Political Experience of Directors and Policy Uncertainty: Evidence from Corporate Investments

Demian Berchtold[*]
demian.berchtold@ifm.unibe.ch
University of Bern

Blake Bowler[**]
bowler_bd@mercer.edu
Mercer University

Zhe Li[†]
zl4@usi.edu
University of Southern Indiana

Jiri Tresl[‡]
jtresl@mail.uni-mannheim.de
University of Mannheim

[*] Institute for Financial Management, University of Bern. Engehaldenstrasse 4, CH-3012 Bern, Switzerland. Telephone: (+41) 31 684 37 75. E-mail: demian.berchtold@ifm.unibe.ch

[**] Stetson-Hatcher School of Business, Mercer University, 1501 Mercer University Dr, Macon, GA 31207, USA. Telephone: (+1) 478-301-2168. E-mail: bowler_bd@mercer.edu

[†] Romain College of Business, University of Southern Indiana, Evansville, IN 47712, USA. Telephone: (+1) 812 464 1719. E-mail: zli4@usi.edu

[‡] Business School, University of Mannheim, Germany; 68161 Mannheim, Germany. Telephone: (+49) 0621-181-1516; E-mail: jtresl@mail.uni-mannheim.de

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ABSTRACT

This paper explores whether directors' political experience assists firms in navigating through policy uncertainty when making investment decisions. Prior research shows that policy uncertainty results in a decline in corporate investments. We find that these declines attenuate by 49% when companies have politically experienced board members. We also find the effect is driven by directors whose political experience comes from serving on presidential advisory committees. Consistent with the theoretical channel suggested by Pastor and Veronesi (2013), we find that appointments of these directors yield higher abnormal announcement returns during periods of high policy uncertainty, suggesting a decrease in the required political risk premium. We employ mandatory retirements of these directors in an instrumental variable setting to address endogeneity. Cross-sectional tests reveal stronger results for firms exposed to investment irreversibility and firms with more presidential committee insights available to the CEO. Our results are also not driven by government sales or CEO overconfidence. At the macroeconomic level, we do not find that firms with politically experienced directors via presidential committees depress investments in non-experienced peer firms. Also, directors with presidential committee experience are less likely to provide their political insights to firms operating in sin industries or with low corporate social responsibility scores.

Keywords: Corporate governance; board of directors; political uncertainty; political experience; presidential committees; executive branch; corporate investment.

JEL Classifications: G31, G34, G38, M40

Data availability: Data are available from the sources identified in the paper.

1. Introduction

Companies rely on board members to provide monitoring and advising services about operations and investment opportunities. The characteristics and attributes of board members influence the oversight they provide, and in turn, affect corporate behavior. Recent literature indicates that directors' on-the-job experience with bankruptcies (Gopalan et al. 2021), acquisitions (Field and Mkrtchyan 2017), and CEO turnover (Elis et al. 2021) influence subsequent corporate decision-making and corporate outcomes.

In this paper, we explore whether political experience is associated with directors' competence in governing through policy uncertainty and how such competence affects corporate investments. We build on the research stream set forth by Goldman et al. (2009) who argue that directors' political connections can be beneficial to firms both *"for innocuous reasons, such as providing knowledge about how to navigate government bureaucracies, and for less innocuous ones"*[page 2332]. While there is substantial research on the latter channel, we explore the former one. To do so, we assume that over their political career such directors develop a unique competence to assist firms in navigating through policy uncertainty.[1] Anecdotally, the importance of political experience for dealing with policy uncertainty is illustrated in a recent industry report (Diligent Institute 2019, page 17):

One director warned that certain kinds of political experience and careers can be much more helpful than others, "As far as expertise, I would look at career folks, not the politicians. People with careers in, for example, the State Department or the military, that led them to have a broad view and perspective that they've built over time. It's […] having years of experience watching the chess pieces move around the board. They can then lend credible insights into what has happened

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[1] We define political experience as a broader term incorporating political connections since the experience also determines with whom to connect and when.

and contribute to identifying the range of possible outcomes and provide suggestions as to how to think about responses to those outcomes."

Following this line of argument, political experience could allow a director to provide a better assessment of expected policy uncertainty and how to manage it. If political experience is associated with such a unique competence, we would expect firms with politically experienced directors to forego fewer valuable investment projects in high policy uncertainty environments. The theoretical explanation is based on the real options theory (Dixit and Pindyck 1994) where politically experienced directors provide additional information in high uncertainty periods which counteracts the increase in the option value to delay irreversible investment projects (or partly irreversible as in Bloom, Bond and Van Reenen 2007), implying that the negative relationship between uncertainty and investment is tempered. Another theory that links policy uncertainty to stock movements is provided by Pastor and Veronesi (2013) who show that investors require a political risk premium for uncertainty about the outcomes of purely political events, implying a negative relationship between uncertainty and investment. If, however, politically experienced directors provide information that decreases the impact of policy uncertainty on the company, then investors should not require the political risk premium (Pastor and Veronesi 2013). This is something we test empirically.

Alternatively, unlike suggested by the anecdotal evidence, political experience of directors may exacerbate the effect of policy uncertainty on corporate investment. The directors may provide further insights into the complexities of the political process which further decreases the accuracy and precision of economic policy predictions provided to the public. In this case, companies with politically experienced directors may have greater incentives to further postpone capital investments when policy uncertainty is high. We consider the consequence of politically

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experienced directors with respect to the relationship between policy uncertainty and corporate investment to be an empirical question.

Our research question is primarily of great economic importance. Policy uncertainty disrupts corporate investment and has rippling effects across both financial and employment markets (Baker, Bloom, and Davis 2016; Gulen and Ion 2016; Bordo, Duca, and Koch 2016; Bonaime, Gulen, and Ion 2018). Companies are also facing growth in policy uncertainty across recent periods (Baker, Bloom, Davis, and Kost 2019). According to a recent survey among board directors from around the world, policy uncertainty is ranked as top of corporate concerns (Diligent Institute 2019).

Our study also examines political directors' impact on firm value outside the favorable treatment framework. The strand of the literature mainly focuses on how political directors influence the allocation of public resources in the form of government contracts (Goldman et al. 2013), government bailouts (Faccio et al. 2006), or government funding (Duchin and Sosyura 2012). Little is known, however, if political directors can enhance firm value outside the favorable treatment framework. Or put differently, we also ask and test whether political experience is harmful to the investment decision of firms without having access to this experience at the board level.

We collect detailed data on directors' political experience for a sample of S&P 500 firms spanning a period of 17 years (following Goldman et al. 2009). We verify all employment titles and distinguish between different political careers. More specifically, we differentiate between political experience in the legislative (Congress) and executive branch (White House) and further between experience coming specifically from the US Senate, the House of Representatives, or the

White House.[2] We also split the experience from the White House into serving on presidential advisory committees, which directly report to the president, and other White House experiences because recent literature suggests that having direct connections to the president matters (see Brown and Huang 2020).[3] We treat political experience as the ability to understand the political landscape which is a broader concept than political connections since the experience also determines with whom to connect.

Our final dataset contains 21,753 firm quarter observations for 352 unique firms from 2001 to 2017. First, we investigate whether political experience from careers in different government branches by board members changes the investment sensitivity to policy uncertainty as measured by Baker et al. (2016) and build on an established instrumental variable approach to address endogeneity. Second, we analyze the value impact of board appointments of directors with political experience. We lean on the theoretical framework by Pastor and Veronesi (2013) to guide our analyses. If political board experience transmits information to investors about valuable competencies available to firms to better deal with policy uncertainty, we expect such firms to be associated with a lower political risk premium. Third, we exploit cross-sectional differences in incentives to withhold investment during periods of high policy uncertainty (following Gulen and Ion, 2016), and differences in the amount of accumulated political experience represented on the board. We also test whether the effect is driven by sales to the government or CEO overconfidence and last we explore general equilibrium considerations by investigating the characteristics of firms with politically experienced directors sitting on the board and whether these directors shift investment projects away from peer firms that lack political experience. We thereby aim to explore

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[2] See Appendix A for additional detail on the methodology used to identify boards with political experience.
[3] The data on presidential advisory committees comes from
https://www.facadatabase.gov/FACA/apex/FACADatasets

whether the allocation of politicians to the board of directors is consistent with value creation at the aggregate economy level.

Our empirical analysis reveals that investment sensitivity to policy uncertainty declines with board directors with political experience. Firms with politically experienced directors are approximately 49 percent less sensitive to policy uncertainty. Distinguishing between political experience from careers in the legislative and executive branches reveals that only the latter is associated with a statistically significant decline in investment sensitivity to policy uncertainty. This is consistent with the view that a significant portion of policy uncertainty emanates from the executive branch (Baker et al. 2014; Caputo and Duch 2019). [4] This perspective is further shared by several non-executive directors who argue that since the election of Obama and his willingness to rule through executive orders, the range of potential policy outcomes has increased dramatically (Diligent Institute 2019). The recent rise in ruling through executive orders exposes firms to another kind of policy uncertainty arising from how existing legislation is enforced by the president. A case in point is Executive Order 13783 issued by President Trump in 2017 for the purpose of eliminating regulations that burden the development of domestic energy sources. As a director of a US energy company puts it, "it isn't so much that the rules have been changed as the way that they're enforced got changed" (Diligent Institute 2019). To further elaborate on this, we identify executive branch directors who held a position on an advisory committee directly reporting to the president. We suppose these directors to have unique competence in providing insights related to policy uncertainty emanating from the president's office. This is what we find. In a pooled regression analysis, only political experience from a career in the executive branch with service on presidential advisory committees diminishes investment sensitivity to policy uncertainty in a statistically

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[4] Recent reports list this as the leading global economic risk (Bremmer and Kupchan 2020; Wood 2020).

significant manner. This result seems to manifest itself in a rise in corporate demand for board members with political experience related to serving on such presidential committees in our sample.

Figure 1 visualizes the regression results as it charts the relationship between predicted corporate investment and policy uncertainty for firms with and without different types of politically experienced board directors. Figure 1 also indicates that directors with presidential committee experience counteract the negative impact of policy uncertainty on investment levels to smooth investment over the policy uncertainty cycle. Similarly, our regression results show that presidential committee board experience affects investment only *indirectly* through policy uncertainty. It reasons that such work experience from White House positions close to the president provides a unique set of competencies that improve the board's assessment of policy uncertainty for investment purposes.

To the extent that the tendency of boards to have directors with presidential committee experience is determined simultaneously by the decision to smooth investment over the policy uncertainty cycle, we perform a variety of tests to address endogeneity. First, because correlated omitted variables will always present some risk, we enhance our perspective by calculating the impact threshold of a confounding variable (ITCV). We find that for an omitted variable to explain all of our results, it must be more impactful than any of our existing controls. We also conduct an endogeneity test as suggested by Oster (2019) and fail to find evidence that our results are driven by omitted variables within the limits of their tests. Second, we acknowledge that not all relevant investment determinants are observable and conduct an instrumental variable (IV) analysis. Drawing upon prior literature (Fracassi and Tate 2012), we use mandatory director retirements as a quasi-exogenous source of variation in presidential committee board experience and find our results to hold. Moreover, we reason that those mandatory retirements are likely to reflect a shock

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to our mechanism of interest: the ease of the ability to assess policy uncertainty when approving investment proposals in the boardroom.

Our findings indicate that as political insights from directors with presidential committee experience flow to the board room, firms refrain from delaying investment during times of high policy uncertainty. In terms of the theoretical link from Pastor and Veronesi (2013) described above, these politically experienced directors must provide policy-relevant information (A) which lowers the political risk premium (B) and therefore increases investment under high policy uncertainty (C). Our analysis so far has focused on showing the link between (A) and (C), leaving the intermediate link (B) unexplored. Therefore, to explore the theoretical underpinnings of our initial findings, we analyze the value effect of presidential committee board appointments over the policy uncertainty cycle. We predict that these board members will reduce a firm's exposure to policy uncertainty through the associated political risk premium investors command and enhance firm value, i.e., the link between (A) and (B). This is what we find. Using abnormal announcement returns around 49 director appointments with presidential committee experience, we do not find evidence that the market perceives these government officials to be value-enhancing themselves. However, when observing the value effects of these appointments in light of the levels of policy uncertainty present, our analysis reveals that appointments of presidential committee members are more value-enhancing during periods of greater policy uncertainty. This finding is robust to controlling for other announcement returns in the full sample for board appointments or in the subsample of board appointments related to politically experienced directors only. Economically, a one standard deviation increase in policy uncertainty increases abnormal announcement returns by 0.55 percentage points.

Having established a link between presidential committee board experience and investment behavior under policy uncertainty, we further examine cross-sectional results. First, we find our results to be stronger for firms with higher incentives to delay investment in response to increased policy uncertainty, i.e., firms exposed to investment irreversibility (Gulen and Ion 2016). These cross-sectional findings suggest that directors with presidential committee experience help firms during periods of high policy uncertainty to refrain from delaying irreversible investment. Second, our results strengthen as the number of presidential committee directors and their cumulative service in office increases. We also differentiate between board members appointed to a presidential committee under the current administration from those with committee experience under a former administration. We find both types of presidential committee experience to matter for investment behavior under policy uncertainty. However, the economic effect of political directors with committee experience under a former administration is twice as large, buttressing the importance of experience gathered throughout their political careers. Our results are also not driven by sales to the government or CEO overconfidence.

We conclude our main empirical analysis section by analyzing general equilibrium considerations. We explore how these scarce and valuable directors with presidential committee experience are allocated across firms and to what extent these directors shift investment projects away from firms lacking such directors. We find that directors with presidential committee experience are not more likely to sit on boards of politically connected firms through campaign contributions or lobbying expenditures. These unique and valuable competencies of politicians are not merely allocated to firms that are more politically connected to Washington. Moreover, directors with presidential committee experience are less likely to provide their political insights to firms operating in sin industries or with low corporate social responsibility scores suggesting

that these government officials care about their reputation. We also find that large firms in terms of size or market share and firms operating in concentrated industries are more likely to have directors with presidential committee experience sitting on their boards. Finally, we find no evidence that directors with presidential committee experience shift investment projects away from peer firms without such board experience available to their CEOs. This result helps address a potential alternative interpretation related to rent-seeking. Namely, it could be the case that firms with presidential committee directors shift valuable low-risk investment projects away from their peer firms during periods of high policy uncertainty while foregoing their own valuable high-risk investment projects during periods of low policy uncertainty. However, our findings suggest that the allocation of directors with presidential committee experience across firms is associated with improved investment efficiency at the macroeconomic level. These directors have a unique set of competencies that are more likely to be provided to firms more in need of their political insights without depressing investments of rival firms.

We make various contributions to the literature. First, we expand the literature on how boards of directors affect corporate outcomes. There is a recurring call in the literature to understand better how certain board and director attributes affect board (and ultimately firm) behavior (Adams et al. 2010). There is growing literature on how a director's personal experience affects corporate outcomes. While the existing literature focuses on personal experiences in the board room of other companies that, for example, dealt with bankruptcies (Gopalan et al. 2021), acquisitions (Field and Mkrtchyan 2017), or CEO turnover (Elis et al. 2021), our study focuses on personal experience outside the board room.

Second, we provide a better understanding of how firms deal with the number one concern of policy uncertainty. We show that experience acquired over a specific political career in the

executive branch is attributed to a decline in investment distortion related to policy uncertainty. Our study complements concerns in the literature that a significant portion of policy uncertainty emanates from the executive branch and its rise in ruling through executive orders (Baker et al. 2014, Caputo and Duch 2019). In that sense, our study has important implications for regulators. To reduce the harmful effects policy uncertainty has on corporate investment, it might be beneficial to introduce more transparency and stability in how the executive branch changes the enforcement of existing legislation. Our study also has implications for firms that aim to manage policy uncertainty better. According to Wellman (2017), firms could establish political connections to the legislative branch via campaign contributions. Our study highlights the importance of directors' political experience immediately available to boards.

Third, we contribute to the literature on political board directors. According to this literature, political directors enhance firm value (Goldman et al. 2009) through personal connections to government officials. Various studies show that such personal connections may be value-enhancing in a favorable treatment framework, for example, through the favorable allocation of government contracts (Goldman et al. 2013), lower equity financing costs (Boubakri et al. 2012), higher tax aggressiveness (Kim and Zhang 2016), and higher probability of corporate bailout (Faccio et al. 2006) or government funding (Duchin and Sosyura 2012). In our study, we identify an additional channel through which political board directors could enhance firm value, i.e., by providing their insights into navigating policy uncertainty. To better understand the underlying mechanisms at work, it is essential to recognize the individual attributes of political board directors that are value-enhancing. For example, Duchin and Sosyura (2012) find that personal connections to the Treasury, banking regulators, or finance committees matter most for receiving government funding. We add to their study and show that political experience from serving on presidential

advisory committees plays an outsized role in managing policy uncertainty and enhancing firm value. In this context, we also document a rise in the relative economic importance of political directors with experience from serving on presidential committees and, thereby, add to a better understanding of how the composition of political boards varies over time.

Fourth, we add to the literature on political access to the executive branch and the corresponding value-enhancing benefits. Brown and Huang (2020) show that ad-hoc access via White House visits provides firms with transitory connections that influence government officials at specific points in time on decisions about regulatory relief and allocation of government contracts. In contrast, our study highlights the importance of a more continuous connection – having government officials sitting on the board of directors – in managing policy uncertainty on an ongoing basis.

Fifth, we augment the empirical literature on the connection between government officials and firms and its association with investment efficiency at the macroeconomic level. There is a long-lasting debate on whether corporate political access improves or harms economic activity. Duchin and Sosyura (2012) explore the allocation of government investment funds during the financial crisis and find that political connections channel the government funds to firms with less-valuable investment projects and thus to firms less in need of those funds. In contrast, our study shows that political connections channel valuable policy-relevant information to firms more exposed to uncertainty and thus to firms most in need of this information.

Finally, we add to a better understanding of how political uncertainty impacts financial markets. Our documented positive stock market reactions around the announcement of presidential committee board appointments suggest that having these government officials sitting on the board

reduces the firm-specific political risk premium that investors require during periods of high policy uncertainty (Pastor and Veronesi 2013).

This study is structured as follows. Section 2 summarizes the data collection and research design. Sections 3 and 4 provide basic regression results and endogeneity tests. Section 5 looks at announcement returns while Section 6 examines cross-sectional findings. Section 7 reviews general equilibrium results, and Section 8 concludes.

2. Data and research design

2.1.   Sample and variable construction

Our sample contains quarterly data for S&P 500 firms from the calendar years 2001 to 2017. We define a firm as belonging to the S&P 500 firms if it belonged to the index in the year 2012. After performing the match of Compustat and BoardEx, we exclude financial firms (SIC codes 6000 - 6999) and utility firms (SIC codes 4900 - 4999). Following Gulen and Ion (2016), we limit our sample to firms with at least three-year non-missing observations for all the accounting variables in our sample. Our main sample contains 21,753 firm-quarter observations for 354 unique firms.

We borrow our policy uncertainty measure (*POLICY UNCERTAINTY*) from Baker et al. (2016), which is comprised of three components: policy uncertainty reported in newspapers, policy uncertainty identified in current tax legislation, and policy uncertainty pertaining to fiscal policy identified in inflation and government spending forecasts.[5] While the policy uncertainty index reports monthly values, we follow Gulen and Ion (2016) and calculate our policy uncertainty measure by quarter. We do this by averaging the policy uncertainty index across the three calendar

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[5] We thank Baker et al. for making their measure publicly available (https://www.policyuncertainty.com).

months in each fiscal quarter and then taking the natural logarithm. To facilitate interpretation in our regression analyses, we demean *POLICY UNCERTAINTY*.[6]

We follow Goldman et al. (2009) in identifying politically experienced directors. We identify directors who currently hold or previously held significant positions in the government and manually verify all employment titles, labeling them as politically experienced boards (*PE BOARD*).[7] Distinct from Goldman et al. (2009), we use BoardEx employment data to classify government positions into the executive branch *PE EXEC* (political experience stemming from the White House), the legislative branch *PE LEGIS* (experience stemming from the Senate or House of Representatives), or into the *other* branch such as Governors and Ambassadors.

