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LET'S TALK POLITICS: CORPORATE POLITICAL ACTION COMMITTEE CONTRIBUTIONS & ABNORMAL RETURNS

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ABSTRACT

This thesis is an attempt to explain the contribution patterns of firms using their stock prices. I combine unique datasets to evaluate firm performance (shareholder value) relative to political contributions and characteristics, using data from Corporate Political Action Committees (PACs) in the Fortune 500. This data incorporates three elections for the House of Representatives, 2012-2016. I form a model that shows a unique relationship between the percentage of contributions that go to incumbents, winners, and Republicans, and their effect on abnormal stock price returns. The data shows that firms that give higher amounts to incumbents experience a decrease in their stock price relative to a benchmark, but not as severe as the decrease for an increase in contributions to losing candidates. An increase in donations to Republican candidates is consistently beneficial to a firm's stock price.

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Chapter 1

Relevance of Work

This paper will analyze contributions of Corporate PACs made to candidates, as well as add to the existing literature on political contributions that will be explored in Chapter 2 of this paper. Contributions were for a long time, unrestricted and unrecorded. The birth of "campaign finance" began with the passage of the Federal Election Campaign Act (FECA) in 1971. This act was then amended in 1974 to include statutory limits on contribution amounts to candidates or other recipients. The United States Government then created the Federal Election Commission (FEC), an independent regulatory agency, to police campaign finance regulations. Later in this paper, I will discuss the current legislation that governs campaign finance and the restrictions put in place.

This paper will add to the literature on campaign financing patterns, and the tendencies of firms to favor specific candidate characteristics. From my dataset, I will be able to understand the contributions of firms and see if these contributions return value to the firm. Firms are supposed to be acting in the best interest of shareholders by increasing shareholder value. If firms make donations that do not return shareholder value, or possibly decrease shareholder value, then they are not acting in line with shareholder expectations. This may be the result of a corporate agency problem, where executives of companies are making decisions for personal incentives. It could also be true that firms just aren't aware of the repercussions associated with political contributions and shareholder value.

My dataset and observations should become of use for groups such as firms, company shareholders, politicians, investors, the FEC, and further researchers. Corporations might rethink their contribution strategies if they are truly invested in the best interest of the shareholder. The shareholders might be more willing to question the expense patterns of these companies when donating to candidates. If there are potential violations of the Efficient Market Hypothesis (EMH), investors may want to explore this as a potential investment opportunity to gain higher than expected returns based off strategies around corporate political spending. The government may also be interested in this framework and these findings to see which companies donate heavily and the industries that they fall under. It could be true that some industries are taking advantage of politicians for returned policy favors or something other than what is captured by stock price returns.

It is possible that corporate spending is often over looked because of the now very regulated world of campaign finance, but these companies are still pouring in money to campaigns. There must be a reason for their continued support. Firms can no longer give large and unregulated monetary sums to candidates to ensure victory for that candidate, but for some reason these firms are still donating hundreds of thousands of dollars for every election cycle. This paper offers a new and unique perspective that expands on the existing research that has been done on campaign finance and will hopefully initiate more.

Chapter 2

Literature Review

The academic literature regarding political contribution and financial firm performance is expansive and argumentative. This paper focuses in on firm performance based on empirical data; firm contributions and abnormal stock returns over different lengths of time. Because of the robust nature of campaign election data, some of the literature involves simply breaking down this data and investigating what occurs in terms of political fundraising. Ansolabehere, Figueiredo, and Snyder (2003) attempt to review the corporate political contribution data from a very broad perspective. They are taking a similar route as this paper, in terms of data collection. Their paper pulls data from the FEC contribution data but is more encompassing for different variations of contribution sources. Their analysis begins by separating different sources of contributions from Individuals, Corporate PACs, Super PACs, Leadership PACs, Union PACs and so on. The FEC separates PACs into three categories. Separate segregated Funds (SSFs), nonconnected, and Super-PACs. SSFs are all PACs formed under one entity, such as a corporation, labor union, or trade association, and they can only solicit funds from individuals associated with that entity. Non-connected PACs are opposite in the fact that they can solicit funds from the general public to distribute to campaigns. Super-PACs may receive an unlimited amount of contributions from individuals or groups for the purpose of independent expenditure on political activity. Super-PACs may not contribute to candidates or campaigns directly. This paper will be looking entirely at SSF PACs and more specifically, corporate PACs. Ansolabehere, Figueiredo, and Snyder (2003) attempt to categorize the empirical data on political contributions and the way in which donations are distributed to politicians. They look at

the restrictions set in place by the FECA in attempt to explain the lack of contributions distributed based on regulation. Regulations set in place by the Bipartisan Campaign Reform Act (BRCA) allowed PACs to give no more than $10,000 per election cycle to an individual candidate ($5,000 in a primary election, $5,000 in the general election). PACs consistently give less than legally allowed. In regard to Corporate PACs, they find an average contribution to a candidate was around $1,400, which was lowest for all PAC classifications. This was slightly below what I had observed in my dataset (approximately $1,600), probably because of the time difference between this paper and my research. The conclusion of their research was a theory on contributions as a regular consumption tool of corporations. They created a model that linked contributions and roll call votes in Congress. They found no significance in increasing contributions leading to increased political leverage.

So, if firms are not gaining political presence from their donations, they must be doing it for another reason. Cooper, Gulen, and Ovtchinnikov (2009) argue that the benefit realized by the firm through their PAC contributions is a return to firm value. In their collection process, they compile FEC and Center for Research in Security Prices(CRSP)/Compustat data to create a unique dataset with summary firm contributions, monthly returns, and annual accounting firm characteristics. This data spans election cycles from 1974-2004. Cooper, Gulen, and Ovtchinnikov (2009) categorize corporations by placing them in deciles based on size. The robustness of their dataset (roughly 700,000 observations) allows for the ability to manipulate their regression variables in different ways, such as controlling for party affiliation, office, and amount. After controlling for firm characteristics, they use what they call “Political Indexes” to see what parts of the contribution process are most meaningful to the frim. These indexes benchmark Candidates (number of candidates), Ability (ability of candidate to help firm),

Strength (strength of relationship between firm and candidate), and Power (power of the candidate). Their model for analyzing abnormal monthly returns utilized the Fama- French three-part model and the Fama-French-Carhart four-part model. These models are a way of interpreting expected returns for a company of similar size and characteristics in order to calculate abnormal returns. Davis, Fama, and French (1999) explain their model and why using a value premium for firm specific characteristics is more efficient for calculating returns than associated risk level. They pull research from their previous paper, Fama and French (1993) and a plethora of other literature surrounding expected return calculations. This is what Cooper, Gulen, and Ovtchinnikov use to benchmark the returns found in their data. From their results, they were able to conclude strong and robust correlations to political contributions for firms and expected future returns. These correlations were most prevalent for firms with contributions to the highest number of candidates. The data shows that it is beneficial for PACs to give to a higher number of candidates, all else equal. What Cooper, Gulen, and Ovtchinnikov neglected to mention is the cost of those contributions and the value created by those contributions. It is unclear if the firm is truly creating value for stakeholders at the cost of contributing.

Though it is a popular belief, it is not always the case that political contributions are associated with positive returns in firm value. Aggarwal, Meschke, and Wang (2012) find that increasing contribution amounts leads to a reduction in abnormal returns by 7.4 basis points. They conclude that political contributions are not an investment of capital as argued by Ansolabehere, Figueiredo, and Snyder (2003), but rather an agency issue where management is supporting their own individual ideals and does not represent the views of the company, or act in the best interest of shareholders. In their dataset of election contribution data spanning from 1991-2004, they analyze soft money contributions and contributions of 527 committees. Soft

money, in regard to political contributions. is money not directed to a particular candidate and therefore avoids the legal regulations of donating and has been banned by the BRCA in 2002. 527 committees are similar to Corporate PACs in nature. The ban on soft money forced most corporations to form PACs, but they were not prevalent during the time of the data collected. Aggarwal, Meschke, and Wang (2012) compile a unique dataset that includes data from the Center of Responsive Politics (CRP), CRSP, and Compact Disclosure (used to collect ownership data like CEO compensation). The intuition behind their findings comes from a signaling issue to investors. These large companies with excess free cash flow show lack of spending in R&D and internal investment, and their donations are spurious spending by agency issues of their managerial teams. The differentiator of this paper from the existing literature is that it analyzes the potential costs of donating rather than just the value created from political contribution in the form of stock return.

