

10th Workshop on Political Economy

From 25/Nov/2016 to 26/Nov/2016 in Dresden

Organizers

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Jointly organized workshop by CESifo, the Center of Public Economics at TU Dresden and the ifo Institute for Economic Research Dresden.

Conference venue

ifo Dresden
Einsteinstraße 3
01069 Dresden
Germany

Preliminary program

Friday, 25 November 2016

12.45 - 13.00 Welcome Address

13.00 - 18.00 Working Group Sessions

18.15 - 19.15 Keynote Lecture

RAGNAR TORVIK (NTNU Trondheim & CAMP)

20.00 Conference Dinner

Saturday, 26 November 2016

09.30 - 12.00 Working Group Sessions

12.15 - 13.15 Keynote Lecture

ROLAND HODLER (SIAW-HSG University of St.Gallen)

14.00 - 14.45 Working Group Sessions

14.45 End of Conference



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University of Technology
Cottbus - Senftenberg



Friday, 25 November, 2016

Welcome Address

12.45 -13.00 CHRISTIAN LESSMANN (TU Braunschweig)

Working Group Sessions 1 and 2

- 13.00 - 14.30 **Linguistic Diversity** (room 1.5) **Linguistic Diversity, Official Language Choice and Nation Building: Theory and Evidence**
 RAJESH RAMACHANDRAN (Goethe University Frankfurt)
Discussant: t.b.a. (abc)
- Cultural Diversity and Economic Performance**
 CHRISTIAN RULFF (RWI, Ruhr University Bochum)
Discussant: t.b.a. (abc)
- Institutions** (room 1.7) **Resistance to Institutions and Cultural Distance Brigandage in Post-Unification Italy, 1861-1865**
 TOMMASO ORLANDO (Bocconi University, Bank of Italy)
Discussant: t.b.a. (abc)
- How do Political Institutions Affect Fiscal Capacity? Explaining Taxation in Developing Economies**
 ANTONIO SAVOIA (University of Manchester)
Discussant: t.b.a. (abc)

Coffee Break

Working Group Sessions 3 and 4

- 14.45 - 16.15 **Fractionalization** (room 1.5) **The Economics of State Fragmentation: Assessing the Economic Impact of Secession**
 JAKOB VANSCHOONBEEK (University of Leuven)
Discussant: t.b.a. (abc)
- The Geography of Linguistic Diversity and the Provision of Public Goods**
 JOSEPH GOMES (Universidad de Navarra)
Discussant: t.b.a. (abc)
- Conflict** (room 1.7) **The Effect of Migration on Terror – Made at Home or Imported from Abroad?**
 PAUL SCHAUDT (Leibniz University Hannover)
Discussant: t.b.a. (abc)
- Grievance meets Opportunity: Economic Shocks, Spatial Inequality and Civil Conflicts**
 MELVIN WONG (Leibniz University Hannover)
Discussant: t.b.a. (abc)

Coffee Break

Working Group Sessions 5 and 6

- 16.30 - 18.00 **Natural Resources** (room 1.5) **Competition for Natural Resources and the Hold-Up Problem**
 SEBASTIAN KESSING (University of Siegen)
Discussant: t.b.a. (abc)
- Natural Resources in Ethnically Divided Countries: A Blessing for Regions, but a Curse for Nations**
 ARNE STEINKRAUS (TU Braunschweig)
Discussant: t.b.a. (abc)
- Italy 1** (room 1.7) **The Economics of Politics: Patronage and Political Selection in Italy**
 FEDERICO QUARESIMA (Università Politecnica delle Marche)
Discussant: t.b.a. (abc)
- Dynasties and the Political Budget Cycle**
 PAUL VERTIER (Sciences Po Paris)
Discussant: t.b.a. (abc)

Coffee Break

Keynote Lecture I

18.15 - 19.15 **Institutions and their Evolution**

(room 1.5)

RAGNAR TORVIK (NTNU Trondheim & CAMP)

Chair: Christian Lessmann (TU Braunschweig)

20.00

Conference Dinner at the Restaurant "Café & Restaurant Alte Meister"

Saturday, 26 November 2016

Working Group Sessions 7 and 8

09.30 - 10.15

Bureaucracy

(room 1.5)

Delegation of Regulation

TORE NILSSEN (University of Oslo)

Discussant: t.b.a. (abc)

Political Responsiveness

(room 1.7)

Youth Enfranchisement, Political Responsiveness, and Education Expenditure: Evidence from the U.S.

