*Paper: Connecting to Power: Political Connections, Innovation, and Firm Dynamics*

*Authors: Ufuk Akcigit, Salome Baslandze, and Francesca Lotti*

*Date: November 1, 2022*

Replication files for tables and figures from the empirical part of the paper.

**Data Availability**

The manuscript is using employer-employee matched data from the Italian Social Security Institute (*Istituto Nazionale di Previdenza Sociale,* INPS). These data are confidential and were obtained under a Data Use Agreement with the INPS. Researchers interested in accessing the data may contact INPS representatives at dcstudiericerche@inps.it.

**Software requirements**

STATA MP (version 15 used)

**Main folders**

***Data:*** contains analysis data used to generate tables and figures.

Some data files are based on public sources and are shared in this folder for researchers’ use. The remaining files that are restricted use can be accessed in the archived folder at INPS (see *Data Availability* section above).

***do\_Estimation:*** contains do-files used to generate tables and figures.

*fullprogram\_Estimation.do* sets the directory path and is the first step before running any program. The do-file also lists all the analysis do-files and can be run as a whole to generate all the figures and tables at once.

***Results:*** directory to gather final tables and figures reported in the paper.

Auxiliary sub-folders for the data construction are accessible in the INPS archived folder.

*Data\_interm*: contains raw and intermediate data files for construction. Raw data comes from various sources: i) INPS data, ii) Cerved data, iii) RLP data, iv) Elections data, v) EPO patents data, vi) Factiva, input-output tables, GDP deflators, and other miscellaneous files.

*Do\_Data\_Construction:* contains intermediate data construction programs.

***“Do\_Estimation” folder***

*fullprogram\_Estimation.do* sets the directory path and is the first step before running any programs.

This do-file also lists all the analysis do-files and can be run as a whole to generate all the figures and tables at once.

