

Partisan Corporate Speech

William Cassidy Elisabeth Kempf

Washington University in St. Louis

Harvard Business School, CEPR, and NBER

NBER Summer Institute

July 2024

Introduction



Republicans buy sneakers, too.

–Michael Jordan

Introduction

BUSINESS

With Georgia Voting Law, the Business of Business Becomes Politics

Coca-Cola and Delta received blowback from both left and right for their response to Georgia's new voting law. Engaging on social issues is now part of the CEO job description, but it's a treacherous path.

BUSINESS

With Georgia Voting Law

Coca-Cola and Delta received blowback for is now part of the CEO job description, but

200+ Major U.S. Companies Oppose Anti-LGBTQ+ State Legislation

By **Henry Berg-Brousseau** • March 31, 2022

SHARE



Box, Inc., Compass, Gilead Sciences, Inc., HP Inc., Hyatt, and Mattel, Inc. among signatories joining Human Rights Campaign and Freedom for All Americans' Business Statement

WASHINGTON, D.C. — Today, the Human Rights Campaign and Freedom for All Americans announced that more than 200 major companies have joined together to sign on to the Human Rights Campaign and Freedom for All Americans [Business Statement on Anti-LGBTQ+ Legislation](#). Together, these companies are united in opposing the wave of anti-LGBTQ+ legislation, much of which specifically harms transgender youth, in states across the country. The list of signatories has more than quadrupled in the past year.

comes Politics

✓ voting law. Engaging on social issues

Open research questions:

- 1 Are U.S. companies indeed making **more partisan statements**?

Open research questions:

- 1 Are U.S. companies indeed making **more partisan statements**?
- 2 If so, **why?**

Open research questions:

- ① Are U.S. companies indeed making **more partisan statements**?
- ② If so, **why**?
- ③ What are the **potential consequences** of partisan corporate speech?

This paper

- **Novel measure** of partisan corporate speech based on similarity to speech by politicians on **social media**

This paper

- **Novel measure** of partisan corporate speech based on similarity to speech by politicians on **social media**
- Main findings:
 - 1 Notable **increase in partisan corporate speech** in 2017
 - 2 Significant growth in Democratic-sounding speech since 2019
 - Broad-based across locality, industry, size and CEO political affiliation
 - Discussion of climate, DEI and LGBTQ+ ↑
 - 3 Suggestive evidence: driven by investor demand for sustainability
 - 4 (Small) negative stock returns following partisan speech
 - Magnitude varies by stakeholder alignment

- Socio-political activism of CEOs
 - Mixed evidence on product market responses (Boxwell and Conway (2024); Hou and Poliquin (2021); Painter (2021))
 - Mixed evidence on investor reactions: positive (Mkrtchyan et al. (2024); Gangopadhyay and HomRoy (2024)) vs. negative (Bhagwat et al. (2020)), depending on definitions used
 - Partisan statements measured ex post
- The political polarization of business in the U.S.
 - Kempf & Tsoutsoura (2023); Cassidy & Vorsatz (2024); Dagostino et al. (2023); Engelberg et al. (2024); Fos et al. (2023)
- Measuring partisanship in speech
 - Gentzkow, Shapiro, Taddy (2019); Engelberg et al. (2024); Cookson et al. (2024)

Empirical approach

- **Challenge:** How to identify partisan corporate speech?
- **Step I:** Use all statements made by companies via their **official twitter accounts**
- **Step II:** Identify tweets that **sound like those by a Republican or Democratic politician**

Empirical approach

- **Challenge:** How to identify partisan corporate speech?
- **Step I:** Use all statements made by companies via their **official twitter accounts**
- **Step II:** Identify tweets that **sound like those by a Republican or Democratic politician**
- Example: if Democratic politicians tweet a lot about “climate crisis,” then a company tweeting about climate crisis is labeled as Democrat-sounding
- Builds on Gentzkow, Shapiro, and Taddy (Econometrica, 2019)

