

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

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What the Paper Does

The Big Question

Motivation

Political polarization is everywhere. Does it also infect the **production of financial information**?

This paper: when an analyst is politically **misaligned** with the CEO she covers,

- Does she issue **different** earnings forecasts?
- Are those forecasts **less accurate**?
- Do **markets and firms** respond differently?
- Does political identity reshape the **analyst labor market**?

Punchline: Yes to all four.

Data, Identification & Main Results

Data. I/B/E/S ↔ LinkedIn ↔ state voter registration; 813 Democratic + 701 Republican analysts; analyst-firm-month panel over three decades.

Identification.

- **Within-firm-year:** analysts covering the same firm, differing in alignment with the CEO
- **Within-analyst-year:** the same analyst covering firms with CEOs of different parties
- Reinforced by a **previous-CEO placebo** and a **CEO-turnover event study**

Main results.

- Misaligned analysts issue **more pessimistic** and **less accurate** forecasts
- Markets **do not discount** the bias — it gets embedded into prices
- Investment-Q sensitivity is **weaker** where coverage is more misaligned
- Mechanism: analysts read CEO call sentiment through their *own* political lens
- Misaligned analysts **exit** and **sort** into politically aligned brokerages

Background: Polarization Reaches Deep Into Private Life

1. Party now predicts values more than any demographic.

Average gap between groups across Pew's 10 long-tracked political-value questions, in *percentage points* (pp), 1994 → 2017:

Groups compared	1994	2017
Republicans vs. Democrats	15	36
Weekly vs. non-attenders (religion)	5	11
Age 50+ vs. under 50	6	10
Black vs. white	~14 (1994)	
Education / gender	smaller still	

⇒ the partisan gap is now **> 3×** the largest demographic gap. Pew: *“the party divide is now much wider than any demographic difference.”* By 2019, across 30 values it reached **39 pp** (Pew 2019).

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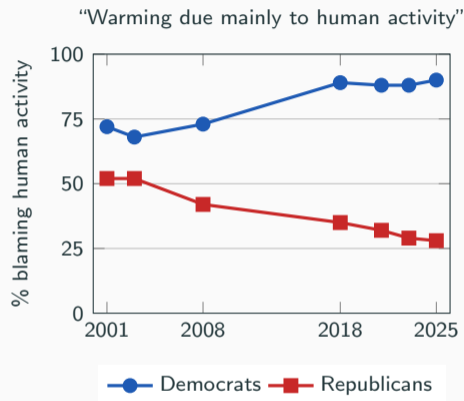
2. It now reaches the family. *“Would you be unhappy if your child married someone from the other party?”* — **only ~4–5% said yes in 1960** → **~1/3 of Democrats and 1/2 of Republicans by 2010** (Iyengar et al. 2012). Cross-party Thanksgiving dinners now run **30–50 min shorter** (Chen & Rohla, *Science* 2018).

Background: ... And Even Into Settled Science

The science is settled. ~97% of climate scientists agree warming is human-caused (Oreskes 2004; Cook et al. 2013).

Public belief is not. It splits on party lines, and the divide has widened sharply (Gallup, same question since 2001):

- 2001: 72% Dem vs. 52% Rep — 20-pp gap
- 2025: 90% vs. 28% — ~62-pp gap

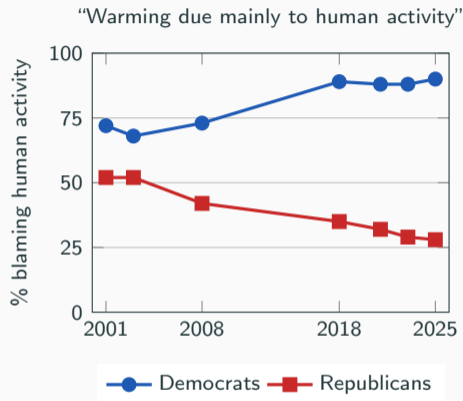


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Polarization already reshapes lifestyle, family, even scientific belief — little surprise it can also distort the production of financial information.

Main Comments

Two Main Comments

1. Political misalignment is bundled with many other differences

Can we attribute the result to *political values*, or is the dummy proxying for a broader identity gap?

2. Why does misalignment drive pessimism?

The paper shows *that* it does. I want to push on *why* — and propose a sharper test against realized earnings.

