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Working Paper

Taking the Lord's Name in Vain: The Impact of Connected Directors on 19th Century British Banks

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Abstract

This paper utilizes data on the presence of prominent individuals—that is, those with political (e.g., Members of Parliament) and aristocratic titles (e.g., lords)--on the boards of directors of English and Welsh banks from 1879-1909 to investigate whether the appointment of well-connected directors enhanced equity value for bank shareholders. Our analysis of panel data shows that the appointment of connected directors did not increase the rate of return on bank equity. In fact, we find that the appointment of MPs to directorships had *negative* effects on bank equity returns. Our event-study analysis corroborates this finding, showing that a bank's shares exhibited *negative* abnormal returns when their directors were elected to Parliament. Taken together, our results indicate that connected directors yielded little--or even negative--economic payoff to bank shareholders in pre-war Britain.

JEL-Code: N230.

Keywords: private finance, corporate governance, capital markets, banks, economic history.

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1. Introduction

The prevalence of politically influential firms in emerging market economies is extensively documented, as companies frequently appoint well-connected individuals to chief officer positions and/or directorships (Faccio 2006, Gomez and Jomo 1997). The economic rationale behind such appointments is a subject of controversy. A positive interpretation is that these directors are selected because they bring some knowledge or experience that is relevant to the firm's operation—either specific know-how about the business or more general expertise in organization, management, and logistics. Additionally, their presence on the board might reassure the firm's customers, who would otherwise be less willing to purchase the products made by the firm, or financiers (e.g., creditors and shareholders), who would otherwise be less willing to provide the firm with debt or equity finance. A less charitable view is that these individuals are selected for political reasons, that is, because they can influence politicians, regulators, or other government officials in ways that may materially affect the company's performance. These opposing views have important implications for the allocation of resources across and within firms, financial and economic development, and prescriptions about what type of regulations ought to govern potential conflicts of interest.

The empirical literature in development economics suggests that political connections can be pernicious and are likely to constitute a form of rent-seeking.[4] Firms seek connections with politicians who can help protect their economic interests, while politicians seek close connections with firms in order to extract resources, both for private gain and to protect their political interests (Faccio 2006, Faccio, Masulis, and McConnell 2006, Fisman 2001, Johnson and Mitton 2003, Khwaja and Mian 2005, Imai 2006, Sukhtankar 2012).[5] The welfare implications of this negative view of politically connected firms is that if left unchecked, they

[4] Estimates of the value of political connections in the US, however, are varied. Goldman, Rocholl, and So (2009) examine whether board members of Standard and Poor's 500 companies have political connections to either the Republican or Democratic parties. They find abnormal (excess) stock returns following the announcement of the nomination of a politically connected individual to the board and positive (negative) effects on the value of Republican (Democratic) connected companies in the aftermath of the 2000 presidential election. Fisman, Fisman, Galef, and Khurana (2006) identify US firms that are politically connected to then-Vice President Dick Cheney. Their results suggest that the value of political connections is small in the US.

[5] In particular, Sukhtankar (2012) discovers that illicit exchange of rents between politicians and their connected firms follow the electoral cycle in India; i.e., politicians *receive* financial resources from connected firms during election campaigns, but *send* side payments to those firms after they win elections. Faccio (2006) shows that the degree of connection between firms and politicians is strongly correlated with the institutional and regulatory feature of a given country; i.e., the degree of political connections is strongest in a country with weak political institutions and lax regulation of political conflicts of interest (e.g., Indonesia, Malaysia, Russia, and Thailand).

can stifle market competition and distort the allocation of resources toward connected firms and away from their more efficient competitors, imposing a substantial economic cost.[6] Moreover, another strand of the related literature shows that politically connected firms suffer from deficient internal governance since managers and directors, who are appointed based on political consideration, are less likely to represent shareholders' interests (e.g., Bertrand, Kramaraz, Schoar, and Thesmar, 2006; Fan, Wong, and Zhang, 2007, Horiuchi and Shimizu, 2001).[7]

A more historically inclined literature recognizes that political connections can have a positive role for economic development in the face of market and institutional failure. For example, in a weak institutional environment where a government finds it difficult to make a credible commitment to protect property rights, firms with viable investment projects might seek political connections as an informal way to secure property rights (Haber 2002, Razo 2008). Similarly, when firms face difficulty raising external finance from outside investors due to asymmetric information problems, they might seek political connections as a way of signaling the high quality of assets and management. Ghita, Cuyvers, and Deloof (2009) show that firms with better social and political connections had higher levels of growth and probability of survival in Belgium during 1858-1909. Hannah (2007: 667) notes the presence of titled individuals on the board provided a positive signal to British investors during the 19th century. Similarly, Braggion and Moore (2013) show that the presence of Members of Parliament (MPs) on boards of directors was associated with greater access to external capital for firms in "new tech" industries in Britain during 1895-1906. During a time in which British securities markets stand accused of starving new tech firms for capital and having accelerated Britain's relative economic decline, this effect is not trivial (Kennedy 1987).[8]

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[6] Khwaja and Mian (2005), for example, estimate that the annual economic cost associated with preferential treatment of politically connected is 0.3 to 1.9 percent of GDP in Pakistan.

[7] An extensive literature explores many different aspects of boards of directors and their role in corporate governance. This literature includes studies of board size (Coles, Daniel, and Naveen, 2008), structure (Linck, Netter, and Yang, 2008), composition (Hermalin and Weisbach, 1988; 1998; Menozzi, Gutiérrez Urtiaga, and Vannoni, 2012), and the impact of outside directors (Duchin, Matsusaka, and Ozbas, 2010), women (Adams and Ferreira, 2009), and celebrities (Ferris et al., 2011) on corporate governance and firm performance.

[8] One substantial strand of related research shows that well-connected directors and, in particular, those connected with reputable financial institutions, help firms raise external funds to undertake large investment projects in an underdeveloped financial system (De Long, 1991, Ramirez 1995). However, the economic benefits of bank-firm relationship seem to depend on institutional context (see Fohlin, 1998, Rajan and Zingales, 1998, Cull, Imai, and Haber 2012).

This paper contributes to the literature by measuring the extent to which well-connected individuals served on the boards of English and Welsh banks during 1879-1909.[9] We do this by focusing on an easily identifiable quality of directors: their titles. Specifically, we focus on two types of titles: political and noble. By political titles, we mean directors who were Members of Parliament (MPs) while they were on the board of directors. By noble titles, we mean directors who possessed aristocratic titles, who were likely to have had a well-connected network even though their direct political influence may have been less than members of the House of Commons.[10] By using these two types of titles, we hope to distinguish between the political influence of directors and other aspects (for example, social standing or notoriety), although we are mindful of the fact that this is an imperfect distinction and that our measures of connection exclude prominent individuals from the arts, sciences, finance, and industry without political or noble titles whose notoriety may nonetheless have prompted their appointment and affected shareholder value. We match these data on the profile of bank directors with data on balance sheet characteristics and financial performance of British banks to investigate whether the appointment of politically connected directors generated economic value for bank shareholders.

We focus on pre-war British banks for two reasons. First, consistent with the characterization of non-financial firms in Braggion and Moore (2013), we find that well-connected directors were ubiquitous--and became more so--among British banks in the pre-war era, which provides an ideal setting in which to examine their economic impact on bank performance. Second, analysis of political connections in contemporary settings frequently shows that close association with public officials generates substantial rents for financial institutions (Braun and Raddatz, 2010, Duchin and Sosyura 2012, Acemoglu, et al., 2013). However, these studies examine financial systems which are tightly regulated with both an explicit and implicit government safety net and barrier to competition that provide banks with rent seeking opportunities. In contrast, the pre-war British banking sector was largely unregulated and, for the most part, stable (Schwartz, 1986), which allows us to examine the

[9] We use the term "British" throughout the paper, however, our sample consists of English and Welsh banks.
[10] Nobles were members of the House of Lords, which was theoretically co-equal with the House of Commons. Its concurrence was required on all legislation prior to 1911 and, in fact, several governments during 1875-1900 were headed by prime ministers serving in the House of Lords. There is reason to believe that the power the House of Lords to influence legislation decreased during the 19th century. A turning point in this decline occurred when King William IV was advised to create enough new peers to pass the Reform Act of 1832 over the objection of the majority of the sitting members of the House of Lords. Under this threat, the House of Lords allowed the law to pass. Parliament of the United Kingdom (2006).

economic impact of political connections in a different regulatory environment that might have made political connection less valuable to banks.

To preview our results, cross-sectional analysis shows that large banks were more likely to have well-connected individuals on their boards of directors, consistent with the literature on political connections in emerging market economies (e.g., Johnson and Mitton 2003, Faccio 2006). However, our panel regressions show that the appointment of well-connected directors to boards of directors did not increase the rate of return on bank equity. When we consider directors with political and noble titles separately, we find that the appointment of MPs to directorships had *negative* effects on the financial performance of bank equity, whereas that of directors with noble titles had no discernible effect. Our event-study analysis corroborates the results of the panel regression results: banks' share tended to experience negative abnormal return when their directors won seats in Parliament.

Our results contrast with those of Braggion and Moore (2013), who find substantial benefits from political connections for non-financial firms in "new tech" industries--but no significant effect in "old industry" firms--during 1895-1906, a period that largely coincides with our study. One reason for this contrast may be that the firms Braggion and Moore study were younger, lesser known establishments in new lines of industry and needed to signal to investors their "soundness" by the appointment of prominent board members.[11] By contrast, the banking industry was older and more firmly established than the firms investigated by Braggion and Moore as joint stock (i.e., incorporated) banking had become legal under legislation passed in 1826,[12] and hence the reputation-building benefit of high profile directors is likely to have been limited or outweighed by the cost of having these directors who might have been less attentive to banks' affairs.

The outline of the paper is as follows. Section 2 describes the data. Section 3 presents the empirical analysis. Conclusions follow in section 4.

2. Data

[11] Braggion and Moore (2013) classify new tech firms as those operating in the chemicals, electricity supply, electricity generation, bicycle, or motorcar sectors, based on Kennedy (1987) and Cull et al. (2006).
[12] "An Act for the Better Regulation of Co-Partnerships of Certain Bankers in England" (7 Geo. IV, c. 46).

