

# Political Alignment of Firms and Employees: the Role of Asset Specificity

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# Motivation

## Where do political preferences come from?

- economic self-interest (Meltzer and Richard, 1981)
- socio-tropic interest (Kinder and Kiewiet, 1979)

## Sources of Preferences in Comparative and International Political Economy

- factor ownership (Rogowski, 1989)
- sector (Hiscox, 2002) or firm (Melitz, 2003) of employment
- occupation (Kitschelt and Rehm, 2014)

RQ: *Do political preferences of employees align with those of their employers?*

# Contribution

## Three Main Contributions

1. Show that **partisan alignment within occupations** increases with the **asset specificity** of an employees' firm or sector (Alt et al., 1999)
2. Show that most variation in firm-employee alignment is across sectors
3. New dataset matching employee and firm political preferences

# Data

## Novel Dataset linking Firm & Employee Political Preferences

- Source: US Campaign Contributions Data, 2003-2016
- Use natural language processing to automatically identify individual donor's employers, sectors, and occupations
- Match commonly used identifiers: GVKEY, NAICS, SOC
- 3,537,187 filings, 466,840 individuals, 13,991 firms, 850 occupations

# Data

## Dependent Variable: Alignment<sub>ijt</sub>

$$= 1 - \left| \left( \frac{R_{jt}}{(R_{jt} + D_{jt})} - \frac{R_{ijt}}{(R_{ijt} + D_{ijt})} \right) \right|$$

where:

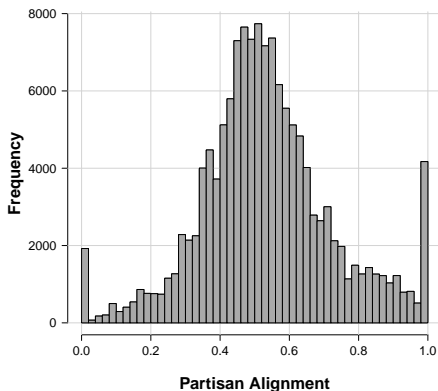
$R_{jt}$  = Rep. donations of firm  $j$  in year  $t$

$D_{jt}$  = Dem. donations of firm  $j$  in year  $t$

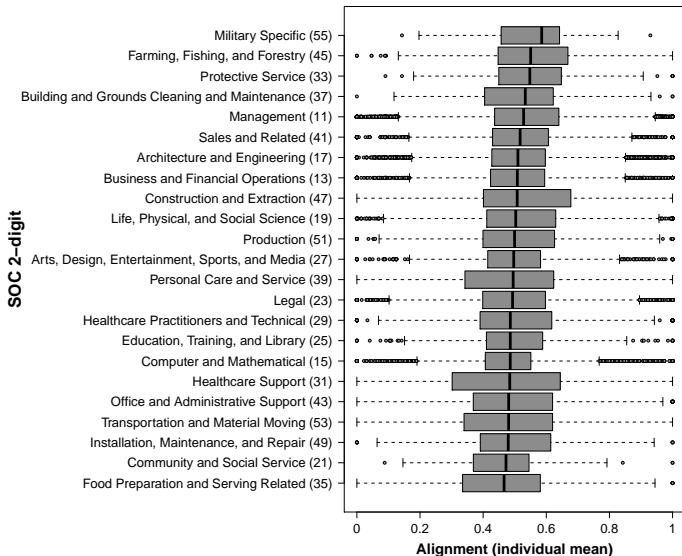
$R_{ijt}$  = Rep. donations of individual  $i$  in year  $t$

