

Web Appendix for
*Capitalizing on Partisan Politics? The Political Economy of Sector-Specific
Redistribution in Germany*

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October 2, 2009

This appendix contains descriptive statistics, results from pre-estimation stationarity tests, and additional robustness checks. Due to space constraints, these are not reported in detail in the paper.

Table A1: Descriptive statistics

| | Mean | Min | Max | Std.dev. |
|----------------------------------|----------|----------|-----------|----------|
| Defense Sector | | | | |
| Return | 0.0615 | -24.6681 | 51.7542 | 3.5383 |
| Trading Volume | 4,417.05 | 30.00 | 68,639.40 | 4,141.40 |
| Pharmaceutical Sector | | | | |
| Return | 0.0436 | -9.2116 | 7.7235 | 1.3033 |
| Trading Volume | 736.44 | 7.00 | 23,969.00 | 1,103.55 |
| Alternative Energy Sector | | | | |
| Return | 0.2554 | -34.2414 | 60.0194 | 7.3576 |
| Trading Volume | 312.21 | 2.30 | 6,498.10 | 551.32 |
| Consumer Sector | | | | |
| Return | 0.0447 | -7.2777 | 5.7509 | 1.0203 |
| Trading Volume | 430.22 | 2.00 | 17,641.00 | 873.30 |
| Other Variables | | | | |
| Dow Jones Returns | 0.0435 | -7.4541 | 6.1543 | 1.0006 |
| Interest Rate | 4.2151 | 1.4000 | 9.8000 | 2.1719 |
| Inflation Rate | 2.0949 | 0.2000 | 6.3200 | 1.3811 |

| | | | | |
|-----------------------------|---------|--------|----------|---------|
| $Pr_r(Right)$ | 46.8891 | 0.0000 | 99.3430 | 16.2687 |
| $Pr_r(Left)$ | 53.1109 | 0.6570 | 100.0000 | 16.2687 |
| Electoral Uncertainty | 89.0290 | 0.0000 | 100.0000 | 18.2262 |
| 2 nd Chamber-CDU | 32.1864 | 24.000 | 51.000 | 6.1788 |
| 2 nd Chamber-SPD | 36.5130 | 18.000 | 45.000 | 6.0692 |

Mean, min, max, and standard deviation (Std.dev.) in percentages except for trading volume (in '000). For all sector series the number of return observations is $T = 3,615$ except for the alternative energy sector ($T = 1,790$).

Table A2: Results of unit root test for interaction terms

| Sectors | Augmented Dickey-Fuller (ADF) Test in Levels | | | Phillips-Perron (PP) Test in Levels | | |
|--|---|-------------------------------|-------------------------------|--|--------------------------------|--------------------------------|
| | ADF | ADF _α | ADF _{αβ} | PP | PP _α | PP _{αβ} |
| Defense Log[TV x Pr _i (Right)] | | | -8.161 ^{***} (10) | | | -26.013 ^{***} (28) |
| Pharmaceuticals Log[TV x Pr _i (Right)] | | -5.853 ^{***} (10) | | | -17.198 ^{***} (25) | |
| Alternative Energy Log[TV x Pr _i (Left)] | | | -5.241 ^{***} (10) | | | -16.951 ^{***} (23) |
| Consumers Log[TV x Pr _i (Left)] | | | -2.762 (10) | | | -8.713 ^{***} (26) |

ADF and PP denote the augmented Dickey-Fuller *t*-tests and Phillips-Perron test for stationarity, where ADF_{αβ}/PP_{αβ}, ADF_α/PP_α, and ADF/PP represent unit root tests with trend and intercept, intercept, and neither trend nor intercept, respectively. ^{***}, ^{**}, and ^{*} denote significance at the 1%, 5%, and 10% levels (unit root is the null hypothesis). MacKinnon's (1996) critical values are used for the ADF test. For each time series, the appropriate model is chosen by minimizing the values of the Akaike information criterion (AIC); lag orders in the ADF equations for each time series are determined by the significance of the coefficient for the lagged terms and are given in parentheses; lag length selection for the PP unit root tests is based on the Newey and West (1994) bandwidth using the Bartlett kernel; the bandwidths are given in parentheses.