Following Faccio (2006) and Braggion and Moore (2013), we collect information about the profile of each individual serving on the boards of directors of English and Welsh banks to identify which banks had political or noble connections. We utilize two separate data sources, the *Stock Exchange Yearbook* and *Burdett's Official Intelligence.* Both publications provide the name and title, if any, of each bank director and chief officer, which we record in order to identify which banks selected individuals with political or noble titles to be on its board of directors. In particular, we keep track of the numbers of directors, directors with noble titles, and directors with political titles, that is, individuals who serve as members of the House of Commons (MPs) for each bank over time.[13] Since the composition of directors is fairly stable, we collect this information on biannual basis from 1879 to 1909. More specifically, to capture political connectedness, we generate three variables, $Connected_{it}$, MP_{it}, and $Noble_{it}$, capturing the number of directors with political or noble titles, directors with political titles, and directors with noble titles for bank i in year t.[14] Based on these variables, we generate three dummy variables, which capture the presence of these directors. We also keep track of the total number of directors to capture the size of board of directors, which we use as a control.

Both MP directors and noble directors might be appointed as board members, based on similar economic rationales. As suggested by Braggion and Moore (2013), both are well-recognized and reputable individuals with high social standing, and thus having them on the board of directors might be useful for banks as a quality signal; i.e., the presence of these well-connected individuals on the board of directors might enable banks to reassure financiers (e.g.,

[13] The inherited titles of British male peers (all bank directors at this time were males), in descending order of precedence, are Duke, Marquess, Earl, Viscount, and Baron. It is customary to refer to peers by their specific titles, except for Barons, who are generally referred to as "Lord." If his father has multiple titles, the eldest son of a Duke, Marquess, or Earl may use one of his father's lower ranking titles before he succeeds to the peerage (i.e., the son of the Duke of Rutland is known as the Marquess of Granby). Younger sons of Dukes and Marquesses are styled as "Lord," known as a courtesy title, while younger sons of Earls and all sons of Viscounts and Barons are styled as "The Honourable" (however, the title Honourable is not limited to the sons of peers, but could also indicate that the holder is a judge). Below the peerage are baronets, essentially inherited knighthoods, which are distinguishable by "Sir" before the name and "Bart" after it. Below baronets are knights, who are distinguished by "Sir" before their name (www.Debretts.com). Some foreign directors have non-British noble titles, such as Count. We include Duke, Marquess, Lord, Earl, Viscount, and Baron among noble titles. The frequency of each of these titles in the data on bank directors is: MP (408), Duke (0), Marquess (16), Lord (129), Earl (18), Viscount (7), and Baron (7). Our results do not change if we broaden the definition of noble titles to include Count, Sir, Bart, and Hon.

[14] Because individuals with noble titles—excluding sons of sitting peers who may hold a noble title by courtesy--sit in the House of Lords they cannot, by definition, sit in the House of Commons (i.e., they cannot be MPs). Since our data on bank directors include only one person with the tile of both Lord and MP, Henry Brudenell-Bruce, later the 5th Marquess of Ailesbury who served in the House of Commons as "Lord Henry Brudenell-Bruce" prior to acceding to the peerage upon the death of his father, $Connected_{it}$ is nearly perfectly correlated with MP_{it} plus $Noble_{it}$.

depositors, creditors, and shareholders), who would otherwise be less willing to entrust the banks with their wealth. Furthermore, both are well connected in political circles, and their presence on the board of directors might allow banks to have influence with politicians and/or other government officials who can materially affect the company's performance. Nonetheless, the distinction between MP directors and noble directors might be important because the MP directors served in the primary legislative body and thus are more likely to have had a substantive impact on economic policy than noble directors. In addition, MP directors must run ("stand" in British parlance) for election and reelection, which might give them different political objectives from directors that sit in the House of Lords and do not need to stand for reelection. [15]

Our data on the balance sheet characteristics and financial performance of banks are taken from the *Economist Banking Supplement* and the *Investor's Monthly Manual*. The *Economist Banking Supplement* provides various information on bank size (total assets) and the riskiness of assets (which we proxy for by loans-to-assets ratio and cash-to-assets ratio). The *Investor's Monthly Manual* presents data on dividends and share prices, which we use to calculate returns on equity (i.e., change in share price plus dividends over the beginning-of-the-period share price) as a measure of financial performance. We focus on English and Welsh banks to obtain a homogeneous sample (i.e., Scottish, Irish, and foreign banks whose shares were listed in the London Stock Exchange are excluded from the sample). Hence, our sample consists of English and Welsh banks which made available the information about their directors, balance sheet, and dividends and share prices.[16]

3. Empirical Analysis

Figure 1 shows the proportion of banks with at least one connected director during 1879-1909.[17] In 1879, about 20% of banks had an MP on their board of directors, similar to the proportion found by Braggion and Moore (2013) for non-financial firms. This proportion

[15] We also collect the data on the party affiliations of MPs to examine whether the economic impact of MP directors on bank performance depends on party affiliation, but find no statistically discernible difference between MPs that are affiliated with different political parties.

[16] Given that not all banks report the detailed information about their directors in the *Stock Exchange Yearbook* or *Burdett's Official Intelligence*, fewer banks are included in our sample than appear in the *Economist Banking Supplement*.

[17] We focus on listed banks that report balance sheet information in order to maintain consistent sample for the latter part of this paper. Both the *Stock Exchange Yearbook* and *Burdett's Official Intelligence* include information on more banks; however, not all of the banks listed in these publications include financial information.

remained stable until the turn of the century before increasing to 35% by 1909, suggesting that a large proportion of banks were politically connected by the end of our sample period. A little over 5% of banks had at least one noble director in 1879, but this number steadily increased to about 35% by 1909. Similarly, the proportion of banks with connected directors of either sort was 23% in 1879 and increased to more than 50% by 1909. Thus, our data contain substantial variation, both across banks and over time; i.e., some banks were connected while others were not, and more importantly, those banks that were politically connected were connected at different points in time during the sample period. This pattern should help us ascertain whether the presence of connected directors had any effect on the financial performance of banks in panel data analysis with bank fixed effects and year fixed effects.[18] In addition, Figure 1 shows that the statistical variation of the presence of MP directors is much richer than that of the presence of noble directors, since the title of MP can be gained and lost as a result of elections while losing a hereditary peerage is far more difficult (for example, the right to "disclaim" hereditary peerages was not established until the passage of the Peerage Act in 1963).[19] This means, econometrically, that the impact of MP directors can be estimated with more precision than that of noble directors when it is estimated with within-bank variation over time.

We observe a similarly increasing pattern in the average number of connected directors per bank (Figure 2), which suggests that banks had strong—and increasing--proclivity to appoint connected individuals to their boards. However, even though the average number rose over time, the absolute level remained low, which might suggest that demand for political connections might have been small. Moreover, this number may be somewhat misleading because the average total number of directors was also rising at the same time (Figure 3).[20] Thus, even though connected directors became more common over the sample period, bank boards typically did not have a majority of political or noble directors.

[18] When we examine only large banks, those with greater than the median value of assets in the sample, we observe a similar variation over time, suggesting that the data contain rich within-bank variation in the degree of political connectedness amongst large banks. See Figures A1 and A2.

[19] As shown in summary statistics (Table A8), the "within-bank" standard deviation for MP directors is nearly twice as large as that for noble directors, which should give us a smaller standard error for the estimated impact of MP directors than for that of noble directors in panel fixed effects regression.

[20] Note that the average number of MP directors is more volatile than the average number of noble directors. This is partly due to the fact that most of the MP directors belong to the Conservative Party and that a significant number of the incumbent Conservative MPs lost their seats in the general elections of 1880, 1892, and 1906.

To examine the statistical correlation between "connectedness" and profitability as demonstrated in Braun and Raddatz (2010),[21] we regress bank size (measured by log of bank assets) and equity returns on $Connected_i$, MP_i, and $Noble_i$. The coefficients on these independent variables capture the difference between connected and unconnected banks in terms of bank size and return on equity.[22] The results are displayed in Tables 1-4. The last column of each table includes the results of pooled OLS which include dummy variables for each year (the coefficients on these year dummies are not reported to conserve space).

The results in Table 1 show that the coefficient on the presence of connected directors is positive and statistically significant in all years (columns 1-16) and that the pooled OLS results suggest (column 17) that, on average, connected banks are approximately twice as large as unconnected banks during this period. This mirrors the results of the studies on politically connected firms in emerging market economies (Faccio 2006 and Johnson and Mitton 2003). The interpretation of these results, however, is not straightforward because of possible selection effects; that is, large banks may have been better able to afford to engage titled directors, or titled directors may have been more willing to serve on large banks' board of directors. Table 3, which uses the number of connected directors, yields qualitatively similar results.

Table 2 shows that the coefficient on the presence of connected directors in regressions on returns is positive and significant for 1879, 1887, 1889, and 1899, negative for 1909, but is mostly insignificant, suggesting that there is no systematic difference between connected and unconnected banks in terms of return on bank equity. Table 4, which presents regressions using the number of connected directors, yields similar results. That is, neither political nor noble titles appear to have added much value to bank equity in a systematic way. Of course, we are mindful of the selection effects that might be lurking behind these patterns. It may be that older, larger banks were generally less dynamic than smaller, newer institutions. If these older/larger banks were more likely to appoint connected directors, it may be that the estimated effects of connected director are biased downward by the age/size effect. Alternatively, the selection may be based on unobservable factors; for example, profitable banks may have been more likely to appoint connected directors, in which case, the coefficient on connected director is likely to suffer from

[21] We do not ascribe causality in this simple cross-sectional regression but are merely describing the relationship in order to compare our results with those of Braun and Raddatz (2010) who use a similar approach.
[22] Tables A1-A2 replicate these results, using the alternative broader definition of Lord which includes Count, Sir, Bart, and Hon. in addition to Duke, Marquess, Lord, Earl, Viscount, and Baron. The results are broadly consistent.

positive bias and could explain some of the positive coefficient on the presence of connected directors.

To better identify causality, we exploit the time dimension of the panel data (i.e., some banks appointed connected directors while others remained unconnected during the sample period) and estimate the effects of connected directors via differences-in-difference methods as follows:

$$Ln(Assets_{it}) = \beta_i + \beta_t + \beta_1 MP_{it} + \beta_2 Noble_{it} + \varepsilon_{it}$$
$$Ln(Assets_{it}) = \beta_i + \beta_t + \beta_1 Connected_{it} + \varepsilon_{it}$$
$$Return_{it} = \beta_i + \beta_t + \beta_1 MP_{it} + \beta_2 Noble_{it} + \varepsilon_{it}$$
$$Return_{it} = \beta_i + \beta_t + \beta_1 Connected_{it} + \varepsilon_{it}$$

Note that the bank fixed effects coefficient, β_i controls for bank-specific factors that are more or less constant over time, and the year fixed effects coefficient, β_t, captures economy wide shocks that affect all banks. Hence, by including both bank fixed effects and year fixed effects, we are comparing a change in bank performance before and after the appointment of connected directors relative to a statistical benchmark (i.e., a change in the performance of banks which remained unconnected) in a given year.

