Supplementary Material

Appendix for "The Political Origins of Exchange Rate Valuations"

Appendix Tables

Appendix Figures

Survey Experiment

Sample countries

The five countries selected for our survey experiment did not peg per se their exchange rates during most of the post-Bretton Woods period (Klein and Shambaugh 2009). Australia, Japan, and the U.S. had flexible rates for the whole period; India and Mexico only pegged for 2 and 5 years, respectively, but in the distant past. According to Reinhart and Rogoff (2004), however, some of these countries have managed their exchange rates to varying degrees: India, especially, and Mexico are de facto more interventionist than the others. The countries also differ on additional dimensions, such as their level of development or trade dependence. Trade as a percentage of GDP, for instance, was 44% for Australia, 37% for India, 78% for Mexico, 23% for the U.S., and 31% for Japan in 2020.

We cannot hold these other country characteristics entirely constant, as our design requires us to select democratic countries across the spectrum of exchange rate valuations, but democratic countries also tend to cluster in the 'safe zone.' We take trade dependence into account when we discuss the survey results for each country, especially Mexico and India.

We simulated the evolution of the exchange rate using an AR(1) model and a series of daily random shocks. To make it as realistic as possible, we used real-world data from the five countries to estimate the AR(1) coefficient and the variance of the shocks, which were then used as benchmarks for the simulation. To ensure comparability across countries, we adjusted the country-specific parameters to make the simulated depreciation / appreciation in the graphs the same for all countries. To simulate appreciation (depreciation), we added an upward (downward) trend to the model. The control scenario does not include a time trend.

Experiment Details

Intro Screen

Now, we would like to ask you about your views on the Australian Dollar (AUD) and its exchange rate with the other major currencies of the world, notably the US Dollar (USD).

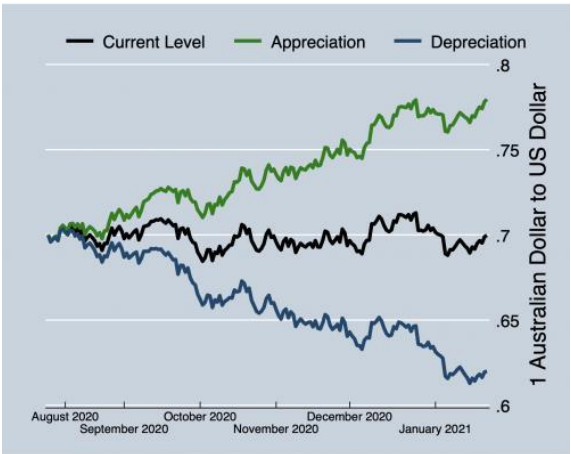
The current exchange rate is 0.70 US dollars per 1 AUD. This means that you get 0.70 US dollars for 1 Australian Dollar. This exchange rate could develop in different ways in the future.

A) The exchange rate can depreciate, which means that you get fewer US Dollars for 1 Australian Dollar. As a result, exports of Australian products to foreign countries are likely to increase, but prices for foreign goods in Australia are likely to increase as well. The blue line in the figure below illustrates this scenario.

B) The exchange rate can appreciate, which means that you get more US Dollars for 1 Australian Dollar. As a result, exports of Australian products to foreign countries are likely to decrease, but prices for foreign goods in Australia are likely to decrease as well. The green line in the figure below illustrates this scenario.

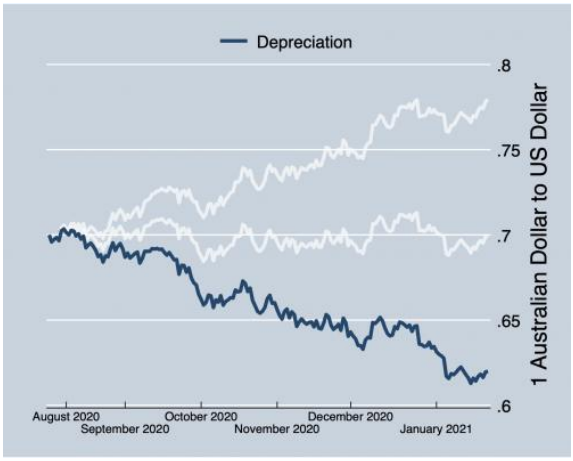
C) The exchange rate can remain near its current level, which means that you get the same amount of US Dollars for 1 Australian Dollar as today. As a result, exports of Australian products to foreign countries and prices for foreign goods in Australia are likely to remain as they are today.

The black line in the figure below illustrates this scenario.



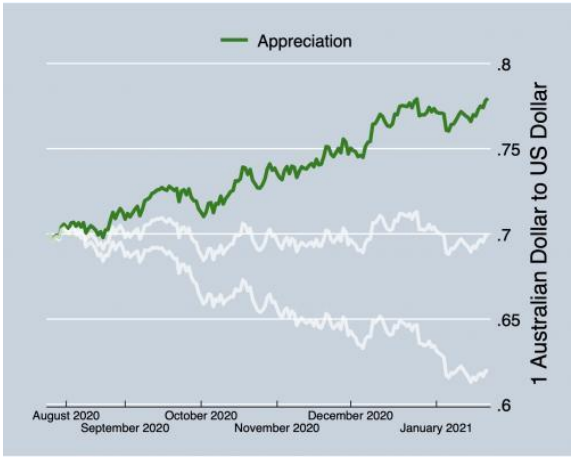
Vignette 1: Depreciation

Imagine the exchange rate of the Australian Dollar vis-à-vis the major currencies of the world depreciated considerably. The following graph illustrates how the exchange rate (1 Australian Dollar to US Dollar) could develop.



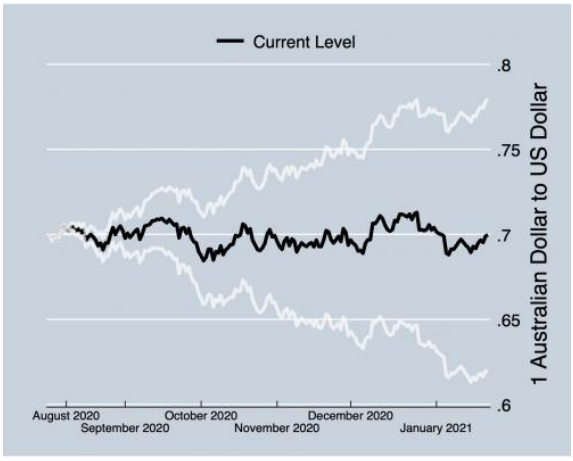
Vignette 2 : Appreciation

Imagine the exchange rate of the Australian Dollar vis-à-vis the major currencies of the world appreciated considerably. The following graph illustrates how the exchange rate (1 Australian Dollar to US Dollar) could develop.

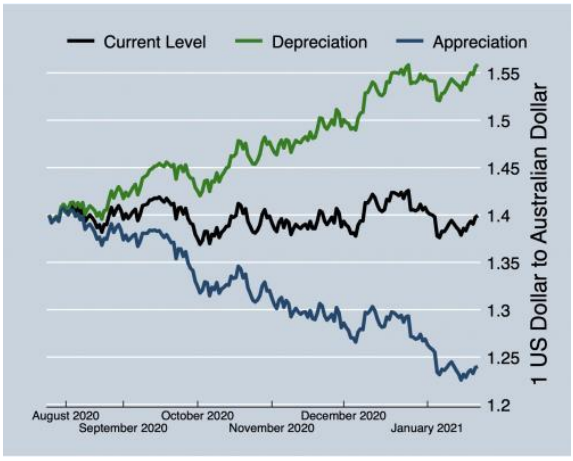


Vignette 3: Unchanged XR (Control)

Imagine the exchange rate of the Australian Dollar vis-à-vis the major currencies of the world remains near its current level. The following graph illustrates how the exchange rate (1 Australian Dollar to US Dollar) could develop.



Reverse Graph



Robustness

Figure A21 does not illustrate major differences in evaluations of the elected government vs. the central bank. Figure A29 suggests that our results are not simply an artifact of a particular visual illustration of appreciating and depreciating exchange rates, since the general difference across countries is the same for respondents with the standard and reverse illustrations of the exchange rate movements.

Sectoral Effects

In additional analyses, we examine the extent to which the responses are consistent with standard political economy approaches to defining the exchange rate. Specifically, we assess how an individual's sector of employment affects their views on exchange rates (Frieden 1991). To identify the tradeables sectors, we match each respondent's employment sector with Standard International Trade Classification (SITC) categories. For our analyses, we use a narrow definition

of the tradeables sector that only includes respondents who indicate that they work in Manufacturing, Mining, and Agriculture. We also use a wider definition that adds respondents who work in Legal services, IT and Finance and Insurance to the tradeables sector.[1] The exact coding of the employment sectors is as follows:

- Agriculture, forestry, fishing, or hunting (1)
- Real estate or rental and leasing (2)
- Mining (3)
- Educational services and scientific and technical research (4)
- Utilities, waste management and cleaning services (5)
- Legal or accounting services or management consulting (6)
- Construction (7)
- Manufacturing (8)
- Health care or social assistance (9)
- Retail or wholesale trade (10)
- Arts, entertainment or recreation (11)
- Transportation, logistics or warehousing (12)
- Hotel, accommodation, restaurant or food services (13)
- Information technology (IT) (14)
- Other services (except public administration) (15)
- Finance or insurance (16)
- Government and public services (17)
- Other (18)

To examine how sectoral affiliation affects voter evaluations, we interact the exchange rate treatments with the sectoral employment variable. This interaction captures how sectoral affiliation mediates respondents' assessments of changes in the exchange rate. Following Frieden (1991), we expect respondents from the tradeables sector to prefer depreciations to appreciations: employees in the export-oriented sector benefit from depreciations because their firms become more competitive on foreign markets; employees in the import-competing sector also benefit from depreciations because foreign firms become less competitive on the domestic market. We also include controls for other factors that may affect government evaluations,

[1] Respondents often struggle to classify themselves in a more complex sectoral employment scheme in online surveys. In our study, around 20% of respondents classified their sector as "Other." According to the narrow (wide) definition of the tradeables sector, nearly 10% (around 23%) of respondents are directly employed in this sector.

including support for the current government in each country, gender and age. The results are in Figures A22 and A24 and discussed in the text.

As an alternative approach to identify sectoral interests, we also examine the revealed comparative advantage of each country using sectoral export data. These data show which sectors listed above contribute most to a country's exports. We use data from the observatory of economic complexity and the UN Comtrade database to tag the industries in which each county has a 'revealed comparative advantage' (RCA) in exports. A country has an RCA in industry *i* if the country's share of exports accounted for by industry *i* exceeds the global share of exports accounted for by industry *i* (see https://oec.world/ and https://comtradeplus.un.org/). In this alternative coding scheme, the following sectors of the list above were identified as revealed comparative advantage sectors:

- Australia: 1, 3, 4, 6, 8, 16
- India: 3, 6, 8, 14, 16
- Japan: 4, 6, 8, 14, 16
- Mexico: 1, 3, 8
- US: 1, 3, 4, 6, 8, 14, 16

The results are in Figures A23 and A25 and discussed in the text. In short, there are no major differences between the two coding schemes.

Instrumental Variable Regressions for Table A11

Our instrumental variables (IV) strategy is to exploit global waves of democratization (and reversals) as a source of exogenous variation in the strength of democracy. Our instrument for democracy is the lagged jackknifed averages of global democracy, which is the global average Polity (or *Polcomp*) score net of country *i*. Our approach assumes that democratic governance spreads in global waves, but that these waves do not affect the real exchange rate in country *i* except through their effects on democracy in country *i.* Based on this logic, we use lagged values of global democracy net of country *i* to instrument for democracy in country *i* while also

conditioning on lagged values of our dependent variables and other covariates.[2] Appendix Table A7 reports the first-stage results. The diagnostic statistics show that the instruments can be considered valid.

[2] Acemoglu et al. (2019), Alesina et al. (forthcoming), Alquist and Wibbels (2012), and Quinn and Toyoda (2007) also use lagged global averages to instrument for home-country institutions and practices.

Table A1. *Replication of Table 2 Using "Coarse" instead of "Peg"*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sample	FULL	FULL	FULL	FULL	OECD	OECD	Non-OECD	Non-OECD
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-23.929*	-40.291***	-18.987*	-34.210***	-41.430***	-28.843*	-70.341*	-52.782**
	(12.967)	(13.456)	(10.186)	(12.712)	(10.183)	(16.771)	(34.474)	(21.669)
$\hat{\varepsilon}XR_{i,t-2}$	-10.631	-10.846	-6.588***	-6.095***	-8.801	-0.814	-21.758	-7.286
	(6.587)	(6.621)	(2.160)	(2.192)	(7.278)	(3.552)	(15.432)	(5.722)
$\Delta\hat{\varepsilon}XR_{i,t-1}$		-61.294**		-57.186**	-88.604***	-69.046***	187.796	275.744***
$*\ \hat{\varepsilon}XR_{i,t-2}$		(24.753)		(24.983)	(18.221)	(25.946)	(128.061)	(106.066)
Coarse	-0.454	-0.444	-0.220	-0.277	0.343	0.345	-0.613	-1.293
	(1.130)	(1.171)	(0.683)	(0.687)	(1.021)	(0.551)	(4.756)	(3.310)
$lnGrow_{i,t-1}$	26.571	28.216	49.552*	49.607*	66.173*	73.153**	-4.066	-7.325
	(29.908)	(28.008)	(29.807)	(28.552)	(34.632)	(35.055)	(64.261)	(43.788)
Trade	0.052	0.055	-0.026	-0.032	-0.040	-0.081	0.285	0.123
Balance $_{i,t-1}$	(0.084)	(0.078)	(0.063)	(0.060)	(0.078)	(0.062)	(0.302)	(0.191)
Trade	0.155	0.147	-0.016	-0.018	0.134	-0.031	0.074	0.010
Open $_{i,t-1}$	(0.109)	(0.110)	(0.027)	(0.025)	(0.103)	(0.030)	(0.228)	(0.060)
Inflation $_{i,t-1}$	0.018	0.002	0.027	0.016	0.279	0.201	0.066	0.076
	(0.106)	(0.103)	(0.086)	(0.080)	(0.211)	(0.201)	(0.168)	(0.119)
Unemploy $_{i,t-1}$	-0.071	-0.112	-0.054	-0.062	-0.055	-0.200	0.082	0.344
	(0.223)	(0.225)	(0.168)	(0.170)	(0.224)	(0.123)	(0.974)	(0.414)
Euro $_{i,t-1}$	-4.941*	-4.995*	-1.879	-1.905	-3.716	-1.627		-1.635
	(2.584)	(2.646)	(1.723)	(1.787)	(2.746)	(1.636)		(7.743)
Majoritarian			1.434	1.406		0.608		-2.079
System $_{i,t-1}$			(1.208)	(1.123)		(1.164)		(3.023)
$IncVotes_{i,t-1}$			-0.390***	-0.383***		-0.345***		-0.469***
			(0.101)	(0.105)		(0.108)		(0.162)
$IncVotes_{i,t-2}$			0.059	0.053		-0.001		0.070
			(0.093)	(0.096)		(0.083)		(0.150)
Constant	-6.818	-5.757	13.186**	13.619**	-8.267	15.205*	-15.226	-19.197*
	(7.895)	(7.869)	(5.528)	(5.509)	(8.598)	(8.916)	(27.079)	(11.245)
Observations	295	295	277	277	184	183	111	94
R^2 within	0.181	0.202	0.292	0.302	0.383	0.479	0.349	0.526
Countries	50	50	46	46	19	19	31	27
Year fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	N	N	Y	N	Y	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A2. *Interaction with Peg*

