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Politically Connected Analysts

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To the Graduate Council:

I am submitting herewith a dissertation written by Michael B. McDonald entitled "Politically Connected Analysts." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Business Administration.

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Politically-Connected Analysts

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Abstract:

This dissertation examines politically-connected equity analysts, i.e., analysts that make large political donations. I find that these big donor analysts make more accurate earnings forecasts than other small donor and non-donor analysts, and the accuracy of these forecasts decreases after a big donor analyst ceases his donations. These analysts become more accurate after they become large political donors, suggesting their enhanced performance derives from an advantage gained via their political activity. These results are stronger when (i) the analyst works or lives in the state represented by the benefiting politician, and (ii) the benefiting politician serves on a Congressional committee that regulates the covered firm. Overall, these results suggest that big donor analysts benefit from relationships with politicians who possess knowledge that impacts firms' prospects.

Keywords: Analysts, Political Connections, Earnings Estimate Accuracy

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Section 1. Introduction

By some estimates, hedge funds and other institutional investors spend more than $400 million per year on gathering political intelligence, and the information generated is now a major source of returns for these investors.[1] In April 2012, the US government passed into law the Stop Insider Trading on Congressional Knowledge (STOCK) Act. This legislation restricts congressional insiders from using material non-public information to trade stocks for personal profit, a practice that attracts considerable attention during the financial crisis.[2] This is an important policy goal given past research showing that the investments' of Congressional Insiders outperform the broader markets, suggesting that these insiders have valuable and potentially market moving information (Ziobrowski, Cheng, Boyd, and Ziobrowski, 2004).

I examine whether sell-side analysts at brokerage firms issue more accurate earnings forecasts when they have ties to political insiders. I use political donations by analysts as a proxy for determining which analysts have a relationship with political insiders. Based on personal donations by the analyst to politicians or their proxy political action committees (PACs), I am able to identify those analysts who may have a relationship with a politician that yields valuable information and access to political decisions makers.

While the STOCK Act made insider trading by members of congress illegal for the first time, it is primarily focused on preventing trading by members of congress. It does not explicitly bar politicians from passing information to analysts, but instead requires a study by the

[1] See "Buying Political Intelligence Can Pay Off Big for Wall Street", The Wall Street Journal, January 18, 2013. Some of these funds are for donations to candidates, such as the $4+ million Barack Obama and Mitt Romney received in 2012 according to FEC data, but the funds are also used to hire a group of socially and politically connected individuals.

[2] See for example, *Business Insider*, Nov 14, 2011, 'The Congress Insider Trading Scandal is Outrageous' by Henry Blodget, and Bloomberg, June 13, 2009 'Durbin Invests With Buffet After Funds Sale Amid Market Plunge' by James Rowley.

Comptroller General of the United States on the political intelligence industry by April 2013 under Section 7 of the act. This study by the Comptroller examined "the legal and ethical issues that may be raised by the sale of political intelligence", but after concluding that political intelligence was widespread and that its value was difficult to discern, the report concluded that legislation on the issue would be fraught with difficulties.[3] There is a significant ongoing debate in the legal field over the political intelligence industry and its legal legitimacy (Nagy and Painter, 2012; Kim, 2012; Bainbridge, 2012).

One interpretation of this legislative language is that current statutes do not prohibit politicians or their staffers from passing information to outside third parties. This suggests information could be legally used by outside parties in at least two different ways; (1) the information could be used for stock trading as part of a "mosaic" of public and private information (which is allowed under current insider trading laws)[4], or (2) the information could be disseminated publicly by the recipient. In this dissertation, I investigate this latter scenario; specifically, do stock analysts obtain relevant information from political insiders and then use this information to improve earnings forecasts on firms they cover?

Overall, I show that "big donor" analysts (in the top 5% of all contributions in any given year) are 9% more accurate than other analysts and they are 13% more likely to cover a government supplier or heavily regulated firm than other analysts are. These results hold after accounting for analyst fixed effects, covered firm fixed effects, analyst characteristics, covered firm characteristics, and a variety of other control variables. In fact, an analyst becomes more accurate in the year he first becomes a big donor.

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[3] See http://www.gpo.gov/fdsys/pkg/PLAW-112publ105/html/PLAW-112publ105.htm for the complete text of the STOCK Act and http://www.gao.gov/products/GAO-13-389 for the text of the Comptroller General's report.

[4] The CFA Institute recognizes Mosaic Theory as a legal means of stock analysis using a combination of immaterial inside information and publicly available information. Various business dictionary provide a definition for the term including the following: http://www.businessdictionary.com/definition/mosaic-theory.html

Relationships between analysts and politicians appear to be correlated with large donations by the analyst, but such donations may not be the causal factor in the development of the relationship. Although I find a time pattern consistent with the causal hypothesis, I conduct additional tests to confirm the relationship. I find that an analyst's accuracy is positively related to the closeness in time between the analyst's political donation, and the release of his quarterly earnings estimates. Additionally, there is mixed evidence suggesting that analysts are more accurate when they work or live in the state represented by the politician that benefits most from the analyst's donation, as well as when the politician serves on a committee that regulates the firm being covered by the analyst. Finally, earnings estimates are more accurate when the analyst in question has a recent track-record of forecasting outperformance.

To my knowledge, this work is the first to show empirical evidence of the role analysts play in gathering political intelligence. I show that this information is valuable when making firm specific earnings forecasts. The role of analysts in gathering this information is particularly noteworthy in a post Reg-FD world, when most relevant firm specific information is widely disseminated via the internet, and analyst research departments are struggling to justify their existence as a cost center at many brokerages (Green, Jame, Markov, and Subasi 2012). This work suggests that analysts are especially valuable when they have access to private information and can connect investors and insiders, either directly or indirectly. Political intelligence is one example of how analysts can continue to gather unique information for investors, but there are likely other opportunities they can exploit as well.

There are three current lines of research that are closely aligned with this dissertation. The first deals with the impact of corporate political donations, and demonstrates how firms can benefit themselves and their shareholders through donations (for example, Cooper, Gulen, and

Ovtchinnikov, 2010; Correia, 2012; Duchin and Sosyura, 2012). These benefits can be through a form of regulatory capture, or through special interest benefits conveyed by Congress. This dissertation demonstrates how information about the special benefits granted to some firms (or penalties to competitors of favored firm) can be conveyed to markets through analysts.

The second related line of the literature deals with how individuals use political donations to maximize their own well being. Broadly, individuals act within their own best interest when making political donations rather than acting based on political ideology that might be detrimental to their own economic well-being (for example, Ovtchinnikov and Pantaleoni, 2012; Belo, Gala, and Li, 2013). This behavior enables the analyst to gain information which benefits themselves and their clients without regard for personal political convictions.

The third related line of literature deals with how investors behave based on the political climate and the actions of firms. Here, a paper by Jiang, Kumar, and Law (2012) examines equity analysts and political behavior, but through the lens of political affiliation. They show that Republican equity analysts are more cautious in incorporating new information into their earnings forecasts, and in making new recommendations. Overall, their conclusion is that Republican equity analysts are more conservative in their professional roles as analysts compared with their peers. In contrast, I examine whether large political donations are associated with greater accuracy regardless of political affiliation with a particular focus on which channel any associated effects operate through. Thus, while our work is related, their focus is on the effect of a specific personal characteristic (political leanings); my focus is on a novel way in which analysts provide value, and the source and magnitude of that value.

The rest of the dissertation is organized as follows: Section 2 covers background literature in greater detail and then Section 3 sets out my hypotheses based on this literature.

Section 4 deals with data and methodology, Section 5 examines the results, Section 6 discusses robustness checks and additional tests performed, while Section 7 concludes.

Section 2. Past Research

There is substantial support in the literature for the notion that political views impact investment decisions. For example, Bonaparte, Kumar, and Page (2012) show that investors' attitudes towards the markets are influenced by the political atmosphere in Washington. Hong and Kostovetsky (2011) show that mutual fund managers who make campaign donations to Democrats hold less of their portfolios in companies that are deemed socially irresponsible, while Chin and Parwada (2010) show that Republican (Democratic) institutional investors during the 2000 election were over weighted in stocks that were most likely to benefit from a Bush (Gore) presidency. Hutton, Jiang and Kumar (2013) find that firms with Republican managers take on less risk in their professional capacities as managers. Christensen, Dhaliwal, Boivie, and Graffin (2012) find similar effects related to managerial political views and corporate taxes, and Hutton, Jiang and Kumar (2012) find that corporate misconduct is related to managerial political views.

There is also a large body of evidence that political donors, both corporations and individuals, receive direct benefits from recipient politicians. Cooper, Gulen, and Ovtchinnikov (2010) show that political donations by firms are associated with larger future returns. Their results are important to this work in that they show that even relatively small sums of money from individual firm donations can influence the behavior of politicians. Similarly, Mian, Sufi, and Trebbi (2012) show that subprime lenders and borrowers influenced congressional voting decisions in the time period leading up to the financial crisis. Kim, Pantzalis, and Park (2012) show firms in geographic areas that exert considerable political influence have higher stock returns than firms in areas with lower levels of political influences. Correia (2012) finds politically connected firms are less likely to be involved in an SEC enforcement action and face

lower penalties on average. Boubakri, Guedhami, Mishra, and Saffar (2012) find that politically connected firms enjoy a lower cost of equity capital than their non-connected peers. In sum, these papers provide the basis for my hypothesis that analysts associated with large donations to politicians may receive beneficial information directly from the politicians.

