

CEO Political Ideology, Shareholder Primacy and Dividend Policy

Finance Working Paper N° 650/2020

January 2020

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ECGI Working Paper Series in Finance

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Keywords: CEO Political Ideology, Dividend Policy, Stakeholder Theory, Corporate Governance

JEL Classifications: G35, G34

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Abstract

We argue that CEOs have different attitudes toward the firm's stakeholders and that these differences in attitudes affect the firm's decision making. We hypothesize that these differences stem from differences in political ideology: Liberal CEOs, as compared to their conservative counterparts, pay less attention to shareholders and this is reflected in dividend policy. To test the validity of our hypothesis, we measure CEO ideology by political donations. We study the CEOs of S&P 500 firms during 1997-2014 and find that firms with liberal CEOs are less likely to pay dividends and have significantly lower dividend payouts. In contrast, conservative CEOs pay more dividends, even if this requires redundancies.

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1. Introduction

In 1919, when Henry Ford, the founder of Ford Motor Company, refused to distribute a proportion of his company’s enormous profit in the form of a dividend, John and Horace Dodge — two minority investors in the firm — brought a lawsuit against him. Taking the Dodge brothers’ side, the Michigan Supreme Court went against Ford’s provocative claim that the money could be used for making cheaper cars for the customers and for paying better wages to the employees. The court argued that the primary objective of a business corporation is about making a profit for its stockholders (Dodge v. Ford Motor Co., 1919). This classic case generates three important stylized facts. First, business executives may have different attitudes toward the firm’s stakeholders. Second, their attitudes may directly impact the firm’s policies and decisions. Third, a CEO’s attitudes may go against societal norms and regulations. Despite their importance, the effects of managerial attitudes on firm policies have remained largely unexplored and our knowledge is limited to a few empirical studies. More specifically, we do not as yet have sufficient knowledge of what might shape the attitudes of executives toward a specific group of stakeholder and how these attitudes affect corporate outcomes. This paper examines the role of CEO political ideology as a driver of CEO attitudes toward the firm’s stakeholders, aiming to shed light on the effect of CEO conservatism versus CEO liberalism on the firm’s dividend policy.

This research builds on the view that the firm is a nexus of contracts between different parties (Coase, 1937). The CEO makes strategic decisions at the center of this nexus (Mitroff, 1983; Hill and Jones, 1992) and his role demands him to be more like “a juggler of constituencies than a pilot at the helm of a great corporate ship” (Agle, Mitchell, and Sonnenfeld, 1999, p. 520). Any decision made by the CEO is likely influenced, at least to a certain degree, by stakeholder expectations and the priority he gives to competing stakeholder claims (Ansoff, 1984; Allen, 2005). Central to the CEO’s decision is “the principle of who or what really counts” (Freeman, 1994, p. 4). Who catches the CEO’s attention while making an important decision depends not only on the relative power of various stakeholder groups and the legitimacy and urgency of their claims, but it also depends on the CEO’s *perception* of the relative importance of the various stakeholder groups (Mitchell, Agle, and Wood, 1997).

In this context, it is critical to understand the CEO’s attitudes toward various stakeholder groups and why the CEO prefers a group of stakeholders over the others. More specifically, why should a CEO prioritize shareholder interests over the interests of other stakeholders? The prevailing shareholder-stakeholder debate in the corporate governance literature has attempted to explain differences in the CEO’s prioritization of various stakeholders by typically

focusing on the country rather than the firm level of analysis (Allen, 2005; Yoshimori, 1995). With regard to employees and shareholders, evidence suggests that there is substantial cross-country variation in the main objective of the firm. For example, in Japan employee interests take precedence over shareholder interests. In turn, the Codetermination law in Germany ensures that both employees and shareholders have board representation and, hence, a voice in the way the firm is managed. In contrast, in the USA and the UK, the shareholder-centric view prevails.

These cross-country differences may explain CEO preferences given that CEOs are expected to conform to the societal norms and regulations of their country and take corporate actions that are in line with these. For example, CEOs in the USA should be more likely to cater to shareholder concerns and adopt policies that maximize shareholder value while paying less attention to employee interests.

However, there may still be within-country variation in CEO preferences and attitudes. To date, there is as yet limited literature that attempts to explain such within-country differences in preferences by focusing on the personal attributes of corporate decision makers. Using a survey questionnaire, Sturdivant and Ginter (1977) find that the best (worst) socially performing firms, as identified by the media, are led by executives who maintain liberal (conservative) attitudes toward business and social issues and are expected to promote (demote) corporate responsiveness to ecological matters, employee welfare, consumerism, and the like. Further, Sturdivant (1979) observes fundamental differences between the values of executives and a group of stakeholders (namely activists). He finds that the executives of the best socially performing firms have higher liberal scores and are more sensitive to stakeholder concerns.¹ Sonnenfeld (1981) investigates the perceptions of executives of different stakeholders. He examines the quality and quantity of interactions between the functional departments and the key stakeholders in firms operating in the forestry industry. He finds that executives responsible for a particular stakeholder group are more critical and less tolerant of that group. On the contrary, executives with relatively little interaction time with a given stakeholder group are more sympathetic to the concerns of that group. For example, human resource managers are more open to financial stakeholder concerns than finance executives. Adams, Licht, and Sagiv (2011) study the personal values of board members and CEOs in Sweden. They find that these values have predictive power of how much emphasis the CEO puts on shareholders relative to stakeholders. Specifically, they find that directors and CEOs that endorse greater achievement, power, and self-direction values and lower

¹Sturdivant (1979) uses the management attitude survey developed by Sturdivant and Ginter (1977). He positions the response groups with respect to each other on a dimension of a “broad” (i.e., liberal) to “narrow” (i.e., conservative) view of business and social issues. A high liberal score means that the respondent has a broad view of business and promotes corporate responsiveness to social issues.

universalism values tend to focus on shareholders.²

More recent studies go beyond the sole investigation of the origins of CEO attitudes by providing evidence that link CEO personal values as well as CEO perceptions toward different stakeholders to CEO decision making. Chin, Hambrick, and Treviño (2013) find that liberal CEOs make greater advances in corporate social responsibility (CSR) and thus give greater attention to broader stakeholders when making decisions. Briscoe, Chin, and Hambrick (2014) investigate the formation of lesbian, gay, bisexual, and transgender (LGBT) employee groups in major corporations and provide evidence that the political liberalism of the CEO influences the likelihood of activism within the corporation as manifested by the formation of such groups.

Building on these contributions, we study how the political ideology of the CEO as a key determinant of the CEO's attitudes toward shareholders and other stakeholders affects dividend policy. Shareholders provide the firm with the necessary capital and in turn expect a return on their investment (Porta, de Silanes, Shleifer, and Vishny, 2000). The dividend is then a mechanism through which the CEO may return money to the shareholders. The relative importance accorded to shareholder interests and worker interests has always been subject to debate between individuals of a left political leaning and those of a right political leaning. More precisely, CEOs with conservative views are expected to put more emphasis on capital and consequently one expects right-wing CEOs to pay more attention to shareholders. We hypothesize that this attention reflects itself in the firm's dividend policy. If the hypothesis is valid, conservative CEOs are expected to pay more dividends.

The corporate governance literature is not unfamiliar with the argument that right-wing politics favors shareholders over workers (at least at the country level). Specifically, Roe (2003) argues that the reason why corporate ownership has become dispersed in some countries while it remains concentrated in others can be explained by how individual countries maintain social peace by resolving the inherent conflict between workers and investors. He argues that, unlike right-wing countries, the social democracies of Continental Europe prefer workers over investors and this preference reflects itself in government policies and regulations. The political orientation of the government is then the main determinant of the relative degree of attention given to investors and workers. We follow the same logic at firm level rather than country level by studying the dividend policy of conservative and liberal CEOs (see also Bank, Cheffins, and Goergen, 2009).

²They utilize the personal value measures developed by Schwartz (1992). Achievement is related to personal success through demonstrating competence according to social standards; power refers to social status and prestige; self-direction refers to independent thought and action-choosing; and universalism is understanding, appreciation, tolerance and protection of the welfare of all people and for nature. For a complete list of values and their definitions, see Adams et al. (2011).

We exploit a dataset that comprises CEOs of S&P 500 firms and covers the period of 1997 to 2014. The use of political donation data for capturing the political ideology of the CEO has recently attracted much attention from management and finance scholars (e.g.; Elnahas and Kim, 2017; Hutton, Jiang, and Kumar, 2014; Briscoe et al., 2014). Similar to these studies, we use the political donations to the Republican and Democratic parties made by each individual CEO to measure the CEO’s level of conservatism and liberalism. We find that firms with liberal CEOs are more likely to be at the helm of non-dividend paying firms and firms with consistently lower dividend payouts. However, and contrary to expectations, we do not observe a difference in the likelihood of dividend cuts, omissions, initiations, and re-initiations between liberal and conservative CEOs.

This paper contributes to at least three strands of existing research. First, it contributes to the strand of the strategic management literature that studies the relationship between management and stakeholders by providing evidence that CEOs vary in their attitudes toward stakeholders (Hill and Jones, 1992; Mitchell et al., 1997). Further, these differences in attitudes are driven by differences in CEO political ideology. Second, our paper complements previous findings that point to the importance of CEO personal attributes for firm policies (Hambrick and Mason, 1984; Bertrand and Schoar, 2003). More specifically, this paper adds to the growing literature that investigates the effects of the political ideology of the CEO on various firm decisions (e.g.; Elnahas and Kim, 2017; Hutton et al., 2014; Briscoe et al., 2014; Chin et al., 2013; Unsal, Hassan, and Zirek, 2016; Francis, Hasan, Sun, and Wu, 2016). Finally, this paper contributes to the literature that studies how CEO attributes affect dividend policy (e.g.; Deshmukh, Goel, and Howe, 2013; Caliskan and Doukas, 2015).

The rest of the paper is organized as follows. Section 2 reviews related work. Section 3 explains the sample selection and methodology. Section 4 discusses the results of the analysis. The next section carries out a battery of robustness tests. Finally, Section 6 contains the discussion and ends with concluding remarks.

2. Related Work

2.1. *CEO Effects on Firm Decision Making*

The effects that managers may have on firm behavior and performance have long been debated by organizational theorists (e.g.; Chandler, 1962; Hannan and Freeman, 1977; Hambrick and Mason, 1984; Hambrick and Finkelstein, 1987; Bertrand and Schoar, 2003; Mackey, 2008; Quigley and Hambrick, 2015). An increasing amount of empirical research has explored the magnitude and nature of these effects. The earliest discussions involve two antagonistic

views: the first one arguing for the importance of managerial effects on corporate performance (e.g.; Child, 1972; Hambrick and Mason, 1984) and the second one arguing for the negligibility of managerial effects, but the importance of structure and environmental factors (e.g.; Hannan and Freeman, 1977; DiMaggio and Powell, 1983). Not surprisingly, the empirical voyage in this area begins with research aiming to quantify the fraction of the variance in firm performance that is explained by executives (e.g.; Lieberman and O'Connor, 1972).³ In reaction to this apparent polarity, the focus of research has moved away from the question of whether and to what extent managers matter to the question of when and under what circumstances they matter (e.g.; Finkelstein and Hambrick, 1990; Hambrick and Abrahamson, 1995; Crossland and Hambrick, 2007; Adams, Almeida, and Ferreira, 2005; Crossland and Hambrick, 2011). For example, the effects of managers on firm performance has been shown to be moderated by factors such as managerial discretion, the managerial labor market, overconfidence and board gender diversity (e.g.; Hambrick, 2007; Malmendier, Tate, and Yan, 2011; Chen, Leung, Song, and Goergen, 2019).

This literature has changed track ever since to explore two additional, promising and related directions. The first direction emerged from the realization that managers cannot be regarded as perfect substitutes for one another (Bertrand and Schoar, 2003). Contrary to the main assumption of the neoclassical theory of the firm, managers have idiosyncratic styles and have distinct characteristics. These differences in characteristics are predicted to translate into heterogeneous strategic actions. Second, the focus has shifted partly from the direct emphasis on firm performance to specific firm policies such as corporate risk taking (Cain and McKeon, 2016; Cronqvist, Makhija, and Yonker, 2012), corporate investment (Malmendier and Tate, 2005; Benmelech and Frydman, 2015), and firm financial policy (Malmendier et al., 2011; Graham, Harvey, and Puri, 2013).

To sum up, even though the research on the effects of the CEO on firm policies has passed the infancy stage, we still only have a limited amount of empirical evidence on how CEO values and attitudes toward different stakeholders shape the firms policies. This study investigates how CEO political ideology (as a proxy for CEO attitudes toward shareholders and stakeholders) determines the firm's dividend policy.