Comment 1A: Politics Travels With a Bundle of Other Traits

Political identity is *not* an isolated trait. It correlates strongly with:

- **Education & income:** party affiliation varies sharply by education (Pew 2024); on polarized issues like climate, *more* education often *widens* the partisan belief gap (Gallup 2025)
- **Religion:** the highly religious are solidly Republican; the secular lean Democratic (Pew 2025)
- **Geography & lifestyle:** partisans cluster and prefer like-minded communities (Pew 2014; Iyengar et al. 2019)
- **Affect:** partisans ascribe *negative character traits* to the out-party (Iyengar et al. 2012)

Quantitatively: Boxell (2020) attributes *~34%* of the 1984–2016 rise in U.S. polarization to demographic shifts alone.

A “misaligned analyst-CEO pair” differs on *much more* than party.

Comment 1B: The FE Structure Does Not Resolve This

Absorbed by the FE: the analyst's own traits (analyst FE), firm shocks (firm \times year), broker culture (brokerage \times year), aggregate party shocks (party \times year).

Not absorbed: the *pair-specific* non-political distance between analyst i and CEO j .

Republican vs. Democratic CEOs differ on average — age, region, religion, sector culture. So “Mismatch with CEO” may be capturing:

the analyst is far from the CEO on **age, religion, geography, sector**
— traits that could *correlate* with party

The within-analyst design fixes the analyst, but the CEO still varies on the *whole bundle*.

Comment 1C: How to Discipline the Political Interpretation

1. Control for pair-specific covariate distance.

Age gap, MSA distance, education gap, gender / alma-mater match — then show $\hat{\beta}_{\text{Mismatch}}$ is stable.

2. Horse-race politics against a non-political identity-distance index.

If “Mismatch” still survives, politics does independent work; if not, the headline is really **general identity mismatch**.

3. Exploit the heterogeneity in political salience.

For CEOs with public politics (FEC donations, op-eds), the effect should be **larger**, and should **jump** when the politics first become visible. A pure bundling story predicts neither.

Comment 2A: From “That” to “Why”

The paper documents that misaligned analysts are pessimistic. But pessimism is a *result*, not a mechanism. **Why** does political mismatch translate into lower forecasts?

Three plausible channels — with **different testable predictions**:

1. **Affective polarization** — partisans *can't agree to disagree* and start to judge
2. **Policy expectations** — which party holds power, and how policy hits this firm
3. **Differential macro beliefs** — the paper's own LLM-based mechanism

The paper essentially defaults to (3). I'd like (1) and (2) given a fair test — the paper's own data can do it.

Comment 2B: Channel 1 — Affective Polarization

Modern polarization is about **affect**, not policy disagreement.

- Partisans ascribe *negative character traits* to the out-party (Iyengar et al. 2012)
- Out-group dislike now **exceeds** in-group love (Iyengar & Krupenkin 2018)

Applied here: an analyst who dislikes the CEO's politics may simply **distrust** her guidance — discount the optimism, take the warnings at face value.

Predictions (distinct from the macro-belief story)

- Stronger for CEOs with **publicly salient** politics
- Concentrated in **firm-specific** forecasts, not macro-driven ones
- Absent when the CEO is politically neutral but the sector is charged

Comment 2C: Channel 2 — Policy Expectations & the Election Cycle

If aligned analysts expect *their* party to hold power and favor the CEO's firm:

- **Aligned** analysts \Rightarrow optimistic (expect favorable policy)
- **Misaligned** analysts \Rightarrow pessimistic, symmetrically

Sharp predictions

- Gap **widens near elections**, narrows once the outcome is settled
- Gap **larger** for politically exposed sectors (energy, healthcare, defense)
- Gap **flips** when the incumbent party changes

More variations in CEO's political salience, sector level political exposure, time-series changes in power, and so on shall be exploited.

Wrap-up

This is a really nice paper.

- Hand-built dataset linking I/B/E/S, LinkedIn, and voter records
- Tight identification (within-firm + within-analyst + turnover)
- Ambitious end-to-end story: forecasts → prices → investment → labor market
- Clean writing; economically meaningful results

Where I'd push hardest

- **Isolate the political channel** from the bundle of education, religion, geography, and culture that politics travels with
- **Sharpen the why** behind pessimism — discriminate affect, policy expectations, and macro beliefs

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Thank you!