The view that political donations are beneficial to the donor is contentious however, and other authors have come to different conclusions about the usefulness of corporate donations on firm value. Aggarwal, Meschke, and Wang (2012) find that political donor corporations have lower free cash flows and lower returns. In a similar vein, Boubakri, El Ghoul, and Saffar (2012) show that politically connected firms exhibit acute agency problems, and hold more cash than non-connected peers. Faccio (2010) examines evidence from firms in 47 countries and shows that companies with political connections have higher leverage, and underperform compared to non-connected companies. Duchin and Sosyura (2012) show that politically connected firms were more likely to receive TARP funds during the 2008 financial crisis.

Regardless, of which view of the usefulness of corporate donations is correct, there is evidence that donations bestow benefits and costs on the donor, and thus it is conceivable that a donor analyst might be similar impacted. Based on the past work in this literature, two conclusions which are important to my work emerge. First, political donations do influence politicians such that firms receive benefits; whether these benefits are commensurate with their spending is an ongoing debate. Second, political leanings of the analyst and the political situation in Washington influence analyst behavior.

Section 3. Hypotheses

Given this, I hypothesize that if firms receive benefits from making significant donations to political candidates, analysts donating large amounts of money will also benefit. Just as the influence of political donations on firm returns is debated in the literature, it is also debatable whether politically active analysts will be more or less accurate than non-political analysts. I hypothesize that whatever benefits, large or small, an analyst might gain from political connectedness, only those analysts who are making substantial contributions will receive any benefits. If there are benefits to being a big donor as an analyst, it makes sense that these benefits would accrue to the most connected analysts who have given the largest contributions to politicians. Throughout this paper, I will group analysts into two categories, *Big Donor* analysts and those who are not *Big Donor* analysts. In this case, I define a *Big Donor* to be an analyst whose donations to all federally elected candidates in any given year places him (or her) into the top 5% of all donors (analysts and otherwise) nationally in any given year. This leads to Hypothesis 1.

Hypothesis 1: Analysts that make large political donations will have more accurate earnings estimates than other analysts.

Here large donations are the donations made by *Big* Donor analysts. The expected channel for this hypothesis could be as result of: (1) a valuable information conduit from politicians to analysts, or (2) an indicator of unobservable analyst skill and talent which enables these analysts to more accurately estimate earnings (e.g. an intuitive understanding of how political machinations are likely to be resolved). The information conduit hypothesis makes sense in the context of the evidence on individual political contributions provided by

Ovtchinnikov and Pantaleoni (2012), while the idea of political donations being correlated with unobservable analyst skill fits with the results of Bonaparte and Kumar (2012).

An information conduit between analysts and politicians could be a result of an informal exchange of donations from the analyst (and perhaps others at his brokerage firm) in return for useful political intelligence. Alternatively, it could also be the result of an ongoing social relationship between the analyst in question and the politician. This relationship need not be based on donations or the passing of political intelligence. Instead, both might be byproducts of an existing friendship between two individuals, and the political access that the analyst gains from the friendship. For example, Representative Smith may give Analyst Jones political intelligence in passing while the two play golf, and because they are friends, Analyst Jones may be a regular donor to Representative Smith's campaign. Assuming analysts do have an information conduit to Washington politicians, it is difficult to determine whether that information flow is due to a "cash for information" channel or a "friendship for information" channel, or a combination of the two.

Cohen and Malloy (2010) provide the basis for the view that social links and friendship between analysts and politicians may enable the passing of political intelligence. They show that personal connections among politicians have a significant impact on legislative voting behavior. If social association between politicians is enough to influence voting behavior, then it seems likely that social interactions may also be sufficient to allow information sharing between government officials and private sector analysts. Aslan and Grinstein (2012) provide further support for this notion showing that CEOs generate political rents by socializing with politicians leading to higher CEO compensation and increased firm operating performance. Kostovetsky

(2010) finds similar important benefits to firms having politically connected board members during the 2008 financial crisis.

In contrast to the view that information might pass to analysts as a result of friendship with politicians, some past work has shown that political donations are made primarily for the purpose of gaining short term benefits. This type of action by analysts is consistent with a "campaign contributions for information" style relationship. Hersch, Netter and Pope (2008) find that political contributions are made by firms in order to take advantage of short term opportunities, and not as a means of building long-term political capital. Ovtchinnikov and Pantaleoni (2012) show that individuals make political contributions with strategic objectives in mind, particularly by targeting politicians with power to provide economic benefits to the individual. Garner, Kim, and Yore (2012) and Belo, Gala, and Li (2013) both find further evidence that allegiance to a particular political party and long standing relationships with certain politicians are not as important as having ties to the politicians in power at any given time.

In this dissertation, I restrict myself to analyzing whether any increased accuracy by big donor analysts is due to a politician-analyst information conduit, or if it is due to political donations being correlated with increased unobservable skill as an analyst. I term these two channels "information conduit" and "unobservable skill" going forward. I examine evidence on these channels beginning in Table IV.[5]

Assuming that *Big Donor* analysts are more accurate than other analysts, then regardless of which of the channels (information conduit or unobservable skill) is correct, it is likely that a stronger series of past forecasts will lead to improved future accuracy. If accuracy is primarily a result of time invariant analyst skill, then one would expect that analysts who previously have bene quite accurate will continue to be accurate. Similarly, if an information conduit is the

[5] All tables throughout this dissertation may be found in Appendix I at the end of the document.

primary driver of my results, then it is likely that the existence of past access to privileged information will also lead to future privileged information. Evidence on this is provided by Cohen, Coval and Malloy (2010) who show that changes in the leadership of congressional committees have a dramatic influence on the success of firms that are economically linked to the actions of the committee in question. Thus if the information conduit is responsible for any improvement in analyst earnings estimates, then it is likely a politician will have more information about a firm that is connected with the government. Thus analysts in this scenario should have time-persistent access to better information. This leads to hypothesis 2.

Hypothesis 2: Analysts who have been more accurate previously will continue to be more accurate independent of Big Donor status.

There are many possible reasons for analyst accuracy beyond *Big Donor* status, including innate ability, interest in news and current events (a la Bonaparte and Kumar, 2013), and analyst learning. It is important then to establish that any accuracy increase due to being a *Big Donor* is not endogenously determined by an unobserved factor derived from some sort of skill. Assuming support is found for hypotheses 1 and 2, this would suggest with reasonable confidence that analysts making significant donations are more accurate than other analysts conditional upon skill or learning (either time-varying or otherwise). So, assuming this holds, the next step is to look for evidence surrounding which of the two channels is responsible for the improved accuracy. This leads to hypotheses 3 and 4.

Hypothesis 3: If the information conduit is the driver of higher accuracy among Big Donors, then Big Donor analysts will become more accurate in their predictions as the time between donation and analyst estimate forecast decreases.

If an information conduit channel between politicians and analysts exists and is identifiable through political donations, then the strength of this information channel is likely to be highly dependent on the time between a donation and the analyst's estimate. This would be true either if a cash for information style transaction is being conducted, or if a politician and analyst are close friends. Thus if improved analyst estimates are driven by information flow from politicians, the improvement should be negatively related to the time between the donation and when the analyst receives the information. Further, since analysts have an incentive to put this information out as early as possible to help their clients and beat other analysts, it is likely that the time between an analyst receiving information, and publishing an estimate is brief. For this reason, I include the absolute value of the time between a *Big Donor* analyst's donation and their estimate as a control variable.[6]

In contrast, if analyst donations are merely a proxy for an unobservable skill based on political interest which makes analysts better at predicting firm earnings, then it is unlikely that there would be a significant relationship between the time interval in an analyst donation and estimate, and the accuracy of that estimate. Thus, I interpret significance on this variable as evidence in favor of the information conduit channel. That said, evidence in favor of the information conduit channel does not rule out effects from the unobservable skill channel – it is entirely possible that both channels may operate simultaneously. I test Hypothesis 3 beginning in Table IV.

Hypothesis 4: Big Donor analysts with a geographic link to a politician will be more accurate than analysts who have no obvious geographic link to the politician receiving the donation.

[6] Breaking out time donations into time before and time after an earnings estimate as little effect on my main results which is intuitive given that it is not clear if an analyst needs to "pay" for the information before he receives it, or after he receives it and assesses its value. In fact both arrangements probably could make sense depending on the individual circumstances.

Information flow between politicians and analysts is likely to be significantly easier if the politician represents the state in which the analyst lives and works. This type of geographic link would facilitate meetings and make a friendship between the two considerably more likely. In contrast, increased accuracy driven by unobservable skill related to political interest is unlikely to be affected by geographic proximity between the analyst and the politician. Therefore, I include a binary variable for analysts making significant donations to politicians in the same state. I interpret positive significance on this coefficient as evidence in favor of the information conduit channel over the unobservable skill channel. Again, it is important to be clear that both channels may be in operation simultaneously.

Section 4. Data and Methodology

This dissertation requires data on analysts' political donations. This data can be obtained from the Federal Election Commission (FEC) filings on the political contributions of all US citizens to all political candidates and political action committees from January 1992 through November 2012. These data are restricted to donations of $100 or more to a single candidate and include donations above this magnitude to all candidates and PACs at all levels of federal elections. Although it requires a substantial amount of hand collection and later hand matching based on analyst names and employers, using data directly from the FEC filings results in substantially more complete data than alternative "packaged" sources of data.

