# Decomposing Partisan Optimism: Ideological Alignment or Blind Party Loyalty?

Mikael Paaso* Deniz Okat† Sami Torstila‡

October 21, 2025

**Abstract**

People's economic behavior becomes more optimistic when their preferred party is in power. We decompose this "partisan optimism" into two main components: ideological alignment with government policy and blind party loyalty. Using data on the political opinions of entrepreneurs within a multi-party context, we find that economic ideological alignment with government policy plays a more important role than party loyalty. We find similar results following a shock where a ruling party split, altering the government's composition without changing its economic policies. The results suggest that economic ideological alignment is a fundamental driver of partisan optimism.

*Keywords*: partisan optimism, investment decisions, small business economics.

*Erasmus University Rotterdam. paaso@rsm.nl

†University of Technology Sydney. deniz.okat@uts.edu.au

‡Aalto University. sami.torstila@aalto.fi

We thank Pat Akey, Melissa Crumling, Francesco D'Acunto, Cao Fang, Anthony Fowler, Marloes Hagens, Elizabeth Kempf, Pengfei Ma, Josefine Magnusson, Ben McCartney, Daniel Metzger, Abhiroop Mukherjee, Vesa Pursiainen, Anthony Rice, Marcel Thum, Frank Yu, Jiajie Xu, conference participants at the American Finance Association Annual Meeting, Asian Financial Association, Boulder Summer Conference on Consumer Financial Decision Making, China International Conference in Finance, 18th CESifo Workshop on Political Economy, European Economic Association, European Political Science Association, the IEB Workshop on Political Economy, the Miami University Conference on Finance and Real Estate and the SAIF Annual Research Conference as well as seminar participants at Aalto University, Erasmus University Rotterdam, and EDHEC for very helpful comments. We are also grateful to Yuwei Zhang for excellent research assistance and to the HSE Support Foundation for financial support for this project. Our experimental analyses were pre-registered at the AEA RCT Registry: AEARCTR-0015652.

# 1 Introduction

Recent work has found evidence of *partisan optimism*: people are more optimistic about the economy when the political party they support is in power. Partisan optimism has been shown to affect high-stakes economic behavior, such as credit rating decisions [Kempf and Tsoutsoura, 2021], entry into entrepreneurship [Engelberg et al., 2022] and corporate investment decisions [Rice, 2023], among others.

There are, however, two important gaps in this literature. First, the existing evidence on partisan optimism in high-stakes behavior comes from the United States, mostly using data from recent years. This period has been marked by rising affective polarization and partisanship in the US.[1] In addition to this, the US presidential system "personalizes" executive authority, unlike multi-party parliamentary systems with frequent coalition governments that are common in the rest of the world. As a result, it is unclear how well results from the US generalize to the rest of the world.

Second, we do not know *why* people are more optimistic when the party they support is in power. We attempt to understand the underlying reasons for partisan optimism by borrowing a framework from the political science literatures on affective polarization and voting (e.g., Fowler [2020], Dias and Lelkes [2022] and Orr et al. [2023]) where partisanship can be driven by either *party* or *policy*. People may be optimistic because their partisan affiliation is an important part of their identity (*party*), which makes them happier and more optimistic in general, or, they may simply expect the party they voted for to implement better economic policies (*policy*). We will refer to these explanations as *blind party loyalty*, where people are optimistic because their preferred party is in power, and *ideological alignment*, where people are optimistic because they expect better policies to be implemented.

[1] Though cross-country comparisons of affective polarization have many problems that we discuss later, in 2020 the US had the highest level of affective polarization as measured by "party thermometer scores" in a sample of 17 rich democracies [Garzia et al., 2023], driven especially by high levels of out-party hate [Garzia and Ferreira da Silva, 2025].

This paper examines the drivers of partisan optimism using data from Finland, a multi-party parliamentary system characterized by frequent coalition governments. The Finnish political context offers several advantages for such an analysis. Unlike in the United States, Finnish governments are typically composed of coalitions involving multiple parties. This presents two key benefits for researchers. First, coalition governments are more representative of how most democracies operate, making the findings more generalizable.[2] Second, because governing coalitions comprise several ideologically distinct parties, no single party is perfectly ideologically aligned with the government's overall policy stance.[3] Moreover, access to detailed individual-level data on both economic and social ideology allows us to exploit ideological heterogeneity within parties. Together, these features make it possible to study individuals who are ideologically but not party-aligned with the government—or vice versa—addressing the challenge identified by Orr et al. [2023] that party and policy are almost inseparable in a two-party system where people select their party based on its policy positions.

We first introduce a simple spatial model of voter-party alignment in two ideological dimensions: economic and social. The model yields clear, testable predictions: if optimism is driven purely by policy alignment, then any correlation between optimism and party affiliation should disappear once we control for an individual's ideological distance from the government.

We then test these predictions using two datasets. The first is an observational sample of entrepreneurs running for municipal council office. In Finland, candidates disclose their social and economic ideologies by providing detailed, public responses for Voter Advice Applications (VAAs), which are tools to help voters choose between multiple candidates by comparing the candidates' responses to their own. The second dataset is a survey

[2]Out of 35 rich democracies featured in Armingeon et al. [2025] in 2023 (latest available year), 24 had coalition governments, nine had a single dominant party, and two were run by technocrats.

[3]In the US, a left-wing entrepreneur will generally be partisan-aligned with the Democratic party but also more closely ideologically aligned to a Democrat government. Coalitions can lead to situations where party-alignment does not necessarily imply ideological alignment with the government.

of entrepreneurs. We examine how entrepreneurs' historical investment patterns change with the parties in power, depending on each entrepreneur's ideological distance from the governing coalition. We complement this analysis with a natural experiment exploiting the split of a governing party that affected the partisan composition of the government but not its economic ideology, as well as with two survey experiments.

In our main analysis, we regress investment (as a high-stakes measure of optimism) on the share of seats held by the entrepreneur's preferred party as well as measures of the entrepreneur's ideological alignment (on both economic and social dimensions) with the current government. Importantly, our regressions all include entrepreneur fixed effects, meaning that variation in both ideological distance and party affiliation comes from changes in national government, not changes in the cross-section of ideology and party affiliation of entrepreneurs.

Our main results suggest that ideological alignment is more important than partisan alignment in explaining historical investment. We first "replicate" the existing US partisan bias results in Finland by showing that party alignment affects investment before controlling for ideological alignment. A 15% increase in the share of seats held by an entrepreneur's party (the sample mean seats held) increases investment by roughly 1.9 percentage points. A 35 p.p. increase (moving from zero representation to being the largest party in government) corresponds to roughly a 4.5 p.p. increase in investment.

However, the economic significance of ideological alignment is greater than that of party alignment. When we control for ideological distance, a 5-point decrease in economic distance (half of the distance between the largest center-left and center-right parties) is associated with a 5.5 p.p. increase in investment while the coefficient on party-alignment decreases significantly. We also show that economic ideological distance is negatively associated with investment *within the same party*, in an analysis of the three largest parties in our sample.

Next, we examine the breakup of the populist right Finns Party (henceforth, PS, its

Finnish acronym) in 2017 as a shock that affected the government representation of certain entrepreneurs but not their ideological alignment with the government. In 2017, after lagging in the polls since entering government in 2015, the PS party conference saw an open confrontation between two main wings of the party. The traditionalist wing of the party, associated primarily with criticism of the European Union, was defeated by the party's anti-immigration wing. The losing wing was the one represented by the former party chair as well as all the individual PS ministers in government. As a result, the PS ministers in government quit PS to form a new splinter party. Crucially, these events had little or no effect on the average economic ideology or the practical economic policies of the government—in fact, all individual ministers as well as the parliamentarians supporting them remained exactly the same. This means that a group of entrepreneurs was no longer party-aligned with the government but remained ideologically aligned (at least on economic ideology). We compare the investment of these entrepreneurs in the two years after PS's departure to that of entrepreneurs affiliated with parties that remained in government and observe no significant difference, although this test has relatively low power.

While these tests allow us to study partisanship over a relatively long period of time using a high-stakes measure of optimism, there may be a concern that the results are driven by differences in economic performance across government types. To address this, we conduct two survey experiments where we ask entrepreneurs how they would invest if a hypothetical government were to take power in Finland. In the first experiment, we simply present respondents with a government and ask them about their economic expectations and investment plans were this government to take office in 2027 (next scheduled parliamentary elections in Finland). In the second experiment, a conjoint experiment, we randomize many features of a hypothetical state of the Finnish economy in the future and ask participants about their willingness to invest.

In both experiments, we find that *both* party and ideological alignment are associated with investment. Adding ideological distance controls causes the effect of party align-

ment to diminish, though it remains both economically and statistically significant. The effect of (reasonable changes in) ideological alignment is larger than partisan alignment in the conjoint experiment. In the hypothetical government experiment, the effect of partisan alignment is greater than ideological alignment, though this may be driven by the relatively undisguised nature of the setup, which might cause respondents to respond strongly to party. Curiously, in both experiments, ideological alignment on the social dimension seems to also be associated with higher investment, though the effect of economic alignment is bigger than that of social alignment.

Our results should be seen as a lower bound on the effect of ideology versus party. This is because our measures of ideology may not accurately capture all of a person's policy preferences, such as concerns about specific taxes and projects instead of taxation and public spending more broadly. Any such measurement error in ideology would show up as a partisan effect even if it is driven purely by policy. Our results point to an important role for ideological alignment, which may be surprising in an era of rising affective polarization around the world [Boxell et al., 2024] and in Finland [Kekkonen and Ylä-Anttila, 2021].

A potential concern is that ideology and party affiliation may be jointly determined. Orr et al. [2023] highlight the challenges in determining whether partisan loyalty or policy concerns primarily influence attitudes towards political parties. The concern in this literature is that providing information about a person's partisan affiliation will also cause people to make assumptions about their policy views and vice versa. There is an analogous concern in the literature on partisan optimism, where (in the US context) a change in party control also signals a change in policies. Orr et al. [2023] propose a solution by comparing situations where a partisan encounters 1. a copartisan who, together with him, disagrees with their party's orthodoxy; 2. a copartisan who disagrees with him while remaining loyal to their party's orthodoxy; or 3. an out-partisan who agrees on policy but supports another party. Our data enables such distinctions as it includes detailed within-party heterogenous beliefs of individuals and coalition governments. Our fixed-effects setup also means that variation in alignment comes from changes in government

which can differentially affect entrepreneurs even from within the same party. Finally, we show that ideological distance predicts investment even when restricting the sample to entrepreneurs from specific parties.

Our paper is related to the literature on the impact of partisanship on economic decision-making and makes two contributions to this literature. First, we are among the first to attempt to understand the drivers of partisan optimism. Second, the literature on partisanship in expectations, especially analyses focusing on economic decision-making as opposed to survey responses, has mainly focused on the United States, a setting with a relatively unique political system and high levels of affective polarization. We present evidence of partisanship in economic decision-making in a multiparty context dominated by coalition governments.

The effect of partisanship has been documented on various economic behaviors. Party alignment has been associated with various factors, including portfolio decisions and beliefs of individual investors [Meeuwis et al., 2018, Cookson et al., 2020, Pan et al., 2023, Krupenkin et al., 2023], more optimistic economic forecasts [Coibion et al., 2020], credit rating decisions of analysts [Kempf and Tsoutsoura, 2021], corporate investment choices [Rice, 2023], mutual fund managers' actions [Cassidy and Vorsatz, 2021], syndicated loan pricing [Dagostino et al., 2023], hiring decisions by employers in Brazil [Colonnelli et al., 2022], and entrepreneurship in the US [Engelberg et al., 2022], among others.[4] There has been less work on ideology, but Kempf et al. [2023] find that both social and economic ideological alignment tend to be associated with greater cross-country capital flows. Our main contribution to this literature is to study the drivers of partisanship in expectations. Pan et al. [2023] is the most similar paper in this regard, attempting to separate out the effect of *preferences* from *expectations* in terms of driving partisan differences in portfolio composition (while we focus on what drive differences in expectations).

Our data allow us to observe in more detail the ideological views of people. Most studies

[4]Mian et al. [2021] and McGrath et al. [2017] are two exceptions, finding no effect of party alignment on county-level spending.

mentioned measure party affiliation by looking at voter registration or political donations, in which case the strength of beliefs is not measurable, or by looking at county-level vote shares, in which case individual beliefs are not observed. We measure ideology at the individual-level and link that to similar measurements for the government.

The political science literature on voting preferences (e.g., Fowler [2020]) and affective polarization (e.g., Dias and Lelkes [2022], Orr et al. [2023]) has also studied the relative role of policy preferences and party alignment in these contexts. In terms of random variation in the salience of ideology or party, these papers are ahead of our observational study. Many papers in this literature use experimental methods to make party affiliation or policy preferences more salient in some scenario (though Orr et al. [2023] notes that these are often fundamentally linked). Our article contributes to this literature by using real-world historical investment decisions as opposed to a policy preference setting.

We also contribute to the literature on political preferences and economic choices outside of the United States. The US is relatively distinct among democracies, in terms of having a relatively low number of effective parties, rapidly rising affective polarization (Boxell et al. [2024], Finkel et al. [2020]) that is now the highest among rich democracies by some measures [Garzia et al., 2023, Garzia and Ferreira da Silva, 2025],[5], and significant separation of powers, with a president and two powerful legislative chambers as well as powerful state governments. The two-party presidential system in the US could lead to stronger partisan bias if partisans identify every government policy with their preferred party, or weaker partisan bias if people's association with their preferred party is weaker because of ideological misalignment. In either case, it is not clear how well these results generalize to multiparty parliamentary systems, which is the most common form of government conditional on a country being a democracy [Armingeon et al., 2025].

While political preferences and economic choice have been studied in non-US contexts

[5]While affective polarization has risen around the world, including in Finland [Kekkonen and Ylä-Anttila, 2021] the rise in the US has been exceptionally fast [Boxell et al., 2024]. The dynamics of affective polarization work slightly different in multiparty systems, for example, Kekkonen and Ylä-Anttila [2021] document the formation of "affective blocs" in Finland.

(e.g., Kaustia and Torstila [2011] analyze the relationship between political preferences and stock market participation, Colonnelli et al. [2022] studies partisan homophily in hiring decisions in Brazil), work on the economic consequences and nature of partisanship (in economic expectations) has been scarce. A literature in political science (including Stanig [2013], Wlezien et al. [1997] and Evans and Andersen [2006]) finds that retrospective evaluations of the economy in the UK and other European countries are influenced by partisanship, but does not examine economic decisions. Interestingly, Bisgaard [2015] finds that during a crisis, partisans *agree* about the state of the economy but disagree about the role of parties in creating the crisis.

Finally, our results suggest caution. Amid rising partisan polarization, it can be tempting to conclude that blind party loyalty overrides all policy considerations. Our results underscore that at least in some contexts, economic ideological alignment remains a fundamental driver of partisan optimism.

## 2 A simple model of partisan investment decisions

We set up a simple theoretical framework to motivate our empirical tests. Our model gives us clear hypotheses to test with our data. The model is a standard spatial model where voters and parties express their preferences along two dimensions of ideology.

Consider an economy with a continuum of individuals with unit measure. Individual $i$'s economic and social views are captured by $x_i$ and $y_i$ respectively, which are drawn independently from uniform distribution on unit interval. For example, a higher $x_i$ may represent more economically conservative (market-oriented) views, whereas a higher $y_i$ may indicate more conservative social attitudes (e.g., opposition to abortion rights).

There are two political parties, $A$ and $B$ ($n = 0$ and $n = 1$ respectively). Parties' economic and social policies are summarized by $(n, n)$. With this representation each party is located at the opposite ends of the political spectrum in terms of their economic

and social policies: party $A$ at $(0,0)$ and party $B$ at $(1,1)$. Each individual chooses the party he wants to vote for by comparing his total ideological distance to each party. For example, the political distance of individual with $x_i = 0.2$ and $y_i = 0.5$ to party $A$ is 0.7 and to party $B$ is 1.3. Therefore, individuals with $x_i + y_i < 1$ are closer to party $A$ and others are closer to party $B$. Because views of individuals were uniformly distributed on unit interval, each party would be supported by half of the population.[6]

For the rest of the analysis, without loss of generality, we assume that party $B$ is the victor in the election. In order to analyze individuals' economic decisions, we endow everyone with 1 dollar and introduce them an investment opportunity. After seeing which party won the election, people decide how much they want to invest. Investment yields either $R > 1$ dollars with a probability of $p$ or nothing with the complementary probability for each dollar invested. People have different beliefs about $p$, the success probability of the investment. This probability depends on the underlying model and is given by the equation:

$$p_i = \alpha + \begin{cases} \beta \text{ if } \textit{party} \text{ model governs the partisan optimism} \\ \gamma x_i \text{ if } \textit{policy} \text{ model governs the partisan optimism} \end{cases}$$

where $\alpha$ is a constant satisfying $\alpha > \frac{1}{R}$ so that the investment is a positive NPV project. $\beta$ is equal to a positive constant if individual $i$ supports party $B$ (the ruling party) and 0 otherwise. The parameter $\beta$ represents the positive effect of an individual's political party being in power on economic optimism, while the parameter $\gamma$ captures the sensitivity of an individual's investment decision to their alignment with the government's economic views. We assume $\alpha + \beta + \gamma \leq 1$ ensuring that the success probability always falls within the unit interval. Our aim in our empirical analysis is to test whether our data support

[6]Another interpretation of the relationship between an individual's economic views and the parties' economic policies is that each party offers access to different investment opportunities when in power. In this interpretation, $x_i$ represents the probability that individual $i$ has access to the investment opportunity offered by the government if party $B$ wins the election. Conversely, this probability would be $1 - x_i$ if party A were to win. While this interpretation would necessitate further modifications to the model setup, it would not affect the main results derived.

*party* or *policy* models. We may also find support for both models in the data.

Individuals are risk averse and their utility function $u(\cdot)$ is differentiable, strictly increasing with $u(0) = 0$, concave and satisfies lnada conditions (*i.e.,* $u'(0)$ is sufficiently high and $u'(R) = 0$). Each individual maximizes her utility by choosing the amount of investment $V_i$. Their optimization problem is

$$\max_{V_i} \; p_i u(1 - V_i + RV_i) + (1 - p_i)u(1 - V_i).$$

The first-order condition is

$$(R-1)p_i u'(1 - V_i^* + RV_i^*) - (1 - p_i)u'(1 - V_i^*) = 0.$$

Our assumptions on $u(\cdot)$ guarantee the existence and uniqueness of the solution. That is, $0 < V_i^* < 1$. Observe that the optimal investment amount $V_i^*$ increases with $p_i$ because

$$\frac{dV_i^*}{dp_i} = -\frac{p(R-1)^2 u''(1 - V_i + V_i R) + p_i u''(1 - V_i)}{(R-1)u'(1 - V_i + V_i R) + u'(1 - V_i)}$$

which is obtained from total differentiation of the first-order condition is strictly positive. Moreover, because $p_i$ is an increasing function of both $\beta$ and $\gamma$, investment of an individual increases if the party the individual supports is elected. This analysis leads to the following result.

***Proposition 1****: An individual has a greater incentive to invest in both the party and policy models if that individual supports party $B$.*

*Proof.* In the *party* model, an individual's perception of success probability increases by $\beta > 0$ after elections if that individual supports party $B$. Thus, supporters of party $B$ have a greater incentive to invest according to the *party* model.

If an individual supports party $B$, it must be the case that $x_i + y_i > 1$. Given this, we

can calculate this individual's expected probability of success according to *policy* model:

$$\begin{aligned} E[p_i|x_i + y_i > 1] &= \alpha + \gamma E[x_i|x_i + y_i > 1] \\ &= \alpha + \gamma \int_0^1 \int_{1-y_i}^1 \frac{1}{y_i} x_i dx_i dy_i \\ &= \alpha + \frac{3\gamma}{4}. \end{aligned}$$

On the other hand, a supporter of party $A$'s expected probability of success is given by

$$\begin{aligned} E[p_i|x_i + y_i < 1] &= \alpha + \gamma E[x_i|x_i + y_i < 1] \\ &= \alpha + \gamma \int_0^1 \int_0^{1-y_i} \frac{1}{1-y_i} x_i dx_i dy_i \\ &= \alpha + \frac{\gamma}{4}. \end{aligned}$$

Therefore, the supporters of party $B$ has a greater incentive to invest under *policy* model, too. □

While the predicted relationship between party affiliation and unconditional probability of investment is positive under both models, the underlying reasons are different. Under the *party* model, such relationship is positive by construction. When the party an individual supports wins the election, her belief on the success probability of the investment jumps up by $\beta$. Under the *policy* model, on the other hand, economic views affect both party affiliation and investment decisions. In other words, it is the alignment of economic views with the governing party *per se* that leads to partisan bias. Therefore, an observed correlation between investments and party affiliation alone does not allow us distinguish these two models. The following proposition does.

***Proposition 2**: Consider two individuals who share the same economic ideology, but belong to different political parties. If the main reason for their partisan optimism is their party affiliation, we would expect to see the individual affiliated with party B invest more than the individual affiliated with party A. However, if the policy model is the sole reason for partisan optimism, we would not expect to see a difference in investment levels*

*between the two individuals.*

*Proof.* Consider two individuals, $i$ and $j$, who share the same economic view; $x_i = x_j$. Individual $i$ supports party $A$, while individual $j$ supports party $B$. According to the *party* model, individual $j$ believes that the probability of investment success is higher than what individual $i$ believes, and therefore makes a larger investment. However, according to the *policy* model, both individuals have the same belief about the probability of investment success, and therefore make the same investment. □

In our empirical tests, we will control for individuals' economic views and examine whether their party affiliations have an impact on their investment behavior. This test will help us distinguish between the *party* and *policy* models. In particular, we will test whether the *party* effect ($\beta$) persists after controlling for ideological distance ($x_i$). If partisan optimism is driven purely by blind loyalty, $\beta$ will be significant even after accounting for *policy* alignment; if it's driven by ideology, $\beta$ will drop out when controlling for $x_i$.

# 3 Setting and data

This section describes Finland's politics during our sample period (including comparisons to other countries) as well as the data sources used in our main tests, where we regress investment on various measures of political alignment using historical data. Table 1 includes an overview of the key variables used in these analyses. We describe the data used for the experiments later.

Our data come from two different sources and we describe the data collection and linking process for the two sources separately even though our main analyses pool data from both sources. First, we scrape responses to Voting Advice Applications (VAAs) of entrepreneurs running from municipal council seats in Finland in 2017 and 2021. VAAs are tools to help voters choose between large numbers of candidates by comparing the

candidates' responses on policy questions to those of the voter. Second, we run a survey of about 1,300 Finnish entrepreneurs. We link data from both the VAAs and the survey to firm financial information from Orbis, a database from Moody's (previously Bureau van Dijk) which provides financial data, including for private firms. We also use election outcome information from the Finnish Interior Ministry.[7] Figure 1 demonstrates the databases used in our analyses as well as the key linking variables.

We begin with a brief description of the political context in which our paper is based. We then describe the construction of the entrepreneur-politician (Voting Advice Application) sample as well as the linking process to the Orbis Decision Makers panel. We then describe the survey as well as the link to the financial data from Orbis. Finally, we explain the steps we take to clean the financial information from Orbis.