We further dissect each of the executive and legislative branches into two additional subcategories. A director is identified to have political experience if he or she currently serves or previously served in the US Senator (*PE SENATE*), House of Representatives (*PE HOUSE REP*), in a presidential advisory committee that directly reports to the president (*PE PRES*), or a non-advisory role in the White House *(PE WHITE HOUSE)*. Our political indicator variables are equal to one if a company has at least one politically experienced (PE) director of the respective category, or zero otherwise. See Appendix A for additional information on distinguishing between the various political types. In section 2.2, we provide summary statistics and a correlation table since one company can have directors with experience from types.

We construct firm-level variables based on financial data retrieved from quarterly Compustat files. Following Gulen and Ion (2016), our main variable of interest, *CAPX*, is capital investment scaled by one-quarter lagged total assets (Compustat item ATQ). Because capital investment is a

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[6] Demeaning *POLICY UNCERTAINTY* eases interpretation when a continuous variable is interacted with a dichotomous measure. Table 1 presents the descriptive statistics prior to demeaning.
[7] Note that we do not limit our sample to independent directors and include inside directors.

year-to-date variable in quarterly Compustat (CAPXY), we measure *CAPX* using Compustat item CAPXY in the first fiscal quarter and the change in CAPXY in the fiscal quarters 2, 3, and 4. In our research design, we model future *CAPX*. Therefore, we adopt a nomenclature where *CAPX*(N) denotes the value of *CAPX* in quarter *t+N*. Note that we measure policy uncertainty in quarter *t*.

For standard investment regression financial controls, we measure operating cash flows (*OCF*), Tobin's Q (*TOBIN'S Q*), and sales growth (*GROWTH*). We define *OCF* as Compustat item OANCFY in the first fiscal quarter and the change in OANCFY in fiscal quarters 2, 3, and 4, all scaled by one-quarter lagged total assets (ATQ). We measure *TOBIN'S Q* as the market value of assets divided by the book value of assets (ATQ). We calculate the market value of assets by taking the market value of equity (PRCCQ × CSHOQ), adding the book value of assets (ATQ), and subtracting the book value of equity (CEQQ), as well as deferred tax assets (TXDBQ).[8] Sales growth is the year-on-year growth rate in sales measured by quarterly figures (Compustat item SALEQ).

To control for macro-level economic and political events, we measure real gross domestic product (GDP) growth (*GDP GROWTH*) and identify presidential election years (*ELECTION*). To compute *GDP GROWTH*, we retrieve Real GDP data from the website of the Federal Reserve Bank of St. Louis (GDPC1).

We also control for expected investment opportunities (economic uncertainty) such as EXPECTED GDP GROWTH (the one-year-ahead GDP forecasts from the biannual Livingstone survey), a LEADING ECONOMIC INDEX (year-on-year log change of the Conference Board's monthly Leading Economic Index), and consumer confidence measured as GDP FORECAST DISPERSION (coefficient of variation of the biannual GDP forecasts from the Livingstone

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[8] If missing, we replace deferred tax assets (TXDBQ) with zero.

survey), PROFIT GROWTH SD (quarter-on-quarter change in net income (NIQ) divided by average quarterly sales), VXO (natural logarithm of three-month average VXO index from the Chicago Board Options Exchange), RETURN SD (three-month average cross-sectional standard deviation of monthly stock return (RET)), and JLN UNCERTAINTY (natural logarithm of the three-month average aggregate uncertainty index from Jurado et al. 2015). See Appendix B for detailed variable definitions. We winsorize all continuous variables at the top and bottom 1 percent to limit the impact of extreme outliers.

2.2. Sample statistics

Table 1 presents descriptive statistics for our sample. In general, firms in our sample have a politically experienced board *(PE BOARD)* of any type in approximately 53 percent of the cases. Unconditionally, we find no differences in investment behavior between firms with and without PE boards (Panel B). Distinguishing between political experience types, we find that firms in our sample have PE boards to the executive branch (PE EXEC) 43.6 percent of the time and to the legislative branch (PE LEGIS) only 8 percent of the time. When further distinguishing the source of political experience, board members worked in presidential committees 29 percent of the time, in the White House 17.1 percent of the time (ex-presidential committees), in the Senate 5.1 percent of the time, and in the House of Representatives 4.7 percent of the time.

Over our sample period, the number of firms with PE boards via presidential committees increased by approximately 120 percent (see Panel C). All other experience types declined. Thus, political experience in the executive branch relative to the legislative branch becomes more important. Our sample contains both within firm and cross-firm variations. For example, we identify 95 (90) unique firms with boards that are never (always) politically experienced during

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our sample period. Alternatively, our sample contains 167 unique firms whose status (*PE BOARDS* changes at least once during the sample period.

Note that in a given quarter, a firm could have multiple directors with different experiences, e.g., from presidential committees and the White House. Similarly, an individual director may have multiple experiences, e.g., if a director formerly served in Congress and currently serves on a presidential advisory committee. Panel D contains the correlation matrix of all political connection types. The correlation between the executive branch (PE EXEC) and the legislative branch (PE LEGIS) is 0.13. The correlation between PE PRES and PE WHITE HOUSE, PE HOUSE REP, and PE SENATE are 0.26, 0.05, and 0.01.

2.3. Research design

We follow Gulen and Ion (2016) in modeling corporate investment under policy uncertainty. To investigate whether and how certain politically experienced boards affect investment sensitivity to policy uncertainty, we include an indicator variable that identifies boards that are politically experienced (*PE BOARD*) of any type, along with an interaction term to identify the conditional effects that these politically experienced boards might have on policy uncertainty's effect on corporate investment. This yields the following model:

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\begin{aligned}
CAPX(\text{N}) \ = \ & \alpha_0 + \gamma_1 \ POLICY \ UNCERTAINTY_t + \gamma_2 \ PE \ BOARD \ _{it} \\
& + \gamma_3 \ POLICY \ UNCERTAINTY_t \times PE \ BOARD \ _{it} + [CONTROLS]_{it} \\
& + [FIXED \ EFFECTS] + \varepsilon_{it} \tag{1}
\end{aligned}
$$

for all firms, *i*, and fiscal quarters, *t;* where *CAPX*(N) equals *CAPX* for firm *i* in quarter *t*+N; and where *FIXED EFFECTS* include firm and seasonal fixed effects (calendar-quarter and fiscal-quarter dummy variables). For robustness, we also estimate our regressions with year-fixed effects which absorb some of the variations in the policy uncertainty variable.

Given Gulen and Ion's findings (2016), we expect γ_1 to be significantly negative. We focus on estimating the interaction effect between policy uncertainty and politically experienced boards. The coefficient of interest, γ_3, captures the moderating effect of these boards, ceteris paribus. Investment regression specifications are commonly subject to an omitted variable problem because of unobservable investment opportunities. We follow Gulen and Ion (2016) in choosing our control variables. $CONTROLS_{it}$ contains a vector of firm-specific, macro-control variables and additional variables that capture investment opportunities and economic uncertainty. Firm-specific controls include Tobin's Q (*TOBIN'S Q*), operating cash flows (*OCF*), and sales growth (*GROWTH*). *GDP GROWTH* captures macroeconomic conditions, and *ELECTION* identifies presidential election years. We also control for expected investment opportunities (economic uncertainty) such as *EXPECTED GDP GROWTH*, *LEADING ECONOMIC INDEX*, *GDP FORECAST DISPERSION*, *PROFIT GROWTH SD*, *VXO*, *RETURN SD*, and *JLN UNCERTAINTY*. We also account for seasonal fluctuations in investment by using calendar and fiscal quarter controls. To control for unobserved time-invariant firm heterogeneity, we use firm fixed effects. We denote the error term as ε_{it}. We two-way cluster standard errors at the firm and calendar year-quarter level (Gulen and Ion 2016), which corrects the standard errors for correlations across time for a given firm (time-series dependence) and correlations across different firms for a given calendar year-quarter (cross-sectional dependence) (Petersen 2009).

3. Basic investment regression results

We present our main results from estimating regression equation (1) in Table 2. In Panel A, we show the results using *CAPX(1)* as the dependent variable. In column (1), we model *CAPX* while controlling only for *PE Board,* its interaction term with policy uncertainty, denoted as, γ_3 in

regression equation (1), and basic fixed effects. We find that *POLICY UNCERTAINTY* has a significantly negative effect on future corporate investment (γ_1) and that politically experienced boards mitigate about half of that effect(γ_3). We do not find a direct effect of political experience on investments (γ_2). In columns (2) – (4), we add additional control variables and fixed effects and find that the coefficients on the interaction term between *PE BOARD* and policy uncertainty are remarkably stable across the board. In column 2, we add the controls from the basic model of Gulen and Ion (2016) and find that the interaction coefficient is identical to the basic model in column (1) and that its precision slightly increased. In column 3, we estimate the full model and find the coefficient on the interaction term is again 0.023 and highly statistically significant. Economically, the magnitude of the coefficient is about 49% of policy uncertainty. Again, we observe no *direct* effect of presidential experienced boards on investment (γ_2) in statistical and economic terms. In column (4), we deviate from the Gulen and Ion (2016) model and additionally include year fixed effects. The magnitude and statistical significance of the policy uncertainty variable decrease but the coefficient on the interaction remains almost identical at 0.0022 with a *t*-statistic approaching 3.

In Panel B of Table 2, we explore the persistence of our investment attenuation effect over later investment periods. To do so, we use investment in leading quarters *t+2* to *t+4* as the dependent variable and replicate the regression model from Panel A in column (3). The results are the same and suggest that politically experienced board members diminish investment sensitivity to policy uncertainty over consecutive calendar-year quarters. In the Online Appendix Table A2, we re-estimate these regressions by including year-fixed effects. The interaction term remains positive and statistically significant, while the policy uncertainty variable loses its significance and magnitude; the fixed effects capture its variation.

These findings indicate that politically experienced boards affect investment only *indirectly* through their mitigating effect on policy uncertainty and that their mitigating effect almost entirely offsets half of any investment distortions of policy uncertainty.

To visualize the attenuation effect that political board experiences have on the relation between *POLICY UNCERTAINTY* and *CAPX*, we plot predicted investment levels for column (3) Panel A in Figure 1 Panel A. Specifically, we condition on whether the firm has a PE board, evaluate the model at the mean, and predict the investment levels at the 1st, 5th, 25th, 50th, 75th, 95th, and 99th policy uncertainty percentiles. The figure indicates that investment decisions are less sensitive to policy uncertainty when firms have PE boards. Firms with politically experienced boards invest comparably more (less) than firms without such board experiences when policy uncertainty is high (low). Across our sample period, these differences offset and yield comparable investment levels (see Table 1, Panel B). Consistent with our regression results, politically experienced board members do not affect investment levels per se but rather smooth investment over the policy uncertainty cycle.

In Table 3, we further distinguish where the political experience of the board members comes from. In Panel A, we distinguish whether the board's political experience comes from the executive branch *PE EXEC*, i.e., the White House, or from the legislative branch *PE LEGIS,* i.e., the Senate or House of Representatives. We employ the full model (equation 1) across investment levels over the next four quarters *(CAPX(1)-CAPX(4))*.[9] We find the regression coefficients of *PE LEGIS* and its interaction with *POLICY UNCERTAINTY* both to be statistically insignificant. The statistical and economic magnitude of the politically experienced boards stems mainly from experience from the executive branch. While insignificant, the magnitudes of the point estimates

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[9] The full tables are provided in the Online Appendix Table A3.

of the interaction terms are slightly lower for the *PE LEGIS* terms, suggesting that it might be imprecisely measured due to its low sample, even over our 17-year period.

We further dissect the board member's experience into experience coming from the Senate, the House of Representatives, the presidential committees, and the White House ex-presidential committees. We provide the results in Panel B. We find that experience from presidential committees drives our results in terms of the magnitude of the coefficient and its statistical significance. The regressions indicate that firms with presidential committee experienced directors are at least 62 percent less sensitive to policy uncertainty.

Although the White House experience is part of the executive branch experience, it seems that these experiences do not help firms navigate policy uncertainty. These directors provide little insight related to economic policy because their tasks pertain more to general administration (Chief of Protocol, Policy Planning Staff) or public relations (Press for Foreign Affairs). Similarly, experience from the Senate does not provide additional insights when navigating through policy uncertainty. Interestingly, while insignificant, the experience from the House of Representatives maintains a relatively large interaction coefficient of about half compared to the presidential experience in column (4). Thus, some experience from the House of Representatives might be relevant but we leave this to further research, especially since we do not find any statistical significance. In contrast, political board experience from presidential committees is established by firms specifically to facilitate the continuous flow of policy information via the board room and to gain relevant insights about potential changes in the enforcement of existing legislation by the president.

Overall, our distinction between various political board experiences in Washington suggests that board experience with the executive branch via presidential committees drives our

documented results in terms of magnitude and statistical significance. This finding is consistent with the view that a great deal of policy uncertainty emanates from the executive branch (Baker et al. 2014; Arezki and Fetzer 2019; Caputo and Duch 2019). It also helps explain why we observe a simultaneous and substantial rise in presidential committee board experiences with increasing policy uncertainty over our sample period. But we acknowledge that some point estimates suggest, albeit insignificant, that other selective experiences might also be helpful. Unfortunately, our analysis does not capture its statistical significance.

Due to the economic importance and main explanatory power of the presidential board experience in our main regression results, we focus on the presidential committee board experience in the remaining empirical analysis unless otherwise noted. In Panel C, we show the results by excluding all other experiences and maintaining the presidential one *(PE PRES)*. The coefficients on policy uncertainty and its interaction term PE PRES, are almost identical, which supports our decision to keep this variable.[10]

4. Endogeneity

In this section, we address various potential endogeneity concerns that could drive our documented decline in investment sensitivity to policy uncertainty for firms with presidential committee board experience.

4.1. Omitted variables

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[10] In Online Appendix A3 Panel C, we show the full results with control variables, and in Panel D, we include year fixed effects. The results are again in line with what we expect; our interaction term remains economically and statistically significant while the coefficient on policy uncertainty disappears. We continue using the original Gulen and Ion (2016) seasonal fixed-effects model without year fixed effects in our subsequent analysis, but the estimates with year fixed effects are available upon request.

Because it is impossible to conduct an exhaustive search of correlated omitted variables, we follow Frank (2000) and Larcker and Rusticus (2010) by calculating the impact threshold of a confounding variable (ITCV) to gain perspective on the risk that our findings are the result of a correlated omitted variable bias. We calculate this threshold for the coefficient of our variable of interest, the interaction of *POLICY UNCERTAINTY* and *PE PRES*. The ITCV measures how correlated an omitted variable must be with corporate investment and the variable of interest to overturn our statistical findings. To benchmark this threshold, we calculate the marginal impact of the main effects of the interacted variables and the control variables.

Panel A in Table 4 presents the results. For all specifications, the ITCV is higher than the impact of the control variables. The comparatively high threshold suggests that to overturn our primary findings, an omitted variable must correlate with capital expenditure and the interaction term of interest more than any of the existing control variables. Given the explanatory power of our models,[11] it is unlikely that an omitted variable exists with the power to overturn our results.

We further examine if unobservable omitted variables drive our results by following the methodology developed by Altonji et al. (2005) and Oster (2019). Following Oster (2019), we calculate the identified set from the points estimates and movement in R-squared between the baseline estimate and the model with the full set of controls. A key input is the R-squared from a hypothetical regression R_{max} which contains both observed and unobserved controls. We set R_{max} equal to either $1.25\tilde{R}$ or $1.3\tilde{R}$. Oster (2019) argues that nearly all randomized results that she examines survive a cutoff of $1.25\tilde{R}$, yet she recommends using a cutoff of $1.3\tilde{R}$. In our non-randomized data, our variable of interest, *POLICY UNCERTAINTY* $\times$ *PE PRES*, survives the robustness cutoffs as the identified set does not include 0 either in any of the identified sets, as

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[11] All of our primary specifications have adjusted R^2s of at least 0.67.

shown in columns (1) and (2) in Panel B of Table 4. Thus, within the Oster test, we reject potential

concerns that our documented effect is driven by omitted variables.

4.2. Instrumental variables

Our previous approaches to address endogeneity concerns rely on our ability to observe all

relevant investment determinants or on the ability to make assumptions about unobserved

correlated variables. In this section, we employ instrumental variable regression (IV) as an

alternative approach. What the IV approach requires for validity is an exogenous source that

determines board experience from presidential committees while being unrelated to corporate

investment decisions. We borrow from the existing literature and use mandatory director

retirements as an instrument (Fracassi and Tate 2012)[12], as mandatory retirements are unlikely to

be driven by unobservable factors related to firms' investment policy or opportunities.

For each firm, we count the cumulative number of board members with political experience

from presidential committees who leave office during our sample period up to the current fiscal

year due to perceived mandatory retirement (*RETIRED*). We use *The Time to Retirement* in

BoardEx to identify whether a director is at or beyond the firm's mandatory retirement age. If *The

Time to Retirement* is less than one when the director leaves the firm, then we classify it as a

mandatory retirement. If the time to retirement is missing, then we count director retirements as

mandatory retirement if the directors are at least 70 years old (Fahlenbrach et al. 2010).

Table 5 reports the results. Following Balli and Sørensen (2013), we instrument for both *PE

PRES* and the interaction term between *PE PRES* and *POLICY UNCERTAINTY*. Column (1)

presents the first stage regression instrumenting for *PE PRES*, and column (2) presents the first

stage regression instrumenting for *POLICY UNCERTAINTY* × *PE PRES*. In column (3), we show

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[12] Unfortunately, we do not observe many deaths as an alternative instrumental variable.

the second stage regression results when the dependent variable is the one period lead in corporate investment, *CAPX*(1). The result supports our primary empirical findings. Firms with presidential committee board members make investments less sensitive to policy uncertainty. The Kleibergen-Paap F statistic rejects a weak instrument. In columns (4), (5), and (6), we show the second stage regression for *CAPX*(2), *CAPX*(3), and *CAPX*(4), respectively. The qualitative findings remain unchanged. In all instances, statistical tests reject the hypothesis of weak instruments.

A priori, we expect the OLS bias to be positive because companies that benefit the most from having political connections to presidential committees are more likely to seek these board members. However, the OLS coefficients in our basic specification, Table 2, are about half the size of the coefficients from our instrumental variables approach. Therefore, a plausible economic explanation of the attenuation in the economic impact is that the instrumental variable regression identifies a local average treatment effect (LATE) rather than the population effect (Jiang 2017). In our analysis, this would imply that mandatory retirements of presidential committee board members particularly harm a firm's ability to manage policy uncertainty. As we will see in the following section, this view is consistent with the finding that more tenured and experienced board members provide better insights about managing policy uncertainty.

5. Value implications

If directors with political experience from presidential committees help firms mitigate the adverse effects policy uncertainty has on corporate decision-making, we expect that the appointment of such directors would reduce a firm's exposure to policy uncertainty and positively affect firm value by reducing the associated risk premium investors command (Pastor and Veronesi 2013). More specifically, because the insights of presidential committee members should be more

important during periods of high policy uncertainty, we predict the value of their appointment to increase with policy uncertainty. To empirically test this prediction, we follow Goldman et al. (2009) and measure abnormal announcement returns around the appointment of political directors with presidential committee experience.

We create two datasets. First, we identify all director appointments within our period (1,458) and political ones (137 all political ones and 49 of those with presidential committee experience).[13] We relate the cumulative abnormal returns (*CAR*) around the announcement to a set of indicator variables identifying political board appointments and their respective interaction term with policy uncertainty. We measure cumulative abnormal returns using the market-adjusted model over the period (0, +1) and aggregate individual CARs with an equal-weighting approach. We employ robust standard errors.