Table 5 reports the results of these panel regressions. The coefficient on the presence of MP directors in the equation for bank size is positive and significant (column 1), suggesting that banks became larger after the appointment of connected directors. The coefficient on the presence of noble directors is negative but insignificant (column 1). The results with the number of connected directors yield qualitatively similar results (columns 3 and 4), although the coefficient on the number of MP directors is not statistically significant. The results on returns provide no evidence to suggest that bank performance improved after the addition of connected individuals to the board of directors. On the contrary, equity performance seems to deteriorate following the appointment of MP directors (column 5). We observe similar patterns when we use the number of MP directors as a proxy of political connections instead of a dummy for their presence, suggesting that as the number of MP directors increased, returns tended to decline (column 7). Our results also show that the coefficient on noble directors is positive but largely insignificant. Hence, although there is some indication that noble directors have positive effects,

it is difficult to state it with high level of confidence, given a large standard error associated with the estimated coefficient.

In sum, we find evidence that political connections are associated with banks growing larger. In the case of noble directors, their presence might have had positive effects on returns, and yet there is large statistical uncertainty associated with the estimated impact prevents us from making as strong a statement as we are able to make for MP directors. In the case of MP directors, their appointment is associated with a decline in bank performance.[23]

One possible explanation for the worsening financial performance of banks upon the appointment of MP directors is that these directors might have been less attentive to their banks' affairs because of their duties in Parliament or because they were appointed by entrenched managers to enhance their prestige, rather than to enhance the value of bank equity.[24] If that is the case, the appointment of MP directors can exacerbate agency problems to the detriment of bank shareholders. Alternatively, these directors might have pushed banks to make more conservative asset management decisions, since the failure of banks would hurt their reputation. To check whether this mechanism was in play, we run panel regressions of the loan-to-asset ratio, cash-to-asset ratio, and standard deviation of returns on our measures of political connections with bank fixed effects and year fixed effects. The results are displayed in Table 6. The coefficients on MP directors are insignificant, suggesting that banks did not necessarily pursue safe investment strategy after the appointment of MP directors. The coefficient on the presence of noble directors is positive for the loan-to-asset ratio (column 1), but it is not robust to different measures of bank risk and loses its significance when we use the number of noble directors. Hence, there is little evidence to suggest that asset management changed significantly after connected directors were appointed.

To further probe the importance of bank heterogeneity and the channel in which the performance of banks worsened after the appointment of MP directors, we estimate the panel

[23] These results remain qualitatively similar even when we use the alternative definition of noble directors (Table A3).

[24] Additionally, there is anecdotal evidence that politicians directed their banks to unsound pernicious lending practices. For example, Sir Gabriel Goldney, Baronet and Member of Parliament, was also a Director of the North Wiltshire Bank in the 1860s. He was approached by a railway engineer Roland Brotherhood to relax the bank's lending term for his struggling railway company, the Railway Work, in exchange for help in getting Goldney re-elected. Goldney was successfully re-elected and advised the bank that the lending conditions could be relaxed for the Railway Work, although shortly after, the bank changed its mind and Brotherhood's enterprise failed. See http://www.chippenham.gov.uk/rowland-brotherhood.6230.aspx. Whether this type of episode is an isolated incident or rather systematic can only be inferred statistically, given its illicit nature.

regression of returns while controlling for covariates that might have affected bank profitability. First, we examine whether some connected directors provided banks with positive economic payoffs to their banks. We do so by incorporating a proxy for political influence of connected directors by including a dummy variable for the presence of a director with a title the Right Honourable (abbreviated "Rt. Hon."). Although there are several officials who are authorized to use this title, including certain members of the nobility and lord mayors, it is most commonly used for members of the Privy Council, a group of appointed advisors to the monarch, which typically consists of high-ranking members of the cabinet and opposition. Thus, there is a high likelihood that directors with the title Rt. Hon. either have, had, or will have an influential role in government.

Second, we control for the total number of directors and lagged return. Lagged return is included in case poorly performing banks were more likely to appoint connected directors in the hope that such appointment would send a positive signal to the financial markets. The total number of directors is included to verify that it is not an increase in the size of the board of directors, *per se*, which tends to accompany the appointment of politically connected directors, that negatively affected bank performance, as corporate finance literature shows that firm performance is negatively correlated with the size of board of directors (Coles, Daniel, and Naveen, 2008). Additionally, we control for bank size (measured in log of bank assets) and bank age to capture size/age effects.[25] Finally, we include various measures of bank risk, such as loan-to-asset ratio, cash-to-asset ratio, bank asset growth, and the standard deviation of equity returns.

The results of these specifications are reported in Table 7. The coefficient on MP directors remains negative and statistically significant even when controlling for a variety of bank-specific characteristics, suggesting that the worsening of bank performance upon the arrival of new MP directors is not driven by these additional factors and thus might be due to a decline in quality of investment or bank management that are not readily captured by these observables. The coefficient on the presence of a director with title Rt. Hon. is insignificant in all specifications, suggesting that even banks which appointed highly (politically) influential directors failed to benefit from such appointment.

[25] Bank age calculated from Crick and Wadsworth (1936), Gregory and Henderson (1936), Sayers (1957), and the *Register of Defunct and Other Companies.*

An econometric concern about the above empirical analysis is selection bias; i.e., banks that appointed politically connected individuals to directorships might be systematically different from those that do not. The direction of bias can go either way, depending on the relative future profitability of these banks, although we suspect that negative bias is a greater danger (i.e., banks that were less dynamic and less profitable might have sought out a political connections to invigorate their performance). We attempt to address this concern by estimating the abnormal shareholder returns associated with the electoral success (or failure) of bank directors since elections, especially, close ones, are, to some extent, random events (Snowberg, Wolfers, and Zitzewitz, 2007). Another advantage of event study methodology is that it allows us to compare our results with other studies on politically connected firms which undertake similar analyses (Faccio, 2006, Braggion and Moore, 2013). Note that this event study methodology is only applicable to directors who are MPs; nobles retain their titles throughout their lifetimes, although their personal fortunate and reputations can certainly vary over time.

To perform event studies, we compile detailed information about the results of each of the six parliamentary elections during the course of our sample (April 1880, December 1885, August 1886, August 1892, October 1900, and February 1906) for bank directors who competed in these elections.[26] We identify bank directors who ran for election and record their election results.[27]

The election or reelection to, or loss of a seat in Parliament by a bank director should have the greatest effect on bank share price if it comes as a surprise; if the outcome is seen as a foregone conclusion well ahead of the election, an efficient market will have priced in the anticipated event (Fama, 1965). Because there was no pre-election polling at the time, we judge the extent to which an electoral victory or defeat was a surprise by looking at the margin of victory, focusing on results in which the directors won or lost by a small margin (3 percentage points or less), as the equity market is unlikely to have reacted to the election results that are more or less anticipated.[28] We also collect the monthly share prices and dividends of their banks around the month of the elections and calculate abnormal return associated with close elections.

[26] Election data from Craig (1989a, b) and *Popular Guide to the House of Commons* (1892, 1906).
[27] The data set contains 87 such directors. Table A6 displays the breakdown of elections in which they participated.
[28] The results that include all elections are displayed in Table A7. Even though abnormal returns for banks whose directors won (lost) elections are mostly positive (negative), they are not statistically significant with large p-values (in parenthesis). That is, there is no clear evidence that the electoral results had any consistent effects on the share prices of politically connected banks; however, these insignificant abnormal returns are likely to be attributable to

We identify 20 banks with directors who stood for election to Parliament and won or lost by a small margin.[29] We drop cases in which two or more directors from the same bank competed in an election with different results (i.e., some won while others lost), given that it is not clear how market participants perceived these events.[30] We also drop cases in which directors stood for election to a multimember (most often two-, occasionally three-seat) constituency, in which the margin of victory is harder to interpret.

Given the event clustering, we follow MacKinlay (1997) and aggregate returns into a portfolio for each group. We use 12, 24, and 36 months estimation windows prior to each of the election months to estimate a market model as follows:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

where R_{it} and R_{mt} are returns on portfolio i and market return in the London Stock Exchange. We then calculate the predicted return, based on the above market model during each of the election months. Finally, the abnormal return is the difference between the actual return and the predicted return.

The use of differently sized estimation windows allows us to check the robustness of results. The estimated abnormal returns are reported in Table 8. Again, the results show little evidence of the effects of political connections. Rather in some cases (1892, 1895, and 1906 elections), banks whose directors won their election contests experienced *negative* abnormal returns, on average. This finding contrasts sharply with those of Faccio (2006) and Braggion and Moore (2013), who detect positive abnormal return for politically connected firms.[31]

4. Conclusions

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the fact that many of these election results were anticipated. Our results are qualitatively similar if we broaden our focus to elections in which the margin of victory is 5 percent, although less significant.

[29] Four bank directors were elected in the 1886 election, two won and one lost in the 1892 election, two won in the 1895 election, four won and one lost in the 1900 elections, and two won and 3 lost in the 1906 elections.

[30] The estimated abnormal return for these cases is in general statistically insignificant.

[31] We also examine how the share prices of connected banks moved in response to the death of politically connected directors in the spirit of Johnson, Magee, Nagarajan, and Newman (1985), and more recently Fogel, Ma, and Morck (2014). We identify five cases in which politically connected directors passed away during our sample period. Again, the estimated abnormal returns are largely insignificant, suggesting that connected directors did not affect the share prices of their banks.

This paper analyzes the impact of political connections on bank performance by analyzing data on the presence of Members of Parliament (MP) and members of the nobility on boards of directors of the British banks from 1879-1909. When we analyze cross-sectional variation, we find that large banks were more likely to have politically connected individuals on their boards of directors, but banks with connected directors were no more profitable than those without. Furthermore, based on differences-in-difference method, we find that the appointment of politically connected directors did not enhance equity value for bank shareholders. On the contrary, we find some evidence that the appointment of connected individuals into the directorship had *negative* effects on banks' long-term financial performance.

These results contrast sharply with those of Braggion and Moore (2013), who show that political connections brought about economic rents to the shareholders of non-financial firms in the pre-WWI Britain. The results also contrast with those of Braun and Raddatz (2010), Duchin and Sosyura (2012), Acemoglu, et al. (2013), whose analysis of political connections in contemporary settings shows that close association with public officials generates substantial rents for financial institutions. Because the banking industry was older and more firmly established than the non-financial firms investigated by Braggion and Moore (2013), it may be that the reputation-building benefits of high profile directors was limited or outweighed by the cost of having these directors who might have been expensive to hire and less attentive to banks' financial affairs. Also, because the pre-war British banking sector was largely unregulated and, for the most part, stable, it may be that the amount of regulation-related rents to be captured with political connections was small to begin with. One can also conjecture that if their electoral success was connected to a specific branch of industry, their appointment might also have led to costly pernicious lending.

