fox broadcasts.⁸ Table I gives the number of townships by state for which DK provide this information. In 1998, the information is available for 10,916 townships across 23 states with Fox being broadcast in 9.44% of them. In 2000, the

⁸ <https://eml.berkeley.edu/~sdellavi/data/foxnewsdata.shtml>

information is available for 21,195 townships across 35 states with Fox being broadcast in 18.07% of these townships. In 2003, the information is available for 19,672 townships across 35 states with Fox being broadcast in 52.81% of them.

For the purposes of our analyses, a township is classified as having Fox introduced in 2000 if Fox was not broadcast in that township in 1998 and was broadcast in 2000. Likewise, if Fox was not broadcast in a township in 2000 and was broadcast in 2003, we classify the township as having Fox introduced in 2003. We use a firm's zip code to determine whether the firm's headquarters was located in a township into which Fox was introduced in either 2000 or 2003.⁹ We assume that the majority of corporate managers live in the township that encompasses the zip code of the corporate headquarters or in nearby townships in which Fox was also introduced. Thus, when the township that hosts a corporate headquarters was introduced to Fox, corporate managers of the firm were also introduced to Fox.

B. Sample

We retrieve our sample of firms from *Standard & Poor's Execucomp* database, which covers firms in the S&P 1500 index. Because we can only identify availability of Fox broadcasts starting with 1998 and Fox introductions in 2000 and 2003, we include firm-year observations during the period of 1998 through 2005. We exclude 15 firms that are missing data on managerial compensation information because prior studies document that these factors influence corporate investment and financing decisions (e.g., Coles et al. (2006) and Cain and McKeon (2016)). The *Execucomp* firms are supplemented with all other firms ranked among the largest 3000 by equity market capitalization in 1998 with data in *Compustat* that were headquartered in regions into which

⁹ We obtain the zip codes of corporate headquarters from *Compact Disclosure* contemporaneous with the time period of our study. For firms in which zip codes are not available in *Compact Disclosure*, we use zip codes of corporate headquarters from *Compustat*.

Fox was introduced in either 2000 or 2003. There are 128 such firms. We manually assemble managerial characteristics and compensation data for these firms from proxy statements obtained from the *EDGAR* database. We restrict our sample to firms headquartered in zip codes where information on the availability (or not) of Fox broadcasts is provided by DK. Our sample encompasses 1,362 firms headquartered in 33 states during the period of 1998 through 2005. Of these, 501 firms are headquartered in townships into which Fox was introduced - - 147 in 2000 and 354 in 2003.

We designate firms (or more accurately their management teams) as RL in one of two ways. First, a firm is classified as RL if the firm's top five managers contribute more to the campaigns of Republican candidates than to those of Democratic candidates. For *Execucomp* firms, data on managerial political contributions are from Hutton, Jiang and Kumar (2015). For the 128 supplemental firms, data on managerial political contributions are collected from the Center for Responsive Politics ("Open Secrets"). In this way, we classify 546 firms as RL, 190 of which were headquartered in regions into which Fox was introduced. In the second classification, firms are classified as RL if the firm's headquarters are located in a state in which the delegate votes went to George W. Bush in the 2000 presidential election. Using this procedure, we classify 353 firms as RL, 172 of which are headquartered in regions into which Fox was introduced. In each test, firms not classified as RL are classified as non-RL.

C. Variable Construction

Our key independent variable is *FoxIntro*, an indicator variable to identify whether the firm (and its management) experienced Fox introduction. The indicator is equal to one if both of the following are true: (1) the firm's headquarters has a zip code that coincides with that of Fox

introduction in either 2000 or 2003, and (2) the year of observation is later than either 2000 or 2003. If one or both of the above is not true, *FoxIntro* is equal to zero.

In testing hypothesis 1, the key dependent investment decision variables are *Investment Expenditures/Total Assets* calculated as the sum of capital expenditures, research and development expenditures, and net acquisitions divided by beginning of year total assets and *R&D/Investment Expenditures* calculated as annual research and development expenditures divided by annual investment expenditures. The key dependent financing decision variable is *Leverage* calculated as long-term debt divided by total assets minus book value of equity plus market value of equity. Accounting data for these calculations are from *Compustat*; stock price data are from *CRSP*.

In testing hypothesis 2, the key dependent variable, our proxy for managerial equity-linked compensation, *OptionGrants*, is the value of option grants reported by *Execucomp* for each firm's CEO as of the relevant year. *Execucomp* calculates the value of option grants using the Black-Scholes (1973) option valuation model as modified for dividends by Merton (1973).

The regressions testing the hypotheses include control variables that have been shown by prior research to be correlated with corporate investment, financing, and compensation decisions.¹⁰ The variables, their definitions, and sources of data are listed in Appendix A. Table II presents summary descriptive statistics for the variables. Their distributions are similar to those reported in other studies using firms in the *Execucomp* database.¹¹

IV. Empirical Results

In this section, we consider whether the hypotheses developed in Section II are supported by the data. We use a multiple-event-based differences-in-differences methodology as in Bertrand

¹⁰ See, for example, Guay (1999), Core and Guay (1999), Barclay, Morellec and Smith (2006), Coles, Daniel and Naveen (2006), Hayes, Lemmon and Qui (2012), and Cain and McKeon (2016).

¹¹ See, for example, the references cited in footnote 2.

and Mullainathan (2003) to conduct the analysis. In the firm-year data, the basic regression to be estimated is

$$y_{i,t} = a_i + a_t + \gamma X_{i,t} + \delta FoxIntro_{i,t} + \epsilon_{i,t} \quad (1)$$

where i indexes firms, t indexes years, $y_{i,t}$ is the dependent variable of interest, a_i and a_t are firm and year fixed effects, $X_{i,t}$ are control variables, and $\epsilon_{i,t}$ is an error term. $FoxIntro_{i,t}$ is a dummy variable that indicates whether Fox was introduced to firm i in year t ($FoxIntro_{i,t} = 1$, or not, $FoxIntro_{i,t} = 0$). The coefficient of $FoxIntro$, δ , estimates the effect of Fox introduction on the difference in the change in $y_{i,t}$ from before to after Fox introduction between firms located in regions where Fox was introduced and firms located in regions where Fox was not introduced. In all regressions, we cluster observations at the firm level to account for serial correlation (see Bertrand, Duflo, and Mullainathan (2004)).

