The Political Polarization of U.S. Firms[☆]

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Abstract

Executive teams in U.S. firms are becoming increasingly partisan, leading to a political polarization of corporate America. We establish this new fact using political affiliations from voter registration records for top executives of S&P 1500 firms between 2008 and 2018. The rise in partisanship is explained by both an increasing share of Republican executives and increased sorting by partisan executives into firms with like-minded individuals. Further, we find that within a given firm-year, executives whose political views do not match those of the team's majority have a higher probability of leaving the firm. The increase in partisanship is taking place despite executive teams becoming more diverse in terms of gender and race.

1. Introduction

A growing literature documents a large increase in polarization across political parties in the U.S. (e.g., Iyengar, Sood, and Lelkes (2012); Mason (2013); Lott and Hassett (2014); Mason (2015); Gentzkow (2016); Boxell, Gentzkow, and Shapiro (2017)). Pew Research Center (2017) shows party identification is now a more significant predictor of Americans' fundamental political values than any other social or demographic divide. Moreover, whereas differences in social attitudes across individuals of different genders or races have remained relatively stable since the 1970s, the gap between Republicans and Democrats has increased substantially (Bertrand and Kamenica (2018)).

Another symptom of the rising political polarization is the increasing political homophily of social groups, as individuals prefer to form relationships with politically like-minded individuals (Iyengar, Konitzer, and Tedin (2018)). In contrast, the workplace has long been considered the social context best positioned to provide opportunities for regular interactions and conversations across partisan lines (Mutz and Mondak (2006); Hertel-Fernandez (2020)). For example, Mutz and Mondak (2006) show the workplace is much more likely to expose individuals to people of dissimilar perspectives than are other contexts, such as the family, the neighborhood, or voluntary associations. Yet, we have a limited understanding of the degree of political polarization in the workplace, especially among high-level decision-makers, and how it has changed over time.[1]

To offer new insights on polarization in the workplace, we focus on important decision-makers in the firm: executive teams. Our study is motivated by the emerging evidence that partisanship influences economic decisions not only by households, but also by economically sophisticated agents in high-stakes environments (Kempf and Tsoutsoura (2020); Dagostino, Gao, and Ma (2020); Gormley, Kaviani, and Maleki (2020)). Moreover, corporate executives are responsible for designing and executing the most important corporate decisions (Bertrand and Schoar (2003)), and they have substantial influence on the firm's managerial ranks via promotion and hiring decisions. If increasingly homogeneous political views among corporate executives lead to biased promotions and hiring, inefficient firm-worker matching or a reduction in incentives for

[1]Notable exceptions include Colonnelli, Pinho Neto, and Teso (2020), who show firm owners in Brazil are more likely to hire employees who share their political affiliation (although they do not find an increasing trend), and Gift and Gift (2015), who explore how partisanship affects hiring decisions in a randomized experiment.

employees to invest in firm-specific human capital can arise.

Combining Execucomp data on top executives in U.S. S&P 1500 firms with voter registration records, we show that executive teams have become more partisan between 2008 and 2018. We define partisanship as the degree to which political views within the same executive team are dominated by a single party. More specifically, we measure the partisanship of executive teams as the probability that two randomly drawn executives from the same team are affiliated with the same political party.[2] Based on this measure, we find a 6.6 percentage-point increase in the average partisanship of executive teams over our sample period. As a reference point, this increase is larger than the decrease in gender homogeneity that we observe over the same time period. The years with the highest annual increase in partisanship are 2010, 2012, and 2016, that is around presidential elections and the passage of the controversial Affordable Care Act ("Obamacare"). The rising partisanship of executive teams is even more remarkable in light of the increasing diversity along the gender and race dimensions, which should, if anything, lead to greater diversity in political views. We can further rule out the possibility that the increase in partisanship reflects strategic behavior on behalf of the executives to appear more politically aligned with their peers. For example, we obtain the same result if we use the party affiliation of the executive's spouse or of the majority of voters in her zip code, rather that the executive's own party affiliation.

What drives the increase in the political polarization of executive teams? One possibility is that the increase in partisanship is a reflection of changes in the share of Republicans and Democrats in the overall population of executives. Alternatively, the increase in partisanship could result from an increased tendency of executives to sort into firms with like-minded partisans. Using Monte Carlo simulations to generate measures of randomly occurring partisanship, we document that 61% of the increase in partisanship is driven by an increased tendency of executives to sort into firms with individuals who share their political views. The remaining 39% is driven by the executive population as a whole becoming more politically homogeneous (i.e., Republican). Further decomposing the increase in sorting, we find that a substantial part of the effect is driven by increased sorting on political ideology into states and industries. Assimilation to other team

[2]Throughout this paper, we use the terms partisanship, political polarization, and political homogeneity interchangeably.

members via within-person changes in party affiliation only plays a minor role.

We complement these results with a dyadic regression approach (see Colonnelli, Pinho Neto, and Teso (2020)). A unit of observation in this regression is a hypothetical executive-pair and the outcome variable is an indicator equal to one if the pair works in the same firm. An important advantage of the dyadic approach is that we can control for the influence of other executive characteristics (gender, ethnicity, and age) on executive matching. Our results show executives who share the same political party are 36% more likely to work in the same firm. Moreover, we find the role of political views in determining executive sorting is strengthening over time, with the largest point estimate in the last year of our sample period.

Further supporting the role of political views in executive-team formation, we document evidence consistent with political views affecting executives' decision to leave the firm. We find that, within a given firm-year, executives who are politically aligned with the majority of the team have a 3.2-percentage-points lower probability of leaving the firm, relative to executives whose views are not aligned with the rest of the team. This effect corresponds to an 24.6% decrease in the likelihood of departure relative to the unconditional turnover probability of 13%. The result holds after the inclusion of firm $\times$ year fixed effects; that is, we can control for any drivers of executives' departure decisions related to firm fundamentals. We observe again a strong increase in the effect over time: whereas, during the period 2008–2014, the effect is relatively small and statistically insignificant, it becomes highly economically and statistically significant during the later part of our sample period (2015–2017).

What factors contribute to the increased sorting of executives into firms with like-minded individuals? To address this question, we consider heterogeneity in the legal environment across states as well as heterogeneity in important stakeholders of the firm, including shareholders and customers.

Although there is no federal law prohibiting discrimination based on political ideology by private employers in the United States, some states have adopted laws prohibiting such discrimination.[3] We conjecture that, if a firm is headquartered in states with a law that prohibits workplace discrimination based on political ideology, the trend in partisanship of executive teams

[3]The states in our sample that currently have laws in place prohibiting political discrimination in the workplace are California, Colorado, Illinois, Massachusetts, New York, and Ohio.

should be weaker. Consistent with this hypothesis, we find that firms located in states with such anti-discrimination laws do not exhibit any trend in the partisanship of their executive teams. Instead, we find that the trend is driven by states that have not adopted such laws. These results suggest that state laws are effective at reducing sorting of executives based on political views.

Next, we consider two types of stakeholders: shareholders and customers. We find that the increased sorting of executives is less pronounced in firms with higher level of institutional ownership and firms in customer-oriented industries (GICS sectors "Consumer Discretionary" and "Consumer Staples"). The result on the role of institutional ownership in mitigating partisanship of political views in executive teams is consistent with the fact that institutional investors often emphasize the importance of diversity in the workplace. The fact that executives in consumer industries do not exhibit a rising tendency to sort on political affiliation suggests it is unlikely that the rising partisanship in executives' political views is driven by a rising polarization in their customer base.

Our paper contributes to the growing literature on the connection between political partisanship and economic decisions. Most existing studies have focused on households and study the effect of partisanship on household consumption (Gerber and Huber (2009); McGrath (2017); Gillitzer and Prasad (2018); Mian, Sufi, and Khoshkhou (2021); Makridis (2019)), real estate decisions (McCartney and Zhang (2019)), and portfolio allocation decisions (Addoum and Kumar (2016); Bonaparte, Kumar, and Page (2017); Meeuwis, Parker, Schoar, and Simester (2018), Giglio, Maggiori, Stroebel, and Utkus (2021)). More recently, studies have documented that partisanship also affects the economic decisions of more sophisticated individuals in high-stakes environments, such as credit analysts (Kempf and Tsoutsoura (2020)), loan officers (Dagostino, Gao, and Ma (2020)), and judges (Gormley, Kaviani, and Maleki (2020)). Recent literature also focuses on real effects of partisanship on firms. Duchin, Farroukh, Harford, and Patel (2019) show the political distance between firms affects firms' M&A decisions, and Rice (2020) investigates the effect of political partisanship of executives on firms' investment decisions. Our paper contributes to this literature by providing novel evidence on the increase in political partisanship of executive teams.

We also contribute to the literature that studies other dimensions of diversity among firms' executive teams or boards of directors. Prior literature has examined the effect of demographic

similarities (e.g., Westphal and Zajac (1995)) and gender diversity (e.g., Adams and Ferreira (2009); Ahern and Dittmar (2012); Nguyen, Locke, and Reddy (2015)). A stream of studies focuses on the effect of diversity of independent directors' backgrounds or expertise on corporate governance and firm performance (e.g., Masulis, Wang, and Xie (2012); Fich (2005)). Bernile, Bhagwat, and Yonker (2018) create an index of board diversity that combines director expertise, demographic characteristics, and education and find greater board diversity leads to lower volatility and better firm performance. A key difference between these papers and ours is that we focus on political diversity, which features much less prominently in the public debate about corporate boards. Yet, political affiliation seems to increasingly predict differences in social attitudes across individuals, as Bertrand and Kamenica (2018) show. Lee, Lee, and Nagarajan (2014) also focus on political ideology, and use political contributions data to measure political alignment between CEOs and board members. They find alignment has an adverse effect on board independence, leading to managerial entrenchment and lower firm value. Hoang, Ngo, and Zhang (2020) show that political ideology distance between the board of directors and the CEO significantly reduces the likelihood a CEO is fired following poor performance, due to increased director absenteeism. We add to this body of work by documenting an increasing political polarization of U.S. executive teams.

Finally, we add to the literature that investigates political homophily of social groups. On one hand, families have become more politically homogeneous (Iyengar, Konitzer, and Tedin (2018)). On the other hand, when it comes to how partisanship affects neighborhood selection, the evidence is mixed. In surveys, participants report that political homophily is an important consideration for neighborhood selection (Gimpel and Hui (2015); Gimpel and Hui (2018)), but actual location choices reveal little evidence that people are increasingly living in politically distinct communities (Mummolo and Nall (2017)).

2. Data Sources and Sample Description

2.1. Execucomp

We obtain information on the firm's top-earning executives from the Execucomp database, maintained by Standard & Poor's. Execucomp covers all companies included in the S&P 1500 index. It uses compensation data from firms' annual proxy statements (form DEF 14A), in which

firms are required to report compensation data for the five most highly compensated executives. In addition to compensation information, Execucomp contains the full names of the executives, their age, and their role in the firm. The coverage starts in 1992, but we restrict the sample to years 2008 to 2018 because this period has the best coverage in the voter registration data used to infer party affiliation (see below). After restricting the sample to the above time period, the Execucomp database spans 26,003 executives in 2,476 firms.

We also use executives' first and last names to obtain additional demographic characteristics. For example, we infer executives' ethnicity from their first and last names, using the API name-prism.com (see Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017) for details). Moreover, we infer gender from executives' first names, using the publicly available API genderize.io combined with manual online searches.[4] We have verified the accuracy of the two APIs using voter registration data from North Carolina, which contain information on voters' ethnicity and gender. Among the executives that we were able to match to voter records from North Carolina, the accuracy of the API-predicted gender is 99% and the accuracy of the API-predicted ethnicity (white versus non-white) is 97%.

