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Going Dark:
Corporate Motivations for Covert Political Ties

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Abstract

Leveraging three unexpected leaks of donor lists from U.S. "dark money" organizations, we analyze firms whose anonymous political contributions were revealed, comparing them to similar firms without political contribution disclosures, to investigate the drivers of corporate involvement in covert political activities. On average, exposed firms saw a 3.7 percent rise in Tobin's Q post-exposure. However, firms linked to donations that support attack advertisements (such as against then-President Barack Obama) suffered a 14.4 percent drop in Tobin's Q. Our findings suggest that firms strategically use covert donations to avoid reputational damage, retaliation from political opponents, and misalignment with their publicly stated political stance. Consistent with these motivations, firms decrease (increase) their political disclosure practices following negative (positive) valuation responses to exposures.

Keywords: dark money groups, corporate political activity disclosure, corporate political connections, political contributions
JEL Classification: G30, G32, G34, P16, P12, D72

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"The record-breaking spending on the 2024 presidential race has been driven by super PACs allied with both major party candidates — and fueled by dark money from anonymous sources."

OpenSecrets, November 5, 2024[1]

I. INTRODUCTION

Extensive research in the accounting, finance, economics, and political economy literatures establishes that corporate political connections generally provide significant positive economic value to firms (see, e.g., Brown and Huang 2020; Child, Massoud, Schabus, and Zhou 2021; Cooper, Gulen, and Ovtchinnikov 2010; Goldman, Rocholl, and So 2009).[2] Many of these studies explore the value of publicly disclosed political connections established via contributions flowing through corporate political action committees (henceforth, PACs, or "light" money).[3] In contrast, so-called "dark" money, a different form of corporate political spending that is both anonymous and unrestricted in amount, has received far less academic attention. This type of political spending has gained significant media attention since the Supreme Court's 2010 ruling in *Citizens United v. Federal Election Commission* (see Figure 1). Due to the sheer volume of dollars flowing into this type of contribution, dark money has profoundly reshaped the U.S. political landscape over the last 15 years.

Consistent with this notion, Figure 2 illustrates that total dark money group independent expenditures have outweighed total corporate light money contributions during the four U.S.

[1] https://www.opensecrets.org/news/2024/11/outside-spending-on-2024-elections-shatters-records-fueled-by-billion-dollar-dark-money-infusion/ (accessed 2/5/2025)

[2] Several studies find evidence of higher agency costs for politically connected firms, with managers building personal political capital to protect themselves in the event they are caught expropriating from shareholders (Aggarwal, Meschke, and Wang 2012; Coates 2012; Correia 2014; Fulmer, Knill, and Yu 2023; Yu and Yu 2011). But the evidence shows that, overall, "light" PACs are value-increasing.

[3] Political connections may be established in other ways, e.g., through politically connected boards, geographic proximity, or educational ties to politicians (Akey 2015; Do, Lee, and Nguyen 2015; Faccio and Parsley 2009; Guedhami, Pittman, and Saffir 2014; Nguyen, Do, Lee, and Nguyen 2012)

presidential election cycles ending in 2020 (i.e., 2007–2008, 2011–2012, 2015–2016, and 2019–2020). We note that only a portion of this type of spending is subsequently reported to the Federal Election Commission (FEC), so these expenditures should be viewed as a lower bound on the actual figures. Important to the context of this paper, the advertisements (henceforth "ads") that dark money groups fund have become progressively more negative (see Figure 3). Indeed, one dark money group, called Americans for Job Security, spent $15 million on "attack ads" targeting then- President Barack Obama.

Collectively, the trends in political spending raise a critical question: If political ties are beneficial, why would a firm keep these contributions undisclosed—opting to "go dark" with their political spending? The prevalence of this practice suggests there is also value in contributing anonymously. A firm's motivation to contribute anonymously is inherently unobservable and is rooted in concerns about the risks of being exposed as a dark money donor. We examine the impact of such exposure to shed light on why firms choose to engage in covert political activities. We conjecture that firms choose to strategically conceal their identities as donors in order to avoid 1) potential reputational damage from associations with "dirty politics," 2) retaliation by opposing candidates, and 3) misalignment with the firm's publicly established political ideologies.

To investigate firms' motivations for covert political activity further, we exploit the plausibly exogenous exposed donor list disclosures of three dark money groups: 1) the American Legislative Exchange Council (ALEC; 2011), 2) the Republican Governors' Public Policy Committee (RGPPC; 2014), and 3) Americans for Job Security (AJS; 2019). ALEC and RGPPC tend to focus on activities in support of favored candidates, while AJS usually funds attack ads.

We begin our analysis by examining the impact of being exposed as a dark money group donor. We use two sets of tests. First, we examine each leak separately using difference-in-

differences (DiD) analyses. These tests examine the average treatment effect of dark money group exposures on the change in Tobin's Q (henceforth, Q) of exposed donors from eight quarters pre- to eight quarters post-exposure. We observe that, on average, corporate donors to ALEC and RGPPC experience an increase in Q following exposure (2.8 percent and 7.7 percent, respectively). Conversely, firms exposed as donors to AJS, which primarily funded attack ads against Barack Obama, are associated with a 14.1 percent decrease in Q in the quarters following the exposure. Notably, these results are robust to using a two-stage Heckman selection model to address potential selection bias in the decision to contribute to dark money groups.

Second, we combine all three leaks to use a stacked DiD analysis. This allows us to compare AJS to the other two leaks collectively. Once again, we find that RGPPC and ALEC are positively associated with an increase in Q (3.7 percent collectively), while AJS is negatively associated with Q (–14.4 percent). These contrasting effects underscore the importance of considering the nature of dark money spending (e.g., advocating for candidates versus opposing candidates) when assessing the net benefit of dark corporate political activity (CPA).

Next, we test whether there is any empirical support for each of the three potential motivations for firms to contribute to dark money groups. First, we examine whether firms choose dark money political spending to avoid reputational backlash, particularly when they are exposed as being associated with a dark money group involved in "dirty politics." To this end, we follow Desai, Hogan, and Wilkins (2006) and Karpoff, Lee, and Martin (2008) in using short-term market reactions as a proxy for a corporate reputation penalty. Specifically, we calculate cumulative abnormal returns (CARs) across various event windows using the Fama–French (1993) three-factor model. Consistent with previous research on dark money donor leaks (Minefee, McDonnell, and Werner 2021; Werner 2017), we find that firms exposed as donors to ALEC and RGPPC

experience, on average, significant CARs that are negative and positive, respectively. Firms exposed as donors to AJS, however, exhibit more pronounced negative CARs, exceeding those observed for ALEC. These results reinforce the idea that firms strategically leverage dark money when supporting political groups that may engage in controversial activities.

Second, we test whether firms go dark in their political spending to avoid retaliation from a targeted politician. To do this, we exploit a natural experiment arising from the leak of AJS donor identities. This dark money group spent money on attack ads targeting then-President Barack Obama and, by extension, Joseph Biden, then Vice President. We observe that firms whose light money contributions predominantly support Democratic politicians see positive and significant CARs after Biden wins the presidential election in November 2020, with the notable exception of AJS-exposed firms. This exception suggests that association with dark money groups that fund political opposition activities may lead to a backlash, especially if the targeted candidate wins.

Third, we investigate whether firms go dark in their political spending to avoid any inconsistency with established publicly perceived political ideologies. We conduct a separate DiD analysis for each exposure in subsamples based on firms' light political donation patterns. The results show that the impact of exposure on Q is less (more) pronounced when an exposed firm's dark money political spending is consistent (inconsistent) with its light money political spending. Put differently, firms that align their light and dark money contributions experience a muted impact whereas firms with divergent political spending patterns face more severe consequences. These findings indicate that another motivation for firms to go dark is to avoid negative valuation consequences that may arise from inconsistencies in political donations.

Finally, we conduct an overall plausibility test to confirm that these motivations make sense. Specifically, we examine how firms respond to being exposed as dark money donors. If our

intuition is correct—regardless of the underlying motivation—we anticipate that exposed firms that have experienced positive (negative) effects due to the public learning about their covert corporate political spending will subsequently increase (decrease) future disclosures of political expenditures. To test this notion, we conduct a DiD analysis to assess whether exposed firms alter their CPA disclosures post-exposure, based on the specific dark money group involved and the consequences of the exposure. We capture firms' CPA disclosures using the Center for Political Accountability–Zicklin Index (henceforth, ZICK).[4] Following exposure, we find that RGPPC corporate donors increased CPA disclosure (ZICK score increased by 0.584), while AJS corporate donors decreased CPA disclosure (ZICK score decreased by 1.506).[5] These results suggest that firms strategically manage their CPA disclosure practices in response to exogenous exposure events in an effort to limit potential negative consequences associated with certain types of independent political expenditures.

Our study contributes to two different strands of literature. First, we extend the existing literature on corporate political connections by shifting the focus from publicly disclosed connections through PAC contributions to the largely underexplored domain of anonymous political spending. Building on the work of Werner (2017) and Minefee et al. (2021), we add the previously unexplored dark money group donor leak that allocated a disproportionate amount of funding to attack ads targeting President Obama. By examining this case, we are able to shed light on the motivations behind anonymous political spending, which has exploded in recent years. In this regard, the 2019 exposure of the AJS donor list is particularly useful, as it offers valuable

[4] The CPA–Zicklin Index is produced by the Center for Political Accountability in conjunction with the Zicklin Center for Governance & Business Ethics at The Wharton School at the University of Pennsylvania. See *https://www.politicalaccountability.net/cpa-zicklin-index/* (accessed 2/5/2025).

[5] We are unable to investigate the change in CPA disclosure for ALEC due to the unavailability of ZICK data prior to ALEC's exposure in 2011. Thus, we cannot study disclosure changes pre- and post-exposure.

heterogeneity within dark money group spending.

Second, we contribute to the literature on CPA disclosure by examining how firms adjust their transparency in response to valuation effects associated with the exposure of covert political ties. Building on the work of Bebchuk and Jackson (2012), Baloria, Klassen, and Wiedman (2019), Bebchuk, Jackson, Nelson, and Tallarita (2020), and Goh, Liu, and Tsang (2020), we show that firms exposed as donors to dark money groups strategically alter their CPA disclosure practices. Our nuanced findings underscore the importance of CPA transparency as a tool for corporate reputation management. Additionally, our findings extend the theoretical framework of Jia, Markus, and Werner (2023), who illuminate the strategic concealment of CPA, by empirically demonstrating how exposure to dark political contributions can directly influence firms' CPA disclosure strategies.

II. INSTITUTIONAL BACKGROUND

The landscape of campaign finance in the U.S. reflects a long history of legislative actions, judicial decisions, and societal debates. Since the early 1900s, lawmakers have been keenly aware of the risk of moral hazard when corporations or affluent individuals fund a substantial portion of a candidate's political campaign. They aimed to shield the political process from undue foreign influence and prevent wealthy individuals from exerting a disproportionate influence on politicians. These concerns led to a series of legislative actions taken to regulate political spending.

Perhaps the first important piece of legislation enacted in this regard was the Foreign Agents Registration Act (FARA) of 1938, which required disclosure of foreign principals acting in a political capacity. A FARA amendment in 1966 extended these regulations by banning political contributions and expenditures by foreign nationals. The initial foundation of modern

campaign finance law governing political donations was established in 1971. This legislation, called the Federal Election Campaign Act (FECA), prohibited direct political contributions from U.S. corporations' treasury funds in federal elections. Instead, it allowed indirect contributions through political action committees (PACs). An amendment to FECA later established the FEC, which provides oversight of campaign spending to this day.

A seismic shift in the campaign finance landscape occurred with the Supreme Court case *Citizens United v. FEC* in 2010.[6] Citizens United, a 501(c)(4) non-profit organization and an example of a dark money group, was central to this landmark decision. The ruling affirmed that independent political spending is a form of speech protected under the First Amendment, and it extended these rights to corporations and unions. This pivotal decision enabled unlimited and often anonymous spending in elections, significantly altering the dynamics of political finance.

Along with a subsequent lower court ruling in *Speechnow.org v. FEC*,[7] also in 2010, *Citizens United v. FEC* (often referred to simply as "Citizens United") catalyzed the creation of super PACs, a political vehicle that allows individuals and firms to donate unlimited amounts to or against political candidates, as long as there is no coordination with candidates or political parties. Dark money groups, especially those under sections 501(c)(4) and 501(c)(6), existed prior to Citizens United, but faced severe restrictions in their political activities. *Citizens United* largely eliminated those restrictions and significantly amplified their role in political campaigns.

Figure 4 provides a detailed visual representation of the flow of financial resources in the

[6] *Citizens United v. FEC* (2010) was a landmark U.S. Supreme Court decision that effectively lifted restrictions on campaign finance. It allowed corporations, wealthy individuals, and other special interest groups to spend unlimited funds on political campaigns, advocacy, and other activities without formal coordination with candidates or political parties ("Citizens United Explained" – Brennan Center for Justice).