A. *Fox Introduction and Corporate Investment and Financing Decisions*

To test hypothesis 1, that during the years in which the White House was occupied by the Republican administration of George W. Bush, the Republican slant of Fox painted an optimistic portrait of the economic outlook that induced an upward shift in corporate investment expenditures and in the use of debt financing in firms headed by RL managers in regions into which Fox was introduced, we classify whether a firm is RL or not in two different ways.

To begin, we classify a firm as RL if the firm's top five managers contribute more to the campaigns of Republican candidates than to those of Democratic candidates. Columns 1 through 3 in Panel A of Table III report the estimated coefficients of equation (1) where $y_{i,t}$ is *Investment Expenditures/Total Assets* of firm i in year t , *R&D/Investment Expenditures* of firm i in year t , or *Leverage* of firm i in year t . The coefficients of $FoxIntro_{i,t}$ are all positive and statistically significant. They are 2.505 (p-value = 0.03), 15.840 (p-value = 0.05), and 2.288 (p-value = 0.01),

respectively. The estimates indicate that RL firms located in regions where Fox was introduced experience a 2.51% increase in investment expenditure, a 15.84% increase in the fraction of investment expenditure devoted to R&D, and a 2.29% increase in leverage relative to RL firms located in regions into which Fox was not introduced. To gauge the economic significance of these estimates, the average *Investment Expenditures/Total Assets*, *R&D/Investment Expenditures*, and *Leverage* of our sample firms are 11.80%, 21.68%, and 16.31%, respectively. Our findings are consistent with the conjecture that during Republican presidencies, Fox portrays a rosier economic outlook than other news channels which leads RL managers to invest more, to devote more investment to projects with rightward skewed outcomes, and to use more debt financing in their capital structures.

One possible concern with the results in Columns 1 through 3 is that the shift in corporate investment expenditures and in the use of debt financing in firms headed by RL managers are due to other factors in the regions that Fox chose to enter (e.g., the economic prosperity of the region). For that reason, we also estimate equation (1) using firms headed by non-RL managers. The results are reported in Columns 4–6 in Panel A of Table III. The coefficient estimates of $FoxIntro_{i,t}$ are not significantly different from zero with a p-value of 0.39 when the dependent variable is *Investment Expenditures/Total Assets*, a p-value of 0.72 when the dependent variable is *R&D/Investment Expenditures*, and a p-value of 0.35 when the dependent variable is *Leverage*, respectively. These results indicate that the introduction of Fox had little influence on non-RL managers in their investment and financing decisions.

We next classify a firm as RL if the firm's headquarters are located in a state in which the delegate votes went to George W. Bush in the 2000 presidential election and repeat the analyses in Panel A of Table III. The results are similar to those in Panel A and are reported in Panel B of

Table III. In particular, for RL firms, as shown in Columns 1–3, the coefficient estimates of *FoxIntro* are 1.802 (p-value = 0.02) when the dependent variable is *Investment Expenditures/Total Assets*, 13.343 (p-value < 0.01) when the dependent variable is *R&D/Investment Expenditures*, and 1.902 (p-value = 0.04) when the dependent variable is *Leverage*. For non-RL firms, none of the coefficients of *FoxIntro* are significantly different from zero. For these firms, the coefficient estimates of *FoxIntro* are -0.181 (p-value = 0.77) when the dependent variable is *Investment Expenditures/Total Assets*, 2.570 (p-value = 0.48) when the dependent variable is *R&D/Investment Expenditures*, and -0.745 (p-value = 0.16) when the dependent variable is *Leverage*.

In sum, the empirical results imply that firms headed by RL managers located in regions into which Fox was introduced during a Republican administration are associated with greater increases in investment expenditures, greater increases in R&D as a fraction of investment expenditures, and greater use of debt financing than RL firms located in regions where Fox was not introduced. In contrast, Fox introduction appears to have had no effect on the investment and financing decisions of firms headed by non-RL managers. The evidence is consistent with the proposition that the introduction of Fox into local cable markets created heterogeneity in media slant. In particular, during a Republican administration Fox set forth a more optimistic macroeconomic outlook. Due to their confirmatory bias, RL managers in regions into which Fox was introduced were induced by the more optimistic outlook to adopt more aggressive investment and financing policies in comparison with RL managers who were not introduced to Fox. In contrast, non-RL managers in regions into which Fox was introduced showed no such inclination.

B. *Fox Introduction and Managerial Stock Option Grants*

In Section III, we hypothesize that during the years in which the White House was occupied by the Republican administration of George W. Bush, the Republican slant of Fox News set forth

an optimistic economic outlook that induced RL managers located in regions into which Fox was introduced to accept (or seek out) more equity-linked compensation, thus, allowing them to take greater advantage of the right-tailed payoffs of such compensation. Stock options on the RL managers' firms provide such a payoff structure. We use the CEO's stock option grants as representative of the top management teams' compensation.

Columns 1 and 2 of Table IV report the estimates of equation (1) when RL (and non-RL) firms are classified based on managerial political contributions and $y_{i,t}$ is the natural logarithm of one plus the dollar value of options granted to the CEO of firm i in year t . As shown in Column 1, after controlling for an array of independent variables, for RL firms, the coefficient estimate of $FoxIntro_{i,t}$ is positive and statistically significant at 0.901 with a p-value of 0.00. To gauge the economic significance of this estimate, the estimate represents an 11.18% increase in the value of options granted to CEOs of RL firms in regions into which Fox was introduced in comparison with the options granted to CEOs of RL firms in regions into which Fox was not introduced. For non-RL firms, the coefficient estimate of $FoxIntro_{i,t}$ of -0.213 is not significantly different from zero with a p-value of 0.34.

We then re-estimate the equation using the state presidential delegate vote to classify firms as RL (or non-RL). The results are similar to those in Columns 1 and 2 and are reported in Columns 3 and 4 of Table IV. For RL firms, the coefficient estimate of $FoxIntro_{i,t}$ is positive and significant at 0.657 with a p-value of 0.04. For non-RL firms, the coefficient estimate of $FoxIntro_{i,t}$ is not significant with p-value of 1.00.

These results are consistent with our conjecture that, due to their confirmatory preferences, RL managers are likely to be swayed by the Republican slant of Fox that painted an optimistic portrait of the economic outlook during the Bush administration. In turn, such managers accept

(or seek out) more equity-linked compensation allowing them to take greater advantage of the right-skewed outcomes. Non-RL managers show no such inclination.

V. Robustness Tests

In this section we report the results of certain robustness tests.