- Advantages:
 - Data-driven approach to identify partisan speech
 - Corporate twitter accounts very common (84% vs. 11% for CEOs) and visible to investors, consumers, employees
 - Can study the entire corpus of tweets going back until 2011
 - Compare corporate speech to politician speech on the same medium

Empirical approach

- Advantages:
 - Data-driven approach to identify partisan speech
 - Corporate twitter accounts very common (84% vs. 11% for CEOs) and visible to investors, consumers, employees
 - Can study the entire corpus of tweets going back until 2011
 - Compare corporate speech to politician speech on the same medium
- Limitations:
 - Won't capture the entirety of corporate communication Audience
 - Will inevitably come with some measurement error

- Politician tweets:
 - 8 million tweets by 150 Senators and 721 Representatives
- Corporate tweets:
 - 4.4 million tweets by S&P 500 companies between 2011 and 2022
 - 632 out of 751 companies (84%) have an active Twitter account
 - Exclude newspapers and publishing, television broadcasting and Twitter itself

Summary stats

Model of speech

- Our approach follows two steps:
 - ① Identify bigrams that are highly predictive of being used by a Republican (Democratic) politician (Gentzkow et al. (2019))
 - ② Apply this measure of partisanship to corporate tweets

Model of speech

- Our approach follows two steps:
 - 1 Identify bigrams that are highly predictive of being used by a Republican (Democratic) politician (Gentzkow et al. (2019))
 - 2 Apply this measure of partisanship to corporate tweets
- Assume that bigram counts (c_{it}) sent by politician i at time t are drawn from a multinomial distribution:

$$c_{it} \sim \text{MN} \left(m_{it}, \mathbf{q}_t^{P(i)}(\mathbf{x}_{it}) \right). \quad (1)$$

- $\mathbf{q}_t^{P(i)}$: vector of choice probabilities, with $P(i) \in \{R, D\}$
- \mathbf{x}_{it} : home state, education, gender, age, ethnicity
- Estimate year-by-year over bigrams used ≥ 40 times by ≥ 20 distinct speakers

Model of speech

- Compute the probability that a Republican politician would use the j th bigram in year t as:

$$q_{jt}^R = \frac{1}{|R|} \sum_{i \in R} \mathbf{q}_t^{P(i)} (\mathbf{x}_{it})' \cdot \mathbf{e}_j \quad (2)$$

- Posterior probability that a politician is a Republican after the listener hears the j^{th} bigram, denoted p_{jt}^R , using Bayes rule:

$$p_{jt}^R = \frac{q_{jt}^R}{q_{jt}^R + q_{jt}^D} \quad (3)$$

- We then calculate the posterior that the corporate sender of tweet k in year t is a Republican politician:

$$p_k^R = \frac{\prod_{j \in J^*} q_{jt}^R}{\prod_{j \in J^*} q_{jt}^R + \prod_{j \in J^*} q_{jt}^D}. \quad (4)$$

Most Partisan Bigrams in 2022

Politicians		Corporations	
Democratic	Republican	Democratic	Republican
gun violenc	woke agenda	lgbtq equal	tune foxbusi
vote right	pelosi biden	score hrc	level inflat
im proud	law enforc	right campaign	employ ad
climat chang	socal inflat	authent selv	foreign busi
lower cost	energi independ	health inequ	benefit employe
work famili	secur border	build equit	inflat highest
social secur	openbord polici	women color	wall system
clean energi	disinform board	racial wealth	dozen job
across countri	gas price	equit societi	rep roy
brown jackson	american energi	close racial	letter chairman

Most Partisan Bigrams in 2022

Politicians		Corporations	
Democratic	Republican	Democratic	Republican
gun violenc	woke agenda	lgbtq equal	tune foxbusi
vote right	pelosi biden	score hrc	level inflat
im proud	law enforc	right campaign	employ ad
lower cost	energi independ	authent selv	foreign busi
climat chang	socal inflat	health inequ	benefit employe
work famili	secur border	build equit	inflat highest
social secur	openbord polici	women color	wall system
clean energi	disinform board	racial wealth	dozen job
across countri	gas price	equit societi	rep roy
brown jackson	american energi	close racial	letter chairman