2.2. Political Ideology of CEOs and Firm Policies

There has been a surge in the number of studies focusing on the political ideology of CEOs and other board members. Evidence supports the view that conservative and liberal CEOs

³Discussions and empirical inquiries around this as yet unsettled debate are still developing in the literature. For examples, see Hambrick and Quigley (2014); Fitza (2014); Quigley and Graffin (2017) and Quigley and Hambrick (2015).

behave differently and have different management styles. Republican CEOs are more likely to follow conservative corporate policies. For example, they raise lower levels of corporate debt, invest less in research and development (R&D) and undertake less risky investments (Hutton et al., 2014). Republican CEOs also engage in fewer mergers and acquisitions (M&As), and, when they do, they are more likely to acquire public firms within the same industry and use cash as the method of payment (Elnahas and Kim, 2017). Unsal et al. (2016) find that the effects of lobbying on firm performance vary across firms with different managerial political orientations and excess lobbying (i.e., higher lobbying expenditure and lobbying a larger number of bills) failing to create value for firms with conservative managers. Francis et al. (2016) associate Republican CEOs with more corporate tax sheltering even when their wealth is not tied to that of the shareholders and when corporate governance is weak. At the board level, Kim, Pantzalis, and Park (2013) find evidence that the monitoring effect of outside directors is more likely to be improved when the political views of the outside directors are distinct from those of the management. Further, ideologically diverse boards are associated with better firm performance and lower agency costs. Finally, Gupta, Briscoe, and Hambrick (2018a) use CEO political ideology as an explanation for even-handedness in resource allocation, defined as the degree to which every unit in an organization receives the same capital allocation. They observe that liberal CEOs favor even-handedness, while conservative CEOs support the view that resources should flow to their most efficient users, and hence such CEOs tolerate greater disparity.

3. Sample Selection and Methodology

3.1. Sample Selection

We collect CEO data from ExecuComp and match it with firm financial data obtained from Compustat. The sample includes all the executives who served as the CEO of an S&P 500 firm for at least three consecutive years between 1997 and 2014. This sample is then merged with board data obtained from the Institutional Shareholder Services (ISS) Director database. The initial sample consists of 872 CEOs and 5713 CEO-year observations. After constructing the dependent and control variables and discarding missing observations, the sample contains 736 CEOs and 2959 CEO-year observations.

For each CEO in the sample, we obtain political donation data from the Federal Election Commission (FEC). The FEC is an independent regulatory agency and has jurisdiction over the financing of political campaigns in the United States. It has been publicly disclosing detailed information about all financial contributions by individuals to the federal elections

that exceed \$200 since 1979. We scrape the data directly from the FEC web page using its OpenAPI platform. We manually check the harvested data and filter out CEOs from other donors with similar names, using information about occupation, employer and address. As some CEOs made several donations to a party in a given year, for each year we aggregate the donations to obtain the dollar value of the total contributions to each party made by each CEO.

The CEO donations recorded by the FEC consist of direct donations which are the contributions made by the CEO individually to candidates or party committees, as well as indirect donations which are the donations made via a Political Action Committee (PAC). The direct and indirect donations differ in two ways. First, in making a direct contribution, the CEO has complete control over which politician or political party receives the donation. In contrast, a donation made by the CEO indirectly via a PAC passes through a third party, which determines their ultimate candidate and political party recipients (Fremeth, Richter, and Schaufele, 2013). Second, the aggregate direct donations made by executives have been shown to be consistently partisan across election cycles, a pattern similar to that of ordinary donors but in contrast to the donation patterns of corporate PACs (e.g.; Cooper, Gulen, and Ovtchinnikov, 2010; Bonica, 2016). Given these differences and following previous studies (e.g.; Hutton et al., 2014), we only consider CEOs' *direct* contributions to the Republican and Democratic parties. In total, we have 8422 observations of annual, aggregated direct donations.

Out of the 736 CEOs in our dataset, 632 CEOs have made at least one donation to a political party since 1979 and 546 CEOs have made at least one donation to a political party during their tenure as a CEO of an S&P 500 firm. As we discuss in the following sub-sections, we construct our measure of political ideology considering the donations made during the CEO's tenure only. After merging the main dataset with the political donation data, we end up with a final sample of 546 CEOs and 2302 CEO-year observations.

3.2. *Measuring the Political Ideology of the CEO*

Poole and Rosenthal (1984) report a rise in the polarization of politics beginning with the 1970s when the Republicans and the Democrats became more divided along ideological lines, with the Democrats holding consistently liberal positions and the Republicans promoting exclusively conservative ones. Later studies confirm this polarization, suggesting its continuation and strengthening over time (e.g.; McCarty, 2006; Poole and Rosenthal, 1997; Johnston, Manley, Jones, and Rohla, 2018). Evidence also suggests that both voters and political activists (including those who contribute money to candidates or parties) are

also more separated across party lines and that their partisanship is increasingly aligned with their ideological preferences (Hetherington, 2001; Levendusky, 2009; Layman, Carsey, Green, Herrera, and Cooperman, 2010; Layman and Carsey, 2002).

Contributing to political parties is common practice among the leaders of big corporations in the United States. Considering the life-time donations, eight out of ten CEOs makes at least one donation to a political party. Seven out of ten CEOs in our sample made at least one donation to a political party during their entire tenure as a CEO of an S&P 500 firm. The mean for total political donations during the period covered by the FEC is \$31000 for individuals who are CEOs of S&P 500 firms during our period of study (i.e., 1997-2014). The mean is \$11,000 if we only consider donations made by the individuals when they were the CEOs of S&P 500 firms. Considering donations made during the CEO tenure, on average, the aggregate spending of the CEOs in each two-year election cycle is around 1.2 millions to the Republican party and the Democratic party.

The trend in the polarization of politics, together with the frequency of political donations made by individuals, makes political donations a potentially valid proxy for measuring the political ideology of the donor. For individual donors, as previous studies have documented, the ideology is a primary driver of the decision to donate (e.g.; Barber, 2016). However, the nature of the CEO's profession likely makes the CEO different from the general public. As CEOs pursue strategic objectives for their firms, any donation made by a CEO may be regarded as strategic or opportunistic giving rather than being a reflection of his or her political ideology. In fact, the pattern in executives' political giving has been shown to be consistent with both ideological intents (Fremeth et al., 2013; Bonica, 2016) and strategic considerations (Gordon, Hafer, and Landa, 2007; Richter and Werner, 2017). It is therefore essential to construct a donation-based measure that reflects ideology rather than strategic intent.

Another concern about using political contributions to measure ideology is dealing with questions regarding the stability of the ideology across time. Even if a person's political donations serve as a true reflection of that person's ideology, the assumption that ideology remains constant over time needs to be scrutinized. This is due to the fact that one's ideology is likely determined by one's income, age, education as well as other demographics, which are subject to change over time. If ideology does not remain constant over time, then considering the donations over time of CEOs causes bias in an aggregate time-invariant measure of ideology. The bias is expected to be greater for CEOs whose donations are more dispersed over time. We attempt to address the above two concerns in the following two sub-sections.

3.2.1. Consistency of Donation Patterns over Time

Even though basic demographic traits may be important determinants of political preferences, we are less concerned about the fixed characteristics such as gender, ethnicity and education when it comes to the study of CEOs. This is because the majority of CEOs in our sample are highly educated, white males. Hence, we draw our attention to CEO age and income, which are subject to change over time and also vary across firms. Nevertheless, we expect the effect of income and age to be minimal as the CEOs are mostly senior (the average age of CEOs in our sample is 57 years) and wealthy individuals. We use exploratory analysis to check whether our expectation proves to be correct. The ExecuComp database provides information about CEO age and compensation. By merging the ExecuComp data with the donation data, we are able to determine the age and the cash compensation of the CEO at the time of the donation. We use the CEO's cash compensation as a proxy for the CEO's income and CEO share ownership as a proxy for CEO wealth.

Figure 1 presents three scatter plots illustrating the relationship between the fraction of total donations given to the Republicans on the vertical axis and CEO age (Plot (a)), the logarithm of one plus the CEO cash compensation (Plot(b)), and CEO share ownership (Plot (c)), respectively, on the horizontal axis. The data points represent the combinations of donations and age, combinations of donations and cash compensation, and combinations of donations and share ownership at any given year. Plot (a) documents a low, yet significant correlation (at the 5% level) between donations to the Republicans and CEO age (correlation coefficient of 0.04), whereas Plot (b) shows a low and insignificant correlation between donations to the Republicans and income (correlation coefficient of -0.02). Finally, Plot (c) reports a low positive and insignificant correlation between donations to the Republicans and CEO share ownership. This is partially consistent with the view that CEOs are mature and wealthy individuals and that a greater number of them have right-leaning views.

Insert Fig. 1 about here.

Here, the association between CEO age and donations to the Republicans is minimal. Yet, one might argue that there might still be time-varying factors that shape the donation patterns over time and that we fail to account for in our analysis. For example, looking at the CEOs of S&P 500 firms, Fremeth et al. (2013) note that the patterns of the direct donations of an individual may change when the individual becomes the CEO of a large corporation.⁴ Most prior studies use the life-time CEO donations to construct a political

⁴CEOs were found to intensify their donation activities for the period when they held their position as

ideology measure. To be prudent, we consider the donations made by the CEO during their tenure. This will help account for possible changes to CEO donations caused by time-varying factors and unforeseen changes. Nevertheless, in the robustness section we consider an alternative measure of political ideology, which is based on the donations of CEOs during their life-time to date. The results do not change materially when using this alternative measure.

3.2.2. *Donations: Ideology versus Opportunism*

Another relevant question about CEO political contributions is whether the donations are the result of CEOs pursuing the objectives of their firm or a reflection of their own ideology. Evidence suggests that, unlike corporate Political Action Committee (PAC) contributions, the direct donations made by CEOs are more partisan, go to the non-incumbents, and are less likely to target powerful legislators. As a result, it is highly likely that CEO donations reflect CEO ideology (Bonica, 2016). In the same vein, the fact that CEO donations are relatively small suggests that they are more likely a reflection of CEO political ideology rather than money for favors. Nevertheless, there exists evidence supporting the competing view that donations made by executives are strategic. For example, Gordon et al. (2007) find support for the view that donations reflect strategic intent by documenting a positive association between the level of CEO wealth linked to the firm and CEO donation activities. Given the polarity of the findings, it is essential to examine this issue in more detail.

Insert Fig. 2 about here.

Figure 2 presents the frequency distribution of the fraction of dollars donated to the Republicans by the CEOs in our sample. Similar to Bonica (2016), we find that the distribution has fat tails, with large fractions of CEOs donating to one of the two parties only during their tenure. This suggests that a considerable number of CEOs (i.e., 42%) are partisan with a higher fraction of partisan CEOs making donations to the Republicans only (i.e., 29%). However, there still remains a considerable fraction of bipartisan CEOs occupying the middle of the frequency distribution and making donations to *both* parties during their tenure. Tracking over time the proportion of CEOs who donate to both parties, we observe that this proportion peaks around presidential elections and that it exceeds the proportion of CEOs who remain loyal to the Democrats. This pattern emerges clearly from Figure 3.

CEO.

⁴In contrast to Figure 2, Figure 3 is based on the life-time donations of the S&P 500 CEOs rather than

Devising additional exploratory tests, we find that despite not observing any association between CEO compensation (and also share ownership) and donations to the Republican and Democratic parties, CEOs who own a greater percentage of the shares of their firm are more likely to donate to both parties.⁵ This finding, together with the findings in Figure 2 and Figure 3, confirms that, despite most CEOs being consistent over time with their donation behavior, there still remains a group of CEOs acting opportunistically.

To make sure our measure of political ideology does not confound ideology with opportunism, we only consider a CEO to be liberal (conservative) if the CEO remains loyal to the Democratic (Republican) party by contributing only to that party during his or her tenure. CEOs who during their tenure donate to both parties are considered to be nonpartisan. In addition, we distinguish liberal, conservative, and nonpartisan CEOs from CEOs who during their tenure make no political donations. Put together, we differentiate between the following four different categories of CEOs: 1) *ZeroDonations*, i.e., CEOs who during their tenure make no donations to any political party; 2) *NonPartisans*, i.e., CEOs who during their tenure make donations to both parties; 3) *Conservatives*, i.e., CEOs who remain loyal to the Republicans by contributing only to the Republican party; and 4) *Liberals*, i.e., CEOs who remain loyal to the Democrats by contributing only to the Democratic party.

In constructing our measure of CEO political ideology, we exclude the *ZeroDonations* category as it is not possible to infer the political ideology of the CEOs in this category. Thus, our measure of political ideology is composed of three indicator variables, based on the three categories, i.e., *Liberals*, *Conservatives* and *NonPartisans*.

Insert Fig. 3 about here.

3.3. *Dependent and Control Variables*

We estimate the following baseline model:

$$Dividend_{it} = \alpha + \beta Political\ Ideology_i + \gamma X_{it-1} + Industry_i + Year_t + \epsilon_i \quad (1)$$

$Dividend_{it}$ is the dependent variable. It is the dividend payout (common dividends over net income) for firm i in year t (Dividend/NI). To check the robustness of our results, we also

their donations during their tenure as CEO of an S&P 500 firm as this enables us to cover the years before 1997.

⁵The average percentage of share ownership across the various categories of CEOs is reported in Table 1.

consider common dividends over beginning of the year total assets (Dividend/AT), common dividends over sales (Dividend/Sales), the dividend yield, and the dividend per share.

Political Ideology_i is our key variable of interest. It measures the political preference of the CEO of firm i over his/her tenure, and as mentioned earlier, comprises the following three categories of CEOs: liberals, conservatives and nonpartisans.

X_{it-1} is a vector of firm-level, board-level and CEO-level controls as described below. *Industry_i* is industry-fixed effects, based on the two-digit Standard Industrial Classification (SIC) codes. *Year_t* represents year-fixed effects.

