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Active Firms and Active Shareholders: Corporate Political Activity and Shareholder Proposals

Geeyoung Min and Hye Young You

ABSTRACT

This article reveals the positions of corporations not only as active players in politics but also as targets of activist shareholders with opposing political preferences. We examine whether a firm's political orientation, as measured by its political spending, serves as a driver of shareholder proposal submissions, one manifestation of shareholder activism. Using data on S&P 500 companies for 1997–2014, we find that the divergence in political orientation between shareholders and corporate management is strongly associated with the number of submissions of shareholder proposals on environmental or social issues. Firms that contribute more to the Republican Party are more likely to be targeted by nonindividual, Democratic-leaning shareholders. This pattern remains even after controlling for firms' records of corporate social responsibility and labor relations. This finding implies that corporate political spending prompts shareholders with strong political preferences to target firms on the opposite end of the political spectrum.

1. INTRODUCTION

Controversies over corporate political spending have intensified in recent years, especially since the US Supreme Court struck down a federal law banning corporations' campaign spending for or against expressly identified candidates (*Citizens United v. Federal Election Commission*, 130 S.

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Ct. 876, 558 U.S. 310 [2010]). The fierce public reaction to the decision focused mostly on its potentially negative consequences, such as corporations' excessive influence over American democracy through a drastic increase in their political expenditures.¹ Ironically, in contrast to those concerns, our extensive data set on corporate political spending shows that companies did not increase their political spending noticeably after *Citizens United*. It is puzzling that corporations have not exercised their freedom to support or denounce an identified candidate using independent expenditures. This article suggests that corporate political spending tends to trigger internal governance mechanisms by a corporation's shareholders and thus corporations' political spending is restrained by the pressure of shareholder oversight.

Along with shareholders' escalated engagement in corporate political spending through shareholder proposal submissions,² corporate political activity (CPA) has also received substantial attention from academics. Recent literature documents the relationship between a firm's lobbying and campaign contributions and its stock market returns, taxes, or compensation of its chief executive officer (CEO) (Claessens, Feijen, and Laeven 2008; Richter, Samphantharak, and Timmons 2009; Cooper, Gulen, and Ovtchinnikov 2010; Aggarwal, Meschke, and Wang 2012; Coates 2012). The prior literature on corporate political spending, however, is outcome focused rather than process focused. Although the literature reveals the relationship between a firm's CPA and various measurements of corporate outcomes, the impact of CPA on internal corporate-governance processes has been largely overlooked. We know little about how shareholders react to companies' political engagement and whether internal shareholder responses influence the companies' overall political involvement in return.

Understanding the impact of political spending on the internal governance dynamics between shareholders and management is important, especially because shareholders currently do not have voting rights to approve or reject CPA. In general, management unilaterally determines

1. See, for example, a *New York Times* (2010, p. A30) editorial asserting that "[t]he [Supreme] Court's conservative majority has paved the way for corporations to use their vast treasuries to overwhelm elections and intimidate elected officials into doing their bidding."

2. During the 2014 and 2015 proxy seasons, the most common topic in proposals submitted by shareholders was political contributions and lobbying activities. These easily outpaced corporate-governance issues such as appointing an independent chairperson and declassifying the board of directors. See Gibson, Dunn & Crutcher (2015).

whether, how, when, and where to spend corporate money (Bebchuk and Jackson 2010). Unlike traditional membership-based organizations that often require members' approval of the organization's involvement in politics, corporations have no members in the ordinary sense, and the issue of representation could be exacerbated (Schlozman et al. 2015). For example, if managers make political contributions to advance their own interests rather than those of the shareholders, those contributions might create an agency problem (Agrawal and Knoeber 1996; Bebchuk and Fried 2003).

Shareholder voting traditionally functions as both *ex ante* (for example, shareholder approval requirements) and *ex post* (for example, director elections) measures to check boards of directors. Along with the rise of shareholder activism, shareholder proposals have become another effective tool for shareholder engagement. Beyond voting on the agendas proposed by management, shareholders can also proactively suggest voting agendas on a wide range of issues by submitting shareholder proposals. Once a shareholder proposal is submitted, management can exclude it from a voting ballot only under very limited circumstances (17 C.F.R. 240.14a-8[i]). Although shareholder proposals typically are not legally binding, management tends to be attentive to them to prevent further conflicts with shareholders.³ For instance, management occasionally will settle with a proponent of a shareholder proposal by accepting part or all of the requests in the proposal in order to make the shareholder withdraw the proposal before it is voted on (Haan 2016). As such, the submission of a shareholder proposal already puts pressure on companies to at least start considering the proposed issue. In that sense, shareholder proposals are pertinent to understanding the link between CPA and shareholder responses.

To advance our understanding of the relationship between CPA and shareholder proposals, we examine how firms' lobbying and campaign contribution patterns are associated with shareholder proposal submissions as one type of shareholder activism that delivers shareholders' voices to management. Given that a shareholder proposal submission is relatively less costly than other types of shareholder engagement and thus is available to a much broader range of shareholders, the number of proposals submitted to a company can serve as a useful parameter to ascertain how various shareholders react to CPA.

3. The only exception is a shareholder proposal to amend bylaws, which becomes legally binding once approved by shareholders.

We collected data on S&P 500 companies from 1997–2014 and merged a data set of shareholder proposals, corporate political spending, market performance, and governance structure. We categorize shareholder proposal submissions by agenda and proponent. To measure CPA, we gathered three levels of campaign contributions—CEO contributions, non-CEO employee contributions, and companies’ political action committee (PAC) contributions—and companies’ lobbying expenditures. To measure shareholders’ political activity, we collected the campaign contribution records of nonindividual shareholders like pension funds that submitted shareholder proposals. This allows us to directly compare the divergence in political preference reflected in campaign contributions between a company and its nonindividual shareholders.

We find that shareholders that are politically active are more likely to submit proposals. We also find that shareholders that display a larger divergence in political orientation from management submit shareholder proposals much more actively. In particular, Republican-leaning firms, measured by total campaign contributions from CEOs, non-CEO employees, and the firm’s PACs, receive more shareholder proposals on social issues, especially from public pension funds, religious groups, and shareholders of socially responsible investment (SRI) funds. These nonindividual shareholders who submit the proposals are much more Democratic leaning than the management of the firms they target.

Why is the divergence in political preference between firms and their shareholders associated with the submission of shareholder proposals on environmental or social issues? It is possible that corporate political spending reveals information not limited to the firms’ political involvement. It could extend to other types of corporate policies that shareholders may use to gauge the management’s practices and policies. Recent studies suggest that firms in which top managers heavily contribute to the Republican Party are more likely to become targets of civil rights, labor, and environmental litigation than their Democratic counterparts (Hutton, Jiang, and Kumar 2015) and that liberal CEOs put more emphasis on corporate social responsibility (CSR) practices (Chin, Hambrick, and Treviño 2013; Di Giuli and Kostovetsky 2014). If this is the case, we can expect that shareholders that care more about labor, environmental, and CSR issues will be more responsive to a certain pattern of CPA that targets issues in those dimensions.

We use two data sets to measure corporate policies on environmental or social issues to examine whether differences in CSR practices across

companies are the main driver of shareholder proposal submissions. First, to measure labor relations at the firm level, we collect the number of unfair labor practice charges submitted to the National Labor Relations Board (NLRB) for 1997–2014. Second, we use the Kinder, Lydenberg, Domini (KLD) Research and Analytics STATS data set to measure each firm’s CSR practices. We find that companies that have faced more unfair labor practice charges and have weaker records of CSR receive more shareholder proposals on environmental or social issues. Even after controlling for each firm’s labor relations and CSR scores, however, the divergence in political orientation between a company and its shareholders remains a significant trigger of shareholder proposal submissions on environmental or social issues. Put differently, when companies have similar CSR practices and similar relationships between management and labor, shareholders tend to submit more proposals to companies with opposing political preferences.

Overall, politically active Democratic-leaning shareholders’ activism seems to be driven by their ideological differences with management. This type of activism could be triggered by self-interested public pension board members or funds’ trustees seeking to pursue their own political careers (Romano 1993). Shareholders such as religious groups often opine on social issues including gun control (Moyer 2018). Those shareholders may perceive that Republican-leaning firms may not maximize shareholders’ welfare if the firms support candidates who pursue policies adverse to shareholders’ interests (Hart and Zingales 2017).

