

Government Transparency Institute

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Legislative Procedural Scrutiny and Firm Performance

Working Paper series: GTI-WP/2026:1

April 24, 2026 | Budapest, Hungary

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Abstract

How do the procedural conditions under which laws are enacted shape economic outcomes? This paper examines whether variation in legislative procedural scrutiny −defined as departures from in-depth deliberation, structured review, and oversight −generates asymmetric firm-level effects within sectors. We argue that reduced scrutiny alters the informational and discretionary environment of policymaking in ways that magnify pre-existing differences across firms. Leveraging a new comprehensive dataset linking UK legislation (2009-2015) to firm-level financial accounts across 21 sectors, we construct multidimensional measures of scrutiny based on legislative speed, volume, instability, and proposal process. Fixed-effects models exploiting within-firm variation show that firms with outlier growth trajectories experience relative gains in profits and revenues when legislation is enacted under reduced scrutiny, while their sectoral peers stagnate or decline. Importantly, these effects widen performance dispersion within sectors without producing aggregate gains. The findings identify the legislative procedure itself as a distinct channel of distributive politics and market advantage.

Keywords

Institutions – Legislative Procedures – Distributive Politics – Firm Level – United Kingdom

Acknowledgments

The authors would like to express their gratitude to the numerous colleagues who have commented on earlier versions of the draft, especially the participants at the Central European University-Department of Public Policy faculty seminar participants lunch seminar in September 2025. The authors also acknowledge the generous research funding received from the Open Society University Network (grant title: Global Corruption Observatory) and the European Union's Horizon Europe Program (grant number: 101132405). The views expressed here by no means reflect the official position of the Government Transparency Institute or the Central European University, they correspond to the views of the authors.

1 Introduction

Modern legislatures adopt laws under heterogeneous procedural conditions. Some bills move slowly through committee scrutiny, amendment, and debate. Others pass rapidly, under high legislative congestion, with limited revision, or through proposal routes that involve weaker internal vetting. Procedural rules are known to shape legislative bargaining (Cox 2000; 2006; Müller and Sieberer 2014; Shepsle and Weingast 1984), but whether within-system variation in legislative scrutiny affects policy outcomes remains less studied. In this paper, we ask a simple but under-explored question: do the procedural conditions under which laws are enacted structure economic dynamics beyond the legislature?

Our empirical findings suggest that they do. Within the same sector and under the same formal legal framework, firms with unusually strong growth trajectories experience relatively better outcomes when legislation is enacted under reduced scrutiny, while their sectoral peers perform worse. These patterns are consistent with the view that procedural compression magnifies pre-existing differences in firms' capacity to anticipate and respond to legislative change. While a substantial literature shows that policy content generates distributive consequences −through political connections, lobbying, and regulatory capture that create firm-level rents (Bombardini and Trebbi 2020; Chen et al. 2015; de Figueirido and Richter 2014; Laffont and Tirole 1993; Szakonyi 2018) −these accounts locate distribution in what statutes say. Existing work on firm-level distributive politics similarly shows that policy change can create winners and losers within sectors, depending on firms' political standing and organizational capacity (Szakonyi and Urpelainen 2014). Our results indicate that distribution may also depend on how laws are enacted. When scrutiny is reduced, the informational and discretionary context of policymaking shifts, creating conditions under which some firms systematically outperform others within the same policy domain.

We conceptualise legislative procedural scrutiny as the extent to which lawmaking adheres to institutionalised standards of deliberation, oversight, and structured review. This conceptualisation builds on research showing that legislative procedures shape information transmission and distributive outcomes. Informational models link procedural openness to expertise aggregation (Gilligan and Krehbiel 1987; Krehbiel 1991), while work on restrictive rules shows how

limiting amendments can bias policy outputs (Cox and McCubbins 2005; Krehbiel 1997; Monroe and Robinson 2008). Reduced scrutiny compresses deliberation and narrows opportunities for amendment and monitoring, increasing the likelihood that ambiguity persists at enactment. Under such conditions, legislation may incorporate less visible, targeted provisions and place greater weight on firms' capacity to anticipate and adapt to (unexpected) policy change. Whether by altering distributive content or amplifying differences in responsiveness to uncertainty, procedural compression increases the economic salience of political access, monitoring capacity, and organizational flexibility, reshaping firms' relative performance within sectors.

The paper evaluates this claim using a novel panel dataset linking administrative records of all UK legislation (2009–2015) to comprehensive firm-level financial data covering more than 200,000 firm-year observations across 21 sectors. Reduced scrutiny is operationalised using four complementary indicators derived from legislative records. Our empirical strategy exploits within-firm variation over time using fixed-effects panel models. Sector-level scrutiny indicators are lagged to ensure temporal ordering and interacted with firm growth classifications that identify anomalously high- and low-

growth firms relative to sector-specific thresholds. This interaction design allows us to test whether firms with different performance trajectories respond asymmetrically to changes in the legal environment. Multi-sector legislative activity is included as a control to isolate sector-specific effects from broader trends.

Across specifications, we find consistent evidence of asymmetric effects. Anomalous highgrowth firms experience significantly higher profits, revenues, and margins in sector-years characterised by reduced scrutiny. Anomalous low-growth firms experience relative declines under the same conditions. Medium-growth firms are largely unaffected. Importantly, these effects are not driven by economy-wide legislative trends or survivorship bias and persist under alternative definitions of accelerated procedures (a key indicator of legislative scrutiny), growth thresholds, and composite scrutiny measures. At the aggregate level, reduced scrutiny is weakly associated with lower overall sectoral growth, suggesting that concentrated gains do not translate into broad-based efficiency improvements.

These findings have broader implications for the study of distributive politics. Legislative procedure is not merely an internal organizational feature of lawmaking, but may also shape the

competitive environment in which economic actors respond to policy change. More generally, the results suggest that accounts of distributive politics should attend not only to policy content and political actors, but also to the procedural environments in which laws are made and revised.

The remainder of the paper is organised as follows. The next section develops the theoretical framework linking legislative procedural scrutiny to heterogeneous firm-level outcomes. We then describe the data and measurement strategy, detailing the construction of the scrutiny indicators and firm growth classifications. The subsequent section outlines the empirical design and identification strategy. We then present the main results and a series of robustness checks. The final section discusses the broader implications for distributive politics and legislative politics.

2 Procedural Scrutiny as a Source of Competitive Advantage

2.1 Procedural Discretion within Legislatures

Legislative rules vary substantially across legislatures −specifically in the formal powers of committees, minority rights, executive agenda control, and amendment procedures (Cox 2000; Döring 1995; Shugart 2008). These structural differences influence legislative effectiveness (Müller and Sieberer 2014) and regime stability (Mishler and Hildreth 1984). But procedural practices also vary within legislatures. Even where formal rules remain stable, the application of procedural tools differs markedly across bills, sectors, and over time. Legislatures do not apply scrutiny uniformly: the same institution may process some proposals through extended committee review and public consultation, while advancing others under compressed timelines or expedited procedures (Fortunato et al 2019).

In other words, policymakers within a given legislature operate within a menu of procedural instruments and agenda powers (Cox 2000). Fast-track provisions (Conley 1999), negative agenda control (Gailmard and Jenkins 2007), bundling practices, committee gatekeeping (Calvo and Sagarzazu, 2011), amendment restrictions, and guillotine motions (Huber, 1992) can be invoked

selectively. Majorities may curtail debate under time allocation rules; executives may rely on delegated legislation; party leadership may limit amendment opportunities or restrict

minority participation (Fong 2022; Sieberer et al. 2020). We conceptualize this withinsystem variation as legislative procedural scrutiny: the degree to which enacted legislation is subjected to structured deliberation, amendment, oversight, and review before and after adoption. Procedural scrutiny is high when proposals pass through extended committee examination, open debate, amendment opportunities, and institutionalized checks that diffuse agenda control across multiple actors. Scrutiny is reduced when these stages are compressed, weakened, or bypassed.

While the procedural forms it takes differ across legislatures, reduced legislative scrutiny can be understood as a recurring feature of ordinary lawmaking that manifests through several distinct but related mechanisms. One such mechanism is procedural acceleration, which encompasses the instruments that compress the time available for review. Fast-tracking or extraordinary procedures, for instance, typically curtail committee stages, restrict amendment windows, and shorten debate. Although often justified as efficiency-enhancing, such tools reduce the temporal space for consideration and contestation (e.g. Bolleyer and Salát 2021).

Second, scrutiny may be shaped by variation in proposal origin and pre-legislative coordination. In most legislatures, government-sponsored bills face extensive ex ante vetting within ministries and party organizations before formal introduction (Martin and Vanberg 2004). This internal coordination may resolve distributive conflicts and technical ambiguities, reducing the need for extensive amendment once the bill reaches the floor. By contrast, bills introduced by individual legislators may face fewer institutionalized safeguards and enter the legislative arena with unresolved tensions. Although such proposals can receive substantial floor debate, the absence of prior executive coordination may shift scrutiny from structured ex ante review to more reactive and fragmented amendment processes. Variation in proposal origin therefore affects when and how scrutiny occurs, and whether contestation is internalized within government or externalized in the legislative arena.

Third, scrutiny is reflected in the stability of enacted legislation. Frequent post-enactment modifications indicate that initial review failed to resolve ambiguities, technical flaws, or distributive tensions. While revision is an inherent feature of policymaking, persistent or rapid modification often signals limited initial deliberation and reduced predictability (Brenner and Fazekas 2023).

Lastly, scrutiny may be diluted through legislative overproduction. When legislatures enact high volumes of legislation within compressed periods, the informational burden on legislators and committees increases substantially. In particular, Rozenberg (2021) argues that legislative overload strains oversight capacity and reduces effective monitoring. Even if formal procedures remain intact, congestion can limit meaningful scrutiny in practice.

Overall, these dimensions are analytically distinct but not necessarily empirically independent. They capture different stages and aspects of the legislative process −temporal compression (speed), gatekeeping at introduction (origin), post-enactment durability (stability), and aggregate workload (volume). In practice, they may co-vary: accelerated procedures often coincide with high legislative output, and limited pre-legislative vetting may increase subsequent instability. Yet they can also diverge. A legislature may process few bills but do so under highly compressed timelines, or enact many bills that nonetheless undergo extended committee scrutiny.

Most analyses stop at this internal dimension, under the assumption that procedures redistribute influence within the legislature and shape the content of policy outputs (Shepsle and Weingast 1984; Cox and McCubbins 2005; Dion and Huber 1996; Monroe and Robinson 2008). Yet procedural variation also structures the conditions under which policies are produced −as the degree of scrutiny that precedes enactment crucially affects the informational environment surrounding a bill (Gilligan and Krehbiel 1987; Krehbiel 1991; Krishna and Morgan 2001). Committees may expose drafting ambiguities, surface distributive trade-offs, and generate technical corrections before adoption. Open amendment stages can force clarification of statutory language and compel sponsors to anticipate implementation challenges.

By contrast, compressed timelines and restricted revision opportunities may leave ambiguities unresolved, shift conflict into the implementation phase, or defer distributive adjustments to subsequent modifications (Huber and Shipan 2002; Epstein and O'Halloran 1999; Bawn 1995). As a result, legislation produced under extensive scrutiny is more likely to reflect negotiated compromises and clarified obligations, whereas legislation enacted under constrained review may exhibit greater instability and implementation uncertainty. In this sense, procedural arrangements influence the informational quality, predictability, and durability of the legal framework once it affects economic actors outside of the legislature.

These implications are crucial when seeking to understand not only legislative outputs, but legislative outcomes. If procedures shape the clarity, timing, and stability of enacted rules, they also shape the informational structure within which those rules are interpreted and implemented. Procedural environments determine how uncertainty is generated or reduced, how distributive implications are revealed, and how quickly affected actors can form expectations about compliance costs and strategic adjustment. Procedural variation thus modifies the informational architecture of policymaking. A substantial literature shows that interest groups do not simply react to policy substance but actively monitor and adapt to procedural opportunities (Denzau and Munger 1986; Fouirnaies and Hall 2018). When procedures are open and extended, information about prospective rules diffuses broadly through hearings, amendment processes, and debate, allowing a wide range of actors to anticipate and prepare. When procedures are accelerated or congested, information circulates within narrower networks of legislators, staff, and established interlocutors, and effective monitoring depends more heavily on prior access and organizational capacity (Balla and Wright 2001; Pedersen et al. 2014). Procedural variation thus reshapes not only political bargaining inside parliament, but also the strategic landscape confronting organized interests and firms (cf Coen and Katsaitis 2019).

