MOTIVATIONS FOR CORPORATE POLITICAL ACTIVITY

Adam Fremeth*
Brian Kelleher Richter†
Brandon Schaufele‡

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Abstract
Campaign contributions are typically seen as a strategic investment for firms; recent empirical evidence, however, has shown few connections between firms' political investments and regulatory or performance improvements, prompting researchers to explore agency-based explanations for corporate politics. By studying intra-firm campaign contributions of CEOs and political action committees (PACs), we investigate these two hypotheses surrounding public politics and demonstrate that strategic and agency-based motivations may hold simultaneously. Exploiting transaction-level data, with over 6.8 million observations, we show that (i) when PACs give to specific candidates, executives give to the same candidates, especially those who are strategically important to the firm; and (ii) when executives give to candidates who are not strategically important, PACs give to the same candidates potentially due to agency problems within the firm.
Keywords: Corporate political activity; campaign contributions; CEOs; political action committees (PACs); non-market strategy, intra-organizational dynamics

* afremeth@ivey.uwo.ca; Assistant Professor of Business, Economics, and Public Policy, Ivey Business School, University of Western Ontario
† brian.richter@mccombs.utexas.edu; Assistant Professor of Business, Government, and Society, McCombs School of Business, University of Texas at Austin
‡ bschaufele@ivey.uwo.ca; Assistant Professor of Business, Economics, and Public Policy, Ivey Business School, University of Western Ontario

INTRODUCTION

The public politics and corporate political activity (CPA) literatures have sought parsimonious explanations for firm spending (Hillman, Keim, and Schuler 2004). Strategic investments in corporate politics are seen to open doors, allow for information exchange, and buy policy outcomes (Austen-Smith, 1995; Holburn and Vanden Bergh 2014). Failing to link firms' CPA to legislative and regulatory outcomes or performance benefits, researchers often attribute the lack of results to agency-based explanations (Jensen and Meckling 1976) for corporate politics where firms squander resources via political involvement (e.g. Aggrawal, Wang, and Meschke 2012; Hadani and Schuler 2013). Both stories are theoretically plausible and conflicting empirical evidence makes it challenging to give primacy to one explanation. Our collective tendency to celebrate the winner of a given race and to dismiss others due to false dichotomies in empirical tests has impeded our ability to build reliable insights into CPA and the effectiveness of nonmarket strategies. Instead it is reasonable to expect that both these explanations may exist concurrently.

In the context of public politics, we show that both strategic and agency-based motivations hold simultaneously for corporate-linked actors. Rather than looking at organization-level political activity and its relationship to firm outcomes where it is challenging to disentangle these hypotheses, we emphasize the internal dynamics of a firm's CPA where multiple agents may be acting on a firm's behalf. We focus on transactions, which we define as the unique campaign contributions from any firm-linked actor to a political candidate. Exploiting these firm-candidate pairs as the unit of analysis enables us to explore the relationships between CEOs and Political Action Committees (PACs)—both of which could represent either the firm or the executive through their contribution activity depending upon the underlying motivations—

and particular candidates. We claim that this is the only level of analysis where we can find evidence for the simultaneity of both motivations—as it does not necessitate mutually exclusive interpretations of regression results.

Strategic motivations appear when the politician receiving a campaign contribution is instrumental to an organization, while agency motivations appear when the politician receiving a campaign contribution is personally relevant to the organization's executives. An important reason for focusing on intra-firm dynamics is that the magnitude of firm-level outcomes relative to contributions poses challenges for accurate measurement. The amounts spent on political investments are small relative to their potential payoffs, even though the probabilities of success are low (Kang 2012). Assume a firm, for example, were offered the following scenario: they could invest in a politically sensitive project that paid $2,000,000 with a 1% probability and $0 with 99% probability. If the firm spent $10,000 to engage in public politics to obtain project approval (the maximum legal amount for PACs to contribute in an election cycle), the expected value of this project is $20,000 and the expected rate of return is 100%. This successful project would be difficult to detect empirically because it comprises less than one twentieth of 1% of the revenue of the S&P 500's smallest firm. Hence, in our analysis we juxtapose organizations' political transactions directly against their executives' personal political transactions. This helps gauge the degree to which one actor follows the other's lead in taking either strategic or agency-based actions. This represents a departure from the literature that has generally focused on firm performance as the outcome and not the behavior of other firm-linked actors.

Specifically, we examine what happens when either political action committees (PACs) or CEOs give to particular candidates at legal limits—i.e., when they face exogenously imposed constraints on how much they can contribute to any candidate. We do so in a novel dataset

covering all campaign contributions made by either S&P500 firms or their CEOs to any Congressional candidate in election cycles between 1991 and 2008 resulting in 6,803,661 firm-candidate pairs. Once a PAC or executive reaches their campaign contribution limit, they could continue to support a candidate by inducing some other individual or organization to contribute. Our research design, by recognizing these constraints, helps us unravel dueling motivations that underlie giving because, presumably, if limits did not exist both PACs and executives would be free to and hence would choose to give more on their own. We find two key results that support both an agency and strategy interpretation of CPA. First, when PACs give to specific candidates at legal limits, executives are 14% more likely to give to the same candidates and more likely to give more money when those candidates are chairs of Congressional committees that are relevant to the firm—consistent with strategic motivations for campaign contributions spilling-over from the PAC to the executive. Second, we find that when executives give at legal limits to candidates who are not strategic committee chairs their firm's PACs are 45% more likely to give to the same candidates and more likely to give more money—consistent with agency explanations for PAC giving.

A unique feature of our approach is that it examines the public politics of all firms in the S&P 500. Analyses that focus on within industry data may overlook the nuances of public politics that are systematic across sectors. For instance, if we look at the proportion of CEO or PAC contributions across industries that are at the statutory limits for election cycles no clear trend emerges. PACs at firms in the Furniture and Fixtures industry (SIC 25) hit the campaign contribution limit to a particular candidate 15% of the time when they make a contribution. In contrast, the PACs at firms in the Oil and Gas sector (SIC 13), a sector generally considered to be politically active, only hit these limits 1% of the time. Further, an obsession with outcomes

and performance overlooks attempts to tease apart motivations and drivers of public politics. As a result, this paper explores public politics through executive-firm relationships within firms in all industries and sets aside these outcome variables.

Cross-industry analysis allows us to make more generalizable claims about public politics. This is especially important as most research in this area has focused on heavily regulated industries, such as finance and energy. Firms in these industries have clear motivations for engaging politicians and often do so in concert with each other and industry associations; however, studying them could come at a cost of generalizability of results beyond these specialized sectors. Additionally, we demonstrate the relevance of the intra-organizational aspects of public politics and how executives and their firm-linked PACs respond to one another. By digging into the particular transactions that are undertaken by individuals and PACs we are able to uncover patterns in public politics that have until now been unexplored. We hope that further inquiries into the transaction level data well help better identify discrepancies found in empirical results that have relied on aggregated data. We also hope to inspire formal theory that considers relationships between firm-linked actors in undertaking public politics.

