

Firms and Regional Favoritism

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We examine formal firm behavior in response to regional favoritism by top-ranked politicians using a balanced panel of 444 rural districts (yearly observations) in Vietnam during 2000 to 2011 and census microdata of firms, politicians' home towns, and climate and population microdata. The study finds that the number of firms and aggregated employment of firms increase in the home town districts of politicians after they resume office. The findings suggest that regional favoritism in a single-party system maintains the continuous development of firms in politicians' home town districts and widens the gaps among rural districts.

Keywords: Firms, Favoritism, Politician, Rural, Vietnam

JEL classification D22, D25, D72, R11, Z1, P28, O17

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