

## **About the ICSID and the conference**

Established in 2011, the International Center for the Study of Institutions and Development (ICSID) unites a team of Russian and foreign researchers from Higher School of Economics, Columbia University, University of Wisconsin-Milwaukee, Emory University, Middlebury College, George Washington University and German Institute for International and Security Affairs.

Scholars at the ICSID are currently implementing a research project “Elites, institutions and culture as factors of economic development” which is the Center’s major project for 2014-2016. We focus on the analysis of incentives for strengthening regional governance, characteristics and performance results of the Russian bureaucratic elite, as well as the study of formal and informal institutions and social capital and culture. The Center makes a significant contribution to theoretical and empirical research into political elites, social capital, collective actions and social policy; we seek to expound and update theories applicable to transition economies and developing countries.

An important part of work of the International Center for the Study of Institutions and Development is devoted to the development of international cooperation. Every year ICSID holds an international conference designed 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. This year’s conference will be the 5th annual event of its kind organized by the International Center for the Study of Institutions and Development.

# Conference program

## EACES -HSE Workshop

### **Economic Development and Elite Competition**

**Moscow, HSE, 11 Myasnitskaya Str., room 518**

**June 20, 2016 (Monday)**

**09.30 - 10.00 - Registration**

**10.00 - 11.00 - Invited Speaker:** *Yotam Margalit (Columbia University and Tel Aviv University, with Christian Fongy and Neil Malhotraz)*

Political Legacies

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

**11.00 - 11.30 - Coffee-break**

**11.30 - 13.00 Session 1. Institutions and Incentives of Individuals**

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

*Nataliia Ostapenko (University of Tartu)*

The Role of Informal Institutions on Entrepreneurs' Innovative Behaviour

*Janis Kluge (University of Witten/Herdecke)*

Russian Contract Law: Racing To the Top?

*Israel Marques (Higher School of Economics, with Sarah Sokhey and Joseph B. Schaffer)*

Institutional Quality and Social Policy Preferences

**13.00 - 14.30 - Lunch**

**14.30 - 16.00 - Session 2. Politicians and Incentives**

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

*Elizabeth Plantan (Cornell University, with Chris Cairns)*

Signaling through the Haze: Strategic (non-)censorship of online discussion of air pollution in China

*Olga Vasilyeva (Amur State University and the Economic Research Institute FEB RAS)*

Does the ruling party benefit from natural disasters? Evidence from the Russian Far East

*Quintin Beazer (Florida State University), John Reuter (University of Wisconsin-Milwaukee and Higher School of Economics)*

Political Centralization, Public Goods, and the Persistence of Bad Housing in Russian Municipalities

**16.00 - 16.30 - Coffee-break**

**16.30 - 18.00 - Session 3. Informal Institutions and Cultural Norms of Behavior: Roots and Consequences**

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

*Lazarev Egor (Columbia University)*

Legacies of War and Preferences for Alternative Legal Systems in Chechnya

*Anna Kochanova (Max Planck Institute for Research on Collective Goods, with Maryam Naghsh Nejad)*

Minds for the Market: Non-Cognitive Skills in Post-Soviet Countries

*Nikita Zakharov (Freiburg University)*

Does Corruption Hinder Capital Investment? Evidence from Russian Regions

## **5th ICSID Conference**

### ***Political Economy of Inequality***

**Moscow, HSE, 11 Myasnitskaya Str., room 518**

## **Day 1 - June 21, 2016 (Tuesday)**

**10.00 - 11.00 - Invited Speaker: Ben Ansell (University of Oxford)**

Taking Credit: Redistribution and Borrowing in an Age of Economic Polarization

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

**11.00 - 11.30 - Coffee-break**

**11.30 - 13.00 - Session 1. Political Institutions and Bureaucracy**

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

*Timothy Frye (Columbia University and Higher School of Economics), John Reuter (University of Wisconsin-Milwaukee and Higher School of Economics), David Szakonyi (George Washington University and Higher School of Economics)*

Hitting Them with Carrots: A Theory of Positive and Negative Inducements to Vote

*Michael Rochlitz (Higher School of Economics, with Alessandro Belmonte)*

Authoritarian Propaganda and Beliefs about Democracy

*John Reuter (University of Wisconsin-Milwaukee and Higher School of Economics), Timothy Frye (Columbia University and Higher School of Economics), David Szakonyi (George Washington University and Higher School of Economics)*

