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## Surprise election for Trump connections<sup>☆</sup>

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### ABSTRACT

We exploit Donald Trump's nonpolitical background and surprise election victory to identify the value of sudden presidential ties among S&P 500 firms. In our setting firms did not choose to become politically connected, so we identify treatment effects comparatively free of selection bias prevalent in this literature. Firms with presidential ties enjoyed greater abnormal returns around the 2016 election. Since Trump's inauguration, connected firms had better performance, received more government contracts, and were less subject to unfavorable regulatory actions. We rule out a number of confounding factors, including industry designation, sensitivity to Republican platforms, campaign finance, and lobbying expenditures.

行业分析  
总统政策对股价的影响  
行业资金

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### 1. Introduction

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The US president wields considerable authority to implement policy (absent of congressional and judicial oversight) (Howell, 2003; Crouch et al., 2017), and a broad array of instruments have historically empowered US presidents in this regard (Relyea, 2011). President Donald J. Trump has issued a record number of executive orders carrying major economic implications for environmental protection, infrastructure development, deregulation, trade, procurement, taxation, and subsidization (NBC News, 2017). Given Donald Trump's unique industry background, much public debate has centered on whether the power of the executive office could benefit the president's personal and professional network (Wall Street Journal, 2017).<sup>1</sup> In this

总统权力大，直接颁布法令，数量多

<sup>1</sup> To this end, media have scrutinized executive influence on diplomacy (Fox News, 2018a; New York Times, 2016; Reuters, 2017) and regulation (BBC News, 2017).

paper we endeavor to measure the financial and economic benefits of connectedness to the US president.

We exploit Donald Trump's nonpolitical background and shock election victory to leverage a natural experiment in which many firms inadvertently became politically connected. In particular, we identify individuals and companies with business ties to Donald Trump prior to the announcement of his 2016 US presidential campaign. These network ties were established when Trump was a businessman and *not* a politician. His unexpected electoral victory then transformed his existing business network into a political network, effectively overnight. We exploit the sharp discontinuity in S&P 500 firms' political connectedness to identify the impact of executive branch ties on shareholder wealth and real economic outcomes. Because of the accidental nature of these political connections, we are able to identify treatment effects *free of sorting on potential gains*. Thus, our research design overcomes an important endogeneity concern associated with alternative measures of political connections relied upon in the literature. *冲高一解决内生性*.

We examine financial and real economic outcomes of S&P 500 firms around the 2016 presidential election. We generally find that firms connected to Trump nontrivially benefit from his presidency. First we estimate the impact of presidential ties on firm value in an event study framework. Following the 2016 election, firms connected to Trump had positive and significant cumulative abnormal returns (CARs). Under a value-weighted market model baseline, the difference in CARs between connected and nonconnected firms was approximately 2.3% over a 6-day period following the election, and 3.7% over a 21-day window. Using alternative benchmark return models, we also find significant market reactions.

We then examine the impact of presidential ties on accounting performance, procurement of government contracts, and regulatory exposure. We apply a difference-in-difference regression model to a firm-quarter panel, and analyze differences in post-election real outcomes between connected and nonconnected firms. We find that connected firms in the post-election period (Q1 2017 to Q2 2019) exhibit stronger operating performance and receive more government contracts. We also find that connected firms benefit disproportionately from the actions of US regulators. The economic magnitudes of our results are nonnegligible. In the post-election period, firms with presidential ties enjoyed (on a quarterly basis) greater sales and operating income to the tune of about \$1.1 billion and \$181 million, respectively. Such firms received over 50% more government contracts, enhancing the value of total procurement by approximately one-half. Finally, presidential ties led to a 7% reduction in the likelihood of being financially penalized by regulators, and a 4% decline in the likelihood of being subject to new investigations.

Our paper is related to a large strand of literature focusing on the financial and economic benefits of political connections.<sup>2</sup> But surprisingly few papers have examined

the value of connections to executive branch officials in developed countries (i.e., democracies with strong institutions). In this respect our findings speak to a much smaller body of evidence (Fisman et al., 2012; Acemoglu et al., 2016; Brown and Huang, 2020; Schoenherr, 2019). Our paper is perhaps closest to Brown and Huang (2020), which shows significant benefits to firms visiting government executives at Obama's White House. But our study is differentiated from Brown and Huang (2020) in two significant ways. First, we examine the implications of personal network ties to the president rather than access to White House officials. In additional tests, our findings suggest White House visits are actually inversely related to (preexisting) network ties with the president. Thus, our study documents a channel of political influence distinct from that of Brown and Huang (2020). Second, White House visits are voluntary, so the causal effects identified by Brown and Huang (2020) are not easily extended to nonvisiting firms. This relates to a much broader concern with the literature on political connections.

Previous studies have regarded firms as politically connected if they (i) make campaign contributions, (ii) invest in lobbying, (iii) employ politically connected directors, or (iv) hold meetings with politicians.<sup>3</sup> Each of the above activities constitute deliberate actions by firms to establish relations with politicians. It is sensible to assume firms exerting such effort are those with the most to gain from political connections. Thus, any causal effects resulting from such connections are difficult to generalize to non-connected firms. Exploiting pseudo-random or exogenous variation in these political connections (through, e.g., close elections or politician/director health) permits clean identification of the treatment effect on the treated (TT). But that effect remains conditional on firms having sorted themselves into treatment in the first place.

In our setting, firms did not choose to become politically connected. Rather, our political connection treatment is an accidental byproduct of firms having forged relations with the celebrity businessman Donald Trump. Although firms were not randomly selected into Trump's network, the underlying sorting criteria may be regarded as orthogonal to the determinants of lobbying, campaign finance, and other forms of political engagement. Thus, selection into treatment (albeit still present) is not motivated by potential gains from presidential ties. The uniqueness of our setting therefore permits identifying the average treatment effect (ATE) of political connections with less bias than many studies in this vein of inquiry.

<sup>2</sup> For stock market valuations, see Fisman (2001); Johnson and Mitton (2003); Faccio (2006); Fan et al. (2007); Claessens et al. (2008);

Goldman et al. (2009); Fisman et al. (2012); Tahoun (2014); Akey (2015); Borisov et al. (2016); Akey and Lewellen (2017). Scholars have also studied the real economic benefits of political connections in terms of bailout funds (Faccio, 2006; Duchin and Sosyura, 2012), government contracts (Goldman et al., 2013; Akey, 2015; Faccio and Hsu, 2017; Brogaard et al., 2019), performance effects (Tahoun, 2014; Akey, 2015), and credit availability (Khwaja and Mian, 2005; Claessens et al., 2008; Fang et al., 2017).

<sup>3</sup> For reference, see (i) Jayachandran (2006); Claessens et al. (2008); Tahoun (2014); Akey (2015); (ii) Duchin and Sosyura (2012); Tahoun (2014); (iii) Agrawal and Knoeber (2001); Goldman et al. (2009); Amore and Bennedsen (2013); Cingano and Pinotti (2013), Bertrand et al. (2018); and (iv) Acemoglu et al. (2016); Brown and Huang (2020).

Economists have long considered the identification challenges associated with self-sorting into treatment (see Roy, 1951). Impact heterogeneity often forms the basis of such sorting (Heckman, 2001a,b), implying the TT and ATE are generally not equivalent (Heckman and Vytlacil, 2001). When individuals with large potential gains from treatment disproportionately sort themselves into treatment, identification of the TT will provide only an upper bound for the ATE. That is a typical setting in the literature on political connections. But if treatment effects vary while enrollment into treatment is not based on that variation in potential treatment response, then the TT is a reasonable approximation of the ATE (see Heckman and Vytlacil, 2001). Such are the conditions in our setting—the impact of presidential ties may vary across firms, but pre-existing relations with Trump were surely driven by separate considerations.

In the above respect, our paper is quite close to Schoenherr (2019), which exploits a natural experiment similar to ours in which a former businessman was elected president in South Korea. Consistent with results herein, Schoenherr (2019) demonstrates benefits of connectedness for stock returns, accounting performance, and public procurement. Moreover, that paper offers considerable insight into the mechanism by which government contracts are allocated (inefficiently) through networks. Importantly, our paper makes use of a carefully investigated personal network of the president, rather than employing the comparatively coarse proxies of (a) intergenerational alumni networks, and (b) mutual affiliation to large conglomerates. Through our personal measure of connections, we are able to demonstrate benefits of being directly associated with the president, which are distinct from Schoenherr's (2019) downstream network formation (in which firms benefit from network ties with president-appointed CEOs rather than network ties to the president himself). Moreover, political economic institutions in South Korea may be sufficiently unique that generalizing to the US context is not straightforward.

Related work by Acemoglu et al. (2016) identifies positive abnormal returns for firms connected to career public servant Timothy Geithner following his nomination to the US treasury secretary. Aside from the above-mentioned issue surrounding identification (and our focus on the US head of state), our paper is further differentiated by analyzing a noncrisis period of economic activity. Following Acemoglu et al. (2016), we invoke muckety.com relationship maps to construct our primary measure of personal connections. These data reveal links between Trump and various people/organizations, including many relations omitted from public profiles.

The muckety.com data were collected in journalistic fashion, record by record, over 11 years and more than 1200 spreadsheets.<sup>4</sup> These relationship maps offer impressive depth and breadth of coverage but are potentially subject to the biases of individual investigative journalists. For robustness we therefore invoke a second measure of presidential ties reflecting the incidence of joint media

exposure between Trump and the relevant entities. Specifically, we survey 67,000 media articles on Trump from 1980 to 2014 (i.e., before the announcement of his presidential campaign) and indicate whether any article contains a reference to the company/director/executive in question. Such joint media references are suggestive of personal or professional connections, albeit still constitute an imperfect signal. Throughout our analysis we show our results are robust to this alternative measure of presidential ties.

扩展分析  
我们还对我们的主要分析进行了两个有趣的扩展。首先，我们首先检查了总统关系对白宫访问的影响，并且确实发现了一个负面影响。然后，在事件研究框架中，我们分析了与俄罗斯调查相关的重大发展，该调查可能威胁到特朗普的任期。我们发现，政治发展削弱了特朗普政权的结果，导致市场价值下降。法律发展使特朗普及其盟友受到指控，另一方面，有时会增强特朗普关联公司的股票表现。这表明市场参与者可能将这些事件视为特朗普免于司法指控的证据。

Notably, the broader literature suggests a number of factors potentially confounding the relation between political connections and financial or economic performance. The importance of lobbying and campaign contributions has been established by several authors.<sup>5</sup> Akey and Lewellen (2017) find that policy-sensitive firms have an incentive to become politically connected. Wagner et al. (2018) find that firms with high tax burdens (foreign exposure) experienced positive (negative) CARs following the 2016 presidential election. Accordingly, throughout our main analysis we control for campaign contributions, lobbying expenditures, economic policy sensitivity, tax burden, and foreign exposure. Thus, our findings are not likely confounded by financial ties to the Republican Party, sensitivity to economic policy, or sensitivity to the Trump policy platform.

We further strengthen interpretation with two important exercises. First, we adopt Fama-French 49 industries for our main analysis. But our choice of industry classification/granularity influences benchmark controls and the legitimacy of inference. Accordingly, we demonstrate our findings are robust to a variety of alternative industry definitions, including the Global Industry Classification Standard (GICS) and Hoberg-Phillips Fixed Industry Classification (FIC) systems yielding groups of 24, 50, 69, and 100 industries. Second, our main tests do not exclude the possibility that Trump-connected firms benefit from Republican platforms in general. To rule out this interpretation, we conduct placebo tests around three earlier presidential elections. We find little evidence to suggest firms connected to Trump benefit from the prospect of Republican leadership. This differentiates our findings from earlier work establishing the financial impact of Republican presidencies on equity markets (Snowberg et al., 2007), politically sensitive sectors (Knight, 2006), and

## 共和党前景

<sup>4</sup> Author correspondence with muckety.com (February 27, 2018).