Snyder (1990) showed there is a confirmed relationship between contributions, and candidates' probability of getting elected. He theorizes a quid pro quo relationship between the firm and the candidate, revealing that candidates will return political "favors" that are directly related to contributions (Snyder 1990). Therefore, it is important for firms to understand the relationship between their investment and candidate repayment.

Board behavior has also been documented in the literature to have a considerable effect on firm value. An investigation of board member connections to Republican or Democratic parties was performed by Goldman, Rocholl, and So (2006). They argue that abnormal returns are not predicted by political contributions made by firms but rather board connections can predict firm performance. They observe the 2000 Presidential Election in which the Republican party won, to see if companies in the S&P 500 classified as having a Republican board will

outperform companies classified as having a Democratic board. The data used in this paper consisted of contribution data from the CRP, CRSP/Compustat data for stock returns, and hand-picked data from EDGAR for distinguishing companies with Republican boards from Democratic boards. To identify firm characteristics, the same metrics are used as in Cooper, Gulen, and Ovtchinnikov (2009) with the addition of Price-to-Earnings ratio. The results yielded a greater return for Republican board companies than Democratic board companies. Although, the Republican yield was higher, companies with both board types experienced a positive post-announcement return from a Republican win. There may be evidence to support that Republican won elections will yield a market wide positive return to stock price, given the leniency of republican administrations on corporations. There is much evidence of this with regard to the 2016 post-election reaction of the market from a Republican presidential administration taking power in the White House. Kiersz (2016) examines the 2016 post-election S&P 500 performance and finds a positive reaction from the election. The performance data is shown in Figure 1. It may be optimal for firms to incorporate a donation strategy based on candidate likelihood of winning.

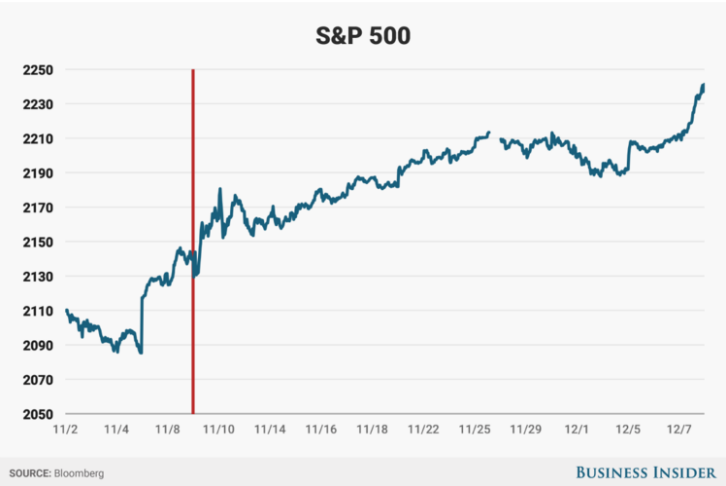

Figure 1 S&P 500 following the 2016 presidential election

A paper by Faccio and Parsley (2007) analyzes one facet of political investment in terms of geographic ties. Their paper identifies 122 politicians who suddenly or unexpectedly died and then analyzes the financial effects of publicly traded firms that are headquartered in the candidates' location of birth or their permanent residence. This paper uses Cumulative Abnormal Returns (CARs) of stock prices based on the value-weighted local market indexes to compute expected returns for these connected companies. The data revealed a negative return in almost all periods analyzed for this event study. The most impactful period was ten days following the death which yielded an average CAR of -1%. These findings suggest publicly traded firms tend to contribute more to candidates in their area of operation. It may be beneficial to not "keep all your eggs in one basket", but rather distribute contributions to candidates across a wide geography.

Faccio (2003) discusses politically connected firms across the globe. Specifically, she samples 47 countries and finds that 35 have firms that show characteristics of political connectivity. In the paper, she defines political connectivity by incidences that connect the firm with a political entity. Examples of this could be a politician joining a board of a publicly traded company, or a businessman or businesswoman taking a position in parliament. The minimum requirement for there to be a political connectivity is one board member to hold a political seat, one large shareholder (at least 10%) is a member of parliament, a minister (head of state) is an officer, large shareholder or relative, or companies that are closely related to a top official. Over 20,000 companies were included in this dataset. The political connectivity was found in countries where corruption is common. For example, politically connected firms in Russia represented 87% of the market capitalization in Russia. Faccio (2003) found that certain connections to firms and politics yield certain CARs for the firms involved. A connection to a

head of state has the highest excess yield, followed by large shareholders of a company entering politics. A politician joining the board for a company resulted in a negative CAR. It seems as though, markets respond better when corporations enter the political realm, not the inverse. This information is useful in understanding where these returns can be found. The United States is a highly regulated nation but still have been argued to yield returns. So, there must be another area in firm characteristics that reveals these returns, rather than just people involved with the firm.

A piece by Wilson (2016) compares United States spending to the United Kingdom. the United States spent over $7 Billion in politics in the 2016 general election. The United Kingdom has a similar number of parliament members as we have members of congress and spent only $47 million in their elections.

Even though the United States is very heavily invested in political spending, the issue of corporate spending in politics spans across borders. In 2006, Germany required that political contributions be disclosed, which opens an array of new information on firms that contribute to politicians and those who do not. Niessen and Ruenzi (2007) analyze firms who contribute in German politics. They compare accounting-based performance measures and market-based performance measures and found that politically connected firms consistently outperformed non-connected firms. In order to account for the expected return of these companies, they use a model similar to the Fama-French-Carhart four-part model. Similarly, to Cooper, Gulen, and Ovtchinnikov (2008), Niessen and Ruernzi (2007) assign firm characteristics to these connected firms with parameters for market capitalization, sales, and total assets. After accounting for the influence of firm characteristics, politically connected firms still outperformed unconnected firms by nearly 16% per annum in the CDAX (German Stock Market Index).

A useful piece of literature looking at a specific event study regarding the death of the President Suharto in Indonesia, Fisman (2001) looks at the troubled economy of Indonesia following the death of its president in relation to President Suharto's controversial business dealings. Those firms that were closely connected with the President suffered in excess to the overall economy. Thus, political connection does bear influence on firm performance. Although, this claim is very salient. Faccio (2006) explained that these connections are much more meaningful in corrupt governments, and therefore would not be as relevant when analyzing contributions inside of the United States. This paper by Fisman (2001) provides another way of analyzing the firm connectedness to government.

There is a vast range of literature that surrounds this topic. Researchers in disciplines spanning across Economics, Political Science, Finance, Psychology, Management, and Law have analyzed the practice of firm participation in politics. The benefit from donations is not always evident. If we assume that firms are rational, then there must be some avenue where firms experience a benefit for supporting candidates. Faccio (2006) argued that there is an associated excess return with political connectivity for firms. Cooper, Gulen, and Ovtchinnikov (2009) explain that firms experience returns with more diverse giving for political contributions. They show that on average, firms give relatively similar amounts to candidates, but they differentiate themselves by how many candidates they support with contributions. There was a positive correlation with the number of candidates and CARs. Additionally, Aggarwal, Meschke, and Wang (2012) find a negative return to firms increasing donation totals. Their paper reasons that political contributions are not an investment for the firm, but actually an agency issue by the firm's internal management. The executives of contributing companies may be acting rationally, but for reasons other than to promote shareholder value, as seen in increased CARs. They claim

that the corporate leaders are making contributions to candidates that do not reflect firm beliefs, but their individual preferences, which may result in a decrease in shareholder value. This paper will extend the previous literature by compiling a unique dataset that includes different characteristics of both the firm, contributions, candidates, and firm performance. The expected returns in this model will be calculated using the CAPM for reasons discussed later in the paper. The CAPM model will give me expected return using firm and market characteristics and then I will compare that to the actual returns recognized by the firms in the Fortune 500 with Corporate PACs

Chapter 3

Summary of Data

A. Contribution Data

If a contribution made by an individual, group, or corporation exceeds $200, then the committee that receives the contribution is required to collect as much information on the contributor as possible. This information is disclosed to the FEC, where it is made publicly available. Election contribution data from three national elections from 2012-2016 for the House of Representatives was compiled for this dataset. These elections take place every two years and every candidate is up for reelection. This data shows each individual line item contributions from a contributor to a committee or candidate. It displays details of the contribution such as, the amount of the contribution, when the contribution was made, contributor identification code, and a candidate identifier number.