## 3.1 Political context

In this section, we provide some brief context about our institutional setting. We use data from Finland between 2010-2022. Finland is a multiparty parliamentary republic, where executive power lies with a government appointed by parliament. While Finland also elects a president, the president's remit focuses on foreign policy and being the commander-in-chief of the military.

Finland elects a new parliament every four years unless parliament calls for early elections, which did not happen during our sample.[8] Finnish politics is relatively fragmented, with nine parties represented in parliament. Coalition governments are the norm, with these governments frequently being ideologically mixed—for example, the center-right National Coalition party led a coalition including the most left-wing parties in 2011-15

[7]The election outcome data has two uses: First, to calculate the alignment of all elected MPs in the national government, we need to know who was elected. Second, we are able to control for an entrepreneur-politician's popularity in municipal elections and whether they were elected to the council (we do not do this in the reported results as neither affects our results in any meaningful way).

[8]While the 2015-2019 government was dissolved a few months earlier than planned, elections were held at the initially scheduled time.

while excluding centrist parties. These arrangements are often driven by idiosyncratic factors, such as parties refusing to serve in government after a loss of support in elections, disagreement on individual policies and so on. Table 2 provides a list of the four governments in power during our sample period. These consist of two right-wing governments, one broad coalition and one left-wing government.

Our data on entrepreneur ideology comes from municipal elections, which are also held roughly every four years (the election date for municipal elections was moved from October to May in 2015, meaning that there was a 4.5 year gap between 2012 and the next elections in 2017). These elections involve large amounts of candidates, with about 0.5% of the population standing as a candidate in 2021. While municipalities have many responsibilities, in practice, municipal councillors spend a few hours per month on municipal tasks and continue to work their normal jobs. Instead, most councils (other than in large cities) hire a "municipal manager" to manage the day-to-day tasks of the municipality.

In Internet Appendix I.A.2, we provide more context on the types of elections and the main parties in Finnish politics. In Internet Appendix figure I.A.1, we present a scatterplot with the ideological alignments of elected MPs and governing parties.

## 3.2 Comparison of Finland to other political systems

One concern readers might have is that the Finnish political climate is unique. For instance, Finland is often stereotyped as a consensus-oriented society with relatively low affective and ideological polarization. In this section, we compare Finland to other rich democratic countries in terms of both affective and ideological polarization.

It should be noted here that the literature on partisanship in economic decisions has thus far focused on the US. The sample period in most of these papers includes Obama's presidency (2008-2016), the first Trump term (2016-2020) and Biden's presidency (2020-2024), a period during which affective polarization rose rapidly in the US [Boxell et al., 2024]. American politics became increasingly polarized during these terms, raising the

question of how well findings from this era generalize to other countries or even to the US in the future.

### 3.2.1 Ideological polarization in Finland

There are nine parties represented in the Finnish parliament. This means that, almost by construction, the ideological distance between parties will be smaller than in a two-party system like the US. But how does Finland look compared to other rich democracies?

In Internet Appendix Figure I.A.3, we plot party positions for parties represented in parliament across a range of large European countries plus Finland and Sweden using data from the Chapel Hill Expert Survey (CHES) [Rovny et al., 2025]. The CHES is a database of party ideologies as judged by experts in political science in various countries, and differ slightly from our own measures of ideological alignment, but allow us to make cross-country comparisons, at least within Europe. We plot the ideology of parties along a left-right economic dimension and the GAL-TAN dimension, which measures social and green attitudes (as there is no measure of purely social ideology in the data).

We see that in terms of ideological positioning, the Finnish political system looks similar to most large European ones. Most countries are similar to Finland in the sense that parties are either left-liberal or right-conservative, with one large party in both dimensions. Finland is somewhat distinctive in the sense that there are three or four large parties instead of two, as in most countries.

One less common feature of the Finnish political system is the presence of ideologically incongruous coalitions, that is, coalitions between e.g. right-wing and left-wing parties. While countries like Sweden are characterized by coalition governments, these are typically coalitions of ideologically similar parties. However, even in this sense, Finland is not unique - Germany, Italy and the Netherlands have all recently had coalitions of parties that are quite distinct in terms of ideology.

### 3.2.2 Affective polarization in Finland

Comparing affective polarization across countries is difficult due to differences in question wording, differences in party systems and cross-country differences in question interpretation. Finland is stereotypically perceived as a consensus-oriented political system, a characterization driven by the willingness of parties to govern with each other. However, there are numerous counterexamples to this stereotype: For example, in 2011 with the rise of the populist right Finns Party, who were shunned by the other parties and not allowed into government. Since 2015, the traditional center or right-wing parties have been willing to join governments with the Finns Party (though in 2017, the election of a new party leader led to the party being ousted from government), but all left-wing parties rule this out categorically.

In terms of affective polarization of the general public (as opposed to political elites), Garzia et al. [2023] places Finland around the median in Europe while Reiljan [2025] ranks Finland as one of the least affectively polarized societies in Europe. As in the US, affective polarization in Finland has risen since the turn of the millenium [Kekkonen et al., 2024].

Kekkonen and Ylä-Anttila [2021] find that affective polarization in Finland often manifests itself towards members of ideologically distant parties and that simple measures of in-out party affect, commonly used in cross-country surveys, are likely to understate levels of affective polarization. Kekkonen and Ylä-Anttila [2021] find rising levels of out-bloc affective polarization in Finland, similar to trends in the US and several other countries [Boxell et al., 2024], and consistent with Garzia et al. [2023].

In conclusion, while Finland's political system is different from the two-party US system, it is quite similar to other rich democracies in terms of ideological polarization and party control. While affective polarization is lower than many countries by some measures, other measures place it near the middle in Europe. We view our contribution as providing evidence that complements the current evidence which comes from an unambiguously

polarized country.

## 3.3 Data and methodology

### 3.3.1 Candidate ideology - entrepreneur-politician sample

Our data on political opinions of entrepreneurs come from Voting Advice Applications (VAA) run by the largest media group, Sanoma, in Finland. VAAs are questionnaires designed to help voters find candidates with similar opinions to them by giving candidates and voters the same survey and then offering voters a list of candidates with similar opinions. Sanoma publishes multiple newspapers with similar VAAs, we use the responses from *Helsingin Sanomat*, the largest broadsheet newspaper in the country.

Sanoma runs their VAAs around all major elections in Finland and these are filled in by more than 85% of candidates running for parliament and about half of all candidates in municipal elections (Isotalo et al. [2020]).

The format of the Sanoma VAA was standardized from 2012 until a change in 2023, which falls outside of our sample. In all elections, the questionnaire consisted of 20 statements on topical themes followed by a section that contained the same statements: 4 statements on economic issues, 4 statements on social issues, and 2 statements on environmental values. For each statement, candidates respond on a 1-5 Likert scale whether they disagree or agree with the statement. We use responses of candidates to these standardized statements to create a social and economic score for every candidate in all elections.

We create the ideology measure by summing up the responses (on a 1-5 scale, with some questions recoded so that 5 always denotes the most right-wing or conservative answer) and subtracting 12, giving us a scale that runs from -8 (most left-wing or liberal) to 8 (most right-wing or conservative) along both dimensions.

The statements used to construct the Economic Ideology score are:

- More public services should be produced by private firms
- If we ever face a situation where it is necessary to either cut public services or raise taxes, it is better to raise taxes
- Large differences in income are justifiable so that differences in talent and effort can be rewarded
- Today's level of government services and benefits are economically unsustainable in the long run

And the statements used to construct the Social Ideology score are:

- It's a good thing that gay and lesbian couples have the right to marry and adopt children, just like straight couples
- If the state offers to set up a reception center for asylum seekers in my municipality, my municipality must accept
- Schools do not treat children strictly enough these days. More discipline would make schools better
- Traditional values such as family, religion and the motherland form a good value base for politics

We calculate the government's views on economic and social issues by taking the average score of all elected members of parliament who are members of the ruling parties. The alignment of the government at the time of election is assumed to last for the entire term of the government. Because the VAA in 2011 had a different set of questions, we assume that all parties before 2015 would have the same ideological scores as their elected members of parliament in 2015.

One concern might be that the answers given by candidates do not represent their views but rather function as an attempt to cater to voter preferences. While this would lead to

our measures of ideology being noisy and bias us against finding a relationship between ideology and economic choice, it is also unlikely because the answers given by candidates to VAAs in parliamentary elections tend to be well-aligned with their answers to confidential survey questions on their policy views [Ilmarinen et al., 2022]. In addition to this, we had 19 respondents to our survey who we were able to match in the VAA data. Figure 2 shows that within this subsample, respondents' responses to our survey in 2025 are fairly similar to their latest VAA response from 2021 or 2017. We also show that respondents' VAA responses in 2017 are fairly similar to their responses in 2021. On the social dimension, we see that there appears to be no nationwide trends in social ideology, with views in 2017 aligning relative well with views in 2021. On economic ideology, we see a slight shift to the right, with more participants holding right-wing economic views in 2021 than in 2017. We also see that the within-participant variation across multiple VAAs is similar to the level of variation between our private survey and the latest VAA.

As governments in Finland are broad coalitions, two of the four governments in our sample were affected by parties leaving or splitting up during their tenure, though none in a way which would have cost them their majority in parliament. The broad coalition government of 2011-2015 saw the Left Alliance and Green League leave towards the end of the term. The right-wing government of 2015-2019 saw one of the three governing parties, the Finns Party, split into two in 2017. A majority of its MPs formed a new party called Blue Reform, which continued in government while the remaining MPs moved to the opposition. We ignore these changes in our baseline analyses since the split did not change the economic ideology of the government much at all and identifying aligned entrepreneurs is difficult (Blue Reform did not win a single seat in the 2019 parliamentary elections and largely disappeared prior to the next municipal elections) and because the departures of the Left Alliance and Green League were at the very end of their term in government. In a separate analysis, we use the split of the Finns Party as a shock to the party alignment of a small number of clearly affected entrepreneurs.

### 3.3.2 Election results and candidate information

After this, we work with the election results files (for parliamentary elections in 2011, 2015, and 2019 as well as municipal elections in 2012, 2017, and 2021) provided by the Ministry of the Interior of Finland. These files contain basic candidate information as well as the number of votes received by any candidate in any district. In the municipal-election files, we drop all candidates whose self-described occupation does not contain the word "entrepreneur" or "CEO".

Using the candidate's "election ID" (a number assigned by the ministry), we link the election outcomes files (in 2015, 2019, 2017, and 2021) to the political opinions file (based on VAA data). For the parliamentary elections (2011, 2015, and 2019), we calculate weighted-average ideologies for elected MPs in government parties and stop here. For municipal elections, we now have a file with election outcomes and political opinions for each candidate. As we do not have VAA data for 2012, our 2012 "political" file only contains election outcomes.

### 3.3.3 Orbis decision makers

We obtain financial data of firms from Moody's Orbis database, which provides financial statements for all public and most private firms in Finland. In order to link the person-level VAA data to the company-level financial data, we need to identify decision-makers for each firm. We use the 2022 vintage of the Orbis decision-makers panel, which consists of all key decision-makers (executives and board members) for Finnish firms. In practice, for most private firms, only board members and the CEO are included in these data.

We link entrepreneur-politicians in the VAA data to the Orbis decision-makers file using their first name, last name and age at the time of election. In order to reduce the risk of false positive matches, we focus only on candidates who report an occupation containing the word "entrepreneur" or CEO, or derivatives of the above.

While the decision-makers file includes all board members, we focus on those whose title is CEO, Chairman or "Private Trader" (in Finnish: Elinkeinonharjoittaja), as these are the people likely to be making decisions within a firm.[9] We also drop all decision-makers whose reported nationality is not Finnish. This merge results in many entrepreneur-politicians not having a match in the Orbis database, which may be because the entrepreneur's formal title is not one of the above or because the firm is out of business or too new to be included in our version of Orbis.[10]

### 3.3.4 Survey

Our second data source for the political views of entrepreneurs is a survey conducted in April 2025. We commissioned Verian, a survey company, to survey about 1,000 Finnish firms whose contact details were drawn from the member registry of the Federation of Finnish Enterprises (Suomen Yrittäjät), a trade body representing entrepreneurs.[11] We invited participants to fill in a survey related to their political opinions and views on the economy.

In the end, 1,307 firms filled in the survey (one filled it in twice) over the course of April. The first 42 observations had to be dropped because the survey company had not recorded the randomization parameter in one of the experiments. We were able to link the responses to the respondent's company's national identifier (Y-tunnus) through the Suomen Yrittäjät member registry.

The survey consisted of the following elements:

- **Email invitation** from Verian with a brief project description. This page mentioned that Aalto University was involved and included the contact details of one

[9]The firms in our sample are very small, meaning that board members do not affect day-to-day decisions and the Chairman and CEO are the same person.

[10]As we discuss below, an inactive firm will exist in Orbis only for a few years before being removed.

[11]We will use the same survey for another project, the pre-registration of which can be found in the AEA Social Science Registry [Paaso et al., 2025b].

of the coauthors, the head of Suomen Yrittäjät and the person in charge at Verian

- **Consent form** and a link to a data privacy statement hosted by Aalto University
- **Demographics** (age, role within firm, education field and level) and **basic company information** (industry, size, growth orientation)
- **Political preferences** module (level of interest in politics, three most important issues in Finnish politics in 2025, party preference in parliamentary elections, **VAA questions exactly as in the Sanoma VAA**, feelings thermometer towards each party represented in Finnish parliament)
- **Investments** module (investments in past 12 months by category, financing of past investments, investment plan for next 12 months, financing of future investments)
- **Expectations** module (economic expectations and expectations about business conditions for own firm, expectation of debt-to-GDP in 2030)
- **Government composition hypothetical experiment** Described in detail below. Respondents are shown a randomized government composition and asked about economic conditions and investment plans if this government is chosen.
- **Conjoint experiment** Described in detail below. Participants are presented with randomized scenarios for the Finnish economy in 2027 and asked which they would prefer
- **Debt information treatment** Participants are presented with a randomized (real) forecast for public debt and re-asked about economic expectations and investment plans
- **Public debt impact** Used in the other project. Participants are asked a series of questions about how public debt affects decision-making in their company and its expected impact on them

For our main analysis, we use the survey's political preferences module. This module includes the Sanoma VAA questions, a question asking respondents about their level of interest in politics (1-7 Likert scale), which party they would vote for if parliamentary elections were held today as well as their feelings towards each party represented in parliament (on a scale of 0-100, using a standard "feelings thermometer" from the political science literature). We use this to create measures of ideology that are measured using the exact same questions as for our entrepreneur-politician sample as well as for members of parliament. We use the party that the entrepreneur would vote for in parliamentary elections as the party with whom they affiliate. Respondents that do not answer all of the political questions are dropped from the sample.

We also use the survey's investments and expectations modules, as well as the hypothetical government experiment and conjoint experiment in our experimental analyses (which we describe below).

### 3.3.5 Orbis financial data

We then link both the survey and the entrepreneur-politician sample to the financial statements of the companies they manage. We use two vintages of Orbis Historical (i.e. not the web-based interface), one from spring 2024 and the other from spring 2022. In practice, the 2024 sample contains financial information until 2022 and the 2022 sample until 2020.[12] The reason for including both vintages of the data is that Orbis drops non-reporting firms after some time [Kalemli-Özcan et al., 2024], meaning that the 2022 vintage will include firms that have stopped existing in 2024 but that might still be relevant (as our earliest VAA data for entrepreneur-politicians comes from 2017, it is plausible that some run firms that have been out of business for several years in 2024). We use the 2024 vintage of the data as our "base" file, and supplement it with 2022 data for firms that no longer exist in the 2024 vintage.

[12] A firm with a fiscal year ending on December 31st 2022 would typically file accounts in the spring of 2023, which would be included in the database towards the end of 2023.

Prior to linking, we drop duplicate firm-years in Orbis. The majority of these are caused by the fact that Orbis often has both consolidated and unconsolidated accounts for the same firm [Bajgar et al., 2020]. We therefore first drop firm-years whose consolidation code is *not* U1 ("Only unconsolidated accounts available"). Including consolidated financials would create potential duplicates in our dataset, but the practical implication of dropping firms with consolidated accounts is minimal as there are very few of them in the data. The substantial impact of this is that firms with limited financial information or no financial information (codes LF and NF) are dropped.

We need to create a harmonized "year" variable that accounts for the different fiscal year endings. We create a variable that is equal to the reported fiscal year for all fiscal years ending after the end of June and equal to the previous year for all fiscal years ending before July. We then drop all years greater than 2022 (as coverage is extremely poor) and before 2010 (as coverage gets progressively worse and because by then the political views of our entrepreneurs, reported in 2025, 2021 and 2017, might be out-of-date). If a firm changes its fiscal year end date, it will file accounts for both the original and new date. In these cases, we keep the year with the later fiscal year end date as the main observation.

We link the survey data to the financial data using the Finnish national ID number for companies, the Y-tunnus. In order to bring in the entrepreneur-politician data, we use the BvD ID (Orbis' standard identifier for firms) from the Orbis Decision Makers file to link the entrepreneurs to the firms they manage.

After merging, we take a number of steps to clean the financial data.

We attempt to filter out non-operating companies and companies that exist to provide favorable tax treatment for labor income. Our goal is to keep firms for whom an investment in fixed assets is likely to be driven by a profit motive and reflect improved future expectations. For example, many doctors earn a direct salary from a hospital but also bill private work to a holding company to avoid paying a high rate of income tax. As many of

these doctors do not own the premises where they conduct their private practices, fixed assets are likely to reflect personal consumption (such as car ownership) that is done through the company. It is also common for some professions (such as finance professors) to bill consulting work to a company. We therefore drop all firm-years where the firm has the following 2-digit TOL 2008 codes (the Finnish national industry classification from 2008):

- 68 - real estate activities. These are mainly housing corporations that exist as an organizational structure for many buildings in Finland. These firms do not aim to make a profit and their investment generally reflects maintenance needs of the property rather than expectations of future profit.
- 64 - firms in the financial industry. These rarely invest in fixed assets. Many firms in this industry code are holding companies with no operations.
- 65 - insurance firms. These firms typically hold large portfolios of financial assets that are highly regulated.
- 66 - other financial firms. Similar to the two codes above.
- 70 - head offices, management consultancy. This rather broad industry code includes local legal entities of foreign firms as well as companies set up to bill consultancy work. They are unlikely to invest heavily in fixed assets and when they do, it rarely reflects expectations about the future or improved business conditions as fixed assets are not required for normal operations of the firm.
- 86 - human health activities. These are likely to relate to doctors' tax planning activities.

Finally, for our regressions, we focus on firm-years where fixed assets are above the sample median (32,000 euros) in order to ensure that investments are economically meaningful. We discuss this sample restriction further in the Results section, and present results with alternative cutoffs in the Appendix.

### 3.3.6 Attrition from survey when linking

Our final regression sample consists of only 310 firms from the inital 1,307 that responded to the survey. In Table 3, we show how many firms were lost at any given step in the process. Most of the lost observations are due to incomplete survey responses (244 firms), the company not being present in Orbis (140 firms - almost all of these are firms founded recently) and missing/limited financial information (273 firms). We also lose 42 firms where the randomization parameters were not recorded[13] and 46 which are not explicitly excluded from our regression by any of the steps above but who experience no changes in government (ideology is fully collinear with firm fixed effects).

### 3.3.7 Computing ideological alignment

We create measures of ideological and partisan alignment for each entrepreneur-year observation. These measures are:

- *Seats in Gov't* - The share of seats in government held by the entrepreneur's preferred party (the party for whom they run in the VAA data and the party they would vote for in the survey). This measure captures whether the entrepreneur's party is in government, but also takes into account the fact that sometimes a party will have a very minor role in government, holding only one ministry for example. Note that the denominator here is the total seats held by the government (not parliament as a whole). The largest two parties in a coalition typically each have roughly 35% of seats in the government, with minor parties filling up the rest.

- *Abs. Dif. Econ.* - The distance in economic ideology between an entrepreneur and the government. The government's ideology is the weighted-average of all elected MPs from governing parties.

[13] We spotted this error together with the survey company after collecting the first 42 responses.

- *Abs. Dif. Soc.* - The distance in social ideology between an entrepreneur and the government. The government's ideology is the weighted-average of all elected MPs from governing parties.

In case of election years (2011, 2015 and 2019), we use the *outgoing* government's scores and composition as the government measure. This is because we assume that investment plans may be made before the election. As mentioned above, in the cases where a party leaves the government (Left Alliance and Greens in 2014) or splits (the Finns in 2017), we continue to include these parties in the calculation of the ideology of the government (given that coalition agreements rarely change) and as members of the government. We conduct a separate analysis of the Finns split where we attempt to identify entrepreneurs who were no longer affiliated with the government after the split, but this is relatively difficult, and it is even more difficult to identify entrepreneurs who *remained* affiliated as the government-aligned successor party to the Finns had all but disappeared by the next municipal elections.

# 4 Results

## 4.1 Summary statistics

Summary statistics for our sample are presented in Table 4. The first three columns present summary statistics for the entire sample, the next three for our VAA sample and the final three for our survey sample. Firms in our sample are on average very small, with average revenues of 1.7 million euros and average fixed assets of 570,000 euros. Most firms have low leverage (about half of SMEs in Finland have no financial debt [Paaso et al., 2025a]) and invest roughly once every three or four years. Firms in the VAA sample are slightly larger than those in the survey sample. About half of the entrepreneur-years in our sample are from the National Coalition party, with the Centre Party and the Finns Party added together being the parties of choice for about another 35%. The survey

sample has more entrepreneurs from the Finns Party and fewer from the Centre Party as the popularity of the Centre Party has fallen since 2015 while the Finns became more popular.

In terms of ideology, the entrepreneurs from both of our samples tend to be very right-wing and conservative compared to the population, with entrepreneurs from the survey sample being more conservative than those from the VAA sample. Figure 3 shows the ideological position of each entrepreneur in our sample on a -8 to 8 scale as well as the ideological position of each of the four national governments elected during our sample period.

Because we are studying small private firms, many will have low levels of fixed assets and even an economically meaningless investment of 1,000 euros might appear large as a percentage of a low base. We therefore only include firm-years where fixed assets are greater than 32,000 euros (the median of the full sample) in our sample. However, in Internet Appendix Figure I.A.4 we present the results using alternative specifications and find that, other than in specifications including the very smallest firms, our results are generally quite similar.

## 4.2 Alignment regressions

Our goal is to test which elements of political alignment affect investment decisions. We therefore regress three investment-related variables on various measures of political alignment:

- *Investment Dummy*, defined as 1 if fixed assets have increased more than 10%[14]
- *Investment Percentage*, defined as the winsorized (95th percentile, one-tailed) percentage change in fixed assets if it is positive and 0 otherwise

[14]We use 10% because of the prevalence of firm-years where fixed assets increase by a very small amount and then revert the next year. These appear to be common data errors. However, we present results defining investment as simply an increase in fixed assets in Appendix Figure I.A.4.

- *Net Investment Percentage*, which is investment percentage adjusted for depreciation

We begin by regressing investment on the proportion of seats a party holds in the government. We then add other aspects of ideology as well as firm-level financial controls. All of our regressions include firm fixed effects, meaning that we are comparing the same firm across different political regimes. We run the following regressions:

$$Y_{i,t} = \beta_0 + \beta_1 \times Seats\ in\ Gov't_{i,t} + \beta_2 \times Economic\ Distance_{i,t} + \beta_3 \times Social\ Distance_{i,t} + \alpha \times X_{i,t} + \gamma_i + \epsilon_i$$

where $Y_{i,t}$ denotes three main measures of investment, defined above.