An important question remains, however: why would a bank would chose to put an MP on its board if that person lowers the equity value of the bank? One possible explanation is that that hiring connected directors was a form of "prestige consumption," similar to purchasing expensive art for the firm's walls, or as a different dimension of competition with rivals. However, to definitively answer this question, it will be necessary to discover whether other stakeholders benefited from this arrangement, what kind of an illicit exchange took place between the bank and an MP, and how the decision to put a MP on its board was reached within each financial institution. This suggests an agenda for archival research.

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Table 1: Year-by-year cross-sectional regression (dependent variable, log(Assets))

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Presence of Connected Directors	1.031***	1.188***	0.689**	0.796***	0.892***	1.163***	0.915***	0.969***	0.804**	1.161***	1.194***	1.556***	1.627***	1.697***	1.801***	1.788***	1.150***
	(0.339)	(0.343)	(0.305)	(0.292)	(0.281)	(0.287)	(0.286)	(0.320)	(0.315)	(0.315)	(0.369)	(0.355)	(0.374)	(0.396)	(0.470)	(0.489)	(0.216)
Constant	13.99***	13.94***	14.07***	14.05***	13.96***	14.10***	14.32***	14.39***	14.47***	14.56***	14.56***	14.54***	14.50***	14.55***	14.49***	14.65***	13.96***
	(0.140)	(0.144)	(0.145)	(0.139)	(0.152)	(0.149)	(0.146)	(0.155)	(0.165)	(0.170)	(0.193)	(0.188)	(0.223)	(0.258)	(0.356)	(0.340)	(0.130)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.128	0.133	0.057	0.073	0.089	0.138	0.097	0.088	0.065	0.134	0.127	0.236	0.247	0.252	0.244	0.246	0.201

Panel B

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Presence of MP directors	0.776**	0.661*	0.345	0.491	0.652**	0.839***	0.767***	0.708**	0.901***	0.952***	1.276***	1.375***	1.431***	1.594***	1.510***	1.612***	0.935***
	(0.366)	(0.393)	(0.325)	(0.304)	(0.291)	(0.285)	(0.269)	(0.280)	(0.290)	(0.316)	(0.332)	(0.353)	(0.365)	(0.415)	(0.473)	(0.504)	(0.213)
Presence of Noble Directors	1.140*	1.434**	1.114**	1.275**	1.303***	1.506***	1.173**	1.486**	0.576	1.167**	0.736	1.169**	1.142*	0.694	0.954*	0.874	1.088***
	(0.586)	(0.548)	(0.537)	(0.574)	(0.494)	(0.439)	(0.575)	(0.707)	(0.766)	(0.507)	(0.688)	(0.538)	(0.574)	(0.588)	(0.515)	(0.562)	(0.384)
Constant	14.00***	13.99***	14.11***	14.07***	13.98***	14.10***	14.32***	14.39***	14.45***	14.55***	14.55***	14.59***	14.55***	14.60***	14.63***	14.78***	13.96***
	(0.140)	(0.144)	(0.145)	(0.139)	(0.150)	(0.147)	(0.145)	(0.155)	(0.165)	(0.168)	(0.191)	(0.185)	(0.219)	(0.256)	(0.336)	(0.327)	(0.131)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.146	0.128	0.066	0.088	0.100	0.171	0.110	0.109	0.086	0.163	0.150	0.226	0.249	0.268	0.230	0.255	0.209

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 2: Year-by-year cross-sectional regression (dependent variable, dividend-adjusted return)

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Presence of Connected Directors	0.153**	0.0222	-0.0351	0.00489	0.133*	0.0807*	-0.0358	0.0162	0.0328	-0.136	0.0391*	-0.0166	0.00527	-0.0168	-0.0974	-0.0696***	0.0142
	(0.0597)	(0.0362)	(0.0644)	(0.0186)	(0.0786)	(0.0452)	(0.0285)	(0.0228)	(0.0226)	(0.137)	(0.0212)	(0.0243)	(0.0248)	(0.0185)	(0.0685)	(0.0240)	(0.0149)
Constant	0.000431	0.0686**	0.0746***	0.107***	0.185***	0.0292	0.0504***	0.0976***	0.149***	0.0776*	0.0244*	0.0810***	0.0773***	0.0597***	0.109***	0.0818***	0.0325
	(0.0439)	(0.0292)	(0.0224)	(0.0139)	(0.0219)	(0.0347)	(0.0132)	(0.0100)	(0.0127)	(0.0431)	(0.0139)	(0.0161)	(0.0220)	(0.0158)	(0.0291)	(0.0163)	(0.0362)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.038	0.002	0.005	0.000	0.059	0.025	0.023	0.007	0.025	0.026	0.048	0.009	0.001	0.023	0.051	0.224	0.065

Panel B

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Presence of MP directors	0.161***	0.0132	-0.0403	0.00534	0.0483	0.0851*	-0.0376	0.00851	0.0384	-0.187	0.0155	-0.000520	0.0107	-0.0212	-0.135	-0.0456**	0.00213
	(0.0556)	(0.0373)	(0.0754)	(0.0190)	(0.0440)	(0.0469)	(0.0272)	(0.0255)	(0.0232)	(0.163)	(0.0201)	(0.0247)	(0.0229)	(0.0171)	(0.0924)	(0.0222)	(0.0156)
Presence of Noble Directors	-0.0832	0.0353	-0.0176	0.0169	0.305	0.00525	-0.0395	0.0495	-0.0417**	0.0926	0.103***	-0.0230	-0.0112	-0.00294	0.0373	-0.0627*	0.0259
	(0.155)	(0.0237)	(0.0407)	(0.0222)	(0.277)	(0.0469)	(0.0574)	(0.0370)	(0.0160)	(0.0592)	(0.0285)	(0.0347)	(0.0255)	(0.0191)	(0.0568)	(0.0318)	(0.0286)
Constant	0.00443	0.0687**	0.0751***	0.106***	0.190***	0.0328	0.0515***	0.0976***	0.150***	0.0759*	0.0255*	0.0783***	0.0781***	0.0606***	0.0951***	0.0788***	0.0341
	(0.0438)	(0.0288)	(0.0223)	(0.0137)	(0.0226)	(0.0340)	(0.0131)	(0.0101)	(0.0127)	(0.0429)	(0.0139)	(0.0158)	(0.0212)	(0.0149)	(0.0305)	(0.0159)	(0.0363)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.037	0.003	0.006	0.002	0.105	0.023	0.031	0.015	0.036	0.045	0.104	0.009	0.006	0.038	0.098	0.237	0.065

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Year-by-year cross-sectional regression (dependent variable, log(Assets))

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Number of Connected Directors	0.519**	0.664**	0.227	0.374	0.758***	0.834***	0.707***	0.612**	0.520***	0.662***	0.820***	0.970***	0.897***	0.835***	0.877***	1.029***	0.698***
	(0.213)	(0.257)	(0.228)	(0.241)	(0.199)	(0.160)	(0.178)	(0.257)	(0.128)	(0.156)	(0.149)	(0.179)	(0.155)	(0.173)	(0.178)	(0.198)	(0.111)
Constant	14.05***	14.01***	14.18***	14.12***	13.96***	14.12***	14.32***	14.43***	14.48***	14.60***	14.56***	14.62***	14.61***	14.68***	14.71***	14.72***	13.99***
	(0.137)	(0.143)	(0.144)	(0.139)	(0.148)	(0.143)	(0.140)	(0.151)	(0.155)	(0.162)	(0.188)	(0.184)	(0.216)	(0.249)	(0.314)	(0.323)	(0.131)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.090	0.088	0.016	0.038	0.098	0.159	0.121	0.066	0.089	0.135	0.160	0.221	0.246	0.245	0.243	0.301	0.199

Panel B

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Number of MP directors	0.336	0.419	0.0849	0.187	0.624***	0.657***	0.586***	0.579**	0.666***	0.727***	0.868***	0.925***	0.911***	0.902***	0.999***	1.277***	0.636***
	(0.255)	(0.335)	(0.275)	(0.287)	(0.232)	(0.152)	(0.152)	(0.242)	(0.164)	(0.205)	(0.196)	(0.248)	(0.197)	(0.245)	(0.231)	(0.262)	(0.140)
Number of Noble Directors	1.162***	1.535***	0.769	1.341**	1.323***	1.584***	1.182***	0.666	0.188	0.553	0.716*	1.041***	0.872**	0.713*	0.743**	0.832***	0.839***
	(0.349)	(0.498)	(0.529)	(0.564)	(0.491)	(0.429)	(0.410)	(0.663)	(0.460)	(0.463)	(0.418)	(0.346)	(0.350)	(0.362)	(0.279)	(0.265)	(0.247)
Constant	14.05***	14.01***	14.19***	14.13***	13.96***	14.10***	14.30***	14.44***	14.47***	14.60***	14.56***	14.62***	14.61***	14.67***	14.72***	14.71***	13.99***
	(0.138)	(0.144)	(0.144)	(0.138)	(0.149)	(0.144)	(0.141)	(0.152)	(0.157)	(0.164)	(0.189)	(0.185)	(0.218)	(0.251)	(0.317)	(0.325)	(0.132)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.134	0.118	0.035	0.070	0.111	0.193	0.148	0.066	0.100	0.137	0.161	0.222	0.246	0.247	0.248	0.316	0.203

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: Year-by-year cross-sectional regression (dependent variable, dividend-adjusted return)

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Number of Connected Directors	0.0860**	0.0239	-0.00419	0.00574	0.0829	0.0461*	-0.0260	0.0156	0.0111	-0.0740	0.0241**	-0.00984	0.000805	-0.00982	-0.0186	-0.0448***	0.00706
	(0.0410)	(0.0232)	(0.0446)	(0.0128)	(0.0528)	(0.0235)	(0.0167)	(0.0189)	(0.0109)	(0.0749)	(0.0105)	(0.0173)	(0.0112)	(0.00827)	(0.0161)	(0.0137)	(0.00903)
Constant	0.00805	0.0666**	0.0669***	0.106***	0.195***	0.0346	0.0494***	0.0975***	0.154***	0.0703	0.0262*	0.0799***	0.0791***	0.0595***	0.0711*	0.0821***	0.0334
	(0.0417)	(0.0284)	(0.0227)	(0.0134)	(0.0223)	(0.0327)	(0.0128)	(0.00991)	(0.0121)	(0.0432)	(0.0133)	(0.0151)	(0.0193)	(0.0136)	(0.0395)	(0.0143)	(0.0360)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.031	0.004	0.000	0.001	0.036	0.019	0.023	0.008	0.008	0.022	0.044	0.008	0.000	0.032	0.008	0.322	0.065