Most Partisan Bigrams in 2022

Politicians		Corporations	
Democratic	Republican	Democratic	Republican
gun violenc	woke agenda	lgbtq equal	tune foxbusi
vote right	pelosi biden	score hrc	level inflat
im proud	law enforc	right campaign	employ ad
climat chang	socal inflat	authent selv	foreign busi
lower cost	energi independ	health inequ	benefit employe
work famili	secur border	build equit	inflat highest
social secur	openbord polici	women color	wall system
clean energi	disinform board	racial wealth	dozen job
across countri	gas price	equit societi	rep roy
brown jackson	american energi	close racial	letter chairman

Most Partisan Bigrams in 2022

Politicians		Corporations	
Democratic	Republican	Democratic	Republican
gun violenc	woke agenda	lgbtq equal	tune foxbusi
vote right	pelosi biden	score hrc	level inflat
im proud	law enforc	right campaign	employ ad
climat chang	socal inflat	authent selv	foreign busi
lower cost	energi independ	health inequ	benefit employe
work famili	secur border	build equit	inflat highest
social secur	openbord polici	women color	wall system
clean energi	disinform board	racial wealth	dozen job
across countri	gas price	equit societi	rep roy
brown jackson	american energi	close racial	letter chairman

- Some partisan speech is directly related to the core business of the firm
 - E.g., an oil & gas firm discussing energy independence
- To separate those from partisan statements on issues that are not directly business related, we estimate a biterm topic model and ask Chat-GPT to label the topics
- Use topic + industry to identify business-related partisan tweets
- Set posterior $(p_k^R)=0.5$ for business-related tweets

- Highly Democratic-sounding tweets:

“The heartbreaking loss of George Floyd’s life and the powerful response to it are excruciating reminders of the progress we still need to make in our communities. We’re pledging \$1 million to nonprofit orgs committed to social justice and racial equity.”

(Duke Energy, June 2020)

- Highly Democratic-sounding tweets:

“The heartbreaking loss of George Floyd’s life and the powerful response to it are excruciating reminders of the progress we still need to make in our communities. We’re pledging \$1 million to nonprofit orgs committed to social justice and racial equity.”

(Duke Energy, June 2020)

“A person’s right to cast their ballot is the foundation of our democracy. Georgia HB 531 would limit trustworthy, safe & equal access to voting by restricting early voting & eliminating provisional ballots. That’s why Salesforce opposes HB 531 as it stands. #gapol”

(Salesforce, March 2021)

- Highly Republican-sounding tweets:

“#TaxReform is essential to keeping workers, job creators & economy competitive in the 21st-century #TaxReformTuesday”

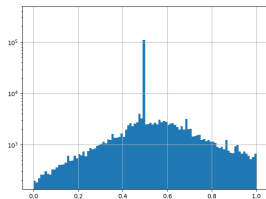
(CF Industries, November 2018)

“At ADP offices across the country, we are honoring our Veterans and their families for their service and sacrifice. Thank you for your contributions to the preservation of freedom and democracy!
#militarystrong

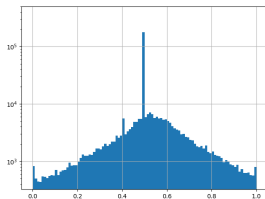
(Automatic Data Processing, Inc., November 2017)

