

“Liberal Elite” CEOs and Corporate Social Activism*

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Abstract

Objective. Previous research has documented that social activism harms firm value for the average American big business. Given this evidence, why is activism so widespread? Drawing upon upper echelons theory, I argue that CEO ideology can explain firm-level variation in corporate activism. **Method.** Two-way fixed effects dynamic panel analysis of a novel dataset of corporate activism by S&P 500 companies on LGBT rights, immigration, and racial justice including Supreme Court briefs, congressional lobbying disclosures, and contributions to advocacy groups. **Results.** When corporations transition from a conservative CEO to a liberal CEO, they engage in more social activism. **Conclusion.** Liberal CEOs wield the economic might of their corporation to advance their personal moral policy agenda. Corporate activism represents an important avenue for future research, as it flies in the face of the typical notion of a monolithically conservative business community.

Keywords: moral policy; corporate activism; business and politics; inequality; CEOs

Working paper. Feedback welcome.

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Recent political science scholarship has established a bias in the American public policy process toward the interests of the affluent class. This bias even exists for non-economic, social issues—like abortion, civil rights, and the death penalty—where the rich tend to be more liberal than the poor (e.g., Bartels 2009; Flavin 2012; Gilens 2012), especially among Democrats (Broockman and Malhotra 2020; Maks-Solomon and Rigby 2019). Since executives at large corporations are members of this affluent class, a substantial number of CEOs should have policy preferences that aren't resolutely conservative in the moral policy domain. In support of this notion, survey evidence from Broockman, Ferenstein, and Malhotra (2019) indicate that Silicon Valley technology entrepreneurs tend to be liberal on social issues (see also Broockman and Malhotra 2020).

In the past decade, corporations have begun to engage with the culture war, taking liberal policy positions on social issues like LGBT rights, immigration, and racial justice. However, previous research has documented that wading into controversial social debates can harm a firm's value (Bhagwat *et al.* 2020; Hillman and Keim 2001). Given this evidence that activism harms firm value for the average American big business, why has social activism become so widespread? The nuanced moral policy preferences of rich CEOs raise the question of to what extent CEO ideology can explain this recent trend of corporate political activity on social issues (or *corporate activism*). Drawing upon strategic management literature on the importance of top executives, I argue that CEO ideology shapes firm political engagement and CEOs use the political-economic power of their corporation to advance their private moral policy preferences. Since their background influences their perceptions of situations, “liberal elite” CEOs are more likely to calculate that activism is a risky but worthwhile strategy, since they convince themselves it has the potential to increase corporate profits—potentially by improving relations with a subset of customers and employees.

To test this theory, I build an original dataset of corporate political activity on identity-based social issues by S&P 500 corporations from 2008 to 2017 that includes Supreme Court *amicus* briefs, congressional lobbying disclosures, and financial contributions to PACs

and interest groups. In particular, I investigate corporate political activities on issues relating to race, immigration, and LGBT rights. Surprisingly, nearly half of the companies in the sample engaged in liberal social activism at least once during the time series and no firms ever took a conservative stance. Using estimates of CEO ideology from Bonica (2019b), I employ two-way fixed effects dynamic panel models to demonstrate that CEO ideology has an effect on the incidence of liberal corporate political activity on social issues.

THE ORIGINS OF CORPORATE POLITICAL ACTIVITY

Corporate political activity (CPA) encompasses any effort by businesses to influence public policy outcomes. Such efforts in the past have included public relations, lobbying politicians and bureaucrats, submitting *amicus* briefs to the courts, and making financial contributions to think tanks, political parties, interest groups, and candidates for elected office. Here, I very briefly describe three broad explanations for CPA that are *directly applicable* to corporate activism: responsiveness to shareholders, responsiveness to stakeholders, and the ideology of top managers. These explanations should not necessarily be seen as mutually exclusive; evidence suggests that each can explain different variation in CPA.

