Shining a Light on Firm Political Connections: The Role of Dark Money

Registered Report for RCFS "Politics and Corporate Power"

PRELIMINARY DRAFT

Please do not cite without permission

Matthew Denes[†]
Madeline Marco Scanlon[‡]

First Version: December 1, 2023
This Version: January 30, 2024

Abstract

We propose to study the use of political connections through "dark money" groups by firms. We provide the first evidence that firms in the S&P 500 increasingly contribute to dark money groups. We find that these new political connections appear to complement connections formed through political action committees and lobbying. We offer preliminary evidence of a positive link between dark money contributions and possible benefits, including procurement contracts and government subsidies. Overall, we aim to evaluate the role of a new type of political connection formed through dark money groups.

JEL Classification: D72, D73, G38, H57

Keywords: political economy, dark money, political contributions

[†]Carnegie Mellon University. Email: denesm@andrew.cmu.edu
[‡]University of Pittsburgh. Email: mms238@pitt.edu

1 Introduction

Firms frequently establish political connections. One of the strategies first documented in the literature is that firms often contribute to campaigns of candidates running for office, which tends to improve their valuations (Cooper, Gulen, and Ovtchinnikov (2010) and Akey (2015)). An additional approach for firms to garner political influence is through lobbying (Borisov, Goldman, and Gupta (2016)). There is also evidence that firms hire former government officials as employees or to serve on the board (Goldman, Rocholl, and So (2009)). We propose to study dark money groups, which are relatively recent conduits for unlimited and undisclosed political contributions, as a new channel through which firms form political connections at the federal level in the United States.

The Supreme Court decision in *Citizens United v. Federal Election Commission*, paired with its *SpeechNow.org v. Federal Election Commission* decision, in 2010 ruled that corporations and other groups can spend unlimited amounts on elections. The court specifically decided that a prohibition on independent expenditures by these organizations in the Bipartisan Campaign Reform Act of 2002 violated their First Amendment right to free speech. Following the 2010 rulings, a new channel for raising money and contributing to political campaigns emerged, with no required disclosure of donors and no limits on political expenditures. Commonly referred to as dark money, these organizations are formed as 501(c) nonprofits at the Internal Revenue Service (IRS).

501(c) groups are not required to provide any information on their donors and only provide limited financial information in Form 990 filings at the IRS, which are publicly available though usually after elections. These organizations often transfer donations to related 527 groups, which denotes the 501(c) organization as the donor and effectively masks the ultimate capital provider. Many dark money groups are organized as 501(c)(4) groups, which are categorized as social welfare organizations and cannot be primarily engaged in political activity. This restriction can be satisfied by providing 50% of the group's capital to

1

other nonprofit organizations.

Dark money groups are not required to disclose their donors. Consequently, little is known about who contributes to dark money groups and how much particular donors provide. One potential source of funds for these groups is firms. We hand-collect data on political disclosure by S&P 500 firms from 2008 to 2022. While disclosures are voluntary, these data provide a window into a capital provider for dark money groups.

We propose to answer three research questions in this paper. First, what is the role of dark money contributions in the political activity of firms? Second, how do political connections facilitated through dark money groups interact with other types of political activity at firms? For example, dark money contributions might complement other types of political connections if the benefits targeted through the dark money contributions differ from other forms of political activity. Conversely, firms may use dark money contributions to substitute for the other types of political activity. Third, what benefits accrue to firms who use dark money contributions? This proposal aims to provide the first evidence on how firms use a new and rising form of political connections.

This registered report provides several initial findings. We begin by documenting descriptive patterns of firm contributions to dark money groups. We find that there is marked rise in the cumulative number of firms who are connected to dark money groups over the sample period. At the start of our sample, there are a small number of firms who contribute to dark money groups. This steadily rises during the sample period, reaching almost 200 firms and 30% of the S&P 500 in the last year of the sample. We next explore the industry distribution of firms that contribute to dark money groups. We show that the utilities and energy sectors have the highest shares of firms connected to dark money groups. We also provide evidence the firms persistently contribute to dark money groups.

We next evaluate the relationship between dark money contributions and other types of political connections. We gather data on firm contributions to political action committees (PACs) from the Federal Election Commission (FEC) and the use of federal lobbyists. We

find that firms contributing to PACs or hiring lobbyists in the prior year are more likely to contribute to dark money groups. These initial findings provide suggestive evidence that the use of dark money by firms complements other types of political activity.

Last, we link firm political connections with benefits that they might receive. We focus on two primary forms on benefits: procurement contracts and government subsidies. We provide preliminary evidence that dark money contributions, in addition to PACs and lobbying, are positively related to procurement contracts along the extensive and intensive margins. We also explore the link with government subsidies and find a positive relationship for dark money groups and lobbying. Taken together, we provide the first initial evidence on the use of dark money by firms, how they interact with other types of political connections, and their link with potential benefits.

We aim to contribute to the literature at the intersection of finance and political economy. Firm value increases when they become politically connected (Roberts (1990), Fisman (2001), Faccio (2006), Cooper, Gulen, and Ovtchinnikov (2010), Chen, Parsley, and Yang (2015), and decreases when these connections are unexpectedly lost (Faccio and Parsley (2009)). Firms connected to politicians receive better access to external capital (Johnson and Mitton (2003), Cull and Xu (2005), Dinç (2005), and Khwaja and Mian (2005)), a higher likelihood of being bailed out (Faccio, Masulis, and McConnell (2006) and Duchin and Sosyura (2012)), preferential access to government contracts (Goldman, Rocholl, and So (2013), Tahoun (2014), Schoenherr (2019), Brogaard, Denes, and Duchin (2021)), and less competition (Faccio and Zingales (2022)).

Our proposed paper would also contribute to a recent literature examining political spending by special interest groups. Papers examining the effects of the *Citizens United v. Federal Election Commission* decision focus on state elections. La Raja and Schaffner (2014) suggest that restrictions on political spending have limited effects. Klumpp, Mialon, and Williams (2016) and Abdul-Razzak, Prato, and Wolton (2020) find evidence that independent expenditures support the election of Republican candidates in U.S. state legislatures.