The FEC supplies additional data on candidate information, from which I was able to import into my contribution data. I matched all candidate information with each individual contribution. My dataset now shows me the previous contribution info, along with the name of each candidate receiving the contribution, the state they are running in, the candidate's party, the office they are running for, and whether they are an incumbent or challenger. This dataset allowed me to collect specific contributions characteristics of these contributors. Such as how many different candidates they contribute to, in how many states, and if they contribute more to

Democrats or Republicans. Contributors that are not associated with firms within the Fortune 500 are excluded from the dataset.

There are over 1,900 publicly traded U.S. firms with corporate PACs. Many of them are not active in their election-to-election contributions, and many do not contribute in a significant quantity to include them in the dataset. Therefore, only contribution information on Fortune 500 companies (larger companies that are more able to be politically involved) will be kept. These firms are identified by a dataset created by PoliticalMoneyLine.com and are identified in my contribution dataset using their individual PAC identifier. These companies span 20 different industries. After subtracting out companies that are not publicly traded, have been acquired, haven't made the list over multiple elections, or do not have a corporate PAC, I am left with 292 firms. I will be restricting my contribution data to these select corporations.

B. Firm Data

Firm contributions are tracked by the PAC identification number assigned to their firm. Not all firms within the Fortune 500 have a Corporate PAC so the data is limited to firms that do. PoliticalMoneyline.com provides a list with all Fortune 500 companies that have a Corporate PAC and the total contributions of these firms. This list is updated yearly and available to the public. PolitcalMoneyline.com also uses FEC data to compile contribution data on these companies, so my data will be consistent. These datasets were utilized to identify these firms in my large dataset, and filter out contribution data that doesn't pertain to publicly traded firms in the Fortune 500 with a corporate PAC.

Firm financial data was imported from FactSet, a database containing financial information on all publicly traded firms. FactSet provided monthly stock returns (percentage change over one month) dating from the 2012 election to one year after the 2016 election. This time period begins November 6, 2012 and runs until November 6, 2017. The stock returns are benchmarked using the Capital Asset Pricing Model (CAPM). The CAPM connects the relationship between systematic risk and expected returns of an equity, in this case, stocks. An assumption in my model is that the CAPM will serve as an adequate measure of expected returns because of the similarity of Fortune 500 firm financial characteristics. More complex models, as seen in Fama (1992) attempt to account for large differences in firm structure and size, which is less important in my model containing relatively similar firms. The CAPM model incorporates the risk-f rate, R_{rf}, added to the beta of a firm's stock returns, β, multiplied by the risk premium, the market return, R_M, minus the risk-free rate, to solve for expected return of the stock, $E(R_a)$. The formula for CAPM is as follows:

CAPM: $$E(R_a) = R_{rf} + \beta(R_M - R_{rf})$$

The beta, β, coefficient is a calculation of the equity's risk compared to the market that the stock is in. Every calculation of β is unique to both the stock and the time period for which is it measured. FactSet allows for the β measurement of stocks to be collected at uniquely specified times. Monthly betas were calculated that coincide with monthly stock returns of the same stock. For risk-free rate I will use the 3-month T-Bill yield as the return for a risk-free asset. For market return, R_M, for an index like these stocks, I choose the S&P 500 returns. As most of these companies are contained within the S&P500, it should act as good benchmark for market return. All these factors yield the expected return of a stock.

To see how these firms compare to their expected return (how they should have performed relative to the factors of CAPM), I will subtract expected returns against actual returns, R_a to find abnormal returns, AR_a. The function for abnormal returns is as follows:

$$AR_a = R_a - E(R_a)$$

These returns are calculated monthly and transferred into the contribution dataset. Abnormal returns are categorized by time from election date. The first dependent variable observation, M1, refers to the 1-month stock returns for all giving corporations in each election cycle, beginning on the election date. The following variables follow the same format, where Q1 refer to the 3-month stock returns for giving corporations in each election cycle, and so on.

C. Summarizing the Data

The data set contains 150,933 individual contributions to candidates across three election cycles (2012 Election: 48,483, 2014 Election: 51,368, 2016 Election: 51,081). These individual contributions reveal a donor, a receiving candidate, information on that candidate, amount of the donation, and the associated returns experienced by the donor's associated firm over all three election cycles. I have collapsed my dataset in two unique ways to allow versatility in my analysis. I first collapsed my info based on candidate, so if a corporate PAC gave multiple donations to a candidate in the same election year, the observations will combine into one. This shows how much firms give to individual candidates in each election cycle. Figure 4 reveals a histogram of how often candidates donate to an individual candidate per year. The histogram indicates that $1,000 is the most frequent donation amount to give to any candidate. The minimum donation is -$5,000 dollars and the maximum donation is $20,000. The reason for a

negative minimum contribution is firms will sometimes revoke their donation, and the amount will be credited back to the firm. It is important to keep this information in the dataset because it will affect firm total giving. These negative credits make up 0.48% of the cumulative distribution function (cmf) for Per Candidate Contributions.

The maximum donation occurs at $20,000. This information is conflicting with FEC regulations, as a PAC is allowed to contribute a maximum of $10,000 to a candidate ($5,000 during the primary elections and $5,000 during the general election) and may not exceed this amount. After further investigation of FEC regulations, it is possible that firms could have scheduled money for future elections, but the contributions were filed during the present election period, and therefore show up in that dataset and gives the impression that they exceed the hard money limit set by the BCRA in 2002. This act is the most current alteration to campaign finance law that is regulated by the FEC. The FEC regulations also reveal that firms have the capability of donating to a candidate ($5,000) and a National Party Committee ($15,000) and disperse those funds to specified candidates. See Figure 2 for FEC regulations. Observations where candidates

		Recipient				
		Candidate committee	PAC† (SSF and nonconnected)	Party committee: state/district/local	Party committee: national	Additional national party committee accounts‡
Donor	Individual	$2,700* per election	$5,000 per year	$10,000 per year (combined)	$33,900* per year	$101,700* per account, per year
	Candidate committee	$2,000 per election	$5,000 per year	Unlimited transfers	Unlimited transfers	
	PAC: multicandidate	$5,000 per election	$5,000 per year	$5,000 per year (combined)	$15,000 per year	$45,000 per account, per year
	PAC: nonmulticandidate	$2,700* per election	$5,000 per year	$10,000 per year (combined)	$33,900* per year	$101,700* per account, per year
	Party committee: state/district/local	$5,000 per election	$5,000 per year	Unlimited transfers	Unlimited transfers	
	Party committee: national	$5,000 per election**	$5,000 per year	Unlimited transfers	Unlimited transfers	

Figure 2 Federal Election Commission Contribution Regulations

receive a negative amount or more than $10,000 appear in less than 1% of observations (Figure 5). It is also possible that some transactions are refunds from campaigns back to PACs and therefore I do not want to eliminate them. The mean contribution per candidate ranged from $2,200 to $3,200, and the mean number of contributions to a candidate ranged from 1.67 to 1.98. On average firms are not maximizing the amount they could be giving to a candidate. This is significant to see if candidates really value firm contributions as shown by Snyder (1990).