Our study implies that increasing CPA could lead to more activism by shareholders whose political preferences are not aligned with firms’ management. This internal constraint could explain why publicly traded firms, especially Republican-leaning firms, did not sharply increase their political involvement after *Citizens United*. As such, this article reveals firms’ statuses not only as active players in politics but, in reverse, as targets of activist shareholders with strong political preferences.

2. CORPORATE POLITICAL ACTIVITY AND SHAREHOLDERS’ RESPONSE

On January 21, 2010, the Supreme Court decision in *Citizens United v. Federal Election Commission* struck down traditional campaign finance law that prevented corporations and unions from using their coffers to sponsor campaign activities during campaigns. In theory, since *Citizens*

United, corporations can use their corporate budgets to sponsor advocacy groups that engage in independent expenditure but do not coordinate with candidates, as is required of super-PACs (Kang 2010, 2012; Briffault 2012).

Critics of *Citizens United* expected corporations to unleash their massive resources on the political system. Indeed, Target Corporation's spending \$150,000 in support of Minnesota gubernatorial candidate Tom Emmer in the 2010 midterm election—immediately after the *Citizens United* decision—seemed to support this prediction (Kang 2012). However, the data do not support it. Most contributions to candidates come from individuals (Ansolabehere, de Figueiredo, and Snyder 2003), and only a small number of publicly traded corporations contribute to super-PACs (Mayersohn 2014).

Although there has been less corporate involvement in elections than expected, shareholder proposals on corporate political spending markedly increased after *Citizens United*, becoming the most frequent agenda item for shareholder proposal submissions in both the 2014 and 2015 proxy seasons. During the 2014 proxy season, 126 shareholder proposals on corporate political and lobbying activities were submitted, while 110 proposals were submitted in 2015. Regarding the contents of the proposals, 112 of the 126 shareholder proposals on corporate political spending in 2014 requested greater disclosure, six proposals asked for board oversight or required shareholder approval of all political spending, and eight proposals called for a complete ban on corporate political spending (Welsh and Passoff 2014).

Among the top 300 companies in the S&P 500 index, 160 companies formally received shareholder proposals on corporate political spending, and 99 of them reached an agreement with shareholders to disclose their direct and indirect political spending (Freed 2014). In addition, some companies voluntarily disclose their political spending partially or in full even without a history of shareholder proposals requesting the disclosure.

Why have shareholders actively submitted proposals to request more disclosure on CPA in recent years? First, shareholder proposals can make companies disclose more detailed CPA information that the companies would not have otherwise voluntarily disclosed. Despite the expansion of voluntary disclosure regarding corporate political spending, some scholars express concern about the low quality of the data and the costly process of comparing data across companies because of the lack of uniformity of information in companies' voluntary disclosures (Beb-

chuk and Jackson 2013). In particular, they argue that although federal and state laws require firms to disclose their contributions to candidates and independent-expenditure organizations, the public has no information about contributions from companies to trade associations and US Internal Revenue Code section 501(c) social welfare groups because those entities do not need to disclose their donors' identities.

Second, CPA disclosure can provide an opportunity for shareholders to learn more about the political preferences of firms. Given that scholars have documented the self-interest-driven shareholder activism of public pension funds and labor unions (Romano 1993; Agrawal 2011), differences in political preferences between those shareholders and management can loom large. A company's increased political involvement is likely to affect shareholders' interests either negatively or positively. For instance, if a company makes contributions to support candidates whose policies could harm the interests of labor and public-sector workers by weakening collective bargaining and workers' compensation, the company's CPA conflicts with those shareholders' interests.

Third, CPA disclosure can also provide supplemental information about companies' policies beyond their involvement in politics. Recent studies present evidence that a firm's political culture is associated with a particular set of corporate policies. For example, Chin, Hambrick, and Treviño (2013) show that, compared with conservative CEOs, liberal CEOs tend to pay more attention to firms' CSR practices. Republican managers tend to adopt more conservative financial policies such as lower levels of corporate debt, and Republican-leaning firms are more likely than Democratic-leaning firms to be the subjects of civil rights, labor, and environmental litigation (Hutton, Jiang, and Kumar 2014, 2015). Therefore, if corporate political spending could provide more information about management practices and firms' policies, CPA disclosure can trigger more activism among shareholders with opposing political preferences.

The fact that management's partisan orientation is associated with a company's policies on labor, environment, and CSR practices has an important implication for contemporary shareholder activism because SRI—investment based on ethical, moral, and/or religious principles—has grown significantly in recent years. On the basis of the principle of SRI, mutual funds and religious groups have been participating in advocacy efforts by submitting shareholder proposals to influence corporate behaviors (Shueth 2003; Renneboog, ter Horst, and Zhang 2008). If a

firm's political preference can be an indicator of its policies on issues that certain shareholders prioritize, activist shareholders will generate tension with management over those policies.

As noted in Hart and Zingales (2017), some shareholders prioritize social welfare over maximization of shareholder value, and shareholder voting is an effective way to incorporate their preferences into the companies' policies. Given the growing emphasis on shareholder engagement in corporate social policies, our study provides empirical evidence to shed light on a mechanism through which shareholders' preferences are voiced.

3. DATA AND STYLIZED FACTS

We focus on firms in the S&P 500 as of 2014, collecting various data from multiple sources about the companies for the years 1997–2014. Among the multiple sources we rely on for data, we consult Institutional Shareholder Services (ISS, formerly RiskMetrics) for shareholder proposal data. These data include, for instance, whether a proposal addresses issues of corporate governance or environmental or social issues, the proponent of the proposal and proponent type, the status of the proposal (omitted, withdrawn, or voted), and the percentage of support for the proposal if it was put to a vote.

Our data set contains 10,156 shareholder proposals submitted to S&P 500 companies for 1997–2014.⁴ While previous studies look mostly at proposals on corporate governance, our data also cover proposals on a wide range of issues including corporate political spending and environmental issues. Given that the number of shareholder proposals on environmental or social issues has been increasing, it has become necessary to include such proposals to fully understand shareholder engagement. This comprehensive data set allows us to discern similarities and differences across the various types of proposals in terms of the target firms' characteristics.

In addition, previous studies on shareholder proposals mainly focus on voting results. Significant numbers of shareholder proposals, however, are either voluntarily withdrawn by sponsors or involuntarily excluded by companies before a shareholder vote. Which submitted shareholder proposals are voted on is not randomly determined. Companies can

4. There were 10,234 shareholder proposals during the period, but 78 do not have information about proponents. We exclude those observations from the analysis.

exclude or omit shareholder proposals only on the basis of the procedural and substantive reasons under Securities and Exchange Commission (SEC) rule 14a-8, generally with the concurrence of the SEC (see 17 C.F.R. 240.14a-8).⁵ In addition, company-specific characteristics such as managements' ability to settle with shareholders can explain some withdrawals of shareholder proposals before being voted on (Haan 2016). Thus, examination of only voted proposals may overlook this potential selection bias, so we use all shareholder proposal submissions to see a fuller picture of shareholder engagement. As such, these data constitute one of the most comprehensive data sets on shareholder activism through shareholder proposal submissions.

Table 1 presents the summary statistics of all types of shareholder proposals submitted to S&P 500 firms for 1997–2014. There is variation across years, but on average, 58 percent of submitted proposals proceeded to votes.⁶ On average, governance-related proposals comprised around 63 percent of the proposal submissions and 64 percent of the proposals that reached a vote. While the number of governance-related proposal submissions has declined since 2010, the number of shareholder proposal submissions regarding environmental or social issues has remained constant. The number of such shareholder proposals being voted on consistently increased until 2013.⁷

While proposals on CPA fall under the category of environmental or social proposals, we provide a separate summary statistic. Until the early 2000s, very few proposals were submitted on political activity, but the number of proposals on CPA has been increasing since then. In 2013 and 2014, CPA ranked as the most frequently voted-on topic. In 2013, for example, over half of the environmental or social proposals voted on were related to CPA. This indicates two important trends in the relationship between shareholders and firms. First, activist shareholders now focus not just on corporate-governance issues but also on other issues such

5. Companies that seek to exclude a shareholder proposal generally request a no-action letter from Securities and Exchange Commission (SEC) staff. Granting of a no-action letter indicates that “the SEC staff would not recommend that the Commission take enforcement action against the requester” based on the issue. See US Securities and Exchange Commission, No Action Letters (<https://www.sec.gov/fast-answers/answersnoactionhtm.html>).

6. The Institutional Shareholder Services (ISS) data indicate the status of each proposal as voted, withdrawn, not in proxy, or omitted, which allows us to infer the proposal's disposition.

