Partisan Entrepreneurship

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ABSTRACT

Republicans start more firms than Democrats. Using a sample of 27 million party-identified Americans between 1997 and 2017, we find that 8% of Republicans and 5% of Democrats become entrepreneurs. This partisan entrepreneurship gap is time-varying: Republicans increase their relative entrepreneurship during Republican administrations and decrease it during Democratic administrations, amounting to a partisan reallocation of 340,000 new firms over our 21 year sample. We find sharp changes in partisan entrepreneurship around the elections of President Obama and President Trump, and the strongest effects among the most politically active partisans: those that donate and vote.

Keywords: Entrepreneurship, Politics, Partisanship

JEL Classification Numbers: G12, G14

I. Introduction

In the United States, political identity is central to economic expectations, with Americans far more optimistic about the economy when their political party is in power. Republicans were almost two standard deviations more optimistic than Democrats during the Republican administrations of George W. Bush and Donald Trump, but this difference disappears during the Democratic administrations of Bill Clinton and Barack Obama (Figure 1). The importance of political identity is also growing: Mian et al. (2021) document a four-fold increase in the explanatory power of political party for economic expectations over the last 25 years.

This paper examines whether political regime changes and the corresponding shifts in partisan beliefs translate into a critical economic behavior: entrepreneurship. To illustrate, consider Figure 2, which plots the rate of new firm registrations in the five states (including Washington D.C.) between 1997 and 2017 with the highest average Republican and Democrat vote shares in Presidential elections since 2000 (hereafter, Red states and Blue states). While there are clear pro-cyclical swings in firm starts through the Dot-Com Crash and Financial Crisis, the difference in firm registrations between Red states and Blue states expands during the Bush administration (2001 - 2008), shrinks during the Obama administration (2009 - 2016), and expands again following Trump's election in 2016.

These patterns are particularly sharp around party-changing elections. For example, the partisan gap in the number of new businesses per 100,000 people in Red versus Blue states fell by 7.4% of the average around the election of Barack Obama. Similarly, around the election of Donald Trump, the partisan gap in the rate of new business registrations in Red versus Blue states rose by 10.8% of the average.

These dynamics hold more generally when we consider all U.S. counties in a difference-in-differences (DID) framework. In Figure 3, we compare Republican to Democratic counties

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before versus after the 2000, 2008 and 2016 Presidential elections. While we find only weak evidence of a partisan effect for the 2000 election, we observe a clear pattern of increasing startup rates in Democratic counties following the election of President Obama, and increasing startup rates in Republican counties after the election of President Trump. Specifically, new firms in Democratic (relative to Republican) counties rose by 1.6% of the mean over the year following the 2008 election, while following the 2016 election the corresponding increase for Republican counties was 3.8%. Extrapolating across all counties, this change corresponds to a partisan shift of approximately 41,000 new firms in the 12 months following the 2016 election.

However, cross-county differences in rates of entrepreneurship around elections might arise for other reasons, such as the 2008 Financial Crisis differentially affecting Republican and Democratic counties. For this reason, most of our analysis compares party-identified *individuals* in the *same county* across different political regimes. To do this we consider a sample of approximately 27 million Americans for whom we have both political party identification (via registration, primary voting and donation behavior), and who live in the 34 states for which we have data on firm founders.[1]

Focusing on party-identified individuals, we find that Republicans are more likely to be entrepreneurs than Democrats. Over our 21 year sample, 7.7% of Republicans started a business, compared to 5.2% of Democrats. After controlling for gender, education and age, as well as county-year fixed effects, we find that Republicans are 35% more likely to start a business in a given year than Democrats.

Using a within-county DID design and individual-level data also reveals a partisan pattern in response to elections. We find that Republicans decrease their likelihood of starting

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[1]These 34 states cover 68% of U.S. GDP as of 2016. Our sample consists of individuals with unique names (e.g., Silvia Teston rather than Robert Smith) so that we can accurately match voter names with those of founders. Specifically, our political data vendor provided us with a set of voters whose name is unique in each state, and we match these voters to our dataset of firm founders by first name, last name, and state. Using a subset of data for which we have middle initials in both datasets, we find that the matched individuals have the same middle initials approximately 85% of the time.

a business in the 12 months following Obama's election by 5.6% of the mean relative to Democrats in the same county, and increase their relative entrepreneurship after Trump's election by 2.5%. In other words, we find evidence of politically sensitive entrepreneurship not only across Republican and Democratic counties, but also between Republicans and Democrats within the same county.

Our DID event studies focus on the years immediately surrounding party-changing elections and thus use less than half of the sample years. When we estimate the effect of political regime change on entrepreneurship over our *entire* sample (1997 - 2017), we find that politically mismatched individuals — that is, voters whose party did not control the Presidency — see their probability of starting a business fall by 4.4% of the mean relative to those whose party is in power. Our effect size corresponds to an annual difference of 16,000 new firms between Republicans and Democrats caused by changes in political leadership, or about 340,000 firms over our sample period. This is approximately the total number of firms founded in Tennessee, Kentucky or Alabama over the same period.

Moreover, the largest estimated effects occur among the most politically active individuals. For partisans with a below-median voting propensity the effect shrinks to 2.6%, but for those with an above-median voting propensity the effect expands to 5.8%. For those that donate to a political party the effect size jumps to 13.5%.

We also examine the *types* of firms founded in our sample, because firm characteristics at founding have been shown to capture growth potential, and thus new firms' economic impact (Schoar, 2010, Guzman and Stern, 2020, Sterk et al., 2021). We find our main result across the full range of firm types, with high growth startups appearing to be especially responsive to political regime change. Our mismatch effect for firms in the top 5% of the quality distribution of Guzman and Stern (2020), which represents over half of high growth firms, is twice as large as that of LLCs (5.9% for high-quality firms vs. 2.9% for LLCs). Patent-issuing firms appear particularly sensitive to political sentiment, with the mismatch

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effect at 11% of the mean.

When we examine founder characteristics, we find strong partisan differences by gender and age. First, the well-known gender gap in entrepreneurship exists in our sample: 8.6% of all men and 4.6% of all women started a business in our 21 year sample. After controlling for individual characteristics and including county-year fixed effects, men are about 0.5 percentage points per year more likely to start a business than women, which is approximately 90% of the annual mean. This gender gap varies by political party. Among Democrats this gap is almost 20% smaller than the gap among independents, while among Republicans it is 30% larger. Moreover, male entrepreneurs are more sensitive to political regime change than female entrepreneurs. Relative to their respective means, men are 5% less likely to engage in entrepreneurship when politically mismatched with the president, but for women the effect is only 3%.

We also find that differential sensitivity to regime change tracks founder age. The youngest founders (18 to 29 years old) are the most responsive, reducing their propensity to start a business by 7% of their mean when politically mismatched, while the oldest founders (aged 50 to 70) reduce their likelihood of starting a business by only 2%.

While our preferred interpretation of the evidence runs through economic sentiment, an alternative explanation is that the party controlling the presidency implements policy favoring same-party entrepreneurs. Some of the evidence presented above is inconsistent with such a mechanism: we find stronger effects among more active partisans, men, and younger individuals. To examine this alternative story we examine effects within geography and industry, and consider the likelihood of firm survival. While policy is often focused on specific geographies or industries, we find strong partisan effects within both finely-grained geographic units, and within the least policy-sensitive industry (retail). Moreover, we find that firms born in matched political regimes are less likely to survive until 2019, which is again inconsistent with policy assistance for matched-party founders.

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Finally, we examine *existing* firms using the Business Dynamics Statistics data from the U.S. Census Bureau. We find strong support for partisan effects among these data, which represent not only a different data source but also capture a new firm population: already existing employer firms. Firms in mismatched counties are less likely to open new establishments, more likely to close them, and are more likely to shut down the entire business. Because these firms are employer firms we can also estimate the effect on jobs. Aggregating nationwide over 21 years we find partisan effects generated a relative shift of over two million jobs across red and blue counties.

Our findings relate to several strands of the literature in entrepreneurship and political economy. In entrepreneurship, many have explored which founder characteristics correlate with the decision to start a firm, such as age, race, wealth and gender (Evans and Jovanovic, 1989, Holtz-Eakin et al., 1994, Hurst and Lusardi, 2004, Azoulay et al., 2020, Fairlie et al., 2020, Bellon et al., 2021, Guzman and Kacperczyk, 2019). Our paper shows that political affiliation is another important characteristic, representing approximately 40% of the size of the well-known gender gap in entrepreneurship after controlling for founder age, gender, education, geography and time.

A related line of inquiry examines how entrepreneurship relates to founder psychological characteristics such as cognitive skills, individualism, risk-tolerance and optimism (Levine and Rubinstein, 2017, Barrios et al., 2021, Kerr et al., 2019, Puri and Robinson, 2013). These characteristics are generally viewed as static throughout adulthood; for example, Astebro et al. (2014) notes that "optimism is considered to be a ... stable individual trait." We contribute with evidence of *time-varying* changes in partisan sentiment, likely correlated with economic optimism.

We also contribute to the literature exploring the determinants of the entrepreneurship decision. Existing work has focused on the impacts of financial constraints, risk-reduction

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policies, training, entrepreneurial peers, and the availability of reproductive healthcare.[2] We uncover a new driver of entrepreneurial entry: political sentiment as a result of election outcomes.

Finally, our paper contributes to a growing literature on the economic consequences of political polarization. At the corporate level, several papers have found evidence of partisan effects in credit ratings, syndicated lending, and the composition of executive teams (Kempf and Tsoutsoura, 2021, Dagostino et al., 2020, Fos et al., 2021). At the household level there is strong evidence from surveys that partisans' economic optimism tracks their parties' political fortunes around elections (e.g., Bartels 2002, Evans and Andersen 2006). However, there is mixed evidence that such optimism matters for important economic outcomes. Some papers report a link between spending on consumer goods and political alignment (Gerber and Huber, 2009, Gillitzer and Prasad, 2018, Benhabib and Spiegel, 2019), while others argue against this connection (McGrath et al., 2017, Mian et al., 2021).[3] We provide evidence of real effects of partisanship on an outcome – entrepreneurship – that has important downstream consequences for both the labor market and productivity dynamics in the US (Haltiwanger et al., 2013, Decker et al., 2014, Adelino et al., 2017).

The rest of the paper proceeds as follows. Section II covers our data and sample construction. Section III describes patterns in the data. Section IV describes our empirical strategies and estimates, and Section V concludes.

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[2]For financial constraints see, for example, Bertrand et al. (2007), Kerr and Nanda (2009), Chatterji and Seamans (2012), Robb and Robinson (2014), Kerr et al. (2015), Adelino et al. (2015), Schmalz et al. (2017). For policies reducing risk see Hombert et al. (2020), Gottlieb et al. (2021). For training, peers and access to reproductive healthcare see Karlan and Valdivia (2011), Drexler et al. (2014), Fairlie et al. (2015), Lerner and Malmendier (2013), Nanda and Sørensen (2010), and Zandberg (2021).

[3]A recent series of papers links partisanship with financial outcomes such as tax evasion, stock market liquidity, corporate credit ratings, and retirement investing (Cullen et al., 2021, Cookson et al., 2020, Meeuwis et al., 2021).

II. Data and sample construction

A. Entrepreneurship data from business registrations

We measure entrepreneurship using business registration records, the legal filings required to establish a new corporation, partnership, or limited liability company in the United States. Firms register in the jurisdiction of their choice, a sort of statutory domicile, as well as states in which they engage in meaningful business activity. In practice, firms tend to choose either the state of their headquarters or Delaware as their jurisdiction, the latter tends to be favored by growth-oriented firms because of its corporation law and court system.

We use business registration records obtained through the Startup Cartography Project (Andrews et al., 2020), which contains business registration records across 49 U.S. states and Washington D.C. from 1988 to 2017. The data includes the name of the firm, the firm type (corporation, LLC, or partnership), the address of record, and the jurisdiction (Delaware or local). We focus on for-profit firms and assign them to the state of their headquarters, independent of their state of jurisdiction. 34 states also include information on the names and titles of firm directors; we focus on these states for our individual-level analysis. To focus on startup founders, we exclude personnel whose titles imply that they play only an administrative role.[4]

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[4]The titles we exclude are: incorporator, applicant, secretary, clerk, treasurer, director, and general partner. We also exclude names that appear in more than five different firm registrations in a year, as they are unlikely to have an operative role. Our results remain quantitatively similar when we do not impose these restrictions.

B. Voter and donor data

We obtain data about registered voters as of January 2021 from political data vendor Aristotle for the 34 states for which we have information on firm founders.[5] For 21 of these states, Aristotle assigns political affiliation using self-reported voter registration.[6] For the remaining states, Aristotle infers party identification by voters' participation in primaries, political donations, and stances on politically divided issues.[7]

We further use voting history in general elections and political donations to identify individuals with higher partisan intensity. We define individuals as *active* voters if the share of general elections they have voted in (out of elections they were eligible for) exceeds 50%, approximately the sample median. We also use the donor database (described below) to identify individuals who made any political donations between 1979 and 2018. We define individuals as *donor* voters if they appear in both our voter and donor databases (5.4% of voters).

The voter database contains a suite of demographic variables, such as registered state and county, birth year, gender, and education level, which we control for in the main specifications. We include race/ethnicity only in some specifications because 20% of the sample has missing information on this.

Our data on political donations come from the Database on Ideology, Money in Politics, and Elections (Bonica, 2018), and covers 1979 to 2018 (hereafter, the donor database). We

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[5]These states are: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Iowa, Idaho, Indiana, Kentucky, Louisiana, Massachusetts, Minnesota, Missouri, Mississippi, Montana, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, and Wyoming.

[6]Aristotle's data is subject to repeated testing by political campaigns in the field, suggesting high accuracy. Brown and Enos (2021) validates the accuracy of the partisan classifications of a commercial rival.

[7]States holding primaries: AR GA IN MS TN TX. States without: AL HI MN MO MT VT WA. Aristotle's algorithm classifies voters as Democrats if (i) they voted in more Democrat primaries than in Republican ones (between 2000 and 2014) or (ii) if they have no primary vote history but have made a Democrat or liberal donation, are identified as pro-choice, or are an Affordable Care Act (ACA) supporter. Further, anyone that has made a Republican or conservative donation, or are identified as pro-life or anti-ACA, is excluded. Republicans are classified analogously, with an additional field: identification as a second amendment supporter.

use political donations from individuals to all local, state, and federal elections, which are reported if they exceed a cycle-to-date total of $200. The donor database also includes the CF scores from Bonica (2014), which are donation-based ideology measures. A negative (positive) sign indicates pro-Democrat (pro-Republican) stance, with the magnitude indicating the intensity of the stance. We classify donors as Democrats if their CF scores are negative and the absolute magnitude of the score is above the 50th percentile among all donors with negative CF scores. We define donors as Republican analogously. Unlike the voter database, the donor database provides limited information on donors' demographics (mostly only geographic information like county and state).

