

**NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS**

**INTERNATIONAL CENTER FOR THE STUDY OF INSTITUTIONS AND
DEVELOPMENT (ICSID)**

**8th ICSID conference
Political Economy of Redistribution
and Institutional Change**

and

**EACES-HSE workshop
Topics in Political Economy of Development**

Conference program

EACES -HSE Workshop

Topics in Political Economy of Development

Moscow, HSE, 20 Myasnitskaya St., rooms 311, 238, 240, 242

June 13, 2019 (Thursday)

09:00 - 09:30 - Registration (room 311)

09:30 - 10:30 - Invited Speaker: *Volha Charnysh (Massachusetts Institute of Technology)*

Diversity, Institutions and Economic Development: Evidence from post-WWII Displacement

Chair: Timothy Frye

10:30 – 11:00 - Coffee-break (room 238)

Parallel Sessions (rooms 240, 242):

11:00 – 13:00 - Session 1a. Media

Chair: John Reuter

Georgiy Syunyaev (Columbia University)

Public Attribution of Responsibility in Autocracies: Evidence from Russia

Quintin Beazer (Florida State University)

Diverting Attention: Media Coverage of Economic Conditions on Russian State-Controlled TV, 2003-2018

Andrew Little (University of California, Berkeley, with Ryan Hubert, University of California, Davis)

Kompromat

Nikita Zakharov (University of Freiburg, with Günther Schulze, University of Freiburg)

Political Cycles in Media Harassment

Discussants: Michael Rochlitz, Anton Kazun

11:00 – 13:00 - Session 1b. Natural Resources and Authoritarian Policy-Making

Chair: Israel Marques

Delgerjargal Uvsh (University of Wisconsin-Madison)

Reversal of the Resource Curse? Negative Revenue Shocks and Business Development in Russia

Olga Vasilyeva (Economic Research Institute, Far East Branch of the Russian Academy of Science),

Alexander Libman (Ludwig Maximilians University of Munich)

Varieties of Authoritarianism Matter: Elite Fragmentation, Natural Resources and Economic Growth

Andrey Yushkov (Indiana University and Leontief Centre)

Impact of Natural Resource Revenue Centralization on Economic Incentives: The Case of Russian Regions

Discussants: Andrei Yakovlev, Amanda Zadorian

13:00 – 14:30 - Lunch

14:30 – 16:30 - Session 2a. Political Institutions, Policy Making and Civic Activism

Chair: Andrei Yakovlev

Sasha de Vogel (University of Michigan)

Local Officials' Response to Local Socio-Economic Protest in Moscow, 2013-2018

Dmitrii Kofanov (University of Wisconsin–Madison)

Industrialization and Popular Unrest (the Case of the Late Russian Empire)

Elizabeth Plantan (John F. Kennedy School of Government, Harvard University)

The Risk/Benefit Calculus of Authoritarian State-Society Interaction

Olga Gasparyan (University of Rochester)

Decentralization and Local Public Goods Provision: Evidence from Russian Cities

Discussants: Timothy Frye, Guzel Garifullina

14:30 – 16:30 - Session 2b. Social Policy

Chair: David Szakonyi

Anna Zhang (Stanford University)

Stay West Young Han: Ethnic Riots and Inter-Ethnic Inequality

Ekaterina Paustyan (Central European University)

The Politics of Redistribution: The Case of 2018 FIFA World Cup Russia

Sarah Wilson Sokhey (University of Colorado, Boulder, with Danilo Gjukovikj)

Institutional Quality & Social Policy Provision: The Cases of Macedonia & Croatia

Daniel Muck (Indiana University)

Renovation or Demolition? Perceptions of Property Rights in Moscow

Discussants: Thomas Remington, Israel Marques

16:30 – 17:00 - Coffee-break (room 238)

17:00 – 18:30 - Session 3a. Economics and Politics I

Chair: Thomas Remington

Timothy Model (Indiana University)

How Elite Loyalty Constrains Autocratic Anti-Corruption Purges

Maria Arbatskaya (Emory University, with Hugo M. Mialon, Emory University)

The Impact of the Foreign Corrupt Practices Act on Competitiveness, Bribery, and Investment

Dina Rosenberg (HSE, with Evgeny Sedashov, Binghamton University)

Political Determinants of Economic Backwardness: An Empirical Investigation

Discussants: Noah Buckley, Katie Hess

17:00 – 18:30 - Session 3b. Economics and Politics II

Chair: Anton Kazun

Fabian Burkhardt (German Institute for International and Security Affairs – SWP)

Performance Management and the Implementation of Landmark Executive Orders: Evidence from Russia's 2012 May Decrees

Zuzana Fungáčová (Institute for Economies in Transition (BOFIT), Bank of Finland), Koen Schoors (Ghent University), Laura Solanko (BOFIT, Bank of Finland), and Laurent Weill (University of Strasbourg)

Politics and Banking in an Electoral Autocracy

Natalia Lamberova (University of California, Los Angeles)

The puzzling politics of R&D: signalling competence through risky projects

Discussants: Will Pyle, John Reuter

8th ICSID Conference

“The Political Economy of Redistribution and Institutional Change”

Moscow, HSE, 20 Myasnitskaya St., room 311

June 14, 2019 (Friday)

10:00 – 11:00 - Invited Speaker: Marko Klasnja (Georgetown University)

The Causes and Consequences of Party Weakness

Chair: Timothy Frye

11:00 – 11:30 - Coffee-break

11:30 – 13:00 - Session 1. Historical Legacies in Russia

Chair: Noah Buckley

Guzel Garifullina (University of North Carolina at Chapel Hill and HSE), Kirill Kazantsev (HSE) and Andrei Yakovlev (HSE)

Regional elite networks and succession under personalistic regimes: a comparative case study of two Russian regions

Alexander Libman (Ludwig Maximilians University of Munich), Olga Vasilyeva (Economic Research Institute, Far East Branch of the Russian Academy of Science)

Communist Modernization, Pre-Communist Collapse and Democracy: Evidence from Baikal-Amur Mainline

Will Pyle (Middlebury College)

Russians' “impressionable years”: perestroika and Putin-era beliefs

Discussants: Volha Charnysh, Denis Ivanov

13:00 – 14:30 - Lunch

14:30 – 16:30 - Session 2. Firms in Russia

Chair: Will Pyle

Yuliya Rodionova (HSE), Andrei Yakovlev (HSE)

Factors Determining the Participation of Firms in Public Procurement in Russia

Andrey Tkachenko (Bocconi University and HSE)

Manipulation in procurement auctions for small business: evidence from Russia

Andrei Yakovlev (HSE), Denis Ivanov (HSE)

Political Connections and Investment Activity of Russian Firms: Survey Experiments Results

Alexander Libman (Ludwig Maximilians University of Munich), Andrei Yakovlev (HSE)

Patriotism and Entrepreneurship: Is there a Crimean Consensus among Russian Enterprises?

