Forecasting in a Polarized World: The Role of Political Disagreement in Analyst Forecasts and Information Production

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Abstract

This paper provides novel causal evidence that political polarization affects the production of financial information by analysts. Analysts politically misaligned with firm CEOs issue systematically more pessimistic and less accurate earnings forecasts. The identification strategy compares forecasts by two analysts covering the same firm at the same time but differing in political alignment with the CEO, or the same analyst's forecasts across firms led by CEOs from different parties. The distortions are not priced by markets: investors react similarly to aligned and misaligned forecasts. However, partisan misalignment weakens the sensitivity of firm investment to Tobin's Q, indicating reduced investment efficiency. To investigate the mechanism, we use a large language model to analyze earnings conference calls. We find that analysts interpret CEOs' statements through the lens of their own political views, placing different weight on firm-level versus macroeconomic information without needing to observe the CEO's political affiliation. Finally, we show that analysts systematically sort into brokerage firms whose analyst workforce shares their political affiliation, indicating that political identity also shapes the organizational structure of information production. Overall, the findings reveal that ideological bias among financial intermediaries transmits political polarization into asset prices, the allocation of analyst talent, and ultimately firms' real economic decisions.

Keywords: Political polarization; Analyst forecasts; Earnings forecasts; Financial intermediaries; Real effects

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1 Introduction

Political polarization has become a defining feature of modern societies, with consequences that extend well beyond the ballot box (Iyengar, Sood, and Lelkes (2012); Iyengar et al. (2019)). While prior research has documented the role of partisanship and polarization in media coverage, consumer choices, and corporate policies (Kempf and Tsoutsoura (2024)), less is known about whether such divisions influence the production of financial information–the foundation on which capital markets allocate resources. In financial markets, information intermediaries such as analysts play a central role in translating complex corporate data into forecasts that guide investors and firms alike. If these intermediaries' professional judgments are influenced by their political preferences, then polarization may quietly erode the informational efficiency of capital markets.

This paper examines whether the political alignment between financial analysts and corporate executives distorts analysts' earnings forecasts and the transmission of information into stock prices and real investment. Analysts are trained to be objective evaluators of firm prospects, yet they also possess political identities that may color their perception of managerial decisions or future performance. If analysts allow political preferences to influence their assessment–consciously or subconsciously–then partisan bias could translate into measurable asymmetries in their forecasts, thereby affecting both market beliefs and firms' real decisions.

We ask four related questions. First, do analysts issue systematically different forecasts depending on whether they are politically aligned or misaligned with the CEOs of the firms they cover? In particular, are forecasts by politically misaligned analysts more pessimistic relative to those of aligned analysts? Second, do these differences in forecasts translate into differences in forecast accuracy? Answering this question is essential for understanding whether partisanship enhances or distorts financial information. Third, are there real consequences? If partisanship weakens the informational content of forecasts and prices, then the misalignment between analysts and executives should reduce investment efficiency. Fourth, does partisanship shape analysts' ca-

reer choices, leading them to sort into politically aligned brokerage houses? Such sorting would shape the organizational context within which financial information is produced.

To answer these questions, we assemble a new dataset that hand-matches analysts, CEOs, and brokerage houses from I/B/E/S and LinkedIn with voter registration records. This linkage allows us to assign political affiliations–Democratic, Republican, and other parties–to both analysts and the executives of the firms they cover. We then construct an analyst-firm-month panel spanning over three decades. The identification is tight: we compare forecasts by two analysts covering the same firm at the same time but differing in political alignment with the CEO, and, symmetrically, the same analyst's forecasts across firms led by CEOs from different parties. These dual within-analyst and within-firm designs isolate the partisan dimension from time-varying firm fundamentals, analyst-specific tendencies, and brokerage-level heterogeneity, ensuring that the estimated effects reflect genuine political views rather than sorting or unobserved heterogeneity.

The baseline specification regresses each analyst's earnings-per-share (EPS) forecast on indicators of political misalignment with the firm's CEO and with the sitting U.S. president, controlling for multiple layers of fixed effects. Analyst fixed effects capture persistent individual tendencies; firm-year fixed effects absorb time-varying fundamentals and events affecting all analysts covering a given firm in a given year; brokerage-year fixed effects control for institutional culture or policy changes at the brokerage; and party-year fixed effects account for shifts in the broader political environment.

To ensure that any observed differences are not due to sorting, we first show that analysts with different political affiliations cover statistically indistinguishable sets of firms. Across a wide range of characteristics–firm size, profitability, growth, leverage, valuation ratios, and cash holdings–we find no significant differences between the portfolios of Democratic and Republican analysts. Similarly, while Democrats are slightly more concentrated in high-tech and healthcare industries and Republicans in energy and manufacturing, these differences are small and do not drive the results.

Our central finding is that analysts' forecasts are systematically influenced by their political alignment with firm leadership. When an analyst's political affiliation differs from that of the firm's CEO, her earnings forecasts are significantly more pessimistic, by roughly 9–10 percent lower relative to the firm-year median. The results strengthen when the sample is restricted to firm-years jointly covered by both Democratic and Republican analysts, underscoring that the effect does not arise due to sample composition.

The results also hold in within-analyst specifications, eliminating concerns that the estimates reflect differences in forecasting ability, style, or risk tolerance across analysts of different political affiliations. In particular, even for the same analyst in a given year, forecasts are systematically more pessimistic when the CEO's political affiliation differs from the analyst's. This type of within-analyst variation is not available for measures such as alignment with the party of the president, which does not vary across firms for a given analyst, underscoring the unique strength of our setting.

Importantly, the bias is specific to current CEO alignment. Placebo tests using the political alignment with the previous CEO show no significant effect, ruling out the possibility that the observed patterns reflect persistent differences in firm characteristics or analysts' prior coverage histories. Similarly, in difference-in-difference specifications around CEO turnovers, forecast pessimism increases when a newly appointed CEO is from the opposite political party, confirming that the effect emerges from contemporaneous political mismatch rather than unobserved analyst or firm traits.

While politically misaligned analysts are more pessimistic, their forecasts are also less accurate. The absolute forecast error–defined as the deviation of forecasted from realized earnings scaled by median forecasts–is 12–15% larger when analysts are politically misaligned with the CEO. These results suggest that misalignment introduces systematic noise rather than discipline into forecasts. In other words, political partisanship degrades rather than improves the informational quality of earnings forecasts. Combined with the first result, this finding implies that partisanship induces

both directional (pessimistic) and precision (less accurate) distortions in analyst forecasts.

Despite these distortions, markets appear to treat misaligned and aligned forecasts similarly. In event-study regressions of cumulative abnormal returns (CARs) around earnings announcements, we find that the stock market reacts just as strongly to forecast revisions by misaligned analysts as to those by aligned ones. The interaction term between forecast change and misalignment is statistically insignificant across multiple event windows (± 1, ± 3, ± 5 trading days). Thus, the market does not seem to discount potentially biased forecasts, implying that partisan bias is not fully internalized by investors.

If prices embed biased information, then the link between stock prices and corporate investment should weaken. To test this prediction, we examine the relation between firms' subsequent investment and Tobin's Q, conditioning on the share of analysts covering the firm who are politically misaligned with the CEO. Consistent with reduced information efficiency, we find that the sensitivity of investment to Q declines significantly when a larger fraction of covering analysts are misaligned. The interaction coefficient between Q and the misalignment ratio is negative and statistically significant, indicating that politically induced information distortions translate into weaker real investment responsiveness. This provides novel evidence that political partisanship among financial intermediaries can affect not only information flows but also real economic decisions.

To shed light on the mechanism underlying our findings, we analyze the content of earnings conference calls. This setting allows us to study both the information provided by CEOs and how analysts interpret that information in real time. Using a large language model to analyze call transcripts, we examine whether analysts respond differently to CEOs' statements about firm prospects and the broader macroeconomic environment depending on their own political views. We find that analysts systematically place different weight on firm-level versus macroeconomic information expressed during the call.

Importantly, this mechanism does not require analysts to observe or know the CEO's political

affiliation. Instead, analysts' own political views shape their beliefs about the broader economic environment, which in turn affects how they interpret managerial communication. Consistent with this interpretation, analysts who are politically misaligned with the CEO react more strongly to negative firm-level sentiment expressed by the CEO, while responding less strongly to negative macroeconomic sentiment. These patterns suggest that ideological differences influence how analysts process managerial communication, providing a channel through which political polarization can affect the production of financial information.

Finally, we examine whether political identity shapes the longer-run structure of the analyst labor market. We find that misaligned analysts are 2.6 percentage points more likely to exit – roughly a 25% increase relative to the baseline departure rate. Conditional on departure, nearly 70% join brokerages whose analyst workforce shares their political affiliation, and this tendency is almost 20 percentage points stronger for analysts who were previously misaligned with their employer. These results indicate that political identity guides not only analysts' beliefs about the firms they evaluate but also their career trajectories, reinforcing ideological homogeneity within research departments.

We conduct several additional analyses to validate the findings. First, we perform a variance decomposition of forecast dispersion, showing that approximately 32% of total variance in forecasts is explained by party-level differences, indicating that partisan affiliation accounts for a meaningful share of disagreement among analysts. The across-party share of variance is higher for smaller, value, highly levered, and more profitable firms–contexts where disagreement may be more pronounced and managerial narratives more politically charged.

Second, we reconcile our results with those of Kempf and Tsoutsoura (2021), who document that analysts misaligned with the President issue more negative rating revisions. We show that their findings and ours are complementary: presidential misalignment influences analysts' short-run revisions, while CEO misalignment affects the levels of firm-specific expectations. Hence, political bias operates along two margins–macro and micro–reflecting economy-wide and firm-

specific channels of partisan sentiment. Finally, we confirm that the results are not driven by non-partisan analysts or firms, and that the main patterns hold under alternative forecast normalizations and subsamples.