Partisan Scores of Corporate Tweets

2011



2017



2021

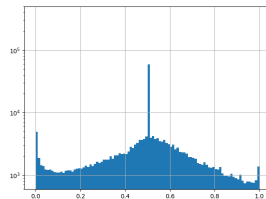


Figure: Percentage of All Corporate Tweets

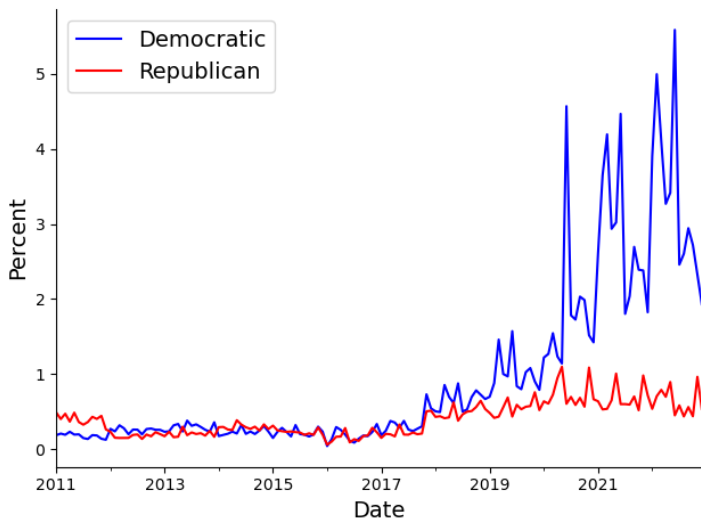


Figure: Percentage of All Corporate Tweets

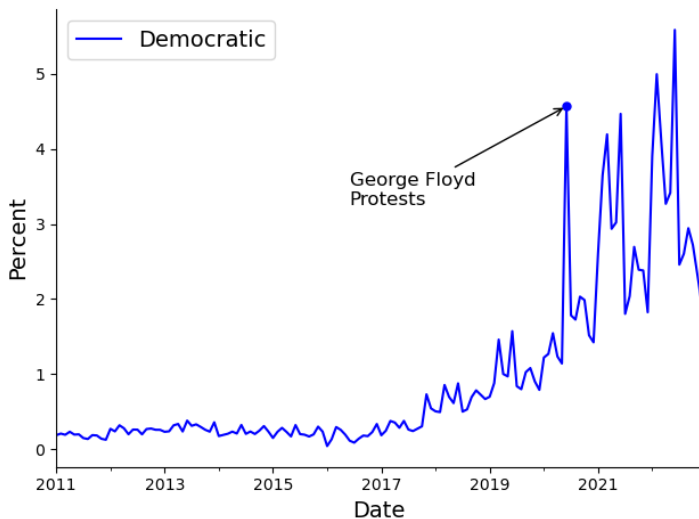


