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Political Identity and Financial Risk-Taking: Insights from Social Dominance Orientation

ABSTRACT

This paper investigates how people's political identity is associated with their financial risk-taking. The authors argue that conservatives' financial risk-taking increases as their self-efficacy increases because of their greater social dominance orientation (SDO), whereas liberals' financial risk-taking is invariant to their self-efficacy. This central hypothesis is verified in six studies using different measures of political identity, self-efficacy, and financial risk-taking. The studies also use different samples of U.S. consumers, including online panels, a large-scale data set spanning five election cycles, and a secondary data set of political donations made by managers at companies. Finally, the authors articulate and demonstrate the mediating effect of individuals' focus on the upside potential of a decision among conservatives but not liberals.

Keywords: political identity, self-efficacy, financial risk-taking, social dominance orientation, upside potential, econometrics, behavioral experiments, leverage

According to the Federal Reserve (2015), 94.5% of U.S. households hold financial assets such as cash, certificates of deposit, bonds, stocks, or mutual funds (Bricker et al. 2014). In 2014, U.S. consumers invested more than \$1.3 trillion in financial products. Recognizing the importance of consumers' financial decisions (Duclos, Wan, and Jiang 2013), marketing scholars have examined how various consumers' identities—gender, moral, and social—shape their financial decisions, such as risk-taking (Mandel 2003), investing (He, Inman, and Mittal 2008), and in-store spending (Kurt, Inman, and Argo 2011).

In this context, we examine how consumers' political identity affects their financial decisions, specifically with respect to financial risk-taking. Surveys by the Pew Research Center, Gallup, and the American National Election Studies show that most respondents (92% or higher) identify themselves politically on a liberal–conservative continuum. As our studies show, political identity is easy to measure using consumers' zip code, media habits, voting behavior, and other observable factors. Not surprisingly, firms have sought to position their financial offerings based on consumers' political identity.

A review of prior empirical research suggests that conservatives are less risk-seeking than liberals. As we describe in Web Appendix A, studies show that conservatives are (1) more sensitive to ambiguity and threats/losses (Jost et al. 2003), (2) less prone to seek novelty (Shook and Fazio 2009), (3) less likely to engage in sensation-seeking (Kish 1973), (4) less willing to try new products (Khan, Misra, and Singh 2013), and (5) less likely to look for new experiences (Carney et al. 2008).

However, the link between political identity and *financial* risk-taking among individuals is less clear and beset with contradictory findings. Some studies show that conservatives are more risk-seeking than liberals with respect to investing in mutual funds and new business

ventures (Choma et al. 2014; Moore, Felton, and Wright 2010), while another study finds no differences between Republicans and Democrats in their choice of risky financial options (Morris, Carranza, and Fox 2008). These mixed findings suggest the need to understand the moderated nature of the association between political identity and financial risk-taking. We posit a person's self-efficacy as one factor that moderates the association between political identity and financial risk-taking. Self-efficacy is defined as a person's belief in his or her capability to perform actions that prospective situations demand (Gist 1987; Whyte, Saks, and Hook 1997).

We locate the theoretical basis of this moderation in conservatives' high social dominance orientation (SDO; Sidanius and Pratto 1999), or the extent to which people classify groups on a superiority–inferiority dimension and accept inequality across groups. Those with a high SDO are motivated to gain or maintain superiority and dominance over others. Prior research shows that conservatives are more likely to have a higher SDO than liberals (Duckitt 2006; Pratto et al. 1994). Due to their relatively higher SDO, conservatives are more sensitive to opportunities that help them gain or maintain dominance. In contrast, liberals are less sensitive to these opportunities due to their relatively lower SDO. To the extent that financial gains are viewed as helping secure social dominance, conservatives are more likely than liberals to focus on gains in the financial domain. That is, conservatives' greater focus on the upside potential and achievement associated with financial gains may promote greater financial risk-taking among this group. In summary, due to their higher SDO, conservatives' (not liberals') financial risk-taking will be higher when they have higher self-efficacy.

Six studies examine the joint effect of political identity and self-efficacy on financial risk-taking. These studies achieve internal and external validity and show convergent results across different measures of political identity, self-efficacy, and financial risk-taking as well as

different data sources (experiments, survey data, and secondary data). Two studies also show a link between political identity and SDO. By theoretically articulating and empirically demonstrating the effect of a consumer's identity on decision making as a contingent relationship, we argue that the appropriate research question is not *whether* but rather *when* conservatives are different from liberals in terms of risk-seeking. Finally, we show that issue-relevant self-efficacy (e.g., financial self-efficacy) as well as generalized self-efficacy can moderate financial risk-taking. Theoretically, our results help reconcile contradictory findings in the literature on political identity and financial risk-taking among individuals.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Political Identity and Financial Risk-Taking

Political identity refers to a person's beliefs about the primary goals and principles of a political system (Grove, Remy, and Zeigler 1974; Jost et al. 2003). The most dominant conceptualization of political identity in Western culture distinguishes conservative and liberal political identities (Skitka and Tetlock 1993) along two core dimensions: (1) preference for tradition versus social change and (2) acceptance versus rejection of inequality (Jost et al. 2003).

As summarized in Web Appendix A, previous literature suggests that, in general, conservatives are less open to new experiences, less curious (Carney et al. 2008; Hirsh et al. 2010; Lee et al. 2010), and less likely to seek novelty and new sensations (Kish 1973; Shook and Fazio 2009). In Jost et al.'s (2003) meta-analytic review, conservatives were higher on ambiguity intolerance, uncertainty avoidance, and fear of loss. A careful reading of these studies suggests a more nuanced relationship: conservatives and liberals seek risk differently in different domains (Choma et al. 2013). For example, liberals are less risk-seeking when it comes to domains such

as climate change (Jones 2010) or handguns, focusing instead on mechanisms that will lower these risks. Choma et al. (2014) examine five domains (financial, recreational, ethical, social, and health) and find that risk-seeking is higher among conservatives than among liberals in the financial domain; specifically, conservatives are more likely to choose the riskier option with a higher expected return than liberals. Moore, Felton, and Wright (2010) also find that conservatives are more risk-seeking in the financial domain. However, other studies show no difference in financial risk-taking between liberals and conservatives (Morris, Carranza, and Fox 2008).

To quantitatively examine this issue, we conducted a meta-analysis of the five empirical studies examining the relationship between political identity and financial risk-taking.¹ As Figure 1 shows, the effect size is statistically nonsignificant ($r = .07$, 95% confidence interval [CI] $[-.001, .145]$), indicating a null main effect of political identity on financial risk-taking. The I^2 value is estimated at 85.93% (95% CI $[69.98\%, 95.40\%]$), suggesting a high degree of heterogeneity among studies. We conclude that the association between political identity and financial risk-taking is best specified as a moderated relationship, as we explain in detail next.

[Insert Figure 1 about here]

Political Identity and SDO

Social dominance orientation refers to the motivational tendency to preserve the dominance and high status of the in-group (Sidanius and Pratto 1999). According to Cozzolino and Snyder (2008), SDO is associated with conservative values, such that conservatives' higher SDO is reflected in a desire to maintain the relatively higher status of their in-group through

¹ We selected the (partial) correlation coefficients, r , as the effect size. When correlation coefficients were unavailable, we calculated effect sizes using other statistical measures (e.g., Student's t , p -value of t), applying the formulae given in Lipsey and Wilson (2001).

social hierarchy and inequality. In support of this notion, a recent survey by the Pew Research Center (2017) reveals that only 26% of Republicans consider economic inequality a major issue, compared with 66% of Democrats. In addition to accepting inequality, the survey also shows that conservatives (61%) more strongly believe that they can move up the economic ladder than liberals (36%). Thus, for conservatives, the world is a “competitive jungle” (Duckitt 2006; McFarland, 2005) in which a person’s primary goal should be to preserve social dominance in a hierarchical system (Altemeyer 1998; Duckitt 2006; Sidanius and Pratto 1999). Within marketing, Ordabayeva and Fernandes (2018) show that conservatives prefer vertically differentiated products (e.g., the best in a given category, luxury items) due to their higher SDO, whereas liberals prefer horizontally differentiated products (e.g., uniqueness) due to their lower SDO. Cozzolino and Snyder (2008) show that high-SDO individuals exhibit a stronger desire to achieve and are more competitive. Choma et al. (2013) show that high-SDO individuals view competitive hazards such as sports, war, and high-risk investments as less risky.

Our core argument is that conservatives are likely to view financial gains as playing a key role in enhancing social dominance. Therefore, financial investment decisions involving an upside potential are more attractive to conservatives because they may increase social dominance. Furthermore, the upside is likely to be greater for financial decisions that involve higher risk than for those that involve lower risk. In contrast, liberals are more likely to focus on social equality; as such, a financial investment decision is less likely to evoke a strong motivation for gains among liberals. This difference between conservatives and liberals may make them differentially sensitive to self-efficacy, which is related to a focus on upside potential.

The Moderating Role of Self-Efficacy

Self-efficacy is defined as a person's perception of his or her capability to achieve a certain level or type of performance (Gist 1987). Prior research differentiates general self-efficacy and domain-specific self-efficacy, showing that both affect outcomes in domains such as financial decisions (Romero and Craig 2017) and academic performance (Bandura 1993). In general, studies show that domain-specific self-efficacy (e.g., financial self-efficacy) has similar effects as generalized self-efficacy (Bandura 1993). For example, labeling this concept "issue capability," Mittal, Ross, and Tsiros (2002) and He, Inman, and Mittal (2008) find that general efficacy and financial self-efficacy yield similar results. Therefore, we examine both generalized and financial self-efficacy as a moderator.

People with higher self-efficacy are more optimistic, undertake more challenging tasks, and are more likely to explore new environments than those with lower self-efficacy (Bandura 1997; Scholz et al. 2002). These tendencies may enhance risk-taking for a variety of reasons. High self-efficacy individuals believe that they are able to avoid and cope with negative consequences (March and Shapira 1992) and that negative events are less likely to happen to them (Weinstein 1980). Self-efficacy also directs a person's attention toward positive outcomes (Locke et al. 1981) and positive attributes of the decision task (Karademas 2006). Self-efficacy also affects decisions through higher aspiration levels, higher expectations of positive outcomes (Bandura 1997), and higher perceived opportunities relative to threats (Krueger and Dickson 1993, 1994). Consequently, there is a strong positive association between self-efficacy and financial risk-taking (e.g., Krueger and Dickson 1993, 1994; March and Shapira 1987).

Mittal, Ross, and Tsiros (2002) show that people with higher self-efficacy have an increased focus on the upside potential of a decision; this upside focus leads to a higher level of financial risk-taking for positively framed options. Krueger and Dickson (1994) find that people

with higher self-efficacy focus more on opportunities than on threats and believe that these opportunities are more achievable. This differential focus on the upside potential leads to the moderating role of self-efficacy in risk-seeking behavior.

As we theorized previously, conservatives may be more sensitive to the influence of self-efficacy on financial risk-taking because self-efficacy increases a person's focus on the upside potential or positive outcomes related to the financial decision (Mittal, Ross, and Tsiros 2002). Thus, due to conservatives' higher SDO, those with a higher level of self-efficacy (relative to those with a lower self-efficacy) will have an increased focus on the upside potential of financial risk-seeking. In contrast, liberals, who generally have a lower SDO, should be invariant to differences in self-efficacy because they are relatively less sensitive to the upside of a financial decision that involves gain maximization. To be clear, we do not argue that liberals focus on the downside or that the effect of self-efficacy on financial risk-taking is reversed among liberals. Instead, we expect the interaction of political identity and self-efficacy to manifest only among conservatives because self-efficacy will drive financial risk-taking among conservatives but not among liberals. He, Inman, and Mittal (2008) make a similar argument when they show that men, but not women, are more focused on the upside of a financial decision due to their agentic orientation and exhibit distinct behaviors in response to self-efficacy. Thus, we hypothesize the following:

H₁: The association of consumers' political identity with financial risk-taking will be moderated by self-efficacy, such that financial risk-taking among decision makers with a conservative political identity (those high in SDO) will increase as self-efficacy increases; in contrast, financial risk-taking among decision makers with a liberal political identity (those low in SDO) will be invariant to self-efficacy.

H₂: A focus on the upside potential of a decision mediates the joint effect of self-efficacy and political identity on financial risk-taking, such that mediation will occur among conservatives (those high in SDO).

Next, we describe a series of six studies. Study 1 tests H_1 using a large-scale secondary data set of consumers. Studies 2a–3 test H_1 using several different measures of political identity (Study 2b), a real investment decision (Study 2b), and manipulated political identity (Study 3). Study 4 examines the underlying mechanism by measuring SDO and testing the mediation of a focus on the upside potential of a decision, as posited in H_2 . Finally, Study 5 replicates the results by examining firm-level investment decisions by managers.

STUDY 1

Data

The first data source is the Consumer Expenditure Survey (CEX), with five waves of interviews conducted annually by the Bureau of Labor Statistics (<http://www.bls.gov/cex/>).² The CEX provides data on consumers' expenditures, income, and demographics. It spans 19 years (1996–2014) and includes 5,000–7,500 households annually. The second data source is the American Presidency Project at the University of California, Santa Barbara (<http://www.presidency.ucsb.edu/>), which provides U.S. presidential elections data for each election year at the state level.

Measures

Financial risk-taking. Morin and Suarez (1983) show that a household's asset portfolio provides two measures of its risk-taking behavior: (1) whether a household holds risky assets and (2) the value of risky assets (Vissing-Jørgensen and Attanasio 2003). Measuring a household's holdings of risky assets as the value of stocks, bonds, mutual funds, and other such securities, we created two dependent variables: (1) the value of these assets (in millions of dollars) and (2) a

² Several variables (e.g., demographics) are measured in more than two waves. For these variables, we used the most recent measures available because measures of financial risk-taking are only available in the last wave.

dummy variable taking a value of 1 if the household had positive holdings of risky assets and 0 if otherwise (Vissing-Jørgensen and Attanasio 2003). To be conservative, when a household had a missing value for risky assets but not for riskless assets (e.g., savings accounts, checking accounts, U.S. savings bonds), we coded the household as holding zero risky assets.

Political identity. The CEX database does not measure a household's political identity. We measured political identity at the state level, using presidential elections data in accordance with Khan, Misra, and Singh's (2013) approach. Other studies have also used geographic location to measure political identity (e.g., Jung et al. 2017; Ordabayeva and Fernandes 2018).

The American Presidency Project provides the number of votes each presidential candidate received from each state in an election year. For each election year, we obtained the proportion of votes the Democratic and Republican presidential candidates received in a state. The difference between the two proportions measures state-level political identity. A value closer to 1 (−1) indicates that the household is residing in a state in which, on average, consumers are more politically liberal (conservative).

Political identity, SDO, and household location (pretest). We collected data from 2,150 participants across 50 states using Amazon Mechanical Turk (MTurk) (male = 50.3%, $M_{age} = 36.33$ years). Participants completed the eight-item SDO scale adapted from Pratto et al. (1994) (1 = "strongly disagree," 7 = "strongly agree"; $\alpha = .73$), reported their political identity (1 = "strongly conservative," 7 = "strongly liberal"), and provided their five-digit zip code, which we used to identify their state of residence. We excluded 11 states with fewer than 10 participants. The remaining 39 states yielded 2,085 participants for the final analysis (for details, see Table 1). For each state, we computed the average SDO, individual-level political identity, and state-level

political identity using the average voting records from the three most recent presidential elections (2008, 2012, and 2016).

[Insert Figure 2 and Table 1 about here]

As Table 1 and Figure 2 show, political identity, as measured by state-level voting record, was (1) positively correlated with individuals' self-reported political identity ($r = .41$) and (2) negatively correlated with individuals' self-reported SDO ($r = -.53$). Thus, state-level voting behavior is a valid and reliable indicator of individuals' political identity and SDO.