We include a number of firm-related controls commonly used in studies examining dividend payouts (e.g.; Chen, Leung, and Goergen, 2017). These include the following. Firm size is measured by the logarithm of total assets. Firm age is the number of years since the firm first appeared in the CRSP database. Tobin's q is the ratio of the market value of assets to the book value of assets. The market value of assets is defined as the book value of assets plus the market value of common equity minus the sum of the book value of common equity and deferred taxes. Leverage is the sum of short-term and long-term debt. Cash holdings equal cash and marketable securities. Return on assets (ROA) is earnings before interest, tax, depreciation, and amortization. Asset tangibility is net property, plant and equipment. R&D spending is research and development expenses. As firms with missing R&D do not have material R&D expenses in their 10-K reports, we replace the missing R&D values with zero (e.g.; Brown and Petersen, 2011; He and Wintoki, 2016). We normalize leverage, cash holdings, ROA, asset tangibility, and R&D by the beginning of year total assets. In order to mitigate the potential effects of outliers, we winsorize the dependent variable and the aforementioned control variables at the 1st and 99th percentiles. Finally, when using common dividends over net income as the measure for the dividend payout, we exclude observations for years in which firms reported negative net income.

In addition, we control for a number of board-level and CEO-level variables. They comprise board size, the fraction of independent directors on the board, an indicator variable for CEO duality, CEO age, and CEO tenure. We also include CEO share ownership as a control in our baseline regression but because there is a large number of missing values, we exclude this from the rest of the analysis. Finally, we include Bebchuk, Cohen, and Ferrell's (2009) E-index to measure board entrenchment. Year-fixed effects and industry-fixed effects (based on the two-digit SIC codes) are included in all the regression models. The definitions of all the variables are reported in the Appendix.

Additionally, we examine the likelihood of the firm being a dividend-paying firm given its category of CEO. We estimate the following logit model:

$$\text{Prob}(\text{firm pays dividend}) = f(\text{Political Ideology})$$

The dependent variable is an indicator variable taking the value of one if the firm is a dividend-paying firm, and zero otherwise. The key independent variables are our three indicator variables of CEO political ideology.

4. Empirical Analysis

4.1. CEO Political Ideology and Dividend Payout

Table 1 provides summary statistics and Table 2 presents the correlation matrix. Table 1 suggests that firms run by conservative CEOs pay significantly higher (at the 5% level or better) dividends than firms run by liberal CEOs. This is the case for all five measures of the dividend payout. In addition, firms run by liberal CEOs have a significantly greater Tobin's q, have greater cash holdings, invest more in R&D, but have lower asset tangibility and are less likely to combine the posts of CEO and chairman of the board (all these differences are significant at the 1% level). However, there is no statistically significant difference in the ROA between firms with conservative and liberal CEOs.

Insert Table 1 about here.

Insert Table 2 about here.

Again, the main hypothesis of this paper is that liberal CEOs put less emphasis on shareholders and therefore firms led by such CEOs pay lower dividends. While Table 1 suggested significantly higher dividends for firms run by conservative CEOs, we now conduct a more thorough univariate analysis to investigate whether there is a relationship between CEO political ideology and the dividend payout. Panel A of Table 3 reports the average dividend payout (as measured by common dividends divided by net income) as well as the fractions of non-dividend paying firms, those with dividend cuts, omissions, initiations, and re-initiations for each year and for each of the three categories of CEOs (i.e., conservative, liberal, and nonpartisan CEOs). The panel suggests that the dividend payout – as measured by common dividends over net income – is greater in 13 out of 18 years for firms with conservative CEOs compared to firms with liberal CEOs. In addition, while the proportion

of non-payers peaked in the year 2003 (with a value of 0.397) for the firms with conservative CEOs, it peaked much later, i.e., in the year 2007 (with a value of 0.923) for firms with liberal CEOs.

Panel B presents the means for each of the aforementioned dividend measures for conservative and liberal CEOs over the entire period of 1997-2014. The last column in Panel B reports the p-values for the t-tests (z-tests) that compare the differences in means (proportions) between the two categories of CEOs. The mean dividend payout for firms with conservative CEOs is significantly higher (at the 5% level) than the mean dividend payout for firms with liberal CEOs. We also find that the proportion of firms with a conservative CEO that do not pay a dividend is significantly lower (at the 1% level) than the equivalent proportion for firms with a liberal CEO. However, we do not find any significant differences in the proportions of firms cutting, omitting, initiating, and re-initiating their dividends between the two categories of CEOs. Overall, these findings support our main hypothesis.

Insert Table 3 about here.

Table 4 contains the results from estimating our baseline regression models. The first four columns of Table 4 report the results of our ordinary least squares (OLS) regressions following the specification in Eq. 1 and explaining the dividend payout. These three columns vary in terms of the number of control variables we include. In the first column, we do not include any controls, except for the year- and industry-fixed effects. In the second column, we add the firm-level controls. In the third column, we include all the controls. Finally, in addition to all the controls in Column (3), Column (4) includes the percentage of the firm's shares outstanding held by its CEO. This is an important control variable, which we include here but omit in the rest of analysis due to the large number of missing values for this variable. Nevertheless, we obtain similar results if we use CEO share ownership in the rest of the analysis.

Consistent with our main hypothesis, the coefficient on *Liberals* is negative and significant (at the 1% level in the four columns, except in Column (4) where the significance level is 5%), suggesting that firms led by liberal CEOs have lower dividend payouts compared to firms led by conservative or nonpartisan CEOs.⁶ The effects of the control variables on the likelihood of paying a dividend are in line with expectations. More specifically, larger firms,

⁶The analysis yields similar results when we only compare liberal CEOs to conservative CEOs (i.e., when we drop observations for nonpartisan CEOs). Again, we find that firms led by liberal CEOs tend to have lower dividend payouts than firms led by conservative CEOs.

older firms and firms with better governance (as evidenced by greater board independence) have higher dividend payouts.

In addition to the dividend payout, we explain the likelihood of the firm paying a dividend across liberal, conservative, and nonpartisan CEOs (the latter being the base case). Again, we argue that CEO political ideology determines the likelihood of a firm being a dividend paying firm: A liberal CEO should be less likely to pay a dividend. Columns (5), (6), and (7) in Table 4 present the results (i.e, the marginal effects for the logit regressions). Similar to Columns (1) to (3), these columns only vary in terms of the number of control variables included in the regression. The results lend support to our hypothesis that being a liberal CEO increases the likelihood of the firm not being a dividend payer. The effects of the control variables on the likelihood of the firm paying a dividend are in line with expectations. In detail, more profitable firms (as measured by ROA), larger firms, older firms, firms with lower cash holdings, and firms with less leverage are more likely to pay a dividend.

Insert Table 4 about here.

4.2. *Dividend Payouts Around CEO Appointments*

Consistent with our hypothesis, we find that firms led by liberal CEOs have lower dividend payouts and such firms are also less likely to pay a dividend. However, it may be the case that liberal CEOs self-select themselves into firms that pay lower or no dividends. Hence, we investigate changes in dividend payouts around the appointment of a new CEO. In other words, if CEOs self-select themselves into firms with a specific dividend policy, we should not observe changes in dividend policy following CEO appointments.

Specifically, we consider the firm-year observations one year before and one, two or three years after the appointment. We only consider CEO appointments where the incumbent and the new CEOs are classified as liberal or conservative. We then estimate the following equation 2.

$$Dividend_{a+k} - Dividend_{a-1} = \alpha + \beta Treated + \gamma X + \epsilon_i \quad , \quad k = 1, 2, 3 \quad (2)$$

The dependent variable is the change in dividends per share. Index a denotes the year of the appointment. $Treated$, the explanatory variable of interest, takes the value of -1 for conservative-to-liberal CEO transitions, zero for conservative-to-conservative as well as liberal-to-liberal transitions, and one for liberal-to-conservative transitions. The rationale behind the coding of this variable is to distinguish between CEO appointments that result

in a change in political ideology and those that do not. For the former, we also control for the hypothesized effect on the dividend payout (i.e., negative or positive). In total, we document 55 changes in CEO, including seven cases of conservative-to-liberal, eight cases of liberal-to-conservative, 10 cases of liberal-to-liberal and 30 cases of conservative-to-conservative transitions.

Following the spirit of Lintner (1956) (see also Brav, Graham, Harvey, and Michaely, 2005), X represents the vector of control variables, including net income (normalized by the lagged value of total assets) one year before the appointment, the change in net income (net income one, two or three years after the appointment minus net income one year before the appointment), and the dividend per share one and two years prior to the appointment.

Given the hypothesized focus on shareholders of conservative CEOs, we expect maximizing firm value to be the priority for such CEOs. As a result, we anticipate that conservative CEOs, as compared to their liberal counterparts, pursue strategies that increase firm value while possibly being detrimental to the employees of the firm. The divestment of inefficient resources of a firm may positively affect firm value (Wright and Ferris, 1997). It may also increase the amount of free cash flow available to the firm. In turn, this free cash flow could be used to maintain or increase dividends. Therefore, whenever possible, asset divestments and employee downsizing may be seen as a viable strategy by conservative CEOs given that paying attention to the interests of their employees is not their number one priority. Previous studies confirm that a shift from a stakeholder orientation toward a shareholder orientation is a key determinant of asset divestitures and employee downsizing both at the country level and the managerial level (Ahmadjian and Robbins, 2005; Lazonick and O’Sullivan, 2000; Jung, 2014).

One instance where this change in firm strategy may manifest itself is when a firm appoints a new CEO. This is because the newly appointed CEO finds a chance to imprint his/her managerial style, and his/her managerial style may be substantially different from that of the predecessor. In the context of this study, we are interested in transitions where a liberal CEO is replaced by a conservative one (and vice-versa). Following such transitions, we expect to see a change in strategy from what Lazonick and O’Sullivan (2000) call ‘retain and reinvest’ where the firm chooses to retain both the capital and the employees, and reinvest in physical capital and complementary human resources, to what they call ‘downsize and distribute’ where the top management downsizes the corporation, with a particular emphasis on cutting the size of the labor force, and in an attempt to increase the return on equity.

We speculate that conservative CEOs sustain their dividend payout using the proceeds they raise by selling off inefficient physical assets and shedding labor. If true, the dividend payout of firms, which replace their liberal CEO with a conservative one should be sensitive to

downsizing and divestment. To test the validity of this argument, we estimate the following two equations:

$$Dividend_{a+k} - Dividend_{a-1} = \alpha + \beta_1 Treated + \beta_2 (Treated * Downsizing) + \gamma X + \epsilon_i, \quad k = 1, 2, 3 \quad (3a)$$

$$Dividend_{a+k} - Dividend_{a-1} = \alpha + \beta_1 Treated + \beta_2 (Treated * Divestment) + \gamma X + \epsilon_i, \quad k = 1, 2, 3 \quad (3b)$$

The dependent variable is the change in the dividend per share. As above, Index a denotes the year of the appointment. $Treated$ takes the value of -1 for conservative-to-liberal CEO transitions, zero for conservative-to-conservative transitions as well as liberal-to-liberal transitions, and one for liberal-to-conservative transitions. $Downsizing$ is the reduction in the number of employees, which is measured as the number of employees one year before the appointment, minus the number of employees one, two or three years after the appointment. A positive value would signify downsizing while a negative value would be akin to an increase in employment. $Divestment$ is the reduction in the firm's total assets measured as the logarithm of one plus total assets one year before the appointment minus the logarithm of one plus total assets one, two and three years after the appointment, respectively. Again, a positive value would signify disinvestment.

Columns (1), (2), and (3) in Table 5 report the results of OLS regressions based on Eq. 2. The dependent variable is the dividend per share one year (Column (1)), two years (Column (2)), and three years (Column (3)) after the appointment minus the dividend per share one year before the appointment.

In line with expectations, the results suggest that a conservative CEO replacing a liberal CEO ($Treated = 1$) results in a significant increase in the dividend per share in the years following the appointment. Interestingly, both the size and the significance level of the $Treated$ coefficient increase over the three years following the appointment, suggesting that conservative CEOs increase the dividend even more as they find their place in the company. Overall, the results lend support to our main hypothesis that the political preferences of the CEO matter for dividend policy and the pattern we observe in the regressions is not merely due to CEO-firm matching.

Insert Table 5 about here.

Columns (4), (5), and (6) in Table 5 report the results of OLS regressions based on Eq.

3a, explaining the change in the dividend per share from one year prior to the new CEO appointment to one, two, and three years after the appointment, respectively. Columns (7), (8), and (9) in Table 5 follow a similar procedure, except that the regressions are based on Eq. 3b. Again, employee downsizing is captured by the reduction in the number of employees, which is measured as the number of employees one year before the appointment minus the number of employees one year (Column (4)), two years (Column (5)) and three years (Column (6)) after the appointment, respectively. Divestment is represented by the change in the firm’s total assets measured as the logarithm of total assets one year before the appointment minus the logarithm of total assets one year (Column (7)), two years (Column (8)), and three years (Column (9)) after the appointment, respectively. Again, a positive value for downsizing and divestment means a decrease in the number of employees and firm assets, respectively.

The coefficient on the interaction between the replacement of the CEO and downsizing ($Treated * Downsizing$) and the coefficient on the equivalent interaction with divestment ($Treated * Divestment$) are positive and significant one year and two years (and also three years for the case of downsizing) after the appointment (see Columns (4) to (9)). These results are supportive of the argument that the increase in the dividend per share in the case of a transition from a liberal to a conservative CEO goes hand in hand with downsizing and divestment. In other words, there is evidence that the decision of conservative CEOs to increase the dividend payout may come at the expense of the employees.⁷ Nevertheless, this decision may still be in the interest of the shareholders. Hence, we explore this issue further in the next sub-section.