I classify candidates and PACs as Republican, Democrat, or Independent based on the FEC filings and data gathered online by hand and via the FEC. I also gather data from IBES on analyst earnings estimates. These data include all earnings estimates for all analysts from 1992 to 2012. I allow only one earnings estimate per analyst per firm per quarter by dropping all estimates that occur before the analyst's last one for a given company in a given quarter. While this may be surprising given by use of estimate timing as an implicit source of information from political sources or otherwise, the presumption here is that any past but still useful information impounded into estimates is also impounded into current estimates as well. Since I can only test the validity of estimates when earnings are released, the use of stale estimates would necessarily bias my results. The practice of dropping such past stale estimates is very common throughout much of the analyst earnings forecast literature. The purpose in doing this is to remove stale earnings estimates since many analysts will update their estimates multiple times over the course of a quarter. I use the IBES master names file to match the name of each analyst with the indentifying code in IBES which is linked to the analyst's past estimates. I then combine the

FEC donations data with the IBES estimates data using a name and firm matching algorithm. This matches the two datasets based on the name of the donor in the FEC database and his reported employer with the analyst name in the IBES names database. Where possible, I supplement data in the names file with information gathered on the internet including the brokerage firm of the analyst. I check all of the algorithm's matches by hand for the final sample and for robustness, I also remove all donors that do not report their occupation to the FEC as being related to equity research (e.g. equity analyst, banker, analyst, etc.), and those where the donor is not located in the same state as his brokerage firm's headquarters. My results are unchanged by these additional screens, but I do not use them in my baseline estimates because the occupation variable is optional for FEC reporting, and many of the donors do not report their specific occupation as a result, and non-reporting is unlikely to be randomized. The effect of using these screens would be to shrink my sample dramatically and limit my ability to perform certain tests with fixed effects due to a lack of time series observations. The results using these screens are not included in this text, but are available from the author upon request.

Data on government connections with firms are based on the Compustat segments data and industry codes from Compustat. In the segments data, if the government is listed as a customer consuming more than 10% of the firm's sales, then I classify the firm as having a government connection. Similarly, I classify a firm as having a government connection if it is in a regulated industry including tobacco and alcohol, financials and insurance, utilities, telecom, pharmaceuticals, healthcare, autos (for the period 2008-2012), mining, or oil exploration.

Section 5. Results

I begin by examining the donation statistics for my sample. There are tens-of-thousands of individual contributions by analysts during the period 1992-2012, however many of these are small individual donations made to many different politicians and political action committees supporting politicians. Thus to determine analyst's status as a donor in any given year, I sum up all of their donations to all federally elected politicians. These individual contributions yield a total of 47,816 quarterly earnings estimates for a given firm by analysts who donate at least $100 to at least one individual politician in that given year. This is roughly 5% of total 917,259 specific firm earnings estimates by analysts during the sample period.

The average contribution for all analysts who are donors is $2,697, while the 95th percentile is $10,000 and median is $1,000. There are 5,326 firm-quarter observations with an earnings estimate by a current *Big Donor* analyst. However, there is considerable variation in these analyst donations both over time and within a given year as many analysts give only a nominal sum (or nothing at all), while others donate thousands of dollars. Total contributions by all analysts at a given firm have a mean of ~$183,000 a year, with total donations by analysts alone at the 95th percentile of firms each year giving in excess of $1 million on average. These figures are deceptive however in that they are skewed upwards by the numerous analysts at large firms donating as a group as evidenced by the smaller (though still economically significant) median donation of $50.913. Based on these data, I classify analysts in the top 5% of all donors each year as being "Politically Connected" and *Big Donors*. These major donor analysts are identified with a binary variable in all tests and tables going forward. Thus the control group in each of my tests is all analysts, donors and non-donors, who do not donate enough to fall into the *Big Donor* category in any given year.

An analyst may move in and out of the *Big Donor* category each year based on their own contributions and what the 5% cutoff is each year. Predictably, this cutoff increases consistently between 1992 and 2012. The rationale here is that connectedness is likely to be based on relativel contributions rather than absolute contributions. In my tests, I identify analysts who give enough to fall into the *Big Donor* category as those analysts most likely to gain an advantage from political relationships. I do not claim that all of these analysts gain advantage from their donations, nor do I claim that none of those analysts not in the *Big Donor* category have any politically based advantages. Instead, the *Big Donor* category is merely a convenient threshold to identify the analysts most likely to have political connections. My results are robust to the use of a top 1% threshold for *Big Donor* analysts instead as well as the top 10% of analysts (though they are weaker in the latter case).

Throughout most tests, I use the *Big Donor* category rather than simple level of donations because of non-linearity in the effect of donations. It is unlikely that somewhat donating $20,000 has precisely twice the political advantage as someone donating $10,000 and ten times the advantage of someone donating $2,000. Instead, it seems more likely that up to some certain threshold, donations buy a donor no political advantage, and beyond this threshold, they buy increasing amounts of advantage. I examine this assumption in Appendix Tables III and IV and find support for it. Given that the average House Representative who won an election raised $1.4 million in 2012, and considerably less in earlier years, even a single donation of $5,000 is a significant help in meeting fundraising goals.

[Insert Table I here][7]

Table II provides descriptive statistics on control variables and earnings accuracy for the sample of analysts and the firms they cover. Panel A shows variables based on all analysts and

[7] All tables throughout this dissertation may be found in Appendix I at the end of the document.

the firms they cover regardless of whether they make any kind of donation during the sample period, while Panel B examines only those analysts falling into the *Big Donor* category.

Panel A reveals that over the sample of roughly 8900,000 analyst-firm-quarter observations, the mean analyst price scale accuracy (PSA) is -6.85. This measure is defined as the natural log of the absolute value of (earnings estimate – actual earnings)/firm share price. Thus a perfectly accurate estimate would have a PSA of 0[8]. I use natural logs in this measure as the logarithmic function is a better fit to the data than a simple linear function. This is evident both in a simple review of the means as well as observing that the R-squared values in natural log-based regressions are up to ten times as high as in simple linear regressions. Further, this specification makes sense in that intuitively it is not clear that a $0.10 miss on an $8 stock is 10X a bad as a $0.10 miss on an $80 stock.

The average accuracy is -3.18 which is defined as the natural log of the absolute value of (earnings estimate – actual earnings)/actual earnings. Again, the natural log function is used here because it is a better fit with the data. In the case of both accuracy and PSA, if the natural log function is removed, the R-squared values go down significantly and the coefficients become less significant or frequently insignificant depending on the regression in question.

An important implication of these definitions of accuracy and PSA is that negative coefficients mean greater accuracy since increasingly negative log numbers mean a term that is closer to 0 (i.e. ln(0.01) = -4.61 and ln(0.02) = -3.91, and 0.01 is closer to 0 and hence more accurate than 0.02). This is the opposite of the coefficients on Above Median Accuracy where positive coefficients indicate greater accuracy (i.e. greater likelihood of being above average on

[8] This procedure necessarily causes me to lose observations where PSA = 0, but this cannot be helped, and I view it as worthwhile given the improved fit that the specification provides with the data. Fortunately, perfect accuracy is relatively rare in my sample. The use of this PSA variable without the natural log term leads to mixed significance on my coefficients of interest, but a much lower R-squared value in all cases.

accuracy). Approximately 10% of all donors forecasts for a given company in a given year are classified as being made by a *Big Donor*. This may seem surprising given the 5% cut-off threshold for being a *Big Donor*, but it is worth remembering that analysts are much better paid than the average American, and hence it is logical that their donations would be larger than average since income is probably positively correlated with donation propensity and amount. An analyst who is a *Big Donor* is also a donor. Thus the interpretation of *Big Donor* is that it is the marginal effect over and above simply being a donor from donating a large amount.

Panel B shows that analysts classified as *Big Donor* in a given year, make more accurate estimates in that year based on PSA than other analysts. *Big Donor* analysts are also more likely to fall into the upper half of the accuracy distribution as evidenced by the *Above Median Accuracy* variable. Panel B shows that 55% of *Big Donor* analysts fall above the median in the distribution of earnings estimate accuracy. (The t-statistics on these univariate accuracy differences are not statistically significant due to the wide range of variation in estimates between analysts.)

[Insert Table II here]

Table III begins my main multivariate analysis. Here I examine the effects of being a *Big Donor* after accounting for covered firm specific variables like debt burden, market value, cash-holdings, and book value. This requires that I have data on all of these variables for firms in each period. Further, because I use natural logs with each of these variables as is customary, this results in many missing or undefined variables for firms that have no debt for example or hold no recorded cash. Due these factors, my sample sizes are considerably smaller here than in later regressions.

In columns 1, 3, and 5, I examine the impact of being politically connected on PSA, Accuracy, and the Above Median Accuracy measure. In each case, as the *Big Donor* variable shows, analyst accuracy increases with *Big Donor* status. Again, to reiterate, the negative coefficients in columns 1 and 3 are indicative of greater accuracy as the dependent variables are PSA and Accuracy, as is the positive coefficient in column 5 where the dependent variable is Above Median Accuracy. Each regression controls for the time between the forecast and the earnings announcement (*Days to Earnings*), whether the firm is connected to the government (*Government Supplier*), and whether the forecast is a long-term one made about an earnings that will occur in a future quarter or a short-term one made about the current quarter's earnings. Most of the variables are highly statistically significant which makes sense intuitively – it is logical for example that analysts making estimates closer to an earnings announcement are commonly updating their existing estimates to take into account new information, and that long-term earnings forecasts are less likely to be accurate than short-term ones.