2.2. Political Affiliation

Our political-affiliation measure comes from voter registration records from California (Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma), Colorado, Illinois, Massachusetts (Boston, Cambridge), North Carolina, New Jersey, New York (New York City), Ohio, and Texas. We restrict our sample to these locations because the other states either do not share voter registration records or do not track voters' party affiliations over time.[5] The voter registration records contain identifying information, such as the voter's name, date of birth, and mailing address, as well as the voter's party affiliation at the time of a given election and an indicator for the election(s) in which the individual has voted. The elections covered are general, primary, and municipal elections going back at least until 2008. In states with party registration (e.g., New York, New Jersey), we infer political affiliation based on the voter's registration status at a given

[4]The API uses a large dataset of first names and known genders gathered from user profiles across major social networks in order to predict gender. See http://api.genderize.io/.

[5]We use county-level data for California and city-level data for New York City, Boston, and Cambridge, because the statewide data for California, New York, and Massachusetts do not contain historical party affiliations.

point in time. In all other states, we infer political affiliation based on the primaries in which the individual has voted. For example, if a voter has most recently voted in a Republican primary, we will classify her as Republican. In the Internet Appendix, which is available on the authors' websites, we describe in more detail the information available in the voter registration records of each location.

For the purpose of our study, the voter registration data have important advantages over the more commonly used data on financial contributions to political parties, candidates, and committees, found on the Federal Election Committee (FEC) website.[6] First, voter registrations are more likely to reflect individuals' political views than are their political contributions, which could be made for other reasons. An ongoing debate among political scientists concerns the extent to which political contributions reflect consumption or investment motives, that is, the extent to which individuals donate in order to derive a consumption benefit or to influence political outcomes (e.g., Gordon, Hafer, and Landa (2007)). Political donations may also be influenced by social pressures. For example, Babenko, Fedaseyeu, and Zhang (2019) provide evidence that CEOs influence the political contributions of other employees. Second, a significant number of contributions cannot be linked to any party, because the recipient political committee is not affiliated with a political party or party candidate. As we show below (and as Cohen, Hazan, Tallarita, and Weiss (2019) have shown), the number of contributions that cannot be linked to a political party has increased substantially in recent years. Although this trend could, in principle, reflect more neutral political preferences by executives, it may also reflect greater obscurity of political committees. Third, a non-trivial share of executives (20% in our sample) contributes to both parties, making inferring a clear party preference difficult. Finally, party registration has been shown to be a very good predictor of self-reported party identification. Pew Research Center (2018) match commercial voter files, which are based on data from voter registration records, with a large-scale survey on political attitudes and voter behavior and show that, for more than two-thirds of the panelists, the party affiliation in the commercial voter file correctly infers the self-reported party identification. The accuracy is even higher for states with party registration, such as New York.

[6] See https://www.fec.gov/.

2.3. Additional Data Sources

We collect financial information and Global Industry Classification Standard (GICS) codes for the companies in our sample from Compustat and stock return information from CRSP. Throughout the paper, we define industries based on GICS sectors. To obtain the address of the firm's historical headquarters, we use the information found in the header section of the firm's 10-K/Q filings.[7] When location data from historical filings are unavailable, we use address information from Compustat.

To track the location of executives who move from one state to another, we use the Infutor dataset. Infutor provides address histories for more than 160 million U.S. residents, covering up to 10 addresses or 30 years of address history for each individual. Their data are aggregated from various public sources such as phone connects and disconnects, real estate deed and property data, mover-reported address changes, and professional registries. In addition to address histories, Infutor also contains individuals' first and last names, year of birth, and gender. In the Internet Appendix, we describe in detail how we link the executives in our sample to address histories from Infutor.

2.4. Sample Construction

Of the 26,003 executives from Execucomp, 14,688 (=56%) are located in one of the nine states for which we have historical voter registration data. In terms of their aggregate market capitalization, firms in these nine states represent 62% of all Execucomp firms.

Because we require information on political-party affiliation, we further restrict the sample to executives who can be matched to a unique voter registration record. In a first step, we merge executives to voters using first name, middle initial, and last name, keeping only exact matches with age gaps less than or equal to three years if available. For executives who are matched to multiple voter records, we apply an additional filter that removes all matches located outside a 50-mile radius around the firm's headquarters. In a second step, we take all executives who could not be matched to a unique voter in the first step and merge them to voter records using the same procedure as in the first step above, except we use only the first name and last name of the

[7] We thank Bill McDonald for making these data available on the University of Notre Dame's Software Repository for Accounting and Finance at https://sraf.nd.edu/data/augmented-10-x-header-data/.

executive. Our merging procedure is described in more detail in the Internet Appendix. We are able to match 45% of executives to a unique voter. This match rate is comparable to previous studies using U.S. voter registration records (Kempf and Tsoutsoura (2020)). Once we remove unaffiliated executives and executives who are affiliated with parties other than the Democratic and Republican party, our sample spans 3,886 executives working in 1,188 firms.

For our analysis of time trends in partisanship, we further restrict the sample to firms with at least two matched executives, reducing the sample to 866 unique firms. Figure 1 plots summary statistics for this sample. The number of unique firms is above 400 and the number of unique executives is above 1,000 in all calendar years. We match, on average, between 46% and 56% of the executives in these firms, which corresponds to approximately 2.6 to 2.9 executives for the average firm-year. In the Internet Appendix, we show the geographical distribution of firms and executives across the nine states. The majority of firms are located in California, followed by Texas, Illinois, and Ohio.

Even though our analysis does not require a random sample, we would still like to understand the potential differences between our sample and the overall population of executives and firms in the Execucomp database. First, we investigate whether executives whom we are able to match to a voter record run different types of companies. The results, reported in the Internet Appendix, show executives for whom we are able to obtain party affiliation run firms that are somewhat larger, have higher cash holdings and lower sales growth than firms run by executives without a matching voter record. We do not find significant differences along several other observable firm characteristics, including leverage, cash flow, investment, and Tobin's Q. Second, in terms of selection based on observable executive characteristics, we do not expect executives who are registered voters to be representative of the overall population of U.S. executives. A comparison of matched and non-matched executives, also reported in the Internet Appendix, reveals that CEOs, white executives, and executives with longer tenure are more likely to be matched to a voter record. Our results below should therefore be interpreted as measuring the extent of partisanship among executives who are registered voters, which is a reasonable sample to use for measuring political polarization in the workplace.

2.5. Summary Statistics

Table 1 reports summary statistics for our sample. Panel A reports statistics for the firm-level variables, where the unit of observation is the firm-year. The average share of Democrat and Republican executives is 31.2% and 68.8%, respectively, with a standard deviation of 32.5%. The average partisanship, which we measure as the probability that two randomly drawn executives belong to the same party and discuss in more detail below, is equal to 78.2%. We observe an even higher degree of homogeneity for gender and ethnicity: the average gender homogeneity, measured as the probability of two randomly drawn executives having the same gender, is 89.1%, and the average ethnic homogeneity, measured as the probability of two randomly drawn executives having the same ethnicity (white versus non-white), is 95.5%.

[Insert Table 1 here]

Panel C reports statistics for the executive-departures sample. The unit of observation is the executive-year and the sample is again restricted executives who are Democrat or Republican.[8] The average likelihood of an executive's departure is 13%. The average tenure in the current position is 5.6 years, and 6.8% of executives are older than 65 years. 95.8% of executives are white and 10.1% are women.

3. Aggregate Trends in the Political Affiliations of U.S. Executives

3.1. Trends in Political Affiliation

Figure 2, Panel A, reports the shares of executives who are registered as Democrats and Republicans over time. The majority of executives are affiliated with the Republican party. Moreover, the share of Republican executives increases from 63% in 2008 to 71% in 2018. In Panel B, we plot the time trend in the political affiliation of executives after adding unaffiliated executives. We continue to find an increasing share of Republicans, as well as a decrease in the share of unaffiliated executives. The latter is partly mechanical, because in some states, we infer party affiliation from primary elections, and the cumulative likelihood of having voted in at least one primary election increases over time for each executive. To ensure our results are not driven

[8] In the Internet Appendix, we report executive departure results based on the sample that includes unaffiliated executives.

by changes in the fraction of unaffiliated voters, and in order to be conservative, we restrict our main analysis to Democrat and Republican executives and report results including unaffiliated voters in our robustness tests.

The dominance of the Republican party among U.S. corporate executives is consistent with Cohen, Hazan, Tallarita, and Weiss (2019), who find the majority of CEOs in S&P 1500 companies donate primarily to the Republican party. Bonica (2016a) finds similar evidence. What differs in the contributions data, however, is the time trend: whereas we observe an increase in the share of Republican executives between 2008 and 2018 in the voter data, the share of executives who contribute to the Republican party either remains constant (when unaffiliated contributions are excluded) or even decreases over time (when unaffiliated contributions are included). We infer party affiliation from political contributions using the cumulative donation amounts of the executive and report these graphs in the Internet Appendix. Data on financial contributions are obtained from Stanford's Database on Ideology, Money in Politics, and Elections (DIME) (see Bonica (2016b)).[9]

In Figure 3, we plot the distribution of party affiliation inferred from political contributions separately for executives who are registered Democrats and registered Republicans. An executive is classified as a Democrat (Republican) if she has made the majority of her cumulative contributions to the Democratic (Republican) party. Whereas executives who are registered Democrats exhibit an increasing tendency to donate to their political party, executives who are registered Republicans do not. This finding suggests a trend toward more "open" Democrats among U.S. executives in recent years. The pattern is also consistent with recent evidence reported by Bonaparte (2020), who finds contributions to the Democratic party by Wall Street executives have increased since the 1990s. In the Internet Appendix, we repeat Figure 3 after adding executives who are classified as unaffiliated based on their historical contributions. We observe that Republican executives increasingly donate to committees that cannot be linked to a political party starting around 2016. This finding suggests a possible trend toward not only more open Democrats, but also toward more "hidden" Republicans in recent years.

[9]We are grateful to Adam Bonica for sharing with us data on political contributions.

3.2. Trends in the Partisanship of Executive Teams

Next, we turn to time trends in the political partisanship of executive teams. We define partisanship as the degree to which political views within the same executive team are dominated by a single party. More specifically, we measure partisanship as the probability that two randomly drawn executives from the same firm have the same party affiliation (i.e., are either both Republicans or both Democrats):

$$Partisan_{ft} = Share\,Dem_{ft}^2 + Share\,Rep_{ft}^2, \tag{1}$$

where $Share\,Dem_{ft}$ and $Share\,Rep_{ft}$ refer to the share of Democrats and Republicans among all partisan executives in firm f in year t, respectively.[10] As a benchmark, if all firms had exactly a 50-50 share of Democrat and Republican executives, the average partisanship measure would be 0.5 ($= 0.5^2 \times 2$). In our robustness tests below, we show that our main results are robust to various alternative measures of partisanship. As explained above, we restrict the sample to Republican and Democrat executives only; that is, we exclude unaffiliated executives and executives affiliated with other parties.

In Figure 4, we plot the average partisanship of executive teams over time. We observe a sizable increase of approximately 6.6 percentage points between 2008 and 2018. The year-on-year increase in the average partisanship is highest in 2010, 2012, and 2016. This finding suggests recent presidential elections as well as controversial reforms (e.g., Obamacare in 2010) may have contributed to the increase in partisanship over the past decade.