Table A3: GARCH models for control sectors

| Parameters | Construction & Materials | | | Financials | | | Chemicals | | | Electricity | | |
|--|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | I | II | III | IV | V | VI | VII | VIII | IX | | | |
| Mean equation | | | | | | | | | | | | |
| $\Delta Pr_t (Right)$ | -0.010 (0.008) | | 0.009 (0.016) | | | -0.002 (0.009) | | | | | | -0.001 (0.003) |
| $\Delta Pr_t (Lef)$ | | 0.009 (0.010) | | 0.004 (0.049) | | | 0.012 (0.021) | | | | | 0.001 (0.008) |
| $\Delta Trading$ Volume | 0.000** (0.000) | 0.000* (0.000) | 0.002*** (0.000) | 0.001 (0.006) | | -0.000 (0.002) | -0.000 (0.001) | | | | | 0.000*** (0.000) |
| Trading Volume x $Pr_t (Right)$ | 0.010 (0.012) | | 0.008 (0.014) | | | 0.013 (0.015) | | | | | | 0.008 (0.006) |
| Trading Volume x $Pr_t (Lef)$ | | -0.016 (0.010) | | 0.016 (0.014) | | | | | | | | 0.007 (0.006) |
| Marginal effect(expected government partisanship) | -0.000 (0.014) | -0.007 (0.013) | 0.017 (0.012) | 0.021 (0.041) | 0.011 (0.016) | 0.012 (0.025) | 0.007 (0.006) | 0.007 (0.006) | 0.008 (0.006) | 0.007 (0.006) | 0.008 (0.010) | 0.008 (0.010) |
| ΔDow Jones _{t-1} | 0.252*** (0.019) | 0.252*** (0.019) | 0.336*** (0.028) | 0.354*** (0.028) | 0.323*** (0.028) | 0.313*** (0.028) | 0.048*** (0.009) | 0.044*** (0.009) | 0.048*** (0.009) | 0.048*** (0.009) | 0.044*** (0.009) | 0.044*** (0.009) |
| $\Delta Inflation$ | 0.009 (0.007) | 0.007 (0.007) | -0.006 (0.008) | -0.005 (0.014) | 0.006 (0.022) | 0.003 (0.017) | 0.000 (0.004) | 0.001 (0.004) | 0.000 (0.004) | 0.000 (0.004) | 0.001 (0.004) | 0.001 (0.004) |
| Monday | 0.025 (0.038) | 0.029 (0.039) | 0.043 (0.035) | 0.034 (0.192) | 0.111 (0.067) | 0.106* (0.055) | -0.010 (0.020) | -0.010 (0.020) | -0.010 (0.020) | -0.010 (0.020) | -0.005 (0.022) | -0.005 (0.022) |
| $\Delta 2^{nd}$ Chamber-CDU | -0.017 (0.108) | | -0.088* (0.051) | | 0.311*** (0.103) | | 0.26* (0.118) | | | | | |
| $\Delta 2^{nd}$ Chamber-SPD | | -0.011 (0.023) | | -0.026* (0.014) | | | | | | | | |
| Early Election 2005 | 0.520** (0.259) | 0.499** (0.242) | 0.127 (0.105) | 0.262** (0.103) | 0.236* (0.134) | 0.205 (0.135) | 0.322* (0.175) | 0.322* (0.175) | 0.322* (0.175) | 0.322* (0.175) | 0.273 (0.176) | 0.273 (0.176) |
| Constant | -0.055 (0.046) | 0.045 (0.041) | -0.024 (0.106) | -0.070 (0.095) | -0.066 (0.085) | 0.012 (0.071) | 0.023 (0.015) | 0.023 (0.015) | 0.023 (0.015) | 0.023 (0.015) | 0.026 (0.015) | 0.026 (0.015) |
| Variance equation | | | | | | | | | | | | |
| $\hat{\alpha}$ | 0.109*** (0.015) | 0.123*** (0.021) | 0.135*** (0.022) | 0.133 (0.200) | 0.126*** (0.032) | 0.115*** (0.028) | 0.078*** (0.015) | 0.078*** (0.015) | 0.078*** (0.015) | 0.078*** (0.015) | 0.069*** (0.015) | 0.069*** (0.015) |

