Join the Club

Business Interests in Authoritarian Opposition Parties

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Abstract

Non-dominant parties hold little influence over policy in authoritarian regimes, yet businesspersons frequently run for office outside the established party structures. Why do authoritarian regimes allow opposition parties and why do economic elites choose to support them? This paper argues that opposition parties emerge because when they are directly elected, lower level officials seek to establish political support outside the regime establishment. By running on opposition tickets, business leaders can cater such support and receive special treatment in exchange for loyalty. To test this claim, I employ a regression discontinuity design using a novel dataset of 12,508 Russian firms to identify the effect of having an affiliate winning a seat for an opposition party in a regional legislature between 2004 - 2016. Winning a seat for the opposition increases a firm's average revenue during the term of office between 20-40% and is larger when candidates serve under elected rather than appointed regional governors. Exploring different mechanisms, I find that these two effects are mainly driven by preferential treatment before the law. Connected firms are more successful in defending commercial litigation, especially under elected governors.

Introduction

Authoritarian rulers frequently consolidate their power by establishing themselves at the helm of a dominant party which provides the structures to rally allies or punish defectors. Economic elites such as managers and business owners are especially important for regime stability because of their central role in the market economy. Thus, authoritarian rulers have strong incentives to bind the fate of these economic elites to the regime to prevent rivaling centers of political power. As a senior party theorist of the Communist Party of China put it, "if these entrepreneurs are not included inside the party, they will be inclined to develop organizations and channels outside the party, and they will have ample resources to do so" (Wolf 2001). Yet, economic-elites frequently align themselves with non-dominant rather than dominant parties. For example, 60% of single-member district (SMD) candidates between 2004 and 2011 and 80% of list candidates between 2004 and 2016 for the Russian regional parliaments with firm connections ran for parties other than the dominant party, United Russia. This is puzzling insofar as opposition parties rarely hold considerable influence over policy and the spoils directly derived from office are limited. Why do economic elites running for office choose to do so on non-dominant rather than dominant party-platforms? Why do regimes allow them to establish power bases outside of established party structures?

The extant literature either provides demand or supply side explanations for business involvement in politics. Demand side explanations are mostly derived from the citizen-candidate model, focusing on the incentive structures that result from weak accountability mechanisms (Osborne and Slivinski 1996). Free, fair and competitive elections for example hold politicians accountable to public rather than private interests. Thus, firms may decide to support opposition parties because it's more cost-effective. Firms seeking to use public resources for private gain will be more interested political involvement when costs of campaigning or the chances of getting caught and punished are low (Diermeier, Keane, and Merlo 2005; Gehlbach, Sonin, and Zhuravskaya 2010). Since dominant parties may provide high barriers to entry and stronger monitoring institutions non-dominant platforms are more attractive for corporate political strategies. Further, when parliaments can actively influence policies, firms may choose direct over indirect involvement in politics (Szakonyi 2017). Theories of non-democratic politic, however, provide explanations that are at odds with this account. Instead of holding politicians accountable to voters, authoritarian elections make elected officials accountable to the government. While it may be necessary to

coopt opposition leaders once they are elected (Reuter and Robertson 2015), there is little reason for rulers to actively encourage economic elites to organize outside the established structures. Gandhi (2010) suggests that opposition parties may be used to allocate political influence to critical groups, yet evidence that parties hold such influence is limited. Taken separately, supply and demand side explanations are at odds with the phenomenon of opposition involvement of business leaders. Firms may want to evade scrutiny of strong dominant parties, yet once a dominant party is established, there is little reason to reward elites organizing outside of it.

I argue that these two approaches can be reconciled when viewing opposition parties as a result from cooptive agency relationships between higher and lower level officials. When lower level officials need to rely on broader coalitions than higher level officials in order to stay in power, they encourage economic elites to appeal to a wider audience by supporting opposition parties. When subnational executive officials are directly elected, controlling electoral participation and outcomes becomes key to their political survival. Economic elites in opposition parties can boost broader popular support of these officials and increase their reelection chances as well as independence from the dominant party. As a result, elected subnational officials are likely to allow opposition candidates to benefit privately from public office. Since their re-appointment largely depends on the backing by the dominant party, appointed subnational officials benefit less from the cooperation of opposition figures. Thus, strong candidates in the opposition are less important to their political survival. [1] This paper advances the literature in that it explores the origins and consequences of cooptation through the incentives of those who coopt rather than those who are coopted. Agency relationships between elites and compares identified causal effects across different institutional setting. This provides a novel perspective on how executive and legislative authoritarian elections interact which furthers our understanding of the consequences of authoritarian institutional configurations as a whole.

In order to assess this argument, I study whether firms with close connections to opposition candidates enjoy material advantages or disadvantages after connected candidates are elected. I create a novel dataset of 10,920 firms connected via ownership or active management to 4,460 proportional list candidates in 227 elections for the regional parliaments of Russia in between 2004 and 2016. I exploit the minimum voting thresholds of these elections to identify parties whose parliamentary representation was decided by a narrow margin using a regression disconti-

[1] Similar to Rundlett and Svolik (2016)'s analysis of vote fraud, I consider co-optation as the result of multiple agents simultaneously catering to their own and their principal's interests. As in Egorov, Guriev, and Sonin (2009), I explore how institutions change outcomes by influencing the agent's optimal strategy.

nuity design (RD). This allows me to interpret differences in outcomes between firms connected to narrowly loosing and winning candidates as the causal effect of firms having affiliates in elected office. Further, I exploit variation in the selection procedure of regional governors to test two specific empirical implications of my argument. First, in electoral terms during which regional governors were appointed, politically connected businesses should realize less benefits after the election of a connected candidate. Second, firm benefits should accrue in those areas which regional authorities have more immediate control over.

My results show that when a firm's affiliates gets elected into office, its average revenues during the term of office increase by about 24% but, interestingly, do not show significant increases in profitability. Further, I find that these effects are different depending on how regional governors are selected into office. Businesses connected to candidates running under elected governors realize roughly 40% percent more revenues from holding elected office than those running under appointed governors. Driving this effect and its institutional heterogeneity is preferential treatment before the law. Connected firms are 20 - 40% more successful in defending cases brought before Russian arbitration courts and are even more successful when their connected legislator took office under an elected governor. I find that these results are robust to a variety of RD specifications.

These findings primarily contribute to the literature on how political institutions stabilize authoritarian regimes. Regimes with multi-party elections have been found to be more stable due to lower conflict potential among elites but the specific mechanisms for why this is the case are disputed (Boix and Svolik 2013; Gandhi and Przeworski 2007; Svolik 2012). I provide evidence that once elected, business leaders in opposition parties depend on the regime's benevolence to keep their advantages over rival firms and thus may be reluctant to become agents of change. Further, my findings also show that direct corporate political strategies in weakly institutionalized settings work through preferential treatment before the law. To my knowledge, this is a mechanism currently missing in the literature. Lastly, the results suggest that modeling institutional choice as a decision made by a unitary regime misses important underlying agency relationships that determine who benefits as well as who legitimizes formal authoritarian institutions.

Parties and Corporate Strategies in Authoritarian Legislatures

Authoritarian elections and multi-party elections are important features of authoritarian politics. Some argue that similar to democracies, elections stabilize and enlarge existing ruling coalitions by providing information about public goods preferences and demands of important social and political groups (Gandhi 2010; Malesky and Schuler 2011). While empirical evidence for such a representation mechanism is limited, multiple studies show that authoritarian parties and legislatures rather provide personalized cooptation to key elite individuals (Blaydes 2011; Reuter and Robertson 2015). Multiple theories exist why rulers allow or actively support opposition parties, yet direct evidence for these mechanisms remains scarce. Further, the question why elites choose to organize outside existing party structures remains largely unanswered.