A. A Triple-difference Test

We conducted our differences-in-differences tests using the multiple-event-based differences-in-differences methodology as in Bertrand and Mullainathan (2003). In doing so, every firm that is headquartered in a region into which Fox was introduced in 2003 acts as control observation for firms headquartered in regions into which Fox was introduced in 2000. The virtue of this methodology is that it alleviates concerns that the observed shifts in investment and financing decisions are caused by unobserved characteristics of firms located in regions into which Fox was introduced. In presenting the results of the differences-in-differences tests with RL firms, we also discussed the results of the regressions using the non-RL firms and compared them with the results using the RL firms. This comparison addresses the concern that the regions into which Fox was introduced differ in some fundamental way from the regions into which Fox was not introduced. For example, it is possible that Fox chose to expand its broadcast areas into regions that were experiencing enhanced economic prospects. The deficiency of the multiple-event-based differences-in-differences methodology is that we cannot conduct formal statistical tests of whether the coefficients of *FoxIntro* in the regressions using RL firms are statistically significantly different from the coefficients in the regressions using the non-RL firms.

To address the question of whether the effects of the introduction of Fox are statistically different between RL and non-RL firms, we use the “stacked” methodology in Gormley and Matsa (2011) to conduct a triple-differences test. The virtue of the stacked methodology is that we can

conduct a formal test of whether the difference in the effect of the introduction of Fox on the change in *Investment Expenditures/Total Assets*, *R&D/Investment Expenditures*, *Leverage*, and *OptionGrants* for RL firms headquartered in regions into which Fox was introduced and RL firms headquartered in regions into which Fox was not introduced is statistically different from the difference in the effect of Fox introduction on the change in these variables from before to after Fox introduction between non-RL firms headquartered in regions into which Fox was introduced and non-RL firms headquartered in regions into which Fox was not introduced. The shortcoming of this methodology is that the number of observations is reduced by about 50%, thereby, reducing the power of the test.

The analysis can be viewed as two samples that are “stacked” into a single regression. In that respect the first sample includes all firms with data in 1999 and 2001 except firms classified as headquartered in regions into which Fox was introduced in 2003. The second sample includes all firms with data in 2002 and 2004 except firms headquartered in regions classified as having Fox introduced in 2000. The 1999 data and the 2002 data are considered pre-*FoxIntro* observations and the 2001 and 2004 data are considered post-*FoxIntro* observations. Thus, each pre- and post-*FoxIntro* time period includes one year of data.¹² The two samples are then “stacked” to estimate the regression. The number of observations declines from 7,847 in the differences-in-differences tests to 3,900 in the triple-difference test.

The triple-difference regression to be estimated is:

$$y_{i,t} = a_i + a_t + \gamma X_{i,t} + \delta_1 Treated_{i,t} \times Post_{i,t} + \delta_2 Post_{i,t} \times RL_{i,t}$$

¹² An alternative specification could include two or more years of data in the pre- and post-*FoxIntro* intervals. The dilemma with such an analysis is that observations for the year 2002 would be included in both the pre- and post-*FoxIntro* observations. The dilemma also precludes a pre-treatment parallel trend analysis between treated firms and control firms, though in unreported tests we do not find statistically significant differences between treated firms and control firms in terms of *Investment Expenditures/Total Assets*, *R&D/Investment Expenditures*, *Leverage*, and *OptionGrants* in the year prior to Fox introduction.

$$+ \delta_3 Treated_{i,t} \times Post_{i,t} \times RL_{i,t} + \epsilon_{i,t} \quad (2)$$

where i indexes firms, t indexes years, $y_{i,t}$ is the dependent variable of interest, α_i and α_t are firm and year fixed effects, $X_{i,t}$ are control variables, and $\epsilon_{i,t}$ is an error term. $Treated_{i,t}$ is a dummy variable that takes the value of one if Fox was introduced to firm i (or, more specifically, to the management of firm i), and zero otherwise. $Post_{i,t}$ is a dummy variable that is assigned the value of one if the firm-year observation is in 2001 or 2004, and zero otherwise. $RL_{i,t}$ is a dummy variable that is assigned the value of one for RL firms and zero otherwise.

The results of the triple-difference analyses are reported in Table V. The variable of interest is the triple interaction term of $Treated \times Post \times RL$. The coefficient of this term estimates how different the differences-in-differences are for RL and non-RL firms. The table gives the results of eight regressions - - one for each investment, R&D, financing, or options granted variable, and one for each RL firm classified by either managements' political contributions or the state's 2000 presidential vote. In each of the eight regressions, the coefficient estimate of the triple interaction term is positive and has a p-value less than 0.10 and five of the coefficients have a p-value of less than 0.05. From our perspective, the coefficients are also economically significant. For example, using managerial political contributions to classify RL (and non-RL) firms, when the dependent variable is *R&D/Investment Expenditures*, the coefficient estimate is 9.917 (p-value of 0.04) and the sample average of *R&D/Investment Expenditures* is 21.68%.

In sum, the results of the triple-differences analyses are consistent with the proposition that the effect of Fox introduction on corporate investment and financing decisions is significantly different between RL firms and non-RL firms.

B. Fox Introduction in 2003

We use the years 2000 and 2003 as years of Fox introduction because of data availability on the broadcast coverage of Fox and because both years coincide with either the beginning or mid-term of the Bush presidency. Arguably, a “cleaner” test would encompass the year 2003 only because the shock represented by the introduction of Fox occurred during a period in which the Bush administration was already in office. For that reason, we re-estimate the regressions in Tables III and IV using only firm-year observations for the interval of 2002-2005 that surround the introduction of Fox into regions in 2003. These results are presented in an online appendix.

Corresponding to the results in Columns 1–3 of Panels A and B of Table III, the coefficients of *FoxIntro* using only the 2003 Fox introductions are all positive with p-values less than 0.05. Corresponding to the results in Columns 4-6 of Panels A and B of Tables III, the coefficients of *FoxIntro* are sometimes positive and sometimes negative and the p-values are all greater than 0.42. Thus, the significant positive relation between *FoxIntro* and the shift in corporate investment and financing decisions is reinforced using only 2003 as the shock, a year in which the Republican administration did not change, but managers were introduced to Fox broadcasts.

As regards option compensation, we re-estimate the regressions presented in Table IV using only the firms that were subject to Fox introduction in 2003. For the models corresponding to those reported in Columns 1 and 3, the coefficients of *FoxIntro* are both positive with p-values less than 0.05. In contrast, for the models corresponding to those in Columns 2 and 4, the p-values are both greater than 0.47.