For our channel to hold, we would require that the political risk premium in high policy uncertainty environments diminishes if firms appoint politically experienced directors from presidential committees. This is what we find. The regression results are shown in Table 5. In column (1), we use the board sample of all director appointments where the reference group is non-politically experienced directors. *PE PRES* is insignificant, but its interaction term is positive and statistically significant. The effect is economically meaningful. A one-standard-deviation increase in policy uncertainty (0.287) increases announcement returns of a presidential committee board appointment by 0.55 percentage points. In column (2), we use all non-PE PRES appointments as the reference group and find identical results. In column 3, we use only politically experienced director announcements, and the interaction variable of interest remains highly statistically significant and positive.

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[13] We eliminate observations with corporate events around these announcements.

These results suggest that presidential committee board connectedness enhances firm value only *indirectly* through policy uncertainty. Given the short event window [0, +1], we are confident to associate the market reaction with the event of appointing a presidential committee board member during a given quarter of policy uncertainty. Thus, our event study further alleviates endogeneity concerns.

Interestingly, we find value impacts of other politically experienced board members over the policy uncertainty cycle as well. Experience from the Senate seems to be positively valued while experience from the White House or *other* is negatively valued. While we do not find that these skill sets are associated with assisting firms with investment decisions, we cannot rule out that this kind of political experience does not affect other outcomes.

Overall, our documented results are consistent with our notion that the political insights of presidential committee members are unique and more valuable during times of high policy uncertainty when investors command a high political risk premium (Pastor and Veronesi 2013).

6. Underlying mechanism

In this section, we explore in more detail through what mechanism investment sensitivity to policy uncertainty is attenuated by boards connected to presidential committees. We hypothesize that insights into the workings of politics around the President help boards of directors manage policy uncertainty which diminishes incentives to delay investment decisions. Following this line of argument, our documented results should be stronger for firms with larger incentives to delay investment decisions or for firms with more presidential committee insights available to boards of directors. To test the first prediction, we follow Gulen and Ion (2016), arguing that incentives to delay investment increase with investment irreversibility. We test the second prediction by

exploring cross-sectional heterogeneity in the number of presidential committee members and their cumulative experience represented on boards. Lastly, we also find that government sales do not drive our results.

6.1.   Irreversibility of investment decisions

Policy uncertainty incentivizes firms to postpone capital expenditures until the uncertainty dissipates. In the event of an unfavorable change in policy, firms may find their capital assets less valuable to operations than they once were. Following Gulen and Ion (2016), we exploit cross-sectional variation in the irreversibility of a firm's capital expenditures. If boards with presidential committee experience can mitigate the effects of policy uncertainty on investment decisions, we predict the magnitude of their impact will be greater when incentives to delay those decisions are high because of irreversibility.

We employ three measures of irreversibility: *CAPITAL INTENSIVE*, *SUNK COST INDEX*, and *DURABLE INDUSTRY*.[14] See Appendix B for variable definitions. For capital-intensive firms, investment in property, plant, and equipment (PPE) plays an outsized role in the firm's success, and misguided investment decisions will be harder to correct. Also, in industries where sunk costs are more prevalent, capital expenditures are more likely to pertain to irreversible investments. Finally, because industries dealing in durable goods are more susceptible to industry-wide cyclicality, firms operating in those industries will find it more costly to reverse investment during down cycles.

We repeat our primary analysis modeled by equation (1) while conditioning on the nature of firms' capital investments and present our results in Table 7. In Panel A, we split the sample based on their level of capital intensity. In agreement with prior findings (Gulen and Ion 2016), we find

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[14] The full table is provided in the Online Appendix Table A7.

the investment decisions of capital intensive companies appear to be more sensitive to *POLICY UNCERTAINTY*. More importantly, we find that presidential committee board member experience attenuates this relation mainly for relatively more capital intensive firms. The differences are statistically significant for each interaction coefficient between its respective groups.

In Panel B and Panel C of Table 7, we repeat the analysis using *SUNK COST INDEX* and *DURABLE INDUSTRY*. In terms of sunk costs, our analysis supports the finding of Gulen and Ion (2016), i.e., the investment sensitivity to policy uncertainty is prevalent among firms classified as dealing with high irreversibility. In addition, we find the attenuation effect that we attribute to boards experienced via presidential committees to be limited to firms facing high sunk costs. The differences are again statistically significant. In Panel C, we fail to replicate the results of Gulen and Ion (2016) and find firms to be equally exposed to policy uncertainty in durable and non-durable goods industries. Given that there are no apparent differences in incentives to delay investment decisions for policy uncertainty reasons between the two subsamples, it is not surprising that we find a similar attenuation effect captured by *POLICY UNCERTAINTY × PE PRES*.

Overall, the attenuation effect of boards with presidential committee experiences is conditional on incentives to delay irreversible investment decisions during periods of high policy uncertainty. We interpret these findings as supporting the notion that the insights of presidential committee board members help firms mitigate the holdup problem of irreversible investment decisions during periods of high policy uncertainty.

6.2. Presidential committee insights represented on boards

Suppose presidential committee board experience attenuates the effect *POLICY UNCERTAINTY* has on *CAPX* through the insights of those members into the workings of politics

around the President. In that case, we expect this effect to increase with the number of presidential committee board members and their cumulative experience represented on boards. To test this prediction, we replace *PE PRES*, our indicator variable for political experience via presidential committees, with a measure counting the number of presidential committee board members. Because we expect the marginal insights to diminish with every additional presidential committee board member, we also run a regression either with the squared term or the natural logarithm of the number of presidential committee members.

In another test, we measure experience as the number of years served on presidential committees for each board member. Because the date of resignation from presidential committees is missing for some board members in BoardEx, we assume they left office with the President they served. This assumption is in line with President Staff turnover data showing that the number of so-called Special Assistants to the President hired in year one is close to the maximum number of such positions given by statute and that turnover of those positions is low during a President's time in office; the latter seems true at least before the Presidency of Donald Trump at the end of our sample period (Kumar 2019). Next, we measure total experience as the natural logarithm of one plus the aggregated number of years that a firm's total board members served on presidential committees and replace *PE PRES* with *EXPERIENCE*.

We also try to distinguish between experience and connection. If the political *connection* is the main channel, then of value are insights related to the policy preferences of the government currently in power. Such insights might come in the form of existing legislation that is currently on the government's agenda. The political *experience* channel rests on the idea that watching the chess pieces move around the board provides insights related to how the government changes the enforcement of existing legislation. In general, we would expect a board member with a current

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(former) political appointment on presidential committees to have insights related to the *connection* (*experience*) channel. However, we acknowledge that it is more of an explanatory nature since designing a test that strictly differentiates between the two channels is challenging to design. We replace our main explanatory variable *PE PRES* with two binary variables *CURRENT PE PRES* and *FORMER PE PRES*, indicating whether a director currently holds or previously held a presidential committee position.[15]

Table 8 shows the regression results using capital expenditures in the first leading quarter as the dependent variable.[16] The results are qualitatively similar across other leading *CAPX* measures. In column (1), corporate investment sensitivity to political uncertainty diminishes as the number of presidential committee board members increases. In column (2), we show the regression results with the squared term. The estimated coefficient of *POLICY UNCERTAINTY* × *PE PRES SUM* equals 0.029, whereas the one of *POLICY UNCERTAINTY* × *PE PRES SUM squared* equals - 0.0004. Both are statistically significant, suggesting there is a non-linear, with a diminishing effect as experience on the board increases. In column (3), we find similar results using the natural logarithm of one plus the number of presidential committee members sitting on boards. Column (4) presents the regression results using the cumulative number of years served on presidential committees as a proxy for the political insights available to firms. Again, the documented attenuation effect increases with presidential committee experience. In column (6), we find that the attenuation effect is positive and statistically significant for both board members who currently hold or formerly held a position on a presidential advisory committee. Thus, our results support the political *connection* and *experience* channel within the means of these tests.

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[15] We also separately analyze party membership and fail to find significant differences. Further information is available upon request.
[16] The full table is in the Online Appendix Table A8.

Overall, we interpret the findings in Table 8 as that the investment sensitivity to policy uncertainty of firms with presidential committee board members is attenuated through the flow of their political insights via the board room where they help firms navigate policy uncertainty. Moreover, our results indicate that these insights are related to presidential committee members' connection to the government currently in power and their experience in previous governments.

6.3.   Additional analysis of government sales

The effect of politically connected boards could be driven by sales to the government. Statement of Financial Accounting Standard (SFAS) No. 14 requires firms to report customers who represent 10% or more of a firm's total sales. We identify these major customers using Compustat's Segment Customer database. After collecting this information, we create a subsample that includes firms that never reported government sales of more than 10% of total sales within our period (customer type is either State Government, Local Government, or Domestic Government). We then re-estimate model (1) and provide results in Table 9. The results are similar in economic and statistical significance, and we fail to find evidence that government sales drive our results. The full table is in the Online Appendix Table A9.

6.4.   CEO Overconfidence

We test whether our result is driven by CEO overconfidence, where overconfidence is measured based on the CEO's propensity to hold deep-in-the-money options as outlined. Specifically, we define a CEO as overconfident if the CEO holds options at least twice during the sample period that are more than 100 percent in the money (see Malmendier and Tate, 2005; Campbell, Gallmeyer, Johnson, Rutherford, and Stanley, 2011; Kim, Wang, and Zhang, 2016).

We present abbreviated the results in Table 10 and full results in Online Appendix Table A10. The analysis shows that our results are not driven by CEO overconfidence.

7. General equilibrium

7.1. Allocation across firms

Because presidential committee board experience is scarce, it is important to understand how these value-enhancing board connections are allocated across firms. On the demand side, firms making campaign contributions might be more visible in Washington and thus better able to signal their demand for these scarce connections. Note, however, that presidential committee board members are appointed at the discretion of the President. Hence, campaign contributions are not directly linked to the probability of being appointed to a presidential committee and the appointee's subsequent reciprocity by accepting a seat on the firm's board. On the supply side, a presidential committee member should be concerned with his reputation when deciding to whom to offer his/her valuable insights. We, therefore, expect firms operating in sinful industries or having lower corporate social responsibility scores to have fewer presidential committee members sitting on their boards. Another supply argument is that a presidential committee member could be more willing to sit on boards of firms that are in more need of political insights. To account, therefore, we include a suite of variables that should be associated with a firm's exposure to policy uncertainty.

To explore the allocation of presidential committee board connections across firms, we empirically estimate the following probit regression equation that is based on Brown and Huang (2019):

$$P\ (PE\ PRES_{it} = 1) = \alpha_0 + \gamma_1\ [CONTRIBUTIONS]_{it} +$$

$$\gamma_2\ [REPUTATION]_{it} + \gamma_3\ [EXPOSURE]_{it}$$

$$+[CONTROLS]_{it}\ + [FIXED\ EFFECTS] + \varepsilon_{it} \qquad (2)$$

for all firms, i, and fiscal quarters, t; where *PE PRES* is a binary variable indicating whether firm i has a presidential committee board connection in fiscal quarter t or not; and where *FIXED EFFECTS* include industry and year fixed effects.

To measure contributions, we use campaign contributions (*CONT. CANDIDATE, CONT. FINANCIAL)* and lobbying amount (LOBBY AMOUNT). $REPUTATION_{it}$ captures an indicator variable *SIN STOCKS* that identifies a firm operating in a sin industry and *CSR SCORE* that measures a firm's corporate social responsibility rating. $EXPOSURE_{it}$ includes a set of variables that capture a firm's exposure to policy uncertainty. These include our proxy for investment irreversibility (*CAPITAL INTENSITY*), firm size (*FIRM SIZE*), market share (*MARKET SHARE*), and industry concentration (*HERFINDAHL INDEX*). $CONTROLS_{it}$ contains a vector of firm-specific control variables, which mirror those used by Brown and Huang (2019). Firm-specific controls include a binary indicator of whether sales to the government are more than 10% of total sales (*GOVERNMENT SALES BINARY*), Tobin's Q (*TOBIN'S Q*), profitability (*OCF*), sales growth (*GROWTH*), leverage (*BOOK LEVERAGE*), and the number of employees (# *OF EMPLOYEES*). Variable definitions are listed in Appendix Table B.

The regression results are shown in Table 11. Note that our regression results capture correlations. We aim to understand what firm characteristics are associated with having scarce and value-enhancing presidential committee board connections. The first dimension we consider is the making of campaign contributions and the lobbying amount. None of the variables are significant but our sample size shrinks sizeable when including the lobbying amount.

Regarding reputation, firms operating in sin industries or having lower corporate social responsibility ratings are significantly less likely to have directors with presidential committee board experience. Among our policy risk exposure variables, we find that firms more exposed to irreversibility are not more likely to be connected to presidential committees. However, other characteristics like firm size, market share, and industry concentration positively relate to having presidential committee board connections. These characteristics are associated with higher exposure to policy uncertainty. The untabulated coefficients on the industry dummies further reveal that presidential committee board connections are more prevalent in industries facing regulatory pressure, e.g., pharmaceutical products, chemicals, mining, petroleum and natural gas, communication, or transportation.

In general, our various demand and supply arguments predict the allocation of presidential committee board members across firms.

7.2. Investment shifts away from non-connected firms

A significant concern is whether presidential committee members enhance value on a macroeconomic scale. Rather than mitigating adverse effects on investment within firms particularly exposed to policy uncertainty, presidential committee members may shift valuable investment projects away from non-politically experienced firms. This is an important general equilibrium consideration in the literature on corporate political access.

To shed light on such considerations, we explore how presidential committee members affect investments in non-politically connected peer firms. More specifically, we estimate our basic investment regression model limited to firms unconnected to presidential committees and include a variable that captures the degree of presidential committee board experience among their peer

firms. To identify peer firms, we use the Fama-French 48 industry classification. This yields the following model:

$$CAPX(\text{N}) = \alpha_0 + \gamma_1 \, POLICY \, UNCERTAINTY_t + \gamma_2 \, PE \, PRES \, PEERS_{it}$$

$$+ \gamma_3 \, POLICY \, UNCERTAINTY_t \times PE \, PRES \, PEERS_{it} + [CONTROLS]_{it}$$

$$+ [FIXED \, EFFECTS] + \varepsilon_{it} \tag{3}$$

for all non-PE-PRES experienced firms, *i*, and fiscal quarters, *t;* where *CAPX*(N) equals *CAPX* for firm *i* in quarter *t*+N; and where *FIXED EFFECTS* include firm and seasonal fixed effects (calendar-quarter and fiscal-quarter dummy variables).

We use three variables to measure the degree of presidential committee board experience among a firm's peers. First, we relate the number of firms with a presidential committee board experience to the number of all firms operating in the same industry and quarter as firm *i* (*N(PE PRES FIRMS)/ N(ALL FIRMS))*. Second, we divide aggregated assets of firms with a presidential committee board experience by total aggregated assets within the same industry of firm *i* and quarter *t* (*PE PRES ASSETS/ TOTAL ASSETS*). And third, we use a combination of the previous two measures and relate the number of firms with a presidential committee board experience to total aggregated assets within the same industry of firm *i* and quarter *t* (*N(PE PRES FIRMS)/ TOTAL ASSETS*).

The regression results are shown in Table 12. The full table is in the Online Appendix Table A11. Consistent with our previous results, we find that policy uncertainty negatively affects investment for non-politically connected firms (Gulen and Ion 2016). More importantly, we find the estimated coefficients of peer political board experience via the presidential committees and its interaction with policy uncertainty statistically insignificant for all three measures in columns (1) to (3). Hence, we find no evidence that presidential committee board members shift investment

projects away from non-politically connected firms. These results suggest that presidential committee members might be economically beneficial even at the macroeconomic level.

8. Conclusion

We consider how politically experienced board members affect firms' investment behavior over the policy uncertainty cycle. While companies generally respond to policy uncertainty by decreasing capital investments (Gulen and Ion 2016), this investment sensitivity declines only in firms with presidential committee board experience. Economically, investment sensitivity to policy uncertainty diminishes by 49 percent in these firms. Our findings are consistent with the view that a significant portion of policy uncertainty stems from the office of the President. Additional cross-sectional analyses indicate that the attenuating effect of presidential committee board experience is sensitive to the irreversibility of investment decisions and the political insights of presidential committee board directors. These findings suggest that firms with presidential committee director experience better manage policy uncertainty when delaying investment is more costly. Finally, we find that the perceived market value of presidential committee board connections increases with policy uncertainty.

Our study provides a better understanding of how firms manage policy uncertainty. Thus, our work speaks to concerns about increases in the overall level of policy uncertainty. Given the negative impact policy uncertainty has on corporate investment (Gulen and Ion 2016), there are concerns regarding the potential effects of sustained increases in policy uncertainty (Fischer 2016). Our results indicate that firms may decide to manage changes in the political environment, in part, by having presidential committee members sitting on their boards. Additionally, our findings encourage future researchers to explore regulatory attempts to reduce policy uncertainty and its adverse effects on the economy emanating from the executive branch.

We also acknowledge that our sample is limited to S&P 500 firms; these firms are large and generally have broad risk exposures. Our results are not driven by sales to the government or CEO overconfidence but different risk profiles of smaller firms may limit the generalizability of our results. We leave these questions for further research.

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Appendix A. Identifying and categorizing political experience

We follow Goldman et al. (2009) in identifying politically experienced (PE) boards. Using the BoardEx database, we identify board members that currently work or previously worked in the United States state or federal government. We filter director employment histories for United States governmental employment (COUNTRY= "United States" and COMPANY TYPE= "Government"). We manually examine the results. During this examination, we categorize political experience into four broad categories: the US Senate *(PE SENATE)*, House of Representatives (*PE HOUSE OF REP*), White House ex-presidential committee advisors (*PE WHITE HOUSE*), and presidential committee advisors who directly report to the president (*PE PRES*). In Table A1, we provide additional detail describing this manual process and examples. *PE PRES, PE WHITE HOUSE, PE SENATE, PE HOUSE OF REP(RESENTATIVES)* are indicator variables equal to one if the board contains at least one director with the experience and zero otherwise. *PE OTHER* is an indicator variable equal to one if a board has at least one politically experienced director but not via one of the identified methods, and zero otherwise. Please note that we also create the categories legislative branch (*PE LEGIS),* which are boards with directors who have political experience either from the US Senate or the House of Representatives, and the executive branch (*PE EXEC),* which are boards with directors who have political experience from the White House. Table 1 provides descriptive statistics regarding the *PE* categories.

Table A1. Identification of political experience categories

Presidential committee advisor

Description

Member of a presidential advisory committee that reports directly to the President

Methodology

Filter employment histories to those with ties to the United States government (COUNTRY= "United States" and COMPANY TYPE= "Government"). Manually review results for presidential committees and advisory boards. Specifically, examine organization names (COMPANY NAME), roles (ROLE), and role descriptions (ROLE DESCRIPTION).

Use committee data from the Federal Advisory Committee Act (FACA) database to identify presidential committees whether they directly report to the president:
https://www.facadatabase.gov/FACA/apex/FACAPublicCommittee?id=a10t0000001gzkeAAA

Sample committees:
- Commission on United States-Pacific Trade and Investment Policy
- National Security Telecommunications Advisory Committee
- The White House Advisory Committee on Trade Policy and Negotiations
- Member of Executive Committee and Chairman of Strategic Communications Committee of the President's Export Council
- President's Council on Science and Technology

White House

Description

Staff member in the White House

Methodology

Filter employment histories to those with ties to the United States government (COUNTRY= "United States" and COMPANY TYPE= "Government"). The organization's name (COMPANY NAME) contains the words "White House." Use the role (ROLE) and role description (ROLE DESCRIPTION) to clean and review results manually.