Taken together, our findings reveal a three-part mechanism: political disagreement shapes how analysts interpret firm fundamentals, how markets incorporate their information, and where analysts choose to work – embedding political identity into both the production and organizational structure of financial information. While much of the existing literature focuses on how investors' political preferences shape portfolio allocation or risk taking, we show that biases also arise in the production of financial information itself. Analysts, who are supposed to mitigate informational frictions, can themselves become vectors of political distortion. Because market participants do not fully discount these biases, the distortion propagates through prices and ultimately into firms' real investment decisions.

These results speak to broader debates about the boundaries of professionalism and objectivity in financial intermediation. They suggest that even in highly quantitative, incentive-driven environments, cognitive filters rooted in political identity can meaningfully shape judgments. The fact that partisanship explains roughly a quarter of forecast disagreement underscores the potential for identity-based segmentation to influence how information is generated, interpreted, and priced.

This paper contributes to several strands of research. First, it adds to the growing literature on political polarization and economic behavior (e.g., Colonnelli, Neto, and Teso (2025); Colonnelli et al. (2025); Cookson, Engelberg, and Mullins (2020); Dagostino, Gao, and Ma (2023); Duchin et al. (2025); Engelberg et al. (2025); Engelberg et al. (2023); Fos, Kempf, and Tsoutsoura (2025); Goldman, Gupta, and Israelsen (2024); Kempf and Tsoutsoura (2021); Kempf et al. (2023)). While prior work has documented partisan behavior among investors and firms, we show that even financial professionals tasked with producing information are not immune to ideological bias.

Second, it contributes to research on analyst behavior and bias. Classic studies emphasize in-

centives related to brokerage houses, investment banking, and career concerns (e.g., Hong and Kubik (2003); Lin and McNichols (1998); Loh and Stulz (2018); Michaely and Womack (1999)). Our paper introduces political ideology as a novel, non-pecuniary determinant of forecast bias and accuracy. The tight identification–within-analyst and within-firm-year–distinguishes our contribution from earlier work that often relies on cross-sectional comparisons.

Third, we extend the literature on information efficiency and real effects. By documenting that partisan misalignment weakens the investment-Q sensitivity, we provide new evidence that partisanship can bias financial information and impact real corporate decisions, complementing studies linking analyst coverage to investment efficiency (e.g., Chen, Harford, and Lin (2015); Goodman et al. (2014)).

Fourth, our findings contribute to the broader behavioral finance literature by demonstrating that identity-based biases–beyond optimism or overconfidence–affect even highly trained professionals (e.g., Kempf and Tsoutsoura (2021); Dagostino, Gao, and Ma (2023)). Political identity shapes not only investor beliefs but also the information that investors rely on, implying that polarization may propagate through informational channels before it manifests in asset prices or corporate outcomes.

Lastly, we also contribute to research on labor-market sorting in finance by documenting a new channel grounded in political identity (e.g., Bermiss and McDonald (2018); Colonnelli et al. (2025); Hurst and Lee (2025); Chinoy and Koenen (2024)). While prior work emphasizes incentive-driven or skill-based matching between analysts and employers, our results show that ideological alignment is an important determinant of retention and mobility within the analyst profession. Political sorting among analysts reinforces ideological clustering within brokerages, shaping the environments in which financial information is generated.

2 Data and Sample Construction

2.1 Data

There are two main challenges in recovering analysts' party affiliations from the I/B/E/S data. First, I/B/E/S only reports an analyst's last name and first-name initial (e.g., "D. Lee"), which makes it impossible to directly identify individuals in external datasets. Second, I/B/E/S anonymizes analysts' employers using numeric firm codes, so employer information cannot be used to disambiguate individuals who share the same last name and initial. Because many analysts have relatively common surnames, neither name-based merging nor institutional affiliation is sufficient on its own to recover unique identities. Our data construction therefore requires supplementing I/B/E/S with additional sources that allow us to reconstruct full names while preserving consistency across observations.

To address these limitations, we combine I/B/E/S with LinkedIn data to recover analysts' full first names. We collect LinkedIn profiles and retain individuals whose job descriptions indicate work as financial analysts in securities research.[1] We then merge these profiles to I/B/E/S using the analyst's last name and first-name initial, and we retain all resulting matches, including cases in which multiple LinkedIn profiles correspond to the same I/B/E/S analyst record. This matching procedure yields, for each I/B/E/S analyst identifier, a set of candidate full-name identities consistent with the minimal identifying information available in the original dataset. While this approach does not resolve ambiguity entirely, it allows us to narrow the identity set to a small number of plausible matches.

We infer party affiliation by linking the I/B/E/S–LinkedIn combined identities to state voter-registration records. When a given name maps to multiple voter records, we require that all matched individuals share the same registered party; if this unanimity condition does not hold, the analyst is coded as ambiguous and excluded from the party-affiliation mapping. This con-

[1] Specifically, individuals classified under SOC code 11-3031 or 13-2099.

servative rule minimizes misclassification risk that may arise from name commonality in voter files. For CEOs, we obtain full names directly from Execucomp and BoardEx, where individuals are uniquely identified, and match these names to voter-registration data using the same unanimity criterion. This procedure yields an analyst-level dataset with verified party affiliations while overcoming the limited identifying information and anonymized employer codes in I/B/E/S.

Throughout the paper, we use i to denote the analyst, j the firm covered, k the brokerage, and t the date. We construct an analyst-firm-month panel. If an analyst issues multiple forecasts for the same firm within a given month, we retain only the latest observation. We also apply three filters to obtain the subsample used in our main analyses: (1) excluding non-partisan analysts and requiring that the CEOs of covered firms are also not non-partisan, (2) requiring each firm to be covered by analysts from different parties, and (3) restricting to observations with positive sales.

2.2 Summary Statistics

Table 1 summarizes the characteristics of the analysts and CEOs in our matched sample along with firm-level characteristics used for our main analyses. Panel A reports analyst characteristics. The sample includes analysts registered as Democrats, Republicans, other party affiliations, and those without a recorded affiliation. For each group, the table reports the number of analysts, the total number of forecasts they issue in our sample period, and two demographic variables: average age (value-weighted by the number of forecasts issued) and the share of female analysts. Panel B reports the same information for CEOs, documenting the distribution of CEO party affiliation and associated firm-level forecast volume, along with age and gender. While analysts in our sample are, on average, younger and roughly balanced between Democrats and Republicans, CEOs are older, overwhelmingly male, and more frequently registered as Republicans. This pattern is consistent with prior descriptions of the political composition of the finance profession and senior corporate leadership, which validates our data construction methodology.

We exclude analysts and CEOs without a recorded party affiliation to ensure that we correctly

identify political alignment for our main analyses. This yields 18,001 firm-year observations. Table 1 Panel C reports firm-year summary statistics for the sample used in the analyst-forecast regressions. The key variable is the share of forecasts in a firm-year issued by analysts whose party affiliation differs from the CEO's (Mismatch with CEO). The mean of Mismatch with CEO is close to 0.5, indicating that, on average, firms receive a balanced mix of forecasts from politically aligned and misaligned analysts. The typical firm-year in the sample has around 6 to 7 forecasts issued by approximately 2 distinct analysts, with similar average counts of forecasts coming from Democratic and Republican analysts. These statistics characterize the level of analyst coverage and the extent of political heterogeneity in forecast inputs at the firm-year level.

Before we move on to the analyses, we first need to ensure that any observed differences in forecasting behavior are not driven by analysts sorting into different types of firms, we first show that Democratic and Republican analysts cover statistically similar sets of firms. Table 2 shows that across firm size, profitability, growth opportunities, leverage, valuation ratios, and cash holdings, the portfolios of firms followed by the two groups are indistinguishable. We also compare analysts' industry coverage by party affiliation in Figure 1. While Democrats are slightly more represented in high-tech and healthcare industries and Republicans in energy and manufacturing, these differences are small in magnitude and do not meaningfully affect coverage patterns. Thus, analysts with different political affiliations appear to follow comparable firms, alleviating concerns that subsequent differences reflect underlying firm heterogeneity rather than differences in analysts themselves.

2.3 Does Political Affiliation Matter?

Does political affiliation of analysts actually matter? To test this, we examine whether party affiliation is an important source of variation in analysts' earnings forecasts. We first examine how the forecast dispersion is associated with the composition of party affiliations among covering analysts. Table 3 Panel A regresses the within-firm-year standard deviation of EPS forecasts on the concentration of party affiliations, measured by the Herfindahl-Hirschman Index (HHI) of party shares

among analysts covering the firm-year, controlling for firm and year fixed effects. A negative coefficient on HHI implies that greater political diversity among covering analysts increases forecast dispersion: moving from a politically concentrated coverage team (HHI = 1) to a balanced mix of Democratic and Republican analysts (HHI = 0.5) raises the within-firm-year standard deviation of EPS forecasts by approximately 21%, given that the average dispersion is 0.24.

To estimate how much analysts' party affiliation contributes to forecast dispersion, we apply a variance decomposition using the law of total variance:

$$Var(\text{EPS Forecasts}) = \underbrace{Var(E[\text{EPS Forecasts} \mid \text{Party}])}_{\text{Across-Party Share}} + \underbrace{E[Var(\text{EPS Forecasts} \mid \text{Party})]}_{\text{Within-Party Share}}. \quad (1)$$

The first term (Across-Party Share) captures the portion of disagreement explained by systematic differences between Democratic and Republican analysts, while the second term (Within-Party Share) reflects disagreement among analysts within the same party. Table 3 Panel B reports the Across-Party Share by decade. The across-party component accounts for roughly one-third of total forecast dispersion throughout the sample period, indicating that political affiliation is an important source of analysts' disagreement. The stability of these values across time indicates that partisan differences in belief formation are persistent and not driven by specific market episodes or political cycles.

3 Political Misalignment Between Analysts and CEOs

This section presents our main results. We show that partisan perception has a significant influence on analysts' earnings forecasts. Analysts whose party affiliation does not match the CEO's issue systematically lower forecasts for the same firm at the same time. This effect is stronger around CEO turnover. Moreover, misaligned analysts produce forecasts that are less accurate ex post, indicating that their disagreement is not merely noise but reflects systematic differences in belief formation. These results hold across alternative forecast measures and estimation specifications,

including comparisons within the same analyst covering multiple firms with CEOs of different party affiliations.