Self-efficacy. He, Inman, and Mittal (2008) measure self-efficacy based on the past winnings of participants in a game show, while Mittal, Ross and Tsiros (2002) measure it as past firm performance. Following these studies, we measured each household's self-efficacy using the change in assets the household experienced compared with the previous year—that is, the sum of changes in asset values (e.g., checking and savings accounts, investment funds, saving bonds) the household possesses. More specifically: for household h ,

$$(1) \quad \text{Self-efficacy}_h = \sum_{i=1}^I \Delta \text{Asset}_{hi},$$

where ΔAsset_{hi} indicates the change in household h 's asset value of asset i in millions of dollars (e.g., savings account; Table B1 in Web Appendix B lists the specific assets).

To assess that this secondary measure, we ran a pretest with 99 participants who were randomly assigned to (1) an increased-asset condition or (2) an unchanged-asset condition. In the increased-asset condition, participants' overall asset value increased compared with the previous year. In the unchanged-asset condition, the asset value remained unchanged. After we controlled for their baseline self-efficacy, which we measured before the scenario, participants in the increased-asset condition reported greater self-efficacy ($M = 5.34$) than those in the unchanged-asset condition ($M = 4.66$, $F(1, 98) = 9.46$, $p < .01$) (for measures of self-efficacy, see Web

Appendix C). Thus, an increase in asset value was positively associated with increased self-efficacy.

Control variables. We controlled for household-specific demographics to remove the potential effect of systematic spending patterns. Specifically, we controlled for age, gender, race, area of residency, education level, income level, marital status of the head of the household, and a household’s level of liabilities and total expenditures (both in millions of dollars) to account for the household’s potential size of total assets.³

The final sample covers five years (1996, 2000, 2004, 2008, and 2012) and 42 states, with 196 year-state combinations. The years and states covered in our data set correspond to those included in both the CEX database and the presidential election database. Table 2 shows the descriptive statistics and correlations for the variables.

[Insert Table 2 about here]

Model Explanation

The data set is cross-sectional, such that each household is only observed in a unique year and within a single state. Therefore, a large proportion of the variance may be attributed to unobserved factors across years and across states. To control for heterogeneity between households due to year- and state-specific factors, we used a random-effects approach and specified our model as follows:

$$\begin{aligned}
 (2) \quad & \text{Risk-taking}_{hjt} \\
 & = \beta_0 + \beta_1 \text{Political identity}_{hjt} + \beta_2 \text{Self-efficacy}_{hjt} + \beta_3 \text{Political identity}_{hjt} \times \text{Self-efficacy}_{hjt} \\
 & + \mathbf{\Gamma}' \text{Controls}_{hjt} + \kappa_j + \tau_t + \varepsilon_{ijt}
 \end{aligned}$$

³ We measured liabilities as the sum of outstanding balances for mortgages, home equity loans, vehicle loans, and credit liabilities sources (e.g., credit cards, school loans).

for household h in state j at time t , where $\kappa_j \sim N(0, \sigma_\kappa^2)$ and $\tau_t \sim N(0, \sigma_\tau^2)$. **Controls** is a vector of control variables (e.g., demographics), Γ is a vector of coefficients for the control variables, κ is the state-specific random effect, τ is the year-specific random effect, and ε is the error term.⁴

We use two dependent measures: (1) value of risky assets (continuous) and (2) if a household holds risky assets or not (binary). For the first dependent measure, we assume that the error term follows a normal distribution (i.e., $\varepsilon_{ijt} \sim N(0, \sigma_\varepsilon^2)$). For the second measure, we assume that the error term follows a standard logistic distribution (i.e., $\varepsilon_{ijt} \sim \text{Logistic}(0, 1)$).

Results

Table 3 shows that the two-way interaction between political identity and self-efficacy is statistically significant for both dependent measures: (1) value of risky assets ($\beta = -1.01, p < .01$) and (2) holds risky assets ($\beta = -4.47, p < .05$). As Figure 3 shows, households (1) have higher values of risky assets ($\beta = .38, p < .01$) and (2) are more likely to hold stocks ($\beta = 1.17, p < .05$) when they are in conservative states and have higher self-efficacy. The results for households in liberal states are not significant ($ps > .10$). These results support H_1 .

[Insert Table 3 and Figure 3 about here]

Discussion

Study 1 supports H_1 using a nationwide data set of consumers over several years. Although it uses a behavioral measure of political identity (i.e., actual voting behavior), the measure is at the state level while self-efficacy and financial risk-taking are measured at the household level. In Studies 2a and 2b, we test H_1 using individual-level measures of political identity, self-efficacy, and financial risk-taking.

⁴ The maximum variance inflation factor (VIF) was 2.20, indicating that multicollinearity is not a problem.

STUDY 2A

Method

Participants and design. A total of 199 participants (60% female, $M_{\text{age}} = 36.39$ years) were recruited from MTurk. We used a single factor (self-efficacy: high vs. low) between-subjects design and measured political identity on different scales. After the self-efficacy manipulation, participants completed the financial risk-taking measure followed by items measuring political identity, a self-efficacy manipulation check, and demographics.

Manipulation of self-efficacy. Participants were randomly assigned to the high ($n = 101$) and low ($n = 98$) financial self-efficacy conditions, and all of them completed a writing task. In the high (low) financial self-efficacy condition, participants listed three reasons they have high (low) confidence in their ability to make financial decisions.

Financial risk-taking. Following He, Inman, and Mittal (2008), participants saw two investments in which they could allocate \$5,000 of savings. Both options had equivalent expected payoffs (4%) but differed in terms of their risk. The less risky option, a bank account, offered a guaranteed return of 4%. The riskier option, a stock fund, offered the following prospects: (1) a 45% chance of generating a return of 16%, (2) a 10% chance of generating a return of 4%, and (3) a 45% chance of incurring a loss of 8%.⁵ Participants indicated the percentage of money they would invest in the stock fund. A higher percentage of money allocated to the stock fund indicates a higher level of financial risk-taking.

Political identity. We collected five measures of political identity. First, participants indicated their preferred broadcasting stations to watch news (0 = Fox, 1 = MSNBC/CNN).

⁵ We asked 40 additional participants to evaluate the riskiness of the two investments on a seven-point scale (1 = “not at all risky,” 7 = “very risky”). The stock fund ($M = 4.98$) was riskier than the bank account ($M = 1.68$, $t = -10.72$, $p < .01$). Thus, our measure of financial risk-taking worked as expected.

Empirical studies (Stroud 2008) show conservatives' (liberals') preference for Fox (CNN/MSNBC). Second, participants indicated the party with which they most closely identify (0 = Republican, 1 = Democrat). Third, participants self-reported their political identity on a seven-point scale (1 = "strongly conservative," 7 = "strongly liberal"; Winterich, Zhang, and Mittal 2012). Fourth, participants completed Mehrabian's (1996) seven-item scale of political identity (1 = "strongly disagree," 7 = "strongly agree"; $\alpha = .89$). Fifth, participants indicated their likelihoods of voting for the Democratic (Hillary Clinton) or the Republican (Donald Trump) candidate in the 2016 presidential election (0 = "definitely would not," 100 = "definitely would"). We subtracted the likelihood of voting for Donald Trump from that of voting for Hillary Clinton to measure participants' political identity. On all scales, higher scores indicate a more liberal political identity.

Self-efficacy (manipulation check). We adapted Schwarzer and Jerusalem's (1995) self-efficacy scale ($\alpha = .93$) for a financial context (for items, see Web Appendix C).

Results

Manipulation check for self-efficacy. A full-factorial analysis of variance (ANOVA) on the self-efficacy score revealed that the manipulation was successful. Participants in the high self-efficacy condition rated their financial self-efficacy higher than those in the low self-efficacy condition ($M_{\text{high}} = 5.05$ vs. $M_{\text{low}} = 4.20$, $F(1, 198) = 28.88$, $p < .01$).

Main results (H_1). We ran five analyses, one with each measure of political identity, manipulated self-efficacy, and participants' investment decisions. The results appear in Table 4.

[Insert Table 4 about here]

When we measured political identity with binary variables (i.e., preferred broadcasting station, political party identification), we conducted a 2 (political identity) \times 2 (self-efficacy)

ANOVA. For continuous measures of political identity (i.e., conservative–liberal self-placement, the Mehrabian seven-item scale, and likelihood of voting for the Democratic or the Republican candidate), we ran a regression analysis.

The correlations among the variables appear in Web Appendix D. As Table 4 shows, four of the five measures support the hypothesized interaction in H₁.⁶ More importantly, when we estimate the combined interactive effect using the meta-analytic technique that McShane and Böckenholt (2017) recommend, the results are statistically significant (95% CI [−.19, −.07]; see Figure 4). Thus, the results support H₁.

[Insert Figure 4 about here]

Discussion

In support of H₁, conservatives allocated a higher proportion of their assets to the riskier stock fund, relative to the safer bank account, as their self-efficacy increased. In contrast, liberals' financial risk-taking was invariant to their level of self-efficacy.

STUDY 2B

Study 2b enhances the generalizability of Study 2a by using a real, incentive-compatible task. Participants chose between two existing financial products provided by the Vanguard Group (rather than fictitious products) in a context in which they received their chosen option through a lottery.

Method

Participants and design. Participants (N = 300, 39% female, M_{age} = 33.81 years) were recruited through MTurk. In addition to their regular compensation, each participant also took

⁶ Detailed results appear in Web Appendix E.

part in an incentive-compatible lottery, which served as the dependent variable. Participants were told that each of them would be automatically enrolled in a lottery, and one randomly selected person would win \$100 in the form of the financial product (i.e., the Vanguard fund) they chose. Then, they chose between the two funds described next and completed measures of self-efficacy, political identity, and demographics.

Financial risk-taking. The two funds were the Vanguard Short-Term Inflation-Protected Securities Fund and the Vanguard Emerging Markets Select Stock Fund (for details, see Web Appendix C; see also <https://investor.vanguard.com/>).

Financial risk-taking (pretest). A new set of 40 participants rated the perceived riskiness of the two funds on a seven-point Likert scale (1 = “not at all risky,” 7 = “very risky”). As we expected, participants perceived the Vanguard Emerging Markets Select Stock Fund ($M = 6.05$) as riskier than the Vanguard Short-Term Inflation-Protected Securities Fund ($M = 2.20$, $t = -16.00$, $p < .01$). We coded choice of the Vanguard Emerging Markets Select Stock Fund as 1 and the other as 0.

Political identity. We measured political identity using a participant’s preferred news station (0 = Fox [conservative], 1 = MSNBC/CNN [liberal]).

Self-efficacy. We used Schwarzer and Jerusalem’s (1995) self-efficacy scale ($\alpha = .94$).

Results

We used a logistic regression model for fund choice (1 = risky, 0 = not risky). The two-way interaction between self-efficacy and political identity was statistically significant ($\beta = -.62$, $p < .05$). In line with Aiken and West (1991), the interaction in Figure 5 shows that financial risk-taking increases with self-efficacy for conservatives ($\beta = .48$, $p < .10$) but is invariant to self-efficacy among liberals ($\beta = -.14$, $p > .10$). Thus, the results fully support H_1 .

[Insert Figure 5 about here]

Discussion

Study 2b enhances the generalizability of Study 1b by using an incentive-compatible choice task with real funds offered by the Vanguard Group.

STUDY 3

This study manipulates both political identity and self-efficacy, enabling us to rule out alternative factors such as gender, age, and education level, which may be associated with a person's measured political identity and/or self-efficacy. As such, Study 3 establishes the causal effect of political identity and self-efficacy on financial risk-taking (H_1).

Method

Participants and design. This study uses a 2 (political identity: conservative vs. liberal) \times 2 (self-efficacy: high vs. low) between-subjects design with 392 participants from MTurk (52% female, $M_{\text{age}} = 36.88$ years). Because MTurk participants have been shown to be relatively more liberal (Huff and Tingley 2015), we used a quota-sampling method to recruit respondents, with political identity measured through news-media preference (Fox News vs. CNN/MSNBC) as the quota control. We used news media preference instead of more direct measures to avoid explicitly revealing the intent of the study. We assessed news media preference along with other demographics (e.g., gender, age) before the main survey. Then, within each stratum—Fox News and MSNBC/CNN—we randomly assigned participants to the liberal and conservative manipulation conditions. Thus, half of each of the Fox News and MSNBC/CNN viewers received the liberal manipulation, and the other half received the conservative manipulation. We found no differences in age and gender across conditions. After completing the political-identity

manipulation, participants randomly received either the high self-efficacy or the low self-efficacy manipulation along with the financial decision task.

Manipulation of political identity. To manipulate political identity, we followed Ordabayeva and Fernandes (2018). In the conservative (liberal) condition, participants recalled and wrote about a situation in which they were interacting with someone who was more liberal (conservative) than them such that they felt they had a conservative (liberal) position. Although manipulating political identity different from a person's original identity is very difficult, it is possible to influence perceptions of one's relative ideological position using this approach.

Manipulation of self-efficacy. Participants saw the investment options used in Study 2a, but with the investment amount increased to \$20,000. In the high self-efficacy condition, participants were asked to imagine that they have successfully managed and increased their assets to \$20,000 over the past few years. In the low self-efficacy condition, they were asked to imagine that they have not been very successful, retaining only the \$20,000 principal amount. A pretest with 215 adults on MTurk (female 46%, $M_{\text{age}} = 36.10$ years) verified that participants in the high self-efficacy condition perceived their financial capability (1 = "very low," 7 = "very high") as higher than those in the low self-efficacy condition ($M_{\text{high}} = 5.14$ vs. $M_{\text{low}} = 4.67$, $F(1, 213) = 6.22, p < .05$).

Financial risk-taking. Participants indicated if they would invest the money in the stock fund or the bank account on an 11-point scale (1 = "definitely will not invest in the stock fund," 11 = "definitely will invest in the stock fund"; a higher value indicates higher financial risk-taking).

Political identity (manipulation check). As a manipulation check, participants reported their political identity on a single-item measure (1 = "very conservative," 7 = "very liberal").

Results

Manipulation check (political identity). Participants in the conservative condition reported that they were more conservative than those in the liberal condition ($M_{\text{conservative}} = 4.01$ vs. $M_{\text{liberal}} = 4.55$, $F(1, 390) = 8.36$, $p < .01$), indicating a successful manipulation.

Effect of political identity on financial risk-taking. A two-way ANOVA on financial risk-taking with political identity and self-efficacy revealed a significant interaction ($F(1, 388) = 4.39$, $p < .05$). Results are shown in Figure 6. Among conservatives, the preference for the riskier investment option was marginally higher when self-efficacy was high ($M = 5.49$) than when it was low ($M = 4.61$, $F(1, 388) = 3.62$, $p = .058$). Among liberals, there was no difference between the high ($M = 4.31$) and the low ($M = 4.80$) self-efficacy conditions ($F(1, 388)$, $p > .10$).

[Insert Figure 6 about here]

Discussion

By manipulating political identity and self-efficacy, Study 3 provides causal evidence for our focal hypothesis. The findings rule out alternative explanations based on factors such as customer demographics that may be associated with political identity (and self-efficacy). In the next study, we also measure SDO to examine its role more directly.

STUDY 4

Study 4 seeks (1) to directly test the role of SDO and (2) to demonstrate the underlying mediating process through a focus on the upside potential (H_2). To accomplish this, we measure both political identity and SDO along with self-efficacy.

Method

Participants and design. MTurk participants ($N = 450$, 52% female, $M_{\text{age}} = 37.91$ years) completed the same tasks as Study 2a. After the investment task scenario, participants completed measures of their focus on the upside potential (i.e., the proposed mediator), SDO, political identity, self-efficacy, and demographics.

Financial risk-taking. As in Studies 2a and 3, participants rated their preference for investing in the stock fund (vs. the bank account) using an 11-point scale (1 = “definitely will not invest in the stock fund,” 11 = “definitely will invest in the stock fund”).

