

The Research Centre of the School of Economics and Business,
in cooperation with **the Bank of Slovenia,**
cordially invites you to a free research seminar
on **Wednesday, 13 December 2023,** at **13:00 CET** in room **P-119**
at the **School of Economics and Business, University of Ljubljana**

Author

Paul M. Vaaler

(Carlson School of Management, University of Minnesota)

will present the article

**Electing to defer: political real options and project investment financing
around the world**

Abstract:

Competitive elections create temporary policy uncertainty with alternative outcomes that matter for investors deciding when to commit to the construction and operation of large infrastructure projects. We use partisan political business cycle and real options theories to develop a “political real options” (PRO) framework to explain when investors are more likely to defer project financing—commitment—until after an election. We find support for hypotheses derived from that framework in analyses of financing decisions for 3,141 projects worth more than \$1.28 trillion announced in 80 countries holding 269 national executive elections. Closing on project financing is more likely to be deferred only when elections are close and the outcome is potentially beneficial to investors—the incumbent party that might lose has a less investor friendly left-wing partisan orientation. On the other hand, project financing is less likely to be deferred when demand for project output is limited and the possibility of pre-emption by rivals is greater. Deferral is also less likely for larger projects and projects led by investors lacking local experience, local partners, or guarantees from local customers to buy project output. Our study advances research in strategy, finance, and public policy by challenging assumptions that elections themselves slow investment and identifying specific election scenarios as well as market and project factors prompting investors to defer project commitment.

Please sign up for the free seminar at <http://raziskave.ef.uni-lj.si/a/1631>.

We look forward to seeing you.