3.1 Empirical Strategy

We estimate the effect of political misalignment on analysts' forecasting behavior using the following baseline specification:

$$\begin{aligned} y_{ijkt} = \alpha + \beta \times \text{Mismatch with CEO}_{ijt} \\ + \gamma_1 \times \text{Mismatch with President}_{it} \\ + \gamma_2 \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt}. \end{aligned} \tag{2}$$

Notation: i: Analyst, j: Firm, k: Brokerage, t: Month

The dependent variable y_{ijkt} denotes the forecast-based outcome of interest such as EPS forecasts or analysts' accuracy. *Mismatch with CEO* is a dummy variable equals to one if analyst i's registered political affiliation differs from the CEO of firm j. We include two main controls. First, We use *Mismatch with President*, which equals one if the analyst is politically misaligned with the sitting U.S. President, as analysts may adjust their forecasts based on their overall outlook on the macroeconomy once they are misaligned with the incumbent government (e.g., Kempf and Tsoutsoura (2021); Dagostino, Gao, and Ma (2023)). We also control for *Mismatch bet. CEO and President*, which equals one when the CEO and the President belong to different political parties, since prior work documents that CEOs tend to hold more optimistic views or have better access to capital or investment opportunities when they are aligned with the President (e.g., Brogaard, Denes, and Duchin (2021); Engelberg et al. (2025)).

We have two main specifications: (1) a within-firm comparison and (2) a within-analyst comparison. *Within-firm comparison* compares analysts with different party affiliations covering the same firm in the same year. We include firm $\times$ year fixed effects to ensure that forecasts are compared within identical information sets at the firm-year level. We also include analyst and

brokerage $\times$ year fixed effects to absorb analyst-specific tendencies, brokerage-level policies that may govern analysts' research environments. The sample is restricted to firms covered by multiple analysts with different party affiliations in a given year, so that we can exploit within-firm-year variation in political misalignment.

Within-analyst comparison compares forecasts made by the same analyst across different firms with CEOs of different political affiliations. A distinctive feature of our setting is that misalignment is defined relative to the CEO rather than the President, allowing many analysts in our sample to cover multiple firms led by CEOs from different parties. This design holds analyst-specific beliefs, style, and skill constant, isolating how the same analyst adjusts her forecasts depending on whether she is politically aligned or misaligned with a given firm's CEO. In this specification, we include analyst $\times$ year fixed effects and restrict the sample to analysts who cover multiple firms whose CEOs have different party affiliations, to ensure that we have variations within each analyst-year.

3.2 Main Results

Misaligned Analysts Issue Lower EPS Forecasts We begin by comparing EPS forecasts issued by analysts who are aligned versus misaligned with the CEO's party affiliation. We begin by presenting two case studies, comparing analysts' forecasts for Best Buy in 2008 and Amazon in 2024. Figure 2 shows that misaligned analysts (red bars) tend to issue lower forecasts than aligned analysts (blue bars) in both cases. Furthermore, we find that misaligned analysts tend to be too pessimistic: they issue forecasts that are substantially lower than the realized EPS (black dashed lines).

To systematically test whether misaligned analysts issue lower forecasts, we estimate the fol-

lowing,

$$\begin{aligned}\text{EPS Forecasts}_{ijkt} = \alpha &+ \beta \times \text{Mismatch with CEO}_{ijt} \\ &+ \gamma_1 \times \text{Mismatch with President}_{it} \\ &+ \gamma_2 \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt}.\end{aligned} \tag{3}$$

EPS Forecasts is EPS forecasts demeaned by the firm-year median, that is, (Raw Forecasts − Median Forecasts)/Median Forecasts, which captures how far each forecast deviates from its median. Mismatch with CEO is an indicator equal to one if analyst i is politically misaligned with the CEO of firm j she covers. We control for political misalignment with the current government, where Mismatch with President equals one if the analyst is misaligned with the current government. We also control for misalignment between CEOs and the president, where *Mismatch bet. CEO and President*, equals one when the CEO and the President belong to different political parties. We restrict the sample to firms covered by analysts from more than one party.

We use various fixed effects to cleanly estimate the impact of political misalignment on earnings forecasts. For the within-firm comparison, we begin by comparing analysts covering the same firm in the same year, ensuring that all analysts face an identical firm-specific information environment. Firm × year fixed effects ensure that forecasts are compared within the same firm-year. We additionally include analyst fixed effects to control for unobserved idiosyncratic characteristics of individual analysts and brokerage × year fixed effects absorb systematic differences across brokerages. Finally, party-year fixed effects capture common shocks at the political party × year level. We restrict the sample to firm-year observations covered by analysts from more than one political party.

Table 4 Panel A documents the results. We find that analysts issue more pessimistic forecasts when they are politically misaligned with the CEO of the firms they cover. The estimates suggest that politically misaligned analysts issue up to 10% lower EPS forecasts relative to aligned analysts. Columns (3) and (4) further restrict the sample to firm-year observations covered only by both

Democratic and Republican analysts, and the results are even stronger in these specifications.

Next, we move on to a different specification where we exploit within-analyst variation. We compare forecasts made by the same analyst across different firms using analyst $\times$ year fixed effects. Table 4 Panel B implements a within-analyst comparison, exploiting analysts who cover multiple firms with CEOs of different party affiliations. To make forecasts comparable across firms, we use standardized EPS forecasts, since raw forecast levels are not directly comparable for firms with different earnings scales. We also restrict the sample to analysts covering multiple firms hose CEOs have different party affiliations. The estimates show that the same analyst issues significantly lower standardized forecasts when covering a firm whose CEO is politically misaligned: the coefficient on *Mismatch with CEO* ranges from -0.024 to -0.032 and remains significant when restricting the sample to Democratic and Republican analysts only. That is, analysts issue forecasts that are up to 0.032 standard deviations lower for firms whose CEOs are politically misaligned compared to those whose CEOs are aligned within the same year. These results isolate variation within analysts over time and confirm that the effect is not driven by analysts sorting into different firms, but instead reflects systematic differences in how the same analyst evaluates firms led by politically aligned versus misaligned CEOs.

Next, we examine how analysts update their views when a firm appoints a new CEO. Specifically, we estimate a difference-in-differences specification around CEO turnover, comparing forecasts issued by analysts who become misaligned with the incoming CEO to those who are aligned:

$$\begin{aligned} \text{EPS Forecasts}_{ijkt} = \alpha_{ij} + \alpha_{jt} + \beta \times \big(\text{Mismatch with Incoming CEO}_{ijt} \times \text{Post}_t\big) + \\ + \gamma_1 \times \text{Mismatch with President}_{it} \\ + \gamma_2 \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt}, \end{aligned} \tag{4}$$

where we include analyst-firm fixed effects (α_{ij}) to absorb any time-invariant match quality between a given analyst and firm, allowing us to identify time-series differences within the same coverage relationship when the firm appoints a new CEO. Mismatch with Incoming CEO is 1 if

an analyst is politically misaligned with the new CEO and Post_t is an indicator for periods after the CEO transition, and the interaction term captures how analysts change their forecasts once misalignment arises.

Table 5 suggests that analysts quickly and substantially lower their EPS forecasts once they become misaligned with the new CEO: misaligned analysts issue forecasts that are approximately 28% lower around CEO turnovers. The effect remains similar when restricting to analysts identified as either Democrats or Republicans. These findings indicate that partisan misalignment influences how analysts interpret and process new leadership information, particularly at moments when firms appoint new CEOs.

To show that the effect of misalignment with the new CEO emerges only after the appointment, we estimate the following event-study specification:

$$\text{EPS Forecast}_{ijt} = \alpha_{ij} + \alpha_t + \sum_{k=-3}^{3} \beta_k \left(\text{Mismatch with Incoming CEO}_{ij} \times \tau_k\right) + \varepsilon_{ijt}, \tag{5}$$

where τ_k denotes indicators for months relative to the CEO transition. Figure 3 confirms that there is no differential trend in forecasts prior to the CEO transition, and the gap between aligned and misaligned analysts opens sharply only after the new CEO takes office.

Misaligned Analysts Issue Less Accurate EPS Forecasts Given that misaligned analysts tend to issue lower EPS forecasts, we next compare their forecast accuracy. This allows us to distinguish whether the gap comes from excessive pessimism among misaligned analysts or excessive optimism among aligned analysts. We estimate the following,

$$\begin{aligned} |\text{Forecast Error}_{ijkt}| = \alpha &+ \beta \times \text{Mismatch with CEO}_{ijt} \\ &+ \gamma_1 \times \text{Mismatch with President}_{it} \\ &+ \gamma_2 \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt}, \end{aligned} \tag{6}$$

where $|\text{Forecast Error}_{ijkt}|$ is the absolute forecast error, defined as the difference between the EPS forecast and the actual EPS, scaled by the standard deviation of EPS forecasts within the same firm-year.

We again use two specifications: within-firm and within-analyst comparisons. Table 6 Panel A compares multiple analysts covering the same firm-year and shows that analysts who are politically misaligned with firm CEOs produce substantially less accurate forecasts. The estimates suggest that misaligned analysts tend to have 12∼15% higher forecast errors than aligned counterparts. These results imply that politically misaligned analysts become overly pessimistic toward the firms they cover, reducing their forecast accuracy. Panel B implements the within-analyst comparison by examining whether the same analyst exhibits different forecast accuracy across firms led by CEOs of different political affiliations. The coefficients on *Mismatch with CEO* are positive and large in both columns, though they lose significance once the sample is restricted to Democrats and Republicans. While the pattern is not as strong as in the within-firm comparison, the results suggest that analysts tend to be less accurate for misaligned firms than for aligned ones.