Figure: Percentage of All Corporate Tweets

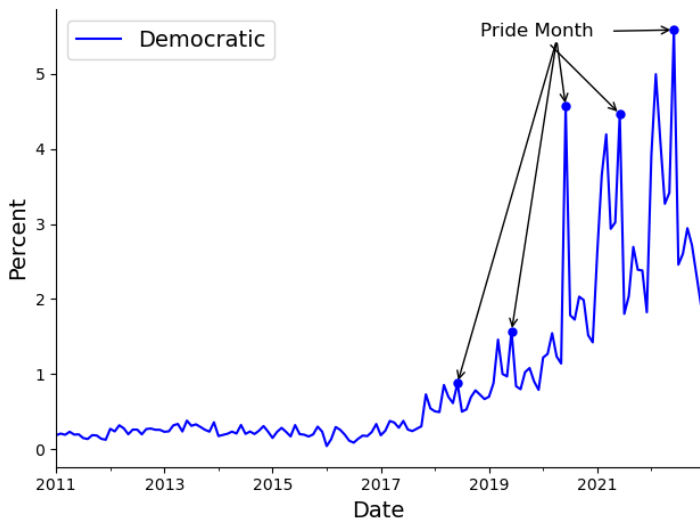


Figure: Percentage of All Corporate Tweets

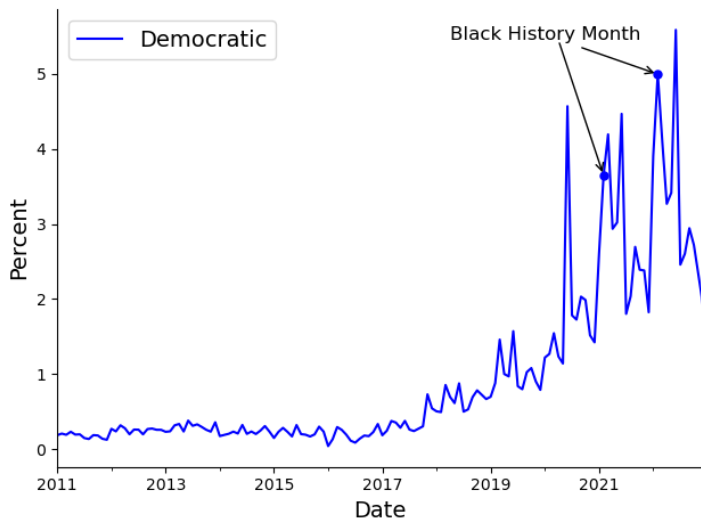


Figure: Percentage of All Corporate Tweets

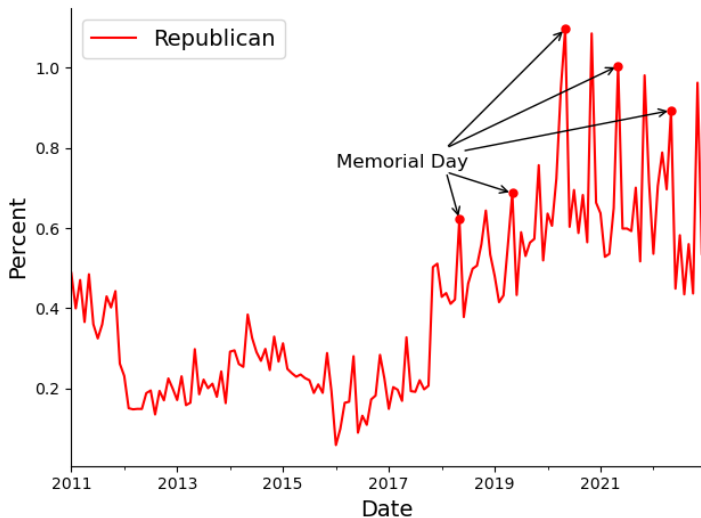


Figure: Percentage of All Corporate Tweets