$D_{ijt}$  = Dem. donations of individual  $i$  in year  $t$

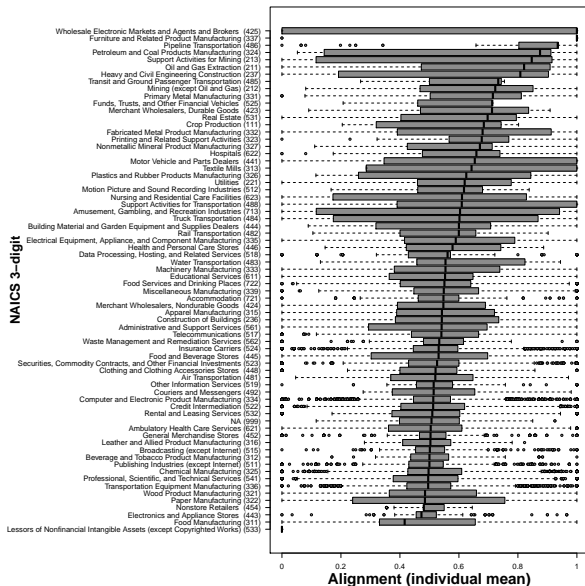
**Figure 1:** Distribution of Partisan Alignment



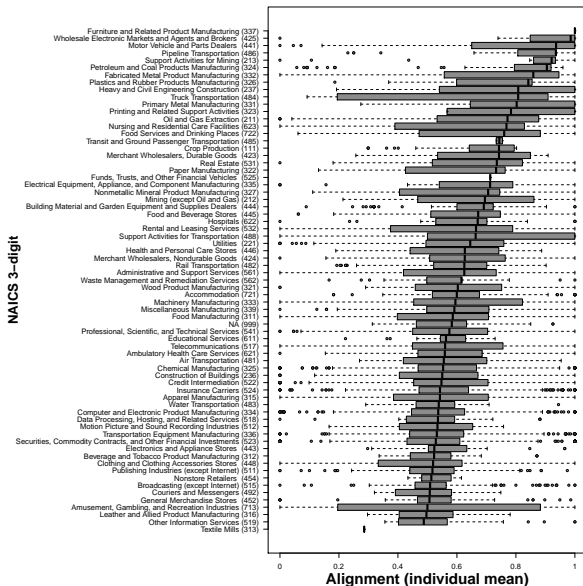
# Alignment across Occupations



# Alignment across Sectors



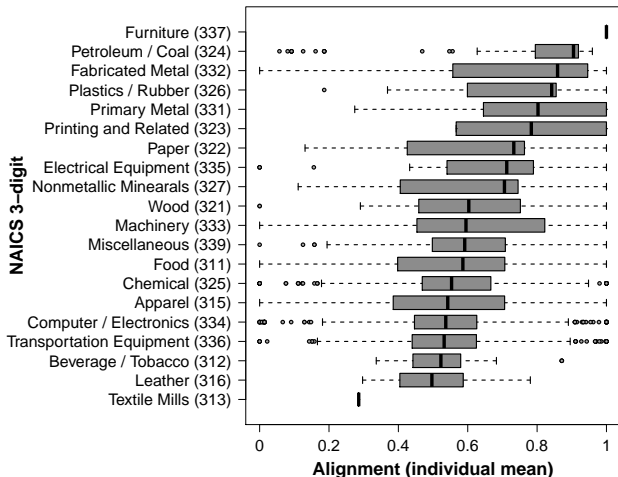
# Alignment within Occupation across all Sectors





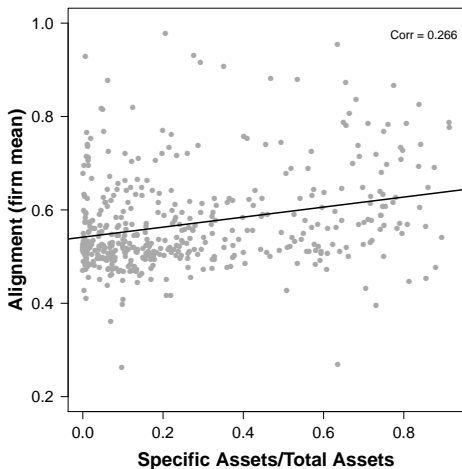
# Alignment within Occupation across Manuf. Sectors

