The Liberal Tilt of Financial Regulators*

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Abstract

In contrast to the mandated bi-partisanship of the SEC Commissioners, we find a strong liberal tilt among 4,500 SEC agents tasked with implementing financial regulation. Democrats outnumber Republicans four to one and dominate all of the SEC's regional offices. This liberal tilt increases in senior ranks, grows over time, and persists across administrations. It reflects agents' sorting on preferences for public service correlated with partisanship. Political misalignment between enforcement attorneys and defendants is associated with a lower likelihood of case dismissal, greater monetary sanctions, and more industry bars. Career attorneys represent a significant regulatory force distinct from political appointees.

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Capital markets depend on unbiased regulation and equal treatment of all participants. To protect these principles, the U.S. financial system includes institutional safeguards intended to shield financial regulators from political influence. Recently, the adequacy of these safeguards has attracted scrutiny. In 2024, attorneys general from 18 states sued the Securities and Exchange Commission (SEC) alleging partisan overreach in its enforcement activity.[1]

Recognizing the importance of political impartiality, the law mandates a bipartisan composition for the SEC's Commissioners, imposes their term limits, and promotes political alternation. Among the five SEC Commissioners, appointed by the President and confirmed by the Senate, no more than three may belong to the same party, and "members of different parties shall be appointed alternately as nearly as may be practicable" (15 U.S. Code §78d (a)). The commissioners serve staggered terms to curb politically motivated replacements.

While this system of built-in partisan balances encompasses the SEC's top leadership, the political composition of the thousands of other SEC bureaucrats—responsible for its policy implementation—remains largely unregulated and opaque. In contrast to elected officials, the SEC bureaucrats' partisan composition need not align with the incumbent political leadership, the constituents they serve, or the entities they oversee. This distinction is important because long-standing theories of government bureaucracy offer diverging views on the composition of government agents and their impact on regulatory outcomes.

The top-down view of bureaucracy models civil servants as homogenous and impartial conduits of regulation; they follow standardized legal directives and impose no personal imprint on regulatory outcomes (e.g., Weber, 1922). The SEC's mission aspires to follow a Weberian bureaucracy in which regulators act as impartial conduits of financial directives to ensure that "everyone receives fair and respectful treatment, without regard to… politics or personal characteristics" (SEC, 2017, p. 1). In contrast, the bottom-up view suggests that civil servants exercise significant discretion by incorporating their own beliefs into regulatory actions. Under this view, career bureaucrats contribute to policy implementation independently of the elected officials (e.g., Lipsky, 1980).

These diverging views highlight the importance of understanding the composition of financial regulators and their role in policy implementation. These issues are especially relevant today, in light of the recent scrutiny of government bureaucrats, their individual output, and political leanings.

Our paper makes a step toward a better understanding of the hiring pathways, political ideology, and regulatory impact of SEC career officials. We construct one of the first datasets on the political ideology and

[1] Shapero (2024).

career histories of 4,500 SEC attorneys tasked with policy implementation from 1996 to 2023. This database combines administrative payroll records from the SEC with hand-collected data on the attorneys' academic and professional credentials, employment history, demographics, immigrant status, and home state (inferred from the first SSN digits). To study selection into government careers, we augment these records with individual data on 365,000 attorneys outside the SEC. We identify political affiliation by linking these professionals to administrative voter history files from 37 states and nationwide political donations.

We find a strong liberal tilt among SEC attorneys. Democrats outnumber Republicans 4 to 1, and this ratio rises to 4.6 to 1 in recent years. This is a significant partisan skew relative to a variety of benchmarks such as other government sector attorneys specializing in securities regulation, private sector attorneys, and the legal profession. Democrats outnumber Republicans across all 12 SEC offices, including those in Republican-leaning states such as Texas and Utah. In contrast to the political cycles in the composition of the SEC Commissioners, the Democratic majority among SEC attorneys persists under all presidential administrations from 1996 to 2023. The partisan composition of career bureaucrats remains stable around leadership turnovers, and the average SEC attorney stays at the agency for 12 years, far outliving the typical five-year term of the Commissioners.

The SEC attorneys are surprisingly politically active. About 50% of them make political donations, a significant share of them during their SEC tenure. This allows us to infer their ideological preferences from the candidates they support (Bonica, 2014). SEC attorneys endorse candidates on the left side of the political spectrum, with the modal donation made to candidates ideologically proximate to Barack Obama. This preference reflects a 0.3σ leftward shift relative to private sector attorneys and a 1.8σ leftward shift relative to CEOs. The attorneys' donations align with their voting behavior. Using admin records of individual participation in party-specific primaries in Virginia, we find that 83% of Democratic-leaning attorneys and 81% of Republican-leaning attorneys (classified based on their political donations) cast their votes in the primary elections of the respective party.

Next, we study the mechanism contributing to the SEC's liberal tilt. We hypothesize that selection into the SEC reflects an agent's intrinsic job preferences correlated with partisan views. This hypothesis follows theoretical frameworks predicting that government agencies attract people whose preferences align with public service (Besley and Ghatak, 2005). Relative to Republicans, Democrats express stronger preferences for altruism and societal impact (Pew Research Center, 2017). In contrast, Republicans show stronger preferences for monetary rewards, a small government (Pew Research Center, 2024), and risk taking (Engelberg et al., 2026). Consistent

with these views, 82% of Democrats say that government regulation is necessary to protect the public interest, while 65% of Republicans state that government regulation does more harm than good (Pew Research Center, 2024). If these intrinsic preferences extend to attorneys, they could steer Democrats toward the SEC and Republicans away from the agency, given its lower pay, flatter pay-performance sensitivity, and a core mandate to regulate markets.

Consistent with this hypothesis, Democratic attorneys are 0.80 p.p. (or 34%) more likely to join the SEC than the private sector, compared to their Republican classmates from the same law school class and home state. This effect is robust to controlling for the candidates' gender, race, and immigrant status, as well as their school quality and local origin, captured by school × cohort and home state × cohort fixed effects, respectively.

After joining the SEC, Democrats stay with the agency longer. In specifications comparing attorneys within the same office, rank, and year, Democrats are 21–27% less likely to exit the SEC than Republicans. Correspondingly, Democrats are significantly more likely to reach the SEC's managerial and executive ranks, which usually require extended agency service. As a result, the liberal tilt intensifies in senior SEC positions.

To test the role of pecuniary preferences in the SEC's liberal tilt, we exploit changes in the pay differential between comparable positions at the SEC and the private sector. The average private sector premium amounts to $164,000 per year for the modal attorney position. We find a partisan contrast in responsiveness to outside options. Republicans react more strongly to pecuniary incentives, joining the SEC when the private sector premium is lower and leaving the agency when this premium expands. In contrast, Democrats are less responsive to the private sector premium and continue to pursue nonprofit jobs even after leaving the SEC. In particular, Democrats are 29–34% more likely than Republicans to join nonprofit organizations after leaving the SEC, consistent with a preference for public service. Combined, these findings suggest that partisan selection at the SEC is related to intrinsic preferences, with Democrats less sensitive to financial motives. This evidence is consistent with theoretical predictions that value alignment attenuates the role of financial incentives (Bénabou and Tirole, 2003).

One alternative explanation is that Republican and Democratic SEC attorneys differ in their innate ability, and this gap explains the difference in their entry, exit, and promotion rates. While our tightest specifications compare graduates from the same schools and cohorts, it is possible that Republican attorneys from the same schools have stronger credentials, resulting in more outside options. To test this hypothesis, we hand-collect data on proxies for within-school variation in academic achievement for a subsample of SEC attorneys, using official commencement programs and data from editorial offices. We find virtually no differences in academic

achievement between Republican and Democratic SEC attorneys from the same cohorts, as proxied by their undergraduate honors, law school honors, or leadership positions with law school journals.

While academic achievement correlates with innate ability, it is possible that Republican and Democratic attorneys differ along some unobservable credentials important for labor market outcomes. To account for this possibility, we exploit a natural experiment that temporarily compresses the pay gap between SEC attorneys and the private sector. This experiment allows us to test for the differential responsiveness to pecuniary motives between Republican and Democratic SEC attorneys, while holding constant their credentials and personal characteristics. In 2001–2002, the SEC uniformly raised the compensation of its attorneys by over 30%, with a stated objective to reduce its pay disparity with the private sector. The results from this experiment confirm partisan differences in responsiveness to monetary incentives. Before the reform, Republicans are more likely to exit the SEC than Democrats. Shortly after the reform, Republicans' exit rates fall significantly more than Democrats', consistent with the Republicans' greater sensitivity to monetary incentives.

Overall, the liberal tilt at the SEC appears to reflect individual sorting on preferences for public service and pecuniary incentives. Evidence from the compensation reform suggests that paying market wages in the public sector would likely contribute to a more balanced partisan composition of public servants. In contrast, the gradual expansion of the private market pay premium during our sample period accentuates the tradeoffs between public service and monetary rewards and is associated with a persistent rise in the liberal tilt.

Next, we study the implications of the SEC's liberal tilt for enforcement outcomes. We hand-collect case-level data from SEC civil actions and related administrative proceedings between 2002 and 2023. For each case, we identify the enforcement attorneys, defendants, alleged violations, and case outcomes. Each enforcement case is handled by career attorneys, who determine the pace and scope of the investigation, classify the severity of misconduct, recommend bars and penalties, and negotiate settlement terms. Since nearly all defendants (89%) settle the case via negotiations, this procedure leaves enforcement attorneys with significant room for discretion.

Our analysis reveals a key role of enforcement attorneys for case outcomes. In a variance decomposition, we find that the supervisory attorney responsible for the enforcement case explains 18–28% of the variation in monetary sanctions after controlling for case characteristics. This effect is several times greater than the combined contribution of the SEC Chair and regional office fixed effects (6–9%). This pattern points to a bottom-up enforcement bureaucracy in which the SEC attorneys leave a significant personal imprint on case outcomes.

Given the importance of attorneys for case outcomes and a strong partisan tilt in their composition, we examine whether the ideological alignment between the attorneys and defendants is associated with case outcomes. We find that the partisan misalignment between the supervisory attorney and defendant is associated with stricter sanctions. On the extensive margin, misaligned cases are 3 p.p. less likely to be dismissed and 7 p.p. more likely to trigger monetary sanctions. Such cases are also 9–14 p.p. more likely to result in industry and officer-and-director bars, which ban the defendants from serving in executive roles. On the intensive margin, partisan misalignment between the defendant and supervisory attorney is associated with a $10.7 million increase in monetary sanctions (42% of the sample mean). These estimates are derived for the same statute violations investigated by the same SEC regional office and under the same SEC Commissioners. They are also robust to including supervisory attorney fixed effects, which absorb the attorney's time-persistent attributes such as education, ideology, aggressiveness, and specialization, with the variation identified from the defendant's partisan alignment.

The differences in enforcement outcomes are consequential for firm value. The resolution of enforcement sanctions triggers a 2.7% lower announcement return for cases with the misaligned defendant and supervisory attorney. This effect is equivalent a to $98 million loss in shareholder value for the average firm.

We investigate whether the differences in case outcomes are attributable to a partisan tilt in the assignment of cases to supervisory attorneys. Our results show no significant correlation between the supervisory attorney's ideology and their assigned cases. Rather, case assignments are based on institutional factors such as the office's geographic jurisdiction and the attorney's expertise and prior caseload. After conditioning on these factors, we simulate a random distribution of partisan alignment between the defendants and supervisory attorneys and find that the observed misalignment rate in our sample is nearly identical to the mean of the simulated distribution. In other words, after we account for the institutional drivers of case assignment, the political alignment between the supervisor and the defendant resembles a random draw.

It is possible that misaligned cases involve more egregious violations that remain uncaptured by our controls for case severity and statute violations. We show that the aligned and misaligned cases are statistically indistinguishable on a wide array of characteristics of their firms, defendants, and allegations. To account for the possibility of unobservable differences in case severity, we use the announcement returns around the first disclosure of the alleged misconduct and before the SEC assigns an enforcement team. The first disclosure of financial misconduct triggers large negative returns of -10.4%. These initial returns are statistically

indistinguishable between the cases that are eventually assigned to aligned vs. misaligned supervisory attorneys, suggesting that market participants do not view these cases differently.

We also use the announcement returns to the first disclosure of financial misconduct as a market-based estimate of case severity, relying on all investors to interpret the violations. We replicate our analysis after controlling for this market-based proxy for case severity and obtain similar results. That is, the partisan misalignment between the supervisory attorney and defendant is associated with stronger enforcement sanctions.

The combination of these tests raises the bar for a potential omitted variable, but does not rule it out. Such a variable must systematically generate stricter sanctions for the same statue violations, remain unobservable to financial markets, and arise for the same attorney only on misaligned cases. To assess the economic plausibility of such a variable, we apply the Oster (2019) coefficient stability test. We find that selection on unobservables would need to be at least 2.9 times as strong as selection on observables to explain away the estimated effects.

Our interpretation of the evidence is that the correlation between political misalignment and case outcomes need not reflect a deliberate partisan divide. Rather, this effect may operate subconsciously, capturing a divergence on core values. Enforcement attorneys routinely subpoena the defendants' communications and financial records, examine their professional and political ties, and engage with the defendant in testimony and negotiations. These interactions typically elicit the extent of their ideological alignment. The ideological distance between the attorney and defendant may reduce their scope for compromise (Prendergast, 2007), impede cooperation (Dagostino, Gao, and Ma, 2023), induce disagreement in fact interpretation (Cookson, Engelberg, and Mullins, 2020), or affect the attorney's subjective assessment of the defendant's fitness for executive roles, which triggers industry bars. These differences likely capture diverging beliefs, while partisan affiliation merely serves as one observable proxy for such intrinsic beliefs.

In summary, our findings expand the scope of inquiry beyond the SEC's top leadership and provide micro evidence on an understudied group of agents who translate policy into practice. We show that the mandated bipartisanship of the five SEC commissioners tells an incomplete story about the agency's political makeup. Our evidence helps refine the existing framework that has viewed SEC regulation primarily through lens of its top Commissioners. In particular, our results point to the elements of a bottom-up bureaucracy in policy enforcement, in which career attorneys leave a significant imprint on regulatory actions beyond the political appointees.

1. Contribution to the Literature

This paper is one of the first to provide micro-evidence on the political composition of SEC regulators and study their individual impact on policy enforcement. Our contribution is to uncover a partisan tilt among SEC regulators, study its origins, and investigate its implications for regulatory outcomes. Unlike prior work that focuses on top appointees and implicitly treats regulatory personnel as their delegates, we find that financial regulators are politically active, overwhelmingly liberal, and independently important. Our findings suggest that partisan sorting into regulatory agencies affects their ideological makeup and policy enforcement.

The regulators' ideology presents particular interest because regulatory decisions are often subjective, and they establish the norms for market participants. Regulatory actions internalize a variety of inputs affected by the agents' political beliefs such as their corporate governance views (Gormley, Jha, and Wang, 2026), financial forecasts (Kempf and Tsoutsoura, 2021), economic outlook (Dagostino, Gao, and Ma, 2023), interpretation of market data (Cookson, Engelberg, and Mullins, 2020; Meeuwis et al., 2022), legal opinions (Gormley, Kaviani, and Maleki, 2026), and global outlook (Kempf et al., 2023; Ayyagari, Gao, and Ma, 2024). Our paper provides novel evidence on the ideology of career regulators and studies its implications for enforcement outcomes.

Political considerations matter for U.S. government agents. Duchin and Sosyura (2012) find evidence of political favoritism in the distribution of government aid during the financial crisis. Goldman, Rocholl, and So (2013) detect political interference in the allocation of government contracts, and Brogaard, Denes, and Duchin (2021) highlight the role of political connections in contract renegotiations. Dagostino and Nakhmurina (2025) show that partisan alignment between local and state governments reduces borrowing costs and increases financial assistance. Engelberg et al. (2023) document partisan language in the speeches of Fed governors and SEC Commissioners and show that their voting patterns coalesce along party lines. Pandey, Shen, and Wu (2025) focus on the partisan affiliation of the SEC Commissioners and find that the SEC is more likely to investigate, but not more likely to issue enforcement against, firms that are politically misaligned with SEC Commissioners. They also show that firms whose political orientation differs from that of the Commission face higher penalties.

Our paper departs from this research along two dimensions. First, while prior work focuses on the political appointees at government agencies, we study unelected career bureaucrats who comprise the bulk of government staff and make most day-to-day decisions. We show that the bipartisan balance among SEC Commissioners masks a persistent liberal tilt among the agency's career attorneys, and that their political affiliation matters for

enforcement, while holding constant the effect of political appointees. Our findings highlight the importance of a bottom-up bureaucracy in an agency traditionally viewed through the prism of its top leadership. From this perspective, we provide micro evidence on the theories predicting that unelected civil servants present a significant force in government regulation (Page and Jenkins, 2005; Sager and Rosser, 2009; Page, 2012).

Second, we are among the first to provide evidence on agents' sorting into SEC jobs. While most prior research views the regulators' composition as given, we offer within-cohort analysis that reveals professional, demographic, and partisan attributes associated with selection into SEC careers. This evidence identifies pecuniary and non-pecuniary factors that reinforce the agency's liberal tilt.

Our labor market evidence extends the literature on the revolving door between the government and the private sector. Prior work identifies aggregate determinants of federal employees' outside options, such as economic cycles (Lucca, Seru, and Trebbi, 2014), regulatory changes (Emery and Faccio, 2025), compensation practices (Chen, Hajda, and Kalmenovitz, 2025), post-employment restrictions (Kalmenovitz, Vij, and Xiao, 2025), and the subsequent careers of senior regulators (Duchin, Wang, and Kalmenovitz, 2024). Our novel insight is that the employees' take-up of outside options varies with their ideology. Democratic attorneys are less responsive to the private market premium and show a persistent preference for nonprofit jobs after leaving the SEC. Thus, while most papers study employee departures through the revolving door, we highlight an intrinsic mechanism contributing to employee retention. This behavior lines up with the theoretical models predicting that government agencies attract some agents because of their ideological alignment (Besley and Ghatak, 2005), and that these agents are less responsive to outside monetary incentives (Bénabou and Tirole, 2003).

More broadly, we contribute to the literature in organization economics on government bureaucracies. Prior work provides important compositional evidence for the government workforce and its labor market in the United States (Spenkuch, Teso, and Xu, 2023) and emerging economies (Colonnelli, Prem, and Teso, 2020). In complement to these aggregate patterns that combine civil servants from different agencies with varied objectives, we focus on capital market regulation and add two dimensions. First, we trace the individual decisions of career bureaucrats in enforcing government regulation. Second, we follow the consequences of the civil servants' actions on executives and firms, thus studying the impact of individual bureaucrats outside the government.

2. Data and Variables

2.1 SEC Payroll Records

We obtain data on the SEC staff from its payroll records between 1996 and 2023 through multiple Freedom of Information Act requests. These records report the employees' occupation, hiring date, work location, compensation, and departure date from the SEC. We focus on SEC attorneys for three reasons. First, attorneys constitute the largest white-collar occupation at the SEC and play a central role in the agency's core functions. Second, attorneys are named in enforcement cases, allowing us to connect regulatory actions to individual regulators. Third, most attorneys hold the same graduate degree (Juris Doctor) and maintain active law licenses that impose a common aptitude standard. These features define a well-structured labor market that enables us to study graduation cohorts, track individuals within the legal profession, and examine the relation between bureaucrats and regulatory outcomes. From 1996 to 2023, 4,754 attorneys have at least one employment spell at the SEC. We provide a brief data description below and offer more detail in Internet Appendixes IA.1–IA.2.

2.2 Characteristics of SEC Attorneys

2.2.1 Political Affiliation

We measure the political affiliation of SEC attorneys using their voter registrations, political donations, and participation in party-specific primaries. To link SEC attorneys to these sources, we first manually match attorneys to Lexis Nexis Public Records (LNPR) using their full names and office locations. LNPR is an individual-level database that aggregates information on over 500 million U.S. individuals (both living and deceased) using unique identifiers linked to Social Security numbers (SSNs). Examples of LNPR records include deed and tax assessment records, voter registrations, criminal filings, and professional licenses. Prior work has used LNPR to acquire personal data on CEOs (Yermack, 2014; Yonker 2017; Duchin, Simutin, and Sosyura, 2021; Decaire and Sosyura, 2023; Duchin and Sosyura 2026), fund managers (Pool, Stoffman, and Yonker, 2015; Chuprinin and Sosyura, 2018), securitization agents (Cheng, Raina, and Xiong, 2014), and county assessors (Chen and Cohen, 2025).

LNPR provides address history, month and year of birth, and name variants, which facilitate matching to other data sources. We validate LNPR matches by confirming employer information, professional licenses, or email domains in LNPR records. This process yields unambiguous matches for 4,457 attorneys (94% match rate).

From LNPR, we obtain each attorney's history of voter registrations, including registration dates, state of registration, voter status, and declared party affiliation. We supplement the LNPR voter registration records with

comprehensive state voter registration files, obtained through filing disclosure requests with each state's Department of State. We match attorneys across the two datasets using full names, addresses, and month and year of birth. Combining these sources, we obtain voter registration data for 37 states and the District of Columbia, covering approximately 87% of the U.S. population.[2]

Finally, we incorporate political donations from the Database on Ideology, Money in Politics, and Elections (DIME), which contains over 850 million contribution records since 1979. We match attorneys to donation records using their names and addresses and verify the matches by using the employer or title listed on the contribution record. We infer an attorney's political ideology from their donation recipients.

Among the 4,457 SEC attorneys in our sample, we identify voter registration records for 3,908 individuals and political donation records for 2,320 individuals. Using these sources, we construct a time-varying measure of political leaning. We first classify individuals as Democratic, Republican, or Independent based on the declared party affiliation and participation in primary elections. For attorneys whose political leaning remains ambiguous, either due to missing voter records or classification as Independent, we use political donations to classify their political leanings. We classify an attorney as Democratic (Republican) if at least 60% of their inflation-adjusted political contributions go to Democratic (Republican) candidates. The remaining individuals are classified as Independent. Using this approach, we classify the political affiliation of 4,031 attorneys, or 90.4% of the sample.

Internet Appendix IA.1.3 shows that political contributions and voter registrations constitute a meaningful proxy for the attorneys' voting preferences. Using administrative records from the State of Virginia that reveal individual-level participation in partisan primaries, we find that 83% of Democratic attorneys and 81% of Republican attorneys (according to said classification of their contributions) participate in the primaries of the respective party. Conversely, attorneys classified as independent are about equally split in their participation between the Republican and Democratic primaries. Using a similar approach, we also confirm that the party declared in the attorneys' voter registration records strongly predicts their participation in the respective primaries.

In addition to a discrete partisan classification, we employ a continuous measure of the politicians' ideology using the Campaign Finance Score (*CFscore*) from DIME. *CFscore* places politicians on a liberal–conservative spectrum, with negative (positive) values indicating more liberal (conservative) preferences. The score is developed in Bonica (2014) by applying a scaling model to the universe of campaign contributions.

[2] The thirteen states for which we do not have voter registration data include Arizona, Indiana, Iowa, Kentucky, Maine, Montana, New Hampshire, New Mexico, North Dakota, Tennessee, South Carolina, South Dakota, and West Virginia.

2.2.2 Education and Professional Career

We construct a database of attorneys' professional credentials by combining several sources. We begin with matching attorneys to their professional profiles in Revelio Labs, a data provider that collects online resumes from LinkedIn and other professional platforms. For the attorneys' employment spells within the SEC, we use the payroll data to obtain their salary, bonus, work location, year of entry, and rank at an annual frequency.

We augment this information with data from Avvo, a directory of legal professionals. Avvo reports attorneys' education, practice areas, and work histories. For attorneys with missing data, we collect this information manually from SEC press releases, state bar websites, and law firm biographies. Using a combination of these sources, we identify the law school for 3,784 SEC attorneys (85% of our sample). We also collect law schools' locations and median LSAT scores from the American Bar Association.

2.2.3 Demographics, Home Origin, and Personal Data

We collect attorneys' demographics (gender, age, race, home state, and immigrant status) from LNPR, which compiles these data from state vital records, social security records, and other sources. LNPR includes partial SSNs (with the exception of the last four digits), allowing us to identify an attorney's home state and immigrant status. Using the first five digits of the SSN, we decode its state and year of issuance. We define an attorney's home state as the state where they obtain their SSN.[3] We classify an attorney as an immigrant if they receive their SSN after age 20. We classify an attorney as a minority if their race is other than White and non-Hispanic.

2.3 Enforcement Activity

We source enforcement cases from the Securities Enforcement Empirical Database (SEED), which provides information at the case-defendant level, including details on case outcomes. We crosscheck and complement each case outcome with official sources, such as SEC press releases and court docket filings, as detailed in Internet Appendix IA.3. We focus on civil actions and administrative proceedings from 2002 to 2023, a period when we can observe the enforcement team. We hand-collect attorney names, case outcomes and sanctions, defendant identities, and additional case characteristics, including the filing date, trigger date, first resolution date, Department of Justice involvement, and indicators for fraudulent conduct. We also identify the violated statutes and classify these violations using the provisions cited in each enforcement action, as detailed in Internet Appendix IA.3.6. This classification allows us to construct granular controls for the nature of the alleged misconduct.

[3] For SSNs issued before June 2011, the first three digits indicate the state or territory where the person applied for their SSN.

We identify the case supervisor as the highest-ranked agent on the enforcement team. When multiple individuals share the highest rank, we select the individual with the highest salary. Following this procedure, 84% of cases have a single supervisory attorney. For the remaining 16% of cases with multiple potential supervisors, we manually inspect their titles using court dockets, SEC press releases, and other publicly available sources to break ties (e.g., an Associate Regional Director is more senior than an Assistant Regional Director). To measure the defendants' political leaning, we follow the same approach as for SEC attorneys, relying on LNPR, voter registrations, and political contributions. When the defendant is a firm, we use the partisan affiliation of its CEO at the time of case filing as a proxy for the defendant's political orientation.