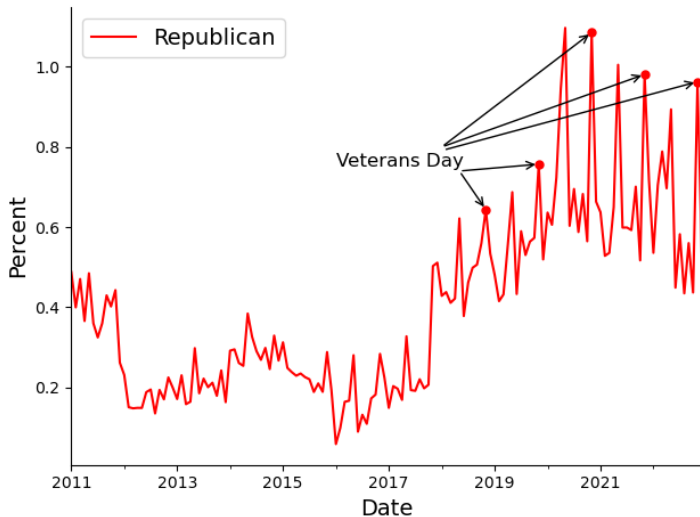


Figure: Percentage of All Corporate Tweets

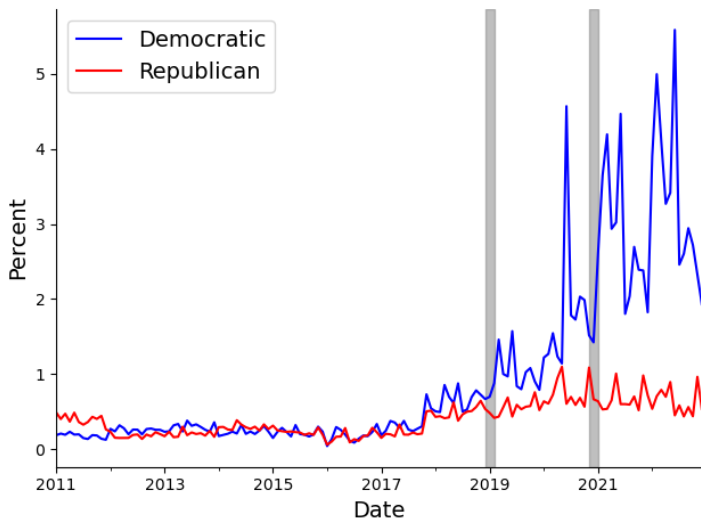


Figure: Breakdown of Democratic Tweets

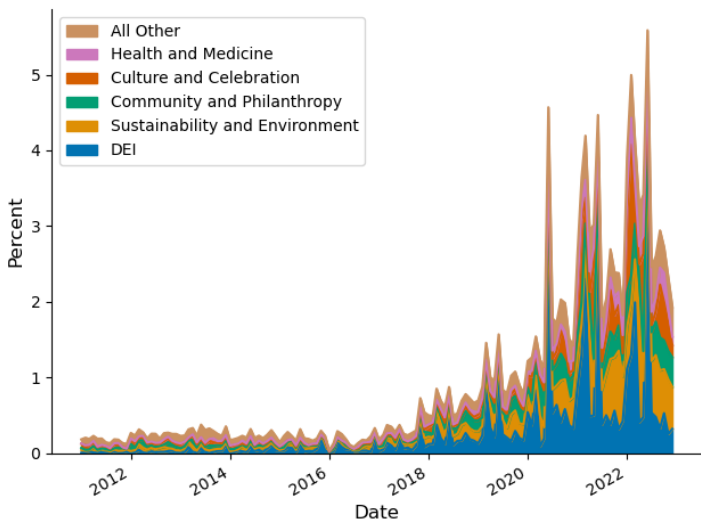
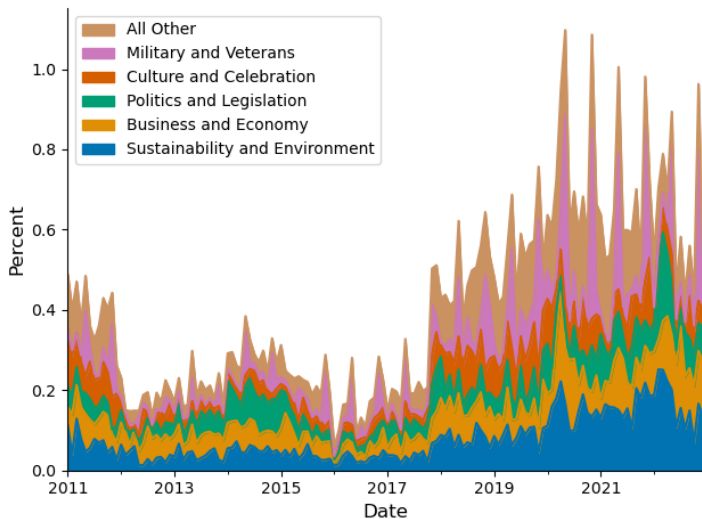
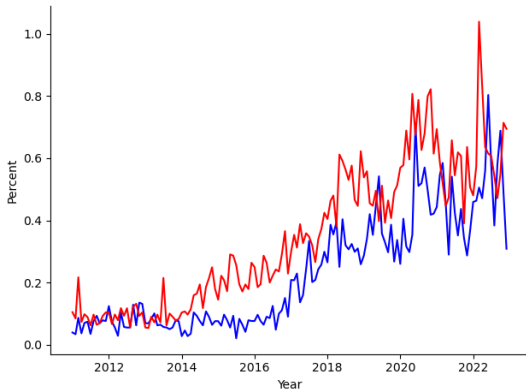