4.3. *Future Performance of Firms With Conservative and Liberal CEOs*

The central argument in this paper is that CEO political ideology is a key determinant of the degree of attention given by the CEO to investors relative to workers. What we intend to investigate in this sub-section is whether liberal and conservative CEOs also differ substantially when it comes to the firm’s future performance. Specifically, we ask whether conservative CEOs’ focus on shareholders – potentially at the detriment of employees – leads to a drop or increase in future performance. To attempt to answer this question, we investigate whether the future performance and value of firms led by the conservative CEOs are different from those of liberal and nonpartisan CEOs. We proceed by regressing ROA and Tobin’s q in year t , respectively, on CEO political ideology in year $t-1$ as presented in

⁷Gupta, Nadkarni, and Mariam (2018b) also find that conservative CEOs are more likely to engage in downsizing of their workforce.

the following dynamic models:

$$ROA_{it} = \beta_1 ROA_{it-1} + \beta_2 Political\ Ideology_i + \gamma X_{it-1} \epsilon_i \quad (4a)$$

$$Tobin's\ q_{it} = \beta_1 Tobin's\ q_{it-1} + \beta_2 Political\ Ideology_i + \gamma X_{it-1} \epsilon_i \quad (4b)$$

ROA_{it} and $Tobin's\ q_{it}$ are the dependent variables measuring the performance and the value of firm i in year t , respectively. Both models contain the lagged dependent variable on the right-hand side, hence presenting a dynamic equation. $Political\ Ideology_i$ is the political ideology of the CEO of firm i and X represents the vector of firm, CEO and board level control variables. Omitting the intercept from the models allows the comparison to be made between all the three ideology groups. Using Eq. 4a as the basis, we start by estimating an OLS regression. In order to mitigate the potential effects of unobserved time-invariant factors, we proceed by estimating a firm-fixed effects (FE) regression. Finally, we run a system generalized method-of-moments (System GMM) regression to control for possible omitted variable bias and to deal with the potential presence of dynamic endogeneity (Blundell and Bond, 1998; Wintoki, Linck, and Netter, 2012). Subsequently, we repeat the same analysis using Eq. 4b.

The results are presented in Table 6. Column (1), (2), and (3) presents the results of the OLS, FE and System GMM regression, respectively, estimated using Eq. 4a. As reported in the first two columns, the large difference between the coefficient on the lagged dependent variable in the OLS regression (0.780) and the equivalent coefficient in the FE regression (0.521) indicates that the OLS estimate is likely upward biased whereas the FE estimate is likely downward biased (Bond, 2002). Further, the same coefficient is large and significant in the System GMM regression (Column (3)), which is suggestive of the presence of dynamic endogeneity.⁸

In the OLS and FE regressions (Columns (1) and (2)), the coefficient on CEO political ideology is positive and statistically significant (at the 1% level) for liberals, conservatives and nonpartisans: All three categories of CEOs seem to have a positive effect on firm performance. Nevertheless, all three coefficients are of a similar magnitude. Importantly, further tests (which are not tabulated) reveal that the coefficients on liberals, conservatives, and nonpartisans for each of the two columns are *not* statistically different from each other. The

⁸We expect the estimate of the coefficient on the lagged dependent variable from the System GMM regression to be somewhere in between the lower bound formed by the equivalent FE estimate and the higher bound formed by the equivalent OLS estimate (Bond, 2002). This is indeed the case.

results from the System GMM regression, which are reported in Column (3), suggest that the coefficients are insignificant for all the three categories of CEOs. This confirms that the attention paid by conservative CEOs to the shareholders in the short run – via increases in dividends – neither improves nor deteriorates future performance and firm value. In turn, there is no evidence that firms with liberal CEOs underperform compared to firms with conservative CEOs.

Columns (4) to (6) in Table 6 report the results of the aforementioned – OLS, FE and System GMM, respectively – regressions using model 4b, explaining Tobin’s q . Similar to the results from Columns (1) to (3), there is a large difference between the coefficient on the lagged dependent variable in the OLS regression (0.754) and the equivalent coefficient in the FE regression (0.546). The same coefficient is large and significant in the System GMM regression (Column (6)), which is suggestive of the presence of dynamic endogeneity.⁹

The coefficients for conservative, liberal, and nonpartisan CEOs are all significant in the OLS and FE regressions (Columns (4) and (5)). Again, all three coefficients are of a similar magnitude. However, again we find that the coefficients for all three categories of CEOs are not significantly different from each other both in the OLS and FE regression. The result from the System GMM regression (Column (6)) are similar to the results for the aforementioned System GMM regression reported in Column (3): The coefficients on liberals, conservatives, and nonpartisans are all insignificant. Similar to the results for firm performance, this suggests that the differences in dividend policy between the three categories of CEOs do not result in differences in future firm value.

Extending the analysis, we run the same regressions replacing the dependent variables, i.e., ROA and Tobin’s q in year t , with ROA and Tobin’s q in years $t + 1$ and $t + 2$. This helps us to compare the performance of conservative, liberal, and nonpartisan CEOs over the subsequent years. The results from these regressions – which we do not tabulate here – remain the same as the ones we report in Table 6: The future performance and firm value of firms with conservative CEOs remains similar to that of liberal and nonpartisan CEOs.

Overall, the results from this analysis can be used to draw conclusions about the validity of the conjecture proposed in this sub-section: The decision of conservative CEOs to cater to their shareholders by paying more dividends could potentially affect the firm’s future performance and value. However, we find no significant difference in the future performance and value of firms led by conservative, liberal, and nonpartisan CEOs, and hence, find no support for this conjecture.

⁹Again and as expected, the System GMM coefficient on the lagged dependent variable is somewhere between the lower FE estimate and the higher OLS estimate.

Insert Table 6 about here.

4.4. *Dividend Cuts, Omissions, Initiations, and Re-initiations*

The main results so far suggest that firms with liberal CEOs are less likely to be dividend payers and, if they pay dividends, they tend to pay lower dividends. Next, we examine whether CEO political ideology determines the likelihood of dividend cuts, omissions, initiations, and re-initiations. It can be argued that liberal CEOs are more likely to cut or omit dividends and are less likely to initiate or re-initiate dividends. However, as a reminder, Panel B of Table 3 documents no significant differences in the proportions of firms with dividend cuts, omissions, initiations, and re-initiations between liberal and conservative CEOs.

We further investigate the existence of potential differences by running logit models, for which we do not tabulate the results. We regress the binary variables indicating a dividend cut, omission, initiation, and re-initiation on CEO political ideology controlling for the set of control variables used in the previous regressions. The logit models help us estimate differences in the likelihood of dividend cuts, omissions, initiations, and re-initiations between liberal and conservative CEOs, controlling for firm-level, CEO-level, and board-level characteristics. The results are similar to the results from Table 3: Liberal and conservative CEOs tend not to be significantly different with respect to their propensity to undertake such dividend changes.

The findings about omitting and cutting dividends are consistent with the Lintner (1956) stylized fact about the stickiness of dividends (see also Brav et al., 2005). It seems that the deterrent of being penalized for dividend cuts and omissions¹⁰ is such that, regardless of their political views, CEOs are extremely reluctant to reduce the level of dividends their firm pays to the shareholders. In addition, firms have been shown to only (re-)initiate their dividend if they believe it can be maintained in the long run (Brav et al., 2005). This may explain why we do not see a substantial difference in dividend initiations and re-initiations between conservative CEOs and liberal CEOs.

¹⁰Extant literature suggests the following penalties for reducing dividends and omitting dividends: negative stock price reactions (Healy and Palepu, 1988; Michaely, Thaler, and Womack, 1995; Jensen, Lundstrum, and Miller, 2010), substantial reductions in institutional ownership (Parrino, Sias, and Starks, 2003), an increased likelihood of CEO dismissal (Parrino et al., 2003; Schaeck, Cihak, Maechler, and Stolz, 2011), and fewer future external board seats for the top executives of the firms in question (Kaplan and Reishus, 1990).

5. Robustness Analysis

We devise three tests to examine the robustness of the key results. First, we perform propensity score matching (PSM) (Rosenbaum and Rubin, 1983) to match firm-year observations with conservative CEOs with firm-year observations with liberal CEOs. PSM consists of an alternative way of addressing the aforementioned possible self-selection of CEOs into firms with specific characteristics, including a specific dividend policy, which may be more in line with their political ideology. Second, we replace the dividend payout measure with four alternative measures. Finally, we also use two alternative measures for CEO political ideology.

5.1. Propensity Score Matching

As aforementioned, it might be the case that CEOs select the firm they want to work for based on how well the firm's characteristics are aligned with their own political ideology. For example, liberal CEOs may prefer not to work for firms that have historically engaged in substantial downsizing of their workforce or asset divestments. In contrast, conservative CEOs may prefer to work for such firms. In the first step, we estimate a logit, which predicts the probability that the firm has a conservative CEO in year t . This probability (or propensity score) is obtained by estimating a logit regression with the same right-hand-side variables (measured in year $t-1$) as the regression in Column (3) of Table 4, except that we drop the indicator variables specifying the CEO's political ideology. The dependent variable of the logit equals one if the CEO is conservative, and zero if the CEO is liberal.¹¹

The results from estimating this logit are reported in Panel A of Table 7. The table suggests that the logit has good predictive power as reflected by a pseudo R-square of 0.30 (Column (1)). In the second step, we use the propensity score to match firm-year observations with conservative CEOs with firm-year observations with liberal CEOs. To perform the matching, we use nearest neighbor matching, with a caliper of 0.05%. We are able to match 195 firm-year observations with conservative CEOs with the equivalent number of firm-year observations with liberal CEOs.

To ensure that the matching is of sufficient quality, we perform two tests. First, we re-estimate the logit underlying the PSM using the post-match observations. The results of this logit are reported in Column (2) of Panel A of Table 7. In contrast to the pre-match logit, the post-match logit has little or no predictive power as reflected by the low pseudo R-square (0.051) and the lack of significance of all of the explanatory variables.

¹¹We exclude firm-year observations relating to nonpartisan CEOs.

Second, Panel B of the same table compares the characteristics of firm-year observations with conservative CEOs with those firm-year observations with liberal CEOs. All of the differences in means are insignificant (the lowest p-value being 0.14), confirming the quality of the matching.

Finally, Panel C reports the propensity score matching estimates. The results suggest that following the PSM, there are still significant differences in the dividend payout (this is the case for all five measures of the dividend payout) between firm-year observations with conservative CEOs and those with liberal CEOs. This test provides further support for our main hypothesis.

Insert Table 7 about here.

5.2. *Alternative Dividend Payout Measures*

We replace the main dividend payout measure (common dividends over net income) with dividends over beginning of the year total assets, dividends over total sales, the dividend yield and dividends per share in the baseline model. The results are reported in Table 8. The coefficient on the *Liberals* category of CEO is still negative and significant (at the 1% level, except for Columns (9) and (12)), regardless of the way we measure the dividend payout and regardless of the set of control variables we include. All of the regressions confirm our existing results: The dividend paid by firms led by liberal CEOs is less than the dividend paid by firms led by conservative and nonpartisan CEOs.

Insert Table 8 about here.

5.3. *Alternative Measures of Political Ideology*

We introduce two alternative ways of measuring the political ideology of the CEO. One commonly used donation-based measure of political ideology in extant literature is the fraction of total donations given to the Democratic (Republican) party to measure liberalism (conservatism).¹² Even though useful, the problem with this measure as Figure 3 suggests is that the number of CEOs donating to both parties peaks just before presidential elections, suggesting that some CEOs donate strategically. These strategic donations may affect the

¹²See e.g.; Elnahas and Kim (2017); Unsal et al. (2016); Chin et al. (2013).

way we measure ideology. Yet, the aforementioned approach for measuring political ideology does not provide a remedy for mitigating the potential effects of strategic donations. To overcome this obstacle, we only consider CEOs who had at least one donation during their tenure (i.e., the years during which we observe the CEOs in our sample). In addition, using the insights from Figure 3, we remove the donations made one year before the presidential election and construct the following alternative measure of CEO ideology (CEO liberalism):

$$CEO\ Liberalism = \frac{Total\ amount\ donated\ to\ Democratic\ party\ during\ tenure}{Total\ amount\ donated\ to\ Republican\ party\ and\ Democratic\ party\ during\ tenure}$$

This measure potentially ranges from zero (indicating a purely conservative CEO) to one (indicating a purely liberal CEO). We replace our main measure of CEO political ideology in Eq. 1 with this new measure of CEO liberalism and re-run the analysis. The results are reported in Table 9. CEO liberalism is still negatively associated with the dividend payout regardless of the dividend payout measure that is used. Hence, our main results are upheld.

Insert Table 9 about here.

Finally, instead of focusing on the political donations made by the CEOs during their tenure as an S&P 500 CEO we take into account all the donations that each CEO has made during their life-time to date. We then recalculate our measure of political ideology and then reclassify CEOs as conservative, liberal, and nonpartisan. Our key results do not change qualitatively when considering life-time donations.¹³

6. Discussion and Concluding Remarks

This research provides evidence that the political ideology of the CEO affects dividend policy. We find strong as well as consistent support across a range of tests for our hypothesis that liberal CEOs pay lower dividends to their shareholders. The cornerstone of our analysis is built upon the view that CEOs may have different attitudes toward the firms stakeholders and these differences are likely to shape the firm’s policies. In particular, this study investigates CEO political ideology as a determinant of the attention the CEO accords to the firm’s various stakeholders. More precisely, liberal CEOs are likely to pay less attention

¹³These results are not tabulated, but are available from the authors upon request.

to the shareholders as compared to other stakeholders – such as the employees – and they reveal their preferences when setting their firm’s dividend policy.

