

Losing the Shield: How Political Connections Shape Environmental Enforcement*

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Abstract

This paper provides novel evidence on how political connections distort environmental enforcement via discretionary actions of regulators in the Maharashtra Sugar industry, using a unique natural experiment that creates simultaneous bidirectional variation in political access. We exploit the 2022 political crisis in Maharashtra, India, which caused some sugar mills to suddenly lose cabinet access while others gained it. Combining novel data on regulatory punishment, environmental & operational outcomes for sugar mills, and using a difference-in-differences empirical strategy, we find that mills losing political access experience significantly higher enforcement rates, while mills gaining connections face no change in regulatory pressure. This effect is driven entirely by discretionary enforcement rather than complaint-driven inspections, indicating that our results reflect capture. We further analyze the compliance behaviour of mills using granular emissions monitoring data. We find that our main results are not driven by changes in environmental compliance by mills who lose cabinet access, while mills gaining connections significantly increase strategic pollution-hiding behaviour.

Keywords: Political connections, Environmental Regulation, Weak Institutions, Sugar industry

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