	(1)	(2)	(3)	(4)	(5)	(6)
Original Model	T1.6	T1.9	T2.2	T2.3	T2.5	T2.6
	Unit/Year	Ys-1/Ys-2	Unit/Year	Ys-1/Ys-2	Unit/Year	Ys-1/Ys-2
$\widehat{\Delta\varepsilon XR}_{i,t-1}$	-36.682***	-25.710**	-44.712***	-30.526*	-72.760***	-40.910*
	(11.328)	(10.504)	(12.883)	(17.922)	(22.863)	(23.052)
$\hat{\varepsilon}XR_{i,t-2}$	-11.546*	-6.126***	-8.765	-0.479	-46.930***	-9.977*
	(6.780)	(1.914)	(7.485)	(3.652)	(14.209)	(5.908)
$\Delta\hat{\varepsilon}XR_{i,t-1}$ * $\hat{\varepsilon}XR_{i,t-2}$	-43.029*	-41.515**	-94.622***	-73.139***	-38.591	-46.047
	(22.947)	(19.999)	(22.410)	(28.212)	(43.026)	(41.101)
Peg	0.365	-0.702	-2.413	-1.153	-2.296	-3.722
	(2.329)	(2.686)	(5.355)	(3.099)	(3.090)	(4.117)
$\Delta\hat{\varepsilon}XR_{i,t-1}$ * Peg	39.071	6.641	24.797	17.037	67.996	21.536
	(28.050)	(30.775)	(34.703)	(31.448)	(97.631)	(78.578)
$\hat{\varepsilon}XR_{i,t-2}$ * Peg	8.825	0.253	0.053	-2.022	63.329**	1.363
	(6.081)	(5.468)	(7.320)	(4.557)	(28.795)	(15.159)
$\Delta\hat{\varepsilon}XR_{i,t-1}$ * $\hat{\varepsilon}XR_{i,t-2}$ * Peg	36.975	15.568	51.179	42.365	165.629	319.471
	(64.995)	(60.003)	(64.966)	(47.061)	(281.915)	(273.397)
$lnGrow_{i,t-1}$	51.559**	48.209**	77.408*	71.682**	76.495*	35.437
	(24.547)	(22.861)	(39.623)	(36.113)	(41.027)	(31.691)
Trade Balance $_{i,t-1}$	0.038	-0.040	-0.035	-0.056	0.171	0.065
	(0.092)	(0.056)	(0.078)	(0.068)	(0.323)	(0.190)
Trade Open $_{i,t-1}$	0.129	-0.008	0.095	-0.041	0.080	0.028
	(0.093)	(0.029)	(0.092)	(0.029)	(0.203)	(0.066)
Inflation $_{i,t-1}$	-0.004	-0.007**	0.261	0.200	-0.048	-0.000
	(0.005)	(0.003)	(0.262)	(0.211)	(0.067)	(0.041)
Unemploy $_{i,t-1}$	-0.264	-0.114	-0.096	-0.272**	0.821	0.082
	(0.195)	(0.184)	(0.226)	(0.120)	(0.982)	(0.582)
Majoritarian System $_{i,t-1}$		1.233		1.067		-3.000
		(1.091)		(1.256)		(2.947)
$IncVotes_{i,t-1}$		-0.340***		-0.334***		-0.409**
		(0.108)		(0.107)		(0.205)
$IncVotes_{i,t-2}$		0.015		-0.004		0.024
		(0.098)		(0.083)		(0.187)
Constant	-3.638	13.408**	-5.370	15.847*	-15.773	-19.457
	(6.508)	(5.431)	(7.408)	(8.140)	(18.897)	(20.792)
Observations	307	287	184	183	123	104
R^2 within	0.218	0.313	0.377	0.472	0.474	0.529
Countries	51	47	19	19	32	28
Sample	full	full	OECD	OECD	Non-OECD	Non-OECD

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A3. *Including Exports and Imports Separately (in lieu of Trade Openness)*

	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-14.773*	-19.784**	-29.861***	-11.632	-13.548*	-25.089**
	(8.353)	(9.425)	(10.200)	(7.414)	(7.546)	(10.220)
$\hat{\varepsilon}XR_{i,t-2}$		-8.351	-9.054		-6.766***	-6.712***
		(7.399)	(7.299)		(2.490)	(2.367)
$\Delta\hat{\varepsilon}XR_{i,t-1}$ * $\hat{\varepsilon}XR_{i,t-2}$			-33.057*			-37.334**
			(18.638)			(17.906)
Peg	-0.853	-1.440	-1.369	1.699	0.074	0.024
	(1.289)	(1.513)	(1.548)	(1.282)	(1.535)	(1.534)
$lnGrow_{i,t-1}$	34.675	40.117	39.356*	34.202	48.419**	47.878**
	(26.936)	(24.439)	(23.288)	(23.390)	(22.152)	(21.755)
Trade Balance $_{i,t-1}$	0.006	0.046	0.060	-0.052	-0.055	-0.059
	(0.095)	(0.103)	(0.100)	(0.065)	(0.058)	(0.055)
Ln(Exports/GDP)	1.293	3.548	3.226	3.279	0.379	0.120
	(4.987)	(5.197)	(5.125)	(3.973)	(4.505)	(4.194)
Ln(Imports/GDP)	1.992	3.777	4.165	-5.008	-1.688	-1.357
	(5.611)	(6.225)	(6.026)	(4.370)	(5.236)	(4.795)
Inflation $_{i,t-1}$	-0.002	-0.003	-0.003	-0.007**	-0.006*	-0.007**
	(0.005)	(0.005)	(0.005)	(0.003)	(0.003)	(0.003)
Unemploy $_{i,t-1}$	-0.190	-0.222	-0.280	-0.123	-0.058	-0.086
	(0.175)	(0.165)	(0.176)	(0.167)	(0.173)	(0.174)
Euro $_{i,t-1}$	-3.468	-4.149*	-4.191*	0.718	-1.535	-1.570
	(2.172)	(2.239)	(2.268)	(1.519)	(1.623)	(1.625)
Majoritarian System $_{i,t-1}$				3.102***	1.199	1.210
				(1.098)	(1.114)	(1.040)
$IncVotes_{i,t-1}$				-0.383***	-0.351***	-0.336***
				(0.107)	(0.105)	(0.108)
$IncVotes_{i,t-2}$				0.052	0.035	0.014
				(0.097)	(0.093)	(0.098)
Constant	-6.006	-18.700	-18.524	17.599**	15.222**	15.489**
	(16.670)	(21.149)	(21.456)	(7.926)	(7.259)	(7.107)
Observations	310	310	310	290	290	290
R^2 within	0.189	0.196	0.205	0.305	0.304	0.306
Countries	52	52	52	48	48	48
Year FE	Y	Y	Y	Y	Y	Y
Country fixed	Y	Y	Y	N	N	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A4. *Including FDI Flows*

	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-15.807*	-19.885**	-29.866***	-10.632	-13.383*	-25.159**
	(7.946)	(8.532)	(9.457)	(7.295)	(7.528)	(10.216)
$\hat{\varepsilon}XR_{i,t-2}$		-7.995	-8.683		-6.968***	-6.852***
		(6.908)	(6.797)		(2.227)	(2.135)
$\Delta\hat{\varepsilon}XR_{i,t-1}$			-32.725*			-37.977**
$*\ \hat{\varepsilon}XR_{i,t-2}$			(18.638)			(18.126)
Peg	-0.854	-1.399	-1.319	1.483	-0.268	-0.282
	(1.287)	(1.466)	(1.517)	(1.308)	(1.553)	(1.561)
$lnGrow_{i,t-1}$	31.869	39.642	39.159*	31.736	47.013**	46.514**
	(25.587)	(23.856)	(22.704)	(23.711)	(22.655)	(22.310)
Trade Balance $_{i,t-1}$	0.001	0.034	0.043	0.023	-0.028	-0.036
	(0.089)	(0.092)	(0.090)	(0.055)	(0.057)	(0.054)
Trade Open $_{i,t-1}$	0.107	0.149	0.148	-0.010	-0.003	-0.003
	(0.087)	(0.096)	(0.098)	(0.033)	(0.032)	(0.031)
Inflation $_{i,t-1}$	-0.003	-0.003	-0.003	-0.007**	-0.006*	-0.007**
	(0.005)	(0.005)	(0.005)	(0.003)	(0.003)	(0.003)
Unemploy $_{i,t-1}$	-0.170	-0.179	-0.237	-0.148	-0.075	-0.104
	(0.174)	(0.169)	(0.180)	(0.167)	(0.171)	(0.173)
Euro $_{i,t-1}$	-3.896	-4.676*	-4.703*	0.917	-1.275	-1.270
	(2.405)	(2.522)	(2.560)	(1.736)	(1.693)	(1.693)
Majoritarian System $_{i,t-1}$				3.252***	1.290	1.307
				(1.161)	(1.140)	(1.056)
FDI/GDP $_{i,t-1}$	-0.477	-0.566	-0.564	-0.205	-0.449	-0.454
	(0.639)	(0.633)	(0.629)	(0.577)	(0.605)	(0.600)
$IncVotes_{i,t-1}$				-0.387***	-0.349***	-0.334***
				(0.104)	(0.101)	(0.105)
$IncVotes_{i,t-2}$				0.052	0.035	0.013
				(0.097)	(0.094)	(0.099)
Constant	-1.757	-4.962	-4.607	14.405**	12.285**	12.739**
	(6.587)	(6.744)	(6.832)	(5.809)	(5.322)	(5.345)
Observations	309	309	309	289	289	289
R^2 within	0.195	0.203	0.212	0.311	0.310	0.312
Countries	52	52	52	48	48	48
Year FE	Y	Y	Y	Y	Y	Y
Country fixed	Y	Y	Y	N	N	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A5. *Central Bank Independence and Capital Openness*

	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-11.470	-13.146	-26.096**	-5.833	-8.385	-20.976**
	(8.321)	(8.895)	(10.251)	(7.746)	(7.933)	(10.633)
$\hat{\varepsilon}XR_{i,t-2}$		-3.331	-3.860		-6.628***	-6.517***
		(6.390)	(6.163)		(2.194)	(2.011)
$\Delta\hat{\varepsilon}XR_{i,t-1}$			-44.320**			-41.980**
$*\ \hat{\varepsilon}XR_{i,t-2}$			(18.925)			(18.696)
Peg	0.490	0.267	0.378	0.701	-0.892	-0.885
	(1.748)	(1.906)	(2.067)	(1.517)	(1.712)	(1.764)
$lnGrow_{i,t-1}$	32.297	35.721	34.945	37.265	50.320**	51.518**
	(28.095)	(25.915)	(24.297)	(23.582)	(21.639)	(21.626)
Trade Balance $_{i,t-1}$	-0.073	-0.059	-0.045	-0.003	-0.046	-0.060
	(0.092)	(0.098)	(0.092)	(0.068)	(0.065)	(0.062)
Trade Open $_{i,t-1}$	0.065	0.081	0.071	-0.023	-0.013	-0.013
	(0.112)	(0.118)	(0.121)	(0.040)	(0.039)	(0.038)
Inflation $_{i,t-1}$	-0.003	-0.003	-0.003	-0.005	-0.005	-0.006*
	(0.005)	(0.005)	(0.005)	(0.004)	(0.004)	(0.004)
Unemp $_{i,t-1}$	-0.405	-0.392	-0.533*	-0.341**	-0.308**	-0.352**
	(0.295)	(0.292)	(0.308)	(0.165)	(0.147)	(0.150)
Majoritarian System $_{i,t-1}$				2.683**	0.858	0.903
				(1.270)	(1.451)	(1.346)
CBI	2.815	3.013	3.841	1.331	3.654	3.445
	(5.467)	(5.487)	(5.968)	(4.365)	(4.074)	(3.952)
Capital Openness$_{i,t-2}$	-0.055	-0.060	-0.057	0.020	-0.020	-0.021
	(0.061)	(0.063)	(0.063)	(0.037)	(0.038)	(0.035)
$IncVotes_{i,t-1}$				-0.423***	-0.395***	-0.377***
				(0.135)	(0.131)	(0.134)
$IncVotes_{i,t-2}$				0.086	0.072	0.047
				(0.112)	(0.109)	(0.113)
Constant	-3.822	-4.942	-3.664	7.665*	4.740	4.834
	(6.587)	(6.725)	(6.878)	(4.327)	(4.042)	(4.061)
Observations	256	256	256	238	238	238
R^2 within	0.216	0.218	0.237	0.334	0.329	0.336
Countries	50	50	50	47	47	47
Year fixed effects	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	N	N	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering. Euro $_{i,t-1}$ omitted.

* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A6. *Financial and Banking Crises*

	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-15.819**	-19.316**	-29.325***	-11.364	-13.639*	-24.977**
	(7.676)	(8.241)	(9.160)	(7.031)	(7.244)	(9.699)
$\hat{\varepsilon}XR_{i,t-2}$		-7.020	-7.799		-6.319***	-6.265***
		(7.067)	(6.971)		(2.145)	(2.081)
$\Delta\hat{\varepsilon}XR_{i,t-1}$			-32.757*			-36.786**
$*\ \hat{\varepsilon}XR_{i,t-2}$			(18.769)			(17.944)
Peg	-0.738	-1.194	-1.126	1.504	-0.050	-0.082
	(1.235)	(1.472)	(1.511)	(1.297)	(1.514)	(1.521)
$lnGrow_{i,t-1}$	28.727	35.822	35.611	29.663	44.505**	44.421**
	(24.536)	(23.090)	(21.955)	(22.738)	(22.385)	(21.829)
Trade Balance $_{i,t-1}$	0.001	0.030	0.038	0.034	-0.018	-0.026
	(0.088)	(0.091)	(0.089)	(0.050)	(0.054)	(0.051)
Trade Open $_{i,t-1}$	0.111	0.147	0.146	-0.005	-0.003	-0.003
	(0.087)	(0.097)	(0.099)	(0.030)	(0.029)	(0.028)
Inflation $_{i,t-1}$	-0.003	-0.003	-0.003	-0.007**	-0.006*	-0.007**
	(0.005)	(0.005)	(0.005)	(0.003)	(0.003)	(0.003)
Unemploy $_{i,t-1}$	-0.172	-0.177	-0.236	-0.124	-0.057	-0.086
	(0.175)	(0.170)	(0.182)	(0.157)	(0.162)	(0.165)
Euro $_{i,t-1}$	-4.085*	-4.788*	-4.821*	1.021	-1.176	-1.187
	(2.269)	(2.429)	(2.475)	(1.532)	(1.588)	(1.582)
Majoritarian System $_{i,t-1}$				3.272***	1.452	1.458
				(1.150)	(1.145)	(1.046)
Crises	1.732	2.093	2.118	2.933	2.956	2.985*
	(1.676)	(1.710)	(1.555)	(1.838)	(1.804)	(1.640)
$IncVotes_{i,t-1}$				-0.400***	-0.364***	-0.348***
				(0.104)	(0.100)	(0.105)
$IncVotes_{i,t-2}$				0.065	0.048	0.026
				(0.097)	(0.093)	(0.098)
Constant	-7.083	-9.507*	-9.164*	9.253**	7.604**	8.022**
	(4.621)	(5.181)	(5.282)	(3.648)	(3.180)	(3.144)
Observations	298	298	298	278	278	278
R^2 within	0.201	0.207	0.216	0.305	0.305	0.307
Countries	51	51	51	47	47	47
Year fixed Effects	Y	Y	Y	Y	Y	Y
Country fixed effects	Y	Y	Y	N	N	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A7. *Right-leaning Governments*

	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta\hat{\varepsilon}XR_{i,t-1}$	-15.038*	-17.192*	-26.622**	-14.560**	-16.806**	-28.975***
	(7.689)	(9.269)	(10.247)	(7.119)	(7.235)	(10.546)
$\hat{\varepsilon}XR_{i,t-2}$		-3.768	-4.987		-6.830***	-6.604***
		(8.532)	(8.507)		(2.509)	(2.407)
$\Delta\hat{\varepsilon}XR_{i,t-1}$			-29.955*			-40.538**
$*\ \hat{\varepsilon}XR_{i,t-2}$			(16.302)			(18.896)
Peg	0.057	-0.182	-0.028	2.785*	0.923	1.033
	(1.548)	(1.654)	(1.768)	(1.466)	(1.708)	(1.779)
$lnGrow_{i,t-1}$	25.179	29.229	27.414	12.772	29.308	27.232
	(31.517)	(30.095)	(29.575)	(26.354)	(26.247)	(27.098)
Trade Balance $_{i,t-1}$	0.097	0.118	0.138	0.023	-0.040	-0.051
	(0.134)	(0.140)	(0.142)	(0.049)	(0.052)	(0.050)
Trade Open $_{i,t-1}$	0.049	0.069	0.068	-0.021	-0.020	-0.020
	(0.091)	(0.102)	(0.103)	(0.032)	(0.030)	(0.029)
Inflation $_{i,t-1}$	-0.004	-0.004	-0.004	-0.008**	-0.007**	-0.008**
	(0.005)	(0.005)	(0.005)	(0.003)	(0.003)	(0.003)
Unemploy $_{i,t-1}$	-0.319	-0.325	-0.420	-0.144	-0.065	-0.111
	(0.242)	(0.241)	(0.269)	(0.169)	(0.178)	(0.184)
Euro $_{i,t-1}$	-3.813	-4.220	-4.192	0.453	-2.001	-1.927
	(2.556)	(2.677)	(2.712)	(1.653)	(1.637)	(1.630)
Majoritarian System $_{i,t-1}$				3.144**	1.172	1.325
				(1.305)	(1.265)	(1.214)
Right Gov $_{i,t-1}$	-1.843	-1.856	-2.029	-1.639	-1.743	-2.052*
	(1.454)	(1.468)	(1.424)	(1.036)	(1.136)	(1.072)
$IncVotes_{i,t-1}$				-0.365***	-0.341***	-0.320***
				(0.106)	(0.103)	(0.106)
$IncVotes_{i,t-2}$				0.035	0.018	-0.013
				(0.102)	(0.101)	(0.105)
Constant	-4.872	-6.109	-5.363	11.384***	10.477***	11.264***
	(5.545)	(5.944)	(6.050)	(3.442)	(3.158)	(3.065)
Observations	263	263	263	250	250	250
R^2 within	0.208	0.210	0.217	0.313	0.316	0.320
Countries	48	48	48	45	45	45
Year FE	Y	Y	Y	Y	Y	Y
Country fixed	Y	Y	Y	N	N	N

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A8. *Nominal FXR vs. Real RER*

	(1)	(2)
$\Delta\hat{\varepsilon}XR_{i,t-1}$		-32.489**
		(16.057)
$\hat{\varepsilon}XR_{i,t-2}$		-11.566*
		(6.573)
$\Delta\hat{\varepsilon}XR_{i,t-1}$		-33.341*
$* \hat{\varepsilon}XR_{i,t-2}$		(18.514)
$\Delta FXR_{i,t-1}$	-13.005**	0.637
	(5.734)	(9.985)
$FXR_{i,t-2}$	0.471	1.519
	(1.182)	(1.075)
$\Delta FXR_{i,t-1}$	-0.252	0.557
$* FXR_{i,t-2}$	(0.874)	(1.117)
Peg	-1.284	-0.999
	(1.369)	(1.504)
$lnGrow_{i,t-1}$	23.350	32.550
	(22.868)	(21.410)
Trade	0.059	0.127
Balance $_{i,t-1}$	(0.112)	(0.109)
Trade	0.115	0.149
Open $_{i,t-1}$	(0.094)	(0.102)
Inflation $_{i,t-1}$	0.011	0.002
	(0.007)	(0.008)
Unemploy $_{i,t-1}$	-0.263	-0.265
	(0.193)	(0.206)
Euro $_{i,t-1}$	-3.722	-3.902
	(2.487)	(2.659)
Constant	5.100	-1.120
	(4.001)	(4.971)
Observations	302	302
R^2 within	0.210	0.231
Countries	52	52
Year FE	Y	Y
Country fixed	Y	Y

Note: The unit of analysis is country-year elections. The regressors are lagged by one period unless otherwise noted. Robust standard errors adjusted for country-level clustering.
* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A9. *Factor Analysis for Response Variables in Table 2*

Factor	**Eigenvalue**	**Difference**	**Proportion**	**Cumulative**
Factor 1	1.81120	1.87859	1.1409	1.1409
Factor 2	-0.06739	0.08890	-0.0424	1.0984
Factor 3	-0.15629		-0.0984	1

Variable	**Factor 1**	**Uniqueness**
Vote intentions	0.6382	0.5927
National economic evaluation	0.8489	0.2794
Personal financial evaluation	0.8267	0.3166

TABLE A10. *Competitive Political Institutions and Real Exchange Rate Valuations*
Five-Year Country Averages, 1975–2017

	(1)	(2)	(3)	(4)	(5)	(6)
$Polity2_{i,s-1}$	-0.003**	-0.005***	-0.003**			
	(0.001)	(0.002)	(0.001)			
$Polcomp_{i,s-1}$				-0.004**	-0.014***	-0.010***
				(0.002)	(0.004)	(0.002)
$\hat{\varepsilon}XR_{i,s-1}$			-0.379***			-0.205***
			(0.027)			(0.017)
Constant	0.008	-0.010	0.024**	0.022	0.051**	0.065***
	(0.010)	(0.019)	(0.012)	(0.014)	(0.024)	(0.013)
Observations	1,148	1,148	1,148	1,140	1,140	1,140
Countries	139	139	139	138	138	138
R^2 within	0.006	0.021	0.296	0.011	0.030	0.260
Year FE	N	Y	N	N	Y	N
Country FE	N	Y	N	N	Y	N

Note: The unit of analysis is country-period RER valuations. The regressors are lagged by one 5-year period. Robust standard errors adjusted for country-level clustering.* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

TABLE A11. *Competitive Political Institutions and Real Exchange Rate Valuations 5-Year Country Averages, 1975–2017*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Method	OLS	OLS	IV (2nd)	OLS-FE	OLS	IV (2nd)	OLS (no euro)	OLS
Year & Country FE	Y	N	N	Y	N	N	N	N
Eurozone Omitted							Y	
Polity2 $_{i,s-1}$	-0.005**	-0.004***	-0.004***					
	(0.002)	(0.001)	(0.001)					
Polcomp $_{i,s-1}$				-0.015***	-0.011***	-0.009***	-0.011***	-0.015***
				(0.004)	(0.002)	(0.003)	(0.002)	(0.003)
Peg $_{i,s-1}$	0.080***	0.011	0.010	0.081***	0.010	0.011	0.008	-0.044*
	(0.020)	(0.013)	(0.013)	(0.019)	(0.013)	(0.014)	(0.015)	(0.026)
Peg$_{i,s-1}$ * *Polcomp* $_{i,s-1}$								0.009***
								(0.003)
Income PC$_{i,s-1}$	-0.030	0.006	0.008	-0.034	0.008	0.007	0.011	0.010
	(0.031)	(0.008)	(0.008)	(0.032)	(0.008)	(0.007)	(0.008)	(0.008)
lnGrow $_{i,s-1}$	-0.273	0.164	0.022	-0.250	0.149	0.027	0.175	0.165
	(0.313)	(0.223)	(0.219)	(0.305)	(0.221)	(0.219)	(0.226)	(0.220)
Trade Balance $_{i,s-1}$	-0.002	-0.002***	-0.002***	-0.002	-0.002***	-0.002***	-0.002***	-0.002***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.001)
Trade Open $_{i,s-1}$	0.065***	-0.029***	-0.030***	0.069***	-0.027***	-0.027**	-0.029***	-0.028***
	(0.024)	(0.010)	(0.011)	(0.024)	(0.010)	(0.011)	(0.011)	(0.010)
Inflation $_{i,s-1}$	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Age Dependency	0.005	-0.003***	-0.003**	0.003	-0.003***	-0.003***	-0.004***	-0.003***
	(0.003)	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)
$\hat{\varepsilon}XR_{i,s-1}$		-0.218***	-0.205***		-0.224***	-0.211***	-0.226***	-0.224***
		(0.021)	(0.021)		(0.021)	(0.022)	(0.022)	(0.021)
Constant	-0.059	0.037	0.110*	0.049	0.071	0.166***	0.058	0.088
	(0.248)	(0.060)	(0.062)	(0.265)	(0.060)	(0.061)	(0.060)	(0.061)
Observations	988	988	948	983	983	937	921	983
Countries	131	131	131	131	131	131	130	131
R^2 within	0.077	0.286		0.088	0.295		0.284	0.296
Perseran R^2 IV			0.14			0.15		
Kleibergen-Paap			2834.441			23.008		
Stock-Yogo 5%			13.91			13.91		
Stock-Yogo 10%			9.08			9.08		
Hansen's J p-val			0.4773			0.6531		

Note: The unit of analysis is country-period RER valuations. The regressors are lagged by one 5-year period. Robust standard errors adjusted for country-level clustering.* p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

Table A12. *First-Stage IV Models for Table A11*

	1st Stage Model 3	1st Stage Model 6
$\hat{\varepsilon}XR_{i,t-1}$	-0.153	-0.951***
	(0.126)	(0.356)
Peg $_{i,t-1}$	-0.066	-0.555*
	(0.109)	(0.319)
Income PC$_{i,t-1}$	0.163	0.504***
	(0.168)	(0.189)
lnGrow $_{i,t-1}$	-0.388	4.631
	(1.564)	(2.845)
Trade Balance $_{i,t-1}$	-0.013**	-0.035***
	(0.006)	(0.009)
Trade Open $_{i,t-1}$	-0.075	0.021
	(0.075)	(0.225)
Inflation $_{i,t-1}$	0.000	-0.001
	(0.000)	(0.001)
Global Polity2 $_{j-i,t-1}$	-112.626***	
	(17.119)	
Global Polity2 $_{j-i,t-2}$	-21.012**	
	(10.674)	
Global Polity2 $_{j-i,t-3}$	-0.247	
	(0.876)	
Global Polcomp $_{j-i,t-1}$		-18.660**
		(7.506)
Global Polcomp $_{j-i,t-2}$		-22.213***
		(6.104)
Global Polcomp $_{j-i,t-3}$		-11.109***
		(1.450)
Age Dependency Ratio	0.021**	0.080***
	(0.010)	(0.025)
Constant	1878.673***	365.425***
	(87.508)	(100.533)
Observations	948	937
Countries	131	131

Note: First-stage estimates for corresponding Models 2 and 4 of Table 1. Year fixed effects are estimated but not reported.

Table A13. *Horse Race: Polcomp and Other Political Attributes of Democracies*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Polcomp $_{i,t-1}$	-0.014***	-0.006*	-0.012**	-0.009***	-0.013**	-0.008***	-0.009***	-0.008**
	(0.004)	(0.003)	(0.005)	(0.003)	(0.005)	(0.003)	(0.003)	(0.003)
Ex Constrain $_{i,t-1}$	0.010				0.013*			
	(0.006)				(0.007)			
Polcon $_{i,t-1}$		-0.060			-0.113**			
		(0.045)			(0.050)			
Freedom House $_{i,t-1}$ (combined)			0.004		0.002			
			(0.005)		(0.005)			
Capital Open $_{i,t-1}$				0.000	0.000		0.000	
				(0.000)	(0.000)		(0.000)	
CBI $_{i,t-1}$						0.020	0.013	
						(0.041)	(0.043)	
NTM Export Coverage.								-1.313
								(3.638)
NTM Import Coverage.								-1.712
								(4.733)
$\hat{\varepsilon}XR_{i,t-1}$	0.783***	0.782***	0.789***	0.786***	0.784***	0.791***	0.803***	0.811***
	(0.023)	(0.023)	(0.022)	(0.023)	(0.022)	(0.022)	(0.023)	(0.030)
Peg $_{i,t-1}$	0.038**	0.032**	0.034**	0.032**	0.039**	0.020	0.025	0.022
	(0.015)	(0.014)	(0.014)	(0.014)	(0.015)	(0.016)	(0.018)	(0.020)
Income PC$_{i,t-1}$	-0.004	-0.003	-0.005	-0.005	-0.004	-0.003	-0.009	-0.020
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.008)	(0.010)	(0.013)
lnGrow $_{i,t-1}$	0.087	0.122	0.086	0.096	0.136	0.068	0.098	-0.283
	(0.261)	(0.261)	(0.261)	(0.261)	(0.263)	(0.264)	(0.288)	(0.363)
Trade Balance $_{i,t-1}$	-0.001**	-0.001**	-0.001**	-0.001**	-0.001**	-0.001	-0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Trade Open $_{i,t-1}$	-0.029***	-0.029**	-0.029***	-0.029***	-0.030***	-0.019	-0.016	-0.032***
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.012)	(0.012)	(0.012)
Inflation $_{i,t-1}$	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Age Dependency Ratio	-0.003***	-0.003**	-0.003***	-0.003**	-0.004***	-0.004***	-0.004***	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Constant	0.134*	0.134*	0.136*	0.147*	0.113	0.145**	0.174**	0.327***
	(0.076)	(0.078)	(0.077)	(0.077)	(0.077)	(0.064)	(0.082)	(0.114)
Observations	782	782	782	782	782	688	616	510
Countries	101	101	101	101	101	111	92	67
R^2 within	0.363	0.363	0.363	0.363	0.366	0.317	0.341	0.397
R^2 overall	0.807	0.806	0.806	0.806	0.808	0.807	0.817	0.834
Durbin's M (p-value)	0.083	0.092	0.089	0.177	0.203	0.079	0.200	

Note: Five-year country average values. The regressors are lagged by one period. All models include period fixed effects. Durbin's *m* assesses serial correlation in the panel; the null hypothesis is no serial correlation. * p-value < 0.10; ** p-value < 0.05; *** p-value < 0.01.