Discussants: David Szakonyi, Nikita Zakharov

June 15, 2019 (Saturday)

10:00 – 11:30 – Session 3. Bureaucracy in Russia

Chair: Michael Rochlitz

Ora John Reuter (University of Wisconsin-Milwaukee, HSE), Michael Rochlitz (University of Bremen), Noah Buckley (New York University – Abu Dhabi, HSE) , Anton Aisin (HSE)

Staying Out of Trouble: Criminal Cases against Russian Mayors

David Szakonyi (George Washington University, HSE)

Candidate Filtering: The Strategic Use of Electoral Fraud in Russia

Noah Buckley (New York University – Abu Dhabi, HSE)

Only the Best People: Loyalty, Competence, and Connections in Russian Elite Networks

Discussants: Marko Klasnja, Quintin Beazer

11:30 – 12:00 - Coffee-break

12:00 – 14:00 - Session 4. Social Policy in Russia

Chair: Koen Schoors

Israel Marques II (HSE), Ekaterina Borisova (HSE), Koen Schoors (Ghent University), Sarah Wilson-Sokhey (University of Colorado, Boulder)

Corruption and Support for Redistribution

Amanda Zadorian (HSE)

Redistributive or Financial Rentierism? Russian Social Policy, 2004-2014

Ekaterina Borisova (HSE), Regina Smyth (Indiana University), Alexei Zakharov (HSE)

Unexpected Consequences of Policy-Making: Social Capital and Housing Renovations Program in Russia

Alexei Zakharov (HSE), Israel Marques II (HSE)

Past Experiences and Current Preferences for Redistribution: Evidence from The Moscow Housing Renovation Project

Discussants: Aleksey Oshchepkov, Timothy Model

15:00 – 16:30 - ICSID organizational workshop/ free time for guests

Conference Abstracts

EACES -HSE Workshop

Topics in Political Economy of Development

June 13, 2019 (Thursday)

09:30 - 10:30 - Invited Speaker: *Volha Charnysh (Massachusetts Institute of Technology)*

Diversity, Institutions and Economic Development: Evidence from post-WWII Displacement

How does an increase in cultural diversity affect state-society interactions? Do institutional differences between heterogeneous and homogeneous communities influence economic activity? I argue that heterogeneity not only impedes informal cooperation, but also increases demand for third-party enforcement provided by the state. Over time, greater willingness to engage with state institutions in heterogeneous communities facilitates the accumulation of state capacity and promotes private economic activity. I test this argument using an original dataset on post-WWII population transfers in Poland. I find that homogeneous migrant communities were initially more successful in providing local public goods through informal enforcement, while heterogeneous migrant communities relied on the state for the provision of public goods. Economically similar during state socialism, heterogeneous communities registered higher incomes and entrepreneurship rates following the transition to a market economy. These findings challenge the predominant view of diversity as harmful to economic development.

Parallel Sessions:

11:00 – 13:00 - Session 1a. Media

Georgiy Syunyaev (Columbia University)

Public Attribution of Responsibility in Autocracies: Evidence from Russia

Correct attribution of responsibility for policy outcomes is one of the key assumptions underlying citizens' ability to hold politicians accountable: It allows citizens to use punishment and reward strategies to discipline politicians and to prevent them from introducing policies that contravene the preferences of the electoral majority. This project seeks to empirically assess whether (potentially biased) source of information can affect public perceptions of responsibility and government evaluation in non-democratic setting. That is to answer whether government which controls large part of media in autocracies, can effectively shift public attribution of responsibility and therefore allocation of blame and credit for public policy outcomes. To tackle this question I propose a panel factorial survey experiment, which exposes random subsets of residents of the largest municipality in Russia (the city of Novosibirsk) to the pre-recorded local TV news reports covering outcomes of and/or allocation of responsibility for local health care (HC) policy. The experiment allows me to assess (1) whether the framing of responsibilities affects citizens' attribution of blame for public policy outcomes to different tiers of government, and (2) whether the perceptions of the bias of the local media, knowledge of the information covered in the media and prior beliefs about the policy mediate the effects of such framing.

Quintin Beazer (Florida State University)

Diverting Attention: Media Coverage of Economic Conditions on Russian State-Controlled TV, 2003-2018

How do governments use media to shape perceptions about economic performance? Given the economy's importance to regime legitimacy, we argue that authoritarian governments have both the incentive and the ability to reduce news coverage of economic performance during protracted periods of economic decline or crisis. In this paper, we analyze 14 years of nightly news broadcasts from a state-controlled television

station in Russia, Channel One, to examine how the composition of pro-governmental news coverage changes in response to souring economic conditions. We identify three primary categories of news segments that act as replacements for news about a weak domestic economy: coverage of positive political events (pro-regime promotion), non-political human interest stories (filler), and negative foreign and international economic news (benchmarking).

Andrew Little (University of California, Berkeley, with Ryan Hubert, University of California, Davis)

Kompromat

Political actors often find it difficult to establish trust with one another. This hinders their ability to collaborate, potentially lowering the quality of policymaking and reducing social welfare more generally. We study a particular institution that is common in political settings: kompromat. Using a formal model, we demonstrate how the provision of kompromat can potentially improve policymaking. Counterintuitively, we show that kompromat works because it benefits the actor who is the subject of damaging information. We extend the analysis to show how kompromat reduces inefficiencies in a variety of contexts where political actors collaborate with one another, demonstrating the broad applicability of our findings.

Nikita Zakharov (University of Freiburg, with Günther Schulze, University of Freiburg)

Political Cycles in Media Harassment

This paper explores the political economy of media harassment in Russia. We use a unique monthly dataset on the incidents of media harassment in Russian cities between 2004 and 2017 to establish real political cycles driven by local elections. We find that harassment incidents are 54% more likely to occur during the two months before a local election - a period that coincides with the official period of the electoral campaign. The effect differs with respect to the type of local election: more important elections produce bigger cycles.