FRANCESCO LANCIA (University of Vienna)

Discussant: t.b.a. (abc)

Coffee Break

Working Group Sessions 9 and 10

10.30 - 12.00

Italy 2

(room 1.5)

Mafia, Elections and Political Violence

GIANMARCO DANIELE (University of Barcelona)

Discussant: t.b.a. (abc)

Exposition to Corruption and Political Participation: Evidence from Italian Municipalities

TOMMASO GIOMMONI (Bocconi University)

Discussant: t.b.a. (abc)

Persistence of Attitudes

(room 1.7)

Reactivated History – The Turkish Sieges of Vienna and anti-Muslim Campaigns

CHRISTIAN OCHSNER (ifo Dresden)

Discussant: t.b.a. (abc)

Minorities and Long-run Development: Persistence of Armenian and Greek Influence in Turkey

GUNES GOKMEN (New Economic School, Moscow)

Discussant: t.b.a. (abc)

Coffee Break

Keynote Lecture II

- 12.15 - 13.15 **Ethnic Geography: Measurement and Evidence**
(room 1.5)
ROLAND HOLDER (SIAW-HSG at the University of St.Gallen)
Chair: Gunther Markwardt (TU Dresden)

Lunch Break

Working Group Sessions 11 and 12

- 14.00 - 14.45 **Campaign Spending** **Using Political Financing Reforms to Measure Campaign Spending Effects on Electoral Outcomes**
(room 1.5) MICHAEL VISSER (University of Paris)
Discussant: t.b.a. (abc)
- Preferences for redistribution** **Experienced Inequality and Preferences for Redistribution**
(room 1.7) JOHANNES WOHLFART (Goethe University Frankfurt)
Discussant: t.b.a. (abc)

Keynote Lectures

Friday, 25 November 2016, 18.15 – 19.15, Room 1.5

Institutions and their Evolution

RAGNAR TORVIK
(NTNU Trondheim & CAMP)

Saturday, 26 November 2016, 12.15 – 13.15, Room 1.5

Ethnic Geography: Measurement and Evidence

ROLAND HOLDER
(SIAW-HSG at the University of St.Gallen)

Working Group Sessions

Friday, 25 November 2016, 13.00 – 14.30, Room 1.5

Linguistic Diversity, Official Language Choice and Nation Building: Theory and Evidence

DAVID D. LAITIN / RAJESH RAMACHANDRAN
Stanford University / Goethe University Frankfurt

The paper provides a theoretical framework and empirical evidence to analyze how linguistic diversity affects socio-economic development through the channel of official language choice. We model the process of official language choice for post-colonial societies and highlight two factors affecting this choice - linguistic diversity and availability of a writing tradition. It is shown that increasing linguistic diversity reduces the probability of installing an indigenous language, and increases the probability of choosing the colonial language as official. Similarly, unavailability of a written indigenous language, by imposing an additional fixed cost, increases the probability of retaining the colonial language. Using both OLS and instrumental variable strategies, we find strong support in the data for our theoretical framework. We explore the consequences of this unaccounted for relationship between diversity and official language choice for the cross-country empirical literature on diversity and development, and show that a large proportion of the negative effects attributed to diversity are mediated through the channel of language policy. Finally, we show how our theoretical framework can be usefully applied to studies on artificial states and nation building.

Keywords: coordination game, language policy, linguistic diversity, nation building

JEL Classification: C7, H4, O10, P16

Cultural Diversity and Economic Performance

JULIA BREDTMANN / SEBASTIAN OTTEN / CHRISTIAN RULFF
RWI, IZA / RWI, University College London / RWI, Ruhr University Bochum

Previous research has stressed out the importance of ethnic and linguistic diversity for political and economic outcomes, which has been shown to negatively affect economic performance, to foster the onset of armed conflicts, and to lower the provision of public goods. We contribute to this literature by proposing a new measure of linguistic diversity, which accounts for the linguistic dissimilarity between linguistic groups within a country. The linguistic dissimilarity between specific groups serves as a proxy for their degree of social antagonism, which in turn affects economic development. In our empirical analysis, we test whether our new measure of cultural diversity is able to explain variation in economic performance, redistribution, government consumption, and civil conflict across countries. The results reveal that compared to usual measures of linguistic diversity, our measure tends to better capture the cultural distance between different groups forming our society.