C. Sample construction for individual data

We match the names in the voter database to the names of firm founders in the business registration database by name and state. To do this, we obtain from Aristotle a list of all voters whose first and last names are unique within a state, i.e., the combination of first and last names only appears once in their data spanning all voters in the state. We use unique names because no other common identifier (e.g., home address or social security number) exists in both the voter and founder datasets to facilitate matching. We focus on voters between ages 18 and 70 in each year during our sample period (1997-2017). We then match voters to founders using first name, last name, and state. Out of the nearly 27 million voters in our sample, we identify 6% as founders. Conditional on both voter and founder having middle initials, the matched individuals have the same middle initials 83.6% of the time, indicating a high quality of match between the voter and founder databases. A sample of names that are unique at the state level will oversample women because American women have a considerably wider range of first names than men (Wilson, 2016). For this reason, we present our main analysis separately for men and women as a robustness test.

A voter is coded as starting a business in a year if at least one of their matched firms have

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an incorporation date in that year. The resulting sample is a voter-year panel with around 400 million yearly observations. For computational tractability we collapse the regression sample to a set of fully saturated county-party-characteristic-time cells, where each cell is one possible combination of county, party identification (Democrat, Republican, other), gender (male, female), age (18-29, 30-29, 40-29, 50-29, 60-70), education level (high school or below, college or above), race and ethnicity (white, black, Hispanics, Asian, where available), and time (either calendar year or month). Because all variables are categorical indicators, this approach generates identical regression estimates and standard errors to those obtained from regressions using individual data.

III. Descriptive statistics

Table I reports summary statistics on the annual likelihood of starting a business as well as the probability of starting a business at some point during our sample period. It also reports our sampling distribution across political parties and demographics, as well as the likelihood of starting a business in these various political and demographic subgroups. The demographic distribution in our sample appears broadly consistent with that across the overall population of voters and by party. Female voters are slightly more likely to be Democrats, as are younger individuals and minorities (Doherty et al., 2018).

Out of approximately 27 million voters in our sample, around 6% started a business at some point.[8] The likelihood of starting a business in a given year is approximately 0.5%.

When we split the data by political party, a consistent theme emerges: Republicans are more likely to start a business than Democrats. For example, while 7.7% of Republicans ever start a firm in our data, only 5.2% of Democrats do. In a given year, the probability that a Republican starts a business is 0.6%, while for a Democrat this is 0.4%.

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[8]We only include entrepreneurs who formally registered their businesses, thus excluding those who are self-employed with no formal registration.

When we examine the entrepreneurship distribution across demographic characteristics, we note a few meaningful differences. First, consistent with prior results in Fairlie et al. (2020), white individuals are more likely to start a business in a year than blacks and Hispanics, as are college-educated ones (Hurst and Lusardi, 2004). Second, the startup rate is highest in the middle of our age distribution (between 30 and 49 years old), with a 0.7% chance of starting a business in a year, replicating the pattern from Azoulay et al. (2020) using administrative data at the U.S. Census Bureau. Finally, men are more than twice as likely to start a firm in a year than women, an estimate similar to previous work on the gender gap in entrepreneurship (such as Guzman and Kacperczyk, 2019).

To move beyond summary statistics and account for correlations between these political and demographic variables, in Table II we estimate regressions of the likelihood of starting a business as a function of these characteristics. Each regression includes age-group fixed effects and county-year fixed effects. Column (1) estimates that Democrats are 0.05 percentage points less likely to start a business in a year relative to political independents while Republicans are 0.22 percentage points more likely. This Republican - Democrat spread in startup likelihood is substantial, amounting to 54% of the outcome mean.

Column (2) confirms the well-known relationships between education, gender and entrepreneurship. Men are approximately 0.5 percentage points more likely to start a business in a year than women, all else equal, which is 90% of the mean likelihood. Similarly, college-educated individuals are 80% of the mean more likely to start a business. Column (3) includes both partisan indicators and demographics, which reduces the Republican - Democrat spread to 0.19 percentage points. However, this still means that, after controlling for gender, education, age and county-year, Republicans are 33% of the mean more likely to start a firm in a given year than Democrats.

In column (4) we examine whether the gender gap in entrepreneurship is different for Republicans and Democrats by interacting our partisan indicators with gender. We see a

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sizable difference across political parties. For independents the gender gap is similar to the mean gap; among Democrats it is nearly 20% smaller, while among Republicans it is 30% larger.

In columns (5) through (7) we interact our partisan indicators with age and education, finding only small differences in the explanatory power of these variables on entrepreneurship among Democrats and among Republicans. Finally, Column (8) considers the relationship between race, political party and entrepreneurship for the subset of voters in the sample for whom we have either race and ethnicity data. Non-partisan blacks and Hispanics are significantly less likely to start a business (effect sizes are 27% and 36% of the mean respectively) compared to whites, while Asians are more likely (21% of the mean). These racial differences generally shrink among Republicans and expand among Democrats. For example, among Republicans the Hispanic - white gap in entrepreneurship shrinks by 20% of the non-partisan racial gap while among Democrats the racial gap expands by 34%.

Overall, our dataset appears to map well to general patterns of entrepreneurship in the U.S., while providing some new facts about the relationship between entrepreneurship and political identity. Republicans start more firms than Democrats, even after controlling for founder characteristics. Moreover, well-known gender and racial gaps in entrepreneurship differ between Republicans and Democrats.

IV. Empirical strategy and results

A. Evidence from aggregate data

A.1. Elections, optimism, and state-level firm registrations

To motivate our analysis, consider Figure 1 which plots the difference in economic views of Republicans and Democrats via Bloomberg's Consumer Comfort Index (CCI). The Index

is constructed from a telephone survey of 1,000 individuals (250 individuals per week for 4 weeks) and reported as a four-week rolling average. Respondents are asked to rate the national economy, their personal finances, and the buying climate on a scale from Excellent to Poor, and Bloomberg aggregates their answers into a 0-100 point index. As Figure 1 demonstrates, the difference in CCI between Republicans and Democrats varies significantly across political regimes. For example, the average CCI of Republicans was almost two standard deviations *higher* than Democrats during the Republican administrations of George W. Bush and Donald Trump, but was *lower* than the CCI of Democrats during the administration of Barack Obama.

In addition, there are marked changes in these differing views of Republicans and Democrats after party-changing elections, especially those of Obama (2008), Trump (2016) and Biden (2020).[9] Mian et al. (2021) find that the explanatory power of political party for economic expectations over the last 25 years has increased four-fold. Moreover, using the University of Michigan Survey, Meeuwis et al. (2021) reports that while Republicans' expectations for national business conditions increased (and Democrats' decreased) following the 2016 election, consistent with Figure 1, partisan expectations of their own economic situation remained essentially unchanged. Meeuwis et al. (2021) also reports little change in the savings rate of partisans. Taken together, this evidence suggests that the swings in economic optimism around elections reflect partisan updating about the national economy, rather than one's own economic prospects.

Entrepreneurship is a future-oriented activity, so an entrepreneur's decision to start a business is necessarily tied to their belief about the current and future economic climate (e.g., Bengtsson and Ekeblom (2014)). Given the survey evidence of stark differences in beliefs between Republicans and Democrats across political regimes, especially around party-changing

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[9]There is a decline in relative Republican optimism in the 12 months before the 2008 election, suggesting some anticipation of candidate Obama's victory. This is consistent with his lead in prediction markets prior to the 2008 election.

elections, we examine whether entrepreneurship follows these same patterns. Figure 2 considers the five most Democratic "Blue" states (including Washington D.C.) by vote share in Presidential elections since 1996 (DC, HI, MA, NY and RI) and the corresponding Republican "Red" states (WY, UT, ID, OK and NE) and plots the number of new firms (per 100,000 residents who are at least 20 years old) between the years 1997 and 2017. All other states are plotted in gray.

In terms of levels, there are clear pro-cyclical swings. Entrepreneurship slows during the Dot-Com Crash, falls sharply during the Financial Crisis and recovers beginning in 2010. In terms of differences across states, the figure shows the same partisan gap in entrepreneurship as in section III with Red states creating more new firms per capita than Blue states. Moreover, the Red minus Blue gap is time varying, expanding during the Bush administration (2001 - 2008), shrinking during the Obama administration (2009 - 2016) and expanding again following Trump's election in 2016. In other words, Republican entrepreneurship increases (decreases) during Republican (Democrat) administrations relative to Democrat entrepreneurship.

The time-varying patterns appear particularly sharp around party-changing elections. For example, the number of new businesses per 100,000 residents in Red states fell from 989 to 894 between 2008 and 2009. Barack Obama was elected in 2008, replacing the Republican administration of George W. Bush. The decline in Blue states over the same period was one-third the magnitude, falling from 752 to 722. The difference (Red minus Blue) amounts to 7.4% of the annual average during the two years before and after the election. The opposite pattern appears during the next party-changing election, that of Donald Trump in 2016. Between 2016 and 2017, the Red States increased their firm registration rate from 989 to 1060 per 100,000 people, while the Blue States saw a more moderate increase from 1,440 to 1,621. This difference (Red minus Blue) amounts to 10.8% of the annual average during the two years before and after the election.

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A.2. County-level evidence

To understand the time-varying partisan gap at a finer geographic level, we compare the changes in firm startup rates in Democratic versus Republican counties in the months before and after a presidential election in an event study DID framework.

We classify counties by political party using county vote shares in Presidential elections.[10] We classify a county as Democratic if its vote share for the Democrat party is above the sample median in the preceding Presidential election, and Republican otherwise. The outcome of interest is the total number of new firms registered in a month, per 100,000 county residents aged 20 and older. If there are no new firms in a county *times* month, we code it as a zero. To account for seasonality and general trends in startups, we residualize the outcome by regressing it on county × month-of-year indicators and county annual linear trends. We refer to the resulting variable as the *excess* firm registration rate.

We use the following empirical specification:

$$\mathrm{Y}_{ct} = \sum_{t=-8}^{7} \beta_t \times Dem_c + \gamma' X_{ct} + \alpha_c + \alpha_t + \epsilon_{ct} \tag{1}$$

where Y_{ct} is the excess firm registration rate in county c in time t, which is the number of time periods relative to when each Presidential election was decided, i.e., December 2000, November 2008, and November 2016. Our treatment variable is Dem_c, which equals one if county c is classified as Democratic, and zero otherwise. We include X_{ct}, i.e., county annual unemployment rate, per-capita income, and employment share of each two-digit NAICS industry (except NAICS=99), to control for contemporaneous economic conditions and industry importance in each county. We include county fixed effects α_c and event time fixed effects α_t to absorb the average firm registration rate in a county, and national registration trends. We cluster standard errors by county.

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[10]We drop MI, NV, ME, AL and DC because we are unable to match more than 50% of firms to counties at the Startup Cartography Project.

While the data is monthly, for precision and ease of presentation we estimate the monthly average within a quarter. We define $t = 0$ for the three-month period following an election month. For example, $t = 0$ for November and December of 2016 and January of 2017 for the 2016 election. We omit the indicator for $t = -2$ as our comparison period.

If firm registration rates in Democratic and Republican counties are parallel in the absence of Presidential elections, the β_t vector identifies the impact of elections on firm registrations before and after the election. As we will show, this condition appears to hold.

The county-level event study DID reveals the same patterns of partisan gap in entrepreneurial activities as the ones demonstrated by the state-level time series. In Figure 3, we compare Republican to Democratic counties before versus after the 2000, 2008 and 2016 Presidential elections. While there is only weak evidence of a partisan effect for the 2000 election, we see a clear pattern of Democratic counties increasing their firm registration rate relative to Republican counties following the election of President Obama, and Republican counties increasing their rate relative to Democratic counties after the election of President Trump. More specifically, Democratic counties on average see 13 more firms per 100,000 residents relative to Republican counties in the 12 months following the 2008 election. Further, Republican counties experience a relative increase of 37 firms per 100,000 residents in the 12 months following the 2016 election.

B. Individual-level evidence

We now turn to individual data, which allows us to exploit different identifying variation compared to the cross-county analysis. In what follows, we contrast individuals of different political parties *within the same county* around Presidential elections. This allows us to avoid concerns about confounding factors that may differentially affect Republican or Democratic counties. Moreover, our data also allows us to control for founder characteristics, such as gender and education, that predict entrepreneurship. Despite the different identifying

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variation and the additional controls, we find very similar results.

The event study DID is similar to the county-level analysis but with individual-level data. Our outcome is the likelihood that an individual starts a business in a month. As we did for counties, we first residualize the outcome by regressing it on county × month-of-year indicators and county × party annual linear trends. We refer to this variable as the excess likelihood of starting a business. We then estimate the following regression:

$$Y_{it} = \sum_{t=-8}^{7} \beta_t \times Dem_i + \gamma' \mathbf{X_i} + \alpha_{c(i)} + \alpha_t + \epsilon_{it} \tag{2}$$

where Y_{it} is the excess likelihood for individual i to start a business in time t, which is the number of time periods relative to the month when Presidential elections were decided, i.e., December 2000, November 2008, and November 2016. Similar to equation 1, we define $t = 0$ for the three-month period following an election month and omit $t = -2$ as our comparison period. Our treatment variable is Dem_i, which equals one if individual i is a Democrat, and zero otherwise (see section B for partisanship definitions). We include county fixed effects $\alpha_{c(i)}$ and event time fixed effects α_t to control for the average startup likelihood in a county and national trends of entrepreneurship. For regressions using the voter-founder sample, we also control for individual characteristics $\mathbf{X_i}$, such as gender, education, and age group bins.[11]

Our coefficient of interest is the β_t vector, which identifies the impact of Presidential elections on the likelihood of starting a business among Democrats relative to Republicans living in the same county in the months around party-changing elections.

Consistent with the patterns documented in the county-level analysis, individual partisans also adjust their startup propensity in response to political regime changes. In Figure 4, we compare the likelihood of starting a business among Republicans to the likelihood among

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[11]For computational tractability we collapse the regression sample to fully saturated county-party-characteristic-month cells, weighting each cell by the number of individuals in it (see section C for details).

Democrats with the *same demographics* and in the *same county* before versus after the 2000, 2008 and 2016 Presidential elections.[12] For the 2000 election pre-trends appear to be parallel (with one outlier), and we find a delayed partisan effect for the 2000 election beginning in 2002, consistent with the delayed emergence of differential partisan optimism in Figure 1. In untabulated results, we find that Democrats' lower startup propensity persists for an additional year beyond the plotted coefficients (i.e., quarters 8 to 11).

Following the election of President Obama in late 2008, Democrats immediately increase their startup likelihood relative to Republicans, a relative increase in monthly startup likelihood for Democrats amounting to 5.7% of the mean over 12 months. Extrapolating across the U.S., this represents a narrowing of the entrepreneurship gap by 23,000 entrepreneurs. Consistent with the pattern in optimism in Figure 1, and the fact that candidate Obama's victory was not a surprise in the final months of the campaign, we see some indication of differential startup effects in quarters preceding the election. This anticipation means that our estimates are biased towards zero, as some of the political alignment effect is shifted into the pre-period.[13]

By contrast, the 2016 election result was truly unexpected, in that most forecasts and prediction markets set Trump's victory probability at 30% or lower in the days before the election.[14] The estimates for the pre-period in Figure 4 also support our assumption of parallel pre-trends. In the 12 months following the election, Republicans' startup probability rose by 2.5% of the mean relative to Democrats. This change translates to a relative shift of 13,000 more entrepreneurs towards Republicans.