Clientelist Appeals, and Voter Turnout in Russia

**13.00 - 14.30 - Lunch**

## **14.30 - 16.00 - Session 2. Imperfect Institutions: Persistence and Change**

*Chair: Israel Marques (Higher School of Economics)*

*Alexander Libman (German Institute for International and Security Affairs and Higher School of Economics, with Vladimir Kozlov)*

The Legacy of Compliant Activism in Autocracies: Post-Communist Experience

*Noah Buckley (Columbia University and Higher School of Economics)*

What Use is Corruption? Authoritarian Regimes and Discriminating Bribery

*Andrei Yakovlev (Higher School of Economics), Anton Kazun (Higher School of Economics), Daniil Sitkevich (Moscow State University)*

Professional organizations as drivers of social changes in developing countries: Some implications from Russian ‘limited access order’

## **16.00 - 16.30 - Coffee-break**

## **16.30 - 17.30 - Session 3. Human Capital and Development**

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

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

Institutional Change in Authoritarian Regimes: Pension Reform in Russia and China

*Ekaterina Borisova (Higher School of Economics), Denis Ivanov (Higher School of Economics)*

Loss of Human Capital and Development: Evidence from Russian Germans Repatriation

## **Day 2 - June 22, 2016 (Wednesday)**

**10.00 - 11.00 - Invited Speaker:** *Bryn Rosenfeld (University of Oxford)*

Social Mobility and the State: Revolution, Democratic Retrenchment, and the Middle Class in Ukraine

*Chair: Quintin Beazer (Florida State University)*

**11.00 - 11.30 - Coffee-break**

**11.30 - 13.00 - Session 1. Institutions and Entrepreneurs**

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

*Grigory Kisunko (World Bank), Irina Levina (Higher School of Economics), Israel Marques (Higher School of Economics), Andrei Yakovlev (Higher School of Economics)*

Regulatory uncertainty as a factor in investment decisions: case of Russian regions

*David Szakonyi (George Washington University and Higher School of Economics)*

The Determinants of Businessperson Candidacy: Evidence from Russia

*Andrei Yakovlev (Higher School of Economics), Andrei Tkachenko (Higher School of Economics), Aleksandra Kuznetsova (Higher School of Economics)*

Repeated contracts in public procurement and opportunities to identify corrupt and honest behavior of economic agents

**13.00 - 14.30 - Lunch**

**14.30 - 17.30 - ICSID organizational workshop/ free time for guests**

## Conference papers

June 20, 2016 (Monday)

### EACES -HSE Workshop

#### *Economic Development and Elite Competition*

#### 10.00 Invited Speaker

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



**Yotam Margalit,**  
Columbia University and Tel Aviv  
University

Christian Fongy,  
Stanford Graduate School of Business

Neil Malhotraz,  
Stanford Graduate School of Business,

*Political Legacies*

According to the media, academics, and social observers, in addition to reelection and policy goals, politicians are motivated by a desire to bequeath a positive and lasting political legacy. Yet despite the ubiquity of the term “political legacy” in popular discourse, the concept has received almost no empirical or theoretical attention from scholars. Of what do political legacies typically consist? To what extent do people actually remember former politicians and how are they enshrined in the public consciousness? How are legacies invoked in public discourse, and what practical purpose, if any, do they serve? This paper develops a theoretical account of legacies and their impact in contemporary politics. We then explore our conjectures utilizing a range of sources and methods – “big data” from online discussion forums; thousands of former politicians' Wikipedia pages; original surveys; and a randomized experiment that provide an empirical grounding for our theoretical account. We find that presidents are the only officeholders that have substantial and meaningful national legacies. Further, these legacies act as specialized brands. They can make bad arguments more persuasive, but only in issue domains

where the politician's legacy is relevant.

### **11.30 Session 1. Institutions and Incentives of Individuals**

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



**Nataliia Ostapenko,**  
University of Tartu

*The Role of Informal Institutions On  
Entrepreneurs' Innovative Behavior*

The purpose of this study is to define on the enterprise level how informal institutions directly and indirectly could affect innovative entrepreneurial behaviour. The study of the impact of institutions on the entrepreneurial behaviour is not widespread in the literature because of the difficulties in defining the proxies for entrepreneurial innovative behaviour at the county level or the difficulties in selecting the proxies for informal institutions on the enterprise level. In addressing these issues the Business environment and enterprise performance panel dataset 2002-2009 has been used in this study for defining the proxies of the informal institutions on the enterprise level. As one of the proxies for informal institutions on the firm level a component of firms losses due to others' unfair behaviour unexplained by the perceptions of this unfair behaviour as an obstacle in the regression has been selected. The goodness of this proxy is shown by its high correlation at the country-level with Corruption Perception Index and moderately with cultural values. The main findings are that informal institutions have a statistically significant impact on the entrepreneurs' innovative behaviour. This is the first paper devoted to defining the effects of institutions on the entrepreneurial innovativeness at the firm-level.





