

## About the ICSID and the conference

The International Center for the Study of Institutions and Development (ICSID, <http://iims.hse.ru/en/csidi/>) is one of the international laboratories created by the Higher School of Economics in 2011 that unites a team of researchers from Russia, the USA and Europe.

Scholars at the ICSID are currently implementing a research project “Factors of career trajectories of bureaucratic elites, informal institutions, and provision of public goods” which is the Center’s major project for 2014-2016. The project focuses on the analysis of incentives for strengthening regional governance, improving the quality of formal and informal institutions, and developing research on public goods provision and property rights protection.

The main objective of the 4<sup>th</sup> ICSID conference and EACES -HSE Workshop is to bring together Russian and foreign experts in the fields of political economy, and economic and institutional development and stimulate the exchange of research ideas, results and knowledge. We will focus on the incentives for bureaucrats, collective action problems in Russian society, federal and regional elite networks in Russia and China, social capital outcomes and prerequisites as well as changes in the system of values and norms in Russia and other developing countries.

The 2015 conference will be the 4th annual event of its kind organized by the International Center for the Study of Institutions and Development. In May 2012, we focused on Douglass North et al.’s (2009) concept of “limited access orders”, and discussed whether it was helpful for empirical analyses in developing countries. In June 2013, we gathered Russian and foreign experts in political economy to discuss new data and methods available to researchers of institutions and economic development. In May 2014, we continued our discussion of institutions and regional economic development, with a primary focus on the cases of Russia and China. In 2015, we are planning to broaden the basis for comparative analysis and cover the aspects of institutions development and political economy in the developing world.

## Conference program

June 29, 2015 (Monday)

### EACES -HSE Workshop

*“Political Economy of Development: New Challenges and Perspectives”*

Moscow, HSE, Myasnitskaya Str. 20, room 124

9.30 Registration

10.00 Keynote Speaker Timothy Frye (Columbia University and Higher School of Economics)

Trust in Government: A Natural Experiment from Russia

*Chair: Andrei Yakovlev (Higher School of Economics)*

11.00 Coffee break

11.30 Session 1 Human capital, productivity and political participation

*Chair: Thomas Remington (Emory University and Higher School of Economics)*

- **Sarah Wilson Sokhey** (University of Colorado)  
Public Opinion & The Reversal of Russian Pension Privatization
- **Olga Vasilyeva** (Amur State University and the Economic Research Institute FEB RAS)  
Does Social Diversity Matter for Productivity? Evidence from the Russian Far East
- **Lucas van der Velde** (University of Warsaw), **Joanna Tyrowicz** (University of Warsaw)  
Can We Really Explain Worker Flows in Transition Economies?
- **Elodie Douarin** (University College London), **Dragos Radu** (University College London)

## Migration and Political Participation: Selection or Transmission?

### 13.00 Lunch

### 14.30 Session 2 Political institutions and policy

*Chair: John Reuter (University of Wisconsin and Higher School of Economics)*

- **Quintin H. Beazer** (Florida State University)  
Who's to Blame? Punishing Poor Economic Performance in a Centralized Political System
- **Franziska Keller** (New York University)  
Networks of Power: Using Social Network Analysis to understand who will rule and who is really in charge in the Chinese Communist Party
- **Qian Jiwei** (East Asian Institute, National University of Singapore)  
Crowding out among China's expanding social programs and “fragmented authoritarianism”
- **Inga A.-L. Saikkonen** (Åbo Akademi University), **Allison C. White** (Earlham College)  
More Than a Name?: Variation in Voter Mobilization of Titular and Non-Titular Ethnic Minorities in Russian National Elections

### 16.00 Coffee break

### 16.30 Session 3 Institutions and institutional change in transition economies

*Chair: Andrei Yakovlev (Higher School of Economics)*

- **Margaret Hanson** (Ohio State University)  
Land rights and local governance under post-communism
- **Miklos Szanyi** (Debrecen University and Institute for World Economics, MTA KRTK)

The reversal of the privatization logic in Central European transition economies

- **Theocharis Grigoriadis** (Freie Universität Berlin)  
Finance and Revolution in Late Imperial Russia
- **Irina Chetverikova** (European University at St. Petersburg)  
The effects of policy change on the enforcement of criminal law related to economic crimes in Russia

#### 18.00 Closing

### ICSID Conference

## *“Institutions, Elites and Collective Action in the Developing World”*

Moscow, HSE, Myasnitskaya Str. 20, room 311

**June 30, 2015 (Tuesday)**

#### 10.00 Invited Speaker **Timur Kuran** (Duke University)

The Financial Power of the Powerless: Socio-Economic Status and Interest Rates under Partial Rule of Law (with Jared Rubin, Chapman University)

*Chair: Timothy Frye (Columbia University and Higher School of Economics)*

#### 11.00 Coffee break

#### 11.30 Session 1. Political Institutions and Bureaucracy

*Chair: Quintin H. Beazer (Florida State University)*

- **Michael Rochlitz** (Higher School of Economics), **Alessandro Belmonte** (INVALSI)  
Authoritarian Regimes, Bureaucratic Incentives and Economic Growth

- **David Szakonyi** (Columbia University and Higher School of Economics)  
Firm-Level Returns from Connections to Elected Politicians: Evidence from Russia
- **John Reuter** (University of Wisconsin and Higher School of Economics), **Noah Buckley** (Columbia University and Higher School of Economics)  
Why Authoritarian Elections? An Elite-Based Theory with Evidence from Russian Mayoral Elections
- **Alexander Libman** (German Institute for International and Security Affairs and Higher School of Economics), **Andrei Yakovlev** (Higher School of Economics), **Alexander Yarkin** (Higher School of Economics)  
Incentives for Local Bureaucrats and Interplay of Control and Executive Hierarchies in Non-Democracies

