Markets Do Not Punish Firms for Maintaining DEI*

Hanna Folsz†
Jacob M. Grumbach‡

September 17, 2026

Abstract

The Trump administration has used executive authority to influence the behavior of civil society organizations such as law firms, universities, and corporations. Do corporations that resist executive orders perform worse financially? In January 2025, the Trump administration issued an executive order directing federal agencies to investigate and compel firms to eliminate diversity, equity, and inclusion (DEI) programs. Some firms complied with the order, whereas other firms reaffirmed their DEI programs. We find that S&P 500 firms that maintained their DEI programs performed just as well as compliant firms, both in terms of stock market returns and revenue. The results are robust across various measures of maintaining DEI, including based on executives' public statements, interest group ratings, firm financial statements, and shareholder rejections of anti-DEI resolutions. The findings suggest that, at least in some areas, firms can resist pressure from the executive branch with minimal costs to financial performance.

*We thank Cooper Bouton, Mauricio Crespo-Jibaja, Surina Naran, Brian Morales, Justice Paraiso-Caceres, and Sakshi Umrotkar for excellent research assistance. We thank Andrew Baker, Avi Feller, Michael Garcia, Eben Lazarus, Na'ama Shenhav, Carlos Schmidt-Padilla, and Ernesto Tiburcio for helpful feedback.

†Hanna Folsz, Academy Scholar, Harvard University, hfolsz@fas.harvard.edu

‡Jacob M. Grumbach, Associate Professor, Goldman School of Public Policy, UC Berkeley, grumbach@berkeley.edu

Introduction

Large corporations are potentially the most influential civil society organizations in market societies (Mizruchi 2013). Political leaders have a strong interest in leveraging compliance from large firms for policy and social goals. The second Trump administration has made unusually explicit threats of state power to pressure firms to comply with its directives and reduce political opposition (Merica and Choi 2025). Firms that *resist* directives from the regime may suffer negative financial consequences: they may become targets of direct regulatory retaliation, lose policy benefits, or scare off investors.

In this article, we study whether corporations that resisted the Trump administration's order to eliminate "diversity, equity, and inclusion" (DEI) programs performed differently in financial markets than compliant firms that rolled back their DEI programs. The substance of DEI programs differ across firms, but tend to involve a mix of workforce training, recruitment and promotion practices, mentoring and networking programs, organizational structures assigning responsibility for diversity, and statements of organizational principles (Dobbin and Kalev 2022; Ferraro, Hemsley, and Sands 2023; Kalev, Dobbin, and Kelly 2006). Regardless of one's normative beliefs about DEI programs, the administration's anti-DEI orders offer an illuminating test case in state-business relations, as firms varied in their willingness to comply with executive pressure.

Our analysis of abnormal market returns and revenue suggest that S&P 500 firms that resisted the anti-DEI executive order performed as well as firms that complied. This result is substantively important. McCarty and Steel (2026) analyze competing explanations for why firms created and dismantled DEI programs over recent years, but not the financial consequences of maintaining these programs. A large literature shows that political connections can generate benefits for firms (e.g., Dahlström, Fazekas, and Lewis 2021), but, particularly in the U.S., we know less about the inverse mechanism—whether noncompliance that carries a *negative* threat leads to losses. Civil society organizations across sectors, including universities, law firms, and businesses, weigh the perceived costs and benefits of resistance

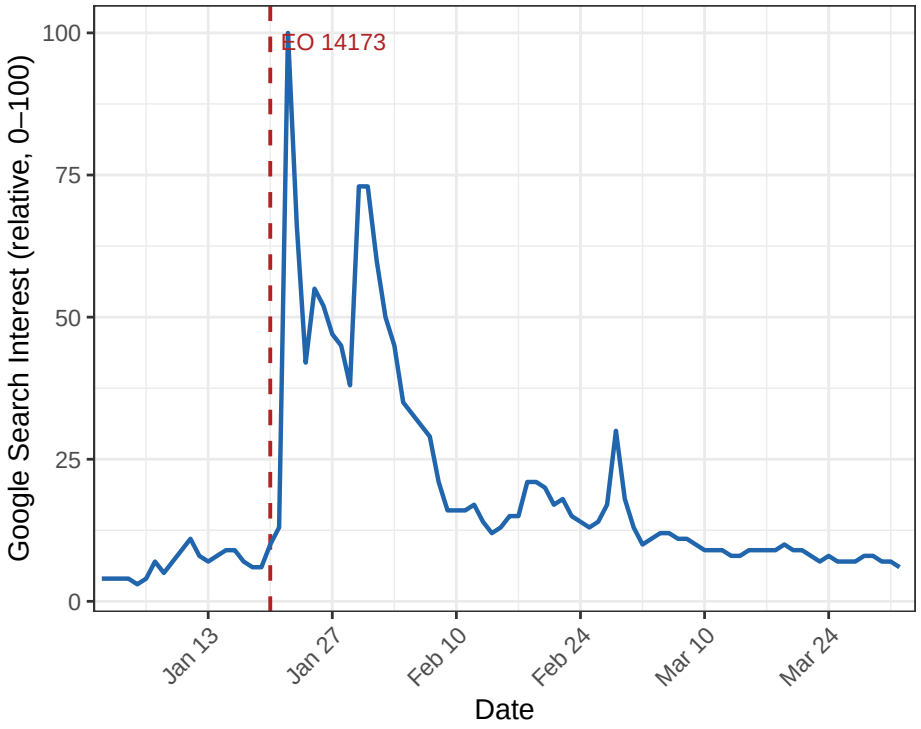
when deciding whether to comply with administration directives that seek to influence their operations and reduce their autonomy. Our results highlight an area in which large firms resisted executive pressure without incurring significant financial costs.

Federal Action against DEI

On January 21, 2025, the Trump administration issued Executive Order (EO) 14173, "Ending Illegal Discrimination and Restoring Merit-Based Opportunity." The EO directed all federal agencies to end "all discriminatory and illegal preferences, mandates, policies, programs, activities, guidance, regulations, enforcement actions, consent orders and requirements." The EO also directed agency heads to investigate private sector DEI programs, with a specific mandate to "identify up to nine potential civil compliance investigations of publicly traded corporations, large non-profit corporations or associations, foundations with assets of 500 million dollars or more, State and local bar and medical associations, and institutions of higher education with endowments over 1 billion dollars." The administration followed up EO 14173 with additional agency directives. On February 5, 2025, Attorney General Pam Bondi issued a memorandum that the DOJ's Civil Rights Division "will investigate, eliminate and penalize illegal DEI and DEIA preferences, mandates, policies, programs and activities in the private sector and in education institutions that receive federal funds" (U.S. Department of Justice N.d.).

U.S. firms with DEI programs faced a choice: roll back or maintain their DEI programming. There are multiple reasons why firms might be concerned that maintaining DEI would reduce their financial performance. First, the administration might retaliate against non-compliant firms by reducing policy benefits or taking hostile regulatory action, similar to the Trump administration's regulatory retaliation in other areas, such as the media (Allsop 2026). Such strategies are common in contexts of democratic decline, where incumbents use economic tools—including regulatory pressure and access to state resources—to discipline

Figure 1: Public Attention on DEI Peaks After EO 14173



Note: Figure shows daily Google search interest between January 1 and March 31, 2025. Search interest is measured on a relative [0,100] scale, with the day with the highest relative rate of searching receiving a score of 100.

opponents and deter resistance (Folsz 2026; Magyar 2016; Sinanoglu, Way, and Levitsky 2025). A growing body of scholarship argues that the United States has itself experienced measurable democratic erosion under the second Trump administration, including increased executive aggrandizement and politicization of state institutions (e.g., Levitsky and Ziblatt 2018; Haggard and Kaufman 2021; Levitsky, Way, and Ziblatt 2026; Nord et al. 2026).

Second, anti-DEI executive actions may reflect public opposition to DEI, signaling that maintaining DEI programming could lead to consumer backlash. Under this mechanism, EO 14173 reveals information about public attitudes. This could be because the administration has private information about public attitudes that firms lacked, or, more likely, that the executive order would causally lead the public to reduce its support for DEI. Indeed, as shown in Figure 1, public attention to DEI increased sharply following EO 14173, indicating that

the policy shift was highly salient to the public. EO 14173 may have also signaled that public attitudes about DEI would become more closely associated with attitudes about President Trump, such that the order would 'lead' Trump supporters toward greater opposition to DEI—a pattern that political behavior research has highlighted in other policy areas (Barber and Pope 2019).

Yet there are also reasons to expect that noncompliance with the administration's directive may not reduce financial performance. For one, rolling back DEI programming may itself invite consumer backlash. This was the case with Target, against which Black church leaders and other activists led a yearlong boycott beginning in January 2025 (Danziger 2026). Consumer boycotts can engender high costs to corporations: previous research shows that activist protests can affect stock market performance (King and Soule 2007). There are reasons to expect consumer backlash against firms maintaining DEI to be limited in this setting. The U.S. public remains remarkably supportive of corporate DEI, as we show using public opinion data in Appendix Section S1, which is inconsistent with a strong consumer backlash mechanism.[1] Studying the period from 2013 to 2022, researchers find that corporate DEI commitments were associated with positive short-term abnormal returns (Li et al. 2025). Additionally, research finds that controversies on issues of race and identity (e.g., a racist statement by an executive) can cause negative effects on abnormal returns, but that such an effect is "offset when firms make more meaningful DEI investments (Larcker et al. 2025, 1)." Second, there may be a "business case for diversity" in which diversity within organizations improves performance (Armstrong et al. 2010; Gomez and Bernet 2019; Kochan et al. 2003). A 2025 survey of workers at large U.S. firms found that 76% of workers reported being more likely to stay at their jobs if their firm maintained DEI (Travis 2025). Finally, firms may expect that the administration will either not follow through on additional retaliation or will face significant legal constraints in doing so, such as judicial challenges to regulatory actions.

Taken together, these considerations generate competing predictions. If maintaining DEI

[1]Despite a modest drop in support, we find that 69% of U.S. adults continue to believe that it is "important for business to support DEI" (see Figure S1).

exposes firms to regulatory retaliation, leads consumers to reduce their purchases, or causes investors to expect either reaction and revise downward their expectations of firms' future profitability, resisting corporations should perform worse in terms of revenue and in financial markets. If these costs are limited, or if countervailing mechanisms offset each other – for example, if resistance increases regulatory risk but also increases consumer demand for the firm's products – resisting firms may not perform worse than compliant firms. The empirical question is therefore whether the net financial consequences of resistance are negative.

Corporate responses to political developments have received growing attention in the literature on business–government relations. A large body of work shows that political connections can shape firms' economic outcomes, particularly in regimes where governments possess strong discretionary authority over regulation and markets (Acemoglu, Hassan, and Tahoun 2018; Fisman 2001; Goldman, Rocholl, and So 2009). Related work shows that firms' exposure to political risk, such as threats to their property rights and unfavorable regulatory treatment, shapes their behavior toward governments in authoritarian settings (e.g., Markus 2015; Lin 2025). At the same time, existing research has primarily focused on the benefits of firms' alignment with incumbent parties and leaders rather than the costs of misalignment and resistance to political pressure.[2] Yet governments do not only reward alignment, but also seek to deter noncompliance through explicit and implicit threats of financial or regulatory consequences. This raises an important, distinct question: what are the economic consequences for firms that resist political pressure from governments? We examine this question in a setting particularly well suited to empirical study where a single executive action generated substantial cross-firm variation in whether large corporations maintained or abandoned an organizational practice. We ask, in particular, whether firms that resist the government directive suffered financial penalties relative to firms that complied.

To answer this question, we study the stock market performance of S&P 500 firms fol-

[2]With the exception of a recent study, which observes firms connected to opposition politicians during Hungary's episode of democratic backsliding between 2010 and 2026 and shows that firms were likelier to receive tax authority fines and performed worse after than before their owners' entry into opposition politics (Folsz 2026).

lowing Executive Order 14173. We compare firms that rolled back DEI programs with firms that maintained and reaffirmed them after the order. Using daily stock price data, we estimate whether resisting firms experienced differential cumulative abnormal returns relative to compliant firms in the period following the directive. We also study the effects on firm revenue, which can provide a more specific window into potential consumer backlash. Because the executive order represented a clear and highly visible policy shock, it provides a natural opportunity to evaluate how markets respond when firms choose to resist direct pressure from the executive branch.