Keywords: cultural diversity, linguistic distance, growth, redistribution, government consumption, civil conflict

JEL Classification: O5, Z1

Friday, 25 November 2016, 13.00 – 14.30, Room 1.7

Resistance to Institutions and Cultural Distance: Brigandage in Post-Unification Italy, 1861-1865

GIAMPAOLO LECCE / LAURA OGLIARI / **TOMMASO ORLANDO**
Yale University / Bocconi University / Bank of Italy, Bocconi University

Keywords:

JEL classification:

How Do Political Institutions Affect Fiscal Capacity? Explaining Taxation in Developing Economies

ROBERTO RICCIUTI / **ANTONIO SAVOIA** / KUNAL SEN
University of Verona, CESifo / GDI, University of Manchester / GDI, University of Manchester

A central aspect of institutional development in developing economies is building tax systems capable of raising revenues from broad tax bases, i.e., fiscal capacity. While this is recognized as pivotal for economic development, it is less clear what explains cross-country differences in fiscal capacity. We focus on political institutions, seen as stronger systems of checks and balances on the executive. Exploiting a recent database on public sector performance in developing economies and an Instrumental Variable strategy, we identify their long-run impact, distinguishing between their effects on the accountability and transparency of tax systems (impartiality) and their effectiveness in extracting revenues. We find that stronger constraints on the executive foster the impartiality of tax systems. However, there is no robust evidence that they also improve their effectiveness. The impact of executive constraints on the impartiality dimension works through the rule of law and the performance of the bureaucracy.

Keywords: state capacity, fiscal capacity, governance, institutions, economic development

JEL classification:

Friday, 25 November 2016, 14.45 – 16.15, Room 1.5

The Economics of State Fragmentation: Assessing the Economic Impact of Secession

JO REYNAERTS / **JAKOB VANSCHOONBEEK**

University of Leuven / University of Leuven

This paper provides empirical evidence that declaring independence significantly lowers per capita GDP based on a large panel of countries covering the period 1950-2013. To do so, we rely on a semi-parametric identification strategy that controls for the confounding effects of past GDP dynamics, anticipation effects, unobserved heterogeneity, model uncertainty and effect heterogeneity. Our baseline results indicate that declaring independence reduces per capita GDP by around 20% in the long run. We subsequently propose a novel quadruple-difference procedure to demonstrate the stability of these results. A second methodological novelty consists of the development of a two-step estimator to shed some light on the primary channels driving our results. We find robust evidence that the adverse effects of independence increase in the extent of surface area loss, pointing to the presence of economies of scale, but that they are mitigated when newly independent states liberalize their trade regime or use their new-found political autonomy to democratize.

Keywords: independence dividend; panel data; dynamic model; synthetic control method; difference-in-difference; triple-difference; quadruple-difference; two-step approach

JEL classification: C14, C32, H77, O47

The Geography of Linguistic Diversity and the Provision of Public Goods

KLAUS DESMET / **JOSEPH GOMES** / IGNACIO ORTUNO-ORTIN

SMU / Universidad de Navarra / UC3M

This paper theoretically analyzes and empirically investigates the importance of local interaction between individuals of different linguistic groups for the provision of public goods at the national level. Depending on whether local interaction mitigates or reinforces antagonism towards other groups, the micro-founded theory predicts that a country's provision of public goods is decreasing in its overall linguistic fractionalization and either increasing or decreasing in how much individuals locally learn about other groups in the society at large. After developing a high-resolution dataset on language use for all countries of the world, we construct measures of overall fractionalization and local learning and investigate their relation to public good provision at the country level. While overall fractionalization is associated with poorer provision of public goods, local learning improves outcomes.

Keywords:

JEL classification:

Friday, 25 November 2016, 14.45 – 16.15, Room 1.7

The Effect of Migration on Terror – Made at Home or Imported from Abroad?