In short, regardless of whether the empirical analysis uses the introduction of Fox in 2003 only or in both 2000 and 2003, we find that RL managers of firms headquartered in regions into which Fox was introduced shift upward their investment expenditures and their use of debt financing from before to after the introduction of Fox.

C. Fox Introduction and Employment

In their study, Baloria and Heese (2018) examine whether Democratic-leaning firms in regions with access to Fox broadcasts have a higher propensity to suppress bad news prior to the 2000 election and a higher propensity to release bad news subsequently than Democratic-leaning firms in regions with no access to Fox broadcasts. Their primary analysis examines extreme stock returns as a proxy for bad news. Their results are consistent with a suppress-and-release pattern of behavior. The authors note that one specific type of bad news is cuts in workforce. They report that Democratic-leaning firms in Fox broadcast regions have fewer worker layoffs prior to the election than Democratic-leaning firms elsewhere. Our study is similar to Baloria and Heese in that both are interested the connection between media slant and corporate behavior. Our study differs from theirs in that the corporate action in their study is the delay of the announcement of a decision that has already been made. Our study is interested in whether the media slant influences fundamental corporate operating and financing decisions. Nevertheless, if our results and hypothesis are correct, the effect should also show up in employment except in the opposite direction from Baloria and Heese. That is, if the Republican slant of Fox during a Republican administration positively influences corporate investment expenditures, those expenditures should be accompanied by workforce expansions.

To consider that prediction, we estimate the model of equation (1) with the dependent variable, $y_{i,t}$, being the natural logarithm of the number of employees of firm i in year t taken from *Compustat*. As before, the key independent variable is *FoxIntro*. The results for RL firms are given in Columns 1 and 3 of Table VI. As shown in the table, regardless of whether RL firms are classified according to political contributions or according to the state delegate vote in the presidential election, the coefficient of *FoxIntro* is positive with a p-value of 0.10. Thus, for RL

firms in regions into which Fox was introduced, the increase in employment from before to after Fox introduction was significantly greater than for RL firms in regions into which Fox was not introduced. The magnitude of the effect is slightly more than a 3% greater increase in employment. In comparison, among non-RL firms, with p-values of 0.77 and 0.68, the coefficients are statistically insignificant with the sign of one being negative and one being positive. Thus, the results in Table VI support our conjecture that during Republican presidencies, the more optimistic economic narrative set forth by Fox leads RL managers to invest more, and the increase in investment is associated with a greater labor force expansion.

D. Fox Introduction and Economic Prospects

One alternative explanation to our findings is that Fox chose to expand its broadcast areas into regions that were experiencing enhanced economic prospects. Mitigating this concern, prior studies report that the gradual geographic expansion of Fox is not attributable to the economic prospects of the regions into which Fox expanded. For example, Hopkins and Ladd (2014) report that the expansion of Fox was concentrated in larger US towns with more cable channels. DellaVinga and Kaplan (2007) and Clinton and Enamorado (2014) report that the gradual introduction of Fox across the US was primarily due to the ease with which Fox was able to negotiate an agreement with local cable providers.

To further address this concern, we compare GDP growth rates of regions with and without the introduction of Fox. We find that in 2000, the GDP growth rate of regions with the introduction of Fox was 6.83%, and the GDP growth rate of regions without the introduction of Fox was 6.91%. The 0.08% difference is statistically insignificant (p-value = 0.70). In 2003, the GDP growth rate of regions with the introduction of Fox was 4.13% and the GDP growth rate of regions without the introduction of Fox was 4.46%. Thus, GDP growth was higher in regions into which Fox was *not*

introduced (p-value for the difference = 0.02), supporting the conjecture that the economic prospect of a region did not drive the introduction of Fox.

E. Other Robustness Tests

We also conducted tests using different specifications of the data and the variables. First, to ensure that the results are not due to outlier observations, we estimate the RL regressions in Tables III and IV after winsorizing all variables at the 1st and 99th percentile. Second, because we do not use non-RL firms from *Compustat*, we drop the 128 supplemental RL firms from *Compustat* and re-estimate the RL regressions in Tables III and IV. Third, because a large number of firms have zero R&D, we estimate the R&D regressions with RL firms in Tables III and IV using a Tobit model. Fourth, rather than using market value leverage, we use book value leverage and re-estimate the RL regressions in Table III. Fifth, we had dropped 15 firms within the *Execucomp* universe that are missing CEO characteristics and compensation information. We include these firms inserting the sample average value of these variables. In all cases, the coefficient of $FoxIntro_{i,t}$ is positive with a p-value less than 0.05.

F. A Comment on Post-Fox Introduction Outcomes

One set of analyses that we do not undertake is an analysis of post-Fox introduction outcomes of RL managerial decisions. We do not have any predictions as to whether the influence of Fox broadcasts gave rise to appropriately more optimistic corporate decisions or whether the broadcasts gave rise to foolishly optimistic decisions. In particular, we do not have any predictions as to whether the more optimistic economic outlook portrayed by Fox in comparison with other news channels gives a more accurate representation of the true state of the economy. Further, given that we are observing only two sets of economic outcomes, those observations are likely to

be influenced by the “normal” vicissitudes of economic events that a longer time series would smooth. Regardless of the outcome, drawing inferences would be difficult.

VI. Conclusion

Using the geographic expansion of Fox as an exogenous shock to partisanship in media coverage, we find that Republican-leaning managers of firms headquartered in regions into which Fox was introduced shift upward their investment and debt financing policies and accept more option grants in their compensation from before to after the introduction of Fox. These findings indicate that even if corporate managers are aware of partisan media slant as suggested in Baloria and Heese (2018), they are not immune to such slant in making fundamental corporate (and some personal) investment and financing decisions. Our study highlights the importance of considering the heterogeneity in media reporting when researchers investigate the effect of the media on corporate actions. Our findings also have a modest message for corporate managers - - beware of the potential influence of confirmatory bias when seeking information about the macroeconomic outlook.