The other characteristics of firm contributions are outlined in Tables 1, 2, and 3. Firms consistently give more on average to Republican candidates than Democratic candidates across each of the election cycles observed. This makes sense because Republicans generally favor free-market policy which is better for business as shown by Goldman, Rocholl, and So (2006). I exclude contributions to candidates that are not affiliated with the Republican or Democratic party because the clear majority of firms did not contribute to candidates that were not affiliated with these two parties. Firms also have a strong relationship with giving to incumbents. The amount of contributions to another party was less than 0.001% of contributions, and therefore I chose not to include them in my observations. In each election cycle, the percentage given to incumbents rose, 74%, 87%, and 97% respectfully. Johns (2016) shows incumbents winning 98% of their election races for the house in the 2016 election cycle. It is reasonable to say that firms should only expect a return when a candidate wins, and betting with the incumbent seems like a winning strategy. In fact, the Center for Responsive Politics (CRP) records that the incumbent success rate in the house has fallen below 90% only one time in the past 12 election cycles as seen in Figure 3.

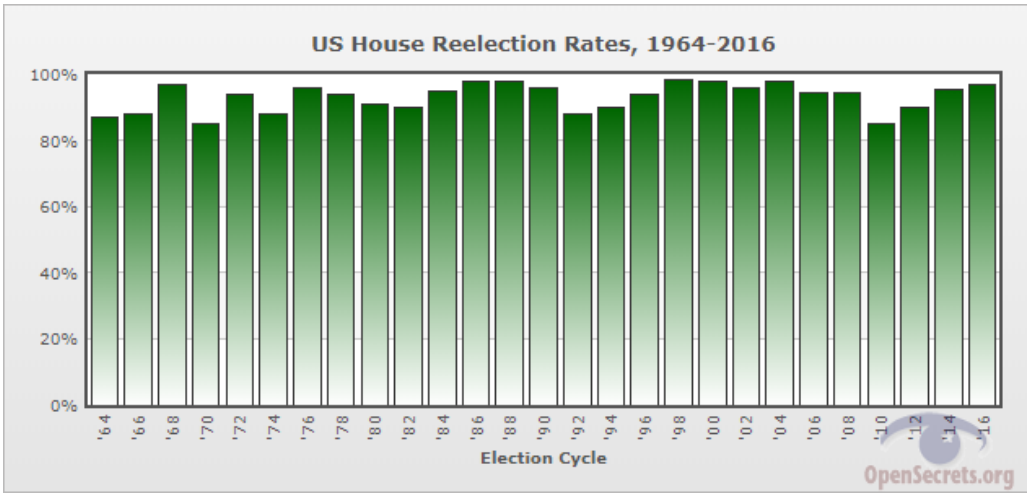

Figure 3 US House Reelection Rates

Geographic reach of firm contributions is accounted for by using the variable, state_total. This variable is the total number of states a PAC's contributions span. The state value is just the state where the candidate receiving the election is running. Firms tend to lean on the side of diversification with the mean state total being 22, 23.5, and 24 respectfully. This makes sense because the majority of these firms operate in multiple states.

This dataset is condensed for a second time, by collapsing each observation by election year and PAC Identification Code (PAC_ID). This yields 868 observations across three election cycles. Each firm has their contribution characteristics condensed into one observation. I am now able to observe firm characteristics (independent variables) with their associated stock returns (dependent variables). The rest of the variables are explained in the data appendix. These abnormal returns are summarized in Table 4. It seems that contributing firms outperformed the market throughout the entire 2012 election cycle and underperformed as well over the 2014 and 2016 election cycles. Figure 4 shows the returns of the market over the average returns of these companies over this time period. These results will not be totally indicative of the market because the S&P 500 is value weighted and the firm average is price weighted, but it is a useful visual.

Chapter 4

Theory

From my research of this topic and my observations of the summary statistics, I want to formulate a model that helps explain abnormal returns using the characteristics of PAC contributions. To do this, I return to my collapsed dataset based on firm contributions. This dataset contains 868 observations of PAC donations across three election cycles (2012-2016). All characteristics found in the candidate collapsed dataset have been moved into the firm collapsed dataset and assigned to the respective firm. Each observation reveals the election cycle characteristics about a PACs' donations for that period, and its abnormal returns for different periods following the election date. All characteristics of the firm or its contributions will be regarded as independent variables for the sake of the model, and the abnormal returns will represent the dependent variable, which is to be explained by the independent. The challenge of this model is finding the appropriate characteristics to represent the independent variables. These variables are likely to have collinearity, and therefore it is important to include the variables that best explain abnormal returns.

Fortune 500 Rank, F500_rank, will be used as an indicator of firm size relative to the other firms in the dataset. This variable should capture a small firm effect. Banz (1981) looks at securities and the expected returns using the CAPM and finds that firms with small market value produce higher risk-adjusted returns than large firms. I would predict that this regression would yield a positive coefficient on the variable, F500_Rank. This would mean that increasing the firm rank in the Fortune 500 (company being smaller) would lead to an increase in abnormal returns.

The next item to consider for the model is firm contribution characteristics. If the goal of publicly traded firms is to increase shareholder value, then an increase in political contributions

should trickle down into shareholder value in some capacity and be realized in an increase to abnormal returns. The variable RealDonaiton_Total is the total contribution amount of firms in an election cycle, chained to 2010 dollars. On average, these firms donated approximately $280,000 by election cycle. By the previously stated assumption that firms act in shareholder interest, an increase in total contribution amount should lead to an increase in abnormal returns, and a positive regression coefficient on this variable.

Transaction_total collects total number of contributions by a firm. The total number of contributions could be a signal of political connectedness, to gain political favor as explained by Faccio (2006). Using the results in Faccio (2006), I predict the regression coefficient on transaction total to be positive. This may act similarly to RealDonation_Total because one may lead to the other, so it is important to check for correlation, and avoid excessive collinearity.

Because of the amount of candidate specific information, I was able to collect from the FEC, I am also able to collect information on firm donating patterns to types of candidates. I created a variable that signifies the amount of contributions to Republicans, REP_Cont, and also Democrats, DEM_Cont. These two variables are going to have perfectly negative correlation because I have excluded donations from other parties. I also have information on contributions to candidates who are incumbents, candidates who currently hold the office they are running for. That metric is captured in INC_Cont.

Some firms may have a goal of diversification in their political spending. For this, I track the total amount of states that a firm gives to, in order to account for the breadth of their giving. I will be able to test if it is beneficial or disadvantageous for firms to give across many different states to a lot of races. It could be possible that firms may experience increased return to total states given to, but at a diminishing return. After so much diversity, it may not be beneficial to

pour money into another election in a different state. However, it may be increasingly beneficial to donate to candidates that run for office from counties in which the company operates. My dataset does not have the capability to test for this, but this could be a topic worth expanding upon. I talk about this earlier in my literature review in regard to a paper by Faccio and Parsely (2007) that discusses the importance of increased breadth in donations.

In order, to understand my variables, I want to analyze how they move together. So, I create a correlation matrix of all my independent variables that pertain to firm contribution characteristics. It is important to understand which variables are highly correlated, so I do not include these variables in my model at the same time. Doing so will create unwanted collinearity and effect the validity of my model. From Table 5, I can easily examine variables that create this unwanted collinearity. It seems though RealDonation_Total moves in step with Real_REP_Cont, Real_DEM_Cont, Transaction_count, and Candidate_Total which is intuitive. The donations to either party should increase when total donation amount increases, and same goes for the total number of transactions and candidates that receive donations. All of these variables have correlation coefficients with each other that are above an 0.88 correlation. The variable state_total is also very correlated with these variables, ranging from 0.70-0.75 correlation.