**Janis Kluge,**  
University of Witten/Herdecke

*Russian Contract Law: Racing to the Top?*

While the literature on regulatory competition primarily focuses on developed jurisdictions such as US states or members of the European Union, the strongest effects of competing laws can be observed in developing and emerging countries. This paper focuses on the area of contract law and dispute resolution. For younger jurisdictions such as the Russian Federation the question is how the widespread use of foreign laws will affect the country's own judicial development in the long term. The conclusions of this study are that the availability of foreign contract law and dispute resolution fora indeed had a strong impact on the Russian economy. In line with the predictions of regulatory competition theory, a recent reform of the Russian Civil Code has addressed many of the shortcomings of the Russian legislation. However, dispute resolution, a complementary good to contract law, has not been improved. While the demand for domestic law in smaller contracts has increased, the situation for large contracts remains unchanged.



**Israel Marques,**  
Higher School of Economics

Sarah Wilson Sokhey,  
University of Colorado, Boulder

Joseph B. Schaffer,  
University of Colorado, Boulder

*Institutional Quality and Social Policy  
Preferences*

Using laboratory experiments in the United States and Russia, we examine how poor institutions influence individuals support for redistribution. Contrary to conventional expectations, we build on existing formal models and social policy research, arguing that high-earning individuals will prefer more redistribution when they can more easily evade taxes. To test our expectations, we conducted a series of experiments in 2016 simulating earned income and tax evasion. We find that high earners do indeed prefer more redistribution when they can cheat. Our findings make an important contribution to the little studied question of how institutional quality affects social policy preferences.

### **14.30 Session 2. Politicians and Incentives**

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



**Elizabeth Plantan,**  
Cornell University

Chris Cairns,  
Cornell University

*Signaling through the Haze: Strategic  
(Non-)Censorship of Online Discussion of  
Air Pollution in China*

Air pollution has become one of the most visible (quite literally) environmental problems in China. Yet despite the potential social instability engendered by online public discontent about the issue, Chinese leaders have sometimes relaxed control over discussion despite robust censorship capabilities. We draw on existing work in authoritarian politics, media control, and censorship in China to generate predictions regarding leader incentives to tighten or relax microblog censorship during a key incident: a dispute between the U.S. Embassy in Beijing and the Chinese government over the former's release of its own air quality statistics. Drawing on unique data from China's most popular microblog, Sina Weibo, and relying on a combination of hand-coded and computer-assisted text analysis, time series models and a case study of the dispute's June 2012 peak, we find strong evidence that Communist Party leaders adapted to the crisis by acknowledging (and not censoring) particular sentiments expressed online -- citizen fears about pollution's threat to human health and

scientifically-backed claims -- while repressing direct criticism. In doing so, we argue that they signaled to the public their recognition of the seriousness of the pollution problem, but also re-delineated the tolerable limits of opposition speech. Our findings point to the increasingly sophisticated nature of authoritarian adaptation in the face of public and civil society demands, and autocrats' relative success in harnessing new digital technologies



**Olga Vasilyeva,**

Amur State University, Economic Research  
Institute FEB RAS

*Does the Ruling Party Benefit from Natural  
Disasters? Evidence from the Russian Far  
East*

Do natural disasters affect election outcomes? Is the ruling party able to benefit from natural disasters? In our paper we try to assess how natural disasters affect election outcomes under conditions of a hybrid regime with suppressed democratic institutions and wide-spread electoral fraud. To address this question we use settlement-level data from the catastrophic flood in the Russian Far East in 2013 in order to assess how it affected the support for the ruling party. To do so we exploited the fact that exactly in the middle of the flood elections for different tiers of governance were held. We find that the ruling party obtained more votes in the election for heads of the rayon in the settlements that suffered from flood than in those which were not flooded. At the same time we fail to find any effect of the flood on the ruling party support in the election for the governor, as well as in elections for settlement heads. Different results for the ruling party for different levels of elections in the same polling stations allow us to exclude fraud as the primer explanation of our findings.