7. Table A2 in the Appendix provides summary statistics on the vote outcomes for the shareholder proposals.

Table 1. Numbers of Shareholder Proposals Submitted and Voted On, 1997–2014

	All		Governance		Environmental or Social		CPA	
	Submitted	Voted	Submitted	Voted	Submitted	Voted	Submitted	Voted
1997	321	122	180	78	141	44	6	6
1998	300	137	162	85	138	52	9	5
1999	301	170	203	118	98	52	3	2
2000	435	213	287	125	148	88	5	4
2001	431	245	273	142	158	103	9	8
2002	459	256	285	160	174	96	5	4
2003	644	356	452	266	192	90	2	2
2004	710	384	486	257	224	127	38	25
2005	703	382	461	256	242	126	35	24
2006	668	419	413	277	255	142	31	23
2007	768	439	499	297	269	142	46	23
2008	735	364	448	214	287	150	42	21
2009	740	412	469	286	271	126	43	23
2010	712	415	470	284	242	131	45	31
2011	623	350	368	211	255	139	70	47
2012	573	377	351	236	222	141	94	65
2013	595	434	339	277	256	157	114	83
2014	438	414	243	232	195	182	95	91
Proponent type:								
Individual	3,637	2,147	3,112	1,887	525	260	81	63
Public pension	887	496	306	188	581	308	136	96
Union	2,607	1,469	2,245	1,257	362	212	183	135
Religious group	1,185	689	235	136	950	553	55	38
SRI fund	1,072	590	187	107	885	483	199	134
Other	768	498	304	226	464	272	38	21
Total	10,156	5,889	6,389	3,801	3,767	2,088	692	487

Note. Funds classified as “other” include endowments, hedge funds, and special interest groups such as People for the Ethical Treatment of Animals. CPA = corporate political activity; SRI = socially responsible investment.

as the political activities of firms. Second, this phenomenon may have been driven in part by the fact that CPA has been dramatically increasing in the last 2 decades (Drutman 2015), and *Citizens United* may have affected shareholders' perceptions of corporate political involvement, causing potentially adverse consequences for firms (Coates 2012).

Table 1 also presents statistics on the identities of proposal proponents. Individuals are the most active proposal proponents, but their proposals mainly concern corporate-governance issues. Unions are the second most active proponents, and they also mainly focus on corporate-governance issues. Other shareholder proponents such as public pension funds, religious groups, and SRI funds (for example, Trillium Asset Management) submitted more proposals on environmental or social issues than on corporate-governance issues. With respect to proposals on corporate political spending, SRI funds submitted them most frequently, followed by unions and public pension funds shareholders.⁸

In addition, we collected information on CPA from the Center for Responsive Politics for the period 1997–2014.⁹ For campaign contributions, we gathered data on three distinct types: first, individual campaign contributions made by CEOs to measure the political preferences of top executives (Fremeth, Richter, and Schaufele 2013; Gupta and Wowak 2017);¹⁰ second, individual campaign contributions made by all non-CEO employees who list S&P 500 firms as their employers to Democratic and/or Republican candidates, parties, and organizations; and third, campaign contributions made by a firm's PAC to Democratic or Republican candidates, parties, or organizations, including other PACs. Traditionally, scholars collect data only on PACs' contributions to candidates and parties, but PACs frequently contribute to other PACs, and those transfers have been overlooked in the literature.¹¹ To overcome this limitation

8. Table A3 in the Appendix shows the five shareholders that submitted the most proposals in each category.

9. The Center for Responsive Politics compiles campaign finance reports submitted to the Federal Election Commission (FEC) and lobbying reports submitted to the Clerk of the US House of Representatives and the Secretary of the US Senate.

10. When an individual makes campaign contributions, the FEC requires disclosure of the donor's employer. We collect only individual contributions to candidates, parties, and political action committees (PACs) that clearly identify the recipient's party affiliation to create a measure of political preference. For example, if a chief executive officer contributes to a PAC that does not have a clear party affiliation in data from the FEC, we do not include the contribution because it is difficult to establish how much of it went to either party.

11. Contributions from a PAC to other PACs constitute 40 percent of the contributions made by PACs in our data.

Table 2. Corporate Political Activities at Standard & Poor's 500 Firms, 1997–2014

	Campaign Contributions			Lobbying Spending
	CEOs	Employees	PACs	
1997	1.4	22.0	21.7	N.A.
1998	2.9	33.9	32.2	436.4
1999	2.1	44.1	30.9	480.7
2000	6.8	82.1	59.5	513.8
2001	1.3	42.3	34.2	561.4
2002	4.7	63.2	50.6	590.8
2003	1.9	25.3	45.6	684.8
2004	5.8	51.4	66.0	705.4
2005	2.1	17.7	64.2	742.7
2006	3.5	27.5	77.5	827.2
2007	3.2	39.4	76.0	951.8
2008	6.3	71.7	85.8	1,116.2
2009	2.4	19.2	70.5	1,195.5
2010	3.6	32.8	113.3	1,236.5
2011	4.1	38.1	76.1	1,152.4
2012	8.9	103.7	108.0	1,124.7
2013	3.5	26.4	92.2	1,104.0
2014	4.2	31.2	113.2	786.3
Total	69.4	772.9	1,219.3	14,211.5

Note. Values are in millions of US dollars, inflation adjusted to 2014 dollars. CEOs = chief executive officers; PACs = political action committees; N.A. = not available.

and capture CPA in elections more accurately, we include PACs' transfers to other PACs in addition to their contributions to candidates.¹²

There are 1,016,646 records of contributions associated with S&P 500 firms during our period of study. In addition to campaign contributions, we collected the data on S&P 500 firms' lobbying activities. To measure firms' lobbying activities, we calculate the total annual lobbying expenditures at the firm level for each year. Table 2 presents the yearly sum of contributions and lobbying spending by S&P 500 firms and related individuals. For individual contributors, we present the campaign contributions by CEOs separately from contributions by non-CEO individuals who identify S&P 500 firms as their employer.

12. We include the contribution in the data set if recipient PACs have clear party affiliations in cases of PAC-to-PAC transfers. Across different election cycles, on average, we were able to identify 99 percent of recipient PACs' party affiliations for PAC-to-PAC transfers.

Three salient patterns emerge from the data. First, election years tend to have more campaign contributions than nonelection years in all three categories. Second, contributions from PACs to candidates and other PACs increased over time, whereas contributions from CEOs and other individuals associated with S&P 500 firms fluctuate by cycle. Third, lobbying spending by S&P 500 firms is much greater than campaign contributions by the same entities, and the expenditures on lobbying increased until 2010.

Figure 1 shows the ratio of campaign contributions given to Republican candidates or PACs associated with the Republican Party.¹³ Figure 1A presents the average ratio for the three types of contributions over the election cycles for 1998–2014. All three types show a similar pattern. Figure 1B shows the distribution of the ratio of contributions given to Republicans among S&P 500 firms in the 2012 election cycle.¹⁴ The average ratio of contributions given to Republicans, indicated by the dotted line, is .62 in 2012 among S&P 500 firms, and there is significant variation in the ratio among the firms.

To measure the political preferences of activist shareholders, we collected campaign contribution records of nonindividual shareholders that submitted proposals.¹⁵ Except for a few labor unions such as the AFL-CIO, nonindividual shareholders including religious groups and SRI funds generally do not have PACs. Therefore, we do not separate out each individual member's contributions and PACs' contributions for shareholders. Among 256 nonindividual shareholders that submitted at least one proposal during the period, 117 made positive contributions in at least 1 year. For each shareholder, we collected the total contributions given to candidates and PACs and calculated the ratio of contributions given to Repub-

13. Ratio refers to the fraction of contributions given to Republican candidates or PACs out of total contributions. It ranges from 0 to 1.

14. Figure 1B combines all three types of contributions. Other years show similar distributions.

15. Collecting data on campaign contributions by individual shareholders who submit proposals is challenging because we must rely solely on shareholders' names without access to their addresses or employment statuses to identify activist shareholders in the contribution data. When there are multiple donors with the same name in the contribution data, it is difficult to identify the activist individual shareholders without further information. Therefore, we focus on nonindividual shareholders for which we can clearly identify donors associated with them from the donor's employer information in the contribution data.

