

**Online Appendixes for  
Campaign Contributions over CEOs' Careers**

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## **Appendix A: Data Construction and Anomalies**

Collecting the data required several steps. First, a list of relevant names along with tenure dates for all S&P 500 CEOs was produced. This list was generated using the ExecuComp database and supplemented with annual report information from EDGAR and the investor relations divisions at several firms. The second step involved matching CEOs to the tens-of-millions of potentially relevant individual FEC transactions which were retrieved from the Center for Responsive Politics ([www.opensecrets.org](http://www.opensecrets.org), 2011). In order to connect FEC information to the list of CEO names, a matching protocol was developed and applied: individuals were matched based on available biographical and employment information. Finally, we merged additional data from ExecuComp on attributes of the individuals in the sample (e.g., salary and stock ownership) into our dataset. To the authors' knowledge, no existing dataset provides similarly comprehensive coverage of CEOs' personal political contributions.<sup>1</sup> We supplemented and filled missing entries using information found in executives' biographies.

The actual information collected by the FEC is quite messy, with numerous misspellings, partial entries, etc. Moreover, there is no unique identifier for contributors, complicating researchers' ability to track whether or not any of several "John Smith" entries represent the same individual within an election cycle, let alone across election cycles. While automating the dataset construction process would be desirable, given the frequency of incomplete entries, doing so would under-code a substantial number of entries. Complicating this problem further, some of the incomplete entries may even be intentionally filed with the FEC that way to avoid public scrutiny, such as when individuals choose to exclude employer information. It is possible with some discretion, however, to manually construct unique matches and create unique identifiers for

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<sup>1</sup> Gordon, Hafer, and Landa (2007) collect somewhat similar data, but their timeframe is narrower (1996-2002), sample includes fewer executives (only 1,144), does not focus exclusively on CEOs, and contains data only during individuals' time as executives such that with it behavior prior to or after serving in executive roles is unobserved.

individuals with additional biographical information about particular individuals in question.

To avoid biasing the coding of matches, previous contributions were not used as matching criteria. In the majority of cases, matches were straightforward, since CEOs names were sufficiently unique, the FEC identifying data clearly fit with individuals' biographical information, and FEC addresses matched locations of employers or known residences. For example, contributions from Warren Buffett were straightforward as his name is sufficiently unique, his primary address has always been in Nebraska, and he has always been affiliated with Berkshire Hathaway. Nevertheless, for several individuals, we did require additional biographical information to make matches. Fortunately, CEOs of S&P 500 firms are prominent people, so biographical information is readily available. To find matches for Margaret Whitman, for instance, it was important to know (among other things) that she worked at Stride Rite in Massachusetts prior to joining eBay as CEO in California; in her case, it was also important to check contributions under her nickname, Meg. If a given FEC data entry appeared to match a relevant individual with high likelihood, we included it. Throughout the matching process, we applied a mildly conservative approach, which may have led to under-coding of some matches; this would leave us with data Republican or Democratic that marginally under-represents some individuals' true giving during all phases of their careers. The implication of using potentially under-representative data on contributions would be a downward bias on averages in our summary statistics and coefficients in our regressions. All in all, we believe that our final dataset very closely reflects the donation patterns made by individuals who served as CEOs of S&P 500 firms between 1991 and 2008.

Considering the size of the dataset we constructed (2,198 individuals and 19,782 individual-period observations) and the steps involved in its construction, it is remarkably well-behaved. Nevertheless, working through the data, we identified a number of anomalies worth addressing. We chose to handle these in what we think is the most conservative way in our core analysis; however, our results remain robust to other choices.

First, negative minimum aggregate contribution levels are observed, when

such entries should not occur in practice; they represented only 27 of the 19,782 individual/election-cycle observations in the data we collected. We believe these anomalies reflect refund timing discontinuities—i.e., contributions could have been made in one cycle, but refunds could have been delayed until the next cycle.<sup>2</sup> Second, maximum aggregate contribution levels exceeding the FEC’s legal contribution limits are observed, when such entries should not occur; they represented 677 of the 19,782 individual/election-cycle observations we collected, of which 350 were for active CEOs. Conceivable explanations for these over-limit entries include: (i) that prior to 2002, FEC contribution limits did not bind in practice;<sup>3</sup> (ii) that there may have been timing discontinuities; and, (iii) that the FEC was slow to correct some limit violations.<sup>4</sup>

To handle the anomalous entries, we constructed a restricted data series that effectively winsorizes the data by setting negative aggregate contribution entries for individual/cycle-year observations to zero and restricting maximum entries to aggregate election cycle limits (unless the excess dollars contributed were made using “soft money”). Table A1 displays FEC limits on contributions made by individuals and how they evolve; these numbers represent what we applied as capping values.

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<sup>2</sup> Contribution refunds occur for a variety of reasons. For example, an individual donor may have exceeded contribution limits to a particular recipient, requiring the recipient of funds to return any dollars over the legal limits once they identify the over-limit contribution. Under normal circumstances refunds should not exceed the initial contributions; however, it is possible they are not processed during the same election-cycle as the contribution.