### 13.30 Lunch

### 15.00 Session 2 Social Trust and Social Policy

*Chair: Ekaterina Borisova (Higher School of Economics)*

- **Thomas Remington** (Emory University and Higher School of Economics), **Israel Marques** (Columbia University and Higher School of Economics), **Vladimir Bazavluk** (Higher School of Economics)  
The Reform of Skill Formation in Russia: Regional Responses
- **Ekaterina Borisova** (Higher School of Economics), **Irina Levina** (Higher School of Economics), **Andrei Govorun** (Higher School of Economics), **Denis Ivanov** (Higher School of Economics)  
Who to Help? Trust and Preferences over Redistribution in Russia

- **Israel Marques** (Columbia University and Higher School of Economics)

Institutional Quality and Individual Preferences for Social Policy

#### 16.30 Coffee break

#### 17.00 Invited Speaker **Arturas Rozenas** (New York University)

Persuasion and dissuasion with biased media: Evidence from Russian television in Ukraine (with Leonid Peisakhin, New York University - Abu Dhabi)

*Chair: Michael Rochlitz (Higher School of Economics)*

#### 18.00 Closing

### **July 1, 2015 (Wednesday)**

#### 10.00 Invited Speaker **Edmund Malesky** (Duke University)

Do Governance Rankings Improve Subnational Economic Performance? Evidence from Randomized Field Experiment in Vietnam

*Chair: Thomas Remington (Emory University and Higher School of Economics)*

#### 11.00 Coffee break

#### 11.30 Session 1 Institutions and Economic Performance I

*Chair: Alexander Libman (German Institute for International and Security Affairs and Higher School of Economics)*

- **Andrei Yakovlev** (Higher School of Economics), **Irina Levina** (Higher School of Economics), **Anastasiya Kazun** (Higher School of Economics)

Measurement of business climate in Russia: who perceived the changes and how these changes are related to Mr. Putin?

- **Irina Levina** (Higher School of Economics)  
Behavioral Centralization of the Firm: Evidence from 7 European Countries and Russia
- **Noah Buckley** (Columbia University and Higher School of Economics), **John Reuter** (University of Wisconsin and Higher School of Economics)  
Performance Incentives under Autocracy: Evidence from Russia's Regions

13.00 Lunch

14.00 Session 2 Institutions and Economic Performance II

*Chair: Timothy Frye (Columbia University and Higher School of Economics)*

- **Andrei Yakovlev** (Higher School of Economics), **Anton Kazun** (Higher School of Economics)  
The Quality of Law Enforcement System in Russian Regions: an Assessment of Attorneys
- **Denis Ivanov** (Higher School of Economics)  
Do Institutions Cause Social Trust? Evidence from an Institutional Reform
- **Egor Lazarev** (Columbia University)  
Laws in Conflict: The Politics of Legal Pluralism in Chechnya

15.30 ICSID organizational workshop / free time for guests

## Conference papers

June 29, 2015 (Monday)

### EACES -HSE Workshop

#### *“Political Economy of Development: New Challenges and Perspectives”*

#### 10.00 Keynote Speaker

*Chair: Andrei Yakovlev (Higher School of Economics)*



**Timothy Frye,**  
Columbia University and Higher School of  
Economics

*Trust in Government: A Natural  
Experiment from Russia*

Trust in government is central to economic growth and good governance, but identifying the determinants of trust is difficult due to endogeneity concerns. Taking advantage of the largely exogenous variation in the timing of a survey conducted in Moscow in December 2011, this work examines the impact of an election and a large protest on attitudes toward trust in the government. More specifically, it examines the attitudes of respondents interviewed just prior to and just after parliamentary elections on December 4th and just prior to and just after a large protest on December 10th. The elections of December 4th produced little change in attitudes toward government, perhaps because claims of vote fraud were not perceived as new information for most Muscovites. In contrast, the large protest increased trust in various branches of government, perhaps because the protest proceeded peacefully and without incident.



## **11.30 Session 1 Human capital, productivity and political participation**

*Chair: Thomas Remington (Emory University and Higher School of Economics)*



**Sarah Wilson Sokhey,**  
University of Colorado

*Public Opinion & The Reversal of  
Russian Pension Privatization*

Using original survey questions from November 2014, I examine how socioeconomic factors and political preferences influence knowledge about recent pension reforms and support for reversing pension privatization. Overall, knowledge about recent pension reforms in Russia is low. Those with higher levels of education and more income were more likely to be aware of pension reforms, but income and education only weakly predict whether one supports or opposes the reversal of pension privatization. Putin backed both the introduction (in 2002) and reversal (in 2012 and 2013) of pension privatization, but those voting for Putin were neither more nor less likely to support or oppose reversals. These findings are consistent with my broader research in which I argue that the absence of strong public sentiment about Russia's pension privatization system enabled the Russian leadership to reverse these measures in order to gain access to short-term revenue. This is typical of other countries in which backtracking on pension privatization occurred.



**Olga Vasilyeva,**  
Amur State University, Economic Research  
Institute FEB RAS

*Does Social Diversity Matter for  
Productivity? Evidence from the Russian  
Far East*

Is social diversity good or bad for economic performance? There is no clear

consensus on this question in the development literature. To address this issue we use settlement-level and farm-level data from the Russian Far East. We try to assess if cultural diversity in settlements matters for economic performance (measured as farm TFP). To solve the possible endogeneity problem, we instrument current social diversity with historical data about religious and ethnic diversity in 1910. We assume that settlements with more diverse and tolerant population as of beginning of 20th century, could still be friendlier towards migrants and various religious groups. The question we ultimately attempt to address is whether local producers and inhabitants benefit from this diversity and tolerance.