Our coefficients of interest are the coefficients on *Seats in Gov't*, *Economic Distance* and *Social Distance*. $X$ is a vector of firm-level control variables and $\gamma_i$ denotes a firm fixed-effect.

The results are presented in Table 5. We present the results separately for each of the three measures of investment (Panels A, B and C) and for the full sample, the VAA sample ("entrepreneur-politician" sample) and the survey sample.

Columns 1, 4 and 7 in each panel show the unconditional effect of party alignment on investment without controlling for ideological distance. We find that the *Seats in Gov't*-variable is positively associated with investment across every measure of investment and every sample, though this effect is not always statistically significant. This result is in line with our *Proposition 1* which states that under both *party* and *policy* models, an individual is more likely to increase her investment if the party she supports is in government. The effect is economically meaningful - a coefficient of 0.129, such as in Panel A column 1, means that an entrepreneur affiliated with the largest party in a government (which will typically hold 35% or so of seats) invests about 4.5 percentage points of fixed assets more than an entrepreneur whose party is not in the government

and an entrepreneur from a party holding the sample average percentage of seats (about 15%) invests about 1.9 percentage points of fixed assets more. This is about 10% of the baseline investment rate of 20% of fixed assets per year.

However, when we control for ideological alignment (columns 2, 3, 5, 6, 8 and 9) this effect usually disappears (it doesn't for two measures of investment in the survey sample) and instead we see that absolute difference in economic ideology is negatively associated with both the probability of investing and the size of investments. When economic ideology is controlled for, the *Seats in Gov't* coefficient loses about two thirds of its magnitude compared to the standalone coefficient. Economic alignment is also more economically meaningful—a 5-point increase in economic alignment (the sample mean economic distance, which is about half of the distance between the largest center-right and center-left parties) is associated with a 5.5 p.p. increase in the size of investment and a 4 p.p. increase in the probability of investment in the full sample.

### 4.2.1 Robustness to alternative specifications

The specifications above are our preferred specifications, but they involve choices about the specification. We show that our results are generally robust to alternative specifications. Namely, we present out results with:

- Alternative cutoffs for minimum fixed assets in Internet Appendix Figure I.A.4. We generally find that including the smallest firm-years (below 10k in fixed assets) leads to a zero coefficient, but other cutoffs do not matter much.
- Alternative clustering in Internet Appendix Figure I.A.4. We show that clustering by party-year, firm or not clustering does not make a big difference.
- Alternative measures of investment. We show that our results hold when measuring investment using the log change in fixed assets or log change in total assets. We present these results in Internet Appendix Table I.A.2.

- Alternative measures of government-alignment. We show that our results are robust to replacing our dependent variable, *Seats in Gov't* (the seat share of a party in government) with a dummy variable *Is in Gov't* that takes the value of 1 if a party is represented in government. We present these results in Internet Appendix Table I.A.2.

### 4.2.2 Other coefficients

While our focal variables are *Seats in Gov't* and *Abs. Dif. Econ.*, there are also some other findings worth explaining in the table.

**Social Distance**: The *Abs. Dif. Soc.* variable occasionally has a positive and significant coefficient, suggesting that entrepreneurs invest *more* when they are ideologically distant from the government. While this result is not common, we see a positive and significant coefficient mainly in regressions on the Survey sample and on occasion in the pooled sample. We also see a positive and significant coefficient in the within-party tests (described below) for the populist right Finns Party.

There are several possible explanations. The first is multicollinearity. The entrepreneurs and governments in our sample (and the population in general) are not evenly distributed across the entire "political compass", but instead tend to concentrate in two quadrants - a left-liberal quadrant and a right-conservative quadrant. In our sample, we see this especially in the case of supporters of the populist right Finns Party, in supporters of left-wing parties (who tend to be socially liberal), and in our survey sample more than in our VAA sample. Multicollinearity would make it impossible to distinguish (using standard horse-race regressions) whether social or economic alignment is driving the results. If this were the case, we cannot draw many conclusions from the historical regressions using our survey data, but the results from our entrepreneur-politician analyses and experiments should still be valid given that multicollinearity is much less of a concern in

those samples.[15]

It could also be that social distance is for some reason positively associated with investment, for instance if measures of social ideology were also associated with economic outcomes *and* there were systematic differences between our entrepreneurs and the government on these issues. Recent work [Guenther, 2025] has documented a large "representation gap" on immigration, i.e. a large gap in how immigrants are perceived by political elites and the general population (the population is more negative on immigration than political elites). If immigration caused economic growth or a pro-immigration government generally implemented more pro-growth policies in a way that is not captured by our crude measure of economic ideology, it could be that anti-immigration entrepreneurs invest more when a pro-immigration government takes office despite opposing immigration for cultural reasons.

To test this, we separate out each individual question in the VAA to see whether differences between entrepreneurs and the government on specific questions drive our results. We regress measures of investment on the seat share of the entrepreneur's party as well as their ideological distance on each specific subcomponent of our measure. The results are presented in Table 6 (note that the difference between the entrepreneur and government for each question is on a 1-5 scale instead of the -8 to 8 scales we use for overall ideology). We see that three components of ideology are economically and statistically significant in all specifications: the difference on economic ideology relating to private provision of public services as well as on the sustainability of spending, but also the social difference on readiness to accept an asylum center in one's own municipality.

Importantly, the *Abs. Dif. Soc: Asylum* variable has a *positive* coefficient, suggesting that the *higher* the social distance between a government and an entrepreneur, the more the entrepreneur invests. To the extent that willingness to accept an asylum center in one's home municipality is a proxy for general attitudes towards immigration, this

[15]There appears to be enough dispersion in ideology within parties and spillover across parties that multicollinearity of economic ideology and party choice is not a threat to the validity of our results.

is consistent with the theory while anti-immigration entrepreneurs disagree with pro-immigration governments on immigration policy, pro-immigration policies might be a proxy for pro-growth policies that make investment more attractive.

**Change in coefficients with financial controls**. We also see that the coefficients on *Abs. Dif. Econ.* change significantly when financial controls are added (see e.g. columns 2-3 in all tables). This is driven by the fact that we do not have data on financial controls for all companies and therefore the sample changes. We show this in Internet Appendix Table I.A.3, where we repeat the regressions in Table 5 for a "constant sample" of firms (i.e. the same sample in every column). While the coefficients on *Abs. Dif. Econ.* are smaller for this sample (which consists of larger firms), we see that unlike in Table 5, the inclusion of financial controls does *not* change these coefficients meaningfully.

### 4.2.3 Within-party analysis

We also study whether, within the same party, ideological distance to the government matters. This analysis essentially compares the investment responses of copartisans with different ideologies. We run regressions of our three measures of investment on ideological alignment on both dimensions, financial controls and firm fixed-effects.[16] We repeat this for the three largest parties, National Coalition (KOK), Centre Party (KESK) and Finns Party (PS) - we do not include smaller parties due to sample size issues.

The variation in these regressions comes from changes in government, which differentially affects entrepreneurs' ideological distance depending on the entrepreneur's initially ideology. As all entrepreneurs within the same party face the same shift in seat share, we do not control for party alignment.

The results are presented in Table 7. We see that economic ideological distance (*Abs. Dif. Econ.*) is negatively associated with investment within each of the three large parties, though the effect is sometimes not statistically significant. Economically, the effect sizes

[16]We do this for the pooled VAA+survey sample.

are comparable to those in Table 5 for the center-right National Coalition (KOK, columns 1-2) and agrarian-centrist Centre Party (KESK, columns 3-4), but considerably larger for the populist right Finns Party (PS, columns 5-6).

## 4.3 The Finns Party split

We conduct additional analysis focusing on the breakup of the Finns Party (PS) in 2017. This breakup led to a situation where a number of entrepreneurs who supported PS were no longer party-aligned with the government, but because the economic ideology of PS was almost exactly the average of the government, still equally aligned on the economic dimension (see Internet Appendix Figure I.A.2).

### 4.3.1 Background information

PS joined a coalition government led by the Centre Party in 2015. The coalition was considered right-wing by Finnish standards and set out, among other things, to reform labor markets in Finland. These actions were unpopular with supporters of PS, and the party's support started declining in polls. In municipal elections held in April 2017, PS received only 8.8% of the vote and were the fifth largest party, down from 17.7% and the second largest party in parliamentary elections two years prior.

The longtime leader of PS, Timo Soini, announced he would be stepping down and that a new leader would be elected in June 2017. This election was won by Jussi Halla-aho, a Member of European Parliament who was considered controversial for his writings on, among other things, immigration.

The election of Halla-aho to party leadership led to statements from the leaders of the other government parties that they were not willing to govern with Halla-aho. After behind-the-scenes negotiations, a majority of PS parliamentarians announced that they would be leaving the party and founding a new party, called Blue Reform, which was

considered an acceptable partner for the other government parties. With Blue Reform, the government maintained a majority in parliament while those MPs that chose to remain affiliated with PS moved to the opposition. The policy agenda of the government did not change substantively as a result of the split as the government vowed to continue implementing their existing government program (a document that sets out the policy goals of each government in Finland).

We use this shock to study the responses of entrepreneurs who were:

- Aligned with PS in both 2017 and 2021 -> These entrepreneurs are party misaligned with the government after the split.
- Aligned with PS in 2021 or 2025 for whom we do not have alignment data for in 2017 -> these people might have been affected by the split, or they might have joined PS later. We assume that this group was affected by the split, though the assumption is weaker than for the first group (but the sample much larger)
- Aligned with other government parties in 2017 -> These are going to serve as the control group whose alignment does not change on either dimension.

### 4.3.2 Results

We plot year-by-year investment from 2015 to 2019 in Figure 4. The green line represents investment by those candidates that remained affiliated with PS in 2017 and 2021, i.e. those who almost certainly became misaligned as a result of the split of government. This is a very small group of entrepreneurs, so there is a lot of noise. The red line represents investment by those entrepreneurs affiliated with PS in 2021 or 2025 and whose affiliation is unknown in 2017, i.e. those that *were probably* affected by the split. Finally, the blue line represents investment by those entrepreneurs that were affiliated with the two other government parties in 2017, i.e. those whose government and ideological alignments remained unchanged. It should be noted that this test is relatively underpowered due to

us having very few entrepreneurs in the "true" treatment group (PS in 2017 and 2021) and because we do not know the 2017 ideology of those who affiliated with PS in 2021 or 2025.

We then test the impact of the split formally, though once again, we note that the number of entrepreneurs who we can identify as affiliated in both elections is low. We run the following regression:

$$Y_{i,t} = \beta_0 + \beta_1 \times Split\ Status_i \times Post\ + \beta_2 \times Year + \alpha \times X_{i,t} + \gamma_i + \epsilon_{i,t}$$

Where *Split Status* is a variable that is either *PS pre- and post-split* or *PS post-split* (with those affiliated with other governing parties serving as the omitted category). *PS pre- and post-split* denotes an entrepreneur who was affiliated with PS in both the 2017 and 2021 elections, *i.e.,* someone who became misaligned. *PS post-split* denotes an entrepreneur affiliated with PS in 2021 or 2025. *Post* is a dummy for the years 2018 and 2019. The sample period for this regression is from FY 2015 to FY 2019, *i.e.,* covering the term of the Sipilä government. We include both year and firm fixed effects in the regression.

The results are presented in Table 8. We see no statistically or economically significant differences between entrepreneurs affiliated with another government party and those affiliated with PS, though the sample size is small.

## 4.4 Survey experiments

One concern we cannot address (since we cannot include year fixed-effects) is the concern that perhaps economic performance is simply better under right-wing governments. As most entrepreneurs in our sample are right-wing, this would lead us to observe a relationship between investment and ideological distance driven purely by the fact that the years of our sample during which a right-wing government was in power were also the years when investment was more profitable.

To address this concern, we conduct two survey experiments in which we ask participants about *hypothetical* governments. This way, any effect on investment will be through perceived rather than actual differences in economic performance.

As mentioned above, the survey was conducted in April 2025 by Verian, a market research company, and was sent to members of Suomen Yrittäjät), a trade body representing entrepreneurs. We received 1,308 responses, but exclude 1 duplicate, 42 responses where randomization failed and 244 responses who did not fully answer questions about their political values.

### 4.4.1 Hypothetical government experiment

In our first experiment, participants are presented with a hypothetical government and asked how they would react. This is the least "disguised" experiment and therefore the most susceptible to expressive responses or experimenter demand effects.

Participants were told "*Imagine that, after the 2027 parliamentary elections, the government consists of the following parties: X Y Z.*

*The parties are in descending order by size, with the first party holding the prime minister's office and the second the finance ministry*"

Where X Y Z is randomly drawn from the following list (we write out the full Finnish names of the parties in the actual survey):

- KOK, PS, KESK
- SDP, KESK, VIHR, VAS, RKP
- SDP, KOK, KESK, VIHR
- KOK, PS, RKP, KD

They are then asked: "*Assume this government takes office in 2027: Is your forecast for the Finnish economy in 2030 better or worse than today?*", "*Assume this government takes office in 2027: Is your forecast for your business in 2030 better or worse than today?*" and "*Assume this government takes office in 2027: Would your company invest more in 2030 than today?*". For all of these questions, participants are presented with 1-5 Likert scales ranging from Much Worse to Much Better (first two questions) and Much Less to Much More (last question).

We regress each of these outcome variables on the participant's share of seats in the hypothetical government (using the same pre-registered weights by party as in the conjoint experiment) as well as their ideological distance from it along both dimensions. Figure 5 provides a preview of the results. We see that participants respond very strongly to their party being included in a government, especially in terms of their expectations for the economy in general. We also see (in the bottom three graphs) a very strong relationship between economic ideological distance and all three outcome variables.

Table 9 formalizes these results in a regression. The outcome variable in the regressions is the 1-5 Likert scale response. We see that both party and ideological distance (on both dimensions) are associated with economic expectations and investment. A coefficient of 4.6 (column 1) for example implies that a 15% increase in the seats held by an entrepreneur's party is associated with a 0.7 unit increase in economic expectations, and the coefficient of -0.1 on *Abs. Dif. Econ* means that a 5-unit economic distance is associated with a 0.5 unit decrease in economic expectations.

### 4.4.2 Conjoint experiment

Next, we present the results of our conjoint experiment. This experiment will also be used in Paaso et al. [2025b] to study the effect of public debt on investment.

In the conjoint experiment, participants were presented with five hypothetical pairs of states of the Finnish economy in 2030. The participants were told that "the table below

shows two hypothetical states of the Finnish economy in 2030" and presented a table with two future states, with randomized economic conditions (based on somewhat realistic forecasts). We randomized along eight dimensions with four possible values (randomized) for each dimension. Below, we present the dimensions along which we randomized and the possible values

- **GDP per capita** - EUR 45,000, EUR 50,000, EUR 55,000 or EUR 65,000
- **Previous year inflation** - 1%, 2%, 3% and 7%
- **Public debt-to-GDP** - 70%, 80%, 90%, 110%
- **Previous year GDP growth** - -2%, 0%, 2%, 5%
- **Government composition**[17] - (KOK, SDP, PS), (SDP, KOK, KESK), (SDP, KOK, VIHR, VAS, RKP, KD), (PS, KOK, KESK)
- **Corporate tax rate** - 15%, 20%, 30%, 35%
- **Highest marginal income tax rate** - 40%, 45%, 55%, 60%
- **10y Gov't Bond Rate** - 0%, 1%, 4%, 6%

Participants were then asked, in each pair, "Under which state of the economy would your company be more likely to invest?".

We estimate average marginal component effects (AMCEs) [Hainmueller et al., 2014]. This means that we separate each task into two data points, each one representing one state of the economy. We create a dummy variable indicating whether that choice was picked or not (we drop "I don't know" responses) and estimate a linear probability model where the outcome variable is whether a state of the economy was chosen as preferable and

[17]In order of size, with the largest holding the prime minister's office and the second largest the finance ministry. We did not tell participants how many seats each party holds but pre-registered the weights we would use depending on how many parties are in a coalition. In addition, the coalitions presented are somewhat realistic in the sense that the largest and second largest parties are always one of the largest four parties

the independent variables include every attribute as well as ideological distance and seats in government, calculated from the government composition. The coefficients should be interpreted as the increase in likelihood that a participant chooses a certain hypothetical state of the economy when it has that attribute.

The results are presented in Figure 6. The left panel presents coefficients from a regression with only the portion of seats held by the entrepreneur's party (*Seats in Gov't*) is included whereas the right panel includes ideological distance. The coefficient on *Seats in Gov't* is 0.26 without controlling for ideological distance and 0.24 when controlling for it. An entrepreneur from a party holding 15% of seats in government (the sample mean) in a hypothetical state of the economy is roughly 3.5 percentage points more likely to prefer that state of the economy over one where their party holds no seats. The coefficient on *Econ. Dif. Abs* is -0.01, meaning that an entrepreneur who is 5 points away from a hypothetical government (half of the ideological distance between the major center-left and center-right parties) is 5 percentage points less likely to prefer that state of the economy.

# 5 Discussion

Our results generally support the *policy* explanation and suggest that ideological alignment plays a significant role in explaining partisan optimism. While the effect of partisan alignment on investment varies across our methodologies, our analyses consistently show that ideological alignment is associated with investment. In the VAA/entrepreneur politician sample, after controlling for ideological alignment, there is no residual effect of party affiliation. Moreover, the impact of ideological alignment is economically stronger in nearly all of our analyses.

It is important to view our findings as a lower bound on the effect of ideology. This is because a simple scale based on basic questions may not accurately capture a person's

beliefs about how policy translates to economic outcomes. Entrepreneurs may believe that specific policies are more important than left-right alignment, or they may have a certain economic ideology even if they believe this ideology is not the best for economic growth (they may be concerned about fairness for example). It is also possible that even if entrepreneurs are ideologically aligned with some party, they may not trust the party to carry out its agenda or believe that the party is competent at governing. Our measures of ideological distance would not capture this, and instead it would be reflected in the coefficient on partisan alignment.

Our study avoids some key limitations of previous research on partisan optimism. For instance, many previous studies have raised concerns that measures of economic optimism and political alignment are elicited in a similar context, which could lead to experimenter demand effects or expressive responding where respondents use economic questions as an opportunity to express their satisfaction or dissatisfaction with the current government. However, in our setting (historical analysis), political views are elicited in a survey whereas economic actions are taken from registry data, meaning that such effects are very unlikely.

One potential concern with our analysis is that political connections or favoritism towards firms run by members of the ruling party could explain why entrepreneurs increase their investments once their preferred party is elected in Finland. However, our results suggest that *ideological* alignment is a stronger predictor of investment decisions than *party* alignment. Additionally, we compare the views of municipal politicians with those of the elected national government, and while it is possible that municipal politicians could benefit from central government programs, they are more likely to benefit from alignment with the local municipal government. Finally, we note that being elected to a municipal council does not appear to be associated with increased investment (for the entrepreneur-politician sample, in unreported regressions).

Another concern may be that economic expectations not only reflect perceptions of a party's economic competence but also of the probability of the party being elected [Ladner

and Wlezien, 2007]. In Finland, all of the elections in our sample can be considered close elections in the sense that the top 3 parties finished within 0.7% of each other in 2019 and 1.3% of each other in 2011, and while in 2015 the Center Party received 3.4% more votes than the next biggest party, the next three parties were within 1.5% of each other.

Reverse causality between ideological positions and party alignment is also a typical problem in this kind of research [Fowler, 2020, Orr et al., 2023], but not necessarily in our setting. Inclusion of firm fixed effects means that cross-sectional differences in opinion (where reverse causality would manifest itself) are not the source of variation that we exploit. Instead, variation in both ideology and party alignment comes from changes in national government. This means that reverse causality is less likely to be a concern than the fact that changes in national government may be associated with changes in investment conditions, a concern we attempt to address with our survey approach.

Finally, it is worth discussing how well our results generalize. There are two dimensions here: First, do the biases of entrepreneurs translate well into the actions of other people? Second, how representative is Finland? A particular concern may be that Finland has relatively low levels of polarization. It is important to remember here that the existing literature has focused on the US, which has exceptionally *high* levels of polarization, at least among rich democracies.

On the first dimension, we are unable to test whether these entrepreneurs are more or less sophisticated than the general population. While the firms they manage are generally very small, their investments may still be more "considered" than economic expectations in general. Even if this is the case, our results are relevant for understanding the nature of partisan bias in high-stakes decision-making, such as the decisions of credit rating analysts [Kempf and Tsoutsoura, 2021], entrepreneurs [Engelberg et al., 2022], CEOs [Rice, 2023] and mutual fund managers [Cassidy and Vorsatz, 2021].

As noted in the introduction, Finland is a multiparty parliamentary democracy. This is a common system of government globally, with most large democracies (such as Germany,

India, Japan, the UK and many others) having a powerful parliament and a weak executive. We view one of our key contributions as providing evidence for partisan optimism in a parliamentary system, where partisanship may operate differently compared to a presidential system with no coalitions.

Of course, Finland's political scene is more fragmented than the American one, with nine parties represented in parliament instead of two. Finland is among the more fragmented systems in Europe, though clearly not an outlier in terms of the number of parties or their ideological distances from each other. Affective polarization is relatively low (though not exceptionally so), but has risen as in the US. While Finland might not be perfectly representative of rich democracies, we view our contribution in this regard as complementing the current evidence which comes from a country that is an outlier in terms of having exceptionally *high* polarization. Future research could focus on the relative role of ideology in settings other than the US or Finland.

# References


K. Armingeon, S. Engler, L. Leemann, and D. Weisstanner. Supplement to the comparative political data set: Government composition 1960–2023, 2025.

M. Bajgar, G. Berlingieri, S. Calligaris, C. Criscuolo, and J. Timmis. Coverage and representativeness of orbis data. 2020.

M. Bisgaard. Bias will find a way: Economic perceptions, attributions of blame, and partisan-motivated reasoning during crisis. *The Journal of Politics*, 77(3):849–860, 2015. doi: 10.1086/681591.

L. Boxell, M. Gentzkow, and J. M. Shapiro. Cross-country trends in affective polarization. *Review of Economics and Statistics*, 106(2):557–565, 2024.

W. Cassidy and B. Vorsatz. Partisanship and portfolio choice: Evidence from mutual funds. *Available at SSRN 3977887*, 2021.

O. Coibion, Y. Gorodnichenko, and M. Weber. Political polarization and expected economic outcomes. Technical report, National Bureau of Economic Research, 2020.

E. Colonnelli, V. P. Neto, and E. Teso. Politics at work. Technical report, National Bureau of Economic Research, 2022.

J. A. Cookson, J. E. Engelberg, and W. Mullins. Does partisanship shape investor beliefs? evidence from the covid-19 pandemic. *The Review of Asset Pricing Studies*, 10(4):863–893, 2020.

R. Dagostino, J. Gao, and P. Ma. Partisanship in loan pricing. *Journal of Financial Economics*, 150(3):103717, 2023.

N. Dias and Y. Lelkes. The nature of affective polarization: Disentangling policy disagreement from partisan identity. *American Journal of Political Science*, 66(3):775–790, 2022.

J. Engelberg, J. Guzman, R. Lu, and W. Mullins. Partisan entrepreneurship. Technical report, National Bureau of Economic Research, 2022.

G. Evans and R. Andersen. The political conditioning of economic perceptions. *The Journal of Politics*, 68(1):194–207, 2006.