This study has two important implications for investors and other corporate stakeholders. First, it suggests that CEOs may treat the firm’s stakeholders differently by prioritizing the interests of the shareholders over those of employees, and vice-versa. This may result in the CEO framing strategies and making policy decisions that may or may not result in increased shareholder wealth. For the case of conservative CEOs, one might expect that their decisions are more likely to favor shareholders and increase the latter’s wealth in the short run if not the long run. Second, CEO values (i.e., political ideology in this study) may be a determinant of CEO and firm performance as well as managerial style. While the observable characteristics of a CEO, such as education and work experience, are normally used to infer the ability and the managerial style of the CEO, this research sheds light onto how the political leaning of a CEO affects corporate policy. Hence, potential investors and employees of a firm may use the CEO’s political ideology as a determinant of the CEO’s managerial style.

This paper provides empirical evidence on how the CEO’s political ideology determines whether the CEO prioritizes investors over employees, or the converse. One area for further research is the study of the dynamics between the CEO’s self-interest, his attention to the firm’s stakeholders and the consequences for corporate policies. Specific to the context of this study, further research may also explore differences in the use of stock repurchases between conservative and liberal CEOs. Further, this study finds no significant differences between conservative and liberal CEOs with respect to their propensity to cut, omit, initiate, and re-initiate the dividend; we relate these findings to the rigidity and the stickiness of dividends. Last but not least, we do not find any evidence that a specific type of CEO political ideology affects future firm value and firm performance more than any other type of CEO political ideology.

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Appendix The Definition of Variables

Dividend Measures

- **Dividend/Ni:** Dividends on common stock over net income (Compustat: dvc / ni).
- **Dividend/TA:** Dividends on common stock over beginning of the year total assets. This variable is only calculated for firm-year observations with positive net income (Compustat: $dvc / \text{lag of } at$).
- **Dividend/Sales:** Dividends on common stock over total sales (Compustat: $dvc / sale$).
- **Dividend yield:** Dividend per share over the fiscal year-end share price (Compustat: $dvpsp_f / prcc_f$).
- **Dividend per share:** Dividend per share (Compustat: $dvpsp_f$).
- **Dividend cut:** An indicator variable taking the value of one if the firm has reduced its dividend compared to the previous year, and zero otherwise (data from Compustat).
- **Dividend omission:** An indicator variable taking the value of one if the firm paid a dividend previously, but no longer pays a dividend in the year in question, and zero otherwise (data from Compustat).
- **Dividend initiation:** An indicator variable taking the value of one for the year when the firm has paid a dividend for the first time since its inclusion in the CRSP database. It is set to zero for the years before the dividend initiation and set to missing for the years after the dividend initiation (data from Compustat and CRSP).
- **Dividend re-initiation:** An indicator variable taking the value of one for the first year when the firm re-initiates its dividend after a dividend omission. It is set to zero, for the years following the year of the dividend omission when the dividend remains at zero. It is set to missing for all other years (data from Compustat).
- **Dividend-paying firm:** An indicator variable taking the value of one if the firm is a dividend-paying firm, and zero otherwise (data from Compustat).

Political Ideology

- **Political ideology (CEO types):** A set of indicator variables based on the following three categories of CEOs:
 1. **Conservatives:** An indicator variable taking the value of one for CEOs whose contribution during their tenure was to the Republican party only, and zero otherwise (data from Federal Election Commission (FEC)).
 2. **Liberals:** An indicator variable taking the value of one for CEOs whose contribution during their tenure was to the Democratic party only, and zero otherwise (data from FEC).
 3. **NonPartisans:** An indicator variable taking the value of one for CEOs whose contribution during their tenure was to both the Democratic and Republican parties, and zero otherwise (data from FEC).
- **CEO liberalism:** Considering all the donations made by a CEO in the years during which we observe the CEO in our sample but excluding the donations made one year before the U.S. presidential elections, CEO liberalism is measured as the total amount donated to the Democratic party divided by the sum of the total amounts donated to the Republican party and Democratic party (data from FEC).

Control Variables

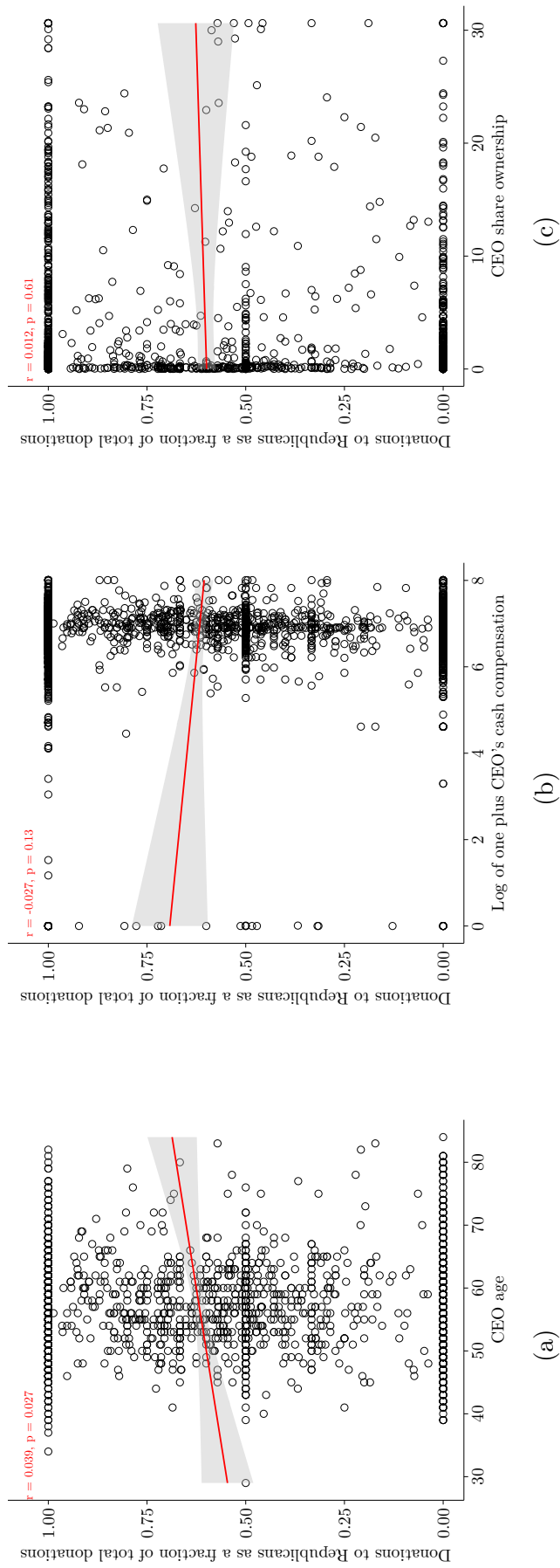
- **Firm size:** Logarithm of total assets (Compustat: $\log(at)$).
- **Firm age:** This is calculated based on the year when the firm first appeared in the Center for Research in Security Prices (CRSP) database. As firm age is highly correlated with the main measure of political ideology, we regressed firm age on political ideology and replaced its value with the residuals obtained from this regression (data from CRSP).
- **Tobin's q:** The market value of assets plus the book value of debt divided by the book value of assets. The market value of assets is defined as the book value of assets plus the market value of common equity minus the sum of the book value of common equity and deferred

taxes. (Compustat: $((at + mequity) - (ceq + txdb)) / at$).

- **ROA:** Return on assets measured as earnings before interest, taxes, depreciation, and amortization (EBIDTA) divided by beginning of year total assets (Compustat: $ebitda / \text{lag of } at$).
- **Asset tangibility:** Net property, plant and equipment divided by beginning of year total assets. (Compustat: $ppent / \text{lag of } at$).
- **Cash holdings:** The sum of cash and marketable securities divided by the sum of beginning of year total assets minus cash and marketable securities (Compustat: $(che + msa) / (\text{lag of } at - (che + msa))$).
- **Leverage:** The sum of short-term and long-term debts over beginning of year total assets (Compustat: $(dltt + dlc) / \text{lag of } at$).
- **R&D:** Research and development expenditure divided by beginning of year total assets (Compustat: $xrd / \text{lag of } at$).
- **Board size:** The total number of directors on the board (data from RiskMetrics).
- **Board independence:** The ratio of independent directors on the board (RiskMetrics: Independent directors / total number of directors).
- **CEO duality:** An indicator variable taking the value of one if the CEO is the chairman, and zero otherwise (data from ExecuComp).
- **CEO age:** CEO age as reported in ExecuComp.
- **CEO tenure:** The number of years the CEO has been with the firm as the CEO (data from Compustat).
- **E-Index:** The measure of board entrenchment developed by Bebchuk et al. (2009). The index takes a value between 0 to 6, counting the number of six anti-takeover provisions in place. A higher value suggests a more entrenched board or lower shareholder rights (data from Bebchuk et al. (2009)).
- **CEO share ownership:** The percentage of the firm's shares outstanding owned by the CEO (ExecuComp: $shrown_excl_opts_pct$).

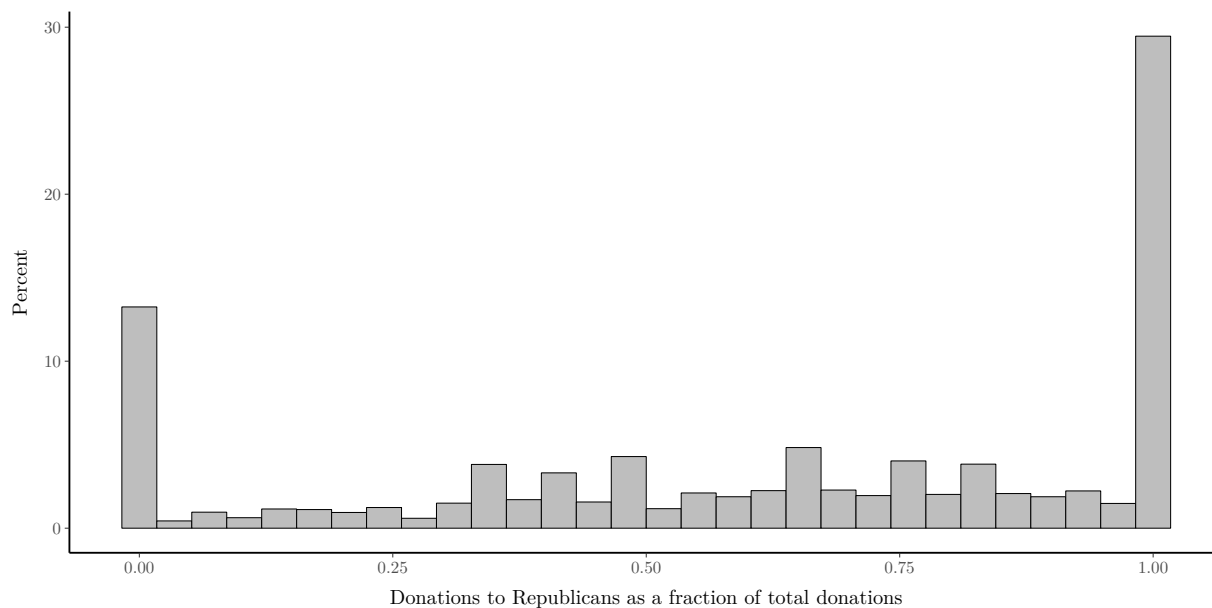
- **Downsizing:** The reduction in the number of employees, which is measured as the number of employees one year before the appointment of a new CEO minus the number of employees one, two or three years after the appointment. (Compustat:
 $emp_{one\ year\ before\ the\ appointment} - emp_{one,\ two\ or\ three\ years\ after\ the\ appointment}$).
- **Divestment:** The reduction in the firm's total assets measured as the logarithm of one plus total assets one year before the appointment of a new CEO minus the logarithm of one plus total assets one, two or three years after the appointment. (Compustat:
 $log(1 + at_{one\ year\ before\ the\ appointment}) - log(1 + at_{one,\ two\ or\ three\ years\ after\ the\ appointment})$).
- **Industry:** The industries are based on the two-digit Standard Industrial Classification (SIC) codes (data from Compustat).

Figure 1



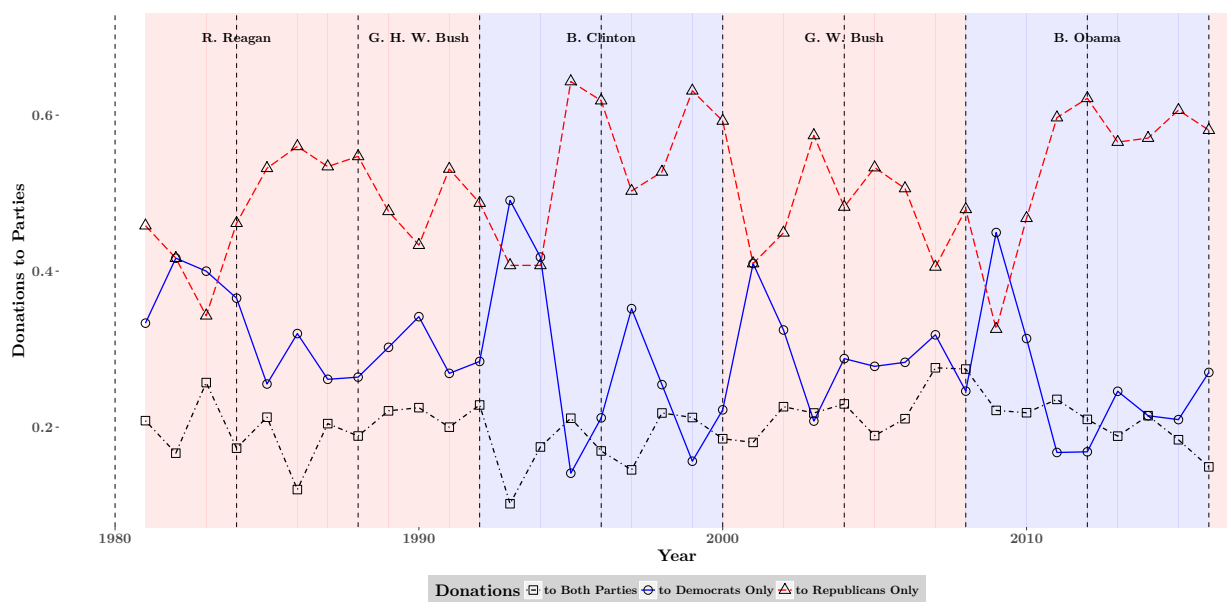
Plot (a) presents the relationship between the fraction of a CEO's total political donations given to the Republicans and CEO age for the pooled data. Plot (b) illustrates the relationship between the fraction of a CEO's total political donations given to the Republicans and CEO salary for the pooled data. Plot (c) demonstrates the relationship between the fraction of a CEO's total political donations given to the Republicans and the percentage of total shares outstanding held by the CEO for the pooled data.

