

# For Online Publication

## The Value of Political Capital: Dictatorship Collaborators as Business Elites

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## A Procedure to detect collaborators

This section provides details about how we detect if a board member had collaborated with the Pinochet regime. Suppose we want to know if a board member with the name of “AAA BBB CCC” (first name, first last name, second last name) collaborated with the Pinochet regime. Then, we use the following procedure:

*Step 1:* Open Chile’s version of Google (i.e. `www.google.cl`) in incognito mode, enabling replication.

*Step 2:* Search for the query “AAA BBB CCC.”

*Step 3:* Check all hits in the first page of results. Three possible paths arise:

3.1 If we detect “AAA BBB CCC” worked for the Pinochet regime and he is not a military, then:

⇒ Board member is classified as *civilian collaborator* and we stop.

3.2 If we detect “AAA BBB CCC” was part of the military between 1973 and 1988, then:

⇒ Board member is classified as *military collaborator* and we stop.

3.3 Otherwise:

⇒ Proceed to step 4.

*Step 4:* Search for the queries “AAA BBB CCC” and “Pinochet” at the same time.

*Step 5:* Check all hits in the first page of results. Three possible paths arise:

5.1 If we detect “AAA BBB CCC” worked for the Pinochet regime and he is not a military, then:

⇒ Board member is classified as *civilian collaborator* and we stop.

5.2 If we detect “AAA BBB CCC” was part of the military between 1973 and 1988, then:

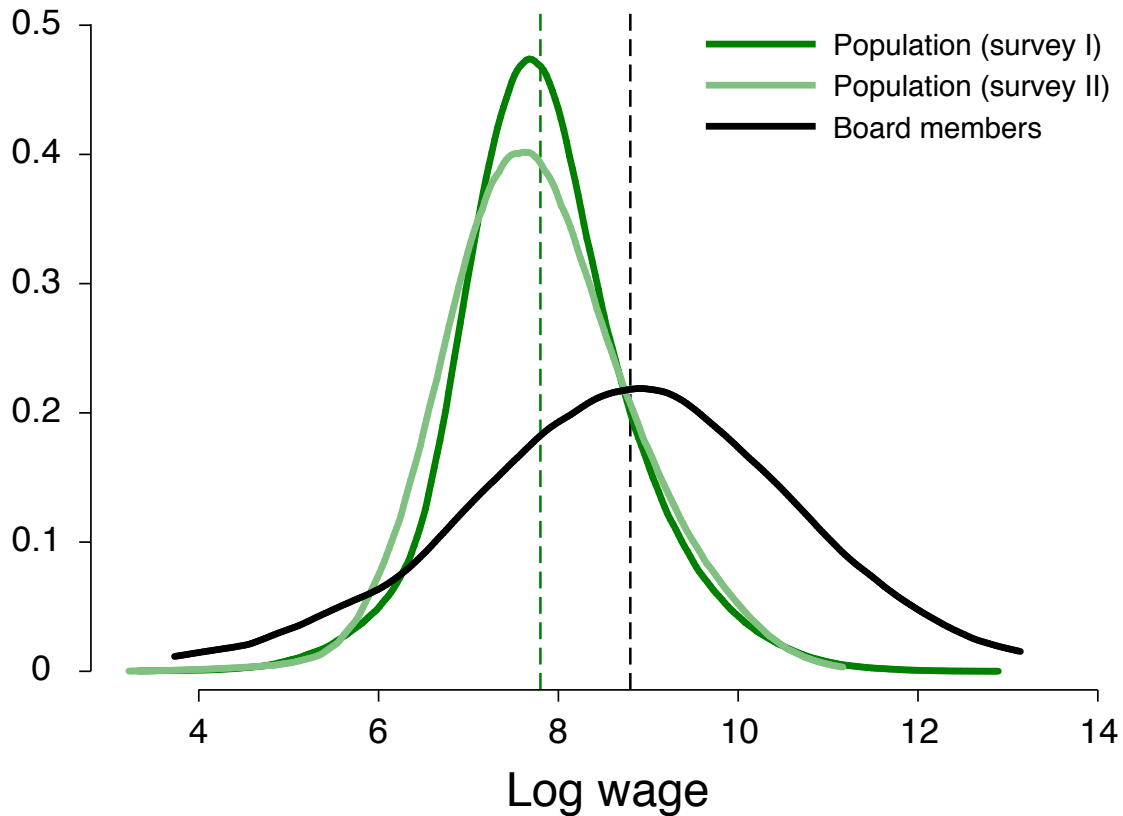
⇒ Board member is classified as *military collaborator* and we stop.