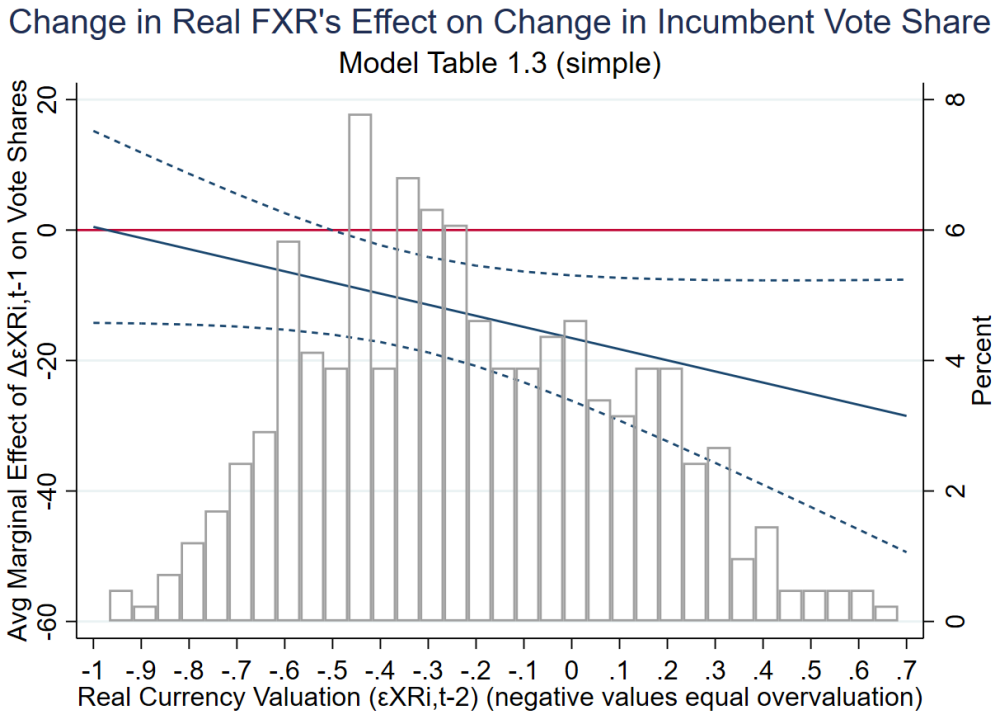
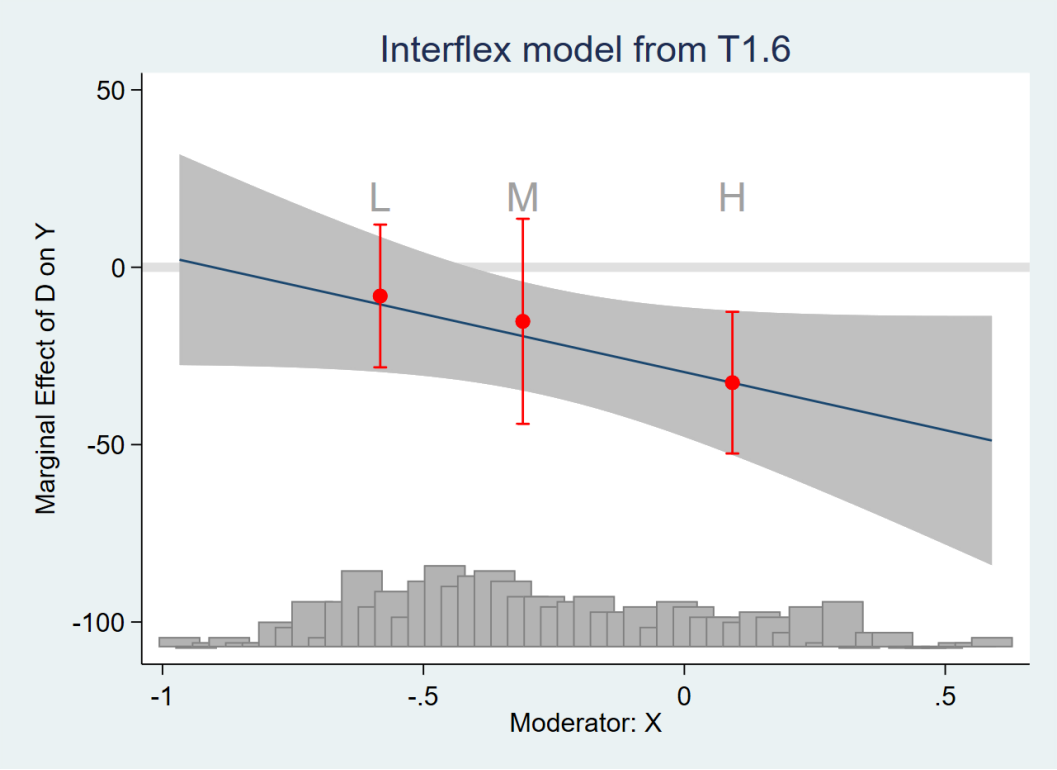


Figure A1. *Results from Table 1.3, conditional effects without covariates*



(p-value = 0.5726)

Figure A2. *Interflex model from T1.6*

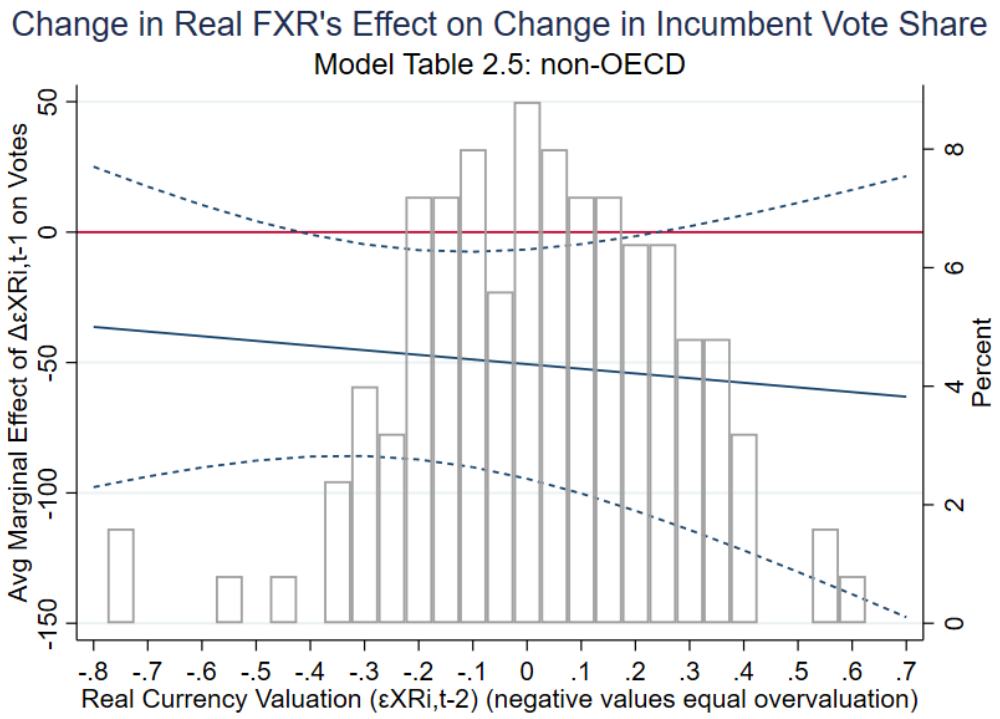


Figure A3. *Impact of exchange rates on Vote Shares: Emerging Markets, T2.5*

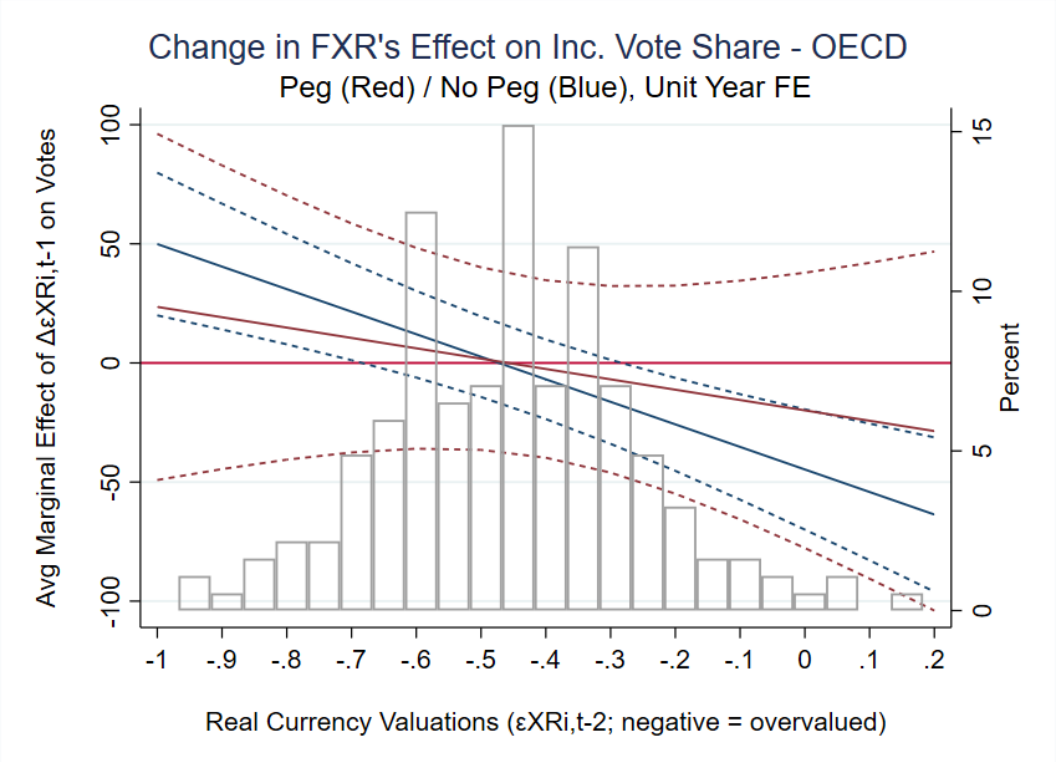


Figure A4. *Impact of exchange rate regime on Vote Shares: OECD, peg / no peg*
Of 184 OECD elections, 36.96% (or 68) are pegged

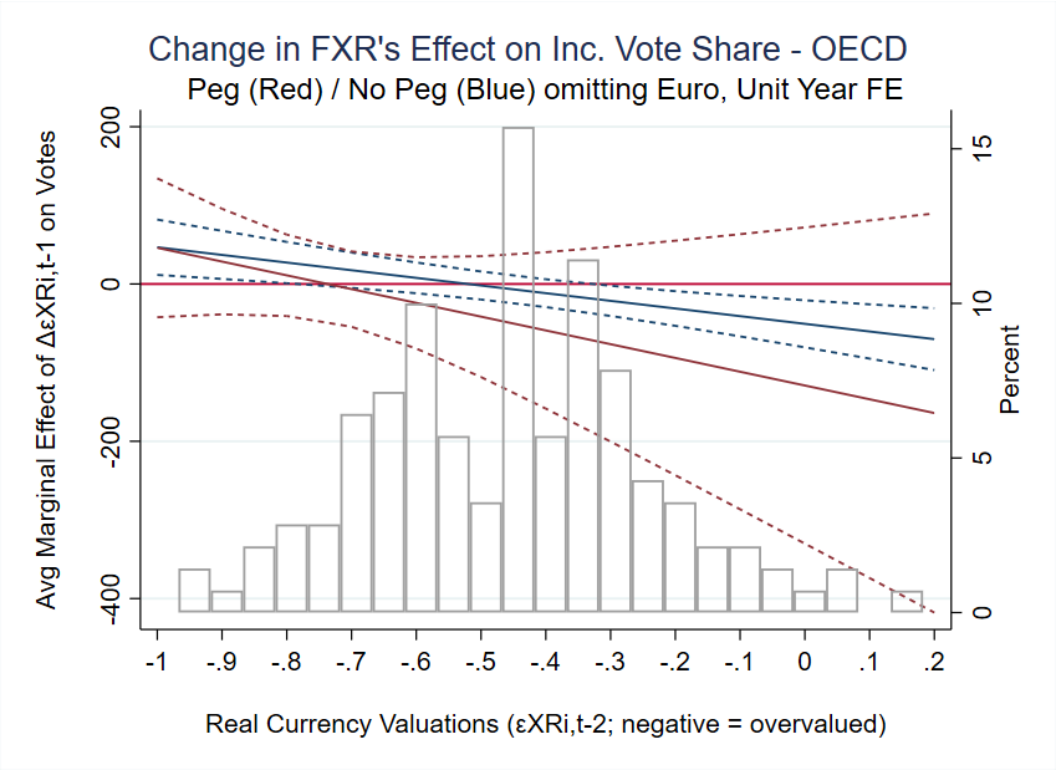


Figure A5. *Impact of exchange rate regime on Vote Shares: OECD, no Euro*
Omitting eurozone countries; 140 OECD elections, 17.14% (or 24) are pegged (T2.2)

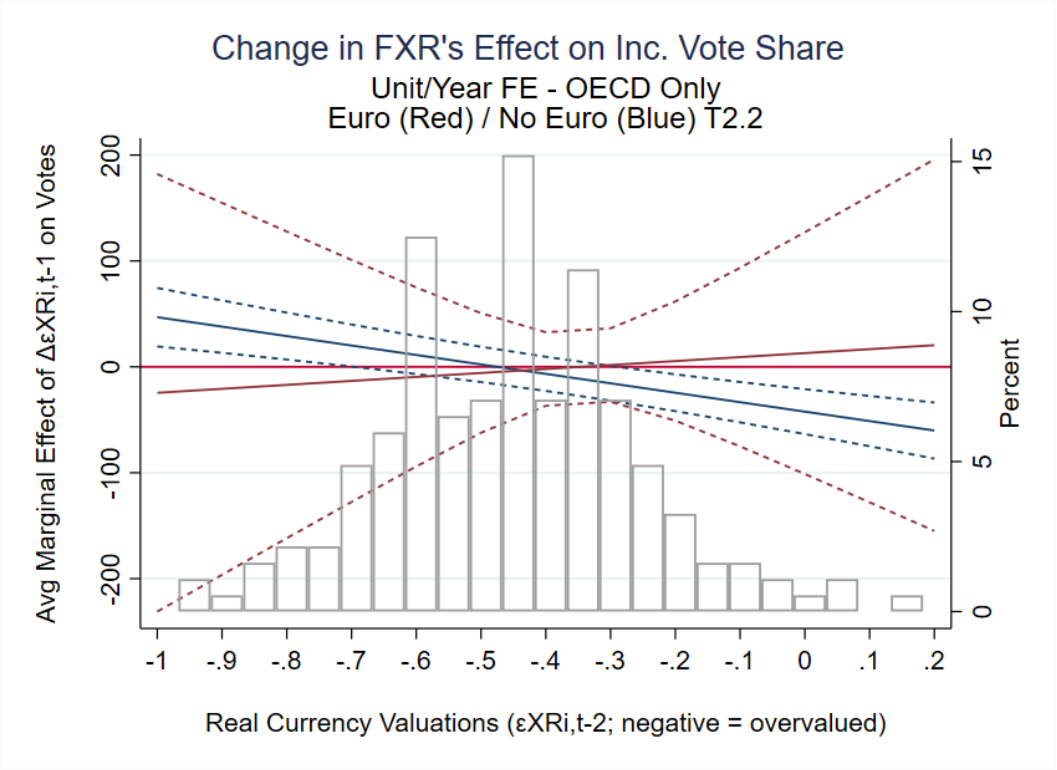


Figure A6. *Impact of exchange rate regime on Vote Shares: Euro vs. non-Euro:*
184 OECD elections, 23.91% (or 44) are eurozone (T2.2)