[7] This federal court case, which was eventually reviewed in the Appellate Court, was the first to establish that limits on contributions (and how much SpeechNOW could receive) in the form of independent expenditures are unconstitutional. The court made a distinction between the constitutionality of limits on contributions to non-profit organizations (such as SpeechNOW) and to political candidates. The court held that the latter remains constitutional.

U.S. political system. It illustrates the pathways through which individuals, corporations, PACs, super PACs, and dark money groups engage in political contributions and expenditures. These pathways highlight the differing levels of transparency between light money contributions, which are publicly disclosed, and dark money contributions, which often remain anonymous. The figure contextualizes the mechanisms analyzed throughout this paper, emphasizing the diverse financial channels through which political influence is exercised, both openly and covertly.

Dark money groups encompass a range of entities. 501(c)(3) organizations are often established for religious, charitable, scientific, or educational purposes, and are restricted from overt political activities. However, they can engage in voter registration efforts, with contributions being tax-deductible. On the other hand, 501(c)(4) organizations, the most common type of dark money group, can engage in political activities, provided this is not their primary purpose—a term vaguely defined by the Internal Revenue Service (IRS). Contributions to these groups are usually not tax-deductible. Additionally, 501(c)(6) organizations, which include business leagues and trade associations, can participate in political activities. Like 501(c)(4) groups, they are not required to disclose their donors, adding to the opacity of political spending. Contributions to 501(c)(6) organizations are similarly not tax deductible.

Oversight of dark money groups falls under the purview of the IRS. The limitations established on these groups post–*Citizens United* are threefold: 1) they must spend more than half their budget on their primary purpose, i.e., non-political activities, 2) their political activities must be limited to independent expenditures, and 3) they must disclose those expenditures to the FEC.[8] IRS oversight, however, has been lacking. A controversy in 2013 surrounding the alleged targeting of dark money groups based on political ideology resulted in President Obama firing the IRS

[8] See: https://www.finance.senate.gov/imo/media/doc/x-7-22.pdf (accessed 2/5/2025).

Commissioner and the Republican-led Congress limiting the IRS budget as it relates to future oversight. A report by Citizens for Responsibility and Ethics in Washington (CREW), a nonpartisan watchdog of government ethics and accountability, suggests that the IRS has backed off from pursuing cases involving dark money groups, even when there are clear violations of the law.[9] Furthermore, there exist two significant loopholes in the tax laws governing dark money groups: so-called "issue ads" and spending for ads disseminated over the internet. The distinction between independent expenditures and issue ads further complicates the political spending landscape. Independent expenditures, which advocate explicitly for or against specific candidates without coordination, require donor disclosure. However, issue ads, aimed at raising awareness without explicit electoral advocacy, can bypass the disclosure rules, especially in the digital domain. Ultimately, because of these loopholes, only a small percentage of dark money group spending is disclosed to the FEC. Indeed, during the 2020 election cycle, only 8 percent of dark money group spending was disclosed. Moreover, some dark money groups donate part of their 51 percent allocation (i.e., limitation #1 above) to other dark money groups, which can then spend that money on political ads.

Proponents of dark money, citing First Amendment rights, argue that it enables free political speech and association, and ensures donor privacy (Smith 2013). They contend that anonymity in donations protects donors from potential backlash and encourages broader political participation (La Raja and Schaffner 2015). In contrast, critics argue that dark money undermines democratic processes by allowing wealthy individuals and groups to covertly sway political campaigns and decisions without public accountability (Briffault 2010). This lack of transparency hinders informed electoral decision-making. This concern is exemplified by the political activities

[9] https://www.citizensforethics.org/reports-investigations/crew-reports/the-irs-is-not-enforcing-the-law-on-political-nonprofit-disclosure-violations/ (accessed 2/5/2025).

of influential, if not polarizing, figures such as the Koch brothers, wealthy American industrialists aligned with Republicans, and George Soros, a wealthy Hungarian–American investor and philanthropist aligned with Democrats. In theory, either could channel unlimited funds into politics through undisclosed channels (Hasen 2016).

Recent legislative developments underscore the ongoing debate over the role of dark money in U.S. politics. The "Don't Weaponize the IRS Act", supported by former Senate Minority Leader Mitch McConnell, aimed to protect donor anonymity by preventing the IRS from disclosing the identities of donors to tax-exempt organizations (Braun 2021). In contrast, the "DISCLOSE (Democracy Is Strengthened by Casting Light On Spending in Elections) Act," reintroduced by Senator Sheldon Whitehouse, sought to increase transparency in political funding. It required organizations to disclose the names of significant donors, particularly those contributing to election-related activities (Whitehouse 2022). While neither of these efforts has resulted in new legislation, the judicial system has weighed in on existing laws governing dark money. In 2022, an appellate court found in a unanimous verdict that "groups can't qualify for tax exemption under Section 501(c)(4) of the tax code if they have a substantial nonexempt purpose". This judgment suggests a stricter definition of the "primary" purpose, which will be a higher bar for tax-exempt status and could limit the flow of political contributions through these organization.[10] Additionally, court cases in both Alaska[11] and New Mexico[12] challenge the undisclosed nature of dark money. These legislative efforts and court cases highlight the tension between protecting individual privacy rights and promoting transparency in the electoral process.

[10] https://www.wsj.com/politics/policy/court-ruling-threatens-to-curb-billions-in-political-dark-money-77f1fb33 (accessed 10/30/2024).
[11] https://azmirror.com/briefs/arizona-supreme-court-to-weigh-fate-of-dark-money-disclosure-law/ (accessed 2/5/2025)
[12] https://sourcenm.com/2024/09/03/judge-orders-dark-money-group-to-publicly-disclose-where-its-money-comes-from/ (accessed 2/5/2025)

As lawmakers and special interest groups navigate the complexities of dark money, the tension between privacy and transparency as it relates to political spending continues to shape the U.S. political landscape. Efforts to enhance accountability in campaign finance have made some progress, but the pervasive influence of dark money remains contentious. The dynamics of this issue ensure that the future of dark money in American politics will be marked by ongoing debates and evolving challenges.

III. HYPOTHESIS DEVELOPMENT

Extensive evidence in the literature suggests that corporate political connections are value-enhancing and beneficial for connected firms (Acemoglu, Johnson, Kermani, Kwak, and Mitton 2016; Akey 2015; Boubakri, Guedami, Mishra, and Saffar 2012; Brown and Huang 2020; Child et al. 2021; Cooper et al. 2010; Faccio and Parsley 2009; Goldman et al. 2009; and Tahoun 2014), and significant differences between connected and unconnected firms are well documented (Faccio 2006, 2010). Despite the documented value of these political connections, some publicly traded firms in the U.S. actively downplay their involvement with politicians and the political system. This paradox raises an important question that scholars have long debated (Ansolabehere, De Figueiredo, and Snyder 2003; Francia, Green, Herrnson, Powell, and Wilcox 2003): Why is there relatively little money in U.S. politics, despite its perceived advantages?

A growing strand of political finance research offers potential answers. Several studies suggest that politically connected firms suffer from higher agency costs, as managers may prioritize their personal political capital, which they can use if, e.g., they are accused of expropriating shareholder wealth (Aggarwal et al. 2012; Coates 2012; Dahan, Hadani, and Schuler 2013; Fisman and Wang 2015; Gleason and Glendening 2019; Fulmer et al. 2023). Other studies

suggest that politically connected firms tend to avoid costly safety measures (Fisman and Wang 2015) and regulatory enforcement (Fulmer et al. 2023; Heitz, Wang, and Wang 2021). Moreover, recent findings suggest that corporate donors may suffer reputational damage when they are connected to politicians that become embroiled in scandals (Knill, Liu, McConnell, and Seagraves 2024).

Research on dark money remains scarce, primarily because the data are so severely lacking. Given the anonymous nature of "dark" money, information about donors only becomes accessible when donor lists are leaked or otherwise exposed. To the best of our knowledge, and as we noted earlier, there have only been three such incidents. Werner (2017), who examined the investor response to news that firms donated to RGPPC, finds that investors respond positively. In contrast, Minefee et al. (2021), who examine the investor response to news that firms donated to ALEC, find that investors respond negatively. In an effort to reconcile seemingly contradictory findings, we examine all three dark money exposure events, focusing on whether firms benefit from or are hurt by their revealed association with a dark money group. Assuming that firms are not simply contributing beyond the legal limits for corporate PACs and leaning on the aforementioned research suggesting that political connections are valuable along with an assumption that firm management acts rationally, we posit that firms benefit from a revealed association with a dark money group. Formally stated, this becomes:

H1: Firms benefit from contributing anonymously to dark money groups.

Given the conflicting nature of the previous research, a benefit of our research design is that we can leverage the heterogeneity of our sample dark money groups with regard to their spending to shed some light on the motivations of firms for contributing anonymously.

First, following Knill et al. (2024), we assume firms may seek to contribute anonymously to avoid "guilt by association." The authors use association with scandalous politicians as their primary example, but association with a dark money group that engages in "dirty politics" could produce a similar response. We find anecdotal evidence consistent with this motivation, given the mostly negative campaign ads that have aired on various platforms in the years leading up to the 2024 election. A *Yahoo Finance* article suggests that "[a] slim majority of this group—51 of the 100 analyzed by Yahoo Finance—are avoiding any personal entanglement with the 2024 race. They, so far at least, have not made a single penny in *disclosed* donations to any candidate for president, any congressional race, or any group promoting a specific political issue."[13] Formally stated, this becomes:

H2: Firms contribute anonymously to avoid reputational damage that would occur if they were associated with a dark money group that engages in "dirty politics."

Second, we assume firms may seek to contribute anonymously to avoid retaliation by opposing (or targeted) candidates. Anecdotally, evidence of this may be found in Donald Trump's January 24, 2024, post on Truth Social: "[Nikki Haley donors] from this moment forth, will be permanently barred from the MAGA camp. We don't want them, and will not accept them…." Then-candidate Trump warned potential donors that supporting his political opponents could lead to repercussions.[14] Such statements underline the political volatility and potential risks associated with disclosed political contributions and anecdotally support the rationale for maintaining covert political ties. Formally stated, this becomes:

[13] https://finance.yahoo.com/news/most-top-ceos-arent-giving-to-either-trump-or-biden-080016177.html (accessed August 8, 2024).
[14] See "Trump warns he will blacklist Nikki Haley campaign donors". https://www.cnbc.com/2024/01/25/trump-warns-he-will-blacklist-nikki-haley-campaign-donors.html (accessed 2/5/2025).

H3: Firms contribute anonymously to avoid retaliation by opposing candidates, who may have been damaged by the political spending of a dark money group.

Finally, the third reason why firms may seek to contribute anonymously is to avoid inconsistency with an established political persona. Anecdotally, evidence of this may be found in the actions of Sam Bankman-Fried. The former FTX chief executive and his associates donated $50 million during the 2022 election cycle toward politically active groups that do not publicly disclose donor names. Bankman-Fried said in a 2022 interview: "The reason was not for regulatory reasons, it's because reporters freak…out if you donate to Republicans. They're all super liberal, and I didn't want to have that fight."[15] Formally stated, this becomes:

H4: Firms contribute anonymously to avoid a public backlash if contributions are deemed inconsistent with their previously established political ideology.

IV. DATA

Exposed Corporate Dark Money Group Donors

The dark money group that serves as the focus of this paper is AJS, a Virginia-based pro-business league (501(c)(6)). AJS donors were originally exposed in the media on October 26, 2019. We use that donor list to link corporate donors to this group.[16] The original exposure document was sent by Stephen DeMaura, president of AJS, to Jonathan A. Peterson, Office of General

[15] "Sam Bankman-Fried, FTX allies secretly poured $50 million into 'dark money' groups". https://www.cnbc.com/2023/10/20/sam-bankman-fried-ftx-allies-donated-millions-in-dark-money.html (accessed 2/5/2025).

[16] "At least 20 billionaires behind 'dark money' group that opposed Obama." https://www.forbes.com/sites/michelatindera/2019/10/26/at-least-20-billionaires-behind-dark-money-group-that-opposed-obama/ (accessed 2/5/2025).

Council at the FEC, as a result of California litigation.[17]

Our sample comprises the universe of firms found in *Compustat* and *CRSP*. We identify corporate donors who made direct contributions to AJS in the sample based on the donor list. We then match individual AJS donors to firms using Institutional Shareholder Services (ISS) Directors. We identify a total of 16 connected firms: nine are connected through direct contributions and seven are connected through contributions by a board member. The 16 linked corporate donors comprise the first treatment group, which is uniquely exposed to a dark money group that spent money attacking the opposition, then-President Barack Obama.

