

EJPE CONFERENCE 2023

Rent Seeking

DAY 1: Friday, February 10th, 2023

8:30 – 9:10 am	Breakfast	
9:10 – 9:15 am	Thomas Stratmann	Opening remarks
9:15 – 10:00 am	Raymond Fisman	Investing in Influence: Investors, Portfolio Firms, and Political Giving (Paper)
10:00 – 10:45 am	Helen Milner	Deep Roots: Globalization and the Persistence of American Populism (Paper)
10:45 – 11:15 am	Break 1	
11:15 – 12:00 pm	Stefano Carattini	Lobbying in Disguise (Paper)
12:00 – 12:45 pm	Vitezslav Titl	The Cost of Favoritism in Public Procurement (Paper)
12:45 – 2:00 pm	Lunch	
2:00 – 2:45 pm	Carlos Scartascini	Post-electoral Promises and Trust in Government: A survey experiment on signaling (Paper)
2:45 – 3:30 pm	Arvind Magesan	Petitions, Political Participation, and Government Responsiveness (Paper)
3:30 – 4:00 pm	Break 2	
4:00 – 4:45 pm	Laurent Bouton	Small Campaign Donors (Paper)
4:45 – 5:30 pm	Gergely Ujhelyi	All the President's Money: The Economy in a Hybrid Political Regime (Paper)
5:30 – 6:30 pm	Reception	

DAY 2: Saturday, February 11th, 2023

8:30 – 9:05 am	Breakfast	
9:05 – 9:15 am	Jan-Egbert Sturm	Opening remarks
9:15 – 10:00 am	Macy Scheck	The Itch and the Razor War: The Political Economy of US Barber Licensure in the Progressive Era (Paper)
10:00 – 10:45 am	Andre Diegmann	How Do Politicians Affect Business Dynamics? Evidence from German Bundestag Connections
10:45 – 11:15 am	Break 1	
11:15 – 12:00 pm	Hulya Eraslan	Bargaining in the Shadow of Uncertainty (Paper)
12:00 – 12:45 pm	Davide Furceri	Are Climate Change Policies Politically Costly (Paper)
12:45 – 2:00 pm	Lunch	
2:00 – 2:45 pm	Vaidehi Tandel	Investigating the nature of quid pro quo between politicians and real estate developers in Mumbai (Paper)
2:45 – 3:30 pm	Cem Ozguzel	Trusting Immigrants (Paper)
3:30 – 4:00 pm	Break 2	

ABSTRACTS

Day 1

Raymond Fisman: “[Investing in Influence: Investors, Portfolio Firms, and Political Giving](#)”

Institutional ownership of U.S. corporations has increased ten-fold since 1950. We examine whether these new concentrated owners influence portfolio firms’ political activities, as a window into the larger question of whether institutional investors can wield their control to extract benefits from portfolio firms. We find that after the acquisition of a large stake, a firm’s political action committee (PAC) giving mirrors more closely that of the acquiring investment management company (in our preferred specification, a 31 percent increase in comovement). This pattern is observed for acquisitions driven by new index inclusions, which suggests that our findings result from a causal effect of acquisitions rather than other correlated shifts in political agendas. We argue that investors drive the convergence in giving - the effects are driven by more “partisan” investors, and we show that firms shift their giving more around acquisitions than investors do. Overall, our findings suggest that corporations’ political business strategies are likely dictated by broader considerations than simple profit, and modeling corporate influence should take into account how corporations are governed.

Helen Milner: “[Deep Roots: Globalization and the Persistence of American Populism](#)”

Is American populism a persistent political phenomena? We argue that the recent rise of populist movements in the United States has deep roots. Using a new dataset linking county vote shares at the end of the nineteenth century with recent periods, we show that counties where voters were enthusiastic about populist parties in the late nineteenth century are associated with higher vote shares for Donald Trump in the 2016 and 2020 presidential elections. Intergenerational transmission of political beliefs may be one mechanism behind this. Using measures of regional and individual policy preferences, we show that places with more individuals holding politically conservative attitudes today are associated with more populism in the 1890s. Moments of rapid economic change such as globalization may propel the resurgence of such attitudes. This article offers a new historical account of contemporary American populism and shows that historical causes can have persistent effects.

Stefano Carattini: “[Lobbying in Disguise](#)”

The ability of private interests to influence the political process is an important topic in economics and political science. While some of these efforts appear in the official record as campaign finance and lobbying expenditures, anecdotal evidence suggests that private interests may also engage in ‘covert’ influence through media capture. In this paper, we systematically examine whether and to what extent corporations in the United States with interests in slowing climate action might have used corporate advertisement in media outlets as a strategic tool to align such outlets’ coverage, and ultimately the political preferences of the respective audiences, with their particular interests. Based on several complementary empirical strategies, we find that advertisement spending from such actors (i) increases during election periods with

respect to the counterfactual, (ii) is associated with less and more skeptical leaning climate change newspaper coverage, and (iii) tend to increase Republican vote shares in presidential races.

