Public Money, Private Motives: How Subsidies Alter CEO Compensation Structure

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Abstract

We investigate the effects of government subsidies on CEO pay structure using U.S. data from 1998 to 2022. We apply regression analysis and nearest-neighbor matching tests to determine how different subsidies influence executive compensation components. While subsidies decrease cash intensity compensation, option and equity intensity are positively related to subsidy recipients. We also find that increasing non-cash compensation due to subsidy receipt incentivizes firms' risk-taking, consistent with the rent extraction theory. This study reveals how management adjusts compensation benefits in response to subsidies and the broader influence of subsidies in firm decisions, potentially enhancing firm performance and competitiveness.

Keywords: CEO compensation; subsidies; risk-taking; compensation structure

JEL Categories: G32; G18; J33; J38

1. Introduction

In recent years, government support of firms has become more widely reported. As states and municipalities attempt to attract firms, subsidy support is one of their best tools. This support can involve tax abatement, grant funding, and subsidized loans. Firms have many reasons to seek these subsidies, but this support can potentially alter firm operations and the executives' incentive structure.

This paper examines how subsidy receipt leads to changes in CEO compensation structure and the ramifications of this change. Subsidies such as tax credits and grant funding can allow a CEO to invest in more lucrative projects, potentially increasing the firm's growth rate. A manager who recognizes the increased upside associated with subsidy receipt should more willingly elect greater percentages of stock options and restricted stock as compensation rather than cash. The ramifications of this change in compensation components that increase in value as risk increases are that CEOs are incentivized to push leverage upward after subsidy receipt.

We examine a sample of U.S. firms from 1998 to 2022 to determine the effect of subsidies on CEO compensation and firm behavior. Following Mehran (1995) and Humphery-Jenner et al. (2016), we use three main measures of CEO compensation structure: cash intensity, option intensity, and equity intensity. Our subsidy data includes nearly two dozen subsidy types at the local, state, and federal levels.

Our findings indicate that CEO compensation changes around subsidy receipt in several ways. The cash component decreases while the percentage of compensation from options and equity increases after the subsidy receipt. These results indicate that CEOs will likely expect superior firm performance after receiving grants, tax credits, or other valuable subsidies.

Next, we examine how this change in CEO compensation alters firm behavior. Using time trend analysis, we demonstrate that firms whose CEOs experience increases in the option and equity portions of compensation adjust their leverage upward. Meanwhile, subsidy recipients whose CEOs see their cash percentage of compensation increase tend to reduce firm leverage. These results are consistent with the rent extraction view of Bebchuk, Fried, and Walker (2002) and the risk incentivization theory of Coles, Daniel, and Naveen (2006).

Factors that alter CEO compensation preferences and incentives should be notable to outside shareholders since they can create perverse incentives. Our study demonstrates at least one channel through which these incentives can be created. While subsidies can often reduce firm risk, the following behavior of decision-makers could offset this risk-reduction benefit.

2. The Effects of Subsidy Receipt on CEOs and Firm Behavior

Numerous researchers have noted the impact of subsidies on firm behavior. Subsidy recipients are more likely to engage in corporate misconduct (Raghunandan 2024), increase transparency (Huang 2022), and R&D (Hud and Hussinger 2015). However, the extreme diversity in subsidy types means that not all subsidies will have the same effect on firm behavior or investment (Hottenrott and Richstein 2020). The type of subsidy used depends upon a policymaker's objectives.

From the firm's perspective, the type of potential subsidy can yield different behavior. Subsidies such as tax abatements represent cost reductions, which can free up cash flow for future investment, while R&D grants allow for greater firm investment and help cover overhead costs. The increased cash flow and growth prospects provided by subsidy receipt should be attractive to management. However, it could alter their incentive structure. If a CEO recognizes that a subsidy will increase the firm's growth prospects, this could alter their desire for specific compensation.

The equity of firms with greater growth prospects should become more valuable after subsidy receipt. This could lead a CEO to prefer stock options or restricted equity at the expense of cash compensation.