Figure 2



This plot presents the distribution of the fraction of total donations made by the CEOs during their tenure as CEO of an S&P 500 firm to the Republican party. A value of zero on the X-axis corresponds to the CEOs who only contributed to the Democratic party. A value of one on the X-axis relates to the CEOs who only made donations to the Republican party. Values of more than zero and less than one correspond to the CEOs who made donations to both the Democratic and the Republican parties.

Figure 3



This figure presents the fraction of the total life-time donations made by the CEOs of S&P 500 firms to the Republicans, Liberals and both parties. The distance between each adjacent pair of dashed vertical lines presents a four-year presidency period. The periods marked by blue (red) indicate a period with a Democratic (Republican) president in office.

Table 1: Summary statistics for CEOs with different political ideologies.

Variable name	Whole Sample			Conservatives			Liberals			NonPartisans		
	Mean	Median	SD	Mean	Median	SD	Mean	Median	SD	Mean	Median	SD
Dividend/NI	0.345	0.244	0.474	0.308	0.225	0.476	0.263**	0.140	0.474	0.383	0.273	0.474
Dividend/TA	0.018	0.011	3.278	0.019	0.012	3.122	0.014***	0.006	3.278	0.018	0.012	3.278
Dividend/Sales	0.029	0.017	0.158	0.026	0.015	0.158	0.020***	0.006	0.158	0.032	0.020	0.158
Dividend yield	0.017	0.014	6.337	0.016	0.012	5.921	0.013***	0.007	6.337	0.019	0.015	6.337
Dividend per share	0.771	0.582	2.572	0.709	0.500	2.710	0.582***	0.218	2.572	0.845	0.690	2.572
Tobin's q	2.100	1.603	0.039	2.192	1.749	0.035	2.499***	1.798	0.039	1.958	1.449	0.039
ROA	0.167	0.154	17.980	0.184	0.175	17.655	0.178	0.155	17.980	0.156	0.144	17.980
Firm size	9.393	9.355	0.077	8.961	8.859	0.074	8.957	8.778	0.077	9.705	9.662	0.077
Firm age	33.690	36	0.797	31.650	32	0.762	29.230	23	0.797	35.700	39	0.797
Cash holdings	0.125	0.066	1.521	0.101	0.052	1.468	0.195***	0.109	1.521	0.122	0.069	1.521
Leverage	0.278	0.253	1.474	0.272	0.246	1.403	0.261	0.229	1.474	0.285	0.258	1.474
R&D	0.020	0	0.044	0.015	0	0.033	0.032***	0	0.044	0.021	0	0.044
Asset tangibility	0.316	0.230	0.278	0.334	0.240	0.282	0.268***	0.199	0.278	0.317	0.229	0.278
Board independence	0.741	0.778	1.461	0.735	0.778	1.559	0.735	0.778	1.461	0.746	0.786	1.461
Board size	10.800	11	0.160	10.490	10	0.135	10.320	10	0.160	11.080	11	0.160
CEO duality	0.660	1	0.201	0.653	1	0.196	0.540***	1	0.201	0.691	1	0.201
CEO age	56.280	56	0.455	56.780	57	0.392	55.620***	55	0.455	56.180	56	0.455
CEO tenure	4.849	4	0.020	4.583	4	0.021	4.507	4	0.020	5.058	4	0.020
E-index	2.728	3	0.018	2.847	3	0.017	2.751**	3	0.018	2.662	3	0.018
CEO share ownership	2.819	0.347	5.771	2.274	0.329	4.856	1.446	0.294	5.771	3.447	0.378	5.771

The table reports the summary statistics for the whole sample and the sub-samples of conservative, liberal, and nonpartisan CEOs. *, **, and *** denote the significance level of the t-test comparing the mean differences for each variable between the liberal and conservative CEOs at the 10%, 5%, and 1% level, respectively. The Appendix contains the definitions of all the variables.

Table 2: Correlation matrix.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1.Dividend/Ni	1																			
2.Dividend/TA	0.44	1																		
3.Dividend/Sales	0.57	0.66	1																	
4.Dividend yield	0.67	0.49	0.63	1																
5.Dividend per share	0.54	0.55	0.62	0.75	1															
6.Tobin's q	-0.20	0.19	-0.04	-0.31	-0.24	1														
7.ROA	-0.17	0.29	-0.04	-0.20	-0.11	0.62	1													
8.Firm size	0.21	-0.02	0.23	0.32	0.33	-0.41	-0.37	1												
9.Firm age	0.26	0.25	0.16	0.34	0.33	-0.30	-0.21	0.28	1											
10.Cash holdings	-0.22	-0.06	-0.10	-0.30	-0.27	0.54	0.29	-0.22	-0.32	1										
11.Leverage	0.22	-0.01	0.11	0.21	0.13	-0.31	-0.09	0.06	0.07	-0.28	1									
12.R&D	-0.13	0.01	-0.08	-0.19	-0.19	0.41	0.22	-0.18	-0.08	0.55	-0.17	1								
13.Asset tangibility	0.15	0.05	0.04	0.13	0.09	-0.21	0.12	-0.09	0.12	-0.33	0.30	-0.19	1							
14.Board independence	0.15	0.05	0.10	0.21	0.21	-0.20	-0.18	0.28	0.30	-0.05	0.02	0.06	0.01	1						
15.Board size	0.20	0.09	0.20	0.30	0.32	-0.26	-0.22	0.56	0.31	-0.28	0.06	-0.18	-0.04	0.10	1					
16.CEO duality	0.09	0.07	0.06	0.11	0.16	-0.12	-0.08	0.12	0.20	-0.17	0.06	-0.05	0.09	0.16	0.07	1				
17.CEO age	0.08	0.05	0.07	0.09	0.10	-0.10	-0.03	0.13	0.12	-0.10	0.03	-0.11	0.12	0.02	0.07	0.23	1			
18.CEO tenure	0.02	0.03	0.02	0.02	0.08	-0.09	-0.01	0.12	0.10	0.03	-0.06	0.01	-0.04	0.18	-0.03	0.17	0.32	1		
19.E-index	0.04	-0.02	-0.01	0.05	0.07	-0.17	-0.07	-0.04	0.08	-0.06	0.02	-0.02	-0.01	0.36	-0.05	0.00	0.00	0.19	1	
20.CEO share ownership	-0.05	-0.03	-0.01	-0.11	-0.12	0.14	0.11	-0.11	-0.21	0.10	-0.07	-0.04	0.03	-0.37	-0.11	0.03	0.16	0.01	-0.25	1

The table reports the Pearson correlation coefficients. The Appendix contains the definition of all the variables. Numbers in bold indicate correlation coefficients that are statistically significant at the 5% level or better.

Table 3: Summary statistics for the dividend measures.

Panel A: Means of various dividend measures for each year for conservative, liberal and nonpartisan CEOs.

Clusters	Variable	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Overall Period	
1	Liberals																				
	Dividend/NI	0.247	0.300	0.269	0.229	0.320	0.353	0.255	0.350	0.178	0.271	0.172	0.213	0.250	0.223	0.236	0.263	0.374	0.342	0.263	0.263
	Non-payers	-	0.643	0.647	0.762	0.615	0.577	0.720	0.783	0.769	0.885	0.923	0.800	0.846	0.724	0.600	0.324	0.278	0.061	0.636	0.636
3	Dividend cut	-	0.500	0.692	0.167	0.280	0.167	0.136	0.150	0	0.083	0.217	0.042	0.200	0.087	0.074	0.067	0.033	0.032	0.154	0.154
4	Dividend omission	-	0	0	0.048	0	0	0.040	0.045	0	0.042	0.042	0	0	0.036	0	0	0	0	0.014	0.014
5	Dividend initiation	-	0	0	0	0.083	0	0.083	0.143	0	0	0	0	0.050	0.111	0	0.154	0.111	0	0.047	0.047
6	Dividend re-initiation	-	0	0	0	0	0	0	0	0.250	0.167	0.400	0	0	0	0.400	0.400	0	0	0.129	0.129
7	Conservatives																				
	Dividend/NI	0.240	0.280	0.398	0.281	0.399	0.298	0.211	0.237	0.235	0.276	0.270	0.305	0.380	0.337	0.299	0.359	0.379	0.434	0.308	0.308
	Non-payers	-	0.327	0.359	0.352	0.347	0.385	0.397	0.347	0.306	0.286	0.273	0.304	0.307	0.315	0.295	0.235	0.162	0.028	0.309	0.309
9	Dividend cut	-	0.579	0.341	0.196	0.203	0.169	0.095	0.134	0.115	0.131	0.254	0.176	0.219	0.217	0.092	0.027	0.219	0.018	0.191	0.191
10	Dividend omission	-	0	0	0.029	0.014	0.013	0	0	0	0	0	0	0.014	0.041	0	0	0.013	0	0.008	0.008
11	Dividend initiation	-	0.111	0	0.071	0	0	0.056	0.050	0.111	0.062	0.062	0.056	0	0.167	0	0.067	0	0	0.054	0.054
12	Dividend re-initiation	-	0	0	0	0	0	0.091	0.111	0	0.167	0	0	0	0	0.200	0.375	0	0.500	0.071	0.071
13	NonPartisan																				
	Dividend/NI	0.370	0.319	0.336	0.409	0.348	0.342	0.364	0.276	0.296	0.338	0.317	0.398	0.508	0.429	0.443	0.562	0.425	0.435	0.383	0.383
	Non-payers	-	0.295	0.309	0.304	0.316	0.319	0.274	0.245	0.206	0.232	0.240	0.227	0.233	0.233	0.175	0.149	0.119	0.047	0.234	0.234
15	Dividend cut	-	0.446	0.395	0.289	0.204	0.128	0.099	0.101	0.164	0.158	0.180	0.115	0.292	0.215	0.071	0.052	0.147	0.033	0.179	0.179
16	Dividend omission	-	0.011	0.018	0.008	0.015	0.022	0.014	0	0	0.006	0.012	0.022	0.017	0.011	0	0	0	0	0.009	0.009
17	Dividend initiation	-	0	0.048	0	0.032	0.091	0.129	0.154	0.038	0.042	0.036	0.069	0.036	0.071	0.250	0.056	0.125	0	0.071	0.071
18	Dividend re-initiation	-	0.167	0.500	0	0	0	0.444	0.083	0	0.100	0.111	0.273	0.100	0.182	0.462	0	0.500	0	0.181	0.181
Number of observations		195	210	254	255	253	250	284	299	290	313	304	278	285	320	313	274	261	111	4,749	4,749

Panel B: Means for each of the dividend measures for conservative and liberal CEOs for 1997-2014.

Variable	Liberals	Conservatives	Difference in Means / Proportions
Dividend/NI	0.263	0.308	-0.045**
Non-payers	0.636	0.309	0.327***
Dividend cut	0.154	0.191	-0.037
Dividend omission	0.014	0.008	0.006
Dividend initiation	0.047	0.054	-0.008
Dividend re-initiation	0.129	0.071	0.058

Panel A reports the means and proportions for the various measures of dividend policy for each year for conservative, liberal, and nonpartisan CEOs. Dividend/NI is the mean value of common dividends over net income. Non-payers is the number of non-dividend paying firms divided by the total number of firms. Dividend cut is the number of dividend paying firms that reduce their dividend divided by the total number of dividend paying firms. Omission is the number of non-dividend paying firms that have started paying a dividend for the first time since their appearance in the CRSP database divided by the total number of non-dividend paying firms in the previous year. Re-initiation is the number of firms that start paying a dividend after omitting their dividend divided by the total number of non-paying firms, which paid a dividend in the past. Panel B compares the means (for Dividend/NI) and the proportions (for the rest of the measures of dividend policy) between the conservative and liberal CEOs over the entire period of 1997-2014. The asterisks in the third column denote the significance level of the Z-tests (for the proportions) and the t-test (for Dividend/NI). ** and *** indicate significance at the 5% and 1% level, respectively.

Table 4: CEO political ideology, dividend payout and likelihood of being a dividend payer.

