

FIGURE I

Nighttime Light Intensity in Gbadolite in 1992, 1996, 1998, and 2005

Mobutu Sese Seko was president of Zaire until 1997.

TABLE II
MAIN RESULTS AND ROBUSTNESS TESTS

Dependent variable	(1) <i>Light</i> _{ict}	(2) <i>Light</i> _{ict}	(3) <i>Light</i> _{ict}	(4) <i>Light</i> _{ict}	(5) <i>Light</i> _{ict}	(6) <i>Light0</i> _{ict}	(7) <i>Lightpc</i> _{ict}	(8) <i>RegionalGDP</i> _{ict}
<i>Leader</i> _{ict-1}	0.038*** (0.014)			0.019* (0.010)	0.061*** (0.010)	0.029** (0.013)	0.062** (0.024)	0.021*** (0.006)
<i>Leader</i> _{ict}		0.039*** (0.015)						
<i>Leader</i> _{ict-2}			0.041*** (0.013)					
<i>Light</i> _{ict-1}				0.400*** (0.023)	0.962*** (0.004)			
<i>Pop</i> _{ict}							-0.958*** (0.066)	-0.201*** (0.049)
Number of regions	38,427	38,427	38,427	38,427	38,427	36,591	37,475	1,207
Observations	690,495	690,495	689,870	652,362	652,362	619,594	673,382	14,995
R-squared	0.319	0.319	0.318	0.412	0.964	0.393	0.197	0.653
Region FE	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes. Fixed effect regressions (except for column (5), which is standard OLS) using annual data for subnational regions between 1992 and 2009. *Light*_{ict} is the log of average nighttime light intensity plus 0.01. *Light0*_{ict} is the log of average nighttime light intensity (without adding a constant). *Lightpc*_{ict} is the log of nighttime light intensity per capita plus 0.01. *RegionalGDP*_{ict} is the log of regional GDP per capita. *Leader*_{ict} is a dummy variable equal to 1 if region *i* is the birth region of the political leader in country *c* in year *t*, and 0 otherwise. *Pop*_{ict} is the log of regional population. Appendix A contains more information and sources of all variables used. Standard errors are adjusted for leader clustering. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

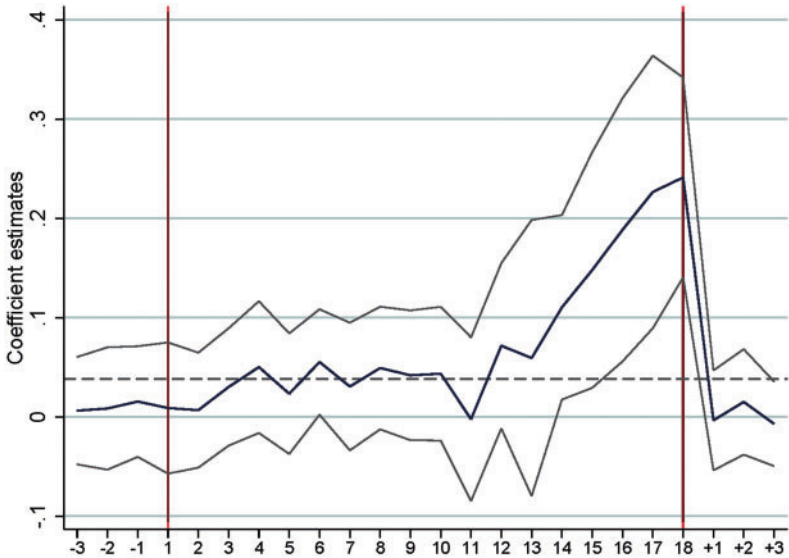


FIGURE III

The Dynamics of Regional Favoritism

TABLE IV
THE GEOGRAPHIC EXTENT OF REGIONAL FAVORITISM

Dependent variable	(1) <i>Light</i> _{ict}	(2) <i>Light</i> _{ict}	(3) <i>Light</i> _{ict}	(4) <i>Light</i> _{ict}	(5) <i>Light</i> _{ict}	(6) <i>Light</i> _{ict}	(7) <i>Light</i> _{ict}
<i>Leader</i> _{ict-1}	0.049** (0.024)	0.026** (0.010)	0.023** (0.012)	0.043*** (0.010)	0.028** (0.011)	0.020** (0.009)	0.005 (0.009)
Number of regions	520	2,242	2,220	64,204	17,242	6,101	2,110
Observations	9,134	40,157	39,761	1,048,370	280,210	101,655	35,889
R-squared	0.520	0.602	0.603	0.210	0.298	0.362	0.449
Region FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Units of observation	Circular areas around birthplaces	SN1 regions	SN1 regions without SN2 leader regions	Rectangular cells (50 km × 50 km)	Rectangular cells (100 km × 100 km)	Rectangular cells (200 km × 200 km)	Rectangular cells (400 km × 400 km)