There is plenty of evidence that CEO decision-making is self-interested (Amihud and Lev 1981). Managers should naturally prefer value-maximizing compensation packages. Subsidies that increase a firm's growth prospects should naturally lead management to prefer assets whose value increases with firm value. These include stock options and restricted stock. Cash compensation (salary and bonus) does not offer the upside of these components. We expect:

H1a: The portion of CEO compensation from options/equity increases after subsidy receipt.
H1b: The portion of CEO compensation from cash decreases after subsidy receipt.

When a CEO's compensation adjusts after subsidy receipt, their incentive structure should also change (Dong, Wang and Xie 2010, Shue and Townsend 2017, Coles, Daniel and Naveen 2006). Managers whose compensation is more heavily dependent on equity or stock options are incentivized to take actions that would increase the firm's share price and risk. Therefore, it is reasonable to believe that changes in the CEO compensation structure will lead to changes in a firm's leverage. We expect:

H2a: Firm leverage increases after the CEO option/equity compensation percentage increases.
H2b: Firm leverage decreases after the increase in CEO cash compensation percentage.

3. Data and Methods

We examine a sample of U.S. publicly traded firms from 1998 to 2022. We collect firm financial data from Compustat and use this data to create many of our control variables. We winsorize accounting variables at the 1% and 99% levels. Execucomp provides our CEO and compensation data. We drop all utility and financial firms from the sample.

We utilize subsidy data provided by Good Jobs First, which collects local, state, and federal U.S. subsidies.[1] We match subsidies to each firm. We use the announced subsidy value as our measure of subsidy size.

We report our summary statistics in Table 1. Panel A reports the number of subsidies by year. The largest percentage of subsidies issued was in 2009 (9.85%), and the fewest were issued in 1998 (0.33%). Panel B reports our firm-year observations by industry. Approximately 30.8% of sample firm observations are in the manufacturing sector, while only 0.26% are in the Agriculture, Forestry, and Fishing sectors.

Table 2 reports the descriptive statistics of our sample at the firm-year level. Our sample comprises 35,979 observations. The average firm receives approximately $1.18 million USD in subsidies at all levels (federal, state, and local) each year. This equates to 1.35 subsidies per firm. The average firm in our sample has total assets of approximately $9.1 billion and a CEO earning $5.8 million in total compensation. The average CEO's compensation package contains 18.40% cash, 23.80% options, and 60.89% equity compensation.

[1] https://goodjobsfirst.org/

4. Results

4.1 Regression Analysis

We begin our analysis by examining the relationship between subsidy receipt and each component of CEO compensation. We employ the following regression framework:

$$Compensation\ Component_{i,t+1} = \beta_0 + \beta_1 Subsidy_{i,t} + \sum_{j=2}^{n} \beta_j Controls_{i,t} + \alpha_k + \gamma_t + \varepsilon_{i,t} \quad (1)$$

We regress each CEO compensation component (cash intensity, option intensity, and equity intensity) at t+1 on our measures of subsidies, firm-level controls, and year and industry fixed effects. We measure subsidies with two metrics: an indicator variable for whether the firm received a subsidy (*Receive Subsidy*) and the natural log of total subsidies received by the firm during the year (*log(Total Subsidies)).* Our controls follow Ferris et al. (2019). We also control for CEO age, tenure, and power, which are likely to influence the ratio of each component in the compensation package.[2] We lag all independent variables and estimate standard errors following Huber (1967) and White (1980).

Our results in Table 3 indicate several key relationships. In Models (1) and (2), we examine the relationship between subsidy receipt and future cash intensity (cash percentage of compensation). We find a negative relationship between subsidy receipt and CEO cash compensation percentage. Our results in Model (2) indicate that when a firm receives a $1,000,000 subsidy, the percentage of CEO compensation from cash falls by 0.60%.

[2] See Appendix A.1. for the description of control variables.

