

The (Market) Value of State Honors

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Abstract

State awards to civilians are a widespread social phenomenon across space and time. This paper quantifies the impact of State awards given to Directors on the stock value of their firms. We link a comprehensive dataset of recipients of the *Légion d'honneur*—the most prestigious official award in France—over the 1995–2019 period to Board positions in French listed firms. We document large abnormal returns in the stocks of recipients' firms at the date of the award, suggesting that awards signal valuable access to policy-makers. This interpretation is corroborated by the absence of any market reaction for recipients who were already identified before award receipt as being close to the Government.

KEYWORDS: Awards, State Honors, Symbolic Capital, Political Connections.

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“Instances may be found, in most courts, of splendid decorations of stars and garters in double and triple range, which do not even give a favourable turn to public opinion. They are considered as proofs of favour, but not as signs of merit.”

The Rationale of Reward—[Jeremy Bentham, 1830](#)

1 Introduction

Prestige and reputation are important routes to influence in social hierarchies, and often appear in physical manifestations such as titles and awards.¹ Across space, time, and political systems, sovereign entities make great use of these honors: they appear in Republics (the *Légion d’honneur* in France), constitutional monarchies (the Order of the Garter in the UK), absolute monarchies (the Order of King Abdulaziz in Saudi Arabia), and in countries with sharply-contrasting political and economic systems (the Presidential Medal of Freedom in the US, the Order of Kim Il-Sung in North Korea, and the Order of the Republic in China).²

Although the State-sponsored prestige given by these awards may vary with the perceived reasons for their attribution—it is a priori unclear whether State awards are mostly “signs of merit” or “proofs of favour” as highlighted by [Jeremy Bentham in 1830](#)—, we conjecture that State awards to business recipients reflect access to politicians in power, which is valued by market participants. We analyze this proposition in the context of French listed firms and consider the *Légion d’honneur*, the most prestigious award given by the French government to civilians. To do so, we first match the comprehensive list of civilian recipients of the

¹These manifestations constitute a flourishing social phenomenon that is present in many sectors (e.g., Arts, Business and the Military). They are bestowed by a large variety of entities such as the general public, experts, governments and universities ([English, 2005](#) and [Best, 2008](#)). There are numerous examples, with titles such as “Doctor”, “Lord”, decorations such as Military medals, or awards such as “Employee of the month” and “Academy Award for Best Director”.

²As documented in Online Appendix [B.4](#), State awards to civilians are attributed in almost all countries. Their ubiquity reflects their importance for the ruling powers, as they contribute to the concentration of symbolic power in the State’s hands ([Bourdieu and Guibert, 1995](#)) and can thus be used to reinforce the power of the State ([Ihl, 2006](#)). In addition, as they have no direct material value, they are well-suited to their assumed purpose of rewarding recipients for priceless services, as noted by [Frey \(2007\)](#).

Légion d'honneur over the 1995–2019 period to Board positions in French listed firms. We then estimate the value of the *Légion d'honneur* to a firm by quantifying the impact of the award given to one of its Directors on its stock value in the days following the award's announcement.³

Precisely because awards are not distributed randomly, they confer some symbolic value. In other words, recipients are likely to have specific characteristics that increase their chances of receiving the *Légion d'honneur*, and these characteristics may be correlated with those of the recipients' firms. However, under the Semi-Strong Efficient Market hypothesis of [Fama \(1970\)](#), all of the pre-award observable characteristics of firms and recipients should already be incorporated in stock prices at the moment that the award is announced. As a result, any exceptional market reaction following award announcements indicates that these awards include new information regarding the future performance of the recipients' firms. Following [MacKinlay \(1997\)](#), we thus use abnormal stock returns to track the market's reaction to Directors' awards.

Our analysis proceeds in two steps. In the first, we document positive and significant abnormal returns of the stocks of firms in the days following the attribution of a *Légion d'honneur* to one of their Directors. The two-day compound abnormal return averaged across recipients' firms amounts to about 0.2%. As the average (median) market capitalization of recipients' firms at the date of the award over the 1995–2019 period was about 10.4 billion € (3.5 billion €), in 2000 constant Euros, this estimate suggests that a *Légion d'honneur* awarded to a Director increases her firm's value by 20.8 million € (7.0 million €). We conduct a series of falsification tests to demonstrate the robustness of these estimates. We in particular show that stock prices of recipients' firms do not move unusually before the award announcements in which one of their Directors is decorated, nor after the award announcements in which none of their Directors are decorated, nor at the date of other

³An approach relying on Director hiring would be hindered by the fact that firms might strategically hire prestigious Directors at specific periods, as documented by [Chen et al. \(2008\)](#). By way of contrast, our approach takes advantage of award-induced changes in Director prestige while they sit on a firm's Board.

government-related events. We also provide evidence that the market reaction is larger as the media coverage of the awards rises and for recipients with low pre-award media visibility, suggesting that the media matters in publicizing information. Overall, our results indicate that State awards represent positive news shocks regarding firms' future performance, despite being deemed to reward *past* and *observable* merit.

The exact channel through which awards increase the stock values of recipients' firms is *a priori* ambiguous. Awards can reflect access to policy-makers for recipients' firms, stimulate recipients' efforts to live up to the expectations of the award, or facilitate their access to resources unrelated to government activities, all of which may be value-enhancing. However, in line with anecdotal evidence of favoritism surrounding awards, our analysis reveals that Directors' political connections markedly increase their chances of receiving the *Légion d'honneur*. Market participants may thus posit that the award is a signal of these connections or of correlated characteristics. In a second step, to check that awards do increase the value of recipients' firms as they signal access to policy-makers, we consider the heterogeneity in the market reaction by recipients' *ex ante* visible proximity to the Government. Under signalling, the market should not react to awards attributed to Directors who are already known to be close to politicians. By way of contrast, any proximity to policy-makers that is revealed or created by a *Légion d'honneur* is expected to produce positive abnormal returns.⁴ We thus construct a proxy of pre-award connections between recipients and politicians. We define a Director as being connected to the Government if she belongs to the same Elite-School graduation cohort as a member of the current central government. These schools—the *Grandes Écoles*—are strongly tied to the State (Van Zanten and Maxwell, 2015) and are described as key elements in the construction of the French elite network (Suleiman, 1978, Bourdieu, 1989 and Kadushin, 1995). We show that the market's reaction to awards is stronger for Directors who do not come from the same graduation cohorts as

⁴Public information regarding privileged access to policy-makers allows its pricing into firms' stocks; however this information may also reduce a firm's expected payoffs if the value of this access requires that it be hidden from public eyes.

current Government members, i.e. for recipients whose privileged access to policy-makers was not (or was less) visible before their award. This evidence is consistent with awards signalling ties between recipients and politicians.⁵ We then check that the market reaction is also stronger when the business activities of the recipients' firms rely more on governmental decisions (public expenditure, regulation, and public ownership). Last, recipient firms' access to policy-makers is not expected to produce industry-wide advantageous future policies, as the rise in value should be restricted to the recipient firm and not spread to other firms in the same industry.

The French context provides a number of advantages for the investigation of the value of official awards to firms. First, the *Légion d'honneur* is a prestigious well-established award, created in 1802 by Napoléon Bonaparte, to recognize individual merit in the civil and Military fields. It is discretionary: its attribution is not automatic via the satisfaction of some clear criteria. As such there is room for different interpretations of the reasons behind an award, which in turn generates heterogeneity in the market's reaction. Awards in addition do not come with any direct material recompense, allowing us to isolate the pure effect of State-sponsored social recognition. Second, there are a relatively large number of civilian *Légion d'honneur* awards (which even so remains prestigious), with an average of 2,000 individuals from various backgrounds (Arts, Academia, public administration, Business, etc.) receiving awards each year. Our sample is of 1,074 recipients who received 1,240 awards since 1995 while sitting on the Boards of French listed firms. These cover 72 distinct *Légion d'honneur* cohorts, ensuring that we identify the impact of award announcements and not events that were concurrent to that specific cohort. Third, the attribution rules were remarkably stable over the 1995–2019 period: in particular, neither the names of the recipients nor those of nominees are disclosed until the award announcement. We analyze the media coverage

⁵We also rule out that the market reaction reflects mostly the value of State recognition of the outstanding performance of recipients that in turn helps them gain access to policy-makers, as we show that market reaction is stronger for recipients who work in firms that were worse-performing prior to the award. Awards then seem to restore the confidence of market participants in firms despite their relatively poor past performance.

of the recipients in the five most-popular daily French newspapers to ensure that *Légion d'honneur* awards constitute genuine information shocks. Last, France is an apt setting for the investigation of Directors' social ties to politicians, as the country's elites are concentrated and politically connected, as documented by [Birnbaum \(1977\)](#), [Bauer and Bertin-Mouroit \(1987\)](#), [Dudouet and Grémont \(2007\)](#) and [Kramarz and Thesmar \(2013\)](#). Political and business elites attend the same Higher Education institutions—the *Grandes Écoles*. This is a central feature for our proxy variables of Directors' visible proximity to the Government.

Our findings contribute to a number of strands of literature. They first relate to the recent economic literature on awards,⁶ which has considered Business awards given by experts or the Press, such as 'CEO of the Year', uncovering contradictory evidence of their impact on recipients' firm stock performance.⁷ A positive impact on the latter ([Koh, 2011](#)) could reflect greater effort by recipients who wish to live up to the award's expectations ([Neckermann et al., 2014](#) and [Gallus, 2017](#)) or more resources becoming available to them due to focal attention (a phenomenon called the "Matthew effect" by [Merton, 1968](#)). However, the award-induced change in status may also improve the recipients' ability to capture firm revenues ([Malmendier and Tate, 2009](#)) or make them more likely to engage in financial misconduct ([Li et al., 2020](#)), which can hamper firm performance ([Wade et al., 2006](#)). In contrast, our paper is the first to analyze the value of State awards on recipients' firms. We measure the heterogeneity in market reaction to awards by pre-award political ties, and argue that State

⁶Building on the seminal work on prestige, conspicuous consumption and generosity of [Veblen \(1899\)](#) and [Mauss \(1924\)](#), research in Sociology has analyzed awards extensively (see for instance [Goode, 1978](#) and [Bourdieu, 1979, 1985](#)). However, Economists' interest in this topic has been relatively recent (see [Frey and Gallus, 2017](#) for a literature survey).

⁷The literature has also considered individuals' post-award performance in various contexts: see for instance [Ginsburgh and Van Ours, 2003](#) for musical competitions, [Brunt et al., 2012](#) and [Moser and Nicholas, 2013](#) for innovation awards, [Azoulay et al., 2014](#), [Chan et al., 2014](#) and [Borjas and Doran, 2015](#) for academic prizes, [Neckermann et al., 2014](#) in firms, and [Gallus, 2017](#) in a field experiment in a not-for-profit organization. The literature has also explored the incentive effect generated by non-financial rewards: see [Gneezy and Rustichini, 2000](#) in the context of a laboratory experiment, and [Kosfeld and Neckermann, 2011](#) and [Ashraf et al. 2014](#) for field experiments in an international non-governmental organization and a public-health organization, respectively. Awards can generate spillovers to non-recipients. [Ager et al. \(forthcoming\)](#) show that awards to WWII German pilots pushed their former peers to engage in more risk-taking behavior and increased their performance. However, there is also evidence that competing with prestigious individuals can reduce other competitors' performance in tournaments ([Brown, 2011](#)).

awards can boost firm value by signalling recipients' access to politicians.

Our second contribution is to the growing literature on the value of political connections. It has been shown that a firm's political connections are valued by financial markets (see [Fisman, 2001](#), [Jayachandran, 2006](#), [Knight, 2007](#), [Ferguson and Voth, 2008](#), [Cooper et al., 2010](#), [Dube et al., 2011](#), [Coulomb and Sangnier, 2014](#) and [Acemoglu et al., 2016](#), among others).^{8,9} We contribute by suggesting that State awards are signals of political access that are valued by markets. The abnormal returns from awards are positive and large in size, at about 0.2% in the first two post-award days. By way of comparison, [Coulomb and Sangnier \(2014\)](#) estimated that the victory of Nicolas Sarkozy in the 2007 French Presidential election increased the value of firms to which he was connected by about 3%. The impact of a national award on a firm's market value is thus about one fifteenth of that of having a President to whom the firm is connected. Award recipients who were connected to politicians via their *Grandes Écoles* education do not seem to have increased the value of their political connections, as their firms' returns are not affected by award receipt.

Our paper is last related to the research on top management attributes and firm performance and behavior ([Lieberman et al., 1990](#), [Bertrand and Schoar, 2003](#)). Here, Directors' education ([Barker and Mueller, 2002](#) and [Bertrand and Schoar, 2003](#)), overconfidence ([Malmendier and Tate, 2005](#) and [Malmendier and Tate, 2008](#)), age and experience ([Barker and Mueller, 2002](#)), tenure ([Davidson et al., 2007](#)), gender ([Adams and Ferreira, 2009](#) and [Faccio et al., 2016](#)) and social networks ([Braggion, 2011](#), [Kramarz and Thesmar, 2013](#) and [Fan et al., 2021](#)) have been shown to play a role. Our results add that the prestige of Directors

⁸Politically-connected firms can receive preferential treatment from public institutions ([Gordon and Hafer, 2005](#), [Correia, 2014](#) and [Tahoun and van Lent, 2018](#)), obtain more or more-profitable government contracts ([Goldman et al., 2013](#), [Boas et al., 2014](#) and [Baltrunaite, 2020](#)) and enjoy preferential access to finance and bank loans ([Khwaja and Mian, 2005](#), [Braggion and Moore, 2013](#)) or financial assistance ([Faccio et al., 2006](#)). Connections also generate private benefits ([Fafchamps and Labonne, 2017](#), [Folke et al., 2017](#), [Cruz et al., 2020](#), [Gagliarducci and Manacorda, 2020](#), [Bourveau et al., 2021](#)).

⁹The literature has used various measures of political connections, such as friendship ([Coulomb and Sangnier, 2014](#) and [Bourveau et al., 2021](#)), donations ([Ferguson and Voth, 2008](#), [Akey, 2015](#) and [Bourveau et al., 2021](#)), Directors' experience in politics ([Faccio, 2006](#), [Acemoglu et al., 2016](#) and [Bertrand et al., 2018](#)), and employees' appointments in local government ([Cingano and Pinotti, 2013](#)). Lobbying activities constitute another form of privileged access to policy-makers that have been found to be beneficial for firms ([Borisov et al., 2016](#), [Brown and Huang, 2020](#)).

from awards is also important for markets. We in addition show that Directors' attributes matter for this pricing of awards, and in particular their media visibility and educational background with respect to that of politicians in office. However, we find no significant heterogeneity by Directors' experience or executive status. Last, the stock price of firms with female Directors who receive an award—a *de facto* small group of observations—does not react to awards.

The remainder of this paper is organized as follows. Section 2 describes the *Légion d'honneur* Order and the award process. Section 3 presents the *Légion d'honneur* recipients and how we match the awardees to Board positions in French listed firms. It also considers the determinants of *Légion d'honneur* attribution, reviews the media coverage of the award and awardees, and describes how firms' abnormal returns are measured in the *Légion d'honneur* cohorts, which we use to quantify market reaction to award announcements. Section 4 presents and discusses the results. Last, section 5 contains concluding remarks.

2 The *Légion d'honneur*

This section describes the organization of the Order of the *Légion d'honneur*, the recipient nomination and promotion processes, and the prestige that is attached to the award. Online Appendix B presents additional details.

2.1 History, ranks and cohorts

The *Légion d'honneur* is the most prestigious State decoration in France, and the oldest still given on behalf of the Head of State. Founded on May 19th 1802 by Napoléon Bonaparte, it embodies the *Ancien Régime* tradition of awards and titles (e.g., chivalry orders and ennoblement) and the equality concerns that became more prevalent after the French Revolution: all citizens, whether from civil society or the Military, regardless of their religion or whether they are of noble descent, are eligible to receive the *Légion d'honneur* if they

have demonstrated remarkable individual merit serving the nation.

The *Code de la Légion d'honneur* formalizes the organization of the Order, its general philosophy, the criteria for nomination and promotion, the process of attribution, and potential penalties. These rules have been remarkably stable over the past six decades, with minor changes concerning posthumous attribution, foreign recipients, and caps on the number of recipients. The most substantial change dates from 2007, with the introduction of gender parity in each *Légion d'honneur* cohort.

The *Légion d'honneur* Order includes three ranks and two dignities, with the following increasing order of prestige: *Chevalier* (Knight), *Officier* (Officer), *Commandeur* (Commander), *Grand officier* (Grand Officer) and *Grand'croix* (Great Cross).

Abstracting from Military cohorts and special civilian cohorts, there are three annual *Légion d'honneur* cohorts: January 1st, Easter Sunday, and Bastille Day (July 14th). Annual quotas on the number of recipients are set every three years by Presidential decree.¹⁰

2.2 Awarding process

As set out in the *Code de la Légion d'honneur*, recipients have to satisfy a series of prerequisites. First, nominees must have exhibited outstanding merit in the service of the nation. There is, however, no formal definition of this merit. Second, they must not have a criminal record. Third, they must be French.¹¹ Finally, a minimum of 20 years of activity is required.¹² There are no *a priori* restrictions on the field of activity: civilian cohorts include Artists, Academics, Politicians, civil servants, entrepreneurs and private-sector employees.

Entry into the *Légion d'honneur* Order is at the rank of *Chevalier*. Promotions to higher ranks then require subsequent new merit and are only possible after a minimum period in the preceding rank: eight years from *Chevalier* to *Officier*, five years from *Officier* to

¹⁰A 2018 decree suppressed the Easter cohort and reduced the annual cap on the number of recipients.

¹¹Foreign citizens are occasionally “decorated” but cannot be full members of the Order.

¹²There are a few exceptional awards each year for people killed or wounded in service, such as Military personnel, fire-fighters, rescue workers, and police officers, for whom the 20-year activity requirement does not apply. Successful individuals who have short careers due to their particular fields (e.g., Olympic Gold Medalists and FIFA World Cup winners) may also be exempted from this rule.

Commandeur, and three years from *Commandeur* to *Grand officier*, or from *Grand officier* to *Grand'croix*.

Individuals cannot request the award for themselves. Propositions for awards are sent to Ministries by Prefects (the highest administrative representatives of Central Government in the local administrative units of *régions* and *départements*). Prefects rely on input from Ministers themselves, cabinet members, leaders of unions or professional and social organizations, Members of Parliament and Mayors. Ministers and Secretaries of State write down a case for each nominee that is passed on to the Grand Chancellor of the *Légion d'honneur*. The cases are reviewed to assess the nominees' merits and ensure that they satisfy the selection criteria. The Council of the Order of *Légion d'honneur* then draws up a secret list of potential recipients that is sent to the President of the Republic for approval. Under the current regulations, the President, who is also the Grand Master of the Order, has the right to remove names from the list but is not allowed to add any. Nominations and promotions in the Order are finally set out in a decree and officially published in the *Journal officiel de la République française*.

2.3 Non-tangible benefits and prestige

Receiving the *Légion d'honneur* comes with no material rewards or remuneration, and membership cannot be inherited or transferred.¹³ The main direct benefit is the prestige it confers. This State-sponsored prestige is partly explained by the exceptional longevity of the *Légion d'honneur*, spanning more than two centuries and surviving a variety of political systems (The Consulate, First Empire, Bourbon Restoration, July Monarchy, Second Republic, Second Empire, Third Republic, Vichy Regime, Fourth Republic, and Fifth Republic). *Légion d'honneur* recipients are often considered to be members of the social elite (Daniel, 1948 and Ihl, 2006). For instance, 35.5% of *Who's Who in France*—a listing of prominent people

¹³Though recipients initially received annual stipends associated with each rank, nowadays only Military recipients receive a symbolic yearly stipend (of 6.10 €, 9.15 €, 12.20 €, 24.39 € and 36.59 € for the *Chevalier*, *Officier*, *Commandeur*, *Grand officier* and *Grand'croix* ranks, respectively). Awardees have to pay for the issue of the award certificate and buy their own insignia and ribbons.

living in France—profiles mention the *Légion d'honneur*.¹⁴

Recipients have the right to wear the Order's insignia and ribbon (see Online Appendix Figure B1) associated with their rank. As shown in Online Appendix Figure B2, a *Légion d'honneur* decoration is systematically worn by the Presidents of the Republic in their official portraits. The low-key ribbons are frequently worn by decorated politicians as distinctive signals in other circumstances, as well as by other awardees as illustrated in Online Appendix Figure B3, which displays photos of some of the CEOs of France's largest listed firms.

As the main reward from the *Légion d'honneur* is prestige and social recognition, the State enforces strict rules regarding the wearing of insignia and ribbons. For instance, unduly wearing a *Légion d'honneur* is punishable by Law, with a sentence of up to one year imprisonment and a fine of 15,000 €. The creation of any award that could mislead the public due to its similarity to official awards is also subject to prosecution.

Public reaction to *Légion d'honneur* awards that are perceived to be unjustified (see, for example, news articles in [Le Point](#), [Le Figaro](#), [Vanity Fair](#) and [Le Républicain Lorrain](#)) and scandals of Politicians or civil servants trading awards for their private interests provide further indirect evidence of the award's prestige.¹⁵ Anecdotal evidence suggests that awards are sometimes used to reward friends and campaign contributors (see, for example, news articles in [Capital](#) and [Le Nouvel Observateur](#)).

To the best of our knowledge, there is no publicly-available comprehensive record of award refusal. Anecdotal evidence suggests that only a very small number of recipients have refused the award after being nominated: the [Wikipedia page on *Légion d'honneur* refusals](#) lists only 37 refusals since the creation of the Order, with these being mainly Artists, researchers and intellectuals as discussed in an article in [Le Figaro](#).

¹⁴8,508 out of the 23,970 *Who's Who in France* profiles contain "*légion d'honneur*" according to search inquiries carried out via *Factiva* on March 16th 2021.

¹⁵In 1887, the *Légion d'honneur* trafficking scandal, in which Daniel Wilson—a member of Parliament and son-in-law of the then President of the Republic—was involved, led to the resignation of President Jules Grévy. See Online Appendix Figure B4 for a sample of political cartoons published in *L'Assiette au beurre* at the time of the scandal. Another major scandal occurred in 1926, when it was discovered that a civil servant was selling *Légion d'honneur* nominations. This behavior is now treated as the crime of undue influence peddling.

3 Data

In this section we first describe the universe of civilian *Légion d'honneur* cohorts over the 1995–2019 period and the way in which we match recipients to Board positions in French listed firms. We then study the determinants of award attribution, with a focus on Directors' proximity to politicians that is proxied by their shared background in French elite schools. We next turn to the media coverage of the *Légion d'honneur* cohorts to illustrate that their announcement does indeed constitute an information shock. Last, we describe the measurement of firm abnormal returns at the *Légion d'honneur* dates, which is our measure of the market's reaction to awards.

3.1 *Légion d'honneur* recipients in French listed firms

Légion d'honneur recipients

We collected the universe of civilian *Légion d'honneur* awards from April 1995 to July 2019¹⁶ by downloading the official decrees from the websites of the *Journal officiel de la République française* and the *Chancellerie de la Légion d'honneur*. We extracted the following recipient information: first and last names, gender, occupation description, the number of years of service, the entity on behalf of which the award is granted (the President of the Republic, the Prime Minister or a Ministry), and whether the award is a nomination to the Order or a promotion to a higher rank. In total, 46,570 decorations were awarded to 43,044 individuals over this period. 37,881 of these (81.3%) were for *Chevalier* appointments, and the remaining 8,689 for promotions to the *Officier*, *Commandeur*, *Grand officier* and *Grand'croix* ranks.

Figure 1(a) shows the number of *Légion d'honneur* awards by year (see Online Appendix Figure A1(a) for the number of recipients by cohort). The number of awards varies from one year to another, reflecting different approaches to the distribution of official awards across

¹⁶We exclude extraordinary civilian cohorts honoring Sports champions and civilians wounded or killed in terrorist attacks or while serving the nation.

Governments. Up to 2017, there were three cohorts of an average of 657 recipients per year, so that about 2,000 individuals were either appointed or promoted per annum. From 2018 onwards the Easter cohort was suppressed, and the average cohort size was reduced to 406 (see Online Appendix [B.1](#) for more details).

We use the unformatted occupation information from the official decrees to identify recipients who hold a Business-related job via ad-hoc lists of keywords that categorize occupations in non-mutually exclusive categories. Online Appendix Table [A1](#) lists the 19 occupation categories we created and the share of awards to which they apply. In total, we assign 9,940 awards (21.3% of the total) to individuals in Business-related occupations.¹⁷ As shown in Figure [1\(b\)](#), the number of Business recipients varies substantially across cohorts, although their share within each cohort is fairly stable (the standard deviation of this figure is 2.4%). A total of 9,353 recipients are identified as being in Business (with a small number of recipients having more than one award).