To understand the relative contributions of Republicans and Democrats to changes in

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[12]Table A3 reports individual coefficients

[13]Estimates are not uniformly near zero throughout the pre-period, likely reflecting changes in the race for the Democratic nomination because (according to the University of Iowa prediction market) the Democratic candidate was more likely to win the presidency from the beginning of the election cycle. For example, the positive spike in quarter -3 coincides with Obama's securing a decisive lead over Hillary Clinton in the race for the nomination, and a corresponding increase in the probability of a Democrat victory.

[14]Options markets assigned a 12% probability of a Trump victory (Langer and Lemoine, 2020), while polling-based forecasts were 29% and 15% (FiveThirtyEight and The New York Times).

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the partisan entrepreneurship gap following Presidential elections, we include voters who are *neither* Democrats *nor* Republicans as the control group and re-estimate equation 2 with additional interactions between the event time indicators and the Republican indicator. Figure 5 plots the β_t estimates for each party relative to independents. Approximately one-third of the decrease in the partisan entrepreneurship gap following the 2008 election is attributable to Democrats increasing entrepreneurship while two-thirds to Republicans decreasing entrepreneurship. Similarly, around one-third of the increase in the gap after the 2016 election comes from Republicans increasing their startup rate while two-thirds comes from from Democrats decreasing their rate.

To bolster the notion that it is political sentiment that drives the changes in entrepreneurship, rather than alternative shocks occurring at the same time, we examine the effects of Presidential elections on voters that are more intensely partisan. We hypothesize that shifts in political power will have a stronger impact on the optimism of such voters which will increase their entrepreneurial sensitivity to regime-changing events.

We define *active* partisans as voters who voted more often in Presidential elections, and *donor* partisans as people who have made political donations and have more extreme CF scores (see section B for details). We re-estimate equation 2 while restricting the sample to active or donor Democrats and Republicans.

Figure 6 shows that active voters generate a slightly larger change in the partisan gap following Presidential elections. In the 12 months following the 2008 election, active Democrats see an increase in their *monthly* startup probability relative to active Republicans, while following Trump's election there is an analogous relative increase for active Republicans. These shifts in startup likelihood are sizable when aggregated. Extrapolating across the U.S., this amounts to 27,000 more entrepreneurs who are Democrat than Republican in the year following the 2008 election and to 17,000 more Republican entrepreneurs after the 2016 election.[15]

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[15]Assuming that half of the population

In Figure 7, where we switch from the voter to the donor sample, there is an even larger and more persistent change in the partisan gap following Presidential elections. These changes in startup probability translate to 37,000 more Democrat relative to Republican founders after the 2008 election, and 33,000 more (relative) Republican founders after the 2016 election.

Like the evidence from the cross-county DIDs, the evidence in this section from individual data points to changes in political power affecting entrepreneurship. Moreover, we find somewhat stronger sensitivity for more intensely partisan voters, supporting the notion of political sentiment as the driver of the effects we observe.

C. Effects of partisanship over the full sample

In this section we estimate the average effect on entrepreneurship of being in partisan mis-alignment with the sitting President across our entire sample period (as opposed to only the months around party-changing elections). To do so we exploit the panel structure of the individual-level data and estimate the following:

$$\mathrm{Y}_{it} = \beta \, Mismatch_{it} + \gamma_D \, Dem_i + \gamma'_{\mathbf{x}} \mathbf{X_i} + \alpha_{c(i)t} + \epsilon_{it} \tag{3}$$

where Y_{it} is an indicator equal to one if individual i starts a business in year t. Dem_i is an indicator equal to one for individuals identified as Democrats, and equal to zero for Republicans. $Mismatch_{it}$ is an indicator equal to one when individual i's party identification *differs* from the party of the President in year t.[16] $\alpha_{c(i)t}$ is a county by year fixed effect. For the voter-founder sample, we additionally control for $\mathbf{X_i}$, a vector of demographic characteristics

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[16]Mismatch equals one for Republicans during 1996-2000 and 2009-2016 and for Democrats during 2001-2008 and 2017, and zero otherwise.

(gender, age and education). Standard errors are clustered by county.[17]

The coefficient of interest is β, which estimates the average difference in the probability of starting a business when an individual's party affiliation is mis-aligned with that of the sitting President, relative to when their party is aligned.

C.1. Main estimates

Table III reports the estimates from equation 3, using various measures of partisan identification. Column (1) uses all registered Republican and Democrat voters. The coefficient on *Mismatch* is negative and significant, with a point estimate of -0.022, i.e., individuals whose party is not in power are 0.022 percentage points less likely than the politically aligned individuals to start a business in a given year. This is a sizeable effect, representing 4.4% of the sample mean (0.51). Extrapolating across the U.S., this amounts to an annual change in the partisan gap of around 16,000 founders, or over 340,000 over our sample period.

To support the idea that it is political sentiment that drives the relative changes of entrepreneurial activities across parties, we compare the changes among regular partisans to those among *intense* partisans who vote more and donate more (see section B for definitions). Since intense partisans are more personally invested in politics, we hypothesize that shifts in political power will have a stronger impact on their optimism and startup decision.

We add an indicator for intense partisans and interactions between the indicator and *Mismatch* as well as *Dem* to equation 3, and re-estimate the model. The negative and significant coefficients on *Mismatch×Intense* in column (2) and (3) mean that active voters and donor voters, respectively, are 0.016 and 0.051 and percentage points less likely to start up than their less intense counterparts in the same county and year when their party is not in power. In other words, active and donor voters' response to political mis-alignment is

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[17]For computational tractability we run the regression at the county-party-characteristic-year cell level for the voter-founder sample and at the county-party-year cell level for the donor-founder sample. We weight each cell by the number of observations.

55% and 75% stronger than that of less intense partisans, respectively.

Similarly, using the donor sample instead of the voter sample in column (4), we find that partisan donors whose party differs from that of the sitting President also have a 10% lower annual startup probability than partisan donors whose party is in power.

Taken together, the larger effects we find as the intensity of partisanship increases point towards partisanship driving our observed effects.

C.2. Heterogeneity by voter gender and age

In Table IV we consider how partisan effects vary across gender because there is evidence that women's economic expectations react differently to those of men (e.g., Meeuwis et al. 2021, D'Acunto et al. 2020). Columns (1) to (3) of Table IV replicate the first three columns of Table III for men, while columns (4) to (6) do so for women. The results throughout are clear: men are more sensitive to political power shifts than women. Relative to their respective means, men are 5% less likely to engage in entrepreneurship when politically mismatched with the presidential regime, but for women the effect is only 3%. Given that our name-matching process naturally over-samples women, our estimates with individual data likely *understate* the true effect of political regime changes on entrepreneurship.

Moreover, both the male and female subsamples show substantially higher sensitivity to political mis-alignment when we examine voters of higher partisan intensity. For example, male donors are 14% less likely to start a business (relative to their mean), while female donors are 10% less likely. Even among the population of more intense partisans, women are still less sensitive to political regimes than men.

In Table V, we explore the heterogeneous impact of political regime changes on entrepreneurship by age. Individuals between 18 and 29 years old show the largest response (relative to their mean) to changes in political leadership (7%), followed by those between 30 and 49 (5%), with those between 50 and 70 responding the least (2%). The heterogeneity

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across age groups is greater among more intense partisans. This monotonic decrease in the effect of political misalignment over age is consistent with partisanship-induced economic optimism because as entrepreneurs age, the horizon over which they discount expected cash flows contracts.

C.3. Heterogeneity by firm type

We next consider the *types* of firms founded in our sample. Firm characteristics measured at founding have been shown to predict firms' growth potential, survival, and contribution to employment, because they reflect heterogeneity in founder ambitions and project potential (Schoar, 2010, Sterk et al., 2021). Guzman and Stern (2020) shows that firms registered at founding as corporations instead of LLCs are three times more likely to achieve an equity growth milestone, either via going public or via acquisition within six years of registration. Similarly, companies registered in Delaware are 22 times more likely to IPO or be acquired, while firms that file for a patent within their first year are 49 times as likely. Guzman and Stern (2020) combine these founding characteristics into a measure of "entrepreneurial quality," which we use to examine the ex ante quality of the entrepreneurship induced by partisan sentiment.

Table VI reports estimates focusing on specific types of firms. Column (1) examines the effects of politically mismatch on LLCs, while column (2) focuses on corporations. We observe a negative statistically and economically significant coefficient on *Mismatch* for both types of firms: partisan mis-alignment reduces the average likelihood of an individual starting a LLC by 2.9% of the mean, and by 7.3% for local corporations.

Columns (3) to (6) focus on firms types that have high ex ante growth potential. Column (3) examines firms in the top five percentile of the Guzman and Stern (2020) quality distribution. The coefficient on *Mismatch* is negative and large: high quality firms are less likely to be founded — by 6% of the mean — when the founder is politically mismatched with the

party of the sitting President. This is over two times the size of the effect we estimate for LLCs. The effect increases further in column (4) where we focus on highly innovative firms that have filed for or been granted a patent within one year of founding. The partisan effect here is substantial, at 11% of the mean.

Finally, columns (5) and (6) focus on two alternative markers of high growth potential: registration in Delaware and having a trademark at founding. Delaware registration is correlated with the underlying growth ambition of the entrepreneurs, and trademarks, while easy to file, indicate the possibility that entrepreneurs anticipate significant market growth. The effects for these two types of firms are noisier and statistically indistinguishable from zero.

The results in Table VI highlight that political sentiment affects entrepreneurship across the entire distribution of startup quality. In fact, startups with high growth potential, which play a key role in productivity and employment dynamics, appear to be especially sensitive to partisan sentiment. The large effects we find for such firms may be related to the procyclicality of growth entrepreneurship (Nanda and Rhodes-Kropf, 2013, Howell et al., 2020). Highly innovative ideas tend to require more capital. If political mismatch reduces founders' expectations of the availability of future capital, it would also lead to reduced entry among growth-oriented firms.

C.4. Examining mechanisms: political sentiment versus partisan policy

Economic optimism along party lines driven by shifts in political power (Figure 1) is our preferred explanation for the ensuing change in the partisan entrepreneurship gap. An alternative explanation is that regime switches lead to policy changes favoring individuals who are members of the party in power. For example, President Trump's Tax Cuts and Jobs Act included a state and local tax cap of $10,000 which disproportionately hurt taxpayers in Blue States.

Some of the evidence presented above is already inconsistent with a policy-based expla-

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nation. First, the event time DIDs (Figures 3 - 7) show entrepreneurship effects *immediately* (often within the first two quarters after election). Policy changes take time to implement, while expectation changes are immediate (Figure 1). Second, we find stronger effects among the most partisan individuals (Table III), i.e., those that vote often. It is unclear, for example, why a new policy would favor a voting Republican more than a non-voting Republican. However, it seems likely that an active Republican would be especially optimistic (pessimistic) during Republican (Democratic) administrations. Third, we find significant heterogeneity along personal characteristics in response to political regime changes (Table IV), with men and younger people among the most responsive. Again, it seems unclear why a new policy would disproportionately favor young Democrats (relative to old ones) or Democratic men (relative to Democratic women).

In this section, we continue to investigate a policy-based channel by conducting tests in two domains that policy may affect: geography and industry. Mian et al. (2021) find little evidence of changes of tax rates, personal income growth, and transfers at the county and state levels around Presidential elections. Moreover, in order to examine whether partisans' economic situation differentially improves, they use zip code-month fixed effects relying on the assumption that people within zip codes are subject to the same government policies. Similarly, we re-estimate the model in Table III, adding fine-unit geographic and industry fixed effects so that identification comes, for example, via differences in Democrats and Republicans who live in the same census block group at the same time. If policy is targeted to geography or industry we would expect our main result to weaken as we include these fixed effects; however, we find little evidence that this is the case.

In Table A2, we estimate equation 3 using progressively finer geography-by-year fixed effects, from state-level to census block group-level.[18] The point estimates under these alternative geography-by-year fixed effects are all similar to the estimates under the main

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[18]There are, on average, 10,000 people per zip code, 4,000 per census tract, and 1,500 per census block group.

specification (shown in column (2)).

Turning to industry, we categorize companies into two-digit NAICS industries using a word tagging approach based on company names.[19] We run the same specification used in Table III, but changing the dependent variable to be an indicator for whether an individual starts a firm in a *specific* NAICS-2 industry. In addition, we include politically independent individuals as the omitted category in order to separately identify partisan effects by industry. Table VII presents results for the ten most populated NAICS-2 industries in the sample.

Column (1) of Table VII indicates that our main effect is being driven by Republicans, consistent with Figure 5. Moreover, we observe effects for Republican entrepreneurs across *all* industries, which is inconsistent with a strictly policy-based mechanism, especially since we see a strong effect for both partisan groups in retail, the industry with the lowest policy sensitivity according to Hassan et al. (2019). These findings are also consistent with the fact that our $Mismatch$ estimates are quantitatively similar even when we include census block group-by-year fixed effects (in Table A2). The latter can be seen as pseudo industry-by-year fixed effects, because in our data the firms started by two founders in the same census block group and year have a 25 percent chance of being in the same industry.

Our final set of analyses to shed light on the underlying mechanism considers the likelihood of firm survival. For firms "born" between 1997 and 2017, we check, according to state records, whether they are still "alive" in 2019. We have data on such outcomes from 29 states.[20] We then estimate:

$$\mathrm{Y}_{fit} = \beta \, Mismatch_{it} + \gamma_D \, Dem_i + \gamma'_{\mathbf{x}} \mathbf{X_i} + \alpha_{c(i)t} + \epsilon_{fit} \qquad (4)$$

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[19]Using the Reference USA dataset of firms (Infogroup, 2014) we link company names to industries by first keeping all words in Reference USA that occur at least 50 times and then scoring the relative importance of each word-industry pair. Specifically, for a word i that appears n_{ij} times in industry j, we estimate $\frac{n_{ij}/N_j}{n_i/N}$ and we keep all words that either (i) are at least ten times more common in this industry group than in the rest of the data, or (ii) are one of the 300 highest-scored words for this industry. We exclude N55 and N99 from our analysis. We categorize over 81% of firms in our sample in this way.

[20]Estimating equation 3 using data from these 29 states generates similar estimates to those using the full sample.

where Y_{fit} is an indicator equal to one if firm f founded by individual i in year t is still alive in 2019, and zero otherwise. $Mismatch_{it}$ is an indicator equal to one when individual i's party identification *differs* from the party of the sitting President in year t. All other specifications mirror the one in equation 3.

Table VIII column (1) indicates that firms born in a year of political alignment are *less* likely to survive till 2019 compared to those born in a year of misalignment. This seems inconsistent with a policy mechanism: why would a Republican (or Democrat) who receives policy-based help in starting a business from the governing regime be more likely to fail? In contrast, politically-driven optimism seems better-suited to explain the finding as a selection effect. If an individual chooses to start a business in an economic environment she is pessimistic about, this business is more likely to be of higher quality. Additional support for this story comes from the remaining columns which find the aforementioned effect to be strongest among Republicans, men, and younger individuals. Recall that these were precisely the groups whose entrepreneurship was most sensitive to political regime change. Under the optimism story, these groups become *overly* excited when their party comes into power, which is why they start businesses that are *less* likely to survive.