We examine the effects of subsidy receipt on option and equity intensity in Models (3) through (6). The positive coefficients on our subsidy measures in Models (3) and (4) indicate a positive relationship between subsidy receipt and the percentage of CEO compensation coming from options. Models (5) and (6) find a positive but marginal relationship between subsidy receipt and future CEO equity compensation.[3]

4.2 Nearest Neighbor Matching

We test the robustness of the relationship between subsidies and CEO compensation using nearest-neighbor matching. In this analysis, we match subsidy recipients to non-recipients using the following Model:

$$Subsidy_{i,t} = \beta_0 + \beta_1 \text{Log}(Total\ Assets)_{i,t} + \beta_2 ROA_{i,t} + \beta_3 FirmAge_{i,t} + \beta_4 \left(\frac{Debt}{Total\ Assets}\right. \quad (2$$
$$+ \beta_5 Log(Total\ Sales)_{i,t} + \beta_6 \left(\frac{CAPEX}{Total\ Assets}\right)_{i,t} + \beta_7 Tobin's\ Q_{i,t} + \beta_8 CEOAge \quad)$$
$$+ \beta_9 CEOTenure_{i,t} + \beta_{10} CEOPower_{i,t} + \varepsilon_{i,t}$$

We report the coefficients from our nearest neighbor matching tests in Table 4. In Panel A, we match subsidy recipients to non-recipients. Our results indicate that in each of the next five years, CEOs of subsidy-recipient firms receive a smaller cash component in their total

[3] In our appendix, we perform robustness checks and endogeneity tests. Appendix Table A.2 demonstrates that the relationship between subsidy receipt and CEO compensation components is robust to different subsidy measures. We perform time trend tests of the relationship between total subsidies scaled by total assets and the CEO compensation components. We report only the primary independent variable of interest from each regression. We keep the same regression controls and fixed effects as in our Table 3 regressions. Our findings indicate a negative relationship between scaled subsidies and the future cash portion of CEO compensation. While we find only a marginally positive relationship between subsidies and future option compensation, we find a positive relationship between subsidies and future equity compensation.

compensation package, while their option and equity components are significantly larger than those of CEOs at non-recipient firms.

In Panels B and C, we enforce several matching restrictions to more accurately assess the impact of subsidy receipt on compensation. Panel B requires subsidy recipients to have not received any subsidies in the year prior to matching. Even with this restriction enforced, we find that CEOs of subsidy recipients receive smaller percentages of cash and larger percentages of options and equity compensation. In Panel C, we restrict our subsidy recipients to those firms that did not receive subsidies or subsidized loans in the year before matching. Our matching tests yield comparable results to those in the earlier panels, though we find some marginal and insignificant differences in option compensation.[4]

4.3 The Effects of Changes in CEO Compensation Components

Changes in a CEO's compensation alter their incentive structure. CEOs with heavier weights of cash compensation should have less incentive to take risky actions that increase the firm's bankruptcy probability. Contrast this with a CEO whose compensation comprises stock options and equity. This CEO should have greater incentive to take risks that increase the value of their compensation package. These differences can manifest in various ways, though we examine whether CEOs with different compensation packages increase or decrease firm leverage.

Table 5 regresses book leverage on indicator variables for whether our CEO compensation components increased or decreased, firm controls, and year and industry fixed effects. Our

[4] We perform additional tests to demonstrate the strength of our results in Appendix A.3. We regress each component of the CEO compensation structure on an interaction term between a measure of subsidy receipt and a measure of CEO power, controls, and year and industry fixed effect. Our regression model follows Table 3. We find that CEOs at subsidy recipients with above median (mean) CEO power experience receive a lower percentage of cash compensation and higher portions of option and equity compensation in the future. This result is consistent with our expectation that firms with strong CEOs are more likely to compensate management with assets that increase as firm value increases.

indicators of interest equal one if the weight of that component increased from year t-1 to year t. We use the same firm controls as in Table 3.

Our results are consistent with our expectations of altered CEO incentives. Model (1) demonstrates a negative relationship between cash intensity and future leverage, consistent with the idea that CEOs receiving greater weights of cash have less incentive to increase leverage. In Model (2), we find a positive coefficient on our increasing option intensity variable, indicating that when CEO option intensity increases, future leverage increases by 0.32%, on average. In Model (3), we further demonstrate that firms increase leverage after the equity component of CEO compensation increases. These findings are consistent with our expectation that firm leverage should increase after a subsidy is received and the risky components of CEO compensation increase.[5]

5. Conclusions

Subsidy issuance is a key tool governments use to incentivize firm behavior. While subsidies can positively affect both a region and the recipient firm, they also alter the behavior and incentives of decision-makers. This paper examines how CEO pay structure changes after subsidy receipt and whether these changes lead to further changes in firm behavior.