Focus on upside versus downside potential. Participants rated the importance of six items in their financial decision task (1 = “not at all important,” 7 = “extremely important”). Three items included (1) increasing possible gains, (2) maximizing potential gains, and (3) achieving potential gains. We averaged these items to compute a measure of participants’ focus on the upside potential ($\alpha = .95$). The final three items included (4) decreasing possible losses, (5) minimizing potential losses, and (6) avoiding the downside. We averaged these to compute participants’ focus on the downside potential ($\alpha = .96$).

SDO. We measured SDO using a 16-item scale (1 = “strongly disagree,” 7 = “strongly agree”; see Ho et al. 2015), where higher scores indicate higher SDO (see Web Appendix C; $\alpha = .95$).

Political identity. We used two measures to assess political identity: (1) news media preference (0 = Fox News, 1 = CNN/MSNBC), as in Studies 2a and 2b, and (2) self-reported political identity (1 = “strongly conservative,” 7 = “strongly liberal”). The results we report are for media preference, but they also replicate using self-reported political identity (see Web Appendix F).

Self-efficacy. We used two items to assess self-efficacy: (1) “I generally have the ability to handle whatever comes my way in life,” and (2) “I feel confident in my ability to cope with important changes in my life” ($r = .88$).

Results

Main analysis. We ran two separate models: one with political identity as a predictor and one with SDO as a predictor. We report the results in Model 1 of Table 5, Panels A and B. They are also shown in Figure 7. In the first model, the two-way interaction between political identity and self-efficacy was statistically significant ($\beta = -.68, p < .05$). A simple-slopes test shows that financial risk-taking increased with self-efficacy among conservatives ($\beta = .79, p < .01$) but not among liberals ($\beta = .12, p > .10$). The second model used SDO instead of political identity. The interaction of SDO and self-efficacy was significant ($\beta = .19, p < .05$). A simple-slopes test shows that the financial risk-taking of high-SDO participants (+1 SD) increased with self-efficacy ($\beta = .62, p < .01$), while the financial risk-taking of low-SDO participants (-1 SD) was invariant to self-efficacy ($\beta = .11, p > .10$).

[Insert *Figure 7 about here*]

The mediating role of a focus on the upside potential (H₂). H₂ posits that the interactive effect of political identity and self-efficacy on financial risk-taking is mediated by a focus on the upside potential among conservatives but not among liberals. We conducted a moderated mediation analysis using the PROCESS macro (Hayes 2013, Model 8). The results from 5,000 bootstrapped samples indicate that the interaction had a significant indirect effect on financial risk-taking through participants’ focus on the upside potential ($ab = -.37, 95\% \text{ CI } [-.64, -.10]$). We examined the indirect effects separately. Among conservatives, mediation through a focus on

the upside potential was statistically significant ($ab = .47$, 95% CI [.25, .70]), but mediation was not significant among liberals ($ab = .10$, 95% CI [−.05, .25]). Figure 8 summarizes these results.

[Insert *Figure 8 about here*]

Next, we replicated this analysis with SDO as the predictor. The interactive effect between SDO and self-efficacy on financial risk-taking was mediated by a focus on the upside potential ($ab = .12$, 95% CI [.05, .21]). Furthermore, mediation through a focus on the upside potential was significant among high-SDO participants ($ab = .41$, 95% CI [.25, .56]) but not among low-SDO participants ($ab = .07$, 95% CI [−.09, .24]).

Both moderated-mediation analyses provide consistent results. Self-efficacy increased financial risk-taking among conservatives and high-SDO individuals through a focus on the upside potential. Among liberals and low-SDO individuals, there was no mediation through a focus on the upside potential.⁷

[Insert *Tables 5a and 5b about here*]

Focus on the downside potential. Consistent with our theory, a focus on the downside potential did not mediate the joint effect of (1) political identity and self-efficacy ($ab_{\text{political identity}} = -.02$, 95% CI [−.10, .06]) or (2) SDO and self-efficacy ($ab_{\text{SDO}} = .04$, 95% CI [−.06, .12]) on financial risk-taking.

Discussion

In addition to confirming H₁ using SDO and political identity, Study 4 also tests the underlying mediation through an increased focus on the upside potential of a financial decision.

⁷ A conventional mediation analysis using the three-step approach also confirms these results. The results appear in Tables 5a and 5b. The mediation analysis using self-reported political identity (conservative–liberal) exhibits the same pattern of results (see Web Appendix F). We visualize these findings in Web Appendix F.

STUDY 5

Prior research shows that conservative managers take fewer risks than liberal managers (Christensen et al. 2015; Hutton, Jiang, and Kumar 2014; Kashmiri and Mahajan 2017). Yet these studies do not test the moderating role of self-efficacy. The goal of Study 5, therefore, is to ascertain if the moderating role of self-efficacy can be replicated at the managerial level.

Data

Our firm-level data set had three sources. First, for each firm, the Center for Responsive Politics (<http://www.opensecrets.org/>) provided political contributions data. These data are based on Federal Election Commission (FEC) records; since 1979 individuals have been required to report contributions of more than \$200 to election campaigns. Second, we used Compustat to obtain firm-level information. Third, we obtained information on each firm's executives from the Compustat ExecuComp database. We matched the contributors' first name, last name, and employer (i.e., firm name) in the FEC data set to those in the ExecuComp data set to measure political donations by firms' executives.

Measure of Variables

Financial risk-taking. At the firm level, we used three measures of risk-taking:

- *Research and development (R&D)*, a key marketing-relevant activity (Hauser, Tellis, and Griffin 2006), can measure a firm's financial risk-taking. We measured a firm's R&D intensity as the ratio of R&D expenditures to sales.
- We computed *variability in return on assets (ROA)*, a widely used measure of financial risk-taking (Miller and Bromiley 1990), as the variance in ROA for the previous five years.
- *Financial leverage* reflects managers' tendency to take risks (Singh 1986). We measured financial leverage as the ratio of long-term debt and debt in current liabilities to total assets.

Political identity. Following Christensen et al. (2015), we measured the political identities of a firm's management as the difference between executives' contributions to the Democratic Party and contributions to the Republican Party and then dividing this value by the total contributions to both parties.⁸ This measure ranged between –1 and 1, such that a value closer to 1 (–1) indicates that the firm's management is characterized as more politically liberal (conservative).

Self-efficacy. Prior research has measured managers' self-efficacy as the level of past performance relative to a reference point (Cervone and Peake 1986; Hayward and Hambrick 1997). He, Inman, and Mittal (2008) measure self-efficacy of competitors in a game show based on the number of their past correct answers.

We use the firm's financial performance relative to its peers (i.e., competitors operating in the same industry based on four-digit Standard Industrial Classification codes) to measure the level of self-efficacy of a firm's management.⁹ Following prior research (Miller and Chen 2004), we used ROA to measure firm performance in the current period (ROA_t) and industry-median performance in the previous period (industry median ROA_{t-1}) to measure the firm's reference point. Their difference ($ROA_t - \text{industry median } ROA_{t-1}$) reflects firm-level self-efficacy.

Control variables. Firm-specific and industry-specific controls include the firm's ROA, liquidity, financial leverage, operating leverage, and size, as well as industry concentration (for details, see Table B2 in Web Appendix B).¹⁰

Method

⁸ We used the weighted average of executives' contributions, where the inverse of the rank of each executive served as the weight (for details, see Christensen et al. 2015).

⁹ We thank the reviewers for this suggestion.

¹⁰ We excluded financial leverage from the set of control variables when the variable served as the dependent measure.

Due to the time-series cross-sectional data set, we ran a series of diagnostic tests for each dependent variable. First, the Breusch-Pagan test rejected the null hypothesis of homoskedastic errors for all dependent measures ($ps < .01$). Second, the Wooldridge test confirmed the presence of serial correlation for all dependent measures ($ps < .01$). Third, to test whether there were any unobserved effects at the firm and industry levels, we conducted a likelihood ratio test comparing a model with firm and industry random effects and a model with no random effects. For all dependent variables, the test rejected the null hypothesis of no unobserved effects ($ps < .01$). Accounting for these issues, we specified our model as follows. For firm i in industry j at time t ,

$$(3) \quad \text{Risk-taking}_{ijt} = \beta_0 + \beta_1 \text{Political identity}_{ijt-1} + \beta_2 \text{Self-efficacy}_{ijt-1} + \beta_3 \text{Political identity}_{ijt-1} \times \text{Self-efficacy}_{ijt-1} + \mathbf{\Gamma}' \mathbf{Controls}_{ijt-1} + \sum_{t=1}^T \delta_t \text{Year}_t + v_i + v_j + \varepsilon_{ijt},$$

where $v_i \sim N(0, \sigma_v^2)$, $v_j \sim N(0, \sigma_v^2)$, $\varepsilon_{ijt} = \rho \varepsilon_{ijt-1} + \mu_{ijt}$ ($\mu \sim N(0, \sigma_\varepsilon^2)$ and $|\rho| < 1$). **Controls** is a vector of control variables, $\mathbf{\Gamma}$ is a vector of coefficients for the control variables, v is the firm-specific random effect, v is the industry-specific random effect, and ε is the error term.

We lagged all independent variables by one period relative to the dependent variable. Among all models, the maximum variance inflation factor (VIF) was 5.673, and the highest condition number was 10.506, indicating that multicollinearity is not an issue.

Results

The results are based on a final sample of 13,655–23,847 firm-year observations, depending on the dependent measure, for 22 years (i.e., 1994–2015). Table 6 shows the descriptive statistics and correlation matrix of the variables.

[Insert Table 6 about here]

Table 7 shows that the two-way interaction between political identity and self-efficacy is statistically significant for all three measures: R&D intensity ($\beta = -.51, p < .01$), ROA variability ($\beta = -.02, p < .01$), and financial leverage ($\beta = -.01, p < .01$). We plot these results in Figure 9.

R&D intensity. R&D intensity increased when management had higher self-efficacy for firms run by conservative managers ($\beta = 1.92, p < .01$) but not for firms run by liberal managers ($\beta = 1.19, p > .05$).

ROA variability. ROA variability increased when management had higher self-efficacy for firms run by conservative managers ($\beta = .04, p < .01$) but not for firms run by liberal managers ($\beta = .02, p > .05$).

Financial leverage. Financial leverage increased when management had higher self-efficacy for firms run by conservative managers ($\beta = .03, p < .05$) but not for firms run by liberal managers ($\beta = .01, p > .10$).

[Insert Table 7 and Figure 9 about here]

Discussion

In a managerial context, the results of Study 5 fully support H₁ for the three dependent measures of firm financial risk-taking (i.e., R&D intensity, ROA variability, and financial leverage). These results provide additional insights into managerially oriented studies that only show a main effect of political identity, whereby conservative managers are less risk-taking than liberal managers. Similar to the results at the individual level, the moderating role of self-efficacy at the firm level suggests that a contingent approach should be used to examine the role of political identity in firm-level risk-taking and other financial decisions.

GENERAL DISCUSSION

Building on the notion that conservatives are generally higher in SDO, we theoretically articulate the moderating role of self-efficacy in financial risk-taking and the mediating role of conservatives' focus on the upside potential. Six studies consistently show that the association between political identity and financial risk-taking grows stronger with higher self-efficacy for conservatives but is invariant among liberals. Furthermore, conservatives' focus on the upside potential of a decision mediates this interaction.

Table 8 summarizes the studies. We measure political identity as people's self-reported political identity (Studies 2a and 4), preferred cable news station (Studies 2a, 2b, and 4), contributions to political parties (Study 5), voting behavior (Studies 1 and 2a), and party affiliation (Study 2a), as well as through a multi-item scale (Study 2a). Study 3 manipulates political identity. We measure SDO in Study 4 and replicate the results for political identity using SDO. We measure self-efficacy using a general self-efficacy scale (Studies 2b and 4) and a behavioral measure specific to relative financial performance (i.e., Studies 1 and 5); we also manipulate self-efficacy using a feedback task (Study 2a) and past performance (Study 3). We assess financial risk-taking in different ways: investments in different financial products (Studies 2a, 3, and 4) and choice among existing financial products (Study 2b); households' holdings of risky assets (Study 1); and firms' R&D intensity, ROA variability, and financial leverage (Study 5). We use individual-level data (Studies 2a–4), household-level data (Study 1), and firm-level data (Study 5) to test our hypotheses. Reassuringly, as Table 8 shows, all these studies show convergent results.

[Insert *Table 8 about here*]

The data also reveal some noteworthy patterns that should be examined in future research. Specifically, high self-efficacy conservatives showed higher financial risk-taking than

liberals and low self-efficacy conservatives in Studies 2b, 3, and 4; at the same time, Studies 1 and 5 show that high self-efficacy conservatives were equal to liberals in their risk-taking. A possible explanation may be that Studies 1 and 5 measure self-efficacy based on past performance, while the other studies use self-reported scales. More generally, these results suggest a more nuanced approach to understanding self-efficacy in the context of financial decision making. These results also suggest that conclusions based on direct comparisons between liberals and conservatives should be tempered in light of potential moderators.

Theoretical Contributions

To the rich and emerging body of research examining the implications of consumers' political identity (Fernandes and Mandel 2014; Khan, Misra, and Singh 2013; Kidwell, Farmer, and Hardesty 2013; Ordabayeva and Fernandes 2018; Winterich, Zhang, and Mittal 2012), our primary contributions are in situating SDO as a theoretical lens for explaining the effect of political identity, specifying self-efficacy as a moderator of the observed effect, identifying the upside potential of a decision as a mediator of the observed effect, and resolving previously inconsistent findings in the literature on political identity and financial risk-taking.

By examining the effect of political identity as a contingent effect, our research sheds light on contradictory results found in previous studies. Most firm-level studies (Christensen et al. 2015; Hutton, Jiang, and Kumar 2014) that find lower financial risk-seeking among conservative managers only examine main effects. However, after we consider the moderating role of self-efficacy, Study 5 uses firm-level data to replicate the results from studies using individual-level data. In terms of the main effect of political identity, the three financial risk-taking measures in Study 5 exhibit different patterns of main effects. For ROA variability, firms operated by conservative (vs. liberal) managers are more risk-taking, whereas for R&D intensity

and financial leverage, firms operated by conservatives and liberals exhibited similar levels of risk-taking. However, the theoretically interesting and managerially relevant finding—consistent across all three measures—is the moderating role of self-efficacy: With an increase in self-efficacy, financial risk-taking increases at a faster rate among conservative managers than among liberal managers. If the moderating role of self-efficacy were ignored, the association between political identity and risk-taking would have been interpreted as mixed. Though we obtain consistent results among individuals and firms, more research examining differences in risk-taking among individual- and managerial-level decision makers is needed.

The SDO construct deserves further research. We believe that SDO can explain conservatives' focus on the upside potential of a decision, especially when they hold a relatively high sense of self-efficacy. While we do not fully understand liberals' motivation in the financial risk-taking process, this gap provides an important area for future research. Specifically, the asymmetric finding—that is, conservatives' high SDO increases financial risk-taking through their focus on the upside potential, while liberals' low SDO is irrelevant with respect to their focus on the downside potential—needs to be further unpacked. More generally, there is a need to theoretically and empirically understand the role of SDO in relation to other identities in general (e.g., gender, social status) and other hierarchy-enhancing legitimizing identities in particular (e.g., power distance). From a research perspective, it will be useful to understand the common and unique aspects of SDO relative to other constructs such as agentic/communal orientation (He, Inman, and Mittal 2008), which may provide underlying explanations for observed differences based on political, gender and other identities.

Recently, Jost, Langer and Singh (2017) suggest psychological correlates of political identity that may be correlated with consumer complaining, boycotting, and disputing. They

argue that liberals are more likely to engage in such behaviors because they are more tolerant of uncertainty, insecurity, and social discord. Yet, the specific role played by a person's SDO in such behaviors remains unexamined. It could be that conservatives with higher self efficacy are also more likely to complain because of a higher belief of having complaints resolved in their favor. Thus, a more nuanced approach could be possible based on SDO and political identity.