It is important to my data to be able to include the types of candidates that firms are giving to, while also including the dollar amount that they are giving. Real_REP_Cont and Real_DEM_Cont have higher correlation with the total contribution variable. To avoid the correlation issues, I create a new variable called REPCont_index which measures a percentage of a firm's contributions and multiply it by 100 because my abnormal return data is in percentages. Because my data contains only contributions to Democrats or Republicans, I know that Democrat contributions would act in the exact opposite fashion. I then create a variable to find

the contribution percentage to incumbents and multiply it by 100 to create the variable INCCont_index. Now I will be able to account for the portfolio of contributions that a firm has, and their disbursement of funds to different candidates. Because of the favorability of business and free market operations, I presume that having a greater percentage of contributions to Republicans will have a positive effect on abnormal returns (see Goldman, Rocholl, and So (2006)). Thus, REPCont_index would have a positive coefficient in my model, signifying that an increase in percentage of contributions to Republicans will increase the abnormal returns that a firm will experience. The variable for incumbent contribution percentage would also be expected to increase abnormal returns. The logic behind this is that incumbents win above 90% of the time, according to John (2016). Firms that donate heavily to incumbents are more likely to give to winners, and winners have the capability in office to return that favor to the firm.

Variables that have slight to insignificant correlation include AVG_Contribution, PerCand_Cont, and Candidate_Transactions so there may be a possibility to include these variables in my model if they offer explanatory power to my model. AVG_Contribution is the average contribution amount for any transaction for a firm. PerCand_Cont is the amount a firm gives to each candidate on average. It is my intuition that increasing the amount you give at a time might increase the probability of winning for a candidate and increase abnormal returns for donating to winners. There may also be a negative effect for giving more to candidates that do not win their election. This possible relationship may be explored in a more expansive dataset. Candidate_Transactions is the number of transactions made with a candidate. This variable does not count the gross total, but the average number of monetary interactions between a firm and a candidate. It might be the case that an increased number of donations to a candidate, may

increase the likelihood of a candidate being politically favorable for a firm. I would expect this to positively affect abnormal returns.

Chapter 5

Regression Results

To build this model, I will include a political characteristic variable that best explains the dependent variable, the company size indicator (F500_Rank), and descriptive variables for a firm's portfolio of contributions. It is important to include a political characteristic variable that brings the most significance to the model. Model 1 includes REALDonation_Total because all other variables are formed using this variable. I run this regression as a time series regression with fixed effects for PAC_ID, which identifies the firm, and Election_Year, which accounts for the election cycle. I then run the model for each period of abnormal returns. The model constructed includes the following:

Model 1 (Table 6)

$$AR_T = \alpha + \beta * RealDonation_{Total} + \beta * F500_{Rank} + \beta * INCCont_{index} + REPCont_{index} + \epsilon$$

The model yields an R-squared value between 3-10% in each of the independent variables for abnormal returns. This is intuitive because political contributions make up a very small percentage of corporate spending. The F-Statistic is above the critical value for this model. The high F-Statistic does not support the null hypothesis that these coefficients are zero or have no effect on abnormal returns. Therefore, the model has some significance in predicting the dependent variable. All regression coefficients represent percentage changes in abnormal returns from a change in the independent variable.

The results from this regression reveal some interesting pieces of information. The total contribution variable does not seem to have any effect on abnormal returns and no significance to even yield meaningful coefficients. Fortune 500 Rank has significance in three of five periods of abnormal returns, but the coefficient on this variable is not what I anticipated from my theory portion of the paper. From Banz (1981), and the additional literature on small firm effects, the CAPM under estimates expected returns for small firms. A possible explanation for this is that these firms are not small enough. The data in Banz (1981) includes all publicly traded firms. My data includes only firms in the Fortune 500 and there may not be enough difference in firm size for this small firm effect to take place. These results say that when looking at large firms, the bigger of the large firms tend outpace their risk-adjusted returns.

The remaining two independent variables do tell an interesting story. REPCont_index has significance at the last three periods of abnormal returns. These variables turning significant in later periods is intuitive because the abnormal returns are less likely to be volatile over longer periods of time. The contribution percentage to the Republican variable is weakly significant in periods H1 and Y1 and a p-value of 0.01 in period Total. The coefficients on this variable are interesting because they show that an increase in the percentage of contributions to Republicans results in an increase in abnormal returns. Therefore, the model states that contributing more to Republicans can increase shareholder value. The magnitude of the coefficients is large enough to be an impactful variable on Abnormal Returns. The largest coefficient comes in period Total, 0.409, which means that a one percent increase in donations to Republicans (decrease to Democrats) results in an increase in abnormal returns by 41 basis points (bps) to the firm share price. This intuition is consistent with my theory from Chapter 4. Republicans supposedly favor

businesses, so contributing to Republican candidates seems to benefit firms, and this is statistically significant.

The incumbent percentage variable has even more significance and magnitude. The variable INCCont_index is strongly statistically significant for all periods. These coefficients are highly significant pieces of data but have the opposite sign of my expectation. From the regression results, incumbent contribution percentage has a negative impact on abnormal returns. These coefficients are particularly large, the highest of them being at the volatility minimizing variable, Total. The regression coefficient at this point in the time series regression is -0.47 which means that a one percent increase in contributions to incumbents, decreases abnormal returns by nearly 50 bps.

To test robustness, I replace RealDonations_Total with Candidate_Total, another highly impactful political characteristic variable, to see how this different contribution characteristic will affect significance and impact other independent variables.

Model 2 (Table 7)

$$AR_T = \alpha + \beta * Candidate_{Total} + \beta * F500_{Rank} + \beta * INCCont_{index} + REPCont_{index} + \epsilon$$

The model now shows significance for the firm contribution characteristics variable that measures size. Candidate_Total reveals how many candidates a firm will donate to and observe how much a firm spreads out their contributions. This variable is only highly significant for the last two time periods, Y1 and Total. The magnitude of these coefficients is large at -0.203 and -0.242, meaning that an increase in giving by one candidate decreases abnormal returns by 20 bps for the year and 24 bps for the entire election cycle. My explanation for this result is that

firms do not need to dump money to every candidate, but rather they need to be selective about who is receiving money from them with regard to incumbency and party affiliation.

Fortune 500 rank keeps similar size and significance in this model. Incumbent percentage and Republican percentage are roughly the same in significance and size of coefficients. Incumbent is still highly significant and large in magnitude. There is a trend that relates to incumbent contributions and negative abnormal returns. These results are contrary to what I hypothesized in my theory portion of this paper. I assumed that donating to incumbents would have a positive regression coefficient because of the high winning percentage of incumbents in house elections. One would assume that donating to winners is beneficial to a firm.

A possible explanation for this is that these firms are not acting in the best interest of shareholders. As explained by Ansolabehere, Figueiredo, and Snyder (2003), the executives of companies may just be promoting their own agendas and giving money to candidates through their company based on personal incentive. This intuition would match the negative beta coefficient on INCCont_index. Another explanation is that firms are taking this negative return because there is a more damaging result, such as giving to challengers who lose or not giving at all. To test this, I retrieve new data that includes all candidates who ran in a specified election and an indicator for winning candidates. I merge this dataset into my contribution dataset and create a variable that indicates the percentage of contributions that go to losers multiplied by 100, called LOSERCont_index.

Model 3 (Table 8)

$$AR_T = \alpha + \beta * Candidate_{Total} + \beta * F500_{Rank} + \beta * INCCont_{index} + REPCont_{index} + LOSERCont_{index} + \epsilon$$

The results from this model show a statistically significant effect on abnormal returns from this new variable. The variable LOSERCont_index has a very similar coefficient value to INCCont_index, but the model shows a greater negative coefficient in the first month after the election date for INCCont_index, meaning that having a higher contribution percentage to incumbents is more damaging to abnormal returns than having a higher contribution percentage to losers. This reverses in the longer periods after the election, Y1 and Total. Essentially, donating to losers may be damaging than donating to incumbents during the year after the election, and the entire election cycle. These results help to explain the reason for firms donating to incumbents. There may be greater, more damaging effects from donating to losing candidates, so the firms hedge themselves, and accept the lesser of two evils by donating to incumbents, who historically have a high winning percentage. I test the variables INCCont_index and LOSERCont_index for being statistically different. The results from this test show that the variables cannot be proven different. The results of the model are still useful for theorizing firm donation patterns.