Board composition

Information on the composition of the Boards of French listed firms over time comes from *BoardEx* and *Mint Global (Orbis, Bureau van Dijk)*.¹⁸ This provides Board members' first and last names, gender, date of birth, and additional data per position held (including start and end dates, status, e.g., executive or non-executive, and the firm's name and identification number). Online Appendix Figure [A2\(a\)](#) plots the monthly number of listed firms for which some Board-composition information is available. There is increasing coverage over time from both data sources. While in *Mint Global* the number of listed firms starts at a low level, it then rises sharply and finally overtakes the *BoardEx* coverage. On the contrary, *BoardEx* coverage varies less over time, but nonetheless increases from about 200 in 1995 to 480 firms by the end of the observation period. Appendix Figure [A2\(b\)](#) depicts this

¹⁷This Business-related occupation is the unique category for 7,050 observations (70.9% of the total number of Business awards, and 15.1% of the total number of awards in all categories).

¹⁸These are well-established data sources on Board composition used in the academic literature (see [Huang et al., 2014](#), [Adams and Kirchmaier, 2016](#) and [Ahn and Ludema, 2017](#), among others).

coverage by plotting the numbers of positions (the numbers of firms \times individual) for which information is available in the *BoardEx* and *Mint Global* datasets, suggesting that within-firm coverage is larger in *BoardEx* than in *Mint Global*. Overall, we have incomplete but increasing coverage of Board data, especially for the *Mint Global* source. Online Appendix C provides some evidence that this incomplete coverage does not substantially affect our findings.

To account for the same individual holding multiple positions in a firm, we collapse the different job descriptions at the firm \times individual \times date-level. *BoardEx* finally produces information on 680 firms and 22,379 individuals, with some Board-position information for 22,201 of the latter. On the contrary, *Mint Global* data contain information on 31,742 individuals and 1,674 firms, but has Board-position information for only 21,933 individuals in 1,635 firms. To maximize Director coverage, we use both information sources to construct the dataset of Board positions.

Matching *Légion d'honneur* recipients to Board positions

Online Appendix Figure A3 provides a graphical summary of the different steps we followed to match *Légion d'honneur* awards to Board positions. We first use perfect matching on family names and fuzzy matching (Raffo and Lhuillery, 2009) on first names to link *Légion d'honneur* recipients in Business-related occupations to the individuals who are identified in *BoardEx* and *Mint Global*. We then check the recipient-director matches using the Director biographies available online to minimize the number of false positive matches.¹⁹ Of the 9,353 *Légion d'honneur* recipients categorized as having a Business-related occupation, 1,877 (20.1%) were able to be linked to an individual record in *Mint Global* and/or *BoardEx*.²⁰

¹⁹We reviewed all of the matches and discarded those due to homonyms by comparing birth dates, maiden names, middle names and known professional activities. To this end, we used *LinkedIn*, *Wikipedia* and *Who's who in France* entries, the *lesbiographies.com*, *viadeo.journaldunet.com*, *marketscreener.com/business-leaders*, *dirigeants.bfmtv.com*, *dirigeant.societe.com* and *lemoniteur.fr* websites, biographies published by the business newspaper *Les Échos*, and institutional biographies available on firm websites.

²⁰1,152 (61.4%) were matched to observations in both information sources, 451 (24.0%) to *BoardEx* only and 274 (14.6%) to *Mint Global* only.

Together, they received 2,278 *Légions d'honneur* over the April 1995–July 2019 period.

We next use Board-position information to identify the firms in which *Légion d'honneur* recipients were involved at the time of the award. The final dataset consists of 1,997 individual \times firm observations corresponding to 1,240 awards received by 1,074 individuals who were Board members in 409 firms. The 1,240 awards are composed of 818 (66.0%) appointments as *Chevalier* and 422 (34.0%) promotions to higher ranks. On average, each individual is linked to 1.6 firms at the time of *Légion d'honneur* reception or promotion. Conditional on receiving at least one award, the average number of awards indirectly received by a firm over the period is 4.9. This figure does however hide large differences in *Légion d'honneur* exposure: the median number of awards received by recipient firms is 2, while 58 firms received more than 10 *Légions d'honneur* over the 25-year period.

3.2 The determinants of *Légion d'honneur* attribution

This sub-section first takes advantage of the result of the matching between *Légion d'honneur* recipients and people in Business to ask whether awards in Business differ from other awardees. We then introduce an education-based measure of Directors' political connections to see whether these connections play a role in the attribution of awards. Last, we use information on Board positions to explore whether *Légion d'honneur* recipients are found in firms that are different to others.

Individuals' characteristics

The left-hand part of Table 1 separates *Légion d'honneur* recipients matched to *Mint Global* or *BoardEx* individuals by the different ranks of award and shows their share in all awards. Board members amount for 4% of entries into the Order but receive up to 11% of the most-prestigious awards (*Commandeur*, *Grand officier* and *Grand'croix*). They are also 7 and 4 years younger than the other recipients when decorated as *Chevalier* and *Officier*, respectively, as shown in the middle part of Table 1. The right-hand part of Table 1 then

reveals that women account for a smaller share of awardees who are Board members than in the group who are not.

Directors' connections to Politicians

In order to investigate whether personal connections between people in Business and Politicians in office help explain *Légion d'honneur* attribution, we construct different proxies for the connections between recipients and Politicians based on their shared background in the most-prestigious French higher education institutions, in the spirit of [Kramarz and Thesmar \(2013\)](#). This approach appeals to the fact that Business and Political elites in France are educated in the same institutions: the *Grandes Écoles* ([Suleiman, 1978](#)). An essential dimension of these elite institutions is the small student cohort size as compared to non-elite Universities or elite institutions in other developed countries.²¹ This helps create an *esprit de corps* within the *Grandes Écoles* ([Bourdieu, 1989](#)) and renders them central to the formation of social networks amongst the French elite.

We employ nominative lists of graduates from the 15 most prestigious *Grandes Écoles* ([Suleiman, 1978](#) and [Bourdieu, 1989](#)).²² These data first come from alumni associations and institutional libraries for 12 elite institutions. This dataset covers all students born in the 20th Century who studied at École Polytechnique, EM Lyon, ENA, ENS Cachan, ENS Ulm, ESCP, ESPCI, ESSEC, Mines Paris, Ponts et Chaussées, Sciences Po Paris and Télécom Paris. The data cover a total of 313,858 individuals and 332,491 curricula.²³ We complement these data with 5,960 curricula of students at three other elite schools: École Centrale Paris, ENS Lyon and HEC. As the universe of alumni was not available for these three institutions, we collected the curricula of students who have the same first and last

²¹There are for example only 51 students per year on average at ESPCI Paris, about 100 at ENA, Mines Paris and ENS Ulm, and no more than 300 at École Polytechnique. Only Sciences Po Paris has significantly larger cohorts, with an average of about 1,500 students. By way of contrast, French universities, as well as most foreign elite institutions, have taken in many more students in recent decades. For instance, about 5,000 students enroll annually at Oxford, Cambridge ([Clark and Cummins, 2014](#)) and Harvard.

²²Anecdotally, six of these institutions have been awarded institutional *Légions d'honneur*.

²³The data collected are restricted to the main educational tracks, and do not include programs such as PhDs, MBAs, and Executive or specialized Masters.

names as the Directors who hold a position in French listed firms according to *BoardEx* and *Mint Global* or who were members of the French Government over the 1995–2019 period. These data were harvested directly from the websites of the Alumni Associations of these three institutions.

We use perfect matching on family names and fuzzy matching on first names to link *Grande École* graduates to the Directors in the *BoardEx* and *Mint Global* datasets and members of the Government.²⁴ We then check the matches using recipients’ online biographies.²⁵ As illustrated in Online Appendix Figure A4, 8,222 of the 42,368 (19.4%) Board members in *Mint Global* and *BoardEx* attended one of these 15 elite institutions according to the outcome of the matching process. So did 133 out of the 333 (39.6%) members of the Executive (Secretaries of State, Ministers, the Prime Minister and the President) over the 1995–2019 period, and even 12 out of the 15 Presidents of the Republic and Prime Ministers. In comparison, under 1% of French students graduated from these institutions.²⁶ 972 out of the 1,877 Directors who received a *Légion d’honneur* graduated from one of the 15 elite institutions. As such, 11.8% of the observed *Grande École* graduate Directors were awarded the *Légion d’honneur* during the period we analyze, as opposed to a figure of only 2.7% for Directors who did not graduate from one of these institutions.²⁷ This preliminary descriptive evidence suggests that there is a positive correlation between being awarded a *Légion d’honneur* and graduating from an elite institution.

Table 2 decomposes the *Légion d’honneur* awarded to Directors by award rank and the recipients’ educational background. In the left part of the table, there are about as many

²⁴Information on Government members since 1995 was retrieved from the government [official website](#) and [archives](#).

²⁵We use the same biography sources as those listed in footnote 19.

²⁶According to historical population records and the data collected, the 12 institutions for which we obtained comprehensive lists of graduates accounted for 0.51% of the population of French students over the 1966–1990 period. According to online information, École Centrale Paris (which merged with another institution in 2015), ENS Lyon and HEC currently take in cohorts of about 700, 200 and 400 students respectively, so that the share of French students enrolled in these 15 elite institutions is under 1%.

²⁷Out of the 8,222 Directors who are *Grande École* graduates, 972 received a *Légion d’honneur*. Out of the 34,146 (= 42,368 – 8,222) Business people who did not graduate from a *Grande École*, 905 received the *Légion d’honneur*.

Grande École graduates and non-graduates among the *Chevaliers*, despite *Grandes Écoles* graduates being about four times less numerous in the full sample of Directors. Elite-institution graduates are also appointed in the Order significantly sooner than are non-graduates, as shown by the age differences in the right part of Table 2. This difference in age at award date falls and eventually vanishes for the higher ranks, while the proportion of elite institution graduates largely exceeds that of non-graduates. This suggests that elite-institution graduation may be correlated with both the probability and timing of admission and promotion in the Order.

We construct a panel of *Légion d'honneur*-eligible Board members to further investigate how education is related to awards. We assess the eligibility of each of the *Mint Global* and *BoardEx* individuals at each date of a *Légion d'honneur* cohort to see whether they were decorated.²⁸ We then estimate a log-binomial model including time fixed effects of the relationship between *Grande École* graduation and *Légion d'honneur* probability. The risk ratios in column 1 of Table 3 show that *Grandes Écoles* graduates are 3.4 times more likely than non-graduates to be decorated. This figure falls to 2.9 when controlling for age and gender, as shown by the estimated risk ratio in column 2.

We then take information from the CVs and official dates of appointment and resignation of Government members to see whether *Légion d'honneur* awards can be linked to individual-level connections between Board members and Politicians in office. We construct an education-based connection dummy at a *Légion d'honneur* cohort date for the Board member having graduated from the same institution as a current member of the Government with at most a one-year difference.²⁹ Within-individual variation in this variable is thus

²⁸We construct eligibility as follows. For never or first-time awarded Directors over the 1995–2019 period, we exploit the eligibility condition of a minimum of 20 years of activity. We consider as eligible: (i) alumni of the 15 *Grandes Écoles* 20 years after they graduated; (ii) non-alumni above 44 (the average age at which alumni are first eligible); and (iii) individuals four years before they first enter a Board (the average time from first known position in a Board and first eligibility of alumni and non-alumni). These rules fail to assess the eligibility of only 5,732 (out of 40,491) never-awarded Directors, who we remove from the sample. For those awarded before April 1995 and promoted in the Order over the 1995–2019 period, we use the date and rank of the last award compared to the required timespan for promotion between two given ranks, as set out in sub-Section 2.2.

²⁹We allow for up to a one-year difference in graduation as the limited size of cohorts and the mentoring

driven by changes in the composition of the Government. The cross-cohort average probability that a *Grande École*-graduated Director attended the same institution and graduated at the same time as at least one member of the Government is 34.7%.³⁰ This dummy is entered as an explanatory variable in a regression of the probability of receiving a *Légion d'honneur* in the sample of eligible *Grandes Écoles* graduates. As shown in column 3 of Table 3, the probability that a *Grande École* graduate be awarded the *Légion d'honneur* doubles when at least one member of the Government attended the same elite institution and graduated during the same period. This probability is 61% higher in these periods when accounting for covariates and school fixed effects, as shown in column 4.

We finally isolate the intensive dimension of *Légion d'honneur* attribution decisions by focusing on Directors who both graduated from an elite institution and received a *Légion d'honneur* at some point over the period we analyze. As shown by the estimated risk ratios in columns 5 and 6 of Table 3, the probability of receiving the *Légion d'honneur* rises by about 50% for *Grandes Écoles* graduates in periods when at least one Government member graduated from the same elite institution at the same time.³¹

This analysis shows that our education-based signals of political connections are associated with a greater probability of award receipt. Politicians do not make any particular effort to hide these connections, as they do not hesitate to directly reward their *Grandes Écoles* colleagues. We consider the Politicians involved in the attribution of the award to be the President of the Republic, the Prime Minister, and the Ministers and Secretaries of State working in the Ministry that officially attributes the *Légion d'honneur* at the time of the award.³² Conditional on being connected to at least one of the 36 members of the Executive

of first-year students by second-year students in a number of institutions make it likely that students from adjacent cohorts know each other and/or share the same network.

³⁰As a comparison, this probability jumps to 63.2% when ignoring graduation dates and therefore relying only on unrestricted alumni networks to assess connections.

³¹Online Appendix Table A4 shows the estimated risk ratios of interest when using alternative definitions of education-based connections of Business people to members of the Government, imposing the exact same graduation year or allowing the periods of study to only overlap. These more (less) restrictive definitions leave the results qualitatively and quantitatively unaffected.

³²The President of the Republic has the final say in excluding potential awardees, the Prime Minister is the most influential politician in the government, and Ministers in the awarding entity set out the case for

(on average) in office at a *decree* date, 33.5% of awarded Directors are connected to at least one of the Politicians who were behind the attribution of his or her award.

Firm characteristics

We first link each firm with a Board member who is awarded the *Légion d'honneur* to its size at the time of the award, measured by its stock-market capitalization taken from *Thomson Reuters Datastream*. Figure 2(a) plots the cumulative distribution function of the percentile in the distribution of market capitalizations of firms in which *Légion d'honneur* recipients held positions when they were decorated: Directors in larger firms are more likely to receive the *Légion d'honneur*. The dashed line shows the cumulative distribution function for all of the firms that are covered by *Mint Global* or *BoardEx*; this confirms that the over-representation of large firms amongst recipients' firms does not reflect bias in firm coverage in the data sources we use to track Board positions (see Online Appendix C for more details on Board-data coverage).

We next investigate whether the firms of award recipients exhibit better market performance. Awards may be targeted at outstanding firms, following the spirit of award attribution, or on the contrary to under-performing firms if awards are used by the Government to support firms. We thus calculate the past-year change in the stock price of all listed firms at all *Légion d'honneur* cohort dates. Figure 2(b) plots this distribution for all traded firms, firms covered by *Mint Global* or *BoardEx*, and the subset of firms with at least one newly-decorated Board member. Directors of firms whose stock prices rose more over the previous year are more likely to receive the *Légion d'honneur*. The dashed line again indicates that this result is not driven by firm coverage in *Mint Global* and *BoardEx* according to recent stock-market performance.

the potential awardees.

3.3 Media coverage of the *Légion d'honneur*

One important feature of event studies in financial markets is that the events of interest should represent news shocks. This sub-section shows that the media covers cohort recipients only after the relevant decrees have been signed, suggesting that the identity of the upcoming recipients is not known beforehand.

To measure the press coverage of *Légion d'honneur* recipients, we use *Cision Europresse* to retrieve print articles published between January 1st 1995 and November 1st 2019 in the French national daily newspapers *Le Monde*, *Le Figaro*, *Les Échos*, *Libération* and *La Croix*.³³ We downloaded two sets of articles: the first included 7,720 distinct articles containing the keyword “*légion(s) d'honneur*”; the second consisted of 286,714 distinct articles containing, as a chain of characters, the first and last names of any of the 1,877 recipients who hold or held a Board position in our final sample.

We first compare the date of the news stories mentioning the *Légion d'honneur* to the date of the closest *Légion d'honneur* decree, and measure the average media presence of this award across cohorts each day in a 4-month window around each decree. As shown in Figure 3(a), national newspapers publish on average 1.7 articles per day mentioning the *Légion d'honneur* in the 60 days preceding a decree and over the 6 to 60 days after a decree. By contrast, 5.3, 4.0 and 3.2 articles mentioning the award are published 2, 3 and 4 days after a decree, respectively. This illustrates that the *Légion d'honneur* is an important well-known institution in French society as it appears continuously in the media, with particular extra press coverage for each new cohort. In addition, the 1-day delay before media coverage of the new cohort is consistent with the average gap of 1.6 days between decree signature and publication in the *Journal officiel de la République française*.

³³There are seven daily national newspapers in France, excluding free newspapers. Two national daily newspapers were excluded from data collection: *L'Équipe*, as it specializes in Sports, and *Le Parisien / Aujourd'hui en France*, as it is only partially covered by *Cision Europresse*. The other five newspapers had large circulations over the 1995–2019 period. According to the *Alliance pour les chiffres de la presse et des médias*, their joint readership was 6.05 million in 2020. As web articles were mostly newsflashes at the beginning of our period of analysis, and as the volume of web articles has increased over the period in an irregular way, we restrict the sample to print articles, the number of which is much more stable over time.

We then consider articles about the awardees to show that newspapers explicitly cite them much more immediately after they are granted a *Légion d'honneur*. The average daily number of articles per Board member mentioning her first and last names before and after the publication in the *Journal officiel* of her *Légion d'honneur* is plotted in Figure 3(b). There are on average 0.06 daily articles (one article every 17 days) per recipient in the 60 days preceding the *Légion d'honneur* decree and 0.05 per day in the 6 to 60 days afterwards. By contrast, there are an average of 0.48, 0.57 and 0.3 daily articles 2, 3 and 4 days after a decree, respectively. There are thus about 10 times more articles mentioning a Director just after her *Légion d'honneur* award as compared to pre-award. The light-grey series in Figure 3(b) focuses on articles that also contain “*légion d'honneur*”, and reveals that almost all of the additional articles concerning Directors post-award also contain this keyword. The increased media presence of recipients post-award is then driven by their receipt of the *Légion d'honneur*.

Overall, the pattern of coverage suggests that the identity of the upcoming awardees does not appear in the media before the information is officially made public, so that *Légion d'honneur* cohorts' announcements are indeed information shocks.

3.4 Measuring the stock-market reaction to the *Légion d'honneur*

Our first objective is to measure the market's reaction to award attribution. We collected the daily stock price of all French listed firms from January 1994 to August 2019 from *Thomson Reuters Datastream*, and follow MacKinlay (1997) by constructing firm abnormal returns following the award of the *Légion d'honneur* to one of its Board members. For each award, we first estimate the relationship between the firm's return and that of the market over a period of 120 trading days (roughly 2 quarters) before the award. We then predict the firm's returns on the day of the decree and over the ensuing 7 days using the estimated market model and the observed market returns. Finally, we define abnormal returns as the difference between the observed and predicted returns. This approach removes any

market-wide changes and has been used in a number of contributions to the literature (see [Jayachandran, 2006](#), [Knight, 2007](#), [Coulomb and Sangnier, 2014](#), [Luechinger and Moser, 2014](#), [Acemoglu et al., 2016](#) and [Bourveau et al., 2021](#), among others).

In detail, we run the following regression for each firm i in which one of its Board members was decorated with the *Légion d'honneur* on day t :

$$\mathbb{R}_{i\tau} = \alpha_{it} + \beta_{it} \times \bar{\mathbb{R}}_{\tau} + \varepsilon_{i\tau}, \text{ with } \tau \in [t - 120, t - 1],$$

where $\mathbb{R}_{i\tau}$ is firm i 's stock return on day τ , $\bar{\mathbb{R}}_{\tau}$ is the market return on day τ and $\varepsilon_{i\tau}$ is the error term. We take the SBF 120 index, available from *Thomson Reuters Datastream*, to measure the market return: this is a reference index composed of the 120 most actively-traded stocks on the Paris Stock Exchange. We estimate the above equation separately for each firm and *Légion d'honneur* cohort, yielding the stock \times cohort-level estimated parameters $\hat{\alpha}_{it}$ and $\hat{\beta}_{it}$. These are then used to calculate the abnormal returns $\tilde{\mathbb{R}}_{i\tau}$ of each firm i on day τ over the seven following business days:

$$\tilde{\mathbb{R}}_{i\tau} = \mathbb{R}_{i\tau} - \left\{ \hat{\alpha}_{it} + \hat{\beta}_{it} \times \bar{\mathbb{R}}_{\tau} \right\}, \text{ for } \tau \in [t, t + 1, t + 2, \dots, t + 7],$$

Last, for each $d = 0, \dots, 7$, we calculate the d -day compound abnormal returns as:

$$\tilde{\mathbb{R}}_{it}^{\text{com}} = \prod_{k=0}^d \left(1 + \tilde{\mathbb{R}}_{i,t+k} \right) - 1.$$

We were able to calculate the market reaction to *Légion d'honneur* awards for 1,865 out of the 1,997 individual \times firm observations that make up the final sample.

By construction, abnormal returns at random dates are on average equal to zero, as they represent the error terms from the estimation of returns. If particular events such as award attributions render abnormal returns statistically more likely then these events will contain new information regarding future firm performance. This is in line with the Semi-Strong

Efficient Market hypothesis (Fama, 1970), in which all public information is incorporated into prices, so that markets only react to new public information that is relevant for firm valuation. We thus calculate the average abnormal returns of firms on the dates at which one of their Board members is decorated to see whether awards do indeed contain new information about future firm performance.

4 Results

This section starts by quantifying the average abnormal returns of recipients' firms in the days that follow the announcement of a *Légion d'honneur* award to one of their Directors. We then check the robustness of these results to alternative measures of abnormal returns and present a number of falsification exercises. Last, we explore heterogeneity in the market's reaction to awards by firm, individual and cohort characteristics. We in particular take advantage of differences in Directors' connections to politicians, media coverage, and firms' pre-award performance and business relationship with the State to support our interpretation that awards signal privileged access to the State.

4.1 Main results

We take the average value of the compound abnormal returns at the award dates presented above to quantify the market's reaction to *Légion d'honneur* awards. To take into account the time-varying availability of Board-composition information (see Online Appendix Figures A2(a) and (b)) and the different cohort sizes (see Figures 1(a) and (b)), we construct weights such that each of the 72 *Légion d'honneur* cohorts has the same weight, and cluster standard errors by cohort. Assuming that financial markets incorporate all publicly-available information, changes in firm stock prices should then only reflect new information about future firm financial performance (Fama, 1970). News that is expected to increase (reduce) a firm's future performance should translate into positive (negative) abnormal returns for the

firm at the news date—the *Légion d’honneur* decree dates in our context.

Figure 4 plots the 0-7 days compound abnormal returns of firms following the award of a *Légion d’honneur* to one of their Board members. The market takes little time to react to this information: the point estimate for the 2-day compound abnormal returns is positive and statistically different from zero. The compound abnormal returns rise with the length of time over which they are compounded, which suggests that markets do not *instantly* fully incorporate this information. This may reflect that decrees are announced with a lag of some days after they are signed.³⁴ This delay matches the media coverage of the *Légion d’honneur*, as Figure 3(a) shows that coverage rises significantly two days post-decree. The delay in price adjustment may also reflect that markets need time to acquire additional information in order to interpret award attribution and thus to price the awards.

With the SBF 120 as the market index and a 120-day calibration period to calculate abnormal returns (the baseline), the 2-day compound abnormal returns are 0.21% (p-value = 0.042). Table 4 illustrates the robustness of this result to changes in the calculation method: excluding the bottom and top 5 percent of the sample of abnormal returns; allowing the importance of each cohort to depend on the number of observations in that cohort; calculating compound abnormal returns from the date at which the *Légion d’honneur* decree is officially published in the *Journal officiel de la République française*; restricting the analysis to cohorts in which the decree was signed on a business day; and selecting only stocks for which a price is available on every day of the calibration period of abnormal returns.

Online Appendix Table A5 displays the 0-7 days compound abnormal returns, as well as alternative series from calibration periods of different lengths with either the SBF 120 or the CAC 40 as the market index.³⁵ Overall, the pattern of abnormal returns is similar across these different specifications.

³⁴The decree is officially published on average 1.6 days after it is issued. The decree was officially published within two days for 65 (90.3%) of the 72 cohorts we observe, and 3 or 4 days afterwards for only 7 cohorts. Awards can be made public as early as the date at which the decree is officially signed, which is why we use the decree date as the event date in our main approach.

³⁵The CAC 40 index is a capitalization-weighted measure of the 40 most significant stocks on the French stock market.

4.2 Falsification tests

Figure 5(a) presents the 0-7 days compound abnormal returns of firms observed 7 days before the *Légion d'honneur* decree at which one of these firms' Directors is awarded, and Figure 5(b) the 2-day compound abnormal returns after each of the 7 days preceding the decree. For comparison, the estimate represented by the black dot is the baseline average 2-day compound abnormal return at the decree date. These figures demonstrate that stocks of recipients' firms do not evolve atypically before the decree, so that *Légion d'honneur* decrees are genuine news shocks: there is no systematic information leakage regarding the composition of upcoming cohorts incorporated in recipients' firms stock values.