Opposition Parties as the Result of Cooptive Agency

Most theories of authoritarian elections and legislatures depict opposition parties as a direct outcome or an epiphenomenon of cooptation. For rulers, opposition parties may provide selective barriers to entering politics (Blaydes 2008) or identify powerful rivals (Conrad 2011; Lust-Okar 2006). Although most arguments depict cooptation as an interaction between governments and opposition groups, in reality, the benefits that are exchanged for tacit or explicit cooperation with the regime are delivered by lower level officials. Especially in ethnically diverse regimes, regional leaders act as crucial links between local elites and the central government. In China for example, regional party leaders shown substantially different preferences in terms of economic policies than central party leaders (Shih 2008). After the fall of the Soviet Union, Russia became a federation of regions almost each of which had a bilateral treaty with the center going as far as allowing regional governments to organize their own foreign relations and create central banks (Gill 2007). Starting with his first term as president in the 2000s, Vladimir Putin gradually centralized this system by reducing the political power of the regions, harmonizing legislation and abolishing elections of regional governors (Oracheva 2007). Nonetheless, even after these reforms, central government crucially relied on regional governors to ensure success in national elections (Reuter and Robertson 2015). I argue that the selection of regional leaders as cooptive agents crucially determines which elites cooperate with the regime and why. Specifically, I argue that governors who are elected rather than appointed need to build more diverse coalitions and are thus inclined to coopt opposition candidates.

Whereas the extant literature has mainly focused on the strategic reasons for rulers to coopt rivals using legislatures (Gandhi 2010) and dominant parties (Magaloni 2008), recent approaches focus on why elites join and legitimize legislatures (Reuter and Robertson 2015; Szakonyi 2017). However, the literature has treated these incentives as exogenous to many important political factors. As in the study of democratic politics, understanding executive-legislative relations in authoritarian regimes requires insights into how institutions of executive selection affects legislative selection and vice versa. If executive officials can influence the information and policy influence of legislators, the institutions determining executives' political survival will likely affect the distribution of spoils from office. This in turn will influence who chooses to run for legislative office.

The two executive selection institutions I focus on are appointment and election. On the one hand, it is well established that authoritarian leaders who need to consolidate power prioritize loyalty over competence when making appointments (Bendor and Meirowitz 2004; Egorov and Sonin 2011). As a result, the actions of appointed officials will be relatively closely aligned to the preferences of the appointing rulers. Existing evidence suggests that when distributing spoils to office holders, governments mostly care about the ruling party's performance in elections (Boas, Hidalgo, and Richardson 2014; Magaloni 2006). Thus, I expect appointed officials to focus the distribution of spoils on members of dominant rather than opposition parties. Some findings suggest that rulers target opposition leaders in order to quell protest before elections (Reuter and Robertson 2015), but the evidence that opposition members receive benefits directly from the central governments is limited. On the other hand, when lower level officials are elected authoritarian rulers have less control over who is in office but may receive more information through electoral results. Nonetheless, local officials who need to compete in elections rely on local bases of power and need to adapt their cooptation strategy accordingly (Reuter, Buckley, et al. 2016). This involves building relationships with opposition candidates in order to resort to their mobilizing capacities or their access to information about potential rivals. Thus, I expect elected officials to distribute spoils across party lines and appointed officials to focus cooptation on party members.

Lastly, subnational officials can influence some channels of cooptation more easily than others. Regional governors in Russia for example can influence asset based taxes, attract influential financiers, provide regional subsidies and influence public procurement as well as influence court decisions, just to name a few. If my argument holds, benefits to elected opposition candidates

should be larger for those channels that regional officials hold greater control over.

Business Involvement in Authoritarian Opposition

One prominent argument is that businesses get involved in politics to influence public policies in their favour or receive preferential government treatment. Yet, because of issues of credibility and limited enforcement, its often risky to fund candidates in exchange for benefits (McCarty and Rothenberg 1996). Thus, we would only expect indirect business involvement, such as lobbying or campaign contributions, with opposition parties if those parties hold sufficient influence over policy or access to public resources. Direct involvement with opposition parties, through an immediate representative in parliament for example (Gehlbach, Sonin, and Zhuravskaya 2010; Szakonyi 2017), would reduce the commitment problem between politicians and firms but still require sufficient policy influence on the politician's side in order to be considered a viable corporate political strategy. Yet, there is little evidence that opposition parties in authoritarian regimes have such substantial influence on policy. Malesky and Schuler (2010), for example, shows that opposition legislators in Vietnam use question and answer sessions to voice demands of constituents but find no evidence that these actions lead to substantial policy results. Other evidence showing that policy concessions are awarded to opposition parties exclusively rely on correlational evidence between party pluralism and regime stability (Gandhi 2010; Wright and Escribà-Folch 2012). Therefore, previous studies cannot sufficiently explain why businesses would choose opposition over dominant parties as their preferred channel to exert influence over policy.

While opposition parties may not be attractive targets for corporate political strategies by virtue of their influence on policy, they may be interesting because of the inherent benefits of elected office and the visibility that opposition parties provide. Especially in the case of direct political involvement, business owners successfully running for opposition parties may enjoy similar office benefits as those running for dominant ones – i.e. access to information and parliamentary immunity for example (Blaydes 2011). However, there is also evidence that governments actively target opposition members both with punishment and personalized benefits. Mexico's PRI, for example, made local public spending contingent on the opposition's vote-share (Magaloni 2008). In Russia, regional opposition leaders are put in lucrative committee positions so that they reduce the level of street protest by their party members (Reuter and Robertson 2015). Closest to the approach of this paper, Szakonyi (2017) finds that Russian SMD candi-

dates with business connections are more likely to win bids for public contracts regardless of whether they run for the opposition or the dominant party. The argument is that candidates hold preferred access to bureaucratic decision-makers by virtue of their office. This paper departs from these arguments, claiming instead that extent candidates are actively targeted. In summary, while direct involvement in parliaments is a known corporate political strategy, doing so through opposition rather than dominant parties is not. Thus, either the advantages sought by businesses come by virtue of elected office or authoritarian governments purposefully provide benefits to opposition members in order to coopt them.

I summarize the implications of my argument in the following hypotheses:

H1: *Firms that are connected to elected opposition candidates get more benefits than firms connected to non-elected candidates.*

H2: *Firms receive more benefits from connections to the opposition when governors are elected rather than appointed*

H3: *Firms extract larger benefits in those areas where regional authorities have more control*

Estimating the Effect of Political Connections to Opposition Candidates

In order to test these Hypotheses, I employ a regression discontinuity (RD) design that exploits the jump in treatment status introduced by minimum voting thresholds. Candidates running for parties whose vote-shares are sufficiently close to the minimum voting threshold are comparable in the sense that their treatment status, being elected, is randomly assigned. This holds as long as only the candidates' treatment status changes at the cutoff and candidates cannot precisely control whether they are treated or not. Close elections are increasingly used to identify causal effects of holding elected office, yet to this date there are no studies that use election thresholds of proportional systems. Here, I use an RD design to identify changes in outcomes of firms who are connected to candidates running on party lists which barely qualify for representation in parliament. As long as the RD assumptions are fulfilled, this design excludes all observed and unobserved factors that may co-determine political connections and firm performance. A major concern with using election thresholds as RD cutoff is that party candidates may self-select into treatment by jumping ranks on closed party lists after parties passed the election threshold. I address this concern by excluding all candidates who had the opportunity to influence their

treatment status after the election took place.

