CEO Political Ideology and Voluntary Forward-looking Disclosure

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Abstract

This study investigates whether the management earnings forecasts of Republican and Democratic CEOs differ due to systematic differences in their information disclosure preferences. We find that Republican CEOs prefer a less asymmetric information environment than Democrat CEOs, and thus make more frequent, timelier, and more accurate disclosures than Democrat CEOs. Results using the propensity score matched sample and difference-in-differences analysis show that our results are unlikely to be driven by potential endogeneity. Our results are robust to controlling for various CEO characteristics and are stronger for firms with higher levels of institutional ownership and litigation risk.

Keywords: CEO Political Ideology; Management Earnings Forecasts; Conservatism; Information disclosure; Republican versus Democrat.

JEL classification: D82, M41, P16, G34, G40.

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I. Introduction[5]

At present, the U.S. is experiencing an unprecedented degree of political polarization. The Pew Research Center documents that over the period of 1994 to 2017, the average partisan gap (the difference in opinion between supporters of Republicans and Democrats) has increased from 15 to 36 percentage points.[6] According to a recent Gallup report, political identity influences people's views on a wide variety of matters that are often not directly related to politics (Newport, 2019). Political ideology seems to affect a broad spectrum of our life choices, ranging from what we eat to our perception of climate change. Consistent with these findings, a recent Forbes report argues that, for many, political ideology is becoming an official religion.[7]

A growing body of research has investigated the effect of managers' political ideology on their corporate policies. This literature shows that Republican CEOs have more conservative investment and financial policies than Democrats (e.g., Hong and Kostovetsky, 2012; Di Giuli and Kostovetsky, 2014; Hutton et al., 2014; Francis et al., 2016; Elnahas and Kim, 2017), are less likely to engage in earnings management, pay lower audit fees, and have higher financial reporting quality (Dong et al., 2018). These findings are in line with the predictions of the behavioral consistency principle that CEOs' conservatism shapes a wide range of their corporate policies.[8,9] However, the actual effect of CEO conservatism might be understated in

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[5] Abbreviations used in this paper:
MEFs – management earnings forecasts

[6] A summary of Pew's report can be found at the following link: https://www.people-press.org/2017/10/05/the-partisan-divide-on-political-values-grows-even-wider/

[7] See more details at https://www.forbes.com/sites/johnhart/2017/11/30/is-ideology-becoming-americas-official-religion/#ce0893a164b3

[8] Similarly, Wintoki and Xi (2019) document that mutual fund managers allocate assets to firms whose executives and directors share a similar political partisan affiliation.

[9] Researchers study CEO political ideology, as a personal trait, because personal political ideology is established in early adulthood and becomes relatively consistent over time (Jost and Amodio, 2012). Further, political ideology can be clearly measured based on a CEO's political donations and hence is subject to little measurement error.

these studies because financial and investment policies tend to be persistent, with less managerial discretion (Fee et al., 2013).[10]

Management earnings forecasts (MEFs), one of the voluntary disclosures over which managers have a higher degree of managerial discretion (e.g., Houston et al., 2010; Cheng et al., 2013), could provide a much cleaner setting in which to investigate the impact of CEO political ideology on corporate policy choices.[11] This is so, in particular, because managers can exercise their full discretion over management earnings forecasts (MEFs) to alter investor expectations about the future stock price, mitigate information asymmetry (Brown and Hillegeist, 2007), reduce the cost of capital (Baginski and Rakow, 2012), increase analyst following (Ajinkya et al., 2005), and enhance a firm's reputation for accurate and transparent reporting (Graham et al., 2005). In this study, we investigate a hitherto under-explored question of whether and, if so, how CEO conservatism (captured by his/her political ideology) influences MEFs.

Conservatism is defined by Wilson (1973: p.4) as "resistance to change and the tendency to prefer safe, traditional, and conventional forms of institutions and behavior." Since the early 1950s, political conservatism has been studied by political scientists, historians, sociologists, and philosophers, among others. During these decades of research, several theoretical frameworks have emerged to explain the psychology of politically conservative individuals (Jost et al., 2003). First, personality theories associate political conservatism with authoritarianism and intolerance of ambiguity (Peterson et al., 1993). Second, epistemic and existential need theories postulate that conservatives have a higher need for closure, a desire for security and stability, and a preference for the avoidance of threats and change (Jost et al., 1999). Finally, sociopolitical theories argue

[10] Several empirical studies show that firms adjust their capital structure slowly over multiple years (e.g., Flannery and Rangan, 2006).
[11] Management earnings forecasts are defined as voluntary managerial disclosures predicting earnings prior to the actual earnings reporting date.

that conservatives have a higher preference for social dominance and system justification (Sidanius and Pratto, 1999).

These theories have interesting implications concerning conservative CEOs' attitudes towards transparency and voluntary disclosure like MEFs. On the one hand, by definition, individuals with a high need for closure do not have a high preference for information disclosure. Further, failure of actual earnings to meet MEF could increase litigation risk (Francis et al., 1994) as well as CEO turnover (Lee et al., 2012). Consequently, transparency and high-quality disclosure can represent a threat to individuals with authoritarian personalities. As a result, the authoritarian nature and need for closure of politically conservative CEOs can foster their tendency to seize on information (Jost et al., 2003), and thus lead them to prefer less transparent disclosure. In this study, this effect of conservative political ideology on CEO disclosure policies is conveniently called the *authoritarian effect*.

On the other hand, prior research shows that high-quality MEFs have several significant benefits for firms as well as CEOs. At the firm level, high-quality MEFs increase firm value and reduce firm risk (Trueman, 1986), information asymmetry (Brown and Hillegeist, 2007), share price volatility (Graham et al., 2005), and the likelihood of litigation (Skinner, 1994). At the CEO level, high-quality MEFs enhance managerial reputation (Graham et al., 2005) and reduce career penalties in the form of bonus cuts, fewer stock grants, and forced turnover (Lee et al., 2012). These potential personal costs, which can be mitigated by high-quality MEFs, represent an important form of potential losses to CEOs. As a result, politically conservative CEOs' intolerance of ambiguity, desire for security (including job and financial security), and preference for the avoidance of uncertainty and threats can lead them to adopt more transparent and higher-quality disclosure policies. This effect is conveniently called the *precautionary effect*.

Hence, conservative (Republican) CEOs' attitudes towards MEFs are determined by the trade-off between the two effects mentioned above, that is: (i) the perceived benefits to be achieved by satisfying their authoritarian needs through seizing on information (the authoritarian effect); and (ii) the perceived losses to be prevented by adopting more transparent disclosure policies (the precautionary effect). Political conservatives have been described by personality theoreticians as generally more sensitive to the threat of loss and to negatively framed outcomes (e.g., potential losses) than to positively framed outcomes (e.g., potential gains) (Jost et al., 2003). Accordingly, we conjecture that conservative CEOs are more motivated by the *precautionary effect* than by the *authoritarian effect*, leading them to adopt more transparent disclosure policies.

Conservative CEOs' preference for more transparent MEFs was apparent when Hewlett Packard's (HP) Democrat CEO Lewis E. Platt was succeeded by the renowned Republican Carly Fiorina in 1999. HP's MEFs experienced a drastic change upon this move from a Democrat CEO to a Republican CEO. Specifically, whereas Mr. Platt had an average forecast issuance, frequency, and accuracy of 0.14, 1.00, and 1.00, respectively, Mrs. Fiorina had significantly higher forecast issuance, frequency, and accuracy of 0.60, 3.33, and 2.43, respectively.[12] In this paper, we present evidence that HP is not a unique example; instead, it is just the tip of the iceberg.

Following Hutton et al. (2014), among others, we use CEOs' political donations to a candidate or a party committee to measure their political ideology.[13] Using a sample covering the period of 1993–2016, we examine the effect of CEO political ideology on managers' forecast preferences and various properties of MEFs, including (i) managers' preference for forecast

[12] Forecast issuance is a binary variable that captures the likelihood of issuing MEFs, forecast frequency refers to the number of MEF issues during the fiscal year, and forecast accuracy captures the difference between MEF and actual earnings. Appendix A provides operational definitions of the three variables.

[13] Other studies adopting similar measures include Hong and Kostovetsky (2012), Francis et al. (2016), Elnahas and Kim (2017), and Bhandari et al. (2018).

issuance and frequency; (ii) managers' preference for forecast horizon and range; (iii) MEF accuracy.

To provide systematic evidence on the impact of CEO political ideology on CEO voluntary disclosure strategy, we first examine whether, and if so, how, CEO political ideology influences the likelihood and frequency of issuing MEFs. In so doing, we classify CEOs into Republican CEOs and Democrat CEOs, using data on CEOs' donations to two political parties. We find that, on average, Republican CEOs are approximately 13 percent more likely to issue forecasts than Democrat CEOs. Further, among CEOs who issue MEFs, Republican CEOs disclose 16.5 percent more forecasts, on average, compared to Democrat CEOs. Second, we test the effect of CEOs' political ideology on the earnings forecast horizon and forecast range. Due to their preference for avoiding a negative market reaction and litigation if they miss their forecasts, we expect Republican CEOs to prefer range over point forecasts, compared to Democrat CEOs. Further, due to their preference for avoiding ambiguity and information asymmetry, we expect Republican managers to issue timelier forecasts than Democrat CEOs. Our results show that Republican CEOs are more likely to issue range forecasts and issue forecasts in a timelier fashion than Democrat CEOs, which is consistent with their conservative political ideology (Hutton et al., 2014). For instance, Republican CEOs issue 12.7 percent more range estimates than non-Republican CEOs. Further, Republican CEOs have an average forecast horizon that is approximately 11 percent longer than that of Democrat CEOs.[14] Third, we test for the effect of CEO political ideology on the credibility of MEFs. We find that forecasts made by Republican CEOs are, on average, 8.7 percent more accurate than those made by Democratic CEOs.

[14] We use the terms, Republican (Democratic) CEOs and conservative (liberal) CEOs interchangeably throughout the paper.

We conduct several tests to alleviate concerns about potential endogeneity in our baseline results. First, we use the propensity score matching (PSM) technique and difference-in-differences (DID) regressions around CEO turnover events to address the possibility that certain types of firms and industries hire CEOs with a similar political ideology to implement their desired corporate policies. Second, we address the possibility that our baseline results are affected by correlated omitted CEO characteristics, incentives, or overconfidence. Specifically, we control for CEO pay-performance sensitivity (*Delta*) and CEO risk-taking incentives (*Vega*), CEO tenure, CEO gender, role duality, CEO age, and CEO overconfidence. Third, to address possible measurement errors inherent in our baseline measures of CEO political ideology (for which we follow Bhandari et al. (2018) and Hong and Kostovetsky (2012)), we construct alternative measures of CEO political ideology, similar to Hutton et al. (2014) and Elnahas and Kim (2017). We find that our results are robust to these alternative measures. Overall, we find that our baseline results are robust to the use of PSM, DID design, and other sensitivity checks, suggesting that our results are unlikely to be driven by potential endogeneity caused by correlated omitted variables, reverse causality, and/or measurement errors.

To further test our conjecture that Republican CEOs favor higher-quality MEFs to avoid litigation and other disciplinary actions (i.e., the precautionary effect), we also conduct cross-sectional tests using subsamples of firms with large and small institutional ownership and those with high and low litigation risk. The results of these subsample tests lend strong support to the presence of the precautionary effect or the precautionary effect dominating the authoritarian effect. Specifically, in firms with a high level of institutional ownership, Republican CEOs are 17.7 percent more likely to issue forecasts than non-Republican CEOs; in contrast, they are only 9.7 percent more likely to do so in firms with a low level of institutional ownership. Similarly, in firms with high litigation risk, the accuracy of forecasts issued by Republican CEOs is 20.6 percent higher than those issued by non-Republican CEOs, whereas it is only 5.4 percent higher in firms with low litigation risk.

To lend further support to our conservatism hypothesis, we conduct several cross-sectional tests based on CEO age, inside debt, marital status, tenure, the political ideology of a firm's headquarters location, and policy uncertainty. Consistent with our conservatism hypothesis, our results are stronger for older CEOs, CEOs with higher inside debt, married CEOs, CEOs with shorter tenure, and firms located in Republican states. Further, the results are stronger during periods of high policy uncertainty, especially for firms located in red states.

This paper is accompanied by an internet appendix that presents a battery of additional robustness tests. We control for managerial ability, the political ideology of the CFO and top management team (TMT), political activism, and alternative measures of CEO political ideology and overconfidence. Further, to address the coverage issue of the management guidance database, we exclude firms that have never issued earnings forecasts during our sample period.[15] Lastly, we use several alternative statistical specifications for our baseline as well as our PSM tests. We find that our main results are robust to these sensitivity checks.

This study makes several contributions to the literature. First, in a broad sense, our study contributes to the literature on the effects of cultural traits on corporate decision-making (e.g., Ahern et al., 2015). More specifically, it contributes to the recent stream of research investigating the effect of CEO political ideology on corporate policy choices. This strand of research focuses largely on corporate investment and financial policies. For instance, Hutton et al. (2014) find that

[15] Furthermore, we run a robustness test that includes only firm-year observations in which firms issue one or more MEFs, and again find support for our main findings. These results are available in the Internet Appendix.

Republican managers pursue more conservative corporate policies, such as lower debt, lower R&D expenditure, and less risky investment policies. Similarly, Elnahas and Kim (2017) find that Republican CEOs are less likely to engage in M&A activities and avoid diversification. Francis et al. (2016) find that Republican managers are less likely to engage in corporate tax avoidance. Hong and Kostovetsky (2012) find that mutual fund managers who make political donations to Democrats are less likely to invest in socially irresponsible firms. Surprisingly, however, this line of research has paid little attention to the role of CEO political ideology in shaping corporate disclosure policies. To the best of our knowledge, our study is the first to examine the impact of CEO political ideology on voluntary disclosure in the form of management earnings guidance or MEFs. Our study fills this knowledge gap by providing large-sample, systematic evidence on the relation between CEO political ideology and a firm's decisions on whether, when, and how to issue forward-looking earnings guidance.

Second, we note that studying the impact of CEO political ideology on MEFs is less subject to confounding effects than studying its impact on investment and financial policies. This is because investment and financing policies have lower managerial discretion and thus tend to be persistent (Fee et al., 2013). In contrast, MEFs are voluntary and so are subject to a higher degree of managerial discretion (e.g., Houston et al., 2010; Cheng et al., 2013). Thus, MEFs provide a cleaner setting in which to investigate how CEOs' personality traits, such as political ideology, translate into their corporate policy choices, allowing us to make stronger and more reliable inferences on the role of CEO political ideology in shaping corporate policies.

Another reason that makes this study different from prior studies on CEO political ideology and makes its research question worthy of investigation is that transparency and quality disclosure are not exclusively claimed by one political party. Prior studies find that Republican CEOs tend to adopt more conservative financial and investment policies (Hong and Kostovetsky, 2012; Hutton et al., 2014; Francis et al., 2016; Elnahas and Kim, 2017), while Democrat CEOs tend to engage more in corporate social responsibility (CSR) activities (Di Giuli and Kostovetsky, 2014). This finding enhances our understanding of how CEOs' personal traits affect their firms' decision-making. However, it is not surprising that conservative CEOs act conservatively and pro-social CEOs engage more in socially responsible activities.

In practice, who advocates for transparency and quality disclosure—conservatives or liberals? Berliner (2014) sheds some light on this matter by investigating the political origins of transparency by tracing the emergence of the Freedom of Information Acts (FOIA) globally. He shows that while the FOIA in Canada was passed in 1982 by the Liberal party, it was opposed and delayed for years by the Liberal Democratic Party (LDP) in Japan. In the U.S., the FOIA was first proposed by the Democrat congressman John Moss. However, in the meantime, it was almost vetoed by the Democrat president Lyndon Johnson and was opposed by almost all federal agencies and departments. Recently, Joshua et al. (2017), in their Washington Post article, reviewed the results of a survey, conducted by a group of researchers at the University of Massachusetts, on how Republicans and Democrats support basic democratic freedoms. Interestingly, Republicans and Democrats both express their support for freedoms related to transparency and disclosure, like freedom of speech and freedom of the press. Given this background, we aim to provide systematic evidence and useful insights that help to better understand how CEOs' personal traits affect their firms' decision-making and contribute to the ongoing debate on who, Republicans or Democrats, favors more transparency and higher-quality disclosure, when in power.

Finally, this study contributes to the literature on the determinants of MEFs and the association between CEO personal characteristics and MEFs. Hribar and Yang (2016) find that

CEO overconfidence increases forecast issuance and optimism and reduces forecast precision. Similarly, Bamber et al. (2010) find that managers with finance and accounting backgrounds and those with military experience issue conservative earnings forecasts and prefer a more precise disclosure style. Further, Jiang et al. (2016) find that conservative analysts issue more frequent and accurate forecasts and produce better quality research. Our study extends this literature and presents evidence that Republican CEOs tend to issue more frequent and more accurate forecasts.

The paper proceeds as follows. Section 2 reviews the literature on behavioral consistency, CEO political ideology, and MEFs. Section 3 describes our data and the construction of our measures of CEO political ideology. Section 4 presents the empirical results and discusses their interpretation. Section 5 reports the robustness tests. The final section provides a summary and concluding remarks.

II. Literature Review

Researchers in sociology and behavioral psychology have studied the implications of the behavioral consistency theory and show that people behave consistently across different domains. For example, Epstein (1979) argues that individuals show stable behavioral patterns over time and across different areas. More recently, researchers in financial economics investigate whether the behavioral consistency theory can help understand various corporate decisions. For instance, Cronqvist et al. (2012) find consistent patterns between a firm's leverage decisions and the CEO's personal leverage decisions. Similarly, Biggerstaff et al. (2015) find that CEOs who are personally benefiting from options backdating tend to engage more in corporate misconduct.

Prior literature also suggests that CEOs' personal conservatism and risk-taking behavior are reflected in corporate decision-making. For instance, Graham et al. (2013) show that CEOs' optimism and risk aversion affect their firms' financial policies. Further, Benmelech and Frydman (2015) show that military CEOs are more conservative and behave more ethically than other CEOs. Similarly, Cain and McKeon (2016) argue that pilot CEOs are associated with higher equity return volatility, higher leverage, and higher levels of acquisition activity. Davidson et al. (2015) also find that CEOs' off-the-job behavior is positively related to their corporate behavior. In sum, managers' personality traits have been found to remain consistent across different domains and consequently influence their corporate policy choices.

A. Political Ideology, Personality Traits, and Corporate Policies

Of late, researchers in corporate finance have paid considerable attention to CEO political ideology and its impact on corporate policy choices. Unlike other personal traits, a person's political orientation tends to be stable and consistent over time.[16] For example, Alford et al. (2005) argue that genes play a crucial role in shaping political attitudes, ideologies, and the strength of an individual's party identification. More importantly, Jost and Amodio (2012) argue that political ideology is established in early adulthood and becomes relatively consistent over time. The literature dealing with political ideology issues often substitutes "liberalism" and "conservatism" for "liberal" and "conservative," "left" and "right," or "Democrat" and "Republican."

Another reason why financial economists pay particular attention to CEO political ideology is the increasing polarization of the political environment in the U.S. This political

[16] If political ideology was subject to changes over time, then studying the relation between political ideologies into corporate policy choices would be potentially troublesome.

environment has triggered several studies that aim to understand the differences between the two dominant political orientations in the U.S., namely Republicans and Democrats. Behavioral psychology literature finds stark ideological and psychological differences between the two groups; the main difference between the two political ideologies is the degree of openness to change. Jost et al. (2003) argue that conservatives avoid ambiguity, uncertainty, and complexity. Relative to liberals, conservatives prefer to punish violators of social norms and prevent free riders, value job security more highly than task variety, fear losses, value financial security, value property rights, and show more respect for authority and preference for preserving the status quo. Further, Wilson (1973) shows that conservatives seek familiarity and safety and are resistant to change.

Several studies in financial economics investigate whether the above personality differences between conservatives and liberals translate into their firms' corporate decisions. These studies show that Republican managers prefer less risky investment and financial policies, are less likely to engage in mergers and acquisitions, avoid high information-asymmetry acquisitions, and are less likely to engage in corporate tax avoidance (Hutton et al., 2014; Francis et al., 2016; Elnahas and Kim, 2017). In contrast, Democrat managers are more likely to invest in corporate social responsibility and less likely to invest in socially irresponsible firms (Hong and Kostovetsky, 2012; Di Giuli and Kostovetsky, 2014). Furthermore, Hutton et al. (2015) find that Democrat managers are more likely to face litigation for securities fraud and intellectual property rights violations, whereas Republican managers are more likely to face civil rights, labor, and environmental litigation.[17] More recently, Lee et al. (2018) show that Republican

[17] Political ideology may affect the decisions of other decision makers too. For example, Jiang et al. (2016) argue that conservative analysts produce more accurate earnings forecasts, issue more frequent forecast updates, are less likely to deviate from benchmarks, and produce better quality research than other analysts.

CEOs hold more outside directorship roles, regardless of the political regime. Finally, Babenko et al. (2020) find that CEO political orientation affects employee campaign contributions, whereby candidates supported by the CEO receive three times more contributions from employees than candidates not supported by the CEO.

In a broad sense, the aforementioned literature is mainly concerned about whether, and, if so, how CEO political ideology is associated with corporate investment and financial policies. Although CEOs certainly have a significant impact on firms' investment and financial policies, they do not have full autonomy over such policies due to several organizational considerations. For instance, Fee et al. (2013) argue that firms' investment and financing decisions are persistent and more likely to be determined by a firm's past policies and culture, and, thus are subject to limited managerial discretion. Moreover, investment and financial policies that deviate greatly from value maximization are usually challenged by the market for corporate control.

In contrast, MEFs are voluntary, and managers have substantial discretion over whether, when, and how to issue earnings forecasts (Cheng et al., 2013). For instance, managers can temporarily stop issuing earnings forecasts if they fail to meet analysts' forecasts and resume issuance when they feel confident about meeting analyst forecasts (Houston et al., 2010). Similarly, managers tend to increase disclosure and bad news forecasts before insider purchases and equity offerings, strategically choose forecast precision, voluntarily disclose bad news forecasts, and tactically avoid negative earnings surprises (Skinner, 1994; Matsumoto, 2002; Cheng et al., 2013). Thus, MEFs provide an ideal setting in which to test how CEOs' personality traits affect corporate policy choices. CEOs, whether Republicans or Democrats, may face several limitations in infusing their political ideologies into their firms' investment and financing policies. In contrast, CEOs, whether Republicans or Democrats, are better able to infuse their political ideologies into their voluntary disclosures, such as MEFs.