E. J. Finkel, C. A. Bail, M. Cikara, P. H. Ditto, S. Iyengar, S. Klar, L. Mason, M. C. McGrath, B. Nyhan, D. G. Rand, et al. Political sectarianism in america. *Science*, 370 (6516):533–536, 2020.

A. Fowler. Partisan intoxication or policy voting? *Quarterly Journal of Political Science*, 15(2):141–179, 2020.

D. Garzia and F. Ferreira da Silva. In-party love, out-party hate, and affective polarization in twelve established democracies. *Public Opinion Quarterly*, page nfaf013, 2025.

D. Garzia, F. Ferreira da Silva, and S. Maye. Affective polarization in comparative and longitudinal perspective. *Public Opinion Quarterly*, 87(1):219–231, 2023.

L. Guenther. Political representation gaps and populism. 2025.

J. Hainmueller, D. J. Hopkins, and T. Yamamoto. Causal inference in conjoint analysis: Understanding multidimensional choices via stated preference experiments. *Political analysis*, 22(1):1–30, 2014.

V.-J. Ilmarinen, V. Isotalo, J.-E. Lönnqvist, and Å. von Schoultz. Do politiciansâ€™ answers to voting advice applications reflect their sincere beliefs? comparing publicly and confidentially stated ideological positions in a candidate-centred electoral context. *Electoral Studies*, 79:102504, 2022.

V. Isotalo, M. Mattila, and Å. von Schoultz. Ideological mavericks or party herd? the effect of candidates' ideological positions on intra-party success. *Electoral Studies*, 67: 102187, 2020.

Ş. Kalemli-Özcan, B. E. Sørensen, C. Villegas-Sanchez, V. Volosovych, and S. Yeşiltaş. How to construct nationally representative firm-level data from the orbis global database: New facts on smes and aggregate implications for industry concentration. *American Economic Journal: Macroeconomics*, 16(2):353–374, 2024.

M. Kaustia and S. Torstila. Stock market aversion? political preferences and stock market participation. *Journal of Financial Economics*, 100(1):98–112, 2011.

A. Kekkonen and T. Ylä-Anttila. Affective blocs: Understanding affective polarization in multiparty systems. *Electoral Studies*, 72:102367, 2021.

A. Kekkonen, D. Kawecki, and S. Himmelroos. Friends and Foes: Affective Polarization among Finnish Voters. In Ã. von Schoultz and K. Strandberg, editors, *Political Behaviour in Contemporary Finland*, Routledge Advances in European Politics, pages 137–156. Routledge, London, 2024. ISBN 978-1-032-58953-4. doi: 10.4324/9781003452287-12.

E. Kempf and M. Tsoutsoura. Partisan professionals: Evidence from credit rating analysts. *Journal of Finance*, 76(6):2805–2856, 2021.

E. Kempf, M. Luo, L. Schäfer, and M. Tsoutsoura. Political ideology and international capital allocation. *Journal of Financial Economics*, 148(2):150–173, 2023.

M. Krupenkin, S. Hill, and D. Rothschild. Do partisans make different investment decisions when their party is in power? *Political Behavior*, pages 1–27, 2023.

M. Ladner and C. Wlezien. Partisan preferences, electoral prospects, and economic expectations. *Comparative Political Studies*, 40(5):571–596, 2007.

M. C. McGrath et al. Economic behavior and the partisan perceptual screen. *Quarterly Journal of Political Science*, 11(4):363–383, 2017.

M. Meeuwis, J. A. Parker, A. Schoar, and D. Simester. Belief disagreement and portfolio choice. *Journal of Finance*, 2018.

A. Mian, A. Sufi, and N. Khoshkhou. Partisan bias, economic expectations, and household spending. *Review of Economics and Statistics*, pages 1–46, 2021.

L. V. Orr, A. Fowler, and G. A. Huber. Is affective polarization driven by identity, loyalty, or substance? *American Journal of Political Science*, 67(4):948–962, 2023.

M. Paaso, V. Pursiainen, and S. Torstila. Entrepreneur debt aversion and financing decisions: Evidence from covid-19 support programs. *Management Science*, 2025a.

M. Paaso, S. Torstila, D. Okat, and M. Blomkvist. Public Debt and Entrepreneur Investment, 2025b. URL `https://www.aeaweb.org/doi/10.1257/rct.15646-1.0`. Institution: American Economic Association.

Y. Pan, E. Pikulina, S. Siegel, and T. Y. Wang. Political divide and the composition of households' equity portfolios. *Available at SSRN 4381330*, 2023.

A. Reiljan. Affective polarization in europe. *Handbook of Affective Polarization*, page 176, 2025.

A. B. Rice. Executive partisanship and corporate investment. *Journal of Financial and Quantitative Analysis*, pages 1–30, 2023.

J. Rovny, J. Polk, R. Bakker, L. Hooghe, S. Jolly, G. Marks, M. Steenbergen, and M. A. Vachudova. The 2024 chapel hill expert survey on political party positioning in europe: Twenty-five years of party positional data. *Electoral Studies*, 97:102981, 2025.

P. Stanig. Political polarization in retrospective economic evaluations during recessions and recoveries. *Electoral Studies*, 32(4):729–745, 2013.

C. Wlezien, M. Franklin, and D. Twiggs. Economic perceptions and vote choice: Disentangling the endogeneity. *Political Behavior*, 19(1):7–17, 1997.

## Table 1
## Key Variable Definitions

Our main variables of interest are political (economic, social and party) alignment with the party currently in national government as well as investment-related variables. We define investment as an increase in fixed assets as this is the clearest evidence of a direct investment decision as opposed to being caused by for instance an increase in revenues (which may cause total assets to increase). Below, we define the key variables used in the analysis. Note that our results are also robust to alternative specifications (replacing the seat share in government with a dummy, using log changes in fixed and total assets as measures of investment etc.)

- **Seats in Gov't** Based on VAA data. This variable denotes the share of seats in government (*i.e.,* seats in parliament for parties in government) held by the party of the entrepreneur in any given year. Ranges from 0-1.
- **Economic Alignment** Based on VAA data. This variable is defined as the absolute value of the entrepreneur's economic alignment (as defined above, on a scale of -8 to 8) minus the national government's economic alignment. The government's economic alignment is defined as the weighted average economic alignment of all elected MPs in governing parties.
- **Social Alignment** Based on VAA data. This variable is defined as the absolute value of the entrepreneur's social alignment minus the national government's social alignment.
- **Net Investment** Based on Orbis data. This variable is equal to $\frac{FixedAssets_t + Depreciation_t}{FixedAssets_{t-1}}$ if this is greater than 0 and 0 otherwise. The variable is winsorized at the 95% tail (one-sided). Note: Depreciation is annual, not accumulated, depreciation
- **Investment** Based on Orbis data. This variable is equal to the percentage increase in the firm's fixed assets if fixed assets in year t $>$ fixed assets in year t-1 and 0 otherwise. The variable is winsorized at the 95% tail (one-sided).
- **Investment Dummy (10 Pct.)** Based on Orbis data. This equal to 1 if Investment is above 10% and 0 otherwise.
- **Investment Dummy** Based on Orbis data. This equal to 1 if Investment is above 0% and 0 otherwise.

## Table 2
## Finnish government composition and ideology, 2007–2023

Governments in Finland and their ideological scores. For governments prior to 2015 we use the party-level average ideologies from 2015 but weight them by the number of seats at the time of the election. From 2015, we calculate them from MPs of the governing parties.

| | 2007–2011 (2010–2011 in sample) | 2011–2015 | 2015–2019 | 2019–2023 (2019-2022 in sample) |
|---|---|---|---|---|
| **Government** | Vanhanen II | Katainen | Sipilä | Rinne/Marin |
| **Prime Minister's party** | Centre (KESK) | National Coalition (KOK) | Centre (KESK) | Social Democrat (SDP) |
| **Seats after election** | 51 | 44 | 49 | 40 |
| **Finance Minister's party** | National Coalition (KOK) | Social Democrat (SDP) | National Coalition (KOK) | Centre (KESK) |
| **Seats after election** | 50 | 42 | 37 | 31 |
| **Other parties** | Green League (VIHR), Swedish People's (RKP) | Green League (VIHR)*, Left Alliance (VAS)*, Christian Democrats (KD), Swedish People's (RKP) | The Finns (PS)** | Green League (VIHR), Left Alliance (VAS), Swedish People's (RKP) |
| **Economic ideology** | 1.44 | −2.70 | 1.61 | −5.64 |
| **Social ideology** | −0.29 | −3.67 | 2.17 | −3.10 |

∗ The Greens and the Left Alliance left the government in 2014.
∗∗ In 2015 the Finns were the second-largest party but declined the finance portfolio.

**Table 3**
**Survey-to-Regression Sample Attrition**

Sample selection and attrition at every stage of the linking process from the survey to the final (historical-data) regression sample. The "Obs lost" column shows the number of observations discarded in that step, while the "Obs remaining" column shows how many remain afterwards.

| | **Obs lost** | **Obs remaining** |
|---|---|---|
| Initial sample | | 1,308 |
| Drop duplicate response (based on Y-Tunnus) | 1 | 1,307 |
| Randomization not recorded | 42 | 1,265 |
| Political questions not fully answered | 224 | 1,041 |
| Y-Tunnus not found in Orbis or no financials<br>*(Mainly firms founded after 2023, hence missing in Orbis as well as firms with limited financials.)* | 424 | 617 |
| Industry-based exclusion | 90 | 527 |
| Fixed assets below sample median in every year | 163 | 364 |
| No exclusion criteria but not in regression<br>*(Likely no within-firm variation in ideology; firm too young, only one government.)* | 49 | 315 |

## Table 4
## Regression Sample Summary Statistics

Summary statistics at the firm-year level on several key variables used in our analyses. The first three columns present summary statistics for the pooled sample, the next three for entrepreneurs running in municipal elections in 2017 or 2021 and the final three for respondents to our survey. We exclude firm-years where fixed assets were less than 32k euros (the full sample median).

| | Full sample | | | Entrepreneur-Politicians | | | Survey | | |
|---|---|---|---|---|---|---|---|---|---|
| | Mean | SD | N | Mean | SD | N | Mean | SD | N |
| **Political** | | | | | | | | | |
| Economic Ideology | 2.998 | 3.326 | 8,004 | 2.729 | 3.333 | 5,151 | 3.454 | 3.273 | 2,896 |
| Social Ideology | 2.075 | 3.500 | 8,004 | 1.927 | 3.563 | 5,151 | 2.329 | 3.377 | 2,896 |
| Abs. Dif. Econ. | 5.401 | 3.547 | 8,004 | 5.226 | 3.492 | 5,151 | 5.698 | 3.625 | 2,896 |
| Abs. Dif. Soc. | 4.483 | 3.025 | 8,004 | 4.442 | 2.992 | 5,151 | 4.553 | 3.084 | 2,896 |
| Seats in Gov't | 0.197 | 0.166 | 8,004 | 0.197 | 0.166 | 5,151 | 0.198 | 0.164 | 2,896 |
| **Firm Info** | | | | | | | | | |
| Sales (EUR 000) | 1,739.935 | 5,649.039 | 7,927 | 1,935.742 | 6,822.437 | 5,107 | 1,380.539 | 2,272.155 | 2,863 |
| Total Assets (EUR 000) | 1,181.034 | 3,744.492 | 8,004 | 1,346.769 | 4,559.855 | 5,151 | 886.068 | 1,289.359 | 2,896 |
| Fixed Assets (EUR 000) | 567.694 | 2,312.133 | 8,004 | 672.695 | 2,826.942 | 5,151 | 377.365 | 714.113 | 2,896 |
| Leverage (LT Debt / Total Assets) | 0.186 | 0.244 | 7,818 | 0.201 | 0.264 | 5,027 | 0.156 | 0.199 | 2,832 |
| Investment Dummy | 0.431 | 0.495 | 7,056 | 0.429 | 0.495 | 4,508 | 0.435 | 0.496 | 2,588 |
| Investment Dummy (10pct threshold) | 0.313 | 0.464 | 7,056 | 0.312 | 0.463 | 4,508 | 0.316 | 0.465 | 2,588 |
| Net Investment Dummy | 0.759 | 0.428 | 7,056 | 0.741 | 0.438 | 4,508 | 0.790 | 0.407 | 2,588 |
| Investment (Chg in FA, winsorised) | 0.234 | 0.481 | 7,056 | 0.239 | 0.489 | 4,508 | 0.225 | 0.468 | 2,588 |
| Net investment (Fixed Assets, winsorized) | 0.379 | 0.631 | 7,056 | 0.382 | 0.639 | 4,508 | 0.375 | 0.617 | 2,588 |
| **Political Affiliation** | | | | | | | | | |
| Christian Democrat (KD) | 0.021 | 0.142 | 8,004 | 0.029 | 0.167 | 5,151 | 0.006 | 0.079 | 2,896 |
| Centre Party (KESK) | 0.186 | 0.389 | 8,004 | 0.224 | 0.417 | 5,151 | 0.119 | 0.324 | 2,896 |
| National Coalition (KOK) | 0.510 | 0.500 | 8,004 | 0.479 | 0.500 | 5,151 | 0.564 | 0.496 | 2,896 |
| Movement Now (LIIK) | 0.014 | 0.117 | 8,004 | 0.019 | 0.137 | 5,151 | 0.004 | 0.067 | 2,896 |
| Minor Parties | 0.019 | 0.137 | 8,004 | 0.027 | 0.161 | 5,151 | 0.006 | 0.074 | 2,896 |
| The Finns (PS) | 0.156 | 0.363 | 8,004 | 0.132 | 0.339 | 5,151 | 0.196 | 0.397 | 2,896 |
| Swedish People's Party (RKP) | 0.011 | 0.105 | 8,004 | 0.009 | 0.092 | 5,151 | 0.016 | 0.124 | 2,896 |
| Social Democrat (SDP) | 0.035 | 0.184 | 8,004 | 0.031 | 0.172 | 5,151 | 0.044 | 0.205 | 2,896 |
| Left Alliance (Vas) | 0.013 | 0.115 | 8,004 | 0.015 | 0.122 | 5,151 | 0.010 | 0.100 | 2,896 |
| Green League (VIHR) | 0.034 | 0.182 | 8,004 | 0.036 | 0.188 | 5,151 | 0.035 | 0.183 | 2,896 |

## Table 5
## Political Alignment and Investment

Results from regressions of investment on partisan alignment using historical data. The outcome variable is *Investment Amount*, the annual percentage change in fixed assets if it is above 0, 0 otherwise (winsorized 95% one-tailed) in **Panel A**, *Net Investment Amount*, the annual change in fixed assets, adjusted for depreciation, if it is above 0 and 0 otherwise (also winsorized) in **Panel B** and *Investment Dummy* that takes the value of 1 if fixed assets are more than 10% higher than in the previous year in **Panel C.**. The *Seats in Gov't* variable is the proportion of seats in government held by the entrepreneur's party in any given year (range from 0-1). The *Abs. Diff. Econ.* and *Abs. Soc. Diff.* variables denote the absolute value of the ideological distance between the entrepreneur and the government on the economic and social dimensions, respectively. The sample is all firm-years between 2011 and 2022 with fixed assets greater than 32k. All specifications include firm fixed-effects. Standard errors are clustered by party-year and shown in parentheses and fully-absorved observations (firms that do not experience a change of government and hence are subsumed by the firm fixed effect) are not included in the count of Unique IDs or total observations. Significance levels: * 0.1, ** 0.05, *** 0.01.

### Panel A: Investment Amount

| | Full Sample | | | Entrepreneur-Politicians | | | Survey | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Seats in Gov't | 0.129** | 0.049 | -0.018 | 0.101 | -0.023 | -0.079 | 0.176*** | 0.185** | 0.089 |
| | (0.051) | (0.066) | (0.044) | (0.063) | (0.073) | (0.057) | (0.056) | (0.080) | (0.058) |
| Abs. Dif. Econ. | | -0.011*** | -0.005* | | -0.013*** | -0.006* | | -0.008* | -0.005 |
| | | (0.003) | (0.003) | | (0.004) | (0.003) | | (0.005) | (0.004) |
| Abs. Dif. Soc. | | 0.008** | 0.002 | | 0.004 | -0.003 | | 0.015*** | 0.010** |
| | | (0.003) | (0.003) | | (0.004) | (0.003) | | (0.005) | (0.004) |
| L.Log(Sales) | | | -0.022** | | | -0.022* | | | -0.019 |
| | | | (0.010) | | | (0.013) | | | (0.022) |
| L.Leverage (LT Debt / Total Assets) | | | -0.292*** | | | -0.254*** | | | -0.385*** |
| | | | (0.044) | | | (0.058) | | | (0.075) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 6,925 | 6,925 | 5,791 | 4,416 | 4,416 | 3,638 | 2,549 | 2,549 | 2,185 |
| Unique IDs | 931 | 931 | 817 | 622 | 622 | 541 | 315 | 315 | 281 |
| R2 | 0.2301 | 0.2325 | 0.1905 | 0.2398 | 0.2431 | 0.2041 | 0.2097 | 0.2126 | 0.1691 |

### Panel B: Net Investment Amount

| | Full Sample | | | Entrepreneur-Politicians | | | Survey | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Seats in Gov't | 0.181*** | 0.063 | -0.027 | 0.143* | -0.028 | -0.108 | 0.243*** | 0.230** | 0.109 |
| | (0.068) | (0.090) | (0.062) | (0.082) | (0.097) | (0.075) | (0.078) | (0.111) | (0.084) |
| Abs. Dif. Econ. | | -0.016*** | -0.009** | | -0.017*** | -0.009* | | -0.013** | -0.010* |
| | | (0.005) | (0.004) | | (0.005) | (0.004) | | (0.006) | (0.006) |
| Abs. Dif. Soc. | | 0.010** | 0.004 | | 0.004 | -0.003 | | 0.020*** | 0.015*** |
| | | (0.004) | (0.003) | | (0.005) | (0.004) | | (0.006) | (0.005) |
| L.Log(Sales) | | | -0.029** | | | -0.028* | | | -0.027 |
| | | | (0.013) | | | (0.016) | | | (0.027) |
| L.Leverage (LT Debt / Total Assets) | | | -0.423*** | | | -0.369*** | | | -0.552*** |
| | | | (0.054) | | | (0.071) | | | (0.099) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 6,925 | 6,925 | 5,791 | 4,416 | 4,416 | 3,638 | 2,549 | 2,549 | 2,185 |
| Unique IDs | 931 | 931 | 817 | 622 | 622 | 541 | 315 | 315 | 281 |
| R2 | 0.2527 | 0.2553 | 0.2261 | 0.2646 | 0.2680 | 0.2397 | 0.2285 | 0.2319 | 0.2051 |

## Panel C: Investment Dummy

| | Full Sample | | | Entrepreneur-Politicians | | | Survey | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Seats in Gov't | 0.084* | -0.009 | -0.040 | 0.087 | -0.036 | -0.072 | 0.076 | 0.036 | 0.009 |
| | (0.049) | (0.059) | (0.053) | (0.059) | (0.061) | (0.064) | (0.064) | (0.091) | (0.085) |
| Abs. Dif. Econ. | | -0.008** | -0.007** | | -0.009*** | -0.007** | | -0.007 | -0.007 |
| | | (0.003) | (0.003) | | (0.003) | (0.003) | | (0.006) | (0.006) |
| Abs. Dif. Soc. | | 0.001 | -0.001 | | -0.002 | -0.004 | | 0.006 | 0.005 |
| | | (0.003) | (0.003) | | (0.004) | (0.004) | | (0.006) | (0.006) |
| L.Log(Sales) | | | -0.011 | | | -0.004 | | | -0.028 |
| | | | (0.012) | | | (0.012) | | | (0.024) |
| L.Leverage (LT Debt / Total Assets) | | | -0.254*** | | | -0.209*** | | | -0.357*** |
| | | | (0.041) | | | (0.049) | | | (0.076) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 6,925 | 6,925 | 5,791 | 4,416 | 4,416 | 3,638 | 2,549 | 2,549 | 2,185 |
| Unique IDs | 931 | 931 | 817 | 622 | 622 | 541 | 315 | 315 | 281 |
| R2 | 0.2241 | 0.2255 | 0.2201 | 0.2327 | 0.2351 | 0.2231 | 0.2087 | 0.2096 | 0.2171 |

## Table 6
## Decomposition of Ideological Alignment

Results from regressions of investment on ideological alignment using historical data. The outcome variable is (*Investment Dummy* that takes the value of 1 if fixed assets are more than 10% higher than in the previous year in Column 1, *Investment Amount*, the annual change in fixed assets if it is above 0 and 0 otherwise (also winsorized) in Column 2 and *Net Investment Amount*, the annual percentage change in fixed assets, adjusted for depreciation, if it is above 0, 0 otherwise (winsorized 95% one-tailed) in Column 3. The *Seats in Gov't* variable is the proportion of seats in government held by the entrepreneur's party in any given year (range from 0-1).
The *Abs. Dif. Econ:* and *Abs. Dif. Soc:* variables are the differences (on a 1-5 scale, where 5 denotes the most right-wing or conservative answer) between an entrepreneur and the government on the various VAA "values" questions. The full questions are described in the body of hte paper.
Standard errors are clustered by party-year. Significance levels: * 0.1, ** 0.05, *** 0.01.

| | Investment >10 Pct. Dummy | Investment Pct. | Net Investment |
|---|---|---|---|
| | (1) | (2) | (3) |
| Seats in Gov't | -0.024 | 0.032 | 0.043 |
| | (0.058) | (0.067) | (0.090) |
| Abs. Dif. Econ: Inequality | 0.020 | 0.005 | 0.005 |
| | (0.017) | (0.015) | (0.021) |
| Abs. Dif. Econ: Tax vs. Spending Cuts | -0.002 | -0.003 | -0.007 |
| | (0.009) | (0.009) | (0.012) |
| Abs. Dif. Econ: Privatization | -0.023** | -0.027** | -0.033** |
| | (0.010) | (0.011) | (0.013) |
| Abs. Dif. Econ: Spending | -0.024* | -0.027** | -0.036** |
| | (0.013) | (0.012) | (0.016) |
| Abs. Dif. Soc: Gay Rights | -0.013 | -0.010 | -0.014 |
| | (0.008) | (0.009) | (0.011) |
| Abs. Dif. Soc: Discipline | -0.039*** | -0.014 | -0.018 |
| | (0.014) | (0.014) | (0.018) |
| Abs. Dif. Soc: Traditional Values | 0.008 | 0.017 | 0.018 |
| | (0.015) | (0.014) | (0.018) |
| Abs. Dif. Soc: Asylum | 0.028** | 0.024* | 0.034** |
| | (0.013) | (0.013) | (0.017) |
| Firm FE | Yes | Yes | Yes |
| Obs. | 6,925 | 6,925 | 6,925 |
| Unique IDs | 931 | 931 | 931 |
| R2 | 0.2279 | 0.2331 | 0.2559 |

## Table 7
## Political Alignment and Investment - Within Parties

Results from regressions of investment on partisan alignment using historical data, within party, for the three largest parties in our sample, the National Coalition (KOK), the Centre Party (KESK) and the Finns Party (PS). The outcome variables are *Investment Amount* in **Panel A**, *Net Investment Amount* in **Panel B** and *Investment Dummy* in **Panel C.**. The *Abs. Diff. Econ.* and *Abs. Soc. Diff.* variables denote the absolute value of the ideological distance between the entrepreneur and the government on the economic and social dimensions, respectively. The sample is all firm-years (from both the survey and VAA data) for each party between 2011 and 2022 with fixed assets greater than 32k. All specifications include firm fixed-effects. Standard errors are clustered by firm and shown in parentheses and fully-absorbed observations (firms that do not experience a change of government and hence are subsumed by the firm fixed effect) are not included in the count of Unique IDs or total observations. Significance levels: * 0.1, ** 0.05, *** 0.01.