Estimation Sample

The analysis in this paper focuses on the effect of firm connections of candidates for regional parliaments of Russia between 2003-2016.[2] Regional executive and legislative institutions in Russia are responsible for policies especially important to businesses such as local taxes and the appointments of local officials who oversee and engage in public procurement. Informally, these regional institutions also have important leverage over commercial arbitration proceedings and can thereby influence decisions in legal conflicts between firms (Frye 2004).

There are 85 federal subjects of the Russian Federation each of which has a legislature elected every 4 years on average. Regional parliaments average 47 seats ranging from 14 in Sakhalin Oblast to 90 in Dagestan. Since my argument tries to explain why opposition parties are targeted as organizational entities, the RD design I employ seeks to isolate treatment effects applied to candidates on the party. Thus, I only focus on those seats elected according to closed proportional lists within the mixed member system adopted after 2003 – about 60% of all seats allocated between 2003 and 2016. In summary, this includes 246 elections in all 85 regions featuring 89421 candidates on 2157 party lists.

The running variable in this RDD design is the candidate's party vote-share and the cutoff is the minimum vote-share threshold a party has to surpass in order to be represented in parliament. These thresholds vary between 3 - 7%. I drop all candidates who are jointly elected via party lists and single-member district election. Treatment is assigned at the party-candidate level, meaning that I compare candidates from parties whose vote share barely surpasses the respective minimum vote-share threshold with those which barely fail to pass it. In order to specify the treatment status as a function of party vote-share I identify candidates who would have been elected if their party had surpassed the threshold through their list-ranks. Because I only consider closed-list elections, dropping four elections in which regions experimented with open lists, candidates are elected in order of their list-rank so that the first candidate and potentially the second will be elected if the party surpasses the threshold. Yet, key assumption of RD designs is that subjects cannot cannot self-select intro treatment. In the case of election thresholds, this assumption could be violated on two levels. First, policies in case of refusal, waiver or cancellation of a mandate open the possibility of candidates self-selecting to the top of the list

[2]The original candidate-level data is taken from the Central Election Commission (CEC) found under https://www.izbirkom.ru/region/izbirkom

after the treatment has been assigned. In order to address this, I drop all candidates who were not elected and held list ranks lower than two. Further, I drop all candidates who replaced candidates whose mandates were canceled or waived but did not hold the rank consecutive to the candidate elected last. The unit of analysis, however, is the firm and thus the treatment variable takes the value of one if a firm is connected to a candidate who was elected according to rank order and zero otherwise. Second, Russian regional elections may not be sufficiently competitive to prevent parties from manipulating election outcomes and thus manipulate their prospective treatment status. Although there are some account of falsification and vote fraud in regional elections there is little evidence that such falsification is systematic and wide spread for smaller parties. In 298 cases party lists received vote-shares within a 2% margin of the election threshold, about 14% of the entire sample. Party lists receiving vote-shares within this margin are also are proportionally distributed among the regions. Further, I record the candidate's age and whether the candidate is an incumbent in the election year.

The source of all firm-level balance sheet data and registration information are legally mandated firm reports to the Russian Statistical Agency (Rostat), compiled and extended by the System of Professional Analysis of Markets and Companies (SPARK). As of 2017 SPARK features financial statements and registration data of over three million firms and over 15 million affiliated individuals. It has been widely used as a source of balance sheet and registration information on Russian firms.[3] I verify the firm affiliations of candidates by using an automated script matching their full name, birth date and birth region to the directors and majority shareholders of the firms as listed in SPARK in the two years prior to the election. In total, I find affiliations of 12748 firms to 5014 candidates, meaning that about 6% of all list candidates between 2003 and 2016 were business directors, executives or shareholders. On average, each connected candidate is affiliated with 2.5 firms. The largest sector represented among connected firms is real estate with about 16% of firms operating in this sector, followed by trade with 11% of firms and construction with 6% of firms. It should be noted that this data only allows to determine political affiliation through employment status and ownership. Due to the lack of data, I cannot measure other corporate political strategies such as campaign contributions or personal relationship to owners.

The analysis focuses on two primary outcomes, logged firm revenue and firm profit margin, as well as two secondary outcomes, procurement win-rate (number of successful procurement bids

[3]See for example Szakonyi (2017) or Mironov (2013)

/ number of placed procurement bids) and arbitration defense win-rate (number of successful defensive litigations / number of defensive litigations). Revenues and profit margins are averaged over the period in which the connected candidate was elected or would have been elected, starting with the year of election. Additional firm-level variables used in the analysis include the debt-equity ratio (total liabilities / equity) and logged net assets. In some specifications, I use regions in which the connected candidates were elected as fixed effects. In the election years of their connected candidates, firms average 216 million rubles of revenues, 78 million rubles in net assets and 15 million rubles of net profits with about 13% of companies reporting net losses.

Procurement data comes from the Russian Ministry of Finance and is also compiled in the SPARK database.[4] Since 2006, information on procurements exceeding 100.000 rubles have to be made publicly available through these portals. I collect the number of contracts placed and the number of contracts awarded to the respective firm in a given year to calculate success rates over the period a candidate was or would be in office. Further, I differentiate contract according to whether the procuring agency is funded from federal or regional budgets. Arbitration case information covering the full period is available from the Federal Bailiff Service (FBS) and the Supreme Arbitration Court of Russia. I collect the total number of cases lost and won in which each firm was either plaintiff or defendant. To calculate the defensive winrate, I take the proportion of successfully defended cases to the total number of cases where the firm took the role of defendant. Similar to procurements, I differentiate cases according to the level jurisdiction they were decided in. There are four levels of arbitration courts in Russia, 82 federal arbitration courts in most subjects of the Federation, 20 arbitration appellate courts, ten federal district appellate courts and one supreme arbitration court. Since the influence of regional governors is highest in regional arbitration courts and decreases as a court's constituency spans more than one region, I aggregate outcomes over appellate, federal district and supreme courts and leave regional courts as one category.

Lastly, I use information on regional governors provided by Buckley et al. (2014), specifically, whether they were elected or appointed. From 1992 to 2004 regional governors in Russia were elected according to popular vote. Among the series of reforms seeking to consolidate power back to the center, elections of regional governors were canceled and replaced by a system of appointments by central government. After United Russia's disappointing performance in the 2011 state duma elections, direct elections of regional governors were re-instated, yet in a way

[4] Original sources are two government portals for procurement http://zakupki.gov.ru and http://reestrgk.roskazna.ru

that prevented serious competition from candidates who where not approved by the Kremlin (Blakkisrud 2015). Nonetheless, the reintroduction of elections brought back at least to some extent the executive control over regional assemblies that have dominated the immediate post-soviet period (Golosov 2017; Reuter 2013).

