

Non-Technical Summary

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Paper 1

CAMPAIGN CONTRIBUTIONS AND FIRM PERFORMANCE: THE "LATVIAN WAY"

This paper provides new evidence on the value of political connections in transition economies. It also corroborates other evidence that firms derive rents from connections with politicians and that campaign contributions is one of the channels through which businesses pay for political favors. This paper also suggests that changes in the distribution of political power cause changes in the distribution of economic rents among connected firms.

Paper 2

DO POLITICAL CONNECTIONS MATTER? FIRM-LEVEL EVIDENCE FROM LATVIA

Using a measure of connectedness based on having (ex)politicians as board members or shareholder, the paper derives three main results. First, the firms experience a plunge in sales in the year when politician joins, followed by a sharp recovery in the following years. This suggests that politicians join the firms in distress and help with political favors. An alternative explanation, however, is that politicians use the opposite of favors to secure ownership or management positions at the firm. Second, there is no robust evidence that changes in the strength of political connection caused by changes in the ruling coalition have effect on performance of connected firms. Third, I find no evidence that ex-politicians matter to the performance of firms.