11:00 – 13:00 - Session 1b. Natural Resources and Authoritarian Policy-Making

Delgerjargal Uvsh (University of Wisconsin-Madison)

Reversal of the Resource Curse? Negative Revenue Shocks and Business Development in Russia

What is the effect of natural resources on economic development? Existing work focuses on one aspect of resource dependence—what happens when countries experience a positive revenue shock in the form of natural-resource windfall income. By comparison, we know little about how negative revenue shocks, an integral part of resource dependence, affect economic outcomes. I explore this question in this paper. I argue that steep decline in natural resource revenues (negative shocks) can provide a critical juncture for change and analyze the effect of two such shocks on private investment and small business entry in Russian regions. The first shock resulted from a tax reform in 2002 that centralized almost all of regional revenues from oil and gas to the federal government and thus dealt considerable blow to the budgets of Russia's oil- and gas-producing regions. I compare the effect of this institutionalized negative shock with that of the negative shock post-2014, which happened due to drop in oil and gas prices. Employing difference-in-differences research design on sub-national statistical data, I show that the first shock led to improvements in oil- and gas-producing regions' business and institutional environment and consequently increased the level of private investment in fixed capital and small business entry to market. In contrast, the post-2014 shock induced by world oil and gas price change did not stimulate such positive changes. The findings of this paper have strong implications for policy on how countries can combat the 'resource curse.'

*Olga Vasilyeva (Economic Research Institute, Far East Branch of the Russian Academy of Science),
Alexander Libman (Ludwig Maximilians University of Munich)*

Varieties of Authoritarianism Matter: Elite Fragmentation, Natural Resources and Economic Growth

A broad literature suggests that political regimes matter for the growth effect of natural resources. However, while several studies have concentrated on the difference between democracies and autocracies in this respect, an important topic overlooked so far is the differences between varieties of authoritarian regimes. This study uses the political variation across sub-national regions of the Russian Federation under Vladimir Putin to understand how differences in the extent of elite fragmentation in autocracies affect the influence of resource abundance on the economic growth in the short run. We find that polities with fragmented elites underperform those with consolidated elites and link this effect to higher intensity of rent-seeking and higher costs of fights over rents due to the shorter time horizon of the elite.

Andrey Yushkov (Indiana University and Leontief Centre)

Impact of Natural Resource Revenue Centralization on Economic Incentives: The Case of Russian Regions

This paper studies the effects of natural resource revenue centralization on economic (investment) incentives in Russian regions. In particular, I use a recent centralization policy implemented by the Russian federal government in the 2000s, which consolidated tax revenues from oil and gas in the federal budget but left unchanged the assignment of other natural resource revenues among different levels of government. Using a quasi-experimental setting and a generalized difference-in-differences model, I identify the causal relationship of interest and show that capital investment in treated regions decreased by ~9% within 4 years of policy implementation. Several robustness checks and potential explanations of underlying causal mechanisms are presented.

14:30 – 16:30 - Session 2a. Political Institutions, Policy Making and Civic Activism

Sasha de Vogel (University of Michigan)

Local Officials' Response to Local Socio-Economic Protest in Moscow, 2013-2018

When confronting political protests, governors in authoritarian states respond using repression, as agents of the regime, but when governors themselves are the target of socio-economic protest campaigns, their course is less clear. I argue that when protests obstruct national policy priorities, governors respond as agents of the state and attempt to demobilize protesters so policy implementation can occur. When protests interfere with opportunities for wealth extraction, governors respond as principals and work to demobilize protesters to avoid monetary losses. In these cases, because using repression against socio-economic protesters risks backlash, governors are more likely to make concessions. After offering concessions, the governor can renege, or deliberately fail to implement the promised concession, because citizens will struggle to replicate their earlier level of activism. I test this theory using an original dataset, Protest Campaigns of Moscow (PCoM), which contains observations on socio-economic protest campaigns held in Moscow, Russia, during Mayor Sergei Sobyanin's second term from 2013-2018. During this period concessions were made to socio-economic protest campaigns more often than they encountered repression, but reneging subsequently occurred in 61% of cases. I find evidence that protests that interfere with the governor's wealth extraction are significantly more likely to experience reneging than those that do not, while the relationship between national policy priorities and reneging is not supported.

Dmitrii Kofanov (University of Wisconsin–Madison)

Industrialization and Popular Unrest (the Case of the Late Russian Empire)

This paper considers relationships between industrialization, prevalence of landlord-dominated labor-dependent agriculture (Moore 1966, Albertus 2017) and peasant unrest using the case of the late Russian Empire, which experienced rapid industrialization since 1890s. Empirical analysis of an original district-level dataset covering European Russian Empire in the period 1879 - 1912 shows that lower rates of labor-dependent agriculture (inversely measured by the share of land in peasant communal ownership) were associated with lower unrest, while level of industrialization (in particular, in rural areas) might have been negatively correlated with lower unrest, but not in the districts which were already relatively industrialized. There seems to be no significant interaction effect between these variables.

Elizabeth Plantan (John F. Kennedy School of Government, Harvard University)

The Risk/Benefit Calculus of Authoritarian State-Society Interaction

Most modern authoritarian regimes stop short of fully repressing civil society and instead employ a range of responses from co-optation to encouragement to neglect. But why, how, and when do authoritarian leaders employ these different repertoires of control? This chapter, excerpted from a book project entitled *Threat or Benefit?: Environmental Activism in China and Russia*, provides a model for thinking about variation in state responses to civil society under authoritarianism. Using the idea of an authoritarian dilemma over information and control, I argue that state responses to civil society groups are driven by perceptions of their benefit or threat. To illustrate, the book uses the example of environmental activism in China and Russia. Despite China's more closed authoritarian system, I find that Chinese environmental groups have greater access to policymakers through informal channels, increasing access to the legal system, and are more able to contribute to governance. While in Russia, environmental groups are mostly excluded from governance, have fewer legal opportunities, and, as a result, often lean on mass mobilization and international ties. These differences can be explained by considering how environmental activism interacts with differences in political structure, national and local political economies, and major historical traumas. The argument for the book is based on evidence is drawn from over 13 months of qualitative fieldwork that resulted in more than 140 interviews with relevant actors in Russia and China.