**Lucas van der Velde,**  
University of Warsaw

Joanna Tyrowicz,  
University of Warsaw, National Bank of  
Poland

*Can We Really Explain Worker Flows in  
Transition Economies?*

This paper employs a new rich source of data on worker reallocation in transition economies and provides a decomposition of the aggregate changes into those attributable to sectoral reallocation, those attributable to transition per se and those attributable to demographics. Aghion & Blanchard (1994) provide a theoretical framework that allows to conceptualize a reallocation from an (implicitly inefficient) public sector to a (more efficient) private sector. However, transition processes are not isolated from global trends such as a shift from industry to services, which is more explicitly tackled in the sectoral reallocation models of Caballero & Hammour (1996, 2001). Finally, there are also demographic processes, which exhibit in labor market exits by people with outdated or no longer necessary skills and in labor market entries by people with possibly better matched competences. The aggregate changes in transition economies are a combination of these three mechanisms. We thus test the validity of Aghion & Blanchard (1994) as well as Caballero & Hammour (1996, 2001) in the context of 26 transition economies over the period 1989-2006. We find that demographics and education can accommodate a fair share of shift from public to private and from manufacturing to services – as opposed to the actual worker flows between jobs. Wage setting mechanisms contribute much less to explaining the changes in employment structure than the policies

addressing labor force participation of the older cohorts.



**Elodie Douarin,**  
School of Slavonic and East European  
Studies – University College London

**Dragos Radu,**  
School of Slavonic and East European  
Studies – University College London

*Migration and Political Participation:  
Selection or Transmission?*

Does international migration act as a facilitator of democratic consolidation in countries of origin or is it only an exit route for those who are dissatisfied with the prevailing economic and political conditions in their home country and who should also be more politically active?

We explore the relationship between international migration and democratic participation in six East European and Central Asian transition economies, namely Kazakhstan, Moldova, Macedonia, Serbia, Tajikistan and Ukraine. Over the last decade, these countries have made varied democratisation progress and also experienced dramatic increases in emigration rates (reflected e.g. in the ratio of highly skilled leaving the country). Both processes, migration and democratic consolidation, have profound implications for the economic development and the integration of these countries in the global economy. We identify important differences in the democratic involvement of potential migrants and returnees between the countries we investigate. These differences are attributable to cross-country disparities in both the magnitude of migration and the type of selection of migrants and returnees. Our hypothesis is that preferences for voting and political participation are likely to be quite fluid in these six ‘new’ democracies. This implies that both actual migration experience and elicit migration intentions may lead to changes in democratic involvement.

### **14.30 Session 2 Political institutions and policy**

*Chair: John Reuter (University of Wisconsin and Higher School of Economics)*



**Quintin H. Beazer,**  
Florida State University

*Who's to Blame? Punishing Poor  
Economic Performance in a Centralized  
Political System*

Does appointing local officials make central government officials accountable for local economic outcomes? The effects of political centralization on economic performance has attracted much scholarly attention, but existing research tells us little about the political consequences of those economic outcomes for leaders of centralized political systems. Using political and economic data from mid- and large-sized Russian cities for the period 2000-2012, we investigate whether political centralization of local mayors has affected how voters attribute blame at the polls for economic outcomes. We employ a difference-in-differences design to identify how economic performance has affected electoral support at the municipal level for United Russia and find that, where mayors are appointed by the center, electoral returns for United Russia in both regional elections are lower in cities with increased unemployment than in cities with better economic conditions. In contrast, in municipalities where voters can punish still their local executive electorally, poor economic performance has significantly smaller effect on electoral support for United Russia.



**Franziska Keller,**  
New York University

*Networks of Power: Using Social  
Network Analysis to understand who  
will rule and who is really in charge in  
the Chinese Communist Party*

Researchers of Chinese political elites have claimed that ties to patrons help clients advance in the party hierarchy. This paper shows that in the case of the members of the Chinese Communist Party's Central Committee 1982- 2012 such

ties can be inferred from publicly available information, by noting who has been promoted under whom. A hazard analysis demonstrates that while connections to current and former Politburo Standing Committee members double the chance of being appointed to the Communist Politburo five or ten years later, ties to additional patrons further increase that chance - but only if the patrons are allied. Links to current and former subordinates among the other elite also have a significant positive effect. Finally, centrality measures from social network analysis (SNA) allow predictions about the future and current power holders even if the identity of the patrons is unknown. Future Politburo members tend to be found in network positions that capture popularity as a coalition partner (closeness centrality), while likely patrons hold network positions associated with stable coalition leaders, from which they can prevent the formation of opposing coalitions (betweenness centrality). The paper thus demonstrates the feasibility and importance of analyzing the network among a whole group of elites instead of just the ties between one specific leader and his or her followers and also proposes a new theoretical and empirical approach to the understudied informal institutions of authoritarian regimes, suggesting a more principled, but also more nuanced way of measuring one such institution: political patronage.



**Qian Jiwei,**

East Asian Institute, National University of Singapore

*Crowding out among China's expanding social programs and "fragmented authoritarianism"*

There are two puzzles regarding the urban unemployment in China. First, coverage of unemployment insurance is still very low compared to other social insurances. Second, the number of the registered urban unemployed is much less than actual urban unemployed. This paper argues that the crowding-out effect between social assistance programs and unemployment insurance in China are among answers to these two puzzles.

In this paper, we use two city-level datasets with data of social assistance programs over 280 cities in China between year 2003 and 2009. We find that increasing social assistance expenditure is likely to reduce the number of the registered unemployed, which implies some urban residents claiming social assistance are either leaving the labor market or had evaded from contribution for the unemployment insurance. Many urban residents do not enrol with

unemployment insurance because the benefits from the social assistance program “Minimum Livelihood Guarantee Scheme” (MLGS) in urban China and other social assistance programs are higher than the benefit from unemployment insurance. Our paper suggests that the crowding out effect is a result of lack of coordination across different government departments. The “fragmented authoritarianism” framework has been employed to explain the ineffectiveness of economic policy making in China (Lieberthal and Oksenberg 1988). In this framework, each department is individually rational while the policy outcomes are collectively inefficient.



