



Finance Speaker Series

Alberta School of Business
Department of Finance

Presents:

Ray Fisman
Boston University

Topic:

Investing in influence: Investors, portfolio firms, and
political giving

Friday, October 15, 2021
2:00pm – 3:00pm

Zoom details located in the calendar invite.

If you are not a member of the Finance department and
would like to attend, please contact Beth Boison

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for the Zoom meeting details.

ABSTRACT

Campaign finance laws aim to limit an individual's influence over the political process. We show that corporate ownership may be an important mechanism by which institutional investors circumvent such constraints and amplify their influence. Using data on the political giving and ownership of all 13-F investors between 1980 and 2016, we show that the probability that a firm's Political Action Committee (PAC) donates to a politician supported by an investor's PAC nearly doubles after the investor acquires a large stake, and that it increases five-fold when the investor obtains a board seat. This increase in similarity of political giving coincides with the election cycle the acquisition takes place in, and is not driven by selection into specific politically strategic

acquisitions, as convergence in political behavior is observed even for exogenously determined acquisitions caused by stock index inclusions. The relationship is stronger for private funds, and those with high partisanship, suggesting the relationship is driven by investor preferences rather than strategic concerns. Finally, we show that portfolio firms' PAC expenditure experiences a relatively large shift at the acquisition date relative to past giving, whereas no such pattern is observed for institutional investors. We argue that these findings are best explained by investors influencing portfolio firm giving, suggesting that PAC giving may be another means by which influential shareholders impact corporate decision-making, in a manner that amplifies investors' political voice.