| | | | | | | | | |
|--------------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| $\hat{\beta}$ | 0.860*** (0.023) | 0.820*** (0.033) | 0.850*** (0.025) | 0.809*** (0.292) | 0.815*** (0.067) | 0.825*** (0.063) | 0.901*** (0.020) | 0.900*** (0.024) |
| $\Delta Pr_t(Right)$ | -0.005 (0.007) | -0.003 (0.005) | -0.002 (0.005) | 0.012 (0.036) | 0.056*** (0.011) | -0.043** (0.019) | 0.005*** (0.001) | -0.007*** (0.002) |
| $\Delta Pr_t(Left)$ | 0.004*** (0.000) | 0.004*** (0.000) | 0.003* (0.002) | 0.005 (0.008) | 0.006* (0.003) | 0.006** (0.003) | 0.000*** (0.001) | 0.000*** (0.001) |
| $\Delta Trading Volume$ | 0.007** (0.003) | 0.016*** (0.004) | 0.006 (0.005) | 0.017 (0.042) | 0.009 (0.013) | 0.024 (0.016) | 0.002 (0.001) | 0.003** (0.001) |
| Trading Volume x $Pr_t(Right)$ | 0.003 (0.007) | 0.013** (0.007) | 0.003 (0.009) | 0.029 (0.077) | 0.065*** (0.018) | -0.019 (0.021) | 0.007*** (0.002) | -0.004 (0.003) |
| Trading Volume x $Pr_t(Left)$ | 0.028* (0.016) | 0.008 (0.024) | 0.020 (0.023) | -0.022 (0.038) | 0.010 (0.041) | -0.000 (0.033) | -0.007 (0.005) | -0.007 (0.005) |
| Electoral Uncertainty | 0.000 (0.001) | -0.002 (0.002) | -0.004*** (0.002) | -0.006* (0.003) | -0.010 (0.008) | -0.019 (0.012) | -0.001** (0.001) | -0.001** (0.001) |
| Interest Rate | 0.010 (0.103) | -0.028 (0.018) | -0.052*** (0.020) | -0.002 (0.013) | -0.017 (0.111) | 0.030 (0.024) | -0.039 (0.036) | -0.011 (0.009) |
| $\Delta 2^{nd}$ Chamber-CDU | 0.233 (0.269) | 0.302 (0.283) | -0.039*** (0.011) | -0.069 (0.042) | -0.102* (0.062) | -0.083 (0.051) | 0.162* (0.093) | 0.098** (0.098) |
| Early Election 2005 | 0.028** (0.012) | 0.043*** (0.016) | 0.023 (0.036) | 0.079*** (0.028) | 0.210*** (0.077) | 0.124** (0.060) | 0.011** (0.004) | 0.012** (0.005) |
| Diagnostics | | | | | | | | |
| AIC | 2.910 | 2.915 | 2.846 | 3.010 | 3.325 | 3.289 | 1.763 | 1.754 |
| SIC | 2.953 | 2.958 | 2.888 | 3.053 | 3.368 | 3.332 | 1.806 | 1.797 |
| LogL | -5,232.83 | -5,242.72 | -5,116.93 | -5,414.08 | -6,524.33 | -5,917.55 | -3,161.09 | -3,144.72 |

Estimations are based on T = 3,615 return observations; coefficients shown with Bollerslev and Wooldridge semi robust standard errors in parentheses. ***, **, and * denote statistical significance at .01, .05, and .10 level, respectively. The mean and the variance equation of models I-IX include additional indicator variables controlling for the crisis of the European monetary system in September 1992, the terrorist attacks on September 11th 2001, and state elections (coefficients not shown to conserve space).

Figure A1: Daily defense, alternative energy, pharmaceutical, and consumer sector returns (continuously compounded)