**Quintin Beazer,**  
Florida State University

John Reuter,  
University of Wisconsin-Milwaukee and  
Higher School of Economics

*Political Centralization, Public Goods, and  
the Persistence of Bad Housing in Russian  
Municipalities*

How does political centralization affect the provision of public goods? Existing theories disagree about whether public goods are provided more under locally-elected leaders, who have electoral incentives to respond to voters' demands for programs and services, or under appointed local leaders, who may protect goods provision from capture by local elites and narrow interests. Using data from Russian cities for the period 2003-2012, we investigate whether replacing direct mayoral elections with appointments affected the condition of the housing stock maintained by local governments. We find that, compared to cities that retained mayoral elections, the stock of dilapidated and unsafe housing is higher in cities that switched to a system of appointed mayors. We also find that this gap widens following large electoral victories for the ruling party, suggesting that fulfilling core political tasks for their central bosses may leave appointed officials even less attentive to local conditions.

**16.30 Session 3. Informal Institutions and Cultural Norms of Behavior:  
Roots and Consequences**

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



**Egor Lazarev,**  
Columbia University

*Legacies of War and Preferences for  
Alternative Legal Systems in Chechnya*

How do wartime experiences affect preferences for alternative legal orders? I study this question in post-war Chechnya, where Russian formal law co-exists with religious law, Sharia, and customary law, adat. I differentiate between normative attachment to these legal orders, institutional evaluation of the authorities in charge of them, and particular resolution outcomes, rooted in these alternative orders. My study is based on semi-structured interviews and an original face-to-face survey of Chechnya's population (N = 1,200). The survey is organized around ten vignettes - scenarios of legal disputes common in Chechnya, ranging from child custody to murder. I test the hypothesis that wartime victimization decreases preference for Russian law, which is seen as a manifestation of alien rule. Surprisingly, I find little systematic support for this proposition. In fact, wartime victimization is positively associated with preference for Russian law as a normative system, and negatively associated with support for Sharia. However, at the same time victimization is related to higher likelihood of relying on religious authorities. So, victimization has the opposite effects on normative and institutional legal preferences in Chechnya. In addition, I find that other war-time experiences, such as displacement and working during the conflict, influence legal preferences. In particular, analysis shows that people who spent time in refugee camps and fled abroad during the war are less likely to choose Russian law and more likely to rely on Sharia. In turn, working during the war has pronounced effect among women: they express higher support for the outcomes rooted in Russian law and lower support for Sharia resolutions. Given that Russian law assumes equality between men and women, while Sharia and adat are explicitly discriminatory towards women, I interpret the latter finding as evidence that the war empowered women to express their group interests.



**Anna Kochanova,**

Max Planck Institute for Research on  
Collective Goods

Maryam Naghsh Nejad,

Institute for the Study of Labor (IZA)

*Minds for the Market: Non-Cognitive Skills  
in Post-Soviet Countries*

We analyze the effect of socio-political and economic institutions on the development of non-cognitive skills of individuals. We exploit the breakdown of

the Soviet Union as a quasi-natural experiment, and apply a difference-in-difference strategy. We focus on two post-Soviet countries, Armenia and Georgia, and compare personality traits of individuals that were born much before the collapse of the Soviet Union with those that were born shortly before or later, relative to individuals from the other developing countries that had never gone through the same institutional changes. We find significantly lower scores of extraversion, openness and grit, and higher scores of hostility of people that lived considerable amount of time under the communist regime. Our findings suggest that institutions can shape the non-cognitive skills of individuals, and thus highlight a channel, through which institutions impact economic development.



**Nikita Zakharov,**  
Freiburg University

*Does Corruption Hinder Capital  
Investment? Evidence from Russian  
Regions*

The paper studies the causal relationship between corruption and fixed capital investment. We improve on existing literature by using better corruption data and estimation strategy as we focus on highly corrupt environment within one country, controlling for the unobserved heterogeneity and endogeneity of corruption using freedom of press as an instrument. We differentiate between different types of investment with regard to the ownership type. Our main finding is a strong negative effect of corruption on capital investment in Russian regions. Corruption decreases private, but not public investment, and the effect is larger for companies with foreign ownership. We also observe a simultaneous decline in import of capital goods with higher corruption.