[Insert Figure 4 here]

In Table 2, Panel A, we show the positive time trend in Figure 4 is statistically significant. We regress the partisanship measure for each firm-year on the calendar year as well as on other controls and fixed effects. Standard errors are clustered at the firm level. Given that our sample period spans 10 years, the coefficient of 0.6576 in column (1) indicates partisanship increases by 6.58 (=0.6576 $\times$ 10) percentage points between 2008 and 2018. Relative to the average

[10] Our measure is closely related to the concept of fractionalization (see Easterly and Levine (1997) and Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg (2003)).

partisanship of 78.2%, this increase is economically sizable. Our estimate of the slope coefficient remains stable when we control for the number of matched executives as well as other dimensions of diversity of the executive team (gender, ethnicity, and age).

[Insert Table 2 here]

We perform a series of additional tests to verify the robustness of the observed increase in partisanship. In Table 2, Panel B, we obtain an even larger positive slope coefficient if we add unaffiliated executives. This finding is expected, because we have already documented that the share of unaffiliated executives decreases over time, which automatically increases the likelihood that two randomly drawn executives are both Republicans or both Democrats. In Panel C, we show the increase in partisanship also holds if we add party affiliation from states that only provide the most recent party affiliation for each voter and do not track party affiliations over time. This sample extension adds firms located in Arkansas, Connecticut, Florida, Kansas, Nevada, Oregon, Oklahoma, Rhode Island, and West Virginia, as well as parts of California and New York not covered by our county and city-level data. These states do not provide historical party affiliations for each voter, but they do provide party affiliations as of the time we received the data (2017/2018). Expanding the set of states increases the number of unique firms in our sample from 866 to 1,324. Importantly, we continue to find a sizable increase in partisanship for this extended sample. In Panel D, we treat all unmatched executives located in our nine states as unaffiliated and, again, we continue to see a significant increase in partisanship.

In Table 3, we explore a series of alternative measures of partisanship. The first measure is an indicator equal to one if all matched executives in the firm have the same political party (Panel A). The second measure is the absolute difference in the share of Democrat and Republican executives (Panel B). The third measure is the share of executives who have voted in at least one primary (Panel C). The fourth measure is the share of executives who have voted in years without a presidential election, whom we refer to as "frequent voters" (Panel D). The fifth measure is the probability that two executives from the same team have the same party affiliation, where party affiliation is assigned using the party of the majority of voters in the executive's zip code (Panel E). The sixth measure is the probability that two executives from the same team have the same party affiliation, where party affiliation is assigned using the party of the executive's spouse

(Panel F). We identify spouses as the individual with the smallest age gap to the executive among all individuals living at the same address and sharing the executive's last name. The fact that we find an increase in partisanship across such a broad set of measures highlights the robustness of our main result.

We further assess how our result reported in Table 2, Panel A, changes if we sequentially remove each GICS sector as well as each of the nine states. The results, reported in the Internet Appendix, show that the positive trend in partisanship is robust to dropping any single GICS sector and any state. The estimate of our slope coefficient becomes smaller if we drop Ohio or Texas, indicating the increase in partisanship is particularly pronounced in those two states. It becomes larger if we drop firms in California, which experience an increase in the share of Democrat executives and a decrease in partisanship on average.

3.3. Decomposing the Increase in Partisanship

In this section, we investigate the extent to which the increase in partisanship is driven by an increase in political homogeneity in the overall population of executives (as shown in Figure 2), or by an increased tendency of executives to sort into firms with like-minded individuals. To differentiate between these two possibilities, we perform Monte Carlo simulations in which we randomly assign each executive a political party, using the share of Democrat and Republican executives in the overall population of executives in a given year as inputs.[11] For each firm-year, we then simulate 1,000 hypothetical partisanship measures, assuming random sorting of executives into firms. The results from the simulation are shown in Figure 5.

[Insert Figure 5 here]

The blue bars show the average partisanship in each of the 1,000 simulated datasets, and the red line shows the average partisanship in the real data for the years 2008, 2013, and 2018. We observe that the blue distribution shifts to the right between 2008 and 2013. This shift reflects the increase in the share of Republican executives. Importantly, across all panels, the actual partisanship in our dataset exceeds the 99th percentile of partisanship in the simulated sample

[11] The approach of comparing actual segregation to segregation generated by randomness has also been used, for example, by Hellerstein and Neumark (2008) and Boisso, Hayes, Hirschberg, and Silber (1994).

in all years. Hence, we can reject the hypothesis that executives sort into firms randomly at the 1% level. When we compare the results across panels, we observe an increasing tendency of executives to sort into firms with like-minded individuals, as can be seen from the fact that the red line moves farther and farther away from the blue distribution. Figure 6, Panel A, provides an alternative visualization of this trend. It plots both the average partisanship in the data (solid line) as well as the average simulated partisanship (dashed line) for each year. Over time, the distance between the two lines grows, consistent with the red line moving farther away from the mean of the blue distribution in Figure 5.

[Insert Figure 6 here]

Further illustrating the trend toward greater political polarization, in the Internet Appendix, we document an increased prevalence of both firms whose executive composition is 100% Republican, as well as firms whose executive composition is 0% Republican, relative to the simulated distribution. Similarly, we also observe an increased prevalence of all-Democrat and zero-Democrat firms relative to the simulations.

We next assess whether the increase in executives' tendency to sort into firms with individuals who share their ideology is statistically significant. Specifically, we test whether the distance between the solid line and the dashed line in Figure 6, Panel A, increases significantly over time. For each firm-year in our sample, we compute the difference between the firm's actual partisanship and the average partisanship across the 1,000 simulations, and then regress this difference on calendar-year dummies. Figure 6, Panel B, plots the coefficients and corresponding 95% confidence intervals for each of the calendar-year dummies, with the reference year being 2008.

We find the tendency of executives to sort into firms with ideologically like-minded individuals is approximately 4.0 percentage points higher in 2018 than it was in 2008. Hence, the increased sorting of executives into firms with like-minded individuals can explain approximately 61% (=4.0/6.6), and thus a substantial share of the observed increase in political polarization between 2008 and 2018.

We further explore to what extent the increase in executive sorting on ideology documented above reflects increased sorting into geographies and industries, or increased sorting on political

affiliation *within* geographies and industries. To do this, we repeat Figure 5, after modifying the simulation to use the share of Republican and Democrat executives in the firm's industry or state, respectively, rather than the shares in the overall population of executives. The results are reported in Figure 7. Using industry- or state-specific distributions of political affiliations in the simulation substantially reduces the observed increase in sorting by executives. Hence, a large part of the increased sorting is driven by executives increasingly sorting into industries and, in particular, states with individuals who share their political ideology.

Finally, we also assess how much of the increase in sorting is coming from within-person changes in party affiliation versus changes in team composition. We repeat the analysis in 5, after removing any time variation in executives' political affiliation by carrying forward the very first party affiliation we observe for each executive in our sample. The resulting estimates, reported in Figure 8, imply within-person party changes can explain only 17.5% (=1- 3.3/4.0) of the increase in partisanship and, thus, play only a minor role. Instead, the majority of the effect is driven by changes in the composition of executive teams. We explore this feature of the data in more detail in Section 3.6 below.

One potential concern about our main result is that the increase in partisanship may not reflect actual changes in the political partisanship of executives, but rather executives strategically changing their party registration status or the primaries they vote in, in order to appear more aligned with their colleagues. In other words, the increase in partisanship may reflect strategic behavior of the executives, rather than an increasing alignment of political views. Several of our results above are inconsistent with this interpretation. First, we observe that within-person changes in party affiliation only explain a very small part of the effect. Second, it is unlikely that the strategic behavior would extend also to the executives' spouses and, even more unlikely, to other voters living in the same zip code as the executive. Third, we show in the Internet Appendix that the increase in partisanship is strongest for firms that did not exhibit a high level of partisanship at the beginning of our sample period. If executives felt pressured to assimilate with the dominant political ideology of their team, then the increase in partisanship should be stronger for firms that were already dominated by one party.

3.4. Homogeneity in Other Executive Characteristics

The increase in partisanship stands in stark contrast to trends in diversity along other executive characteristics. We construct the same measure – the probability that two randomly drawn executives are from the same group – using alternative group definitions based on gender and ethnicity. We then repeat the analysis from Table 2, Panel A, using homogeneity in gender and ethnicity as the dependent variable. The results are reported in Table 4. Although we see a high *level* of homogeneity in gender and ethnicity, the sign of the trend is negative, as can be seen from the significant negative coefficient on calendar year. Thus, whereas executive teams become less homogeneous in gender and race, we observe an increasing homogeneity of political views. Because female and minority executives are more likely to be Democrats, as we show in the Internet Appendix, controlling for diversity along the gender and race dimensions tends to further increase our estimate of the increase in partisanship (see Table 2, Panel A).

[Insert Table 4 here]

Finally, we also repeat the simulation exercise for gender and ethnic homogeneity. The results are reported in Figure 9. We find no evidence of increased sorting of male and female executives in Panel A. For ethnicity, we do find some evidence of increased sorting between 2008 and 2014, but it is economically small and shrinks again after 2014.

[Insert Figure 9 here]

3.5. Dyadic Regression Approach

In this section, we assess whether the results that executives sort into teams based based on political views are robust to using a dyadic regression approach (e.g., Colonnelli, Pinho Neto, and Teso (2020)). An important feature of the dyadic approach is that it allows us to control for several exogenous executive characteristics that could drive executive sorting into teams.

To implement this approach, we first build a sample of all hypothetical pairs of executives in each calendar year. We then estimate the following regression:

$$y_{ikt} = \alpha_t + \beta^{SP} SParty_{ikt} + \beta^{SG} SGender_{ik} + \beta^{SE} SEthnicity_{ik} + \beta^{SA} SAge_{ikt} + \epsilon_{ikt}, \quad (2)$$

where y_{ikt} is an indicator taking value one if executives i and k work in the same firm in year t, and zero otherwise. $SParty_{ikt}$ is an indicator taking value one if executives i and k have the same political party, and zero otherwise; $SGender_{ik}$ is an indicator taking value one if executives i and k have the same gender, and zero otherwise; $SEthnicity_{ik}$ is an indicator taking value one if executives i and k have the same ethnicity (white versus non-white), and zero otherwise; $SAge_{ik}$ is an indicator taking value one if the age gap between executives i and k is five years or less, and zero otherwise. The sample is restricted to Republicans and Democrats only. We cluster standard errors at the executive-pair level.

The results are reported in Panel A of Table 5. The reported coefficients are multiplied by 100 to ease the interpretation of the economic magnitudes. Columns (1) and (2) show that, regardless of whether we control for year fixed effects or not, the likelihood that two executives work in the same firm increases by about 5 basis points when they belong to the same political party. This is a sizable effect given that the unconditional likelihood of working for the same firm is 13.7 basis points. Columns (3) and (4) further show that, when we control for other executive characteristics (gender, ethnicity, and age), party affiliation continues to play a significant role in explaining the sorting of executives into teams. The coefficient of $SParty$ remains positive and statistically significant at the 1% level, and the magnitude of the coefficient barely moves.[12]

[Insert Table 5 here]

To assess whether the role of political affiliation in explaining sorting into executive teams has changed over time, we estimate equation (2) separately for each year in our sample. Figure 10 plots the estimated coefficient β^{SP} for each year. Consistent with previous sections, the figure reveals a rising political segregation in executive teams over time. Panel B in Table 5 confirms that the positive trend is statistically significant.