Another potential research avenue is to explore whether and how SDO operates in other domains such as health risk and social risk and with respect to other consumer behaviors such as donations, food consumption, and branding. Even within the narrow domain of financial risk-taking, we concur with Choma et al.'s (2013) suggestion that financial risk-taking is likely a function of several underlying motives related to particular types of goals embedded in a person's SDO. While we have shown that a focus on the upside potential of decisions is one such mechanism, there are likely additional mechanisms that can be uncovered and examined in further research.

Practical Implications

At the most basic level, marketing managers can segment customers based on their political identity and SDO through observable factors such as media consumption and geographic location. As Table 1 shows, consumers' state of residence provides a reliable measure of SDO and political identity; however, SDO may be more useful than political identity for understanding consumers' motivations and behaviors, as SDO is likely to be related to a variety of other identities as well. Managers can also measure consumers' self-efficacy directly using a simple scale or indirectly based on their past portfolio performance. Based on the results of such an assessment, consumer training, products, and services can be designed to help

consumers optimize their financial goals. However, we do not provide any guidance about an optimal risk-taking level, which is likely to vary based on each person's unique situation.

Our measures of political identity—party affiliation, preferred cable news station, state of residence—may be used to better identify customers with a specific political identity and SDO and then tailor products and services accordingly. Companies can use our simple manipulation task (Study 3) to prime political identity and influence consumers' risk-taking tendencies.

Limitations

First, we had to use state-level voting behaviors as a proxy of individuals' political orientation (Study 1). Although this aggregate-level measure has been used in previous research and although we validated it through a pretest, it is not without its limitations. In a similar vein, Study 5 measured all the constructs at the firm level. As such, methodologies to simultaneously measure political identity and SDO at the individual and firm levels are needed.

Second, there is a need to test different measures of political identity to improve the validity of their predictive and statistical conclusions. Although we have shown a consistent pattern of results by adopting various and actionable indicators of political identity, our results with different measures are not uniformly strong. Some observed effects in Study 2a were only marginal or directional. For example, the measure of political identity based on media preference for Fox News versus CNN/MSNBC (in Study 2a, 2b, and 4) may be improved by including additional broadcasting outlets. Despite being highly correlated, each measure of political identity may have advantages and disadvantages in specific situations. Thus, a comparative study measuring their relative costs and benefits will be useful. Research is also needed to explore the dimensionality of political identity. Thus, there may be separate dimensions—for example, fiscal and social—to political identity that require further exploration.

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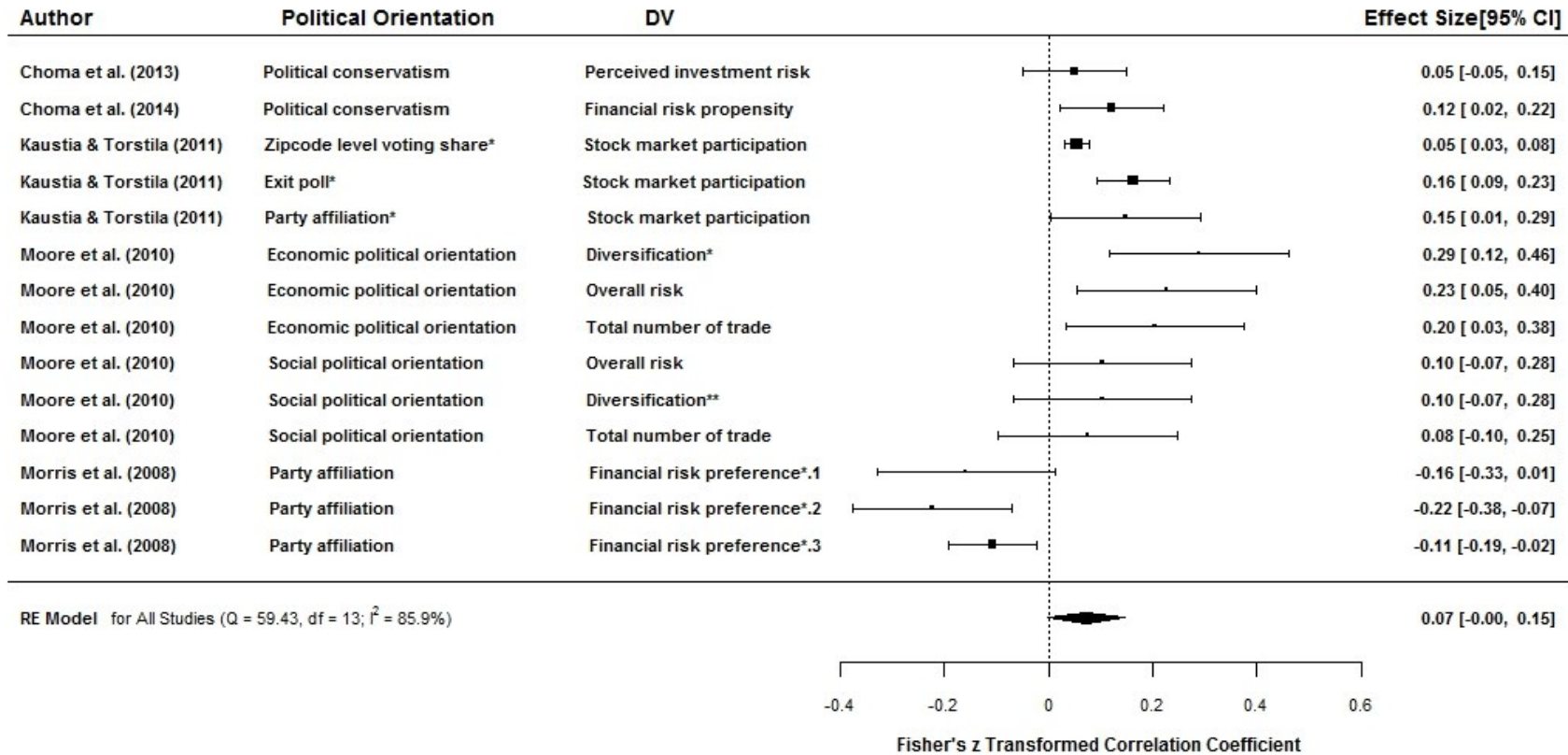
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Figure 1
 A SYSTEMATIC REVIEW OF THE LITERATURE ON INDIVIDUAL POLITICAL IDENTITY AND FINANCIAL RISK-TAKING



* Variables are reverse coded such that higher values of political orientation indicate higher levels of political conservatism and higher values of the dependent variable indicate higher levels of risk-taking.

Figure 2
SDO BY STATES

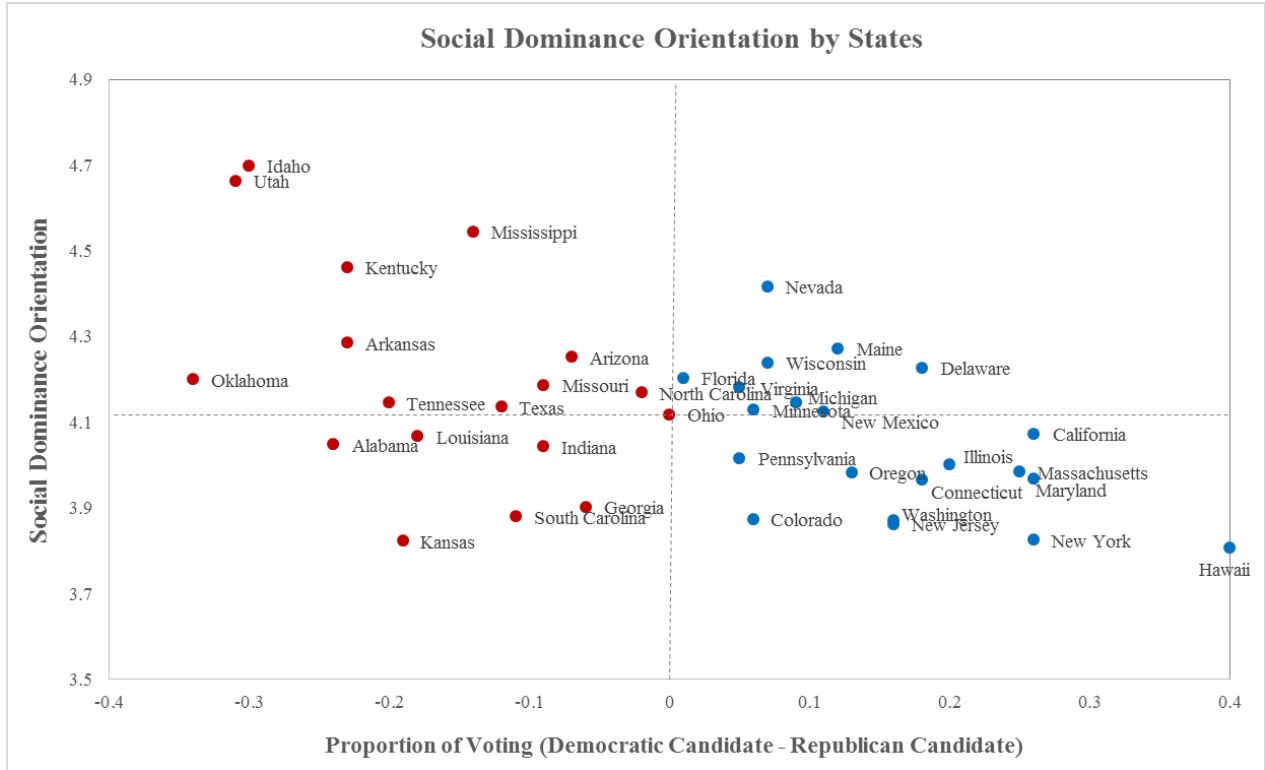


Figure 3
THE INTERACTIVE EFFECT OF POLITICAL IDENTITY AND SELF-EFFICACY ON HOUSEHOLDS' FINANCIAL RISK-TAKING (STUDY 1)

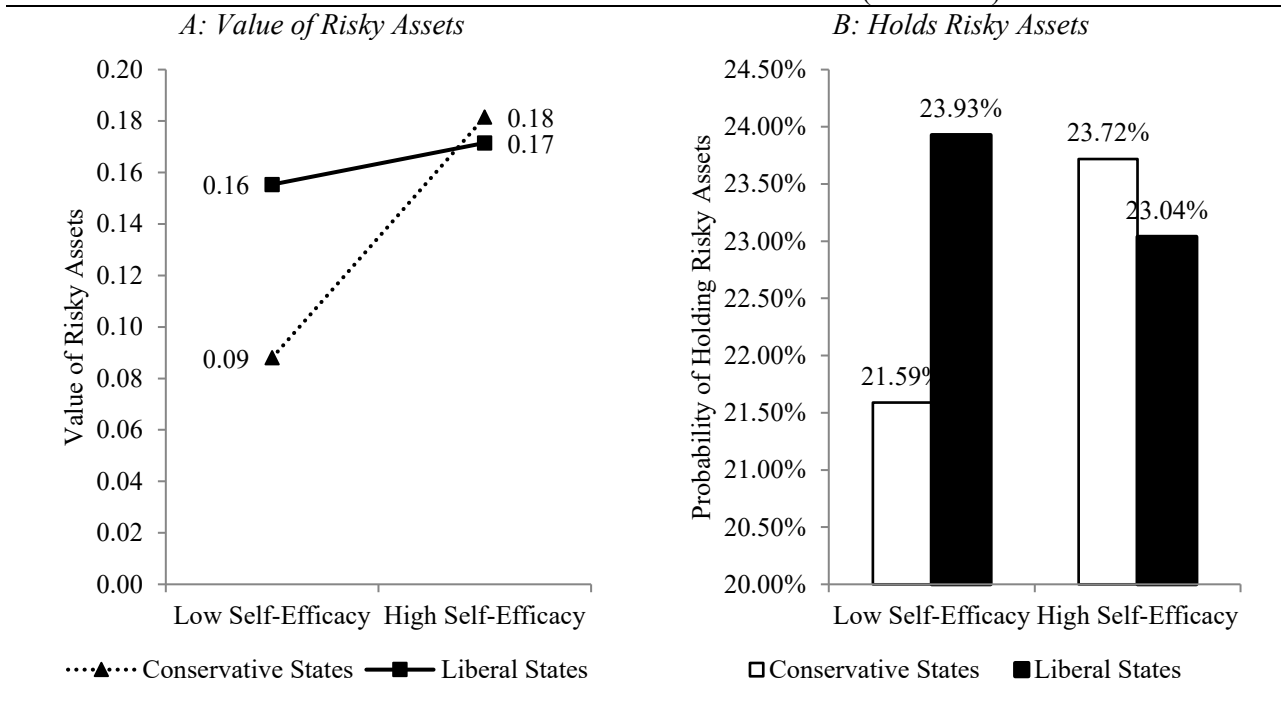


Figure 4
COMBINED INTERACTIVE EFFECTS OF POLITICAL IDENTITY AND SELF-EFFICACY
(STUDY 2A)

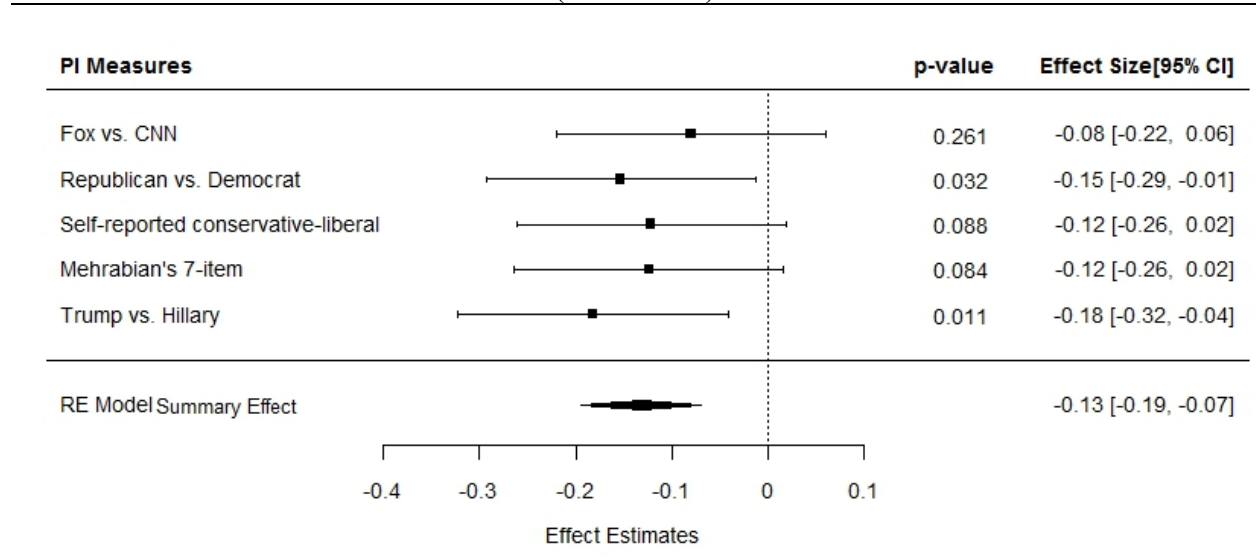


Figure 5
THE INTERACTIVE EFFECT OF MEASURED
POLITICAL IDENTITY AND SELF-EFFICACY
ON CHOICE OF RISKIER STOCK FUND (STUDY
2B)