Our enforcement sample consists of 486 cases, 593 unique defendants (215 firms and 378 individuals), and 701 case-defendant observations, with an average of four attorneys per case. Nearly all defendants (89.3%) resolve their cases via settlement, and 4.1% receive an SEC dismissal. Approximately 65% of cases result in monetary sanctions, which include civil penalties, disgorgement, and judgment interest. The monetary sanctions amount to $26 million for the mean case and $116 billion for our sample, highlighting their economic importance. In addition to monetary sanctions, 52% of case resolutions impose nonmonetary sanctions on executives, such as industry bars and director-officer bars, which restrict the defendants from serving in future leadership roles.

2.4 The Legal Profession

To construct a comparison group within the legal profession, we use data from Revelio Labs and Avvo to identify the graduates of U.S. law schools who earn a JD but never join the SEC during their careers. Next, we determine the political affiliation of these non-SEC attorneys. We match them to state voter registration records using their full name, approximate age (inferred from graduation dates), and location history from employment records. Using this procedure, we establish unambiguous voter registration records for 446,854 non-SEC attorneys.

We obtain professional career histories for non-SEC attorneys from Revelio Labs. We classify their employers as government, nonprofit, higher education, courts, or private sector by providing the organization's name and website URL to the ChatGPT API. We also collect the attorneys' demographics, including gender, race, age, and immigrant status (proxied by an undergraduate degree from a foreign college). We exclude individuals with missing law school graduation years (required for cohort analysis) and those lacking any firm identifiers in their careers after law school (required for sorting between the private and public sectors). We also exclude attorneys who graduate after 2023 (the final year in our SEC payroll data) or before 1972. After imposing these filters, we end up with a comparison group of 365,908 attorneys who never join the SEC.

3 Descriptive Evidence

3.1 Comparing the SEC and Private Sector Attorneys

Panel A of Table 1 describes the SEC attorneys. This group consists of 58% males, 24% minorities, and 2% immigrants, and the average age is 40. SEC attorneys have strong academic credentials. They come from law schools with the average LSAT score in the 81st percentile, and over a third of them graduate from a top 14 law program.[4] The average SEC attorney stays with the agency for 12 years, earns an annual salary of $210,830, and owns real estate assets valued at $1.5 million (all monetary values in 2023 dollars).

Figure 1 classifies the first jobs of the SEC attorneys after law school. A half of them begin their careers at private law firms before transitioning into public service. Government positions account for another 43% of the initial placements, with the remaining 7% split between judicial clerkships, nonprofit, and higher education.

Panel A of Table 2 compares SEC attorneys with private sector attorneys, defined as those who never work for a nonprofit or for a government organization. Relative to the private sector attorneys, their SEC peers have stronger academic credentials, with twice as many graduates of Ivy League colleges (12.8% vs. 6.4%) and an 11 percentage point higher law school average LSAT score. SEC attorneys also have a significantly greater representation of minorities and immigrants than their private-sector peers.

3.2 The Liberal Tilt

Panel B of Table 1 shows that Democrats strongly outnumber Republicans among SEC attorneys, whether we focus on their party of registration (62% vs. 17%) or political donations (73% vs. 15%). The SEC attorneys are politically active, with 50% making political contributions during their lifetime. This contribution rate exceeds the respective statistics for corporate executives (40.5%), academics (17%), and the general public (1%).[5] Panel B of Table 2 shows that the partisan affiliation of the SEC attorneys is significantly more Democrat-leaning than that of their private sector counterparts, of whom 46% identify as Democrats and 26% as Republicans.

Figure 2 examines how the liberal tilt at the SEC varies over time and across its regional offices. The figure focuses on the SEC attorneys with clearly identified and invariant partisan beliefs—Democrats and

[4] Top 14 is a frequently cited list of elite law programs that includes Berkeley, Chicago, Columbia, Cornell, Duke, Georgetown, Harvard, Michigan, NYU, Northwestern, Stanford, UPenn, Virginia, and Yale.

[5] The contribution rate of executives is from Teso (2025). The contribution rate for academics is from the National Association of Scholars (https://www.nas.org/blogs/article/partisan-registration-and-contributions-of-faculty-in-flagship-colleges), and the contribution rate for the general public is from Open Secrets (https://www.opensecrets.org/elections-overview/donor-demographics).

Republicans—and excludes independents and minor parties (Figure IA.2 provides an equivalent plot with the inclusion of these smaller groups).

Panel A shows that the Democratic share among the SEC attorneys remains relatively stable before the financial crisis, hovering around 77%. After the financial crisis, it gradually increases, reaching 83% by 2023, while the Republican share declines from 22% to 17%. As a result, SEC Democrats consistently outnumber SEC Republicans by roughly four to one across all political administrations, with an upward drift in the Democratic share after the financial crisis.

Panel B places this trend in context by plotting the Democratic share among the SEC attorneys alongside three benchmarks: (1) other public sector attorneys involved in securities regulation,[6] (2) private sector attorneys, and (3) U.S. registered voters. The Democratic share among the SEC attorneys remains the highest throughout the sample period, averaging around 80%. Attorneys working for non-SEC securities regulators also lean liberal, with 71% identifying as Democrats, but the SEC's partisan tilt exceeds even this benchmark. By comparison, only 63% of the private sector attorneys and 48–53% of the general electorate identify as Democrats. These benchmarks highlight a roughly 20 p.p. partisan gap between SEC attorneys and their private sector peers, a 4–12 p.p. gap from peers at non-SEC securities regulators, and 30 p.p. gap from the general public. The liberal tilt at the SEC is not unique to attorneys. Based on a random sample of 73 SEC accountants, we find that 61% are registered Democrats, compared to approximately 40% of CPAs nationwide (untabulated).

Panel C reports the political affiliation of SEC attorneys for its headquarters and regional offices. All 12 offices are majority Democratic, with San Francisco, Boston, and New York exceeding 80%. Even in the least Democratic offices (Salt Lake City, Miami, and Fort Worth), the share of Democrats exceeds 60%. Thus, the SEC offices are consistently more Democratic than the surrounding electorates.

Panel D shows the partisan composition of new SEC attorney hires across presidential administrations. Our sample spans five presidents: two Republicans (Bush and Trump) and three Democrats (Clinton, Obama, and Biden). Across all administrations, at least 70% of the new entrants are Democrats. While the share of Democrats

[6] This group includes attorneys with at least one year of employment at a non-SEC securities regulator during 1996–2023. The list includes the CFTC, FINRA, SIPC, NASAA, PCAOB, and 20 state regulators known as "Blue Sky." We identify those employers by matching each state's official securities website domain to the Revelio company database. The combined benchmark covers 6,857 attorney-years. Because donation records are unavailable for attorneys in the benchmark groups, we rely on voter registration to measure political affiliation for all groups, including SEC attorneys, to ensure comparability across all groups.

among the new hires tends to be higher under Democratic presidents, Democrats represent most of the new hires under every administration in our sample.

Figure 3 focuses on political donations, zooming in on the most politically active segment of the SEC's legal staff. Panel A shows the share of SEC attorneys making political contributions over time, distinguishing between donations to Democrats (blue) and Republicans (red). The contributions are limited to those made during the attorneys' professional appointment at the SEC. Using a two-election-cycle rolling average, political giving rises sharply from 2.6% of attorneys in 1998 to 18.5% in 2024. Contributions are overwhelmingly Democratic throughout, ranging from 70% to over 90% and increasing further after the financial crisis.

Panel B examines the attorneys' ideological positioning using the CFscore of their donation recipients, where negative values indicate more progressive orientation (Bonica, 2014). The data reveal a pronounced leftward skew. Fewer than 20% of the SEC attorneys support conservative orientations (positive values). The SEC attorneys are substantially more progressive than lawyers overall (median CFscore ≈ -0.72), and markedly more progressive than CEOs and enforcement defendants (median CFscore ≈ +0.4). These gaps correspond to approximately 0.3 and 1.8 standard deviations of SEC attorneys' ideological distribution, respectively.

Panel C plots changes in the ideological distribution of SEC donors between 1996 and 2023. The largest gains occur in the most progressive ranges (CFscore < -1), while the conservative-leaning bins decline by 5–10 p.p. Panel D tracks the median donor's ideology over time using a progressive score (-CFscore). The median donor remains consistently progressive and drifts modestly leftward, moving from a position near Abigail Spanberger in 1996 to one close to Joe Biden by 2023, and never crossing into the conservative territory.

In summary, we find a strong and persistent liberal tilt among SEC attorneys. This tilt contrasts with the statutory bipartisan balance at the Commissioner level and underscores the importance of studying career bureaucrats separately from political appointees.

4 The Origins of the Liberal Tilt

This section examines the factors contributing to the liberal tilt, focusing on two primary channels. First, we study a preference-based explanation, asking whether Democratic and Republican attorneys differ in their propensity to sort into the SEC and to remain in public service. Second, we examine the role of market forces, focusing on how the pay gap with the private sector shapes the attorneys' willingness to enter and remain at the SEC. We conclude by discussing additional factors, such as the SEC's hiring practices.

4.1 Public Service Preferences

Theory postulates that government agencies attract people with a preference for public service and social goods (Besley and Ghatak, 2005). In the general population, surveys reveal a significant partisan contrast on these dimensions, with Democrats expressing stronger preferences for service and societal impact, and Republicans emphasizing a small government and less regulation (Pew Research Center, 2017; 2024). If these preferences extend to law school graduates, Democratic attorneys should be more likely to enter the public sector in general and the SEC in particular, remain with the agency longer, and, upon exiting the SEC, continue to select into mission-oriented organizations.

4.1.1 Joining the Public Sector

We test whether Democratic attorneys are more likely to join public service by estimating the following selection equation using ordinary least squares:

$$Public\ Service_{it} = \beta_1 DemVoter_i + FE_{it} + \epsilon_{it} \quad (1)$$

The dependent variable equals 100 if an attorney i, graduating in year t, joins the public service—defined as government or nonprofit employment—at any point after graduation. The key regressor, $Dem\ Voter_i$, equals one if the attorney is identified as a Democrat, and zero otherwise, based only on voter registrations to ensure consistent measurement across attorneys. FE_{it} represents the fixed effects included in the specification, as explained below. We exclude attorneys affiliated with independent or minor parties.[7] Accordingly, β_1 captures the partisan gap between Democratic and Republican attorneys in the propensity to enter public service.

Panel A of Table 3 reports the results. Column 1 includes no controls or fixed effects. Column 2 adds graduation-cohort fixed effects, absorbing common macroeconomic conditions in the legal labor market as well as cohort-specific political environments. Columns 3–6 progressively interact cohorts with gender, race, state of origin, and the law school's state to absorb the heterogeneity across these factors. These interactions account for the correlation between these personal characteristics and political beliefs. For instance, attorneys may prefer to work near their home state or law school, and because Washington hosts a large share of the federal workforce and is geographically closer to Democratic-leaning states, local hiring could generate partisan differences. The inclusion of state of origin × cohort and law school state × cohort fixed effects nets out the effect of these factors.

[7] Our results are almost identical after including a separate dummy variable for independent/other affiliation in our analysis.

Likewise, race × cohort interactions account for the possibility that the government's tendency to hire minorities explains the results, since minorities are disproportionately Democratic. Columns 5 and 6 add an indicator for Top 14 law schools, capturing the effect of hiring from elite law schools. Finally, the most stringent specification in column 7 includes law school × cohort fixed effects, allowing us to compare graduates from the same law school and cohort (e.g., Yale Law Class of 2000) who share similar educational backgrounds but differ in political affiliation. This specification also controls for many unobserved differences, such as prestige and networks.

Across all columns, the coefficient on *Dem Voter* is positive and significant at 1%. According to column 7, Democrats are 7.16 p.p. (or 11.2%) more likely to enter public service than their Republican classmates who have similar demographics, graduate from the same law school class, and come from the same home state.

Next, we ask whether partisan sorting into public service extends to the SEC. Panel B re-estimates the same specification with the outcome redefined as an indicator for SEC entry, restricting the sample to attorneys who either work at the SEC at some point throughout their career or work exclusively in the private sector during their entire career. We find that Democrats are 0.80–1.46 p.p. more likely to join the SEC. This effect represents a 34–63% increase relative to the unconditional probability of SEC entry, an economically larger effect than that for entry into public service more broadly.

Panel C examines how attorneys sort within the public service, including all government agencies and nonprofits. We focus on attorneys who ever work in the public service and study the probability of them joining the SEC versus other organizations. We continue to find a positive and statistically significant partisan gap, though the magnitude attenuates as additional controls are introduced. In particular, once law school × cohort fixed effects are included, the partisan gap is not statistically significant. This suggests that conditional on selecting into public service, law school characteristics play an important role in determining which government agency attorneys join.

Panel D assesses all entry paths jointly using a multinomial logit model that simultaneously considers entry into the SEC, other public service, and the private sector (omitted category). Consistent with the earlier results, Democrats are more likely than Republicans to enter both the SEC and other public service organizations relative to the private sector. The economic magnitude of the partisan differential is roughly twice as large for SEC entry as for other public service positions (32% versus 14%).

4.1.2 Job Tenure and Exit from the SEC

We test whether Democrats remain at the SEC longer than Republicans by estimating the following model:

$$Exit_{it+1} = \beta_1 Dem_{it} + \gamma X_{it} + FE_{i(t)} + \epsilon_{it} \quad (2)$$

Where the outcome variable, $Exit_{it+1}$, equals 100 if an attorney i leaves the SEC in year $t+1$. The variable of interest, Dem_{it}, equals one if an attorney is Democratic in year t and zero otherwise. While this specification accommodates temporal updating of partisan beliefs, party switching in our sample is very rare.[8] X_{it} represents a vector of attorney attributes such as gender, immigrant status, and local origin (whether the attorney's home state matches the state of their SEC office). FE_{it} denotes fixed effects, as discussed below.

Table 4 reports the results. Column 1 includes year fixed effects to control for macroeconomic conditions (e.g., labor market trends) and political administrations. Column 2 adds controls for gender and office × year fixed effects, capturing unobservable time-varying factors at the office level, such as regional office policies or local labor market thickness. Column 3 further adds immigrant status and local origin. Column 4 introduces office × rank × year fixed effects, comparing attorneys who work in the same office, in the same year, and at the same rank, but differ in political affiliation. Finally, column 5 incorporates law school × cohort fixed effects, which account for differences in ability, networks, and job prospects associated with law school status.

Across all specifications, Democrats are 1.4–1.9 p.p. less likely to exit the SEC, corresponding to a 21–27% lower exit rate compared to the mean. Male attorneys have higher exit rates, while local attorneys are marginally less likely to exit. Immigrant status has no consistent relationship with departures. The coefficient on the indicator *Dem* remains stable in magnitude as the model is saturated with tighter controls and fixed effects. This pattern suggests that partisan affiliation may capture persistent individual preferences in career choices.

4.1.3 Career Advancement and Leadership Roles

If Democrats remain at the SEC longer, they may be more likely to reach leadership positions. We test this conjecture in Table 5, which examines career advancement at the SEC. The outcome variables capture the attainment of managerial status (Supervisory Attorney-Advisor: columns 1–2) and executive status (Assistant

[8] We find only 93 instances of party switching, representing less than 0.3% of attorney–year observations. Among these, 33 involve a change from Democrat to Republican, 31 from Republican to Democrat, 20 from Independent to Democrat, and 10 from Independent to Republican. Our results are virtually unchanged when we exclude these switchers from the analysis.

Regional Director, Chief Counsel: columns 3–4). We estimate linear probability models with SEC cohort fixed effects, comparing attorneys who enter the SEC in the same year.

We find that Democrats are 3.1–4.3 p.p. more likely than Republicans to reach managerial or executive ranks at the SEC, reflecting a 15–17% higher probability relative to the sample mean. Graduating from a top 14 law school is positively associated with promotion, while gender, geography, and regional office experience have mixed effects. Overall, Democrats remain at the SEC longer and are more likely to advance to managerial roles.

4.1.4 Post-SEC Careers

To the extent that Democratic attorneys' entry into the SEC reflects stronger alignment with the agency's mission, they should be more likely to transition into similar organizations after leaving the SEC. We test this prediction in Table 6 by estimating a linear probability model. In columns 1–4, the dependent variable is a binary indicator equal to 100 if an attorney joins a nonprofit organization immediately after leaving the SEC, and 0 otherwise. In columns 5–8, the dependent variable equals 100 if the departing attorney joins a nonprofit financial regulator (e.g., PCAOB or FINRA) immediately after leaving the SEC, and 0 otherwise.

Relative to Republicans, Democrats are 4.3–5.2 p.p. more likely to join a nonprofit organization after leaving the SEC, representing a 29–34% higher likelihood relative to the sample mean. Democrats are also 2.3–2.8 p.p. more likely to join a nonprofit financial regulator. Although the statistical significance is weaker, the economic magnitude remains large: the partisan gap in joining financial regulators represents a 46–56% increase relative to the mean. These results hold after including office × exit year fixed effects, which compare attorneys who leave the SEC in the same year and from the same office but differ in their political affiliation.

In summary, Democrats are more likely to join the SEC, stay longer, and achieve leadership roles. After leaving the agency, they continue to select nonprofit organizations, suggesting that their intrinsic job preferences likely contribute to the SEC's liberal tilt.

4.2 Responsiveness to Monetary Incentives

Another possible explanation for the liberal tilt among SEC attorneys is the partisan difference in the responsiveness to monetary rewards. Research suggests that Republicans respond more strongly to financial incentives, while Democrats tend to be more influenced by nonmonetary rewards and prosocial goals. This prediction follows from the theory of social preferences (Enke, Polborn, and Wu, 2025) and experimental evidence (see Rathje et al., 2025 for a review of this work). A stronger sensitivity to monetary incentives will make

Republicans less likely to join the SEC and more likely to leave the agency in response to an increase in the outside pay premium. In other words, Republicans' entry into and exit from the SEC will be more sensitive to the variation in the private market pay premium over government jobs.

To test this hypothesis, we construct a time-varying, position-specific measure of the private market pay premium. Since the top ten post-SEC destinations in the private sector are the largest private law firms (BigLaw), such as WilmerHale, Latham & Watkins, and Kirkland & Ellis, we use the salary scale for associates at these law firms. We obtain annual salary data from Biglaw Investors, which reports the prevailing industry pay scale for year 1 to year 8 associates between 2000 and 2023. Compensation at top law firms appears standardized. When industry leaders such as Cravath, Swaine & Moore announce annual adjustments to associate salaries, other elite firms often match these pay levels. These benchmark announcements are widely covered in the legal trade press (e.g., American Lawyer, Above the Law), which tracks BigLaw compensation across firms and over time.[9]

These compensation statistics are broken down by seniority, allowing us to estimate an attorney's private sector earning potential based on their SEC rank. We map entry-level SEC attorneys (SK-11/12) to third-year BigLaw associates, mid-level attorneys (SK-13) to fifth-year associates, and so on, and crosscheck this mapping against SEC disclosures. The SEC's Pay Parity Implementation Plan and Report (2002) notes that private sector offers for senior professional staff departing in 2000–2001 range from $185,000 to $250,000, closely matching our approximation of $154,000 to $250,000 for attorneys leaving the SEC at that time (SEC, 2002).

4.2.1 Career Stage of SEC Entry

If Republican attorneys are more focused on financial gains, they are likely to join the SEC when the private–public pay differential is smaller. Panel A of Table 7 reports the results, where we restrict the sample to the entry year of each SEC attorney. In columns 1–3, the dependent variable is the pay differential between the private sector and the SEC for that attorney in the year of entry. We regress this outcome on a Republican indicator (*Rep*), controlling for office and graduation year fixed effects to account for time-invariant differences across SEC offices and macroeconomic conditions in the job market. We also include observable attorney characteristics such as gender, immigrant status, local origin, and law school rank. We find that Republicans enter the SEC when the pay gap is $9,000–$11,400 smaller compared to their Democratic counterparts. This difference is economically significant, representing 15–19% of the standard deviation of the pay gap.

[9] See here, here, and here for justification.

The next three columns focus on career transitions. If Republican attorneys are more sensitive to financial gains, we expect them to enter the SEC earlier in their legal careers. This would help them accumulate government experience and human capital that can be monetized later in the private sector. Columns 4–6 examine whether attorneys join the SEC immediately after graduation, and columns 7–9 examine whether they enter following a judicial clerkship, a common path that allows the candidate to acquire additional legal training for the SEC.[10] Across all specifications, we find that Republicans are more likely to join the SEC earlier in their careers – that is, immediately after law school or after a clerkship. The partisan gap ranges between 33%–42% and 33%–44% relative to the sample means, respectively.

These findings are consistent with the interpretation that Republican attorneys view SEC employment as a means of acquiring training and credentials that can be used later in the private sector, in line with financial incentives. The gradual expansion of the private market pay premium during our sample period accentuates the tradeoffs between public service and monetary rewards and is associated with a persistent rise in the liberal tilt.

4.2.2 Career Stage of SEC Exit

If Republican attorneys place a higher weight on financial returns, their propensity to leave the SEC should increase when the private–public pay gap widens. Also, if Democrats' retention is associated with intrinsic alignment with the agency's mission, their exit behavior should be less sensitive to outside pay opportunities.

We test these predictions by augmenting the exit regressions in equation (2) with *Private–Public Pay Gap (%)*, defined as the percentage salary increase an attorney is expected to obtain by leaving the SEC for BigLaw, calculated as the attorney's potential private sector pay divided by the attorney's current SEC pay, minus 1. To facilitate a comparison of magnitudes, we standardize this variable by subtracting its mean and dividing by its standard deviation. Finally, we add the indicator *Dem,* which equals one if the attorney is a registered Democratic voter or donor, and the interaction of *Dem* with *Private–Public Pay Gap (%)*.

Panel B of Table 7 reports the results. The standalone coefficient on *Private–Public Pay Gap (%)* captures Republican attorneys' responsiveness to changes in the potential pay premium in the private sector. Across all specifications, the coefficient is positive and significant. In particular, a one–standard-deviation increase in the pay gap relative to its mean is associated with a 1–2 p.p. increase in the probability of leaving the SEC,

[10] For a description of law clerkship as a stepping stone for the SEC, please see: https://www.sec.gov/about/careers-securities-exchange-commission/students-recent-graduates-programs/chairs-attorney-honors-program.

corresponding to a 15%–30% increase relative to the mean exit rate. Focusing on Democrats, the negative coefficient on *Dem* indicates that at the mean pay gap, where *Private–Public Pay Gap* equals zero, Democratic attorneys are less likely to leave the SEC than Republicans. The interaction term *Dem* × *Private–Public Pay Gap* is also negative, suggesting that Democratic attorneys are less sensitive to increases in the pay differential between BigLaw and the SEC. Finally, we compute the total effect of a one–standard-deviation increase in the private sector pay premium on Democrats' propensity to leave the SEC, corresponding to the sum of coefficients on *Private–Public Pay Gap* and *Dem* × *Private–Public Pay Gap*. This effect, reported at the bottom of the Panel B, is positive but statistically indistinguishable in two of the three specifications. It suggests that large pay gaps have a subdued effect on Democrats' likelihood of exiting the agency. This is consistent with the prediction that mission alignment attenuates the role of financial incentives (Bénabou and Tirole, 2003).

4.2.3 Post-SEC Destination and Monetary Rewards

If financial considerations matter more for Republican attorneys, they should be more likely to take for-profit jobs when the private–public pay premium is large. In contrast, if Democratic attorneys are less sensitive to pay, their choice between for-profit and nonprofit jobs should be less sensitive to the pay differentials.

We test these predictions in Panel D of Table 7. The specification is similar to those in Panel B of Table 7, except that now the sample is limited to attorneys who leave the agency, and the dependent variable equals 100 if the attorney joins a nonprofit upon leaving the SEC and 0 otherwise. As in Panel B, the key independent variables are *Private–Public Pay Gap (%)*, the indicator *Dem,* and the interaction of *Dem* with *Private–Public Pay Gap (%)*. We find that the coefficient on *Private–Public Pay Gap (%)* is negative and statistically significant across all specifications, indicating that Republican attorneys are less likely to choose nonprofit employment when the private sector pay premium rises. In contrast, the effect is much weaker for Democrats, as shown by the positive and significant interaction term *Dem* × *Private–Public Pay Gap (%)*. The total effect of a rise in private sector pay premium on Democrats is statistically insignificant in two of the three specifications.

4.2.4 Alternative Explanations and Evidence from a Compensation Reform

One alternative interpretation that could account for the differential SEC entry and exit rates between Republicans and Democrats is the difference in their innate ability and outside options. For example, if Republican graduates demonstrate higher academic aptitude, they may have more outside options at law school graduation and, all else equal, will be less likely to join the SEC and more likely to leave the agency for the private sector.

While our tightest specifications compare graduates from the same schools and cohorts, it is possible that Republican-leaning attorneys from the same schools have stronger credentials, resulting in more outside options. To test this hypothesis, we hand-collect data on students' academic achievement for a random sample of 500 SEC attorneys, using law firm bios, LinkedIn Profiles, data from editorial offices, and SEC disclosures.

Table IA.2 examines whether the political affiliation of SEC attorneys correlates with academic credentials. We no significant differences in academic achievement between Republican and Democratic SEC attorneys, as proxied by their undergraduate honors, law school honors, or leadership positions with law school journals. We also obtain the same results when we compare the students within the same cohort or across different cohorts.

