

Internet Appendix

Intended for online publication only

This appendix contains definitions for the variables used in this study, the procedure used to match political contributions to Execucomp executives, the REP validation test, as well as additional tables.

Variable Descriptions

REP: Measured at the executive level, equal to the ratio of net contributions to the republican party divided by total contributions to both parties, where 1 equals Republican and -1 equals Democrat, $Rep = \frac{Rep_i - Dem_i}{Rep_i + Dem_i}$

PARTY_{Top5}: Equal to the equal-weighted average of a firm's top five managers', ranked by salary, individual *Rep*'s for each firm year.

Political Homophily Index (PHI_{Top5}): Equal to half the absolute value between the political affiliation of a firm's top five managers and the president. $PHI = 1 - \frac{|Party + Party_{Pres}|}{2}$, where $PARTY = [0,1]$ and $PARTY_{Pres} = \{-1,1\}$, where -1 (1) is a Democratic (Republican) president.

CONTRIBUTIONS: Equal to the natural log of total firm contributions, given in the prior election cycle, to the winning party.

LOBBYING: Indicator equal to 1 if the firm lobbied in both the current and prior year.

PHI_{State}: $(\frac{1}{2}) * Senators + (\frac{1}{2}) * Representatives$, where *Senators* is the fraction of a state's two senators who belong to the same party as the president and *Representatives* is the fraction of a state's House of Representatives who belong to the same party as the president.

SIZE: Natural logarithm of total capital, i.e. the sum of the book value of property, plant, and equipment (ppeg) plus the replacement cost of intangible capital (see Section 3.2 of Peters and Taylor (2017) for its computation).

TOTAL_INV: Sum of annual capital expenditures (Compustat item *capx*), research and design expenditures (Compustat item *xrd*), and 30% of selling, general, and administrative expenses (Compustat item *xsga*) scaled by beginning-of-year total capital. Missing components are set to 0. When identifiable, R&D expenditures are removed from SG&A to avoid

double counting.

Q: Market value of equity (Compustat items $prcc_f \times csho$), plus the book value of debt (Compustat items $dltt + dlc$), minus current assets (Compustat item act) ($at + prcc_f \times csho - ceq - txditc$) scaled by total capital.

RET: Fiscal-year annual return (Compustat item $(\frac{prcc_ft}{prcc_ft-1} - 1)$)

PROFIT: Sum of operating income before depreciation (Compustat item $oibdp$), 30% of selling, general, and administrative expenses (Compustat item $xsga$) and research and design expenditures (Compustat item xrd) beginning-of-year total capital.

CASH_FLOW: Income before extraordinary items and depreciation (Compustat items $ib + dp$) plus the after-tax cost of the intangible investment ($(1-m) \times (0.3 \times SG\&A) + R\&D$) scaled by beginning-of-year total capital, where m is the firm's marginal tax rate from Blouin, Core, and Guay (2010). When missing m is equal to the sample average of 24%.

CASH: Cash holdings (Compustat item che) scaled by beginning-of-year total capital.

LEVERAGE: Book value of long-term and current debt (Compustat items $dltt + dlc$) scaled by beginning-of-year total capital.

DIVIDEND: Indicator equal to 1 if the firm issued a dividend during the fiscal year.

SHARES: Annual net number of monthly shares purchased (+) and sold (-) scaled by that month's average number of shares outstanding.

SALE: Indicator equal to 1 if an executive makes an opportunistic sale.

PURCHASE: Indicator equal to 1 if an executive makes an opportunistic purchase.

EXERCISED: Indicator equal to 1 if an executive exercises stock options.

EXERCISED_\$: Natural logarithm of the total value of exercise stock options (Execucomp item opt_exer_val)

EXERCISED_N: Natural logarithm of the number of exercise stock options (Execucomp item opt_exer_num)

Log(TOTAL_COMP): Natural logarithm of a manager's total compensation (Execucomp item $tdc1$).

TENURE: Manager's tenure at their firm.

GREATER_THAN_ANALYST: Indicator equal to 1 if the firm's beginning-of-year annual guidance is greater than the average analyst forecast.

MISS_GUIDANCE: Indicator equal to 1 if the firm's beginning-of-year annual guidance is greater than their realized earnings. average analyst forecast.