B. Management Earnings Forecasts

Existing literature identifies several firm-level and CEO-level characteristics as main determinants of the likelihood of issuance, forecast frequency, and other properties of MEFs. At the firm level, MEFs depend on firms' legal and regulatory environment, investor demand, firm-specific litigation risk, earnings volatility, and managerial compensation incentives. For instance, investors tend to prefer investing in firms that have better disclosure policies and lower information asymmetry because such firms enjoy higher liquidity, lower cost of capital, and lower agency problems (e.g., Diamond and Verrecchia, 1991; Ajinkya et al., 2005). Moreover, firms with higher R&D expenditure are less likely to issue forecasts (Rogers and Stocken, 2005). Similarly, firms with higher earnings volatility tend to issue forecasts less often, and more profitable firms are likely to issue forecasts more frequently (Miller, 2002). Waymire (1985) argues that firms with more volatile earnings tend to issue forecasts later in the year, indicating that forecast timeliness reflects earnings variability. Skinner (1994) argues that firms voluntarily disclose bad news forecasts to avoid subsequent litigation. Similarly, firms with higher ex-ante litigation risk and bad news are more likely to issue forecasts (Houston et al., 2019).

At the CEO level, researchers show that MEFs are affected by CEOs' compensation design, ability, overconfidence, and career concern. Stock-based incentives should increase MEF frequency and reduce agency problems in disclosure. For example, Baginski et al. (2018) find that managers' severance pay and stock option portfolios increase their earnings forecast accuracy. Baik et al. (2011) find that CEOs' ability is positively associated with forecast issuance, frequency, and accuracy. Further, Hribar and Yang (2016) argue that overconfident CEOs are more likely to issue MEFs. Their forecasts are more optimistic, and they are more likely to miss their forecasts subsequently. Prior literature also recognizes the role that a CEO's career concern can play in shaping MEFs. Pae et al. (2016) find that CEOs with greater career concerns are more likely to provide downward earnings guidance and less likely to beat market expectations; managers' career penalties, such as bonus cuts, fewer stock grants, and forced turnover, can also affect their earnings forecast decisions. Moreover, Lee et al. (2012) find a positive relation between CEO turnovers and MEF errors.

Due to the high level of autonomy and discretion that CEOs have over voluntary disclosure, we expect disclosure to be affected by CEOs' personal preferences. As discussed earlier, we expect that conservative individuals, such as Republican CEOs, have less tolerance for ambiguity, uncertainty, and complexity, value job security, and have a higher fear of losses than other individuals. We further expect Republican CEOs to utilize MEFs as a mechanism to alter investors' earnings expectations, reduce future litigation concerns, and establish their reputation with regard to transparent and accurate reporting. Drawing on the above discussions, this study aims to provide large-sample evidence on the effect of CEO political ideology on various aspects of MEFs, including the likelihood of issuing forecasts, and forecast frequency, range, horizon, and accuracy.

III. Data and Sample Selection

A. Data

We start with an initial sample of CEOs from the ExecuComp database covering firms in the S&P 1500 index from 1993 to 2016. We exclude financial firms (SIC between 6000 and

6999) and firms in the utility industry (SIC between 4900 and 4999). Then, we merge CEO data with individual donations data obtained from the Federal Election Commission (FEC). The FEC publishes several types of files that identify donors who have made political contributions in amounts exceeding $200. The individual's contribution files contain information on the contributor's name, city, state, zip code, employer, and occupation, as well as transaction date, amount, and unique committee ID. A committee is formed by a candidate or a political party to collect funds and contributions from individuals. The committee files contain a committee ID, name, type, party affiliation, city, state, zip code, and candidate ID.

CEOs and other corporate managers can contribute to political parties through their company's Political Action Committees (PACs) or directly by making individual contributions. Because PACs can contribute to multiple parties simultaneously (Cooper et al., 2010), we focus on individual political contributions to a candidate or a party committee to measure a CEO's political ideology. We identify the political contributions of CEOs using their contributions to Republican- and Democrat-affiliated Senate, House, presidential candidates, and political party committees.[18] To identify a CEO's contributions to a political party, we link the contributor's name, occupation, employer, and transaction date provided by the FEC with the executive's name, company name, and fiscal year from the ExecuComp database.

Our management earnings per share (EPS) forecast data comes from I/B/E/S. We obtain actual earnings data from the I/B/E/S actuals file to ensure consistency between MEFs and EPS

[18] Details of the campaign contribution data are available at the Federal Election Commission (FEC), https://www.fec.gov//. We focus on the CEOs individual level campaign contribution rather than at the firm level for two reasons: (1) firms may contribute to exploit the political favors to maximize shareholders' benefits (Blau et al., 2013) whereas individuals' contributions mainly reflect their personal political preference; (2) to exploit political benefits, firms typically contribute to both parties and/or their contribution may vary depending on the congress majority in each election cycle, whereas individuals' contributions generally remain consistent across election cycles and they are mostly directed towards only one party.

realization. Following Baik et al. (2011), Lee et al. (2012), and Hribar and Yang (2016), we exclude qualitative forecasts because we do not have well-defined criteria to identify whether such forecasts were missed. We also exclude earnings preannouncements (i.e., management forecasts that are issued after the fiscal year-end but before the actual earnings announcements (Ajinkya et al., 2005; Rogers and Stocken, 2005; Houston et al., 2019). Following prior literature, we restrict our analyses to annual EPS forecasts (Baik et al., 2011; Hribar and Yang, 2016).

Finally, we acquire data on firm-level characteristics from Compustat, stock return data from the Center for Research in Security Prices (CRSP), and institutional ownership data from Thomson-Reuters Institutional Holdings (13F). Combining these datasets results in a final sample of 33,951 unique firm-year observations for the period 1993–2016.

B. Measures of CEO Political Ideology

The association between CEO political ideology and corporate decisions has received considerable attention from recent studies, including Hong and Kostovetsky (2012), Hutton et al. (2014), Francis et al. (2016), Elnahas and Kim (2017), and Bhandari et al. (2018). These studies provide a variety of measures for a CEO's political ideology. We follow Bhandari et al. (2018) in constructing our first measure of a CEO's political ideology, *Rep_Dum,* which is an indicator variable that equals one if a CEO has donated more to the Republican Party than to the Democratic Party during her/his entire tenure, and zero otherwise. This is a long-term and robust measure of a CEO's political ideology because it considers the total contributions of her/his entire tenure. Our second measure of a CEO's political ideology, *Rep_Index* is similar to that of Hong and Kostovetsky (2012). Specifically, *Rep_Index* measures the percentage of a CEO's support for the Republican Party, calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by her/his number of donation cycles in the sample period. This measure is based on the two-year election cycle, and a higher percentage shows stronger Republican affiliation.

To mitigate potential noises and biases inherent in specific measures of CEO political ideology and to ensure the comparability of our measures with those employed in the prior literature, we conduct a variety of robustness checks using several additional measures of CEO political ideology. Following Hutton et al. (2014), we use: (i) Rep_dum_{cycle}, which is an indicator variable that equals one if all of the donations made by a CEO in an election cycle are directed to the Republican Party (i.e., none to the Democratic Party), and zero otherwise; and (ii) Rep_index_{cycle}, which is calculated as a CEO's total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in a given election cycle. Further, following Elnahas and Kim (2017), we use Rep_dum_{tenure}, which is an indicator variable that equals one if all donations made by a CEO during her/his entire tenure are directed to the Republican Party, and zero otherwise. Finally, we check the robustness of our results to the use of two different measures of Democratic Party affiliation: (i) *Dem_Dum*, which is an indicator variable that equals one if a CEO donated more to the Democratic Party than to the Republican Party during her/his entire tenure, and zero otherwise; and (ii) *Dem_Index*, measures the percentage of a CEO's support for the Democratic Party, calculated as the number of cycles in which a CEO donates exclusively to the Democratic Party divided by her/his number of donation cycles in the sample period.[19]

C. Measures of Voluntary Disclosure

[19] Detailed descriptions of these variables are provided in Appendix A. Further, in addition to the measures of CEO political ideology reported in the paper, our Internet Appendix reports results using additional measures of Republican Party affiliation, Democratic Party affiliation, and political neutrality.

Following prior literature, we use several proxies to capture the likelihood of issuing MEFs as well as several of their different properties. First, to measure the likelihood of issuing MEFs, we use *Issue,* which is an indicator variable that equals one if a firm makes at least one annual earnings forecast in a fiscal year, and zero otherwise, and *Frequency*, which is the total number of annual earnings forecasts made by a firm in a fiscal year (Ajinkya et al., 2005; Baik et al., 2011; Houston et al., 2019). Second, we measure the forecast horizon, *Ln(Horizon)*, using the natural logarithm of one plus the average horizon of the annual earnings forecasts made by a firm in a fiscal year (Baik et al., 2011; Houston et al., 2019). For each forecast, the horizon is defined as the number of calendar days between the forecast announcement date and the corresponding period end date. We assign a value of zero when a firm makes no forecasts in a fiscal year. To measure the likelihood that a firm issues range instead of point forecasts, we use *Range,* which is an indicator variable that equals one if a firm issues range forecasts, and zero otherwise (Hribar and Yang, 2016). *Accuracy* is the average forecast accuracy for all annual earnings forecasts made by a firm in a fiscal year (Houston et al., 2019).[20]

D. Descriptive Statistics

Table 1 provides descriptive statistics for our measures of CEO political ideology, MEFs, and the control variables used in our baseline models. As shown in Table 1, the mean value of *Rep_Dum* is 0.229, indicating that around 23 percent of CEOs make more contributions to the Republican Party than to the Democratic Party during their entire tenure. The mean value of *Rep_Index* is 0.169, suggesting that in around 17 percent of cycles, CEOs exclusively donate to the Republican Party. These statistics are consistent with those reported by Bhandari et al. (2018),

[20] More detailed descriptions of the calculation of these variables are provided in Appendix A.

Hutton et al. (2014), and Hong and Kostovetsky (2012). The mean value of *Issue* is 0.35, which indicates that, on average, firms have a 35 percent likelihood of issuing at least one annual earnings forecast in a fiscal year. The mean value of *Frequency* is 1.55, suggesting that, on average, firms issue approximately 1.55 forecasts each fiscal year. The mean values of *Issue* and *Frequency* are comparable with those reported by Baik et al. (2011), Hribar and Yang (2016), and Houston et al. (2019). The mean value of *Ln(Horizon)* is 1.83, which means that, on average, firms in our sample release their earnings forecasts 68 days before the forecast period end date. The mean value of forecast accuracy is 1.04, which is comparable with that reported by Houston et al. (2019). Further, Table 1 shows that, on average, institutional investors own about 54.2 percent of outstanding shares, 24 percent of firms are subject to increased risk of litigation, and 20.3 percent of firms have issued equity in the year. The mean values of firm characteristics are comparable with those reported in prior studies, including Ajinkya et al. (2005), Rogers and Stocken (2005), Baik et al. (2011), Hribar and Yang (2016), and Houston et al. (2019).

[Insert Table 1]

Table 2 presents Pearson correlation coefficients. As shown, we find a positive correlation between measures of Republican ideology and measures of the likelihood of MEF issuance (*Issue* and *Frequency*), indicating that Republican CEOs are more likely to share forward-looking information with the market, compared to non-Republican CEOs. Similarly, we find positive correlations between measures of Republican ideology and *Accuracy*, indicating that Republican CEOs make more accurate forecasts. Consistent with prior research, Republican ideology is negatively correlated with *RD* and *Volatility*, and positively correlated with *ROA* (e.g., Hutton et al., 2014). In addition, we find a positive correlation of firm size with *Issue, Frequency, Ln(Horizon),* and *Accuracy*. These correlations are consistent with the idea that larger firms issue more forecasts and have greater forecast accuracy (Ajinkya et al., 2005; Baik et al., 2011; Hribar and Yang, 2016; Houston et al., 2019).

[Insert Table 2]

IV. Analysis and Results

A. Baseline Regression Model

To formally test the association between CEO political ideology and MEFs, we estimate the following regression model:

$$MEF_{it} = \beta_0 + \beta_1 Republican_{it} + \gamma_{it} + \varepsilon_{it} \qquad (1)$$

In equation (1), MEF_{it} refers to the dependent variable capturing management earnings forecast likelihood and properties for firm *i* in year *t*.[21] $Republican$ refers to the various proxies that capture CEOs' Republican political ideology; we use *Rep_Dum* or *Rep_Index* in our main analysis and Rep_dum_{cycle}, Rep_dum_{tenure}, or Rep_index_{cycle} in robustness tests. γ is a vector of control variables. We include a set of indicator variables to control for year and industry fixed effects in all models.

We control for firm size (*Ln(assets)*), market-to-book ratio (*MB*), financial leverage (*Leverage*), the intensity of investment in research and development expenditure (*RD)*, return on assets (*ROA)*, return volatility (*Volatility*), analyst following (*Ln(Analyst)*), and institutional ownership (*Instit_Own)*, because prior research shows that these variables influence the likelihood and properties of MEFs (Miller, 2002; Ajinkya et al., 2005; Houston et al., 2019). We also control

[21] We use an OLS regression model for continuous earnings forecasts measures and a logit regression model for binary earnings forecasts measures.

for litigation risk (*Litigation*) because MEFs that are made in good faith are inversely associated with the likelihood of litigation (Francis et al., 1994; Matsumoto, 2002). We include news type (*News*) to control for the direction of the change in earnings per share from the prior year (Baginski et al., 2002). We control for firms' engagement in equity issues (*Equity_Issue*) and in mergers and acquisitions (*Acquisition*) because firms may provide biased disclosures to reduce information asymmetry when undergoing significant events such as new issue offerings or mergers and acquisitions (Hribar and Yang, 2016). Finally, we control for product market competition (*Industry_Conc*) because firms in highly competitive industries may issue less optimistic forecasts, specifically when investors have difficulty identifying the forecast bias (Rogers and Stocken, 2005). Appendix A provides detailed definitions of the above control variables.

B. CEO Political Ideology and the Likelihood and Frequency of Issuing MEFs

In this section, we test our first conjecture that firms with Republican CEOs are more likely to issue earnings forecasts, and that once they decide to issue, such firms tend to issue their forecasts more frequently, compared to those with non-Republican CEOs. Table 3 presents the results for the association of CEO political ideology with the likelihood of issuing MEFs and the properties of MEFs.

[Insert Table 3]

In Table 3, models (1) and (2) present results of logistic regressions in which the dependent variable is the likelihood of issuing MEFs (*Issue*), and models (3) and (4) present results of OLS regressions in which the dependent variable is the frequency of MEFs (*Frequency*). CEO political ideology is measured using *Rep_Dum* in models (1) and (3), and *Rep_Index* in models (2) and (4). In the models for *Issue* (models (1) and (2)), we find that the coefficients on both *Rep_Dum* and

Rep_Index are positive and highly significant at less than the 1% level. This finding is consistent with our expectation that Republic CEOs are more likely to issue MEFs than non-Republican CEOs. Specifically, in model (1), the coefficient estimate on *Rep_Dum* (0.128; t-value = 3.86) indicates that Republican CEOs are nearly 13 percent more likely to issue earnings forecasts in any given year, compared to non-Republican CEOs. In the models for *Frequency* (models (3) and (4)), we also find that the coefficients on both measures of CEO political ideology are positive and highly significant at less than the 1% level. The finding is consistent with the view that Republican CEOs tend to issue MEF more frequently than non-Republican CEOs. Specifically, in model (3), the coefficient estimate on *Rep_Dum* (0.165; t-value = 5.26) suggests that Republican CEOs, on average, issue 16.5 percent more forecasts compared to non-Republican CEOs. We find similar results in models (2) and (4), where CEO political ideology is proxied by *Rep_Index*.

The coefficient estimates on control variables, i.e., other determinants of the likelihood and frequency of issuing MEFs, are largely consistent with the findings of prior studies. For instance, we find a positive association between firm size (*Ln(assets)*) and the frequency of MEFs (e.g., Ajinkya et al. (2005) and Houston et al., 2019). The negative coefficient on *RD* indicates that R&D-intensive firms make fewer MEFs. Further, we report a positive coefficient on *ROA*, which lends support to the view that firms with excellent performance are more likely to issue MEFs and tend to disclose them more frequently (e.g., Miller, 2002). Our results also show a positive association between MEFs and the number of analysts (Ajinkya et al., 2005); and a negative association between MEFs and *Volatility* (Houston et al., 2019). Finally, due to their large holdings, institutional investors demand that firms release more information (Ajinkya et al., 2005). Similarly, Bird and Karolyi (2016) find that institutional ownership significantly improves firm disclosure policy. Consistent with this finding, we find that *Instit_Own* is positively associated with both the likelihood and frequency of issuing MEFs, and the association is highly significant. In short, our results reported in columns (1) to (4) in Table 3, taken together, provide strong and reliable evidence that firms run by Republican CEOs tend to disclose more forecasts than non-Publican CEOs even after controlling for other known determinants of the likelihood and frequency of MEFs.

C. CEO Political Ideology and Forecast Range, Horizon, and Accuracy

In this section, we test the effect of CEO political ideology on the likelihood of issuing a range forecast on the one hand and its impact on the MEF horizon on the other hand. We conjecture that because they prefer avoiding negative market reactions and litigation if they miss their forecasts, Republican CEOs might prefer to issue range over point estimates. Further, because of their stronger preference for an environment of low information asymmetry, Republican CEOs might issue forecasts with a longer horizon. The results of these tests are reported in models (5) – (8) in Table 3.

In Table 3, the dependent variable is *Range* in the logistic regression models (5) and (6), and *Ln(Horizon)* in the OLS regression models (7) and (8). CEO Republican ideology is measured using *Rep_Dum* in models (5) and (7), and *Rep_Index* in models (6) and (8). Our results show that Republican-leaned CEOs' political ideology is positively associated with both forecast range and horizon. Specifically, the coefficient estimate on *Rep_Dum* in model (5) is 0.127, indicating that firms run by Republican CEOs, on average, issue 12.7 percent more range estimates than firms with non-Republican CEOs. Similarly, the average horizon of forecasts made by Republican CEOs is around 11 percent longer than the horizon of forecasts made by other CEOs. Put differently, given that the average forecast horizon in our sample is 68 days, the horizon of forecasts made by

Republican CEOs is around 7–8 days longer than those made by other CEOs. The results are qualitatively the same when *Rep_Index* is used as an alternative measure of CEO Republican ideology.

Our results also show that larger firms issue fewer range forecasts and have a longer forecast horizon than smaller firms. Further, the forecast horizon is longer, and the likelihood of issuing range forecasts is greater for firms that are more levered, more profitable, followed by more analysts, have more institutional ownership, and for those that experience an acquisition during the year. In contrast, the forecast horizon is shorter, and the likelihood of issuing range forecasts is smaller for firms that have higher R&D intensity, higher volatility, have a positive change in EPS (*News*), and for those that experience an equity issuance during the year. These results are, in general, consistent with the findings of prior research on determinants of forecast horizons and forecast ranges (Baik et al., 2011; Hribar and Yang, 2016; Houston et al., 2019). In short, the results presented in columns (5) to (8) in Table 3 show significantly positive associations of Republican-leaned CEOs' political ideology with *Range* and *Horizon*, suggesting that the conservative ideologies of Republican CEOs influence the properties of their MEFs and their influence is incremental over other known determinants of MEFs.

To obtain further insight into the role of CEO political ideology in their disclosure behaviors, we test the association between CEO political ideology and forecast accuracy. We conjecture that Republican CEOs, who have a higher preference for loss and ambiguity avoidance than Democrat CEOs, are more likely to avoid negative earnings surprises, reduce information asymmetry, and reduce the risk of litigation by issuing more accurate forecasts, compared to non-Republican CEOs. To formally test this conjecture, we examine whether and how CEO Republican ideology is associated with forecast accuracy (*Accuracy*). The results of this test are reported in models (9) and (10) in Table 3.

As shown in Table 3, the estimated coefficients on *Accuracy* in models (9) and (10) are positive and statistically significant at the one percent level, indicating that Republican CEOs tend to issue more accurate forecasts. Specifically, forecasts made by Republican CEOs are, on average, 8.7 percent more accurate than those made by CEOs with other political ideologies. The coefficients on control variables are also consistent with prior studies. For example, firm size, market-to-book ratio, return on assets, analyst following, institutional ownership, litigation environment, earnings news type, and industry competition are positively associated with forecast accuracy. In contrast, leverage, R&D intensity, volatility, and equity issuance are negatively associated with forecast accuracy.

V. CEO Political Ideology and MEFs: Identification and Endogeneity Issues

Our baseline findings show strong associations between CEO political ideology and both the likelihood of issuing MEFs and their properties. However, one can argue that our findings could be driven by endogenous firm-CEO matching. For instance, firms with higher disclosure quality may tend to appoint Republican CEOs, and/or Republican CEOs might tend to move to firms that have a superior disclosure quality environment. Similarly, directors and top executives may prefer to hire a CEO who shares their political affiliation, and/or a CEO might prefer to work in a company whose directors and top executives share her/his political affiliation. For instance, Wintoki and Xi (2019) show that fund managers prefer to allocate assets to firms managed by executives and directors with whom they share a similar political affiliation. More recently, Twitter

CEO and co-founder Jack Dorsey, who exclusively donates to Democrats,[22] was subject to a severe threat of losing his position after the well-known Republican activist investor Elliot Management Corporation purchased a sizable stake in Twitter.[23] However, Khanna et al. (2015) argue that such a connection between the CEO and other top executives increases the risk of corporate fraud and reduces the likelihood of CEO dismissal upon the discovery of such fraud. Lee et al. (2014) show that alignment in political orientation between the CEO and independent directors is associated with lower firm valuations, lower operating profitability, and increased internal agency conflicts such as lower turnover for poorly performing CEOs and lower pay-performance sensitivity.

To alleviate concerns about such biases arising from endogenous firm-CEO matching, we conduct multiple causality tests. We first re-estimate our baseline regression model using the propensity score matched sample. Second, we exploit CEO turnovers to perform a difference-in-differences (DID) analysis.[24] Third, to further address concerns about correlated omitted variables, we conduct additional tests that control for CEO characteristics, incentives, and overconfidence. Finally, to address possible error-in-measurement issues with our baseline proxy for CEO political ideology, we use several alternative measures of political ideology following Hutton et al. (2014) and Elnahas and Kim (2017).

A. Propensity Score Matching

[22] See more details at https://nypost.com/2018/08/04/how-twitter-is-fueling-the-democratic-agenda// (accessed 7 May 2020).
[23] See more details at https://www.bloomberg.com/news/articles/2020-02-29/singer-s-elliott-is-said-to-seek-to-replace-twitter-ceo-dorsey (accessed 7 November 2022).
[24] In our previous tests, we controlled for various firm and CEO characteristics, and year and industry fixed effects. We also perform robustness tests controlling for state fixed effects, run subsample tests excluding CEO turnover years and excluding the first 3 years of the CEO's tenure, and perform change-on-change regressions. These results are available in the Internet Appendix.

In this section, we use the propensity score matching (PSM) technique to construct a treatment group of firms with Republican CEOs and a control group of firms with non-Republican CEOs. Specifically, the *Treatment* group is identified using Rep_dum_{cycle}, which is an indicator variable that equals one if all donations made by a CEO in an election cycle are directed to the Republican Party (with none to the Democratic Party), and zero otherwise. As the first step of the PSM, we estimate a logistic regression of Rep_dum_{cycle} on multiple firm characteristics. Using the estimated coefficients from the logistic model, we then compute the propensity scores (i.e., the predicted likelihood) of $Rep\_dum_{cycle} = 1$ for all firms in our sample. We then match each treated firm with a control firm that has the nearest neighbor propensity score. As the second step of the PSM, we re-estimate all regressions in Table 3 using the PSM-screened sample. We report the PSM results using Rep_dum_{cycle} as the key variable of our interest in Table 4.