**Panel A: Investment Amount**

| | KOK | | KESK | | PS | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Abs. Dif. Econ. | -0.009*** | -0.001 | -0.008 | -0.005 | -0.034*** | -0.025*** |
| | (0.003) | (0.003) | (0.005) | (0.005) | (0.008) | (0.008) |
| Abs. Dif. Soc. | 0.005 | -0.003 | 0.002 | 0.006 | 0.027*** | 0.025*** |
| | (0.005) | (0.004) | (0.005) | (0.005) | (0.010) | (0.008) |
| L.Log(Sales) | | -0.006 | | -0.083*** | | -0.044 |
| | | (0.015) | | (0.026) | | (0.031) |
| L.Leverage (LT Debt / Total Assets) | | -0.311*** | | -0.224** | | -0.592*** |
| | | (0.082) | | (0.108) | | (0.144) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 3,548 | 3,018 | 1,279 | 1,061 | 1,090 | 908 |
| Unique IDs | 462 | 413 | 156 | 143 | 154 | 132 |
| R2 | 0.2307 | 0.1916 | 0.2079 | 0.1799 | 0.2179 | 0.1950 |

**Panel B: Net Investment Amount**

| | KOK | | KESK | | PS | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Abs. Dif. Econ. | -0.012*** | -0.003 | -0.011* | -0.009 | -0.050*** | -0.040*** |
| | (0.005) | (0.004) | (0.006) | (0.006) | (0.011) | (0.010) |
| Abs. Dif. Soc. | 0.007 | -0.003 | 0.002 | 0.008 | 0.039*** | 0.037*** |
| | (0.006) | (0.005) | (0.007) | (0.007) | (0.012) | (0.011) |
| L.Log(Sales) | | -0.010 | | -0.097*** | | -0.066 |
| | | (0.019) | | (0.034) | | (0.040) |
| L.Leverage (LT Debt / Total Assets) | | -0.442*** | | -0.329** | | -0.852*** |
| | | (0.111) | | (0.144) | | (0.187) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 3,548 | 3,018 | 1,279 | 1,061 | 1,090 | 908 |
| Unique IDs | 462 | 413 | 156 | 143 | 154 | 132 |
| R2 | 0.2536 | 0.2272 | 0.2454 | 0.2186 | 0.2379 | 0.2354 |

**Panel C: Investment Dummy**

| | KOK | | KESK | | PS | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Abs. Dif. Econ. | -0.006* | -0.003 | -0.002 | -0.004 | -0.037*** | -0.034*** |
| | (0.003) | (0.003) | (0.007) | (0.007) | (0.008) | (0.009) |
| Abs. Dif. Soc. | -0.001 | -0.005 | -0.004 | 0.003 | 0.031*** | 0.034*** |
| | (0.004) | (0.004) | (0.007) | (0.008) | (0.010) | (0.011) |
| L.Log(Sales) | | 0.019 | | -0.063** | | -0.056* |
| | | (0.016) | | (0.028) | | (0.030) |
| L.Leverage (LT Debt / Total Assets) | | -0.261*** | | -0.261** | | -0.480*** |
| | | (0.077) | | (0.117) | | (0.150) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 3,548 | 3,018 | 1,279 | 1,061 | 1,090 | 908 |
| Unique IDs | 462 | 413 | 156 | 143 | 154 | 132 |
| R2 | 0.2421 | 0.2440 | 0.2096 | 0.2085 | 0.2187 | 0.2152 |

## Table 8
## PS Split Regressions

Regressions of various measures of investment on year dummies as well as variables indicating whether an entrepreneur was affiliated with the Finns Party (PS) in both the 2017 and 2021 elections (*PS pre- and post-split*, i.e. someone who very likely became misaligned in 2017), or in the 2021 or 2025 elections (*PS post-split*, i.e. someone who likely became misaligned but whose 2017 affiliation was unknown) or with another government party in 2017 (someone who did not become misaligned), as well as a *Post-Split* dummy that is equal to 1 in the years 2018 and 2019. *Investment Dummy (10 Pct.)* takes the value of 1 if fixed assets are more than 10% higher than in the previous year, *Investment (Pct.)* is the annual change in fixed assets and *Net Investment (Pct.)* is the annual change in fixed assets, adjusted for depreciation. The sample period is 2015-2019. We include both firm and year fixed effects, which subsume the *Post*-coefficient, the "split status" variables and the *Post-Split = 1 x Other Gov't Party*-interaction. Standard errors are clustered at the firm level. Significance levels: * 0.1, ** 0.05, *** 0.01.

| | Investment Dummy (>10 Pct.) | Investment (Pct.) | Net Investment (Pct.) |
|---|---|---|---|
| | (1) | (2) | (3) |
| Post-split=1 × PS post-split | -0.019 | 0.041 | 0.034 |
| | (0.063) | (0.062) | (0.080) |
| Post-split=1 × PS pre- and post-split | -0.035 | 0.063 | 0.059 |
| | (0.129) | (0.262) | (0.329) |
| Firm FE | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes |
| Obs. | 1051 | 1051 | 1051 |
| Unique IDs | 259 | 259 | 259 |
| R2 | 0.3780 | 0.3564 | 0.3756 |

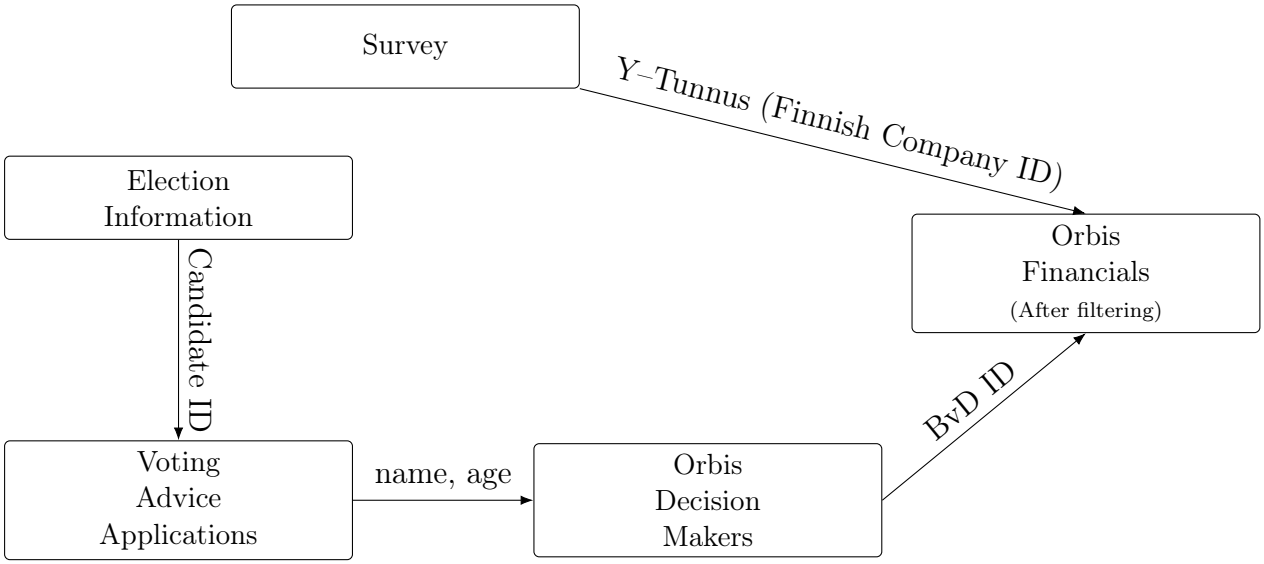
**Table 9**
**Hypothetical Government Experiment**

Regressions where the outcome variable is a 1-5 Likert scale answer to the questions *"Assume this government takes office in 2027: Is your forecast for the Finnish economy in 2030 better or worse than today?"* (Columns 1-2), "*Assume this government takes office in 2027: Is your forecast for your business in 2030 better or worse than today?*" (Columns 3-4) and "*Assume this government takes office in 2027: Would your company invest more in 2030 than today?*" (Columns 5-6) on the share of seats held by the entrepreneur's party in the randomized hypothetical government (*Seats in Gov't*) as well as ideological distance to that government (*Abs. Dif. Econ* and *Abs. Dif. Soc*). Significance levels: * 0.1, ** 0.05, *** 0.01.

| | General Expectations | | Egotropic Expectations | | Invest | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Seats in Govt | 4.626*** | 3.630*** | 3.408*** | 2.687*** | 2.607*** | 2.052*** |
| | (0.214) | (0.219) | (0.200) | (0.211) | (0.201) | (0.214) |
| Abs. Dif. Econ | | -0.103*** | | -0.066*** | | -0.047*** |
| | | (0.011) | | (0.011) | | (0.011) |
| Abs. Dif. Soc | | -0.075*** | | -0.062*** | | -0.053*** |
| | | (0.013) | | (0.013) | | (0.013) |
| Obs. | 1017 | 1017 | 995 | 995 | 873 | 873 |
| R2 | 0.3159 | 0.4024 | 0.2254 | 0.2821 | 0.1613 | 0.2016 |

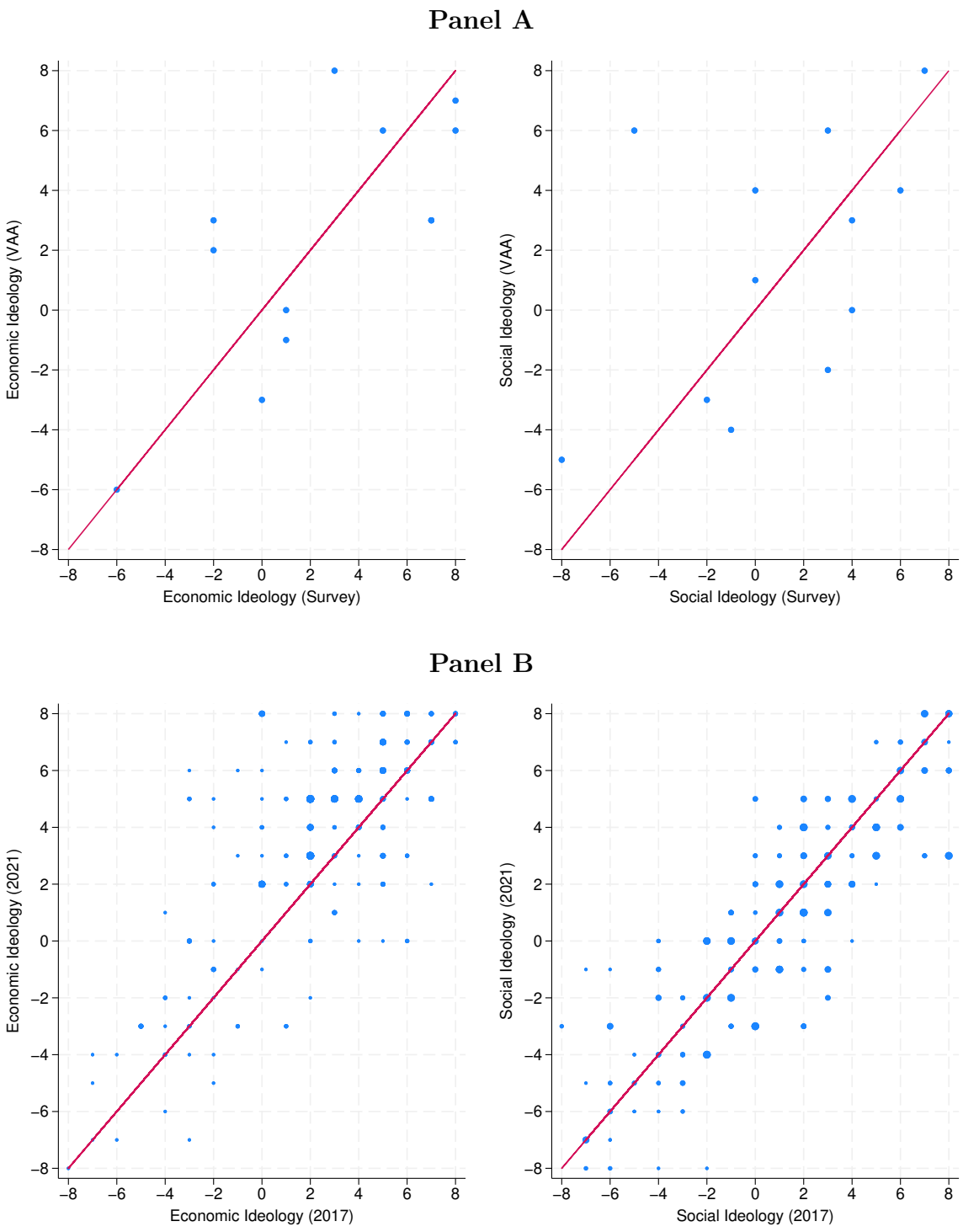
**Figure 1: Data-merging workflow**

The text in each box is a description of the data. The arrow denotes the direction of data linking, with the "target" box being the file into which data are merged. The text besides the arrow denotes the identifiers used to link each dataset.



## Figure 2: Ideological consistency

**Panel A:** Entrepreneurs' ideologies on the economic and social dimensions from the VAA data (latest available observation) and our survey (from 2025). Each blue dot denotes the ideological score of a respondent.
**Panel B:** Entrepreneurs' ideologies using VAA answers in 2017 and 2021 on the economic (left graph) and social (right graph) dimensions



## Figure 3: Political Alignment of Entrepreneurs

Economic and social alignments of entrepreneurs in the entrepreneur-politician sample (left panel) and survey sample (right panel), along with the weighted-average alignments of elected MPs from governing parties across the four national governments elected during our sample period (red dots with years). The axes represent economic and social views, each ranging from -8 (left-wing/liberal) to +8 (right-wing/conservative). Higher economic scores indicate more right-wing views, and higher social scores indicate more conservative views. The histograms below depict the distributions of economic views (left) and social views (right) within each sample

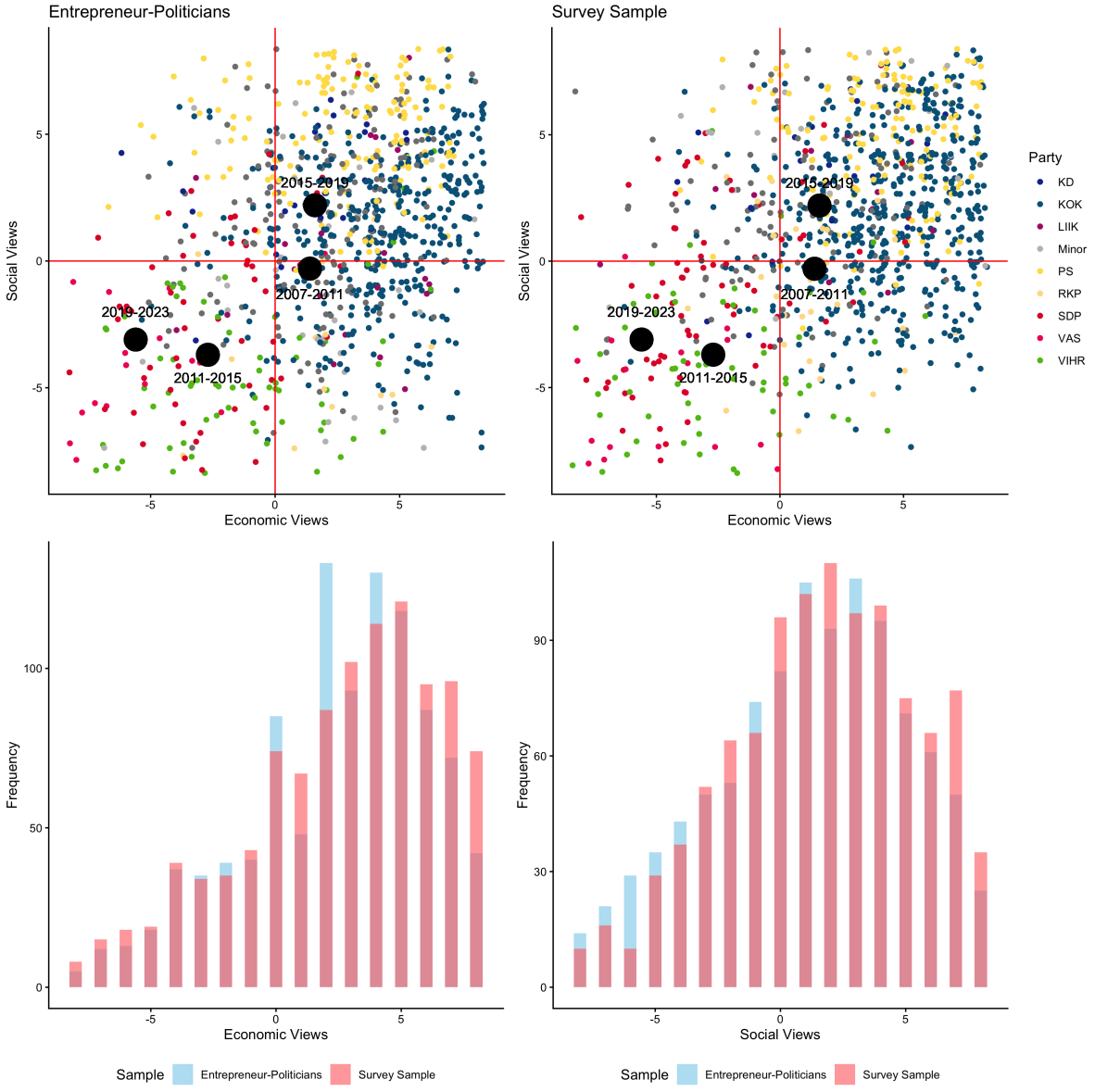
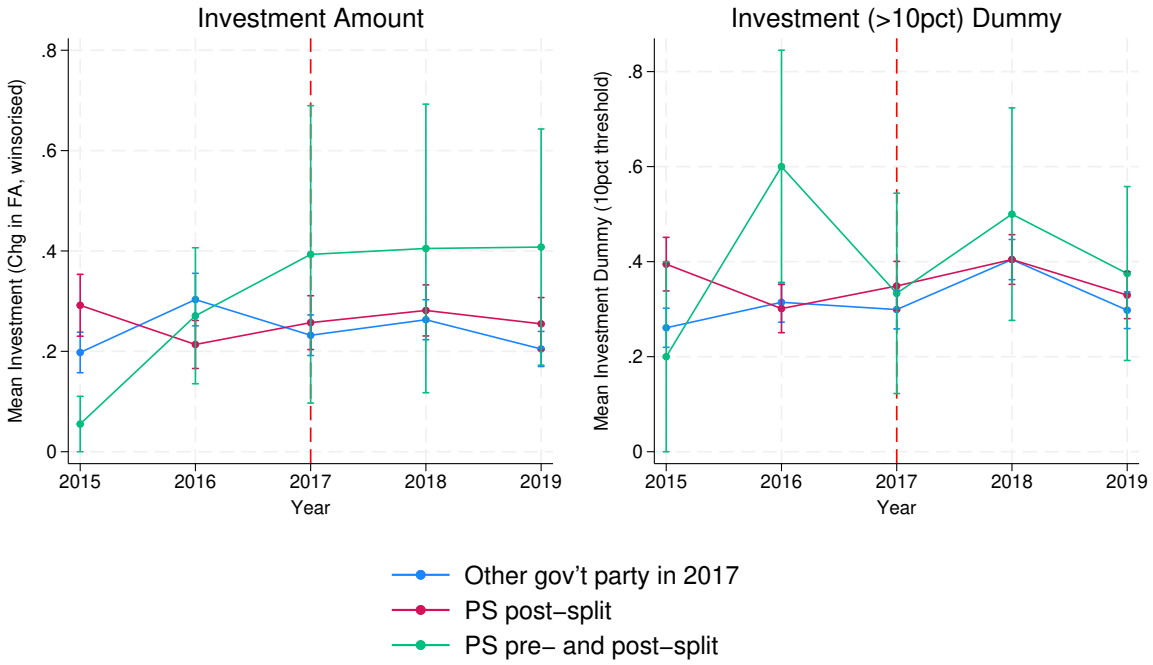


**Figure 4: PS Split: Investment by Year**

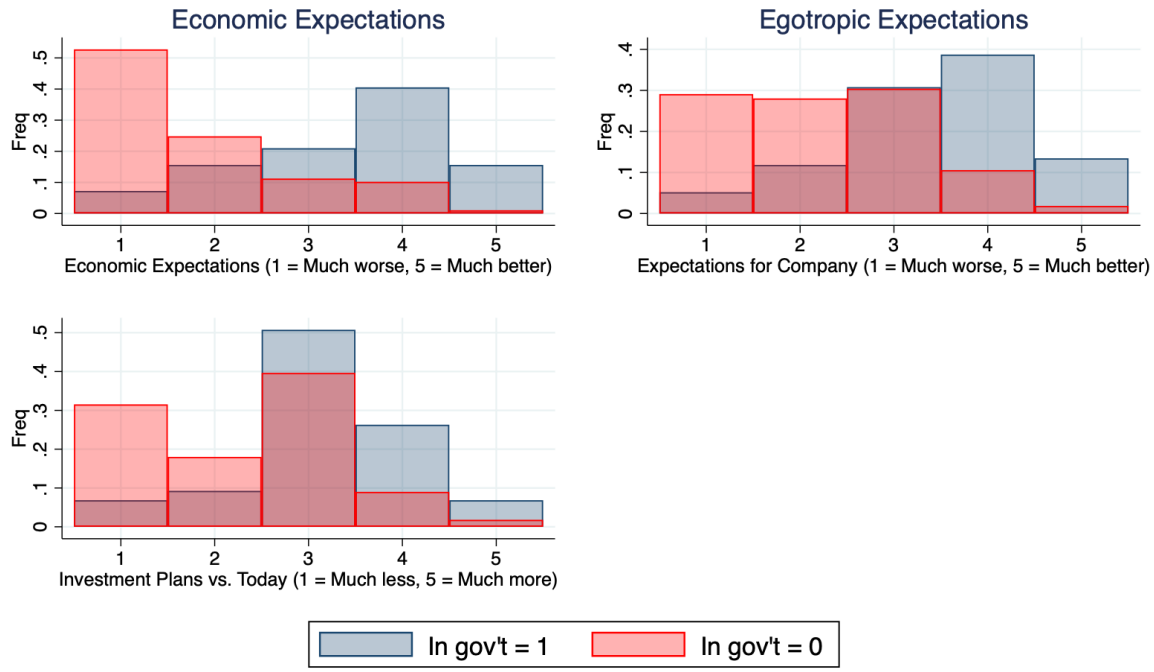
These graphs present yearly means for two measures of investment for firms differentially affected by the split of the Finns Party (PS). Left panel: winsorised (95% one-tailed) annual change in fixed assets. Right panel: share of firms whose fixed assets grow by more than 10% in a given year (dummy = 1). The blue line denotes the "control" group, entrepreneurs who ran for another party in the 2015-2019 coalition (KOK or KESK) in 2017 and 2021. The red line denotes the "probable treatment" group, entrepreneurs who were affiliated with PS in either 2021 (elections) or 2025 (our survey) but whose affiliation in 2017 is unknown. The green line represents most-likely affected entrepreneurs, those that ran as PS candidates in 2017 and 2021. This group consists of very few entrepreneurs.