**Inga A.-L. Saikkonen,**  
Åbo Akademi University

Allison C. White,  
Earlham College

*More Than a Name?: Variation in  
Voter Mobilization of Titular and Non-  
Titular Ethnic Minorities in Russian  
National Elections*

Literature on Russian voting patterns has long associated titular minorities with higher levels of electoral participation, particularly in the ethnic republics. Yet, Russia's ethnic minority population is highly heterogeneous, and includes numerous non-titular ethnic minority groups as well. Previous scholarship has not systematically studied the differences in turnout patterns between titular and non-titular ethnic groups, which together comprise a significant portion of the population. This paper investigates whether turnout patterns differ between the titular ethnic groups and other ethnic minority groups across Russia. We conduct a series of linear multilevel models to analyze whether turnout patterns between these two groups vary systematically in the two most recent Russian legislative elections (2007 and 2011) and presidential contests (2008 and 2012). The paper utilizes unique data, including raion level electoral results and census data as well as regional level contextual correlates, such as gross regional product and resource dependence.

### **16.30 Session 3 Institutions and institutional change in transition economies**

*Chair: Andrei Yakovlev (Higher School of Economics)*



**Margaret C. Hanson,**  
The Ohio State University

*Land rights and local governance under  
post-communism*

Existing literature on property rights security primarily concentrates on state-level differences, and argues that democracies protect property rights better than autocracies. This focus on national institutions belies a key point: local, not central officials directly handle property rights enforcement. They are also those officials most likely to threaten individuals' or firms' property rights. Local officials do not always act like Olson's "roving bandits," however. What factors, then, influence when local officials threaten property rights, and under what conditions do they seize them outright? After all, seizure involves significant transaction costs, and in authoritarian states, risks censure from central state officials. Focusing on rights to land, I argue that the degree to which local officials undermine property rights in autocracies is linked to two key factors: the economic salience of that type of property within local economies, and how institutions of vertical accountability are structured. The first reflects the close link between political office and rent-seeking, while the second defines the risks that officials face when they engage in such behavior. My research uses interviews, ethnographic observation, and subnational statistical data from three regions in Kazakhstan to examine land rights insecurity, and draws initial comparisons to one region in Russia.



**Miklos Szanyi,**  
Debrecen University and Institute for World  
Economics, MTA KRTK

*The reversal of the privatization logic in  
Central European transition economies*

Privatization was a centerpiece of the Central and Eastern European (CEE)

transition process, the main drivers of which were firstly, the desire to increase the role of private business, secondly, the need for economic restructuring and increasing of efficiency and thirdly, ambitions to crush the economic might of the communist regime and establish the basis of a new political elite. Until the mid-2000s the main transition goals of CEE economies were largely achieved, which is also expressed in their EU-accession. However, the transition process did not create economic systems fully comparable with more established market economies of the EU. After successful stabilization and large scale denationalization of state assets the first two drivers of privatization lost importance. Furthermore external pressure from international organizations such as the World Bank or the European Commission declined. After becoming members of the “club” only the third driver remained intact and CEE governments started to rethink their relationship towards state assets using it as an uncontrolled tap of public money. This development is illustrated by the examples of Hungary and Poland. This paper aims at contributing to the development of the theory of CEE capitalism models with the analysis of the changing role of state ownership and privatization.



**Theocharis Grigoriadis,**  
Freie Universität Berlin

*Finance and Revolution in Late Imperial  
Russia*

Strategies of reform implementation have played a central role in transitions from central planning to market economies in the 1990s. Under aggregate uncertainty, gradualism induces a higher reform payoff for citizens, compared to shock therapy. I propose a stochastic game between a government and the peasants over an infinite horizon. In each period the government decides the tax that it will impose on the peasants and the degree of centralization of the financial system in subsequent periods. Then the peasants decide whether they accept or reverse the government’s proposal. If they reject the offer, then they revert to the tax imposed in the status-quo-ante. If they accept, then the reform passes and industrialization occurs through three different channels: a centralized financial system that generates high levels of inequality, a centralized financial system that generates low levels of inequality and a decentralized financial system. In equilibrium, the government is a successful



reformer, when it is able to make offers that render the reform reversal constraint non-binding. Assuming a stage game where the outcome is either repression in favor of the government or revolution in favor of the peasants, the government is faced in equilibrium with three outcomes: ex-ante revolution, ex-post revolution or ex-post repression. In the latter two cases, the inadvertent effects of industrialization become obvious. This model is used as a basis to explain the economic reforms of Sergei Witte and some of his predecessors (Vyshnegradski, Bunge and von Reutern) and the extent to which they contributed to the Russian Revolution.



**Irina Chetverikova,**  
European University at St. Petersburg

*The effects of policy change on the enforcement of criminal law related to economic crimes in Russia*

Using the data on 5 million defendants prosecuted in Russian criminal courts in 2009 – 2013, I examine how policy change affects enforcement of criminal law that relates to economic crimes. During presidency of Dmitry Medvedev in 2008-2012 the Russian economy still remained highly regulated, so almost every economic activity could be recognized by enforcement agencies as illegal. Following legal changes can be noticed as a result of liberal reforms in the area of regulation, economic crime investigation, and trial: a) the abolishment of mandatory sentencing minimums; b) the restriction on pre-trial detention for defendants charged with economic crimes; c) the introduction of separate articles in the Criminal code for business fraud, fraud with social insurance, credit cards, and computer information; d) the establishment of the obligatory complaining procedure initiated by tax inspections in tax fraud cases. New criminal procedures were enacted to decrease prosecutorial discretion and to protect entrepreneurs from unwarranted prosecution. Aggregate analysis demonstrates more lenient sentences for all social groups of offenders, including entrepreneurs. The estimation of laws' effects on individual cases shows mixed results suggesting that local officials could circumvent some of the recent reforms to serve their occupational and organizational ends.