We next investigate whether the stock prices of firms whose Board members received a *Légion d'honneur* at some date over the 1995–2019 period change at *Légion d'honneur* dates at which their Directors were not awarded. We expect no abnormal returns for these firms on average at these placebo dates.

We first calculate abnormal returns for each civilian *Légion d'honneur* cohort at which a Board member was not decorated. We then replicate this analysis for the cohorts in which Directors were not decorated, but which either immediately preceded or followed a cohort in which a firm's Board member was awarded. Figure 6(a) plots the corresponding estimates, as well as the average 2-day compound abnormal return at the dates at which firms were awarded (the black dot). The figure shows no significant abnormal returns following *Légion d'honneur* cohorts that do not include any of their Board members.

We then use the *Journal officiel de la République française* and the *FrancePhaleristique.com* website—a private website containing information on French official decorations—to collect all the dates at which *Légion d'honneur* for Military service were awarded over the 1995–2019 period. These Military cohorts do not include Business recipients, and their timing is not the same as that of the civilian cohorts. From these 261 dates, we randomly draw a sample of 72 dates to mimic the frequency of civilian cohorts. We then calculate

the abnormal returns for firms in which at least one Board member was awarded a civilian *Légion d'honneur* over the 1995–2019 period following each of these Military cohort dates, as well following the Military cohorts that immediately precede or follow a civilian *Légion d'honneur* cohort in which one of the firm's Board members appears. Figure 6(b) plots the corresponding estimates, and shows that stocks of recipients' firms do not exhibit abnormal returns after the Military cohorts.

We next consider that the President of the Republic gave an address at the time of the *Légion d'honneur* decree or publication in the *Journal officiel* for 31 out of the 72 civilian cohorts we analyze. July 14th and December 31st are dates at which the President frequently makes a public address: it could be that the stocks of awarded firms react to these addresses rather than the awards. This reasoning does, however, require that recipients' firms be expected to benefit more from the policies (if any) announced during these addresses. We take two steps to rule out this possibility. First, we use the *vie-publique.fr* official website to collect the dates of public addresses by the President or the Prime Minister outside of the cohort dates. These cover all the general policy speeches made by Prime Ministers, Presidential interviews on the main TV channel, Presidential inaugural statements, and Presidential speeches made before Parliament. There were 87 such events between January 1995 and July 2019. Figure 6(c) plots the abnormal returns of recipients' firms at all of these dates and after political addresses that immediately precede and follow a *Légion d'honneur* cohort in which a firm's Board member appears: the stocks of awarded firms vary only little after these addresses.

In a second step, we explore the cross-cohort heterogeneity in the market's reaction at *Légion d'honneur* decree dates, depending on whether there was a Presidential address at the same time. The data from the *vie-publique.fr* official website contain a series of keywords for the July 14th and December 31st Presidential addresses. We qualify an address as having economic content if at least one keyword relates to Business or Economics.³⁶

³⁶Anecdotal evidence suggests that the July 14th and December 31st addresses traditionally discuss the State of the Nation. They do not specifically cover Business or Economic issues, and when they do so they

Online Appendix Figure A5 reproduces our baseline estimates when restricting the sample to cohorts with or without a concurrent public address, or with or without a concurrent address that includes some economic content. We overall observe no significant variations in the market’s reactions to awards across these samples. Even if we restrict the sample to cohorts where no address was delivered on the decree’s issuance or publication dates, we still find a market reaction to awards similar to that in the baseline. The market’s reaction to awards is then not driven by the political addresses that may accompany *Légion d’honneur* announcements.

Last, we take advantage of *Thomson Reuters Datastream*’s industry level-5 classification to select at each cohort date all of the firms that did not have a Director who was awarded but are in the same industry as a firm that did.³⁷ We then calculate the 0-7 days compound abnormal returns for these firms post-decree. The results in Figure 6(d) show that there are no significant abnormal returns for these firms. The effect of *Légion d’honneur* awards on recipients’ firms does not then spill over to the rest of their industry. As such, there are no industry-wide unobserved events concurrent with *Légion d’honneur* awards that explain recipients’ firms abnormal returns. Furthermore, market participants do not interpret awards to a Board member as a sign of the government’s future industrial policy.

4.3 Mechanisms

This sub-section explores the mechanisms behind the market’s reaction to *Légion d’honneur* awards to Directors of French listed firms, and helps to disentangle a number of plausible alternative interpretations.

Following Fama (1970), changes in stock prices should reflect news shocks. Positive abnormal returns indicate an upward adjustment in the expected future cash flows of recipients’

present very broad messages that are difficult to relate to the performance of any specific firms or industries. We categorize addresses as containing some economic information if the address’s keyword list contains at least one of the following strings: “*économie*” (economy), “*emploi*” (employment), “*fiscalité*” (tax), “*travail*” (labor), “*chômage*” (unemployment), “*dette*” (debt) or “*deficit*” (deficit).

³⁷The level-5 sectoral classification comprises 129 different industries.

firms due to the award. This may reflect on the one hand that awards can provide recipients with access to policy-makers, or make their existing access public knowledge. This interpretation is backed by the size of the link between connections and the probability of awards, so that the market may regard a *Légion d'honneur* as a signal of these political connections and an indication of cronyism (see the news articles in [Le Point](#), [Capital](#), [Le Parisien](#) and [Sud Ouest](#), among others). On the other hand, awards may increase recipients' firm value for reasons that are not directly linked to their proximity to the State (increased effort, or greater resources becoming available due to award prestige that are unrelated to the State).

In this sub-section, we first investigate the role of Director and award media visibility in the market reaction. We then explore heterogeneity in market reaction by Directors' political connections and pre-award observable performance. We last examine heterogeneity in market reaction by the reliance of recipients' firms on public expenditure, State ownership, and their exposure to regulations.

Media coverage of Directors and their awards

We below quantify the extent to which the market reaction to a *Légion d'honneur* award depends on the media visibility of Directors and their awards.

We first consider the pre-award media presence of recipients by counting the number of articles on the awardee in major daily newspapers over the previous year, collected from *Cision Europresse* (see sub-Section 3.3). We call recipients well-known if this number of articles is over the median figure of 6. Figures 7(a) and (b) show that awards to lesser-known Directors trigger abnormal returns that are about 2.5 times the size of those of firms with well-known recipients. Awards then seem to contain more news when given to recipients who are less well-known by market participants.

We then turn to the role of media coverage in transmitting information to market participants when awards are announced, via the articles citing the awardees in the 7 days following the official publication of their award. In contrast to pre-award visibility, publicity in the

week following the award fuels the stock-market's reaction. As shown in Figures 7(c) and (d), abnormal returns are higher after a better-publicized *Légion d'honneur* award.

Overall, media coverage post-award facilitates information transmission to market participants, while pre-award coverage tempers the market's reaction to awards.

Pre-award political connections

This sub-section asks whether the market reaction to awards depends on recipients' pre-award political connections. As set out in sub-section 3.2, these political connections are measured by having graduated from the same *Grande École* with at most a one-year difference as a politician involved in the attribution of the award (the President, the Prime Minister, and the Ministers and Secretaries of State working in the Ministry that officially attributes the *Légion d'honneur*).

Figures 8(a)–(c) illustrate the 0-7 days compound firm abnormal returns according to whether the recipient is politically-connected before the award receipt. Abnormal returns are positive for firms whose awardees are not ex ante connected to the politicians attributing the awards. These non-connected recipients either did not attend one of the 15 *Grandes Écoles*, or did so but not at the same time as the politicians involved in award attribution. There is on the contrary no significant market reaction for firms whose awarded Directors are ex ante politically-connected. Online Appendix Figures A6(a) and (b) mirror Figures 8(a) and (b), but with a more restrictive connection definition by reducing the graduation window to the same year as opposed to within one year: the results are little affected by this tighter definition of political connections.

Awards then only seem to convey new information about future firm performance when the awardees are not visibly connected to the attributing politicians pre-award.³⁸ This is consistent with the Semi-Strong Efficient Market hypothesis (Fama, 1970), where the

³⁸Value-enhancing mechanisms following awards that are independent of the State, such as greater recipient effort, cannot be easily reconciled with this heterogeneity in market reaction by pre-award proximity to politicians.

political connections of Directors that are known before the award will already be priced into stocks (see [Fisman, 2001](#), [Jayachandran, 2006](#), [Knight, 2007](#), [Ferguson and Voth, 2008](#), [Cooper et al., 2010](#), [Dube et al., 2011](#), [Coulomb and Sangnier, 2014](#) and [Acemoglu et al., 2016](#), among others), so that awards to connected Directors do not constitute news.³⁹

An alternative interpretation is that market participants may think that awards given to connected Directors are awards reflecting cronyism, and so do not inform about future firm performance.⁴⁰ Awards to non-connected Directors, on the contrary, reward outstanding performance. To explain the market reaction to the latter only, State recognition should still reflect an increase in expected future cash flow: in this case, awards would indicate new access to the Government by firms with outstanding performance. As such, the stocks of firms whose Board members were top performers in the past should be those that react the most to the *Légion d'honneur*. We show below that there is no evidence supporting this interpretation.

Directors' pre-award performance

We now look for heterogeneity in the market's reaction by Directors' past performance. While the market and the State may have different perceptions of performance, we consider here the indicators used by the market, as we analyze the post-award movements in stock prices. As markets are forward-looking, we posit that stock-price movements over a given time period will reflect the extent to which the firm's management affected its expected future cash flows. We use the past change in stock prices to proxy for Directors' pre-award performance. We take the universe of French listed firms over the 1995–2019 period, and construct the full distribution of their annual change in stock prices prior to each *Légion*

³⁹Under this interpretation awards mostly *reveal* recipients' access to policy-makers that is not related to their educational background. Awards may also provide new access to the government. In this case, the evidence can be rationalized as follows: priors regarding future recipients' likelihood of being decorated—and then benefiting from better access to politicians—are more accurate for individuals connected via a shared educational background, as they have a better chance of receiving an award, and so their awards represent less of a news shock.

⁴⁰This interpretation seems to contradict evidence that political connections in France are actually priced into financial markets ([Coulomb and Sangnier, 2014](#)).

d'honneur cohort date. This provides us with the percentile-rank of firms with awarded Directors at the award date.

Figures 9(a) and (b) show the abnormal returns for firms of *Légion d'honneur* recipients with annual pre-award stock-price returns above and below the median respectively. Awards given by the State to Directors in firms that out-performed the market produce no market reaction, while the latter is strong for awardees in firms that did recently not perform well in market terms. Awards can then re-orientate market beliefs regarding less well-performing recipients, and official recognition of past good performance does not produce any reappraisal of future cash flows. Less well-performing Directors who are awarded may then be regarded by the market as close to the Government, and this connection is the news that is priced by the market. This interpretation echoes that given above, that awards are signals of (valuable) access to politicians. Following this line of reasoning, the recognition of outstanding recipient merit does not seem to be the main channel through which access to policy-makers is obtained.⁴¹

State influence in firms

To provide further support for our hypothesis that awards mostly reflect access to the State, we analyze the heterogeneity in market reaction by the State's influence in the recipients' firms. We consider three channels via which the State can affect a firm: public expenditure, regulation, and State ownership, and categorize firms into groups according to their relationship to the State along each dimension. Online Appendix D explains the construction of these groups.

We first consider the share of public expenditure in each industry's production from [official French industry-level input-output tables](#). Figures 10(a) and (b) depict the 0-7 days

⁴¹An alternative interpretation is that the market adjusts its priors regarding the future performance of recipients who were not top performers using the newly-public information provided by awards that is orthogonal to the level of access to policy-makers. This interpretation does not seem plausible if we assume that market participants' information about Directors' and firms' characteristics is at least as good as that of politicians.

compound abnormal returns at the award dates for recipient firms in industries with a share of public expenditure below and above the production-weighted median figure. The point estimates are larger for awards to recipients in firms in industries that rely more on public expenditure.

We then consider regulation, and split the sample according to the influence of regulation policies by industry, using data from the [OECD's Regulatory Impact index](#). Figures [10\(c\)](#) and [\(d\)](#) show that abnormal returns at award dates are larger for recipients in firms in industries that are the most exposed to regulation.

Last, we look at the role of State ownership. We use [official reports of public ownership](#) and distinguish between firms that were partly or fully owned by the State over the 1995–2019 period, compared to firms with no history of public ownership. The proximity between recipients and Government members illustrated by awards could be more beneficial for publicly-owned firms. Figures [10\(e\)](#) and [\(f\)](#) plot the 0-7 days compound abnormal returns by recipients' firms public ownership: the market reaction is larger for recipients in firms with a history of public ownership.

The set of evidence uncovered in this sub-section is at best suggestive as it relies on differences in point estimates and not on statistically-significant differences. Even so, it is consistent with awards constituting signals of proximity to policy-makers for recipients whose political connections were not (or were less) visible before the award, and do not represent simple State recognition of past achievements that in turn affects future cash flows. The interpretation that awards constitute a signal of access to policy-makers is corroborated by stronger market reaction for firms whose activities rely more on Governmental decisions.

4.4 Additional heterogeneity analysis

Online Appendix [E](#) presents additional analyses that explore heterogeneity across firms, individual characteristics and *Légion d'honneur* cohorts.

The market reaction is stronger for smaller firms, consistent with larger firms being bet-

ter followed by market analysts ([Atiase, 1985](#), [Freeman, 1987](#) and [Shores, 1990](#)), so that managerial characteristics are better-priced for these firms and awards are hence less informative. It is in addition plausible that individual characteristics (e.g., social networks) have a relatively larger impact on the performance of smaller than larger firms.

We then show that abnormal returns are comparable for both executive and non-executive Directors, while there is no significant market reaction in firms where a female Director receives an award. Nominations in the Order at the rank of *Chevalier* and promotions to higher ranks both generate positive and significant abnormal returns. This may reflect that promotion reveals the recipient’s proximity to politicians who are different from those who ensured the recipient’s previous award; this may also reflect heterogeneity in the quality of the access to policy-makers by award rank, so that higher ranks come with better access to Government members.

Finally, we consider heterogeneity by cohorts, and split the sample by Presidential mandates. The first Presidential term of Jacques Chirac and the Presidency of Nicolas Sarkozy are the core periods when *Légion d’honneur* awards to firms’ Directors provided new information to financial markets. There is on the contrary no significant difference in market reaction depending on whether awards are given by the Ministry for the Economy and Finance or on behalf of another Ministry.

5 Conclusion

This paper has investigated the economic value of awards given by policy-makers to individuals in Business. The analysis covers French listed firms and the attribution of the most prestigious French official award—the *Légion d’honneur*—to firms’ Directors. We use an exhaustive novel dataset of award recipients in civilian cohorts from April 1995 to July 2019, which we link to data on Board positions. We uncover the value of the *Légion d’honneur* by looking at the average abnormal stock returns of recipients’ firms at the cohort award dates.

We first document large positive abnormal returns for recipients' firms at award dates of about 0.2 percent in average. *Légion d'honneur* awards are interpreted as positive news shocks regarding recipients' firm future cash flows. This finding is robust to alternative approaches to the calculation of abnormal returns. We also checked that firms with awarded Directors over the 1995–2019 period did not exhibit abnormal returns on the announcement days for the Military *Légion d'honneur* cohorts (which are distinct from the civilian cohort days), civilian cohorts where none of the firm's Directors are awarded, and the dates with political addresses. We then show that abnormal returns are larger when awards are accompanied by an increase in the recipients' media coverage. This emphasizes the role of the media in transmitting information regarding recipients' characteristics.

We rule out that awards are interpreted as signals of future Government policy, as the rise in the recipients' firm valuation does not spread to other firms in the same industry. We also provide evidence that the market reaction to awards is concentrated in firms whose Directors were not visibly connected to politicians in power pre-award. As such, awards seem to convey new information to the market only when given to Directors who were not previously known to have privileged access to policy-makers, as opposed to those with a common background in French elite institutions. This is consistent with our quantitative analysis of the determinants of *Légion d'honneur* awards, as well as anecdotal evidence, that political connections increase the probability of award. Last, as access to policy-makers likely matters more for firms that rely more on Government activity, we show that abnormal returns at the award dates are larger for awards given to Board members in industries that rely more on public expenditure, are more heavily-affected by public regulation, and in firms that are subject to State ownership.

Our findings suggest that even the suspicion of favoritism in some award attributions does not alter that awards on average have economic value. This contrasts with Bentham's view expressed in this paper's epigraph.⁴² Awards can have *economic* value precisely because

⁴²In the same spirit, Claude-Adrien Helvétius wrote "*Les honneurs entre les mains des princes ressemblent à ces talismans dont les fées font présent dans nos contes à leurs favoris ; ces talismans perdoient leur vertu*"

they reflect proximity to politicians, rather than any public recognition of past merits.⁴³ To place this in the perspective of Bourdieu’s view of symbolic capital as the legitimated form of social, cultural and economic capital (Bourdieu, 1979), *Légions d’honneur* awarded to Directors seem to take most of their symbolic value by confirming Directors’ *social* capital in their privileged access to policy-makers. Our results also cast light on why individuals may actively seek awards during their career, or why firms may have an incentive to pay high-profile Directors who are closer to government members. As *Légion d’honneur* equivalents are widespread across space and time, our analysis can be extended to a number of contexts similar to that in France.

Our work has limitations. First, it focuses on the impact of State honors to Directors on firm value. Further research could explore the recipients’ private benefits, for instance in terms of compensation, promotion and job opportunities. We can, however, conjecture that Directors do not capture all their firms’ benefits, as the stock value of the recipients’ firms does rise post-award (see Hermalin and Weisbach, 1998 for a model of negotiation between CEOs and other board members). Second, we quantify the value of awards for the recipients’ firms, but provide no evidence on whether awards are detrimental or beneficial to society as a whole. We in particular have not explored the incentive effects created by awards, nor the positive or negative spillovers on non-recipients and their social-welfare implications. Third, we only consider award attribution and recipients’ firm financial performance. It is however possible that Governments have their own performance criteria for Directors (perhaps job creation or innovation) that they use to determine awardees. The analysis of award attribution along these dimensions would require more-extensive data, and is left for further research. Last, although we have discussed the determinants of award attribution among individuals in Business, we have left to one side broader Government choices such as

sitôt qu’on en faisoit mauvais usage.” (Claude-Adrien Helvétius, 1795 – Œuvres complètes) which translates into “Honours in the hands of princes resemble those talismans with which the fairies, according to the fables, were wont to present their favourites: they lose their virtue whenever they are improperly employed.” (translation from Jeremy Bentham, 1830).

⁴³Indeed, it is firms that performed below the market in the year preceding the award given to one of their Directors that experience larger abnormal returns at the award date.

cohort size and the split of awards between job categories and gender. The analysis of the political economy of award attribution, as a way in which the Government communicates with the general public, is a fascinating topic for further research.

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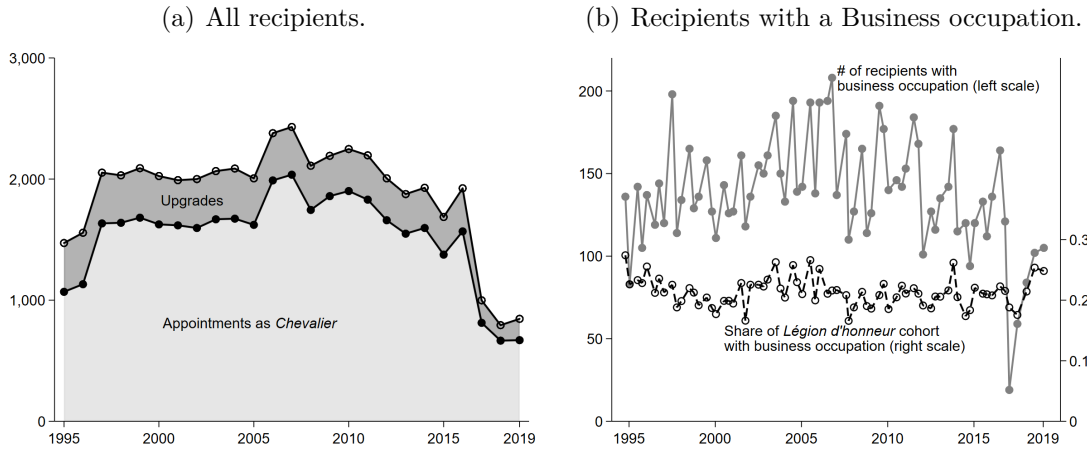
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Figure 1: *Légion d'honneur* recipients by year.



In Figure 1(a), the lines plot the total number of *Légion d'honneur* recipients by year from January 1995 to July 2019. Appointments as *Chevalier* are entries in the *Légion d'honneur* Order. Upgrades include promotions to the *Officier*, *Commandeur*, *Grand officier* and *Grand'croix* ranks. The following two modifications were implemented for the graphical representation: first, data points for 2019 are multiplied by 2 to account for the fact that only 1 cohort is observed in 2019 due to our period of analysis, as against 2 in the preceding year; second, the exceptional January 30th 2008 cohort is counted as a 2007 cohort as it corresponds to a postponed cohort, originally set to be announced on December 31st 2007. See Online Appendix Figure A1(a) for the number of recipients by cohort, and Online Appendix Figure A1(b) for the graphical representation by year without the aforementioned modifications. In Figure 1(b), the lines refer to the total number and share of *Légion d'honneur* recipients in Business occupations by cohort from January 1995 to July 2019. See the text for details about the identification of Business occupations.

Figure 2: Determinants of the *Légion d'honneur*: Firm size and performance.

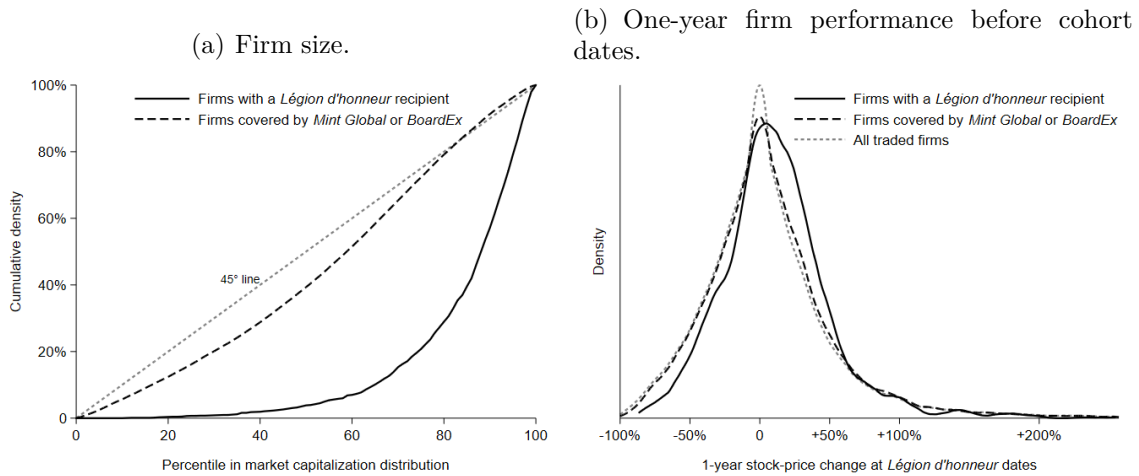
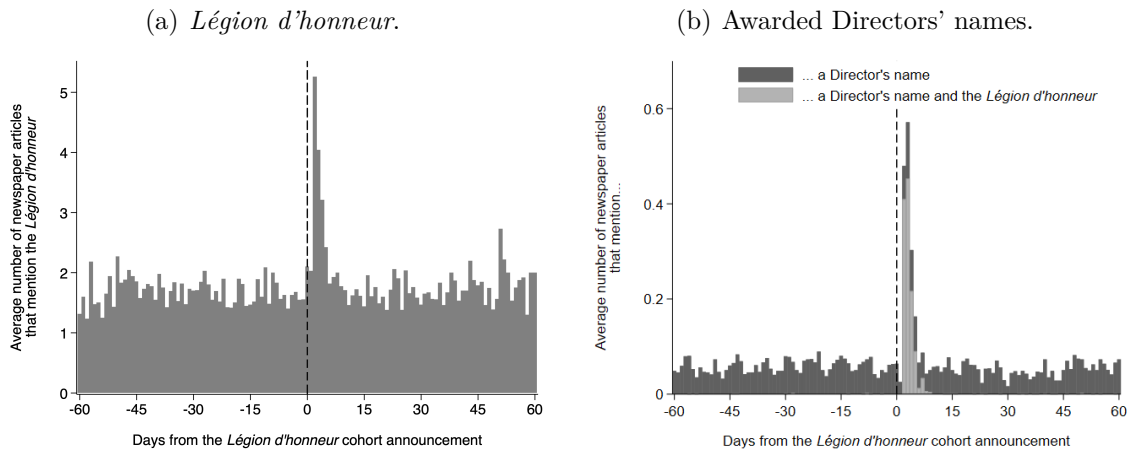


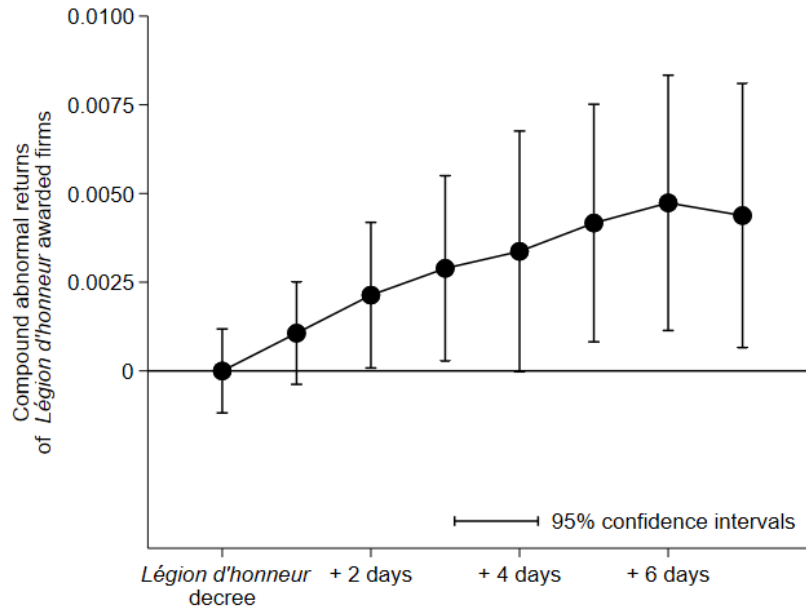
Figure 2(a) plots the cumulative distribution of firm size, measured using the firm's percentile in the distribution of the universe of stock-market capitalizations from *Thomson Reuters Datastream* at the date of each *Légion d'honneur* cohort. Figure 2(b) plots the distributions of changes in firms' stock prices over the 365 calendar days preceding each *Légion d'honneur* cohort.