<sup>5</sup> See Jayachandran (2006); Claessens et al. (2008); Duchin and Sosyura (2012); Tahoun (2014); Akey (2015).

firms with policy-sensitive characteristics (Wagner et al., 2018).

The remainder of our paper is structured as follows. **Section 2** describes our primary data on Trump's personal network, procurement contracts, regulatory actions, White House visits, campaign contributions, lobbying expenditures, and secondary source financial data. **Section 3** examines the market reaction around Trump's unexpected rise to the US presidency. **Section 4** invokes panel tests to examine real economic effects of presidential ties. **Section 5** extends our main analysis, **Section 6** conducts robustness, and **Section 7** concludes.

## 2. Data

**样本：Trump赢得选举时成份股公司 - 4 = 496**

Our sample consists of firms comprising the S&P 500 index at the time of Trump's electoral victory. Firms in the S&P 500 often receive the most attention from analysts and investors, and the market capitalization of the index represents around 80% of the equity market.) Our sample spans the period Q1 2014 to Q2 2019. Firms are categorized according to the Fama-French 49 industries. We exclude four firms having undergone major restructuring in the year preceding the 2016 presidential election, leaving 496 sample firms. **排除4家，剩496家。FF 49分类**

In the following subsections we describe our key variables from primary and secondary sources. Formal definitions are consolidated in **Table A1**. Daily stock returns are from the Center for Research in Security Prices (CRSP).<sup>6</sup> Accounting data and fundamentals (i.e., *Book-to-market*, *Leverage*, *Assets*, *Revenue*, *Operating income*, and *Net income*) are collected from Compustat.<sup>7</sup> Descriptive statistics for all variables are presented in Panel A of **Table 1**. Panel B of **Table 1** tests for covariate balance in the pre-election period. Connected firms have significantly greater book-to-market ratios, leverage, and assets, and these fundamentals are included as baseline controls throughout our analysis.

### 2.1. Trump's business network

Following Acemoglu et al. (2016), we construct Trump's business network using relationship maps assembled by a group of independent journalists at muckety.com. This database reflects individual associations of public figures across government, business, and nonprofit organizations. The journalists at muckety.com uncovered network relations among public figures using documents from the White House, Congress, Federal Election Commission (FEC), Securities and Exchange Commission (SEC), and news reports from outlets such as the New York Times, Washington Post, and Politico. Prior to Trump's campaign announcement, we record the network connections of Donald Trump, Ivanka Trump, and Jared Kushner - the family

<sup>6</sup> When a company has multiple share classes, we include only the class with the largest average daily trading volume in 2016.

<sup>7</sup> For the purpose of consistency with other data items, we match companies' fiscal quarter to calendar quarter based on Compustat's classification. For example, if a company's fiscal year-end is April 30, we would classify its fiscal Q1 (May 1 to July 31) as calendar Q2, since two-thirds of its fiscal Q1 fall in calendar Q2.

members involved in his business empire, his presidential campaign, and ultimately his White House administration.

We consider network connections at both the firm and individual level. A firm is deemed connected to Trump if (a) it had direct business relations with the Trump Organization; or (b) a director/executive had personal connections with the Trump family. For example, Kenneth Duberstein - a Mar-a-Lago member - was a director of Boeing and Travelers in 2016. We therefore regard both Boeing and Travelers as connected to Trump. In our sample (see **Table 1**, Panel A), 64 S&P 500 firms are connected to Trump, based on the indicator (*Connection*) defined above.<sup>8</sup> The Fama-French 49 industries accounting for the most connected firms are trading (14%), banking (13%), insurance (11%), and communication (9%).

### 2.2. Trump news

#### 是否被提及

Our secondary measure of presidential ties is an indicator (*News*) for whether the entity in question was previously referenced alongside Trump in the news. To build this indicator, we download all media articles from LexisNexis that twice mention Trump and are dated prior to his campaign announcement. This yields approximately 67,000 articles spanning major US media outlets, dating as far back as 1980. From each article we extract all names of individual and company entities. We search over the set of company names for matches with S&P 500 firms and their subsidiaries. When a match is detected, our indicator takes the value of one for the corresponding S&P 500 firm. We next search over the set of individual names extracted from our articles. We cross-check those names against a BoardEx list of S&P 500 company executives and board members, current for the 2016 election date. When a match is detected, our indicator again takes the value of one for the corresponding S&P 500 firm. For example, Steve Burke was CEO of NBC when "The Apprentice" was broadcast. Accordingly, Trump and Burke were frequently mentioned together in the media. As of 2016, Burke is a director at JP Morgan and vice president of Comcast. Hence, our indicator takes the value of one for both JP Morgan and Comcast, both of which are also deemed connected in the muckety.com archive.

Our secondary measure of presidential ties thus indicates whether a company or its contemporary directors or executives had reason to be mentioned in historical media coverage of Trump. This measure is suggestive of network ties to the president, but it is certainly an imperfect signal. For example, some individuals are simply compared to Trump by news commentators or are reported to attend the same large-scale event as Trump. These associations do not constitute meaningful connections, so we strive to remove such weak signals with a manual filter, leaving 78 firms deemed connected to Donald Trump through the news archives.

**非排除新闻报道中将Trump作为比喻词的信号**

<sup>8</sup> Using instead a count measure for the number of connections with the Trump Organization/family yields very similar results throughout our analysis.

**Table 1**

Descriptive statistics and covariate balance.

The sample consists of firms comprising the S&P 500 at the time of Trump's 2016 electoral victory. We exclude four firms having undergone restructuring during our sample period (Q1 2014 - Q2 2019), leaving 496 listed companies. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. Panel A reports full sample descriptive statistics for all variables. Panel B tests for covariate balance in the pre-election period. Static controls are measured at fiscal year-end prior to the 2016 election. Dynamic controls are measured over the 12 quarters preceding Trump's inauguration.

	N	Mean	S.D.	p1	p50	p99			
<b>Panel A: Descriptive statistics</b>									
Value-weighted MM CAR (0, 5)	496	0.35	6.38	-11.85	0.08	16.48			
Value-weighted MM CAR (0, 10)	496	0.35	7.67	-18.04	0.17	19.89			
Value-weighted MM CAR (0, 20)	496	0.59	9.65	-19.54	-0.41	22.68			
Connection	496	0.13	0.34	0.00	0.00	1.00			
News	496	0.16	0.36	0.00	0.00	1.00			
Campaign contribution (\$M)	496	0.03	0.24	0.00	0.00	0.50			
Republican	496	0.39	0.49	0.00	0.00	1.00			
Policy sensitivity	496	0.37	0.48	0.00	0.00	1.00			
Book-to-market	10365	0.38	0.33	-0.10	0.31	1.40			
Leverage	10365	0.46	1.39	0.00	0.25	3.22			
Assets (log \$M)	10365	10.34	1.02	8.60	10.19	13.35			
Foreign exposure	10365	0.21	0.32	0.00	0.00	1.00			
Tax burden	10365	0.22	0.20	0.00	0.20	1.00			
Lobbying (\$M)	10365	0.52	0.91	0.00	0.11	4.71			
Revenue (\$Bn)	10365	5.47	8.66	0.24	2.38	49.60			
Operating income (\$Bn)	10365	0.84	1.42	-0.35	0.37	9.18			
Net income (\$Bn)	10365	0.51	0.98	-1.33	0.21	5.73			
Procurement contracts	10365	1.58	2.12	0.00	0.00	8.15			
Procurement value (\$M)	10365	30.28	125.03	0.00	0.00	948.88			
Procurement value/revenue (%)	10365	1.24	7.57	0.00	0.00	21.06			
Payment	10365	0.03	0.16	0.00	0.00	1.00			
Investigation	10365	0.01	0.10	0.00	0.00	1.00			
WH visits dummy	4730	0.16	0.36	0.00	0.00	1.00			
WH visits number	4730	2.76	9.81	0.00	0.00	52.00			
WH visits percentile	4730	50.11	16.94	33.33	49.48	98.54			
<b>Panel B: Covariates (pre-election)</b>									
	Connected			Nonconnected					
	N	Mean	Median	S.D.	N	Mean	Median	S.D.	Diff. in means
Campaign contribution (\$M)	64	0.05	0.01	0.09	432	0.03	0.00	0.25	0.02
Republican	64	0.13	0.00	0.33	432	0.43	0.00	0.50	-0.31***
Policy sensitivity	64	0.38	0.00	0.49	432	0.37	0.00	0.48	0.00
Book-to-market	726	0.47	0.34	0.41	5008	0.37	0.31	0.30	0.11***
Leverage	726	0.68	0.33	1.11	5008	0.40	0.23	1.25	0.28***
Assets (log \$M)	726	11.17	11.07	1.23	5008	10.12	9.99	0.89	1.05***
Foreign exposure	726	0.29	0.18	0.32	5008	0.29	0.10	0.34	0.00
Tax burden	726	0.25	0.23	0.19	5008	0.21	0.20	0.18	0.03***
Lobbying (\$M)	726	1.17	0.72	1.31	5008	0.44	0.10	0.79	0.73***

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

### 2.3. Government contracts

Procurement data are gleaned from the US government's Federal Procurement Data System (FPDS) and usaspending.gov. For our sample period we gather information on every (nonclassified) government contract awarded to S&P 500 firms and their subsidiaries (contracts awarded to the latter are attributed to the former). Our data indicate around 80% of S&P 500 firms receive procurement contracts during the sample period, which is consistent with prior studies (e.g., Goldman et al., 2013; Tahoun, 2014). Across our sample we see at least one contract being awarded in 50% of firm-quarters. We build variables that capture the number and dollar amount of procurement contracts signed (labeled *Procurement contracts*, *Procurement value*, and *Procurement value/revenue*, respectively). Most contracts are awarded by the De-

partment of Defense, the Department of Energy, or the Department of Veteran Affairs.

### 2.4. Regulatory actions

### 监管行动

We obtain data on regulatory actions from Capital IQ Key Developments - a repository of business news released by media outlets, firms, and regulatory agencies. We start by obtaining all news related to US regulatory actions toward S&P 500 firms (by, e.g., the SEC, Department of Justice (DoJ), or Environmental Protection Agency (EPA)). Two-fifths of S&P 500 firms face some regulatory action over our sample period; among these we observe an average of 4 news items per firm. We sort regulatory news into two categories (for which there are sufficient observations to analyze): (i) the opening of an investigation/inquiry into firm activity; and (ii) payments

采购合同、价值、数量

by firms to regulators in the form of a penalty, fine, or settlement.<sup>9</sup> To measure regulatory actions against each firm, we build firm-quarter indicators for categories (i) and (ii), labeled *Investigation* and *Payment*, respectively. In 107 (286) firm-quarters, *Investigation* (*Payment*) is nonzero.

## 2.5. White house access

白宫

We source White House visitor logs under both the Obama and Trump presidencies. Obama introduced a voluntary disclosure policy allowing public access to detailed information of (nonclassified) visits. Donald Trump, by contrast, did not voluntarily release visitor logs. We gather information on Trump White House visits from two sources. First, Politico assembled visitors data based on public information of meetings with Donald Trump between inauguration and April 2018. Second ProPublica filed a Freedom of Information Act request, which led to the release of visitor records between inauguration and November 2017. Altogether we have White House visitor logs data for five quarters of Trump's presidency. To build a comparable reference under the Obama White House, we use visitor logs from the first five quarters of his second term. 第二任期前五季度

One third of S&P 500 firms visited the White House during our sample period, and the Obama Administration accounts for a majority of overall visits. We build an indicator variable - *WH visits dummy* - equal to one if a firm visits the White House in a particular quarter and zero otherwise. We also build a count variable - *WH visits number* - capturing the total number of visits per quarter. Finally, we construct a quarterly percentile rank measure - *WH visits percentile* - to ensure our results are not sensitive to level shifts in visitation data between the Trump and Obama periods.