[Insert Figure 10 here]

[12] A placebo test reported in the Internet Appendix shows that, when we randomly assign political affiliations and executive characteristics to executive pairs, the coefficient of $SParty_{ikt}$ in these dyadic regressions is small and statistically insignificant.

3.6. Executive Departures

Our results so far indicate that, over time, executive teams have become more partisan, largely due to an increased tendency of executives to sort into firms by their political views. To further support the role of political views in executive-team formation, we next investigate whether alignment of political views can explain executives' decision to leave the firm. Prior literature has shown an organization's policies affect new members joining and dissatisfied members leaving (e.g., Gieczewski (2021)). Thus, we hypothesize that the political alignment of an executive team could drive departure decisions of corporate executives.

To investigate this channel, we test whether executives who have different political views than those of the majority of the team are more likely to depart from the firm. We estimate the following regression:

$$Executive\,Departure_{ift} \quad = \quad \alpha_{ft} + \alpha_p + \beta Match\,majority_{ift} + \delta' X_{ift} + \varepsilon_{ift},$$

where f, i, and t index firms, individuals, and years, respectively. p denotes the executive's political affiliation (Democrat or Republican). $Executive\,Departure$ takes the value one in the year the executive leaves the firm, and zero otherwise.[13] $Match\,majority$ is a dummy variable that takes the value one if the political affiliation of the executive matches the political affiliation of the majority of the team members, and zero otherwise. A team is classified as having a Democrat majority if there are more Democrats than Republican executives. Republican majority is defined analogously. If the team has no clear Democrat or Republican majority, $Match\,majority$ is set equal to zero. Vector X_{ift} captures time-invariant and time-varying individual-level control variables. α_{ft} are firm $\times$ year fixed effects and absorb both time-invariant and time-varying firm characteristics, implying we do not need to include any firm-level control variables in this regression.

Our coefficient of interest is β, which captures the difference in the likelihood of departure between executives who have the same political affiliation as the team's majority and those who do not. Due to the inclusion of executive-party-affiliation fixed effects (α_p) in all regressions, the

[13] Departures are identified as instances in which the executive is no longer reported for a given firm in Execucomp. Hence, we cannot distinguish between executives leaving the firm and executives no longer being among the top earners in the company.

coefficient will capture the effect of belonging to the same party as the majority, rather than differences in the average turnover probability between Republican or Democrat executives.

Table 6 presents the results. We observe that executives whose political affiliation matches the majority's have a lower probability of leaving the firm than other executives. The coefficient in column (1), where we include year, firm, and political affiliation fixed effects as well as individual-level controls, shows a 5.5-percentage-point-lower probability of leaving the firm for executives who are aligned with the majority.

[Insert Table 6 here]

In the strictest specification, reported in column (2), we absorb any time-varying shocks at the firm level by exploiting variation within the same firm and year. We find that, within the same firm-year, executives whose political views match those of the team's majority have a 3.2-percentage-point-lower probability of leaving the firm compared to executives whose views are not aligned with the majority. This probability represents an 24.6% decrease relative to the unconditional turnover probability of 13% over our sample period.

In columns (3) to (6), we examine how the effect varies across different time periods. In columns (3) and (4), we see the coefficient on $Match\,majority_{ift}$ is statistically insignificant and economically small during the years 2008–2014. During the period 2015–2017 (columns (5) and (6)), on the other hand, the coefficient estimate is substantially larger than our baseline estimates in columns (1) and (2). This finding is consistent with political polarization becoming more important during recent years (e.g., Boxell, Gentzkow, and Shapiro (2020)).

The Internet Appendix shows these results are robust when we repeat the analysis on the sample that includes also unaffiliated executives, as well as when we add controls for whether the executive matches the gender and ethnic majority of the team.[14]

[14]Due to the inclusion of party-affiliation fixed effects in the regression, the coefficient on $Match\,majority$ is identified only based on Republican and Democrat executives even once unaffiliated executives are added to the sample. This is because unaffiliated executives never change from matching the majority to not matching the majority. Hence, whether we code them as matching the majority or not does not affect our estimate of β in equation (3).

4. Heterogeneity Tests

This section explores heterogeneity in the increased sorting of executives into firms with like-minded individuals in order to better understand potential underlying drivers. Specifically, we study the role of the legal environment, shareholder preferences, and consumer preferences.

4.1. Legal Environment

We begin by considering state laws that prohibit workplace discrimination based on political ideology. U.S. federal law does not prohibit private employers from discriminating against employees on the basis of political beliefs. However, some states have laws in place that protect employees from political discrimination in the workplace. While the scope of these state laws varies, in the analysis below we focus on laws protecting employees' rights of participating in political activities and/or expressing political opinions. We ignore state laws that only protect employees within 90 days before an election. We then construct an indicator equal to one if an anti-discrimination law was in effect in the state of the firm's headquarters in a given calendar year. The states from our sample that currently have such laws in place are California, Colorado, Illinois, Massachusetts, New York, and Ohio. We describe the scope of each of these state laws in more detail in the Internet Appendix.

In order to evaluate the role of the legal environment, we test whether the trend towards greater executive sorting on political party is more pronounced for firms headquartered in states without a law that prohibits workplace discrimination based on political ideology. Specifically, for each subsample, we regress the difference between the firm's actual partisanship and the average simulated partisanship of the firm's executive team (measured in percentage points) on calendar year. The unit of observation is the firm-year.

Table 7, columns (1) and (2) report the results. We find that the positive trend in executive sorting on political party is driven by firms headquartered in states without a law in place that prohibits workplace discrimination based on political ideology (column (2)). In fact, if a firm is headquartered in a state with such a law in place, there is no significant increase in the partisanship of the executive team (column (1)). The difference in the trends across the two subsamples is statistically significant at the 5% level. These results indicate that state laws could indeed be effective at reducing sorting of executives based on political views.

[Insert Table 7 here]

4.2. Shareholder Preferences

We next consider the possibility that the increased sorting on political views reflects an increasing preference by shareholders to have politically homogeneous teams. To address this possibility, we ask whether the trend in sorting based on political views varies with the fraction of shares held by institutional investors. Motivated by the fact that institutional investors often emphasize the importance of diversity in the workplace, we conjecture that institutional shareholders differ from retail shareholders in their attitude towards the political diversity of executive teams.

To understand the role of institutional shareholders, we split the sample based on the percentage of shares held by institutional investors. Table 7, columns (3) and (4) report the results. Rising partisanship can only be found among firms with low institutional ownership (column (4)). Firms with a high fraction of shares held by institutional investors do not exhibit an increase in sorting based on political views (column (3)). The difference in trends between the two subsamples is statistically significant at the 10% level. Hence, institutional investors could be mitigating the trend toward a more politically polarized corporate America.

4.3. Consumer Preferences

We next turn our attention to the possibility that consumers influence the role of political views in the formation of executive teams. Bertrand and Kamenica (2018) show pronounced partisan differences in consumption behavior. If Democrats and Republicans are consuming different types of goods and firms cater to the preferences of their customers, then the executive team may reflect the political attitudes of the firm's customer base. This channel would predict a more pronounced increase in partisanship in consumer-focused industries. We therefore split the sample using an indicator equal to one for firms in GICS sectors "Consumer Discretionary" and "Consumer Staples," and zero otherwise. Table 7, columns (5) and (6) report the results. If anything, we find that sorting based on political views is more pronounced in firms *outside* the consumer industries (column (6)). Although the difference in trends is not statistically significant, it is nevertheless economically meaningful. We therefore conclude it is unlikely that executive

teams are becoming more politically homogeneous because they cater to a more homogeneous consumer base.

5. Discussion

Partisan animosity has increased substantially over the last 20 years. According to Pew Research Pew Research Center (2014), the share of individuals with a highly negative view of the opposing party has more than doubled since 1994 for both parties. Most of these intense partisans believe the opposing party's policies "are so misguided that they threaten the nation's well-being." This raises the question whether the polarized environment in the U.S. — with tensions between the two major parties at an all-time high — affects the ability of individuals to work across partisan lines in the workplace. We provide novel evidence from executive teams showing that U.S. firms are becoming increasingly dominated by one political party, leading to a political polarization of corporate America.

Our results raise the question whether policymakers should be concerned about political discrimination in the workplace. Traditionally, discussions about discrimination in the workplace have been focusing on gender, race, sexual orientation, and age. Under Title VII of the Civil Rights Act of 1964, it is illegal for employers to make job decisions based on race, color, national origin, religion, and sex. Moreover, the Age Discrimination Act, the Americans with Disabilities Act, and the Genetic Information Nondiscrimination Act prohibit discrimination based on age, disability, and genetic information. These federal laws as well as most state laws do not consider discrimination by private employers based on political views. Yet, our results on the role of the legal environment in Section 4.1 suggest that state laws play an important role in mitigating the trend towards greater political polarization in the workplace.

Another question raised by our findings is to what extent the rising partisan work environment leads to distorted decision making in firms. A growing literature in economics and finance has shown that partisanship also shapes individuals' economic views, including those of individuals with a high degree of economic sophistication and in high-stakes environments (e.g., Kempf and Tsoutsoura (2020); Dagostino, Gao, and Ma (2020)). If partisan environments exacerbate partisan bias in economic decision making, then the trend towards more partisan executive teams could distort firms' investment and financing policies, as well as hiring and promotion decisions.

We look forward to future research exploring those issues.

6. Conclusion

This paper establishes a new stylized fact, namely, that executive teams in U.S. firms are becoming increasingly politically polarized. We use political affiliations from voter registration records over the period 2008 and 2018, matched with information on top executives of S&P 1500 firms, and track the partisanship of executive teams over time. We define partisanship as the degree to which political views within the same executive team are dominated by a single party. More specifically, our measure of partisanship is the probability that two randomly drawn executives are affiliated with the same political party. We find a 6.6 percentage-point increase in the partisanship of executive teams over our sample period. This increase is larger than the decrease in gender homogeneity over the same time period, and it is especially pronounced around presidential elections and the passage of Obamacare. The rise in partisanship is explained by both an increasing share of Republican executives and, to a larger degree, by increased sorting by partisan executives into firms with like-minded individuals. Finally, we also explore potential mechanisms behind the increase in polarization and find that the legal environment and shareholder preferences could play a role in driving the rising partisanship of executive teams.

Overall, our paper highlights a robust trend in the political polarization of executive teams. This trend implies the growing tendency of U.S. individuals to socialize and form relationships and friendships with politically like-minded individuals extends also to the workplace and to high-level decision-makers. Understanding the implications of the increased political polarization among firm executives for the U.S. economy is a fruitful avenue for future research.