Figure 3: Press coverage of *Légion d'honneur* decrees and awarded Directors.



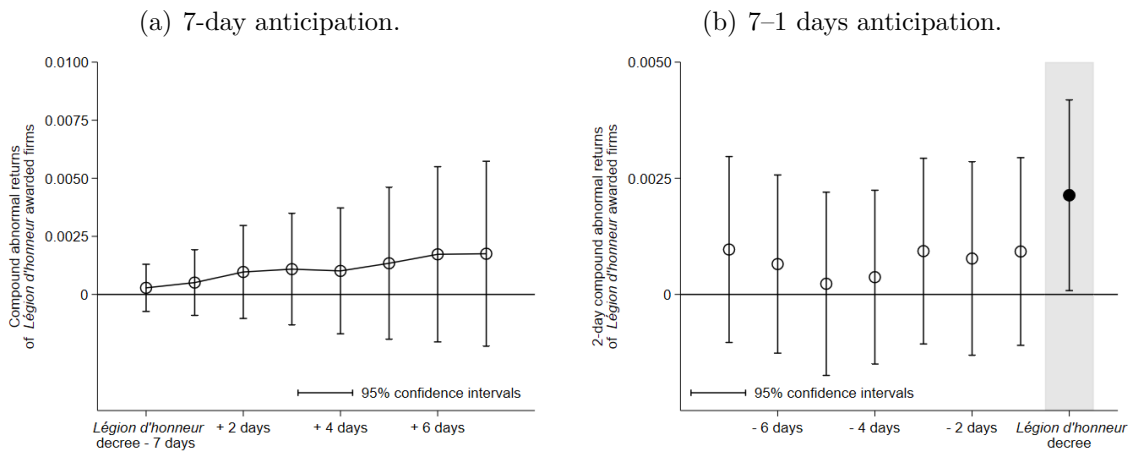
These figures display the daily number (averaged across cohorts) of print newspaper articles published from January 1st 1995 to November 1st 2019 in the main national newspapers in France—*Le Monde*, *Le Figaro*, *Les Échos*, *Libération* and *La Croix*—that contain distinctive keywords in the text. These articles were retrieved using *Cision Europresse*. We relate the date of publication of each article to that of the closest *Légion d'honneur* decree, which serves as the reference day. We average the daily number of press articles before or after the reference day across *Légion d'honneur* cohorts. Figure 3(a) shows the average number of press articles containing the keyword “*Légion(s) d'honneur*”. Figure 3(b) shows the cross-individual average number of press articles that contain the first and last names of a Business Director who is also a *Légion d'honneur* recipient and the cross-individual average number of press articles that contain an awarded-Director’s first and last names together with “*Légion(s) d'honneur*”.

Figure 4: Firms' compound abnormal returns following the award of a *Légion d'honneur*.



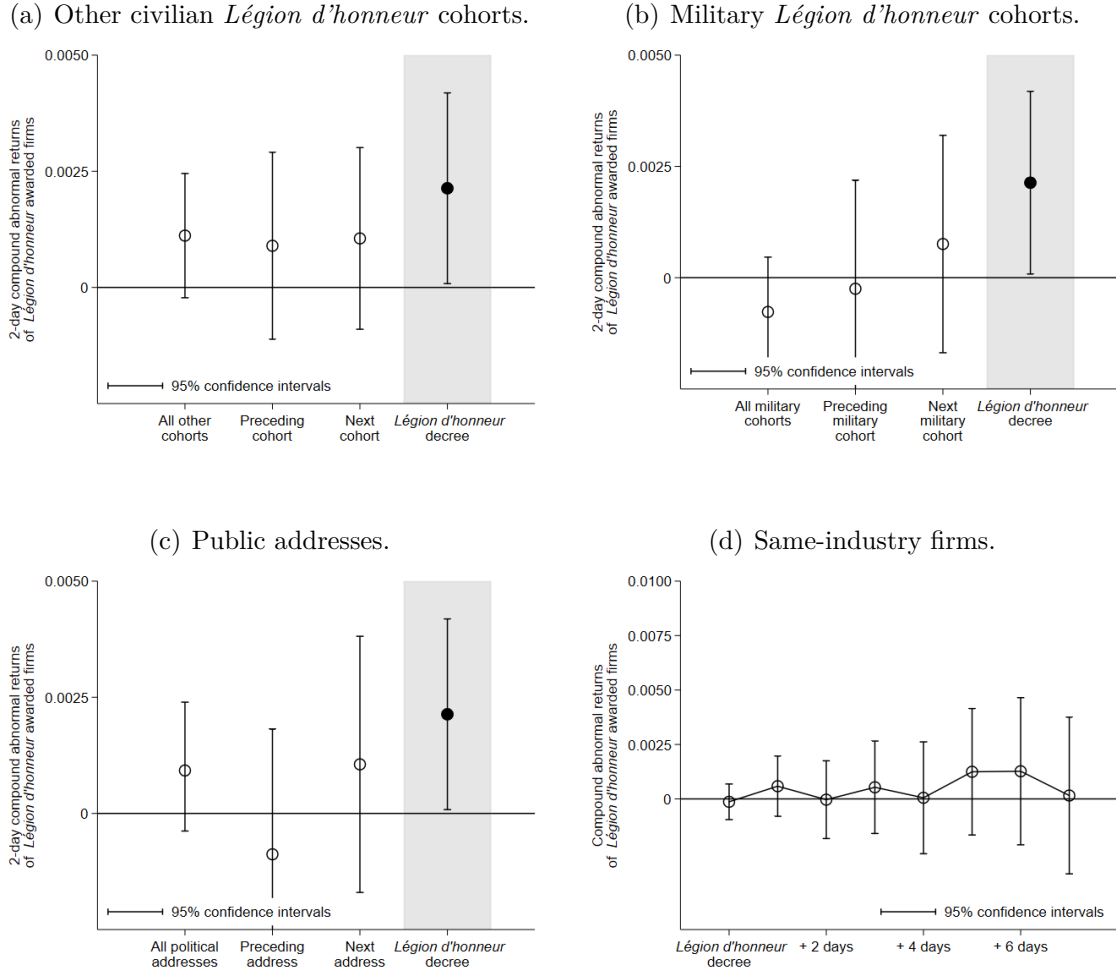
The figure plots the average t -day compound abnormal return at cohort dates (t between 0 and 7) of stocks of firms in which at least one Board member was awarded in the cohort. See the main text for details. Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. See Online Appendix Table A5 for the associated point estimates.

Figure 5: Compound abnormal returns of *Légion d'honneur* awarded firms 7 days before the award, and 2-day compound abnormal returns 7–1 days before the award.



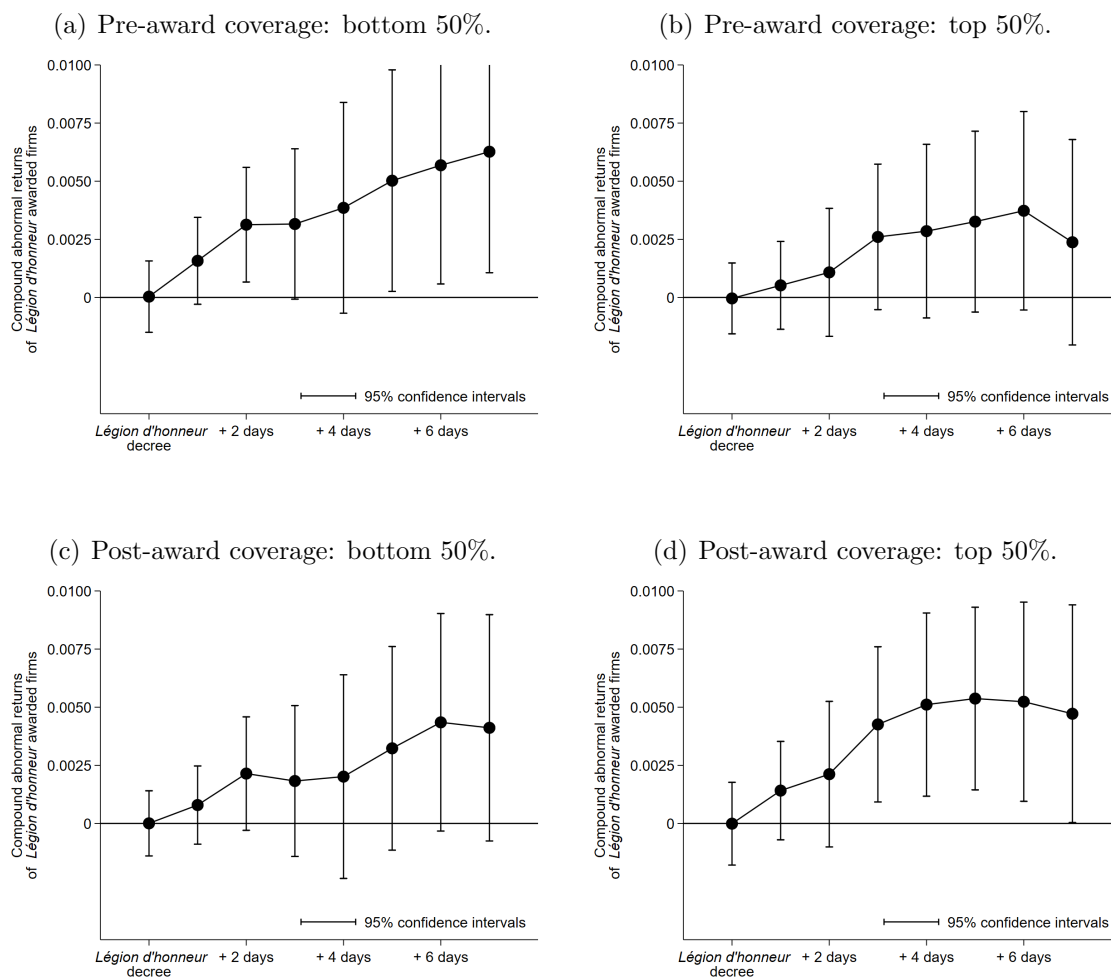
Each cohort has the same weight. Standard errors are clustered at the cohort level. Figure 5(a) plots the average t -day compound abnormal return of awarded firms t days before the cohort decree dates at which one of the firm's Board members will be awarded (t between 0 and 7). See the main text for details. Figure 5(b) plots the 2-day compound abnormal return of awarded firms in the 7 to 1 days preceding the decree date at which one of the firm's Board members will be awarded and the 2-day compound abnormal return at the decree date (the black dot).

Figure 6: 2-day compound abnormal returns of *Légion d'honneur* awarded firms following other civilian *Légion d'honneur* cohorts, Military *Légion d'honneur* cohorts and public addresses; and compound abnormal returns of same-industry firms following the award of a *Légion d'honneur*.



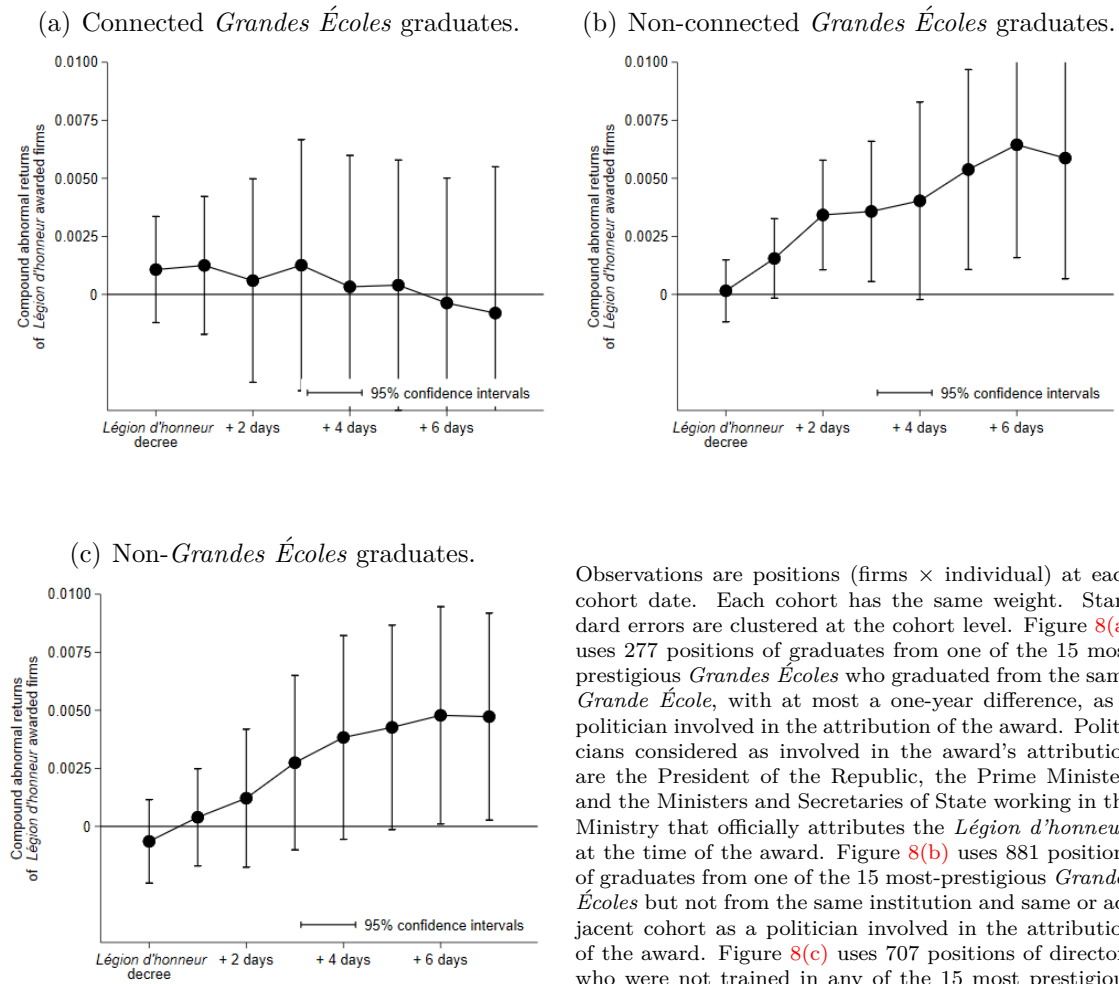
Observations are positions (firms \times individual) at different dates. Each cohort has the same weight. Standard errors are clustered at the cohort level. Figure 6(a) displays the average 2-day compound abnormal return of stocks of firms that receive a *Légion d'honneur* over the 1995–2019 period at civilian cohort dates at which none of their Board members receives an award. Figure 6(b) displays the average 2-day compound abnormal return of stocks of firms that receive a civilian *Légion d'honneur* over the 1995–2019 period with abnormal returns estimated at Military cohort dates. Figure 6(c) displays the average 2-day compound abnormal return of stocks of firms that receive a *Légion d'honneur* over the 1995–2019 period at non-cohort dates at which the President of the Republic or the Prime Minister delivered a public address. Figure 6(d) plots the 0 to 7-day compound abnormal return at decree dates of all firms with no Board members awarded at these dates but that are in the same industry as firms with a Board member awarded at these dates. See the main text for more details.

Figure 7: Firms' compound abnormal returns following the award of a *Légion d'honneur* according to Directors' media coverage.



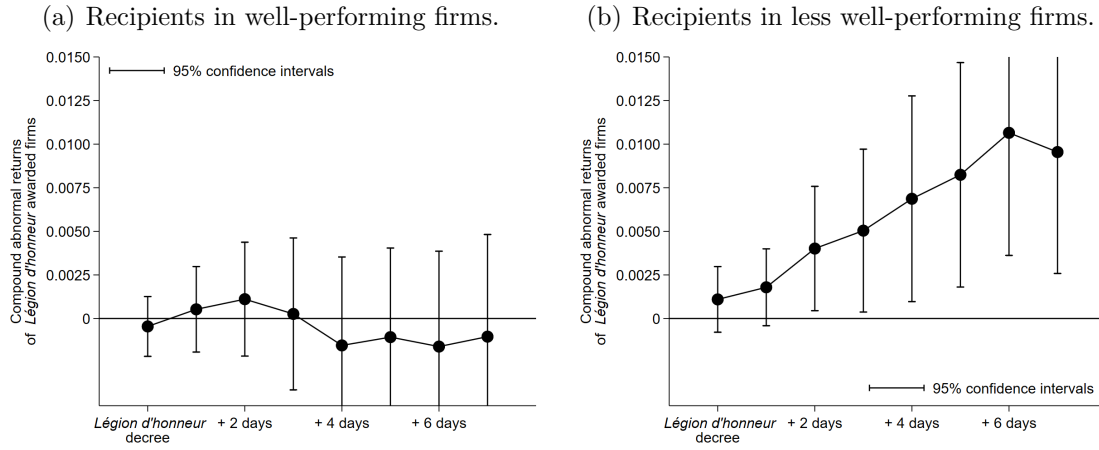
Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. We consider for each recipient the number of articles citing the recipient's first and last names in the 365 days before (pre-award coverage) and in the 7 days after (post-award coverage) the recipient's award. See sub-section 3.3 for the details of the construction of the number of Directors' cites in newspaper articles. Figure 7(a) uses 964 positions of recipients with a pre-award coverage below or equal to the median. The median number of articles containing the first and last names of a *Légion d'honneur* recipient in the 365 days preceding the award is 6. Figure 7(b) uses 901 positions of recipients with a pre-award coverage above the median. Figure 7(c) uses 1,099 positions of recipients with a post-award coverage below or equal to the median. The median number of articles containing the first and last names of a *Légion d'honneur* recipient in the 7 days following the award is 1. Figure 7(d) uses 766 positions of recipients with a post-award coverage above the median of recipients.

Figure 8: Firms' compound abnormal returns following the award of a *Légion d'honneur*, by graduation and connection statuses of awarded Directors.



Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. Figure 8(a) uses 277 positions of graduates from one of the 15 most prestigious *Grandes Écoles* who graduated from the same *Grande École*, with at most a one-year difference, as a politician involved in the attribution of the award. Politicians considered as involved in the award's attribution are the President of the Republic, the Prime Minister, and the Ministers and Secretaries of State working in the Ministry that officially attributes the *Légion d'honneur*, at the time of the award. Figure 8(b) uses 881 positions of graduates from one of the 15 most-prestigious *Grandes Écoles* but not from the same institution and same or adjacent cohort as a politician involved in the attribution of the award. Figure 8(c) uses 707 positions of directors who were not trained in any of the 15 most prestigious *Grandes Écoles*.

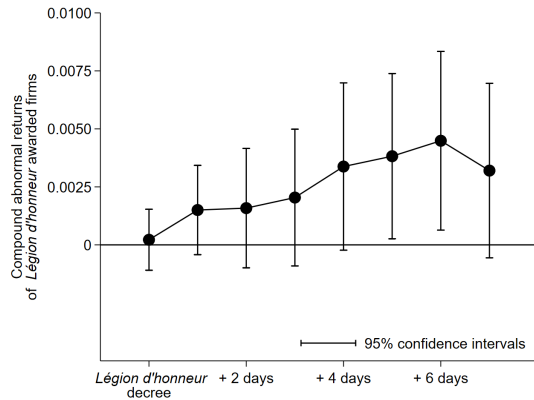
Figure 9: Firms' compound abnormal returns following the award of a *Légion d'honneur* to its Directors by firm performance in the year preceding the award.



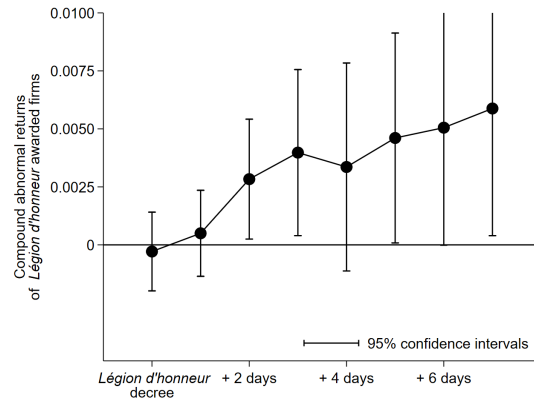
Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. We measure firm performance by the percentile-rank (among all firms publicly listed in France) of the firm's stock return over the 365 calendar days (about 250 traded days) preceding the attribution of a *Légion d'honneur* to one of the firm's Directors. The median percentile-rank is 58. Figure 9(a) uses positions of Directors of firms below the median percentile-rank (823 observations). Figure 9(b) uses positions of Directors of firms above the median percentile-rank (861 observations). For these estimations, compound abnormal returns are calculated using a calibration period of 14 instead of 120 days. This helps to mitigate the issue that, when the calibration period significantly overlaps with the period over which firm performance is calculated, the heterogeneity in pre-award firm performance is captured by the market model of firm returns (see sub-section 3.4) which creates artefactual market reaction at the decree dates. For instance, top-performing firms before the award are expected to over-perform the market after the decree. This would lead to top-performing firms having negative abnormal returns and low-performing firms positive abnormal returns, even if the observed raw stocks of high- and low-performing firms exhibit the same movements.

Figure 10: Firms' compound abnormal returns following the award of a *Légion d'honneur*, by the State's influence on firms.

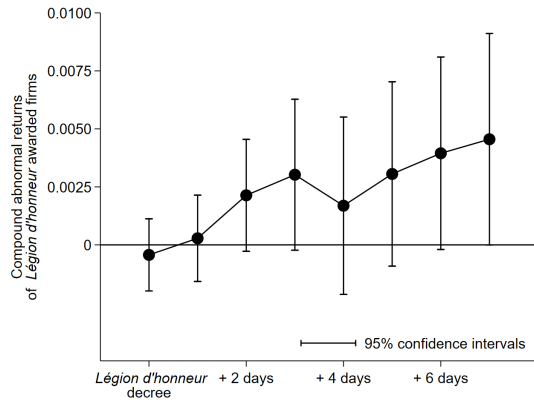
(a) Low share of public expenditure in industry's total production.



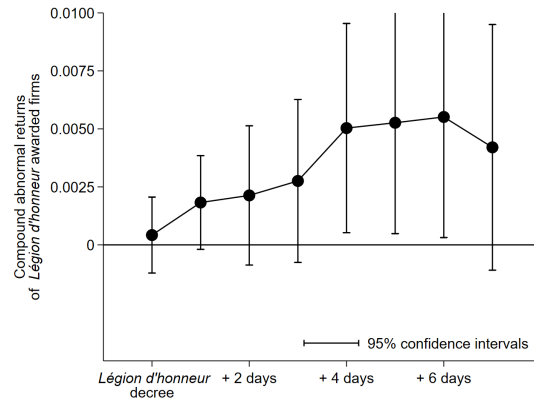
(b) High share of public expenditure in industry's total production.



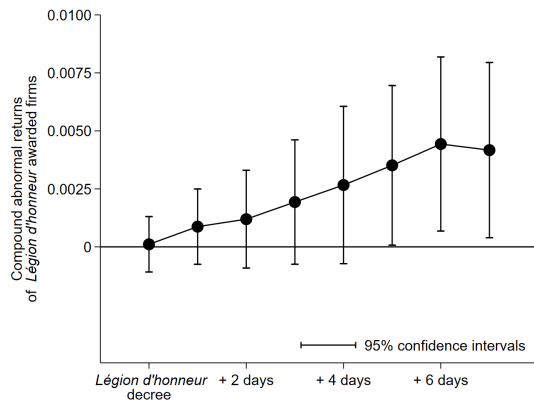
(c) Industries less affected by regulation.