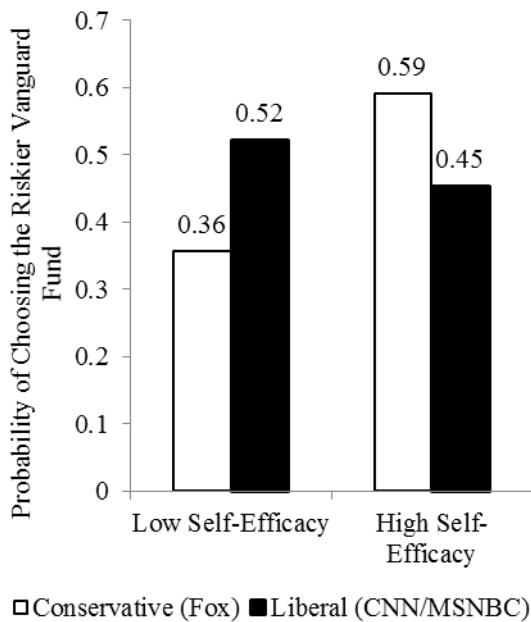


Figure 6
THE INTERACTIVE EFFECT OF MANIPULATED
POLITICAL IDENTITY AND SELF-EFFICACY
ON FINANCIAL RISK-TAKING (STUDY 3)

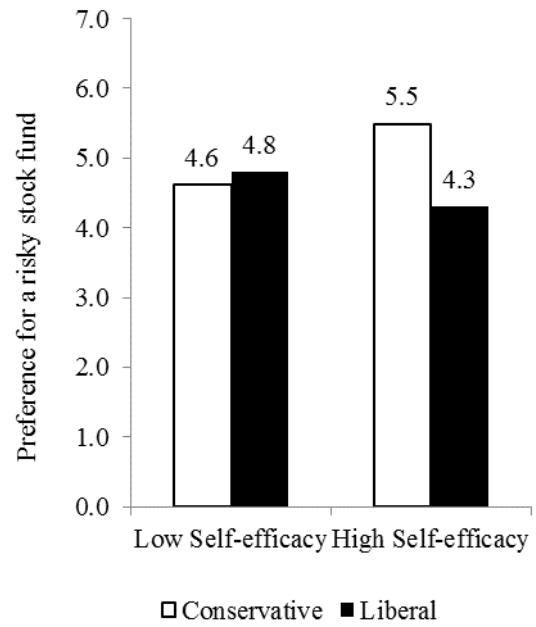


Figure 7
 THE INTERACTIVE EFFECT OF POLITICAL IDENTITY/SDO AND SELF-EFFICACY ON FINANCIAL RISK-TAKING (STUDY 4)

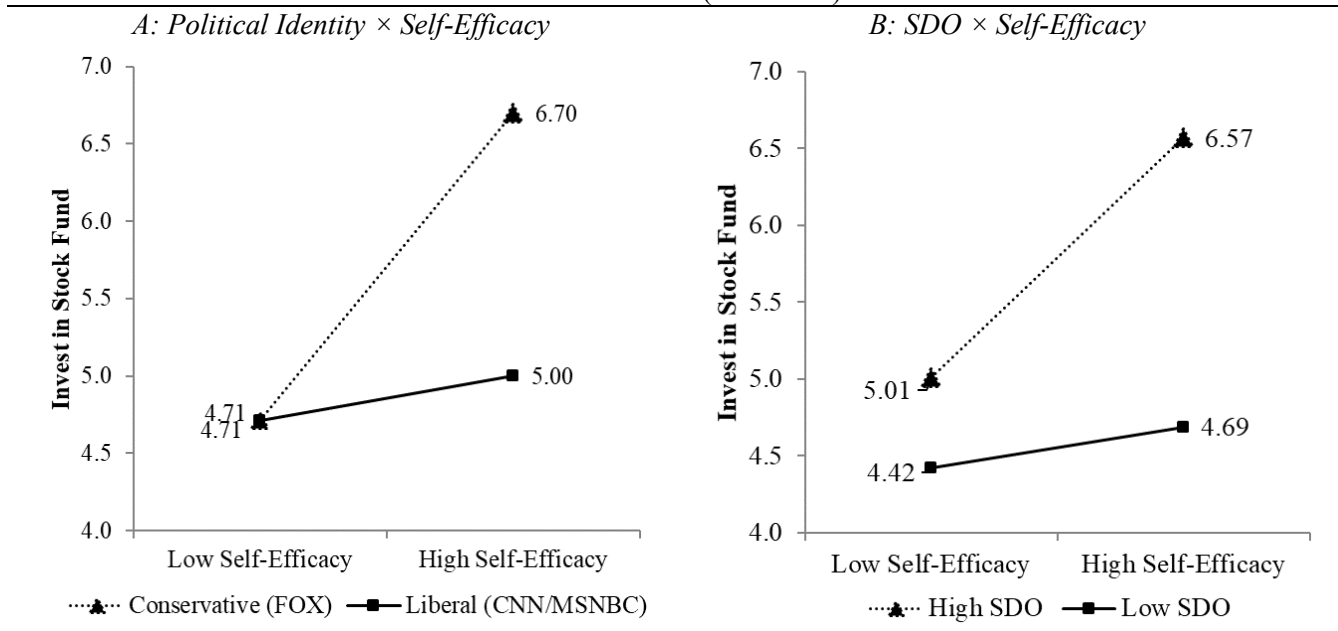
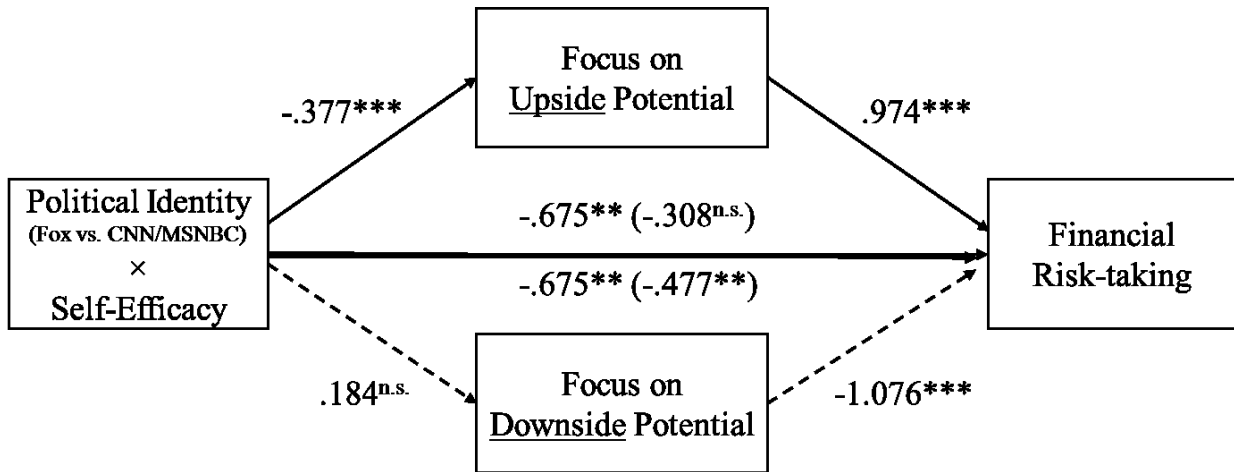


Figure 8
 MEDIATION ANALYSIS: FOX NEWS VERSUS CNN/MSNBC × SELF-EFFICACY (STUDY 4)



* $p < .10$.
 ** $p < .05$.
 *** $p < .01$.
 Notes: $ab = -.367$, 95% CI $[-.641, -.104]$.

Figure 9
 THE INTERACTIVE EFFECT OF POLITICAL IDENTITY AND SELF-EFFICACY ON FINANCIAL RISK-TAKING BY FIRM MANAGERS (STUDY 5)

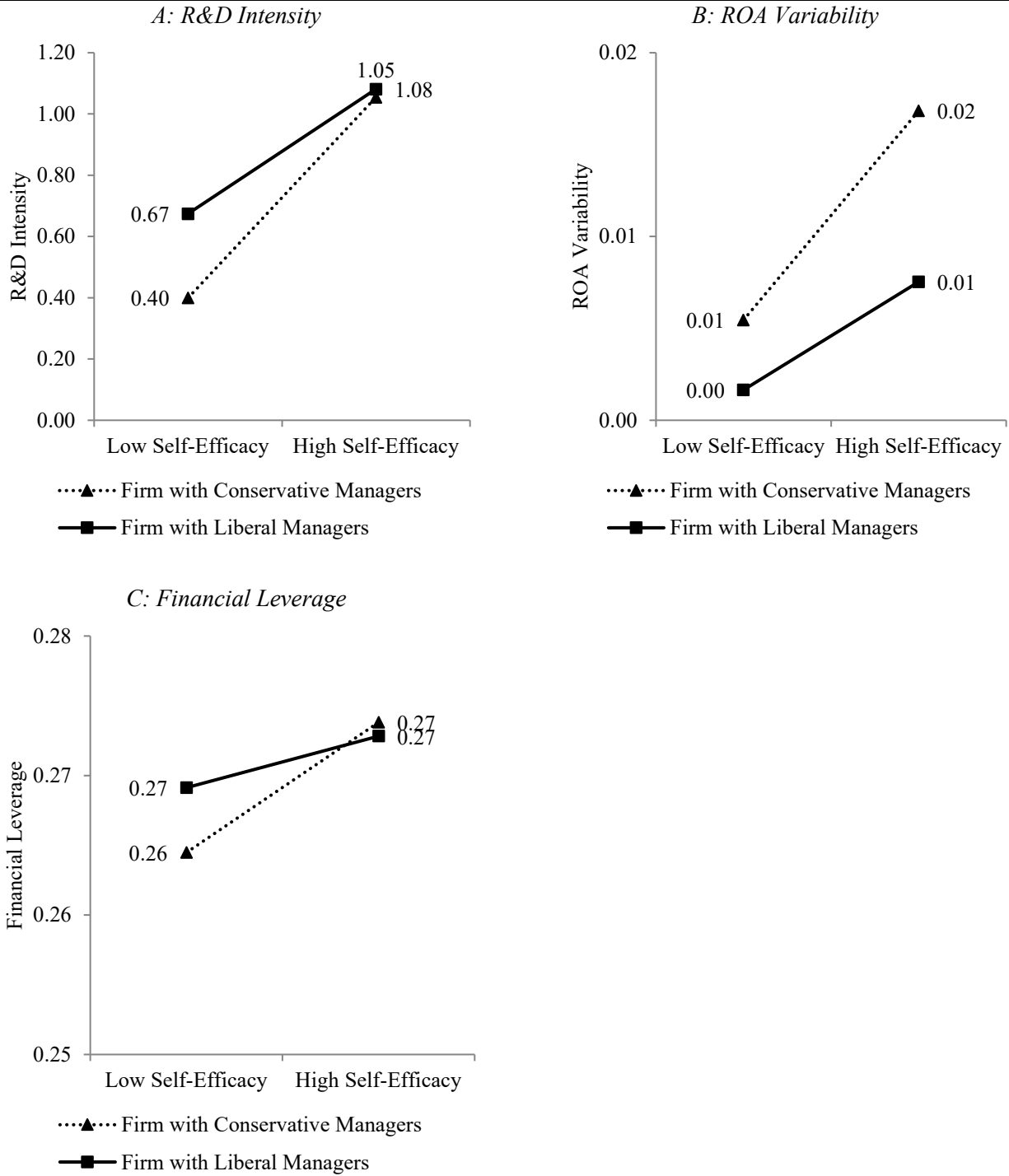


Table 1
STATE-LEVEL DESCRIPTIVE STATISTICS AND CORRELATION MATRIX
(STUDY 1 PRETEST)

	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>
1. Voting record (Democratic % – Republican %)	.005	.185		
2. Self-reported political identity	4.426	.446	.405	
3. SDO	4.123	4.700	-.534	-.612

Notes: n = 39 states. Correlations significant at $p < .05$ are in **bold**. The number of respondents for each state is as follows: California (284), Florida (148), Texas (146), New York (139), Pennsylvania (113), North Carolina (85), Illinois (78), Ohio (76), Michigan (73), Georgia (62), Virginia (60), New Jersey (56), Arizona (51), Washington (51), Missouri (50), Oregon (50), Tennessee (48), Indiana (43), Massachusetts (40), Colorado (36), Wisconsin (36), Maryland (35), Alabama (31), Minnesota (31), Kentucky (30), Connecticut (26), Louisiana (26), South Carolina (23), Oklahoma (20), New Mexico (19), Nevada (18), Kansas (17), Arkansas (14), Mississippi (14), Utah (13), Delaware (11), Hawaii (11), Maine (11), and Idaho (10).

Table 2
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (STUDY 1)

	<i>N</i>	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Value of risky assets	3,127	.13	.41																	
2. Holds risky assets	14,945	.21	.41	.01																
3. Political identity	14,945	.04	.16	.04	.02															
4. Self-efficacy	14,945	.00	.06	.07	.03	-.02														
5. Age	14,945	46.20	14.87	.18	.07	.06	-.03													
6. Female	14,945	.46	.50	-.01	-.10	-.02	-.02	.00												
7. White ^a	14,945	.83	.38	.04	.11	-.04	.00	.01	-.08											
8. Other race ^a	14,945	.06	.24	-.03	-.03	.10	.00	-.03	-.02	-.56										
9. Northeast ^b	14,945	.19	.39	.02	.01	.42	.00	.04	.00	.05	-.04									
10. Midwest ^b	14,945	.22	.42	-.05	.04	.04	.00	-.01	.00	.05	-.06	-.25								
11. South ^b	14,945	.32	.46	.01	-.06	-.39	.01	.00	.03	-.08	-.08	-.32	-.36							
12. Low income ^c	14,945	.29	.45	-.05	-.15	-.06	-.03	.06	.13	-.08	-.02	-.01	-.01	.03						
13. Middle income ^c	14,945	.30	.46	-.05	-.10	-.02	-.04	.00	.02	-.01	.00	-.02	.00	.02	-.42					
14. Low education ^d	14,945	.36	.48	-.07	-.18	.00	-.02	.12	.00	-.03	-.03	.02	.00	.04	.15	.08				
15. Mid education ^d	14,945	.21	.41	-.02	-.04	-.05	-.01	-.07	.04	.00	-.02	-.05	.00	-.01	.02	.03	-.38			
16. Married ^e	14,945	.60	.49	.05	.10	.00	.03	.04	-.25	.08	.03	.01	-.01	.00	-.22	-.11	.00	-.05		
17. Liabilities	14,945	.10	.15	.09	.10	.07	.05	-.06	-.05	.01	.08	.00	-.05	-.06	-.14	-.15	-.18	-.05	.20	
18. Total expenditures	14,945	.01	.02	.16	.13	.05	.04	.03	-.04	.03	.03	.04	-.01	-.05	-.15	-.11	-.13	-.04	.18	.30

^a The base case for race is African American.

^b The base case for residential area is the western region.

^c Low income = 0–33.33th percentile; middle income = 33.34–66.67th percentile. The base case for income is high income (66.68–100th percentile).

^d Low education = high school graduate or lower; middle education = attended some college. The base case for education is high education (college or advanced degree).

^e The base case for marital status is “other than married” (i.e., divorced, never married, separated, or widowed).

Notes: Correlations significant at $p < .05$ are in **bold**.

Table 3
THE IMPACT OF POLITICAL IDENTITY AND SELF-EFFICACY ON
HOUSEHOLDS' FINANCIAL RISK-TAKING (STUDY 1)

	<i>Value of Risky Assets</i>		<i>Holds Risky Assets</i>	
	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
Political identity (PI)	.09 *	.06	.15	.27
Self-efficacy (SE)	.22 ***	.06	.30	.33
PI × SE	-1.01 ***	.34	-4.47 **	2.10
Liabilities	.07	.05	.72 ***	.15
Total expenditures	1.78 ***	.30	7.34 ***	1.11
Age	.01 ***	.00	.02 ***	.00
Female	.00	.02	-.26 ***	.05
White	.06 *	.03	.85 ***	.10
Other race	-.03	.05	.28 **	.14
Northeast	-.03	.02	-.01	.14
Midwest	-.04 *	.02	.11	.12
South	.00	.02	-.27 **	.11
Low income	-.05 **	.02	-.98 ***	.06
Middle income	-.04 **	.02	-.68 ***	.06
Low education	-.07 ***	.02	-1.15 ***	.06
Middle education	-.02	.02	-.55 ***	.06
Married	.01	.02	.00	.05
Intercept	.15 ***	.05	-1.21 ***	.23
σ_{κ}^2	.00	.00	.04 ***	.02
σ_{τ}^2	.01 ***	.00	.18 ***	.12
σ_{ε}^2	.15 ***	.00		
-2LL	2,982.19		13,311.30	
AIC	3,024.19		13,351.30	
BIC	3,151.19		13,503.54	
<i>n</i>	3,127		14,945	

* $p < .10$.

