CEO Political Contributions and Rewards

LEI CHEN* NADIA MASSOUD† YIFAN ZHOU‡
University of Melbourne *University of Melbourne* *Xi'an Jiaotong-Liverpool University*

March 2025

Abstract

We challenge the existing literature's common practice of defining firms' political connections on PAC contributions, thus overlooking CEO political contributions. This practice implicitly assumes that CEO contributions are driven by ideology and independent of the firm. In this paper, we identify CEO contributions' economic consequences on their firms. By mapping congressional members' committee assignments to contract-awarding cabinet departments and independent agencies based on specialization (e.g., the Department of Justice is mapped to the Senate and House Judiciary committees), we are able to paint a clear picture of the flow of contributions and contracts. Utilizing a firm-department-year dataset, we find CEO contributions to congressional members overseeing a department, both in terms of dollar amount and the number of financially endorsed members, increase contracts awarded from that department. Additionally, CEOs with substantial political contributions tend to secure better procurement terms (e.g., noncompetitive bidding, multi-year contracts) and promote firm investments. Furthermore, contracts per dollar contribution to winning candidates of close elections are 130 times higher than the sample average. Our results are not driven by policy-sensitive or contract-dependent industries. Overall, CEO political contributions appear to be a key channel for firms to establish political connections, even among smaller firms without PACs, and should not be overlooked.

Keywords: CEO, political contribution, procurement, government contract

*Department of Finance, Faculty of Business and Economics, University of Melbourne. Email: lei.chen3@student.unimelb.edu.au.

†Melbourne Business School, University of Melbourne. Email: n.massoud@mbs.edu.

‡Department of Finance, IBSS, Xi'an Jiaotong-Liverpool University. Email: yifan.zhou@xjtlu.edu.cn.

1 Introduction

Political connections are often identified through various means, such as companies being headquartered in the politician's birthplace or the region they represent (e.g., Faccio and Parsley, 2009; Kim, Pantzalis, and Park, 2012; Kostovetsky, 2015), firms' campaign contributions (e.g., Claessens, Feijen, and Laeven, 2008; Goldman, Rocholl, and So, 2009), or the presence of a politician or former politician on the company's board or as a significant shareholder (e.g., Faccio, 2006; Chaney, Faccio, and Parsley, 2011; Duchin and Sosyura, 2012).

In research focusing on campaign contributions as an indicator of political connection, the primary emphasis has been on corporate political action committees (PACs), with limited attention given to contributions made personally by CEOs. This is based on the assumption that the CEO's contributions are driven by ideology (Akey, 2015) and are not expected to generate benefits to the firm. However, by overlooking CEO political contributions, researchers may be neglecting an important avenue for corporate involvement in political endeavors.

This study finds that after accounting for firm contributions, CEO contributions (both in terms of dollar amount and number of congressional members) are positively associated with future government procurement contracts, especially those awarded by cabinet departments closely associated with the member's congressional committee assignment. For example, we document that if the CEO contributes to members of the House Armed

Services Committee, then the firm is more likely to receive larger and more contracts from the Department of Defense.[1] Additionally, CEO political contributions are associated with favorable contract terms, higher firm investment, but also greater regulatory scrutiny, and no significant improvement in firm performance. Collectively, these indicate that CEO contributions bring important economic rewards to the firm, but those benefits are balanced by equally large costs.

CEO contributions are much more prevalent than firm PACs. While CEOs could directly contribute to candidates, parties, and various PACs (including those associated with their own companies), corporations themselves cannot donate money directly to politicians. Instead, they must establish PACs to aggregate contributions from employees, which are then disbursed under the company's name. These PACs are typically overseen by a treasurer, often an individual with a background as a lobbyist, former government official, or political expert, tasked with maximizing the impact of the PAC's resources. However, the financial burden of operating PACs rests with the firms, making them costly. Consequently, not all publicly traded companies choose to establish PACs. Cooper, Gulen, and Ovtchinnikov (2010) revealed that only 9.49% of firms in the CRSP-Compustat database engage in such contributions, primarily larger entities. Similarly, Correia (2014) noted a contribution rate of just 12.84% among combining the Government Accountability Office (GAO) and Glass Lewis restatement databases of firms that have restated their financial statements and hence represent potential SEC enforcement targets between 1996 and 2006.

[1] Although Congress do not have direct jurisdiction over cabinet departments, they exert significant influence and control over them. A detailed discussion is provided in Section 2.

In contrast, Fremeth, Richter, and Schaufele (2013) assert that 87% of CEOs in the S&P 500 made at least one personal contribution between 1991 and 2008. Similarly, Fulmer, Knill, and Yu (2023) document that of all executives that were found guilty of fraud between 1999 and 2013, 36% had made personal political contributions. Furthermore, contributing executives faced reduced civil and criminal sanctions. This significance is further underscored by the total contribution amount from both individuals and PACs. As depicted in Figure 1, the proportion of individual campaign contributions rose from 57% to 74% between 2000 and 2022. According to Babenko, Fedaseyeu, and Xu (2024), the top 0.1% of individual donors' ("mega-donors") contributions rose from 2.3% of total campaign funds raised in 2010 to 12.7% in 2018, with 48% of these donors having been a CEO. Given these, we believe CEOs' personal contributions may in fact be a crucial avenue for corporate involvement in political endeavors, particularly in the absence of company PACs.

A commonly-held belief in the existing literature is that corporate elites demonstrate more pronounced ideological differences with considerable heterogeneity (Bonica, 2016). Consequently, it is also possible to explore the persistence of CEO contributions as a new dimension. Previous research has established that CEOs' political inclinations significantly influence various corporate decisions (Di Giuli and Kostovetsky, 2014; Hutton, Jiang, and Kumar, 2014). Additionally, Babenko, Fedaseyeu, and Zhang (2020) demonstrates that CEO campaign contributions can influence employees' choices. However, these studies often treat CEO contributions merely as a reflection of their political preference, aligning with the consumption view, and do not consider the possibility that CEO

contributions could bring material benefits to the firm.

An opposing view, known as the investment view, posits that CEOs' motivations for campaign contributions are driven by firm interests or political influence. Gordon, Hafer, and Landa (2007) find that CEOs' personal contributions are motivated by pecuniary interests. Richter and Werner (2017) find that CEOs strategically contribute on behalf of their firms' interests, while Teso (2023) find that CEOs use campaign contributions as a tool for company political influence. These strategic contribution behaviors are driven by potential interests and influence, suggesting that there should be economic benefits to the firm.

However, there is a notable scarcity of research focusing on the direct economic outcomes of CEO contributions. The scarce research on this topic suggests that CEO contributions can potentially reduce the probability of personal SEC prosecutions, as evidenced by studies such as those conducted by Fremeth et al. (2013) and Cao, Naughton, Rogo, and Zhang (2021). Additionally, Cox (2020) study public charities in the US between 1998 and 2003 and suggest that charity CEOs' contributions increase the likelihood of these their charities receiving government grants. Importantly, these studies are relatively recent, highlighting the emergence of this as a novel area of research.

To further investigate the potential economic benefits arising from CEO political contributions, we explore firm-level economic consequences of CEO contributions. Government procurement contracts serve as a direct indicator of firm-level "rewards" that may be a result of CEO political connections. In Fiscal Year 2022, the federal government

allocated approximately $695 billion for contracts, reflecting a $3.6 billion increase from FY 2021 when adjusted for inflation. This amount constitutes 2.73% of the GDP in 2022 and represents 11.5% of the 2022 federal government current expenditures.[2] The distribution of these contracts stands out as one of the most direct pathways through which CEOs' political connections may impact company values (Goldman, Rocholl, and So, 2013).

There exists ample evidence of how politicians influence government resource allocation to their connected firms, both within the executive branch (e.g., Brown and Huang, 2020; Gitterman, 2013; Dahlström, Fazekas, and Lewis, 2021) and through the legislative branch (e.g., Goldman et al., 2013; Tahoun, 2014). While not all companies are reliant on government contracts, the value of such contracts serves as a robust proxy for gauging the support and rewards received from the government. This metric is easily quantifiable and is linked to potential advantages, including the prospect of renegotiation after contract signing (Brogaard, Denes, and Duchin, 2021).

The existing literature on political connections delves into the impact of company political connections on firm returns and value, yielding mixed results. Some studies suggest that politically connected firms benefit from preferential access to external financing (Dinç, 2005; Claessens, Feijen, and Laeven, 2008) and are more likely to receive government bailouts during financial distress (Faccio et al., 2006; Duchin and Sosyura, 2012). Moreover, politically connected firms exhibit a higher likelihood of securing government procurement contracts (Goldman et al., 2013; Tahoun, 2014; Brogaard et al., 2021) or receiving favorable procurement contract terms (Ferris, Houston, and Javakhadze,

[2]Contract values obtained from https://www.gao.gov/. GDP and government current expenditures data are from https://www.bea.gov/.

2019), along with government subsidies and other forms of support (Johnson and Mitton, 2003). However, findings regarding the association between firm campaign contributions and future returns diverge. Cooper et al. (2010) and Akey (2015) report a positive relationship, while Aggarwal, Meschke, and Wang (2012) and Coates IV (2012), employing different empirical approaches, identify a negative association, which they interpret as evidence of agency problems. On the other hand, political connections can pose challenges to corporate governance. Political spending affords firms the ability to impede fraud detection (Yu and Yu, 2011), and politically connected firms exhibit a lower likelihood of being entangled in SEC enforcement actions (Correia, 2014). Moreover, political contributions are linked to diminished civil and criminal sanctions for executives implicated in fraudulent activities (Fulmer et al., 2023).

This paper distinguishing itself from previous studies that employed varied measures to define a company's political connections. It uniquely explores the often-overlooked avenue of CEO campaign contributions as a crucial channel of political connection. The findings of this paper establish and validate the effectiveness of this particular connection channel for the company and test the direct economic benefits of this channel.