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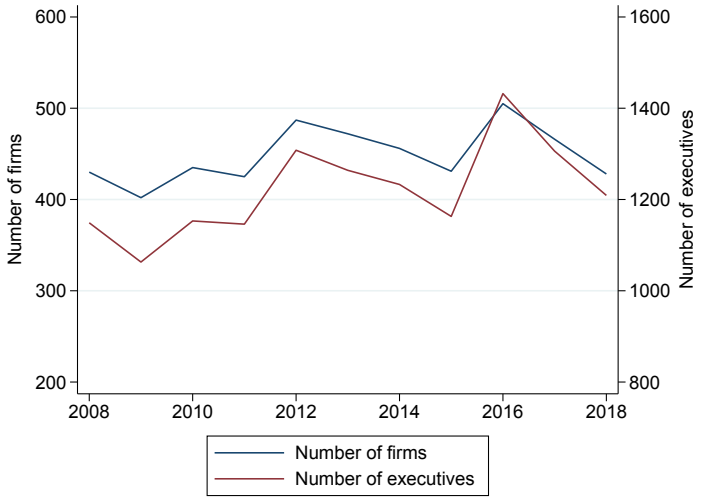
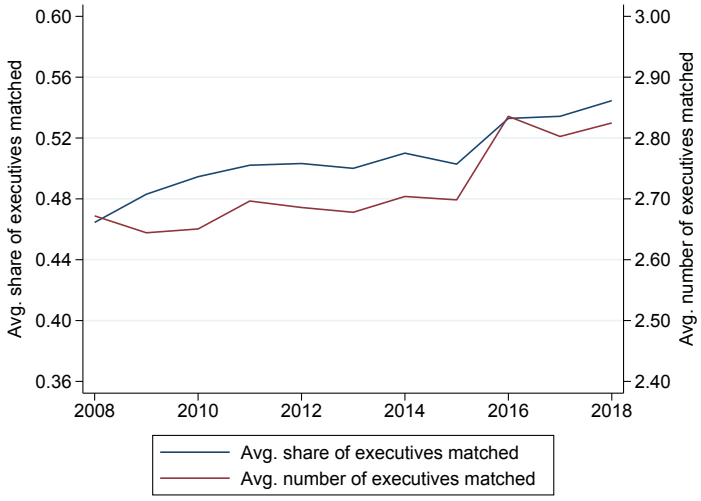


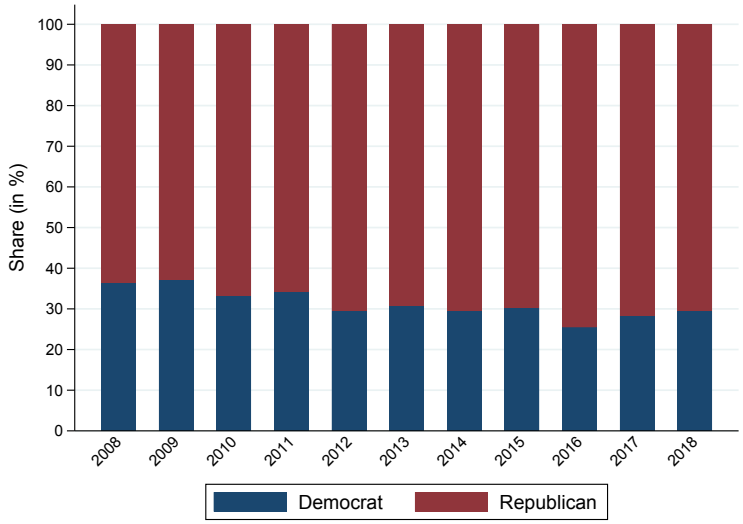
(A) Sample Size by Year



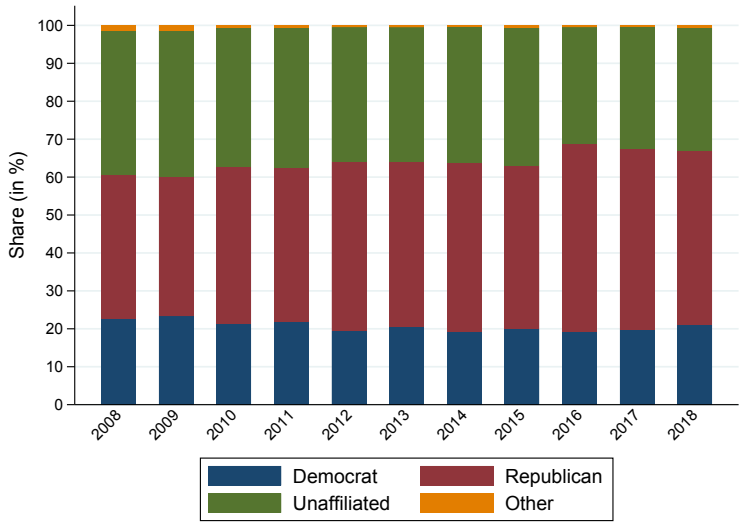
(B) Match Rate by Year

Figure 1: Sample Size and Match Rate by Year

The figure shows our sample size and the match rate of executives to voter registration records over time. In Panel A, we plot the number of unique firms and executives for each calendar year. In Panel B, we show the average share of executives matched to a unique voter record as well the average number of executives matched by firm-year. In both panels, we restrict the sample to Democrat and Republican executives as well as to firms with at least two matched executives.



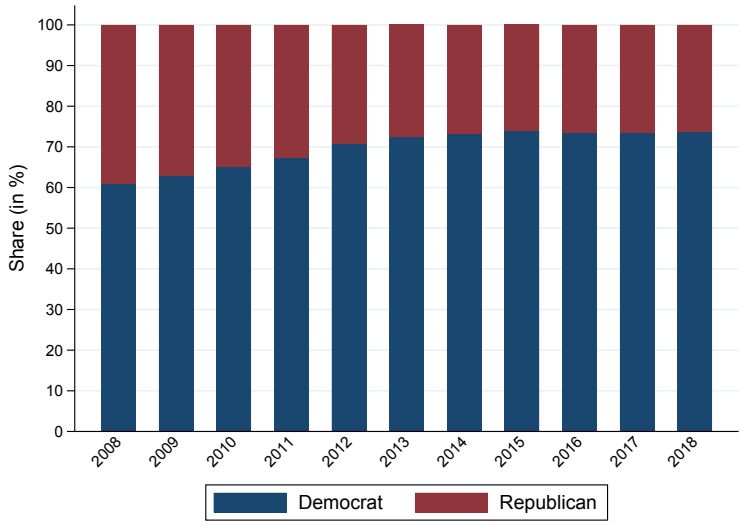
(A) Excluding Unaffiliated Executives



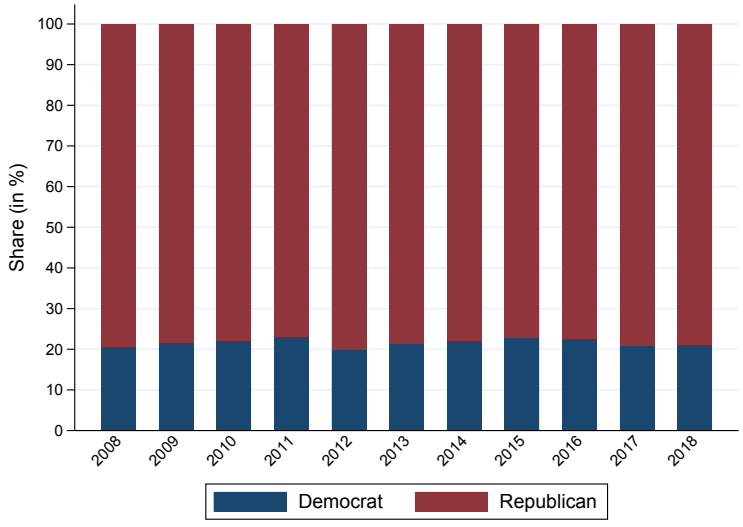
(B) Including Unaffiliated Executives

Figure 2: Distribution of Party Affiliation

The figure shows the distribution of party affiliations from voter registration records over time. Panel A shows the distribution after restricting the sample to Democrat and Republican executives. Panel B adds also unaffiliated executives.



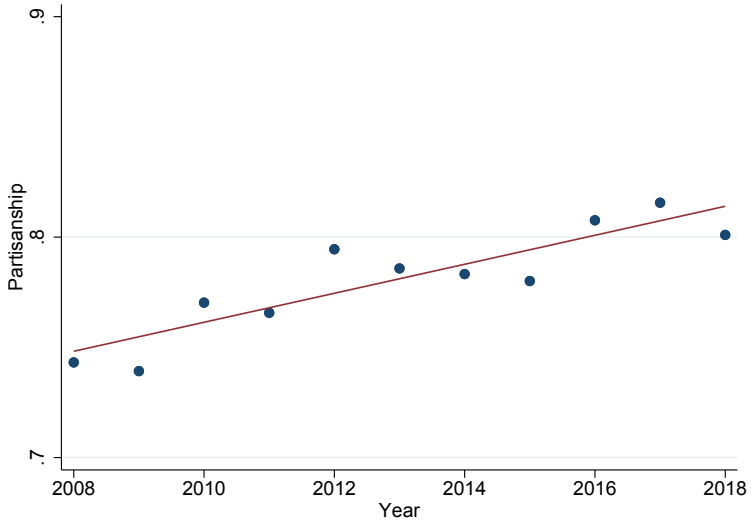
(A) Democrat Voters



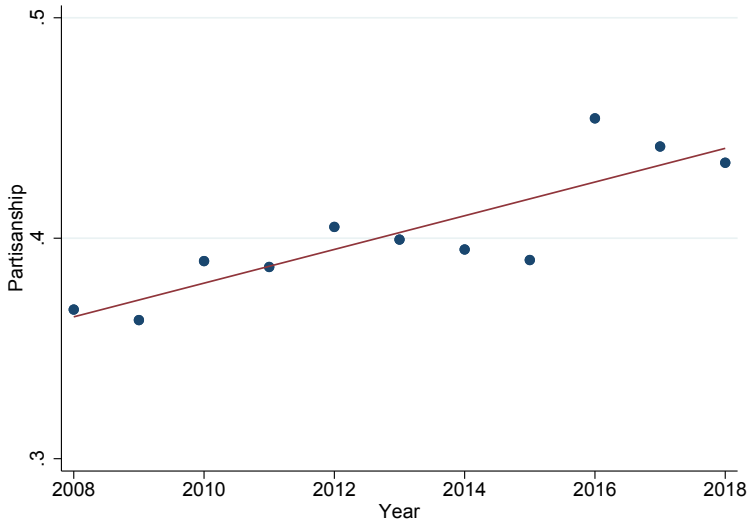
(B) Republican Voters

Figure 3: Political Contributions by Voter Registration Status

The figure shows the distribution of political contributions over time, separately for executives who are identified as Democrats and Republicans in the voter registration data. We restrict contributions to those made to either the Democratic or the Republican party.



(A) Excluding Unaffiliated Executives



(B) Including Unaffiliated Executives

Figure 4: Average Partisanship of Executive Teams over Time

The figure plots the average partisanship of executive teams in Execucomp over time. Partisanship is measured as the probability that two randomly drawn team members are either both Democrats or both Republicans. We restrict the sample to firm-years with at least two matched executives.