Figure: Breakdown of Republican Tweets



- Different patterns for random tweets or politicians:

Figure: Random Sample of Tweets



Politician Trends

One Year Only

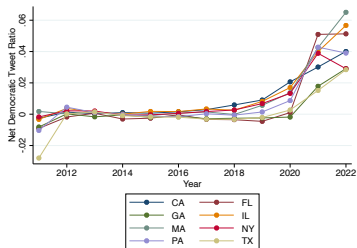
Main Outcome Variable

- Net Democratic Tweet Ratio:

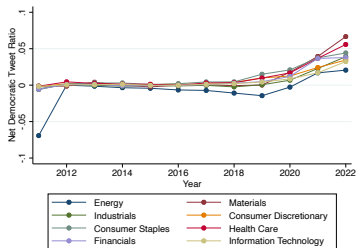
$$\text{NDTR}_{it} = \frac{\# \text{ Democratic Tweets}_{it} - \# \text{ Republican Tweets}_{it}}{\# \text{ Total Tweets}_{it}} \quad (5)$$

- Measures how “Democratic” firm i 's speech is, normalized by total number of tweets sent by firm i

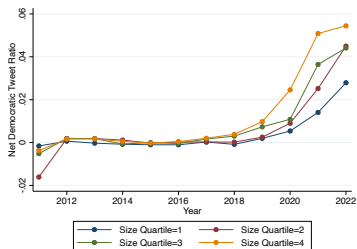
Geography



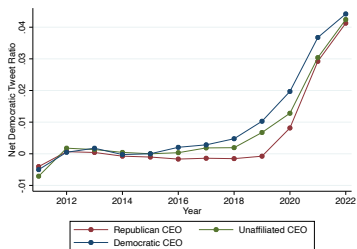
Sector



Size Quartile



CEO Party



	Δ NDTR (2022 vs. 2018)		
	(1)	(2)	(3)
Log assets	0.578*	1.156***	0.747***
	(0.295)	(0.377)	(0.269)
Tobin's Q	-0.179	-0.402	-0.139
	(0.174)	(0.369)	(0.170)
Democratic CEO	0.134	0.290	-0.010
	(0.191)	(0.208)	(0.186)
IO	-0.636	-0.020	-1.081**
	(0.469)	(0.505)	(0.436)
ESG holdings	0.362***	0.274**	0.409***
	(0.138)	(0.137)	(0.146)
Employees blue states	-0.455*	-0.360	-0.009
	(0.269)	(0.303)	(0.375)
HHI	-0.813***		-0.764***
	(0.169)		(0.181)
B2C industry	0.502*		0.428*
	(0.259)		(0.258)
N	424	416	398
R ²	0.072	0.210	0.267
Industry FE	No	Yes	No
State FE	No	No	Yes

Heterogeneity in NDTR Level

Potential driver: investor demand

- Strong predictive power of ESG holdings indicates a potential role of **institutional investor demand**
- Difficult to identify causal link due to both reverse causality and omitted variable concerns
- We follow two approaches:
 - ① Difference-in-Differences around Larry Fink's 2019 Letter to CEOs
 - Called for CEOs to lead on divisive social and political issues:

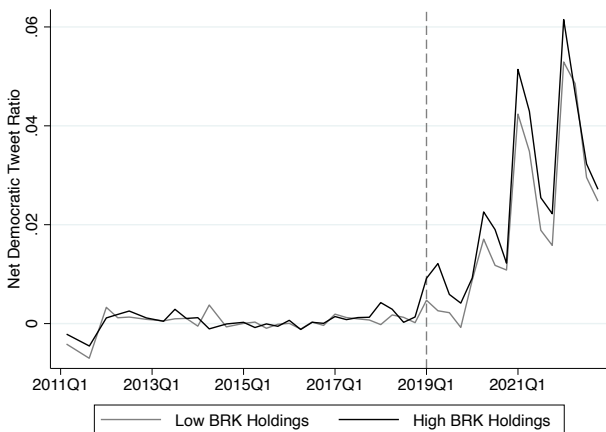
“Stakeholders are pushing companies to wade into sensitive social and political issues – especially as they see governments failing to do so effectively. [...] One thing, however, is certain: the world needs your leadership.”