5.3 Otherwise:

⇒ Board member is classified as *non-collaborator* and we stop.

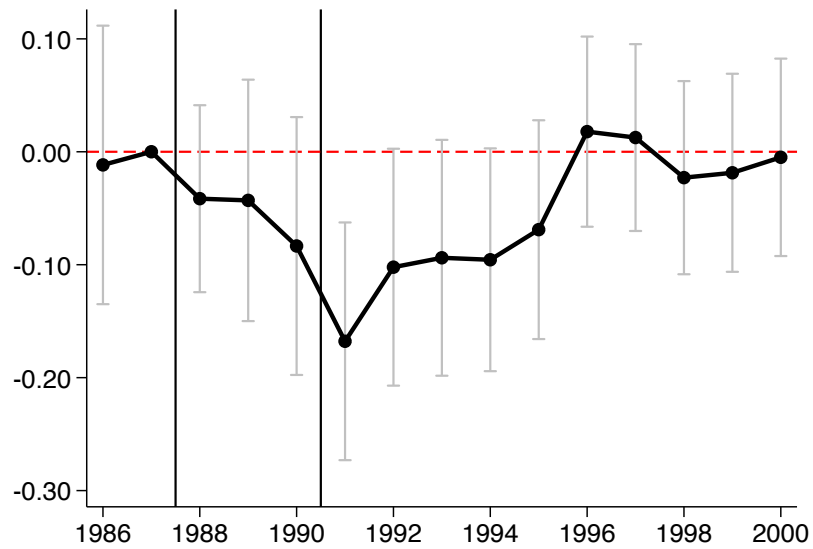
We define a *collaborator* as either a civilian collaborator or a military collaborator. These queries return historical sources that document the identities of individuals who participated in the regime. In particular, we are able to detect all militaries and also civilians working as “high-level” politicians, i.e. secretaries, sub-secretaries, and leaders of important state offices (e.g. Planning Office, Production Development Corporation).

**Figure A.1:** Wage distributions during the dictatorship

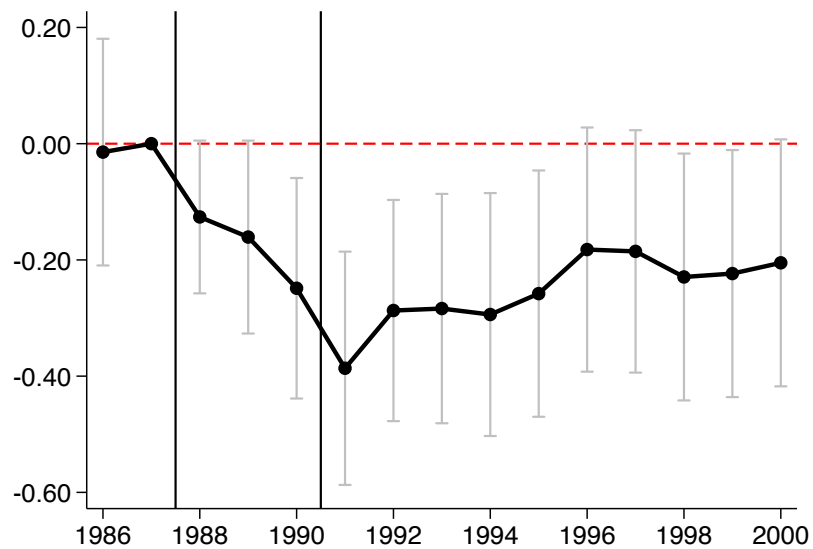


*Notes:* Distribution of annual (log) wages in 1987 (in 2000 U.S. dollars) using three different data sets. **Survey I:** National representative survey (Encuesta Nacional de Caracterización Socioeconómica) conducted by the Ministry of Social Development. Density calculation uses data on 30,874 individuals with positive income. **Survey II:** Oldest labor survey in Chile, conducted by the University of Chile, containing labor information on random households in Santiago, capital of Chile. **Board members:** Own construction based on financial statements collected by the Superintendencia de Valores y Seguros (Securities and Exchange Commission is the U.S. equivalent). The mean wage of executive directors lies at the 88<sup>th</sup> percentile of the wage distribution in Surveys I and II.