年度百分位数  
OT 水平变化和波动

## 2.6. Potential political economic confounders

混淆因素

One factor potentially confounding the estimated impact of presidential ties on firm outcomes is the extent of lobbying activity. Accordingly, lobbying expense data are gathered from the Center for Responsive Politics. Under the Lobbying Disclosure Act of 1995, lobbying firms must register on behalf of their client if they received more than \$3000 in income from that client in any given quarter. For companies employing in-house lobbyists, they must register if they spend \$12,500 in a given quarter. Registered firms then report lobbying expenditures on a quarterly basis, rounded to the nearest \$10,000. Spending by subsidiaries are included as part of the parent company's lobbying expense (labeled *Lobbying*). During 2016, connected firms spent approximately \$5 million on lobbying - more than three times the amount spent by nonconnected firms. *Lobbying figures* are similar to those reported in related studies (e.g., Tahoun, 2014; Brown and Huang, 2020).

<sup>9</sup> A theoretical distinction between these outcomes is difficult since firms may settle to avoid publicity or other adverse consequences of penalties. We do not have information regarding the magnitudes of settlements or penalties.

Similar to the above, campaign contributions may constitute an additional correlate of presidential ties that can also influence firm-level outcomes. Political contributions data are obtained from the FEC, which provides transaction-level data by election cycle. Individual donors to federal election campaigns are required to report their employer and job title to the FEC. For each S&P 500 firm we consider contributions to Trump's 2016 presidential campaign by its employees. To this end we construct the variable *Campaign contribution* capturing total contributions made to Trump's PACs. We find Trump-connected firms did not donate significantly more to his presidential campaign than nonconnected counterparts.<sup>10</sup>

Despite the observation above, one may nevertheless suspect Trump-connected firms are Republican leaning and that such companies generally benefit under a Republican president and Congress. To control for political partisanship, we collect contribution data also for the 2012 and 2014 federal elections, calculating each firm's contributions to Republican and Democratic candidates. A firm is defined as Republican if more than 70% of its employees' congressional campaign contributions were toward Republican candidates.<sup>11</sup> Notably, we find Trump-connected firms are significantly less likely to be Republican leaning under this definition. Taken together, Trump's network appears to be bipartisan in nature. 共同合作

Because firms resilient to economic uncertainty may perform better around the 2016 election, we invoke the Baker et al. (2016) Economic Policy Uncertainty Index (EPU). The EPU is a macroeconomic time-series index based on the frequency of news articles (among ten major US newspapers) indicating uncertainty about economic policy, expiring tax provisions, and dispersion in analysts' forecasts of macroeconomic indicators. To identify policy-sensitive firms, we follow Akey and Lewellen (2017), regressing each firm's daily stock returns on the daily EPU for 18 months preceding the 2016 presidential election. We then construct a *Policy sensitivity dummy* indicating whether a firm's stock returns are significantly correlated with policy uncertainty at the 10% level of significance.<sup>12</sup> We do not find a significant difference in policy sensitivity among connected and nonconnected firms.

Wagner et al. (2018) find that firms with high tax burden and low foreign exposure benefited from Trump's election. Thus, we control for these characteristics throughout our analysis. We construct a variable measuring *Tax burden* operationalized as cash ETR.<sup>13</sup> We measure

<sup>10</sup> Perhaps prior business contacts felt little need to contribute to Trump's campaign to benefit from his presidency. Or perhaps those with presidential ties simply expected Trump to lose (thus reflecting a rational cost-benefit analysis of campaign contributions). After all, Zingales (2017) shows Trump did not have endorsements from PACs at any of the top 100 US corporations.

<sup>11</sup> The results of our analysis are robust to alternative thresholds (e.g., 50%, 60%, 80%) and a continuous measure.

<sup>12</sup> Specifically, we verify the significance level of  $\beta_i$  in the following statistical model:  $R_{it} = \alpha_i + \beta_i EPU_t + \varepsilon_{it}$ . Here  $R$  is the stock return;  $t$  and  $i$  index the day and firm, respectively. We find (perhaps unsurprisingly) all policy-sensitive firms' share prices react negatively to macroeconomic uncertainty.

<sup>13</sup> We use quarterly tax expense as a proxy for tax paid if the firm has yet to pay their annual taxes on profits. This is commonly the case for

**Table 2**

Market reaction to Donald Trump's 2016 election victory.

Cumulative abnormal returns (CARs) are calculated using the value-weighted market model. Day 0 is when election results were announced (November 9, 2016). We adopt a 255-trading day estimation window ending 46 trading days prior to the event day. For each firm, we require a minimum of 40 observations in the estimation window. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. The Pos:Neg column indicates the ratio of firms with positive vs. negative CARs over the corresponding event window. Subsequent columns report the Patell Z-score, the standardized cross-sectional Z-score, and the generalized sign test, respectively.

Window	N	Mean CAR	Pos:Neg	Patell Z	StdCsect Z	Gen sign Z
<b>Panel A: Full sample</b>						
[0, 5]	496	0.35%	249:247	0.165	0.081	0.002
[0, 10]	496	0.35%	251:245	-0.754	-0.443	0.182
[0, 20]	496	0.59%	244:252	-0.317	-0.205	-0.447
<b>Panel B: Connected</b>						
[0, 5]	64	2.04%	38:26	4.896***	2.260**	1.436*
[0, 10]	64	2.38%	40:24	4.072***	2.338**	1.936*
[0, 20]	64	3.39%	37:27	4.369***	2.648***	1.186
<b>Panel C: Nonconnected</b>						
[0, 5]	432	0.10%	211:221	-1.707*	-0.899	-0.550
[0, 10]	432	0.05%	211:221	-2.375**	-1.407	-0.550
[0, 20]	432	0.17%	207:225	-2.021**	-1.319	-0.935

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Foreign exposure as pretax income from foreign operations, divided by total pretax income. Connected firms have significantly higher tax burden than nonconnected firms in the pre-treatment period.

### 3. Value of political connections

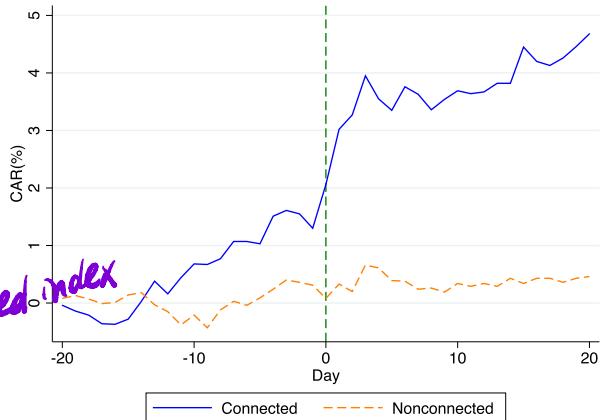
① 相关性：网络关系与当期回报显著正收益  
To determine the financial value of connections to the US president, we check whether network ties to Donald Trump are associated with positive stock returns following the presidential election on November 8<sup>th</sup>, 2016. To isolate the impact of new information (D), regarding political connections on stock prices, we calculate CARs using the market model based on the CRSP value-weighted index.

Following standard practice in the literature, we adopt a 255-trading day estimation window ending 46 days prior to the event day. For each firm, we require a minimum of 40 observations in the estimation window.

Fig. 1 plots CARs for connected and nonconnected firms over a [-20, 20] trading day window surrounding the election results announcement. Visually, the two groups of firms have roughly comparable CARs prior to the announcement day but significant post-election divergence. In Table 2 we find, regardless of the estimation window, post-election CARs for connected firms are positive and significant.<sup>14</sup> These simple tests suggest pre-existing relationships with Donald Trump generated value to shareholders following his election to the presidency. We

calendar year 2018. Inferences are unchanged when we employ GAAP Effective Tax Rate (ETR).

<sup>14</sup> Under the Patell Z-score, each security's abnormal return is normalized by its estimation period standard deviation to limit the impact of stocks with high return volatility. We also report the standardized cross-sectional Z-score (StdCsect Z) to account for event-induced volatility and serial correlation (Boehmer et al., 1991). In addition, we conduct a non-parametric test in the form of the generalized sign test (Gen sign Z), which judges the proportion of positive and negative CARs (Pos:Neg) against an assumed 50% split under the null hypothesis of no reaction to the event (Cowan, 1992).



**Fig. 1.** Cumulative abnormal returns (CARs) around the 2016 US presidential election. Day 0 is when election results were announced – November 9, 2016. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. CARs are calculated using the value-weighted market model. We adopt a 255-trading day estimation window ending 46 trading days prior to the event day. For each firm, we require a minimum of 40 observations in the estimation window.

next examine the relation between CARs and presidential ties within a multivariate framework by estimating the cross-sectional model: 政治因素 + 因变量

$$CAR_{ij} = \alpha_j + \beta_1 T_{ij} + \beta_2 G_i + \beta_3 Z_{ij} + \varepsilon_{ij}, \quad (1)$$

where CAR is estimated for the event windows [0, 5], [0, 10], and [0, 20];  $i$  indexes the firm;  $j$  indexes the industry;  $T$  is our treatment indicator for connection to Trump;  $G$  is a set of potential political economic confounders (Campaign contribution, Republican, Lobbying, Policy sensitivity, Tax burden, and Foreign exposure);  $Z$  is our set of standard baseline controls (Book-to-market, Assets, and Leverage); and standard errors are clustered by industry (Fama-French 49). Control variables are measured at fiscal year-end before the 2016 presidential election.

**Table 3**

The impact of presidential ties on CARs during the 2016 election.

This table analyzes the determinants of cross-sectional variation in CARs around the 2016 election. CARs are calculated using the value-weighted market model. Panel A (B) reports results of Eq. 1 using *Muckety* (News articles) to measure presidential ties. Firm fundamentals and political economic confounders are used as controls. Control variables are measured at fiscal year-end before the 2016 presidential election. Day 0 is when election results were announced (November 9, 2016). A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Industry fixed effects are based on the Fama-French 49 industry classification. Detailed definitions of variables can be found in Table A1. t-statistics are in parentheses. Standard errors are clustered by industry.

	[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Muckety</b>						
Connection	2.255** (2.02)	2.367** (2.17)	2.782** (2.19)	3.168** (2.65)	3.664** (2.47)	3.895*** (2.75)
Book-to-market	3.773*** (2.69)	3.532** (2.44)	4.411*** (2.88)	4.080** (2.56)	7.821*** (4.60)	7.446*** (4.05)
Leverage	0.672*** (7.24)	0.519** (5.24)	0.686*** (3.71)	0.618*** (2.44)	0.508 (1.48)	0.409 (1.13)
Assets (log)	-1.240*** (-4.23)	-1.508*** (-4.31)	-1.521** (-4.43)	-1.714*** (-4.69)	-2.033*** (-4.08)	-2.280*** (-4.28)
Campaign contribution	1.355** (2.22)			1.853** (2.15)		1.821** (2.16)
Republican		0.833 (1.59)		1.497* (1.89)		1.316 (1.43)
Policy sensitivity		-1.575** (-2.16)		-1.954** (-2.16)		-3.212*** (-3.72)
Foreign exposure		-1.138 (-0.99)		-2.044 (-1.60)		-2.508 (-1.60)
Tax burden		2.178 (0.74)		2.572 (0.74)		3.268 (0.79)
Lobbying		0.105 (1.49)		0.070 (0.71)		0.100 (1.10)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	496	496	496	496	496	496
R <sup>2</sup>	0.446	0.473	0.457	0.493	0.480	0.519
<b>Panel B: News articles</b>						
News	1.302*** (2.83)	1.258*** (2.77)	2.255*** (3.12)	2.242*** (3.18)	3.234*** (4.15)	3.143*** (4.08)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounding	No	Yes	No	Yes	No	Yes
N	496	496	496	496	496	496
R <sup>2</sup>	0.439	0.466	0.455	0.488	0.479	0.518

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

OLS regression results based on our primary measure of presidential ties (from muckety.com) are presented in Panel A of Table 3. Corresponding results based on our secondary measure (derived from media archives) are reported in Panel B. Across all event windows in Table 3 we observe an economically and statistically significant impact of presidential ties on stock returns. Consistent with Wagner et al. (2018), abnormal returns for Trump-connected firms grow as markets digest information. This can be seen by comparing coefficient magnitudes across event windows in both panels. From Panel A, Trump-connected firms enjoyed a minimum CAR of 2.3% over a 6-day window (columns 1 and 2), and 3.7% over a 21-day window (columns 5 and 6). Given that the average connected firm in our sample has a market cap-

italization of \$68 billion, these translate to \$1.6 and \$2.5 billion in wealth creation for shareholders, respectively.<sup>15</sup>

Interestingly, significant CARs for Trump-connected firms emerge only three to four days after the election. This likely reflects a delay in information processing by financial markets, reminiscent of Wagner et al. (2018).<sup>16</sup>

金融市场的延迟，重大CAR是3-4天后出现

<sup>15</sup> In Table A2 we test market reactions using raw returns and abnormal returns based on the equal-weighted market model, the Fama-French three-factor model, and the Fama-French-Carhart four-factor model. Estimated effects are sizable and significant under most alternative specifications.