Appendix A. Variable Definitions

Fox News Variables	
FoxIntro	An indicator that equals one if the firm's headquarters has a zip code that is included in the townships into which Fox News was introduced either in 2000 or 2003, and the year of the firm observation is greater than either 2000 or 2003, correspondingly.
Post	An indicator that equals one if the firm-year observation is in 2001 or 2004.
RL	An indicator that equals one if (1) the firm's top five managers contribute more to the campaigns of Republican candidates than to those of Democratic candidates; (2) the firm's headquarters are located in a state in which the delegate votes went to George W. Bush in the 2000 presidential election.
Treated	An indicator that equals one if the firm's headquarter has a zip code that is included in the townships classified as regions into which Fox News was introduced in either 2000 or 2003.
Managerial Characteristics	
Age	CEO's age, updated annually.
Cash Compensation (in \$ thousands)	CEO's annual salary and bonus.
Delta	\$ change in CEO's compensation portfolio value for a 1% change in the stock price.
OptionGrants (in \$ thousands)	Dollar value of CEO's annual options granted.
Tenure	Years of service as CEO at the firm.
Vega	\$ change in CEO's compensation portfolio value for a 0.01 change in the annualized standard deviation of stock returns.
Firm Characteristics (the abbreviations and acronyms below refer to data items in <i>Compustat</i>)	
Assets (in \$ billions)	(AT)
CAPEX	(CAPX/AT)
Employees (in thousands)	EMP
Firm Age	Cumulative number of firm years listed in Compustat.
Investment Expenditure	(CAPX+RD+AQC-SPPE)/AT
Leverage	([DLC + DLTT] / [AT-CEQ+PRCC_C * CSHO])
M/B	([AT-CEQ+PRCC_C * CSHO] / CEQ)
Net PPE	(PPENT/AT)
R&D	(XRD/AT)
ROA	(EBITDA / AT _{t-1})
Sales (in \$ billions)	(SALE)
Sales Growth	(REVT / REVT _{t-1})
Stock Return	Annual stock return over the fiscal year.
Stock Return Volatility	Standard deviation of monthly stock returns in a year.
Surplus Cash	(OANCF - DPC+XRD)/AT
Z-Score	$3.3 * OIADP / AT + 1.2 * (ACT - LCT) / AT + SALE / AT + 0.6 * PRCC_C * CSHO / (DLTT + DLC) + 1.4 * RE / AT$

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Table I. Fox News Coverage

This table presents the number of towns across 35 US states with Fox News availability information in 1998, 2000, and 2003. The data were collected by DellaVigna and Kaplan (2007) from the *Television and Cable Factbook*.

State	Year		
	1998	2000	2003
Alaska	62	65	60
Alabama		513	495
Arkansas		505	489
California	994	1,083	1,055
Connecticut	176	186	187
Delaware		108	83
Florida		718	669
Hawaii		127	127
Iowa	142	797	685
Idaho	168	187	152
Illinois	24	1,388	1,333
Indiana	29	769	727
Massachusetts	363	377	352
Maryland	55	415	356
Maine	366	396	390
Michigan	1,279	1,321	1,235
Minnesota	549	855	779
Missouri		782	726
Montana		141	137
North Dakota	1	211	182
New Hampshire	241	268	254
New Jersey	27	693	612
New York	1,275	1,431	1,323
Ohio	1,728	1,791	1,673
Oklahoma		478	460
Oregon	3	343	304
Pennsylvania	2,414	2,572	2,407
Rhode Island	44	48	35
South Carolina		321	273
Tennessee		447	405
Utah	3	195	189
Virginia		465	442
Vermont	199	218	194
Wisconsin	774	882	787
Wyoming		99	95
# Towns with Fox News availability information	10,916	21,195	19,672
# Towns with Fox News broadcast	1,030	3,830	10,388
% Towns with Fox News broadcast	9.44%	18.07%	52.81%

Table II. Descriptive Statistics

This table presents descriptive statistics for the sample of firm-year observations over the period of 1998-2005. Panels A and B describe the number of observations (N), mean, standard deviation (SD), the first quartile (Q1), median, and the third quartile (Q3) for managerial and firm-specific characteristics, respectively. All variables are defined in Appendix A.

	N	Mean	SD	Q1	Median	Q3
<u>Panel A: Managerial Characteristics</u>						
Age (in years)	7,847	55.43	7.74	50.00	55.00	60.00
Cash Compensation (in \$ thousands)	7,847	1340.22	1352.71	559.67	942.20	1610.00
Delta	7,847	8.68	19.91	0.97	2.96	8.69
Option Grants (in \$ thousands)	7,118	3151.03	11,431.49	58.04	880.87	2810.74
Tenure (in years)	7,847	7.77	7.63	2.00	5.00	10.00
Vega	7,847	1.43	2.31	0.20	0.70	1.37
<u>Panel B: Firm Characteristics</u>						
Assets (in \$ billions)	7,847	11.07	59.52	0.45	1.22	4.06
CAPEX [%]	7,847	3.76	3.87	2.09	2.77	4.43
Employees (in thousands)	7,807	14.17	28.97	1.40	4.29	12.26
Firm Age (in years)	7,847	22.16	15.77	9.00	16.00	35.00
Investment Expenditures [%]	7,847	11.93	11.06	5.96	10.52	14.84
Leverage [%]	7,585	16.58	16.60	2.15	12.46	25.70
M/B	7,847	2.15	1.80	1.14	1.51	2.35
Net PPE [%]	7,847	21.84	18.95	6.58	16.94	32.19
R&D [%]	7,580	3.92	8.48	0.00	5.01	12.30
ROA [%]	7,847	1.78	21.52	0.97	3.85	7.89
Sales (in \$ billions)	7,847	3.62	9.06	0.35	0.93	2.62
Sales Growth [%]	7,847	0.14	0.30	0.00	0.08	0.21
Stock Return [%]	7,847	0.01	0.02	0.02	0.04	0.07
Stock Return Volatility [%]	7,847	3.09	1.71	1.92	2.64	3.79
Surplus Cash [%]	7,847	3.45	12.34	0.85	3.82	8.43
Z-score	7,847	7.90	14.78	2.99	3.71	6.19

Table III. Differences-in-Differences Analysis of Investment and Financing Decisions and Fox News Introduction

This table presents results of the differences-in-differences regression analysis of corporate investment and financing decisions against *FoxIntro* and various control variables for firm-year observations over the period of 1998 through 2005. The dependent variables are a firm's annual investment expenditures-to-total assets ratio times 100, annual R&D-to-investment expenditures ratio times 100, and leverage ratio times 100 in Columns 1 and 4, 2 and 5, and 3 and 6 respectively. Panel A presents the results where a firm is classified as RL based on managements' contributions to Republican candidates. Panel B presents the results where a firm is classified as RL based on the state presidential delegate vote in the 2000 presidential election. Variables are defined in Appendix A.1. All regressions control for year and firm fixed effects. Standard errors are clustered at firm level. The coefficients of the constant, year, and firm dummies are omitted for brevity. The p-values are reported in parentheses. ***, **, and * indicate significance at 1%, 5%, and 10%, respectively.