Academic achievement is only one proxy for innate ability, and it is possible that Republicans and Democrats differ along some other difficult-to-measure credentials important for labor market outcomes, such as professional connections. To address this possibility, we exploit a compensation reform that shrinks the pay gap between SEC attorneys and the private sector. This experiment allows us to test for the differential responsiveness to pecuniary motives between Republican and Democratic attorneys, while holding constant all of their credentials that remain invariant over the short horizon of the reform, such as innate ability, business ties, risk aversion, or endowed wealth.

In 2001–2002, the SEC received special pay authority and uniformly increased compensation for professional staff, including attorneys, according to a standardized federal pay scales. The reform was explicitly motivated by retention concerns and aimed to reduce the growing pay disparities between the SEC and the private sector (Kalmenovitz, 2021). Figure 4 shows that the reform increases the standardized SEC attorney pay by 36% from 2001 to 2002 (14.9% followed by 18.2%). By increasing SEC salaries, the reform compressed the private–public pay gap and temporarily weakened the relative financial incentives from the private sector. We use this compensation reform to study whether the effect of monetary rewards on attorney retention differs by their political leaning. We estimate the following difference-in-differences specification:

$$Exit_{i,t} = \beta_1 Rep_i + \beta_2 Rep_i \times Post_t + \lambda \quad (3)$$

The dependent variable equals 100 if an attorney exits the SEC in a given year, and 0 otherwise. We restrict the sample to a pre- and post-period around the reform (1998-2003) and include only attorneys employed at the SEC prior to 2001, thereby avoiding concerns of self-selection into the agency in response to the pay increase. *Post* is an indicator that equals 1 for the years after the reform: 2001–2003. The indicator *Rep* (β_1) captures baseline partisan differences in exit propensities prior to the reform, while the interaction term *Rep*× *Post* (β_2)

captures potential excess decline in exits among Republicans after the pay increase. We include progressively tighter fixed effects: year, office × year, and office × rank × year to absorb common shocks, office-specific trends, and career-stage differences, respectively.

Panel C of Table 7 reports the results. Across all specifications, Republican attorneys are significantly more likely to exit the SEC prior to the reform. However, this pattern reverses after the pay increase: the coefficient on *Rep* × *Post* is negative and statistically significant in all columns, indicating that Republicans' exit rates fall more than Democrats' after the reform. The magnitude of the interaction implies a large reduction in exits among Republican attorneys relative to their Democratic-leaning peers after the pay increase. Thus, the SEC's objective of slowing the revolving door was achieved primarily among Republican attorneys, who are generally more sensitive to private sector pay incentives.

In summary, Democratic and Republican attorneys appear statistically indistinguishable on measures of academic achievement. The SEC compensation reform induces a large and rapid compression of the private market pay premium. The evidence from the reform shows that Republicans respond stronger to monetary incentives, after holding constant their time-persistent characteristics.

5 Enforcement Outcomes

We examine how political alignment between enforcement attorneys and defendants is associated with an SEC's core function—policy enforcement. Enforcement actions present particular interest because they impose large consequences on sanctioned firms, including lawsuits and management removal (Feroz, Park, and Pastena, 1991), erosion in firm value (Gerken et al. 2025), and reputational costs (Karpoff, Lee, and Martin, 2008).

5.1 The SEC Enforcement Process

SEC enforcement actions typically begin with a trigger event, such a whistleblower tip or an investigative report, which signals a potential violation. After receiving the lead, enforcement attorneys assess whether it warrants an informal investigation, known as a Matter under Inquiry (MUI). The threshold for opening an MUI is low, requiring that the issue "have the potential to address conduct that violates the federal securities laws" and fall within the office's available resources (SEC Enforcement Manual, 2026). At this stage, career staff review public data, analyze voluntary disclosures, and conduct informal interviews.

Most MUIs are resolved or escalated within two months. If the enforcement staff decide that a formal investigation is warranted, they notify senior SEC officials and request subpoena authority. Upon receiving this

authority, the enforcement staff compel the production of documents and take sworn testimony. At this stage, staff may request financial records, emails, phone logs, travel records, and other personal data. A review of this evidence usually takes about a year (SEC Office of Inspector General, 2023).

If the enforcement staff conclude that charges are appropriate, they issue a Wells Notice, which informs the defendants of the potential charges and offers them an opportunity to respond. After reviewing the response, the enforcement staff decide whether to recommend that the Commission authorize an enforcement action, and if so, what are the proposed charges and sanctions.

The enforcement staff have significant room for discretion. Monetary penalties are governed by statutory tiers with maximum limits but no formulas, leaving the SEC staff with flexibility in classifying and counting violations, selecting penalty tiers, and calculating penalty amounts. The calculation of disgorgement also involves discretion in defining ill-gotten gains and determining whether, and to what extent, legitimate expenses are offset. In this process, enforcement attorneys may recommend reductions or waivers based on the defendant's cooperation. Finally, in addition to monetary sanctions, the enforcement staff may recommend industry and officer bars, which restrict the defendants from participating in regulated activities or executive roles. These bars are based on the attorneys' subjective assessments of the defendants' "fitness" to serve in the respective positions.

Upon reviewing staff recommendations, the Commissioners vote on whether to authorize the enforcement action. While the Commissioners may modify or reject staff recommendations, their discretion is constrained by the evidence collected by the enforcement team, as well as the transparency requirements imposed on the Commission under the Government in the Sunshine Act of 1976. In contrast, the investigative actions and internal judgments of enforcement attorneys remain largely outside the public view.

Once authorized, the SEC may pursue enforcement actions either through civil litigation in federal district court or administrative proceedings before an Administrative Law Judge. However, in practice, 89–94% of cases are resolved through settlement rather than trial, and the enforcement attorneys lead these settlement negotiations. Figure 5 summarizes the enforcement process, and Internet Appendix IA.4 offers additional details.

In summary, SEC attorneys have significant discretion in regulatory enforcement. They determine the pace and scale of the investigation, evaluate the evidence, classify and count the violations, negotiate settlements, assess the defendants' character, cooperation, and fitness to serve in regulated roles, and propose enforcement sanctions to the Commission. Next, we study whether staff discretion affects enforcement outcomes.

5.2 Do Career Attorneys Matter?

Table 8 studies whether enforcement attorneys have marginal effects on case outcomes after controlling for the SEC leadership, regional office fixed effects, and case characteristics. The table reports a sequential variance decomposition of monetary sanctions, focusing on the extensive margin (likelihood of penalties) and the intensive margin (natural logarithm of the penalty amount). Given the importance of the SEC leadership in prior work, we start with the SEC Chair and year fixed effects and progressively add the characteristics of the case staff at the lower levels in the agency's hierarchy, such as the enforcement office, the supervisory attorney, and the enforcement team, as well as case and defendant characteristics. Each entry reports the incremental increase in R^2 attributable to the corresponding block relative to the preceding specification.

We find several patterns. First, the evidence confirms the impact of the SEC chair on regulatory outcomes, consistent with setting enforcement priorities. The chair fixed effects capture 4.4–4.7% of the variation on the extensive and intensive margins, respectively. Second, after accounting for the SEC's top leadership, the supervisory attorney captures an additional 18–28% of the variation. This effect is several times greater than the combined contribution of the Chair and regional office fixed effects (6–9%). Third, after controlling for the supervisory attorney, the enforcement team characteristics add less additional power, suggesting that the case supervisor plays a key role in steering the enforcement team and formulating case recommendations.

In summary, career attorneys have an independently important effect on SEC enforcement actions beyond the political appointees. Relative to their regional office and delegates, the supervisory attorney on the enforcement case captures a meaningful share of variation in case outcomes, motivating our focus on these agents.

5.3 Partisan Alignment with Case Defendants

Figure 6 depicts partisan affiliations of supervisory attorneys and case defendants, such as CEOs and directors. The figure reveals a pronounced partisan contrast, with 58% of the defendants registered as Republicans and 76% of the attorneys registered as Democrats. Thus, many cases involve ideologically misaligned counterparties, motivating our focus on the role of misalignment in enforcement outcomes. In this analysis, our goal is to study a divergence of intrinsic beliefs, and we use partisan affiliation as one observable proxy for such core values.

The investigation process usually elicits the defendants' ideology. During the investigation, SEC attorneys examine a wide range of the defendants' private communications (emails, phone records, and text messages), monitor their media activity, and investigate professional ties, including donations, lobbying, and connections to

various organizations. In addition, enforcement attorneys take sworn testimony from the defendants and engage with them in negotiations and communications, which provide additional signals of intrinsic values. This process is likely to reveal ideological distance indirectly and need not require a deliberate partisan focus.

Political misalignment between enforcement attorneys and defendants may intensify scrutiny, increase disagreement, and reduce the scope for compromise (Prendergast, 2007). These factors are particularly relevant in our setting, since nearly all cases involve settlement negotiations. In addition, when regulators and defendants are ideologically distant, they may also interpret the same facts and behaviors differently. For example, Cookson, Engelberg, and Mullins (2020) show that Republicans and Democrats draw different conclusions from the same public data. Finally, political distance may also affect the attorneys' subjective assessment of the defendants' character and fitness to serve in leadership roles that form the legal basis for industry and executive bars.

These mechanisms predict that the political misalignment between the defendant and supervisory attorney is associated with steeper sanctions. We test this prediction by estimating the following regression:

$$Enforcement\ Outcome_{c,d,t} = \beta \cdot Misaligned(supervisor)_{c,t} + \vec{X}_{c,t} + FE + \epsilon_{c,d,t} \quad (4)$$

We examine several enforcement outcomes. On the extensive margin, we study the incidence of monetary sanctions, industry and officer bars, and case dismissals. On the intensive margin, we examine the amount of monetary sanctions, defined as the sum of civil penalties, disgorgement, and prejudgment interest. The main independent variable is *Misaligned (Supervisor)*, an indicator equal to one if the supervisory attorney and defendant have opposing political affiliations.[11]

These specifications control for an array of case and defendant attributes relevant for sanctions. At the case level, we include statute fixed effects that capture law violations, as well as a granular array of indicators capturing specific legal provisions, such as Rule 10b-5 of the Exchange Act and Section 17(a) of the Securities Act. Because a defendant may violate multiple provisions, these indicators are not mutually exclusive. In addition to the provision violated, we add proxies for violation severity, such as the incidence of fraud, presence of scienter rather than negligence, Department of Justice involvement, and an SEC press release.[12] At the defendant level, we include indicators for the defendant type (e.g., firm, CEO, accountant, or broker), affiliation with an S&P 500 firm, and common aggravating and mitigating factors, such as prior criminal history and senior age, respectively.

[11] An earlier version of this paper used the partisan composition of the full enforcement team, rather than the supervisory attorney, as the primary independent variable. We reached similar conclusions.

[12] The SEC is more likely to issue press releases for cases involving more severe violations, a pattern we confirm in the data.

Our most stringent specifications include supervisory attorney fixed effects. These specifications absorb the effects of an attorney's time-persistent individual attributes such as intrinsic ideology, innate ability, specialization, and enforcement aggressiveness. These specifications account for the possibility that more aggressive or higher-ability attorneys receive more complex or egregious cases. The attorney fixed effects account for the persistent effect of such individual characteristics on enforcement outcomes.

Several other groups of fixed effects absorb heterogeneity relevant for case outcomes. Year fixed effects account for macroeconomic drivers of enforcement intensity, such as changes in the presidential administration, SEC Chair, and the agency's resources. Regional office fixed effects absorb systematic variation in office jurisdiction and enforcement practices. Industry fixed accommodate cross-sector variation in sanction severity. Controls for the enforcement team attributes (average tenure, salary, management share, elite education, and gender composition) account for the role of experience, authority, and human capital in enforcement outcomes.

Finally, we control for various sources of political alignment with the SEC Chair to account for their role in sanction approval. All specifications control for the defendant's partisan misalignment with the SEC Chair, and additional specifications control for the misalignment between the supervisory attorney and the SEC Chair.

Table 9 shows that political misalignment between the defendant and the supervisory attorney is associated with more severe monetary sanctions. In column (5), misalignment is associated with a 42% increase in monetary penalties ($\exp(0.35) - 1$), corresponding to a $10.7 million increase over the sample mean. Column (10) shows that misalignment is also associated with a 7 p.p. increase in the probability of any penalty, approximately 10% of the sample mean. The estimated effects are stable across specifications as we progressively add violation provision fixed effects, office fixed effects, defendant characteristics, and supervisory attorney fixed effects.[13] We formally assess robustness to omitted variable bias using the Oster (2019) coefficient stability test: $\delta = 6.5$ for dollar penalties, indicating that selection on unobservables would need to be nearly six times as strong as selection on observables to explain away the estimated effect.

Table 10 examines whether misalignment also affects non-monetary sanctions: the likelihood of being barred from the securities industry or from serving as a director or officer. The coefficient on *Misaligned (supervisor)* is positive across all specifications and statistically significant in three of the four specifications. The

[13] While point estimates remain virtually unchanged as we add supervisory attorney fixed effects, statistical significance declines due to the loss of power: identification relies only on supervisors who handled both aligned and misaligned cases.

corresponding Oster δ is -13, suggesting that unobserved selection would need to be substantially stronger than selection on observables and operate in the opposite direction to eliminate the result.

Table 11 examines whether misalignment is associated with the likelihood of case dismissal, where the SEC drops the case. The coefficient on *Misaligned (supervisor)* ranges from −0.03 to −0.04 for SEC dismissals. These are economically large effects relative to the mean dismissal rate of 4%.

This evidence suggests that political misalignment between the supervisory attorneys and defendants is associated with more severe sanctions for cases with reportedly similar violations. If the political misalignment is also associated with a more severe classification of the same misconduct or a more aggressive counting of the violations, our estimated magnitudes represent a lower bound of the economic effects on case outcomes.

In summary, political misalignment between the defendant and the supervisory attorney is associated with a higher probability of monetary sanctions and industry bars and a lower likelihood of case dismissal. On the intensive margin, misaligned cases are associated with greater penalty amounts.

5.4 Endogeneity and Robustness

5.4.1 Determinants of Case Assignments

We alert the reader that political misalignment between the attorneys and defendants may be correlated with case assignments. Although supervisory attorney fixed effects absorb persistent personal characteristics, it is possible that more severe cases are assigned to supervisors whose political affiliation differs from the defendants'.

Table 12 examines the role of political alignment in case assignments to SEC offices (Panel A) and supervisory attorneys (Panel B). In Panel A, the unit of observation is an office–case, and the dependent variable is an indicator equal to 100 if an office is selected to litigate a given enforcement action, and 0 otherwise. The variable of interest is the interaction term between the indicator for an SEC office with an above-median share of Democratic attorneys, *High Dem Office*, and the fraction of Republican defendants, *%Rep Def*. We standardize *%Rep Def* by subtracting its sample mean and dividing by its standard deviation. The specification also controls for institutional characteristics that may influence office assignment, including workforce size, geographic jurisdiction, educational credentials, and prior experience with the relevant case type.

We find no evidence that offices with a greater Democratic tilt are disproportionately assigned cases with Republican defendants. The coefficients on *High Dem Office* × *%Rep Def* are economically small and statistically

insignificant. Instead, office assignment is strongly related to institutional and organizational factors, including geographic jurisdiction, prior experience with the case type, headquarters status, and personnel size.

Panel B examines the assignment of supervisory attorneys within an SEC office. The unit of observation is a case–defendant–attorney triplet, and the dependent variable equals 100 if the attorney is assigned as the case supervisor and 0 otherwise. The sample is restricted to attorneys who supervise at least one case during our sample period. The key independent variable, *Misaligned (Party)*, indicates whether the attorney and defendant have opposite partisan affiliations. The specification also controls for attorney attributes relevant for case assignments, including rank, salary, tenure, educational credentials, expertise in the relevant case type, and prior caseload.

We find no evidence of partisan sorting at the attorney level. The coefficient on *Misaligned Party* is small and statistically indistinguishable from zero. Instead, case assignments to supervisory attorneys reflect institutional considerations such as the attorney's credentials, salary, subject-matter expertise, and prior caseload. Overall, neither office-level nor attorney-level assignment depends systematically on the political alignment between the enforcement staff and defendants.

Finally, we compare the observed distribution of political misalignment in case assignments with a conditionally random distribution. We simulate such a counterfactual distribution using 1,000 bootstrap iterations. In each iteration, supervisors are assigned according to predicted probabilities from a conditional logit model that internalizes the observable drivers of assignment, such as prior caseload, case-type experience, elite law school (top 14), salary, and tenure. Figure 7 plots the resulting distribution and compares it with the realized misalignment rate in the data. The observed misalignment rate is nearly identical to the average rate generated by the simulations. Thus, after conditioning on the institutional factors that shape case assignments, the political alignment between the supervisor and defendant appears to resemble a random draw. This evidence mitigates the concern that cases with particular characteristics are systematically assigned to politically aligned or misaligned supervisors.

5.4.2. Omitted and Unobservable Characteristics

Another possibility is that misaligned cases involve egregious violations uncaptured by our controls. To evaluate this possibility, we first compare aligned and misaligned cases across a broad set of observable case characteristics. Table IA.1 shows that the two groups are well balanced. They are statistically indistinguishable according to a variety of indicators of case complexity, alleged misconduct, and statutory basis for the charges. Thus, misaligned cases do not appear systematically different along observable dimensions.

However, reported case attributes may not capture some unobservable circumstances of the alleged misconduct. To test this possibility, we rely on market participants with monetary incentives to assess the severity of the alleged misconduct. In particular, we study stock-market reactions to the first public disclosure of the alleged misconduct, a trigger date many months before the future assignment of the SEC enforcement team.

Table 13 reports cumulative abnormal returns around both the trigger date and the resolution date. Around the trigger date, CARs are statistically indistinguishable between aligned and misaligned defendants across the [-1,+1], [-1,+5], and [-1,+10] windows. Panel B confirms this result in multivariate specifications controlling for fraud, Department of Justice involvement, press coverage, proceeding type, and industry fixed effects. Because trigger-date returns capture investors' assessment of the underlying misconduct when it first becomes public, the absence of a differential market reaction suggests that investors do not view misaligned cases as more severe.

By contrast, the resolution of misaligned cases triggers significantly more negative abnormal returns—between two and four percentage points over the [-1,+5] and [-1,+10] windows. These results hold in the univariate tests in Panel A and multivariate specifications in Panel C. The combined pattern suggests that misaligned cases are not viewed as more severe when the misconduct first becomes public. However, the resolution of such cases is associated with enforcement sanctions that the market views as significantly more severe.

Table IA.3. re-estimates our enforcement results after controlling for the market-based proxy for case severity—namely, the announcement return to the first disclosure of the alleged misconduct. For individual defendants, we calculate CARs using the publicly traded firm with which the defendant was affiliated at the time of the alleged misconduct. Because this information is available only for public firms, and because some defendants do not have a clean trigger date uncontaminated by other events, the sample is substantially smaller. We therefore begin in column (1) with a parsimonious specification controlling for *Misaligned (Supervisor)*, *Trigger CAR[-1,+10],* firm size, and basic case characteristics. The coefficient on *Misaligned (Supervisor)* remains positive and statistically significant. The coefficient on trigger-date CAR is negative, consistent with more adverse market reactions to the initial disclosure being associated with higher subsequent penalties.

Columns (2) and (3) add statute fixed effects, violation-provision indicators, and additional severity controls. The misalignment coefficient remains positive and statistically significant, while the coefficient on trigger-date CAR becomes smaller and statistically weaker, with (p)-values between 0.12 and 0.18. This attenuation is consistent with trigger-date CARs partly capturing observable dimensions of case severity. Columns

(4)–(6) repeat the analysis using an indicator for whether the defendant is barred as the dependent variable. The coefficient on *Misaligned (Supervisor)* remains positive and statistically significant across specifications, whereas the coefficient on trigger-date CAR is generally negative but statistically insignificant at conventional levels. Thus, the association between supervisory misalignment and enforcement outcomes persists after controlling for the market's assessment of the underlying misconduct when it first becomes public.

In summary, we find no significant correlation between the supervisory attorney's ideology and their assigned cases. After conditioning on the institutional drivers of case assignments, political alignment between the supervisor and the defendant approximates a random draw. Evidence from supervisory attorney fixed effects, coefficient stability tests, and market-based measures of case severity narrows the scope for an omitted variable, but does not rule out all forms of endogenous selection. A potential omitted variable would need to generate stricter sanctions for the same statutory violations, remain unobservable to investors, and vary within the same supervisor precisely in the direction predicted by defendants' ideological match. According to Oster's δ statistics, selection on unobservables would need to be between 2.9 and 13 times as strong as selection on observables to eliminate the estimated associations across the enforcement outcomes.

6 Conclusion

We extend inquiry from the political appointees who formulate financial regulation to the bureaucrats who translate it into practice. Our evidence highlights the importance of an understudied class of regulators and offers empirical support for the models of a bottom-up bureaucracy in which field agents shape regulatory outcomes. Our evidence shows the importance of political misalignment for case outcomes, but does not imply that this effect is necessarily inefficient. A comprehensive efficiency evaluation would require a general equilibrium benchmark for the optimal level of sanctions, and this direction presents an avenue for future research.

By studying one regulatory agency, we take a step toward understanding the sources and consequences of the partisan composition of unelected government agents and their marginal impact on policy implementation. We hope that future work will expand this focus to other government institutions, which collectively employ over two million civil servants responsible for day-to-day decisions across most sectors of the economy.

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Figure 1: Initial Placements after Law School

This figure shows the distribution of initial job placements of SEC attorneys after graduating from law school.

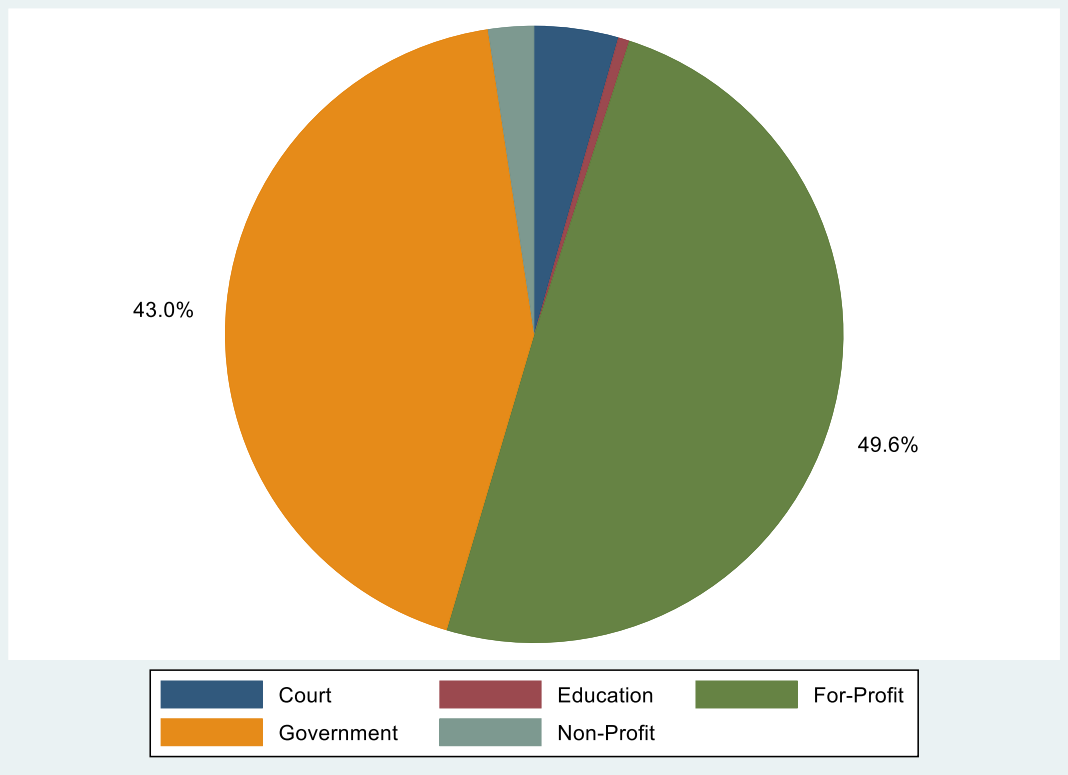
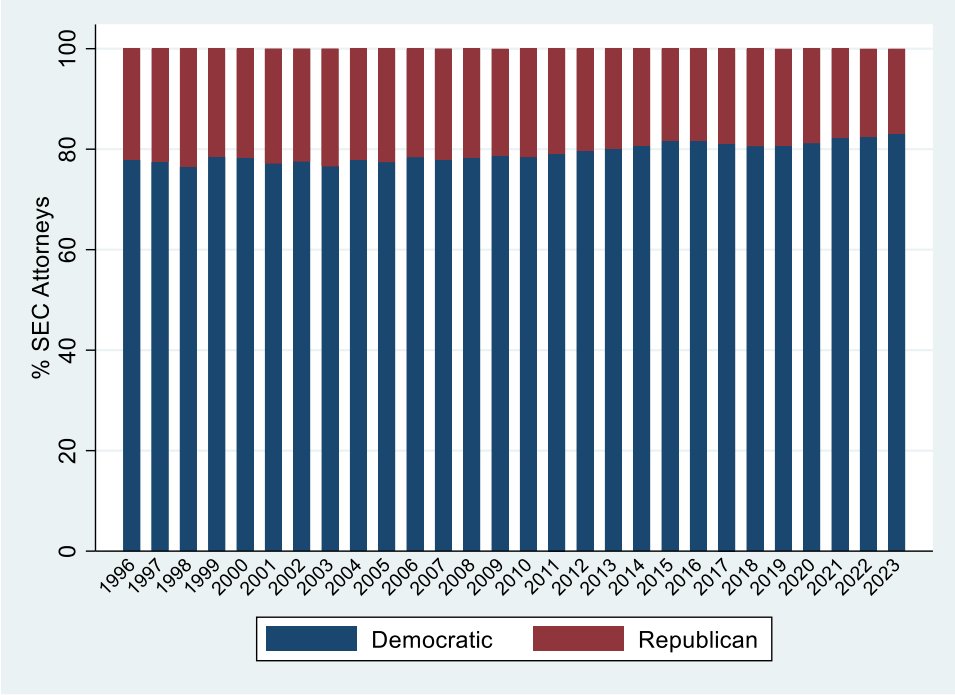


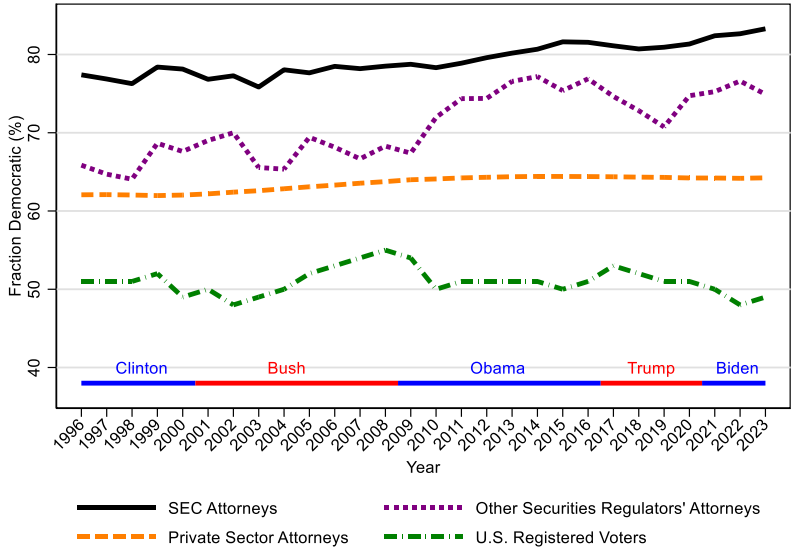
Figure 2: Party Affiliation from Voter Records

Panel A shows the annual share of SEC attorneys registered as Democrats or Republicans from 1996 to 2023. The blue portion of each bar represents the percentage of SEC attorneys registered as Democrats, and the red portion represents the percentage registered as Republicans. Panel B compares the annual share of Democrat among SEC attorneys (black solid line); Other Securities Regulators' Attorneys (dashed purple line), comprising attorneys employed at CFTC, FINRA, SIPC, NASAA, PCAOB, or a state securities regulatory agency, private sector attorneys, who have never worked in the public sector or for a nonprofit (orange dashed line); and all registered U.S. voters (green dashed line). Presidential administrations are indicated along the horizontal axis. Panel C shows the political leaning of SEC attorneys by office location. For each SEC office, the blue portion of the bar represents the percentage of attorneys registered as Democrats, and the red portion represents the percentage registered as Republicans. Panel D reports the political leaning of new SEC attorney hires across presidential administrations. The Democratic share is calculated using both voter registration and political donation records, except in Panel B.