Sample roles:	Sample role descriptions:
- Division Co-Chairman	- Chief of Protocol
- Assistant	- Staff Member
- Manager	- Staff Assistant
- Civil Servant	- Management and Budget
- Special Assistant	- Policy Planning Staff
- Member	- Deputy Director
- Chief of Staff	- Press for Foreign Affairs
- Associate Director	

Senate
  Description
    U.S. Senator

  Methodology
    Filter employment histories to those with ties to the United States government (COUNTRY= "United States" and COMPANY TYPE= "Government"). Identify observations where the organization name (COMPANY NAME) contains the words US Senate and manually review results.
      Sample roles:
        - Senator
        - Committee Member (such as "Committee on Health, Education, Labor, and Pensions, US Senate")

House of Representatives
  Description
    Representative

  Methodology
    Filter employment histories to those with ties to the United States government (COUNTRY= "United States" and COMPANY TYPE= "Government"). Identify observations where the organization name (COMPANY NAME) contains the words US House of Representatives.

    Sample roles:
        - Representative
        - Committee Member (such as "Committee on Budget, US House of Representatives")

Other
  Description
    Political experience that is not otherwise identified via the White House, Congress, or the president's committee.

  Methodology
    Filter employment histories to those with ties to the United States government (COUNTRY= "United States" and COMPANY TYPE= "Government"). Filter out observations where the method of PE is already identified (via White House, Congress, or President Committee). Manually examine organization names (COMPANY NAME), roles (ROLE), and role descriptions (ROLE DESCRIPTION) for reasonableness.

Sample company names:	Sample roles:
- United Nations	- Ambassador
- Embassy of Germany	- US Representative
- Social Security Administration	- Deputy Director
- Securities and Exchange Commission	- Commissioner
- Internal Revenue Service	- Deputy Commissioner
- Central Intelligence Agency	- Governor
- State of Florida	- Lieutenant Governor

Appendix B. Variable Definitions

Variable	Definition
Independent Variables of Interest	
POLICY UNCERTAINTY	The natural logarithm of the three month average *overall policy uncertainty index* from Baker et al. (2016) of the firm's fiscal quarter ending in its calendar quarter. Source: www.policyuncertainty.com
PE BOARD	Indicator variable equal to one if at least one director is politically experienced (PE), and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE EXEC	Indicator variable equal to one if at least one director is PE via the executive branch (White House), and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE LEGIS	Indicator variable equal to one if at least one director is PE via the legislative branch (Senate or House of Representatives), and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE SENATE	Indicator variable equal to one if at least one director is PE via the Senate, and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE HOUSE REP	Indicator variable equal to one if at least one director is PE via a House of Representatives, and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE WHITE HOUSE	Indicator variable equal to one if at least one director is PE via a White House organization (excluding a presidential advisory committee), and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE PRES	Indicator variable equal to one if at least one director is PE via a presidential advisory committee, and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE OTHER	Indicator variable equal to one if a board is PE (*PE BOARD*= 1) and the board is not connected via any of the other specified methods (i.e., *PE WHITE HOUSE=0, PE SENATE= 0, PE HOUSE REP= 0,* and *PE PRES* = 0), and zero otherwise. See Appendix A for additional detail. Source: BoardEx
PE PRES SUM	The total number of board of directors who are PE via a presidential committee. See Appendix A for additional detail. Source: BoardEx
PE PRES SUM^2	The squared total number of board of directors who are PE via a presidential committee. See Appendix A for additional detail. Source: BoardEx
Log(PE PRES EXPERIENCE)	The natural logarithm of years of experience for all board members connected via presidential committees. For each board member we calculate the number of years since his/her first presidential committee appointment (current year - first appointment in career to the presidential committee). We sum them across all politically connected board members (via presidential committees) and take the natural logarithm of one plus the sum. Source: BoardEx
CURRENT PE PRES	Indicator variable equal to one if at least one board member is currently on the presidential committee and 0 otherwise. Note: If there is no end date in BoardEx we assume that he/she departed the presidential committee when a new president was elected. Source: BoardEx
FORMER PE PRES	Indicator variable equal to one if at least one board member was previously on the presidential committee and 0 otherwise. Note: If there is no end date in BoardEx we assume that he/she departed the presidential committee when a new president was elected. Source: BoardEx

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Dependent Variables

CAPX(N)   Quarterly capital expenditure, scaled by beginning of the quarter total assets. N stands for the quarter lead. *CAPX* is measured using item CAPXY in the first fiscal quarter and then adjusted for change in CAPXY in fiscal quarters 2, 3, and 4.

CAR   Cumulative Abnormal Returns.

Control Variables

TOBIN'S Q   Market value of equity plus the book value of assets minus book value of equity minus deferred taxes, all divided by book value of assets ((PRCQ × CSHOQ_ATQ − CEQQ − TXDBQ) / ATQ).

OCF   Operating cash flow, scaled by beginning of the quarter total assets. *OCF* is measured using item OANCFY in the first fiscal quarter, and then adjusted for change in OANCFY in fiscal quarters 2, 3, and 4.

GROWTH   Year-on-year growth in quarterly sales, item SALEQ.

GDP GROWTH   Year-on-year growth in quarterly real GDP in 2009 dollars. Source: St. Louis Fed (research.stlouisfed.org)

ELECTION   Indicator variable equal to one if the calendar year holds a presidential election, and zero otherwise. The election years in our sample are 2004, 2008, 2012, and 2016.

EXPECTED GDP GROWTH One-year-ahead GDP forecasts from the biannual Livingstone survey. Item G_Forecast0_To_1Year scaled by 100. Source: Philadelphia Federal Reserve

LEADING ECONOMIC INDEX   Year-on-year log change of the Conference Board's monthly Leading Economic Index. Source: Conference Board (conference-board.org)

CONSUMER CONFIDENCE   Natural logarithm of the three-month average Michigan Index of Consumer Sentiment from the University of Michigan. Source: Michigan Index of Consumer Sentiment (www.sca.isr.umich.edu/tables.html)

GDP FORECAST DISPERSION   Coefficient of variation of the biannual GDP forecasts from the Livingstone survey of the Philadelphia Federal Reserve Bank. Source: Philadelphia Federal Reserve Bank

PROFIT GROWTH SD   Quarter-on-quarter change in net income (*NIQ*) divided by average quarterly sales.

VXO   The natural logarithm of three-month average VXO index from the Chicago Board Options Exchange (Historical Month-end Prices). Source: Chicago Board Options Exchange (www.cboe.com/products/vix-index-volatility/volatility-on-stock-indexes/cboe-3-month-volatility-index-vxv)

RETURN SD   Three-month average cross-sectional standard deviation of monthly stock return (RET). Source: CRSP

JLN UNCERTAINTY   Natural logarithm of the three-month average aggregate uncertainty index from Jurado et al. (2015). Source: www.aeaweb.org/articles?id=10.1257/aer.20131193

CAPITAL INTENSITY   Net PPE (PPENTQ) scaled by beginning of the quarter total assets.

CAPITAL INTENSIVE   Indicator variable equal to one if *CAPITAL INTENSITY* is at least the median value, and zero otherwise.

SUNK COST INDEX   Ordinal variable increasing in industry's (measured by three digit SIC code) sunk cost characteristics. Uses sales of PPE (SPPE) in the past 12 quarters, annual rent expense (XRENT), and cumulative quarterly depreciation expense (DPCY), all scaled by beginning of the quarterly net PPE (PPENTQ). Equal to zero if zero of the three industry level characteristics are above the cross-sectional medians at time t; equal to

	one if one or two are above the medians; and equal to 2 if all three are above the medians.
DURABLE	Correlation over the entire sample period between firm quarterly sales and GNP. Source: St. Louis Fed (fred.stlouisfed.org/search?st=GNP)
DURABLE INDUSTRY	Indicator variable equal to one for industries (measured by three digit SIC code) with above median value for *DURABLE*, and zero otherwise.
CONTRIBUTIONS^{Candidate}	Natural logarithm of 1 plus the number of firm supported candidates between fiscal year t and t-5. Source: The Center for Responsive Politics (www.opensecrets.org)
CONTRIBUTIONS^{Financial}	Natural logarithm of 1 plus the total contributions to candidates supported by the firm-sponsored PAC between fiscal year t and t-5. Source: The Center for Responsive Politics (www.opensecrets.org)
LOBBY AMOUNT	Sum of the amount of lobbying expense for fiscal year t and t-5, total six years. Source: The Center for Responsive Politics (www.opensecrets.org)
SIN STOCKS	Sin stocks are defined according to Fama and French (1997) industry groups 4 (alcohol) and 5 (tobacco)
FIRM SIZE	Natural logarithm of assets (ATQ)
MARKET SHARE	Firm's share in the total sales of its industry (FF48) within the Compustat Universe.
HERFINDAHL INDEX	Sum of the squares of the percentages of a firm's sales in its industry (FF48) within the Compustat Universe.
GOV SALE BINARY	Binary variable equal to 1 if government composes 10% or more of the company's total sales and 0 otherwise.
BOOK LEVERAGE	Ratio of total debt (DLCQ+DLTTQ) to the book value of total assets (ATQ).
# OF EMPLOYEES	Number of employees (EMP).
CSR	Sum of the strengths of SIX categories minus the sum of concerns of SIX categories. The six categories are community, diversity, employment, environment, human rights, and product. Source: KLD database.
CEO OVERCONFIDENCE	A CEO is defined as overconfident if the CEO holds options at least twice during the sample period that are more than 100 percent in the money. (see Malmendier and Tate, 2005; Campbell, Gallmeyer, Johnson, Rutherford, and Stanley, 2011; Kim, Wang, and Zhang, 2016).
Instrumental Variable	
PE PRES RETIRED	Cumulative number of PE directors (via a presidential advisory committee) who leave the firm with the BoardEx variable (*The Time to Retirement*) less than 1 during the sample period up to the current fiscal year. If *The Time to Retirement* is missing, then we count a director's retirement as mandatory if he leaves at or beyond 70 (Fahlenbrach et al. 2010). Source: BoardEx

Notes: All data are sourced from Compustat unless otherwise noted.

FIGURE 1
The Relation Between Capital Investment and Policy Uncertainty While Conditioning on Politically Experienced Boards
 Panel A: *CAPX*(1), *POLICY UNCERTAINTY, and* **Politically Experienced Boards**
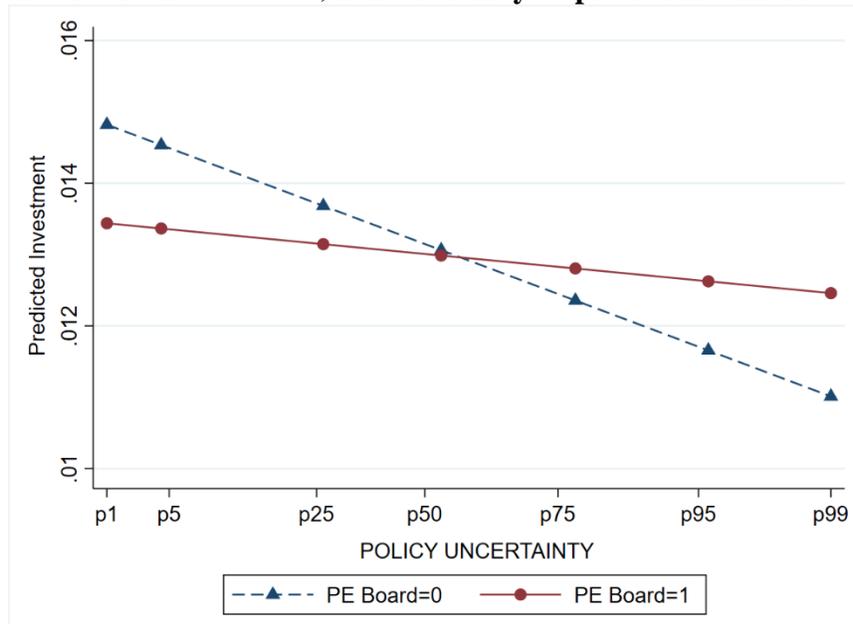
Panel B: *CAPX*(1) and *POLICY UNCERTAINTY and* **Executive Experience**
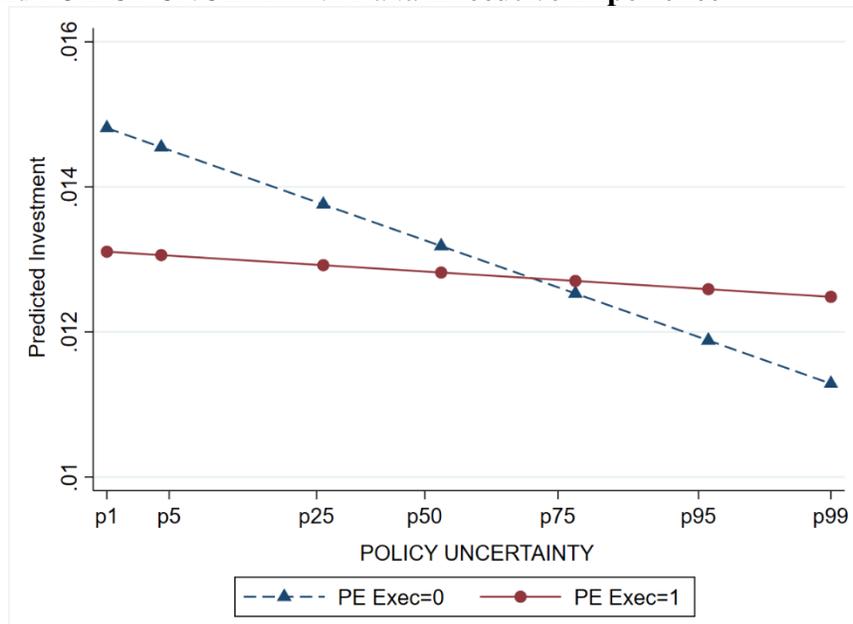
Panel C: *CAPX*(1) and *POLICY UNCERTAINTY and* **President Committee Experience**
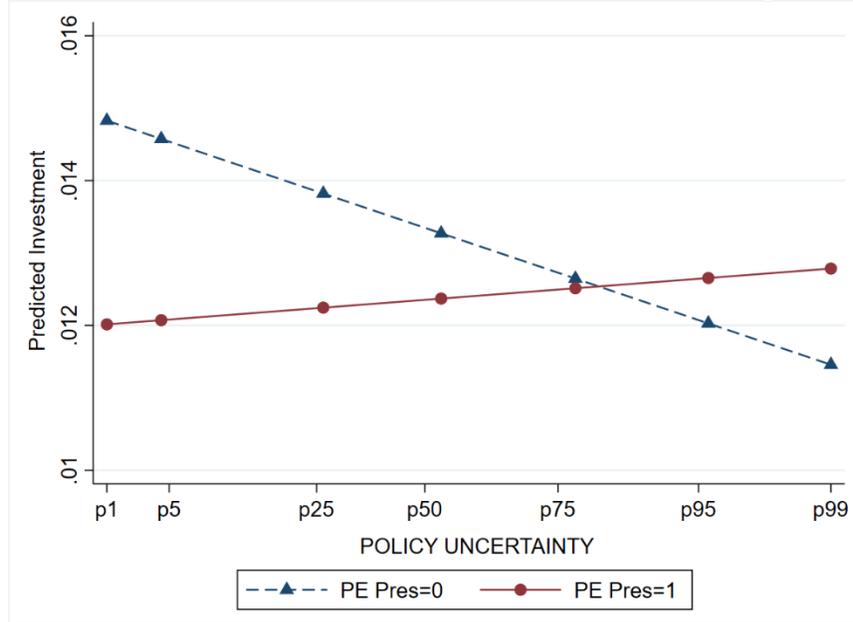
Notes: This figure plots the in-sample predictions of firm-level quarterly capital investment across different levels of *POLICY UNCERTAINTY* for firms with and without politically experienced (PE) boards. Panels A, B, and C, model *CAPX*(1), and whether the firm has a politically experienced board in general (Panel A), a politically experienced board via the executive branch (Panel B), and via a presidential committee (Panel C). We make these predictions using equation (1). Specifically, we use the specification presented in Table 2, Panel A, Column 3 for Figure Panel A; Table 3, Panel A, Column 1 for Figure Panel B; and Table 3, Panel B, Column 1 for Figure Panel C. See Appendix B for variable definitions and Table 1 for detail on sample composition.

Table 1. Descriptives
Panel A. Sample Statistics

Variable	N	Mean	Median	St. Dev	p5	p25	p75	p95
CAPX(1)	21,753	0.013	0.009	0.013	0.002	0.005	0.016	0.039
CAPX(2)	21,655	0.013	0.009	0.013	0.002	0.005	0.016	0.039
CAPX(3)	21,562	0.013	0.009	0.013	0.002	0.005	0.016	0.038
CAPX(4)	21,499	0.013	0.009	0.013	0.002	0.005	0.016	0.038
TOBIN'S Q	21,753	2.264	1.857	1.316	1.028	1.391	2.668	4.965
OCF	21,753	0.033	0.030	0.030	-0.011	0.016	0.047	0.085
GROWTH	21,753	0.092	0.066	0.225	-0.221	-0.009	0.157	0.486
GDP GROWTH	21,753	0.018	0.020	0.017	-0.028	0.013	0.029	0.040
ELECTION	21,753	0.236	0.000	0.424	0.000	0.000	0.000	1.000
EXPECTED GDP GORWTH	21,753	0.027	0.028	0.009	0.007	0.025	0.032	0.039
LEADING ECONOMIC INDEX	21,753	0.008	0.026	0.069	-0.142	-0.010	0.053	0.087
CONSUMER CONFIDENCE	21,753	4.407	4.438	0.139	4.089	4.317	4.524	4.568
GDP FORECAST DISPERSION	21,753	0.656	0.623	0.249	0.351	0.458	0.801	1.181
PROFIT GROWTH SD	21,753	0.035	0.028	0.029	0.018	0.022	0.035	0.075
VXO	21,753	2.910	2.819	0.392	2.368	2.633	3.178	3.539
RETURN SD	21,753	0.071	0.065	0.023	0.049	0.057	0.079	0.126
JLN UNCERTAINTY	21,753	-0.402	-0.428	0.125	-0.551	-0.480	-0.361	-0.102
PE BOARD	21,753	0.536	1.000	0.499	0.000	0.000	1.000	1.000
PE EXEC	21,753	0.436	0.000	0.496	0.000	0.000	1.000	1.000
PE LEGIS	21,753	0.080	0.000	0.271	0.000	0.000	0.000	1.000
PE PRES	21,753	0.290	0.000	0.454	0.000	0.000	1.000	1.000
PE WHITE HOUSE	21,753	0.271	0.000	0.444	0.000	0.000	1.000	1.000
PE HOUSE REP	21,753	0.047	0.000	0.213	0.000	0.000	0.000	0.000
PE SENATE	21,753	0.051	0.000	0.221	0.000	0.000	0.000	1.000
POLICY UNCERTAINTY	21,753	4.710	4.712	0.287	4.237	4.513	4.941	5.167
CONT. CANDIDATE	21,367	2.381	2.197	2.418	0.000	0.000	4.736	5.986
CONT. FINANCIAL	21,367	6.618	9.511	6.381	0.000	0.000	12.775	14.675
LOBBY AMOUNT	12,719	10.605	13.874	6.874	0.000	0.000	15.638	17.470
SIN STOCKS	21,367	0.022	0.000	0.146	0.000	0.000	0.000	0.000
CAPITAL INTENSITY	21,367	0.502	1.000	0.500	0.000	0.000	1.000	1.000
FIRM SIZE	21,367	9.166	9.085	1.288	7.203	8.272	10.041	11.458
MARKET SHARE	21,367	0.031	0.017	0.035	0.001	0.005	0.043	0.113
HERFINDAHL INDEX	21,367	0.073	0.057	0.058	0.029	0.040	0.079	0.181
GOV SALE BINARY	21,367	0.074	0.000	0.262	0.000	0.000	0.000	1.000
BOOK LEVERAGE	21,367	0.234	0.229	0.152	0.000	0.124	0.331	0.508
# OF EMPLOYEES	21,188	0.058	0.025	0.280	-0.152	-0.024	0.090	0.327
CSR	20,351	1.722	1.000	3.544	-3.000	-1.000	4.000	8.000