2.2 Procedural Scrutiny and the Distribution of Market Advantage

If procedural variation alters the informational and strategic landscape of policymaking, its economic consequences are unlikely to be evenly distributed across firms. The relevant question is thus not simply whether legislation changes outcomes, but whether the conditions of enactment systematically advantage some actors over others. Our argument is that when scrutiny is reduced, passed statutory provisions may yield divergent competitive effects within sectors.

Indeed, firms within a given industry are not symmetrically positioned relative to the policy process (see Kim 2017). They differ in organizational resources, political embeddedness, legal infrastructure, and capacity to monitor and interpret legislation. Procedural compression interacts with these pre-

existing differences. When lawmaking is extended and transparent, informational advantages are partially mitigated. By contrast, when scrutiny is reduced, firms with established monitoring networks, prior political access, or dedicated regulatory expertise

are better positioned to interpret evolving rules quickly and adjust operations accordingly. Organized actors invest strategically in procedural venues that provide informational and access advantages (Hall and Deardorff2006; Fouirnaies and Hall 2018). Reduced scrutiny therefore does not simply increase uncertainty in the abstract; it makes unevenly distributed capabilities more economically consequential, potentially amplifying performance differences.

The amplification of pre-existing asymmetries need not operate solely through differential adaptation. The procedural conditions under which legislation is enacted may also influence how distributive provisions are incorporated into law. When oversight is limited and contestation curtailed, the visibility of specific clauses and implementation details may decline, and opportunities for selective advantages may expand. Classic accounts of regulatory capture suggest that concentrated interests are more likely to shape policy where monitoring is weak (Stigler 1971; Peltzman 1976). Politically connected firms often enjoy measurable financial advantages in regulatory and fiscal domains (Fisman 2001; Faccio 2006; Claessens et al. 2008; Egerod and Justesen 2022). Reduced procedural scrutiny does not imply that such dynamics are pervasive −but it suggests that compressed or weakly monitored procedures may lower the constraints under which distributive provisions are incorporated. Consequently, procedural compression may reinforce existing asymmetries not only through differential responsiveness to uncertainty, but also through the uneven shaping of the rules themselves.

Both channels converge on the same underlying firm attributes. Sustained high performance is unlikely to be random and is, on average, associated with accumulated managerial competence, access to capital, and advantageous market positioning. Firms experiencing persistent growth are therefore more likely, on average, to possess resources that can be invested in non-market capabilities. A substantial literature supports this link between firm resources and political capacity: larger and more successful firms are more likely to cultivate political connections and invest in lobbying (Bertrand et al. 2018), and politically connected firms exhibit measurable financial advantages, particularly where policy benefits involve discretion (Fisman 2001; Faccio 2006; Betz and Pond 2023). Even beyond formal political ties, stronger firms tend to maintain more developed internal compliance and legal infrastructures, enabling them to adjust operational structures more rapidly in response to statutory changes.

If reduced scrutiny makes these unevenly distributed capabilities more economically salient, then its economic consequences should not be uniform across firms within a sector. Instead, firms differently positioned along these dimensions should experience policy change in systematically different ways. Such divergence should be observable along concrete dimensions of firm performance. Three economic margins are likely to reflect these asymmetries.

First, reduced scrutiny may enable rent extraction. Targeted provisions or ambiguous definitions can create excess returns for firms able to shape or exploit them. Even without explicit favoritism, firms with superior interpretive capacity may capture quasi-rents by navigating policy complexity more effectively than rivals.

Second, reduced scrutiny may alter competitive dynamics. Policy opacity or accelerated implementation can create de facto barriers to entry, disproportionately burdening smaller or less agile competitors. Evidence linking legislative and regulatory intensity to entry costs and market concentration suggests that such dynamics can entrench incumbents (Djankov et al. 2002). When compliance demands are introduced with limited deliberation or clarification, firms with established infrastructures are better positioned to absorb them, while others may contract or exit.

Third, reduced scrutiny may generate cost asymmetries. Profitability depends not only on revenues but on the ability to manage compliance, administrative, and adaptation costs efficiently. Compressed procedures can shift clarification and conflict resolution from the legislative stage to the implementation stage, where firms must navigate uncertainty individually. Firms with extensive managerial and legal capacity can adjust at lower marginal cost; others incur higher relative burdens. The distributive effects thus operate through both revenue-enhancing and cost-reducing channels.

Reduced scrutiny is therefore not expected to raise or depress sectoral performance uniformly but to operate as a mechanism of intra-sectoral redistribution. By making political embeddedness, informational capacity, and organizational flexibility more economically consequential, it widens performance differentials among firms operating under identical formal rules. Where scrutiny is weakened, firms better positioned to influence or adapt to policy change should experience relative gains; others face comparatively greater adjustment burdens.

3 Research Design

The preceding discussion suggests that reduced procedural scrutiny should not uniformly shift sectoral performance, but instead alter the distribution of outcomes among firms operating under the same formal statutory framework. Testing this claim requires a setting in which variation in legislative procedure can be systematically observed across sectors and over time, and where firms face common sectoral rules but differ in their capacity to influence or adapt to policy change.

The United Kingdom provides such a setting −and constitutes a conservative test of the argument. As an advanced democracy with a diversified economy, it combines competitive markets with the institutional features of the Westminster model, where governments exercise strong control over the legislative agenda. Party discipline, limited separation of powers, and extensive delegation to ministers entrench executive dominance, making the government the central actor in lawmaking (Strøm 2003; Moe and Caldwell 1994). If procedural scrutiny matters even in this centralized system −where executive control over the legislative process is already strong −its distributive consequences are likely to be at least as pronounced in institutional contexts where deviations from standard scrutiny represent a sharper break from established legislative practice.

Importantly, executive dominance does not eliminate procedural variation. Even within this framework, bills may originate with the government or with individual Members of Parliament, proceed through extended stages of debate and amendment or be accelerated under fast-track procedures, and undergo frequent post-enactment modification. Such differences alter the degree of scrutiny, transparency, and contestation that legislation receives. These observable procedural variations provide the basis for constructing sector-year indicators of reduced scrutiny, which can then be linked to firm-level outcomes to assess whether weakened oversight widens performance differentials within sectors.

3.1 Data description

The empirical analysis combines firm-level financial panel data with original measures of legislative procedure constructed from the full population of UK bills and enacted laws. By

linking annual firm outcomes to sector-year indicators of legislative scrutiny between 2009 and 2015, the design allows us to examine whether variation in procedural conditions alters performance differentials among firms operating under the same environment.

Firm-level data are drawn from Orbis, a comprehensive database compiled from official company registers and financial filings. The data cover both private and publicly listed firms and include detailed information on profits, revenues, costs, ownership structures, and industry classifications. We focus on accounting measures that directly capture economic performance and extract annual information on profits, sales, and operating costs. All nominal values are deflated using sector-specific producer price indices at the two-digit NACE level to ensure comparability over time. The resulting panel contains firm-year observations from 2009 to 2015. We exclude firms lacking sectoral classification and retain only those with sufficient temporal coverage to identify persistent performance patterns. Specifically, firms must report at least five years of valid financial data. This requirement reduces measurement noise and ensures that growth classifications reflect sustained trajectories rather than short-lived fluctuations. The final sample includes more than 200,000 firm-year observations, representing roughly 30,000 firms per year across 21 sectors.

To capture heterogeneity in adaptive capacity and organizational performance, firms are classified according to prior profit growth trajectories relative to their sectoral peers. Anomalous high-growth firms are defined as those experiencing at least two years in which profit growth exceeds one standard deviation above the sectoral mean; anomalous low-growth firms analogously experience at least two years more than one standard deviation below the sectoral mean. Firms not meeting either criterion constitute the reference, medium category. Requiring multiple episodes ensures that classifications reflect persistent performance differences rather than single-year outliers. Importantly, this measure captures relative performance within sectors and does not proxy for political connections or direct regulatory treatment.

Firm outcomes are measured using the logarithm of profits, revenues, costs, and profit margins. Together, these indicators allow us to assess both overall performance and shifts in cost structures and markups, which are central to evaluating whether reduced scrutiny widens intra-sectoral dispersion.

Legislative data are constructed from administrative records of all UK bills and enacted laws during the period of analysis. These records are drawn from official parliamentary sources and systematically coded using a standardized protocol that captures each bill's origin, duration of parliamentary consideration, procedural pathway, and post-enactment amendments. Automated extraction procedures are complemented by manual validation against official publications to ensure completeness and accuracy. The resulting dataset provides a comprehensive and internally consistent account of legislative activity across time.

To link legislative activity to firms, each law is assigned to an economic sector based on its primary regulatory focus. The sectoral classification builds on the NACE taxonomy while extending it to include policy domains particularly relevant to government intervention, such as taxation and budgetary legislation. Laws without direct economic implications are excluded. Because UK

legislation typically regulates sectors rather than individual firms, sector-year aggregation captures the relevant institutional exposure: firms within a sector are subject to the same formal legislative environment, even if their capacity to respond differs. This mapping therefore provides the appropriate level at which to measure variation in procedural scrutiny.

3.2 Measuring reduced legislative scrutiny

Reduced legislative scrutiny is operationalized through four sector-year indicators capturing distinct procedural channels through which oversight can be weakened. These indicators measure departures from standard deliberative processes at different stages of the legislative cycle. Rather than relying on a single proxy, we adopt a multidimensional approach to minimize measurement error and to distinguish between structural, procedural, and ex post manifestations of weak scrutiny.

The four dimensions correspond to legislative volume, procedural speed, post-enactment instability, and bill sponsorship. Each captures a different mechanism through which scrutiny may be diluted, and none is assumed to be sufficient on its own. All measures are constructed at the sector-year level and lagged one period relative to firm outcomes to ensure temporal ordering. Each indicator reflects cumulative exposure up to year t−1, capturing the evolving procedural environment in which firms operate.

Legislative volume. Volume is measured as the cumulative number of laws enacted in a given sector up to year t−1. High legislative activity increases the informational burden faced by legislators, committees, and external stakeholders. Even when formal procedures remain unchanged, an elevated legislative workload can reduce the effective time and attention devoted to individual bills. Volume therefore captures a structural condition under which scrutiny capacity may be strained.

Legislative speed. Speed is measured as the proportion of sector-relevant laws enacted within fifteen days of introduction. This threshold captures the use of expedited or emergency procedures that compress debate, committee review, and amendment opportunities. Accelerated passage limits deliberation and reduces opportunities for contestation, thereby providing a direct procedural indicator of weakened scrutiny. In robustness analyses, we evaluate alternative time thresholds (50, 70, 80, and 90 days) to ensure results are not driven by a specific cutpoint.

Legislative instability. Instability is measured as the proportion of enacted sector-relevant laws that are subsequently amended. Frequent or rapid post-enactment modifications suggest that initial review was incomplete or that provisions required adjustment after implementation. While amendments may reflect policy learning, persistent instability signals weaknesses in ex ante scrutiny and provides an ex post indicator of procedural insufficiency.

Bill sponsorship. Sponsorship captures the share of sector-relevant laws introduced by non-government actors, such as individual Members of Parliament. Government-sponsored bills typically undergo internal ministerial vetting and party coordination prior to introduction. A higher proportion of non-government bills therefore reflects variation in pre-introduction safeguards and serves as an additional indicator of procedural exposure.

To isolate sector-specific procedural dynamics from general parliamentary activity, we also construct corresponding multi-sector measures that capture economy-wide legislative trends. These controls ensure that identification relies on sector-level variation in scrutiny rather than common temporal shocks affecting all industries.

Table 1 reports the indicators used to measure legislative scrutiny. They capture the abovementioned dimensions. Legislative volume (number of bills) reflects the informational burden created by cumulative lawmaking.