Spencer and Wood (2014) show that an increase in independent expenditures is larger for state elections with previous bans on this type of spending. Bertrand et al. (2020) and Bertrand et al. (2021) highlight that nonprofit organizations are a channel for political influence. Akey et al. (2022) focus on state-level variation in campaign finance laws and find that dark money increased electoral competition along with a rise in wages and employment. Denes and Scanlon (2023) study the rise of dark money in U.S. federal campaign financing and its effect on federal elections.

2   Dark Money

This section explains the data collected on contributions by firms to special interest groups, which we refer to as "dark money." Section 2.1 details how we manually collect data on firms contributions to dark money groups. Section 2.2 provides initial patterns in dark money contributions by firms. Section 2.3 explores the timing of firm contributions to dark money groups.

2.1   Data Collection

Dark money contributions by firms are inherently difficult to observe. A common type of political connections by firms are PACs and lobbying. Firm PACs are required to disclose information about campaign contributions to the Federal Election Commission. The Lobbying Disclosure Act of 1995 requires the disclosure of lobbying activities by firms. Conversely, there is currently no requirement for firms in the United States to disclose information on contributions to dark money groups.

We provide the first evidence on dark money contributions by firms. We hand-collect data on disclosures of political contributions to special interest groups by firms in the S&P 500 from 2007 to 2022.[1] There are two main steps to gather data on political disclosures

---

[1] We include all firms in the S&P 500 during the sample period.

by firms. First, there are 822 firms in the S&P 500 during the sample period. For each firm, we conduct extensive searches of each firm's website to collect information on political disclosures. The information is often included in annual reports of political disclosures and provided historically. At times, we supplement information on a firm's website by searching for historical information in the Internet Archive. We gathered the data during two rounds: September 2019 and December 2023. Second, we hand-collect the data from each disclosure provided by firms. The data gathered generally includes the organization name, type, and amount.[2] We standardize the variables since firms do not follow a particular reporting structure.

[Insert Table 1 Here]

The data include 20,662 reported contributions from 2008 to 2022. Of these contributions, 58.2% report the amount of the contributions.[3] The total reported contributions are $2.2 billion. Table 1 reports the top firms and dark money groups. Panel A lists the top 10 firms in the sample based on reported contributions to dark money groups during the sample period. Elevance Health is the top contributor in terms of reported contributions of $398 million. Prudential Financial is the most connected in terms of the number of dark money groups, with contributions to 1,044 total groups. Panel B lists the top 10 dark money groups that receive contributions from firms in the sample based on reported contributions. The groups include trade groups and professional associations, including Blue Cross and Blue Shield Association and the U.S. Chamber of Commerce.

2.2 Descriptive Patterns

We begin by exploring patterns of firm contributions to dark money groups during the sample period. Figure 1 evaluates political connections by firms in the S&P 500 to dark

---

[2] Some firms provide partial information, such as only the organization name. Future work plans to classify all organizations by their type, including information available at the IRS for 501(c) groups. Additionally, there is continuing work to standardize the name of dark money groups.

[3] The remaining 41.8% only report the name of the dark money group.

money groups from 2008 to 2022.[4] Panel A shows the cumulative number of firms who have contributed to a dark money group by a particular year. We focus on the cumulative number to evaluate the extent of political connections facilitated through dark money groups. We find that there is a striking rise in the number of firms using dark money groups. Following the Supreme Court decisions in *Citizens United v. Federal Election Commission* and *Speech-Now.org v. Federal Election Commission*, the number of firms contributing to dark money groups steadily rises, reaching just more than 175 firms in the last year of the sample. Panel B plots the cumulative share of firms who have contributed to a dark money group, which is relative to the number of firms in the S&P 500 in a particular year. There is a similar pattern of increased political connections during the sample period, with slightly less than 30% of firms connected to dark money groups.

[Insert Figure 1 Here]

An important caveat is that our manually-collected data rely on political disclosures by firms in the S&P 500. The patterns indicate a relatively consistent increase in the number of firms contributing to dark money groups each year. This suggests that there is not a particular event that dramatically alters reporting behavior during the sample period. Additionally, the patterns can be viewed as a lower bound on firm contributions to dark money groups. Since we only observe those firms reporting dark money contributions, there might be additional firms that we do not capture who are giving to these groups over the sample period.

[Insert Figure 2 Here]

We next turn to evaluating the use of contributions to dark money groups across industries. Figure 2 shows the distribution by industry of firms in the S&P 500 who have contributed to dark money groups from 2008 to 2022. Each bar represents the share of firms

---

[4]We start in 2008 since this is the first year with a contribution by a firm to a dark money group.

in an industry who have contributed to a dark money group relative to the number of firms in an industry during the sample period. Industries are based on the Fama-French 10-industry classification. We show that there is sizable variation in the share of firms contributing to dark money groups by industry. About 40% of firms in the utilities industry contribute to dark money groups and 35% of firms in the energy sector. Approximately a quarter of firms in several industries, including durables, healthcare, and retail, contribute to dark money groups. There are fewer firms contributing to dark money groups in the equipment and manufacturing industries.

Overall, these initial patterns provide two stylized facts about dark money. First, firms appear to increasingly contribute to dark money groups during the sample period. Second, there is considerable dispersion in the extent to which firms are connected to dark money groups across industries. The next section explores additional patterns in dark money groups.

2.3 Frequency and Persistence

In this section, we examine two additional aspects of contributions by firms to dark money groups. We start by evaluating the frequency of contributions over the sample period. Then, we study the persistence of a firm's contributions to dark money groups.

[Insert Figure 3 Here]

Figure 3 plots the frequency of dark money contributions by firms in the S&P 500 from 2008 to 2022. Each bar represents the number of firms contributing for a particular number of years relative to the number of firms contributing to dark money groups during the sample period. We find that 23% of firms contribute to dark money groups for one year. This captures both firms that fleetingly contribute to dark money groups and those firms who enter in the last period of the sample. We also show that nearly half of firms contribute to dark money groups for at least five years, with more than 10% contributing for at least 10 years.