Corporations respond to economic forces like shareholders. Based on Mancur Olson’s (1971) insights into interest group activity, many theories of CPA are based upon the notion that firms are unitary, rational actors seeking to maximize profits. Surveys of political consumerism suggest that corporations might not end up paying a penalty for social activism, because liberals are more likely than conservatives to vary their consumption of a company’s products on account of its social stances (Chatterji and Toffel 2019; Endres and Panagopoulos 2017; Newman and Bartels 2011). Experimental evidence also demonstrates that in-partisans are rewarded more than out-partisans are punished during economic transactions (McConnell *et al.* 2018). However, stock market event studies find that firm valuation decreases when businesses take stands on social issues (Bhagwat *et al.* 2020; Hillman and Keim 2001). At best, corporate activism is risky for the *average* firm—although there could be significant heterogeneity between firms.

Corporations respond to stakeholders, not just shareholders. Insights from the management discipline offer an alternative motivation for firm behavior: Corporate actions can be explained by responsiveness to stakeholders, not just shareholders. Strategic management scholars argue that businesses strategically cultivate relationships with stakeholders—such as employees, customers, and local communities—and in doing so, they improve corporate profits (Freeman 1984; Berman *et al.* 1999). Specifically regarding corporate political activity, one important stakeholder is employees. Li (2018) finds that corporate PACs receive less money from their Democratic employees when they contribute more to Republicans (and vice-versa). Therefore, as Li argues, the ability of access-seeking corporate PACs to contribute to campaigns and influence policy is constrained by the ideology of its employees. Furthermore, internal pressure by LGBT employee groups has been linked to corporate activism on LGBT rights (Maks-Solomon and Drewry 2020).

Corporate behavior is shaped by top executives. Sociologists studying economic power have advanced class-based theories of CPA. Such theories suggest that shared preferences and norms of a social class—either managers specifically or elites more generally—lead to similar patterns of political behavior among corporations (Useem 1982; Clawson and Neustadtl 1989; Burris 2001). Relatedly, upper echelons theory from the management literature argues that the perceptions and experiences of managers are important for understanding organizational outcomes (Hambrick and Mason 1984; Hambrick 2007). Both approaches are predated by the *Behavioral Theory of the Firm*, wherein Cyert and March (1963) advance a theory of corporate behavior based upon the notion that the firm is a coalition of internal groups acting under conditions of bounded rationality.

From a political science perspective, Bonica (2016, 396) finds that “increased ideological diversity among a firm’s executives and directors presents a barrier to” campaign spending by a corporation’s PAC. Therefore, the ideological distribution in corporate boardrooms can explain at least one form of CPA—campaign spending. Although ample evidence suggests that managers matter for firm outcomes, unlike the two other theories discussed in

this section, scholars have yet to empirically explore the direct role managers' preferences have in prompting CPA, and CPA on social issues more specifically (however, see Hambrick and Wowak 2019).

CEOS AND CORPORATE MORAL POLICY POSITION TAKING

Before describing the theory and hypotheses, it is necessary to make a distinction between CEOs and their companies. Evidence from campaign finance suggests that CEOs and corporations take different approaches to politics: CEOs have values while corporations want access. Examining campaign contributions during the 1980 presidential election, Burriss (2001) finds that business PACs are bipartisan while corporate executives are ideological, usually contributing to Republicans. More recently, examining a wider span of elections, Bonica (2016) concludes that corporate executives are more ideological, less likely to support incumbents, and less likely to exhibit an access-seeking strategy when compared with corporate PACs. These studies of campaign contributions suggest that CEOs *do* have distinct preferences that cannot be solely attributed to the profit-seeking motives of their firms.