TURNOVER: For CEO turnover, it is an indicator equal to 1 if it's the CEO's last year. For other executive turnover, it is a sum of all turnover for that year.

OVER_INVESTMENT: Equal to the residuals from regressing *CASH_FLOW* and *Q* on *TOTAL_INV*, with the inclusion of firm and year fixed effects.

HOMOGENEOUS_TEAM: Indicator equal to 1 if the whole executive team belongs to the same party as the CEO, and equal to 0 if it is balanced. Balanced teams are defined as those where half of the managers are Republican and half are Democrat, all managers are unaffiliated, or a combination of the two

Matching Procedure

Matching individual contributions data from the FEC to Execucomp executives presents one main challenge. When an individual contributes more the predetermined non-disclosure limit, the committee who receives the funds must report the individual's name, occupation, and employer (among other things), but the spelling for an employer does not have to match the firm's legal name. For example, in the FEC contributions data AAR Corp has the spellings A.A.R. Corporation, A.A.R. L.L.C., AAR Inc., AAR, etc. This means that when using traditional fuzzy matching techniques, you may miss many potential matches.

I therefore pre-process the text by removing punctuation, extra whitespace, numbers, common words and abbreviations with little value (corporation, corp, inc, etc.), as well as occupation positions that are present in the the employer column (CEO, etc.) when parsed. Using the processed text, I match on the first word in the name sequence to get a list of possible matches, I then run a Ratcliff-Obershelp algorithm which finds the longest contiguous matching sub-sequence that contains no "junk" elements. The same idea is then applied recursively to the pieces of the sequences to the left and to the right of the matching sub-sequence. This does not yield minimal edit sequences, but does tend to yield matches that "look right" to people. I keep matches with a similarity greater than 75%.

After matching the FEC file to Execucomp using company names, I then use the same procedure with the addition of removing credential abbreviations (CPA, PhD, MBA, etc.). Similar to the previous matching procedure, I first match observations by last name (nicknames and abbreviated first names) and then apply the same Ratcliff-Obershelp algorithm and inspect matches with a similarity greater than 80%. This results in 76,423 exact company-executive name matches and 101k executive-contribution-years for 13,697 executives.

Partisan Affiliation Measure Validation

To validate my FEC contributions based political affiliation measure I compare an executives' inferred affiliations with their publicly available ones. I obtain individuals' voter registrations through FOIA request with 28 states, six counties in Texas, five cities in Massachusetts, and the District of Columbia, which contain over 160 million registered voters or 60% of all eligible voters, and match them to executives. These voter registration records contain identifying information such as the voter's name, residential and mailing address, date of birth or birth year, party affiliation, and for some states their voting history. For states where party affiliation is not disclosed I assign an individual to a party if they vote for that party in a primary election 100% of the time.

Matching individual voter records to executives is problematic due to the lack on mutual identifiers. I match on the full first and last name, middle initial, and allow for a two year difference between the date of birth on the voter records and the estimated date of birth provided by Execucomp. To ensure the highest degree of accuracy I only keep matches where there is one unique match between both data sources. To build a measure of partisanship I focus on CEOs who reside in Ohio, Florida, Illinois, or California because these states have a long voting history time series. This results in a sample of 1,518 CEOs. To build the partisanship measure I find the percent of available general primaries and general elections that the executive participated in during their tenure in the state. I take that voting participation percentage and multiply that by their party affiliation (i.e. +1 for Republicans and -1 for Democrats) to create a measure between -1 (Partisan Democrat) and 1 (Partisan Republican)