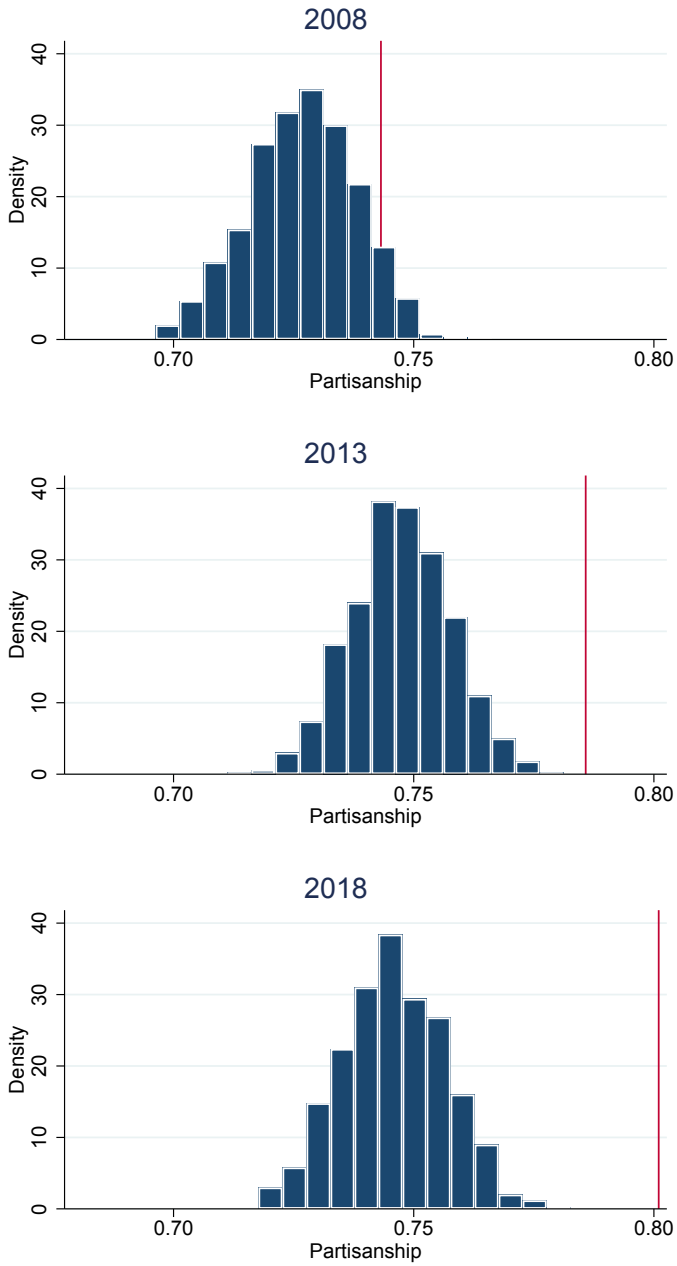
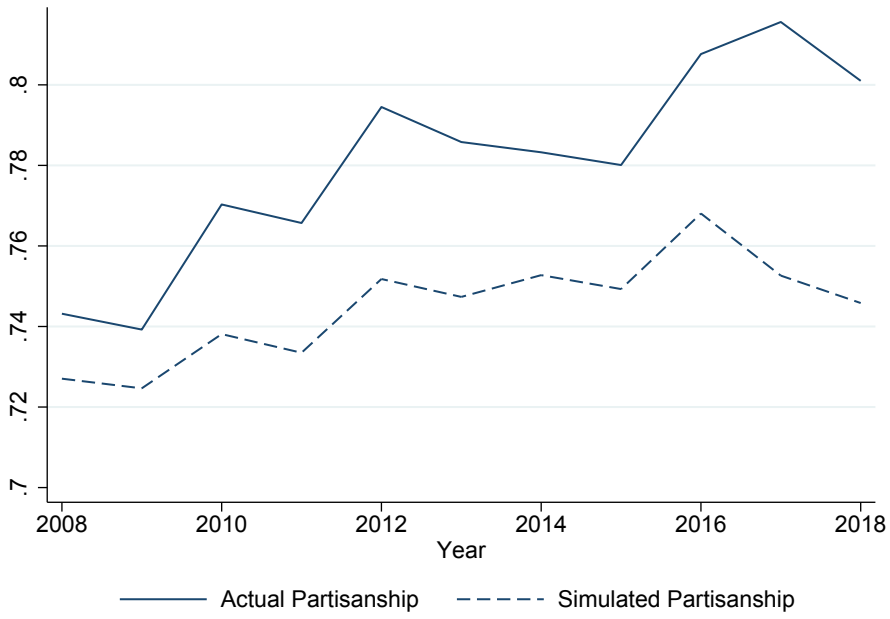
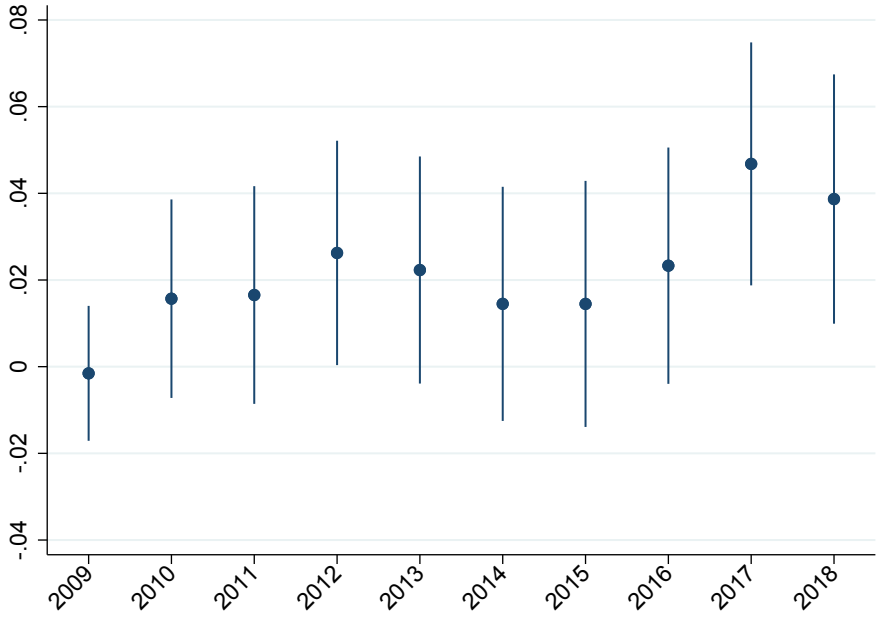


Figure 5: Actual vs. Simulated Partisanship

The figure plots the histogram of simulated partisanship measures after 1,000 simulations. Executives are randomly assigned a political party, using the distribution of party affiliation across the sample of executives in a given calendar year as inputs. The red line shows the average partisanship in the actual data.



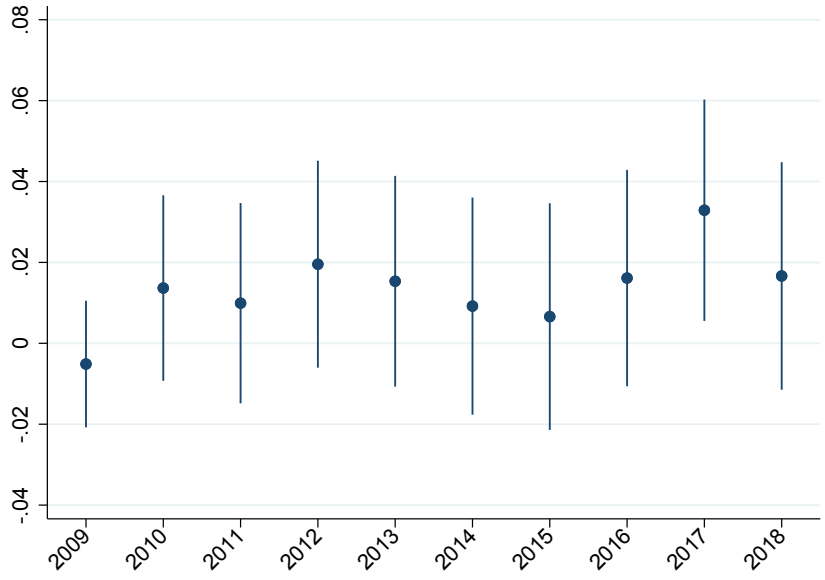
(A) Actual and Simulated Partisanship



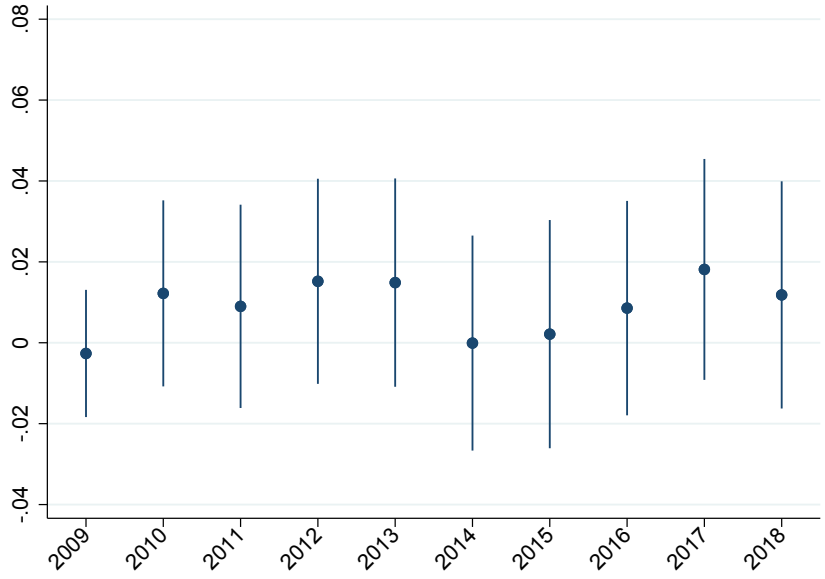
(B) Difference between Actual and Simulated Partisanship

Figure 6: Actual vs. Simulated Partisanship: Year-by-Year

Panel A plots the difference between the actual partisanship of executive teams in the data (solid line) and the average simulated partisanship (dashed line) for each calendar year. For the simulation, executives are randomly assigned a political party, using the distribution of party affiliations in the full sample of executives in a given calendar year as inputs. Panel B plots the difference between the actual partisanship and the simulated partisanship for each calendar year, along with the corresponding 95% confidence interval. Standard errors are clustered at the firm level. The reference year in Panel B is 2008.