## **5th ICSID Conference** ***Political Economy of Inequality***

**Day 1 - June 21, 2016 (Tuesday)**

### **10.00 Invited Speaker**

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



**Ben Ansell,**  
University of Oxford

John Ahlquist,  
University of California, San Diego

*Taking Credit: Redistribution and  
Borrowing in an Age of Economic  
Polarization*

Several accounts of the global financial crisis argue that American politicians did not respond to growing inequality with fiscal redistribution. People saved less and borrowed more in order to maintain relative consumption in the face of widening economic disparities. We propose a theory in which fiscal redistribution dampens the willingness of citizens to borrow to fund current consumption. A key implication is that long-run political partisanship will affect the observed relationship between inequality and borrowing: inequality will be more tightly linked with credit in those countries that have a history of higher levels of redistribution, associated with a predominance of left-wing government. We examine these expectations in 18 OECD democracies and find that those countries with limited histories of left-wing government are significantly more likely see credit expansion as pre-fisc inequality grows than those countries where the political left have been dominant.

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

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



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

John Reuter,  
University of Wisconsin-Milwaukee and  
Higher School of Economics

David Szakonyi,  
Columbia University and Higher School of  
Economics

*Hitting Them with Carrots: A Theory of Positive and Negative  
Inducements to Vote*

From robocalls to vote buying to electoral intimidation scholars have identified many ways that politicians mobilize voters to the polls. We develop a simple argument about the conditions under which autocrats will use positive inducements such as vote buying and negative inducement such as employee coercion of workers. Using survey experiments and crowd-sourced electoral violation reports from the 2011-12 election cycle in Russia, we find little evidence that vote buying was practiced on a large scale in this election. This finding is consistent with arguments about the decline of vote buying in middle-income countries. Voter intimidation, however, was relatively common, especially among employed voters and in Russia's many single company towns where employers have much leverage over employees. In these single company towns, the consequences of job loss are so grave that employer intimidation may often be sufficient to induce compliance even without direct monitoring of voter behavior. Outside of company towns where employers have less leverage, active forms of monitoring may supplement intimidation in order to encourage compliance. These results suggest that employers can be reliable vote brokers; that voter intimidation can persist in a middle-income country; and that, under some conditions intimidation may be employed without the need for active monitoring.





**Michael Rochlitz,**  
Higher School of Economics

Alessandro Belmonte,  
IMT Lucca

*Authoritarian Propaganda and Beliefs  
about Democracy*

To what extent do the beliefs people hold about democratic institutions depend on past experience with democracy? And how costly is it for a dictator to manipulate these beliefs with the help of propaganda? In this paper, we use a behavioral political economy model to investigate the trade-off between economic growth and investment into propaganda faced by authoritarian electoral regimes. We show how propaganda comes at an increasing economic cost to the dictator, but that the cost is lower in countries where the population lived through traumatic experiences with democracy in the past. We then illustrate our findings by discussing the case of a leading authoritarian electoral regime, the Russian Federation.



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

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

**David Szakonyi,**  
George Washington University and Higher  
School of Economics

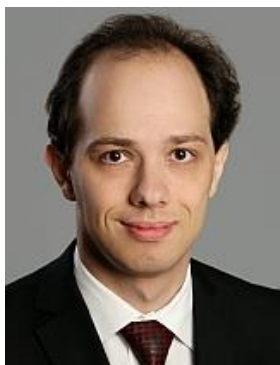
*Clientelist Appeals, and Voter Turnout in  
Russia*

Clientelism is common in the developing world, but little scholarship examines its effectiveness. In this paper, we investigate the effectiveness of various clientelist strategies. In particular, we compare the relative effectiveness of various clientelist brokers—party activists, employers,

and local officials—as well as the effectiveness of different types of selective inducements. Using a framing experiment placed on a survey of 4200 Russian citizens in October 2014, we find that respondents are most likely to respond to appeals from employers. Employers have significant levers of influence over their employees, are able to monitor voter behavior, and are engaged in repeated interactions with voters. This makes them effective vote brokers in Russia. We also find that negative inducements (e.g. threats and intimidation) outperform positive inducements (e.g. gifts and rewards)