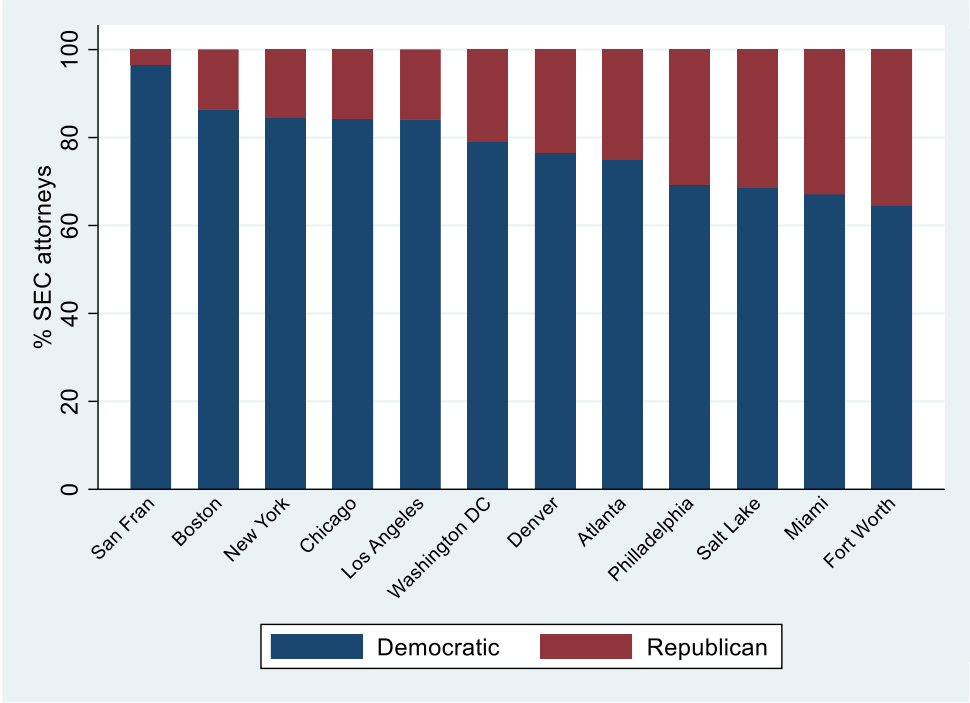
Panel A: Political Affiliation of SEC Attorneys Over Time



Panel B: Political Affiliation vs Benchamrks



Panel C: Political Affiliation by Office



Panel D: Political Affiliation of New Hires

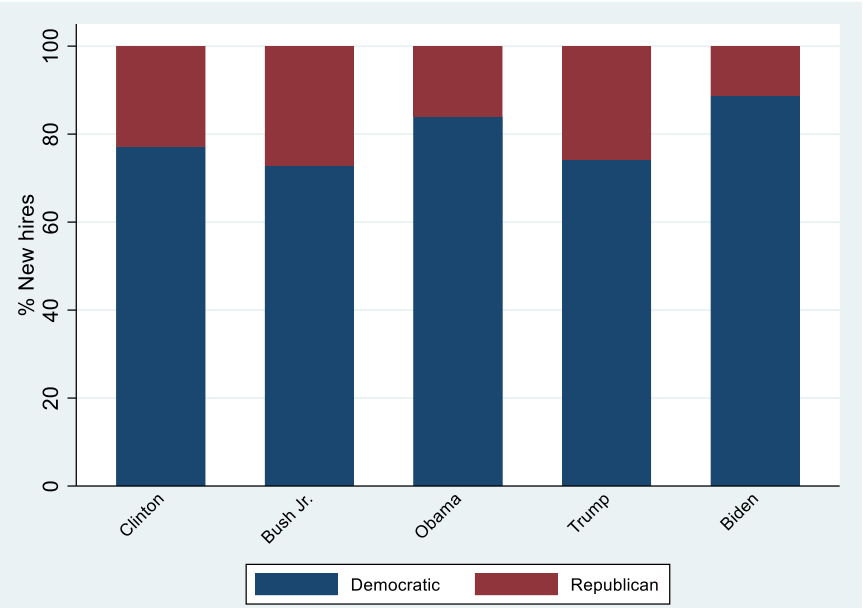
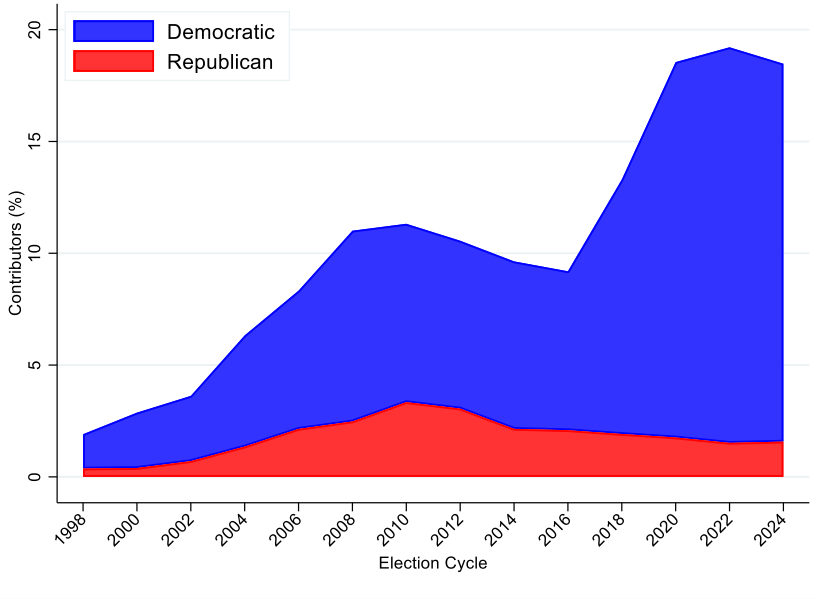


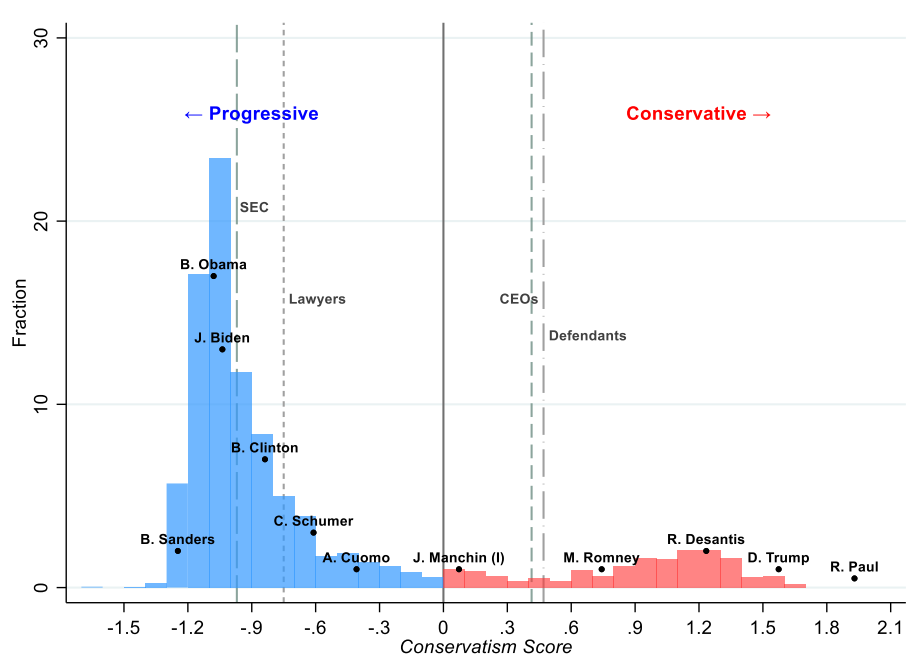
Figure 3: Political Donations of SEC Attorneys

This figure illustrates the political leaning of SEC attorneys based on political donations. Panel A shows the share of attorneys making political contributions over time. The blue shaded area represents the percentage of contributors donating to Democratic candidates, while the red shaded area represents the percentage donating to Republican candidates. Values are smoothed using a two-election-cycle rolling average to reduce short-term variation and highlight longer-term trends. Panel B displays the distribution of SEC donors across the conservatism score (CFscore) developed by Bonica (2014), with negative values indicating a more progressive orientation and positive values indicating a more conservative orientation. Panel C plots the change in the composition of SEC donors between 1996 and 2023 across different CFscores. Panel D plots the political leaning of the median SEC attorney over time, using the progressive score defined as CFscore multiplied by -1.

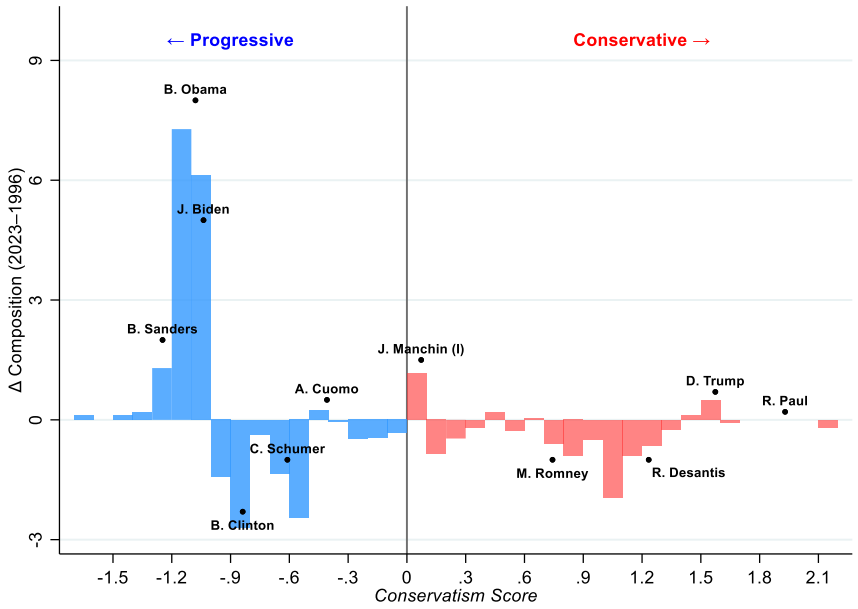
Panel A: Extent and Composition of SEC Donations



Panel B: Distribution of SEC Ideology



Panel C: Changes in the Distribution of SEC Ideology



Panel D: Political Leaning of the Median SEC Attorney Over Time

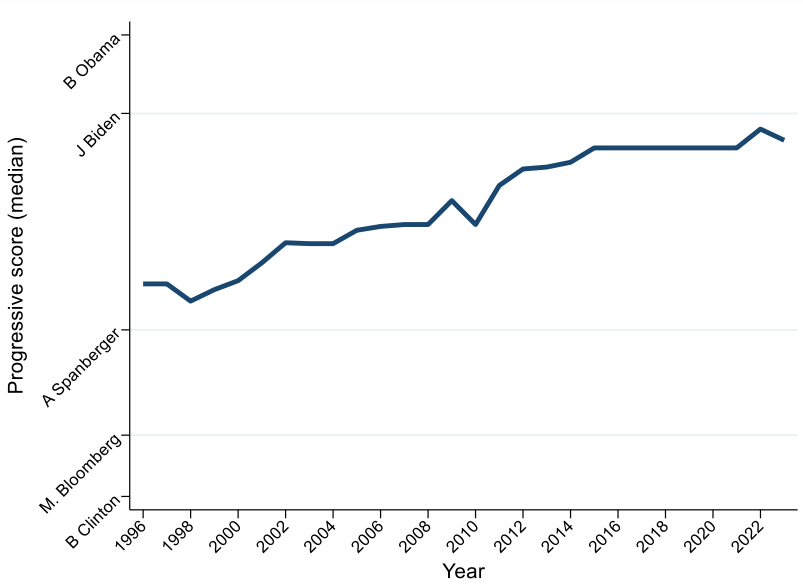


Figure 4: Annual Pay Growth Before and After the SEC's Pay Reform

This figure plots the average annual percentage increase in SEC attorney pay from 1998 to 2005. The vertical dashed lines mark the introduction of special pay authority in 2001 and the implementation of pay parity in 2002.

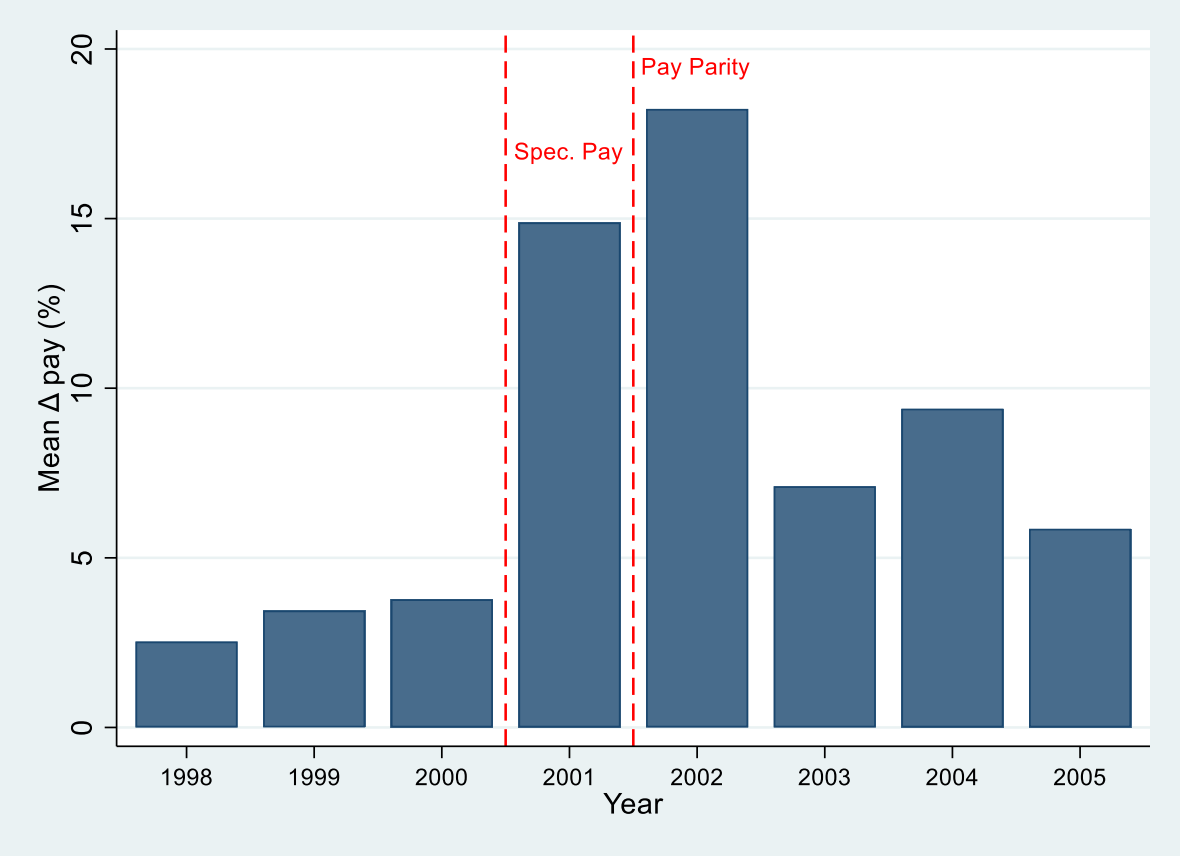


Figure 5: Investigation and Enforcement Process

This figure illustrates the stages of the SEC's investigation and enforcement process. The process begins when a trigger event, such as a whistleblower tip, brings potential securities law violations to the attention of the SEC. Career enforcement attorneys then assess whether to open a Matter Under Inquiry (MUI), which may escalate to a formal investigation with subpoena authority, a Wells Notice, a Commission vote, and ultimately case resolution through settlement or litigation.



Trigger event

Violations are revealed (e.g., restate earnings)

Informal Inquiry (Matter Under Inquiry, MUI) / **Formal Investigation**

Career staff

- Evaluate whether an investigation is warranted
- Obtain subpoenas for testimony and records
- Interview witnesses and obtain documents
- Analyze evidence and develop legal theories
- Supervisors conduct weekly/quarterly case reviews with staff

Well Notice

Staff notify the defendant that they intend to recommend enforcement charges. Opportunity for defendants to submit a Wells response

Career staff

- Review Wells response
- Meet with defendants
- Reassess evidence
- Conduct additional investigation if necessary
- Recommend whether to bring charges

Enforcement (Administrative or civil) / **Resolution**

Career staff

- Evaluate cooperation, mitigating, and aggravating factors
- Prepare recommendation for enforcement charges and penalties
- Negotiate potential settlements with defendants
- Litigate the case

Commissioners

- Vote to authorize enforcement action
- Approve settlements

Judges

- Approve settlement
- Adjudicate contested cases
- Determine remedies and sanctions after trial

Figure 6: Political Affiliation of Defendants and Enforcement Supervisory Attorneys

This figure reports the political affiliation of defendants and SEC supervisory attorneys. Individual defendant's political affiliation is measured using voter registration records and political contribution data. Firm defendant's political affiliation is proxied using the political leaning of its CEO. The political affiliation of supervisors reflects the political leaning of supervisory attorneys listed in complaints or SEC press releases for each case. Values represent shares within each group.

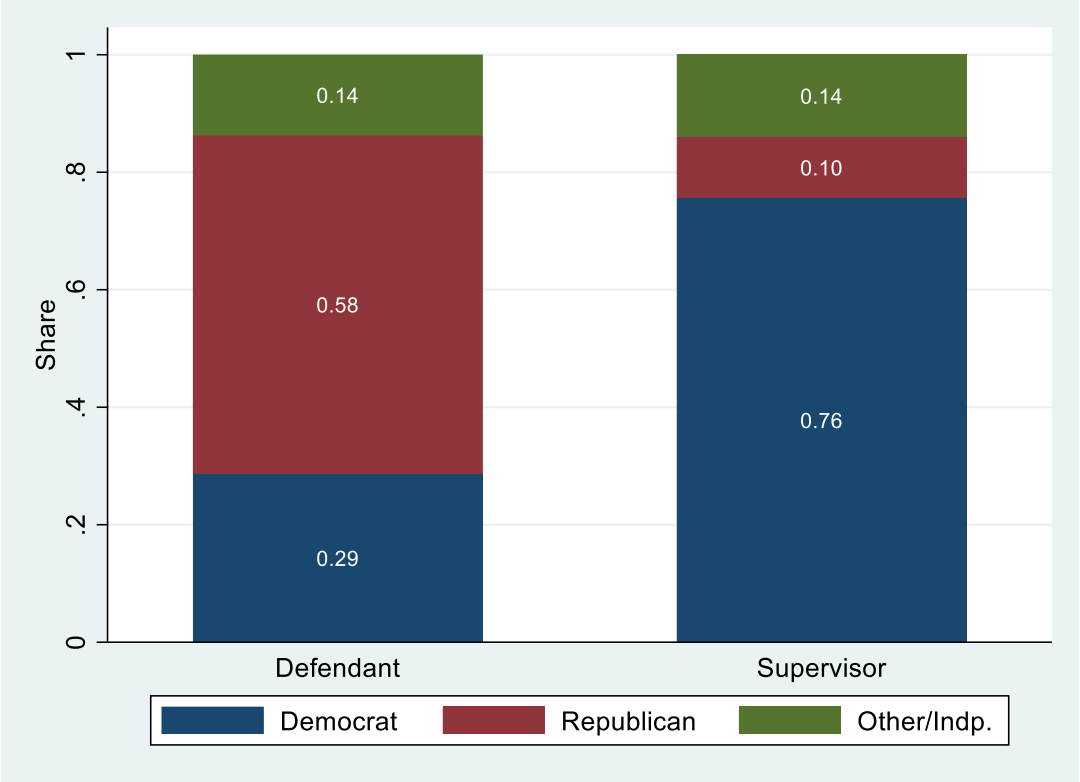


Figure 7: Counterfactual Simulation of Political Misalignment

This figure plots the distribution of simulated political misalignment rates under two counterfactual assignment procedures, each based on 1,000 bootstrap iterations. The blue dashed line shows the distribution of pseudo misalignment, which assigns supervisors according to predicted selection probabilities from a conditional logit model that conditions on observable assignment determinants, including prior caseload, past case experience, tenure, top 14 law school, and salary. The vertical dashed line marks the actual political misalignment rate observed in the data. The sample is restricted to case-defendants handled by attorneys whose political affiliation is identified and who were assigned to at least one case during the sample period.

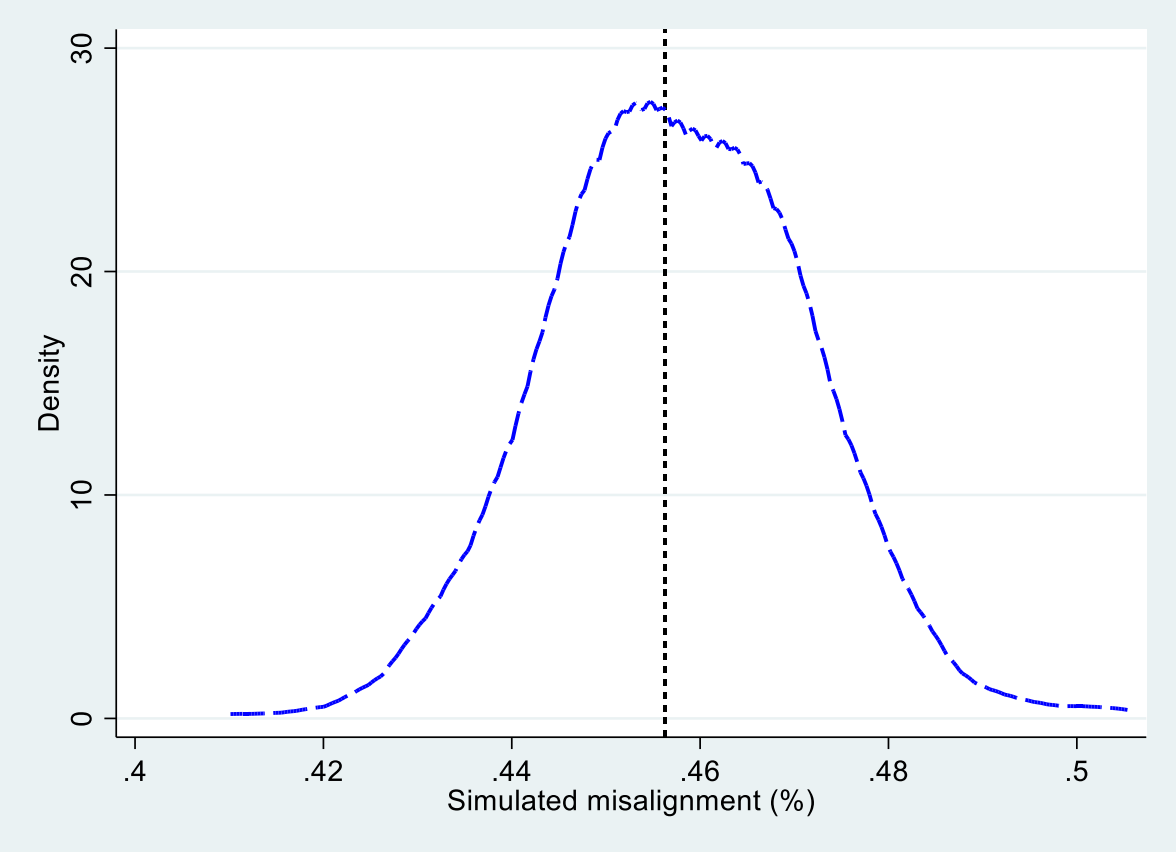


Table 1: Summary Statistics – SEC Attorneys

This table presents summary statistics for 4,457 SEC attorneys in the sample. Variables are grouped into five categories: demographics, education, career trajectory, financial attributes, and political leaning. For each variable, we report the mean, the 25th, 50th, and 75th percentiles, and the standard deviation. Variable definitions are in Table A1.