Olga Gasparyan (University of Rochester)

Decentralization and Local Public Goods Provision: Evidence from Russian Cities

This paper exploits the variation in elected and appointed rules at the regional and local tiers of administration to show the heterogeneity in the city-level public goods outcomes. The theoretical mechanism describes the incentives of the local officials. I measure the provision of different types of goods through the publicly available contract data on the set of public and club goods. I explore how recentralization impacts the bidding process, the cost-efficiency of the procurement, and whether local firms can have access to these contracts. As the switching towards appointing procedures is not randomly assigned across the cities, I use the difference-in-difference analysis to test how the transition from elected to appointed procedures at both regional and local level over time influenced the procurement procedures and the locally financed contracts. I expect to see a heterogeneity across different types of the outcomes. I believe that in case of appointment procedures at both levels of administration, the emphasis is on the club rather than public goods, and there are fewer contracts given to the local firms. The presence of elections at any of these two levels, on the contrary, leads to more public goods contracts, more efficient procurements, and more allocation of the contracts to the local firms.

14:30 – 16:30 - Session 2b. Social Policy

Anna Zhang (Stanford University)

Stay West Young Han: Ethnic Riots and Inter-Ethnic Inequality

How do ethnic riots affect public sector wage and state-led fixed asset investment? This paper theorizes that wage and investment are excludable goods that can be used to induce desired services from the beneficiaries. For states seeking to extend power over minority-concentrated regions with an allegiant, politically dominant ethnic population, excludable goods can be used to incentivize the dominant group of the state to serve as state agents in regional power projection. I substantiate the theory using new sector- and subregional-level datasets from China. Causally identifying the effects of negative shocks to state control over minority regions using a difference-in-differences design, I find that the 2009 Uyghur minority riots in Xinjiang led to a disproportionate increase in public sector wage and fixed asset investment in Xinjiang relative to other Chinese provinces. The effects are strongest for economic sectors that exclusively employ ethnic Han and are key to the state's regional power projection – administration, propaganda, and security. The paper contradicts conventional wisdom which suggests that public finance is used to appease

the politically and economically disadvantaged ethnic group in the wake of ethnic riots by showing that an important subset of ethnic riots prompt public spending targeting the dominant ethnic group. It advances our understanding of why inter-ethnic inequality may still persist despite states' redistributive policy responses to ethnic riots.

Ekaterina Paustyan (Central European University)

The Politics of Redistribution: The Case of 2018 FIFA World Cup Russia

The present paper studies the case of the 2018 FIFA World Cup Russia to contribute to the literature on political transfers. It investigates the factors accounting for the selection of the World Cup venues. The analysis evaluates the “rewarding loyalty” hypothesis and the “political connections” hypothesis. It examines an interplay of such factors as the ability of regional elites to deliver high voting results and to keep stability in the regions, the administrative capacity of the regions, and lobbying power of the governors. The study employs fuzzy-set Qualitative Comparative Analysis (fsQCA) to detect necessary and sufficient conditions leading to the outcome. The analysis reveals that the administrative capacity of the regions and lobbying power of the governors are sufficient for the outcome. These results are in line with the “political connections” hypothesis and confirm that the regional governments in Russia play an essential role in directing the flows of federal transfers.

Sarah Wilson Sokhey (University of Colorado, Boulder, with Danilo Gjukovikj)

Institutional Quality & Social Policy Provision: The Cases of Macedonia & Croatia

How and why does institutional quality influence policy outcomes? We argue that poorly functioning governmental institutions—in particular a poorly functioning tax system—will inhibit public policy by altering both the type of public goods that are provided and the quality of those goods. In particular, where systems of tax collection are weak, we expect to see politicians provide short-term quick payouts instead of establishing well-functioning stable systems of social support. To evaluate our claims, we use a “most similar” case comparison of Croatia and Macedonia. We then use the Party Manifestos Dataset to evaluate the kinds of promises parties make in different institutional settings. Our paper has important implications for understanding more precisely how poorly functioning institutions influence policy outcomes.

Daniel Muck (Indiana University)

Renovation or Demolition? Perceptions of Property Rights in Moscow

Scholars studying the formation of beliefs have posited several mechanisms to account for the differences in beliefs people hold. Some emphasize the role of personal experiences, whereby beliefs are a consequence of social and market interactions; others grant a more active role of individuals for shaping their own or others' beliefs. This paper offers evidence of the former to explain differences in perceptions of property rights violations in a state-led housing renovation project in Moscow. This paper draws on original survey data collected in December 2018 to demonstrate the effects of participation in and support for the renovation on beliefs about property rights violations among Muscovites. The analysis finds that supporters of the program are far less likely than opponents to express concern about property rights violations. Moreover, opponents living in participating buildings are more likely than those living in excluded buildings to believe the renovation violates residents' property rights. These results have implications for considering the role of experiences in shaping ordinary citizens' preferences for and beliefs about private property rights in postcommunist societies

17:00 – 18:30 - Session 3a. Economics and Politics I

Timothy Model (Indiana University)

How Elite Loyalty Constrains Autocratic Anti-Corruption Purges

Existing research argues that autocrats use anti-corruption purges to stabilize their regimes by eliminating disloyal corrupt elites while keeping loyal corrupt elites in power. In many cases, however, autocrats

tolerate disloyal political elites. I ask what explains variation in the use of anti-corruption purges. I argue that the availability of loyal elites affects the autocrat's use of purges. I demonstrate that declining availability of potentially loyal replacement elites raises the cost associated with implementing elite purges. In turn, autocrats tolerate disloyal elites when there are few alternatives. I develop a repeated, non-cooperative formal theoretic model that illustrates the relationship between loyal elite availability and anti-corruption purges in autocratic contexts. The model produces expectations how elite availability conditions autocratic anti-corruption purges, demonstrating why autocrats are more hesitant to use purges under elite availability constraints. I leverage original annual data on Communist Party purges in the Soviet Union, 1917-1991, and individual-level network data on changes in the Soviet Politburo to show how elite availability constrains autocratic responses. I use Granger causality analysis to investigate the time-dependency of elite availability on purge intensity alongside an impulse response function and an error correction model to infer directionality and magnitude of changes in elite availability on anti-corruption purges. I use network analysis to identify cases of purges in Soviet history and conclude with a nested analytic narrative that details Stalinist anti-corruption purges. My findings demonstrate that as elite availability declines so too does the intensity of anti-corruption purges. These results highlight why autocrats may tolerate disloyal elites even when they threaten regime stability.