D. Effects of partisan sentiment on *existing* firms

Thus far we have explored the effects of partisan sentiment along the *extensive* margin of entrepreneurship. In this section, we examine effects along the *intensive* margin, exploring how the expansion, contraction, and death of *existing* firms co-vary with the political alignment of their counties. We use the Census Bureau's Business Dynamics Statistics (BDS), which reports the number of new and existing *employer* firms, the number of newly opened and closed establishments of existing firms, and the job creation rate by firm age bins, for

every county and year through 2018. We run the following regression:

$$Y_{ct} = \beta\, Mismatch_{ct} + \gamma' \mathbf{X_{ct}} + \alpha_c + \alpha_t + \epsilon_{ct} \tag{5}$$

where Y_{ct} is a variable of interest from the BDS, such as the annual number of new firms, newly opened or closed establishments of existing firms, and firm deaths, per 100,000 county residents (20 years or older) in county c in year t. $Mismatch_{it}$ is an indicator equal to one when the partisanship of county c *differs* from the party of the sitting President in year t.[21] We include a vector of county-level, time-varying variables X_{ct}, i.e., annual unemployment rate, annual per-capita income, and employment share of each two-digit NAICS industry (except NAICS=99) to control for economic conditions and industry importance in the county. If the outcome variable is for existing firms, we include firm age fixed effects. We also include county fixed effects α_c and year fixed effects α_t to absorb any persistent difference across counties and a national trend in business dynamics.

The coefficient of interest is β, which estimates the average difference in business dynamics in counties that are mis-aligned with that of the sitting President, relative to those in counties that are aligned.

Table IX reports the estimates from equation 5. Column (1) confirms our earlier results along the extensive margin, showing that there are around four fewer *new* firms per 100,000 county residents (ages 20 and above) in politically mis-aligned counties relative to aligned ones, amounting to 1.87% of the outcome mean. In terms of economic magnitude, the effect of a county's political misalignment on new firm startups is similar to a 1.2 percentage point increase in local unemployment, using the coefficient from the second row of the table. Column (2) indicates that there is no economic or statistical difference in the job creation

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[21]County partisanship is defined using its vote share in the preceding Presidential election. For example, *Mismatch* equals one between 2001 and 2004 for counties whose Democratic vote share is above the national median in the 1996 Presidential election.

rate of new firms between aligned and mis-aligned counties, implying that new firms that are born during aligned periods have, on average, the same number of employees as firms that begin during times of mis-alignment.

Turning to intensive margin effects, columns (3) through (5) show that firms in politically mis-aligned counties open fewer establishments (0.6% of mean), close more establishments (0.5% of mean), and experience more firm death (0.68% of mean), relative to those in aligned counties. These business dynamics have implications for the labor market, as the net job creation rate (job creation minus destruction) among existing firms in mis-aligned counties is 0.17% lower than that of their counterparts in aligned counties, amounting to almost 15% of the mean. Summing across new and existing firms (column (7)), politically mis-aligned counties experience a relative fall in their net job creation rate of over 15% of the mean.

Aggregating up, we find that the 1.87% mean effect from column (1) translates to approximately 88,000 new firms in politically aligned counties (relative to mis-aligned ones), and the death of over 8,000 firms in mis-aligned counties over 21 years. These aggregate estimates are substantially smaller than those we obtain using county- or individual-level data because BDS only captures employer firms. The intensive margin effects in columns (3), (4) and (6) indicate a broader impact on business dynamism, amounting to 4,000 new establishments and 2.1 million jobs in aligned counties (relative to mis-aligned ones) during the whole period.[22]

V. Conclusion

Our paper documents a relationship between political identity and entrepreneurship, with Republicans over 30% more likely to be entrepreneurs than Democrats after controlling for other characteristics. This partisan entrepreneurship gap is time-varying, widening when

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[22]We calculate these numbers making the simplifying assumption that Republican and Democrat counties have the same average population and/or employment.

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Republicans take control of the presidency and shrinking when Democrats do.

Because our paper highlights a new way in which supporters of a political party exhibit important changes in economic behavior when their preferred regime comes to power, it has potentially different policy implications compared to prior work. Most of the existing literature focuses on political connections and allocation of government resources (e.g., Faccio (2006), Fisman (2001), Robinson and Verdier (2013)), with policy prescriptions aimed at reducing clientelism. In contrast, the effect we document on supporters likely arises organically via the economic optimism of partisans. Given anti-corruption measures are not appropriate in this circumstance, what policy actions might be appropriate to incentivize individuals from the losing political party to become entrepreneurial? And would such policies be welfare-improving?

Finally, we find stronger partisan effects on entrepreneurship around recent party-changing elections, not only across Red vs. Blue counties but also between Red and Blue individuals within the same county. This seems to align with increasingly polarized responses to election outcomes (Figure 1) as well as broad increases in political polarization generally (Abramowitz and Saunders (2008), Gentzkow et al. (2019)). If political polarization continues to rise, will the role of political identity become more important for entrepreneurial decisions? We leave these questions to future research.

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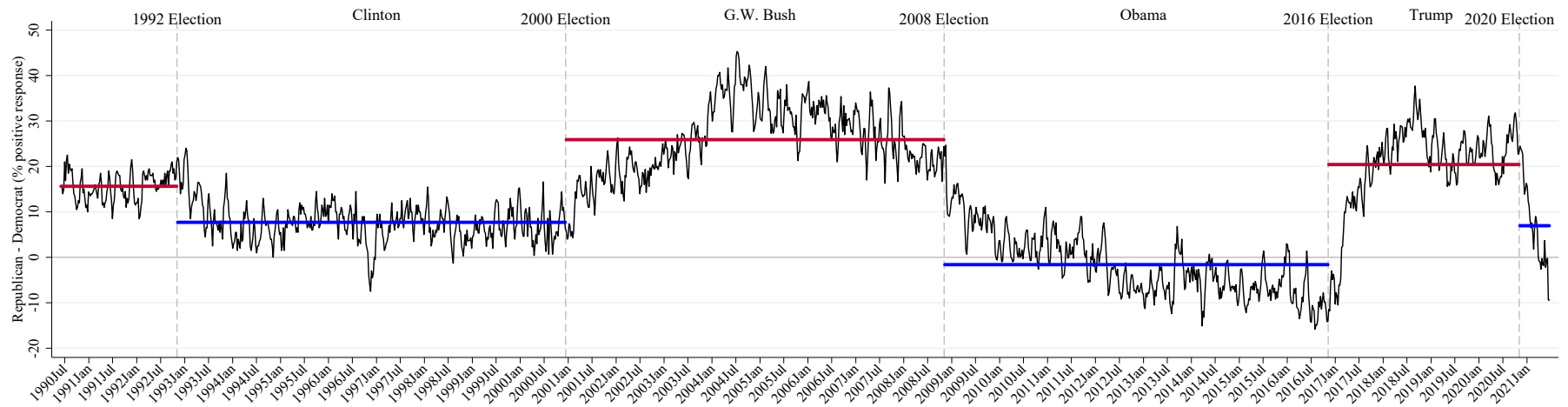
Figure 1. Optimism Survey: the Bloomberg Consumer Comfort Index by Party Affiliation

Note: The black line plots the difference in The Bloomberg Consumer Comfort Index between Republicans and Democrats, and the flat lines plot the average of this difference between each party-switching presidential election. Survey respondents in the Bloomberg Consumer Comfort Index are asked to rate (i) the national economy, (ii) their personal finances, and (iii) the buying climate as "Excellent," "Good," "Not so Good," or "Poor." The Index is calculated as the four-week rolling average fraction of positive responses ("Good" or "Excellent") across the three questions. The sample is derived from 1,000 landline and cellular telephone interviews (national random sample), 250 per week, weighted to adjust for probabilities of selection by household size, telephone use, age, sex, race, education, metro status, and region.
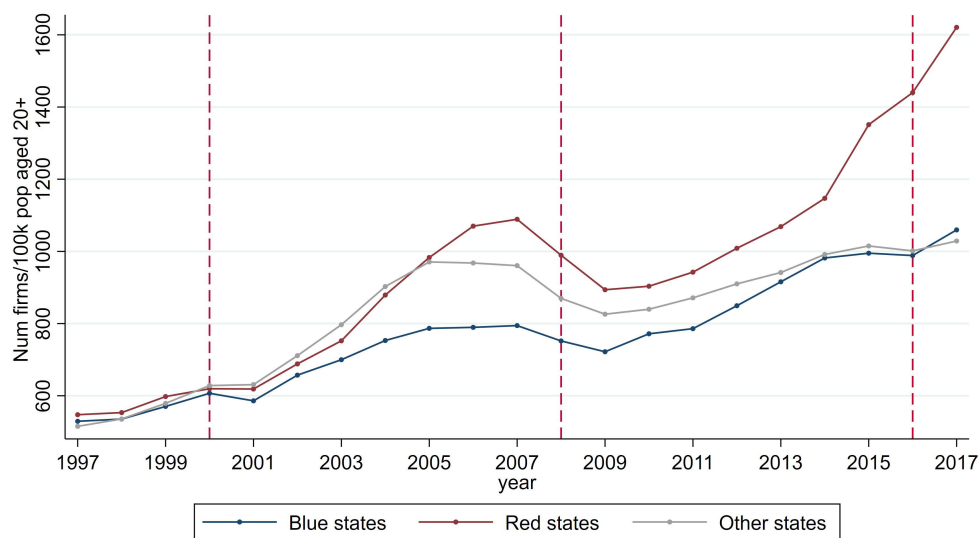
Figure 2. Firm Registration Rate by State Partisanship

Note: This figure plots the number of new firm registrations per 100,000 people ages 20 and older in Blue states, Red states, and other states. Blue states are the top five states (including Washington D.C.) which have had the highest average Democrat vote share in Presidential elections between 1996 and 2016 (DC, HI, MA, NY, RI); Red states are the top five states which have had the highest average Republican vote share (WY, UT, ID, OK, NE). All other states are plotted in gray.

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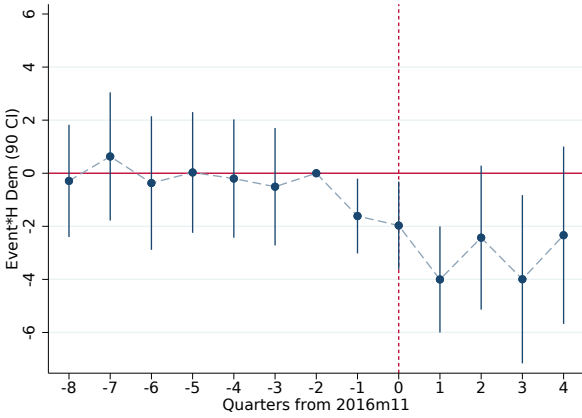
(a) 2016 election
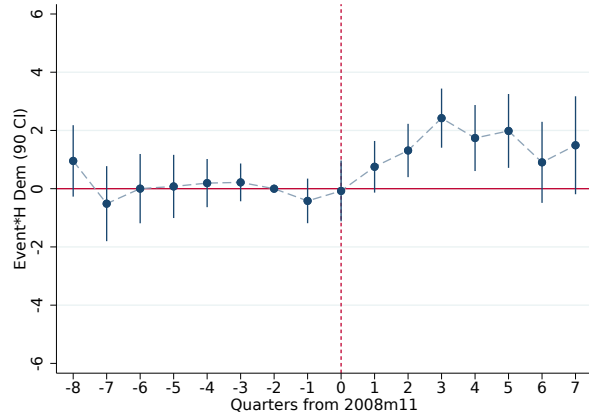
(b) 2008 election
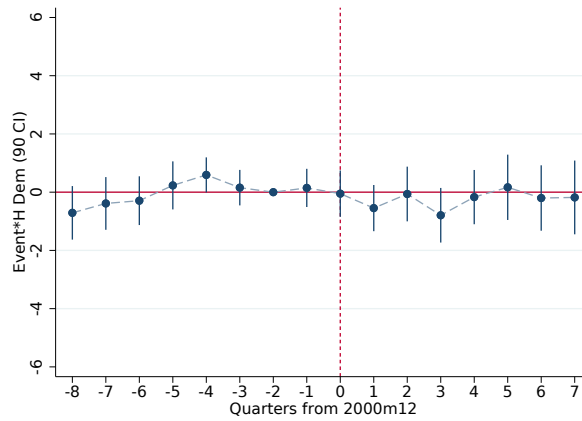
(c) 2000 election

Figure 3. Political Mismatch and new Firm Registrations: County-Level Evidence

Note: This figure plots the estimated number of (excess) monthly new firm registrations per 100,000 people (aged 20 and above) in Democrat-leaning counties relative to Republican-leaning counties. Republican-leaning counties are the omitted group. Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 is November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and county economic conditions (i.e., monthly unemployment rate, annual per capita income and annual employment share for all 2-digit NAICS industries). Regressions are weighted by county population ages 20 and above. Standard errors are clustered by county. Regression results are reported in Table A1.

(a) 2016 election
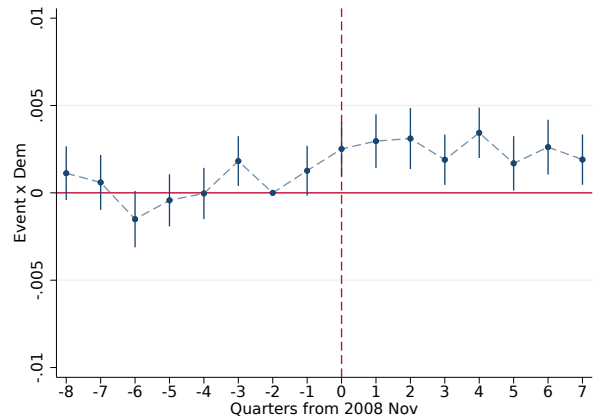
(b) 2008 election
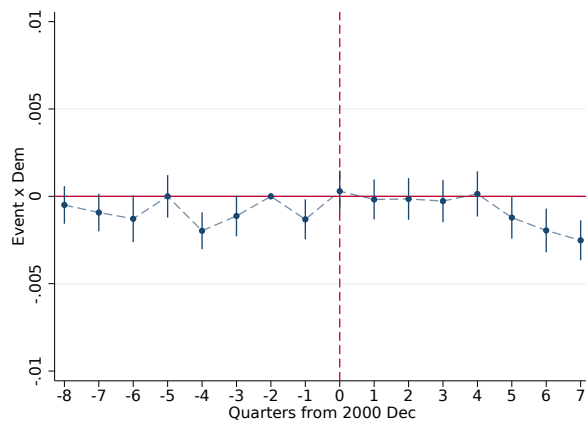
(c) 2000 election

Figure 4. Political Mismatch and the Probability of Starting a Business
Democrat versus Republican Voters

Note: This figure plots the estimated (excess) monthly probability of starting a business for Democrat voters relative to Republican voters. Units are in percentage points and the omitted group is Republican. Individuals are identified as Democrat or Republican in 21 states by their party registration. In the remaining 13 states, our political data provider infers an individual's party. Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 is November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and voter characteristics (i.e., gender, education, age groups). Regressions are run at the county-party-characteristic-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county. Regression results are reported in Table A3.