[Insert Table 4]

Panel A in Table 4 presents results for the diagnostic test for differences in means of firm characteristics between the *Treatment* and *Control* groups. Reported t-statistics show no statistically significant differences in firm characteristics between the *Treatment* and *Control* groups. Panel B in Table 4 presents the results for regressions of various properties of MEFs on CEO political ideology, using the propensity score-matched firm-year observations. Our findings indicate that Rep_dum_{cycle} is positively associated with forecast issuance, frequency, range, horizon, and accuracy. Overall, the effect of CEO political ideology on the likelihood of issuing MEFs and various MEF properties is qualitatively similar to that reported in our baseline models.[25]

[25] Our results also remain qualitatively similar if we reconstruct the treatment and control groups based on our alternative measures of CEO political ideology. These results are available in the Internet Appendix.

B. Management Earnings Forecasts around CEO Turnover: Difference-in-Differences Tests

To better establish the causal relation between CEO political ideology and MEFs, we exploit CEO turnovers (from Republican CEOs to non-Republican CEOs or vice versa) as a setting in which to apply the DID analysis of how changes in CEO political ideology influence various properties of MEFs. To this end, we construct a new indicator variable, *Rep-Leaving,* that equals one if a firm replaces a Republican CEO with a non-Republican CEO, and zero otherwise. Republican CEOs are identified using Rep_dum_{Only}, which is an indicator variable that equals one if all donations made by a CEO in an election cycle are directed to the Republican Party, and zero otherwise. We also create an indicator variable, *After*, that equals one for post-turnover years, and zero for pre-turnover years. The interaction term, *Rep-Leaving*×*After,* captures the DID effect of replacing a Republican CEO with a non-Republican CEO on the likelihood of issuing MEFs and various properties of MEFs once issued. Based on our baseline results, we predict reductions in the likelihood of issuing MEFs, forecast frequency, and the quality and credibility of MEFs following CEO turnover (*After* = 1). To avoid the impact of other confounding effects, we use firm-year observations for the window of (-3, +3) years around each CEO turnover event. Further, we restrict our test to turnover events where a long-term incumbent CEO is replaced by a long-term new CEO, where long-term CEOs are those who hold their position for at least three years. Table 5 reports the results of these DID tests.

[Insert Table 5]

Consistent with our baseline results, the coefficient on *Rep-Leaving*×*After* is negative and statistically significant in models examining MFE *Issue*, *Range*, *Horizon*, and *Accuracy*, while it is insignificant, albeit negative, for the *Frequency* model.[26] Overall, these results lend further support to the view that our main results are unlikely to be driven by potential endogeneity, particularly reverse causality. Replacing a Republican CEO with a non-Republican CEO leads to lowering the likelihood of issuing MEF and deteriorating the quality of MEFs.

C. Controlling for CEO Characteristics, Incentives, and Overconfidence

Our proxies for CEO political ideology are constructed from each CEO's individual donations data and hence are likely to capture CEO political orientation reasonably well. However, if these proxies are mere reflections of, and/or highly correlated with, other CEO characteristics that our baseline models do not control for, then our baseline results could suffer from potential problems that may arise from correlated omitted variables. To alleviate concerns about such problems, we additionally control for a wide range of CEO characteristics. Specifically, we control for *Ln(Tenure)* and *Duality* because forecasting accuracy and earnings announcement tone are shown to be positively associated with the managers' experience and CEO duality (Feng et al., 2009). We also control for CEO gender because prior research shows that female CEOs are less likely to engage in opportunistic and fraudulent behavior (e.g., Ali and Hirshleifer 2017). We also control for *Ln(Age)* because prior studies find a negative relation between CEO age and bad news hoarding (Andreou et al., 2017) and a positive relation between CEO age and financial reporting quality (Huang et al., 2012). We include CEO pay-performance sensitivity (*Ln(Delta)*) and CEO risk-taking incentive (*Ln(Vega)*) because prior research finds a positive relation between CEO equity compensation and MEFs (Baginski et al., 2018). Similarly, managers may opportunistically

[26] Our findings are qualitatively similar if we restrict our sample to -2, +2 years around CEO turnover events. We also find statistically significant results for changes in earnings forecasts associated with changes in CEO political ideology due to CEO turnover where ΔREP_{CEO} =1 if a Republican CEO (Rep_dum_{Only}) replaces a Democratic CEO (Dem_dum_{Only}), 0 if the political ideology is similar after a CEO turnover, and -1 if a Democratic CEO replaces a Republican CEO. These results are available in the Internet Appendix.

provide voluntary disclosure to maximize their stock option compensation (Cheng et al., 2013). We also control for measures of CEO overconfidence, such as *Holder67* and *Net_buyer* following Hribar and Yang (2016), and CEO ownership (*CEO_Own)* following Malmendier and Tate (2005). The results of these tests are reported in Table 6.[27]

[Insert Table 6]

Even after controlling for the aforementioned firm and CEO characteristics, the results are qualitatively identical to those of the baseline models. Specifically, we find a positive association between measures of CEO Republican ideology and such forecast-related variables as the likelihood of forecast issuance, forecast frequency, range, horizon, and accuracy. Consistent with prior studies, we find that *Vega* is positively associated with the likelihood of forecast issuance, forecast frequency, range, horizon, and accuracy (Baginski et al., 2018). We also find that CEO overconfidence is positively associated with the likelihood of forecast issuance and forecast frequency. In addition, we find that female CEOs tend to issue more guidance and issue longer horizon guidance, which is consistent with the findings that female CEOs are likely to be more conservative in disclosure.

D. Alternative Measures of CEO Political Ideology

Our baseline models use *Rep_Dum* (Bhandari et al., 2018) and *Rep_Index* (Hong and Kostovetsky, 2012) as proxies for CEO Republican ideology. The construction of these individual proxies may represent another source of potential endogeneity in our baseline results due to measurement error. To mitigate potential bias and noise in the baseline measures of CEO political ideology, we employ three alternative measures of CEO Republican ideology, namely

[27] The results using the alternative measure of CEO overconfidence (*Net_buyer*) are reported in the internet Appendix.

Rep_index_{cycle}, Rep_dum_{cycle} (Hutton et al., 2014), and Rep_dum_{tenure} (Elnahas and Kim, 2017). Table 7 reports the test results using these alternative measures.

[Insert Table 7]

The results in Table 7 are, overall, in line with our baseline results, and alleviate the concern that our main findings are biased owing to measurement errors in individual proxies for Republican ideology. Specifically, we find that Republican CEOs are, on average, about 8 to 12 percent more likely to issue forecasts, compared to non-Republican CEOs (depending on the alternative Republican ideology measure used). Further, on average, Republican CEOs have about 9 to 11 percent greater forecasting frequency than non-Republican CEOs. Similarly, using these alternative proxies for political ideology, Republican CEOs consistently have a higher likelihood of issuing range forecasts, longer forecast horizons, and higher forecast accuracy.

E. Republican CEOs: The Authoritarian Effect versus the Precautionary Effects

Our results so far are consistent with the predictions of the *precautionary* effect. To further establish the precautionary effect as an explanation for our results, we conduct cross-sectional tests using subsamples of firms with high and low institutional ownership and with high and low litigation risk. If Republican CEOs indeed adopt high-quality MEF policies as a precaution to avoid litigation and career penalties, then our results are expected to be stronger for firms with stronger institutional monitoring and higher litigation risk. We report the results of our cross-sectional tests based on institutional ownership in Table 8.

[Insert Table 8]

In Table 8, Panel A reports results for the subsample of firms with high (above-median) institutional ownership, and Panel B reports results for firms with low (below-median) institutional ownership. The impact of CEO Republican ideology on the likelihood of issuing and characteristics of MEFs is much stronger in the high institutional ownership subsample. For example, using *Rep_Dum*, in firms with high institutional ownership, the likelihood of issuing MEFs is 17.7 percent higher for Republican CEOs than for non-Republican CEOs (Column (1); Panel A). In contrast, in firms with low institutional ownership, the likelihood is only 9.7 percent higher for Republican CEOs than for other CEOs (Column (1); Panel B). Similarly, in firms with high institutional ownership, Republican CEOs are 20.2 percent more likely to issue range forecasts than non-Republican CEOs (Column (5); Panel A). In contrast, in firms with low institutional ownership, they are only 1.9 percent more likely to do so (Column (5); Panel B). These results are consistent across all other variables that capture different characteristics of MEFs.

[Insert Table 9]

In Table 9, we report the results of our cross-sectional tests based on litigation risk. In Table 9, Panel A presents the results for the subsample of firms with high litigation risk, and Panel B does the same for the subsample of firms with low litigation risk. The impact of CEO Republican ideology on the likelihood and characteristics of MEFs is again much stronger in the high litigation risk subsample. For example, using *Rep_Dum*, in firms with high litigation risk, the *Accuracy* of MEFs of Republican CEOs is 20.6 percent higher than non-Republican CEOs (Column (1): Panel A), whereas, in firms with low litigation risk, it is only 5.4 percent higher (Column (1); Panel B). These results are also consistent across most of the other characteristics of MEFs. In general, these cross-sectional results lend strong support to the *precautionary effect* explanation. Republican

CEOs favor more frequent and higher-quality forecasts when the likelihood of disciplinary action is elevated due to strong institutional monitoring or high litigation risk.

F. Conservatism versus Other Explanations

The main premise of this paper is that CEOs' conservatism would shape their disclosure preferences. We interpret our results as evidence that due to their conservative ideology, Republican CEOs tend to choose a less opaque voluntary disclose style. Because of its central role in our story, we attempt to further test the conservatism hypothesis. Particularly, if conservatism plays a critical role in shaping Republican CEOs' disclosure policies, we expect the strength of our results to be affected by other CEO and firm characteristics (besides political ideology) that are related to CEO conservatism. Specifically, we conduct a series of cross-sectional tests based on CEO age, inside debt, marital status, tenure, the political ideology of a firm's headquarters location, and policy uncertainty. We report the results of these cross-sectional tests in Table 10.

[Please insert Table 10 here]

Panel A in Table 10 reports the results for a subsample of firms with above (below) median CEO age in models 1 to 5 (6 to 10). The coefficient estimates of both measures of CEO Republican ideology are more economically and statistically significant for the subsample of older (less risk-taking) CEOs.[28] The results of other cross-sectional tests based on CEO characteristics are also in line with our expectation in that they are stronger for the subsamples of CEOs with high inside debt (Panel B), married CEOs (Panel C), and CEOs with shorter tenure (Panel D). The above

[28] For brevity, we report the results using *Rep_dum*. Though not tabulated, we obtain similar results using *Rep_Index*. These results are available upon request.

results lend strong support to our conservatism explanation of the baseline results. CEOs' conservatism appears to play a strong role in shaping a CEO's voluntary disclosure.

In addition to CEO's personal characteristics, conservatism can also be affected by a firm's headquarters environment and/or the prevailing level of policy uncertainty. Specifically, the level of conservatism is expected to be elevated in Republican-dominated areas and during periods of high policy uncertainty. Panel E of Table 10 reports the results for a subsample of firms located in Republican (Democratic) states in models 1 to 5 (6 to 10). Consistent with the conservatism hypothesis, our results are stronger for firms located in Republican states. Similarly, our results are stronger during periods of high policy uncertainty (PU) (Panel F of Table 10). Further, within the subsample of the high PU index, our results are stronger for firms headquartered in Republican states (Panel G of Table 10).[29] In general, the results reported in Table 10 are consistent with the view that CEOs' conservatism plays an important role in making them choose a more transparent disclosure policy.

G. Additional robustness tests

We conduct a series of additional robustness checks, the results of which are reported in the Internet Appendix. Specifically, we first investigate the effect of CEO political ideology on earnings forecast news types and earnings surprises. Consistent with the conservatism hypothesis, the results of these tests show that Republican CEOs are more likely to issue bad news forecasts, compared to non-Republican CEOs. In addition, firms led by Republican CEOs are more likely to

[29] Our conclusion does not change if we use low instead of high PU in this test. These results are un-tabulated for brevity and are available upon request.

experience positive earnings surprises and less likely to experience negative earnings surprises than other firms.

Second, we conduct additional tests to further address potential endogeneity issues that could arise from measurement error, selection bias, and/or correlated omitted variables. These tests include DID tests around CEO turnover, controlling for managerial ability, and PSM tests that use an alternative matching setup. These additional results, taken together, suggest that our results are unlikely to be driven by potential endogeneity.

Third, we employ alternative measures of CEO political ideology and management earnings forecasts to address concerns regarding error-in-variable problems. Fourth, we undertake a series of robustness tests to tackle potential specification errors that could confound our main results. Fifth, we perform a comprehensive set of cross-sectional tests for the conservatism hypothesis by examining the impact of different CEO and firm characteristics on our baseline results. In so doing, we utilize variations in CEO age, CEO inside debt, CEO marital status, CEO tenure, the political orientation of a firm's headquarters state, policy uncertainty, type of institutional ownership, and analyst coverage. The results of these cross-sectional tests are, overall, consistent with our baseline results, lending further support to the conservatism hypothesis.

Lastly, we utilize various alternative subsamples to address the potential impact of sample selection bias on our baseline results. For example, we conduct a subsample analysis by excluding CEOs who did not make any donations during the sample period, and by restricting the sample to years in which CEOs made donations, among other restrictions. Our findings remain consistent even when employing these more restrictive subsamples.

VI. Conclusion

The main premise of this paper is that CEOs' political ideology can translate into their decisions related to voluntary disclosure. Specifically, Republican CEOs, who are often described as more conservative, might use voluntary disclosure to reduce information asymmetry, the likelihood of negative earnings surprises, and the risk of litigation.

Our results, using CEOs' political contributions data for the period 1993–2016, show that firms run by Republican CEOs are more likely to issue forecasts and have higher forecast frequency than other firms. Consistent with the conservative characteristics of Republican CEOs, we find that they are more likely to issue range forecasts. Republican CEOs also issue forecasts in a timelier fashion and with higher accuracy than other CEOs. Our results are robust to the use of several alternative measures of CEO political ideology to address potential error-in-measurement issues. Further, multiple cross-sectional analyses yield results that are consistent with the conservatism hypothesis.

In short, our results provide strong and reliable evidence that CEO political ideology does affect corporate policy choices, specifically relating to the voluntary (and thus discretionary) disclosure of forward-looking information. Given the scarcity of empirical evidence on the role of CEO political ideology in shaping firms' disclosure policies, we recommend further research in this direction. In particular, a fruitful area for future research would be to investigate whether and how CEO political ideology influences the quality of financial reporting, including its qualitative nature such as readability, tone, and other linguistic quality of narrative disclosure. Furthermore, future research could utilize natural experiments as a means to more effectively establish the causal relationship between CEO political orientation and corporate disclosure policies.

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Appendix A. Variable Definitions.

Variable	Definition
CEO political ideology (baseline)	
Rep_Dum	An indicator variable that equals one if a CEO donated more to the Republican Party than to the Democratic Party during their tenure [Bhandari et al., 2018].
Rep_Index	The percentage of a CEO's support for the Republican Party, calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by the number of his/her donation cycles in the sample period [Hong and Kostovetsky, 2012].
Rep_dum_{cycle}	An indicator variable that equals one if all donations by a CEO in an election cycle are directed to the Republican Party, and zero otherwise [Hutton et al., 2014].
Rep_dum_{tenure}	An indicator variable that equals one if all donations by a CEO during their tenure are directed to the Republican Party, and zero otherwise [Elnahas and Kim, 2017].
Rep_index_{cycle}	An index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in each election cycle. This index ranges between -1 (strong Democrat) and 1 (strong Republican) [Hutton et al., 2014].
Voluntary disclosure	
Issue	An indicator variable that equals one if a firm makes annual earnings forecasts in a fiscal year, and zero otherwise.
Frequency	The total number of annual earnings forecasts made by a firm in a fiscal year.
Ln(Horizon)	The natural logarithm of one plus the average horizon of annual earnings forecasts made by a firm in a fiscal year. For each forecast, the horizon is defined as the number of calendar days between the forecast announcement date and the corresponding period end date. If a firm makes no forecasts in a fiscal year, we assign an average horizon value of zero.
Range	An indicator variable denotes that a firm issues range estimates. For each forecast, we first assign a value of one for range estimates, and zero otherwise. These individual forecast values are then averaged for each firm-year. *Range* is then defined as an indicator variable that equals one if the average range is greater than 0.5, and zero otherwise.
Accuracy	The average forecast accuracy for all annual earnings forecasts made by a firm in a fiscal year. For each estimate, we first calculate the absolute difference between MEFs and actual earnings scaled by the stock price at the end of the month before the forecast. Next, we identify forecast accuracy as the quintile ranking of the scaled forecast difference, where one is assigned to the top quintile (largest error), and five is assigned to the bottom quintile (lowest error). The value zero is assigned if no forecasts are made.
Firm Characteristics	
Ln(assets)	The natural logarithm of total assets. [at]
MB	The ratio of market-to-book value of equity. [(prcc_f*csho) / ceq]
Leverage	The ratio of total debt to the market value of total assets. [(Dltt+Dlc) / (at-ceq+csho*prcc_f)]
RD	Expenditure on research and development scaled by total assets. [xrd/at]
ROA	Return on assets, measured as income before extraordinary items scaled by total assets. [ib/at]
Volatility	The standard deviation of daily stock returns (CRSP variable ret) of a firm over the last fiscal year.
Ln(Analyst)	The natural logarithm of the number of analysts following a firm.

Appendix A. Variable Definitions. Cont'd

Instit_Own	The percentage of shares owned by institutional investors.
Litigation	An indicator variable that equals one if a firm's SIC code denotes an industry subject to increased litigation (2833-2836, 3570-3577, 3600-3674, and 7370-7374), and zero otherwise.
News	An indicator variable that equals one if the current period EPS is greater than or equal to the previous-period EPS, and zero otherwise.
Equity_Issue	An indicator variable that equals one if a firm issued shares in a year, and zero otherwise.
Acquisition	An indicator variable that equals one if a firm's annual M&A-related costs exceed five percent of net income (or loss) in the year, and zero otherwise. [aqc/ni]
Industry_Conc	A firm's industry concentration, measured as the sum of sales of the top five firms in its two-digit SIC code scaled by total sales of all firms in its two-digit SIC code in the year. [$\sum_{i=1}^{5} Sale_{i.j}$ / $\sum_{i=1}^{n} Sale_{i,j}$]
CEO Characteristics	
Ln(Tenure)	The natural logarithm of CEO tenure, where tenure is defined as the length of a CEO's tenure with their current firm.
Ln(Age)	The natural logarithm of the age of a CEO in the year in which a MEF was released.
Duality	An indicator variable that equals one if a CEO is also the chairperson of the firm's board, and zero otherwise.
CEO Gender	CEO Gender equals 1 if a CEO is female, 0 otherwise.
Ln(Delta)	The natural logarithm of the expected dollar change in CEO wealth for a 1 percent change in stock price, computed as in Core and Guay (2002).
Ln(Vega)	The natural logarithm of the expected dollar change in CEO wealth for a 1 percent change in stock return volatility, computed as in Guay (1999).
CEO_Own	The percentage of outstanding shares owned by a CEO.
Married	Married equals one if a CEO is married, zero otherwise. [Roussanov & Savor (2014)]. We thank Roussanov & Savor (2014) for sharing their CEOs marital status data, which is available at http://dx.doi.org/10.1287/mnsc.2014.1926
Inside Debt	The natural logarithm of one plus the debt-to-equity ratio of CEO compensation.
Holder67	An indicator variable that equals one if a CEO holds vested options with average moneyness greater than 67 percent, and zero otherwise starting in the first year when a CEO displays this behavior. Option moneyness is calculated as follows: First, we calculate the realizable value per option as the total realizable value of the exercisable options divided by the number of exercisable options [*Value_Per_option* = *(OPT_UNEX_EXER_EST_VAL* / *OPT_UNEX_EXER_NUM)*]. Second, we compute the estimate of the average exercise price of the options by subtracting the per-option realizable value from the stock price at the fiscal year-end [*avg_exercise_price* = *(prccf* - *Value_Per_option)*]. Finally, the average percent moneyness of an option equals the per-option realizable value divided by the estimated average exercise price [*avg_pctg_moneyness_opt* = *(Value_Per_option* / *avg_exercise_price)*]. (Malmendier and Tate, 2005; Campbell et al., 2011; Hirshleifer et al., 2012.)

Table 1
Summary Statistics

This table reports descriptive statistics for measures of CEO political ideology, voluntary disclosure, and control variables for our sample covering the period 1993-2016. *Rep_Dum* is an indicator variable that equals one if a CEO donated more to the Republican Party than to the Democratic Party during her/his tenure. *Rep_Index* is the percentage of a CEO's support for the Republican Party calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by her/his number of donation cycles in the sample period. All other variables are defined in Appendix A.

variable	No.	Mean	Std Dev	25^{th} Perc	Median	75^{th} Perc
CEO political ideology						
Rep_Dum	33,951	0.229	0.420	0.000	0.000	0.000
Rep_Index	33,951	0.169	0.337	0.000	0.000	0.000
Voluntary Disclosure						
Issue	33,951	0.353	0.478	0.000	0.000	1.000
Frequency	33,951	1.550	2.619	0.000	0.000	3.000
Ln(Horizon)	33,951	1.828	2.493	0.000	0.000	5.141
Range	33,951	0.266	0.442	0.000	0.000	1.000
Accuracy	33,951	1.035	1.592	0.000	0.000	2.000
Firm Characteristics						
Ln(Assets)	33,951	7.181	1.597	6.023	7.047	8.211
MB	33,951	3.235	4.049	1.488	2.352	3.844
Leverage	33,951	0.147	0.144	0.020	0.114	0.225
RD	33,951	0.034	0.059	0.000	0.003	0.044
ROA	33,951	0.037	0.114	0.015	0.052	0.090
Volatility	33,951	0.027	0.014	0.018	0.024	0.034
Ln(Analyst)	33,951	2.116	0.805	1.609	2.197	2.708
Instit_Own	33,951	0.542	0.360	0.150	0.647	0.837
Litigation	33,951	0.240	0.427	0.000	0.000	0.000
News	33,951	0.631	0.482	0.000	1.000	1.000
Equity_Issue	33,951	0.203	0.402	0.000	0.000	0.000
Acquisition	33,951	0.411	0.492	0.000	0.000	1.000
Industry_Conc	33,951	0.475	0.151	0.356	0.447	0.539

Table 2
Pearson Correlations

This table reports Pearson correlation coefficients. *Rep_Dum* is an indicator variable that equals one if a CEO donated more to the Republican Party than to the Democratic Party during her/his tenure. *Rep_Index* is the percentage of a CEO's support for the Republican Party calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by her/his number of donation cycles in the sample period. All other variables are defined in Appendix A.