Maria Arbatskaya (Emory University, with Hugo M. Mialon, Emory University)

The Impact of the Foreign Corrupt Practices Act on Competitiveness, Bribery, and Investment

The Foreign Corrupt Practices Act (FCPA) prohibits U.S.-related firms from making bribes abroad. We analyze the FCPA's effects in a model of competition between a U.S. and foreign firm for contracts in a host country. If the FCPA only applies to the U.S. firm, it reduces that firm's competitiveness and either increases bribery by the foreign firm or reduces overall investment. If the FCPA also applies to foreign firms, it reduces bribery, and in host countries with high corruption levels, it increases investment. Our analysis of recent cases indeed shows that the FCPA is often enforced against foreign firms, and its enforcement is typically limited to activity in host countries with high corruption levels.

Dina Rosenberg (HSE, with Evgeny Sedashov, Binghamton University)

Political Determinants of Economic Backwardness: An Empirical Investigation

Economic backwardness, i.e. slow rates of technological progress in certain states, constitutes one of the central topics in political economy of development. Yet, researchers still have not reached a shared consensus regarding causes of technological stagnation. In this paper, we argue that firms can use two strategies to gain edge in competition: innovate themselves or block innovations developed by competitors. The choice between these two strategies is a function of a set of firm-level and institutional characteristics. At a firm level, state-owned firms tend to invest in blocking rather than innovate because marginal returns to blocking, especially via political connections, exceed those of investments in R&D. At a country level, democratic institutions incentivize firms' investment in innovations rendering returns from R&D higher than those from political connections because politicians in democracies are more limited in their abilities to arbitrarily block certain technologies. All else equal, a firm's decision to innovate is largely mediated by political institutions: while democratic settings incentivize firms to invest into innovations, authoritarian settings incentivize firms to block innovations. We employ Bayesian multi-level model that allows us to test both firm-level and country-level hypotheses within a unified framework and thereby provide one of the most comprehensive assessments of political determinants of economic backwardness. The empirical results corroborate our hypotheses.

17:00 – 18:30 - Session 3b. Economics and Politics II

Fabian Burkhardt (German Institute for International and Security Affairs – SWP)

Performance Management and the Implementation of Landmark Executive Orders: Evidence from Russia's 2012 May Decrees

Following Carey & Shugart's seminal work on executive decree authority, scholars strove to explain when and under what conditions presidents use decrees instead of laws for policy-making. While the use of decrees is tempting, bureaucratic responsiveness of agencies to presidential orders is not guaranteed, especially under conditions of multi-level governance. This paper leverages the 2012 'May Decrees' passed by the Russian president Vladimir Putin that were designed to foster socio-economic development to shed light on bureaucratic incentives for compliance. To explain the variation in implementation, I conduct a qualitative comparative case study. I select and compare 11 'donor regions' and theorize that the degree of implementation should be higher in regions with a higher quality of government. Based on an original measure comprised of the dimensions 'bureaucratic capacity' and 'autonomy', it indeed appears that the quality of government is related to implementation success. But it is also shown that 'management by numbers' and 'target regimes' create distortions both in terms of output and outcome that undermine development by decree.

Zuzana Fungáčová (Institute for Economies in Transition (BOFIT), Bank of Finland), Koen Schoors (Ghent University), Laura Solanko (BOFIT, Bank of Finland), and Laurent Weill (University of Strasbourg)

Politics and Banking in an Electoral Autocracy

We test the hypothesis of a political interference in election times in electoral autocracies. Electoral autocracies provide possibilities and incentives to exert pressure on banks, both state-owned and private, so that lending would increase before elections. We employ monthly data on individual banks to study whether Russian banks increase their lending before presidential elections during the period 2004-2018. We find that all Russian banks increase lending before presidential elections. This result stands for all loans but also separately for firm and household loans. State-owned banks do not significantly differ from private banks in their lending behavior in election times. We test that the increase of loans before elections is not related to exogenous economic events: the surge in loans is followed by higher amount of bad loans in the following year, while increased lending concerns predominantly larger banks and banks most involved in the lending activity. Our main conclusion is that all banks increase lending before presidential elections in the Russian electoral autocracy. This supports the view that the authorities in an electoral autocracy can influence lending of both private and state-owned banks.

Natalia Lamberova (University of California, Los Angeles)

The puzzling politics of R&D: signalling competence through risky projects

Technological development is an important prerequisite of economic growth, and has important implications for domestic politics. Governments direct a substantial share of GDP towards Research and Development expenditures, but such investments typically pay off with substantial lag. Unlike other long term government investment (such as infrastructure projects) they are not directly observed by citizens, and so are unlikely to contribute to incumbent's popularity. This presents a puzzle: why do incumbents invest substantial funds in projects that do not help them to stay in office, but will most likely pay off when their successor is in power. I build a game-theoretic model of incumbent's decision to support innovation in order to (1) raise his popularity by signaling his competence to voters or to (2) provide anticipation of future economic benefits for citizens. I test it with survey experiment in Russia and USA, with random vignettes stating that an incumbent invested heavily in R&D, education, and infrastructure, and short-term innovation. The respondents indicate the level of their support for the incumbent, their assessment of his competence and the economic expectations, should his policy succeed. I show that pro-R&D incumbents is seen as more competent as compared to pro-Infrastructure, pro-short-term innovation, and pro-education candidates in both Russia and USA. I corroborate other testable implications of the model with cross-country evidence.

8th ICSID Conference

“The Political Economy of Redistribution and Institutional Change”

June 14, 2019 (Friday)

10:00 – 11:00 - Invited Speaker: *Marko Klasnja (Georgetown University)*

The Causes and Consequences of Party Weakness

I discuss three related models of party weakness in (developing) democracies. By party weakness, we mean the low ability of parties to induce its electoral candidates to behave in ways desired by the party. Modeling the interactions between parties and candidates through processes of programmatic public good provision, credible commitment, monitoring, and sanctioning, we develop a number of results. First, parties are less able to develop a coherent programmatic brand and more likely to rely on charismatic (and less disciplined) candidates when electoral volatility is high, politics is polarized, or when office-holding is particularly consequential. Second, parties are less able to constrain non-programmatic policies by charismatic than the less-charismatic leaders once they are in office, especially when politics is polarized. Third, low ability to control candidates' career trajectories (pre- and when in office) can lead to systematic incumbency disadvantage---the inability to use incumbency to maintain office-holding---especially when office-holding is term-limited. This may in turn exacerbate the conditions that lead to party weakness in the first place. We find that these predictions are consistent with empirical patterns from a variety of contexts.

