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# THE POLITICAL POLARIZATION OF CORPORATE AMERICA

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The Political Polarization of Corporate America
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## ABSTRACT

U.S. executives are increasingly segregating by political party. We establish this new fact using political affiliations from voter registration records for top executives of S&P 1500 firms between 2008 and 2022. We identify key drivers of this trend, including growing segregation among executives within geographies and industries. Executives whose political views differ from the majority of their team are more likely to depart, contributing to the increasing polarization. Furthermore, an analysis of insider trading behavior suggests that intensifying partisan disagreement among executives may further fuel this segregation. Across all of these findings, we observe a significant shift in the dynamics around the 2016 U.S. presidential election, which marks an inflection point in the political polarization of corporate leadership.

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## 1. Introduction

Americans are increasingly divided across partisan lines (e.g., Iyengar, Sood, and Lelkes, 2012; Mason, 2013; Lott and Hassett, 2014; Mason, 2015; Gentzkow, 2016; Boxell, Gentzkow, and Shapiro, 2017; Iyengar, Lelkes, Levendusky, Malhotra, and Westwood, 2019). Party identification is now a more significant predictor of Americans' core political values than any other social or demographic divide (Pew Research Center, 2017). Social relationships, including marriages, are becoming more politically homogeneous (e.g., Iyengar, Konitzer, and Tedin, 2018; Huber and Malhotra, 2017). However, comparably little is known about partisan segregation in the workplace, how it has evolved over time, and the factors driving it.[1]

To fill this gap, we study partisan segregation among key decision-makers in firms: executive teams. Top executives in publicly listed firms offer an interesting setting for several reasons. First, due to SEC disclosure requirements, their identities are publicly available, enabling us to link them to voter registration records and determine their party affiliations. Second, executives are responsible for designing and executing the most important corporate decisions (Bertrand and Schoar, 2003), meaning that partisan segregation within executive teams could have significant implications for firm outcomes. Indeed, recent research shows that political partisanship shapes the economic expectations and investment decisions of households (e.g., Mian, Sufi, and Khoshkhou, 2023; Meeuwis, Parker, Schoar, and Simester, 2022), as well as the decisions of more economically sophisticated agents in high-stakes environments (e.g., Kempf and Tsoutsoura, 2021; Dagostino, Gao, and Ma, 2023; Cassidy and Vorsatz, 2024).

Whether the trends in the partisan segregation of top executives mirror those observed in other social contexts is not clear a priori. First, if partisan segregation is inefficient, competitive pressures may limit its extent in the workplace. Historically, the workplace has been more politically diverse and provided more opportunities for cross-party interactions than other contexts, such as the family, neighborhood, or voluntary associations (Mutz and Mondak, 2006; Hertel-Fernandez, 2020). Second, investors, regulators, and stock exchanges have pressured firms to increase diversity in the C-suite and on boards of directors (e.g., Wall Street Journal, 2021),

[1] Notable exceptions include Gift and Gift (2015) and McConnell, Margalit, Malhotra, and Levendusky (2018), who explore the role of partisanship in labor market experiments, and contemporaneous work by Colonnelli, Pinho Neto, and Teso (2024), who show firm owners in Brazil are more likely to hire employees who share their political affiliation.

potentially fostering greater political diversity and reducing partisan segregation.

By combining ExecuComp data on top executives in U.S. S&P 1500 firms with voter registration records, we document a rise in the partisan segregation of top executives during our sample period.[2] We establish this trend using three distinct approaches. First, to provide motivational evidence, we use Monte Carlo simulations to test whether executive teams are more politically homogeneous than would be expected by chance. Our results show that the average partisan homogeneity in the actual data has shifted more than one standard deviation to the right of the mean of the simulated distribution between 2015 and 2022, indicating a substantial increase in excess partisan homogeneity—or, in other words, a greater degree of partisan segregation among executives—during the second half of the sample period. We also find that the primary driver of changes in a team's partisan homogeneity is executive turnover, rather than within-person changes in party registration or primary voter status.

To formally test the trend in partisan segregation, our second and main approach uses dyadic regressions to examine the effect of shared party affiliation on the likelihood of two executives working at the same firm. Each unit of observation in this regression is a hypothetical executive pair, with the outcome variable being an indicator equal to one if the pair works at the same firm. A key advantage of the dyadic approach over the Monte Carlo simulations is its ability to control for other executive characteristics (e.g., gender, race, and age) when studying executive matching. Our findings reveal that, on average, executives who share the same political party are 22% more likely to work at the same firm. Moreover, we observe that the influence of political affiliation on executive assortative matching has more than doubled post-2016. This increase in partisan matching remains robust when controlling for time-varying matching on other executive characteristics and across a broad set of samples, the latter addressing concerns about sample selection. For instance, it holds both in a balanced sample of firms and in samples that include unaffiliated executives and those who cannot be matched to a voter record. Further analysis shows that the rise in partisan matching post-2016 is not solely attributed to increased partisan sorting into geographies or industries, as we observe a similar increase in partisan segregation even within the same state, MSA, or sector. Additionally, we obtain qualitatively and quantitatively

[2]Throughout this paper, we use the terms partisan segregation, political polarization, and excess partisan homogeneity of executive teams interchangeably.

similar results when using political contributions instead of voter registrations.

To further examine the role of executive turnover as a driver of increased partisan segregation among executives, our third approach investigates how executives' political alignment with their team members affects their likelihood of departing. We find that executives who are politically misaligned with the team's majority are, on average, 2.6 percentage points more likely to leave. This effect represents a 23.9% increase in the probability of departure, compared to the unconditional turnover probability of 10.9%, and holds after the inclusion of firm $\times$ year fixed effects. We can thus control for any firm-specific factors that might influence executives' departure decisions. Moreover, we find that the impact of political misalignment has intensified over time, with the effect more than four times larger after 2016 compared to before. The effect of misalignment is also stronger in more polarized teams, as measured by the partisan majority margin. Complementing these results on executive departures, we also observe that newly joining executives are more likely to share the political affiliation of the existing team's majority.

Why did partisan segregation among U.S. executives increase when it did? We present evidence suggesting that rising partisan disagreement among executives has contributed to this trend. To measure executives' revealed disagreement on economic issues, we examine their personal portfolio choices around highly salient political events—presidential elections. Specifically, by comparing the propensity to sell their company's stock among executives within the same firm but with different party affiliations during the same presidential election, we assess their disagreement on how the outcome of the presidential election is likely to affect their company's fundamentals. Our findings show that Democratic and Republican executives significantly disagreeed around the 2016 and 2020 presidential elections, but not in 2008 or 2012. Given prior research linking executive optimism to corporate financing and investment decisions (e.g., Malmendier and Tate, 2005), this suggests that executives with different party affiliations may increasingly disagree on how to manage their firms. Consistent with this idea, we find that greater disagreement among partisan executives during the 2016 and 2020 presidential elections is linked to a larger gap in the likelihood of departure between misaligned and aligned executives.

The rest of this study proceeds as follows. In the next section, we discuss the related literature. Section 3 presents the data, sample construction, and summary statistics. Section 4 documents our findings on the partisan segregation of U.S. executives. Section 5 explores

partisan disagreement as a potential mechanism behind partisan segregation. Section 6 discusses our results, and Section 7 concludes.

## 2. Related Literature

We contribute to a growing literature on the connection between political partisanship and economic decisions. Much of the existing research has focused on households, examining the link between partisanship and household consumption (Gerber and Huber, 2009; McGrath, 2017; Gillitzer and Prasad, 2018; Mian, Sufi, and Khoshkhou, 2023), real estate transactions (McCartney, Orellana-Li, and Zhang, 2024), and portfolio allocation (Addoum and Kumar, 2016; Bonaparte, Kumar, and Page, 2017; Meeuwis, Parker, Schoar, and Simester, 2022; Giglio, Maggiori, Stroebel, and Utkus, 2021). More recently, studies have shown that partisanship also explains the economic decisions of more sophisticated individuals in high-stakes environments, such as credit analysts (Kempf and Tsoutsoura, 2021), loan officers (Dagostino, Gao, and Ma, 2023), entrepreneurs (Engelberg, Guzman, Lu, and Mullins, 2024), mutual fund managers (Cassidy and Vorsatz, 2024; Kempf, Luo, Schäfer, and Tsoutsoura, 2023), and judges (Gormley, Kaviani, and Maleki, 2025). Recent work also explores the role of political ideology and partisanship in corporate decisions and firm outcomes. For example, Duchin, Farroukh, Harford, and Patel (2022) find that the political distance between firms helps explain M&A activity and merger success; Hoang, Ngo, and Zhang (2025) show that CEOs in firms with polarized boards exhibit a lower forced turnover-performance sensitivity, and Rice (2024) investigates the relationship between executives' political partisanship and firms' investment decisions. To the best of our knowledge, our study is the first to document a rise in partisan segregation among executive teams in the United States.

Our paper also contributes to the literature on diversity in executive teams and boards of directors. Previous research has explored the role of similarities in demographics, skills, and past experience (e.g., Adams and Ferreira, 2009; Westphal and Zajac, 1995; Bernile, Bhagwat, and Yonker, 2018; Fos, Jiang, and Nie, 2024) in the selection of board members and executives, as well as their relationship with firm performance. A key difference between these studies and ours is that we focus on political diversity, which is less frequently discussed in the academic and public debate about diversity within corporate leadership. Political affiliation, however, increasingly

predicts differences in social attitudes across individuals, as shown by Bertrand and Kamenica (2023).

In addition to our study, a few other papers have examined political alignment within a firm's leadership. Lee, Lee, and Nagarajan (2014) use political contributions to measure political alignment between CEOs and board members and find that higher alignment is associated with less board independence, greater managerial entrenchment, and lower firm value. Bonica (2016a) documents substantial heterogeneity in the political preferences of directors both across and within firms. Expanding beyond top leadership, Bermiss and McDonald (2018) focus on the U.S. private equity industry and show that employees whose political ideology diverges from the dominant ideology of their organization are more likely to leave.[3] Our study differs in several ways. We focus on corporate executives rather than board members, use voter registration records instead of political contributions to infer partisan leanings, and, most importantly, investigate the time trend in partisan segregation among executives.

## 3. Data Sources and Sample Description

### *3.1. ExecuComp*

We obtain information on the firm's top-earning executives from the ExecuComp database, maintained by Standard & Poor's (S&P). ExecuComp covers all companies in the S&P 1500 index. It uses compensation data from firms' annual proxy statements (form DEF 14A), in which firms are required to report compensation data for chief executive officers, chief financial officers, and the three other most highly compensated executives. In addition to compensation information, ExecuComp contains the full names of the executives, their gender, age, and role in the firm. ExecuComp is frequently used to define executives in the economics and finance literature (e.g., Bertrand and Schoar, 2003; Matsa and Miller, 2011). The coverage starts in 1992, but we restrict the sample to 2008–2022, as this period offers better alignment with the voter registration data used to infer party affiliation (see below). After restricting the sample to the above time period

[3] A large literature examines the benefits and costs of team homogeneity, starting with the seminal work of Becker (1957). Marx, Pons, and Suri (2021) offer an excellent summary. See Evans, Prado, Rizzo, and Zambrana (2024) and Vorsatz (2022) for examples of recent work studying the relationship between political diversity and team performance in the financial sector.

and to firms headquartered in the U.S., the ExecuComp database spans 31,142 executives in 2,627 firms.