7

This highlights that often firms frequently use contributions to dark money groups over the sample period. Additionally, this pattern suggests that, while firms voluntarily disclosure contributions to dark money groups, they might maintain these political connections in subsequent years without any disclosure.

We next estimate the following specification at the firm-year level to evaluate the persistence of a firm's contributions to dark money groups:

$$\text{Dark Money}_{it} = \alpha_j + \alpha_t + \beta \cdot \text{Dark Money}_{i,t-1} + \varepsilon_{it}, \tag{1}$$

where $Dark\ Money_{it}$ is an indicator variable equaling one if firm i contributes to a dark money group in year t. The specification includes year fixed effects (α_t) to capture macroeconomic time trends and industry fixed effects (α_j) to absorb time-invariant industry heterogeneity. Standard errors are clustered at the firm level.

[Insert Table 2 Here]

Table 2 reports the results on the persistence of dark money contributions by firms. In column 1, we find that if a firm contributed to a dark money group in the previous year, it is significantly more likely to contribute to a dark money group in the current year. In column 2, we include year fixed effects, and report economically and statistically similar estimates. In column 3, we also add industry fixed effects and continue to obtain a comparable association.

Taken together, this section highlights the increasing prevalence of firm contributions to dark money groups using hand-collected data on firm disclosures. We find that a rising share of S&P 500 firms are connected to dark money groups. We also show that there is variation in the use of contributions to dark money groups across industries, with the largest share in utilities and energy. Additionally, we provide evidence that firms frequently provide repeated contributions to dark money groups and that these contributions are related to those in the prior year.

3   Data

We incorporate data from several sources to study the use of dark money by firms. We continue to focus on the sample period from 2008 to 2022. This range starts an election cycle before the Supreme Court decisions in *Citizens United v. Federal Election Commission* and *SpeechNow.org v. Federal Election Commission.* It ends in the most recent election cycle.

First, we gather data on firm financial characteristics from Compustat. We keep the latest observation for a particular firm-year. We drop non-positive or missing values of assets, shares outstanding, and end-of-year stock price. Additionally, we omit negative or missing values of book equity.

Second, we collect data on pre-existing forms political connections based on contributions to federal elections and lobbying. We use data from the Federal Election Commission on political contributions to candidates in federal elections. We hand-match firms to political action committees. A firm can form a PAC to contribute to a particular candidate's election PAC, which funds a candidate's campaign. We also obtain lobbying data from OpenSecrets. The underlying data are derived from mandatory federal disclosures of lobbying activity, including the client's name. We hand-match firms in our sample to clients in the lobby data. As both lobbying expenditures and PAC contributions are required to be filed as part of the regulatory oversight of political spending, these reflect a firm's political engagement during the sample period.

Third, we use data on federal subsidies and contracts to evaluate the potential benefits of political connections. We gather data on government contracts from *USASpending.gov.* The data include detailed information on federal contracts and any subsequent renegotiations, which comprise more than 12.3 million awards totalling $218 billion awarded to 586 firms. Additionally, we incorporate data from the Subsidy Tracker at *Good Jobs First*, which is a data aggregator that collects government incentives for firms. We focus on total governments subsidies to S&P 500 firms, which totals more than $13.6 billion awarded to 539

firms. There are various subsidies in the data, including grants and tax credits, dispersed at the federal, state, and local levels.

[Insert Table 3 Here]

Table 3 provides summary statistics for the variables in the analysis. About 14% of firms contribute to dark money groups in a particular year, while about 41% and 43% are connected to PACs and lobbyists, respectively. Dark money contributions are higher, on average, than PAC contributions, while lobbying amounts are the largest. Just under half of the sample are contractors and about 39% receive government subsidies.

4   Preliminary Results

This section provides preliminary results for the analyses proposed in this registered report. Section 4.1 studies the relationship between dark money contributions and other types of firm political connections. Section 4.2 explores the link between political connections and their possible benefits, including procurement contracts and government subsidies. Section 4.3 discusses potential next steps.

4.1   Political Connections at Firms

Firms can form political connections through various channels. The extant literature mainly focuses on two types of political connections at firms: political action committees and lobbying. In the first set of analyses, we evaluate the relationship between dark money contributions and their connection to other types of political activity.

We estimate the following specification at the firm-year level:

$$Y_{it} = \alpha_j + \alpha_t + \beta_1 \cdot \text{PAC}_{i,t-1} + \beta_2 \cdot \text{Lobbying}_{i,t-1} + \varepsilon_{it}, \tag{2}$$

where the outcome is either *Dark Money*$_{it}$, which is an indicator variable equaling one if firm i contributes to a dark money group in year t, or *Log Dark Money*$_{it}$, which is the log of one plus the total amount of dark money contributions by firm i in year t. *PAC* is an indicator variable equaling one if firm i contributes using a political action committee in year t. *Lobbying* is an indicator variable equaling one if firm i hires a lobbyist in year t. The specification includes year fixed effects (α_t) to capture macroeconomic time trends and industry fixed effects (α_j) to absorb time-invariant industry heterogeneity. Standard errors are clustered at the firm level.

[Insert Table 4 Here]

Table 4 provides the results. Column 1 finds that there is a positive relationship between contributing to a dark money group and other types of political connections as measured through PACs and lobbying in the previous year. For example, if a firm contributes to a PAC, there is a 13 percentage point increase in the likelihood of a firm contributing to a dark money group, which is nearly a doubling relative to the sample mean. Column 2 augments the specification with industry fixed effects and show similar estimates. Along the extensive margin, this provides initial evidence that dark money groups complement other types of political connections.

Columns 3 and 4 explore the intensive margin of dark money contributions. We continue to find a positive association between contributions to dark money groups and other types of political activity. The estimates are sizable and statistically significant except in column 4 for lobbying. This provides additional evidence that firms appears to use dark money contributions along with other types of political spending. A limitation of the intensive margin analyses is that there is less information on the amount of dark money contributions because firms do not always report the amount of the contribution.