** $p < .05$.

*** $p < .01$.

Notes: All continuous variables are centered at the mean. AIC = Akaike information criterion, BIC = Bayesian information criterion.

Table 4
THE INTERACTIVE EFFECT OF POLITICAL IDENTITY AND SELF-EFFICACY ON FINANCIAL RISK-TAKING (STUDY 2A)

<i>Measure^a</i>	<i>Fox News Versus MSNBC/CNN^b</i>	<i>Republican/Democrat^b</i>	<i>Liberal–Conservative</i>		<i>Mehrabian</i>		<i>Clinton Versus Trump</i>	
	<i>F(1, 198)</i>	<i>F(1, 198)</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
Political identity (PI)	.35	.07	1.21	1.76	3.59	3.03	.06	.04
Self-efficacy (SE)	.20	.25	.19	3.79	.40	3.78	.31	3.75
PI × SE	1.27	4.65 **	-3.96 *	2.31	-6.82 *	3.93	-.14 **	.06
Intercept			34.80 ***	2.70	34.93 ***	2.69	34.76 ***	2.67
n ^c	199	199	199		199		199	
Model F	.56	1.61	1.29		1.03		2.35 *	
R ²	.01	.02	.02		.02		.04	

* $p < .10$.

** $p < .05$.

*** $p < .01$.

^a Measures for political identity are as follows:

- Fox News vs MSNBC/CNN: From which broadcasting stations do you prefer to watch news on television?
- Republican/Democrat: Please indicate the political party with which you most identify.
- Liberal–Conservative: On the scale below, please indicate the response which best represents your political identity (1 = “strongly conservative,” 4 = “neutral [moderate],” 7 = “strongly liberal”).
- Mehrabian: seven-item scale.
- Clinton and Trump: If you were to vote today for the 2016 presidential election, how likely would you be to vote for the following candidates? (0 = “definitely would not,” 100 = “definitely would”). Political identity = Clinton – Trump.

^b We used an ANOVA and report F-statistics for the effects when we measured political identity as a binary variable.

^c Among all 200 participants, 1 participant who responded 1000% for the investment task was excluded. Therefore, the final sample size is 199.

Notes: All continuous variables are centered at the mean.

Table 5
MEDIATION ANALYSIS

A: Mediation Through Focus on Upside Potential on the Interaction Between Political Identity and Self-Efficacy (Study 4)

	<i>Model 1.</i>		<i>Model 2.</i>		<i>Model 3.</i>	
	<i>DV: Investment Likelihood</i>		<i>DV: Focus on Upside Potential</i>		<i>DV: Investment Likelihood</i>	
	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
Political identity (PI) ^a	2.73 *	1.50	1.71 **	.76	1.07	1.32
Self-efficacy (SE)	1.47 ***	.48	.86 ***	.24	.63	.42
PI × SE	-.68 **	.27	-.38 ***	.14	-.31	.24
Focus on upside potential					.97 ***	.08
Intercept	-1.22	2.67	.88	1.35	-2.08	2.32
<i>n</i>	450		450		450	
Model F	7.55 ***		8.57 ***		43.10 ***	
R ²	.05		.05		.28	

B: Mediation Through Focus on Upside Potential on the Interaction Between SDO and Self-Efficacy (Study 4)

	<i>Model 1.</i>		<i>Model 2.</i>		<i>Model 3.</i>	
	<i>DV: Investment Likelihood</i>		<i>DV: Focus on Upside Potential</i>		<i>DV: Investment Likelihood</i>	
	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
SDO	.46 ***	.12	.14 **	.06	.32 ****	.10
Self-efficacy (SE)	.36 ***	.12	.25 ***	.06	.12	.11
SDO × SE	.19 **	.09	.13 ***	.04	.07	.08
Focus on upside potential					.96 ***	.08
Intercept	5.17 ***	.16	4.97 ***	.08	.40	.43
<i>n</i>	450		450		450	
Model F	10.75 ***		2.78 ***		8.20 ***	
R ²	.07		.06		.29	

* $p < .10$.

** $p < .05$.

*** $p < .01$.

^a We measured political identity using a single item (0 = Fox News, 1 = CNN/MSNBC).

Notes: All continuous variables are centered at the mean. DV = dependent variable.

Table 6
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (STUDY 5)

	<i>n</i>	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1. R&D intensity _t	13,655	.21	5.29										
2. ROA variability _t	21,935	.01	.14	.04									
3. Financial leverage _t	23,847	.24	.20	-.02	.01								
4. Political identity _{t-1}	23,899	-.34	.69	.04	.03	-.04							
5. Self-efficacy _{t-1}	23,899	.02	.15	-.05	-.24	-.15	-.01						
6. ROA _{t-1}	23,899	.04	.15	-.11	-.29	-.15	-.03	.89					
7. Liquidity _{t-1}	23,899	2.23	1.98	.04	.04	-.26	.06	.07	.01				
8. Financial leverage _{t-1}	23,859	.23	.19	-.03	.02	.90	-.05	-.15	-.16	-.28			
9. Operating leverage _{t-1}	23,899	.32	.24	-.04	-.06	.29	-.14	-.06	-.02	-.29	.29		
10 Firm size _{t-1}	23,899	7.45	1.61	-.06	-.08	.25	.01	.04	.07	-.35	.26	.19	
11 Industry concentration _{t-1}	23,899	.26	.20	-.02	.00	-.01	-.04	-.02	.01	.00	-.01	-.19	.03

Notes: Correlation significant at $p < .05$ are in **bold**.

Table 7
THE IMPACT OF POLITICAL IDENTITY AND SELF-EFFICACY ON FIRM FINANCIAL RISK-
TAKING (STUDY 5)

	<i>R&D Intensity</i>		<i>ROA Variability</i>		<i>Financial Leverage</i>	
	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
Political identity (PI)	.11	.12	-.01 **	.00	.00	.00
Self-efficacy (SE)	1.56 **	.65	.03 ***	.01	.02 *	.01
PI × SE	-.51 **	.22	-.02 ***	.01	-.01 ***	.01
ROA	-1.88 ***	.69	-.16 ***	.01	-.04 ***	.01
Liquidity	.07 ***	.03	.00 ***	.00	.00	.00
Financial leverage	-.49	.35	.01	.01		
Operational leverage	-.60	.58	-.02 ***	.01	.09 ***	.01
Firm size	-.12	.08	-.01 ***	.00	.02 ***	.00
Competitive intensity	-.32	.50	.00	.01	.00	.01
Intercept	.80 ***	.27	.01 *	.01	.27 ***	.01
σ_v^2	.05	.21	.00 ***	.00	.01 ***	.00
σ_b^2	.24	1.50	.00 ***	.00	.01 ***	.00
σ_ε^2	43.86 ***	2.09	.02 ***	.00	.03 ***	.00
AR 1 (ρ)	.86 ***	.01	.85 ***	.00	.87 ***	.01
-2LL	73,895.85		-47,419.39		-46,775.38	
AIC	73,965.85		-47,349.39		-46,707.38	
BIC	74,229.12		-47,069.54		-46,432.68	
n	13,655		21,935		23,847	
Number of firms	1,370		2,114		2,257	
Number of industries	274		344		347	

* $p < .10$.

** $p < .05$.

*** $p < .01$.

Notes: All continuous variables are centered at the mean.

Table 8: SUMMARY OF EFFECTS (STUDIES 1–5)

<i>Study</i>	<i>Sample Size</i>	<i>Political Identity</i>	<i>Self-Efficacy</i>	<i>DV</i>	<i>Political Identity</i>			
					<i>Conservative</i>		<i>Liberal</i>	
					<i>Low SE</i>	<i>High SE</i>	<i>Low SE</i>	<i>High SE</i>
1	3,127	State-level voting record	Changes in household assets	Value of risky assets ^a in a household	.088	.182	.155	.172
1	14,945			Whether a household holds risky assets ^a	21.6%	23.7%	23.9%	23.0%
2A	199	Fox News vs. CNN/MSNBC	Manipulated financial self-efficacy	Proportion to invest in a stock fund (vs. a bank account)	33.5%	39.8%	35.7%	32.9%
2A	199	Democratic vs. Republican			30.2%	40.5%	37.5%	31.1%
2A	199	Self-reported liberal-conservative			32.8%	39.6%	36.8%	30.4%
2A	199	Mehrabian's seven-item scale			31.4%	38.5%	35.3%	32.2%
2A	199	Preferred candidate in the 2016 election			30.9%	40.8%	38.7%	29.3%
2B	300	Fox News vs. CNN/MSNBC	Schwarzer and Jerusalem's (1995) general self-efficacy	Choice of a risky fund	35.7%	59.1%	52.2%	45.4%
3	392	Manipulated	Manipulated	Preference for a stock fund (vs. bank account)	4.61	5.49	4.80	4.31
4	450	Self-reported liberal-conservative	Two-item general self-efficacy	Preference for a stock fund (vs. bank account)	4.86	6.30	4.55	4.86
4	450	Fox News vs. CNN/MSNBC			4.71	6.70	4.71	5.00
4	450	SDO			5.01	6.57	4.42	4.69
5	13,655	Manager's donation to the Democratic vs. Republican Party	Past performance of firms compared with competitors	R&D intensity	.400	1.082	.675	1.055
5	21,935			ROA variability	.005	.017	.002	.008
5	23,847			Financial leverage	.264	.274	.269	.273
G ^b	206	Self-reported liberal-conservative	Schwarzer and Jerusalem (1995)'s general self-efficacy	Proportion to invest in a stock fund (vs. bank account)	31.3%	51.1%	34.5%	31.0%
H ^b	296	Preferred candidate in the 2016 election	Schwarzer and Jerusalem's (1995) general self-efficacy	Proportion to invest in a stock fund (vs. bank account)	47.0%	68.0%	52.1%	54.3%

^a Stocks, bonds, mutual funds, and other securities.

^b These studies are described in Web Appendix G and Web Appendix H.

Notes: Numbers in each cell represent mean values. Except for Studies 2a and 3, we calculated all means based on +/-1 standard deviation of political identity and self-efficacy. NR1–NR2 indicate the two studies that we did not report in the current version of the article. DV = dependent variable.

Web Appendix A:
A REVIEW OF EMPIRICAL STUDIES ON POLITICAL IDENTITY, RISK-TAKING, AND RELATED CONSTRUCTS

<i>Study</i>	<i>Independent Variable(s)</i>	<i>Dependent Variable</i>	<i>Measure for Political Identity</i>	<i>Main Findings</i>
Carney et al. (2008)	Personality profiles	Political identity	Single-item political self-positioning scale (five-point scale) Three-item political orientation scale (five-point scale)	Liberals score higher than conservatives on openness to new experiences, while conservatives score higher than liberals on conscientiousness.
Choma et al. (2014)	Expected benefits Perceived risks	Risk propensity (financial, recreational, ethical, social, and health risk)	Single-item political self-positioning scale regarding social policy (seven-point scale) Single-item political self-positioning scale regarding economic policy (seven-point scale)	In the financial domain, conservatives show a higher risk propensity than liberals when both perceived risk and expected benefits are high. In the recreational and ethical domains, liberals show a higher risk propensity than conservatives when both perceived risk and expected benefits are high. In the social and health domains, conservatives and liberals did not show such differences.
Christensen et al. (2015)	Political orientation	Risk-taking (tax-avoidance)	Managers' political donations to Republicans relative to Democrats	Firms run by more politically conservative managers engage in less tax avoidance than firms run by more politically liberal managers.
Fay and Frese (2000)	Political conservatism	Work-related attitudes (especially antichange orientation at work)	Conservatism scale (C scale; Wilson and Patterson 1968)	Conservatism reflects an antichange orientation at work (e.g., reluctance to take responsibility, less ready to make changes at work, make fewer attempts to introduce innovations at work).

Fernandes and Mandel (2014)	Political conservatism	Variety seeking	Right-wing authoritarianism (RWA) scale (Altemeyer 1988) Manipulated political conservatism using scrambled sentences task	Political conservatism has a positive indirect effect on consumers' variety seeking through the desire for following rules. Political conservatism has a negative indirect effect on consumers' variety seeking through desire for control. Political conservatism has a positive total effect on variety seeking.
Fibert and Ressler (1998)	Political orientation	Intolerance of ambiguity	Eight-item political attitudes scale (six-point Likert scale) Single-item political party preference scale (16-point scale) Single-item political self-positioning scale (16-point scale)	Conservatives are higher in terms of intolerance of ambiguity scores than liberals.
Hutton, Jiang, and Kumar (2014)	Political orientation	Conservatism of corporate policies	Managers' political donations to Republicans relative to Democrats	Republican managers adopt and maintain more conservative corporate policies (choose lower levels of corporate debt, lower capital and R&D expenditures, or less risky investments).
Jost (2006)	Political ideology	Psychological processes Personality	Single-item political self-positioning scale (seven-point scale)	Conservatives hold more favorable attitudes toward traditional culture than liberals. Conservatives are more rigid and closed-minded, and perceive the world as more dangerous than liberals.

Jost et al. (2003)	System instability Intolerance of ambiguity Needs for order, structure, and closure Fear of threat and loss Openness to experience Uncertainty tolerance	Political conservatism	Conservatism (C) scale (Wilson and Patterson 1968) Right-wing authoritarianism (RWA) scale (Altemeyer 1988) SDO scale (Pratto et al. 1994)	Political conservatism is positively associated with system instability; intolerance of ambiguity; needs for order, structure, and closure; and fear of threat and loss. Political conservatism is negatively associated with openness to experience and uncertainty tolerance.
Jost et al. (2007)	Uncertainty avoidance Threat management Ideological self-placement (extremism)	Political conservatism	Single-item political self-positioning scale (nine-point scale)	Uncertainty avoidance and threat management contribute to political conservatism.
Khan, Misra, and Singh (2013)	Political conservatism	New product purchase	Single-item political self-positioning scale (seven-point scale) Political party affiliation (seven-point scale) County-level vote data in presidential elections	Conservative consumers rely more on national brands than on generic brands. Conservative consumers are less likely to try new products.
Lavine et al. (1999)	Authoritarianism	Perceptions of message quality	Right-wing authoritarianism (RWA) scale (Altemeyer 1988)	High authoritarians perceive threat messages as more persuasive than reward messages. High authoritarians perceive threat messages as more persuasive than the low authoritarians do.
Moore, Felton, and Wright (2010)	Social political orientation (anarchy–fascism) Economic political orientation (socialism–liberalism)	Financial risk tolerance	Political compass (http://www.politicalcompass.org/)	Financial risk tolerance is higher for individuals with a more conservative economic political orientation. Financial risk tolerance is higher for individuals with more centrist social political orientation.

Shook and Fazio (2009)	Political ideology	BeanFest Game (accept or reject a bean and receive the corresponding positive/negative score or keep the same points)	13-item ideological stances scale (e.g., abortion; five-point scale) Single-item political self-positioning scale (seven-point scale)	Conservatives pursue a more cautious strategy and are less open to novel experiences (i.e., approach fewer beans during the game).
Sidanius (1978)	Political conservatism	Intolerance of ambiguity	S4 conservatism scale (Sidanius 1975)	General conservatism and intolerance of ambiguity are positively correlated. Political-economic conservatism is positively correlated with intolerance of ambiguity.
Webster and Kruglanski (1994)	Authoritarianism	Need-for-closure scale	F scale (Adorno et al. 1950)	Authoritarianism is positively correlated with a preference for predictability, discomfort with ambiguity, preference for order, and decisiveness.

