Internet Appendix for "Judge Ideology and Opportunistic Insider Trading"

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Table IA1. Judge Ideology and Insider Trading: Alternative Measures of Judge Ideology

This table reports the results from estimating equation (1) of the paper using a Tobit model, which tests the effect of judge ideology on the intensity of insider trading, based on alternative measures of judge ideology. In columns 1 and 2, we use *LiberalCourt_Senate* to measure judge ideology, which incorporates Senate composition. In columns 3 and 4, we measure judge ideology at the beginning of the calendar year. In columns 5 and 6, we measure judge ideology using the average of the monthly measure during the next one calendar year. In columns 7 and 8, we measure judge ideology using the average of the monthly measure during the next two calendar years. All other variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*
	1	2	3	4	5	6	7	8
LiberalCourt_Senate	-0.015***	-0.019***						
	(-3.301)	(-3.244)						
LiberalCourt			-0.167***	-0.200***	-0.160***	-0.209***	-0.171***	-0.218***
			(-3.822)	(-3.480)	(-3.710)	(-3.937)	(-3.661)	(-4.000)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State	State	State	State	State
Observations	18,918	18,918	18,927	18,927	18,731	18,731	16,295	16,295
Pseudo R^2	0.126	0.100	0.126	0.100	0.127	0.100	0.127	0.102

Table IA2. Judge Ideology and Insider Trading:
Alternative Measures of Opportunistic Trades

This table reports the results from estimating equation (1) of the paper using a Tobit model, which tests the effect of judge ideology on the intensity of opportunistic insider trades using alternative measures of opportunistic trades. In columns 1 and 2, opportunistic trades are defined as trades made by opportunistic traders (traders who have not placed a trade, regardless of direction, in the same month during any of the three preceding years). In columns 3 and 4, we scale the number of opportunistic trades by the total number of trades (i.e., the sum of opportunistic and routine trades), and the dollar value of opportunistic trades by the total dollar value of trades (i.e., the sum of opportunistic and routine trades). All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppTraderSale	*$OppTraderSale*	*%#OppSale*	*%$OppSale*
	1	2	3	4
LiberalCourt	-0.237***	-0.297***	-0.156***	-0.156***
	(-4.281)	(-4.496)	(-2.864)	(-2.848)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Ys	Yes	Ys
Year Fixed Effects	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State
Observations	18,927	18,927	16,568	16,568
Pseudo R^2	0.108	0.084	0.079	0.079

Table IA3. Judge Ideology and Civil Penalty for Insider Trading: District Court Heeding

This table examines whether circuit and district court judge ideology affects the sensitivity of civil penalties to profit disgorgement for insider trading violations. We use an indicator variable for whether a district court judge faces a circuit court with different ideology (*DiffIdeology*, which equals one if the district court judge is liberal and the ideology of the circuit court is conservative or vice versa, and zero otherwise). We augment the models in Table 2 columns 5 and 6 with this variable and its interaction with the two courts' ideology. All other variables are defined in the Appendix of the paper and Table IA13 of this Appendix. All regressions include circuit and year fixed effects. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Dependent variables:	*Penalty*	*Penalty/IllegalProfit*
	1	2
LiberalCourt	1.844**	4.346**
	(2.457)	(2.606)
*LiberalCourt*DiffIdeology*	-0.023	-0.621
	(-0.027)	(-0.385)
LiberalDistrictJudge	-0.008	-0.267
	(-0.051)	(-0.931)
*LiberalDistrictJudge*DiffIdeology*	0.332	0.829
	(1.171)	(1.096)
DiffIdeology	-0.403	-0.462
	(-0.875)	(-0.446)
IllegalProfit	0.862***	
	(37.921)	
PrejudgeInterest	0.000	-0.039**
	(0.021)	(-2.273)
NDefendants	0.002	-0.019**
	(0.301)	(-2.203)
ExecutiveCase	0.136*	0.216
	(2.021)	(1.536)
Trial	0.483***	0.737*
	(3.036)	(2.026)
CriminalCharge	0.100	0.229
	(1.402)	(0.961)
GDPGrowth	-0.649	-1.344
	(-0.478)	(-0.334)
Unemployment	0.024	0.030
	(1.112)	(0.781)
BlueState	-0.169	-0.278*
	(-1.445)	(-1.927)
Circuit Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes
SE Clustered by	State	State
# of Observations	359	359
Adjusted R^2s	0.856	0.065