In this paper, we link members of Congress to procurement contract through members' committee assignments and contracts' awarding agencies. Typically, every member of Congress serves on at least one legislative committee, with many serving on multiple committees, which allows them to exert influence over a range of government functions. Agencies responsible for distributing government procurement contracts may be independent agencies created by Congress, or belong to a cabinet department. Although

the cabinet falls under the executive branch, departments are monitored and guided by Congress to ensure accountability to the legislative branch.[3] By mapping agencies and departments (collectively referred to as "departments") to congressional committees (based on commonality of specialization), we are able to establish a linkage table between members of Congress and federal procurement contracts. We adopt a firm-department-year data structure, so we could establish a clear linkage between contributions to members of a committee and contracts from departments that this committee oversees.

From here, we assess a CEO's political contributions through two primary metrics: (i) the total CEO contribution amount to members of Congress at the department-year level, and (ii) the total number of members that received contributions from the CEO at the department-year level. For our baseline tests, we adopt a look-back period of four years (i.e., contributions over the past four years). We modify the length of the look-back period to between one and six years as a robustness test.

After controlling for PAC contributions, we find that the CEO's personal contributions to members of Congress, both in terms of dollar value and the number of members, are positively associated with more future government contracts to their firm. Specifically, a one percent increase in the dollar value of contributions to members over the past four years leads to a 1.8 basis points increase in next-year contract value from the relevant cabinet department. This is largely comparable to PAC contributions' per percent effect of 2.6 basis points. Similarly, a one percent increase in the number of supported members over the past four years leads to a 12.2 basis points increase in next-year contract value

[3]See Section 2 for a more detailed discussion.

from the relevant cabinet department. This is also comparable to PAC contributions' per percent effect of 13.5 basis points. These results underscore the importance of CEO contributions; they are just as effective as PAC contributions when it comes to future government contracts.

In addition to contract value, we also examine other measures of contract awards. In particular, we adopt (i) an indicator for whether a firm is awarded with a contract from the department, (ii) the firm's total contract value from a department as a percentage of the department's total contract value , and (iii) the firm's relative rank among all contractors within the department based on contract value. Results indicate that CEO contributions are positively associated with all three measures, supporting the idea that CEO contributions are positively associated with future government contracts.

Ferris, Houston, and Javakhadze (2019) documents a link between corporate political connections and favorable procurement contract terms. To test whether CEO contributions have the same effect, we break all contracts into categories based on the terms of the contract. Specifically, we identify four types of favorable contracts: (i) contracts awarded at the end of the fiscal year (more likely as ways to use up the allocated budget (Liebman and Mahoney, 2017)), (ii) multi-year contracts (typically larger), (iii) contracts without fixed values (more likely to exceed contract budgets), and (iv) noncompetitive contracts (only one bidder). Echoing Ferris et al. (2019) and Brown and Huang (2020), we find that CEO contributions are positively associated with all four types of favorable contracts.

Having established an positive correlation between CEO contributions and future

government contracts to the firm, we explore a natural follow-up question: do these contracts improve firm performance? The correlation between political connections and firm performance has been studied extensively.[4] Consistent with prior studies (e.g., Akey, 2015; Child, Massoud, Schabus, and Zhou, 2021; Knill, Liu, McConnell, and Seagraves, 2024), we document a positive relation between PAC contributions and sales. CEO contributions are similarly positively associated with future sales, albeit the marginally insignificant. Consistent with Cull and Xu (2005) and Wellman (2017), we find that both CEO and PAC contributions are associated with higher investments–a relation that may be attributed to reduced uncertainty and access to key resources and benefits, such as policy information, credit, legitimacy, and subsidies (Faccio et al., 2006; Akey, 2015).

We conduct a number of extensions and robustness checks. First, to mitigate potential endogenous concerns regarding reverse causality and establish causality, we implement a design inspired by Akey (2015). This approach leverages on the exogenous changes in CEOs' political connections networks by comparing the outcomes of firms with CEOs that contributed to politicians who narrowly won an election to those that contributed to politicians who narrowly lost. The randomness inherent in the outcome of a closely contested election provides a natural experiment to isolate exogenous variation in CEOs' political networks. We find that the contract-contribution ratio (i.e., future contracts per dollar contribution) approximately 130 times higher for CEOs who support winners of close elections than over the entire sample period. This is perhaps unsurprising, as supporting a candidate in a close election carries much greater significance compared

[4]See, for example, Faccio and Parsley (2009); Brown and Huang (2020); Ovtchinnikov, Reza, and Wu (2020); Child, Massoud, Schabus, and Zhou (2021) among others.

to supporting a candidate who is highly likely to win. Consequently, the realized returns from such strategic support and connections are significantly higher should the candidate succeed.

Second, we adopt a range of alternative look-back periods in constructing our key independent variables. In our main specification, we look at CEO contributions over the past four years (i.e., a look-back period of four years). As a robustness check, we explores additional look-back periods of one, two, and six years to capture varying periods over which relationships may be established. The results of this exercise demonstrate that our main finding is not driven by our selection of the look-back period.

Third, given the variations in CEO participation in campaign contributions, the diversity of companies with government contracts, and potential biases from industries highly reliant on government (e.g., defense), we conducted subsample tests of our main analysis to ensure that our results are not driven by particular subsets of firms. Specifically, we devise two ways of splitting our sample. The first method involves dividing our sample into three groups (neutral, policy-sensitive, and contract-dependent) based on industry classification. Policy-sensitive industries include finance and utilities; contract-dependent industries include defense, aircraft, medicine, and healthcare; neutral industries include the rest. Findings of this exercise demonstrate that our results are not driven by policy-sensitive or contract-dependent industries, which may have more incentives to establish political connections with members of Congress. In the second method, we create two subsamples, one that excludes CEOs who never contributed in our sample period, and another that exclude firms that never received government contracts in our

sample period. The results show that non-contributing CEOs and non-contractors do not drive our main finding.

Finally, we reexamine our baseline model on a subsample of firms without PACs. This naturally focuses on the smaller firms, which may not have the resources and connections to fight for federal contracts. Encouragingly, the results retain their significance in this subsample devoid of PACs. This reaffirms the hypothesis that CEO political contributions constitute a vital channel for a firm's political engagement, particularly in the absence of a PAC.

This paper also has practical implications. Individual campaign contributions influence government resource allocation and serve as a crucial pipeline for bypassing regulations and restrictions targeting PAC contributions. Thus, for policymakers, regulating solely PAC contributions is not enough to stop money from interest groups from influencing politics.

2 Setup and Data

2.1 Data

Our sample comprises of firms at the intersection of Execucomp and BoardEx datasets between 2000 and 2022, except companies with less than three observations or those that underwent major M&As or restructuring. This process resulted in a final sample size of

2531 companies. CEO information is obtained from the Execucomp and BoardEx datasets. Throughout the sample period, a total of 4633 individuals served as CEOs in sample firms. The average CEO tenure for these individuals stands at 7.69 years. Company financial data are from Compustat. Industries are defined using the Fama-French 49 industries classification.

Political contribution data is from the Federal Election Commission (FEC), which offers transaction-level information by election cycle. Individual donors participating in federal election campaigns are required to report their employer and job title to the FEC. While companies cannot make direct contributions, they can establish PACs to consolidate campaign contributions. For each firm in the sample, we collect contribution records of the CEO, other executives, and the company PAC from 1989, facilitating the tracking of their long-term contribution behavior.

Among the 4633 CEOs, 1386 of them have never contributed, while the rest have made at least one contribution between 1989 and 2022. Of the contributors, 346 individuals contributed exclusively to the Democratic Party, 836 contributed exclusively to the Republican Party, and the remainder contributed to both parties or other parties. Within the sample of 2531 companies, 1621 firms refrained from contributing (or establishing PACs), while the rest actively participated in campaign contributions. Of these, five firms contributed exclusively to the Democratic Party, while 33 firms contributed exclusively to the Republican Party, with the rest contributed to both parties.

From CEO and firm contribution behavior, we can make two interesting observa-

tions. First, whilst companies tend to contribute to both parties, CEOs are more inclined to align with a single party. This observation aligns with existing research findings suggesting that corporate elites exhibit greater ideological alignment in campaign contributions compared to corporate PACs (Bonica, 2016). The fact that firms are most likely to contribute to both parties is consistent with the idea of strategic contribution to "hedge their bets". Second, CEO participation rate in our sample is 70% compared to a firm participation rate of just 36%. The large gulf further highlights the importance of not overlooking CEO contributions.

Procurement data utilized in this study are from the Federal Procurement Data System (FPDS) and are acquired through sam.gov, the official US government platform for accessing contract opportunities and pertinent contract data. The federal acquisition process initiates with an agency defining its requisites and determining the appropriate procurement approach. Subsequently, the agency publishes a solicitation on the Federal Business Opportunities (FedBizOpps) website. Upon the conclusion of the submission period for bidder proposals, agency personnel undertake a thorough evaluation of bidders' submissions. This evaluation adheres to the source selection method and criteria outlined in the solicitation. Unless circumstances necessitate the engagement of multiple suppliers or firms, as is the case with a supply schedule, the agency proceeds to award a contract to a singular firm (Halchin, 2006).

Brogaard et al. (2015) found that the average government procurement contract length is approximately 7 months, with a standard deviation of 10 months–a statistic corroborated by Girth and Lopez (2019). Most contract durations fall within a span of around one

year, with the maximum duration reaching five years. According to information from the Department of the Interior and the General Services Administration[5], the average processing time is expected to range from three to six months, with a maximum of around one year.

Procurement contracts are an integral component of the federal government's annual spending budget, and thus are influenced by the annual nature of the budgeting process and fiscal cycles, including the timing of contract awards, budget allocations, and spending patterns. Consequently, we evaluate the annual newly awarded procurement contract value as the dependent variable to align with the annual patterns of government budget and average contract duration. Additionally, we lag one-year independent variables and control variables to accommodate the processing time required for awarding a contract.

In our sample, 1022 firms did not receive any federal procurement contracts. Notably, the leading four companies, characterized by the highest average annual contract values, are exclusively defense companies, exemplified by industry giants such as Lockheed Martin and Boeing. In addition, 21 companies boast an average annual contract value surpassing one billion dollars, and 672 companies exhibit an average annual contract value exceeding one million dollars, contingent on securing contracts in a given year. Concerning firms' reliance on government procurement contracts, only 74 companies exhibit an average contract value to sales ratio surpassing five percent. Within the 49 Fama-French industries represented, Defense, Aircraft, and Shipbuilding emerge as sectors

[5]Department of Interior: https://www.doi.gov/cloud/faq/process. General Services Administration: https://www.gsa.gov/small-business/small-business-resources/training-resources/getting-on-the-gsa-schedule.

boasting the highest average annual contract values, each exceeding one billion dollars per year. Unsurprisingly, these industries also demonstrate a heightened reliance on government contracts, as measured by contract value to sales. The majority of the sample firms exhibit limited dependence on procurement contracts, a trend congruent with their substantial size and operational maturity.

Election results are from the FEC (Federal Election Commission) website. The FEC gathers and publishes certified election results from past federal elections, with data officially reported by each state or territory's election office. Every two years, the FEC publishes Federal Elections, which is a comprehensive record of certified results for primary, runoff, and general elections for federal offices, including the Senate, House of Representatives, and, in presidential election years, the President.

Congress organizes its legislative, oversight, and internal administrative responsibilities across nearly 200 committees and subcommittees. These specialized groups focus on specific policy areas to efficiently manage the vast scope of congressional work. Within their assigned domains, committees gather information, evaluate legislative alternatives, identify policy issues, and propose solutions. They are also responsible for preparing and reporting bills for consideration by the full chamber, and more importantly for us, conducting oversight of the executive branch and investigating potential misconduct. The investigatory role, in particular, has been a foundational responsibility for congressional committees, underscoring their role in checks and balances. Given their oversight and investigatory responsibilities regarding the executive branch, congressional committees play a documented role in influencing government resource allocation. Literature high-

lights how these committees shape policy and resource distribution through their scrutiny and regulatory functions, impacting executive decisions and prioritizing specific areas based on committee interests and mandates (Clinton, Lewis, and Selin, 2014; Brogaard, Gerasimova, and Rohrer, 2024).

Committees allow members to develop expertise on issues within their jurisdiction, enabling informed and efficient handling of legislative responsibilities. While the full Senate and House of Representatives officially appoint members to their respective committees, the selection is largely managed by the political parties. Each party typically respects members' preferences, often prioritizing committee assignments based on seniority. This approach allows for a balance between members' interests and the party's legislative strategy, facilitating specialized focus areas across Congress.

Committee assignment data is manually gathered from the Official Congressional Directory. Typically, every congressperson serves on at least one committee during their tenure, with many serving on multiple committees, which allows them to exert influence over a range of government functions. Agencies responsible for distributing government procurement contracts belong to various cabinet departments. Although the cabinet fall under the executive branch, departments are monitored and guided by Congress to ensure accountability to the legislative branch. Some key ways in which Congress exercises its oversight responsibilities include hearings and investigations, budgetary controls, confirmation of the president's nominees, Office of Inspector General that each department has and reports to Congress, and the Government Accountability Office that audits various federal programs that may be run by departments.

This structure establishes a clear path between CEO or corporate political contributions and government procurement outcomes: when a CEO or company supports a candidate, and if that candidate is elected, they are assigned to committees with influence over government resource allocation. This oversight can lead to favorable procurement outcomes for the contributing firms from the relevant government departments supervised by these committees. We map each department to one more or congressional committees based on specialization. For example, the Department of Justice is mapped to the Senate and House Judiciary committees. Department-committee mapping for the top 30 cabinet departments/independent agencies are provided in Table A2 in the Appendix.

2.2 Setup

Our main objective is to analyze how a CEO's political contributions can benefit their firm. We assess a CEO's political contributions through two primary metrics: (i) the total CEO contribution amount to members of Congress at the department-year level, and (ii) the total number of members that received contributions from the CEO at the department-year level. For our baseline tests, we adopt a look-back period of four years (i.e., contributions over the past four years). We adopt a firm-department-year data structure for our main analysis, so we could establish a clear linkage between contributions to members of a committee and contracts from departments that this committee oversees.

We create two variables corresponding to the two measures discussed above. The

first measure is defined as:

$$Amt_{i,d,t-1} = \sum_{k=1}^{T} Contributions_{i,d,t-k}, \tag{1}$$

where $Contribution_{i,d,t-k}$ is CEO i's total contribution amount to committee members overseeing department d in year $t-k$. T is the look-back period, which we set to four as our baseline. Since a congressperson may serve on multiple committees and a committee may oversee multiple cabinet departments, contributions are scaled to avoid double counting. Specifically, the contribution amount is normalized by the number of committees the congressperson belongs to and further divided by the number of departments each committee supervises. For instance, if CEO A contributes \$100 to Congressman B, and B serves on five committees, then each committee is attributed \$20 of contribution. If one of the five committees oversees two departments, then each one of these two departments is allocated \$10 of contribution. This measure follows Correia (2014) and Ovtchinnikov et al. (2020) and is in line with the long-term view of political investment suggested by Snyder Jr (1992) and Kroszner and Stratmann (2005).

Some argue that political contributions are too trivial to impact real outcomes, making it inappropriate to rely solely on amount-based measures. As an alternative, the second measure is the total number of congressional members overseeing each department that the CEO contributed to in the previous T years, which we again set to four for as our baseline. This measures assesses the breadth of the CEO's political connections through their contributions. It is based on Cooper et al. (2010) and Ovtchinnikov et al. (2020).

Specifically:

$$Memb_{i,d,t-1} = \sum_{k=1}^{T} Members_{i,d,t-k}, \tag{2}$$

where $Members_{i,d,t-k}$ is the number of committee members overseeing department d that CEO i has contributed to in year $t-k$.

We also create two variants of the above measures. Namely, a third measure, *AmtTot*, and fourth measure, *MembTot*, respectively representing the total contribution amount and the total number of congressional members receiving contributions from the CEO at the firm-year level (i.e., aggregated across all departments in a year). This is to aid our analysis when using firm-year panels (e.g., Section 3.4. Additionally, we constructed four parallel measures for company PAC contributions, denoted with the "*_PAC*" suffix, to account for the potential influence of firm political contributions.

To account for other potential avenues of political connections, we incorporate additional control variables beyond CEO characteristics and firm fundamentals. *Lobby Amt* is the total lobby expenses last year. *Connected Dir Ratio* is the ratio of political-connected directors, measured by prior working experience, to the total board members. These variables serve as proxies for the extent to which the firm engages in political contributions in a given year. *HQ in Home States* indicates if the firm's headquarter is located in the birth state of any of the three government leaders (President, Speaker of the House, Senate Majority Leader). *HQ in Represented States* indicates if the firm's headquarter is in the represented state of either the Speaker of the House or the Senate Majority Leader. These variables contribute to controlling for potential political connections stemming

from geographical affiliations.

A comprehensive overview of descriptive statistics for main variables is provided in Table 1. Given both the government contract and CEO contribution data are strongly right-skewed, we take natural logarithms of one plus the values. As a robustness check, we estimate our main specification using Poisson regressions and higher dimensional fixed effects. Note that the distributions of government contract and CEO contribution data commonly exhibit strong right-skewness in the literature (Brogaard et al., 2015; Babenko et al., 2020; Brown and Huang, 2020).

3 Empirical results

3.1 CEO contributions and government contract

We examine the relation between government procurement contracts and CEO political contributions within a multivariate framework by estimating the following model on a firm-department-year data structure:

$$\begin{aligned} \ln Contract\ Value_{j,d,t} = \beta_1 C_{i,d,t-1} + \beta_2 C\_PAC_{j,d,t-1} \\ + \gamma' X_{j,i,t-1} + \lambda_j + \delta_t + \chi_i + \eta_d + \epsilon_{j,t}, \end{aligned} \tag{3}$$

where j, i, d, and t respectively index firm, CEO, department, and year. $\ln Contract\ Value$ is the natural logarithm of one plus the contract value awarded by department d to firm j in year t. C is one of the two CEO contribution measures: Amt or $Memb$. C_PAC

is one of the two firm contribution measures: *Amt_PAC* or *Memb_PAC*. *X* is a set of control variables on (i) political connections (*HQ in Home States*, *HQ in Represented States*, *Connected Dir Ratio*, and *ln Lobby Amt*), (ii) CEO characteristics (*Age*, *Tenure*, *Director*, *Chairman*, and *Political Exp*), and (iii) firm fundamentals (*Leverage*, *BM*, *ln Sales*, *CAPEX/Sales*, *COGS/Sales*, *Sales Growth*, *HHI*, *Inst Hold*, and *Ind Dir Ratio*). We include year, firm, CEO, and department fixed effects. Higher dimensional interaction fixed effects are also included as a robustness test (see Table A3 Panel A in the Appendix). As an alternative, we also estimate a Poisson regression version of equation (3) (see Table A3 Panel B in the Appendix).

Table 2 presents the regression results of equation (3). We observe that CEO contribution amount to a committee is a powerful explanator of next-year contract value awarded by departments overseen by that committee, after accounting for firm PAC contributions (columns 1 to 4). Individually, both CEO and PAC contributions are also powerful explanators (columns 5 and 6). For example, column 4 suggests that a one percent increase in CEO contribution amount (over the past four years) leads to a 1.8 basis points rise in next-year government contract value (or $3,511) in addition to PAC contributions (equivalently, the contracts per dollar contribution ratio is 1286:1). The seemingly large contract-to-contributions ratio is in fact consistent with the literature (Goldman et al., 2013; Tahoun, 2014; Akey, 2015; Brown and Huang, 2020). As the dollar contribution to politicians is unlikely to be the sole cost of establishing and maintaining a political connection, the real return on investment should be lower. In comparison to CEO contributions, the coefficient of *Amt_PAC* indicates that a one percent increase in

PAC contribution amount leads to a 2.6 basis points rise in next-year government contract value. The fact that the coefficients of *Amt* and *Amt_PAC* are very much comparable underscore the importance of CEO personal contributions.

The relation between the number of committee members receiving contributions from the CEO and future contract value is similarly positive, only the coefficient is much larger. This is possibly because the breadth of connections adds more value. For example, an increase in contribution amount may only strengthen existing connections, whereas increase in the number of supported candidates could broaden connections to departments, thereby amplifying influence. In subsequent tests, we adopt columns 4 (for contribution amount) and 7's (for number of members) specifications. Overall, we find strong evidence supporting our hypothesis that CEO contributions are an effective tool in engaging with members of Congress and bringing government contracts to their firms.

3.2 Alternative measures of government contract

To better assess the strength of the relation between CEO contributions and departmental contracts, we introduce three alternative dependent variables: *Awarded*, *Percent*, and *Rank*. *Awarded* is a dummy variable indicating whether the firm received contracts from the department in a given year. *Percent* represents the firm's total contract value from a department as a percentage of the department's total contract value for a given year. The variable *Rank* denotes the firm's relative rank among all contractors within the department, in ascending rank, meaning the firm with the largest contract value receives

the highest rank. For example, if a department has 1000 contractors in a given year, the firm with the highest contract value would have a *Rank* value of 1000.

We replace the dependent variable in equation (3) with the above three measures. Table 3 presents the results. All coefficients of both CEO contribution measures are positive and significant. For example, a one percent increase a CEO's contribution amount over the past four years to members overseeing the department is associated with a one basis point increase in the probability of winning at least one contract from the department (column 1), a one basis point increase in the firm's share of the department's total contracts (column 3), and a 1.2 basis points increase in its rank among all contractors (column 5). Similarly, the coefficients of *Memb* arealso positive and significant for all three alternative measures of contracts, providing additional support for our hypothesis.

3.3 Favorable terms in the procurement process

The FPDS provides detailed information on each government procurement contract, facilitating the analysis of contract characteristics and terms. Ferris et al. (2019) documents a link between corporate political connections and favorable procurement contract terms, while Liebman and Mahoney (2017) finds that government spending spikes at the end of the fiscal year, with year-end projects generally receiving lower quality ratings. In this paper, we classify contracts into four categories: (i) distributed in the last quarter of a fiscal year (more likely as ways to use up the allocated budget), (ii) involving the purchase of supplies or services extending beyond one year (typically larger contracts),

(iii) no fixed contract value (more likely to exceed contract budgets), and (iv) awarded noncompetitively (only one bidder).

We reexamine equation (3) after replacing contract values of each of these four categories as the dependent variable. Table 4 presents the results.

Both measures of CEO contributions show a significantly positive association with a higher values of fourth-quarter contracts, unfixed contracts, and noncompetitive contracts. The association with multi-year contracts is also positive, albeit marginally insignificant. These findings suggest that companies are more likely to receive favorable contract terms or favorable procurement process if their CEO made contributions to members of Congress who oversee the contracting department. Again, the coefficients for *Memb* exhibit a similar pattern. Additionally, the largest coefficient is observed for fourth-quarter contracts, possibly because departments may face incentives to exhaust their budgets that expire at the end of the fiscal year, leading them to favor companies with strong relationships. Overall, our results strong indicate that CEO contributions are associated with favorable contracting terms during the procurement process.

3.4 Firm performance

So far we have documented a strong positive association between CEO contributions and government contracts. A natural next-step is to explore whether their performance and profitability also improve. To investigate whether CEO contributions bring improved

firm performance, we examine the following model using a firm-year panel:

$$Y_{j,t} = \beta_1 CTot_{i,t-1} + \beta_2 CTot\_PAC_{j,t-1} + \gamma' X_{j,i,t-1} + \lambda_j + \delta_t + \epsilon_{j,t}, \tag{4}$$

where j and t respectively index firm and year. *CTot* is the total contribution amount or the total number of congressional members the CEO contributed to at the firm-year level (i.e., department-aggregated version of *Amt* or *Memb*). Similarly, *C_PAC* is the department-aggregated version of *Amt_PAC* or *Memb_PAC* (see Section 2.2 for more details).

Table 5 presents the results of equation (4). While different metrics exhibit varying explanatory power in assessing performance, the observed positive relationship aligns with prior findings. Firms with higher CEO political contributions experience positive changes in sales and EBIT margin, though these effects are marginally insignificant. Furthermore, higher CEO contributions are associated with significantly higher investments, echoing the findings of Cull and Xu (2005) and Wellman (2017). The significant relation may driven by reduced uncertainty and access to key resources and benefits, such as policy information, credit, legitimacy, and subsidies (Faccio et al., 2006; Akey, 2015; Brown and Huang, 2020).

While CEO political contributions may help firms secure resources, legitimacy, or favorable conditions that encourage investment, they do not necessarily lead to immediate or substantial improvements in sales and profitability. Investments often require time to generate returns, and an increase in government contracts does not necessarily translate into higher profit margins if the contract terms align with market averages. Additionally,

the inclusion of a broad sample over an extended period may dilute statistical significance by averaging out strong effects observed in specific firms or time periods, especially given that the average government contract value to sales ratio in our sample is less than five percent, conditional on receiving at least one government contract in a given year. Overall, we find weak evidence for CEO contributions improving performance, but strong evidence for promoting investments.

4 Robustness tests

4.1 Close election results

To mitigate potential endogenous concerns regarding reverse causality, we implement a regression discontinuity design inspired by Akey (2015). This approach leverages on the exogenous changes in CEOs' political connections networks by comparing the outcomes of firms with CEOs that contributed to politicians who narrowly won an election to those that contributed to politicians who narrowly lost. The underlying assumption is that the randomness inherent in the outcome of a closely contested election provides a natural experiment to isolate exogenous variation in CEOs' political networks.

We begin by gathering election data from the Federal Election Commission (FEC) for all federal elections held between 2000 and 2020. Following Akey (2015), elections with a winning margin of less than five percent are classified as close elections. We then identify CEOs who contributed to any candidates in these close elections and track their

firms' government procurement activities before and after the election. Following Akey (2015), we construct six independent variables to capture the dynamics of CEOs' political connections in close elections:

$$Won(Lost)\ P_{i,t} = \sum_{p}(Contributed_{i,p,c} \times Election\ Outcome_{p,c}), \tag{5}$$

where $Contributed_{i,p,t}$ equals to one if CEO i contributed to candidate p in election cycle c. $Election\ Outcome_{p,t}$ equals to one if candidate p won (lost) a close election in cycle c. The variable $Net\ P$ is defined as $Won\ P - Lost\ P$, capturing the CEO's net political connection portfolio. Similarly, by replacing $Contributed_{i,p,t}$ with the dollar value of contributions by CEO i to candidate p in cycle c, we construct $Amt\ Won\ P$, $Amount\ Lost\ P$, and $Amt\ Net\ P$ to measure the total contribution amounts donated by the CEO to winning or losing candidates in the election cycle, rather than using binary participation.

The dependent variable, $\Delta\ Contract\ Value$, measures the change in procurement contract value awarded by the department overseen by winning candidates (who are now members of Congress) involved in the close elections, comparing the cycle before the election to the cycle after it. For example, if the CEO contributed to candidates of a close election during the 2012 cycle, the difference in contract value is calculated as the total procurement contract value awarded from the relevant departments to the firm in the 2014 cycle minus the value in the 2012 cycle. Specifically, we examine the following

on a pooled cross-sectional dataset:

$$\Delta\ Contract\ Value_{j,c} = \beta' P_{j,c-1} + \gamma' X_{j,i,c-1} + \lambda_j + \gamma_c + \epsilon_{j,c}, \tag{6}$$

where j, i, and c respectively index firm, CEO, and cycle. $\Delta\ Contract\ Value$ represents the difference in contract value between cycles c and $c-1$. P is one of the six close election portfolio measures discussed above. Other variables share the same definition as in equation (3).

Table 6 presents the results of equation (6). We observe a significant effect of CEO contributions to winning candidates on next-cycle contracts. A net one-dollar increase in contributions to winning candidates is associated with a \$0.13 million increase in procurement contract value in the subsequent cycle (column 5). Similarly, an additional instance of financially supporting a winning candidate corresponds to an average increase in contract value of between \$521 and \$553 million (columns 2 and 3). The magnitude of this increase is comparable to the findings of Akey (2015), which reports a \$300 million rise in sales in the following year. Columns 6 and 7 show the contracts per dollar contribution ratio is 1:170,000, which is notably larger than the main results in Table 2, where the contracts per dollar contribution ratio is 1:1286. This difference may arise from the notion that supporting a candidate in a close election, where the outcome is uncertain, carries much greater significance compared to supporting a candidate who is highly likely to win. Consequently, the returns on such strategic support and connections are significantly higher.

4.2 Alternative look-back periods

Table 7 explores alternative look-back periods in constructing *Amt* and *Memb*. In particular, we add one, two, and six years of look-back periods in addition to our baseline of four years. This is to capture the varying periods over which relationships may be built. *TYrAmt* and *TYrMemb* are introduced to denote alternative look-back periods, where $T \in \{1, 2, 4, 6\}$. We also create corresponding measures for firm PAC contributions, namely, *TYrAmt_PAC* and *TYrMemb_PAC*.

The results of this exercise are presented in Table 7. We observe that all coefficients across the alternative look-back periods are statistically significant and positive, suggesting that a CEO's political contributions help establish a long-term relationship rather than a one-time resource exchange. Similarly with *Memb*, we observe that its coefficient is significantly positive across all look-back periods. Collectively, these results substantiate the hypothesis that higher CEO political contributions are linked to elevated future government contract value, thereby constituting direct firm-level economic benefits.

4.3 Subsamples tests

To address concerns regarding potential influences from firms or industries highly dependent on government contracts or sensitive to government policies, we constructed three subsamples: policy-sensitive industries (including finance and utilities), contract-dependent industries (including defense, aircraft, medicine, and healthcare), and neutral

industries (including the rest). Table 8 presents the analysis of equation (3) in these three subsamples.

Compared to the baseline regression, the results for the neutral industry subsample remain positive and statistically significant, with slightly larger magnitudes. This suggests that the main findings in Table 2 are not driven by policy-sensitive or contract-dependent industries, rather, they are common across neutral industries. The insignificance of the *Percent* measure may stem from the fact that firms in the neutral industry sample are not highly dependent on government contracts, as evidenced by the average government contract value to sales ratio being less than five percent in this subsample, conditional on receiving a government contract in a given year.

Notably, the coefficient of *Amt* in policy-sensitive industries and the coefficient of *Memb* in contract-dependent industries on *Contract Value* are not statistically significant, possibly reflecting differences in political connection strategies across industries. Comparing Panels B and C, the number of supported candidates appears to play a more significant role in building political connections than the amount contributed in policy-sensitive industries, whereas the opposite holds in contract-dependent industries. In policy-sensitive industries, firms may benefit from a diversified political network (supporting multiple candidates) to mitigate risks from regulatory changes and enforcement actions. However, in contract-dependent industries, that rely on procurement contracts, larger financial contributions to fewer influential policymakers may be more effective in securing contracts. Note that, in contract-dependent industries, where firms derive a higher proportion of sales from government contracts, the coefficients for *Percent* are

statistically significant.

Another potential reason for the insignificant and smaller coefficients in policy-sensitive and contract-dependent industries could be that CEOs and PACs in these firms already contribute significantly more than those in neutral industries, thereby diluting the marginal effects. The average yearly CEO contribution to each department is $206 for neutral industries, compared to $444 and $312 for policy-sensitive and contract-dependent industries, respectively. Similarly, the average department-year PAC values for these three industry groups are respectively $4,046, $6,380, and $8,415. It is important to note that these measures are calculated at the person/firm-department-year level, resulting in smaller magnitudes than those measured at the person/firm-year level. Furthermore, policy-sensitive and contract-dependent industry are more likely to engage in other forms of political connections (e.g., recruiting members of Congress to their boards; aka revolving doors), thereby further decreasing the marginal effects of CEO personal contributions.

Moreover, to mitigate potential biases from non-contributing CEOs or non-contractor firms, we construct two additional subsamples: one that excludes CEOs who never contributed in our sample period, and another that excludes firms that never received government contracts in our sample period. The results, presented in Table 9, show slightly smaller contract per dollar contribution magnitudes compared to the baseline regression. However, under almost all of the specifications across both panels, the coefficients of interest remain positive and statistically significant. This suggests that the baseline findings are unlikely to be driven by zero values.

4.4 No-PAC firms

To account for potential influences from company PAC contributions, especially given that fewer than 40% of firms in our sample have PACs, we construct a subsample that excludes firms with PACs, focusing solely on those without PAC contributions during the sample period. This approach helps eliminate potential noise from PAC contributions. We repeat equation (3) using this subsample. The results in Table 10 Panel A continue to show a positive and statistically significant relationship between CEO political contributions and both procurement contract value and firm rank within the department. Futhermore, Panel B results indicate that firms without PACs can still secure favorable government contract terms and procurement process through CEO political contributions. While the coefficients are smaller than in the baseline regression, CEO personal contributions remain a crucial mechanism for firms to build political connections, particularly for those without PACs.

5 Conclusion

The study finds that higher CEO contributions, both in dollar amount and in the number of congressional members financial endorsed, are associated with increased future government procurement contracts from departments these members oversee, a higher probability of winning at least one contract, a larger share of the department's total contracts, and a higher rank among contractors. Furthermore, CEOs who make substantial political contributions tend to secure better contract terms and favorable procurement process. In addition, we find that CEO contributions weakly improve performance and strongly promote investments. Moreover, exploiting a close election subsample helps establish causality, confirming the positive impact of CEO political contributions on government contracts.

Overall, this paper finds CEO political contributions serve as an important channel for firms to engage in political activities and establish connections, especially for those without PACs. The main findings of this paper are not driven by policy-sensitive or contract-dependent industries. Excluding CEOs who never made political contributions or firms that never received government contracts do not affect our results either. Overall, we find that CEO personal contributions is a crucial mechanism for firms to build political connections and reap rewards in the form of government contracts, particularly for those without PACs. An interesting question remains: what are the personal benefits to contributing CEOs?

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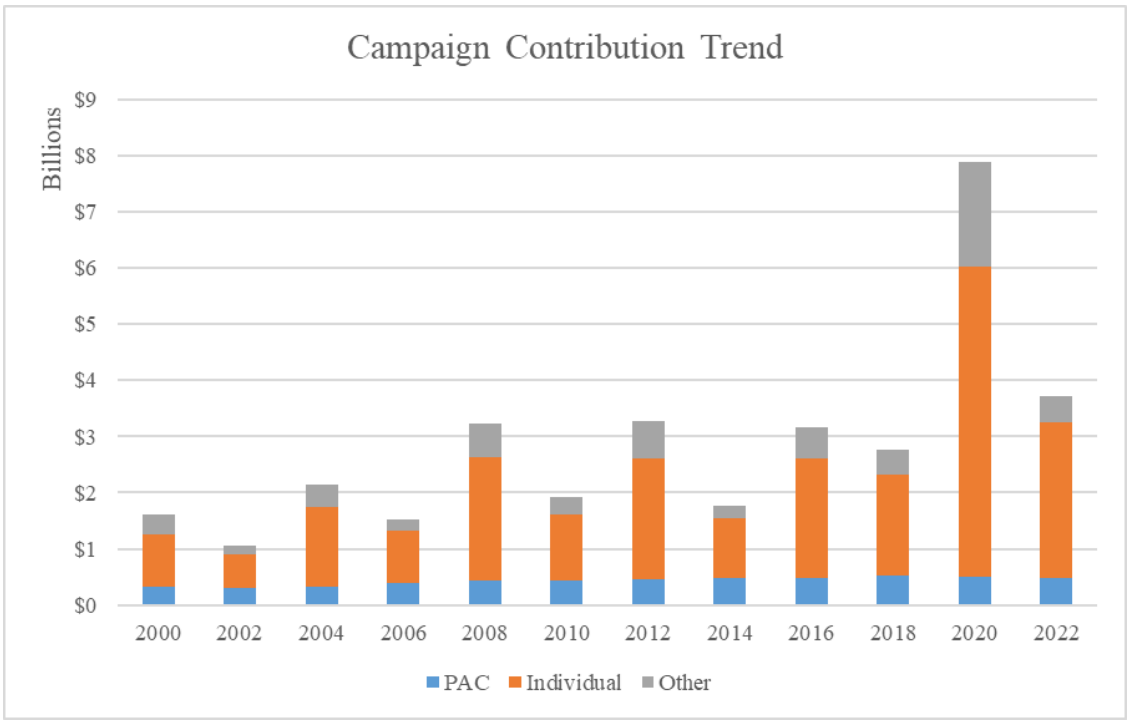

Fig. 1: Campaign contributions between 2000 and 2022. Contributions are aggregated to biennial election cycles.

Table 1 Descriptive statistics

Sample comprises of firms at the intersection of all Execucomp and BoardEx companies in between 2000 and 2022, removing companies with fewer than three observations or major M&A activities results in a final sample size of 2531 unique firms. Over the same period, a total of 4633 individuals served as CEOs in the selected firms, accounting for instances of co-CEOs. Variable definitions can be found in Table A1.

	N	Mean	SD	p5	p50	p95
Contract Value ($M)	528122	19.60	1,080.00	0.00	0.00	0.44
Quarter 4 ($M)	528122	5.17	347.00	0.00	0.00	0.10
Unfixed ($M)	528122	10.60	689.00	0.00	0.00	0.00
Multi-year ($M)	528122	1.70	172.00	0.00	0.00	0.00
Noncompetitive ($M)	528122	7.85	649.00	0.00	0.00	0.04
Awarded	528122	0.11	0.32	0.00	0.00	1.00
Rank	528122	1,674	7,695	0.00	0.00	9,394
Percent (%)	528122	1.23	33.61	0.00	0.00	0.10
Amt	528122	273	2,577	0.00	0.00	1350
Memb	528122	0.59	2.07	0.00	0.00	3.00
AmtTot	31112	5,636	40,191	0.00	0.00	26200
MembTot	31112	2.07	6.39	0.00	0.00	10.00
Amt_PAC	528122	5,031	23,732	0.00	0.00	24360
Memb_PAC	528122	6.33	19.85	0.00	0.00	39.00
AmtTot_PAC	31112	103,962	397,353	0.00	0.00	564500
MembTot_PAC	31112	23.38	63.82	0.00	0.00	151.00
HQ in Home States	31112	0.07	0.25	0.00	0.00	1.00
HQ in Represented States	31112	0.09	0.29	0.00	0.00	1.00
Connected Dir Ratio	31112	0.23	0.19	0.00	0.20	0.58
ln Lobby Amt	31112	4.47	6.29	0.00	0.00	15.00
Age	31112	56.41	7.32	45.00	56.00	69.00
Tenure	31112	7.69	7.62	0.00	5.00	23.00
Director	31112	0.97	0.17	1.00	1.00	1.00
Chairman	31112	0.49	0.50	0.00	0.00	1.00
Political Exp	31112	0.18	0.38	0.00	0.00	1.00
Leverage	31112	0.55	1.12	0.00	0.23	1.99
BM	31112	0.51	0.41	0.06	0.44	1.26
ln Sales	31098	7.32	1.65	4.72	7.23	10.16
CAPEX/Sales	31070	0.06	0.11	0.00	0.03	0.24
COGS/Sales	31070	0.59	0.23	0.15	0.63	0.91
Sales Growth	31112	0.10	0.18	-0.12	0.07	0.41
HHI	31112	0.21	0.19	0.02	0.16	0.63
Inst Hold	31112	0.60	0.36	0.00	0.74	1.00
Ind Dir Ratio	31112	0.75	0.22	0.10	0.82	0.92

