

When Are Authoritarian Bureaucracies Politicized?

Experimental Evidence from Russia

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Motivation

- Bureaucrats allocate resources according to **economic criteria** in East-Asian developmental states
- South Korea, Taiwan, Japan (Johnson 1982, Amsden 1989, Wade 1990)
- China (Li and Zhou 2005, Xi 2011, Kung and Chen 2013, Kudamatsu et al. 2015, Landry et al. 2017)

Motivation

- Resources allocated according to **political criteria** in electoral authoritarian regimes
- Trade-off between the necessity to win elections and economic performance
- Russia (Reuter and Robertson 2012, Reisinger and Moraski 2012, Hedlund 2014, Rochlitz 2016)
- Limited access orders (North, Wallis and Weingast 2009)

Motivation

- For now, the literature mainly focuses on incentives and decisions of high-level bureaucrats
- What about daily interactions between low-level regional bureaucrats and entrepreneurs in electoral authoritarian regimes?

Experimental Study

- **Research Question:** Do Russian regional state bureaucracies discriminate potential investors with respect to political criteria?
- Between December 2016 and June 2017, **1504 emails** with a short question and a number of randomized treatments to **188 investment promotion agencies** in **70 Russian regions**.
- Main **treatment**: political affiliation (United Russia, KPRF, LDPR, Yabloko)

Main Results

- Switching the political affiliation of a potential investor from the opposition party “Yabloko” to the government party “United Russia” **increases chances to receive a reply by 30%.**
- LDPR and KPFR affiliation does not affect the probability to receive an answer
- Most other treatments also do not have a significant effect

Context of our Study



Methodology

- 1504 emails sent to 188 agencies in 70 regions
- Emails were randomly sent on official working days between December 23rd, 2016 and June 15th, 2017
- 8 emails per agency (8 slightly different texts with the same simple request for information)
- The emails differ randomly with respect to a number of treatments

Здравствуйте!

Меня зовут **Александр Шаболов**. Я являюсь представителем фирмы из **России (Китая, Америки, Германии)** в сфере (**сфера**).

Я бы хотел узнать о возможностях инвестировать в ваш регион.

В частности, меня интересует, существуют ли какие-то программы поддержки предпринимателей в сфере **малого/среднего** бизнеса?

С уважением,

Александр Шаболов

Вице-председатель предпринимательского совета **партии Единая Россия (ЛДПР, Яблоко, КПРФ...)**

Hello!

My name is **Alexander Shabolov**. I am representing a **Russian (Chinese, US, German...)** firm in the **IT (retail, agriculture, transport, tourism...)** sector.

I would like to ask you about investment possibilities in your region. Specifically, I'm interested to learn about programs to support **small (medium size)** investors.

With best regards

Alexander Shabolov

Vice-chairman, **United Russia (KPRF, LDPR, Yabloko...)** – Council for Entrepreneurial Development

Investment Promotion Agencies

- Either directly affiliated with a ministry, or nominally autonomous but financed by the state
- For each region, we made a list of existing investment promotion agencies, and then chose those where the website was most up-to-date
- Up to a maximum of three agencies per region

Агентство регионального экономического развития Калининград (Kaliningrad)



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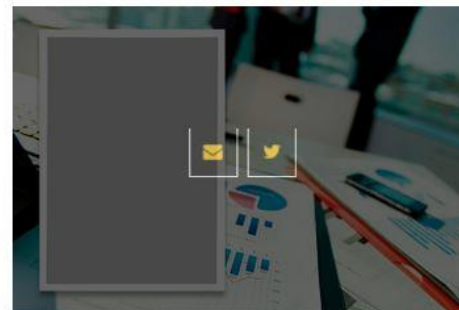
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Descriptive Statistics

	Emails sent	% of total	Emails answered	% of total	Number of words (on average, per answer)
Emails	1462	100%	686	46,9%	320,4
United Russia	77	5,3%	46	59,7%	259,8
LDPR	77	5,3%	34	44,2%	411,4
KPRF	74	5,1%	36	48,6%	321,6
Yabloko	77	5,3%	27	35,1%	256
Russian	1021	69,8%	494	48,4%	311,4
US	133	9,1%	59	44,4%	266,1
German	175	11,9%	78	44,6%	373,5
Chinese	133	9,1%	55	41,4%	384,9
Female	733	50,1%	343	46,8%	284,5
Male	729	49,9%	343	47,1%	356,4
Small	734	50,2%	352	48%	347,6
IT	292	20%	133	45,5%	302,7
Retail	298	20,4%	138	46,3%	279
Agriculture	276	18,9%	135	48,9%	374,9
Transport	313	21,4%	157	50,2%	363,5
Tourism	283	19,4%	123	43,5%	271,4

Regression analysis: regional level controls

- Text, weekday, month and macro-region dummies
- Order email was sent
- Gross regional product per capita
- Number of firms per region
- Share of foreign firms
- Share of private employment
- Oil production
- Share of urban population
- Ethnicity
- Climate (average temperatures in January)
- Vote share for United Russia (2016 Duma elections)