<sup>16</sup> Their findings demonstrate that the market value of firms with large foreign assets and large net deferred tax liabilities were both significantly affected by Trump's election. The corresponding impact on CARs, however, remained undetectable on day one following the election.

## 总统滞后原因：

Borrowing their logic, market participants may be slow to update their valuations of firms with preexisting ties to president Trump for two reasons. First, information on corporate executives' relations with Donald Trump, although public, is not particularly simple to gather (see, e.g., [Sedensky et al. \(2018\)](#)). Second, it is not obvious how preexisting ties to the president may translate into higher earnings for connected firms. In fact, such a projection involves considerable conjecture surrounding the effects we painstakingly demonstrate (retroactively) in the following analysis. Given the near-consensus view that Trump would lose the election, it is further possible that the market began considering Trump's connections and their implications only *after* election day. Up to and including election day, the market even seemed confused about the impact of Trump's presidency on *average* stock returns ([Wolfers and Zitzewitz, 2018](#)).

## 4. Real outcomes

### 为何归因于总统关系？

In the preceding section we establish a connection between abnormal stock returns and network ties to the president. To determine why the market attributes value to presidential ties, we test the impact of political connectedness on real outcomes including firm performance, government contract procurement, and regulatory actions. This analysis invokes a difference-in-difference framework in which we estimate the following model:

$$Y_{it} = \alpha_i + \beta_1 T_i P_i + \beta_2' G_{it} + \beta_3' Z_{it} + \gamma_t + \epsilon_{it}, \quad (2)$$

where  $Y$  is the real outcome;  $i$  and  $t$ , respectively, index firm and quarter;  $T$  is the Connection indicator (where Post equals one from Q1 2017 onward);  $G$  is a set of potential confounding variables (*Lobbying*, *Tax burden*, and *Foreign exposure*); and  $Z$  includes our baseline fundamentals (*Book-to-market Assets*, and *Leverage*). Standard errors are again clustered by Fama-French 49 industries.<sup>17</sup>

### 4.1. Firm performance

Prior literature has shown firm performance benefits from campaign contributions to members of US Congress ([Tahoun, 2014](#); [Akey, 2015](#)), and from indirect network associations with the South Korean president ([Schoenherr, 2019](#)). It remains unclear, however, whether performance benefits extend to US executive branch connections. Panels A and B of [Table 4](#) contain our results for the impact of executive branch connections on accounting measures of performance. The effects of presidential ties on revenue and operating income are positive and statistically significant. Columns 1 and 2 suggest connected firms had \$0.8 to \$1.1 billion more sales per post-election quarter, relative to a pre-election mean of \$10.4 billion. Alternatively, columns 3 and 4 indicate post-election

<sup>17</sup> The results of this section are robust to the inclusion of industry-quarter fixed effects to [Eq. 2](#), accounting for potentially spurious industry shocks. Our results are also upheld under a parsimonious version of [Eq. 2](#) in which all controls (including fixed effects) are omitted from the right-hand side.

revenue growth of 9% for connected companies. Columns 5 and 6 demonstrate firms with presidential ties also had higher operating income by \$121 to \$181 million – an increase of 6–9% relative to their pre-election mean.

The insignificant impact of presidential ties on net income (columns 7 and 8) warrants further discussion. Connected firms' average net income decreased significantly during 2017. Upon closer examination, we see that this is primarily due to these firms incurring significantly negative special items, which includes expenses such as写到的资产、停止运营和其他一次性费用。One possible explanation is the following: connected firms, in anticipation of the Tax Cuts and Jobs Act of 2017 (which decreased companies' benefits from tax shields starting in 2018), decided to use special item expenses to decrease their taxable income before the new law came into effect. 在新法案之前用特殊项目减少应税收入

### 4.2. Government contracts

Connections to executive branch officials can enable firms to strengthen procurement of government contracts. [Schoenherr \(2019\)](#) demonstrates this convincingly for firms with network ties to the South Korean president; while [Brown and Huang \(2020\)](#) show procurement benefits stemming from visits to the Obama White House. Due to differences in institutional context and the nature of political connections under study, the aforementioned effects do not necessarily translate to the unexpectedly formed US presidential ties we consider. Accordingly, we examine the impact of Trump connections on the volume and value of procurement contracts. 采购合同数量、价值

Results in Panel A of [Table 5](#) show that presidential ties provide connected firms with about 50% more contracts in the average post-election quarter (see columns 1 and 2). Moreover, presidential ties lead to an increase in the value of total contracts of over one-half (columns 3 and 4), amounting to 4.8% of total revenue (columns 5 and 6). Panel B results based on our secondary measure of presidential ties are weaker but mostly robust. Due to data availability we are unable to assess whether connected firms benefit due to reduced information asymmetries or preferential treatment (as in [Schoenherr, 2019](#)). Our analysis nonetheless demonstrates that pre-existing presidential ties do facilitate procurement of government contracts in the US setting. 无法评估是否由于信息不对称或偏好待遇

### 4.3. Regulatory actions

Large listed firms are regularly scrutinized by various government agencies (e.g., the SEC, DoJ, FTC, and EPA) and can therefore benefit immensely from regulatory relief. [Political capture theory](#) (e.g., [Stigler, 1971](#)) would suggest firms connected to the president may (i) receive preferential treatment by regulators, or (ii) enjoy informational advantages when dealing with regulators. After all, politicians can interfere with SEC investigations, use budget allocations to control the SEC, or influence the careers of SEC officials ([Weingast, 1984](#)). Firms that spend substantially on lobbying and campaign contributions have a lower hazard rate of being detected for fraud, and incur lower

**Table 4**

The impact of presidential ties on firm performance.

In a difference-in-difference framework this table examines performance outcomes following the 2016 presidential election. Dependent variables include *Revenue*, *Operating income*, and *Net income*, all expressed in billion dollar terms. *Post* indicates post-election periods (from Q1 2017 onward). Panel A (B) reports results using *Muckety (News articles)* to measure presidential ties. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. The bottom row of each panel reports within- $R^2$ . *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	Revenue (1)	ln(Revenue) (2)		Operating income (5)	Operating income (6)		Net income (7)	Net income (8)
<b>Panel A: Muckety</b>								
Connection * Post	1.096*** (2.92)	1.089*** (2.85)	0.083** (2.06)	0.083** (2.14)	0.181** (2.21)	0.176** (2.11)	0.082 (1.09)	0.082 (1.11)
Book-to-market	1.073*** (3.14)	1.057*** (3.15)	0.349*** (5.42)	0.343*** (5.29)	0.039 (0.79)	0.039 (0.79)	0.064 (0.83)	0.059 (0.75)
Leverage	-0.021 (-0.54)	-0.021 (-0.56)	-0.012 (-1.09)	-0.012 (-1.17)	-0.013 (-0.75)	-0.012 (-0.68)	-0.056 (-1.66)	-0.056 (-1.65)
Assets (log)	1.859*** (4.49)	1.844*** (4.56)	0.463*** (10.51)	0.461*** (10.37)	0.383*** (7.10)	0.380*** (7.39)	0.311*** (8.06)	0.306*** (8.15)
Foreign exposure		0.216 (1.09)		0.107*** (3.13)		-0.009 (-0.20)		0.054 (0.83)
Tax burden		-0.413* (-1.72)		-0.033 (-0.72)		-0.180*** (-2.73)		-0.102 (-1.31)
Lobbying		0.010 (0.07)		-0.003 (-0.19)		-0.012 (-0.30)		0.016 (0.36)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	10365	10365	10365	10365	10365	10365	10365	10365
R <sup>2</sup>	0.148	0.150	0.093	0.095	0.070	0.074	0.036	0.037
<b>Panel B: News articles</b>								
News * Post	0.817** (2.28)	0.804** (2.21)	0.082*** (2.96)	0.079*** (2.89)	0.126* (1.79)	0.121* (1.69)	0.063 (1.04)	0.061 (0.99)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes	No	Yes
N	10,365	10,365	10,365	10,365	10,365	10,365	10,365	10,365
R <sup>2</sup>	0.143	0.145	0.093	0.095	0.068	0.072	0.035	0.037

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

costs from SEC enforcement actions (Yu and Yu, 2011; Correia, 2014). Moreover, Brown and Huang (2020) find that firms with access to White House officials benefit from more positive regulatory developments. Given the above, we seek to determine whether pre-existing ties to the US president lead to favorable regulations in our setting.

In Table 6 we operationalize regulatory relief as fewer investigations or fewer payments. Irrespective of how presidential ties are measured, we find them to confer regulatory relief. Columns 1 and 2 suggest connected firms are 4.5–7% less likely to make a payment to regulators in the post-election period. In columns 3 and 4 we find that firms with presidential ties are 3–4% less likely to have an investigation opened by a regulator following the election. Together these results suggest presidential ties can indeed influence regulatory outcomes, consistent with the literature's findings with respect to other forms of political connections (Yu and Yu, 2011; Correia, 2014; Brown and Huang, 2020).

## 5. Extensions

### 5.1. Presidential ties and White House visits

Brown and Huang (2020) show that firms visiting the Obama White House enjoyed higher abnormal returns and received more government contracts. Moreover, following the 2016 election those firms were found to lose market value.<sup>18</sup> These findings motivate us to assess the relation between White House visits and pre-existing presidential ties. Do firms within Trump's network have disproportionate access to the White House? If so, White House access could thus far constitute the means by which presidential ties confer benefits.

<sup>18</sup> Our visitors data confirm this finding in untabulated results. Firms visiting the Obama White House suffered negative CARs following the 2016 election, but that is only true of firms without connections to Trump. In fact, pre-existing ties to Trump appear to reverse those election period losses.