To develop a theory of CEOs and CPA on social issues, I rely upon upper echelons theory, which argues that corporate executives are the key to understanding organizational outcomes. Previous research has demonstrated that upper echelons theory can explain internal corporate policies like corporate social responsibility (Chin, Hambrick, and Treviño 2013; Di Giuli and Kostovetsky 2014; Hong and Kostovetsky 2012), but it has yet to be demonstrated that upper echelons can explain CPA on moral policy, where corporations are using substantial resources to advance social causes and actively attempt to shape public policy outcomes.¹

Upper echelons theory argues that “If we want to understand why organizations do the things they do, or why they perform the way they do, we must consider the biases and dispositions of their most powerful actors—their top executives” (Hambrick 2007, 334). There are two tenets to upper echelons: “(1) executives act on the basis of their personalized

interpretations of the strategic situations they face, and (2) these personalized construals are a function of the executives' experiences, values, and personalities" (Hambrick 2007, 334). The effect of top managers on corporate behavior is therefore conditional upon a high level of discretion. Indeed, comparative analysis by Crossland and Hambrick (2007) suggests that U.S. CEOs are given a uniquely high degree of flexibility. Thus, corporate activism should be a phenomenon that is most prevalent in the United States (just like CEO activism is [Chatterji and Toffel 2018]).

With the rise of stakeholder capitalism, employees, customers, local communities, and external pressure groups all want a say in corporate affairs, and the contemporary CEO must navigate this landscape under growing scrutiny (Murray 2009). But CEOs' unease over stakeholder backlash should be asymmetrical. Christensen *et al.* (2015) demonstrate that liberal CEOs are more likely than conservative CEOs to take business risks, and that finding has consequences for corporate activism. (Also see references to the literature on the psychology of conservatism and risk cited within Christensen *et al.* 2015.) On the one hand, liberal CEOs will engage their firms in activism even if it could risk some backlash from stakeholder groups. On the other hand, risk-averse conservative CEOs won't use their firms to advance conservative positions on social issues because they are more wary of stakeholder backlash. Therefore, adapting upper echelons theory, I hypothesize that when a corporation transitions from a conservative CEO to a liberal CEO, it will engage in more activism.

Applying upper echelons theory can help to explain the increase in corporate activism during the past decade. CEOs of the largest American companies have become increasingly diverse, both demographically and ideologically (Cohen *et al.* 2019; Zweigenhaft and Domhoff 2011). Non-white, non-male, non-Republican CEOs, increasing in their number, bring with them new ideas, values, and experiences. With unique perspectives, these new CEOs challenge the status quo, and make their corporations more likely to speak out on social issues.

While CEOs are not all-powerful, their ability to manipulate corporate behavior is especially important at the margin, and managers' values can affect corporate behavior

both directly and indirectly (Hambrick and Mason 1984). Directly, CEOs' values affect the decisions they make for their firm. Liberal CEOs should be more likely to direct their subordinates to engage in corporate activism; and when a subordinate proposes that the company engage in activism, a liberal CEO should be more likely to agree. Through the indirect pathway, values also affect assessments of situations. A CEO that perceives greater benefits to activism should then be more likely to engage their firm in it. Thus, liberal CEOs should be especially likely to engage their firms in activism when they perceive that doing so aligns with their firm's financial incentives, including through mechanisms such as (1) increasing sales and (2) improving employee satisfaction. I will now briefly overview these potential mechanisms, although my analysis contains no empirical test of said mechanisms as they are beyond the scope of what can be accomplished within this paper.

As suggested by the first framework for understanding the origins of corporate behavior, corporations might see an increase in customers as a result of their social activism due to an asymmetry in reactions between liberals and conservatives (Chatterji and Toffel 2019; Endres and Panagopoulos 2017; Newman and Bartels 2011). Yet there is significant risk to corporate activism, since it harms firm value for the *average* company (Bhagwat *et al.* 2020; Hillman and Keim 2001). Because ideology shapes CEOs' perceptions of situations and their propensity to take business risks, liberal CEOs should be more likely to convince themselves that activism could benefit the company by leading to a net increase in customers and believe it's a worthwhile risk to take.

A wealth of literature examines the influence and conditional successes of social movements in altering firm behavior, especially as it relates to corporate social responsibility (King 2008; McDonnell and Werner 2016). But this literature focuses on external activism (Briscoe and Gupta 2016, 11–13)—corporations changing internal practices in response to external pressure groups. Corporate activism inverts traditional theories of social movements intersecting with organizations since there are minimal *demands* with the threat of consequences from external groups for firms to announce public policy stances on social issues. When it

comes to corporate activism, the sources of pressure are instead likely to be internal (Maks-Solomon and Drewry 2020), and liberal CEOs should be more likely to take up opportunities for activism when presented to them by liberal rank-and-file employee activists.