Research Design

The analysis focuses on the firm-level while treatment is applied at the party-candidate level. I exploit the fact that legislative candidates in the Russian regions are elected according to list ranks pre-determined by their parties. As a party's vote-share surpasses the minimum-election threshold, candidates are elected depending on the relative size of vote-shares of all parties. Thus, in a sufficiently small bandwidth of vote-margin around the electoral threshold, only a small number of candidates are or would be elected into office.[5]

I employ a sharp regression discontinuity design on this subset of cases under the identifying assumption that neither candidates nor parties have sufficient control over the forcing variable, in this case party vote-share, which fully determines the assignment of the treatment. Close elections are frequently used in RDDs but usually focus on elections featuring single-member-districts (SMD) or two-party systems (Cuesta and Imai 2016). RDDs used in proportional systems are problematic in so far, as the treatment status of candidates depends on the relative vote-shares of multiple parties. A notable exception is Lundqvist (2013), who uses closed-list ranks of candidates in Swedish local elections to compare wealth between candidates who rank just below or just above the election cutoff. The RDD adopted in this paper follows a similar strategy in so far that I only compare candidates holding the closed-list ranks one and two. I differ from the rank-based approach in that I use party vote-share as a forcing variable which determines the treatment status of this subset of candidates. For those party-candidates whose vote-share are sufficiently close to the election threshold, all observable and unobservable variables that could codetermine treatment and outcomes are randomly assigned. This holds as long as the only change that occurs if a party passes the threshold is that the highly ranked candidates are elected.

[5]One important caveat of this design is that candidates on list rank two do not necessarily receive treatment if the party surpasses the minimum threshold. Further, whether second or even lower ranked candidates receive treatment also depends on how far the party's vote-share surpasses the threshold, the size of the legislature and the seat allocation rules. Effectively, the number of lists where second ranked candidates are not elected is negligible after vote-shares exceed 3% over the threshold. Future iterations of this paper will include candidate specific thresholds that are a function of the minimum vote-threshold, the size of the legislature and the legislature specific seat-allocation formula.

I first report the results from simple ordinary least square regressions (OLS) on the full sample and the subset featuring only highly ranked candidates. All regressions include pre-election outcomes as control variable in order to account for differences prior to treatment. I report multi-way clustered standard errors on the candidate and election level to account for potential cross-dependence between units. The specification for these OLS models is

$$Y_i = \alpha + \beta * t_i + \gamma * \mathbb{X} + \epsilon_i \tag{1}$$

where Y_i is the outcome variable for firm i, t_i is the binary treatment variable indicating whether the connected candidate won or lost the election, $\mathbb{X}$ is a matrix of firm- and candidate level covariates employed as control variables as well as sector, year and region fixed effects, and ϵ_i is the normally distributed error term.

The OLS estimates suggest a robust correlation between firms connected to successful candidates and average term revenues, yet these estimates are potentially biased by factors co-determining revenues and successful elections.

In order to address these biases and estimate a causal effect, I first narrow the window of estimation and estimate OLS models to compare cases located closely around the cutoff weighing each case equally. I use 2% and 3% margins to focus on very close elections. For these bandwidths, I report results from a simple OLS model comparing observations left and right of the cutoff. Second, I narrow the estimation window to the MSE-Optimal bandwidth as calculated through the method proposed by Calonico, Cattaneo, and Titiunik (2014)(CCT) and include a local-linear control functions in order to account for omitted variables and possible endogeneity of the forcing variable. Third, I include covariates and a quadratic control function while enlarging the bandwidth to 6% and 10% in order to retain a sufficient number of observations. The specification of the estimation equations with and without control variables is given by

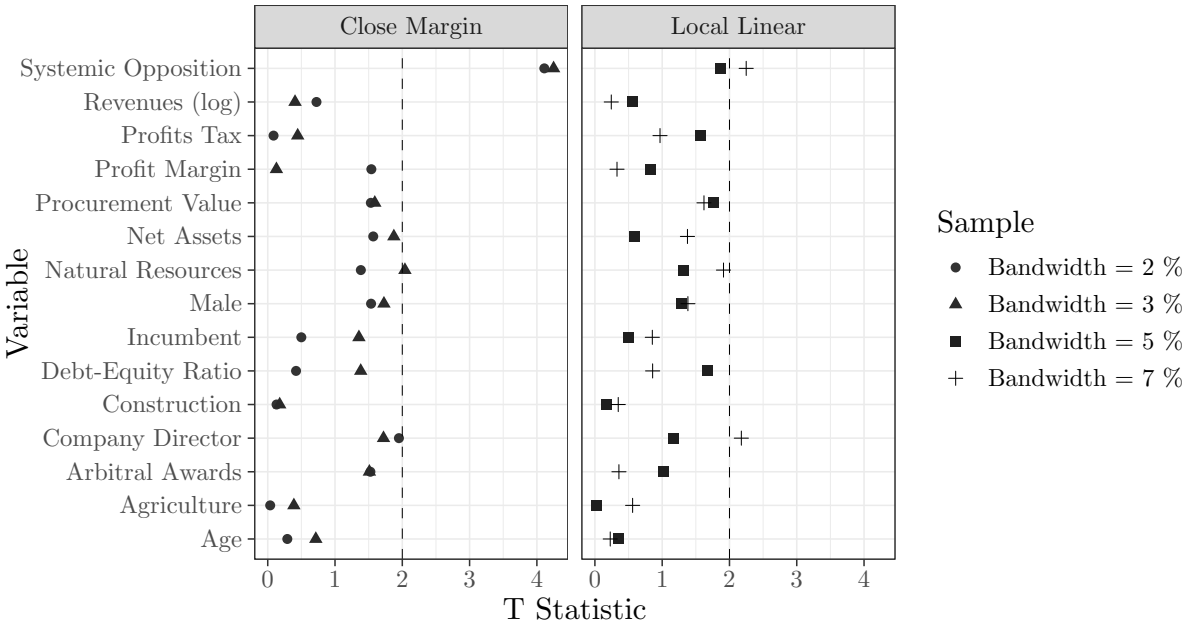
$$Y_i = \alpha + \beta * t_i + \lambda * f(m_i) + \eta * t_i * f(m_i) + \mathbf{X_i}\boldsymbol{\gamma} + \epsilon_i \tag{2}$$

where Y_i is the outcome for firm i, t_i is the binary treatment, $f(m_i)$ is the control function which interacts with the treatment to fit both treated and non-treated observations separately, $\mathbb{X}$ is a matrix of firm- and candidate level covariates employed as control variables as well as sector, year and region fixed effects, and ϵ_i is the normally distributed error term.

Balance Checks

Part of the RD design's identification assumptions is that elected and non-elected top-ranking candidates as well as their connected firms have similar background characteristics. Thus, observable covariates should be balanced across firms and candidates close to the discontinuity. I select several bandwidths around the discontinuity that are large enough to ensure sufficient statistical power in order to make meaningful comparisons and small enough to warrant the local randomization assumption around the cutoff. Figure 1 plots the t-statistics of two-tailed t-tests