Variables		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
Rep_Dum	A	1																		
Rep_Index	B	0.86																		
Issue	C	0.03	0.04																	
Frequency	D	0.04	0.05	0.80																
Ln(Horizon)	E	0.03	0.04	0.99	0.80															
Range	F	0.02	0.03	0.85	0.74	0.85														
Accuracy	G	0.04	0.05	0.88	0.73	0.87	0.75													
Ln(Assets)	H	0.15	0.21	0.20	0.24	0.20	0.17	0.22												
MB	I	0.00	0.00	0.05	0.06	0.05	0.03	0.10	0.00											
Leverage	J	0.06	0.07	-0.04	-0.03	-0.04	-0.04	-0.09	0.28	-0.22										
RD	K	-0.10	-0.10	-0.08	-0.07	-0.08	-0.09	-0.08	-0.27	0.13	-0.30									
ROA	L	0.05	0.06	0.13	0.13	0.13	0.11	0.18	0.14	0.17	-0.25	-0.29								
Volatility	M	-0.08	-0.09	-0.13	-0.17	-0.13	-0.13	-0.18	-0.35	-0.06	0.00	0.25	-0.29							
Ln(Analyst)	N	0.11	0.14	0.19	0.20	0.19	0.15	0.23	0.59	0.16	-0.04	-0.02	0.20	-0.20						
Instit_Own	O	0.03	0.02	0.12	0.13	0.12	0.11	0.12	0.13	0.03	0.00	0.02	0.09	-0.07	0.20					
Litigation	P	-0.10	-0.11	-0.02	-0.00	-0.02	-0.03	-0.02	-0.15	0.11	-0.27	0.55	-0.10	0.20	0.04	0.06				
News	Q	0.00	0.02	0.00	0.03	0.00	0.00	0.07	-0.00	0.12	-0.14	-0.05	0.33	-0.06	0.05	0.00	-0.00			
Equity_Issue	R	-0.06	-0.07	-0.06	-0.07	-0.07	-0.08	-0.05	-0.23	0.11	-0.17	0.25	-0.06	0.24	0.00	0.02	0.21	0.08		
Acquisition	S	0.00	0.00	0.14	0.13	0.13	0.12	0.14	0.12	-0.03	0.05	-0.07	0.07	-0.13	0.06	0.11	0.00	-0.03	-0.00	
Industry_Conc	T	0.02	0.02	0.04	0.07	0.04	0.05	0.04	0.06	-0.02	0.05	-0.04	0.02	-0.07	-0.07	0.03	-0.16	-0.00	-0.07	0.02

Table 3
CEO Political Ideology and MEF

This table presents tests of the association between CEO political ideology and the likelihood and frequency of earnings forecasts as well as the likelihood of issuing range forecasts and forecast horizon. The dependent variable in columns (1) and (2) is *Issue* which is an indicator variable that equals one if a firm makes annual earnings forecasts in a fiscal year, and zero otherwise. The dependent variable in columns (3) and (4) is *Frequency* which is the total number of annual earnings forecasts made by a firm in a fiscal year. The dependent variable in columns (5) and (6) is *Range* which is an indicator variable of range estimates. The dependent variable in columns (7) and (8) is *Ln(Horizon)* which is the natural logarithm of one plus the average horizon of annual earnings forecasts made by a firm in a fiscal year. The dependent variable in columns (9) and (10) is *Accuracy,* which is the average Forecast accuracy for all annual earnings forecasts made by a firm in a fiscal year. Measures of CEO political ideology, *Rep_Dum* and *Rep_Index, and a*ll other independent variables are defined in Appendix A. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.128†		0.165†		0.127†		0.111†		0.087†	
	(3.86)		(5.26)		(3.62)		(3.86)		(4.58)	
Rep_Index		0.126†		0.117†		0.144†		0.100†		0.084†
		(3.08)		(3.04)		(3.34)		(2.82)		(3.60)
Ln(assets)	0.018	0.021	0.121†	0.126†	-0.025*	-0.022	0.022*	0.024**	0.020†	0.022†
	(1.28)	(1.51)	(9.72)	(10.09)	(-1.71)	(-1.53)	(1.85)	(2.09)	(2.72)	(3.00)
MB	0.002	0.002	0.015†	0.015†	0.000	0.000	0.008**	0.008**	0.014†	0.014†
	(0.44)	(0.49)	(4.12)	(4.20)	(0.01)	(0.06)	(2.37)	(2.42)	(6.66)	(6.71)
Leverage	0.450†	0.449†	0.364†	0.362†	0.380†	0.380†	0.246**	0.244**	-0.297†	-0.297†
	(3.66)	(3.65)	(3.68)	(3.66)	(2.90)	(2.90)	(2.48)	(2.46)	(-5.24)	(-5.25)
RD	-3.649†	-3.637†	-1.935†	-1.925†	-4.655†	-4.638†	-2.600†	-2.591†	-1.433†	-1.424†
	(-9.74)	(-9.71)	(-7.14)	(-7.10)	(-11.01)	(-10.97)	(-9.62)	(-9.58)	(-8.84)	(-8.78)
ROA	1.406†	1.413†	0.790†	0.796†	1.242†	1.247†	0.778†	0.782†	0.675†	0.678†
	(7.97)	(8.01)	(7.26)	(7.31)	(6.48)	(6.51)	(6.51)	(6.54)	(10.53)	(10.57)
Volatility	-23.445†	-23.389†	-17.674†	-17.654†	-23.294†	-23.230†	-18.934†	-18.917†	-15.288†	-15.274†
	(-16.69)	(-16.66)	(-17.64)	(-17.62)	(-15.47)	(-15.44)	(-17.43)	(-17.42)	(-23.44)	(-23.41)
Ln(Analyst)	0.671†	0.671†	0.467†	0.469†	0.546†	0.546†	0.542†	0.543†	0.383†	0.384†
	(26.76)	(26.78)	(23.32)	(23.40)	(20.66)	(20.66)	(27.38)	(27.42)	(31.87)	(31.90)
Instit_Own	0.251†	0.248†	0.184†	0.180†	0.216†	0.213†	0.185†	0.182†	0.086†	0.084†
	(6.06)	(5.99)	(4.54)	(4.45)	(4.96)	(4.88)	(4.82)	(4.75)	(3.52)	(3.43)
Litigation	0.209†	0.210†	0.289†	0.289†	0.186†	0.189†	0.205†	0.205†	0.062*	0.062*
	(3.67)	(3.69)	(5.48)	(5.46)	(3.16)	(3.21)	(4.11)	(4.12)	(1.93)	(1.94)
News	-0.115†	-0.115†	0.013	0.013	-0.101†	-0.101†	-0.083†	-0.082†	0.108†	0.108†
	(-3.82)	(-3.81)	(0.47)	(0.50)	(-3.17)	(-3.17)	(-3.19)	(-3.17)	(6.69)	(6.70)
Equity_Issue	-0.094**	-0.095**	-0.025	-0.026	-0.134†	-0.134†	-0.080†	-0.081†	-0.027	-0.028
	(-2.46)	(-2.48)	(-0.79)	(-0.82)	(-3.22)	(-3.23)	(-2.58)	(-2.60)	(-1.37)	(-1.39)
Acquisition	0.353†	0.353†	0.302†	0.302†	0.334†	0.334†	0.321†	0.321†	0.226†	0.226†
	(12.27)	(12.28)	(11.17)	(11.17)	(10.93)	(10.95)	(12.49)	(12.49)	(13.74)	(13.75)
Industry_Conc	0.704†	0.705†	0.554†	0.549†	0.290*	0.294*	0.552†	0.550†	0.458†	0.457†
	(4.99)	(4.99)	(4.56)	(4.51)	(1.92)	(1.94)	(4.72)	(4.71)	(6.13)	(6.11)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo / Adj. R^2	0.257	0.257	0.280	0.279	0.253	0.253	0.269	0.268	0.266	0.266

Table 4
Propensity Score Matching

This table presents the test of management earnings forecasts between Republican and matching samples of control firm-years with non-Republican CEOs matched primarily on the firm characteristics, year, and industry. Panel A presents results for the diagnostic- differences in means of firm characteristics where *Treatment* denotes *Rep_dum*$_{cycle}$ which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party and *controls* refers to matching sample of CEOs who donated to other parties or never donated. *Difference* represents the difference between treated and control groups. Panel B presents the results for the models of the association between management earnings forecasts and CEO political ideology from matched firm-years. All other variables are defined in Appendix A. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Diagnostic- differences in means of variables

Variable	*Treatment*	*Control*	*Difference*	*T-stat*
Ln(assets)	7.620	7.604	0.015	0.48
MB	3.209	3.250	-0.041	-0.53
Leverage	0.164	0.160	0.004	1.55
RD	0.023	0.023	0.000	-0.31
ROA	0.049	0.051	-0.002	-1.09
Return_Volatility	0.025	0.025	0.000	0.40
Ln(Analyst)	2.268	2.264	0.004	0.25
Instit_Own	0.558	0.550	0.009	1.20
Litigation	0.157	0.151	0.005	0.74
News	0.650	0.649	0.001	0.15
Equity_Issue	0.156	0.160	-0.004	-0.53
Acquisition	0.416	0.412	0.004	0.39
Industry_Conc	0.482	0.480	0.002	0.59

Panel B. CEO Political ideology and management earnings forecast

	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
	(1)	(2)	(3)	(4)	(5)
Rep_dum$_{cycle}$	0.103**	0.091*	0.104*	0.083*	0.071**
	(2.03)	(1.94)	(1.91)	(1.88)	(2.48)
Controls	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes
Observations	9,578	9,578	9,578	9,578	9,578
Pseudo / Adj. R^2	0.254	0.301	0.269	0.279	0.279

Table 5
MEF around CEO Turnover: Difference-in-Difference (DID) Test

This table presents estimates from the Difference-in-Difference (DID) regressions of the association between CEO political ideology and management earnings forecasts around CEO turnover events (-3, +3). *Rep-Leaving* is an indicator variable that equals one if a firm replaces a Rep CEO with a non-Rep CEO, 0 otherwise. Republican CEOs are defined as Rep_dum_{Only}, which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party only. *After* is an indicator variable equals 1 for the years after the CEO turnover, 0 for the pre-tenure period where *CEO turnover* equals one if a CEO in the current year is different from the CEO in the previous year. We only consider turnover events where long-term old CEOs are replaced by long-term new CEOs (long-term old and long-term new CEOs are those who hold their position for at least three years). All models include control variables, year, and industry fixed effects. All other independent variables are defined in Appendix A. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue	*Frequency*	*Range*	*Ln (Horizon)*	*Accuracy*
	(1)	(2)	(3)	(4)	(7)
*Rep-Leaving*After*	-0.274**	-0.080	-0.230*	-0.246*	-0.188**
	(-2.03)	(-0.62)	(-1.67)	(-1.92)	(-2.24)
Rep-Leaving	0.105	-0.028	-0.026	0.113	0.139**
	(0.96)	(-0.30)	(-0.23)	(1.12)	(2.09)
After	0.100	0.155**	0.178**	0.114*	0.050
	(1.44)	(2.43)	(2.34)	(1.72)	(1.14)
Controls	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes
Observations	8,722	8,722	8,722	8,722	8,722
Pseudo / Adj. R^2	0.216	0.299	0.214	0.253	0.271

Table 6
Controlling for CEO Characteristics, Incentives, and Overconfidence

This table presents tests of the association between CEO political ideology and management earnings forecast controlling for CEO characteristics (Ln(Tenure), Ln(Age), Duality, CEO Gender, Ln(Delta), Ln(Vega), CEO_Own, and Overconfidence) in addition to the baseline control variables. Measures of CEO political ideology, *Rep_Dum* and *Rep_Index*, and all other independent variables are defined in Appendix A. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. † , ** and * denote significance at the 1%, 5%, and 10% levels, respectively

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.122†		0.177†		0.116†		0.115†		0.077†	
	(3.37)		(5.02)		(3.04)		(3.59)		(3.67)	
Rep_Index		0.117†		0.126†		0.126†		0.103†		0.070†
		(2.62)		(2.91)		(2.69)		(2.61)		(2.72)
Ln(Tenure)	-0.027	-0.025	-0.092†	-0.088†	-0.022	-0.020	-0.052**	-0.050**	-0.040†	-0.038†
	(-1.05)	(-0.96)	(-4.31)	(-4.13)	(-0.80)	(-0.73)	(-2.50)	(-2.39)	(-3.01)	(-2.89)
Ln(Age)	-0.130	-0.129	-0.385†	-0.380†	-0.099	-0.100	-0.137	-0.136	-0.125*	-0.124*
	(-1.00)	(-0.99)	(-3.35)	(-3.30)	(-0.72)	(-0.73)	(-1.24)	(-1.22)	(-1.80)	(-1.79)
Duality	0.213†	0.215†	0.181†	0.186†	0.211†	0.213†	0.170†	0.172†	0.098†	0.099†
	(6.32)	(6.39)	(5.68)	(5.84)	(5.99)	(6.04)	(5.76)	(5.84)	(5.23)	(5.30)
CEO Gender	0.193**	0.190**	0.170	0.163	-0.107	-0.110	0.184*	0.181*	-0.017	-0.020
	(2.05)	(2.02)	(1.63)	(1.56)	(-1.08)	(-1.11)	(1.96)	(1.92)	(-0.30)	(-0.35)
Ln(Delta)	0.036*	0.037*	0.073†	0.074†	0.004	0.004	0.043**	0.044**	0.066†	0.066†
	(1.69)	(1.70)	(3.95)	(4.03)	(0.19)	(0.19)	(2.40)	(2.43)	(5.70)	(5.74)
Ln(Vega)	0.084†	0.083†	0.096†	0.095†	0.077†	0.077†	0.092†	0.092†	0.053†	0.053†
	(6.59)	(6.57)	(7.49)	(7.46)	(5.87)	(5.85)	(7.93)	(7.91)	(7.04)	(7.03)
CEO_Own	-2.692†	-2.666†	-2.210†	-2.197†	-2.790†	-2.759†	-2.120†	-2.105†	-1.845†	-1.835†
	(-5.68)	(-5.63)	(-6.05)	(-6.01)	(-5.28)	(-5.22)	(-5.69)	(-5.65)	(-7.90)	(-7.85)
Overconfidence	0.101†	0.102†	0.175†	0.177†	0.085**	0.087**	0.116†	0.117†	0.088†	0.089†
	(2.75)	(2.78)	(5.39)	(5.43)	(2.20)	(2.23)	(3.69)	(3.72)	(4.47)	(4.50)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	27,912	27,912	27,912	27,912	27,912	27,912	27,912	27,912	27,912	27,912
Pseudo R^2/Adj. R^2	0.259	0.259	0.292	0.291	0.254	0.254	0.276	0.276	0.278	0.278

Table 7
Alternative Measures of CEO Republican Ideology

This table presents tests of the association between CEO political ideology and management earnings forecast using alternative measures of CEO political ideology. Rep_index_{cycle} is an index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in each election cycle. Rep_dum_{cycle} is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party. Rep_dum_{tenure} is an indicator variable that equals one if all donations of a CEO during her/his tenure are directed to the Republican Party. We report the results for *Issue, Frequency, Range, Ln(Horizon),* and *Accuracy*, in turn. All models include control variables, year, and industry fixed effects. All other independent variables are defined in Appendix A. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Rep_index_{cycle}	0.078†			0.088†			0.104†			0.069†			0.046†		
	(2.73)			(3.16)			(3.42)			(2.71)			(2.76)		
Rep_dum_{cycle}		0.112†			0.099†			0.101**			0.087**			0.069†	
		(2.88)			(2.69)			(2.47)			(2.55)			(3.08)	
Rep_dum_{tenure}			0.122†			0.110†			0.108**			0.087**			0.070†
			(2.76)			(2.65)			(2.33)			(2.29)			(2.82)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo/Adj.R^2	0.257	0.257	0.257	0.279	0.279	0.279	0.253	0.253	0.253	0.268	0.268	0.268	0.266	0.266	0.266

Table 8
Cross-sectional Test: High versus Low Institutional Ownership

This table presents results for firms with high (above-median) levels of institutional ownership (Panel A) and firms with low (below-median) levels of institutional ownership (Panel B). Measures of CEO political ideology, *Rep_Dum* and *Rep_Index*, and all other independent variables are defined in Appendix A. All models include control variables, year, and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. High institutional ownership

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(13)	(14)
Rep_Dum	0.177†		0.245†		0.202†		0.162†		0.141†	
	(3.94)		(4.97)		(4.40)		(3.83)		(4.98)	
Rep_Index		0.138**		0.192†		0.182†		0.134†		0.138†
		(2.54)		(3.21)		(3.28)		(2.62)		(4.02)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	16,975	16,975	16,975	16,975	16,975	16,975	16,975	16,975	16,975	16,975
Pseudo /Adj. R^2	0.221	0.220	0.269	0.268	0.207	0.206	0.251	0.251	0.263	0.262

Panel B. Low institutional ownership

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(13)	(14)
Rep_Dum	0.091*		0.073*		0.019		0.066*		0.037	
	(1.78)		(1.95)		(0.33)		(1.71)		(1.49)	
Rep_Index		0.147**		0.022		0.106		0.073		0.028
		(2.25)		(0.49)		(1.48)		(1.50)		(0.91)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	16,970	16,970	16,976	16,976	16,970	16,970	16,976	16,976	16,976	16,976
Pseudo /Adj. R^2	0.291	0.291	0.293	0.293	0.302	0.303	0.279	0.279	0.266	0.266

Table 9
Cross-sectional Test: High versus Low Litigation Risk

This table presents results for firms in industries with high litigation environment (Panel A) and firms in industries with low litigation environment (Panel B). Measures of CEO political ideology, *Rep_Dum* and *Rep_Index*, and all other independent variables are defined in Appendix A. All models include control variables, year, and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. High litigation environment

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.220†		0.325†		0.343†		0.215†		0.206†	
	(2.79)		(4.03)		(4.14)		(3.11)		(4.35)	
Rep_Index		0.261†		0.318†		0.354†		0.225†		0.229†
		(2.76)		(3.37)		(3.53)		(2.69)		(4.00)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,120	8,120	8,144	8,144	8,120	8,120	8,144	8,144	8,144	8,144
Pseudo /Adj. R^2	0.253	0.253	0.288	0.287	0.223	0.222	0.269	0.269	0.272	0.272

Panel B. Low litigation environment

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.097†		0.112†		0.071*		0.075**		0.054†	
	(2.63)		(3.33)		(1.83)		(2.38)		(2.62)	
Rep_Index		0.075*		0.042		0.080*		0.048		0.038
		(1.65)		(1.01)		(1.65)		(1.23)		(1.50)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	25,807	25,807	25,807	25,807	25,807	25,807	25,807	25,807	25,807	25,807
Pseudo /Adj. R^2	0.266	0.266	0.290	0.290	0.268	0.268	0.281	0.280	0.275	0.275

Table 10
Cross-sectional Test: the Conservatism Hypothesis

This table presents the results of cross-sectional tests based on CEO age (Panel A), CEO inside debt (Panel B), CEO marital status (Panel C), CEO tenure (Panel D), a firm headquarters county political orientation (Panel E), policy uncertainty (PU) index (Panel F), and high policy uncertainty index within red vs. blue states (Panel G). All control variables are included in the models and are defined in Appendix A. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. CEO age

	CEO age > Median					CEO age < Median				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.138†	0.227†	0.142†	0.126†	0.080†	0.134**	0.106*	0.102*	0.126**	0.088†
	(2.97)	(4.99)	(2.91)	(3.06)	(2.96)	(2.28)	(1.89)	(1.65)	(2.46)	(2.60)
Observations	15,342	15,343	15,316	15,343	15,343	12,217	12,569	12,281	12,569	12,569
Pseudo/Adj R^2	0.260	0.295	0.263	0.279	0.281	0.257	0.294	0.246	0.280	0.281

Panel B. CEO inside debt

	CEO inside debt > Median					CEO inside debt < Median				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.111†	0.157†	0.104**	0.095†	0.066†	0.133	0.144	0.092	0.146*	0.092*
	(2.75)	(4.19)	(2.44)	(2.75)	(2.86)	(1.51)	(1.57)	(1.02)	(1.77)	(1.79)
Observations	21,661	21,661	21,661	21,661	21,661	6,203	6,251	6,214	6,251	6,251
Pseudo/Adj R^2	0.286	0.335	0.288	0.305	0.297	0.218	0.227	0.184	0.242	0.264

Panel C. CEO marital status

	Married CEOs					Single CEOs				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.094*	0.132†	0.055	0.087**	0.044	0.042	0.224**	0.211	0.037	0.077
	(1.89)	(3.08)	(1.02)	(2.10)	(1.60)	(0.32)	(2.06)	(1.47)	(0.36)	(1.10)
Observations	14,582	14,582	14,582	14,582	14,582	2,950	3,062	2,939	3,062	3,062
Pseudo/Adj R^2	0.285	0.328	0.275	0.300	0.277	0.291	0.302	0.289	0.287	0.300

Panel D. CEO tenure

	CEO tenure > Median					*CEO tenure < median*				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.105**	0.154†	0.089*	0.089**	0.053*	0.140**	0.187†	0.124**	0.132†	0.101†
	(2.23)	(3.41)	(1.81)	(2.15)	(1.96)	(2.40)	(3.29)	(2.02)	(2.61)	(3.00)
Observations	15,316	15,316	15,316	15,316	15,316	12,596	12,596	12,257	12,596	12,596
Pseudo/Adj R^2	0.265	0.294	0.261	0.282	0.283	0.266	0.295	0.246	0.277	0.280

Table 10. Cross-sectional Test: the Conservatism Hypothesis. Cont'd

	Panel E. Headquarters State political orientation									
	Firms located in Republican states					Firms located in Democratic states				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.174†	0.197†	0.138**	0.143†	0.092†	-0.013	0.163†	-0.023	0.020	0.044
	(2.98)	(3.82)	(2.27)	(2.91)	(2.97)	(-0.23)	(2.69)	(-0.38)	(0.39)	(1.25)
Observations	9,578	9,578	9,539	9,578	9,578	13,723	13,836	13,419	13,836	13,836
Pseudo/Adj R^2	0.290	0.311	0.285	0.301	0.307	0.255	0.291	0.238	0.275	0.270
	Panel F. Policy uncertainty (PU) index									
	High Policy uncertainty (PU) index					Low Policy uncertainty (PU) index				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.112**	0.179†	0.152†	0.105**	0.083†	0.133**	0.151†	0.037	0.109**	0.061**
	(2.33)	(3.42)	(3.22)	(2.30)	(2.86)	(2.36)	(3.29)	(0.56)	(2.45)	(2.03)
Observations	15,191	15,191	15,191	15,191	15,191	12,721	12,721	12,721	12,721	12,721
Pseudo/Adj R^2	0.239	0.262	0.193	0.264	0.297	0.263	0.322	0.289	0.266	0.241
	Panel G. High PU in red vs. blue states									
	High PU index in red states					High PU index in blue states				
	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Issue*	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*
Rep_Dum	0.150*	0.203†	0.216†	0.125*	0.083*	-0.024	0.134	-0.061	-0.001	0.068
	(1.94)	(2.71)	(2.87)	(1.83)	(1.94)	(-0.31)	(1.48)	(-0.79)	(-0.01)	(1.38)
Observations	5,134	5,189	5,155	5,189	5,189	7,462	7,517	7,138	7,517	7,517
Pseudo/Adj R^2	0.283	0.293	0.233	0.308	0.333	0.235	0.256	0.161	0.260	0.291

Internet Appendix

Introduction

This online supplementary material complements and extends our main analysis in "Political orientation and the information revelation preferences of Red and Blue CEOs" in multiple ways. First, we investigate the effect of CEO political ideology on earnings forecast news types and earnings surprises. Second, we conduct additional tests to further address the endogeneity issues that could arise from measurement error, selection bias, and/or correlated omitted variables. Third, we use alternative measures of CEO political ideology and management earnings forecasts to mitigate concerns about error-in-variable problems. Fourth, we conduct a range of robustness tests to address various specification issues that could otherwise confound our main results. Fifth, we conduct a battery of cross-sectional tests that supports the conservatism hypothesis further by investigating the effect of different CEO and firm characteristics on our baseline results. Lastly, we used several alternative subsamples to address possible effects of sample selection bias on our baseline results.