**Main text material**

**TABLE III STATISTICS ON LOCAL POLITICIANS**

*sumstats\_politicians\_all.do*

**TABLE IV SUMMARY STATISTICS OF THE MATCHED FIRM-LEVEL DATA**

*stats\_firmlevel.do*

**TABLE V POLITICAL CONNECTIONS AND MEASURES OF FIRM GROWTH**

*regs\_firm\_level.do*

**TABLE VI COX SURVIVAL ANALYSIS**

*regs\_survival.do*

**TABLE VII EMPLOYMENT AND PRODUCTIVITY GROWTH AFTER ELECTION. RD ESTIMATES**

*regs\_figs\_rd.do*

**TABLE VIII EMPLOYMENT AND PRODUCTIVITY GROWTH AFTER ELECTION. RD ROBUSTNESS**

*regs\_figs\_rd.do*

**TABLE IX BALANCING TESTS**

*regs\_figs\_rd.do*

**TABLE X POLITICAL CONNECTIONS AND INDUSTRY DYNAMICS**

*regs\_indreglevel.do*

**FIGURE 3.—LEADERSHIP PARADOX: MARKET RANK, INNOVATION, AND POLITICAL CONNECTION**

*innov\_conn\_rank.do*

**FIGURE 4.—PROBABILITY OF RE-ELECTION AGAINST THE MARGIN OF VICTORY**

*reelection\_prob.do*

**FIGURE 5.—EMPLOYMENT AND LABOR PRODUCTIVITY GROWTH AFTER ELECTION**

*regs\_figs\_rd.do*

*regs\_rd\_stay\_t.do*

**FIGURE 6.—PRE-TRENDS IN EMPLOYMENT AND LABOR PRODUCTIVITY GROWTH BEFORE ELECTION**

*regs\_figs\_rd.do*

**FIGURE 7.— WITHIN-FIRM WAGE PREMIUM BEFORE AND AFTER BECOMING A POLITICIAN**

*wagepremium.do*

**Appendix Material**

***Appendix B:***

**APPENDIX TABLE B.1 CROSS-CORRELATIONS OF VARIOUS PATENT QUALITY MEASURES**

*sumstat\_patents.do*

**APPENDIX TABLE B.2 STATISTICS ON PATENT QUALITY FOR ITALIAN PATENTS (1990-2014)**

*sumstat\_patents.do*

**APPENDIX TABLE B.3 STATISTICS ON LOCAL POLITICIANS EMPLOYED IN THE PRIVATE SECTOR**

*stats\_politsample.do*

**APPENDIX TABLE B.4 CHARACTERISTICS OF POLITICIAN AND NON-POLITICIAN WORKER**

*stats\_polits\_nonpolits.do*

***Appendix C:***

**APPENDIX TABLE C.1 MARKET RANK, INNOVATION, AND POLITICAL CONNECTION**

*innov\_conn\_rank.do*

**APPENDIX TABLE C.2 POLITICAL CONNECTIONS AND GROWTH IN SIZE VERSUS PRODUCTIVITY. OTHER OUTCOMES**

*regs\_firm\_level.do*

**APPENDIX TABLE C.3 EMPLOYMENT AND PRODUCTIVITY GROWTH AFTER ELECTION. RD ESTIMATES;**

**DROPPING POLITICIANS EXITING BY T + 1.**

*regs\_rd\_stay\_t.do*

**APPENDIX TABLE C.4 RD ESTIMATES FOR OTHER OUTCOMES**

*regs\_rd\_otheroutcomes.do*

**APPENDIX TABLE C.5 EMPLOYMENT GROWTH AFTER ELECTION. RDD FOR NEWLY ELECTED AND EXISTING POLITICIANS**

*regs\_rd\_new\_old\_pols.do*

**APPENDIX TABLE C.6 POLITICAL CONNECTIONS AND INDUSTRY DYNAMICS. TRADABLE VS NON-TRADABLE**

*regs\_indreglevel.do*

**APPENDIX TABLE C.7 POLITICAL CONNECTIONS AND INDUSTRY DYNAMICS. MANUFACTURING VS NON-MANUFACTURING**

*regs\_indreglevel.do*

**NUMBERING APPENDIX TABLE C.9 CONNECTIONS AND ENTRY. CROSS-BORDER ANALYSIS**

*regs\_crossborder\_analysis.do*

**APPENDIX FIGURE C.1.—LEADERSHIP PARADOX; ALTERNATIVE INNOVATION AND CONNECTION MEASURES**

*innov\_conn\_rank.do*

**APPENDIX FIGURE C.2.—Market Rank, Innovation, and Political Connection, with an Alternative Definition of Market Rank**

*innov\_conn\_rank.do*

**APPENDIX FIGURE C.3.—Market Rank, Innovation, and Political Connection, with Quality-adjusted Patent Intensity**

*innov\_conn\_rank.do*

**APPENDIX FIGURE C.4.—EMPLOYMENT AND LABOR PRODUCTIVITY GROWTH AFTER ELECTION. 20%**

**MARGIN OF VICTORY SAMPLE.**

*regs\_figs\_rd.do (for panels a ,b)*

*regs\_rd\_stay\_t.do* *(for panels c, d)*

**APPENDIX FIGURE C.5.—DISTRIBUTION OF THE SHARE OF WINNING POLITICIANS ACROSS FIRMS, CONDITIONAL ON GETTING ANY SEAT**

*distrib\_winlose\_elec.do*

***Appendix D:***

**APPENDIX TABLE D.1.— POLITICAL CONNECTIONS AND BUREAUCRACY INDEX ACROSS INDUSTRIES**

*descr\_factiva\_bur\_conn.do*

**APPENDIX TABLE D.2.— POLITICAL CONNECTIONS AND INDUSTRY DYNAMICS. BUREAUCRACY, REGULATION, AND INSTITUTIONAL Deficiency INDEXES**

*regs\_bur\_corru\_reg.do*

**APPENDIX FIGURE D.1.— BUREAUCRACY AND CONNECTIONS ACROSS INDUSTRIES**

*descr\_factiva\_bur\_conn.do*

**APPENDIX FIGURE D.2.— GOVERNMENT DEPENDENCE AND CONNECTIONS ACROSS INDUSTRIES**

*govdep\_conn\_correlate.do*

**“Data” folder**

**Data files for main-text results:**

***"$dir\_data/data\_politicians\_short.dta" (Public Use)***

Original data on local politicians over time with their position variables and majority dummy. Majority construction described in the Appendix.

***"$dir\_data/firmdata\_stats.dta" (INPS)***

Benchmark merged firm-level dataset with relevant variables kept for summary stats.

***$dir\_data/firmdata\_growthregs.dta" (INPS)***

Benchmark firm-level data for firm-level growth regressions

***“$dir\_data/data\_cox.dta” (INPS)***

Firm-level data for survival analysis

***"$dir\_data/data\_RD.dta" (INPS)***

Benchmark data on firms during election times used for RD analysis.

***“$dir\_data/data\_indreg.dta” (INPS)***

Industry-region-level data on political connections and market-level outcomes

***$dir\_data/firmdata\_rankanalysis.dta" (INPS)***

Data on firm’s innovation and politicians intensity and market rank

***"$dir\_data/*data\_reelection\_incumbent.dta” *(Public Use)***

Region/province/municipality election data with reelection outcomes

***"$dir\_data/everpolit\_wages\_foreventstudy.dta" (INPS)***

Data on wages of politician-workers and their coworkers.

-------------------

**Data files for Appendix results:**

***"$dir\_data/patents\_ITfirms.dta" (Public Use)***

Original patent-level data for Italian firms over time (1990-2014). Construction described in the Appendix.

***"$dir\_data/politsID\_sample\_8514.dta" (INPS)***

Individual-level data on politician-workers over time since 1993

***“$dir\_data/pol\_qualifica.dta” (INPS)***

This data file just adds an additional variable to the above data *politsID\_sample\_8514.dta".*

***“$dir\_data/nowconn\_firms\_workers\_wages.dta” (INPS)***

Data on wages and other job characteristics of politicians and non-politicians for connected firms.

***"$dir\_data/data\_crossborder.dta" (INPS)***

Province-industry-level data together with data on neighbors

***"$dir\_data/factiva\_bur\_conn.dta" (INPS)***

Sector-level bureaucracy indices with average connection shares

***"$dir\_data/data\_govdep\_conn.dta" (INPS)***

Sector-level government-dependence indices with average connection shares

***"$dir\_data/data\_corruregbur\_conn.dta" (INPS)***

Regions and industry-year level data with bureaucracy, IDI indices, and connections.