Taken together our results suggest that much of the earlier literature on public politics muddles a complex set of activities that cannot be fully appreciated in isolation. Beyond a new set of empirical findings, a key implication of our analysis is that researchers need to consider multiple explanations for CPA whether strategy, agency or some other alternative. By adopting a pluralistic perspective we are able to envision a richer set of hypotheses for CPA as a part of non-market strategy.

TRANSACTIONAL NATURE OF CAMPAIGN CONTRIBUTIONS

Before we explore motivations that might underlie the type of activities we examine—campaign contributions—it is important first to understand exactly what they are, how they work in practice, and how they are regulated. The extant literature often portrays the outcomes of public politics as a quid pro quo between firms and politicians (e.g. see Grosser, Reuben, and Tymula, 2013), obtaining access by "opening doors" (e.g., see Kalla and Broockman 2015), or alternatively channels through which managers exploit agency – rubbing shoulders, personal relationships, or seeking post-CEO appointments (e.g., see Coates 2012). For our empirical approach, any or all of these may be valid and are not necessarily mutually exclusive. A key advantage of focusing on intra-firm relationships is that we have the advantage of being agnostic with respect to the outcomes that may be sought.

Campaign contributions are the most widely studied form of CPA since the Federal Election Commission (FEC) began making PAC summary data available in the early 1980s (Milyo, Primo and Groseclose 2000). Campaign contributions are monetary transfers between either individuals or PACs, both of which can be linked to corporations, and accounts available to politicians which they can use to fund electoral campaign activities. Campaign contributions are distinct from another prominent form of corporate political activity, lobbying, for which disclosure records offer far less detail on the activity at the federal level in the United States (deFigueiredo and Richter 2014).

Some of the distinction in disclosure laws related to the two major types of corporate political activity[1]—lobbying and campaign contributions—come from the nature of the activities

[1] A more recent type of corporate political activity is independent expenditures where organizations can allocate funds towards advertising on issue-based initiatives or in support of individual candidates provided the advertisements are not coordinated

themselves. It is much easier to identify the target for a campaign contribution, especially when compared to a lobbying effort. Only aggregate amounts spent in a given period are required in lobbying disclosures in the U.S. rather than counterparties for each dollar spent on the activity. Although rarely used in academic research to date, the FEC makes available not only summaries of how much a given PAC contributes to political campaigns in aggregate, but also data on each and every transaction a PAC initiates and the associated counterparty. Transaction data are similarly available for individuals, including executives, who contribute directly to politicians. As a result, it is possible to use the campaign contributions data to know exactly how many dollars are transferred from a given corporate-linked actor to a given politician and when. This is because campaign contributions are distinct monetary transfers where a check is written from one actor to another. Of course the meaning of and the motivations for these monetary transfers can be complex, which is why it has been highly debated to date, but the transactions themselves are simple and discrete.

Campaign contributions are protected by the First Amendment of the U.S. Constitution as a form of freedom of speech; they are nevertheless regulated, and specifically subject to counterparty limits given the potential for "appearance of corruption" (Persily and Lammie 2004; Isaccaroff 2010) as the transfers could look like bribes if they were allowed in unlimited amounts. PACs face limits on contributions at the threshold of $5,000 per election and individuals in 2014 faced limits of $2,600 per election.[2] The limits on PACs have been constant at $5,000 since 1976 when they were fixed in amendments to the Federal Election Campaign Act

with the election campaigns of the candidates themselves. The development of this activity is outside our empirical window. Moreover, there is little empirical evidence that this is a widely used channel by corporations (Bonica 2014) or that it is effective (Werner 2011).

[2] The recent, 2014 *McCutcheon vs. the Federal Election Commission* Supreme Court decision overturned aggregate limits on individual contributions that would prevent individuals from giving the maximum possible to each candidate, but did not overturn the legality of limiting amounts on the transactions we consider here.

(FECA). The limits on individuals were fixed at $1,000 prior to the Bipartisan Campaign-Finance Reform Act of 2002 (BCRA) at which time they were raised to $2,000 and benchmarked to an inflation index allowing them to rise in the future. Table 1 illustrates this.

<Insert Table 1 about here>

Even if individuals or PACs were to contribute the maximum allowable amount in both a primary and general election, these amounts are designed to be small relative to the average amount of funds candidates raise, which Richter and Werner (2015) show is around $900,000 for the average major party candidate over the 1991-2012 period. Given the relatively low legal limits on contributions but the potentially unlimited desire for individuals and corporations to make contributions, the limits are in fact binding in a large number of situations. Of course, depending upon whether the limits bind on either individuals or on corporate-linked actors, what they are actually limiting will differ: it could be either an individuals' attempt to exercise his freedom of speech or a corporations' attempt to influence politicians.

MOTIVATIONS FOR CORPORATE POLITICAL ACTIVITY: STRATEGY OR AGENCY

The motivations underlying CPA have typically been considered to either improve firm performance or to advance personal goals of executives. We take these ideas to a transaction level in the context of federal campaign contributions in a way that allows us to operationalize tests of "strategy" and "agency". Our hypotheses focus on the relationship between firms and their executives by extrapolating from the proximate motivations for corporate-linked PACs and CEOs to make campaign contributions to specific candidates. If a corporate-linked PAC is motivated to give to a particular candidate for strategic reasons this may spillover into executives' personal contribution decisions; the same logic applies to spillovers into PACs'

contribution decisions based on executives' divergent (agency-based) motivations. Recognizing that strategic motivations may explain some CPA transactions while agency may explain others, we propose that they occur simultaneously within firms.

Strategic Behavior of Executives

One view of CPA is that it is strategic in that its goal is ultimately used to improve firm performance as an element of a non-market strategy. Meta-analytic evidence from 78 studies published between 1976 and 2010 supports this view by finding a positive relationship between CPA and firm performance (Lux, Crook, and Woehr 2011).

A number of studies find similar relationships by taking more nuanced approaches. Schuler (1996) identified that firms lobby for foreign trade protection when domestic demand is weak. Similarly, Bonardi (2004) demonstrated that lobbying increased when industries are deregulated and opened to foreign competition. Beyond the issue of trade policy, firms that hire former federal political appointees or members of Congress to serve in senior management roles or on boards of directors enjoy positive abnormal returns in the range of 1.6% to 2.7% (Hillman, Zardkoohi, and Bierman 1999). Moreover, Stratmann (1995) shows how the timing of firm-linked campaign contributions tends to be related to politicians' votes on bills and lead to positive legislative outcomes for these special interests. Holburn and Vanden Bergh (2014) focus on regulatory approvals for utility mergers and demonstrate the role of campaign contributions as an important aspect of an integrated strategy that incorporates both market and non-market features.