**Figure 2:** Partisan Alignment of CEOs (SOC 11-1011) across 3-digit Manufacturing Sectors



# Relationship of Partisan Alignment and Asset Specificity

**Figure 3:** Firm-level Partisan Alignment vs. Asset Specificity



# Empirical Model

## Baseline Model: OLS with Occupation and Year Fixed Effects

$$\begin{aligned} \text{Alignment}_{ikjst} = & \alpha_k + \theta_t + \gamma \text{Specific\_Assets}_{jt} \\ & + \beta Z_{jt} + \delta I_{kt} + \tau R_{st} + \epsilon_{ikjst} \end{aligned}$$

where:

$\text{Alignment}_{ikjst}$  = Continuous Measure of Alignment

$\text{Specific\_Assets}_{jt}$  = Continuous Measure of Asset Specificity

$I_{kt} = \log(\text{Median Occupational Income}_{kt})$

$R_{st} = \text{State Partisanship is Republican}_{st}$

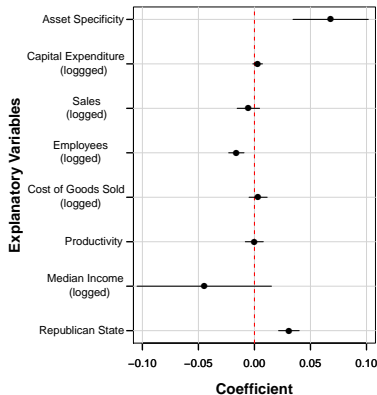
$\alpha_k$  = Occupation Fixed Effects

$\theta_t$  = Year Fixed Effects

$Z_{jt}$  = Firm Controls:  $\log(\text{Sales}_{jt})$   $\log(\text{Employment}_{jt})$   $\log(\text{Cost\_Goods\_Sold}_{jt})$   
 $\log(\text{Capital\_Expenditure}_{jt})$   $\text{Productivity}_{jt}$

# Results

**Figure 4:** Linear Model: Asset Specificity and Firm-Employee Partisan Alignment



Holds controlling for:

- County-level Unemployment
- Geographic Industry Concentration
- Labor Mobility
- Union Membership
- Regulatory Exposure
- County or NAICS 2-digit fixed effects

- Standard Errors clustered by Firm
- Year and Occupation Fixed Effects

# Conclusion

- Firms with more Asset Specificity → more Partisan Alignment
- Most Variation in Firm-Employee Alignment = Sectoral
- Match > 3,5MM Campaign Donations to Employers and Occupations
- **Implications:**
  - Political Mobilization of Firms (March, 1962; Olson, 1965)
  - Policy Coalition Formation (Sabatier, 1988; Rogowski, 1989)
  - Descriptive Representation: US Campaign Donations across Economic Sectors & Occupations (Schlozman, Verba and Brady, 2012)

# Thank You!

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# US Campaign Finance Data

**Linking Individuals and their Firms is tremendously difficult. Why?**

**Problem 1: No *unique* Employer Names**

<b>Name</b>	<b>Employer</b>	<b>Occupation</b>	...
Steven Ballmer	MICROSOFT	CEO	...
Jeff Teper	MICROSOFT CORP	Corporate CEO	...
Lisa Brummel	MICROSOFT CORPORATION	Executive Vice President	...
Rae Garret	MICROSOFT CORPORTATION	Consultant	...
Dorothy Dwoskin	MICROSOFT INC.	Trade Director	...
⋮	⋮	⋮	...

# US Campaign Finance Data

## Problem 2: No *unique* Occupation Names

Name	Employer	Occupation Name	...
John H. Myers	GENERAL ELECTRIC CO	PRESIDENT/C.E.O.	...
John H. Chambers	CISCO SYSTEMS INC	PRESIDENT/CEO	...
Richard Clark	MERCK & CO	PRESIDENT, CEO	...
Christopher M. Crane	EXELON CORP	PRESIDENT COO	...
Robert Marcus	TIME WARNER CABLE INC	PRESIDENT AND COO	...
⋮	⋮	⋮	...