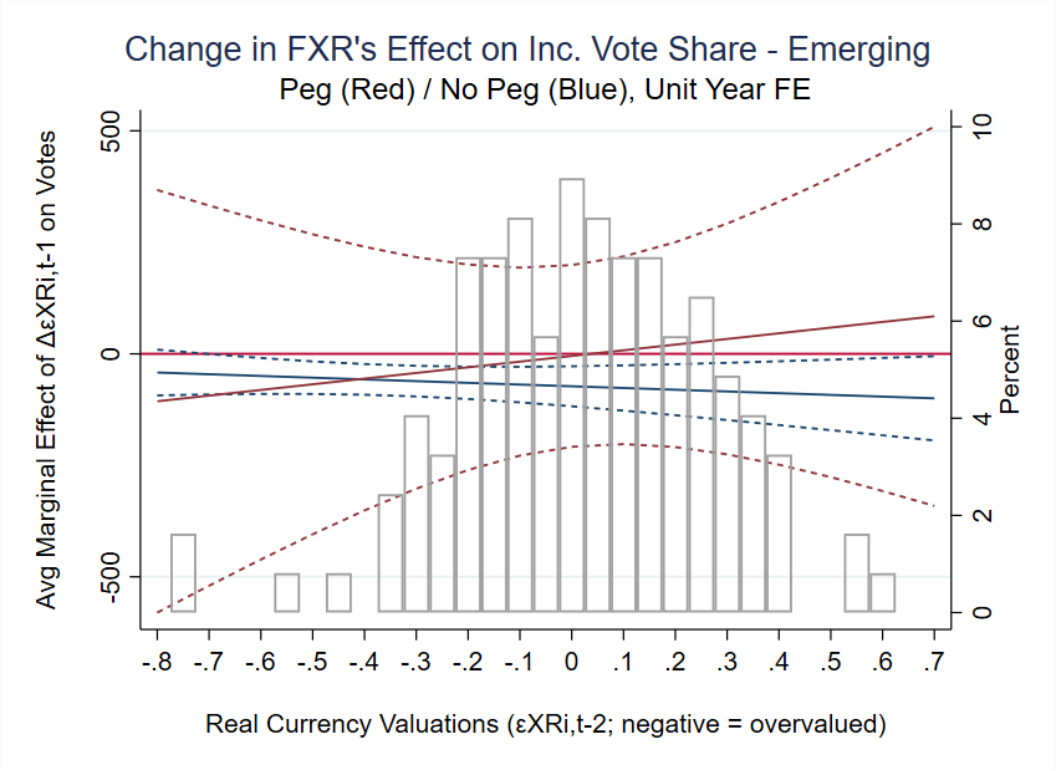


Figure A7. *Impact of exchange rate regime on Vote Shares: non-OECD, peg / no peg 125 Emerging market democracies, peg (20% or 25) and no peg (T2.2)*

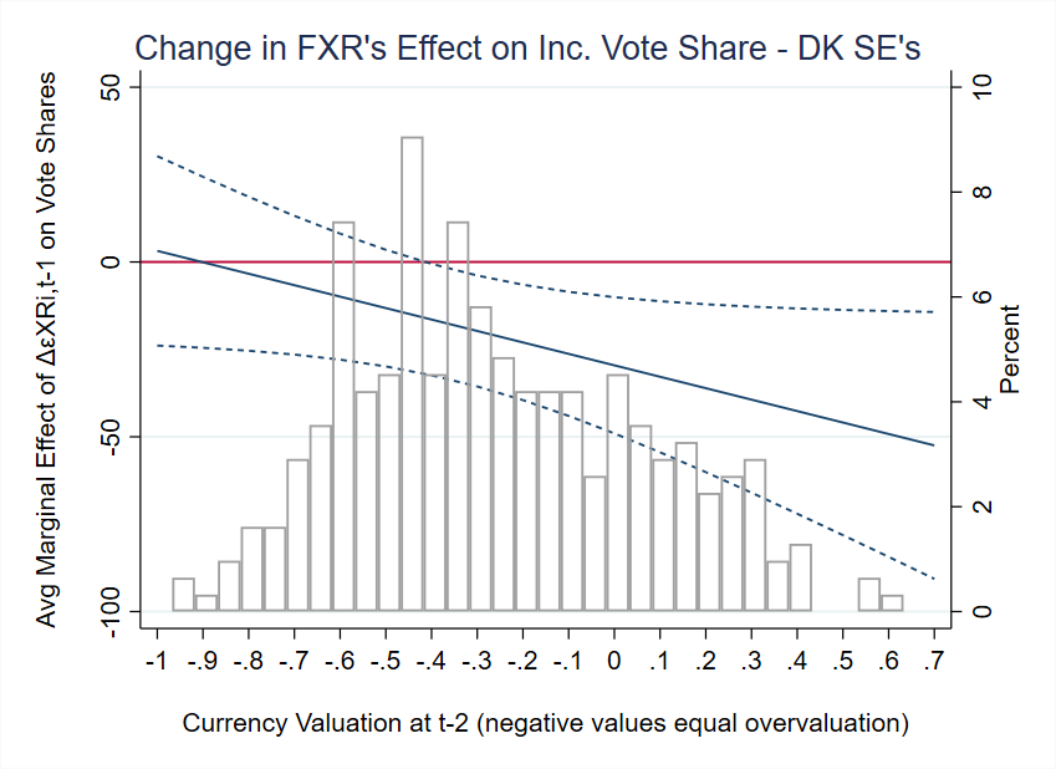


Figure A8. *Results from Table 1.6 using Driscoll-Kraay standard errors*

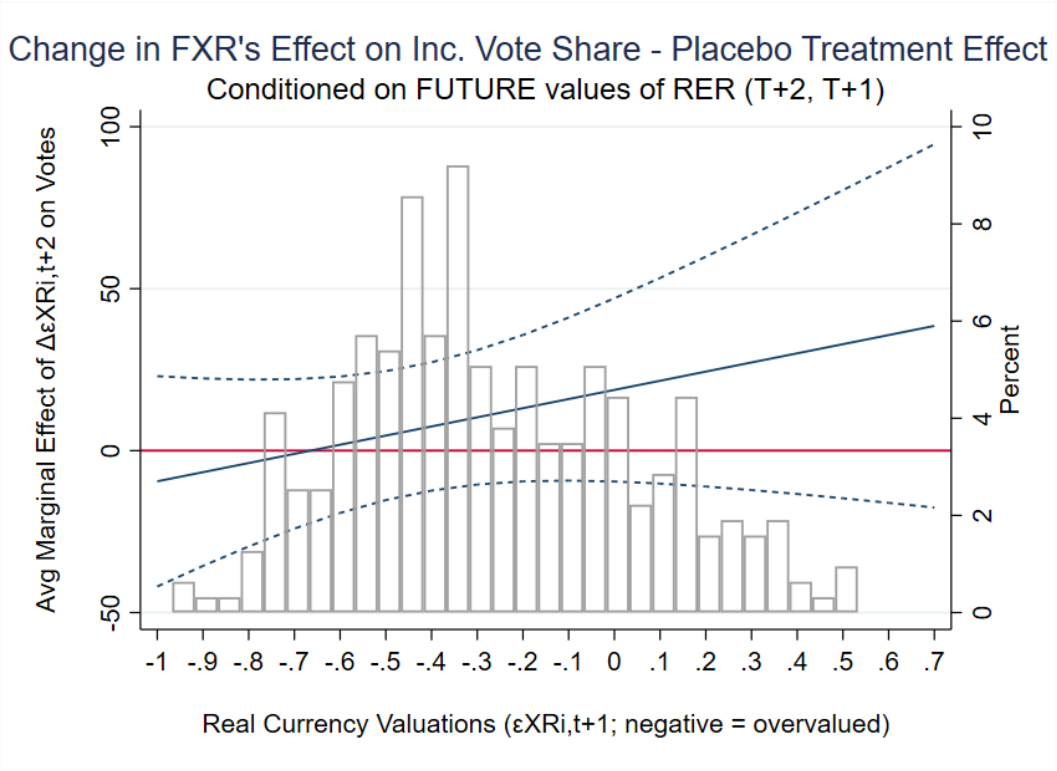


Figure A9. *Placebo treatment test*
*Results from Table 1.6 substituting ΔRER,t+2*RER,t+1 (after the election)* for *ΔRER,t-1*RER,t-2*

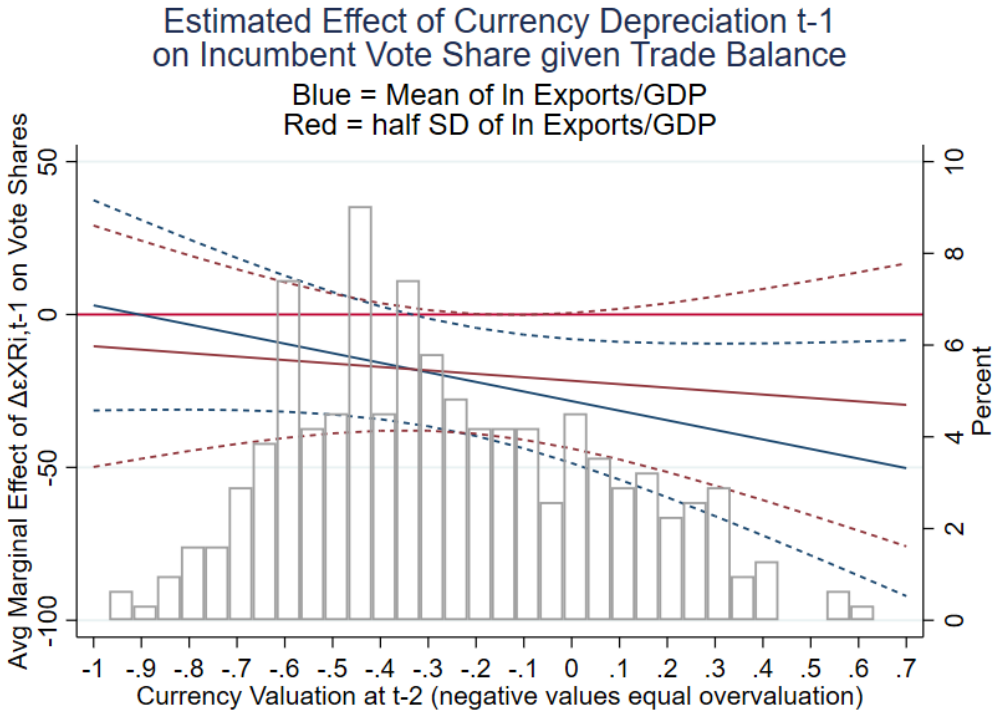


Figure A10. *Impact of exchange rates on Vote Shares: Export exposure*

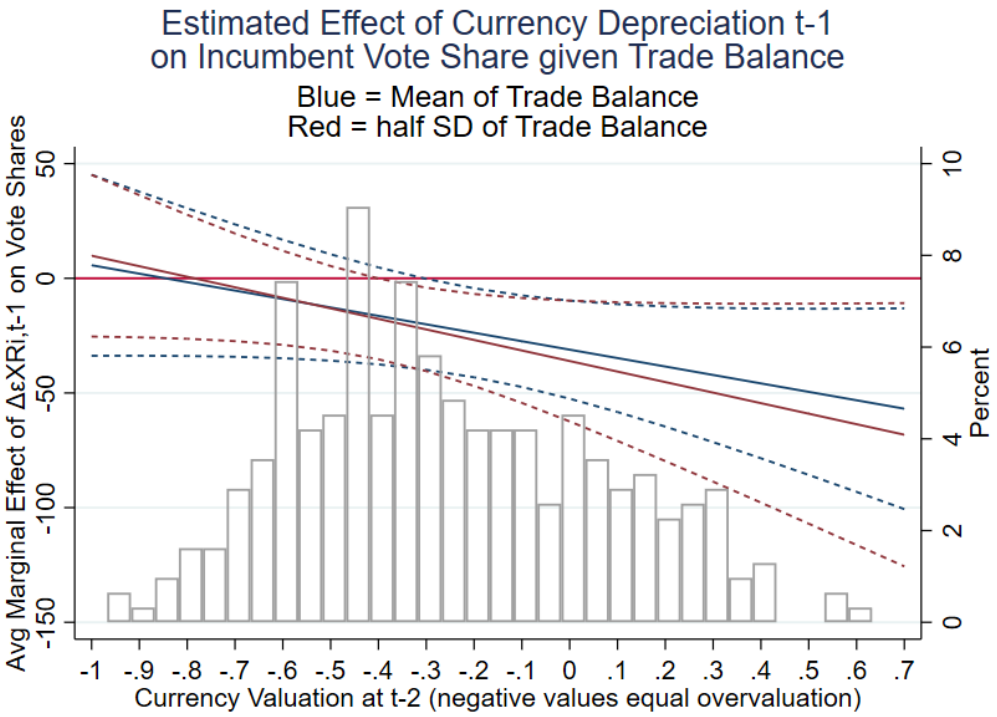


Figure A11. *Impact of exchange rates on Vote Shares: Trade balance exposure*

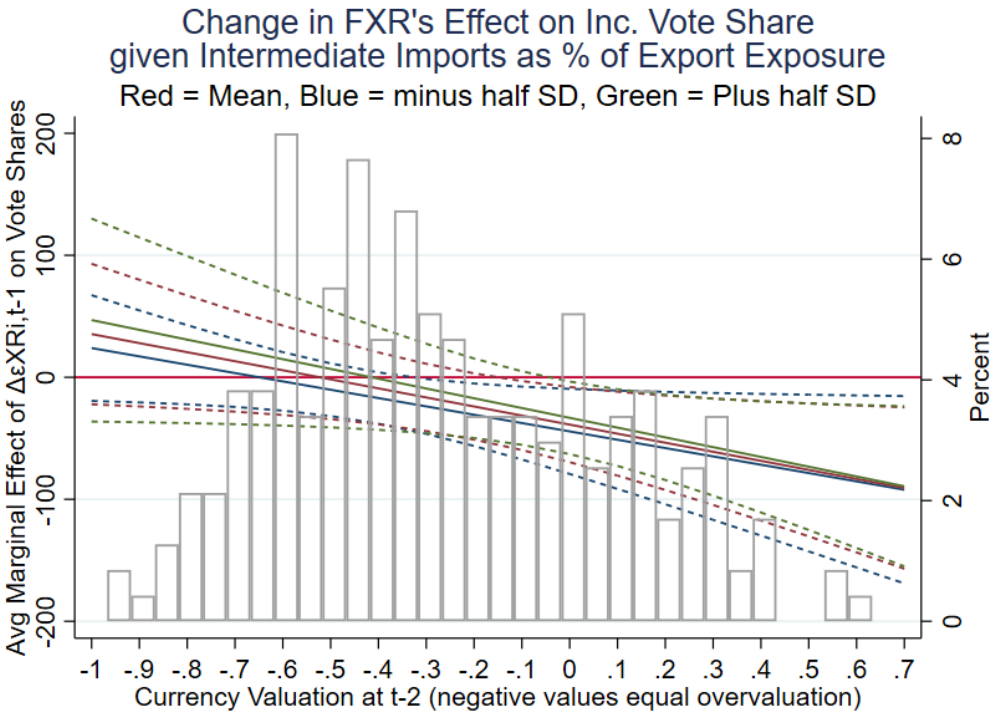


Figure A12. *Impact of exchange rates on Vote Shares: Intermediate imports as % of export exposure*