More recently individuals' campaign contributions, and those of corporate executives in particular, have been tied to strategic motivations. Gordon, Hafer, and Landa (2007) show how

executives with more incentive-laden compensation schemes were more likely to contribute to federal candidates. Fremeth, Richter, and Schaufele (2013) highlight how executives' personal contribution patterns change as individuals move up organizational hierarchies. Ovtchinnikov and Pantaleoni (2012) show how individuals target politicians who have the greatest discretion over those policies specific to the firms that they are most closely associated with. Nevertheless, the recent literature fails to recognize the interplay between firm-linked PAC campaign contributions and those of their executives. Strategic approaches to CPA must take into account both firms and executives because transactions may be coordinated among actors associated with a single firm. To this end, executives may want to contribute to candidates who advance their firms' goals. Moreover, executives might act on behalf of the firm when the firm faces constraints, such as candidates who refuse contributions from PACs (Richter and Werner 2014).

In pursuit of strategic objectives, the CPA of a firm would utilize the campaign contributions of both PACs and executives to advance their agenda. This departs from previous approaches by explicitly identifying multiple parties that are linked to a firm, each of whom has discretion over how they deploy the funds they control. Executives are independently free to make contributions to any candidate yet may choose to support firm strategy by collaborating with the PAC.

The interplay between executives and PACs vis-à-vis potential political counterparties can occur along two dimensions: (1) identifying which candidates to jointly contribute to and (2) determining the amount to contribute. A key constraint encountered by firms using CPA for strategic pursuits is the legal limit on how much they can contribute to any given candidate. Once firms reach their statutory contribution limit executives may tactically supplement the firms' contributions by contributing to these same candidates and to a greater extent. The basis

for this argument is found within intra-firm dynamics: PACs strategically select candidates to support and tapping into aligned executive's personal contributions effectively allows the PAC to circumvent its limits in support of firm objectives.

Similarly, Cooper, Gulen, and Ovtchinnikov (2010) demonstrate that not all candidates are of equal importance to firms and we would expect that this internal ranking of candidates would discriminate based upon the importance of a particular candidate to the firm. Vanden Bergh and Holburn (2007) highlight how "committees are differentially influential relative to the whole legislative chamber" (p. 10). They proceed to illustrate how the accounting industry contributed more to relevant House and Senate committees. As such, we define those candidates that chair, or sit on, relevant Congressional committees as important to firms even if they are not the most relevant politician to a particular vote or bill. Committee chairs control the legislative agenda and governmental budget allocations for specific industries. This includes scheduling hearings on the content of proposed bills, determining who is invited to provide expert testimony and allocating staff resources to research specific policy topics. This makes Congressional chairs especially important, even beyond mere committee membership. Our empirical analysis includes both chairs and committee members and expands the scope of analysis beyond highly regulated sectors. Congressional committees oversee most industries and are not exclusive to banking, utilities and energy, areas that have generally been the focus of research into public politics. For instance, the House Agriculture committee oversees the agricultural, food and tobacco industries and can be linked to Monsanto, Kraft, and Altria.

We emphasize the role of committee chairs and members rather pivotal politicians (Holburn and Vanden Bergh 2002; Krehbiel 1998) as our predictions consider intra-firm dynamics across multiple issues and industries. Rather than focus on specific votes or a specific

bill being the result of a transactional type of corporate political giving (Hillman and Hitt 1999), our analysis expands the purview of non-market strategy to include firms within industries irrespective of the degree of regulation and hence focuses more on relational political strategies (Hillman and Hitt 1999). Executives are more likely to supplement the contributions of their PACs to those candidates that hold these committee positions as they would be of greatest strategic importance to the firm. Thus, we predict:

H1: Corporate executives will make campaign contributions consistent with the strategic CPA objectives of the firms they lead:

a) By giving (more) to the same politicians to whom their corporate-linked PACs contribute
b) By giving (more) to the same politicians to whom their corporate-linked PACs are unable to legally contribute more to given statutory constraints
c) By giving (more) to politicians who chair or are members of committees of importance to their firms

Agency Behavior of PACs

An alternative perspective on the use of campaign contributions is that it represents an agency problem within the firm. Ansolabehere, deFigueiredo, and Snyder (2003) provide an analytical literature review that establishes links between CPA and the decisions of individual politicians are tenuous. Hadani and Schuler (2013) propose that agency conflicts might explain why the relationship between CPA and firm performance is not robustly positive and perhaps negative. Aggrawal, Mescke, and Wang (2012) find that firms whose PACs contribute more in aggregate suffer financially and engage in other behavior consistent with agency problems. However, agency conflicts may or may not be the cause of a weak empirical relationship between CPA and firm outcomes. The source of the agency conflicts, in theory, would be preferences or priorities that motivate executives to engage in CPA but which do not provide benefits to firms. Werner and Coleman (2015), for example, find that in U.S. states where

restrictions on campaign finance were relaxed, legislators were more likely to pass anti-takeover laws that were pro-management and anti-shareholder.

By looking at outcomes rather than behavior, these studies find CPA reflects agency but say nothing about the agents themselves. For example, a CEO that not only contributes a significant amount of her own funds to political campaigns that are aligned with her personal interests but also dedicates their time and that of their office to pursue these same ends could be at odds with the strategic objectives of their firm. To this end, Coates (2012) finds that CEOs who obtain post-executive political appointments are more likely to have led firms with active CPA efforts while in office. Other motivations underlying agency behavior vis-à-vis CPA could include whether or not a CEO has strong ideological views (Burris 2001) or personal friends involved in politics (Cohen and Malloy 2014).

Despite the growing interest in an agency explanation for CPA, the literature has not systematically tied PAC transactions to the preferences of executives which underlie this perspective. Given agency motivations, to whom the executive personally contributes may affect the firms' CPA.

Executives with agency conflicts may coerce firm-linked PACs into contributing to candidates that an executive has funded themselves even when those candidates have little strategic value to the firm. This internal dynamic between executives and PACs enables us to directly measure a potential agency conflict within firms. This extends previous literature by illustrating executive motivations that are consistent with a narrow definition of agency problems. Moreover, this can arise in both candidate selection and in the amount of PAC funds allocated.

