The mortality cost of political connections

Raymond Fisman, Yongxiang Wang*
Columbia University, University of Southern California

This Draft: January, 2013

Abstract

We study the relationship between the political connections of Chinese firms and workplace fatalities. The worker death rate for connected companies is five times that of unconnected firms; this result also holds when we exploit executive turnover to generate within-firm estimates. The connections-mortality relationship is attenuated in provinces where officials' promotion is contingent on meeting safety quotas. Fatal accidents produce negative returns at connected companies and are associated with the subsequent departure of well-connected executives. Our findings emphasize the social costs, as well as the firm-level benefits, of political connections.

JEL classification: J81, D73, P26
Keywords: Corruption, Political Connections, Labor Conditions, Corporate Social Responsibility, China.

*Raymond Fisman: Columbia Business School, Uris 605B, Columbia University, New York, NY 10027; email: rf250@columbia.edu; Yongxiang Wang: Marshall School of Business, University of Southern California, Los Angeles, California 90089; email: Yongxiang.Wang@marshall.usc.edu. We thank Kent Daniel, Harry DeAngelo, David Hirshleifer, Harrison Hong, Emir Kamenica, John Matsusaka, Kevin Murphy, Amit Seru and Rene Stulz for insightful comments; Jun Xiao and Rong Xu provided excellent RA support. All errors are our own.