## ICSID Conference

### *"Institutions, Elites and Collective Action in the Developing World"*

**June 30, 2015 (Tuesday)**

#### **10.00 Invited Speaker**

*Chair: Timothy Frye (Columbia University)*



**Timur Kuran,**  
Duke University

Jared Rubin,  
Chapman University - The George L.  
Argyros School of Business & Economics

*The Financial Power of the Powerless:  
Socio-Economic Status and Interest  
Rates under Partial Rule of Law*

In advanced economies interest rates generally vary inversely with the borrower's socio-economic status, because status tends to depend inversely on default risk. Both of these relationships depend critically on the impartiality of the law. Specifically, they require a lender to be able to sue a recalcitrant borrower in a sufficiently impartial court. Where the law is markedly biased in favor of elites, privileged socio-economic classes will pay a premium for capital. This is because they pose a greater risk to lenders who have limited means of punishing them. Developing the underlying theory, this paper also tests it through a data set consisting of judicial records from Ottoman Istanbul, 1602-1799. Pre-modern Istanbul offers an ideal testing ground, because rule of law existed but was highly partial. Court data show that titled elites, men, and Muslims all paid higher interest rates conditional on various loan characteristics. A general implication is that elites have much to gain from instituting impartially enforced rules in financial markets even as they strive to maintain privileges in other domains. It is no coincidence that in the Ottoman Empire the beginnings of legal modernization included the establishment of impartial commercial courts.

## **11.30 Session 1. Political Institutions and Bureaucracy**

*Chair: Quintin H. Beazer (Florida State University)*



**Michael Rochlitz,**  
Higher School of Economics

Alessandro Belmonte,  
INVALSI

*Authoritarian Regimes, Bureaucratic  
Incentives and Economic Growth*

What are the determinants of bureaucratic incentives, and how do different incentive structures influence economic growth? In a first empirical part of this paper, we show how regional officials in contemporary China and Russia face fundamentally different incentives. Whereas economic performance plays an essential role in determining promotions of regional officials in China, for regional officials in Russia political control is much more important than economic growth. Motivated by our findings, we build a model where different initial conditions - with a special focus on the availability of natural resources - lead to different strategies of legitimacy building by the elites in power, which in turn result in different bureaucratic incentive structures. We show how these incentive structures can be sticky over time and might remain in place even after a change in the fundamental economic conditions that lead to their emergence, forcing the ruling elites into directions that might no longer correspond to their initial or long-term interests.



**David Szakonyi,**  
Columbia University and Higher School of  
Economics

*Firm-Level Returns from Connections to  
Elected Politicians: Evidence from  
Russia*

Do firms benefit from political connections? In recent years, a substantial literature has uncovered a positive correlation between political ties and firm performance indicators. However, because connections between politicians and firms are not randomly assigned, the improved balance sheet outcomes may instead reflect other underlying characteristics. For example, more competent firm directors may be effective at both developing in-roads with politicians and increasing firm revenue, making any relationship between the two spurious. In response, this paper employs a regression discontinuity (RD) design to identify the true causal effect of the acquisition of political connections on firm performance. Using a unique dataset of 5,223 firms in Russia, I compare financial outcomes between firms that are connected to political candidates who either won or lost close elections to subnational legislative institutions. I find that a connection to a winning politician can net a firm at least an additional \$13 million in revenue and \$800,000 in net profits, which are substantial figures compared to those of firms having had directors lose an election. The value of winning office for firms is amplified in more economically developed regions, where natural resources are present, and when directors are members of the ruling party. Greater success in receiving state contracts drives the improvements in firm performance.



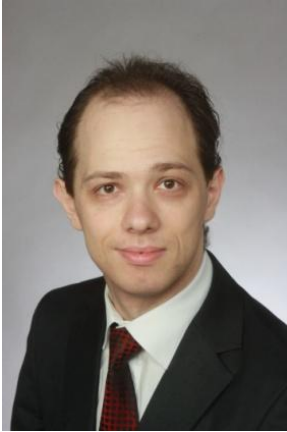
**John Reuter,**  
University of Wisconsin and Higher School of  
Economics

Noah Buckley,  
Columbia University and Higher School of  
Economics

*Why Authoritarian Elections? An Elite-  
Based Theory with Evidence from Russian  
Mayoral Elections*

Why do authoritarian regimes permit elections in some settings but not in others? Focusing on the decision to hold subnational elections, we argue that autocrats use local elections to assuage powerful subnational elites. When subnational elites control significant political resources, such as local political machines, leaders may need to co-opt them in order to govern cost-effectively. Elections are an effective tool of co-optation because they provide elites with autonomy and the opportunity to cultivate their own power bases. We test this argument by analyzing variation in the decision to hold mayoral elections in

Russia's 207 largest cities between 2000 and 2012. Our findings suggest that Russian mayoral elections were more likely to be retained in cities where elected mayors sat atop strong political machines. Our findings also illustrate how subnational elections may actually serve to perpetuate authoritarianism by helping to ensure elite loyalty and putting the resources of powerful elites to work for the regime



**Alexander Libman,**

German Institute for International and Security  
Affairs and Higher School of Economics

Andrei Yakovlev,  
Higher School of Economics

Alexander Yarkin,  
Higher School of Economics

*Incentives for Local Bureaucrats and  
Interplay of Control and Executive  
Hierarchies in Non-Democracies*

The paper models the interaction of two bureaucratic hierarchies in a non-democratic state: an executive hierarchy responsible for regulating economic activity and a control hierarchy monitoring the behavior of executive bureaucrats and the extent of the deviations from the norms set by the central government. The co-existence of these two hierarchies is typical for many non-democratic regimes and represents an attempt to reduce the risk of rent-seeking or shirking by the regional bureaucrats; however, without appropriate incentives the effort of the control hierarchy may reduce the performance of the system. The model compares various incentive schemes for control and executive bureaucracies, their implications for the performance of the public administration and the determinants of choice of these incentive schemes by the self-interested central government.