Columns 2, 4, and 6 examine not only whether an analyst is politically connected, but also a measure of the strength of that connection in the form of the temporal proximity of a *Big Donor's* donation and his forecast. In each case, I use a dummy variable to indicate if a donation falls within a window of 0-30 days, 30-90 days, 90-180 days, or 180-365 days from the date of the analyst's forecast. This last window is omitted which makes the *Big Donor* variable in columns 2, 4, and 6 essentially an indicator for an analyst being a *Big Donor* and having made a donation in this most distant time frame. All other non-politically connected analysts have a zero value for all of these windows (hence the reason for this specification as it does not limit my sample as a numeric measure of days between donation and forecast would). The values on these variables suggest that the more recent the donation the stronger the resulting accuracy is for the

politically connected analyst. Those analysts with donations beyond 90 days, have limited accuracy, and that after controlling for this effect, the remaining effect of being a big donor is if anything deleterious to an analyst's accuracy. This may be due to overconfidence in past information, or given the mixed significance on the coefficients, simply a spurious result. The overriding significance in columns 2, 4, and 6 is on the fact that even after controlling for firm specific characteristics, *Big Donors* who have made a recent donation are substantially more accurate than other analysts.

In addition, the variables *Past PSA*, *Past Accuracy*, and *Past Above Median Accuracy* all are various measures of an individual analysts past success in making accurate estimates. The coefficients on each of these indicates that as an individual's past accuracy increases, their current period accuracy also increases. The positive sign here in columns 1 thru 4 indicate that higher levels of past accuracy and PSA (lower accuracy) lead to higher current levels of both (again lower accuracy). The opposite is true of the Above Median Accuracy number. Here higher past Above Median Accuracy (more accurate) leads to a higher current level of Above Median Accuracy (again, more accurate).

While the coefficients on the firm characteristics variables are statistically significant, they are not especially meaningful or useful in the context of understanding the effects of political connectedness on analyst accuracy. Given this, and the significant limitations they impose on my sample size, I do not use them in later regression analysis. Additionally, as the current table shows, the R-squareds in all regressions are relatively low. This is perhaps a function of the fact that I am not trying to explain estimates or actual earnings (both of which yield much higher R-squared if they are used as dependent variable in these regressions), but the difference between the estimate and the actual earnings. This residual unexplained surprise in

earnings is very difficult to project or explain (if it weren't analysts would adjust their estimates after all), and this fact accounts for the relatively low R-squareds throughout this regression and those that follow. Nonetheless, I have also endeavored to be as conservative as possible in reporting these R-squared values so as not to present undue confidence in explanatory power of the models presented. In each regression, I use the adjusted R-squared and the overall R-squared which are lower than alternative measures.

[Insert Table III here]

In Table IV, I set out to examine if political connectedness impacts forecast accuracy after controlling for time effects with a series of year and quarter binary variables and with covered firm fixed effects. The latter effects, found in columns 2, 4, and 6, allow me to drop the firm characteristics I used previously without diminishing my overall sample size. The sample sizes do vary based upon the dependent variable in question largely because of the nature of logarithmic functions and the occurrence of a firm having actual earnings of $0 in any given quarter (which of course makes the accuracy variable non-existent since it requires dividing by actual earnings). In each regression though, the sample sizes are all above 700,000 representing a healthy portion of the available ~900,000 observations.

As before, the immediate conclusion that comes from the table is that *Big Donor* analysts are more accurate. This holds with tremendous significance in all specifications and using all three dependent variable measures of accuracy. It is interesting that in some of the regressions, the *Donor* variable (which indicates an analyst makes donations above $100 in that year to at least one candidate), is statistically significant and suggests less accuracy. It is possible that this is a function of political bias from these analysts affecting their judgment about certain firms (e.g. Democrats covering defense stocks or Republican's covering green-energy firms), but a

more systematic explanation of this result is beyond the scope of this dissertation as these analysts are axiomatically not politically-connected.

Interestingly, the effects of an estimate being made prior to Reg FD or during the period August thru November (represented by the *Political Season* variable), both have negative impacts on accuracy. While the exact reason for these effects is impossible to pinpoint, one explanation is that prior to Reg FD, analysts had alternative sources of information such as access to management and thus *Big Donor* analysts gained less benefit (or were not looking for a earnings forecasting benefit) as a result of their donations. Similarly, it is possible that as elections approach and media begins greater scrutiny of federally elected officials, and officials face greater demands on their time, they have less ability or inclination to pass along valuable information to politically connected analysts. This is mere speculation of course, but the explanation does fit with the facts at hand. Regardless, the results are consistent with politically connected analysts making more accurate forecasts whether thru the friendship or information conduit channels.

[Insert Table IV here]

While Table IV was primarily a test of H1, the effects of political connectedness on accuracy, in Table V, I move to testing H3 by examining the extent to which the time between a *Big Donor's* donation and their forecast impacts their accuracy. As in Table III, I break down this time into four different windows: 0-30 Days, 30-90 Days, 90-180 Days, and 180-365 Days. Again the purpose in structuring the test this way is to avoid having the entire non-*Big Donors* group drop out of the regression as their value for days between a donation as a *Big Donor* and the earnings forecast is non-existent.

As in Table IV, columns 1, 3, and 5 focus control simply for time effects through year and quarter dummies, while columns 2, 4, and 6 include controls on time effects and include firm fixed effects. In both specifications and under all three dependent variable measures of accuracy the table shows that the primary improvement for *Big Donor* accuracy comes from those donors making donations within the last 90 days. Donors making donations beyond that point in time are statistically more accurate. This is supportive of Hypothesis 3 and suggests that recent engagement with politicians via the donation mechanism is an important driver of improved accuracy. It is also possible that political connections decay rapidly over time and that donors who have not been recently engaged with a politician find that their information advantage is outdated. Both of these channels would be consistent with the view of politically connected analysts gaining valuable information via their connections through either the friendship channel or the information conduit channel. These results do not preclude an analyst specific skill effect driving my findings, but the effect would need to be time varying and correlated with donation propensity to explain these particular results.

Overall, as in Table III, the conclusion from Tables IV and V is that *Big Donor* analysts appear to be more accurate, and this accuracy is stronger when the time interval between a donation and the analyst estimate is small.[9] This latter fact is evidence in favor of the information conduit channel of analyst accuracy.

[Insert Table V here]

In Table VI, I examine the effect of political donations on analyst accuracy after controlling for analyst fixed effects. In essence, this lets us interpret the coefficient on *Big Donor* as the effect on a specific analyst of becoming a *Big Donor* analyst. (Again *Big Donor* status is a year-specific effect and a given analyst might be a *Big Donor* last year, and then not a *Big Donor*

[9] Similar results hold when using analyst specific time-trends in place of the current specification.

this year.) This specification therefore controls for any unobservable analyst characteristics, and is a direct test of the unobservable skill channel versus the information conduit channel. If some analysts have specific personality characteristics or other unobserved attributes that that both increase the probability of being a large political donor and being an accurate earnings predictor, then it is likely that these effects are largely time-invariant. However, even if the effects do vary with time, as long as there development of accuracy does not correspond closely to the choice to donate to a politician, then a regression using analyst fixed effects and a *Big Donor* dummy should be able to provide evidence to distinguish between the hypothesized channels.

Table VI shows that analysts become more accurate in the years they are classified as *Big Donor* as evidenced by the statistically significant coefficients in columns 1, 3, and 5 which are negative, negative, and positive respectively with all three columns indicating greater accuracy. Additionally, the binary variables related to donation windows in columns 2, 4, and 6 are statistically significant. Again, the omitted binary variable is for those analysts making donations 360+ days ago meaning that the other variables are interpreted against that standard. The table shows that as the time interval between donation and estimate shrinks, each specific analyst becomes more accurate compared with past estimates by that same analyst. I view this as compelling evidence that analysts are more accurate when they are big donors, and this could be interpreted as being in favor of the information conduit channel. Of course, this does not necessarily mean that the unobservable skill channel isn't contributing to the broader result that *Big Donor* analysts are more accurate, but it does suggest that this channel is not the predominate driver. It is also strong evidence in support of Hypothesis 3.

These findings do support the notion that analyst skill is time varying however, and may in fact evolve over time. The various measures of past accuracy (*Past PSA, Past Accuracy, and*

Past Median Accuracy) are all statistically significant and indicate that analysts who have recently made accurate forecasts continue to make more accurate forecasts in the current period. Since this measure updates over time, it is not a fixed effect (and hence does not drop out of the regression). The highly statistically significant coefficient can be interpreted as support for either analyst learning, or a "momentum" style phenomenon where at a given juncture in time, an analyst has a particularly solid understanding of what is going on at a company for unobserved reasons. Exploring this further is beyond the scope of this dissertation, but it is noteworthy at this stage.

[Insert Table VI here]

In Table VII, I examine the connection between analyst estimates and political donations with industry fixed effects included. In columns 1 through 6, once again the *Big Donor* 0-30 and 30-90 days to donation coefficients are statistically significant and indicate greater accuracy by these analysts even after controlling for the usual set of regression variables and industry fixed effects.