Figure 1: Balance Statistics for Top-Rank Candidates

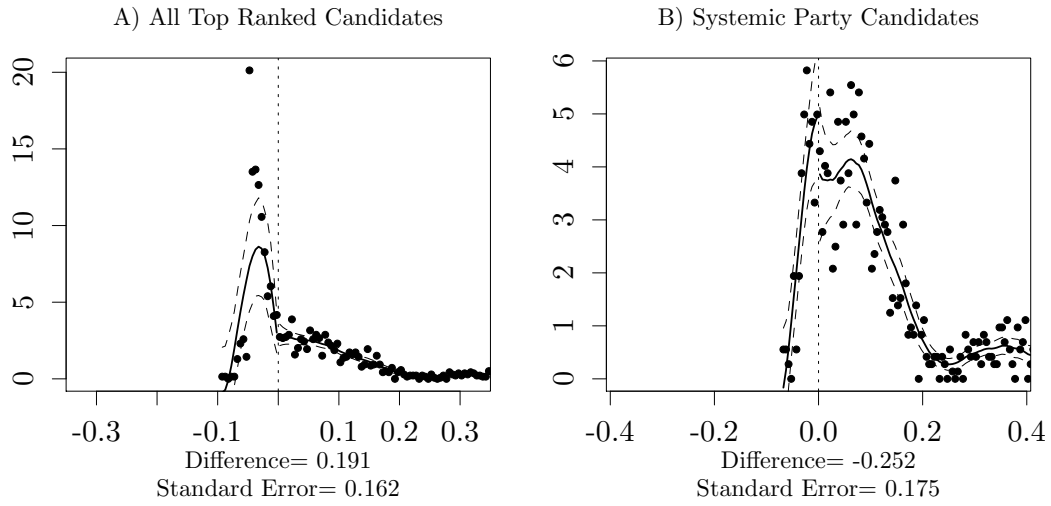


of the null hypothesis that elected and non-elected top-rank candidates do not differ on 15 firm- and candidate level covariates. The balance statistics reveal that at most one of the t-statistics is larger than 2 except for membership in a systemic opposition party. Close to minimum election thresholds, parties that passed the threshold tend to be represented in the state duma. Most importantly, however, the outcome variables we focus on, revenue, profit margins, procurement and arbitral awards, are well balanced around the cutoff. All firm-level covariates also show a good balance between elected and non-elected candidates, suggesting that the firms connected to elected candidates do not have larger net-assets, leverage or different sector affiliation than firms connected to non-elected candidates.

Because the balance test suggests systematic differences in party types among elected and non-elected candidates, the continuity assumption may be violated. In order to assess the validity of the continuity assumptions formally, I run McCrary (2008) density tests to test for

manipulations of the running variable. Figure 2 illustrates these tests for all candidates (Panel A) and for candidates of parties who are represented in the state duma at the time of the regional election (Panel B). Although both samples, the estimated difference at the cutoff is relatively small and not significant at the 5% level there an observable break in when only considering systemic party candidates. Such a break would suggest that systemic opposition parties can manipulate their vote-shares implying that candidates can self-select into treatment. Yet, break exhibited in Panel B is not only insignificant, it is also negative, suggesting that systemic parties loose more elections by narrow margins than they win. This supports the validity of the assumption that candidates and parties do not have sufficient control over vote-share that would enable them to select into treatment.

Figure 2: Density Tests



Results

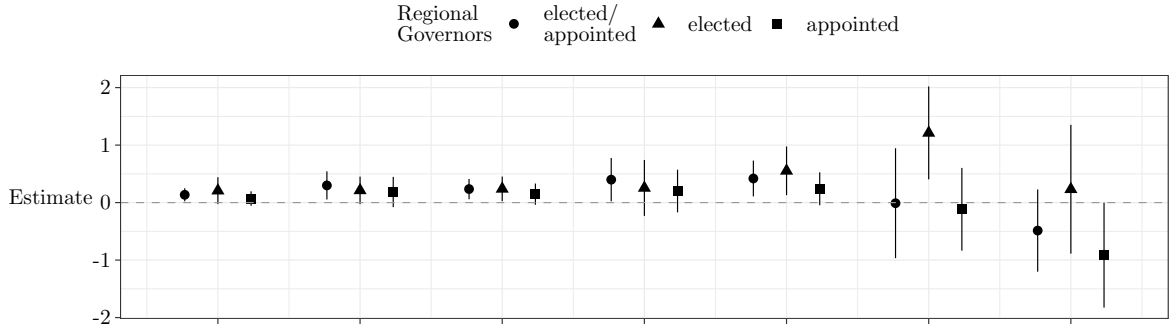
The results of my first analysis depicted in Figures 3 and 4 show that a connection to an elected opposition candidate leads to substantial increases in firm revenues , yet does not seem to affect firm profitability. The overall estimated effects of a connection to an elected opposition candidate on average firm revenues average 24% across the RD specifications (Models 3-5) and are significantly different from zero at the five percent level in three out of 5 models.[6] Yet, while estimates on average profit margins are all positive averaging about 4%, they fail to obtain statistical significance at the 5% level in any of the specifications. Higher revenues do not necessarily

[6]For a detailed results table see the appendix.

manifest in higher profit margins, for example if operating costs increase proportionally with revenues. However, alternative specifications reported in the appendix suggest a positive effect of about 15% on profit-margins in the last year in the connected candidate's electoral term. These results strongly support my first hypothesis implying that candidates from opposition parties receive substantial benefits in form of higher revenues.

Although the mechanisms through which these benefits manifest themselves are unclear from these results, the results shown in Figure 3 suggest that the effect is more pronounced when regional governors are elected rather than appointed. The RDD estimates for the subgroup of firms with political connections under elected governors are consistently higher than for the subgroup under appointed governors, averaging about 40 percentage points across specifications. However, the difference between coefficients is only significantly different from zero at the 5% level in model 6. This result provides tentative support for hypothesis two, but its robustness is questionable judging from the effects on these outcomes. Additionally, two important questions remain open. Which causal channels drive increases in revenues of connected firms? Do elected candidates receive benefits by virtue of their office or are they actively targeted?

Figure 3: The Effect of Political Connections on Firm Revenues

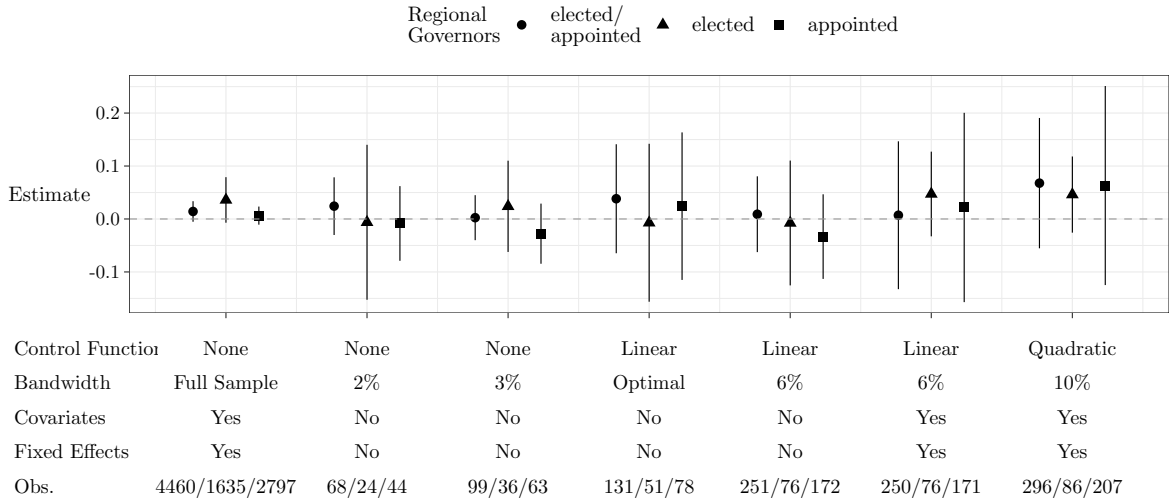


Control Functio	None	None	None	Linear	Linear	Linear	Quadratic
Bandwidth	Full Sample	2%	3%	Optimal	6%	6%	10%
Covariates	Yes	No	No	No	No	Yes	Yes
Fixed Effects	Yes	No	No	No	No	Yes	Yes
Obs.	4567/1671/2866	70/24/46	101/36/65	212/61/148	255/77/175	253/77/173	302/87/212

Mechanisms

I explore four potential causal mechanisms that may explain the firm benefits of political connections more comprehensively. One proposed explanation is that Russian regional officials use

Figure 4: The Effect of Political Connections on Profitability



Control Functio	None	None	None	Linear	Linear	Linear	Quadratic
Bandwidth	Full Sample	2%	3%	Optimal	6%	6%	10%
Covariates	Yes	No	No	No	No	Yes	Yes
Fixed Effects	Yes	No	No	No	No	Yes	Yes
Obs.	4460/1635/2797	68/24/44	99/36/63	131/51/78	251/76/172	250/76/171	296/86/207

redistributive policies as tools to maintain political support (Remington 2011). The Russian tax system allows regional legislatures to influence asset based taxes such as property, vehicle and land taxes. Thus, even without membership the dominant party, directors holding elected office could influence tax policies or enforcement in their companies' favor.