We document a significant decrease in the percentage of cash compensation after subsidy receipt. This result coincides with a significant increase in CEOs' percentages of stock options and equity compensation. These changes are consistent with CEOs negotiating different compensation

[5] We demonstrate the robustness of this relationship in Appendix A.4. We regress book leverage on an indicator of above-median cash, option, or equity intensity, firm controls, and year and industry fixed effects using the controls in Table 3. The relationship between cash compensation and book leverage largely becomes negative after periods of high cash compensation. Prior to periods of high option and equity intensity, a negative relationship exists between these compensation components and leverage, but once option and equity compensation are above the median, book leverage increases.

structures to benefit from the positive effects of subsidy receipt. However, once CEO compensation is more heavily dependent on firm valuation, we note an increase in leverage. Conversely, when the cash component increases, firm leverage falls.

Our results indicate that management recognizes the value of various subsidies and responds by rationally adjusting their benefits accordingly. These findings are consistent with the rent extraction view of compensation (Bebchuk, Fried and Walker 2002), while the resulting changes in firm behavior are consistent with risk incentivization (Coles, Daniel and Naveen 2006).

Our results suggest that receiving subsidies affect other firm decisions. While this paper shows the effect on CEO pay structure and behavior, many subsidies, such as R&D grants, provide stable funding that reduces the risk of employee job loss, which could be attractive for some employees. Subsidies also raise the firm's profile. They could also allow a firm to attract higher-quality directors, leading to superior corporate governance and decision-making. These potential relationships could have follow-on effects concerning firm performance and competitiveness, meaning subsidy receipt could be an important tool in a firm's fight to outcompete its rivals.

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Table 1: Summary Statistics

In this table, we report the summary statistics of our sample. In Panel A, we report the number of sample subsidies by year. In Panel B, we report the number of firm-year observations by industry (1-digit SIC).

Panel A: Observations by Year

Year	Number of Observations	Percentage	Cumulative
1998	248	0.33%	0.33%
1999	287	0.38%	0.71%
2000	430	0.57%	1.29%
2001	536	0.72%	2.00%
2002	883	1.18%	3.18%
2003	916	1.22%	4.40%
2004	1,339	1.79%	6.19%
2005	1,473	1.97%	8.15%
2006	1,597	2.13%	10.29%
2007	2,680	3.58%	13.86%
2008	7,242	9.66%	23.52%
2009	7,384	9.85%	33.38%
2010	4,986	6.65%	40.03%
2011	4,709	6.28%	46.31%
2012	4,581	6.11%	52.42%
2013	5,284	7.05%	59.47%
2014	4,777	6.37%	65.85%
2015	4,053	5.41%	71.26%
2016	4,263	5.69%	76.94%
2017	3,487	4.65%	81.60%
2018	3,034	4.05%	85.64%
2019	3,227	4.31%	89.95%
2020	2,692	3.59%	93.54%
2021	2,895	3.86%	97.40%
2022	1,946	2.60%	100.00%
Total	74,949	100.00%	

Panel B: Firm-year Observations by Industry

Industry	Number of Observations	Percentage	Cumulative
Agriculture, Forestry & Fishing	92	0.26%	0.26%
Mining	2,558	7.11%	7.37%
Construction	6,616	18.39%	25.75%
Manufacturing	11,088	30.82%	56.57%
Transportation, Communications, Electric, Gas & Sanitary Services	4,277	11.89%	68.46%
Wholesale Trade	4,538	12.61%	81.07%
Retail Trade	0	0.00%	81.07%
Finance, Insurance, and Real Estate	5,006	13.91%	94.99%
Services	1,633	4.54%	99.52%
Public Administration	171	0.48%	100.00%
Total	35,979	100.00%	

Table 2: Firm and CEO Descriptive Statistics

In this table, we report the descriptive statistics of our firm-year observations. Our sample goes from 1998 to 2022. We exclude financial and utility firms from our sample, and we winsorize at the 1% and 99% levels.