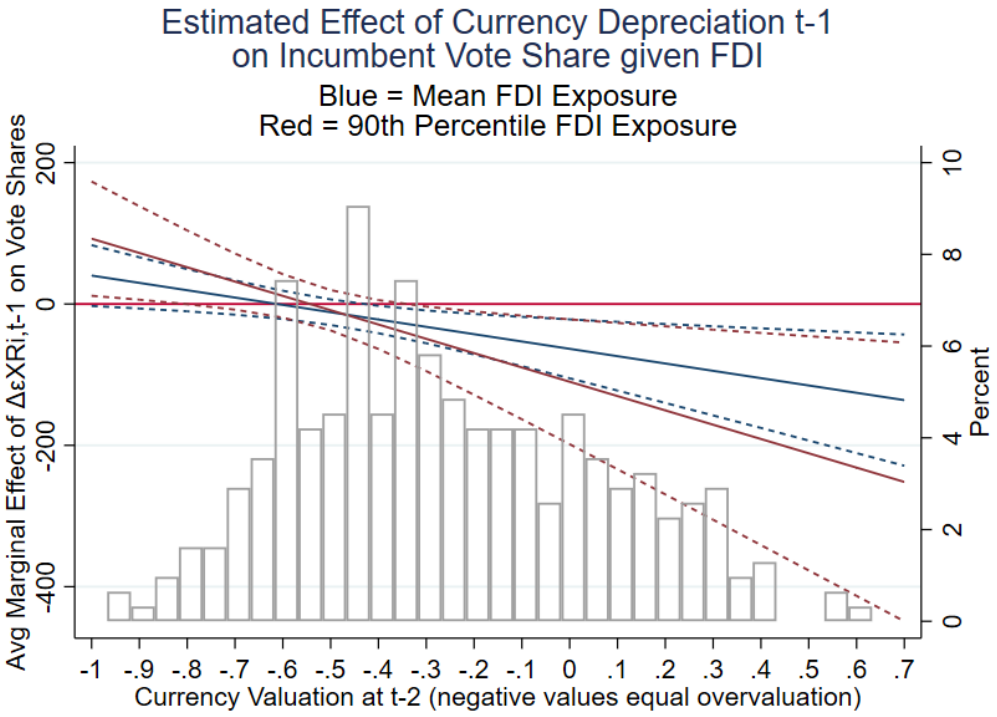


Figure A13. *Impact of exchange rates on Vote Shares: FDI Exposure*

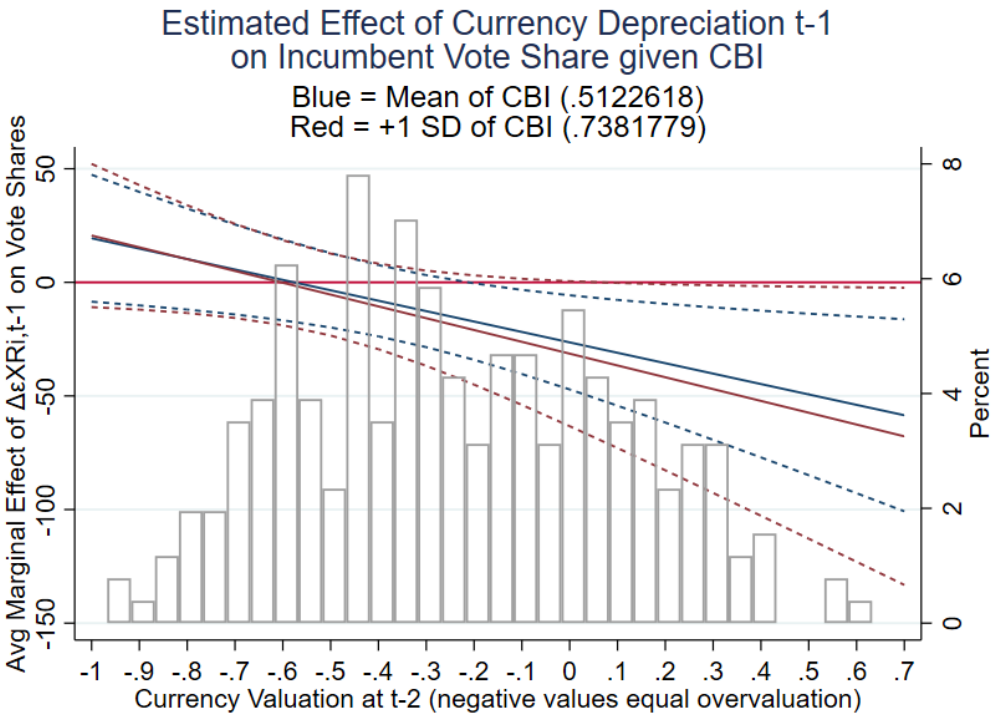


Figure A14. *Impact of exchange rates on Vote Shares: CBI*

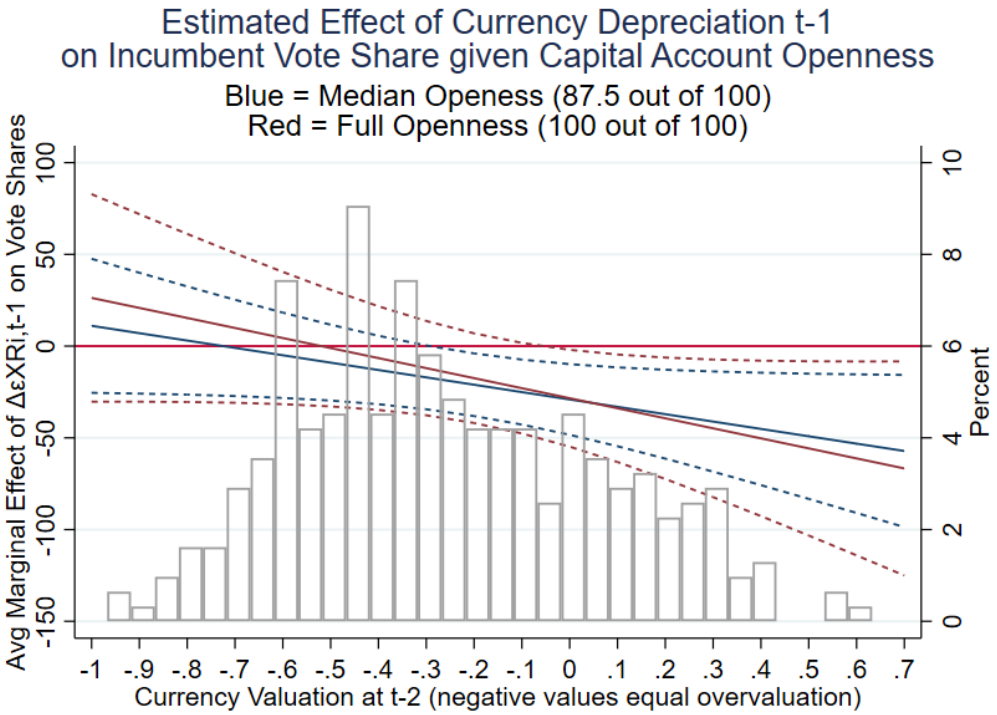


Figure A15. *Impact of exchange rates on Vote Shares: Capital Account Openness*

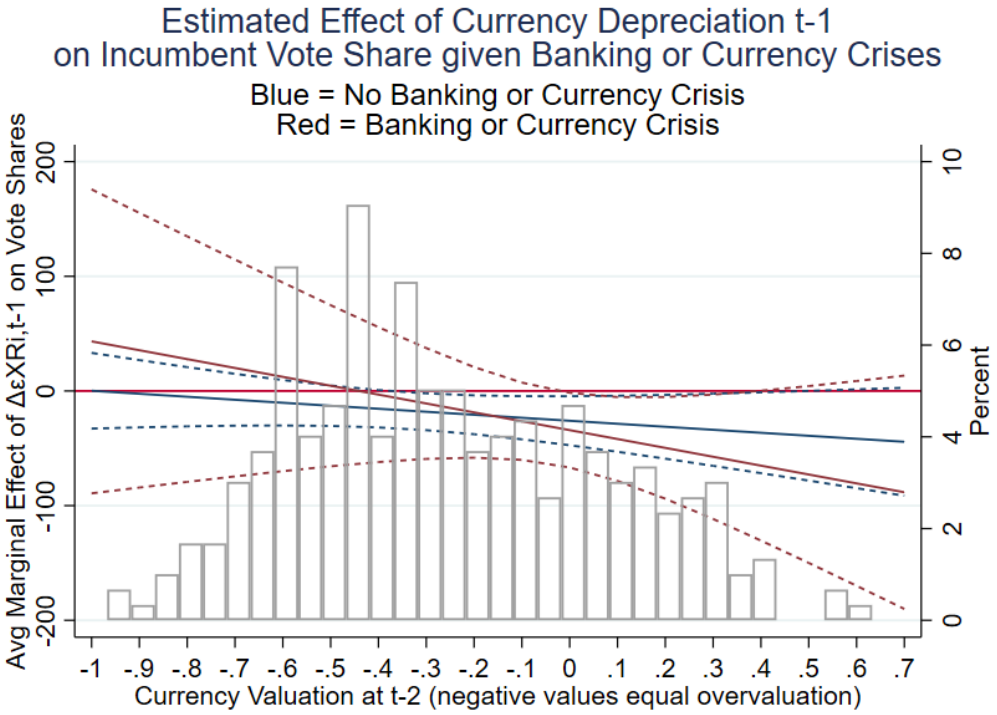


Figure A16. *Impact of exchange rates on Vote Shares: Banking or Currency Crises*

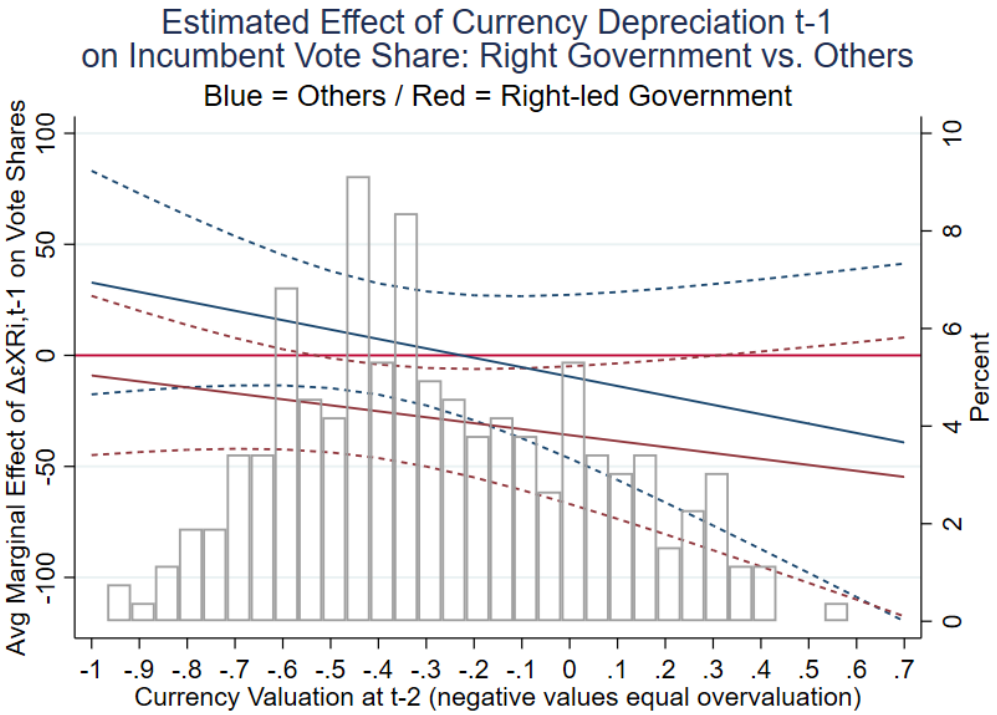


Figure A17. *Impact of exchange rates on Vote Shares: Government ideology*

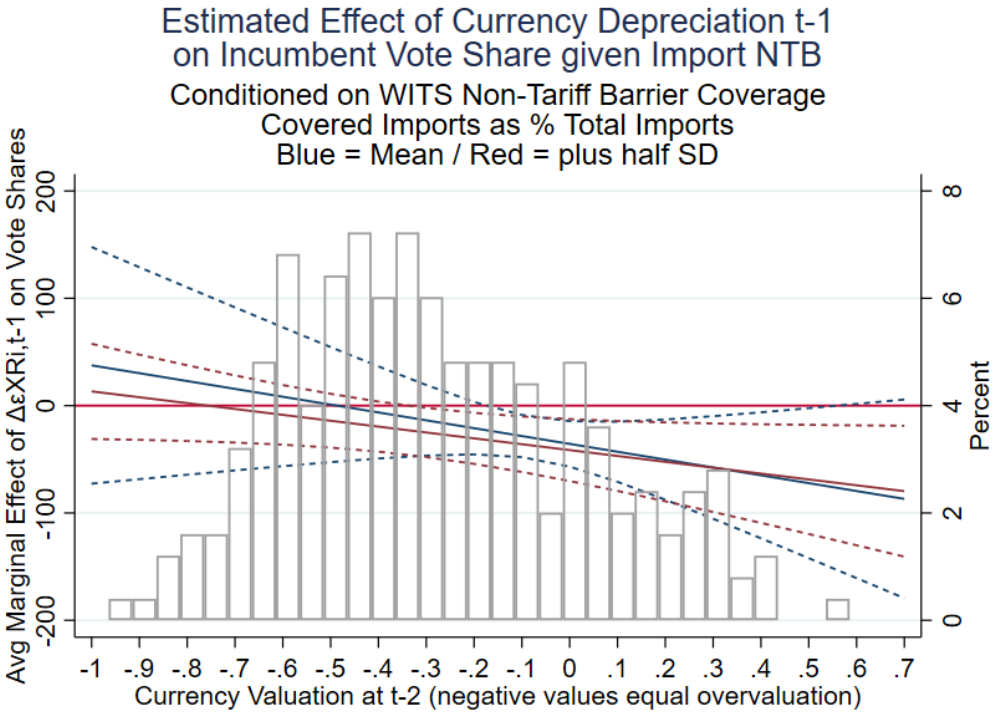


Figure A18. *Impact of exchange rates on Vote Shares: Non-tariff barrier coverage of imports as a % of total imports*