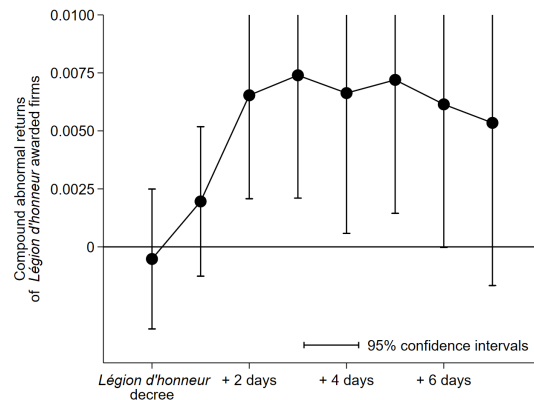
(d) Industries more affected by regulation.



(e) Firms without public-ownership history.



(f) Firms with public-ownership history.



Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. Figures 10(a) and 10(b) use positions of Directors of firms in industries with a share of public expenditure in production below or above the median of shares of public expenditure in total production across industries (942 and 812 observations). Figures 10(c) and 10(d) use positions of Directors of firms in industries below or above the median of OECD's Regulatory Impact indicator across industries (923 and 942 observations). Figures 10(e) and 10(f) use positions of Directors of firms without or with a history of public ownership over the 1995–2019 period (1,545 and 320 observations). See Online Appendix D for details regarding the construction of the groups.

Table 1: Frequency and average age at award date of, and share of female awardees in, *Légion d'honneur*-awarded individuals in Business compared to other *Légion d'honneur* recipients.

	Observations			Age at award date			Share of female awardees		
	Board members	Others	Share of Board members	Board members	Others	Difference (p-value)	Board members	Others	Difference (p-value)
<i>Chevalier</i>	1,623	36,258	0.04	55.2	62.2	-7.0 (0.000)	0.20	0.36	-0.16 (0.000)
<i>Officier</i>	459	6,384	0.07	62.4	66.5	-4.1 (0.000)	0.11	0.20	-0.09 (0.000)
<i>Commandeur</i>	157	1,308	0.11	68.1	68.9	-0.9 (0.272)	0.06	0.18	-0.12 (0.000)
<i>Grand officier</i>	29	260	0.10	72.8	72.8	0.0 (0.985)	0.03	0.27	-0.23 (0.006)
<i>Grand'croix</i>	10	82	0.11	79.0	77.0	2.0 (0.691)	0.00	0.27	-0.27 (0.061)

Board members are *Légion d'honneur* recipients matched to *Mint Global* or *BoardEx* individuals.

Table 2: Average age at award date and frequency of *Grandes Écoles* graduates in *Légion d'honneur*-awarded individuals in Business.

	Observations			Age at award date		
	<i>Grandes Écoles</i> graduates	Others	Ratio of obs. (p-value)	<i>Grandes Écoles</i> graduates	Others	Difference (p-value)
<i>Chevalier</i>	808	815	0.99 (0.862)	53.6	56.7	-3.1 (0.000)
<i>Officier</i>	270	189	1.43 (0.000)	61.2	64.0	-2.8 (0.000)
<i>Commandeur</i>	106	51	2.08 (0.000)	67.7	68.8	-1.1 (0.304)
<i>Grand officier</i>	23	6	3.83 (0.001)	74.2	67.7	6.5 (0.066)
<i>Grand'croix</i>	8	2	4.00 (0.051)	80.3	74.0	6.3 (0.331)

“Obs.” stands for “observations”. The null hypothesis associated with the p-value of the ratio of observations is that the ratio is equal to 1. This is obtained from testing whether the share of *Grandes Écoles* graduates differs from 50%.

Table 3: Relationship between education-based connections to members of the government and *Légion d'honneur* awards.

Dependent variable: Receiving a <i>Légion d'honneur</i>						
	(1)	(2)	(3)	(4)	(5)	(6)
Sample	All Directors		<i>GE</i> -graduated Directors		<i>GE</i> -graduated and <i>LH</i> -awarded Directors	
<i>Grande École</i> graduate	3.429*** (0.132)	2.929*** (0.118)				
Graduated with member of Gov.			1.914*** (0.121)	1.609*** (0.125)	1.437*** (0.102)	1.531*** (0.143)
Observations	1,628,330	1,247,896	390,009	377,940	42,379	41,742
No. of decorated people	1,877	1,750	972	972	972	972
No. of never-decorated people	34,759	24,498	7,094	6,892	0	0
Covariates		Yes		Yes		Yes
School fixed effects				Yes		Yes

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors clustered at the cohort level in parentheses. Each column displays estimates from a separate log-binomial estimation. The coefficients are reported as risk ratios. “*GE*” and “*LH*” stand for “*Grande École*” and “*Légion d'honneur*”, respectively. Observations are defined at the Business person \times *Légion d'honneur* cohort-date level. All estimations include fixed effects for the 72 *Légion d'honneur* cohorts. In columns 1 and 2, the sample consists of all eligible Directors (see footnote 28). In columns 3 and 4, the sample is restricted to Directors who graduated from one of the 15 *Grandes Écoles*. In columns 5 and 6, the sample is further restricted to Directors who also received a *Légion d'honneur* over the 1995–2019 period. The dependent variable is a dummy for the date at which a Director received a *Légion d'honneur*. The “*Grande École* graduate” variable is a dummy for Business people who graduated from one of the 15 *Grandes Écoles*. “Graduated with member of Gov.” is a dummy for Directors who graduated from the same institution as a current member of the Government with at most a one-year difference. Covariates included in the even-numbered columns are Director age and gender. See Online Appendix Table A3 for the estimated risk ratios of these variables and institution fixed effects.

Table 4: Firms' 2-day compound abnormal returns following the award of a *Légion d'honneur*: Sample restrictions and alternative calculation methods.

2-day compound abnormal returns			
Excluding top and bottom 5%	0.0023*** (0.0007)	Business days	0.0019* (0.0010)
No cohort weights	0.0029*** (0.0010)	Complete calibration period	0.0022** (0.0010)
At publication date	0.0021** (0.0010)		

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All cells display estimates from separate regressions. Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight except for the *No cohort weights* cell. Standard errors, clustered at the cohort level, are in parentheses. The table displays the average 2-day compound abnormal returns of awarded firms using the SBF 120 as the market index and a calibration period of 120 days calculated with the alternative approaches described below. *Excluding top and bottom 5%*: We exclude the bottom and top 5 percent of the sample of abnormal returns. *No cohort weights*: The importance of each cohort depends on the number of observations (firms \times individual) in that cohort. *At publication date*: Compound abnormal returns are calculated following the date at which the *Légion d'honneur* decree is officially published in the *Journal officiel de la République française*, instead of the decree date. *Business days*: We restrict our sample to cohorts for which the decree was signed on a business day. *Complete calibration period*: We restrict our sample to stocks for which a price is available on every day of the calibration period used to calculate abnormal returns.

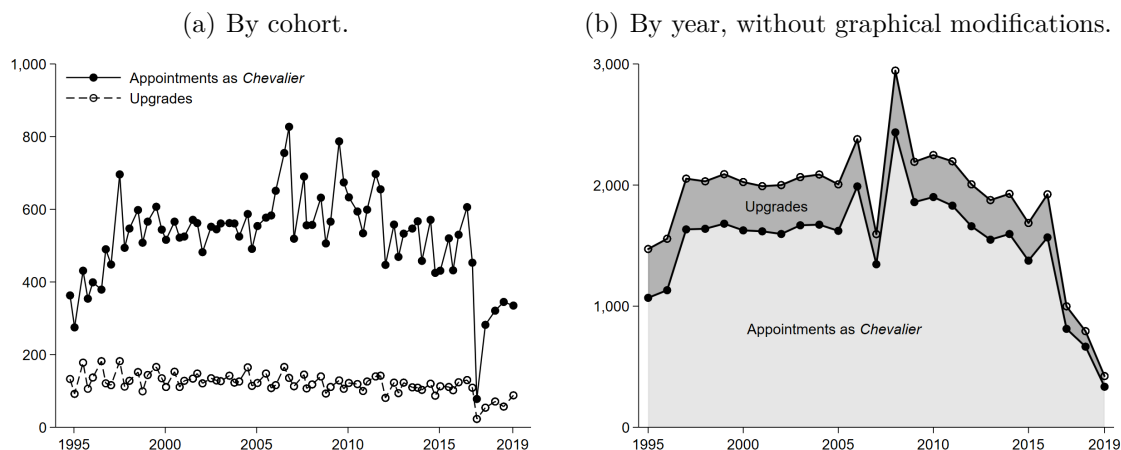
Online Appendix

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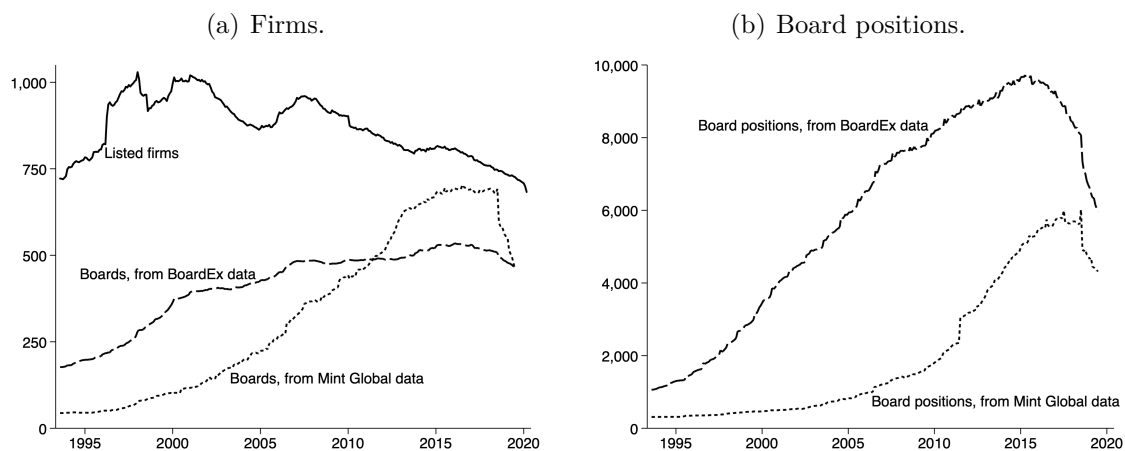
A Supplementary tables and figures

Figure A1: Number of *Légion d'honneur* recipients (all occupations) by cohort and by year without graphical modifications.



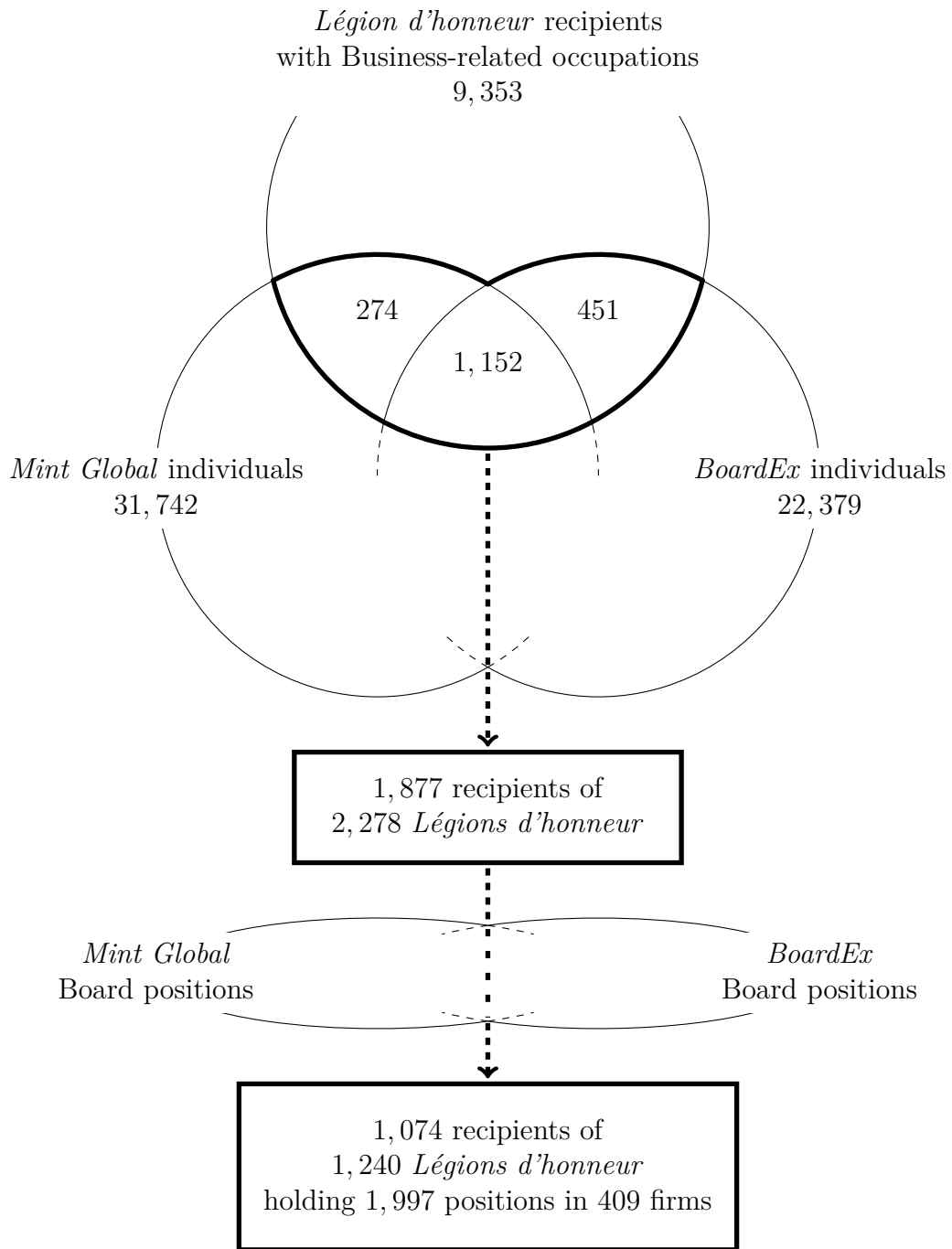
Panel A1(a) describes the raw number of recipients (all occupations) by cohort from 1995 to April 2019, who were nominated in the Order (at the rank of *Chevalier*) or promoted to a higher rank. Panel A1(b) describes the raw number of recipients each year from 1995 to April 2019, who were nominated in the Order (at the rank of *Chevalier*) or promoted to a higher rank. The variation between 2007 and 2008 is due to the fact that one 2007 cohort was delayed until 2008. Only the January cohort is included for 2019.

Figure A2: Number of listed firms, numbers of firms with Board-composition information, and number of Board positions.



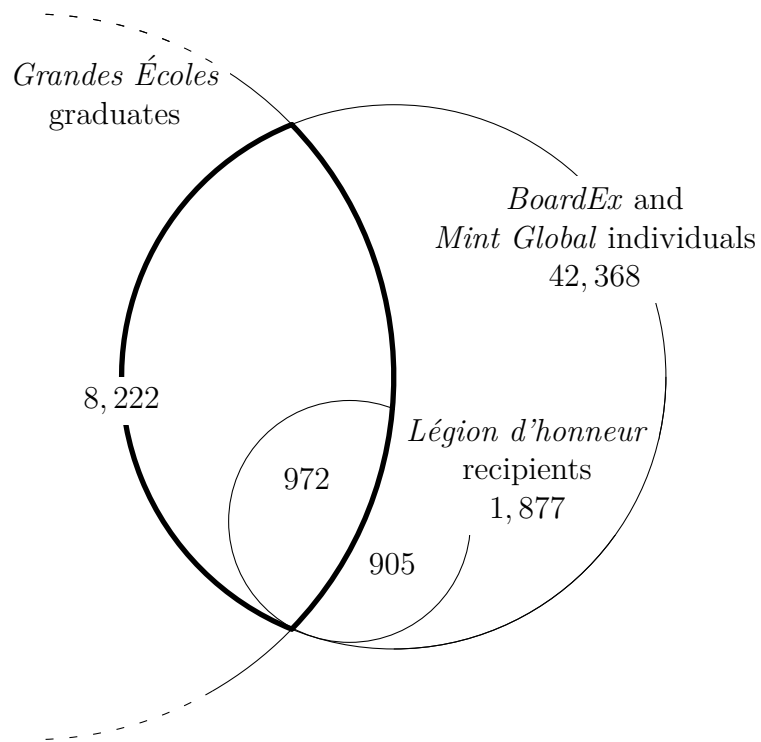
In Figure A2(a), the number of *listed firms* is, for each month between January 1994 and August 2020, the number of firms for which a non-missing stock price is available from *Thomson Reuters Datastream*. The numbers of *Boards, from BoardEx* and *Boards, from Mint Global* are, for each month between January 1994 and December 2019, the numbers of firms for which information for at least one Board member is available from the *BoardEx* and *Mint Global* datasets, respectively, with the exclusion of firms that were not yet listed, and of firms that will cease to be listed. In Figure A2(b), the numbers of *Board positions, from BoardEx* and *Board positions, from Mint Global* are, for each month, the numbers of firms \times individual for which information is available from *BoardEx* and *Mint Global* datasets, respectively. Information is considered as available in a specific month if the data contain a position that starts before and ends after the month under consideration. We again exclude firms that were not yet listed, and firms that will cease to be listed.

Figure A3: Matching *Légion d'honneur* recipients to Board positions.



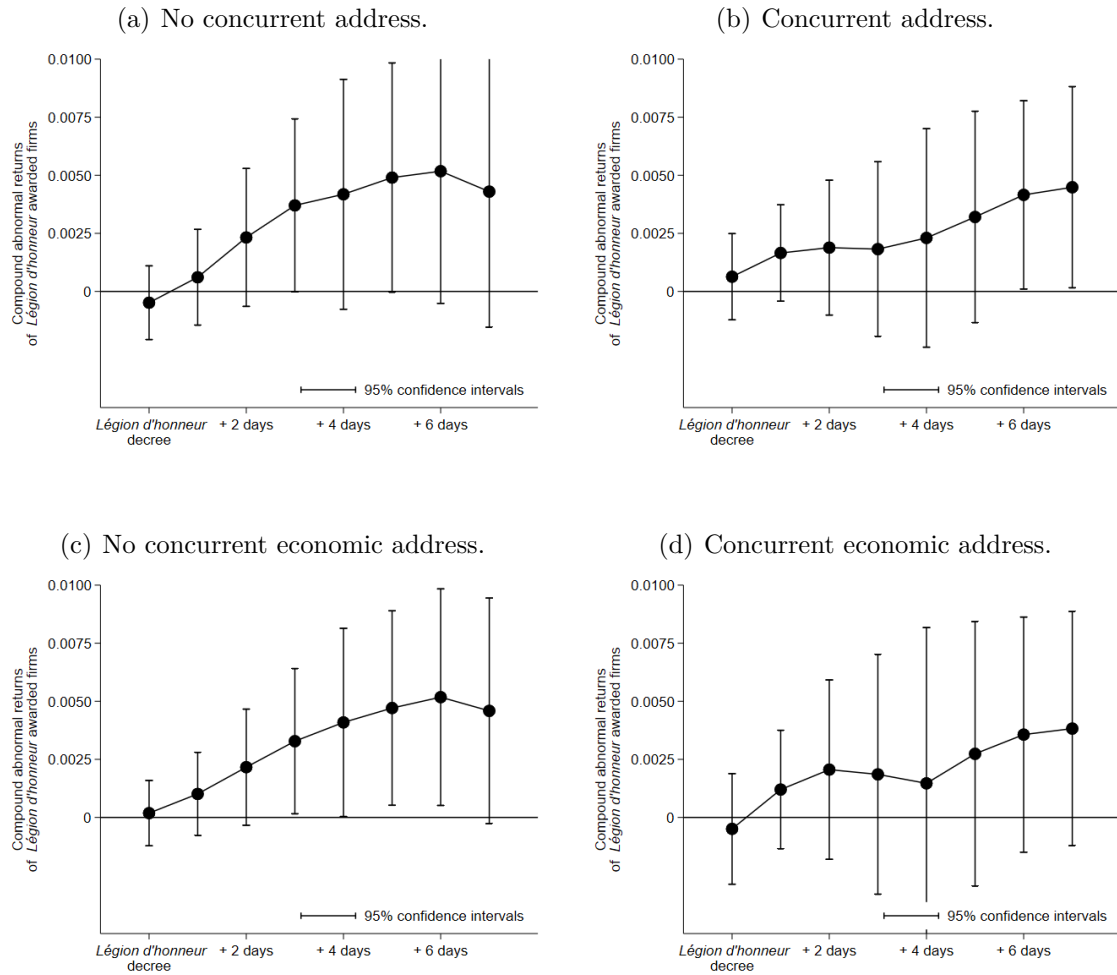
See sub-section 3.1 for more details.

Figure A4: Matching *Grandes Écoles* alumni to Board members.



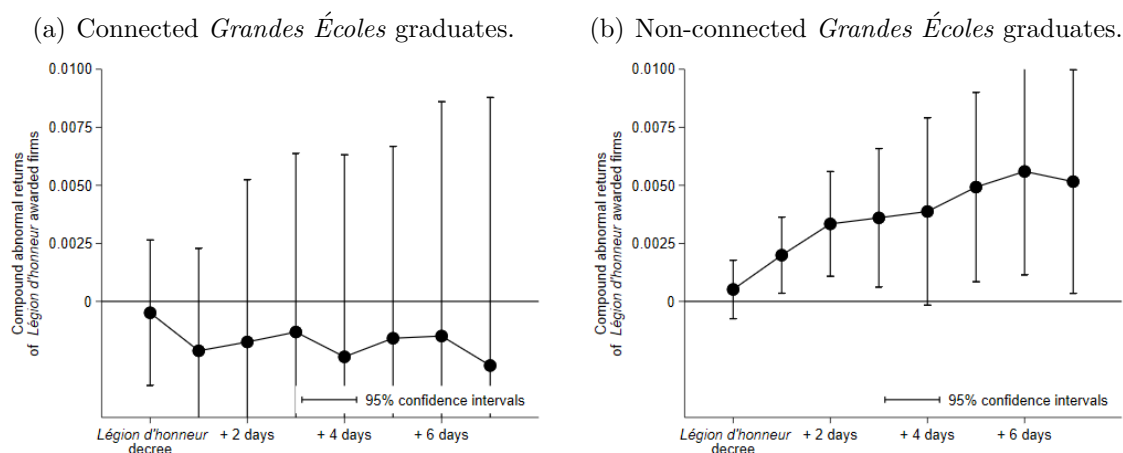
See sub-section 3.2 for more details.

Figure A5: Firms' compound abnormal returns following the award of a *Légion d'honneur* to its Directors depending on concurrent public addresses.



Observations are positions (firms \times individual) at each cohort date. See the notes to Figure 4 for the construction of compound abnormal returns. Figure A5(a): The sample is restricted to cohorts without a Presidential address on the decree's issuance date or the decree's publication date (1,015 positions). Figure A5(b): The sample is restricted to cohorts with a Presidential address on the decree's issuance or publication dates (850 positions). Figure A5(c): The sample is restricted to cohorts without a concurrent Presidential address that contains economic information (1,295 positions). Figure A5(d): The sample is restricted to cohorts with a Presidential address on the decree's issuance or publication dates that contains some economic information (570 positions). See sub-section 4.2 for the categorization of Presidential addresses as containing some economic confirmation. Each cohort has the same weight. Standard errors are clustered at the cohort level.

Figure A6: Firms' compound abnormal returns following the award of a *Légion d'honneur*, by graduation and connection statuses of awarded Directors: Strict graduation cohort.



Observations are positions (firms \times individual) at each cohort date. Each cohort has the same weight. Standard errors are clustered at the cohort level. Figure A6(a) uses 134 positions of graduates from one of the 15 most prestigious *Grandes Écoles* who graduated from the same *Grande École* and in the same year as a politician involved in the attribution of the award. Politicians considered as involved in the award's attribution are the President of the Republic, the Prime Minister, and the Ministers and Secretaries of State working in the Ministry that officially attributes the *Légion d'honneur*, at the time of the award. Figure A6(b) uses 1,024 awards to graduates from one of the 15 most-prestigious *Grandes Écoles* but not from the same institution and cohort as a politician involved in the attribution of the award. The complementary set is made of the 707 positions of Directors who did not attend one of the 15 most-prestigious *Grandes Écoles*. Figure 8(c) displays the abnormal returns estimates when the sample is restricted to non-*Grandes Écoles* graduates.

Table A1: Occupations of *Légion d'honneur* recipients.