Notes. Fixed effect regressions using annual data for subnational regions between 1992 and 2009. The units of observations differ across columns and are indicated in the last row (see text for details). *Light*_{ict} is the log of average nighttime light intensity plus 0.01. *Leader*_{ict} is a dummy variable equal to 1 if region *i* is the birth region of the political leader in country *c* in year *t*, and 0 otherwise. Appendix A contains more information and sources of all variables used. Standard errors are adjusted for leader clustering. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

TABLE V
DETERMINANTS OF REGIONAL FAVORITISM

Dependent variable	(1) <i>Light</i> _{ict}	(2) <i>Light</i> _{ict}	(3) <i>Light</i> _{ict}	(4) <i>Light</i> _{ict}	(5) <i>Light</i> _{ict}	(6) <i>Light</i> _{ict}
<i>Leader</i> _{ict-1}	0.262*** (0.056)	0.119*** (0.040)	0.196** (0.082)	-0.008 (0.017)	0.008 (0.012)	-0.036 (0.134)
<i>Leader</i> _{ict-1} × <i>Polity</i> _{ct-1}	-0.298*** (0.063)					-0.240*** (0.065)
<i>Leader</i> _{ict-1} × <i>Schooling</i> _{ct-1}		-0.012*** (0.004)				-0.024*** (0.007)
<i>Leader</i> _{ict-1} × <i>NationalGDP</i> _{ct-1}			-0.019** (0.009)			0.050*** (0.018)
<i>Leader</i> _{ict-1} × <i>Language</i> _c				0.120*** (0.040)		0.016 (0.052)
<i>Leader</i> _{ict-1} × <i>FamilyTies</i> _c					0.063** (0.032)	0.035 (0.034)
Number of regions	38,427	36,033	38,179	37,795	30,631	29,123
Observations	684,213	648,240	683,669	679,119	551,004	520,081
R-squared	0.320	0.330	0.320	0.318	0.308	0.313
Region FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes. Fixed effect regressions using annual data for subnational regions between 1992 and 2009. *Light*_{ict} is the log of average nighttime light intensity plus 0.01. *Leader*_{ict} is a dummy variable equal to 1 if region *i* is the birth region of the political leader in country *c* in year *t*, and 0 otherwise. *Polity*_{ct} is the Polity2 score, rescaled so that it ranges from 0 to 1, with higher values implying stronger political institutions. *Schooling*_{ct} is the average years of schooling attained. *NationalGDP*_{ct} is the log of GDP per capita. *Language*_c is the index of linguistic fractionalization. *FamilyTies*_c is a measure of the strength of family ties. Appendix A contains more information and sources of all variables used. Standard errors are adjusted for leader clustering. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

TABLE VI
REGIONAL FAVORITISM ACROSS CONTINENTS

Dependent variable	(1) <i>Light</i> _{ict}	(2) <i>Light</i> _{ict}	(3) <i>Light</i> _{ict}
<i>Leader</i> _{ict-1} × <i>Africa</i> _c	0.071*** (0.026)	0.235*** (0.047)	0.041 (0.167)
<i>Leader</i> _{ict-1} × <i>Americas</i> _c	0.000 (0.025)	0.243*** (0.067)	0.056 (0.179)
<i>Leader</i> _{ict-1} × <i>Asia</i> _c	0.121*** (0.042)	0.296*** (0.073)	0.005 (0.147)
<i>Leader</i> _{ict-1} × <i>Europe</i> _c	-0.019* (0.010)	0.239*** (0.067)	0.035 (0.163)
<i>Leader</i> _{ict-1} × <i>Oceania</i> _c	-0.112 (0.077)	0.106 (0.101)	0.167 (0.168)
<i>Leader</i> _{ict-1} × <i>Polity</i> _{ct-1}		-0.278*** (0.070)	-0.252*** (0.068)
<i>Leader</i> _{ict-1} × <i>Schooling</i> _{ct-1}			-0.027*** (0.007)
<i>Leader</i> _{ict-1} × <i>NationalGDP</i> _{ct-1}			0.047** (0.020)
<i>Leader</i> _{ict-1} × <i>Language</i> _c			0.024 (0.046)
<i>Leader</i> _{ict-1} × <i>FamilyTies</i> _c			0.011 (0.037)
Number of regions	38,427	38,427	29,123
Observations	690,495	684,213	520,081
R-squared	0.319	0.320	0.313
Region FE	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes

TABLE VII
AID, OIL, AND REGIONAL FAVORITISM

Dependent variable	(1) <i>Light_{ict}</i>	(2) <i>Light_{ict}</i>	(3) <i>Light_{ict}</i>	(4) <i>Light_{ict}</i>
<i>Leader_{ict-1}</i>	-0.019 (0.015)	0.020 (0.022)	0.086 (0.073)	0.118 (0.084)
<i>Leader_{ict-1} × Aid_{ct-1}</i>	0.008*** (0.002)		0.019** (0.009)	
<i>Leader_{ict-1} × Oil_{ct-1}</i>		0.000 (0.002)		0.010 (0.008)
<i>Leader_{ict-1} × Polity_{ct-1}</i>			-0.121 (0.074)	-0.109 (0.094)
<i>Leader_{ict-1} × Aid_{ct-1} × Polity_{ct-1}</i>			-0.019* (0.010)	
<i>Leader_{ict-1} × Oil_{ct-1} × Polity_{ct-1}</i>				-0.014 (0.010)
Number of regions	38,427	38,179	38,427	37,851
Observations	690,495	645,396	684,213	641,410
R-squared	0.319	0.335	0.320	0.335
Region FE	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes

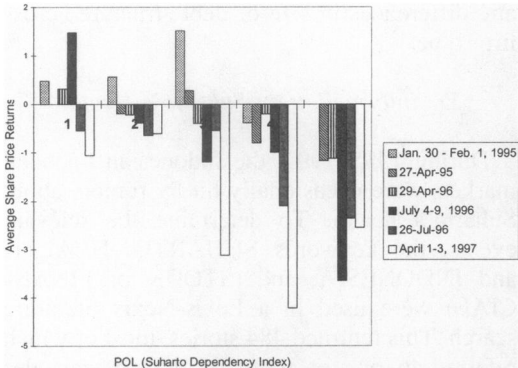


FIGURE 1. EFFECT OF POLITICAL DEPENDENCE ON SHARE PRICE RETURNS

TABLE 2—EFFECT OF POLITICAL CONNECTIONS ON CHANGES IN SHARE PRICE, SEPARATE ESTIMATION FOR EACH EVENT

	Jan. 30–Feb. 1, 1995	April 27, 1995	April 29, 1996	July 4–9, 1996	July 26, 1996	April 1–3, 1997
<i>POL</i>	−0.58* (0.34)	−0.31 (0.18)	−0.24* (0.15)	−0.95*** (0.27)	−0.57*** (0.22)	−0.90** (0.35)
Constant	1.29 (0.79)	0.21 (0.32)	0.12 (0.46)	0.83 (0.64)	−0.07 (0.41)	0.77 (0.97)
<i>R</i> ²	0.037	0.043	0.025	0.147	0.078	0.075
Observations	70	70	78	79	79	79

Note: Robust standard errors are in parentheses.

* Significantly different from 0 at the 10-percent level.

** Significantly different from 0 at the 5-percent level.

*** Significantly different from 0 at the 1-percent level.

TABLE 3—EFFECT OF POLITICAL CONNECTIONS ON
CHANGES IN SHARE PRICE

	(1)	(2)
<i>POL</i>	-0.60** (0.11)	-0.19 (0.15)
<i>NR(JCI)</i>	0.25 (0.14)	-0.32 (0.28)
<i>NR(JCI) · POL</i>		0.28* (0.11)
Constant	0.88 (0.27)	0.06 (0.35)
<i>R</i> ²	0.066	0.078
Number of observations	455	455

Note: Robust standard errors are in parentheses.

* Significantly different from 0 at the 5-percent level.

** Significantly different from 0 at the 1-percent level.

Table 2: The effect of Cheney's political fortunes on event returns: Time-series regression

VARIABLES	(1) Industry-adjusted euqal- weighted portfolio abnormal	(2) Industry-adjusted value- weighted portfolio abnormal	(3) Industry-adjusted Halliburton abnormal returns:
4/19/2000 dummy	-0.002 (0.005)	-0.011 (0.008)	-0.008 (0.004)
7/21/2000 dummy	0.000 (0.002)	-0.006 (0.004)	-0.013 (0.007)
11/22/2000 dummy	0.001 (0.001)	-0.005 (0.004)	0.000 (0.011)
3/5/2001 dummy	0.003 (0.005)	0.012 (0.009)	-0.003 (0.003)
AR_IndAdjusted (t-1)	-0.238 (0.122)	-0.238* (0.098)	-0.351*** (0.051)
AR_IndAdjusted (t-2)	-0.237* (0.109)	-0.240*** (0.050)	-0.256*** (0.039)
AR_IndAdjusted (t-3)	-0.088 (0.088)	-0.034 (0.063)	-0.159** (0.052)
Observations	330	330	330
Adjusted R-squared	0.014	0.103	0.156

Notes: Dependent variable, AR_IndAdjusted, is industry median adjusted portfolio return for connected firms. 4/19/2000: Cheney becomes head of running mate selection committee; 7/21/2000: Cheney appoints himself as running mate; 11/22/2000: Third heart attack; 3/5/2001: Fourth heart attack. Robust standard errors, clustered at the day level, are in parentheses. Abnormal returns are calculated using a standard market model. All regressions include year, month-of-year, week-of-month, and day-of-week fixed effects. *** p<0.01, ** p<0.05, * p<0.1