**Figure A.2:** Extended sample, years 1986 – 2000



(a) Appointed as board member



(b) Number of appointments

*Notes:* This figure shows estimates of a dynamic version of equation (2) using an extended sample that includes appointments in years 1995–2000. Panel A shows estimates using an indicator for an appointment as board member as dependent variable and Panel B uses the number of appointments as board member. In grey we present the 95% confidence intervals.

**Table A.1:** Differences between collaborators and non-collaborators

|                                     | Collaborator      | Non-collaborator   | Difference |
|-------------------------------------|-------------------|--------------------|------------|
|                                     | (1)               | (2)                | (1)-(2)    |
| Indicator for degree in business    | 0.23<br><i>83</i> | 0.35<br><i>471</i> | -0.12**    |
| Indicator for degree in engineering | 0.22<br><i>83</i> | 0.27<br><i>471</i> | -0.05      |
| Indicator for degree in law         | 0.12<br><i>83</i> | 0.20<br><i>471</i> | -0.08*     |
| Studied in elite university         | 0.46<br><i>83</i> | 0.78<br><i>139</i> | -0.32***   |
| Age in 1987 <sup>†</sup>            | 45<br><i>83</i>   | 45<br><i>1,014</i> | 0          |

*Notes:* This table presents differences in observables between collaborators and non-collaborators. We present the number of board-members in *italics*. Columns 1 and 3 present the number of observations per group. Columns 2 and 4 present the average and standard deviation (in parenthesis). Column (5) presents the average difference between groups and the  $p$ -value from a two-sided test for the difference in square brackets. <sup>†</sup>Estimated using individual's unique identification number. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

**Table A.2:** Differences in education by type of collaboration

|                                 | Civilian<br>collaborators | Military<br>collaborators | Difference |
|---------------------------------|---------------------------|---------------------------|------------|
|                                 | (1)                       | (2)                       | (1)-(2)    |
| Indicator degree in business    | 0.31                      | 0.05                      | 0.26**     |
| Indicator degree in engineering | 0.26                      | 0.14                      | 0.12       |
| Indicator degree in law         | 0.13                      | 0.09                      | 0.04       |
| Studied in elite university     | 0.61                      | 0.05                      | 0.56***    |
| Age in 1987 <sup>†</sup>        | 45                        | 47                        | -2         |
| Board members                   | 61                        | 22                        |            |

Notes: We define elite universities as the Catholic University and the University of Chile. <sup>†</sup>Estimated using individual's unique identification number. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

**Table A.3:** Sub-sample of board members with high-positions during the dictatorship

|                          | Appointed in board   |                      |                      |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                          | Indicator            |                      | Number of boards     |                      |
|                          | (1)                  | (2)                  | (3)                  | (4)                  |
| Collaborator × Democracy | -0.203***<br>(0.077) |                      | -0.321***<br>(0.108) |                      |
| × Transition             | -0.165**<br>(0.082)  |                      | -0.149<br>(0.114)    |                      |
| Military × Democracy     |                      | -0.423***<br>(0.091) |                      | -0.558***<br>(0.194) |
| × Transition             |                      | -0.280*<br>(0.153)   |                      | -0.353<br>(0.238)    |
| Civilian × Democracy     |                      | -0.146*<br>(0.082)   |                      | -0.226*<br>(0.117)   |
| × Transition             |                      | -0.135<br>(0.083)    |                      | -0.068<br>(0.121)    |
| Board members            | 208                  | 208                  | 208                  | 208                  |
| Observations             | 2,421                | 2,421                | 1,872                | 1,872                |
| R-squared                | 0.611                | 0.612                | 0.811                | 0.811                |
| Fixed effects            | x                    | x                    | x                    | x                    |

*Notes:* These regressions use a restricted sample of individuals appointed in high-positions during the dictatorship period. Fixed effects for each individual and year in the data. Robust standard errors are doubly clustered by board members and firms. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See paper for details.

