

Regulatory Capture in Public Procurement: Evidence from Revolving Door Bureaucrats in Japan

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Abstract We study how hiring public officials affects firms' ability to win government contracts. By linking personnel transitions of public officials and government construction projects awarded to firms in Japan, we find evidence consistent with the exchange of post-retirement employment for an increase in government contracts. We find that firms that hire a public official experience an increase of about 6.6–10.8 percent (0.7–1.2 percentage points) in the probability of winning a contract. Our results also suggest that quid-pro-quo arrangements are not made as simple bilateral agreements between an individual public official and a firm, but rather maintained through repeated interactions between a firm and generations of public officials, consistent with the model of Salant (1995).