	Mean	P25	P50	P75	SD
Panel A: Demographics, Education, Career					
Demographics					
Male	0.58	0.00	1.00	1.00	0.49
Age	40.44	34.50	39.00	45.00	8.38
Immigrant	0.02	0.00	0.00	0.00	0.13
Minority	0.24	0.00	0.00	0.00	0.43
Education					
Top14 Law School	0.37	0.00	0.00	1.00	0.48
LSAT percentile	80.80	71.60	89.80	94.50	17.34
PhD	0.01	0.00	0.00	0.00	0.09
MBA	0.05	0.00	0.00	0.00	0.21
Other Master	0.11	0.00	0.00	0.00	0.32
Ivy League (Bachelor)	0.13	0.00	0.00	0.00	0.33
Top 20 (Bachelor)	0.19	0.00	0.00	0.00	0.40
Professional career					
SEC Tenure (Years)	11.65	4.00	8.00	17.00	9.82
Rulemaker	0.16	0.00	0.00	0.00	0.37
Max Rank	14.38	14.00	14.00	15.00	1.01
Regional Office Experience	0.39	0.00	0.00	1.00	0.49
Only SEC	0.09	0.00	0.00	0.00	0.29
1st Placement SEC	0.16	0.00	0.00	0.00	0.37
Financial attributes					
Median Salary ($000s)	210.83	168.96	217.55	247.48	51.94
Avg Bonus ($000s)	3.07	1.44	2.20	3.72	3.06
% Years with Bonus	0.34	0.09	0.33	0.50	0.27
Homeowner	0.75	1.00	1.00	1.00	0.43
#Properties currently owned	1.79	1.00	1.00	2.00	1.31
Primary home purchase price ($000s)	838.68	390.00	638.00	951.25	3235.90
Mkt value RE assets ($000s)	1524.54	696.90	1057.75	1678.34	3036.42
Panel B: Political attributes					
Registered Voter	0.85	1.00	1.00	1.00	0.36
Donor	0.50	0.00	1.00	1.00	0.50
$ Total Contributions ($000s)	16.91	0.41	1.73	7.58	89.44
# Total Contributions	40.19	3.00	9.00	30.00	231.23
$ Contributed at SEC ($000s)	2.65	0.17	0.48	1.49	14.89
# Contributed at SEC	7.25	1.00	3.00	7.00	15.28
% Donated to Democrat ($)	0.73	0.50	0.97	1.00	0.38
% Donated to Republican ($)	0.15	0.00	0.00	0.03	0.32
Dem Voter	0.62	0.00	1.00	1.00	0.49
Rep Voter	0.17	0.00	0.00	0.00	0.37

Table 2: Comparison of SEC and Private Sector Attorneys

This table compares the characteristics of 4,457 SEC attorneys with 161,452 private sector attorneys, where the latter are defined as attorneys who have never worked for the government nor for a nonprofit organization. Variables are grouped into five categories: demographics, education, career trajectory, financial attributes, and political leaning. For each variable, the table reports the mean for SEC attorneys, the mean for private sector attorneys, the difference in means, and the corresponding t-statistics. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions are in Table A1.

	SEC	Private Sector	Difference
Panel A: Demographics, Education, Career			
Demographics			
Male	0.583	0.550	0.032***
Immigrant	0.015	0.009	0.007***
Minority	0.242	0.167	0.075***
Age Grad Law School	26.830	27.376	-0.547***
Professional career			
LSAT percentile	80.797	70.120	10.677***
Top 14 Law School	0.372	0.136	0.236***
Ivy League (Bachelor)	0.128	0.064	0.065***
Top 20 (Bachelor)	0.194	0.128	0.066***
PhD	0.008	0.003	0.004***
MBA	0.047	0.045	0.002
Other Master	0.111	0.077	0.034***
Career trajectory			
1st Job placement in home state	0.261	0.428	-0.167***
Tenure per employer	7.354	10.671	-3.317***
Panel B: Political attributes			
Dem Voter	0.617	0.462	0.155***
Rep Voter	0.169	0.255	-0.086***
Inde/Other/Switcher Voter	0.214	0.282	-0.069***

Table 3: Political Leaning and Post–Law School Career Paths

This table examines how political leaning is associated with career choices after law school. The key independent variable is *Dem Voter*, an indicator equal to one if an attorney is a registered Democratic voter and zero otherwise. The sample excludes independent voters, voters affiliated with other parties, and party switchers. *Top 14 Law School* is an indicator equal to one if the attorney graduated from a Top 14 law school and zero otherwise. Panels A, B, and C report estimates from linear probability models. Panel A presents results for the full sample, where the dependent variable equals 100 if an attorney joined the government or a nonprofit organization in any year after graduating from law school and zero otherwise. Panel B restricts the sample to attorneys who either joined the SEC or worked only in the private sector after graduation, with the dependent variable equal to 100 if the attorney joined the SEC post-graduation. Panel C restricts the sample to attorneys who joined the public or nonprofit sector after graduation, with the dependent variable equal to 100 if the attorney joined the SEC post-graduation. Panel D reports estimates from a multinomial logit model, where the omitted category is joining the private sector post-graduation. Magnitude (% of Mean) is the percentage effect of *Dem Voter* relative to the sample mean of the dependent variable. Standard errors, clustered by the state of the attorney's law school, are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Full Sample							
Outcome:	I(Public service)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dem Voter	12.62***	10.13***	8.82***	8.31***	8.04***	7.69***	7.16***
	(0.56)	(0.47)	(0.50)	(0.47)	(0.43)	(0.46)	(0.38)
Top 14 Law School					3.68***	3.07*	
					(1.26)	(1.64)	
R2	0.014	0.123	0.131	0.147	0.148	0.163	0.198
N	245,574	245,574	245,574	209,023	209,023	209,023	209,023
Magnitude (% of Mean)	19.72	15.82	13.78	12.67	12.26	11.72	11.18
Panel B: SEC vs Private Sector							
Outcome:	I(SEC)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dem Voter	1.43***	1.46***	1.41***	1.38***	1.11***	0.98***	0.80***
	(0.24)	(0.24)	(0.22)	(0.22)	(0.20)	(0.16)	(0.14)
Top 14 Law School					4.23***	3.33***	
					(0.45)	(0.63)	
R2	0.002	0.005	0.049	0.080	0.089	0.122	0.178
N	88,691	88,691	88,691	72,334	72,334	72,334	72,334
Magnitude (% of Mean)	61.77	63.09	61.08	54.57	43.91	38.99	34.28
Panel C: SEC vs Other Public Service/Nonprofit							
Outcome:	I(SEC)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dem Voter	0.24***	0.35***	0.46***	0.40***	0.26***	0.18**	0.05
	(0.08)	(0.08)	(0.09)	(0.10)	(0.09)	(0.09)	(0.09)
Top 14 Law School					1.99***	1.66***	
					(0.35)	(0.37)	
R2	0.000	0.009	0.054	0.082	0.086	0.111	0.159
N	153,345	153,345	153,345	133,816	133,816	133,816	133,816
Magnitude (% of Mean)	17.93	26.48	34.18	29.20	18.98	13.54	3.87
Cohort FE	No	Yes	No	No	No	No	No
Cohort x Gender FE	No	No	Yes	Yes	Yes	Yes	Yes
Cohort x Race FE	No	No	Yes	Yes	Yes	Yes	Yes
Cohort x State Origin FE	No	No	No	Yes	Yes	Yes	Yes
Cohort x JD State FE	No	No	No	No	No	Yes	No
Cohort x Law School FE	No	No	No	No	No	No	Yes

Panel D: Multinomial Logit		
Outcome:	I(non-SEC Public service)	I(SEC)
	(1)	(2)
Democratic	0.459***	0.591***
	(0.0203)	(0.056)
Magnitude (% of Mean)	14.32%	32.41%
Cohort	Yes	Yes
Top14	Yes	Yes
N	239,974	239,974
Pseudo R2	0.1013	0.1013

Table 4: Political Affiliation and Exit

This table examines the relationship between political leaning and the likelihood of exiting the SEC. The dependent variable equals 100 if an attorney left the SEC in the following year and zero otherwise. The key independent variable is *Dem*, an indicator equal to one if an attorney is a registered Democratic voter or donor and zero otherwise. The sample excludes attorneys whose political affiliation is neither Democratic nor Republican. *Male* is an indicator equal to one if the attorney is male; *Immigrant* is an indicator equal to one if the attorney obtained a Social Security number after age 20; and *Local Origin* is an indicator equal to one if the attorney's home state matches the state of the SEC office where they work. Magnitude (% of Mean) is the percentage effect of *Dem* relative to the sample mean of the dependent variable. Standard errors, clustered at the attorney level, are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Outcome	*Exit*				
	(1)	(2)	(3)	(4)	(5)
Dem	-1.56***	-1.55***	-1.50***	-1.40***	-1.93**
	(0.40)	(0.41)	(0.47)	(0.48)	(0.96)
Male		0.85***	0.98***	0.93***	1.53**
		(0.29)	(0.34)	(0.35)	(0.72)
Immigrant			1.63	1.86	2.37
			(1.65)	(1.69)	(2.55)
Local Origin			-0.93*	-0.91*	-0.61
			(0.50)	(0.53)	(1.14)
Year FE	Yes	No	No	No	No
Office x Year FE	No	Yes	Yes	No	No
Office x Rank x Year FE	No	No	No	Yes	Yes
Law School x SEC Cohort FE	No	No	No	No	Yes
R2	0.015	0.025	0.031	0.068	0.181
N	31,346	31,240	23,752	23,745	18,792
Magnitude (% of Mean)	-23.42	-23.25	-22.56	-20.97	-26.54

Table 5: Political Affiliation and Career Achievement

This table examines the relationship between political leaning and career achievement at the SEC. We report estimates from ordinary least squares (OLS) models. In columns 1 and 2, the dependent variable equals 100 if an attorney achieved entry-level managerial status during their SEC career and zero otherwise. In columns 3 and 4, the dependent variable equals 100 if an attorney achieved executive status during their SEC career and zero otherwise. The key independent variable is *Dem*, an indicator equal to one if an attorney is a registered Democratic voter or donor and zero otherwise. The sample excludes attorneys whose political affiliation is neither Democratic nor Republican. *Male* is an indicator equal to one if the attorney is male; *Top 14 Law School* is an indicator for an elite law school; *Near DC Origin* is an indicator equal to one if the attorney's home state is in Washington, D.C., Maryland, or Virginia; and *Regional Office* is an indicator equal to one if the attorney has ever worked at an SEC regional office. Magnitude (% of Mean) is the percentage effect of *Dem* relative to the sample mean of the dependent variable. Standard errors, clustered at the attorney level, are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Outcome	*Manager*		*Executive*	
	(1)	(2)	(3)	(4)
Dem	4.26**	3.73*	3.48**	3.06*
	(1.88)	(2.02)	(1.67)	(1.80)
Male	2.79*	1.15	1.90	1.42
	(1.51)	(1.63)	(1.35)	(1.45)
Top 14 Law School		6.22***		7.82***
		(1.67)		(1.55)
Near DC Origin		0.95		-0.08
		(2.70)		(2.41)
Regional Office		-0.21		1.66
		(1.66)		(1.51)
SEC Cohort FE	Yes	Yes	Yes	Yes
R2	0.150	0.162	0.094	0.112
N	3,395	2,923	3,395	2,923
Magnitude (% of Mean)	15.59	15.12	16.97	15.44

Table 6: Political Affiliation and Post-SEC Destination

This table examines the relationship between political affiliation and post-SEC career choices, excluding internal transfers within the government. In Columns 1–4, the dependent variable equals 100 if an attorney joins a nonprofit organization after leaving the SEC. In Columns 5–8, the dependent variable equals 100 if an attorney joins a nonprofit financial regulator (i.e., the PCAOB or FINRA). The key independent variable is *Dem*, an indicator equal to one if an attorney is a registered Democratic voter or donor and zero otherwise. Attorneys with neither Democratic nor Republican affiliation are excluded from the sample. *Male* equals one if the attorney is male. *Log(Tenure)* is the natural logarithm of years worked at the SEC. *Top 14 Law school* equals one if the attorney graduated from a top 14 law school. *Immigrant* equals one if the attorney obtained a Social Security number after age 20. Magnitude (% of Mean) is the percentage effect of *Dem* relative to the sample mean of the dependent variable. Standard errors, clustered at the attorney level, are reported in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Outcome:	$NonProfit$				$FinRegulator$			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dem	5.22**	5.00**	4.38*	4.34*	2.33	2.68*	2.84*	2.76*
	(2.28)	(2.31)	(2.37)	(2.62)	(1.42)	(1.44)	(1.47)	(1.60)
Male			-3.67	-3.86			-0.42	-1.08
			(2.31)	(2.48)			(1.41)	(1.58)
Log(Tenure)			4.47***	5.17***			2.82***	3.00***
			(1.63)	(1.76)			(0.86)	(0.96)
Top 14 Law School			1.96	1.61			-1.32	-2.27
			(2.22)	(2.43)			(1.35)	(1.51)
Immigrant			-10.05*	-10.82*			0.84	1.31
			(5.56)	(6.55)			(5.14)	(5.61)
Office FE	Yes	Yes	Yes	No	Yes	Yes	Yes	No
Exit Year FE	No	Yes	Yes	No	No	Yes	Yes	No
Office x Exit Year FE	No	No	No	Yes	No	No	No	Yes
R2	0.017	0.039	0.054	0.114	0.018	0.039	0.048	0.084
N	1,209	1,209	1,177	1,177	1,209	1,209	1,177	1,177
Magnitude (% of Mean)	34.27	32.85	28.79	28.55	46.10	53.06	56.30	54.73

Table 7: The Role of Pecuniary Motives

This table examines how pecuniary incentives shape the SEC's liberal tilt. In all panels, *Dem* (*Rep*) equals one if the attorney is a registered Democratic (Republican) voter or donor. In Panel A, the outcome is the pay differential between the private sector and the SEC at the time of entry (columns 1–3); an indicator multiplied by 100 for joining the SEC immediately after law school (columns 4–6); or an indicator multiplied by 100 for joining the SEC as a law clerk (columns 7–9). Magnitude (% of SD) and Magnitude (% of Mean) report the size of the estimated Republican effect relative to the sample standard deviation and mean of the dependent variable, respectively. In Panel B, the outcome equals 100 if the attorney leaves the SEC in the following year. *Private–Public Pay Gap (%)* is calculated as $Private\ pay_{it+1}/SEC\ Pay_{it} - 1$ and standardized by subtracting the mean and dividing by the standard deviation. *Effect on Dem* and *P-value of effect on* report the change in Democratic attorneys' outcome propensity, as *Private–Public Pay Gap (%)* increases by 1-SD relative to its mean, and the corresponding p-value of a test of equality to zero. In Panel C, the outcome variable is similar to Panel B, but the sample is restricted to attorneys employed at the SEC prior to 2001 and to a ±3-year window around the pay reform, and *Post* equals one for years 2001 and later. In Panel D, the outcome equals 100 if the attorney joins a nonprofit rather than the private sector. Variable definitions are in Table A1. Standard errors, clustered at the attorney level, are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Entry Timing

Outcome:	Private Sector – SEC Pay			Fresh Graduate			Law Clerk		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Rep	-9,001.0**	-9,871.5**	-11,427.7**	8.3***	9.4***	10.5***	8.2***	11.0***	9.4***
	(4128.9)	(4,970.4)	(5,133.6)	(3.1)	(3.6)	(3.6)	(2.6)	(3.1)	(3.1)
Male		-2,763.5	-1,181.4		-3.7	-5.7*		-4.0	-1.7
		(4,565.6)	(4,663.4)		(3.0)	(3.1)		(2.5)	(2.5)
Local Origin		4,598.9	5,066.1		4.1	-0.5		-1.6	-1.2
		(6,273.6)	(6,465.3)		(4.5)	(4.4)		(3.9)	(3.8)
Immigrant		13,435.1	13,688.3		-11.5	-9.1		-16.0***	-11.4**
		(24,350.6)	(21,380.6)		(12.5)	(16.3)		(3.2)	(5.8)
Top 14 Law School			-135.4			-11.6***			-16.5***
			(5286.2)			(3.0)			(2.3)
Office FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Graduation year FE	No	No	Yes	No	No	Yes	No	No	Yes
R2	0.032	0.040	0.205	0.032	0.040	0.271	0.060	0.081	0.234
N	1,043	714	640	1,266	913	805	1,318	943	835
Magnitude (% of SD)	-14.84	-16.27	-18.98						
Magnitude (% of Mean)				32.87	37.52	41.90	32.67	43.99	37.54

Panel B: Exit Timing			
Outcome:		Exit	
Private-Public Pay Gap (%)	0.99**	1.08*	2.18***
	(0.43)	(0.61)	(0.65)
Dem x Private-Public Pay Gap (%)	-0.92**	-1.16**	-1.16**
	(0.45)	(0.55)	(0.55)
Dem	-1.32***	-1.45***	-1.33***
	(0.41)	(0.48)	(0.49)
Male	1.00***	1.02***	1.02***
	(0.29)	(0.35)	(0.35)
Immigrant		2.71	2.93
		(1.90)	(1.87)
Local Origin		-0.91*	-0.78
		(0.52)	(0.54)
Controls x Private-Public Pay Gap (%)	No	Yes	Yes
Year FE	Yes	No	No
Office x Year FE	No	Yes	No
Office x Rank x Year FE	No	No	Yes
R2	0.011	0.027	0.063
N	28,766	21,694	21,694
Effect on Dem	0.06	-0.08	1.02
P-value of effect on Dem	0.78	0.83	0.01
Panel C: SEC Pay Reform and Exits			
Outcome:		*Exit*	
	(1)	(2)	(3)
Rep	5.74***	6.08***	5.86***
	(1.70)	(1.72)	(1.77)
Rep x *Post*	-4.11**	-4.45**	-4.17*
	(2.09)	(2.12)	(2.17)
Year FE	Yes	No	No
Office x Year FE	No	Yes	No
Office x Rank x Year FE	No	No	Yes
R2	0.017	0.033	0.089
N	5,532	5,532	5,532
Panel D: Destination Choice Timing			
Outcome:		$NonProfit$	
	(1)	(2)	(3)
Private-Public Pay Gap (%)	-8.21***	-10.19***	-8.83***
	(2.31)	(2.61)	(2.93)
Dem x Private-Public Pay Gap (%)	5.61**	6.73***	6.76***
	(2.21)	(2.50)	(2.55)
Dem	1.71	1.80	1.81
	(2.68)	(2.95)	(3.04)
Male	-4.46*	-4.30	-4.86*
	(2.55)	(2.80)	(2.81)
Log(Tenure)			3.73*
			(2.11)
Top 14 Law School			1.83
			(2.87)
Immigrant			-11.74*
			(6.89)
Year FE	Yes	No	No
Office x Year FE	No	Yes	Yes
R2	0.037	0.115	0.126
N	1,013	1,013	992
Effect on Dem	-2.61	-3.46	-2.07
P-value of effect on Dem	0.15	0.10	0.39

Table 8: Variance decomposition

This table reports a sequential variance decomposition of $\log(\text{Penalties})$ and an indicator for whether penalties are imposed. The decomposition is based on a series of nested regressions in which fixed effects and observable characteristics are added sequentially. The specification begins with SEC Chair fixed effects and progressively adds year fixed effects, SEC office fixed effects, supervisory attorney fixed effects, observable case characteristics, defendant characteristics, and enforcement team characteristics. Entries report the incremental increase in R^2 attributable to each block relative to the preceding specification. The final row reports the share of variance that remains unexplained after including all fixed effects and controls in the full specification. Case characteristics include indicators for whether the case involves fraud, whether the Department of Justice is involved, whether the case is associated with an SEC press release, whether the action is administrative, and the statutory provisions allegedly violated. Defendant characteristics include indicators for whether the defendant is a firm or an individual leader, accounting- or broker-related roles, as well as the defendant's gender, age, and the number of alleged violations. Enforcement team characteristics include the fraction of team members with managerial rank, the fraction of male attorneys, and the average tenure, salary, and number of attorneys assigned to the case.

	$Log(Monetary\ Sanctions^{\$})$	$1(Monetary\ Sanctions)$
Chair FE	4.74	4.43
+ Year FE	11.34	4.22
+ Office FE	3.84	1.89
+ Supervisor FE	28.01	18.22
+ Case characteristics	29.89	27.20
+ Defendant characteristics	4.25	0.69
+ Enforcement team characteristics	0.29	0.90
Unexplained proportion	17.64	42.44

Table 9: Political Misalignment and Penalties

This table examines whether political misalignment between enforcement supervisors and defendants affects enforcement penalties. The unit observation is at the case-defendant-level. In Columns (1)–(4), the dependent variable is the natural logarithm of monetary sanctions, defined as the sum of civil penalties, disgorgement, and prejudgment interest. In Columns (5)–(8), the dependent variable is an indicator equal to one if the enforcement action results in monetary penalties and zero otherwise. The key independent variable, *Misaligned (supervisor)*, is an indicator equal to one if the supervisory attorney and the defendant have opposing political affiliations (e.g., a Democratic supervisor and a Republican defendant, or vice versa). Supervisors are identified as the highest-ranked individual on the enforcement team. When multiple supervisors are present, the supervisory team is classified as Democratic (Republican) if all supervisors are Democrats (Republicans). The regressions include several control variables. *Misaligned (SEC Chair)* is an indicator equal to one if the political affiliation of the SEC Chair differs from that of the defendant. *Misaligned (Sup & Chair)* is an indicator equal to one if the political affiliation of the SEC Chair differs from that of the supervisory attorney. Additional controls include indicators for Fraud, DoJ involvement, Press Release, and Administrative proceedings; indicator variables for the specific statutory provisions alleged in the case (*Viol provision indicators*); severity-related controls (Aided/Abetted, Control Person, Causing, Scienter, and Negligence/Internal Control); defendant characteristics, including age, gender, criminal history, indicators for firm, CEO, accountant, and broker defendants, and an indicator for whether the defendant was an S&P 500 firm (for individual defendants: whether they worked for an S&P 500 firm). and enforcement team characteristics, including the fraction of managers on the team, average tenure, the fraction of male attorneys, average pay, and the number of attorneys. Magnitude (% of Mean) reports the coefficient on Misaligned (supervisor) as a percentage of the sample mean of the dependent variable. δ reports the Oster (2019) coefficient stability statistic, measuring how strong selection on unobservables would need to be, relative to selection on observables, to explain away the estimated effect of supervisory misalignment. Industry is classified using 1-digit SIC codes. Standard errors are clustered at the case-defendant (Panel A) and supervisor-defendant (Panel B) level. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	$Log(Monetary\ Sanctions^{\$})$					$1(Monetary\ Sanctions)$				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Misaligned (Supervisor)	0.59***	0.59***	0.49***	0.35**	0.35*	0.06**	0.06**	0.07**	0.07**	0.06
	(0.17)	(0.17)	(0.16)	(0.16)	(0.20)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)
Misaligned (SEC Chair)	-0.14	-0.14	-0.33*	-0.37**	-0.36*	0.01	0.01	-0.01	-0.01	-0.02
	(0.19)	(0.19)	(0.19)	(0.17)	(0.22)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
Misaligned (Sup & Chair)				-0.24	-0.40				-0.05	0.00
				(0.22)	(0.46)				(0.05)	(0.06)
1(Fraud)	0.70**	0.71**	0.79***	0.22	0.40	-0.06	-0.04	-0.03	-0.03	-0.04
	(0.30)	(0.29)	(0.28)	(0.27)	(0.33)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)
1(DoJ)	0.16	0.31	0.34	0.24	0.47	0.10*	0.10*	0.07	0.07	0.01
	(0.33)	(0.32)	(0.36)	(0.34)	(0.43)	(0.06)	(0.06)	(0.06)	(0.07)	(0.10)
1(Press Release)	2.97***	2.80***	2.48***	1.08***	1.32***	-0.00	-0.02	-0.03	-0.00	-0.07
	(0.27)	(0.27)	(0.25)	(0.33)	(0.39)	(0.05)	(0.05)	(0.05)	(0.07)	(0.08)
1(Administrative)	0.98***	0.78**	0.46	-0.11	0.08	0.04	0.01	-0.00	0.00	-0.10
	(0.31)	(0.30)	(0.32)	(0.31)	(0.48)	(0.06)	(0.06)	(0.06)	(0.06)	(0.09)
1(Aided/Abetted)	-0.60**	-0.59**	-0.68***	-0.28	-0.02	0.09**	0.08**	0.10**	0.09**	0.07
	(0.27)	(0.26)	(0.24)	(0.23)	(0.29)	(0.04)	(0.04)	(0.04)	(0.04)	(0.06)
1(Control Person)	1.28***	1.02**	0.96***	0.83**	0.65	0.09	0.07	0.06	0.04	-0.03
	(0.49)	(0.49)	(0.34)	(0.33)	(0.40)	(0.07)	(0.07)	(0.08)	(0.08)	(0.09)
1(Causing)	-0.55	-0.66	-0.53	-0.36	-1.15	0.05	0.04	0.03	0.05	-0.02
	(0.47)	(0.44)	(0.51)	(0.48)	(0.74)	(0.07)	(0.07)	(0.07)	(0.07)	(0.10)
1(Scienter)	0.81***	0.80**	0.65**	0.76***	0.51	-0.03	-0.01	-0.00	-0.00	-0.08
	(0.24)	(0.32)	(0.30)	(0.28)	(0.45)	(0.04)	(0.06)	(0.06)	(0.06)	(0.08)
1(Neg./Intern. Control)	-0.02	1.04**	0.91**	0.33	0.22	0.09**	0.24***	0.22***	0.21***	0.20**
	(0.23)	(0.42)	(0.44)	(0.38)	(0.43)	(0.04)	(0.07)	(0.07)	(0.07)	(0.10)
1(S&P500)			0.53**	0.61***	0.87***			0.01	0.01	0.09*
			(0.21)	(0.19)	(0.26)			(0.04)	(0.04)	(0.05)
1(Related Case)						-0.79	-0.77***	-0.76***	-0.77***	-0.69***
						(0.05)	(0.05)	(0.06)	(0.06)	(0.09)
Team Char.	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Defendant Char.	No	No	No	Yes	Yes	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Statute FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Viol Provisions indicators	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Office FE	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Attorney FE	No	No	No	No	Yes	No	No	No	No	Yes
R2	0.572	0.623	0.704	0.753	0.859	0.416	0.432	0.446	0.454	0.591
N	456	456	453	453	453	701	701	694	694	694
Magnitude (% of Mean)						9.42	9.69	10.51	10.30	9.02
δ					6.5					3.6