### **14.30 Session 2. Imperfect Institutions: Persistence and Change**

*Chair: Israel Marques (Higher School of Economics)*



**Alexander Libman,**  
German Institute for International and Security  
Affairs and Higher School of Economics

Vladimir Kozlov,  
Higher School of Economics

*The Legacy of Compliant Activism in  
Autocracies: Post-Communist Experience*

Encouraging compliant activism - that is, political activity of the population, either fully supporting the regime, or merely criticizing individual shortcomings of its policies – is an attractive option for authoritarian regimes. However, compliant activism can over time turn into non-compliant one. Hence, the regimes need to ensure that the norms of compliant activism are internalized by the society and become self-enforcing. The paper shows that it indeed happened with the norms of compliant activism of the Soviet Union, which outlived the Soviet regime itself and adapted to the new institutional environment. We look at the distribution of the human rights violations complaints submitted to the Office of the federal Ombudsperson of the Russian Federation across the regions of Russia in 2004-2012. Submitting these complaints indeed has a number of features of compliant activism. We demonstrate that the number of complaints per capita is significantly and positively correlated with the share of the members of the Communist Party of the Soviet Union (CPSU) in the 1970s, and argue that this group was particularly prone to compliant activism in the Soviet

era. The results have broader implications beyond the Russian case and provide relevant insights for studying political activism in autocracies.



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

*What Use is Corruption? Authoritarian  
Regimes and Discriminating Bribery*

Our understanding of why some authoritarian states display much more corruption among bureaucrats than other states is rudimentary at best. In this paper I show that corruption in authoritarian regimes is not a byproduct of authoritarianism, nor is it merely a result of low capacity—it is also a means of rule and control for autocrats. Modern authoritarian rulers are more discriminating in their application of petty corruption than is commonly understood. The degree of competition and organizational capability of an authoritarian regime help determine how much low-level corruption flourishes and what use corruption has for maintaining an authoritarian political machine. These factors also shape who the victims of corruption are—regime insiders or outsiders, individuals or firms, broad swaths of the population or narrow segments. By examining variation in corruption across the many regions of Russia, which have exhibited starkly differing ‘types’ and ‘degrees’ of authoritarianism over space and time, we can better grasp the dynamics connecting corruption and authoritarian regimes. I use a variety of survey data and data at the subnational level in Russia along with multilevel modeling and MRP to show how political competition and regime organization are related to the prevalence of bribery across modern-day Russia.



**Andrei Yakovlev,**  
Higher School of Economics

**Anton Kazun,**  
Higher School of Economics

Daniil Sitkevich,  
Moscow State University

*Professional organizations as drivers of social changes in developing countries: Some implications from Russian 'limited access order'*

The present paper reviews the activity of professional organizations of advocates as a factor of transfer from limited access order to open access order, in terms of the theory of North, Wallis and Weingast (2009). Using the analysis of the experience of advocates' collective action in developing countries, the paper proposes a model explaining the process of mobilization of the legal community for countering the violations of the law by the ruling elite. It shows that collective action of advocates plays a significant role in implementing the principles of rule of law. However, the efficiency of such collective action in a particular country depends on the institutional capacity of its legal association (in terms of Doner & Schneider (2000)) and on the position of the professional elite that is heading it. We are using a game model to analyze the development of the advocate profession in Russia over the past 25 years.

### **16.30 Session 3. Human Capital and Development**

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



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

*Institutional Change in Authoritarian Regimes:  
Pension Reform in Russia and China*

Historical institutionalism has demonstrated the value of close analysis of policymaking to illuminate the relationship between institutional change and policy outcomes. This paper emphasizes the importance of the institutional setting in which state agencies in authoritarian regimes shape the agenda for choice, resolve disagreements, and implement decisions. It uses a controlled case comparison of pension reform in Russia and China. In both countries, policymaking takes place almost entirely within the state bureaucracy. In China, however, political authority is much more decentralized than in Russia. This difference helps to account for the difference between the pattern of policy reversals and institutional displacement observed in Russia and the tendency toward incrementalism and institutional layering in China.



**Ekaterina Borisova,**  
Higher School of Economics

**Denis Ivanov,**  
Higher School of Economics

*Loss of Human Capital And  
Development: Evidence From  
Russian Germans Repatriation*

How important is human capital for development? Typically, researchers try to answer this question by studying human capital accumulation. We propose another approach, focusing on loss of human capital due to emigration. We exploit exogenous variation in feasibility of emigration for mostly rural inhabitants of the South-West Siberia arising from the repatriation program for people of German origin – the ethnic group widely believed to be hard working, thrifty and sober when compared to their Russian and other neighbors. Using municipality-level panel model approach, we show that rayons with greater presence of the Russian Germans (and, therefore, potential emigrants) in the census years (1989 and 2010) had higher agricultural productivity proxied by food staples output per ha. This implies that the German emigration led to decrease in agricultural productivity. The effect survives controlling for overall population dynamics and educational attainment, thus rendering agglomeration economies an implausible channel of influence.