AXEL DREHER / MARTIN GASSEBNER / **PAUL SCHAUDT**

University of Heidelberg, KOF, University of Goettingen, CESifo, IZA / University of Hannover, KOF, CESifo / University of Hannover

Following the terrorist attacks of September 11, 2001 ("9/11"), policy-makers around the western world introduced restrictive immigration laws to reduce the perceived threat of future terrorist attacks on their soil. These restrictive laws are still in place 15 years after 9/11. While it is true that terrorist attacks are sometimes carried out by foreigners living in the country they attack, there is no evidence that terror is a systematic consequence of immigration. In this paper we therefore empirically investigate the hypothesis that the stock of foreigners residing in a country leads to a larger number of terrorist attacks. Our instrument for the stock of foreigners relies on the time-varying importance of structural characteristics between the country of origin and the host, controlling for these characteristics themselves and fixed effects for years. Using dyadic data for 20 OECD host countries and 184 countries of origin over the 1980-2010 period we find foreigners to be less likely to become terrorists compared to citizens of the host country. This result holds for foreigners coming from civil war countries, Muslim countries, terrorist countries, and countries with ethnic tensions. We find that high unemployment and low economic growth in the host country increases the probability that foreigners turn violent. We thus conclude that host country policies are key to fight terror.

Keywords: terrorism, migration, migration policy

JEL classification: D74, F22, F52, P48

Grievance Meets Opportunity Economic Shocks, Spatial Inequality and Civil Conflicts

RICHARD BLUHM / **MELVIN H. L. WONG**

Leibniz University Hannover, Maastricht University / Leibniz University Hannover

Do economic shocks lead to more conflict in unequal societies? We analyze if local negative economic shocks have a larger effect on conflict in societies with a greater degree of spatial or ethnic inequality than in societies where group identities do not coincide with large spatial differences in living standards. We combine several geospatial data sources to answer this research question at the country, region and grid-cell level. Inequality between regions and ethnic groups is measured by the Gini coefficient of average nighttime light intensities (as a proxy for income). Economic shocks at the local level are measured as changes in world imports of agricultural commodities (external demand) distributed across space depending on the crop suitability of a particular region. First results indicate that the effect of shocks at the local level is indeed moderated by between-group and between-region inequalities. Greater inequality between regions increases the effect of a negative income shock on the probability of conflict, less inequality softens the blow.

Keywords:

JEL classification:

Friday, 25 November 2016, 16.30 – 18.00, Room 1.5

Competition for Natural Resources and the Hold-Up Problem

CARSTEN HEFEKER / **SEBASTIAN G. KESSING**

University of Siegen, CESifo / University of Siegen, CESifo

We study the role of competition for the hold-up problem in foreign direct investment in resource-based industries. The host country government is not only unable to commit not to expropriate investment ex post, but is also unable to commit to the provision of local resources. In the case of competition for local resources this dual commitment problem triggers higher investment levels and increases host country revenues, but hurts profits of international investors.

Keywords: foreign direct investment, natural resources, hold-up problem

JEL classification: F21, F23, Q34.

Natural Resources in Ethnically Divided Countries: A Blessing for Regions, but a Curse for Nations

CHRISTIAN LESSMANN / **ARNE STEINKRAUS**

Technische Universität Braunschweig, Ifo Institute, CESifo / Technische Universität Braunschweig

In this paper we study whether the spatial distribution of natural resources across different ethnic groups within countries impedes spatial inequalities, the incidence of armed conflicts, and the national economic performance. By providing a theoretical rent-seeking model and analyzing a set of geo-coded data, that contains the geolocation of mines, night-time light emission, local population and ethnic homelands, we show that the distribution of resources is a major driving factor for ethnic inequality and, thus, induces rent-seeking behaviour. Consequently, we extend the perspective of the resource curse in explaining cross country differences in economic performance and the onset of civil conflicts.