The initial findings presented in this section highlight a possible link between the rise of dark money contributions by firms and other forms of political activity. The results offer

preliminary evidence that dark money contributions augment alternative avenues of political connections. A possible next question that could be explored is to better understand when firms might use different types of political connections.

4.2 Contracts and Subsidies

Political connections might provide benefits to firms in several dimensions. In this section, we focus on two particular benefits: procurement contracts and government subsidies. Contracts awarded by the federal government are economically large. Prior literature has documented a link between contract allocations and renegotiation (Goldman, Rocholl, and So (2013) and Brogaard, Denes, and Duchin (2021)). Additionally, government subsidies offer another potential benefit of political connections.

We estimate the following specification at the firm-year level:

$$Y_{it} = \alpha_j + \alpha_t + \beta_2 \cdot \text{Dark Money}_{i,t-1} + \beta_2 \cdot \text{PAC}_{i,t-1} + \beta_3 \cdot \text{Lobbying}_{i,t-1} + \varepsilon_{it}, \qquad (3)$$

where the outcome is a benefit along the extensive or intensive margin for firm i in year t. $Dark\ Money_{it}$ is an indicator variable equaling one if firm i contributes to a dark money group in year t. PAC is an indicator variable equaling one if firm i contributes using a political action committee in year t. $Lobbying$ is an indicator variable equaling one if firm i hires a lobbyist in year t. The specification includes year fixed effects (α_t) to capture macroeconomic time trends and industry fixed effects (α_j) to absorb time-invariant industry heterogeneity. Standard errors are clustered at the firm level.

[Insert Table 5 Here]

Table 5 shows the results for procurement contracts. We start by exploring the extensive margin. We define *Contractor* as an indicator variable equaling one if a firm receives a federal contract in a particular year. Column 1 provides the results when including

12

year fixed effects and column 2 also includes industry fixed effects. We find that firms contributing to dark money groups are 47.4 to 53.7 percentage points more likely to be a government contractor. The estimates are economically large and statistically significant. We also report similar estimates for political connections through PACs and lobbying. We next turn to the intensive margin in columns 3 and 4. We construct *Log Contract Amount* as the log of one plus the total amount of contracts received by a firm in a particular year. We show that there is generally a positive relationship between political connections and contract amount. The estimates are the largest for lobbying, followed by dark money contributions, and then PACs.

[Insert Table 6 Here]

Table 6 provides the findings for government subsidies. Similarly, we begin by evaluating the intensive margin. We define *Subsidy Recipient* as an indicator variable equaling one if a firm receives a government subsidy in a particular year. In columns 1 and 2, we find that there is a positive association between dark money contributions and lobbying, while there is no effect for PACs. The estimates are economically larger for dark money contributions compared to lobbying. In columns 3 and 4, we explore the intensive margin by constructing *Log Subsidy Amount* as the log of one plus the total amount of contracts received by a firm in a particular year. We show that the positive association persists between subsidies and political connection as measured through dark money contributions and lobbying. The estimates are economically similar for both types of connections.

The initial results in this section suggest that firms benefit through their political connections, including dark money contributions, PACs, and lobbying. While the estimates generally point in the same direction, a potential next question is to study if certain types of connections play a larger role for particular benefits. For example, contracts are awarded by numerous federal agencies. Some political connections might be relatively more important for particular contracts and subsidies.

4.3 Potential Next Steps

There are several potential next steps for the preliminary analyses detailed in this registered report. First, we aim to provide evidence about the firm that use dark money contributions. There are several interesting avenues to improve our understanding about why firms use dark money contributions. It might be related to a firm's growth trajectory. Firms with fewer growth opportunities might be more likely to invest in political connections, including through dark money groups. It could also relate to a firm's corporate governance. These results aim to allow us to understand the frictions faced by firms that might promote or hinder dark money contributions.

Second, we seek to extend our analyses on possible benefits firms received from political connections. One dimension, as discussed above, is exploring the types of contracts and subsidies and their relationship with political connections. Another approach is to augment our data on benefits with information on regulation. There are industry and firm level information the restrictiveness of regulations, which we are currently gathering.

Third, the preliminary results documented in this registered report explore the relationships between political connection and benefits that firms might receive. To strengthen the findings, we aim to provide an identification strategy to causally link political contributions with these benefits. An approach could exploit sources of exogenous variation in the use of certain political connections.

5 Conclusion

This proposal aims to study the role of undisclosed, unlimited contributions by firms. Following Supreme Court decisions in 2010, an unprecedented amount of campaign contributions flowed into U.S. federal elections. We propose to provide the first systematic evidence of its use by U.S. public firms. First, we will document the extent to which firms use these types of political connections. Second, we will study how dark money contributions inter-

act with campaign contributions and lobbying activity. Third, we will evaluate the benefits that firm receive for dark money contributions. Additionally, this proposal plans to create a publicly-available dataset on firm contributions to dark money groups following a potential publication.

This novel channel of political expenditures is also of particular interest to policymakers, including the U.S. Securities Exchange Commission (SEC), who are considering proposals to mandate disclosure of political contributions. By providing capital to candidates in U.S. congressional elections through dark money groups, public firms are not required to disclose these contributions to investors and avoid campaign finance donation limits. Firms might use dark money groups to support issues that could garner unfavorable public attention. Taken together, this suggests that firms are donors to dark money groups and often provide sizable contributions.

References

Abdul-Razzak, Nour, Carlo Prato, and Stephane Wolton (2020), After Citizens United: how outside spending shapes American democracy, *Electoral Studies*, 67, 102–190.

Akey, Pat (2015), Valuing changes in political networks: Evidence from campaign contributions to close congressional elections, *Review of Financial Studies*, 28(11), 3188–3223.

Akey, Pat, Tania Babina, Greg Buchak, and Ana-Maria Tenekedjieva (2022), Impact of money in politics on labor and capital: Evidence from Citizens United v. FEC, *Working paper*.

Bertrand, Marianne, Matilde Bombardini, Raymond Fisman, Brad Hackinen, and Francesco Trebbi (2021), Hall of mirrors: Corporate philanthropy and strategic advocacy, *Quarterly Journal of Economics*, 136(4), 2413–2465.