3.3 Robustness Checks

Placebo Tests We employ a placebo test to rule out spurious correlations. We repeat our analysis as in Equation (3) but replace misalignment with the current CEO by misalignment with the previous CEO. That is, we estimate

$$\begin{aligned}\text{EPS Forecasts}_{ijkt} = \alpha &+ \beta \times \text{Mismatch with Previous CEO}_{ijt} \\ &+ \gamma_1 \times \text{Mismatch with President}_{it} \\ &+ \gamma_2 \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt},\end{aligned} \tag{7}$$

where Mismatch with Previous CEO is an indicator equal to 1 if analyst i is politically misaligned with the previous CEO of firm j she covers. Table 7 shows that the coefficient estimates are all statistically insignificant, implying that the main results are not driven by spurious correlations

between analysts' political affiliation and firm characteristics in a given year. Instead, the effects arise specifically from misalignment with the current CEO.

Standardized EPS Forecasts As an additional robustness check, we standardize EPS forecasts using the mean and standard deviation of each firm's full forecast distribution, and re-estimate the baseline specification. Table A.1 shows that misaligned analysts continue to issue lower forecasts when the dependent variable is expressed in standardized units. Misaligned analysts issue forecasts that are roughly 0.04 standard deviations lower than aligned analysts for the same firm-year. While the interpretation is less direct than our median-based specification–since the standardized measure is anchored to the distribution of all forecasts rather than only those for which we observe party affiliation–the direction and magnitude of the effect remain consistent. This reassures that our main findings are not driven by the scale or dispersion of the forecast measure.

4 Mechanisms

To investigate the mechanisms behind our findings, we analyze the content of earnings conference calls. This setting allows us to study both the information provided by CEOs and how analysts interpret that information. In particular, we examine whether CEOs' political alignment with the incumbent administration shapes the tone of their discussion of firm prospects and the broader macroeconomic environment, and whether analysts' responses to these discussions vary systematically with their own political views. Importantly, the mechanism we consider does not require analysts to directly observe or know the CEO's political affiliation. Instead, analysts' political views influence their beliefs about the state of the economy and the credibility of different narratives about economic conditions. These beliefs, in turn, shape how analysts interpret the information conveyed during earnings calls. By focusing on the interaction between CEOs' statements and analysts' reactions, we can therefore examine whether ideological differences affect both the production and interpretation of financial information, even when analysts do not explicitly observe the CEO's political identity.

We develop and test our predictions in two steps. First, we conjecture that CEOs who are politically misaligned with the incumbent administration hold more pessimistic views about economic conditions, and that this pessimism may be reflected in their discussion of both firm prospects and the macroeconomy. Second, we argue that analysts' interpretations of these statements are shaped by their own political views, which influence their broader beliefs about economic conditions (e.g., Kempf and Tsoutsoura (2021)). As a result, analysts who are politically misaligned with the CEO may interpret the CEO's statements differently even without knowing the CEO's political affiliation. In particular, politically misaligned analysts place greater weight on negative firm-level statements by the CEO, interpreting them even more negatively. In contrast, because these analysts are more likely to be politically aligned with the incumbent administration, they may discount negative macroeconomic commentary expressed by a politically misaligned CEO. This framework therefore generates distinct predictions for analysts' responses to firm-specific versus macroeconomic discussions during earnings calls.

To test these predictions, we extract executives' sentiment from earnings call transcripts. Specifically, we employ ChatGPT's API to identify sentences in which executives express pessimistic or optimistic views about firm fundamentals and the macroeconomy. This procedure yields four sentiment measures: negative firm sentiment, positive firm sentiment, negative macro sentiment, and positive macro sentiment. For each firm-quarter transcript, we first add up all sentences that are classified into a given sentiment category. We then divide the number of sentences in each sentiment category by the total number of sentences in the transcript released in that firm-quarter, which yields the share of sentences associated to the sentiment. We standardize each measure across the sample so that it has mean zero and standard deviation one.

We regress each sentiment measure on an indicator of political mismatch between the CEO and the president to identify how ideological misalignment affects CEOs' outlook toward their firm

and the macroeconomy as follows.

$$\text{Sentiment}_{jt} = \alpha_i + \alpha_t + \beta \times \text{Mismatch bet. CEO and President}_{jt} + \gamma X_{jt} + \varepsilon_{jt}, \tag{8}$$

which includes firm and industry $\times$ quarter fixed effects, as well as firm-level controls including the log of book assets, Tobin's Q, and leverage.

Table 8 presents these results. Panel A shows that when CEOs are politically misaligned with the incumbent government, they are significantly more likely to express negative views about firm fundamentals. In contrast, there is no comparable effect for positive firm sentiment. This asymmetry likely reflects the fact that executives tend to emphasize positive developments in earnings calls, making variation in negative statements more informative. Panel B presents the same analysis for macroeconomic sentiment. The pattern is similar: politically misaligned CEOs express significantly more negative views about the macroeconomy, while there is no significant effect on positive macro sentiment. Overall, the results suggest that political mismatch primarily manifests through an increase in negative sentiment.

Having established that politically misaligned CEOs express more negative sentiment about the prospects of their firms and the macroeconomy during earnings calls, we next examine how analysts interpret and incorporate these statements into their forecasts. In particular, we estimate the following regression model:

$$\begin{aligned}
\text{EPS Forecasts}_{ijkt} = {} & \alpha_i + \alpha_{jt} + \alpha_{kt} + \beta_1 \times \text{Mismatch with CEO}_{ijt} \\
& + \beta_2 \times (\text{Mismatch with CEO}_{ijt} \times \text{CEO Negative Firm Sentiment}_{jt}) \\
& + \beta_3 \times (\text{Mismatch with CEO}_{ijt} \times \text{CEO Positive Firm Sentiment}_{jt}) \\
& + \beta_4 \times (\text{Mismatch with CEO}_{ijt} \times \text{CEO Negative Macro Sentiment}_{jt}) \\
& + \beta_5 \times (\text{Mismatch with CEO}_{ijt} \times \text{CEO Positive Macro Sentiment}_{jt}) \\
& + \gamma \times \text{Mismatch bet. CEO and President}_{jt} + \varepsilon_{ijkt},
\end{aligned} \tag{9}$$

where we include analyst (α_i), firm $\times$ year (α_{jt}), brokerage $\times$ year (α_{kt}), and analyst party $\times$ year fixed effects, following our main specification. In this specification, we exclude the indicator variable *Mismatch between the CEO and the government* because it is collinear with CEOs' sentiment, as shown in Table 8. This specification allows us to examine whether analysts interpret CEOs' statements differently depending on their political alignment with the CEO.

Table 9 presents the results. We find that analysts who are politically misaligned with the CEO react more strongly to negative firm-level sentiment expressed by the CEO. In contrast, these analysts react less strongly to CEOs' negative macroeconomic sentiment. Put differently, when a CEO expresses pessimism about the broader economy, analysts who share the CEO's political affiliation–and are therefore also politically misaligned with the incumbent administration–place greater weight on the CEO's macroeconomic concerns. By contrast, analysts who are politically misaligned with the CEO–and thus more likely aligned with the incumbent administration–respond more strongly to negative statements about firm-specific prospects.

These patterns suggest that analysts differentially incorporate CEOs' sentiment depending on their own political views, placing varying emphasis on firm-level versus macroeconomic information. Importantly, this mechanism does not require analysts to observe or know the CEO's political affiliation. Rather, analysts' political views shape their beliefs about the broader economic environment, which in turn influence how they interpret managerial communication. As a result, analysts who are politically aligned with the incumbent administration appear less responsive to macroeconomic pessimism expressed by politically misaligned CEOs, while remaining attentive to negative information about firm fundamentals.

5 Partisan Bias and Information Transmission

In this section, we study the implications and real effects of analysts' partisan biases. We first examine whether financial markets recognize and discount the biased forecasts issued by misaligned

analysts. We then analyze investment-Q sensitivity to assess how these biased valuations transmit into firms' real corporate investment decisions.

5.1 Stock Market Responses

We examine how the stock market responds to forecasts issued by aligned and misaligned analysts. If investors recognize and discount partisan-driven pessimism, the market reaction to forecast revisions should be weaker when the analyst is misaligned with the CEO. To test this, we compute cumulative abnormal returns (CARs) around analysts' forecast announcement dates and estimate, the following

$$\begin{aligned} CAR_{jt} = \alpha_{jt} + \beta_1 \times \Delta\text{EPS Forecast}_{ijt} + \beta_2 \times \text{Mismatch with CEO}_{ijt} \\ + \beta_3 \times \left[\Delta\text{EPS Forecast}_{ijt} \times \text{Mismatch with CEO}_{ijt}\right] + \varepsilon_{ijkt}, \end{aligned} \tag{10}$$

We compute *CAR* using Fama-French 3 factor expected returns: factor loadings are estimated over the pre-event window $[-270,-30]$ trading days relative to the announcement, and abnormal returns are cumulated over $[-1,+1]$, $[-3,+3]$, and $[-5,+5]$ trading-day windows centered on the announcement date. ΔEPS Forecast is the change in analyst i's earnings forecast relative to her previous report, and Mismatch with CEO is an indicator equal to 1 if the analyst is politically misaligned with the firm's CEO. We include firm $\times$ year fixed effects (α_{jt}) to ensure that we compare analysts making forecasts for the same firm in the same year. If the stock market distinguishes and correctly discounts the partisan biases of misaligned analysts, we would expect β_3 to be significantly negative.

Table 10 shows that across all event windows, forecast revisions generate large and statistically significant market reactions, but the interaction term between forecast revisions and misalignment with the CEO is close to zero and statistically insignificant. This indicates that the market responds just as strongly to forecasts issued by misaligned analysts as to those issued by aligned analysts. Taken together with our earlier finding that misaligned analysts issue lower and less

accurate forecasts, these results suggest that the market fails to recognize or discount partisan-induced pessimism. As a consequence, firms covered by a greater share of misaligned analysts are likely to exhibit biased valuations.

5.2 Investment-Q Sensitivity

Do these biased valuations due to partisan biases have real effects? To test this, we examine whether partisan biases in analysts' forecasts distort firms' real investment decisions by comparing investment-Q sensitivity across firms covered by analysts with differing degrees of misalignment.