Data and Estimation Strategy

We focus on firms in the S&P 500, where responses to the executive order varied substantially across companies.[3] Because DEI is a multidimensional concept, we use four different treatment measures of firms maintaining DEI after the EO. First, some S&P 500 firms resisted the Executive Order by publicly reaffirming their DEI programs (Jeyaretnam 2025): Apple, Cisco (Morse 2025), Costco (Lichtenberg 2026), Delta Airlines (Morse 2025), Dollar Tree, JPMorgan,[4] Microsoft, and Pfizer. These firms' behaviors are defined by programmatic continuity in DEI (no internal memos or public announcements dissolving or rolling back DEI programming) and external salience (the firm is targeted in media and publications by activist groups for maintaining its DEI programming). Executives in these firms also issue public statements affirming the firm's commitment to DEI despite the regulatory shift.[5] We

[3]We focus on S&P 500 firms for data availability, but it is worth noting that searching for publicly traded firms outside of the S&P 500 that reaffirmed commitment to their DEI programs after EO 14173 yielded no results.

[4]As we detail further in Appendix S2, JPMorgan is the most difficult firm in the data to determine treatment status. The results are robust to excluding JPMorgan from the set of treated firms (Appendix S3).

[5]Public statements do not always accurately capture firm behavior. Previous research finds that some firms engage in "diversity washing" by misrepresenting their commitments to diversity (Baker et al. 2024). We accordingly do not rely on statements alone; our treatment coding also requires indications of DEI programs' continuity (no memos or announcements rolling back DEI), and our results are robust to two alternative measures of resistance that do not use firm statements—shareholder rejections of anti-DEI resolutions and DEI Watch's third-party classifications of resistance.

code these firms' actions as reaffirming DEI, and they comprise our first treatment group, which we call the *Reaffirmed* treatment (see Table S1 in the Appendix). Even within the same sector, there is substantial variation in whether firms resisted on DEI. Dollar Tree kept its DEI, but Dollar General did not. Costco repeatedly publicly reaffirmed its program, while Target and Walmart ended theirs (Lichtenberg 2026). Apple resisted, but IBM folded (Sutherland and Eidelson 2025).

Our second treatment measure, the *DEI Watch* measure, is based on the activist organization DEI Watch's coding of firms' DEI programs as "committed" or "dismantled" (DEI Watch 2025). The third measure, the *10-K* measure, looks at the intensity of DEI discussion in firms' annual 10-K filings to the Securities and Exchange Commission (SEC) based on the DEI dictionary developed in the literature (Baker et al. 2024; McCarty and Steel 2026). Firms are coded as maintaining DEI if their 10-K filing is above the median level of DEI intensity in the pre-treatment (before 2025) period and did not reduce DEI intensity by more than one percent after EO 14173. Finally, the fourth measure, the *Shareholder* measure, codes firms as maintaining DEI if they received and rejected anti-DEI shareholder resolutions (Smith 2025). During the 2025 proxy season, conservative activist groups submitted such resolutions at 38 S&P 500 firms, arguing that DEI programs posed legal, reputational, and financial risks. In each case, company boards recommended voting against the proposal, and shareholders rejected them by overwhelming margins (averaging 98%). These shareholder votes were salient, and President Trump discussed them on social media.[6] We note here that the results are substantively identical across these four treatment measures.[7]

Overall, U.S. stocks underperformed the rest of the world in 2025 and early 2026 (Sharma 2026). However, we are interested in whether resisting or complying with executive orders

[6]For example, in response to Apple's shareholder vote against an anti-DEI resolution, Trump posted the following on Truth Social: "Apple should get rid of DEI rules, not just make adjustments to them. DEI was a hoax that has been very bad for our country. DEI is gone!!!" (Lanum 2025). Figure S5 shows that this post was not followed by a decline in Apple's stock-market performance in terms of cumulative abnormal returns.

[7]In Appendix Section S6, we show that firms with a higher share of revenue from federal contracts were less likely to maintain DEI programs after the EO (see also McCarty and Steel 2026).

on DEI causes changes in stock performance relative to general trends. We therefore create a measure of *abnormal returns* for S&P 500 firms over the study period. These cumulative abnormal returns serve as our outcome measure. We then use traditional difference-in-differences to study the effect of maintaining DEI programs versus rolling them back on these cumulative abnormal returns. Our research design is similar to other analyses that test whether some firms experience abnormal returns in response to major political events such as coups (Dube, Kaplan, and Naidu 2011), executive branch appointments (Acemoglu et al. 2016), lobbying meetings (Brown and Huang 2020), and the highly salient murders of Trayvon Martin, Michael Brown, and George Floyd (Ba, Rivera, and Whitefield 2023). Because CARs already net out exposure to market, size, value, and momentum factors, our identifying assumption is correspondingly weaker than parallel trends in raw returns: absent EO 14173, the change in abnormal returns after the order would not have differed systematically between resisting and non-resisting firms.

We use the Carhart four-factor model (Fama and French 1993; Carhart 1997), which estimates firm i's abnormal return in the stock market on day t, which is the difference in return for firm i compared to the risk-free return f on day t: $R_{it} - R_{ft}$. Abnormal returns are explained by firms' sensitivity to the market $\beta_i(R_{Mt} - R_{ft})$, size ($s_i SMB_t$), price-to-book ratios ($h_i HML_t$), and momentum factor ($j_i UMD_t$):

$$R_{it} - R_{ft} = \alpha_i + \beta_i(R_{Mt} - R_{ft}) + s_i SMB_t + h_i HML_t + j_i UMD_t + \epsilon_{it} \tag{1}$$

The estimation window for our abnormal returns model extends 250 trading days (one calendar year) before the EO 14173 event (which occurred on January 21, 2025), through the day before its issuance. The estimation window is long enough for the model to be sufficiently powered, but not so long that parameters reflect firm characteristics that no longer apply in later time periods.

We then calculate Cumulative Abnormal Returns (CARs) for firm i on day t as $CAR_{it} =$

$$\sum_{s=T_i}^{t}(R_{is} - \hat{E}[R_{is}]).$$

With CARs as our outcome measure, we use difference-in-differences methods to estimate the effect of resisting or acquiescing to EO 14173. We also conduct a short-run analysis that examines whether firms that maintain DEI programs have negative abnormal returns over the seven days following EO 14173 (see Figure S6).

Importantly, however, we expect that any potential market ramifications of maintaining DEI would not occur immediately in response to the executive order, but would instead likely evolve over time as consumers react and the Trump administration takes additional actions in subsequent weeks and months. For this reason, in the primary analyses, we focus on differences in CAR trajectories over long-term time horizons for firms that resist or do not resist the executive order.[8]

The goal is to estimate the counterfactual—what *would have happened* if firms that resisted had instead eliminated their DEI programs. By comparing changes in CARs before and after EO 14173, the difference-in-differences design goes a long way in identifying the causal effect of maintaining DEI after the executive order. It is not a problem for this design, for example, if firms that maintained DEI were different from those who ended DEI (e.g., if treatment firms are systematically more profitable than control firms).

It is a challenge if firms selected into resistance based on accurate anticipation of the downstream effects of maintaining or ending their DEI programs. In this situation, only the firms that *could* resist without incurring much punishment were the ones to reaffirm their DEI programs. However, we do not believe that firms anticipated consumers' or, especially, the Trump administration's reactions to resistance or acquiescence. Firms often engage in behaviors that "inadvertently" generate consumer backlash (e.g., Ahmad et al. 2024). On administrative enforcement, experts frequently characterize Trump administration behavior as "unpredictable" (Baker and Haberman 2026); it was not clear when or how the

[8]This evolution of effects over time is also a reason that we end our Carhart model estimation window and begin CAR accumulation at the timing of EO 14173.

administration would audit firms for DEI activity, what would be defined as "prohibited programs" under the EO, and what kinds of penalties might await them. This unpredictable enforcement made it difficult for firms to optimize on expected penalties. Instead, it is more likely that firms' compliance decisions were based on firms' general risk tolerance, a time-invariant characteristic that a difference-in-differences design protects against.[9]

Results

Financial Market Performance

First, we descriptively examine trends in specific sectors as determined by Standard Industrial Classification (SIC) codes. Figure 2 shows trends in cumulative abnormal returns for General Merchandise Stores in Panel (a) and for Industrial and Commercial Machinery and Computer Equipment in Panel (b).

Looking at Panel (a), we compare cumulative abnormal returns for treated firms Costco and Dollar Tree to those of control firms in the same sector. The "dollar stores" Dollar Tree and Dollar General offer a helpful comparison. Dollar Tree maintained its DEI program (Spector 2024), whereas Dollar General scaled back its program, leading to calls for consumer protests (Suter 2025). The firms performed similarly well after EO 14173. Similarly, treated firm Costco performs about as well as comparison control firms such as Target and Walmart.

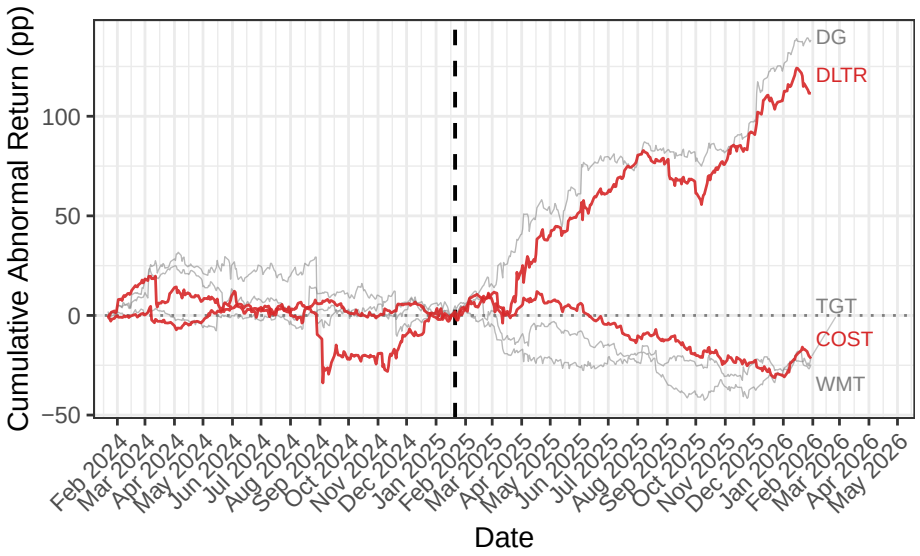
In the Industrial and Commercial Machinery and Computer Equipment sector shown in Panel (b), we see that treated firms Apple and Cisco have mostly flat cumulative abnormal returns. The difference in pre- and posttreatment cumulative abnormal returns is above the sector average for these two treated firms. Taken together, the trends in both of these sectors do not tell a clear story of resisting firms performing better or worse than compliant firms.

Next, we look systematically at differences in CAR trends for resisting and non-resisting

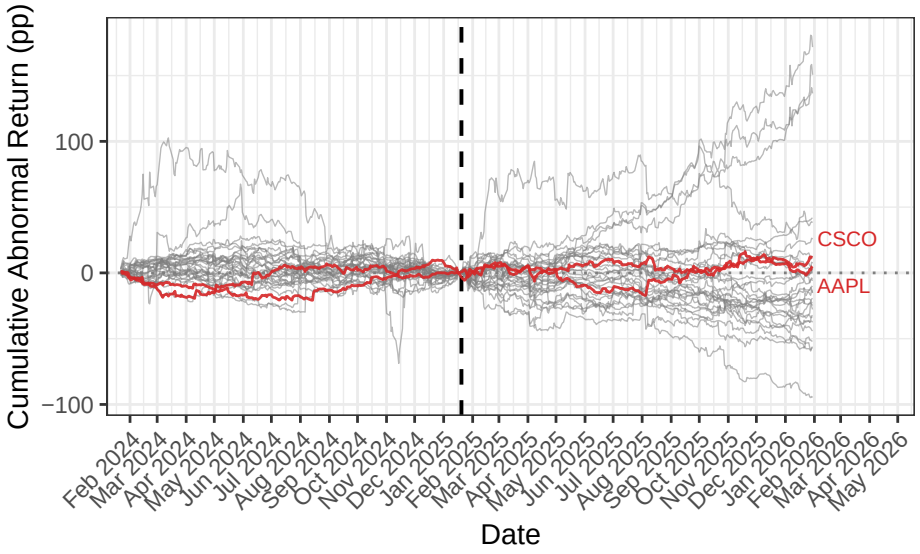
[9]We estimate minimum detectable effects at 80% power for our CARs and revenue model specifications in Appendix Section S8. For CARs models, the minimum detectable effects range from 0.10 to 0.60 control group standard deviations. For revenue models, they range from 0.03 to 0.22 control group standard deviations.