Bertrand, Marianne, Matilde Bombardini, Raymond Fisman, and Francesco Trebbi (2020), Tax-exempt lobbying: Corporate philanthropy as a tool for political influence, *American Economic Review*, 110(7), 2065–2102.

Borisov, Alexander, Eitan Goldman, and Nandini Gupta (2016), The corporate value of (corrupt) lobbying, *Review of Financial Studies*, 29(4), 1039–1071.

Brogaard, Jonathan, Matthew Denes, and Ran Duchin (2021), Political influence and the renegotiation of government contracts, *Review of Financial Studies*, 34(6), 3095–3137.

Chen, Hui, David Parsley, and Ya-Wen Yang (2015), Corporate lobbying and firm performance, *Journal of Business Finance & Accounting*, 42(3-4), 444–481.

Cooper, Michael J, Huseyin Gulen, and Alexei V Ovtchinnikov (2010), Corporate political contributions and stock returns, *Journal of Finance*, 65(2), 687–724.

Cull, Robert and Lixin Colin Xu (2005), Institutions, ownership, and finance: the determinants of profit reinvestment among Chinese firms, *Journal of Financial Economics*, 77(1), 117–146.

Denes, Matthew and Madeline Marco Scanlon (2023), Disclosure in democracy, *Working paper*.

Dinç, I. Serdar (2005), Politicians and banks: Political influences on government-owned banks in emerging markets, *Journal of Financial Economics*, 77(2), 453–479.

Duchin, Ran and Denis Sosyura (2012), The politics of government investment, *Journal of Financial Economics*, 106(1), 24–48.

Faccio, Mara (2006), Politically connected firms, *American Economic Review*, 96(1), 369–386.

Faccio, Mara, Ronald W. Masulis, and John J. McConnell (2006), Political connections and corporate bailouts, *Journal of Finance*, 61(6), 2597–2635.

Faccio, Mara and David C Parsley (2009), Sudden deaths: Taking stock of geographic ties, *Journal of Financial and Quantitative Analysis*, 683–718.

Faccio, Mara and Luigi Zingales (2022), Political determinants of competition in the mobile telecommunication industry, *Review of Financial Studies*, 35(4), 1983–2018.

Fisman, Raymond (2001), Estimating the value of political connections, *American Economic Review*, 91(4), 1095–1102.

Goldman, Eitan, Jörg Rocholl, and Jongil So (2009), Do politically connected boards affect firm value?, *Review of Financial Studies*, 22(6), 2331–2360.

— (2013), Politically connected boards of directors and the allocation of procurement contracts, *Review of Finance*, 17(5), 1617–1648.

Johnson, Simon and Todd Mitton (2003), Cronyism and capital controls: evidence from Malaysia, *Journal of Financial Economics*, 67(2), 351–382.

Khwaja, Asim Ijaz and Atif Mian (2005), Do lenders favor politically connected firms? Rent provision in an emerging financial market, *Quarterly Journal of Economics*, 120(4), 1371–1411.

Klumpp, Tilman, Hugo M. Mialon, and Michael A. Williams (2016), The business of American democracy: Citizens United, independent spending, and elections, *Journal of Law and Economics*, 59(1), 1–43.

La Raja, Raymond J. and Brian F. Schaffner (2014), The effects of campaign finance spending bans on electoral outcomes: Evidence from the states about the potential impact of Citizens United v. FEC, *Electoral Studies*, 33, 102–114.

Roberts, Brian E. (1990), A dead senator tells no lies: Seniority and the distribution of federal benefits, *American Journal of Political Science*, 31–58.

Schoenherr, David (2019), Political connections and allocative distortions, *Journal of Finance*, 74(2), 543–586.

Tahoun, Ahmed (2014), The role of stock ownership by US members of Congress on the market for political favors, *Journal of Financial Economics*, 111(1), 86–110.

Figure 1: Firms Contributing to Dark Money Groups

This figures provides political connections by firms in the S&P 500 to dark money groups from 2008 to 2022. Panel A shows the cumulative number of firms who have contributed to a dark money group. Panel B plots the cumulative share of firms who have contributed to a dark money group, which is relative to the number of firms in the S&P 500 in a particular year.