**15.00 Session 2 Social Trust and Social Policy**

*Chair: Ekaterina Borisova (Higher School of Economics)*



**Thomas Remington,**  
Emory University and Higher School of  
Economics

Israel Marques,  
Columbia University and Higher School of  
Economics

Vladimir Bazavluk,  
Higher School of Economics

*The Reform of Skill Formation in Russia:  
Regional Responses*

How and when do employers and governments cooperate to overcome skill shortages? Existing literature in the VOC tradition distinguishes between coordinated market and liberal market economy approaches. So far, however, little research has addressed this problem in the context of emerging market economies. This paper uses the case of Russia to address the ways in which postcommunist states overcome the commitment problems bedeviling skill formation in a market economy. Following a discussion of the history of skill formation in Russia from the Soviet era through the present, we present four case studies of Russian regions illustrating alternative institutional solutions to the problem of matching vocational education and training to industry's need for skill.

**Ekaterina Borisova,**  
Higher School of Economics



Irina Levina,  
Higher School of Economics

Andrei Govorun,  
Higher School of Economics

Denis Ivanov,  
Higher School of Economics

*Who to Help? Trust and Preferences  
over Redistribution in Russia*

Does generalized trust in society influence individual preferences over target groups for government redistribution? Existing research shows that trust affects government redistribution. In this paper we demonstrate that trust is important not only for demand for redistribution in general, but also for the preferred design of redistribution policy. Using a set of surveys of about 34,000 individuals across 68 Russian regions that were conducted in 2007, 2009 and 2011 we show that in high trust environment people demonstrate higher levels of support in favour of those who have performed services on behalf of the society, or can't work because of health problems or age; lower support is found for people in difficult life situations who are still able to work. To explain the observed relation we propose two possible mechanisms: substitution hypothesis, when people may expect help from others that substitutes support from the government, and civicness hypothesis, when people want to reward those who have done something noticeable for their country or to help those who are in great trouble and need special assistance which could be provided by the government. A novel instrumentation strategy is used to account for endogeneity. The results are robust to alternative calculations of the redistribution index, trust levels derived from 2007 and 2009 survey waves, and inclusion and exclusion of a rich set of control variables.



**Israel Marques,**  
Columbia University and Higher School of  
Economics

*Institutional Quality and Individual  
Preferences for Social Policy*

How do institutions – human constraints on human interaction – shape the preferences of individuals over different aspects of social policy and the design of the welfare state? Existing work on preferences for social policy has largely ignored this question, focusing on the well-institutionalized, democratic countries of the OECD, where institutional quality is high. Weak institutional settings, common in the developing world, fundamentally challenge these assumptions, however, by fostering weak accountability links between lower level state officials and politicians, on the one hand, and between politicians and the populace, on the other. This paper develops a framework of individual level

preferences for social policy under poor institutional settings and explores three potential micro-level mechanisms that govern this relationship: corruption, tax evasion, and weak rule of law. I then test various observable implications of this framework in two ways. First, I make use of a novel survey experiment with 1600 respondents carried out in a single country with weak institutional quality – Russia – in order to understand the specific mechanism linking institutional quality and social policy preferences. I then extend these findings to the cross-national level by making use of the Life in Transition Survey (2006) of 29,000 individuals in 29 post-communist countries and Turkey. I find evidence that concerns over the inability of the authorities to control tax evaders – and more broadly those who can free-ride on the welfare state – are a key driver of the relationship between institutions and social policy preferences.

### **17.00 Invited Speaker**

*Chair: Michael Rochlitz (Higher School of Economics)*



**Arturas Rozenas,**  
New York University

Leonid Peisakhin,  
New York University - Abu Dhabi

*Persuasion and dissuasion with biased media: Evidence from Russian television in Ukraine*

We use variation in the availability of the analogue Russian television signal in the borderlands of the Ukraine to study how biased media affects electoral behavior and outcomes. Conditional on the distance to the Russian border, the strength of the Russian television signal can be treated as random, allowing us to identify the causal effect of signal availability on the electoral outcomes.

Using precinct-level data from the two national elections in 2014, we find that the Russian television had a significant effect on raising electoral support for the pro-Russian and lowering support for the pro-Western parties. For the 2014 parliamentary elections, we estimate that about eight percent of the votes cast for the pro-Russian parties can be attributed to the availability of Russian television. We also find that the effect was especially strong in the strong-hold areas of the pro-Russian parties, but very weak and even negative in the strong-hold areas of the pro-Western parties. Therefore, we suggest that biased media



can persuade the supporters of its message and dissuade its opponents, leading to overall political polarization. The findings have important policy implications as many governments in the region are debating whether to ban the broadcasting of the Russian television or have already implemented such bans.

**July 1, 2015 (Wednesday)**

**10.00 Invited Speaker**

*Chair: Thomas Remington (Emory University and Higher School of Economics)*



**Edmund Malesky,**  
Duke University

*Do Governance Rankings Improve  
Subnational Economic Performance?  
Evidence from Randomized Field  
Experiment in Vietnam*

This study examines the effect of monitoring though conducting the Viet Nam Governance and Public Administration Performance Index (PAPI) surveys on local governance quality and public service delivery in Vietnam. UNDP randomly selected 200 locations in 93 districts of 30 provinces to conduct survey in 2010 and rolled out nationally in 2011. Using 2011 survey data, we compare these provinces and districts with those that were not surveyed in 2010. Theories suggest that local authorities may improve their behavior if they have been surveyed and know that they are being monitored. Indeed, we find that governance quality reported by citizens in the provinces and districts that are surveyed in the 2010 PAPI survey is significantly higher than in other locations in the countries. Yet, the effect on commune welfare variables is still insignificant and may need time to take place.