Table IA4: Insider Trading Case Outcomes

This table reports the summary statistics of outcomes in insider trading cases filed in federal courts from 1998-2018. For cases appealed to the circuit courts, we define cases as with consistent ideology if the district court judge and at least two circuit court judges on the panel are appointed by presidents of the same party, and the remaining cases as with inconsistent ideology.

	# of cases	# of cases reversed or vacated by circuit court	% of appealed cases
Total number of cases	527		
Cases without outcome information	5		
Cases with outcome information	522		
Settled	385		
Dismissed, summary judgment, or trial	137		
Cases with parallel criminal charges[1]	77		
Cases without parallel criminal charges	60		
Appealed to circuit courts[2]	26		
Consistent ideology between district and circuit judges	11	2	18%
Inconsistent ideology between district and circuit judges	14	6	43%

[1] In these 77 cases, the defendants faced parallel criminal charges from the Department of Justice. Criminal and civil prosecutions differ in many ways, including the burden of proof, available punishments, and permissible investigative techniques such as search warrants, wiretaps, and undercover operations (Newkirk and Brandriss (1998), Atkins (2013), White (2014), Del Guercio, Odders-White, and Ready (2017)). In the cases with parallel criminal charges, the civil prosecutions are usually decided after the conclusion of the criminal prosecutions (O'Rourke (2017)).

[2] In one case, the overseeing judge at the district court level is a Magistrate Judge, who was not appointed by a president.

Table IA5. Judge Ideology and Insider Trading: Alternative Specifications

This table reports the results from estimating equation (1) of the paper, which tests the effect of judge ideology on the intensity of insider trading, based on alternative specifications. In columns 1 and 2, we use OLS regressions. In column 3, we estimate a logit model. In columns 4 and 5, we replace circuit fixed effects with firm fixed effects. All variables are defined in the Appendix of the paper. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*	*#OppSale>0*	*#OppSale*	*$OppSale*
	OLS regression		Logit model	Tobit model	
	1	2	3	4	5
LiberalCourt	-0.121***	-0.154***	-0.809*	-0.150***	-0.182***
	(-3.237)	(-3.047)	(-1.788)	(-3.999)	(-3.695)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	No	No
Industry Fixed Effects	Yes	Yes	Yes	No	No
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	No	No	No	Yes	Yes
SE Clustered by	State	State	State	State	State
Observations	18,927	18,927	18,917	18,927	18,927
Adjusted (Pseudo) R^2	0.155	0.153	0.247	0.580	0.457

Table IA6. Judge Ideology and Insider Trading: Additional Controls

This table reports the results from estimating equation (1) of the paper using a Tobit model, which tests the effect of judge ideology on the intensity of insider trading, including additional control variables. In columns 1 and 2, to control for the risk of state derivative securities litigation, we replace year fixed effects with fixed effects of the interaction between the firms' state of incorporation and year. In columns 3 and 4, to mitigate the concern that judge ideology affects insider trading through firms' risk of federal securities class action litigation, we additionally control for the Kim and Skinner (2012) measure of ex ante securities litigation risk. In columns 5 and 6, we additionally control for the ideology of the district court with jurisdiction of the firm. In columns 7 and 8, we additionally include the total compensation of top five executives to control for executives' personal wealth. In columns 9 and 10, we additionally control for the amount of political donations to Democrats and Republicans respectively. All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*
	1	2	3	4	5	6	7	8	9	10
LiberalCourt	-0.120**	-0.150*	-0.175***	-0.223***	-0.179***	-0.227***	-0.176***	-0.198**	-0.148**	-0.168*
	(-2.180)	(-1.913)	(-3.509)	(-3.268)	(-3.673)	(-3.418)	(-2.639)	(-2.403)	(-2.078)	(-1.881)
SUE_hat			-0.314	-1.033***						
			(-0.955)	(-2.766)						
LiberalDistrictCourt					-0.034	-0.031				
					(-1.058)	(-0.881)				
TotalPay_Top5							-0.052***	-0.065***		
							(-8.539)	(-7.944)		
Donation_Dem									0.001	0.000
									(0.273)	(0.045)
Donation_Rep									-0.003	-0.003
									(-1.251)	(-0.826)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Incorporation State-year Fixed Effects	Yes	Yes	No	No	No	No	No	No	No	No
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State	State	State	State	State	State	State
Observations	18,872	18,872	18,668	18,668	18,927	18,927	11,627	11,627	13,430	13,430
Pseudo R^2	0.163	0.130	0.129	0.102	0.126	0.100	0.221	0.152	0.131	0.106

