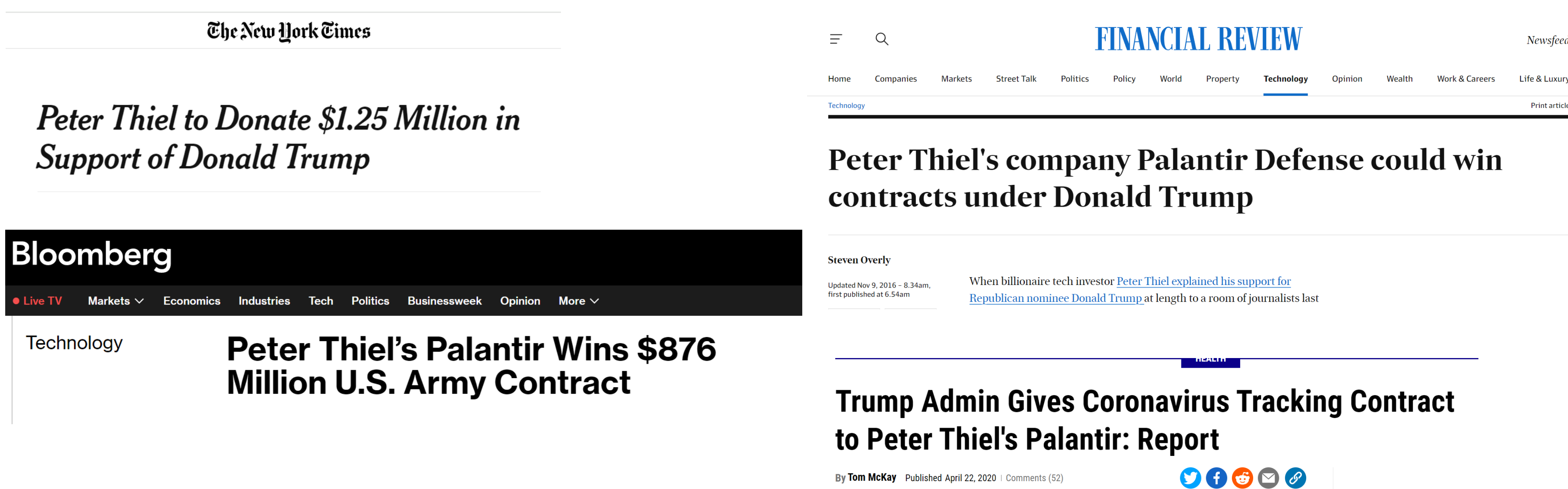


## Introduction



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

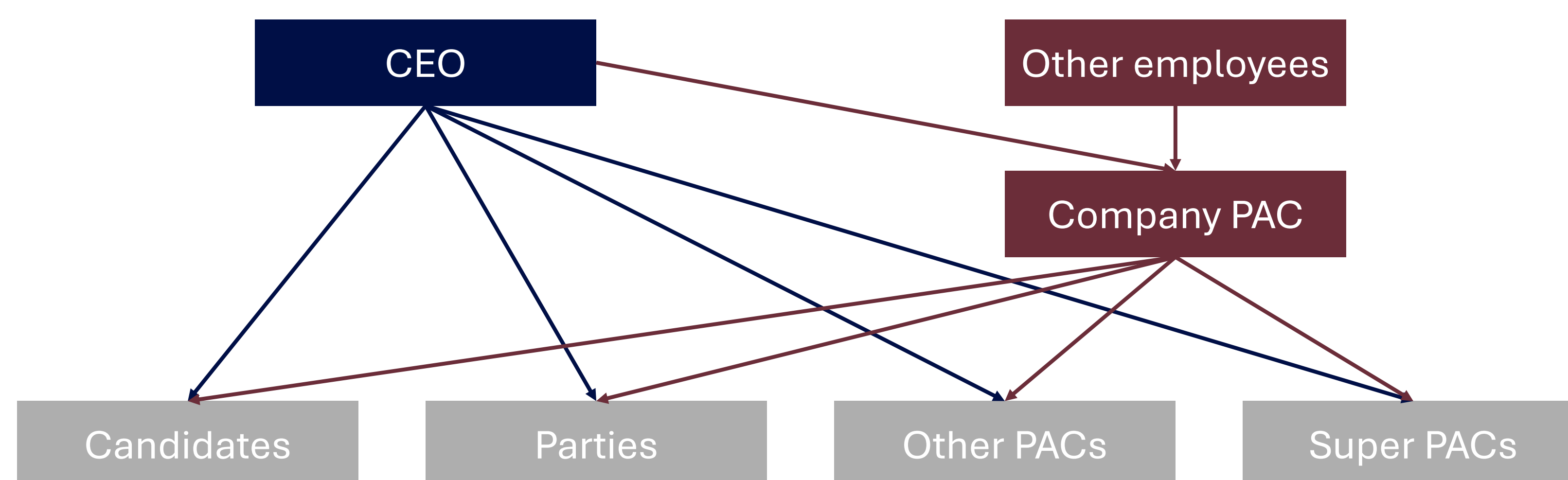


Figure 1: Political contribution paths for company PACs and CEOs

## Methodology

$$Y_{j,d,t} = \beta_0 + \beta_1 TYearPC_{i,d,t-1} + \beta_2 TYearPC\_PAC_{j,d,t-1} + \beta_3' X_{j,t-1} + \beta_4' Y_{j,t-1} + \beta_5' Z_{i,t} + c_i + \gamma_t + \lambda_j + \delta_d + \epsilon_{j,t}$$

