Appendix:
Political Capital: Corporate Connections and Stock Investments in the U.S. Congress, 2004-2008

In this appendix we present additional results that are referenced in the main paper.

Portfolio Choice Conditional on Holding

Table A.1 below replicates the portfolio choice regression from Table 2, but restricts the sample to actively-held positions. The results are very similar to that from our unconditional portfolio choice analysis presented in Table 2. Among the companies that they chose to actively hold, members on average place much larger bets in local and contributor companies.

Table A.1: Portfolio Weights as a Function of Member-Firm Connections (Conditional on Holding)

Model	(1)	(2)	(3)	(4)	(5)
Dependent Variable:	Portfolio Weight (bp)				
Mean:	279.59				
In District	274.23	114.95	272.51	264.41	186.73
	(87.06)	(66.64)	(87.27)	(84.62)	(81.31)
Lobbying (Any)	11.80	14.97			
	(16.36)	(16.22)			
Contributions (Any)	44.53	80.15			
	(21.55)	(48.95)			
In District & Lobbying (Any)		339.93			
		(230.33)			
In District & Contributions (Any)		428.58			
		(284.77)			
Lobbying (Any) & Contributions (Any)		45.23			
		(26.74)			
In District & Contributions(Any) & Lobbying (Any)		509.35			
		(214.96)			
Lobbying (> p50)			3.99		
			(19.93)		
Contributions (> p50)			51.94		
			(29.92)		
Lobbying Strength				0.02	0.02
				(0.03)	(0.03)
Contribution Strength				0.03	0.02
				(0.02)	(0.02)
Lobbying Strength · In District					0.02
					(0.14)
Contribution Strength · In District					0.10
					(0.09)
Member Fixed Effects	✓	✓	✓	✓	✓
Firm Fixed Effects	✓	✓	✓	✓	✓
N	15,093				

Note: Regression coefficients with standards errors clustered by members in parenthesis. The dependent variable is the *portfolio weight*, i.e. the share of holdings of a firm in a member's portfolio (in basis points). Members' portfolios are computed as average holdings over the 2004-2008 period. *In District* is a binary indicator for firms that are connected to a member since they are located in a member's district. *Lobbying (any)* is a binary indicator for firms that are connected to a member since they lobbied a committee on which the member served. *Contributions (any)* is a binary indicator for firms that are connected to a member since they provided her with campaign contributions. *Lobbying (> p50)* and *Contributions (> p50)* are binary indicators for firms that provided more than the median lobbying or contribution amount for each member. *Lobbying Strength* and *Contribution Strength* measure a firm's share of lobbying or contributions relative to each member's total lobbying or contributions (in basis points). All regressions include a full set of member and firm fixed effects (coefficients not shown here).

Portfolio Choice By Chamber

Table A.2 replicates the portfolio choice regression in Table 2 separately for Members of the Senate and Members of the House.[21] The results are fairly similar to the results from the full sample. Both the Senate and the House sample show a strong and highly significant skew towards local companies. The skew is stronger for the House, which is consistent with the fact that for House Members the local connection is defined based on companies headquartered in the home district and therefore a smaller geographic area compared to Senators where the local connection is defined based on companies headquartered in the home state. For both samples we find no skew towards lobbying companies. Interestingly, the skew towards companies that only provide campaign contributions is only visible in the House, but not the Senate. For both samples, we again find the strongest skew towards firms that are connected through all three connections (geography, lobbying, contributions) simultaneously.

[21] We exclude the few Members that serve in both during our period but the results are similar if they are included with either sample.

Table A.2: Portfolio Weights as a Function of Member-Firm Connections (By Chamber)

Model	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Senate					House				
Dependent Variable:	Portfolio Weight (bp)									
Mean:			3.88					3.88		
In District	34.06	32.95	33.93	34.00	33.15	96.67	72.32	96.00	95.97	63.74
	(8.20)	(9.38)	(8.22)	(8.21)	(8.51)	(19.63)	(19.76)	(19.56)	(19.49)	(19.54)
Lobbying (Any)	1.62	1.02				-0.11	0.24			
	(1.65)	(1.62)				(0.77)	(0.76)			
Contributions (Any)	-0.83	-2.98				17.64	25.84			
	(2.72)	(2.12)				(3.10)	(7.00)			
In District & Lobbying (Any)		41.96					35.43			
		(30.72)					(18.33)			
In District & Contributions (Any)		11.13					129.28			
		(8.78)					(71.16)			
Lobbying (Any) & Contributions (Any)		1.31					12.54			
		(3.56)					(3.36)			
In District & Contributions(Any) & Lobbying (Any)		58.52					370.39			
		(26.98)					(113.38)			
Lobbying (> p50)			2.36					-1.08		
			(3.54)					(1.45)		
Contributions (> p50)			0.82					29.69		
			(3.65)					(5.48)		
Lobbying Strength				0.04	0.03				-0.01	-0.02
				(0.03)	(0.03)				(0.03)	(0.03)
Contribution Strength				-0.00	-0.00				0.05	0.04
				(0.01)	(0.01)				(0.02)	(0.01)
Lobbying Strength · In District					0.24					3.36
					(0.31)					(2.31)
Contribution Strength · In District					-0.01					0.30
					(0.03)					(0.18)
Member Fixed Effects	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Firm Fixed Effects	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N	203,583					863,295				

Note: Regression coefficients with standards errors clustered by members in parenthesis. The dependent variable is the *portfolio weight*, i.e. the share of holdings of a firm in a member's portfolio (in basis points). Members' portfolios are computed as average holdings over the 2004-2008 period. *In District* is a binary indicator for firms that are connected to a member since they are located in a member's district. *Lobbying (any)* is a binary indicator for firms that are connected to a member since they lobbied a committee on which the member served. *Contributions (any)* is a binary indicator for firms that are connected to a member since they provided her with campaign contributions. *Lobbying (> p50)* and *Contributions (> p50)* are binary indicators for firms that provided more than the median lobbying or contribution amount for each member. *Lobbying Strength* and *Contribution Strength* measure a firm's share of lobbying or contributions relative to each member's total lobbying or contributions (in basis points). All regressions include a full set of member and firm fixed effects (coefficients not shown here). Models 1-5 is for the sample of Senators and Models 6-10 for Members of the House.