Potential driver: investor demand

- Strong predictive power of ESG holdings indicates a potential role of **institutional investor demand**
- Difficult to identify causal link due to both reverse causality and omitted variable concerns
- We follow two approaches:
 - ① Difference-in-Differences around Larry Fink's 2019 Letter to CEOs
 - Called for CEOs to lead on divisive social and political issues:

“Stakeholders are pushing companies to wade into sensitive social and political issues – especially as they see governments failing to do so effectively. [...] One thing, however, is certain: the world needs your leadership.”
 - ② “Exogenous” variation in ESG fund flows

NDTR By BlackRock Ownership



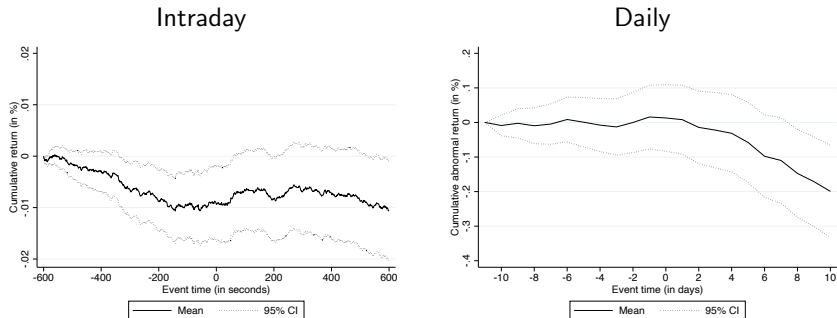
- Holds in Diff-in-Diff design with firm and quarter fixed effects, as well as controls for firm size + IO [Institutional Ownership](#) [Table](#)

- Exploit quasi-exogenous flows into ESG funds (see Sammon and Shim (2024))
 - Construct hypothetical flows into ESG funds using:
 - ① Flow-performance relationship Flow-performance
 - ② Return of stocks in industries other than stock's own industry in fund portfolio
 - Hypothetical flows into ESG funds predict higher NDTR up to three quarters ahead ESG Flows and NDTR
 - Strongest effects two quarters ahead
 - \$100 million incremental ESG inflows → 3 ppt higher NDTR

Stock prices

- How do **stock prices** behave around partisan corporate statements?
- Ex ante not obvious
- Study daily and intraday **stock returns** around partisan tweets
- Keep only the first tweet by a company on a given topic

Figure: Stock Returns Around Partisan Corporate Tweets



- Similar results for “surprising” tweets Surprising Tweets
- Magnitude depends on stakeholder alignment Heterogeneity

Conclusion

- Corporate speech on social media
 - has become **more partisan**
 - with stronger increase for **Democratic-sounding** speech

Conclusion

- Corporate speech on social media
 - has become **more partisan**
 - with stronger increase for **Democratic-sounding** speech
- Potential driver: demand for sustainability investing
 - Post-2019 BlackRock portfolio firms see larger increases in NDTR
 - ESG flows predict higher NDTR up to three quarters ahead

Conclusion

- Corporate speech on social media
 - has become **more partisan**
 - with stronger increase for **Democratic-sounding** speech
- Potential driver: demand for sustainability investing
 - Post-2019 BlackRock portfolio firms see larger increases in NDTR
 - ESG flows predict higher NDTR up to three quarters ahead
- MNIR as a useful tool for other applications in finance