We first collapse the data to the firm-year level by constructing *Share of Mismatch with CEO*, which measures the fraction of analysts covering a firm whose party affiliation does not match the CEO's. We also compute the number of aligned and misaligned forecasts covering each firm-year, which allows us to capture both the relative and absolute intensity of partisan misalignment in the information environment surrounding the firm. Then, we estimate the following,

$$\begin{aligned}
\ln(\text{Investment})_{jt+1} &= \alpha_j + \beta_1 \times \ln(Q)_{jt} + \beta_2 \times \left[\ln(Q)_{jt} \times \text{Share of Mismatch with CEO}\right] \\
&\quad + \gamma \times X_{jt} + \varepsilon_{jt+1}, \\
\ln(\text{Investment})_{jt+1} &= \alpha_j + \beta_1 \times \ln(Q)_{jt} + \beta_2 \times \left[\ln(Q)_{jt} \times \text{No. Aligned Forecasts}\right] \\
&\quad + \beta_3 \times \left[\ln(Q)_{jt} \times \text{No. Misaligned Forecasts}\right] + \gamma \times X_{jt} + \varepsilon_{jt+1},
\end{aligned} \tag{11}$$

where $\ln Investment$ is the investment rate which is the log of 1+ capital expenditures to property, plant, and equipment (net) expressed in percentage terms.

Table 11 documents the results. Coefficients on the interaction term $\ln(Q) \times$ Share of Mismatch with CEO are significantly negative, indicating that the sensitivity of investment to q is weaker when a larger share of covering analysts are politically misaligned with the CEO. In other words, when firms are evaluated by analysts who are systematically more pessimistic and less accurate, the link between market valuations and real investment becomes attenuated. Consistent with this interpretation, coefficients on $\ln(Q) \times$ No. Misaligned Forecasts are also significantly negative, whereas coefficients

on $\ln(Q) \times$ No. Aligned Forecasts are close to zero and statistically insignificant. The coefficient estimates are economically significant and comparable: given that the average share of mismatch is about 0.5 and the average number of misaligned analysts is 5.44, the implied reduction in the investment-Q sensitivity is roughly 5%. In other words, firms covered by more politically misaligned analysts respond noticeably less to valuation signals when making investment decisions. This suggests that partisan biases impair the transmission of information from analyst forecasts into firm investment decisions, leading to distorted investment responses.

6 Analyst Departures Toward Politically Aligned Firms

In this last section, we examine whether analysts sort into politically aligned brokerages over time. Specifically, we ask three questions. First, once analysts become politically misaligned with the majority of their colleagues, are they more likely to leave their current employer? Second, conditional on departure, do analysts join brokerages where the majority of colleagues share their own party affiliation? Third, is this sorting pattern stronger for analysts who were previously misaligned with their former employer?

To answer these questions, we restrict the sample to Democratic and Republican analysts and identify the majority party within each brokerage-year based on the party affiliation of analysts employed by that brokerage. We exclude brokerage-years in which Democrats and Republicans each comprise exactly 50% of the analyst workforce, as these cases do not provide a clear majority party. First, we test whether analysts are more likely to leave in the following year once they are misaligned with their employer. We regress a departure dummy on the previous year's mismatch with the employer, where the mismatch indicator equals one if the analyst is politically misaligned with the majority party of the brokerage. Table 12 Column (1) shows that once analysts become misaligned with the majority of their colleagues, they are 2.6% more likely to leave their employer. Given that the average departure rate in our sample is 10.9% (as shown by the intercept), this effect is economically significant.

Next, we examine whether analysts are more likely to join brokerages where the majority of colleagues share their own party affiliation, conditional on departure. To do so, we regress *Departure to Aligned*–a dummy equal to one if the analyst joins a brokerage whose majority party matches her own–on the departure indicator. This specification identifies the fraction of departing analysts who sort into politically aligned brokerages, as the coefficient estimate is

$$\begin{aligned}\beta &= E[\text{Departure to Aligned} \mid \text{Departure} = 1] - E[\text{Departure to Aligned} \mid \text{Departure} = 0] \\ &= E[\text{Departure to Aligned} \mid \text{Departure} = 1] - 0 \\ &= \Pr(\text{Departure to Aligned} \mid \text{Departure} = 1).\end{aligned}$$

Table 12 Column (2) shows that the majority of departing analysts–approximately 70%–join politically aligned brokerages.

Lastly, we test whether this pattern is stronger for analysts who experienced political misalignment with their previous colleagues. Conditional on departures, we regress *Departure to Aligned* on the one-year lag of mismatch with the employer. Table 12 Column (3) reports the intercept, which captures the fraction of analysts who join politically aligned firms conditional on departure; the estimate is again close to 70%. Column (4) shows that this tendency is stronger for analysts who were previously misaligned with their employer. The economic magnitude is sizable, with misaligned analysts being roughly 19 percentage points more likely to move to a politically aligned brokerage. Taken together, these results imply that analysts not only respond to ideological misalignment by exiting their current employer but also actively sort into politically compatible workplaces. Political identity therefore shapes both employees' retention and their longer-run career choices, reinforcing ideological segmentation within the analyst labor market.

7 Conclusion

This paper shows that political identity meaningfully shapes how analysts produce and transmit financial information. Analysts who are politically misaligned with a firm's CEO issue systematically lower and less accurate earnings forecasts for the same firm at the same time, and these effects strengthen when new CEOs take office. Despite this bias, markets react similarly to forecasts issued by aligned and misaligned analysts, indicating that investors do not fully recognize or discount partisan-driven distortions.

These biased forecasts have real consequences. Firms covered by a greater share of politically misaligned analysts exhibit significantly weaker investment-Q sensitivities, reflecting impaired information transmission from prices to real investment. The magnitudes are economically meaningful: a shift from full alignment to the sample-average level of misalignment reduces investment responsiveness to Q by roughly 5%.

Finally, we show that political identity extends beyond belief formation to shape analysts' longer-run career paths. Misaligned analysts are more likely to leave their employers, and conditional on departure, nearly 70% join brokerage houses whose analyst workforce shares their political affiliation. These patterns reveal that political identity influences not only the content of financial information but also the structure of the organizations that produce it, potentially reinforcing ideological segmentation within the analyst labor market.

Taken together, the results highlight a previously overlooked channel through which political polarization permeates capital markets. Partisan perceptions embedded in the production of financial information can propagate into market valuations, capital allocation, and the organization of financial intermediaries themselves. Understanding when and how political identity shapes professional judgment remains an important area for future research.

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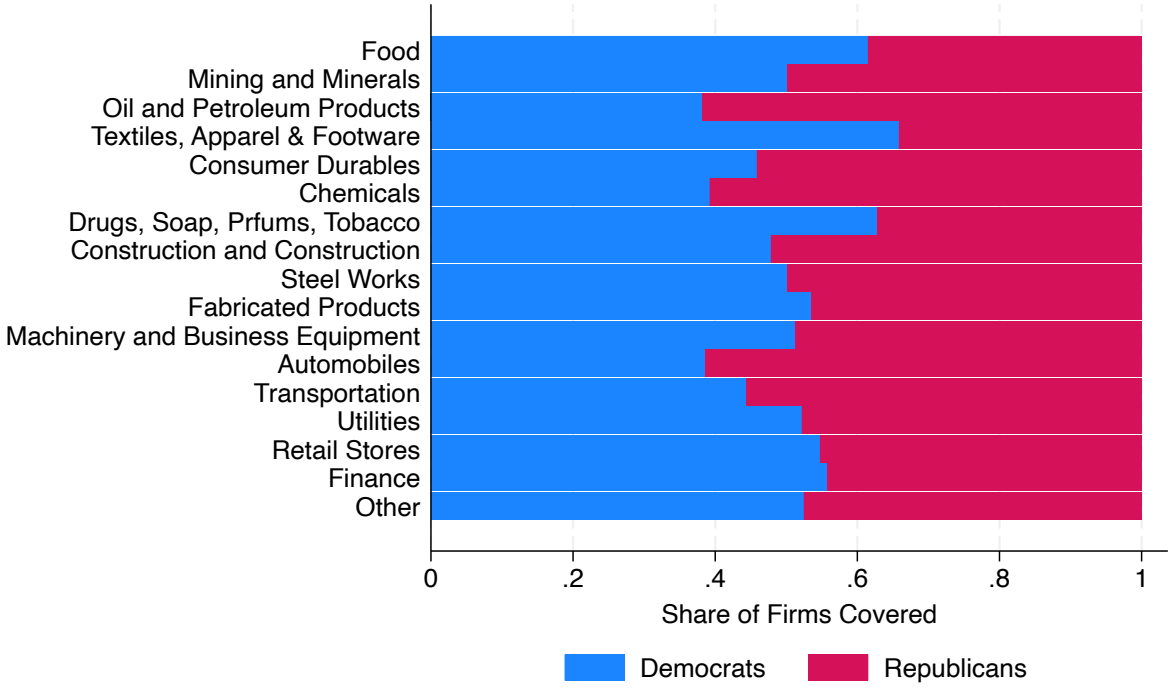
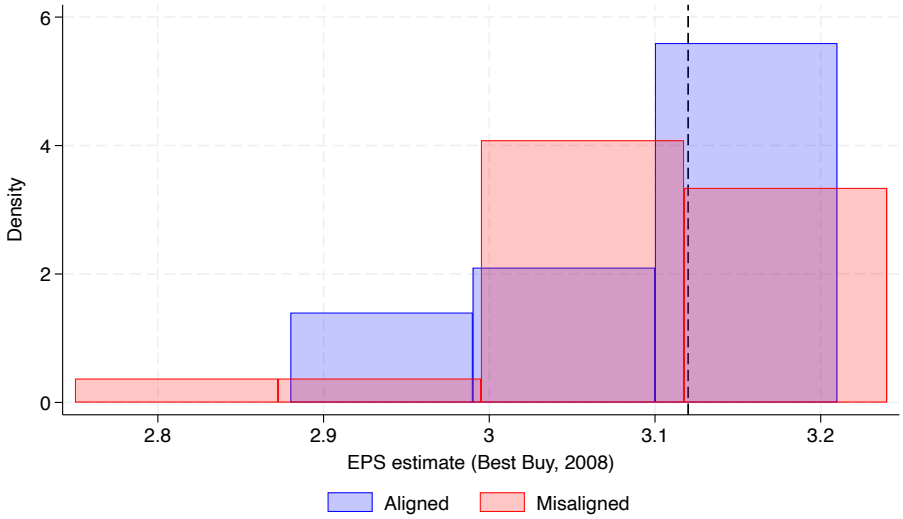
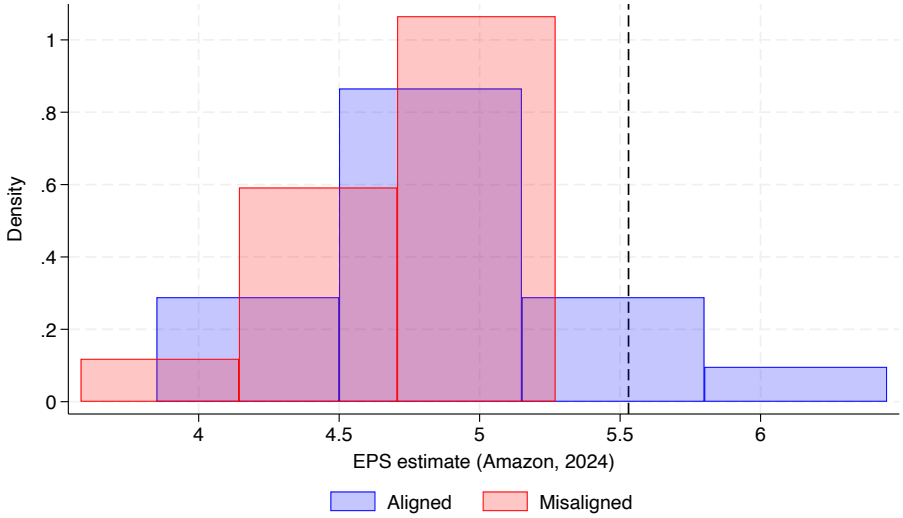