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(a) 2016 election

(b) 2008 election

(c) 2000 election
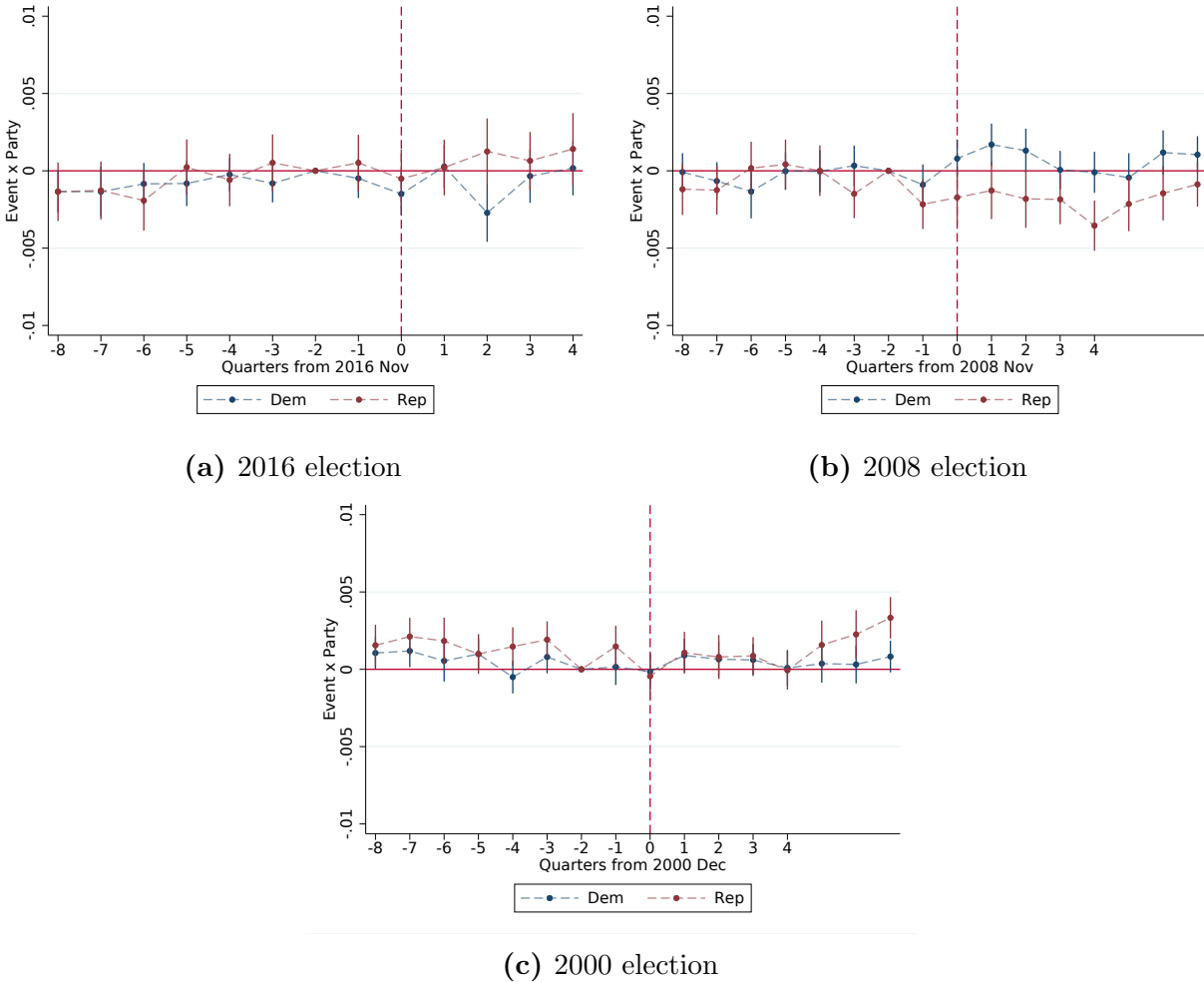
Figure 5. Political Mismatch and the Probability of Starting a Business
Democrat and Republican Voters versus Independents

Note: This figure plots the estimated (excess) monthly probability of starting a business for Democrat voters (blue line) and Republican voters (red line) relative to non-partisan voters. Units are in percentage points. Individuals are identified as Democrat or Republican in 21 states by their party registration. In the remaining 13 states, Aristotle infers their party by voters' participation in primaries, political donations, and stances on politically divided issues. Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 is November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and voter characteristics (i.e., gender, education, age groups). Regressions are run at the county-party-characteristic-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county. Regression results are reported in Table A4.

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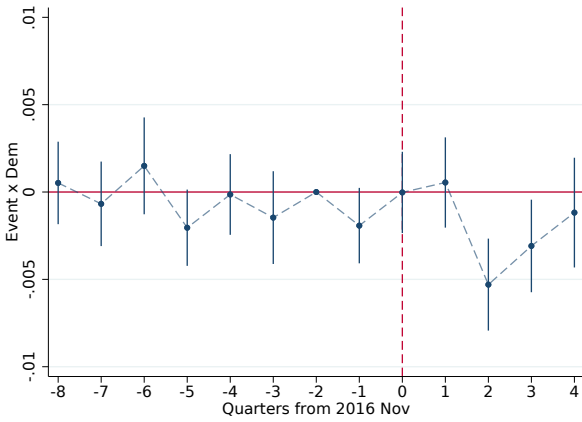
(a) 2016 election
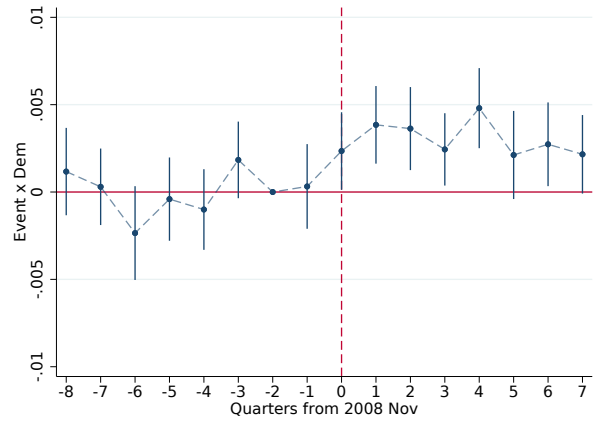
(b) 2008 election
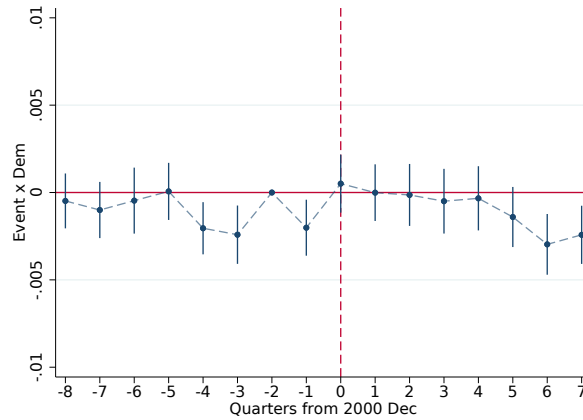
(c) 2000 election

Figure 6. Political Mismatch and the Probability of Starting a Business
Active Democrat versus Active Republican Voters

Note: This figure plots the estimated (excess) monthly probability of starting a business for *active* Democrat voters relative to *active* Republican voters. Units are in percentage points and the omitted group is Republican. Individuals are identified as Democrat or Republican in 21 states by their party registration. In the remaining 13 states, Aristotle infers their party by voters' participation in primaries, political donations, and stances on politically divided issues. Active voters are those who vote more often than the sample median within their party (median is 40% of elections for Democrats and 50% of elections for Republicans). Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 is November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and voter characteristics (i.e., gender, education, age groups). Regressions are run at the county-party-characteristic-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county. Regression results are reported in Table A3

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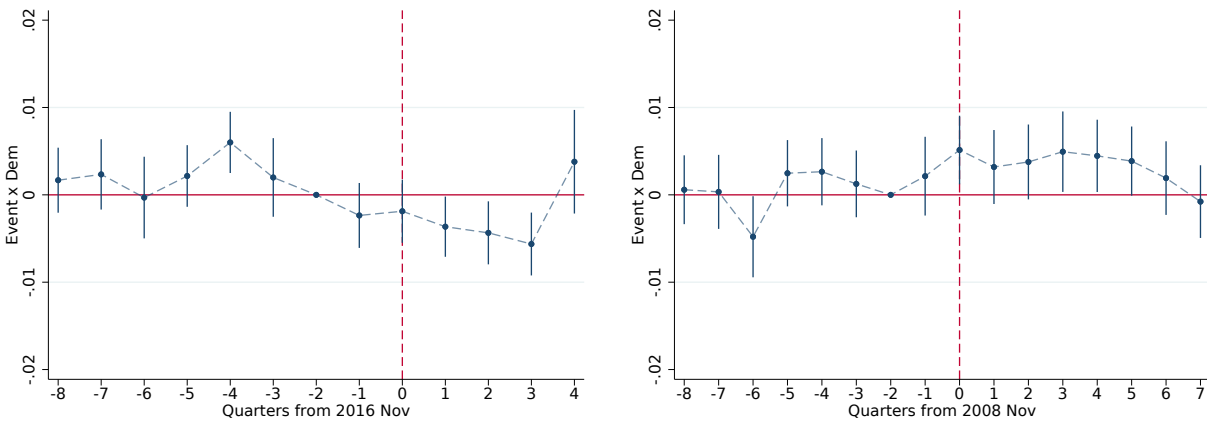
(a) 2016 election

(b) 2008 election
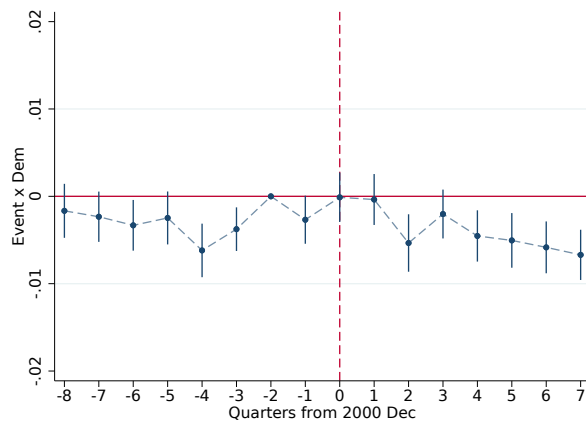
(c) 2000 election

Figure 7. Political Mismatch and the Probability of Starting a Business
Democrat versus Republican Donors

Note: This figure plots the estimated (excess) monthly probability of starting a business for Democrat donors relative to Republican donors. Units are in percentage points and the omitted group is Republican. Democrat (Republican) donors are donors whose DIME CF scores are above the sample median within their party (median is -1.214 for Democrat and 1.089 for Republican). Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 is November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects and event time fixed effects. Regressions are run at the county-party-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county. Regression results are reported in Table A5.

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Table I
Summary Statistics

|	Full sample			Democrat			Republican		
	Probability			Probability			Probability		
	Mean	SD	%Sample	Mean	SD	%Sample	Mean	SD	%Sample
Panel A: Voter-founder sample									
P(start business in a year):									
All	0.50	0.77	100.00	0.41	0.65	100.00	0.63	0.89	100.00
Male	0.80	1.03	35.34	0.65	0.90	30.95	0.98	1.16	38.16
Female	0.34	0.51	64.66	0.30	0.45	69.05	0.41	0.58	61.84
Edu≥College	0.82	1.10	27.96	0.70	0.98	24.80	0.90	1.15	36.73
Edu≤HS	0.38	0.54	72.04	0.31	0.45	75.20	0.47	0.66	63.27
Black	0.39	1.30	8.31	0.35	0.92	16.32	0.60	3.18	1.63
White	0.52	0.89	61.04	0.44	0.80	50.41	0.62	0.95	78.77
Hispanic	0.49	1.32	7.21	0.38	1.02	8.57	0.72	1.89	4.56
Asian	0.77	1.81	4.62	0.66	1.60	4.30	0.87	2.32	3.49
Age 18-29	0.24	0.43	27.35	0.20	0.36	27.10	0.32	0.59	19.38
Age 30-39	0.66	0.89	21.33	0.55	0.75	20.99	0.79	1.06	19.85
Age 40-49	0.70	0.90	20.86	0.57	0.77	20.60	0.81	0.99	23.32
Age 50-59	0.58	0.79	17.89	0.47	0.66	18.29	0.68	0.87	21.47
Age 60-70	0.36	0.65	12.57	0.30	0.55	13.01	0.43	0.70	15.98
N voter×year		424,113,568			165,289,712			130,996,872	
N state		34			34			34	
P(ever founder):									
All	6.04	23.82	100.00	5.15	22.09	100.00	7.65	26.57	100.00
Male	8.61	28.06	36.11	7.37	26.12	31.48	10.68	30.88	39.01
Female	4.58	20.91	63.89	4.12	19.89	68.52	5.71	23.20	60.99
Edu≥College	10.34	30.45	25.55	9.25	28.97	22.67	11.18	31.52	34.85
Edu≤HS	4.56	20.87	74.45	3.94	19.46	77.33	5.75	23.29	65.15
Black	4.92	21.63	8.80	4.66	21.07	17.05	7.36	26.11	1.69
White	6.42	24.51	59.55	5.62	23.03	48.53	7.59	26.49	78.66
Hispanic	5.54	22.88	7.57	4.41	20.53	9.05	8.44	27.79	4.61
Asian	9.28	29.01	4.33	8.16	27.38	4.12	10.35	30.46	3.30
Cohort 90+	1.29	11.27	20.41	1.14	10.63	18.93	1.56	12.39	13.83
Cohort 80-89	5.52	22.84	16.91	4.80	21.37	17.30	6.86	25.28	11.90
Cohort 70-79	9.23	28.95	16.09	7.91	27.00	16.20	11.01	31.30	14.89
Cohort 60-69	9.70	29.59	16.15	8.07	27.24	15.66	11.40	31.78	19.42
Cohort 50-59	7.96	27.06	14.90	6.57	24.78	15.69	9.55	29.39	18.55
Cohort 40-	3.90	19.36	15.54	3.22	17.64	16.23	4.62	20.99	21.41
N voter		26,656,280			10,267,106			7,778,728	
N state		34			34			34	
Panel B: Donor-founder sample									
P(start business in a year):									
All	1.06	0.82	-	0.69	0.55	-	1.18	0.84	-
N donor×year		222,385,744			66,361,428			45,232,236	
N state		33			33			33	
P(ever founder):									
All	13.00	33.63	-	10.26	30.35	-	14.27	34.98	-
N donor		10,589,797			2,725,598			2,068,988	
N state		33			33			33	

Note: This table reports summary statistics for the voter-founder sample and the donor-voter sample (see section II for detailed construction). *P(start business in a year* is the probability of starting a business in a year among voters who are between 18 and 70 years old during 1997-2017. *P(ever founder)* is the probability of ever starting a business among voters who are between 18 and 70 years old during 1997-2017. Units are in percentage points. Panel A is based on the voter-founder sample. Panel B is based on the donor-founder sample. Columns (1)-(3), (4)-(6) and (7)-(9) are calculated based on all individuals, Democrats, and Republicans, respectively (see section B details of partisanship definition). *%Sample* refers to the proportion of observations with a certain characteristic in the corresponding sample. *Male* (*Female*) is an indicator for being male (female), *Edu ≥ College* (*Edu ≤ HS*) is an indicator for having college or above degree (having high school or above degree), *Age xx-yy* is an indicator for being between xx and yy years old in a year, and *Cohort xx-yy* is an indicator for being born between 19xx and 19yy. Panel B only reports the mean and the standard deviation for the full sample because there is no characteristic information in the donor-founder sample.