Liberal CEOs might also engage in activism proactively, unprompted by subordinates. Corporate social responsibility has been shown to improve employee recruitment, retention, and productivity (Bode, Singh, and Rogan 2015; Burbano 2016; Carnahan, Kryscynski, and Olson 2017; Flammer and Luo 2017; Turban and Greening 1997). Corporate activism should have similar consequences for employee relations; and liberal CEOs, when faced with the prospect of improving employee relations, will likely take that opportunity.

DATA AND METHODS

To test my hypothesis, I gathered an original dataset of social issue CPA from S&P 500 corporations between 2008 and 2017. For the treatment variable, I use ideology scores from Bonica's (2014, 2019b) Database on Ideology, Money in Politics, and Elections. The primary modeling strategy relies upon dynamic panel analysis.

Measuring Corporate Activism

Using the Standard & Poor's Compustat North America database (2018), I collected data on all S&P 500 companies between 2008 and 2017.² In total, the S&P 500 index encompasses 80% of the market capitalization (stock market value) in the U.S. economy (S&P Dow Jones Indices 2019). The index is designed to be representative of the national economy and as such, includes companies across every economic sector. From the S&P 500, I only include companies headquartered inside of the United States that are currently active, leaving 476 companies. Furthermore, I drop companies with incomplete panels: Companies that were founded within the time series, had major mergers or acquisitions, or had initial public offerings were omitted from the final sample. IPOs, mergers, and acquisitions are exogenous shocks that could affect the propensity for corporate activism. After all of these exclusions, the sample size is 403 companies across 10 years, for a total of 4,030 observations.

Although, the sample size in regression analyses is smaller, due to missing CEO ideology data.

What I refer to as identity-based cultural or social issues fall under the broader umbrella of moral policy (K. B. Smith 2002), which taps core ethical beliefs as opposed to issue-specific preferences that rely upon technical policy details. Moral policies are inherently matters of right or wrong on which voters are unlikely to change their views or be willing to compromise. They include some of the most polarizing issues of the day, and typically generate significant single-issue interest group activity.

To determine which types of moral issues receive attention from businesses, I first examined Supreme Court cases for any moral content. During the decade under study, the Supreme Court heard cases related to abortion, the death penalty, censorship, gun control, immigration, and discrimination against racial and ethnic minorities, religious minorities, and the LGBT community. While business associations frequently file briefs on these cases to urge the Court to reject government intervention, it is rarer for briefs to be filed on behalf of corporations themselves, where their names appear as *amici*. Among all of these moral issues, only on identity-based issues did individual businesses appear as an amici. Companies were individual amici on cases related to affirmative action in higher education, immigration, and LGBT rights.

Federal congressional and executive branch lobbying disclosures revealed a similar pattern. The only moral issues that received any significant attention from multiple individual businesses were those with an identity-based component: immigration and LGBT rights. However, there was no lobbying on racial issues since they were largely off the congressional agenda during this time period.

Since these are the only issue areas where individual businesses were active in lobbying the federal judicial, legislative, or executive branches, I narrow my focus to the issue areas of racial justice, immigration, and LGBT rights. As previously noted, these issues all share a strong identity component to them, since policies in these issue areas are designed to protect

the rights of minority groups. Policy solutions include—but are not limited to—affirmative action in higher education, legislative solutions to the Deferred Action for Childhood Arrivals program, same-sex marriage, and the LGBT non-discrimination Equality Act.

Online Appendix A discusses public opinion related to each of the issues where businesses were active as well as culture war issues where businesses were not active, like gun control and abortion. The issues under examination in this study vary in their public support, with some being more controversial than others. Because of this, public opinion cannot be the only explanation for why corporations decide to engage with an issue.