**Step 1**  
Load Raw FEC Data

Employer Name
MICROSOFT CORPORATION
MICROSOFT, INC.
MICROSOFT/CEO

4.1M unique Employer Names

**Step 2**  
Preprocess

1. strip whitespace
2. lowercase
3. n-grams, tf-idf weighting
4. create term-doc matrix

Canonicalized Name
microsoft corp
microsoft inc
microsoft ceo

**Step 3**  
Calculate Similarity Score

CIQ Name	Score
Microsoft Corp	100.0
Microsoft Corp	90.9
Microsoft Corp	84.3

Compustat (CIQ)

35k public Companies

**Step 4**  
Match Name with **unique ID**

Employer Name	GVKEY
Microsoft Corp	12141

Occupation Name
PRESIDENT/C.E.O.
PRESIDENT/CEO
PRESIDENT AND COO

825k unique Occupation Names

Canonicalized Name
president ceo
president ceo
president & coo

Occupation	Score
President	75.7
President	75.7
President	73.5

O\*NET  
Census Bureau  
Bureau for Labor Statistics

869 unique Occupation codes

Occupation	SOC
President	10-1011

Match to 52 million Individual Contributions

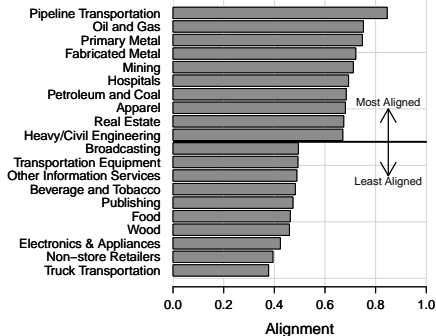
## Result of Matching Process:

Name	ID	Firm	Firm ID	SOC	Occup. Title	...
Steven Ballmer	I00301999	MICROSOFT CORP	12141	11-1011	Chief Executives	...
Jeff Teper	I06497673	MICROSOFT CORP	12141	11-1011	Chief Executives	...
Lisa Brummel	I00807330	MICROSOFT CORP	12141	11-1011	Chief Executives	...
Rae Garret	I01642142	MICROSOFT CORP	12141	13-1199	Consultant	...
Dorothy Dwoskin	I01780528	MICROSOFT CORP	12141	19-3011	Economists	...
⋮	⋮	⋮	⋮	⋮	⋮	...

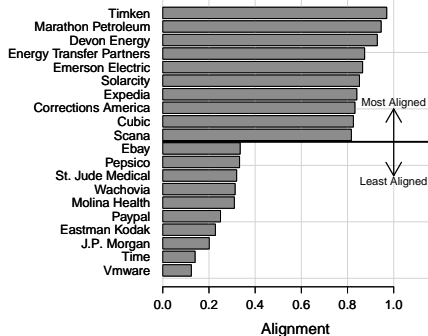
- **This paper:** 1,691,790 filings, 85,132 individuals, 805 occupations, 874 firms
- Match **individual names** with exact matching: first name, last name, state