Table II
Probability of Starting a Business by *Individual Characteristics*

VARIABLES	(1) Party	(2) Demo	(3) Party & Demo	(4) Party×Male	(5) Party×Edu	(6) Party×Age	(7) Party×Demo	(8) Party×Race
Dem	-0.0493***		-0.0395***	-0.0135	-0.0237**	-0.0595***	-0.0167*	-0.0103
	(0.0135)		(0.0110)	(0.0085)	(0.0104)	(0.0126)	(0.0094)	(0.0076)
Rep	0.2194***		0.1290***	0.0795***	0.1419***	0.1192***	0.0844***	0.1134***
	(0.0106)		(0.0087)	(0.0063)	(0.0072)	(0.0107)	(0.0068)	(0.0098)
Male		0.4534***	0.4456***	0.4361***	0.4456***	0.4456***	0.4355***	0.4602***
		(0.0243)	(0.0239)	(0.0281)	(0.0239)	(0.0239)	(0.0280)	(0.0247)
College+		0.4041***	0.3868***	0.3866***	0.4302***	0.3871***	0.4291***	0.3397***
		(0.0207)	(0.0203)	(0.0203)	(0.0242)	(0.0203)	(0.0240)	(0.0180)
Dem×Male				-0.0875***			-0.0863***	
				(0.0114)			(0.0113)	
Rep×Male				0.1294***			0.1303***	
				(0.0125)			(0.0124)	
Dem×College+					-0.0665***		-0.0621***	
					(0.0102)		(0.0100)	
Rep×College+					-0.0522***		-0.0534***	
					(0.0126)		(0.0124)	
Dem×Age<40						0.0372***	0.0327***	
						(0.0055)	(0.0051)	
Rep×Age<40						0.0145**	0.0122**	
						(0.0058)	(0.0056)	
Dem×Black								-0.0185
								(0.0181)
Dem×Hisp								-0.0645***
								(0.0116)
Dem×Asian								-0.0747***
								(0.0227)
Rep×Black								0.0748***
								(0.0202)
Rep×Hisp								0.0366***
								(0.0126)
Rep×Asian								-0.0041
								(0.0219)
Black								-0.1425***
								(0.0309)
Hisp								-0.1873***
								(0.0515)
Asian								0.1091***
								(0.0192)
R-squared	0.225	0.403	0.410	0.413	0.410	0.410	0.413	0.237
Outcome mean	0.502	0.502	0.502	0.502	0.502	0.502	0.502	0.521
N cell	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	5,667,067
N obs	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	344,289,422
N cluster (county)	2170	2170	2170	2170	2170	2170	2170	2157
Year×County FE	Y	Y	Y	Y	Y	Y	Y	Y
Age group FE	Y	Y	Y	Y	Y	Y	Y	Y

Note: This table examines how the yearly probability of starting a business relates to political and demographic characteristics. The sample includes Democrats, Republicans, and non-partisans from the voter-founder sample, and units are in percentage points. *Dem* is one for Democrats and zero for Republicans while Rep is one for Republicans and zero for Republicans (see section B for definitions of partisanship). Column (8) has fewer observations because some voters do not have race or ethnic information. Regressions are run at the county-party-characteristic-month cell level and are weighted by the number of observations in each cell. Standard errors are clustered by county. All other specifications and variable definitions mirror the ones in Table III column (1).

Table III
Political Mismatch and the Probability of Starting a Business

VARIABLES	(1) Regular voter	(2) Active voter	(3) Donor voter	(4) Donor
Mismatch	-0.0222***	-0.0133***	-0.0168***	-0.0931***
	(0.0020)	(0.0022)	(0.0019)	(0.0048)
Mismatch×Intense		-0.0163***	-0.0513***	
		(0.0022)	(0.0067)	
Dem	-0.1724***	-0.1551***	-0.1438***	-0.5197***
	(0.0105)	(0.0138)	(0.0104)	(0.0319)
Dem*Intense		-0.0266**	-0.6203***	
		(0.0110)	(0.0338)	
Intense		0.1218***	1.5479***	
		(0.0106)	(0.0621)	
Male	0.4505***	0.4525***	0.4309***	
	(0.0227)	(0.0228)	(0.0220)	
College+	0.3708***	0.3616***	0.3190***	
	(0.0191)	(0.0190)	(0.0165)	
Age 18-29	-0.0374***	-0.0073	0.0646***	
	(0.0080)	(0.0080)	(0.0072)	
Age 30-39	0.3389***	0.3616***	0.4195***	
	(0.0182)	(0.0179)	(0.0201)	
Age 40-49	0.3469***	0.3620***	0.4008***	
	(0.0162)	(0.0161)	(0.0176)	
Age 50-59	0.2235***	0.2300***	0.2466***	
	(0.0098)	(0.0099)	(0.0104)	
Mismatch as %mean	4.40%	2.60%	3.33%	10.48%
Mismatch×Intense as % mean	-	3.23%	10.16%	-
R-squared	0.408	0.295	0.261	0.886
Outcome mean	0.505	0.505	0.505	0.888
N cell	1,722,019	3,270,058	2,839,250	92,169
N obs	296,286,582	296,286,582	296,286,582	111,593,664
N cluster (county)	2167	2167	2167	2197
Year×County FE	Y	Y	Y	Y

Note: This table examines how the yearly probability of starting a business relates to being politically mismatched with the sitting president. Columns (1)-(3) include Democrats and Republicans in the voter-founder sample while column (4) include Democrats and Republicans in the donor-founder sample. The outcome is the likelihood of starting a business in a year. Units are in percentage points. *Mismatch* is an indicator equal to one if an individual's political party is different from the sitting president. *Mismatch* equals one for Republicans in 1997-2000 and 2009-2016 and for Democrats in 2001-2008 and 2017, and zero otherwise. *Dem* is one for Democrats and zero for Republicans (see section B for definitions of partisanship). *Intense* is an indicator of politically activity. It equals one if a person votes in an above-median percentage of available elections (column (2)) or if the person has made at least one political donations in the past (column (3)), and equals zero otherwise. Regressions are run at county-party-characteristic-month cell for the voter-founder sample and at the county-party-month cell for the donor-founder sample. Regressions are weighted by the number of observations in each cell. Standard errors are clustered by county.

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Table IV
Political Mismatch and the Probability of Starting a Business *by Gender*

VARIABLES	(1) Male Regular voter	(2) Male Active voter	(3) Male Donor voter	(4) Female Regular voter	(5) Female Active voter	(6) Female Donor voter
Mismatch	-0.0415***	-0.0287***	-0.0315***	-0.0093***	-0.0035**	-0.0070***
	(0.0034)	(0.0037)	(0.0031)	(0.0014)	(0.0017)	(0.0014)
Mismatch×Intense		-0.0236***	-0.0787***		-0.0108***	-0.0261***
		(0.0043)	(0.0138)		(0.0021)	(0.0073)
Dem	-0.3246***	-0.2984***	-0.2657***	-0.0944***	-0.0858***	-0.0921***
	(0.0205)	(0.0281)	(0.0209)	(0.0070)	(0.0075)	(0.0065)
Dem×Intense		-0.0406**	-0.7689***		-0.0115*	-0.2546***
		(0.0205)	(0.0539)		(0.0062)	(0.0258)
Intense		0.1719***	2.2840***		0.0901***	0.8896***
		(0.0176)	(0.0940)		(0.0072)	(0.0340)
College+	0.5925***	0.5783***	0.4911***	0.2477***	0.2409***	0.2195***
	(0.0317)	(0.0317)	(0.0263)	(0.0132)	(0.0130)	(0.0119)
Age 18-29	-0.0765***	-0.0300**	0.1008***	-0.0135**	0.0088	0.0459***
	(0.0124)	(0.0134)	(0.0106)	(0.0061)	(0.0058)	(0.0059)
Age 30-39	0.5281***	0.5637***	0.6687***	0.2496***	0.2663***	0.2962***
	(0.0284)	(0.0275)	(0.0315)	(0.0138)	(0.0139)	(0.0149)
Age 40-49	0.5316***	0.5557***	0.6288***	0.2563***	0.2673***	0.2865***
	(0.0260)	(0.0254)	(0.0284)	(0.0120)	(0.0122)	(0.0127)
Age 50-59	0.3255***	0.3364***	0.3708***	0.1728***	0.1773***	0.1847***
	(0.0150)	(0.0148)	(0.0162)	(0.0078)	(0.0079)	(0.0080)
Mismatch as %mean	5.11%	3.53%	3.88%	2.70%	1.01%	2.03%
Mismatch×Intense as %mean	-	2.91%	9.69%	-	3.13%	7.57%
R-squared	0.441	0.314	0.300	0.408	0.283	0.235
Outcome mean	0.812	0.812	0.812	0.345	0.345	0.345
N cell	849,229	1,593,555	1,384,736	872,790	1,676,503	1,454,514
N obs	101,140,068	101,140,068	101,140,068	195,146,514	195,146,514	195,146,514
N cluster (county)	2161	2161	2161	2165	2165	2165
Year×County FE	Y	Y	Y	Y	Y	Y

Note: This table examines how the relationship between political mismatch and the annual probability of entrepreneurship varies by gender. The table replicates the results in Table III columns (1) through (3) separately for male and female voters. Columns (1)-(3) are based on the male sample while columns (4)-(6) are based on the female sample. All other specifications and variable definitions mirror those in columns (1) through (3) in Table III.

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Table V
Political Mismatch and the Probability of Starting a Business *by Age*

VARIABLES	(1) Age 18-29 Regular voter	(2) Age 18-29 Active voter	(3) Age 18-29 Donor voter	(4) Age 30-49 Regular voter	(5) Age 30-49 Active voter	(6) Age 30-49 Donor voter	(7) Age 50-70 Regular voter	(8) Age 50-70 Active voter	(9) Age 50-70 Donor voter
Mismatch	-0.0173***	-0.0104***	-0.0144***	-0.0299***	-0.0167***	-0.0220***	-0.0107***	-0.0047*	-0.0072***
	(0.0022)	(0.0023)	(0.0021)	(0.0031)	(0.0037)	(0.0028)	(0.0019)	(0.0024)	(0.0017)
Mismatch*Intense		-0.0170***	-0.0600***		-0.0256***	-0.0787***		-0.0090***	-0.0181**
		(0.0028)	(0.0160)		(0.0040)	(0.0117)		(0.0029)	(0.0074)
Dem	-0.1128***	-0.0942***	-0.1029***	-0.2149***	-0.2076***	-0.1829***	-0.1575***	-0.1456***	-0.1238***
	(0.0079)	(0.0092)	(0.0082)	(0.0134)	(0.0177)	(0.0132)	(0.0092)	(0.0134)	(0.0088)
Dem*Intense		-0.0522***	-0.7836***		-0.0072	-0.7825***		-0.0090	-0.4513***
		(0.0069)	(0.0416)		(0.0150)	(0.0466)		(0.0115)	(0.0285)
Intense		0.1071***	1.4647***		0.1350***	1.9084***		0.1055***	1.2758***
		(0.0069)	(0.0629)		(0.0135)	(0.0780)		(0.0108)	(0.0525)
Male	0.2275***	0.2299***	0.2178***	0.6035***	0.6065***	0.5803***	0.4230***	0.4233***	0.4013***
	(0.0123)	(0.0123)	(0.0119)	(0.0306)	(0.0307)	(0.0297)	(0.0218)	(0.0220)	(0.0212)
College+	0.1705***	0.1648***	0.1501***	0.4760***	0.4637***	0.4108***	0.3490***	0.3405***	0.2918***
	(0.0101)	(0.0101)	(0.0095)	(0.0247)	(0.0246)	(0.0214)	(0.0187)	(0.0185)	(0.0155)
Age 30-39				-0.0006	0.0084**	0.0324***			
				(0.0041)	(0.0040)	(0.0043)			
Age 50-59							0.2150***	0.2209***	0.2351***
							(0.0094)	(0.0094)	(0.0099)
Mismatch as %mean	7.12%	4.3%	5.96%	4.47%	2.5%	3.29%	2.22%	0.98%	1.5%
Mismatch*Intense as %mean	-	7.01%	24.73%	-	3.84%	11.78%	-	1.86%	3.74%
R-squared	0.365	0.230	0.182	0.484	0.355	0.316	0.378	0.266	0.237
Outcome mean	0.242	0.242	0.242	0.668	0.668	0.668	0.484	0.484	0.484
N cell	338,879	639,768	503,263	690,248	1,319,957	1,129,505	692,892	1,310,333	1,206,482
N obs	70,187,267	70,187,267	70,187,267	125,297,884	125,297,884	125,297,884	100,801,431	100,801,431	100,801,431
N cluster (county)	2162	2162	2162	2165	2165	2165	2162	2162	2162
Year×County FE	Y	Y	Y	Y	Y	Y	Y	Y	Y

Note: This table examines how the relationship between political mismatch and entrepreneurship varies by age group. The table replicates the results in Table III columns (1) through (3) separately for voters in different age groups. Columns (1)-(3) are based on voters ages 18-29, columns (4)-(6) ages 30-49, and columns (7)-(9) ages 50-70. All other specifications and variable definitions mirror those in columns (1) through (3) in Table III.

