

CEOs' Political Contribution and Rewards

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Introduction

The New York Times

Peter Thiel to Donate \$1.25 Million in Support of Donald Trump

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Peter Thiel's Palantir Wins \$876 Million U.S. Army Contract

Results

	(1)	(2)
	Ln Contract Value	Percent
Ln 4YearContriDep	0.0176***	0.0008**
	(3.32)	(2.06)
Controls	Y	Y
FEs	Y	Y
Ν	528,122	528,122
R-squared	0.42	0.08

Trump Admin Gives Coronavirus Tracking Contract to Peter Thiel's Palantir: Report By Tom McKay Published April 22, 2020 | Comments (5)

□ 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?

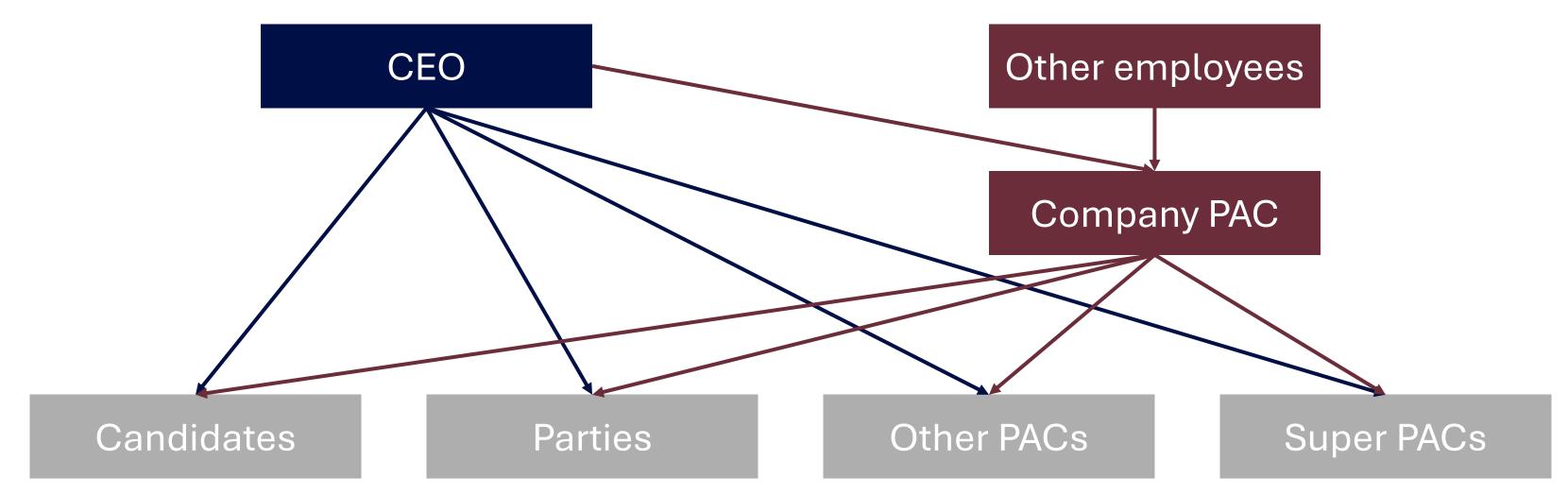


Figure 1: Political contribution paths for company PACs and CEOs

		(3)	(4)		
		Ln Unfixed Cont	Ln Noncompetitive Cont		
_	Ln 4YearContriDe	p 0.0136***	0.0147***		
		(3.73)	(3.24)		
	Controls	Y	Y		
	FEs	Y	Y		
	Ν	528,122	528,122		
	R-squared	0.28	0.33		
		(5)	(6)		
		Ln Investment	Ln Market Value		
	Ln4YearContri	0.0047***	0.0029		
		(3.47)	(1.59)		
Let T	Controls	Y	Y		
	FEs	Y	Y		
	Ν	30,546	30,546		
	R-squared	0.95	0.92		
		1.76% increase in contract value from the department 0.08% increase in proportion of contract			
		1.36% increase in un-fixed			

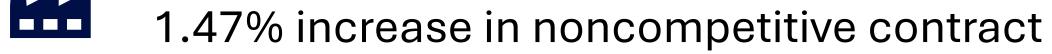
Methodology

- $Y_{i,d,t} = \beta_0 + \beta_1 TY ear PC_{i,d,t-1} + \beta_2 TY ear PC_PAC_{i,d,t-1}$ $+\beta'_{3}X_{i,t-1} + \beta'_{4}Y_{i,t-1} + \beta'_{5}Z_{i,t} + c_{i} + \gamma_{t} + \lambda_{i} + \delta_{d} + \epsilon_{i,t}$
- $\Box Y_{i,d,t}$ is the economic benefit, such as government contract value from a given department
- \Box 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
- \Box *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

- **G** Sample size: The intersection of all Execucomp and BoardEx companies: 2531 firms, 2000-2022
- □ Contribution data: OpenSecret 1989-2022 (17 Cycles), longer than sample

100% increase in last 4 years CEO'S total contribution



0.5% increase in company investment 0.29% increase in market value (insignificant)

Close elections

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



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

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

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CEO contributions bring economic benefits to the firm