**11.30 Session 1 Institutions and Economic Performance I**

*Chair: Alexander Libman (German Institute for International and Security Affairs and Higher School of Economics)*



**Andrei Yakovlev,**  
Higher School of Economics

Irina Levina,  
Higher School of Economics

Anastasiya Kazun,  
Higher School of Economics

*Measurement of business climate in  
Russia: who perceived the changes and  
how these changes are related to Mr.  
Putin?*

After the announcement of a special program aimed at improving business environment in Russia by Vladimir Putin in 2012, followed by a series of reforms, the position of the Russian Federation in the World Bank Doing Business ranking improved significantly. It changed from 120<sup>th</sup> in 2012 to 62<sup>nd</sup> in 2014. However, to what extent does this improvement reflect real improvement in investment climate from the point of view of business? In this paper we exploit data of a representative survey of 2000 large, medium and small manufacturing firms conducted in Russia in summer-autumn 2014 to analyze the real perceptions of Russian firms about the change in business environment in 2012-2014. First, we want to understand whether larger firms perceive changes in business environment more positively: due to better access to politicians they can more quickly exploit new opportunities opened by policy changes. Second, to find out whether reference to President Vladimir Putin as the initiator of the relevant program leads to more positive estimates of business climate change due to personal popularity of the President. Preliminary results of our analysis indicate that despite the significant government effort no real improvement of the business climate was noted by manufacturing firms. At the same time we could observe strong differences between small, medium and large firms – the larger firms provided better estimates of the changes in business climate. Reference to the President's Putin initiative led to more positive responses about business climate change. However, in the regression analysis this variable was highly significant only for middle-sized firms (101-249 workers).



**Irina Levina,**  
Higher School of Economics

*Behavioral Centralization of the Firm:  
Evidence from 7 European Countries and  
Russia*

The paper explores empirically factors that influence organization of decision-making at the firms. The analysis demonstrates the importance of individual characteristics of the CEO – such as CEO relation to the family of owners, and CEO gender – for the organization of decision-making. E.g. firms, where CEO is a member of the family of owners are significantly less likely to be decentralized. These results point to the importance of behavioral, non-economically-rational factors, for the organization of decision-making at the firm, which was overlooked by previous research. The analysis also supports findings of previous research on the correlation between decentralization and productivity of the firm. The paper shows that decentralized firms tend to be more export-oriented, more innovative, are more likely to introduce new products to the market. Therefore, the influence of behavioral factors on the organization of decision-making at the firm can have important implications for firm development.



**Noah Buckley,**  
Columbia University and Higher School of  
Economics

John Reuter,  
University of Wisconsin and Higher School of  
Economics

*Performance Incentives under Autocracy:  
Evidence from Russia's Regions*

Available evidence indicates that there is considerable variation among autocracies in the extent to which subnational officials are rewarded for economic growth. Why is economic performance used as a criterion for appointment in some autocracies but not in others? Using data on turnover among high-level economic bureaucrats in Russia's 89 regions between 2001 and 2012, we find that performance-based appointments are more frequent in less competitive regions. In more competitive---though still autocratic---regions, the political imperatives of maintaining a political machine that can win semi-competitive elections may lead regime leaders to the abandonment of cadre policies that help promote economic development.

## **14.00 Session 2 Institutions and Economic Performance II**

*Chair: Timothy Frye (Columbia University and Higher School of Economics)*



**Anton Kazun,**  
Higher School of Economics

**Andrei Yakovlev,**  
Higher School of Economics

*The Quality of Law Enforcement System  
in Russian Regions: an Assessment of  
Attorneys*

In recent years, Russian government carried out several reforms of law enforcement system, particular the reform of the Ministry of Internal Affairs in 2009, the splitting of the Investigative Committee and the Prosecutor's Office in 2011, continuing judicial reform etc. These measures were a reaction to the growing critique of the quality of law enforcement system by civil society and an attempt to solve the problems of corruption, rent-seeking behavior and arbitrariness of enforcement officers. However, these reforms were not successful enough partly because they relied on the internal reporting of law enforcement agencies, which have high incentives for the distortion of the information. In our research, we develop an instrument for external and less biased estimation of the quality of law enforcement based on the assessment of Russian attorneys. We use the data from the anonymous survey of 3317 attorneys in 35 Russian regions. The HSE Institute of for Industrial and Market Studies and the Institute for the Rule of Law of the European University in St.

Petersburg have conducted this research in 2014 with the support of Federal Chamber of Attorneys in Russia. This data has allowed us to make a classification of Russian regions into three groups: (1) regions with high number of violations both by judges and by investigators, (2) regions with relatively low number of violations both by judges and by investigators and (3) regions with relatively high number of violations at the stage of investigation, but low in the courts. This finding also corresponds to the date of Center of Public Procedures "Business against corruption": the level of violent corporate raiding is significantly higher in the regions with bad quality of both the courts and the investigation committee. We argue that our classification shows 'pain points' in Russian law enforcement system and allows to define regions and enforcement offices where the situation is better. In our paper we compare the regions with good and bad quality of law enforcement system in order to reveal the economic, political and social preconditions for differences in the law enforcement practice.