**Table 5**

## The impact of presidential ties on procurement of government contracts.

In a difference-in-difference framework this table examines procurement outcomes following the 2016 presidential election. Dependent variables include the number and value of contracts procured. *Post* indicates post-election periods (from Q1 2017 onward). Panel A (B) reports results using *Muckety (News articles)* to measure presidential ties. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in [Table A1](#). The bottom row of each panel reports within- $R^2$ . *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	Procurement					
	Contracts		Value		Value/Revenue	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Muckety</b>						
Connection * Post	0.451*** (7.61)	0.452*** (7.61)	0.439*** (6.19)	0.439*** (6.13)	4.818** (2.15)	4.836** (2.16)
Book-to-market	-0.010 (-0.14)	-0.013 (-0.16)	-0.014 (-0.18)	-0.015 (-0.20)	-0.079 (-0.26)	-0.128 (-0.44)
Leverage	0.011 (0.50)	0.011 (0.53)	-0.021 (-1.07)	-0.021 (-1.07)	-0.024 (-0.52)	-0.028 (-0.58)
Assets (log)	-0.030 (-0.55)	-0.035 (-0.64)	-0.030 (-0.74)	-0.032 (-0.78)	-0.546** (-2.15)	-0.586** (-2.25)
Foreign exposure		-0.051 (-0.99)		-0.002 (-0.08)		0.351 (0.95)
Tax burden		-0.039 (-1.12)		-0.005 (-0.17)		-0.194 (-0.88)
Lobbying		0.044* (1.79)		0.015 (0.84)		0.274 (1.43)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
N	10,365	10,365	10,365	10,365	10,365	10,365
R <sup>2</sup>	0.056	0.058	0.071	0.071	0.042	0.043
<b>Panel B: News articles</b>						
News * Post	0.123* (1.74)	0.124* (1.75)	0.184*** (2.74)	0.184*** (2.73)	-0.032 (-0.05)	-0.039 (-0.07)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes
N	10,365	10,365	10,365	10,365	10,365	10,365
R <sup>2</sup>	0.036	0.037	0.054	0.054	0.011	0.011

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Our results in Table 7 (Panel A) suggest that firms connected to Trump are about 21% less likely to visit the White House under his presidency (columns 1 and 2). The average number of visits for such firms also decreases significantly, as measured by absolute value (columns 3 and 4) or percentile rank (columns 5 and 6). Our results in Panel B are broadly consistent but notably weaker. These findings interpreted together with those of Brown and Huang (2020) suggest there are gains from visiting the White House, but firms with pre-existing presidential ties may not need to carry out official visits to reap economic and financial benefits. As opposed to incurring the financial or reputational costs of an official White House visit, connected firms may opt for other venues and occasions to meet with the president.<sup>19</sup> Given these findings, it is clear

our study truly documents a separate channel of political influence than that examined by Brown and Huang (2020).

## *5.2. Major political and legal developments*

For a considerable period following Donald Trump's inauguration, the newswires were filled with political and legal developments related to the so-called Russia investigation. In reality [Fisman and Zitzewitz \(2019\)](#), we consider ten key events that could conceivably threaten president Trump's tenure in office. We divide these events into two categories: (A) political developments potentially threatening Trump's grip on power, and (B) legal developments (borne of the Russia investigation) that may indirectly implicate Trump in criminal activity. In the political category we examine: (i) the firing of ex-FBI director James Comey; (ii) the appointment of special counsel Robert Mueller to investigate (in part) Trump campaign coordination with Russian agents; (iii) James Comey's testimony before the Senate Intelligence Committee; (iv) the

<sup>19</sup> Brown and Huang (2020) show access to the Obama White House increases with (financially costly) campaign contributions and lobbying. Reputational costs may result on account of Trump's polarizing nature.

**Table 6**

The impact of presidential ties on regulation.

In a difference-in-difference framework this table examines regulatory outcomes following the 2016 presidential election. Dependent variables include indicators for whether a fine/settlement was paid (*Payment*) and whether an investigation was opened (*Investigation*). *Post* indicates post-election periods (from Q1 2017 onward). Panel A (B) reports results using *Muckety* (*News articles*) to measure presidential ties. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. The bottom row of each panel reports within- $R^2$ . *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	Regulation			
	Payment		Investigation	
	(1)	(2)	(3)	(4)
<b>Panel A: Muckety</b>				
Connection * Post	−0.069** (−3.23)	−0.069*** (−3.23)	−0.042** (−2.33)	−0.042** (−2.33)
Book-to-market	0.013 (1.28)	0.012 (1.17)	−0.002 (−0.45)	−0.002 (−0.50)
Leverage	−0.006*** (−2.99)	−0.006*** (−2.97)	0.002 (0.82)	0.002 (0.82)
Assets (log)	0.006 (1.06)	0.005 (0.83)	−0.000 (−0.07)	−0.001 (−0.12)
Foreign exposure		−0.005 (−0.53)		0.000 (0.06)
Tax burden		−0.013 (−1.17)		−0.007 (−1.42)
Lobbying		0.011 (1.09)		0.001 (0.30)
Firm FE	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes
N	10,365	10,365	10,365	10,365
$R^2$	0.022	0.023	0.014	0.014
<b>Panel B: News articles</b>				
News * Post	−0.045** (−2.34)	−0.045 (−2.36)	−0.032** (−2.1)	−0.032** (−2.22)
Firm FE	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes
N	10,365	10,365	10,365	10,365
$R^2$	0.019	0.020	0.012	0.012

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

midterm elections affording Democrats a clear majority in the House of Representatives; and (v) Robert Mueller's congressional testimony on the conclusion of the Russia investigation. In the legal category we consider: (vi) the indictments of Paul Manafort (the president's campaign chairman) and Rick Gates (deputy campaign chairman); (vii) the news of a sealed or forthcoming indictment of Michael Flynn - Trump's one-time national security advisor and senior campaign official; (viii) the indictment of 13 Russians for election meddling via the Internet Research Agency; (ix) the FBI raid on the office, home, and hotel room of Trump's personal attorney Michael Cohen; and (x) the indictment of 12 Russian spies for hacking the Democratic National Convention's computer network.

In Table 8 we examine the impact of presidential ties on CARs during these ten developments. For each column we estimate the full model of Eq. 1, but report only the  $\beta_1$  coefficient. Event windows are centered on the event date indicated in the header for each subpanel. In general the political developments in Panel A negatively affected the market value of Trump-connected firms. Comey's firing and Mueller's appointment accelerated the Russia investigation that plagued Trump's first two years in office. Comey's testimony, however, lacked new evidence damaging to Trump, potentially explaining the insignificant market response.<sup>20</sup> A weak market reaction to the midterm elections may be attributable to Republican retention of the Senate. Finally, Mueller's confirmation that the special counsel's report did not exonerate the president strengthened calls for impeachment.

At first glance it is surprising that the legal developments in Panel B do not negatively impact the market value of Trump-connected firms. While these developments implicated associates of the president, however, they did not directly implicate Trump in criminal activity. Political pundits on Trump Administration-friendly airwaves certainly stressed this argument extensively (e.g., Fox News, 2018b,c).<sup>21</sup> It is therefore conceivable these events were actually viewed by the president's supporters as evidence of his exoneration with respect to Russia-related affairs. Public opinion polls, after all, suggest the president did not lose public support following these legal developments.<sup>22</sup> We actually observe some of these legal events to positively benefit stock performance of Trump-connected firms, suggesting market participants were convinced these developments vindicated Trump or at least demonstrated his immunity to legal prosecution.

## 6. Robustness

### 6.1. Choice of industry classification

Importantly, our choice of industry classification determines the criteria used for benchmarking peer firms. Fama-French industries reclassify, according to risk profiles, SIC codes reflecting primary business activities (Fama and French, 1997). The GICS system delineates industry boundaries using investor perceptions and revenue/earnings sources (MSCI, 2020). The FIC designation of Hoberg and Phillips (2016) groups firms in the product market space, based on textual similarity of 10-K product descriptions. It is conceptually ambiguous which criteria is most appropriate for selecting control firms in our setting. In fact, some firms (e.g., Boeing) are sufficiently unique

<sup>20</sup> For this reason, Fisman and Zitzewitz (2019) actually find the Comey testimony to reverse Trump long-short index losses incurred over the weeks following Comey's firing.

<sup>21</sup> Following Paul Manafort's conviction, Trump claimed "I didn't know Manafort well, he wasn't with the campaign long." After Michael Cohen's guilty plea, Trump responded: "He's been a lawyer for me. Didn't do big deals, did small deals. Not somebody that was with me that much." The White House also downplayed Michael Flynn's importance to Trump following his indictment (Washington Post, 2019).

<sup>22</sup> Corresponding opinion poll data are available through FiveThirtyEight.

**Table 7**

The impact of presidential ties on White House visits.

In a difference-in-difference framework this table examines White House visits following the 2016 presidential election. Dependent variables include the incidence (*Dummy*), number, and percentile rank of White House visits. *Post* indicates post-election periods (from Q1 2017 onward). Panel A (B) reports results using *Muckety (News articles)* to measure presidential ties. A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. The bottom row of each panel reports within- $R^2$ . *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	WH visits ✓					
	Dummy		Number		Percentile	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Muckety</b>						
Connection * Post	−0.215*** (−4.65)	−0.214*** (−4.53)	−5.026** (−2.18)	−5.009** (−2.14)	−11.706*** (−3.96)	−11.632*** (−3.86)
Book-to-market	0.062** (2.20)	0.062** (2.21)	2.351** (2.02)	2.376** (2.02)	3.597** (2.35)	3.611** (2.35)
Leverage	0.029*** (3.08)	0.030*** (2.87)	1.058*** (3.79)	1.060*** (3.32)	1.666*** (3.23)	1.699*** (2.99)
Assets (log)	0.012 (0.33)	0.014 (0.37)	0.534 (0.60)	0.535 (0.61)	0.581 (0.30)	0.660 (0.34)
Foreign exposure		−0.003 (−0.13)		−0.515 (−0.98)		−0.249 (−0.21)
Tax burden		−0.026 (−0.85)		−0.575 (−0.59)		−1.572 (−0.96)
Lobbying		−0.009 (−0.44)		0.067 (0.09)		−0.435 (−0.40)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4730	4730	4730	4730	4730	4730
R <sup>2</sup>	0.251	0.251	0.167	0.167	0.028	0.029
<b>Panel B: News articles</b>						
News * Post	−0.115** (−2.26)	−0.114** (−2.23)	−1.179 (−0.67)	−1.174 (−0.65)	−5.788* (−1.99)	−5.738* (−1.95)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounding	No	Yes	No	Yes	No	Yes
N	4730	4730	4730	4730	4730	4730
R <sup>2</sup>	0.243	0.243	0.155	0.155	0.014	0.015

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

that convincing benchmarks are elusive under any of the above classifications.

Within a classification system, the choice of industry granularity also involves important trade-offs related to fixed effects and clustered errors. First with 496 firms in our cross-section, degrees of freedom are limited. For this we are inclined to adopt coarse industry effects to avoid overidentification. On the other hand, granular industry effects may allow us to designate more similar control units for each treated firm. Second, standard errors clustered at a broad level of aggregation permit flexible spillovers between firms in related subindustries. But earlier research documents inferential challenges in the presence of few data clusters (Cameron et al., 2008). Thus, along both decision parameters (fixed effects and clustered errors), the optimal choice of industry aggregation is also unclear.

In our analysis we thus far adopt the Fama-French 49 (FF 49) industries. But each classification system and level of granularity involves a unique set of trade-offs. In this

section we therefore demonstrate the robustness of our findings to many alternative approaches. We begin by using the comparatively ~~large~~ GICS (four-digit) 24 industry groups. Then we invoke progressively finer classifications including: FF 49 baseline, FIC 50, GICS (six-digit) 69, and FIC 100 industries. Table B1 presents cross-sectional CAR tests from Eq. 1, including fixed effects and clustered errors according to each industry classification.<sup>23</sup> Tables B2 to B4 report panel results across real outcomes, clustering errors by each industry grouping (industry effects are subsumed into the firm fixed effects of Eq. 2).

In Panel A of Table B1 we report the estimated impact of presidential ties on CARs using GICS (four-digit) 24 industry groups. Relative to the FF 49 baseline results in Panel B, effect sizes and significance levels are similar. In Tables B2 to B4 we present GICS 24 cluster-robust

<sup>23</sup> To facilitate comparisons, we drop four companies with unassigned FICs, leaving 492 sample firms for this section.

**Table 8**

The impact of presidential ties on CARs during major political and legal developments.