I. Earnings Forecast News and Earnings Surprise

We examine the association between CEO political ideology and earnings forecasts news type. Specifically, we differentiate between bad and good news forecasts and examine how CEO political ideology affects the issuance of each type. Further, Skinner and Sloan (2002) show that the market response to negative earnings surprises is much stronger than the market response to positive earnings surprises. Corporate managers thus take actions to avoid negative earnings surprises to avoid their negative impact on stock prices. Matsumoto (2002) argues that managers voluntarily disclose bad news forecasts, or forecasts that are lower than expected, to guide analysts' earnings expectations downward, and thus to avoid missing expectations at the earnings announcement date. Although negative earnings surprises are detrimental to firms with both Republican and Democrat CEOs, Republican CEOs are expected to be more sensitive to such incidents because of their higher preference for the avoidance of loss and ambiguity. Consistent with this expectation, our earlier results show that Republican CEOs are more likely to issue bad news forecasts. We, therefore, conjecture that firms run by Republican CEOs would be more (less) likely to experience positive (negative) earnings surprises, compared to firms run by non-Republican CEOs. We replicate our baseline tests for five variables that capture news type and earnings surprise (namely: *Bad_News*, *Good_News*, *Positive_Surprise*, *Negative_Surprise*, and *Neutral_Surprise*, respectively) and report the results in Tables A1 and A2.[1]

Consistent with the conservatism hypothesis, the results of these tests indicate that Republican CEOs are more likely to issue bad news forecasts compared to non-Republican CEOs. Specifically, on average, firms with Republican CEOs have around 13 percent more bad news forecasts than those with non-Republican CEOs. Further, the results in Tables A1 and A2 indicate that firms run by Republican CEOs are more likely to experience positive earnings surprises and less likely to experience negative earnings surprises than other firms, which is consistent with our expectations. However, when it comes to the neutral surprises, we find that the coefficients on *Rep_Dum* and *Rep-Index* are both insignificant, suggesting that CEO Republican ideology plays no significant role in determining the likelihood of having neutral earnings surprises. We also find that research and development intensity, return on assets, analysts following, institutional

[1]In this appendix, we report the results for the baseline regression models as well as the PSM analysis. The results for the DID test, tests that control for CEO characteristics, incentives, and overconfidence, tests that use alternative measures of CEO Republican ideology, and the cross-sectional tests based on institutional ownership and litigation risk are consistent with those in our main manuscript. These results are un-tabulated to save space and are available upon request.

ownership, and earnings news type are positively associated with positive earnings surprises and negatively associated with negative earnings surprises. In contrast, firm size, leverage, and volatility are negatively associated with positive earnings surprises and positively associated with negative earnings surprises. Collectively, our results presented in Tables A1 and A2 lend support to the notion that Republican CEOs tend to impose downward pressure on analysts' forecasts, aiming at a higher probability of experiencing positive earnings surprises.

II. Management Earnings Forecasts around CEO Turnover.

Our baseline DID test uses a [-3, +3] window around CEO turnover events. To address the possibility that our DID results are affected by the window selection, we repeat our DID test using a [-2, +2] window and report results in Table A3. *After* is an indicator variable that equals 1 for the years after the CEO turnover. We only consider turnover events where long-term old CEOs are replaced by long-term new CEOs (long-term is defined as holding the position for at least two years). *Rep_Leaving* is an indicator variable that equals one if a firm replaces a Rep CEO with a non-Rep CEO, 0 otherwise. Republican CEOs are defined using $Rep\_dum_{Only,}$ which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party only (neither Democratic nor others). We find that the coefficient of *After*Rep_Leaving is* significantly negative in the models of MEF *Issue*, *Accuracy*, *Bad_News, and Positive_Surprise*, while it is insignificant, albeit negative, in the models of *Frequency*, *Range*, and *Horizon*. We also find that the same coefficient is significantly positive in the model of *Negative_Surprise.* The above findings are largely in line with our baseline results,

Next, we examine the effect of change in CEO political ideology due to CEO turnover on change in earnings forecasts (Table A4). Specifically, *Δdependent* is the difference between the first full fiscal year under the new CEO and the last full fiscal year under the old CEO. ΔREP_{CEO} is defined as the changes in CEO political ideology due to CEO turnover, where ΔREP_{CEO} =1 if a Republican CEO replaces a Democratic CEO, 0 if CEO political ideology does not change with turnover, and -1 if a Democratic CEO replaces a Republican CEO.[2] Even though this test uses a significantly smaller sample size, the results are largely similar to our baseline results.

Next, following Chava, Livdan, and Purnanandam (2009), we use change-on-change regressions to examine the active managerial influence on management earnings forecasts. Specifically, we estimate annual changes in all management earnings forecast variables, key Republican measures, and control variables similar to our baseline regressions. Following Hutton, Jiang, and Kumar (2014), we restrict our sample to those firm-years where annual changes in both Republican measures and management earnings forecast variables are non-zero. As presented in Table A5, the results of this test are largely in alignment with our baseline results.

III. Alternative Measures of CEO Political Ideology and Overconfidence

Table A6 presents the results using two alternative measures of Republican ideology, Rep_index_{year}, which is an index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in each fiscal year, and Rep_index_{tenure}, which is an index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in a CEO's entire tenure. In Tables A7 and A8, we use alternative measures of Democratic and Other ideologies.

[2] Due to this restrictive definition of changes in CEO political ideology measures around CEO turnover event, our sample size is reduced significantly.

Results are similar to our main findings, which mitigate the concerns that our findings are sensitive to our baseline measures of Republican ideology.

Results in Table A7 lend strong support to the main premises of this paper. CEO Democratic ideology is negatively associated with forecast issuance, frequency, range, horizon, accuracy, bad news, and positive earnings surprise and positively associated with negative surprise, albeit some of these effects are not statistically significant. Specifically, these results show, on average, that Democratic CEOs are around 8.8% less likely to issue forecasts, compared to CEOs with other political ideologies (model 1). Further, on average, Democratic CEOs are 9% to 12% less likely to miss forecast, 3.6% to 7.4% more likely to experience negative earnings surprise, 4.5% to 7.7% less likely to experience positive earnings surprise and have 2.5% to 4.3% lower forecast accuracy, compared to non-Democratic CEOs. Further,

Table A9 uses *Net_buyer* as an alternative measure of CEO overconfidence in addition to other CEO and firm characteristics. The results using this alternative measure are, overall, consistent with our main findings.

IV. Controlling for Other Possible Omitted Variables.

In this section, we control for several possible omitted variables that may affect managers' voluntary disclosure. First, Baik, Farber, and Lee (2011) find that CEO ability is positively associated with the likelihood, frequency, and accuracy of earnings forecasts. Republican CEOs may have higher ability compared to non-Republican CEOs driving our main findings. Thus, following Demerjian, Lev, and McVay (2012), we control for managerial ability, *MA_Score*. The results of this test are presented in Table A10. As shown in Table A10, we find similar results to our baseline regression.[3] Next, we investigate whether our results are caused by the political orientation of a firm CEO, or alternatively by the orientation of the CFO (REP_Dum_{CFO} and Rep_Index_{CFO}) or other members of the top management team (Rep_Dum_{TMT} and Rep_Index_{TMT}). The results in Table A11 show that TMT political ideology does not affect voluntary disclosure, while the political orientation of the CFO has a weak effect on some aspects such as frequency, range, and accuracy. The effect is weak and sensitive to the measure of CFO political ideology though.

Our baseline results suggest a positive association between CEOs' conservative political ideology (Republican) and the quality of earnings forecasts. However, political activism can represent an alternative explanation of our ideology interpretation of the results. To address this issue, we estimate models that concurrently control for CEOs' Republican as well as Democratic ideologies. (Table A12). Coefficient estimates of measures of Republican and Democratic ideologies are opposite, which is consistent with the ideology rather than the activism explanation of our results.

V. Propensity Score Matching: Alternative Specifications[4]

We rerun our PSM using alternative measures of CEO political ideology. First, we identify *Treatment* using $Rep\_dum_{only,}$ which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party only (neither Democratic nor others), and *Control* refer to a matching sample of CEOs who donated to other parties or never donated (Table A13, Panel A). Next, we identify *Treatment* using $Rep\_dum_{cycle,}$ which is an indicator

[3] We thank Demerjian, Lev, and McVay (2012) for sharing their data. Managerial ability data is available at: https://faculty.washington.edu/pdemerj/data.html. Last accessed on May 24, 2020.

[4] We do not report the diagnostic tests for the difference in mean matching variables between treatment and control groups for brevity. These tests are available upon request.

variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party, and *Control* refers to the matching sample if the donations of a CEO in an election cycle are all directed toward the Democratic Party (Table A13, Panel B). Lastly, we identify *Treatment* using *Rep_dum*$_{tenure,}$ which is an indicator variable that equals one if all donations of a CEO during her/his entire tenure are directed to the Republican Party and *Control* refers to the matching sample if all donations of a CEO during her/his entire tenure are directed to the Democratic Party (Table A13, Panel C). We carefully match the *Treatment* and *Control* groups on multiple firm characteristics as well as year and industry to mitigate the endogeneity issue. Further, it could be argued that differences in the political orientation of a firm's location could affect our results. So, we replicate our PSM tests using the same set of matching variables in addition to the political orientations of a firm's headquarters state. We report the results of this alternative PSM specification in Table A14.

VI. Is It Really Conservatism? Cross-sectional Tests

We interpret our results as evidence that due to their conservative ideology, Republican CEOs tend to choose a less opaque (or more transparent) voluntary disclosure style. If our conjecture about conservatism is correct, we should observe a variation within conservative CEOs based on their demographic and other characteristics. In our main analysis, we present such results for our baseline variables. In this section, we present the same results for the variables that capture news types and earnings surprises.

Table A15 reports results for the cross-sectional tests based on CEO age (Panel A), CEO inside debt (Panel B), CEO marital status (Panel C), CEO tenure (Panel D), political orientation of a firm's headquarters state (Panel E), policy uncertainty (PU) (Panel F), and high PU index in red (blue) states (Panel G).[5] Table A16 reports results for the subsample of firms with long-term (transient) institutional ownership in Panel A (B).[6] Table A17 reports results for subsamples of firms with higher (lower) than median analyst coverage in Panel A (B).

Consistent with our conservatism hypothesis, our results are stronger for older CEOs, CEOs with higher inside debt, married CEOs, CEOs with shorter tenure (possibly higher career concern), and for firms with long-term institutional ownership, with high analyst coverage, and located in Republican counties. Further, the results are stronger during the high PU period, especially for firms located in red states.

VII. Controlling for Variations in CEO Donation

Political ideology data include a significant variation in CEO donation. While some CEOs consistently donate in each election cycle, others never make any political donations. To make sure that such variation does not affect our baseline results, we run a subsample analysis after excluding CEOs who never donated during the sample period (Table A18, Panels A1 and A2). Further, we run a subsample analysis by restricting the sample to CEO donation years only (Table A18, Panels B1 and B2). Results using these restrictive subsamples are similar to our baseline results.

Moreover, we restrict our samples to firms that appear at least once in the I/B/E/S to address the database coverage issue (Chuk, Matsumoto, and Miller (2013); Houston et al. (2019)). Specifically, we exclude those firms that have never issued any earnings forecast during our

[5] Our results are similar when we use the PU news index. These results are un-tabulated and are available upon request.
[6] We also follow Goetzman et al. (2015) and Jiang et al. (2021) to collect the location information for the institutions. We also thank Alok Kumar and Danling Jiang for providing their data to us. However, the location based pollical ideology is noisy, thus not reported here.

sample period. This setting should eliminate the possible bias in our results caused by the effect of firms that have never issued any EPS forecasting in our sample period. The results of this test are presented in Table A19, and are largely similar to our baseline results. Next, we attempt to refute the possibility that our results are driven by the large number of non-forecast years in our sample. We run our models using a subsample that excludes firm/year observations with no management earnings forecast. The results of this test are reported in Table A20 and are similar to our baseline results.

Table A21 presents our results for the subsample of pre-crisis observations (1993-2007) and the subsample of post-crisis observations (2010-2016). Further, to rule out the possibility that our results are not affected by other confounding events taking place in the CEOs' turnover years, we exclude firm-years in which CEO turnover occurred (Table A22, Panels A1 & A2). To further check the persistency of our baseline results, we exclude the first three years of CEO tenure (Table A22, Panels B1 & B2). Our baseline results are, overall, robust to the above sensitivity checks.

VIII. Additional Robustness Checks

To capture the state-level variations in CEO political ideology and management earnings forecasts, we control for state fixed effects (headquarters) (Table A23, Panels A1 & A2), and find that the results are largely consistent with our main results. We also find that the results continue to hold even when we cluster the standard error at the firm level (Table A23, Panels B1 & B2).

Lastly, although it is beyond the scope of this paper which aims to investigate the voluntary disclosure preferences of Republican CEOs, it could be equally interesting to see the effect of such preferences on outcomes such as access to capital, measured by the Kaplan-Zingales (KZ: 1997) index, the Hadlock-Pierce (HP: 2010) index, and Whited-Wu (WW: 2006) index, Kusnadi-Wei

(2017) and Chen et al. (2017) measures of investment inefficiency (*InvIneff* and *InvIneff_Alt*, respectively), and firm value measured by Tobin's Q. The detailed definitions of the above measures are available in Appendix AA. Table A24 provides preliminary evidence that voluntary disclosure could alter the association between CEO political ideology and such outcome variables. Specifically, it seems that, when issuing highly accurate forecasts, Republican CEOs have higher access to capital (models (1) - (6)) and lower investment inefficiency (models (7) – (10)), and higher firm value (models (11) and (12)).

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Appendix AA. Variable definition

Variable	Definition
CEO political ideology (Baseline)	
Rep_Dum	An indicator variable that equals one if a CEO donated more to the Republican party than to the Democratic party during her/his entire tenure [Bhandari et al. 2018].
Rep_Index	The percentage of a CEO's support for the Republican Party calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by her/his number of donation cycles in the sample period [Hong and Kostovetsky, 2012].
CEO political ideology (Robustness)	
Dem_Dum	An indicator variable that equals one if a CEO donated more to the Democratic Party than to the Republican Party during her/his entire tenure.
Dem_Index	The percentage of a CEO's support for the Democratic Party calculated as the number of cycles in which a CEO donates exclusively to the Democratic Party divided by her/his number of donation cycles in the sample period.
Rep_dum_{cycle}	An indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party [Hutton et al. 2014].
Rep_dum_{tenure}	An indicator variable that equals one if all donations of a CEO during her/his entire tenure are directed to the Republican Party [Elnahas and Kim, 2017].
Rep_index_{cycle}	An index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in each election cycle. This index ranges between -1 (strong Democrat) and 1 (strong Republican) [Hutton et al. 2014].
Rep_dum_{Only}	An indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party only (neither Democratic nor others).
Political ideology (Internet appendix)	
Rep_index_{year}	An index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in each fiscal year. This index ranges between -1 (strong Democrat) and 1 (strong Republican).
Rep_index_{tenure}	An index calculated as total donations to the Republican Party minus total donations to the Democratic Party divided by total donations to both parties in a CEO's entire tenure. This index ranges between -1 (strong Democrat) and 1 (strong Republican).
Dem_dum_{cycle}	An indicator variable that equals one if the donations of a CEO in an election cycle are all directed toward the Democratic Party.
Dem_dum_{tenure}	An indicator variable that equals one if all donations of a CEO during her/his entire tenure are directed to the Democratic Party.
Dem_dum_{cycle2}	An indicator variable that equals one if the donations of a CEO in an election cycle are all directed toward the Democratic Party but not the Republican Party.
Other_Index	Percentage of a CEO's support for other Parties calculated as the number of cycles in which a CEO donates exclusively to other parties divided by her/his total number of donation cycles in the sample period.
$Other\_dum_{cycle}$	An indicator variable that equals one if the donations of a CEO in an election cycle are all directed toward the other parties (neither Republican nor Democratic).
Rep_Dum_{CFO}	An indicator variable that equals one if a CFO donated more to the Republican Party than to the Democratic Party during their tenure [Bhandari et al., 2018].

Appendix AA. Variable definition- Cont'd

Rep_Index$_{CFO}$	The percentage of a CFO's support for the Republican Party is calculated as the number of cycles in which a CFO donates exclusively to the Republican Party divided by the number of donation cycles in the sample period [Hong and Kostovetsky, 2012].
Rep_Dum$_{TMT}$	An indicator variable that equals one if a TMT donated more to the Republican Party than to the Democratic Party during their tenure [Bhandari et al., 2018].
Rep_Index$_{TMT}$	The percentage of a TMT's support for the Republican Party, calculated as the number of cycles in which a TMT donates exclusively to the Republican Party divided by the number of donation cycles in the sample period [Hong and Kostovetsky, 2012].
Voluntary disclosure	
Issue	An indicator variable that equals one if a firm makes annual earnings forecasts in a fiscal year.
Frequency	The total number of annual earnings forecasts made by a firm in a fiscal year.
Ln(Horizon)	The natural logarithm of one plus the average horizon of annual earnings forecasts made by a firm in a fiscal year. For each forecast, the horizon is defined as the number of calendar days between the forecast announcement date and the corresponding period end date. We assign a value of zero when a firm makes no forecasts in a fiscal year.
Range	An indicator variable of range estimates. For each forecast, we first assign 1 for range estimates and zero otherwise. This indicator variable is then averaged for each firm-year. The Range is then defined as an indicator variable that equals one if the average range is greater than 0.5, and zero otherwise.
Accuracy	The average Forecast accuracy for all annual earnings forecasts made by a firm in a fiscal year. For each estimate, we first calculate the absolute difference between management earnings forecasts and actual earnings scaled by the stock price at the end of the month before the forecast. Next, we identify forecast accuracy as the quintile ranking of the scaled difference, where one is assigned to the top quintile (largest error), five is assigned to the bottom quintile (lowest error), and zero if no forecasts are made.
Bad_News	An indicator variable that equals one if forecast news is negative, and zero otherwise. Where forecast news is the difference between the management earnings forecasts and the most recent mean analyst estimate deflated by the stock price one trading day before the management forecast release date.
Good_News	An indicator variable equals one if forecast news is non-negative, and zero otherwise. Forecast news is the difference between the management earnings forecasts and the most recent mean analyst estimate scaled by the stock price one trading day before the management forecast release date.
Positive_Surprise	An indicator variable that equals one if an earnings surprise is greater than 0.0001, and zero otherwise. Earnings surprise is calculated as the difference between the actual earnings and the mean analyst estimate scaled by the stock price three trading days before an earnings announcement.
Negative_Surprise	An indicator variable that equals one if an earnings surprise is less than -0.0001, and zero otherwise. Earnings surprise is calculated as the difference between the actual earnings and the mean analyst estimate scaled by the stock price three trading days before an earnings announcement.
Neutral_Surprise	An indicator variable that equals one if an earnings surprise is between 0.0001 and -0.0001, and zero otherwise. Earnings surprise is calculated as the difference between the actual earnings and the mean analyst estimate scaled by the stock price three trading days before an earnings announcement.