Another prominent explanation is that holding legislative office may reduce uncertainty of investors by providing information on borrowing quality and asset protection (Claessens, Feijen, and Laeven 2008). In China, for example, involvement of entrepreneurs in the Communist Party boosts their firms performance and share price through better access to state and bank loans as well as a reputational premium given by shareholders (Li et al. 2008; Truex 2014).

Third, corporate political strategies may be aimed at gaining preferential treatment or inside information in public tenders. There are multiple accounts of regional legislators in Russia openly stating that winning legislative office will help their business by getting better access and standing with regional and local bureaucrats (Szakonyi 2017). While elected candidates gain better access, their firms may also be actively targeted through favorable procurement decisions in exchange for certain favors. Mironov and Zhuravskaya (2016), for example, find evidence that firms depending on procurement revenues funnel resources to politicians exchange for favorable procurement outcomes after elections were held.

Lastly, I explore the role of the judiciary in potential advantages for firms if their director holds electoral office. It is well known that in the presence of transaction costs, the efficiency of economic markets depends on institutions, especially the enforcement of property rights (Coase 1960; North 1990). Firms with influence on contract enforcement hold more bargaining power

in negotiations and may enjoy the above-normal returns due to imperfect competition. Anticipating the disadvantage faced in commercial disputes, competing firms will exit the market or refrain from entering. On the regional level, two potential threats to judicial independence stand out – appointments and informal relationships to politicians, so called "telephone justice". There are 82 regional, 10 federal district (former People's Courts established in 1995), 20 appellate (established 2004) and a supreme arbitration court. Although initially held by the state legislature, appointment rights of commercial (arbitrazh) courts were consolidated in the presidential office in 1993 with occasional veto rights to regional legislatures (Shvets 2016). Regional governors had considerable influence on appointments before Putin's first presidency. One example, where this influenced judicial decision-making is the 1998 bankruptcy law, whose enforcement significantly favoured those enterprises connected to regional governors (Lambert-Mogiliansky, Sonin, and Zhuravskaya 2007). However, their influence faded along with other measures taken aimed at constraining the power of regional authorities. However, anecdotal evidence suggests that, similarly to regional governor appointments, clientilistic strategies dominated judicial appointments (Seibert-Fohr 2012). Thus, judges did not rely on regional legislators nor governors to get reappointed, but had similar incentives to cater to the preferences of the central regime which may warrant certain informal relationships between them. One reason why regional judges may be influenced by regional authorities is that vertical mobility of judicial careers is limited and often times, regional courts still rely on funding and other resources from regional authorities. Thus, similar to other federal agents in the regions, judges may hold close ties to regional officials, especially governors (Stoner-Weiss 2006).

These channels do not represent an exhaustive account of how political connections could influence firm outcomes but they represent a wide range of mechanisms that have been proposed in the literature, are sufficiently documented and allow for cross-sectoral generalizations as necessary for this research design.[7] Thus, in the following, I analyze whether connected firms pay less taxes, take on more debt, are more successful in securing government procurement or are more successful defendants in commercial courts. As a measure of tax payments I use the ratio of profit taxes paid and total profits before taxes. To measure financial leverage, I use the debt-equity ratio from the companies' financial statements. I operationalize the procurement success rate by dividing the number of successful tenders by the number of placed tenders in

[7]Other possible mechanisms include state-subsidies and regulatory capture. However, there is insufficient data on state-subsidies in Russia and regulatory capture would necessitate the work-intensive endeavour of data-collection and conceptualization of regulatory impact across business sectors

Table 1: Causal Mechanisms

	All Governors				Elected Governors				Appointed Governors			
	(1)		(2)		(3)		(4)		(5)		(6)	
Bandwidth	Optimal	N	10%	N	Optimal	N	10%	N	Optimal	N	10%	N
Tax Rate	-0.01	93	-0.05	109	0.11	17	-0.01	20	-0.03	74	-0.04	87
	[-0.09,0.07]		[-0.11,0.01]		[-0.05,0.27]		[-0.13,0.11]		[-0.11,0.05]		[-0.1,0.02]	
Leverage	0.49	213	0.36	302	0.59	57	0.93	80	0.41	154	0.17	218
	[-0.06,1.04]		[-0.15,0.87]		[-0.12,1.3]		[0.46,1.4]		[-0.26,1.08]		[-0.5,0.84]	
Procurement	0.07	113	0.06	75	0.13	34	-1.55	21	0.03	76	-0.15	52
Winrate	[-0.36,0.5]		[-0.43,0.55]		[-0.4,0.66]		[-2.9,-0.2]		[-0.46,0.52]		[-0.74,0.44]	
Regional	-0.08	77	-0.04	48	0.15	24	-0.1	16	-0.21	50	-0.34	30
	[-0.59,0.43]		[-0.69,0.61]		[-0.67,0.97]		[-1.51,1.31]		[-0.88,0.46]		[-1.28,0.6]	
Federal	-0.17	65	-0.17	44	-0.22	19	-1.3	12	-0.2	44	-0.5	30
	[-0.7,0.36]		[-0.8,0.46]		[-1.2,0.76]		[-4,1.4]		[-1,0.6]		[-1.07,0.07]	
Arbitration	0.41	166	0.19	162	0.32	46	0.98	49	0.36	118	-0.05	113
Defense Winrate	[0,0.82]		[-0.26,0.64]		[-0.35,0.99]		[0.31,1.65]		[-0.15,0.87]		[-0.56,0.46]	
Regional	0.43	155	0.23	148	0.21	44	0.88	45	0.46	109	0.11	103
	[0.06,0.8]		[-0.18,0.64]		[-0.5,0.92]		[0.17,1.59]		[0.03,0.89]		[-0.32,0.54]	
Superregional	0.4	75	0.03	62	0.78	26	0.86	21	0.3	48	-0.19	41
	[-0.25,1.05]		[-0.62,0.68]		[-0.32,1.88]		[-0.02,1.74]		[-0.43,1.03]		[-1.01,0.63]	

Note: The outcome variables of each model is specified in the first column. Each cell shows the estimated discontinuity in outcomes using a linear control function in the specified bandwidth around the cutoff. Models reported in row one and two include pre-election values of outcomes. The 10% bandwidth models include region fixed effects and covariates specified in the text. Robust 5% confidence intervals clustered at the candidate and election level are shown in parentheses.

a given year. Finally, I measure the legal defensive win rate by dividing the number positive rulings by the number of total cases where the connected firm was the defendant in a given year.[8] In order to hone in on the regional governors' role in coopting legislators, I distinguish between procuring agencies according to their source of funding and courts depending on their regions of jurisdiction. If regional governors influence the benefits of holding elected office, I expect these advantages to be higher on the regional than on the federal level. The specifications I report have linear control functions and vary bandwidths between the CCT MSE-Optimal bandwidth and a bandwidth of 10% in order to retain a sufficient number of observations. Optimal bandwidths for all outcomes are shown in the appendix.