Table 2 Impact of CEO political contributions on procurement contracts

This table analyzes the determinants of next-year government procurement contracts awarded by specific government departments from 2000 to 2022. The dependent variable is the natural logarithm of one plus the annual contract value. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	ln Contract Value											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
ln Amt	0.057***	0.034***	0.063***	0.018***	0.019***							
	(4.19)	(2.63)	(11.13)	(3.32)	(3.66)							
ln Amt_PAC	0.179***	0.043***	0.055***	0.026**		0.028***						
	(10.55)	(2.58)	(5.38)	(2.53)		(2.78)						
ln Memb							0.228***	0.153**	0.362***	0.121***	0.145***	
							(2.91)	(2.01)	(10.31)	(3.48)	(4.25)	
ln Memb_PAC							0.593***	0.200***	0.221***	0.135***		0.148***
							(10.43)	(3.35)	(6.00)	(3.38)		(3.78)
HQ in Home States		-0.071	-0.036	-0.049	-0.047	-0.049		-0.066	-0.034	-0.047	-0.046	-0.049
		(-0.61)	(-0.58)	(-0.85)	(-0.82)	(-0.86)		(-0.56)	(-0.54)	(-0.81)	(-0.79)	(-0.84)
HQ in Represented States		-0.251***	0.005	0.021	0.021	0.022		-0.251***	0.005	0.021	0.020	0.022
		(-2.62)	(0.15)	(0.63)	(0.62)	(0.65)		(-2.63)	(0.14)	(0.62)	(0.59)	(0.66)
Connected Dir Ratio		0.560**	0.101	-0.022	-0.017	-0.019		0.521**	0.089	-0.023	-0.017	-0.021
		(2.21)	(0.82)	(-0.19)	(-0.14)	(-0.17)		(2.07)	(0.72)	(-0.20)	(-0.15)	(-0.18)
ln Lobby Amt		0.057***	0.003	0.006	0.008**	0.006		0.051***	0.001	0.004	0.008**	0.004
		(7.36)	(0.76)	(1.55)	(2.07)	(1.59)		(6.45)	(0.28)	(1.13)	(2.04)	(1.14)
Age		0.004	-0.002	0.003	0.005	0.003		0.004	-0.002	0.004	0.005	0.004
		(0.85)	(-0.69)	(0.11)	(0.18)	(0.11)		(0.83)	(-0.67)	(0.14)	(0.18)	(0.14)
Tenure		0.002	0.001	0.012	0.010	0.012		0.003	0.000	0.011	0.010	0.012
		(0.31)	(0.16)	(0.57)	(0.52)	(0.59)		(0.42)	(0.12)	(0.55)	(0.50)	(0.58)
Director		-0.200	-0.000	0.003	-0.007	0.002		-0.194	0.004	0.009	-0.004	0.005
		(-0.93)	(-0.01)	(0.03)	(-0.07)	(0.02)		(-0.91)	(0.05)	(0.09)	(-0.04)	(0.05)
Chairman		-0.054	-0.048	-0.051	-0.051	-0.049		-0.058	-0.049	-0.051	-0.052	-0.049
		(-0.70)	(-1.24)	(-1.43)	(-1.44)	(-1.39)		(-0.77)	(-1.27)	(-1.44)	(-1.46)	(-1.38)
Political Exp		0.164	0.004	0.073	0.075	0.075		0.159	0.001	0.071	0.073	0.075
		(1.36)	(0.07)	(0.73)	(0.76)	(0.75)		(1.33)	(0.02)	(0.72)	(0.74)	(0.75)
Leverage		-0.127***	0.008	0.006	0.006	0.005		-0.127***	0.009	0.006	0.006	0.005

Table 2 *(continued)*

Dep Var:	ln Contract Value											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		(-4.62)	(0.66)	(0.56)	(0.62)	(0.52)		(-4.58)	(0.77)	(0.59)	(0.63)	(0.53)
BM		-0.246***	-0.068**	-0.073**	-0.071**	-0.073**		-0.252***	-0.070**	-0.075**	-0.071**	-0.075**
		(-2.98)	(-2.03)	(-2.40)	(-2.34)	(-2.41)		(-3.05)	(-2.08)	(-2.46)	(-2.35)	(-2.47)
ln Sales		0.284***	0.159***	0.199***	0.208***	0.200***		0.267***	0.154***	0.193***	0.208***	0.193***
		(7.41)	(4.26)	(4.83)	(5.19)	(4.86)		(7.12)	(4.16)	(4.74)	(5.19)	(4.75)
CAPEX/Sales		-0.079	0.642***	0.319**	0.328**	0.322**		-0.092	0.643***	0.312**	0.327**	0.316**
		(-0.26)	(3.44)	(2.14)	(2.22)	(2.16)		(-0.30)	(3.43)	(2.09)	(2.21)	(2.11)
COGS/Sales		-0.192	0.012	0.028	0.029	0.025		-0.175	0.016	0.026	0.031	0.022
		(-1.03)	(0.13)	(0.37)	(0.40)	(0.34)		(-0.94)	(0.18)	(0.35)	(0.42)	(0.30)
Sales Growth		-0.528***	0.026	-0.039	-0.053	-0.040		-0.517***	0.034	-0.032	-0.054	-0.031
		(-4.27)	(0.41)	(-0.64)	(-0.88)	(-0.66)		(-4.19)	(0.53)	(-0.53)	(-0.89)	(-0.53)
HHI		0.849***	0.191	0.203	0.199	0.196		0.866***	0.193	0.210	0.202	0.201
		(3.24)	(0.91)	(0.97)	(0.96)	(0.94)		(3.32)	(0.92)	(1.00)	(0.97)	(0.96)
Inst Hold		-0.265**	0.019	0.011	0.016	0.012		-0.247**	0.019	0.009	0.016	0.009
		(-2.34)	(0.35)	(0.25)	(0.35)	(0.26)		(-2.20)	(0.34)	(0.19)	(0.35)	(0.19)
Ind Dir Ratio		0.355**	-0.011	-0.053	-0.054	-0.053		0.359**	-0.008	-0.053	-0.053	-0.053
		(2.24)	(-0.18)	(-0.91)	(-0.91)	(-0.91)		(2.29)	(-0.13)	(-0.90)	(-0.91)	(-0.90)
Observations	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122
Adj R-squared	0.03	0.06	0.33	0.43	0.43	0.42	0.04	0.06	0.33	0.42	0.42	0.43
Year FE			Y	Y	Y	Y			Y	Y	Y	Y
Firm FE			Y	Y	Y	Y			Y	Y	Y	Y
CEO FE				Y	Y	Y				Y	Y	Y
Dpt FE				Y	Y	Y				Y	Y	Y

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

Table 3 Alternative measures of government contract

This table examines three alternative dependent variables in place of contract value: *Awarded*, *Rank*, and *Percent*. *Awarded* is a dummy variable indicating whether the firm received contracts from the department. *Rank* denotes the firm's relative rank among all contractors within the department, where ranks are assigned in ascending order, meaning the firm with the highest contract value receives the highest rank. *Percent* represents the firm's total contract value from a department as a percentage of the department's total contract value in a given year. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	Awarded		Percent		ln Rank	
	(1)	(2)	(3)	(4)	(5)	(6)
ln Amt	0.001***		0.001**		0.012***	
	(3.05)		(2.06)		(3.41)	
ln Amt_PAC	0.002**		0.001		0.018***	
	(2.56)		(1.07)		(2.81)	
ln Memb		0.008***		0.006**		0.082***
		(3.29)		(2.31)		(3.59)
ln Memb_PAC		0.010***		0.004		0.089***
		(3.37)		(1.49)		(3.50)
Observations	528,122	528,122	528,122	528,122	528,122	528,122
Adj R-squared	0.40	0.39	0.08	0.08	0.40	0.40
Controls	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y

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

Table 4 Favorable terms in the procurement process

This table examines the impact of the CEO contributions on various categories of government procurement contracts. The analysis includes four contract categories: (i) contracts distributed in the last quarter of the fiscal year, (ii) contracts for the purchase of supplies or services extending beyond one year, (iii) non-fixed-value contracts, and (iv) noncompetitive contracts. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	ln Contract Value							
Contract Category:	Quarter 4		Multi-year		Unfixed		Noncompetitive	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ln Amt	0.019***		0.004		0.014***		0.015***	
	(3.94)		(1.46)		(3.73)		(3.24)	
ln Amt_PAC	0.026***		0.009*		0.016**		0.024***	
	(2.88)		(1.93)		(2.37)		(2.99)	
ln Memb		0.121***		0.026		0.086***		0.102***
		(3.65)		(1.24)		(3.33)		(3.27)
ln Memb_PAC		0.146***		0.050**		0.120***		0.109***
		(4.03)		(2.46)		(4.13)		(3.32)
Observations	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122
Adj R-squared	0.39	0.39	0.19	0.20	0.29	0.29	0.34	0.35
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 5 Firm performance

This table examines the impact of the CEO contributions on firm performance. The dependent variables are ROE (columns 1 and 2), the natural logarithm of sales (columns 3 an 4), EBIT normalized by sales (columns 5 and 6), and the natural logarithm of investments (columns 7 and 8). *AmtTot* is the dollar amount of CEO contributions to all congressional members in a given year. *MembTot* is the number of congressional members receiving contributions from the CEO in a given year. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	ROE (%)		ln Sales		EBIT/Sales		ln Investments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ln AmtTot	0.002		0.003		0.022		0.007***	
	(0.02)		(1.53)		(1.29)		(3.15)	
ln AmtTot_PAC	-0.054		0.015***		-0.008		0.014***	
	(-0.34)		(3.50)		(-0.43)		(3.16)	
ln MembTot		-0.409		0.017		0.068		0.059***
		(-0.63)		(1.14)		(1.24)		(3.46)
ln MembTot_PAC		-0.384		0.057***		-0.036		0.046***
		(-0.67)		(3.88)		(-0.71)		(3.04)
Observations	30,592	30,592	30,505	30,505	30,544	30,544	30,543	30,543
Adj R-squared	0.34	0.34	0.96	0.97	0.42	0.55	0.95	0.95
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 6 Close elections

This table examines the impact of supporting winning/losing candidates in close elections on next-cycle procurement contracts. Elections with a winning margin of less than five percent are classified as close elections. The dependent variable is the change in contract value from the previous cycle. *Won P* (*Lost P*) represents the number of winning (losing) candidates receiving contributions from the CEO in close elections within a single election cycle, while *Net P* is the difference between *Won P* and *Lost P*. Using the contribution amounts to winning and losing candidates, *Amt Won P*, *Amt Lost P*, and *Amt Net P* are analogously defined. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	Δ Contract Values ($M)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Net P	397.01							
	(1.36)							
Won P		521.12**	553.48**					
		(2.33)	(2.36)					
Lost P		-280.52		-354.15				
		(-0.48)		(-0.60)				
Amt Net P					0.13*			
					(1.94)			
Amt Won P						0.17**	0.17**	
						(2.06)	(2.07)	
Amt Lost P						-0.03		-0.03
						(-0.37)		(-0.44)
Observations	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378
Adj R-squared	0.25	0.25	0.25	0.25	0.26	0.26	0.26	0.25
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Time FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 7 Alternative look-back periods

This table examines alternative look-back periods in measuring CEO contributions. The dependent variable is the natural logarithm of the annual contract value plus one. *TYrAmt* is the dollar amount of CEO contributions to congressional members that oversee the department over the past T years. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO over the past T years. $T \in \{1, 2, 4, 6\}$. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; t-statistics are in parentheses.

Dep Var:	ln Contract Value							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ln 1YrAmt	0.014***							
	(3.02)							
ln 1YrAmt_PAC	0.019**							
	(2.23)							
ln 2YrAmt		0.016***						
		(3.33)						
ln 2YrAmt_PAC		0.021**						
		(2.11)						
ln 4YrAmt			0.018***					
			(3.32)					
ln 4YrAmt_PAC			0.026**					
			(2.53)					
ln 6YrAmt				0.014***				
				(2.62)				
ln 6YrAmt_PAC				0.028***				
				(2.81)				
ln 1YrMemb					0.073**			
					(2.23)			
ln 1YrMemb_PAC					0.149***			
					(3.89)			
ln 2YrMemb						0.094***		
						(2.80)		
ln 2YrMemb_PAC						0.141***		
						(3.55)		
ln 4YrMemb							0.122***	
							(3.48)	
ln 4YrMemb_PAC							0.135***	
							(3.38)	
ln 6YrMemb								0.112***
								(3.23)
ln 6YrMemb_PAC								0.134***
								(3.49)
Observations	528,122	528,122	528,122	528,122	528,122	528,122	528,122	528,122
Adj R-squared	0.42	0.42	0.43	0.43	0.43	0.42	0.43	0.43
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 8 Subsample tests on industries

This table analyzes three subsamples: Panel A examines industries classified as neutral; Panel B examines on industries more sensitive to regulations, including finance and utilities; Panel C examines industries highly dependent on government contracts, including defense, aircraft, medicine, and healthcare. The dependent variable is the natural logarithm of the annual contract value plus one. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	ln Contract Value		Awarded		Percent		ln Rank	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Neutral Industries								
ln Amt	0.026***		0.002***		0.000		0.018***	
	(3.67)		(3.60)		(0.70)		(3.92)	
ln Amt_PAC	0.043***		0.003***		0.001*		0.029***	
	(3.20)		(3.17)		(1.87)		(3.25)	
ln Memb		0.181***		0.013***		0.004		0.127***
		(3.75)		(3.74)		(1.35)		(4.06)
ln Memb_PAC		0.261***		0.019***		0.005**		0.171***
		(5.00)		(4.85)		(2.23)		(4.93)
Observations	350,710	350,710	350,710	350,710	350,710	350,710	350,710	350,710
Adj R-squared	0.45	0.46	0.42	0.42	0.07	0.05	0.43	0.44
Panel B: Policy-sensitive Industries								
ln Amt	0.008		0.001		0.001		0.006	
	(0.90)		(0.90)		(1.31)		(1.05)	
ln Amt_PAC	0.013		0.001		-0.001		0.013	
	(0.75)		(0.95)		(-0.57)		(1.28)	
ln Memb		0.104**		0.008**		0.003		0.073**
		(2.00)		(2.06)		(1.26)		(2.16)
ln Memb_PAC		-0.021		0.000		-0.006		-0.004
		(-0.34)		(-0.10)		(-1.16)		(-0.10)
Observations	125,188	125,188	125,188	125,188	125,188	125,188	125,188	125,188
Adj R-squared	0.34	0.33	0.33	0.33	0.02	0.03	0.34	0.34
Panel C: Contract-dependent Industries								
ln Amt	0.028**		0.001		0.004*		0.013	
	(2.00)		(1.26)		(1.83)		(1.37)	
ln Amt_PAC	-0.001		-0.001		0.001		-0.002	
	(-0.03)		(-0.37)		(0.79)		(-0.13)	
ln Memb		0.126		0.005		0.027*		0.048
		(1.38)		(0.74)		(1.74)		(0.76)
ln Memb_PAC		0.078		0.003		0.014**		0.042
		(0.73)		(0.39)		(2.43)		(0.62)
Observations	52,224	52,224	52,224	52,224	52,224	52,224	52,224	52,224
Adj R-squared	0.45	0.45	0.41	0.42	0.16	0.16	0.44	0.43
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 9 Subsample tests on CEO and firm involvement

This table analyzes two subsamples: Panel A excludes CEOs who never contributed; Panel B excludes firms that never received government contracts during the sample period. The dependent variable is the natural logarithm of the annual contract value plus one. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Dep Var:	ln Contract Value		Awarded		Percent		ln Rank	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Contributing CEOs								
ln Amt	0.014***		0.001**		0.001**		0.010***	
	(2.73)		(2.55)		(2.04)		(2.83)	
ln Amt_PAC	0.020*		0.002**		0.001		0.014**	
	(1.89)		(1.97)		(0.79)		(2.17)	
ln Memb		0.107***		0.007***		0.006**		0.072***
		(3.11)		(2.96)		(2.33)		(3.20)
ln Memb_PAC		0.118***		0.009***		0.004		0.079***
		(2.93)		(2.95)		(1.46)		(3.03)
Observations	398,395	398,395	398,395	398,395	398,395	398,395	398,395	398,395
Adj R-squared	0.43	0.43	0.39	0.39	0.09	0.07	0.41	0.42
Panel B: Government Contractors								
ln Amt	0.012*		0.001		0.001**		0.007	
	(1.70)		(1.38)		(1.98)		(1.55)	
ln Amt_PAC	0.019		0.001		0.001		0.012	
	(1.44)		(1.36)		(0.99)		(1.44)	
ln Memb		0.098**		0.006*		0.008**		0.060**
		(2.15)		(1.86)		(2.25)		(2.03)
ln Memb_PAC		0.087*		0.006		0.004		0.049
		(1.79)		(1.58)		(1.49)		(1.58)
Observations	352,104	352,104	352,104	352,104	352,104	352,104	352,104	352,104
Adj R-squared	0.43	0.44	0.39	0.39	0.07	0.07	0.43	0.42
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Table 10 No-PAC firms

This table analyzes the subsample of firms that did not have PACs during the sample period to isolate the impact of CEO political contributions. Panel A tests four different dependent variables related to government contracts; Panel B replicates Table 4 to assess whether firms without PACs can still secure favorable procurement terms based solely on CEO political contributions. The dependent variable is the natural logarithm of the annual contract value plus one. *Amt* is the dollar amount of CEO contributions to congressional members that oversee the department. *Memb* is the number of congressional members that oversee the department receiving contributions from the CEO. Detailed definitions of variables can be found in Table A1. Standard errors are clustered by firm; *t*-statistics are in parentheses.

Panel A: Contract	ln Contract Value		Awarded		Percent		ln Rank	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ln Amt	0.014**		0.001**		0.000		0.011**	
	(2.03)		(2.02)		(0.92)		(2.20)	
ln Memb		0.085*		0.007*		0.001		0.065**
		(1.96)		(1.91)		(0.83)		(2.13)
Observations	316,693	316,693	316,693	316,693	316,693	316,693	316,693	316,693
Adj R-squared	0.37	0.38	0.35	0.34	0.12	0.10	0.35	0.36

Panel B: Favorable terms	ln Quarter 4		ln Multi-year		ln Unfixed		ln Noncompetitive	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ln Amt	0.013**		0.003		0.008**		0.009*	
	(2.12)		(1.15)		(2.08)		(1.80)	
ln Memb		0.070*		0.019		0.049**		0.047
		(1.85)		(1.30)		(2.06)		(1.44)
Observations	316,693	316,693	316,693	316,693	316,693	316,693	316,693	316,693
Adj R-squared	0.33	0.33	0.09	0.09	0.18	0.18	0.28	0.27
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
CEO FE	Y	Y	Y	Y	Y	Y	Y	Y
Dept FE	Y	Y	Y	Y	Y	Y	Y	Y

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

Appendix

Table A1 Variable Definition

Variable	Definition
Age	Person-year level; the CEO's current age in a given year.
Amt	Person-department-year level; total CEO contribution amount to congressional members who oversee a given department over the previous four years.
Amt_PAC	Firm-department-year level; total PAC contribution amount to congressional members who oversee a given department over the previous T years, while T is the moving windows; equals to Amt_PAC when $T = 4$.
AmtTot	Person-year level; total CEO contribution amount to all congressional members over the previous four years.
AmtTot_PAC	Firm-year level; total PAC contribution amount to all congressional members over the previous four years.
Amt Lost P	Person-cycle level; the total contribution amount to losing candidates in close elections contributed by the CEO in a given cycle.
Amt Net P	Person-cycle level; the total net contribution amount to winning candidates in close elections contributed by the CEO in a given cycle, calculated as $Amt\ Won\ P - Amt\ Lost\ P$.
Amt Won P	Person-cycle level; the total contribution amount to winning candidates in close elections contributed by the CEO in a given cycle.
BM	Firm-year level; the book-to-market ratio.
CAPEX/Sales	Firm-year level; the ratio of capital expenditure to total sales.
Chairman	Person-year level dummy; indicates if the CEO is also the board chairman.
COGS/Sales	Firm-year level; the ratio of cost of goods sold to total sales.
Connected Dir Ratio	Firm-year level; the ratio of political-connected directors, defined by prior working experience, to the total number of board members.
Contract Value	Firm-department-year level; total procurement contract values awarded to the company (including subsidiaries) by a given department in a given year.
Δ Contract Value	Firm-cycle level; the change in total procurement contract value awarded to sample companies by departments overseen by winning candidates in close elections receiving contributions from the CEO, calculated as the value in the following cycle minus the value in the prior cycle.
Director	Person-year level dummy; indicates if the CEO is also a board director.