We expand our analysis by identifying the firms exposed in the donor list leaks of RGPPC and ALEC.[18,19] RGPPC's donor list was exposed on September 24, 2014, when a Republican Governors' Association meeting schedule with donors was accidentally posted online. It is a tax-exempt "social welfare" organization (501(c)(4)) that aims to help elect Republicans to governorships and provides them with resources to help govern effectively.[20] ALEC's donor list was exposed on July 13, 2011, by a whistleblower, and later publicized by the Center for Media and Democracy. ALEC is a tax-exempt "charity" (501(c)(3)) dedicated to the principles of limited government, free markets, and federalism.[21]

Using the ALEC, RGPPC, and AJS dark money group exposure events, we examine the differential impact of exposures on connected firms based on group type and fund use. In total, we

[17] Original data source.
[18] "G.O.P. error reveals donors and the price of access". https://www.nytimes.com/2014/09/25/us/republicans-corporate-donors-governors.html (accessed 2/5/2025).
[19] "ALEC exposed" website. https://www.alecexposed.org/wiki/ALEC_Exposed (accessed 2/5/2025).
[20] IRS: 501(c)(4).
[21] IRS: 501(c)(3).

identify 165 firms exposed as ALEC corporate donors and 56 as RGPPC corporate donors.[22] Including AJS corporate donors (described above), we have 237 exposed corporate donors, constituting the full treatment group.

Table 1 reports the dark money donation amounts and total assets for the top ten exposed donors for each group. However, dark money donation amounts are only available for AJS and RGPPC. We identify a control group for the analyses that includes all U.S. public firms in the *CRSP* and *Compustat* databases.

Other Databases

We obtain supplemental data from various other resources. Firm financial and stock return data come from Compustat and CRSP, respectively. Light money contributions and ideology data are from the FEC. Data on firms' visibility are based on the annual number of news articles from Factiva about each firm.

Table 2 presents a summary of firm-level characteristics for both exposed and unexposed firms in the 16-quarter event windows surrounding the three dark money group exposure events. We structure the dataset as a stacked firm-year-quarter panel, covering the period Q3 2009 to Q3 2021.[23] Approximately 2.3 percent of firm-year-quarters in the panel data are exposed, with ALEC accounting for 1.9 percent, RGPPC, 0.8 percent, and AJS, 0.2 percent. Light money contributions are, on average, $1,705 per quarter for the firms in our sample. Conditional on contributing during

[22] Due to methodological differences, our sample sizes for ALEC and RGPPC differ slightly from previous studies, which focus on cumulative abnormal returns around the exposure dates (Minefee et al., 2021; Werner 2017). Our main DiD methodologies examine firm performance over extended windows (eight quarters pre- and post-exposure) and include unexposed control firms. This approach allows us to retain firms with confounding events on the announcement date while controlling for time-varying factors that might affect both treated and control firms, resulting in slightly larger sample sizes for ALEC and RGPPC exposures.

[23] The quarter of the first report date is quarter 1 of the post-event period. The results are robust to shorter or longer windows.

our sample, the average is $26,388. While this average is certainly not negligible, it pales in comparison with the quarterly average for the nonzero (exposed) dark money donations of $359,419 with the largest donation at $8.8 million.[24] This difference highlights the potential difference in the contribution dollars spent both in the light and in the dark.

V. EMPIRICAL ANALYSIS

Dark Money Group Exposure and Firm Value

We begin our analysis by investigating the firm-level impact of dark money donor exposure. Table 3 presents the results of a series of fixed effects (henceforth, FE) DiD regression analyses. We examine the effect of firm exposure of dark money group donations on firm value, as measured by Q. Separate DiD regressions are estimated for each exposure event (i.e., ALEC, RGPPC, and AJS). This structure enables us to disentangle the specific effect of each group's donor list exposure on firm value. The baseline regression model is specified as follows:

$$Ln(Q_{i,t}) = \delta Post_t \times ExpEvent_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}, \quad (1)$$

where i indexes firms, t indexes year-quarters, $Ln(Q_{i,t})$ is the natural log of total assets minus the book value of equity plus the stock price times shares outstanding divided by total assets, $X_{i,t}$ is a vector of control variables that have been shown to be correlated with firm value, α_i and α_t are firm and year-quarter fixed effects, and $\epsilon_{i,t}$ is an error term. $Post_t$ is an indicator variable that equals 1 if year-quarter t is greater than or equal to the event (exposure) year-quarter for the specified dark money group, and 0 otherwise. $ExpEvent_i$ is an indicator variable that equals 1 if firm i was exposed

[24] The true average could differ from this figure substantively since we only know about exposed donations.

as a donor to the specified dark money group relevant in the subsample (i.e., ALEC, RGPPC, or AJS) in the event window, and 0 otherwise. Our independent variable of interest is the interaction of *Post* × *ExpEvent.* The coefficient on this interaction variable, δ, estimates the effect of a dark money group donor list exposure on the change in Q from pre- to post-exposure.[25] The main effects of *Post* and *ExpEvent* are subsumed by fixed effects.

In columns (1) and (2) of Table 3, we report the baseline DiD regression results for ALEC exposure. Column (2) includes firm control variables and the coefficient on *Post* × *ALEC* is 0.028 (t = 1.78). This indicates that firms exposed as ALEC donors experience a 2.8 percent increase in Q post-exposure. This positive effect suggests that being exposed as a donor of ALEC, which is typically associated with advocacy for conservative policies, is perceived favorably by the market.

Columns (4) and (5) of Table 3 present the baseline DiD results for the RGPPC exposure. The coefficient on *Post* × *RGPPC* in column (5) is 0.077 (t = 3.29). This suggests that firms exposed as RGPPC donors experience a 7.7 percent increase in Q post-exposure. This substantial positive effect implies that market participants view RGPPC exposure, associated with supporting Republican governors, as beneficial to firm value.

Columns (7) and (8) present the baseline DiD regression results for AJS exposure. The coefficient on *Post* × *AJS* in column (8) is –0.141 (t = –2.50). This indicates that firms exposed as AJS donors experience a 14.1 percent decrease in Q post-exposure. This negative effect reflects the market's adverse reaction to being exposed as an AJS donor.

The validity of our FE DiD estimates relies on the assumption of parallel trends, which posits that exposed and unexposed firms would have followed similar trajectories in the absence of the treatment effect. A potential concern is that the observed effects could be driven by pre-

[25] In all regressions, standard errors are clustered at the firm level (Bertrand, Duflo, and Mullainathan 2004).

existing trends rather than the exposure itself. If firms that eventually become exposed already exhibit different valuation trends compared to non-exposed firms, our estimates may capture these pre-trends rather than the causal effect of exposure. To address this concern, we conduct a temporal dynamic analysis to test for systematic differences in firm value prior to exposure. Specifically, we estimate the following model:

$$Ln(Q_{i,t}) = \beta_0 + \beta_1 Before_{i,t}^{(-4)} + \beta_2 Before_{i,t}^{(-3)} + \cdots + \beta_7 After_{i,t}^{(+2)} + \beta_8 After_{i,t}^{(+3)} + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t} \quad (2)$$

where $Ln(Q_{i,t})$ represents firm i's Tobin's Q in relative quarter t. The variables $Before_{i,t}^{(-4)}$ through $Before_{i,t}^{(-1)}$ represent firm valuation four to one period prior to exposure, while $After_{i,t}^{(0)}$ through $After_{i,t}^{(+3)}$ track post-exposure valuation changes over four periods. $X_{i,t}$ is a vector of control variables, and α_i and α_t are firm and time fixed effects, respectively. Standard errors are clustered at the firm level.

Figure 5 presents the estimated coefficients from this temporal dynamic analysis, showing the effects of dark money group exposure—ALEC, RGPPC, and AJS—on firms' Q over time. These estimates capture the relative timing of exposure and firm value, using a specification that allows for time-varying treatment effects. All coefficient estimates are normalized at period -1, which serves as the baseline for comparison.

Figure 5 illustrates parallel trends for exposed and unexposed firms during the year-quarters preceding the event year-quarter of each dark money donor list exposure. Panels A, B, and C plot the results for the exposure events related to ALEC, RGPPC, and AJS, respectively. These visualizations illustrate the differential effects of exposure to each dark money group on Q, reinforcing the findings presented in the tabulated regression analysis while providing support for the assumption that parallel trends hold. The significant post-exposure effects highlight the causal

impact of exposure on firm value, aligning with the results in Table 3.

While the exposure events in our sample are plausibly exogenous, the decision to donate to a dark money group is not. To address this concern, we follow Werner (2017) and Minefee et al. (2021) in using a two-stage Heckman selection model to address potential selection bias in our analysis. In the first stage (selection) probit model, we employ the same exogenous instrument used in prior research to predict selection into dark money group exposure: a binary variable indicating whether a firm made a "soft money" contribution of any magnitude to the Republican Party before June 2002, when such contributions were legal.[26] This variable satisfies the key conditions for a valid selection instrument (Certo, Busenbark, Woo, and Semadeni 2016), as firms that previously contributed soft money to the Republican Party are more likely to engage in other forms of conservative-leaning political giving, such as donations to ALEC, RGPPC, or AJS. At the same time, it arguably meets the exclusion restriction, as it is unlikely to be directly related to firm valuation during our study period, given that the exposure events occurred well after the prohibition of soft money contributions.

In addition to whether a firm was a Republican soft money contributor prior to June 2002, the first-stage model includes firm size (the natural log of total assets), as it is a well-documented predictor of corporate political activity (Hillman, Keim, and Schuler 2004) and total quarterly corporate PAC contributions. The first stage estimates lambda (i.e., the inverse Mills ratio), which serves as a proxy for the correlation between the error terms in the selection and outcome stages. We then incorporate lambda into the second-stage regressions to correct for potential selection bias.

The results from the first-stage probit models are unreported.[27] The coefficients on

[26] The Bipartisan Campaign Reform Act prohibited soft money contributions post-2002.
[27] Results of the first-stage probit models are provided in Internet Appendix Table AI.

Republican Soft Money Donor, *Ln(Assets)*, and *Ln(Total Contributions+1)* for ALEC and AJS are significant, confirming that these variables are strong predictors of a firm's likelihood of being exposed as a donor to these two dark money groups. However, for RGPPC, only the coefficients on *Ln(Assets)* and *Ln(Total Contributions+1)* are significant. Overall, this suggests that firm size and PAC contributions are consistently strong predictors of dark money exposure, while prior Republican soft money contributions are predictive only for ALEC and AJS exposure.

Columns (3), (6), and (9) of Table 3 present the second-stage results from the two-stage Heckman selection model corresponding to ALEC, RGPPC, and AJS exposures, respectively. This model accounts for potential selection bias, and the findings highlight that λ (the inverse Mills ratio) is significant for RGPPC and AJS, but not for ALEC, indicating that selection bias is a concern for two of the three dark money groups. Importantly, even after including λ in columns (3), (6), and (9), the significance and direction of the coefficients on the three exposure variables remain similar to the corresponding coefficients in columns (2), (5), and (8). The magnitudes of the coefficients on *Post* × *ALEC* and *Post* × *RGPPC* remain quite stable, while the magnitude of the coefficient on *Post* × *AJS* increases somewhat.

Overall, Table 3 provides compelling evidence that exposure of dark money group connections significantly affects firm valuation. The results from our FE DiD regressions indicate that ALEC and RGPPC exposures are associated with positive and significant increases in Q, reflecting favorable market perceptions of these connections. In contrast, AJS exposure is linked to a substantial and significant decrease in Q.

To further explore the heterogeneity of the impact of the three donor list exposures in our analysis, we employ a stacked triple differences approach (Gormley and Matsa 2011). This methodology allows us to compare the impact of exposure to different types of dark money groups

on firm value. We focus particularly on the differential effects of being associated with a group known for aggressive anti-candidate political tactics versus those involved in political candidate and policy activities. We specify the regression equation as follows:

$$Ln(Q_{i,c,t}) = \delta_1 Exposure_{i,c,t} \times AJS_{i,c} + \delta_2 Exposure_{i,c,t} + \gamma X_{i,c,t} + \alpha_{i,c} + \alpha_{t,c} + \epsilon_{i,c,t}, \quad (3)$$

where *i* indexes firms, *c* indexes cohorts, *t* indexes year-quarters, and $Ln(Q_{i,t})$ is the natural log of Q. $Exposure_{i,c,t}$ is an indicator variable that equals 1 if firm *i* was exposed as a donor to any of the three dark money cohorts *c* and time *t* is after the exposure event, and 0 otherwise. The three cohorts correspond to ALEC, RGPPC, and AJS. $AJS_{i,c}$ is an indicator variable that equals 1 if firm *i* was exposed as a donor to AJS, and 0 otherwise. $X_{i,c,t}$ is a vector of control variables that have been shown to be correlated with firm value, and the terms $\alpha_{i,c}$ and $\alpha_{t,c}$ are firm-cohort and year-quarter-cohort fixed effects. Our independent variable of interest is the interaction of *Exposure* × *AJS*. The coefficient on this interaction variable, δ_1, estimates the differential effect of the AJS dark money group donor list exposure on the change in Q from pre- to post-exposure relative to ALEC and RGPPC.[28] The main effect of *AJS* is subsumed by fixed effects.