Table IA7. Judge Ideology and Insider Trading: Control for the Ideology of the President and the SEC

This table reports the results from estimating equation (1) of the paper using a Tobit model, which tests the effect of judge ideology on the intensity of insider trading, excluding year fixed effects and explicitly controlling for the ideology of the President and the SEC. In columns 1 and 2, we additionally include the political ideology of the incumbent President. In columns 3 and 4, we additionally include the political ideology of the SEC chairman/chairwoman. In columns 5 and 6, we additionally control for the political ideology of the SEC commissioners. All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*
	1	2	3	4	5	6
LiberalCourt	-0.296***	-0.321***	-0.336***	-0.363***	-0.318***	-0.352***
	(-7.446)	(-5.519)	(-6.464)	(-5.483)	(-7.454)	(-5.877)
Dem_President	-0.040***	-0.040***				
	(-7.301)	(-5.707)				
Dem_SEC_Chair			-0.062***	-0.056***		
			(-4.764)	(-3.123)		
Dem_SEC_Commissioners					-0.018***	-0.013**
					(-3.287)	(-2.045)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State	State	State
Observations	18,927	18,927	18,927	18,927	18,927	18,927
Pseudo R^2	0.116	0.091	0.116	0.091	0.115	0.090

Table IA8. Judge Ideology and Insider Trading: Alternative Samples

This table reports the results from estimating equation (1) of the paper using a Tobit model, which tests the effect of judge ideology on the intensity of insider trading, based on alternative samples. In columns 1 and 2, we exclude firms that have changed headquarters location during our sample period. In columns 3 and 4, we exclude firm-years from the Second and the Ninth Circuits. In columns 5 and 6, we drop firm-years from the financial crisis period, i.e., from 2007-2009. All variables are defined in the Appendix of the paper. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*	*#OppSale*	*$OppSale*	*#OppSale*	*$OppSale*
Sample restriction	Exclude firms that have changed headquarters		Exclude the 2nd Circuit and the 9th Circuit		Exclude 2007 to 2009	
	1	2	3	4	5	6
LiberalCourt	-0.141***	-0.192***	-0.178***	-0.205***	-0.202***	-0.250***
	(-2.879)	(-2.784)	(-4.100)	(-4.126)	(-3.957)	(-3.652)
Controls in Eq. (1) of the paper	Yes	Yes	Yes	Yes	Yes	Yes
Circuit Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State	State	State
Observations	16,549	16,549	12,301	12,301	15,834	15,834
Pseudo R^2	0.135	0.106	0.127	0.100	0.126	0.098

Table IA9. Judge Ideology and Insider Trading: Trades before Large Stock Price Declines