Table 1: Main IVs and their definitions.

Variable Name	Definition
Number of bills	Cumulative number of laws until t = · 1 (t = 0 not included) for specific sectors
Extraordinary laws-15 days	Proportion of cumulative number of laws that spend 15 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for a specific sector
Amendment count	Proportion of cumulative count of amendments made to laws from overall cumulative number of bills until t=-1 for a specific sector
Non-governmental laws	Proportion of cumulative number of laws proposed by non-governmental actors (MPs, committees from overall cumulative number of bills until t=-1 for a specific sector
Number of bills multisector	Cumulative number of laws until t = · 1 (t = 0 not included) for multisectors
Extraordinary laws multisector-15 days	Proportion of cumulative number of laws that spend 15 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for multisector
Amendment count multisector	Proportion of cumulative count of amendments made to laws from overall cumulative number of bills until t=-1 for multisector
Non-governmental laws multisector	Proportion of cumulative number of laws proposed by non-governmental actors (MPs, committees from overall cumulative number of bills until t=-1 for multisector
Extraordinary laws-50 days	Proportion of cumulative number of laws that spend 50 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for a specific sector
Extraordinary laws-70 days	Proportion of cumulative number of laws that spend 70 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for a specific sector
Extraordinary laws-80 days	Proportion of cumulative number of laws that spend 80 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for a specific sector
Extraordinary laws-90 days	Proportion of cumulative number of laws that spend 90 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for a specific sector
Extraordinary laws multisector-50 days	Proportion of cumulative number of laws that spend 50 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for multisector
Extraordinary laws multisector-70 days	Proportion of cumulative number of laws that spend 70 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for multisector
Extraordinary laws multisector-80 days	Proportion of cumulative number of laws that spend 80 or fewer days in parliament from overall cumulative number of laws passed until t=-1 (excluding t=0) for multisector
Extraordinary laws multisector-90 days	Proportion of multisector laws that spend 90 or fewer days in parliament, measured in logs

Legislative speed (share of laws enacted within 15, 50, 70, 80, or 90 days) indicates the use of accelerated procedures that bypass extended debate and amendment. Legislative stability

(amendment count) measures how often enacted laws are subsequently revised, signaling limited scrutiny or fluid rules. Finally, origin (non-governmental bills) distinguishes between laws

introduced by the government and those sponsored by MPs or committees, the latter typically facing less rigorous review. All indicators are lagged one period to ensure temporal ordering relative to firm outcomes.

This design moves beyond isolated case studies of controversial bills and instead captures the broader procedural environment in which firms operate. The resulting measures are transparent, replicable, and directly comparable across sectors and years.

3.3 Descriptive Statistics

This section provides a descriptive overview of the dataset and the main indicators used in the analysis. The dataset includes firms across various sectors, with a total count provided in Table 2. The dataset comprises 21 different sectors, with the highest number of firms in the Wholesale and Retail sector (4,570 firms), followed closely by Manufacturing (4,444 firms) and Business Support Services (3,554 firms). In contrast, the Defence and Police sector and Extraterritorial Organizations have the lowest firm counts.

Table 2: Number of Firms by Sector

Sector	Number of Firms
Agriculture, Forestry, and Fishing	299
Arts, Entertainment, and Recreation	451
Business Support Services	3,554
Construction	3,140
Defense and Police	14
Education	269
Energy	212
Extraterritorial Organizations	3
Finance	2,978
Health Care	710
Household Services	177
Information and Communication	2,665
Manufacturing	4,444
Mining and Quarrying	181
Professional Services	3,721
Real Estate	2,597
Tourism and Hospitality	754
Transportation	1,184
Voluntary and Representative Organizations	975
Water and Waste	194
Wholesale and Retail	4,570

Table 3 presents the summary statistics for key variables used in the analysis.

Table 3: Summary Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Log Profit	211,990	12.68	2.49	0.14	23.46
Log Revenues	131,660	15.59	2.70	4.65	23.85
Log Costs	131,305	15.32	2.89	0.86	23.84
Log Profit margin	131,660	-2.44	46	-12.04	7.82
Number of bills	211,990	1.2	2.16	0.00	11
Extraordinary laws-15 days	211,990	0.001	0.02	0.00	0.25
Amendment count	211,990	4.81	13.62	0.00	112
Non-governmental laws	211,990	0.21	0.35	0.00	1.00
Number of bills multisector	211,990	14.29	18.36	0.00	61
Extraordinary laws multisector-15 days	211,990	0.04	0.04	0.00	0.11
Amendment count multisector	211,990	8.33	8.88	0.00	19.98
Non-governmental laws multisector	211,990	0.05	0.06	0.00	0.15
Extraordinary laws-50 days	211,990	0.001	0.02	0.00	0.25
Extraordinary laws-70 days	211,990	0.007	0.06	0.00	1.00
Extraordinary laws-80 days	211,990	0.007	0.06	0.00	1.00
Extraordinary laws-90 days	211,990	0.007	0.06	0.00	1.00
Extraordinary laws multisector-50 days	211,990	0.13	0.14	0.00	0.33
Extraordinary laws multisector-70 days	211,990	0.16	0.17	0.00	0.44
Extraordinary laws multisector-80 days	211,990	0.16	0.17	0.00	0.44
Extraordinary laws multisector-90 days	211,990	0.19	0.20	0.00	0.56

Log Profit, which represents firm profitability in logarithmic form, has a mean of 12.68 and a standard deviation of 2.49. Log Revenues and Log Costs exhibit similar distributions, with means of 15.59 and 15.32, respectively. The Log Profit Margin, however, displays significant variation, with a mean of -2.44 and a large standard deviation of 46, suggesting substantial heterogeneity in firm profitability.

In addition to financial variables, the dataset includes measures related to legislative activity affecting firms. For instance, the cumulative number of sector-relevant bills varies across firmyear observations, with a mean of 1.2 and a maximum of 11 in the main sector-specific measure. Similarly, amendment counts average 4.81 per firm, but some firms experience up to 112 amendments. Legislative activity further extends to extraordinary laws, which are categorized by different time frames (15, 50, 70, 80, and 90 days a bill spends in parliament before final vote). These laws occur relatively infrequently, as indicated by low mean values across all timeframes.

To illustrate cross-sector variation in legislative activity and procedural characteristics, Appendix Figures 1, 2, 3, and 4 plot the distribution of the main legislative indicators across sectors.

The figures show substantial heterogeneity in both the volume and procedural features of legislation affecting different industries. Some sectors −such as Manufacturing, Business Support Services, and Wholesale and Retail −experience comparatively higher legislative activity, while others are subject to fewer sector-specific laws. Procedural characteristics, including the use of accelerated procedures, amendment frequency, and non-government bill sponsorship, also vary across sectors. This variation provides the empirical leverage exploited in the analyses that follow.

3.4 Empirical Strategy

To analyse the impact of legislative variables on firm performance, we estimate fixed-effects linear regression models where the dependent variable is the logarithm of firm financial outcomes: profit, revenues, costs, and profit margin depending on the specification. The key explanatory variables include Number of Bills, Extraordinary Laws, Amendment Count and Non-Government-Initiated Laws. Each of these variables is interacted with categories for anomalous High Growing and anomalous Low Growing firms with Medium Growing as reference category to capture heterogeneous effects. The model is specified as follows:

$$
\begin{aligned}
y_{it} = {} & \beta_B \, \text{Bills}_{s,t-1} + \beta_{B,H} \, (\text{HighGrowing}_i \times \text{Bills}_{s,t-1}) + \beta_{B,L} \, (\text{LowGrowing}_i \times \text{Bills}_{s,t-1}) \\
& + \beta_E \, \text{ExtraordinaryLaws}_{s,t-1} + \beta_{E,H} \, (\text{HighGrowing}_i \times \text{ExtraordinaryLaws}_{s,t-1}) \\
& + \beta_{E,L} \, (\text{LowGrowing}_i \times \text{ExtraordinaryLaws}_{s,t-1}) + \beta_A \, \text{AmendmentCount}_{s,t-1} \\
& + \beta_{A,H} \, (\text{HighGrowing}_i \times \text{AmendmentCount}_{s,t-1}) + \beta_{A,L} \, (\text{LowGrowing}_i \times \text{AmendmentCou} \\
& + \beta_{NG} \, \text{NonGovernmentalLaws}_{s,t-1} \\
& + \beta_{NG,H} \, (\text{HighGrowing}_i \times \text{NonGovernmentalLaws}_{s,t-1}) \\
& + \beta_{NG,L} \, (\text{LowGrowing}_i \times \text{NonGovernmentalLaws}_{s,t-1}) + \mathbf{X}_{t-1} + \gamma_i + \tau_t + \epsilon_{it}.
\end{aligned}
\tag{1}
$$

where:

• iindexes firms, ssectors, and tyears.

• yitdenotes the outcome variable for firm iin year t: log profit, log revenues, log costs, or

log profit margin, depending on the specification.

• Billss,t−1 measures the cumulative number of sector-relevant laws enacted up to year t−1.

• HighGrowingiand LowGrowingiare binary indicators for firm growth classification, with medium-growth firms as the reference category.

• ExtraordinaryLawss,t−1 measures the share of sector-relevant laws enacted within 15 days of introduction, cumulative up to year t−1.

• AmendmentCounts,t−1 measures the share of sector-relevant laws subsequently amended, cumulative up to year t−1.

• NonGovernmentalLawss,t−1 measures the share of sector-relevant laws introduced by nongovernment actors, cumulative up to year t−1.

• Xt−1 is a vector of economy-wide legislative controls, including the multi-sector counterparts of the four scrutiny indicators.

• γidenotes firm fixed effects, which absorb time-invariant firm characteristics.

• τtdenotes year fixed effects, which absorb common temporal shocks.

• εitis the error term.

Because firms are not randomly exposed to sectoral variation in legislative scrutiny, the empirical design is observational. The estimates should therefore be interpreted as conditional associations derived from within-firm variation over time rather than as definitive causal effects. In this context, the main inferential challenges are firm classification, omitted time-varying confounders, and collinearity across legislative indicators. The discussion below explains how the design addresses each concern and why the remaining evidence is nonetheless informative.

The first concern with our analysis comes from how we categorise firms. We categorise firms based on outlier profit growth and then also use profit as a main outcome variable in our regressions. However, we do not restrict the firms being high or low profit growth after legislative changes. Instead, we allow for firm outlier growth episodes to arise during the whole observation period. Specifically, outlier high-growth and low-growth firms (and by implication medium-growth firms, that is all non-outliers) are identified based on two episodes of profit growth exceeding or falling below sector-specific thresholds. This approach ensures that firm

classification is not entirely determined by a single year's profit, but rather captures consistent patterns of firm performance. Moreover, by comparing firms within the same sector, we account for industry-wide profit fluctuations that may be influenced by broader economic or regulatory trends rather than firm behavior.

The second main concern is that we fail to account for all relevant predictors of firm performance. To partially address this issue, we include firm fixed effects and year fixed effects. Firm fixed effects absorb time-invariant firm characteristics that could simultaneously influence growth classification and financial outcomes, while year fixed effects absorb shocks common to all firms in a given year. Because the legislative variables vary at the sector-year level, identification comes from differences in exposure across firms over time after conditioning on these fixed effects and the multi-sector controls. This ensures that our results are not driven by broad sectoral differences, but rather by variation in firm performance within each sector.

The third challenge to our analysis is the presence of similar trends across multiple variables, which could introduce collinearity. Our methodology addresses this by carefully structuring the model to differentiate between general economic trends and the targeted effects of sectoral legislative scrutiny. Importantly, we include the general, multi-sector variants of all four legislative scrutiny indicators as controls to rule out any economy-wide effect or broader parliamentary behaviors (e.g. more laws passed in a particular year in general). In addition, the timing of legislative changes varies across different sectors and across different flagged variables, which strengthens our results that anomalous high-growth firms benefit from different flagged legislative changes and anomalous low-growth firms are hurt in comparison to a medium-growth firm.