In Table 4, we present the stacked triple difference regression analysis results in various event windows ranging from four quarters (i.e., –2, +2) to 16 quarters (i.e., –8, +8). We find a positive and statistically significant effect of exposure (*Exposure*) on Q across all specifications. Conversely, we observe a negative and statistically significant effect of AJS exposure (*Exposure* × *AJS*) on Q in all models. This suggests that, compared to the other exposures, the donors associated with AJS experienced a significantly greater negative impact on firm value.

The economic significance denotes that firms exposed as donors to dark money groups

[28] In all regressions, standard errors are clustered at the firm level (Bertrand et al. 2004).

experience, on average, a 7.0 percent increase in Q, using an event window of –2 to +2 quarters (column (2)). However, when considering the differential impact of AJS exposure, the net effect is a 7.0 percent increase minus a 15.2 percent decrease, resulting in an overall 8.2 percent decline. In column (8), which utilizes the event window of –8 to +8 quarters, we observe that firms exposed as dark money group donors experience a 3.7 percent increase in Q. However, the net effect for AJS exposure is a 3.7 percent increase minus an 18.1 percent decrease, resulting in an overall 14.4 percent decline.

Collectively, the results in Table 4 confirm those in Table 3, revealing a contrast in the impact of being exposed as a donor of AJS versus one of RGPPC or ALEC. Specifically, our results suggest that being exposed as an AJS donor, a group known for aggressive anti-candidate political tactics, is significantly detrimental to firm value. A fundamental difference between AJS and the former leaks is that AJS was a dark money group that aggressively funded attack ads targeting a sitting U.S. president.

Motivation of Firms to Go Dark with Political Spending

Thus far in this paper, we have documented disparate effects on a firm of being exposed as having a dark money group connection. Leveraging the negative effect of exposed connections to AJS, we attempt to shed some light on why firms would want to contribute covertly. Specifically, we look for evidence consistent with exposure-induced negative reactions from stakeholders, targeted politicians, and the public overall.

To Avoid a Reputational Penalty

One reason firms may channel political contributions through dark money groups is to avoid reputational risks associated with being "guilty by association" (see, e.g., Knill et al. 2024).

Such risks arise when stakeholders (e.g., creditors, shareholders, customers) back away from the connected firms, whether because of perceived increases in risk, reduced expected benefits of CPA, or even customer boycotts.[29] By using dark money channels, firms can support their preferred candidates without risking a reputational penalty.

To test this conjecture, we follow the approach of Desai et al. (2006) and Karpoff et al. (2008) and conduct a CAR analysis to evaluate the reputational penalty of an exposure event. Table 5 presents the results, which capture short-term market reactions to the exposure of firms as donors to dark money groups. Using a Fama–French (1993) three-factor model, we focus on small event windows of daily returns around exposure announcement dates. Specifically, we examine the market reactions of contributing firms during (0, 1), (0, 3), (0, 5), (0, 10), and (0, 20) day event windows. The announcement date is the date of the first news article to expose the corporate donors of each dark money group.[30] We adopt a 252-trading day estimation window that ends 20 trading days prior to the event date.

The baseline CAR analysis results are in Table 5. Panels A, B, and C display the donor list exposure outcomes for ALEC, RGPPC, and AJS, respectively. As Panel A shows, firms exposed as corporate donors to ALEC experience a statistically significant negative CAR in two of the five event windows. In Panel B, the exposed corporate donors to RGPPC experience a statistically significant positive CAR in three of the event windows. The results of Panels A and B are consistent with the findings of Werner (2017) and Minefee et al. (2021). In Panel C, firms exposed as corporate donors to AJS, the dark money group that funds attack ads targeting political

[29] Evidence consistent with this may be found in analyses that examine operating performance, accounting conservatism and various proxies for cost of equity and debt. These may be found in Internet Appendix Tables AII and AIII.

[30] If public markets were closed on the initial publication date, then the announcement date is set to the first trading day after the initial publication date.

opponents, experience a statistically significant negative CAR in three of the event windows with an average magnitude (-2.627%) greater than that of the other exposures (-1.514% and 1.627% for ALEC and RGPPC, respectively).

It is also noteworthy that the statistically significant CARs for both ALEC and RGPPC are in the longer-term windows (0, 5), (0, 10), and (0, 20), which implies that investors took longer to process the implications of exposed firms' connection to these dark money groups. In contrast, the statistically significant CARs for AJS appear in the shortest event windows, i.e., (0, 1) and (0, 3), which implies that investors reacted quickly and decisively when this information was released, suggesting that the impact was unambiguously negative.

These results suggest that being exposed as a donor to AJS carries unique reputational risks compared to the other dark money groups. AJS is known for funding ads that target candidates aggressively and even engaging in smear campaigns. Such activities may be perceived as "dirty politics," and can damage a firm's reputation. The significantly negative CAR for AJS donors underscores the market penalties associated with overtly negative political activities. This finding reinforces the rationale for firms to channel their political contributions through dark money groups to mitigate reputational damage.

To Avoid Retaliation by Opposing Candidates

Another reason why firms may choose to channel their political contributions through dark money groups is to avoid retaliation by opposing candidates. Political retaliation can manifest in various forms, including (but not limited to) regulatory scrutiny, adverse policy decisions, or loss of government contracts. Any of these can impact firm value. Firms publicly associated with a particular political party or candidate risk facing negative consequences if the opposing party comes into power. By using dark money channels, firms can support their preferred candidates or

causes without revealing their identities. This mitigates the risk of retaliation.

To empirically test this hypothesis, we examine the market reactions of firms exposed as donors to dark money groups following a significant political event: the election of President Biden. This event provides a natural experiment to observe whether corporate donors exposed as funding attack ads would face political retaliation (as forecasted by the market). Specifically, we examine whether exposed AJS donors experienced differential market reactions compared to those exposed to ALEC and RGPPC. We employ a similar CAR analysis, using the President's election as the event date. We then compare the CARs of exposed ALEC, RGPPC, and AJS donors across Democratic- and Republican-leaning subsamples, defining political alignment based on the ratio of a firm's total light money contributions to Republicans relative to Democrats. Subsamples are determined by splitting firms at the median value of this ratio in the quarter prior to the election date (2020 Q3). Table 6 reports the results.

We observe a clear pattern. In column (2), the CARs for Democratic-leaning firms are statistically significant and positive. Thus, Democratic-leaning firms benefited from the election of a Democratic president. This is consistent with the notion that firms publicly associated with the Democratic (Republican) Party are perceived to be favored under a Democratic (Republican) administration (Brown and Huang 2020). In contrast, we observe smaller and less statistically significant CARs for Republican firms (column (3)), suggesting that Republican-leaning firms experienced a more muted market reaction when President Biden won the election.

Interestingly, in column (4), the CAR for RGPPC is positive and significant, while the CARs for ALEC and AJS are insignificant. This indicates that, unlike Democratic-leaning RGPPC donors, exposed corporate ALEC and AJS donors did not attain any benefits from Democrats following President Biden's election. This finding holds even though they made more than 50

percent of their light money contributions to Democrats during the 2020 election cycle.

The lack of positive CARs for AJS donors in the Democratic-leaning subsample following President Biden's election is consistent with the notion that the market perceives these firms as vulnerable to retaliation from the Biden administration because Biden was indirectly targeted by the AJS attack ads against Barack Obama. These findings underscore the strategic use of dark money channels by firms seeking to establish connections with politicians that may help them—regardless of political party—while minimizing the risk of retaliation by opposing candidates if the connected politician loses.[31]

To Avoid Inconsistency with Established Political Ideologies

The final reason why firms may choose to channel their political contributions through dark money groups is to avoid inconsistency with publicly established political ideologies. Publicly disclosed political donations often reflect a firm's ideological stance, which generally aligns with its corporate values and stakeholder expectations. However, there may be strategic reasons for a firm to donate to a party, candidate, or social cause that are at odds with its public political persona. Contributing in the "dark" allows firms to avoid any inconsistency with this publicly cultivated political persona, and any potential backlash from stakeholders who perceive the firm's political activities as inconsistent.

The Center for Political Accountability's *Conflicted Consequences*[32] highlights the complex and often contradictory outcomes of corporate political spending, suggesting the importance of aligning CPA with companies' stated commitments to, for example, social and

[31] Results using total unique donations to Republicans (Democrats) to form subsamples yield qualitatively similar results and may be found in Internet Appendix AIV.
[32] *https://www.politicalaccountability.net/conflicted-consequences/* (accessed 2/5/2025).

environmental values (Hacker and Pierson 2021). As a result, the effects of donor list exposure on the companies involved may differ depending on the alignment of these exposed donations and their past political contribution history. If a company's previous light money contributions are (in)consistent with the politicians, party, or values espoused by the dark money group, the impact of exposure is likely to be less (more) significant. For example, a company publicly perceived to lean Democratic might face fewer negative repercussions if revealed as a corporate donor to a dark money group opposing Republicans, compared to a company perceived as Republican, which would likely experience more backlash under the same circumstances. This observation aligns with the findings of Mkrtchyan, Sandvik, and Zhu (2023). We expect that firms whose light and dark contributions are misaligned will receive fewer advantages (face harsher consequences) when linked to dark money groups that engage in positive (negative) political activities.

To test this notion, we use a standard FE DiD methodology, similar to the model specified in Equation (1). We examine whether corporate political donation misalignment affects the magnitude of the consequences faced by exposed firms. This methodology allows us to test each dark money group exposure event individually within subsamples based on pre-exposure political ideology. Specifically, we analyze the effect of exposure on Q across subsamples categorized by each firm's total light money political donation ratio to Republican versus Democratic candidates. Odd (even) columns represent models using below- (above-) median subsamples for this political party donation variable in the quarter prior to the specified exposure date. Odd columns include firms perceived to be Democratic-leaning based on light money contributions; even columns include firms perceived to be Republican-leaning. In each panel, columns (1) and (2) analyze ALEC exposure, columns (3) and (4) analyze RGPPC exposure, and columns (5) and (6) analyze AJS exposure.

The results of this analysis, provided in Table 7, suggest that firms' prior political party donation patterns influence the consequences of being exposed as corporate donors to dark money groups. We note two main findings. First, exposed corporate donors of ALEC and RGPPC experience a significant increase in value only if they are perceived as Republican-leaning compared to other firms in the sample. This adds nuance to the findings of Werner (2017) and Minefee, McDonnell, and Werner (2021). Moreover, it suggests that consistency between a firm's prior light money and dark money donations mitigates any negative impact of exposure. Second, the negative shock to value experienced by exposed corporate donors to AJS is significantly reduced for firms perceived as Republican-leaning compared to their Democratic-leaning counterparts, suggesting that investors and possibly other stakeholders learned that the exposed firms' political ideologies were different than they had believed.[33]

VI. CPA DISCLOSURE RESPONSE TO DARK MONEY EXPOSURE

The evidence thus far shows that exposure as a corporate donor to dark money groups can significantly impact firm value. This holds regardless of the reasons for opting to contribute in the dark. It is, therefore, plausible that firms may alter their CPA disclosure in response. Extant literature generally concludes that as political investment and connections increase, the level of political spending disclosure also increases (see, e.g., Goh et al. 2020). However, most of these studies examine light money contributions in support of a candidate or cause. Ex ante, we expect that firms exposed as donors to a dark money group and experiencing an immediate positive (negative) firm value effect (as evidenced by the CARs) will increase (decrease) CPA disclosure

[33] Results using an alternative proxy for political ideology subsamples yield qualitatively similar results and may be found in Internet Appendix Table AV.

in response.

To examine this hypothesis, we follow Goh et al. (2021) in using the Zick index, which was created by the CPA-Zicklin Center and measures firms' level of voluntary political spending disclosure. The sample used in these models includes all S&P 500 firms, as the ZICK index is limited to these firms. We employ two fixed effects regression models: Negative Binomial and Poisson regressions. These two models are appropriate for our analysis because the dependent variable, ZICK, contains a substantial number of zeros (Wooldridge 2010) and the count nature of it (Cameron and Trivedi 2013), respectively.

Table 8 presents the results RGPPC and AJS only. Due to the unavailability of ZICK data prior to 2011—the same year ALEC exposure began—we are unable to perform a before-and-after comparison for ALEC. For the Negative Binomial regression models, column (1) displays a positive and statistically significant coefficient estimate on *Post* × *RGPPC*, indicating a 0.584-point increase in political spending disclosure (t = 9.43). This suggests that firms exposed as corporate donors of RGPPC, a candidate-supporting dark money group, increase their political disclosure after the exposure. This is consistent with exposed firms viewing these political connections as worthy of highlighting in response to the positive impact on firm value. In contrast, column (2) shows a negative and statistically significant coefficient on *Post* × *AJS*, corresponding to a 1.506-point decrease in political spending disclosure (t = -3.61). Firms associated with AJS appear to reduce their political activity disclosures as a strategic move to mitigate any further reputational risks. The Poisson regression models in columns (3) and (4) serve as a baseline comparison and corroborate the findings of the Negative Binomial results. The results are similar to those in columns 1 and 2.