Keywords:

JEL classification:

Friday, 25 November 2016, 16.30 – 18.00, Room 1.7

The Economics of Politics: Patronage and Political Selection in Italy

FEDERICO QUARESIMA / FABIO FIORILLO

Università Politecnica delle Marche / Università Politecnica delle Marche

This article investigates the patronage phenomenon in the Italian, so called, Second Republic. In particular, the analysis argues that (ex) members of parliament are appointed to managerial boards in Italian (partially) state-owned enterprises responding to political selection rationales. Indeed, direct political connections could be conceptualized as an instrument to control and reward politicians' loyalty throughout a legislature. Especially in a majoritarian electoral system, where the interests of political parties and districts may diverge, the former would need patronage resources to assure themselves members of parliament loyalty when casting ballots. The results of the empirical investigation suggest that parliamentarians' loyalty does play a role in patronage appointments as well as the electoral result in the next electoral competition.

Keywords: SOE, patronage, political selection, exit strategy

JEL classification: D72, D73

Dynasties and the Political Budget Cycle

GIANMARCO DANIELE / PAUL VERTIER

University of Barcelona / Sciences Po Paris

In this paper, we provide a wide set of results which point toward a better understanding of the role of political dynasties in a representative democracy. Our empirical analysis focuses on local politics in Italy, using a large sample of mayors and mayoral candidates in the period 1998-2012. We highlight the relevance of dynasties in the political arena, in terms of electoral performances and self-perpetuation. However, our main contribution is a test of whether dynastic politicians enforce different policies. Based on three different specifications (panel fixed-effects, standard regression discontinuity design on close elections and propensity-score matching), we find no effect of dynastic mayors on average spending, revenues and transfers. Conversely, we show that dynastic mayors increase spending and obtain higher transfers during the year prior to election, especially when they can run for re-election. We then discuss the mechanisms which might explain such strategic behavior.

Keywords:

JEL Classification:

Saturday, 26 November 2016, 09.30 – 10.15, Room 1.5

Delegation of Regulation

TAPAS KUNDU / TORE NILSSEN

University of Tromsø / University of Oslo

We develop a model to discuss a government's incentives to delegate to bureaucrats the regulation of an industry. The industry consists of a polluting firm with private information about its production technology. Implementing a transfer-based regulation policy requires the government to make use of a bureaucracy; this has a bureaucratic cost, as the bureaucracy diverts a fraction of the transfer. The government faces a trade-off in its delegation decision: bureaucrats have knowledge of the firms in the industry that the government does not have, but at the same time, they have other preferences than the government, so-called bureaucratic drift. We study how the bureaucratic drift and the bureaucratic cost interact to affect the incentives to delegation. Furthermore, we discuss how partial delegation, i.e., delegation followed by laws and regulations that restrict bureaucratic discretion, increases the scope of delegation. We characterize the optimal partial delegation rule and show that three different regimes can arise in equilibrium. These three regimes differ in the extent of bureaucratic discretion and the type of regulation policy that is in effect. Bureaucratic discretion typically reduces along with bureaucratic cost and bureaucratic drift, but the regulation policy changes in a non-monotonic way. Our analysis has normative implications for how a government should design its delegation.

Keywords: bureaucracy, delegation, regulation, procurement, corruption

JEL classification: D02, H10, L51

Saturday, 26 November 2016, 09.30 – 10.15, Room 1.7

Youth Enfranchisement, Political Responsiveness, and Education Expenditure: Evidence from the U.S.

GRAZIELLA BERTOCCHI / ARCANGELO DIMICO / FRANCESCO LANCIA / ALESSIA RUSSO

University of Modena and Reggio Emilia CEPR, DGI and IZA / Queen's University Belfast / University of Vienna / University of Oslo

This paper studies the effect of the introduction of preregistration laws, which allow young citizens to register before being eligible to vote, on public education spending in the United States. Since preregistration laws have been introduced in different states in different years, these events have generated exogenous variation across space and time in the exposure of young voters to the new electoral reforms. First, employing a difference-in-differences regression design, we establish that preregistration shifts state level government spending toward higher education, to the benefit of the newly-enfranchised young voters. The magnitude of the increase is higher when inequality and the share of young are larger. Second, exploiting a county pairs regression design over micro-data on higher education institutions, we confirm a positive effect of preregistration on the share of state grants and their recipients, respectively over total student financial aid and its recipients. Finally, consistent with a political economy model, we show that preregistration laws promote a sizeable de facto enfranchisement effect for young voters, especially from poor families, which represents a channel through which this electoral reform affects economic outcomes.