Panel A. RL firms classified based on managerial political contributions

Dependent Variables	Managerial Political Contribution – RL			Managerial Political Contribution - Non-RL		
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)
<i>FoxIntro</i>	2.505** (0.03)	15.840** (0.05)	2.288*** (0.01)	-0.490 (0.39)	0.564 (0.72)	-0.558 (0.34)
<u>Managerial Characteristics</u>						
Age 40-49	-0.217 (0.86)	-11.263 (0.30)	0.292 (0.82)	1.640* (0.08)	1.411 (0.64)	-1.909** (0.02)
Age 50-59	-0.309 (0.75)	-13.529 (0.32)	0.939 (0.34)	0.851 (0.30)	0.680 (0.79)	-0.958 (0.12)
Age > 60	-0.071 (0.94)	-10.255 (0.43)	-0.071 (0.95)	0.977 (0.28)	1.338 (0.59)	-0.349 (0.61)
Ln(Tenure)	-0.104* (0.07)	-0.327 (0.43)	0.062 (0.30)	0.031 (0.34)	-0.004 (0.98)	-0.029 (0.46)
Vega	-0.007 (0.96)	-0.233 (0.73)	-0.232 (0.24)	0.114 (0.26)	-0.688* (0.09)	-0.356*** (0.01)
Delta	0.024 (0.16)	-0.006 (0.88)	-0.036 (0.11)	-0.017 (0.13)	0.001 (0.96)	-0.027** (0.01)
<u>Firm Characteristics</u>						
Ln(Assets)	1.236 (0.13)	-9.000* (0.06)	2.078* (0.06)	-0.540 (0.49)	-5.313** (0.04)	3.019*** (0.00)
Sales	0.054 (0.14)	-0.089 (0.67)	-0.026 (0.42)	0.010 (0.85)	0.099 (0.38)	-0.031 (0.53)

Table III. Continued

Dependent Variables	Managerial Political Contribution – RL			Managerial Political Contribution - Non-RL		
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)
M/B	0.380 (0.22)	-1.788 (0.27)	-1.472*** (0.00)	0.826** (0.03)	0.165 (0.79)	-0.785*** (0.00)
Surplus Cash	-12.664 (0.18)	-51.398 (0.11)		-20.424 (0.13)	-5.525 (0.67)	
Sales Growth	-0.154 (0.92)	1.940 (0.77)		2.481*** (0.00)	-1.754 (0.65)	
Stock Return	-2.323 (0.27)	0.956 (0.85)		-2.082** (0.04)	9.704* (0.09)	
Leverage	6.518** (0.01)	3.999 (0.78)		4.111 (0.11)	5.643 (0.33)	
ROA			-7.649** (0.02)			-3.513*** (0.01)
Net PPE			-4.402 (0.46)			9.407** (0.04)
R&D			6.939 (0.43)			1.213 (0.72)
Z-score			-0.039*** (0.00)			-0.030*** (0.00)
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,656	2,623	2,633	5,191	4,957	4,952
Adj. R^2	0.480	0.082	0.786	0.588	0.456	0.855

Table III. Continued

Panel B. RL firms classified based on state presidential delegate vote

Dependent Variables	State Presidential Delegate Vote – RL			State Presidential Delegate Vote – Non-RL		
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)
<i>FoxIntro</i>	1.802** (0.02)	13.343*** (0.00)	1.902** (0.04)	-0.181 (0.77)	2.570 (0.48)	-0.745 (0.16)
<u>Managerial Characteristics</u>						
Age 40-49	1.554* (0.10)	3.228 (0.13)	-2.754 (0.13)	1.130 (0.19)	-3.767 (0.44)	-0.933 (0.13)
Age 50-59	0.586 (0.44)	1.176 (0.46)	-0.533 (0.64)	0.464 (0.54)	-5.547 (0.32)	-0.370 (0.48)
Age > 60	1.029 (0.20)	1.478 (0.49)	-0.568 (0.62)	0.750 (0.37)	-2.671 (0.67)	-0.458 (0.46)
Ln(Tenure)	-0.051 (0.22)	0.026 (0.89)	0.045 (0.51)	0.009 (0.77)	-0.171 (0.50)	-0.012 (0.73)
Vega	-0.231 (0.25)	-0.500 (0.62)	-0.525 (0.19)	0.127 (0.14)	-0.558 (0.17)	-0.271*** (0.01)
Delta	-0.008 (0.70)	-0.046 (0.38)	-0.092*** (0.00)	-0.002 (0.88)	0.077 (0.31)	-0.020** (0.03)
<u>Firm Characteristics</u>						
Ln(Assets)	1.460 (0.12)	-1.349 (0.54)	3.886** (0.02)	-0.594 (0.37)	-7.354** (0.02)	2.578*** (0.00)
Sales	0.147 (0.40)	0.094 (0.83)	0.003 (0.99)	0.042 (0.12)	0.012 (0.92)	-0.036 (0.16)

Table III. Continued

Dependent Variables	State Presidential Delegate Vote – RL			State Presidential Delegate Vote – Non-RL		
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)
M/B	0.284 (0.38)	1.069 (0.16)	-1.634*** (0.00)	0.716** (0.02)	-0.763 (0.31)	-0.907*** (0.00)
Surplus Cash	-4.685 (0.19)	-0.365 (0.96)		-20.020* (0.08)	-17.049 (0.17)	
Sales Growth	2.962*** (0.01)	2.065 (0.73)		1.452 (0.11)	-0.949 (0.80)	
Stock Return	-0.277 (0.81)	4.981 (0.48)		-2.619** (0.01)	5.410 (0.32)	
Leverage	5.024* (0.07)	0.067 (0.99)		4.912** (0.04)	5.015 (0.31)	
ROA			-16.600*** (0.01)			-3.135*** (0.01)
Net PPE			1.002 (0.90)			5.573 (0.16)
R&D			39.713*** (0.00)			0.692 (0.81)
Z-score			-0.043*** (0.00)			-0.032*** (0.00)
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,023	1,933	1,894	5,824	5,647	5,691
Adj. R^2	0.418	0.191	0.783	0.576	0.215	0.844

Table IV. Managerial Stock Options Granted and Fox Introduction

This table presents the results of the differences-in-differences regression analysis of managerial options granted against *FoxIntro* and various control variables. The dependent variable is the natural logarithm of one plus annual *OptionGrants*. Columns 1 and 2 present the results of the differences-in-differences regression analysis over the period of 1998 through 2005 where a firm is classified as RL based on the firm's managerial political contributions. Columns 3 and 4 present the results of the differences-in-differences analysis over the period of 1998 through 2005 where a firm is classified as RL based on the firm's state presidential delegate vote in the 2000 presidential election. Variables are defined in Appendix A. All regressions control for year and firm fixed effects. Standard errors are clustered at firm level. The coefficients of the constant, year, and firm dummies are omitted from the table for brevity. The p-values are reported in parentheses. ***, **, and * indicate significance at 1%, 5%, and 10%, respectively.