Moreover, we implement a series of robustness checks to ensure that our results are not driven by our preferred classifications or chosen model specifications. First, we run a series of models with firm entry and exit as outcome variables using the same specification as in the main models. This explicitly tests for survivorship bias, that is us observing only those firms which are consistently active in the sample. Second, we redefine anomalous high- and low-growth firms using a two-standard-deviation threshold, rather than one, to verify that the observed effects still hold even when having a stricter definition. Third, we replace sector-based classifications

with an overall firm-level classification based on profit growth across all sectors. Fourth, we construct a composite legislative indicator by normalising and averaging the four legislative risk indicators, and test whether its cumulative impact aligns with our main findings. Fifth, we examine the effects of extraordinary laws using different time period cutpoints (50, 70, 80, and 90 days) to ensure that our results are not driven by an arbitrary definition of extraordinary procedures. Finally, we rerun our main specifications for small and big firms separately in order to test whether our estimated effects are driven by small firms being more versatile and able to adapt to unexpected legislative changes. These robustness checks confirm the validity of our findings and reinforce the broader implications of legislative scrutiny for firm outcomes.

4 Results

4.1 Legislative scrutiny and firm profits

This section presents empirical results regarding how sectoral legislative scrutiny influences firm profitability, with a specific focus on anomalous high- and low-growth firms. The results reveal systematic asymmetries in how different firms within the same sector respond to legislative factors. Weak legislative scrutiny disproportionately benefits anomalous high-growth firms while negatively affecting their anomalous lower-growth counterparts.

The cumulative number of bills regulating a sector exerts a substantial influence on firm performance. One additional sectoral law passed is associated with a 16–19% increase in profits for anomalous high-growth firms relative to their sectoral peers, while anomalous low-growth firms experience a 16–21% decline in profits under the same conditions. This suggests that legislative production contributes to the redistribution of market advantages, strengthening the competitive position of selected firms while imposing constraints on others.

The role of law-making speed in determining distributive effects is also evident in the data. Extraordinary laws – defined as those enacted within 15 days of proposal – demonstrate highly asymmetric effects on firm profitability. A 1% point increase in the cumulative number of extraordinary laws within a sector correlates with a 3–5% increase in profits for anomalous high-growth firms, whereas anomalous low-growth firms experience a 2–4% reduction in profits.

Table 4: The impact of legislative scrutiny on log profits, using sectoral classification

	Log profit				
Number of bills	0.008 (0.009)				0.005 (0.008)
High growing x Number of bills	0.192*** (0.028)				0.155*** (0.027)
Low growing x Number of bills	-0.209*** (0.023)				-0.158*** (0.022)
Extraordinary laws		-0.373*** (0.109)			-0.336*** (0.089)
High growing x Extraordinary laws		4.735*** (0.361)			3.041*** (0.457)
Low growing x Extraordinary laws		-3.946*** (0.755)			-2.150*** (0.777)
Amendment count			0.000 (0.000)		0.000 (0.000)
High growing x Amendment count			0.017*** (0.005)		0.009*** (0.003)
Low growing x Amendment count			-0.021*** (0.005)		-0.012*** (0.003)
Non-governmental laws				0.040 (0.041)	0.033 (0.038)
High growing x Non-governmental laws				0.822*** (0.125)	0.240** (0.092)
Low growing x Non-governmental laws				-0.997*** (0.121)	-0.387*** (0.085)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	211990	211990	211990	211990	211990
R^2	0.910	0.908	0.909	0.909	0.911
adj. R^2	0.894	0.891	0.892	0.892	0.894

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

These findings suggest that high-growth firms, due to their greater adaptability or better connections, are better positioned to navigate sudden legislative changes, while firms without outlier growth episodes are disproportionately burdened by regulatory uncertainty and the abrupt changes to sector-specific laws.

The influence of legislative amendments, measured as the cumulative number of modifications to existing laws, further reinforces the redistributive consequences of legislative adjustments. 10 additional cumulative amendments compared to the number of sectoral laws (i.e. a little under 1 standard deviation increase) leads to a 9–17% profit increase for anomalous highgrowth firms, but a 12–21% decline for anomalous low-growth firms. These results indicate that anomalous high-growth firms may not only benefit from legislative modifications, but could also leverage such changes to consolidate their market positions. By contrast, anomalous low-growth firms appear more vulnerable to the costs associated with frequent legislative changes, which may generate additional compliance burdens, introduce instability, and reduce predictability in business operations.

Non-governmental laws, defined as bills introduced by individual Members of Parliament or committees rather than government-initiated bills, exhibit a weaker but still notable effect on firm profitability. A 1% point increase in the cumulative number of non-government initiated laws is associated with a 0.2–0.8% increase in profits for anomalous high-growth firms, while anomalous low-growth firms see a 0.4–0.9% decline in profits. The significance of this relationship weakens somewhat when analyzed alongside all other legislative risk factors, still it remains significant at the 5% level. This suggests that circumventing usual parliamentary procedure through nongovernment initiated bills somewhat overlaps with other legislative risk factors, for example by enabling quicker passage through parliament.

Taken together, these findings indicate that reduced legislative scrutiny is associated with a redistribution of market advantages within sectors, with relative gains concentrated among high-growth firms and relative losses concentrated among low-growth firms. Medium-growth firms are largely unaffected, although they also appear disadvantaged in some specifications involving extraordinary laws. The magnitude of these differences varies across legislative mechanisms, with the largest disparities linked to cumulative legislative volume and amendment

activity. Rather than raising sector-wide performance uniformly, lower scrutiny appears to widen performance dispersion within sectors.

4.2 Revenue, Cost, and Margin Correlates

Weak legislative scrutiny influences firm performance through distinct revenue and cost dynamics. The findings indicate that low legislative scrutiny enhances profit margins for anomalous high-growth firms primarily through increased revenues rather than reduced costs. This expansion appears to correlate with relative declines among sectoral peers, reinforcing competitive asymmetries within sectors.

The cumulative number of bills regulating a sector significantly correlates with firm-level revenue and cost dynamics. One additional sectoral law passed is associated with a 3–4% increase in revenue and a 0–2% increase in costs for outlier high-growth firms relative to others in the same sector. In contrast, anomalous low-growth firms experience a 6–7% decline in revenue and a 4–5% reduction in costs under the same conditions. As a result, net profit margins rise by 11–14% for anomalous

high-growth firms and decline by 8–12% for outlier low-growth firms. These patterns are consistent with the view that extensive legislative activity advantages firms that are better equipped to anticipate, interpret, and respond to regulatory change. One possible mechanism is that denser legislative environments increase informational demands, making pre-existing differences in organizational capacity more consequential. Although the present design does not identify strategic intent, the results suggest that legislative congestion may reduce the transparency with which distributive consequences are perceived.

Extraordinary laws (passed under expedited procedures) are also associated with distributional effects. A 1% point increase in the cumulative share of extraordinary laws in a sector is associated with a 1% increase in revenue and a 0.6–0.8% increase in costs for anomalous high-growth firms. For outlier low-growth firms, revenues decline by 1%, while costs decrease by 0–1%. This results in a net profit margin gain of 2–3% for anomalous high-growth firms and a decline of 0–2% for anomalous low-growth firms. These patterns are consistent with the idea that expedited procedures compress the time available for review and adjustment, thereby magnifying differences in firms' ability to respond to policy change.

Table 5: The impact of legislative scrutiny on log revenues, using sectoral classification

	Log Revenues				
Number of bills	0.002				0.002
	(0.005)				(0.005)
High growing x Number of bills	0.043***				0.033**
	(0.014)				(0.014)
Low growing x Number of bills	-0.068***				-0.059***
	(0.016)				(0.015)
Extraordinary laws		-0.150**			-0.149**
		(0.068)			(0.066)
High growing x Extraordinary laws		1.307***			0.956***
		(0.191)			(0.226)
Low growing x Extraordinary laws		-1.407***			-0.771**
		(0.331)			(0.362)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.004***		0.002**
			(0.001)		(0.001)
Low growing x Amendment count			-0.006***		-0.003**
			(0.002)		(0.001)
Non-governmental laws				0.031	0.026
				(0.022)	(0.023)
High growing x Non-governmental laws				0.184***	0.059
				(0.053)	(0.037)
Low growing x Non-governmental laws				-0.262***	-0.054
				(0.070)	(0.050)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	127936	127936	127936	127936	127936
R^2	0.982	0.982	0.982	0.982	0.982
adj. R^2	0.978	0.978	0.978	0.978	0.978

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 6: The impact of legislative favoritism risks on log costs, using sectoral classification

	Log Costs				
Number of bills	0.001				0.000
	(0.006)				(0.006)
High growing x Number of bills	0.024**				0.017
	(0.011)				(0.012)
Low growing x Number of bills	-0.051***				-0.044***
	(0.011)				(0.010)
Extraordinary laws		-0.044			-0.051
		(0.102)			(0.107)
High growing x Extraordinary laws		0.769***			0.578***
		(0.178)			(0.201)
Low growing x Extraordinary laws		-0.932**			-0.452
		(0.424)			(0.434)
Amendment count			0.000*		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.003***		0.002**
			(0.001)		(0.001)
Low growing x Amendment count			-0.004**		-0.002
			(0.002)		(0.001)
Non-governmental laws				0.026	0.023
				(0.025)	(0.025)
High growing x Non-governmental laws				0.116***	0.047
				(0.040)	(0.032)
Low growing x Non-governmental laws				-0.196***	-0.039
				(0.051)	(0.044)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	127556	127556	127556	127556	127556
R^2	0.984	0.984	0.984	0.984	0.984
adj. R^2	0.980	0.980	0.980	0.980	0.980

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 7: The impact of legislative scrutiny on log profit margins, using sectoral classification

	Log Profit Margin				
Number of bills	0.007				0.006
	(0.005)				(0.004)
High growing x Number of bills	0.138***				0.111***
	(0.017)				(0.017)
Low growing x Number of bills	-0.117***				-0.078***
	(0.011)				(0.009)
Extraordinary laws		-0.366***			-0.281**
		(0.100)			(0.108)
High growing x Extraordinary laws		3.294***			2.111***
		(0.377)			(0.397)
Low growing x Extraordinary laws		-2.239***			- 258*
		(0.668)			(0.661)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.012***		0.006**
			(0.004)		(0.002)
Low growing x Amendment count			-0.014***		-0.009***
			(0.003)		(0.002)
Non-governmental laws				-0.002	-0.002
				(0.032)	(0.029)
High growing x Non-governmental laws				0.603***	0.203**
				(0.111)	(0.094)
Low growing x Non-governmental laws				-0.606***	-0.297***
				(0.102)	(0.094)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	127936	127936	127936	127936	127936
R^2	0.826	0.824	0.824	0.825	0.826
adj. R^2	0.785	0.782	0.783	0.783	0.785

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

A more compressed legislative process may narrow the range of actors able to monitor emerging rules in real time, even without implying that fast-tracking is systematically used for targeted favoritism.

Legislative amendments (modifications to existing laws) also show strong associations with performance differentials. Ten additional cumulative amendments (relative to the number of sectoral laws) are linked to a 2–4% revenue increase and a 2–3% rise in costs for anomalous high-growth firms. Conversely, outlier low-growth firms experience a 3–6% decline in revenue and a 0–4% reduction in costs. These changes translate into a 6–12% gain in profit margins for outlier high-growth firms and a 9–14% drop for anomalous low-growth firms. These findings suggest that frequent legislative revisions create an environment in which select firms can better exploit legal uncertainty and adjust strategically. Politicians may use the amendment process to quietly introduce narrow changes that serve specific firms, especially given the low visibility and technical nature of many amendments. This mechanism may serve as a politically convenient channel to deliver targeted benefits without attracting broad scrutiny.

Finally, the cumulative presence of non-governmental laws (bills not initiated by the executive) shows statistically weaker but still directionally consistent associations. A 1% point increase in such laws is associated with a 0–0.2% increase in revenue and a 0–0.1% increase in costs for anomalous high-growth firms. Outlier low-growth firms, in contrast, show a 0–0.3% decline in revenue and a 0–0.2% decline in costs. The resulting net effect is a 0.2–0.6% profit margin increase for anomalous high-growth firms and a 0.3–0.6% decrease for anomalous low-growth firms. Although more modest, these effects remain directionally consistent with the broader argument that procedural variation shapes how unevenly firms experience policy change. Given the weaker estimates here, the sponsorship channel should be interpreted more cautiously than the volume, speed, and amendment channels.