Table VI
Table VI
Political Mismatch and the Probability of Starting Different *Types of Firms*

VARIABLES	(1) LLC	(2) Corporation	(3) Quality: top 5%	(4) Patent firm	(5) DE firm	(6) Trademark firm
Mismatch	-0.00937***	-0.01346***	-0.00170***	-0.00013***	-0.00012	0.00008
	(0.00154)	(0.00102)	(0.00044)	(0.00004)	(0.00010)	(0.00005)
Dem	-0.11475***	-0.05855***	-0.01032***	-0.00055***	-0.00308***	-0.00045***
	(0.00829)	(0.00508)	(0.00229)	(0.00007)	(0.00058)	(0.00006)
Male	0.26382***	0.18936***	0.04019***	0.00213***	0.01114***	0.00136***
	(0.01171)	(0.01472)	(0.00955)	(0.00022)	(0.00158)	(0.00017)
College+	0.24235***	0.12901***	0.01959***	0.00112***	0.00605***	0.00108***
	(0.01271)	(0.00998)	(0.00426)	(0.00012)	(0.00088)	(0.00012)
Age 18-29	-0.01702***	-0.01978***	-0.00322***	-0.00051***	-0.00201***	0.00020***
	(0.00575)	(0.00329)	(0.00064)	(0.00006)	(0.00043)	(0.00007)
Age 30-39	0.21127***	0.12942***	0.02128***	0.00028***	0.00314***	0.00127***
	(0.01131)	(0.01322)	(0.00601)	(0.00009)	(0.00054)	(0.00017)
Age 40-49	0.21448***	0.13343***	0.02373***	0.00083***	0.00530***	0.00130***
	(0.01062)	(0.01131)	(0.00568)	(0.00011)	(0.00073)	(0.00017)
Age 50-59	0.14549***	0.07875***	0.01332***	0.00065***	0.00343***	0.00078***
	(0.00696)	(0.00655)	(0.00293)	(0.00011)	(0.00043)	(0.00008)
Mismatch as %mean	2.89%	7.33%	5.91%	11.02%	1.79%	6.40%
R-squared	0.367	0.288	0.298	0.028	0.103	0.031
Outcome mean	0.32375	0.18362	0.02875	0.00118	0.00669	0.00125
N cell	1,722,019	1,722,019	1,640,449	1,722,019	1,722,019	1,722,019
N obs	296,286,582	296,286,582	280,620,530	296,286,582	296,286,582	296,286,582
N cluster (county)	2167	2167	2167	2167	2167	2167
Year×County FE	Y	Y	Y	Y	Y	Y

Note: This table examines how the annual probability of starting different types of businesses relates to being politically mismatched with the sitting president. It is identical to the specification in column (1) of Table III, except the dependent variable is a different business type in each column. "LLC" are new businesses registered as limited liability companies under the jurisdiction of their headquarters (or local) state. "Corporations" are new corporations registered under local state jurisdiction. "Quality: top 5%" refers to businesses who score in the top 5% of entrepreneurial quality (Guzman and Stern, 2020); this measure is only available up to 2016. "Patent firm" is a firm that files for a new patent or is assigned a patent within one year of firm founding according to USPTO records. "DE firm" is a business registered in Delaware. "Trademark firm" is a firm that files for a new trademark or is assigned a trademark within one year of firm founding according to USPTO records. The regression sample includes Democrats and Republicans from the voter-founder sample. All other specifications and variable definitions mirror the one in Table III column (1).

Table VII
Political Mismatch and the Probability of Starting firms *by Industry*

VARIABLES	(1) Inc	(2) Health care & Social	(3) Scientific & Tech service	(4) Accom. & Food service	(5) Construction	(6) Arts & Entmt. & Rec.	(7) Real estate	(8) Transport	(9) Warehousing	(10) Other service	(11) Retail trade
Mismatch×Dem	-0.00134	-0.00141**	-0.00007	-0.00068	-0.00206***	-0.00040	0.00035	0.00027	0.00036	-0.00037	-0.00134***
	(0.00271)	(0.00068)	(0.00057)	(0.00067)	(0.00072)	(0.00053)	(0.00058)	(0.00054)	(0.00045)	(0.00052)	(0.00047)
Mismatch×Rep	-0.04093***	-0.00381***	-0.00407***	-0.00366***	-0.00682***	-0.00235***	-0.00850***	-0.00466***	-0.00323***	-0.00452***	-0.00144***
	(0.00341)	(0.00069)	(0.00073)	(0.00071)	(0.00082)	(0.00064)	(0.00088)	(0.00070)	(0.00060)	(0.00056)	(0.00055)
Dem	-0.03883***	0.00041	-0.00096	-0.00419***	-0.00115	0.00259***	-0.00432***	-0.00273***	-0.00243***	0.00081	0.00005
	(0.01059)	(0.00161)	(0.00093)	(0.00108)	(0.00093)	(0.00064)	(0.00111)	(0.00094)	(0.00073)	(0.00081)	(0.00068)
Rep	0.15253***	0.01520***	0.01878***	0.01328***	0.02200***	0.01579***	0.02710***	0.00987***	0.01316***	0.01130***	0.00846***
	(0.00937)	(0.00116)	(0.00106)	(0.00095)	(0.00117)	(0.00098)	(0.00129)	(0.00088)	(0.00071)	(0.00067)	(0.00080)
Male	0.44560***	0.03395***	0.04659***	0.04537***	0.05098***	0.03479***	0.03870***	0.04516***	0.03562***	0.03116***	0.01791***
	(0.02390)	(0.00215)	(0.00244)	(0.00290)	(0.00235)	(0.00220)	(0.00222)	(0.00304)	(0.00168)	(0.00165)	(0.00167)
College+	0.38686***	0.05892***	0.04707***	0.03680***	0.03870***	0.03287***	0.04320***	0.02519***	0.02831***	0.02110***	0.02454***
	(0.02033)	(0.00357)	(0.00250)	(0.00229)	(0.00198)	(0.00164)	(0.00227)	(0.00183)	(0.00147)	(0.00114)	(0.00154)
Age 18-29	-0.04234***	-0.00790***	-0.00483***	-0.00749***	-0.00714***	-0.00093	-0.01785***	-0.00144	-0.00298***	-0.00071	0.00214***
	(0.00722)	(0.00140)	(0.00107)	(0.00103)	(0.00084)	(0.00094)	(0.00122)	(0.00091)	(0.00075)	(0.00082)	(0.00078)
Age 30-39	0.34695***	0.04734***	0.04206***	0.03411***	0.03270***	0.03366***	0.01354***	0.03417***	0.02754***	0.02782***	0.03093***
	(0.01924)	(0.00307)	(0.00273)	(0.00196)	(0.00189)	(0.00197)	(0.00112)	(0.00241)	(0.00141)	(0.00167)	(0.00194)
Age 40-49	0.36133***	0.04894***	0.04380***	0.03935***	0.03551***	0.03248***	0.02225***	0.03375***	0.02856***	0.02891***	0.02949***
	(0.01777)	(0.00274)	(0.00239)	(0.00199)	(0.00168)	(0.00167)	(0.00115)	(0.00213)	(0.00134)	(0.00148)	(0.00163)
Age 50-59	0.22886***	0.03183***	0.02752***	0.02737***	0.02308***	0.01982***	0.01858***	0.02079***	0.01828***	0.01793***	0.01910***
	(0.01041)	(0.00173)	(0.00137)	(0.00127)	(0.00106)	(0.00097)	(0.00091)	(0.00131)	(0.00085)	(0.00093)	(0.00101)
Mis.×Dem as %mean	0.27%	2.17%	0.13%	1.23%	3.94%	0.87%	0.78%	0.61%	0.91%	0.96%	3.52%
Mis.×Rep as %mean	8.15%	5.87%	6.97%	6.61%	13.05%	5.1%	18.94%	10.81%	8.17%	11.77%	3.79%
R-squared	0.410	0.122	0.112	0.094	0.080	0.081	0.095	0.152	0.074	0.071	0.080
Outcome mean	0.50265	0.06508	0.05837	0.05533	0.05227	0.04602	0.04491	0.04311	0.03957	0.0384	0.03808
N cell	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500	2,533,500
N obs	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555	424,113,555
N cluster (county)	2170	2170	2170	2170	2170	2170	2170	2170	2170	2170	2170
Year×County FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Note: This table examines how the annual probability of starting businesses in different 2-digit NAICS industries relates to being politically mismatched with the sitting president. It is identical to the specification in column (1) of Table III, except the dependent variable is an indicator for starting a firm in a specific industry, which differs by column. The exception is column (1) which includes firms in all industries for reference. Firms are classified into industries based on the presence of industry-specific keywords in their names (see section C.4). The regression sample includes Democrats and Republicans from the voter-founder sample. All other specifications and variable definitions mirror the one in Table III column (1).

Table VIII
Political Mismatch and Firm Survival to 2019

VARIABLES	(1) Active in 2019	(2) By party	(3) By gender	(4) By age
Birth mismatch	0.2749**			
	(0.1254)			
Mismatch×Dem		0.1470		
		(0.1913)		
Mismatch×Rep		0.4714**		
		(0.2036)		
Mismatch×Male			0.3819**	
			(0.1497)	
Mismatch×Female			0.1354	
			(0.1466)	
Mismatch×Age 18-29				0.9946***
				(0.3430)
Mismatch×Age 30-49				0.1849
				(0.1521)
Mismatch×Age 50-70				0.2049
				(0.1856)
Dem	-3.3706***	-0.7164***	-3.3720***	-3.3698***
	(0.2530)	(0.2213)	(0.2528)	(0.2526)
Male	-1.0439***	-1.0407***	-1.1658***	-1.0439***
	(0.1643)	(0.1458)	(0.1641)	(0.1643)
College+	5.6075***	5.7293***	5.6075***	5.6066***
	(0.3734)	(0.3748)	(0.3734)	(0.3736)
Age 18-29	-5.1141***	-5.2920***	-5.1142***	-5.4960***
	(0.5079)	(0.4986)	(0.5080)	(0.5273)
Age 30-39	-2.2982***	-2.3171***	-2.2987***	-2.2900***
	(0.3058)	(0.2751)	(0.3058)	(0.3309)
Age 40-49	-0.5588**	-0.5053**	-0.5586**	-0.5495*
	(0.2523)	(0.2397)	(0.2523)	(0.2812)
Age 50-59	0.0625	-0.0660	0.0625	0.0632
	(0.1664)	(0.1566)	(0.1664)	(0.1665)
R-squared	0.233	0.228	0.233	0.233
Outcome mean	59.593	58.475	59.593	59.593
N obs	1,312,528	1,873,199	1,312,528	1,312,528
N cluster (county)	1756	1764	1756	1756
Year×County FE	Y	Y	Y	Y

Note: This table examines how a firm surviving until 2019 relates to being founded in a year when its founder was politically mismatched with the sitting president. The dependent variable is an indicator for a firm surviving as of 2019 (scaled by 100), and it is available in 29 states. Specifications are similar to column (1) of Table III, except that we interact *Mismatch* with founder characteristics in columns (2)-(4). The regression samples in columns (1), (3), and (4) include firms founded by Democrats or Republicans in the voter-founder sample while that in column (2) includes firms founded by all voters. All other specifications and variable definitions mirror the one in Table III column (1).

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Table IX
Table IX
Political Mismatch and both *New and Existing* Firms:
County-Level Business Dynamics

VARIABLES	(1) New firm Firm entry	(2) Job rate	(3) Existing firm Estab. entry	(4) Estab. exit	(5) Firm death	(6) Net job rate	(7) All firm Net job rate
Mismatch	-3.823***	-0.002	-0.174*	0.371*	0.334**	-0.166***	-0.164***
	(0.644)	(0.001)	(0.095)	(0.204)	(0.132)	(0.052)	(0.051)
Unemp(%)	-3.178***	0.000	-0.042	1.380***	0.966***	-0.648***	-0.640***
	(0.563)	(0.000)	(0.068)	(0.188)	(0.135)	(0.047)	(0.047)
Income(k)	0.085	0.000	-0.018	0.003	0.141***	-0.003	-0.003
	(0.356)	(0.000)	(0.054)	(0.061)	(0.025)	(0.008)	(0.008)
Mismatch as %mean	1.87%	0.01%	0.6%	0.5%	0.68%	14.94%	15.17%
R-squared	0.896	0.039	0.667	0.781	0.821	0.204	0.950
Outcome mean	204.909	199.997	29.094	73.423	48.651	-1.11	1.083
N obs	65,143	64,582	198,259	232,253	218,606	267,385	331,975
N cluster (county)	3059	3042	3059	3059	3059	3059	3059
County FE	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	N	N	N	N	N
Firm age×Year FE	N	N	Y	Y	Y	Y	Y
Industry share	Y	Y	Y	Y	Y	Y	Y

Note: This table examines how entry, exit, expansion, and contraction of new and existing *employer* firms (of all ages) relate to being in counties that are politically mismatched with the sitting president. The omitted group is the Republican-leaning counties. "Firm entry", "Estab. entry", "Estab. exit", and "Firm death" are the annual number of new firms, number of newly opened establishments among existing firms, number of newly closed establishments among existing firms, and number of firms that have closed all their establishments, per 100,000 county residents aged 20 and above, respectively. The regression weight for these outcomes is the over-20 county population. "Job rate" is the number of newly created jobs as a percent of the average of employment for years t and t-1. "Net job rate" is the number of newly created jobs less the number newly destroyed as a percent of the average employment for years t and t-1; the regression weight is average employment for years t and t-1. Columns (1) and (2) control for county fixed effects, year fixed effects, and county economic conditions (i.e., annual unemployment rate, income per capita, and employment share for all 2-digit NAICS industries). Columns (3) through (7) replace year fixed effects with firm age-by-year fixed effects. Standard errors are clustered by county.

Appendix for

"Partisan Entrepreneurship"[1]

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[1]Citation format: Joseph Engelberg, Jorge Guzman, Runjing Lu and William Mullins, Appendix for "Partisan Entrepreneurship," 2021, Working Paper.

Table A1
Political Mismatch and the Firm Registration Rate:
County-Level Evidence

VARIABLES	(1) Election 2000	(2) Election 2008	(3) Election 2016
Dem×-8Q	-0.709	0.954	-0.289
	(0.559)	(0.745)	(1.285)
Dem×-7Q	-0.387	-0.514	0.632
	(0.550)	(0.783)	(1.468)
Dem×-6Q	-0.292	0.002	-0.370
	(0.509)	(0.723)	(1.530)
Dem×-5Q	0.233	0.078	0.029
	(0.501)	(0.659)	(1.382)
Dem×-4Q	0.593	0.192	-0.201
	(0.366)	(0.503)	(1.354)
Dem×-3Q	0.156	0.216	-0.508
	(0.370)	(0.394)	(1.346)
Dem×-1Q	0.147	-0.419	-1.613*
	(0.399)	(0.465)	(0.856)
Dem×0Q	-0.050	-0.076	-1.971*
	(0.484)	(0.635)	(1.008)
Dem×1Q	-0.547	0.752	-4.003***
	(0.482)	(0.539)	(1.215)
Dem×2Q	-0.062	1.312**	-2.427
	(0.571)	(0.556)	(1.649)
Dem×3Q	-0.792	2.423***	-3.994**
	(0.570)	(0.617)	(1.927)
Dem×4Q	-0.169	1.740**	-2.335
	(0.566)	(0.689)	(2.030)
Dem×5Q	0.167	1.983**	
	(0.682)	(0.771)	
Dem×6Q	-0.200	0.905	
	(0.683)	(0.846)	
Dem×7Q	-0.180	1.491	
	(0.770)	(1.022)	
Unemp(%)	0.056	0.092	0.391*
	(0.079)	(0.126)	(0.226)
Income(k)	-0.088	0.620***	0.025
Avg 0-3Q as %mean	-0.76%	1.63%	-3.80%
R-squared	0.051	0.115	0.013
Outcome mean	47.754	67.468	81.653
N obs	137,785	137,856	109,136
N cluster (county)	2871	2872	2872
County FE	Y	Y	Y
Quarter FE	Y	Y	Y
Industry share	Y	Y	Y

Note: The Table presents the estimated monthly number of (excess) new firm registrations per 100,000 people (aged 20 and over) in Democrat-leaning counties relative to Republican-leaning counties. Republican-leaning counties are the omitted group. Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election event time 0 contains November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and county economic conditions (i.e., monthly unemployment rate, annual per capita income and annual employment share for all 2-digit NAICS industries). Regressions are weighted by county population ages 20 and above. Standard errors are clustered by county. Regression results are reported in Table A1.