Variable	Obs.	Mean	Std. dev.	Min	Max
Total Subsidies	35,979	1,182,666	6,022,142	0	50,600,000
Number of Subsidies	35,979	1.35	5.911	0	288
Subsidies to Asset Ratio	35,979	0.00011	0.00048	0	0.00355
Total Assets ($ millions)	35,979	9,104	31,851	3.75	958,784
ROA	35,979	0.035	0.112	-0.510	0.274
Firm Age	35,979	16.77	7.862	2	33
Debt/Total Assets	35,979	0.252	0.200	0.000	0.920
Sales ($ millions)	35,979	6,748.277	22,043.500	0.018	569,962
CAPX/Total Assets	35,979	0.050	0.048	0	0.261
R&D Spending ($ millions)	35,979	177.626	1,121.412	0	73,213
Tobin's Q	35,979	2.043	1.418	0.704	8.712
CEO Age	35,979	56.01	7.152	39	76
CEO Tenure	35,979	7.23	7.160	0	34
Total CEO Compensation ($ thousands)	35,979	5,848.164	6,102.10	250	34,606
Total Executive Comp. ($ thousands)	35,979	15,576.600	20,616.77	100	1,101,419
CEO Cash Intensity ($ thousands)	35,979	1,076.829	841.56	8.88	5,520.00
CEO Option Intensity ($ thousands)	35,979	1,392.450	2,653.77	0	16,723.53
CEO Stock Awards ($ thousands)	35,979	2,074.707	3,291.28	0	17,399.66
CEO Equity Intensity ($ thousands)	35,979	3,561.762	4,662.55	0	27,041.45
CEO Power	35,979	0.388	0.124	0.053	0.744

Table 3: Regressing CEO Compensation Components on Subsidies

In this table, we regress each component of the CEO compensation structure on our measures of subsidy receipt, controls, and year and industry fixed effect. Our variables of interest are the indicator variable for whether the firm receives a subsidy and the natural log of the total value of subsidies received in year t. We estimated standard errors using the Huber-White heteroskedasticity-robust variance-covariance estimator. We report p-values in parentheses below each coefficient. *, **, and *** indicate significance at the 10%, 5%, and 1% levels.

	CASH INTENSITY t+1		OPTION INTENSITY t+1		EQUITY INTENSITY t+1	
	(1)	(2)	(3)	(4)	(5)	(6)
Receive Subsidy	-0.0103***		0.0145***		0.00642*	
	(0.000)		(0.000)		(0.074)	
Log (Total Subsidies)		-0.000435**		0.000850***		0.000180
		(0.048)		(0.000)		(0.511)
Log(Total Assets)	-0.0595***	-0.0597***	0.0408***	0.0409***	0.0747***	0.0749***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Return on Assets	-0.0650***	-0.0651***	-0.0256*	-0.0254*	0.0410**	0.0410**
	(0.000)	(0.000)	(0.074)	(0.076)	(0.013)	(0.013)
Firm's Age	0.000486**	0.000469**	0.0000146	0.0000261	-0.000868***	-0.000853***
	(0.025)	(0.030)	(0.944)	(0.900)	(0.001)	(0.001)
Total debt / Total assets	-0.0161*	-0.0159*	-0.0204**	-0.0205***	0.00116	0.000917
	(0.053)	(0.056)	(0.010)	(0.010)	(0.902)	(0.922)
Log(Sales)	-0.000153	-0.000351	-0.0252***	-0.0250***	-0.0234***	-0.0233***
	(0.961)	(0.911)	(0.000)	(0.000)	(0.000)	(0.000)
CAPEX / Total assets	-0.0657*	-0.0662*	0.175***	0.174***	0.229***	0.230***
	(0.090)	(0.088)	(0.000)	(0.000)	(0.000)	(0.000)
Tobin's Q	-0.0209***	-0.0209***	0.0253***	0.0253***	0.0241***	0.0242***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
CEO Age	0.000977***	0.000973***	-0.00139***	-0.00139***	-0.00191***	-0.00190***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
CEO tenure	0.00295***	0.00295***	-0.000572***	-0.000573***	-0.00322***	-0.00322***
	(0.000)	(0.000)	(0.006)	(0.006)	(0.000)	(0.000)
CEO Power	-0.251***	-0.251***	0.115***	0.115***	0.251***	0.251***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.846***	0.848***	0.0603***	0.0589***	0.0690***	0.0663***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Obs.	33,398	33,398	33,398	33,398	33,398	33,398
R^2	0.363	0.362	0.298	0.298	0.235	0.235