Models Dependent Variable	OLS				Logit		
	Dividend/Ni				Dividend-paying firm		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Intercept	0.365*** (0.056)	0.129 (0.145)	0.117 (0.225)	-0.035 (0.241)	0.174** (0.828)	-0.113* (1.697)	-0.084* (2.214)
Liberals	-0.116*** (0.035)	-0.107*** (0.034)	-0.105*** (0.036)	-0.086** (0.039)	-0.144*** (0.285)	-0.073*** (0.420)	-0.027** (0.474)
Conservatives	-0.029 (0.023)	-0.039* (0.023)	-0.017 (0.026)	-0.035 (0.031)	-0.011 (0.261)	-0.011 (0.326)	0.000 (0.371)
Tobin's q_{t-1}		-0.010 (0.008)	-0.011 (0.011)	-0.012 (0.016)		-0.006 (0.123)	-0.004 (0.120)
ROA $_{t-1}$		-0.075 (0.132)	-0.188 (0.175)	-0.077 (0.211)		0.279*** (1.840)	0.124*** (1.934)
Firm size $_{t-1}$		0.033*** (0.012)	0.025* (0.015)	0.043*** (0.015)		0.022*** (0.139)	0.013*** (0.165)
Firm age $_{t-1}$		0.004*** (0.001)	0.003*** (0.001)	0.003*** (0.001)		0.003*** (0.010)	0.001*** (0.011)
Cash holdings $_{t-1}$		-0.142* (0.073)	-0.145 (0.102)	-0.046 (0.117)		-0.134*** (0.923)	-0.069*** (1.213)
Leverage $_{t-1}$		0.109 (0.077)	0.063 (0.100)	0.032 (0.080)		-0.087*** (0.843)	-0.055*** (0.964)
R&D $_{t-1}$		-0.125 (0.214)	-0.070 (0.269)	0.061 (0.443)		-0.268 (4.533)	-0.098 (4.201)
Asset tangibility $_{t-1}$		0.079 (0.100)	0.059 (0.117)	0.114 (0.089)		0.035 (1.282)	0.011 (1.486)
Board independence $_{t-1}$			0.181* (0.096)	0.190* (0.114)			0.023 (1.171)
Board size $_{t-1}$			0.011* (0.006)	0.008 (0.007)			0.001 (0.084)
CEO duality $_{t-1}$			-0.025 (0.024)	-0.049* (0.029)			0.010* (0.254)
CEO age $_{t-1}$			-0.002 (0.002)	-0.001 (0.002)			0.000 (0.028)
CEO tenure $_{t-1}$			0.006 (0.004)	0.006 (0.004)			0.000 (0.050)
E-Index $_{t-1}$			-0.007 (0.011)	-0.010 (0.012)			0.003 (0.123)
CEO share ownership $_{t-1}$				-0.001 (0.003)			
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R ²	0.237	0.264	0.299	0.350			
Num. obs.	4757	3421	2302	1359	5685	3815	2544
F statistic	19.125	14.941	11.121	8.265			
AIC					4737.041	2323.219	1451.215
BIC					5248.751	2829.202	1953.584
Log Likelihood					-2291.521	-1080.610	-639.608

Columns (1), (2), (3), and (4) report the results of the OLS regressions examining the relationship between CEO political ideology and dividend payout as per Eq. 1. The dependent variable is the dividend payout measured as common dividends over net income. The key independent variables indicate CEO political ideology, distinguishing between the following three categories of CEO: liberals, conservatives, and nonpartisans. Columns (5), (6), and (7) are the estimated marginal effects of logit models predicting the probability of the firm being a dividend-payer. The dependent variable is an indicator variable, which takes the value of one if the firm is a dividend-paying firm, and zero otherwise. The Appendix contains the definition of all the variables. Heteroskedasticity robust and firm-clustered standard errors are reported in parentheses. *, **, and *** indicate the significance of the coefficient estimate at the 10%, 5%, and 1% level, respectively.

Table 5: Changes in the dividend around CEO appointments.

Dependent Variable: Change in Dividend Per Share									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Intercept	-0.030 (0.081)	-0.130 (0.132)	0.020 (0.106)	-0.044 (0.082)	-0.145 (0.138)	0.011 (0.110)	-0.053 (0.101)	-0.150 (0.156)	0.003 (0.162)
Treated	0.164** (0.068)	0.213*** (0.067)	0.239** (0.093)	0.211*** (0.071)	0.269*** (0.067)	0.284** (0.106)	0.299** (0.123)	0.343*** (0.090)	0.390** (0.162)
Net Income _{<i>a</i>-1}	1.191* (0.656)	3.009** (1.228)	1.500* (0.782)	1.330* (0.679)	3.173** (1.281)	1.610** (0.790)	1.558** (0.596)	3.111** (1.221)	1.555** (0.668)
Change in net income	0.824 (0.597)	2.952** (1.421)	1.739*** (0.563)	0.899 (0.618)	3.050** (1.482)	1.800*** (0.573)	0.946 (0.593)	2.902** (1.403)	1.693*** (0.462)
Dividend per share _{<i>a</i>-1}	1.063* (0.617)	1.111 (0.759)	1.307** (0.534)	1.294* (0.649)	1.262 (0.809)	1.319** (0.613)	1.194** (0.535)	1.202 (0.728)	1.342** (0.514)
Dividend per share _{<i>a</i>-2}	-1.212* (0.644)	-1.334* (0.755)	-1.340** (0.530)	-1.449** (0.676)	-1.488* (0.802)	-1.351** (0.607)	-1.339** (0.559)	-1.415* (0.713)	-1.361*** (0.494)
Downsizing (employee)				-0.001* (0.000)	-0.000 (0.000)	-0.000 (0.000)			
Treated * Downsizing (employee)				0.009*** (0.003)	0.007*** (0.002)	0.004** (0.002)			
Divestment (asset)							0.137 (0.298)	0.043 (0.254)	0.039 (0.263)
Treated * Divestment (asset)							0.557* (0.294)	0.363* (0.183)	0.372 (0.274)
R ²	0.390	0.348	0.300	0.437	0.369	0.324	0.436	0.359	0.330
Num. obs.	42	44	40	42	44	40	42	44	40
F statistic	4.596	4.055	2.911	3.776	3.003	2.189	3.749	2.886	2.257

Columns (1), (2), and (3) present the result of OLS regressions explaining the change in the dividend per share from one year prior to the new CEO appointment to one, two, and three years after the appointment, respectively. Columns (4) to (6) are similar to Columns (1) to (3) but also contain the interaction term between *Treated* and *Downsizing*. Columns (7) to (9) are similar to Columns (1) to (3) but also contain the interaction term between *Treated* and *Divestment*. Downsizing is the number of employees one year before the appointment minus the number of employees one (Column (4)), two years (Column (5)), and three years (Column (6)) after the appointment. A positive number corresponds to a reduction in the workforce. Divestment is the logarithm of one plus total assets one year before the appointment minus the logarithm of one plus total assets one year (Column (7)), two years (Column (8)), and three years (Column (9)) after the appointment. A positive number corresponds to a reduction in total assets. Firm-clustered standard errors are reported in parentheses. *, **, and *** indicate the significance of the coefficient estimate at the 10%, 5%, and 1% level, respectively.

Table 6: Dynamic panel data models estimating the effects of CEO political ideology on firm performance and firm value.

Dependent Variable	ROA			Tobin's q		
	OLS	Fixed effects	System GMM	OLS	Fixed effects	System GMM
	(1)	(2)	(3)	(4)	(5)	(6)
Conservatives	0.105*** (0.017)	0.489*** (0.060)	0.691 (0.505)	1.162*** (0.224)	2.906*** (0.690)	-0.357 (3.277)
Liberals	0.105*** (0.016)	0.478*** (0.059)	0.464 (0.444)	1.169*** (0.223)	2.976*** (0.697)	1.282 (2.697)
NonPartisans	0.105*** (0.016)	0.506*** (0.061)	0.356 (0.440)	1.147*** (0.221)	3.048*** (0.689)	0.928 (2.824)
Firm size _{t-1}	-0.007*** (0.001)	-0.052*** (0.006)	0.014 (0.025)	-0.096*** (0.014)	-0.402*** (0.082)	-0.169 (0.143)
Firm age _{t-1}	-0.000 (0.000)	0.003*** (0.001)	-0.000 (0.001)	-0.002*** (0.001)	0.030*** (0.007)	-0.007 (0.005)
Cash holdings _{t-1}	-0.002 (0.012)	-0.038* (0.019)	0.040 (0.149)	0.699*** (0.192)	0.029 (0.328)	0.840 (0.736)
Leverage _{t-1}	-0.054*** (0.010)	-0.051*** (0.017)	-0.164** (0.073)	-0.064 (0.095)	0.055 (0.167)	-0.263 (0.515)
R&D _{t-1}	-0.059 (0.042)	-0.131 (0.092)	1.098 (1.313)	0.083 (0.554)	0.260 (1.572)	1.053 (2.423)
Asset tangibility _{t-1}	-0.004 (0.005)	-0.061*** (0.022)	0.249 (0.205)	-0.126*** (0.045)	-0.233 (0.191)	0.443 (1.329)
Board independence _{t-1}	0.022*** (0.008)	0.019 (0.016)	-0.070 (0.065)	0.186* (0.098)	-0.194 (0.181)	0.208 (0.570)
Board size _{t-1}	-0.000 (0.001)	0.000 (0.001)	0.009 (0.015)	0.009 (0.006)	0.022** (0.010)	0.040 (0.026)
CEO duality _{t-1}	-0.001 (0.002)	-0.003 (0.003)	0.054 (0.037)	0.052 (0.032)	0.070 (0.047)	0.446 (0.344)
CEO age _{t-1}	0.000 (0.000)	0.000 (0.000)	-0.013 (0.010)	0.000 (0.003)	0.012** (0.005)	0.007 (0.033)
CEO tenure _{t-1}	0.000 (0.000)	0.001 (0.001)	0.010 (0.008)	0.000 (0.004)	-0.008 (0.006)	0.080 (0.051)
E-Index _{t-1}	-0.002*** (0.001)	-0.001 (0.001)	-0.004 (0.006)	-0.032*** (0.009)	-0.034** (0.017)	-0.041 (0.061)
ROA _{t-1}	0.780*** (0.024)	0.521*** (0.047)	0.589*** (0.193)			
Tobin's q _{t-1}				0.754*** (0.029)	0.546*** (0.044)	0.613*** (0.174)
Year effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2739	2739	2464	2441	2441	2441
R	0.935	0.957		0.939	0.954	
No. of instruments			48			51
AR1 (p-value)			0.001			0.014
AR2 (p-value)			0.843			0.115
Sargan (p-value)			0.450			0.416
Hansen-J (p-value)			0.659			0.438

This table reports the results from OLS, firm-fixed effects (FE) and system generalized method-of-moments (System GMM) regressions estimating the effects of CEO political ideology on firm performance and firm value. The key independent variables measure CEO political ideology, distinguishing between the following three categories of CEO: liberals, conservatives, and nonpartisans. The dependent variable in the first three columns is firm performance as measured by ROA in year t . The dependent variable in the last three columns is firm value as measured by Tobin's q in year t . All the independent variables are measured in year $t-1$. The Appendix contains the definition of all the variables. Firm-clustered standard errors are reported in parentheses. *, **, and *** indicate the significance of the coefficient estimates at the 10%, 5%, and 1% level, respectively.

Table 7: Propensity score matching.

Panel A: Logit regressions predicting selection of CEOs into firms.

	(1)	(2)
	Logit Before matching	Logit After matching
Tobin's q_{t-1}	0.005 (0.020)	0.031 (0.067)
ROA_{t-1}	0.676** (0.337)	-0.513 (0.928)
Firm size $_{t-1}$	-0.000 (0.022)	-0.018 (0.066)
Firm age $_{t-1}$	0.001 (0.002)	-0.001 (0.004)
Cash holdings $_{t-1}$	-0.309* (0.170)	0.177 (0.435)
Leverage $_{t-1}$	-0.078 (0.127)	0.260 (0.385)
R&D $_{t-1}$	-0.820 (0.621)	0.251 (2.196)
Asset tangibility $_{t-1}$	0.099 (0.138)	0.129 (0.453)
Board independence $_{t-1}$	0.115 (0.144)	0.442 (0.404)
Board size $_{t-1}$	-0.010 (0.010)	0.005 (0.028)
CEO duality $_{t-1}$	0.018 (0.041)	0.000 (0.107)
CEO age $_{t-1}$	0.005 (0.005)	-0.002 (0.010)
CEO tenure $_{t-1}$	-0.002 (0.006)	0.004 (0.017)
E-Index $_{t-1}$	0.020 (0.016)	-0.025 (0.049)
Divestment $_{t-1}$	0.079 (0.105)	0.118 (0.338)
Downsizing $_{t-1}$	-0.000 (0.002)	0.001 (0.008)
Industry effects	Yes	Yes
Year effects	Yes	Yes
Num. obs.	1023	390
Pseudo R ²	0.30	0.051

Panel B: Comparing treatment and control groups after matching.