Appendix AA. Variable definition- Cont'd

Firm Characteristics	
Ln(assets)	The natural logarithm of total assets (at).
MB	The ratio of market-to-book value of equity. [(prcc_f*csho) / ceq].
Leverage	The ratio of total debt divided by the market value of total assets. [(Dltt+Dlc) / (at-ceq+csho*prcc_f)].
RD	Expenditures on research and development scaled by total assets. [xrd/at]
ROA	Return on assets measured as income before extraordinary items scaled by total assets. [ib/at]
Volatility	The standard deviation of daily stock return (CRSP variable ret) of a firm over the last fiscal year.
Ln(Analyst)	The natural logarithm of the number of analysts following a firm.
Institutional_Own	The percentage of shares owned by institutional investors.
Litigation	An indicator variable that equals one if a firm's SIC code is in industries subject to increased litigation (2833-2836, 3570-3577, 3600-3674, and 7370-7374), and zero otherwise.
News	An indicator variable that equals one if the current period EPS is greater than or equal to the previous-period EPS, and zero otherwise.
Equity_Issue	An indicator variable that equals one if a firm issued shares in a year.
Acquisition	An indicator variable that equals one if a firm's annual acquisitions or merger-related costs exceeded five percent of net income (loss) in year t, and zero otherwise. [aqc/ni]
Industry_Conc	A firm's industry concentration, measured as the sum of sales of the top five firms in its two-digit SIC code scaled by total sales of all firms in its two-digit SIC code in year t. $[\sum_{i=1}^{5} Sale_{i.j} \,/\, \sum_{i=1}^{n} Sale_{i,j}]$
Long-term IO	Long-term institutional investors are those classified as dedicated or quasi-indexers (i.e., long-term institutional investors per Bushee (2001). Institutional ownership classification data are publicly available at Bushee's personal website: https://accounting-faculty.wharton.upenn.edu/bushee/
Transient IO	Transient institutional investors are those classified as transient (i.e., short-term institutional investors per Bushee (2001). Institutional ownership classification data are publicly available at Bushee's personal website: https://accounting-faculty.wharton.upenn.edu/bushee/
Tobin's Q	The ratio of the market value of equity plus total assets less the book value of equity all divided by total assets. [((prcc_f*csho)+at-ceq)/ at]
InvIneff	*InvIneff* is the residuals calculated from the following Equation: $INVEST1_{i,t} = \alpha_0 + \beta_1 \mathrm{CAPX}_{i,t} + \beta_2 \mathrm{XRD}_{i,t} + \epsilon_{i,t}$ Where *INVEST1* is the sum of R&D expenditure and the capital expenditures, all deflated by lagged total assets (Kusnadi & Wei (2017)).
InvIneff_Alt	*InvIneff_Alt* is the residuals calculated from the following Equation: $INVEST2_{i,t} = \alpha_0 + \beta_1 PPEGT_{i,t} + \beta_2 \mathrm{PPEGT}_{i,t-1} + \beta_3 INVT_{i,t} + \beta_4 \mathrm{INVT}_{i,t-1} + \beta_4 \mathrm{XRD}_{i,t} + \epsilon_{i,t}$ Where *INVEST2* is the sum of the yearly growth in property, plant, and equipment, plus growth in inventory, plus R&D expenditure, all deflated by lagged total assets (Chen et al.,2017).
KZ Index	KZ index is calculated as: KZ_index = -1.001909* cash flow + 0.2826389* *Tobin's Q* + 3.139193*leverage - 39.3678*dividend - 1.315*cash, where leverage is the ratio of total debt divided by the book value of total assets, dividend is the ratio of common dividend divided book value of total assets, cash is the ratio of cash plus marketable securities to the book value of assets. [Kaplan & Zingales (1997)]

Appendix AA. Variable definition- Cont'd

HP Index	HP index is calculated as: HP index = -0.737* Ln(assets) + 0.043*Ln(assets)^2 – 0.040*firmage, where firm age is the number of years the firm has been on Compustat. [Hadlock & Pierce (2010)]
WW Index	The Whited-Wu index is calculated as: WW index = -0.091*Cash flow – 0.062*dividend dummy + 0.021*long-term debt - 0.044* *Ln(assets)*+ 0.102*industry sales growth - 0.035*sales growth. Cash flow is the sum of the operating income before depreciation subtracting interest and related expenses, income taxes, and common dividend, all deflated by total assets. Dividend dummy is an indicator variable that equals one if a firm pays a dividend, and zero otherwise. Long-term debt is the ratio of long-term debt divided by the book value of total assets. Sales growth is the annual growth in total revenues during the fiscal year [Whited & Wu (2006)]
CEO Characteristics	
Ln(Tenure)	The natural logarithm of CEO tenure, where tenure is defined as the length of a CEO's tenure with her/his current firm.
Ln(Age)	The natural logarithm of the age of a CEO as of the year in which a management earnings forecast was released.
Duality	An indicator variable that equals one if a CEO is also the chairman, and zero otherwise.
Ln(Delta)	The natural logarithm of the expected dollar changes in CEO wealth for a 1% change in stock price computed as in Core and Guay (2002).
Ln(Vega)	The natural logarithm of the expected dollar changes in CEO wealth for a 1% change in stock return volatility computed as in Guay (1999).
CEO_Own	The percentage of shares outstanding owned by a CEO.
CEO Gender	CEO Gender equals 1 if a CEO is female, 0 otherwise.
Married	Married equals one if a CEO is married, zero otherwise. [Roussanov & Savor (2014)]. We thank Roussanov & Savor (2014) for sharing their CEOs' marital status data, which is available at http://dx.doi.org/10.1287/mnsc.2014.1926
Inside Debt	The natural logarithm of one plus the debt-to-equity ratio of CEO compensation.
Net_buyer	An indicator variable that equals one if the number of years at which a CEO is a net-buyer is higher than those at which she/he is a net seller. *Net_buyer* is calculated as follows: first, we compute the net stock purchases by a CEO as purchases minus sales, both in units of shares *[net_purchase = (SHROWN_EXCL_OPTS$_t$ - SHROWN_EXCL_OPTS$_{t-1}$)],* then we calculate the number of years at which a CEO has bought more shares than he/she sold. [Malmendier and Tate, 2005; Campbell et al. 2011]
Holder67	An indicator variable that equals one if a CEO holds vested options with average moneyness greater than 67 percent starting in the first year a CEO displays this behavior. Option moneyness is calculated as follows: first, we calculate the realizable value per option as the total realizable value of the exercisable options divided by the number of exercisable options *[Value_Per_option = (OPT_UNEX_EXER_EST_VAL / OPT_UNEX_EXER_NUM)].* Second, we compute the estimate of the average exercise price of the options by subtracting the per-option realizable value from the stock price at the fiscal year-*end [avg_exercise_price = (prccf - Value_Per_option)]*. Lastly, the average percent moneyness of an option equals the per-option realizable value divided by the estimated average exercise price *[avg_pctg_moneyness_opt = (Value_Per_option / avg_exercise_price)]*. [Malmendier and Tate, 2005; Campbell et al. 2011; Hirshleifer et al. 2012]

Table A1. CEO Political Ideology: Bad news, Good news, and Earnings Surprise.
This table presents the results of the logistic regression models of the association between CEO political ideology and the credibility of the management earnings forecasts news. The dependent variable in models (1) and (2) is *Bad_News,* which is an indicator variable that equals one if forecast news is negative, and 0 otherwise. The dependent variable in models (3) and (4) is *Good_News,* which is an indicator variable equals one if forecast news is non-negative, and zero otherwise. Where forecast news is the difference between the management earnings forecasts and the most recent mean analyst estimate deflated by the stock price one trading day before the management forecast release date. The dependent variable in models (5) and (6) is *Positive_Surprise,* which is an indicator variable that equals one if an earnings surprise is greater than 0.0001, and zero otherwise. The dependent variable in models (7) and (8) is *Negative_Surprise,* which is an indicator variable that equals one if an earnings surprise is less than -0.0001, and zero otherwise. The dependent variable in models (9) and (10) is *Neutral_Surprise,* which is an indicator variable that equals one if an earnings surprise is between 0.0001 and -0.0001, and zero otherwise. Measures of CEO political ideology, *Rep_Dum*, *Rep_Index*, and all other independent variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Bad_News		*Good_News*		*Positive_ Surprise*		*Negative_ Surprise*		*Neutral_ Surprise*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.133†		0.052		0.058**		-0.090†		0.029	
	(3.84)		(1.40)		(2.07)		(-2.97)		(0.64)	
Rep_Index		0.144†		0.011		0.052		-0.094**		0.065
		(3.35)		(0.23)		(1.51)		(-2.54)		(1.18)
Ln(assets)	0.052†	0.055†	-0.016	-0.014	-0.023**	-0.022*	0.042†	0.040†	-0.077†	-0.077†
	(3.56)	(3.78)	(-1.07)	(-0.93)	(-2.04)	(-1.92)	(3.32)	(3.19)	(-4.07)	(-4.09)
MB	0.006	0.006*	-0.010**	-0.009**	-0.009†	-0.009†	-0.011†	-0.011†	0.030†	0.030†
	(1.60)	(1.65)	(-2.29)	(-2.26)	(-2.86)	(-2.84)	(-3.20)	(-3.22)	(7.05)	(7.05)
Leverage	0.184	0.184	0.799†	0.801†	-0.409†	-0.410†	0.837†	0.838†	-1.304†	-1.304†
	(1.38)	(1.39)	(5.99)	(6.00)	(-4.07)	(-4.08)	(7.91)	(7.92)	(-6.51)	(-6.51)
RD	-3.800†	-3.781†	-3.119†	-3.120†	1.951†	1.955†	-1.751†	-1.760†	-1.264†	-1.253†
	(-9.16)	(-9.12)	(-7.12)	(-7.12)	(6.79)	(6.81)	(-5.62)	(-5.65)	(-2.67)	(-2.64)
ROA	2.503†	2.511†	0.454**	0.459**	1.392†	1.394†	-1.849†	-1.851†	1.036†	1.036†
	(12.05)	(12.08)	(2.44)	(2.46)	(10.58)	(10.59)	(-13.18)	(-13.19)	(4.27)	(4.27)
Volatility	-21.817†	-21.758†	-18.305†	-18.294†	-0.466	-0.458	2.559**	2.550**	-9.098†	-9.080†
	(-14.51)	(-14.48)	(-11.75)	(-11.75)	(-0.42)	(-0.42)	(2.19)	(2.18)	(-4.88)	(-4.87)
Ln(Analyst)	0.582†	0.583†	0.563†	0.563†	0.353†	0.353†	-0.595†	-0.595†	0.614†	0.614†
	(21.80)	(21.81)	(19.58)	(19.62)	(17.57)	(17.59)	(-27.71)	(-27.73)	(16.87)	(16.85)
Instit_Own	0.252†	0.249†	0.323†	0.322†	0.295†	0.294†	-0.313†	-0.311†	0.046	0.044
	(5.74)	(5.66)	(6.78)	(6.77)	(8.25)	(8.22)	(-8.28)	(-8.22)	(0.76)	(0.74)
Litigation	0.277†	0.279†	0.059	0.058	-0.010	-0.010	-0.054	-0.055	0.055	0.057
	(4.73)	(4.77)	(0.92)	(0.90)	(-0.21)	(-0.20)	(-1.07)	(-1.08)	(0.74)	(0.77)
News	0.290†	0.290†	-0.782†	-0.782†	0.505†	0.505†	-0.663†	-0.664†	0.260†	0.260†
	(8.99)	(8.99)	(-23.43)	(-23.42)	(20.14)	(20.15)	(-25.04)	(-25.04)	(5.86)	(5.86)
Equity_Issue	0.022	0.022	-0.109**	-0.109**	-0.019	-0.019	0.006	0.006	0.038	0.038
	(0.55)	(0.54)	(-2.49)	(-2.51)	(-0.62)	(-0.62)	(0.17)	(0.17)	(0.77)	(0.78)
Acquisition	0.316†	0.317†	0.279†	0.279†	0.030	0.030	-0.098†	-0.098†	0.195†	0.195†
	(10.40)	(10.42)	(8.57)	(8.58)	(1.24)	(1.24)	(-3.76)	(-3.77)	(4.93)	(4.93)
Industry_Conc	0.835†	0.838†	0.354**	0.350**	-0.370†	-0.371†	0.181	0.182	0.444**	0.447**
	(5.59)	(5.61)	(2.17)	(2.14)	(-3.29)	(-3.30)	(1.52)	(1.53)	(2.43)	(2.45)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo R^2	0.257	0.257	0.180	0.180	0.052	0.052	0.102	0.102	0.077	0.077

Table A2. Propensity Score Matching

This table presents the test of management earnings forecasts between Republican and matching samples of control firm-years with non-Republican CEOs matched primarily on the firm characteristics, year, and industry. Panel A presents results for the diagnostic- differences in means of firm characteristics where *Treatment* denotes Rep_dum_{cycle} which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party and *controls* refers to matching sample of CEOs who donated to other parties or never donated. *Difference* represents the difference between treated and control groups. Panel B & C presents the results for the models of the association between management earnings forecasts and CEO political ideology from matched firm-years. All other variables are defined in Appendix AA. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Diagnostic- differences in means of variables

Variable	*Treatment*	*Control*	*Difference*	*T-stat*
Ln(assets)	7.620	7.604	0.015	0.48
MB	3.209	3.250	-0.041	-0.53
Leverage	0.164	0.160	0.004	1.55
RD	0.023	0.023	0.000	-0.31
ROA	0.049	0.051	-0.002	-1.09
Return_Volatility	0.025	0.025	0.000	0.40
Ln(Analyst)	2.268	2.264	0.004	0.25
Instit_Own	0.558	0.550	0.009	1.20
Litigation	0.157	0.151	0.005	0.74
News	0.650	0.649	0.001	0.15
Equity_Issue	0.156	0.160	-0.004	-0.53
Acquisition	0.416	0.412	0.004	0.39
Industry_Conc	0.482	0.480	0.002	0.59

Panel B. CEO Political ideology and management earnings forecast (PSM)

	Bad_ News	*Good_ News*	*Positive_ Surprise*	*Negative_ Surprise*	*Neutral_ Surprise*
	(1)	(2)	(3)	(4)	(5)
Rep_dum_{cycle}	0.090*	-0.031	0.071*	-0.096**	0.017
	(1.68)	(-0.55)	(1.68)	(-2.12)	(0.24)
Controls	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes
Observations	9,578	9,578	9,578	9,578	9,578
Pseudo / Adj. R^2	0.265	0.168	0.046	0.093	0.093

Table A3. Management earnings forecasts around CEO turnover. A DID test

This table presents estimates from the Difference-in-Difference (DID) regressions of the association between CEO political ideology and management earnings forecasts around CEO turnover events (-2, +2). *After* is an indicator variable that equals one for the years after the CEO turnover. We only consider turnover events where long-term old CEOs are replaced by long-term new CEOs (long-term is defined as holding the position for at least two years). *Rep_Leaving* is an indicator variable that equals 1 if a firm replaces a Rep CEO with a non-Rep CEO, 0 otherwise. Republican CEOs are defined using Rep_dum_{Only}, which is an indicator variable that equals 1 if all donations of a CEO in an election cycle are directed to the Republican Party only (neither Democratic nor others). All models include control variables, year, and industry fixed effects. All control variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Bad_ News*	*Good_ News*	*Positive_ Surprise*	*Negative_ Surprise*	*Neutral_ Surprise*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
After Rep_Leaving*	-0.215*	-0.012	-0.119	-0.150	-0.135*	-0.207*	0.010	-0.191*	0.261**	-0.149
	(-1.83)	(-0.11)	(-0.98)	(-1.35)	(-1.89)	(-1.71)	(0.08)	(-1.90)	(2.41)	(-0.90)
Rep_Leaving	0.109	0.017	-0.033	0.071	0.107*	0.109	-0.051	-0.000	-0.021	0.049
	(1.15)	(0.20)	(-0.33)	(0.81)	(1.88)	(1.12)	(-0.48)	(-0.00)	(-0.24)	(0.38)
After	0.109*	0.130**	0.184†	0.085	0.040	0.174†	-0.050	-0.033	0.047	-0.020
	(1.87)	(2.50)	(2.85)	(1.58)	(1.15)	(2.78)	(-0.77)	(-0.65)	(0.87)	(-0.24)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo / Adj. R^2	0.224	0.292	0.228	0.256	0.270	0.232	0.151	0.054	0.101	0.073
Observations	11,815	11,815	11,815	11,815	11,815	11,815	11,815	11,815	11,815	11,815

Table A4. The effect of change in CEO political ideology due to CEO turnover on Change in management earnings forecasts.
This table presents tests of the association between changes in CEO political ideology due to CEO turnover and changes in management earnings forecasts. *Δdependent* is the difference between the first full fiscal year under the new CEO and the last full fiscal year under the old CEO. ΔREP_{CEO} is defined as the changes in CEO political ideology due to CEO turnover, where ΔREP_{CEO} =1 if a Republican CEO (Rep_dum_{Only}) replaces a Democratic CEO (Dem_dum_{Only}), 0 if the political ideology is similar after a CEO turnover, and -1 if a Democratic CEO replaces a Republican minded CEO. Panel A reports results for all CEO turnover events. Panel B reports results only when an old CEO is in position for at least three years. All models include control variables, year, and industry fixed effects. All variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. CEO turnover sample

	ΔIssue	*ΔFrequency*	*ΔRange*	*ΔLn (Horizon)*	*ΔAccuracy*	*ΔBad_ News*	*ΔGood_ News*	*ΔPositive_ Surprise*	*ΔNegative_S urprise*	*ΔNeutral_ Surprise*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ΔREP_{CEO}	0.201**	0.199	0.247**	0.883*	0.782**	0.193	0.002	-0.059	0.012	0.047
	(2.28)	(0.49)	(2.36)	(1.88)	(2.26)	(1.59)	(0.02)	(-0.37)	(0.08)	(0.49)
ΔControls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	172	172	172	172	172	172	172	172	172	172
Pseudo/Adj. R^2	0.489	0.483	0.463	0.458	0.418	0.438	0.369	0.451	0.431	0.533

Panel B. Long-term old CEO turnover sample

	ΔIssue	*ΔFrequency*	*ΔRange*	*ΔLn (Horizon)*	*ΔAccuracy*	*ΔBad_ News*	*ΔGood_ News*	*ΔPositive_ Surprise*	*ΔNegative_S urprise*	*ΔNeutral_ Surprise*
ΔREP_{CEO}	0.158*	-0.228	0.274**	0.633	0.719*	0.174	-0.104	-0.004	-0.049	0.054
	(1.79)	(-0.56)	(2.48)	(1.39)	(1.76)	(1.43)	(-0.98)	(-0.03)	(-0.28)	(0.46)
ΔControls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	162	162	162	162	162	162	162	162	162	162
Pseudo/Adj. R^2	0.534	0.504	0.476	0.521	0.421	0.457	0.404	0.500	0.485	0.547

Table A5. Change-on-change regression

This table presents tests of the association between CEO political ideology and management earnings forecast where all dependent and independent variables are annual changes. We exclude the firm-years with 0 changes in either dependent or independent variables. All models include control variables, firm, and year fixed effects. All control variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Change-on-change models (1)

	ΔIssue		*ΔFrequency*		*ΔRange*		*ΔLn(Horizon)*		*ΔAccuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ΔRep_index_{year}	0.168†		0.036		0.059		0.152†		0.126†	
	(2.80)		(0.60)		(0.89)		(3.29)		(3.46)	
ΔRep_dum_{Only}		0.382*		0.300*		0.292		0.399†		0.335†
		(1.73)		(1.94)		(0.67)		(3.63)		(3.49)
ΔControls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm & Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,118	315	3,203	794	1,013	266	3,857	973	3,600	905
Pseudo/Adj. R^2	0.518	0.814	0.240	0.523	0.459	0.846	0.298	0.535	0.252	0.498

Panel A2. Change-on-change models (2)

	ΔBad_News		*ΔGood_News*		*ΔPositive_Surprise*		*ΔNegative_Surprise*		*ΔNeutral_Surprise*	
ΔRep_index_{year}	0.050		0.061*		0.047**		-0.055**		0.010	
	(1.04)		(1.81)		(1.99)		(-2.15)		(0.22)	
ΔRep_dum_{Only}		-0.040		0.165		-0.028		0.039		0.308
		(-0.19)		(1.28)		(-0.40)		(0.50)		(1.63)
ΔControls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm & Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,256	334	1,699	403	3,590	924	3,078	812	1,360	340
Pseudo/Adj. R^2	0.437	0.795	0.429	0.758	0.281	0.534	0.327	0.578	0.368	0.779

Table A6. Alternative Measures of CEO Political Ideology (Republican)

This table presents tests of the association between CEO political ideology and management earnings forecast using alternative measures of CEO Republican ideology (Panel A & B), measures of CEO Democratic ideology (Panel C & D) as well as Other ideologies (Panel E & F). All models include control variables, year, and industry fixed effects. All variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Alternative measures of Republican ideology (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_index$_{year}$	0.102†		0.080†		0.109†		0.087†		0.057†	
	(3.52)		(2.83)		(3.56)		(3.42)		(3.40)	
Rep_index$_{tenure}$		0.142†		0.126†		0.141†		0.119†		0.082†
		(4.72)		(4.23)		(4.45)		(4.49)		(4.65)
Pseudo / Adj. R^2	0.257	0.257	0.279	0.280	0.253	0.253	0.268	0.269	0.266	0.266
Panel A2. Alternative measures of Republican ideology (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_index$_{year}$	0.072**		0.038		0.058**		-0.067**		0.003	
	(2.38)		(1.17)		(2.35)		(-2.53)		(0.08)	
Rep_index$_{tenure}$		0.126†		0.041		0.051**		-0.076†		0.032
		(4.01)		(1.19)		(1.98)		(-2.75)		(0.77)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo / Adj. R^2	0.257	0.257	0.180	0.180	0.052	0.052	0.102	0.102	0.077	0.077

Table A7. Robustness check. CEO Democratic ideology and MEF

This table presents tests of the association between CEO political ideology and management earnings forecast using the measure of a CEO's political ideology that captures Democratic affiliation. *Dem_Dum* is an indicator variable that equals one if a CEO donated more to the Democratic Party than to the Republican Party during her/his tenure. *Dem_Index* is the percentage of a CEO's support for the Democratic Party calculated as the number of cycles in which a CEO donates exclusively to the Democratic Party divided by her/his number of donation cycles in the sample period. Panel A reports results for the models of the association between CEO political ideology and *Issue, Frequency, Range, Ln(Horizon),* and *Accuracy*. Panel B reports results for the models of the association between CEO political ideology and *Bad_News, Good_News, Positive_Surprise, Negative_Surprise,* and *Neutral_Surprise*. All other independent variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. CEO Political ideology and MEF: measures of CEO Democratic ideology (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dem_Dum	-0.088**		-0.008		-0.069		-0.063*		-0.025	
	(-2.18)		(-0.20)		(-1.61)		(-1.72)		(-0.70)	
Dem_Index		-0.085		-0.006		-0.142**		-0.076		-0.043*
		(-1.40)		(-0.10)		(-2.23)		(-1.38)		(-1.79)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo / Adj. R^2	0.257	0.257	0.279	0279	0.253	0.253	0.268	0.268	0.259	0.259
Panel A2. CEO Political ideology and MEF: measures of CEO Democratic ideology (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Dem_Dum	-0.038		0.032		-0.077**		0.036		0.031	
	(-0.59)		(0.48)		(-2.20)		(0.65)		(0.57)	
Dem_Index		-0.056		-0.016		-0.045		0.074**		0.014
		(-1.33)		(-0.36)		(-0.86)		(2.00)		(0.18)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo / Adj. R^2	0.257	0.257	0.180	0.180	0.052	0.052	0.102	0.102	0.077	0.077

Table A8. Alternative measures of CEO political Ideology (Democratic & Other)

This table presents tests of the association between CEO political ideology and management earnings forecast using measures of CEO Democratic ideology (Panel A & B) as well as Other ideologies (Panel C & D). All models include control variables, year, and industry fixed effects. All variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Alternative measures of Democratic ideology (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Dem_dum_{cycle}	0.115			0.121			0.046			0.078			0.073		
	(1.26)			(1.33)			(0.47)			(0.94)			(1.34)		
Dem_dum_{cycle2}		0.007			-0.008			-0.082			-0.015			0.016	
		(0.12)			(-0.15)			(-1.40)			(-0.30)			(0.48)	
Dem_dum_{tenure}			-0.044			-0.007			-0.065			-0.059			-0.022
			(-0.61)			(-0.10)			(-0.86)			(-0.89)			(-0.50)
Pseudo/Adj.R^2	0.257	0.257	0.257	0.279	0.279	0.279	0.253	0.253	0.253	0.268	0.268	0.268	0.258	0.258	0.258
Panel A2. Alternative measures of Democratic ideology (2)															
	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Dem_dum_{cycle}	0.161^{*}			0.020			-0.020			-0.030			0.079		
	(1.71)			(0.20)			(-0.25)			(-0.36)			(0.68)		
Dem_dum_{cycle2}		0.055			0.051			-0.050			0.020			0.053	
		(0.94)			(0.82)			(-1.05)			(0.40)			(0.73)	
Dem_dum_{tenure}			-0.039			0.116			0.012			0.049			-0.156
			(-0.51)			(1.49)			(0.20)			(0.74)			(-1.53)
Pseudo/Adj. R^2	0.257	0.257	0.257	0.180	0.180	0.180	0.052	0.052	0.052	0.102	0.102	0.102	0.077	0.077	0.077
Panel B1. Alternative measures of Other ideologies (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
Other_Index	0.043			$0.265^{\dagger}$			0.035			0.093			0.064^{*}		
	(0.67)			(4.03)			(0.52)			(1.62)			(1.70)		
$Other\_dum_{cycle}$		0.015			$0.188^{\dagger}$			0.042			0.056			0.038	
		(0.28)			(3.49)			(0.77)			(1.19)			(1.24)	
All_dum_{cycle}			0.014			0.112^{**}			0.070			0.039			0.005
			(0.27)			(2.13)			(1.26)			(0.85)			(0.17)
Pseudo /Adj. R^2	0.257	0.257	0.257	0.280	0.279	0.279	0.253	0.253	0.253	0.268	0.268	0.268	0.258	0.258	0.259