Table C.1 Panel A presents the average composition of donations to each party based on individual donors' registered parties. Overall, personal political contributions match well with the average individual's contributions. Republicans personally contribute significantly more to committees that align with their party, with approximately 79%, than democrats with 63%. Independents on the other hand donate fairly evenly to both parties with only 55%

going to Republican committees and 44% going to Democratic committees. Panel B presents the same contribution percentages using the partisanship measure. It seems that individuals who are more politically active do not necessarily contribute more to their party when compared to less active ones. If this result holds with a larger sample of CEOs this would imply that other measures of partisanship should be used other than voter participation. Panel C presents the univariate regressions testing the relationship between individuals' contribution patterns and their registered party. Consistent with political contributions being an accurate proxy of one's partisan affiliation, there is a strong relationship between an individual's party identification and donation history. In column 1, the percent of donations to the Republican Party is statistically associated with an individual's party identification. In columns 2 and 3 I determine whether individuals who have no donation history are more likely to identify with a particular party. I find that individuals who have no contribution history are 7% less likely, when compared to the sample average, to be Republican and only 2% more likely, when compared to the sample average, to be an independent, even though this result is not statistically significant. These results are consistent with the assumptions used to calculate $PARTY_{Top5}$, namely that non-contributors are seen as less partisan. In terms of accuracy, when assigning an individual to a party (either Democratic or Republican), based on their net donations to that party, I achieve an accuracy of approximately 80%.

Table A1: Measure Validation - Voter Registrations

Panel A reports the average percent of contributions to each party based on executives' stated party affiliations gathered from voter records. Panel B reports the univariate regressions results where the main dependent variable is an individual's stated party affiliation and main independent variable is either the percent of contributions to the Republican party, *% to Republicans*, or an indicator variable equal to one if an individual is not found the FEC contributions database, *No Contributions*.

Panel A: Donation Percentages			
Registered Party	To Republicans	To Democrats	To Independents
Democrat	36%	63%	1%
Independent	55%	44%	1%
Republican	79%	19%	2%

Panel B: Donation Percentages - Partisanship			
Registered Party	To Republicans	To Democrats	To Independents
Partisan Dem	36%	62%	1%
Democrat	36%	63%	1%
Independent	55%	44%	1%
Republican	80%	18%	1%
Partisan Rep	76%	22%	3%

Panel C: Predicting Party			
	1	2	3
	Republican	Republican	Independent
<i>% to Republicans</i>	0.591*** (0.041)		
<i>No Contributions</i>		-0.072** (0.025)	0.022 (0.021)
Observations	868	1,518	1,518
Adjusted R^2	0.189	0.005	0.000

Additional Tables

Table A2: Political Aggregation by Industry and State

This table sorts states and industries by how Republican the firms within them are. $Party_{Ind}$ and $Party_{State}$ are the average $Party_{Top5}$ for each firm, which is then aggregated to the industry or state level and standardized to be between 0 and 1.

Panel A: Industries			
	# of Firms	Industry (sic2)	$PARTY_{Ind}$
Lowest	3	83: Social & Child Services	0.447
	13	78: Services - Motion Picture and Video	0.461
	15	47: Transportation Services	0.477
	11	31: Leather & and Footwear	0.481
	7	17: Construction & Electrical Work	0.491
Highest	8	12: Bituminous Coal & Lignite Mining	0.635
	19	24: Lumber, Sawmills, Prefab Buildings, & Mobile Homes	0.642
	5	21: Tobacco and Cigarettes	0.650
	29	29: Asphalt and Roofing, Misc Products of Petroleum	0.685
	11	40: Railroads & Line-Haul Operating	0.688

Panel B: States			
	# of Firms	State	$PARTY_{State}$
Lowest	2	Hawaii	0.382
	5	District of Columbia	0.445
	13	New Hampshire	0.487
	170	New York	0.487
	8	Rhode Island	0.487
Highest	8	Mississippi	0.658
	5	New Mexico	0.669
	11	Idaho	0.683
	9	Nebraska	0.692
	2	North Dakota	0.739

Table A3: Industries Sensitive to Government Spending

This table reports industries that have been identified by both Agrawal and Knoeber (2001) and Belo, Gala and Li (2011) to have a high sensitivity to government spending.