Chapter 6

Discussion

The results of my models yield significant insight on firm political spending and abnormal returns. Firms experience a benefit to shareholder value when they increase donations to Republican candidates. It appears from my model results that firms donate to incumbents at such a high percentage to avoid donating to losing candidates for a possibly more damaging result. This is impactful for firms, employees, shareholders, candidates, and investors. Knowing a firm's portfolio of political investments could preface the abnormal returns experienced by the firm in the future. If firms are unaware of how their political investments affect their share price, they may want to reconsider investments. If investors are aware of this, they can use this information as a strategy for investing, and potentially lead to a violation of the Efficient Market Hypothesis. Shareholders of the firm may use this information as a way to anticipate how a firm will perform in the future and make investment decisions.

My political characteristic variables do not show a large or significant effect in the models I created. They may have a different result in a model that accounts for diminishing returns of these variables. An Ordinary Least Squares (OLS) model is not able to capture this phenomenon. Further exploration of my dataset and different application of these models could better show the effect of these variables on abnormal returns.

Another, future avenue of this paper involves firms that don't contribute to political campaigns. I only explore firms that donate to see where they experience benefits to share price. I analyze the possible tradeoffs of donating to certain types of candidates to avoid damages, but I

do not show the possible damage of not donating at all. My dataset would need to be expanded upon to include publicly traded firms in the fortune 500 that do not contribute and their abnormal returns. It would be hard to establish non-contributing firms because firms are still able to donate through other entities besides a Corporate PAC. One would also need to include non-contributing firms.

Appendix A

Figures

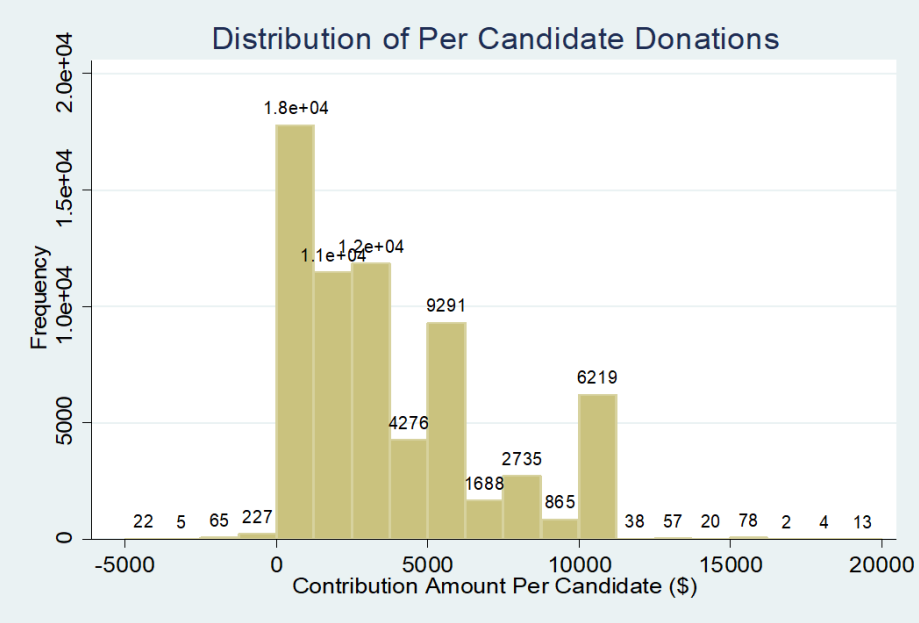

Figure 4 Histogram of Per Candidate Donations

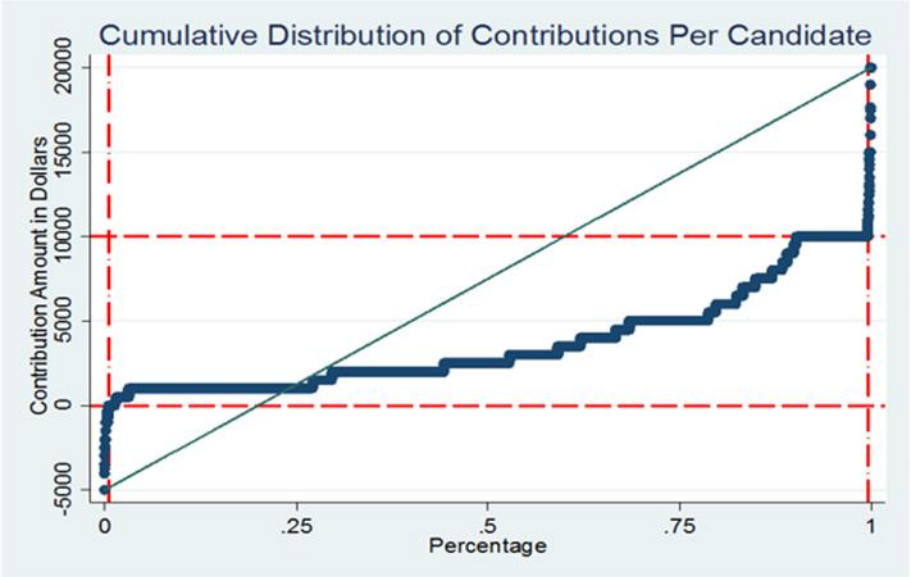

Figure 5 Cumulative Distribution of Contributions Per Candidate

*Figure 5 shows the distribution of donations per candidate. From this data, firms donate less than or equal to $5,000 to a candidate 80% of the time, And less than or equal to $10,000 to candidate 99% of the time

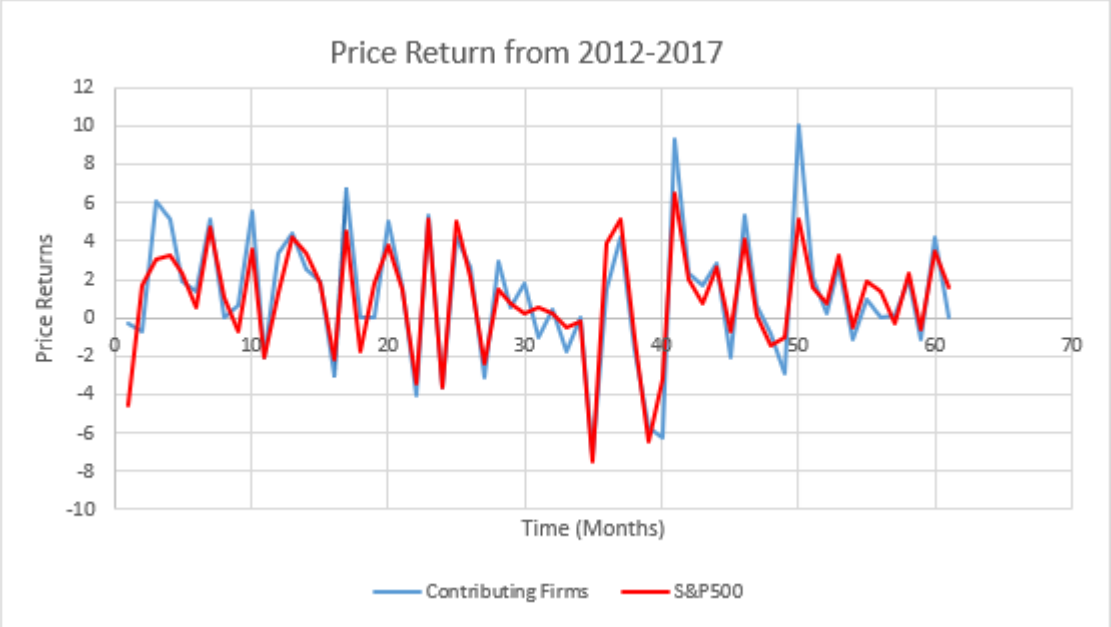

Figure 6 Price Returns of S&P 500 and Contributing Firms

*Figure 5 compares the stock price returns of firms that have a corporate PAC in the Fortune 500 and the S&P500 index returns. From this graph, it seems that the S&P 500 index has more stable price returns, but the contributing firms have higher peaks, mainly on the positive side of the x-axis. This means that contributing firms may have more upside potential with comparable downside risk.