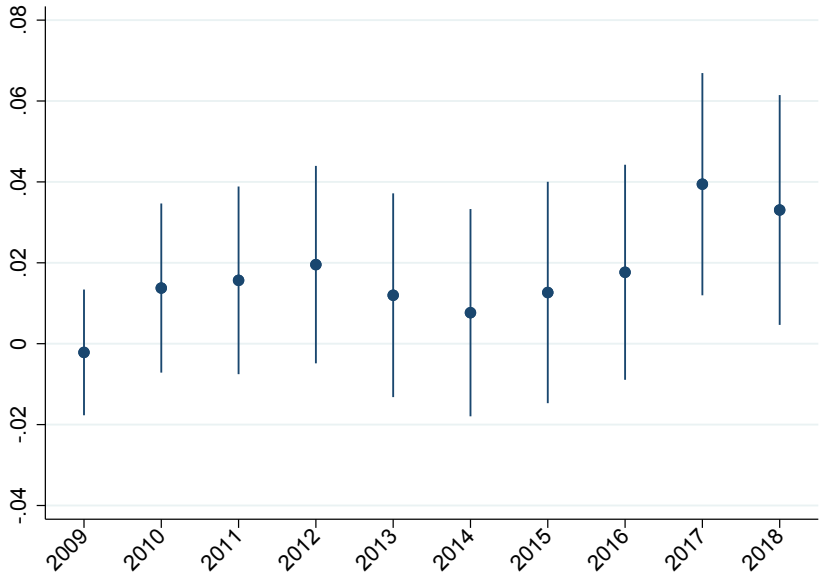
(A) Within Industry-Year



(B) Within State-Year

Figure 7: Actual vs. Simulated Partisanship: Within Industry and State

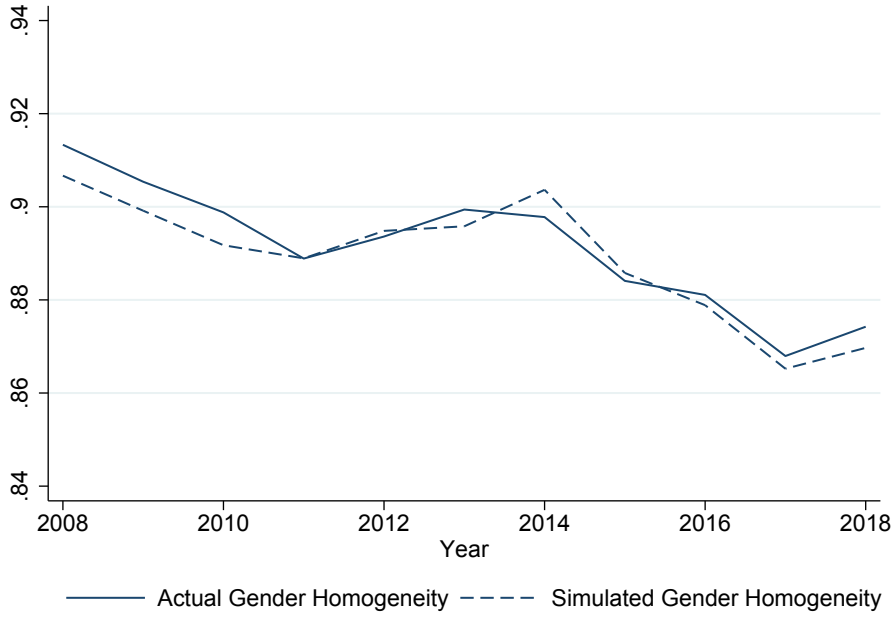
The figure repeats Figure 6B, but uses the shares of Democrat and Republican executives within the same industry-year (Panel A) or state-year (Panel B) as inputs, respectively.



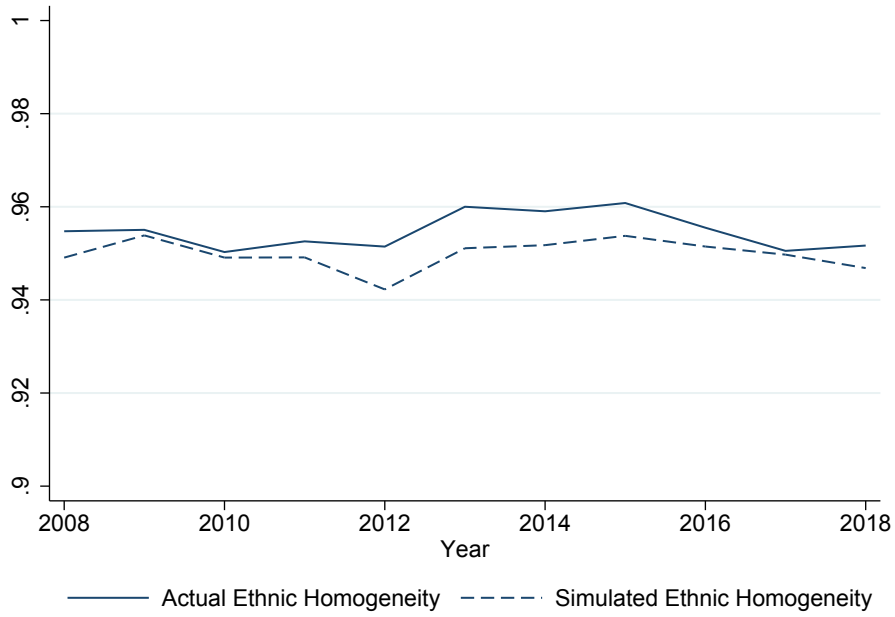
(A) Removing Within-Person Variation

Figure 8: Actual vs. Simulated Partisanship: Alternative Specifications

The figure repeats Figure 6, Panel B, after restricting the within- person variation in party affiliation to zero by carrying forward the first observation for each executive.



(A) Gender Homogeneity



(B) Ethnic Homogeneity

Figure 9: Gender and Ethnic Homogeneity: Simulation vs. Actual

The figure plots the difference between the actual homogeneity of executive teams in the data (solid line) and the average simulated homogeneity (dashed line) for each calendar year. Panel A reports results for gender homogeneity, and Panel B for ethnic homogeneity. For the simulation, executives are randomly assigned a gender (ethnicity) using the distribution of gender (ethnicity) in the full sample of executives in a given calendar year as inputs.

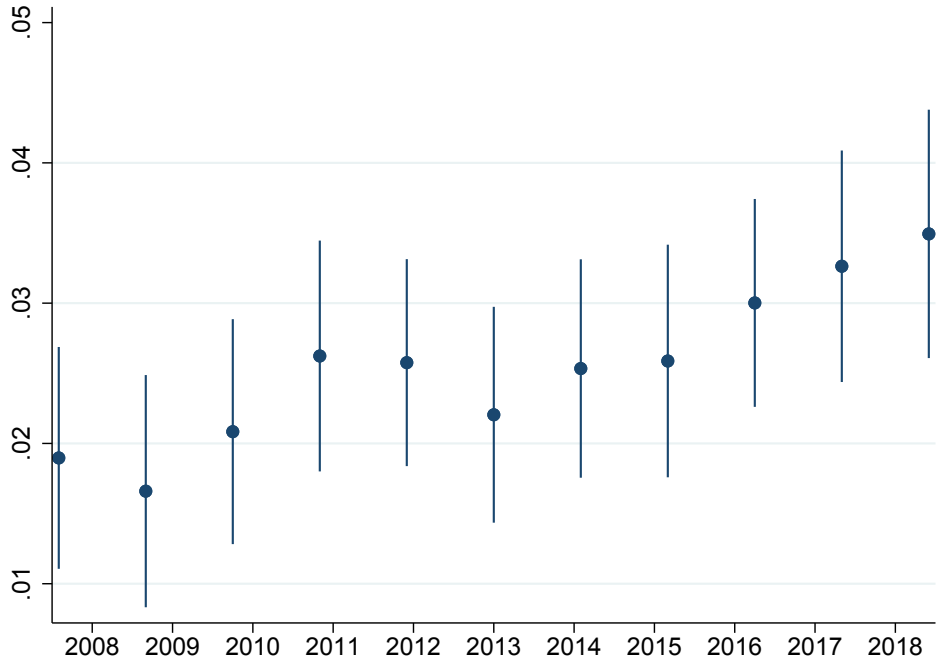


Figure 10: Executive Sorting on Political Party: Dyadic Regressions

The figure plots coefficient β^{SP} and the corresponding 95% confidence interval from equation (2), estimated separately for each year in our sample.

Table 1: Summary Statistics

This table presents summary statistics for our key variables. Panel A reports statistics for the firm-year panel; Panel B reports statistics for our dyadic sample, and Panel C reports statistics for our analysis of executive departures (executive-year panel).

	N	Mean	St.Dev.	0.25	Median	0.75
Panel A: Firm-Year Panel						
Partisanship	4,937	0.782	0.232	0.556	1.000	1.000
Gender homogeneity	4,937	0.891	0.194	1.000	1.000	1.000
Ethnic homogeneity	4,937	0.955	0.137	1.000	1.000	1.000
Democrat share	4,937	0.312	0.325	0.000	0.333	0.500
Republican share	4,937	0.688	0.325	0.500	0.667	1.000
Male share	4,937	0.896	0.196	0.833	1.000	1.000
White share	4,937	0.957	0.138	1.000	1.000	1.000
Number of executives	4,937	5.523	1.150	5.000	5.000	6.000
Number of matched executives	4,937	2.719	0.912	2.000	2.000	3.000
Panel B: Dyadic Sample						
SParty	8,231,792	0.579	0.494	0.000	1.000	1.000
SGender	8,231,792	0.815	0.388	1.000	1.000	1.000
SEthnicity	8,231,792	0.920	0.271	1.000	1.000	1.000
SAge	8,231,792	0.417	0.493	0.000	0.000	1.000
SFirm	8,231,792	0.002	0.041	0.000	0.000	0.000
Panel C: Executive-Year Panel						
Executive departure	14,175	0.130	0.336	0.000	0.000	0.000
Match majority	14,175	0.747	0.435	0.000	1.000	1.000
Tenure	14,175	5.570	4.266	2.000	4.000	8.000
White	14,175	0.958	0.200	1.000	1.000	1.000
Above 65 years old	14,175	0.068	0.251	0.000	0.000	0.000
Female	14,175	0.101	0.301	0.000	0.000	0.000
Majority Democrat	14,175	0.201	0.401	0.000	0.000	0.000
Majority Republican	14,175	0.630	0.483	0.000	1.000	1.000

Table 2: Partisanship in Executive Teams Over Time

This table regresses the executive team's partisanship on calendar year. The dependent variable in all panels is partisanship, defined as the probability that two randomly drawn team members are both Democrats or both Republicans, measured in percentage points. Panel A reports our baseline estimates for the sample of Democrat and Republican executives only. In Panel B, we add unaffiliated executives. In Panel C, we complement our historical party affiliations with party affiliations from states that only provide the most recent party affiliation for each voter. In Panel D, we treat the unmatched executives located in states that provide voter histories as unaffiliated. *No. of matches* refers to the number of matched executives in the team. *Homogeneity controls* include measures of ethnic, gender, and age homogeneity. The unit of observation is the firm-year. Standard errors, reported in parentheses, are clustered at the firm level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%levels, respectively.

Panel A: Baseline

	(1)	(2)	(3)
Year	0.6576***	0.7114***	0.7334***
	(0.1466)	(0.1464)	(0.1470)
N	4,937	4,937	4,935
R^2	0.008	0.021	0.028
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel B: Including Unaffiliated Executives

	(1)	(2)	(3)
Year	0.7643***	0.8415***	0.8340***
	(0.1663)	(0.1652)	(0.1671)
N	7,395	7,395	7,393
R^2	0.006	0.025	0.028
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel C: Including States with Static Party Information

	(1)	(2)	(3)
Year	0.3316***	0.3115***	0.3421***
	(0.1007)	(0.1001)	(0.1005)
N	10,183	10,183	10,179
R^2	0.002	0.022	0.033
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel D: Treating Unmatched Executives as Unaffiliated

	(1)	(2)	(3)
Year	0.6599***	0.6212***	0.6350***
	(0.0641)	(0.0636)	(0.0654)
N	12,030	12,030	12,030
R^2	0.018	0.028	0.033
Controls:			
No. of matches	No	Yes	Yes
Diversity Controls	No	No	Yes

Table 3: Partisanship in Executive Teams Over Time (Alternative Measures)

This table repeats Table 2, Panel A, using alternative measures of partisanship as the dependent variable. In Panel A, partisanship is an indicator variable equal to one if one party has a 100% share among all partisan executives in the team, and zero otherwise. In Panel B, partisanship is the absolute difference between the share of Republicans and Democrats. In Panel C, partisanship is the share of executives who have voted in primaries. In Panel D, partisanship is the share of executives who have voted in non-presidential election years. In Panel E, partisanship is measured as the probability that two executives have the same party, using the party affiliation of the majority of voters in the executive's zip code as a proxy for the executive's party. In Panel F, partisanship is measured as the probability that two executives have the same party, using the party affiliation of the executive's spouse as a proxy for the executive's party.