Panel B

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Number of MP directors	0.130***	0.0209	-0.00210	0.00347	0.0317	0.0494**	-0.0254	0.00941	0.0224	-0.138	0.0115	0.00420	0.00268	-0.0127	-0.0372	-0.0352**	0.00504
	(0.0432)	(0.0282)	(0.0522)	(0.0132)	(0.0325)	(0.0244)	(0.0169)	(0.0206)	(0.0138)	(0.113)	(0.0114)	(0.0181)	(0.0116)	(0.0102)	(0.0429)	(0.0130)	(0.0116)
Number of Noble Directors	-0.136	0.0334	-0.0172	0.0174	0.305	0.0153	-0.0360	0.0498	-0.0319***	0.105	0.101***	-0.0403	-0.00487	-0.00240	0.00777	-0.0546**	0.00793
	(0.109)	(0.0240)	(0.0424)	(0.0228)	(0.277)	(0.0451)	(0.0396)	(0.0369)	(0.0101)	(0.0706)	(0.0291)	(0.0339)	(0.0203)	(0.0145)	(0.0321)	(0.0224)	(0.0224)
Constant	0.00766	0.0667**	0.0670***	0.106***	0.193***	0.0361	0.0507***	0.0973***	0.152***	0.0744*	0.0255*	0.0800***	0.0793***	0.0594***	0.0703*	0.0818***	0.0339
	(0.0422)	(0.0285)	(0.0229)	(0.0135)	(0.0219)	(0.0332)	(0.0129)	(0.00999)	(0.0122)	(0.0428)	(0.0134)	(0.0153)	(0.0196)	(0.0138)	(0.0409)	(0.0146)	(0.0360)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.052	0.004	0.000	0.002	0.103	0.019	0.031	0.016	0.024	0.050	0.106	0.042	0.001	0.038	0.021	0.342	0.064

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 5: Effects of connected directors on bank size & dividend-adjusted return (differences-in-difference)

VARIABLES	(1) size	(2) size	(3) size	(4) size	(5) return	(6) return	(7) return	(8) return
Presence of MP directors	0.0620*				-0.0443*			
	(0.0373)				(0.0226)			
Presence of Noble Directors	0.0251				0.0238			
	(0.0985)				(0.0371)			
Presence of Connected Directors		0.0391				-0.0186		
		(0.0354)				(0.0199)		
Number of MP directors			0.0464				-0.0296*	
			(0.0301)				(0.0171)	
Number of Noble Directors			0.0127				0.000515	
			(0.0657)				(0.0333)	
Number of Connected Directors				0.0389				-0.0203*
				(0.0291)				(0.0114)
Constant	14.19***	14.19***	14.19***	14.19***	0.0488	0.0448	0.0488	0.0471
	(0.0465)	(0.0456)	(0.0457)	(0.0454)	(0.0358)	(0.0360)	(0.0353)	(0.0352)
Observations	1,319	1,319	1,319	1,319	1,080	1,080	1,080	1,080
R-squared	0.599	0.597	0.599	0.599	0.075	0.071	0.074	0.073
Number of Banks	148	148	148	148	115	115	115	115

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 6: Effects of politically connected directors on risk profile of banks (differences-in-difference)

VARIABLES	(1) Loan-to-Asset Ratio	(2) Loan-to-Asset Ratio	(3) Cash-to-Asset Ratio	(4) Cash-to-Asset Ratio	(5) sd of return	(6) sd of return
Presence of MP directors	-0.0103		0.00663		-0.00393	
	(0.0135)		(0.00540)		(0.00385)	
Presence of Noble Directors	0.0327*		-0.00100		-0.00266	
	(0.0182)		(0.0100)		(0.00412)	
Number of MP directors		-0.00311		0.00293		1.80e-06
		(0.0108)		(0.00356)		(0.00340)
Number of Noble Directors		0.0227		0.00557		0.000186
		(0.0161)		(0.00840)		(0.00388)
Constant	0.720***	0.719***	0.155***	0.155***	0.0559***	0.0550***
	(0.0117)	(0.0117)	(0.00454)	(0.00453)	(0.00917)	(0.00919)
Observations	1,312	1,312	1,236	1,236	1,086	1,086
R-squared	0.150	0.148	0.020	0.020	0.043	0.042
Number of Banks	148	148	145	145	118	118

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 7: Effects of politically connected directors on dividend-adjusted return with controls (differences-in-difference)

VARIABLES	(1) return	(2) return	(3) return	(4) return	(5) return	(6) return
Presence of MP directors	-0.0536*		-0.0743**		-0.0695**	
	(0.0300)		(0.0366)		(0.0331)	
Presence of Noble Directors	0.0149		0.0238		0.0142	
	(0.0378)		(0.0409)		(0.0318)	
Presence of Rt. Hon.	-0.00875		-0.00379		0.00343	
	(0.0280)		(0.0295)		(0.0257)	
Number of MP directors		-0.0352*		-0.0515**		-0.0362*
		(0.0193)		(0.0244)		(0.0184)
Number of Noble Directors		-0.00749		-0.000569		-0.0112
		(0.0358)		(0.0378)		(0.0300)
Number of Rt. Hon.		0.00484		0.00814		0.00639
		(0.0270)		(0.0312)		(0.0298)
Lagged return	-0.00769	-0.00625	-0.0156	-0.0142	0.00668	0.00896
	(0.0217)	(0.0218)	(0.0222)	(0.0224)	(0.0182)	(0.0180)
Total number of directors	0.00272	0.00255	0.000236	6.11e-05	-0.00142	-0.00176
	(0.00268)	(0.00279)	(0.00270)	(0.00294)	(0.00257)	(0.00271)
Log(Assets)	-0.0829	-0.0846*	-0.00266	-0.00273	0.00368	-0.000642
	(0.0502)	(0.0497)	(0.0469)	(0.0462)	(0.0388)	(0.0399)
Loan-to-Asset Ratio	0.366	0.377*	0.370	0.383	0.330	0.350
	(0.222)	(0.226)	(0.255)	(0.261)	(0.226)	(0.236)
Cash-to-Asset Ratio	0.489	0.485	0.505	0.503	0.744	0.755
	(0.452)	(0.452)	(0.513)	(0.515)	(0.476)	(0.482)
Age			6.60e-05	1.91e-06	-0.00397**	-0.00390**
			(0.00258)	(0.00261)	(0.00185)	(0.00193)
Asset Growth					0.0868	0.0833
					(0.100)	(0.105)
(sd) return					-2.732***	-2.722***
					(0.447)	(0.447)
Constant	0.963	0.984	-0.218	-0.219	0.0419	0.0895
	(0.744)	(0.735)	(0.674)	(0.666)	(0.610)	(0.623)
Observations	935	935	762	762	736	736
R-squared	0.117	0.116	0.105	0.105	0.412	0.408
Number of Banks	109	109	85	85	84	84

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8: Abnormal Return of Politically Connected Banks on Election Months

Panel A (12 month estimation window)

VARIABLES	(1) 1886 Elections	(2) 1892 Elections	(3) 1895 Elections	(4) 1900 Elections	(5) 1906 Elections
Abnormal Return (Close Win)	1.456	-3.338*	-1.948*	0.154	-4.595**
	(1.659)	(1.847)	(1.013)	(0.949)	(1.875)
Abnormal Return (Close Loss)		2.608		-0.319	-2.407
		(1.847)		(0.949)	(1.875)

Panel B (24 month estimation window)

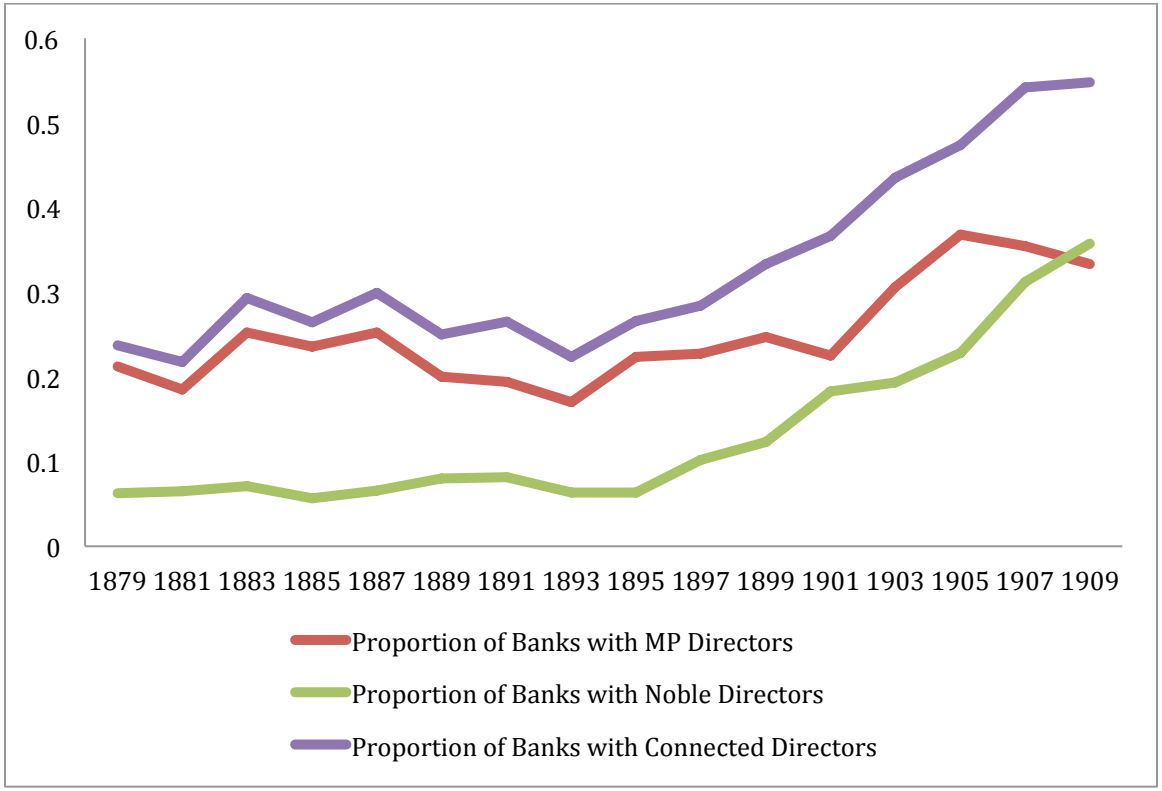
VARIABLES	(1) 1886 Elections	(2) 1892 Elections	(3) 1895 Elections	(4) 1900 Elections	(5) 1906 Elections
Abnormal Return (Close Win)	1.380	-1.995	-1.931**	-0.233	-4.173***
	(1.558)	(1.858)	(0.836)	(1.366)	(1.502)
Abnormal Return (Close Loss)		1.895		-0.414	-2.212
		(1.858)		(1.366)	(1.502)