Table A2
Political Mismatch and the Probability of Starting a Business:
alternate *Geographic Fixed Effects*

VARIABLES	(1) State	(2) County	(3) Zip	(4) Tract	(5) Block grp
Panel A: Regular voter					
Mismatch	-0.0225***	-0.0222***	-0.0212***	-0.0204***	-0.0201***
	(0.0021)	(0.0020)	(0.0017)	(0.0017)	(0.0016)
R-squared	0.0043	0.0049	0.0072	0.0100	0.0165
Panel B: Active voter					
Mismatch	-0.0130***	-0.0133***	-0.0132***	-0.0123***	-0.0122***
	(0.0023)	(0.0022)	(0.0017)	(0.0017)	(0.0017)
Mismatch×Intense	-0.0177***	-0.0163***	-0.0144***	-0.0145***	-0.0141***
	(0.0023)	(0.0022)	(0.0021)	(0.0022)	(0.0022)
R-squared	0.0043	0.0049	0.0073	0.0100	0.0165
Panel C: Donor voter					
Mismatch	-0.0172***	-0.0168***	-0.0160***	-0.0152***	-0.0150***
	(0.0019)	(0.0019)	(0.0015)	(0.0015)	(0.0014)
Mismatch×Intense	-0.0523***	-0.0513***	-0.0499***	-0.0500***	-0.0497***
	(0.0067)	(0.0067)	(0.0067)	(0.0067)	(0.0067)
R-squared	0.0062	0.0068	0.0089	0.0116	0.0180
Outcome mean	0.505	0.505	0.505	0.507	0.507
N obs	296,286,582	296,286,582	296,277,550	288,259,736	288,259,736
N cluster (county)	2167	2167	2167	2141	2141
Year×Geo FE	Y	Y	Y	Y	Y

Note: This table conducts robustness tests for Table III under progressively finer geographic fixed effects. Regression samples are at the individual-by-year level. Outcomes and specifications in panels A, B, and C mirror Table III columns (1), (2), and (3), except that each column in the current table includes a different set of geography-by-year fixed effects. Columns (1) through (5) control for state-by-year, county-by-year, zip code-by-year, census tract-by-year, and census block group-by-year fixed effects, respectively. Standard errors are clustered by county.

Table A3
Political Mismatch and Starting a Business - Election Event Study:
Democrat versus Republican Voters

VARIABLES	(1) Voter Election 2000	(2) Voter Election 2008	(3) Voter Election 2016	(4) Active voter Election 2000	(5) Active voter Election 2008	(6) Active voter Election 2016
Dem×-8Q	-0.00049	0.00112	0.00000	-0.00048	0.00117	0.00052
	(0.00065)	(0.00094)	(0.00093)	(0.00095)	(0.00152)	(0.00143)
Dem×-7Q	-0.00093	0.00060	-0.00009	-0.00100	0.00030	-0.00068
	(0.00065)	(0.00096)	(0.00098)	(0.00098)	(0.00133)	(0.00147)
Dem×-6Q	-0.00128	-0.00151	0.00107	-0.00046	-0.00235	0.00150
	(0.00082)	(0.00098)	(0.00112)	(0.00115)	(0.00163)	(0.00168)
Dem×-5Q	0.00000	-0.00043	-0.00106	0.00006	-0.00041	-0.00204
	(0.00074)	(0.00091)	(0.00089)	(0.00099)	(0.00145)	(0.00133)
Dem×-4Q	-0.00197***	-0.00004	0.00035	-0.00205**	-0.00100	-0.00014
	(0.00064)	(0.00089)	(0.00094)	(0.00091)	(0.00140)	(0.00140)
Dem×-3Q	-0.00113	0.00182**	-0.00133	-0.00241**	0.00184	-0.00146
	(0.00071)	(0.00086)	(0.00099)	(0.00101)	(0.00133)	(0.00161)
Dem×-1Q	-0.00132*	0.00127	-0.00100	-0.00201**	0.00032	-0.00192
	(0.00069)	(0.00087)	(0.00091)	(0.00097)	(0.00147)	(0.00131)
Dem×0Q	0.00029	0.00251***	-0.00098	0.00051	0.00235*	-0.00002
	(0.00072)	(0.00093)	(0.00099)	(0.00101)	(0.00135)	(0.00141)
Dem×1Q	-0.00018	0.00296***	0.00007	-0.00001	0.00385***	0.00055
	(0.00069)	(0.00093)	(0.00106)	(0.00099)	(0.00135)	(0.00157)
Dem×2Q	-0.00015	0.00311***	-0.00396***	-0.00014	0.00363**	-0.00530***
	(0.00072)	(0.00106)	(0.00107)	(0.00108)	(0.00144)	(0.00160)
Dem×3Q	-0.00027	0.00190**	-0.00098	-0.00050	0.00244*	-0.00309*
	(0.00074)	(0.00088)	(0.00119)	(0.00113)	(0.00126)	(0.00161)
Dem×4Q	0.00014	0.00344***	-0.00123	-0.00033	0.00480***	-0.00118
	(0.00079)	(0.00088)	(0.00132)	(0.00112)	(0.00139)	(0.00191)
Dem×5Q	-0.00122*	0.00169*		-0.00140	0.00212	
	(0.00073)	(0.00095)		(0.00105)	(0.00153)	
Dem×6Q	-0.00195**	0.00262***		-0.00297***	0.00273*	
	(0.00076)	(0.00095)		(0.00106)	(0.00146)	
Dem×7Q	-0.00252***	0.00190**		-0.00242**	0.00216	
	(0.00070)	(0.00087)		(0.00101)	(0.00137)	
Dem	0.00694***	0.00766***	0.00954***	0.00738***	0.00709***	0.00865***
	(0.00061)	(0.00078)	(0.00087)	(0.00081)	(0.00103)	(0.00112)
Avg 0-3Q as %mean	-0.20%	4.85%	-2.25%	-0.08%	5.03%	-2.85%
R-squared	0.026	0.037	0.039	0.017	0.020	0.018
Outcome mean	0.029	0.047	0.058	0.035	0.054	0.062
N cell	3,943,662	3,941,772	3,101,328	3,798,411	3,763,244	2,917,262
N obs	626,717,768	692,063,718	585,003,496	343,061,296	352,201,898	268,871,704
N cluster (county)	2166	2167	2167	2161	2161	2161
Voter characteristics	Y	Y	Y	Y	Y	Y
County FE	Y	Y	Y	Y	Y	Y
Event FE	Y	Y	Y	Y	Y	Y

Note: The table compares the likelihood of starting a business between Democrat voters and Republican voters in the same county in the months before and after the 2000, 2008, and 2016 presidential elections. The outcome is the excess likelihood of starting a business in a month, and units are in percentage points. In columns (1) through (3), *Dem* is one for Democrats and zero for Republicans; in columns (4) through (6), *Dem* is one for active Democrats and zero for active Republicans (see section B for definitions of partisanship). Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election, event time 0 contains November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and voter characteristics (i.e., gender, education, age groups). Regressions are run at the county-party-characteristic-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county.

Table A4
Political Mismatch and Starting a Business - Election Event Study:
Democrat and Republican versus Other Voters

VARIABLES	(1) Voter Election 2000	(2) Voter Election 2008	(3) Voter Election 2016
Dem×-8Q	0.00105	-0.00008	-0.00134
	(0.00064)	(0.00075)	(0.00082)
Dem×-7Q	0.00119*	-0.00066	-0.00135
	(0.00064)	(0.00074)	(0.00098)
Dem×-6Q	0.00054	-0.00134	-0.00084
	(0.00081)	(0.00105)	(0.00082)
Dem×-5Q	0.00099*	-0.00002	-0.00082
	(0.00059)	(0.00074)	(0.00089)
Dem×-4Q	-0.00050	-0.00004	-0.00024
	(0.00064)	(0.00082)	(0.00066)
Dem×-3Q	0.00079	0.00033	-0.00081
	(0.00064)	(0.00079)	(0.00075)
Dem×-1Q	0.00016	-0.00090	-0.00049
	(0.00071)	(0.00080)	(0.00078)
Dem×0Q	-0.00015	0.00079	-0.00149*
	(0.00071)	(0.00075)	(0.00084)
Dem×1Q	0.00090	0.00170**	0.00028
	(0.00066)	(0.00082)	(0.00085)
Dem×2Q	0.00065	0.00130	-0.00272**
	(0.00071)	(0.00086)	(0.00114)
Dem×3Q	0.00060	0.00006	-0.00034
	(0.00063)	(0.00075)	(0.00105)
Dem×4Q	0.00008	-0.00010	0.00017
	(0.00071)	(0.00081)	(0.00107)
Dem×5Q	0.00037	-0.00044	
	(0.00075)	(0.00096)	
Dem×6Q	0.00031	0.00118	
	(0.00074)	(0.00087)	
Dem×7Q	0.00082	0.00104	
	(0.00062)	(0.00072)	
Rep×-8Q	0.00155*	-0.00119	-0.00135
	(0.00081)	(0.00101)	(0.00115)
Rep×-7Q	0.00212***	-0.00125	-0.00127
	(0.00074)	(0.00096)	(0.00114)
Rep×-6Q	0.00183**	0.00017	-0.00192
	(0.00092)	(0.00104)	(0.00118)
Rep×-5Q	0.00099	0.00042	0.00023
	(0.00078)	(0.00097)	(0.00109)
Rep×-4Q	0.00147*	0.00000	-0.00059
	(0.00076)	(0.00099)	(0.00103)
Rep×-3Q	0.00192***	-0.00149	0.00052
	(0.00072)	(0.00096)	(0.00111)
Rep×-1Q	0.00147*	-0.00217**	0.00052
	(0.00082)	(0.00097)	(0.00110)
Rep×0Q	-0.00045	-0.00172	-0.00051
	(0.00091)	(0.00106)	(0.00115)
Rep×1Q	0.00107	-0.00127	0.00021
	(0.00082)	(0.00112)	(0.00109)
Rep×2Q	0.00079	-0.00181	0.00125
	(0.00086)	(0.00114)	(0.00130)
Rep×3Q	0.00087	-0.00184*	0.00065
	(0.00074)	(0.00098)	(0.00113)
Rep×4Q	-0.00006	-0.00354***	0.00141
	(0.00076)	(0.00099)	(0.00141)
Rep×5Q	0.00157*	-0.00214**	
	(0.00095)	(0.00107)	
Rep×6Q	0.00226**	-0.00145	
	(0.00095)	(0.00107)	
Rep×7Q	0.00333***	-0.00088	
	(0.00081)	(0.00087)	
Avg Dem 0-3Q as %mean	1.39%	1.85%	-1.64%
Avg Rep 0-3Q as %mean	1.58%	-3.19%	0.62%
R-squared	0.025	0.039	0.044
Outcome mean	0.028	0.046	0.059
N cell	5,770,567	5,807,644	4,592,632
N obs	863,350,234	992,611,568	880,297,954
N cluster (county)	2167	2170	2170
County FE	Y	Y	Y
Demographics	Y	Y	Y

Note: The table compares the likelihood of starting a business of Democrat and Republican voters, in comparison to independents in the same county in the months before and after the 2000, 2008, and 2016 presidential elections. The outcome is the (excess) monthly probability of starting a business, and units are in percentage points. In columns (1) through (3), *Dem* (*Rep*) is one for Democrats (Republicans) and zero otherwise; in columns (4) through (6), *Dem* (*Rep*) is one for active Democrats (active Republicans) and zero otherwise (see section B for definitions of partisanship). Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election, event time is 0 for November 2016, December 2016 and January 2017. Event time -2 is the omitted period. All regressions control for county fixed effects, event time fixed effects, and voter demographics (i.e., gender, education, age groups). Regressions are run at the county-party-characteristic-month cell and are weighted by the number of observations in each cell. Standard errors are clustered by county.

Table A5

Political Mismatch and Starting a Business - Election Event Study:
Democrat versus Republican Donors

VARIABLES	(1) Donor Election 2000	(2) Donor Election 2008	(3) Donor Election 2016
Dem×-8Q	-0.00166	0.00059	0.00168
	(0.00188)	(0.00239)	(0.00226)
Dem×-7Q	-0.00234	0.00034	0.00234
	(0.00175)	(0.00258)	(0.00245)
Dem×-6Q	-0.00332*	-0.00480*	-0.00031
	(0.00176)	(0.00282)	(0.00284)
Dem×-5Q	-0.00247	0.00247	0.00216
	(0.00184)	(0.00231)	(0.00214)
Dem×-4Q	-0.00619***	0.00265	0.00600***
	(0.00186)	(0.00234)	(0.00213)
Dem×-3Q	-0.00376**	0.00126	0.00199
	(0.00152)	(0.00232)	(0.00273)
Dem×-1Q	-0.00268	0.00214	-0.00236
	(0.00167)	(0.00274)	(0.00226)
Dem×0Q	-0.00011	0.00513**	-0.00188
	(0.00172)	(0.00238)	(0.00220)
Dem×1Q	-0.00036	0.00319	-0.00365*
	(0.00177)	(0.00257)	(0.00209)
Dem×2Q	-0.00534***	0.00377	-0.00435**
	(0.00200)	(0.00260)	(0.00219)
Dem×3Q	-0.00203	0.00494*	-0.00563**
	(0.00170)	(0.00280)	(0.00219)
Dem×4Q	-0.00454**	0.00446*	0.00379
	(0.00178)	(0.00251)	(0.00360)
Dem×5Q	-0.00505***	0.00386	
	(0.00190)	(0.00240)	
Dem×6Q	-0.00584***	0.00192	
	(0.00180)	(0.00256)	
Dem×7Q	-0.00670***	-0.00077	
	(0.00175)	(0.00253)	
Dem	0.00344***	-0.00189	0.00051
	(0.00119)	(0.00191)	(0.00159)
Avg 0-3Q as %mean	3.27%	4.78%	4.21%
R-squared	0.004	0.008	0.005
Outcome mean	0.06	0.089	0.092
N cell	210,672	210,672	166,782
N obs	255,071,232	255,071,232	201,931,392
N cluster (county)	2197	2197	2197
County FE	Y	Y	Y
Event FE	Y	Y	Y

Note: The table compares the likelihood of starting a business between Democrat and Republican donors in the same county in the months before and after the 2000, 2008, and 2016 presidential elections. The outcome is the (excess) monthly probability of starting a business; units are in percentage points. *Dem* is one for Democrats and zero for Republicans (see section B for definitions of partisanship). Event time 0 refers to the three months following the month of a presidential election. For example, for the 2016 election, event time 0 contains November 2016, December 2016 and January 2017. Event time -2 is the omitted period. Regressions are run at the county-party-month cell and are weighted by the number of observations in the cell. All regressions control for county fixed effects and event time fixed effects. Standard errors are clustered by county.