Vitezslav Titl: “[The Cost of Favoritism in Public Procurement](#)”

Are political connections in public procurement harmful or efficiency-gaining for the public sector, and what are the costs of favoritism toward politically connected firms? Exploiting detailed data on firm representatives’ political affiliations in the Czech Republic, we find that favoritism toward politically connected firms increases the price of procurement contracts by 6% of the estimated costs, while no gains in terms of quality are generated. Interestingly, these adverse effects of political connections are not present for procurement contracts that get additional oversight from a higher level of the government because they were co-funded by the European Union. Based on our estimates, total procurement expenditures increased by 0.36% due to favoritism.

Carlos Scartascini: “[Post-electoral Promises and Trust in Government: A survey experiment on signaling](#)”

Transparency initiatives are well-known tools to foster trust and empower citizens. We interpret these initiatives as a signal that complements the information already provided by visible government performance. To analyze how citizens react to these initiatives, we conducted a randomized survey experiment in the City of Buenos Aires, Argentina, where the incumbent mayor made a set of post-electoral promises. Our results show that post-electoral promises matter for shaping citizens’ perceptions about trustworthiness of the government, and that a treatment showing that the government was fulfilling its promises had slightly more impact than a treatment that only showed that the government had made the promises. We find strong heterogeneity among three groups of citizens. A group not familiar with the policy was impervious to treatment: they seem to react to deeds, not words, and have on average low trust. The treatment effects are entirely through those vaguely familiar with the promises, closing the average gap in trust with those familiar with the promises. More generally, our study suggests that transparency initiatives may be an effective signal in a setting with some initial trust, but their informational value may be more limited than visible public performance.

Arvind Magesan: “[Petitions, Political Participation, and Government Responsiveness](#)”

Private citizens have used petitions to address and make demands from political leaders for centuries. Similar to other democratic institutions, a petition’s effectiveness is determined largely by participation of other citizens. Yet, participation itself is a function of expectations about government responsiveness to the petition, suggesting a “chicken and egg” problem. This paper studies the effect of government responsiveness on citizen participation in petitions in the United Kingdom, where the government is obligated to officially and publicly respond to petitions that receive a threshold number of signatures. We first develop a theoretical model, which reveals that the structure of the system implies a bunching strategy for identifying the effect of government responsiveness on citizen participation. Applying the strategy, we estimate that the government’s

commitment to respond to citizens caused an increase of at least 84% and as much as 115% in petitions that crossed the threshold, and provide evidence that petitioners mobilize other citizens to reach this threshold using social media platforms such as Twitter. Using methods from Natural Language Processing (NLP) together with detailed elections data, we show that petitions are primarily an instrument of the political right.

Laurent Bouton: “[Small Campaign Donors](#)”

We study the characteristics and behavior of small campaign donors and compare them to large donors by building a dataset including all the 340 million individual contributions reported to the U.S. Federal Election Commission between 2005 and 2020. Thanks to the reporting requirements of online fundraising platforms first used by Democrats (ActBlue) and now Republicans (WinRed), we observe contribution-level information on the vast majority of small donations. We first show that the number of small donors (donors who do not give more than \$200 to any committee during a two-year electoral cycle) and their total contributions have been growing rapidly. Second, small donors include more women and more ethnic minorities than large donors, but their geographical distribution does not differ much. Third, using a saturated fixed effects model, we find that race closeness, candidate ideological extremeness, whether candidates and donors live in the same district or state, and whether they have the same ethnicity increase contributions, with lower effects for small donors. Finally, we show that campaign TV ads affect the number and size of contributions to congressional candidates, particularly for small donors, indicating that pull factors are relevant to explain their behavior.

Gergely Ujhelyi: “[All the President’s Money: The Economy in a Hybrid Political Regime](#)”

Hybrid political systems featuring combinations of democratic and autocratic elements have become widespread around the world. A common element of these regimes is a leader who cultivates a clientele of favored firms but also extracts income from them. We study the economic implications of this system in a general equilibrium economy. The leader limits market competition through entry barriers in order to create profits which can be extracted. This can be moderated by clients’ incentive constraints, but these are less effective when the leader is more powerful. Entry restriction can be alleviated when leaders have asymmetric power across clients, as such leaders focus clientelism in particular industries and have less need for restricting competition elsewhere in the economy. Public procurement has an outsized role in hybrid systems because it provides an indirect way to turn tax revenues into private income. This can increase competition on markets not involved in procurement because the leader may find it optimal to allow more entry in those industries.