This table reports the results from estimating equation (1) of the paper for insider trading before firm-months with large stock price declines. *#OppSale* and *$OppSale* are defined based on the six months prior to the firm-month with large stock price declines; a firm-month is defined as experiencing a large stock price decline if its excess return is more than two standard deviations below the average excess monthly return in the past 60 months (Marin and Olivier (2008). All other variables are defined in the Appendix of the paper. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale	*$OppSale*
	1	2
LiberalCourt	-0.119*	-0.170**
	(-1.767)	(-2.283)
Size	-0.013***	-0.015***
	(-3.708)	(-3.541)
MtoB	0.002	0.002*
	(1.423)	(1.924)
Turnover	0.016***	0.025***
	(2.663)	(3.378)
PriorReturn	0.179***	0.196***
	(6.505)	(6.339)
SharesHeld	0.025***	0.027***
	(9.644)	(9.276)
SECEnforce	0.001	0.001
	(1.222)	(0.716)
GDPGrowth	0.419	0.600*
	(1.565)	(1.929)
Unemployment	0.005	0.008
	(0.681)	(0.932)
BlueState	0.017	0.018
	(1.428)	(1.359)
Circuit Fixed Effects	Yes	Yes
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes
SE Clustered By	State	State
Observations	4,360	4,360
Pseudo R^2	0.237	0.188

Table IA10. Judge Ideology and Insider Trading: A Change Analysis

This table reports the results on testing how the intensity of three-month opportunistic insider trading changes surrounding a change in circuit court ideology. We first identify circuit–months with changes in court ideology and define an indicator variable that equals one if the court ideology becomes more conservative and zero otherwise (*LiberalCourt_Decrease*). We then calculate the change in either the number or the dollar amount of opportunistic sales for firms located in those circuits from three months before to three months after the change in court ideology. In columns 1 and 2, we estimate OLS regressions with the level of change in opportunistic sales as dependent variable. In columns 3 and 4, we estimate Probit models with an indicator variable that equals one if opportunistic sales increase and zero otherwise as the dependent variable. All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	Δ#OppSale	*Δ$OppSale*	*Δ#OppSale > 0*	*Δ$OppSale > 0*
	1	2	3	4
LiberalCourt_Decrease	0.012**	0.014**	0.087**	0.095**
	(2.438)	(2.382)	(2.019)	(2.425)
Size	0.003***	0.003***	0.113***	0.113***
	(5.895)	(6.552)	(17.357)	(17.634)
MtoB	-0.001***	-0.001***	-0.004	-0.002
	(-4.836)	(-5.105)	(-1.617)	(-1.024)
ΔTurnover	1.485***	2.134***	-6.436**	-4.224
	(3.255)	(4.227)	(-2.272)	(-1.521)
ΔPriorReturn	0.098***	0.093***	0.696***	0.647***
	(6.570)	(4.802)	(7.028)	(6.958)
SharesHeld	-0.002***	-0.003***	-0.017***	-0.016***
	(-3.948)	(-4.175)	(-3.379)	(-3.444)
ΔSECEnforce	-0.001	-0.001	-0.013*	-0.013
	(-0.868)	(-1.083)	(-1.654)	(-1.395)
GDPGrowth	-0.077	-0.104	0.381	0.049
	(-0.883)	(-1.133)	(0.621)	(0.075)
Unemployment	0.001	0.002	-0.006	0.001
	(0.940)	(1.417)	(-0.376)	(0.066)
BlueState	0.002	0.002	0.037	0.046
	(0.426)	(0.362)	(0.994)	(1.269)
Circuit Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
SE Clustered by	State	State	State	State
Observations	15,217	15,217	15,209	15,209
Adjusted (Pseudo) R^2	0.014	0.013	0.058	0.058

Table IA11. Judge Ideology and Insider Trading: Individual-level Test

This table reports the results from estimating equation (1) of the paper at the insider-year level. All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. All regressions include circuit, industry, year, and insider fixed effects. The *t*-statistics (in parentheses) are calculated using standard errors clustered by state. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	#OppSale_Individual	*$OppSale_Individual*
	1	2
LiberalCourt	-0.107**	-0.116**
	(-2.287)	(-2.055)
Size	-0.030***	-0.057***
	(-3.869)	(-4.873)
MtoB	0.000	0.000
	(0.367)	(0.148)
Turnover	0.977***	1.497***
	(4.485)	(6.679)
PriorReturn	0.037***	0.025***
	(8.402)	(4.436)
SharesHeld	0.001*	0.002**
	(1.710)	(2.068)
SECEnforce	-0.000	0.000
	(-0.331)	(0.130)
GDPGrowth	-0.013	0.045
	(-0.163)	(0.436)
Unemployment	0.001	0.001
	(0.372)	(0.359)
BlueState	-0.009	-0.026**
	(-0.663)	(-2.178)
Circuit Fixed Effects	Yes	Yes
Industry Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes
Individual Fixed Effects	Yes	Yes
SE Clustered By	State	State
Observations	32,026	32,026
Adjusted R^2	0.446	0.426