Panel B. Observations by *PE BOARD*

	PE BOARD= 0				PE BOARD= 1				Diff. in Means	
Variable	N	Mean	Median	St. Dev	N	Mean	Median	St. Dev		*p*-value
CAPX(1)	10,103	0.013	0.009	0.013	11,650	0.013	0.009	0.012	0.000	0.45
CAPX(2)	10,055	0.013	0.009	0.013	11,600	0.013	0.009	0.012	0.000	0.64

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CAPX(3)	10,005	0.013	0.008	0.013	11,557	0.013	0.009	0.012	0.000	0.99
CAPX(4)	9,973	0.013	0.008	0.013	11,526	0.013	0.009	0.012	0.000	0.97

Panel C. Experience Type Observations by Year for PE BOARD, PE EXEC, PE LEGIS, and PE OTHER

Year	N	PE BOARD	PE EXEC	PE LEGIS	PE OTHER
2001	1,175	577	440	121	101
2002	1,231	612	475	121	100
2003	1,248	652	509	119	108
2004	1,266	652	520	113	100
2005	1,281	661	546	115	84
2006	1,299	665	543	114	97
2007	1,316	663	540	103	99
2008	1,322	667	549	100	92
2009	1,321	709	572	107	99
2010	1,341	742	587	112	111
2011	1,343	772	620	118	111
2012	1,352	765	633	108	105
2013	1,353	765	643	97	96
2014	1,321	745	624	89	102
2015	1,254	717	598	76	105
2016	1,186	650	555	61	89
2017	1,144	636	541	59	87
Total	21,753	11,650	9,495	1,733	1,686

Panel D. Experience Type Observations by Year for *PE PRES, PE WHITE HOUSE, PE HOUSE REP, PE SENATE*

Year	N	PE PRES	PE WHITE HOUSE	PE HOUSE REP	PE SENATE
2001	1,175	193	373	64	68
2002	1,231	230	373	61	76
2003	1,248	272	387	59	80
2004	1,266	297	387	60	77
2005	1,281	310	389	63	79
2006	1,299	317	377	67	78
2007	1,316	317	358	63	68
2008	1,322	338	353	62	66
2009	1,321	379	336	66	73
2010	1,341	409	327	69	72
2011	1,343	458	318	75	74
2012	1,352	472	328	73	64
2013	1,353	489	335	70	55
2014	1,321	484	341	64	52
2015	1,254	477	322	51	50
2016	1,186	435	291	34	45
2017	1,144	430	294	32	43
Total	21,753	6,307	5,889	1,033	1,120

Panel D. Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)*PE BOARD*	1						
(2)*PE EXEC*	0.82*	1					
(3)*PE LEGIS*	0.27*	0.13*	1				
(4)*PE PRES*	0.60*	0.73*	0.05*	1			
(5)*PE WHITE HOUSE*	0.57*	0.69*	0.16*	0.26*	1		
(6)*PE HOUSE REP*	0.21*	0.10*	0.76*	0.05*	0.09*	1	
(7)*PE SENATE*	0.22*	0.10*	0.79*	0.01	0.14*	0.36*	1

Notes: This table contains descriptive statistics for our sample. The sample includes quarterly observations from S&P 500 firms across the 2001 to 2017 calendar years. We exclude financial (SIC 6000 - 6999) and utility (SIC 4900 - 4949) firms from the sample. See Appendix B for variable definitions. Panel A shows summary statistics for the entire sample. Panel B shows selected descriptive statistics while conditioning on *PE BOARD*. Panels C and D show the number of political board experience types by year. Panel E provides a correlation matrix and denotes significance levels of at least 0.1 with a *. See Appendix B for variable definitions and Appendix A for additional detail on our methodology for identifying these observations.

Table 2: Investment Sensitivity to Policy Uncertainty and Politically Experienced Boards
Panel A: Investment Sensitivity to Policy Uncertainty and Politically Experienced Boards for CAPX(1)

Variable	Dependent Variable			
	CAPX(1)			
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0044***	-0.0031***	-0.0047***	-0.0019**
	(-5.24)	(-3.61)	(-4.49)	(-2.47)
PE BOARD	0.0000	-0.0001	0.0001	0.0002
	(0.05)	(-0.22)	(0.18)	(0.32)
POLICY UNCERTAINTY	0.0023***	0.0023***	0.0023***	0.0022***
× *PE BOARD*	(3.12)	(3.16)	(3.22)	(2.99)
TOBIN'S Q		0.0017***	0.0017***	0.0017***
		(8.44)	(8.37)	(8.21)
OCF		0.0224**	0.0218**	0.0203**
		(2.28)	(2.31)	(2.20)
GROWTH		0.0033***	0.0024***	0.0020***
		(4.21)	(3.67)	(3.26)
GDP GROWTH		-0.0065	0.0640***	0.0497***
		(-0.60)	(3.68)	(4.02)
ELECTION		-0.0000	-0.0002	
		(-0.04)	(-0.59)	
EXPECTED GDP GORWTH			0.0473**	-0.0150
			(2.52)	(-0.72)
LEADING ECONOMIC INDEX			-0.0148**	-0.0129***
			(-2.54)	(-2.76)
CONSUMER CONFIDENCE			-0.0090***	0.0010
			(-4.25)	(0.91)
GDP FORECAST DISPERSION			-0.0008	0.0013**
			(-1.11)	(2.37)
PROFIT GROWTH SD			0.0055	0.0067
			(1.37)	(1.48)
VXO			0.0006	0.0010***
			(1.04)	(3.24)
RETURN SD			0.0195**	0.0144**
			(2.05)	(2.17)
JLN UNCERTAINTY			-0.0026	-0.0049***
			(-1.29)	(-5.27)
CONSTANT	0.0131***	0.0082***	0.0417***	-0.0037
	(34.15)	(12.84)	(4.28)	(-0.70)
Firm fixed effects	Yes	Yes	Yes	Yes
Seasonal dummies	Yes	Yes	Yes	Yes
Year FE				Yes
Observations	21,753	21,753	21,753	21,753
Adj. R^2	0.66	0.68	0.69	0.69

Panel B: Full model for CAPX(2), CAPX(3), and CAPX(4)

	Dependent Variable		
	CAPX(2)	CAPX(3)	CAPX(4)
Variable	(1)	(2)	(3)
POLICY UNCERTAINTY	-0.0049***	-0.0043***	-0.0039***
	(-4.39)	(-3.64)	(-3.21)
PE BOARD	0.0001	0.0001	0.0000
	(0.23)	(0.29)	(0.10)
POLICY UNCERTAINTY	0.0022***	0.0021***	0.0020**
× PE BOARD	(2.87)	(2.72)	(2.47)
TOBIN'S Q	0.0016***	0.0015***	0.0015***
	(7.61)	(6.89)	(6.63)
OCF	0.0271***	0.0251***	0.0224**
	(3.00)	(2.67)	(2.33)
GROWTH	0.0028***	0.0031***	0.0029***
	(4.44)	(4.71)	(4.37)
GDP GROWTH	0.0450***	0.0300	0.0144
	(2.78)	(1.63)	(0.75)
ELECTION	-0.0004	-0.0007*	-0.0010**
	(-1.12)	(-1.72)	(-2.35)
EXPECTED GDP GORWTH	0.0505**	0.0633**	0.0714***
	(2.03)	(2.60)	(3.27)
LEADING ECONOMIC INDEX	-0.0083	-0.0066	-0.0020
	(-1.52)	(-1.21)	(-0.31)
CONSUMER CONFIDENCE	-0.0085***	-0.0061**	-0.0047*
	(-3.65)	(-2.43)	(-1.80)
GDP FORECAST DISPERSION	-0.0001	0.0007	0.0013*
	(-0.20)	(0.96)	(1.76)
PROFIT GROWTH SD	-0.0005	-0.0048	-0.0065
	(-0.12)	(-1.30)	(-1.06)
VXO	0.0004	0.0005	0.0002
	(0.68)	(0.86)	(0.34)
RETURN SD	0.0246***	0.0160	0.0194*
	(2.67)	(1.54)	(1.70)
JLN UNCERTAINTY	-0.0029	-0.0029	-0.0015
	(-1.41)	(-1.29)	(-0.60)
CONSTANT	0.0397***	0.0292**	0.0237**
	(3.75)	(2.55)	(2.01)
Firm/seasonal fixed effects	Yes	Yes	Yes
Observations	21,655	21,562	21,499
Adj. R^2	0.69	0.69	0.69

Notes: See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are robust and clustered by firm and calendar year-quarter. *t*-statistics are reported in parentheses. Panel A shows the results for the dependent variable CAPX(1) and Panel B for CAPX(2), CAPX(3), and CAPX(4). *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 3 Investment Sensitivity to Policy Uncertainty and Different Politically Experienced Boards
Panel A: Politically Board Experience Split at the Executive and Legislative Level

Variable	Dependent Variable			
	CAPX(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0047***	-0.0048***	-0.0043***	-0.0038***
	(-4.42)	(-4.34)	(-3.59)	(-3.13)
PE EXEC	-0.0001	-0.0002	-0.0002	-0.0002
	(-0.28)	(-0.34)	(-0.37)	(-0.53)
PE LEGIS	0.0006	0.0006	0.0006	0.0004
	(0.66)	(0.63)	(0.64)	(0.51)
PE OTHER	-0.0011	-0.0010	-0.0009	-0.0009
	(-1.38)	(-1.31)	(-1.17)	(-1.17)
POLICY UNCERTAINTY	0.0024***	0.0022**	0.0020**	0.0019**
× *PE EXEC*	(2.95)	(2.59)	(2.43)	(2.12)
POLICY UNCERTAINTY	0.0018	0.0018	0.0018	0.0016
× *PE LEGIS*	(1.37)	(1.36)	(1.27)	(1.06)
POLICY UNCERTAINTY	0.0007	0.0009	0.0010	0.0010
× *PE OTHER*	(0.81)	(0.90)	(0.94)	(0.98)
Controls	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adjusted R-squared	0.69	0.69	0.69	0.69

Panel B: Politically Board Experience Split at the Institution Level

Variable	Dependent Variable			
	CAPX(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0046***	-0.0047***	-0.0042***	-0.0038***
	(-4.53)	(-4.40)	(-3.65)	(-3.21)
PE PRES	-0.0004	-0.0004	-0.0004	-0.0004
	(-0.97)	(-0.92)	(-0.84)	(-0.79)
PE WHITE HOUSE	-0.0002	-0.0002	-0.0002	-0.0004
	(-0.41)	(-0.44)	(-0.37)	(-0.79)
PE HOUSE REP	0.0001	0.0000	-0.0000	-0.0001
	(0.10)	(0.02)	(-0.02)	(-0.12)
PE SENATE	0.0009	0.0009	0.0009	0.0007
	(0.75)	(0.73)	(0.79)	(0.69)
PE OTHER	-0.0011	-0.0011	-0.0010	-0.0010
	(-1.58)	(-1.48)	(-1.33)	(-1.33)
POLICY UNCERTAINTY	0.0034***	0.0029***	0.0028***	0.0027***
$\times$ *PE PRES*	(4.37)	(3.56)	(3.61)	(3.36)
POLICY UNCERTAINTY	0.0000	0.0001	0.0001	0.0000
$\times$ *PE WHITE HOUSE*	(0.03)	(0.16)	(0.09)	(0.00)
POLICY UNCERTAINTY	0.0025	0.0024	0.0017	0.0015
$\times$ *PE HOUSE REP*	(1.42)	(1.27)	(0.80)	(0.73)
POLICY UNCERTAINTY	0.0008	0.0004	0.0010	0.0006
$\times$ *PE SENATE*	(0.53)	(0.30)	(0.64)	(0.40)
POLICY UNCERTAINTY	0.0010	0.0011	0.0012	0.0012
$\times$ *PE OTHER*	(1.19)	(1.15)	(1.15)	(1.28)
Controls	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adjusted R-squared	0.69	0.69	0.69	0.69

Panel C: Politically Experienced Boards via Presidential Committees

	Dependent Variable			
	CAPX(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)
Variable	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0044***	-0.0045***	-0.0040***	-0.0036***
	(-4.41)	(-4.29)	(-3.60)	(-3.14)
PE PRES	-0.0003	-0.0003	-0.0002	-0.0002
	(-0.60)	(-0.59)	(-0.56)	(-0.53)
POLICY UNCERTAINTY	0.0033***	0.0029***	0.0027***	0.0026***
$\times$ *PE PRES*	(4.43)	(3.63)	(3.61)	(3.24)
Controls	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adj. R^2	0.69	0.69	0.69	0.69

Notes: See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are robust and clustered by firm and calendar year-quarter. *t*-statistics are reported in parentheses. Panel A shows the results when politically experienced boards are categorized into an executive level and a legislative level. Panel B splits the executive experience into a presidential committee and the White House levels, and the legislative experience is categorized into the Senate and House of Representatives levels. In Panel C we provide the results when PE PRESS is used as a political experience indicator. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 4: Coefficient Stability
Panel A. Impact Threshold of Confounding Variable (ITCV)

	Dependent Variable			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
Variable	(1)	(2)	(3)	(4)
Impact threshold of a confounding variable				
POLICY UNCERTAINTY × PE PRES	0.017	0.012	0.011	0.009
Partial impact of main effects				
POLICY UNCERTAINTY	-0.017	-0.019	-0.011	-0.011
PE PRES	-0.006	-0.006	-0.006	-0.006
Partial impact of control variables				
TOBIN'S Q	0.002	0.002	0.002	0.002
OCF	-0.001	-0.001	-0.001	-0.001
GROWTH	0.002	0.002	0.003	0.002
GDP GROWTH	0.001	0.000	0.001	0.001
ELECTION	0.000	0.000	0.000	0.000
EXPECTED GDP GORWTH	0.000	0.000	0.000	0.000
LEADING ECONOMIC INDEX	0.000	0.000	0.000	0.000
CONSUMER CONFIDENCE	0.001	0.001	0.000	0.000
GDP FORECAST DISPERSION	0.000	0.000	0.000	0.000
PROFIT GROWTH SD	0.000	0.000	0.000	0.000
VXO	0.000	0.000	0.000	0.000
RETURN SD	0.000	0.000	0.000	0.000
JLN UNCERTAINTY	0.000	0.000	0.000	0.000

Panel B. Identified set from Oster (2019)

	Identified Set for POLICY UNCERTAINTY × PE PRES	
	$\left[\tilde{\beta}, \beta^{*'}(1.25\tilde{R}, 1)\right]$	$\left[\tilde{\beta}, \beta^{*'}(1.3\tilde{R}, 1)\right]$
Independent Variable	(1)	(2)
CAPX(1)	[0.0033, 0.0045]	[0.0033, 0.0047]
CAPX(2)	[0.0029, 0.0042]	[0.0029, 0.0044]
CAPX(3)	[0.0028, 0.0038]	[0.0028, 0.0040]
CAPX(4)	[0.0027, 0.0037]	[0.0027, 0.0039]

Notes: This table presents results from omitted variables tests. The results for the impact threshold of a confounding variable test are provided in Panel A. In Panel B, we provide the identified set from Oster (2019). See Appendix B for variable definitions and Table 1 for details on sample composition. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 5. Instrumental Variable (IV) Regression

Variable	1st Stage		2nd Stage			
	PE PRES	PE PRES × POLICY Un.	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	(1)	(2)	(3)	(4)	(5)	(6)
POLICY UNCERTAINTY	0.1660***	0.2467***	-0.0050***	-0.0049***	-0.0048***	-0.0044***
	(3.83)	(11.52)	(-3.82)	(-3.88)	(-3.67)	(-3.30)
PE PRES (IV)			-0.0005	-0.0004	0.0003	0.0001
			(-0.46)	(-0.39)	(0.32)	(0.12)
POLICY UNCERTAINTY × PE PRES (IV)			0.0053**	0.0045*	0.0053**	0.0051**
			(2.00)	(1.81)	(2.38)	(2.28)
PE PRES RETIRED	-0.3561***	0.0108				
	(-5.27)	(0.53)				
POLICY UNCERTAINTY × PE PRES RETIRED	0.0275	0.2377***				
	(0.77)	(7.40)				
TOBIN'S Q	0.0013	-0.0032	0.0017***	0.0016***	0.0016***	0.0015***
	(0.15)	(-1.11)	(8.40)	(7.65)	(7.01)	(6.73)
OCF	0.1166	-0.0083	0.0217**	0.0271***	0.0250***	0.0223**
	(1.01)	(-0.23)	(2.30)	(2.99)	(2.66)	(2.32)
GROWTH	-0.0513**	0.0067	0.0024***	0.0028***	0.0031***	0.0029***
	(-2.55)	(1.11)	(3.65)	(4.42)	(4.75)	(4.38)
GDP GROWTH	-1.0377	0.3971**	0.0614***	0.0427***	0.0281	0.0124
	(-1.29)	(2.30)	(3.69)	(2.75)	(1.57)	(0.66)
ELECTION	0.0091	-0.0003	-0.0002	-0.0004	-0.0007*	-0.0010**
	(0.60)	(-0.14)	(-0.62)	(-1.17)	(-1.77)	(-2.41)
EXPECTED GDP GORWTH	-1.9300	0.0091	0.0468**	0.0501**	0.0640***	0.0718***
	(-1.54)	(0.03)	(2.64)	(2.13)	(2.71)	(3.42)
LEADING ECONOMIC INDEX	0.0179	-0.0633	-0.0144**	-0.0080	-0.0062	-0.0017
	(0.07)	(-1.19)	(-2.57)	(-1.52)	(-1.17)	(-0.27)
CONSUMER CONFIDENCE	0.0578	-0.0232	-0.0089***	-0.0084***	-0.0061**	-0.0046*
	(0.63)	(-1.21)	(-4.36)	(-3.72)	(-2.45)	(-1.81)
GDP FORECAST DISPERSION	-0.0480	0.0092*	-0.0008	-0.0002	0.0007	0.0013*
	(-1.45)	(1.82)	(-1.24)	(-0.27)	(0.94)	(1.74)
PROFIT GROWTH SD	-0.1173	0.0014	0.0055	-0.0006	-0.0047	-0.0065
	(-0.96)	(0.03)	(1.33)	(-0.14)	(-1.28)	(-1.05)
VXO	-0.0881***	-0.0037	0.0006	0.0003	0.0005	0.0002
	(-3.56)	(-0.60)	(1.05)	(0.67)	(0.95)	(0.41)
RETURN SD	-1.7234***	-0.1127	0.0194**	0.0244***	0.0170*	0.0201*
	(-3.91)	(-1.16)	(2.11)	(2.79)	(1.69)	(1.79)
JLN UNCERTAINTY	-0.1025	-0.0122	-0.0027	-0.0029	-0.0029	-0.0015
	(-1.01)	(-0.58)	(-1.35)	(-1.48)	(-1.31)	(-0.61)
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21,753	21,753	21,753	21,655	21,562	21,499
Adj. R^2	0.62	0.37	0.69	0.69	0.69	0.69
F-Statistic						

Kleibergen-Paap LM stat	18.85	18.69	18.54	18.12
Kleibergen-Paap (p-value)	0.00	0.00	0.00	0.00
Cragg-Donald Wald F stat	579.3	575.4	571.1	562.4
Kleibergen-Paap Wald F stat	19.42	19.16	18.83	18.27

Notes: This table presents results from estimating equation (1) with a two-stage least squares (2SLS) instrumental variable regression. See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are clustered by firm and calendar year-quarter. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 6: Market Reaction to Politically Connected Board Appointments