This table reports the impact of presidential ties on CARs around ten events representing major political and legal developments related to the Russia investigation. The leftmost column indicates which event is studied in the corresponding row (with event date indicated in parentheses). All coefficients and *t*-statistics correspond to  $\beta_1$  estimated for Connection from Eq. 1. CARs are calculated using the value-weighted market model. Firm fundamentals and Fama-French 49 industry effects are included in all specifications; political economic confounders are included in columns (2), (4), and (6). Controls are measured at fiscal year-end preceding the respective event. Our sample begins with firms comprising the S&P 500 at the time of the 2016 election. Over time this sample shrinks due to M&A activity. *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Political developments</b>						
Comey firing (9 May 2017)	−0.552 (−1.21)	−0.581 (−1.18)	−0.923** (−2.12)	−1.035** (−2.12)	−1.412* (−1.77)	−1.763** (−2.13)
N	494	494	494	494	494	494
R <sup>2</sup>	0.259	0.280	0.207	0.231	0.345	0.363
Mueller appointment (17 May 2017)	−0.689* (−1.94)	−0.838** (−2.46)	−0.934*** (−2.88)	−1.069*** (−3.11)	−0.877 (−1.59)	−1.314** (−2.37)
N	494	494	494	494	494	494
R <sup>2</sup>	0.217	0.235	0.331	0.335	0.352	0.363
Comey testimony (8 June 2017)	−0.029 (−0.08)	−0.164 (−0.45)	0.171 (0.44)	−0.131 (−0.34)	1.039 (1.38)	0.884 (1.18)
N	494	494	494	494	494	494
R <sup>2</sup>	0.223	0.231	0.270	0.274	0.289	0.297
Midterm elections (6 Nov 2018)	−0.763 (−1.22)	−0.483 (−0.72)	−1.185 (−1.39)	−0.824 (−0.93)	−2.191 (−1.56)	−1.779 (−1.32)
N	476	476	476	476	476	476
R <sup>2</sup>	0.315	0.329	0.301	0.324	0.349	0.373
Mueller testimony (24 July 2019)	−0.602 (−1.16)	−0.512 (−0.89)	−1.441** (−2.04)	−1.209 (−1.44)	−2.831*** (−2.71)	−2.588** (−2.16)
N	468	468	468	468	468	468
R <sup>2</sup>	0.177	0.187	0.161	0.192	0.214	0.247
<b>Panel B: Legal developments</b>						
Manfort and Gates indictment (30 Oct 2017)	−0.655 (−0.98)	−0.428 (−0.65)	−0.374 (−0.56)	−0.088 (−0.14)	0.094 (0.13)	0.382 (0.49)
N	487	487	487	487	487	487
R <sup>2</sup>	0.340	0.351	0.327	0.340	0.260	0.267
News of Flynn indictment (5 Nov 2017)	0.519 (1.58)	0.787** (2.07)	0.799 (1.35)	1.091 (1.62)	1.924 (1.58)	2.277* (1.79)
N	486	486	486	486	486	486
R <sup>2</sup>	0.331	0.344	0.369	0.374	0.385	0.404
13 Russians from IRA indicted (16 Feb 2018)	1.113** (2.32)	1.222** (2.49)	1.591* (1.84)	1.644* (1.85)	1.186 (1.04)	1.396 (1.14)
N	485	485	485	485	485	485
R <sup>2</sup>	0.151	0.161	0.191	0.212	0.228	0.247
Cohen raids (9 Apr 2018)	0.107 (0.24)	0.019 (0.04)	0.641 (0.91)	0.347 (0.48)	−0.139 (−0.12)	−0.334 (−0.29)
N	483	483	483	483	483	483
R <sup>2</sup>	0.371	0.381	0.409	0.421	0.326	0.337
12 Russian spies indicted (13 July 2018)	0.567 (1.33)	0.611 (1.34)	1.722*** (2.86)	1.841*** (2.77)	0.797 (0.79)	1.146 (1.08)
N	480	480	480	480	480	480
R <sup>2</sup>	0.313	0.321	0.288	0.300	0.281	0.305
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

*t*-statistics for the estimated impact of Trump connections on real outcomes. Our inferences are robust to these broader industry clusters. In Panel C of Table B1 we estimate CAR tests using the FIC 50 categories. Relative to the Panel B baseline, effect sizes and significance levels are again similar. Tables B2 to B4 demonstrate panel

inferences are also largely robust under this qualitatively distinct yet equally granular classification.

Next we examine robustness under more fine-grained industry classifications. Using the GICS (six-digit) 69 industries, in Panel D of Table B1 we find Trump-connected firms significantly gained market value following the

2016 election. Effect sizes are smaller under this granular classification, but in Panel E we adopt even more nuanced FIC 100 industries. Under our most disaggregated industry classification, we find effect sizes and significance levels to often increase relative to the baseline. This suggests firms connected to Trump do not simply cluster in industries favored by his election (i.e., our results truly reflect firm-level benefits of presidential ties). Tables B2 to B4 show panel findings are largely robust under both granular specifications. We alluded to inferential challenges in the presence of few data clusters. Cameron et al. (2008) show the cluster-robust standard errors at White (1984) and Arellano (1987) can be downward biased when the number of clusters is small. Carter et al. (2017) show that cluster size imbalance exacerbates the problem, and introduce a means of calculating the so-called 'effective number of clusters'. When that number is small, they document downward biased standard errors and overrejection based on cluster-robust  $t$ -statistics. This issue can arise even when the nominal amount of clusters is large. Using the package of Lee and Steigerwald (2018), we compute the effective number of clusters for each of our industry classifications. For all but the FIC 100 grouping, our effective number of clusters falls below Lee and Steigerwald's (2018) suggested threshold of 25. Accordingly, we calculate critical  $t$ -values using the wild cluster bootstrap procedure recommended for settings with few effective clusters (MacKinnon and Webb, 2017; Lee and Steigerwald, 2018). Our inferences are robust when basing p-values on the wild bootstrapped distributions. Untabulated results confirm this for all industry classifications discussed.

## 6.2. Placebo elections

Previous authors have demonstrated financial impacts of US presidential elections at various levels of aggregation. Snowberg et al. (2007) find the election of Republican presidents to significantly boost equity markets. Knight (2006) links the 2000 election outcome to stock performance in politically sensitive sectors. And Wagner et al. (2018) identify firm-level determinants of stock performance around the 2016 election. While Snowberg et al. (2007) show economy-wide implications of electing Republican presidents, Knight (2006) and Wagner et al. (2018) demonstrate how Republican policy platforms can be priced into individual equities. Hence, certain firms are expected to benefit under Republican policy platforms. In our study we control for (i) whether firms donate more to Republican congressional campaigns (Republican), and (ii) campaign contributions to Donald Trump in particular (Campaign contribution). Notably, both controls are positively correlated with abnormal returns in Table 3. If these controls constitute important measures of firm sensitivity to Republican policy platforms, our results could merely suggest Trump-connected firms are those with more to gain under Republican leadership.

To rule out the above interpretation, we conduct placebo CAR tests around earlier US presidential elections. Barack Obama - a Democrat - was elected to office in both 2008 and 2012. If Trump-connected firms generally benefit from Republican policy platforms, Trump connections

should be negatively associated with stock performance following Obama's election victories.<sup>24</sup> Fig. A1 exhibits CARs around both elections for connected and nonconnected firms. For 2012 we observe no clear difference in outcomes. In 2008, Trump-connected firms suffer negative returns following the election, but those losses are quickly reversed. Table A3 conducts CAR tests for various windows around both elections. As suspected, Trump network ties are unrelated to post-election stock performance in 2012. But we do observe significant negative returns for Trump-connected firms immediately following Obama's 2008 victory. The effect turns increasingly insignificant over longer horizons, however, and is consistently indistinguishable from zero across Panel B.

Next we conduct a placebo test around the 2004 election of Republican president George W. Bush. Post-election trends in Fig. A1 remain difficult to discern, so we turn to formal analysis in Table A4. In columns 1 to 3 we test whether abnormal returns of Trump-connected firms significantly increased following Bush's electoral victory. Across our standard event windows, we find no evidence of systematically higher returns among Trump-connected firms. In columns 4 and 5 we strengthen identification by exploiting a unique natural experiment on election day itself. The following analysis closely follows Snowberg et al. (2007).

Around 3:00pm on election day (November 2, 2004), flawed exit poll data was released suggesting a Republican defeat. From 3:00pm to 4:00pm, the odds of a Bush victory consequently fell by 12 percentage points in prediction markets. Then, from 4:00pm to 9:30am the following day, as vote counts all but assured a Republican victory, Bush's electoral odds rose by 55 percentage points.<sup>25</sup> These shocks to market expectations provide a unique setting to identify the impact of Republican policy platforms on the stock returns of Trump-connected firms. Following Snowberg et al. (2007), we analyze price movements over the two above-mentioned windows. Column 4 (5) measures stock price adjustments as Bush's electoral odds declined (increased) by 12% (55%) from 3:00pm to 4:00pm (4:00pm to 9:30am).<sup>26</sup> We find the change in probability of a Republican presidency to have no significant impact on the stock returns of Trump-connected firms (in either panel). Taken together, our placebo tests suggest the positive CARs we observe for Trump-connected firms in 2016 are not merely attributable to the election of a Republican president.<sup>27</sup>

## 7. Conclusion

We estimate the financial and economic value of network connections to the US president for S&P 500

<sup>24</sup> The strength of the effect will depend on the unexpectedness of election results.

<sup>25</sup> Electoral odds are calculated by Snowberg et al. (2007) based on data from Tradesports political prediction markets.

<sup>26</sup> For this exercise we obtain additional stock price data from Thomson Reuters Tick History database.

<sup>27</sup> In Tables A3 and A4 the impact of Trump connections is similarly insignificant under specifications dropping confounders, controls, or both.

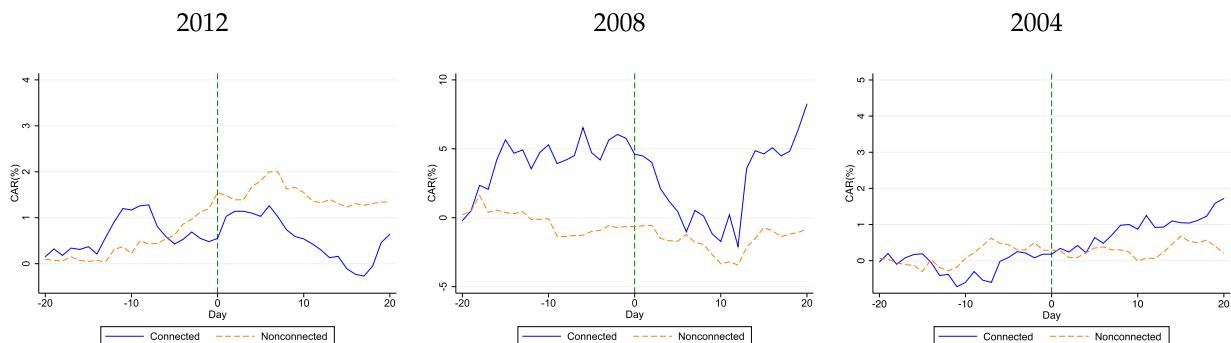
firms. Our identification strategy relies on relationships forged with the *businessman* Donald Trump, long before firms imagined he may some day become president. We then exploit Donald Trump's surprise victory in the 2016 presidential election to evaluate the benefits of sudden political connectedness among S&P 500 firms. We find that pre-existing network relations with Trump generated abnormal returns of 3.7% over a 21-day post-election period. We also demonstrate a number of real economic benefits enjoyed by connected firms. In the post-election period, firms with presidential ties performed better, received more government contracts, and were subject to more favorable regulation than nonconnected counterparts.