## Day 2 - June 22, 2016 (Wednesday)

### **10.00 Invited Speaker**

*Chair: Quintin Beazer (Florida State University)*



**Bryn Rosenfeld,**  
University of Oxford

*Social Mobility and the State: Revolution,  
Democratic Retrenchment, and the Middle Class  
in Ukraine*

How does social mobility affect the political preferences of citizens in transitional polities? Though existing theories expect human capital formation and a growing middle class to enhance prospects for democratization, a paucity of longitudinal evidence from countries in political transition has impeded research on these questions. This paper examines whether dependence on the state for economic opportunities and life chances moderates the preference for a democratic regime, focusing on the case of Ukraine. I exploit an unusual panel survey spanning the Orange Revolution to study how social mobility affects regime preferences during a period of revolution and democratic retrenchment. I test the argument using a difference-in-differences strategy, finding that reliance on the state for economic opportunity caused the political preferences of otherwise-alike new labor market entrants to diverge. I then show similar results for protest and voting behavior. These findings illuminate the micro-level mechanisms by which public sector reform shapes the political economy of democratic transition.

### **11.30 Session 1. Institutions and Entrepreneurs**

*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

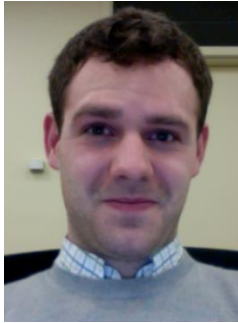
**Israel Marques,**  
Higher School of Economics

Grigory Kisunko,  
World Bank

*Regulatory uncertainty as a factor in investment decisions: case of Russian regions*

How do regulation and regulatory enforcement shape the investment decisions of firms? Traditionally, high levels of regulation have been thought to increase transaction costs and depress investment. A growing body of work has begun to highlight regulatory uncertainty – uncertainty about how regulation will be changed or enforced – as an important factor in firms’ investment decisions, however. Lack of predictability in regulation and its enforcement makes it difficult for firms to hedge the risk of negative shocks, thus decreasing firms’ incentives to invest. Existing work has mostly considered policy uncertainty in connection with formal, written regulations and institutions, however, limiting its applicability to developing world settings and those with weak institutions. In this paper, we pursue two goals. First, we examine the relative importance of the absolute level of regulatory burdens versus regulatory uncertainty in firms’ investment decisions. Second, we argue that an important, and underexplored, source of regulatory uncertainty stems from inconsistency in the informal norms surrounding regulatory enforcement. On the one hand, informal practices such as corruption are an important component of regulatory enforcement in the developing world, allowing firms to cut through burdensome regulation or attract needed state attention. Inconsistency in corruption therefore leads to uncertainty about regulatory enforcement, depressing investment. On the other hand, informal rules about state intervention and expropriation are also important markers for the consistency of regulatory enforcement. Where state organs condone violence and expropriation in business disputes, or engage in these themselves, firms become uncertain about the regulatory environment. We test these hypotheses primarily using data on 1536 firms in 35 Russian regions gathered as part of the 2014 Russian Firms in a Global Economy (RuFIGE) survey. First, we find that in Russia the absolute level of corruption – as a proxy

for excessive, burdensome regulation – tends to be a weak predictor of investment decisions. Second, and consistent with our hypotheses about regulatory uncertainty, we find that firms in regions with greater variation in the average bribe paid and those in regions where state-abetted violence against firms is more common are less likely to invest. These results have important implications for the new institutional economics broadly, as well as for work on investment, governance, and economic development.



**David Szakonyi,**  
George Washington University and  
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*The Determinants of Businessperson  
Candidacy: Evidence from Russia*

Why do some businesspeople run for political office, while others do not? Sending directors into elected office is one of the most powerful but also resource-intensive ways firms can influence policymaking. Although legislative bodies are populated with businesspeople in countries worldwide, we know little about which firms decide to invest in this unique type of non-market strategy. In response, I argue that businesspeople run for elected office when (1) they cannot trust that the politicians they lobby will represent their interests and (2) their firms have the resources available to contest elections. My theory predicts the probability of politician shirking (renegeing on their promises) depends on whether rival firms have representatives in parliament and political parties are capable of enforcing informal quid pro quo agreements. Evidence to test my arguments comes from an original dataset of 8,829 firms connected to candidates to regional legislatures in Russia from 2004-2011. I find that both greater oligopolistic competition and weaker political parties incentivize businessperson candidacy, while the ability to cover campaign costs depends on the level of voter income and firm size. Contrary to existing research, greater levels of democratization and independent media do not deter the use of electoral candidacy as corporate political strategy.