These results are consistent with the notion that exposed firms and their managers

recognize the negative (positive) impact of exposure to an opponent-targeting (candidate-supporting) dark money group and respond accordingly. Moreover, they highlight the strategic adjustments firms make in their disclosures of political activities following such exposure. Firms exposed as donors to opponent-targeting groups such as AJS reduce their disclosures to minimize the value-reducing consequences of the public knowing about future associations with "dirty politics", whereas those exposed as donors to candidate-supporting groups like RGPPC increase their disclosures to capitalize on the positive associations.

VII. CONCLUSION

In recent years, dark money—the anonymous funding of U.S. elections by corporations, individuals, and groups—has emerged as a critical yet underexplored facet of corporate political strategy. Although the implications of corporate political connections have been extensively examined, the covert nature of dark money has seen only limited academic scrutiny. The value of dark political contributions lies in their ability to shield donors from public exposure. This allows firms to avoid any potential backlash or negative associations. In this paper, we empirically examine the heterogeneous effect of dark money donations, presumably due to how a dark money group spends its funds. Further, we examine the motivations behind firms' decisions to channel their political contributions through dark money groups. Specifically, we hypothesize that firms employ dark money channels to 1) mitigate reputational damage from negative political campaigns, 2) avoid retaliation by political rivals, and 3) manage controversies arising from misalignment between a firm's public partisan identity and its dark money activities.

To test these hypotheses, we exploit three instances where the donor lists of U.S. dark money groups were publicly disclosed. By comparing the valuations and abnormal returns of firms

implicated in these exposures with those of unexposed firms, we uncover novel insights. Our findings indicate that, following the first report of an exposure event, exposed firms experienced an average increase in valuation of 3.7 percent. However, firms exposed as donors to groups engaged in political opposition experienced a stark 14.4 percent decrease in market value. These results underscore the importance of distinguishing between the nature of dark money groups—whether their efforts are supportive or oppositional—when assessing the consequences of dark CPA. Moreover, our analysis reveals that firms strategically utilize dark money to mitigate reputational risks, avoid retaliation, and navigate ideological contradictions. They actively adjust their corporate political disclosures in response to exposure events to mitigate associated costs.

Our research contributes to the literature on corporate political connections and CPA disclosure by being among the first to empirically examine dark corporate political connections. We provide evidence that capital market participants are not necessarily aware of these connections, which corroborates the findings of Werner (2017), Goh et al. (2020), and Minefee et al. (2021). Importantly, we are the first to examine the exposure of a group with the primary purpose of attacking or opposing political candidates and smearing reputations. Our findings reveal that not all dark political ties enhance firm value. In many cases, the consequences can be profoundly negative.

While our study provides valuable insights, we acknowledge its limitations, particularly the small number of dark money group donor exposures to date—only three incidents, with just one associated with negative attack ads. However, this limitation underscores the critical need for further research in this area, especially as the 2024 election set new records for dark money spending, with only about 8 percent of these expenditures likely to be reported to the FEC.[34] The

[34] *https://www.opensecrets.org/news/2021/03/one-billion-dark-money-2020-electiohagncycle/* (accessed 2/5/2025).

relevance of this topic to academics and the broader public cannot be overstated, as dark money continues to reshape the U.S. political landscape. Given the increasing prominence of dark money in U.S. politics following the *Citizens United v. Federal Election Commission* Supreme Court ruling in 2010, we suggest that future research explore how dark corporate political connections impact both firm outcomes and the broader political landscape. Such work would be particularly instructive given the growing influence of dark money in corporate strategy.

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FIGURE 1
Factiva Articles and Google Trends for "Dark Money"

This figure shows the total number of Factiva news articles containing the phrase "dark money" in the U.S. from 2000 to 2022, alongside the Google Trends search index for the "dark money" topic in the U.S. The number of news articles is represented by black bars (left y-axis), and the Google Trends index value is shown by the grey line (right y-axis). On January 21, 2010, the Supreme Court issued a ruling in *Citizens United v. Federal Election Commission*, overruling a prior decision, *Austin v. Michigan State Chamber of Commerce*, that allowed prohibitions on independent expenditures by corporations. This ruling is marked on the timeline, reflecting its impact on corporate independent expenditures.

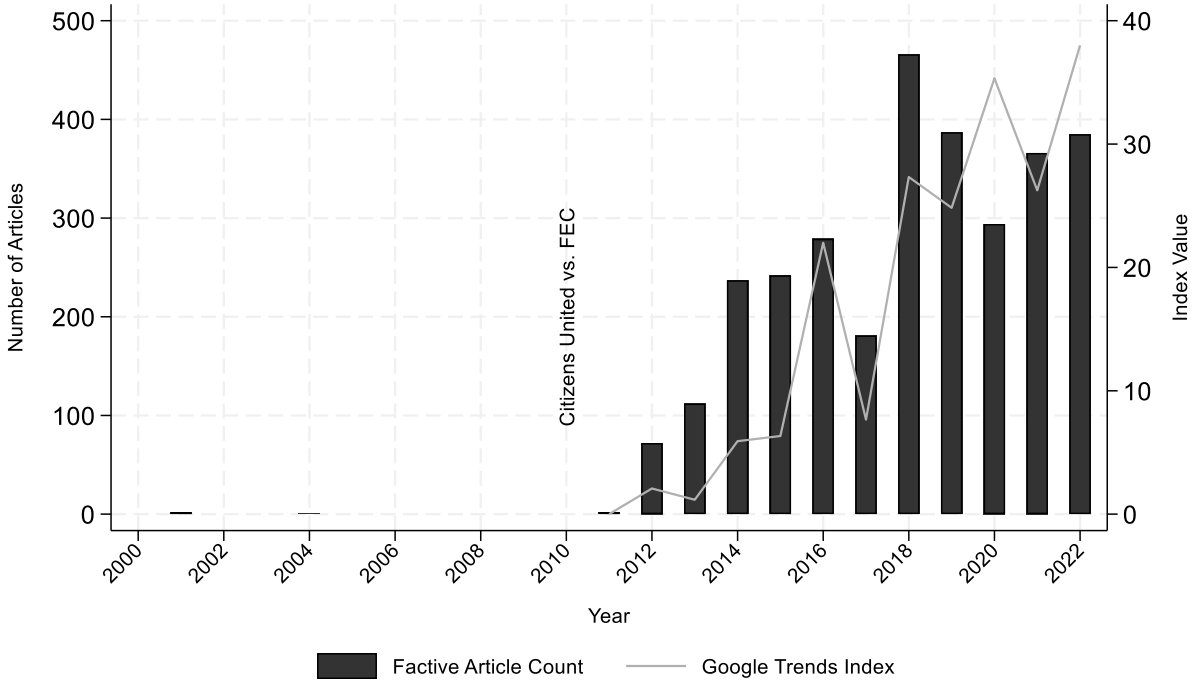


FIGURE 2
Dark Money Group Independent Expenditures and Corporate PAC Contributions by Year

This figure illustrates the total dollar amount of independent expenditures by dark money groups and contributions by corporate PACs as reported by the FEC in each election year from 2000 to 2022. Funding sources for dark money groups include corporations, wealthy individuals, and other special interest groups. The data used to construct this graph come directly from the FEC database. On January 21, 2010, the Supreme Court issued a ruling in *Citizens United v. FEC* that overruled a prior decision, *Austin v. Michigan State Chamber of Commerce (Austin)*, that allowed prohibitions on independent expenditures by corporations.

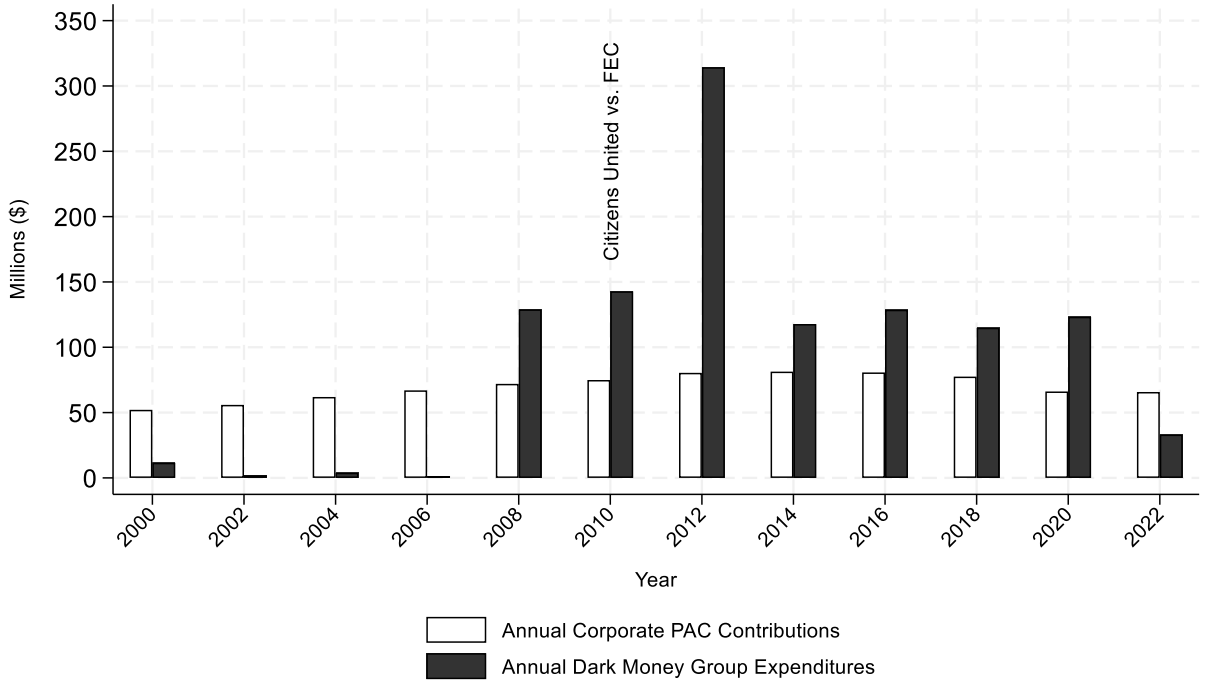


FIGURE 3
Dark Money Group Independent Expenditures by Year

This figure illustrates the total dollar amount of independent expenditures by dark money groups in each election year from 2000 to 2022. Funding sources for dark money groups include corporations, wealthy individuals, and other special interest groups. Annual dark money independent expenditures are grouped according to whether they advocate for or oppose the election of candidates, and these groups are displayed in blue and red, respectively. The data used to construct this graph come directly from the FEC database. On January 21, 2010, the Supreme Court issued a ruling in *Citizens United v. FEC* that overruled a prior decision, *Austin v. Michigan State Chamber of Commerce (Austin)*, that allowed prohibitions on independent expenditures by corporations.

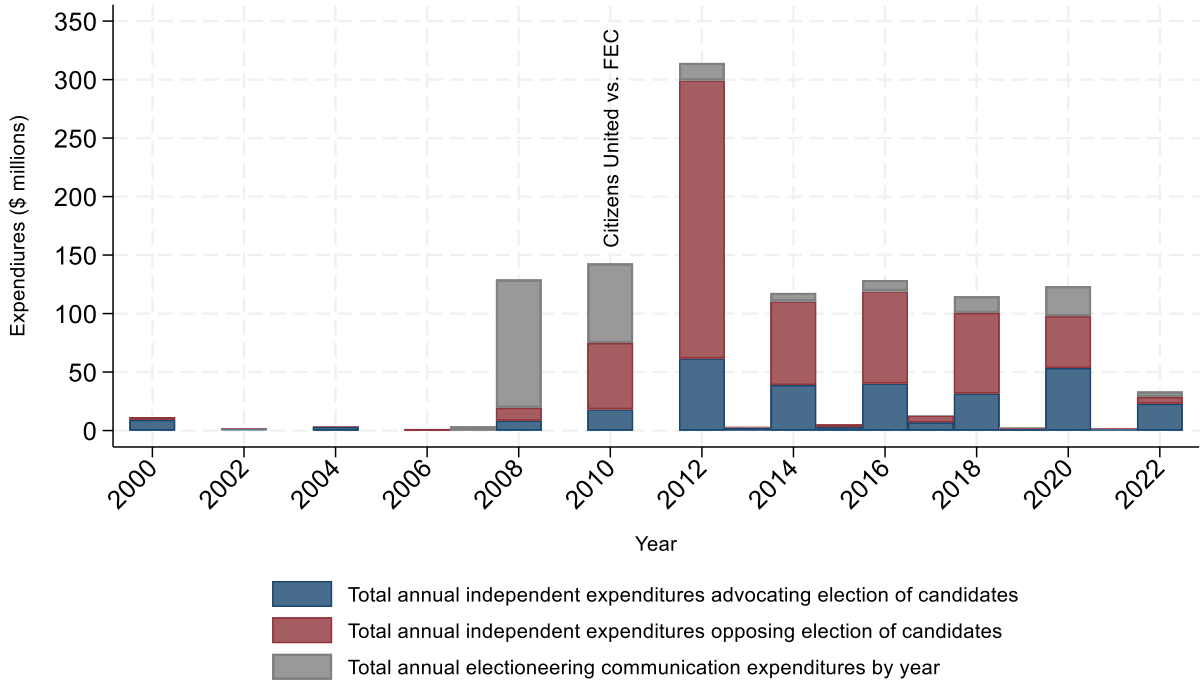


FIGURE 4
Flow of Political Donations and Expenditures in the U.S. Political System

This figure illustrates the complex pathways through which individuals, corporations, PACs, super PACs, and dark money groups participate in the U.S. political process. It displays the flow of political donations and financial contributions from various sources to candidate campaigns, political parties, independent expenditures, and issue advertisements, highlighting both transparent and anonymous channels of influence. Contributions that are publicly reported to the FEC are indicated, while pathways involving independent expenditures and issue advertisements, often not reported, demonstrate the opacity inherent in "dark money" contributions.