Table A8. Alternative measures of CEO political Ideology (Democratic & Other). Cont'd

Panel B2. Alternative measures of Other ideologies (2)

	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Other_Index	0.078			0.088			0.029			0.005			-0.061		
	(1.18)			(1.23)			(0.53)			(0.08)			(-0.67)		
Other_dum$_{cycle}$		0.055			0.048			0.005			-0.011			0.032	
		(1.00)			(0.81)			(0.11)			(-0.23)			(0.44)	
All_dum$_{cycle}$			-0.003			0.063			0.021			-0.030			-0.033
			(-0.05)			(1.08)			(0.47)			(-0.62)			(-0.46)
Pseudo /Adj. R^2	0.257	0.256	0.257	0.180	0.180	0.180	0.052	0.052	0.052	0.102	0.102	0.102	0.077	0.077	0.077
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951

Table A9. Alternative Measures of CEO Overconfidence

This table presents tests of the association between CEO political ideology and management earnings forecast using Net_buyer as an alternative measure of CEO overconfidence and controlling for CEO characteristics (Ln(Tenure), Ln(Age), Duality, CEO Gender, Ln(Delta), Ln(Vega), and CEO_Own, in addition to baseline control variables. All variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. CEO Political ideology and management earnings forecast (1)

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.122†		0.183†		0.121†		0.114†		0.080†	
	(3.27)		(5.04)		(3.11)		(3.45)		(3.69)	
Rep_Index		0.108**		0.124†		0.128†		0.094**		0.075†
		(2.35)		(2.77)		(2.68)		(2.31)		(2.78)
Net_buyer	0.008	0.011	0.024	0.027	0.046	0.048	-0.005	-0.003	-0.002	-0.000
	(0.22)	(0.28)	(0.72)	(0.79)	(1.12)	(1.18)	(-0.15)	(-0.10)	(-0.08)	(-0.02)
CEO Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562
Pseudo R^2/Adj. R^2	0.250	0.249	0.289	0.289	0.248	0.248	0.273	0.273	0.274	0.274

Panel A2. CEO Political ideology and management earnings forecast (2)

	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Rep_Dum	0.124†		0.042		0.058*		-0.087**		0.025	
	(3.20)		(1.03)		(1.82)		(-2.52)		(0.49)	
Rep_Index		0.119**		-0.010		0.024		-0.072*		0.084
		(2.49)		(-0.20)		(0.62)		(-1.71)		(1.35)
Net_buyer	0.031	0.033	-0.058	-0.057	0.061*	0.061*	-0.053	-0.054	-0.057	-0.056
	(0.75)	(0.81)	(-1.36)	(-1.34)	(1.87)	(1.89)	(-1.51)	(-1.55)	(-1.11)	(-1.09)
CEO Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562	25,562
Pseudo R^2/Adj. R^2	0.252	0.252	0.168	0.168	0.0525	0.0524	0.102	0.102	0.0779	0.0780

Table A10. Controlling for CEO characteristics, incentives, and managerial ability

This table presents the results of tests that control for managerial ability, *MA_Score*, controlling for CEO characteristics (Ln(Tenure), Ln(Age), Duality, Ln(Delta), Ln(Vega), CEO_Own, and managerial ability) in addition to the baseline control variables. All variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Controlling for managerial ability (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Rep_Dum	0.121†			0.173†			0.121†			0.114†			0.079†		
	(3.44)			(5.17)			(3.27)			(3.75)			(3.94)		
Rep_Index		0.102**			0.111†			0.116**			0.090**			0.064†	
		(2.36)			(2.73)			(2.57)			(2.39)			(2.61)	
Rep_index$_{year}$			0.109†			0.089†			0.107†			0.100†			0.060†
			(3.60)			(2.99)			(3.35)			(3.76)			(3.41)
MA_Score	-0.581†	-0.584†	-0.579†	-0.361†	-0.366†	-0.360†	-0.680†	-0.685†	-0.679†	-0.654†	-0.657†	-0.653†	-0.481†	-0.483†	-0.480†
	(-4.63)	(-4.65)	(-4.62)	(-2.94)	(-2.98)	(-2.93)	(-5.08)	(-5.11)	(-5.08)	(-6.01)	(-6.04)	(-6.00)	(-6.69)	(-6.71)	(-6.68)
Observations	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638
Pseudo / Adj. R^2	0.262	0.262	0.262	0.290	0.290	0.290	0.255	0.255	0.255	0.277	0.277	0.277	0.277	0.277	0.277
Panel A2. Controlling for managerial ability (2)															
	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Rep_Dum	0.112†			0.061			0.043			-0.071**			0.027		
	(3.07)			(1.56)			(1.42)			(-2.21)			(0.58)		
Rep_Index		0.100**			0.013			0.021			-0.062			0.072	
		(2.20)			(0.27)			(0.58)			(-1.57)			(1.24)	
Rep_index$_{year}$			0.071**			0.049			0.053**			-0.069**			0.021
			(2.25)			(1.44)			(2.06)			(-2.46)			(0.53)
MA_Score	-0.531†	-0.534†	-0.530†	-0.317**	-0.319**	-0.317**	-0.291†	-0.292†	-0.290†	0.271**	0.272**	0.270**	-0.139	-0.140	-0.137
	(-4.02)	(-4.04)	(-4.01)	(-2.27)	(-2.29)	(-2.27)	(-2.71)	(-2.72)	(-2.70)	(2.33)	(2.34)	(2.32)	(-0.85)	(-0.86)	(-0.84)
CEO controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638	30,638
Pseudo / Adj. R^2	0.262	0.262	0.262	0.179	0.179	0.179	0.054	0.054	0.054	0.104	0.104	0.104	0.076	0.076	0.076

Table A11. Controlling for CFO and TMT political ideology

This table presents results after controlling for the political ideology of a firm's chief financial officer (CFO) and top management team (TMT). All control variables are included in the models (coefficients are dropped for brevity) and are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Controlling for CFO and TMT political ideology (1)

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.120†		0.177†		0.103**		0.100**		0.073**	
	(2.64)		(3.50)		(2.26)		(2.30)		(2.54)	
Rep_Index		0.140**		0.139**		0.122**		0.118**		0.087**
		(2.51)		(2.24)		(2.17)		(2.21)		(2.47)
Rep_Dum_{CFO}	0.117		0.200**		0.180**		0.139*		0.108**	
	(1.43)		(1.96)		(2.20)		(1.70)		(1.98)	
Rep_Index_{CFO}		0.106		0.187		0.153		0.114		0.101
		(1.13)		(1.62)		(1.63)		(1.22)		(1.63)
Rep_Dum_{TMT}	-0.003		-0.009		0.030		0.004		-0.024	
	(-0.05)		(-0.13)		(0.48)		(0.06)		(-0.58)	
Rep_Index_{TMT}		-0.007		0.017		0.045		0.000		-0.022
		(-0.12)		(0.23)		(0.72)		(0.01)		(-0.55)
Observations	16,826	16,826	16,826	16,826	16,625	16,625	16,826	16,826	16,826	16,826
Pseudo /Adj. R^2	0.213	0.213	0.287	0.287	0.209	0.209	0.254	0.254	0.283	0.283

Panel A2. Controlling for CFO and TMT political ideology (2)

	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.134†		0.012		0.036		-0.067		0.031	
	(2.92)		(0.26)		(0.88)		(-1.52)		(0.49)	
Rep_Index		0.165†		-0.013		0.004		-0.032		0.031
		(2.92)		(-0.23)		(0.08)		(-0.60)		(0.40)
Rep_Dum_{CFO}	0.093		0.159*		0.013		0.005		-0.001	
	(1.13)		(1.91)		(0.17)		(0.06)		(-0.01)	
Rep_Index_{CFO}		0.059		0.147		0.058		-0.064		0.024
		(0.62)		(1.58)		(0.67)		(-0.68)		(0.18)
Rep_Dum_{TMT}	-0.056		0.038		-0.096*		0.105*		0.027	
	(-0.90)		(0.61)		(-1.70)		(1.71)		(0.31)	
Rep_Index_{TMT}		-0.039		0.011		-0.121**		0.142**		0.017
		(-0.63)		(0.18)		(-2.13)		(2.29)		(0.19)
Observations	16,826	16,826	16,826	16,826	16,826	16,826	16,826	16,826	16,735	16,735
Pseudo /Adj. R^2	0.220	0.219	0.127	0.127	0.0492	0.0493	0.0941	0.0941	0.0701	0.0701

Table A12. Political ideology vs. Political activism.
This table presents tests that attempt to differentiate between the political ideology and the political activism explanation of our baseline results. Panel A reports results for *Issue, Frequency, Range, Ln(Horizon),* and *Accuracy,* on the other hand. Panel B reports results for the models of the association between CEO political ideology on one hand and *Bad_News, Good_News, Positive_Surprise, Negative_Surprise, and Neutral_Surprise* on the other hand. All models include control variables, year, and industry fixed effects. All other independent variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Ideology vs. activism (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.117†		0.174†		0.120†		0.105†		0.083†	
	(3.41)		(5.47)		(3.31)		(3.55)		(4.29)	
Dem_Dum	-0.053		0.044		-0.031		-0.031		-0.018	
	(-1.26)		(1.07)		(-0.71)		(-0.83)		(-0.72)	
Rep_dum$_{tenure}$		0.120†		0.110†		0.106**		0.085**		0.069†
		(2.72)		(2.65)		(2.28)		(2.23)		(2.79)
Dem_dum$_{tenure}$		-0.032		0.004		-0.054		-0.050		-0.014
		(-0.44)		(0.06)		(-0.72)		(-0.76)		(-0.33)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo /Adj. R^2	0.257	0.257	0.280	0.279	0.253	0.253	0.269	0.268	0.266	0.266
Panel A2. Ideology vs. activism (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.130†		0.052		0.046		-0.080†		0.038	
	(3.61)		(1.36)		(1.58)		(-2.58)		(0.81)	
Dem_Dum	-0.016		0.001		-0.063*		0.051		0.043	
	(-0.36)		(0.01)		(-1.75)		(1.32)		(0.76)	
Rep_dum$_{tenure}$		0.127†		0.062		0.040		-0.066*		0.052
		(2.74)		(1.25)		(1.06)		(-1.66)		(0.87)
Dem_dum$_{tenure}$		-0.026		0.122		0.017		0.042		-0.150
		(-0.34)		(1.57)		(0.27)		(0.64)		(-1.47)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Pseudo /Adj. R^2	0.257	0.257	0.180	0.180	0.052	0.052	0.102	0.102	0.077	0.077

Table A13. PSM. Alternative measures of CEO political ideology.

This table presents the test of the difference in management earnings forecast between firms with Republican CEOs and a sample of control firms with non-Republican CEOs matched primarily on firm characteristics, year, and industry—Panel A, B, and present results using Rep_Dum_{only} Rep_Dum_{cycle}, and Rep_Dum_{tenure}, respectively. In panel A, treatment denotes Rep_Dum_{only}, which is an indicator variable that equals 1 if all donations of a CEO in an election cycle are directed to the Republican Party only (neither Democratic nor others) and control refers to a matching sample of CEOs who donated to other parties or never donated. In panel B, *treatment* denotes Rep_Dum_{cycle}, which is an indicator variable that equals one if all donations of a CEO in an election cycle are directed to the Republican Party and control refers to a matching sample if the donations of a CEO in an election cycle are all directed toward the Democratic Party. In panel C, treatment denotes Rep_dum_{tenure}, which is an indicator variable that equals one if all donations of a CEO during her/his entire tenure are directed to the Republican Party and control refers to a matching sample if all donations of a CEO during her/his entire tenure are directed to the Democratic Party. All variables are defined in Appendix AA. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Bad_ News*	*Good_ News*	*Positive_ Surprise*	*Negative_ Surprise*	*Neutral_ Surprise*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Panel A. PSM. CEO ideology is measured using Rep_Dum_{only}										
Rep_Dum_{only}	0.132	0.133*	0.190**	0.133*	0.122**	0.133	0.004	0.111	-0.177**	0.138
	(1.58)	(1.79)	(2.08)	(1.78)	(2.55)	(1.47)	(0.04)	(1.53)	(-2.25)	(1.16)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,426	3,426	3,426	3,426	3,426	3,426	3,426	3,426	3,426	3,426
Pseudo / Adj. R^2	0.231	0.249	0.259	0.237	0.244	0.254	0.171	0.0719	0.131	0.111
Panel B. PSM. CEO ideology is measured using Rep_Dum_{cycle}										
Rep_Dum_{cycle}	0.132*	0.187**	0.208**	0.156**	0.090**	0.112	-0.008	0.131**	-0.120*	-0.061
	(1.67)	(2.41)	(2.55)	(2.32)	(1.98)	(1.40)	(-0.09)	(1.98)	(-1.66)	(-0.59)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,172	4,172	4,172	4,172	4,172	4,172	4,172	4,172	4,172	4,172
Pseudo /Adj. R^2	0.298	0.307	0.271	0.325	0.312	0.285	0.179	0.0591	0.116	0.114
Panel C. PSM. CEO ideology is measured using Rep_dum_{tenure}										
Rep_dum_{tenure}	0.199*	0.210**	0.196*	0.211**	0.188†	0.111	0.031	0.043	-0.072	0.104
	(1.87)	(2.00)	(1.81)	(2.33)	(3.05)	(1.04)	(0.28)	(0.49)	(-0.75)	(0.70)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422
Pseudo / Adj. R^2	0.302	0.302	0.279	0.320	0.310	0.275	0.186	0.07	0.134	0.109

Table A14. PSM. Matching based on firm location.

This table presents the results of the propensity score matching (PSM) at which the matching is based on our original set of matching variables in addition to the political orientation of the firm's headquarters state. All control variables are included in the models (coefficients are dropped for brevity) and are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Issue	*Frequency*	*Range*	*Ln(Horizon)*	*Accuracy*	*Bad_ News*	*Good_ News*	*Positive_ Surprise*	*Negative_ Surprise*	*Neutral_ Surprise*
Panel A. PSM. Matching on firm headquarters location political orientation										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	$0.124^{\dagger}$	$0.179^{\dagger}$	0.104^{**}	$0.117^{\dagger}$	$0.077^{\dagger}$	0.084^{*}	0.061	0.054	-0.062	-0.012
	(2.84)	(4.29)	(2.26)	(3.09)	(3.11)	(1.87)	(1.32)	(1.48)	(-1.58)	(-0.21)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12,934	12,934	12,934	12,934	12,934	12,934	12,934	12,934	12,934	12,934
Pseudo / Adj. R^2	0.271	0.323	0.269	0.301	0.305	0.272	0.169	0.045	0.098	0.099
Panel B. PSM. Matching on firm headquarters location political orientation										
Rep_Dum$_{cycle}$	0.136^{**}	0.139^{**}	0.044	0.122^{**}	0.078^{**}	0.111^{*}	0.001	0.075	-0.101^{*}	0.018
	(2.27)	(2.18)	(0.71)	(2.12)	(2.03)	(1.81)	(0.02)	(1.41)	(-1.73)	(0.22)
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,122	6,122	6,122	6,122	6,122	6,122	6,122	6,122	6,122	6,122
Pseudo /Adj. R^2	0.221	0.323	0.223	0.268	0.277	0.233	0.134	0.049	0.097	0.102

Table 15. Cross-sectional test: the conservatism hypothesis.

This table presents the results of cross-sectional tests based on CEO age (Panel A), CEO inside debt (Panel B), CEO marital status (Panel C), CEO tenure (Panel D), a firm headquarters county political orientation (Panel E), policy uncertainty (PU) index (Panel F), and high policy uncertainty index within red vs. blue states (Panel G). All control variables are included in the models and are defined in Appendix A. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. CEO age																				
	CEO age > Median										CEO age < Median									
	Bad_News		*Good_News*		*Positive_ Surprise*		*Negative_ Surprise*		*Neutral_ Surprise*		*Bad_News*		*Good_News*		*Positive_ Surprise*		*Negative_ Surprise*		*Neutral_ Surprise*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Rep_Dum	0.123**		0.117**		0.045		-0.072*		0.024		0.116*		-0.036		0.039		-0.052		-0.007	
	(2.53)		(2.29)		(1.12)		(-1.69)		(0.38)		(1.87)		(-0.56)		(0.76)		(-0.94)		(-0.09)	
Rep_Index		0.166†		0.085		-0.017		-0.061		0.163**		0.062		-0.110		0.048		-0.022		-0.083
		(2.80)		(1.37)		(-0.36)		(-1.18)		(2.12)		(0.79)		(-1.31)		(0.76)		(-0.32)		(-0.82)
Observations	15,342	15,342	15,316	15,316	15,342	15,342	15,342	15,342	15,342	15,342	12,569	12,569	12,503	12,503	12,569	12,569	12,569	12,569	12,569	12,569
Pseudo/Adj R^2	0.261	0.261	0.175	0.175	0.0562	0.0561	0.101	0.101	0.0817	0.0821	0.267	0.267	0.187	0.187	0.0577	0.0577	0.111	0.111	0.0745	0.0746
Panel B. CEO inside debt																				
	CEO inside debt > Median										CEO inside debt < Median									
Rep_Dum	0.090**		0.048		0.055		-0.076**		0.004		0.175*		0.044		0.018		-0.009		-0.014	
	(2.11)		(1.10)		(1.61)		(-2.06)		(0.07)		(1.93)		(0.44)		(0.23)		(-0.10)		(-0.10)	
Rep_Index		0.101*		0.018		0.031		-0.073		0.070		0.176		-0.019		-0.094		0.092		0.048
		(1.93)		(0.33)		(0.75)		(-1.61)		(1.07)		(1.55)		(-0.15)		(-0.95)		(0.88)		(0.28)
Observations	21,661	21,661	21,661	21,661	21,661	21,661	21,661	21,661	21,661	21,661	6,168	6,168	6,156	6,156	6,251	6,251	6,251	6,251	6,110	6,110
Pseudo/Adj R^2	0.289	0.289	0.193	0.193	0.0511	0.0510	0.103	0.103	0.0794	0.0795	0.207	0.206	0.156	0.155	0.0782	0.0783	0.119	0.120	0.0542	0.0542
Panel C. CEO marital status																				
	Married CEOs										Single CEOs									
Rep_Dum	0.030		0.062		0.075*		-0.079*		-0.027		0.191		0.246*		0.030		-0.195		0.299*	
	(0.57)		(1.15)		(1.84)		(-1.78)		(-0.43)		(1.31)		(1.68)		(0.26)		(-1.57)		(1.78)	
Rep_Index		0.068		0.038		0.036		-0.068		0.054		0.277		0.361**		0.115		-0.191		0.152
		(1.02)		(0.55)		(0.70)		(-1.24)		(0.70)		(1.60)		(2.09)		(0.84)		(-1.30)		(0.71)
Observations	14,582	14,582	14,582	14,582	14,582	14,582	14,582	14,582	14,582	14,582	3,020	3,020	2,904	2,904	3,053	3,053	3,059	3,059	2,941	2,941
Pseudo/Adj R^2	0.279	0.279	0.213	0.213	0.0535	0.0533	0.110	0.110	0.0847	0.0847	0.311	0.311	0.234	0.234	0.0869	0.0871	0.143	0.143	0.0878	0.0866

Table 15. Cross-sectional test: the conservatism hypothesis. Cont'd

Panel D. CEO tenure																				
	CEO tenure > Median										*CEO tenure < median*									
	Bad_News		*Good_News*		*Positive_ Surprise*		*Negative_ Surprise*		*Neutral_ Surprise*		*Bad_News*		*Good_News*		*Positive_ Surprise*		*Negative_ Surprise*		*Neutral_ Surprise*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Rep_Dum	0.089*		0.018		0.125†		-0.129†		-0.049		0.119*		0.102		-0.084*		0.040		0.091	
	(1.81)		(0.35)		(3.09)		(-2.94)		(-0.76)		(1.96)		(1.62)		(-1.67)		(0.76)		(1.17)	
Rep_Index		0.058		-0.053		0.063		-0.113**		0.074		0.169**		0.102		-0.078		0.056		0.065
		(0.92)		(-0.79)		(1.24)		(-2.05)		(0.93)		(2.33)		(1.36)		(-1.31)		(0.90)		(0.68)
Observations	15,316	15,316	15,316	15,316	15,316	15,316	15,316	15,316	15,316	15,316	12,596	12,596	12,596	12,596	12,596	12,596	12,596	12,596	12,447	12,447
Pseudo/Adj R^2	0.265	0.265	0.183	0.183	0.0545	0.0541	0.103	0.103	0.0818	0.0819	0.264	0.264	0.180	0.180	0.0618	0.0617	0.109	0.109	0.0733	0.0732
Panel E. Headquarters states political orientation																				
	Firms located in Republican states										Firms located in Democratic states									
Rep_Dum	0.149**		0.059		-0.016		0.020		-0.005		-0.009		0.067		0.133†		-0.175†		-0.039	
	(2.43)		(0.92)		(-0.33)		(0.39)		(-0.06)		(-0.15)		(1.06)		(2.60)		(-3.08)		(-0.51)	
Rep_Index		0.162**		0.089		-0.087		0.060		0.077		-0.043		0.007		0.157**		-0.212†		0.012
		(2.13)		(1.11)		(-1.46)		(0.95)		(0.78)		(-0.57)		(0.09)		(2.48)		(-3.05)		(0.13)
Observations	9,514	9,514	9,505	9,505	9,578	9,578	9,578	9,578	9,547	9,547	13,732	13,732	13,722	13,722	13,836	13,836	13,831	13,831	13,772	13,772
Pseudo/Adj R^2	0.289	0.289	0.202	0.202	0.0601	0.0603	0.108	0.108	0.0951	0.0952	0.252	0.252	0.177	0.177	0.0585	0.0585	0.107	0.107	0.0703	0.0703
Panel F. Policy uncertainty (PU) index																				
	High Policy uncertainty (PU) index										Low Policy uncertainty (PU) index									
Rep_Dum	0.147†		0.026		0.039		-0.103**		0.108		0.045		0.107*		0.043		-0.020		-0.078	
	(3.04)		(0.50)		(0.92)		(-2.22)		(1.60)		(0.73)		(1.66)		(0.93)		(-0.40)		(-1.07)	
Rep_Index		0.149**		-0.029		0.015		-0.077		0.127		0.056		0.090		0.001		-0.015		0.027
		(2.47)		(-0.45)		(0.29)		(-1.35)		(1.52)		(0.73)		(1.12)		(0.02)		(-0.25)		(0.31)
Observations	15,191	15,191	15,191	15,191	15,191	15,191	15,191	15,191	15,191	15,191	12,721	12,721	12,721	12,721	12,721	12,721	12,721	12,721	12,721	12,721
Pseudo/Adj R^2	0.225	0.224	0.155	0.155	0.0603	0.0602	0.110	0.110	0.0804	0.0804	0.279	0.279	0.198	0.198	0.0535	0.0535	0.102	0.102	0.0724	0.0723
Panel G. High PU in red vs. blue states																				
	High PU index in red states										High PU index in blue states									
Rep_Dum	0.125		0.029		0.018		-0.053		0.061		0.054		0.086		0.079		-0.158**		0.051	
	(1.58)		(0.35)		(0.26)		(-0.74)		(0.53)		(0.70)		(1.07)		(1.11)		(-1.99)		(0.48)	
Rep_Index		0.140		0.060		-0.063		0.020		0.104		0.038		-0.020		0.152*		-0.244**		0.079
		(1.43)		(0.59)		(-0.77)		(0.23)		(0.76)		(0.39)		(-0.19)		(1.74)		(-2.50)		(0.60)
Observations	5,139	5,139	4,867	4,867	5,186	5,186	5,189	5,189	5,033	5,033	7,474	7,474	7,469	7,469	7,516	7,516	7,502	7,502	7,348	7,348
Pseudo/Adj R^2	0.265	0.265	0.163	0.163	0.0713	0.0714	0.122	0.122	0.107	0.107	0.221	0.221	0.158	0.157	0.0631	0.0632	0.110	0.110	0.0714	0.0714