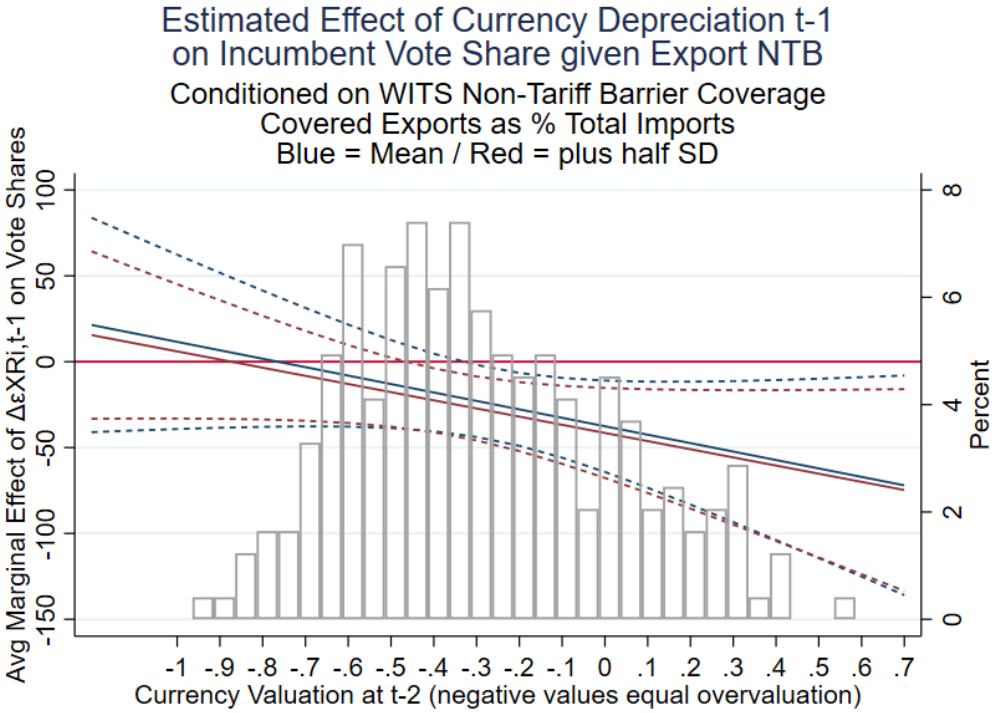


Figure A19. *Impact of exchange rates on Vote Shares: Non-tariff barrier/subsidy coverage of exports as a % of total exports*

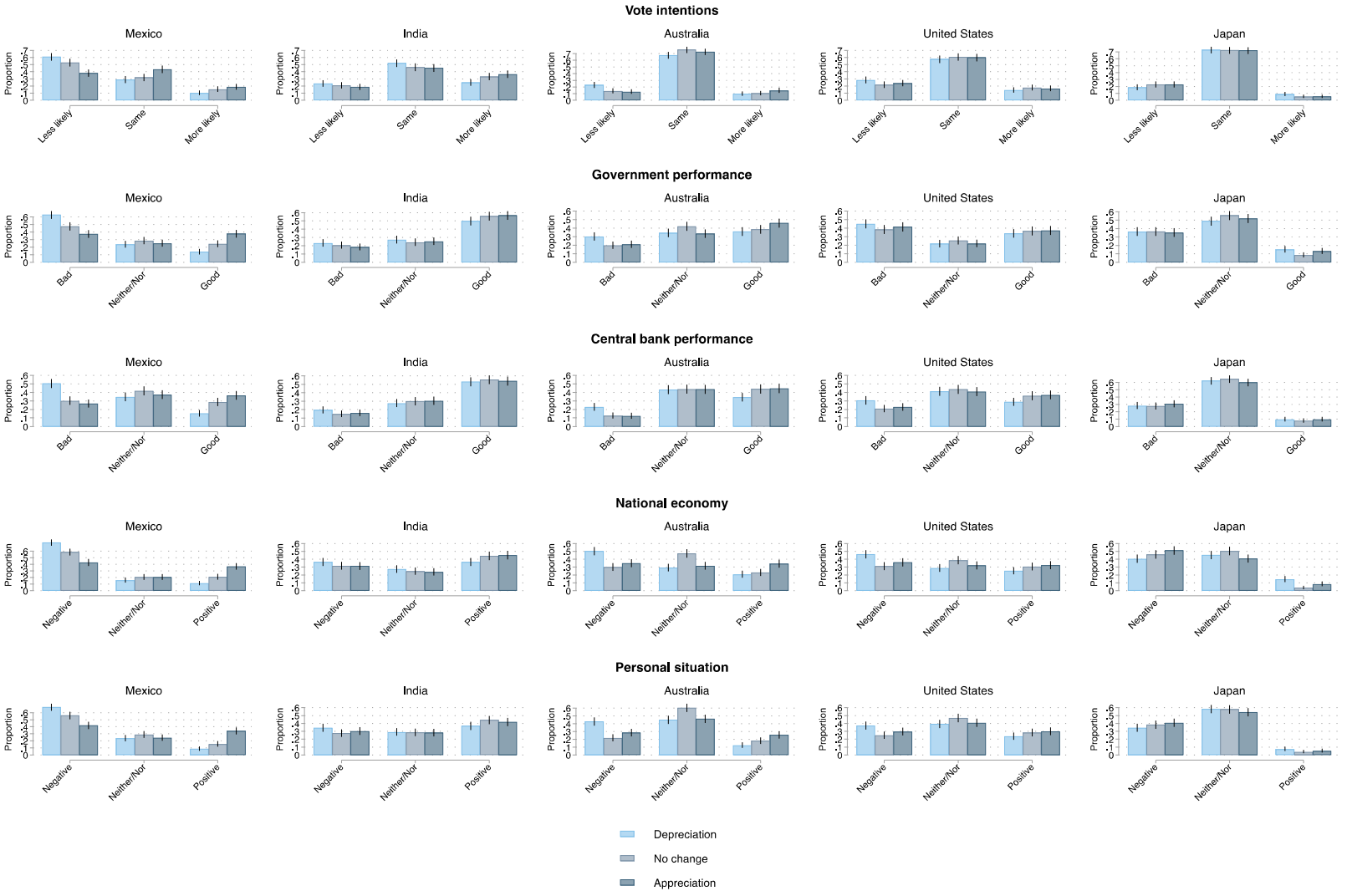


Figure A20. *Raw experiment results*

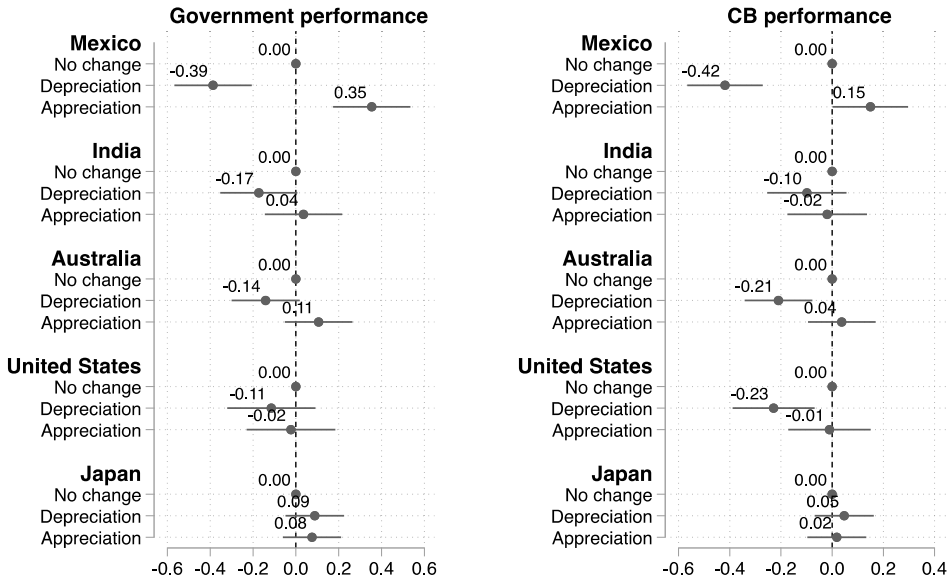


Figure A21. *Government and central bank performance*

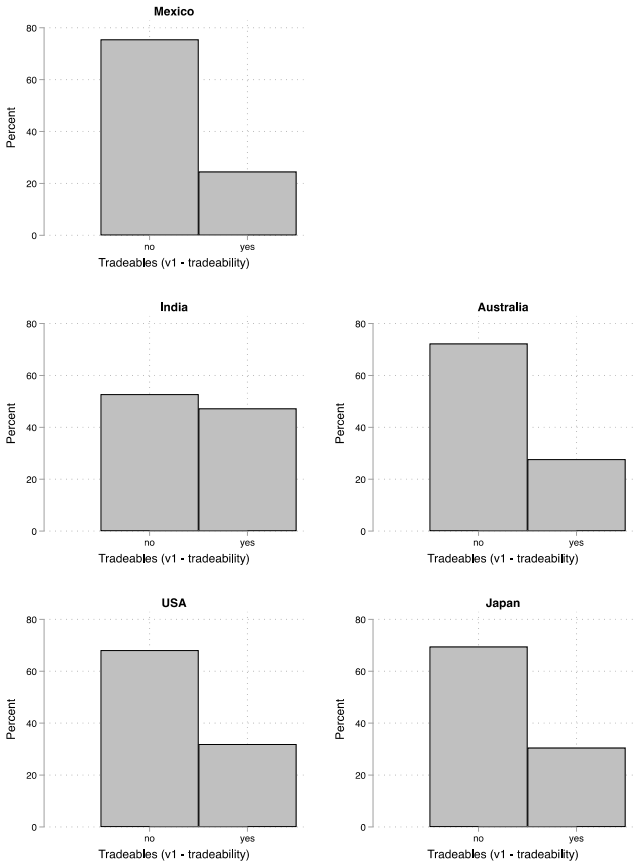


Figure A22. *Sectoral employment: Tradeability (v1)*

Note: Figure displays percent of respondents currently employed in agriculture, mining and manufacturing plus consulting (legal, accounting, management), IT and finance and insurance. Non-tradeables refers to all other sectors, including "other."

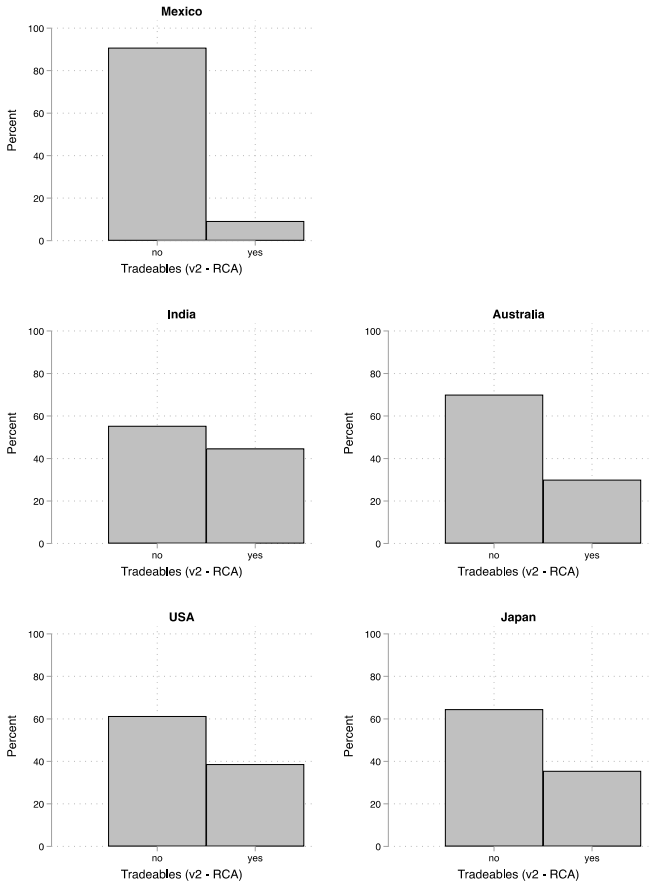


Figure A23. *Sectoral export employment: RCA*

Note: Figure displays percent of respondents employed in high-export sectors; coding scheme is country specific as discussed on pp. A7-A9. Non-tradeables refers to all other sectors, including "other."