In each column, I examine the effect of making donations to a congressman who sits on a committee that regulates the industry in which one of the analyst's covered firms operates. Given that these congressmen sit on the committee supervising the industry of the covered firm, they will certainly have relevant information that would impact the firm and its earnings going forward. As a result, if an analyst can establish a connection and information flow with that congressman, then they will have superior information regarding future earnings. Thus the *Committee-Link* variable is an important indicator for whether information is flowing to analysts from congressional politicians who have very specific and valuable information. As the table shows, *Committee-Link* is statistically significant, and the coefficients each column indicate that

analysts are more accurate when they are major donors (i.e. *Big Donor*) to committee members regulating covered firms of the analyst. This evidence is supportive of either the friendship or information conduit channels (though again it does not preclude the possibility of analyst skill playing a role and indeed the previously observed "momentum" effects for analysts do still hold).

In addition, I now examine the effect of a geographic link between analyst and donor recipient. This geographic link is a binary variable equal to 1 if the analyst works in the state that the donor recipient represents in congress. The interpretation on this coefficient is the marginal effect of a *Big Donor* analyst being geographically linked to the donor recipient in question. This is a potentially important effect because a geographic link between the two makes it much more plausible that the politician socializes (e.g. plays golf) with the analyst. Thus the presence of geographic link is probably an important prerequisite to information sharing through a friendship for information style channel.

The evidence on the geographic link is mixed. While in each specification the *geographic link* variable has the right sign, only in columns 1 and 6 is it statistically significant. In the other cases, the variable while somewhat close to significant is not of sufficient magnitude to clearly indicate that a geographic link has a favorable impact on analyst accuracy. Thus the evidence is mixed on whether geographical proximity is an important contributor to the *Big Donor* improved accuracy effect. Hypothesis 4 is not clearly supported by the current data. This might be explained by a variety of explanations including the fact that most analysts live in the northeast around New York City, but may still retain ties to places they have lived previously or people they went to college with.

[Insert Table VII here]

Table VIII is an examination of the sample of all *Big Donors* around the time they gain that designation. Here the specification includes a dummy variable for those about to become *Big Donors*. I measure the difference in accuracy between an analyst in the year before he becomes a *Big Donor*, and his own accuracy after he becomes a *Big Donor*. The sample size is much smaller here since I am only examining those analysts who are *Big Donors* at some point during my sample period. I do not use the full set of independent variables in Table VIII or Table IX as the reduced nature of the sample makes many of them inappropriate and the focus of the test is on testing for a heterogeneity issue (as I explain below).

The positive and significant coefficients in columns 1 and 2 along with the negative and significant coefficient in column 3 on *Pre-Donation*Big Donor* suggest that in the year before an analyst becomes a big donor they are markedly less accurate than after the analyst becomes a *Big Donor*. To the extent that *Big Donor* is a valid proxy for political connectedness, this suggests that being politically connected has an immediate effect in terms of increasing the forecasting ability of the analysts in question. This lackluster pre-*Big Donor* status forecasting ability is still substantially mitigated by the past accuracy of the analyst suggesting that skill (time-varying or otherwise) is still an important determinant of forecasting success.

[Insert Table VIII here]

Similarly in Table IX, I examine how analysts fare in the year after they cease to be a *Big Donor* in comparison to the period when they were a *Big Donor*. Here the presumption is that whatever information benefits the analyst gleaned as a result of his donations have now been eliminated. This might occur because the politician he was friends with retired or lost an election, or it might be that the analyst changed company coverage to a firm where political connections no longer provided useful information, or simply that the politician had only a

limited amount of useful information which has now grown stale. In any event, the analysts in Table IX have chosen to stop being *Big Donors*.

As before, Table IX suggests that analysts who lose their politically connected status see lower levels of accuracy compared with their past forecasts. This result is highly statistically significant though it is offset by the analyst's past skill in forecasting. The magnitude of the coefficients suggest that the effect of losing political connectedness is greater than the past skill effect which in turn suggests an overall decline in accuracy after an analyst ceases to be a *Big Donor* regardless of his improved accuracy during the period in question.

I view this test as a natural way to allay concerns over heterogeneity in my sample. If one believes that analysts who make better forecasts are more successful and earn a higher salary and this predisposes them to donate more money to politicians, then it stands to reason that these analysts should be more accurate prior to becoming donors. Similarly, it is difficult to explain why analysts should become less accurate after they stop being a donor if *Big Donor* status were a by-product of greater accuracy rather than the other way around. On the whole then, the implication of Table IX is that the increase in accuracy is an ipso facto result of the donations (and what the political connectedness they are proxying for).

[Insert Table IX here]

Table X expanded the results from Table IX by considering the full sample of analysts in a difference-in-differences framework. As the previous sample of past, present, and future *Big Donors*, the D-I-D tests shown in Table X reveal that future and past *Big Donor* analysts are less accurate compared with their own accuracy when they later become *Big Donors*. This test is a powerful indicator that donation status directly impacts individual analysts regardless of their other characteristics. Columns 1 through 3 reveal that future *Big Donors* are less accurate than

they will become after they attain *Big Donor* status. Columns 4-6 reveals that *Big Donors* are less accurate after they cease to hold that status.

This may lead one to wonder why an analyst would stop donating to politicians if it will simply result in their making less accurate earnings forecasts. That question though assumes that earnings forecast accuracy is not in fact dependent on a third unobservable factor such as the existence of useful political intelligence held by a politician willing to pass such information. Thus analysts might stop donating because a politician they had a close relationship with retires, or because the politician changes committees and subsequently has less useful information, or simply because the analyst not longer finds the politician as helpful as he once did. Regardless of the rationale, it is clear that in the full sample of analysts, donors and non-donors, *Big Donor* analysts are less accurate both before and after they attain that status than they are while they hold the status.

[Table X here]

Section 6. Robustness Analysis

My robustness checks mainly focus on four principle points of concern. The first point of concern is that my findings are a result of spurious correlation between dependent and/or independent variables chosen for my regressions. Second, one might be concerned that an alternative measure of political connectedness such as a simple annual donor dollar amount would render my results inert, or be as powerful a predictor of accuracy as the binary *Big Donor* status. Third, there may be concerns that my results are a function of the *Big Donor* threshold choice. And fourth, some may wonder if my results are driven by donations to one political party or the other, especially given the consistent significance on the binary variables for a Democratically-controlled Congress and a Democratic President. I have already attempted to address these concerns in the tests above, but these additional robustness checks may help to alleviate doubt.

Table XI addresses the concerns over correlations between variables in my regressions by detailing the correlation coefficients between various control variables. The table shows that *Big Donor* analysts are significantly correlated with greater accuracy (lower levels of PSA and Accuracy, and higher levels of Above Median Accuracy, all of which correspond to greater accuracy overall). The table also shows that *Big Donor* analysts are significantly positively correlated with covered firms having a connection with the government (*Gov't Supplier*). The various proxies for forecast accuracy are all highly correlated suggesting that they are all effective measures of the same overall effect; analyst accuracy. The other control variables often share some significant correlation, but not to the degree that multicolinearity is likely to be a major concern in multivariate analysis.

[Table XI here]

In order to address the possibility that my results might fall apart using alternative measures of political connectedness, particularly in light of my choice logarithm-based dependent variables, I re-run my analysis using both donation quartiles (a broader measure of political connectedness), and thousands of USD donated (a more variable and precise measure, albeit one subject to inflation concerns).

As Table XII shows, the results continue to support the view that political connectedness can be a significant driver of forecast accuracy in sell-side analysts. Under each measure of accuracy, both the top donor quartile and the coefficient on donation amount show up as statistically significant with signs in the correct direction. The R-squared values are slightly lower than in the comparable Table IV above suggesting that these measures are not quite as good a fit with the broader data. Of course since *Big Donor* analysts make up a small portion of the overall sample, this diminishment in R-squared values is small. These general results also hold with a variety of other specifications including alternative fixed effects.

[Table XII here]

Building on Table XII and to address the possibility that my results are due to a form of data snooping based on my choice of *Big Donor* threshold, in Table XIII, I break down donations based on the respective donation percentiles. Importantly these variables are annual percentiles thresholds, and this structure helps to address the possibility that donation inflation plays a significant role in biasing results when using an absolute dollar volume of donations. Further, by breaking down the sample into five-percentile blocks, this table addresses the possibility that the *Big Donor* threshold should be winder or narrower. As the table reveals, the bulk of the test significance is in the top 10% of all donations (with the 90-85th percentile block getting close to traditional significance in some cases). While this result suggests that the *Big Donor* threshold

might be valid if expanded from the top 5% of all donations to the top 10% of all donations in a given year, I view sticking with the top 5% as a more conservative strategy. This is because if anything if this specification biases me against finding results by including potentially politically connected analysts in with those analysts who are not politically connected.

[Table XIII here]

Finally, in Table XIV, I examine whether my results are driven by donations to one particular political party. Here, I break out annual donations in thousands of dollars between Democrats and Republicans. The results show that donations to both parties lead to statistically significant increases in accuracy, but in two out of three cases, the magnitude of the coefficients on Democratic donations are larger. Given that I control for the time dimension as well as including firm fixed effects, this result is unlikely to be driven by simple time-varying effects. Instead this result provides (admittedly limited) evidence that donors to Democratic candidates may receive better information (or be better able to interpret that information) than donors to Republican candidates. Of course it is also possible that these results are a product of Democrats being more effective in advancing their preferred policies over the last decade than Republicans which would render their information more valuable. Thus, it is difficult to draw firm conclusions about the channel for any difference in coefficient magnitudes, but it is clear on the whole that donations to both political parties are beneficial to sell-side analysts.