11:30 – 13:00 - Session 1. Historical Legacies in Russia

Guzel Garifullina (University of North Carolina at Chapel Hill and HSE), Kirill Kazantsev (HSE) and Andrei Yakovlev (HSE)

Regional elite networks and succession under personalistic regimes: a comparative case study of two Russian regions

We contribute to existing research on authoritarian regime stability by addressing the issue of succession in subnational personalistic regimes. We argue that regional elite characteristics determine whether it can be locally controlled, or central intervention occurs. We frame the relationship between the central government and the region as an exchange, in which each side has something that the other side wants. Furthermore, in a personalistic regional regime the regional leader acts as a focal point in this relationship and needs the support of the local elites to credibly commit to her bargaining position. We argue that the specific scenario of leader turnover is determined by two factors: the presence of a potential candidate with extensive personal connections in the regional elite, and elite unity. Only if these factors are simultaneously present, locally controlled succession can happen. Using a unique dataset containing biographical information about regional political elites in two similar Russian regions - Tatarstan and Bashkortostan - from mid-1990s to late 2000s, we identify informal networks among top regional officials and explain the diverging patterns of regime dynamics observed in the two republics in 2010 based on the structure and dynamics of elite networks.

Alexander Libman (Ludwig Maximilians University of Munich), Olga Vasilyeva (Economic Research Institute, Far East Branch of the Russian Academy of Science)

Communist Modernization, Pre-Communist Collapse and Democracy: Evidence from Baikal-Amur Mainline

The fundamental idea that modernization should lead to long-term demand for democratization has been frequently disputed in the context of the post-Communist countries. There is indeed substantial evidence that developmental policies implemented by Communist regimes did not result in comparable demand for democracy as similar processes in other contexts did. On the contrary, Communist regimes created a large social group dependent on the regime and characterized by strong paternalist and illiberal attitudes. We test

the impact of the Communist developmental drive on the long-term demand for democratization using a natural experiment of the construction of the Baikal-Amur Mainline (BAM) in the Russian Eastern Siberia and the Far East. BAM was a decade-long construction project that resulted in an establishment of a chain of new settlements along the BAM populated by the former inhabitants of the most developed part of the USSR. In our study, we compare the voting patterns in these settlements with voting patterns in other settlements in the same districts of the Far Eastern regions, and find that the BAM legacy is strongly associated with weaker support of the pro-Kremlin United Russia party. We link it to two possible theoretical mechanisms: the legacy of the human capital imported during the BAM construction and the legacy of the hardships of the 1990s, which had a particularly strong economic and psychological impact on the inhabitants of the BAM settlements due to their remote location and the massive loss of social status after the collapse of the Communist regime. We attempt to distinguish between these two mechanisms in our empirical analysis.

Will Pyle (Middlebury College)

Russians' "impressionable years": perestroika and Putin-era beliefs

This paper presents evidence that Russia's illiberal turn under Putin may, in part, be a legacy of the country's traumatic exit from communism. The paper uses survey evidence to connect individual experiences during the late-Gorbachev and early-Yeltsin years to beliefs espoused during the Putin era over a decade later. Drawing on the 2006 wave of the Life in Transition Survey, I show that a range of illiberal attitudes – including diminished support for markets and democracy – correlate with having experienced economic hardships, specifically wage cuts and/or arrears, in the half decade from 1989 to 1994. Subsequent labor market hardships, surprisingly, bear no such relationship to beliefs in 2006. While holding for Russia, this pattern is not evident elsewhere in the post-communist region. A preliminary hypothesis is that Russians experienced the exit from communism uniquely. The rapid disposal of old truths, the escalating dysfunction in the economy, and the spectacular dissolution of the Soviet empire made for a disorienting blend for the citizens of the country in which communism had first taken root. Life experiences during these years of instability, uncertainty, and, importantly, diminished status left a uniquely deep impression. Supplementary evidence from Waves 2 (1990) and 3 (1995) of the World Values Survey demonstrate that Russians experienced a dramatic relative decline during this period in their self-assessed sense of control over their own lives during this period.

14:30 – 16:30 - Session 2. Firms in Russia

Yuliya Rodionova (HSE), Andrei Yakovlev (HSE)

Factors Determining the Participation of Firms in Public Procurement in Russia

State demand is important for manufacturing enterprises in any economy. The value of this factor increases significantly in 'bad times' for national economy. Taking into account previous studies on Russia (Yakovlev & Demidova, 2010; Demidova & Yakovlev, 2012; Mironov & Zhuravskaya, 2016; Szakonyi, 2018) we assume that under harder budget constraints in corrupt environment firms with "political connections" will get access to public procurement contracts more often comparing to other bidders. To test this hypothesis we use data of two large surveys of manufacturing firms conducted by Institute for Industrial and Market Studies (IIMS) in 2014 and 2018. After the 2014-2015 crisis, government property gives the small firm no additional chances for receiving government orders. However medium and large manufacturing enterprises with government stakes retain their advantages in access to government orders. At the same time firm's assistance to local and regional authorities in the social development of a region has begun to positively influence their access to public procurement. We show that public procurement become more integrated into the "elite exchange model" in the relations between the state and business (Frye, 2002).

Andrey Tkachenko (Bocconi University and HSE)

Manipulation in procurement auctions for small business: evidence from Russia

Support of small business enterprises (SBE) through set-aside (SA) public procurement auctions, where only SBE can participate, is a common practice. Benevolent buyers can use SA auctions to attract more SBE, while corrupt buyers can restrict open competition through SA auctions and give advantage for predefined firms. This paper studies the choice of set-aside mechanism from buyers' behavioral perspective. I analyze more than 230,000 large public procurement auctions in Russia in 2011-2014. Exploiting an exogenous change in reserve price threshold for eligibility of SA auctions, I show that procurers deliberately manipulate with reserve price to run SA auctions. I detect that in auctions for construction works this manipulation increases probability of auction to be uncompetitive and to have only one bidder. For other types of works and services I do not detect adverse consequences of the manipulation.