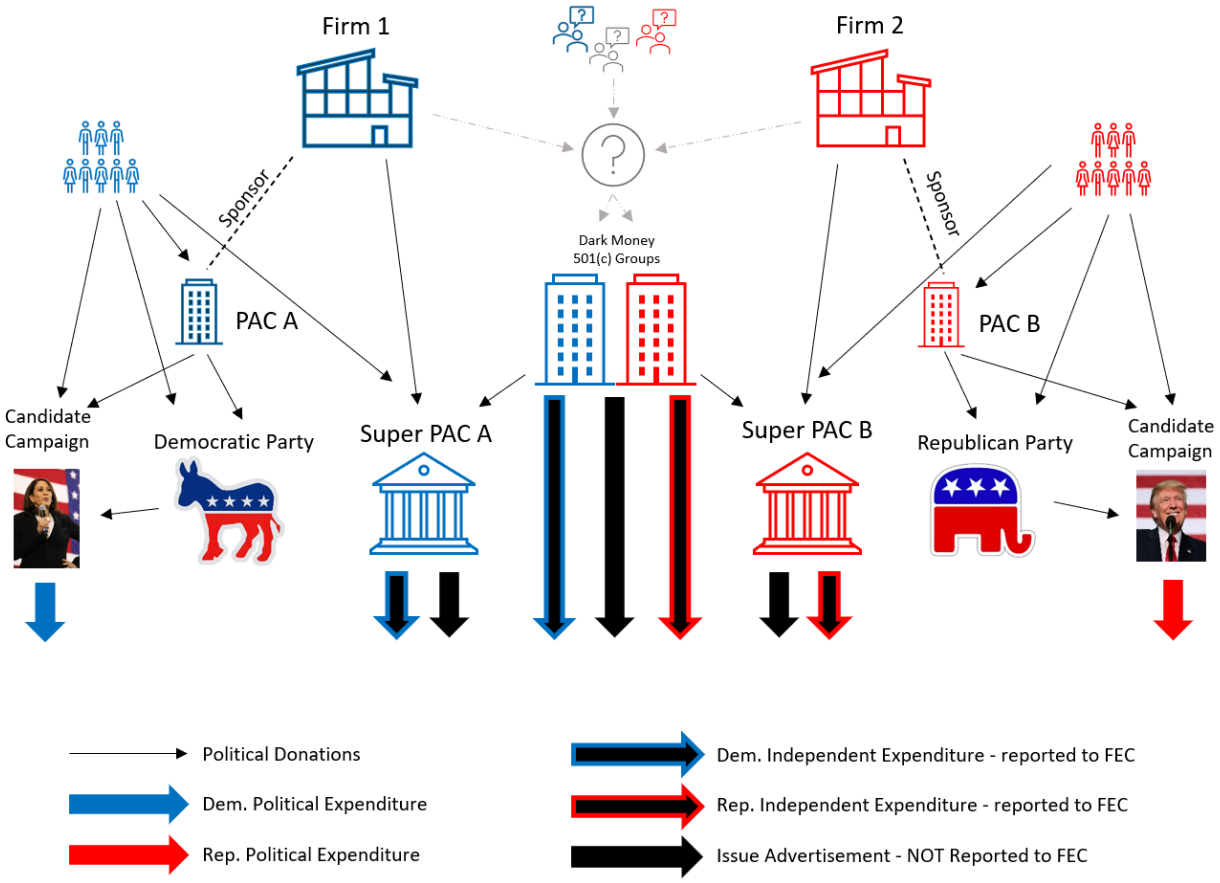
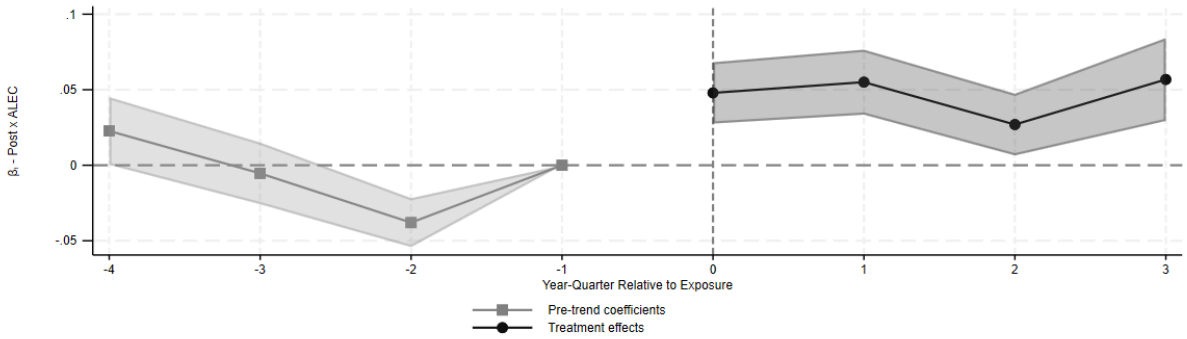


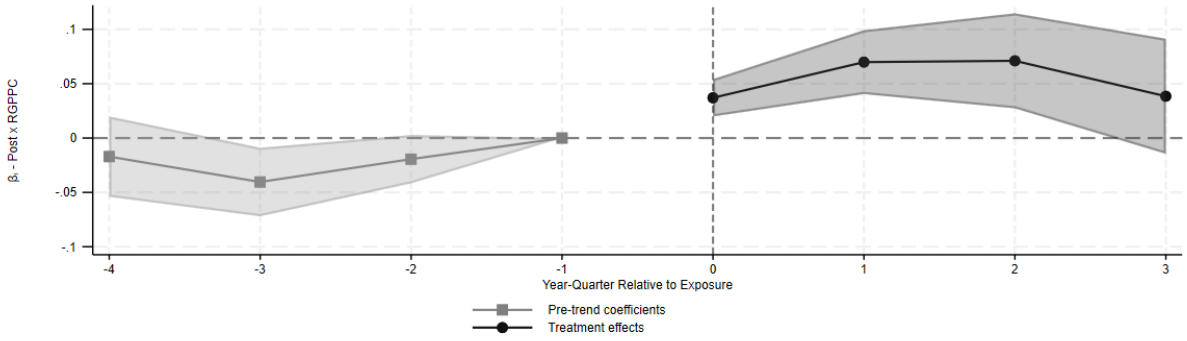
FIGURE 5
Fixed Effect Difference-in-Differences Estimates of the Effects of Exposure and Firm Value

This figure shows the temporal dynamic effects of dark money group exposure—ALEC, RGPPC, and AJS—on firms' Tobin's Q (henceforth, Q). The y-axis shows the fixed effect coefficient estimates based on the event-year-quarter dummy variables, indicating the relative timing of exposure and Q, using the model specified in Equation (2). All coefficient estimates are normalized at period -1. A visual of parallel trends is observed for each exposure during the year-quarters preceding the event year-quarter. Panel A reports the coefficient estimates for firms exposed as ALEC donors, Panel B reports the estimates for RGPPC donors, and Panel C shows the estimates for AJS donors. The y-axis represents the estimated effect on the natural logarithm of Q, and the x-axis measures time (in quarters) relative to the exposure. Shaded regions represent 95% confidence intervals.

Panel A: American Legislative Exchange Council – 2011 Q3



Panel B: Republican Governors' Public Policy Committee – 2014 Q3



Panel C: Americans for Job Security – 2019 Q4

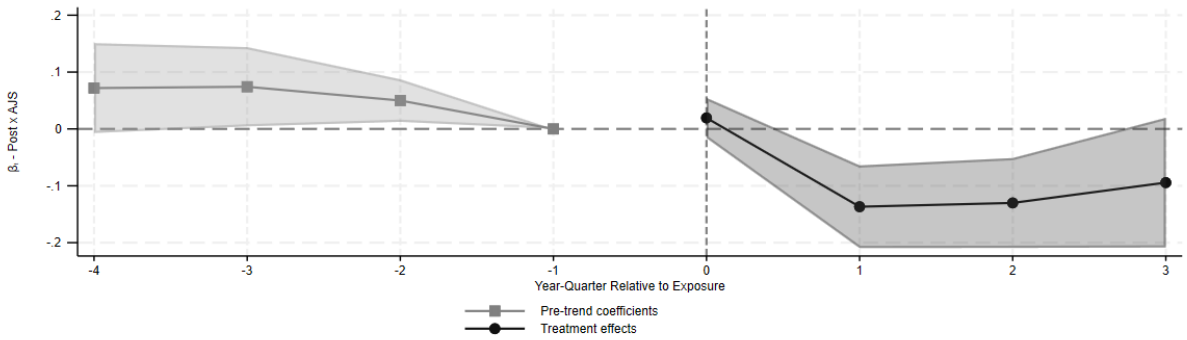


TABLE 1
Exposed Dark Money Group Corporate Donors

This table presents the top ten exposed donors for each dark money group: American Legislative Exchange Council (ALEC), Republican Governors' Public Policy Committee (RGPPC), and Americans for Job Security (AJS). The year and quarter of each dark money group exposure are reported above each donor list. Donation amounts and total assets in the year-quarter of each exposure are also reported for each listed firm (if available).

Donor	Donation Amount ($)	Total Assets ($ M)
American Legislative Exchange Council – 2011 Q3		
Bank of America Corp.		2,219,628
General Electric Co.		737,700
Prudential Financial Inc.		611,473
Exxon Mobil Corp.		323,227
BP p.l.c.		290,731
Verizon Communications Inc.		228,032
Chevron Corp.		204,099
Navient Corp.		197,544
Pfizer Inc.		196,132
Walmart Inc.		195,039
Republican Governors' Public Policy Committee - 2014 Q3		
Exxon Mobil Corp.	250,000	352,764
Walmart Inc.	250,000	207,889
Pfizer Inc.	250,000	171,362
Microsoft Corp.	250,000	142,348
Coca-Cola Co.	250,000	96,314
UnitedHealth Group Inc.	250,000	85,426
Elevance Health Inc.	250,000	62,058
Aetna Inc.	250,000	53,026
Reynolds American Inc.	250,000	15,332
WEC Energy Group	250,000	14,725
Americans for Job Security – 2019 Q4		
The Charles Schwab Corp.	8,800,000	294,005
The Gap Inc.	5,000,000	13,679
Devon Energy Corp.	1,500,000	13,717
Continental Resources	1,000,000	15,728
Penn National Gaming	737,000	14,195
Facebook Inc.	500,000	133,376
Wynn Resorts, Ltd.	500,000	13,871
Public Storage	450,000	11,365
Cognex Corp.	350,000	1,886
Las Vegas Sands Corp.	250,000	23,199

TABLE 2
Firm Summary Statistics

This table presents descriptive statistics for the panel data sample of firm-year-quarter observations over the sample period 2009 Q3 – 2021 Q3, which is eight quarters before and after the last exposure. It includes the universe of all U.S. firms included in both CRSP and Compustat (N = 138,802 for all variables except the ZICK index where N = 15,347). This table describes the mean, median, standard deviation (Std. Dev.), first quartile (Q1), and third quartile (Q3). All variables are defined in the Appendix. All firm financial variables are winsorized at the 1% and 99% levels.