[Table XIV here]

Section 7. Conclusion

In this dissertation, I show that political connections are one mechanism by which analysts can improve their earnings accuracy. These results hold in the post-Reg FD period, and are not driven by simple association between greater levels of political activity and higher levels of analyst accuracy. Instead, analysts are more accurate when they make substantial contributions to politicians. This result may be due to these analysts explicitly trading campaign contributions for information, or it may be due to the analyst simply having a social relationship with the politician. Accuracy is greater for analysts who make donations closer to their earnings estimate release date, those who make donations to elected officials who sit on committees which regulate the firm, and perhaps when the analyst and politician have a geographic link, though this evidence is mixed. Importantly, these results hold after accounting analyst skill, which by itself is a significant determinant of future accuracy by analysts. In addition, my results hold after controlling for various control variables and fixed effects for analysts and firms, as well as binary variables for years, quarters, and exchange. Further, the increased accuracy holds after comparing analysts making significant donations with their own pre- or post-donation year accuracy.

My results demonstrate one mechanism by which analysts continue to provide value to investors, and they provide a possible reason for the rapid rise in the political intelligence industry over the last decade. While most analysts do not have the political connections necessary to gain useful information for clients, it is possible that other mechanisms for gaining useful information exist and that analysts engaging in unconventional research activities that may provide significant value to investors. I leave the investigation of alternative means of useful information gathering to future researchers.

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Appendix: Tables

Table I: Univariate and Descriptive Statistics on Analyst Political Donations

Average campaign spending by winning House member in a 2 year campaign ending in 2012 was $1,439,997, while in the Senate (6 year campaign) it was $9,782,702. These figures have more risen by a factor of three since 1992.Single Contributions are one contribution by a single analyst. Analyst yearly contributions are annual contribution amount by a single analyst and are made up of one or more single contributions. Analyst yearly contributions to Republicans and Democrats are the contribution amounts directed by a single analyst to all members of one party or the other. Analyst total sample contributions are the sum of all contributions made by a single analyst throughout the entire 20 year sample period. Analyst total sample contributions to Republicans and Democrats are the sum of all contributions to each party for a single analyst during the entire sample period. Firm contributions are defined in the same fashion as analyst contributions but with contributions aggregated by brokerage or research firm rather than by individual analyst. Firm contributions displayed here include only the donations by analysts and do not include any donations by other types of firm employees such as mangers.

	Mean	Median	75%	90%	95%	99%	Max	Obs
Analyst Contributions (All Analysts)	140.6	0.00	0.00	0.00	250	2,800	146,900	917,259
Analyst Contributions (Donors Only)	2,697.1	1,000	2,300.0	5,125.0	10,000.0	30,350.0	146,900	47,816
Analyst Contributions to Republican Candidates	691.0	0.0	500.0	2,000.0	3,000.0	9,000.0	48,800	47,816
Analyst Contributions to Democrat Candidates	678.4	0.0	250.0	2,000.0	2,500.0	11,500.0	37,700	47,816
Firm Yearly Contributions (By Analysts Alone)	182,999	50,913	196,990	596,050	1,050,780	1,484,455	1,484,455	47,816

Table II: Univariate Statistics on Analyst Estimate Accuracy and Recommendations

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter.

Panel A – All Analysts					
	Mean	Median	95th%	Standard Deviation	Observations
Price Scaled Accuracy (PSA)	-6.85	-6.35	-2.43	4.15	912,140
Accuracy	-3.18	-2.44	0.00	3.91	788,482
Above Median Accuracy	0.50	0.00	1.00	0.50	917,259
Actual EPS	1.86	0.31	7.38	50.60	917,259
Big Donor	0.01	0.00	0.00	0.08	917,259
Donor	0.05	0.00	0.00	0.22	917,259
Days to Donation	110.02	84.00	281.00	87.48	45,816
Days to Earnings	59.64	65.00	90.00	26.13	917,259
Government Supplier	0.23	0.00	1.00	0.42	917,259
Market Value	13.83	13.83	17.17	1.96	902,360
Debt-to-Assets	-0.80	-0.62	-0.05	0.80	245,676
Market-to-Book	7.18	6.99	10.51	2.07	240,730
Cash-to-Debt	1.08	0.13	3.97	4.93	244,944
Long-Term Forecast	0.14	0.00	1.00	0.35	917,259
Panel B – Big Donor Analysts					
	Mean	Median	95th%	Standard Deviation	Observations
Price Scaled Accuracy	-7.46	-6.45	-2.38	5.29	5,290
Accuracy	-3.98	-2.61	-0.77	4.93	4,590
Above Median Accuracy	0.55	1.00	1.00	0.50	5,326
Days to Donation	108.53	85.00	277.00	84.91	5,292
Days to Earnings	57.15	61.00	90.00	26.42	5,326
Government Supplier	0.26	0.00	1.00	0.44	5,326
MV	13.84	13.84	16.93	1.89	5,260
D2A	-0.71	-0.56	0.04	0.76	1,469
MB	7.02	6.91	10.60	2.06	1,452
Cash-to-Debt	0.73	0.10	3.33	2.73	1,464
Long-Term Forecast	0.14	0.00	1.00	0.34	5,326

Table III: The Effects of Being a Big Donor on Accuracy

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses. Price Scaled Accuracy Note: A positive Past PSA indicates analyst was less accurate in the past, so a positive coefficient makes sense and suggests he will be less accurate in the future.

Table III Contd.:

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Big Donor	-0.708***	0.509**	-0.746***	0.334	0.068***	-0.0002
	(0.000)	(0.040)	(0.000)	(0.180)	(0.000)	(0.994)
0 - 30 Days to Big Donor Donation		-2.873***		-2.406***		0.197***
		(0.000)		(0.000)		(0.000)
30 - 90 Days to Big Donor Donation		-1.437***		-1.360***		0.081**
		(0.000)		(0.000)		(0.035)
90 - 180 Days to Big Donor Donation		-0.553*		-0.535		-0.002
		(0.100)		(0.118)		(0.966)
Days to Earnings	0.009***	0.009***	0.007***	0.007***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Government Supplier	0.293***	0.294***	0.322***	0.323***	-0.052***	-0.052***
	(0.000)	(0.000)	(0.000)	(0.473)	(0.000)	(0.000)
Political Season	0.032	0.033	-0.050	-0.049	0.012***	0.012***
	(0.331)	(0.310)	(0.137)	(0.145)	(0.003)	(0.003)
Pre-Reg FD	-0.733***	-0.733***	0.132***	0.131***	-0.018***	-0.018***
	(0.000)	(0.000)	(0.000)	(0.002)	(0.000)	(0.000)
Long-Term Forecast	0.512***	0.511***	-0.651***	-0.652***	0.247***	0.247***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past PSA	0.236***	0.236***				
	(0.000)	(0.000)				
Past Accuracy			0.053***	0.053***		
			(0.000)	(0.000)		
Past Above Median Average					0.144***	0.144***
					(0.000)	(0.000)
Market-to-Book	-0.080***	-0.080***	-0.012**	-0.012**	-0.002***	-0.002***
	(0.000)	(0.000)	(0.011)	(0.012)	(0.004)	(0.003)
Market Value	-0.403***	-0.403***	-0.106***	-0.107***	0.004***	0.005***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Debt-to-Assets	0.137***	0.136***	0.025*	-0.025*	0.012***	0.012***
	(0.000)	(0.000)	(0.068)	(0.073)	(0.000)	(0.000)
Cash-to-Debt	0.022***	0.022***	0.003	0.003	0.002***	0.002***
	(0.000)	(0.002)	(0.115)	(0.119)	(0.000)	(0.000)
Democratic Congress	0.157***	0.156***	0.035***	0.349***	-0.006***	-0.006**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.009)	(0.010)
Democratic President	0.208***	0.208***	0.152***	0.152***	-0.005*	0.005*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.070)	(0.070)
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Observations	200,970	200,970	182,012	182,012	212,551	212,551
Adjusted R-squared (%)	7.46	7.49	1.36	1.39	3.86	3.87

Table IV: Impact of Political Donations on Price Scaled Accuracy with Firm FEs

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

Table IV Contd.:

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Big Donor	-0.715***	-0.883***	-0.867***	-0.929***	0.058***	0.066***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Donor	0.066***	0.022	0.083***	0.028	-0.009***	-0.008***
	(0.003)	(0.316)	(0.000)	(0.199)	(0.001)	(0.001)
Days to Earnings	0.0004**	0.003***	0.001***	0.004***	-0.0005***	-0.0007***
	(0.037)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Government Supplier	0.294***	-0.053**	0.312***	0.065***	-0.045***	-0.006**
	(0.000)	(0.028)	(0.000)	(0.007)	(0.000)	(0.029)
Past PSA	0.290***	0.081***				
	(0.000)	(0.000)				
Past Accuracy			0.056***	0.024***		
			(0.000)	(0.001)		
Past Above Median Average					0.152***	0.073***
					(0.000)	(0.000)
Political Season	0.184***	0.129***	0.078***	0.060***	0.002	-0.000
	(0.000)	(0.000)	(0.000)	(0.001)	(0.312)	(0.937)
Pre-Reg FD	0.148***	0.062	1.143***	1.361***	-0.026***	-0.068***
	(0.000)	(0.133)	(0.000)	(0.000)	(0.000)	(0.000)
Long Term Forecast	0.590***	0.582***	-0.559***	-0.630***	0.245***	0.254***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE		Yes		Yes		Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
Overall R-squared (%)	3.14	2.28	0.92	0.76	3.36	2.75