# Aligning and Non-Aligning Sectors/Firms

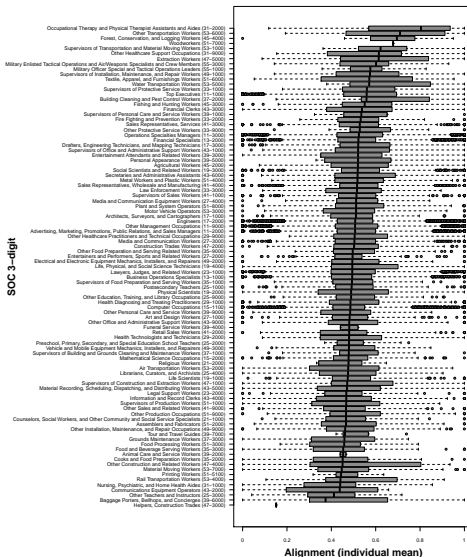
### 10 Most & 10 Least Aligned Sectors



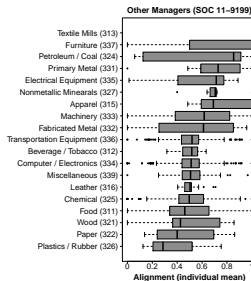
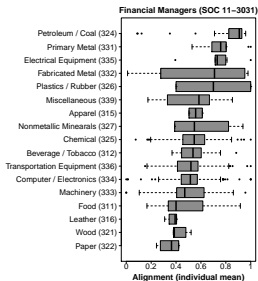
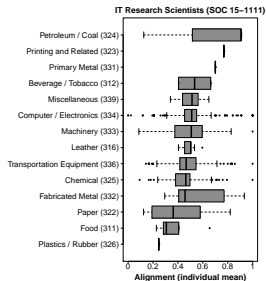
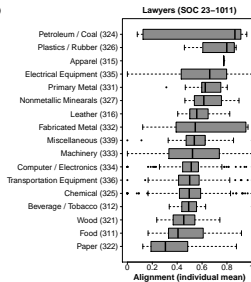
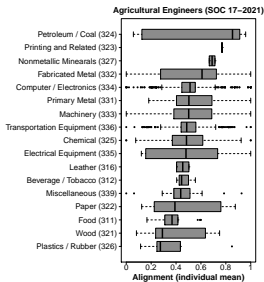
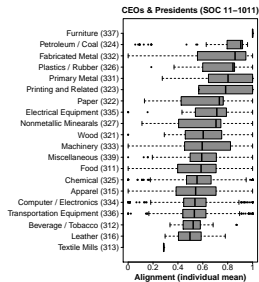
### 10 Most & 10 Least Aligned Firms

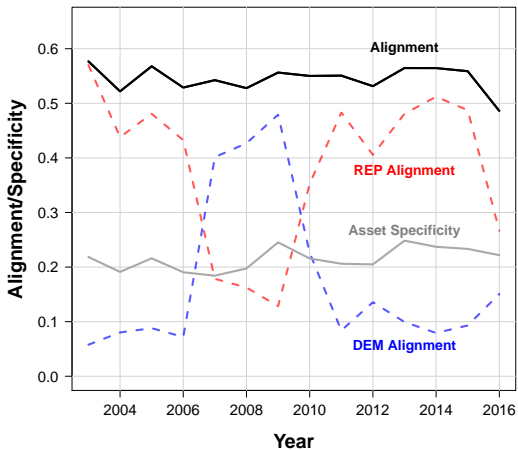


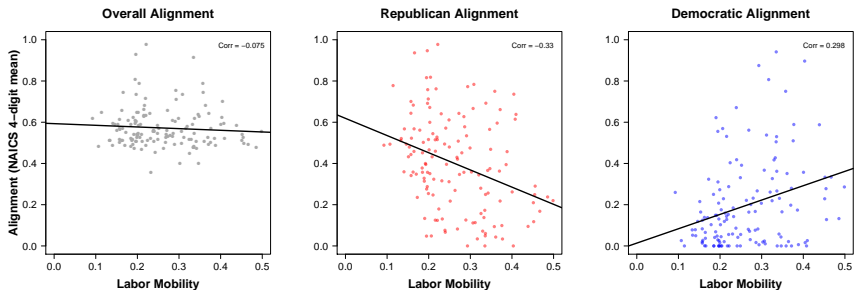
# Partisan Alignment across 3-digit SOC Occupations



# Within-Occupation Alignment in Manufacturing Firms



**Figure 5:** Aggregate Alignment vs. Asset Specificity over Time

**Figure 6: NAICS 4-digit Sectoral Partisan Alignment vs. Asset Specificity**

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