Table A1 *(continued)*

Variable	Definition
EBIT/Sales	Firm-year level; EBIT/Sales.
HHI	Industry-year level; Herfindahl-Hirschman index to proxy competition in an industry.
HQ in Home States	Firm-year level dummy; set to one if the firm's headquarters is located in the birth state of any of the three government leaders (President, Speaker of the House, Senate Majority Leader), and zero otherwise.
HQ in Represented States	Firm-year level dummy; set to one if the firm's headquarters is in the represented state of either the Speaker of the House or the Senate Majority Leader, and zero otherwise.
Ind Dir Ratio	Firm-year level; the ratio of independent board directors to total number of board directors.
Inst Hold	Firm-year level; the proportion of common shares held by institutional investors.
Investment	Firm-year level; capital expenditure plus R&D expenses plus 30% of SG&A costs.
Leverage	Firm-year level; book value of debt divided by the sum of market value of equity plus book value of debt.
Lobby Amt	Firm-year level; total lobby expenses.
Lost P	Person-cycle level; the total number of losing candidates in close elections receiving contributions from the CEO in a given cycle.
Memb	Person-department-year level; the total number of congressional members who oversee the department receiving contributions from the CEO over the previous four years.
Memb_PAC	Firm-department-year level; the total number of congressional members who oversee the department receiving contributions from the PAC over the previous four years.
MembTot	Person-year level; the total number of congressional members receiving contributions from the CEO over the previous four years.
MembTot_PAC	Firm-year level; the total number of congressional members receiving contributions from the PAC over the previous four years.
Multi-year	Firm-department-year level; total procurement contract values for multi-year supply or service purchases awarded to sample companies by a given department in a given year, including those awarded to subsidiaries.
Net P	Person-cycle level; the total net number of winning candidates in close elections receiving contributions from the CEO in a given cycle, calculated as $Won\ P - Lost\ P$.

Table A1 *(continued)*

Variable	Definition
Noncompetitive	Firm-department-year level; total procurement contract values awarded noncompetitively by a given department in a given year, including those awarded to subsidiaries.
Percent	Firm-department-year level; the firm's total contract value from a department as a percentage of the department's total contract value for a given year.
Political Exp	Person-year level dummy; indicates if the CEO has political-related experience.
Quarter 4	Firm-department-year level; total procurement contract values for sample companies awarded in the fourth quarter of the fiscal year by a given department in a given year, including those awarded to subsidiaries.
Rank	Firm-department-year level; the firm's relative rank among all contractors within the department, ordered in ascending rank, meaning the firm with the highest contract value receives the highest rank.
ROE	Firm-year level; net income divided by total market capitalization.
Sales	Firm-year level; the firm's total sales.
Sales Growth	Firm-year level; the average sales growth rate in the previous three years.
Tenure	Person-year level; reflects the CEO's current tenure in years in a given year.
Unfixed	Firm-department-year level; total procurement contract values for non-fixed pricing contracts awarded to sample companies by a given department in a given year, including those awarded to subsidiaries.
Won P	Person-cycle level; the total number of winning candidates in close elections receiving contributions from the CEO in a given cycle.

Table A2 Government department/agencies and congressional committee mapping
This table presents the top 30 cabinet departments and independent agencies that allocated the highest contract values between 2000 and 2020, along with their corresponding Senate and House committee mapping. The House Committee on Appropriations, House Committee on Oversight and Government Reform, Senate Committee on Appropriations, and Senate Committee on Homeland Security and Governmental Affairs exercise broad jurisdiction and oversight across all government entities. Therefore, they are not explicitly included in the mapping unless certain government entities do not fall under the supervision of any other committee.

Type	Name	Senate Committees	House Committees
Cabinet	Department of Defense	Armed Services; Foreign Relations; Intelligence	Armed Services; Foreign Affairs; Intelligence
Cabinet	Department of Justice	Judiciary	Judiciary
Cabinet	Department of Health and Human Services	Health, Education, Labor, and Pensions (HELP); Rules and Administration; Finance	Education and the Workforce; Ways and Means
Independent	General Services Administration	Homeland Security and Governmental Affairs	Oversight and Government Reform
Cabinet	Department of Veterans Affairs	Veterans' Affairs	Veterans' Affairs
Cabinet	Department of Energy	Energy and Natural Resources; Environment and Public Works	Energy and Commerce; Natural Resources
Cabinet	Department of Homeland Security	Homeland Security and Governmental Affairs; Intelligence	Homeland Security; Intelligence
Independent	National Aeronautics and Space Administration	Commerce, Science, and Transportation	Science, Space, and Technology
Cabinet	Department of Transportation	Commerce, Science, and Transportation; Finance	Energy and Commerce; Transportation and Infrastructure; Science, Space, and Technology; Ways and Means; Natural Resources
Cabinet	Department of the Treasury	Finance; Aging	Ways and Means
Cabinet	Department of State	Foreign Relations; Commerce, Science, and Transportation; Banking, Housing, and Urban Affairs	Foreign Affairs; Energy and Commerce

Table A2 *(continued)*

Type	Name	Senate Committees	House Committees
Independent	Agency for International Development	Foreign Relations	Foreign Affairs
Cabinet	Department of Agriculture	Agriculture, Nutrition, and Forestry; Labor and Human Resources; Environment and Public Works	Agriculture; Education and the Workforce; Natural Resources
Cabinet	Department of Commerce	Commerce, Science, and Transportation; Finance	Energy and Commerce; Transportation and Infrastructure; Science, Space, and Technology; Ways and Means; Natural Resources
Cabinet	Department of Labor	Health, Education, Labor, and Pensions (HELP); Rules and Administration; Finance	Education and the Workforce; Ways and Means
Independent	Environmental Protection Agency	Environment and Public Works; Energy and Natural Resources; Rules and Administration	Public Works and Transportation; Energy and Commerce; Homeland Security; Natural Resources
Cabinet	Department of the Interior	Energy and Natural Resources; Environment and Public Works	Energy and Commerce; Natural Resources
Cabinet	Department of Education	Health, Education, Labor, and Pensions (HELP); Rules and Administration; Finance	Education and the Workforce; Ways and Means
Cabinet	Department of Housing and Urban Development	Banking, Housing, and Urban Affairs; Finance	Financial Services; Ways and Means
Independent	Office of Personnel Management	Homeland Security and Governmental Affairs	Oversight and Government Reform
Independent	Social Security Administration	Finance; Aging	Ways and Means
Independent	National Science Foundation	Commerce, Science, and Transportation	Science, Space, and Technology
Independent	Securities and Exchange Commission	Banking, Housing, and Urban Affairs	Financial Services

Table A2 *(continued)*

Type	Name	Senate Committees	House Committees
Independent	Pension Benefit Guaranty Corporation	Health, Education, Labor, and Pensions	Education and the Workforce
Independent	Administrative Office of the United States Courts	Judiciary	Judiciary
Independent	Nuclear Regulatory Commission	Environment and Public Works; Energy and Natural Resources	Energy and Commerce
Independent	Small Business Administration	Small Business	Small Business
Independent	National Archives and Records Administration	Rules and Administration	House Administration
Independent	Executive Office of the President	Budget	Budget
Independent	Agency for International Development	Foreign Relations	Foreign Affairs

Table A3 Poisson regressions

This table presents the results of Poisson regressions with high-level fixed effects, using *ContractValue* as the dependent variable and *Amt* and *Memb* as key explanatory variables. For Poisson regressions, we use raw values of both the dependent and independent variables, rather than their natural logarithms. Detailed definitions of variables can be found in Table A1. *T*-statistics are in parentheses. Standard errors are clustered by firm-year.

Model:	OLS		Poisson	
Dep Var:	ln Contract Value		Contract Value	
	(1)	(2)	(3)	(4)
ln Amt	0.006***			
	(2.62)			
ln Amt_PAC	0.007			
	(1.36)			
ln Memb		0.038**		
		(2.46)		
ln Memb_PAC		0.060***		
		(2.80)		
Amt ($K)			0.079**	
			(2.21)	
Amt_PAC ($K)			0.002*	
			(1.74)	
Memb				0.057*
				(1.84)
Memb_PAC				0.003
				(0.60)
Observations	526,813	526,813	115,804	115,804
Adj/Pseudo R-squared	0.73	0.77	0.98	0.98
Controls	Y	Y	Y	Y
Firm*Year FE	Y	Y	Y	Y
Firm*Dept FE	Y	Y	Y	Y
Dept*Year FE	Y	Y	Y	Y

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

In general, both OLS and Poisson regressions indicate that after incorporating various levels of fixed effects to control for potential omitted variable bias, the positive and significant correlation between CEO's political contributions and firm's procurement contracts remains robust. With Firm*Department fixed effects, while the coefficients for *ln Amt_PAC* or *Amt_PAC* are no longer significant in some specifications, the coefficients for our primary variable of interest, *ln Amt* or *Amt*, remain significant, although with a reduction in magnitude. This suggests that while the established firm-department relationship plays a key role in government contract allocation, the CEO's political contributions continue to have an additional impact beyond this existing pairing.