Table IA12. Judge Ideology and the Return Predictability of Insider Trades

This table reports the results on examining whether judge ideology affects the return predictability of insider sales. Panel A presents the descriptive statistics for the variables used in the test. Panel B reports the regression results. All variables are defined in the Appendix of the paper and Table IA13 of this Appendix. The *t*-statistics (in parentheses) are calculated using standard errors clustered by month. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Descriptive Statistics

				Percentile				
	N	Mean	Std Dev	10th	25th	50th	75th	90th
Abnormal_Return$_{j,t+1}$(%)	320,192	0.075	10.810	-11.918	-5.281	-0.094	5.091	12.032
SaleSize	320,192	0.496	0.411	0.000	0.000	0.500	1.000	1.000
LiberalCourt	320,192	0.409	0.195	0.169	0.247	0.398	0.588	0.692
High_LiberalCourt	320,192	0.471	0.499	0.000	0.000	0.000	1.000	1.000
Size	320,192	7.381	1.942	4.853	6.039	7.320	8.695	9.984
MtoB	320,192	3.811	5.159	0.999	1.559	2.537	4.370	7.900
Raw_RET$_{j,t}$	320,192	0.030	0.126	-0.107	-0.035	0.024	0.086	0.169
Raw_RET$_{j,t-12,t-1}$	320,192	0.314	0.632	-0.251	-0.022	0.193	0.477	0.940
GrossProfit	320,192	0.320	0.257	0.039	0.125	0.296	0.458	0.662
AssetGrowth	320,192	0.166	0.331	-0.065	0.009	0.085	0.210	0.455
StockVolatility	320,192	0.025	0.017	0.010	0.014	0.021	0.031	0.046
SharesHeld	320,192	10.210	2.267	7.298	8.838	10.319	11.639	12.981
SECEnforce	320,192	9.548	8.301	0.000	2.000	8.000	14.000	20.000
GDPGrowth	320,192	0.045	0.025	0.018	0.031	0.045	0.061	0.075
Unemployment	320,192	5.982	1.999	3.900	4.600	5.400	6.800	8.900
BlueState	320,192	0.711	0.453	0.000	0.000	1.000	1.000	1.000

Table IA12 Continued

Panel B: Regression Results

Dependent variable:	*Abnormal_Return*$_{j,t+1}$		
	1	2	3
SaleSize	-0.489***	-0.789***	-0.631***
	(-4.914)	(-4.297)	(-5.389)
LiberalCourt × *SaleSize*		0.737*	
		(1.898)	
High_LiberalCourt × *SaleSize*			0.309**
			(2.109)
LiberalCourt		-0.582	
		(-1.015)	
High_LiberalCourt			-0.278
			(-1.607)
Size	-2.431***	-2.430***	-2.431***
	(-16.955)	(-16.959)	(-16.946)
MtoB	0.170***	0.170***	0.170***
	(14.008)	(13.997)	(14.006)
Raw_RET$_{j,t}$	-3.661***	-3.662***	-3.662***
	(-3.237)	(-3.238)	(-3.238)
Raw_RET$_{j,t-12,t-1}$	-0.162	-0.163	-0.163
	(-0.836)	(-0.838)	(-0.837)
GrossProfit	2.674***	2.672***	2.670***
	(5.143)	(5.141)	(5.136)
AssetGrowth	2.222***	2.220***	2.220***
	(12.140)	(12.131)	(12.126)
StockVolatility	-1.084	-1.147	-1.141
	(-0.168)	(-0.178)	(-0.177)
SharesHeld	0.013	0.013	0.012
	(1.142)	(1.107)	(1.097)
SECEnforce	0.025***	0.024***	0.025***
	(2.866)	(2.833)	(2.838)
GDPGrowth	10.747***	10.728***	10.774***
	(3.660)	(3.649)	(3.668)
Unemployment	0.042	0.045	0.046
	(0.657)	(0.695)	(0.719)
BlueState	-0.431***	-0.418**	-0.405**
	(-2.648)	(-2.580)	(-2.440)
Firm Fixed Effects	Yes	Yes	Yes
Month Fixed Effects	Yes	Yes	Yes
SE Clustered by	Month	Month	Month
# of Observations	320,192	320,192	320,192
Adjusted R^2s	0.076	0.076	0.076