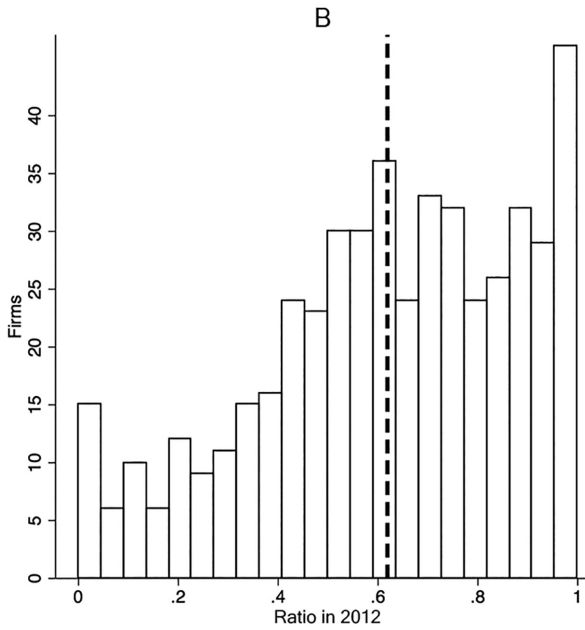
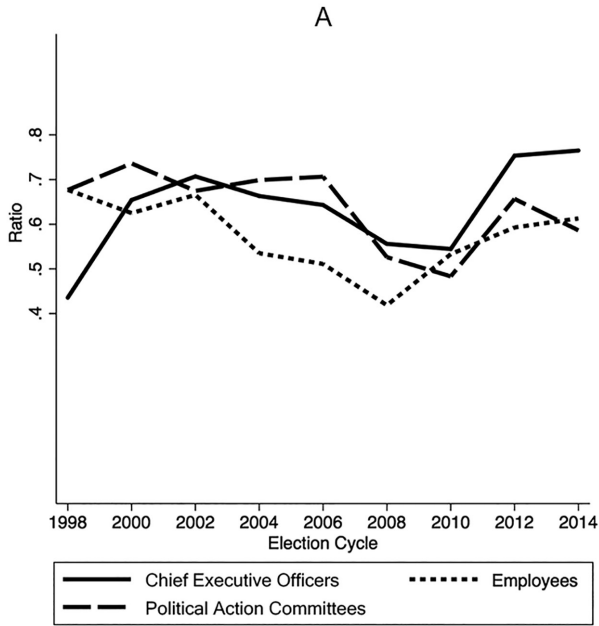


Figure 1. Ratio of contributions to Republicans by Standard & Poor's 500 firms

licans. There were 162,378 contributions associated with nonindividual shareholders that submitted at least one proposal during the period.¹⁶

Figure 2A presents the average ratio of contributions given to the Republican Party by four types of shareholders for each election cycle over 1998–2014. While individuals and PACs associated with public pension funds or unions are significantly Democratic leaning across all election cycles, shareholders associated with religious groups and SRI funds became more Democratic leaning during the time period. Figure 2B shows the distribution of the ratio of contributions given to the Republican Party among nonindividual shareholders that made contributions during the 2012 election cycle. The average ratio, indicated by the dotted line, is .21, which is in stark contrast to the distribution of the ratio among S&P 500 firms in the same period. This suggests that shareholders that submit proposals may have different political preferences than the firms that they typically target.¹⁷

In addition to data on shareholder proposals and corporate and shareholder political activity, we gathered corporate-governance information from the ISS database. The data show some discontinuity in terms of types of data collected and the coding before 2007 versus after 2007. Therefore, we select governance variables that are considered important in terms of shareholder activism and are common across all time periods, such as staggered board and poison-pill provisions. Then we add firm-specific characteristics such as annual sales, standard industry classifica-

16. Table A4 in the Appendix presents the summary statistics of campaign contributions from nonindividual shareholders.

17. This finding may not apply to nonindividual investors or institutional investors that did not submit any shareholder proposals during the period of our study. We downloaded the list of the top 500 money-managing institutions from *Pensions and Investments* (2011) to examine the political contributions of top institutional investors such as mutual funds. For example, Vanguard Group, one of the largest mutual funds in the United States, showed more balanced partisan orientation in its campaign contributions (49 percent to Democrats and 51 percent to Republicans) in the 2014 election cycle. Contribution patterns in the securities and investment sector, which includes major institutional investors, show that 44 percent of such contributions went to Democrats and 56 percent went to Republicans in the 2014 election cycle (Center for Responsive Politics, Securities and Investment: PAC Contributions to Federal Candidates [<https://www.opensecrets.org/pacs/industry.php?txt=F07&cycle=2014>]). Bonica (2014), who analyzes contributions made between 1979 and 2012, also confirms that the banking and finance sector is more partisan balanced in its contribution patterns. The fact that activist shareholders that submitted shareholder proposals lean Democratic suggests that large institutional investors that did not submit any proposals are more aligned politically with firms' management.

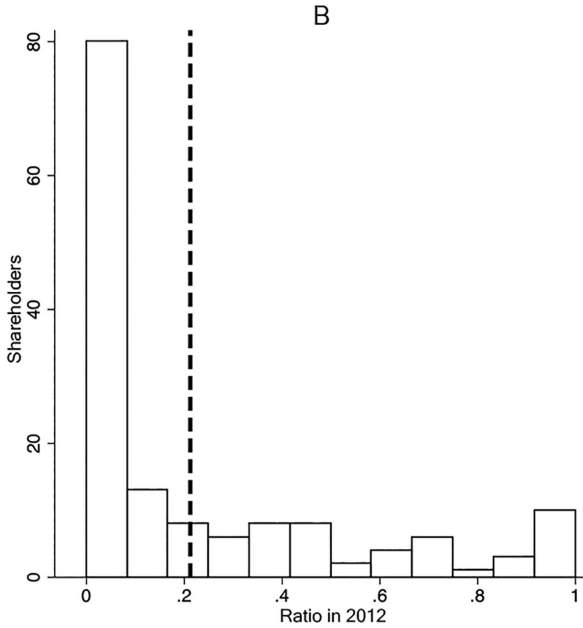
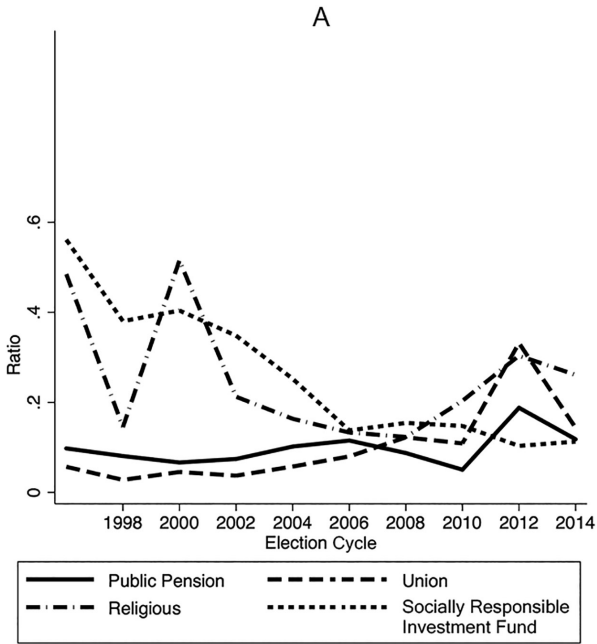


Figure 2. Ratio of contributions to Republicans by activist shareholders

tion (SIC) code, and financial performance (for example, Tobin's q score from Compustat's Fundamental Annual data set).¹⁸

4. EMPIRICAL ANALYSIS AND RESULTS

In this section, we test whether CPA is associated with the submission of shareholder proposals and present the main results. The main empirical specification is as follows:

$$y_{ijst} = \beta_0 + \beta_1 \text{Republican Ratio}_{it-1} + \Gamma \mathbf{X}'_{it-1} + \alpha_j + \gamma_t + \varepsilon_{ijst}, \quad (1)$$

where y_{ijst} is the number of shareholder proposals submitted to firm i in industry j from shareholder proponent type s in year t . $\text{Republican Ratio}_{it-1}$ indicates the ratio of firm i 's total campaign contributions given to Republican candidates and PACs in year $t - 1$. Following Hutton, Jiang, and Kumar (2015), we assume political neutrality for firms that do not make any contributions in a given year and assign a value of .5 to Republican Ratio .¹⁹ The term \mathbf{X}_{it} includes information about financial performance, governance characteristics, total campaign contributions, and lobbying expenditure for each firm in the previous year.²⁰ We also include an industry fixed effect with a three-digit SIC code (α_j) and a year fixed effect (γ_t).