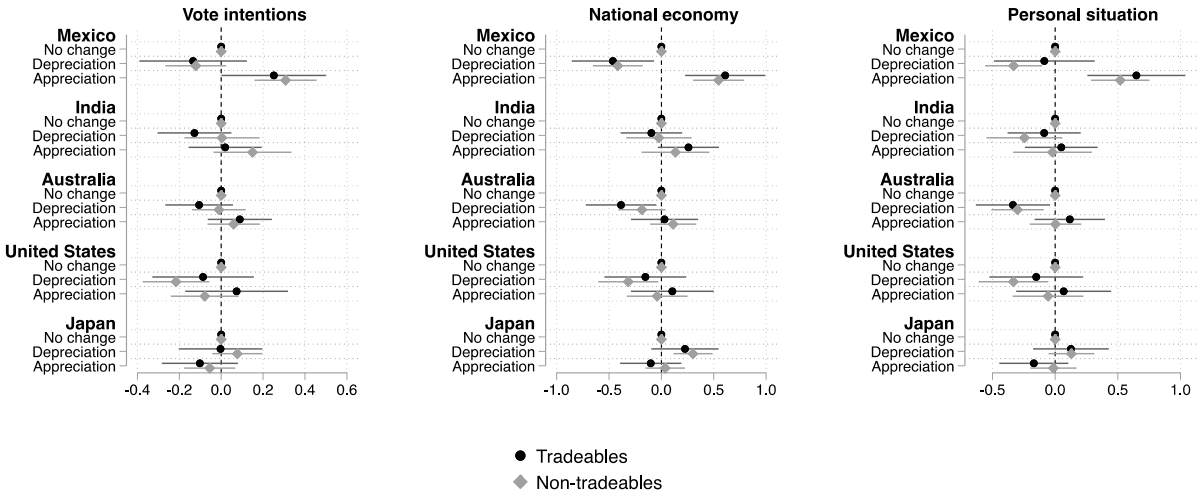


Figure A24. *Treatment effects, by tradeability (v1)*

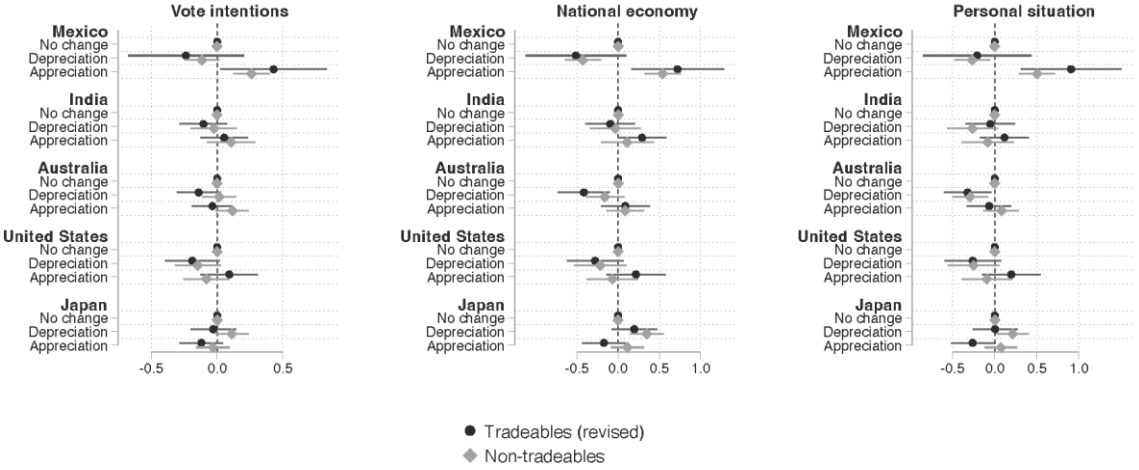


Figure A25. *Treatment effects, by Exports/Revealed Comparative Advantage (v2)*

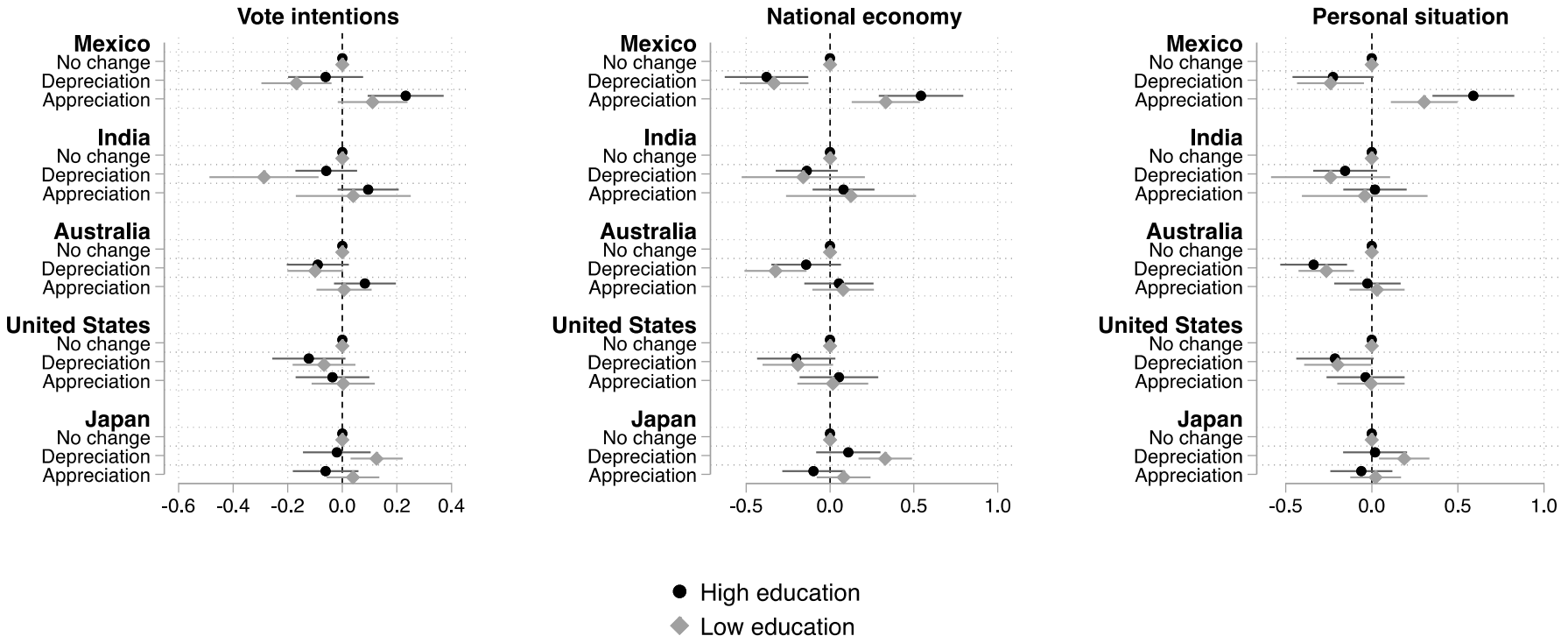


Figure A26. *Treatment effects, by high and low levels of education*

Note: High-education respondents are those with a college degree or higher; low-education respondents are those without a college degree.

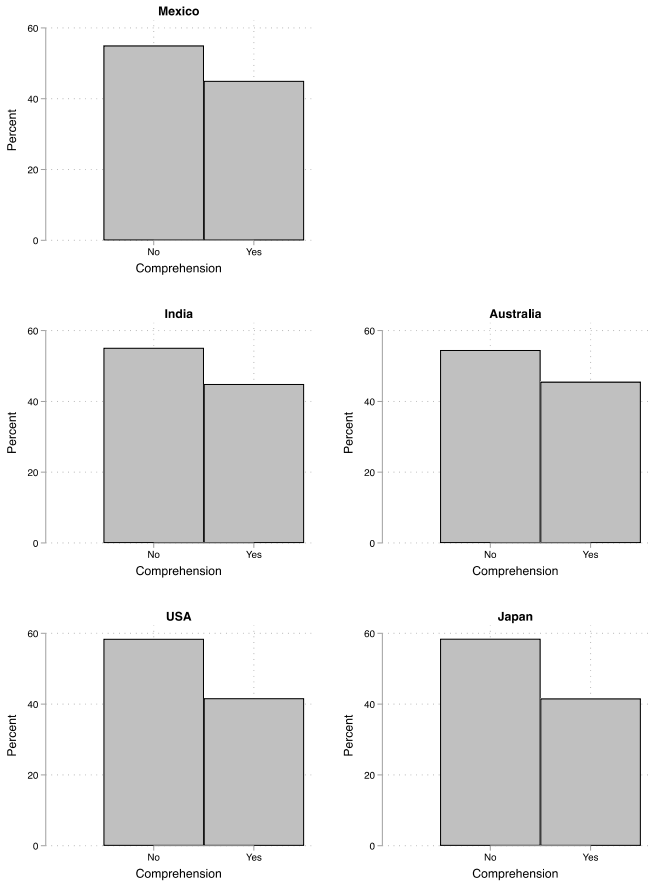
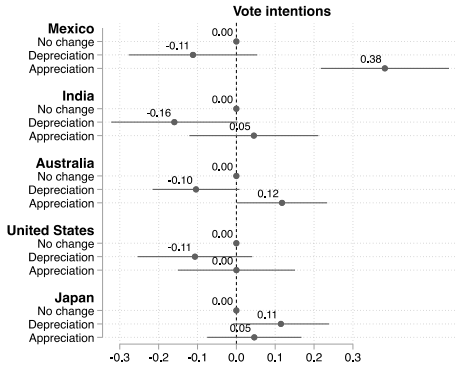
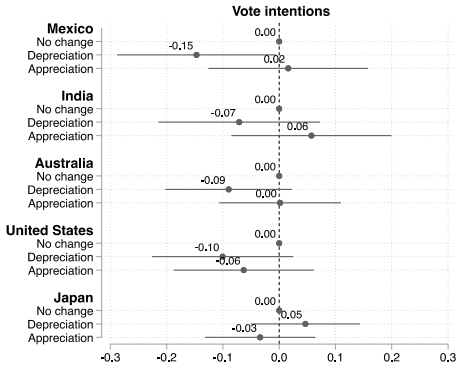


***Figure A27**. Comprehension check results*

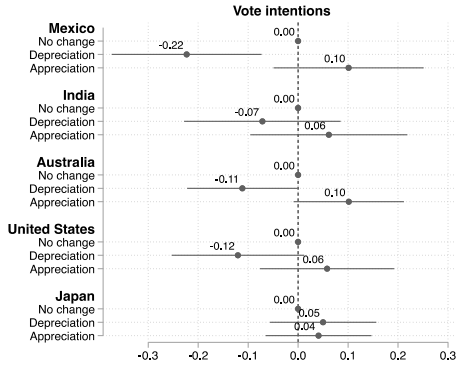


(a) Attention checked passed

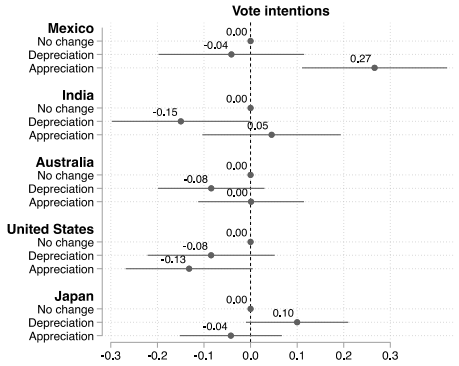


(b) Attention checked failed

Figure A28. *Treatment effects, by comprehension check*



(a) Standard



(b) Reverse

Figure A29. *Treatment effects, by standard / reverse figure*

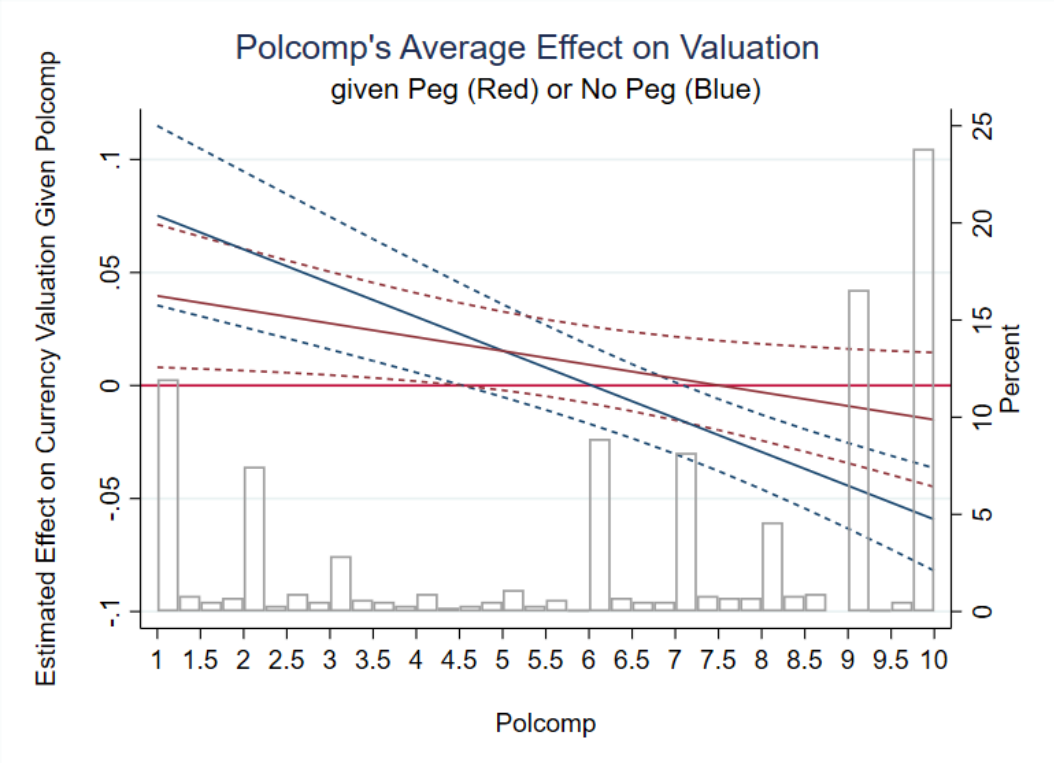


Figure A30. *Polcomp, pegs, and currency valuation, by exchange rate regime*

Technical Note on Real Exchange Rates

The undervaluation index, or $\hat{\varepsilon}XR_{it}$, is computed using the "output" version of income used as the U.S. price level (US pl_gdpo) is needed to compute the ratio of home-country price levels to U.S. price levels. For each year, a country's price level (pl_gdpo) is divided by the price level in the U.S., the Penn World Tables reference country. The U.S. price level is therefore equal to 1 for each year. The log of 1 is 0, which, following Rodrik, is thus the reference category. The U.S., however, will not have an RER of 0 as it is also subject to both the Balassa-Samuelson effect and global price shocks. The U.S. exchange rate valuation since 1970, adjusted for shocks and income effects, averaged a roughly 27% currency overvaluation. One benefit of this approach is that each country's currency valuation for each year is estimated simultaneously in an equilibrium framework, which allows us to compare the estimated values across countries and over time.

Another alternative measure of RER valuation, *Reer_Level,* is from the International Monetary Fund (IMF). *Reer_Level* is correlated with the level indicator, $\hat{\varepsilon}XR_{i,t}$, from **eq. (1)** at 0.93 (once the directionality of undervaluation matches). $\Delta Reer\_Level_{i,t}$ and $\Delta\hat{\varepsilon}XR_{i,t}$ are correlated at

0.79. The indicator is defined and described in IMF (2019, 16–17, 20–21). The IMF data, however, are available only for 1990–2016 for 28 democracies, which decreases our sample size of elections by nearly 60%.

Background Note on Tables A10-13

The models in Appendix Table 13 contrast the estimated effects of *Polcomp* with the results of alternative variables that represent other potential mechanisms through which democracies may influence exchange rate valuations. In Column 1, we introduce Polity's component index of Political Constraints (*Exconst*). Model 2 contains Henisz's *POLCON 3* variable, while model 3 includes the Freedom House indicators of *Civil Liberties* and *Political Rights* and model 4 an indicator of capital account openness. In Column 5, we incorporate all the prior variables, including *Polcomp*. Column 6 includes a measure of *Central Bank Independence* (CBI) from Bodea and Hicks (2015). In Column 7, we add indicators capital account openness and CBI. In Column 8, we add two measures of non-tariff barrier coverage of imports and export from WITS to assess whether countries with more protectionist trade policies have more undervalued RERs. In all instances, the sign and level of statistical significance of the estimated coefficient of *Polcomp* are unchanged, and the magnitudes of the estimates are similar to that of the base models in Table A11.

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