Figure 1: **Industry Comparison: Democrats vs Republicans.** The figure compares the share of firms covered by Democratic and Republican analysts across industries, based on the Fama-French 17 industry classification.



Best Buy (2008)



Amazon (2024)

Figure 2: **Case Studies: Best Buy (2008) and Amazon (2024).** This figure compares the distribution of EPS forecasts made by analysts who are aligned or misaligned with the CEOs' political party affiliation for two case studies, Best Buy (2008) and Amazon (2024). For each firm-year, we plot the density of EPS estimates separately for aligned (blue) and misaligned (red) analysts. The vertical dashed line marks the realized EPS.

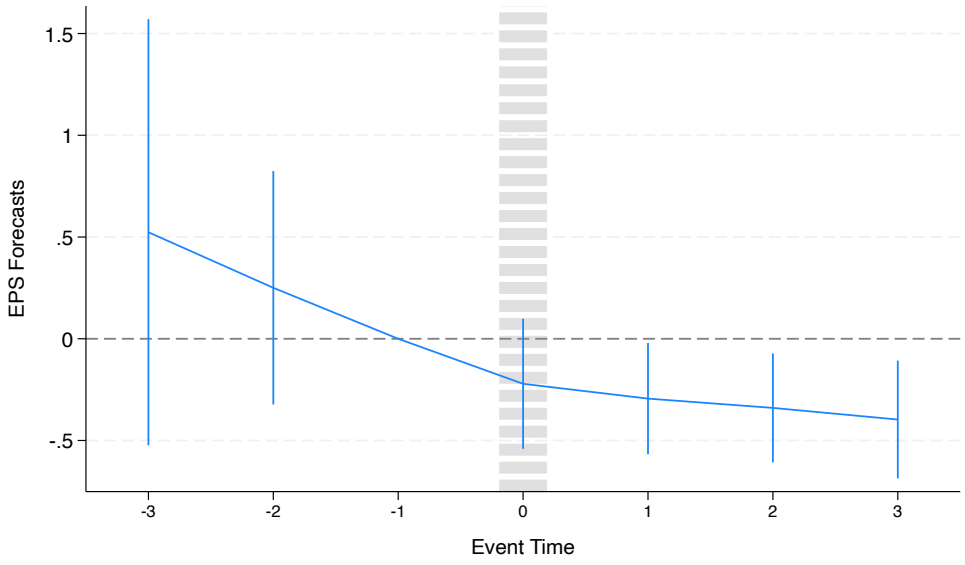


Figure 3: **Event Study around CEOs' Turnover.** This figure plots the coefficients from the event-study specification: where α_{ij} are analyst–firm fixed effects and α_t are time fixed effects. The x-axis shows event time in months relative to the CEO turnover (τ_0), and the y-axis shows the estimated β_k coefficients. The solid line plots the point estimates and the vertical bars denote 95% confidence intervals.

$$\text{EPS Forecast}_{ijt} = \alpha_{ij} + \alpha_t + \sum_{k=-3}^{3} \beta_k \left(\text{Mismatch with Incoming CEO}_{ij} \times \tau_k\right),$$

Table 1: **Summary Statistics**

This table tabulates characteristics of analysts and CEOs and firm-level characteristics. Age is the average age of analysts in a given year, value-weighted by the number of forecasts each analyst issues. Panel A reports analysts' and Panel B reports CEOS' characteristics. Panel C reports summary statistics for the firm-year level sample consisting of 18,001 observations. The variables include the share of forecasts made by analysts whose political affiliation differs from the CEO's (Mismatch with CEO), the total number of forecasts per firm-year, the number of distinct analysts, and the number of forecasts made by Democratic- and Republican-affiliated analysts. Mean, median, and standard deviation are reported

Panel A. Analysts' Characteristics

Party	No. Analysts	No. Forecasts	Age	Female
Democratic	813	80,701	38.172	0.364
Republican	701	75,122	40.616	0.225
Independence	11	1,180	42.189	0.364
American Independent	8	465	39.237	0.250
Libertarian	8	1,209	32.467	0.125
Registered Independent	5	932	40.285	0.800
Green	4	118	36.381	0
Other	1	30	36.500	0
Conservative	1	221	42.376	0
Non-Partisan	616	66,057	38.547	0.255

Panel B. CEOs' Characteristics

Party	No. CEOs	No. Forecasts	Age	Female
Republican	3,064	109,439	56.332	0.033
Democratic	1,566	53,631	54.650	0.079
Registered Independent	47	1,623	58.989	0.021
American Independent	46	1,525	55.303	0.022
Libertarian	18	885	52.759	0.056
Other	10	187	57.786	0.200
Independence	5	311	55.212	0
Green	3	46	54.761	0
Conservative	3	91	53.077	0
Non-Partisan	1,657	57,158	53.773	0.049

Panel C. Firm-level Characteristics

Variable	Mean	Median	Std. Dev
Mismatch with CEO	0.517	0.500	0.426
Number of Forecasts	6.619	5.000	6.156
Number of Analysts	1.998	1.000	1.430
Number of Democratic Forecasts	3.294	2.000	4.058
Number of Republican Forecasts	3.169	2.000	3.828

Table 2: **Comparison of Firm Characteristics: Democrats vs Republicans**

This table compares the characteristics of firms covered by Democratic and Republican analysts. The reported t-statistics are based on time-series variation in annual differences.

Variable	Democrats	Republicans	Difference	t-stat
Book Asset	15,129	13,573	1,556	0.293
ROA	0.012	0.037	-0.025	-0.352
Gross Profitability	0.382	0.392	-0.010	-0.122
Operating Profitability	0.103	0.109	-0.007	-0.051
Asset Growth	0.184	0.185	-0.000	-0.014
Leverage	0.225	0.237	-0.011	-0.302
Market-to-book	7.236	7.170	0.066	0.005
Tobin's Q	2.245	2.996	-0.751	-0.260
R&D-to-sale	2.022	2.035	-0.013	-0.002
Cash-to-asset	0.183	0.175	0.008	0.357

Table 3: **Political Diversity and Forecast Dispersion**

This table examines whether analysts' political affiliations are an important driver of forecast dispersion. Panel A studies how political concentration within a firm's analyst coverage relates to the standard deviation of EPS forecasts. HHI(Party Share) is the Herfindahl-Hirschman Index constructed from the distribution of analysts across political affiliations, where higher values indicate lower political diversity. Panel B reports the share of forecast variance attributable to across-party differences over time. We estimate variance decomposition (Equation (1)) for each firm-year and then report decade-level averages, weighted by the number of firms.

Panel A. Political Concentration and Forecast Dispersion

	σ(EPS Forecasts)	
	(1)	(2)
HHI(Party Share)	-0.074**	-0.101***
	(-2.616)	(-3.093)
Observations	6883	6882
R^2	0.454	0.468
Firm FE	Yes	Yes
Year FE	No	Yes

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Panel B. Across-Party Share from Variance Decomposition

Decade	Across-Party Share
1990 $\sim$ 1999	0.336
2000 $\sim$ 2009	0.319
2010 $\sim$ 2019	0.305
2020 $\sim$ 2025	0.332

Table 4: **Political Misalignment and EPS Forecasts**

This table estimates the following regression,

$$\text{EPS Forecasts}_{ijkt} = \alpha + \beta \times \text{Mismatch with CEO}_{ijt} + \gamma \times X_{it} + \varepsilon_{ijkt},$$

where Mismatch with CEO is an indicator equal to 1 if analyst i is politically misaligned with the CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. Mismatch bet. CEO and President is an indicator equal to 1 if the CEO is misaligned with the current government. Panel A is within-firm comparison where EPS forecasts are demeaned by the firm-year median. The sample is limited to firms covered by analysts from more than one political party. Panel B presents within-analyst comparison where EPS forecasts are standardized using the mean and standard deviation from the full forecast universe beyond our matched sample. The sample is limited to firms covered by analysts who cover multiple firms within a year. t-statistics shown in the parentheses are double-clustered by analyst and industry.