In my dataset of corporate activism, I only include corporate political activities that signify that the company is making a strong statement in support of one of the three identity-based moral issues. I searched for instances where the corporation signed an *amicus curie* brief before the Supreme Court, lobbied Congress or the executive branch, contributed to a political action committee, or sponsored an interest group. PAC contributions and interest group sponsorships were only counted once per year per company. Engaging in these four forms of activism signify that the company is making a strong investment in the advancement of a social issue—and “putting its money where its mouth is,” as the saying goes. As such, the CEO would usually be involved in the decision-making process (Foundation for Public Affairs 2008, cited in Rudy and Johnson 2019).

In total, I identified 1,434 instances of activism. Sixteen percent of activism events were in the form of Supreme Court briefs, 7% were lobbying, 21% were PAC contributions, and 56% were interest group sponsorships. Regarding the issues on which companies were active, 33% was on immigration, 42% was on LGBT rights, and 25% was on racial issues. A striking portion of companies within the sample were involved in activism supporting the liberal side of social issues, with 44% of companies engaging in activism at least once by 2017. In 2008, only 17% of firms engaged in liberal activism, so there was a drastic increase throughout the time series. No companies engaged in conservative moral policy activism

during the time series.³ Data sources and further details on data collection are available in Online Appendix A.

To test my hypothesis about the intensity of activism, the outcome variable is the annual count of activism events engaged in by a given corporation. Annual activism ranges from 0 to 8. Figures showing the distribution of the outcome variable are available in Online Appendix A. Online Appendix C explores several alternative modeling strategies that use different formulations of the outcome variable including dichotomous outcome variables, survival analysis, two-stage models, and outcome variables derived from item response theory.

CEO Ideology

For a measure of CEO ideology, I use Bonica’s (2014, 2019b) campaign finance common space scores (commonly referred to as CF scores). The Database on Ideology, Money in Politics, and Elections (DIME) is a collection of local, state, and federal campaign finance records from the 1980 through 2018 election cycles. Using correspondence analysis for all contributions in the database, Bonica generates scores that approximate ideal points, and are normalized to a mean of zero and standard deviation of one. This measure is preferable to simply using the percent of total contributions that the CEO made to Democrats (or Republicans), since such a crude measure has no way of differentiating between moderate and extreme politicians within the same political party. Furthermore, the DIME database also includes contributions to PACs, not just candidates for political office.

In a related article, Bonica (2019a) demonstrates that CF scores are a powerful predictor of 30 individual policy preferences and CF scores are a better predictor of policy preferences than party identification alone. While it is possible that the policy space is multidimensional, an ideal point that forces ideology to one dimension is sufficient for the present study. Across political parties and income groups, rich Democrats and donors are the most liberal on social issues, and rich Republicans and donors are the most conservative on social issues (Broockman and Malhotra 2020; Maks-Solomon and Rigby 2019). Social

issue preferences also tend to be a stronger predictor of the partisanship of the rich than the poor (Gelman 2009).

I was able to identify CF scores for 79% of the CEOs in the sample, a match rate comparable to the rate Bonica (2016) achieved in his analysis of Fortune 500 CEOs and directors (83%). I multiply CF scores by -1 to obtain my measure of CEO liberalism. An individual CEO's ideology is constant throughout the time series, so within-company variation in CEO ideology exists when there are CEO transitions and the company selects a new CEO to lead the firm. Fifty-nine percent (59%) of corporations with non-missing ideology data experience at least one CEO transition during the time series. The average CEO liberalism score is -0.37 while the standard deviation is 0.71; the average CEO is only slightly conservative and there is substantial variation in CEO ideology.

Modeling CPA on Social Issues

To model the data-generating process that gives rise to corporate activism, I primarily rely upon dynamic panel models, which have become a standard method in the social sciences for estimating the causal effect of a treatment variable in a time-series cross-sectional (TSCS) analysis where a randomized or natural experiment are otherwise absent (e.g., Beck and Katz 2011).⁴ Dynamic panel models include a lagged outcome variable and unit fixed effects. Researchers also typically include year fixed effects in their model, thereby approximating the difference-in-difference estimator. The lagged outcome variable accounts for autocorrelation and, in this instance, explicitly models a data-generating process where prior activism can predict future activism. Firm fixed effects absorb all time-invariant differences between companies, like the fact that—on average—some firms engage in more activism than others, some companies hire more liberal CEOs than others, and some companies may have a greater incentive to engage in activism. Year fixed effects absorb any systematic differences between years, like changes in the national agenda.