Figure 2: DEI and Cumulative Abnormal Returns in Specific Sectors

(a) General Merchandise Stores



(b) Industrial and Commercial Machinery and Computer Equipment

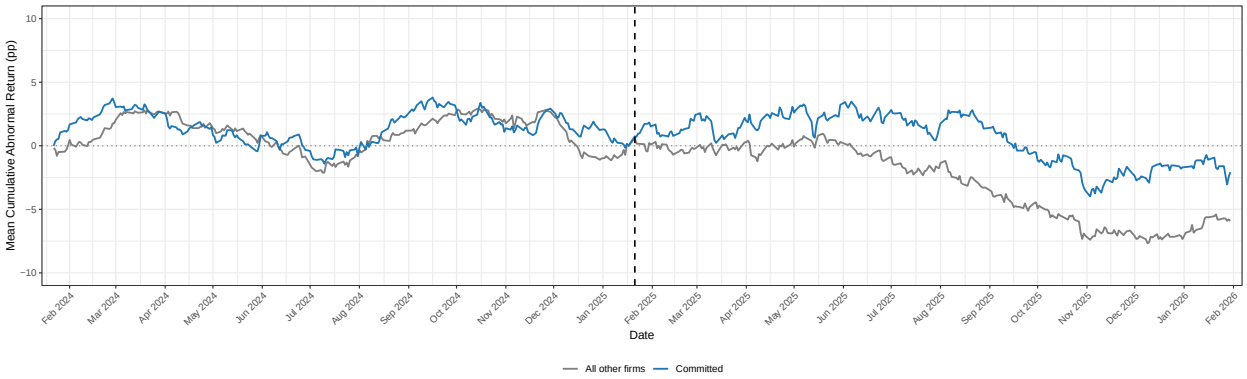


Note: Each plot shows CARs over time. The dashed vertical line represents the timing of EO 14173. Firms highlighted in red are 'treated' firms that reaffirmed their DEI programs after EO 14173.

Figure 3: Cumulative Abnormal Returns Are Similar for Resisting and Non-Resisting Firms

(a) Reaffirming vs. Control Firms

(b) DEI Watch "Committed" vs. Control Firms



Note: The lines show mean daily CARs over time for resisting and non-resisting firms. The dashed vertical line marks Executive Order 14173 on January 21, 2025. Shaded bands show 95% confidence intervals. Panel (a) compares firms that maintained or publicly reaffirmed DEI programs after EO 14173 to all other S&P 500 firms. Panel (b) uses the DEI Watch measure, comparing firms classified as 'Committed' to DEI to all other S&P 500 firms.

firms in Figure 3. Panel (a) shows mean daily CARs for treated firms (in blue) and all other firms (in grey) for the *Resisting* firms compared to control firms, and Panel (b) does the same but for firms classified as *Committed* by DEI Watch. Panel (a) shows clear results. Outside of mid-March through mid-April 2025, CARs are higher for resisting firms than for the control firms. These differences are not statistically significant, as evidenced by the overlap in the confidence interval ribbon.

In Table 1, we turn to estimating the average difference in cumulative abnormal returns between treated and control firms. The first two models for each treatment measure (Models 1, 2, 6, and 7) are cross-sectional; they compare CARs for resisting and control firms on the last day of the panel data. This is helpful because the CARs are already constructed to capture *abnormal* returns beyond what we would expect from market dynamics. The first of these specifications is bivariate, and the second aligns with preceding studies in controlling for industry, firm leverage, and firm revenue (Fisman and Wang 2015; Ba, Rivera, and Whitefield 2023). In these cross-sectional models, the coefficients, all statistically insignificant, range from 2.82 to 10.88.

The third and fourth models for each treatment measure are difference-in-differences, asking whether the *change* in CARs before and after the executive order is different for resisting and control firms. Models 3 and 8 include firm and day fixed effects, and Models 4 and 9 additionally include firm-specific linear time trends. We again find insignificant coefficients across the board. All of the coefficients are positive in these specifications, ranging from about 0.78 to 8.33. We provide a leave-one-out robustness check in Appendix Figure S4; the findings are remarkably robust. Overall, our preferred specification can rule out negative effects larger than approximately 0.5 percentage-points of stock market returns.

In Appendix Section S10, we show similar results for the *10-K* and *Shareholder* treatments. The results are again consistently null. The treatment effect estimates vary slightly across specifications, with an average coefficient of 0.35.

While our main analysis focuses on the longer-run trajectory—since any market reaction

to maintaining DEI would likely evolve over subsequent weeks and months rather than resolve immediately—we also examine stock market returns for resisting and acquiescing firms over a short-run window of seven days before and after the executive order in Appendix Section S7. Over the seven trading days following EO 14173, resisting and complying firms exhibit no significant difference in abnormal returns. This helps rule out a large, immediate, but brief negative market reaction to firms' decision to maintain DEI, further suggesting that markets did not penalize firms for resisting the administration's anti-DEI pressure.

Table 1: Effect of EO 14173 on CARs: Reaffirmed and DEI Watch Treatments

	Reaffirmed Treatment					DEI Watch Treatment				
	(1) Biv.	(2) Ind. FE	(3) TWFE	(4) TWFE+Tr.	(5) Ind.×Time	(6) Biv.	(7) Ind. FE	(8) TWFE	(9) TWFE+Tr.	(10) Ind.×Time
Dep. var.:	Daily CAR (pp)									
Maintained DEI × Post	10.877	2.824	8.331	0.867	7.551	3.835	2.870	2.887	0.784	2.699
	(16.173)	(14.542)	(9.059)	(3.576)	(7.711)	(4.939)	(5.364)	(2.647)	(1.583)	(3.013)
Firm FE	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Industry FE	No	Yes	–	–	–	No	Yes	–	–	–
Time FE	No	No	Day	Day	–	No	No	Day	Day	–
Ind.×Time FE	No	No	No	No	Yes	No	No	No	No	Yes
Firm linear trends	No	No	No	Yes	No	No	No	No	Yes	No
SE clustering	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm
Treated firms	8	8	8	8	8	54	54	54	54	54
Control firms	492	492	492	492	492	446	446	446	446	446
Observations	500	500	254,405	254,405	254,405	500	500	254,405	254,405	254,405

Notes: Dep. var. is daily CAR (percentage points). Reaffirmed Treatment treatment: cols. (1)–(5). DEI Watch Treatment treatment: cols. (6)–(10). Biv. = bivariate OLS; Ind. FE = OLS with industry fixed effects (cols. (1)–(2), (6)–(7) are cross-sectional at $t = T_{\text{end}}$). TWFE = firm + day FEs; TWFE+Tr. = TWFE with firm linear trends; Ind.×Time = firm FE + industry-by-day FEs. SE clustered by firm. Treatment is EO 14173 (January 21, 2025).

Maintaining DEI and Revenue

In this section, we test whether resisting and control firms performed differently in terms of revenue after EO 14173. Stock market returns are forward-looking expectations. By contrast, revenue is a realized measure of current business performance. A firm could maintain a strong stock market performance if investors discount the threat of consumer backlash, but revenue would capture whether such a backlash actually materializes.

Revenue is measured using firms' quarterly 10-Q filings to the SEC via Compustat data, covering eight quarters (January 2024 through July 2025 filings). Unlike CARs, the revenue dependent variable is not a measure of "abnormal" activity, so we stick to difference-in-differences estimation to isolate the effect of the executive order on *trends* in revenue. We plot descriptive trends in treated and control firm revenue for specific sectors in Appendix Figure S8.

Table 2: Effect of EO 14173 on log(Revenue): Reaffirmed and DEI Watch Treatments

	Reaffirmed Treatment			DEI Watch Treatment		
	(1) TWFE	(2) TWFE+Tr.	(3) Ind.×Time	(4) TWFE	(5) TWFE+Tr.	(6) Ind.×Time
Dep. var.:	log(Revenue)					
Maintained DEI × Post	-0.0236	-0.0767	0.0041	-0.0226	0.0379	0.0049
	(0.0221)	(0.0920)	(0.0151)	(0.0144)	(0.0281)	(0.0149)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	Qtr	Qtr	–	Qtr	Qtr	–
Ind.×Time FE	No	No	Yes	No	No	Yes
Firm linear trends	No	Yes	No	No	Yes	No
SE clustering	Firm	Firm	Firm	Firm	Firm	Firm
Treated firms	8	8	8	51	51	51
Control firms	480	480	480	432	432	432
Observations	3,904	3,904	3,880	3,864	3,864	3,864

Notes: Dep. var. is log(Revenue). Reaffirmed Treatment treatment: cols. (1)–(3). DEI Watch Treatment treatment: cols. (4)–(6). TWFE = firm + quarter FEs; TWFE+Tr. = TWFE with firm linear trends; Ind.×Time = firm FE + industry-by-quarter FEs. SE clustered by firm. Treatment is EO 14173 (January 21, 2025).

Table 2 presents the results.[10] The coefficients are statistically insignificant in each

[10]The Compustat data does not measure revenue for financial firms such as Goldman Sachs, which eliminates 12 S&P 500 firms from this analysis.

specification.

Because firms' revenue trajectories vary substantially across sectors and due to the estimates' relative precision, we place the greatest weight on Models 3 and 6, which include firm fixed effects and industry-by-quarter fixed effects. These specifications compare resisting and complying firms within the same industry and quarter, while absorbing persistent differences across firms in time-invariant characteristics. The estimates are close to zero and statistically insignificant, and they are estimated with enough precision to make large revenue penalties unlikely (we can rule out negative effects larger than approximately 2.4 percent). For both the Reaffirmed and DEI Watch treatment measures, the coefficient estimates are essentially zero, implying no effect of maintaining DEI on revenue. We show similar results on revenue for our 10-K and Shareholder treatments in Section S10; the average of treatment effect estimates across these specifications is 0.00.

Conclusion

In his 2026 State of the Union address, President Trump declared that "[w]e ended DEI in America."(Trump 2026) In this article, however, we show that some firms maintained their DEI programs. We also find clear evidence that, on average, firms that kept DEI policies in place performed just as well as firms that complied with the Trump administration's 2025 anti-DEI executive order, EO 14173. The results are inconsistent with significant net financial penalties for maintaining DEI arising from consumer backlash, government retaliation, or investor responses in expectation of worsened profitability as a result of resistance.

The continuation of corporate DEI programs is not, in and of itself, a determinant of the health of U.S. political institutions. However, recent corporate decisions on DEI provide information about the extent to which corporations are complying with executive branch directives—directives that experts have described as "plainly defy[ing] constitutional and statutory limits" (Edwards III 2026, 447)—and the potential financial costs of noncompli-

ance. Taken as a whole, the results of our study suggest that corporations can resist pressure from the executive branch, at least in this issue area, without suffering significant financial consequences.

This finding is substantively important. The second Trump administration has used institutional intimidation to pressure businesses into compliance. Firms are among the most consequential non-state actors in market democracies, and coordinated pushback from them could pose an important obstacle to the consolidation of executive authority. Yet organized resistance by major civil society actors has been surprisingly rare (Schickler 2025). One reason may be that firms expect significant economic penalties for defying executive pressure. Yet, our findings imply that the relative paucity of resistance may stem from overestimation of its financial costs.

References

Acemoglu, Daron, Simon Johnson, Amir Kermani, James Kwak, and Todd Mitton. 2016. "The value of connections in turbulent times: Evidence from the United States." *Journal of Financial Economics* 121(2): 368–391.

Acemoglu, Daron, Tarek A Hassan, and Ahmed Tahoun. 2018. "The power of the street: Evidence from Egypt's Arab Spring." *The Review of Financial Studies* 31(1): 1–42.

Ahmad, Wajeeha, Ananya Sen, Charles Eesley, and Erik Brynjolfsson. 2024. "Companies inadvertently fund online misinformation despite consumer backlash." *Nature* 630(8015): 123–131.

Allsop, Jon. 2026. "The Media Merger You Should Actually Care About." *The New Yorker* (February).

Armstrong, Claire, Patrick C Flood, James P Guthrie, Wenchuan Liu, Sarah MacCurtain, and Thadeus Mkamwa. 2010. "The impact of diversity and equality management on firm performance: Beyond high performance work systems." *Human Resource Management* 49(6): 977–998.

Ba, Bocar A, Roman Rivera, and Alexander Whitefield. 2023. "Market Response to Racial Uprisings." *NBER Working Paper* (w31606).

Baker, Andrew C, David F Larcker, Charles G McClure, Durgesh Saraph, and Edward M Watts. 2024. "Diversity washing." *Journal of Accounting Research* 62(5): 1661–1709.

Baker, Peter, and Maggie Haberman. 2026. "Trump's Art of the Deal: Shaking Up Relations With Allies and Adversaries Alike." *The New York Times* (February 4).

Barber, Michael, and Jeremy C Pope. 2019. "Does Party Trump Ideology? Disentangling Party AndIdeology in America." *American Political Science Review* 113(1): 38–54.

Brown, Jeffrey R, and Jiekun Huang. 2020. "All the president's friends: Political access and firm value." *Journal of Financial Economics* 138(2): 415–431.

Carhart, Mark M. 1997. "On persistence in mutual fund performance." *The Journal of finance* 52(1): 57–82.

Chen, Elaine, and J. Emory Parker. 2025. "Pfizer Revises Its DEI Webpage to Emphasize Importance of 'Merit'." *STAT News* (February).

Dahlström, Carl, Mihály Fazekas, and David E Lewis. 2021. "Partisan procurement: Contracting with the United States federal government, 2003–2015." *American Journal of Political Science* 65(3): 652–669.

Danziger, Pamela N. 2026. "Year-Long 'Target Fast' DEI Boycott Has Finally Ended.".

DEI Watch. 2025. "DEI Watch: Tracking Corporate Accountability and Diversity Initiatives.".

Dobbin, Frank, and Alexandra Kalev. 2022. *Getting to diversity: What works and what doesn't*. Harvard University Press.

Dollar Tree, Inc. 2025. "Culture and Belonging." Corporate website. Page rebranded between March 17 and April 3, 2025, per Wayback Machine snapshots at https://web.archive.org/web/20250317130136/corporate.dollartree.com/values/equality-belonging-dei and https://web.archive.org/web/20250403164635/https://corporate.dollartree.com/values/culture-belonging.

Dube, Arindrajit, Ethan Kaplan, and Suresh Naidu. 2011. "Coups, corporations, and classified information." *The Quarterly journal of economics* 126(3): 1375–1409.

Edwards III, George C. 2026. "Introduction to Understanding the Early Trump 47 Presidency." *PS: Political Science & Politics* pp. 1–4.

Fama, Eugene F, and Kenneth R French. 1993. "Common risk factors in the returns on stocks and bonds." *Journal of financial economics* 33(1): 3–56.

Ferraro, Carla, Alicia Hemsley, and Sean Sands. 2023. "Embracing diversity, equity, and inclusion (DEI): Considerations and opportunities for brand managers." *Business Horizons* 66(4): 463–479.

Fisman, Raymond. 2001. "Estimating the value of political connections." *American economic review* 91(4): 1095–1102.

Fisman, Raymond, and Yongxiang Wang. 2015. "The mortality cost of political connections." *The Review of Economic Studies* 82(4): 1346–1382.

Folsz, Hanna. 2026. "Economic Retaliation and the Decline of Opposition Quality." Working paper.

Goldman, Eitan, Jörg Rocholl, and Jongil So. 2009. "Do politically connected boards affect firm value?" *The review of financial studies* 22(6): 2331–2360.

Gomez, Luis Emilio, and Patrick Bernet. 2019. "Diversity improves performance and outcomes." *Journal of the National Medical Association* 111(4): 383–392.

Goodman-Bacon, Andrew. 2021. "Difference-in-differences with variation in treatment timing." *Journal of econometrics* 225(2): 254–277.

Haggard, Stephan, and Robert Kaufman. 2021. "The anatomy of democratic backsliding." *Journal of Democracy* 32(4): 27–41.

Jeyaretnam, Miranda. 2025. "These U.S. Companies Are Not Ditching DEI Amid Trump's Crackdown." *TIME* (February).

Kalev, Alexandra, Frank Dobbin, and Erin Kelly. 2006. "Best practices or best guesses? Assessing the efficacy of corporate affirmative action and diversity policies." *American sociological review* 71(4): 589–617.

King, Brayden G, and Sarah A Soule. 2007. "Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns." *Administrative science quarterly* 52(3): 413–442.

Kochan, Thomas, Katerina Bezrukova, Robin Ely, Susan Jackson, Aparna Joshi, Karen Jehn, Jonathan Leonard, David Levine, and David Thomas. 2003. "The effects of diversity on business performance: Report of the diversity research network." *Human Resource Management* 42(1): 3–21.

Lanum, Nikolas. 2025. "President Trump calls on Apple to abandon DEI 'hoax' following shareholder vote." Fox Business.

Larcker, David F, Charles McClure, Shawn X Shi, and Edward M Watts. 2025. "The limited corporate response to DEI controversies." *Chicago Booth Research Paper* (25-07).

Levitsky, Steven, and Daniel Ziblatt. 2018. *How democracies die.* New York: Broadway Books.

Levitsky, Steven, Lucan A Way, and Daniel Ziblatt. 2026. "The Price of American Authoritarianism. What Can Reverse Democratic Decline?" *Foreign Affairs* 105: 30.

Li, Fei, Chris KY Lo, Christopher S Tang, and Paul Zhou. 2025. "Will diversity, equity, and inclusion commitment improve manufacturing firms' market performance? A signaling theory perspective on DEI announcements." *Production and Operations Management* 34(3): 331–342.

Lichtenberg, Nick. 2026. "Costco is defying Trump on DEI and business is booming." *Fortune* (February 13).

Lin, Shengqiao. 2025. "Addressing risk by doing good: Business response to government policy initiative." *The Journal of Politics* 87(4): 1414–1430.

Magyar, Bálint. 2016. *Post-Communist Mafia State: The Case of Hungary.* Budapest: Central European University Press.

Markus, Stanislav. 2015. *Property, Predation, and Protection: Piranha Capitalism in Russia and Ukraine (Introduction).* Cambridge University Press.

McCarty, Nolan, and Reilly Steel. 2026. The Political Economy of Diversity, Equity, and Inclusion. Technical report.

Merica, Dan, and Matthew Choi. 2025. "How Trump has used his power to intimidate Corporate America." *The Washington Post* (December 16).

Mizruchi, Mark S. 2013. *The fracturing of the American corporate elite.* Harvard University Press.

Morse, Brit. 2025. "How companies like Delta and Cisco are sticking up for their DEI policies." *Fortune* (April 4).

Nord, Marina, David Altman, Tiago Fernandes, Ana Good God, and Staffan I. Lindberg. 2026. Democracy Report 2026: Unraveling The Democratic Era? Report V-Dem Institute, University of Gothenburg.

Schickler, Eric. 2025. "What Donald Trump Has Taught Us about American Political Institutions." *Political Science Quarterly* p. qqaf090.

Sharma, Ruchir. 2026. "Why markets are wrong to think Trump 2.0 will be like Trump 1.0." Financial Times.

Sinanoglu, Semuhi, Lucan Way, and Steven Levitsky. 2025. "Can Capitalism Save Democracy?" *Journal of Democracy* 36(3): 5–15.

Smith, Timothy. 2025. "Corporate Support for DEI Continues Among Investors and Companies." https://corpgov.law.harvard.edu/2025/08/17/corporate-support-for-dei-continues-among-investors-and-companies/.

Spector, David. 2024. "Major companies still engaging in DEI policies under new names, consumer watchdog claims." https://www.foxbusiness.com/media/major-companies-still-engaging-dei-policies-under-new-names-consumer-watchdog-claims.

Suter, Tera. 2025. "DEI boycott organizer protests Dollar General." The Hill.

Sutherland, Brooke, and Josh Eidelson. 2025. "IBM Informs Staff of DEI Retreat as Trump-Era Scrutiny Grows." *Bloomberg News* (April 10).

Travis, Michelle. 2025. "Employees Widely Support DEI, Revealing Talent Risk From DEI Retreat.".

Trump, Donald J. 2026. "State of the Union Address." Transcript by the Associated Press, published by CBS News.

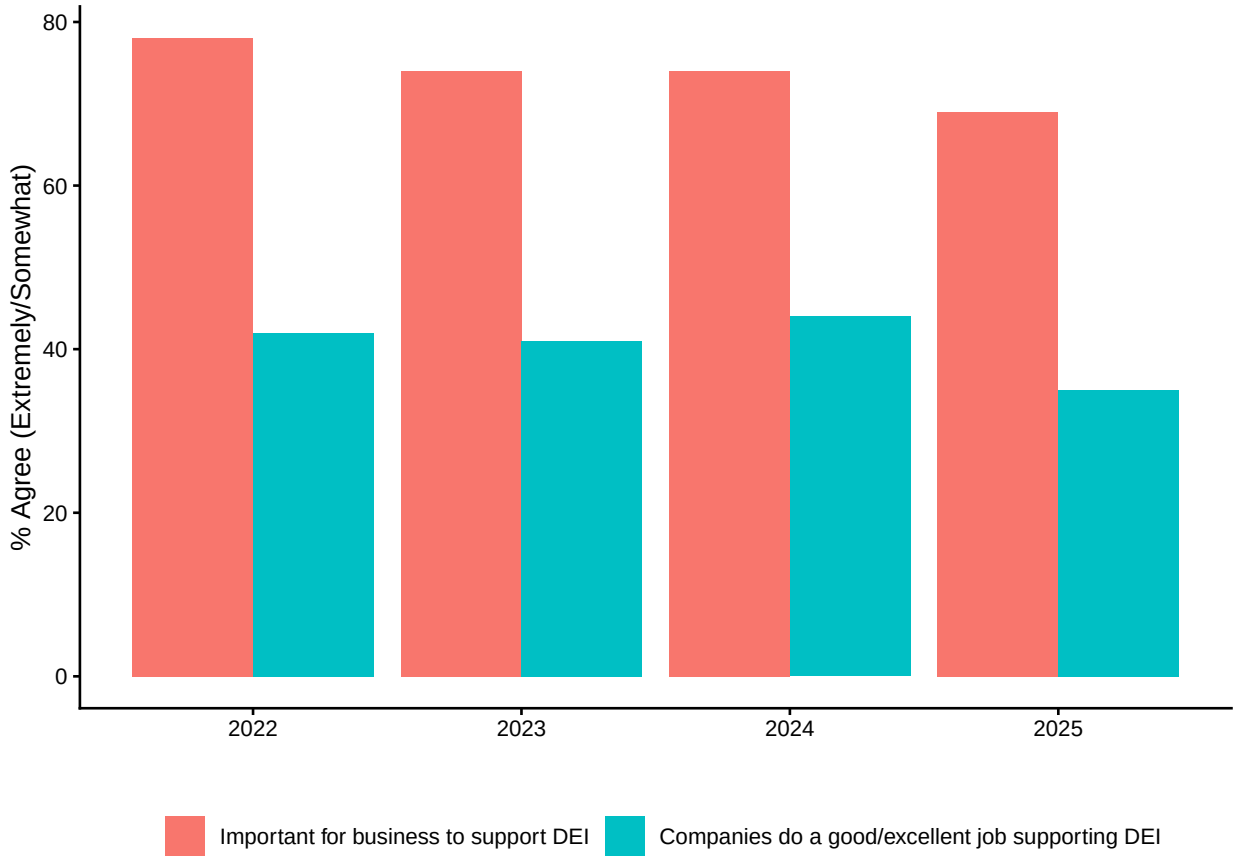
U.S. Department of Justice. N.d. "Ending Illegal DEI and DEIA Discrimination and Preferences." Memorandum from Attorney General Pamela Bondi to all Department employees.

Supplementary Materials for

"Markets Do Not Punish Firms for Maintaining DEI"

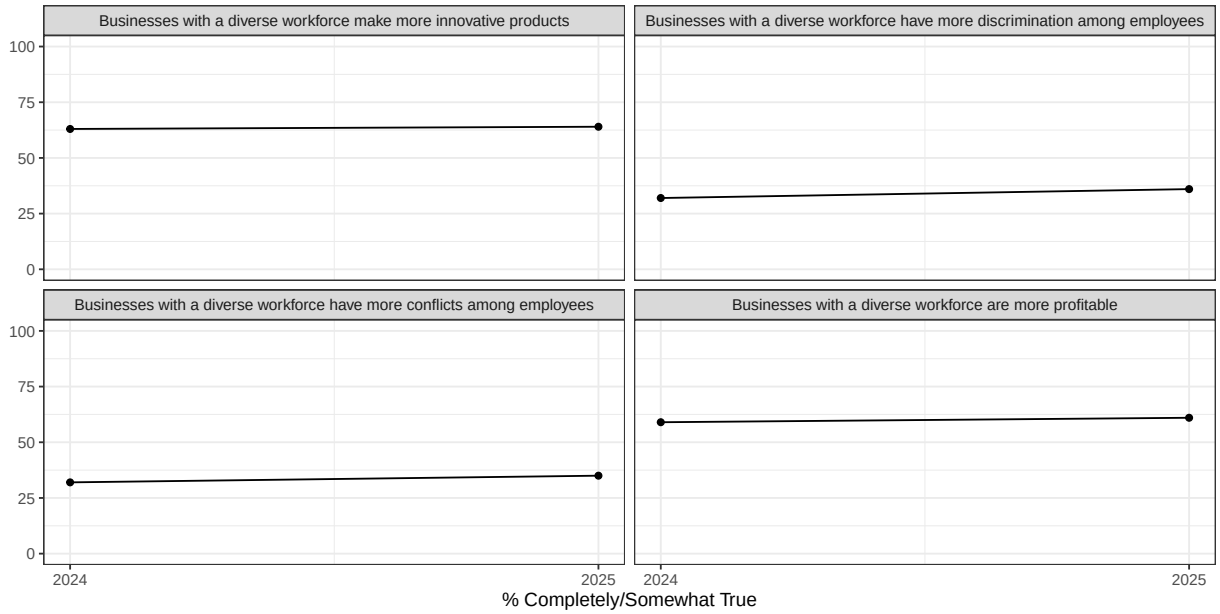
S1 Public Opinion on Corporate DEI

Figure S1: Public Attitudes about State of Corporate DEI



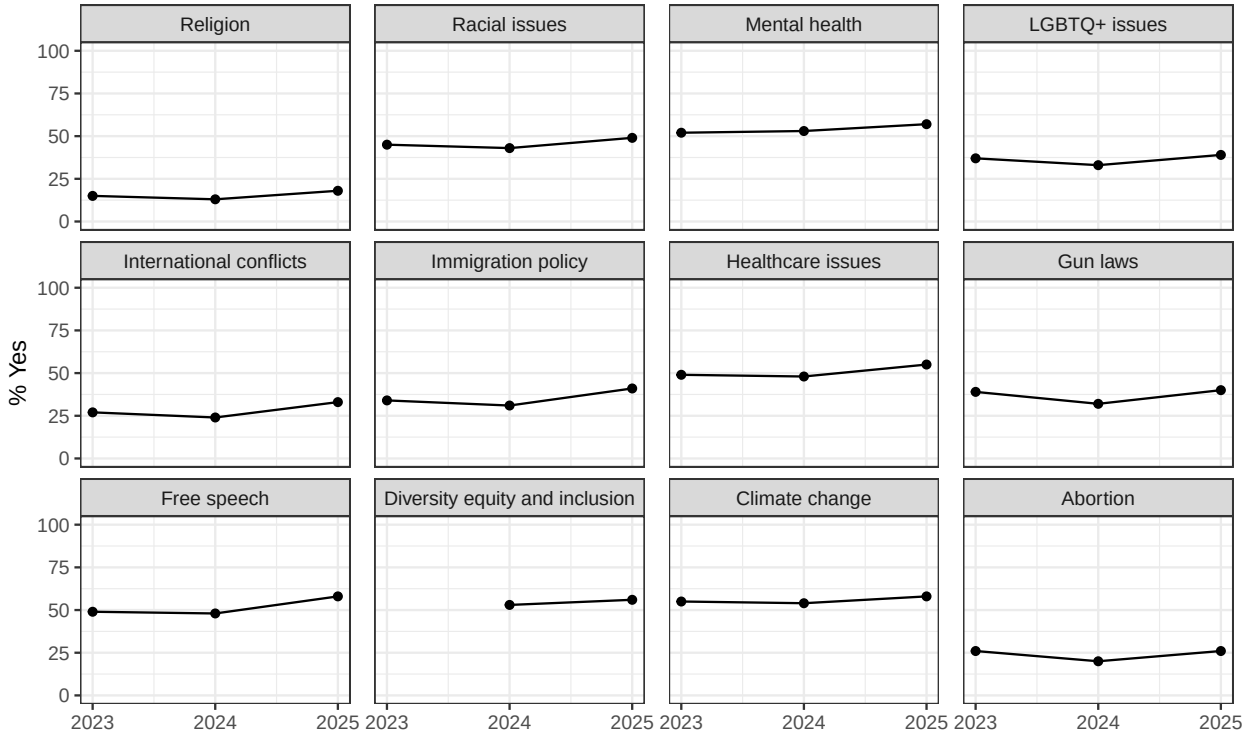
Source: Bentley-Gallup Business in Society Survey (2022-2025). 2025 N = 3,007; 2024 N = 5,835; 2023 N = 5,458; 2022 N = 5,757.

Figure S2: Public Attitudes about Effects of Corporate DEI



Source: Bentley-Gallup Business in Society Survey (2022-2025). 2025 N = 3,007; 2024 N = 5,835; 2023 N = 5,458; 2022 N = 5,757.

Figure S3: Public Support for Firms Taking Stances on Issues



Source: Bentley-Gallup Business in Society Survey (2022-2025). 2025 N = 3,007; 2024 N = 5,835; 2023 N = 5,458; 2022 N = 5,757.

S2 Details of Corporate Resistance to EO 14173

Table S1: S&P 500 Firms That Resisted Executive Order 14173 (Treatment Group). "Resistance Date" is the date of the firm's first public reaffirmation of DEI following EO 14173.

Corporation	Sector	Resistance Date	Form of Resistance	Resistance Details
JPMorgan Chase	Financial Services	Jan. 22, 2025	CEO public statement	CEO Jamie Dimon stated at the World Economic Forum in Davos that the bank would "continue to reach out to the Black community and Hispanic community, LGBT community, and the veteran community...It's good for business; it's morally right." A spokesperson described its DEI strategies as "well-conceived, rightly intended, and executed in a way that reasonably manages risk." JPMorgan later partially retreated on this commitment; see the note below.
Costco	Retail	Jan. 27, 2025	Shareholder resolution rejected	Board unanimously urged shareholders to reject a National Center for Public Policy Research anti-DEI resolution, stating its commitment "is appropriate and necessary" and that diverse employees and suppliers foster "creativity and innovation." Over 98% of shares were voted against the proposal.
Cisco	Technology	Jan. 22, 2025	CEO public statement	CEO Chuck Robbins stated at Davos: "Diversity in general is good for business." Chief Legal Officer Peter Carter affirmed on the January earnings call: "We are steadfast in our commitments because we think that they're actually critical to our business."
Microsoft	Technology	Jan. 27, 2025	Official corporate statement	Spokesperson Jeff Jones affirmed: "Our focus on diversity and inclusion is unwavering and we are holding firm on our expectations, prioritizing accountability, and continuing to focus on this work."
Delta Air Lines	Airlines	Feb. 17, 2025	Executive public statement	CEO Ed Bastian publicly described DEI initiatives as merit-based. Director of Pilot Outreach Eric Hendricks stated that "DEI is not something that's going to stop at Delta Airlines," noting that the airline retained recruiting and training events for underrepresented groups.
Apple	Technology	Feb. 25, 2025	Shareholder resolution rejected	Board of Directors urged shareholders to reject an anti-DEI proposal at the annual meeting, affirming commitment to "a culture of belonging where everyone can do their best work" and stating that its DEI programs are "foundational to how we do business."
Pfizer	Healthcare	-	Official corporate statement	Reaffirmed commitment to diversity and inclusion through official corporate channels, describing programs as ongoing and aligned with its mission to achieve health equity.
Dollar Tree	Retail	-	Program maintenance	Maintained its DEI program following EO 14173, in contrast to sector peer Dollar General, which scaled back and faced consumer boycott calls. Dollar Tree retained its internal diversity office and supplier diversity initiatives.

JPMorgan later partially retreated on its DEI commitment. On March 21, 2025, COO Jenn Piepszak issued an internal memo rebranding the program from DEI to "Diversity, Opportunity, and Inclusion" (DOI), reducing mandatory trainings, and redistributing some DEI functions to HR and corporate responsibility teams. The memo characterized the changes as "organic evolution" predating EO 14173 and explicitly denied they constituted a "corrective action" in response to it. The DOI organizational unit continued to operate under the same leadership (Global Head Thelma Ferguson). We therefore code JPMorgan as treated based on its public resistance in late January 2025, while acknowledging the subsequent partial retreat.

There are two other cases of partial, largely cosmetic retreats. Pfizer on February 27, 2025 renamed its DEI webpage from "Diversity, Equity, and Inclusion" to "Merit-Based Diversity, Equity, and Inclusion" and added language emphasizing that its DEI culture "is based on merit," without eliminating programs (Chen and Parker 2025). Dollar Tree quietly rebranded its corporate DEI page to "Culture of Belonging" sometime between March 17 and April 3, while retaining its DEI Executive Council; the company made no public statement about the change (Dollar Tree, Inc. 2025).

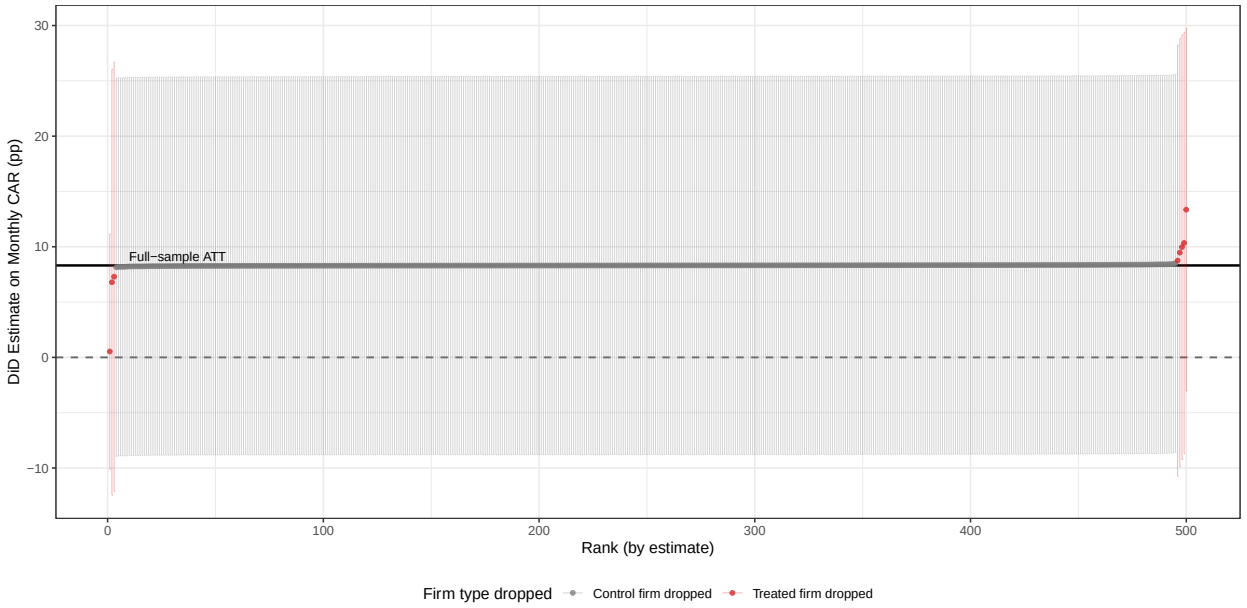
The only partial retreat involving a policy change (as opposed to only a name change) among our main treatment group involved JPMorgan. Results are robust to its exclusion from the estimation, as Appendix S3 demonstrates.

S3 Leave-One-Out Robustness

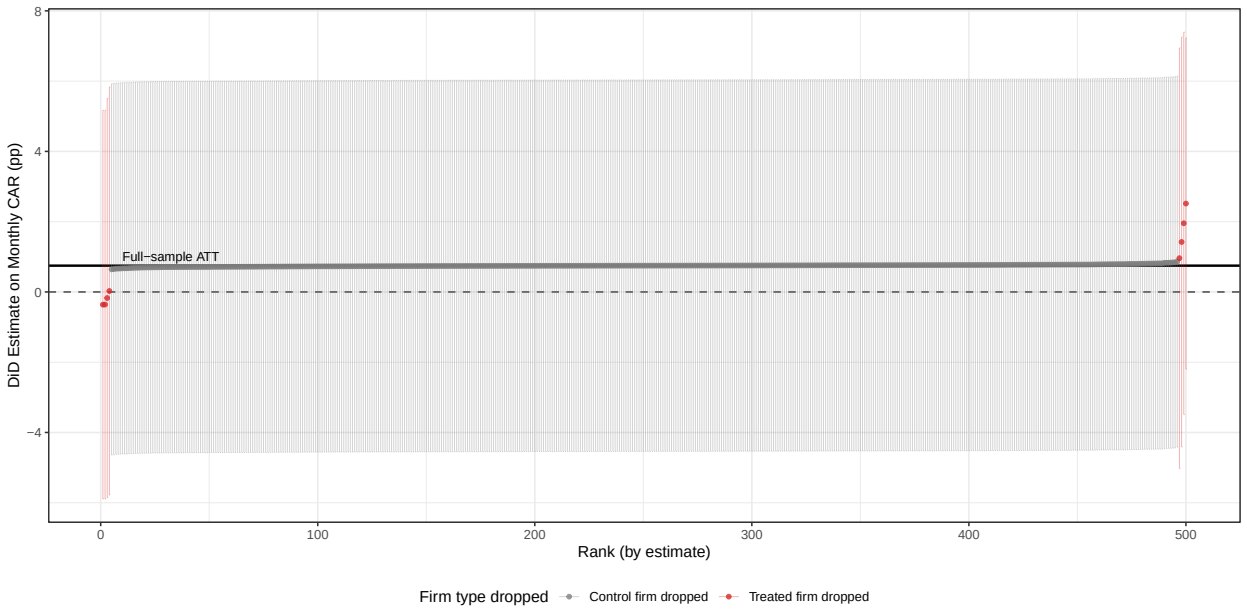
The leave-one-out analysis shows that the substantive result—that firms do not suffer financial penalties for maintaining DEI—is quite robust. All TWFE leave-one-out specifications produce positive coefficients. Four TWFE specifications with firm-specific time trends are negative (though of very small magnitudes, only up to -0.38 and insignificant); they are the specifications that exclude Cisco, Costco, Dollar Tree, and JPMorgan.

Figure S4: Leave-One-Out Robustness

(a) TWFE



(b) TWFE + Time Trends



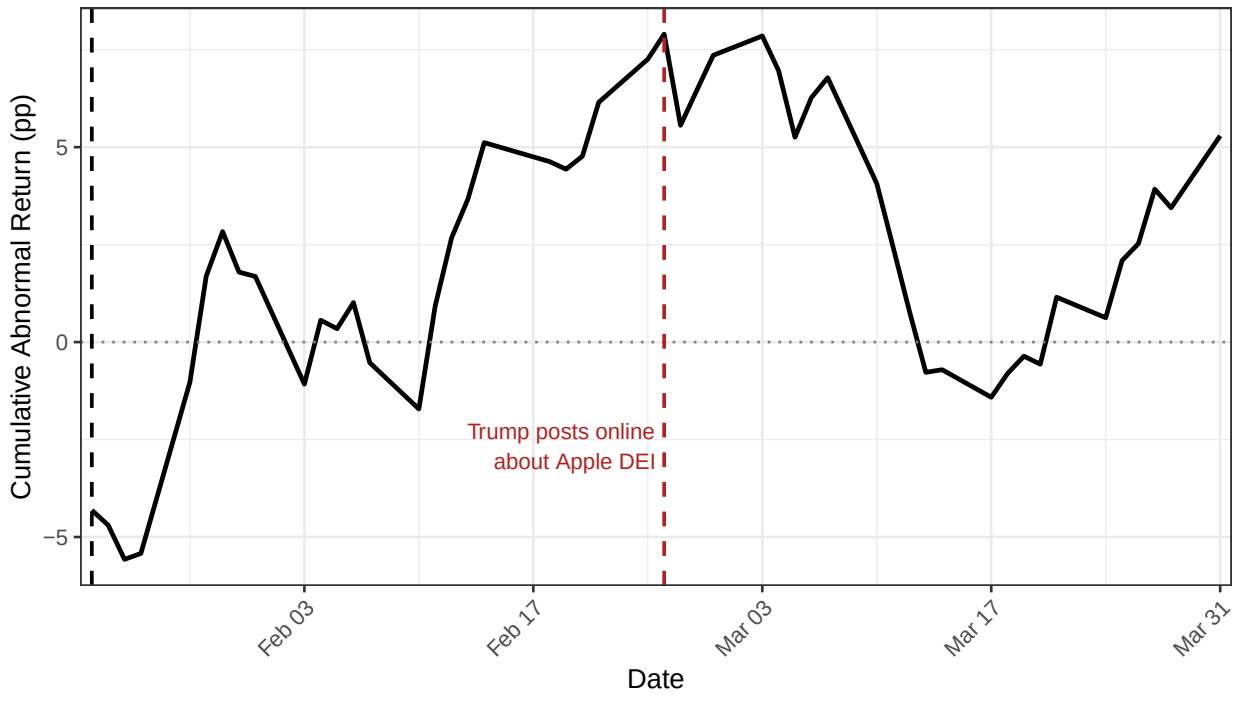
Note: Points show leave-one-out estimates of the effect of maintaining or publicly reaffirming DEI programs on CARs. Each estimate drops one treated firm from the narrow treatment group. Bars show 95% confidence intervals. Panel (a) reports TWFE estimates with firm and event-day fixed effects; Panel (b) additionally includes firm-specific linear time trends.

S4 Treatment Categories

S5 Trump Social Media Posts about DEI

As additional evidence, we examine whether direct mention of a firm's DEI policies on President Trump's social media account affected its stock-market performance. Such posts should make a firm's noncompliance with the administration's anti-DEI pressure more salient to consumers and investors. Apple provides a useful case: after shareholders rejected an anti-DEI resolution, President Trump criticized the company on social media and called on it to abandon DEI. Figure S5 shows no clear negative market response. Apple's cumulative abnormal returns remained broadly stable, suggesting that even direct presidential attention did not generate a stock market penalty.

Figure S5: Apple CARs After Trump Social Media Post



Note: Figure shows Apple's CARs around President Trump's social media post about Apple's DEI policies. The dashed vertical line marks the date of the post.

Table S2: Firms by Treatment Category

Reaffirmed ($n = 8$)	Shareholder ($n = 38$)	10-K ($n = 29$)	DEI Watch Committed ($n = 54$)
Apple	Alphabet	Abbott Laboratories	Aflac
Cisco Systems	Amazon Com	Advanced Micro Devices	Allstate
Costco Wholesale Corp New	American Express	Ametek	American Express
Delta Air Lines	Apple	Analog Devices	American Water
Dollar Tree	At t	Apple	Apple
Jpmorgan Chase	Best Buy Co	Arista Networks	Bestbuy
Microsoft	Boeing	Broadcom	Campbell Company
Pfizer	Bristol Myers Squibb	Broadridge Financial Solutions	Capital One
	Caterpillar	Builders Firstsource	Chevron
	Cisco Systems	Cardinal Health	Cigna
	Coca Cola	Charter Communications Inc Mo	Cis
	Costco Wholesale Corp New	Chipotle Mexican Grill	Clorox
	Deere	Dexcom	Coca-Cola
	Delta Air Lines	Dominos Pizza	Colgate
	Dollar Tree	Ebay	Comcast
	General Motors	Emcor Group	Cost
	Gilead Sciences	Emerson Electric	Cvs
	Godaddy	Factset Research Systems	Darden
	Goldman Sachs Group	Federal Realty Investment Trust	Delta Airlines
	International Business Machines	Kimberly Clark	Dollar Tree
	Jpmorgan Chase	Linde	Ebay
	Lockheed Martin	Masco Corp	Equifax
	Lululemon Athletica	Mettler Toledo International	Estée Lauder
	Mastercard	Pultegroup Inc Mi	General Mills
	Mcdonalds	Steel Dynamics	Hilton
	Merck Co	Tyler Technologies	Hormel Foods
	Microsoft	Ulta Beauty	Humana
	Netflix	Union Pacific	Intuit
	Paypal Holdings	Walmart	Johnson & Johnson
	Pfizer		Jp Morgan
	Southern		Kraft Heinz
	Target		Kroger
	Uber Technologies		Mastercard
	Verizon Communications		Merck
	Visa		Microsoft
	Walmart		Morgan Stanley
	Walt Disney		Netflix
	Yum Brands		Nike
			Nvidia
			Oracle
			Pfizer
			Pnc
			Procter & Gamble
			Progressive
			Prudential
			Ross Stores
			Southwest Airlines
			Tjx Companies
			Truist
			Ulta Beauty
			Union Pacific
			Ups
			Visa
			Yum! Brands

S6 Federal Contracting and Compliance with EO 14173

We also examine whether firms with greater exposure to federal contracting prior to the issuance of EO 14173 were more likely to comply with the order and roll back their DEI commitments. Our findings are consistent with those of McCarty and Steel (2026), who find that federal contractors were more likely to reduce DEI language in regulatory filings.

We measure exposure to federal contracting using USAspending data on prime contract transactions. For each firm we sum federal obligations over the same twelve months as the firm's own revenue window in the period directly preceding EO 14173. Because firms' fiscal quarters end in different months, that window is January–December 2024 for 439 of the 500 firms, November 2023–October 2024 for 41, and December 2023–November 2024 for 20. Federal obligations measure the value of prime contracts that the federal government commits in a given year, although the associated work and revenue may span multiple years. Obligations can also be negative when downward modifications to existing obligations exceed new or increased commitments. We link firms to contract recipients using the recipient parent unique entity identifier (UEI) to aggregate contracts across the multiple legal names and subsidiaries under which corporations can appear in the contracting data. The main explanatory variable is federal obligations as a share of firm revenue in the given one-year period directly preceding the signing of EO 14173.

Table S3 presents regression estimates of the relationship between exposure to federal contracting and the maintenance of DEI following EO 14173. Greater federal-contract exposure is generally associated with a lower probability of maintaining DEI. The estimate is weakly statistically significant for our main measure of resistance – whether a corporation reaffirmed its commitment to DEI following the executive order –, while it is significant for the measures leveraging DEI Watch's classification and 10-K filings, and positive and insignificant for the measure leveraging shareholder rejection of anti-DEI proposals. In sum, consistent with the possibility that firms' exposure to government leverage shaped their decisions, firms with more federal contracts and greater federal contracting value in 2024, prior

to the issuance of EO 14173, were descriptively less likely to maintain DEI.

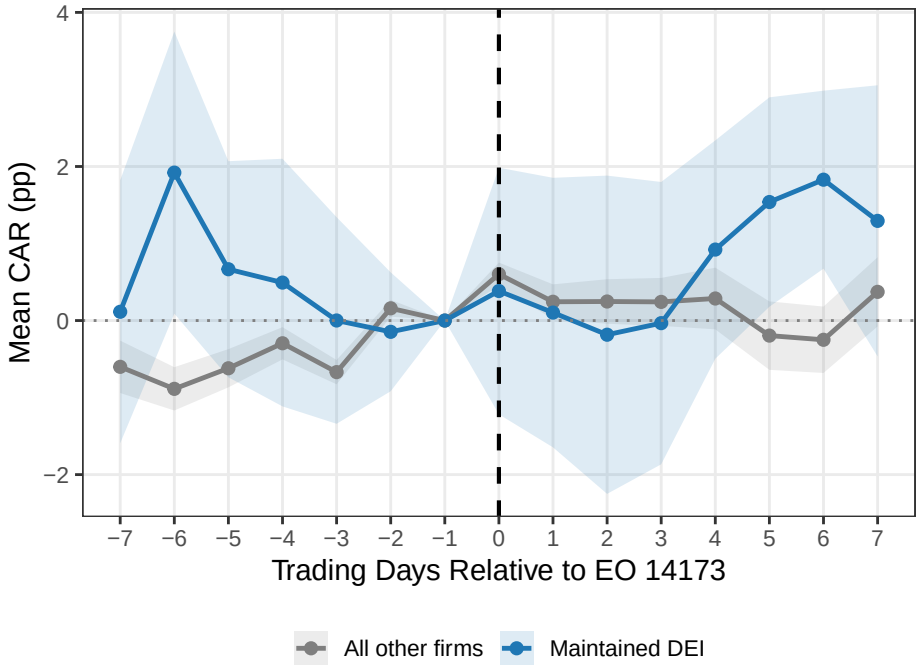
Table S3: The share of federal contracting value in revenue and corporations' response to EO 14173

	Contract share of revenue			
	(1)	(2)	(3)	(4)
Dependent variable:	Maintained DEI			
Contract share of revenue	-0.074*	-0.230**	0.280	-0.196**
	(0.043)	(0.097)	(0.354)	(0.077)
Revenue (log)	0.026***	0.075***	0.081***	0.003
	(0.010)	(0.015)	(0.014)	(0.012)
Treatment measure	Reaffirmed	DEI Watch	Shareholder	10-K
Firms maintaining DEI	8	54	38	29
Sector FE	Yes	Yes	Yes	Yes
Observations	500	500	500	500
R^2	0.073	0.144	0.159	0.025

Note: OLS linear probability models on the 500 S&P 500 firms, one column per treatment measure. Heteroskedasticity-robust standard errors in parentheses. $^{*}p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$. Exposure is accumulated over the twelve months matching each firm's own revenue window, all closing before EO 14173. Every column includes log revenue and GICS sector fixed effects.

S7 Short-Run Analysis

Figure S6: Short-Run Cumulative Abnormal Returns



Note: Lines show mean CARs for firms that maintained DEI and all other S&P 500 firms in the seven days before and after Executive Order 14173. The dashed vertical line marks the executive order on January 21, 2025. Shaded bands show 95% confidence intervals.

Table S4: Cumulative Abnormal Returns 7 Trading Days After EO 14173

	Reaffirmed		Shareholder		DEI Watch	
	(1) Biv.	(2) Ind. FE	(3) Biv.	(4) Ind. FE	(5) Biv.	(6) Ind. FE
Dep. var.:	CAR at $t = 7$ (pp)					
Maintained DEI	0.921	0.153	2.341	0.876	1.624	0.120
	(0.872)	(1.126)	(0.715)	(0.825)	(0.648)	(0.623)
Industry FE	No	Yes	No	Yes	No	Yes
SE clustering	Firm	Firm	Firm	Firm	Firm	Firm
Treated firms	8	8	38	38	54	54
Control firms	492	492	462	462	446	446
Observations	500	500	500	500	500	500

Notes: Cross-sectional OLS using the CAR at $t = 7$ trading days after Executive Order 14173 (January 21, 2025) as the outcome. Reaffirmed treatment: firms that maintained DEI policies (Resisted) vs. pure controls. Shareholder treatment: firms that voted down anti-DEI shareholder proposals vs. pure controls. DEI Watch treatment: Committed firms vs. Dismantled firms plus firms not in DEI Watch. Standard errors clustered by firm.

S8 Minimum Detectable Effects

Table S5: Minimum Detectable Effects by Specification

Specification	MDE	MDE / Control SD
Panel A: CAR outcome (pp)		
CAR: Reaffirmed TWFE	25.364	0.60
CAR: Reaffirmed TWFE + Trends	10.011	0.24
CAR: Reaffirmed Ind.×Time	21.591	0.51
CAR: Shareholder TWFE	9.589	0.23
CAR: Shareholder TWFE + Trends	6.800	0.16
CAR: Shareholder Ind.×Time	10.620	0.25
CAR: DEI Watch TWFE	7.412	0.18
CAR: DEI Watch TWFE + Trends	4.432	0.10
CAR: 10-K TWFE	10.073	0.24
CAR: 10-K TWFE + Trends	6.583	0.16
CAR: 10-K Ind.×Time	9.757	0.23
Panel B: log(Revenue) outcome (log points)		
Rev: Reaffirmed TWFE	0.0619	0.05
Rev: Reaffirmed TWFE + Trends	0.2576	0.22
Rev: Shareholder TWFE	0.0361	0.03
Rev: Shareholder TWFE + Trends	0.1003	0.09
Rev: DEI Watch TWFE	0.0403	0.03
Rev: DEI Watch TWFE + Trends	0.0788	0.07
Rev: 10-K TWFE	0.0452	0.04
Rev: 10-K TWFE + Trends	0.0893	0.08

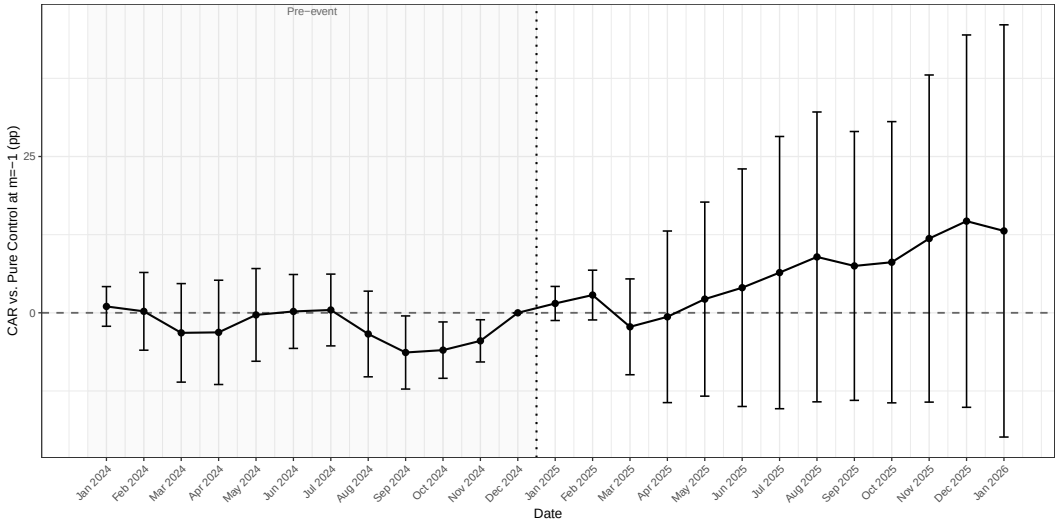
Notes: MDE = minimum detectable effect at 80% power and 5% two-sided significance, computed as $2.8 \times \widehat{\text{SE}}$. MDE / Control SD expresses the MDE as a fraction of the cross-sectional standard deviation of the outcome among pure-control firms. For CAR specifications, the SD is taken at $t = T_{\text{end}}$ (last trading day). For revenue specifications, the SD is taken at the last observed quarter for each pure-control firm. All models use firm-clustered standard errors.

S9 TWFE Event Study: CARs

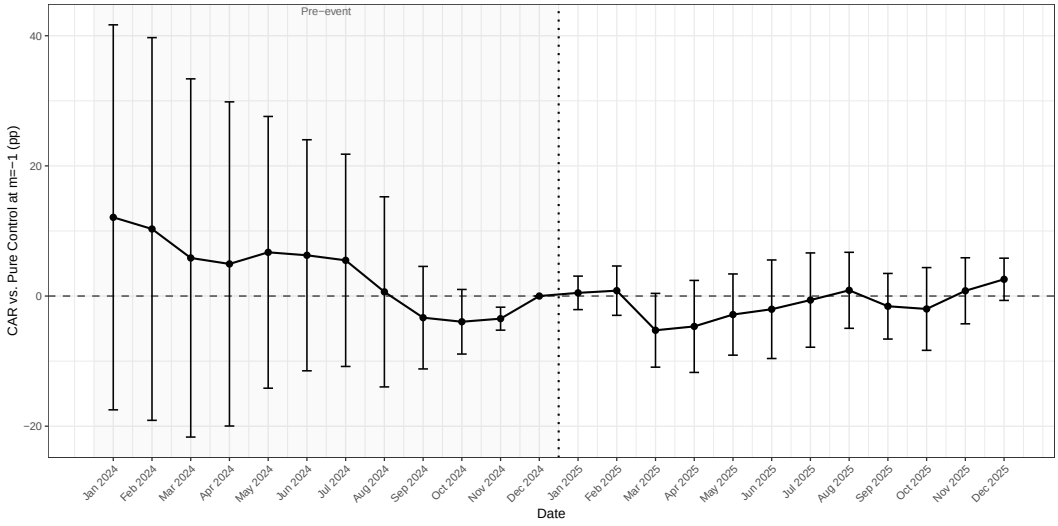
We estimate effects using standard TWFE regressions. As treatment occurs on one date for all firms, staggered-adoption weighting concerns do not apply (Goodman-Bacon 2021).

Figure S7: TWFE Event Study of Maintaining DEI on Cumulative Abnormal Returns

(a) Event Study



(b) Event Study with Firm Linear Time Trends



Note: Points show event-study estimates of differences in CARs, measured in percentage points, between firms that maintained or publicly reaffirmed DEI programs after EO 14173 and all other S&P 500 firms. The dashed vertical line marks EO 14173 on January 21, 2025. Bars show 95% confidence intervals. Panel (a) includes firm and event-day fixed effects; Panel (b) additionally includes firm-specific linear time trends.

S10 Alternative Treatment Measures

Table S6: Effect of EO 14173 on CARs: Shareholder and 10-K Treatments

	Shareholder Treatment					10-K Treatment				
	(1) Biv.	(2) Ind. FE	(3) TWFE	(4) TWFE+Tr.	(5) Ind.×Time	(6) Biv.	(7) Ind. FE	(8) TWFE	(9) TWFE+Tr.	(10) Ind.×Time
Dep. var.:	Daily CAR (pp)									
Maintained DEI × Post	1.365	-0.363	2.960	3.268	0.449	1.776	-7.907	2.096	1.781	-1.906
	(6.666)	(7.452)	(3.425)	(2.428)	(3.793)	(7.463)	(7.103)	(3.597)	(2.351)	(3.485)
Firm FE	No	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Industry FE	No	Yes	–	–	–	No	Yes	–	–	–
Time FE	No	No	Day	Day	–	No	No	Day	Day	–
Ind.×Time FE	No	No	No	No	Yes	No	No	No	No	Yes
Firm linear trends	No	No	No	Yes	No	No	No	No	Yes	No
SE clustering	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm
Treated firms	38	38	38	38	38	29	29	29	29	29
Control firms	462	462	462	462	462	471	471	471	471	471
Observations	500	500	254,405	254,405	254,405	500	500	254,405	254,405	254,405

Notes: Dep. var. is daily CAR (percentage points). Shareholder Treatment treatment: cols. (1)–(5). 10-K Treatment treatment: cols. (6)–(10). Biv. = bivariate OLS; Ind. FE = OLS with industry fixed effects (cols. (1)–(2), (6)–(7) are cross-sectional at $t = T_{\text{end}}$). TWFE = firm + day FEs; TWFE+Tr. = TWFE with firm linear trends; Ind.×Time = firm FE + industry-by-day FEs. SE clustered by firm. Treatment is EO 14173 (January 21, 2025).

Table S7: Effect of EO 14173 on log(Revenue): Shareholder and 10-K Treatments

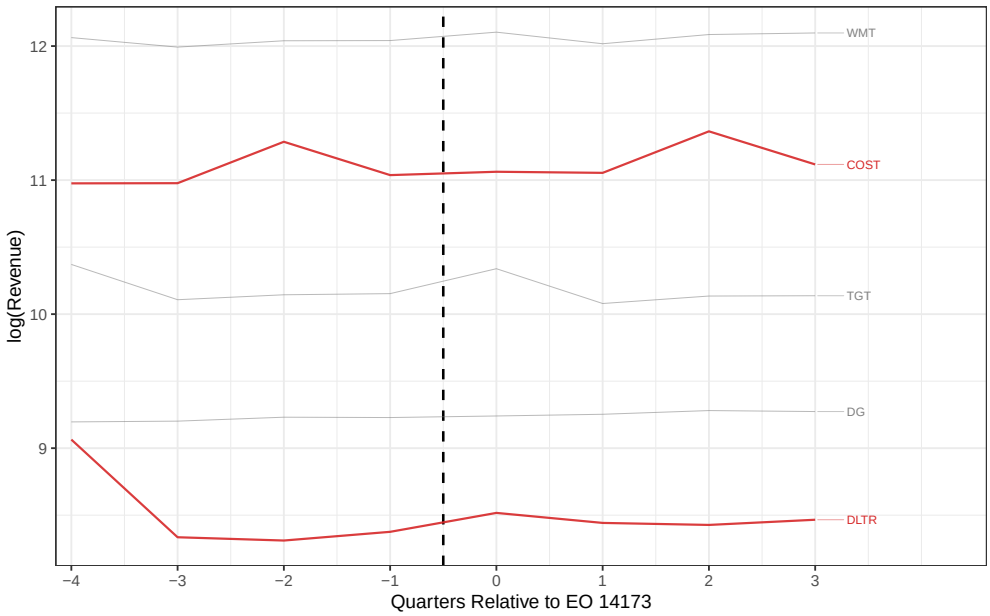
	Shareholder Treatment			10-K Treatment		
	(1) TWFE	(2) TWFE+Tr.	(3) Ind.×Time	(4) TWFE	(5) TWFE+Tr.	(6) Ind.×Time
Dep. var.:	log(Revenue)					
Maintained DEI × Post	-0.0194	-0.0084	-0.0065	-0.0050	0.0219	-0.0070
	(0.0129)	(0.0358)	(0.0139)	(0.0162)	(0.0319)	(0.0164)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	Qtr	Qtr	–	Qtr	Qtr	–
Ind.×Time FE	No	No	Yes	No	No	Yes
Firm linear trends	No	Yes	No	No	Yes	No
SE clustering	Firm	Firm	Firm	Firm	Firm	Firm
Treated firms	38	38	38	29	29	29
Control firms	450	450	450	435	435	435
Observations	3,904	3,904	3,880	3,712	3,712	3,712

Notes: Dep. var. is log(Revenue). Shareholder Treatment treatment: cols. (1)–(3). 10-K Treatment treatment: cols. (4)–(6). TWFE = firm + quarter FEs; TWFE+Tr. = TWFE with firm linear trends; Ind.×Time = firm FE + industry-by-quarter FEs. SE clustered by firm. Treatment is EO 14173 (January 21, 2025).

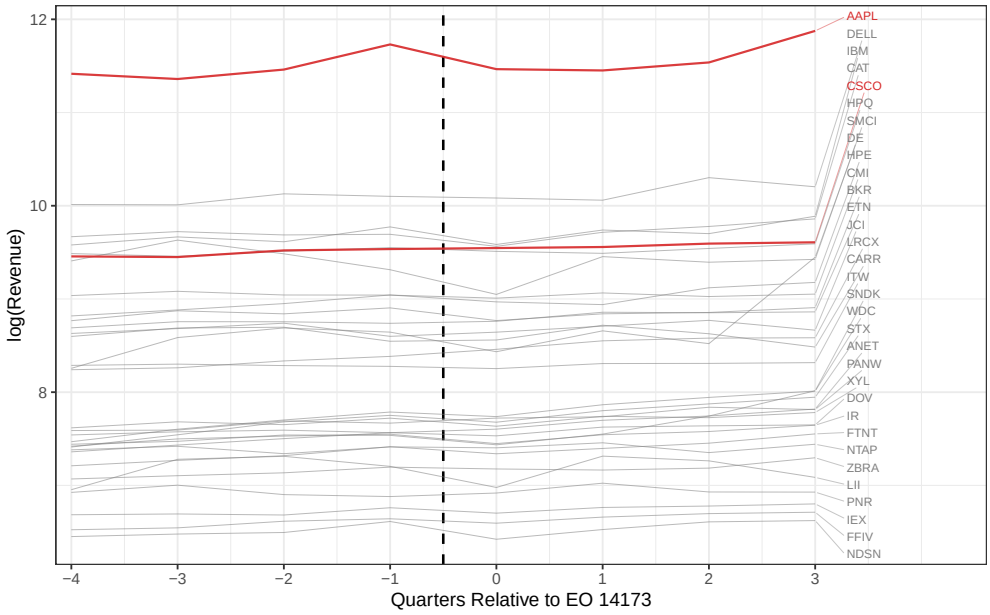
S11 Revenue

Figure S8: DEI and Revenue in Specific Sectors

(a) General Merchandise Stores



(b) Industrial and Commercial Machinery and Computer Equipment



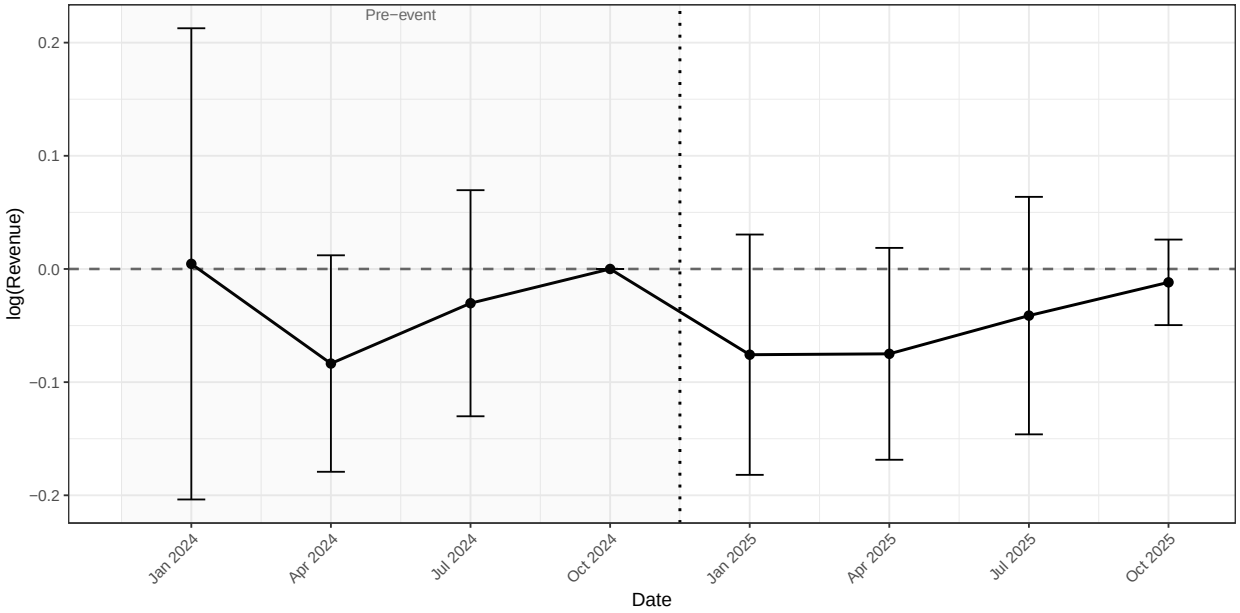
Note: Each plot shows firm log(Revenue) over time. The dashed vertical line represents the timing of EO 14173. Firms highlighted in red are 'treated' firms that reaffirmed their DEI programs after EO 14173.

S12 TWFE Event Study: Revenue

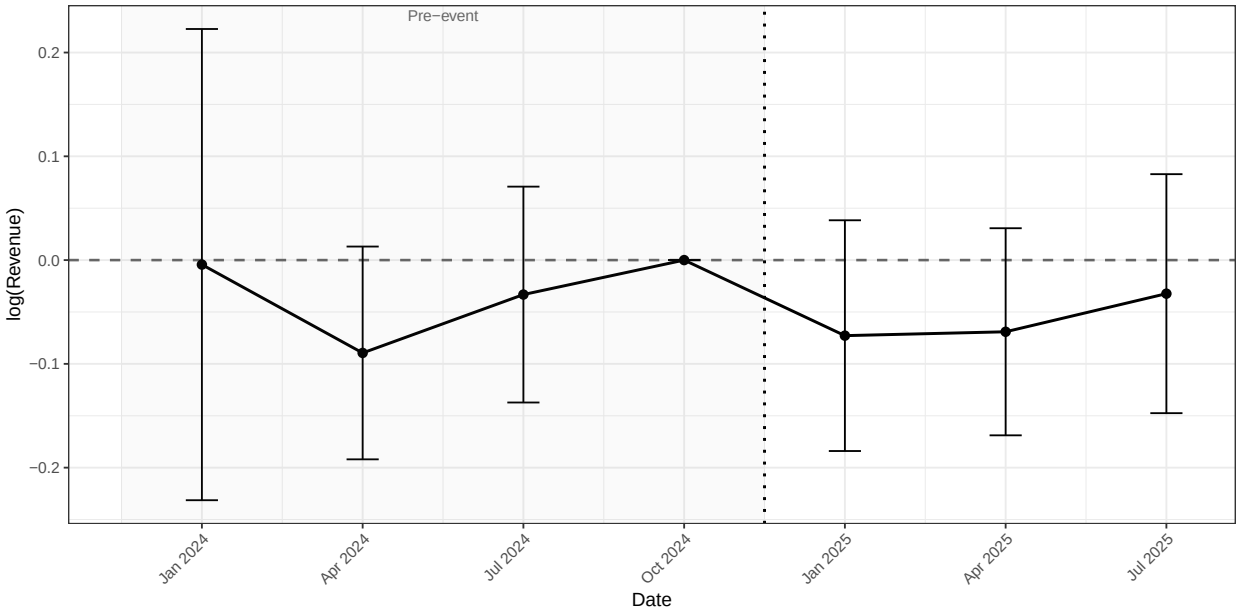
We also estimate effects using standard TWFE regressions with revenue as the outcome variable. As treatment occurs on one date for all firms, staggered-adoption weighting concerns do not apply (Goodman-Bacon 2021).

Figure S9: TWFE Event Study of Maintaining DEI on Revenue

(a) Event Study



(b) Event Study with Firm Linear Time Trends



Note: Points show event-study estimates of differences in Log(Revenue), between firms that maintained or publicly reaffirmed DEI programs after EO 14173 and all other S&P 500 firms. The dashed vertical line marks EO 14173 on January 21, 2025. Bars show 95% confidence intervals. Panel (a) includes firm and event-day fixed effects; Panel (b) additionally includes firm-specific linear time trends.