SIC Codes	Industry Description
1311, 1381, 1382, 1389	Oil and gas extraction
2621	Paper mills
2711	Newspaper publishers
3480	Ammunition, ordnance and accessories
3720, 3721, 3724, 3728	Aircraft and aircraft parts
3730	Ship building and repairing
3760	Guided missiles, space vehicles and parts
3790	Tanks and tank components
4812, 4813	Radio and television broadcasting
8731	Scientific research and development services

Table A4: Components of Total Investment

This table presents the components of TOTALINV. The dependent variable, ΔEMP , is the percent change in total employment. INTAN/EMP is equal to the sum of R&D and SG&A scaled by total capital. The main explanatory variable, PHI, is the partisan similarity between a firm's management team and the president. Full controls are included from column 5 of Table 2. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions for and for a list of government-related industries. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	ΔEMP	INTAN/EMP	SG&A	CAPEX	R&D
	1	2	3	4	5
PHI_{Top5}	0.037*** (0.009)	0.045*** (0.013)	0.006*** (0.002)	0.007** (0.003)	0.007*** (0.002)
Observations	33,369	33,487	33,706	33,706	33,706
Adjusted R^2	0.239	0.724	0.811	0.602	0.830
Within R^2	0.116	0.105	0.277	0.209	0.152
Firm FE	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓
Full Controls	✓	✓	✓	✓	✓

Table A5: Alternative Proxies for Investment

This table presents alternative proxies for TOTAL_INV. The dependent variables are the change in total book assets, total capital, PP&E, and CAPEX, as well as CAPEX scaled by tangible capital. The main explanatory variable, PHI, is the partisan similarity between a firm's management team and the president. Full controls are included from column 5 of Table 2. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	ΔAT	$\Delta CAPITAL$	ΔPPE	$\Delta CAPEX$	$CAPEX_{PPE}$
	1	2	3	4	5
PHI_{Top5}	0.059*** (0.013)	0.038*** (0.011)	0.049*** (0.014)	0.085*** (0.025)	0.022** (0.009)
Observations	33,706	33,690	33,701	33,467	33,704
Adjusted R^2	0.220	0.325	0.272	0.109	0.509
Within R^2	0.163	0.179	0.157	0.067	0.209
Firm FE	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓
Full Controls	✓	✓	✓	✓	✓

Table A6: Subsample Analysis - State Affiliation

This table presents a heterogeneous effects by state affiliation. A state is identified as RED (Republican) if it's average Republican vote share over the sample period is greater than 55%, SWING if between 45% and 55%, or BLUE (Democrat) if less than 45%. The dependent variable, TOTAL_INV, is the sum of CAPEX, SG&A, and R&D scaled by total capital. The main explanatory variable, PHI, is the partisan similarity between a firm's management team and the president. PARTY is the average party affiliation of a firm's managers. Full controls are included from column 5 of Table 2. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	1	2	3
	RED	SWING	BLUE
PHI _{Top5}	0.013 (0.009)	0.015*** (0.006)	0.029*** (0.008)
PARTY _{Top5}	-0.011 (0.012)	-0.003 (0.005)	-0.011 (0.009)
Observations	6,566	13,111	14,029
Adjusted R^2	0.642	0.697	0.738
Within R^2	0.310	0.349	0.381
Firm FE	✓	✓	✓
Year FE	✓	✓	✓
Controls	✓	✓	✓

Table A7: Including Insider Trading Measures

The dependent variables are SHARES, the net number of shares purchased (+) and sold (-) scaled by the number of shares outstanding, EXERCISED, the average EXERCISED for the whole management team, EXERCISED_N, the log of the number of options exercised in year t , and EXERCISED_\$, the log of the total value of options exercised in year t . The main explanatory variable, PHI, is the partisan similarity between a firm's management team and the president. PARTY is the average party affiliation of a firm's managers. Firm controls are included from Table 10, with the inclusion of stock returns, RET_t . The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	SHARES	EXERCISED	EXERCISED_N	EXERCISED_\$
	1	2	3	4
PHI _{Top5}	0.001 (0.003)	0.003 (0.017)	0.039 (0.070)	0.083 (0.122)
PHI _{Top5} × RET _t	0.012** (0.005)	-0.039* (0.022)	-0.142 (0.099)	-0.281* (0.166)
PARTY _{Top5}	-0.006** (0.003)	0.054*** (0.017)	0.238*** (0.069)	0.406*** (0.120)
RET _t	-0.017*** (0.003)	0.076*** (0.011)	0.303*** (0.051)	0.555*** (0.084)
Observations	31,405	33,709	33,324	33,324
Adjusted R^2	0.207	0.280	0.304	0.320
Within R^2	0.036	0.035	0.044	0.05
Firm FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Controls	✓	✓	✓	✓