To infer executives' race from their first and last names, we use the name-prism.com API (see Ye, Han, Hu, Coskun, Liu, Qin, and Skiena, 2017, for details). We have verified the accuracy of the API using voter registration data from North Carolina, which contain information on voters' race. Among the executives that we were able to match to voter records from North Carolina, the accuracy of the API in predicting race (white vs. non-white) is 93%.

An important feature of ExecuComp is that, in addition to covering CEOs and CFOs, it defines other members of top management team based on their compensation. The advantage of this approach is that it provides a clear and objective criterion for executives' inclusion in the sample that is applicable across all industries. However, it has the disadvantage that, when an executive leaves the sample, we cannot immediately distinguish whether she is no longer employed at the firm or whether she is still employed but no longer among the top five earners. We view this disadvantage as relatively minor for two reasons. First, instances where an executive ceases to be a top earner constitute an interesting economic outcome. Second, in the vast majority of cases, disappearances from ExecuComp are due to 'real' departures—i.e., executives leaving their firms.[4]

### *3.2. Political Affiliation Data*

We infer executives' political affiliations from voter registration records, which we obtain from two sources. Our first source are voter registration records obtained directly from the boards of election in California (Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma), Colorado, Illinois, Massachusetts (Boston, Cambridge), North Carolina, New Jersey, New York (New York City), Ohio, and Texas. We restrict the sample to these locations because the boards of election in other states either do not directly share voter registration records with academics, do not track voters' party affiliations over time, or do not provide voter histories going back to at least 2008.[5] In Section IA.A of the Internet Appendix, we describe in more

[4]In a randomly selected sample of 100 executive disappearances from ExecuComp, we find that 85% of those departures represented a termination of the executive's employment at the firm.

[5]We use county-level data for California and city-level data for New York City, Boston, and Cambridge, because the statewide data for California, New York, and Massachusetts do not contain historical party affiliations.

detail the information available in the voter registration records of each location and how they were obtained.

The second source of voter records is commercial data provided by L2 Inc, which is described in more detail in Internet Appendix IA.A.2. The L2 data is commonly used by political campaigns and has also been employed in the academic literature of economics and political science (e.g., Allcott, Braghieri, Eichmeyer, and Gentzkow, 2020; Spenkuch, Teso, and Xu, 2023). It contains information on registered voters in all 50 states (and DC). For 34 states and DC, L2 assigns political affiliation based on party registration. For six states, it uses information on primaries. In the remaining states, it uses a combination of information on primaries, demographics, and commercial lifestyle data. We only use political affiliations inferred from party registrations or primaries. For the purpose of our study, L2 has two important advantages. First, it covers the entire United States, allowing us to substantially increase the share of firms and executives that we can cover. Second, because L2 provides year-by-year snapshots, the L2 sample is immune to concerns about potential data purging in voter registration files (Kim and Fraga, 2022). However, it has the disadvantage of starting only in 2014. We therefore combine the data from L2 and the boards of election in a procedure described in Internet Appendix IA.A.3.

The combined voter data contains identifying information, such as the voter's name, date of birth, and mailing address, as well as the voter's party affiliation at the time of a given election and an indicator for the election(s) in which the individual has voted. The elections covered are general and primary elections, and in some cases, municipal elections. Whenever possible, we infer political affiliation based on the voter's registration status at a given point in time. When registration status is unavailable, we infer political affiliation based on the primaries in which the individual has voted. For example, if a voter has most recently voted in a Republican primary, we will classify her as Republican. For voters in L2, we backfill the first observed party affiliation in order to increase our data coverage prior to 2014.

For the purpose of our study, voter registration data have important advantages over the more commonly used data on financial contributions to political parties, candidates, and committees, such as those found on the Federal Election Committee (FEC) website.[6] First, voter

[6]See https://www.fec.gov/.

registrations are more likely to reflect individuals' personal political views than are their political contributions, which could be made for other reasons. An ongoing debate among political scientists concerns the extent to which political contributions reflect consumption or investment motives, that is, the extent to which individuals donate in order to derive a consumption benefit or to influence political outcomes (e.g., Gordon, Hafer, and Landa, 2007). Political donations may also be influenced by social pressures (e.g., Babenko, Fedaseyeu, and Zhang (2019) provide evidence that CEOs influence the political contributions of other employees) or by the business interests of the individual's employer, with the latter being particularly relevant for corporate executives. Second, a notable share of executives (39% in our sample) contribute to both parties, making inferring a clear party preference difficult. Third, party registration has been shown to be a good predictor of self-reported party identification. Pew Research Center (2018) matches commercial voter files, which are based on data from voter registration records, with a large-scale survey on political attitudes and voter behavior and shows that, for more than two-thirds of the panelists, the party affiliation in the commercial voter file correctly infers the self-reported party identification. The accuracy is even higher for states with party registration, such as New York. That said, we show in our robustness tests that our main finding—the increasing partisan segregation of executives—also obtains if we use political contributions of executives rather than voter records to infer party affiliations.

### *3.3. Insider-Trading Data*

Sections 10(b) and 16(b) of the Securities Exchange Act of 1934 serve as the base for regulating insider trading. We obtain data on insider trading from the Thomson Reuters Insider Filing Data Files, which include data on insider trading activities by corporate executives. We use information from Table 1, which discloses transactions at the insider-security level, and primarily focus on security sales, because the vast majority of insider transactions constitute sales of shares obtained as part of the executive's compensation package. We merge the insider-trading data to our sample of corporate executives from ExecuComp using company names and executives' first and last names.

### *3.4. Additional Data Sources*

We collect financial information and Global Industry Classification Standard (GICS) codes for the companies in our sample from Compustat. Throughout the paper, we define industries based on GICS sectors. To obtain the address of the firm's historical headquarters, we use the information found in the header section of the firm's 10-K/Q filings.[7] When location data from historical filings are unavailable, we use address information from Compustat.

To track the location of executives' residences, we use the Infutor dataset. Infutor provides address histories for more than 160 million U.S. residents, covering up to 10 addresses or 30 years of address history for each individual. Their data are aggregated from various public sources, such as phone connects and disconnects, real estate deed and property data, mover-reported address changes, and professional registries. In addition to address histories, Infutor also contains individuals' first and last names, year of birth, and gender. In Internet Appendix IA.A.4, we describe in detail how we link the executives in our sample to address histories from Infutor.

### *3.5. Sample Construction*

We match executives to the combined voter data as follows. We use first name, middle initial, and last name to merge executives with voters, keeping only exact matches with age gaps less than or equal to three years whenever the executive's age is available. For executives who are matched to multiple voter records within the same state, we apply additional criteria, such as a criterion based on the geographical distance between the matched voters and the executive's residence or company location. Our merging procedure is described in more detail in Internet Appendix IA.A.4.

We are able to match 16,681 (=53.6% of) executives to a unique voter.[8] Out of the 16,681 executives that we match, 12,632 executives working in 2,529 firms are at some point affiliated

[7] We thank Bill McDonald for making these data available on the University of Notre Dame's Software Repository for Accounting and Finance at https://sraf.nd.edu/data/augmented-10-x-header-data/.

[8] In one of our robustness tests discussed in Section 4.2, we follow Spenkuch, Teso, and Xu (2023) and repeat the matching procedure allowing for less stringent matching requirements on middle names and location, resulting in linking about 64.8% of all executives in ExecuComp to a unique voter record. This match rate is comparable to Spenkuch, Teso, and Xu (2023), who are able to link 67.5% of U.S. federal bureaucrats to a unique voter in L2. The results are consistent across our main sample and the extended sample constructed using laxer matching requirements.

with either the Democratic or Republican party. As shown in Panel A of Internet Appendix Figure IA.I, the percentage of executives who can be matched to a unique voter record varies between 52% and 62%, and the percentage of all executives with a Democratic or Republican party affiliation varies between 41% and 46%.

Throughout most of our analysis, we further restrict the sample to firms with at least two partisan executives, reducing the sample to 2,300 unique firms. This reduced sample of firms still constitutes 69% of all ExecuComp firms on average, with coverage ranging between 63% and 71%, depending on the year (see Internet Appendix Figure IA.I, Panel B). Moreover, we show in Section 4.2 that our main findings replicate also in a balanced sample of firms.

To better understand the potential differences between our sample and the overall population of executives and firms in the ExecuComp database, we first investigate whether executives whom we are able to match to a voter record run different types of companies. The results, reported in Internet Appendix Table IA.I, show that executives with a voter match run firms that are slightly larger and have lower leverage and cash holdings than firms run by executives without a matching voter record. Second, in terms of selection based on observable executive characteristics, we do not expect executives who are registered voters to be representative of the overall population of U.S. executives. A comparison of matched and nonmatched executives, also reported in Internet Appendix Table IA.I, reveals that older and white executives, as well as executives with longer tenure and in more prominent positions (e.g., CEO, CFO) are more likely to be matched to a voter record. Moreover, the executives in our sample are more likely to make political contributions and, conditional on contributing, their share of Democratic donations tends to be lower than that of unmatched executives.

### *3.6. Summary Statistics*

Table 1 reports summary statistics for the four samples used in our subsequent analysis. Panel A reports statistics for the firm-year-level variables, after restricting the sample to firm-years with at least two partisan executives. The average share of Democratic and Republican executives is 29.7% and 70.3%, respectively, with a standard deviation of 30.3%. The average partisan homogeneity (*Partisanship*), which we measure as the probability that two randomly drawn executives from the same team belong to the same party and which we discuss in more

detail below, is equal to 63.4% (see Appendix A.1 for variable definitions). The average number of executives per team is 5.5, of which 3.8 can be matched to a voter record and 3.1 are affiliated with either the Democratic or the Republican party.

[Insert Table 1 here]

### *3.7. Distribution of Executives' Party Affiliations*

Figure 1 illustrates the distribution of party affiliations at the executive level. Panel A reports the shares of executives who are registered as Democrats and Republicans over time. The share of Republican executives increases from 70% in 2008 to 73% in 2016 and then declines to 66% in 2022. Hence, a sizable majority of executives are affiliated with the Republican Party, but there is a notable increase in the share of Democrats after 2016. In Panel B, we plot the time trend in the political affiliation of executives after including unaffiliated executives. We observe a decrease in the share of unaffiliated executives over time. This result is partly mechanical, because in some states, we infer party affiliation from primary elections, and the likelihood of having voted in at least one primary election increases over time for each executive. To ensure our results are not driven by changes in the fraction of unaffiliated voters, we restrict most of our main analysis to Democrat and Republican executives and report results including unaffiliated voters in the robustness tests. Another important reason for excluding unaffiliated executives is that many self-declared independents have strong partisan allegiances (e.g., Abramowitz, 2018).

[Insert Figure 1 here]

The dominance of the Republican Party among U.S. corporate executives is consistent with Cohen, Hazan, Tallarita, and Weiss (2019), who find the majority of CEOs in S&P 1500 companies donate primarily to the Republican party. Bonica (2016a) finds similar evidence. We also use the cumulative donation amounts of the executives to infer party affiliation from political contributions and report these graphs in Internet Appendix Figure IA.II. Data on political contributions are obtained from Stanford's Database on Ideology, Money in Politics, and Elections (DIME) (see Bonica, 2016b), and an executive is classified as a Democrat (Republican) if she has made the majority of her cumulative contributions to the Democratic (Republican) party, respectively. The main difference between the contributions and the voter registration data is

that the executive population as a whole is more politically homogeneous (i.e., more Republican) in the voter registration data than in the contributions data. Among executives who donate to a political party, the average share of executives who donate primarily to the Republican (Democratic) party is 56% (44%), respectively (see Internet Appendix Figure IA.II, Panel A). We also observe an increase in the share of executives donating primarily to the Democratic party after 2016, aligning with the trend that we observe in the voter registration data.

