EXECUTIVES IN POLITICS[*]

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ABSTRACT

We document that the share of corporate executives in federal elected office increased from 13.3% in 1980 to 22.6% in 2018 and find evidence suggesting that executives enter politics to advance their firms' interests. First, firms make substantial political contributions to their former executives. Second, executives' electoral wins and legislation passage are associated with positive stock returns for their firms. Third, executives are more likely to join congressional committees overseeing their firms' industries. Fourth, executives accumulate a pro-business voting record. Finally, executives are more likely to seek political office when their industries are hit by competitive shocks.

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DISCLOSURE STATEMENT
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I have no conflicts of interest to disclose. I have no relationship with any interested party that could have a stake related to this paper.

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1. Introduction

On November 8, 2016 Donald J. Trump won the U.S. Presidency. While his election was unusual in many respects, Trump is just one of several recent examples of corporate executives running for political office. William Harrison Binnie, a former CEO of Carlisle Plastics, Inc., unsuccessfully ran for the U.S. Senate in 2010. In 2000, Jon Corzine, a former CEO of Goldman Sachs, was elected U.S. Senator and in 2005 became the governor of New Jersey. These examples are far from isolated. In fact, Figure 1 shows that the share of business politicians, i.e., U.S. Congressmen, Senators, and Presidents/Vice-Presidents who had been senior corporate executives prior to being elected, remained relatively constant at around 13% between 1980 and 2000 but then increased sharply, reaching more than 22% in 2018.[1] Why do executives make the switch from a career in business to run for political office?[2] Further, how does the increase in executives' political participation affect their firms and the legislative process in the United States more generally? We investigate these questions by studying the incidence of corporate executives running in U.S. federal elections over the last forty years.

To understand if corporate executives enter politics to advance their firms' interests, we first examine corporate campaign contributions. This analysis is motivated by the idea that firms should make larger contributions to the candidates that are more likely to generate firm-value benefits. Indeed, we find that firms donate six times more money to their executives than to other candidates. Furthermore, when ranked by the amount of campaign contributions, executives are

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[1] Figure 1 also shows that the recent increase in the number of business politicians cannot be attributed solely to the increase in the electoral strength of the Republican party.

[2] It may be tempting to link corporate executives' political participation with the tax benefits from the deferral of capital gains (Section 1043 of the Internal Revenue Code and Subpart J of 5 CFR part 2634). However, tax benefits are unlikely to explain the increasing trend in the number of executives running for office. First, the law granting tax deferral was enacted in 1989 as part of the Ethics Reform Act and did not change since then. Second, the law only applies to federal employees, but does not apply to legislators who constitute the vast majority of our sample.

their firms' most preferred political candidates in 79.8% of the cases. While this evidence is consistent with the idea that firms expect to receive large benefits if their executives win political office, there may also be other reasons for firms to support their executives' electoral campaigns. For example, the firm's employees may donate to their executives out of loyalty or simply be more familiar with them than with other political candidates. Therefore, we next examine a more direct measure of expected firm-value benefits by analyzing stock returns around elections.

We find that firms whose executives win federal elections experience significant positive abnormal stock returns around the dates of such elections. Our estimates suggest that the average firm adds more than $367 million in market value within seven days after one of its executives wins an election. Furthermore, stock returns are higher when an executive holds a large equity stake in the firm, suggesting that executives whose financial interests are more aligned with their firms' performance are more likely to adopt policies beneficial to their firms.

Next, we analyze the mechanisms through which business politicians may generate firm value. The first mechanism we examine is the passage of legislation, which has been shown to affect industry output and stock prices (e.g., Cohen, Diether, and Malloy (2013), Neretina (2019)). Indeed, we find that firms experience large abnormal stock returns around the dates when Congress passes legislation introduced by these firms' executives. The second mechanism we examine is business politicians' service on congressional committees.[3] Consistent with the idea that business politicians use committee service to advance their firms' interests, we find that they are significantly more likely to join committees that have jurisdiction over their firms.

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[3] The regulatory agenda of congressional committees can have a large and immediate impact on firms that fall under their jurisdiction. For example, committee hearings over the e-cigarette market prompted an FDA investigation into JUUL Labs, the largest e-cigarette maker in the United States. Source: U.S. Food and Drug Administration Warning Letter MARCS-CMS 590950 (September 09, 2019). Available at https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019

Apart from introducing their own legislation and serving on congressional committees, business politicians also vote on legislation introduced by others and can therefore have an effect on the aggregate U.S. policy. Identifying this effect is empirically challenging because the voting behavior of business politicians may reflect the underlying political preferences of their constituencies. To address this challenge, we perform two sets of tests. First, we compare the voting records of business politicians to the voting records of their predecessors and successors, which enables us to contrast the voting behavior of business politicians with the aggregate long-run preferences of their constituencies. Second, we examine the voting records of politicians who win close elections. To the extent that the outcome of close elections is determined by chance, this latter set of tests allows us to separate the legislative impact of business politicians from the contaminating influence of aggregate voter preferences. Of course, *individual* voters are unlikely to be indifferent between the winners and losers of close elections since such elections often produce the most polarizing outcomes. Note, however, that it is the *aggregate* voter preferences that pose a challenge to identification and not the preferences of *individual* voters. After all, to be reflected in electoral outcomes individual preferences must be correlated among many voters.

In both sets of tests, we find that business politicians are more likely, relative to non-business politicians, to vote for legislation supported by corporate interests and against legislation supported by labor unions. The effects we document are economically large, even after controlling for party affiliation.[4] The magnitude of the effect associated with being a business politician is about one-third of the unconditional averages of the different voting record measures that we use.

Having examined the firm-specific and aggregate implications of business politicians' electoral wins, we now turn our attention to the factors that motivate them to run for political office

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[4] Kempf and Tsoutsoura (2019) show that partisan affiliation may play an important role in how professionals in the financial sector assess future government policies.

in the first place. If corporate executives' decision to enter politics is motivated by the interests of their firms, then they should be more likely to seek political office when their firms are hit by competitive shocks. To isolate exogenous industry-specific competitive shocks, we use an identification strategy that exploits China's entrance into the WTO (Autor, Dorn, and Hanson (2013)). Consistent with the idea that executives' entry into politics is motivated by their firms' interests, we find that executives from industries more exposed to global competition are substantially more likely to run for political office.[5]

Overall, our evidence indicates that over the last two decades corporate executives have increased their involvement in the legislative process in the United States. Furthermore, it appears that corporate executives' decision to enter politics is motivated, in part, by the interests of their firms and that their electoral wins generate substantial benefits for their firms and industries.

Our paper contributes to the large literature that studies interactions between firms and politicians. This literature explores different ways in which firms participate in politics and argues that such participation may be valuable to firms. For example, state-owned firms may receive more subsidies from the government in exchange for providing excess employment and paying above market wages (Shleifer and Vishny (2004); Bertrand, Kramarz, Schoar, and Thesmar (2018)). Non-state-owned firms can invest in political capital by establishing direct connections with legislators (Faccio (2006); Goldman, Rocholl, and So (2009, 2013); Duchin and Sosyura (2012)), lobbying (Bertrand, Bombardini, and Trebbi (2014); Borisov, Goldman, and Gupta (2016)), financing candidates' political campaigns (Stratmann (1992); Cooper, Gulen, and Ovtchinnikov (2010); Akey (2015)), and influencing political contributions of their employees (Babenko,

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[5] This effect may also be related to a theory of political cycles based on time-varying risk aversion by Pastor and Veronesi (2017). To the extent that greater exposure to global competition increases uncertainty about a given industry's profits and therefore makes entrepreneurship relatively less attractive, their theory would predict a higher incidence of entrepreneurs from such industries becoming government workers.

Fedaseyeu, and Zhang (2020)). These activities may create value for firm shareholders through greater government subsidies, favorable antitrust reviews, preferential allocation of federal contracts, less strict regulation, and lighter taxation.[6]

Another strand of literature examines firm-value implications of corporate officers' entry into politics, with a particular focus on countries with weak democratic institutions. Using data on publicly traded firms in 47 countries, Faccio (2006) shows that firms whose officers or large shareholders obtain public office experience positive abnormal stock returns, and this effect is stronger in highly corrupt countries. Gehlbach, Sonin, and Zhuravskaya (2010) show that corporate executives may enter politics to avoid the cost of lobbying elected officials in an environment with weak democratic institutions. Relatedly, Bunkanwanicha and Wiwattanakantang (2009) argue that weak institutions can allow business politicians to engage in rent-seeking activities. They study the entrance of business tycoons into politics around the 2001 election in Thailand and find that market valuations of tycoons' firms increase substantially when the tycoons get elected. In contrast to this earlier literature, our focus is on the role of business politicians in an environment characterized by relatively strong democratic institutions.[7] In fact, our paper is the first to systematically study the phenomenon of business politicians in the United States and the impact of such politicians on their firms as well as on the legislative process more generally. Further, we

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[6] A number of studies document the positive effect of political activism on firm value (see, e.g., Fisman (2001); Johnson and Mitton (2003); Faccio (2006); Faccio, Masulis, and McConnell (2006); Claessens, Feijen, and Laeven (2008); Ferguson and Voth (2008); Goldman, Rocholl, and So (2009, 2013); Cooper, Gulen, and Ovtchinnikov (2010); Chaney, Faccio, and Parsley (2011); Duchin and Sosyura (2012); Amore and Bennedsen (2013); Akey (2015); Borisov, Goldman, and Gupta (2016); Brogaard, Denes, and Duchin (2016); Tahoun (2014); Huang and Brown (2017); Mehta, Srinivasan, and Zhao (2020); and Acemoglu, Johnson, Kermani, Kwak, and Mitton (2016)). However, moral hazard problems at politically connected firms can also lead to excessive risk-taking (see, e.g., Khwaja and Mian (2005); Kostovetsky (2015)).

[7] One may expect that ethical conduct regulations in the United States, which prohibit the use of one's government position for personal gain, may significantly reduce or eliminate political rents and deter individuals with overt conflicts of interest from taking political office (see, for example, Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. part 2635, House Ethics Manual, and Senate Ethics Manual).

show that the exposure to global competition is an important factor that has contributed to the increased involvement of executives in politics.

The rest of this paper is organized as follows. Section 2 briefly describes the data and provides evidence on the extent of corporate executives' participation in politics over the past forty years. Section 3 analyzes the amount of political contributions that business politicians receive from their firms. Section 4 investigates the effect of corporate executives' electoral wins on equity returns. Section 5 describes the mechanisms through which business politicians may generate firm value. Section 6 examines the aggregate consequences of electing business politicians. Section 7 analyzes the influence of global competition on the likelihood of executives entering politics, and Section 8 concludes.

2. Data, sample selection, and the supply of business politicians

We use data from a variety of sources, which we describe in detail in Appendix A. Here, we briefly summarize the main steps in the sample construction process and describe the recent trends in the incidence of corporate executives seeking political office.

2.1. Data on business politicians based on official biographies

For each election cycle between 1980 and 2018, we obtain the official biographies of all members of the U.S. Congress (Representatives and Senators) as well as U.S. Presidents/Vice-Presidents who were elected (or re-elected) in that election cycle (2,049 office holders in total). By reading the official biographies, we identify all federal office holders (i.e., members of Congress and U.S. Presidents/Vice-Presidents) who, prior to being elected, held at least one position as the CEO (i.e., chief executive officer), president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm. We refer to such federal office holders as "business

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politicians," of which there are 391. Panel A of Table 1 reports aggregate summary statistics on the share of business politicians among all federal office holders. Over the twenty election cycles between 1980 and 2018, this share was, on average, 15.8% and reached its maximum of 22.6% in 2018 (see Figure 1).