Like PACs, executives face constraints on how much they can personally contribute to

any given candidate. Consequently, when executives have met their statutory giving limits, we are likely to see agency-motivated PAC contributions to the same candidates; in these cases, the PAC would be supplementing the executive's personal giving. While CEOs might be expected to contribute for firm-related reasons (Fremeth, Richter, Schaufele, 2013), CEOs also contribute to specific candidates for personal reasons. In selected cases however, CEOs may encourage the PAC to make contributions unrelated to the firm's interests and to support their personal objectives. One example highlighted by Clawson, Neustadtl, and Weller (1998) is a PAC that is encouraged to give to the "frat brother of the number-three person in the company" (p.46). Further, we claim that any agency motivated contribution is unrelated to the strategic importance of the candidate to the firm. If agency motivations are the only driver of PAC behavior, i.e. if PACs are not at all strategic in their giving, then money should not flow to strategically important candidates (relevant committee chairs or members) with the exception of cases where the CEO contributes to these individuals for personal reasons.

H2: Corporate-linked PACs will make campaign contributions consistent with corporate executives' agency objectives:

a) *By giving (more) to the same politicians to whom corporate executives contribute*
b) *By giving (more) to the same politicians to whom corporate executives are unable to legally contribute more to given statutory constraints*
c) *By not giving (more) to politicians who chair or are members of committees of importance to their firms*

EMPIRICAL APPROACH

Our study focuses on campaign contributions by S&P500 firm PACs and CEOs in the 9 US federal elections from 1991 to 2008. The level of analysis is the PAC-candidate pair or CEO-candidate pair by election cycle; we restrict the candidate counterparties to those who ran in general elections for Congress. Taking this transactional level approach to the data enables us

to test whether both strategy and agency interpretations are consistent with the empirical evidence within the same model. This differs from prior management studies, which tend to focus on firm's aggregate contributions over some time horizon, by expanding the number of observations in our study by the number of candidates present in each election. Our dataset has 6,803,661 firm-candidate-election observations. Table 2 provides summary statistics.

Data

The Federal Election Commission (FEC) collects data on every campaign contribution to each candidate over a $200 threshold. All of our campaign contributions data originally comes from FEC filings via the Center for Responsive Politics bulk data. Data on firms and their CEOs are from COMPUSTAT. Our transaction level dataset was constructed by establishing firm-candidate pairs for every S&P500 firm and every general election candidate for the 9 federal election cycles. In general, there would be approximately 500,000 firm-candidate pairs in a given cycle since there would be only 500 firms in the S&P500 and about 1,000 candidates running in a general election. However, our sample includes all firms that were in the S&P500 at any point between 1991 to 2008 so there are 950 firms and the actual number of candidates running in an election will vary as some seats are acclaimed and others have more than two candidates competing in the general election. As a result, our sample includes approximately 750,000 firm-candidate pairs per cycle. CEO contributions were then linked on a per candidate basis to this firm-candidate pair unit of analysis. Fremeth, Richter, and Schaufele (2013) outline a small number of anomalies in the raw contribution data–several negative and over limit contributions are recorded. As in that previous research, we recode all contributions to ensure that all donations are greater than or equal to zero and less than or equal to the FEC cycle limit. PACs directly linked to the S&P500 firms were identified and their per candidate contributions were

subsequently mapped onto these firm-candidate pairs. These data were provided Myers (2005).

Dependent Variables. The predictions of *H1* focus on the propensity to give and the amount of the contributions to particular candidates made by CEOs whereas those of *H2* focus on the same for PACs. CEO_Gave_{ijt} is an indicator variable set to 1 when a CEO from firm *i* contributes to candidate *j* in election-cycle *t;* CEO_Amount_{ijt} is the amount given by those CEOs in dollars. Similarly, PAC_Gave_{ijt} is an indicator variable set to 1 when a PAC from firm *i* contributes to candidate *j* in election-cycle *t;* PAC_Amount_{ijt} is the amount given by those PACs in dollars. Table 2 shows that CEOs give $2.00 to the average candidate and PACs give $68.48 to the average candidate. These low numbers are driven by the large number of zeros: CEOs give to only 0.2% of all general election candidates for Congress while PACs give to 3.0%.

Independent Variables. *H1* and *H2* are parallel in that they revolve around a similar set of indicators for the actions of PACs or CEOs depending upon whether the lens taken is one of strategy or agency. Part *a* of *H1* and *H2* focuses on outcomes dependent upon whether a PAC or CEO made a contribution to a particular candidate; hence, we use the variables PAC_Gave_{ijt} and CEO_Gave_{ijt} described above.

Part *b* of *H1* and *H2* focused on whether PACs or CEOs reach legal limits on giving. Campaign finance laws dictate the maximum amount individuals or PACs may contribute to each candidate in each election. PAC_Limit_{ijt} is an indicator taking on a value of 1 when a PAC reaches its statutory limit on giving to a particular candidate for an election; CEO_Limit_{ijt} is the same for a CEO. Table 2 illustrates that CEOs reach this contribution limit in 55.3% of the contributions that they make, while PACs reach this contribution limit in 14.4% of their contributions.

Part *c* of *H1* and *H2* focuses on whether candidates chair or sit on committees of strategic

importance to specific firms. Ovtchinnikov and Pantaleoni (2012) create a mapping between Congressional committees and industries over which they have jurisdiction based on the committees' own statements about the scope of their duties. Those authors specifically link Senate and House committees by name to specific 4-digit Standard Industrial Classification (SIC) industry codes in Table B1 of that article; these identifiers in turn can be linked to candidates' in our dataset's committee membership using Stewart and Woon's Congressional Committees dataset[3] and firms in our dataset using SIC codes found in COMPUSTAT. $Strategic_{ijt}$ takes a value of 1 if candidate j chairs a committee strategically important to firm i given Ovtchinnikov and Pantaleoni's (2012) mapping during election cycle t. We explore an alternative definition of $Strategic_{ijt}$ if candidate j is a member of a committee strategically important to firm i. Whether we examine the role of chairs or all committee members depends upon the exact specification. Table 2 demonstrates that CEOs' and PACs' average contribution to strategically important chairs equals $57.16 and $1390.13, respectively, notably more than the amounts given to average candidates. A similar pattern appears in contributions to any relevant committee members. Further, when giving to strategically important chairs, CEOs reach limits in 70.6% of their contributions to strategic chairs and PACs reach their limits on 33.3% of this same class of candidates.

<Insert Table 2 about here>

Statistical Models and their Interpretation

Linking our hypotheses to empirical tests is most straightforward when we have a

[3] Stewart and Woon's Congressional Committees dataset is available at: http://web.mit.edu/17.251/www/data_page.html.

separate model for each hypothesis. We structure our empirical specification such that we map specific parts of each of our two hypotheses directly to coefficients. The key to interpreting all of our regressions is that we know that behavior must change at the FEC imposed campaign contribution limits. For example, a PAC that has given $5,000 to a candidate is forbidden from making further contributions even if that candidate is particularly important for the firm. As a result, we might expect the CEO to respond to the PAC reaching the limit differently than they would have had the PAC not met this constraint. It is from these exogenously imposed levels from where we make inference on the motivations for public politics.

To test *H1*, we estimate a model specified as:

$$\begin{aligned} CEO_{ijt} &= \alpha_1 PAC_Gave_{ijt} + \alpha_2 PAC_Limit_{ijt} + \alpha_3 Strategic_{ijt} \\ &\quad + \alpha_4 PAC_Gave_{ijt} * Strategic_{ijt} + \alpha_5 PAC_Limit * Strategic_{ijt} + \gamma_i + \tau_t + \nu_{ijt} \end{aligned} \quad (1)$$

To test *H2*, we estimate a model specified as:

$$\begin{aligned} PAC_{ijt} &= \beta_1 CEO_Gave_{ijt} + \beta_2 CEO_Limit_{ijt} + \beta_3 Strategic_{ijt} \\ &\quad + \beta_4 CEO_Gave_{ijt} * Strategic_{ijt} + \beta_5 CEO_Limit * Strategic_{ijt} + \gamma_i + \tau_t + \varepsilon_{ijt} \end{aligned} \quad (2)$$

In model (1) CEO_{ijt} represent either CEO_Gave_{ijt} or CEO_Amount_{ijt} depending upon whether we are testing for changes in the marginal probability of CEOs' giving or changes in the dollar amount of giving. Similarly, in model (2) PAC_{ijt} represent either PAC_Gave_{ijt} or PAC_Amount_{ijt} depending upon what specifically we are testing. In both models (1) and (2), firm-specific, time invariant characteristics such as industry, location of head office and corporate governance practices are captured by γ_i, the firm fixed effect. Time varying factors which are common to all firms such as FEC regulations or the nature of the political environment are contained in τ_t. Respectively, ν_{ijt} and ε_{ijt} represent the error terms in the models. When we are testing for changes in the marginal probability of contributing to a particular candidate we

estimate a linear probability model;[4] otherwise we use a least squares fixed effects estimator to control for a range of unobservables.

In an effort to isolate the strategic giving by the CEO, in model (1) we focus on the CEOs' giving in response to actions by the firm-linked PAC. *H1a* corresponds directly to α_1 in model (1) where we expect to find a positive and statistically significant partial correlation between a PAC giving to a particular candidate and a CEO being more likely to give (more money) to that candidate. If we find this and the CEO was responding to the PACs' activity then, we could further interpret this as evidence of the CEO giving strategically on behalf of his firm. This further requires that the PAC's contributions represent the strategic interests of the firm on average.

H1b provides a test that corresponds directly to α_2 in model (1) where we expect to find a positive and statistically significant coefficient on the relationship between a PAC reaching its statutory limit for a given candidate and the CEO being more likely to give (more money) to that candidate. This could be interpreted as stronger evidence that the CEO is giving strategically on behalf of his firm given additional logic: when a PAC hits its statutory limit, an exogenously imposed constraint, on giving to a particular candidate in support of the firm's objectives, it has done all that it legally can on its own to support its preferred candidate; however, it could induce other agents, namely the CEO, to contribute additional sums.

H1c provides a test that corresponds to α_3 in model (1) where we expect to find a positive and statistically significant coefficient on the relationship between candidates of political value to a firm and the additional propensity of the CEO to give (more money) to those candidates.

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[4] Because we are estimating nearly 1,000 fixed effects and because we care about the marginal effect rather than the ability to predict, we use a linear probability model (Angrist and Pischke 2009).

Given how we have defined *Strategic*$_{ijt}$ as chairs or members of relevant Congressional committees, these may not be the only candidates of strategic value to the firm; however, they should be among the candidates with the greatest political value.

Additional coefficients in model (1) capture the interaction between the PACs' activity and the strategic relevance of the candidates: positive and significant coefficients on α_4 and α_5 would provide further support for the strategic nature of CEO giving in *H1*.

The structure and logic for the tests of *H2* are parallel to those for *H1* although we reverse the roles that CEOs and PACs play and switch strategic motivations for agency motivations. Hence, in an effort to focus on agency behavior of PACs, in model (2) we focus on PACs' giving in response to actions by the linked-firm's CEO.

H2a corresponds directly to β_1 in model (2) where we are expecting to find a positive and statistically significant partial correlation between a CEO giving to a particular candidate and a PAC being more likely to give (more money) to that candidate. If we find this and the PAC were responding to the CEOs' giving based on personal preferences over candidates on average then, we could further interpret this as evidence of the PACs' giving representing agency motivations.

H2b provides a test that corresponds directly to β_2 in model (2) where we expect to find a positive and statistically significant coefficient on the relationship between a CEO reaching his statutory limit for a given candidate and his linked PAC being more likely to give (more money) to that candidate. This could be interpreted as stronger evidence that the PAC gives based on agency reasons if the CEO hitting his limit for purely personal reasons would have liked to have done even more to support a candidate financially than the law capping personal contributions to any given candidate allows and if he were able to cajole the PAC to contribute to his preferred candidates.

H2c corresponds to β_4 in model (2). The complement of giving to a strategic candidate can be interpreted as agency. We have defined $Strategic_{ijt}$ as representing politicians who likely have the greatest political value to the firm, so if this coefficient is negative that would be consistent with agency motivation of the CEO. β_5 provides a further testing when the CEOs' personal giving is constrained.

EMPIRICAL RESULTS

Table 3 presents the results from empirical model (1) focused on how PAC contributions influence CEO contributions. Results demonstrate that executives make political contributions that are consistent with strategic motivations of the firm, supporting *H1*. Columns I and II provide estimates of the marginal probability that the average firm's CEO contributed to a particular candidate. Columns III and IV provide estimates of the amount of money contributed to a given candidate by the average firm's chief executive.

For candidates who are not strategic and did not receive at limit contributions from a firm's PAC Columns I and II show that a CEO is 1.4% more likely to donate to them if the PAC had given to that candidate. Columns III and IV show that under the same situation a CEO contributes approximately an additional $17 to these candidates; these results are consistent with *H1a*. When a firm's PAC reaches it legal limit (i.e. $PAC_Limit_{ijt}=1$) to these same candidates the effect on CEOs is larger: increasing the probability that he gives by 7% and the amount by $117. In this scenario, where the PAC has exhausted its legally allowable capacity to give to a specific candidate, the CEO potentially provides a supplementary donation to that candidate from his private bank account. These results are even more economically meaningful than they are for *H1a* and are consistent with *H1b*. Given that the average CEO only contributes $2 to the

average candidate—the premium in the amount given by the average CEO is 800% larger when his firm's PAC contributes and 6,700% larger when his firm's PAC contributes at its legal limit. When we consider the strategic relevance of particular candidates to firms (i.e. $Strategic_{ijt}=1$), the results suggest that a CEO is 1.9% more likely to contribute to candidates that chair Congressional committees important to his firm when their PAC is not at the limit; we estimate $30.71 in additional giving to these candidates. The results are weaker but statistically significant when we consider all relevant committee members. These results support *H1c* about the strategic motivations for executives' personal political contributions. When we condition the effect of a PAC reaching its statutory giving limit (i.e. $PAC_Limit_{ijt}=1$) on whether or not a candidate is a chair of a relevant committee, we observe an even larger premium on the propensity of the CEO to give to these candidates (an additional 4.6% higher) and the amount given (an additional $76.73 given). However, the results change signs when we redefine strategic counterparty as a committee member. The total marginal effects on CEO contributions when a PAC reaches its statutory limit to a strategic chair or committee member, respectively, are $228.52 and $132.19.[5]

<Insert Table 3 about here>

Table 4 presents the results from empirical model (2) focused on how CEO contributions influence PAC contributions. In it, we flip the direction of influence from Table 3, demonstrating that PACs' make political contributions that are consistent with agency objectives of the CEO supporting *H2*. Columns I and II provide estimates of the marginal probability that the average PAC contributed to a particular candidate. Columns III and IV provide estimates of

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[5] These marginal effects are statistically significantly different from zero at a 1% level, with standard errors equal to 36.70 and 14.86, respectively.

the amount of money contributed to a given candidate by the average firm's PAC.

For candidates who are not strategic and did not receive at limit contribution from a CEO Columns I and II show that a PAC is about 40% more likely to donate to them if the CEO had given to that candidate. Column III shows that under the same situation a PAC contributes an additional $1,995 to these candidates and in Column IV an additional $1,898. These results are consistent with *H2a*. When a firm's CEO reaches his legal limit (i.e. $CEO_Limit_{ijt}=1$) to these candidates the effect on PACs is larger: increasing the probability that it gives to the same candidate by 4.5% and 5.2% in Columns I and II. Looking at the dollar values the corresponding estimates are $421 and $441. In this scenario, where the CEO has exhausted his legally allowable capacity to give to a specific candidate, the PAC potentially provides a supplementary donation from corporate-linked accounts. These results are consistent with *H2b* and are economically meaningful. Due to the hard constraint on CEO contributions, this is a highly suggestive test of agency. Given that the average PAC contributes $68.48 to the average candidate—the premium in the amount given by the average PAC is 2,900% larger when his firm's CEO contributes and 3,600% larger when the firm's CEO contributes at his legal limit.[6].

Next we consider contributions from the PAC to candidates that chair or are members of committees of strategic importance to the firm. Examining the coefficient on these candidates with political relevance to firms, we find mixed support for *H2c*. In Column IV when the CEO gave, but not at their limit, to a strategic committee member the additional amount was $574. This was the only statistically significant coefficient amongst the interactions. We find that PACs do contribute to candidates of strategic importance to their firms and they contribute when CEOs

[6] These estimates can be considered a lower bound on the agency effects if CEOs are able to exploit their PACs without contributing from their personal bank accounts or if their preferred candidate may also be strategically important to the firm so they don't need to contribute to them personally.

are limited, but that CEO contributions at the limit (i.e. $CEO_Limit_{ijt}=1$) to a strategically important candidate garners no additional contributions from the PAC. Further support of the agency interpretation is suggested by negative signs on the additional marginal effects on the strategic candidate variables. Our subsequent interpretation of H2*c* is that PACs may make contributions partially based on agency logic and partially based on strategic logic. The positive and significant coefficient we find shows that PACs contribute in an absence of CEO contributions by $1180.08 to candidates who chair Congressional committees relevant to the firm. Nevertheless, within the same model, there is some additional evidence for agency motivations to be present: when we condition CEOs reaching their limits on the strategic relevance of the candidate (i.e. $CEO_Limit_{ijt}=1$ & $Strategic_{ijt}=1$), we find the purely strategic giving by the PAC is tempered by the negative (albeit statistically insignificant) sign on the interaction coefficient (β_5).

<Insert Table 4 about here>

The stability of our coefficient estimates in all of our models lends confidence to the interpretation of our results. The hypotheses stated in H1 have empirical support in Table 3: corporate executives make campaign contributions consistent with the strategic objectives of their firms. The overall hypotheses stated in H2 have empirical support in Table 4: corporate linked PACs make contributions that are at least partially consistent with potential agency motives of the executives. We have shown that these motivations exist simultaneously—given that our empirical set-up exploits variation in PAC or executive relationships with candidates and consequently does not rely on false dichotomies present in past studies of agency or strategy motivated CPA.

DISCUSSION

Simultaneous Presence of Strategic and Agency Motivated Behavior

By developing theories about the inter-relationships between CEOs' and PACs' campaign contributions at the transactional level, we contribute to the literature by bridging disparate extant findings underlying the motivations for public politics. We find evidence that: (i) agency is apparent within PACs' contributions, (ii) strategy is apparent within CEOs' personal contributions, and (iii) elements of both agency and strategy exist side-by-side within the actors' contributions.

Prior literature fails to recognize that multiple motivations underlying CPA may be present simultaneously. This idea is most evident at a transactional level: agency-based motivations and strategic motivations could be present in the same transaction if, for instance, an important committee member with great strategic value to the firm was a college roommate of an executive at a firm. The firm wants to contribute to a particular candidate because he controls policy important to its performance—and the executive wants to give to this candidate because they are old friends. This action could be interpreted in different ways depending upon the lens applied. Recognizing this duality leads us to the simple, but important understanding that agency and strategy views of CPA are not mutually exclusive.

When applying an agency or strategy lens to CPA, the presence of the other perspective constrains how far either can take us. We need to recognize that the preferences of firm-linked actors may not perfectly correlate with the positions of key political candidates. To illustrate this point and the limits of strategically motivated contributions by corporate executives, consider an example where an executive has strong pro-choice views: she is unlikely to contribute personally to a staunch pro-life politician with her own money no matter how important that politician is to

her firm. To illustrate the limits of agency motivated contributions by corporate-linked PACs, consider an example where a candidate is in favor of raising the minimum wage but happened to be the college roommate or golfing partner of the CEO at a firm where the bulk of employees earn that wage: while the CEO may contribute personally to his friend, it becomes strategically inconsistent for the corporate-linked PAC to do the same. Hence, while what is important to the firm may influence executives' behavior, that influence only extends so far and vice-versa. Our results suggest that this interpretation has merit as agency and strategy coexist broadly across S&P500 firms.