## Figure 5: Hypothetical Government Experiment

**Panel A** plots the distribution of responses in our hypothetical government experiment by whether the respondent's preferred party was included in the government. Participants were presented with a randomized government (out of four possible options) and asked three questions. *Economic Expectations* is their response (1-5 Likert scale) to the question "Assuming this government is chosen in 2027: Is your outlook for the Finnish economy in 2030 worse or better compared to today?". *Expectations for Company* is the response (1-5 Likert scale) to the question "Assuming this government is chosen in 2027: Is your outlook for your own company in 2030 worse or better compared to today?" and *Investment Plans* is their response to the question "Assuming this government is chosen in 2027: Would your company invest more in 2027 than this year?"
**Panel B** presents binned scatterplots showing the correlation of responses to the same questions with their economic distance (absolute value) from the hypothetical government.

### Panel A




### Panel B

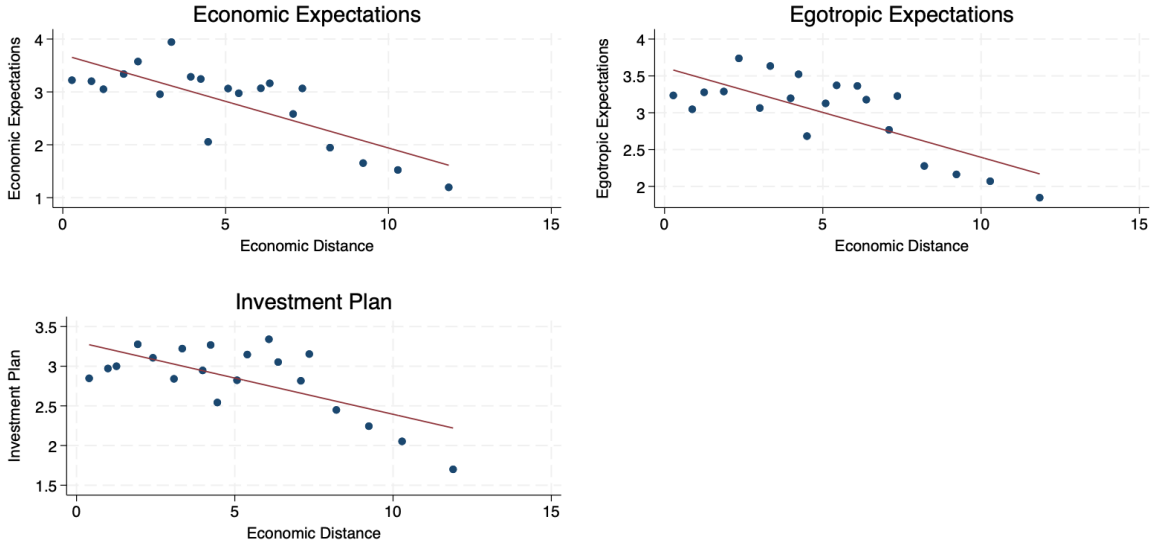
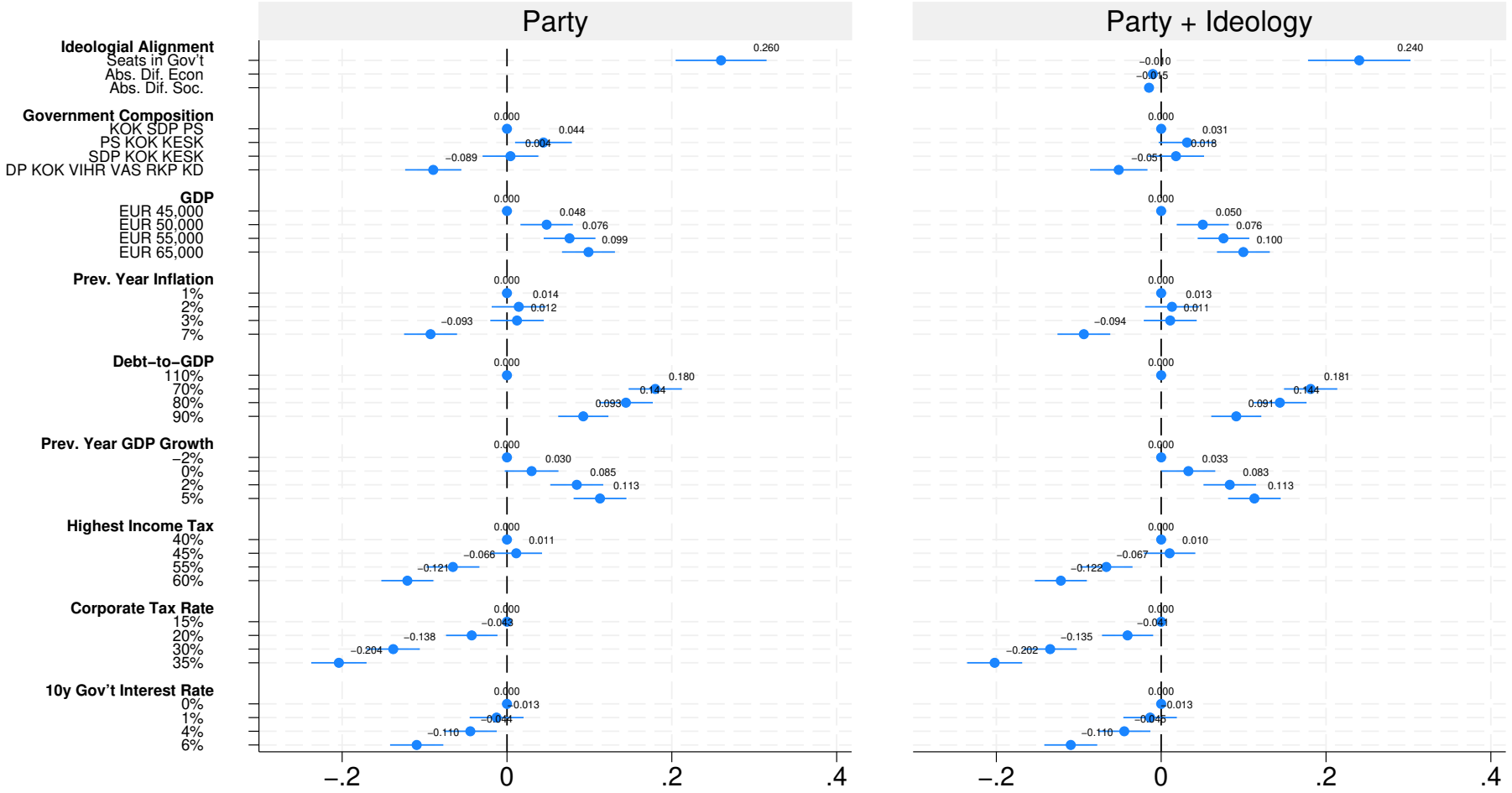


**Figure 6: Conjoint Experiment (Coefficients)**

Coefficient plot presenting Average Marginal Component Effects (AMCEs) with their corresponding 95 percent confidence intervals for each attribute level in the conjoint design. The left panel includes only the share of seats held by the party of the entrepreneur in the hypothetical government whereas the right panel also controls for ideological distance. The outcome variable in the linear regression is a dummy indicating whether a choice was made. The first three coefficients (*Seats in Gov't, Econ. Dif. Abs.*, and *Soc. Dif. Abs.*) represent measures of ideological alignment based on the hypothetical government scenarios presented (i.e. they were calculated based on the government and not included in the attribute set). The regression includes respondent and task fixed effects, with standard errors clustered by respondent.



# Internet Appendix

# I.A.1 Institutional Setting: Elections in Finland

The "entrepreneur-politician" sample for our paper consists of entrepreneurs who run for municipal office in Finland. Finland consists of 309 municipalities each of which elects 13 to 79 councillors every 4 years. This means that municipal elections are contested by a large number of candidates, with 35627 candidates running in 2021 out of a population of 5.5 million. We are able to identify a relatively large number of candidates who operate their own businesses.

There are 5 types of elections in Finland: Presidential elections, elections to the European Parliament, parliamentary elections, municipal elections and county elections (a county is a larger political unit than a municipality). County elections were not organized prior to 2022 and thus do not feature in our sample. In terms of their impact on domestic economic policies, parliamentary elections tend to be where the direction of the country is decided. In Finland, the president is the commander-in-chief of the army and partly responsible for foreign policy, but parliament is responsible for domestic policy.

Our sample starts in 2010 (so we have investment data starting in 2011) and ends at the end of 2022 (due to data availability). During this time period, Finland experienced three parliamentary elections (in 2011, 2015 and 2019) and three municipal elections (in 2012, 2017 and 2021). As we measure alignment as the difference between the entrepreneur and the national government, this means that we have three changes of government which generate variation in alignment that is unrelated to entrepreneur characteristics.

Almost all political parties in Finland with seats in parliament spent some time in government in our sample period. The parties that had MPs elected into office are listed below:

- the National Coalition (Kokoomus / KOK). One of the major parties with around 20% of the vote, center-right party with a roughly even split of liberal and conservative MPs. In government 2007-2019. Economic ideology based on MPs elected

in 2019: 3.05. Social ideology based on MPs elected in 2019: 0.03

- the Social Democratic Party (SDP). One of the major parties with around 20% of the vote, center-left party that is generally socially liberal. In government 2011-2015 and 2019-2023. Economic ideology in 2019: -5.92. Social ideology in 2019: -3.10

- the Finns Party (formerly True Finns) (Perussuomalaiset / PS). One of the major parties with around 20% of the vote, an anti-immigration party that is socially conservative and economically centrist. In government 2015-2017 (the party split in 2017 with most MPs staying in government until 2019 under a new party). Economic ideology in 2019: 0.16. Social ideology in 2019: 5.53

- the Centre Party (Keskusta / KESK). Formerly a major party, now polling at around 10%. Both economically and socially centrist. In government from 2007-2011 and 2015-2023. Economic ideology in 2019: -1.23. Social ideology in 2019: 1.32

- the Green League (Vihreät / VIHR). Polling around 10% through most of the sample. Economically left-wing and socially liberal. Used to be seen as economically more centrist. In government from 2007-2015 and 2019-2023. Economic ideology in 2019: -4.89. Social ideology in 2019: -6.48

- the Left Alliance (Vasemmistoliitto, VAS). Polling around 7-9% through most of the sample. Economically very left-wing and socially liberal. In government from 2011-2015 and 2019-2023. Economic ideology in 2019: -7.53. Social ideology in 2019: -5.53

- the Swedish People's Party (RKP). Polling around 4% through most of the sample. Seen as ideologically flexible other than on the issue of Swedish speakers' rights in Finland. In government from 2007-2015 and 2019-2023. Economic ideology in 2019: -1.63. Social ideology in 2019: -4.75

- the Christian Democrats (Kristillisdemokraatit / KD). Polling around 4% through most of the sample. Economically centrist or moderately right-wing and socially conservative. In government from 2011-2015. Economic ideology in 2019: -1.4. Social ideology in 2019: 4.40

- Movement Now (Liike Nyt / LIIK). Polling around 2%. Political party started by a former National Coalition MP, who became its only MP (re-elected twice under the Movement Now label). Ideologically seen as right-wing without a clear social ideology. Never in government. Economic ideology in 2019: 2. Social ideology in 2019: -3

- In addition, the autonomous region of Aland elects a representative. In our sample period, this representative has been an unofficial member of the Swedish People's Party during the entire sample. There are also cases of parties splitting up, with the most notable example being the split of the Finns Party in 2017 into Blue Reform (SIN) which remained in government and the remaining MPs, who moved into opposition. Blue Reform failed to win any seats in the 2019 parliamentary elections

Our sample covers one year of the Vanhanen II government that spanned the years 2007-2011, and was relatively economically right-wing, with the Centre Party (KESK) and National Coalition (KOK) holding almost the same number of seats. The government elected in 2011 was a broad coalition with little ideological consistency. It included all parties with elected MPs other than the Centre Party (KESK) and the Finns Party (PS). In 2015, the Centre Party had the largest vote share and a right-wing / moderately socially conservative government of the Centre Party, National Coalition (KOK) and the Finns was formed. In 2019, the Social Democratic Party narrowly won an election and formed a left-wing and socially liberal government with the Centre Party, Left Alliance (Vas), Green League (VIHR) and Swedish People's Party (RKP).

Most entrepreneurs in our sample tend to affiliate with the National Coalition, Centre

Party or the Finns. Figure 3 presents the alignment of entrepreneurs as well as the 3 national governments during our sample period.

## I.A.2 Additional Facts about Party Alignment

In this section, we present additional facts about party alignment during our sample period.

Figure I.A.1 presents scatterplots showing the ideological alignments of all elected MPs during our sample period, with the parties serving in government being circled.

Figure I.A.2 shows how the split of the Finns Party (PS) in 2017 affected the average ideology of the government. Members of PS who moved to the new Blue Reform (SIN) party that remained in government are presented in dark blue in the second graph.

**Figure I.A.1: Government Alignments During the Sample Period**

These graphs present the economic and social alignments of each MP in our sample period. The year refers to the year of the parliamentary election. Circles denote parties in government. The circles cover 75% of each party's MPs, giving a measure of the ideological range of each party. The size of the circle refers to ideological range, not the number of MPs per party. Both the social views and economic views axes have possible values ranging from -8 to 8. A higher economic view score denotes more right-wing views and a higher social views score denotes more conservative views. Note that the dots for 2007 and 2011 represent MPs from 2015 (as we do not have individual-level ideological data in 2007 or 2011), but the circled parties represent the governments in 2007 and 2011.

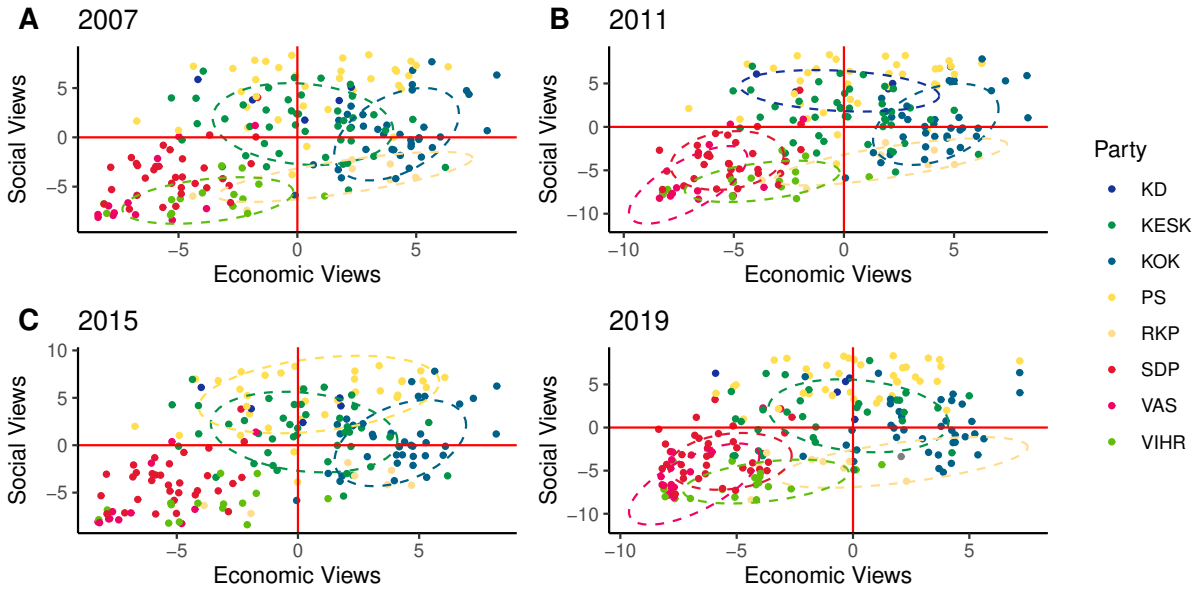
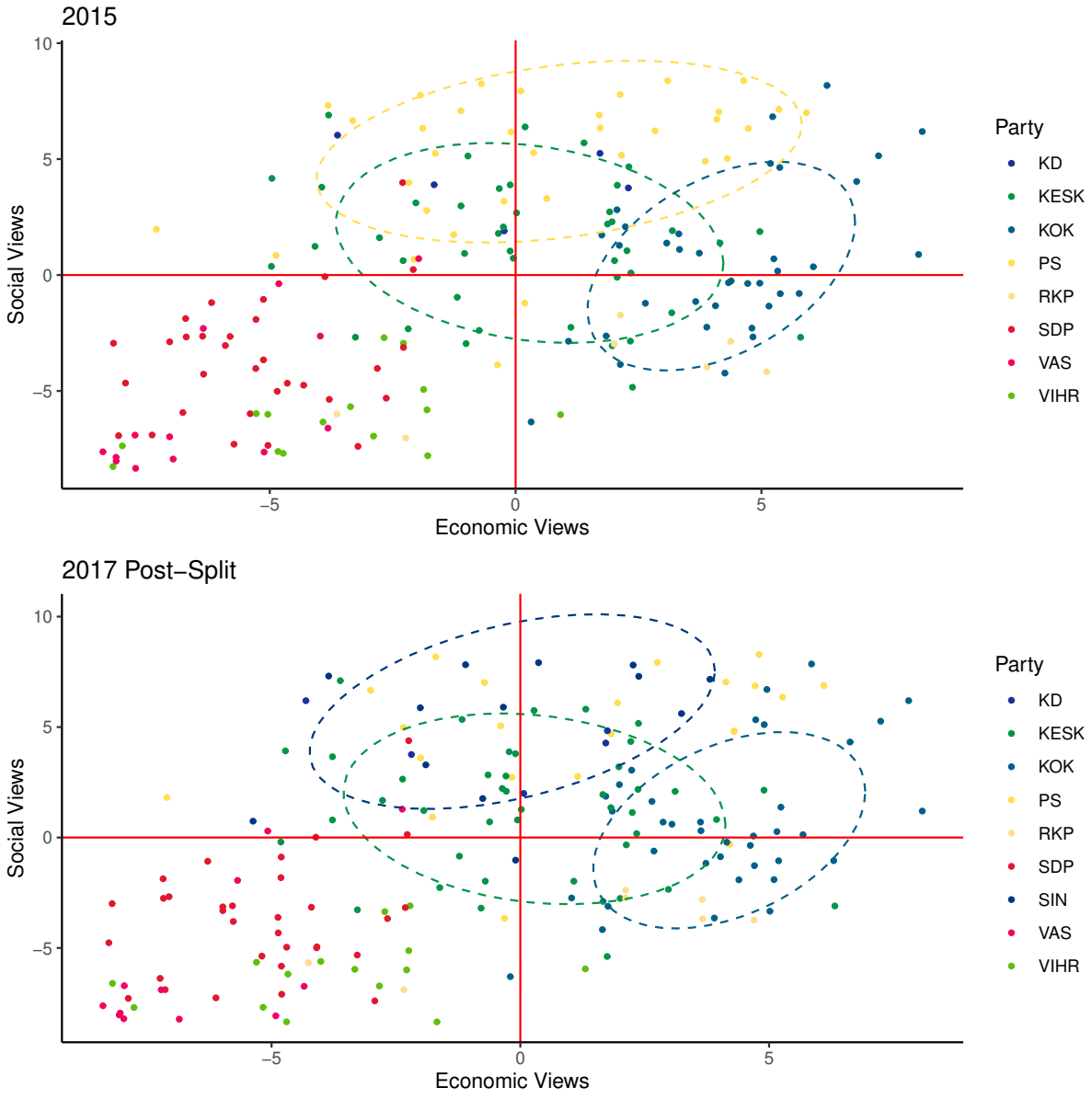


**Figure I.A.2: Government Alignment After the PS Split**

These graphs present the economic and social alignments of each MP in 2015 and in 2017, after the Finns Party split in half. PS denotes those MPs that stuck with the Finns Party whereas SIN denotes those that formed the new Blue Reform party (which remained in government). Circles denote parties in government. The circles cover 75% of each party's MPs, giving a measure of the ideological range of each party. The size of the circle refers to ideological range, not the number of MPs per party. Both the social views and economic views axes have possible values ranging from -8 to 8. A higher economic view score denotes more right-wing views and a higher social views score denotes more conservative views.

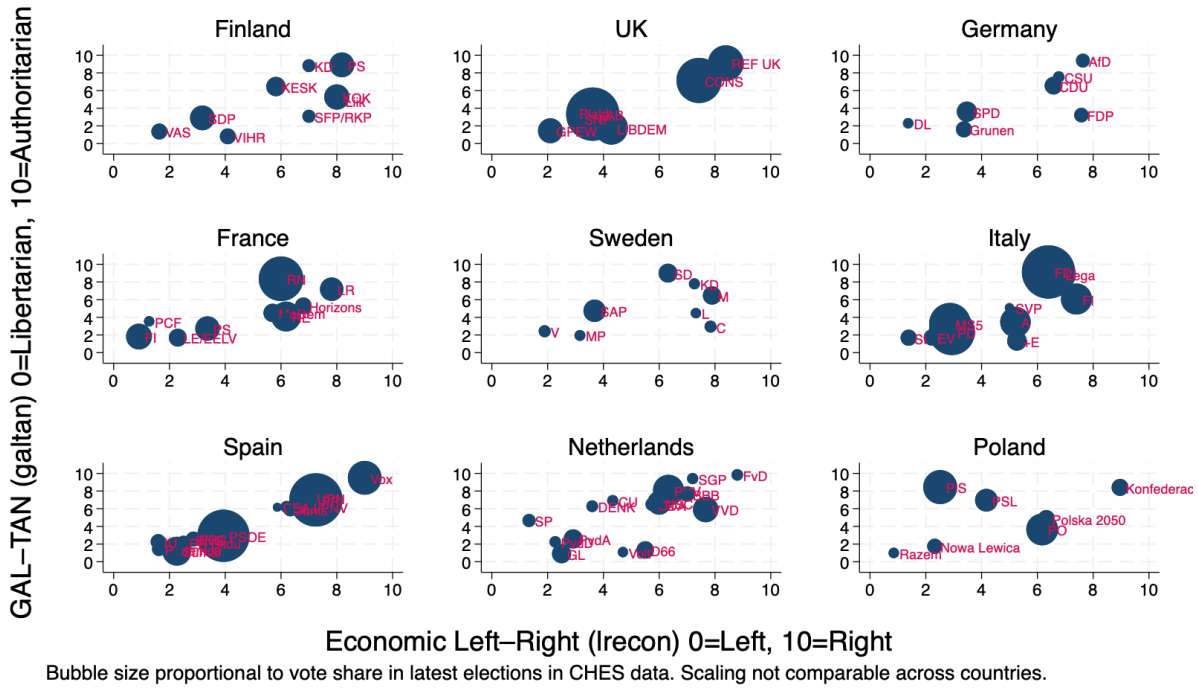


## I.A.3 Comparison of Finnish politics to other European countries

In this section, we present scatter plots of the ideological positions of parties in parliament in several European countries using Chapel Hill Expert Survey (CHES) data [Rovny et al., 2025]. The CHES is a survey of political scientists in European countries asking them to place the political parties in their countries on various ideological spectra.