Table 4: Nearest Neighbor Matching Tests

In this table, we report the percentage of CEO compensation coming from cash, options, and equity. *, **, and *** indicate significance at the 10%, 5%, and 1% levels.

Panel A: Subsidy Receipt without Constraints					
	Coefficient	Std. Error	Z	p-value	
(% CASH INTENSITY) $_{t+1}$	-0.0421	0.0043	-9.72	0.000	***
(% CASH INTENSITY) $_{t+2}$	-0.0432	0.0056	-7.72	0.000	***
(% CASH INTENSITY) $_{t+3}$	-0.0385	0.0052	-7.35	0.000	***
(% CASH INTENSITY) $_{t+4}$	-0.0490	0.0048	-10.27	0.000	***
(% CASH INTENSITY) $_{t+5}$	-0.0540	0.0041	-13.22	0.000	***
(% OPTION INTENSITY) $_{t+1}$	0.0301	0.0053	5.72	0.000	***
(% OPTION INTENSITY) $_{t+2}$	0.0233	0.0049	4.72	0.000	***
(% OPTION INTENSITY) $_{t+3}$	0.0235	0.0056	4.22	0.000	***
(% OPTION INTENSITY) $_{t+4}$	0.0257	0.0049	5.26	0.000	***
(% OPTION INTENSITY) $_{t+5}$	0.0350	0.0049	7.10	0.000	***
(% EQUITY INTENSITY) $_{t+1}$	0.0270	0.0052	5.25	0.000	***
(% EQUITY INTENSITY) $_{t+2}$	0.0281	0.0060	4.70	0.000	***
(% EQUITY INTENSITY) $_{t+3}$	0.0190	0.0059	3.21	0.001	***
(% EQUITY INTENSITY) $_{t+4}$	0.0276	0.0053	5.20	0.000	***
(% EQUITY INTENSITY) $_{t+5}$	0.0372	0.0054	6.84	0.000	***

Panel B: Subsidy Receipt with No Subsidy in t-1

	Coefficient	Std. Error	Z	p-value	
(% CASH INTENSITY) $_{t+1}$	-0.0508	0.0075	-6.74	0.000	***
(% CASH INTENSITY) $_{t+2}$	-0.0514	0.0071	-7.24	0.000	***
(% CASH INTENSITY) $_{t+3}$	-0.0503	0.0070	-7.23	0.000	***
(% CASH INTENSITY) $_{t+4}$	-0.0444	0.0075	-5.89	0.000	***
(% CASH INTENSITY) $_{t+5}$	-0.0644	0.0062	-10.43	0.000	***
(% OPTION INTENSITY) $_{t+1}$	0.0287	0.0079	3.63	0.000	***
(% OPTION INTENSITY) $_{t+2}$	0.0185	0.0076	2.43	0.015	**
(% OPTION INTENSITY) $_{t+3}$	0.0229	0.0079	2.89	0.004	***
(% OPTION INTENSITY) $_{t+4}$	0.0146	0.0078	1.86	0.063	*
(% OPTION INTENSITY) $_{t+5}$	0.0336	0.0085	3.95	0.000	***
(% EQUITY INTENSITY) $_{t+1}$	0.0336	0.0086	3.89	0.000	***
(% EQUITY INTENSITY) $_{t+2}$	0.0354	0.0083	4.26	0.000	***
(% EQUITY INTENSITY) $_{t+3}$	0.0289	0.0082	3.54	0.000	***
(% EQUITY INTENSITY) $_{t+4}$	0.0237	0.0082	2.90	0.004	***
(% EQUITY INTENSITY) $_{t+5}$	0.0442	0.0088	5.05	0.000	***