**Andrei Yakovlev,**  
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**Andrei Tkachenko,**  
Higher School of Economics

**Alexandra Kuznetsova,**  
Higher School of Economics

*Repeated contracts in public procurement and opportunities to identify corrupt and honest behavior of economic agents*

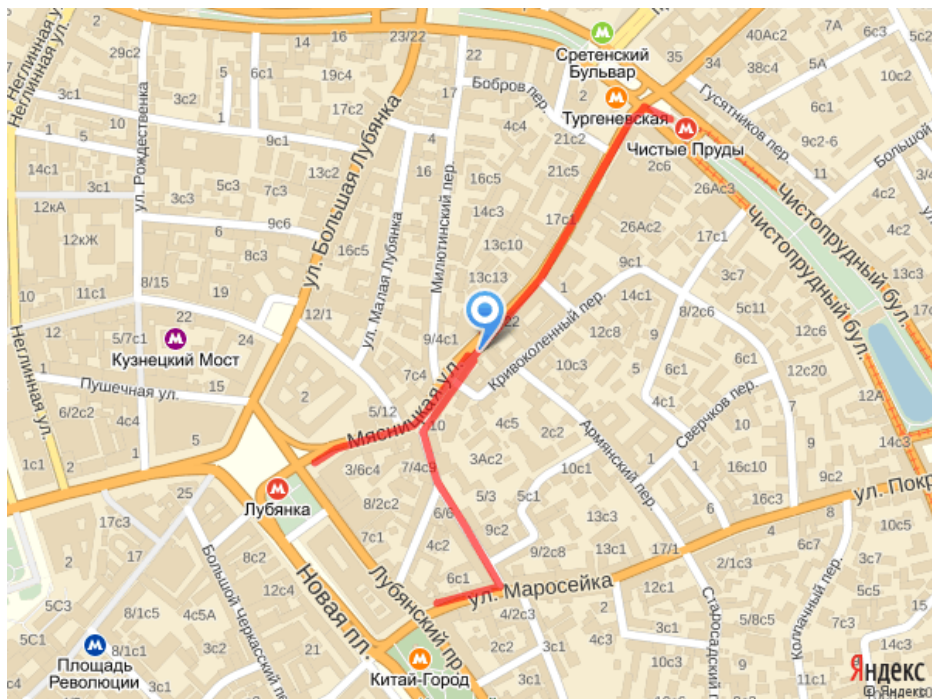
In this paper we show how analysis of repeated contracts in public procurement of simple homogeneous good can help to differentiate between opportunistic and honest behavior of economic agents. We assume that honest agents will benefit from repeated procurements due to lower uncertainty and decrease in transaction costs. Therefore prices of repeated procurements between honest agents should be lower comparing to one-time deals. On the contrary opportunistic agents will seek for personal gain from repeated contracts (in the form of kick-backs paid by suppliers to corrupted procurement officers) and this strategy will lead to higher prices of relevant deals. Additionally we assumed that state ownership of suppliers can intensify these effects providing one more channel for interactions between honest agents in the first case and opportunistic agents in the second case.

For empirical testing of these hypotheses we use large data set on procurement of granulated sugar in Russia in 2011-2013. Taking into account the peculiarities of national procurement regulation we analyze main procurement procedures – including e-auctions, requests for quotations and single-sourcing. Normalized contract price is used as dependent variable and dummies for repeated contracts and SOE status of suppliers as main explanatory variables. The analysis shows that prices were lower in repeated procurements of sugar through more transparent and competitive e-auctions and higher in repeated procurements through less competitive requests for quotations. At the same time, our hypotheses regarding the effects of state-owned companies' participation in public procurements are confirmed only partially. Repeated contracts with SOEs after less competitive and non-transparent procurement procedures (requests for quotations and single-sourcing) lead to significant price increases. Whereas no significant differences are observed in the prices of contracts with private suppliers and SOEs concluded through e-auctions.

## Conference venue

The conference will take place at Higher School of Economics.

**Address:** 11 Myasnitskaya Str., 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 left. 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 right. 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 left. Estimated travel time: 10 minutes.

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**For notes**