Table IA13. Variable Definitions for Variables Only Used in This Appendix

Variable	Definition
LiberalCourt_Senate	An alternative measure for judge ideology that incorporates Senate composition. Following Huang et al. (2019), we calculate the measure as $(1/C(J_{All}, 3)) \cdot (9\times C(J_{DD}, 3) + 8\times C(J_{DD}, 2)\cdot C(J_{DR}, 1) + 7\times C(J_{DD}, 1)\cdot C(J_{DR}, 2) + 6\times C(J_{DR}, 3) + 8\times C(J_{DD}, 2)\cdot C(J_{DR}, 1) + 4\times C(J_{DD}, 2)\cdot C(J_{RD}, 1) + 3\times C(J_{DD}, 2)\cdot C(J_{RR}, 1) + 3\times C(J_{DD}, 1)\cdot C(J_{DR}, 1)\cdot C(J_{RD}, 1) + 2\times C(J_{DD}, 1)\cdot C(J_{DR}, 1)\cdot C(J_{RR}, 1) + 2 \times C(J_{DR}, 2)\cdot C(J_{RD}, 1) + 1 \times C(J_{DR}, 2)\cdot C(J_{RR}, 1) - 1 \times C(J_{DD}, 1)\cdot C(J_{RD}, 2) - 2 \times C(J_{DD}, 1)\cdot C(J_{RD}, 1) \cdot C(J_{RR}, 1) - 2 \times C(J_{DR}, 1) \cdot C(J_{RD}, 2) - 3 \times C(J_{DR}, 1)\cdot C(J_{RD}, 1)\cdot C(J_{RR}, 1) - 3\times C(J_{DD}, 1)\cdot C(J_{RR}, 2) - 4\times C(J_{DR}, 1)\cdot C(J_{RR}, 2) - 6\times C(J_{RD}, 3) - 7\times C(J_{RR}, 1)\cdot C(J_{RD}, 2) - 8\times C(J_{RR}, 2)\cdot C(J_{RD}, 1) - 9 \times C(J_{RR}, 3))$, where $C(a, b)$ is the number of combinations of selecting b objects from a distinct objects, J_{All} is the total number of judges, J_{DD} is the number of judges appointed by Democratic Presidents and confirmed by Democrat-controlled Senates, J_{DR} is the number of judges appointed by Democratic Presidents and confirmed by Republican-controlled Senates, J_{RD} is the number of judges appointed by Republican Presidents and confirmed by Democrat-controlled Senates, J_{RR} is the number of judges appointed by Republican Presidents and confirmed by Republican-controlled Senates. Historical headquarters information is extracted from firms' 10-K filings. Circuit court judges' appointing presidents are from the Federal Judicial Center's website. Senate partisanship composition is obtained from Wikipedia.
#OppTraderSale	Total number of sales made by opportunistic traders in year *t,* divided by the number of common shares outstanding at the end of year *t-1*, multiplied by 100. We classify an insider as an opportunistic trader if she has not placed a trade, regardless of direction, in the same month during any of the three preceding years.
$OppTraderSale	Total dollar value of sales made by opportunistic traders in year *t,* divided by market value of equity at the end of year *t-1*, multiplied by 100. Opportunistic traders are defined as above.
%#OppSale	Number of opportunistic sales divided by the total number of sales (i.e., the sum of opportunistic and routine sales).
%$OppSale	Dollar value of opportunistic sales divided by the total dollar value of sales (i.e., the sum of opportunistic and routine sales).
DiffIdeology	A dummy variable that equals one if the district court judge is liberal and the circuit court is conservative (*LiberalCourt* lower than 0.5) or vice versa, and zero otherwise.
SUE_hat	The ex ante litigation risk of securities class-action lawsuit, calculated based on Table 7 Model (3) of Kim and Skinner (2012).
LiberalDistrictCourt	The percentage of district court judges appointed by Democratic presidents.
TotalPay_Top5	The natural logarithm of total compensation of top five executives in the latest fiscal year. Compensation data are from ExecuComp.
Donation_Dem	The natural logarithm of the total amount of individual donation to Democratic party (including candidates and affiliated political action committees) during the firm-year. We thank Ahmed Tahoun for sharing political donation data, which have a time series of 2002–2015.