Panel A. Within-Firm Comparison

	EPS Forecasts			
	(1)	(2)	(3)	(4)
Mismatch with CEO	-0.093**	-0.084***	-0.096***	-0.087***
	(-2.570)	(-2.795)	(-2.656)	(-2.821)
Mismatch with President	-0.067	0.940	-0.068	0.999
	(-1.413)	(0.713)	(-1.320)	(0.711)
Mismatch bet. CEO and President	-0.329	-0.264	-0.334	-0.261
	(-0.943)	(-0.942)	(-0.901)	(-0.903)
Observations	87881	87879	82805	82805
R^2	0.209	0.210	0.209	0.210
Analyst FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Brokerage × Year FE	Yes	Yes	Yes	Yes
Party × Year FE	No	Yes	No	Yes
Sample	All	All	Dem & Rep	Dem & Rep

Panel B. Within-Analyst Comparison

	EPS Forecasts	
	(1)	(2)
Mismatch with CEO	-0.024**	-0.032***
	(-2.414)	(-2.934)
Mismatch with President	0.013	0.003
	(0.155)	(0.033)
Mismatch bet. CEO and President	-0.012	-0.019
	(-0.969)	(-1.412)
Observations	77074	74364
R^2	0.130	0.133
Analyst × Year FE	Yes	Yes
Sample	All	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5: **CEO Turnovers**

This table estimates the following difference-in-difference regression around CEO turnovers,

$$\text{EPS Forecasts}_{ijkt} = \alpha + \beta \times \text{Mismatch with Incoming CEO}_{ijt} \times \text{Post}_t + \gamma \times X_{it} + \varepsilon_{ijkt},$$

where EPS Forecasts is EPS forecasts demeaned by the firm-year median, that is, (Raw Forecasts − Median Forecasts)/Median Forecasts, which captures how far each forecast deviates from its median. Mismatch with Incoming CEO is an indicator equal to 1 if analyst i is politically misaligned with the incoming CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. Mismatch bet. CEO and President is an indicator equal to 1 if the CEO is misaligned with the current government. We restrict the sample to firms covered by analysts from more than one party. The sample includes twelve forecasts around CEO turnovers (-6 $\sim$ 5). Columns (2) further restrict the sample to firm-year observations covered only by both Democratic and Republican analysts. t-statistics shown in the parentheses are double-clustered by analyst and industry.

	EPS Forecasts	
	(1)	(2)
Mismatch with Incoming CEO × Post	-0.268**	-0.279**
	(-2.106)	(-2.075)
Mismatch with President	-0.573	-0.572
	(-0.993)	(-0.992)
Mismatch bet. CEO and President	1.416	1.516
	(0.904)	(0.895)
Observations	9724	9147
R^2	0.283	0.282
Firm × Year FE	Yes	Yes
Analyst × Firm FE	Yes	Yes
Sample	All	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 6: **Political Misalignment and Accuracy**

This table estimates the following regression,

$$|\text{Forecast Error}_{ijkt}| = \alpha + \beta \times \text{Mismatch with CEO}_{ijt} + \gamma \times X_{it} + \varepsilon_{ijkt},$$

where $|\text{Forecast Error}_{ijkt}|$ is the absolute forecast error. Mismatch with CEO is an indicator equal to 1 if analyst i is politically misaligned with the CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. Mismatch bet. CEO and President is an indicator equal to 1 if the CEO is misaligned with the current government. For each firm-year, we retain each analyst's last EPS forecast. We restrict the sample to firms covered by analysts from more than one party. Panel A is within-firm comparison and the sample is limited to firms covered by analysts from more than one political party. Panel B presents within-analyst comparison and the sample is limited to firms covered by analysts who cover multiple firms within a year. t-statistics shown in the parentheses are double-clustered by analyst and industry.

Panel A. Within-Firm Comparison

	| Forecast Error |	
	(1)	(2)
Mismatch with CEO	0.153*	0.154*
	(1.824)	(1.878)
Mismatch with President	-0.104	-0.127
	(-0.841)	(-0.865)
Mismatch bet. CEO and President	2.806	1.748
	(0.768)	(0.718)
Observations	21484	19929
R^2	0.766	0.769
Analyst FE	Yes	Yes
Firm × Year FE	Yes	Yes
Brokerage × Year FE	Yes	Yes
Sample	All	Dem & Rep

Panel B. Within-Analyst Comparison

	| Forecast Error |	
	(1)	(2)
Mismatch with CEO	0.858*	0.318
	(1.724)	(1.243)
Mismatch with President	0.239	0.387
	(0.197)	(0.303)
Mismatch bet. CEO and President	0.446	0.367
	(1.602)	(1.238)
Observations	22452	21562
R^2	0.315	0.250
Analyst × Year FE	Yes	Yes
Sample	All	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 7: **Placebo Test: Political Misalignment with Previous CEOs**

This table estimates the following regression,

$$\text{EPS Forecasts}_{ijkt} = \alpha + \beta \times \text{Mismatch with Previous CEO}_{ijt} + \gamma \times X_{it} + \varepsilon_{ijkt},$$

where EPS Forecasts is EPS forecasts demeaned by the firm-year median, that is, (Raw Forecasts − Median Forecasts)/Median Forecasts, which captures how far each forecast deviates from its median. Mismatch with Previous CEO is an indicator equal to 1 if analyst *i* is politically misaligned with the previous CEO of firm *j* she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. Mismatch bet. CEO and President is an indicator equal to 1 if the CEO is misaligned with the current government. We restrict the sample to firms covered by analysts from more than one party. Columns (3) and (4) further restrict the sample to firm-year observations covered only by both Democratic and Republican analysts. *t*-statistics shown in the parentheses are double-clustered by analyst and industry.

	EPS Forecasts			
	(1)	(2)	(3)	(4)
Mismatch with Previous CEO	0.057	0.028	-0.030	-0.016
	(0.573)	(0.273)	(-0.219)	(-0.121)
Mismatch with President	-1.269	-1.928	-1.376	-1.912
	(-0.807)	(-0.641)	(-0.817)	(-0.630)
Mismatch bet. CEO and President	1.231	1.068	1.322	1.142
	(0.719)	(0.620)	(0.710)	(0.608)
Observations	12845	12840	12280	12278
R^2	0.380	0.395	0.381	0.396
Analyst FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Brokerage × Year FE	Yes	Yes	Yes	Yes
Party × Year FE	No	Yes	No	Yes
Sample	All	All	Dem & Rep	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 8: **CEOs' Political Affiliation and Sentiment**

This table estimates how political mismatch relates to macroeconomic sentiment expressed during earnings calls. Negative (Positive) sentiment measures the number of sentences in which executives express pessimistic (optimistic) views about the firm fundamentals (Panel A) or macroeconomy (Panel B), scaled by the total number of sentences in the transcript. For each firm-quarter, we add up all sentences classified into a given sentiment category across all earnings call transcripts released during that quarter. We then divide the number of sentences in each sentiment category by the total number of sentences across those transcripts, which yields the share of sentences associated with the sentiment in the firm-quarter. We standardize each sentiment measure across the sample so that it has mean zero and standard deviation one. Mismatch between CEO and President is an indicator equal to one if the CEO's party affiliation differs from that of the sitting U.S. President. The sample is limited to CEOs whose party affiliations are either Democrat or Republican. We control for firm characteristics in all regressions, including the log of book assets, Tobin's Q, and leverage. t-statistics shown in the parentheses are clustered by firm.

Panel A. Firm Fundamentals

	Negative		Positive	
	(1)	(2)	(3)	(4)
Mismatch bet. CEO and President	0.035**	0.043**	0.008	0.015
	(2.100)	(2.391)	(0.405)	(0.794)
Observations	31466	31243	31466	31243
Firm FE	No	Yes	No	Yes
Industry × Quarter FE	Yes	Yes	Yes	Yes

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Panel B. Macroeconomy

	Negative		Positive	
	(1)	(2)	(3)	(4)
Mismatch bet. CEO and President	0.028**	0.031*	0.012	0.017
	(1.962)	(1.784)	(0.830)	(0.895)
Observations	31466	31243	31466	31243
Firm FE	No	Yes	No	Yes
Industry × Quarter FE	Yes	Yes	Yes	Yes

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 9: **Analysts' Reactions to CEOs' Sentiment**

This table examines how analystsâ political alignment with CEOs affects their reactions to sentiment expressed during earnings calls. Negative (Positive) Firm Sentiment and Negative (Positive) Macro Sentiment measure the number of sentences in which executives express pessimistic (optimistic) views about firm fundamentals or the macroeconomy, respectively, scaled by the total number of sentences in the transcript. We aggregate each sentiment measure at the firm-quarter level and then standardize it across the sample. t-statistics shown in the parentheses are double-clustered by analyst and industry.

	EPS Forecasts	
	(1)	(2)
Mismatch with CEO	-0.094**	-0.096**
	(-2.206)	(-2.080)
Mismatch with CEO × CEOs' Negative Firm Sentiment	-0.092*	-0.099*
	(-1.818)	(-1.795)
Mismatch with CEO × CEOs' Positive Firm Sentiment	-0.049	-0.053
	(-1.221)	(-1.187)
Mismatch with CEO × CEOs' Negative Macro Sentiment	0.049*	0.056*
	(1.736)	(1.775)
Mismatch with CEO × CEOs' Positive Macro Sentiment	-0.001	-0.003
	(-0.093)	(-0.387)
Mismatch with President	1.342	1.400
	(0.696)	(0.687)
Observations	55317	52257
R^2	0.224	0.224
Analyst FE	Yes	Yes
Firm × Year FE	Yes	Yes
Brokerage × Year FE	Yes	Yes
Party × Year FE	Yes	Yes
Sample	All	All

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 10: **Price Reactions**

This table reports OLS estimates of cumulative abnormal returns (CAR) around the earnings announcement on the analyst EPS forecast as follows,

$$CAR_{jt} = \alpha + \beta_1 \times \Delta\text{EPS Forecast}_{ijt} + \beta_2 \times \text{Mismatch with CEO}_{ijt} + \beta_3 \times [\Delta\text{EPS Forecast}_{ijt} \times \text{Mismatch with CEO}_{ijt}] + \varepsilon_{ijkt},$$

where we compute CARs using Fama–French three-factor expected returns: factor loadings are estimated over the pre-event window $[-270,-30]$ trading days relative to the announcement, and abnormal returns are cumulated over $[-1,+1]$, $[-3,+3]$, and $[-5,+5]$ trading-day windows centered on the announcement date. CARs are in basis points. Δ EPS Forecastis the change in analyst i's earnings forecast relative to her previous report. Mismatch with CEO is an indicator equal to 1 if analyst i is politically misaligned with the CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. t-statistics shown in the parentheses are double clustered by firm and year.