	Managerial Political Contributions		State Presidential Delegate Vote	
	RL (1)	Non-RL (2)	RL (3)	Non-RL (4)
<i>FoxIntro</i>	0.901*** (0.00)	-0.213 (0.34)	0.657** (0.04)	0.001 (1.00)
<u>Managerial Characteristics</u>				
Age 40-49	1.168*** (0.01)	0.701** (0.02)	0.030 (0.95)	1.156*** (0.00)
Age 50-59	0.417 (0.28)	0.854*** (0.00)	0.107 (0.79)	0.939*** (0.00)
Age > 60	0.445 (0.27)	0.621** (0.04)	0.210 (0.64)	0.759*** (0.00)
Ln(Tenure)	-0.070*** (0.00)	-0.065*** (0.00)	-0.102*** (0.00)	-0.058*** (0.00)
Vega	0.151** (0.01)	0.330*** (0.00)	0.223* (0.06)	0.284*** (0.00)
Delta	-0.007 (0.41)	0.003 (0.67)	-0.003 (0.81)	-0.000 (0.95)
Cash Compensation	0.003** (0.05)	-0.002** (0.02)	0.002 (0.22)	-0.000 (0.87)
<u>Firm Characteristics</u>				
Ln(Assets)	0.938*** (0.00)	0.628*** (0.00)	1.054*** (0.00)	0.703*** (0.00)
Sales	-0.012 (0.55)	-0.046 (0.12)	-0.028 (0.63)	-0.026 (0.22)
M/B	0.003 (0.97)	0.117** (0.04)	0.086 (0.55)	0.071 (0.13)
ROA	-0.068 (0.90)	0.035 (0.94)	-0.184 (0.87)	-0.028 (0.94)
Leverage	-1.580** (0.03)	-0.751 (0.17)	-1.580 (0.15)	-0.846* (0.05)
R&D	4.144** (0.01)	-0.409 (0.74)	11.706*** (0.00)	0.072 (0.94)
CAPEX	1.191 (0.69)	-1.198 (0.59)	-0.913 (0.82)	-0.404 (0.83)

Table IV. Continued

	Managerial Political Contribution		State Presidential Delegate Vote	
	RL (1)	Non-RL (2)	RL (3)	Non-RL (4)
Stock Return Volatility	0.136 (0.13)	0.061 (0.39)	0.022 (0.83)	0.039 (0.53)
Surplus Cash	1.760* (0.05)	0.521 (0.53)	0.733 (0.55)	0.824 (0.24)
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	2,530	4,588	1,746	5,372
Adj. R^2	0.413	0.390	0.421	0.385

Table V. Triple-differences Analysis of Fox Introduction

This table presents results of triple difference regression analysis of corporate investment and financing decision for the sample of firm-year observations over the years of 1999, 2001, 2002 and 2004. The dependent variables are a firm's annual investment expenditure to total assets ratio times 100 in Columns 1 and 5, annual R&D to investment expenditure ratio times 100 in Columns 2 and 6, leverage ratio times 100 in Columns 3 and 7, and *OptionGrants* in Columns 4 and 8. Columns 1 through 4 present the results of the triple differences regression analysis where RL is classified based on the firm's managerial political contributions. Columns 5 through 8 present the results of the triple differences analysis where RL is classified based on the firm's state presidential delegate vote. *Treated* is a dummy variable that takes the value of one if Fox was introduced to firm *i*, and zero otherwise. *Post* is a dummy variable that takes the value of one if the firm-year observation is in year 2001 or 2004, and zero otherwise. *RL* is a dummy variable that takes the value of one if the managers of the firm are Republican-leaning, and zero otherwise. Other variables are defined in Appendix A. All regressions control for year and firm fixed effects. Standard errors are clustered at firm level. The coefficients of the constant, year, and firm dummies are omitted for brevity. The p-values are reported in parentheses. ***, **, and * indicate significance at 1%, 5%, and 10%, respectively.

Dependent Variables	Managerial Political Contribution				State Presidential Delegate Vote			
	(1) Investment Expenditures/Total Assets (%)	(2) R&D/Investment Expenditures (%)	(3) Leverage (%)	(4) Log (1+ OptionGrants)	(5) Investment Expenditures/ Total Assets (%)	(6) R&D/Investment Expenditures (%)	(7) Leverage (%)	(8) Log (1+ OptionGrants)
Treated × Post	-0.040 (0.95)	2.038 (0.34)	-0.126 (0.82)	0.038 (0.89)	-0.132 (0.84)	1.141 (0.63)	0.038 (0.94)	0.038 (0.22)
Post × RL	0.584 (0.44)	0.703 (0.84)	0.003 (1.00)	0.419 (0.14)	0.944 (0.36)	-0.816 (0.75)	0.606 (0.49)	0.240 (0.51)
Treated × Post × RL	2.201* (0.08)	9.917** (0.04)	2.583** (0.02)	0.322* (0.07)	1.841* (0.07)	13.049*** (0.00)	1.912** (0.03)	0.524** (0.03)
<u>Managerial Characteristics</u>								
Age 40-49	1.352 (0.25)	6.093 (0.17)	-1.160 (0.25)	0.649* (0.09)	1.428 (0.23)	6.229 (0.16)	-1.140 (0.26)	0.654* (0.09)
Age 50-59	1.142 (0.31)	2.297 (0.55)	-0.437 (0.63)	0.822** (0.01)	1.208 (0.29)	2.348 (0.54)	-0.451 (0.62)	0.851*** (0.01)
Age > 60	1.656 (0.17)	1.462 (0.70)	-0.692 (0.47)	0.732* (0.05)	1.793 (0.14)	1.860 (0.62)	-0.628 (0.51)	0.737* (0.05)
Ln(Tenure)	-0.022 (0.60)	0.101 (0.52)	-0.023 (0.62)	-0.078*** (0.00)	-0.026 (0.54)	0.090 (0.56)	-0.024 (0.59)	-0.076*** (0.00)
Vega	-0.029 (0.85)	-0.386 (0.37)	-0.384** (0.02)	0.354*** (0.00)	-0.027 (0.86)	-0.394 (0.36)	-0.382** (0.02)	0.352*** (0.00)