Variable	Definition
Donation_Rep	The natural logarithm of the total amount of individual donation to Republican party (including candidates and affiliated political action committees) during the firm-year.
Dem_President	A dummy variable that equals one if the incumbent President is affiliated with the Democratic party, and zero otherwise.
Dem_SEC_Chair	A dummy variable that equals one if the incumbent SEC chairman or chairwoman is affiliated with the Democratic party, and zero otherwise.
Dem_SEC_Commissioners	A dummy variable that equals one if the majority of the incumbent SEC commissioners are affiliated with the Democratic party, and zero otherwise.
Δ#OppSale (*Δ$OppSale*)	The total number (dollar value) of opportunistic insider sales over month t+1 to month t+ 3 divided by the number of common shares outstanding (market value of equity) at the end of month t minus the total number of opportunistic insider sales over month t-3 to month t-1 divided by the number of common shares outstanding at the end of month t-4, multiplied by 100, where month t is the month with a change in judge ideology for the circuit court with jurisdiction over the firm.
LiberalCourt_Decrease	An indicator variable that equals one if the value of *LiberalCourt* decreases, and zero otherwise.
ΔTurnover	The total trading volume scaled by the average number of monthly shares outstanding over month t+1 to month t+3 minus the total trading volume scaled by the average number of monthly shares outstanding over month t-3 to month t-1, where month t is the month with a change in judge ideology for the circuit court with jurisdiction over the firm.
ΔPriorReturn	The buy-and-hold abnormal returns over month t minus buy-and-hold abnormal returns over month t-4, where month t is the month with a change in judge ideology for the circuit court with jurisdiction over the firm. Abnormal returns are calculated as the raw monthly returns subtracts the value-weighted market holding period returns.
ΔSECEnforce	The number of insider trading charges in the same SEC regional office in the three years prior to month t+1 minus The number of insider trading charges in the same SEC regional office in the three years prior to month t-3, where month t is the month with a change in judge ideology for the circuit court with jurisdiction over the firm.
#OppSale_Individual (*$OppSale_Individual*)	Total number (dollar value) of opportunistic insider sales in year t at the individual level divided by the number of common shares outstanding (market value of equity) at the end of year t-1, multiplied by 100. We classify a sale as opportunistic if the insider has not sold stocks in the same calendar month in any of the three preceding years.
Abnormal_Return	Monthly alpha from the Fama–French four-factor model. To calculate each firm's monthly factor loadings, we follow Brennan, Chordia, and Subrahmanyam (1998) and use a 60-month rolling window, requiring at least 24 non-missing months in the window.
SaleSize	The tercile rank of the number of shares sold by an insider in a month divided by the total trading volume of the firm in that month. We scale the rank to be between zero and one.
High_LiberalCourt	An indicator variable that equals one if judge ideology corresponding to a firm-year is in the top tercile of the sample.
$Raw\_RET_{j,t}$	The raw stock return for firm j in month t.

Variable	Definition
$Raw\_RET_{j,t-12,t-1}$	The cumulative stock return for firm *j* from month *t*−12 through month *t*−1.
GrossProfit	The gross profit of the firm in year *t*, measured as *(SALES – COGS)/AT*.
AssetGrowth	Percentage change in total assets (*AT*) from year *t*−1 to year *t*.
StockVolatility	The standard deviation of the firm's daily stock returns in month *t*.

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