Andrei Yakovlev (HSE), Denis Ivanov (HSE)

Political Connections and Investment Activity of Russian Firms: Survey Experiments Results

Connections between business and government bureaucrats are generally seen in the literature as a source of rents and a barrier to economic development. At the same time, practically all cases of successful catching up development involved, at their initial stages, preferences for entrepreneurs who had connections with the ruling political elite. We argue that connections between business and state officials are inevitable at early development stages of a market economy with "limited access orders" (North, Wallis and Weingast 2009, 2013). The main question is about the usage of these rents: are they being squandered on the elite's personal consumption or reinvested in productive activities? To determine how important connections to bureaucrats for Russian entrepreneurs are we have used list experiment design within the survey of 21,000 Russian firms conducted in 2017. We have found that 29% of entrepreneurs consider personal connections with regional and municipal bureaucrats in Russia as an important factor of their business development. Firms that made fixed capital investments in the previous year consider personal connections to bureaucrats to be more important: 37% say so among them vs. 27% among non-investing firms. However, connections to bureaucrats are significantly less important in the Russian regions in the top tier of the 2015 Investment Climate Rating, i.e. those with a low level of administrative costs of doing business. These findings comply with North, Wallis and Weingast theory envisaging several stages in development of limited access orders and their transition to "open access" through lengthy and gradual evolution of institutions.

Alexander Libman (Ludwig Maximilians University of Munich), Andrei Yakovlev (HSE)

Patriotism and Entrepreneurship: Is there a Crimean Consensus among Russian Enterprises?

Why does private business support the authoritarian rule? Most of the discussion in the literature concentrates upon the economic benefits entrepreneurs can extract from alliance with the non-democratic states. Yet it is possible that owners and managers of private companies embrace the policies of authoritarian states because they share the main premises of the dominant ideology. "Patriotic" business can back the authoritarian government even if it does not extract direct benefits from it; at the same time, it is also possible that ideological loyalty and access to rents mutually reinforce each other as factors increasing the support of the regime. This paper uses the results of a list experiment conducted as part of a large survey of about 1,800 Russian manufacturing companies carried out in autumn 2018 in about 60 regions to single out the characteristics of this possible group of "ideologically loyal" companies. The list experiment intended to estimate the extent to which individual companies share the belief that the accession of Crimea into the Russian Federation was a major positive factor in the recent Russian development. Overall, we find a consistent pattern of features of the companies embracing the "Crimean consensus" in terms of the industry, location and ownership structure.

June 15, 2019 (Saturday)

10:00 – 11:30 – Session 3. Bureaucracy in Russia

Ora John Reuter (University of Wisconsin-Milwaukee, HSE), Michael Rochlitz (University of Bremen), Noah Buckley (New York University – Abu Dhabi, HSE), Anton Aisin (HSE)

Staying Out of Trouble: Criminal Cases against Russian Mayors

Anti-corruption campaigns are a frequent occurrence in authoritarian regimes. And yet we know little about which elites are targeted in such campaigns. In particular, in recent years, regional political elites in Russia have increasingly been targeted for criminal prosecution. This paper uses an original data set on the prosecution of mayors in large Russian cities to examine the factors that make elites more likely to be targeted. Our dataset provides the first comprehensive picture of this phenomenon. There several proximate causes for such arrests---e.g. political repression, actual wrongdoing, and local elite conflict---so we focus our exploratory analysis on the factors that give elites protection from arrest. Specifically, we focus on how factors such as political connections, regime loyalty, popularity, and political competence affect the likelihood that a mayor is prosecuted.

David Szakonyi (George Washington University, HSE)

Candidate Filtering: The Strategic Use of Electoral Fraud in Russia

Governments have many tools at their disposal to tip competitive electoral races in their favor. But we know little about when and why officials employ different strategies. This paper argues that electoral malpractice centered on manipulating institutions helps shield incumbent government from public anger and criminal prosecution. To demonstrate this, I focus the analysis on one controversial but widespread institutional tactic: the use of registration rules to filter certain candidacies. First, I show survey experimental evidence that voters respond differently to institutional manipulations versus more blatant forms of fraud, such as ballot-stuffing. Next I argue that because incumbents face lower costs from blocking candidates, they are able to strategically deploy this type of fraud to win competitive races. Evidence in support of this argument comes from 22,288 mayoral races in Putin-era Russia. Candidates filtering is more likely when incumbents sense electoral vulnerability or face credible challengers to their rule. Taken together this article suggests that the technology of electoral malpractice helps determine when and how incumbents regimes violate electoral integrity.

Noah Buckley (New York University – Abu Dhabi, HSE)

Only the Best People: Loyalty, Competence, and Connections in Russian Elite Networks

Autocratic leaders face a well-known tradeoff between the loyalty and the competence of their subordinates (Egorov and Sonin 2011; Zakharov 2016). However, personal connections between those subordinates can also comprise a threat to loyalty to the dictator. In this paper, I develop a theory that incorporates personal connections into the loyalty-competence dilemma. I show that regime members who have high levels of competence and good connections are very threatening to loyalty, as they can more easily coordinate against the dictator, are well-informed, and may serve gatekeeping roles. Regime members who are connected but have lower levels of competence are, in contrast, easily co-opted into the regime and are unable to select winners in a rebellion. I test this theory using comprehensive social network data on all Russian federal-level political elites from 2000-2012. Incorporating measures of competence and network centrality into panel regressions and temporal ERGM social network analysis, I demonstrate the risks and rewards that personal connections can generate in autocracies. These findings contribute to literatures on coup-proofing and the roles of institutions in autocratic survival and authoritarian power-sharing (Svolik 2012).

12:00 – 14:00 - Session 4. Social Policy in Russia

Israel Marques II (HSE), Ekaterina Borisova (HSE), Koen Schoors (Ghent University), Sarah Wilson-Sokhey (University of Colorado, Boulder)

Corruption and Support for Redistribution

Who supports redistribution when institutional quality is weak and the state is widely viewed as corrupt? Existing work preferences for redistribution has largely been carried out in the well-developed countries of the OECD, where institutions are (as a rule) strong, however. In this paper we argue that weak institutions matter for social policy preferences by creating differences between de jure expectations about social policy and de facto benefits. We explore the consequences of a specific symptom of poor institutions – corruption – for preferences over a specific aspect of the welfare state: redistribution. On the one hand, corruption may serve as a tax on social policy. On the other hand, corruption may make social policy more desirable by creating perceptions of unfairness in the economy. Faced with a tilted economic playing field in favor of those who can afford or resist bribes, average individuals prefer social policy as an insurance against uncontrollable income costs. To test these competing theories, we make use of a simple laboratory experiment conducted in Belgium, the US, and Russia to isolate how the mechanisms by which corruption functions shape preferences. We then test the external validity of our results using survey data from recent waves of the LiTS survey. Our work has important implications for understanding how corruption shapes preferences over government interventions in the economy, generally, as well as for support for the social safety net, in particular.