Occupation key	Obs. with key		Obs. with key as unique key	
	No.	Share	No.	Share
Academic	7,878	0.169	4,484	0.096
Accounting	202	0.004	71	0.002
Administration	5,492	0.118	2,688	0.058
Agriculture	901	0.019	368	0.008
Business	9,940	0.213	7,050	0.151
Craft	588	0.013	288	0.006
Culture	3,982	0.086	1,842	0.040
Engineer	749	0.016	178	0.004
Health	3,369	0.072	1,435	0.031
Law	3,209	0.069	2,655	0.057
Media	751	0.016	316	0.007
Police	2,200	0.047	1,542	0.033
Politics	5,226	0.112	3,345	0.072
Religion	522	0.011	386	0.008
Social	4,725	0.101	2,393	0.051
Sport	1,062	0.023	484	0.010
Union	692	0.015	279	0.006
War	2,662	0.057	1,574	0.034
Unknown or other	4,848	0.104	4,841	0.104

“Obs.” stands for “observations”. *Occupation keys* are the name of the categories used to group occupations of observed *Légion d'honneur* recipients. The sum of observations across keys differs from the total number of recipients, as some observations were allocated to more than one occupation key. Similarly, the sum of shares across keys differs from 1. See Table A2 for a breakdown of observations with more than one occupation key.

Table A2: Occupations of *Légion d'honneur* recipients: Breakdown of observations with more than one occupation key.

Occupation key	No. of obs. with non-unique key ^a	Share also including...																		
		Academic	Accounting	Administration	Agriculture	Business	Craft	Culture	Engineer	Health	Law	Media	Police	Politics	Religion	Social	Sport	Union	War	Unknown or other
Academic	3,394																			
Accounting	131	0.069	0.003	0.220	0.016	0.107	0.007	0.128	0.038	0.341	0.020	0.010	0.018	0.071	0.019	0.109	0.024	0.007	0.021	0.002
Administration	2,804	0.266	0.010	0.206	0.015	0.504	0.002	0.023	0.105	0.115	0.084	0.006	0.023	0.069	0.002	0.061	0.025	0.015	0.038	
Agriculture	533	0.103	0.081	0.081	0.069	0.371	0.013	1.690	0.023	0.071	0.066	0.002	0.006	0.141	0.226	0.043	0.008	0.203	0.064	
Business	2,890	0.126	0.023	0.126	0.023	0.540	0.056	0.146	0.054	0.061	0.046	0.047	0.018	0.166	0.005	0.107	0.099	0.061	0.027	
Craft	300	0.080	0.020	0.020	0.023	0.540	0.022	0.160	0.007	0.007	0.003	0.007	0.003	0.030	0.003	0.103	0.010	0.050	0.107	
Culture	2,140	0.203	0.001	0.086	0.421	0.197	0.004	0.040	0.011	0.014	0.009	0.100	0.003	0.091	0.004	0.135	0.016	0.061	0.033	
Engineer	571	0.226	0.008	0.515	0.021	0.271	0.004	0.040	0.007	0.023	0.002	0.003	0.032	0.117	0.011	0.047	0.032	0.009	0.011	
Health	1,934	0.599	0.008	0.103	0.005	0.092	0.001	0.016	0.007	0.047	0.013	0.003	0.032	0.067	0.011	0.132	0.012	0.012	0.023	
Law	554	0.125	0.020	0.334	0.005	0.238	0.002	0.036	0.002	0.047	0.013	0.004	0.018	0.125	0.171	0.171	0.025	0.025	0.018	
Media	435	0.076	0.039	0.039	0.002	0.313	0.005	0.494	0.014	0.011	0.005	0.002	0.002	0.037	0.007	0.087	0.055	0.032	0.016	
Police	658	0.094	0.005	0.602	0.005	0.079	0.002	0.104	0.036	0.094	0.015	0.002	0.002	0.076	0.007	0.065	0.008	0.002	0.027	
Politics	1,881	0.129	0.005	0.337	0.050	0.255	0.005	0.104	0.036	0.069	0.037	0.009	0.027	0.076	0.004	0.138	0.024	0.020	0.022	
Social	136	0.463	0.044	0.044	0.044	0.103	0.007	0.059	0.014	0.154	0.002	0.022	0.027	0.051	0.004	0.088	0.024	0.015	0.132	
Religion	2,332	0.159	0.003	0.051	0.023	0.132	0.013	0.124	0.012	0.110	0.041	0.016	0.018	0.111	0.005	0.037	0.037	0.028	0.321	
Sport	578	0.142	0.005	0.121	0.007	0.497	0.005	0.059	0.031	0.042	0.042	0.042	0.009	0.080	0.005	0.151	0.029	0.029	0.007	
Union	413	0.061	0.005	0.041	0.262	0.429	0.036	0.315	0.012	0.056	0.034	0.034	0.002	0.092	0.005	0.160	0.041	0.029	0.002	
War	1,088	0.064	0.005	0.027	0.031	0.071	0.029	0.065	0.006	0.041	0.009	0.006	0.017	0.038	0.017	0.688	0.004	0.001		
Unknown or other	7	0.857	0.143	0.143																

“Obs.” stands for “observations”. *Occupation keys* are the name of the categories used to group occupations of observed *Légion d'honneur* recipients. This table complements Table A1 and displays the breakdown of observations with more than one occupation key. Shares are expressed as proportions of the number of observations with the key indicated in the first column. The row-sum of shares exceeds one as some observations have more than two occupation keys. Empty cells outside of the diagonal denote zero shares.

Table A3: Relationship between education-based connections to members of the Government and *Légion d'honneur* awards: Risk ratios of covariates and school fixed effects.

Dependent variable: Receiving a <i>Légion d'honneur</i>			
Sample	(1)	(2)	(3)
	All Directors	<i>GÉ</i> -graduated Directors	<i>GÉ</i> -graduated and <i>LH</i> -awarded Directors
<i>Grande École</i> graduate	2.929*** (0.118)		
Graduated with member of Gov.		1.609*** (0.125)	1.531*** (0.143)
Age	1.044*** (0.002)	1.040*** (0.003)	1.009 (0.007)
Female	1.398*** (0.123)	1.802*** (0.177)	1.117 (0.117)
École Centrale Paris		1.086 (0.131)	0.937 (0.121)
École Polytechnique		2.202*** (0.172)	0.925 (0.081)
EM Lyon		0.404** (0.154)	0.851 (0.319)
ENA		3.180*** (0.252)	1.135 (0.093)
ENS Cachan		0.388* (0.212)	1.172 (0.639)
ENS Ulm		1.269 (0.244)	0.962 (0.186)
ENS Lyon		0.580 (0.213)	1.062 (0.397)
ESCP		0.990 (0.173)	1.044 (0.191)
ESPCI		1.530 (0.629)	0.938 (0.387)
ESSEC		0.947 (0.164)	0.833 (0.143)
HEC		1.105 (0.119)	0.876 (0.095)
Mines Paris		1.851*** (0.214)	1.097 (0.125)
Ponts et chaussées		1.403*** (0.162)	1.183 (0.135)
Sciences Po Paris		1.122 (0.097)	0.835** (0.071)
Télécom Paris		1.052 (0.180)	0.965 (0.164)
Observations	1,247,896	377,940	41,742
No. of decorated people	1,750	972	972
No. of never decorated people	24,498	6,892	0

Columns 1, 2 and 3 are identical to columns 2, 4 and 6 of Table 3, but list the risk ratios of the covariates and the school fixed effects. See the notes to Table 3 for more details.

Table A4: The relationship between education-based connections to members of the Government and *Légion d'honneur* awards: Alternative definitions of connections.

Dependent variable: Receiving a <i>Légion d'honneur</i>				
	(1)	(2)	(3)	(4)
Sample	<i>GÉ</i> -graduated Directors		<i>GÉ</i> -graduated and <i>LH</i> -awarded Directors	
Graduated with member of Gov. (strict)	2.017*** (0.123)	1.590*** (0.113)	1.486*** (0.100)	1.542*** (0.124)
Graduated with member of Gov. (overlap)	1.901*** (0.126)	1.624*** (0.137)	1.482*** (0.119)	1.638*** (0.171)
Covariates		Yes		Yes
School fixed effects		Yes		Yes

Each cell lists the risk ratio from a separate estimation. Columns 1 and 2 mirror the estimates in columns 3 and 4 of Table 3. Columns 3 and 4 mirror the estimates in columns 5 and 6 of Table 3. The “Graduated with member of Gov. (strict)” variable is a dummy for the Director graduating from the same institution in the same year as a current member of the Government. The “Graduated with member of Gov. (overlap)” variable is a dummy for the Director graduating from the same institution as a current member of the Government with at least a partial overlap of attendance years. See the notes to Table 3 for more details.

Table A5: Firms' compound abnormal returns following the award of a *Légion d'honneur*: Calibration periods of different lengths; and SBF-120 and CAC-40 market returns.

Compound ab. returns following <i>LH</i> award	Market return and length of calibration period									
	SBF 120 index					CAC 40 index				
	14 days	30 days	60 days	120 days	240 days	14 days	30 days	60 days	120 days	240 days
+ 0 day	0.0003 (0.0006)	0.0003 (0.0006)	-0.0001 (0.0006)	0.0000 (0.0006)	0.0001 (0.0006)	0.0003 (0.0006)	0.0004 (0.0006)	-0.0001 (0.0006)	0.0000 (0.0006)	0.0001 (0.0006)
+ 1 day	0.0013 (0.0008)	0.0014** (0.0007)	0.0010 (0.0007)	0.0011 (0.0007)	0.0011 (0.0007)	0.0014* (0.0008)	0.0015** (0.0007)	0.0010 (0.0008)	0.0011 (0.0007)	0.0012* (0.0007)
+ 2 days	0.0026** (0.0012)	0.0028** (0.0011)	0.0020* (0.0011)	0.0021** (0.0010)	0.0023** (0.0010)	0.0028** (0.0012)	0.0029** (0.0011)	0.0021* (0.0011)	0.0022** (0.0011)	0.0024** (0.0010)
+ 3 days	0.0028* (0.0015)	0.0032** (0.0014)	0.0029** (0.0014)	0.0029** (0.0013)	0.0031** (0.0012)	0.0031* (0.0016)	0.0034** (0.0015)	0.0031** (0.0015)	0.0032** (0.0014)	0.0032** (0.0014)
+ 4 days	0.0027 (0.0019)	0.0033* (0.0018)	0.0029 (0.0018)	0.0034* (0.0017)	0.0037** (0.0016)	0.0032 (0.0019)	0.0037** (0.0018)	0.0034* (0.0019)	0.0037** (0.0018)	0.0042** (0.0017)
+ 5 days	0.0034* (0.0019)	0.0042** (0.0017)	0.0041** (0.0018)	0.0042** (0.0017)	0.0045*** (0.0016)	0.0040* (0.0020)	0.0048** (0.0018)	0.0046** (0.0019)	0.0047*** (0.0018)	0.0052*** (0.0017)
+ 6 days	0.0046** (0.0019)	0.0054*** (0.0019)	0.0047** (0.0019)	0.0047** (0.0018)	0.0052*** (0.0017)	0.0052** (0.0020)	0.0060*** (0.0020)	0.0052** (0.0020)	0.0053*** (0.0019)	0.0059*** (0.0018)
+ 7 days	0.0036* (0.0019)	0.0047** (0.0019)	0.0042** (0.0020)	0.0044** (0.0019)	0.0048*** (0.0017)	0.0041** (0.0020)	0.0052** (0.0020)	0.0042** (0.0020)	0.0049** (0.0020)	0.0055*** (0.0019)

*** p<0.01, ** p<0.05, * p<0.1. "Ab." stands for "abnormal". Each cell shows an estimate from distinct regressions. Each cohort has the same weight. Standard errors clustered at the cohort level in parentheses. See the main text for the construction of abnormal returns. Columns 1–5 display abnormal returns using the SBF 120 as the market index. Columns 6–10 display abnormal returns using the CAC 40 as the market index. Columns 1 and 6, 2 and 7, 3 and 8, 4 and 9, 5 and 10, use abnormal returns that employ 14-, 30-, 60-, 120- and 240-day calibration periods, respectively. Rows 1–8 represent abnormal returns compounded over 0 to 7 days.

B The French *Légion d'honneur*

This Appendix complements Section 2 of the main text by presenting additional information about the *Légion d'honneur*.

B.1 History, ranks and cohorts

The *Légion d'honneur* is the most prestigious decoration in France, and the oldest still given on behalf of the Head of State. Its *raison d'être* is to reward both Military and civilian accomplishments. It was founded on May 19th 1802, by First Consul Napoléon Bonaparte with “*Honneur et Patrie*” (“Honor and Fatherland”) as its motto. The *Légion d'honneur* represents a tradition of awards and titles from the Old Regime (e.g., chivalry orders and ennoblement) with equality concerns that became more central in the public debate after the French Revolution: all citizen, from civilian society or the Military, regardless of their religion or whether they are of noble descent, are eligible to receive a *Légion d'honneur* if they have demonstrated remarkable merit when serving the nation.^{44, 45, 46} The will to transcend apparent conflicting values with awards is best illustrated by Napoléon Bonaparte’s address to the *Conseil d’État* on May 8th 1802: “*Le peuple français a deux passions également puissantes qui paraissent opposées et qui cependant dérivent du même sentiment, c’est l’amour de l’égalité et l’amour des distinctions. [...] Je défie qu’on me montre une république, ancienne ou moderne, dans laquelle il n’y a pas eu de distinctions. On appelle cela des hochets ; eh bien ! c’est avec des hochets qu’on mène les hommes !*”⁴⁷

⁴⁴For a short period of time at the beginning of the Third Republic (1870–1873), the *Légion d'honneur* was restricted to the Military.

⁴⁵Despite women being not *de jure* excluded from the Order, the first female recipient was only decorated in 1851. Admission of women became more frequent during the Second Empire. However, up to 2007 men were massively over-represented in the *Légion d'honneur* cohorts.

⁴⁶The structure of the Order and its insignia (e.g., red ribbon) were partly influenced by the *Ordre Royal et Militaire de Saint-Louis*, a dynastic order of chivalry founded in 1693 by King Louis XIV. All chivalry orders were abolished by the French Revolution.

⁴⁷Translation by the authors and [Wikiquote](#): “The French people have two equally powerful and apparently opposed passions that arise from the same feeling, that is love for equality and love for awards. [...] I challenge anyone to let me know of an ancient or modern Republic in which there were no awards. You call these baubles, well, it is with baubles that men are led!”

The Order is composed of three ranks and two dignities that are, in increasing protocollary order: *Chevalier* (Knight), *Officier* (Officer), *Commandeur* (Commander), *Grand officier* (Grand Officer), and *Grand'croix* (Grand Cross). The most prestigious dignity of *Grand'croix* was added in 1805, the names of the different ranks and dignities have been unchanged since 1816.

The award is of exceptional longevity. It spans more than two centuries and has been kept alive through all political systems since its creation, namely The Consulate, First Empire, Bourbon Restoration, July Monarchy, Second Republic, Second Empire, Third Republic, Vichy Regime, Fourth Republic, and Fifth Republic. This explains part of its prestige and influence in France and abroad. The *Légion d'honneur* has actually served as a model for the design of many foreign decorations such as the National Order of the Lion in Senegal, the Order of the Republic in Tunisia, the National Order of Chad and the National Order of Madagascar (see sub-section [B.4](#) for more details).

The *Légion d'honneur* is part of France's system of national awards. Out of the five awards given on behalf of the President of the Republic, only the *Légion d'honneur* and the *Ordre national du mérite* can be attributed to civilians for outstanding merit in their professional careers. The *Ordre national du mérite* was created in 1963 to reward a greater number of citizens for their accomplishments, while preserving the prestige of the *Légion d'honneur*. This award replaced about 60 awards created during the Third and Fourth Republics. With an annual cap on awardees that is three times that of the *Légion d'honneur*, this decoration is less prestigious. It is ranked fourth in the protocollary order of national awards whereas the *Légion d'honneur* is ranked first. The other awards aim to reward or celebrate Military personnel or civilians who were affected by wars or acts of terrorism: the *Ordre de la libération*, the *Médaille militaire* and the recently-created *Médaille nationale de reconnaissance aux victimes du terrorisme*. There are other official honors given on behalf of Ministries (e.g., the *Ordre des Palmes académiques*, the *Ordre du Mérite agricole*, the *Ordre du Mérite maritime* and the *Ordre des Arts et des Lettres*) but these are less prestigious than

the *Légion d'honneur* and only cover particular fields of activity.

The *Code de la Légion d'honneur* was initially established in 1962 to bring together previous texts and formalize the organization of the Order, its general philosophy, the criteria for nominations and promotions, the awarding process and the possible penalties (see subsection [B.2](#) for more details). Following General Charles de Gaulle's wish to limit the number of living awardees to 125,000, the Code enacted the rule that at any point in time, there should be no more than 75 *Grand'croix*, 250 *Grand officiers*, 1,250 *Commandeurs*, 10,000 *Officiers*, and 113,425 *Chevaliers* in the Order.

Since then, the rules have been remarkably stable, with some changes concerning posthumous attribution, foreign recipients, and caps on the number of recipients. In 2007, some nomination and promotion rules were amended: gender-parity was imposed at the cohort level, and public initiatives were allowed to complement the traditional selection process.

Abstracting from Military cohorts and special civilian cohorts, there were three cohorts in the *Légion d'honneur* each year from 1995 until 2018: January 1st, Easter Sunday, and July 14th. The Easter cohort was suppressed by a [2018 decree](#), in line with the reduction by 50% of the annual number of recipients, capped at 1,500 for civilians and 1,100 for the Military. Annual quotas on the number of recipients are set every three years in a decree issued by the President of the Republic.

Although the Military were predominant in *Légion d'honneur* cohorts in the 19th and first half of the 20th Century, most recipients are now civilians. In 1814, there were about 1,400 civilians among the 40,000 members of the Order ([Loua, 1892](#)). Under the Bourbon Restoration, attributions were reduced and the Order counted about 30,000 members in 1830. Under the July Monarchy, the number of recipients increased to reach 47,122 before the 1848 Revolution. Until the Second Empire, Military personnel accounted for about 75% of all members. The number of recipients reached about 64,000 at the end of the Second Empire. On May 25th 1891 (Third Republic), there were 43,851 members, with only 12,458 civilians. At the turn of the 20th Century, there were just under 45,000 members of the

Légion d'honneur Order. World Wars I and II, the Indochina war and the Algerian war led to an increase in the number of members: by 1962, the Order had 320,000 members. The Code enacted by Charles de Gaulle in 1962 limited the number of living awardees to 125,000. The number of members of the Order then fell to reach 237,208 by May 31st 1985, according to a [Sénat report](#). As reported by the [official website of the Grande Chancellerie de la Légion d'honneur](#), the number of members was around 92,000 in 2021, with about half of them being civilians.

B.2 Prerequisites, the path to nomination or promotion, and penalties

Légion d'honneur recipients must satisfy a number of criteria. First, nominees must have exhibited outstanding merit in the service of the nation. According to [Code de la Légion d'honneur](#), the *Légion d'honneur* is intended to reward eminent civilian or military accomplishments that have benefited the French nation (“*la Légion d'honneur est la récompense des mérites éminents acquis au service de la nation soit à titre civil, soit sous les armes*”). As indicated on the [official website of the Grande Chancellerie de la Légion d'honneur](#), the following criteria are commonly-agreed: (i) “Eminence of services: the ability to show quality of services, of actions, or of demanding and measurable commitments”; (ii) “Common benefit: having served the good of the nation rather than solely one’s own interest (e.g., creating jobs, developing education, supporting the underprivileged, technological or medical innovation, artistic creativity)”; (iii) “Public awareness of merits: recognition for one’s merits, standing out as a role model of civic engagement for fellow citizens, participating in France’s renown abroad (whether through military intervention, athletic feats or economic influence).” Second, honorees must have a clean criminal record. Third, only French citizens can become full members of the Order. Foreigners can exceptionally be *distinguished* in the Order and can receive the award while not being members. Finally, a minimum of 20 years of activity—without any strict definition of “activities”—is necessary to enter the Order. There are a few exceptional awards each year for individuals who were killed or wounded

when serving, such as Military personnel, firefighters, rescuers, or police officers, for whom the previous rule does not apply. High-achieving individuals who have short careers due to their particular fields, such as Olympic Gold Medalists or FIFA World Cup winners, can also be exempted from the 20-year activity requirement.

Mayors, Members of Parliament, cabinet members, local administrations and, since 2007, members of the public, can propose candidates to Prefects—the State’s representatives in the local administrative units that are *départments* and *régions*—, which are then sent to Ministries. For each nominee, Ministers submit a case to the Grand Chancellor of the *Légion d’honneur*. Cases are reviewed to assess the nominees’ merits and ensure that they satisfy the selection criteria. The Council of the Order of the *Légion d’honneur* then deliberates on a list of potential recipients that is sent to the President of the Republic.⁴⁸ Under the current regulations, the President of the Republic, who is also the Grand Master of the Order, has the right to remove names from the list but is not allowed to add any. The President’s decisions regarding nominations or promotions are finally transcribed in a decree and officially published in the *Journal officiel de la République française*.

Until 2008, French citizens could only enter the Order as *Chevaliers*. In 2008, the regulation was changed and entry became possible at the *Officier*, *Commandeur* and *Grand officier* ranks for exceptional careers and services. However, most new members still enter the Order with the status of *Chevalier* and only a handful of people benefited from this reform. Promotions to higher ranks require new merits to be documented, and can be granted only after a minimum number of years: eight from the *Chevalier* to *Officier*; five from *Officier* to *Commandeur*; three from *Commandeur* to the dignity of *Grand officier*; and three from *Grand officier* to *Grand’croix*. The promotion process is otherwise similar to the nomination process at the rank of *Chevalier*, and promotions are also published in the *Journal officiel*

⁴⁸The 16 members of the Council of the Order serve for a renewable four-year term. They are appointed by the President of the Republic from propositions by the Grand Chancellor. They are chosen from all sectors (e.g., industry, culture, education, Government, Military). The Council is composed of 14 holders of dignities (*Grand officiers* or *Grand’croix*), one *Officier* and one *Chevalier*. The Grand Chancellor is chosen by the President of the Republic among the *Grand’croix* honorees and appointed for a renewable 6-year term.

de la République française.

Recipients are expected to behave in an honorable way, and their actions should not cast dishonor on the *Légion d'honneur* Order. Honorees who exhibit dishonorable behavior can face disciplinary penalties. There are three penalties: reprimand, suspension, and definitive exclusion (Articles R89 to R97 of the *Code de la Légion d'honneur*). The latter is automatic in the case of a non-probationary prison sentence of more than one year. Suspensions and definitive exclusions are published in the *Journal officiel*. These penalties concern only a handful of recipients, as illustrated by the fact that search queries made for such documents in the *Journal officiel* only return 106 results, the oldest being from 1852. See Caille (2004) for a study of penalties and suspensions in the 19th Century, and how these have been used by governments to reaffirm social and political values.

B.3 Non-tangible benefits and prestige

Becoming a member of the *Légion d'honneur* Order does not come with direct material privileges, nor tangible remuneration, and membership cannot be inherited or transferred.⁴⁹

The original scheme designed by Napoléon Bonaparte included annual monetary payoffs of 5,000 Francs to *Grands officiers*, 2,000 Francs to *Commandeurs*, 1,000 Francs to *Officiers* and 250 Francs to *Légionnaires* (the first short-lived denomination of *Chevaliers*). By way of comparison, a Parisian worker earned 900 Francs per year on average in 1801, and farm workers and specialized workers outside of the Paris area earned 360 and 500 Francs per year on average, respectively (Tulard, 1977 and Jourdan, 1991). Stipends for new recipients were abandoned in 1814 under the reign of Louis XVIII. Nowadays, only Military recipients receive a symbolic annual stipend (6.10 €, 9.15 €, 12.20 €, 24.39 € and 36.59 € for *Chevalier*, *Officier*, *Commandeur*, *Grand officier* and *Grand'croix* ranks, respectively).⁵⁰

⁴⁹A short-lived exception was made possible by the Royal Edict of October 8th 1814 that defined restrictive conditions under which members of the *Légion d'honneur* could receive the nobility title of Knight, that could then be transferred to other generations. This possibility was vetoed in 1875 and officially abolished in 1932 (Ihl, 2006).

⁵⁰On January 22nd 1852, a pension system was installed for Military *Légion d'honneur* recipients: 250 Francs for a *Chevalier*, 500 Francs for an *Officier*, 1,000 Francs for a *Commandeur*, 2,000 Francs for a *Grand*

Awardees have to pay for the award certificate issuing fees (from 50 € for *Chevaliers* to 200 € for *Grand'croix* as of March 1, 2021) and buy their own insignia. Decorations are available from both **public** and **private** manufacturers. While medals cost from about 300 € to 1,500 € depending on the rank and the chosen material, discrete ribbons and rosettes start at under 10 €.

The only noticeable tangible benefit that has continued to date is the possibility for daughters, granddaughters and great-granddaughters of recipients of the *Légion d'honneur* to apply for the *maisons d'éducation de la Légion d'honneur*. These are prestigious selective boarding schools in the public secondary education system. Selected students are however not exempted from the tuition fees that amounted to about 3,000 € per year in Spring 2021 ([Journal officiel, 2021](#)).

Finally, becoming a member of the *Légion d'honneur* Order does not come with new material connections between members of a *Légion d'honneur* cohort. Although, cohort gatherings and joint ceremonies took place in the first years of existence of the Order, these were terminated by a 1814 decree. Since then, there has been no additional material link between cohort members ([Daniel, 1948](#)).

As a manifestation of the esteem of the politicians in office, the main benefit of the *Légion d'honneur* is prestige. Anthropological and historical research has shown that the use of artefacts to make social characteristics visible and symbolize power is ubiquitous, taking on various forms such as body-marking, jewelry, decorations, ceremonial dresses and uniforms ([Clark, 1986](#) and [Cordwell and Schwarz, 2011](#)). The insignia and ribbons depicted in [Figure B1](#) provide visual signals of the award and are actually worn by recipients. For instance, all Presidents of the Fifth Republic wore a *Légion d'honneur* in their official portraits, as shown in [Figure B2](#). Business people also frequently wear *Légion d'honneur* ribbons, as illustrated in [Figure B3](#) showing a sample of photos of the CEOs of France's largest listed firms.

officier and 3,000 Francs for a *Grand'croix*.

Figure B1: *Légion d'honneur* insignia and ribbons.




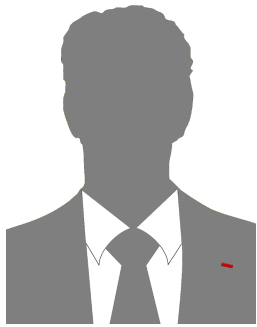
Top: Insignia - Source: [Wikimedia Commons](#), Harold2012, CC BY-SA 3.0, legend and background removed. Bottom: Ribbons - Source : [Wikimedia Commons](#),  Public domain. From left to right: *Chevalier*, *Officier*, *Commandeur*, *Grand officier* and *Grand'croix*.

Figure B2: Official portraits of the eight Presidents of the Fifth Republic, wearing the insignia or red ribbon of the *Légion d'honneur*.



Trimmed official portraits of the Presidents of the Fifth Republic. From left to right, top to bottom: Charles de Gaulle (1958–1965, 1965–1969; *Grand'croix* sash; photo by Jean-Marie Marcel), George Pompidou (1969–1974; *Grand maître* collar; photo by François Pagès / Paris-Match), Valéry Giscard d'Estaing (1974–1981; red ribbon; photo by Jacques Henri Lartigue), François Mitterrand (1981–1988, 1988–1995; red ribbon; photo by Gisèle Freund), Jacques Chirac (1995–2002, 2002–2007; red ribbon; photo by Bettina Rheims), Nicolas Sarkozy (2007–2012; red ribbon; photo by Philippe Warrin), François Hollande (2012–2017; red ribbon; photo by Raymond Depardon), Emmanuel Macron (2017–present; red ribbon; photo by Soazig de la Moissonnière). Source: www.vie-publique.fr, © DILA-La Documentation française.

Figure B3: Photos of CEOs of CAC 40 firms wearing red ribbons of the *Légion d'honneur*.



Benoît Potier
(Air Liquide) External photo



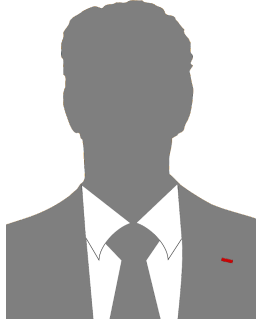
Martin Bouygues
(Bouygues)



Philippe Brassac
(Crédit Agricole)



Bernard Charlès
(Dassault Systèmes)



Jean-Paul Agon
(L'Oréal) External photo



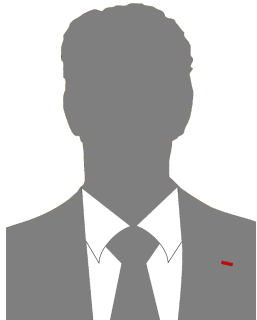
Bernard Arnault
(LVMH)



Florent Menegaux
(Michelin)



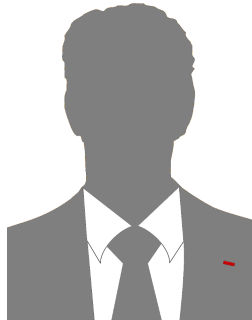
Stéphane Richard
(Orange)



Olivier Andriès
(Safran) External photo



Pierre-André de Chalendar
(Saint Gobin) External photo



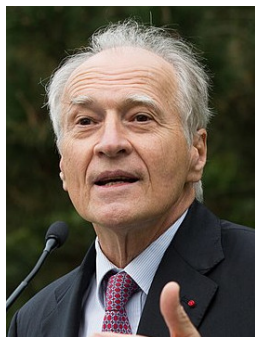
Patrice Caine
(Thales) External photo



Patrick Pouyanné
(Total)



Antoine Frérot
(Veolia)



Xavier Huillard
(Vinci)



Arnaud de Puyfontaine
(Vivendi) External photo



Gilles Grapin
(Worldline)

Portraits of CEOs of CAC 40 firms (as of summer 2021) wearing *Légion d'honneur* ribbons. Sources of displayed photos, from left to right, top to bottom: [Wikimedia Commons](#), Isabelle Franciosa, CC BY-SA 3.0; [Wikimedia Commons](#), CA SAfr, CC BY-SA 4.0; [flickr](#), World Economic Forum, CC BY-NC-SA 2.0; [Wikimedia Commons](#), Jérémy Barande, CC BY-SA 2.0; [flickr](#), International Transport Forum, CC BY-NC-ND 2.0; [Wikimedia Commons](#), Christophe Pelletier, CC BY 2.0; [Wikimedia Commons](#), Jérémy Barande, CC BY-SA 2.0; [Wikimedia Commons](#), Ecole polytechnique Université Paris-Saclay, CC BY-SA 2.0; [Wikimedia Commons](#), Ecole polytechnique Université Paris-Saclay, CC BY-SA 2.0; [Wikimedia Commons](#), ContributeurT, CC BY-SA 4.0. All photos trimmed. Silhouettes created by combining a clipart ([Openclipart](#), Adgar, © Public domain) and the *Chevalier* ribbon ([Wikimedia Commons](#), © Public domain).

B.4 State awards in the rest of the world

Awards given by sovereign entities to the general public or Military personnel are found in all continents and under all political regimes, although the philosophy underpinning these awards may vary. According to the lists available from [Wikipedia](#) and www.medals.org.uk—a private website that gathers information about decorations and orders around the world—, at least 92% of the countries in the world currently have a system of State awards for civilian merit as of 2021. Among the 38 OECD countries, only Switzerland has no such system.

The French *Légion d'honneur* has served as a model for many foreign State awards. Most former French colonies or protectorates have kept the French national order system or developed their own that is similar to the *Légion d'honneur* with four or five ranks (*Chevalier*, *Officier*, *Commandeur*, *Grand officier*, *Grand'croix* or *Grand cordon*). This is for instance the case in Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Comoros, Gabon, Guinea, Haiti, Ivory Coast, Lebanon, Madagascar, Mali, Mauritania, Niger, Senegal, Togo and Tunisia. The associated insignia and ribbons often resemble those of the *Légion d'honneur*.

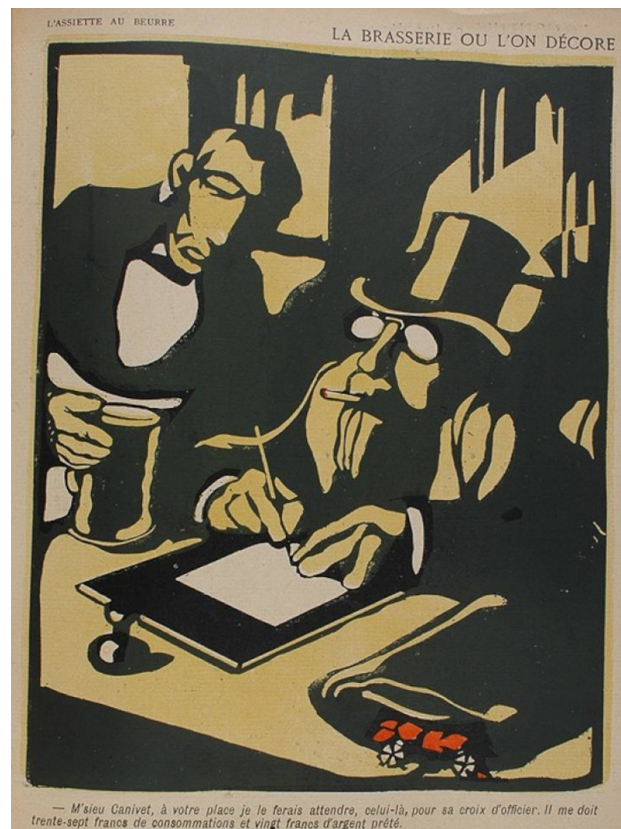
Figure B4: Political cartoons in *L'Assiette au Beurre* about the 1887 scandal of decorations.



Wilson and the wilsonism. The broker. — One of *Commandeur*, two of *Officiers*, seven of *Chevaliers*. All in cash. Here is the money. One more of *Chevalier*... with a deposit. That's for a wedding. They want to pay using the dowry. Here are the debt securities.



As we know saints, we decorate them.
— Mr. Minister, this newspaper editor insists on his medal by speaking of his love of Truth and Justice.
— Tell him not to wake up sleeping justice, and that I can refuse him nothing.



The pub where we decorate.
— Mr. Canivet, if I were you, I would let this one wait for his *Officier* cross. He owes me 37 francs in drinks and a 20-franc loan.

Continued on next page.

Figure B4: Political cartoons in *L'Assiette au Beurre* about the 1887 scandal of decorations (continued).



Administrative steps.

— Mr. Minister, I beg you for the cross! In the name of my children... you are a father too, you must understand me... In the name of my mother!... You must have a mother, Mr. Minister, she would understand me. — That's impossible, sir, I have nothing left.

— Mr. Minister!... Listen to me! If I insist, it's not because of my merits, which are slight. This is because of my commitment to you... to the French government... — Sir, leave me alone, or I will call the police!

Political cartoons by Caran d'Ache published in *L'Assiette au Beurre* on January 4, 1892 and inspired by the 1887 *Légion d'honneur* trafficking by President Grévy's son-in-law, MP Daniel Wilson, in 1887. Caran d'Ache was known for his anti-Dreyfusard and antisemitic stand in the then famous satirical newspaper *L'Assiette au Beurre*. Translation by the authors. Source: Gallica BnF, © Public domain.



Administrative steps (continued).

— Hit me, but please listen to me, Mr. Minister! For God's sake... Oh! I am sorry. In the name of [masonic] Lodges... — Damn... Here, is your medal. — I didn't ask for anything. I told the Minister: If you deem me worthy of it, you are free to act. Me, ask for it? Never. I read about it in the *[Journal] Officiel*.

C The coverage of Board-composition data

This paper’s results rely on the matching of several data sources. One crucial data-construction step is matching the comprehensive list of *Légion d’honneur* awardees to Board positions. The latter data come from *BoardEx* and *Mint Global (Bureau Van Dijk)*, two established data sources on Board composition. These provide incomplete and time-varying coverage, as discussed in sub-section 3.1 and illustrated in Figures A2(a) and (b).

Only particular patterns of incomplete coverage would represent a problem for identification and the interpretation of the results presented in the paper. This pattern would be such that the probability of observing a Board position in *BoardEx* or *Mint Global* data is an increasing function of the stock market reaction to *Légion d’honneur* awards. As data providers may focus on specific industries and large firms, we consider the representativeness of the firm coverage in *BoardEx* and *Mint Global* by industry and firm size. We show below that *BoardEx* and *Mint Global* coverage is not biased towards particular industries or firms of a specific size, and that our results do not change after restricting the analysis to periods with better coverage of Board positions in terms of industry and firm size.

We first construct for each firm the percentile rank of its market value among all French traded firms. Figure C1 reports the evolution over time of a number of indicators of the distribution of this percentile rank for firms in *Mint Global* and *BoardEx*. For these data sources to accurately represent French listed firms, the x^{th} percentile of firm size in the union of these datasets should be around the x^{th} percentile of firm size among all firms, and the median around 50. Figure C1 suggests that the firms covered by *Mint Global* and *BoardEx* are representative of the French listed firms in terms of size. However, at the beginning of the time period, the sample of firms we observe in the data sources consists of a greater share of larger firms as compared to the universe of French listed firms. The median percentile in our board data is 62 in January 1995, but falls to 54 in January 2000 and 51 in January 2002.

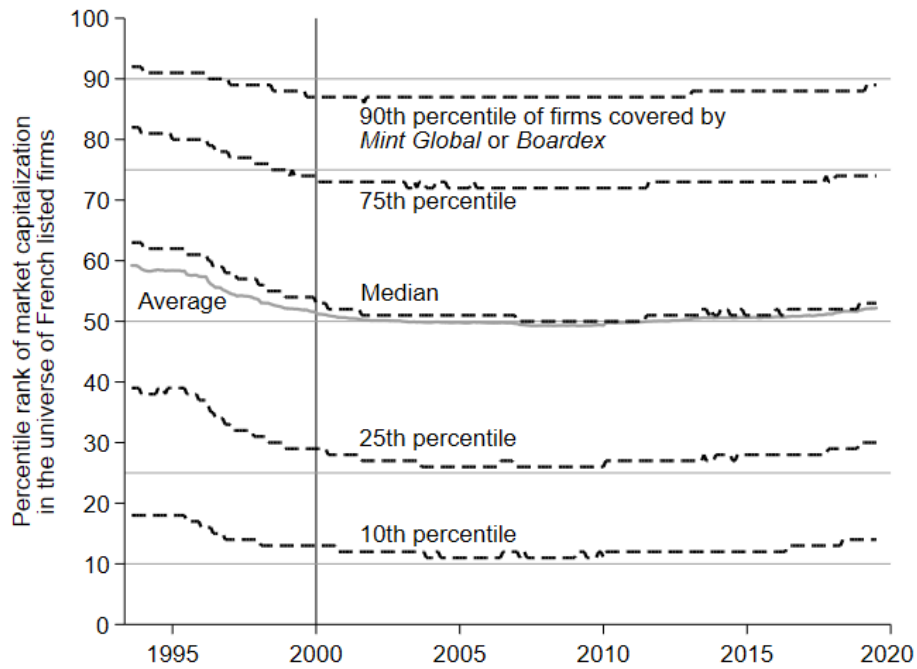
To ensure that our main results are not driven by the selection of firms into the Board data at the beginning of our analysis period, we calculate firms' two-day compound abnormal returns restricting the time frame to sub-periods in which Board data better represent the universe of firms regarding market capitalization. We find two-day compound abnormal returns of 0.0023 (p-value = 0.033) and 0.0023 (p-value = 0.032) over the 2000–2019 and 2002–2019 periods respectively. For comparison, the analogous figure over the complete time frame is 0.0021 (p-value = 0.042).

We next document the coverage of Board data by industry. Building on the *Thomson Reuters Datastream* industry level-2 classification, Figure C2 displays the evolution of the number of listed firms in each industry over time and that of the firms covered by *BoardEx* and/or *Mint Global*. We overall do not see any major under- or over-representation of particular industries over the period. However, the representativeness of the sample of firms from *BoardEx* and *Mint Global* in terms of sectors' coverage does tend to improve after 2000.

Using the same industry classification, Figure C3 depicts the evolution over time of the share of each industry in terms of market capitalization for all listed firms (the solid lines) and the firms covered by *BoardEx* and/or *Mint Global* (the dashed lines). The latter accurately represent—in both level and trend—the industry shares in the universe of traded firms. We do see slightly lower representativeness up to 2005, especially for Industrials, Health care, and Consumer goods and services.⁵¹ Building on this, we calculate the two-day compound abnormal returns of firms whose Directors receive a *Légion d'honneur* after January 2005, when industries are better covered by our Board data: this produces a positive significant two-day compound abnormal return of 0.0026 (p-value = 0.039), which is virtually identical to the full-sample figure. Imperfect Board-data coverage in the early analysis period does not lie behind our results.

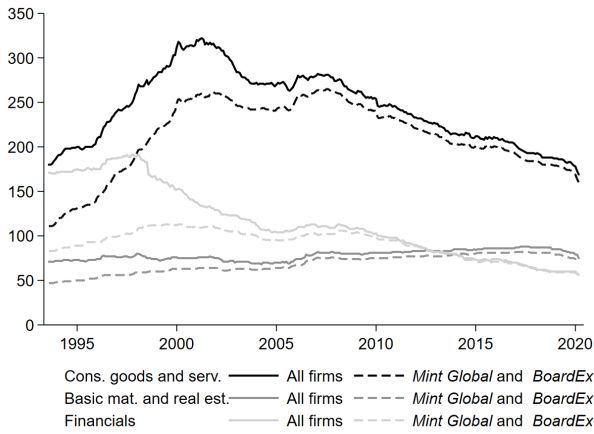
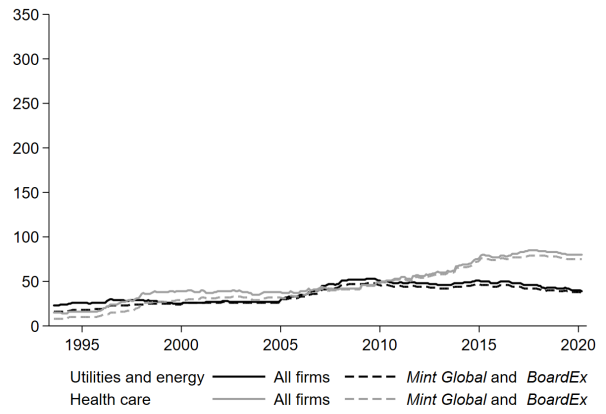
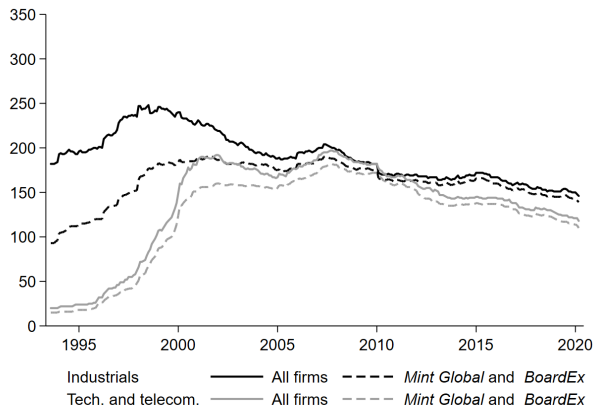
⁵¹Independent-sample t-tests indicate a difference in mean monthly market shares between the two groups—firms covered in Board datasets and all traded firms—of 0.021 before 2005 against 0.009 after 2005 for firms in the Industrials category, 0.059 against 0.010 for Health care, and -0.095 against -0.020 for Consumer goods and services. Although the differences in the means of monthly market shares after 2005 remain significantly different from zero, they are up to 6 times smaller and the sample becomes markedly more representative.

Figure C1: Coverage of Board data: The distribution of market capitalization.



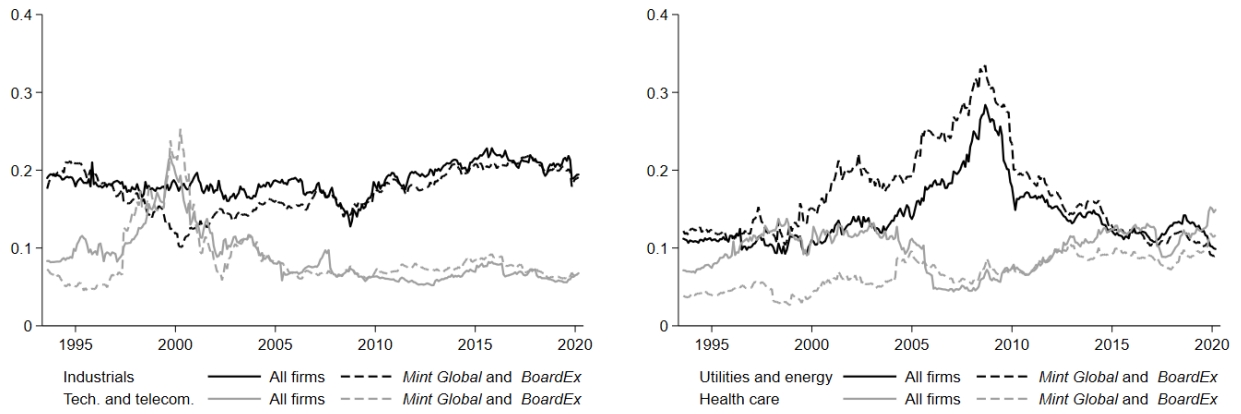
The figure plots the monthly value of the percentile rank in the distribution of market capitalization in the universe of French listed firms, from *Datastream*, for different percentile ranks of market capitalization in the firms covered by *Mint Global* and *BoardEx*. We show the average, median, 10th, 25th, 75th, and 90th percentile values of the percentile rank. For Board data to accurately represent listed firms, the k^{th} percentile should be a horizontal line that intersects the Y-axis at k . The vertical line indicates June 2000.

Figure C2: The coverage of Board data: Number of firms by industry.

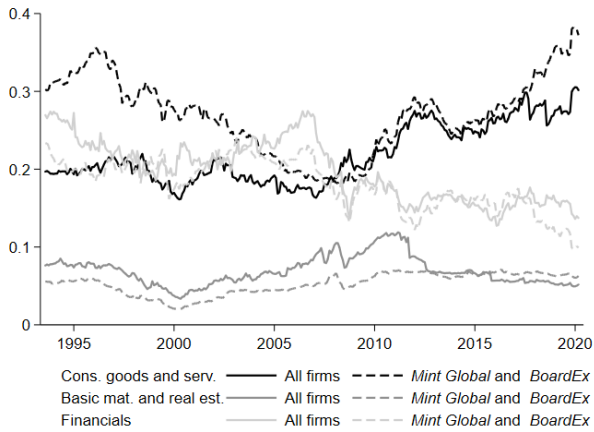


These figures depict the number of firms in each industry, among all traded firms (the solid lines) and traded firms covered by *Mint Global* and/or *BoardEx* (the dashed lines). “Tech. and telecom.”, “Cons. goods and serv.” and “Basic mat. and real est.” stand for “Technology and telecommunications”, “Consumer goods and services” and “Basic materials and real estate”, respectively.

Figure C3: The coverage of Board data: Share of total market capitalization by industry.



These figures depict the share of each industry in terms of market capitalization, among all firms (the solid lines) and firms covered by *Mint Global* and *BoardEx* (the dashed lines). “Tech. and telecom.”, “Cons. goods and serv.” and “Basic mat. and real est.” stand for “Technology and telecommunications”, “Consumer goods and services” and “Basic materials and real estate”, respectively.



D The influence of the State on firms

This Appendix describes the proxies used to measure the influence of the State on firms.

Public expenditure

We use [official French input-output tables](#) available over the 1995–2018 period from the National Institute of Statistics and Economic Studies (INSEE). This data decomposes the production, intermediary consumption and final consumption of 38 sectors. We manually match industrial branches to the *Datastream* level-4 industry classification, and define *ad hoc* meta-industries such that each of the 38 INSEE sectors and each *Datastream* industry belong to only one meta-industry. We then aggregate the production and output information of industries at the meta-industry level and calculate the share of public expenditure (intermediary inputs of the public sector, final consumption and investment by the State and public administrations) in the domestic production of each meta-industry.

Figure [D1\(a\)](#) displays the cross-year average shares of public expenditure in each meta-industry’s total production. We use the production-weighted median value of this quantity to distinguish between industries with high and low shares of public expenditure in industry production. Finally, we allocate each *Datastream* industry to the group to which its associated meta-industry belongs.

Impact of regulation

We obtained the [Regulatory Impact index](#) made available by the OECD until 2007, which measures the costs of regulation for industries (see [Convay and Nicoletti, 2006](#) for more details) and covers 38 industries defined using the ISIC rev3 classification. We first average the index values over the 2000–2007 period, as this is the only period data for which OECD value added data by industry uses a consistent classification. We then next manually match the ISIC rev3 sectors to *Datastream*’s level 4 classification of industries and define *ad hoc* meta-industries so that each ISIC rev3 sector and each *Datastream* industry belong to only

one meta-industry. We last aggregate the production information of sectors at the meta-industry level with sector value-added as the weights to calculate the regulation index figure in each meta-industry.

Figure [D1\(b\)](#) displays the cross-year regulation index figure by meta-industry. We use the production-weighted median value of this figure to distinguish between industries that are strongly- or less strongly-affected by regulation. Finally, we allocate each *Datastream* industry to the group to which its associated meta-industry belongs.

State ownership

We use information about the State ownership of listed firms from the [official reports of the Agence des participations de l'État](#) over the 2002–2019 period. We complement these data with information on privatizations over the 1995–2001 period from the [2016 report of the Commission des participations et des transferts](#).

We categorize a firm as having a history of public ownership if the firm was privatized (even partially) between 1995 and 2001, or if the firm is recorded as fully or partly publicly-owned in any year between 2002 and 2019. Public entities that are not directly listed but are privatized and then incorporated into larger listed entities as subsidiaries are not included in the group of listed firms with public-ownership history. In total, 36 listed firms are identified as having a history of public ownership out of the 2,678 listed entities over the period (1.3%). Of these 36 firms, 25 are identified as having at least one award recipient on their Boards over the 1995–2019 period. These represent 6.1% of the 409 listed firms with a recipient Board member. The 25 firms account for 354 out of the 1,997 positions of recipients in listed firms over the 1995–2019 period (17.7%).

Figure D1: Public expenditure and regulatory indices by industry.

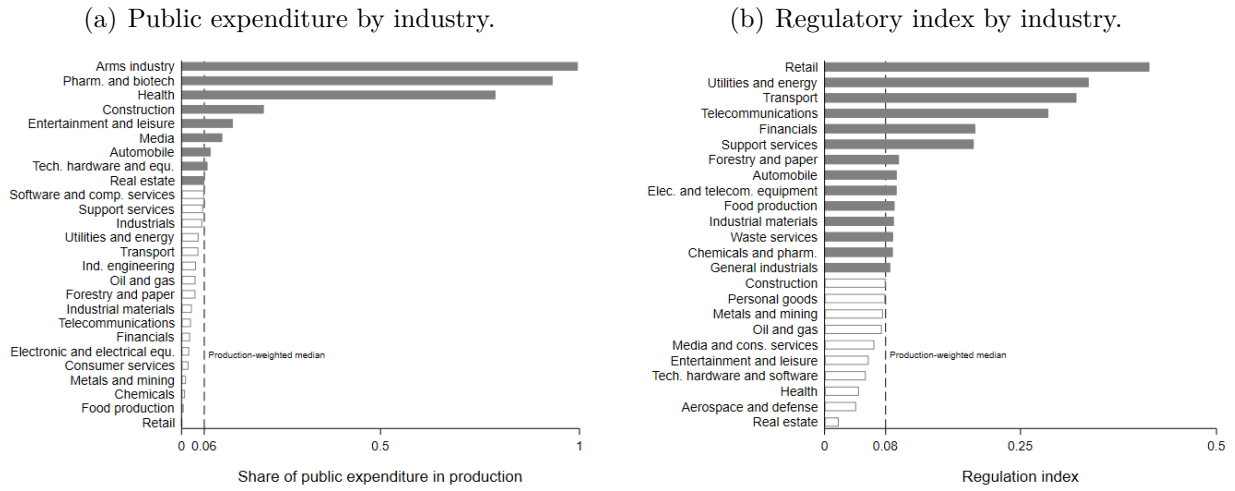


Figure D1(a) displays the 1995–2018 average share of public expenditure in industry production. Figure D1(b) displays the 2000–2007 average regulatory impact index of each industry. Industries are *ad-hoc* meta-industries. See the text for more details.

E Additional heterogeneity analyses

This Appendix presents additional analyses of the heterogeneity in market reaction to *Légion d'honneur* awards.

Figure E1 explores this by firm size. We first reconstruct, at each cohort date, a pseudo SBF 120 and a pseudo CAC 40 that include the then 120 and 40 largest firm capitalizations, respectively. We also construct quartiles of market capitalization at each cohort date. Figure E1 displays the 2-day compound abnormal returns for each of these groups of firms, and shows that market reaction is concentrated in smaller firms.

Boards are composed of executive and non-executive Directors, whose role is a *priori* less important in firms' strategic development.⁵² However, Figures E2(a) and (b) show that firm value is influenced equally by *Légion d'honneur* awards to executive and non-executive Directors.

By contrast, recipient gender matters: Figures E3(a) and (b) show that there is no significant market reaction to a female Director receiving a *Légion d'honneur*, whereas there is for male Directors. Figures E3(c) and (d) confirm this lack of response both pre- and post-2008 (the year in which gender-balanced cohorts were introduced). This result then seems to be structural, and not simply driven by the additional female recipients following the quota.⁵³ However, women are notably under-represented in terms of awarded Directors, accounting for under 15%, so that we should be cautious regarding the market reaction to these awards as it is not very precisely estimated.

As shown in Figures E4(a)–(c), the market reaction to awards varies little by award rank. While compound abnormal returns seem to be larger for the highest ranks (*Commandeur*, *Grand officier* and *Grand'croix*) than for the *Chevalier* and *Officier* ranks, they are also

⁵²As an individual can hold multiple positions in a firm at the same time, we define a position as “executive” at a given date if at least one of the individual’s job descriptions in a firm at that date corresponds to an executive job.

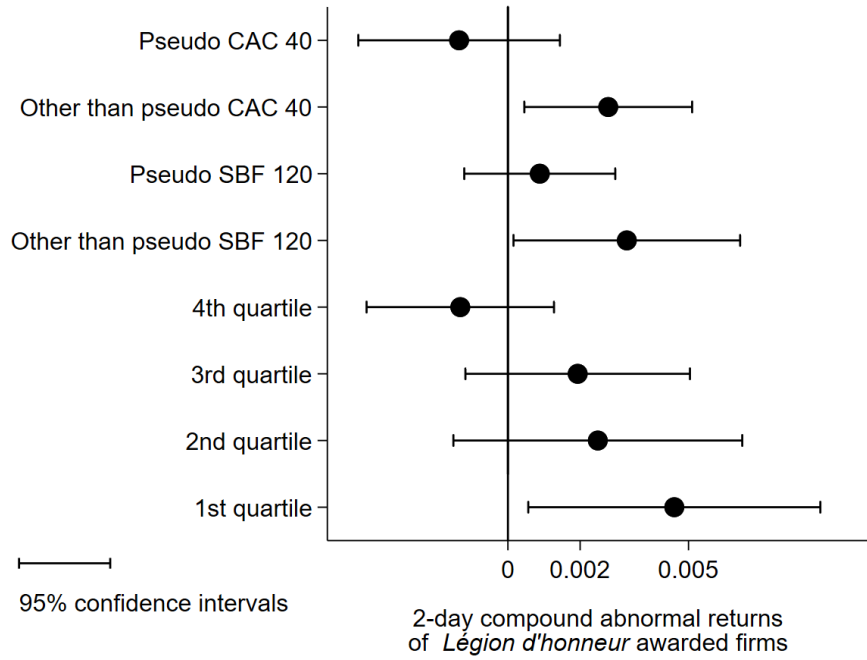
⁵³There was no gender quota in 1995–2007. Business women accounted for 4.7% of awarded Directors over this period, as against 25.2% since 2008. *Légion d'honneur* awards among Business Directors are then not gender-balanced, with the balance at the cohort level being satisfied via more female awards in other fields.

less-precisely estimated due to the smaller number of promotions to the higher ranks.

About 60% of the *Légions d'honneur* we observe are officially given on behalf of the Ministry for the Economy and Finance. Figures E5(a) and (b) plot firms' compound abnormal returns according to whether the award was made on behalf of this Ministry: no striking differences are found.

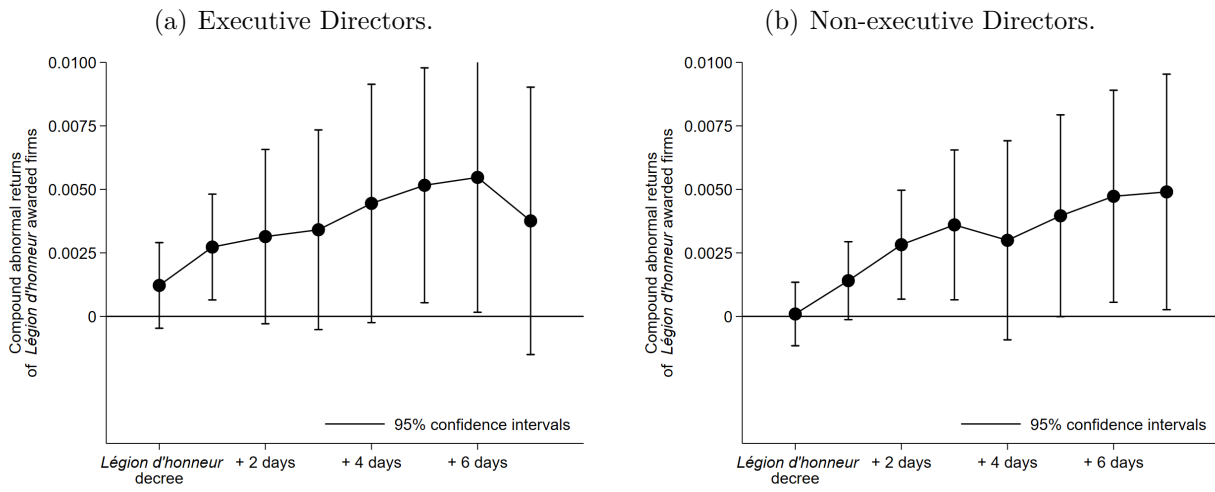
Last, Figures E6(a)–(e) split the sample of awards by terms of the five French Presidents of the 1995–2019 period. The market reaction to *Légion d'honneur* awards was larger during the first Presidential term of Jacques Chirac and the Presidency of Nicolas Sarkozy; these periods stand in sharp contrast to the second term of Jacques Chirac and the term of François Hollande, during which abnormal returns were close to zero. Sharp conclusions are however difficult to draw, due to the mechanically larger standard errors by sub-periods reflecting fewer observations. The estimates for the (incomplete) term of Emmanuel Macron illustrate this point.

Figure E1: Firms' compound abnormal returns following the award of a *Légion d'honneur* by firm size.



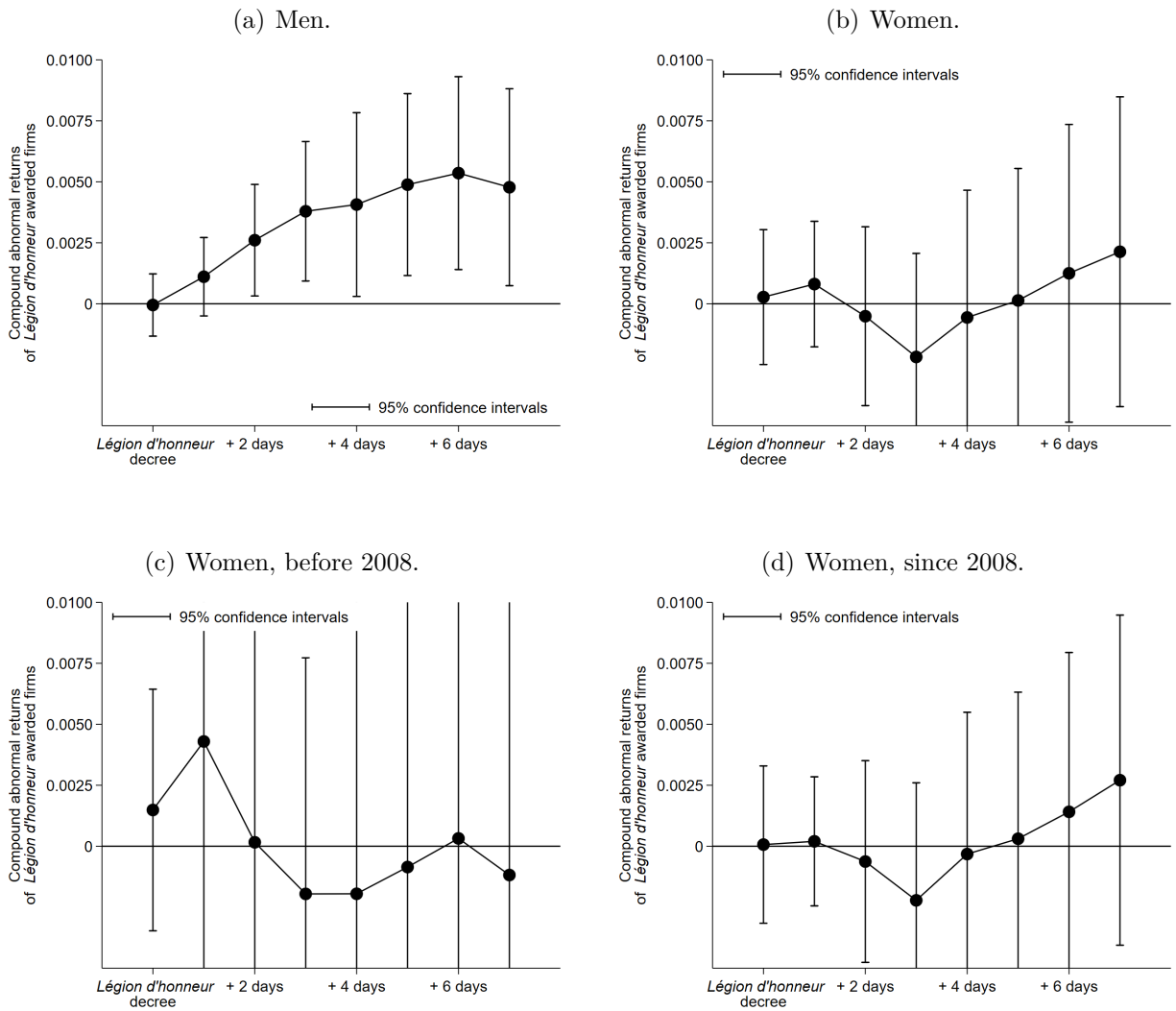
See the notes to Figure 4. The distribution of firms' market capitalization is reconstructed at each *Légion d'honneur* cohort date. The *pseudo CAC 40* and *pseudo SBF 120* include the 40 and 120 largest market capitalizations at each date, respectively. The number of observations by group are as follows. 304 (941) positions of Directors of pseudo CAC 40 (SBF 120) firms; 1,561 (924) positions of Directors of firms out of the pseudo CAC 40 (SBF 120); 470, 524, 479 and 392 positions of Directors in the first, second, third and fourth quartile of firms' market capitalization.

Figure E2: Firms' compound abnormal returns following the award of a *Légion d'honneur* by the executive status of the awarded Director.



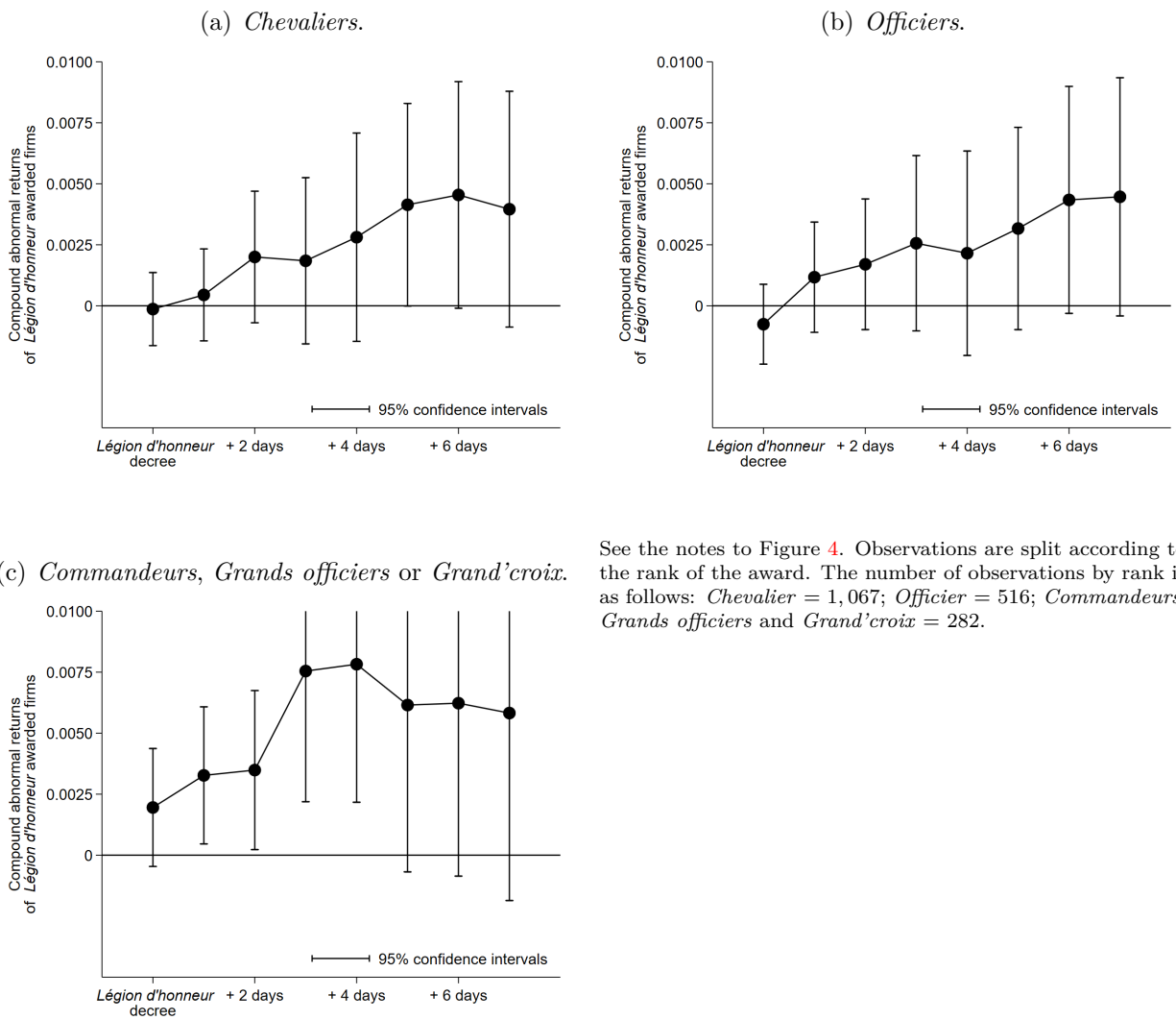
See the notes to Figure 4. Observations are split according to the executive status of the awarded Director. There are 1,430 positions of executive Directors and 435 of non-executive Directors.

Figure E3: Firms' compound abnormal returns following the award of a *Légion d'honneur*, by recipient gender.



See the notes to Figure 4. In Figures E3(a) and (b), observations are split by recipient gender. There are 1,588 positions of male recipients and 277 positions of female recipients. Since 2008, *Légion d'honneur* cohorts have to be gender-balanced (this requirement applies at the full cohort level, not to firm Directors). Figure E3(c) covers 52 positions of female Directors before 2008, and Figure E3(d) 225 positions of female Directors since 2008.

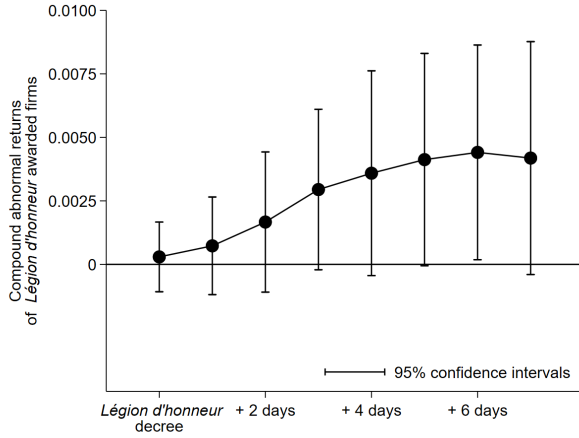
Figure E4: Firms' compound abnormal returns following the award of a *Légion d'honneur* by award rank.



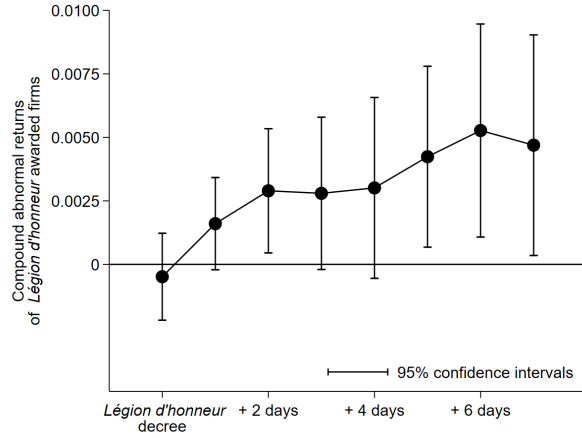
See the notes to Figure 4. Observations are split according to the rank of the award. The number of observations by rank is as follows: *Chevalier* = 1,067; *Officier* = 516; *Commandeurs, Grands officiers* and *Grand'croix* = 282.

Figure E5: Firms' compound abnormal returns following the award of a *Légion d'honneur* by the entity on behalf of which the award is attributed.

(a) Ministry for the Economy and Finance (*Bercy*).

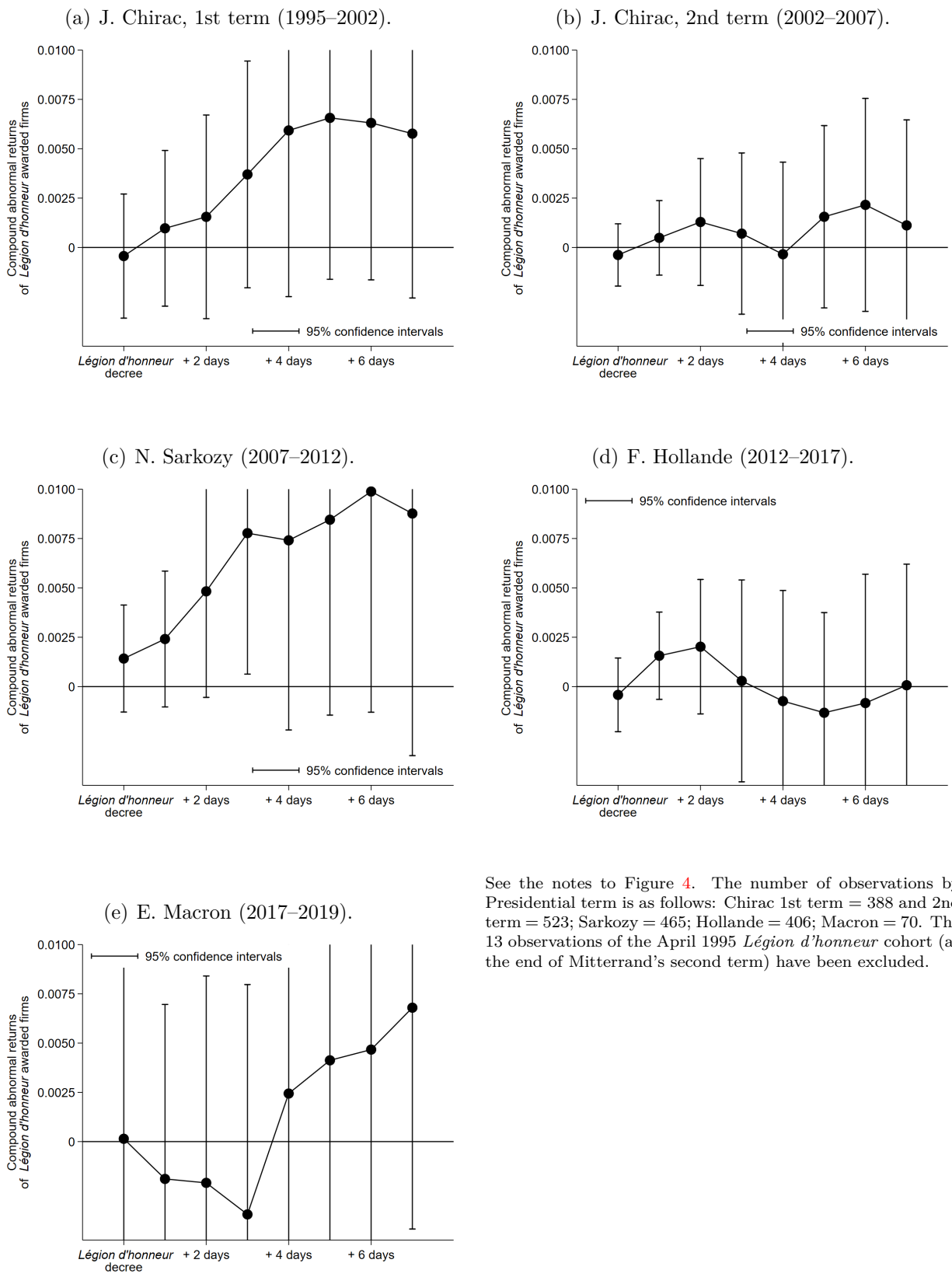


(b) Other entities.



See the notes to Figure 4. Observations are split according to the entity on behalf of which the award is granted, as recorded in *Légion d'honneur* decrees. 1,151 awards are granted by the *Ministry for the Economy and Finance (Bercy)*, and 714 by other awarding entities including, by order of importance, the Prime Minister, Ministry of Environment, Housing and Transport, Ministry of Defense, Ministry of Foreign Affairs, Presidency of the Republic, *Chancellerie de la Légion d'honneur*. As the Ministries' portfolios have changed slightly over time, we classify as Ministry for the Economy and Finance (Bercy) the Ministries containing the following keywords in their labels: *économie* (economy), *finance* (finance), *budget* (budget), *commerce* (trade), *consommation* (consumption), *industrie* (industry), *redressement productif* (productive recovery), *comptes publics* (public accounts), *entreprises* (firms), *plan de relance* (stimulus package), *emploi* (employment), *travail* (labor), and *égalité professionnelle* (professional equality).

Figure E6: Firms' compound abnormal returns following the award of a *Légion d'honneur* by Presidential mandate.



See the notes to Figure 4. The number of observations by Presidential term is as follows: Chirac 1st term = 388 and 2nd term = 523; Sarkozy = 465; Hollande = 406; Macron = 70. The 13 observations of the April 1995 *Légion d'honneur* cohort (at the end of Mitterrand's second term) have been excluded.