The first two results reported in rows one and two of Table 1 suggest that as expected political connections slightly decrease tax bills and increase the use of debt financing. However, the coefficients do not obtain standard levels of statistical significance. Judging from the

[8] I focus on defending cases instead of all cases in order to proxy a competitor's outlook to be able to rely on the judiciary for the enforcement of contracts with other firms.

specifications using optimal bandwidths, political connections lower effective tax rates by one percentage point ranging between a decrease of nine percentage point to an increase of seven percentage points. Having a direct connection to an opposition candidate also increases a firms debt-equity ratio by 50 percentage points, ranging between a decrease of 6 and and increase of 104 percentage points. As shown in columns 4, 6, 8 and 10, these estimates do not differ substantially between candidates serving under elected and candidates serving under appointed regional governors.

Similarly, procurements do not seem to drive the effect of political connections on revenues. The first two coefficients shown in row 3 suggest a substantially and statistically insignificant effect of about 6 percentage points ranging from a decrease of 36 to an increase of 50 percentage points. The coefficients of the sub-sample regressions vary substantially and the result in column 4 indicates a large negative effect of political connections on the success rate of procurements for legislators under elected governors. However, this effect is not robust to other specifications and the small sample size due to lost observations for missing covariates warrants doubts of sufficient statistical power of these estimates. Importantly, when only considering cases at the regional and federal level, the effect sizes do not change considerably. Political connections have a slightly more negative effect on procurement success at the federal level, yet, the difference between the coefficients is not statistically different from zero.

The legal mechanism shows more explanatory support of hypotheses one and two, the overall effect of political connections on firm revenues and the heterogeneous treatment effects depending on gubernatorial selection. Rows 6-8 in Table 1 presents supporting evidence that political connections provide advantages in legal contract enforcements. The first two columns suggest that politically connected firms are 20 - 40% more likely to succeed in commercial litigation defense than firms without political connections. This effect is substantial, considering that the value of litigations that were decided against defendants in the overall sample valued roughly 290 000$. Further, the effect on success rates is mostly similar across levels of jurisdiction. Connected firms are as successful in the 82 regional courts as in the 31 courts whose jurisdiction spans multiple regions. However, columns 3-6 indicate a considerable difference in judicial advantages between elections under elected and appointed governors. While under appointed governors, political connections may increase or decrease a firms prospects in court, under elected governors political connections improve a firms success change considerable, between 32 and 98 percentage points. Lastly, these effects are not substantially or statistically different when

considering only cases at the regional or superregional level.[9] In sum, these results suggest that firms use political connections in order to improve their bargaining power with other firms via the legal system. Further, firms connected to opposition candidates elected under elected governors enjoy considerably higher success rates than those under appointed governors, thus supporting hypothesis two. However, the RDD results do not suggest that this mechanism differs between channels which regional authorities have more or less control over.

Conclusion

This article uses an regression discontinuity (RD) design to estimate the firm-level impact of establishing political connections to opposition parties in authoritarian legislatures. Further, it shows that benefits accrued from these connections are higher when cooptive agents are elected rather than appointed. In the case of the Russian Federation under Putin, I find that by holding direct connections to legislators, firms increase their revenues by about 24%and that this effect is considerably higher for legislators under elected rather than appointed governors. The key driver of this effect and its heterogeneity across institutions of gubernatorial selection is preferential treatment in commercial litigation. Connected firms are 20 - 40% more successful in defending cases brought before Russian arbitration courts and are even more successful when their connected legislator took office under an elected governor.

These findings contribute to our understanding of the role opposition parties play in a regime's strategy to establish formal political institutions. Instead of representing an intentional authoritarian strategy to ensure cooperation of economic elites through distributing policy influence (Gandhi 2010), this paper suggests that opposition parties partially result from cooptive agency relationships between higher and lower level officials. When lower-level officials are elected rather than appointed, they seek to build coalitions outside dominant party structures to ensure their reelection thus providing incentives for economic elites to support opposition parties. From the perspective of institutional choice, opposition parties may thus be an unintended consequence of legitimizing subnational leaders through direct popular elections, even if these

[9]The estimated coefficients from these regressions need to be interpreted with caution because of the limited distribution of the dependent variable and the restriction of the sample. OLS may lead to nonsensical predictions in these cases. Further, effects on win-rates do not reveal whether the number of cases filed decrease or the number of positive rulings increase as a result of political connections. Poisson regressions with yearly counts of placed and successful procurements show that the high uncertainty in effects on procurement win-rates is driven by a high uncertainty of the incidence rate ratio of won procurements. Count models of initiated and successful litigation cases against firms on the other hand indicate that political connections substantially lower the incidence rate of cases filed and increase the incidence rate of cases won.

elections are flawed.

Further, the mechanism uncovered in this paper makes an important contribution to understanding how firms can exploit the relationship between executive, legislative and judicial institutions under authoritarianism. This paper suggests that when the separation of powers is weak, firms may send affiliates to compete for legislative office to either influence courts directly or incentivize executive officials to exert influence on their behalf. This is an additional benefit of direct over indirect corporate political strategies such as lobbying or campaign financing.

Lastly, my results imply that multi-party legislative elections and subnational delegation of power are a sign of authoritarian consolidation, rather than concessions to demands of democratic freedoms. One key reason for this is that one of the main predictors of regime-change both in the authoritarian and democratic direction is economic crises. If a broad spectrum of key economic actors benefits from the regime's survival even in times of economic decline, democratization becomes less likely.

Appendix

Table 2: Poisson RD Models: Total Arbitration Defenses and Successes

	Dependent variable:					
	Defended Cases			Total Cases		
	All Govs.	Appointed	Elected	All Govs.	Appointed	Elected
	(1)	(2)	(3)	(4)	(5)	(6)
Elected	1.15	0.30	1.91	0.28	0.06	0.82
	(0.71,1.87)	(0.13,0.67)	(0.93,4.03)	(0.21,0.36)	(0.04,0.10)	(0.53,1.30)
Constant	2.04	2.07	2.16	14.23	16.68	7.77
	(1.39,2.92)	(1.31,3.16)	(1.10,4.01)	(12.10,16.66)	(13.96,19.81)	(5.29,11.21)
Control Function	Linear	Linear	Linear	Linear	Linear	Linear
Bandwidth	0.056	0.056	0.056	0.066	0.066	0.066
Observations	256	178	74	279	191	84

Table 3: Poisson RDD Models: Won and Placed Procurements

	Dependent variable:					
	Won Tenders			Placed Tenders		
	All Govs.	Appointed	Elected	All Govs.	Appointed	Elected
	(1)	(2)	(3)	(4)	(5)	(6)
Elected	0.12	0.15	0.80	0.06	0.06	0.26
	(0.10,0.14)	(0.13,0.17)	(0.50,1.29)	(0.05,0.06)	(0.05,0.07)	(0.20,0.34)
Constant	224	266.7	28.8	576.9	784.2	103.1
	(208.4,240.6)	(247.5,287.1)	(19.4,41.5)	(553.8,600.7)	(750.1,819.6)	(87.7,120.3)
Control Function	Linear	Linear	Linear	Linear	Linear	Linear
Bandwidth	0.087	0.087	0.087	0.081	0.081	0.081
Observations	106	71	32	114	77	34

