The Politics of CEOs

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Abstract

This article studies the political preferences of chief executive officers (CEOs) of public companies. We use Federal Election Commission records to compile a comprehensive database of the political contributions made by more than 3800 individuals who served as CEOs of Standard & Poor's 1500 companies between 2000 and 2017. We find a substantial preference for Republican candidates. We identify how this pattern is related to the company's industry, region, and CEO gender. In addition, we show that companies led by Republican CEOs tend to be less transparent to investors with respect to their political spending. Finally, we discuss the policy implications of our analysis.

Keywords: political spending, political contributions, Republicans, Democrats, CEOs, corporate political influence

JEL Classifications: G3, G34, G38, K2, K22

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THE POLITICS OF CEOs

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ABSTRACT

This article studies the political preferences of chief executive officers (CEOs) of public companies. We use Federal Election Commission records to compile a comprehensive database of the political contributions made by more than 3800 individuals who served as CEOs of Standard & Poor's 1500 companies between 2000 and 2017. We find a substantial preference for Republican candidates. We identify how this pattern is related to the company's industry, region, and CEO gender. In addition, we show that companies led by Republican CEOs tend to be less transparent to investors with respect to their political spending. Finally, we discuss the policy implications of our analysis.

(JEL Codes: G3, G34, G38, K2, and K22).

1. INTRODUCTION

Chief executive officers (CEOs) of public companies preside over a significant fraction of the American economy and wield substantial power over a majority of the assets held by business firms. Their power over corporate resources, as well as their significant stature and prestige in the economic system, enables public-company CEOs to have significant influence over policy and political decisions. In this article, we argue that understanding the political preferences

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of CEOs is valuable for understanding the inner dynamics of U.S. policymaking and politics, and we seek to contribute to this understanding.

To this end, we conduct an empirical study of the political preferences of public-company CEOs during the eighteen-year period from 2000 to 2017. Our study examines more than 3800 individuals who served as CEOs of Standard & Poor's (S&P) 1500 companies. Our goal is to investigate whether and to what extent CEOs show disproportionate support for one of the two main parties and how this pattern varies across time, industry, region, and CEO gender.

We find that, during the period we examine, CEOs donate disproportionately more to the Republican Party and its candidates. We classify CEOs as "Republican" if they direct at least two-thirds of their donations to Republican candidates, "Democratic" if they direct at least two-thirds of their donations to Democratic candidates, and "Neutral" if they do not direct two-third of their spending to either one of the two major parties. We find that more than 57 percent of CEOs are Republicans (so defined), 19 percent are Democrats (so defined), and the rest are Neutral (so defined). Therefore, Republican CEOs are three times as many as Democratic CEOs. Furthermore, Republican CEOs lead companies with almost twice the asset value of companies led by Democratic CEOs.

We also investigate the extent to which the predominance of Republican CEOs varies across industries, geographical regions, and CEO gender. Finally, to highlight the significance of CEO political preferences, we study the relationship between CEO partisan leanings and corporate decisions on whether to disclose to investors information about the company's political spending. We find that companies with Republican CEOs tend to make their political spending transparent to investors than companies with Democratic CEOs.

Scholars have used the political contributions of corporate directors and executives as a variable in a number of prior empirical studies, but these studies have largely focused on issues other than the partisan leanings of CEOs.[1] To the best of our knowledge, our article provides the first systematic evidence on the partisan leanings of the CEOs of contemporary public companies.[2] The patterns

1 See, e.g., Fremeth, Richter, & Schaufele (2013) (presenting evidence that individuals increase the amount of their political contributions when they become a CEO); Borghesi, Houston, & Naranjo (2014) (presenting evidence on the difference between CEOs donating to both Republican and Democratic parties and those donating to one party). Indeed, Fremeth, Richter, & Schaufele (2013, p. 175) note that a majority of CEOs donate to both Republican and Democratic candidates, and view this fact as evidence that CEOs do not contribute primarily to Republicans. Our analysis also finds that most CEOs contribute to both parties but shows that a majority of those who contribute to both parties give primarily to Republicans.

2 An early article published in 2001 suggested that contributions to the 1980 elections display pre-Republican preferences by "individual capitalists." (Burris (2001) presented evidence based

we identify, we believe, should inform subsequent examination of policymaking, politics, and corporate decision-making.

Our analysis is organized as follows. Section 2 discusses the potential importance of CEO political preferences for public policy and politics. We examine the impact of CEO political preferences through two main channels: corporate political spending and policy activism. Especially since the Supreme Court's decision in *Citizens United*, which allowed corporations to make unlimited independent political expenditures, corporate spending can substantially affect politics and policymaking. Thus, an understanding of CEO political preferences is important for assessing the long-term effects of corporate political spending and *Citizens United* on U.S. politics and policy. Furthermore, CEOs, both individually and through the Business Roundtable—their most prominent association—express policy views and provide policy advice, and their expertise and leadership positions enable such views and advice to have significant influence.

Section 3 describes the dataset we have built. We first put together public information about individuals who served as CEOs of S&P 1500 companies between 2000 and 2017. We then sought to locate within the massive electronic records of the Federal Elections Commission (FEC) all political contributions by the CEOs in our sample. Section 3 describes the problems we had to address to match CEOs to their contributions. Overall, we were able to identify political contributions for 89 percent of S&P 500 CEOs, 82 percent of the mid-cap CEOs, and 72 percent of the CEOs of smaller companies.

Section 4 presents our findings. Section 4.1 provides an overview of CEO political preferences and presents evidence that Republican CEOs substantially outnumber Democratic CEOs. We show that the median CEO directs 75 percent of his or her total contributions to Republicans. As mentioned above, we find that Republican CEOs are more than 57 percent of the whole sample, while Democratic CEOs are only about 19 percent.

The rest of Section 4 examines the findings in more detail and shows the extent to which CEO political preferences are associated with industry sectors, regions, and CEO gender. CEOs disproportionately support Republican candidates in each year of the period we examine, in all twelve Fama–French industry sectors, in all four U.S. census regions, and for both male and female CEOs. However, CEO Republican leanings are most pronounced in some industries (energy, manufacturing, and chemicals) than others (such as telecom, business

on data relating to the 1980 elections.) However, subsequent work did not focus on this issue, and Fremeth, Richter, & Schaufele (2013, p. 175) even questioned whether the patterns suggested by that early article existed in data from subsequent periods.

equipment, and money). Similarly, pro-Republican preferences are strongest for CEOs of companies headquartered in the Midwest and the South, and least strong for CEOs of companies in the Northeast and the West. Furthermore, CEO gender is significantly associated with partisan preferences, with male CEOs being much more likely to have pro-Republican preferences than female CEOs. These correlations persist also after controlling for all other variables in a regression analysis.

It might be argued that the personal preferences reflected by CEO spending of their own monies on politics generally do not affect decisions they make in their CEO capacity. On this view, CEO decisions on how to spend their company's monies on politics will be completely unaffected by their personal political preferences, and, similarly, the policy views and advice that CEOs will provide to the public and policymakers will reflect only their corporate role and in no way their own personal views. We believe, however, that the personal political and policy preferences of CEOs are likely to affect their professional decisions, at least when such decisions have political and policy dimensions.

To explore this issue, Section 5 investigates the association between CEO political preferences and a corporate decision with a political and policy dimension that has attracted much investor attention in recent years. In particular, we test whether there is a relationship between the partisan preferences of CEOs and the willingness of their companies to disclose information about their political spending. To measure the scope and quality of such corporate disclosure, we use the Center for Political Accountability (CPA)-Zicklin Index (CZI) in 2015, 2016, and 2017, a measure of transparency of corporate political spending among public companies. We find that companies led by Republican CEOs are less transparent to their investors on whether, how, and how much they spend on politics.

Section 6 discusses the potential policy implications of our analysis and findings. We argue that an understanding of CEO disproportionate support for the Republican Party should inform an assessment of the effects of corporate political spending and *Citizens United* on policymaking and politics. In addition, an understanding of CEO partisan leanings should inform the assessment of CEO policy activism. Furthermore, students of corporate law and finance should take into account the potential impact of political preferences on corporate decisions, at least when such decisions have political and policy dimensions.

Before proceeding, we wish to clarify that we take no position on whether the disproportionate support of CEOs for Republicans is socially desirable. Focusing on shareholder-value maximization, some might argue that support for Republicans is consistent with shareholder interests because share value would benefit from the low-tax and deregulatory policies that receive more support from Republicans. Furthermore, looking at the political system as a whole, some might argue that the partisan leanings of CEOs provide a desirable balance against the opposite partisan leanings of other influential groups such as labor unions. By contrast, others might worry that a significant partisan imbalance among CEOs, and as a result among public companies, could be unhealthy for democracy. These are claims on which individuals may reasonably disagree, and we do not wish to contribute to a debate on the normative assessment of CEO support for Republicans. Our contribution is to provide an empirical foundation on which any examination of this subject can build.

Similarly, we also would like to clarify and emphasize that we do not seek to criticize or portray as negative the documented association between Republican CEOs and resistance to voluntary disclosure of the company's political spending. There is an intense ongoing debate on the desirability of such disclosure.[3] Some might argue, for example, that company contributions to unpopular causes can provoke backlash from customers or other stakeholders (Verret 2013, pp. 468–470),[4] and that transparency, at least in some cases, might therefore be detrimental to shareholders.

We do not take a position on these issues either. Our contribution in this connection is to provide evidence that, for better or worse, the spread of voluntary disclosure practices could have been slowed down or impeded by the dominance of Republican CEOs as well as to highlight in this way the importance of considering CEO political preferences in understanding certain corporate decisions. The association of pro-Republican preferences with less transparency, together with the commonness of such preferences, should inform any assessment of the prospect that considerable transparency of corporate spending would be achieved via private ordering.

2. THE POLICY STAKES

This section discusses the importance of the political preferences of CEOs for public policy and politics. The CEOs of S&P 1500 companies are a very small group, numbering less than 0.001 percent of U.S. voters. However, as this section explains, public-company CEOs are likely to have a disproportionate influence over American policymaking and politics, and understanding their

3 For articles in favor of such disclosure, see, e.g., Bebchuk & Jackson (2013); Bebchuk et al. (2019); and Coates & Lincoln (2011). For articles opposing it, see, e.g., Atkins (2013); Copland (2013); Lepore (2013); Smith & Dickerson (2013); and Strine (2019).

4 Cf. Bebchuk et al. (2019, pp. 7–10) (arguing that the empirical evidence on the beneficial effects of corporate political spending is mixed and that even demonstrable beneficial effects could not justify lack of transparency).

political preferences is therefore important for understanding the inner dynamics of the U.S. democracy.

Although public companies represent only 0.06 percent of the total number of U.S. firms, they account for 31.3 percent of private-sector employment, 41.3 percent of sales, and 51.1 percent of pretax profits (Asker, Farre-Mensa, & Ljungqvist 2015).[5] As key decision-makers within their firms, CEOs thus preside over a significant portion of the nation's economy. Their decisions can have an enormous impact on jobs, wealth, tax revenues, and even the social fabric of local communities. These facts naturally make public-company CEOs important agents in the economy. Most importantly for the purposes of this article, however, their positions enable CEOs to influence policymaking and politics through two important channels.[6]

Section 2.1 discusses the ability of CEOs to influence policymaking and politics through the political spending of the companies they head. Especially since the Supreme Court's decision in *Citizens United*, which allowed corporations to make unlimited independent political expenditures (*Citizens United v. FEC*, 558 U.S. 310 (2010)), corporate political spending can substantially affect politics and policymaking. CEOs can influence the amounts and recipients of the political spending made by their companies.

Section 2.2 discusses the significant impact that the expressed views of CEOs have on policy discourse and policymakers. CEOs often participate in such discourse and express policy views either individually or through the Business Roundtable. Because CEOs are (rightly) viewed as individuals of high standing, authority, and expertise, their expressed policy positions have long been relatively influential.

2.1 Corporate Political Spending

Public companies may and do spend money on politics. Business corporations are prohibited from contributing directly to federal political candidates (11 C.F.R. §114.2),[7] but they can donate to state and local candidates in many states (National Conference of State Legislatures 2017), fund party

5 Data as of the end of 2010.

6 A significant body of literature argues that wealthy individuals in general have a disproportionate impact on policymaking and politics (Bartels 2008; Gilens 2012; Domhoff 2014). Yet one needs not accept such a view of American democracy to believe that public-company CEOs are politically influential. As we explain below, the positions of public-company CEOs provide them with substantial channels of influence that even individuals of similar wealth do not have.

7 The prohibition dates back to the Tillman Act of 1907, which banned corporate donations to political campaigns in the wake of the revelations of the Armstrong Committee about the political donations made by large life insurance companies (Mutch 2014, pp. 36–44).

conventions and presidential inaugurations (11 C.F.R. §9008.52(b); Federal Election Commission (FEC), Advisory Opinion 1980-144), and pay for ads that focus on political issues rather than specific candidates (Bebchuk et al. n.d.).

Furthermore, after *Citizens United*, corporations may also make independent expenditures—that is, expenditures made without coordinating or consulting with the candidate's campaign—without limits (*Citizens United*, 558 U.S., pp. 20–51).[8] In addition, corporations may also spend money on "electioneering communications," which are those ads that identify a candidate in the vicinity of the election without expressly advocating for or against her.[9] Finally, corporations may also donate to political committees that make independent expenditures only (the so-called super where PAC stands for Political Action Committee) or contribute to the independent-expenditure account of hybrid PACs (*Speechnow v. Federal Election Commission*, 599 F.3d 686 (D.C. Cir. 2010) (en banc); *Carey v. FEC*, 791 F. Supp. 2d 121 (D.D.C. 2011)).

The current level of corporate political spending is uncertain because public companies are generally not required to disclose their political spending to their investors, and much spending can take place without the knowledge of investors or the public (Bebchuk et al. n.d.)). While direct political spending and donations to political committees must be documented to the FEC or one of the state election agencies, the information is scattered through hundreds of federal and local filings, and putting it together in an aggregate picture takes substantial expertise and effort.

Moreover, corporations can contribute funds through intermediaries without these contributions appearing in any FEC records. Intermediaries, such as

8 An independent expenditure is "an expenditure made by a person (a) expressly advocating the election or defeat of a clearly identified candidate; and (b) that is not made in concert or cooperation with or at the request or suggestion of such candidate, the candidate's authorized political committee, or their agents, or a political party committee or its agents" 52 U.S.C. §30101(17).

9 The concept of "electioneering communications" was introduced by the Bipartisan Campaign Reform Act (BCRA) sponsored by Republican senator John McCain and Democratic senator Russ Feingold to regulate political ads made in the vicinity of an election. *See* 11 C.F.R. §100.29 ("Electioneering communication means any broadcast, cable, or satellite communication that: (1) Refers to a clearly identified candidate for Federal office; (2) Is publicly distributed within 60 days before a general election for the office sought by the candidate; or within 30 days before a primary or preference election, or a convention or caucus of a political party that has authority to nominate a candidate, for the office sought by the candidate, and the candidate referenced is seeking the nomination of that political party; and (3) Is targeted to the relevant electorate, in the case of a candidate for Senate or the House of Representatives.")

the U.S. Chamber of Commerce, spend large amounts on elections.[10] Although these organizations are not required to disclose the identity of their donors, researchers have concluded after piecing together voluntary disclosures, journalistic reports, or disclosure in legal proceedings that public companies likely donate significantly to political intermediaries (Bebchuk & Jackson 2013; Riley 2012; Vandewalker 2015).

While the current level of corporate political spending is unknown, it is clear that the vast resources of public companies would enable them to have a large influence on the political process should they choose to do so. In the 2015–2016 cycle, the two major presidential candidates raised a total of $1.2 billion (Center for Responsive Politics 2019), the average winning Senate candidate spent about $20 million and the average winning House candidate spent $1.5 million (Kim 2016). With S&P 1500 companies currently having aggregate profits of about $1.2 trillion in 2017,[11] directing even an extremely small fraction of these profits to politics would have a major impact. For example, using 0.1 percent of corporate profits for this purpose would produce $1.2 billion of political spending.

The current and potential future significance of corporate political spending, and the fact that such spending is not generally transparent, makes the political preferences of CEOs of interest to any student of the U.S. political system. Does corporate political spending, and its expansion after *Citizens United*, benefit one of the two main parties more than the other? If so, to what extent does this party get an advantage? Understanding the political preferences of CEOs can help to answer these questions.

Furthermore, this evidence will also be valuable to investors in public companies and those seeking to assess the impact of corporate political spending on the interests of shareholders. Regardless of the financial impact of political spending on the corporation's bottom line, political speech could well have an expressive significance that transcends its economic return: Investors might be concerned about their money being spent on, and their company being associated with political causes that they do not favor or even actively oppose (Bebchuk & Jackson 2010).[12]

10 For example, in the 2015–2016 election cycle alone, the Chamber of Commerce spent almost $30 million. See Center for Responsive Politics, U.S. Chamber of Commerce, http://www.opensecrets.org/orgs/summary.php?id=D000019798.

11 This figure is based on an analysis of data retrieved from Compustat North America. It reflects the aggregate net income with respect to fiscal year 2017 (twelve-month fiscal period ending from June 30, 2017 to May 31, 2018) of all companies belonging to S&P 1500 Composite Index as of the end of 2017, with the exclusion of companies reporting a negative net income.

12 See also Section 6.1.

Thus, understanding whether CEOs systematically favor one of the main parties is important for understanding the potential magnitude of the expressive significance problem. If CEOs disproportionately favor one of the two major political parties, the vast number opposing that party will have to recognize that their investments in diversified portfolios of companies imply that funds of these companies are likely to be disproportionately spent for political causes they oppose. The evidence we present can identify the extent to which some part of the public, and which parts of the public, should be concerned about the political spending of the public companies in which they are invested.

2.2 CEO Direct Influence on Policymaking

As we discuss in some detail in this section, CEOs are active and influential participants in the policy discourse and their views seem to get substantial attention and to wield substantial influence. The substantial attention and influence might owe to the fact that CEOs are viewed as thought leaders with much stature and a great deal of expertise and authority on business, leadership, and policy issues.[13]

It is worth clarifying that we do not seek to question the substantial weight that the expressed views of CEOs should have in policymaking. Rather, accepting this weight as given and understandable, we wish to stress that analyzing whether CEOs systematically favor one major party might be important for evaluating their policy influence. This recognition should inform the way in which the public, the media, and policymakers analyze the views expressed by CEOs and CEO groups.

2.2.1. CEOs as Policy Players

CEOs often express views on policy issues that are unrelated to their companies' core business. A recent study by Harvard Business School professors Aaron Chatterji and Michael Toffel documents many instances in which CEOs publicly expressed views on a broad range of topics, from Indiana's Religious Freedom Restoration Act to LGBTQ rights, race relations, and climate change (Chatteji & Toofel 2018a). Furthermore, CEO views enjoy attention and influence. A survey by the communication firm Edelman indicates that people consider CEOs more credible than journalists or government officials, with 64 percent of respondents believing that CEOs "should take the lead on change rather than waiting for the government to impose it," and 84 percent

13 We do not argue that CEOs are the only group that has such disproportionate influence. There might be other groups—for example: TV talk show hosts—that might have such an influence.

thinking that CEOs should inform and shape ongoing policy debates (Edelman 2018).[14]

CEOs seem to recognize their ability to influence the policy discourse and some have explicitly embraced such a public role. Bank of America's CEO, Brian Moynihan, for example, recently said that their "jobs as CEOs now include driving what [the CEOs] think is right." Marc Benioff of Salesforce has declared that CEOs need to stand up not just for their shareholders but also for employees, customers, partners, the community, and the environment. And Jeff Immelt, the former CEO of GE, has said that CEOs should act as representatives of the people who work with them and "take a position occasionally on those things that are really consistent with [. . .] where our people stand" (Chatterji & Toffel 2018b, p. 78). Furthermore, a recent study has found that 28 percent of S&P 500 CEOs made policy statements on national media between 2000 and 2018, and that 68 percent of the 166 S&P 1500 CEOs with an active personal Twitter feed have tweeted at least once on social, environmental, or political issues (Larcker et al. 2018).

2.2.2. CEOs as Advisers to Policymakers

Consistent with their perceived policy expertise and stature, CEOs often act as nonpartisan advisers to policymakers. For example, in 2016, president-elect Donald Trump created an advisory committee comprising 16 CEOs of large public corporations, from J. P. Morgan's Jamie Dimon, to General Motors' Mary Barra to Blackstone's Stephen Schwarzman (Gara 2016). This committee was tasked with advising the president on business regulation and economic policy in general. President Trump also formed an advisory council composed of almost exclusively of public-company CEOs—including Ford Motor Company's Mark Fields, Johnson & Johnson's Alex Gorsky, GE's Jeff Immelt,

14 Professors Chatterji and Toffel also did two experiments to measure the influence of CEO views on the general public, and concluded that their studies "provide some evidence that CEOs can shape public opinion." Indeed, they showed that their respondents' opinion on the Indiana's Religious Freedom Restoration Act was influenced, by a statistically significant measure, by the public comments made by Apple CEO Tim Cook (who thought that the law would allow discrimination against gays and lesbians).

Respondents presented with Cook's comments were significantly more likely to dislike the law than the control group exposed to a neutral statement. However, CEO influence was not statistically distinguishable from the influence of politicians or even from the effect of a generic preamble reporting that according to some unidentified people the Indiana law would discriminate against gays and lesbians. Furthermore, the second experiment on a different topic (climate change) found no statistically significant effect of the reported opinion of prominent CEOs. It is not clear, therefore, whether CEOs can change people's mind by simply voicing their opinion, but they likely contribute to the shaping of public opinion (Chatterji & Toffel 2018a).

Boeing's Dennis Muilenburg, and Tesla's Elon Musk—to advise him on manufacturing growth (Meyersohn 2017).

The practice of nominating public-company CEOs to prominent advisory committees goes back to earlier administrations (Balla & Wright 2001; Karty 2002; Moore et al. 2002; Priest, Sylves, & Scudder 1984). For example, President Obama's Economic Recovery Advisory Board included prominent CEOs (Obama White House 2009). The board was subsequently replaced by the President's Council on Jobs and Competitiveness, which was chaired by GE CEO Jeff Immelt and included several other CEOs, including Xerox's Ursula Burns, American Express' Kenneth Chenault, DuPont's Ellen Kullman, Boeing's Jim McNerney, and Intel's Paul Otellini (Obama White House 2011).

Obama's executive order establishing the Council on Jobs and Competitiveness stated that the council was created to "ensur[e] the availability of nonpartisan advice to the President from participants in and experts on the economy." (Exec. Order No. 13,564, 3 C.F.R. 217 (2011)). Clearly, any inclusion of CEOs in such a body must recognize that market players do have business interests and inevitably bring those interested views to the conversation. What might not be salient to those forming such a committee—and that this article will try to shed some light on—is that the inclusion of CEOs might also introduce a disproportionate representation of certain partisan preferences.

2.2.3. The Business Roundtable

Perhaps the most vivid example of CEO direct involvement in public policy is the Business Roundtable. The Business Roundtable is an organization comprising about 200 CEOs of leading U.S. companies that was established in 1972 for the explicit purpose of formulating and advocating policy views (Business Roundtable 2011). The organization's website proudly lists the numerous policy areas where the CEO members have expressed views and have had influence—from corporate governance and education, to environmental, immigration, and fiscal policy.

For example, during the 2017 tax reform debate, the Business Roundtable succeeded in obtaining the repeal of a corporate alternative minimum tax that had been included in a Senate bill.[15] Similarly, the group was heavily involved in shaping the 2001 bipartisan education reform No Child Left Behind, and in its implementation in several states (Business Roundtable 2002). The Roundtable

15 "The Business Roundtable, desperate to remove the corporate alternative minimum tax, worked behind the scenes, calling lawmakers and raising concerns about how it would effectively kill the ability of companies to utilize the prized research and development tax credit. [. . .] Lawmakers got the message quickly, lobbyists said" (Vogel & Tankersley 2017).

also defended the reform from several subsequent attacks in 2005 and again in 2013 (Dillon 2005; Staples 2013).

In the field of corporate governance, the Business Roundtable has been pushing for stricter requirements for shareholder proposals (to reduce the current number of proposals voted on at annual meetings), regulatory oversight of proxy advisors (which are firms advising institutional investors on how to vote their shares), and measures that facilitate voting by retail investors (Business Roundtable 2018b). Also, the Roundtable has been involved recently in policy proposals regarding immigration reform, the negotiations for the North America Free Trade Agreement (NAFTA), and criminal justice reform (Business Roundtable 2018a,c, 2019).

Clearly, policy views expressed by the 200 CEOs in the Business Roundtable appear to receive far more attention and have more influence than would views expressed by an organization made up of, say, 200 academics, lawyers, or economists. The influence of the views expressed by the Business Roundtable is likely the product of the perceived standing, authority, and expertise of CEOs that this section has discussed, and it confirms the importance of identifying the political preferences of CEOs.

3. COMPANIES, CEOS, AND CONTRIBUTIONS

To measure CEOs political preferences, we analyze their donations to political candidates, committees, and parties. Doing so requires a sufficiently large set of public-company CEOs, a procedure for matching those individuals with the public records of political contributions, and a method for inferring political preferences from a pattern of contributions. This section offers an overview of the data we have compiled and the methodology we have used for this purpose. We also provide an overview of the data and some summary statistics about CEO political contributions.

3.1 Companies and CEOs

Our primary source to identify CEOs of public companies is S&P ExecuComp database,[16] which contains information about the executives of companies included in the S&P 1500 index. The S&P 1500 is a composite index that combines three different indices: the S&P 500, which includes 500 companies with a large market capitalization (currently, $6.1 billion or more); the S&P MidCap 400, which includes 400 companies with medium capitalization

16 For information about the ExecuComp database, see S&P/Compustat. Retrieved from Wharton Research Data Service, http://wrds-web.wharton.upenn.edu/wrds/.

(currently, between \$1.6 and 2.8 billion); and the S&P SmallCap 600, which includes 600 companies with a small capitalization (currently, between \$450 million and \$2.1 billion) (S&P Dow Jones Indices 2019, p. 6). We will sometimes refer to each of these indices as a subindex.

In the aggregate, the S&P 1500 represents about 90 percent of the whole U.S. market capitalization.[17] Thus, our sample includes the CEOs of companies representing the great majority of public-company assets. In addition to their names, we obtain from ExecuComp information about CEO gender and their companies' locations. We also collect financial information about public companies from the Compustat database.[18] In particular, we obtain information about market capitalization, industry, state of headquarters, and the subindex that each public company in our dataset belonged to in a given year.[19]

At the end of the process, we obtain an average of 487 S&P 500 firms, 384 mid-cap firms, and 570 small-cap firms in any given year. We focus on the eighteen-year period between 2000 and 2017. During this period, most companies changed their CEO, and many did so more than once. As a result, in our initial sample we have 5078 individuals who served as a CEO of an S&P 1500 public company during the period we examine.

3.2 Matching CEOs with Political Contributions

We obtain information on CEO contributions to political parties from the records made public by the FEC. The FEC is an independent regulatory agency that was created by the 1974 Amendments to the Federal Election Campaign Act (FECA Amendments of 1974, Pub. L. No. 93-443, 88 Stat. 1263 (1974)). The task of the agency is to administer and enforce the intricate body of law governing federal campaign finance.[20]

All campaign committees affiliated with a candidate for federal office must register with the FEC and periodically report contributions received from all donors that exceeds (individually or combined) \$200. Party committees and political committees not affiliated with a candidate (such as, for example, super

17 See S&P Dow Jones Indices, S&P Composite 1500, https://us.spindices.com/indices/equity/sp-composite-1500. This estimate is confirmed by our calculations using stock prices from Compustat.

18 For more information about the Compustat database, see S&P/Compustat. Retrieved from Wharton Research Data Service, http://wrds-web.wharton.upenn.edu/wrds/.

19 In particular, to determine size group classification, we merged ExecuComp with Compustat North America Index Constituents by the unique identifier assigned to each company in those databases (gvkey). In this process, we lose on average, for each year, 13 firms among the large-cap companies of the S&P 500, sixteen among the mid-cap companies, and thirty in the small-cap companies.

20 In particular, such data can be downloaded from the following webpage of the FEC: https://classic.fec.gov/finance/disclosure/ftpdet.shtml.

PACs) have the same obligation (52 U.S.C. §30104(b)(3)(A)). The FEC thus collects and makes public in its databases all nontrivial donations received by all kinds of political committees, which amount to tens of millions of individual donations each year. Each FEC report has to indicate the names of donor and recipient and the donor's home address, employer, and job title. However, in many reports the information about the donor's home address, employer, and job title is missing or incomplete.

To identify which of these donations are made by public-company CEOs, we match the FEC database with our CEO database described above. The process is not as simple as it may initially seem. Sometimes, for example, the name of the executive appearing on ExecuComp matches more than one donor on the FEC website; other times the two datasets differ in whether or not a middle name is included, and, if so, whether it appears in full or only as a middle initial. Moreover, the CEO first name might appear as a shorthand or as a nickname in one dataset and as a full formal first name in the other (e.g., Bob instead of Robert).

We use a laborious and multi-stage process for addressing these and other issues. In particular, we match the CEO with an FEC record when we find a record with the same last name, the same first name (or a nickname that is commonly associated with that first name), no inconsistency in the middle name, and the same company name. This "strict" matching procedure is responsible for the great majority of our matches. In addition, when the company name is missing, we consider the record as associated to the CEO only if there is a match in the middle name or initial, and the FEC record contains a home address that is within 50 miles of the company's headquarters.[21]

Overall, we are able to attach FEC records to more than 89 percent of S&P 500 CEOs, 82 percent of the mid-cap CEOs, and 72 percent of the small-cap CEOs. Out of our initial list of 5078 CEOs, we are unable to match FEC records for 1268 CEOs (about 24 percent). As a result of this process, we have data on the political contributions of 3810 CEOs.[22]

Of the 1268 CEOs that we are unable to match, some might have made no contributions, while others might have made contributions that, using our

21 We use the "US Cities Database" from Simplemaps.com to find the longitude and latitude of each city listed in either the ExecuComp database or the FEC contribution, based on the name of the city and state (and, if necessary, the zip code) as reported in the two databases. We then use an algorithm to infer a spherical distance between the two sets of longitude and latitude.

22 For any contribution record, the FEC website provides us with the amount of the contribution. Because of changes in the real value of nominal dollars during our period of examination, we translate all dollar figures into 2017 values using the Consumer Price Index (CPI) All Urban Consumers, series ID CUUR0000SA0. Data on the CPI were obtained from the Bureau of Labor Statistics, https://www.bls.gov/regions/new-england/data/consumerpriceindex_us_table.htm.

methodology, cannot be matched with FEC records with sufficient confidence. Because we lack data on them, it is appropriate to view them as missing observations rather than as Neutral CEOs. However, we note that if we were to classify them as Neutral, the fraction of Neutral CEOs would increase but the ratios of Republican and Democratic CEOs reported below throughout this article would not change.

3.3 Classifying Political Contributions

The next question that we address is how to infer a specific political preference from the data about CEOs political contributions. To this end, our first step is to measure the extent to which contributions given by any CEO ultimately benefit Republican or Democratic candidates.

To understand the complexity of this analysis, we must note that contributions are generally made to committees. For many political committees, the FEC database contains information regarding the committee's party affiliation, and we classify contributions to such a committee based on the party affiliation recorded by the FEC. Some of these committees are the main campaign committees of specific candidates affiliated with a major party, are explicitly authorized by these candidates to raise funds on their behalf, or at least are not expressly disavowed by the candidate they support. In these cases, there is an official connection between a committee and a candidate.[23]

Other committees, although not explicitly or implicitly authorized by a candidate, are connected with a political party because either they are part of the official party structure (party committees) or they are established by officeholders belonging to a political party (the so-called leadership PACs). In all of these cases, the FEC database contains information regarding the committee's party affiliation. We consider, therefore, all donations made to authorized candidate committees, party committees, and leadership PACs as made to candidates of the affiliated party.

Other political committees, however, are not clearly linked to a party because they are not affiliated in any of the above ways with a political party or a candidate of that party. In such cases, we analyze the FEC records regarding the expenditures that these committees make. When a CEO donates a given amount to such a committee, we allocate this amount between Republicans and

23 See 11 C.F.R. §100.5(f)(1) (defining an "authorized committee" as "the principal campaign committee or any other political committee authorized by a candidate under 11 CFR 102.13 to receive contributions or make expenditures on behalf of such candidate, or which has not been disavowed pursuant to 11 CFR 100.3(a)(3)").

Democrats based on how the committee allocates its total spending between each party.[24]

Table 1 provides, for each year during the 2000–2017 period, information about the political contributions made by individuals serving as CEOs of S&P 1500 companies in that year. The first column indicates the number of individuals that served as an S&P 1500 CEO in that year—which varies between 1103 and 1211 across the years—for whom we found political contributions in that year. The other columns provide the number of contributions by these CEOs, the mean contribution, and the total amount contributed to Republican and Democratic candidates during that year. The table indicates that CEOs donated twice as much to Republicans as to Democrats—about $138 million versus $69 million.

For each individual who served as an S&P 1500 CEO at any point during our period of examination, our matching procedures seek to identify all political contributions made at any point during this period, not only during their tenure as CEOs. We have altogether 3810 individuals who belong to this CEO set and for whom we were able to identify FEC contribution records. Table 2 provides information about all of the contributions made by these individuals during our period of examination. As the table indicates, CEO donations to Republicans were more than twice those to Democrats—about $320 million versus about $155 million.

Note that, during the period under consideration, the individuals in the CEOs set made aggregate contributions for more than $450 million, with more than two-thirds of this amount directed to Republicans. This figure likely underestimates total CEO contributions because our procedure likely matches only part of the FEC records of contributions with CEOs. In any event, although the total contributions made by CEOs are not trivial, our focus is not on the direct effect of CEO political contributions. Rather, we are interested in what these contributions tell us about CEO political preferences.

3.4 CEO Political Preferences

Once we have identified how much of CEO political donations go to Republican and Democratic candidates, we examine the pattern of donations to infer the CEO political preferences.

24 This procedure enabled us to categorize a large majority of the contributions made by CEOs in our sample. Contributions that we were unable to link to a party were excluded from our calculations of the fraction of total contributions made by a CEO to each of the main political parties. The practical effect of such exclusion is the same as the effect of assuming that the excluded contributions benefitted the two main parties in the same proportions as the categorized contributions. The other assumption—that such "unidentified" contributions benefitted the two main parties in an equal way—would not change qualitatively our conclusions regarding the partisan leanings of CEOs.

Table 1. Political contributions by S&P 1500 CEOs during their tenure

By year					
Year	**Number CEOs**	**Number cont.**	**Mean cont. ($)**	**Total cont. to rep ($)**	**Total cont. to dem ($)**
2000	1106	3877	19 822	10 352 562	5 267 822
2001	1139	2604	8130	3 529 240	1 659 260
2002	1161	3569	13 043	6 911 968	2 581 983
2003	1178	3303	9038	4 739 050	2 514 054
2004	1158	4204	15 234	9 326 626	3 058 283
2005	1148	2922	9312	4 315 589	2 201 926
2006	1168	3674	11 494	5 598 997	3 047 782
2007	1175	3957	11 607	5 150 669	3 741 965
2008	1193	5092	14 436	7 910 715	4 821 082
2009	1211	3780	12 127	3 723 708	5 438 633
2010	1199	4864	11 883	6 382 350	3 666 401
2011	1198	4122	15 505	7 098 961	5 682 297
2012	1200	5016	26 848	18 608 148	5 498 946
2013	1189	3371	12 763	6 081 246	3 108 831
2014	1191	4308	18 865	10 387 382	4 184 846
2015	1146	6004	19 045	10 448 314	4 493 880
2016	1142	6795	19 856	10 502 695	5 854 289
2017	1103	5233	13 397	7 044 413	2 377 748
Total	21 005	76 695	14 804	138 112 631	69 200 029

Notes: The column "Number CEOs" reports the number of CEOs identified as having worked as CEOs and contributed politically in a given year. "Number cont." is the total number of contributions made by these CEOs in that year. "Mean cont." is the mean dollar value of these contributions. "Total cont. to rep" and "Total cont. to dem" are the total dollar value contributed to Republicans and Democrats, respectively.

To be sure, people donate money to politicians for reasons other than ideological preferences. In particular, CEOs might donate for social reasons (they have a social relationship with the candidate to whom they contribute) or for strategic reasons (they would like to curry favor with the candidate). Political scientists openly debate the extent to which political donations are, as they put it, a form of "consumption" (that is, a way to satisfy ideological likings) or a form of investment (that is, a means to advance their interests).[25]

However, while the motives behind occasional donations might be social or strategic, it is plausible to believe that the overall pattern of donations will be

25 For studies representing a range of views on this subject, see, e.g., Ansolabehere, de Figueiredo & Snyder Jr. (2003) (suggesting that political giving is a form of consumption, not unlike donations to charity); Grier & Munger (1991) (modeling campaign contributions as a form of market for policies and arguing that this view is consistent with the evidence); Bonica (2016) (arguing that political donations by corporate directors and executives are more ideological than donations by corporate PACs).

Table 2. Political contributions by S&P 1500 CEOs during 2000–2017

By year					
Year	**Number CEOs**	**Number cont.**	**Mean cont. ($)**	**Total cont. to rep ($)**	**Total cont. to dem ($)**
2000	2531	7135	14 020	14 658 890	9 024 694
2001	2556	5098	8299	7 592,852	4 153 294
2002	2696	7438	11 571	13,379 194	6 186 457
2003	2786	7053	8278	9 647 422	5 751 478
2004	2842	9567	16 894	21 932 662	12 119 203
2005	2633	6422	8174	9 315 138	4,742,537
2006	2816	8591	10 310	12 531 478	7 093 728
2007	2954	8972	9600	11 011 411	8 312 036
2008	2986	11 391	13 490	19 802 603	10 375 146
2009	2737	7992	9402	8 135 938	8 732 179
2010	2833	10 920	10 945	15 247 247	7 510 227
2011	2711	8939	13 553	16 837 670	9 192 664
2012	2813	11 512	25 446	42 456 683	14 651 456
2013	2406	6687	11 480	12 881 681	5 382 963
2014	2431	8 592	17 075	20 981 409	9 183 984
2015	2321	11 845	22 884	30 323 884	10 022 590
2016	2318	15 134	29 526	38 077 477	17 795 721
2017	1971	12 468	13 986	15 555 092	4 968 060
Total	47 341	165 756	14 384	320 368 732	155 198 416

Notes: The column "Number CEOs" reports the number of CEOs identified as having ever worked as a CEO during our time period and contributed politically in a given year. "Number cont." is the total number of contributions given by these CEOs in that year. "Mean cont." is the mean dollar value of these contributions. "Total cont. to rep" and "Total cont. to dem" are the total dollar value contributed to Republicans and Democrats, respectively.

significantly correlated with, if not exclusively determined by, individual political preferences. Furthermore, whether political donations are the result of sincere beliefs in the ideology of a party or a candidate, or a belief that the party or the candidate would advance the interests of the donor, a consistent pattern of donations favoring one party is a reasonable proxy for the donor's political leanings, and thus a fact with potential analytical and policy implications. For this reason, political scientists, sociologists, financial economists, and legal scholars have used campaign contributions as a proxy for the political preferences of, among others, wealthy individuals, business elite, law professors, lawyers, and physicians.[26]

Since CEOs often make significant contributions in some years but not in others, we define a CEO political preference in a given year based on an

26 See, e.g., Bonica et al. (2014, 2017, n.d.); Borghesi, Houston, & Naranjo (2014); Burris (2001); McGinnis et al. (2005).

examination of the CEO political contributions during the four years that precede, and the three years that follow, that given year. Thus, we calculate for each CEO the fraction of their contributions going to each of the two main parties during this eight-year period. We have verified that basing our analysis on a time window that is somewhat shorter or longer would result in qualitatively similar results.

Most CEOs donate to both parties, although to different degrees. In our dataset, in 70 percent of all observations the CEO makes one or more donations to each of the major parties (or its candidates). Although this pattern might give an impression of partisan balance, a CEO who donates to both parties might still direct most of the contributions to one party and thus displays preference for it. Therefore, as explained in Section 4, our empirical analysis classifies a CEO as supporting one of the main parties if the percentage of the CEO contributions going to that party exceeds a specific threshold.

4. THE POLITICS OF CEOs

In this section, we present our empirical findings on the political preferences of CEOs. Section 4.1 provides an overview of CEO political preferences and presents evidence that Republican CEOs significantly outnumber Democratic CEOs under various definitions of partisanship. We then show that the prevalence of pro-Republican preferences is present in each of the large-cap, mid-cap, and small-cap subindices (Section 4.2), throughout the period that we examine (Section 4.3), in each of the twelve Fama–French industry sectors (Section 4.4), in all four U.S. geographical regions (Section 4.5), and for both male and female CEOs (Section 4.6).

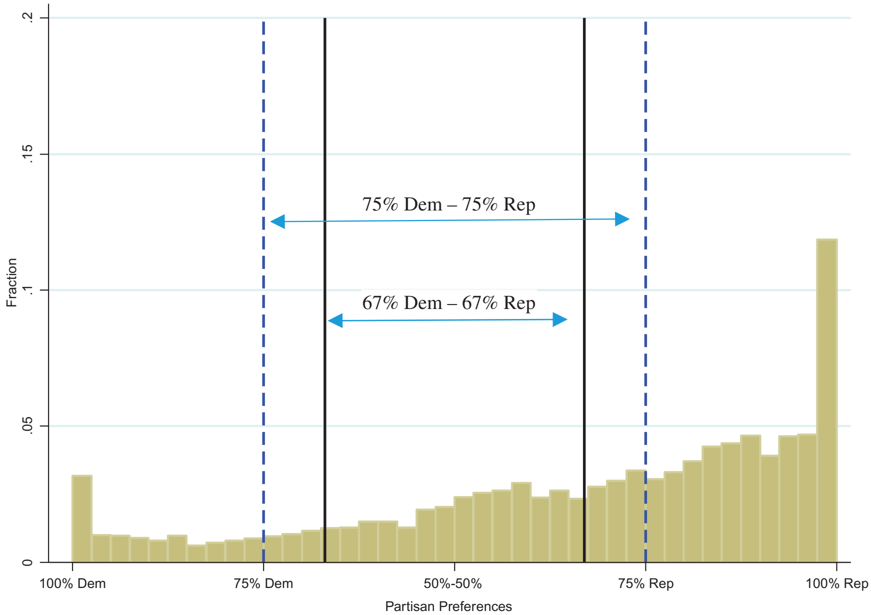
In analyzing the effects of size, industry, region, and gender, however, we identify substantial variation. The prevalence of pro-Republican preferences is much greater in certain regions and industry sectors and among male CEOs. We present a regression analysis (Section 4.7) that shows that, after controlling for other variables, region, industry sector, and gender are strongly associated with the strength of pro-Republican preferences. Finally, we show that Republican CEOs control 70 percent more market capitalization than Democratic CEOs (Section 4.8).

4.1 CEO Political Preferences: The Big Picture

As noted earlier, most CEOs donate to both Democrats and Republicans. However, even for CEOs who donate to both parties, how they split the contributions between the two parties can display partisan preferences.

Figure 1 displays the full probability distribution of partisan preferences in CEO donations. As it vividly shows, among the minority of CEOs who support

Figure 1. Probability distribution of CEO partisan preferences



***Notes*: This figure indicates the fraction of CEOs in our sample for each level of partisan preferences. The middle of the *x*-axis represents perfectly balanced preferences (50 percent of contributions to Democrats and 50 percent to Republicans); the extreme left end represents CEOs directing 100 percent of their contributions to Democratic candidates; the extreme right end represents CEOs directing 100 percent of their contributions to Republican candidates; intermediate points represent intermediate mixes of preferences. The dashed lines denote 75 percent, and the solid lines denote 67 percent. The figure is based on observations for which CEOs made more than ten contributions (different number of contributions do not change the distribution).**

only one of the major parties (extreme ends of the distribution), the fraction of those who support only Republicans is much higher than the fraction who support only Democrats. In general, among those who donate to Republicans, the distribution is heavily skewed to the right, that is, concentrated at high levels of support for Republicans.

For all the observations in our 2000–2017 dataset of S&P 1500 CEOs, the mean percentage donated to Republicans is 66.1 percent and the median percentage donated to Republicans is 75.0 percent.

Below we refer to a CEO as supporting a main party if the fraction of contributions by the CEO to that party exceeds a certain threshold. If donations neither to Republicans nor to Democrats exceed the threshold, the CEO is classified as "Neutral." Table 3 provides results on the partition of CEO support between the two main parties using 50, 60, 66.7, and 75 percent thresholds.

Table 3. CEO political preferences under alternative thresholds

	Political affiliation			
Contribution	**Democrats (%)**	**Neutral (%)**	**Republican (%)**	**Ratio Rep/Dem**
Threshold 50%	27.6	–	72.4	2.6
Threshold 60%	21.6	14.8	63.6	2.9
Threshold 66.7%	18.6	23.7	57.7	3.1
Threshold 75%	16.0	33.7	50.3	3.1

Notes: "Democrat," "Neutral," and "Republican" give the percentage of CEO-year observations that are identified as Democrat, Neutral, and Republican, respectively, by threshold. Note that these three columns sum to 100%. The column "Ratio rep/dem" is the ratio of Republican to Democratic CEOs by threshold.

As could have been expected from the probability distribution displayed in Figure 1, Table 3 indicates that under all alternative definitions, CEO preferences are disproportionately in favor of the Republican Party by a substantial margin. In particular, Republican CEOs outnumber Democratic CEOs by a ratio that varies between 2.6 and 3.1.

Of course, the higher the threshold used, the larger the fraction of CEOs that are classified as Neutral rather than supporters of one of the main parties. Going forward, we will use the 66.7 percent threshold in the results we present. Under this definition, CEOs are classified as supporters of a given main party if their contributions to that party are more than twice their contributions to the other main party. Although we use the 66.7 percent below, we note that the results are qualitatively similar if we use any of the other thresholds.

4.2 The Dominance of Republicans over Time

The results presented thus far used all observations during the 2000–2017 period and therefore the identified pro-Republican tilt represents an average tendency during this period. We now turn to examine whether this pattern has been persistent throughout the period or there were some points in time in which CEOs were predominantly Democrats or Neutral.

To examine this issue, Figure 2 displays for the full S&P 1500 sample the partition of CEOs between Republicans, Democrats, and Neutral for each year during the period 2000–2017. The figure shows that notwithstanding some fluctuations in the Republicans/Democrats ratio, Republican CEOs significantly outnumbered Democratic CEOs at every point in time.

4.3 CEO Political Preferences and Company Size

We now turn to examine whether the pro-Republican tilt is driven by one of the subindices making up the S&P 1500 index. Table 4 presents the distribution of

Figure 2. CEO political preferences for the S&P 1500––changes over time

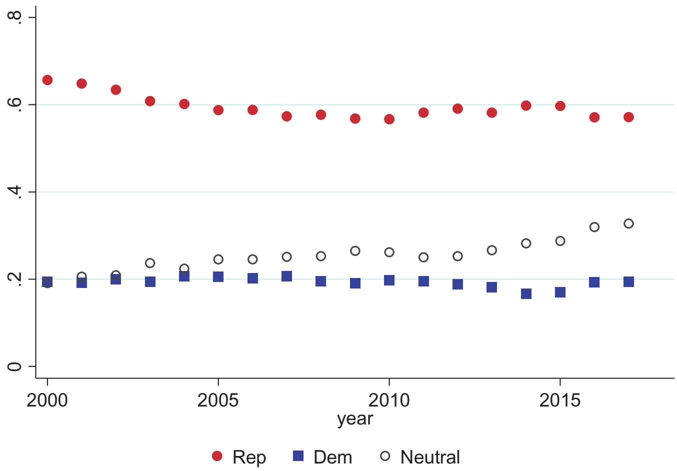


Table 4. The political preferences of CEOs by company size groups

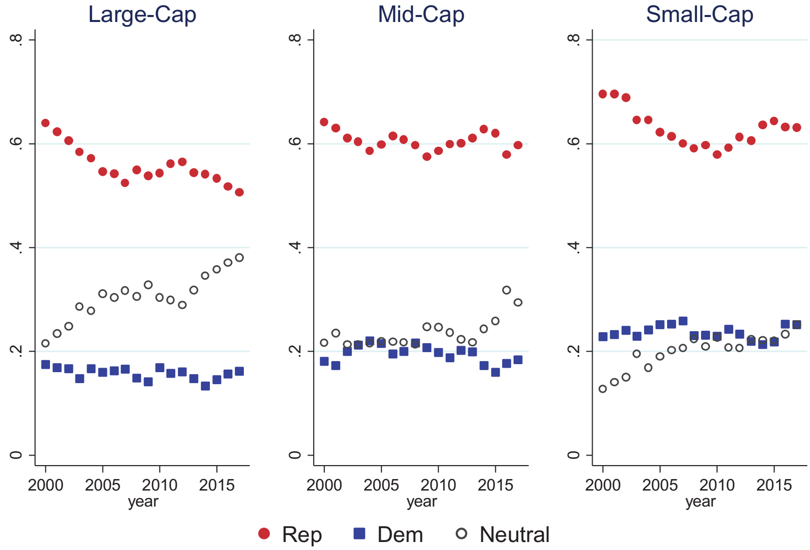
		Political affiliation				
Index type	**Frequency (%)**	**Democrat (%)**	**Neutral (%)**	**Republican (%)**	**Ratio Rep/Dem**	**Mean % to Rep**
Large-cap	33.8	15.4	29.7	54.8	3.6	65.2
Mid-cap	26.7	18.7	22.4	59.0	3.2	67.2
Small-cap	39.5	21.8	18.3	59.8	2.7	66.2
Average		18.6	23.7	57.7	3.1	66.1

Notes: The column “Frequency” is the percentage of CEO-year observations in each index type. “Democrat,” “Neutral,” and “Republican” give the percentage of CEO-year observations that are identified as Democrat, Neutral, and Republican, respectively, by index type. Note that these three columns sum to 100%. The column “Ratio Rep/Dem” is the ratio of Republican to Democratic CEOs in each index type. The final column, “Mean % to Rep,” is the mean of the percentage of CEO contributions that go to Republicans by index type.

CEO political preferences separately for each of the three size groups: large-, mid-, and small-cap companies. It indicates that the ratio of Republicans to Democrats is at least 2.7 in each of the size groups, and is the highest at 3.6 for large-cap CEOs. The percentage of Republicans exceeds 54 percent in each of the size subgroups and is the highest at 59.8 percent for small-cap companies. The percentage of Democrats is below 22 percent in each of the size subgroups and is the lowest at 15.4 percent for large-cap companies.

Figure 3 displays for each of the size subgroups, the partition of CEOs between Republicans, Democrats, and Neutral for each year during the period

Figure 3. CEO political preferences by size––changes over time



2000–2017. The figure shows that, for each of the subindices, Republican CEOs significantly outnumbered Democratic CEOs at every point in time during our period of examination.

We note that, although the ratio of Republicans to Democrats was large throughout, the percentage of Neutral CEOs trended upward, and especially rose significantly for large-cap CEOs. The increase in Neutral CEOs came at the expense of Republican CEOs, while the percentage of Democrats remained small throughout at a low stable level.

4.4 Industry and CEO Political Preferences

We turn now to examine how CEO political preferences vary across industry sectors. We use the Fama–French industry classification that divides public companies into twelve industry sectors.[27]

The first column of Table 5 provides the percentage of observations in our dataset that are associated with each of the twelve industry sectors. The money/finance, business equipment, manufacturing, shops, and other sectors have the largest number of observations, each with more than 10 percent of all observations. Durables, energy, chemicals, and telecom have the smallest number of observations, each with less than 5 percent of the observations.

27 The Fama–French twelve-industry classification scheme was extracted from Kenneth French's website. The classification was first put forward in Fama & French (1997).

Table 5. CEO political preferences by industry

	Political affiliation					
FF industries	**Frequency (%)**	**Democrat (%)**	**Neutral (%)**	**Republican (%)**	**Ratio Rep/Dem**	**Mean % to Rep**
Nondurables	5.9	25.4	20.2	54.4	2.1	61.9
Durables	2.7	16.4	20.5	63.1	3.8	70.7
Manufacturing	11.6	11.0	16.3	72.7	6.6	76.0
Energy	4.4	4.7	6.2	89.1	19.0	85.1
Chemicals	3.1	12.7	23.9	63.5	5.0	69.0
Bus-equipment	16.9	30.2	21.1	48.6	1.6	57.8
Telecom	2.0	22.8	40.1	37.1	1.6	55.2
Utilities	5.2	12.3	32.2	55.5	4.5	64.8
Shops	11.1	21.3	17.5	61.1	2.9	67.0
Health	7.6	20.0	29.0	51.0	2.6	62.6
Money	17.7	17.2	32.6	50.2	2.9	63.6
Other	11.8	17.4	22.9	59.7	3.4	67.7
Average		18.6	23.7	57.7	3.1	66.1

Notes: The column "Frequency" is the percentage of CEO-year observations in each FF industry. "Democrat," "Neutral," and "Republican" give the percentage of CEO-year observations that are identified as Democrat, Neutral, and Republican, respectively, by FF industry. Note that these three columns sum to 100%. The column "Ratio Rep/Dem" is the ratio of Republican to Democratic CEOs in each FF industry. The final column, "Mean % to Rep," is the mean of the percentage of CEO contributions that go to Republicans by FF industry.

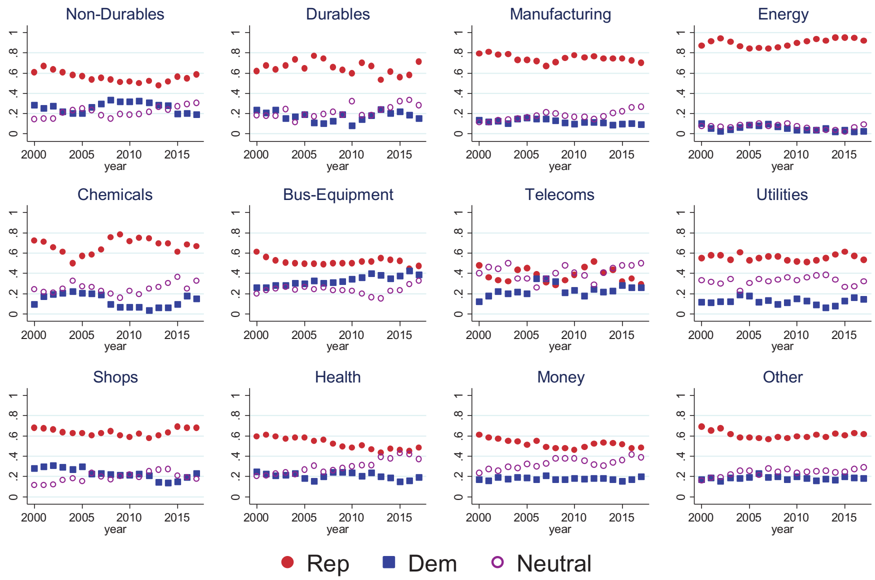
The remaining columns of Table 5 provide information about the CEO political preferences in each industry sector. The results in Table 5 are for the whole sample of observations during our period of 2000–2017. Table 5 indicates that the percentage of Republican CEOs significantly exceeds the percentage of Democratic CEOs in each industry sector. However, the magnitude of the pro-Republican imbalance greatly varies across industries.

The industry with the strongest pro-Republican tilt is energy; in this industry sector, 89.1 percent of CEOs favor Republican candidates, while only 4.7 percent favor Democrats, which results in a Republicans/Democrats ratio of 19. Two other industries with ratios of at least 5 are manufacturing and chemicals; these two industries comprise 72.7 percent and 63.5 percent Republicans with only 11 percent and 12.7 percent Democrats, respectively.

Only two industries—business equipment and telecom—have a Republicans/Democrats ratio of below 2. In these two industries, however, Republican CEOs still significantly outnumber Democrats: 48.6 percent Republicans versus 30.2 percent Democrats for business equipment, and 37.1 percent Republicans versus 22.8 percent Democrats for telecom.

Figure 4 shows how the patterns of CEO support for each industry vary over time. It indicates that, for any given industry and any year during our period of

Figure 4. CEO political preferences by industry––changes over time



examination, the percentage of Republicans greatly exceeds the percentage of Democrats. The only exceptions are business equipment and telecom in the years 2016 and 2017: During this period, in these two sectors, Republicans and Democrats were represented similarly among CEOs.

4.5 Region of Headquarters

We now move to see whether there are differences in the political preferences of CEOs across the USA. It is well known that the various regions of the country differ in their support for the two main parties (Jones 2017; Pew Research Center 2014). We therefore study whether CEO preferences are correlated with the political preferences prevailing in the region in which the company headquarters are located.

To study this question, we use the U.S. Census Bureau's classification of the country into four geographical regions[28]:

- Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont;
- Midwest: Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin;

28 https://www.census.gov/geo/reference/gtc/gtc_census_divreg.html.

Table 6. The political preferences of CEO by region of headquarters

			Political affiliation			
Region	**Frequency (%)**	**Democrat (%)**	**Neutral (%)**	**Republican (%)**	**Ratio Rep/Dem**	**Mean (%) to Rep**
Midwest	24.5	10.0	21.7	68.2	6.8	74.0
Northeast	24.5	29.5	30.3	40.2	1.4	53.7
South	30.9	9.9	18.9	71.2	7.2	75.3
West	20.2	27.0	27.7	45.3	1.7	57.8
Average		17.9	24.0	58.1	3.2	66.5

Notes: The column "Frequency" is the percentage of CEO-year observations in each census region. "Democrat," "Neutral," and "Republican" give the percentage of CEO-year observations that are identified as Democrat, Neutral, and Republican, respectively, by census region. Note that these three columns sum to 100%. The column "Ratio Rep/Dem" is the ratio of Republican to Democratic CEOs in each census region. The final column, "Mean % to Rep," is the mean of the percentage of CEO contributions that go to Republicans by census region.

- South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia; and
- West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

The first column of Table 6 shows the percentage of observations for each of the four regions. As the table indicates, each of the regions has between 20 percent and 31 percent of the observations. The largest numbers of observations are from the South (30.9 percent). The Midwest, Northwest, and West have somewhat smaller numbers, 24.5, 24.5, and 20.2 percent, respectively.

Columns 2 through 5 of Table 6 provide, for each region, the partition of CEO support between the two main parties. The table indicates that in each of the regions, the number of Republican CEOs exceeds the number of Democratic CEOs. However, the regions vary greatly in the magnitude of their pro-Republican tilt in ways that reflect an association between CEO preferences and the political preferences of the region in which they are headquartered.

In particular, the Republican/Democrat ratio is only between 1 and 2 in the Northeast and the West, with Republicans making up 40.2 and 45.3 percent of CEOs, respectively, and Democrats 29.5 and 27.0 percent. By contrast, Republican CEOs are about seven times as numerous as Democratic CEOs in both the Midwest and the South, with Republicans making up for more than

68.2 percent of CEOs and Democrats no more than 10 percent in either of these regions.

Finally, Figure 5 tracks the partition of CEO preferences by region over time. Its graphs indicate that, in all regions, the percentage of Republicans is greater than the percentage of Democrats. However, the difference between these percentages varies greatly across regions. In the Midwest and the South, the percentage of Republican CEOs exceeds that of Democratic CEOs by a large margin at all points in time during our period of examination. By contrast, in the Northeast and the West, the difference between the percentage of Republicans and Democrats was smaller to begin with, and almost disappeared during the time of our study.

4.6 CEO Gender

Women represent a small minority among the ranks of public-company CEOs.[29] In our sample, the percentage of female CEOs was 2.8 percent during our time period (with 1.2 percent of CEOs in 2000 and 4.4 percent in 2017).

Table 7 examines whether male and female CEOs displayed different political preferences during the period 2000–2017. It indicates that a clear pro-Republican tilt characterizes the male CEOs but not the female CEOs. While male Republican CEOs are more than three times as numerous as male Democratic CEOs, the fraction of female Republican CEOs is only slightly larger than that of female Democratic CEOs, with a ratio of only 1.1. Furthermore, Republican CEOs are 58.3 percent of male CEOs, but only 34.3 percent of female CEOs.

To what extent is the significance of Democratic preferences among female CEOs driven by a particular point in time? To answer this question, Figure 6 displays, separately for male and female CEOs, the partition of political preferences at each point in time during our period of examination. Figure 6 shows a greater tendency of female CEOs to support Democrats throughout the period of examination. For male CEOs, the graph depicting the percentage of Republicans is higher by a large margin than the graph depicting the percentage of Democrats. For female executives, the two graphs are in the vicinity of each other throughout, with each graph exceeding the other at some points in time.

29 The gender composition of the CEO group has been the subject of significant empirical work. For empirical studies on the subject, see, e.g., Adams & Ferreira (2009); Cook & Glass (2014); Faccio, Marchica, & Mura (2016); Frye & Pham (2018).

Figure 5. CEO political preferences by region––changes over time

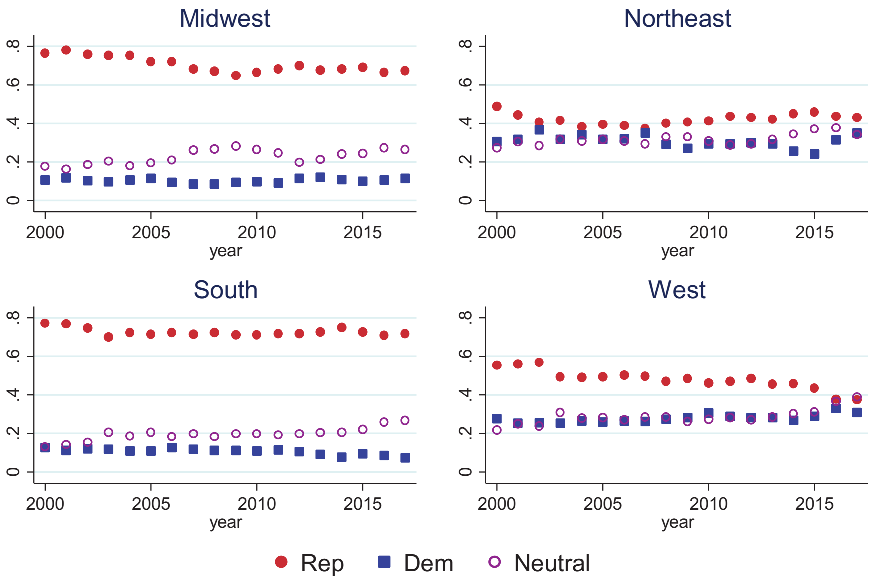


Table 7. CEO political preferences by gender

		Political affiliation				
Gender	**Frequency (%)**	**Democrat (%)**	**Neutral (%)**	**Republican (%)**	**Ratio Rep/Dem**	**Mean % to Rep**
Female	2.8	32.3	33.4	34.3	1.1	52.1
Male	97.2	18.2	23.5	58.3	3.2	66.5
Average		18.6	23.7	57.7	3.1	66.1

Notes: The column "Frequency" is the percentage of CEO-year observations by gender. "Democrat," "Neutral," and "Republican" give the percentage of CEO-year observations that are identified as Democrat, Neutral, and Republican, respectively, by gender. Note that these three columns sum to 100%. The column "Ratio Rep/Dem" is the ratio of Republican to Democratic CEOs by gender. The final column, "Mean % to Rep," is the mean of the percentage of CEO contributions that go to Republicans by gender.

4.7 Regression Analysis

Thus far, we have examined how CEO political preferences are associated with each of several variables—in particular, the company's size, industry, and geographical region and the CEO gender—without controlling for other variables. We now examine such association using a regression that allows us to isolate the effect of each variable while keeping the other variables constant.

Figure 6. CEO political preferences by gender––changes over time

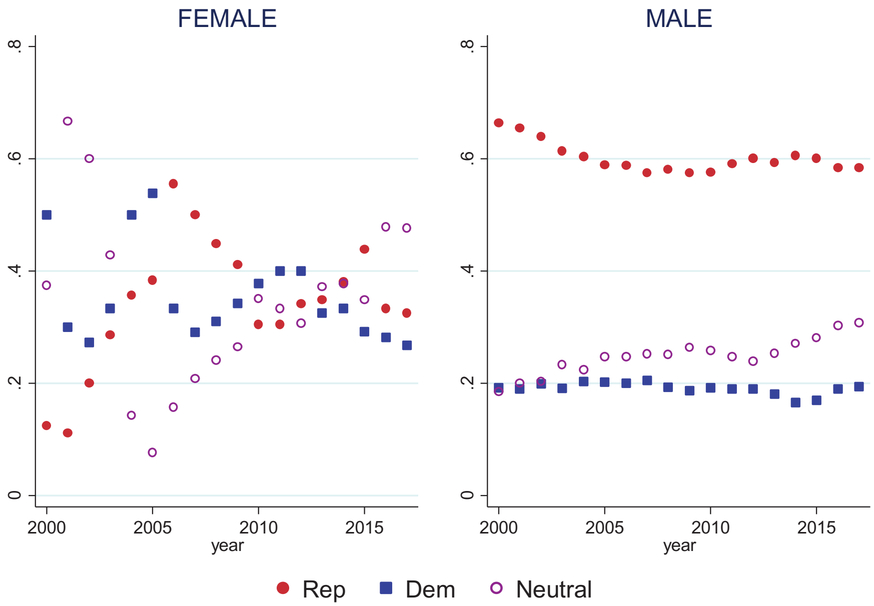


Table 8 presents the results of two regressions. In the first regression (first column), we test the relationship between each of the variables examined above and the CEO partisan preference. In particular, we use a dummy dependent variable equal to 1 if the CEO is a Republican and 0 otherwise. In the second regression (second column), we test the relationship between those variables and the fraction of political contributions that CEOs give (directly or indirectly) to Republican candidates.

The results of the regressions in Table 8 are largely consistent with the results presented in the preceding sections. Female CEOs are 20.1 percentage points less likely to be Republican than male CEOs and donate 31.6 percentage points less of their contributions to Republican candidates. CEOs of companies headquartered in the Midwest or the South are 17–19 percentage points more likely to be Republicans. Finally, compared to the our baseline sector, utilities, the energy, manufacturing, and chemicals sectors are associated with more pro-Republican preferences (31.2, 16.6, and 11.3 percentage points, respectively), while the telecom sector is associated with 14.4 percent lower probability of pro-Republican preferences.

4.8 Assets Controlled by Republican and Democratic CEOs

The power that a public-company CEO potentially has to influence politics and policymaking is likely to depend on the size and resources of the company.

Table 8. CEO political preferences: a regression analysis

	(1) Dummy for Republican	(2) Fraction donated to Republican
Female	−0.201***	−0.316***
	(−3.87)	(−3.57)
Large Cap	−0.079***	−0.006
	(−3.87)	(−0.17)
Mid Cap	−0.030	0.004
	(−1.52)	(0.13)
Midwest	0.176***	0.298***
	(6.95)	(7.58)
South	0.189***	0.322***
	(8.21)	(9.19)
West	−0.027	−0.039
	(−0.87)	(−0.74)
Non-Durables	0.007	−0.121
	(0.13)	(−1.40)
Durables	0.056	−0.017
	(0.79)	(−0.16)
Manufacturing	0.166***	0.168***
	(3.67)	(2.62)
Energy	0.312***	0.364***
	(7.20)	(5.92)
Chemicals	0.113**	0.076
	(2.09)	(0.95)
Bus-Equipment	−0.003	−0.174**
	(−0.07)	(−2.55)
Telecoms	−0.144**	−0.252**
	(−2.07)	(−2.36)
Shops	0.057	−0.054
	(1.23)	(−0.77)
Health	−0.001	−0.052
	(−0.03)	(−0.69)
Money	−0.035	−0.069
	(−0.82)	(−1.33)
Other	0.035	−0.018
	(0.74)	(−0.27)
N	20,379	21,005
r2	0.0907	0.0862

Notes: This table presents OLS results, where in Column 1, the dependent variable is a dummy variable for CEO Republican, and in Column 2, the dependent variable is the fraction donated to Republicans. Utilities are the default for industry, and Northeast is the default for region. We also control for year-fixed effects. Standard errors are clustered by company and their corresponding t-statistics are presented in parentheses.
***,**,*Significant at 1, 5 and 10 percent levels, respectively.

Table 9. Aggregate market cap by CEO political preferences, 2017

	Political affiliation				
Index type	**Democrat ($)**	**Neutral ($)**	**Republican ($)**	**Total ($)**	**Rep/Dem**
Large-cap	4 410 087	7 487 418	7 212 397	19 109 902	1.6
Mid-cap	248 447	387 484	756 230	1 392 162	3.0
Small-cap	109 302,	122 543	298 054	529 898	2.7
Total	4 767 837	7 997 445	8 266 680	21 031 962	1.7

Notes: "Democrat," "Neutral," and "Republican" give the total market capitalization of companies run by CEOs that are identified as Democrats, Neutral, and Republican, respectively, by index type at the end of 2017. Values are given in millions of dollars. The column "Total" is the sum of these market capitalizations. The column "Rep/Dem" is the ratio of Republican to Democratic identified market capitalizations by index.

A CEO heading a large-capitalization company might have more resources available for political spending should the CEO decide to spend in this way, and might receive more attention and have more influence if the CEO decided to publicly advocate for certain policies. Thus, whereas the above analysis implicitly gives the same weight to all public companies, it might be worth examining the political preferences of CEOs while attaching weight to company size. Therefore, in this section, we analyze and compare the aggregate market capitalization in millions of dollars of companies headed by Republican, Democratic, and Neutral CEOs.[30] Table 9 presents the results of our analysis.

The companies in our dataset had an aggregate market capitalization of about $21 trillion as of the end of 2017. Out of this aggregate value, companies headed by Republican CEOs had an aggregate market capitalization of $8.3 trillion (39 percent), whereas companies headed by Democratic CEOs had an aggregate market capitalization of only $4.8 trillion (about 23 percent), and companies headed by Neutral CEOs had an aggregate market capitalization of $8 trillion (about 38 percent). Thus, Republican CEOs control 70 percent more market capitalization than Democratic CEOs.

5. CEO POLITICS AND THE DISCLOSURE OF POLITICAL SPENDING

This section considers the potential significance of CEO political preferences for corporate decisions that have a political or policy dimension. To this end, we investigate corporate decisions with such a dimension that have attracted much

30 Market capitalizations are based on the prices as of December 31, 2017, obtained from Compustat.

recent attention—decisions whether and to what extent the company should disclose its political spending to shareholders and the general public. Our analysis shows that Republican CEOs are less likely to make the political spending of their companies transparent to investors.

Section 5.1 describes the current landscape of voluntary disclosure practices adopted by public companies and discusses the CZI, a measure of transparency of corporate political spending. Section 5.2 analyzes whether and in what way CEO political leanings predict their companies' decisions on the disclosure of political spending.

5.1 Voluntary Disclosure

Public companies are not required to disclose their corporate political spending to shareholders. As noted in Section 2, while some of this spending can be traced back to the company through a review of federal and state records (although this exercise requires substantial knowledge and effort), significant resources can potentially be funneled through untraceable channels. Shareholders, therefore, do not have accurate or reliable information on how much money their companies spend on elections, directly or indirectly, or which candidates they support.

After *Citizens United*, the potential for corporate political spending increased enormously. Many investors have therefore intensified their efforts to urge public companies to disclose their political spending voluntarily[31] through the submission of shareholder proposals recommending the adoption of political spending disclosure policies.[32]

An analysis of the shareholder proposals put to a vote in S&P 500 companies from 2005 to 2018 shows that proposals for the transparency of political spending represent a significant fraction of the overall proposals submitted by shareholders on any topic.[33] Political spending, in general, is the single topic with the

31 Indeed, the court indicated in the *Citizens United* decision that disclosure would allow for shareholders to judge the speech of corporations. Specifically, the opinion of the court stated that "[w]ith the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation's political speech advances the corporation's interests in making profits, and citizens can see whether elected officials are 'in the pocket' of so-called moneyed interests."

32 Federal laws allow shareholders of public companies to submit proposals for a vote on the company's proxy statement, although within stringent limits 17 C.F.R. §240.14a-8.

33 We have analyzed all shareholder proposals in S&P 500 companies in the period between January 1, 2005 and December 31, 2018, as recorded in the database of FactSet SharkRepellent. We exclude proposals that were not voted on. To identify shareholder proposals on political spending, we refer to those proposals classified in SharkRepellent's "Political issues" category. We exclude proposals concerning lobbying expenditures based on a textual research for the word "lobbying," confirmed

greatest number of proposals over the period considered (626 proposals out of a total of 5092), 45 percent more than proposals for the separation of the roles of CEO and chairman and 51 percent more than proposals on environmental issues (the second and the third most frequent topic for shareholder proposals, respectively). If we exclude proposals concerning disclosure of lobbying expenditures (a kind of political spending different from campaign contributions), political spending is still the third most frequent topic for shareholder proposals. More importantly, shareholder proposals on political contributions have progressively gained significant support among investors. Over the past fourteen years, the average fraction of votes cast in favor of such proposals more than quadrupled.[34]

In response to such increasing investor demand, many S&P 500 companies have been adopting voluntary disclosure arrangements. The CPA has played a key role in promoting voluntary disclosure of political spending and facilitating agreements between institutional investors and corporations (Center for Political Accountability 2019a). According to the 2018 CZI, an annual report measuring the quality of political spending transparency among large public companies, 294 S&P 500 companies disclose at least some political expenditures or prohibit political contributions altogether (Center for Political Accountability 2018, p. 33).

However, S&P 500 companies substantially vary in their level of disclosure of political spending. In this section, we use the CZI score as a metric to measure the quality of corporate disclosure on political contributions and to test whether there is a statistical relationship between the political preferences of CEOs and their companies' quality of political spending disclosure.

Although the CZI has been published since 2011, it covers all of the S&P 500 companies only from 2015. We therefore focus on 2015 to 2017, the years for which we have data about both the quality of disclosure and CEO political preferences.[35]

The CZI score is based on the disclosure policies and disclosure reports on political contributions made public by companies on their websites. Each

with a random check of a sample of proposals. (This likely underestimates the number of proposals on campaign contributions, since some proposals might concern both campaign contributions and lobbying.) To rank the most frequent topics of shareholder proposals, we refer to the sixty-one categories used by SharkRepellent to classify the 5092 proposals voted on in the period considered.

34 At the beginning of the period mentioned (2005), the average number of votes in favor of the proposal represented 7.28 percent of all votes cast, while at the end of the period (2018), the average votes in favor of this kind of proposal is 29.67 percent of the votes cast.

35 CZI indices for 2015, 2016, and 2017 are available at https://politicalaccountability.net/index/past-cpa-zicklin-index-reports-2.

company is assigned three sub-scores for the quality of its disclosure, policy, and oversight of political spending, and a total score that combines these three sub-scores (Center for Political Accountability 2018, 2019b, pp. 33–37).

The first sub-score measures the quality of disclosure. It is based on nine questions concerning how much information the company makes public with respect to contributions given to candidates, parties, PACs, or intermediaries such as trade associations and non-profit groups. The answer to each of these questions is scored with a maximum number of points between 2 and 6. The maximum total "raw" score for disclosure quality is 36.

The second sub-score measures the quality of disclosure policies based on seven questions regarding procedures and criteria used by the company to decide whether and how to spend money on politics. The maximum total raw sub-score is 16.[36]

The third and final sub-score measures the quality of internal oversight over the spending process. It is based on eight questions concerning governance safeguards such as whether political spending policies and decisions are reviewed by a board committee, whether independent directors are involved, and how easy is it for investors (and the general public) to access information on political spending on the company's website. The maximum raw sub-score is 18. Therefore, the total raw CZI score is a combined 70 points. The CZI score then reports final sub-scores and total score as a percentage score from 0 percent to 100 percent of the maximum raw scores.

The average total CZI score for all companies in the S&P 500 studied from 2015 to 2017 is 42.1 on a scale of 0 to 100. For the sub-scores, the average scores during that period are 36.5 for the disclosure sub-score, 60.3 for the policy sub-score, and 37 for the oversight sub-score.

5.2 Association with CEO Political Preferences

To test whether there is an association between CEO political preferences and the level of political-spending transparency, we run regressions with the CZI total score and single sub-scores as dependent variables. Table 10 displays the results of the regressions. In the first column, the dependent variable is the total CZI score. In the three other columns, the dependent variable is one of the three sub-scores for disclosure, oversight, and policy.[37]

36 One of these questions is actually used for research purposes only and does not affect the company score. It is therefore more accurate to say that the sub-score is based on six questions and the total combined score on twenty-three questions.

37 A study by Goh, Liu, & Tsang (in press) examines how these scores are associated with various company characteristics, such as quality of corporate governance, investor activism, or industry

Table 10. CEO political preferences and transparency of corporate political spending

Variables	(1) Percentage	(2) Disclosure	(3) Policy	(4) Oversight
Rep	−6.852**	−7.178**	−6.749**	−6.291**
	(−2.35)	(−2.29)	(−2.15)	(−2.07)
Market Cap	0.172***	0.171***	0.170***	0.178***
	(5.82)	(5.54)	(5.78)	(5.94)
Female	11.569**	7.871	16.453***	14.622**
	(2.38)	(1.33)	(3.53)	(2.43)
Midwest	6.837*	4.356	10.528**	8.518**
	(1.80)	(1.06)	(2.54)	(2.09)
South	1.898	0.894	5.158	1.007
	(0.47)	(0.21)	(1.20)	(0.24)
West	−6.894	−6.890	−6.717	−7.058
	(−1.59)	(−1.53)	(−1.41)	(−1.58)
Non-Durables	−16.422**	−8.775	−27.641***	−21.742***
	(−2.29)	(−1.07)	(−4.00)	(−3.00)
Durables	−28.056***	−24.078***	−31.313***	−33.116***
	(−4.28)	(−3.31)	(−3.93)	(−4.46)
Manufacturing	−19.203***	−12.809*	−24.024***	−27.704***
	(−2.97)	(−1.68)	(−3.92)	(−4.25)
Energy	−8.043	−6.923	−8.191	−10.152
	(−1.11)	(−0.84)	(−1.18)	(−1.28)
Chemicals	−4.650	0.790	−11.864	−9.120
	(−0.61)	(0.09)	(−1.62)	(−0.98)
Bus-Equipment	−18.532***	−13.593*	−25.138***	−22.535***
	(−2.90)	(−1.86)	(−4.04)	(−3.45)
Telecoms	−19.831**	−17.145*	−23.078***	−22.318**
	(−2.33)	(−1.80)	(−2.77)	(−2.42)
Shops	−16.742**	−14.192*	−18.629***	−20.164***
	(−2.44)	(−1.81)	(−2.69)	(−2.93)
Health	−7.351	−3.847	−13.206**	−9.154
	(−1.06)	(−0.48)	(−2.03)	(−1.28)
Money	−15.554***	−11.130	−24.366***	−16.566***
	(−2.68)	(−1.62)	(−4.60)	(−2.84)
Other	−16.629**	−14.431*	−20.240***	−17.815***
	(−2.58)	(−1.96)	(−3.19)	(−2.65)
2016	1.319	1.698	0.688	1.122
	(1.37)	(1.56)	(0.63)	(1.12)
2017	2.260*	2.414	2.257	1.956
	(1.69)	(1.60)	(1.47)	(1.44)
N	1,154	1,154	1,154	1,154
r2	0.1900	0.1610	0.1865	0.1972

Notes: This table presents OLS results where in Column 1 the dependent variable is the percentage a CEO's company received over the entire CPA score. Column 2 is the percentage CEO's company received over the "Disclosure" subset of the CPA score. Column 3 is the percentage CEO's company received over the "Policy" subset of the CPA score. Column 4 is the percentage CEO's company received over the "Oversight" subset of the CPA score. Utilities is the default for industry and Northeast is the default for region. We also control for year fixed effects. Standard errors are clustered by company and their corresponding t-statistics are presented in parentheses.

***,**,*Significant at 1, 5 and 10 percent levels, respectively.

Our chief explanatory variable is a dummy equal to one if the CEO is a Republican and zero otherwise. In addition, we control for a number of other potential explanatory variables: gender of the CEO, market capitalization of the company, region of company's headquarters, industry sector, and year of the observation.

The results show that the association of having a Republican CEO with transparency of corporate political spending is negative and significant at the 95 percent level. This means that there is a statistically significant association between having a Republican CEO and a lower CZI score. This is the case for the total CZI score as well as each of the three sub-scores. The effects are not only statistically significant but also of a meaningful size. For example, having a Republican CEO is associated with a reduction of 6.9 percent in the CZI score. This reduction is meaningful, given that the average value of the CZI score from 2015–2017 was 42.1 percent.

Some of the control variables are also significant. Having a female CEO is associated with increased transparency. In addition, companies in the energy, health, and utility sectors are associated with greater transparency. These are heavily regulated areas, and the pressure for transparency might thus be especially strong for such companies.

Disclosing political spending is an important decision that, as we have seen, has attracted substantial attention from investors. The association between company decisions on this issue and the political preferences of CEOs, however, is just an illustration of how the partisan leanings of the CEO might have a qualitative effect on decisions that are important to investors. Further research would shed light on other potential relationships between CEO politics and other aspects of corporate decisions or performance.

6. GOING FORWARD

This section briefly discusses several potential implications of our analysis and findings that are worthy of further attention and research. Section 6.1 discusses the relevance of our findings for assessing corporate political spending and its impact on the political system. Section 6.2 considers potential implications regarding the role of CEOs as contributors of policy views and advice to policymakers and as participants in the policy discourse. Section 6.3 discusses the importance of taking CEO political preferences into account when analyzing corporate decision-making. Finally, we comment on the question, which future

competition. This study, however, does not examine the association of these scores with CEO political preferences, which is our focus.

research should examine of why CEOs disproportionately display pro-Republican preferences.

6.1 Corporate Political Spending

Our analysis has documented that CEO political preferences are not evenly divided between the two main political parties but rather are disproportionately supportive of Republicans. This evidence might have significant implications for the understanding of the consequences of corporate political spending and *Citizens United* on the political system and on corporate governance.

As noted above, the lack of disclosure makes the levels of corporate political spending uncertain. Given this lack of transparency, our findings could inform any assessment of how corporate political spending likely affects U.S. politics and policymaking. In deciding whether and how to spend corporate funds on politics, CEOs might be influenced by their own political preferences. Due to this factor, corporate political spending could disproportionately benefit Republicans and disadvantage Democrats. Our findings thus provide useful insights about the potential spending patterns of public companies and imply that, to the extent that public companies would over time take substantial advantage of the expanded freedom to spend money on politics established by *Citizens United*, Republicans could disproportionately benefit from this freedom.

These findings also have implications for understanding the political consequences of a scenario in which public companies would increase over time their levels of political spending from current levels. As stressed in Section 2, public corporations have massive financial resources, and directing even a tiny fraction of them to politics could have a profound impact. In particular, because our evidence indicates that public companies are disproportionately headed by Republican CEOs, the emergence of such a scenario could have a significant impact on the balance of power and advantages between the two main political parties.

Finally, the Supreme Court has interpreted the ban on direct corporate political contributions to federal candidates not just as a way to "preven[t] corruption and the appearance of corruption"[38] but also to protect "the individuals who have paid money into a corporation [...] from having that money used to support political candidates to whom they may be opposed."[39] In other words, the Court has recognized that individuals may attach

38 *Fed. Election Comm'n v. Nat'l Conservative Political Action Comm.*, 470 U.S. 480, 496 (1985).

39 *Fed. Election Comm'n v. Beaumont*, 539 U.S. 146, 154 (2003) (citing *Fed. Election Comm'n v. Nat'l Right to Work Comm.*, 459 U.S. 197, 208 (1982)).

"expressive significance" to the political spending of organizations with which they are affiliated.[40] Thus, if the political preferences of CEOs lead to a disproportionate support of Republicans by public companies, a problem of expressive significance could arise for the potentially large set of investors who oppose Republican policies.

6.2 CEO Influence on Policy

As discussed in Section 2.2, the policy views and policy advice of CEOs enjoy substantial attention and influence. Because of the stature, experience, and expertise of CEOs, we view such attention and influence as understandable and justified. However, our findings can be useful for analyzing or assessing such CEO policy views and advice. Although policy and political positions should be assessed on their merits, regardless of the identity or political leanings of their advocates, the frequent characterization of CEO groups and committees as bipartisan or politically balanced might be inaccurate in many cases for many people. In fact, our findings show that public-company CEOs disproportionately display pro-Republican preferences, and users of CEO policy advice should be aware of this pattern.

To illustrate, consider the Business Roundtable, which is often characterized as a nonpartisan or bipartisan organization.[41] The group's current president and CEO Joshua Bolten, for example, recently described the Business Roundtable as a "bipartisan organization" before the U.S. Senate Committee on Foreign Relations (2018). We, therefore, have used our dataset to examine the distribution of the political preferences of the members of the Business Roundtable.[42]

We identified donations from 167 members of the Business Roundtable in 2018 out of a total of approximately 200 members. Notice that these CEOs represent firms that are not necessarily in the S&P 1500 index. Many are either not publicly traded, subsidiaries of foreign firms, or simply members of a different index. Using a cutoff of 67 percent (60 percent) [50 percent], we find that

40 Ibid. at 147. Also the Securities and Exchange Commission (SEC) "has recognized that shareholders may have an interest in social policy issues that goes beyond the issues 'direct financial relevance'" (Bebchuk & Jackson 2010, p. 96). For example, the SEC has allowed that the "ordinary business exclusion"—that prevents shareholders from submitting precatory proposals on business issues—-does not apply to proposals in which shareholders have an opportunity to express their views on social policy issues. See Amendments to Rules on Shareholder Proposals, 63 Fed. Reg. 29,106, 29,108 (May 28, 1998).

41 See, e.g., Stewart (2016) ("[t]he Business Roundtable has been officially nonpartisan since its founding in 1972, and it does not endorse any candidate for political office").

42 The list of members of the Business Roundtable is published on its official website, at https://www.businessroundtable.org/about-us/members.

47 percent (60 percent) [77 percent] of CEOs are Republican, while 13 percent (16 percent) [23 percent] are Democrats, with the remainder Neutral. Furthermore, among the twenty-three members of the Roundtable's board of directors, of whom we identify the contributions of nineteen members, the partisan imbalance is also stark. Using a cutoff of 67 percent (60 percent) [50 percent], 8 (11) [17] are Republican and 1 (1) [2] are Democrats, with the remainder Neutral. Thus, although the Roundtable is "bipartisan" in the sense that it is not formally affiliated with a specific political party and its membership includes at least some individuals who support each of the main parties, its composition is far from having a partisan balance: It leans heavily on Republican.

6.3 Political Preferences and Corporate Decisions

Our analysis of corporate disclosure decisions highlights that, at least when such decisions have a political or policy dimension, they might well be associated with the political preferences of the CEO heading the company. We believe that it would be worth taking these preferences into account in analyzing such corporate decisions.

We are planning to conduct additional research that would use political preference as an explanatory variable for other dimensions of corporate decisions. For some types of decisions, political preferences might be an important explanatory variable. Thus, taking political preferences seriously could enrich our understanding of some significant dimensions of corporate decision-making.

6.4 Explaining the Pro-Republican Tilt

We have documented in this article the persistent pro-Republican tilt in the preferences of public-company CEOs. This pattern raises the question of what explains this systematic pattern.

One possible explanation is that supporting Republicans is consistent with the personal interests of the CEOs, or those of the company as the CEO sees them. CEOs might view Republican policies as being more favorable to high-wealth individuals or to business organizations. Under this explanation, CEOs need not be individuals who disproportionately started their career with pro-Republican preferences. CEOs might have simply developed such preferences as they advanced up the executive ladder and acquired interests that would be better served by Republican policies.

Another potential explanation is selection. It might be that CEOs are individuals who had disproportionately pro-Republican preferences at the outset of their career. In order to work, this theory must explain why individuals who started with Republican preferences are more likely to become a CEO. To explore the validity of this explanation, it would be useful to get and use data, which our dataset does not include, regarding the political preferences that CEOs had at the outset of their careers.

These two possible explanations are not meant to be exhaustive, and the future work might identify additional mechanisms. Explaining the patterns we have identified would be a worthwhile challenge for the future work.

7. CONCLUSION

The CEOs of public companies who preside over organizations that own most of the productive assets of the American economy have substantial influence on the political spending of their companies, on policymaking, and on the policy discourse. In this article, we have carried out a systematic empirical analysis of the political preferences of the CEOs of S&P 1500 companies, which represent 90 percent of the market value of U.S. public companies.

Our analysis has shown that the CEOs disproportionately display pro-Republican preferences. We have also analyzed the association of CEO political preferences with their company's region, size, and industry as well as with the gender of the CEO. Finally, we have documented that firms led by Republican-leaning CEOs tend to be less transparent with respect to their political spending.

The article has also outlined the implications of our analysis and findings. These findings should be useful for understanding the political process and the effect of corporate political spending on it for assessing the policy input and advice provided by CEOs, and for understanding corporate decisions. Further research should expand the scope of the analysis and investigate the potential relationships of CEO political preferences with a wide range of corporate policies and practices. We hope that our work would lead to recognition of the partisan preferences of public-company CEOs, and that it would provide a starting point and an empirical foundation for subsequent discussions of this subject.

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