We also identify firms in which business politicians worked prior to being elected. Finally, for all members of Congress elected (or re-elected) between 1980 and 2016, we obtain their voting records, the data on their legislative productivity (i.e., the bills that they introduce and co-sponsor), as well as their campaign finance data.[8]

2.2. *Data on BoardEx executives running for political office*

While the sample of business politicians constructed from official Congressional biographies enables us to study broad trends in executives' political participation, it cannot inform us about the differences between business politicians and other politicians at the electoral stage (i.e., prior to becoming members of Congress); neither can it shed light on the factors that motivate executives to run for political office or the extent to which the number of business politicians is supply- or demand-driven. To address these issues, we use a well-defined sample of corporate executives covered by BoardEx and track the incidence of people from this sample running for political office over time.[9]

The sample construction at this stage involves an algorithm that enables us to process tens of millions of search results (the details are provided in the appendix). Here we briefly describe the main steps. We start by identifying all people in BoardEx who have held, at any point in their

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[8] Note that there is a time lag between an individual being elected into federal office and his or her voting record (which takes place *after* the election). Thus, even though we have data on the biographies of politicians elected in 2018, their complete voting records are unavailable at the time of this writing.
[9] BoardEx contains detailed biographies of all board members of S&P 1,500 firms. Importantly, BoardEx provides employment details about all firms where a given individual worked, even if those firms are not part of S&P 1,500.

BoardEx employment history, at least one position as the CEO, president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm (i.e., we choose the same types of executive positions that we use in constructing the sample of business politicians from official Congressional biographies). This procedure leaves us with 61,502 unique individuals. We then build a web crawler to identify all instances in which any of these 61,502 executives run for political office. Having downloaded the relevant search results, we process them for keywords and then manually analyze the web pages that contain any mentions of corporate executives from BoardEx running for federal political office. In total, we perform 11,972,754 web searches and analyze 29,908,149 individual search results. Ultimately, we identify 167 campaigns for federal office between 1980 and 2016 in which BoardEx executives run. They win 98 of those 167 campaigns. The aggregate summary statistics for the sample of business politicians based on BoardEx are reported in Panel B of Table 1.

2.3. Supply of business politicians

Figure 1, where the solid red line depicts the share of business politicians among federal office holders, shows a large increase in the number of such politicians after 2000. On average, there are approximately 72 business politicians holding federal office in any given election cycle between 1980 and 2000, and this number rises to 100 in the period from 2002 to 2018. In fact, the share of business politicians among federal office holders has gone up in every election after 2000.[10] To show that this trend cannot be solely attributed to the change in the electoral strength of the

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[10] Note that the total number of federal office holders is fixed at 537: 435 U.S. Representatives, 100 U.S. Senators, one U.S. President, and one Vice-President. Therefore, the increase in the share of business politicians may have been accompanied by a decrease in the share of politicians with other types of experience. Indeed, the share of politicians with a background in law and military service has decreased over time (see Appendix B).

Republican party, in Figure 1 we also plot the share of Republicans among federal office holders. While the two lines largely co-move prior to 2000, they diverge afterwards.

Similar to the increase in the total number of business politicians *elected* into federal office, we observe an upward shift in the number of BoardEx executives *running* for office after 2000 (see Figure 2). Specifically, the average number of BoardEx executives running for federal office in any given election cycle is about 7 in the period from 1980 to 2000, and this number rises to 11 in the period from 2002 to 2016. This difference is statistically significant, suggesting that BoardEx executives are indeed more likely to run for office after 2000.

Is the increase in the share of business politicians supply- or demand-driven? On the demand side, it could be, for example, that the preferences of U.S. voters have shifted toward politicians with skills that executives are more likely to possess, such as business acumen, leadership, or the ability to run complex organizations.[11] On the supply side, it could be that executives are more likely to seek political office (independently of demand) because the benefits from political participation for their firms have increased.

Although the aggregate trends are not sufficient to cleanly separate supply from demand, we find some evidence that supply-side factors have been more important than demand-side factors in explaining the recent rise in the number of business politicians. In particular, corporate executives' likelihood of winning political office has decreased over time. This pattern is the opposite of what one would expect had the increase in the number of business politicians been mainly driven by greater demand. Specifically, the likelihood that a BoardEx executive running for political office wins an election averages 77.0% between 1980 and 2000 but then falls to an

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[11] For example, Besley (2005) argues that political competence is a complex mix of skills and too few talented citizens seek political office (see also theories by Caselli and Morelli (2004) and Callander (2008)). Dal Bó, Finan, Folke, Persson, and Rickne (2017), on the other hand, show that Swedish citizens who run for elected office are on average smarter than the population they represent.

average of 49.5% between 2002 and 2016. This decrease in corporate executives' likelihood of winning political office suggests that demand-side factors have been outweighed by supply-side factors.

3. Political contributions

We have documented that a significant share of federal office holders are former corporate executives. Some of these executives may pursue their own personal political ambition, while others may seek political office to advance their firms' interests. In the latter case, firms should be willing to finance their executives' political campaigns since the election of those executives is likely to generate firm-value benefits. We therefore examine the extent of financial support that business politicians receive from their firms.

To compare the financial support that firms provide to their executives with the financial support they provide to other political candidates, we collect campaign contributions made by the firms' employees and political action committees (PACs). We collect these contributions for all firms whose former or current executives run for political office at least once during our sample period. Importantly, we do this for all election cycles in our sample, including the cycles in which none of the firm's executives run for political office.

Our first finding is that firms become more politically active (in terms of campaign contributions) when their executives run for office. As Panel A of Table 2 shows, the total amount of campaign contributions that a firm makes to all political candidates more than doubles (from $47,504 to $98,528) when one of its executives runs for office. This increase in firms' total campaign contributions can be attributed almost entirely to the contributions they make to their executives' electoral campaigns. In fact, in 79.8% of the cases when a firm's executive runs for

office, this executive is the firm's highest supported candidate (i.e., the political candidate receiving the largest dollar amount of total contributions from the firm).

As the results reported in Panel B of Table 2 indicate, on average business politicians receive \$65,181 from their firms.[12] In contrast, when none of the firm's executives run for office, the average amount received by the firm's highest supported candidate is \$10,749. Thus, firms provide much larger financial support to their executives than to other politicians, which suggests that firms expect to receive substantial benefits after their executives win political office.

Next, we analyze corporate contributions in a regression framework, which enables us to include firm characteristics as well as a variety of fixed effects. The unit of analysis in these regressions is the firm-candidate-election cycle: i.e., we include all candidates that a given firm contributes to in a given election cycle, regardless of whether the candidate is the firm's executive. The main explanatory variable in these regressions is an indicator set to 1 if the political candidate is the firm's executive. This variable is set to 0 if the candidate is not a business politician or is a business politician who is a former or current executive of a different firm.

Regression results, reported in Panel C of Table 2, show that firms provide substantial financial support to their executives running for office even after the inclusion of election cycle, firm, and politician fixed effects. The estimate from our most stringent specification implies that executives receive, on average, \$25,991 more from their firms, which is a nearly five-time increase relative to the unconditional sample average.

The extensive financial support that firms provide to their executives' electoral campaigns is consistent with the idea that these firms expect to receive large benefits if their executives win political office. However, there may be other reasons for firms to support their former executives'

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[12] This average includes all cases in which a business politician runs for office, even if he/she is not the firm's highest supported candidate.

electoral campaigns even if the election of such executives generates no tangible firm-value benefits. For example, the firm's employees and shareholders may feel loyalty to their former executives or may simply be more familiar with them than with other political candidates.[13] Thus, while our evidence on campaign contributions is suggestive, a more direct measure of expected firm-value benefits generated by business politicians is their firms' stock returns around elections.

4. Firm-value implications

To assess the expected firm-value benefits generated by business politicians, we compute the firms' cumulative abnormal stock returns (CARs) around the dates on which business politicians win political office. We also investigate if the magnitude of stock returns depends on business politicians' ownership stake in their firms and whether there are any spillovers to other firms in the same industry.

Panel A of Table 2 reports the CARs around elections for firms where business politicians worked prior to running for office.[14] The average CARs are substantial, indicating that the potential firm-level benefits from having an executive in elected office are large. Within one day after a business politician wins an election, the firms where he/she previously worked gain, on average, 0.9% of equity value. After seven days, these gains cumulate to 1.8% on average. In terms

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[13] Another possibility is that business politicians pressure their firms for financial support. However, the vast majority of business politicians in our sample are former executives who are no longer employed by the firm when they seek political office. Therefore, it seems implausible that they can exert significant influence on how their firms allocate campaign contributions.

[14] CARs are based on the market model estimated over one trading year (255 trading days), with the estimation window ending two months (46 trading days) before the election date; the value-weighted CRSP index is used as the market return. We report CARs around *all* elections won by business politicians who had worked at a publicly traded firm. Most of these elections are not close, which likely underestimates the causal impact of business politicians on firm value—indeed, the CARs we report should reflect only the unexpected component of the market's reaction to business politicians' wins. Unfortunately, there is a very small number of close elections with business politicians from public firms, which makes it impossible for us to conduct an event study only around such elections.

of market capitalization, an average firm in our sample gains more than $240 million within one day after its executive wins an election, and these gains reach more than $367 million by the seventh day.

Overall, it appears that the market expects business politicians who win elections to generate large benefits for their firms. Some of these benefits may accrue to business politicians directly if they maintain ownership stakes in their firms. To investigate whether it is indeed the case, we collect data on stock holdings by business politicians from SEC filings and from congressional financial disclosure forms. We find business politicians hold substantial equity stakes in their firms, with an average value of $5.7 million. Further, the value of these stakes appreciates significantly when business politicians win elections. Specifically, the value of an average business politician's holdings in his/her firms increases by $283,520 on the first day after the election, and this increase reaches $540,311 by the seventh day.

If business politicians' equity stakes affect their incentives to represent the interest of their firms as federal office holders, one would expect equity returns around elections to be higher for firms whose executives maintain larger stakes in their firms. This is indeed what we find—firms whose executives hold large equity stakes experience substantially larger equity returns when those executives win elections (see Panel B of Table 2). Thus, the stock market believes that business politicians' ownership affects the likelihood with which they will generate benefits for their firms, providing further evidence that personal financial incentives are important in understanding the incidence of corporate executives running for political office.

Finally, we analyze whether the election of business politicians generates spillovers to other firms in the same industry. For each firm where a business politician worked prior to being elected, we identify up to 10 firms in the same four-digit SIC industry that are closest to the

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business politician's firm in terms of market capitalization.[15] We then compute these firms' CARs around the elections when business politicians win office. Our evidence (reported in Panel C of Table 2) points to positive industry spillovers: i.e., when a business politician is elected, his/her firms' industry peers experience positive abnormal stock returns. The industry CARs are, perhaps unsurprisingly, smaller in magnitude than the CARs of business politicians' firms.

5. Mechanisms

Our results so far indicate that the election of business politicians is associated with significant value creation for their firms and industries. This value creation implies that business politicians, once elected, are expected to generate tangible benefits for their firms. In this section, we investigate two potential sources of such benefits: the legislation proposed by business politicians and their service on congressional committees.

The importance of legislation has been recognized in the literature, which has shown that legislation has large effects on industry output and stock prices (e.g., Cohen, Diether, and Malloy (2013), Neretina (2019)). Therefore, we analyze the market's reaction to the passage of bills introduced by business politicians. We find that when Congress passes such bills, business politicians' firms experience significant positive CARs. These CARs, reported in Panel A of Table 4, range from 1.1% one day after legislation passage to 2.3% seven days after. Thus, the passage of legislation appears to be one of the mechanisms through which business politicians generate value for their firms.