Keywords: enfranchisement, preregistration, public education expenditure, political responsiveness

JEL Classification: D72, H52, P16

Saturday, 26 November 2016, 10.30 – 12.00, Room 1.5

Mafia, Elections and Political Violence

GIANMARCO DANIELE / GEMMA DIPOPPA

University of Barcelona / University of Pennsylvania

Organized crime uses political violence to influence politics in a wide set of countries. This paper exploits a novel dataset of attacks directed towards Italian local politicians to study how (and why) criminal organizations use violence against them. We test two competing theories to predict the use of violence i) before elections, to affect the electoral outcome and ii) after elections, to influence politicians from the beginning of their term. We provide causal evidence in favor of the latter hypothesis. The probability of being a target of violence increases in the weeks right after an election in areas with a high presence of organized crime, especially when elections result in a change of local government.

Keywords:

JEL classification:

Exposition to Corruption and Political Participation: Evidence from Italian Municipalities

TOMMASO GIOMMONI

Bocconi University

The aim of this paper is to study the effect of local corruption on political participation which is mediated by the press. Focusing on Italy for the period 1997-2014, we generate a daily measure of exposition to local corruption screening newspaper articles of the main Italian press agency. We concentrate on local elections and, in an event-study analysis, we find two main results. On the one hand, corruption exposition affects citizens participation: voter turnout decreases, and the effect is stronger for cities that are large, located in the centre-north and with higher newspaper circulation levels and past participation; then, it does not lead to selection of better politicians; on the other hand, it impacts politicians participation: number of candidates reduces and this is associated with a reinforcement of old local political class as well as a reduction in electoral competition. These results suggest that corruption exposition produces resignation rather than retaliation in several aspects of political participation.

Keywords:

JEL classification:

Saturday, 26 November 2016, 10.30 – 12.00, Room 1.7

Reactivated History – The Turkish Sieges of Vienna and anti-Muslim campaigns

CHRISTIAN OCHSNER / FELIX RÖSEL

ifo Dresden / ifo Dresden

We show that voting for the extreme right increases when the collective historical memory of voters meets xenophobic populism. We thus provide first evidence that social norms and attitudes can be reactivated. We collect data based on various types of sources (historical maps and books, municipal and church chronicles, as well as Wikipedia entries) to indicate whether a municipality has an historical record with Turkish violence during the Sieges of Vienna. We find a divergence of anti-Muslim votes in formerly pillaged municipalities after the right-wing populist Freedom Party of Austria run anti-Muslim campaigns from 2005 onwards, but not for the decades before. These results demonstrate that long-gone historical circumstances irrelevant or even forgotten for decades and centuries can be reactivated and show up in current socio-economic variables. Our finding might challenge the implications of studies about persistent differences in local social norm and social trust. Reactivation rather than persistency of norms, beliefs and attitudes will imply a complete different channel of how societies evolved and interact.

Keywords: persistency, collective memory, visual history, right-wing populism, voting, Turkish Siege, pillage, Austria

JEL classification: D72, N43, N44, Z13

Minorities and Long-run Development: Persistence of Armenian and Greek Influence in Turkey

CEMAL EREN ARBATLI / GUNES GOKMEN

National Research University Higher School of Economics Moscow / New Economic School Moscow

Mass deportations and killings of Ottoman Armenians during WWI and the Greek-Turkish population exchange after the Greco-Turkish War of 1919-1922 were the two major events of the early 20th century that permanently changed the ethno-religious landscape of Anatolia. These events marked the end of centuries-long coexistence of the Muslim populations with the two biggest Christian communities of the region. These communities played a dominant role in craftsmanship, manufacturing, commerce and trade in the Empire. In this paper, we empirically investigate the long-run contribution of the Armenian and Greek communities in the Ottoman period on regional development in modern Turkey. We show that districts with greater presence of Greek and Armenian minorities at the end of the 19th century are systematically more densely populated, more urbanized and exhibit greater economic activity today. These results are qualitatively robust to accounting for an extensive set of geographical and historical factors that might have influenced long-run development on the one hand and minority settlement patterns on the other. We explore two potential channels of persistence. First, we provide evidence that Greeks and Armenians might have contributed to long-run economic development through their legacy on human capital accumulation at the local level. This finding possibly reflects the role of inter-group spillovers of cultural values, technology and know-how as well as the self-selection of skilled labor into modern economic sectors established by Armenian and Greek entrepreneurs. Second, we show some evidence supporting the hypothesis that minority assets were also instrumental in the development of a modern national economy in Turkey.