Table V. Continued

Dependent Variables	Managerial Political Contribution				State Presidential Delegate Vote			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Log (1+ OptionGrants)	Investment Expenditures/Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Log (1+ OptionGrants)
Delta	-0.008 (0.65)	0.012 (0.73)	-0.036** (0.03)	-0.013 (0.17)	-0.008 (0.67)	0.012 (0.74)	-0.036** (0.03)	-0.013 (0.17)
Cash Compensation				-0.001 (0.35)				-0.001 (0.59)
<u>Firm Characteristics</u>								
Ln (Assets)	0.797 (0.36)	-5.398* (0.08)	3.497*** (0.00)	0.658** (0.01)	0.893 (0.30)	-5.052 (0.11)	3.542*** (0.00)	0.670*** (0.01)
Sales	0.048 (0.26)	-0.001 (1.00)	-0.017 (0.74)	-0.014 (0.70)	0.053 (0.22)	0.012 (0.92)	-0.012 (0.80)	-0.013 (0.74)
M/B	0.912** (0.04)	-0.785 (0.20)	-0.990*** (0.00)	0.078 (0.23)	0.900** (0.05)	-0.791 (0.20)	-0.995*** (0.00)	0.073 (0.27)
Surplus Cash	-24.987* (0.09)	1.787 (0.81)		1.780* (0.10)	-24.990* (0.09)	1.665 (0.82)		1.963* (0.07)
Sales Growth	1.911* (0.09)	-1.928 (0.57)			1.872* (0.10)	-2.004 (0.55)		
Stock Return	-1.278 (0.34)	2.000 (0.50)			-1.153 (0.38)	2.601 (0.40)		
Leverage	6.272** (0.02)	-0.438 (0.94)		-1.012 (0.13)	6.054** (0.03)	-0.763 (0.90)		-1.073 (0.11)
ROA			-2.645 (0.12)	-0.112 (0.84)			-2.664 (0.11)	-0.131 (0.82)
Net PPE			6.828 (0.24)				6.500 (0.27)	
R&D			8.387 (0.15)	2.048 (0.12)			8.250 (0.15)	2.524* (0.06)

Table V. Continued

Dependent Variables	Managerial Political Contribution			State Presidential Delegate Vote				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Investment Expenditures/ Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Log(1+ OptionGrants)	Investment Expenditures/ Total Assets (%)	R&D/Investment Expenditures (%)	Leverage (%)	Log(1+ OptionGrants)
Z-score			-0.034*** (0.00)				-0.034*** (0.00)	
CAPEX				-1.464 (0.62)				-1.473 (0.61)
Stock Return Volatility				0.050 (0.59)				0.045 (0.63)
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,900	3,767	3,771	3,531	3,900	3,767	3,771	3,531
Adj. R^2	0.602	0.519	0.830	0.382	0.600	0.519	0.830	0.378

Table VI. Employment and Fox Introduction

This table presents the results of the differences-in-differences regression analysis of the number of employees against *FoxIntro* and various control variables. The dependent variable is the natural logarithm of annual number of employees. Columns 1 and 2 present the results of the differences-in-differences regression analysis over the period of 1998 through 2005 where a firm is classified as RL based on the firm's managerial political contributions. Columns 3 and 4 present the results of the differences-in-differences analysis over the period of 1998 through 2005 where a firm is classified as RL based on the firm's state presidential delegate vote in the 2000 presidential election. Variables are defined in Appendix A. All regressions control for year and firm fixed effects. Standard errors are clustered at firm level. The coefficients of the constant, year, and firm dummies are omitted from the table for brevity. The p-values are reported in parentheses. ***, **, and * indicate significance at 1%, 5%, and 10%, respectively.

	Managerial Political Contribution		State Presidential Delegate Vote	
	RL (1)	Non-RL (2)	RL (3)	Non-RL (4)
FoxIntro	0.031* (0.10)	-0.005 (0.77)	0.037* (0.10)	0.007 (0.68)
<u>Managerial Characteristics</u>				
Age 40-49	-0.005 (0.84)	-0.024 (0.37)	-0.030 (0.50)	-0.021 (0.34)
Age 50-59	0.006 (0.78)	-0.005 (0.83)	0.040 (0.19)	-0.008 (0.71)
Age > 60	0.010 (0.64)	-0.004 (0.87)	0.044 (0.23)	-0.009 (0.66)
Ln(Tenure)	0.001 (0.46)	0.000 (0.93)	-0.001 (0.68)	0.001 (0.35)
Vega	0.007* (0.08)	0.003 (0.42)	0.005 (0.65)	0.005* (0.08)
Delta	-0.001** (0.02)	0.000 (0.55)	-0.001** (0.02)	-0.000 (0.72)
<u>Firm Characteristics</u>				
Ln(Assets)	0.504*** (0.00)	0.394*** (0.00)	0.407*** (0.00)	0.433*** (0.00)
Sales	0.004 (0.20)	0.010*** (0.00)	0.009 (0.21)	0.006** (0.04)
M/B	0.010* (0.07)	0.000 (0.96)	-0.008 (0.42)	0.005 (0.25)
Surplus Cash	-0.077 (0.38)	-0.112** (0.03)	0.010 (0.92)	-0.126** (0.01)
Sales Growth	0.004 (0.86)	0.031 (0.10)	0.027 (0.49)	0.020 (0.23)
Stock Return	-0.019 (0.51)	0.030 (0.25)	-0.013 (0.70)	0.025 (0.31)

Table VI. Continued

	Managerial Political Contribution		State Presidential Delegate Vote	
	RL (1)	Non-RL (2)	RL (3)	Non-RL (4)
Leverage	-0.046 (0.52)	-0.066 (0.51)	-0.096 (0.53)	-0.044 (0.56)
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	2,628	5,077	1,962	5,743
Adj. R^2	0.988	0.974	0.974	0.981