Panel C (36 month etimation window)

VARIABLES	(1) 1886 Elections	(2) 1892 Elections	(3) 1895 Elections	(4) 1900 Elections	(5) 1906 Elections
Abnormal Return (Close Win)	0.740	-3.235	-2.114**	1.066	-4.288***
	(2.087)	(4.256)	(0.985)	(6.457)	(1.424)
Abnormal Return (Close Loss)				-0.413	-1.933
				(6.457)	(1.424)

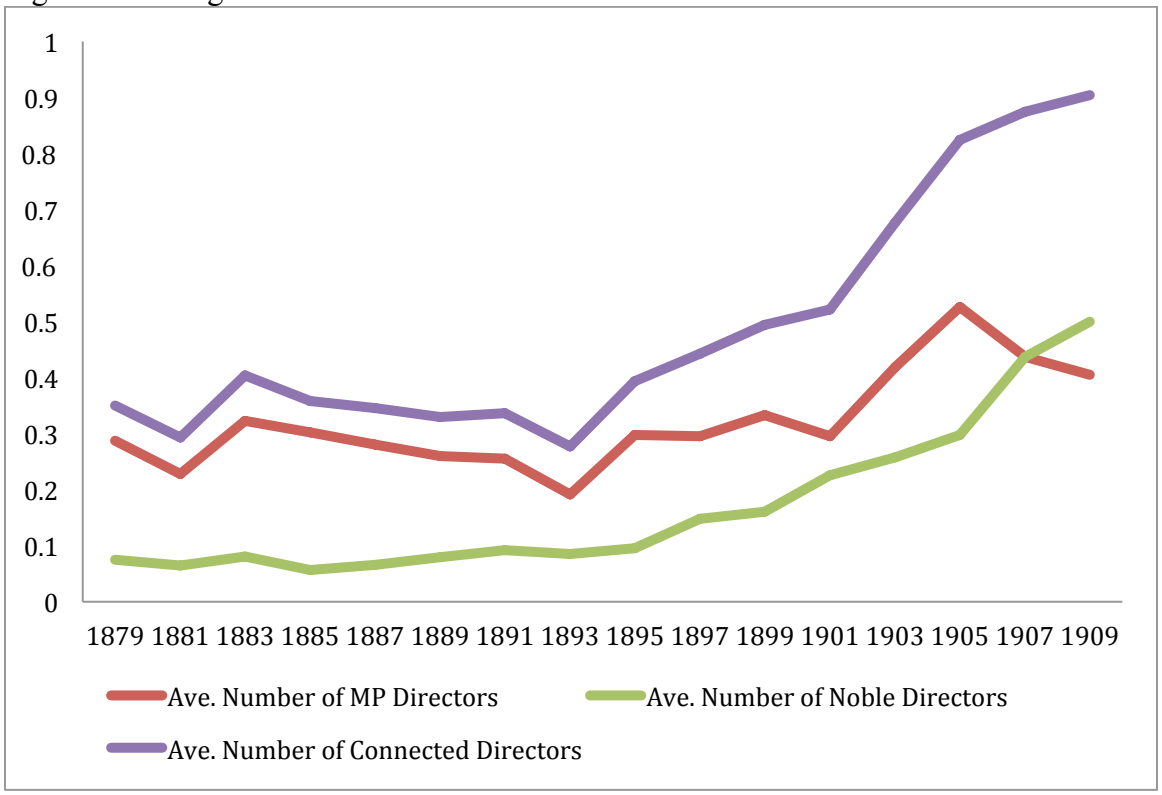
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Figure 1: Proportion of banks with connected directors



MP directors are the directors who were simultaneously serving as Members of Parliament. Noble directors are the directors with noble titles (Duke, Marquess, Lord, Earl, Viscount, and Baron). Connected directors are the directors who were either serving as Members of Parliament or had noble titles.
Source: *Stock Exchange Yearbook* and *Burdett's Official Intelligence*.

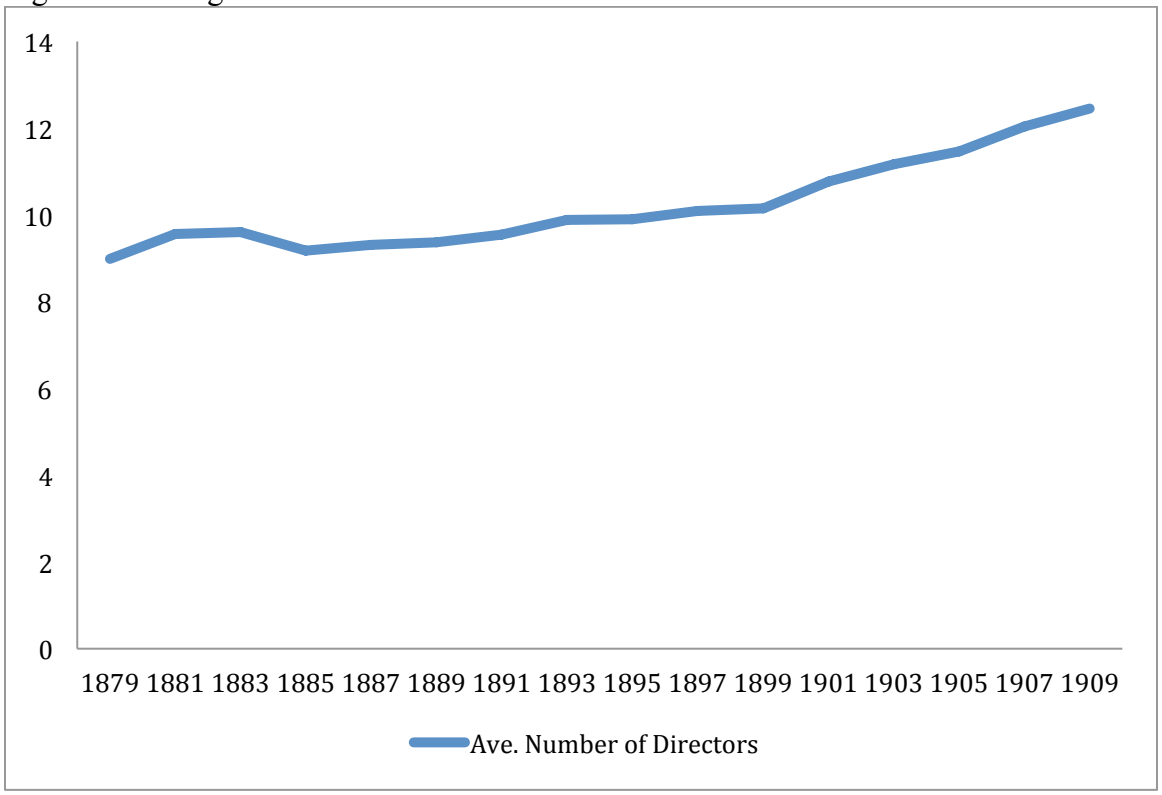
Figure 2: Average number of connected directors



MP directors are the directors who were simultaneously serving as Members of Parliament. Noble directors are the directors with noble titles (Duke, Marquess, Lord, Earl, Viscount, and Baron). Connected directors are the directors who were either serving as Members of Parliament or had noble titles.

Source: *Stock Exchange Yearbook* and *Burdett's Official Intelligence*.

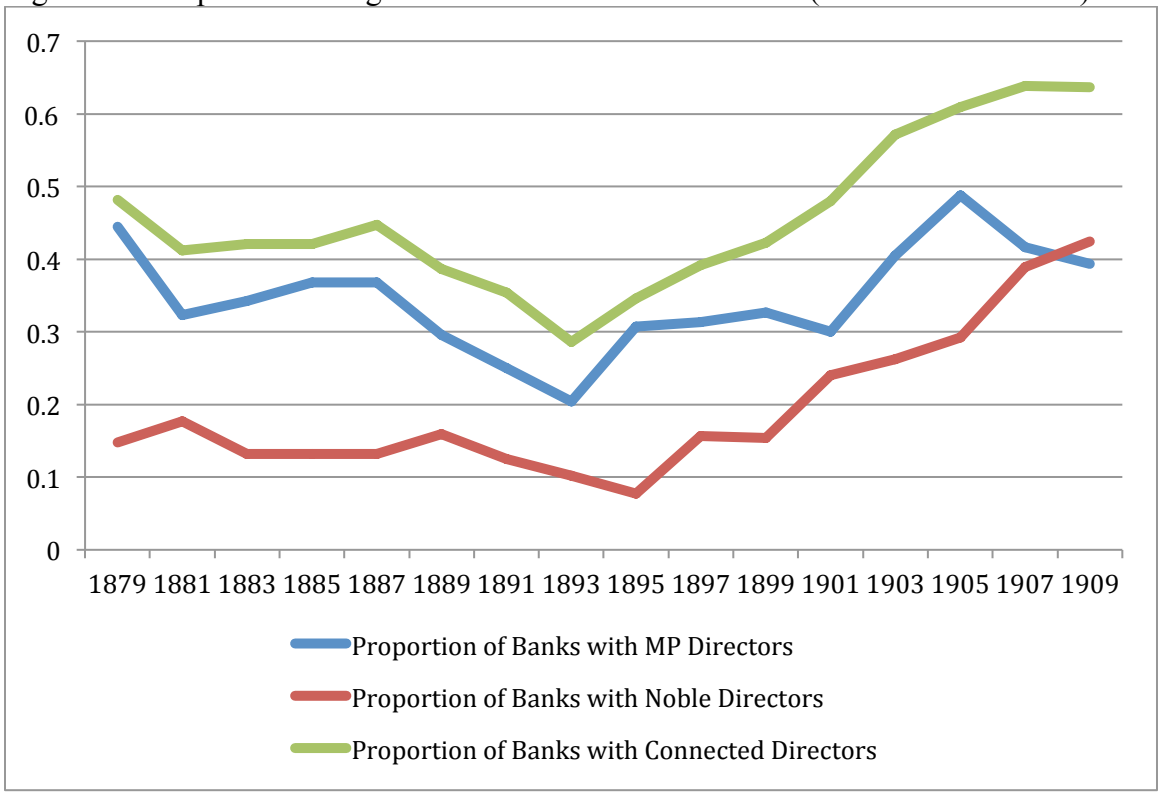
Figure 3: Average number of directors



Source: *Stock Exchange Yearbook* and *Burdett's Official Intelligence*.