**Figure I.A.3: European party ideological positions**

The graph below plots the ideological positions on the left-right economic and GAL-TAN green/liberal - authoritarian axes for parties represented in parliament for a selection of European countries. Data come from the Chapel Hill Expert Survey (CHES) [Rovny et al., 2025]. The size of each bubble is based on the vote share of the party in the most recent parliamentary elections as of the 2024 vintage of the CHES (bubble sizes not comparable across countries).



# I.A.4 Full Sample Summary Statistics

The table below presents summary statistics for the full sample of firm-years before dropping firms with below-median fixed assets.

**Table I.A.1**
**Full Sample Summary Statistics**

Summary statistics at the firm-year level on several key variables used in our analyses. The first three columns present summary statistics for the pooled sample, the next three for entrepreneurs running in municipal elections in 2017 or 2021 and the final three for respondents to our survey.

| | Full sample | | | Entrepreneur-Politicians | | | Survey | | |
|---|---|---|---|---|---|---|---|---|---|
| | Mean | SD | N | Mean | SD | N | Mean | SD | N |
| **Political** | | | | | | | | | |
| Economic Ideology | 2.608 | 3.500 | 16,147 | 2.318 | 3.495 | 11,071 | 3.189 | 3.454 | 5,165 |
| Social Ideology | 1.596 | 3.702 | 16,147 | 1.363 | 3.794 | 11,071 | 2.094 | 3.445 | 5,165 |
| Abs. Dif. Econ. | 5.237 | 3.507 | 16,147 | 5.062 | 3.463 | 11,071 | 5.597 | 3.569 | 5,165 |
| Abs. Dif. Soc. | 4.375 | 2.966 | 16,147 | 4.328 | 2.936 | 11,071 | 4.475 | 3.029 | 5,165 |
| Seats in Gov't | 0.188 | 0.165 | 16,147 | 0.186 | 0.165 | 11,071 | 0.193 | 0.164 | 5,165 |
| **Firm Info** | | | | | | | | | |
| Sales (EUR 000) | 1,004.854 | 4,087.958 | 15,803 | 1,035.872 | 4,777.947 | 10,820 | 931.638 | 1,838.316 | 5,072 |
| Total Assets (EUR 000) | 650.109 | 2,705.956 | 16,050 | 683.967 | 3,185.870 | 10,998 | 576.912 | 1,076.652 | 5,141 |
| Fixed Assets (EUR 000) | 287.675 | 1,657.843 | 16,024 | 319.663 | 1,964.583 | 10,978 | 217.156 | 566.395 | 5,135 |
| Leverage (LT Debt / Total Assets) | 0.387 | 18.931 | 15,363 | 0.505 | 22.919 | 10,481 | 0.135 | 0.286 | 4,965 |
| Investment Dummy | 0.334 | 0.472 | 12,162 | 0.326 | 0.469 | 8,054 | 0.349 | 0.477 | 4,186 |
| Investment Dummy (10pct threshold) | 0.257 | 0.437 | 12,162 | 0.252 | 0.434 | 8,054 | 0.267 | 0.443 | 4,186 |
| Net Investment Dummy | 0.618 | 0.486 | 12,162 | 0.594 | 0.491 | 8,054 | 0.666 | 0.472 | 4,186 |
| Investment (Chg in FA, winsorised) | 0.206 | 0.468 | 12,162 | 0.207 | 0.473 | 8,054 | 0.203 | 0.458 | 4,186 |
| Net investment (Fixed Assets, winsorized) | 0.346 | 0.627 | 12,162 | 0.343 | 0.631 | 8,054 | 0.352 | 0.619 | 4,186 |
| **Political Affiliation** | | | | | | | | | |
| Christian Democrat (KD) | 0.024 | 0.153 | 16,147 | 0.028 | 0.166 | 11,071 | 0.014 | 0.116 | 5,165 |
| Centre Party (KESK) | 0.155 | 0.362 | 16,147 | 0.178 | 0.383 | 11,071 | 0.106 | 0.308 | 5,165 |
| National Coalition (KOK) | 0.481 | 0.500 | 16,147 | 0.448 | 0.497 | 11,071 | 0.547 | 0.498 | 5,165 |
| Movement Now (LIIK) | 0.021 | 0.142 | 16,147 | 0.026 | 0.160 | 11,071 | 0.009 | 0.092 | 5,165 |
| Minor Parties | 0.022 | 0.147 | 16,147 | 0.027 | 0.162 | 11,071 | 0.012 | 0.107 | 5,165 |
| The Finns (PS) | 0.161 | 0.368 | 16,147 | 0.153 | 0.360 | 11,071 | 0.179 | 0.383 | 5,165 |
| Swedish People's Party (RKP) | 0.016 | 0.127 | 16,147 | 0.011 | 0.106 | 11,071 | 0.027 | 0.161 | 5,165 |
| Social Democrat (SDP) | 0.050 | 0.217 | 16,147 | 0.047 | 0.212 | 11,071 | 0.057 | 0.231 | 5,165 |
| Left Alliance (Vas) | 0.016 | 0.125 | 16,147 | 0.018 | 0.132 | 11,071 | 0.012 | 0.109 | 5,165 |
| Green League (VIHR) | 0.054 | 0.226 | 16,147 | 0.063 | 0.243 | 11,071 | 0.039 | 0.193 | 5,165 |

## I.A.5 Alternative Specifications

In this section, we present the results of regressions with different sample selection criteria as well as alternative variable definitions.

In Figure I.A.4, we show that our results are broadly unaffected by the cutoff of each firm-year needing a minimum of 32k euros in fixed assets and are robust to cutoffs above that value. However, when firm-years below 10k or so euros are included in the regressions, most of our coefficients of interest are no longer significant and tend towards zero. We also show that adjusting the clustering of our standard errors from party-year to firm or to no clustering does not have an impact on our results.

The first graph in each row only includes the party-alignment dummy. The second graph includes party alignment, economic distance, social distance and the elected dummy (last two unreported) whereas the third graph in each row adds the affect towards governing parties variable.

We then show that our main results (in the full sample) are robust to two alternative measures of investment, namely the log change in fixed assets ($\frac{FA_t}{FA_{t-1}}$) and the log change in total assets ($\frac{TA_t}{TA_{t-1}}$). These can be seen in Table I.A.2 columns 1-4. We see that the seat share of the entrepreneur's party is associated with higher investment, but that this is no longer the case after economic ideological distance is controlled for. Instead, economic ideological distance is negatively associated with investment.

We also show that our results are robust to measuring partisan alignment with a dummy that takes the value of 1 if the entrepreneur's preferred party is in the governing coalition. These results are presented in Table I.A.2 columns 5-10. The dummy is positively associated with all measures of investment other than the dummy, and loses significance when economic distance is controlled for.

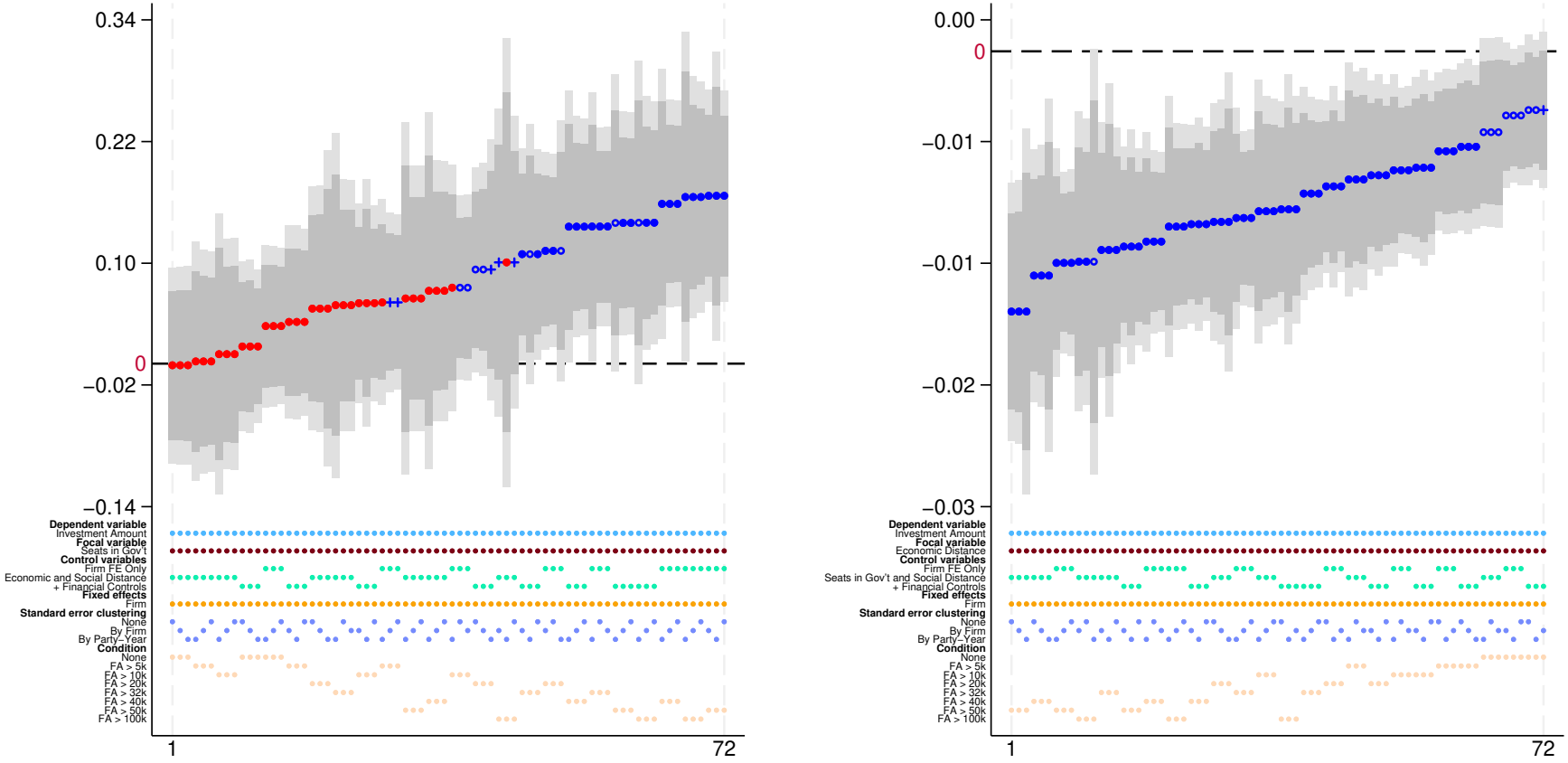
Finally, in Table I.A.3, we show that our main results from Table 5 do not change much if we restrict the sample in columns 1-2, 4-5 and 7-8 to firms for whom all control variables

are available.

# Figure I.A.4: Alternative specifications

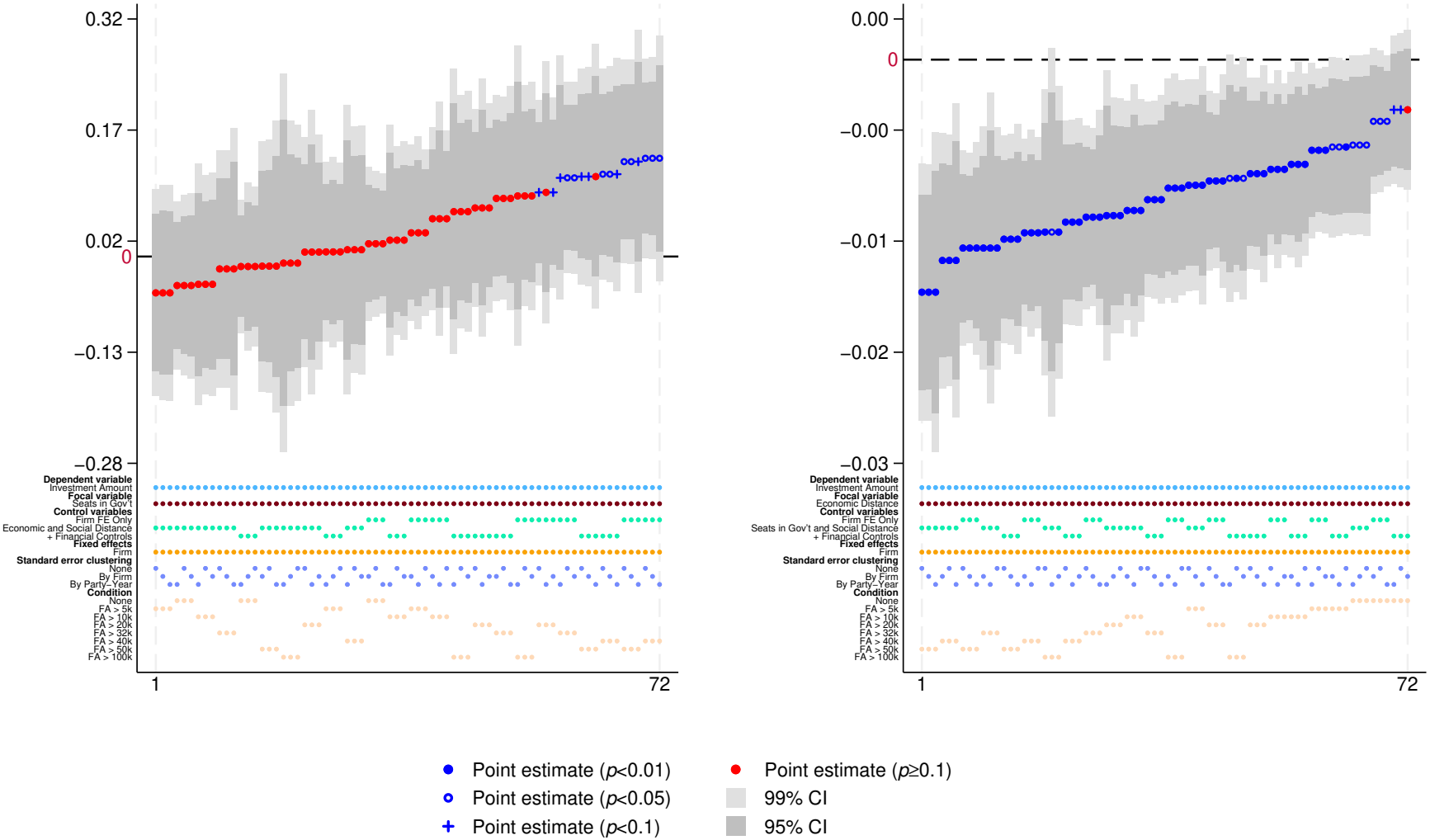
In these specification curves, we present the regression coefficients from Table 5 under alternative specifications. The graphs on the left show the coefficient on the *Seats in Gov't* variable whereas the graphs on the right present the coefficient of the *Abs. Dif. Econ.* variable. The outcome variable in **Panels A-C** is the percentage change in fixed assets (*Investment percent*) or 0 if the change is less than 0 (winsorized, 95% one-tailed), a dummy indicating 1 if the amount invested is greater than 0 in **Panels D-F** and *net investment* (change in fixed assets adjusted for depreciation) in **Panels G-I**. In these regression, we vary whether economic and social distance are controlled for (in the left panel) and whether seats in government is controlled for (right panel), the level of clustering (none, firm and party-year) as well as the minimum fixed assets in a firm-year to be included in the sample. A red dot signifies an insignificant regression coefficient whereas the blue crosses denote estimates significant at the 10% level, blue circles estimates at the 5% level and blue dots estiamtes significant at the 1% level. The gray bars denote 95% and 99% confidence intervals.