Panel C: Subsidy Receipt with No Subsidy/Subsidized Loan in t-1

	Coefficient	Std. Error	Z	p-value	
(% CASH INTENSITY) $_{t+1}$	-0.0516	0.0077	-6.72	0.000	***
(% CASH INTENSITY) $_{t+2}$	-0.0514	0.0073	-7.04	0.000	***
(% CASH INTENSITY) $_{t+3}$	-0.0502	0.0071	-7.05	0.000	***
(% CASH INTENSITY) $_{t+4}$	-0.0446	0.0078	-5.74	0.000	***
(% CASH INTENSITY) $_{t+5}$	-0.0640	0.0066	-9.75	0.000	***
(% OPTION INTENSITY) $_{t+1}$	0.0272	0.0081	3.36	0.001	***
(% OPTION INTENSITY) $_{t+2}$	0.0174	0.0078	2.23	0.026	**
(% OPTION INTENSITY) $_{t+3}$	0.0206	0.0081	2.53	0.011	**
(% OPTION INTENSITY) $_{t+4}$	0.0120	0.0081	1.48	0.138	
(% OPTION INTENSITY) $_{t+5}$	0.0321	0.0087	3.67	0.000	***
(% EQUITY INTENSITY) $_{t+1}$	0.0344	0.0088	3.89	0.000	***
(% EQUITY INTENSITY) $_{t+2}$	0.0347	0.0085	4.06	0.000	***
(% EQUITY INTENSITY) $_{t+3}$	0.0284	0.0084	3.39	0.001	***
(% EQUITY INTENSITY) $_{t+4}$	0.0238	0.0084	2.83	0.005	***
(% EQUITY INTENSITY) $_{t+5}$	0.0451	0.0089	5.05	0.000	***

Table 5: CEO Compensation Components Around Subsidy Receipt

In this table, we perform difference-in-difference tests to examine how firms' book leverage changes after changes in the compensation structure. We match firms that experienced a positive change in the proportion of cash, options, or equity to firms that do not experience a positive change. We report p-values in parentheses below each coefficient. *, **, and *** indicate significance at the 10%, 5%, and 1% levels.

	(1)	(2)	(3)
	Book Leverage $_{t+1}$		
Δ CASH INTENSITY > 0	-0.00232**		
	(0.029)		
Δ OPTION INTENSITY > 0		0.00324***	
		(0.009)	
Δ EQUITY INTENSITY > 0			0.00307***
			(0.004)
Log(Total Assets)	0.00121	0.00123	0.00112
	(0.759)	(0.756)	(0.777)
Return on Assets	-0.0204	-0.0200	-0.0201
	(0.156)	(0.165)	(0.162)
Firm Age	-0.000613	-0.000300	-0.000203
	(0.988)	(0.994)	(0.996)
Total debt / Total assets	0.757***	0.757***	0.757***
	(0.000)	(0.000)	(0.000)
Log(Sales)	-0.00260	-0.00266	-0.00261
	(0.597)	(0.589)	(0.596)
CAPEX / Total assets	0.0998***	0.0988***	0.0976***
	(0.005)	(0.006)	(0.006)
Tobin's Q	-0.00110	-0.00111	-0.00109
	(0.279)	(0.276)	(0.282)

CEO Age	-0.00000143	0.00000744	0.00000253
	(0.995)	(0.972)	(0.990)
CEO tenure	-0.0000554	-0.0000528	-0.0000448
	(0.786)	(0.796)	(0.827)
CEO Power	-0.00685	-0.00626	-0.00770
	(0.314)	(0.351)	(0.260)
Constant	0.0739	0.0691	0.0698
	(0.755)	(0.770)	(0.768)
Number of Observations	30641	30641	30641
Year and Industry F.E.	Yes	Yes	Yes