<sup>3</sup> Prior to the passage of the McCain-Feingold campaign finance reform in 2002, it was possible for individuals to donate unlimited amounts of “soft money” to parties, but not to candidates, implying that a portion of earlier contribution limits were not binding in practice, and hence aggregate limits were not binding in practice. Moreover, this explanation can explain the majority of anomalous entries—as 301 of the 350 cases of limit violations by active CEOs occurred prior to McCain-Feingold reforms. Nevertheless, after 2002, 49 cases of limit violations by active CEOs (or 0.6% of relevant observations) could not be explained by non-binding constraints on political giving.

<sup>4</sup> The Progress for America Voter Fund (PFA-VF) PAC is among the most prominent examples of known violators that the FEC was slow to investigate. During the 2004 election cycle, over \$41 million of the \$44.9 million the PAC raised came from individuals who exceeded campaign contribution limit rules. The same PAC also collected more than \$2 million from individuals who were ineligible to contribute at all under the Federal Campaign Finance Act. After a July 21, 2004 complaint was filed by Democracy 21, the Campaign Legal Center, and the Center for Responsive Politics, the FEC investigated. In 2007, PFA-VF ultimately settled by paying a \$750,000 civil penalty, but did not admit to any wrongdoing (FEC 2007).

**Table A1 - Legal Limits on Campaign Contributions**

Period	To Individual Candidates	To Candidates in Aggregate	To Individual PACs	To Party Cmtes	To PACs & Party Cmtes Combined	Aggregate Limit
<i>1974-2002</i>	\$ 1,000.00	-	\$ 5,000.00	\$ 20,000.00	-	\$ 25,000.00
<i>2002-2004</i>	\$ 2,000.00	\$ 37,500.00	\$ 5,000.00	\$ 25,000.00	\$ 57,500.00	\$ 95,000.00
<i>2005-2006</i>	\$ 2,100.00	\$ 40,000.00	\$ 5,000.00	\$ 26,700.00	\$ 61,400.00	\$ 101,400.00
<i>2007-2008</i>	\$ 2,300.00	\$ 42,700.00	\$ 5,000.00	\$ 28,500.00	\$ 65,500.00	\$ 108,200.00
<i>2009-2010</i>	\$ 2,400.00	\$ 45,600.00	\$ 5,000.00	\$ 30,400.00	\$ 69,900.00	\$ 115,500.00

Notes:

1. Prior to 2002, "soft money" contributions allowed individuals to exceed the limit to party committees and hence aggregate limits.
2. The change in 2002 is the result of McCain Feingold, which is why it evolves in later period as it was benchmarked to an inflation metric.

While the complete dataset we constructed contained 2,198 individuals and 19,782 observations, some individuals entered the dataset as CEO. In effect, these individuals were pre-treated as we do not have any information on their pre-CEO behavior. Including these individuals in our analysis may have posed a problem for identification of our primary parameter of interest. Comparing like to like is essential to our research design. Excluding pre-treated individuals yields a restricted sample of only 14,004 observations that we use in our core analysis. While having a larger number of observations by including all CEOs was desirable, doing so could introduced bias.

In our working paper (Fremeth, Richter, Schaeufle 2012), we show tests that demonstrate the robustness of our results to data anomalies and restrictive sampling choices we make. We find no substantive differences in any of our econometric models.

## Appendix B: Count Models

Table B1 contains results for the count data models. Count data models are used to examine the dispersion of contributions where the dependent variable takes non-negative integer values.<sup>5</sup> The dependent variable is unique targets, be they candidates, PACs, or party committees. If an individual contributed to the same target on multiple occasions within an election cycle—by, for example, giving to the same PAC quarterly throughout the election cycle—this only counts as a donation to a single unique political counter-party.

Specifications I through IV demonstrate a statistically significant increase in the number of contributions from individuals once they become CEO. Overall, CEOs give to 0.34 additional targets relative to their pre-CEO state. A similar pattern holds for contributions to each: candidates, PACs, and party committees. Being the leader of an S&P 500 firm leads individuals to give to 0.29 more candidates, 0.40 additional PACs, and 0.35 more party committees.

Following the results of Tables 2 and 3, it is not surprising that CEOs increase the diversity of their giving. The combination of more money and campaign contribution limits foreshadowed this result. Still, that the number of candidate, PAC and party committee recipients increases in a roughly proportional fashion is notable. Active CEOs do not concentrate on one type of political contribution at the expense of the alternative categories. Further, unlike in Table 2, the results for the former CEO regressor illustrate a distinct pattern. Once an individual stops being CEO he is more selective in his giving than prior to holding the leadership role. He contributes to fewer candidates, PACs, and party committees than he did before; among these political counterparties, the influence of being a former CEO is smallest and least statistically significant for contributions to political parties.