4.3 Robustness checks

To strengthen the validity of our findings, we implement a series of robustness checks that test the consistency of our results across different model specifications, firm classifications, and legislative indicator definitions.

Entry and exit of firms A possible source of bias is that our baseline estimates reflect survivorship bias, as we only observe firms that remain active in the market. To address this issue, we estimate separate models in which firm exit and entry rates are used as dependent variables. Specifically, the results indicate limited and selective effects, suggesting the limited presence of this kind of bias. Number of bills is associated with lower entry, while amendment count is negatively related to exit and positively related to entry, whereas the remaining IVs are generally not statistically significant.

Alternative Definitions of High- and Low-Growth Firms: One potential concern in our analysis is the classification of firms based on their outlier growth patterns. In our main specification, anomalous high-growth and low-growth firms are identified using a one standarddeviation threshold relative to sectoral profit growth. To assess the sensitivity of our results to this classification, we redefine outlier high- and low-growth firms using a more stringent, two-standard-deviation above the mean, threshold.

The results remain consistent with our main findings. Low legislative scrutiny continues to disproportionately benefit outlier high-growth firms while imposing relative disadvantages on their low-growth and also often medium-growth counterparts. The estimated coefficients remain statistically significant, with slightly larger effect sizes, suggesting that the observed impact is particularly pronounced among firms experiencing the most substantial profit changes.

Firm-Level Growth Classification: As a further test of the impact of our particular firm classification method, we replace our sector-based classification of firm growth with an overall firm-level categorisation, in which growth patterns are assessed across the entire sample rather than within individual sectors. This alternative approach accounts for firm-specific performance trends independent of sectoral fluctuations, allowing us to verify whether legislative scrutiny has a consistent influence on firm outcomes beyond sector-specific profit dynamics. The results remain robust, with legislative scrutiny continuing to generate significant disparities in firm profitability. The magnitude of the effects remains comparable to our sector-based classification.

Composite Legislative Scrutiny Indicator: To evaluate whether our findings are driven by specific components of legislative scrutiny or reflect consistent patterns, we construct a composite legislative scrutiny index. This index is calculated by normalising and averaging the

four key factors of reduced legislative scrutiny: excessive legislative production, extraordinary laws, frequent amendments, and non-governmental laws providing a general measure of weak legislative scrutiny.

Regression results using the composite index confirm our main findings, indicating that lower levels of legislative scrutiny are consistently associated with greater profit gains for outlier high-growth firms and relative losses for outlier low-growth firms. The robustness of these results across multiple specifications further supports the argument that the identified effects are not driven by isolated legislative characteristics but rather by a systematic pattern of weak legislative scrutiny.

Alternative Definitions of Extraordinary Laws: Our baseline definition of extraordinary laws considers legislation enacted within 15 days of introducing the bill to parliament. However, expedited legislative procedures may operate on a variety of timescales and 15 days may be overly restrictive missing many rushed laws passed in more than 15 days. To ensure that our findings are not sensitive to any specific threshold, we repeat our analysis using alternative definitions of extraordinary laws, considering legislative enactment within 50, 70, 80, and 90 days.

The results remain qualitatively unchanged across all alternative thresholds. While the magnitude of the effects varies slightly depending on the chosen definition, the core finding persists: outlier high-growth firms benefit disproportionately from laws enacted under expedited procedures, while outlier low-growth firms experience relative declines in profitability. These findings further reinforce our argument that weak legislative scrutiny operates through rapid legislative processes that exacerbate economic disparities within sectors.

Small versus big firms: We split the sample into small and large firms and re-estimate the models separately in order to test whether our results are driven by small firms being more versatile and able to adapt to unexpected legislative changes. Small and big firms are defined relative to their sector-specific average employment. A firm is classified as small if its employment is more than 20% below the sector mean, and as big if its employment is more than 20% above the sector mean.

We find that outlier high-growth firms benefit and outlier low-growth firms lose under weaker scrutiny, in both size groups. At the same time, in several specifications the magnitude of the effects is stronger among large firms, particularly for number of bills in the profit regressions and for extraordinary laws in the profit margin specifications. In contrast, for amendment count highgrowth small firms exhibit relatively stronger gains. Across all robustness tests, our main findings remain consistent. Low legislative scrutiny systematically benefits anomalous high-growth firms while imposing relative constraints on their low-growth counterparts. The persistence of these effects across different model specifications, firm classifications, and legislative indicator definitions highlights the robustness of our conclusions and underscores the broader implications of legislative scrutiny for market dynamics.

5 Conclusion

This paper examines how variation in legislative procedural scrutiny is associated with firm performance in the United Kingdom. Linking sector-specific legislative data to firm-level financial outcomes, it develops four indicators of reduced scrutiny −legislative volume, accelerated procedures, post-enactment amendment, and non-government sponsorship −and shows that these conditions are associated with relative gains among outlier high-growth firms and relative losses among low-growth firms. The broader pattern is one of widening dispersion in competitive outcomes within sectors rather than uniform sector-wide gains.

Specifically, greater volumes of sectoral legislation are associated with higher revenues and profit margins for anomalous high-growth firms and weaker outcomes for anomalous low-growth firms. Accelerated procedures and frequent amendments are associated with similar divergences, while non-governmental bills show weaker but directionally consistent patterns. Because the analysis does not directly observe political intent, the results are best interpreted as evidence that legislative complexity and procedural opacity can amplify information asymmetries and thereby advantage firms with greater legal, managerial, or political capacity.

These findings highlight that legislative activity −its volume, speed, and procedural design −may shape firm outcomes in systematically uneven ways. High-growth firms appear better positioned to benefit from such conditions, whether because of flexibility, resources, monitoring capacity, or political embeddedness. More cautiously, the results suggest that procedural arrangements deserve greater attention in analyses of how legislation generates unequal market consequences.

Our contribution adds to the literature on business and politics by showing how political advantages can be embedded in formal lawmaking processes, beyond traditional mechanisms such as lobbying or campaign finance. The lack of legislative scrutiny not only alters competitive dynamics but may entrench economic and political power within a narrow set of firms. This emphasis on the quality of the lawmaking process also connects to recent work showing that executive and legislative action is evaluated not only by policy outcomes, but also by the process through which decisions are made (Chu and Williamson 2025).

The analysis also raises several questions for future research. One is the potential feedback loop between legislative benefits and firm-level political engagement: benefiting firms may reinvest their

gains into lobbying, donations, or informal influence, further skewing the policy process. Establishing this link empirically would provide deeper insight into how economic and political inequalities reinforce each other. A second avenue lies in comparative work. The extent to which legislative scrutiny operates across different political and institutional systems remains unclear. Expanding this analysis to other countries would help assess how legislative rules and capacities mediate the legislation-firm outcomes relationship.

Methodologically, future work could deepen detection strategies. Beyond aggregate patterns, more granular analyses −such as tracing the sponsors of sectoral bills, mapping lobbying ties, or applying computational approaches to legislative text to measure delegation, discretion, and targeted provisions (eg see Vannoni et al. 2021) −could help identify concrete instances of biased legislation with greater precision. Finally, our findings have direct policy implications. If weak legislative scrutiny distorts competition and consolidates market power, increasing transparency and scrutiny becomes critical. Measures such as mandatory and meaningful public consultations, stronger oversight of expedited procedures, and more robust impact assessments for sector-specific laws may help mitigate the risk of political misallocation.

In conclusion, this paper shows that variation in legislative procedure is closely associated with the distribution of firm performance within sectors. By shifting attention from policy content alone to the procedural conditions of enactment, it contributes to a broader political

economy of business-government relations. Future research can build on these findings by examining firm-level political strategies, institutional variation across legislatures, and more direct tests of the channels through which procedural environments shape economic advantage.

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Legislative Procedural Scrutiny and Firm Performance