Variable	Dependent Variable= Cumulative Abnormal Return (0,+1)		
	(1)	(2)	(3)
POLICY UNCERTAINTY	0.0024	0.0015	-0.0092
	(1.13)	(0.72)	(-1.35)
PE PRES	-0.0013	-0.0012	0.0046
	(-0.47)	(-0.46)	(1.31)
PE WHITE HOUSE	-0.0049**		
	(-2.00)		
PE SENATE	-0.0198**		
	(-2.57)		
PE HOUSE REP	0.0166**		
	(2.15)		
PE OTHER	-0.0073**		
	(-1.96)		
POLICY UNCERTAINTY × PE PRES	0.0195**	0.0191**	0.0298***
	(2.44)	(2.36)	(2.85)
POLICY UNCERTAINTY × PE WHITE HOUSE	-0.0066		
	(-0.87)		
POLICY UNCERTAINTY × PE SENATE	0.0359*		
	(1.76)		
POLICY UNCERTAINTY × PE HOUSE REP	-0.0446**		
	(-2.30)		
POLICY UNCERTAINTY × PE OTHER	-0.0228**		
	(-2.24)		
CONSTANT	0.0003	-0.0001	-0.0059**
	(0.38)	(-0.17)	(-2.59)
Model	MM	MM	MM
Sample	All Appoint.	All Appoint.	Political Appoint.
Observations	1,458	1,458	137
Adj. R^2	0.01	0.00	0.07

Notes: This table presents announcement returns. See Appendix B for variable definitions and Table 1 for details on sample composition. Standard errors are robust. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 7. Cross-Sectional Variation in Investment Irreversibility
Panel A. Capital Intensity

Variable	Dependent Variable							
	CAPITAL INTENSIVE= 0				CAPITAL INTENSIVE= 1			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0020***	-0.0024***	-0.0023***	-0.0023***	-0.0063***	-0.0061***	-0.0051***	-0.0044**
	(-4.01)	(-4.15)	(-3.83)	(-3.66)	(-4.17)	(-3.95)	(-3.07)	(-2.55)
PE PRES	-0.0001	-0.0000	0.0001	0.0002	-0.0012	-0.0013*	-0.0013*	-0.0014*
	(-0.30)	(-0.03)	(0.32)	(0.65)	(-1.65)	(-1.83)	(-1.89)	(-1.90)
POLICY UNCERTAINTY × PE PRES	0.0012***	0.0011**	0.0005	0.0006	0.0050***	0.0042***	0.0046***	0.0045***
	(2.70)	(2.18)	(1.19)	(1.16)	(4.24)	(3.39)	(3.63)	(3.40)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10,835	10,789	10,747	10,720	10,897	10,845	10,794	10,757
Adj. R^2	0.44	0.45	0.45	0.45	0.65	0.65	0.65	0.65

Panel B. High Sunk Costs

Variable	Dependent Variable							
	SUNK COST INDEX= 0				SUNK COST INDEX= 2			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0021**	-0.0025***	-0.0022***	-0.0024***	-0.0036***	-0.0042***	-0.0033**	-0.0042***
	(-2.39)	(-3.05)	(-2.65)	(-3.03)	(-3.03)	(-3.15)	(-2.43)	(-3.08)
PE PRES	0.0008*	0.0007*	0.0008*	0.0007*	-0.0005	-0.0006	-0.0008	-0.0010
	(1.74)	(1.74)	(1.85)	(1.68)	(-0.57)	(-0.59)	(-0.77)	(-0.80)
POLICY UNCERTAINTY × PE PRES	0.0007	0.0007	-0.0000	-0.0001	0.0041***	0.0034***	0.0037**	0.0034**
	(0.88)	(0.88)	(-0.02)	(-0.14)	(3.40)	(2.77)	(2.64)	(2.00)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,759	4,744	4,729	4,718	2,386	2,378	2,366	2,359
Adj. R^2	0.71	0.71	0.71	0.72	0.61	0.61	0.61	0.62

Panel C. Durable Goods

Variable	Dependent Variable							
	DURABLE INDUSTRY= 0				*DURABLE INDUSTRY= 1*			
	CAPX(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)	*CAPX*(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0050***	-0.0051***	-0.0040***	-0.0034***	-0.0031***	-0.0030***	-0.0035***	-0.0033**
	(-5.20)	(-5.16)	(-3.97)	(-3.23)	(-2.82)	(-2.69)	(-2.85)	(-2.64)
PE PRES	-0.0006	-0.0007	-0.0008	-0.0009	-0.0000	0.0001	0.0002	0.0004
	(-0.91)	(-1.04)	(-1.20)	(-1.41)	(-0.03)	(0.20)	(0.44)	(0.91)
POLICY UNCERTAINTY	0.0037***	0.0031***	0.0028***	0.0027***	0.0033***	0.0032***	0.0032***	0.0032***
× PE PRES	(3.94)	(3.13)	(3.06)	(2.85)	(3.10)	(2.87)	(2.86)	(2.72)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12,994	12,941	12,883	12,841	8,716	8,697	8,677	8,658
Adj. R^2	0.74	0.74	0.74	0.75	0.60	0.61	0.61	0.61

Notes: This table presents results from estimating equation (1) for subsamples with low and high investment irreversibility. We proxy for investment irreversibility with capital intensity in Panel A, sunk costs in Panel B, and durability in Panel C. See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are clustered by firm and calendar year-quarter. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 8. Cross-Sectional Variation in Accumulated Presidential Committee Insights

Variable	Dependent Variable= *CAPX*(1)					
	(1)	(2)	(3)	(4)	(5)	(6)
POLICY UNCERTAINTY	-0.0041***	-0.0043***	-0.0043***	-0.0038***	-0.0043***	-0.0043***
	(-4.10)	(-4.29)	(-4.29)	(-3.90)	(-4.28)	(-4.28)
PE PRES SUM	0.0001	0.0001				
	(0.25)	(0.15)				
PE PRES SUM^2		0.0000				
		(0.15)				
LOG (PE PRES SUM)			0.0000			
			(0.00)			
PE PRES EXPERIENCE				-0.0000		
				(-0.39)		
LOG (PE PRES EXPERIENCE)					-0.0001	
					(-0.45)	
CURRENT PRES COMM						0.0001
						(0.19)
FORMER PRES COMM						-0.0003
						(-0.78)
POLICY UNCERTAINTY $\times$ *PE PRES SUM*	0.0015***	0.0029***				
	(3.25)	(4.03)				
POLICY UNCERTAINTY $\times$ *PE PRES SUM^2*		-0.0004***				
		(-3.14)				
POLICY UNCERTAINTY $\times$ *LOG (PE PRES SUM)*			0.0034***			
			(4.08)			
POLICY UNCERTAINTY $\times$ *PE PRES EXPERIENCE*				0.0001***		
				(2.88)		
POLICY UNCERTAINTY $\times$ *LOG (PE PRES EXPERIENCE)*					0.0012***	
					(4.17)	
POLICY UNCERTAINTY $\times$ *CURRENT PRES COMM*						0.0017**
						(2.14)
POLICY UNCERTAINTY $\times$ *FORMER PRES COMM*						0.0030***
						(3.69)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21,753	21,753	21,753	21,753	21,753	21,753
Adj. R^2	0.69	0.69	0.69	0.69	0.69	0.69

Notes: This table presents results from estimating equation (1) with accumulated presidential committee insights. See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are clustered by firm and calendar year-quarter. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 9: Government Sales and Investment Sensitivity to Policy

	Dependent Variable			
	CAPX(1)	*CAPX*(2)	*CAPX*(3)	*CAPX*(4)
Variable	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0044***	-0.0044***	-0.0039***	-0.0034***
	(-4.25)	(-4.22)	(-3.47)	(-3.03)
PE PRES	-0.0003	-0.0003	-0.0003	-0.0003
	(-0.71)	(-0.69)	(-0.67)	(-0.65)
POLICY UNCERTAINTY	0.0034***	0.0028***	0.0026***	0.0025***
$\times$ *PE PRES*	(4.31)	(3.34)	(3.32)	(2.95)
Controls & Constant	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes
Observations	19,360	19,268	19,180	19,121
Adj. R^2	0.69	0.69	0.69	0.69

Notes: This table presents results from estimating equation (1) for a subsample that includes firms that never reported government sales in any quarter of our sample. See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are clustered by firm and calendar year-quarter, as noted. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 10: CEO Overconfidence and Investment Sensitivity to Policy Uncertainty

				Dependent Variable=				
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	CEO OVERCONFIDENCE = 0				*CEO OVERCONFIDENCE = 1*			
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0031***	-0.0031***	-0.0030***	-0.0033***	-0.0042***	-0.0040***	-0.0033***	-0.0028**
	(-3.32)	(-3.32)	(-3.02)	(-3.29)	(-3.93)	(-3.61)	(-2.89)	(-2.37)
PE PRES	0.0002	0.0001	0.0002	0.0001	-0.0005	-0.0005	-0.0005	-0.0005
	(0.34)	(0.27)	(0.39)	(0.29)	(-0.90)	(-0.89)	(-0.97)	(-0.91)
POLICY UNCERTAINTY	0.0034***	0.0027**	0.0026**	0.0030**	0.0032***	0.0029***	0.0026***	0.0023**
× *PE PRES*	(3.15)	(2.41)	(2.15)	(2.25)	(3.62)	(3.03)	(3.01)	(2.61)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,129	6,118	6,104	6,098	15,042	14,982	14,920	14,860
Adj. R^2	0.74	0.74	0.74	0.75	0.71	0.71	0.71	0.71

Notes: This table presents results from estimating equation (1) for sample that is split by CEO overconfidence. See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. Standard errors are clustered by firm and calendar year-quarter, as noted. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 11. Firm Characteristics and Presidential Committee Board Experience

Variable	Dependent variable= *PE PRES*					
	(1)	(2)	(3)	(4)	(5)	(6)
CONT. CANDIDATE	0.0440		0.0305		0.0346	
	(1.56)		(1.06)		(0.88)	
CONT. FINANCIAL		0.0128		0.0085		0.0103
		(1.25)		(0.82)		(0.72)
LOBBY AMOUNT					-0.0074	-0.0062
					(-0.54)	(-0.46)
SIN STOCKS	-0.9334*	-0.9278*	-0.8720*	-0.8701*	-0.7005	-0.6890
	(-1.80)	(-1.79)	(-1.93)	(-1.92)	(-1.06)	(-1.04)
CAPITAL INTENSITY	0.0559	0.0568	0.1282	0.1310	0.1172	0.1206
	(0.45)	(0.45)	(1.03)	(1.05)	(0.83)	(0.85)
FIRM SIZE	0.3045***	0.3150***	0.4345***	0.4442***	0.5890***	0.5961***
	(3.51)	(3.66)	(4.71)	(4.85)	(5.11)	(5.20)
MARKET SHARE	24.3260***	24.7019***	18.2217**	18.3593**	14.1188	14.2558
	(2.99)	(3.04)	(2.22)	(2.24)	(1.45)	(1.47)
MARKET SHARE^2	-149.3950**	-150.9273**	-124.1007**	-124.4382**	-107.1879	-107.6145
	(-2.53)	(-2.57)	(-2.11)	(-2.12)	(-1.51)	(-1.52)
HERFINDAHL INDEX	3.2486**	3.2768**	3.0404**	3.0558**	3.2119**	3.2209**
	(2.54)	(2.56)	(2.32)	(2.32)	(2.52)	(2.53)
GOV SALE BINARY			0.5109**	0.5322**	0.6395**	0.6580**
			(2.27)	(2.38)	(2.21)	(2.29)
TOBIN'S Q			0.1723***	0.1733***	0.2060***	0.2068***
			(4.47)	(4.48)	(3.94)	(3.95)
OCF			-0.2060	-0.1920	-0.0646	-0.0553
			(-0.27)	(-0.25)	(-0.07)	(-0.06)
GROWTH			-0.2399**	-0.2446**	-0.4367***	-0.4417***
			(-2.30)	(-2.35)	(-3.84)	(-3.88)
BOOK LEVERAGE			-0.4829	-0.4785	-0.5976	-0.5975
			(-1.36)	(-1.35)	(-1.38)	(-1.38)
# OF EMPLOYEES			-0.0912	-0.0933	0.1578	0.1531
			(-0.94)	(-0.96)	(0.86)	(0.84)
CSR SCORE			0.0451***	0.0451***	0.0552***	0.0553***
			(3.15)	(3.15)	(3.69)	(3.70)
Constant	-5.3891***	-5.4697***	-6.5460***	-6.6193***	-7.3979***	-7.4693***
	(-8.67)	(-8.86)	(-8.92)	(-9.05)	(-7.84)	(-7.96)
Industry fixed effects	FF48	FF48	FF48	FF48	FF48	FF48
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21,367	21,367	20,351	20,351	12,186	12,186
Pseudo R2	0.23	0.23	0.26	0.26	0.27	0.27

Notes: This table presents a probit analysis of the characteristics of firms with politically connected boards via a presidential committee. Standard errors are clustered by firm. Variable definitions are provided in Appendix B. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

Table 12. Non-Politically Experienced Firm Investment and Peer Connections

Variable	Dependent variable = CAPX(1)		
	(1)	(2)	(3)
POLICY UNCERTAINTY	-0.0048***	-0.0047***	-0.0048***
	(-3.51)	(-3.50)	(-3.75)
N(PE PRES FIRMS)/ N(ALL FIRMS)	-0.0008		
	(-0.35)		
POLICY UNCERTAINTY	0.0005		
× N(PE PRES FIRMS)/ N(ALL FIRMS)	(0.20)		
PE PRESS ASSETS/ TOTAL ASSETS		-0.0015	
		(-1.02)	
POLICY UNCERTAINTY		0.0005	
× PE PRESS ASSETS/ TOTAL ASSETS		(0.36)	
N(PE PRES FIRMS)/ TOTAL ASSETS			18.7163
			(0.98)
POLICY UNCERTAINTY			7.4513
× N(PE PRES FIRMS)/ TOTAL ASSETS			(0.29)
Controls	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes
Method	FF48	FF48	FF48
Observations	15,444	15,444	15,444
Adj. R^2	0.71	0.71	0.71

Notes: This table presents results from estimating equation (3). See Appendix B for variable definitions and Table 1 for details on sample composition. Seasonal dummies include controls for calendar quarter, as well as fiscal quarter. We winsorize continuous variables at the 1st and 99th percentiles. Standard errors are clustered by firm and calendar year-quarter, as noted. *t*-statistics are reported in parentheses. *, **, and *** represent significance levels of 0.10, 0.05, and 0.01, respectively (two-tailed).

ONLINE APPENDIX

Table A2: Investment Sensitivity to Policy Uncertainty and Politically Experienced Boards

Variable	Dependent Variable		
	CAPX(2)	CAPX(3)	CAPX(4)
POLICY UNCERTAINTY	-0.0015**	0.0002	-0.0014*
	(-2.28)	(0.30)	(-1.70)
PE BOARD	0.0002	0.0002	0.0002
	(0.42)	(0.54)	(0.37)
POLICY UNCERTAINTY	0.0020**	0.0018**	0.0017**
× PE BOARD	(2.63)	(2.41)	(2.15)
TOBIN'S Q	0.0016***	0.0015***	0.0015***
	(7.45)	(6.79)	(6.57)
OCF	-0.0251***	-0.0129	0.0020
	(-6.54)	(-0.71)	(0.17)
GROWTH	-0.0042	-0.0039	0.0011
	(-1.21)	(-1.36)	(0.31)
GDP GROWTH	-0.0005	0.0002	-0.0009
	(-0.50)	(0.24)	(-0.93)
EXPECTED GDP GORWTH	0.0013***	0.0010**	0.0007**
	(3.41)	(2.19)	(2.56)
LEADING ECONOMIC INDEX	0.0013	-0.0021	-0.0039
	(0.31)	(-0.79)	(-0.74)
CONSUMER CONFIDENCE	0.0004	-0.0001	0.0005
	(1.53)	(-0.55)	(1.48)
GDP FORECAST DISPERSION	0.0188***	0.0039	0.0062
	(3.21)	(0.68)	(1.42)
PROFIT GROWTH SD	-0.0077***	-0.0080***	-0.0050***
	(-6.45)	(-6.81)	(-3.89)
VXO	0.0041	0.0044	0.0085*
	(0.82)	(1.27)	(1.82)
RETURN SD	-0.0251***	-0.0129	0.0020
	(-6.54)	(-0.71)	(0.17)
JLN UNCERTAINTY	-0.0042	-0.0039	0.0011
	(-1.21)	(-1.36)	(0.31)
CONSTANT	-0.0005	0.0002	-0.0009
	(-0.50)	(0.24)	(-0.93)
Firm/year/seasonal fixed effects	Yes	Yes	Yes
Observations	21,655	21,562	21,499
Adj. R^2	0.70	0.70	0.70

Table A3: Investment Sensitivity to Policy Uncertainty and Different Politically Experienced Boards

Panel A: Political Board Experience Split at the Executive and Legislative Level

Variable	Dependent Variable			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0047***	-0.0048***	-0.0043***	-0.0038***
	(-4.42)	(-4.34)	(-3.59)	(-3.13)
PE EXEC	-0.0001	-0.0002	-0.0002	-0.0002
	(-0.28)	(-0.34)	(-0.37)	(-0.53)
PE LEGIS	0.0006	0.0006	0.0006	0.0004
	(0.66)	(0.63)	(0.64)	(0.51)
PE OTHER	-0.0011	-0.0010	-0.0009	-0.0009
	(-1.38)	(-1.31)	(-1.17)	(-1.17)
POLICY UNCERTAINTY	0.0024***	0.0022**	0.0020**	0.0019**
$\times$ PE EXEC	(2.95)	(2.59)	(2.43)	(2.12)
POLICY UNCERTAINTY	0.0018	0.0018	0.0018	0.0016
$\times$ PE LEGIS	(1.37)	(1.36)	(1.27)	(1.06)
POLICY UNCERTAINTY	0.0007	0.0009	0.0010	0.0010
$\times$ PE OTHER	(0.81)	(0.90)	(0.94)	(0.98)
TOBIN'S Q	0.0017***	0.0016***	0.0015***	0.0015***
	(8.43)	(7.66)	(6.94)	(6.67)
OCF	0.0218**	0.0272***	0.0252***	0.0224**
	(2.32)	(3.01)	(2.67)	(2.33)
GROWTH	0.0024***	0.0027***	0.0030***	0.0029***
	(3.64)	(4.41)	(4.67)	(4.34)
GDP GROWTH	0.0642***	0.0451***	0.0301	0.0144
	(3.70)	(2.80)	(1.65)	(0.75)
ELECTION	-0.0002	-0.0004	-0.0007*	-0.0010**
	(-0.61)	(-1.14)	(-1.74)	(-2.36)
EXPECTED GDP GORWTH	0.0474**	0.0506**	0.0633**	0.0714***
	(2.54)	(2.04)	(2.62)	(3.29)
LEADING ECONOMIC INDEX	-0.0149**	-0.0084	-0.0066	-0.0021
	(-2.55)	(-1.54)	(-1.23)	(-0.32)
CONSUMER CONFIDENCE	-0.0090***	-0.0085***	-0.0061**	-0.0046*
	(-4.25)	(-3.64)	(-2.42)	(-1.79)
GDP FORECAST DISPERSION	-0.0008	-0.0001	0.0007	0.0013*
	(-1.11)	(-0.19)	(0.97)	(1.77)
PROFIT GROWTH SD	0.0055	-0.0006	-0.0048	-0.0065
	(1.37)	(-0.14)	(-1.34)	(-1.08)
VXO	0.0006	0.0003	0.0005	0.0002
	(1.03)	(0.66)	(0.84)	(0.33)
RETURN SD	0.0193**	0.0243***	0.0157	0.0192*
	(2.03)	(2.66)	(1.52)	(1.69)
JLN UNCERTAINTY	-0.0027	-0.0029	-0.0030	-0.0016
	(-1.30)	(-1.43)	(-1.31)	(-0.62)