Table V: Price Scaled Accuracy with Firm, Brokerage, Year, and Quarter FEs

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
0 - 30 Days to Donation	-2.307***	-2.454***	-2.372***	-2.476***	0.171***	0.181***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
30-90 Days to Donation	-0.935***	-1.128***	-1.103***	-1.165***	0.084***	0.081***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
90-180 Days to Donation	0.175	0.039	-0.038	-0.076	-0.006	0.010
	(0.149)	(0.000)	(0.753)	(0.519)	(0.658)	(0.452)
Other Variables	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Covered Firm FE		Yes		Yes		Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
R-squared (%)	3.17	2.31	0.95	0.79	3.37	2.77

Table VI: The Impact of Political Donations on Accuracy with Analyst FEs

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Big Donor	-1.037***	-0.332***	-1.140***	-0.407***	0.096***	0.023
	(0.000)	(0.023)	(0.000)	(0.000)	(0.000)	(0.166)
Donor	0.018	0.017	0.031	0.030	-0.004	-0.004
	(0.549)	(0.579)	(0.297)	(0.314)	(0.231)	(0.241)
Days to Earnings	0.002***	0.002***	0.003***	0.003***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
0 - 30 Days to Big Donor Donation		-2.265***		-2.268***		0.191***
		(0.000)		(0.000)		(0.000)
30-90 Days to Big Donor Donation		-0.871***		-0.945***		0.096***
		(0.000)		(0.000)		(0.000)
90-180 Days to Big Donor Donation		0.174		0.129		0.006
		(0.338)		(0.473)		(0.760)
Government Supplier	-0.020	-0.019	0.071***	0.071***	-0.007***	-0.007***
	(0.216)	(0.222)	(0.000)	(0.000)	(0.000)	(0.000)
Past PSA	0.083***	0.084***				
	(0.000)	(0.000)				
Past Accuracy			0.018**	0.019**		
			(0.015)	(0.014)		
Past Above Median Average					0.037***	0.037***
					(0.000)	(0.000)
Political Season	0.173***	0.173***	0.098***	0.099***	0.003	0.003
	(0.000)	(0.000)	(0.000)	(0.000)	(0.146)	(0.149)
Pre-Reg FD	-0.161***	-0.162***	0.330***	0.329***	-0.016***	-0.016***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Long Term Forecast	0.565***	0.564**	-0.605***	-0.605***	0.255***	0.255***
	(0.000)	(0.015)	(0.000)	(0.000)	(0.000)	(0.000)
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Analyst FEs	Yes	Yes	Yes	Yes	Yes	Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
Overall R-squared (%)	1.78	1.81	0.41	0.44	2.89	2.91

Table VII: Impact of Donations on Accuracy Controlling for Industry and Geography

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

Table VII Contd.:

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Big Donor	0.100	0.053	-0.076	-0.095	-0.012	-0.003
	(0.461)	(0.695)	(0.571)	(0.477)	(0.440)	(0.861)
Donor	0.103***	0.067**	0.110***	0.085***	-0.013***	-0.013***
	(0.001)	(0.032)	(0.000)	(0.006)	(0.001)	(0.000)
Days to Earnings	0.0004**	0.001***	0.001***	0.002***	-0.0004***	-0.0006***
	(0.014)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
0-30 Days to Big Donor Donation	-2.409***	-2.379***	-2.284***	-2.264***	0.182***	0.180***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
30-90 Days to Big Donor Donation	-1.043***	-1.020***	-1.027***	-1.021***	0.096***	0.092***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
90-180 Days to Big Donor Donation	-0.078	0.061	0.047	0.058	0.006	0.004
	(0.667)	(0.733)	(0.793)	(0.744)	(0.781)	(0.866)
Government Supplier	0.296***	0.423***	0.303***	0.186*	-0.045***	0.0009
	(0.000)	(0.000)	(0.000)	(0.061)	(0.000)	(0.435)
Past PSA	0.302***	0.242***				
	(0.000)	(0.000)				
Past Accuracy			0.066***	0.058***		
			(0.000)	(0.000)		
Past Above Median Average					0.152***	0.118***
					(0.000)	(0.000)
Political Season	0.133***	0.121***	0.003	0.005	-0.005***	0.005***
	(0.000)	(0.000)	(0.859)	(0.765)	(0.005)	(0.007)
Pre-Reg FD	-0.301***	-0.243***	0.349***	0.349***	-0.023***	-0.021***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Long Term Forecast	0.601***	0.964***	-0.557***	-0.579***	0.244***	0.246***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Geographic Link	-0.070*	-0.042	-0.055	-0.055	0.066	0.009*
	(0.091)	(0.299)	(0.179)	(0.178)	(0.166)	(0.057)
Committee Link	-0.319***	-0.300***	-0.397***	-0.365***	0.004***	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.250)
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Industry Dummies		Yes		Yes		Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
Adj./Overall R-squared (%)	2.93	2.74	0.79	0.71	3.35	3.06

Table VIII: Pre-Big Donor Period Analyst Accuracy

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Pre-Donation*Big Donor* is a binary variable equal to 1 if the estimates occurs in the up to three estimates on a given company before the point in time when the analyst becomes a Big Donor. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

Variables	PSA	Accuracy	Above Median Accuracy
	(1)	(2)	(3)
Pre-Donation*Big Donor	0.919*** (0.000)	0.861*** (0.000)	-0.075*** (0.000)
Past PSA	0.293*** (0.000)		
Past Accuracy		0.163 (0.123)	
Past Above Median Accuracy			0.159*** (0.000)
Government Supplier	0.253** (0.036)	0.300** (0.010)	-0.063*** (0.000)
Observation Pairs	8,082	7,350	8,587
R-squared (%)	2.05	0.66	1.01

Table IX: Post-Big Donor Period Analyst Accuracy

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Post Donation*Big Donor* is a binary variable equal to 1 if the estimates occur in the up to three estimates on a given company after the point in time when the analyst ceases to be a Big Donor. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

Variables	PSA	Accuracy	Above Median Accuracy
	(1)	(2)	(3)
Post Donation*Big Donor	0.958*** (0.000)	1.123*** (0.000)	-0.092*** (0.000)
Past PSA	0.317*** (0.000)		
Past Accuracy		0.160 (0.114)	
Past Above Median Accuracy			0.183*** (0.000)
Government Supplier	0.302** (0.011)	0.345*** (0.003)	-0.064*** (0.000)
Observation Pairs	8,199	7,445	8,663
R-squared (%)	3.08	1.70	1.66

Table X: Difference-in-Differences of Pre and Post Big Donor Accuracy

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Pre-Donation*Big Donor* is a binary variable equal to 1 if the estimates occurs in the up to three estimates on a given company before the point in time when the analyst becomes a Big Donor. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

Variables	PSA	Accuracy	Above Median Accuracy	PSA	Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-Donation*Big Donor	0.139*	0.242***	-0.058***			
	(0.055)	(0.001)	(0.000)			
Post-Donation*Big Donor				0.425***	0.421***	-0.042***
				(0.000)	(0.000)	(0.000)
Big Donor	-0.804***	-1.024***	0.095***	-0.996***	-1.152***	0.087***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Government Supplier	0.292***	0.305***	-0.043***	0.293***	0.305***	-0.043***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past Accuracy Measure	0.290***	0.056***	0.151***	0.185***	0.056***	0.151***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year and Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Other Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
Observation Pairs	778,977	710,785	825,203	778,977	710,785	825,203
R-squared (%)	3.14	0.92	3.31	3.15	0.92	3.31

Table XI: Correlation Coefficients

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

	PSA	Accur.	Above Median Accur.	Donor	Days to Earnings	Gov't Supplier	D2A	M2B	MV	Cash-to-Debt
Big Donor	-0.014*	-0.016*	0.008*	-0.326*	-0.007*	0.005*	0.008*	-0.007	0.002*	-0.006*
PSA	1.000	0.911*	-0.273*	0.002	0.004*	0.031*	0.006*	-0.098*	-0.204*	0.021*
Accuracy		1.000	-0.519*	-0.001	0.005*	0.025*	0.003	-0.025*	-0.060	0.002
Above Median Accuracy			1.000	-0.004*	-0.025*	-0.024*	0.011*	0.008*	0.041*	0.003
Donor				1.000	-0.001	0.005*	0.003	0.000	0.005*	-0.004*
Days to Earnings					1.000	-0.067*	-0.027*	0.064*	0.018*	0.031*
Gov't Supplier						1.000	0.131*	-0.115*	0.060*	-0.023*
Debt-to-Assets							1.000	-0.226*	0.088*	-0.527*
Market-to-Book								1.000	0.252*	0.209*
Market Value									1.000	-0.063*
Cash-to-Debt										1.000

Table XII: Alternative Measures of Big Donor Status

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Donor Quartile 1	-0.516***		-0.519***		0.030***	
	(0.000)		(0.000)		(0.000)	
Donor Quartile 2	-0.043		-0.009		-0.009*	
	(0.377)		(0.863)		(0.100)	
Donor Quartile 3	0.012		0.055		-0.005	
	(0.787)		(0.228)		(0.324)	
Donation Amount (In Thousands of USD)		-0.025***		-0.026***		0.001***
		(0.000)		(0.000)		(0.000)
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes	Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
R-squared (%)	2.27	2.27	0.75	0.75	2.75	2.75

Table XIII: The Impact of Political Donations on Price Scaled Accuracy with Firm FEs