Table A8: Evidence From Insider Trades Around Elections

This table reports insider trading results around presidential elections where the event period is $t-1$ to $t+1$. The dependent variables are SHARES, the net number of shares purchased (+) and sold (-) scaled by the number of shares outstanding, and SALE, an indicator variable equal to 1 if there was a sale made in year t and 0 otherwise. The main explanatory variables are PARTY, an indicator for whether a manager is a Republican, and WINNING_PARTY, which is equal to the PHI between an executive and the president in the year after an election. Log(TOTAL_COMP) is the log of an executive's total compensation and TENURE is the employee's length of employment at their current firm. For readability the estimates for SHARES are multiplied by 100. The sample excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and executive, and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	SHARES		SALE	
	1	2	3	4
WINNING_PARTY _{Exec}	0.033*** (0.013)	0.031** (0.013)	-0.048** (0.023)	-0.051** (0.024)
PARTY _{Exec}	0.003 (0.004)	0.005 (0.004)	-0.003 (0.007)	-0.004 (0.007)
Log(TOTAL_COMP)		-0.026*** (0.006)		-0.058*** (0.009)
TENURE		-0.027*** (0.004)		0.053*** (0.011)
Observations	4,047	3,957	4,047	3,957
Adjusted R^2	0.369	0.397	0.622	0.627
Within R^2	0.003	0.048	0.002	0.029
Firm x Year FE	✓	✓	✓	✓

Table A9: Evidence From Insider Trades - 2001 Election

This table reports insider trading results around the 2001 presidential election where the event period is $t-1$ to $t+1$. The dependent variables are SHARES, the net number of shares purchased (+) and sold (-) scaled by the number of shares outstanding, and SALE, an indicator variable equal to 1 if there was a sale made in year t and 0 otherwise. The main explanatory variables are PARTY, an indicator for whether a manager is a Republican, and $PARTY_{Exec} \times REP_PRESIDENT$, which takes the value of PARTY in year $t+1$. $\text{Log}(\text{TOTAL_COMP})$ is the log of an executive's total compensation and TENURE is the employee's length of employment at their current firm. For readability the estimates for SHARES are multiplied by 100. The sample excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and executive, and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	SHARES		SALE	
	1	2	3	4
$PARTY_{Exec} \times REP_PRESIDENT$	0.052** (0.023)	0.052** (0.024)	-0.107** (0.049)	-0.114** (0.051)
$PARTY_{Exec}$	-0.009 (0.014)	-0.008 (0.013)	0.009 (0.033)	0.009 (0.034)
$\text{Log}(\text{TOTAL_COMP})$		-0.011 (0.009)		-0.053*** (0.015)
TENURE		-0.026*** (0.006)		0.069*** (0.019)
Observations	1,558	1,509	1,558	1,509
Adjusted R^2	0.393	0.402	0.622	0.598
Within R^2	0.005	0.025	0.006	0.037
Test: $PARTY + PARTY \times REP_PRES = 0$				
F-stat	4.40	4.18	5.86	6.42
p-value	0.037	0.042	0.016	0.012
Firm x Year FE	✓	✓	✓	✓

Table A10: Long Run Effects

The main explanatory variable is the PHI between a firm's management team and the president. Full controls are included from column 5 of Table 2. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	TOTAL INV	Q	RET	PROFIT
	1	2	3	4
PHI _{Top5} × Year1	0.035*** (0.010)	-0.329** (0.132)	0.230*** (0.069)	0.032** (0.014)
PHI _{Top5} × Year2	0.045*** (0.009)	-0.016 (0.123)	0.088* (0.048)	0.026* (0.014)
PHI _{Top5} × Year3	0.025*** (0.009)	-0.117 (0.121)	-0.109* (0.056)	-0.006 (0.013)
PHI _{Top5} × Year4	0.034*** (0.008)	-0.283** (0.117)	0.001 (0.049)	-0.031** (0.013)
PHI _{Top5} × Year5	0.032*** (0.008)	-0.192 (0.128)	0.063 (0.050)	-0.029** (0.013)
PHI _{Top5} × Year6	0.019** (0.008)	-0.219* (0.131)	0.078 (0.048)	-0.022* (0.013)
PHI _{Top5} × Year7	0.017* (0.009)	0.453*** (0.156)	0.245*** (0.059)	-0.008 (0.014)
PHI _{Top5} × Year8	0.002 (0.009)	0.305* (0.159)	0.023 (0.053)	-0.001 (0.016)
Observations	29,554	30,044	29,528	30,496
Adjusted R^2	0.711	0.680	0.125	0.711
Within R^2	0.366	0.347	0.033	0.378
Firm FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Full Controls	✓	✓	✓	✓