Table 3 presents the results when a dependent variable in equation (1) is the number of shareholder proposal submissions on governance issues, the number of proposal submissions on environmental or social issues, and the number of proposal submissions on corporate political spending (a subcategory of an environmental or social proposal). We present only the results for independent variables related to corporate political activities in Table 3. The full regression results are presented in the Appendix.²¹

18. Table A5 in the Appendix presents the mean differences in financial characteristics, governance, and CPA between targeted firms that received at least one shareholder proposal and nontargeted firms.

19. Among 8,545 observations (firm \times year), 1,085 observations have no campaign contributions. For robustness checks, we ran the analysis without imputation, thereby limiting the sample to the firms that made positive campaign contributions. We also ran a model including the total campaign contribution and the contribution given to the Republican Party to avoid the imputation for no-contribution cases. In both cases, the results are similar, and the results are reported in Tables OA1 and OA2 in the Online Appendix.

20. For the summary statistics of the full list of variables included in the analysis, see Table A6 in the Appendix.

21. Full regression results for each type of proposal are presented in Tables OB1, OB2, and OB3 in the Online Appendix.

Table 3. Corporate Political Activities and Shareholder Proposal Submissions

	All (1)	Individual (2)	Public Pension (3)	Union (4)	Religious Group (5)	SRI Fund (6)
Governance:						
(ln)Total Contributions	.000236 (.03)	.00559 (.85)	.000468 (.49)	-.00665 (-1.47)	-.0000606 (-.07)	-.000432 (-.55)
Republican Ratio	-.0310 (-.33)	-.104 ⁺ (-1.69)	.0242* (2.35)	.0372 (.93)	.00304 (.36)	.000606 (.07)
(ln)Lobbying Spending	.0133** (2.82)	.00604 ⁺ (1.85)	.000623 (.86)	.00433 ⁺ (1.79)	.000546 (1.21)	.000946* (2.24)
Environmental or social:						
(ln)Total Contributions	-.0115 ⁺ (-1.81)	-.00227 (-1.15)	.0000197 (.01)	-.00213 (-1.28)	-.00243 (-.92)	-.00216 (-1.07)
Republican Ratio	.207** (3.27)	-.00976 (-.55)	.0607** (3.63)	.00272 (.26)	.0619* (2.57)	.0491** (2.61)
(ln)Lobbying Spending	-.00160 (-.47)	-.00146 (-1.11)	.00147 (1.53)	-.000395 (-.47)	-.00202 (-1.50)	-.000449 (-.26)
CPA:						
(ln)Total Contributions	.000804 (.45)	-.000642 (-1.10)	.000690 (1.16)	.000205 (.31)	.000549 (1.28)	.0000917 (.11)
Republican Ratio	.0270 ⁺ (1.85)	-.00500 (-1.08)	.0210** (3.11)	-.00310 (-.48)	.00500 (1.46)	.00853 (1.23)
(ln)Lobbying Spending	.00112 (.90)	-.000501 (-1.37)	.00134** (2.95)	.000138 (.30)	-.000151 (-.74)	.000576 (.79)

Note. The unit of observation is the firm-year. Errors are clustered at the firm level; *t*-statistics are in parentheses. All regressions include firm characteristics and industry and year fixed effects. Republican Ratio is the ratio of a firm's total campaign contributions given to Republican candidates and political action committees in the previous year. SRI = socially responsible investment; CPA = corporate political activity. *N* = 6,500.

⁺ *p* < .10.

* *p* < .05.

** *p* < .01.

First, our results suggest that firms that spend more on lobbying tend to receive more proposals on governance issues. This is particularly salient for proposals submitted by individual, union, and SRI fund shareholders. Republican-leaning firms do not necessarily receive more governance-related proposals, but the number varies depending on the proponent. Republican-leaning firms tend to receive fewer governance proposals from individual shareholders, but they receive more governance proposals from public pension fund shareholders.

Second, Republican-leaning firms tend to receive more shareholder proposals on environmental or social issues, mainly driven by shareholders associated with public pension funds, religious groups, and SRI funds. This is consistent with the fact that those types of shareholders reportedly put more weight on environmental or social issues than other types of shareholders, including individual investors and hedge funds (Renneboog, ter Horst, and Zhang 2008). Shareholder proposals on corporate political spending are commonly categorized as SRI proposals. However, we ran a separate analysis on them to see whether CPA proposal submissions have a distinctive pattern. Public pension fund shareholders in particular are more likely to submit proposals on CPA to firms that are Republican leaning and spend more on lobbying. Submissions from other types of shareholders are not associated with CPA.

The type of shareholder proponent may be a good indicator of a proponent's political preference to register the existence of a potential preference gap between a company and its shareholders. But it is possible that investors choose to own shares of companies that exhibit political preferences similar to their own. For example, public pension fund shareholders may own more shares of firms that are Democratic leaning in their political culture and are sympathetic to issues affecting public pension funds. By contrast, it is also possible that shareholders invest in a company with different political preferences primarily to challenge certain of the company's practices or policies. If this type of sorting behavior happens in the decision-making stage of investment, the type of shareholder proponent may not accurately capture the preference difference between firms and shareholders.

To address the issue, we employ a more direct test. Using campaign contributions by nonindividual shareholders, we calculate the total campaign contributions and the ratio of contributions given to the Republican Party by each shareholder type that submitted proposals to any firm in a given year. We create a variable, Firm's Republican Leaning, that

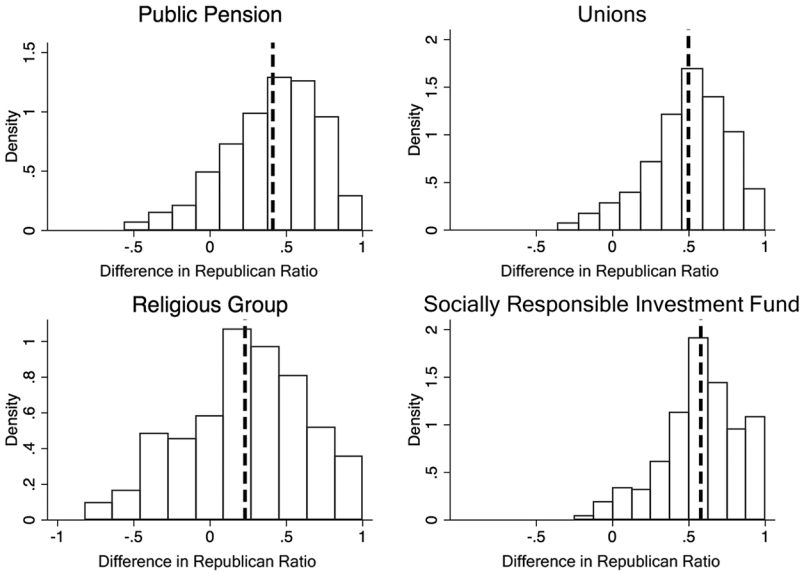


Figure 3. Distribution of a firm's Republican leaning vis-à-vis shareholders

indicates the difference in the ratio of campaign contributions to the Republican Party between a firm and every type of shareholder (the firm's Republican contribution ratio minus the shareholders' Republican contribution ratio). A positive value of Firm's Republican Leaning indicates that firms are more Republican leaning than shareholders that submitted proposals. Figure 3 presents the distribution of the degree of Firm's Republican Leaning for the four types of nonindividual shareholders across all years. The dotted lines indicate the average value of Firm's Republican Leaning. There are some cases in which shareholders are more Republican leaning than the firms in which they invest, but overall, activist shareholders are more Democratic leaning than the firms to which they submit proposals.

We use Firm's Republican Leaning instead of Republican Ratio in equation (1) and ran the analysis.²² We also included the total campaign contribution by each shareholder to control the overall level of their political involvement.²³ Table 4 presents the results with respect to vari-

22. If nonindividual shareholders that submitted proposals did not contribute at all, we assume political neutrality for them, following Hutton, Jiang, and Kumar (2015), and assign a value of .5 to the ratio of the shareholder's contribution to Republicans.

23. Regardless of the difference in political preference between firms and shareholders, politically active shareholders could submit more shareholder proposals. To control for this, we include the variable $\ln(\text{Shareholder Contributions})$.