Price Scaled Accuracy (PSA) is absolute value of ln((Estimate-Actual)/Share Price), meaning that negative coefficients indicate greater accuracy. *Accuracy* is the relative accuracy of the analyst as defined by the absolute value of ((Estimate-Actual)/Actual, and again this means that negative coefficients indicate greater accuracy. *Above Median Accuracy* is a binary variable equal to one if the analyst's forecast was above the median level of accuracy for the given year. Thus positive coefficients indicate greater accuracy here. *Donor* is a binary variable equal to 1 if the analyst donates money to a federal candidate for an election during the sample period 1992-2012. *Big Donor* is a binary variable equal to 1 if the analyst donates enough money in a given year to one or more candidates to fall into the top 5% of all donors nationally. (Number Range) *Days to Earnings* is the difference in number of days between an analyst's earnings estimate and the actual earnings announcement of the firm. *Gov't Supplier*Big Donor* is a dummy variable equal to 1 if the analyst is a big donor and covering a government supplier. *Political Season* is a dummy variable equal to one if the observation takes place between August and November. *Past PSA* is a variable that is the average of the analysts past PSAs for up to ten of the most recent estimates that were at least five estimates back in time. *Past Accuracy* is a variable that is the average of the analysts past accuracies for up to ten of the most recent estimates that were at least five estimates back in time. *Past Above Median Average* is a variable that is the average of the analysts past above median averages for up to ten of the most recent estimates that were at least five estimates back in time *Government Supplier* is a binary variable equal to one if the firm being covered by the analyst receives more than 10% of sales from the government, or is in a heavily regulated industry. *Political Season* is a dummy variable equal to one if the estimate occurs during the period of July through November. *Pre-Reg FD* is a dummy variable equal to one if the estimate occurs prior to the year 2002. *Long Term Forecast* is a dummy variable equal to one if the estimate is for future quarters' earnings rather than the current quarter. *Market Value* is the natural log of covered firm market capitalization. *Debt-to-Assets* is the natural log of the covered firm's debt to assets ratio. *Market-to-Book* is the natural log of the covered firm's market to book value where book value is the tangible book equity of the firm (tangible assets – liabilities). *Cash-to-Debt* is the ratio of cash holdings of the covered firm to its liabilities. *Democratic Congress* is a dummy variable equal to one if the observation takes place when Democrats are in control of Congress. *Democratic President* is a dummy variable equal to one if the observation takes place when a Democrat is President. *Days to Donation* is a binary variable equal to 1 if the difference between a *Big Donor* analyst's most recent donation and most recent earnings announcement date is equal to that range or less. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses.

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
100-95th Percentile Donations	-0.821*** (0.000)	-1.150*** (0.000)	-0.951*** (0.000)	-1.189*** (0.000)	0.043*** (0.000)	0.067*** (0.000)
95-90th Percentile Donations	-0.509*** (0.000)	-0.670*** (0.000)	-0.639*** (0.000)	-0.734*** (0.000)	0.046*** (0.000)	0.038*** (0.000)
90-85th Percentile Donations	0.127 (0.287)	-0.094 (0.406)	0.128 (0.285)	-0.006 (0.957)	0.029** (0.030)	0.021 (0.101)
85-80th Percentile Donations	0.245** (0.017)	-0.012 (0.902)	0.108 (0.293)	-0.097 (0.343)	-0.015 (0.206)	-0.007 (0.567)
80-75th Percentile Donations	0.110 (0.315)	0.037 (0.725)	0.150 (0.174)	0.124 (0.254)	-0.029** (0.025)	-0.021* (0.088)
Lower Percentiles	Yes	Yes	Yes	Yes	Yes	Yes
Past accuracy (PSA, Accuracy, Above Median Accuracy)	0.299*** (0.000)	0.082*** (0.000)	0.058*** (0.000)	0.025*** (0.000)	0.155*** (0.000)	0.082*** (0.000)
Days to Earnings	-0.0002 (0.166)	0.003*** (0.000)	0.001*** (0.000)	0.004*** (0.000)	-0.0006*** (0.000)	-0.0008*** (0.000)
Year Dummies	Yes	Yes	Yes	Yes	Yes	
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE		Yes		Yes		Yes
Observations	778,977	778,977	710,785	710,785	825,203	825,203
Overall R-squared (%)	2.83	2.20	0.61	0.53	0.85	0.42

Table XIV: Accuracy Based on Party-Based Donation Amounts

Log of Donation Amount is the natural log of the amount donated by a given analyst in a given quarter. *Donation Amount Squared* is the square of the amount donated by a given analyst in a given quarter. *Donation Percentile* is the percentile in the donor distribution in which the analyst falls in a given quarter. *, **, and *** indicate 10%, 5%, and 1% significance respectively. P-scores are reported in parentheses. Standard Errors are clustered by analyst.

	PSA	PSA	Accuracy	Accuracy	Above Median Accuracy	Above Median Accuracy
	(1)	(2)	(3)	(4)	(5)	(6)
Democratic Donation Amount	-0.052*** (0.000)		-0.044*** (0.000)		0.002** (0.035)	
Republican Donation Amount		-0.033*** (0.000)		-0.037*** (0.000)		0.003** (0.012)
Other Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Quarter Dummies	Yes	Yes	Yes	Yes	Yes	Yes
NASDAQ Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Firm FEs	Yes	Yes	Yes	Yes	Yes	Yes
Observations	40,375	40,375	36,879	36,879	42,928	42,928
R-squared (%)	2.10	2.05	0.73	0.68	2.40	2.38

Vita

Michael B. McDonald is a doctoral candidate at The University of Tennesse, Knoxville with the finance department in the College of Business. He expects to graduate with a Doctorate of Philosophy majoring in Business Administration with a concentration in Finance in May of 2014. Mr. McDonald is a US citizen fluent in English with some knowledge of Spanish. His past educational background includes a Master's Degree in Economics from Clemson University (2007), and a Bachelor's Degree in Industrial Engineering also from Clemson University (2005). Prior to starting a PhD program at UT, Mr. McDonald worked as an analyst at Wachovia Securities, as well as being involved in the founding of several start-up businesses.

Mr. McDonald's dissertation is a data intensive look at how political connections between politicians and sell-side equity analysts impacts the earnings forecast accuracy of the analysts. His work is based upon a unique hand-built dataset comprising all political contributions made by all equity analysts across the United States to any federally elected politician during the period 1992 through 2012. His work shows that political connections enable analysts to make more accurate earnings forecasts compared with similar peers. This work was presented at the 2014 American Finance Association (AFA) annual meeting, the premier academic conference in the finance discipline.

Overall, Mr/. McDonalds' research interests are in the areas of corporate finance, investments, international finance, and entrepreneurial finance. Mr. McDonald has six other research papers in progress including *Local Economic Consequences of Stock Market Delistings*, a joint paper with Dr. Larry Fauver and Dr. Alex Butler (of Rice University). This paper explores how the shrinking US stock market impacted local economic conditions in geographical areas where firm's delisted. This work was presented by invitation before a group of executives and researchers at the New York Stock Exchange (NYSE). Similarly, his work *Culture and Agency Costs: International Evidence on Capital Structure Determinants* with Dr. Larry Fauver, examines how international variation in culture impacts firm behavior. This paper won a best PhD student paper award at 2013 Academy of Behavioral Finance and Economic conference. This work compliments his forthcoming paper in the Journal of Corporate Finance, *Shades of Grey: Capital Structure Decisions of Non-Sin vs. Sin Firms in the G20 Nations* with Dr. Larry Fauver. That paper explored how differences in cultural attitudes impacted individual's willingness to invest in the tobacco, alcohol, and gambling industries. Mr. McDonald's other work complements these areas within the framework of his academic interests.

This research work along with his excellent academic performance led Mr. McDonald to win a prestigious AFA travel grant in 2012 to enable him to travel to the 2012 annual AFA meeting and discuss research work with other researchers from across the country. Throughout his time at The University of Tennessee, Mr. McDonald has won several departmental awards and

scholarships including a 2012 summer research grant, and the prestigious ESPN Fellowship which is awarded to only eight students each year in the College of Business.

In addition to these research papers, Mr. McDonald has also worked on several major grant proposals related to finance that were submitted to major government agencies including the National Science Foundation (NSF) and the National Institutes of Health (NIH).

Mr. McDonald has also taught extensively at The University of Tennessee including teaching an introductory finance class for business majors, and teaching several introduction to finance classes for non-business majors. The latter were large sections with roughly 200 students in each class, which required Mr. McDonald to develop novel methods of engaging and interacting with students. These efforts along with his excellent teaching evaluation scores (4.16/5.0 mean evaluation score) led Mr. McDonald to win the prestigious 2013 Chancellor's Award for Graduate Student Teaching. This award was given to only three graduate students across the entire graduate student population of the UT Knoxville campus. Mr. McDonald also served as a research assistant for various members of the Finance Department from 2010 through 2014, and was instrumental in data collection and analysis efforts on numerous different papers and research projects.

Mr. McDonald has also been active in the area of service to the profession. This includes attending annual meetings and serving as a discussant at major conferences in finance such as the Finance Management Association Annual Meeting (2012, 2013), the AFA Annual Meeting (2012, 2013), the Midwest Finance Association Meeting (2013), the Academy of Behavioral Finance and Economics (2013), and the European Finance Management Association Meeting (2011). He is also an on-going member of the American Finance Association and the Financial Management Association.