**Denis Ivanov,**  
Higher School of Economics

*Do Institutions Cause Social Trust?  
Evidence from an Institutional Reform*

I disentangle a problem of causality between institutional quality and interpersonal trust using evidence from natural experiment of mid-2000s institutional reforms in post-Soviet nation of Georgia. The reforms following 2003 Rose Revolution were swift and extensive, covering broad range of areas. Combating corruption and organized crime and improving law enforcement system became a trademark of the Georgian reform package. Georgia's rapid progress in institutional quality was documented by numerous international rankings and sociological surveys. At the same time, the neighboring nations of Armenia and Azerbaijan, both former Soviet republics with cultural and economic background similar to the Georgian one, experienced no such change. I show this two countries as a counterfactual to Georgia.

I show that the institutional reform has led to higher interpersonal trust in two basic ways. Firstly, I use diff-in-diff design with World Values Survey data. Secondly, I exploit the fact that republics' borders during the Soviet era were

often drawn with negligence towards actual ethnic group settlement patterns, thus creating a number of minorities separated from their ethnic compatriots by an arbitrary border. Georgia also has several districts with predominantly Armenian and Azeri population. Comparing people of the same ethnic group on both sides of the border allows to concentrate on differences in governance and formal institutions, getting rid of all the culture-related heterogeneity. Using 2006 Life in Transition I survey, I find that Armenian and Azerbaijani people on the Georgian side of the border have greater level of interpersonal trust than their counterparts in Armenia and Azerbaijan.



**Egor Lazarev,**  
Columbia University

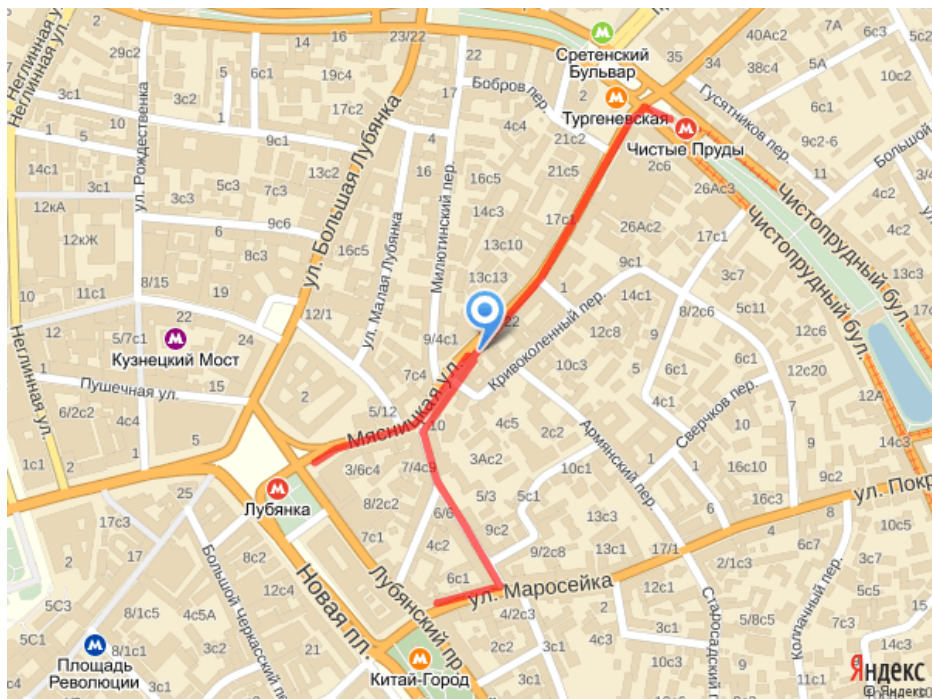
*Laws in Conflict: The Politics of Legal  
Pluralism in Chechnya*

How is social order maintained when there are multiple alternative legal orders? I study this question in post-war Chechnya, where Russian formal law co-exists with customary law and sharia. Why does the Chechen government tolerate or even promote legal pluralism that seems to undermine its power? How do individuals navigate between alternative legal systems? I argue that social order under legal pluralism is maintained by the dominance of the government in the public sphere and men in the private sphere. The government benefits from legal pluralism by borrowing legitimacy from three alternative sources: state, ethnicity and religion. Legal pluralism also increases discretion - it creates a fuzzy legal environment that allows the government and men to cherry-pick normative principles that they need and avoid restrictions of each alternative normative orders. To illustrate this point I present a case study of the government-sponsored introduction of polygamy. However, even though legal pluralism maintains status-quo and favors powerful, internal contradictions inherited in it allows for social change that benefits underprivileged. I illustrate this point with a case study of abolition of the custom of bride kidnapping.

## Conference venue

The conference will take place at the main building of the Higher School of Economics.

**Address:** Myasnitskaya Str. 20, Moscow, 101000, Russia.



## How to get there?

The HSE campus is easily accessible by subway, with the following stations just 5–10 minutes away:

- Lubyanka (Лубянка) (Sokolnicheskaya red line)
- Chistye Prudy (Чистые пруды) (Sokolnicheskaya red line)
- Turgenevskaya (Тургеневская) (Kaluzhsko-rizhskaya orange line)
- Kitay-Gorod (Китай-город) (Kaluzhsko-rizhskaya orange line)

*Lubyanka metro station:* Exit to Myasnitskaya Ulitsa, which you should follow. The destination will be on your right. Estimated travel time: 8 minutes.

*Chistye Prudy and Turgenevskaya metro stations:* Exit to Myasnitskaya Ulitsa, which you should follow towards the city centre. The destination will be on your left. Estimated travel time: 7 minutes.

*Kitay-Gorod metro station:* Exit to Ulitsa Maroseyka, which you should follow for 100 metres, then turn right onto Bolshoy Zlatoustinskiy Pereulok (350 metres), and then bear right onto Myasnitskaya Ulitsa, which you should follow for 150 metres. The destination will be on your right. Estimated travel time: 10 minutes.

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