Day 2

Macy Scheck: “[The Itch and the Razor War: The Political Economy of US Barber Licensure in the Progressive Era](#)”

Were public interest or public choice factors the primary reason for the adoption of state barber licensure in the United States during the Progressive Era? The primary public interest rationale for licensure was to protect the public from a communicable disease known as the “barber’s itch.” This paper uses historical newspapers to craft a novel dataset of the reported cases and outbreaks of barber’s itch, advertisements for barber’s itch cures, and advertisements for safety razors for the seventeen states that adopted and maintained licensure from 1897 to 1920. While barber’s itch was a troublesome disease, we fail to find evidence that licensure was adopted in response to high caseloads. The data also show that licensure failed to reduce the incidence of barber’s itch. Using newspaper reporting, we also detail the investments that barbershops made to assure patrons of health and safety, further undermining the public interest rationale. Rather, we find that barber’s unions used barber’s itch to advance licensure to thwart competition from discount barbershops and to restrict the supply of barbers coming from barber colleges. There was an increased incidence of newspapers reporting on increased barber prices following licensure, with the reported price of haircuts and shaves increasing 44.4% and 54.9% on average. While licensure was ineffective at stopping barber’s itch, it was effective at restricting competition.

Andre Diegmann: “How Do Politicians Affect Business Dynamics? Evidence from German Bundestag Connections”

Do firms benefit from political connections and to what extent do connections between firms and politicians shape business dynamics? This paper combines data on political candidates in elections to the German Bundestag over the last two decades and the universe of German firms. We exploit detailed regional information on party list placements in national elections and compare candidates who just won and just lost a seat in parliament. Linking successful and non-successful political candidates to firms, we show that connecting to political power decreases market exit and positively impacts firm-level employment growth. These effects are stronger if the politician’s party is represented in the government as compared to opposition parties. We further show that the effects of political connections can be explained by an increase in public procurement contracts, economic subsidies and access to credit. We identify two important types of connections: connections to politicians with and without entrepreneurial capital which influence firm-level outcomes in different ways. While the effect on exits is driven by entrepreneurial politicians, connections to politicians without entrepreneurial capital explain the employment responses. Consistent with the view that firms seek preferential treatments and shy away from competition, firm-level productivity dynamics deteriorate and business dynamics in locally defined markets decrease due to political connections, which suggests a significant impact of the interactions between firms and politicians on the economy.

Hulya Eraslan: “[Bargaining in the Shadow of Uncertainty](#)”

In bargaining environments with stochastic future surplus, failing to delay agreement can be inefficient when the expected future surplus is sufficiently high. Theoretically, such

inefficiencies never arise under unanimity rule but can under majority rule. Using a laboratory experiment, we find support for these predictions, both when the unanimity rule is predicted to be more efficient and when there should be no difference between the two rules. We also find large point prediction deviations under the majority rule. We show these deviations can be explained by higher-than predicted egalitarian sharing and a lower risk of being excluded from future agreements.

Davide Furceri: “[Are Climate Change Policies Politically Costly](#)”

Are policies designed to avert climate change (Climate Change Policies, or CCPs) politically costly? Using data on governmental popular support and the OECD’s Environmental Stringency Index covering 30 countries between 2001 and 2015, our results show that CCPs are not necessarily politically costly: policy design matters. First, in contrast to non-market-based CCPs (such as emission limits), only market-based CCPs (such as emission taxes) entail political costs for the government. Second, the effects are only present when CCPs are adopted during periods of high oil prices, prior to elections, or in countries depending strongly on non-green (dirty) energy sources. Third, CCPs are only politically costly when inequality is high and/or social insurance/transfer does not sufficiently address the regressivity of CCPs. Our results are robust to numerous robustness checks including to address concerns related to endogeneity issues.

Vaidehi Tandel: “[Investigating the nature of quid pro quo between politicians and real estate developers in Mumbai](#)”

Mutually beneficial arrangements between politicians and real estate developers are common in many developing countries. We document what happens when the politician-developer nexus is disrupted by an election. We construct a novel dataset of real estate projects and electoral constituencies in Mumbai’s municipal government. We find that an incumbent party losing the election increases real estate project completion times by 5%. We find no effect of quasi-random redistricting or changes in voter preferences on project delays. We investigate two mechanisms for the slowdown associated with party turnover—delays in construction approvals around the time of the election and increase in litigation against projects after the election. While we see no rise in litigation, we find that delayed approvals near an election explain 23% of the increased total delays due to party change.

Cem Ozguzel: “[Trusting Immigrants](#)”

We consider the role of early life experience in shaping political trust. We focus on immigrants experiencing different political institutions in their native country and country of immigration. Individuals exposed to higher levels of political corruption before migrating vest more trust in the political institutions of their new country. We interpret this in terms of Kahneman and Tversky’s reference-point thesis, according to which corruption in an immigrant’s home country serves as a reference point for evaluating corruption in the host country. Large differences in levels of income and democracy in the immigrant’s countries of origin and destination amplify the impact of home-country corruption on evaluations of institutional performance in the destination country. Media exposure providing independent information about institutional performance in the destination country diminishes the effect.