Table 4. Divergence in Political Preference between Firms and Shareholders and Its Relation to Proposal Submissions

	Public Pension	Union	Religious Group	SRI Fund
Governance:				
(ln)Firm Contributions	.000625 (.71)	-.00585 (-1.49)	.000271 (.30)	-.000516 (-.66)
(ln)Shareholder Contributions	.00996** (5.49)	.0307** (11.12)	.00794+ (1.82)	.00790** (2.77)
Firm's Republican Leaning	.0159 (1.50)	.00909 (.26)	-.0107 (-1.16)	.00610 (.65)
(ln)Firm Lobbying Spending	.000416 (.62)	.00256 (1.25)	.000482 (1.07)	.000913* (2.20)
Environmental or social:				
(ln)Firm Contributions	-.0000167 (-.01)	-.00198 (-1.23)	-.00217 (-.84)	-.00203 (-1.14)
(ln)Shareholder Contributions	.0232** (9.39)	.00631** (6.92)	.0531** (4.03)	.0462** (8.54)
Firm's Republican Leaning	.0616** (3.99)	-.00222 (-.22)	.0690** (3.19)	.0494** (2.93)
(ln)Firm Lobbying Spending	.000985 (1.24)	-.000751 (-.90)	-.00242+ (-1.81)	.000238 (.17)
CPA:				
(ln)Firm Contributions	.000538 (.90)	.000240 (.36)	.000564 (1.36)	.000227 (.29)
(ln)Shareholder Contributions	.00517** (3.18)	.00369** (5.18)	.00261 (1.14)	.0166** (4.71)
Firm's Republican Leaning	.0283** (3.69)	-.00336 (-.50)	.00526 (1.51)	.00413 (.59)
(ln)Firm Lobbying Spending	.00123** (2.92)	-.0000660 (-.15)	-.000171 (-.84)	.000504 (.79)

Note. The unit of observation is the firm-year. Errors are clustered at the firm level; *t*-statistics are in parentheses. All regressions include firm characteristics and industry and year fixed effects. SRI = socially responsible investment; CPA = corporate political activity. *N* = 6,500.

+ *p* < .10.

* *p* < .05.

** *p* < .01.

ables on political spending.²⁴ First, nonindividual shareholders that are politically active, measured by their total contributions to candidates and PACs, are more likely to submit both governance and environmental or social proposals. Second, the difference in the ratio of contributions to the Republican Party between firms and shareholders is strongly

24. For the full regression results, see Tables OB4, OB5, and OB6 in the Online Appendix.

associated with the submission of environmental or social proposals for public pension, religious-group, and SRI fund shareholders. In particular, Republican-leaning firms tend to receive more shareholder proposals on environmental or social issues. However, we do not observe that the difference in political preference is associated with shareholder proposal submissions on governance issues. Third, this pattern is also true for proposals on CPA submitted by shareholders associated with public pension funds.

As a robustness check, we present the results with a firm fixed effect in Table OA3 in the Online Appendix. While the statistical significance for public pension and SRI funds' submissions of environmental or social proposals is reduced from the 5 percent level to 10 percent, the difference in political orientation between firms and shareholders is still positively associated with the submission of environmental or social proposals, even after we include a firm fixed effect that exploits only the within-firm variation in the variable Firm's Republican Leaning.

We also divide firms' campaign contributions into those by CEOs, non-CEO employees, and PACs to create the Republican Ratio difference measures between each type of contribution and each shareholder group to see whether certain shareholders are more responsive to a difference in political preferences. Table OB7 in the Online Appendix shows the results. Shareholders seem more responsive to the difference between their contributions and firms' official PAC contributions than to the gap between their contributions and the contributions of CEOs or firms' employees. This may be driven by the fact that while contributions by CEOs and firms' employees are made at the individual level, information about firms' PAC contributions may represent a more official stance by firms on many issues.

One surprising pattern is the result with respect to union shareholders. Union shareholders that make more campaign contributions are more likely to submit shareholder proposals both on governance and social issues. The frequency of union shareholders' proposal submissions, however, is not sensitive to companies' political preferences. Although this result might be counterintuitive given the popular perception of labor unions' political activities, Table 1 shows that unions as shareholders focus heavily on governance proposals. Only 14 percent of the proposals that union shareholders submitted were on environmental or social issues. In contrast, 65 percent of the proposals submitted by public pen-

sion funds and 82 percent of the proposals submitted by SRI funds were on environmental or social issues. Union shareholders' disproportionate focus on governance issues may explain why we do not see the same pattern for union shareholders' proposal submissions on environmental or social issues.

In addition, recent studies document how union shareholders are mainly interested in increasing their influence in unionized firms and bargaining leverage through shareholder proposals (Agrawal 2011; Matsusaka, Ozbas, and Yi 2019). This may also explain why union shareholders are not particularly responsive to firms' political orientations.

Overall, results presented in Tables 3 and 4 suggest that Republican-leaning firms receive more proposals, particularly from shareholders associated with public pension funds, religious groups, and SRI funds. Given that we control for variables related to corporate governance and financial performance, the argument that Republican-leaning firms have systematically different governance or market performance can be ruled out. The finding that the difference in political preferences, as illustrated by campaign contribution patterns, is strongly related to proposal submissions on environmental or social issues suggests that shareholders may use CPA as a proxy for corporate policies on environmental or social issues.

To assess the possibility that the relationship between the political divergence and shareholder activism is driven by firms' preexisting policies and practices on environmental or social issues, we gathered data from two sources. First we collected the unfair labor practice cases filed with the NLRB against S&P 500 firms during the period 1997–2014. Individuals, unions, or employers can submit charges to the NLRB for unfair labor practices described in section 8 of the National Labor Relations Act. Although the majority of charges are settled by the parties before a decision is made by the NLRB, the number of charges submitted against a company in a given year could reveal the relationship between labor and management in the company.

Second, we use data from KLD to measure firms' CSR activities during the period. The KLD data are most widely used by scholars to measure firms' CSR activities (for example, Hillman and Keim 2001; Baron, Harjoto, and Jo 2011; Richter 2016). The KLD data offer information about seven issue areas and measure strength and concern in each area as a dummy variable. Following the prior literature, we create a CSR index by

summing the strength indicators and then subtracting the concern indicators. Higher and positive KLD scores indicate stronger CSR records.²⁵

Each year, on average, 7.7 unfair labor practice cases were filed with the NLRB against the companies in our sample. The CSR scores of the companies range from -11 to 19, with an average of .77. If Republican-leaning contribution patterns are correlated with higher numbers of unfair labor practice cases and lower CSR scores, the relationship we document in Tables 3 and 4 would be an artifact of those omitted variables rather than a product of divergence in political preference between a company and its shareholders. If this is the case, once we include the direct measures of unfair labor practice cases and CSR scores of each firm, the difference in political orientation between a company and its shareholders should no longer be associated with the number of shareholder proposal submissions, particularly on social issues.

Table 5 presents the results for the submission of social proposals when we include the number of labor disputes submitted to the NLRB and KLD scores in the empirical specification.²⁶ Firms that had more charges filed against them at the NLRB in a previous year tend to receive more shareholder proposals on social issues by public pension and SRI funds. Firms that have higher CSR scores in a previous year receive fewer social proposals from public pension and religious-group shareholders. These results indicate that firms' labor relations and CSR scores are associated with shareholder activism on corporate policies regarding social issues. Even after controlling for firms' labor relations and CSR scores, however, the positive relationship between the divergence in shareholders' and companies' political orientations and the submission of shareholders' social proposals persists.

These results collectively suggest that part of shareholder activism through submitting shareholder proposals might be motivated by reasons other than the corporate policies on social issues. One potential motivation that explains this ideology-driven activism would be political career concerns of board members on public pension funds and other shareholders. As Romano (1993) points out, the structure of public pension fund boards and the political affiliation of funds' trustees make public pension

25. Among the 8,545 firm-year observations in our data, we have Kinder, Lydenberg, Domini (KLD) Research and Analytics information for 6,224 (86 percent) observations. For more details on the National Labor Relations Board data on unfair labor disputes and the KLD data on corporate social responsibility score, see Online Appendix OC.

26. For the full regression result, see Table OB8 in the Online Appendix.

Table 5. Divergence in Political Preferences between Firms and Shareholders and Its Relation to Environmental or Social Proposal Submissions

	Public Pension	Union	Religious Group	SRI Fund
NLRB Disputes	.000709* (2.07)	.000247 (.35)	.000829 (.72)	.00370** (5.18)
KLD Score	-.00670** (-3.77)	-.000664 (-.47)	-.0123** (-3.54)	-.000336 (-.13)
(ln)Firm Contributions	-.000400 (-.25)	-.00289 (-1.45)	-.00464 ⁺ (-1.75)	-.00250 (-1.13)
(ln)Shareholder Contributions	.0234** (8.98)	.00536** (5.97)	.0531** (3.79)	.0453** (8.07)
Firm's Republican Leaning	.0493** (3.08)	-.000431 (-.04)	.0590* (2.54)	.0418* (2.07)
(ln)Firm Lobbying Spending	.00102 (1.09)	-.000611 (-.66)	-.000862 (-.62)	.000000168 (.00)

Note. The unit of observation is the firm-year. Errors are clustered at the firm level; *t*-statistics are in parentheses. All regressions include firm characteristics and industry and year fixed effects. SRI = socially responsible investment; NLRB = National Labor Relations Board; KLD = Kinder, Lydenberg, Domini. *N* = 5,285.