**Table A.4: Robustness of appointment results**

*Dependent variable is an indicator for individuals appointed in a board (any position)*

| Characteristic interacted with period indicators: | Firm characteristics                         |                                 |                     | Board member characteristics |   |                      |                      |                      |
|---|--|---------------------------------|---------------------|------------------------------|---|----------------------|----------------------|----------------------|
|   | Indicator for firms privatized by the regime | Number of board members in firm |                     | Age of board member          | Indicator for university degree of board member |                      |                      |                      |
|   | (1)  | (2)                             | (3)                 | (4)                          | (5)   | (6)                  | (7)                  | (8)                  |
| Collaborator × Democracy                          | -0.091**<br>(0.043)                          |                                 | -0.105**<br>(0.044) |                              | -0.110**<br>(0.045)                             |                      | -0.134***<br>(0.047) |                      |
| × Transition                                      | -0.035<br>(0.047)                            |                                 | -0.049<br>(0.050)   |                              | -0.053<br>(0.050)                               |                      | -0.054<br>(0.054)    |                      |
| Military × Democracy                              |  | -0.211***<br>(0.072)            |                     | -0.246***<br>(0.077)         |   | -0.255***<br>(0.077) |                      | -0.256***<br>(0.082) |
| × Transition                                      |  | -0.123*<br>(0.066)              |                     | -0.158**<br>(0.072)          |   | -0.166**<br>(0.073)  |                      | -0.147*<br>(0.078)   |
| Civilian × Democracy                              |  | -0.054<br>(0.046)               |                     | -0.061<br>(0.046)            |   | -0.065<br>(0.047)    |                      | -0.099<br>(0.049)    |
| × Transition                                      |  | -0.008<br>(0.056)               |                     | -0.015<br>(0.058)            |   | -0.018<br>(0.058)    |                      | -0.029<br>(0.062)    |
| Board members                                     | 1,111  | 1,111                           | 1,111               | 1,111                        | 1,092   | 1,092                | 554                  | 554                  |
| Observations                                      | 13,698                                       | 13,698                          | 13,698              | 13,698                       | 13,428  | 13,428               | 8,235                | 8,235                |
| R-squared   | 0.606  | 0.607                           | 0.830               | 0.830                        | 0.606   | 0.606                | 0.610                | 0.610                |
| Fixed effects                                     | x  | x                               | x                   | x                            | x   | x                    | x                    | x                    |
| Mean of dependent variable                        | 0.847  | 0.847                           | 0.847               | 0.847                        | 0.849   | 0.849                | 0.840                | 0.840                |

*Notes:* Fixed effects for each individual and year in the data. Robust standard errors are doubly clustered by board members and firms. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See paper for details



**Table A.5: Robustness of appointments in high-positions**

*Dependent variable is an indicator for individuals appointed in a high-position*