Panel A: Cumulative Number of Firms
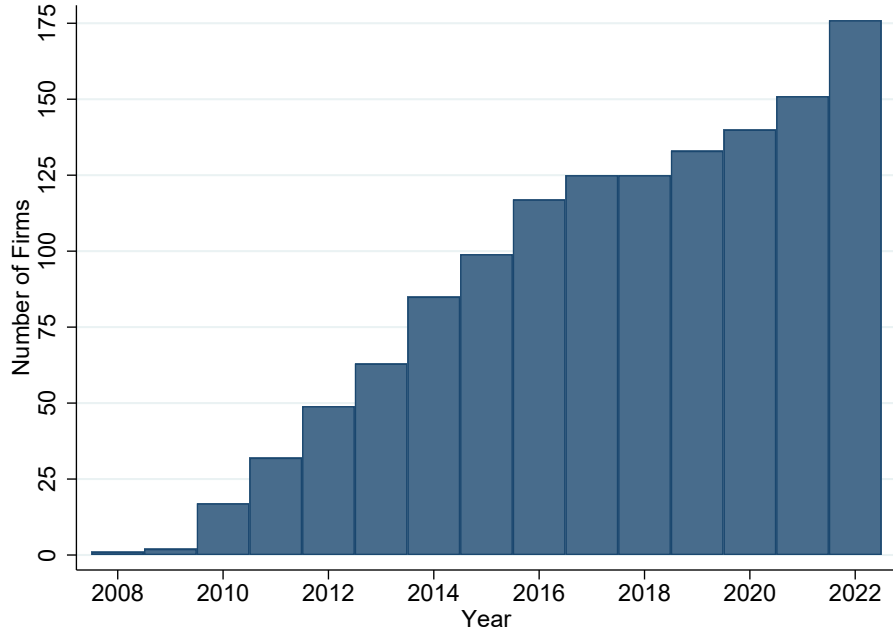
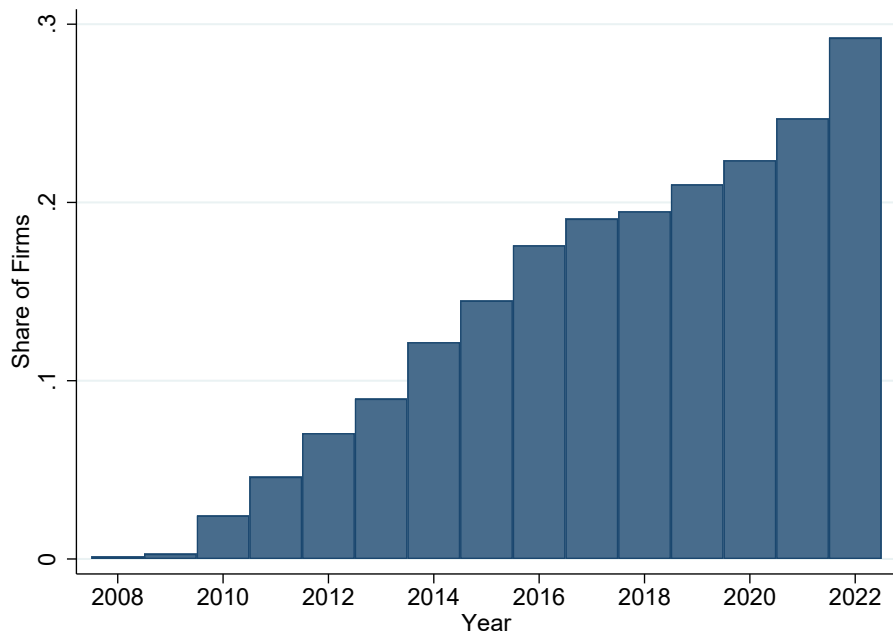### Panel B: Cumulative Share of Firms

Figure 2: Industry Distribution

This figure shows the distribution of firms in the S&P 500 who have contributed to dark money groups from 2008 to 2022. Each bar represents the share of firms in an industry who have contributed to a dark money group relative to the number of firms in an industry during the sample period. Industries are based on the Fama-French 10-industry classification.
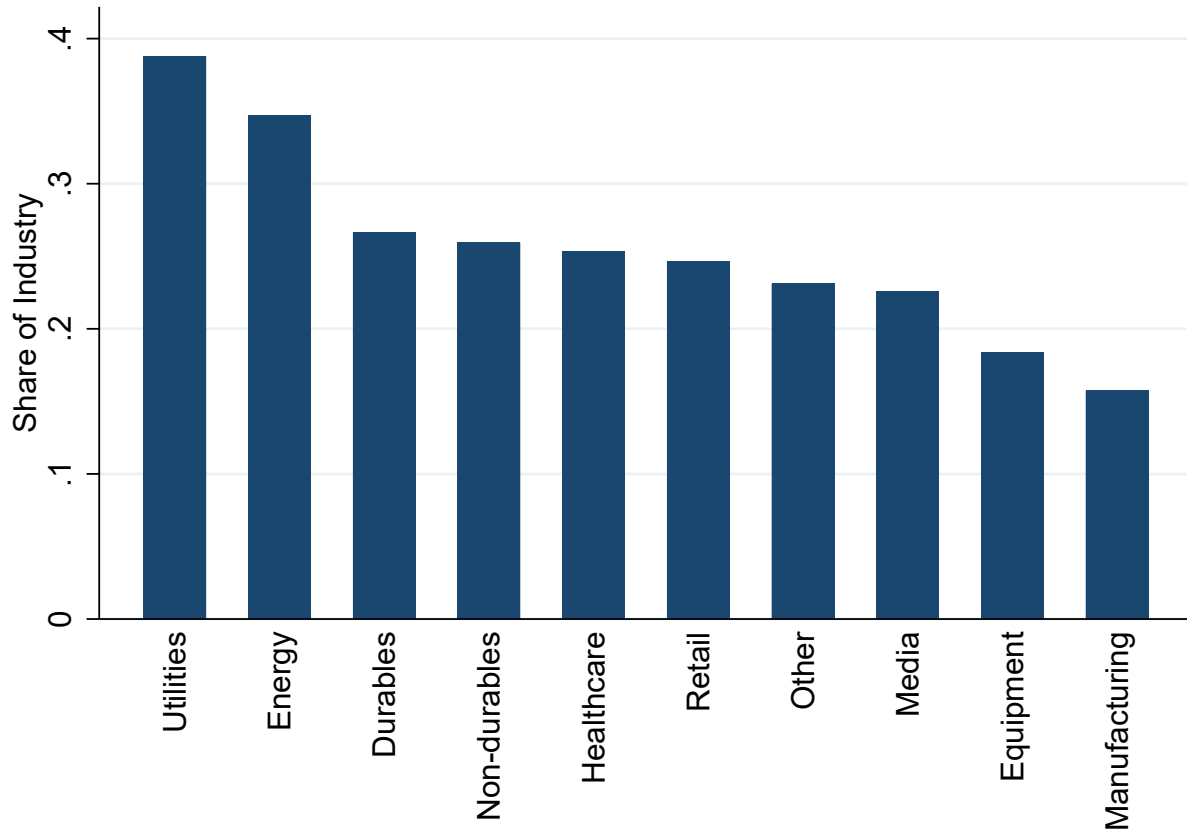
Figure 3: Frequency of Dark Money Contributions

This figures plots the frequency of dark money contributions by firms in the S&P 500 from 2008 to 2022. Each bar represents the number of firms contributing for a particular number of years relative to the number of firms contributing to dark money groups during the sample period.
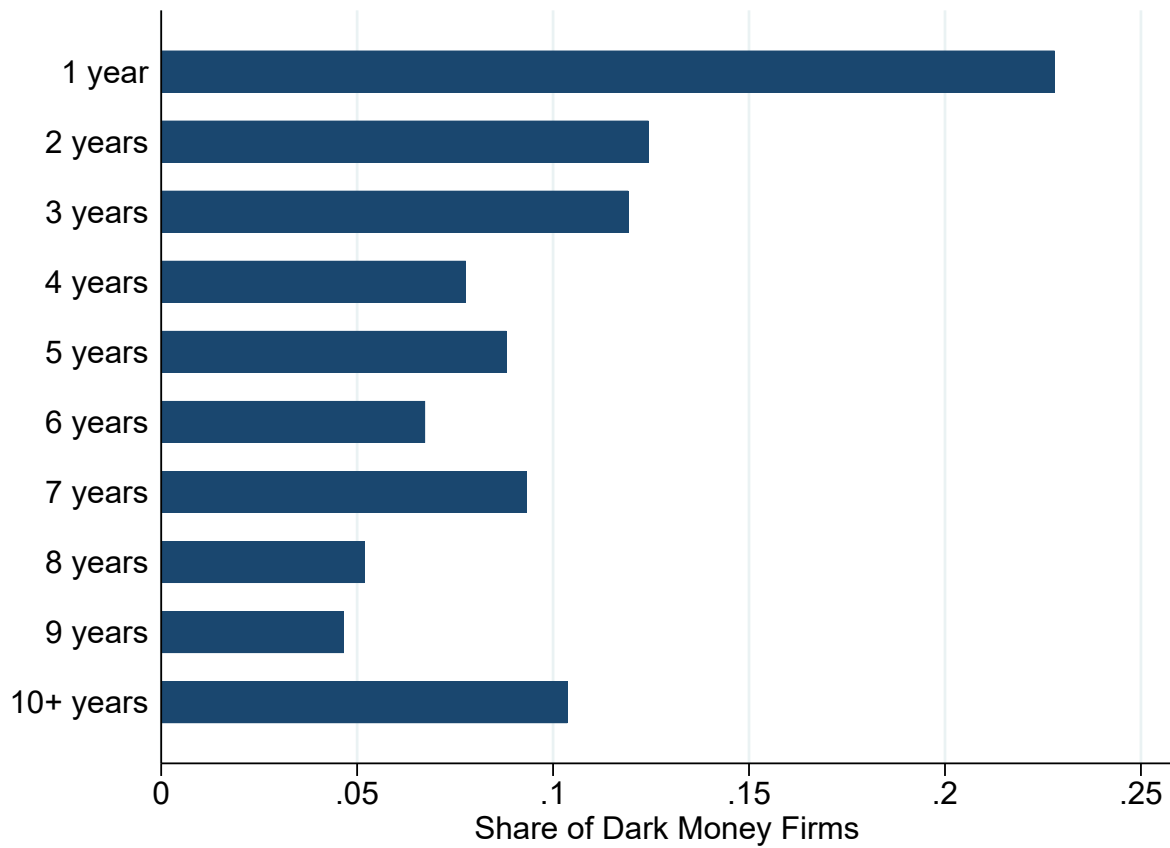
Table 1: Top Firms and Dark Money Groups

This table reports the top firms and dark money groups. The sample includes all firms in the S&P 500 from 2008 to 2022. Panel A reports the top 10 firms in the sample based on reported contributions to dark money groups during the sample period. *Contributions* includes the total amount (in $ millions) of contributions during the sample period. *Number of Years* is the number of years that a firm reported contributions to dark money groups. *Number of Dark Money Groups* is the number of dark money groups that the firm contributes to over the sample period. Panel B reports the top 10 dark money groups that receive contributions from firms in the sample based on reported contributions.

Panel A: Top Firms

Firm Name	Contributions ($ million)	Number of Years	Number of Dark Money Groups
Elevance Health	398.0	13	461
Prudential Financial	345.0	15	1,044
Exelon	152.0	7	175
Merck	150.0	12	245
CVS	83.7	12	380
WEC Energy Group	68.3	8	125
Microsoft	60.3	8	286
Gilead Sciences	51.4	12	94
Edison International	49.6	10	105
Medtronic	36.9	10	219

Panel B: Top Dark Money Groups

Organization Name	Contributions ($ million)
Blue Cross and Blue Shield Association	298.8
Pharmaceutical Research and Manufacturers of America	214.0
Investment Company Institute (ICI)	193.4
Edison Electric Institute	178.1
Nuclear Energy Institute	103.6
U.S. Chamber of Commerce	56.3
American Council of Life Insurers	50.1
America's Health Insurance Plans	46.6
Business Roundtable	45.0
Pharmaceutical Care Management Association	40.8

Table 2: Persistence of Dark Money Contributions

This table examines the persistence of contributions by S&P 500 firms to dark money groups from 2008 to 2022. *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year. Columns 2 and 3 include year fixed effects. Column 3 also includes industry fixed effects, which are based on NAICS sectors. Standard errors are reported in parentheses and clustered at the firm level. ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

	Dark Money$_t$		
	(1)	(2)	(3)
Dark Money$_{t-1}$	0.776***	0.772***	0.761***
	(0.017)	(0.017)	(0.017)
Year FE	No	Yes	Yes
Industry FE	No	No	Yes
Observations	9,115	9,115	9,115
Adjusted R^2	0.540	0.542	0.544

Table 3: Summary Statistics

This table provides summary statistics for the data over the sample period from 2008 to 2022. *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year. *Dark Money Amount* is the total amount (in $ millions) of dark money contributions by a firm in a particular year. *PAC* is an indicator variable equaling one if a firm contributes using a political action committee in a particular year. *PAC Amount* is the total amount (in $ millions) of PAC contributions by a firm in a particular year. *Lobbying* is an indicator variable equaling one if a firm hires a lobbyist in a particular year. *Lobbying Amount* is the total amount (in $ millions) of spending on lobbying by a firm in a particular year. *Contractor* is an indicator variable equaling one if a firm receives a federal contract in a particular year. *Contracts Amount* is the total amount (in $ millions) of contracts received by a firm in a particular year. *Subsidy Recipient* is an indicator variable equaling one if a firm receives a government subsidy in a particular year. *Subsidy Amount* is the total amount (in $ millions) of contracts received by a firm in a particular year.

Variable Name	Observations	Mean	Median	Standard Deviation
Dark Money	9,115	0.14	0.00	0.35
Dark Money Amount	9,115	0.23	0.00	2.76
PAC	9,115	0.41	0.00	0.49
PAC Amount	9,115	0.07	0.00	0.18
Lobbying	9,115	0.43	0.00	0.50
Lobbying Amount	9,115	1.18	0.00	3.09
Contractor	9,115	0.49	0.00	0.50
Contracts Amount	9,115	219.14	0.00	2,056.91
Subsidy Recipient	9,115	0.39	0.00	0.49
Subsidy Amount	9,115	7.62	0.00	96.57

Table 4: Firm Political Connections

This table studies the relationship between different types of firm political connections by S&P 500 firms from 2008 to 2022. *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year. *Log Dark Money* is the log of one plus the total amount of dark money contributions by a firm in a particular year. *PAC* is an indicator variable equaling one if a firm contributes using a political action committee in a particular year. *Lobbying* is an indicator variable equaling one if a firm hires a lobbyist in a particular year. All specifications include year fixed effects. Columns 2 and 4 also include industry fixed effects, which are based on NAICS sectors. Standard errors are reported in parentheses and clustered at the firm level. ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Dependent Variable	Dark Money		Log Dark Money	
	(1)	(2)	(3)	(4)
PAC	0.130***	0.124***	1.155***	0.908***
	(0.023)	(0.023)	(0.227)	(0.223)
Lobbying	0.056***	0.038*	0.370*	0.263
	(0.021)	(0.021)	(0.203)	(0.204)
Year FE	Yes	Yes	Yes	Yes
Industry FE	No	Yes	No	Yes
Observations	9,115	9,115	9,115	9,115
Adjusted R^2	0.052	0.129	0.033	0.075

Table 5: Federal Contracts

This table studies the association between federal contracts and firm political connections by S&P 500 firms from 2008 to 2022. *Contractor* is an indicator variable equaling one if a firm receives a federal contract in a particular year. *Log Contract Amount* is the log of one plus the total amount of contracts received by a firm in a particular year. *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year. *PAC* is an indicator variable equaling one if a firm contributes using a political action committee in a particular year. *Lobbying* is an indicator variable equaling one if a firm hires a lobbyist in a particular year. All specifications include year fixed effects. Columns 2 and 4 also include industry fixed effects, which are based on NAICS sectors. Standard errors are reported in parentheses and clustered at the firm level. ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Dependent Variable	Contractor		Contract Amount	
	(1)	(2)	(3)	(4)
Dark Money	0.474**	0.537***	0.101**	0.113***
	(0.202)	(0.187)	(0.040)	(0.038)
PAC	0.595***	0.544***	0.073**	0.047
	(0.145)	(0.147)	(0.033)	(0.032)
Lobbying	0.558***	0.522***	0.157***	0.144***
	(0.131)	(0.124)	(0.031)	(0.028)
Year FE	Yes	Yes	Yes	Yes
Industry FE	No	Yes	No	Yes
Observations	9,115	9,115	9,115	9,115
Adjusted R^2	0.085	0.215	0.061	0.159

Table 6: Government Subsidies

This table examines the link between federal contracts and firm political connections by S&P 500 firms from 2008 to 2022. *Subsidy Recipient* is an indicator variable equaling one if a firm receives a government subsidy in a particular year. *Log Subsidy Amount* is the log of one plus the total amount of contracts received by a firm in a particular year. *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year. *PAC* is an indicator variable equaling one if a firm contributes using a political action committee in a particular year. *Lobbying* is an indicator variable equaling one if a firm hires a lobbyist in a particular year. All specifications include year fixed effects. Columns 2 and 4 also include industry fixed effects, which are based on NAICS sectors. Standard errors are reported in parentheses and clustered at the firm level. ***, **, and * denote significance at 1%, 5%, and 10%, respectively.

Dependent Variable	Subsidy Recipient		Log Subsidy Amount	
	(1)	(2)	(3)	(4)
Dark Money	0.066*	0.081**	0.159*	0.168**
	(0.040)	(0.039)	(0.085)	(0.084)
PAC	-0.024	-0.001	0.079	0.088
	(0.030)	(0.030)	(0.058)	(0.059)
Lobbying	0.046*	0.052*	0.102*	0.168*
	(0.028)	(0.027)	(0.055)	(0.054)
Year FE	Yes	Yes	Yes	Yes
Industry FE	No	Yes	No	Yes
Observations	9,115	9,115	9,115	9,115
Adjusted R^2	0.010	0.044	0.009	0.007

Appendix A   Variable Definitions

This appendix provides variable definitions used in the analysis.

- *Contractor* is an indicator variable equaling one if a firm receives a federal contract in a particular year.

- *Contracts Amount* is the total amount (in $ millions) of contracts received by a firm in a particular year.

- *Dark Money* is an indicator variable equaling one if a firm contributes to a dark money group in a particular year.

- *Dark Money Amount* is the total amount (in $ millions) of dark money contributions by a firm in a particular year.

- *Lobbying* is an indicator variable equaling one if a firm hires a lobbyist in a particular year.

- *Lobbying Amount* is the total amount (in $ millions) of spending on lobbying by a firm in a particular year.

- *Log Contract Amount* is the log of one plus the total amount of contracts received by a firm in a particular year.

- *Log Dark Money* is the log of one plus the total amount of dark money contributions by a firm in a particular year.

- *Log Subsidy Amount* is the log of one plus the total amount of contracts received by a firm in a particular year.

- *PAC* is an indicator variable equaling one if a firm contributes using a political action committee in a particular year.

- *PAC Amount* is the total amount (in $ millions) of PAC contributions by a firm in a particular year.

- *Subsidy Amount* is the total amount (in $ millions) of contracts received by a firm in a particular year.

- *Subsidy Recipient* is an indicator variable equaling one if a firm receives a government subsidy in a particular year.