Table 10: Political misalignment and Bars

This table examines whether political misalignment between enforcement supervisors and defendants affects the imposition of bars. The dependent variable, *1(Bar)*, is an indicator equal to one if the enforcement action imposes any bar and zero otherwise. The key independent variable*, Misaligned (supervisor),* is an indicator equal to one if the supervisory attorney and the defendant have opposing political affiliations. Supervisors are identified as the highest-ranked individual on the enforcement team. When multiple supervisors are present, the supervisory team is classified as Democratic (Republican) if all supervisors are Democrats (Republicans). The regressions also include Misaligned (SEC Chair), an indicator equal to one if the political affiliation of the SEC Chair differs from that of the defendant. Controls include indicators for CEO, Accountant, Broker defendants, and worked for S&P500 firm; case characteristics such as Fraud, DoJ involvement, Press Release, Administrative proceedings, and Related Case; as well as year and statute fixed effects. defendant characteristics, include age, gender, and criminal history. Enforcement team characteristics include the fraction of managers on the team, average tenure, the fraction of male attorneys, average pay, and the number of attorneys. Viol provision indicators are indicator variables for the specific statutory provisions alleged in the case. Magnitude (% of Mean) reports the coefficient on Misaligned (supervisor) as a percentage of the sample mean of the dependent variable. Industry is classified using 1-digit SIC codes. Standard errors, clustered at the case–defendant level, are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	1(Bar)				
	(1)	(2)	(3)	(4)	(5)
Misaligned (supervisor)	0.14***	0.12***	0.10**	0.09**	0.11**
	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)
Misaligned (SEC Chair)	0.05	0.06	0.03	0.01	0.02
	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)
1(Fraud)	0.39*	0.46**	0.45**	0.56***	0.28
	(0.23)	(0.23)	(0.21)	(0.22)	(0.23)
1(DoJ)	-0.03	0.02	0.02	0.05	0.26**
	(0.09)	(0.09)	(0.09)	(0.09)	(0.11)
1(Press Release)	-0.17	-0.16	-0.19	-0.09	-0.28
	(0.16)	(0.18)	(0.16)	(0.16)	(0.21)
1(Administrative)	0.49***	0.48***	0.46***	0.49***	0.44***
	(0.05)	(0.05)	(0.05)	(0.06)	(0.07)
1(Related Case)	-0.41***	-0.37***	-0.37***	-0.37***	-0.48***
	(0.05)	(0.06)	(0.05)	(0.06)	(0.08)
1(Aided/Abetted)	0.08	0.07	0.06	0.05	0.12
	(0.05)	(0.05)	(0.05)	(0.06)	(0.08)
1(Control Person)	-0.06	-0.05	-0.08	-0.04	-0.22*
	(0.10)	(0.10)	(0.10)	(0.11)	(0.13)
1(Causing)	-0.24**	-0.29***	-0.34***	-0.31***	-0.27*
	(0.11)	(0.10)	(0.12)	(0.11)	(0.14)
1(Scienter)	0.40***	0.37***	0.37***	0.36***	0.36***
	(0.06)	(0.08)	(0.08)	(0.08)	(0.12)
1(Negligence/Intern. Control)	0.13*	0.04	0.11	0.12	0.31**
	(0.07)	(0.12)	(0.12)	(0.12)	(0.14)
1(CEO)		-0.04	-0.05	-0.03	-0.08
		(0.06)	(0.06)	(0.06)	(0.06)
1(Accountant)		0.17**	0.11	0.08	0.09
		(0.07)	(0.07)	(0.07)	(0.09)
1(Broker)		0.12**	0.17**	0.23***	0.19
		(0.06)	(0.07)	(0.07)	(0.12)
1(S&P500)			-0.13***	-0.15***	-0.02
			(0.05)	(0.05)	(0.07)
Team Char.	No	No	Yes	Yes	Yes
Defendant Char.	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Statute FE	Yes	Yes	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes	Yes
Viol provisions indicators	No	Yes	Yes	Yes	Yes
Office FE	No	No	No	Yes	Yes
Attorney FE	No	No	No	No	Yes
R2	0.401	0.442	0.496	0.525	0.731
N	450	450	438	427	434
Magnitude (% of Mean)	27.79	24.77	22.46	20.61	21.79
δ					-13.0

Table 11: Dismissals

This table examines whether political misalignment between enforcement supervisors and defendants is associated with case outcomes favorable to the defendant. The dependent variable is an indicator for whether the SEC dismissed the case. The key independent variable, Misaligned (supervisor), equals one if the supervisory attorney and the defendant have opposing political affiliations. Supervisors are identified as the highest-ranked individual on the enforcement team. When multiple supervisors are present, the supervisory team is classified as Democratic (Republican) if all supervisors are Democrats (Republicans). The regressions also include Misaligned (SEC Chair), an indicator equal to one if the political affiliation of the SEC Chair differs from that of the defendant. Additional controls include indicators for CEO, Accountant, and Broker defendants; case characteristics such as Fraud, DoJ involvement, Press Release, and Administrative proceedings; as well as year and statute fixed effects. Standard errors, clustered at the case–defendant level, are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	1(SEC Dismissal)			
	(5)	(6)	(7)	(8)
Misaligned (supervisor)	-0.04***	-0.04***	-0.04**	-0.03*
	(0.02)	(0.02)	(0.01)	(0.02)
Misaligned (SEC Chair)	0.01	0.01	0.00	0.01
	(0.02)	(0.02)	(0.02)	(0.02)
1(Fraud)	0.00	0.02	0.04	0.02
	(0.03)	(0.03)	(0.03)	(0.03)
1(DoJ)	0.02	0.02	0.01	0.04
	(0.04)	(0.04)	(0.04)	(0.03)
1(Press Release)	-0.04*	-0.05**	-0.04	-0.03
	(0.02)	(0.02)	(0.03)	(0.03)
1(Administrative)	-0.06***	-0.06***	-0.07***	-0.05**
	(0.02)	(0.02)	(0.02)	(0.02)
1(Aided/Abetted)		-0.03	-0.04*	-0.04*
		(0.02)	(0.02)	(0.03)
1(Control Person)		-0.03	-0.03	-0.03
		(0.04)	(0.04)	(0.03)
1(Causing)		-0.02	-0.02	0.00
		(0.03)	(0.04)	(0.05)
1(Scienter)		-0.01	-0.01	0.02
		(0.02)	(0.02)	(0.03)
1(Neg./Intern. Control)		-0.03	-0.04	-0.02
		(0.02)	(0.03)	(0.03)
Team Char.	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Statute FE	Yes	Yes	Yes	Yes
Viol Provisions	No	Yes	Yes	Yes
Office FE	No	No	Yes	Yes
Attorney FE	No	No	No	Yes
R2	0.159	0.183	0.237	0.551
N	701	701	698	698
δ				4.9

Table 12: Office and Attorney Selection

Panel A examines the determinants of which SEC office is selected to litigate an enforcement case. The unit of observation is the office × case. The dependent variable equals 100 if at least one attorney from a given office is selected onto a particular case. ***High Dem Office*** is an indicator equal to one if the fraction of Democratic-leaning attorneys in the office is above the sample mean. ***%Rep Def*** is the fraction of defendants in the case who are Republicans. ***#Attorneys*** is the total number of enforcement attorneys in the office. ***1(In Jurisdiction)*** equals one if at least one defendant is located within the office's jurisdiction. ***1(Exp. on case type)*** equals one if at least one attorney in the office has prior experience litigating the same allegation type. ***1(Administrative)*** indicates administrative proceedings. ***HQ*** indicates DC. ***1(Non-Disclosure)*** equals one if the case is not related to disclosure or reporting requirements. ***Avg. Manager***, ***Avg. Tenure***, ***%Top-14 Law School***, ***Avg Salary***, and ***%Male*** capture average attorney characteristics at the office level. Panel B examines attorney selection conditional on a case drawing at least one attorney from a given office. The sample is restricted to cases in which at least one supervisor from an office is selected and attorneys who supervised at least one case during our sample period, and the unit of observation is the case × defendant × attorney. The dependent variable equals 100 if a given attorney from that office is selected to supervise the litigation against defendant for a particular case. *Misaligned Party* is an indicator equal to one if the attorney and defendant have opposing political affiliations (e.g., a Democratic defendant matched with a Republican attorney, and vice versa). *Team Size* is the total number of attorneys assigned to the enforcement team. Administrative indicates administrative proceedings. Tenure is the attorney's tenure. *Manager* equals one if the attorney holds a managerial rank. *Top-14 Law School* indicates whether the attorney received a JD from a top-14 law school. Salary is the attorney's salary, and Gender is the attorney's gender. Same Gender indicates whether the attorney and defendant share the same gender. *1(CEO)* equals one if the defendant is a CEO. *#Case(t-1)* number of cases the attorney worked on an enforcement case in the previous year. *#Case(t-1)^2* number of cases *1(Exp. on Case Type)* equals one if the attorney has prior experience with the same case type (e.g., insider trading; disclosure). All specifications include office × year fixed effects. Panel A and B clusters standard errors at the office and case level respectively. Magnitude (% of Mean) reports coefficients scaled by the mean selection probability.

Panel A: Office Selection			
Outcome:	*Office Selected*		
	(1)	(2)	(3)
High Dem Office	9.57*	0.38	-0.22
	(5.24)	(0.98)	(1.15)
High Dem Office x %Rep Def	0.47	0.69	0.69
	(0.66)	(0.51)	(0.53)
%Rep Def	-0.24	-0.33	-0.33
	(0.38)	(0.37)	(0.37)
#Attorneys		4.76*	4.90*
		(2.18)	(2.64)
1(In Jurisdiction)		20.48***	20.60***
		(3.47)	(3.41)
1(Exp. on case type)		3.75**	3.72**
		(1.48)	(1.67)
1(Administrative)		0.14	0.14
		(0.46)	(0.46)
HQ		14.21*	13.96
		(7.22)	(8.61)
1(Non-Disclosure)		1.01	1.00
		(1.25)	(1.31)
1(Non-Disclosure) x HQ		5.06***	5.03***
		(1.31)	(1.42)
Avg. Manager			-0.68
			(0.57)
Avg Tenure			-0.67
			(0.86)
%Top 14 Law School			0.95
			(0.91)
Avg Salary			-1.03
			(2.28)
%Male			0.19
			(0.63)
Year FE	Yes	Yes	Yes
R2	0.028	0.164	0.166
N	5,100	5,100	5,100
Magnitude (% of Mean)	5.68	8.25	8.31

Panel B: Supervisor Selection			
Outcome:	*Supervisor selected*		
	(1)	(2)	(3)
Misaligned Party	0.18	0.05	0.04
	(0.59)	(0.57)	(0.57)
Administrative		0.09	0.05
		(0.58)	(0.59)
Tenure		0.49	0.48
		(0.80)	(0.79)
Manager		-0.17	-0.10
		(0.37)	(0.38)
Top 14 Law School		1.55***	1.56***
		(0.60)	(0.60)
Salary		4.56***	4.72***
		(0.48)	(0.52)
Male		0.50	0.55
		(0.67)	(1.01)
#Case(t-1)		1.31***	1.32***
		(0.37)	(0.37)
#Case(t-1)^2		-0.07**	-0.07**
		(0.04)	(0.04)
1(Exp. on case type)		4.24***	4.25***
		(0.74)	(0.75)
Age Gap			0.36
			(0.36)
Same Gender			-0.09
			(0.94)
1(CEO)			-0.54
			(0.88)
Year x Office FE	Yes	Yes	Yes
R2	0.071	0.107	0.105
N	8,891	8,891	8,859
Magnitude (% of Mean)	2.61	0.72	0.64

Table 13: Cumulative Abnormal returns Around Trigger and Resolution Date

This table reports cumulative abnormal returns (CARs) estimated using the market model for publicly traded firm defendants in SEC enforcement actions. The sample is restricted to common stocks (share codes 11 and 12) listed on NYSE, AMEX, or NASDAQ. The estimation window is 252 trading days beginning 22 trading days prior to the event date, with a minimum of 60 observations required. Panel A reports mean CARs for the [-1,1], [-1,5], and [-1,10] event windows separately for defendants who are politically misaligned with their supervisory attorney and those who are not; differences are tested using a two-sample t-test with unequal variances. Panel B presents OLS estimates of the effect of political misalignment on CARs around the trigger date, defined as the earliest date on which the alleged violation becomes publicly known. Columns 1, 3, and 5 include no fixed effects; columns 2, 4, and 6 add case-level controls (1(Fraud), 1(DoJ Involvement), 1(Press Release), Administrative proceeding) and 1-digit SIC industry fixed effects. Panel C reports the same specifications for CARs around the resolution date, operationalized as the date on which a court formally enters judgment approving the enforcement settlement; the judgment date in practice coincides with or closely follows the SEC settlement date. Standard errors in Panels B and C are clustered by firm. *, **, *** denote significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Univariate Comparison

	Full Sample	Misaligned	Not Misaligned	Diff	T-statistics
Trigger date					
CAR [-1,1]	-0.080	-0.080	-0.078	-0.002	(0.932)
CAR [-1,5]	-0.084	-0.084	-0.102	0.017	(0.598)
CAR [-1,10]	-0.104	-0.104	-0.096	-0.007	(0.844)
Resolution date					
CAR [-1,1]	-0.009	-0.009	-0.009	-0.000	(0.986)
CAR [-1,5]	-0.022	-0.022	0.004	-0.027**	(0.034)
CAR [-1,10]	-0.032	-0.032	0.009	-0.041**	(0.014)

	Panel B: Multivariate Trigger Date					
	CAR[-1,+1]		CAR[-1,+5]		CAR[-1,+10]	
	(1)	(2)	(3)	(4)	(5)	(6)
Misaligned (Supervisor)	-0.01	0.00	0.02	0.02	-0.01	-0.01
	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
Misaligned (Chair)	0.01	0.01	0.02	0.02	0.02	0.02
	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)
1(S&P500)	0.06**	0.04	0.07**	0.07*	0.08**	0.07*
	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
1(Fraud)		-0.04		-0.06*		-0.10**
		(0.03)		(0.03)		(0.04)
1(DoJ)		0.04		0.08		0.07
		(0.04)		(0.06)		(0.06)
1(Press Release)		0.05		0.03		-0.03
		(0.05)		(0.05)		(0.07)
1(Administrative)		-0.01		0.03		-0.01
		(0.04)		(0.04)		(0.06)
Constant	-0.10***	-0.13*	-0.14***	-0.15**	-0.14***	-0.06
	(0.04)	(0.07)	(0.04)	(0.06)	(0.04)	(0.08)
Industry FE	No	Yes	No	Yes	No	Yes
R2	0.028	0.086	0.036	0.105	0.028	0.110
N	151	151	151	151	151	151

	Panel C: Multivariate Resolution Date					
	CAR[-1,+1]		CAR[-1,+5]		CAR[-1,+10]	
	(1)	(2)	(3)	(4)	(5)	(6)
Misaligned (Supervisor)	-0.00	-0.00	-0.03**	-0.03**	-0.04**	-0.04**
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Misaligned (Chair)	0.01	0.00	0.00	-0.00	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
1(S&P500)	0.02**	0.02***	0.01	0.01	0.01	0.02
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
1(Fraud)		0.00		0.00		0.02
		(0.01)		(0.01)		(0.02)
1(DoJ)		0.02**		0.02		0.00
		(0.01)		(0.01)		(0.02)
1(Press Release)		-0.02*		-0.02		-0.02
		(0.01)		(0.02)		(0.02)
1(Administrative)		-0.01		-0.01		-0.00
		(0.01)		(0.02)		(0.02)
Constant	-0.02***	-0.00	-0.00	0.02	-0.00	-0.00
	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.03)
Industry FE	No	Yes	No	Yes	No	Yes
R2	0.033	0.104	0.032	0.063	0.039	0.080
N	171	171	171	171	171	171

Appendix

Table A1: Variable Definition

Variable	Definition
Demographics	
Male	Indicator equal to 1 if the attorney is male, and 0 otherwise.
Age	Attorney age (in years), measured in a given year.
Immigrant	Indicator equal to 1 if the attorney obtained a Social Security number after age 20, and 0 otherwise.
Minority	Indicator equal to 1 if the attorney belongs to a racial or ethnic minority group, and 0 otherwise.
Local Origin	Indicator equal to 1 if the attorney's home state matches the state of the SEC office where they work, and 0 otherwise.
Education	
Top 14 Law School	Indicator equal to 1 if the attorney received a JD from a top 14 law school, and 0 otherwise. The list includes Yale, Stanford, Harvard, Chicago, Columbia, NYU, UPenn, Michigan, Virginia, Duke, Northwestern, Cornell, Berkeley, and Georgetown.
LSAT Percentile	Percentile rank of the attorney's LSAT score, proxied using the law school's median LSAT percentile.
PhD	Indicator equal to 1 if the attorney holds a PhD degree, and 0 otherwise.
MBA	Indicator equal to 1 if the attorney holds an MBA degree, and 0 otherwise.
Other Master	Indicator equal to 1 if the attorney holds a non-MBA master's degree, and 0 otherwise.
Ivy League (Bachelor)	Indicator equal to 1 if the attorney received a bachelor's degree from an Ivy League institution, and 0 otherwise.
Top 20 (Bachelor)	Indicator equal to 1 if the attorney received a bachelor's degree from a Top-20 undergraduate institution, and 0 otherwise. The list includes Yale, Stanford, Harvard, Chicago, Columbia, NYU, UPenn, Michigan, Virginia, Duke, Northwestern, Cornell, Berkeley, and Georgetown.
Age Grad Law School	Attorney age at the time of law school graduation.
Professional Career	
SEC Tenure (Years)	Total number of years the attorney has worked at the SEC.
Tenure	Number of years the attorney has worked at the SEC as of year *t*.
Rulemaker	Indicator equal to 1 if the attorney has participated in SEC rulemaking, and 0 otherwise.
Max Rank	Highest internal rank attained by the attorney at the SEC.
Manager	Indicator equal to 1 if the attorney holds a managerial rank, and 0 otherwise.
Regional Office Experience	Indicator equal to 1 if the attorney has worked in a regional SEC office, and 0 otherwise.
Only SEC	Indicator equal to 1 if the attorney has worked exclusively at the SEC since law school, and 0 otherwise.
1st Placement SEC	Indicator equal to 1 if the attorney's first post-JD job was at the SEC, and 0 otherwise.
1st Job Placement in Home State	Indicator equal to 1 if the attorney's first job after law school was located in their home state, and 0 otherwise.
Tenure per Employer	Average tenure (in years) per employer over the attorney's career.
SEC	Indicator variable equal to 100 if the attorney joined the SEC in any year post-graduation.
Public Service	Indicator variable equal to 100 if an attorney joined the government or a nonprofit organization in any year after graduating from law school and 0 otherwise.

Variable	Definition
non-SEC Public service	Indicator variable equal to 100 if the attorney joined a non-SEC public service in any year post-graduation.
FinRegulator	Indicator variable equal to 100 if an attorney joined FINRA or PCAOB after leaving the SEC and 0 otherwise.
NonProfit	Indicator variable equal to 100 if an attorney joined a nonprofit organization after leaving the SEC and 0 otherwise.
Fresh Graduate	Indicator for whether an SEC attorney joined the SEC right after law school
Law Clerk	Indicator for whether an SEC attorney joined the SEC as a law clerk/para-legal
Exit	Indicator variable equal to 100 if an attorney exited SEC in the following year and 0 otherwise.
Manager	Indicator equal to 100 if the attorney achieves entry-level managerial status during their SEC career, and 0 otherwise.
Executive	Indicator equal to 100 if the attorney achieves executive status during their SEC career, and 0 otherwise
Near DC Origin	Indicator equal to 1 if the attorney's home state is Washington, D.C., Maryland, or Virginia, and 0 otherwise.
Financial Attributes	
Median Salary ($000s)	Median annual salary of the attorney at the SEC, expressed in thousands of dollars.
Salary	Annual salary of the attorney at the SEC.
Avg Bonus ($000s)	Average annual bonus received by the attorney, expressed in thousands of dollars.
Private-Public Pay Gap (%)	Percentage pay differential between private sector compensation and SEC salary, where private sector compensation is proxied by Big Law associate salaries (see section 4.2 for details).
Private Sector – SEC Pay	Dollar difference between the attorney's predicted private-sector compensation and SEC compensation at the time of SEC entry.
% Years with Bonus	Fraction of years in which the attorney received a bonus.
Homeowner	Indicator equal to 1 if the attorney owns at least one residential property, and 0 otherwise.
# Properties Currently Owned	Number of real estate properties currently owned by the attorney.
Primary Home Purchase Price ($000s)	Purchase price of the attorney's primary residence, expressed in thousands of dollars.
Mkt value of Real Estate Assets ($000s)	Total estimated market value of the attorney's real estate holdings, expressed in thousands of dollars.
Political Affiliation and Contributions	
Registered Voter	Indicator equal to 1 if the attorney is a registered voter, and 0 otherwise.
Donor	Indicator equal to 1 if the attorney has made at least one political contribution, and 0 otherwise.
Dem Voter	Indicator equal to 1 if the attorney is a registered Democratic voter, and 0 otherwise.
Rep Voter	Indicator equal to 1 if the attorney is a registered Republican voter, and 0 otherwise.
Inde/Other/Switcher Voter	Indicator equal to 1 if the attorney is independent, affiliated with another party, or switches party affiliation over time, and 0 otherwise.
Dem	Indicator equal to 1 if the attorney is a registered Democratic voter or Democratic donor, and 0 if Republican.
Rep	Indicator equal to 1 if the attorney is a registered Republican voter or Republican donor, and 0 otherwise.

Variable	Definition
% Donated to Democrat ($)	Fraction of the attorney's total political contributions (by dollar amount) donated to Democratic candidates or committees.
% Donated to Republican ($)	Fraction of the attorney's total political contributions (by dollar amount) donated to Republican candidates or committees.
$ Total Contributions ($000s)	Total dollar amount of political contributions made by the attorney, expressed in thousands of dollars.
# Total Contributions	Total number of political contributions made by the attorney.
$ Contributed at SEC ($000s)	Total dollar amount of political contributions made while employed at the SEC, expressed in thousands of dollars.
# Contributed at SEC	Total number of political contributions made while employed at the SEC.
Same Party as President	Indicator equal to 1 if the attorney's political affiliation matches that of the sitting U.S. President, and 0 otherwise.
Misaligned (Supervisor)	Indicator equal to 1 if the supervisory attorney and defendant have opposing political affiliations, and 0 otherwise.
Misaligned (SEC Chair)	Indicator equal to 1 if the SEC chair and defendant have opposing political affiliations, and 0 otherwise.
Misaligned (Sup & Chair)	Indicator equal to 1 if the supervisory attorney and the SEC have opposing political affiliations, and 0 otherwise.
Enforcement Activity and Case Outcomes	
$\log(Monetary\ Sanctions^{\$})$	The log of total monetary sanctions imposed in a case, including civil penalties, disgorgement, and prejudgment interest, conditional on monetary sanctions imposed.
$1(Monetary\ Sanctions^{\$})$	Indicator equal to 1 if monetary sanctions imposed, and 0 otherwise.
1(Bar)	Indicator equal to 1 if the defendant is barred as part of the enforcement outcome, and 0 otherwise.
1(Defendant-Win)	Indicator equal to 1 if the judge or jury ruled in favor of the defendant, and zero otherwise.
1(SEC Dismissal)	Indicator equal to 1 if the SEC dismissed the case against a defendant, and zero otherwise.
# Defendants	Number of defendants named in the enforcement case.
1(Administrative)	Indicator equal to 1 if the enforcement action is an administrative proceeding, and 0 otherwise.
1(DOJ)	Indicator equal to 1 if the Department of Justice is directly or jointly involved in the case, and 0 otherwise.
1(Fraud)	Indicator equal to 1 if the case involves fraud allegations, and 0 otherwise.
1(SEC Press Release)	Indicator equal to 1 if the SEC issued a press release for the case, and 0 otherwise.
1(Aided/Abetted)	Indicator equal to one if the defendant is charged with aiding and abetting a securities law violation.
1(Control Person)	Indicator equal to one if the defendant is charged under control person liability provisions.
1(Causing)	Indicator equal to one if the defendant is charged with causing a securities law violation.
1(Scienter)	Indicator equal to one if the alleged violations require proof of scienter (intentional or reckless misconduct).
1(Neg./Intern. Control)	Indicator equal to one if the alleged violations correspond to negligence-based provisions or internal control and books-and-records violations.