It is important to note that dynamic panel models can sometimes produce biased estimates (Nickell 1981), where the bias is large for analyses with 2 or 3 time periods but

is no longer a concern with 20 or more time periods (Beck and Katz 2011). The present analysis has nine time periods (ten years in the overall sample but nine after adding in the lagged outcome variable), so it is plausible that Nickell bias is a concern—although the bias should only be small. One strategy is to separately estimate (1) a model with only a lagged dependent variable and (2) a model with only unit fixed effects. The treatment effects from these two models can serve as a lower and upper bound for the true causal effect of interest (Angrist and Pischke 2008, 245–246).

To test the hypothesis that CEO ideology is motivating corporate activity on social issues, I employ six different models. Each one includes year fixed effects. All models also cluster standard errors by firm and are robust to autocorrelation. The first model is a basic OLS model regressing corporate activism on the treatment variable. To obtain a bounded estimate of the effect of CEO liberalism, Model 2 is a fixed effects model and Model 3 is an OLS model with a lagged outcome variable. Model 4 is a dynamic panel model that includes both a lagged outcome and firm fixed effects. Models 5 and 6 are dynamic panel models that add a set of additional covariates, since not every difference between firms is time-invariant.

One possibility is that companies are conforming to the isometric pressure of peers within their industry (DiMaggio and Powell 1983), so they may be more liberal on social issues when their peers are more liberal on social issues. To account for this, I include an additional covariate for the annual *average industry-level activism* among other S&P 900 companies within the firm’s Global Industry Classification System (GICS) sub-industry.⁵ I also control for *log lobbying expenditure* (calculated using data from the Lobbyview database [Kim 2018]). The firm’s market share, profit, and market value are all also included as additional covariates, each obtained through the Compustat database. *Market share* is the share of all GICS sub-industry revenue made by the company, which accounts for the degree of competition it faces. Market share is calculated using the entire Compustat database of U.S. companies. *Log profit* and *log market value* (market cap)

are measures of firm financial performance and size. Since market value is not available for several companies in the dataset, it is only included in Model 6, not Model 5.

RESULTS

The results of all models are presented in Table 1. Beginning with the simple OLS analysis in Model 1, a one-unit increase in CEO ideology is associated with a 0.18 increase in corporate activism within a given year. Model 2 accounts for unobserved heterogeneity between firms, and in this fixed effects model, the effect size of CEO liberalism decreases slightly. The coefficient is also smaller under different identifying assumptions in Model 3, which only includes a lagged outcome variable but no firm fixed effects. As recommended by Angrist and Pischke (2008, 245–246), the results from the fixed effects and lagged outcome variable models can serve as the upper and lower bound on the true causal effect of CEO ideology on corporate activism. Therefore, the effect of CEO ideology should be somewhere between 0.06 and 0.14.

Models 4 through 6 are dynamic panel models, and in these analyses, the coefficient on CEO liberalism is within the upper and lower bound established by Models 2 and 3. Regardless of whether additional covariates are included in the regression, the dynamic panel models predict that a one-unit increase in CEO ideology is associated with 0.12 more activism events. Including additional covariates has essentially no impact on the relationship between CEO liberalism and corporate activism. Also note that the dynamic panel models result in a small coefficient on the lagged outcome variable. A one-unit increase in past values of corporate activism only correlates with a 0.19-unit increase in the current value of corporate activism. Evidently, the data generating process behind corporate activism is not sticky after netting out firm fixed effects.