CONSTANT	0.0417***	0.0398***	0.0292**	0.0238**
	(4.29)	(3.77)	(2.57)	(2.03)
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adjusted R-squared	0.69	0.69	0.69	0.69

Panel B: Political Board Experience Split at the Institution Level

	Dependent Variable			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
Variable	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0046***	-0.0047***	-0.0042***	-0.0038***
	(-4.53)	(-4.40)	(-3.65)	(-3.21)
PE PRES	-0.0004	-0.0004	-0.0004	-0.0004
	(-0.97)	(-0.92)	(-0.84)	(-0.79)
PE WHITE HOUSE	-0.0002	-0.0002	-0.0002	-0.0004
	(-0.41)	(-0.44)	(-0.37)	(-0.79)
PE HOUSE REP	0.0001	0.0000	-0.0000	-0.0001
	(0.10)	(0.02)	(-0.02)	(-0.12)
PE SENATE	0.0009	0.0009	0.0009	0.0007
	(0.75)	(0.73)	(0.79)	(0.69)
PE OTHER	-0.0011	-0.0011	-0.0010	-0.0010
	(-1.58)	(-1.48)	(-1.33)	(-1.33)
POLICY UNCERTAINTY	0.0034***	0.0029***	0.0028***	0.0027***
× PE PRES	(4.37)	(3.56)	(3.61)	(3.36)
POLICY UNCERTAINTY	0.0000	0.0001	0.0001	0.0000
× PE WHITE HOUSE	(0.03)	(0.16)	(0.09)	(0.00)
POLICY UNCERTAINTY	0.0025	0.0024	0.0017	0.0015
× PE HOUSE REP	(1.42)	(1.27)	(0.80)	(0.73)
POLICY UNCERTAINTY	0.0008	0.0004	0.0010	0.0006
× PE SENATE	(0.53)	(0.30)	(0.64)	(0.40)
POLICY UNCERTAINTY	0.0010	0.0011	0.0012	0.0012
× PE OTHER	(1.19)	(1.15)	(1.15)	(1.28)
TOBIN'S Q	0.0017***	0.0016***	0.0016***	0.0015***
	(8.42)	(7.66)	(6.95)	(6.68)
OCF	0.0217**	0.0271***	0.0250***	0.0223**
	(2.31)	(3.00)	(2.66)	(2.33)
GROWTH	0.0024***	0.0027***	0.0030***	0.0029***
	(3.59)	(4.37)	(4.62)	(4.30)
GDP GROWTH	0.0626***	0.0437***	0.0288	0.0133
	(3.70)	(2.79)	(1.61)	(0.70)
ELECTION	-0.0002	-0.0004	-0.0007*	-0.0010**
	(-0.62)	(-1.16)	(-1.77)	(-2.39)
EXPECTED GDP GORWTH	0.0469**	0.0501**	0.0629***	0.0712***
	(2.58)	(2.09)	(2.67)	(3.36)
LEADING ECONOMIC INDEX	-0.0147**	-0.0082	-0.0065	-0.0020

	(-2.58)	(-1.55)	(-1.23)	(-0.30)
CONSUMER CONFIDENCE	-0.0089***	-0.0084***	-0.0061**	-0.0046*
	(-4.30)	(-3.68)	(-2.44)	(-1.80)
GDP FORECAST DISPERSION	-0.0008	-0.0002	0.0007	0.0013*
	(-1.21)	(-0.27)	(0.93)	(1.74)
PROFIT GROWTH SD	0.0055	-0.0006	-0.0048	-0.0065
	(1.35)	(-0.14)	(-1.34)	(-1.07)
VXO	0.0006	0.0003	0.0005	0.0002
	(1.04)	(0.66)	(0.84)	(0.34)
RETURN SD	0.0191**	0.0241***	0.0155	0.0192*
	(2.05)	(2.68)	(1.53)	(1.71)
JLN UNCERTAINTY	-0.0027	-0.0030	-0.0030	-0.0016
	(-1.36)	(-1.49)	(-1.37)	(-0.64)
CONSTANT	0.0416***	0.0397***	0.0292**	0.0237**
	(4.37)	(3.83)	(2.60)	(2.05)
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adjusted R-squared	0.69	0.69	0.69	0.69

Panel C: Politically Experienced Boards via Presidential Committees

Variable	Dependent Variable			
	CAPX(1)	*CAPX*(1)	*CAPX*(3)	*CAPX*(4)
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0044***	-0.0045***	-0.0040***	-0.0036***
	(-4.41)	(-4.29)	(-3.60)	(-3.14)
PE PRES	-0.0003	-0.0003	-0.0002	-0.0002
	(-0.60)	(-0.59)	(-0.56)	(-0.53)
POLICY UNCERTAINTY	0.0033***	0.0029***	0.0027***	0.0026***
× *PE PRES*	(4.43)	(3.63)	(3.61)	(3.24)
TOBIN'S Q	0.0017***	0.0016***	0.0016***	0.0015***
	(8.38)	(7.63)	(6.92)	(6.66)
OCF	0.0217**	0.0270***	0.0250***	0.0223**
	(2.30)	(3.00)	(2.66)	(2.32)
GROWTH	0.0024***	0.0028***	0.0031***	0.0029***
	(3.65)	(4.42)	(4.67)	(4.36)
GDP GROWTH	0.0625***	0.0436***	0.0287	0.0132
	(3.67)	(2.76)	(1.60)	(0.70)
ELECTION	-0.0002	-0.0004	-0.0007*	-0.0010**
	(-0.61)	(-1.15)	(-1.76)	(-2.39)
EXPECTED GDP GORWTH	0.0471**	0.0503**	0.0631**	0.0713***
	(2.57)	(2.08)	(2.65)	(3.33)
LEADING ECONOMIC INDEX	-0.0146**	-0.0082	-0.0064	-0.0019
	(-2.55)	(-1.52)	(-1.20)	(-0.29)
CONSUMER CONFIDENCE	-0.0090***	-0.0085***	-0.0061**	-0.0046*
	(-4.30)	(-3.68)	(-2.45)	(-1.81)
GDP FORECAST DISPERSION	-0.0008	-0.0002	0.0007	0.0013*
	(-1.18)	(-0.24)	(0.94)	(1.75)
PROFIT GROWTH SD	0.0055	-0.0006	-0.0048	-0.0065
	(1.35)	(-0.13)	(-1.32)	(-1.06)
VXO	0.0006	0.0004	0.0005	0.0002
	(1.05)	(0.68)	(0.85)	(0.34)
RETURN SD	0.0194**	0.0244***	0.0158	0.0193*
	(2.09)	(2.70)	(1.55)	(1.71)
JLN UNCERTAINTY	-0.0027	-0.0029	-0.0030	-0.0016
	(-1.33)	(-1.46)	(-1.34)	(-0.63)
CONSTANT	0.0417***	0.0398***	0.0292**	0.0237**
	(4.35)	(3.81)	(2.59)	(2.04)
Firm fixed effects	Yes	Yes	Yes	Yes
Seasonal dummies Year FE	Yes	Yes	Yes	Yes
Observations	21,753	21,655	21,562	21,499
Adj. R^2	0.69	0.69	0.69	0.69

Panel D: Politically Experienced Boards via Presidential Committees

Variable	Dependent Variable			
	CAPX(1)			
	(1)	(2)	(3)	(4)
POLICY UNCERTAINTY	-0.0016**	-0.0011**	0.0006	-0.0011
	(-2.20)	(-2.05)	(1.11)	(-1.49)
PE PRES	0.0000	0.0001	0.0002	0.0002
	(0.07)	(0.18)	(0.42)	(0.52)
POLICY UNCERTAINTY	0.0028***	0.0024***	0.0021***	0.0019**
× *PE PRES*	(3.69)	(2.90)	(2.67)	(2.27)
TOBIN'S Q	0.0017***	0.0016***	0.0015***	0.0015***
	(8.23)	(7.48)	(6.82)	(6.61)
OCF	0.0202**	0.0254***	0.0231**	0.0205**
	(2.19)	(2.89)	(2.52)	(2.19)
GROWTH	0.0020***	0.0023***	0.0025***	0.0023***
	(3.27)	(4.03)	(4.27)	(3.99)
GDP GROWTH	0.0489***	0.0166**	0.0007	-0.0119
	(3.95)	(2.18)	(0.09)	(-1.08)
ELECTION				
EXPECTED GDP GORWTH	-0.0142	-0.0244***	-0.0123	0.0024
	(-0.67)	(-6.77)	(-0.67)	(0.20)
LEADING ECONOMIC INDEX	-0.0127***	-0.0040	-0.0038	0.0011
	(-2.73)	(-1.18)	(-1.34)	(0.33)
CONSUMER CONFIDENCE	0.0010	-0.0006	0.0001	-0.0010
	(0.85)	(-0.57)	(0.14)	(-1.00)
GDP FORECAST DISPERSION	0.0013**	0.0013***	0.0010**	0.0007**
	(2.38)	(3.45)	(2.16)	(2.50)
PROFIT GROWTH SD	0.0066	0.0012	-0.0022	-0.0040
	(1.43)	(0.28)	(-0.82)	(-0.75)
VXO	0.0010***	0.0004	-0.0001	0.0005
	(3.19)	(1.53)	(-0.55)	(1.48)
RETURN SD	0.0145**	0.0189***	0.0039	0.0062
	(2.18)	(3.22)	(0.69)	(1.41)
JLN UNCERTAINTY	-0.0048***	-0.0077***	-0.0080***	-0.0050***
	(-5.14)	(-6.40)	(-6.81)	(-3.90)
CONSTANT	-0.0033	0.0045	0.0047	0.0088*
	(-0.64)	(0.89)	(1.34)	(1.87)
Firm fixed effects	Yes	Yes	Yes	Yes
Seasonal dummies	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	21,753	21,753	21,753	21,753
Adj. R^2	0.69	0.70	0.70	0.70

Table A7. Cross-Sectional Variation in Investment Irreversibility
Panel A. Capital Intensity

Variable	Dependent Variable							
	CAPITAL INTENSIVE= 0				CAPITAL INTENSIVE= 1			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0020***	-0.0024***	-0.0023***	-0.0023***	-0.0063***	-0.0061***	-0.0051***	-0.0044**
	(-4.01)	(-4.15)	(-3.83)	(-3.66)	(-4.17)	(-3.95)	(-3.07)	(-2.55)
PE PRES	-0.0001	-0.0000	0.0001	0.0002	-0.0012	-0.0013*	-0.0013*	-0.0014*
	(-0.30)	(-0.03)	(0.32)	(0.65)	(-1.65)	(-1.83)	(-1.89)	(-1.90)
POLICY UNCERTAINTY	0.0012***	0.0011**	0.0005	0.0006	0.0050***	0.0042***	0.0046***	0.0045***
× PE PRES	(2.70)	(2.18)	(1.19)	(1.16)	(4.24)	(3.39)	(3.63)	(3.40)
TOBIN'S Q	0.0011***	0.0010***	0.0009***	0.0010***	0.0036***	0.0036***	0.0035***	0.0033***
	(8.55)	(7.22)	(6.40)	(6.22)	(7.34)	(7.11)	(6.29)	(5.78)
OCF	0.0064	0.0094	0.0131*	0.0106	0.0300**	0.0384***	0.0315***	0.0309**
	(0.90)	(1.26)	(1.73)	(1.34)	(2.60)	(3.65)	(2.74)	(2.60)
GROWTH	0.0011**	0.0014***	0.0015***	0.0012**	0.0034***	0.0037***	0.0042***	0.0042***
	(2.06)	(2.66)	(2.84)	(2.43)	(3.33)	(3.67)	(4.00)	(3.97)
GDP GROWTH	0.0355***	0.0246**	0.0163	0.0086	0.0818***	0.0541**	0.0329	0.0099
	(3.58)	(2.62)	(1.43)	(0.81)	(3.30)	(2.37)	(1.28)	(0.34)
ELECTION	-0.0002	-0.0004**	-0.0004**	-0.0007***	-0.0002	-0.0004	-0.0009	-0.0013*
	(-1.23)	(-2.22)	(-2.36)	(-3.18)	(-0.35)	(-0.67)	(-1.43)	(-1.94)
EXPECTED GDP GORWTH	0.0324***	0.0358*	0.0281**	0.0329**	0.0622**	0.0652**	0.0973***	0.1084***
	(2.84)	(1.98)	(2.09)	(2.58)	(2.38)	(2.08)	(2.99)	(3.46)
LEADING ECONOMIC INDEX	-0.0084***	-0.0051	-0.0020	0.0001	-0.0192**	-0.0095	-0.0095	-0.0027
	(-2.97)	(-1.63)	(-0.58)	(0.02)	(-2.22)	(-1.20)	(-1.15)	(-0.28)
CONSUMER CONFIDENCE	-0.0022**	-0.0023**	-0.0015	-0.0014	-0.0152***	-0.0145***	-0.0104**	-0.0076*
	(-2.40)	(-2.26)	(-1.40)	(-1.18)	(-4.24)	(-3.72)	(-2.56)	(-1.83)
GDP FORECAST DISPERSION	0.0002	0.0004	0.0006	0.0009**	-0.0017	-0.0007	0.0008	0.0016
	(0.52)	(0.94)	(1.40)	(2.09)	(-1.64)	(-0.67)	(0.75)	(1.49)
PROFIT GROWTH SD	0.0019	-0.0023	-0.0020	-0.0008	0.0087	0.0003	-0.0086	-0.0130
	(0.91)	(-0.99)	(-1.33)	(-0.15)	(1.31)	(0.04)	(-1.23)	(-1.49)
VXO	0.0013***	0.0014***	0.0014***	0.0013***	0.0000	-0.0005	-0.0003	-0.0007

	(3.26)	(3.28)	(2.89)	(2.67)	(0.02)	(-0.67)	(-0.44)	(-0.75)
RETURN SD	0.0157***	0.0176***	0.0126**	0.0130*	0.0213	0.0282*	0.0164	0.0217
	(2.75)	(3.20)	(2.14)	(1.69)	(1.51)	(1.88)	(0.98)	(1.27)
JLN UNCERTAINTY	-0.0022**	-0.0025**	-0.0022	-0.0017	-0.0031	-0.0034	-0.0039	-0.0015
	(-2.05)	(-2.31)	(-1.49)	(-1.14)	(-1.02)	(-1.05)	(-1.07)	(-0.38)
CONSTANT	0.0064	0.0063	0.0036	0.0032	0.0730***	0.0705***	0.0520***	0.0408**
	(1.41)	(1.31)	(0.65)	(0.56)	(4.45)	(4.04)	(2.87)	(2.21)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	10,835	10,789	10,747	10,720	10,897	10,845	10,794	10,757
Adj. R^2	0.44	0.45	0.45	0.45	0.65	0.65	0.65	0.65

Panel B. High Sunk Costs

	Dependent Variable							
	SUNK COST INDEX= 0				SUNK COST INDEX= 2			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0021**	-0.0025***	-0.0022***	-0.0024***	-0.0036***	-0.0042***	-0.0033**	-0.0042***
	(-2.39)	(-3.05)	(-2.65)	(-3.03)	(-3.03)	(-3.15)	(-2.43)	(-3.08)
PE PRES	0.0008*	0.0007*	0.0008*	0.0007*	-0.0005	-0.0006	-0.0008	-0.0010
	(1.74)	(1.74)	(1.85)	(1.68)	(-0.57)	(-0.59)	(-0.77)	(-0.80)
POLICY UNCERTAINTY $\times$ PE PRES	0.0007	0.0007	-0.0000	-0.0001	0.0041***	0.0034***	0.0037**	0.0034**
	(0.88)	(0.88)	(-0.02)	(-0.14)	(3.40)	(2.77)	(2.64)	(2.00)
TOBIN'S Q	0.0011***	0.0010***	0.0008***	0.0009***	0.0028***	0.0029***	0.0032***	0.0030***
	(5.06)	(5.26)	(3.89)	(4.90)	(2.74)	(2.74)	(3.08)	(2.73)
OCF	0.0019	0.0056	0.0117**	0.0070	0.0005	0.0046	-0.0001	0.0122*
	(0.34)	(1.21)	(2.34)	(1.63)	(0.07)	(0.57)	(-0.01)	(1.95)
GROWTH	0.0000	0.0005	0.0005	0.0005	-0.0011	-0.0002	0.0010	0.0006
	(0.02)	(0.93)	(1.01)	(1.05)	(-0.95)	(-0.16)	(0.87)	(0.59)
GDP GROWTH	0.0464***	0.0308**	0.0306**	0.0081	0.1033***	0.0634***	0.0629***	0.0212
	(2.75)	(2.31)	(2.29)	(0.58)	(3.88)	(3.20)	(2.99)	(1.37)
ELECTION	-0.0001	-0.0001	-0.0003	-0.0004	-0.0003	-0.0004	-0.0010*	-0.0013***
	(-0.22)	(-0.49)	(-1.07)	(-1.51)	(-0.65)	(-0.96)	(-1.99)	(-2.93)
EXPECTED GDP GORWTH	0.0222	0.0130	0.0121	0.0218	0.0211	0.0153	0.0555**	0.0634***

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	(1.12)	(0.60)	(0.75)	(1.09)	(1.10)	(0.42)	(2.00)	(3.26)
LEADING ECONOMIC INDEX	-0.0078**	-0.0017	-0.0009	0.0038	-0.0280***	-0.0119*	-0.0201**	-0.0042
	(-2.03)	(-0.40)	(-0.19)	(0.76)	(-2.94)	(-1.82)	(-2.44)	(-0.62)
CONSUMER CONFIDENCE	-0.0039***	-0.0040***	-0.0027*	-0.0026*	-0.0092***	-0.0106***	-0.0078**	-0.0100***
	(-2.79)	(-3.03)	(-1.90)	(-1.70)	(-3.51)	(-2.98)	(-2.39)	(-2.94)
GDP FORECAST DISPERSION	0.0001	0.0004	0.0005	0.0004	-0.0009	-0.0017*	-0.0005	-0.0006
	(0.17)	(0.58)	(0.98)	(0.81)	(-0.80)	(-1.73)	(-0.60)	(-0.69)
PROFIT GROWTH SD	0.0051	-0.0038	-0.0031	-0.0001	0.0087**	0.0042	-0.0076*	-0.0033
	(1.34)	(-1.62)	(-1.00)	(-0.01)	(2.02)	(0.78)	(-1.78)	(-0.53)
VXO	0.0010**	0.0010**	0.0011**	0.0012**	0.0008	0.0005	0.0009	0.0003
	(2.04)	(2.27)	(2.22)	(2.34)	(0.70)	(0.35)	(0.95)	(0.31)
RETURN SD	0.0095	0.0215**	0.0120	0.0127	0.0015	0.0047	-0.0156	-0.0014
	(1.38)	(2.35)	(1.52)	(1.37)	(0.10)	(0.37)	(-1.64)	(-0.07)
JLN UNCERTAINTY	-0.0008	-0.0011	-0.0001	0.0003	-0.0049*	-0.0030	-0.0053*	-0.0039
	(-0.52)	(-0.78)	(-0.03)	(0.17)	(-1.84)	(-1.25)	(-1.99)	(-1.34)
CONSTANT	0.0171**	0.0169***	0.0124*	0.0118*	0.0437***	0.0523***	0.0375**	0.0490***
	(2.58)	(2.90)	(1.87)	(1.68)	(3.44)	(3.07)	(2.57)	(3.20)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,759	4,744	4,729	4,718	2,386	2,378	2,366	2,359
Adj. R^2	0.71	0.71	0.71	0.72	0.61	0.61	0.61	0.62