⁺ *p* < .1.

* *p* < .05.

** *p* < .01.

funds more vulnerable to political pressures than other types of shareholders. Hess (2005) finds, with some caveats, that public pension fund systems are more likely to be active when more trustees are elected by pension holders and at least some of the plan members are unionized.

Another motivation, which is not mutually exclusive from the first motivation, is that Democratic-leaning shareholders may have concerns that companies' contributions will be used to sponsor candidates who pursue policies that could weaken the interests of labor unions and their members. These types of corporate activities may not be captured fully in the measures of NLRB labor disputes or KLD CSR scores. Given that the Republican Party tends to support less regulation and smaller government, Democratic-leaning shareholders may be concerned about corporate political activities if the firms in which they invest contribute to candidates whose goals are to weaken those shareholders' interests.

Many shareholders express ethical and social concerns beyond their own immediate material interests, and some shareholders may pursue actions at the corporate level to influence political and social changes. For example, after the mass shooting at Stoneman Douglas High School in

Florida in February 2018, companies with ties to the National Rifle Association faced public criticism, and public employees put pressure on public pension funds to sell their stakes in companies that manufacture guns (Noguchi 2018). If shareholders assign weight to both profits and social concerns in their welfare calculations, shareholder proposal submissions on corporate policies are a useful way to press companies to avoid welfare-reducing choices even when they are profitable (Hart and Zingales 2017). Thus, environmental or social proposal submissions by Democratic-leaning shareholders targeting Republican-leaning firms could be a signal that the firms do not maximize those shareholders' welfare.

5. CONCLUSION

Despite shareholders' heightened alertness to CPA in the wake of *Citizens United*, there has been little empirical research on how corporate political spending influences firms' internal dynamics between management and shareholders. By constructing a comprehensive data set combining corporate political spending and shareholder proposals, this paper advances our understanding of how shareholders respond to corporate political engagement. We find that shareholder activism, reflected in shareholder proposal submissions, is more sensitive to CPA if there is a larger divergence between the political orientation of shareholders and that of management. Our results indicate that Republican-leaning companies receive more shareholder proposals regarding environmental or social issues from their public pension, religious-group, and SRI fund shareholders that are more Democratic-leaning. This relationship persists even after we control for each company's CSR scores and labor relations.

Our finding provides another way to understand why companies did not increase their corporate political spending after *Citizens United*. There may be more than one reason companies stayed politically neutral or inactive. Given that, for example, the CEO of Chick-fil-A's comments against same-sex marriage provoked a nationwide consumer boycott, activists' reactions and potential negative market reactions are of concern to corporate management (Baron and Diermeier 2007; Egorov and Harstad 2017). In addition to concerns about external reactions, our finding suggests that potential internal reactions of shareholders also function as a constraint on corporate political spending.

This finding has important implications for the long-standing debate on the mandatory disclosure of CPA and the role of special-interest shareholders (Bebchuk and Jackson 2013; Copland 2013). Mandatory disclosure of corporate political activities will give shareholders access to more complete and accessible disclosure of political spending, and shareholders will be better informed about the political involvement of the companies in which they invest. At the same time, our results also illustrate how increased transparency may galvanize certain shareholders to submit proposals. Increases in the amount a company spends on political activities can spark activism in certain shareholders that have divergent political views and preferences from the company's management. As shown by the fact that social and environmental issues were the most popular topics of shareholder proposals in the 2017 proxy season, shareholders have gradually become more vocal about the social and political choices of companies.

The fact that Democratic-leaning shareholders tend to target Republican-leaning firms, however, does not necessarily mean that those shareholders act against firms' or other shareholders' interests. For instance, if a company with a certain political orientation experiences a systemic conflict between its labor and management, and the conflict disrupts production at the plant level, a proposal submitted by shareholders that prioritizes labor issues may prompt the company to reconsider the conflict. If management and the labor force reconcile, shareholders that submitted the proposal may provide benefits to other shareholders as well.²⁷

On the other hand, if, for instance, shareholder activism is motivated by the narrow self-interested career concerns of politically oriented boards of trustees of public pension funds, this politically biased activism may create harmful outcomes for other shareholders. Accordingly, the question of whether shareholder engagement by special-interest groups is beneficial or harmful to firms requires further research.

27. In line with this reasoning, Krueger and Mas (2004) show that labor strife at the plant level is related to lower product quality.

APPENDIX: DATA DESCRIPTION AND SUMMARY STATISTICS

Table A1. Definitions of Variables

Variable Name	Description
Total Proposal	Total number of shareholder proposal submissions
Governance Proposal	Total number of shareholder proposal submissions on corporate governance
Environmental or Social Proposal	Total number of shareholder proposal submissions on social and environmental issues
CPA Proposal	Total number of shareholder proposal submissions on corporate political activity
(ln)Total Contributions	(log)Total campaign contributions from individuals and political action committees (PACs)
(ln)Total Individual Contributions Republican	(log)Total individual contributions to Republican candidates
(ln)Total PAC Contributions Republican	(log)Total PACs to Republican candidates and PACs
(ln)Lobbying spending	(log)Company's total lobbying spending
Staggered Board	Board of directors with only a fraction of directors elected each year
Poison Pill	Shareholders' special rights to purchase the stock of target or bidder company at a discount
Supermajority Voting	Supermajority voting requirements for material business actions
Limit Bylaw Amendment	Limitations on shareholders' ability to amend bylaws
Limit Charter Amendment	Limitations on shareholders' ability to amend charter
Limit Special Meeting	Limitations on shareholders' ability to call a special meeting
Limit Written Consent	Limitations on shareholders' ability to act by written consent
Assets	Total assets
Liability	Total debt including current
Market Value	Total market value
Revenue	Total revenue
Book Value per Share	Book value per share
Tobin's Q	(Market value + liabilities)/(book value per share + liabilities)
Return on Assets	Net income/total assets
Return on Equity	Net income/equity
Republican Ratio	Ratio of contributions to Republican candidates and PACs
(ln)Firm Contributions	Total contributions made at the firm level
(ln)Firm Lobbying Spending	Total lobbying spending by a firm
(ln)Shareholder Contributions	Total contributions made by a shareholder
(ln)Firm's Republican Learning	Difference in the ratio of campaign contributions to the Republican party between a firm and a shareholder
KLD Score	Measurement for corporate social responsibility score
NLRB Disputes	Number of labor disputes submitted to the National Labor Relations Board

Table A2. Voting Outcomes for Shareholder Proposals, 1997–2014

	All			Governance		Environmental or Social		CPA	
	% Voted	% Supported	% Voted	% Supported	% Voted	% Supported	% Voted	% Supported	
1997	38	14.3	43.3	18.6	31.2	6.5	100	5.3	
1998	45.6	15.3	52.4	20.4	37.6	6.9	55.5	6	
1999	56.4	19.5	58.1	24.4	53	8.3	66.6	6	
2000	48.9	19	43.5	27.7	59.4	6.6	80	4.7	
2001	56.8	19.5	52	27.8	65.1	8.1	88.8	6	
2002	55.7	24.4	56.1	34.1	55.1	8.2	80	5.2	
2003	55.2	28.1	58.8	34.2	46.8	10.1	100	6	
2004	54	24.6	52.8	31	56.7	11.5	65.7	9.2	
2005	54.3	26.1	55.5	34.1	52	9.7	68.5	10.8	
2006	62.7	29.7	67	38.7	55.6	12.2	74.1	19.5	
2007	57.3	28.9	59.7	35.9	52.7	14.2	50	20.1	
2008	49.8	27.5	48.4	36.6	52.2	13.6	50	22.9	
2009	57	34.4	62.7	41.9	46.7	16.1	53.4	28	
2010	58.2	32.7	60.4	39.5	54.1	17.9	68.8	25.5	
2011	56	32.6	57.1	41.4	54.3	19.2	67.1	27	
2012	65.9	34	67.4	43.2	63.5	18.3	69.1	21	
2013	72.8	32.5	81.4	39	61.3	21.1	72.8	24.2	
2014	94.5	32.2	95.4	40.4	93.3	21.6	95.7	24.9	
Proponent type:									
Individual	59	31.1	60.6	34.3	49.5	7.6	77.8	7.8	
Public pension	55.9	32.4	61.4	51.6	53	20.7	70.6	27.8	
Union	56.3	34.2	56	36.8	58.6	19.1	73.8	22	
Religious group	58.1	13.2	57.9	20.5	58.2	11.4	69.1	22.5	
SRI fund	55	20.2	57.2	33.9	54.6	17.1	67.3	22.5	
Other	61.9	20.2	66.5	43.3	59.8	8.2	54.5	14.2	
Total	57.9	28.3	59.6	35.9	55.4	14.1	70.3	21.3	

Note. Percentages supported are averages. CPA = corporate political activity; SRI = socially responsible investment.