Table 1: The effect of CEO liberalism on annual corporate activism is robust across specifications

	(1)	(2)	(3)	(4)	(5)	(6)
	OLS	FE	LDV	DP	DP	DP
Activism ($t - 1$)			0.807** (0.020)	0.204** (0.045)	0.194** (0.043)	0.187** (0.046)
CEO liberalism (CF score $\times -1$)	0.182** (0.055)	0.140** (0.071)	0.057** (0.014)	0.124** (0.059)	0.123** (0.061)	0.122* (0.064)
Average industry-level activism					0.158** (0.061)	0.167** (0.066)
Lobbying expenditure (log)					0.004 (0.002)	0.003 (0.003)
Market share					1.278* (0.706)	1.396* (0.759)
Profit (log)					0.047 (0.034)	0.065* (0.034)
Market value (log)						-0.051 (0.054)
Constant	0.356** (0.047)	0.340** (0.037)	0.068** (0.019)	0.273** (0.032)	-1.000 (0.735)	-0.211 (1.369)
Firm FEs	No	Yes	No	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,991	2,991	2,991	2,991	2,958	2,676
Clusters (firms)	362	362	362	362	361	359
Adjusted R^2	0.030	0.688	0.603	0.699	0.701	0.698

Dataset is at the firm-year level and outcome variable is the count of annual activism. Robust standard errors clustered by firm are presented in parentheses below coefficients. *Note:* * $p < 0.05$ (one-tailed), ** $p < 0.05$ (two-tailed)

As previously noted, there was at least one CEO transition for 59% of corporations during the time series. The median change in CEO ideology (in absolute value) was 0.4; the 75th percentile was 0.8. These two numbers can be used as benchmarks to provide a substantive interpretation of the consequences of transitioning to a more-liberal CEO. For a median change in CEO ideology, the dynamic panel models predict that a company will engage in 0.5 more activism events over the course of 10 years. For a larger change in CEO ideology at the 75 percentile, the models predict that a company will engage in one more activism event over the course of 10 years. Several CEO transitions were even larger, with a difference of 2 units between the ideology of the previous and current CEO. For this maximum swing, the model predicts that if a company transitions from a conservative CEO (liberalism = -1) to a liberal CEO (liberalism = 1), the firm would engage in about 3 more activism events over the course of 10 years. Consequently, CEO ideology has a substantively meaningful effect on corporate political activity on social issues, especially given the fact that 56% of companies engaged in no activism during the time series.

When comparing the effect of CEO ideology with other covariates, CEO ideology is as strong of a predictor of activism as others. After netting out firm fixed effects, a two standard deviation increase in CEO ideology leads to a 0.6 increase in activism over 10 years. The only other variables that have a meaningful association with activism are average industry-level activism and the firm's market share. A two standard deviation increase in industry-level activism leads to a 0.4 increase in a firm's activism. A two standard deviation increase in firm market share also leads to a 0.4 increase in a firm's activism. Alternatively, lobbying expenditures, profit, and market value exert no meaningful influence on corporate activism. In sum, CEO liberalism, isometric pressure from peers, and lack of competition are all factors that similarly predict corporate activism.

One potential source of endogeneity is that CEO ideology is confounding other traits of the CEO, such as demographic characteristics. It may be the case that CEOs from marginalized communities, younger CEOs, or more educated CEOs—and not necessarily

more liberal CEOs—are more likely to engage their firms in corporate activism. To rule out this possibility, I demonstrate in Online Appendix D that these CEO characteristics have no effect on corporate activism and then show that CEO ideology has a similarly-sized effect even after controlling for CEO characteristics.

In Appendix E, I conduct several analyses to rule out other forms of endogeneity related to broader corporate strategy. First, activism does not cause companies to select a more-liberal CEO in the next year. Therefore, activism does not create the internal dynamics that make a board of directors want to find a new CEO that is more liberal than the last one. Second, liberal boards of directors do not select CEOs that are more liberal than their current CEO regardless of how activist the firm already is. Third, powerful (entrenched) CEOs that aren't vulnerable to being fired are no more likely to engage their firms in activism and neither are CEOs that also serve as chairman of the board. Similarly, the effect of CEO ideology on activism is not conditional upon a CEO's vulnerability to being fired nor their concurrent status as chairman of the board. These findings suggest that activism is unrelated to corporate governance structures. To summarize, several different analyses come to the same conclusion: Corporate activism is unrelated to broader issues of corporate strategy and it appears to be a second-order concern of top executives. CEOs have the flexibility to engage their firms in activism but there is no requirement that they do so.