Panel A: Single-Party Team

	(1)	(2)	(3)
Year	1.3803***	1.5833***	1.6311***
	(0.3191)	(0.3138)	(0.3149)
N	4,937	4,937	4,935
R^2	0.007	0.047	0.054
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel B: Absolute Difference Between Democrat and Republican Share

	(1)	(2)	(3)
Year	1.1595***	1.1606***	1.1970***
	(0.2662)	(0.2673)	(0.2684)
N	4,937	4,937	4,935
R^2	0.007	0.009	0.015
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel C: Percentage of Primary Voters

	(1)	(2)	(3)
Year	0.9382***	0.9468***	0.9540***
	(0.1948)	(0.1985)	(0.1987)
N	4,937	4,937	4,935
R^2	0.010	0.011	0.014
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel D: Percentage of Frequent Voters

	(1)	(2)	(3)
Year	0.7555***	0.7727***	0.7957***
	(0.2224)	(0.2216)	(0.2218)
N	4,937	4,937	4,935
R^2	0.005	0.005	0.007
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel E: Using the Party of the Majority of Voters in the Executive's Zip Code

	(1)	(2)	(3)
Year	0.3654***	0.3620***	0.3519***
	(0.1241)	(0.1236)	(0.1254)
N	7,144	7,144	7,144
R^2	0.002	0.023	0.023
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel F: Using the Party of the Executive's Spouse

	(1)	(2)	(3)
Year	0.6352***	0.6830***	0.7067***
	(0.1576)	(0.1567)	(0.1579)
N	4,393	4,393	4,393
R^2	0.007	0.026	0.028
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Table 4: Gender and Ethnic Homogeneity in Executive Teams Over Time

This table repeats Table 2, Panel A, using the executive team's gender and ethnic homogeneity as the dependent variable. Homogeneity is defined as the probability that two randomly drawn team members have the same gender (Panel A), or the same ethnicity (Panel B), respectively, measured in percentage points. *No. of matches* refers to the number of matched executives in the team. *Homogeneity controls* include political, ethnic, and age homogeneity in Panel A, and political, gender, and age homogeneity in Panel B.

Panel A: Gender

Dependent variable: *Gender Homogeneity*			
	(1)	(2)	(3)
Year	-0.4276***	-0.3828***	-0.3759***
	(0.0951)	(0.0940)	(0.0958)
N	7,395	7,395	7,393
R^2	0.005	0.019	0.020
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Panel B: Ethnicity

Dependent variable: *Ethnic Homogeneity*			
	(1)	(2)	(3)
Year	-0.2387***	-0.2418***	-0.2486***
	(0.0772)	(0.0779)	(0.0811)
N	7,395	7,395	7,393
R^2	0.003	0.003	0.005
Controls:			
No. of matches	No	Yes	Yes
Homogeneity Controls	No	No	Yes

Table 5: Dyadic Regressions

Panel A reports estimates of the dyadic regression from equation (2). The dependent variable, $Same\,Firm$, is a binary variable equal to one if both executives work for the same firm, and zero otherwise. $SParty$ is an indicator equal to one when both executives have the same political affiliation, and zero otherwise. The estimation includes controls for shared ethnicity, age, and gender. Panel B reports estimates of the dyadic regression from equation (2), while interacting $SParty$ and all other control variables with a time trend variable $Year$ (defined as calendar year minus 2008). All reported coefficients are multiplied by 100. The sample is restricted to registered Republicans and Democrats only. The unit of observation is the executive-pair-year. Standard errors, reported in parentheses, are clustered at the executive pair level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A: No Trend

Dependent variable: *Same Firm*				
	(1)	(2)	(3)	(4)
SParty	0.0493***	0.0503***	0.0487***	0.0496***
	(0.0057)	(0.0057)	(0.0058)	(0.0058)
SGender			-0.0037	-0.0040
			(0.0077)	(0.0077)
SEthnicity			0.0180*	0.0179*
			(0.0101)	(0.0101)
SAge			0.0255***	0.0256***
			(0.0063)	(0.0063)
Constant	0.1366***	0.1360***	0.1127***	0.1125***
	(0.0041)	(0.0041)	(0.0118)	(0.0118)
N	8,231,792	8,231,792	8,231,792	8,231,792
Fixed Effects:				
Year	No	Yes	No	Yes

Panel B: Including Trend

Dependent variable: *Same Firm*				
	(1)	(2)	(3)	(4)
SParty	0.0259***	0.0268***	0.0251***	0.0261***
	(0.0096)	(0.0096)	(0.0096)	(0.0096)
Year	-0.0037***		0.0015	
	(0.0009)		(0.0028)	
SParty × Year	0.0045***	0.0045***	0.0046***	0.0045***
	(0.0014)	(0.0014)	(0.0014)	(0.0014)
SGender			0.0139	0.0134
			(0.0130)	(0.0130)
SEthnicity			0.0315*	0.0306*
			(0.0168)	(0.0168)
SAge			0.0267***	0.0265**
			(0.0103)	(0.0103)
Constant	0.1557***	0.1356***	0.1044***	0.1121***
	(0.0068)	(0.0041)	(0.0201)	(0.0118)
N	8,231,792	8,231,792	8,231,792	8,231,792
Fixed Effects and Controls:				
Year	No	Yes	No	Yes
Controls × Year	No	No	Yes	Yes

Table 6: Executive Departures

This table estimates equation 3 by regressing executive departures on an indicator equal to one if the executive's party affiliation matches the majority of the team. The dependent variable, *Executive Departure*, is a binary variable equal to one in the year the executive departs from the team, and zero otherwise. *Match majority* is an indicator equal to one when the political affiliation of the executive matches that of the majority in the team, and zero otherwise.The estimation includes controls for CEO status, tenure of the executive in the firm, ethnicity, whether the executive is older than 65, gender, and the political affiliation of the majority of the team. The sample is restricted to executives who are registered Republicans or Democrats. Columns (1) and (2) are based on the full sample, columns (3) and (4) are based on years 2008–2014, and columns (5) and (6) are based on years 2015–2017. The unit of observation is the executive-year. Standard errors, reported in parentheses, are clustered at the firm level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent variable: *Executive Departure*						
Sample Period:	Full Sample		2008–2014		2015–2017	
	(1)	(2)	(3)	(4)	(5)	(6)
Match Majority	-0.0550***	-0.0319**	-0.0387**	-0.0185	-0.0987***	-0.0694*
	(0.0118)	(0.0123)	(0.0136)	(0.0138)	(0.0277)	(0.0283)
CEO	-0.1229***	-0.1069***	-0.1276***	-0.1098***	-0.1216***	-0.1021***
	(0.0075)	(0.0075)	(0.0092)	(0.0090)	(0.0140)	(0.0133)
Tenure	0.0066***	0.0051***	0.0079***	0.0057***	0.0070***	0.0044*
	(0.0011)	(0.0012)	(0.0015)	(0.0015)	(0.0019)	(0.0018)
White	0.0139	0.0006	0.0114	-0.0018	0.0060	0.0053
	(0.0202)	(0.0196)	(0.0262)	(0.0242)	(0.0364)	(0.0377)
Age over 65	0.1386***	0.1365***	0.1290***	0.1259***	0.1681***	0.1544***
	(0.0170)	(0.0177)	(0.0220)	(0.0218)	(0.0295)	(0.0292)
Female	0.0286*	0.0163	0.0199	0.0031	0.0576*	0.0405
	(0.0137)	(0.0132)	(0.0182)	(0.0172)	(0.0225)	(0.0216)
Majority Democrat	0.0366*		-0.0040		0.1335*	
	(0.0181)		(0.0202)		(0.0519)	
Majority Republican	0.0485**		0.0354		0.1306***	
	(0.0155)		(0.0196)		(0.0394)	
N	14,116	12,394	9,654	8,419	4,414	3,975
R^2	0.138	0.419	0.157	0.422	0.245	0.414
Fixed Effects:						
Firm	Yes	No	Yes	No	Yes	No
Year	Yes	No	Yes	No	Yes	No
Firm × Year	No	Yes	No	Yes	No	Yes
Political Affiliation	Yes	Yes	Yes	Yes	Yes	Yes

Table 7: Sample Splits

This table regresses the difference between the actual partisanship and the average simulated partisanship of the firm's executive team on calendar year, using different subsamples. For the simulation, executives are randomly assigned a political party using the distribution of party affiliation in the full sample of executives in a given calendar year. We split the sample using an indicator for firms headquartered in states with a law in place that prohibits workplace discrimination based on political ideology (columns (1) and (2)), an indicator for firms with above-median percentage of institutional ownership (columns (3) and (4)), and an indicator for firms in GICS sectors "Consumer Discretionary" and "Consumer Staples" (columns (5) and (6)), respectively. p-values from a Wald test that assesses the difference in coefficients across the two subsamples are reported at the bottom of the table. Standard errors are clustered at the firm level. The dependent variable is measured in percentage points and the unit of observation is the firm-year. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Law Status		Inst. Ownership		Consumer Industries	
	With	Without	High	Low	Yes	No
	(1)	(2)	(3)	(4)	(5)	(6)
Year	0.0992	0.8330***	0.0105	0.4985***	0.0857	0.3980***
	(0.1236)	(0.1934)	(0.1932)	(0.1252)	(0.2565)	(0.1151)
N	3,601	1,336	1,816	3,121	854	4,051
R^2	0.000	0.014	0.000	0.005	0.000	0.003
p-values	0.022		0.090		0.407	

Appendix: Variable Definitions

Table A.1: Variable Descriptions

Variable	Description
Dependent variables	
Partisanship	The probability that two randomly drawn executives from the same firm are either both Republicans or both Democrats, as identified in the voter registration records.
Gender homogeneity	The probability that two randomly drawn executives from the same firm have the same gender.
Ethnic homogeneity	The probability that two randomly drawn executives from the same firm have the same ethnicity (white versus non-white).
Single-party team	An indicator variable equal to one if one party has a 100% share among all matched executives in the team, and zero otherwise.
Absolute share difference	The absolute difference between the share of Republican and Democrat executives in the team.
Primary voters	The share of executives who have voted in at least one primary election.
Frequent voters	The share of executives who have voted in non-presidential-election years.
SameFirm	An indicator equal to one if both executives work for the same firm, and zero otherwise.
Executive departure	An indicator equal to one in the year in which the executive departs from the team, and zero otherwise. Departures are identified as instances in which the executive is no longer reported in Execucomp for the same firm.
Key independent variables	
Year	Calendar year.
SParty	An indicator equal to one if both executives have the same political affiliation, and zero otherwise.
Match majority	An indicator equal to one if the political affiliation of the executive matches that of the majority in the team, and zero otherwise.
Control variables	
No. of matches	The number of executives in the team who are matched to a voter registration record and are identified as either Democrat or Republican.
SGender	An indicator equal to one if both executives have the same gender, and zero otherwise.
SEthnicity	An indicator equal to one if both executives have the same ethnicity (white vs. non-white), and zero otherwise.
SAge	An indicator equal to one if the age gap between the two executives is at most 5 years, and zero otherwise.
Tenure	Tenure of the executive in the firm, measured in years.
White	An indicator equal to one if the executive is of white ethnicity, and zero otherwise.
Age over 65	An indicator equal to one if the executive is older than or equal to 65 years, and zero otherwise.
Female	An indicator equal to one if the executive is female, and zero otherwise.
Majority Democrat	An indicator equal to one there are more Democrat than Republican executives in the executive team, and zero otherwise.
Majority Republican	An indicator equal to one if there are more Republican than Democratic executives in the executive team, and zero otherwise.