Appendix

Figure A1: Proportion of large banks with connected directors (total assets> median)

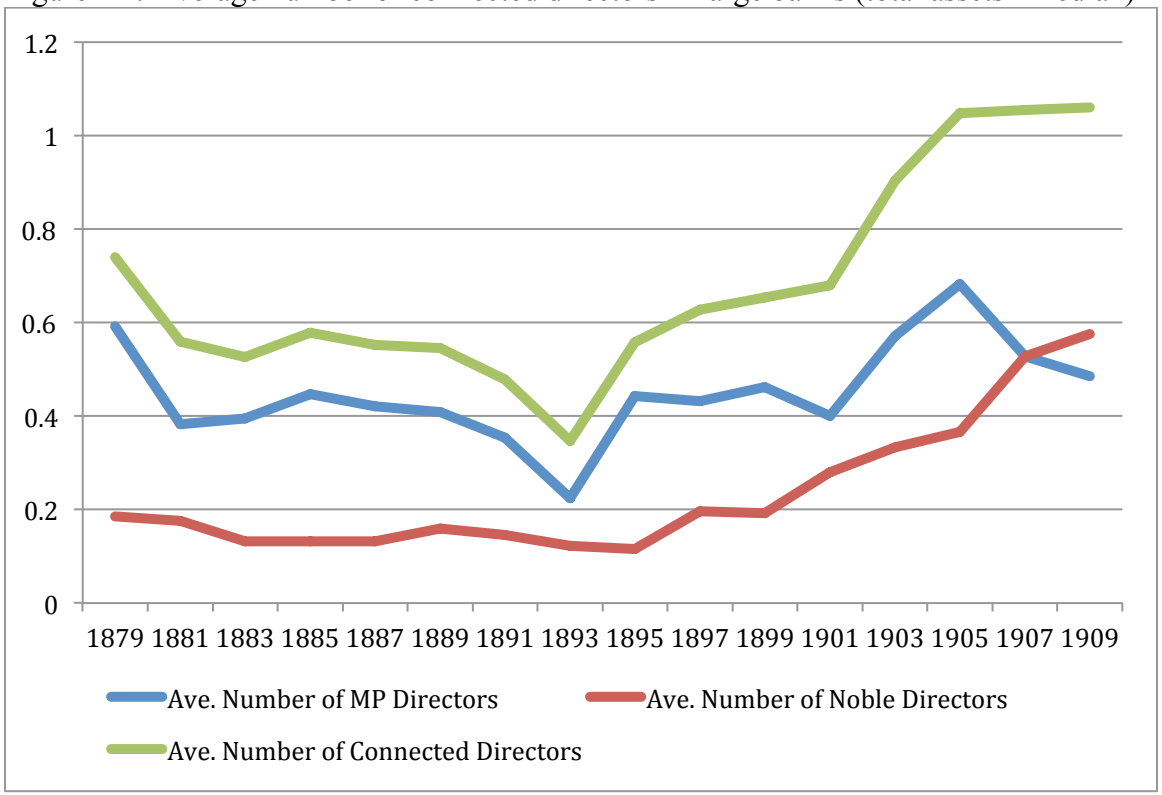


MP directors are the directors who were simultaneously serving as Members of Parliament. Noble directors are the directors with noble titles (Duke, Marquess, Lord, Earl, Viscount, and Baron). Connected directors are the directors who were either serving as Members of Parliament or had noble titles.

Source: *Stock Exchange Yearbook* and *Burdett's Official Intelligence*.

Appendix

Figure A2: Average number of connected directors in large banks (total assets> median)



MP directors are the directors who were simultaneously serving as Members of Parliament. Noble directors are the directors with noble titles (Duke, Marquess, Lord, Earl, Viscount, and Baron). Connected directors are the directors who were either serving as Members of Parliament or had noble titles.

Source: *Stock Exchange Yearbook* and *Burdett's Official Intelligence*.

Table A1: Year-by-year cross-sectional regression (dependent variable, log(Assets))

Panel A

VARIABLES	(1) 1879	(2) 1881	(3) 1883	(4) 1885	(5) 1887	(6) 1889	(7) 1891	(8) 1893	(9) 1895	(10) 1897	(11) 1899	(12) 1901	(13) 1903	(14) 1905	(15) 1907	(16) 1909	(17) Pooled OLS
Presence of MP directors	0.523	0.488	0.261	0.359	0.495*	0.696***	0.559**	0.589**	0.715***	0.729***	1.196***	0.829**	0.766*	1.098**	1.212***	1.388***	0.699***
	(0.360)	(0.384)	(0.305)	(0.281)	(0.280)	(0.263)	(0.249)	(0.254)	(0.233)	(0.252)	(0.300)	(0.356)	(0.424)	(0.418)	(0.442)	(0.417)	(0.189)
Presence of Noble Directors	0.757*	0.964***	0.749**	0.933***	1.016***	1.222***	1.056***	1.270***	1.071***	1.209***	0.992***	1.281***	1.424***	1.427***	1.612***	1.777***	1.141***
(inc. Count, Sir, Bart, and Hon.)	(0.409)	(0.361)	(0.296)	(0.259)	(0.251)	(0.221)	(0.233)	(0.250)	(0.256)	(0.252)	(0.317)	(0.362)	(0.446)	(0.448)	(0.481)	(0.474)	(0.193)
Constant	13.96***	13.90***	14.03***	13.94***	13.82***	13.86***	14.09***	14.04***	14.13***	14.28***	14.24***	14.31***	14.33***	14.24***	14.13***	13.98***	13.84***
	(0.138)	(0.149)	(0.161)	(0.152)	(0.167)	(0.169)	(0.170)	(0.177)	(0.192)	(0.196)	(0.237)	(0.214)	(0.226)	(0.257)	(0.385)	(0.388)	(0.134)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.143	0.138	0.076	0.127	0.153	0.252	0.197	0.237	0.210	0.258	0.221	0.289	0.324	0.387	0.356	0.412	0.279

Panel B

VARIABLES	(1) 1879	(2) 1881	(3) 1883	(4) 1885	(5) 1887	(6) 1889	(7) 1891	(8) 1893	(9) 1895	(10) 1897	(11) 1899	(12) 1901	(13) 1903	(14) 1905	(15) 1907	(16) 1909	(17) Pooled OLS
Number of MP directors	0.157	0.317	-0.0178	0.0712	0.482**	0.461**	0.393**	0.347	0.354*	0.527**	0.627***	0.512**	0.344	0.398	0.192	0.198	0.326**
	(0.271)	(0.347)	(0.281)	(0.293)	(0.226)	(0.202)	(0.180)	(0.256)	(0.212)	(0.201)	(0.207)	(0.246)	(0.224)	(0.256)	(0.360)	(0.431)	(0.144)
Number of Noble Directors	0.467***	0.464***	0.346***	0.414***	0.425***	0.400***	0.334***	0.306**	0.256**	0.268***	0.236***	0.369***	0.359***	0.318***	0.306***	0.358***	0.335***
(inc. Count, Sir, Bart, and Hon.)	(0.134)	(0.117)	(0.121)	(0.122)	(0.116)	(0.0992)	(0.0856)	(0.123)	(0.0997)	(0.0889)	(0.0717)	(0.0818)	(0.0654)	(0.0840)	(0.0901)	(0.100)	(0.0567)
Constant	13.96***	13.90***	14.09***	14.01***	13.84***	14.01***	14.21***	14.28***	14.35***	14.48***	14.49***	14.53***	14.61***	14.62***	14.69***	14.64***	13.97***
	(0.133)	(0.142)	(0.150)	(0.146)	(0.153)	(0.153)	(0.148)	(0.159)	(0.158)	(0.169)	(0.201)	(0.201)	(0.223)	(0.250)	(0.310)	(0.336)	(0.126)
Observations	80	92	99	106	107	100	98	94	94	88	81	71	62	57	48	42	1,319
R-squared	0.215	0.191	0.105	0.138	0.180	0.215	0.179	0.149	0.170	0.203	0.197	0.288	0.302	0.322	0.309	0.367	0.271

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A2: Year-by-year cross-sectional regression (dependent variable, dividend-adjusted return)

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Presence of MP directors	0.0793	-0.00342	-0.0430	-2.31e-05	0.0281	0.113*	-0.0311	0.00604	0.0354	-0.195	0.0105	-0.0166	0.0152	-0.0194	-0.126	-0.0342	-0.00182
	(0.0509)	(0.0361)	(0.0772)	(0.0204)	(0.0518)	(0.0596)	(0.0278)	(0.0253)	(0.0236)	(0.164)	(0.0198)	(0.0290)	(0.0229)	(0.0155)	(0.0836)	(0.0227)	(0.0154)
Presence of Noble Directors	0.154***	0.0665*	0.0257	0.0271	0.0886	-0.111	-0.0354	0.0122	0.00807	0.0700	0.0499**	0.0324	-0.00806	-0.00538	-0.0437	-0.0674**	0.0206
(inc. Count, Sir, Bart, and Hon.)	(0.0581)	(0.0353)	(0.0404)	(0.0230)	(0.0793)	(0.0733)	(0.0269)	(0.0208)	(0.0192)	(0.0846)	(0.0210)	(0.0291)	(0.0272)	(0.0176)	(0.0545)	(0.0247)	(0.0150)
Constant	-0.00809	0.0602*	0.0693***	0.102***	0.189***	0.0671***	0.0590***	0.0954***	0.146***	0.0583	0.0141	0.0634***	0.0785***	0.0620***	0.129***	0.103***	0.0326
	(0.0445)	(0.0310)	(0.0253)	(0.0143)	(0.0258)	(0.0205)	(0.0141)	(0.00996)	(0.0160)	(0.0596)	(0.0165)	(0.0198)	(0.0240)	(0.0180)	(0.0436)	(0.0204)	(0.0363)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.058	0.015	0.008	0.012	0.032	0.073	0.045	0.006	0.032	0.049	0.092	0.030	0.005	0.040	0.102	0.265	0.066