| Characteristic interacted with period indicators: | Firm characteristics                         |                                 |                      | Board member characteristics                    |     |     |     |     |     |     |     |     |
|---|--|---------------------------------|----------------------|---|-----|-----|-----|-----|-----|-----|-----|-----|
|   | Indicator for firms privatized by the regime | Number of board members in firm | Age of board member  | Indicator for university degree of board member | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Collaborator × Democracy                          | -0.133***<br>(0.041)                         | -0.138***<br>(0.042)            | -0.142***<br>(0.041) | -0.126***<br>(0.041)                            |     |     |     |     |     |     |     |     |
| × Transition                                      | -0.088**<br>(0.037)                          | -0.094**<br>(0.038)             | -0.097**<br>(0.037)  | -0.083**<br>(0.037)                             |     |     |     |     |     |     |     |     |
| Military × Democracy                              | -0.167**<br>(0.077)                          | -0.178**<br>(0.076)             | -0.180**<br>(0.074)  | -0.154**<br>(0.074)                             |     |     |     |     |     |     |     |     |
| × Transition                                      | -0.104<br>(0.064)                            | -0.115*<br>(0.065)              | -0.116*<br>(0.064)   | -0.092<br>(0.063)                               |     |     |     |     |     |     |     |     |
| Civilian × Democracy                              | -0.122***<br>(0.044)                         | -0.126***<br>(0.045)            | -0.130***<br>(0.044) | -0.117***<br>(0.045)                            |     |     |     |     |     |     |     |     |
| × Transition                                      | -0.084**<br>(0.037)                          | -0.087**<br>(0.038)             | -0.091**<br>(0.037)  | -0.080**<br>(0.037)                             |     |     |     |     |     |     |     |     |
| Board members                                     | 1,111  | 1,111                           | 1,092                | 554   |     |     |     |     |     |     |     |     |
| Observations                                      | 13,698                                       | 13,698                          | 13,428               | 8,235   |     |     |     |     |     |     |     |     |
| R-squared   | 0.734  | 0.734                           | 0.732                | 0.733   |     |     |     |     |     |     |     |     |
| Fixed effects                                     | x  | x                               | x                    | x   |     |     |     |     |     |     |     |     |
| Mean of dependent variable                        | 0.142  | 0.142                           | 0.140                | 0.158   |     |     |     |     |     |     |     |     |

*Notes:* Fixed effects for each individual and year in the data. Robust standard errors are doubly clustered by board members and firms. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See paper for details.

**Table A.6: Robustness of board compensation results**

*Dependent variable is the logarithm of board compensation*

| Characteristic interacted with period indicators: | Firm characteristics |                    |                     | Board member characteristics |                     |                    |                    |                     |
|---|----------------------|--------------------|---------------------|------------------------------|---------------------|--------------------|--------------------|---------------------|
|   | (1)                  | (2)                | (3)                 | (4)                          | (5)                 | (6)                | (7)                | (8)                 |
| Collaborator × Democracy                          | -0.464<br>(0.324)    |                    | -0.368<br>(0.352)   |                              | -0.403<br>(0.310)   |                    | -0.541*<br>(0.286) |                     |
| × Transition                                      | 0.507**<br>(0.200)   |                    | 0.508***<br>(0.033) |                              | 0.497***<br>(0.035) |                    | 0.472**<br>(0.204) |                     |
| Military × Democracy                              |                      | -0.105<br>(0.264)  |                     | -0.353<br>(0.345)            |                     | -0.095<br>(0.359)  |                    | -0.046<br>(0.294)   |
| × Transition                                      |                      | 0.783**<br>(0.337) |                     | 0.787**<br>(0.338)           |                     | 0.765**<br>(0.342) |                    | 0.768**<br>(0.350)  |
| Civilian × Democracy                              |                      | -0.537<br>(0.347)  |                     | -0.414<br>(0.386)            |                     | -0.471<br>(0.332)  |                    | -0.627**<br>(0.308) |
| × Transition                                      |                      | 0.397<br>(0.250)   |                     | 0.397<br>(0.252)             |                     | 0.390<br>(0.251)   |                    | 0.354<br>(0.247)    |
| Board member-firm                                 | 430                  | 430                | 430                 | 430                          | 421                 | 421                | 328                | 328                 |
| Observations                                      | 1,135                | 1,135              | 1,134               | 1,134                        | 1,107               | 1,107              | 867                | 867                 |
| R-squared   | 0.807                | 0.806              | 0.813               | 0.813                        | 0.812               | 0.811              | 0.808              | 0.808               |
| Fixed effects                                     | x                    | x                  | x                   | x                            | x                   | x                  | x                  | x                   |

*Notes:* Fixed effects for each individual and year in the data. Robust standard errors are doubly clustered by board members and firms. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See paper for details.