	Mean	Median	Std. Dev.	Q1	Q3
Exposed	0.023	0	0.151	0	0
ALEC	0.019	0	0.138	0	0
RGPPC	0.008	0	0.091	0	0
AJS	0.002	0	0.044	0	0
Total Contributions ($Thous)	1.705	0	8.950	0	0
Rep./Dem. Total Donation Ratio	87.691	1	1,343.88	1	1
Republican Soft Money Donor	0.070	0	0.254	0	0
Total Super PAC Contributions ($)	3.414	0	233.014	0	0
ZICK	11.803	0	20.026	0	14
Tobin's Q	2.192	1.577	1.792	1.153	2.483
Capex	0.027	0.014	0.037	0.005	0.033
Tax	-0.023	0.094	33.040	0	0.217
R&D	0.016	0	0.032	0	0.018
Firm Return Variance	0.027	0.015	0.034	0.008	0.031
Dividends	0.335	0	0.472	0	1

TABLE 3
Effect of Donation Exposure on Donor Firm Valuation

This table presents the results of the DiD regression analysis of Tobin's Q against dark money group exposure and various control variables for firm-year-quarter observations in 16-quarter event windows. The panel data includes the universe of all U.S. firms in both CRSP and Compustat. The baseline regression equation is as follows: $Ln(Tobin's\ Q_{i,t}) = \delta Post_t \times ExpEvent_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$. The dependent variable in each column is *Ln(Tobin's Q)*, abbreviated in the table as *Ln(Q)*. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the dark money group cohort, and 0 otherwise. *ExpEvent* is an indicator variable that equals 1 if firm *i* was exposed to the specified dark money group (ALEC, RGPPC, or AJS) in the event window, and 0 otherwise. The event window size for each regression is indicated in the column headers. In columns (3), (6), and (9), we employ the second stage of the Heckman selection model, which includes the estimated lambda (i.e., the inverse Mills ratio). Each regression includes firm and year-quarter fixed effects (α_i, α_t) and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $*p < 0.10$, $**p < 0.05$, and $***p < 0.01$.

	Dependent Variable: Ln(Q)								
	Period: 2009 Q3 – 2013 Q2			Period: 2012 Q3 – 2016 Q2			Period: 2017 Q4 –2021 Q3		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Post x ALEC	0.031**	0.028*	0.026*						
	(2.01)	(1.78)	(1.76)						
Post x RGPPC				0.078***	0.077***	0.069***			
				(3.28)	(3.29)	(2.81)			
Post x AJS							-0.148***	-0.141**	-0.245***
							(-2.81)	(-2.50)	(-3.50)
Ln(Total Contributions+1)		-0.000	0.000		-0.001	0.001		0.001	-0.004
		(-0.14)	(0.18)		(-1.11)	(0.79)		(0.80)	(-1.63)
Ln(Total Super PAC Contributions + 1)		0.003	0.003		-0.003	-0.003		0.001	0.000
		-1.12	-1.11		(-1.16)	(-1.18)		(0.17)	(0.07)
Capex		0.680***	0.680***		0.630***	0.630***		0.682***	0.684***
		(8.91)	(8.91)		(8.26)	(8.27)		(6.94)	(6.96)
Tax		0.000	0.000		0.000*	0.000*		0.000***	0.000***
		(0.11)	(0.11)		(1.79)	(1.79)		(6.09)	(5.95)
R&D		3.343***	3.342***		2.958***	2.954***		2.389***	2.369***
		(9.36)	(9.35)		(9.98)	(9.97)		(10.04)	(9.95)

Firm Return Variance		0.549***	0.549***		1.753***	1.750***		2.110***	2.089***
		(2.82)	(2.82)		(6.69)	(6.68)		(11.11)	(10.98)
Dividends		0.042***	0.042***		0.050***	0.050***		0.087***	0.088***
		(5.48)	(5.48)		(6.24)	(6.27)		(10.72)	(10.75)
λ - IMR			-0.032			-0.221**			-2.480**
			(-0.58)			(-2.35)			(-2.37)
Firm FE	X	X	X	X	X	X	X	X	X
Year-Quarter FE	X	X	X	X	X	X	X	X	X
Observations	48,077	48,077	48,077	47,698	47,698	47,698	47,586	47,586	47,586
Adj. R^2	0.841	0.847	0.846	0.855	0.860	0.860	0.860	0.867	0.868

TABLE 4
Effect of AJS Donation Exposure on Donor Firm Valuation

This table presents the results of the following stacked triple differences regression analysis (Gormley and Matsa 2011): $Ln(Q_{i,c,t}) = \delta_1 Exposure_{i,c,t} \times AJS_{i,c} + \delta_2 Exposure_{i,c,t} + \gamma X_{i,c,t} + \alpha_{i,c} + \alpha_{t,c} + \epsilon_{i,c,t}$,. The panel data includes the universe of all U.S. firms in both CRSP and Compustat. The dependent variable in each column is *Ln(Tobin's Q)*, abbreviated in the table as *Ln(Q)*. *Exposure* is an indicator variable that equals 1 if firm *i* was exposed as a donor to any dark money group and the year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed as a donor to the AJS in the event window, and 0 otherwise. The event window size for each regression is reported above each column. Exposed firms are separated into three cohorts based on exposure to ALEC, RGPPC, and AJS. Each cohort includes its own set of control firms. Each regression includes firm-cohort and year-quarter-cohort fixed effects (α_i, α_t) and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are defined in the Appendix. The t-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Dependent Variable: Ln(Q)							
	-2 to +2 Quarters		-4 to +4 Quarters		-6 to +6 Quarters		-8 to +8 Quarters	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Exposure x AJS	-0.152***	-0.152***	-0.194***	-0.188***	-0.210***	-0.199***	-0.193***	-0.181***
	(-4.10)	(-4.01)	(-3.29)	(-3.14)	(-3.23)	(-2.97)	(-3.58)	(-3.26)
Exposure	0.070***	0.070***	0.059***	0.056***	0.055***	0.048***	0.045***	0.037***
	(7.73)	(7.86)	(5.95)	(5.70)	(4.75)	(4.20)	(3.36)	(2.77)
Firm Controls		X		X		X		X
Firm-cohort FE	X	X	X	X	X	X	X	X
Year-quarter-cohort FE	X	X	X	X	X	X	X	X
Observations	34,270	34,270	69,011	69,011	103,763	103,763	138,802	138,802
Adj. R^2	0.929	0.930	0.900	0.903	0.878	0.882	0.854	0.860

TABLE 5
Cumulative Abnormal Returns

This table presents the cumulative abnormal returns (CARs) of the Fama–French (1993) three-factor model for various event windows around the first report date for all dark money group donor list exposures, and each individual dark money group donor list exposure. Day 0 is the date of the first instance a media outlet reported the dark money group donor list exposure. We adopt a 252-trading day estimation window that ends 20 trading days prior to the event day. A firm is considered exposed if it is publicly listed as a donor to one of the three exposed dark money groups: ALEC, RGPPC, or AJS. Panel A reports the CAR results for ALEC, where the event date is July 13, 2011. Panel B reports the CAR results for RGPPC, where the event date is September 24, 2014. Panel C reports the CAR results for AJS, where the event date is October 26, 2019. For dark money groups exposed on days that markets are closed, we use the next trading day as the event date. Each CAR is scaled by 100. The subsamples are indicated in each panel header, and the CAR event windows are indicated at the top of each column. All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using robust standard errors. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Panel A: American Legislative Exchange Council

	(0, 1)	(0, 3)	(0, 5)	(0, 10)	(0, 20)
CAR	-0.106	-0.373	-0.534*	-0.650	-2.493***
	(-0.82)	(-1.51)	(-1.77)	(-1.37)	(-2.84)
Observations	176	176	176	176	176

Panel B: Republican Governors' Public Policy Committee

	(0, 1)	(0, 3)	(0, 5)	(0, 10)	(0, 20)
CAR	0.422	0.448	0.947**	1.069*	2.866***
	(1.60)	(1.18)	(2.06)	(1.88)	(2.80)
Observations	59	59	59	59	59

Panel C: Americans for Job Security

	(0, 1)	(0, 3)	(0, 5)	(0, 10)	(0, 20)
CAR	-1.348**	-3.282**	-2.666	-3.250*	-1.400
	(-2.39)	(-2.31)	(-1.42)	(-1.82)	(-0.50)
Observations	16	16	16	16	16

TABLE 6
Cumulative Abnormal Returns: 2020 Presidential Election and Avoiding Political Retaliation

This table presents the cumulative abnormal returns (CARs) of the Fama–French (1993) three-factor model for various event windows around President Joseph Biden's election date for all dark money group donor list exposure, and for each individual dark money group donor list exposure. Day 0 is November 7, 2020, when major news outlets officially called the 2020 presidential election for Biden. We use a three-day event window (0, 1) around the event date and adopt a 252-trading day estimation window that ends 20 trading days prior to the event day. A firm is considered exposed if it is publicly listed as a donor to ALEC, the RGPPC, or AJS. Column (1) shows the CAR for the full sample, column (2) for firms that are Democratic donors, and column (3) for firms that are non-Democratic (Republican) donors. Columns (4) and (5) display the CAR cross-sectional results for the Democratic and Republican donor subsamples, respectively. Ideological leaning is determined by above/below median values of the ratio of Democratic to Republican "light" money contributions in the quarter prior to the election announcement (2020 Q3), which come from the FEC. Each CAR is scaled by 100. The subsamples are indicated in each panel header, and the CAR event windows are indicated at the top of each column. All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using robust standard errors. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	CAR Subsample Results			CAR Cross-sectional Results	
				Dependent Variable: CAR	
	Full Sample	Democratic	Republican	Democratic	Republican
	(1)	(2)	(3)	(4)	(5)
CAR	0.011***	0.013**	0.010*		
	(2.65)	(2.03)	(1.74)		
ALEC				0.006	0.010
				(0.79)	(1.44)
RGPPC				0.032***	0.005
				(3.27)	(0.39)
AJS				-0.003	0.028
				(-0.14)	(1.65)
Observations	174	102	72	102	72

TABLE 7
Effect of Donation Exposure on Donor Firm Valuation and Avoiding Political Giving Inconsistencies

This table presents the results of the following DiD analysis: $Ln(Tobin's\ Q_{i,t}) = \delta Post_t \times ExpEvent_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$, using a standard DID methodology and 16-quarter event windows. The panel data includes the universe of all U.S. firms in both CRSP and Compustat. The dependent variable in each column is *Ln(Tobin's Q)*, abbreviated in the table as *Ln(Q)*. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *ExpEvent* is a set of proxies that describes a firm's exposure to one of the three dark money groups: ALEC, RGPPC, or AJS. *ALEC* is an indicator variable that equals 1 if firm *i* was exposed to the ALEC dark money group in the event window, and 0 otherwise. *RGPPC* is an indicator variable that equals 1 if firm *i* was exposed to the RGPPC dark money group in the event window, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed to the AJS dark money group in the event window, and 0 otherwise. Columns (1), (3), and (5) examine perceived Democratic-leaning firms based on political donations, while columns (2), (4), and (6) examine perceived Republican-leaning firms. Ideological leaning is determined by above/below median values of the ratio of Democratic to Republican "light" money contributions in the quarter prior to the specified exposure date, which come from the FEC. Each panel data regression includes eight quarters before and after the specified event. Each regression includes firm and year-quarter fixed effects (α_i, α_t). and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Dependent Variable: Ln(Q)					
	Period: 2009 Q3 – 2013 Q2		Period: 2012 Q3 – 2016 Q2		Period: 2017 Q4 – 2021 Q3	
	Democratic	Republican	Democratic	Republican	Democratic	Republican
	(1)	(2)	(3)	(4)	(5)	(6)
Post x ALEC	0.009	0.045**				
	(0.40)	(2.18)				
Post x RGPPC			0.052	0.101***		
			(1.38)	(3.86)		
Post x AJS					-0.158**	-0.035**
					(-2.47)	(-2.05)
Firm Controls	X	X	X	X	X	X
Firm FE	X	X	X	X	X	X
Year-Quarter FE	X	X	X	X	X	X
Observations	46,963	46,936	47,309	47,318	47,554	47,394
Adj. R^2	0.846	0.846	0.860	0.860	0.867	0.867

TABLE 8
Effect of Donation Exposure on Donor Firm Corporate Political Activity Disclosure

This table presents the results of two types of fixed effects regression models using the following baseline equation: $ZICK_{i,t} = \delta Post_t \times ExpEvent_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$ for firm-year-quarter observations in a 16-quarter event window. The panel data includes the universe of all U.S. firms in both CRSP and Compustat. Columns (1) and (2) display the Negative Binomial regression results, while Columns (3) and (4) present the Poisson regression results. The dependent variable in each column is *ZICK*, firm corporate political activity disclosure as measured by the Center for Political Accountability–Zicklin Index. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *ExpEvent* is a placeholder variable representing exposure to a dark money group, defined as either *RGPPC* or *AJS*. Specifically, *RGPPC* is an indicator variable that equals 1 if firm *i* was exposed to the RGPPC dark money group in the event window, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed to the AJS dark money group in the event window, and 0 otherwise. Each regression includes firm and year-quarter fixed effects (α_i, α_t), and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Dependent Variable: ZICK			
	Negative Binomial		Poisson	
	(1)	(2)	(3)	(4)
Post x RGPPC	0.584***		0.171***	
	(9.43)		(2.75)	
Post x AJS		-1.506***		-1.101***
		(-3.61)		(-9.89)
Firm Controls	X	X	X	X
Firm FE	X	X	X	X
Year-Quarter FE	X	X	X	X
Observations	5,348	5,410	5,348	5,410

APPENDIX
Variable Definitions

Exposure/Donation Variables	Definition
ExpEvent	Indicator that equals 1 if firm *i* was exposed as a donor to ALEC/RGPPC/AJS, and 0 otherwise.
Exposure	Indicator that equals 1 if firm *i* was exposed as a donor to any dark money group (cohort *c*) and time *t* is after the exposure event, and 0 otherwise.
ALEC	Indicator that equals 1 if firm *i* was exposed as a donor to American Legislative Council, and 0 otherwise.
RGPPC	Indicator that equals 1 if firm *i* was exposed as a donor to the Republican Governors' Public Policy Committee, and 0 otherwise.
AJS	Indicator that equals 1 if firm *i* was exposed as a donor to the Americans for Job Security, and 0 otherwise.
Total Contributions	Total quarterly corporate PAC contributions ($Thousands) for firm *i* in year-quarter *t* (FEC).
Republican/Democrat Total Donation Ratio	Total quarterly corporate PAC contributions to Republican politicians plus 1, divided by total quarterly corporate PAC contributions to Democratic politicians plus 1, for firm *i* in year-quarter *t* (FEC).
Republican Soft Money Donor	Indicator that equals 1 if firm *i* made a soft money contribution to the Republican Party pre-June 2002.
Total Super PAC Contributions	Total quarterly corporate contributions to super PACs ($) for firm *i* in year-quarter *t* (FEC).
ZICK	Center for Political Accountability–Zicklin CPA transparency index raw score for firm *i* in year t.