DISCUSSION AND CONCLUSION

Social scientists, especially political scientists, have long studied the role of money in politics and recent work has focused on the over-representation of the rich in the political system. Affluent Americans—and CEOs more specifically—have many methods they can use to influence the policy process, including contributing directly to campaigns or contacting elected officials. They can also use more covert methods, like contributing to Super PACs, where it is difficult to trace the original source of donations. As this study has demonstrated, wealthy CEOs can influence the policy process in another covert way (albeit indirectly and

sometimes unconsciously), by using their corporation as a tool to advance their personal moral policy preferences.

It is important to note that firm economic interests are not irrelevant to this story of corporate activism. Market forces, internal employee dynamics, and the perspectives of the company's CEO all interact, since corporate executives interpret the same situations in different ways. Liberal CEOs should see corporate activism as a calculated risk that is advantageous to the firm when presented with the same information as a risk-averse conservative CEO. These liberal CEOs frequently judge that the benefits of activism (an increase in customers and employees from marginalized communities) are outweighed by the costs (boycotts from conservatives).

Although recent research has come to appreciate that businesses are not a conservative monolith with shared preferences (Bonica 2014; Gimpel, Lee, and Parrott 2014; Hart 2004; M. A. Smith 2000), public and academic discourse still frequently views corporations as unidimensional, conservative actors. However, the study of corporate political activity on social issues underscores the multidimensionality of corporate preferences. Almost exclusively, corporations are liberal on social issues when they decide to wade into cultural debates. At the same time, they are also advancing their economic interests by pushing for less regulation and lower taxes. Businesses do not always oppose liberal causes, but neither do they exclusively champion them. The truth is likely somewhere in between, where many large corporations—especially those with socially-liberal CEOs—simultaneously advance social liberalism and economic conservatism.

Corporate political activity on social issues represents an important avenue for future social science research. Corporate activism has been increasing in its frequency and each year, more and more corporations decide to engage with social issues for the first time. Future research should further probe the *origins* of corporate activism and also explore the *consequences* of activism—for firms themselves and for the public policy process.

NOTES

¹ In a theoretical article without empirical analysis, another research team (Hambrick and Wowak 2019) simultaneously developed a similar theory of corporate activism adapting upper echelons and stakeholder management. Readers are referred to that article for a lengthier and complimentary treatment of the theory advanced in this paper.

² I also searched for activism among the S&P 400, an index of mid-sized companies. However, only 4% of the S&P 400 were active and those firms engaged in substantially less activity than the S&P 500. Because of this, I limit my sample to the S&P 500.

³ Gender pay inequity was also on the agenda during the time series and 19 corporations within the sample supported the conservative side of this issue. Since these policies relate to the specific, technical issue of class action lawsuits, they are dissimilar from the other issues in the dataset that are clearer examples of core values and first principles. Nonetheless, if I use a relaxed definition of moral policies that includes gender pay inequity with net liberal activism as the outcome variable, results are similar. See Online Appendix B.

⁴ Imai and Kim (2019) have proposed panel matching as an alternative modeling strategy for TSCS analysis. Unfortunately, panel matching cannot be used with this dataset because it requires a longer time series to estimate multiple lags of the outcome and covariates.

⁵ To use a broad definition of peer companies, industry-level activism includes all activism within the S&P 900 (the S&P 500 plus the S&P mid-sized 400). The variable is 0 if the company is the only one within its sub-industry. Since the activism of the company itself is not included in the *average industry-level activism* variable, this covariate is not endogenous to the outcome variable. However, if this variable is excluded from the analyses in Models 5 and 6, the coefficient and standard error for CEO ideology are virtually identical.

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