Alpha Returns for Investments in Politically Connected Stocks

Table A.3 replicates the analysis of Table 3 using the single-time series approach where the monthly returns are first aggregated across members (equal-weighted) to a single monthly portfolio return.

Table A.3: Monthly Abnormal Return for Connected and Unconnected Stocks

	Average Member Portfolio		
	Connected	Unconnected	Long/Short
Panel A: Excess Returns from CAPM			
Lobbying (Any)	-0.244	-0.196	-0.048
	(0.113)	(0.130)	(0.171)
Lobbying ($> p50$)	-0.241	-0.265	0.024
	(0.128)	(0.107)	(0.154)
Contributions (Any)	-0.147	-0.28	0.133
	(0.175)	(0.086)	(0.151)
Contributions ($> p50$)	-0.14	-0.312	0.172
	(0.176)	(0.090)	(0.140)
Lobbying & Contributions	-0.141	-0.265	0.124
	(0.163)	(0.091)	(0.136)
In District	0.354	-0.335	0.688
	(0.192)	(0.093)	(0.173)
District & Contributions	0.354	-0.327	0.681
	(0.190)	(0.094)	(0.169)
District & Lobbying	0.433	-0.324	0.757
	(0.192)	(0.091)	(0.155)
Panel B: Excess Returns from Carhart 4-Factor			
Lobbying (Any)	-0.124	-0.249	0.125
	(0.095)	(0.094)	(0.129)
Lobbying ($> p50$)	-0.115	-0.264	0.149
	(0.110)	(0.076)	(0.126)
Contributions (Any)	-0.019	-0.259	0.239
	(0.137)	(0.074)	(0.112)
Contributions ($> p50$)	0.016	-0.277	0.293
	(0.139)	(0.079)	(0.118)
Lobbying & Contributions	-0.038	-0.227	0.189
	(0.139)	(0.078)	(0.117)
In District	0.423	-0.272	0.696
	(0.152)	(0.086)	(0.168)
District & Contributions	0.500	-0.274	0.774
	(0.178)	(0.084)	(0.204)
District & Lobbying	0.529	-0.268	0.797
	(0.173)	(0.078)	(0.177)

Note: Monthly alpha returns for calendar time portfolios of investments in connected and unconnected stocks over the 2004-2008 period. Average member returns are for a portfolio that mimics the investments of the average member of Congress (equal member weighted) in either connected or unconnected stocks. Long-short is the monthly average return of a zero cost portfolio that holds the portfolio of connected stocks and sells short the portfolio of unconnected stocks. The connections are defined as follows: *In District* connected firms are connected to a member since they are located in a member's home district. *Lobbying (any)* connected firms are connected to a member since they lobbied a committee on which the member served. *Contributions (any)* connected firms are connected to a member since they provided her with campaign contributions. *Lobbying (> p50)* and *Contributions (> p50)* connected firms are connected since they provided more than the median lobbying or contribution amount for each member. CAPM is the result from a time-series regression of the member excess return on the market excess return. Carhart 4-factor is the result from a time-series regression of the member excess return on the Fama and French (1993) mimicking portfolios and the **?** momentum factor. Robust standard errors are presented in parentheses.

Alpha Returns for Company-Level Connected and Unconnected Stocks

Table A.4 uses the aggregated, single time series approach to assess the possibility that companies that had more political connections (lobbying and contributions) systematically outperformed companies that did not. Here we label investments as connected if the company did *any* lobbying/contributions (as opposed to if the company ever lobbied the committee of (or provided campaign contributions to) the member who owns the stock). Connected portfolios defined this way do not outperform the unconnected portfolios. This suggests that connected companies did not systematically do better; instead, it must be that members who were connected to a certain company did better investing in that company than did other members who were not connected to it, probably because they knew when to invest.

Table A.4: Abnormal Returns for Company Level Connected and Unconnected Stocks

	Average Member Portfolio		
	Connected	Unconnected	Long/Short
Panel A: Abnormal Returns from CAPM			
Lobbying (Any)	-0.247	-0.06	-0.187
	(0.163)	(0.201)	(0.231)
Contributions (Any)	-0.282	-0.062	-0.219
	(0.186)	(0.150)	(0.213)
Panel B: Abnormal Returns from Carhart 4-Factor			
Lobbying (Any)	-0.126	-0.154	0.028
	(0.126)	(0.130)	(0.163)
Contributions (Any)	-0.108	-0.170	0.062
	(0.133)	(0.105)	(0.136)

Note: Monthly alpha returns for calendar time portfolios of investments in connected and unconnected stocks over the 2004-2008 period. Average member returns are for a portfolio that mimics the investments of the average member of Congress (equal member weighted) in either connected or unconnected stocks. Long-short is the monthly average return of a zero cost portfolio that holds the portfolio of connected stocks and sells short the portfolio of non-connected stocks. The connections here are defined only at the company, not the company-member levels, so for all members a company is coded as connected if it provided campaign contributions (or lobbying depending on the connection) to *any* member in the sample. CAPM is the result from a time-series regression of the member excess return on the market excess return. Carhart 4-factor is the result from a time-series regression of the member excess return on the Fama and French (1993) mimicking portfolios and the **?** momentum factor.