Firm Financial Variables	Definition
Tobin's Q	$(AT_{i,t} - SEQ_{i,t} + PRCCC_{i,t} \times CSHO_{i,t})/AT_{i,t}$, total assets minus equity plus stock price times shares outstanding, all divided by total assets.
Capital Expenditures (Capex)	$CAPX_{i,t}/AT_{i,t}$, capital expenditures divided by total assets.
Tax	$TXT_{i,t}/EBIT_{i,t}$, income taxes divided by earnings before interest and taxes.
Research and Development Expense (R&D)	$XRD_{i,t}/AT_{i,t}$, research and development expense divided by total assets.
Firm Return Variance	$ReturnVariance_{i,t-36}$, stock return variance during the past 36 months.
Dividends	Binary indicator variable that equals 1 for a firm that pays dividends in year-quarter *t*, and 0 otherwise.

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Table AI
Effect of Donation Exposure on Donor Firm Valuation: First Stage

This table presents the first stage results of the Heckman Selection Model, using a probit regression to estimate the likelihood of firm exposure to each of the dark money groups. The probit equation is as follows: $Exposed_i = \delta_1 Republican\ Soft\ Money\ Donor_i + \delta_2 Ln(Assets)_{i,t} + \delta_3 Ln(Total\ Contributions+1)_{i,t} + \epsilon_{i,t}$. The dependent variable, *Exposed*, is an indicator variable that equals 1 if firm *i* was exposed to the specified dark money group (ALEC, RGPPC, or AJS), and 0 otherwise. *Republican Soft Money Donor* is an indicator that equals 1 if firm *i* made a soft money contribution to the Republican Party pre-June 2002. *Ln(Assets)* represents firm size (logged total assets), and *Ln(Total Contributions+1)* represents total quarterly PAC contributions. The predicted values of *Exposed* are used in the second stage of the Heckman Selection Model, with the results reported in Table III. All variables are as defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	ALEC Donor	RGPPC Donor	AJS Donor
	(3)	(6)	(9)
Republican Soft Money Donor	0.364***	-0.034	0.228***
	(10.41)	(-0.69)	(3.13)
Ln(Assets)	0.312***	0.195***	0.221***
	(36.93)	(17.19)	(14.02)
Ln(Total Contributions+1)	0.076***	0.094***	-0.029***
	(21.38)	(19.17)	(-3.54)
Observations	48,077	47,698	47,586
Wald Chi2	6,611.03	2,069.45	328.01

Table AII
Effect of Donation Exposure on Donor Firm Operating Performance

This table presents the results of the following stacked triple differences regression analysis (Gormley and Matsa (2011)): $Y_{i,t} = \delta Post_t \times Exposed_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$. The panel data includes the universe of all US firms in both CRSP and Compustat. The dependent variables in each column are *Ln(Tobin's Q)* and three proxies for operational performance, respectively: *Ln(Q), ROA, Gross Margin*, or *ESP*. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *Exposed* is a set of proxies that describes a firm's exposure to one of the three dark money groups: ALEC, RGPPC, or AJS. *ALEC* is an indicator variable that equals 1 if firm *i* was exposed to the ALEC dark money group in the event window, and 0 otherwise. *RGPPC* is an indicator variable that equals 1 if firm *i* was exposed to the RGPPC dark money group in the event window, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed to the AJS dark money group in the event window, and 0 otherwise. Exposed firms are separated into three cohorts based on exposure to ALEC, RGPPC, and AJS. Each cohort includes its own set of control firms. Each regression includes firm-by-cohort and year-quarter-by-cohort fixed effects (α_i, α_t) and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are as defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Ln(Q)	ROA	Ln(Gross Margin + 1)	EPS
	(1)	(2)	(3)	(4)
Post x Exposed x ALEC	0.022	-0.001	-0.002	-0.058
	(1.41)	(-1.01)	(-1.42)	(-1.55)
Post x Exposed x RGPPC	0.079***	0.000	-0.003	0.039
	(3.40)	(0.12)	(-1.44)	(0.60)
Post x Exposed x AJS	-0.145***	-0.015***	-0.014***	-0.868**
	(-2.64)	(-3.20)	(-3.05)	(-2.25)
Firm Controls	X	X	X	X
Firm-cohort FE	X	X	X	X
Year-quarter-cohort FE	X	X	X	X
Observations	138,802	138,802	138,802	138,784
Adj. R2	0.860	0.825	0.826	0.477

Table AIII
Effect of Donation Exposure on Donor Firm Accounting Conservatism, Cost of Debt, and Cost of Equity

This table presents the results of the following stacked triple differences regression analysis (Gormley and Matsa (2011)): $Y_{i,t} = \delta Post_t \times Exposed_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$. The panel data includes the universe of all US firms in both CRSP and Compustat. The dependent variables in each column, $Y_{i,t}$, are the following accounting and financial performance proxies, respectively: *Conditional Conservatism, DTAX, Gross SHELTER, TA_ETR, Accruals, Cost of Debt,* and *Cost of Equity*. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *Exposed* is a set of proxies that describes a firm's exposure to one of the three dark money groups: ALEC, RGPPC, or AJS. *ALEC* is an indicator variable that equals 1 if firm *i* was exposed to the ALEC dark money group in the event window, and 0 otherwise. *RGPPC* is an indicator variable that equals 1 if firm *i* was exposed to the RGPPC dark money group in the event window, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed to the AJS dark money group in the event window, and 0 otherwise. Exposed firms are separated into three cohorts based on exposure to ALEC, RGPPC, and AJS. Each cohort includes its own set of control firms. Each regression includes firm-by-cohort and year-quarter-by-cohort fixed effects (α_i, α_t) and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are as defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Conditional Conservatism	DTAX	Gross SHELTER	TA_ETR	Accruals	Cost of Debt	Cost of Equity
	(1)	(2)	(3)	(4)	(5)	(6)	(5)
Post x Exposed x ALEC	-0.001	0.031	0.002	0.032	-76.736***	0.001	0.006
	(-0.04)	(1.39)	(0.10)	(0.56)	(-3.50)	(1.27)	(0.51)
Post x Exposed x RGPPC	-0.062	-0.019	-0.035	-0.125**	-10.645	-0.002	0.058**
	(-1.25)	(-0.45)	(-0.91)	(-2.23)	(-0.26)	(-0.58)	(2.20)
Post x Exposed x AJS	-0.253**	-0.036	-0.339***	-1.157***	-106.097*	0.002*	0.028
	(-2.03)	(-1.52)	(-2.66)	(-3.95)	(-1.71)	(1.82)	(0.66)
Firm Controls	X	X	X	X	X	X	X
Firm-cohort FE	X	X	X	X	X	X	X
Year-quarter-cohort FE	X	X	X	X	X	X	X
Observations	138,802	40,267	82,736	138,802	138,767	104,389	116,447
Adj. R2	0.385	0.834	0.796	0.255	0.924	0.526	0.792

TABLE AIV
Cumulative Abnormal Returns: 2020 Presidential Election and Avoiding Political Retaliation

This table presents the cumulative abnormal returns (CARs) of the Fama-French (1993) three-factor model for various event windows around President Joseph Biden's election date for all dark money group donor list exposure, and for each individual dark money group donor list exposure. Day 0 is November 7, 2020, when major news outlets officially called the 2020 presidential election for Joseph Biden. We use a three-day event window (0, 1) around the event date and adopt a 252-trading day estimation window that ends 20 trading days prior to the event day. A firm is considered exposed if it is publicly listed as a donor to ALEC, the RGPPC, or AJS. Column (1) shows the CAR for the full sample, column (2) for firms that are Democratic donors, and column (3) for firms that are non-Democratic (Republican) donors. Columns (4) and (5) display the CAR cross-sectional results for the Democratic and Republican donor subsamples, respectively. Ideological leaning is determined by above/below median values of the ratio of unique Democratic to unique Republican 'light' money donations in the quarter prior to the election announcement (2020 Q3), based on the total number of distinct Democratic and Republican politicians a firm contributes to, as reported by the FEC. Each CAR is scaled by 100. The subsamples are indicated in each panel header, and the CAR event windows are indicated at the top of each column. All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using robust standard errors. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	CAR Subsample Results			CAR Cross-sectional Results	
				Dependent Variable: CAR	
	Full Sample	Democratic	Republican	Democratic	Republican
	(1)	(2)	(3)	(4)	(5)
CAR	0.011***	0.014**	0.008		
	(2.65)	(2.17)	(1.51)		
ALEC				0.008	0.008
				(1.03)	(1.13)
RGPPC				0.031***	0.007
				(3.13)	(0.59)
AJS				-0.003	0.028
				(-0.16)	(1.65)
Observations	174	101	73	101	73

TABLE AV
Effect of Donation Exposure on Donor Firm Valuation and Avoiding Political Giving Inconsistencies

This table presents the results of the following DiD analysis: $Ln(Tobin's\ Q_{i,t}) = \delta Post_t \times ExpEvent_i + \gamma X_{i,t} + \alpha_i + \alpha_t + \epsilon_{i,t}$, using a standard DID methodology and 16-quarter event windows. The panel data includes the universe of all U.S. firms in both CRSP and Compustat. The dependent variable in each column is *Ln(Tobin's Q)*, abbreviated in the table as *Ln(Q)*. *Post* is an indicator variable that equals 1 if year-quarter *t* is greater than or equal to the event year-quarter within the cohort, and 0 otherwise. *ExpEvent* is a set of proxies that describes a firm's exposure to one of the three dark money groups: ALEC, RGPPC, or AJS. *ALEC* is an indicator variable that equals 1 if firm *i* was exposed to the ALEC dark money group in the event window, and 0 otherwise. *RGPPC* is an indicator variable that equals 1 if firm *i* was exposed to the RGPPC dark money group in the event window, and 0 otherwise. *AJS* is an indicator variable that equals 1 if firm *i* was exposed to the AJS dark money group in the event window, and 0 otherwise. Columns (1), (3), and (5) examine perceived Democratic-leaning firms based on political donations, while columns (2), (4), and (6) examine perceived Republican-leaning firms. Ideological leaning is determined by above/below median values of the ratio of unique Democratic to unique Republican 'light' money donations in the quarter prior to the specified exposure date, based on the total number of distinct Democratic and Republican politicians a firm contributes to, as reported by the FEC. Each panel data regression includes eight quarters before and after the specified event. Each regression includes firm and year-quarter fixed effects (α_i, α_t). and the following control variables ($X_{i,t}$): *Ln(Total Contributions + 1), Ln(Total Super PAC Contributions + 1), Capex, Tax, R&D, Firm Return Variance, and Dividends.* All variables are defined in the Appendix. T-statistics are reported in parentheses and are calculated using standard errors clustered at the firm level. Statistical significance is indicated as follows: $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

	Dependent Variable: Ln(Q)					
	Period: 2009 Q3 - 2013 Q2		Period: 2012 Q3 - 2016 Q2		Period: 2017 Q4 - 2021 Q3	
	Democratic	Republican	Democratic	Republican	Democratic	Republican
	(1)	(2)	(3)	(4)	(5)	(6)
Post x ALEC	0.006	0.050**				
	(0.27)	(2.55)				
Post x RGPPC			0.075**	0.078***		
			(2.15)	(2.59)		
Post x AJS					-0.158**	-0.035**
					(-2.47)	(-2.05)
Firm Controls	X	X	X	X	X	X
Firm FE	X	X	X	X	X	X
Year-Quarter FE	X	X	X	X	X	X
Observations	47,027	46,872	47,310	47,317	47,554	47,394
Adj. R^2	0.846	0.846	0.860	0.860	0.867	0.867