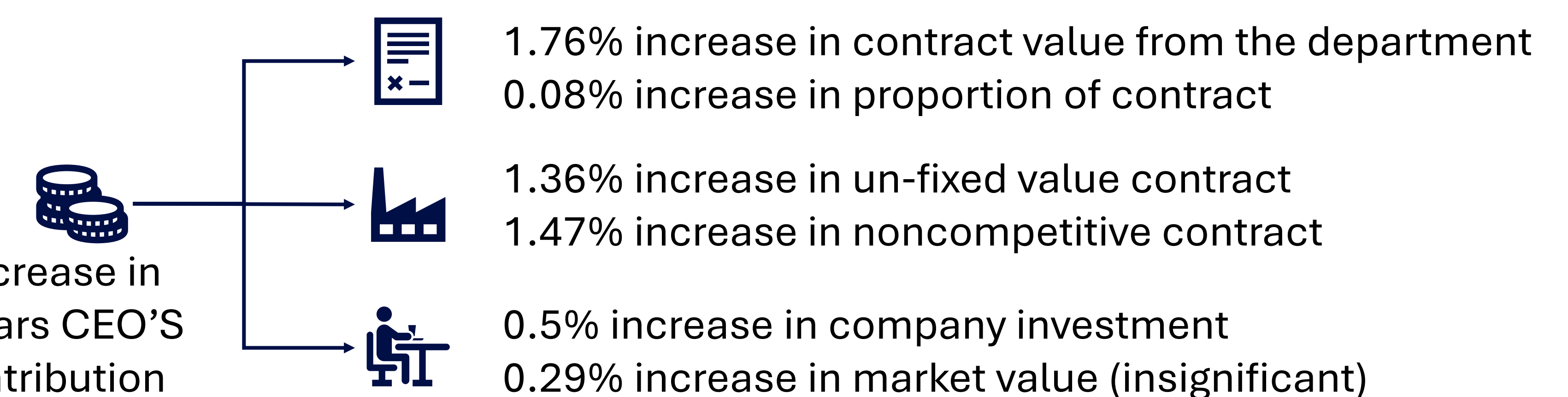
- $Y_{j,d,t}$  is the economic benefit, such as government contract value from a given department
- $TYearPC_{i,d,t-1}$  is the measure of CEO's political contribution in prior T years
  - Measure 1: total contribution dollar value to a department in the past T years
  - Measure 2: total supported candidates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

## Data

- Sample size: The intersection of all Execucomp and BoardEx companies: 2531 firms, 2000-2022
- Contribution data: OpenSecret 1989-2022 (17 Cycles), longer than sample period to check CEO's full contribution history
- Contract data: Federal Procurement Data System (FPDS) annual newly issued contracts
- Election data: Federal Election Commission (FEC) 2000-2022
- CEO, director and firm information: Execucomp, BoardEx, and Compustat

## Results

	(1)	(2)
	Ln Contract Value	Percent
Ln 4YearContriDep	0.0176*** (3.32)	0.0008** (2.06)
Controls	Y	Y
FEs	Y	Y
N	528,122	528,122
R-squared	0.42	0.08
	(3)	(4)
	Ln Unfixed Cont	Ln Noncompetitive Cont
Ln 4YearContriDep	0.0136*** (3.73)	0.0147*** (3.24)
Controls	Y	Y
FEs	Y	Y
N	528,122	528,122
R-squared	0.28	0.33
	(5)	(6)
	Ln Investment	Ln Market Value
Ln4YearContri	0.0047*** (3.47)	0.0029 (1.59)
Controls	Y	Y
FEs	Y	Y
N	30,546	30,546
R-squared	0.95	0.92



## Close elections

	(1)	(2)	(3)	(4)	(5)	(6)
	$\Delta$ Contract Value in mil					
Lost P	-354.15 (-0.60)				-280.52 (-0.48)	
Won P		553.48** (2.36)			521.12** (2.33)	
Amount Lost			-0.03 (-0.44)			-0.03 (-0.37)
Amount Won				0.17** (2.07)		0.17** (2.06)
Controls & FEs	Y	Y	Y	Y	Y	Y
Observations	1,378	1,378	1,378	1,378	1,378	1,378

## Takeaways

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