Supplementary Material

Figure 1: Number of cumulative bills per sector



Figure 2: Number of cumulative extraordinary laws from overall per sector

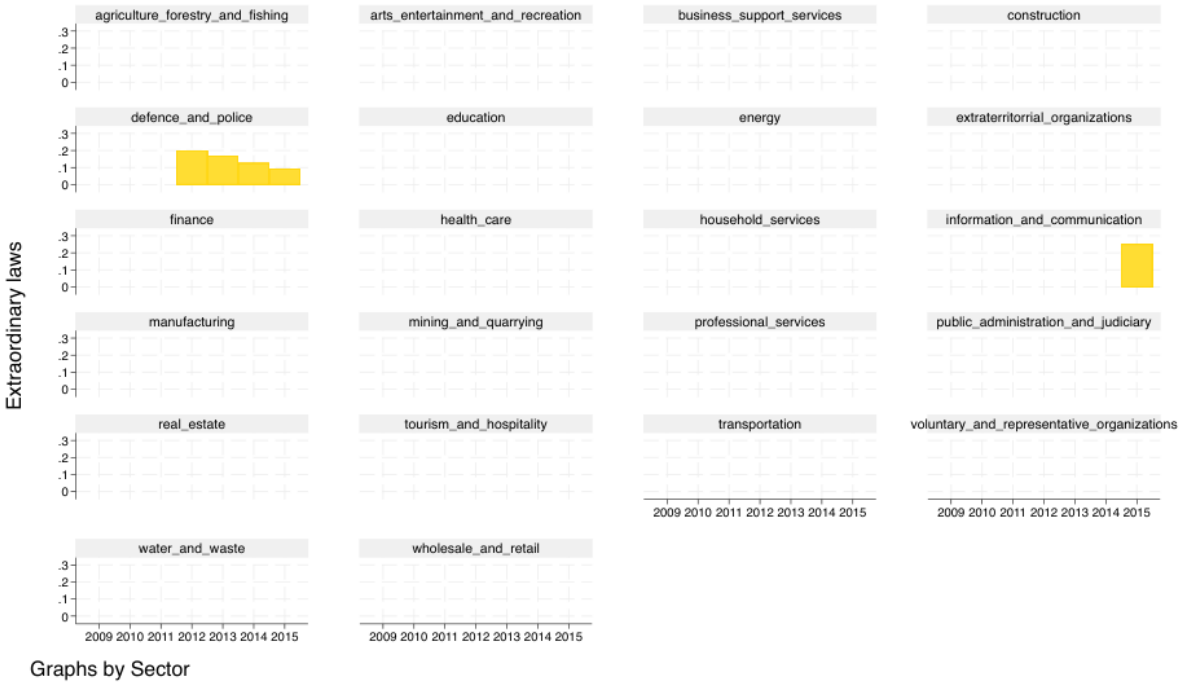


Figure 3: Number of cumulative amendment count per laws per sector



Figure 4: Number of cumulative non-government laws from overall per sector

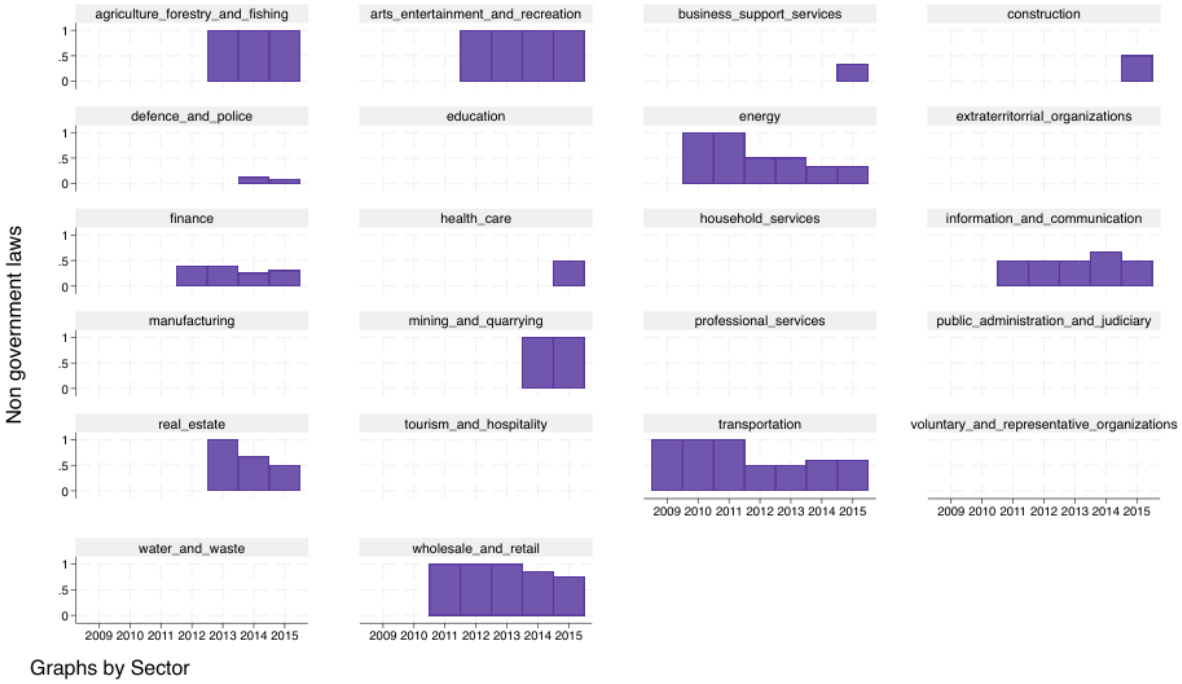


Table 8: The average impacts of legislative scrutiny

	Log Profit				
Number of bills	0.004				0.003
	(0.008)				(0.008)
Extraordinary laws		-0.283**			-0.244**
		(0.125)			(0.103)
Amendment count			0.000		0.000
			(0.000)		(0.000)
Non-governmental laws				0.021	0.018
				(0.041)	(0.042)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	211826	211826	211826	211826	211826
R^2	0.908	0.908	0.908	0.908	0.908
Adjusted R^2	0.891	0.891	0.891	0.891	0.891

Controls include sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 9: Legislative scrutiny's impact on entry and exit of firms

			Exit rate		
Number of bills	0.004				0.004
	(0.003)				(0.003)
Extraordinary laws		-0.117			-0.134
		(0.116)			(0.117)
Amendment count			-0.001*		-0.000*
			(0.000)		(0.000)
Non-governmental laws				0.012	0.005
				(0.014)	(0.014)
Controls					
Multi-Sector Controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
N	616	616	616	616	616
R^2	0.885	0.885	0.885	0.884	0.886
adj. R^2	0.863	0.863	0.863	0.863	0.863
			Entry rate		
Number of bills	-0.005**				-0.005**
	(0.003)				(0.003)
Extraordinary laws		0.118			0.137
		(0.092)			(0.092)
Amendment count			0.000**		0.000**
			(0.000)		(0.000)
Non-governmental laws				-0.011	-0.004
				(0.011)	(0.011)
Controls					
Multi-Sector Controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
N	616	616	616	616	616
R^2	0.816	0.815	0.816	0.815	0.818
adj. R^2	0.781	0.780	0.781	0.779	0.782

Table 10: The impact of legislative scrutiny on log revenues, using the stricter sectoral firm classification

	Log Revenues				
Number of bills	0.000				-0.001
	(0.005)				(0.004)
High growing x Number of bills	0.061*				0.051
	(0.034)				(0.039)
Low growing x Number of bills	-0.122***				-0.096*
	(0.043)				(0.051)
Extraordinary laws		-0.149**			-0.136**
		(0.067)			(0.064)
High growing x Extraordinary laws		2.113***			1.608**
		(0.643)			(0.740)
Low growing x Extraordinary laws		-1.944			-0.892
		(2.179)			(2.237)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.004**		0.002
			(0.002)		(0.002)
Low growing x Amendment count			-0.007*		-0.002
			(0.004)		(0.004)
Non-governmental laws				0.025	0.027
				(0.021)	(0.022)
High growing x Non-governmental laws				0.182	0.010
				(0.112)	(0.096)
Low growing x Non-governmental laws				-0.572***	-0.237*
				(0.152)	(0.140)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127801	127801	127801	127801	127801
R^2	0.982	0.982	0.982	0.982	0.982
Adjusted R^2	0.978	0.978	0.978	0.978	0.978

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 11: The impact of legislative scrutiny on log costs, using the stricter sectoral firm classification

	Log Costs				
Number of bills	-0.001				-0.002
	(0.006)				(0.006)
High growing x Number of bills	0.040				0.043
	(0.036)				(0.043)
Low growing x Number of bills	-0.119**				-0.105
	(0.054)				(0.067)
Extraordinary laws		-0.047			-0.041
		(0.097)			(0.100)
High growing x Extraordinary laws		1.025			0.662
		(0.922)			(0.989)
Low growing x Extraordinary laws		-1.510			-0.438
		(1.032)			(1.199)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.003		0.002
			(0.002)		(0.001)
Low growing x Amendment count			-0.007**		-0.003
			(0.003)		(0.003)
Non-governmental laws				0.021	0.025
				(0.025)	(0.025)
High growing x Non-governmental laws				0.020	-0.120
				(0.118)	(0.135)
Low growing x Non-governmental laws				-0.469***	-0.101
				(0.173)	(0.190)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127421	127421	127421	127421	127421
R^2	0.984	0.984	0.984	0.984	0.984
Adjusted R^2	0.980	0.980	0.980	0.980	0.980

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 12: The impact of legislative scrutiny on log profit margins, using the stricter sectoral firm classification

	Log Profit Margin				
Number of bills	0.006				0.006
	(0.004)				(0.004)
High growing x Number of bills	0.179***				0.124***
	(0.035)				(0.034)
Low growing x Number of bills	-0.135***				-0.039
	(0.045)				(0.051)
Extraordinary laws		-0.274*			-0.215
		(0.141)			(0.144)
High growing x Extraordinary laws		3.958***			2.468
		(1.419)			(1.542)
Low growing x Extraordinary laws		-0.122			0.689
		(1.303)			(1.358)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.010*		0.003
			(0.005)		(0.004)
Low growing x Amendment count			-0.015***		-0.011**
			(0.006)		(0.005)
Non-governmental laws				-0.009	-0.013
				(0.030)	(0.030)
High growing x Non-governmental laws				0.945***	0.542**
				(0.242)	(0.255)
Low growing x Non-governmental laws				-1.039***	-0.858**
				(0.249)	(0.355)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127801	127801	127801	127801	127801
R^2	0.824	0.823	0.824	0.824	0.824
Adjusted R^2	0.782	0.782	0.782	0.782	0.782

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 13: The impact of legislative scrutiny on log revenues, using overall firm classification

	Log Revenues				
Number of bills	0.002				0.001
	(0.004)				(0.004)
High growing x Number of bills	0.041***				0.033**
	(0.013)				(0.014)
Low growing x Number of bills	-0.067***				-0.056***
	(0.013)				(0.012)
Extraordinary laws		-0.120*			-0.117*
		(0.069)			(0.066)
High growing x Extraordinary laws		1.254***			0.907***
		(0.207)			(0.238)
Low growing x Extraordinary laws		-1.620***			-0.984***
		(0.285)			(0.304)
High growing x Amendment count			0.005***		0.003***
			(0.001)		(0.001)
Low growing x Amendment count			-0.006***		-0.003**
			(0.002)		(0.001)
Non-governmental laws				0.032	0.027
				(0.021)	(0.022)
High growing x Non-governmental laws				0.173***	0.039
				(0.056)	(0.037)
Low growing x Non-governmental laws				-0.278***	-0.063
				(0.068)	(0.043)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127801	127801	127801	127801	127801
R^2	0.982	0.982	0.982	0.982	0.982
Adjusted R^2	0.978	0.978	0.978	0.978	0.978

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 14: The impact of legislative scrutiny on log costs, using overall firm classification

	Log Costs				
Number of bills	0.001				0.000
	(0.006)				(0.006)
High growing x Number of bills	0.022**				0.016
	(0.010)				(0.011)
Low growing x Number of bills	-0.049***				-0.041***
	(0.008)				(0.007)
Extraordinary laws		-0.015			-0.021
		(0.106)			(0.110)
High growing x Extraordinary laws		0.675***			0.498**
		(0.193)			(0.216)
Low growing x Extraordinary laws		-1.206***			-0.741*
		(0.405)			(0.404)
Amendment count			0.000*		0.000*
			(0.000)		(0.000)
High growing x Amendment count			0.003***		0.002***
			(0.001)		(0.001)
Low growing x Amendment count			-0.005**		-0.002
			(0.002)		(0.001)
Non-governmental laws				0.026	0.023
				(0.025)	(0.025)
High growing x Non-governmental laws				0.103**	0.033
				(0.043)	(0.033)
Low growing x Non-governmental laws				-0.202***	-0.046
				(0.046)	(0.036)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127421	127421	127421	127421	127421
R^2	0.984	0.984	0.984	0.984	0.984
Adjusted R^2	0.980	0.980	0.980	0.980	0.980

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 15: The impact of legislative scrutiny on log profit margins, using overall firm classification

	Log Profit Margin				
Number of bills	0.007				0.007
	(0.005)				(0.004)
High growing x Number of bills	0.137***				0.105***
	(0.018)				(0.015)
Low growing x Number of bills	-0.124***				-0.086***
	(0.011)				(0.009)
Extraordinary laws		-0.317**			-0.242*
		(0.131)			(0.133)
High growing x Extraordinary laws		3.575***			2.403***
		(0.681)			(0.696)
Low growing x Extraordinary laws		-2.375***			-1.286***
		(0.477)			(0.475)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.013***		0.006**
			(0.004)		(0.003)
Low growing x Amendment count			-0.015***		-0.010***
			(0.003)		(0.002)
Non-governmental laws				-0.006	-0.011
				(0.031)	(0.030)
High growing x Non-governmental laws				0.665***	0.260***
				(0.114)	(0.091)
Low growing x Non-governmental laws				-0.635***	-0.279***
				(0.107)	(0.097)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	127801	127801	127801	127801	127801
R^2	0.826	0.824	0.824	0.825	0.826
Adjusted R^2	0.785	0.782	0.783	0.783	0.785

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 16: The impact of legislative scrutiny on profit, using sectoral classification

	Log Profit				
Number of bills	0.007				0.007
	(0.005)				(0.005)
High growing x Number of bills	0.194***				0.152***
	(0.028)				(0.027)
Low growing x Number of bills	-0.191***				-0.137***
	(0.023)				(0.022)
Extraordinary laws		-0.480**			-0.394*
		(0.206)			(0.201)
High growing x Extraordinary laws		5.220***			3.587***
		(0.657)			(0.703)
Low growing x Extraordinary laws		-3.915***			-2.223***
		(0.251)			(0.318)
Amendment count			0.001**		0.001**
			(0.000)		(0.000)
High growing x Amendment count			0.017***		0.008**
			(0.005)		(0.003)
Low growing x Amendment count			-0.021***		-0.011***
			(0.006)		(0.003)
Non-governmental laws				0.004	0.001
				(0.037)	(0.038)
High growing x Non-governmental laws				0.922***	0.360***
				(0.155)	(0.108)
Low growing x Non-governmental laws				-0.985***	-0.464***
				(0.119)	(0.086)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	134231	134231	134231	134231	134231
R^2	0.902	0.901	0.901	0.902	0.903

Table 17: The impact of legislative scrutiny on profit, using different cutoffs for extraordinary

	Log Profit				
	(15 days)	(50 days)	(70 days)	(80 days)	(90 days)
Extraordinary laws	-0.411***	-0.409***	-0.160*	-0.160*	-0.160*
	(0.108)	(0.109)	(0.086)	(0.086)	(0.086)
High growing x Extraordinary laws	4.734***	4.734***	2.612**	2.608**	2.608**
	(0.361)	(0.361)	(0.080)	(0.078)	(0.078)
Low growing x Extraordinary laws	-3.946***	-3.946***	-2.351**	-2.349**	-2.349**
	(0.755)	(0.755)	(0.932)	(0.931)	(0.931)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
N	211990	211990	211990	211990	211990
R^2	0.908	0.908	0.908	0.908	0.908
adj. R^2	0.891	0.891	0.891	0.891	0.891