Variable	Definition
1(Related Case)	Indicator equal to one if the enforcement action has a related case filed against the same defendant for the same underlying violation that imposes monetary penalties (when the outcome variable is an indicator for penalties) or a bar (when the outcome variable is an indicator for bars).
1(Firm)	Indicator equal to 1 if the defendant is a firm, and 0 otherwise.
1(CEO)	Indicator equal to 1 if the defendant is a CEO or top executive, and 0 otherwise.
1(Accountant)	Indicator equal to 1 if the defendant is an accountant or accounting firm, and 0 otherwise.
1(Broker)	Indicator equal to 1 if the defendant is a broker, broker-dealer, or associated person, and 0 otherwise.
1(S&P 500)	Indicator equal to 1 if the defendant is an S&P 500 firm or, for individual defendants, works for an S&P 500 firm, and 0 otherwise.
Defendant Age	Defendant age, measured in years.
Defendant Male	Indicator equal to 1 if the defendant is male, and 0 otherwise.
# Violations	Number of statutory or rule provisions allegedly violated by the defendant.
Log(Mkt Cap)	The natural logarithm of market capitalization measured one year before the enforcement filing. For firm defendants, this is the market capitalization of the defendant firm; for individual defendants, it is the market capitalization of the public firm at which the individual worked, as described in the enforcement case.
Event Study Variables	
CAR[-1,+1]	Cumulative abnormal return over the three-day window from one trading day before to one trading day after the event date.
CAR[-1,+5]	Cumulative abnormal return over the window from one trading day before to five trading days after the event date.
CAR[-1,+10]	Cumulative abnormal return over the window from one trading day before to ten trading days after the event date.
Office and Selection Variables	
High Dem Office	Indicator equal to 1 if the fraction of Democratic-leaning attorneys in an SEC office is above the sample mean, and 0 otherwise.
% Rep Def	Fraction of defendants in a case who are Republicans.
# Attorneys	Total number of enforcement attorneys in the SEC office.
Avg Salary	Average salary of attorneys in the SEC office.
1(In Jurisdiction)	Indicator equal to 1 if at least one defendant is located within the office's jurisdiction, and 0 otherwise.
1(Exp. on case type)	Indicator equal to 1 if at least one attorney (office- or individual-level) has prior experience litigating the same allegation type, and 0 otherwise.
HQ	Indicator equal to 1 if the SEC office is headquartered in Washington, DC, and 0 otherwise.
1(Non-Disclosure)	Indicator equal to 1 if the case does not involve disclosure or reporting violations, and 0 otherwise.
#Case(t-1)	Number of enforcement cases attorney worked on in the previous year, and 0 otherwise.
#Case(t-1)^2	#Case(t-1) squared
%Manager	Fraction of enforcement team members with managerial rank.
%Male	Fraction of enforcement team members who are male.
%Top 14 Law School	Fraction of enforcement team members who graduated from a top 14 law school.
Age Gap	Absolute difference between the attorney's age and the defendant's age.

Variable	Definition
Same Gender	Indicator equal to 1 if the attorney and defendant have the same gender, and 0 otherwise.

Internet Appendix

IA.1 Political Affiliation

This section describes in detail how we match SEC attorneys to voter registration and political donation records.

IA.1.1 Voter Registration

Our primary source of voter registration information is LexisNexis, a leading aggregator of public records. LexisNexis collects data on voter registration, residential addresses, contact details, employment history, professional licenses, property ownership, and related variables. We begin by manually searching for 4,754 SEC attorneys using first and last names and states of residence. To account for commuting across state borders, we search not only in the state of employment but also in adjacent states (e.g., SEC employees working in Washington, DC often reside in Virginia or Maryland).

We identify the relevant LexisNexis profile by confirming SEC employment history, SEC email addresses, or other professional identifiers. When LexisNexis employment information is incomplete, we supplement the search with external sources such as resumes, LinkedIn profiles, or law firm biographies. We further verify consistency between age and employment timelines. To ensure accuracy, we cross-check professional licenses, prior employers, and educational histories. Once a profile is confirmed, we record the individual's unique LexID, which allows us to track name changes and maintain consistent identification across records. This process yields LexIDs for 4,457 attorneys (93.8% of the original sample). For each identified attorney, we download and parse the LexisNexis record using a Python script, extracting residential address information necessary for matching to political affiliation data.

Because LexisNexis voter registration data is incomplete, particularly in states where many SEC employees reside, such as Maryland and Virginia, we obtain additional voter files directly from states through FOIA requests and data purchases. In states where party affiliation is not explicitly recorded (e.g., Virginia), we infer it from primary election participation. We match SEC employees to voter registration records using first and last names, age, and residential address. For each state, we extract all individuals with the same first and last name as SEC employees who have lived in that state. We then compare addresses in voter files with those obtained from LexisNexis. To facilitate this step, we use the ChatGPT API to assess address similarity. Recognizing that automated matching can generate errors, we implement targeted manual reviews. Specifically, to minimize false negatives, we manually inspect cases where the first two characters of the address match, but ChatGPT classifies them as non-matches. Conversely, to minimize false positives, we review cases where the first two characters differ, but ChatGPT classifies them as matches.

IA.1.2 Political Donations

We use the Database on Ideology, Money in Politics, and Elections (DIME), which contains records of over 850 million contributions by individuals and organizations to federal, state, and local elections between 1979. For each SEC employee, we extract individuals with the same name and an address in any state where the employee has resided. We manually inspect each address to confirm correct matches. Because addresses are sometimes missing, we also leverage employer information reported in DIME. We extract all donations associated with employers containing the string "SEC" and manually inspect them to identify 219 variations of the Securities and Exchange Commission (e.g., SEC & Exchange Comm). We then retain only records where the donor's name matches an SEC employee in our sample.

Each donation is classified as Democratic, Republican, or Independent based on the political affiliation of the recipient. In 1,617 recipient–election cycle observations, political affiliation is missing because the

recipient is a PAC, the donation supports a judicial election, or candidate information is incomplete. For PACs, we search donation records in OpenSecrets (or relevant state-level disclosures). A PAC is classified as Democratic (Republican) if, in a given cycle, at least 60% of its donations support Democratic (Republican) candidates; otherwise, it is classified as Independent. For judicial elections and incomplete data, we manually identify candidate affiliation using public sources.

We aggregate donation records to the attorney level. An SEC attorney is classified as Democratic (Republican) if at least 60% of their contributions (by inflation-adjusted dollar amount) between 1979 and 2024 support Democratic (Republican) candidates. All other employees are classified as Independent.

IA.1.3 Validation

We use participation in Virginia's primary elections in 2008, 2016, and 2024 to validate whether party registration and political donations reflect underlying political ideology. (These are the three years for which we observe participation data.) Virginia operates under an open primary system, allowing unaffiliated voters—and even registered Democrats—to participate in Republican primaries (and vice versa). Figure IA.1 presents the results.

Panel A begins with a sample of 128 attorneys who participated in at least one Virginia primary election and for whom we observe party registration outside of Virginia. Based on this information, we classify individuals into three groups: (1) Democrats, (2) Republicans, and (3) Other/Independent/Switchers. For each individual, we compute the fraction of primary elections they participated in that were Democratic versus Republican.

Panel B analyzes 225 attorneys who both participated in Virginia primaries and made political donations in the same election cycle. For each election–individual observation, we classify the individual as Democratic, Republican, or Other/Independent based on whether their donations in that election cycle were directed exclusively or predominantly to Democratic candidates, Republican candidates, or neither. We then compute average Democratic versus Republican primary participation shares by group.

Across both panels, individuals classified as Democrats overwhelmingly participate in Democratic primaries (approximately 80% of their primary participation), and Republicans overwhelmingly participate in Republican primaries (approximately 80%). In contrast, individuals classified as Other/Independent/Switchers exhibit substantially more balanced participation across parties, consistent with weaker or mixed partisan attachment. Combined, these results demonstrate that both party registration and donation-based classifications are informative and consistent measures of underlying political ideology

IA.2 Law School Information

This section details how we compile law school data for SEC attorneys.

IA.2.1 Revelio Labs Data

Our primary dataset is from Revelio Labs, a workforce intelligence firm that collects résumé data from LinkedIn profiles. Revelio provides names, employment histories, education backgrounds, and geographic locations, and is particularly suitable for our study given its strong coverage of white-collar occupations (Li, Lourie, Nekrasov, and Shevlin, 2022).

Step 1: Direct LinkedIn URL matches. As part of our LexisNexis matching process, we collected 1,724 LinkedIn URLs. Using these URLs, we directly match 1,678 SEC attorneys to Revelio profiles.

Step 2: Name–employer matches. For employees without LinkedIn URLs, we match by name and employer. We begin by extracting all Revelio profiles that list SEC employment, accounting for variations in employer naming conventions (e.g., Securities and Exchange Commission, SEC & Exchange Comm). We then require an exact match on last name and first initial. If there is also an exact match on first name,

we code the observation as a successful match. For cases without an exact first-name match, we manually inspect each profile to account for nicknames (e.g., Jim vs. James, Robert vs. Bob) and use SEC employment dates to verify accuracy.

Step 3: Google-assisted LinkedIn searches. For the remaining unmatched employees, we conduct targeted Google searches to identify additional LinkedIn URLs. This procedure yields 160 new URLs, of which 138 correspond to Revelio profiles.

Step 4: Resolving multiple profiles. To address cases in which an individual has multiple LinkedIn profiles or multiple SEC employees share the same name, we inspect 279 instances manually. We select the correct match based on SEC tenure and corroborating education or work history from external sources (e.g., Martindale, law firm biographies).
Across these steps, we identify Revelio profiles for 3,204 SEC attorneys, of which 2,992 have law school information.

IA.2.2 Avvo Data

To further increase coverage, we supplement with data from Avvo, an online legal directory containing detailed profiles for U.S. attorneys. Avvo records include current work address, practice areas, years licensed, law school attended, and (less frequently) employment history. Our scraping of Avvo by state and practice area yields 648,818 unique profiles, of which 88.5% report education information and 22.5% include work history.

We match Avvo profiles to SEC employees in two steps. First, we require an exact match on last name, first initial, and state, followed by manual inspection of each potential match, mirroring our Revelio procedure. Second, when collecting LinkedIn URLs for unmatched individuals, we also record available Avvo profiles and link them directly. These steps yield 1,039 successful Avvo matches, 302 of which are not captured by Revelio.

For employees without Revelio or Avvo profiles, we manually collect education information using Google searches, drawing from SEC press releases, state bar websites, law firm biographies, obituaries, and other professional directories. For employees with a LinkedIn URL not included in Revelio, we also manually extract education information from their profiles. These procedures add education data for 490 additional SEC attorneys.

Our final coverage rate for law school attendance is 85%. Since school names are often spelled differently across sources, we harmonize them by mapping all names to Revelio's standardized school identifiers. Specifically, we fuzzy match school names from Avvo and other sources to Revelio's school list and assign the corresponding Revelio school ID.

IA.3 SEED Enforcement Data

This section details how we gather data on enforcement cases and identify the attorneys assigned to each case.

IA.3.1 Sample Construction

We obtain all civil enforcement cases from the Securities Enforcement Empirical Database (SEED), as well as administrative proceedings that are linked to civil actions. This yields 1,392 case-defendants, which comprises 795 unique cases and 1,183 unique defendants between 2002 and 2023. We identify civil cases

based on legal case names beginning with *"SEC v."* and include administrative cases that are explicitly related to these civil actions. For example, the civil case *"SEC v. Cooper J. Morgenthau"* is linked to the administrative proceeding *"In the Matter of African Gold Acquisition Corp."* We compile the list of attorneys working on both types of cases. We then collect basic information on each case from SEED, including the defendant's name and type (individual, public company, or subsidiary of a public company), the date of the first document, case type, case number, violation alleged, defendant's role in each case, and related documents. We use case judgment documents to collect information on the penalties imposed on each defendant. Specifically, we record both pecuniary penalties (such as fines) and non-pecuniary penalties (such as bars) for each case (see below). We also gather information about whether the case was dismissed using text described under each document:

IA.3.2 Enforcement Team Members

We compile the list of attorneys assigned to each case using two sources: legal complaints and SEC press releases. Because complaints are formal legal filings that consistently list the attorneys of record, we treat them as the primary source. When complaints are not available (typically for Administrative cases), we rely on SEC press releases to identify the enforcement team members.

Since SEED does not provide the underlying legal documents, we retrieve them directly from the SEC's website using the document names listed in SEED. For example, in the case SEC v. Cooper J. Morgenthau, the complaint file is labeled "comp-pr2023-101." This document is available on the SEC's website and, as in most complaints, the attorney names appear either on the first page or at the end. In this case, they are listed at the end of the document (see screenshot below). For example, the enforcement team for SEC v. Cooper J. Morgenthau consists of twelve attorneys: Jennifer L. Farer, J. Emmett Murphy, Matthew Scarlato, Jennifer L. Farer, J. Emmett Murphy, Jorge G. Tenreiro, David L. Hirsch, David A. Nasse, Michael Baker, Kathleen Hitchens, Donna Norman, Ann Rosenfield, Colby Steele, and Martin Zerwitz. In some cases, attorney names appear on the first page of the document. However, while a single attorney may be listed at the front, the full enforcement team is often provided at the end. To ensure accuracy, we carefully inspect each document in its entirety to capture all attorneys working on a given case.

There are some cases where a complaint document is not present on SEED. We explain how we identify the enforcement team below:

1. **SEC files both Civil and Administrative Proceedings.** In certain instances, the SEC initiates both a civil action and an administrative proceeding against the same defendant. The civil case typically seeks monetary penalties and injunctive relief, while the administrative proceeding focuses on professional sanctions, such as bars from serving as an officer or director or from practicing before the SEC. Because both proceedings stem from the same underlying misconduct, they are generally handled by the same enforcement team, which investigates the allegations and then pursues different procedural avenues to impose sanctions.
2. **SEC pursues both civil and administrative cases against different defendants for the same underlying violation.** The SEC may also pursue a civil proceeding against certain defendants while initiating administrative proceedings against others. Continuing with the Corba and Treadway matter as an example, the Commission pursued administrative actions against PA Fund Management and PEA Capital Management, where Stephen J. Treadway and Kenneth W. Corba served as CEOs, based on the same underlying violation. In such cases, the enforcement team is also likely the same, since the misconduct is identical, and the individual defendants held key leadership positions in the firms. Accordingly, we assume that when a complaint lists an entity as a related party, the same enforcement team is responsible across proceedings. We verify this assumption by comparing SEC press releases that describe both the civil and administrative actions for the same underlying violation; in these instances, the enforcement team named in the press

release overlaps significantly with the team listed in the complaint, suggesting that both proceeding have the same enforcement team (see here for an example).

3. **Administrative proceedings without any related complaint files.** For cases without a related complaint file, we rely on press releases or litigation releases to identify the attorneys involved. We are confident in this approach because, in cases where both complaints and press releases are available, the two sources typically list the same enforcement team or show a high degree of overlap.[14] An example of this is the case against Oppenheimer & Co. Inc., the press release below mentions the attorneys responsible for this case.

IA.3.3 Enforcement outcomes

In some cases, the SEED database does not contain complete information on case outcomes. For example, in the case of *SEC v. Syndicated Food Service International Inc., et al*, SEED includes only the complaint document but omits the outcome, which is described in the corresponding litigation release. To ensure the completeness of our dataset, we manually review 589 case-defendant pairs for which SEED reports zero penalties to verify whether the penalties are indeed zero. In 87 of these instances, we find penalties that were not recorded in SEED.

We also record whether the defendant was subject to any bars, whether the case was dismissed or resulted in a favorable ruling, and other reasons for zero penalties (e.g., defendant deceased, asset freeze, ongoing case). In addition, we identify cases where penalties were reported in related administrative or civil proceedings. Our primary sources for this manual validation are SEC press releases and court docket filings (via SEC Action Lookup).

We gather information on whether a judge or jury issued a judgment in favor of the defendant and whether the SEC dismissed the case using multiple sources, including SEED, SEC press releases, judgment documents, news articles, and the SEC Action Lookup. In particular, when a search for an individual defendant in the SEC Action Lookup yields no results, this typically indicates that the case was either dismissed or resulted in a judgment favorable to the defendant. We then investigate the reason for dismissal using the additional sources. For firm defendants, we rely primarily on SEED and cross-verify dismissal outcomes using SEC press releases and news articles. Note that judgments favoring the defendant and SEC dismissals are not mutually exclusive. For example, a judge may dismiss certain alleged violations, after which the SEC dismisses the remaining claims. In some cases, the SEC also partially dismisses certain allegations. We do not code such cases as SEC dismissals because the Commission has typically already achieved its primary enforcement objective in those instances.

Finally, we hand-collect the trigger event date (when the underlying violation became public) and the first resolution date for firm defendants by searching news articles related to the firm in LexisNexis.

IA.3.4 Sample and Filters

We construct two separate samples to analyze different outcomes. The first, the *monetary sanctions sample*, includes both firms and individual defendants and uses penalties and dismissals as the outcome. The second, the *bar sample*, includes only individual defendants and uses bar sanctions as the outcome. We apply the following cumulative filters to both samples: (1) Exclude observations where the political affiliation of either the defendant (159 observations) or the supervisory attorney (49 observations) is missing; (2) Exclude ongoing cases for which outcomes are not yet available (5 observations); (3) Exclude cases involving

[14] For example, the case against Katsuichi Fusamae the press release and the complaint list the same attorneys: Jeffrey A. Shank, Kevin A. Wisniewski, and Daniel J. Hayes.

deceased or bankrupt defendants, cases in which the SEC dropped charges because a parallel criminal proceeding imposed the appropriate sanctions, and cases whose primary purpose was not to seek penalties—such as actions to freeze assets or transfer proceedings to another court—because the absence of penalties or sanctions in these cases does not reflect a lack of SEC enforcement (12 observations in total).

To avoid double counting of penalties, we retain only one firm (typically the parent company) when multiple entities within the same organization are listed as defendants but share a single monetary penalty. For example, in *SEC v. Bank of America, N.A., Banc of America Mortgage Securities, Inc., and Merrill Lynch, Pierce, Fenner & Smith LLC*, the three defendants jointly paid a total penalty of $225 million. In other cases, the penalty is recorded only for one entity, usually the parent company. For instance, in *In the Matter of Hertz Global Holdings, Inc. and The Hertz Corporation*, a $16 million fine is recorded solely under Hertz Global Holdings.

IA.3.5 Political Affiliation of Defendants

We use both political donations and voter registration records to measure the political leaning of each defendant, following the same procedure used for SEC attorneys. We begin by searching 727 unique individual defendants in LNRP using their first and last names, together with their city of residence and age as disclosed in SEC documents. We successfully identify 576 individuals in LNRP. Most unmatched individuals (71.5%) are foreign nationals. We then match each identified individual, using Lexis IDs, to voter records and to DIME based on name and address. Following the same approach as for SEC attorneys, we are able to classify the political leaning of 570 individual defendants (99% of those identified).

We next turn to 498 case-by-firm-defendants (corresponding to 456 unique firms), for which we classify the firm's political stance based on the political affiliation of its CEO. Because firms may have different CEOs over time, we apply the following rule to select the relevant executive. If the CEO is named as a defendant in the same or a related case, we use that individual as the firm's CEO; this applies to 103 case-by-firm-defendants, for which we use the CEO's political leaning from individual defendants described above. For the remaining firm defendants whose CEOs are not named as co-defendants, we identify the CEO in office at the time the SEC initiated the first enforcement action. We then classify their political leaning using voter registration data from LNRP and political contribution records from DIME. This procedure yields political classifications for 324 (65%) firm-defendant cases; unmatched cases are almost entirely foreign firms.

IA.3.6 Classifying Violations

To characterize the nature of violations, we first extract the statutory provisions cited against each defendant (see example below). We then feed this information to the ChatGPT API (model = gpt-4.1-mini) and instruct it to generate indicator variables for the alleged violation types based on a predetermined classification rubric. The advantage of this approach over case-level classifications (e.g., labeling an entire case as a "Issuer Reporting and Disclosure" or "Broker Dealer") is that defendants within the same enforcement action may violate different statutory provisions, and cases that appear similar at a high level may involve different underlying legal violations. By classifying violations at the defendant–statute level, this approach provides a more granular measure of misconduct and more accurately captures the specific legal provisions underlying each enforcement action.

1. **Issuer antifraud** include Rule 10b-5 under the Exchange Act and Section 17(a) of the Securities Act, which prohibit material misstatements, omissions, or other fraudulent schemes in connection with the purchase or sale of securities.

2. **Issuer disclosure and reporting**: provisions governing periodic reporting and disclosure obligations under the Exchange Act, such as Sections 12(b) and 13(a) and related rules.
3. **Internal controls and books-and-records:** correspond to provisions under Section 13(b) of the Exchange Act and related statutes requiring firms to maintain accurate accounting records and adequate internal controls.
4. **Securities offering:** capture failures to comply with the registration and disclosure requirements governing public securities offerings under Section 5 of the Securities Act. These violations typically involve selling or offering securities to investors without an effective registration statement or without qualifying for an exemption from registration.
5. **Proxy disclosure:** arise under Section 14(a) of the Exchange Act and relate to misleading or incomplete information in proxy statements used to solicit shareholder votes. These cases generally involve material misstatements or omissions in disclosures provided to shareholders regarding matters such as director elections, mergers, executive compensation, or other corporate actions requiring shareholder approval.
6. **Ownership reporting:** include failures to disclose beneficial ownership or insider transactions as required under Sections 13(d), 13(g), and 16(a) of the Exchange Act. These provisions require large shareholders and corporate insiders to report their holdings and trading activity so that investors have transparency regarding significant ownership stakes and insider trading activity.
7. **Broker-dealer:** include breaches of Exchange Act provisions governing broker-dealer conduct and recordkeeping, as well as violations of FINRA rules. These cases typically involve failures to maintain required books and records, supervise employees, comply with trading and customer protection rules, or adhere to regulatory standards applicable to securities intermediaries.
8. **Exchange and SRO rule:** capture breaches of rules established by securities exchanges or other self-regulatory organizations (SROs), such as the NYSE or NASDAQ. These rules govern trading practices, listing standards, and market conduct, and violations typically involve failures to comply with exchange-specific regulatory requirements.
9. **Investment adviser**: correspond to provisions under the Investment Advisers Act, particularly Section 206, which prohibits investment advisers from engaging in fraudulent, deceptive, or manipulative practices with respect to their clients. These cases often involve misleading disclosures about fees, conflicts of interest, or investment strategies.
10. **Investment company**: violations under the Investment Company Act and relate to regulatory requirements governing registered investment companies, such as mutual funds. These provisions regulate matters including fund governance, transactions with affiliates, valuation practices, and investor protections.
11. **Other**: When a cited statutory provision does not fall into any of the categories above, we classify it as Other.

We also construct a categorical variable measuring the severity of the alleged misconduct. We first compute several intermediate indicators based on the statutory provisions associated with each defendant. A case-defendant is classified as "*Scienter*" if the alleged violations involve provisions typically associated with intentional fraud, such as Section 10(b) and Rule 10b-5 of the Exchange Act, Section 17(a)(1) of the Securities Act, or Section 206(1) of the Investment Advisers Act, or if the violation text references terms such as willful, knowing, manipulation, or insider trading. "*Negligence/Internal Control*" cases correspond to violations requiring only negligence or involving failures in firms' internal controls or accounting systems (e.g., Sections 17(a)(2)–(3) of the Securities Act or Section 13(b) of the Exchange Act). Finally, a

case is classified as "*Technical*" violations involve administrative or reporting requirements, such as securities registration, proxy filings, or ownership disclosures, reflecting procedural noncompliance rather than substantive misconduct.

Note that the above classification is based on defendants who directly violate statutory provisions. In some instances, however, a defendant may not have committed a primary violation themselves but may still be held liable under alternative theories of liability. Therefore, we create three additional indicator variables capturing whether a defendant is alleged to have aided and abetted, caused, or controlled a violation. Aiding and abetting refers to situations in which a defendant knowingly provides substantial assistance to another party's violation. Causing liability applies when a defendant's conduct results in another entity committing a violation of the securities laws. Control liability captures cases where a defendant exercises control over a primary violator and is held responsible under control-person provisions (e.g., CEOs). These variables allow us to distinguish defendants who directly commit violations from those whose liability arises through these secondary theories.