**Table A.7: Robustness to collapse years into political periods**

|                            | Appointed in a board |                      |                      | Appointed in a high-position |                      |                      |                      |                      |
|----------------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|----------------------|----------------------|----------------------|
|                            | Indicator            | (2)                  | (3)                  | (4)                          | (5)                  | (6)                  | (7)                  | (8)                  |
| Collaborator × Democracy   | -0.106**<br>(0.044)  |                      | -0.921***<br>(0.306) |                              | -0.138***<br>(0.042) |                      | -0.478***<br>(0.146) |                      |
| × Transition               | -0.050<br>(0.050)    |                      | -0.341<br>(0.219)    |                              | -0.094**<br>(0.038)  |                      | -0.240**<br>(0.111)  |                      |
| Military × Democracy       |                      | -0.246***<br>(0.077) |                      | -1.409**<br>(0.555)          |                      | -0.179**<br>(0.076)  |                      | -0.711***<br>(0.248) |
| × Transition               |                      | -0.158**<br>(0.073)  |                      | -0.698**<br>(0.339)          |                      | -0.115*<br>(0.065)   |                      | -0.337*<br>(0.199)   |
| Civilian × Democracy       |                      | -0.063<br>(0.046)    |                      | -0.744**<br>(0.354)          |                      | -0.126***<br>(0.045) |                      | -0.394**<br>(0.175)  |
| × Transition               |                      | -0.017<br>(0.058)    |                      | -0.212<br>(0.264)            |                      | -0.087**<br>(0.039)  |                      | -0.204<br>(0.131)    |
| Board members              | 1,111                | 1,111                | 1,111                | 1,111                        | 1,111                | 1,111                | 1,111                | 1,111                |
| Observations               | 4,566                | 4,566                | 3,312                | 3,312                        | 4,566                | 4,566                | 3,312                | 3,312                |
| R-squared                  | 0.697                | 0.698                | 0.767                | 0.767                        | 0.824                | 0.824                | 0.867                | 0.867                |
| Fixed effects              | x                    | x                    | x                    | x                            | x                    | x                    | x                    | x                    |
| Mean of dependent variable | 0.847                | 0.847                | 2.244                | 2.244                        | 0.142                | 0.142                | 0.374                | 0.374                |

Notes: Fixed effects for each individual and year in the data. Robust standard errors are doubly clustered by board members and firms. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

**Table A.8:** Heterogeneity analysis for collaborators

| Dependent variable:                        | <i>X</i> : variable in the triple interaction |                  |   |                   |                            |                  |                             |                  |
|--|---|------------------|---|-------------------|----------------------------|------------------|-----------------------------|------------------|
|  | Political support for Pinochet                |                  | Firm's headquarters located in Santiago |                   | Firms operates in services |                  | Board member is Chicago Boy |                  |
|  | Appointed                                     | Compens.         | Appointed                               | Compens.          | Appointed                  | Compens.         | Appointed                   | Compens.         |
|  | (1)   | (2)              | (3)                                     | (4)               | (5)                        | (6)              | (7)                         | (8)              |
| Collaborator $\times$ Democracy $\times X$ | 0.45<br>(0.49)                                | -2.13<br>(3.33)  | -0.03<br>(0.10)                         | -1.12**<br>(0.51) | -0.11<br>(0.08)            | -0.31<br>(1.03)  | 0.08<br>(0.14)              | 0.59<br>(0.38)   |
| $\times$ Transition $\times X$             | 0.85**<br>(0.39)                              | -1.27<br>(1.63)  | 0.04<br>(0.09)                          | 0.26<br>(0.35)    | 0.09<br>(0.13)             | -0.26<br>(0.31)  | 0.05<br>(0.23)              | -0.40<br>(0.31)  |
| Collaborator $\times$ Democracy            | -0.11**<br>(0.04)                             | -0.48<br>(0.32)  | -0.09<br>(0.09)                         | 0.46<br>(0.36)    | -0.08<br>(0.05)            | -0.45<br>(0.32)  | -0.11**<br>(0.05)           | -0.59*<br>(0.34) |
| $\times$ Transition                        | -0.05<br>(0.05)                               | 0.51**<br>(0.20) | -0.08<br>(0.07)                         | 0.32<br>(0.21)    | -0.07<br>(0.05)            | 0.55**<br>(0.24) | -0.05<br>(0.05)             | 0.55**<br>(0.22) |
| Board members                              | 1,111   | 430              | 1,111                                   | 430               | 1,111                      | 430              | 1,111                       | 430              |
| Observations                               | 13,698  | 1,135            | 13,698                                  | 1,135             | 13,698                     | 1,135            | 13,698                      | 1,135            |
| Fixed effects                              | x   | x                | x                                       | x                 | x                          | x                | x                           | x                |