Financial and economic benefits accrued to firms in the president's network may be viewed by his detractors as evidence of cronyism or corruption. The president's supporters, however, would argue Trump is merely resolving information asymmetries between policymakers and the private sector, by virtue of his extensive industry background.

These alternative interpretations are observationally equivalent in our study, so we make no suggestion of cronyism or lack thereof. Notably, this limitation has plagued most studies in this vein of inquiry, with a few important exceptions (see Faccio and Hsu, 2017; Schoenherr, 2019).

Given the unique character and behavior of Donald Trump, readers may question whether our findings are generalizable. In this respect we acknowledge the strength of our analysis lies in its internal (rather than external) validity. Previous studies examining firm connections to a single authoritative figure are subject to the same caveat (e.g., Fisman, 2001; Fisman et al., 2012; Acemoglu et al., 2016; Schoenherr, 2019). At any rate, our findings certainly provide unique insight into the current value and nature of network ties to the highest US government office.

## Appendix A



**Fig. A1.** CARs around previous US presidential elections. Day 0 is when election results were announced (November 7, 2012; November 5, 2008; November 3, 2004). A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. CARs are calculated using the value-weighted market model. We adopt a 255-trading day estimation window ending 46 trading days prior to the event day. For each firm, we require a minimum of 40 observations in the estimation window.

**Table A1**

Variable definitions.

Variable	Definition
Connection	1 for connected firms and 0 otherwise. A firm is considered to be connected if it had network ties to Donald Trump (as defined by muckety.com) prior to the announcement of his 2016 presidential campaign.
News	1 if any of a given firm's directors or executives appeared in the same news article as Donald Trump between 1980 and 2014 and 0 otherwise.
Campaign contribution	The firm's total contributions to Donald Trump's campaign during the 2016 US presidential election, in millions of dollars.
Republican	1 if more than 70% of the firm's campaign contributions went toward Republican candidates in the 2012 and 2014 federal elections and 0 otherwise.
Policy sensitivity	1 if the firm's share price loadings on the Economic Policy Uncertainty Index over the 18 months prior to the 2016 election is statistically significant at the 10% level and 0 otherwise.
Post	1 for periods after Q4 2016 and 0 otherwise.
Book-to-market	Book value of common equity divided by market value of equity. Compustat: $ceq \div mkvalt$ .
Leverage	Book value of debt divided by market value of equity. Compustat: $(dltt + dlc) \div mkvalt$ .
Assets	Natural logarithmic transformation of market value of assets, in millions of dollars.
Foreign exposure	Pretax income from foreign operations divided by total pretax income. Compustat: $pifo \div pi$ . Range restricted to [0,1].
Tax burden	Total tax paid divided by pretax income adjusted for special items. Compustat: $txpd \div (pi - spi)$ . Range restricted to [0,1].
Lobbying	A firm's total lobbying expense (including spending by subsidiaries) in a given year ( <a href="#">Tables 3</a> and <a href="#">8</a> ) or quarter ( <a href="#">Tables 4</a> to <a href="#">7</a> ), in millions of dollars.
Procurement contracts	Natural logarithmic transformation of one plus the number of government contracts newly awarded to the firm in a given quarter.
Procurement value	Natural logarithmic transformation of one plus the dollar value of contracts awarded to the firm in a given quarter.
Procurement value/revenue	Dollar value of contracts awarded to the firm in a given quarter scaled by revenue, multiplied by 100 to express in percentage.
Payment	1 if the firm had at least one fine imposed or made at least one payment in a given quarter and 0 otherwise.
Investigation	1 if the firm had at least one investigation or inquiry into the firm's activities opened by regulators in a given quarter and 0 otherwise.
WH visits dummy	1 if at least one of the firm's executives or directors visited the White House in a given quarter and 0 otherwise.
WH visits number	Number of visits made by the firm's executives and/or directors in a given quarter.
WH visits percentile	Percentile ranking of the number of visits made by the firm's executives and/or directors in a given quarter.

**Table A2**

The impact of presidential ties on CARs with alternative benchmark model.

This table reports CARs during the 2016 election based on the value-weighted market model, equal-weighted market model, raw returns, Fama-French three-factor model, and Fama-French-Carhart four-factor model. The leftmost column indicates which model is employed in the corresponding panel. All coefficients and *t*-statistics correspond to  $\beta_1$  estimated from [Eq. 1](#). Odd (even) columns use *Muckety* (*News articles*) to measure presidential ties. Firm fundamentals and political economic confounders are used as controls throughout. Control variables are measured at fiscal year-end before the 2016 presidential election. Day 0 is when election results were announced (November 9, 2016). Industry fixed effects are based on the Fama-French 49 industry classification. Detailed definitions of variables can be found in [Table A1](#). *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)
Value-weighted MM	2.255** (2.02)	2.367** (2.17)	2.782** (2.19)	3.168** (2.65)	3.664** (2.47)	3.895*** (2.75)
R <sup>2</sup>	0.446	0.473	0.457	0.493	0.480	0.519
Equal-weighted MM	1.802* (1.77)	0.839* (1.74)	2.451** (2.24)	1.722** (2.50)	3.056** (2.57)	2.552*** (3.69)
R <sup>2</sup>	0.421	0.416	0.457	0.454	0.488	0.488
Raw	2.234* (1.89)	1.162** (2.27)	2.977** (2.36)	2.129*** (2.91)	3.641** (2.64)	3.041*** (4.36)
R <sup>2</sup>	0.484	0.478	0.518	0.515	0.563	0.562
FF 3-factor	1.412 (1.49)	0.308 (0.61)	1.919* (1.83)	1.022 (1.62)	2.183* (1.92)	1.323* (1.76)
R <sup>2</sup>	0.442	0.439	0.453	0.450	0.443	0.441
FFC 4-factor	1.701* (1.80)	0.596 (1.17)	2.408** (2.31)	1.519** (2.37)	2.966** (2.60)	2.110** (2.66)
R <sup>2</sup>	0.411	0.406	0.423	0.419	0.412	0.408
N	496	496	496	496	496	496
Connection measure	Muckety	News	Muckety	News	Muckety	News
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	Yes	Yes	Yes	Yes	Yes	Yes

\* p &lt; 0.1, \*\* p &lt; 0.05, \*\*\* p &lt; 0.01.

**Table A3**

Placebo tests for the 2012 and 2008 US presidential elections.

This table analyzes the determinants of cross-sectional variation in CARs around the 2012 and 2008 elections. CARs are calculated using the value-weighted market model. Panel A (B) reports results of Eq. 1 using *Muckety (News articles)* to measure presidential ties. Firm fundamentals and political economic confounders are used as controls throughout. Control variables are measured at fiscal year-end before the 2016 presidential election. Day 0 is when election results were announced (November 5, 2008 and November 7, 2012). Industry fixed effects are based on the Fama-French 49 industry classification. Detailed definitions of variables can be found in Table A1. *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	2012			2008		
	[0, 5] (1)	[0, 10] (2)	[0, 20] (3)	[0, 5] (4)	[0, 10] (5)	[0, 20] (6)
<b>Panel A: Muckety</b>						
Connection	0.363 (0.81)	-0.258 (-0.31)	-0.102 (-0.07)	-4.634* (-1.74)	-3.793 (-1.21)	0.776 (0.24)
Book-to-market	-0.462 (-1.08)	-0.368 (-0.55)	0.007 (0.01)	-1.117 (-0.94)	-3.987 (-1.56)	-2.410 (-1.19)
Leverage	-0.351** (-2.11)	-0.654** (-2.48)	-0.847 (-1.37)	-0.489 (-0.61)	-2.043 (-1.44)	-1.244 (-0.76)
Assets (log)	-0.306 (-1.28)	0.305 (0.82)	0.823 (1.12)	0.793 (0.94)	1.696* (1.88)	2.693** (2.18)
Campaign contribution	-0.126 (-0.47)	-0.428 (-1.36)	-0.425 (-1.00)	-0.082 (-0.13)	0.769 (0.81)	-1.404* (-1.72)
Republican	-0.375 (-1.07)	-0.824* (v1.77)	-0.476 (-0.71)	0.029 (0.03)	-0.307 (-0.29)	-1.701 (-1.11)
Policy sensitivity	-0.283 (-0.70)	-0.679 (-1.33)	-1.070 (-1.12)	-0.760 (-0.76)	-1.993 (-1.45)	0.754 (0.50)
Foreign exposure	0.698 (1.06)	1.021 (1.33)	1.782 (1.31)	2.812 (1.40)	4.177 (1.63)	1.158 (0.41)
Tax burden	-0.681 (-0.73)	0.367 (0.25)	-0.457 (-0.24)	9.491*** (3.10)	19.309*** (4.60)	10.459** (2.25)
Lobbying	-0.057 (-1.17)	-0.167** (-2.52)	-0.173* (-1.76)	-0.061 (-0.22)	-0.283 (-0.89)	-0.269 (-0.65)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
N	479	479	479	461	461	461
R <sup>2</sup>	0.191	0.151	0.174	0.168	0.270	0.257
<b>Panel B: News articles</b>						
News	0.394 (0.70)	-0.736 (-1.11)	-0.640 (-0.58)	-0.130 (-0.07)	-2.630 (-0.89)	-0.977 (-0.41)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
	2012				2008	
	[0, 5] (1)	[0, 10] (2)	[0, 20] (3)	[0, 5] (4)	[0, 10] (5)	[0, 20] (6)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounding	Yes	Yes	Yes	Yes	Yes	Yes
N	479	479	479	461	461	461
R <sup>2</sup>	0.192	0.154	0.175	0.154	0.267	0.257

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .**Table A4**

Placebo tests for the 2004 US presidential election.

This table analyzes the determinants of cross-sectional variation in CARs around the 2004 election. CARs are calculated using the value-weighted market model. Panel A (B) reports results of Eq. 1 using *Muckety (News articles)* to measure presidential ties. Firm fundamentals and political economic confounders are used as controls. Control variables are measured at fiscal year-end before the 2016 presidential election. Day 0 is when election results were announced (November 3, 2004). Industry fixed effects are based on the Fama-French 49 industry classification. Detailed definitions of variables can be found in Table A1. *t*-statistics are in parentheses. Standard errors are clustered by industry (Fama-French 49).

	[0, 5] (1)	[0, 10] (2)	[0, 20] (3)	[3:00pm, 4:00pm] (4)	[4:00pm, 9:30am] (5)
<b>Panel A: Muckety</b>					
Connection	0.097 (0.14)	0.781 (0.85)	1.801 (1.53)	0.010 (0.04)	0.015 (0.06)
Book-to-market	-0.628 (-0.96)	-0.732 (-0.78)	-0.632 (-0.55)	0.009 (0.05)	-0.008 (-0.05)
Leverage	0.626** (2.33)	1.136*** (2.89)	0.495 (1.12)	0.160 (1.01)	0.062 (0.83)

(continued on next page)

**Table A4 (continued)**

	[0, 5] (1)	[0, 10] (2)	[0, 20] (3)	[3:00pm, 4:00pm] (4)	[4:00pm, 9:30am] (5)
Assets (log)	-0.044 (-0.15)	-0.112 (-0.29)	-0.305 (-0.77)	-0.101 (-0.98)	0.172* (1.93)
Campaign contribution	-3.065 (-1.43)	-7.324 (-1.43)	-5.485 (-0.67)	-0.362 (-0.32)	-0.765 (-0.92)
Republican	0.714 (1.54)	0.624 (1.25)	1.209 (1.37)	0.155 (0.87)	0.014 (0.14)
Policy sensitivity	-0.227 (-0.53)	-0.207 (-0.42)	-1.166** (-2.15)	-0.267* (-1.77)	-0.029 (-0.27)
Foreign exposure	-0.086 (-0.09)	-0.433 (-0.33)	1.345 (0.88)	-0.225 (-0.43)	0.165 (0.83)
Tax burden	1.502 (1.03)	2.123 (1.15)	1.389 (0.61)	0.593 (0.84)	-0.533 (-1.40)
Lobbying	0.095 (1.35)	0.125 (1.53)	0.055 (0.51)	0.053* (1.72)	0.004 (0.15)
Industry FE	Yes	Yes	Yes	Yes	Yes
N	380	380	380	380	380
R <sup>2</sup>	0.294	0.247	0.200	0.198	0.355
<b>Panel B: News articles</b>					
News	-0.561 (-0.97)	-0.600 (-0.86)	-0.027 (-0.03)	0.110 (0.37)	-0.079 (-0.46)
Controls	Yes	Yes	Yes	Yes	Yes
Confounders	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
	[0, 5] (1)	[0, 10] (2)	[0, 20] (3)	3:00pm - 4:00pm (4)	4:00pm - 9:30am (5)
N	380	380	380	380	380
R <sup>2</sup>	0.297	0.247	0.192	0.198	0.355

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

## Appendix B

**Table B1**

The impact of presidential ties on CARs with alternative industry classifications.