IA.4 Institutional background on Enforcement

Figure 5 outlines the timeline of the enforcement process. SEC enforcement actions typically begin with a trigger event, when potential violations of federal securities laws become public. Leads may originate from a variety of sources, including earnings restatements, delayed filings, whistleblower tips, investor complaints, market surveillance alerts, negative press coverage, or referrals from other regulators such as FINRA or the Department of Justice. In our data, 78% of enforcement cases have well-identified trigger events, similar to the 75% reported in Karpoff, Lee, and Martin (2008).

Once a lead is received, career enforcement attorneys assess whether it warrants opening an informal investigation, referred to as a Matter Under Inquiry (MUI). An MUI is a preliminary step used to determine whether a formal investigation is justified. The threshold for opening an informal investigation is low: the matter must merely "have the potential to address conduct that violates the federal securities laws" and fall within the office's available resources (SEC Enforcement Manual, 2026). Opening an MUI requires supervisory approval. During this stage, staff may review publicly available information, analyze voluntarily provided documents, and conduct informal interviews. MUIs are intended to be short-lived and are generally resolved or escalated within 60 days.

If the staff concludes that a formal investigation is warranted, they obtain approval from senior career SEC officials (e.g., Associate Director) by preparing a formal order memo describing the suspected misconduct, the relevant securities law violations, and why subpoena authority is needed. Once approved, a formal order of investigation grants enforcement staff subpoena authority, allowing them to compel the production of documents and sworn testimony. At this stage, staff may request a wide range of information, including financial records, internal communications, emails, phone logs, travel records, and social media evidence. This process typically takes a year and can extend longer before charges are filed (SEC Office of Inspector General, 2023).[15]

If enforcement staff conclude that charges may be appropriate, they typically provide the target of the investigation with a Wells Notice, which informs the recipient that the staff intends to recommend enforcement action. The Wells Notice outlines the potential charges and provides the recipient with an opportunity to respond through a Wells submission, in which the potential defendant argues why enforcement action should not be brought. The submission may address both factual and legal issues raised

[15] Available at https://www.sec.gov/files/enforcement-investigat-meas-timeliness-show-some-improvement-enforcement-can-better-comm.pdf.

during the investigation and may include supporting documentation or legal arguments. After reviewing any Wells submissions, enforcement staff decide whether to recommend that the Commission authorize an enforcement action. To do so, staff prepare an action memorandum summarizing the proposed charges and remedies sought (e.g., monetary penalties, officer-and-director bars, and injunctions against future violations). The five Commissioners then vote on whether to authorize the enforcement action.

Once authorized by the Commissioners, the SEC may pursue enforcement actions either through civil litigation in federal district court or administrative proceedings before an Administrative Law Judge (ALJ). An enforcement action may take either form depending on the remedies sought and the characteristics of the defendant. For example, injunctions against future violations are typically sought through civil proceedings in federal court, while administrative proceedings are commonly used to impose regulatory sanctions such as industry bars, suspensions, censures, or cease-and-desist orders. In some cases, the SEC brings both civil and administrative actions arising from the same underlying misconduct. For example, the Commission may file a civil action seeking injunctions or monetary penalties while pursuing a related administrative proceeding to impose industry bars or other regulatory sanctions. The SEC may also bring administrative actions against some defendants and civil actions against others involved in the same misconduct, depending on the remedies sought and the status of the defendants. In our analysis, we focus on civil enforcement actions and closely related administrative proceedings, as civil cases involve publicly filed complaints that allow us to accurately identify the litigating attorneys.

Once an enforcement action is filed, the case may be resolved through negotiated settlement, litigated judgment, or voluntary dismissal by the SEC. In practice, most enforcement actions are resolved through negotiated settlements rather than trial. In our data, 90% of defendants-cases are settled.

In civil enforcement actions, settlements take the form of consent judgments, which must be authorized by the SEC Commissioners and approved by a federal district judge. The settlement specifies the remedies to be imposed, including monetary penalties, disgorgement, injunctions against future violations, or officer-and-director bars. In this context, the judge does not determine the penalty amount but instead reviews the proposed settlement and decides whether to approve it before entering the judgment. In administrative proceedings, settlements are issued as administrative orders that describe the violations and impose agreed-upon sanctions such as cease-and-desist orders, monetary penalties, or industry bars. These orders are approved by the SEC Commissioners and do not require judicial approval. Because the sanctions are negotiated as part of the settlement, Administrative Law Judges play no role unless the case is contested.

If a case is contested, the adjudication depends on the forum. In civil enforcement actions filed in federal court, the case is presided over by a federal district judge. If the defendant requests a jury trial, the jury determines liability and civil monetary penalties, while the judge determines equitable remedies such as injunctions, disgorgement, and officer-and-director bars. In administrative proceedings, the case is first heard by an ALJ, who conducts the hearing, evaluates evidence, and issues an initial decision on liability and sanctions. That decision may be appealed to the SEC Commissioners, who review the case and issue the final agency decision.

In sum, career enforcement attorneys assemble evidence, frame the legal theories, and recommend appropriate sanctions, while politically appointed Commissioners approve the final enforcement actions. Because most cases are resolved through negotiated settlements, career staff play a central role in shaping the final outcomes, including the proposed penalty amounts and other sanctions. The resulting enforcement decisions therefore reflect the interaction of these institutional roles: staff influence cases through investigation, effort, and legal framing, while Commissioners authorize the final resolution subject to legal,

political, and public constraints. Whether variation in staff discretion affects enforcement outcomes is ultimately an empirical question.

IA.5 The Liberal Drift

Section 3.2 shows that SEC attorneys exhibit not only a pronounced liberal tilt, but also a liberal drift over time, with the Democratic share increasing after the financial crisis. In this section, we explore several possible explanations for this temporal pattern, based on the mechanism discussed in section 4. One possibility is an uneven expansion of attorney headcount across SEC offices, with faster growth concentrated in more Democratic-leaning locations. Figure IA.3 documents substantial heterogeneity in office-level headcount growth between 2008 and 2023. The top panel plots changes in each office's share of the SEC attorney workforce, highlighting the three most Democratic offices (blue), the three least Democratic offices (red), and all others (gray). The New York office experiences the largest increase in the workforce share, consistent with its central role in the post-crisis enforcement. By contrast, the workforce shares of the most conservative offices – Salt Lake City, Fort Worth, and Miami – decline over this period.

The bottom panel depicts the percentage growth in the number of attorneys by office. The SEC attorney headcount increases by 38% during this period, but unevenly across locations. The most liberal-leaning offices such as New York, Boston, and San Francisco experience a headcount growth of 60–75%, whereas more conservative offices, such as Miami and Salt Lake City grow by only 22-36%. These patterns suggest that an expansion of staffing in more liberal-leaning regional offices contributed to the observed liberal drift at the SEC. In June 2024, the SEC announced the closure of its Salt Lake City Office, citing organizational efficiency as the motivation.[16] While this decision was not framed in ideological terms, the closure of an office with a relatively higher share of Republican-leaning attorneys suggests that the liberal drift may persist in the near term.

Next, we consider whether the SEC increases recruiting from elite law schools after the financial crisis to enhance the quality of its workforce. Because these institutions are themselves more progressive (Bonica et al. 2016), a shift toward elite hiring could contribute to the observed liberal drift. Figure IA.4 provides no support for this channel. The figure plots two-year rolling averages of the share of new SEC attorney hires graduating from top 14 law schools and shows no discernible upward trend following the financial crisis.

Finally, we examine the possibility that the liberal drift is driven by an expansion in the private sector pay premium following the financial crisis. As discussed, Republican attorneys are less likely to join and more likely to leave the SEC during periods of a higher pay premium in the private sector. Thus, an expansion of this pay differential over time could lead to a gradual increase in the share of Democratic-leaning attorneys. Figure IA.5 plots the average inflation-adjusted BigLaw–SEC pay premium over time. We compute each individual's BigLaw pay premium and then average across the workforce each year. The figure shows a substantial increase in the private sector pay premium following the financial crisis, rising from just over $180,000 in 2009 to approximately $300,000 by 2023 (in 2023 dollars). This suggests that the liberal drift in the SEC workforce unfolded concurrently with the expansion of the private sector pay premium.

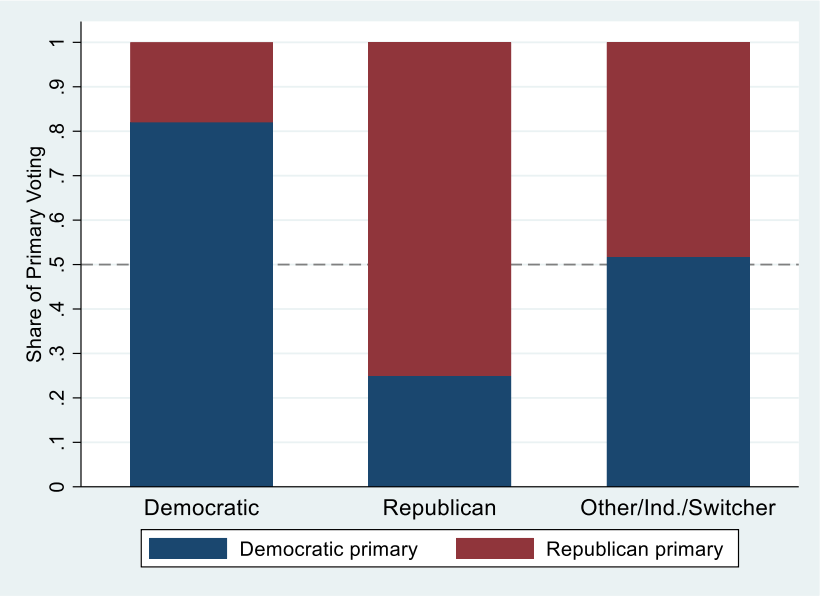
In summary, the liberal drift in the composition of the SEC attorneys likely reflects a combination of complementary factors. The proportion of Democrats at the SEC increases with the SEC's expansion of regional offices in Democratic-leaning areas and a widening of the pay gap between the SEC and the private sector.

[16] According to the press release about the office closure: https://www.sec.gov/newsroom/press-releases/2024-67.

Figure IA.1: Validating Declared Party Affiliation Using Primary Election Participation

Panel A classifies attorneys based on declared party registration outside of Virginia: Democrats (always registered as Democratic), Republicans (always registered as Republican), and Other/Ind./Switchers (registered with other parties or switching between Democratic and Republican). For each group, the blue portion of the bar reports the average share of primary elections in which individuals voted in Democratic primaries, and the red portion reports the share voting in Republican primaries. Declared Democrats and Republicans overwhelmingly participate in their respective party primaries, whereas individuals in the Other/Ind./Switchers group exhibit substantially more balanced participation across parties. Panel B classifies attorneys based on political donations in the same election cycle as the primary. Attorneys directing at least 60% of donations to Democrats (Republicans) are classified as Democratic-affiliated (Republican-affiliated), and all others are classified as Other/Ind. As in Panel A, the blue and red portions of the bars indicate the shares of Democratic and Republican primary participation, respectively. The patterns are similar to those in Panel A: partisan donors tend to participate in their aligned party's primary, while the Other/Ind. group shows more balanced participation.

Panel A: voter registration



Panel B: political donations

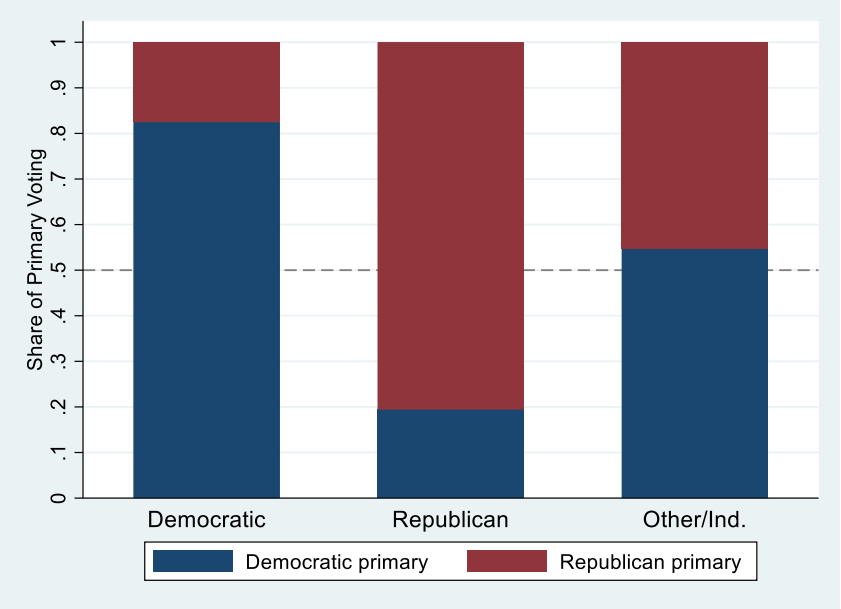
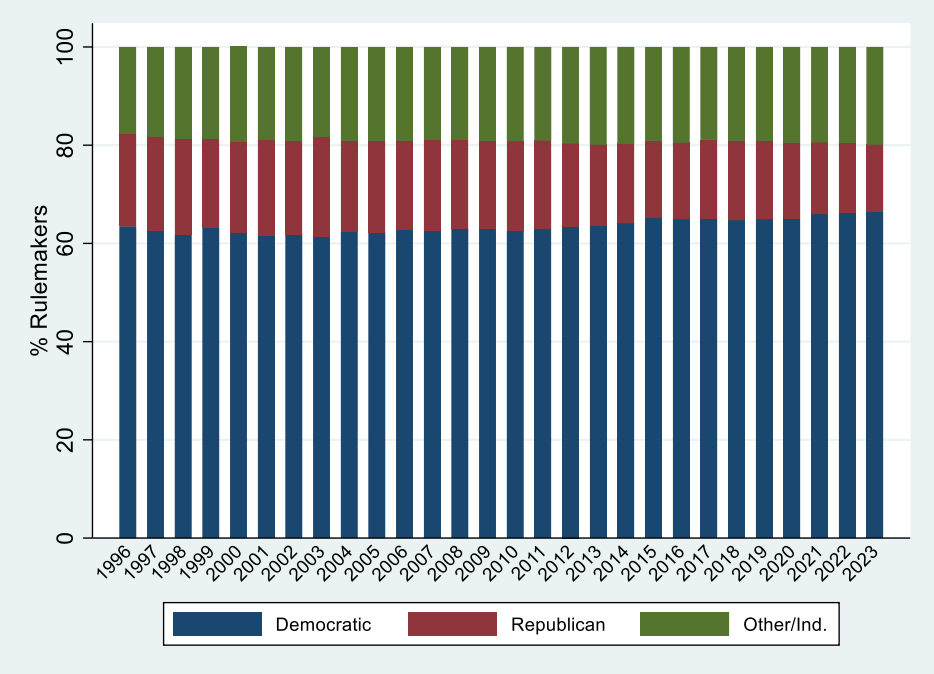


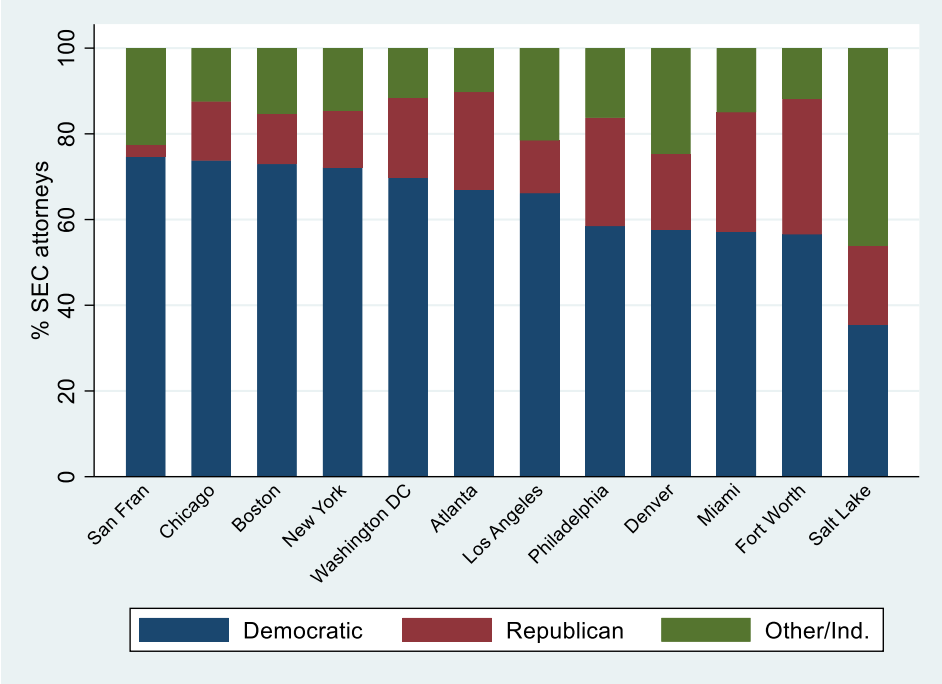
Figure IA.2: Party Affiliation with Independents

This figure replicates Panels A, C, and D of Figure 2, expanding the sample to include attorneys with independent or other declared political affiliations. Panel A shows the annual distribution of SEC attorneys' political affiliation from 1996 to 2023. Panel B reports the political composition of SEC attorneys by office location. Panel C reports the political affiliation of newly hired SEC attorneys across presidential administrations. In all panels, the blue portion of each bar represents the share registered as Democrats, the red portion represents the share registered as Republicans, and the green portion represents the share registered as Independent or other. Political affiliation is measured using both voter registration records and political donations.

Panel A. Political Affiliation of SEC Attorneys Over Time



Panel B. Political Affiliation by Office



Panel C. Political Affiliation of New SEC Attorney Hires

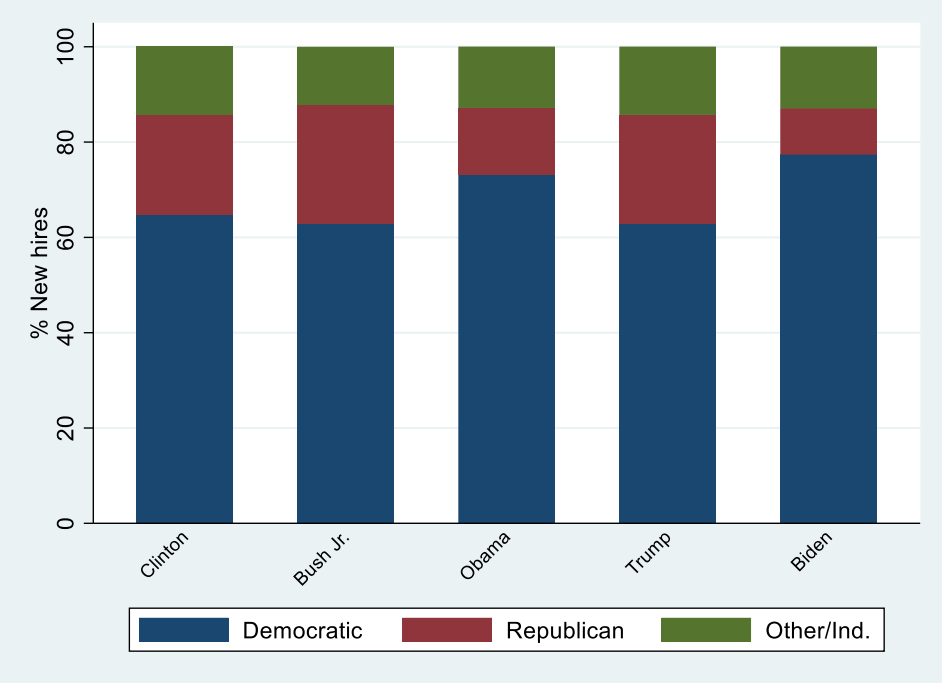


Table IA.1: Case Characteristics by political alignment

This table compares case characteristics across enforcement actions in which the supervisory attorney's political affiliation is misaligned or not misaligned with that of the defendant. Columns (1) and (2) report sample means for cases involving Republican and Democratic defendants, respectively. Column (3) reports the difference in means (Republican minus Democrat). Fraud, DoJ, Press Release, Administrative, and Related Case capture key case characteristics. Aided/Abetted, Control Person, Causing, Scienter, and Neg./Intern. Control indicate the severity and nature of violations. Exchange Act, Securities Act, and Other Act indicate the statutes underlying the alleged violations. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Defendant:	Misaligned	Not Misaligned	Difference	P-value
1(Fraud)	0.180	0.164	0.016	(0.568)
1(DoJ)	0.079	0.054	0.026	(0.177)
1(Press Release)	0.323	0.316	0.007	(0.847)
1(Administrative)	0.268	0.287	-0.019	(0.584)
1(Related Case)	0.140	0.147	-0.007	(0.786)
1(Aided/Abetted)	0.454	0.461	-0.007	(0.856)
1(Control Person)	0.043	0.056	-0.014	(0.406)
1(Causing)	0.073	0.046	0.028	(0.126)
1(Scienter)	0.552	0.552	-0.000	(0.990)
1(Neg./Intern. Control)	0.540	0.542	-0.002	(0.959)
Exchange Act	0.808	0.783	0.025	(0.411)
Securities Act	0.582	0.560	0.022	(0.558)
Other Act	0.521	0.534	-0.012	(0.748)

Table IA.2: Political Affiliation and Academic Achievement

This table examines whether the political affiliation of SEC attorneys correlates with academic credentials. We report estimates from linear probability models. In columns 1–2, the dependent variable is 1(JD Honors), equal to one if the attorney graduated from law school with honors; in columns 3–4, 1(Non-JD Honors), equal to one if the attorney received undergraduate or master's honors; and in columns 5–6, 1(Law Journal), equal to one if the attorney held a law journal affiliation. The key independent variable is Dem, an indicator equal to one if an attorney is a registered Democratic voter or donor; the omitted group is Republican attorneys; Independents are excluded from the sample. All columns include law school fixed effects; even-numbered columns additionally include graduation-cohort fixed effects to absorb cohort differences in credential reporting. Magnitude (% of Mean) reports the coefficient on Dem expressed as a percentage of the sample mean of the dependent variable. Standard errors are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	1(JD honors)		**1(Non-JD honors)**		**1(Law Journal)**	
	(1)	(2)	(3)	(4)	(5)	(6)
Dem	-0.02	-0.03	-0.02	-0.01	0.05	0.07
	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Law School FE	Yes	Yes	Yes	Yes	Yes	Yes
Graduation Cohort FE	No	Yes	No	Yes	No	Yes
R2	0.165	0.269	0.180	0.274	0.157	0.251
N	500	500	500	500	500	500
Magnitude (% of Mean)	-6.51	-10.16	-8.09	-3.16	16.61	21.06

Table IA.3: Controlling for Trigger-Date Market Reactions

This table examines whether the relation between political misalignment and monetary sanctions and bar is robust to controlling for the market reaction around the trigger event. The unit of observation is at the case-defendant level. In Columns (1)–(3), the dependent variable is the natural logarithm of monetary sanctions, defined as the sum of civil penalties, disgorgement, and prejudgment interest. In Columns (4)–(6), the dependent variable is an indicator equal to one if the defendant receives a bar and zero otherwise. The key independent variable, Misaligned (Supervisor), is an indicator equal to one if the supervisory attorney and the defendant have opposing political affiliations. Trigger CAR[-1,+10] is the defendant's cumulative abnormal return over the [-1,+10] window around the trigger date, which captures the market reaction to the underlying event associated with the enforcement action. event. Definitions of all other variables are presented in Table A1. Standard errors clustered by defendant-case are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	$Log(Monetary\ Sanctions^{\$})$			$1(Bar)$		
	(1)	(2)	(3)	(4)	(5)	(6)
Misaligned (Supervisor)	0.53**	0.54**	0.45**	0.16**	0.15**	0.13**
	(0.22)	(0.22)	(0.21)	(0.07)	(0.07)	(0.06)
Trigger CAR[-1,+10]	-1.07**	-0.67	-0.75	-0.11	-0.25	-0.21
	(0.45)	(0.50)	(0.48)	(0.16)	(0.16)	(0.14)
Log(Mkt Cap)	0.28***	0.26***	0.26***	-0.03**	-0.01	-0.01
	(0.05)	(0.05)	(0.05)	(0.01)	(0.01)	(0.01)
Misaligned (SEC Chair)		-0.38*	-0.31		0.03	0.01
		(0.21)	(0.21)		(0.07)	(0.06)
1(Fraud)	1.00***	1.06***	0.72*	-0.20	-0.22	-0.35
	(0.35)	(0.37)	(0.38)	(0.13)	(0.21)	(0.25)
1(DoJ)	-0.32	-0.31	-0.16	0.19	0.12	0.15
	(0.35)	(0.36)	(0.37)	(0.15)	(0.15)	(0.12)
1(Press Release)	2.91***	2.72***	2.67***	-0.14	-0.18	-0.15
	(0.31)	(0.35)	(0.41)	(0.14)	(0.18)	(0.24)
1(Administrative)	0.61*	0.39	0.34	0.32***	0.32***	0.49***
	(0.32)	(0.31)	(0.34)	(0.07)	(0.08)	(0.08)
1(Aided/Abetted)			-0.45			0.18**
			(0.32)			(0.08)
1(Control Person)			1.31***			-0.13
			(0.47)			(0.20)
1(Causing)			-0.43			-0.31**
			(0.55)			(0.13)
1(Scienter)			0.93**			0.55***
			(0.36)			(0.10)
1(Neg./Intern. Control)			1.29**			0.21
			(0.55)			(0.14)
1(Related Case)				-0.39***	-0.44***	-0.29***
				(0.08)	(0.09)	(0.10)
Statute FE	No	Yes	Yes	No	Yes	Yes
Viol Provisions	No	No	Yes	No	No	Yes
R2	0.592	0.631	0.703	0.249	0.324	0.560
N	243	243	243	195	195	195