Variable	Means Treated	Means Control	Mean Diff	t_stat	p_value
Tobin's q_{t-1}	2.26	2.07	0.19	1.40	0.16
ROA_{t-1}	0.18	0.17	0.01	1.48	0.14
Firm size $_{t-1}$	8.99	9.06	-0.07	-0.58	0.56
Firm age $_{t-1}$	4.82	5.13	-0.31	-0.16	0.87
Cash holdings $_{t-1}$	0.14	0.13	0.01	0.68	0.50
Leverage $_{t-1}$	0.28	0.28	0.004	0.22	0.82
R&D $_{t-1}$	0.02	0.02	-0.001	-0.35	0.73
Asset tangibility $_{t-1}$	0.34	0.30	0.04	1.41	0.16
Board independence $_{t-1}$	0.76	0.76	-0.004	-0.30	0.77
Board size $_{t-1}$	10.41	10.48	-0.07	-0.30	0.77
CEO duality $_{t-1}$	0.55	0.57	-0.02	-0.50	0.62
CEO age $_{t-1}$	56.70	56.38	0.32	0.53	0.60
CEO tenure $_{t-1}$	5.19	5.08	0.11	0.34	0.73
E-Index $_{t-1}$	2.61	2.76	-0.15	-0.99	0.32
Divestment $_{t-1}$	-0.10	-0.08	-0.02	-1.01	0.31
Downsizing $_{t-1}$	-0.92	-0.79	-0.13	-0.18	0.86

Panel C: Average treatment effect on treated (ATT)

Variable	Estimate	T-Stat	P-Value
Dividend/N1	0.080	1.968	0.049
Dividend/TA	0.007	3.501	0.000
Dividend/Sales	0.012	3.961	0.000
Dividend yield	0.003	1.918	0.055
Dividend per share	0.168	2.342	0.019

The table presents the results from the propensity score matching (PSM) analysis. The Appendix contains the definition of all the variables. Panel A reports the results from the pre-matching logit (Column (1)) and the post-matching logit (Column (2)). Panel B presents the differences in the observables between the treatment group (i.e., firm-year observations with conservative CEOs) and the control group (i.e., firm-year observations with liberal CEOs). Panel C reports the average treatment effect on treated (ATT) using the five different measures of the dividend payout. * and ** indicate the significance of the coefficient estimate at the 5% and 1% level, respectively.

Table 8: Robustness of the results using four alternative measures of the dividend payout.

Dependent Variables	Dividend/TA				Dividend/Sales				Dividend Yield				Dividend Per Share			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)				
Intercept	0.028*** (0.004)	0.010 (0.009)	-0.001 (0.011)	0.040*** (0.004)	-0.007 (0.012)	-0.022 (0.017)	0.016*** (0.005)	0.004 (0.007)	-0.009 (0.008)	0.833*** (0.121)	-0.173 (0.293)	-1.260*** (0.396)				
Liberals	-0.007*** (0.002)	-0.006*** (0.002)	-0.005*** (0.002)	-0.013*** (0.003)	-0.011*** (0.003)	-0.010*** (0.003)	-0.006*** (0.002)	-0.005*** (0.002)	-0.004** (0.002)	-0.251*** (0.079)	-0.214*** (0.074)	-0.152* (0.081)				
Conservatives	0.000 (0.001)	-0.001 (0.001)	0.001 (0.001)	-0.002 (0.002)	-0.002 (0.002)	0.000 (0.002)	-0.001 (0.001)	-0.002 (0.001)	-0.001 (0.001)	-0.070 (0.056)	-0.072 (0.051)	-0.046 (0.059)				
Tobin's q_{t-1}		0.005*** (0.001)	0.005*** (0.001)		0.004*** (0.001)	0.004*** (0.001)		-0.001*** (0.000)	-0.001** (0.000)		0.016 (0.015)	0.030* (0.017)				
ROA $_{t-1}$		0.068*** (0.008)	0.067*** (0.009)		0.042*** (0.011)	0.030** (0.012)		0.015*** (0.005)	0.013** (0.005)		1.153*** (0.242)	1.291*** (0.291)				
Firm size $_{t-1}$		0.002** (0.001)	0.002*** (0.001)		0.005*** (0.001)	0.005*** (0.001)		0.002*** (0.001)	0.002*** (0.001)		0.133*** (0.023)	0.115*** (0.027)				
Firm age $_{t-1}$		0.000*** (0.000)	0.000*** (0.000)		0.000*** (0.000)	0.000* (0.000)		0.000*** (0.000)	0.000*** (0.000)		0.010*** (0.002)	0.008*** (0.002)				
Cash holdings $_{t-1}$		-0.017*** (0.004)	-0.024*** (0.006)		-0.012* (0.007)	-0.018* (0.010)		-0.007*** (0.003)	-0.008** (0.004)		-0.489*** (0.128)	-0.549*** (0.180)				
Leverage $_{t-1}$		-0.008** (0.003)	-0.009*** (0.004)		-0.012** (0.005)	-0.012* (0.007)		-0.001 (0.003)	-0.000 (0.004)		-0.284** (0.115)	-0.341** (0.135)				
R&D $_{t-1}$		-0.011 (0.019)	0.005 (0.025)		-0.001 (0.025)	0.028 (0.033)		-0.004 (0.010)	-0.008 (0.012)		-1.043** (0.487)	-1.301** (0.626)				
Asset tangibility $_{t-1}$		-0.006 (0.004)	-0.004 (0.004)		0.009 (0.007)	0.015* (0.009)		0.001 (0.004)	0.002 (0.005)		0.099 (0.174)	0.099 (0.210)				
Board independence $_{t-1}$			0.008* (0.004)			0.005 (0.007)		0.005 (0.007)	0.011*** (0.004)		0.303* (0.175)	0.303* (0.175)				
Board size $_{t-1}$			0.000 (0.000)			0.001 (0.000)		0.001 (0.000)	0.001** (0.000)		0.045*** (0.012)	0.045*** (0.012)				
CEO duality $_{t-1}$			-0.001 (0.001)			-0.001 (0.002)		-0.001 (0.001)	-0.001 (0.001)		0.085** (0.041)	0.085** (0.041)				
CEO age $_{t-1}$			-0.000 (0.000)			-0.000 (0.000)		0.000 (0.000)	0.000 (0.000)		0.006 (0.004)	0.006 (0.004)				
CEO tenure $_{t-1}$			0.000 (0.000)			0.000 (0.000)		0.000 (0.000)	0.000 (0.000)		-0.001 (0.008)	-0.001 (0.008)				
E-Index $_{t-1}$			-0.000 (0.001)			-0.002 (0.001)		-0.000 (0.001)	-0.000 (0.000)		0.006 (0.022)	0.006 (0.022)				
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes				
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes				
R ²	0.321	0.472	0.545	0.459	0.449	0.544	0.396	0.489	0.533	0.362	0.480	0.516				
Num. obs.	5254	3806	2542	5171	3690	2462	5673	3814	2544	5685	3815	2544				
F statistic	32.597	41.677	34.614	56.758	36.689	33.407	48.222	44.598	32.974	41.837	43.019	30.786				

This table reports the results of OLS regressions examining the effect of CEO political ideology on dividend policy, using four alternative measures for the dividend payout. Dividend/TA is common dividends over the beginning of the year total assets. Dividend/Sales is common dividends divided by total sales. Dividend yield is the dividend per share over the fiscal year-end share price. Dividend per share is the common dividend per common stock. The key independent variables indicate CEO political ideology, distinguishing between the following three categories of CEO: liberals, conservatives, and nonpartisans. The Appendix contains the definitions of all the variables. Heteroskedasticity robust and firm-clustered standard errors are reported in parentheses. *, **, and *** indicate the significance of the coefficient estimate at the 10%, 5%, and 1% level, respectively.

Table 9: Robustness of the results using an alternative measure of CEO political ideology.

Dependent Variables	Dividend/NI			Dividend/TA			Dividend/Sales			Dividend Yield			Dividend Per Share		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Intercept	0.288*** (0.032)	-0.030 (0.160)	-0.282 (0.271)	0.023*** (0.004)	0.003 (0.010)	-0.030** (0.014)	0.035*** (0.007)	-0.020 (0.015)	-0.022*** (0.022)	0.015** (0.006)	-0.002 (0.008)	-0.019* (0.010)	0.748*** (0.171)	-0.347 (0.339)	-2.127*** (0.522)
CEO liberalism	-0.087*** (0.030)	-0.068** (0.031)	-0.099** (0.041)	-0.007*** (0.002)	-0.005*** (0.002)	-0.006*** (0.002)	-0.010*** (0.003)	-0.008*** (0.003)	-0.011*** (0.003)	-0.005*** (0.001)	-0.004*** (0.001)	-0.005*** (0.002)	-0.189*** (0.067)	-0.161** (0.066)	-0.142* (0.082)
Tobin's q _{t-1}	-0.012 (0.010)	-0.014 (0.014)	-0.009 (0.014)		0.001 (0.001)	0.002** (0.001)		0.001 (0.001)	0.002 (0.001)		-0.002*** (0.000)		-0.046*** (0.015)		-0.026 (0.020)
ROA _{t-1}	-0.014 (0.152)	-0.091 (0.238)	-0.091 (0.238)		0.073*** (0.009)	0.071*** (0.010)		0.052*** (0.012)	0.040*** (0.014)		0.017*** (0.006)	0.015** (0.007)	1.263*** (0.274)	1.504*** (0.340)	1.504*** (0.340)
Firm size _{t-1}	0.035*** (0.013)	0.035*** (0.013)	0.029 (0.018)		0.002** (0.001)	0.003*** (0.001)		0.005*** (0.001)	0.006*** (0.002)		0.003*** (0.001)	0.002*** (0.001)	0.134*** (0.023)	0.121*** (0.023)	0.121*** (0.030)
Firm age _{t-1}	0.004*** (0.001)	0.004*** (0.001)	0.003*** (0.001)		0.000*** (0.000)	0.000*** (0.000)		0.000*** (0.000)	0.000 (0.000)		0.000*** (0.000)	0.000*** (0.000)	0.009*** (0.002)	0.009*** (0.002)	0.008*** (0.002)
Cash holdings _{t-1}	-0.166* (0.090)	-0.166* (0.090)	-0.163 (0.138)		-0.017*** (0.005)	-0.027*** (0.008)		-0.013 (0.009)	-0.019 (0.012)		-0.006** (0.003)	-0.007 (0.005)	-0.507*** (0.140)	-0.507*** (0.140)	-0.669*** (0.221)
Leverage _{t-1}	0.138 (0.091)	0.138 (0.091)	0.042 (0.109)		-0.010*** (0.004)	-0.011*** (0.004)		-0.014** (0.007)	-0.017*** (0.008)		-0.002 (0.003)	-0.003 (0.004)	-0.412*** (0.128)	-0.412*** (0.128)	-0.412*** (0.157)
R&D _{t-1}	0.022 (0.247)	0.022 (0.247)	0.107 (0.329)		0.003 (0.021)	0.024 (0.029)		0.020 (0.030)	0.056 (0.040)		0.005 (0.011)	0.002 (0.016)	-1.238 (0.544)	-1.238 (0.544)	-1.238 (0.757)
Asset tangibility _{t-1}	0.093 (0.095)	0.093 (0.095)	0.167 (0.125)		-0.005 (0.004)	-0.001 (0.005)		0.013* (0.008)	0.024** (0.010)		0.003 (0.004)	0.006 (0.005)	0.165 (0.185)	0.165 (0.185)	0.239 (0.239)
Board independence _{t-1}			0.095 (0.124)		0.003 (0.006)	0.003 (0.006)			0.000 (0.009)			0.011*** (0.004)	0.318 (0.203)	0.318 (0.203)	0.318 (0.203)
Board size _{t-1}			0.016** (0.008)		0.000 (0.000)	0.000 (0.000)			0.001 (0.001)			0.001** (0.000)	0.050*** (0.013)	0.050*** (0.013)	0.050*** (0.013)
CEO duality _{t-1}			-0.042 (0.030)		-0.002 (0.001)	-0.002 (0.001)			-0.002 (0.002)			-0.001 (0.001)	0.071 (0.045)	0.071 (0.045)	0.071 (0.045)
CEO age _{t-1}			-0.002 (0.002)		-0.000 (0.000)	-0.000 (0.000)			-0.000 (0.000)			0.000 (0.000)	0.008 (0.005)	0.008 (0.005)	0.008 (0.005)
CEO tenure _{t-1}			0.008* (0.004)		0.000* (0.000)	0.000* (0.000)			0.000 (0.000)			0.000 (0.000)	-0.003 (0.008)	-0.003 (0.008)	-0.003 (0.008)
E-Index _{t-1}			-0.012 (0.012)		-0.000 (0.001)	-0.000 (0.001)			-0.002 (0.001)			-0.001 (0.001)	0.003 (0.024)	0.003 (0.024)	0.003 (0.024)
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R ²	0.244	0.269	0.324	0.326	0.468	0.555	0.458	0.438	0.552	0.402	0.490	0.549	0.374	0.486	0.517
Num. obs.	3399	2410	1477	3744	2690	1639	3709	2613	1587	4058	2695	1640	4067	2695	1640
F statistic	15.116	11.608	8.604	25.366	30.659	24.274	43.325	26.751	23.498	37.802	33.511	23.713	33.564	33.038	20.847

This table reports the results of OLS regressions examining the effect of CEO political ideology on the firm dividend payout using an alternative measure of political ideology. Dividend/NI is common dividends over net income. Dividend/TA is common dividends over beginning of the year total assets. Dividend/Sales is common dividends divided by total sales. Dividend Yield is calculated as the dividend per share over the fiscal year-end share price. The key independent variable is CEO liberalism and it is the total amount donated by the CEO to the Democratic party during the CEO's entire tenure over the total amount donated to both parties by the CEO during the CEO's entire tenure. The Appendix contains the definitions of all the variables. Heteroskedasticity robust and firm-clustered standard errors are reported in parentheses. *, **, and *** indicate the significance of the coefficient estimate at the 10%, 5%, and 1% level, respectively.

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