WEB APPENDIX B: LIST OF MEASURES

Table B1
LIST OF ASSETS USED TO MEASURE SELF-EFFICACY (STUDY 1)

Checking accounts
Savings accounts
Stocks, mutual funds, private bonds, government bonds, or Treasury notes
U.S. savings bonds
Cash value of life insurance
Retirement fund such as IRA or Keogh
Private pensions
Miscellaneous financial assets
<u>Business assets</u>

Notes: See Lundy (2012) for details.

Table B2
DESCRIPTION OF AND DATA SOURCE FOR CONTROL VARIABLES (STUDY 5)

<i>Variable</i>	<i>Description</i>	<i>Data Source</i>
ROA	The ratio of net income to total assets	Compustat
Liquidity	The current ratio (i.e., the ratio of current assets to current liabilities)	Compustat
Financial leverage	The ratio of long-term debt and debt in current liabilities to total assets	Compustat
Operating leverage	The ratio of fixed assets to total assets	Compustat
Firm size	The natural log of a firm's total assets	Compustat
Industry concentration	Herfindahl-Hirschmann index for firms in the same industry	Compustat

WEB APPENDIX C: SCENARIOS AND MEASURES

Study 1 (Pretest)

SDO. We adapted the SDO scale from Pratto et al. (1994) (1 = “strongly disagree,” 7 = “strongly agree”):

- We should not push for equality.
- We shouldn’t try to guarantee that all individuals have the same quality of life.
- It is unjust to try to make individuals equal.
- Equality should not be our primary goal.
- Having someone on top really benefits everybody.
- It’s probably a good thing that certain individuals are at top and others are at the bottom.
- An ideal society requires some people to be on top and others to be on the bottom.
- Some groups of people are simply inferior to others.

Baseline self-efficacy. We measured baseline self-efficacy on a seven-point scale (1 = “not at all true,” 7 = “exactly true”):

- I am confident that I could deal efficiently with unexpected financial events.
- Thanks to my resourcefulness, I know how to handle unforeseen financial situations.
- If I am in financial trouble, I can usually think of a solution.
- I can usually handle whatever comes my way financially.

General self-efficacy. We used a seven-point scale for general self-efficacy (1 = “not at all true,” 7 = “exactly true”):

- I feel I generally have the ability to handle whatever comes my way in life.
- I feel confident in my ability to cope with important changes in my life.

Study 2a

Scenario. Imagine that you have saved money over the past few years. So far, your savings have become \$5,000. Now you would like to invest the money in an investment vehicle. You are considering two investment vehicles (a bank account and a stock fund) for your savings, which are: [A] A bank account that offers a guaranteed return of 4%. [B] A stock fund that offers 45% chance of generating a return of 16%, 10% chance of generating a return of 4%, and 45% chance of incurring a loss of 8%. Among the two options, please indicate the percentage (%) of your savings you would invest in the stock fund (i.e., option B). You may write down only the number without a ‘%’ symbol or any other characters.

Financial risk-taking. The percentage (%) of my money I would invest in the stock fund is: _____%.

Political identity. We used the following five measures of political identity:

- Please indicate the response which best represents your political identity (1 = “strongly liberal,” 7 = “strongly conservative”; reverse coded) (Winterich, Zhang, and Mittal 2012).
- Please indicate the party with which you most identify (0 = Republican, 1 = Democrat).
- Mehrabian’s (1996) seven-item scale (1 = “strongly disagree,” 7 = “strongly agree”)
- From which broadcasting stations do you prefer to watch news on television? (1 = Fox News, 2 = CNN/MSNBC)
- Please indicate your likelihood of voting for the Democratic (Hilary Clinton) or Republican (Donald Trump) candidate in the 2016 presidential election on the scale provided below (0 = “definitely would not,” 100 = “definitely would”).

Financial self-efficacy. We modified Schwarzer and Jerusalem’s (1995) general self-efficacy scale to fit to the financial context as follows (1 = “not at all true,” 7 = “exactly true”):

- I am confident that I could deal efficiently with unexpected financial events.
- Thanks to my resourcefulness, I know how to handle unforeseen financial situations.
- If I am in financial trouble, I can usually think of a solution.
- I can usually handle whatever comes my way financially.

Study 2b

Scenario. You will be automatically entered to participate in a \$100 lottery. One participant will win the \$100 lottery. Should you win the \$100 lottery, in which fund would you invest the money?

- Option A: Vanguard Short-Term Inflation-Protected Securities

Product Summary: The Vanguard Short-Term Inflation-Protected Securities Fund is designed to offer investors the potential for less volatility of returns. Given its shorter duration, the fund can be expected to have less real interest rate risk, but also lower total returns relative to a longer-duration TIPS fund. This fund invests in bonds backed by the full faith and credit of the federal government and whose principal is adjusted semiannually based on inflation.



- Option B: Vanguard Emerging Markets Select Stock Fund

Product Summary: The Vanguard Emerging Markets Select Stock Fund invests in emerging market countries, including Brazil, Russia, India, and China. Stocks of companies in emerging markets tend to be more volatile than those in developed countries, which could imply the potential for greater long-term returns. Along with this potential, however, come risks such as currency and political risks.

Risk Potential:



Financial risk-taking. I would invest \$100 in:

[A] Vanguard Short-Term Inflation-Protected Securities (Less Risk, Less Reward)

[B] Vanguard Emerging Markets Select Stock Fund (More Risk, More Reward)

Political identity. From which broadcasting stations do you prefer to watch news on television? (1 = Fox News, 2 = CNN/MSNBC)

Self-efficacy. We adapted Schwarzer and Jerusalem's (1995) general self-efficacy scale (1 = "not at all true," 7 = "exactly true"):

- I can always manage to solve difficult problems if I try hard enough.
- If someone opposes me, I can find the means and ways to get what I want.
- It is easy for me to stick to my aims and accomplish my goals.
- I am confident that I could deal efficiently with unexpected events.
- Thanks to my resourcefulness, I know how to handle unforeseen situations.
- I can solve most problems if I invest the necessary effort.
- I can remain calm when facing difficulties because I can rely on my coping abilities.
- When I am confronted with a problem, I can usually find several solutions.
- If I am confronted with a problem, I can usually find several solutions.
- If I am in trouble, I can usually think of a solution.
- I can usually handle whatever comes my way.

Study 3

Political identity manipulation. We adapted the scenario from Ordabayeva and Fernandes (2018):

- Conservative (vs. Liberal) condition: Please remember a time when you were talking to or interacting with someone who was obviously more liberal (conservative) than you, and you felt that you had a more conservative (liberal) position. Please take some time think about the situation and describe it in detail, including whom you were with, what you did, what you and/or they said, how you felt, etc.

Self-efficacy manipulation. The manipulation was included as part of the financial decision scenario:

- High self-efficacy condition: Over the past few years, you have successfully managed your savings and increased it to \$20,000.
- Low self-efficacy condition: Over the past few years, you have tried to increase your asset but were not very successful and retained only the \$20,000 principal amount.

Scenario. Imagine that you have saved money over the past few years. So far, your savings have become \$20,000. Now you would like to invest the money in some investment vehicles to manage your money more efficiently. You are considering two investment vehicles (a bank account and a stock fund) for your savings which are: [A] A bank account that offers a guaranteed return of 4%. [B] A stock fund that offers 45% chance of generating a return of 16%, 10% chance of generating a return of 4%, and 45% chance of incurring a loss of 8%.

Financial risk-taking. Please indicate how likely you would invest in the stock fund (i.e., option B) on the following scale (0 = “definitely would not,” 10 = “definitely would”).

Political identity manipulation check. Please indicate the response which best represents your political identity (1 = “strongly conservative,” 7 = “strongly liberal”) (Winterich, Zhang, and Mittal 2012).

Self-efficacy manipulation check. How did you perceive your capability to manage financial asset? (1 = “very low,” 7 = “very high”)

Study 4

Focus on upside (downside) potential. When making your decision, how important was:

- Increasing (Decreasing) the possible gains (losses)
- Maximizing (Minimizing) the potential gains (losses)
- Achieving (Avoiding) the potential gains (losses)

Political identity.

- From which broadcasting stations do you prefer to watch news on television? (1 = Fox News, 2 = CNN/MSNBC)
- Please indicate the response which best represents your political identity (1 = “strongly conservative,” 7 = “strongly liberal”) (Winterich, Zhang, and Mittal 2012).

Self-efficacy. Schwarzer and Jerusalem’s (1995) general self-efficacy scale was adapted (1 = “not at all true,” 7 = “exactly true”):

- I feel I generally have the ability to handle whatever comes my way in life.
- I feel confident in my ability to cope with important changes in my life.

SDO. We adopted the scale from Ho et al. (2015) (R = reverse coded):

- Some groups of people must be kept in their place.
- It’s probably a good thing that certain individuals are at top and others are at the bottom.
- An ideal society requires some people to be on top and others to be on the bottom.
- Some groups of people are simply inferior to others.
- People at the bottom are just as deserving as people at the top. (R)
- No one group should dominate in society. (R)
- Groups of people at the bottom should not have to stay in their place. (R)

- Dominance of certain groups of people is a poor principle. (R)
- We should not push for equality.
- We shouldn't try to guarantee that all individuals have the same quality of life.
- It is unjust to try to make individuals equal.
- Individual equality should not be our primary goal. (R)
- We would work to give all individuals an equal chance to succeed. (R)
- We should do what we can to equalize conditions for different groups of people. (R)
- No matter how much effort it takes we ought to strive to ensure that all groups have the same chance in life. (R)
- Group equality should be our ideal. (R)

WEB APPENDIX D: CORRELATION TABLES FOR STUDIES 2A–4

Table D1
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (STUDY 2A)

	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1. Financial risk-taking ^a	35.171	26.659						
2. Political identity (Fox News vs. MSNBC/CNN) ^b	.663	.474	-.046					
3. Political identity (Republican/Democrat) ^b	.598	.492	-.029	.565				
4. Political identity (conservative/liberal) ^b	4.397	1.666	-.068	.535	.714			
5. Political identity (Mehrabian) ^b	4.380	.983	-.017	.567	.717	.809		
6. Political identity (Clinton/Trump) ^b	16.216	67.525	-.047	.575	.680	.671	.742	
7. Self-efficacy ^c	.508	.501	.008	-.042	-.111	-.085	-.011	-.053

^a We measured financial risk-taking as the proportion of money allocated to the stock fund.

^b Measures for political identity are as follows:

- Fox News vs. MSNBC/CNN: From which broadcasting stations do you prefer to watch news on television? (1 = CNN/MSNBC, 0 = Fox News)
- Republican/Democrat: Please indicate the political party with which you most identify (1 = Democrat, 0 = Republican).
- Conservative/Liberal: On the scale below, please indicate the response which best represents your political identity (1 = “strongly conservative,” 4 = “neutral [moderate],” 7 = “strongly liberal”).
- Mehrabian: seven-item scale.
- Clinton/Trump: If you were to vote today for the 2016 presidential election, how likely would you be to vote for the following candidates? (0 = “definitely would not,” 100 = “definitely would”). Political identity = Clinton or Trump.

^c We manipulated self-efficacy (1 = high self-efficacy, 0 = low self-efficacy).

Notes: n = 199. Correlations significant at $p < .05$ are in **bold**.

Table D2
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (STUDY 2B)

	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>
1. Financial risk-taking ^a	.490	.501		
2. Political identity ^b	.783	.413	-.002	
3. Self-efficacy ^c	5.338	.990	-.011	-.081

^a We measured financial risk-taking with the choice of Vanguard funds (1 = riskier fund, 0 = less risky fund).

^b We measured political identity by the news viewership (1 = CNN/MSNBC, 0 = Fox).

^c We measured self-efficacy using Schwarzer and Jerusalem’s (1995) 10-item scale.

Notes: n = 300. Correlations significant at $p < .05$ are in **bold**.

Table D3
DESCRIPTIVE STATISTICS BY MANIPULATION CONDITION (STUDY 3)

	<i>Political Identity Manipulation</i>		
	<i>Conservative</i>	<i>Liberal</i>	<i>Total</i>
Percentage of Fox News viewers ^a	51%	49%	49.5%
Political identity (Conservative or Liberal)	4.01 (1.89)	4.55 (1.82)	4.28 (1.87)
Percentage of extreme conservatives (bottom 2 box) ^b	28.6%	16.3%	22.5%
Percentage of extreme liberals (top 2 box) ^b	27.0%	37.7%	32.4%
Financial risk-taking	5.05 (3.20)	4.56 (3.28)	4.80 (3.24)

^a We measured this before the manipulation task to identify participant's original political identity.

^b We based this on self-reported political identity (1 = "strongly conservative," 4 = "neutral [moderate]," 7 = "strongly liberal").

Notes: n = 392. Numbers in parentheses indicate standard deviations. Values significant at $p < .05$ are in **bold** (p -value of multi-item scale is .064),

Table D4
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (STUDY 4)

	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1. Financial risk-taking ^a	5.198	3.379					
2. Political identity (conservative/liberal) ^b	4.400	1.749	-.159				
3. Political identity (Fox News vs CNN/MSNBC) ^c	.649	.478	-.144	.501			
4. SDO ^d	2.481	1.349	.202	-.508	-.364		
5. Self-efficacy ^e	5.311	1.260	.135	-.194	-.116	.078	
6. Focus on upside potential ^f	4.982	1.719	.517	-.114	-.112	.135	.173

^a We measured financial risk-taking as the preference to invest in the stock fund over bank account (1 = bank account, 11 = stock fund).

^b On the scale below, please indicate the response which best represents your political identity (1 = "strongly conservative," 4 = "neutral [moderate]," 7 = "strongly liberal").

^c From which broadcasting stations do you prefer to watch news on television? (1 = CNN/MSNBC, 0 = Fox News)

^d 16-item SDO scale (Ho et al. 2015)

^e We measured self-efficacy using Schwarzer and Jerusalem's (1995) 10-item scale.

^f We measured focus on upside potential using a three-item seven-point scale (1 = "not at all important," 7 = "extremely important").

Notes: n = 450. Correlations significant at $p < .05$ are in **bold**.

*WEB APPENDIX E: RESULTS OF DIFFERENT MEASURES OF POLITICAL IDENTITY
(STUDY 2A)*

Preferred Broadcasting Station

We conducted a 2 (political identity: Fox News vs. CNN/MSNBC) \times 2 (self-efficacy: high vs. low) ANOVA. The main effects of political identity and self-efficacy, as well as the interactive effect of political identity and self-efficacy, were statistically nonsignificant ($p > .10$). Although the results were statistically nonsignificant, the pattern of results was consistent with previous findings. Fox News viewers were more financially risk-taking in the high self-efficacy condition than in the low self-efficacy condition ($M_{\text{highSE}} = 39.81$ vs. $M_{\text{lowSE}} = 33.48$, $p = .34$), whereas CNN/MSNBC viewers showed an opposite and smaller differences in both conditions ($M_{\text{highSE}} = 32.91$ vs. $M_{\text{lowSE}} = 35.66$, $p = .56$).

Political Party Identification

To test H_1 using our second measure of political identity (i.e., the political party with which the participant most identifies), we ran a 2 (political identity: Republican vs. Democrat) \times 2 (self-efficacy: high vs. low) ANOVA. The interaction between political identity and self-efficacy was statistically significant ($F(1, 198) = 4.65$, $p < .05$). Specifically, Republicans' financial risk-taking increased with the level of self-efficacy ($M_{\text{highSE}} = 40.48$ vs. $M_{\text{lowSE}} = 30.21$, $p < .10$), whereas Democrats' financial risk-taking was invariants to the level of self-efficacy ($M_{\text{highSE}} = 31.09$ vs. $M_{\text{lowSE}} = 37.50$, $p > .10$). These results support H_1 .

Conservative–Liberal Self-Placement

We also measured political identity using a seven-point scale that asked participants to place themselves on a conservative–liberal continuum. We regressed participants' investment decision on political identity, self-efficacy, and the interaction between these two variables. The

interaction between political identity and self-efficacy was marginally significant ($\beta = -3.96, p < .10$).