Keywords: persistence, economic development, minorities, ethnicity, Armenians, Greeks

JEL classification: O10, O43, P48, N40, Z12

Saturday, 26 November 2016, 14.00 – 14.45, Room 1.5

Using Political Financing Reforms to Measure Campaign Spending Effects on Electoral Outcomes

ABEL FRANCOIS / **MICHAEL VISSER** / LIONEL WILNER

University of Lille / CREST (ENSAE), CRED, University of Paris / CREST (ENSAE)

This paper studies the impact of campaign spending on votes in French legislative elections. We exploit the political financing reforms which were adopted in France in the mid-1990s. Under the new laws, spending limits were reduced, legal persons were no longer allowed to finance candidates, and the maximal amount of personal expenditures reimbursed by the State was augmented. We have data on two consecutive elections (one before and one after the reforms) and focus on candidates who competed in both of them. We find that the difference in candidates' campaign expenses across elections is strongly affected by the reforms. We then estimate a structural vote equation using panel data to control for unobserved characteristics of candidates. Spending has a statistically significant effect, but only for challengers. We cannot reject the hypothesis that challenger spending has the same impact across the various political parties in France.

Keywords: campaign-spending, elections, political financing reforms

JEL classification: C23, D72

Saturday, 26 November 2016, 14.00 – 14.45, Room 1.7

Experienced Inequality and Preferences for Redistribution

CHRISTOPHER ROTH / **JOHANNES WOHLFART**

University of Oxford, CSAE / Goethe University Frankfurt

We examine in how far people's experiences of income inequality affect their preferences for redistribution. We use several large nationally representative datasets and provide evidence that people with higher levels of inequality experience are less in favor of redistribution, after controlling for income, demographics, unemployment experiences and current macro-economic conditions. Moreover, we show that people with experiences of higher inequality believe that success in life depends on effort rather than luck and are more likely to believe that inequality increases motivation. Importantly, they are also less likely to consider the prevailing distribution of incomes to be unfair, suggesting that inequality experiences affect the reference point about what is a fair division of resources. Finally, we conduct an online experiment to show that individuals randomly exposed to environments with higher inequality in the first stage of the experiment redistribute less in a subsequent behavioral measure.

Keywords: inequality, preferences for redistribution, belief formation, macroeconomic experiences, experiment

JEL Classification: P16, E60, Z13

List of Participants

Heike Auerswald	CEPIE
Gianmarco Daniele	University of Barcelona
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Table of Addresses

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How to reach ifo:

By air: From Airport Dresden-International, take the train (S-Bahn) to Dresden Hauptbahnhof (Central Railway Station). Continue with local public transportation (see below).

By rail: Exit the train at Dresden Hauptbahnhof (Central Railway Station) and continue with local public transportation (see below).

By car: Leave the Autobahn (A17) at the exit "Dresden Südvorstadt" and follow the signs for "Zentrum", "Hauptbahnhof" or "Universität". After ca 3.5 km turn right into Reichenbachstrasse at the traffic light (directly at the Orthodox Church). At the second junction, turn right into Andreas-Schubert-Straße and drive up the hill towards Lukas Church. Driving around the church on the right-hand side, you reach Einsteinstraße. The institute is on your left, number 3.

Local transportation: Take the number 3 tram (direction Coschütz) or tram number 8 from the "Central Railway Station" one stop south to Reichenbachstrasse. Get off the tram, walk towards the traffic light and turn left into Reichenbachstrasse. At the second junction, bear right into Andreas-Schubert-Strasse and walk up the hill towards Lukas Church. Walking around the church on the right-hand side, you reach Einsteinstrasse and the Institute (ca. ten-minute walk).



Gästehaus der TU Dresden

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Café & Restaurant Alte Meister

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