Amanda Zadorian (HSE)

Redistributive or Financial Rentierism? Russian Social Policy, 2004-2014

How 'rentier' was Russian social policy during the commodity price boom? In the years 2004-2014, the Russian government was persistently described as dependent on oil revenues to fund its popular support. This narrative has its origins in the academic literature on the rentier state. However, studies of Russian pension, education, and housing policy have shown that these reforms were market-oriented and often emulative of international best practice, rather than broadly redistributive in the manner predicted by rentier state theory. In response to this disconnect, the paper takes up an alternative understanding of rentier - the financial rentier of classical and Keynesian political economy - to theorize a rentier social contract oriented not towards provision of services but towards the fostering of competitiveness. The financial-rentier social contract is one in which individuals accept more risk in exchange for the opportunity to gain higher economic rewards. It links individual opportunity with the international economic standing of the country. It remains a rentier social contract in that it depends on the generation of rents in the form of dividends, and in that it tends to undermine democratic forms of accountability in favor of financial and professional benchmarking. The paper weighs the evidence for redistributive rentierism versus financial rentierism as an appropriate characterization of Russian social policy since 2004. It concludes with some implications for theories of authoritarian stability and regime legitimation more broadly.

Ekaterina Borisova (HSE), Regina Smyth (Indiana University), Alexei Zakharov (HSE)

Unexpected Consequences of Policy-Making: Social Capital and Housing Renovations Program in Russia

Many theoretical and empirical works show positive impact of social capital on development and well-being, others establish destructive influence of historical events on the current levels of social capital. Fewer papers pay attention to the creation of social capital in spite of the pronounced importance of this question. This paper employs renovation housing policy in Moscow to show its effect on the social capital of homeowners. We use original survey of 2000 Muscovites provided in 2018 and exploit the fact that buildings were originally selected by the city without popular input, making inclusion plausibly exogenous from the standpoint of individuals. We therefore take advantage of the initial assignment of buildings to compare those that were included to residents of similar nearby buildings that were never eligible in order to gain leverage over the question of how inclusion shaped social capital, i.e. trust, norms, and networking

with neighbors. We do find significant positive effects of the program on many social capital variables. Thus we not only contribute to the literature on social capital formation but also show that even authoritarian policy making that was not intended to increase social capital may actually [do this](#).

Alexei Zakharov (HSE), Israel Marques II (HSE)

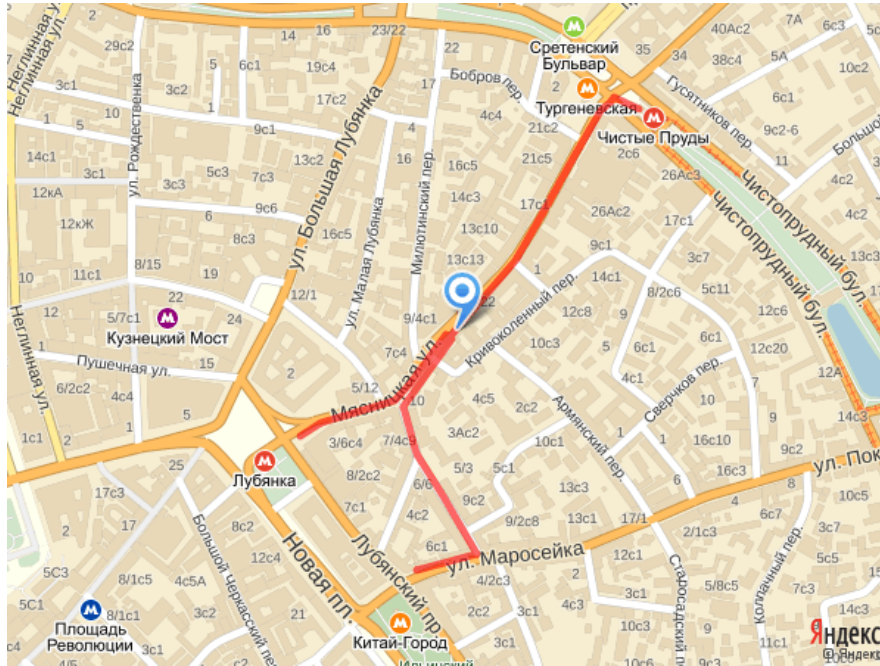
Past Experiences and Current Preferences for Redistribution: Evidence from The Moscow Housing Renovation Project

How do experiences with specific social policy programs shape preferences towards general redistribution? Existing work has provided mixed results on how previous experiences with social policy shape current preferences. On the one hand, some cite a strong relationship between receiving current or past social policy benefits and support for redistribution. Here beneficiaries support redistribution because they suspect they will need such programs in the future. On the other hand, a recent body of work problematizes the relationship by identifying a number of individual level characteristics – life experiences, partisan attachments, or ideological orientation – that mediate the relationship. We test these perspectives, but also explore how heterogeneity in perceptions and evaluations of social programs shape the possibility that attitudes about them spillover to both general preferences for redistribution and to other specific social policy programs. We test these perspectives using an original survey that exploits a unique social policy intervention in Moscow, Russia, in which the authorities demolished the apartments of some city residents and gave them replacements. We take advantage of the quasi-exogenous (from the standpoint of residents) initial assignment of buildings to the program in order to compare those that were included to residents of similar nearby buildings that were never eligible. Our findings shed light on how and why social policy preferences can shift due to experiences with social policy reform.

Conference venue

The conference will take place at Higher School of Economics.

Address: 20 Myasnitskaya St., Moscow, 101000, Russia.



How to get there?

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

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

Lubyanka metro station: Exit to Myasnitskaya Ulitsa, which you should follow. The destination will be on your right. Estimated travel time: 5 minutes.

Chistye Prudy and Turgenevskaya metro stations: Exit to Myasnitskaya Ulitsa, which you should follow towards the city center. The destination will be on your left. Estimated travel time: 5 minutes.

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

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