Mehrabian Seven-Item Scale

We next tested H₁ through a regression analysis using Mehrabian's (1996) multi-item scale of political identity. The interaction between political identity and self-efficacy was marginally significant ($\beta = -6.82, p < .10$).

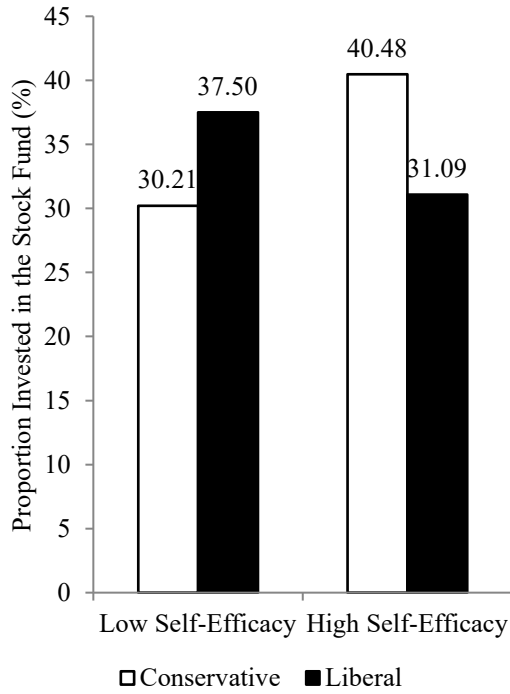
Likelihood of Voting for the Democratic Versus Republican Candidate

Finally, we tested our hypothesis by assessing participants' relative likelihood of voting for the Democratic or Republican candidate in the 2016 presidential election. The results from the regression analysis indicate a negative and statistically significant interactive effect of political identity and self-efficacy on participants' financial risk-taking ($\beta = -.14, p < .05$). A simple slope test following Aiken and West (1991) shows that Trump supporters' financial risk-taking increased with their level of self-efficacy ($\beta = 9.98, p < .10$), whereas Clinton supporters' financial risk-taking decreased with their level of self-efficacy ($\beta = -9.36, p < .10$).

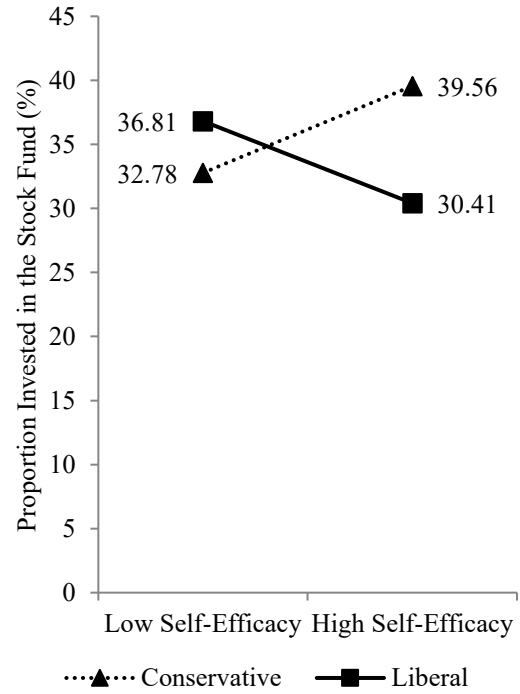
Figure E1

INTERACTIVE EFFECT OF POLITICAL IDENTITY AND SELF-EFFICACY ON FINANCIAL RISK-TAKING BY DIFFERENT MEASURES OF POLITICAL IDENTITY (STUDY 2A)

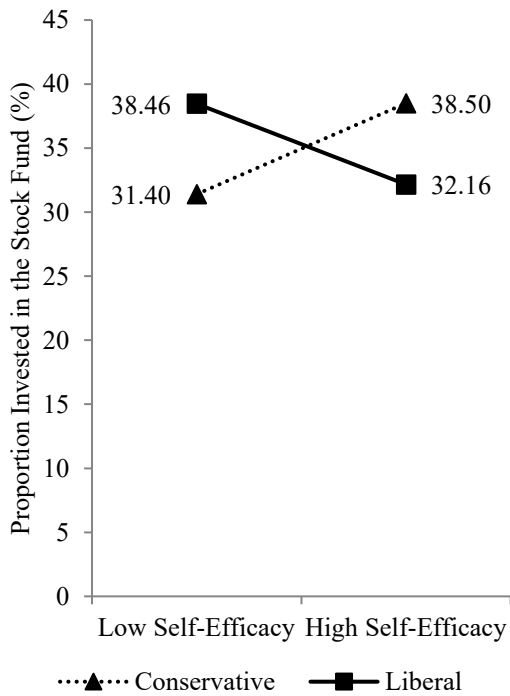
A: Party Affiliation



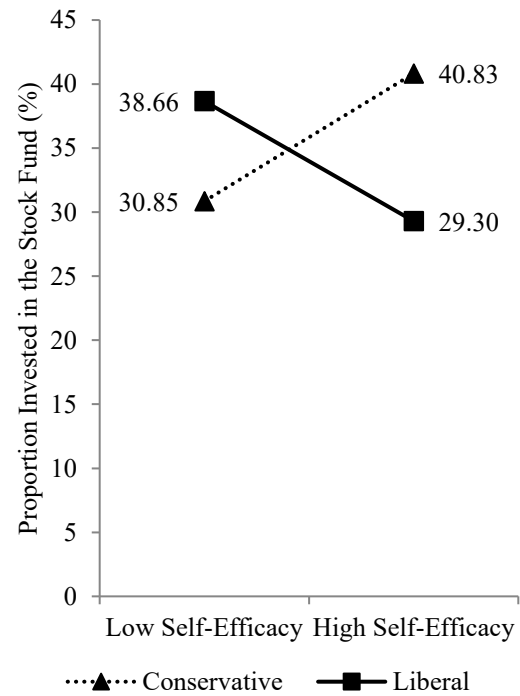
B: Self-Reported on the Conservative–Liberal Continuum



C: Mehrabian Seven-Item Scale



D: Likelihood to Vote



WEB APPENDIX F: MEDIATING ROLE OF FOCUS ON UPSIDE POTENTIAL

Table F1
MEDIATION OF FOCUS ON UPSIDE POTENTIAL ON THE INTERACTION BETWEEN
POLITICAL IDENTITY AND SELF-EFFICACY (STUDY 4)

	<i>Model 1.</i>		<i>Model 2.</i>		<i>Model 3.</i>	
	<i>DV: Investment</i>		<i>DV: Focus on Upside</i>		<i>DV: Investment</i>	
	<i>Likelihood</i>		<i>Potential</i>		<i>Likelihood</i>	
	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>	<i>Coef.</i>	<i>SE</i>
Political identity (PI) ^a	-.251 ***	.092	-.067	.046	-.185 **	.080
Self-efficacy (SE)	.347 ***	.130	.265 ***	.066	.086	.115
PI × SE	-.127 *	.070	-.117 ***	.035	-.012	.062
Focus on upside potential					.984 ***	.082
Intercept	5.143 ***	.159	4.932 ***	.080	.288	.427
n	450		450		450	
Model F	6.804 ***		9.484 ***		42.955 ***	
R ²	.044		.060		.279	

* $p < .10$.

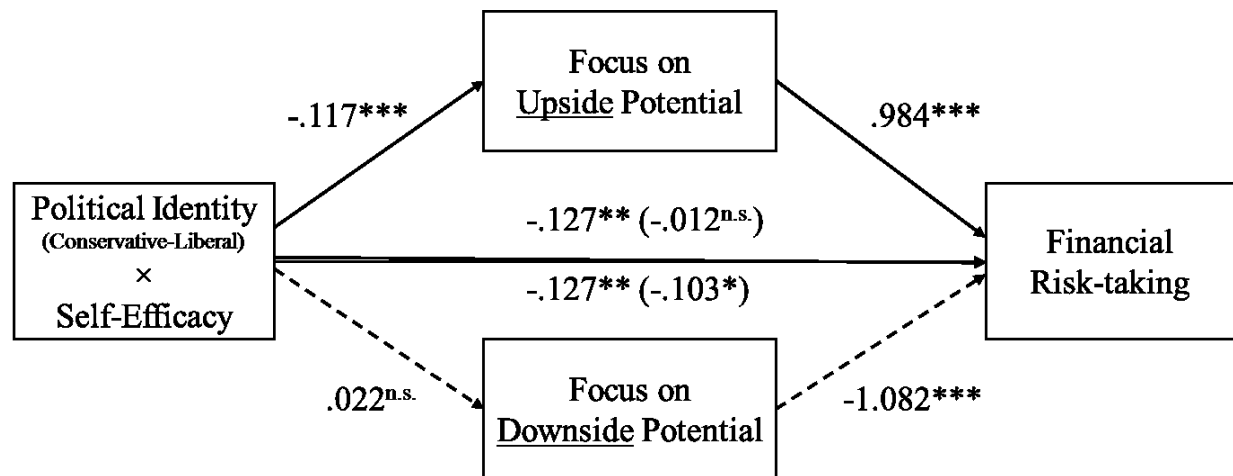
** $p < .05$.

*** $p < .01$.

^a We measured political identity using a single item (1 = “very conservative,” 7 = “very liberal”).

Notes: We centered all continuous variables at the mean. DV = dependent variable.

Figure F1
MEDIATION ANALYSIS: SELF-REPORTED POLITICAL IDENTITY × SELF-EFFICACY
(STUDY 4)



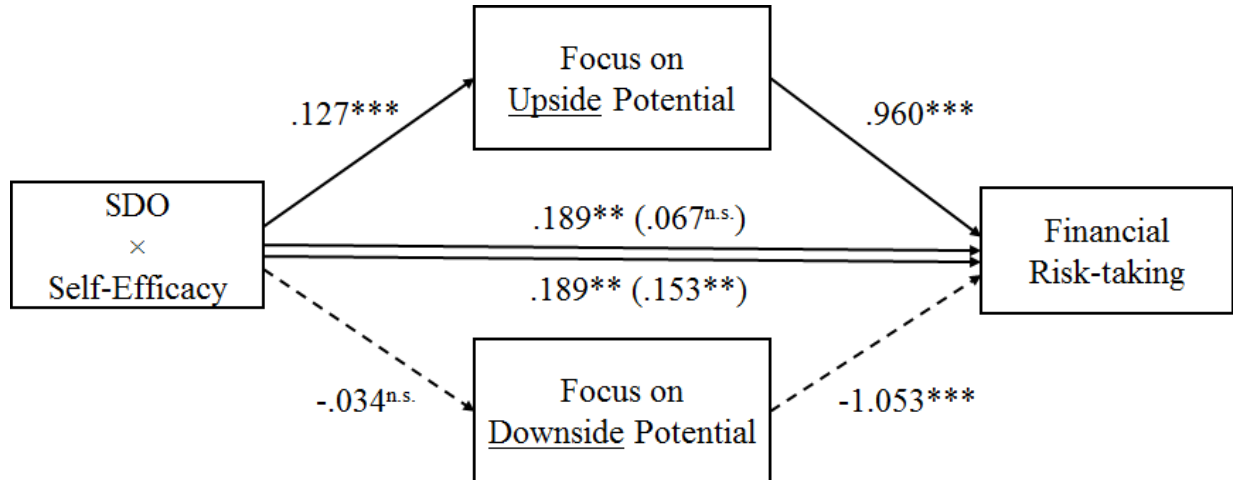
* $p < .10$.

** $p < .05$.

*** $p < .01$.

Notes: $ab = -.115$, 95% CI $[-.181, -.052]$.

Figure F2
 MEDIATION ANALYSIS: SDO × SELF-EFFICACY (STUDY 4)



* $p < .10$.

** $p < .05$.

*** $p < .01$.

Notes: $ab = .122$, 95% CI [.045, .206].

WEB APPENDIX G

Method

Participants and design. Two hundred and six consumers (49% female; M Age = 34.015 years) were recruited via Amazon Mechanical Turk for the study.

Financial risk-taking (DV). Similar to Study 2A, participants indicated the percentage of money they would invest in the riskier stock fund. A higher percentage of money allocated to the stock fund denotes higher financial risk-taking.

Political identity. We used a 7-point scale: strongly liberal (1)–strongly conservative (7) that was reverse-coded such that a higher score represents a more liberal identity.

Self-efficacy. We used Schwarzer and Jerusalem's (1995) 10-item, general self-efficacy scale ($\alpha = .94$; 1 = not at all true, 7 = exactly true).

Results

Consistent with H1, the two-way interaction between self-efficacy and political identity was statistically significant ($\beta = -3.573, p < .01$). Simple slopes analysis shows the association of self-efficacy with financial risk-taking was positive and statistically significant for conservatives ($\beta = 10.076, p < .01$). In contrast, financial risk-taking was not affected by self-efficacy ($\beta = -1.804, p > .10$) for liberals.

Discussion

Supporting H1, conservatives allocated a higher proportion of their assets to the riskier stock fund, relative to the safer bank account, as their self-efficacy increased. In contrast, liberals' financial risk-taking was invariant to their level of self-efficacy.

WEB APPENDIX H

Method

Participants and design. A total of 296 participants (45% female; M Age = 35.997 years) were recruited from Amazon Mechanical Turk. The design was identical to Study 4 except that this study did not measure SDO. After filling the investment scenario, participants provided measures of their focus on upside potential, the proposed mediator. Next, they filled out measures of political identity, self-efficacy, and demographics.

Financial risk-taking. Participants indicated their preference for investing \$20,000 in a stock fund versus bank account on a slider scale: bank account (0), indifferent (500), and stock fund (1,000). Note that the specific numeric values on this scale were not presented to the participants. The distance from the zero was the dependent variable such that a higher value indicates a higher level of financial risk-taking.

Focus on upside potential. Focus on upside potential was measured using the same six items as in Study 4 ($\alpha = .88$) with a higher value indicating a higher focus on upside potential.

Political identity. With the approaching 2016 presidential election in the U.S. at the time of the study, we measured political identity by asking participants to indicate how likely they would be to vote for Hillary Clinton and Donald Trump on a 100-point scale (0 = definitely would not, 100 = definitely would), if the 2016 presidential election were held today. The difference between the two candidates measured political identity; a higher value indicates a liberal political identity.

Self-efficacy. We used Schwarzer and Jerusalem's (1995) self-efficacy scale ($\alpha = .94$).

Results

The two-way interaction between political identity and self-efficacy is statistically significant ($\beta = -.886, p < .05$). The simple slope test supports H1. Among conservatives, self-

efficacy has a statistically significant and positive effect on financial risk-taking ($\beta = 110.310, p < .01$). Among liberals, financial risk-taking is invariant to self-efficacy ($\beta = 11.594, p > .10$).

Thus, the results fully support H1.

The mediating role of focus on upside potential (H2). H2 posits that the interactive effect of political identity and self-efficacy on financial risk-taking is mediated by the differential focus on upside potential by conservatives versus liberals. We conducted a moderated mediation analysis using the PROCESS macro (Hayes 2013, Model 8). Results from 5,000 bootstrapped samples indicated that the interaction has a significant indirect effect on financial risk-taking through focus on upside potential ($ab = -.754; 95\% \text{ CI } [-1.285, -.233]$).

We examined the indirect effects within each political identity to assess the moderated mediation. Among conservatives, mediation through focus on upside potential was statistically significant ($ab = 106.387, 95\% \text{ CI } [73.580, 140.882]$). In contrast, among liberals, mediation through focus on upside potential was statistically non-significant ($ab = 22.407, 95\% \text{ CI } [-30.090, 74.331]$).

Discussion

In addition to confirming H1, this study tests the underlying process showing that self-efficacy motivates financial risk-taking through the increased focus on upside potential among conservatives but not among liberals. Therefore, both H1 and H2 are supported.

WEB APPENDIX G: REFERENCES FOR WEB APPENDICES

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