Appendix B

Tables

*Tables 1-3 include summary statistics of firm contribution data specific to the election in which they occurred.

Table 1 Firm Contribution Characteristics (2012)

Firm Contribtuion Characteristics (2012)						
Variable	Obs	Mean	Std. Dev.	Min	Median	Max
Contribution Dollar Amounts						
Total Contribution ($)	286	254809.7	374384.9	525.7897	118254.7	2752336
Contributions to Republicans ($)	286	164709.7	238840.9	0	76799.09	1675995
Contribution to Democrats ($)	286	90100.05	146091.3	0	37367.83	1076341
Average Contribution ($)	286	1569.513	518.8581	311.1667	1461.176	3600
Contribution Per Candidate ($)	286	2159.71	1992.48	-5000	1500	10000
Transactions						
Transactions	286	169.521	262.8674	1	86	1813
Number of Candidates	286	75.05594	82.10266	1	51	440
Transactions Per Candidate	286	1.671329	1.318033	1	1	10
State Total	286	22.11189	13.21355	1	22	51
Candidates						
Republican	286	0.6610635	0.1711992	0	0.651087	1
Democratic	286	0.3389365	0.1711992	0	0.348913	1
Incumbent	286	0.7362174	0.1099681	0	0.7391304	1

Table 2 Firm Contribution Characteristics (2014)

Firm Contribtuion Characteristics (2014)						
Variable	Obs	Mean	Std. Dev.	Min	Median	Max
Contribution Dollar Amounts						
Total Contribution ($)	290	262935.4	381699.6	928.5017	123374.7	2501836
Contributions to Republicans ($)	290	164881.8	236164.9	0	75141.38	1473819
Contribution to Democrats ($)	290	98053.56	156295.6	0	44510.71	1028017
Average Contribution ($)	290	1602.264	526.0817	314.0833	1515.082	3916.667
Contribution Per Candidate ($)	290	2684.972	2347.763	0	2000	10000
Transactions						
Transactions	290	177.131	266.6353	1	95	1903
Number of Candidates	290	78.13448	81.51867	1	**56**	440
Transactions Per Candidate	290	1.9	1.497518	1	1	10
State Total	290	23.23793	13.12708	1	23.5	51
Candidates						
Republican	290	0.6275406	0.1834359	0	0.6215585	1
Democratic	290	0.3724594	0.1834359	0	0.3784415	1
Incumbent	290	0.8679601	0.0967345	0	0.878809	1

Table 3 Firm Contribution Characteristics (2016)

Firm Contribtuion Characteristics (2016)						
Variable	Obs	Mean	Std. Dev.	Min	Median	Max
Contribution Dollar Amounts						
Total Contribution ($)	292	270019.6	378686.8	-914.2325	134163.6	2387867
Contributions to Republicans ($)	292	170719.7	234702.9	-914.2325	84532.91	1389372
Contribution to Democrats ($)	292	99299.87	154039.1	0	45596.67	1030965
Average Contribution ($)	292	1691.8	622.7139	-1000	1606.61	4642.857
Contribution Per Candidate ($)	292	3254.64	2759.005	-1000	2500	15000
Transactions						
Transactions	292	174.9349	250.7148	1	101.5	1932
Number of Candidates	292	77.30479	78.21584	1	55	427
Transactions Per Candidate	292	1.982877	1.403131	1	**1.5**	10
State Total	292	23.21575	13.20671	1	24	51
Candidates						
Republican	292	0.6521316	0.1751759	0	0.6348485	1
Democratic	292	0.3478684	0.1751759	0	0.3651515	1
Incumbent	292	0.9712053	0.0558252	0.5	0.9875905	1

*Table 4 represents the abnormal stock returns of the contribution firms over each election cycle

Table 4 Abnormal Returns for Contributing Firm

Abnormal Returns for Contributing Firms (in Percent)					
Variable	Obs	Mean	Std. Dev.	Min	Max
2012					
M1	278	4.505438	7.876831	-30.97211	34.07685
Q1	278	5.165552	11.29174	-36.90082	49.38402
H1	278	7.066101	16.57585	-41.44103	129.0737
Y1	278	10.92096	27.68057	-103.8663	191.6732
Total	278	14.11382	32.99655	-98.60115	217.7883
2014					
M1	288	-1.14108	8.192613	-39.88758	24.99018
Q1	288	-1.697101	14.58816	-59.49242	40.98014
H1	288	1.077645	18.09941	-70.80275	53.46372
Y1	288	-4.062472	27.91202	-109.6613	87.71126
Total	288	-6.877691	40.75367	-196.1869	100.1953
2016					
M1	291	-1.779026	7.458864	-43.99969	25.86
Q1	291	3.179592	14.24686	-33.83615	101.0262
H1	291	1.442712	15.53574	-74.02869	63.40097
Y1	289	-0.662599	26.75447	-161.0807	74.28285
Total	288	-2.13231	30.50841	-167.1031	82.6084

*Table 5 shows the correlation coefficients between the firm contribution variables

Table 5 Correlation Matrix of Firm Contribution Characteristics

Correaltion Matrix of Firm Contribution Characteristics									
	RealDonation_Total	Real_REP_Cont	Real_DEM_Cont	Transaction_count	AVG_Contribution	PerCAND_CONT	CAND_Transactions	Candidate_Total	state_total
RealDonation_Total	1								
Real_REP_Cont	0.9827	1							
Real_DEM_Cont	0.9577	0.8879	1						
Transaction_count	0.9647	0.9326	0.9479	1					
AVG_Contribution	0.1323	0.1693	0.0657	-0.0034	1				
PerCAND_CONT	0.4404	0.4377	0.4141	0.4093	0.2861	1			
CAND_Transactions	0.5077	0.4882	0.5028	0.5514	-0.0607	0.7219	1		
Candidate_Total	0.9536	0.9311	0.9227	0.9442	0.0503	0.3546	0.4375	1	
state_total	0.7515	0.747	0.7066	0.725	0.0578	0.2461	0.3125	0.8602	1

Table 6 Time Series Regression Results of Model 1

Model 1					
VARIABLES	Dependent Variable				
	M1	Q1	H1	Y1	Total
RealDonations_Total	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0000049)	(0.00000836)	(0.00000995)	(0.0000162)	(0.0000211)
F500_Rank	-0.0072	-0.159***	-0.108**	-0.196**	-0.0070
	(0.0232)	(0.0396)	(0.0471)	(0.0768)	(0.0998)
INCCont_index	-0.206***	-0.0871**	-0.184***	-0.363***	-0.470***
	(0.0257)	(0.0439)	(0.0522)	(0.0853)	(0.111)
REPCont_index	0.0255	0.0411	0.116*	0.201*	0.409***
	(0.0325)	(0.0555)	(0.066)	(0.108)	(0.14)
Constant	17.34***	41.11***	35.51***	67.24***	22.5000
	(6.029)	(10.29)	(12.25)	(19.98)	(25.94)
Observations	854	854	854	852	853
Number of PAC_Identifier	296	296	296	296	298
R-squared	0.104	0.034	0.033	0.047	0.045
F-Statistic	16.12	4.84	4.71	6.8	6.52

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7 Time Series Regression Results of Model 2