*Notes:* All specifications include firm-board member fixed effect, industry-transition, and industry-democracy fixed effects. Robust standard errors are doubly clustered by board member and firm. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

**Table A.9: Heterogeneity analysis by type of collaboration**

| Dependent variable:             | <i>X</i> : variable in the triple interaction |                  |   |                   |                            |                  |                             |                  |
|---------------------------------|---|------------------|---|-------------------|----------------------------|------------------|-----------------------------|------------------|
|                                 | Political support for Pinochet                |                  | Firm's headquarters located in Santiago |                   | Firms operates in services |                  | Board member is Chicago Boy |                  |
|                                 | Appointed                                     | Compens.         | Appointed                               | Compens.          | Appointed                  | Compens.         | Appointed                   | Compens.         |
| (1)                             | (2)   | (3)              | (4)                                     | (5)               | (6)                        | (7)              | (8)                         |                  |
| Military × Democracy × <i>X</i> | 0.92<br>(0.69)                                | –                | -0.24<br>(0.24)                         | -0.13<br>(0.34)   | 0.07<br>(0.23)             | –                | –                           | –                |
| × Transition × <i>X</i>         | 1.22***<br>(0.44)                             | -0.62<br>(1.13)  | -0.11<br>(0.19)                         | 0.03<br>(0.42)    | 0.02<br>(0.15)             | -0.26<br>(0.38)  | –                           | –                |
| Civilian × Democracy × <i>X</i> | 0.28<br>(0.52)                                | -2.18<br>(3.43)  | 0.04<br>(0.09)                          | -1.14**<br>(0.53) | -0.17**<br>(0.08)          | -0.25<br>(1.04)  | 0.04<br>(0.14)              | 0.67*<br>(0.40)  |
| × Transition × <i>X</i>         | 0.71<br>(0.51)                                | -1.53<br>(2.24)  | 0.09<br>(0.10)                          | 0.29<br>(0.42)    | 0.08<br>(0.14)             | -0.19<br>(0.39)  | 0.01<br>(0.23)              | -0.29<br>(0.38)  |
| Military × Democracy            | -0.24***<br>(0.08)                            | -0.11<br>(0.25)  | -0.09<br>(0.22)                         | –                 | -0.25***<br>(0.08)         | -0.09<br>(0.27)  | -0.25***<br>(0.08)          | -0.10<br>(0.26)  |
| × Transition                    | -0.16**<br>(0.07)                             | 0.78**<br>(0.33) | -0.08<br>(0.15)                         | 0.76***<br>(0.12) | -0.16**<br>(0.08)          | 0.81**<br>(0.37) | -0.16**<br>(0.07)           | 0.78**<br>(0.34) |
| Civilian × Democracy            | -0.06<br>(0.05)                               | -0.54<br>(0.33)  | -0.10<br>(0.08)                         | 0.39<br>(0.36)    | 0.02<br>(0.05)             | -0.53<br>(0.34)  | -0.07<br>(0.05)             | -0.68*<br>(0.37) |
| × Transition                    | -0.16**<br>(0.07)                             | 0.40<br>(0.25)   | -0.08<br>(0.08)                         | 0.19<br>(0.20)    | -0.04<br>(0.06)            | 0.43<br>(0.31)   | -0.02<br>(0.06)             | 0.44<br>(0.29)   |
| Board members                   | 1,111   | 430              | 1,111                                   | 430               | 1,111                      | 430              | 1,111                       | 430              |
| Observations                    | 13,698  | 1,135            | 13,698                                  | 1,135             | 13,698                     | 1,135            | 13,698                      | 1,135            |
| Fixed effects                   | <i>x</i>                                      | <i>x</i>         | <i>x</i>                                | <i>x</i>          | <i>x</i>                   | <i>x</i>         | <i>x</i>                    | <i>x</i>         |

*Notes:* All specifications include firm-board member fixed effect, industry-transition, and industry-democracy fixed effects. Robust standard errors are doubly clustered by board member and firm. Significance level: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .