

International Center for The Study
of Institutions and Development (Icsid)



6th ICSID conference

Political Economy of Development:
Exiting the Middle Income Trap

EACES-HSE workshop

Topics in Political
Economy of Development

June 13-14, 2017 | Moscow, Russia

ABOUT 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 and George Washington University. We also cooperate closely with many other researchers from a variety of well-regarded universities and research units.

Scholars at ICSID are currently implementing a research project "Political Economy of Development: Historical and Contemporary Factors" which is the Center's major project for 2017-2019. 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 and an EACES-HSE workshop designed to bring together Russian and foreign experts in the fields of political economy, and economic and institutional development and stimulate an exchange of research ideas, results and knowledge. This year's conference will be the 6th annual event of its kind organized by ICSID.

CONFERENCE PROGRAM

June 13, 2017 (Tuesday)

EACES -HSE Workshop

Topics in Political Economy of Development
Moscow, HSE, 11 Myasnitskaya Str., **rooms 518**

09.30 – 10.00 **Registration**

10.00 – 11.00 **Invited Speaker:**

Richard Doner (Emory University)
The Politics of the Middle-Income Trap

Chair: Thomas Remington

11.00 – 11.30 **Coffee-break**

June 13, 2017 (Tuesday)

EACES -HSE Workshop

Topics in Political Economy of Development
Moscow, HSE, 11 Myasnitskaya Str., **rooms 429, 430**

PARALLEL SESSIONS:

11.30 – 13.00 **Session 1a**

Problems of Economic and Political Transformation I

Chair: Andrei Yakovlev

Christopher Miller
(Yale University)

The Politics of Inflation and the Distribution of Income in Early 1990s Russia

Paula Ganga

(Georgetown University)

Reversing Liberalization: Examining Populism and Nationalization in Hungary

Samuel Rogers

(University of Bristol)

Dependency Moves East? A Critical Evaluation of the Dependent Market Economy Model: The Case of Hungary

Jordan Gans-Morse

(Northwestern University, with Alexander Kalgin, Andrei Yakovlev, and Andrey Klimenko)

Motivations for Public Service in Post-Soviet Russia

Discussant: Thomas Remington

13.00 – 14.30 **Lunch**

Session 1b

Political Elites and Development

Chair: Timothy Frye

Nikolay Petrov

(HSE, with Alexander Kynev)

Repressions against regional elites: time-space analysis of Russia's and China's cases

Dina Rosenberg

(HSE, with Olga Shvetsova)

Autocratic Health Versus Democratic Health: Different Outcome Variables for Health as a Factor Versus Health as a Right

Guzel Garifullina

(University of North Carolina at Chapel Hill)

Feed a Man for a Day: When Do Incumbents Care about the Future? The Case of Russian Regions

Dmitrii Kofanov

(University of Wisconsin-Madison)

Regional Leader Turnover, Investment and Economic Growth: Evidence from Post-Communist Russia, 1991-2014

Discussant: David Szakonyi

June 13, 2017 (Tuesday)

EACES -HSE Workshop

Topics in Political Economy of Development
Moscow, HSE, 11 Myasnitskaya Str., **rooms 429, 430**

PARALLEL SESSIONS:

14.30 – 15.40 **Session 2a**

Political Support

Chair: David Szakonyi

Elena Sirotkina

(HSE),

Margarita Zavadskaya

(HSE - Saint Petersburg)

How to Get Away with Murder in Russia: Political Support in the Times of Crisis. Evidence from the survey experiment

Hannah Chapman

(University of Wisconsin-Madison)

Shoring Up Autocracy: Participatory Technologies and Regime Support in Putin's Russia

Michael Rochlitz

(Ludwig Maximilian University of Munich, with Nikita Zakharov, Ruben Enikolopov and Koen Schoors)

Does Independent Media Matter in a Non-Democratic Election? Experimental Evidence from Russia

Discussant: John Reuter

15.40 – 16.00 **Coffee-break**

Session 2b

Economics and Beyond

Chair: Ekaterina Borisova

Pavel Jelnov

(Institute of Labour Economics at Leibniz Universität Hannover)

Economics of the Time Zone: Let there Be Light

Olga Popova

(Leibniz Institute for East and Southeast European Studies (IOS), Regensburg, with Milena Nikolova)

Sometimes Your Best Just Ain't Good Enough: The Worldwide Evidence on Well-Being Efficiency

Elodie Douarin

(University College London)

Religion as an Insurance against Economic Shocks? Subjective Wellbeing after the 2008 Crisis

Discussant: William Pyle

June 13, 2017 (Tuesday)

EACES -HSE Workshop

Topics in Political Economy of Development
Moscow, HSE, 11 Myasnitskaya Str., **rooms 429, 430**

PARALLEL SESSIONS:

16.00 – 17.10 **Session 3a**
**Historical Legacies
and Development**

Chair: William Pyle

Olga Vasilyeva
*(Amur State University,
with John V.C. Nye)*

**Religious Discrimination and Modern
Productivity: Evidence from the
Russian Far East**

Asli Cansunar
(Duke University)

**May You be As Holy as Water: Redistributive
Logic of Elite's Water Provision in Ottoman
Istanbul**

Ruxi Zhang
(Stanford University)
**Go West Young Han? The Geopolitics of
Mass Resettlement in China**

Discussant: Denis Ivanov

Session 3b
Corruption

Chair: John Reuter

Koen Schoors
*(Ghent University, with Tom Eeckhout,
Kevin Hoefman, and Leonid Polishchuk)*

**Measuring revealed corruption with
administrative data Evidence from Russia**

Timothy Model
(Indiana University)

**Fighting Corruption and Rallying
the Entrepreneurial Spirit: How
Anti-Corruption Campaigns Affect
Entrepreneurship**

Hanna Niczyporuk
(New York University)
**Tolerating corruption in democracies:
Lessons from the sentiment analysis
of Polish Twitter users**

Discussant: Noah Buckley

17.10 – 17.30 **Coffee-break**

June 13, 2017 (Tuesday)

EACES -HSE Workshop

Topics in Political Economy of Development
Moscow, HSE, 11 Myasnitskaya Str., **rooms 429, 430**

PARALLEL SESSIONS:

17.30 – 18.40 **Session 4a**
**Problems of economic
and political transformation II**

Chair: Anton Kazun

Dennis Coates
*(University of Maryland, with Irina
Mirikina, and Vivek Moorthy)*
**Economic Freedom in the Russian
Federation**

Amanda Zadorian
(The New School for Social Research)
**Constructing Competitiveness: Export
Diversification and "Oil Dependence"
in Russia and Brazil**

Maxim Ananyev
(University of California, Los Angeles)
**Political Economy of Corporate Tax
Compliance: Theory and Evidence from
Firm-Level Connections to Tax Havens**

Discussant: Maria Giulia Silvagni

Session 4b
**Propaganda
and State-building**

Chair: John Reuter

Alessandro Belmonte
*(IMT Alti Studi Lucca, with Michael
Rochlitz)*
**Collective Memories, Propaganda and
Authoritarian Political Support**

Daniel Thomas
(Columbia University)
**Last Gasps: Explaining Autocrats' Actions
in the Face of Regime Insecurity**

Egor Lazarev
(Columbia University)
**Laws in Conflict: Legacies of War and Legal
Pluralism**

Discussant: Israel Marques

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap
Moscow, HSE, 11 Myasnitskaya Str., **room 518**

09.30 – 10.30

Invited Speaker:

Ben Ross Schneider
(Massachusetts Institute of Technology)
The Middle Income Trap and the Puzzle of Education Politics

Chair: Thomas Remington

10.30 – 11.00

Coffee-break

11.00 – 12.30

Session 1

Development in Autocracies

Chair: Andrei Yakovlev

David Szakonyi
(George Washington University, HSE)
and *Noah Buckley* (HSE)
Autocratic Responsiveness to Public Opinion

John Reuter
(University of Wisconsin-Milwaukee, HSE)
and *David Szakonyi*
(George Washington University, HSE)
**Elite Defection under Autocracy:
Evidence from Russia**

Daniil Esaulov (HSE)
and *Andrey Tkachenko* (HSE)
**Governors' tenure and favoritism in public
procurement**

Discussant: Guzel Garifullina, Richard Doner

12.30 – 13.30

Lunch

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap
Moscow, HSE, 11 Myasnitskaya Str., **room 518**

13.30 – 15.00

Session 2

Economic Development in Russia: Challenges and Perspectives

Chair: Israel Marques

Andrei Yakovlev
(HSE, with Lev Freinkman, Sergei Makarov,
and Victor Pogodaev)
**Can the "Developmental State" Exist at the
Regional Level in a Russian Institutional
Context? The Case of the Republic of Tatarstan**

Timothy Frye
(Columbia University, HSE)
**Economic Sanctions and Public Opinion: Survey
Experiments from Russia**

Michael Rochlitz
(Ludwig Maximilian University of Munich),
Anton Kazun (HSE),
and *Andrei Yakovlev* (HSE)
**Violent Corporate Raiding in Russia after
2014: From Business Capture to Centralized
Corruption?**

Discussant: William Pyle, Ben Ross Schneider

15.00 – 15.30

Coffee-break

15.30 – 16.30

Session 3

Development of Russian Regions: Historical Legacies and Recent Trends

Chair: William Pyle

Maria Giulia Silvagni (HSE)
**Higher literacy skills, better employment
prospects? Returns to Education in Russia
1897 – 1926**

Ekaterina Borisova (HSE),
and *Denis Ivanov*
(HSE, with Andrei Govorun)
**Social Capital and Support for the Welfare
State in Russia**

Discussant: Michael Rochlitz, Joshua Tucker

16.30 – 17.00

Coffee-break

17.00 – 18.00

Invited Speaker:

Joshua Tucker
(New York University, with Grigore Pop-Eleches)
**Communism's Shadow: Historical Legacies
and Post-Communist Political Attitudes**

Chair: Timothy Frye

CONFERENCE PAPERS

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

10.00 Invited Speaker:

Richard Doner (Emory University)

The Politics of the Middle-Income Trap

Economists have identified the existence of a middle income trap but have yet to analyze the politics of this trap. We argue that countries in the MI trap face two major institutional and political challenges. First, the policies necessary to upgrade productivity -- as in human capital and innovation require enormous investment in institutional capacity. Second, these institutional challenges come just at the time when political capacity for building these institutions is weak due primarily to the fragmentation of potential support coalitions. Politics in particular are stalled by fractured social groups, especially business and labor, and inequality generally. These conditions resulted in large measure from previous trajectories of growth. The empirical analysis concentrates on nine larger MI countries.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

11.30 Session 1a

Problems of Economic and Political Transformation I

Christopher Miller (Yale University)

The Politics of Inflation and the Distribution of Income in Early 1990s Russia

Gaidar's team wanted privatization and price stability. They accomplished privatization relatively quickly, but it took a decade to stabilize prices. The evidence presented in this paper -that firms lobbied heavily in the Verkhovny Sovet for pro-inflationary policies; that Russia's legislators pressured the government and the central bank to issue more and cheaper credit to firms; and that the combination of mass credit creation plus inflation benefitted Russia's enterprises enormously—explains why Yeltsin's governments found it so difficult to restrain inflation. The correlation of forces in Russian political economy from the late Soviet period through the close of the 1990s severely limited the agency that any individual political actor faced. This explains how Gaidar, who was ideologically committed to low inflation, presided over a devastating inflation. The pathologies of the 1990s were structured by the politics of the 1970s and 1980s. Other than the decline of the military's role in politics during the decade after the 1991 coup attempt, what is most remarkable is the extent to which inequalities in the political structure persisted before and after the 1991 divide. Is it any surprise that economic inequalities also persisted?

Paula Ganga (Georgetown University)

Reversing Liberalization: Examining Populism and Nationalization in Hungary

When Eastern Europe broke away from its Socialist past it rejected not only a political system but the entire way the region's economies were structured. At the time privatization was hailed not only as the process to save local failing economies but also as the direct path toward market capitalism and democracy in a great transformation deemed inevitable and irreversible. However, recent political developments show the fragility of the region's changes and the increasing popular feeling that liberalism has failed to deliver on its promises. This project examines the economic policy changes that Hungary has enacted in recent years as an example of a local economy embarking on a path diverging away from market capitalism. The paper argues that the explanation for the recent reversals of the privatization process rests at the intersection of the domestic political discourse in these countries from populist parties riding a wave of anti-EU sentiment, and the international economic pressures resulting from the 2008 crisis. Using quantitative data on the economies and political changes of Eastern Europe as well as qualitative data from fieldwork in Hungary, this project finds that populist political parties brought to power on a political agenda meant to reject international influences, globalization and regional integration are more inclined to reverse privatization and they will do so even at the risk of strong international backlash.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

However, while populist parties are expected to pursue a strong anti-globalization agenda, in the case of Hungary I find that this rejection of international economic liberalism was accompanied by a domestic rejection of political liberalism resulting in a weakening of democracy and increased authoritarian tendencies. With populist appeals gaining ground in Western Europe and dramatically affecting the outcome of the 2016 US elections, understanding what follows a populist victory in terms of economic policy and quality of democracy becomes a burning question relevant for our current political environment.

Samuel Rogers (University of Bristol)

Dependency Moves East? A Critical Evaluation of the Dependent Market Economy Model: The Case of Hungary

Following in the tradition of the Varieties of Capitalism (VoC) framework, this presentation critically engages with the Dependent Market Economy (DME) model (Nölke & Vliegenthart, 2009), by investigating its robustness in explaining contemporary dependency in Hungary. Central claims are that dependency is not necessarily restricted to either (a) the manufacturing sector or (b) the decisions made by firms based in Western Europe, Japan or the US i.e. the coordinated or liberal market economies (CMEs/LMEs) as theorised in the original VoC literature (Hall & Soskice, 2001). It is important to reevaluate this model for three reasons. First, Political characteristics cannot be overlooked, particularly in Central and Eastern Europe (CEE). Second, any attempt to account for Hungarian dependency cannot use the manufacturing sector, only, as the DME model does, to analyse the type of capitalism there and to establish conclusions as to the origins of dependency. This is because it excludes the historical path-dependencies that are a feature of the regional political economy i.e. dependency on Russian energy. Third, the effects of seven years of an extremely strong Fidesz party rule has been considerable in respect to at least two of the institutional complementarities that constitute the DME model. Specifically, (a) the primary means of raising investments and (b) corporate governance. Two 'types' of dependency not covered by the DME model, then, namely on Russian energy and Chinese finance will be theorised. The former is a historical dependency, the latter – this research claims – is emergent. To illustrate this, I focus on two empirical examples. Specifically, the upgrade to Hungary's sole nuclear power plant, financed via a Russian credit line; and the Chinese-financed Budapest-Belgrade railway upgrade. A further claim of this work is that there is a definite shift of dependency from West to East in Hungary, which has the potential to alter the political economy in Hungary itself, and the wider CEE region.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

Jordan Gans-Morse (Northwestern University, with Alexander Kalgin, Andrei Yakovlev, and Andrey Klimenko)

Motivations for Public Service in Post-Soviet Russia

Throughout much of the world, corruption in the civil service undermines state capacity, impedes economic development, and saps citizens' morale. But while its pernicious effects are widely recognized, the roots of corruption remain poorly understood. Whereas most studies on corruption's origins focus on the incentives bureaucrats face once in office, this study contributes to a line of recently emerging research that considers the role of self-selection of citizens with a propensity for corruption into bureaucracies where corruption is known to be widespread. Drawing on a survey and experimental games conducted with students at an elite university in Moscow, Russia, we compare the attitudinal, behavioral, and demographic traits of students seeking public sector employment to the traits of their peers seeking jobs in the private sector. Contrary to studies conducted in other high-corruption contexts, such as India, we find surprising evidence that students who prefer a public sector career display less willingness to cheat or bribe in experimental games as well as higher levels of altruism. One interpretation of these findings is that corruption in Russia results from the transformation of bureaucrats' behavior and attitudes after entering the civil service, rather than through a process of corrupt self-selection.

11.30 **Session 1b**

Political Elites and Development

Nikolay Petrov (HSE, with Alexander Kynev)

Repressions against regional elites: time-space analysis of Russia's and China's cases

Although the total number of top regional officials arrested in Russia on anti-corruption and other grounds is not that big so far, not only it happened recently to almost each of regions, but in at least two of them – Sakhalin and Komi – it was reported about organized criminal groups led by governors, who got arrested along with a number of top regional officials. It's possible to speak about groups of risk among regional elites: first there were mayors, especially those elected against the United Russia candidates, then police chiefs, and starting from 2014 governors. In this deploying war between federal regional and proper regional elites one can see different dimensions including political one, economic, corporate and other. In some cases particular regions are targeted, in other they are randomly chosen. We describe time-space patterns of this war, and using different explanatory variables try to reconstruct its logics.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

Dina Rosenberg (HSE, with Olga Shvetsova)

Autocratic Health Versus Democratic Health:

Different Outcome Variables for Health as a Factor Versus Health as a Right

In this paper, we argue that there is the theoretically meaningful and empirically well-defined contrast between the ways democracies and autocracies set their healthcare priorities. Within the framework of the theory of political coalitions and with the data on disease mortality, we show that the direction of healthcare policies in autocracies is distinct from that in democracies. We argue that autocracies pursue healthcare policy as part of their economic policy. Specifically, they maximize the contribution via healthcare to developing the labor force as a production factor. The same is not true in democracies: there, the nexus of objectives in healthcare does not include the consideration of health as an economic factor. With the data on mortality from diseases which are specific to the in- and out-of-workforce demographic groups, we show that autocracies perform well in dealing with the diseases that “damage” the workforce, at the expense of other areas of health improvement. Democracies, in contrast, do not have such biases.

Guzel Garifullina (University of North Carolina at Chapel Hill)

Feed a Man for a Day: When Do Incumbents Care about the Future?

The Case of Russian Regions

Political leaders often face trade-offs. One such trade-off, which is of major importance for the society in general, can be formulated as a choice between policies promising immediate payoff to the leader and longer-term policies. Approximating policy choices through public spending in the Russian regions in 2001-2014, I build a theory of leaders who care both about survival in office (achieved by short-term policies) and (long-term) policy goals. I argue that priority shifts at a given moment will be influenced by the leader's perceptions: of economic conditions, urgency of threat to survival and institutional requirements for staying in power.

Dmitrii Kofanov (University of Wisconsin-Madison)

Regional Leader Turnover, Investment and Economic Growth:

Evidence from Post-Communist Russia, 1991-2014

This paper studies the impact of leadership turnover on economic outcomes. It uses yearly panel data for the regions of the post-communist Russia (1991–2014) in order to test whether the rotation of top regional executives over this period affected growth of real physical investment, GRP, and some other economic indicators. Applying instrumental variables estimation, it finds a relatively robust and sizable negative marginal effect of governor turnover on investment growth, but only during the 1990s, arguably because of decreased governors' autonomy from the federal center, although there can be plausible alternative explanations.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

14.30 **Session 2a**

Political Support

Elena Sirotkina (HSE),

Margarita Zavadskaya (HSE - Saint Petersburg)

How to Get Away with Murder in Russia:

Political Support in the Times of Crisis. Evidence from the survey experiment

Economic crises are believed to erode domestic political support for the existing regime. However, in comparison with democracies, autocracies enjoy more of a leeway in their responses to such crises and economic downturns due to their ability to strengthen their clientelist ties and increase the level of repression ('the tragic brilliance'). Since 2013, the Russian economy has been undergoing a deep and protracted recession, which was further aggravated by the annexation of Crimea and the subsequent imposition of international sanctions. The latter effectively slashed the purchasing capacity and disposable income of the Russian citizens by half. At the same time, the annexation of Crimea provided the regime with a significant boost in popularity – up to 80% – thereby leading to 'the rally around the flag' effect in Russia. Taking into consideration these two contradictory tendencies, is there evidence of Russian citizens willing to punish the incumbent authorities for the economic crisis?

Drawing on the evidence from the survey experiment by the Levada Center in August 2016 we test 1) the priming effect of potentially sensitive questions in order to address the issues of their influence on support for governing authorities and 2) causal effects of deteriorating economy and the rally around the flag effect on how respondents assess the authorities. The survey included two treatment questions: 1) Do you support the Crimea's rejoining the Russian Federation? and 2) Some experts claim that Russia is undergoing an economic crisis, do you agree with this? The outcome variables are the respondents' assessment of the State Duma, the president, and the government efficiency. Conclusions drawn from the survey experiment are twofold. First, we find the priming effect of sensitive question about Crimea: those who were exposed to this question evaluate the president more favorably, but this tendency does not extend to their assessment of the State Duma and the government. Those exposed to the question about the economic crisis, reveal a more critical assessment of the State Duma and the government, while the president's approval remains unchanged. The State Duma does not benefit from 'the rally 'round the flag', while the president is not punished for the crisis. Second, when we compare the mediation effect of 'the rally round the flag' under economic crisis with the economic crisis alone, we find that the presidential support increases while those of the State Duma and the government decreases. In the opposite case, when economic crisis intervenes with patriotic fervor - the president's support is not affected, while the Duma and the government suffer from lower estimates.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

Hannah Chapman (University of Wisconsin-Madison)

Shoring Up Autocracy: Participatory Technologies and Regime Support in Putin's Russia

How do non-democratic regimes build support? This study theorizes that autocrats create and maintain participatory technologies - information communication technologies that promote two-way communication between citizens and leaders to foster government support. Participatory technologies provide citizens with the opportunity to have a limited voice in otherwise closed political systems; when citizens are aware that these opportunities exist, they are more likely to believe that the government cares about the opinions, concerns, and needs of ordinary people. I test this theory through a series of two survey experiments yielded on nationally representative samples in Russia. Results suggest that awareness of participatory technologies increases approval of President Putin and improves the perception that there are opportunities for voice in the political process. This finding departs from previous research that suggests public opinion is influenced primarily by participation in politics. Furthermore, I demonstrate that these effects can be directly attributed to the communicative format of the technologies and not to cooptation or leadership effects. Finally, I demonstrate that these effects are dependent upon individuals' political sophistication and political biases, contributing to political polarization and opening up the potential for backlash against the government.

Michael Rochlitz (Ludwig Maximilian University of Munich, with Nikita Zakharov, Ruben Enikolopov and Koen Schoors)

Does Independent Media Matter in a Non-Democratic Election? Experimental Evidence from Russia

Can exposure to an independent online TV channel affect voting behavior during a non-democratic election in an environment otherwise characterized by the absence of free media? To test this question, we conducted two parallel field experiments during the 2016 Parliamentary Election in Russia. The experiments were carried out in a number of average-sized cities in the European part of the Russian Federation, by providing free access to the independent online channel TV-Rain, which normally charges fees for its subscription. TV Rain is one of the only independent TV channels in Russia, where all major TV channels are controlled by the government. In the first experiment, we asked 1211 respondents in 12 randomly selected cities about their political opinions in a telephone survey that was carried out 10 days before the election. At the end of the survey, we randomly distributed free monthly subscriptions to TV Rain to a sub-sample of our respondents. We then collected data on the voting behaviour of our respondents in a second telephone survey after the elections. We find that those respondents who used their free subscription were on average more likely to cast their ballot and less likely to vote for the incumbent party. They were also more likely to vote and less likely to vote for the incumbent party than a group of respondents who intended to use the subscription, but who were unable to actually watch the channel because of technical

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

problems with their activation codes. Finally, being exposed to TV Rain also increased the perception that the Parliamentary Elections were unfair. In a second experiment, we offered free access to the channel at the city level. From a group of 47 mid-sized cities, 15 randomly chosen cities were provided with a free monthly subscription to TV Rain. The offer was supplemented with an advertisement campaign in the popular Russian social network Vkontakte. Our treatment significantly increased the audience of TV Rain, as measured by the growth in the number of visitors to the channel's website. The increase in the consumption of independent media resulted in a 3 percent higher turnout rate at the level of electoral districts in treated cities, but did not affect the vote share for the incumbent party. Because TV-Rain did not participate in the electoral campaign and abstained from any political advertisement, we attribute the effect in both experiments purely to the provision of independent TV news and the absence of censorship.

14.30 **Session 2b**
Economics and Beyond

Pavel Jelnov (Institute of Labour Economics at Leibniz Universität Hannover)
Economics of the Time Zone: Let there Be Light

This paper is concerned with the causal effect of clock on economy. I explore the variation in the time zones of Russian administrative regions. During most of the last sixty years, Russia has implemented a policy of shifting time zones downward. Analyzing the 1995-2015 period, I estimate both immediate and lagged effects of clock reforms. My estimates show that Russia could gain at least 4% of GDP within five years if it would, oppositely to what is mostly done, shift the time zones in some regions upward. While exploring channels, I find better human and social capitals with the later clock: a lower consumption of beer and unhealthy food, less disease of the endocrine system, a much lower homicide rate, and much more visits to museums. On the other hand, birth defects would be more frequent and the overall health in the north of the country might worsen. Additionally, agricultural product in the north is significantly lower with the later clock.

Olga Popova (Leibniz Institute for East and Southeast European Studies (IOS), Regensburg, with Milena Nikolova)

Sometimes Your Best Just Ain't Good Enough: The Worldwide Evidence on Well-Being Efficiency

Despite the burgeoning happiness economics literature, scholars have largely ignored explorations of how individuals or countries translate given resources into well-being. Using a balanced panel on 91 countries from Gallup Analytics between 2009-2014 and borrowing insights from production theory, we investigate whether nations in our sample efficiently convert their current resources (i.e. income, education and health)

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

into subjective well-being. Our results imply that well-being efficiency gains are possible worldwide. We find that unemployment and involuntary part-time employment are associated with lower efficiency, while good institutions as proxied by the rule of law, as well as social support and freedom perceptions improve it. Within-country investigations for Bulgaria – an upper-middle-income country that often lurks at the bottom of the international well-being rankings – demonstrate that efficiency is lower among the unemployed, divorced/separated, widowed, the old, large households and those with children, while living in a city, freedom, generosity and social support improve efficiency. This paper provides the first evidence from an international panel concerning the issue of whether higher well-being levels are possible with current resources and raises policy-relevant questions about the appropriate instruments to improve well-being efficiency.

Elodie Douarin (University College London)

Religion as an Insurance against Economic Shocks? Subjective Wellbeing after the 2008 Crisis

Religious people are often believed to be more resilient to shocks, thanks to their positive outlook on life or to a supportive network. This would imply that religiosity can act as an insurance against economic shocks by mitigating the negative impact of such shocks on happiness or life satisfaction for example. In this paper we offer to explore this possible insurance effect, by investigating whether religious people are indeed less affected by economic shocks. We also explore the impact of contextual variables on the relationship between shocks, religiosity and happiness.

More specifically, we focus on the impact of the 2008 crisis on individual's happiness across the post-communist region using the Life in Transition Survey collected by the European Bank for Reconstructing and Development (EBRD) in 2010. We investigate two distinct types of economic shocks: (i) a forced reduction in consumption and (ii) job loss. We find evidences of an insurance effect of religiosity on these two shocks. However, this effect is contextual and statistically significant only in countries where a high share of the population self-reports as religious or where the crisis has hit the hardest. In our analyses, we use different measures of religiosity, namely religious denomination and part-taking in religious activity; and we contrast our analysis of the relationship between wellbeing, religiosity and shocks to a placebo test where we investigate the insurance effect of membership to "other social groups". This allows us to discuss further the likely mechanisms through which religiosity impacts on wellbeing and in particular it leads us to suggest that it may be the values and mind-set of religious people that matters, rather than a group support effect. Finally, we complete our analysis by a discussion of religiosity, risk preferences and support for policies promoting social insurance.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

16.00 **Session 3a**

Historical Legacies and Development

Olga Vasilyeva (Amur State University, with John V.C. Nye)

Religious Discrimination and Modern Productivity: Evidence from the Russian Far East

In the late 19th and early twentieth century, non-Orthodox religious groups were persecuted by the Russian state and many emigrated to new areas in the Far East. In particular, Molokans moved to the Amur region after 1859 to colonize new territories. At the same time other religious groups including Orthodox or Old Believers moved to the new region as well. Analysis of farm-level data from 2002-2014 shows that farms located in settlements, which originally had been founded by Molokans, show higher productivity today, than those settled by other groups. While measures of literacy correlate with higher Molokan productivity, female literacy more strongly explains the variance in productivity than male literacy.

Asli Cansunar (Duke University)

May You be As Holy as Water:

Redistributive Logic of Elite's Water Provision in Ottoman Istanbul

The pertinence of efficient and universal public good provision on economic development is an increasingly important theme in discussions of political economy. Although governments are now held accountable for the fair and comprehensive provision of public goods and services to different classes, historically such services were often endowed voluntarily through private initiatives. Given that canonical scholarship on redistributive preferences assumes that elites seek to maximize self-interest, what motivates the elites to voluntarily contribute to the provision of public goods in such systems? Exploiting the fact that fountains, built and maintained by the elite's private endowments, were the only way of providing drinking water to many in Ottoman Istanbul, we demonstrate they are more likely to contribute to public goods when the system is designed to deliver exceptional benefits to the benefactors. Using an original dataset from 1600-1850 on the spatial distribution of fountains in Istanbul and the elite patrons, we show that there exists a systematic relationship between the choice of fountain site and the benefactor's house, contingent upon the political rank of the benefactor. The findings provide a novel answer for why some elites are more willing to fund social services, especially in authoritarian settings. Moreover, one may generalize these findings to a broad range of similar cases.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

Ruxi Zhang (Stanford University)

Go West Young Han? The Geopolitics of Mass Resettlement in China

This paper analyses the geopolitics of internal migration in the People's Republic of China. We show that the Chinese state has engaged in the mass resettlement of Han Chinese to geopolitically contested border zones. Analysing a novel panel of all inter-provincial migration in China since 1953 and using a difference-in-differences design, we find that the geopolitical shock of the Sino-Soviet split led to a significant increase in Han migration to Chinese provinces bordering the USSR. We also explore the extent to which geopolitics can also help us understand more fine-grained spatial variation in Han settlement of the contested province of Xinjiang in China's northwest. Collecting and analysing a novel county-level dataset that contains yearly counts of all new settlers in Xinjiang since 1952, we will test whether Han Chinese settlement of Xinjiang has been responsive to geopolitical imperatives. We expect that county proximity to the USSR border was a significant predictor of Han settlement during the Sino-Soviet split and that Han settlement has since shifted towards the counties in Xinjiang proximate to Afghanistan and Pakistan after the rise of regional Islamism in the 1990s. We explore potential causal mechanisms and find evidence that migrants have been used to improve China's geopolitical position not through assimilating China's ethnic minorities but by providing a buffer between minority populations and their cross-border counterparts. This paper advances our understanding of how states consolidate control over contested frontiers.

16.00 **Session 3b** **Corruption**

Koen Schoors (Ghent University, with Tom Eeckhout, Kevin Hoefman, and Leonid Polishchuk)

Measuring revealed corruption with administrative data Evidence from Russia

Vanity plates are a well-known phenomenon in a large part of the world. These personalized license plates most often consist of a combination of letters and/or numbers that have a certain value for the owner. Being more expensive than a 'normal' plate, they may, among other things, signal the wealth of its owner. This makes vanity plates a form of conspicuous consumption. In Russia vanity plates were officially not for sale but instead distributed randomly before 2007. However, it was well known among Russians that these vanity plates did exist and could be bought. The purchase of these plates, for which no legal path exists, is an act of bribery, and studying the distribution of these vanity plates may give us an indication of revealed corruption. Corruption, most commonly defined as the misuse of public office for private gain (Svensson, 2005), has become a more important issue of policy and research recently. It is recognized as a key factor in preventing the development of countries. Russia consistently ranks among the most corrupt countries of the world. According to the Corruption Perceptions Index

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

of Transparency International, in 2015 it was ranked as 119th of 168 countries. Within Russia, the police together with public officials and civil servants rank as the institutions most affected by corruption as perceived by the public ("Transparency International – Country Profiles"). Our case study concerns the police, who are responsible for the registration of cars and the issuing of new license plates. In countries where the issuing of vanity plates is regulated, it represents a significant revenue stream. For example, in 2008 a plate in Abu Dhabi was sold for \$14 million (Brown, 2008). The existence of these plates does not only reveal corruption among the police, but also a willingness to pay bribes among Russian car owners. True objective corruption measurements are rare. Nonetheless we have the opportunity to create such an objective corruption measure, thanks to the availability of an administrative transaction database on license plates. More precisely we look for evidence of bribes made to the police in order to receive a vanity plate.

Timothy Model (Indiana University)

Fighting Corruption and Rallying the Entrepreneurial Spirit: How Anti-Corruption Campaigns Affect Entrepreneurship

Existing scholarship finds that anti-corruption campaigns improve public perceptions of the regime, reduce intra-elite conflict, and contribute to increased levels of foreign direct investment. This paper argues that governments implement anti-corruption campaigns to affect the collection and distribution of rents, indicating that anti-corruption campaigns consist of multiple strategies. When governments use anti-corruption mechanisms to improve the efficiency with which rents are collected, we should expect beneficial economic outcomes: entrepreneurs favor efficient government rent collection to inefficient government rent collection. Thus far, researchers have only identified a positive effect of anti-corruption campaigns on foreign direct investment but not on domestic economic activity. When an anti-corruption campaign improves rent collection efficiency, however, it should be related to increased foreign direct investment and domestic economic activity. Using original anti-corruption campaign event data from Russia, this paper tests the relationship between anti-corruption campaign strategies and economic variables. Results indicate differential effects of anti-corruption campaign strategies on both and entrepreneurship and foreign direct investment.

Hanna Niczyporuk (New York University)

Tolerating corruption in democracies: Lessons from the sentiment analysis of Polish Twitter users

Grand corruption is an important problem in many new democracies, which undermines their development and can inhibit the efforts to escape the middle-income trap. Electoral accountability - voting corrupt politicians out of the office, is seen as one of the most effective ways of fighting corruption in democracies. Nevertheless there exists a puzzle - often voters do not punish corrupt politicians, despite a possibility to do so, which can further undermine accountability and contribute to the prevalence of bad practices. The mechanisms behind this behavior have not been yet properly understood.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

This paper investigates if citizens of a middle-income democracy with a history of grand corruption tolerate it and, in particular, what are the possible motives behind their behavior. I utilize novel methodology - sentiment analysis of tweets by a panel of 5,005 Polish Twitter users during 2014 and 2016 corruption scandals to study a hypothesis that citizens of a corrupt country do not punish grand corruption – they show hopelessness and active protest is rare. Surprisingly, a preliminary analysis of the data shows that Twitter users advocate punishing corruption however their reaction is conditioned on the valence of the corruption case and politicians involved in it - corruption which can be classified as misuse of public resources by politicians perceived as rich winners of the transition is punished much more than corrupt behavior of politicians who lack such characteristics. This result suggest that: a) valence-related evaluation can undermine efforts to combat corruption and b) there may be a need for a more nuanced theory of partisanship in Eastern Europe, potentially based on the legacies of the neoliberal transition, increased inequality and class conflict between the winners and losers of the transition. There is a space for studying the role of inequality, instead of solely economic conditions in the country, in evaluating corrupt politicians.

17.30 **Session 4a**

Problems of economic and political transformation II

Dennis Coates (University of Maryland, with Irina Mirkina, and Vivek Moorthy)
Economic Freedom in the Russian Federation

Measuring economic freedom is the primary task of this project. This paper constructs an index of economic freedom for the 82 federal regions of Russia covering the period between 1992 and 2015. The secondary task of the project is to assess the relationship between economic freedom and economic vitality in the regions of Russia. Existing research based on the original Economic Freedom of the World Index, its annual updates, and other indices of economic freedom, finds that greater economic freedom engenders positive economic outcomes. Indices of economic freedom have been created for over 150 countries and for the states of the U.S., metropolitan areas in the U.S. (D. B. Stansel, 2013) and a variety of regional and sub-regional areas (Arman, Samida, & Walker, 1999; Khandker, 2015; Micu, 2015; D. Stansel & McMahon, 2000). This is the first index measuring economic freedom at the sub-national level within Russia. The index looks at the 82 Russian regions (krais, oblasts, republics, and autonomous areas) from the country independence in 1991 to the most recent developments in 2015. We build the regional index in three areas of economic freedom, separating the size of government, fiscal burden, and labor market freedom. Our all-government index includes three more areas—legal protection, sound money, and freedom to trade internationally—built from the corresponding scores of Russia in the Economic Freedom of the World. Naturally, the measures of economic freedom constructed for Russia differ from those constructed for other countries, primarily due to varying degrees of federalism.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

For example, while there would be variation in some policies across states in the US setting, there is none among the regions of Russia because such policies are set by the national government (the opposite is also true). Nonetheless, we take great care in constructing the all-government index in a way consistent with the methodology of both the Economic Freedom of the World, EFW (Gwartney, Lawson, & Hall, 2016) and the Economic Freedom of North America, EFNA (Stansel, Torra, McMahon, & Palacios, 2015), making comparisons possible across countries and over time.

Amanda Zadorian (The New School for Social Research)

Constructing Competitiveness: Export Diversification and “Oil Dependence” in Russia and Brazil

How have discourses of “oil dependence” shaped state-led efforts to build competitive knowledge economies? This paper compares Russia and Brazil, where national oil companies (NOCs) Rosneft and Petrobras play crucial industrial policy roles, purchasing inputs from local suppliers and investing in the production of oil derivatives to diversify exports away from crude oil. Two important trends in the international political economy of oil contribute to a greater influence of private-sector norms in these NOCs. The first was the re-concentration of control over oil reserves in the hands of states. Partly in response, international oil majors have endeavored to re-present themselves as innovative technology partners to the national firms. The second trend was increasing financialization of the oil industry, prompting corporate governance reforms and the increasing indebtedness of NOCs. The paper employs qualitative content analysis of presidential speeches from 2000-2014 to explore how the specter of dependence on primary commodity exports justifies and motivates diversification of the economy towards higher-value-added pursuits. The construction of “dependence on oil” as a threat to national economic development deflects from a more familiar narrative about “dependence on foreigners.” This helps to normalize the financialization of national champions. It also legitimates commercial partnerships with foreign oil companies for the development of vital national resources, ensuring international oil majors’ continued access to petroleum reserves. The paper concludes with reflections on how narratives of dependence and diversification shifted since 2014 in response to Western sanctions on Russia and the Lava Jato scandal in Brazil.

Maxim Ananyev (University of California, Los Angeles)

Political Economy of Corporate Tax Compliance: Theory and Evidence from Firm-Level Connections to Tax Havens

It is estimated that developing countries lose around one trillion dollar per year in tax revenues because firms shift profits to low-tax jurisdictions (“tax havens”). I offer a simple framework to explain why some firms and not others engage in aggressive tax planning. The framework consists of two building blocks: vulnerability and leverage. Vulnerability is the potential for the government to reduce revenues of the given firm.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

In almost every nation, governments have at least some ability to influence companies' profits. Outright expropriation of productive assets is the crudest method, but others include introducing new regulations, withdrawing and withholding licenses, removing subsidies, and offering informal governmental assistance. Leverage is the influence of the firm over the government. In developing countries, firms affect government interests in multiple ways - by mobilizing their employees to vote in elections, providing a safety net for workers, and offering jobs to officials or their relatives. Many of the benefits firms can offer to government increase with the number employed. My theory predicts, therefore, that tax compliance will be higher for firms whose assets and revenues are more vulnerable to a given government's interventions and lower for those that employ more people. To test these empirical predictions, I collect financial statements from the largest (by operating income in the year 2012) firms in 123 countries and merge them with registry-based data on the beneficial owners of firms registered in offshore financial centers ("tax havens"). This yields a dataset of 41,460 firms, 16,780 of which (38 percent) have affiliates in tax havens. I find that, controlling for other potential influences on tax compliance and including country fixed effects, a higher concentration of revenues in one country reduces the firm's propensity to have an affiliate in a tax haven. A larger number of employees increases that propensity.

17.30 **Session 4b**

Propaganda and State-building

Alessandro Belmonte (IMT Alti Studi Lucca, with Michael Rochlitz)
Collective Memories, Propaganda and Authoritarian Political Support

To what extent does the degree of authoritarian political support depend on collective memories of a past experience with democracy? And how costly is it for a dictator to manipulate such memories with the help of propaganda? In this paper, we develop a political economy model with endogenous reference points, where a dictator strategically recalls traumatic collective memories of past political instability with the help of propaganda, to convince the population that an autocratic status quo is superior to a potential democratic alternative. In our model, both the optimal level of propaganda and collective memories are jointly determined. We show how the marginal benefit of propaganda is positively correlated both with the amount of rent distribution within the elite, and the intensity of a past traumatic experience with democracy. We illustrate our theoretical findings with case-studies of two authoritarian regimes that were preceded by periods of political instability - the Russian Federation under Vladimir Putin, and Chile under Augusto Pinochet. We then also provide cross-country empirical evidence in support of our argument.

June 13, 2017 (Tuesday)

EACES – HSE Workshop

Topics in Political Economy of Development

PARALLEL SESSIONS:

Daniel Thomas (Columbia University)

Last Gasp: Explaining Autocrats' Actions in the Face of Regime Insecurity

What guides the decisions autocrats make when they believe they will soon lose power? The majority of work on leader survival in autocratic states has focused on how leaders establish and maintain regime security, but little attention has been paid to the incentives leaders of autocratic states face near the end of their tenure in office. Much of the literature concerning leader survival and leader choice maintains that leaders' foremost concern is retaining power. However, I contend that when leaders are insecure, the costs of exit become as salient as regime security. I model this decision in the form of a one-shot signaling game. I argue that following shocks to their hold on power, autocrats can choose one of two paths: repression or vacating office. Repression increases the costs of exit, but also increases the leader's chance of survival. Stepping down hastens the leader's downfall but decreases the costs of exit. The decision by leaders to maintain power or step down is conditional on their expected punishment. If leaders have used large amounts of general repression in the past, they are more likely to be punished. However, if they have capable covert, targeted repression abilities, they can eliminate their opposition and escape punishment. The model generates several cut points where one can expect leaders' behavior to change conditional on their past repression. Leaders who have used low levels of general repression in the past always prefer to step down, whereas those who have used excessive repression prefer to gamble on maintaining power. Meanwhile, at middling levels of repression, leaders who have targeted repression capabilities prefer to step down, whereas weaker leaders are forced to attempt to maintain power. I demonstrate the feasibility of the model by examining the case of Nicolae Ceausescu during the Romanian Revolution and find that his behavior and that of the opposition corresponds to the model's predictions.

Egor Lazarev (Columbia University)

Laws in Conflict: Legacies of War and Legal Pluralism in Chechnya

How do civil wars affect state-building? This paper studies this question through the prism of legal pluralism in post-war Chechnya, where Russian state law coexists with Sharia and customary law. I explore how political and social legacies of war affect prevalence of state law versus its alternatives. The study leverages variation within Chechnya and puts Chechnya in comparison with the neighboring Ingushetia. The analysis relies on semi-structured interviews, original population surveys, and data on more than 100,000 court cases. I find that war led to a militarization of state authorities, which subvert state law and instead rely on non-state orders. At the same time, I find that war disrupted gender hierarchies and community social control, which increased demand for state law. Thus, this paper shows that the political and social legacies of war in Chechnya clash: while political legacies undermine state law, societal legacies promote it. In contrast to the conventional story where the government attempts to penetrate society, and society resists these attempts, I suggest that the government can undermine state law by promoting non-state institutions, and that communities and individuals might voluntarily use state law, which they consider foreign.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

09.30 **Invited Speaker:**

Ben Ross Schneider (Massachusetts Institute of Technology)

The Middle Income Trap and the Puzzle of Education Politics

For countries caught in the middle income trap, education and investment in human capital are universally recommended remedies. Since most MI countries have achieved universal primary and secondary enrollment, the challenges are to achieve higher quality education overall and closer linkages with labor markets through vocational and technical education. The key political obstacles to overcoming these challenges is lack of demand -- especially by business -- and opposition by teacher unions and clientelist politicians.

11.00 **Session 1**

Development in Autocracies

David Szakonyi (George Washington University, HSE)

and Noah Buckley (HSE)

Autocratic Responsiveness to Public Opinion

Do autocratic governments exhibit responsiveness to their public's attitudes and opinions? In this paper, we apply detailed, subnational-level data on government spending and public opinion in Russia, 2001-2014, to this question. While traditional conceptions of government responsiveness focus on the accountability mechanisms and informational links that elections provide in democratic contexts, we examine the hypothesis that non-accountable autocratic leaders may also be sensitive to the pressures of public sentiment. We use MRP estimates of region-level Russian public opinion on the salience of healthcare and education problems to show that Russian regional governments are responsive in the spending that they dedicate to these areas in their budgets. This has implications for how we understand authoritarian policy making.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

John Reuter (University of Wisconsin-Milwaukee, HSE)

and David Szakonyi (George Washington University, HSE)

Elite Defection under Autocracy: Evidence from Russia

Elite cohesion is one of the fundamental pillars of authoritarian regime stability. Defections from the ruling coalition can signal regime weakness, embolden the opposition, and, sometimes, lead to regime collapse. Using a unique dataset on 4,313 regional legislative candidates from Russia's ruling party, United Russia, this paper examines the determinants of elite defections in one prominent electoral autocracy. We believe this to be the first study to use quantitative, micro-level data to test hypotheses about the integrity of elite coalitions under autocracy. Our theoretical framework predicts that elites will be more likely to defect when there is increased uncertainty about the willingness and/or ability of the regime to provide electoral benefits, spoils, and career advancement. Regimes that limit points of access to spoils, share power with the opposition, and lack strong formal institutions see higher rates of defection. Our findings suggest that while opposition co-optation may help the regime assuage threats from outside the regime, it may also leave regime insiders disgruntled and prone to defect. Finally, we find that elites with personal followings and private business connections are most likely to defect, since they are better equipped to pursue their political goals independently of the regime. This result suggests that allowing elites to accumulate autonomous resources can undermine an authoritarian regime's hold on power.

Daniil Esaulov (HSE)

and Andrey Tkachenko (HSE)

Governors' tenure and favoritism in public procurement

This paper analyses the impact of governors' tenure in office on public contracts allocation among firms in Russia. To verify this relation we match a database of public procurements on road constructions in regions during 2011-2014 with information about governors' tenure in the office by the time of contract sign. Employing contract-level data we show that during first years of governing an increase in governor's tenure is associated with better outcomes with regard to procurement competition: such as more bidders per auction, less probability that the auction is inconsistent. But after several years of governing the situation begins to worsen: the amount of bidders decreases, the probability that the same firm wins the auction increases. The turning point for procurement competition is situated approximately in the middle of the second term of governors' tenure.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

13.30 **Session 2**

Economic Development in Russia: Challenges and Perspectives

Andrei Yakovlev (HSE, with Lev Freinkman, Sergei Makarov, and Victor Pogodaev)
Can the “Developmental State” Exist at the Regional Level in a Russian Institutional Context? The Case of the Republic of Tatarstan

This paper analyzes the regional developmental model of the Republic of Tatarstan, a Russian region that represents an example of relatively successful development despite an imperfect institutional environment. We have identified three main stages of the model’s evolution over the period 1990-2016 and point out the model’s potential, limitations, and risks. The paper emphasizes that the key factor distinguishing the Tatarstan from most Russian regions is the formation of a local elite consensus with respect to the priorities and mechanisms of regional development. This high level of consolidation of regional elites, combined with the relative efficiency of governance system and advanced capabilities for conducting economic policy independent from the federal government, helped to shape its “special” investment climate and to advance implementation of specific regional projects. These outcomes include mechanisms for launching and effectively supporting the implementation of new large-scale investment projects, as well as safeguards for investors willing to invest in high-priority projects. Based on a comparative analysis of experiences from successful East Asian economies, the paper concludes that there is potential for the formation of a “catching-up” developmental model within individual regions of Russia. Tatarstan has already developed many of the prerequisites of such a model, including elite consensus, long-term vision for development, enhanced regional responsibility and managerial authority for developmental outcomes. However, Tatarstan faces a number of challenges: the success of implementing a catching-up developmental model in Tatarstan will depend on the policy response of leadership and the reactions of regional elites. This analysis is based on a review of an array of documentary sources and statistics, as well as on a series of informal interviews with regional elite representatives.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

Timothy Frye (Columbia University, HSE)

Economic Sanctions and Public Opinion: Survey Experiments from Russia

Do economic sanctions turn the public against the government or cause it to rally around the flag? Do government supporters and skeptics respond differently to sanctions? Do sanctions shape attitudes toward the sanctioner? These questions have rarely been explored with survey data, and not in an autocracy. Survey experiments embedded in two national surveys in Russia find that, in contrast to the “orthodox” and the “rally around flag” theories, economic sanctions do not have a direct effect on support for the sanctioned government. However, in line with “scapegoating” arguments, sanctions weaken the impact of economic decline on support for the government. In addition, imposing economic sanctions reduces the favorability of the sanctioner, but the promise of weakening sanctions yields an increase in support for both the target country and the sanctioner. These results suggest the need to reevaluate core assumptions of theories of the impact of economic sanctions.

Michael Rochlitz (Ludwig Maximilian University of Munich),

Anton Kazun (HSE),

and Andrei Yakovlev (HSE)

Violent Corporate Raiding in Russia after 2014:

From Business Capture to Centralized Corruption?

The participation of Russian state agencies in predatory activities against private businesses is nothing new. During the 1990s, the then prevailing decentralized corruption was conceptualized as the ‘grabbing hand’ model. During the early 2000s, Vladimir Putin’s consolidation of the federal government failed to result in a more centralized and – from a social welfare point of view – less destructive model of corruption. The strengthening of state structures rather led to the transition from state capture to business capture, under the same decentralized corruption regime. A manifestation of this phenomenon was the increasing participation of lower level state agencies in corporate raiding activities. In this paper, we argue that during recent years, increasing budget constraints finally forced Russia’s ruling elites to move towards a more centralized model of corruption. The Russian state has become notably less tolerant of lower level predation, while state resources are employed to enforce both the personal interests of the ruling elites and what are considered to be interests of the state. We analyze two recent cases in support of our hypothesis, the criminal investigation against the main owner of Domodedovo airport, and an attempt to seize the company ‘Evrodon’.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

15.30 **Session 3**

Development of Russian Regions: Historical Legacies and Recent Trends

Maria Giulia Silvagni (HSE)

Higher literacy skills, better employment prospects?

Returns to Education in Russia 1897 – 1926

This paper analyzes the trends of literacy and employment in Russia in the late years of the Russian Empire and in the early Soviet Union using data from the All-Empire Russian Census of 1897 and the First All-Union Census of the Soviet Union of 1926. Programs to increase the literacy rate of the Russian population to catch up with the European wave of industrialization were firstly adopted by the imperial authorities in the last two decades of the XIX century, and subsequently modified and enhanced by the Soviet authorities starting in 1922. This paper questions whether the achievement of increasing the literacy rate also led to an increase in the share of skilled workers in Russia, thus reducing the industrial gap with Europe. First, the paper provides quantitative evidence for literacy and occupation for men and women at the province level for rural and urban areas. Secondly, it analyzes the trends of literacy and skilled occupation by sector to find out whether the Soviet mass-literacy program had a significant effect on the occupational structure and contributed to an increase in the share of skilled job opportunities.

*Ekaterina Borisova (HSE),
and Denis Ivanov (HSE, with Andrei Govorun)*

Social Capital and Support for the Welfare State in Russia

Few tasks are more important in the post-communist setting than rebuilding the welfare state. We study individual preferences for increasing social welfare spending to reduce inequality. Using two surveys of about 34,000 and 37,000 Russians we show great importance of the bridging type of social capital for redistribution preferences in Russia as it precludes possibilities of cheating and free-riding. Instrumenting social capital with education, climate and distance from Moscow we deal with endogeneity concerns and also contribute to the understanding of the deep roots of social capital in Russia. We also claim that social capital in post-socialist countries could help mobilize public support for the redistribution schemes in spite of the fact that institutions are weak.

June 14, 2017 (Wednesday)

6th ICSID Conference

Political Economy of Development: Exiting the Middle Income Trap

17.00 **Invited Speaker:**

Joshua Tucker (New York University, with Grigore Pop-Eleches)

Communism's Shadow: Historical Legacies and Post-Communist Political Attitudes

It has long been assumed that the historical legacy of Soviet Communism would have an important effect on post-communist states. However, prior research has focused primarily on the institutional legacy of communism. Communism's Shadow highlights the ways in which political beliefs can outlast institutional regimes. Drawing on large-scale research encompassing post-communist states and other countries around the globe, the authors demonstrate that living through communism has a clear, consistent influence on why citizens in post-communist countries are, on average, less supportive of democracy and markets and more supportive of state-provided social welfare.

National Research University Higher School of Economics
11 Myasnitskaya Str., Moscow, 101000, Russia

www.hse.ru