Another mechanism through which business politicians may generate firm value is their service on congressional committees. These committees have wide discretion in determining

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[15] Note that not all four-digit SIC industries have 10 publicly traded firms at all election dates.

which bills ultimately become law and, perhaps equally importantly, which bills do not become law (e.g., Shepsle and Weingast (1987)). In fact, a proposed bill must pass the relevant committee first, before even being considered for passage by the full chamber (House or Senate). Committee members, therefore, can have substantial impact on legislation and consequently on firm value. In April 2019, for example, stock prices of major health insurance companies dropped by as much as 5% in response to a mere suggestion by Chuck Grassley, the chair of the Senate Finance Committee, that the committee was considering new laws to regulate the market for prescription drugs.[16]

In addition to their role in the legislative process, committees perform an important oversight function. Formally, congressional oversight refers to the review, monitoring, and supervision of federal agencies, programs, activities, and policy implementation (Halchin and Kaiser (2012)). Since congressional oversight affects the implementation of government regulation, it can have far-reaching consequences for the firms that are subject to such regulation. In a recent example, Congress held a series of hearings on the use of e-cigarettes by American youths. The hearings were held by the Subcommittee on Economic and Consumer Policy of the House Committee on Oversight and Reform. After the hearings, the Subcommittee's Chair sent a letter to the Food and Drug Administration (FDA) requesting an investigation into JUUL Labs, Inc., the largest firm in the e-cigarette market, for making false medical claims.[17] Three days after

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[16] See "Sen. Grassley: Pharmacy 'middlemen' hearing should lead to a bill to end 'secrecy' in drug industry," *CNBC April 9, 2019*. Available at https://www.cnbc.com/2019/04/09/grassley-pharmacy-middlemen-hearing-should-spur-ban-on-secrecy.html.

[17] See "Subcommittee urges FDA to evaluate JUUL Labs' false medical claims about e-cigarettes," September 5, 2019. Available at https://oversight.house.gov/news/press-releases/subcommittee-urges-fda-to-evaluate-juul-labs-false-medical-claims-about-e.

receiving the congressional request, the FDA issued a warning letter to JUUL and cited congressional testimony as the basis for the warning.[18]

The influence that committees have on legislation and congressional oversight implies that committee members can have a sizeable impact on firm value. Therefore, business politicians who wish to advance their firms' interests should be more likely to join relevant congressional committees. While business politicians' ability to join their preferred committees is not unlimited, existing congressional procedures give individual members considerable freedom in seeking committee assignments, subject to the constraints of seniority (Schneider (2006)).[19] In fact, the most common justification given by legislators seeking a committee assignment is prior professional experience (Frisch and Kelly (2006)), which should make it easier for business politicians to join the committees with jurisdiction over their firms.

To examine whether business politicians are more likely to join congressional committees relevant for their firms, we first generate all possible combinations of congressional committees and business politicians. We then construct a dummy variable set to 1 for all business politician-committee pairs in which the business politician sits on a given committee (*committee assignment indicator*). Next, for each congressional committee and each business politician in our sample, we construct an indicator variable set to 1 if this committee has jurisdiction over any of the industries in which the business politician worked prior to being elected (*relevant industry indicator*).[20] Finally, we regress the committee assignment indicator on the relevant industry indicator. We

[18] U.S. Food and Drug Administration warning letter MARCS-CMS 590950 (September 09, 2019). Available at https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019
[19] While the appointment of committee members is formally made by the whole chamber (House or Senate), the choice of members is made by the political parties. A panel within each party solicits preferences for committee assignments from party members and then matches these preferences with vacancies on standing committees. The parties typically honor the preferences of individual members, giving priority on the basis of seniority.
[20] We follow Ovtchinnikov and Pantaleoni (2012) in classifying the industries that fall under the jurisdiction of particular congressional committees.

control for seniority and include election cycle and politician fixed effects to absorb all time-invariant heterogeneity across politicians.[21]

The results, reported in Panel B of Table 4, suggest that the likelihood of a business politician joining a particular committee more than doubles if this committee has jurisdiction over the industries where the business politician worked prior to being elected. For example, our most stringent specification implies that the likelihood of a business politician joining a relevant committee is 10% (0.10=0.04+0.06), while the unconditional average of the committee assignment indicator is 4%. In the same specification, we also include an indicator variable set to 1 for powerful committees and find that the effect of committee power is neither economically nor statistically significant.[22] Thus, business politicians appear to seek assignments on committees relevant for their firms, even if such committees are not necessarily considered powerful.

Overall, our results indicate that committee assignments and the passage of legislation are two possible mechanisms for value creation. Apart from these firm- and industry-specific mechanisms, business politicians may have an aggregate impact on the U.S. policy and business climate more generally. It is this aggregate impact that we investigate next.

6. The aggregate impact of business politicians on the legislative process

Since most politicians (including business politicians) introduce few bills, perhaps the biggest impact they can have on aggregate policy is by voting on bills introduced by others. Our next set of tests, therefore, aims to examine business politicians' overall voting records.

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[21] Note that, because of collinearity, seniority cannot be included in the specification that includes both politician and election cycle fixed effects.

[22] The following House committees (in alphabetical order) are coded as powerful: appropriations, budget, commerce, rules, ways and means. The following Senate committees (in alphabetical order) are coded as powerful: appropriations, armed services, commerce, finance, foreign relations.

To quantify politicians' voting records, we use data on interest group ratings. These ratings provide a numerical score for each politician indicating how closely the politician's voting record is aligned with the interests of a particular interest group. Pro-business ratings are provided by the Chamber of Commerce of the United States (CCUS); pro-labor ratings are provided by the Committee on Political Education of the AFL-CIO (COPE), and pro-consumer ratings are from the Consumer Federation of America (CFA). We also collect the overall liberal/conservative scores (DW-NOMINATE) developed by Poole and Rosenthal (1991).[23]

We are interested in business politicians' causal impact on legislation. Identifying this impact is challenging because only politicians who ultimately win office can pass legislation. Therefore, the observable voting records may reflect not only business politicians' own views on legislation but also the aggregate preferences of their voters. It may be, for example, that business politicians are elected as a consequence of aggregate shifts in voter preferences toward the policies advocated by such politicians.[24] Importantly, it is the *aggregate* shifts in voter preferences that present an empirical challenge for our estimation and not the preferences of *individual* voters. After all, to be reflected in electoral outcomes, individual preferences must be correlated among many voters. To separate the legislative impact of business politicians from the aggregate preferences of their constituencies, we perform two sets of tests. First, we compare the voting records of business politicians to the voting records of their predecessors and successors. Second, we analyze the voting scores of business politicians who win close elections.

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[23] Pro-business, pro-consumer, and pro-labor union ratings range from 0 to 100, with a higher score indicating a stronger alignment with the preferences of the given interest group. The original DW scores range from –1 to +1, with a larger (positive) number indicating a more conservative voting record. We multiply DW scores by 100 to make their scale comparable to the other scores.

[24] For example, Lee, Moretti, and Butler (2004) find that voters elect (rather than affect) candidates' policy choices, while Fedaseyeu, Gilje, and Strahan (2018) show that exogenous shifts in voter preferences lead to the replacement of incumbents with politicians who represent the new preferences.

To compare business politicians to their successors and predecessors, in Figure 3 we plot the voting patterns *within the same constituency* before, during, and after a business politician is in office. The figure is constructed in normalized event time to account for the fact that different business politicians serve a different number of terms. Time 0 indicates the first year that a business politician is in office, time 2 indicates the last year that a business politician is in office, while time 1 represents the average of a business politician's voting score across all years during which he/she is in office. Time –2 and time –1 show the average voting scores of the business politician's predecessor, while time 3 and time 4 show the average voting scores of other the business politician's successor, all within the same constituency. The figure includes four panels: the top two panels contain liberal voting scores associated with pro-consumer and pro-labor interest groups, while the bottom panels contain conservative voting scores associated with pro-business interest groups as well as the overall conservativeness of a politician.

In all four panels in Figure 3, we observe large changes in voting scores immediately after a business politician assumes office and immediately after he or she leaves office, which suggests that the voting behavior of business politicians cannot be fully explained by *permanent* long-run political preferences of their constituencies. Relative to their immediate predecessors and successors, business politicians consistently vote in line with corporate interests and against pro-consumer and pro-labor interests.[25] This evidence suggests that, in addition to generating firm- and industry-specific benefits discussed earlier, business politicians also shape aggregate policies in a way that favors corporate interests.

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[25] That politicians with executive experience are less likely to vote in favor of legislation supported by labor unions is consistent with such politicians' alignment with the interests of their firms. The economics literature generally finds that rigid labor regulation negatively affects firm performance. For example, Holmes (1998) shows that states which adopt pro-business right-to-work laws experience increases in manufacturing activity, Draca, Machin, and Van Reenen (2011) find that minimum wage increases in the U.K. significantly reduce firm profitability, and Lee and Mas (2012) show that close union wins have a negative effect on stock prices.

The graphical evidence in Figure 3 suggests that *permanent* long-run political preferences of voters cannot fully explain the behavior of business politicians. However, this evidence is not sufficient to rule out the influence of *temporary* shifts in voter preferences on the behavior of business politicians. We address this challenge in our next set of tests, in which we compare the voting scores of business and non-business politicians who win close elections (we use the victory margin of 10% to identify close elections).[26]

To the extent that the outcome of close elections is determined by chance, the policies that the winners of such elections implement cannot be attributed to the aggregate shifts in voter preferences. After all, had all voters supported business politicians' policies, the elections of such politicians would not have been close. Therefore, the difference in voting scores between business and non-business politicians who win close elections should identify the causal effect of business politicians on legislation, free from the contaminating influence of aggregate voter preferences. Of course, *individual* voters are unlikely to be indifferent between the winners and losers of close elections as such elections often produce the most polarizing outcomes. However, as noted earlier, it is the *aggregate* voter preferences that present an empirical challenge for identification and not the preferences of individual voters.

In Table 6, we regress the voting scores of winners of close elections on the business politician dummy as well as the party indicator and election cycle fixed effects. Consistent with the graphical evidence presented earlier, we find that business politicians are more likely than non-business politicians to vote in line with corporate interests and against the interests of labor unions

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[26] Since only elected officials can vote on legislation, we cannot compare the voting scores of politicians who win elections to the voting scores of politicians who lose elections. Note also that we have voting scores for all business politicians, and not only for business politicians whose firms are publicly traded. Thus, even though the sample of close elections we use in this section is not large, it is sufficient to draw statistical inferences. Our results for voting scores also hold for the sample of all elections (we report these latter results in the appendix).

and consumers. Business politicians also accumulate a more conservative overall voting record relative to their non-business peers, even after controlling for party affiliation. In some specifications in Table 6, we directly control for aggregate voter preferences by including the Republican vote share as an explanatory variable. This variable never enters significantly, suggesting that our identification strategy is successful at removing the effect of aggregate voter preferences. Overall, our evidence suggests that business politicians shift the balance of power toward corporate interests by supporting pro-business legislation.

7. The effect of global competition on corporate executives' political participation

Our evidence so far indicates that business politicians, once elected, generate substantial benefits for their firms, industries, and corporate interests more generally. This evidence, however, does not necessarily imply that corporate executives run for office with the explicit goal of advancing their firms' interests. It may be, for example, that the firm-level benefits we observe are simply a by-product of business politicians' personal preferences being aligned with their firms. If this were the case, then the timing of corporate executives' entry into politics would be unrelated to their firms' performance and competitive environment. If, however, corporate executives' entry into politics is motivated by their firms' interests, then we should observe more executives running for office when their firms' benefits from political participation increase.

To investigate if corporate executives' entry into politics is motivated by the interests of their firms, we explore the idea that firms' benefits from political participation increase when they

are exposed to large competitive shocks.[27] One such competitive shock, which has become particularly important over the last two decades, is increased exposure to global competition.

Anecdotal evidence suggests that intensifying foreign competition may prompt domestic firms to engage in the political process with the goal of restoring their competitive position. On at least two occasions, U.S. policy makers introduced tariffs supported by narrow business interests in response to global competition. In 2002, President George W. Bush enacted 30% tariffs on steel imports (Ho (2003)), which were supported by the U.S. steelmakers but almost universally opposed by the broader business community[28] More recently, the Trump Administration has imposed tariffs on steel and aluminum and on a number of goods imported specifically from China. The imposition of steel and aluminum tariffs in particular was strongly supported by Wilbur Ross, the Secretary of Commerce in the Trump Administration. It is plausible (although we cannot claim this with certainty) that his views on this issue have been informed by his role as a large investor in distressed steel companies in the early 2000s.

To provide more systematic evidence on corporate executives' response to intensifying global competition, we exploit the identification strategy developed in Autor, Dorn, and Hanson (2013), who use China's entry into the WTO as an exogenous competitive shock to U.S. manufacturing firms.

7.1.   *Exposure to import competition from China*

China's economic rise is one of the largest global economic shocks that unfolded over the last two decades. The magnitude of this shock and its impact on the United States is hard to overestimate. In fact, imports from China to the United States rose from $26.3 billion in 1991 to $539.5 billion

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[27] This idea is consistent with the theory of regulatory capture (Stigler (1971); Peltzman (1976)), which argues that regulation protects incumbent firms from competition.

[28] See "So far, steel tariffs do little of what President envisioned," *The Wall Street Journal*, September 13, 2003.

in 2018, with an inflection point in 2001 when China joined the WTO (Autor, Dorn, and Hanson (2013)). This import shock has had a particularly large effect on U.S. manufacturing industries because it is in these industries that China has the largest competitive advantage.

If exposure to foreign competition motivates some corporate executives to enter politics, then we would expect executives from industries more exposed to Chinese competition to be more likely to run for political office. Following Autor, Dorn, and Hanson (2013), we instrument industry-specific imports from China to the United States by industry-specific imports from China to eight other high-income countries.[29] This strategy will identify the causal effect of import competition on the likelihood of corporate executives running for office if the common within-industry component of rising Chinese imports to the United States and other high-income countries stems primarily from China's rising comparative advantage and not from changes in the demand for Chinese goods in the United States.

There are several reasons to believe that China's export growth is driven by factors specific to China and not by demand shifts in the United States. First, fundamental factors such as rapid productivity growth and extensive policy reforms have contributed to a massive increase in China's absolute and relative advantage in manufacturing. In fact, the recent productivity growth in China has been much more rapid than in the United States or any other major economy. For example, Brandt, Van Biesebroeck, and Zhang (2012) estimate that China's TFP growth in manufacturing averaged 8.0 per year between 1998 and 2007, compared with 3.9 percent for the United States. Between 1992 and 2007, China accounted for three-quarters of the worldwide

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[29] The data on imports from China to the United States and to eight other high-income countries are provided by the United Nations' Comtrade Database, which records international trade statistics and which is also the source of data used in Autor, Dorn, and Hanson (2013). The eight high-income countries used and that we also use for our analysis are Australia, Denmark, Finland, Germany, Japan, New Zealand, Spain, and Switzerland. The choice of these countries is motivated by data availability and comparability of their import-export statistics.

growth in manufacturing value added that occurred in low- and middle-income nations (Autor, Dorn, and Hanson (2013)). Another reason why demand shocks cannot fully explain China's rise is that China's share of the U.S. market has grown sharply even relative to that of Mexico and Central America, regions which entered preferential free trade agreements with the United States (through NAFTA and CAFTA, respectively). Taken together, this evidence indicates that the increase in import competition from China has been driven primarily by China-specific factors, which lends credence to our identification strategy.

We fit the following model adapted from eq. (5) in Autor, Dorn, and Hanson (2013):

$$\Delta EXEC_{it} = \gamma_t + \beta_1 \Delta IC_{US,it} + \boldsymbol{X}'_{it}\beta_2 + e_{it}, \tag{1}$$

where $\Delta EXEC_{it}$ is the decadal change in the number of business politicians from industry i in decade t, scaled by the number of Compustat firms in industry i at the beginning of the decade; γ_t is the time dummy for each decade; $\Delta IC_{US,it}$ is the decadal change in the amount of imports from China to the U.S. industry i in decade t, scaled by the number of Compustat firms in industry i at the beginning of the decade; the vector $\boldsymbol{X}'_{it}$ contains a set of control variables; and e_{it} is the error term. We instrument $\Delta IC_{US,it}$ by $\Delta IC_{OTH,it}$, the decadal change in the amount of Chinese imports going to industry i in other high-income countries in decade t. To account for possible correlation in import exposure within industry clusters, we cluster standard errors by two-digit SIC codes.

We use the *UN Comtrade Database* to obtain data on industry-specific imports from China to the United States and other high-income countries between 1991 and 2018. The database reports international trade flows at the product level, which we then aggregate at the four-digit SIC level to construct industry-specific trade flows. To compute the number of business politicians at the industry level, we first identify all industries in which BoardEx executives from our sample worked prior to running for political office. We then assign each executive to *all* industries in which he or

she worked—thus, an executive who worked in several industries is assigned to each of them. To account for the differences in the number of firms across industries, we scale both the number of business politicians and the industry-specific import exposure by the number of firms in the corresponding industry at the beginning of each decade.[30] We then compute the decadal changes in these scaled variables.[31] Finally, our set of control variables includes the beginning-of-the-decade number of business politicians in each four-digit SIC industry as well as industry-level PAC contributions, the level of industry-specific regulation,[32] industry concentration (the industry-level Herfindahl-Hirschman Index based on sales), and average ROA.

Table 7 reports the first- and second-stage estimates from the instrumental variables regressions. We estimate the model separately for manufacturing industries (which are directly exposed to Chinese imports) and for all industries (including the industries that are not directly exposed to Chinese imports). In both cases, we find that greater exposure to Chinese import competition increases the likelihood of corporate executives running for political office. In the sample of manufacturing industries and in the specification that includes all control variables (column 2 of Table 7), a one standard deviation increase in the industry's exposure to the Chinese import shock increases the number of business politicians from this industry by approximately 67% relative to the sample mean ($0.055 \times 0.064 = 0.004$, which amounts to 67% of the sample mean of 0.006). The effect is, unsurprisingly, economically smaller in the sample that includes

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[30] An alternative approach, which produces similar results, is to calculate decadal growth rates in import exposure and in the number of business politicians rather than scale the corresponding variables by the number of firms. A disadvantage of this latter approach, however, is that growth rates cannot be easily calculated for industries that have no business politicians or no imports from China at the beginning of a decade.

[31] Industry-specific changes in the number of business politicians can be negative (if their number goes down), positive (if the number increases), or zero (if the number does not change). In our sample, the fraction of non-zero values varies between 34.51% (in the sample of manufacturing industries) to 35.62% (in the sample of all industries).

[32] To measure industry-specific regulation, we use the index developed by Al-Ubaydli and McLaughlin (2017) who count words and restrictions in the text of the *Code of Federal Regulations*.

non-manufacturing industries, but it remains significant ($0.090 \times 0.037 = 0.003$, which amounts to 33% of the sample mean of 0.009).

It therefore appears that greater exposure to global competition increases the likelihood of corporate executives running for political office. This evidence is consistent with the idea that executives enter politics to advance their firms' interests.

7.2. *Textual analysis of legislation*

If corporate executives run for political office in response to increased competition from China, then the legislation they introduce should mitigate the effect of Chinese competition on their industries. In this section, therefore, we analyze if the bills introduced by business politicians show a more negative sentiment toward China than the bills introduced by non-business politicians.

We obtain the text of all bills introduced in the U.S. House and Senate starting from 1990 from https://www.govtrack.us. We drop non-binding resolutions and retain all bills for which we have an identifiable sponsor along with the full text of the bill, for a total of 126,855 unique bills. Next, we search for all bills (and passages within the bills) that mention China or contain China-related keywords (such as "Chinese," "PRC," or "People's Republic of China"). We then use a machine-learning-based sentiment analyzer to calculate the positivity and negativity scores for each sentence that contains a China-related keyword (Hutto and Gilbert (2014)). The sentiment analyzer that we use assigns three scores to each sentence: a positivity score, a neutrality score, and a negativity score. The positivity score indicates the probability that a given sentence has a positive connotation. The neutrality and negativity scores are defined similarly, and the three scores sum up to one by construction.

The notion of China-related sentiment can only be defined for those bills that contain at least one China-related keyword. Consider, for example, the following sentence from bill S. 38 of

the 102nd Congress: "To deny the People's Republic of China most-favored-nation trade treatment." According to the algorithm that we are using, this sentence has a positivity score of 0 and a negativity score of 0.211. As another example, the following sentence from bill H.R. 3306 of the 109th Congress has a negativity score of 0.147 and a positivity score of 0.069: "China continues to violate many of the commitments it made when it joined the World Trade Organization in 2001."

Having assigned sentiment scores to each sentence related to China, we calculate an aggregate negative sentiment score for each bill by dividing the sum of all negativity scores by the total sum of positivity and negativity scores. For example, consider a bill that contains two China-related sentences with the following scores: positivity scores of 0.1 and 0.3, and negativity scores of 0.2 and 0.5, respectively. This bill will be assigned an aggregate negative sentiment score of 0.636, computed as (0.2+0.5)/(0.2+0.5+0.1+0.3). In the final step, we average the negative sentiment scores across all bills that a politician sponsors in a given year. The resulting China-related negative sentiment score has a mean of 0.245 and a standard deviation of 0.250.

Table 8 reports the results of the textual analysis. In Panel A we report the results for the whole sample, whereas in Panel B we report the results for the sample of close elections (we use the victory margin of 10% to identify close elections). Compared to non-business politicians, business politicians are no more and no less likely to introduce bills that mention China. However, when business politicians do introduce China-related bills, these bills exhibit a stronger negative sentiment toward China than bills introduced by non-business politicians. The effects we document are economically large. In the full sample, bills introduced by business politicians have China-related negative sentiment scores that are on average 0.068 to 0.070 higher than the corresponding

scores of bills introduced by non-business politicians. This effect represents approximately 28% of the sample mean. We find even larger effects in the sample of close elections.

8. Conclusion

We document an increasing trend in the number of corporate executives seeking political office in the United States and find evidence that advancing their firms' interests plays an important role in the executives' decision to enter politics.

Executives who run for political office receive substantial campaign contributions from their firms and, once elected, generate significant benefits for their firms and industries. First, electoral wins of business politicians are associated with large stock returns for their firms. Second, business politicians introduce legislation beneficial to their firms and are likely to join congressional committees with jurisdiction over their industries. Third, business politicians' aggregate voting records are generally pro-business and go against the interests of labor unions.

Finally, we show that corporate executives are more likely to run for political office when their industries experience competitive shocks. Using the entrance of China into the WTO as an exogenous import shock, we show that executives from the industries most exposed to Chinese imports are more likely to seek political office. Once elected, business politicians introduce legislation that exhibits a stronger negative sentiment toward China.

Overall, our results indicate that over the last two decades business interests have increased their direct involvement in the legislative process in the United States.

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Business politicians in elected federal office
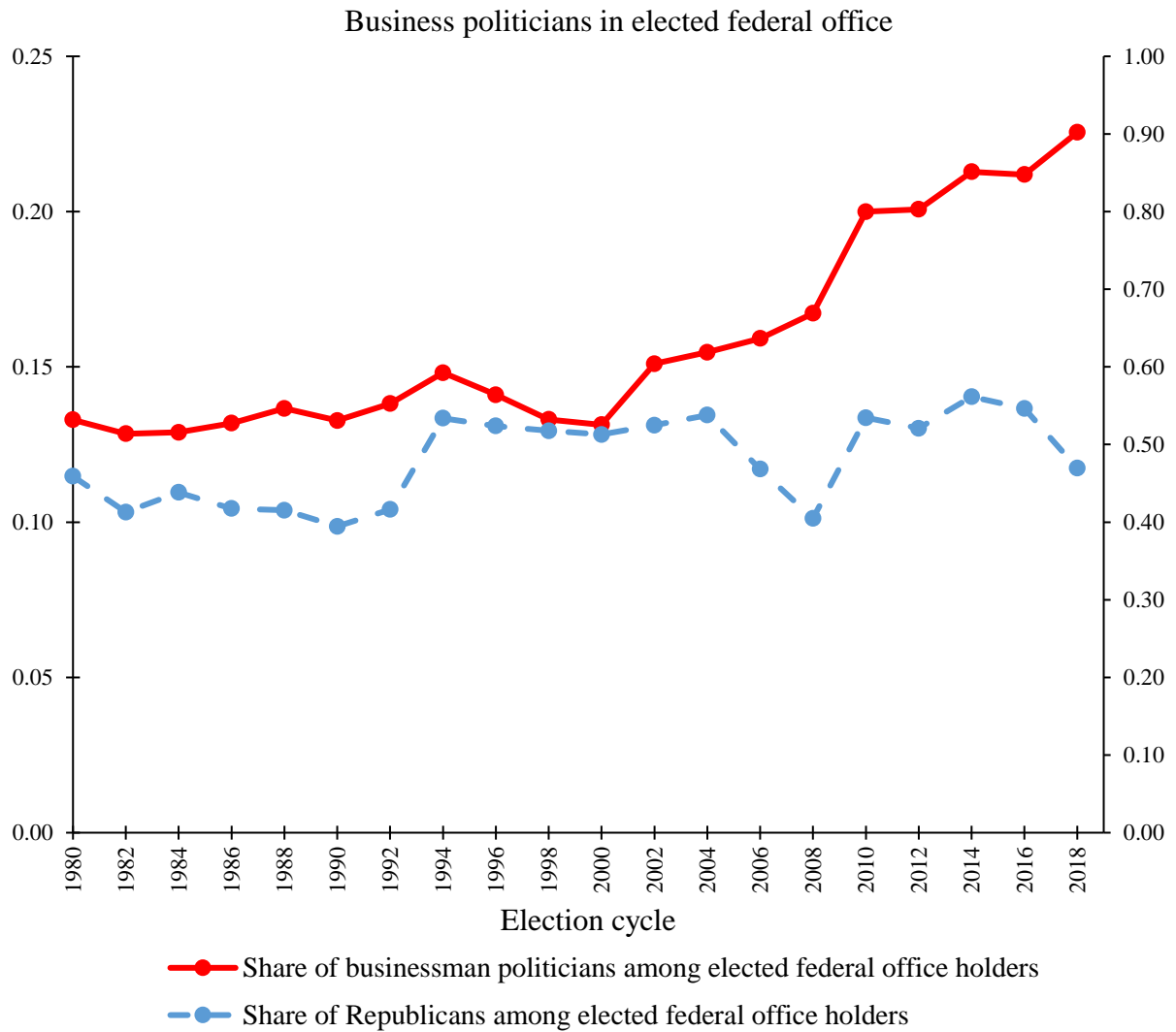
Figure 1. Share of business politicians in elected federal office

In this figure, the solid red line (measured against the scale on the left) depicts the share of federal office holders (U.S. Representatives, U.S. Senators, and U.S. Presidents/Vice-Presidents) who, prior to being elected, held at least one position as the CEO, president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm. The dashed blue line (measured against the scale on the right) depicts the share of federal office holders (U.S. Representatives, U.S. Senators, and U.S. Presidents/Vice-Presidents) from the Republican party.

Business politicians running for office

Number of BoardEx executives running for federal office
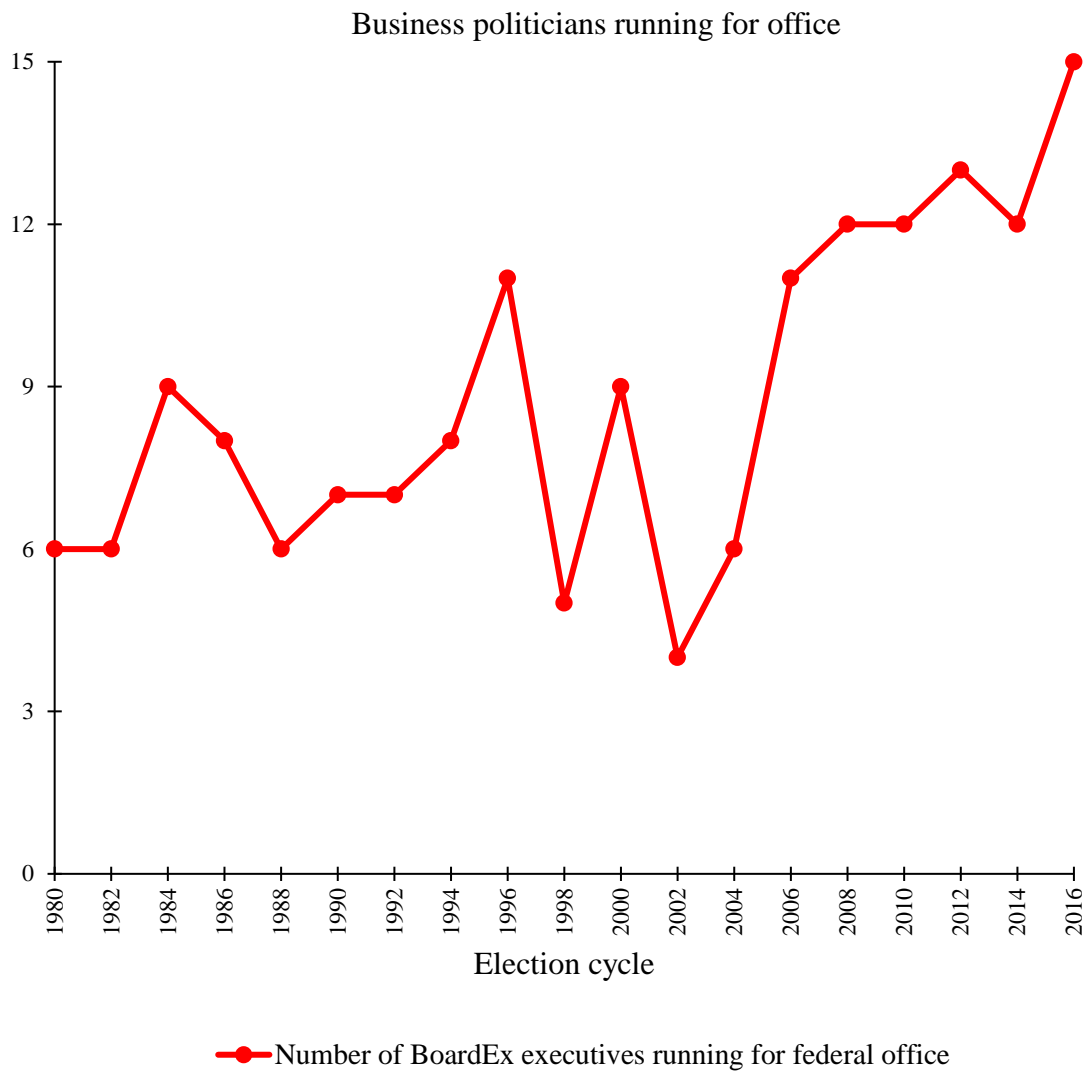
Figure 2. The likelihood of business politicians running for office

This figure shows the number of executives from the BoardEx database running for office in a given election cycle. The sample is restricted to BoardEx executives that held at least one position as the CEO, president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm prior to being elected.
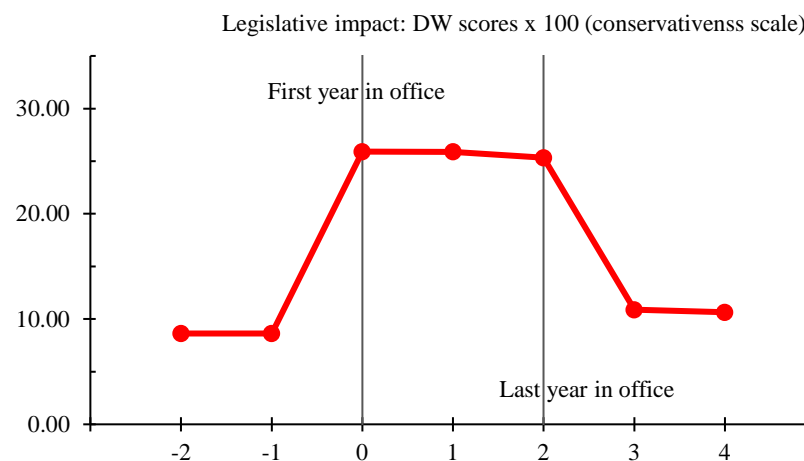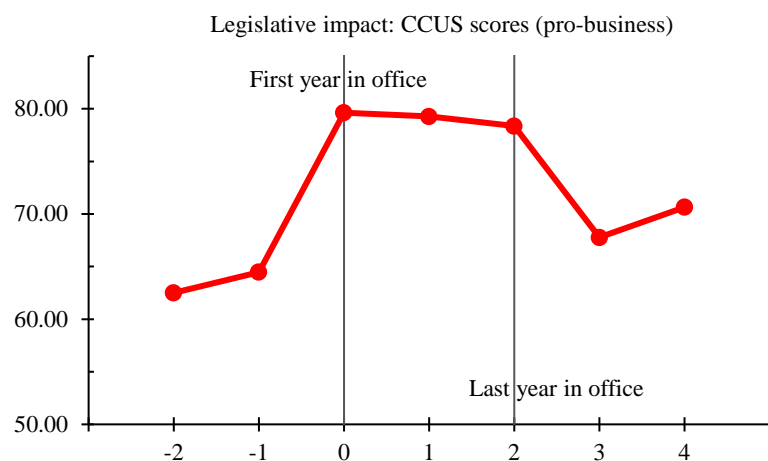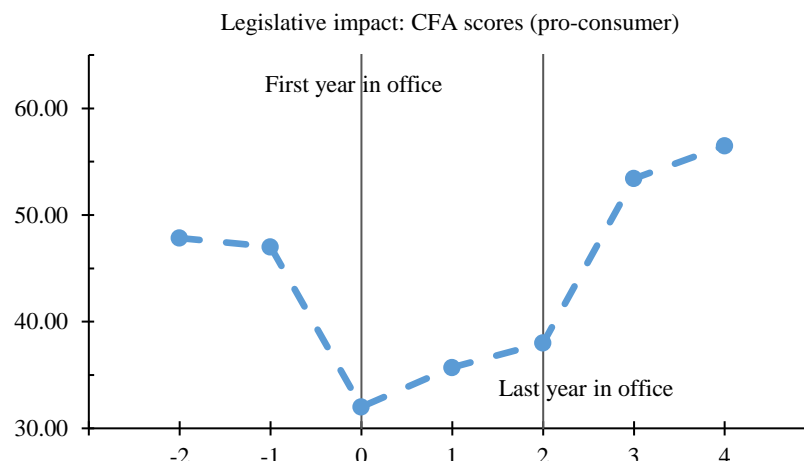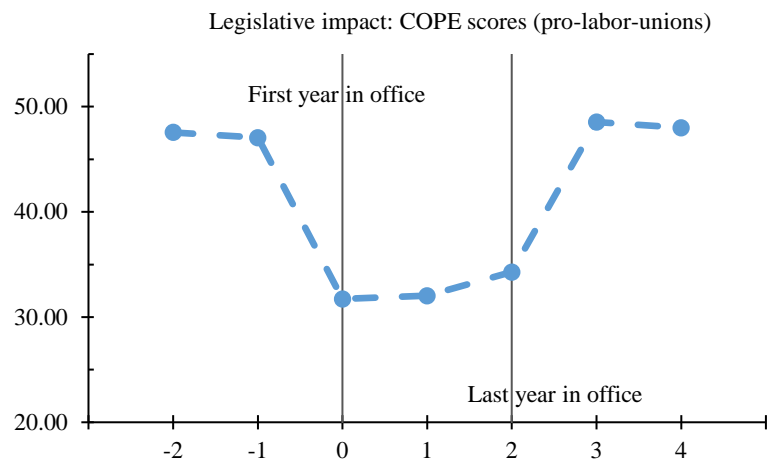
Figure 3. Business politicians' legislative impact

This figure reports legislative scores before, during, and after a business politician holds office. The time scale is normalized: time 0 is the first year during which a business politician is in office, time 2 is the last year during which a business politician is in office, while the value at time 1 represents the average value of a given legislative score over all the years during which a business politician is in office (see text for details). DW scores are multiplied by 100 to put them on a scale comparable to the other scores.

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Table 1. Summary statistics

This table reports aggregate summary statistics. Panel A is based on official biographies of federal office holders. The data are for election cycles from 1980 to 2018 and includes all federal office holders (U.S. Representatives, U.S. Senators, and U.S. Presidents/Vice-Presidents). Panel B is based on the sample of BoardEx executives and covers election cycles from 1980 to 2016. Panel C reports summary statistics on campaign contributions in the sample of firms whose executives run for political office. Panel D reports summary statistics on business politicians' committee assignments. Panel E reports summary statistics on voting records of winners of close elections (defined as elections won by a margin of 10% or less). Pro-consumer ratings are provided by the Consumer Federation of America (CFA). Pro-labor unions' ratings are provided by the Committee on Political Education of the AFL-CIO (COPE). Pro-business ratings are provided by the Chamber of Commerce of the United States (CCUS). The ratings are based on the individual voting records of politicians. A higher rating by a given interest group indicates a voting record more aligned with that group's preferences. The overall liberal/conservative scores (DW-NOMINATE) are developed by Poole and Rosenthal (1991), with a higher score indicating a more conservative voting record; DW-NOMINATE scores are multiplied by 100 to put them on a scale comparable to the other scores. Panel F reports statistics on industry-specific exposure to competition from China and on industry-specific changes in the number of business politicians, separately for manufacturing industries and for all industries. Industry is defined as all firms in the same four-digit SIC code. Panel G reports summary statistics on the textual analysis of legislation.

	N	Mean	25th Pctl.	Median	75th Pctl.	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Sample based on official biographies						
Number of unique federal office holders	2,049	-	-	-	-	-
U.S. Representatives	1,715	-	-	-	-	-
U.S. Senators	323	-	-	-	-	-
U.S. Presidents/Vice-Presidents	11	-	-	-	-	-
Number of unique federal office holders (business politicians)	391	-	-	-	-	-
U.S. Representatives	336	-	-	-	-	-
U.S. Senators	51	-	-	-	-	-
U.S. Presidents/Vice-Presidents	4	-	-	-	-	-
Share of business politicians in federal office, per election cycle	20	0.158	0.133	0.145	0.184	0.033
Panel B: Sample based on BoardEx						
Number of unique electoral campaigns by business politicians	167	-	-	-	-	-
Number of business politicians, per cycle	19	8.789	6.000	8.000	12.000	3.102
Share of elections won by business politicians, per cycle	19	0.671	0.600	0.714	0.778	0.237
Panel C: Campaign contributions						
Business politician running for office indicator	3,866	0.006	0.000	0.000	0.000	0.075
Amount of campaign contributions received by a political candidate	3,866	5,415.3	540.8	1,721.7	5,250.0	17,265.6
Panel D: Committee assignments						
Committee assignment indicator	6,533	0.040	0.000	0.000	0.000	0.197
Relevant industry indicator	6,533	0.105	0.000	0.000	0.000	0.307
Powerful committee indicator	6,533	0.096	0.000	0.000	0.000	0.294
Seniority	6,533	3.974	2.000	3.000	6.000	2.777
Panel E: Voting records in the sample of close elections						
CFA	255	43.263	17.000	33.000	72.000	30.628
CCUS	526	71.027	53.000	79.000	92.000	25.133
COPE	526	44.420	11.000	33.000	83.000	36.984
DW-NOMINATE x 100	497	20.657	-22.400	30.900	55.300	42.966
Panel F: Industry-specific exposure to competition from China						
Decadal change in the number of business politicians, manufacturing	142	0.006	0.000	0.000	0.000	0.053
Decadal change in imports from China to U.S., manufacturing	142	0.002	0.000	0.000	0.003	0.064
Decadal change in the number of business politicians, all industries	438	0.009	0.000	0.000	0.000	0.074
Decadal change in imports from China to U.S., all industries	438	0.001	0.000	0.000	0.000	0.037
Panel G: Textual analysis of legislation						
Incidence of mentioning China	11,820	1.291	0.000	0.000	0.000	5.722
China-related negative sentiment score	1,107	0.245	0.000	0.192	0.378	0.250

Table 2. Political contributions given to business politicians by their firms

This table reports the extent of financial support (in terms of political contributions) that business politicians running for office receive from their firms. In both panels, the sample is limited to firms with at least one former or current executive running for office during our sample period. We retain all observations for such firms, including the observations in which no executive from these firms runs for office. Panel A compares campaign contributions received by business politicians from their firms with campaign contributions received by these firms' highest supported candidates in election cycles in which business politicians from these firms do not run for office. Panel B reports the results of regressions of campaign contributions on firm characteristics and on an indicator variable set to 1 if the firm's former or current executive runs for office. Standard errors, clustered by firm, are reported in parentheses.

Panel A: Total contributions

	A business politician runs for office	N	No business politician runs for office	N	t-stat
	(1)	(2)	(3)	(4)	(5)
Total contributions (to all candidates)	98,527.80	362	47,504.00	1,199	3.21***
Share of business politicians who are their firm's highest supported candidate	79.8%	362	-	-	-

*p<0.1, **p<0.05, ***p<0.01

Panel B: Contributions to business politicians and to highest supported candidates

	Contributions to the business politician running for office	N	Contributions to the highest supported candidate when no business politician runs for office	N	t-stat
	(1)	(2)	(3)	(4)	(5)
Average contribution amount	65,180.75	362	10,748.71	1,199	4.21***

*p<0.1, **p<0.05, ***p<0.01

Panel C: Regressions of campaign contributions on the business politician indicator and firm characteristics

	Amount of campaign contributions received by a political candidate from a given firm			
	(1)	(2)	(3)	(4)
Business politician running for office indicator	34206.429***	35268.710***	35262.623***	25990.682**
	(10,821.797)	(10,985.695)	(11,028.316)	(11,023.018)
Firm size (*log* of 1+Assets)		870.381**	945.574***	2161.709
		(323.965)	(298.538)	(1,707.050)
ROA		14712.954**	8516.915**	15833.492*
		(4,990.009)	(3,192.733)	(7,907.680)
Tobin's Q		-90.036	55.558	-112.649
		(140.706)	(91.530)	(182.137)
Capital expenditures		-13898.888	-16656.044**	-33323.114*
		(8,133.113)	(6,154.992)	(15,836.242)
R&D		-12780.499	-27960.518*	-8722.062
		(9,158.063)	(13,142.076)	(18,864.049)
Observations	3,866	3,866	3,866	3,866
R-squared	0.028	0.038	0.044	0.282
Election cycle fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	-	-	Yes	Yes
Politician fixed effects	-	-	-	Yes

*p<0.1, **p<0.05, ***p<0.01

Table 3. Firm-value implications of business executives' winning political office

This table reports cumulative abnormal returns (CARs) around the dates of federal elections for firms whose executives win federal elected office as well as for other firms in the same four-digit SIC industry. Day 0 is the day of the election. CARs are based on the market model estimated over one trading year (255 trading days), with the estimation window ending two months (46 trading days) before the election date; the value-weighted CRSP index is used as the market return. Panel A reports the returns for all public firms in the sample whose executives win federal elected office. Panel B compares the returns of firms whose executives, at the time of their election, hold a large ownership stake in the firm with the returns of firms whose executives hold a small ownership stake in the firm; a large ownership stake is defined as ownership in the top quartile of sample ownership distribution, a small ownership stake is defined as ownership in the bottom quartile of the sample ownership distribution. The data on stock holdings, when available, are obtained from the SEC filings and Congressional disclosures. Panel C reports the returns for up to 10 closest firms (by market capitalization) in the same four-digit SIC industry as the firm whose executive wins federal elected office (not all four-digit SIC industries have 10 publicly traded firms). The t-statistics reported in this table are calculated by bootstrapping 10,000 samples of the data (with replacement), with bootstrap samples taken independently within each election cycle.

Panel A: CARs of firms whose executives win political office

	CAR	N	t-stat
	(1)	(2)	(3)
Event window (-1; +1)	0.009	80	1.70*
Event window (-1; +3)	0.014	80	2.13**
Event window (-1; +5)	0.010	80	1.13
Event window (-1; +7)	0.018	80	1.79*

*p<0.1, **p<0.05, ***p<0.01*

Panel B: CARs of firms whose executives win political office, sample splits at the top and bottom quartiles

	CAR (ownership in the top quartile)	N	CAR (ownership in the bottom quartile)	N	t-stat
	(1)	(2)	(3)	(4)	(5)
Event window (-1; +1)	0.038	15	0.007	30	1.39
Event window (-1; +3)	0.056	15	0.008	30	1.76*
Event window (-1; +5)	0.067	15	0.012	30	1.87*
Event window (-1; +7)	0.090	15	0.014	30	1.91*

*p<0.1, **p<0.05, ***p<0.01*

Panel C: CARs of up to 10 closest firms by market capitalization in the same four-digit SIC industry

	CAR	N	t-stat
	(1)	(2)	(3)
Event window (-1; +1)	0.006	583	2.61***
Event window (-1; +3)	0.006	583	2.03**
Event window (-1; +5)	0.009	583	2.72**
Event window (-1; +7)	0.006	583	1.58

*p<0.1, **p<0.05, ***p<0.01*

Table 4. Mechanisms

Panel A reports cumulative abnormal returns (CARs) around the dates of legislation passage for firms whose executives introduce legislation. Day 0 is the date of legislation passage. CARs are based on the market model estimated over one trading year (255 trading days), with the estimation window ending two months (46 trading days) before the election date; the value-weighted CRSP index is used as the market return. Panel B reports the results of regressions of the likelihood that a business politician joins a congressional committee on an indicator variable set to 1 if the committee has jurisdiction over one of the industries in which the business politician had worked prior to running for office. Seniority is the number of congressional terms during which a business politician served. Powerful committee indicator is set to 1 for the following House committees (in alphabetical order): appropriations, budget, commerce, rules, ways and means, and the following Senate committees (in alphabetical order): appropriations, armed services, commerce, finance, foreign relations. Standard errors, clustered by politician, are reported in parentheses.

Panel A: CARs of firms whose executives introduce legislation

	CAR	N	t-stat
	(1)	(2)	(3)
Event window (-1; +1)	0.011	55	1.85*
Event window (-1; +1)	0.017	55	2.47**
Event window (-1; +5)	0.020	55	2.76***
Event window (-1; +7)	0.023	55	2.80***

*p<0.1, **p<0.05, ***p<0.01

Panel B: Committee assignments

	Committee assignment indicator			
	(1)	(2)	(3)	(4)
Relevant industry indicator	0.063***	0.063***	0.061***	0.060***
	(0.019)	(0.019)	(0.019)	(0.020)
Seniority	-	-0.001	-	-
	-	(0.001)	-	-
Powerful committee indicator	-	-	-	0.021
	-	-	-	(0.017)
Observations	6,533	6,533	6,533	6,533
R-squared	0.016	0.016	0.041	0.042
Election cycle fixed effects	Yes	Yes	Yes	Yes
Politician fixed effects	-	-	Yes	Yes

*p<0.1, **p<0.05, ***p<0.01

Table 5. The impact of business politicians on U.S. legislation: Evidence from close elections

This table reports the results of regressions of interest group ratings for U.S. Representatives and U.S. Senators elected (or re-elected) between 1980 and 2016. The sample includes only close elections in which a business politician either narrowly won or narrowly lost by a margin of 10% or less. Pro-consumer ratings are provided by the Consumer Federation of America (CFA). Pro-labor unions' ratings are provided by the Committee on Political Education of the AFL-CIO (COPE). Pro-business ratings are provided by the Chamber of Commerce of the United States (CCUS). The ratings are based on the individual voting records of politicians. A higher rating by a given interest group indicates a voting record more aligned with that group's preferences. The overall liberal/conservative scores (DW-NOMINATE) are developed by Poole and Rosenthal (1991), with a higher score indicating a more conservative voting record; DW-NOMINATE scores are multiplied by 100 to put them on a scale comparable to the other scores. Not all ratings are available for all politicians in all years, which explains the varying sample sizes. All regressions include year fixed effects. Standard errors, clustered by politician, are reported in parentheses.

Panel A: Pro-consumer (CFA), pro-labor (COPE) interest group ratings

	CFA		COPE	
	(1)	(2)	(3)	(4)
Business politician indicator	-10.638**	-10.704**	-7.070*	-7.081*
	(4.964)	(5.080)	(3.921)	(3.820)
Republican indicator	-48.524***	-48.876***	-65.776***	-63.522***
	(4.731)	(6.388)	(2.370)	(3.263)
Republican vote share	-	0.074	-	-0.474
	-	(0.855)	-	(0.475)
Observations	255	255	562	562
R-squared	0.667	0.667	0.806	0.806

*p<0.1, **p<0.05, ***p<0.01

Panel B: Pro-business interest group ratings (CCUS), the overall conservative/liberal score (DW-NOMINATE)

	CCUS		DW-NOMINATE x 100	
	(1)	(2)	(3)	(4)
Business politician indicator	4.505	4.519	11.129***	11.151***
	(4.605)	(4.483)	(3.819)	(3.583)
Republican indicator	37.653***	35.665***	66.761***	63.433***
	(2.482)	(3.544)	(2.490)	(3.744)
Republican vote share	-	0.416	-	0.697
	-	(0.520)	-	(0.585)
Observations	575	575	574	574
R-squared	0.658	0.659	0.869	0.870

*p<0.1, **p<0.05, ***p<0.01

Table 6. Global competition, regulation, and the likelihood of business politicians running for office

This table reports instrumental variables regressions of the change in industry-specific number of business politicians on the change in the industry-specific exposure to imports from China, where an industry is defined as all firms within the same four-digit SIC code. Following Autor, Dorn, and Hanson (2013), we instrument an industry's exposure to China by the industry-specific imports from China to eight other high-income countries, separately for each decade (see text for details). Consequently, the sample includes one observation per industry per decade. A business politician is assigned to all industries in which he/she had work experience prior to running for elected office, and the same business politician can thus be assigned to several industries. We report both the second- and first-stage estimates. The sample in columns (1) and (2) includes manufacturing industries with at least one business politician, whereas the sample in columns (3) and (4) includes all industries with at least one business politician. All regressions include decadal fixed effects as indicated. Standard errors, clustered by two-digit SIC codes, are reported in parentheses.

	Instrumental variables: Second-stage estimates			
	Decadal change in the number of business politicians			
Sample:	Manufacturing industries		All industries	
	(1)	(2)	(3)	(4)
Decadal change in imports from China to US	0.113***	0.055***	0.114***	0.090***
	(0.020)	(0.020)	(0.019)	(0.025)
Lagged number of business politicians		-0.066***		-0.041***
		(0.015)		(0.006)
Lagged PAC contributions		1.339		-0.067
		(2.094)		(1.006)
Lagged amount of regulation		0.028**		-0.002
		(0.014)		(0.005)
Lagged HHI		0.068		0.204
		(0.115)		(0.276)
Lagged ROA		-0.018***		-0.015***
		(0.001)		(0.002)
	Instrumental variables: First-stage estimates			
Decadal change in imports from China to OTH	3.587***	3.517***	3.545***	3.526***
	(0.144)	(0.077)	(0.142)	(0.126)
Decade fixed effects	Yes	Yes	Yes	Yes
Observations	142	142	438	438
R-squared	0.795	0.803	0.790	0.793

*p<0.1, **p<0.05, ***p<0.01

Table 7. Textual analysis of legislation introduced by business politicians

This table reports the results of textual analysis of legislation. The sample includes all bills introduced by U.S. Representatives and U.S. Senators after 1990. The unit of observation is politician-year. The incidence of mentioning China is the number of bills, sponsored by a given politician in a particular year, that contain any China-related keywords. The China-related negative sentiment score is defined as follows: We sum all negativity scores associated with sentences containing China-related keywords and divide this sum by the sum of all negativity and positivity scores associated with sentences containing China-related keywords. By construction, the China-related negative sentiment score is defined only for bills that contain at least one China-related keyword. Panel A reports results for the full sample. Panel B reports results for a sample of close elections, i.e., elections in which a business politician either narrowly won or narrowly lost by a margin of 10% or less. All regressions include year fixed effects. Standard errors, clustered by politician, are reported in parentheses.

Panel A: Full sample

	Incidence of mentioning China		China-related negative sentiment score	
	(1)	(2)	(3)	(4)
Business politician indicator	0.268	0.274	0.068**	0.070**
	(0.244)	(0.243)	(0.030)	(0.030)
Republican indicator	0.298*	0.455**	0.001	0.048
	(0.172)	(0.191)	(0.025)	(0.031)
Republican vote share	-	-0.006	-	-0.002*
	-	(0.008)	-	(0.001)
Observations	11,820	11,820	1,107	1,107
R-squared	0.005	0.005	0.060	0.063

*p<0.1, **p<0.05, ***p<0.01*

Panel B: Sample of close elections

	Incidence of mentioning China		China-related negative sentiment score	
	(1)	(2)	(3)	(4)
Business politician indicator	-0.469	-0.498	0.465*	0.473*
	(0.909)	(0.986)	(0.262)	(0.257)
Republican indicator	1.010	0.072	-0.186	-0.263
	(0.771)	(0.741)	(0.211)	(0.153)
Republican vote share	-	0.192	-	0.015
	-	(0.136)	-	(0.029)
Observations	436	436	39	39
R-squared	0.088	0.091	0.443	0.449

*p<0.1, **p<0.05, ***p<0.01*

APPENDIX A: DETAILS OF SAMPLE CONSTRUCTION

A1. The sample of business politicians based on official biographies

We identify all federal office holders (i.e., U.S. Representatives, U.S. Senators, and U.S. Presidents/Vice-Presidents) who were elected (either for the first time or re-elected for a subsequent term) at any point of time between 1980 and 2018. We then obtain their official biographies, available at http://bioguide.congress.gov/biosearch/biosearch.asp and at https://www.govtrack.us. We use both sources for our analysis, and the latter one also contains the list of all bills sponsored and co-sponsored by each U.S. Representative and U.S. Senator. In total, we identify 2,049 federal office holders, of which 1,715 are U.S. Representatives, 323 are U.S. Senators, and 11 are U.S. Presidents/Vice-Presidents (the U.S. President and Vice-President are always elected simultaneously, with one U.S. Vice-President, George H. W. Bush, later becoming President himself).

For each federal office holder identified in the previous step, we read the official biography and find all people who, prior to being elected, held at least one position as the CEO, president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm. We term such federal office holders 'business politicians', of which we identify 338. In rare cases, a person may obtain executive experience between his/her terms in federal office. For example, Dick Cheney served in the U.S. House of Representatives until 1989, at which point he became the Secretary of Defense (from 1989 to 1993) and later the CEO of Halliburton Company (from 1995 to 2000). He then became the Vice-President of the United States in 2000 and served in this capacity until 2008. In such cases, the office holder is termed a business politician during the terms for which he/she was elected after having obtained executive experience and is termed a non-

business politician during all other terms. For example, Dick Cheney is considered a non-business politician prior to 1995 and a business politician afterwards.

For all business politicians, we identify all firms in which they worked prior to being elected (294 unique firms and 212 unique politicians). Among these firms, we select the firms that were publicly traded at the time of the election (25 unique firms). For all politicians whose firms have stock returns data available, we obtain, whenever possible, the data on their stockholdings in those firms. The first source of stockholdings data is the DEF 14A filings from the Securities and Exchange Commission (SEC). For each election, we obtain the most recent DEF 14A filing prior to election, when available.[1] The second source of stockholdings data is Congressional personal finance disclosure forms, which, after 2004, are publicly available from the Senate Office of Public Records and the Office of the Clerk of the House; these forms are also provided in machine readable format by the Center for Responsive Politics (https://www.opensecrets.org/personal-finances). It is not always possible to precisely identify the amount of stockholdings of each stock for each politician, since politicians are required to report the amount of each of their assets within one of several ranges. In such cases, we use midpoints. However, some politicians provide additional information on the exact holdings of stock in individual firms – we use these more detailed disclosures when available. The SEC electronic data are only available from 1994, and Congressional financial disclosures start in 2004, which therefore reduces the sample of office holders for which we have stockholdings data to 17 unique politicians and 27 unique firms.

Further, we obtain data on the legislation introduced by every U.S. Representative and U.S. Senator elected (or re-elected) between 1980 and 2016. A politician who introduces a piece of

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[1] For example, Darell E. Issa's holdings in Directed Electronics, Inc. during the 2006 election are available at https://www.sec.gov/Archives/edgar/data/1323630/000095015306001070/p72181def14a.htm.

legislation is termed the bill's "sponsor".[2] In total, we analyze 3,299 bills. Since not all bills are signed into law, we also identify, among sponsored and co-sponsored bills of each legislator, the ones that ultimately pass (89 bills).

To characterize voting patterns, we obtain data on interest group ratings for all politicians in our sample. Pro-business ratings are provided by the Chamber of Commerce of the United States (CCUS); pro-labor unions' ratings are provided by the Committee on Political Education of the AFL-CIO (COPE), and pro-consumer ratings are from the Consumer Federation of America (CFA). We also collect the overall liberal/conservative scores (DW-NOMINATE), developed by Poole and Rosenthal (1991). Pro-business, pro-consumer, and pro-labor union ratings run from 0 to 100, with a higher score indicating a stronger alignment with the preferences of the given interest group. The original DW scores run from –1 to +1, with a larger number indicating a more conservative voting record. We multiply DW scores by 100 to make their scale comparable to the other scores. Not all scores are available for all politicians in all years, which generates varying sample sizes.

A2. The sample of business politicians based on BoardEx

We start by identifying all people in the BoardEx database who held at least one position as the CEO, president, chairman/chairwoman, or founder/owner of any private or public for-profit non-agricultural firm. In particular, we retain all people, who, according to their employment history in BoardEx, held at least one of the following titles: "CEO", "Chairman/Chairwoman", "President", and "Founder".[3] We also restrict the sample to positions in non-government firms

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[2] A sponsor is the first member of the House of Representatives or Senate to be listed among the possibly numerous lawmakers who introduce a bill or resolution. In Senate, multiple sponsorships are allowed. A sponsor, once designated, is responsible for the handling or processing of the bill in the legislative process.

[3] We are careful to remove from consideration assistant positions, such as "Assistant CEO", by removing role titles containing the following keywords and their variations: "assistant", "division", "group", "emeritus", "regional", "deputy", "acting", "interim", "vice", and "designate".

located in the United States. This leaves us with 61,502 unique people who hold 152,762 unique positions (i.e., unique person-firm combinations).

For each person identified in the previous step, we build online search queries of the following form: "Person's name" + "Company name" + "Political office" + "Elect", where "Political office" denotes a federal elected office. We separately search for each combination of the following: "US/United States" + "House/Senat/Congress/President" (notice that "Senat" represents "Senator", "Senate", "Senatorial", etc.). Further, we perform a separate search for each unique person-firm-office combinations, for a total of 1,994,920 unique search queries.

Each of the 1,994,920 unique search queries is automatically input into a search engine. Modern search engines employ a variety of search algorithms that may depend on location and the history of prior searches. To ensure that we receive the full range of all possible search results, we perform each unique search on six independent servers. If a search query returns no output (we have 539 such cases), we repeat it again on the six different servers on a different day. In total, we run 11,972,754 search queries that return 29,908,149 unique search results (for each query, we retain top 20 search results, when available, and some search results may overlap because we build multiple searches for each individual in our sample).

Because modern search algorithms do not limit their search results to keywords verbatim, the 29,908,149 search results from the previous step contain many web sources that do not describe electoral campaigns. A common example is company filings that describe board elections, in which case the name of a BoardEx executive may appear in connection with his/her role as the President of the firm or his/her election to the board. Another common example are newspaper articles that describe executive's wealth (in which case, for example, the word "House" may be mentioned frequently). We use a two-step procedure to eliminate extraneous search results. First,

we verify that the web pages that the search results provide contain at least one mention of the BoardEx executive as well as at least one of his/her firms and any of the federal political offices. To do this, we obtain the http source code of each web page in the list of search results and perform a within-web keyword search, where we search for all mentions of the person's name, firm(s) and office(s). We thus identify 47,783 web pages that contain at least one mention of the BoardEx executive as well as at least one of his/her firms and any of the federal political offices. In the second step, we hire human research assistants to manually read each of the 47,783 web pages and retain only those pages that contain any mention of political campaigns run by BoardEx executives. For example, research assistants exclude all articles that mention instances of executives making monetary campaign contributions to politicians (but do not mention the incidence of executives running for office themselves). This leaves us with 72 BoardEx executives who run in 167 campaigns for federal office between 1980 and 2016.

APPENDIX B: FEDERAL OFFICE HOLDERS WITH EXPERIENCE IN THE MILITARY, LAW, AND AGRICULTURE

The total number of federal office holders (including any temporary vacancies) is fixed at 537 (435 U.S. Representatives, 100 U.S. Senators, one U.S. President and one Vice-President). One explanation for the increase in the share of business politicians is that they substitute politicians with other types of experience. Alternatively, since different types of experience are not mutually exclusive, the share of business politicians may have risen without affecting the proportion of politicians with other types of experience.

To investigate, we consider three types of non-business experience: service in the military, law experience, and agriculture experience (the latter should correspond to the changes in the urban and rural composition of the U.S. population). To identify these types of experience, we search the official biographies for corresponding keywords.[4] We then calculate the share of politicians with each type of experience among office holders and plot it in Figure B1.[5]

As Figure B1 shows, the share of politicians with experience in agriculture remained relatively stable between 1980 and 2016. The share of politicians with law experience and military service, however, dropped, and in the case of military experience the drop has been rather dramatic. Thus, the increase in the share of business politicians was accompanied by a decrease in the share of politicians with law experience and military service.

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[4] The following set of keywords corresponds to military experience: "Unites States Navy", "United States Army", "United States Air Force", "United States Marine Corps", as well "National Guard", "military service", "veteran", "prisoner of war" (and any variations on the above). The following set of keywords corresponds to law experience: "law school", "school of law", "attorney", "lawyer", "legal assistant", "legal research assistant", as well as "JD", "LLM", "LLB" (and any variations on the above). The following set of keywords corresponds to agriculture experience: "farmer", "rancher", "farm owner", "farm operator", "agriculture business", "agriculture businesswoman" (and any variations on the above).

[5] Note that the same person may possess more than one type of experience.
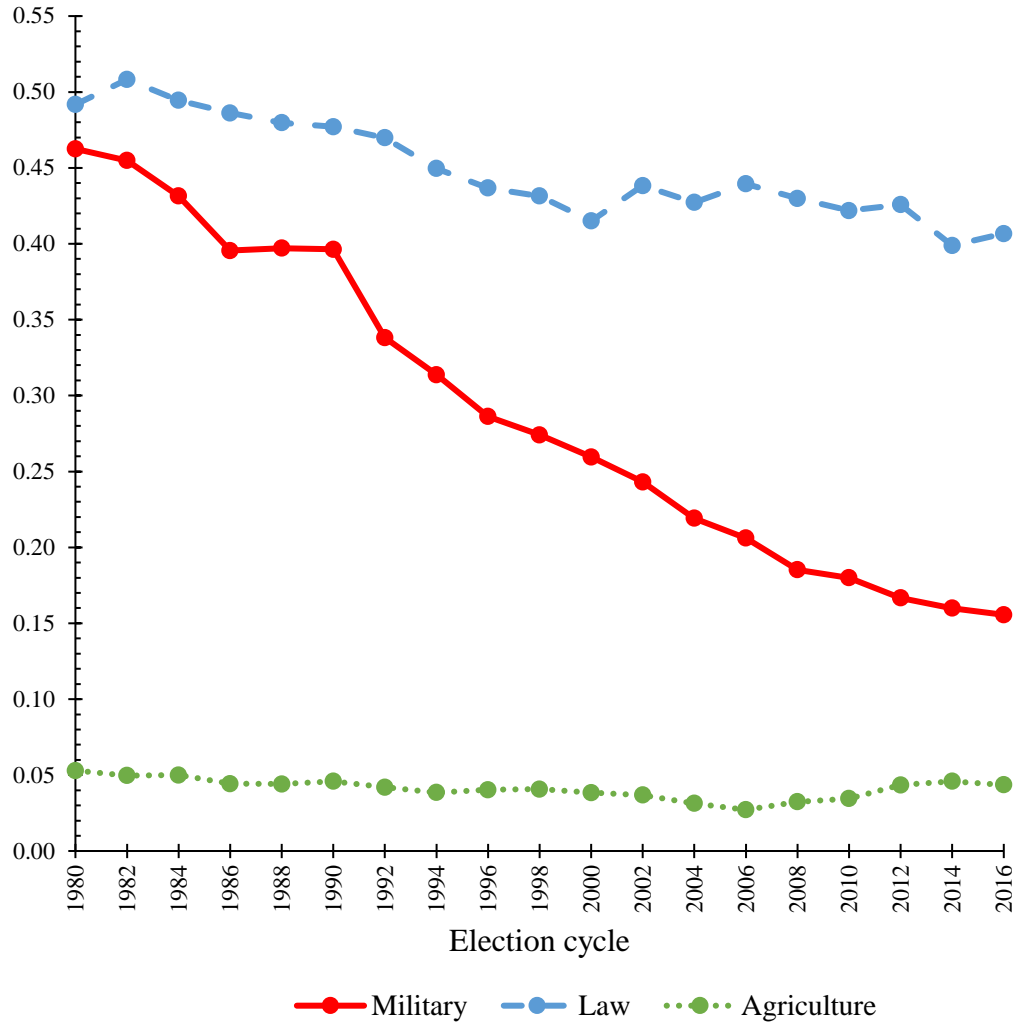
Figure B1. Share of federal office holders with experience in the military, law, and agriculture

This figure depicts the share of federal office holders (U.S. Representatives, U.S. Senators, and U.S. Presidents/Vice-Presidents) who, prior to being elected, had experience in the military (the solid red line), law (the dashed blue line), and agriculture (the dotted green line).

APPENDIX C: VOTING RECORD OF BUSINESSMAN AND NON-BUSINESSMAN

POLITICIANS IN THE FULL SAMPLE

To estimate the causal impact of business politicians on policy in the main body of the paper, we use close elections (see Table 6). In Table C1, we provide full-sample estimates for the same models that we report in Table 6.

The results in Table C1 are of course less well-identified than those reported in Table 6. However, the two sets of results are not dissimilar, suggesting that the sample of politicians who win close elections is representative of the full sample of politicians. Note that in Table C1 the coefficient on the Republican vote share enters significantly and with the expected sign, which contrasts with the results for the sample of close elections reported earlier. This is to be expected, since the political preferences of constituencies are an important determinant of how politicians vote (in the full sample). At the same time, because the Republican vote share is never significant in the sample of close elections, the estimation in that sample appears to be successful in separating the preferences of voters from the preferences of business politicians.

Table C1. The impact of business politicians on U.S. legislation: Large-sample evidence

This table reports the results of regressions of interest group ratings for all U.S. Representatives and U.S. Senators elected (or re-elected) between 1980 and 2016. Pro-consumer ratings are provided by the Consumer Federation of America (CFA). Pro-labor unions' ratings are provided by the Committee on Political Education of the AFL-CIO (COPE). Pro-business ratings are provided by the Chamber of Commerce of the United States (CCUS). The ratings are based on the individual voting records of politicians. A higher rating by a given interest group indicates a voting record more aligned with that group's preferences. The overall liberal/conservative scores (DW-NOMINATE) are developed by Poole and Rosenthal (1991), with a higher score indicating a more conservative voting record; DW-NOMINATE scores are multiplied by 100 to put them on a scale comparable to the other scores. Not all ratings are available for all politicians in all years, which explains the varying sample sizes. All regressions include year fixed effects. Standard errors, clustered by politician, are reported in parentheses.

Panel A: Pro-consumer (CFA), pro-labor (COPE) interest group ratings

	CFA		COPE	
	(1)	(2)	(3)	(4)
Business politician indicator	-5.529***	-5.538***	-4.635***	-4.501***
	(1.617)	(1.615)	(1.226)	(1.222)
Republican indicator	-45.860***	-44.490***	-70.140***	-65.333***
	(0.988)	(1.350)	(0.792)	(1.056)
Republican vote share	-	-0.049	-	-0.171***
	-	(0.037)	-	(0.027)
Observations	8,380	8,380	16,157	16,157
R-squared	0.655	0.655	0.825	0.826

*p<0.1, **p<0.05, ***p<0.01

Panel B: Pro-business interest group ratings (CCUS), the overall conservative/liberal score (DW-NOMINATE)

	CCUS		DW-NOMINATE x 100	
	(1)	(2)	(3)	(4)
Business politician indicator	3.401***	3.200***	5.134***	4.863***
	(0.913)	(0.893)	(1.280)	(1.253)
Republican indicator	45.246***	38.313***	73.788***	64.623***
	(0.642)	(0.971)	(0.885)	(1.197)
Republican vote share	-	0.247***	-	0.326***
	-	(0.027)	-	(0.036)
Observations	16,568	16,568	16,569	16,569
R-squared	0.716	0.722	0.864	0.870

*p<0.1, **p<0.05, ***p<0.01