Controls include multisector variables, sector and firm FE

Table 18: The impact of legislative favoritism risks on profit and revenues for small and big firms

	Log Profit		Log Revenues	
	Small	**Big**	**Small**	**Big**
Number of bills	0.020	-0.014	-0.004	-0.059*
	(0.023)	(0.030)	(0.017)	(0.033)
High growing × Number of bills	0.521***	0.722***	0.093*	0.203
	(0.173)	(0.109)	(0.054)	(0.128)
Low growing × Number of bills	-0.547***	-0.773***	-0.187***	-0.309**
	(0.139)	(0.116)	(0.069)	(0.146)
Extraordinary laws	-0.373**	-0.227	-0.023	-0.046
	(0.186)	(0.155)	(0.218)	(0.110)
High growing × Extraordinary laws	4.639***	3.328***	1.127***	1.168***
	(0.841)	(0.754)	(0.246)	(0.422)
Low growing × Extraordinary laws	-3.556***	-3.077**	-0.830	-0.920
	(1.019)	(1.392)	(0.966)	(0.778)
Amendment count	0.007	0.011	0.006	0.010
	(0.009)	(0.010)	(0.004)	(0.009)
High Growing × Amendment count	0.154**	0.074**	0.058***	0.035
	(0.060)	(0.035)	(0.021)	(0.033)
Low Growing × Amendment count	-0.139***	-0.151***	-0.035	-0.039
	(0.046)	(0.043)	(0.036)	(0.044)
Non-governmental laws	-0.005	0.047	0.013	0.091**
	(0.081)	(0.046)	(0.042)	(0.038)
High Growing × Non-governmental laws	-0.016	0.131	-0.022	-0.051
	(0.221)	(0.212)	(0.054)	(0.177)
Low Growing × Non-governmental laws	-0.086	0.045	0.114	0.144
	(0.199)	(0.265)	(0.081)	(0.164)
Controls (multisector)	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
N	205,590	378,508	120,772	164,734
R^2	0.848	0.900	0.962	0.979
Adj. R^2	0.803	0.858	0.949	0.970

Notes: Small and big firms are defined relative to their sector-specific average employment. A firm is classified as *small* if its employment is more than 20% below the sector mean, and as *big* if its employment is more than 20% above the sector mean. Firms within the ±20% band around the sector average are excluded. Standard errors in parentheses. * p< 0.1, ** p< 0.05, *** p< 0.01.

Table 19: The impact of legislative scrutiny on profit and revenues for small and big firms

	Log Costs		Log Profit Margin	
	Small	**Big**	**Small**	**Big**
Number of bills	0.005	-0.071*	0.025	0.070
	(0.021)	(0.042)	(0.021)	(0.051)
High growing × Number of bills	0.059	0.105	0.397***	0.321***
	(0.042)	(0.096)	(0.126)	(0.105)
Low growing × Number of bills	-0.163***	-0.222	-0.368***	-0.141
	(0.053)	(0.144)	(0.104)	(0.089)
Extraordinary laws	0.034	0.062	-0.276	-0.303**
	(0.184)	(0.143)	(0.249)	(0.134)
High growing × Extraordinary laws	0.677**	0.652	2.490**	3.291***
	(0.298)	(0.472)	(1.125)	(0.586)
Low growing × Extraordinary laws	-0.654	-0.587	-1.188	-2.961***
	(0.411)	(0.757)	(1.047)	(0.972)
Amendment count	0.000	0.012	0.007	-0.007
	(0.005)	(0.011)	(0.006)	(0.013)
High Growing × Amendment count	0.041**	0.034	0.094*	0.036
	(0.020)	(0.029)	(0.051)	(0.042)
Low Growing × Amendment count	-0.008	-0.045	-0.086**	-0.130***
	(0.032)	(0.041)	(0.039)	(0.032)
Non-governmental laws	0.013	0.086*	-0.030	-0.089*
	(0.041)	(0.046)	(0.052)	(0.052)
High Growing × Non-governmental laws	0.026	-0.063	0.208	0.248
	(0.051)	(0.162)	(0.185)	(0.169)
Low Growing × Non-governmental laws	0.095	0.148	-0.128	-0.295
	(0.076)	(0.180)	(0.199)	(0.248)
Controls (multisector)	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
N	120,247	163,634	120,772	164,734
R^2	0.967	0.980	0.774	0.828
Adj. R^2	0.956	0.972	0.698	0.753

Notes: Small and big firms are defined relative to their sector-specific average employment. A firm is classified as *small* if its employment is more than 20% below the sector mean, and as *big* if its employment is more than 20% above the sector mean. Firms within the ±20% band around the sector average are excluded. Standard errors in parentheses. * p< 0.1, ** p< 0.05, *** p< 0.01.

Figure 5: Legislative scrutiny composite indicator per sector

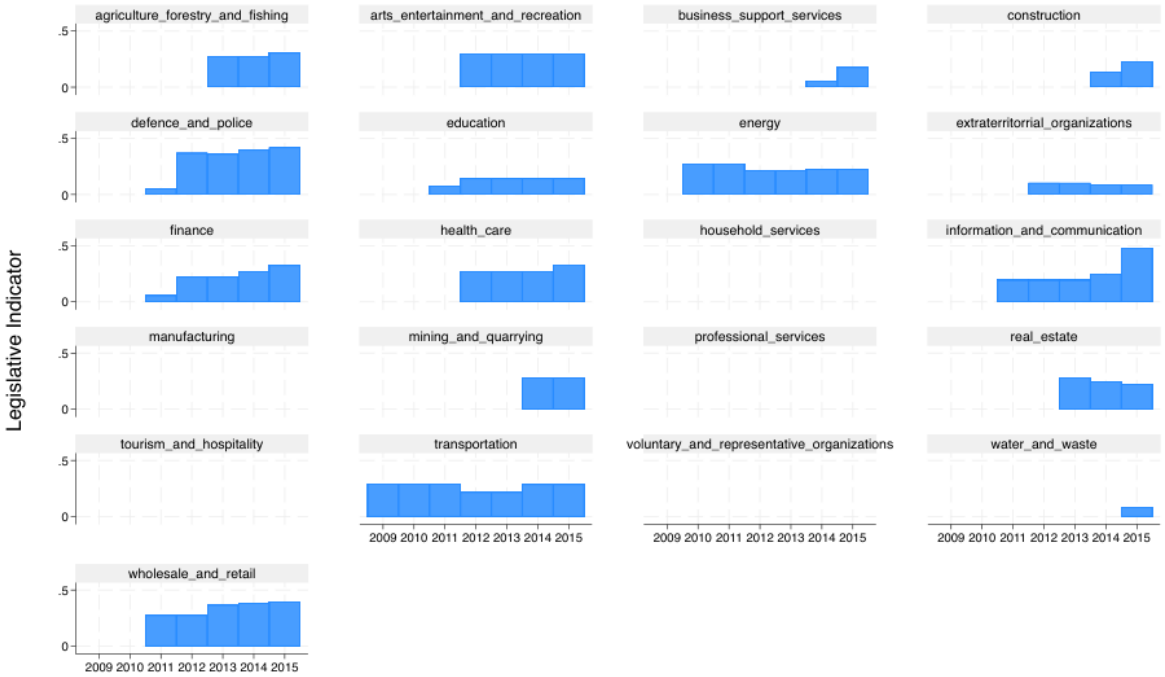


Figure 6: Number of cumulative extraordinary laws from overall per sector: 50 days in parliament

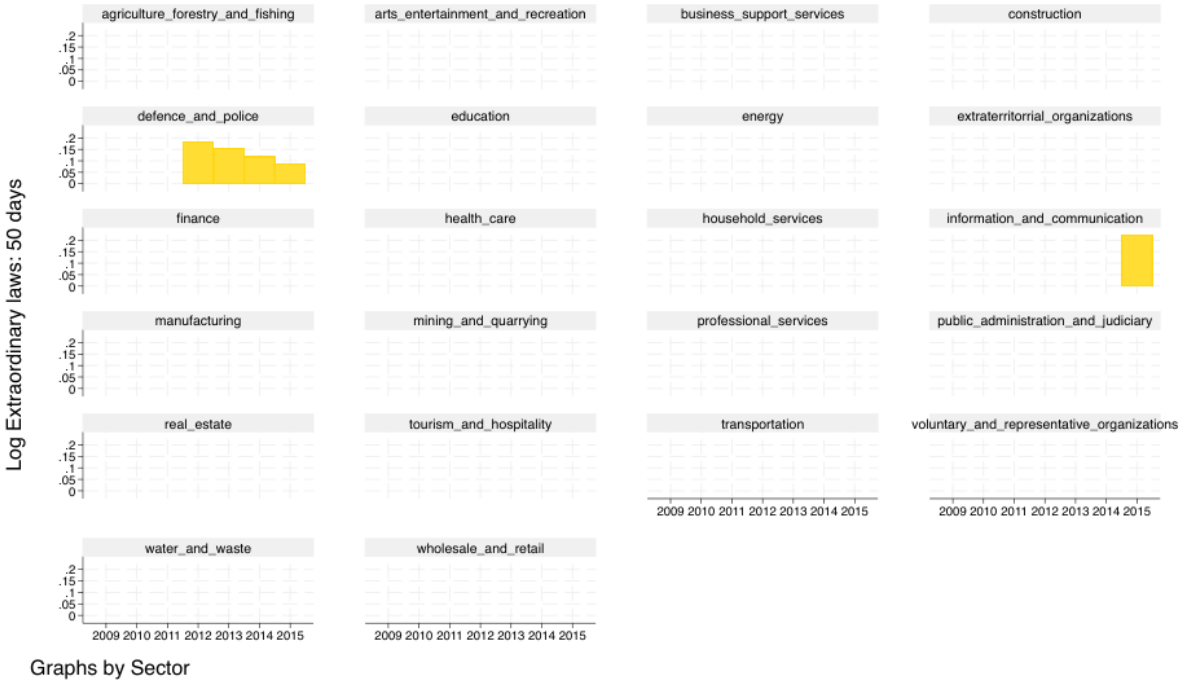


Figure 7: Number of cumulative extraordinary laws from overall per sector: 70 days in parliament

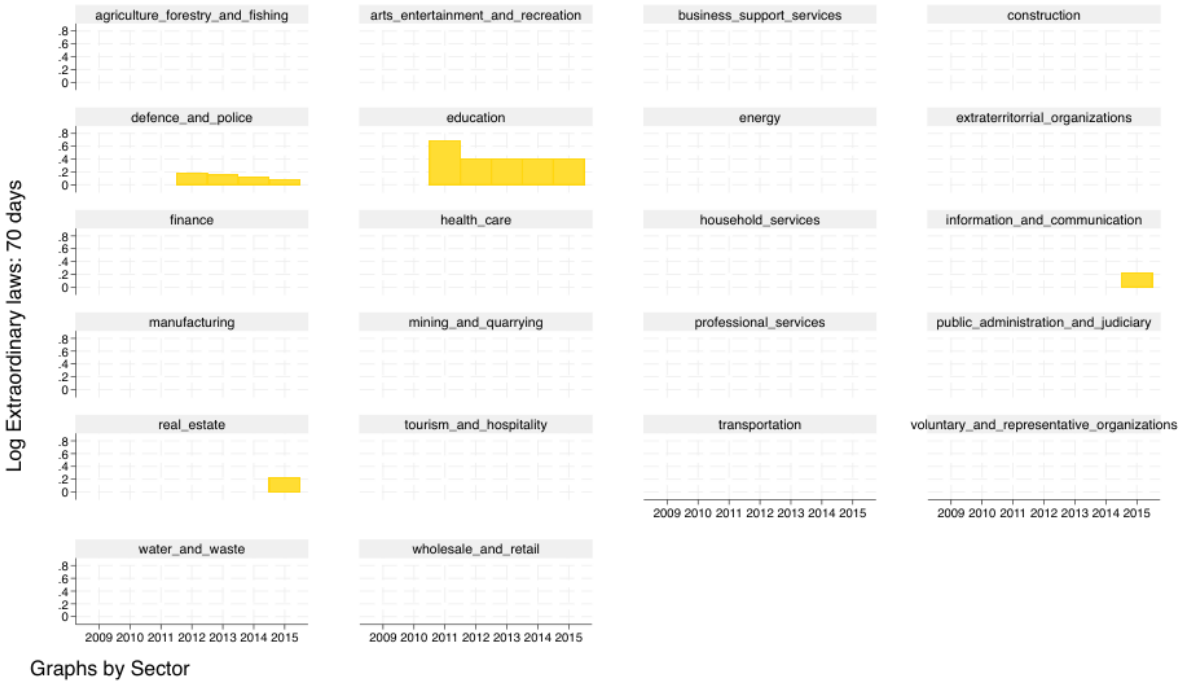


Figure 8: Number of cumulative extraordinary laws from overall per sector: 80 days in parliament