Table A16. Cross-sectional test: Institutional horizon

This table presents results for subsamples constructed based on the horizon of institutional owners. Panel A (B) reports the results for long-term (transient) institutional ownership. All control variables are included in the models (coefficients are dropped for brevity) and are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Long-term institutional ownership (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.176†		0.204†		0.111*		0.151†		0.107†	
	(2.91)		(3.07)		(1.89)		(2.67)		(2.75)	
Rep_Index		0.211†		0.144*		0.186**		0.168**		0.141†
		(2.80)		(1.77)		(2.54)		(2.43)		(2.98)
Observations	9,041	9,041	9,124	9,124	9,041	9,041	9,124	9,124	9,124	9,124
Pseudo /Adj. R^2	0.221	0.220	0.315	0.314	0.202	0.202	0.269	0.269	0.299	0.299
Panel A2. Long-term institutional ownership (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.125**		0.062		0.073		-0.084		-0.031	
	(2.07)		(1.04)		(1.37)		(-1.42)		(-0.38)	
Rep_Index		0.190**		0.065		0.037		-0.063		0.015
		(2.53)		(0.88)		(0.56)		(-0.87)		(0.15)
Observations	8,906	8,906	9,111	9,111	9,124	9,124	9,124	9,124	9,120	9,120
Pseudo /Adj. R^2	0.219	0.220	0.129	0.129	0.0499	0.0497	0.106	0.106	0.0859	0.0859
Panel B1. Transient institutional ownership (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
Rep_Dum	0.080		0.186†		0.129*		0.068		0.039	
	(1.21)		(2.80)		(1.84)		(1.09)		(0.97)	
Rep_Index		0.039		0.168**		0.066		0.034		0.017
		(0.50)		(2.07)		(0.79)		(0.45)		(0.35)
Observations	8,124	8,124	8,131	8,131	8,119	8,119	8,131	8,131	8,131	8,131
Pseudo /Adj. R^2	0.223	0.223	0.286	0.285	0.248	0.248	0.257	0.257	0.252	0.252
Panel B2. Transient institutional ownership (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.100		0.069		0.070		-0.064		-0.047	
	(1.47)		(0.96)		(1.17)		(-1.00)		(-0.49)	
Rep_Index		0.063		0.025		0.060		-0.083		0.012
		(0.77)		(0.29)		(0.83)		(-1.07)		(0.11)
Observations	8,119	8,119	8,104	8,104	8,131	8,131	8,131	8,131	8,043	8,043
Pseudo R^2/Adj. R^2	0.229	0.229	0.151	0.151	0.0586	0.0585	0.0966	0.0966	0.0811	0.0810

Table A17. Cross-sectional test: High vs. low analyst coverage.

This table presents results for firms with high (above-median) analyst coverage (Panel A) and firms with low (below-median) analyst coverage (Panel B). All variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively

Panel A1. High analyst coverage (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.147†		0.215†		0.109**		0.117†		0.094†	
	(3.20)		(4.71)		(2.28)		(3.04)		(3.52)	
Rep_Index		0.107*		0.106*		0.096		0.061		0.061*
		(1.87)		(1.86)		(1.62)		(1.29)		(1.85)
Observations	16,003	16,003	16,006	16,006	16,006	16,006	16,006	16,006	16,006	16,006
Pseudo /Adj. R^2	0.291	0.290	0.325	0.324	0.285	0.285	0.319	0.319	0.305	0.305
Panel A2. High analyst coverage (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.135†		0.031		0.027		-0.054		0.018	
	(2.85)		(0.64)		(0.72)		(-1.28)		(0.32)	
Rep_Index		0.105*		-0.065		-0.013		-0.031		0.065
		(1.79)		(-1.06)		(-0.27)		(-0.60)		(0.91)
Observations	16,003	16,003	15,955	15,955	16,002	16,002	16,002	16,002	16,002	16,002
Pseudo /Adj. R^2	0.286	0.286	0.179	0.179	0.032	0.032	0.072	0.072	0.079	0.079
Panel B1. Low analyst coverage (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
Rep_Dum	0.126**		0.094**		0.185†		0.099**		0.076†	
	(2.50)		(2.33)		(3.42)		(2.33)		(2.91)	
Rep_Index		0.166†		0.100**		0.226†		0.124**		0.098†
		(2.71)		(2.05)		(3.45)		(2.40)		(3.09)
Observations	17,945	17,945	17,945	17,945	17,945	17,945	17,945	17,945	17,945	17,945
Pseudo /Adj. R^2	0.226	0.227	0.227	0.227	0.239	0.239	0.224	0.224	0.209	0.209
Panel B2. Low analyst coverage (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.144†		0.103*		0.125†		-0.147†		0.044	
	(2.67)		(1.75)		(2.90)		(-3.29)		(0.56)	
Rep_Index		0.198†		0.133*		0.130**		-0.162†		0.075
		(3.01)		(1.85)		(2.50)		(-2.99)		(0.81)
Observations	17,898	17,898	17,945	17,945	17,945	17,945	17,945	17,945	17,945	17,945
Pseudo R^2/Adj. R^2	0.224	0.225	0.184	0.184	0.085	0.085	0.123	0.123	0.064	0.064

Table A18. Subsamples based on CEO donation activity.

This table presents results using a restricted sample of firms in which CEOs make at least one donation during the sample period (Panels A) and a restricted sample of donation years (Panel B). All variables are defined in Appendix AA. All models include control variables, year, and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively. n=21,042 in Panel A and 12,258 in Panel B

Panel A1. Donation activity subsample (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.099†		0.119†		0.093**		0.077**		0.068†	
	(2.68)		(3.43)		(2.42)		(2.40)		(3.25)	
Rep_Index		0.082*		0.046		0.101**		0.053		0.056**
		(1.84)		(1.10)		(2.14)		(1.37)		(2.22)
Pseudo / Adj. R^2	0.263	0.263	0.297	0.296	0.256	0.256	0.281	0.281	0.279	0.279
Panel A2. Donation activity subsample (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.085**		0.028		0.061*		-0.088†		0.012	
	(2.21)		(0.70)		(1.96)		(-2.64)		(0.24)	
Rep_Index		0.083*		-0.025		0.046		-0.084**		0.051
		(1.77)		(-0.50)		(1.22)		(-2.08)		(0.85)
Pseudo / Adj. R^2	0.265	0.265	0.175	0.175	0.045	0.045	0.096	0.095	0.083	0.083
Panel B1. Donation years (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
Rep_Dum	0.161†		0.155†		0.156†		0.144†		0.109†	
	(3.32)		(3.20)		(3.05)		(3.39)		(3.85)	
Rep_Index		0.124**		0.021		0.150**		0.099**		0.080**
		(2.18)		(0.37)		(2.49)		(2.03)		(2.45)
Pseudo / Adj. R^2	0.272	0.272	0.305	0.304	0.270	0.270	0.291	0.291	0.292	0.292
Panel B2. Donation years (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.134†		0.032		0.084**		-0.101**		-0.023	
	(2.68)		(0.61)		(2.06)		(-2.27)		(-0.36)	
Rep_Index		0.110*		-0.052		0.042		-0.077		0.045
		(1.85)		(-0.84)		(0.87)		(-1.49)		(0.58)
Pseudo / Adj. R^2	0.272	0.272	0.170	0.170	0.045	0.045	0.097	0.097	0.102	0.102

Table A19. Active earnings forecast subsample

This table presents tests of the association between CEO political ideology and management earnings forecast using a subsample of the firm that have at least one earnings forecast during our sample period. All models include year and industry fixed effects. All other independent variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. Active earnings forecast subsample (1)

	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.123†		0.180†		0.122†		0.110†		0.088†	
	(3.39)		(4.66)		(3.30)		(3.18)		(3.82)	
Rep_Index		0.126†		0.139†		0.150†		0.108**		0.093†
		(2.85)		(2.96)		(3.31)		(2.56)		(3.29)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437
Pseudo / Adj. R^2	0.222	0.222	0.295	0.294	0.226	0.226	0.261	0.261	0.269	0.269

Panel A2. Active earnings forecast subsample (2)

	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.125†		0.046		0.070**		-0.105†		0.020	
	(3.39)		(1.19)		(2.17)		(-2.97)		(0.41)	
Rep_Index		0.148†		0.005		0.072*		-0.107**		0.024
		(3.26)		(0.10)		(1.81)		(-2.48)		(0.40)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437	25,437
Pseudo / Adj. R^2	0.226	0.226	0.144	0.144	0.043	0.043	0.090	0.089	0.076	0.076

Table A20. A subsample of firms with management earnings forecasts.

This table presents the effect of the CEO's political ideology on the management earnings forecasts by restricting the sample only to the guidance year. *Rep_Dum* is an indicator variable that equals 1 if a CEO donated more to the Republican party than to the Democratic party during her/his entire tenure. *Rep_Index* is the percentage of a CEO's support for the Republican Party calculated as the number of cycles in which a CEO donates exclusively to the Republican Party divided by her/his number of donation cycles in the sample period. All other independent variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Frequency		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rep_Dum	0.155†		0.096*		0.004		0.062†	
	(3.05)		(1.72)		(0.39)		(2.60)	
Rep_Index		0.059		0.123*		0.006		0.074**
		(0.94)		(1.76)		(0.45)		(2.50)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	11,988	11,988	11,988	11,988	11,988	11,988	11,988	11,988
Pseudo R^2/ Adj. R^2	0.286	0.285	0.146	0.146	0.069	0.069	0.278	0.278

Table A21. Pre- and post-the financial crisis.

This table presents results for the pre-financial crisis subsample (1993-2007) in Panel A, and the post-financial crisis subsample (2010-2016) in Panel B. All variables are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively

Panel A1. Pre-crisis (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rep_Dum	0.109^{**}		$0.112^{\dagger}$		0.086^{*}		0.086^{**}		$0.065^{\dagger}$	
	(2.50)		(3.26)		(1.78)		(2.47)		(2.77)	
Rep_Index		0.137^{**}		0.096^{**}		0.140^{**}		0.099^{**}		0.063^{**}
		(2.48)		(2.27)		(2.31)		(2.30)		(2.17)
Observations	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046
Pseudo /Adj. R^2	0.280	0.280	0.303	0.302	0.271	0.271	0.282	0.282	0.258	0.258
Panel A2. Pre-crisis (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	0.068		0.093^{*}		$0.092^{\dagger}$		$-0.144^{\dagger}$		0.043	
	(1.44)		(1.91)		(2.61)		(-3.76)		(0.80)	
Rep_Index		0.122^{**}		0.080		0.105^{**}		$-0.167^{\dagger}$		0.075
		(2.06)		(1.29)		(2.39)		(-3.51)		(1.13)
Observations	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046	21,046
Pseudo /Adj. R^2	0.275	0.275	0.218	0.218	0.0514	0.0514	0.111	0.111	0.0805	0.0805
Panel B1. Post-crisis (1)										
	Issue		*Frequency*		*Range*		*Ln(Horizon)*		*Accuracy*	
Rep_Dum	0.127^{**}		$0.201^{\dagger}$		$0.166^{\dagger}$		0.118^{**}		$0.103^{\dagger}$	
	(2.11)		(2.94)		(2.78)		(2.08)		(2.81)	
Rep_Index		0.057		0.089		0.130^{*}		0.052		0.085^{*}
		(0.81)		(1.12)		(1.83)		(0.78)		(1.93)
Observations	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840
Pseudo /Adj. R^2	0.225	0.224	0.252	0.251	0.200	0.199	0.256	0.256	0.282	0.281
Panel B2. Post-crisis (2)										
	Bad_News		*Good_News*		*Positive_Surprise*		*Negative_Surprise*		*Neutral_Surprise*	
Rep_Dum	$0.207^{\dagger}$		-0.044		0.034		0.006		-0.124	
	(3.40)		(-0.64)		(0.63)		(0.10)		(-1.28)	
Rep_Index		0.162^{**}		-0.128		-0.002		0.015		-0.030
		(2.23)		(-1.53)		(-0.04)		(0.22)		(-0.26)
Observations	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840	9,840
Pseudo R^2/Adj. R^2	0.221	0.220	0.128	0.128	0.05	0.05	0.089	0.089	0.069	0.068

Table A22. Controlling for CEO turnover and tenure.

This table presents results when excluding CEO turnover years (Panels A & B), and the first three years of CEO tenure (Panels C & D). All models include control variables, year, and industry fixed effects. All variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively. n = 30,319 in Panels A & B and 20,681 in Panels C & D.

Panel A1. Excluding CEO turnover years (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Rep_Dum	0.140†			0.166†			0.133†			0.118†			0.088†		
	(4.02)			(5.07)			(3.63)			(3.94)			(4.44)		
Rep_Index		0.139†			0.121†			0.161†			0.106†			0.088†	
		(3.22)			(3.01)			(3.54)			(2.88)			(3.59)	
Rep_index$_{year}$			0.111†			0.090†			0.115†			0.095†			0.064†
			(3.68)			(3.05)			(3.61)			(3.60)			(3.66)
Pseudo /Adj.R^2	0.260	0.260	0.260	0.282	0.281	0.281	0.257	0.257	0.257	0.271	0.271	0.271	0.266	0.266	0.266
Panel A2. Excluding CEO turnover years (2)															
	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Rep_Dum	0.150†			0.052			0.064**			-0.097†			0.028		
	(4.14)			(1.33)			(2.16)			(-3.06)			(0.59)		
Rep_Index		0.169†			0.005			0.045			-0.095**			0.080	
		(3.74)			(0.10)			(1.23)			(-2.43)			(1.38)	
Rep_index$_{year}$			0.083†			0.046			0.056**			-0.071**			0.014
			(2.61)			(1.33)			(2.18)			(-2.56)			(0.35)
Pseudo/Adj. R^2	0.259	0.259	0.259	0.173	0.173	0.173	0.050	0.050	0.050	0.099	0.099	0.099	0.077	0.077	0.077
Panel B1. Excluding first 3 years of CEO tenure (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
Rep_Dum	0.107†			0.147†			0.102**			0.095†			0.067†		
	(2.61)			(3.83)			(2.36)			(2.67)			(2.89)		
Rep_Index		0.101*			0.094*			0.131**			0.079*			0.063**	
		(1.94)			(1.96)			(2.38)			(1.78)			(2.18)	
Rep_index$_{year}$			0.095†			0.077**			0.112†			0.079†			0.050**
			(2.72)			(2.28)			(3.02)			(2.58)			(2.47)
Pseud /Adj. R^2	0.262	0.262	0.262	0.283	0.282	0.282	0.258	0.258	0.259	0.275	0.275	0.275	0.270	0.270	0.270

Table A22. Controlling for CEO turnover and tenure. Cont'd

Panel B2. Excluding first 3 years of CEO tenure (2)															
	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Rep_Dum	0.101^{**}			0.039			$0.102^{\dagger}$			$-0.122^{\dagger}$			-0.013		
	(2.35)			(0.84)			(2.95)			(-3.24)			(-0.24)		
Rep_Index		0.112^{**}			-0.018			0.076^{*}			$-0.121^{\dagger}$			0.058	
		(2.05)			(-0.29)			(1.75)			(-2.57)			(0.85)	
Rep_index_{year}			0.069^{*}			0.025			0.075^{**}			$-0.092^{\dagger}$			0.013
			(1.90)			(0.62)			(2.52)			(-2.87)			(0.27)
Pseudo/Adj. R^2	0.260	0.260	0.260	0.179	0.179	0.179	0.050	0.050	0.050	0.098	0.098	0.098	0.082	0.082	0.082
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A23. Additional statistical specifications.
This table presents results using state fixed effects (Panels A & B), and standard errors clustered at the firm level (Panels C & D). All models include control variables, year, and industry fixed effects. All variables are defined in Appendix AA. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A1. State fixed effects (1)

	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Rep_Dum	0.079**			0.160†			0.059			0.078†			0.067†		
	(2.28)			(5.04)			(1.61)			(2.67)			(3.53)		
Rep_Index		0.058			0.098**			0.047			0.053			0.056**	
		(1.35)			(2.52)			(1.03)			(1.46)			(2.38)	
Rep_index$_{year}$			0.068**			0.069**			0.056*			0.063**			0.042**
			(2.27)			(2.45)			(1.79)			(2.46)			(2.46)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo/Adj. R^2	0.269	0.269	0.269	0.289	0.288	0.288	0.266	0.266	0.266	0.278	0.278	0.278	0.277	0.277	0.277
Observations	33,316	33,316	33,316	33,348	33,348	33,348	33,309	33,309	33,309	33,348	33,348	33,348	33,348	33,348	33,348

Panel A2. State fixed effects (2)

	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Rep_Dum	0.080**			0.026			0.058**			-0.084†			0.012		
	(2.23)			(0.67)			(1.99)			(-2.69)			(0.26)		
Rep_Index		0.066			-0.025			0.045			-0.080**			0.044	
		(1.47)			(-0.53)			(1.26)			(-2.10)			(0.76)	
Rep_index$_{year}$			0.033			0.016			0.060**			-0.069**			-0.002
			(1.06)			(0.47)			(2.36)			(-2.55)			(-0.06)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo/Adj. R^2	0.268	0.268	0.268	0.188	0.188	0.188	0.054	0.054	0.054	0.104	0.104	0.104	0.082	0.082	0.082
Observations	33,297	33,297	33,297	33,320	33,320	33,320	33,348	33,348	33,348	33,348	33,348	33,348	33,291	33,291	33,291

Table A23. Additional statistical specifications. Cont'd

Panel B1. Standard errors clustered at the firm level (1)															
	Issue			*Frequency*			*Range*			*Ln(Horizon)*			*Accuracy*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Rep_Dum	0.128**			0.165**			0.127*			0.111**			0.087**		
	(2.07)			(2.58)			(1.95)			(2.04)			(2.52)		
Rep_Index		0.126*			0.117			0.144*			0.100			0.084**	
		(1.74)			(1.55)			(1.86)			(1.56)			(2.07)	
Rep_index$_{year}$			0.102**			0.080*			0.109**			0.087**			0.057**
			(2.37)			(1.73)			(2.33)			(2.26)		(2.21)	
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo / Adj. R^2	0.257	0.257	0.257	0.279	0.280	0.279	0.253	0.253	0.253	0.268	0.269	0.268	0.266	0.266	0.266
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951
Panel B2. Standard errors clustered at the firm level (2)															
	Bad_News			*Good_News*			*Positive_Surprise*			*Negative_Surprise*			*Neutral_Surprise*		
Rep_Dum	0.133**			0.052			0.058*			-0.090†			0.029		
	(2.15)			(0.96)			(1.87)			(-2.75)			(0.58)		
Rep_Index		0.144**			0.011			0.052			-0.094**			0.065	
		(1.98)			(0.16)			(1.37)			(-2.36)			(1.04)	
Rep_index$_{year}$			0.072*			0.038			0.058**			-0.067**			0.003
			(1.67)			(0.93)			(2.28)			(-2.48)			(0.07)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year & Ind FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo / Adj. R^2	0.257	0.257	0.257	0.180	0.180	0.180	0.052	0.052	0.052	0.102	0.102	0.102	0.077	0.077	0.077
Observations	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951	33,951

Table A24. Access to capital, investment efficiency, and firm value

This table presents the results of the test of the association between the foreclosure accuracy of Republican CEOs on access to capital, investment efficiency, and firm value, respectively. All control variables are included in the models (coefficients are dropped for brevity) and are defined in Appendix AA. All models include year and industry fixed effects. T-statistics are computed using robust standard errors and reported in parentheses. †, ** and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. High Forecast Accuracy												
	KZ_Index		*HP_Index*		*WW_Index*		*InvIneff*		*InvIneff_Alt*		*Tobin's Q*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Rep_Dum	-0.113†		-0.043†		-0.003†		-0.008†		-0.012**		0.069**	
	(-4.96)		(-3.57)		(-4.05)		(-3.77)		(-2.25)		(2.02)	
Rep_Index		-0.134†		-0.077†		-0.006†		-0.006**		-0.007		0.026
		(-4.91)		(-5.22)		(-5.54)		(-2.22)		(-1.15)		(0.67)
Observations	5,557	5,557	5,557	5,557	5,557	5,557	5,410	5,410	5,421	5,421	5,557	5,557
Pseudo /Adj. R^2	0.444	0.443	0.542	0.543	0.901	0.901	0.931	0.931	0.962	0.962	0.387	0.387
Panel B. Low forecast Accuracy												
	KZ_Index		*HP_Index*		*WW_Index*		*InvIneff*		*InvIneff_Alt*		*Tobin's Q*	
Rep_Dum	-0.050**		-0.027**		-0.002**		-0.001		-0.007		0.047	
	(-2.30)		(-1.99)		(-2.23)		(-0.38)		(-1.07)		(1.64)	
Rep_Index		-0.050*		-0.033*		-0.004†		0.002		-0.003		0.014
		(-1.86)		(-1.94)		(-3.38)		(0.98)		(-0.38)		(0.41)
Observations	5,693	5,693	5,693	5,693	5,693	5,693	5,435	5,435	5,447	5,447	5,693	5,693
Pseudo /Adj. R^2	0.477	0.477	0.521	0.521	0.884	0.884	0.930	0.930	0.965	0.965	0.309	0.308