Panel C. Durable Goods

	Dependent Variable							
	DURABLE INDUSTRY= 0				DURABLE INDUSTRY= 1			
	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0050***	-0.0051***	-0.0040***	-0.0034***	-0.0031***	-0.0030***	-0.0035***	-0.0033**
	(-5.20)	(-5.16)	(-3.97)	(-3.23)	(-2.82)	(-2.69)	(-2.85)	(-2.64)
PE PRES	-0.0006	-0.0007	-0.0008	-0.0009	-0.0000	0.0001	0.0002	0.0004
	(-0.91)	(-1.04)	(-1.20)	(-1.41)	(-0.03)	(0.20)	(0.44)	(0.91)
POLICY UNCERTAINTY × PE PRES	0.0037***	0.0031***	0.0028***	0.0027***	0.0033***	0.0032***	0.0032***	0.0032***
	(3.94)	(3.13)	(3.06)	(2.85)	(3.10)	(2.87)	(2.86)	(2.72)
TOBIN'S Q	0.0018***	0.0017***	0.0016***	0.0016***	0.0015***	0.0013***	0.0013***	0.0012***

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	(6.48)	(6.25)	(6.13)	(6.26)	(5.01)	(3.98)	(3.10)	(2.76)
OCF	0.0140**	0.0194***	0.0198***	0.0142***	0.0318	0.0365	0.0313	0.0329
	(2.33)	(3.65)	(3.68)	(2.72)	(1.43)	(1.67)	(1.37)	(1.42)
GROWTH	0.0023***	0.0025***	0.0025***	0.0023***	0.0014	0.0022**	0.0028**	0.0028**
	(3.02)	(3.63)	(3.66)	(3.18)	(1.65)	(2.22)	(2.53)	(2.51)
GDP GROWTH	0.0534***	0.0268**	0.0148	-0.0000	0.0716***	0.0632***	0.0419**	0.0248*
	(3.50)	(2.13)	(0.89)	(-0.00)	(4.46)	(3.78)	(2.53)	(1.72)
ELECTION	-0.0002	-0.0003	-0.0007*	-0.0009**	-0.0002	-0.0005	-0.0006**	-0.0010***
	(-0.49)	(-0.89)	(-1.71)	(-2.27)	(-0.62)	(-1.64)	(-2.31)	(-3.33)
EXPECTED GDP GORWTH	0.0531***	0.0449*	0.0647***	0.0653***	0.0253	0.0437**	0.0412**	0.0582***
	(3.14)	(1.82)	(2.66)	(2.86)	(1.28)	(2.26)	(2.25)	(3.59)
LEADING ECONOMIC INDEX	-0.0113*	-0.0018	-0.0034	0.0014	-0.0185***	-0.0166***	-0.0089**	-0.0049
	(-1.93)	(-0.35)	(-0.63)	(0.20)	(-3.57)	(-3.00)	(-2.32)	(-1.17)
CONSUMER CONFIDENCE	-0.0088***	-0.0087***	-0.0052**	-0.0033	-0.0068***	-0.0052**	-0.0043**	-0.0031
	(-4.08)	(-3.97)	(-2.24)	(-1.40)	(-3.83)	(-2.51)	(-2.06)	(-1.43)
GDP FORECAST DISPERSION	-0.0011*	-0.0007	0.0006	0.0011	-0.0008	0.0001	0.0002	0.0009**
	(-1.81)	(-0.98)	(0.75)	(1.37)	(-1.11)	(0.09)	(0.44)	(2.00)
PROFIT GROWTH SD	0.0058	-0.0010	-0.0080*	-0.0085*	0.0054**	0.0003	0.0004	-0.0029
	(1.06)	(-0.23)	(-1.92)	(-1.67)	(2.50)	(0.08)	(0.16)	(-0.41)
VXO	0.0008	0.0004	0.0004	0.0001	-0.0002	-0.0002	0.0001	-0.0002
	(1.47)	(0.77)	(0.67)	(0.11)	(-0.40)	(-0.37)	(0.18)	(-0.23)
RETURN SD	0.0127	0.0227**	0.0136	0.0172	0.0223***	0.0186*	0.0114	0.0133
	(1.19)	(2.64)	(1.41)	(1.57)	(2.68)	(1.98)	(1.18)	(1.34)
JLN UNCERTAINTY	-0.0028	-0.0031	-0.0035*	-0.0018	-0.0021	-0.0021	-0.0015	-0.0005
	(-1.48)	(-1.60)	(-1.70)	(-0.72)	(-1.14)	(-1.05)	(-0.75)	(-0.25)
CONSTANT	0.0407***	0.0411***	0.0259**	0.0190*	0.0355***	0.0282***	0.0245**	0.0194*
	(4.07)	(4.09)	(2.41)	(1.75)	(4.30)	(2.96)	(2.53)	(1.96)
Controls & Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12,994	12,941	12,883	12,841	8,716	8,697	8,677	8,658
Adj. R^2	0.74	0.74	0.74	0.75	0.60	0.61	0.61	0.61

Table A8. Cross-Sectional Variation in Accumulated Presidential Committee Insights

Variable	(1)	(2)	(3)	(4)	(5)	(6)
	Dependent Variable= *CAPX*(1)					
POLICY UNCERTAINTY	-0.0041***	-0.0043***	-0.0043***	-0.0038***	-0.0043***	-0.0043***
	(-4.10)	(-4.29)	(-4.29)	(-3.90)	(-4.28)	(-4.28)
PE PRES SUM	0.0001	0.0001				
	(0.25)	(0.15)				
PE PRES SUM^2		0.0000				
		(0.15)				
LOG (PE PRES SUM)			0.0000			
			(0.00)			
PE PRES EXPERIENCE				-0.0000		
				(-0.39)		
LOG (PE PRES EXPERIENCE)					-0.0001	
					(-0.45)	
CURRENT PRES COMM						0.0001
						(0.19)
FORMER PRES COMM						-0.0003
						(-0.78)
POLICY UNCERTAINTY × PE PRES SUM	0.0015***	0.0029***				
	(3.25)	(4.03)				
POLICY UNCERTAINTY × PE PRES SUM^2		-0.0004***				
		(-3.14)				
POLICY UNCERTAINTY × LOG (PE PRES SUM)			0.0034***			
			(4.08)			
POLICY UNCERTAINTY × PE PRES EXPERIENCE				0.0001***		
				(2.88)		
POLICY UNCERTAINTY × LOG (PE PRES EXPERIENCE)					0.0012***	
					(4.17)	
POLICY UNCERTAINTY × CURRENT PRES COMM						0.0017**
						(2.14)
POLICY UNCERTAINTY × FORMER PRES COMM						0.0030***
						(3.69)
TOBIN'S Q	0.0017***	0.0017***	0.0017***	0.0017***	0.0017***	0.0017***
	(8.36)	(8.39)	(8.38)	(8.30)	(8.35)	(8.36)
OCF	0.0216**	0.0216**	0.0216**	0.0216**	0.0217**	0.0216**
	(2.29)	(2.29)	(2.29)	(2.29)	(2.30)	(2.30)
GROWTH	0.0024***	0.0024***	0.0024***	0.0025***	0.0024***	0.0024***
	(3.68)	(3.68)	(3.67)	(3.69)	(3.68)	(3.68)
GDP GROWTH	0.0632***	0.0631***	0.0629***	0.0636***	0.0626***	0.0625***
	(3.66)	(3.65)	(3.66)	(3.67)	(3.66)	(3.64)
ELECTION	-0.0002	-0.0002	-0.0002	-0.0002	-0.0002	-0.0002
	(-0.61)	(-0.61)	(-0.62)	(-0.61)	(-0.63)	(-0.63)
EXPECTED GDP GORWTH	0.0475**	0.0478**	0.0474**	0.0472**	0.0474**	0.0470**
	(2.55)	(2.56)	(2.56)	(2.52)	(2.57)	(2.55)

LEADING ECONOMIC INDEX	-0.0146**	-0.0147**	-0.0146**	-0.0147**	-0.0146**	-0.0146**
	(-2.53)	(-2.53)	(-2.54)	(-2.54)	(-2.56)	(-2.54)
CONSUMER CONFIDENCE	-0.0090***	-0.0090***	-0.0090***	-0.0090***	-0.0090***	-0.0089***
	(-4.26)	(-4.26)	(-4.28)	(-4.25)	(-4.29)	(-4.27)
GDP FORECAST DISPERSION	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008
	(-1.12)	(-1.13)	(-1.14)	(-1.12)	(-1.16)	(-1.18)
PROFIT GROWTH SD	0.0056	0.0056	0.0056	0.0056	0.0055	0.0056
	(1.37)	(1.35)	(1.36)	(1.38)	(1.36)	(1.35)
VXO	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006
	(1.07)	(1.07)	(1.07)	(1.03)	(1.04)	(1.00)
RETURN SD	0.0197**	0.0199**	0.0197**	0.0193**	0.0194**	0.0195**
	(2.09)	(2.11)	(2.10)	(2.04)	(2.08)	(2.09)
JLN UNCERTAINTY	-0.0026	-0.0026	-0.0026	-0.0027	-0.0027	-0.0026
	(-1.29)	(-1.29)	(-1.30)	(-1.32)	(-1.36)	(-1.31)
CONSTANT	0.0417***	0.0416***	0.0416***	0.0420***	0.0419***	0.0417***
	(4.29)	(4.28)	(4.31)	(4.30)	(4.34)	(4.33)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm/seasonal fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21,753	21,753	21,753	21,753	21,753	21,753
Adj. R^2	0.69	0.69	0.69	0.69	0.69	0.69

Table A9: Government Sales and Investment Sensitivity to Policy Uncertainty

Variable	CAPX(1) (1)	CAPX(2) (2)	CAPX(3) (3)	CAPX(4) (4)
	Dependent Variable			
POLICY UNCERTAINTY	-0.0044***	-0.0044***	-0.0039***	-0.0034***
	(-4.25)	(-4.22)	(-3.47)	(-3.03)
PE PRES	-0.0003	-0.0003	-0.0003	-0.0003
	(-0.71)	(-0.69)	(-0.67)	(-0.65)
POLICY UNCERTAINTY × PE PRES	0.0034***	0.0028***	0.0026***	0.0025***
	(4.31)	(3.34)	(3.32)	(2.95)
TOBIN'S Q	0.0017***	0.0016***	0.0015***	0.0015***
	(7.72)	(7.04)	(6.38)	(6.14)
OCF	0.0220**	0.0279***	0.0261**	0.0241**
	(2.21)	(2.91)	(2.61)	(2.38)
GROWTH	0.0021***	0.0026***	0.0029***	0.0028***
	(3.36)	(4.15)	(4.39)	(4.12)
GDP GROWTH	0.0666***	0.0446***	0.0277	0.0110
	(3.78)	(2.82)	(1.52)	(0.57)
ELECTION	-0.0002	-0.0004	-0.0007*	-0.0010**
	(-0.45)	(-1.00)	(-1.72)	(-2.36)
EXPECTED GDP GORWTH	0.0459**	0.0474**	0.0668***	0.0706***
	(2.43)	(2.00)	(2.72)	(3.23)
LEADING ECONOMIC INDEX	-0.0134**	-0.0062	-0.0058	-0.0008
	(-2.24)	(-1.17)	(-1.08)	(-0.12)
CONSUMER CONFIDENCE	-0.0087***	-0.0082***	-0.0054**	-0.0040
	(-4.14)	(-3.52)	(-2.20)	(-1.60)
GDP FORECAST DISPERSION	-0.0008	-0.0002	0.0008	0.0013*
	(-1.15)	(-0.31)	(1.03)	(1.74)
PROFIT GROWTH SD	0.0063	0.0004	-0.0063	-0.0067
	(1.38)	(0.09)	(-1.58)	(-0.97)
VXO	0.0006	0.0003	0.0005	0.0002
	(0.99)	(0.65)	(0.90)	(0.41)
RETURN SD	0.0211**	0.0265***	0.0181*	0.0207*
	(2.18)	(2.83)	(1.73)	(1.80)
JLN UNCERTAINTY	-0.0022	-0.0026	-0.0030	-0.0017
	(-1.08)	(-1.25)	(-1.35)	(-0.66)
CONSTANT	0.0412***	0.0392***	0.0263**	0.0214*
	(4.24)	(3.68)	(2.35)	(1.86)
Firm/seasonal FE	Yes	Yes	Yes	Yes
Observations	19,360	19,268	19,180	19,121
Adj. R^2	0.69	0.69	0.69	0.69

Table A10: CEO Overconfidence and Investment Sensitivity to Policy Uncertainty

	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)	CAPX(1)	CAPX(2)	CAPX(3)	CAPX(4)
		Dependent Variable=						
		CEO OVERCONFIDENCE = 0				*CEO OVERCONFIDENCE = 1*		
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
POLICY UNCERTAINTY	-0.0031***	-0.0031***	-0.0030***	-0.0033***	-0.0042***	-0.0040***	-0.0033***	-0.0028**
	(-3.32)	(-3.32)	(-3.02)	(-3.29)	(-3.93)	(-3.61)	(-2.89)	(-2.37)
PE PRES	0.0002	0.0001	0.0002	0.0001	-0.0005	-0.0005	-0.0005	-0.0005
	(0.34)	(0.27)	(0.39)	(0.29)	(-0.90)	(-0.89)	(-0.97)	(-0.91)
POLICY UNCERTAINTY × PE PRES	0.0034***	0.0027**	0.0026**	0.0030**	0.0032***	0.0029***	0.0026***	0.0023**
	(3.15)	(2.41)	(2.15)	(2.25)	(3.62)	(3.03)	(3.01)	(2.61)
TOBIN'S Q	0.0016***	0.0014***	0.0013***	0.0014***	0.0019***	0.0019***	0.0018***	0.0018***
	(4.69)	(3.83)	(3.75)	(3.93)	(7.39)	(7.54)	(7.71)	(7.81)
OCF	0.0136*	0.0192***	0.0120**	0.0136**	0.0164***	0.0215***	0.0214***	0.0167***
	(1.99)	(3.30)	(2.02)	(2.39)	(3.22)	(4.83)	(4.62)	(3.71)
GROWTH	0.0014	0.0025***	0.0027***	0.0019**	0.0027***	0.0028***	0.0031***	0.0031***
	(1.56)	(2.73)	(3.19)	(2.12)	(3.46)	(3.61)	(3.89)	(3.89)
GDP GROWTH	0.0361**	0.0302***	0.0143	-0.0080	0.0683***	0.0421**	0.0307	0.0133
	(2.35)	(2.79)	(1.05)	(-0.76)	(3.66)	(2.34)	(1.52)	(0.61)
ELECTION	-0.0004	-0.0004*	-0.0004	-0.0005*	-0.0001	-0.0003	-0.0008*	-0.0011**
	(-1.54)	(-1.88)	(-1.59)	(-1.94)	(-0.17)	(-0.85)	(-1.96)	(-2.56)
EXPECTED GDP GORWTH	0.0329**	0.0259**	0.0312**	0.0305***	0.0472**	0.0626**	0.0818***	0.0803***
	(2.41)	(2.21)	(2.09)	(3.11)	(2.28)	(2.02)	(3.02)	(2.94)
LEADING ECONOMIC INDEX	-0.0144***	-0.0103***	-0.0045	0.0040	-0.0137**	-0.0075	-0.0093	-0.0042
	(-2.96)	(-2.88)	(-1.26)	(1.50)	(-2.15)	(-1.23)	(-1.57)	(-0.57)
CONSUMER CONFIDENCE	-0.0046**	-0.0042*	-0.0031	-0.0025	-0.0102***	-0.0096***	-0.0067**	-0.0050*
	(-2.29)	(-1.73)	(-1.36)	(-0.99)	(-4.46)	(-3.80)	(-2.45)	(-1.88)
GDP FORECAST DISPERSION	-0.0005	0.0005	0.0003	-0.0000	-0.0011	-0.0006	0.0009	0.0016*
	(-0.62)	(0.92)	(0.54)	(-0.09)	(-1.48)	(-0.72)	(1.00)	(1.91)
PROFIT GROWTH SD	0.0063***	0.0020	-0.0001	-0.0032	0.0078	-0.0034	-0.0114**	-0.0062
	(2.65)	(0.79)	(-0.06)	(-1.12)	(1.56)	(-0.70)	(-2.55)	(-0.68)
VXO	-0.0001	-0.0005	-0.0003	-0.0007	0.0004	0.0002	0.0003	0.0002
	(-0.18)	(-0.86)	(-0.53)	(-1.39)	(0.63)	(0.33)	(0.50)	(0.31)
RETURN SD	0.0107	0.0161**	0.0096	0.0143**	0.0190	0.0240**	0.0139	0.0113
	(1.26)	(2.40)	(1.28)	(2.30)	(1.62)	(2.25)	(1.16)	(0.83)

JLN UNCERTAINTY	-0.0021	-0.0018	-0.0004	0.0024	-0.0027	-0.0034	-0.0045*	-0.0035
	(-1.02)	(-0.90)	(-0.16)	(1.12)	(-1.26)	(-1.56)	(-1.94)	(-1.33)
CONSTANT	0.0260***	0.0246**	0.0212**	0.0209*	0.0475***	0.0446***	0.0309**	0.0244*
	(2.73)	(2.19)	(2.02)	(1.80)	(4.53)	(3.91)	(2.48)	(1.99)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Seasonal dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,129	6,118	6,104	6,098	15,042	14,982	14,920	14,860
Adj. R^2	0.74	0.74	0.74	0.75	0.71	0.71	0.71	0.71

Table A11. Non-Politically Experienced Firm Investment and Peer Connections

Variable	Dependent variable = CAPX(1)		
	(1)	(2)	(3)
POLICY UNCERTAINTY	-0.0048***	-0.0047***	-0.0048***
	(-3.51)	(-3.50)	(-3.75)
N(PE PRES FIRMS)/ N(ALL FIRMS)	-0.0008		
	(-0.35)		
POLICY UNCERTAINTY	0.0005		
× N(PE PRES FIRMS)/ N(ALL FIRMS)	(0.20)		
PE PRESS ASSETS/ TOTAL ASSETS		-0.0015	
		(-1.02)	
POLICY UNCERTAINTY		0.0005	
× PE PRESS ASSETS/ TOTAL ASSETS		(0.36)	
N(PE PRES FIRMS)/ TOTAL ASSETS			18.7163
			(0.98)
POLICY UNCERTAINTY			7.4513
× N(PE PRES FIRMS)/ TOTAL ASSETS			(0.29)
TOBIN'S Q	0.0019***	0.0019***	0.0019***
	(6.79)	(6.79)	(6.66)
OCF	0.0248**	0.0249**	0.0246**
	(2.08)	(2.07)	(2.10)
GROWTH	0.0030***	0.0030***	0.0031***
	(3.93)	(3.96)	(3.93)
GDP GROWTH	0.0620***	0.0611***	0.0629***
	(3.15)	(3.18)	(3.19)
ELECTION	-0.0002	-0.0002	-0.0002
	(-0.47)	(-0.46)	(-0.48)
EXPECTED GDP GORWTH	0.0540**	0.0530**	0.0541**
	(2.44)	(2.51)	(2.49)
LEADING ECONOMIC INDEX	-0.0141**	-0.0138**	-0.0145**
	(-2.10)	(-2.09)	(-2.15)
CONSUMER CONFIDENCE	-0.0104***	-0.0104***	-0.0104***
	(-3.86)	(-3.92)	(-3.84)
GDP FORECAST DISPERSION	-0.0007	-0.0007	-0.0007
	(-0.89)	(-0.90)	(-0.90)
PROFIT GROWTH SD	0.0070	0.0069	0.0072
	(1.63)	(1.64)	(1.66)
VXO	0.0008	0.0007	0.0008
	(1.24)	(1.13)	(1.29)
RETURN SD	0.0211*	0.0202*	0.0220**
	(1.99)	(1.94)	(2.11)
JLN UNCERTAINTY	-0.0029	-0.0030	-0.0030
	(-1.23)	(-1.30)	(-1.27)
CONSTANT	0.0470***	0.0477***	0.0464***
	(3.88)	(3.95)	(3.82)
Firm/seasonal fixed effects	Yes	Yes	Yes
Method	FF48	FF48	FF48

Observations	15,444	15,444	15,444
Adj. R^2	0.71	0.71	0.71