Inter-organizational Dynamics in Public Politics

Shifting prevailing interpretations of CPA away from false dichotomies, our results enable management scholars to devise more nuanced explanations for observed behavior. Previous research ignores the complex realities of CPA in practice. In particular, we highlight that the internal organization of CPA activities and the extent to which they are coordinated among corporate-linked actors has been understudied within the non-market strategy literature. Moreover, that executives and PACs are separate actors with their own motivations and interests has not been considered empirically. This is important because they each may contribute to political candidates for the purpose of either short-term transactions or long-term relationships (Hillman and Hitt, 1999).

To the extent that prior research has examined coordination within the CPA arena it has been coordination of firms within industries (Olson, 1965; Lenway and Rehbein, 1991; Bombardini and Trebbi, 2012), rather than coordination among individuals associated with a PAC. Shifting to an intra-firm focus has two broad implications for further research: first, the

emphasis can be placed on actor behavior. This is particularly attractive given the conflicting results that arise from the existing literature and the long-term orientation of non-market strategies. For example, non-market strategies that prevent the enactment of disadvantageous regulation may not necessarily improve firm performance but prevent the prospect of negative results; therefore, the absence of positive outcomes does not equate to a negative outcome, making appropriate counterfactuals difficult to construct. By tracking the behavior of firm-linked actors other than the PAC, i.e. by tracking the behavior of executives linked to firms, we open the door to further research exploring these interconnections of all sorts; perhaps future research could examine interconnections between lower level employees, lower level executives, board members, and the lobbyists firms hire. Second, moving from coordination within an industry to coordination within a firm provides researchers with a perspective on non-market strategy that mirrors market strategy in ways not previously considered. Firms may compete for policy favors just as they compete in the market: focusing the empirical analysis on internal organization enables researchers to compare firms' non-market strategies as they would with market strategies. Many of the elements of non-markets strategies, such as who develops and directs the strategy, how are resources marshalled, and how are funds allocated to specific activities, have received much attention in conventional strategy research while non-market strategy has treated firms as a 'black box'. As we demonstrate, non-market strategies can have both strategic and agency elements and we begin to open this box. Future research needs to investigate the organizational features of strategic behavior and how firms manage agency conflicts when conducting CPA. Several prominent open questions exist not only in the coordination among executives and PACs but also in the coordination between executives and non-executive employees as an alternative approach to contravene campaign finance limits.

Managerial Implications

Increasingly shareholders and the media are scrutinizing the political activity of the firm and its leaders. This has brought greater attention to the political counterparties that are recipients of campaign contributions. In April 2014, Brendan Eich, the CEO of Mozilla, came under fire for a string of campaign contributions that had been made to Republican candidates and social initiatives over the previous two decades. This led to a series of internal resignations and external boycotts of Mozilla's products. Ultimately, Eich was forced to resign amid the controversy (Bilton and Cohen 2014). This recent episode demonstrates the blurred line between what is personal and what is not when it comes to political activities. Managers must recognize that they are political agents of the firm irrespective of what they choose to do with their private dealings.

Likewise, increasing levels of CPA has yielded calls for corporate governance reforms that would result in greater transparency and controls over the direction of political spending (Bebchuk and Jackson 2013). These often take the form of shareholder initiatives and proxy votes at shareholder meetings. For instance, Proctor & Gamble faced such a vote at its 2013 annual meeting when an institutional investor recommended that the Board of Governors adopt a policy outlining the firm's "electioneering and political contributions and communications" activities. Amongst other things key provisions included a report and budget for political activities and a declaration of the congruency of such activities with company values and policies (Proctor and Gamble Company 2014). Adoption of this or similar initiatives puts greater onus on the corporate governance of CPA and requires managers to consider their own political actions. Analysis of similar requirements in the United Kingdom shows that such disclosure

requirements may be value reducing for corporations (Primo and Prabhat 2014).

Highly versus Less Regulated Industries

The empirical approach taken in this paper departs from convention in the study of public politics in many ways but the choice to focus on the behaviour of all S&P500 firms stands out. To examine motivations, generally, we assume that the degree of regulation that an industry faces should not matter for the motivation underlying the relationship between an executive and PACs contribution behavior. For instance, a CEO with strong post-employment political aspirations would manifest agency-like behavior that encumbers their firm in the heavily regulated Tobacco Products sector (SIC 21) just as they would in the less regulated Food Stores sector (SIC 54).

A closer examination of our data highlights this point as those sectors that are dominated by transactions where the CEO gave at the limit to a candidate but a PAC provided no contributions to that same candidate include a diverse set of sectors, that are both more and less regulated. The top decile includes financial services (SIC 64 and 67), manufacturing (SIC 39), apparel (SIC 23), leather products (SIC 31), heavy construction (SIC 16) and water transportation (SIC 44). Similarly, there would appear to be no systematic trend in the data for those sectors where both the PAC and the CEO gave at the limit to the same candidate. Here the top decile includes Amusement Services (SIC 79), Furniture (SIC 25), Personal Services (SIC 72), Textile Mills (SIC 22) and Food Products (SIC 20). This ranking of our data provides a casual consideration for the role of industry yet no clear trends stand out. This combined with the conflicting evidence when regressing industry-specific roll call votes against campaign contributions suggests that there is likely something else at play beyond the degree of regulation

that explains activity in public politics. Our analysis demonstrates that a greater consideration should be placed on the individuals that are making the choice to be politically active and the particular counter parties that they target when they wade into public politics. Coupling this approach with a consideration for the degree of regulation that a firm faces may help inform the conflicting results that have been established in the extant literature.

Limitations

There are several important limitations in the interpretation of our results. First, the statutory limits are different on individuals and PACs implying that the sizes of the coefficients across models have distinct proportional meanings. Second, our models assume that behaviors are coordinated and deliberate within the firm. It is still possible, though highly unlikely, that the observed behavior is entirely coincidental. Thus these results should not be interpreted as causal, but are suggestive of key trends. Along the same lines, our econometric models do not account for prospective slates of candidates. It is possible that PACs, industries or CEOs may group candidates when allocating campaign contributions rather than treating them as individuals. To the extent that PACs target slates of candidates, our econometric results may be biased. The existence of or potential for slates opens a range of formal theoretical and empirical questions that merit future analysis (Chamon and Kaplan 2013).

We defined important candidates as those who chaired or were members of relevant Congressional committees. It is reasonable to expect that there are many additional methods to classify important politicians. For example, legislators who have demonstrated effectiveness at writing good policies (Volden and Wiseman 2015), legislators who sponsor or co-sponsor bills regulating the industry, or candidates whose constituencies are located near the firm's operations

could each be considered relevant for firm performance (Ovtchinnikov and Pantaleoni 2012).