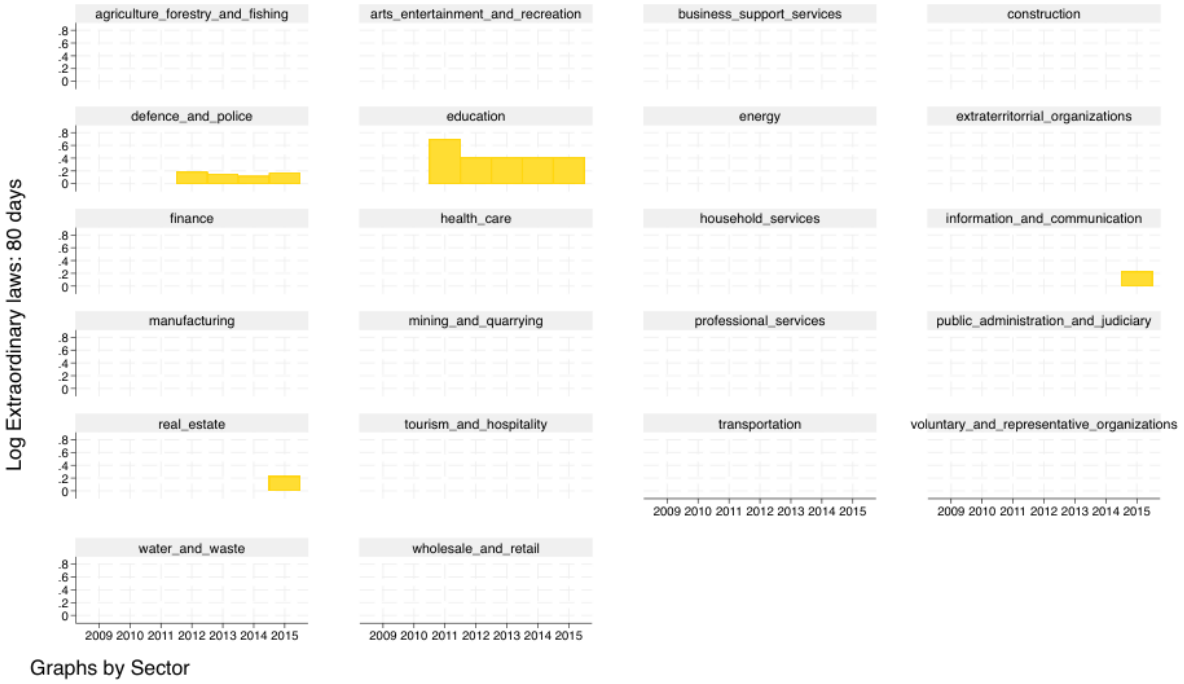


Figure 9: Number of cumulative extraordinary laws from overall per sector: 90 days in parliament

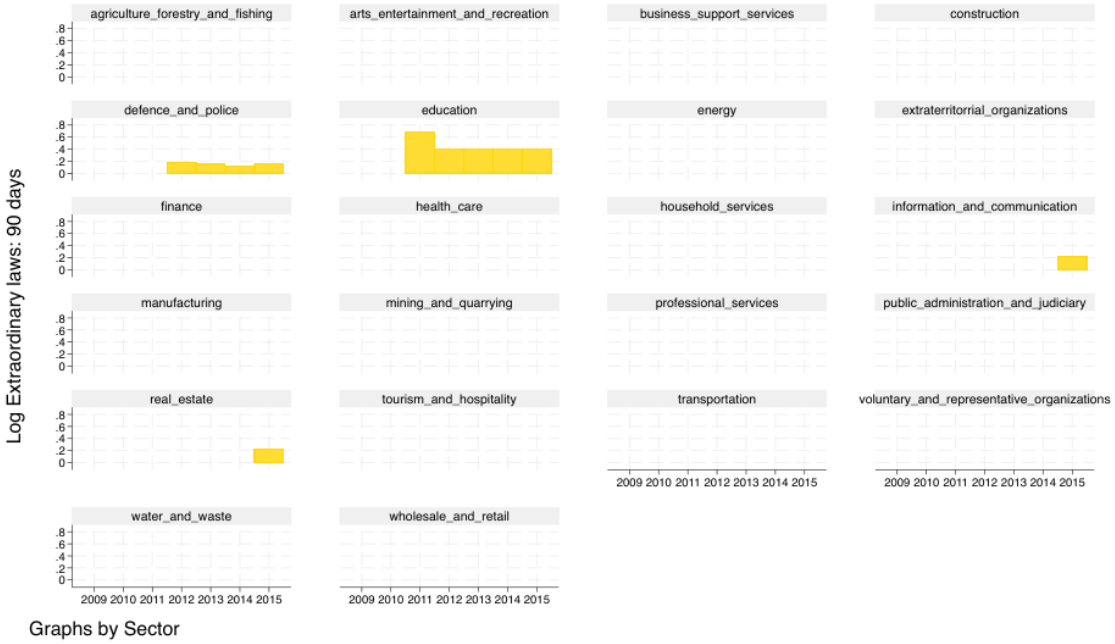


Table 20: The impact of legislative scrutiny on log profits, using the stricter sectoral firm classification

	Log Profit				
Number of bills	0.005				0.003
	(0.008)				(0.008)
High growing x Number of bills	0.226***				0.173***
	(0.035)				(0.034)
Low growing x Number of bills	-0.290***				-0.200***
	(0.047)				(0.048)
Extraordinary laws		-0.318**			-0.285***
		(0.122)			(0.101)
High growing x Extraordinary laws		5.751***			3.781***
		(0.333)			(0.440)
Low growing x Extraordinary laws		-4.908***			-2.490*
		(1.207)			(1.272)
Amendment count			0.000		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.015***		0.006**
			(0.005)		(0.003)
Low growing x Amendment count			-0.027***		-0.016***
			(0.007)		(0.005)
Non-governmental laws				0.025	0.021
				(0.040)	(0.040)
High growing x Non-governmental laws				1.100***	0.460**
				(0.203)	(0.216)
Low growing x Non-governmental laws				-1.532***	-0.741***
				(0.196)	(0.236)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	211826	211826	211826	211826	211826
R^2	0.909	0.908	0.908	0.908	0.909
Adjusted R^2	0.892	0.891	0.891	0.891	0.892

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 21: The impact of legislative scrutiny on log profits, using overall firm classification

	Log Profit				
Number of bills	0.008				0.006
	(0.007)				(0.007)
High growing x Number of bills	0.189***				0.149***
	(0.025)				(0.021)
Low growing x Number of bills	-0.212***				-0.162***
	(0.020)				(0.019)
Extraordinary laws		-0.332***			-0.297***
		(0.117)			(0.094)
High growing x Extraordinary laws		4.927***			3.282***
		(0.691)			(0.738)
Low growing x Extraordinary laws		-4.227***			-2.392***
		(0.631)			(0.647)
Amendment count			0.001		0.000
			(0.000)		(0.000)
High growing x Amendment count			0.019***		0.010***
			(0.005)		(0.003)
Low growing x Amendment count			-0.021***		-0.012***
			(0.005)		(0.003)
Non-governmental laws				0.037	0.027
				(0.041)	(0.039)
High growing x Non-governmental laws				0.865***	0.265***
				(0.138)	(0.082)
Low growing x Non-governmental laws				-1.046***	-0.385***
				(0.131)	(0.084)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Observations	211826	211826	211826	211826	211826
R^2	0.910	0.908	0.909	0.909	0.911
Adjusted R^2	0.894	0.891	0.892	0.892	0.894

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 22: The impacts of legislative scrutiny using a composite indicator on firm performance across classifications

	Log Profit	Log Revenues	Log Costs	Log Profit Margin
Sectoral Classification				
Legislative Indicator	0.124	0.095	0.084	0.018
	(0.145)	(0.075)	(0.084)	(0.114)
High growing x Legislative Indicator	3.207***	0.730***	0.447***	2.277***
	(0.350)	(0.178)	(0.136)	(0.253)
Low growing x Legislative Indicator	-3.642***	-1.047***	-0.781***	-2.144***
	(0.301)	(0.213)	(0.149)	(0.215)
Observations	211826	127801	127421	127801
R^2	0.910	0.982	0.984	0.826
Adjusted R^2	0.894	0.978	0.980	0.785
Stricter Sectoral Classification				
Legislative Indicator	0.075	0.066	0.060	0.000
	(0.136)	(0.075)	(0.084)	(0.104)
High growing x Legislative Indicator	3.812***	0.841**	0.358	3.024***
	(0.474)	(0.401)	(0.404)	(0.533)
Low growing x Legislative Indicator	-5.124***	-1.900***	-1.701***	-2.832***
	(0.407)	(0.555)	(0.645)	(0.502)
Observations	211826	127801	127421	127801
R^2	0.909	0.982	0.984	0.824
Adjusted R^2	0.892	0.978	0.980	0.782
Overall Firm Classification				
Legislative Indicator	0.118	0.094	0.083	0.014
	(0.138)	(0.073)	(0.082)	(0.109)
High growing x Legislative Indicator	3.315***	0.714***	0.414***	2.410***
	(0.366)	(0.187)	(0.144)	(0.254)
Low growing x Legislative Indicator	-3.799***	-1.094***	-0.806***	-2.272***
	(0.325)	(0.204)	(0.137)	(0.228)
Controls				
Number of bills multisector	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES
Non-governmental laws multisector	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Observations	211826	127801	127421	127801
R^2	0.910	0.982	0.984	0.826
Adjusted R^2	0.894	0.978	0.980	0.785

Table 23: The impact of legislative scrutiny on profit, using different cutoffs for extraordinary

	Log Profit				
	15 days	**50 days**	**70 days**	**80 days**	**90 days**
Extraordinary laws	-0.361***	-0.359***	-0.156**	-0.156**	-0.156**
	(0.089)	(0.089)	(0.068)	(0.068)	(0.068)
High growing x Extraordinary laws	3.041***	3.041***	1.337*	1.329*	1.329*
	(0.457)	(0.457)	(0.674)	(0.672)	(0.672)
Low growing x Extraordinary laws	-2.150***	-2.150***	-0.960*	-0.958*	-0.958*
	(0.777)	(0.777)	(0.526)	(0.525)	(0.525)
Controls					
Number of bills multisector	YES	YES	YES	YES	YES
Extraordinary laws multisector	YES	YES	YES	YES	YES
Amendment count multisector	YES	YES	YES	YES	YES
Non governmental laws multisector	YES	YES	YES	YES	YES
Sector FE	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES
Number of bills	YES	YES	YES	YES	YES
High growing x Number of bills	YES	YES	YES	YES	YES
Low growing x Number of bills	YES	YES	YES	YES	YES
Amendment count	YES	YES	YES	YES	YES
High growing x Amendment count	YES	YES	YES	YES	YES
Low growing x Amendment count	YES	YES	YES	YES	YES
Non-governmental laws	YES	YES	YES	YES	YES
High growing x Non-governmental laws	YES	YES	YES	YES	YES
Low growing x Non-governmental laws	YES	YES	YES	YES	YES
N	211990	211990	211990	211990	211990
R^2	0.911	0.911	0.911	0.911	0.911
adj. R^2	0.894	0.894	0.894	0.894	0.894

Controls include multisector variables, sector and firm FE.

Standard errors clustered by sector, in parentheses * p<0.1, ** p<0.05, *** p<0.01