In Figure 1, Panels C and D, we plot the distribution of party affiliations inferred from political contributions separately for executives who are registered Democrats and registered Republicans. The two panels show that party affiliation inferred from voter registration records and from campaign donations are correlated: executives who are registered Democrats (Republicans) tend to give primarily to the Democratic (Republican) party, respectively. However, the correlation is not perfect, as can be seen from the sizable share of executives who have donated more to the party they are not registered with.

Finally, Panels E and F report the shares of Democrats and Republican by executive role and state of the firm's headquarters, respectively. In Panel F, we restrict to the 15 states with the largest number of executives in our sample. We observe the lowest share of Democratic executives among COOs (24.0%), followed by CFOs (24.9%) and CEOs (25.4%). The share of Democrats is substantially larger among executives in general counsel / chief legal officer positions (48.5%). The three states with the highest share of Democrats are Washington, New York, and Massachusetts, and the three states with the lowest share of Democrats are North Carolina, Florida, and Ohio. Internet Appendix Table IA.II further shows that female and non-white executives are more likely to be Democrats.

## 4. The Partisan Segregation of U.S. Executive Teams

We study partisan segregation of U.S. executives using three distinct approaches. Section 4.1 discusses the results from our Monte Carlo simulations, designed to test whether executive teams are more politically homogeneous than what would be expected by chance. Section 4.2 describes the results from our second and main approach, which estimates dyadic regressions to study the effect of shared party affiliation on the likelihood of two executives working at the same firm. Finally, Section 4.3 examines the role of executives' political alignment with their team

members in predicting departures.

### *4.1. Monte Carlo Simulations*

Studies of workplace segregation typically define segregation to reflect segregation above and beyond that which would occur if workers were matched randomly to firms or establishments (e.g., Hellerstein and Neumark, 2008; Boisso, Hayes, Hirschberg, and Silber, 1994). Our first approach therefore compares the actual partisan homogeneity of executive teams to that which would be expected by chance.

This exercise begins with a definition of the partisan homogeneity of a team, which we think of as the degree to which political views within the same executive team are dominated by a single party. Concretely, we define the degree of a firm's executive partisan homogeneity as

$$\widehat{Partisan}_{ft} = \frac{N_{ft} \times Partisan_{ft} - 1}{N_{ft} - 1}, \tag{1}$$

where $Partisan_{ft} = (\frac{D_{ft}}{D_{ft}+R_{ft}})^2 + (\frac{R_{ft}}{D_{ft}+R_{ft}})^2$, and $D_{ft}$ and $R_{ft}$ denote the number of Democratic and Republican executives in firm $f$ in year $t$, respectively. $N_{ft}$ refers to the sum of Democratic and Republican executives ($N_{ft} = D_{ft} + R_{ft}$).

Our measure has a number of desirable properties. First, it has an intuitive interpretation, capturing the probability that two randomly (with replacement) drawn executives from the same firm have the same party affiliation (i.e., are either both Republicans or both Democrats). Second, as we show in Internet Appendix IA.D.1, it provides an unbiased measure of partisan homogeneity, even in small samples. This feature is important, given that we are looking at relatively small teams (typically, there are between two and five partisan executives in a given team). Third, our measure is closely related to the measure of fractionalization proposed by Easterly and Levine (1997), which has been widely used to study the ethnic, linguistic, and religious diversity of populations (e.g., Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg, 2003).

Next, we use Monte Carlo simulations to generate measures of randomly occurring partisan homogeneity. We randomly assign each executive a political party, using as inputs the share of Democratic and Republican executives in the overall population of executives in a given year. For each firm-year, we then simulate 1,000 hypothetical partisan homogeneity measures, assuming random matching of executives. The Monte Carlo simulation is described in more detail in

Internet Appendix IA.D.2.

The blue bars in Figure 2 show the average partisan homogeneity in each of the 1,000 simulated datasets, while the red line shows the average partisan homogeneity in the actual data for the years 2008, 2015, and 2022. Notably, in all three panels, the actual partisan homogeneity in our dataset exceeds the maximum value of partisan homogeneity obtained across all 1,000 simulated datasets. Hence, we can reject the null hypothesis that executives match randomly with a high degree of confidence. Comparing the gap between the red line and the mean of the blue distribution across panels, we observe a slight decrease in the tendency of executives to match with in-group partisans between 2008 and 2015, followed by a sharp increase between 2015 and 2022. In terms of magnitude, the increase between 2015 and 2022 amounts to more than one standard deviation of the simulated distribution, suggesting a substantial increase in partisan segregation during this period.

#### *4.1.1. Executive Turnover vs. Within-Person Changes in Party Affiliation*

To understand the relative importance of different factors driving changes in a team's partisan homogeneity, we assess the extent to which these changes stem from three distinct sources: executives registering with a party for the first time, executives switching parties, or executive turnover (i.e., executives joining or leaving the team). We follow Brown, Cantoni, Enos, and Pons (2023), who use a decomposition approach based on partial derivatives to analyze shifts in the share of Democratic voters within a given geography. Details of our implementation can be found in Internet Appendix IA.D.3.

Figure 3 presents the results from this decomposition for firm-years in which partisan homogeneity increases. The analysis reveals that executive turnover accounts for the vast majority—91%—of the increase in homogeneity within firms. While party switchers and first-time registrants or primary voters also contribute, their impact is quantitatively much smaller. Motivated by these results, we further investigate the role of executive turnover in Section 4.3 below.

[Insert Figure 3 here]

### *4.2. Dyadic Regressions*

The results from the Monte Carlo simulations suggest executives are increasingly segregating by political party during the second half of our time period. This section develops a more

formal test of assortative matching on political affiliation. Following Colonnelli, Pinho Neto, and Teso (2024), we employ a dyadic regression approach, which estimates the effect of shared party affiliation on the likelihood of two executives working at the same firm. A key advantage of dyadic regressions is that they allow us to control for multiple executive characteristics simultaneously.

To implement this approach, we first construct a sample of all hypothetical executive pairs for each fiscal year. Panel B of Table 1 reports summary statistics for this dyadic sample, where the unit of observation is an executive pair-year. The sample is restricted to firm-years with at least two partisan executives, as well as to Democratic and Republican executives. The unconditional probability that two executives work at the same firm is 5.8 basis points, and the probability that they share the same party affiliation is 59.0%. We then estimate the following regression:

$$SFirm_{ikt} = \alpha_t + \beta^{SP} SParty_{ikt} + \beta^{SG} SGender_{ik} + \beta^{SR} SRace_{ik} + \beta^{SA} SAge_{ik} + \epsilon_{ikt}, \qquad (2)$$

where $SFirm_{ikt}$ is an indicator equal to one if executives $i$ and $k$ work at the same firm in year $t$, and zero otherwise. To facilitate interpretation, we multiply the dependent variable by 10,000 throughout our analysis, such that the coefficients can be interpreted as the effect measured in basis points. $SParty_{ikt}$ is an indicator equal to one if executives $i$ and $k$ have the same party affiliation in year $t$, and zero otherwise; $SGender_{ik}$, $SRace_{ik}$, and $SAge_{ik}$ are analogous indicators for shared gender, race (white vs. non-white), and age proximity (defined as a five-year age gap or less). $\alpha_t$ represents year fixed effects, and standard errors are clustered at the executive pair level.

The coefficients estimated from the dyadic regression capture partisan matching while remaining unaffected by changes in the overall partisan composition of the executive population—unlike our partisan homogeneity measure introduced in Section 4.1. To illustrate this point, we conduct a placebo test in which we randomly assign political affiliations based on the distribution of party affiliations in the executive population for a given year. Under this randomized assignment, the estimated coefficients on $SParty_{ikt}$ are consistently close to zero, centered around zero, and almost always statistically insignificant (see Internet Appendix Figure IA.IV, Panels A and B). This pattern also holds when we allow for potential time-varying trends in the effect of shared party affiliation (see Panels C and D of Internet Appendix Figure IA.IV), which we explore next.

To assess whether the role of party affiliation in executive matching has changed over time, we estimate equation (2) separately for each fiscal year in our sample. Figure 4 plots the estimated coefficient $\beta^{SP}$ for each year. The results show a sharp increase in partisan segregation among executives in the post-2016 period, with the estimated $\beta^{SP}$ approximately twice as large in 2022 compared to 2016. While shared party affiliation was statistically significant even before 2016, its effect remained relatively stable between 2008 and 2016. These patterns suggest that the increased partisan matching within the C-suite is a relatively recent phenomenon, emerging during the first Trump presidency and continuing into the Biden presidency.

[Insert Figure 4 here]

We next confirm that the increasing trend in partisan matching after 2016 is statistically significant by estimating separate linear time trends for the pre- and post-2016 periods using the following regression:

$$\begin{aligned} SFirm_{ikt} &= \beta_0 SParty_{ikt} + \beta_1 SParty_{ikt} \times Post\text{-}16_t + \beta_2 SParty_{ikt} \times Year_t \\ &\quad + \beta_3 SParty_{ikt} \times Year_t \times Post\text{-}16_t + \gamma' X_{ikt} + \alpha_t + \epsilon_{ikt}, \end{aligned} \tag{3}$$

where $Post\text{-}16_t$ is an indicator equal to one for years 2016 onward, and zero otherwise. For ease of interpretation, $Year_t$ in the interaction term $SParty_{ikt} \times Year_t$ is defined as the fiscal year minus 2008, whereas $Year_t$ in the triple interaction term $SParty_{ikt} \times Year_t \times Post\text{-}16_t$ is defined as fiscal year minus 2016.

These definitions imply that $\beta_0$ captures the effect of shared party affiliation in 2008. The coefficient $\beta_1$ represents the discrete shift in this effect in 2016 relative to 2008. The coefficient $\beta_2$ captures the linear trend in partisan matching before 2016, while $\beta_3$ measures how this trend changes after 2016. $X_{ikt}$ is a vector of control variables.

The results from this estimation are reported in Table 2. In column (1), we begin by estimating equation (2) without any control variables. We find that, on average, executives who share the same political party are 1.3 basis points (bps) more likely to work at the same firm. This effect is substantial, representing a 22.3% increase over the unconditional probability of two executives working at the same firm, which is 5.8 bps.

An alternative way to interpret the economic magnitude of this effect is to convert it into a number of "excess" executive pairs who share the same party affiliation. Specifically, with 8,977,598 hypothetical executive pairs in the average year, the coefficient of 1.3 bps on *SParty* translates into an additional 1,167 same-party pairs per year. These 1,167 excess same-party pairs represent 22% of the average 5,213 executive pairs who actually work at the same firm, highlighting the economically significant role of partisan assortative matching in shaping team composition.

[Insert Table 2 here]

In column (2) of Table 2, we include the interaction between shared party affiliation and the post-2016 indicator. The results show that the effect of shared party affiliation is 0.42 bps higher after 2016—a substantial rise compared to the pre-2016 average effect of 1.14 bps. In column (3), we allow for different linear time trends in the effect of shared party affiliation before and after 2016, by estimating equation (3) without control variables. Consistent with Figure 4, we find no significant time trend before 2016, but a positive and highly significant trend afterward. In terms of economic magnitude, the estimated increase in the effect of shared party affiliation between 2016 and 2022 implied by these estimates is 0.93 (=0.1543×6) bps. Relative to the unconditional mean of the dependent variable, this represents a 16% increase.

A key advantage of the dyadic regression framework over the Monte Carlo simulations is that it allows us to control for matching on other observable executive characteristics. In column (4) of Table 2, we add the following explanatory variables: $SGender_{ik}$, $SRace_{ik}$, and $SAge_{ik}$. In column (5), we further interact each of these variables with fiscal year and the post-2016 indicator. As shown in columns (4) and (5) of Table 2, accounting for (potentially time-varying) matching on other executive characteristics has very little impact on the estimated impact of shared party affiliation. If anything, the post-2016 trend becomes even more pronounced after including these controls.

Internet Appendix Table IA.IV reports the full sets of coefficients, including those on the control variables. Unlike party affiliation, there is no evidence of assortative matching on gender at any point in the sample period. We do observe assortative matching on race, but its strength weakens after 2016. The only other characteristic that shows an increase in matching during the

post-2016 period is age, though this effect is only marginally significant and smaller in magnitude than the increase observed for shared party affiliation.

We conduct a series of additional tests in Internet Appendix Table IA.V to verify the robustness of the observed increase in assortative matching by party affiliation. To facilitate comparison across panels, all coefficients are standardized by dividing them by the mean of the dependent variable in the respective sample. First, in Panel A, we use a balanced sample of 470 firms with at least two partisan executives in every year from 2008 to 2022. Second, we find a significant increase in partisan matching after 2016 regardless of whether we use data from L2 only (Panel B) or government files only (Panel C). Third, we report results for a broader sample of executive-voter matches—covering 65% of all executives in ExecuComp—obtained using less stringent matching criteria for middle names and location (Panel D). Fourth, we find similar results when including unaffiliated executives (Panel E) or when treating all unmatched executives as unaffiliated (Panel F). Due to the large sample size in Panel F, we estimate regressions on a random 20% subsample. Finally, our estimates remain virtually unchanged when using a static party affiliation for each executive, defined as their modal party affiliation during the full sample period (Panel G). This result aligns with Figure 3, which shows that executive turnover, rather than changes in registration or primary voter status, is the primary driver of changes in a team's partisan composition. Lastly, we document similar findings when inferring party affiliation from political contributions instead of voter records (Panel H).

In sum, the post-2016 increase in partisan matching is highly robust across different subsamples and alternative measures of party affiliation, with economic magnitudes that, if anything, tend to be larger than in our baseline estimates.

#### *4.2.1. Partisan Matching Within Industries and Geographies*

We next investigate potential sources of the increasing partisan segregation among U.S. executives. Specifically, we examine whether partisan sorting into industries and geographies contributes to the trends documented above. If Democratic and Republican executives are increasingly working in different sectors or states, this could help explain the rise in partisan segregation. To test this hypothesis, we re-estimate our dyadic regression while restricting the sample to executive pairs who work in the same industry (i.e., GICS sector), state, or metropolitan

statistical area (MSA). If the effect of shared party affiliation remains positive and continues to increase after imposing these restrictions, it would suggest that partisan segregation is also occurring within industries and geographies, rather than being solely driven by cross-industry or cross-state sorting.

Table 3 presents the results of this analysis. Column (1) replicates our baseline result from Table 2, column (5), but scales all coefficients by the mean of the dependent variable for easier comparability across subsamples. In column (2), we restrict the sample to executives working within the same GICS sector. The results show that significant partisan matching persists within industries, as indicated by the positive and significant coefficient on $SParty$, with an economic magnitude similar to that of the full sample.[9] The same is true for the triple interaction term, suggesting that increased partisan sorting into industries does not explain the rise in partisan segregation after 2016. The increase in partisan assortative matching after 2016 is most pronounced in the utilities sector, as well as in consumer discretionary, industrials, and energy (see Internet Appendix Figure IA.V, Panel B).

[Insert Table 3 here]

In column (3) of Table 3, we restrict the sample to executives working for firms headquartered in the same state. Once again, we find a significant increase in partisan matching post-2016, with economic magnitudes similar to those in the full sample. As shown in Internet Appendix Figure IA.VI, Panel B, the within-state increase in partisan matching varies substantially across states, with the strongest effects observed in Virginia, Washington, Ohio, and North Carolina. Column (4) of Table 3 further refines the analysis by testing for partisan matching within MSA. Even within MSA, we observe both a statistically significant level of partisan matching in 2008, and a strong post-2016 increase.

Taken together, the results in Table 3 indicate that the rise in partisan matching after 2016 is not driven by increased geographical or industry sorting of executives. The effect remains equally strong within sectors, states, and MSAs.

[9] As shown in Internet Appendix Figure IA.V, Panel A, most sectors already exhibited significant within-sector partisan matching in 2008.

*4.3. Executive Departures*

Our results so far indicate that, since 2016, executives have shown an increasing tendency to work with other executives who share their party affiliation. Moreover, in Section 4.1.1 we document that executive turnover is the primary driver of increases in a team's partisan homogeneity. To further investigate the importance of political affiliation in executive-team formation and executive turnover, our third empirical approach focuses on executives' departures from their teams. Specifically, we test whether executives' alignment with their team's partisan majority affects their likelihood of departure.

We begin by constructing an executive-firm-year panel using data on executives' employment spells from ExecuComp. We define the dependent variable, *Executive Departure*, as an indicator equal to one in the final year an executive is listed among the top earners of a given firm in ExecuComp, and zero otherwise. Panel C of Table 1 presents the summary statistics for this sample, which is restricted to Democratic and Republican executives, as well as to firms-years with at least two partisan executives and a clear partisan majority (as defined below). The average probability of an executive departure is 10.9%. The average tenure in the current position is 7.9 years, 9.9% of executives are older than 65 years, 90.3% of executives are white, and 8.4% are women.

We then estimate the following regression:

$$Executive\,Departure_{ift} = \alpha_{ft} + \alpha_p + \beta Misaligned_{if,t-1} + \delta' X_{if,t-1} + \varepsilon_{ift}, \tag{4}$$

where $f$, $i$, and $t$ index firms, executives, and years, respectively, and $p$ denotes the executive's party affiliation (Democratic or Republican). *Misaligned* is an indicator equal to one if the executive's party affiliation differs from that of the team's majority as of the previous year-end, and zero otherwise. A team is classified as having a Democratic majority if the number of Democratic executives exceeds the number of Republican executives by more than one at the previous year-end, with a Republican majority defined analogously. The vector $X$ includes time-invariant and time-varying individual-level control variables, such as CEO status, tenure (both linear and squared), race, age, an indicator for executives older than 65, and gender. The time-varying controls are lagged. $\alpha_{ft}$ represents firm $\times$ year fixed effects, which absorb both

time-invariant and time-varying firm characteristics, eliminating the need for additional firm-level control variables in the regression.

Our coefficient of interest is $\beta$, which captures the difference in the likelihood of departure between executives who are misaligned with the team's majority versus those who are aligned. Because executive-party-affiliation fixed effects ($\alpha_p$) are included in all regressions, $\beta$ reflects the effect of having a different (as opposed to the same) party affiliation from the majority, while controlling for potential differences in the average turnover probability between Republican and Democratic executives.

Table 4, Panel A presents the estimates of our coefficient of interest, $\beta$. For brevity, we suppress the coefficients on control variables, with the full set reported in Internet Appendix Table IA.VI. The results indicate that politically misaligned executives are more likely to leave the firm than their aligned counterparts. In column (1), which includes year, firm, and party affiliation fixed effects, as well as individual-level controls, the coefficient implies that misaligned executives have a 3.9-percentage-point higher probability of leaving the firm than aligned executives.

[Insert Table 4 here]

In the stricter specification, reported in column (2), we control for time-varying shocks at the firm level by exploiting variation within the same firm and year. We find that, within the same firm-year, executives whose party affiliation differs from that of the team's majority have a 2.6-percentage-point-higher probability of leaving the firm compared to executives whose party affiliation matches that of the majority. This effect represents a 23.9% increase relative to the unconditional turnover probability of 10.9% over the sample period.[10] In columns (3) to (6), we investigate how the effect varies across different time periods. In columns (3) and (4), which focus on the years 2008–2015, the coefficient on *Misaligned* is between 2.5 and 1.1 percentage points but statistically insignificant. During the 2016–2021 period (columns (5) and (6)), the coefficient estimate is substantially larger and statistically significant, aligning with the findings from our dyadic regressions. Panel B reports similar findings when we include unaffiliated executives, for whom *Misaligned* is coded as 0.5. Since unaffiliated executives never switch from matching the

[10]Misaligned departures also appear to be less likely to occur for retirement reasons. Executives older than 65 years at the time of their departure represent 11% of misaligned departures and 15% of aligned departures.

majority to not matching the majority, the coefficient on *Misaligned* remains unaffected by how we code unaffiliated executives.

We provide two sets of heterogeneity tests related to our main executive departure analysis in the Internet Appendix. Internet Appendix Table IA.VIII examines potential asymmetries in the effect of partisan alignment based on whether the executive team has a Democratic or Republican majority. We interact the *Misaligned* variable with another dummy variable, *Majority Democrat*, which takes the value one if the number of Democratic executives exceeds the number of Republican executives by more than one at the previous year-end, and zero otherwise. The coefficient on the interaction term reveals that the effect of misalignment on departure is substantially stronger for teams with Democratic majorities.

We also examine whether the effect of partisan alignment is stronger in more polarized teams. To this end, we repeat the main departure analysis while varying the majority margin of the firm. In Internet Appendix Table IA.IX, Panel A, we use a narrow majority margin, including all teams where the number of executives affiliated with the majority exceeds those affiliated with the opposing party (i.e., requiring a majority margin greater than zero). Panel B presents the baseline for comparison, which requires a majority margin of more than one executive. In Panel C, we restrict the sample to teams where the number of executives affiliated with the majority party exceeds those affiliated with the opposing party by more than two. Across the three panels, we observe that the magnitude of the coefficient on *Misaligned* increases as the majority margin grows, suggesting that misaligned executives are more likely to depart as the team becomes more politically homogeneous.

Having established that partisan alignment influences executive departures, we next explore whether the partisan majority within a team also affects the party affiliation of executives who join the team. This is more challenging to examine, as it requires knowing the potential candidate pool for a position. To provide some evidence on this, Internet Appendix Table IA.X examines whether new joiners tend to align politically with the existing team's majority. The table reports the relationship between the party affiliation of an executive joining the firm and her alignment with the existing team's partisan majority. In columns (1) to (3), the dependent variable, *Democrat Joining*, is a dummy variable equal to one if a Democratic executive joins the team, and zero otherwise. *Majority Democrat* is again a dummy variable equal to one if the number of Democratic

executives in the team exceeds the number of Republican executives by more than one at the previous year-end, and zero otherwise. In column (1), we observe that firms are more likely to have Democratic executives join when the majority of incumbent executives are Democrats. This effect holds even when we add industry × year fixed effects in column (3) to control for the supply of executives within a given 2-digit SIC industry and year. Similarly, in columns (4) to (6), we find that firms are more likely to hire a Republican executive when the majority of executives are affiliated with the Republican party.

To summarize, our analysis of executive departures and joiners highlights the significant power of partisan alignment in explaining the composition of executive teams. Misaligned executives—those whose political views differ from the majority of the team—are more likely to depart, with this effect intensifying over time and in politically homogeneous teams. Additionally, we find that the partisan composition of an existing executive team predicts the party affiliation of new hires, with firms more likely to recruit executives whose party affiliation aligns with the team's majority. Having established the growing role of political alignment in shaping executive team composition and turnover, we now turn to explore a potential mechanism behind these dynamics: partisan disagreement.

## 5. Potential Mechanism: Partisan Disagreement

A growing body of literature highlights the role of political affiliation in explaining individuals' economic views. In particular, alignment with the president has been shown to be a powerful predictor of households' perceptions of economic conditions (e.g., Gerber and Huber, 2009; Mian, Sufi, and Khoshkhou, 2023), as well as those of professionals in high-stakes environments, such as credit analysts (Kempf and Tsoutsoura, 2021), loan officers (Dagostino, Gao, and Ma, 2023), and professional asset managers (Cassidy and Vorsatz, 2024). Therefore, one potential channel contributing to the rise in assortative matching on party affiliation is that Democratic and Republican executives increasingly disagree on economic issues. This partisan disagreement can create friction within executive teams, raising the likelihood of departure among executives whose political views are misaligned with those of the majority. This mechanism, which we explore in this section, may help explain the heightened likelihood of departure for politically misaligned executives in recent years.

### *5.1. The Partisan Gap in Executives' Insider Trades*

To measure economic disagreement between Democratic and Republican executives, we study their decisions to sell their company's stock ("insider selling") around highly salient political events—presidential elections. We obtain data on insider trades for the firms in our sample from Thomson Reuters, as described in Section 3, and restrict the sample to trades occurring between three months prior to three months following the 2008, 2012, 2016, and 2020 presidential elections, respectively. Table 1, Panel D, reports descriptive statistics for the insider-trading sample, with the unit of observation being an insider-month. The sample is restricted to firms-years with at least two executives who can be matched to a voter record. The average monthly propensity of an insider to sell company stock is 12.0% during our event windows. We focus on sales rather than purchases of company stock because purchases are much more rare (about 1.2% of all insider-months).

To study the relationship between an insider's political affiliation and her trading decisions, we estimate the following regression:

$$\text{Insider Sell}_{ifet} = \alpha_{fet} + \alpha_{ie} + \beta \text{Election}_{et} \times \text{PartyWins}_{ie} + \gamma \text{Election}_{et} \times \text{Unaff.}_{ie} + \varepsilon_{ifet}, \quad (5)$$

where $Insider\ Sell_{ifet}$ equals one if insider $i$ sells shares of firm $f$ in year-month $t$ around presidential election $e$, and $Election_{et}$ equals one for the month of the presidential election (November), and zero otherwise. $PartyWins_{ie}$ equals one if insider $i$ is a registered Republican, and zero otherwise, in the 2016 election; it equals one if insider $i$ is a registered Democrat, and zero otherwise, in the 2008, 2012, and 2020 elections, and it equals 0.5 for unaffiliated executives. $Unaff._{ie}$ is an indicator equal to one for unaffiliated executives, and zero for partisan insiders. Note that whether we code unaffiliated insiders as aligned or misaligned does not affect our estimate of $\beta$ in equation (5). The main benefit of including unaffiliated executives in our insider trading analysis is that it allows us to estimate the fixed effects more precisely. $\alpha_{fet}$ and $\alpha_{ie}$ refer to firm $\times$ month and insider $\times$ election fixed effects, respectively. The main coefficient of interest is $\beta$, which captures the change in the relative propensity to sell company stock during the election month between executives whose party aligns with the newly elected president versus those whose party does not align. If a presidential election induces greater optimism about the firm's future

performance among executives who support the president than among executives who do not support the president, we would expect a relative decrease in the likelihood of insider selling for executives whose party wins the election (i.e., $\beta < 0$).

Panel A of Table 5 reports the results for the 2016 and 2020 elections. In column (1), we find that the coefficient estimate of $\beta$ is negative and significant, suggesting that executives with different party affiliations have divergent views on how the election outcome will influence their company's future stock performance. Executives aligned with the newly elected president's party are about 4.5 percentage points less likely to sell shares during the election month compared to their misaligned counterparts. In other words, executives who support the new president become significantly more optimistic about their company's future stock performance relative to those with opposing party affiliations. This is a large effect relative to the unconditional likelihood of an insider sale of 12.0%.[11] Notably, these results are obtained using firm $\times$ month fixed effects, ensuring that the estimates are not influenced by unobservable, time-varying characteristics of the firm.

[Insert Table 5 here]

Columns (2) and (3) report the results for two key alternative specifications. Column (2) shows that the point estimate is virtually unchanged when we allow the selling propensity of unaffiliated executives to also vary around the election. In column (3), we find that our estimates are again very similar when we include executive $\times$ election fixed effects, which control for any differences in the average propensity to sell company stock across executives. These fixed effects also account for the time-varying executive characteristics used in our executive departure analysis in Table IA.VI. Finally, Internet Appendix Table IA.XI demonstrates that the results are robust when we use a measure of abnormal insider selling, defined as the difference between the insider selling indicator and the insider trading indicator lagged by 12 months.

Panel B of Table 5 presents the results for the 2008 and 2012 presidential elections. The estimates of $\beta$ in this sample are much smaller in magnitude and statistically insignificant.[12]

[11] We acknowledge that the magnitudes may be challenging to interpret. For instance, executives in teams where party affiliation is very homogeneous (e.g., almost all executives are Democrats or Republicans) might behave differently from those in more politically mixed teams. Future research could explore this heterogeneity in more detail.

[12] The coefficient on $PartyWins$ cannot be estimated in Panel B because the same party won the presidential

Together, these findings suggest that executives with different party affiliations increasingly hold divergent views on how the political environment affects their companies' fundamentals. Given existing studies linking executive optimism to corporate financing and investment decisions (e.g., Malmendier and Tate, 2005), it is likely that executives with opposing party affiliations may profoundly disagree on how their firms should be run.

### *5.2. The Partisan Trading Gap and Executive Departures*

The above results highlight a growing economic disagreement between Democratic and Republican executives. The next question is whether this disagreement also predicts executive departures. To test this, we examine the relationship between the documented partisan gap in executives' insider trades around presidential elections and the gap in the departure likelihood between misaligned versus aligned executives. Specifically, we measure the gap in executives' insider trades as the difference between the average selling propensity of executives whose party lost the most recent presidential election and those whose party won, measured within the same firm during the election month. After defining the variable *Disagreement* as equal to one if this trading gap is positive, and zero if it is negative, zero, or missing, we e-estimate the executive departure regression from equation (4), after interacting the *Misaligned* variable with *Disagreement*. We account for observations where the partisan gap in insider trades cannot be measured (e.g., because partisan executives cannot be matched to the insider trading data) via a *Missing Disagreement* variable. To focus on a time period during which partisan disagreement around presidential elections is most likely to influence executive departures, we restrict the sample to fiscal year-ends within 365 days following the 2016 and 2020 presidential elections.

The results of this estimation are reported in Table 6. In column (1), we find that the coefficient on the interaction between *Misaligned* and *Disagreement* is positive and statistically significant, indicating that misaligned executives are more likely to leave the firm when the partisan trading gap among the firm's executives is positive. The result remains consistent in column (2), where we include firm $\times$ year fixed effects, controlling for time-varying firm characteristics such as performance and investment opportunities. The interaction coefficient of *Misaligned* and *Missing Disagreement* is also positive and marginally significant. This result is intuitive, as it

election in both 2008 and 2012.

suggests that when information on executives' insider trades is missing, the effect of political misalignment is stronger compared to when partisan executives' trades agree. Overall, the results suggest that misaligned departures are more likely when there is greater disagreement among the partisan executives within the firm. However, we note that this analysis is based on a relatively small number of executive-firm-years and departures, as it focuses on fiscal year-ends within 365 days following the 2016 and 2020 presidential elections. Consequently, the observed economic effects appear somewhat larger than expected, which may be partly due to the limited sample size and could affect the generalizability of these findings.

[Insert Table 6 here]

Combined, the results in this section suggest that partisan disagreement over economic issues may have contributed to the rising departure rate of misaligned executives. However, it is important to note that other factors may also play a role. For instance, partisan differences in economic views could be correlated with partisan differences in other social and political issues, which are increasingly discussed publicly by large corporations (e.g., Cassidy and Kempf, 2024).

## 6. Discussion

Partisan animosity has increased substantially over the last 20 years. According to Pew Research Pew Research Center (2014), the share of individuals with a highly negative view of the opposing party has more than doubled since 1994 for both parties. Most of these intense partisans believe the opposing party's policies "are so misguided that they threaten the nation's well-being." This finding raises the question of whether the polarized environment in the U.S.—with tensions between the two major parties at an all-time high—affects the ability of individuals to collaborate across partisan lines in the workplace. We provide novel evidence showing U.S. executives are increasingly segregating across partisan lines, leading to a political polarization of corporate America.

The increase in partisan segregation is concentrated in the post-2016 period, indicating that the growing political polarization of corporate executives is a relatively recent phenomenon, starting shortly after the first election of Donald J. Trump and continuing into the Biden presidency. We also explore the mechanisms behind the increasing partisan segregation of executives.

For example, we show that the post-2016 rise in partisan matching is occurring within both geographies and sectors, suggesting that it is not simply driven by increased partisan sorting into these areas.

What does matching on political affiliation among executives reflect? It may either indicate a causal effect of party affiliation, where executives are increasingly drawn to members of their own team (Mason, 2015), or it could suggest that party affiliation is becoming a more powerful indicator of ideological differences that extend beyond ethnicity, gender, and age, offering strong predictive power for executives' labor market outcomes and trading decisions. A related question is whether the rise in partisan segregation reflects more extreme ideological positions among Republican and Democratic executives, or growing partisan animosity. While our analysis, presented in Internet Appendix Figure IA.III, shows that executives' ideological positions, as measured by the positions of the candidates they financially support, have not become more extreme during the post-2016 time period, further research is needed to distinguish these possibilities.

Our results have several important implications that deserve the attention of academics, investors, and policymakers. First, changes in the political composition of executive teams likely have profound effects on how firms are run. We find that Democratic and Republican executives differ fundamentally in their optimism about the future of the *same* company depending on which party is in control of the White House. Executive optimism, in turn, has been linked to important firm decisions, such as corporate investment and financing (e.g., Malmendier and Tate, 2005).

Second, the increased partisan segregation of executives may have implications for firm value. From a theoretical perspective, the effect of increased partisan matching on firm value is ambiguous. On the one hand, working with like-minded individuals may constitute a private benefit for managers and not be in the economic interest of shareholders. On the other hand, more homogeneous teams may be an efficient outcome if, for example, partisan disagreement leads to deadlock in politically diverse teams (e.g., Donaldson, Malenko, and Piacentino, 2020).[13]

[13]To provide some initial evidence on this question, we study how shareholders view the value implications of executive departures by analyzing abnormal stock returns around the departure announcements. We obtain the announcement dates for executives' departures by screening the firm's 8K filings, as described in Internet Appendix IA.H, and study abnormal stock returns around departure announcements. The results, reported in Internet Appendix Table IA.XIII, indicate a more negative stock price reaction to the departures of misaligned executives. The magnitude of the difference is large: the announcement of a misaligned executive's departure is, on average, associated with a 1.75% larger stock price decline in trading days (0,+1) relative to the announcement, compared to the announcement of an aligned executive's departure. Although the exact economic mechanism behind this striking

Third, our results raise the question of whether policymakers should be concerned about political discrimination in the workplace—even in the absence of any consequences for firm value. Traditionally, discussions about discrimination in the workplace have focused on gender, race, sexual orientation, and age.[14] By contrast, U.S. federal law and many state laws do not prohibit private employers from discriminating against employees on the basis of political views.

## 7. Conclusion

This paper establishes a new stylized fact, namely, an increasing partisan segregation in the workplace among U.S. executives, leading to a political polarization of corporate America. We establish this fact by linking top-earning executives of S&P 1500 firms between 2008 and 2022 to their party affiliations obtained from voter registration records. Our main approach uses dyadic regressions to show that shared party affiliation increasingly predicts which executives work at the same firm. We also find that executives who belong to a political minority within their company are more likely to leave. Across all of these findings, we observe an inflection point in the dynamics around the 2016 presidential election.

The results in this paper raise many important questions that provide fruitful avenues for future research. First, it is important to further understand how the political diversity of the executive team affects important corporate decisions. Second, while our paper focuses on the top-earning executives in publicly listed U.S. firms, it remains an open question whether other parts of the workforce and employees in privately held companies exhibit trends similar to those of the executives we study. Third, given the importance of the workplace in providing interactions across partisan lines, understanding the potential feedback effects between partisan segregation in the workplace and political polarization of society is important. Finally, the extent to which partisan executives are motivated directly by political preferences (i.e., wanting to live and work

difference in the stock price reactions—in particular, whether it reflects differences in managerial ability or a causal effect of a change in political group composition—remains unclear, it indicates that shareholders of public U.S. firms may have reasons to be concerned about the trend toward greater partisan homogeneity in executive teams. Shareholder proposals and discussions about ideological diversity, such as the one at Apple's annual shareholder meeting in 2019 (CNET, 2019) or recent activism at Salesforce (Wall Street Journal, 2023), may thus become a more common phenomenon.

[14] Under Title VII of the Civil Rights Act of 1964, it is illegal for employers to make job decisions based on race, color, national origin, religion, and sex. Moreover, the Age Discrimination Act, the Americans with Disabilities Act, and the Genetic Information Nondiscrimination Act prohibit discrimination based on age, disability, and genetic information.

around like-minded individuals) or indirectly (e.g., by selecting on characteristics of the company, its workforce, or its location that are correlated with partisanship), remains an open question. We look forward to future research exploring these questions.

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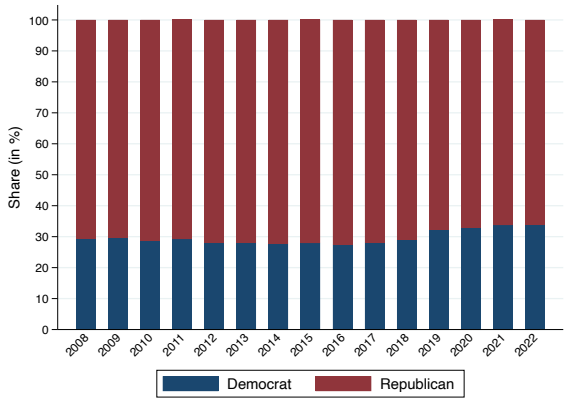
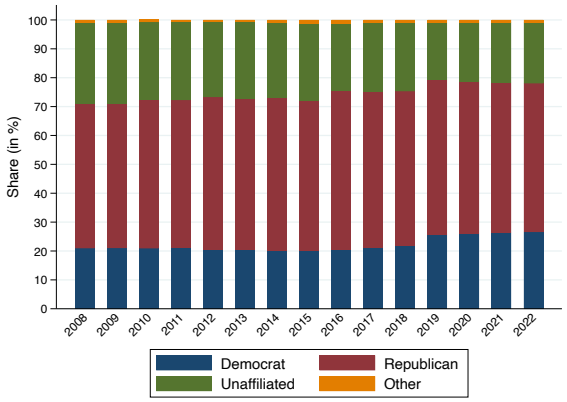
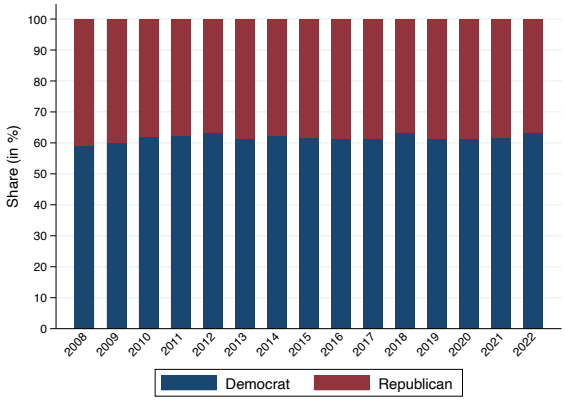


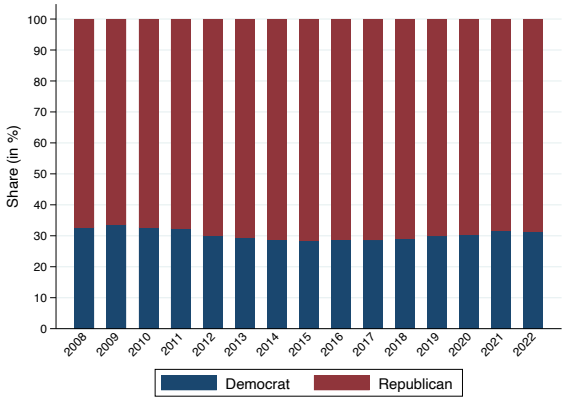

(A) Share of Dem./Rep. Executives



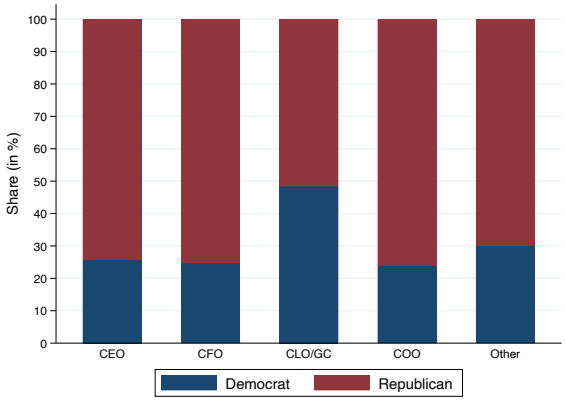

(B) Share of Dem./Rep./Unaff. Executives



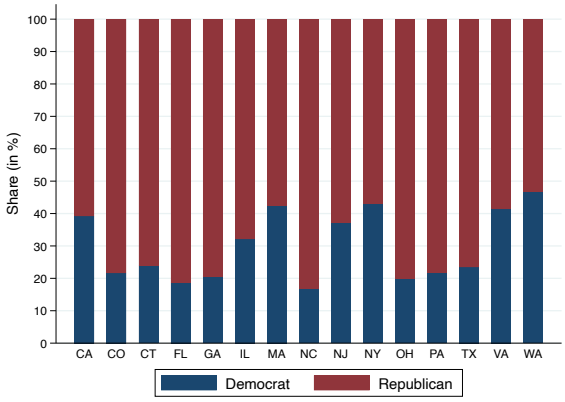

(C) Contributions by Registered Democrats




(D) Contributions by Registered Republicans




(E) Share of Dem./Rep. Executives by Role




(F) Share of Dem./Rep. Executives by State

**Figure 1: Distribution of Party Affiliations**

Panel A shows the distribution of executives' party affiliations inferred from voter registration records after restricting the sample to Democratic and Republican executives. Panel B adds unaffiliated executives and executives affiliated with other parties. Panels C and D plot the distribution of party affiliations inferred from political contributions, separately for executives who are identified as Democrats (Panel C) and Republicans (Panel D) in the voter data. We use the cumulative contributions made by the executive to the Democratic and Republican Party up until a given year to assign party affiliations. Panels E and F report the share of Democratic and Republican executives by executive role and by state of the company's headquarters, respectively.

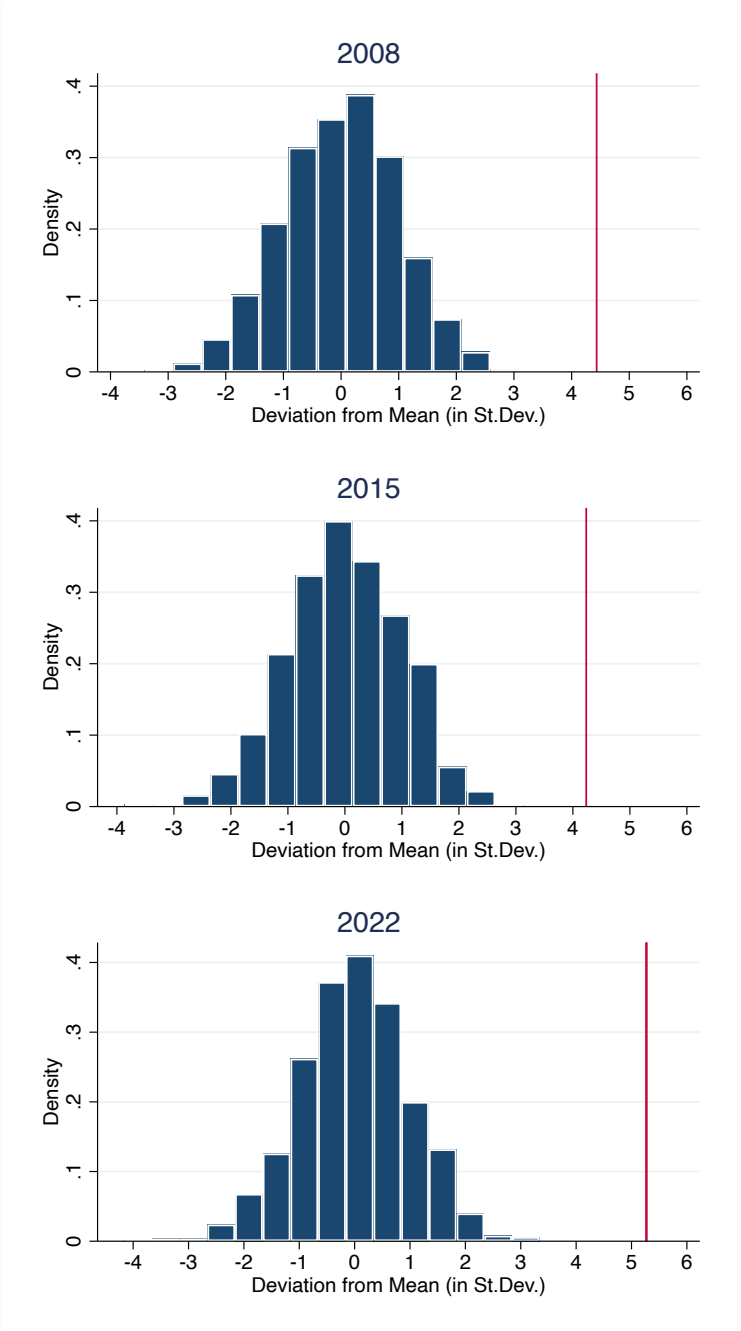



**Figure 2: Partisan Homogeneity: Actual vs. Random Matching**

The figure shows the histogram of the simulated partisan homogeneity of executive teams after 1,000 simulations for the years 2008, 2015, and 2022. To simulate random matching, executives are randomly assigned a political party, using the distribution of party affiliation across the sample of executives in a given year as inputs. The red vertical line shows the average partisan homogeneity of executive teams in the actual data.

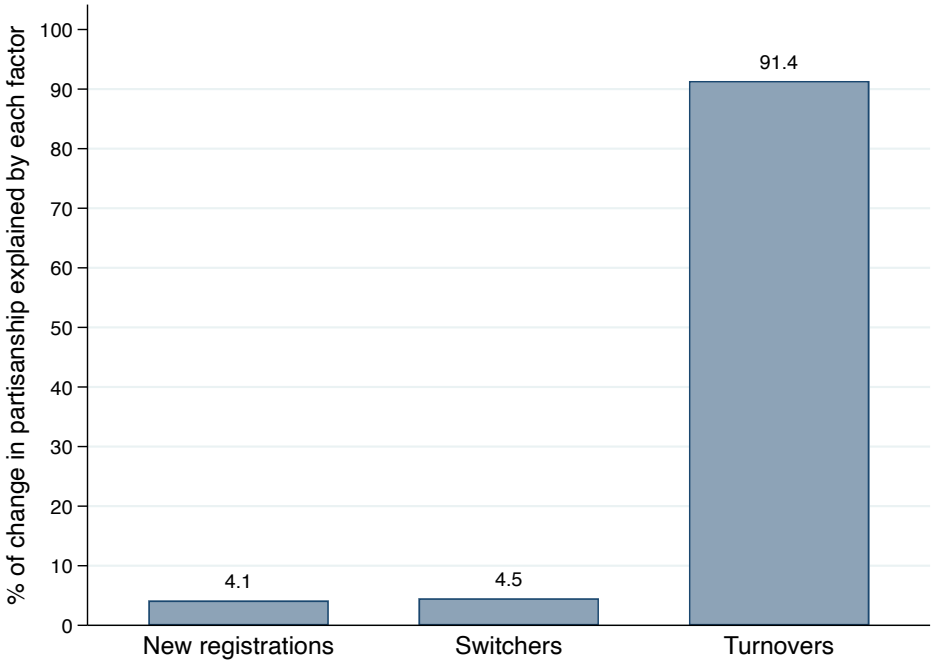



**Figure 3: Increase in Partisan Homogeneity Explained by Each Factor**

The figure plots the average share of the within-firm increases in partisan homogeneity explained by each factor using the decomposition analysis described in Internet Appendix IA.D.3. The three factors are (i) new registrations / executives voting for the first time; (ii) executives switching party, and (iii) executive turnover.

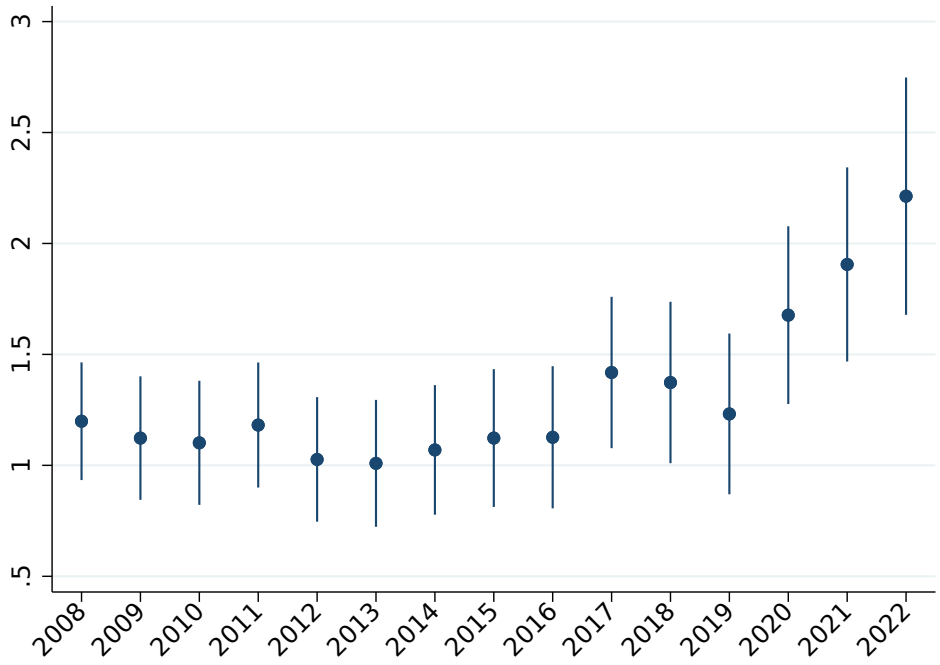



**Figure 4: Dyadic Regression by Year**

The figure presents the results from estimating our dyadic regression in equation (2) separately for each year. We plot the estimated coefficient $\beta^{SP}$ of the variable $SParty$, an indicator equal to one if both executives share the same party, and zero otherwise, together with the corresponding 95% confidence intervals.

## Table 1: Summary Statistics

This table presents summary statistics for the four samples used in our analysis. Panel A shows statistics for the firm-year panel, Panel B for the dyadic sample, Panel C for the executive-firm-year panel, and Panel D for the insider-trading sample. Definitions of the variables that enter our analysis are provided in Appendix A.1.

| | N | Mean | St.Dev. | 0.25 | Median | 0.75 |
|---|---|---|---|---|---|---|
| *Panel A: Firm-Year Panel* | | | | | | |
| Partisanship | 20,319 | 0.634 | 0.376 | 0.333 | 0.600 | 1.000 |
| Republican share | 20,319 | 0.703 | 0.303 | 0.500 | 0.750 | 1.000 |
| Number of executives | 20,319 | 5.472 | 1.116 | 5.000 | 5.000 | 6.000 |
| Number of matched executives | 20,319 | 3.765 | 1.205 | 3.000 | 4.000 | 5.000 |
| Number of partisan executives | 20,319 | 3.102 | 1.081 | 2.000 | 3.000 | 4.000 |
| *Panel B: Dyadic Sample* | | | | | | |
| SFirm ($\times$ 10,000) | 134,663,972 | 5.801 | 240.774 | 0.000 | 0.000 | 0.000 |
| SParty | 134,663,972 | 0.590 | 0.492 | 0.000 | 1.000 | 1.000 |
| SGender | 134,663,972 | 0.815 | 0.388 | 1.000 | 1.000 | 1.000 |
| SRace | 134,663,972 | 0.802 | 0.399 | 1.000 | 1.000 | 1.000 |
| SAge | 134,663,972 | 0.407 | 0.491 | 0.000 | 0.000 | 1.000 |
| *Panel C: Executive-Firm-Year Panel* | | | | | | |
| Executive Departure | 30,926 | 0.109 | 0.312 | 0.000 | 0.000 | 0.000 |
| Misaligned | 30,926 | 0.061 | 0.239 | 0.000 | 0.000 | 0.000 |
| Tenure | 30,926 | 7.916 | 5.359 | 4.000 | 7.000 | 11.000 |
| White | 30,926 | 0.903 | 0.297 | 1.000 | 1.000 | 1.000 |
| Age | 30,926 | 55.271 | 7.726 | 50.000 | 55.000 | 60.000 |
| Above 65 years old | 30,926 | 0.099 | 0.299 | 0.000 | 0.000 | 0.000 |
| Female | 30,926 | 0.084 | 0.277 | 0.000 | 0.000 | 0.000 |
| Majority Democrat | 30,926 | 0.118 | 0.323 | 0.000 | 0.000 | 0.000 |
| *Panel D: Insider Trading Sample* | | | | | | |
| Insider sell | 56,775 | 0.121 | 0.326 | 0.000 | 0.000 | 0.000 |
| PartyWins | 56,775 | 0.427 | 0.428 | 0.000 | 0.500 | 1.000 |
| Unaffiliated | 56,775 | 0.247 | 0.431 | 0.000 | 0.000 | 0.000 |
| Election | 56,775 | 0.143 | 0.350 | 0.000 | 0.000 | 0.000 |

## Table 2: Dyadic Regressions

This table reports results from dyadic regressions. The dependent variable is an indicator equal to one if both executives work at the same firm, and zero otherwise, multiplied by 10,000 (i.e., the coefficients can be interpreted as the effect in basis points). *SParty* is an indicator equal to one if both executives have the same political affiliation, and zero otherwise. Column (1) reports estimates of the dyadic regression in equation (2) without control variables, and columns (3) to (5) report estimates for equation (3), sequentially expanding the set of control variables. In the interaction term *SParty* × *Year*, *Year* refers to the fiscal year minus 2008, whereas in the triple interaction term, *Year* refers to the fiscal year minus 2016. The sample is restricted to Republican and Democratic executives and the unit of observation is the executive-pair × year. The economic effects are calculated as the coefficient on *SParty* (*SParty* × *Year* × *Post-16*) divided by the mean of the dependent variable, respectively. *Static controls* include controls for shared race, age, and gender, as defined in Appendix A.1. *Dynamic controls* include the static controls interacted with fiscal year and the post-2016 indicator. The full sets of coefficients are reported in Internet Appendix Table IA.IV. Standard errors, reported in parentheses, are clustered at the executive-pair level.

| | Same Firm | | | | |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| SParty | 1.2938*** | 1.1410*** | 1.1721*** | 1.1608*** | 1.1576*** |
| | (0.0967) | (0.1065) | (0.1372) | (0.1373) | (0.1373) |
| SParty × Post-16 | | 0.4174*** | 0.0841 | 0.0732 | 0.0711 |
| | | (0.1500) | (0.1665) | (0.1665) | (0.1669) |
| SParty × Year | | | -0.0092 | -0.0158 | -0.0156 |
| | | | (0.0274) | (0.0274) | (0.0274) |
| SParty × Year × Post-16 | | | 0.1543*** | 0.1633*** | 0.1646*** |
| | | | (0.0588) | (0.0588) | (0.0589) |
| *N* | 134,663,972 | 134,663,972 | 134,663,972 | 134,663,972 | 134,663,972 |
| Effect SParty (in %) | 22.3 | 19.7 | 20.2 | 20.0 | 20.0 |
| Effect SParty × Year × Post-16 (in %) | | | 2.7 | 2.8 | 2.8 |
| *Fixed Effects and Controls:* | | | | | |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Static Controls | No | No | No | Yes | Yes |
| Dynamic Controls | No | No | No | No | Yes |

**Table 3: Dyadic Regressions: Partisan Matching Within Sectors and Geographies**

This table explores the role of partisan sorting into sectors and geographies. Column (1) repeats our baseline specification from column (5) of Table 2, while standardizing all coefficients by dividing them by the mean of the dependent variable. Column (2) repeats the baseline specification, after restricting to executive pairs who work within the same GICS sector. Column (3) ((4)) restricts to executive pairs who work for companies headquartered in the same state (MSA), respectively. The sample is restricted to Republican and Democratic executives and the unit of observation is the executive-pair × year. Standard errors, reported in parentheses, are clustered at the executive-pair level.

| | | Same Firm | | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| SParty | 0.1996*** | 0.1804*** | 0.2656*** | 0.2973*** |
| | (0.0237) | (0.0229) | (0.0225) | (0.0227) |
| SParty × Post-16 | 0.0123 | -0.0037 | -0.0360 | -0.0851*** |
| | (0.0288) | (0.0294) | (0.0291) | (0.0283) |
| SParty × Year | -0.0027 | -0.0044 | -0.0035 | -0.0030 |
| | (0.0047) | (0.0047) | (0.0046) | (0.0045) |
| SParty × Year × Post-16 | 0.0284*** | 0.0299*** | 0.0324*** | 0.0271*** |
| | (0.0102) | (0.0102) | (0.0102) | (0.0101) |
| *N* | 134,663,972 | 15,666,390 | 7,864,791 | 3,227,123 |
| *Fixed Effects and Controls:* | | | | |
| Year FE | Yes | Yes | Yes | Yes |
| Static Controls | Yes | Yes | Yes | Yes |
| Dynamic Controls | Yes | Yes | Yes | Yes |
| Sample | All | Same Sector | Same State | Same MSA |

## Table 4: Executive Departures

This table reports the relationship between an executive's political alignment with the team's majority and her likelihood of leaving the team. Panel A presents the results from the estimation of equation (4). The dependent variable, *Executive Departure*, is an indicator equal to one in the last year an executive is reported among the top earners of a given firm in ExecuComp, and zero otherwise. *Misaligned* is an indicator equal to one if the party affiliation of the executive does not match that of the team's majority as of the previous year-end, and zero otherwise. Control variables are defined in Appendix A.1 and the time-varying controls are lagged. Columns (1) and (2) are based on the full sample, columns (3) and (4) are based on the years 2008–2015, and columns (5) and (6) are based on years 2016–2021 (departures are not defined for 2022 because it is the last year of our sample period). Panel B repeats the analysis from Panel A after including unaffiliated executives, for whom *Misaligned* is coded as 0.5. The unit of observation is the executive × firm × year. Standard errors are clustered at the firm level. The full sets of coefficients are reported in Internet Appendix Tables IA.VI and IA.VII, respectively.

Panel A: Baseline Specification

| | Executive Departure | | | | | |
|---|---|---|---|---|---|---|
| | Full Sample | | 2008–2015 | | 2016–2021 | |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Misaligned | 0.0387*** | 0.0263** | 0.0245* | 0.0108 | 0.0635*** | 0.0554** |
| | (0.0124) | (0.0124) | (0.0139) | (0.0135) | (0.0232) | (0.0244) |
| $N$ | 30,926 | 30,720 | 18,367 | 18,246 | 12,551 | 12,474 |
| $R^2$ | 0.125 | 0.396 | 0.148 | 0.388 | 0.186 | 0.407 |
| Controls included | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm FE | Yes | No | Yes | No | Yes | No |
| Year FE | Yes | No | Yes | No | Yes | No |
| Firm × Year FE | No | Yes | No | Yes | No | Yes |
| Political Affiliation FE | Yes | Yes | Yes | Yes | Yes | Yes |

Panel B: Including Unaffiliated Executives

| | Executive Departure | | | | | |
|---|---|---|---|---|---|---|
| | Full Sample | | 2008–2015 | | 2016–2021 | |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Misaligned | 0.0321*** | 0.0213* | 0.0207 | 0.0088 | 0.0507** | 0.0413** |
| | (0.0112) | (0.0112) | (0.0128) | (0.0125) | (0.0203) | (0.0204) |
| $N$ | 36,185 | 36,085 | 21,551 | 21,497 | 14,632 | 14,588 |
| $R^2$ | 0.114 | 0.353 | 0.131 | 0.341 | 0.170 | 0.368 |
| Controls included | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm FE | Yes | No | Yes | No | Yes | No |
| Year FE | Yes | No | Yes | No | Yes | No |
| Firm × Year FE | No | Yes | No | Yes | No | Yes |
| Political Affiliation FE | Yes | Yes | Yes | Yes | Yes | Yes |

**Table 5: Executive Insider Trading around Presidential Elections**

This table reports the relationship between an executive's political affiliation and her likelihood of selling company stock around presidential elections, by estimating equation (5). Panel A presents the results for the 2016 and 2020 presidential elections, and Panel B for the 2008 and 2012 presidential elections. *Election* is an indicator equal to one during the election month (November), and zero otherwise. *PartyWins* equals one if the insider is Republican, and zero otherwise, in the 2016 election; it equals to one if the insider is a Democrat, and zero otherwise, in the 2008, 2012, and 2020 elections, and it equals 0.5 for unaffiliated executives. *Unaffiliated* is an indicator equal to one for unaffiliated executives, and zero for partisan insiders. The unit of observation is the executive × firm × month. Standard errors, reported in parentheses, are double-clustered by executive and firm.

Panel A: 2016 and 2020 Presidential Elections

| | Insider Sell | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Election × PartyWins | -0.0449** | -0.0447** | -0.0455** |
| | (0.0187) | (0.0189) | (0.0188) |
| Election × Unaffiliated | | 0.0018 | 0.0009 |
| | | (0.0228) | (0.0225) |
| PartyWins | 0.0148 | 0.0148 | |
| | (0.0103) | (0.0103) | |
| $N$ | 19,236 | 19,236 | 19,704 |
| $R^2$ | 0.570 | 0.570 | 0.696 |
| *Fixed Effects:* | | | |
| Firm × Month FE | Yes | Yes | Yes |
| Political Affiliation FE | Yes | Yes | Yes |
| Executive × Election FE | No | No | Yes |

Panel B: 2008 and 2012 Presidential Elections

| | Insider Sell | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Election × PartyWins | 0.0019 | -0.0005 | 0.0014 |
| | (0.0143) | (0.0147) | (0.0148) |
| Election × Unaffiliated | | 0.0101 | 0.0074 |
| | | (0.0153) | (0.0153) |
| $N$ | 27,086 | 27,086 | 27,715 |
| $R^2$ | 0.543 | 0.543 | 0.669 |
| *Fixed Effects:* | | | |
| Firm × Month FE | Yes | Yes | Yes |
| Political Affiliation FE | Yes | Yes | Yes |
| Executive × Election FE | No | No | Yes |

## Table 6: Executive Insider Trading and Executive Departures

This table reports the relationship between the partisan gap in executives' insider trading during the most recent presidential election and the likelihood of misaligned executives leaving the team. It repeats the analysis from Table 4, after adding an interaction between *Misaligned* and *Disagreement*. *Disagreement* is an indicator equal to one if the difference in the average propensity to sell company stock between executives whose party lost the election and those whose party won the most recent presidential election, measured within the same firm during the election month, is positive, and zero if it is negative, zero, or missing. *Missing Disagreement* is an indicator equal to one if the difference in the average propensity to sell company stock between executives whose party lost the election and those whose party won the most recent presidential election, measured within the same firm during the election month, is missing, and zero otherwise. The sample is restricted to fiscal year-ends within 365 days following the 2016 and 2020 presidential elections. The unit of observation is the executive × firm × year. Standard errors, reported in parentheses, are clustered at the firm level. The full sets of coefficients are reported in Internet Appendix Table IA.XII.

| | Executive Departure | |
|---|---|---|
| | (1) | (2) |
| Misaligned | -0.0503 | -0.0489 |
| | (0.0424) | (0.0459) |
| Disagreement | -0.1363** | |
| | (0.0611) | |
| Misaligned × Disagreement | 0.2185** | 0.2284** |
| | (0.0953) | (0.0992) |
| Missing Disagreement | -0.0979*** | |
| | (0.0311) | |
| Misaligned × Missing Disagreement | 0.1008* | 0.1127* |
| | (0.0607) | (0.0604) |
| N | 2,737 | 2,734 |
| $R^2$ | 0.266 | 0.355 |
| Controls included | Yes | Yes |
| Firm FE | Yes | No |
| Year FE | Yes | No |
| Firm × Year FE | No | Yes |
| Political Affiliation FE | Yes | Yes |

## Appendix: Variable Definitions

### Table A.1: Variable Descriptions

| Variable | Description |
|---|---|
| *Dependent variables* | |
| Partisanship | The probability that two randomly drawn executives from the same firm are either both Republicans or both Democrats, as identified in the voter registration records. Computed following equation (1). |
| SFirm | An indicator equal to one if two executives work at the same firm, and zero otherwise, multiplied by 10,000. |
| Executive departure | An indicator equal to one in the last year an executive is reported among the top earners of a given firm in Execucomp, and zero otherwise. |
| Insider sell | An indicator equal to one if the insider sells company stock in a given calendar month, and zero otherwise. |
| *Key independent variables* | |
| SParty | An indicator equal to one if both executives have the same political party affiliation, and zero otherwise. |
| Misaligned | An indicator equal to one if the political affiliation of the executive does not match that of the majority in the team as of the prior year-end, and zero otherwise. If the team has no clear majority or the executive is not a partisan, the variable is set to missing. |
| Majority Democrat | An indicator equal to one if the number of Democratic executives in a given team exceeds the number of Republican executives by more than one, and zero otherwise. |
| PartyWins | An indicator equal to one if the party affiliation of the executive matches that of the newly elected U.S. President, and zero otherwise. If an executive is unaffiliated, the variable is set to 0.5. |
| Election | An indicator equal to one during a presidential election month, and zero otherwise. |
| Unaffiliated | An indicator equal to one for unaffiliated executives, and zero for partisan executives. |
| Disagreement | An indicator equal to one if the difference in the average propensity to sell company stock between executives whose party lost the election and those whose party won the most recent presidential election, measured within the same firm during the election month, is positive, and zero if it is negative, zero, or missing. |
| Missing Disagreement | An indicator equal to one if the difference in the average propensity to sell company stock between executives whose party lost the election and those whose party won the most recent presidential election, measured within the same firm during the election month, is missing, and zero otherwise. |
| *Control variables* | |
| SGender | An indicator equal to one if both executives have the same gender, and zero otherwise. Gender information is obtained from ExecuComp. |
| SRace | An indicator equal to one if both executives have the same race (white vs. non-white), and zero otherwise. Race is obtained by applying the API name-prism.com to executives' first and last names. |
| SAge | An indicator equal to one if the age gap between the two executives is at most five years, and zero otherwise. Age information is obtained from ExecuComp. |
| Tenure | Tenure of the executive in the firm, measured in years. Obtained from ExecuComp. |

*Continued on next page*

**Table A.1 – continued**

| Variable | Description |
|---|---|
| $\text{Tenure}^2$ | Tenure of the executive in the firm, measured in years, squared. Obtained from ExecuComp. |
| White | An indicator equal to one if the executive is white, and zero otherwise. Information on race is obtained by applying the API name-prism.com to executives' first and last names. |
| Age | The executive's age as reported in ExecuComp. |
| Age $\geq$ 65 | An indicator equal to one if the executive's age is greater or equal to 65 years, and zero otherwise. Age is obtained from ExecuComp. |
| Female | An indicator equal to one if the executive is female, and zero otherwise. Gender information is obtained from ExecuComp. |