

Political Uncertainty and Investment: Causal Evidence from U.S.
Gubernatorial Elections

Candace E. Jens

PII: S0304-405X(17)30058-2
DOI: [10.1016/j.jfineco.2016.01.034](https://doi.org/10.1016/j.jfineco.2016.01.034)
Reference: FINEC 2753

To appear in: *Journal of Financial Economics*

Received date: 15 October 2013
Revised date: 30 June 2015
Accepted date: 18 January 2016

Please cite this article as: Candace E. Jens, Political Uncertainty and Investment: Causal Evidence from U.S. Gubernatorial Elections, *Journal of Financial Economics* (2017), doi: [10.1016/j.jfineco.2016.01.034](https://doi.org/10.1016/j.jfineco.2016.01.034)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Political Uncertainty and Investment: Causal Evidence from U.S. Gubernatorial Elections*

Candace E. Jens[†]
Tulane University

Abstract

I examine the link between political uncertainty and firm investment using U.S. gubernatorial elections as a source of plausibly exogenous variation in uncertainty. Investment declines 5% before all elections and up to 15% for subsamples of firms particularly susceptible to political uncertainty. I use term limits as an instrumental variable (IV) for election closeness. Because close elections are related to economic downturns, I find that the effect of close elections on investment is understated by more than half by ordinary least squares (OLS). Post-election rebounds in investment depend on whether an incumbent is re-elected. Finally, I provide evidence that firms delay equity and debt issuances tied to investments before elections.

JEL classification: G31, G32, G38.

Keywords: investment, political uncertainty, gubernatorial elections.

*I would like to thank an anonymous referee, René Stulz (the editor), and my dissertation committee: Leonard Kostovetsky, G. William Schwert, and Toni Whited. I also thank Matthew Gustafson, Steven Jens, Ron Kaniel, and seminar participants from Southern Methodist University, Purdue University, Washington University in St. Louis, Tulane University, and the University of Rochester for helpful comments and suggestions. This paper was previously circulated under the title “Investment Around U.S. Gubernatorial Elections.”

[†]A. B. Freeman School of Business, Goldring/Woldenberg Hall II, 7 McAlister Dr, M132, New Orleans, LA 70118, (504) 865-5042, cjens@tulane.edu.

Download English Version:

<https://daneshyari.com/en/article/5100499>

Download Persian Version:

<https://daneshyari.com/article/5100499>

[Daneshyari.com](https://daneshyari.com)