Model 2					
VARIABLES	Dependent Variable				
	M1	Q1	H1	Y1	Total
Candidate_Total	0.0065	-0.0449	-0.0674	-0.203***	-0.242**
	(0.0223)	(0.0379)	(0.0451)	(0.0734)	(0.0954)
F500_Rank	-0.0067	-0.168***	-0.122**	-0.233***	-0.0514
	(0.0236)	(0.0402)	(0.0479)	(0.0778)	(0.101)
INCCont_index	-0.205***	-0.0847*	-0.182***	-0.362***	-0.468***
	(0.0256)	(0.0437)	(0.0519)	(0.0845)	(0.11)
REPCont_index	0.0248	0.0399	0.115*	0.201*	0.408***
	(0.0325)	(0.0554)	(0.0658)	(0.107)	(0.139)
Constant	17.45***	46.55***	42.74***	86.02***	45.1300
	(6.424)	(10.95)	(13.02)	(21.16)	(27.50)
Observations	854	854	854	852	853
R-squared	0.104	0.036	0.037	0.058	0.055
Number of PAC_Identifier	296	296	296	296	298
F-Statistic	16.04	5.20	5.27	8.47	7.94

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8 Time Series Regression Results of Model 3

Model 3					
VARIABLES	Dependent Variable				
	M1	Q1	H1	Y1	Total
Candidate_Total	0.0150	-0.0388	-0.0593	-0.184**	-0.216**
	(0.0219)	(0.038)	(0.0451)	(0.073)	(0.0947)
F500_Rank	-0.0048	-0.167***	-0.120**	-0.229***	-0.0454
	(0.0231)	(0.0401)	(0.0477)	(0.0771)	(0.1)
INCCont_index	-0.149***	-0.0443	-0.129**	-0.242***	-0.295**
	(0.0275)	(0.0478)	(0.0568)	(0.0919)	(0.119)
REPCont_index	0.0198	0.0362	0.111*	0.190*	0.393***
	(0.0318)	(0.0552)	(0.0656)	(0.106)	(0.138)
LOSERCont_index	-0.114***	-0.0822**	-0.108**	-0.245***	-0.353***
	(0.0231)	(0.04)	(0.0476)	(0.0769)	(0.0998)
Constant	14.92**	44.72***	40.32***	80.57***	37.26
	(6.314)	(10.96)	(13.02)	(21.06)	(27.31)
Observations	854	854	854	852	853
R-squared	0.141	0.043	0.046	0.075	0.076
Number of PAC_Identifier	296	296	296	296	298
F-Statistic	18.21	5.03	5.28	8.92	8.99

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix C

Data Dictionary

Data Dictionary				
Varaibale Name	Variable Label	Variable Units	Source	Variable Desrciption
PAC_ID	PAC Indentifier	string	FEC	PAC identification code assigned by th FEC
Election_Year	Election Year	string	FEC	Election Year that the firm contributions took place
CAND_ID	Candidate Indentifier	string	FEC	Indentifier assigned to candidate running for office
Committee_Name	PAC Name	string	FEC	The Name given to the Corporate PAC by the sponsoring company
Ticker	Company Ticker Symbol	string	FEC	Publicly Traded Ticker Symbol of Company with PAC
PAC_Rank	PAC Rank	Ranking	Political Money Line	Company's rank amongst other Corporate PACs
F500_Rank	Fortune 500 Rank	Ranking	Political Money Line	Company's rank in the Fortune 500
Total_contribution	Total Contrubution	Dollars	FEC	Nominal Contribution Amount from individual PACs
RealDonation_Total	Real Total Contribution	Dollars	FEC	Real Contribution Amount from Individual PACs chained to 2010 dollars
Transaction_count	Total Amount Transactions	Count	FEC	Total amount of individual transaction by a firm
AVG_Contribution	Average Contribution	Dollars	FEC	Average dollar amount per transaction for a specific firm
REP_CONT	Republican Contributions	Dollars	FEC	Amount of Contributions to Republicans
DEM_CONT	Democratic Contributions	Dollars	FEC	Amount of Contributions to Democrats
Candidate_Total	Candidate Total	Count	FEC	Total amount of candidates that received donations from a specifc firm
state_total	State Total	Count	FEC	Total amount of state races that received donations from a specific firm
REPCont_Index	Republican Contribution Percentage	Index (1-100)	FEC	Percentage of contributions to Republicans Candidates
INCCont_Index	Incumbent Contribution Percentage	Index (1-100)	FEC	Percentage of contributions to Incumbent Candidates
LOSERCont_Index	Loser Contribution Percentage	Index (1-100)	FEC	Percentage of Contributions to Losing Candidates
REP_Cand	Republican Candidiates	Count	FEC	Total amount of republican candidates that received donations from a specific firm
DEM_Cand	Democratic Candidates	Count	FEC	
M1	Merged Month 1 Abnormal Returns	Percentage	FactSet	Abnormal Returns one month following the election
Q1	Merged 3-month Abnormal Returns	Percentage	FactSet	Abnormal Returns three months folloing the election
H1	Merged 6-month Abnormal Returns	Percentage	FactSet	Abnormal Retunrs six months following the election
Y1	Merged Year 1 Abnormal Returns	Percentage	FactSet	Abnormal Returns one year following the election
Total	Merged Total Abnormal Returns	Percentage	FactSet	Abnormal returns two years following the election

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Academic Vita

Ross Maietta

EDUCATION: **Schreyer Honors College, The Pennsylvania State University**
Smeal College of Business – Bachelor of Sciences in Finance Graduation Date: May 2018
College of Liberal Arts – Bachelor of Arts in Economics

AWARDS:
Liberal Arts Outstanding Achievement Award (Dean's List)
Paterno Fellows Program, Scholarship Recipient ($4,000 annually)
Chapel Executive Intern Scholarship Recipient ($5,000)

EXPERIENCE: **Textron Finance Leadership Development Program (LDP)**
Textron Specialized Vehicles – Credit Analysis Intern May 2017 – August 2017

- Created process in Microsoft Excel for the data cleansing of Jacobsen customer master file within Oracle and presented results to all business functions
- Updated process documentation for Dixie Chopper's AR control plan using Microsoft Visio
  - Met with individual process owners to obtain and record new process information
- Enhanced process for manual information delivery (Invoicing) and maintained automated information delivery by contacting customers with invoice receiving issues
- Completed *Textron University* courses targeted to promote leadership qualities as well as participate in Finance LDP Case Competition with interns from varying business units
  - Performed market analysis on prospective acquisition with supporting metrics and presented to panel of senior leaders

The Pennsylvania State University Department of Economics
Teaching Assistant - Economics 402 (Decision Making and Strategy) August 2016 – May 2017

- Worked directly with a professor to create and grade assignments and exam scores for 50+ students
- Received payment of $1,050 per semester to participate
- Input grades on Penn State course website in advance of course deadlines

The Pennsylvania State University Department of Economics
Grader August 2015 – May 2016

- Collected and graded assignments/exams for a 320-student economics course
- Proctored exam periods and enforced academic integrity
- Provided constructive criticism while being punctual with feedback

LEADERSHIP: **Burning Hearts Student Organization**
Treasurer August 2015 – May 2017

- Manage the access and distribution of a standing $1,200 club budget
- Authorize deposits and expenses through club budget with proper accounting principles
- Report all transactions made through Associated Student Activities account to club supervisor

Common Ground Student Organization
Vice President March 2016 – Present

- Coordinated on-campus concert funded through club budget by communicating to performer and Penn State Associated Student Activities (ASA) office
  - Created and facilitated ASA approved contract to musician and reserved facility for event
- Communicate to other executive board members for housekeeping issues and club budgeting
- Conduct a club email (listserv) to distribute club information to all members

National Society of Leadership and Success, Honor Society
Member August 2015 – Present

- Participated in leadership training seminars amongst small group members
- Completed a Leadership Training Development program (LTD)
- Developed leadership techniques with guidance from influential guest speaker

SKILLS: Proficiency in STATA, Oracle, SAP, MS Excel, MS Access, and MS Visio