Panel B

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	1879	1881	1883	1885	1887	1889	1891	1893	1895	1897	1899	1901	1903	1905	1907	1909	Pooled OLS
Number of MP directors	0.130***	0.0209	-0.00210	0.00347	0.0317	0.0494**	-0.0254	0.00941	0.0224	-0.138	0.0115	0.00420	0.00268	-0.0127	-0.0372	-0.0352**	0.00504
	(0.0432)	(0.0282)	(0.0522)	(0.0132)	(0.0325)	(0.0244)	(0.0169)	(0.0206)	(0.0138)	(0.113)	(0.0114)	(0.0181)	(0.0116)	(0.0102)	(0.0429)	(0.0130)	(0.0116)
Number of Noble Directors	-0.136	0.0334	-0.0172	0.0174	0.305	0.0153	-0.0360	0.0498	-0.0319***	0.105	0.101***	-0.0403	-0.00487	-0.00240	0.00777	-0.0546**	0.00793
(inc. Count, Sir, Bart, and Hon.)	(0.109)	(0.0240)	(0.0424)	(0.0228)	(0.277)	(0.0451)	(0.0396)	(0.0369)	(0.0101)	(0.0706)	(0.0291)	(0.0339)	(0.0203)	(0.0145)	(0.0321)	(0.0224)	(0.0224)
Constant	0.00766	0.0667**	0.0670***	0.106***	0.193***	0.0361	0.0507***	0.0973***	0.152***	0.0744*	0.0255*	0.0800***	0.0793***	0.0594***	0.0703*	0.0818***	0.0339
	(0.0422)	(0.0285)	(0.0229)	(0.0135)	(0.0219)	(0.0332)	(0.0129)	(0.00999)	(0.0122)	(0.0428)	(0.0134)	(0.0153)	(0.0196)	(0.0138)	(0.0409)	(0.0146)	(0.0360)
Observations	87	91	94	94	83	80	78	78	72	65	58	49	47	39	34	31	1,080
R-squared	0.052	0.004	0.000	0.002	0.103	0.019	0.031	0.016	0.024	0.050	0.106	0.042	0.001	0.038	0.021	0.342	0.064

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A3: Effects of connected directors on bank size & dividend-adjusted return (differences-in-difference)

VARIABLES	size	size	size	size	return	return	return	return
Presence of MP directors	0.0605				-0.0430*			
	(0.0386)				(0.0219)			
Presence of Noble Directors (inc. Count, Sir, Bart, and Hon.)	0.0251				-0.0256			
	(0.0413)				(0.0186)			
Presence of Connected Directors (inc. Count, Sir, Bart, and Hon.)		0.000161				-0.0203		
		(0.0260)				(0.0200)		
Number of MP directors			0.0331				-0.0261	
			(0.0327)				(0.0173)	
Number of Noble Directors (inc. Count, Sir, Bart, and Hon.)			0.0373**				-0.00968	
			(0.0177)				(0.00617)	
Number of Connected Directors (inc. Count, Sir, Bart, and Hon.)				0.0409**				-0.0204**
				(0.0202)				(0.00823)
Constant	14.19***	14.20***	14.18***	14.18***	0.0542	0.0463	0.0523	0.0505
	(0.0448)	(0.0424)	(0.0441)	(0.0449)	(0.0366)	(0.0373)	(0.0351)	(0.0353)
Observations	1,319	1,319	1,319	1,319	1,080	1,080	1,080	1,080
R-squared	0.599	0.596	0.607	0.602	0.076	0.071	0.076	0.075
Number of Banks	148	148	148	148	115	115	115	115

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A4: Effects of politically connected directors on risk profile of banks (differences-in-difference)

VARIABLES	(1) Loan-to-Asset Ratio	(2) Loan-to-Asset Ratio	(3) Cash-to-Asset Ratio	(4) Cash-to-Asset Ratio	(5) sd of return	(6) sd of return
Presence of MP directors	-0.0105		0.00689		-0.00415	
	(0.0137)		(0.00545)		(0.00370)	
Presence of Noble Directors (inc. Count, Sir, Bart, and Hon.)	0.00621		-0.00428		0.00264	
	(0.0111)		(0.00504)		(0.00472)	
Number of MP directors		-0.00576		0.00295		-0.000603
		(0.0109)		(0.00365)		(0.00334)
Number of Noble Directors (inc. Count, Sir, Bart, and Hon.)		0.00857**		0.000252		0.00151*
		(0.00383)		(0.00157)		(0.000837)
Constant	0.721***	0.718***	0.155***	0.155***	0.0552***	0.0544***
	(0.0122)	(0.0116)	(0.00455)	(0.00456)	(0.00954)	(0.00919)
Observations	1,312	1,312	1,236	1,236	1,086	1,086
R-squared	0.146	0.152	0.021	0.019	0.043	0.043
Number of Banks	148	148	145	145	118	118

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A5: Effects of politically connected directors on dividend-adjusted return with controls (differences-in-difference)

VARIABLES	(1) return	(2) return	(3) return	(4) return	(5) return	(6) return	(7) return	(8) return
Presence of MP directors	-0.0423*		-0.0526*		-0.0720**		-0.0672**	
	(0.0232)		(0.0293)		(0.0353)		(0.0321)	
Presence of Noble Directors (inc. Count, Sir, Bart, and Hon.)	-0.0269		-0.0245		-0.0338**		-0.0320**	
	(0.0193)		(0.0176)		(0.0162)		(0.0123)	
Number of MP directors		-0.0252		-0.0329*		-0.0474*		-0.0341*
		(0.0181)		(0.0188)		(0.0247)		(0.0180)
Number of Noble Directors (inc. Count, Sir, Bart, and Hon.)		-0.0101		-0.00693		-0.00956		-0.00587
		(0.00660)		(0.00668)		(0.00800)		(0.00667)
Total number of directors	0.000692	0.00110	0.00266	0.00284	0.000328	0.000454	-0.00132	-0.00149
	(0.00301)	(0.00324)	(0.00271)	(0.00278)	(0.00265)	(0.00283)	(0.00246)	(0.00272)
Lagged return	-0.0285	-0.0276	-0.00796	-0.00687	-0.0155	-0.0148	0.00685	0.00825
	(0.0229)	(0.0233)	(0.0215)	(0.0217)	(0.0221)	(0.0224)	(0.0177)	(0.0178)
Log(Assets)			-0.0829	-0.0812	-0.00228	0.00415	0.00281	0.00519
			(0.0502)	(0.0516)	(0.0482)	(0.0536)	(0.0412)	(0.0471)
Loan-to-Asset Ratio			0.379*	0.389*	0.394	0.405	0.350	0.360
			(0.224)	(0.226)	(0.259)	(0.259)	(0.228)	(0.233)
Cash-to-Asset Ratio			0.490	0.492	0.515	0.522	0.758	0.761
			(0.448)	(0.450)	(0.508)	(0.511)	(0.472)	(0.479)
Age					0.000574	0.000223	-0.00354*	-0.00390*
					(0.00269)	(0.00264)	(0.00201)	(0.00198)
Asset Growth							0.0747	0.0869
							(0.101)	(0.102)
(sd) return							-2.732***	-2.716***
							(0.442)	(0.446)
Constant	0.0495	0.0442	0.961	0.925	-0.258	-0.348	0.0278	-0.00524
	(0.0418)	(0.0427)	(0.742)	(0.766)	(0.676)	(0.760)	(0.620)	(0.709)
Observations	1,046	1,046	935	935	762	762	736	736
R-squared	0.078	0.077	0.118	0.117	0.108	0.107	0.414	0.408
Number of Banks	114	114	109	109	85	85	84	84

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A6: Election Results

Elections	# of Participating Bank Directors	Won	Re-elected	Lost
1880	27	6	9	12
1885	32	6	15	11
1886	24	1	22	1
1892	21	3	11	7
1895	25	4	17	4
1900	22	0	17	5
1906	26	5	9	12
Total	177	25	100	52

Table A7: Abnormal Return of Politically Connected Banks on Election Months

VARIABLES	(1) 12 month estimation window	(2) 24 month estimation window	(3) 36 month estimation window
Abnormal Return (Win in 1880)	-1.570	-0.417	-0.800
	(0.411)	(0.836)	(0.727)
Abnormal Return (Win in 1885)	-0.239	0.0171	0.448
	(0.860)	(0.990)	(0.782)
Abnormal Return (Win in 1886)	-0.220	0.105	0.440
	(0.909)	(0.958)	(0.848)
Abnormal Return (Win in 1892)	0.520	0.589	0.211
	(0.791)	(0.771)	(0.896)
Abnormal Return (Win in 1895)	0.381	0.193	0.177
	(0.854)	(0.929)	(0.942)
Abnormal Return (Win in 1900)	1.132	0.870	1.201
	(0.552)	(0.665)	(0.600)
Abnormal Return (Win in 1906)	-0.978	-0.564	-0.473
	(0.617)	(0.781)	(0.837)
Abnormal Return (Loss in 1880)	0.141	0.0563	-0.461
	(0.941)	(0.978)	(0.840)
Abnormal Return (Loss in 1885)	-0.982	-0.964	-1.223
	(0.606)	(0.631)	(0.593)
Abnormal Return (Loss in 1892)	-0.283	-0.119	-0.702
	(0.885)	(0.953)	(0.760)
Abnormal Return (Loss in 1900)	-0.319	-0.414	-0.413
	(0.867)	(0.837)	(0.857)
Abnormal Return (Loss in 1906)	-1.990	-1.572	-1.351
	(0.310)	(0.439)	(0.556)
Average AR (Win)	-0.139	0.113	0.172
p-value (Win)	0.846	0.879	0.833
Average AR (Loss)	-0.687	-0.602	-0.830
p-value (Loss)	0.426	0.504	0.418

pval in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A8: Summary Statistics

Variable		Mean	Std. Dev.	Min	Max	Observations
Log(Assets)	overall	14.65	1.52	8.96	18.29	N = 1372
	between		1.64	9.50	17.87	n = 152
	within		0.33	13.18	15.94	T-bar = 9.026
return	overall	0.08	0.20	-1.58	1.98	N = 1097
	between		0.07	-0.23	0.28	n = 115
	within		0.19	-1.51	1.80	T-bar = 9.539
Presence of MP Directors	overall	0.23	0.42	0.00	1.00	N = 1370
	between		0.34	0.00	1.00	n = 149
	within		0.28	-0.70	1.17	T-bar = 9.194
Presence of Noble Directors	overall	0.11	0.31	0.00	1.00	N = 1370
	between		0.29	0.00	1.00	n = 149
	within		0.17	-0.75	1.04	T-bar = 9.1946
Presence of Connected Directors	overall	0.30	0.46	0.00	1.00	N = 1370
	between		0.38	0.00	1.00	n = 149
	within		0.29	-0.64	1.24	T-bar = 9.194
Number of MP Directors	overall	0.30	0.60	0.00	4.00	N = 1370
	between		0.51	0.00	2.67	n = 149
	within		0.39	-1.37	2.30	T-bar = 9.1946
Number of Noble Directors	overall	0.13	0.40	0.00	3.00	N = 1370
	between		0.39	0.00	2.00	n = 149
	within		0.22	-0.81	1.88	T-bar = 9.194
Number of Connected Directors	overall	0.42	0.75	0.00	4.00	N = 1370
	between		0.69	0.00	3.50	n = 149
	within		0.46	-1.45	3.05	T-bar = 9.1946