Table A11: Management Forecast

The main explanatory variable is the political similarity (PHI) between a firm's management team and the president. ISSUE is an indicator variable equal to 1 if the firm issues an earning guidance during the fiscal year. GREATER_THAN_ANALYST is an indicator equal to 1 if the beginning of fiscal year annual earnings forecast is greater than the average analyst forecast. MISS_GUIDANCE is an indicator equal to 1 if a firm falls short of its annual earnings guidance. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms. See this appendix for variable definitions and government related industries. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	ISSUE 1	GREATER_THAN_ANALYST 2	MISS_GUIDANCE 3
PHI _{Top5}	0.004 (0.03)	0.107** (0.050)	0.064* (0.036)
PARTY _{Top5}	-0.001 (0.026)	-0.013 (0.048)	-0.028 (0.037)
CONTRIBUTIONS	0.003** (0.001)	0.001 (0.003)	0.003 (0.002)
LOBBYING	0.021 (0.013)	0.0297 (0.026)	-0.001 (0.021)
PHI _{State}	-0.013 (0.015)	-0.021 (0.027)	-0.035 (0.024)
SIZE	0.067*** (0.009)	-0.055** (0.025)	0.229*** (0.017)
Q	0.003 (0.003)	-0.001 (0.009)	0.010* (0.006)
TOTAL_INV	-0.014 (0.033)	-0.206 (0.152)	0.297*** (0.086)
PROFIT	0.262*** (0.029)	0.072 (0.105)	0.098 (0.066)
LEVERAGE	-0.019 (0.016)	0.033 (0.041)	-0.004 (0.030)
CASH	-0.017 (0.014)	0.044 (0.049)	-0.031 (0.031)
Observations	29,508	6,849	9,268
Adjusted R^2	0.501	0.063	0.290
Within R^2	0.019	0.003	0.038
Firm FE	✓	✓	✓
Year FE	✓	✓	✓

Table A12: Valuation and Operating Performance - Strong Measure

The main dependent variables are annual stock returns, (RET), and profitability, (PROFIT). The main explanatory variable, PHI, is the partisan similarity between a firm's management team and the president. PARTY is the average party affiliation of a firm's managers. STRONG_PHI and STRONG_PARTY are strong versions of the political measures. All control variables are contemporaneous. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms as well as those in government related industries or have the government as a customer. See this appendix for variable definitions and for a list of government related industries. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	RET _t	RET _{t+1}	RET _{t+2}	PROFIT _t	PROFIT _{t+1}	PROFIT _{t+2}
	1	2	3	4	5	6
STRONG_PHI _{Top5}	0.149** (0.0676)	0.124** (0.0612)	0.125** (0.0611)	0.0530** (0.0242)	0.0423* (0.0221)	0.0552*** (0.0202)
STRONG_PHI _{Top5} x TOTAL_INV	-0.0583 (0.307)	-0.566** (0.246)	-0.736*** (0.270)	-0.319** (0.148)	-0.279** (0.128)	-0.310*** (0.117)
STRONG_PARTY _{Top5}	0.061** (0.026)	0.028 (0.027)	0.013 (0.026)	0.029** (0.012)	0.019* (0.012)	0.011 (0.012)
LOBBYING	-0.013 (0.011)	0.0256** (0.011)	0.021* (0.011)	0.012*** (0.005)	0.017*** (0.005)	0.017*** (0.005)
CONTRIBUTIONS	-0.002* (0.001)	-0.00 (0.001)	-0.001 (0.001)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)
PHI _{State}	0.049*** (0.013)	0.028** (0.012)	-0.002 (0.012)	0.011** (0.005)	0.013*** (0.004)	0.006 (0.004)
SIZE	-0.159*** (0.009)	-0.202*** (0.009)	-0.103*** (0.007)	-0.024*** (0.005)	-0.088*** (0.005)	-0.096*** (0.005)
TOTAL_INV	-0.711*** (0.162)	0.097 (0.134)	0.392*** (0.147)	0.836*** (0.075)	0.383*** (0.065)	0.260*** (0.058)
LEVERAGE	-0.002 (0.017)	0.048*** (0.016)	0.035** (0.017)	0.045*** (0.009)	-0.002 (0.009)	0.005 (0.007)
CASH	0.073*** (0.022)	-0.162*** (0.019)	-0.095*** (0.019)	0.101*** (0.013)	0.072*** (0.012)	0.010 (0.011)
PROFIT	0.384*** (0.030)	-0.442*** (0.039)	-0.322*** (0.038)			
Observations	29,558	29,028	27,930	30,541	29,416	27,329
Adjusted R ²	0.123	0.141	0.117	0.712	0.657	0.639
Within R ²	0.032	0.044	0.015	0.379	0.242	0.183
Firm FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓

Table A13: Cash and Leverage Decisions

The main explanatory variable is the PHI between a firm's management team and the president. The sample consist of firms with over \$5 million in physical capital and excludes financial and utility firms as well as those in government related industries or have the government as a customer. See this appendix for variable definitions and government related industries. Standard errors are clustered by firm and are reported in parentheses. *, **, and *** represent statistical significance at the 10%, 5%, and 1% level, respectively.

	LEVERAGE				CASH	
	1	2	3	4	5	6
PHI _{Top5}	0.047*** (0.018)	0.042*** (0.014)	0.039*** (0.015)	-0.031** (0.013)	-0.019* (0.011)	-0.020* (0.012)
PARTY _{Top5}	0.007 (0.016)	-0.010 (0.016)	-0.012 (0.016)	-0.061*** (0.011)	-0.022** (0.011)	-0.020* (0.012)
PHI _{State}	-0.037*** (0.010)	-0.022** (0.009)	-0.017** (0.009)	0.009 (0.008)	-0.011 (0.008)	-0.004 (0.008)
LOBBYING	0.004 (0.011)	-0.020** (0.009)	-0.024*** (0.008)	0.023*** (0.008)	0.011 (0.007)	0.012* (0.007)
CONTRIBUTIONS	-0.003*** (0.001)	-0.001 (0.001)	-0.001* (0.001)	-0.000 (0.001)	-0.000 (0.001)	0.000 (0.001)
Q	-0.019*** (0.004)	-0.021*** (0.002)	-0.021*** (0.003)	0.069*** (0.004)	0.054*** (0.003)	0.051*** (0.003)
TOTAL_INV	0.092* (0.054)	0.424*** (0.045)	0.462*** (0.046)	0.918*** (0.043)	0.653*** (0.048)	0.636*** (0.049)
PROFIT	0.339*** (0.047)	0.285*** (0.043)	0.274*** (0.048)	-0.043 (0.035)	0.074* (0.040)	0.148*** (0.039)
DIVIDEND	-0.057*** (0.009)	-0.017* (0.008)	-0.017* (0.009)	-0.021*** (0.007)	0.016** (0.007)	0.019*** (0.008)
SIZE	0.038*** (0.004)	0.066*** (0.009)	0.071*** (0.009)	-0.026*** (0.003)	-0.064*** (0.007)	-0.069*** (0.008)
CASH	0.029 (0.024)	0.057*** (0.022)	0.065*** (0.022)			
LEVERAGE				0.019 (0.016)	0.043*** (0.017)	0.049*** (0.017)
Observations	30,077	30,040	30,001	30,077	30,040	30,001
Adjusted R ²	0.288	0.639	0.646	0.538	0.736	0.740
Within R ²	0.055	0.091	0.093	0.465	0.357	0.349
Firm FE		✓	✓		✓	✓
Industry FE	✓			✓		
Year FE	✓	✓		✓	✓	
Industry x Year FE			✓			✓