Table 4: RD Estimates: Firm Revenues

	Dependent variable:																				
	Revenues (logged)																				
	All Gov.							Gov.Appointed							Gov.Elected						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Elected	0.14	0.30	0.24	0.40	0.42	−0.01	−0.50	0.21	0.21	0.24	0.25	0.55	1.21	0.19	0.07	0.18	0.15	0.20	0.24	−0.12	−0.94
	(0.06)	(0.12)	(0.09)	(0.19)	(0.16)	(0.49)	(0.37)	(0.12)	(0.12)	(0.11)	(0.25)	(0.22)	(0.41)	(0.58)	(0.06)	(0.13)	(0.09)	(0.19)	(0.15)	(0.37)	(0.47)
Lagged Revenue	0.94	0.92	0.95	0.93	0.93	0.94	0.93	0.94	0.84	0.87	0.91	0.93	0.97	0.95	0.94	0.95	0.98	0.93	0.93	0.92	0.91
	(0.01)	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.01)	(0.08)	(0.06)	(0.03)	(0.03)	(0.05)	(0.05)	(0.01)	(0.04)	(0.04)	(0.05)	(0.04)	(0.05)	(0.05)
Net Assets	0.00					0.00	0.00	0.00					0.00	0.00	0.00					0.00	0.00
	(0.00)					(0.00)	(0.00)	(0.00)					(0.00)	(0.00)	(0.00)					(0.00)	(0.00)
Age	−0.004					0.01	0.01	−0.004					−0.003	0.004	−0.004					0.01	0.005
	(0.001)					(0.01)	(0.01)	(0.002)					(0.01)	(0.01)	(0.001)					(0.01)	(0.01)
Systemic Party	0.07					0.44	0.27	0.07					−0.06	0.15	0.06					0.87	0.52
	(0.03)					(0.40)	(0.39)	(0.05)					(0.22)	(0.25)	(0.04)					(0.57)	(0.51)
Incumbent	−0.08					−0.25	−0.29	−0.20					−0.47	−0.90	−0.01					−0.13	−0.26
	(0.05)					(0.14)	(0.13)	(0.06)					(0.36)	(0.42)	(0.07)					(0.14)	(0.17)
Constant		1.29	0.87	1.07	1.01				2.88	2.23	1.91	1.22				0.74	0.36	0.97	0.94		
		(0.60)	(0.50)	(0.56)	(0.51)				(1.40)	(1.07)	(0.56)	(0.49)				(0.65)	(0.58)	(0.79)	(0.70)		
Bandwidth	1	0.02	0.03	0.047	0.06	0.06	0.1	1	0.02	0.03	0.047	0.06	0.06	0.1	1	0.02	0.03	0.047	0.06	0.06	0.1
Region FE	Yes	No	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Observations	4,567	70	101	212	255	253	300	1,671	24	36	61	77	77	87	2,866	46	65	148	175	173	210
Adjusted R^2	0.92	0.93	0.94	0.89	0.90	0.89	0.89	0.92	0.86	0.90	0.91	0.91	0.90	0.88	0.93	0.97	0.97	0.89	0.89	0.89	0.88

Table 5: RD Estimates: Firm Profit Margins

	Dependent variable:																				
	Profit Margin																				
	All Gov.							Gov.Appointed							Gov.Elected						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Elected	0.014	0.024	0.002	0.038	0.009	0.007	0.068	0.036	−0.006	0.024	−0.007	−0.008	0.047	0.046	0.006	−0.008	−0.028	0.024	−0.033	0.022	0.063
	(0.010)	(0.028)	(0.022)	(0.053)	(0.037)	(0.071)	(0.063)	(0.022)	(0.075)	(0.044)	(0.076)	(0.060)	(0.041)	(0.037)	(0.009)	(0.036)	(0.029)	(0.071)	(0.041)	(0.091)	(0.096)
Lagged Profit Margin	0.800	0.672	0.791	0.675	0.758	0.766	0.761	0.778	0.359	0.395	0.328	0.566	0.555	0.518	0.820	0.878	0.911	0.804	0.831	0.829	0.804
	(0.023)	(0.139)	(0.100)	(0.112)	(0.079)	(0.108)	(0.091)	(0.036)	(0.135)	(0.125)	(0.119)	(0.143)	(0.215)	(0.213)	(0.027)	(0.064)	(0.039)	(0.093)	(0.067)	(0.105)	(0.097)
Net Assets	−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)					(0.000)	(0.000)
Age	−0.0001					0.001	0.001	−0.001					−0.00005	−0.0003	0.00004					−0.0003	−0.001
	(0.0002)					(0.001)	(0.001)	(0.0003)					(0.002)	(0.002)	(0.0003)					(0.002)	(0.002)
Systemic Party	−0.0001					0.058	0.045	−0.007					0.015	0.008	0.005					0.009	0.018
	(0.005)					(0.044)	(0.042)	(0.009)					(0.043)	(0.042)	(0.006)					(0.056)	(0.054)
Incumbent	−0.002					−0.044	−0.016	0.015					−0.059	−0.049	−0.008					−0.033	0.005
	(0.007)					(0.026)	(0.023)	(0.009)					(0.061)	(0.061)	(0.009)					(0.032)	(0.018)
Constant		0.025	0.018	0.010	0.034				0.076	0.036	0.087	0.090				0.003	0.003	−0.017	0.017		
		(0.023)	(0.019)	(0.033)	(0.027)				(0.069)	(0.040)	(0.066)	(0.055)				(0.021)	(0.017)	(0.039)	(0.029)		
Bandwidth	1	0.02	0.03	0.047	0.06	0.06	0.1	1	0.02	0.03	0.047	0.06	0.06	0.1	1	0.02	0.03	0.047	0.06	0.06	0.1
Region FE	Yes	No	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Observations	4,460	68	99	131	251	250	296	1,635	24	36	51	76	76	86	2,797	44	63	78	172	171	207
Adjusted R^2	0.771	0.571	0.734	0.590	0.714	0.732	0.719	0.755	0.328	0.376	0.205	0.589	0.607	0.572	0.787	0.703	0.841	0.732	0.778	0.772	0.756

Table 6: Summary Statistic

Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
Debt-Equity Ratio	8,864	161.52	2,450.87	−1.00	0.34	9.44	138,375.10
Profit Margin	8,420	0.07	0.25	−1.00	−0.003	0.14	1.00
Net Assets (Mln. RUB.)	12,394	57.05	2,040.11	−2,957.57	0.01	5.38	163,688.50
Revenues (log)	8,647	16.09	2.31	6.91	14.67	17.55	26.24
Profits Tax (Mln. RUB.)	4,408	−0.31	130.67	−7,741.10	0.03	0.58	1,783.13
Effective Tax Rate	4,146	0.18	0.21	−1.00	0.05	0.24	0.99
Procurement Value (Mln. RUB.)	2,151	280.24	3,309.27	0.0000	0.50	18.94	90,201.77
Procurement Winrate	2,408	0.55	0.38	0.00	0.22	1.00	1.00
Arbitral Defense Rate	3,906	0.36	0.41	0.00	0.00	0.77	1.00
Arbitration Payments (Mln. RUB.)	3,041	121.81	3,978.88	0.0000	0.07	3.56	192,579.00
Agriculture	12,498	0.05	0.22	0.00	0.00	0.00	1.00
Natural Resources	12,508	0.01	0.10	0	0	0	1
Construction	12,508	0.10	0.30	0	0	0	1
Male	12,447	0.91	0.29	0.00	1.00	1.00	1.00
Incumbent	12,508	0.07	0.26	0	0	0	1
Systemic Opposition	12,508	0.74	0.44	0	0	1	1
Age	12,508	43.30	9.45	21	37	50	77
Company Director	12,508	0.48	0.50	0	0	1	1