Table A3. Top Five Shareholder Proponents by Number of Proposal Submissions

Rank	Individual	Public Pension	Union	Religious Group	SRI Fund
Governance:					
1	John Chevedden (424)	NYC Funds (92)	UBCJA (629)	ICCR (78)	Cummings (48)
2	Evelyn Davis (326)	CT Fund (44)	AFL-CIO (220)	Catholic Equity (16)	Walden (39)
3	Rossi Family (319)	CalPERS (30)	AFSCME (217)	Unitarian Universal (14)	Calvert (28)
4	William Steiner (218)	IL Fund (29)	IBEW (170)	Christian Brothers (9)	Needmor (16)
5	Kenneth Steiner (161)	NC Fund (21)	SMW (160)	Mercy Investment (9)	Northstar (13)
Environmental or social:					
1	Evelyn Davis (72)	NYC Funds (401)	AFL-CIO (101)	ICCR (193)	Trillium (152)
2	John Harrington (21)	NY State (125)	Teamsters (49)	St. Joseph (53)	Walden (118)
3	Thomas Strobhar (18)	CalSTRS (20)	AFSCME (30)	Dominican Sisters (46)	Harrington (113)
4	Ed Foster (17)	MN Fund (15)	SEIU (30)	United Methodist (40)	Calvert (102)
5	Marie Hessler-Grisel (12)	CT Fund (15)	LongView (17)	St. Elizabeth (40)	As You Saw (78)
CPA:					
1	Evelyn Davis (46)	NY State (66)	Teamsters (31)	Mercy (13)	Trillium (37)
2	James Mackie (7)	NYC Fund (63)	AFL-CIO (26)	St. Joseph (5)	Walden (26)
3	Bart Naylor (3)	CT Fund (3)	AFSCME (24)	St. Francis (5)	Northstar (24)
4	B&J Sloan (3)	NC Fund (2)	SEIU (20)	Unitarian Universal (4)	
5	Ralph Spelbring (3)	Philadelphia Fund (1)	Laborers (13)	Benedictine (3)	

Note. Numbers of proposals submitted are in parentheses. SRI = socially responsible investment; UBCJA = United Brotherhood of Carpenters and Joiners of America; ICCR = Interfaith Center for Corporate Responsibility; AFL-CIO = American Federation of Labor-Congress of Industrial Organizations; AFSCME = American Federation of State, County, and Municipal Employees Pension Plan; IBEW = International Brotherhood of Electrical Workers; SMW = Sheet Metal Workers; SEIU = Service Employees International Union; CPA = corporate political activity.

Table A4. Campaign Contribution Patterns by Activist Shareholders

	Public Pension		Union		Religious Group		SRI Fund	
	Contribution	Republican Ratio	Contribution	Republican Ratio	Contribution	Republican Ratio	Contribution	Republican Ratio
1996	4,280.3	.10	23,269.6	.06	21.1	.48	34.4	.56
1998	4,290.9	.08	19,542.9	.03	29.2	.15	66.8	.38
2000	8,520.4	.07	32,308.8	.05	52.0	.52	147.7	.40
2002	9,450.4	.07	32,249.9	.04	39.2	.21	65.1	.35
2004	8,400.4	.10	35,893.2	.06	165.8	.16	168.7	.25
2006	7,080.7	.12	31,092.9	.08	114.6	.13	196.3	.14
2008	10,284.2	.09	68,102.0	.12	268.3	.12	375.9	.15
2010	7,511.4	.05	41,023.7	.11	62.2	.20	93.1	.15
2012	7,415.5	.19	61,753.1	.33	581.5	.30	377.8	.10
2014	5,722.0	.12	22,967.3	.14	132.2	.26	208.7	.11
Total	72,956.7	.10	368,203.7	.10	1,466.5	.25	1,735.1	.26

Note. Contributions are in thousands of US dollars. Ratios are of total contributions given to the Republican Party. Republican Ratio is the ratio of a firm's total campaign contributions given to Republican candidates and political action committees in the previous year. SRI = socially responsible investment.

Table A5. Descriptive Statistics of Targeted and Nontargeted Firms

	Targeted			Nontargeted		
	N	Median	SD	N	Median	SD
Financial:						
Assets (\$billions)	3,712	18.67	218.79	4,768	5.39	50.64
Book Value per Share (\$)	3,706	15.24	18.69	4,665	12.80	29.78
Liability (\$billions)	3,686	11.44	199.60	4,674	2.63	45.05
Market Value (\$billions)	3,697	15.89	58.74	4,558	6.47	20.45
Revenue (\$billions)	3,496	11.65	42.30	4,503	3.36	12.62
Tobin Q	3,590	1.89	1.42	4,394	2.13	3.50
Return on Assets	3,599	.051	.068	4,397	.054	.147
Return on Equity	3,599	.148	3.527	4,397	.137	2.379
Governance:						
Staggered Board	3,624	.41	.49	3,637	.50	.50
Poison Pill	3,624	.28	.45	3,637	.40	.49
Supermajority Voting	3,624	.32	.47	3,637	.32	.47
Limit Bylaw Amendment	3,624	.33	.47	3,637	.32	.47
Limit Charter Amendment	3,624	.25	.43	3,637	.23	.42
Limit Special Meeting	3,624	.41	.49	3,637	.39	.49
Limit Written Consent	3,624	.49	.50	3,637	.46	.50
CPA:						
Total Contributions (\$1,000s)	3,734	340.6	693.2	4,811	86.6	280.2
CEO Contributions Republican Ratio	2,133	.65	.40	2,088	.63	.42
Employee Contributions Republican Ratio	3,504	.60	.30	3,890	.59	.36
PAC Contributions Republican Ratio	2,625	.63	.19	1,726	.64	.21
Lobbying Spending (\$1,000s)	3,734	2,591.0	4,293.3	4,811	547.0	1,384.2

Note. The unit of observation is the firm-year. Targeted firms are those for which a proposal was submitted in a given year, regardless of whether it was voted on. Numbers of observations vary because of missing data. Governance variables are available only since 2007.

Table A6. Summary Statistics of Variables

	N	Mean	SD	Min	Max
Total Proposal	8,545	1.20	2.28	0	28
Governance Proposal	8,545	.76	1.56	0	19
Social Proposal	8,545	.44	1.04	0	12
CPA Proposal	8,545	.08	.31	0	5
(ln)Total Contributions	8,545	9.39	4.08	.00	16.70
(ln)Total Individual Contributions					
Republican	8,545	7.56	4.08	.00	15.40
(ln)Total PAC Contributions Republican	8,545	5.50	5.60	.00	16.32
(ln)Lobbying Spending	8,545	8.02	6.86	.00	17.71
Staggered Board	7,260	.46	.50	0	1
Poison Pill	7,260	.34	.47	0	1
Supermajority Voting	7,260	.32	.47	0	1
Limit Bylaw Amendment	7,260	.33	.47	0	1
Limit Charter Amendment	7,260	.24	.43	0	1
Limit Special Meeting	7,260	.40	.49	0	1
Limit Written Consent	7,260	.47	.50	0	1
Assets (\$billions)	8,480	41.5	152.1	.92	2,573.1
Liability (\$billions)	8,360	32.7	138.6	.00	2,341.0
Market Value (\$billions)	8,255	23.2	43.9	.03	626.5
Revenue (\$billions)	7,999	15.0	30.9	.00	474.2
Book Value per Share (\$)	8,371	18.62	25.49	-141.12	640.42
Tobin's Q	7,984	2.59	2.78	.99	105.57
Return on Assets	7,996	.06	.12	-5.78	.99
Return on Equity	7,996	.15	2.95	-141.32	141.74

Note. The unit of observation is the firm-year. Numbers of observations vary because of missing data.

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