## (a) Panel A - Investment percent, Full sample



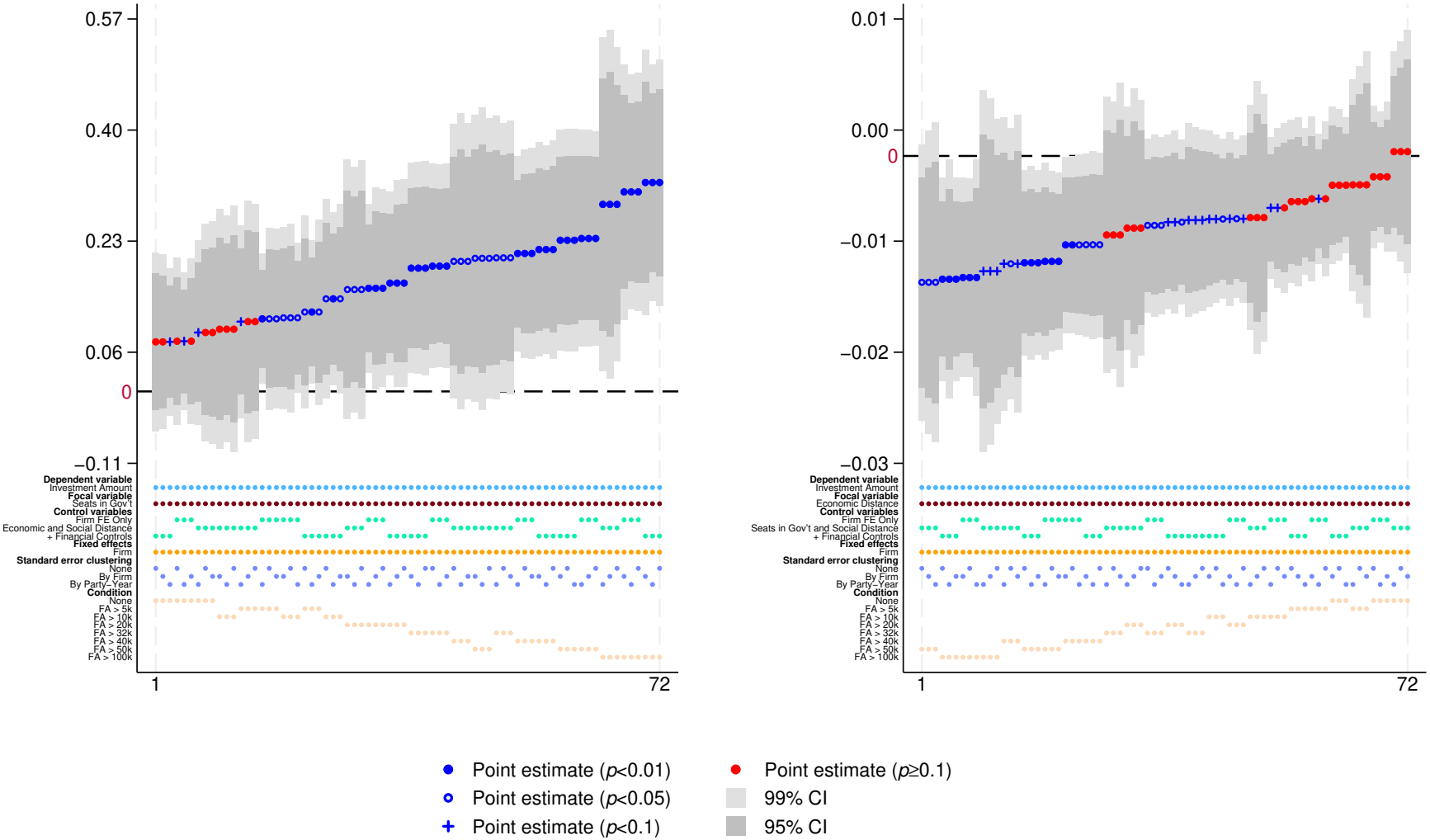
Continued

**(b) Panel B - Investment percent, Entrepreneur-politicians**



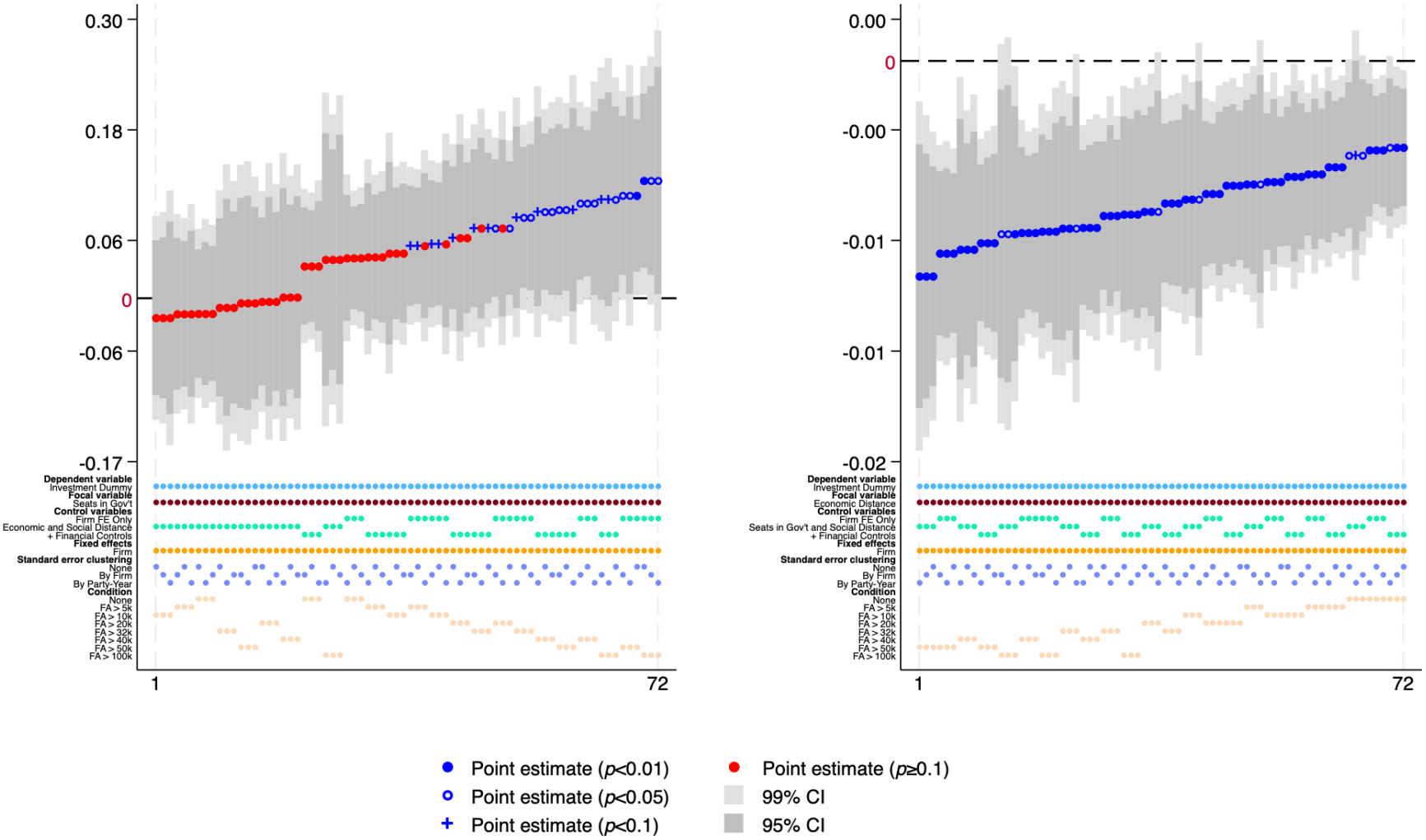
Continued

**(c) Panel C - Investment percent, Survey sample**



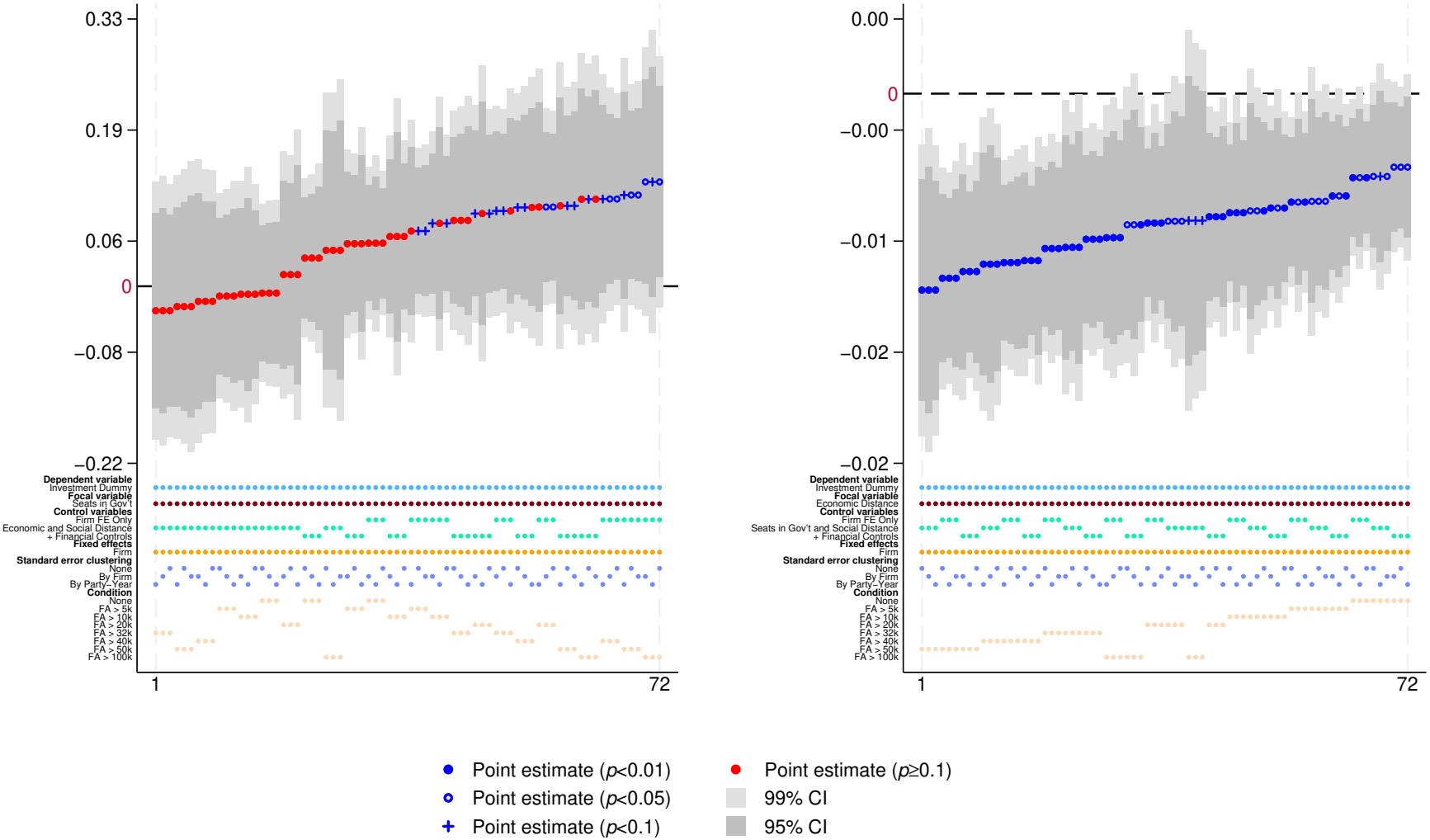
Continued

**(d) Panel D - Investment dummy, Full sample**



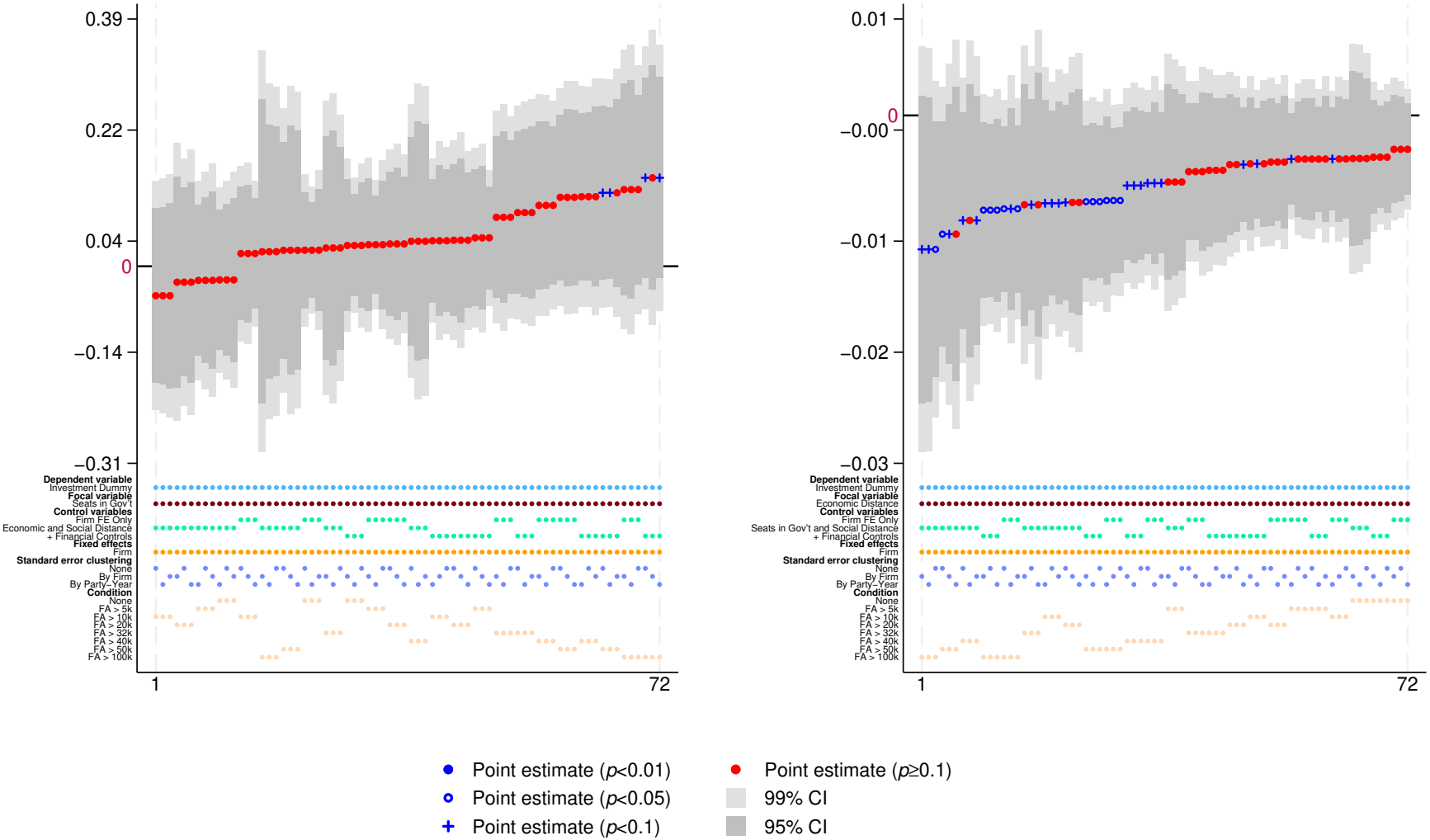
Continued

**(e) Panel E - Investment dummy, Entrepreneur-politicians**



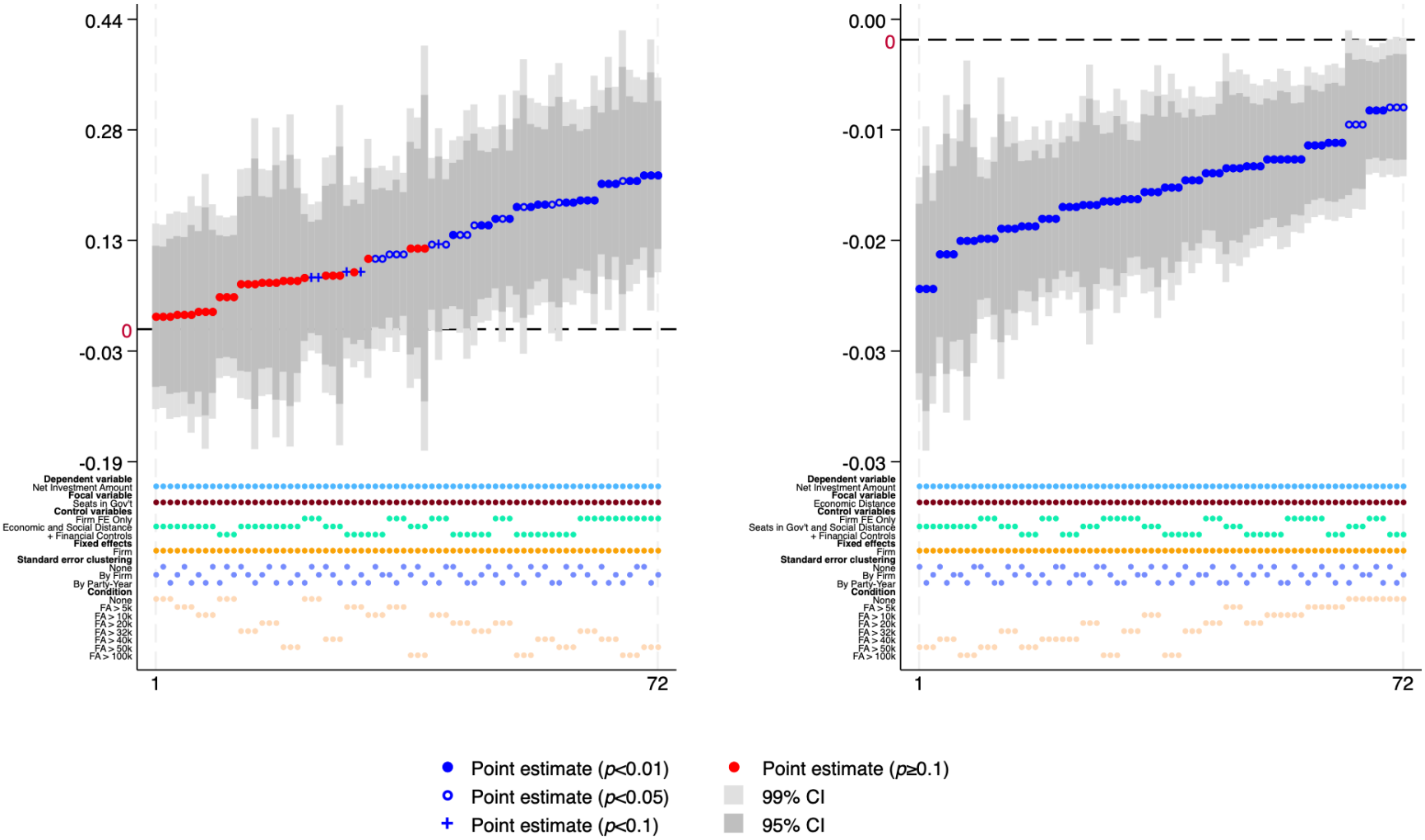
Continued

**(f) Panel F - Investment dummy, Survey sample**



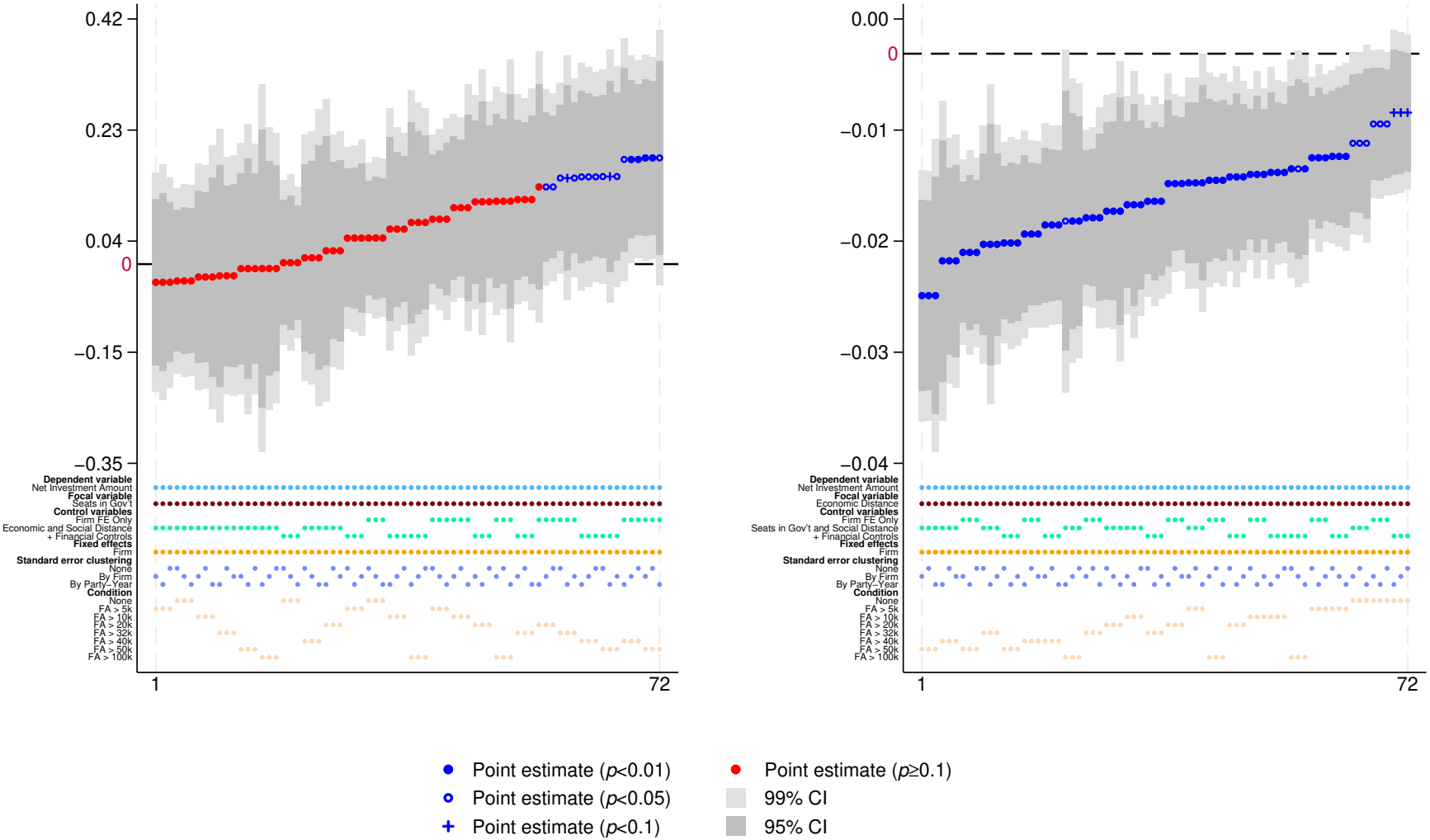
Continued

**(g) Panel G - Net investment pct, Full sample**



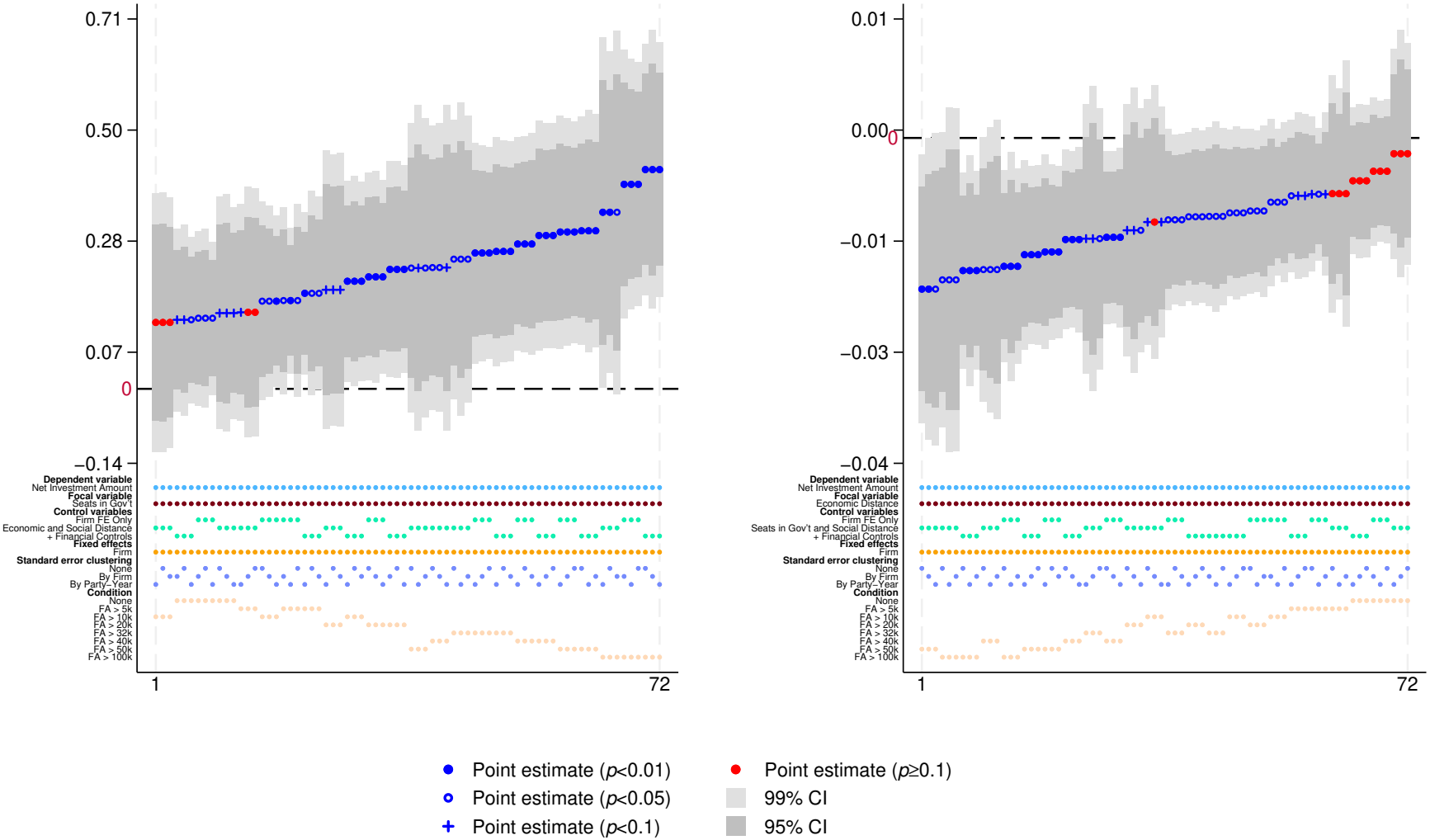
Continued

**(h) Panel H - Net investment pct, Entrepreneur-politicians**



Continued

**(i) Panel I - Net investment pct, Survey sample**



## Table I.A.2
## Alternative specifications

Regression results of alternative specifications. In column 1, the outcome variable is the change in fixed assets ($ln\frac{FixedAssets_t}{FixedAssets_{t-1}}$) in columns 1-2, the change in total assets ($ln\frac{TotalAssets_t}{TotalAssets_{t-1}}$) in columns 3-4, a dummy that takes the value of 1 if fixed assets are >10% more than in the previous year and 0 otherwise (*Investment >10% Dummy)* in columns 5-6, the change in fixed assets if it is greater than 0 and 0 otherwise (*Inv. Pct)* in columns 7-8 and the change in fixed assets adjusted for depreciation (if greater than 0, otherwise 0, *Net Inv. Pct)* in columns 9-10. The outcome variables in columns 7-10 are winsorized at the 95th percentile, one-tailed. The outcome variables in columns 1-4 are not winsorized. The sample consists of both the VAA and survey samples.

| | Log(Chg FA) | | Log(Chg TA) | | Inv. (>10pct) Dummy | | Inv. Pct | | Net Inv. Pct | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Seats in Gov't | 0.200*** | 0.113 | 0.121*** | 0.026 | | | | | | |
| | (0.062) | (0.082) | (0.041) | (0.048) | | | | | | |
| Party in Gov't (Dummy) | | | | | 0.020 | -0.013 | 0.033* | 0.005 | 0.046** | 0.004 |
| | | | | | (0.016) | (0.019) | (0.017) | (0.021) | (0.023) | (0.029) |
| Abs. Dif. Econ. | | -0.014*** | | -0.011*** | | -0.009*** | | -0.012*** | | -0.017*** |
| | | (0.004) | | (0.003) | | (0.003) | | (0.003) | | (0.005) |
| Abs. Dif. Soc. | | 0.011*** | | 0.006** | | 0.000 | | 0.007** | | 0.009** |
| | | (0.003) | | (0.002) | | (0.003) | | (0.003) | | (0.004) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 6,925 | 6,925 | 6,959 | 6,959 | 6,925 | 6,925 | 6,925 | 6,925 | 6,925 | 6,925 |
| Unique IDs | 931 | 931 | 937 | 937 | 931 | 931 | 931 | 931 | 931 | 931 |
| R2 | 0.2159 | 0.2187 | 0.2254 | 0.2296 | 0.2238 | 0.2256 | 0.2296 | 0.2324 | 0.2521 | 0.2552 |

## Table I.A.3
## Constant Sample

Regression from Table 5 with a "constant sample", i.e. re-running all regressions with the same firms instead of letting the sample size vary depending on whether data on all variables are available.

| | Inv. >10 Pct. Dummy | | | Inv. Pct. | | | Inv. Gross | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Seats in Gov't | 0.032 | -0.047 | -0.040 | 0.021 | -0.025 | -0.018 | 0.038 | -0.037 | -0.027 |
| | (0.043) | (0.051) | (0.053) | (0.034) | (0.042) | (0.044) | (0.046) | (0.060) | (0.062) |
| Abs. Dif. Econ. | | -0.005* | -0.007** | | -0.004 | -0.005* | | -0.007* | -0.009** |
| | | (0.003) | (0.003) | | (0.003) | (0.003) | | (0.004) | (0.004) |
| Abs. Dif. Soc. | | -0.002 | -0.001 | | 0.001 | 0.002 | | 0.002 | 0.004 |
| | | (0.003) | (0.003) | | (0.003) | (0.003) | | (0.003) | (0.003) |
| L.Log(Sales) | | | -0.011 | | | -0.022** | | | -0.029** |
| | | | (0.012) | | | (0.010) | | | (0.013) |
| L.Leverage (LT Debt / Total Assets) | | | -0.254*** | | | -0.292*** | | | -0.423*** |
| | | | (0.041) | | | (0.044) | | | (0.054) |
| Firm FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Obs. | 5,791 | 5,791 | 5,791 | 5,791 | 5,791 | 5,791 | 5,791 | 5,791 | 5,791 |
| Unique IDs | 817 | 817 | 817 | 817 | 817 | 817 | 817 | 817 | 817 |
| R2 | 0.2135 | 0.2145 | 0.2201 | 0.1785 | 0.1791 | 0.1905 | 0.2115 | 0.2125 | 0.2261 |