Finally, we have attempted to show one channel through which agency may manifest. However, we must acknowledge that it is empirically challenging to identify agency as motivations and their alignment with firm performance are fundamentally unobservable. As a result, researchers need to use indirect proxies to provide evidence which suggests behavior that encumbers firm performance. As PACs alter their behavior in response the CEOs choices, we do not observe a pure consumption effect. Similarly, the negative coefficients on the interaction of CEO contributions and strategic, firm-linked actors hint that a "frat brother" effect may exist.

Implications for Future Research Design

Despite its limitations and despite our empirical work here representing partial correlations rather than getting to causality—due in part to the lack of an obvious independent variable that satisfies the exclusion restriction which precludes us from estimating results in simultaneous equation framework—our paper nevertheless has implications for new research designs in the public politics space. While the limits on campaign contributions we feature throughout our analysis are helpful, they may also be useful in other research contexts—as may other features of the institutional environment that restrict corporate involvement in politics. This paper only looks at federal politics in the U.S. and hence only one institutional environment; however, promising future research may examine state levels in the U.S. or at multiple countries as there would be a greater degree of variation across more institutional settings. To some extent this variation across settings may help future research get closer to the quasi-experimental ideal for causality.

Another way that future research may be able to get closer to a quasi-experiment that

could help establish causality would be to find better proxies for the firms' and CEOs' longstanding political preferences. Variables we could use to proxy for CEOs underlying preferences are easier to speculate about than for firms'. CEOs' personal contribution data from the periods prior to them entering office could be used (Fremeth, Richter, and Schaufele, 2013). Another potential proxy for CEO preferences would be to dig into "voterfile" data that contains information on individuals' voter registration data including party affiliations and records of whether or not individuals voted in a given election, although not going so far as to include information on which candidates they voted for (Cooper, Haspel, and Knotts 2009).

A final way to get closer to causality in a research design on motivations for giving would be exploit the timing of contributions. PACs may contribute before CEOs or vice-versa.

CONCLUSION

Despite the prior focus on external coordination, there are many interesting, managerially relevant questions that remain unexplored about internal coordination, such as the role of the CEO as an independent political actor, the roles of employees in public politics, and whether firm-linked PACs always pursue goals that are in the best interests of the corporate entity. Exploiting firm-specific transactional data is likely to be a fruitful arena for public politics research as management researchers proceed to uncover the multifaceted realities of the relationships between, firms, PACs, CEOs, and politicians. We investigate intra-organizational dynamics to demonstrate that both strategic and agency motivations occur simultaneously within firms.

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TABLES

Table 1: Limits on PACs' and Individuals' Campaign Contributions to Candidates

Period	*From PACs*	*From Individuals*
1991-2002	$ 5,000	$1,000
2003-2004	$ 5,000	$2,000
2005-2006	$ 5,000	$2,100
2007-2008	$ 5,000	$2,300

Table 2: Summary Statistics for PAC and CEO Campaign Contributions

Political Action Committees	
Share of candidates receiving any contribution	3.0%
Of candidates receiving a contribution, share at the limit	14.4%
Share of strategic committee chairs receiving any contribution	37.1%
Of strategic committee chairs receiving a contribution, share at the limit	33.3%
Share of strategic committee members receiving any contribution	20.5%
Of strategic committee members receiving a contribution, share at the limit	16.8%
Chief Executive Officers	
Share of candidates receiving any contribution	0.2%
Of candidates receiving a contribution, share at the limit	55.3%
Share of strategic committee chairs receiving any contribution	4.0%
Of strategic committee chairs receiving a contribution, share at the limit	70.6%
Share of strategic committee members receiving any contribution	0.9%
Of strategic committee members receiving a contribution, share at the limit	53.2%

	Mean	Standard Deviation	Minimum	Maximum
Political Action Committees				
Contributions to candidates ($)	68.48	553.79	0	10000
Contributions to strategic committee chairs ($)	1390.13	2553.06	0	10000
Contributions to strategic committee members($)	519.28	1499.54	0	10000
Chief Executive Officers				
Contributions to candidates ($)	2.00	61.68	0	4600
Contributions to strategic committee chairs ($)	57.16	325.53	0	4600
Contributions to strategic committee members($)	11.75	149.13	0	4600

Table 3: The effect of PAC Campaign Contributions on CEO Contributions

	Any CEO Contribution to Candidate		*CEO $ to Candidate*	
	I	II	III	IV
PAC_Gave [H1a]	0.014***	0.014***	16.90***	17.40***
	(0.001)	(0.001)	(1.14)	(1.19)
PAC_Limit [H1b]	0.069***	0.069***	116.46***	117.50***
	(0.008)	(0.006)	(10.40)	(10.90)
Strategic Chair	0.019***		30.71***	
	(0.004)		(7.21)	
Strategic Committee Member		0.004***		4.64***
		(0.001)		(0.064)
PAC_Gave*Strategic Chair	0.001		-12.28	
	(0.008)		(11.30)	
PAC_Limit*Strategic Chair	0.046**		76.73**	
	(0.024)		(37.45)	
PAC_Gave*Strategic Committee Member		-0.006***		-7.28***
		(0.001)		(1.90)
PAC_Limit*Strategic Committee Member		0.004		-0.07
		(0.008)		(13.63)
Election cycle fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
F-statistic	29.54***	28.16***	25.45***	25.15***
Observations	6,803,661	6,803,661	6,803,661	6,803,661

*** - p<0.01, ** - p<0.05, * - p<0.10. Values in parentheses are clustered standard errors with clustering on firms.

Table 4: The effect of CEO Campaign Contributions on PAC Contributions

	Any PAC Contribution to Candidate		*PAC $ to Candidate*	
	I	II	III	IV
CEO_Gave [H2a]	0.406***	0.396***	1994.65***	1898.24***
	(0.021)	(0.021)	(136.02)	(136.74)
CEO_Limit [H2b]	0.045***	0.052***	421.27***	440.87***
	(0.017)	(0.018)	(113.91)	(115.37)
Strategic Chair	0.0316***		1180.08***	
	(0.019)		(94.29)	
Strategic Committee Member		0.171***		425.39***
		(0.011)		(36.58)
CEO_Gave*Strategic Chair	-0.113		1003.57	
	(0.088)		(835.50)	
CEO_Limit*Strategic Chair	-0.049		-481.44	
	(0.101)		(905.46)	
CEO_Gave*Strategic Committee Member		-0.038		574.34**
		(0.033)		(258.13)
CEO_Limit*Strategic Committee Member		-0.042		-28.53
		(0.040)		(311.80)
Election cycle fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
F-statistic	50.99***	49.24***	30.36***	29.38***
Observations	6,803,661	6,803,661	6,803,661	6,803,661

*** - p<0.01, ** - p<0.05, * - p<0.10. Values in parentheses are clustered standard errors with clustering on firms.