This table reports the impact of presidential ties on CARs around the 2016 election. Panels A to E invoke fixed effects and clustering based on GICS 24, Fama-French 49, FIC 50, GICS 69, and FIC 100 industries, respectively. CARs are calculated using the value-weighted market model. Day 0 is when election results were announced (November 9, 2016). We drop four companies with unassigned FICs, leaving 492 sample firms. t-statistics are in parentheses.

	[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: GICS 24</b>						
Connection	2.035*** (5.25)	2.088*** (4.81)	2.657*** (4.69)	2.981*** (5.42)	3.724*** (4.70)	3.830*** (4.43)
R <sup>2</sup>	0.465	0.516	0.462	0.522	0.476	0.531
News	1.547*** (3.48)	1.249*** (3.04)	2.426*** (3.19)	2.105*** (3.45)	3.421*** (4.50)	2.958*** (4.61)
R <sup>2</sup>	0.462	0.512	0.462	0.517	0.476	0.528
<b>Panel B: FF 49</b>						
Connection	2.369** (2.12)	2.477** (2.30)	2.908** (2.30)	3.304*** (2.82)	3.845** (2.59)	4.096*** (2.92)
R <sup>2</sup>	0.459	0.483	0.468	0.500	0.493	0.529
News	1.392*** (3.06)	1.364*** (3.06)	2.360*** (3.33)	2.370*** (3.46)	3.390*** (4.40)	3.333*** (4.42)
R <sup>2</sup>	0.452	0.476	0.465	0.496	0.492	0.527
<b>Panel C: FIC 50</b>						
Connection	2.129***	2.029***	2.993***	2.994***	3.977***	3.826***

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**Table B1** (continued)

	[0, 5]		[0, 10]		[0, 20]	
	(1)	(2)	(3)	(4)	(5)	(6)
$R^2$	(3.16) 0.400	(2.91) 0.445	(3.27) 0.422	(3.51) 0.471	(4.54) 0.456	(4.64) 0.502
News	1.196** (2.10)	0.970 (1.60)	2.353*** (2.79)	2.101** (2.40)	3.353*** (3.19)	2.992*** (2.71)
$R^2$	0.394	0.439	0.419	0.466	0.454	0.499
<b>Panel D: GICS 69</b>						
Connection	1.507*** (2.76)	1.318** (2.24)	1.773** (2.65)	1.866*** (2.72)	2.597*** (2.80)	2.296** (2.64)
$R^2$	0.588	0.610	0.577	0.604	0.580	0.614
News	1.187** (2.23)	1.058** (2.02)	2.042*** (2.98)	1.920*** (2.96)	3.024*** (3.40)	2.763*** (3.38)
$R^2$	0.587	0.610	0.580	0.606	0.584	0.618
<b>Panel E: FIC 100</b>						
Connection	2.466*** (4.27)	2.367*** (4.41)	3.075*** (3.68)	3.051*** (4.29)	4.305*** (5.31)	4.134*** (6.12)
$R^2$	0.503	0.531	0.513	0.545	0.535	0.570
	[0, 5]		[0, 10]		[0, 20]	
$R^2$	(1) 0.497	(2) 0.524	(3) 0.510	(4) 0.540	(5) 0.531	(6) 0.565
N	492	492	492	492	492	492
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table B2**

The impact of presidential ties on firm performance with alternative industry classifications.

In a difference-in-difference framework this table examines performance outcomes following the 2016 presidential election. Dependent variables include Revenue, Operating income, and Net income, all expressed in billion dollar terms. Post indicates post-election periods (from Q1 2017 onward). A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. We drop four companies with unassigned FICs, leaving 492 sample firms. The bottom row of each panel reports within- $R^2$ . t-statistics are in parentheses. Standard errors are clustered by various industry classifications – GICS 24, FF 49, FIC 50, GICS 69, and FIC 100.

	Revenue		ln(Revenue)		Operating income		Net income	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Panel A: Muckety</b>								
Connection * Post	1.114 (3.03)***	1.105 (2.94)***	0.079 (3.26)***	0.079 (3.37)**	0.185 (2.41)**	0.179 (2.30)**	0.090 (1.25)	0.088 (1.27)
GICS 24								
FF 49	(2.96)*** (2.30)**	(2.88)*** (2.23)**	(1.96)* (2.22)**	(2.04)** (2.26)**	(2.25)** (2.15)**	(2.13)** (2.00)*	(1.19) (1.36)	(1.21) (1.37)
FIC 50	(2.38)** (2.45)**	(2.27)** (2.37)**	(2.22)** (2.43)**	(2.26)** (2.50)**	(2.15)** (2.05)**	(2.00)* (1.95)*	(1.15) (1.20)	(1.21) (1.21)
GICS 69								
FIC 100	(3.01)*** (2.43)**	(2.90)*** (2.32)**	(2.20)** (3.20)***	(2.26)** (3.13)***	(3.04)*** (2.36)**	(2.85)*** (2.21)**	(1.33) (1.49)	(1.36) (1.41)
N	10,297	10,297	10,297	10,297	10,297	10,297	10,297	10,297
$R^2$	0.148	0.151	0.093	0.095	0.070	0.074	0.035	0.037
<b>Panel B: News articles</b>								
News * Post	0.829 (2.21)**	0.814 (2.13)**	0.079 (3.06)***	0.075 (3.09)***	0.129 (1.97)*	0.123 (1.85)*	0.069 (1.13)	0.066 (1.07)
GICS 24								
FF 49	(2.30)** (1.92)*	(2.23)** (1.82)*	(2.87)*** (2.93)***	(2.78)*** (2.98)***	(1.83)* (1.67)	(1.83)* (1.61)	(1.15) (1.06)	(1.09) (1.00)
FIC 50								
GICS 69	(2.27)** (2.43)**	(2.17)** (2.32)**	(3.17)*** (3.20)***	(3.14)*** (3.13)***	(1.72)* (2.36)**	(1.61) (2.21)**	(1.06) (1.49)	(1.00) (1.41)
FIC 100								
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes	No	Yes
N	10,297	10,297	10,297	10,297	10,297	10,297	10,297	10,297
$R^2$	0.143	0.146	0.093	0.096	0.068	0.072	0.035	0.037

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

**Table B3**

The impact of presidential ties on procurement of government contracts with alternative industry classifications.

In a difference-in-difference framework this table examines procurement outcomes following the 2016 presidential election. Dependent variables include the number and value of contracts procured, both expressed in log terms. Post indicates post-election periods (from Q1 2017 onward). A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. We drop four companies with unassigned FICs, leaving 492 sample firms. The bottom row of each panel reports within- $R^2$ . t-statistics are in parentheses. Standard errors are clustered by various industry classifications - GICS 24, FF 49, FIC 50, GICS 69, and FIC 100.

	Procurement					
	Contracts		Value		Value/Revenue	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Panel A: Muckety</b>						
Connection * Post	0.445 (6.98)***	0.446 (6.88)***	0.429 (5.72)***	0.430 (5.68)***	4.888 (2.08)**	4.902 (2.09)**
GICS 24						
FF 49	(7.92)***	(7.92)***	(6.37)***	(6.31)***	(2.17)**	(2.17)**
FIC 50	(6.27)***	(6.24)***	(5.44)***	(5.40)***	(2.08)**	(2.07)**
GICS 69	(6.40)***	(6.35)***	(5.94)***	(5.89)***	(2.05)**	(2.05)**
FIC 100	(6.08)***	(6.02)***	(5.27)***	(5.23)***	(1.93)*	(1.93)*
N	10297	10297	10297	10297	10297	10297
R <sup>2</sup>	0.055	0.057	0.069	0.070	0.043	0.044
<b>Panel B: News articles</b>						
News * Post	0.116 (1.73)*	0.117 (1.75)*	0.175 (3.05)***	0.175 (3.04)***	-0.011 (-0.02)	-0.023 (-0.04)
GICS 24						
FF 49	(1.70)*	(1.71)*	(2.73)***	(2.72)***	(-0.02)	(-0.04)
FIC 50	(1.22)	(1.23)	(2.46)**	(2.45)**	(-0.02)	(-0.04)
GICS 69	(1.73)*	(1.73)*	(2.86)***	(2.84)***	(-0.02)	(-0.04)
FIC 100	(1.49)	(1.51)	(2.52)**	(2.51)**	(-0.02)	(-0.04)
N	10,297	10,297	10,297	10,297	10,297	10,297
R <sup>2</sup>	0.036	0.037	0.053	0.053	0.010	0.011
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Confounders	No	Yes	No	Yes	No	Yes

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

**Table B4**

The impact of presidential ties on regulation with alternative industry classifications.

In a difference-in-difference framework this table examines regulatory outcomes following the 2016 presidential election. Dependent variables include indicators for whether a fine/settlement was paid (*Payment*) and whether an investigation was opened (*Investigation*). Post indicates post-election periods (from Q1 2017 onward). A firm is considered to be connected if it had network ties to Donald Trump prior to the announcement of his 2016 presidential campaign. Variable definitions can be found in Table A1. We drop four companies with unassigned FICs, leaving 492 sample firms. The bottom row of each panel reports within- $R^2$ . t-statistics are in parentheses. Standard errors are clustered by various industry classifications - GICS 24, FF 49, FIC 50, GICS 69, and FIC 100.

	Regulation			
	Payment		Investigation	
	(1)	(2)	(3)	(4)
<b>Panel A: Muckety</b>				
Connection * Post	-0.070 (-2.54)**	-0.070 (-2.55)**	-0.042 (-2.99)***	-0.042 (-2.99)***
GICS 24				
FF 49	(-3.24)***	(-3.24)***	(-2.34)**	(-2.34)**
FIC 50	(-2.90)***	(-2.89)***	(-2.67)**	(-2.66)**
GICS 69	(-2.40)**	(-2.40)**	(-2.31)**	(-2.30)**
FIC 100	(-2.87)***	(-2.86)***	(-3.07)***	(-3.07)***
N	10,297	10,297	10,297	10,297
R <sup>2</sup>	0.022	0.023	0.014	0.014
<b>Panel B: News articles</b>				
News * Post	-0.045 (-2.23)**	-0.045 (-2.26)**	-0.032 (-2.66)**	-0.032 (-2.67)**
GICS 24				
FF 49	(-2.34)**	(-2.35)**	(-2.22)**	(-2.22)**
FIC 50	(-2.19)**	(-2.17)**	(-2.52)**	(-2.51)**
GICS 69	(-2.14)**	(-2.14)**	(-2.16)**	(-2.15)**
FIC 100	(-2.29)**	(-2.28)**	(-2.87)***	(-2.86)***
N	10,297	10,297	10,297	10,297
R <sup>2</sup>	0.019	0.020	0.012	0.013
Firm FE	Yes	Yes	Yes	Yes
Year-quarter FE	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
Confounding	No	Yes	No	Yes

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

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