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<sup>5</sup> We specify panel data negative binomial models including both individual and time fixed effects (Cameron and Trivedi 1998). Table 1 indicates that the dependent, count variable is over-dispersed, justifying negative binomial distributions throughout.

**Table B1: Effect of Being CEO of an S&P500 Firm on the Count of Political Contributions Given to Various Political Counterparties**

Dependent Variable:	I		II		III		IV	
	<i>Total Unique Contribution Recipients</i>		<i>Contributions to Unique Candidates</i>		<i>Contributions to Unique PACs</i>		<i>Contributions to Unique Party Committees</i>	
	Coef.	Std.Err.	Coef.	Std.Err.	Coef.	Std.Err.	Coef.	Std.Err.
CEO	0.339***	0.030	0.294***	0.035	0.402***	0.046	0.347***	0.065
Former CEO	-0.562***	0.046	-0.542***	0.052	-0.628***	0.075	-0.185*	0.097
Individual Fixed Effects	Yes		Yes		Yes		Yes	
Election Cycle Fixed Effects	Yes		Yes		Yes		Yes	
Distribution	Negative Binomial		Negative Binomial		Negative Binomial		Negative Binomial	
Log Likelihood	-19930.89		-16158.47		-8219.36		-6743.97	
N	14004		14004		14004		14004	

1. \*\*\*, \*\*, \* indicates significance at 1% , 5% and 10% levels respectively

2. Former CEO denotes individuals who have previously been CEOs but aren't for a given election cycle.

## Appendix C: Partisan Models

Table C1 presents the results from the partisan composition models. This table concentrates on the conditional change in the fraction of dollars that are given to Republican candidates and party committees by individuals who opted to give to these targets prior to becoming CEO. The number of observations in these regressions drops because we can only make inferences about the change in the partisan orientation of individuals that become leaders if they have a record of giving prior to assuming leadership roles because it is impossible to know what their partisan orientation would have been if they did not give before. Hence, we can only make predictions about the intensive margin of changes in partisan giving. We do not consider PAC contributions here.<sup>6</sup>

Table C1 demonstrates that being an active CEO generates an increase of 4.9% of contributions flowing to the Democratic Party along the intensive margin, although we show in our working paper (Fremeth, Richter, and Schaufele 2012) that this result is fragile because it is sensitive to some of the sampling issues and data anomalies discussed in Appendix A.

Coefficients for the fraction of donations made to Republican candidates in specifications II is not statistically different from zero. More importantly, the effect is less than 1% in magnitude which would entail a tiny change in money directed at a given party.

On the whole, these results make it difficult to infer any conclusion on changes in giving to Republicans and Democrats due to contributors' leadership status. Likewise, the results for the former CEO variable follow a similar pattern. Given that partisanship does not appear to change for individuals who gave prior to becoming CEO, observable partisan leaning is not strongly swayed by

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<sup>6</sup> PAC contributions are not considered for two reasons. First, deciding how to label PACs as Republican or Democratic is not obvious. In many cases as PACs give to candidates/committees of both parties. Hence, it would require some assessment of the flow-through of dollars to party-affiliated candidates and committees. Second, by donating to a PAC, an individual effectively transfers their political campaign contribution decision to another agent. Individuals may agree with PACs' general objectives, but they forego their decision-rights on whether their individual contributions are funneled to any particular Republican or Democrat targets. This added step clouds identification, making any conclusion on the effect of leadership roles less clear.

assuming leadership positions.

This result could be interpreted as being consistent with long-standing ideology remaining constant and being distinct from an individual's role in an organization. Under this interpretation, the partisanship result suggests there may be limits to individuals' willingness to compromise on their personal preferences even if the demonstrated increase in contributions reflects opportunistic behavior. Alternatively, this result could also be consistent with these particular individuals' personal preferences being aligned with opportunistic firm- and industry-linked PACs who have a tendency to give to whichever party has the greatest probability of winning an election (Grossman and Helpman 1996) over the duration of their careers. Nonetheless, the lack of a clear effect on partisanship when individuals become leaders may warrant further research, particularly since an effect is clearly evident on amounts given and the number of recipients targeted when individuals become leaders.

**Table C1: Effect of Being an S&P 500 CEO on the Partisanship of Political Contributions**

Dependent Variable:	I		II	
	<i>Fraction of Contributions in Dollars to <u>Parties</u> that are Republican</i>		<i>Fraction of Contributions in Dollars to <u>Candidates</u> who are Republican</i>	
	Coef.	Std.Err.	Coef.	Std.Err.
CEO	-0.049**	0.023	0.003	0.014
Former CEO	-0.067**	0.033	0.023	0.022
Individual Fixed Effects	Yes		Yes	
Election Cycle Fixed Effects	Yes		Yes	
F-stat.	5.56***		4.77***	
N	2605		6200	

Notes:

1. \*\*\*, \*\*, \* indicates significance at 1% , 5% and 10% levels respectively
2. Former CEO denoted individuals who have previously been CEOs but are not for a given election cycle.

## References

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