	CAR(-1,+1)	CAR(-3,+3)	CAR(-5,+5)
	(1)	(2)	(3)
Δ EPS Forecast	44.235***	47.582***	53.416***
	(3.244)	(3.056)	(3.659)
Mismatch with CEO	-0.203	-2.690	-6.082
	(-0.030)	(-0.379)	(-0.841)
Δ EPS Forecast $\times$ Mismatch with CEO	-7.241	-6.937	-9.636
	(-0.716)	(-0.665)	(-1.001)
Observations	78934	78930	78929
R^2	0.243	0.266	0.296
Analyst FE	Yes	Yes	Yes
Firm $\times$ Year FE	Yes	Yes	Yes
Brokerage $\times$ Year FE	Yes	Yes	Yes

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 11: **Investment-Q Sensitivity**

This table compares investment-q sensitivity across firms covered by analysts with differing degrees of misalignment. We estimate the following,

$$\begin{aligned}\ln(\text{Investment})_{jt+1} &= \alpha_j + \beta_1 \times \ln(Q)_{jt} + \beta_2 \times [\ln(Q)_{jt} \times \text{Share of Mismatch with CEO}] \\ &\quad + \gamma \times X_{jt} + \varepsilon_{jt+1}, \\ \ln(\text{Investment})_{jt+1} &= \alpha_j + \beta_1 \times \ln(Q)_{jt} + \beta_2 \times [\ln(Q)_{jt} \times \text{No. Aligned Forecasts}] \\ &\quad + \beta_3 \times [\ln(Q)_{jt} \times \text{No. Misaligned Forecasts}] + \gamma \times X_{jt} + \varepsilon_{jt+1},\end{aligned}$$

where ln*Investment* is the log of 1+ (capital expenditures to property, plant, and equipment (net)) expressed in percentage terms. Mismatch with CEO is the firm-year share of analysts who are politically misaligned with the CEO. No.(Mis)Aligned refers to the number of analysts covering the firm who are politically (mis)aligned with the CEO. t-statistics shown in the parentheses are double clustered by firm and year.

	$\ln(\text{Investment})_{t+1}$ (%)		
	(1)	(2)	(3)
ln(Q)	6.838***	7.315***	7.233***
	(17.909)	(16.076)	(16.338)
ln(Q) × Share of Mismatch with CEO		-0.701**	
		(-2.086)	
Share of Mismatch with CEO		-0.025	
		(-0.062)	
ln(Q) × No. Aligned			-0.040
			(-1.567)
ln(Q) × No. Misaligned			-0.068***
			(-3.207)
No. Aligned			-0.038
			(-1.024)
No. Misaligned			-0.037
			(-1.245)
Observations	19221	19221	19221
R^2	0.586	0.587	0.588
Firm Fixed Effects	Yes	Yes	Yes
Industry × Year Fixed Effects	Yes	Yes	Yes

Table 12: **Analyst Departures, Political Alignment, and Forecast Accuracy**

This table examines how political alignment shapes analyst departures and subsequent sorting across brokerages. Panel A studies how political alignment with colleagues and forecast accuracy jointly relate to analyst departures. The dependent variable is an indicator equal to one if an analyst leaves the brokerage in the following year. Mismatch with Colleagues is a dummy equal to one if an analyst's political affiliation differs from that of the majority of colleagues at the same brokerage. Average Forecast Error is the analyst's standardized average forecast error. Panel B examines whether analysts sort into politically aligned brokerages after departure. Column (1) regresses an indicator for moving to a politically aligned brokerage on the departure indicator. Column (2) restricts the sample to departing analysts and estimates the unconditional likelihood of moving to a politically aligned brokerage. Column (3) further tests how Mismatch with Colleagues at the previous employer affects sorting. t-statistics based on standard errors clustered at the analyst level are reported in parentheses.

Panel A. Mismatch and Departures

	Departure$_{t+1}$		
	(1)	(2)	(3)
Mismatch with Colleagues$_t$	0.024**		0.023**
	(2.165)		(2.049)
Average Forecast Error$_t$		0.018	0.061***
		(1.475)	(4.256)
Mismatch with Colleagues$_t$ × Average Forecast Error$_t$			-0.056***
			(-3.130)
Observations	8,123	8,123	8,123
R^2	0.298	0.299	0.302
Brokerage × Year FE	Yes	Yes	Yes

Panel B. Departures To Politically Aligned Firms

	Departure to Aligned$_{t+1}$		
	(1)	(2)	(3)
Departure$_{t+1}$	0.669***		
	(43.442)		
Mismatch with Colleagues$_t$			0.113**
			(2.422)
Constant	0.000	0.689***	0.640***
	(0.066)	(41.802)	(24.049)
Observations	8,123	1,051	1,051
R^2	0.705	0.476	0.484
Analyst FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Appendix

Forecasting in a Polarized World:

The Role of Political Disagreement in Analyst Forecasts & Information Production

A Reconciliation with Kempf and Tsoutsoura (2021)

Why do we find a strong effect for mismatch with the CEO, but no comparable effect for mismatch with the President, as in Kempf and Tsoutsoura (2021) in our setting? While we argue that mismatch with the CEO is a more important and direct channel for capturing analysts' partisan perceptions, there is also a key structural difference between our setting and Kempf and Tsoutsoura (2021). Kempf and Tsoutsoura (2021) regressed rating changes on mismatch with the president, instead of levels like what we do in Table 4. They wrote,

"We study rating changes instead of rating levels for two main reasons. First, rating changes allow us to better isolate the decisions of the current analyst from other confounding factors, such as the influence of the previous analyst. Second, rating levels are sticky because analysts do not adjust them very frequently. We will show in Section IV.C.1 that in levels, the effect is there but takes some time to show up, consistent with the view that there is slow adjustment of ratings."

Our results are not in conflict with Kempf and Tsoutsoura (2021); rather, they highlight different but complementary margins of analyst behavior. When we focus on the levels of EPS forecasts, we capture persistent differences in how analysts anchor their expectations. Here, political misalignment with the CEO matters: misaligned analysts provide systematically lower forecasts relative to peers within the same firm-year, reflecting a long-run tilt in forecast levels. By contrast, when we focus on forecast revisions, we examine how analysts adjust their expectations in response to new information. On this margin, political misalignment with the President becomes significant, consistent with Kempf and Tsoutsoura (2021)'s finding that misaligned analysts issue more negative revisions. Their explanation is that once analysts are misaligned with the President, they become pessimistic about the overall economy, so short-term revisions matter in their setting as analysts grow increasingly negative along the horizon. In our case, however, the focus is on how misalign-

ment with the CEO shapes persistent differences in firm-specific expectations, which manifests more clearly in forecast levels than in revisions. The distinction is therefore one of levels versus changes: CEO misalignment shapes long-run anchoring of expectations, while presidential misalignment shapes short-run responsiveness. Table A.2 confirms this is the case: when we regress changes in EPS forecasts (i.e., how analysts revise their views in each report), we find significantly negative coefficients on mismatch with the President, while coefficients on mismatch with the CEO are not statistically significant, although they are directionally consistent.

Table A.1: **Political Misalignment and Standardized EPS Forecasts**

This table estimates the following regression,

$$z(\text{EPS Forecasts}_{ijkt}) = \alpha + \beta \times \text{Mismatch with CEO}_{ijt} + \gamma \times \text{Mismatch with President}_{it} + \varepsilon_{ijkt},$$

where z(EPS Forecasts) is standardized EPS forecasts using mean and standard deviation estimates from the full forecast universe beyond our matched sample. Mismatch with CEO is an indicator equal to 1 if analyst i is politically misaligned with the CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. Columns (3) and (4) further restrict the sample to firm-year observations covered only by both Democratic and Republican analysts. t-statistics shown in the parentheses are double-clustered by analyst and industry.

	EPS Forecasts	
	(1)	(2)
Mismatch with CEO	-0.040*	-0.043**
	(-1.711)	(-2.085)
Mismatch with President	-0.024	-0.019
	(-1.520)	(-1.277)
Mismatch bet. CEO and President	-0.015	-0.032
	(-0.121)	(-0.254)
Observations	87087	82024
R^2	0.321	0.321
Analyst FE	Yes	Yes
Firm × Year FE	Yes	Yes
Brokerage × Year FE	Yes	Yes
Sample	All	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A.2: **Reconciliation with Kempf and Tsoutsoura (2021)**

This table estimates the following regression,

$$\Delta\text{EPS Forecasts}_{ijkt} = \alpha + \beta \times \text{Mismatch with President}_{it} + \gamma \times \text{Mismatch with CEO}_{ijt} + \varepsilon_{ijkt},$$

where ΔEPS Forecasts is changes in EPS forecasts. Mismatch with CEO is an indicator equal to 1 if analyst i is politically misaligned with the CEO of firm j she covers, and Mismatch with President is an indicator equal to 1 if the analyst is misaligned with the current government. We restrict the sample to firms covered by analysts from more than one party. Columns (3) and (4) further restrict the sample to firm-year observations covered only by both Democratic and Republican analysts. t-statistics shown in the parentheses are double-clustered by analyst and industry.

	Δ EPS Forecasts			
	(1)	(2)	(3)	(4)
Mismatch with President	-0.020***	-0.020***	-0.022***	-0.022***
	(-3.459)	(-3.506)	(-3.828)	(-3.862)
Mismatch with CEO		-0.003		-0.007
		(-0.413)		(-0.939)
Observations	80724	80724	76153	76153
R^2	0.264	0.264	0.267	0.267
Analyst FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Brokerage × Year FE	Yes	Yes	Yes	Yes
Sample	All	All	Dem & Rep	Dem & Rep

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$