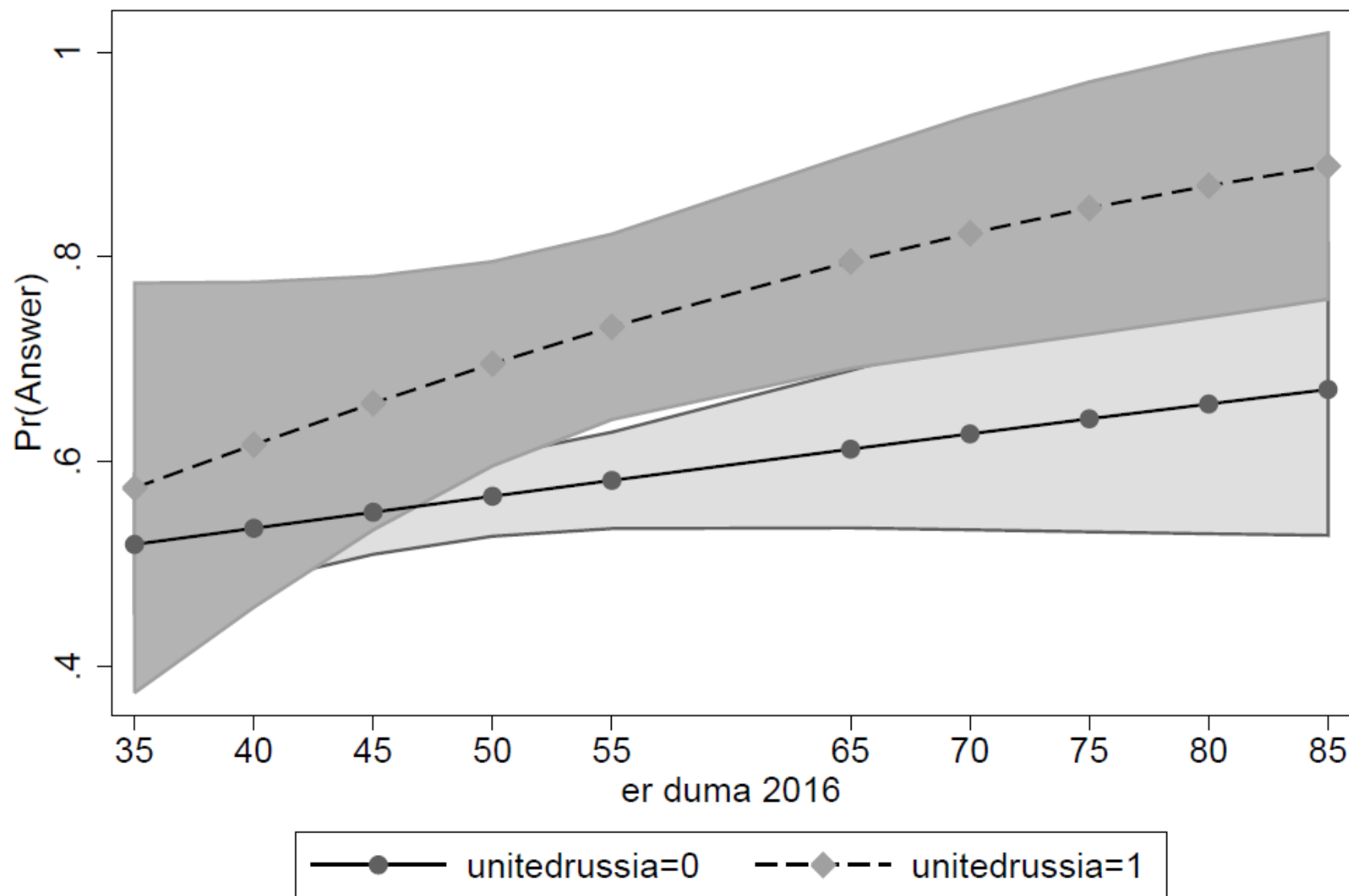
	Dependent variable: Email was answered (0 / 1)				
	Model 1 (OLS)	Model 2 (OLS)	Model 3 (OLS)	Model 3 (Logit)	Model 4 (OLS)
US	-0.026 (0.043)	-0.039 (0.044)	-0.043 (0.044)	-0.186 (0.191)	-0.055 (0.038)
German	-0.051 (0.047)	-0.059 (0.045)	-0.059 (0.045)	-0.266 (0.192)	-0.044 (0.042)
Chinese	-0.079 (0.048)	-0.09* (0.048)	-0.09* (0.05)	-0.388* (0.214)	-0.066 (0.041)
United Russia	0.112* (0.058)	0.112* (0.057)	0.117* (0.06)	0.549* (0.281)	0.134** (0.055)
LDPR	-0.007 (0.059)	-0.005 (0.061)	-0.003 (0.059)	0.018 (0.258)	-0.039 (0.053)
KPRF	0.009 (0.055)	-0.023 (0.059)	-0.032 (0.058)	0.154 (0.244)	-0.012 (0.056)
Yabloko	-0.155** (0.065)	-0.177** (0.068)	-0.183*** (0.069)	-0.801*** (0.306)	-0.113* (0.063)
Female	-0.004 (0.026)	-0.001 (0.027)	0.003 (0.027)	0.014 (0.118)	0.005 (0.025)
Small	0.043 (0.027)	0.048* (0.026)	0.05* (0.026)	0.223** (0.112)	0.03 (0.024)
Tourism	-0.072 (0.041)	-0.076* (0.041)	-0.079* (0.041)	-0.346** (0.174)	-0.049 (0.038)
Retail	-0.015 (0.04)	-0.009 (0.039)	-0.012 (0.04)	-0.046 (0.169)	-0.007 (0.036)
Agriculture	0.017 (0.035)	0.02 (0.035)	0.012 (0.036)	0.057 (0.159)	0.012 (0.032)
Order email was sent		-0.021 (0.015)	-0.022 (0.015)	-0.099 (0.064)	-0.024 (0.016)
Dummies	No	Yes	Yes	Yes	Yes
Regional-level controls	No	No	Yes	Yes	Yes
Observations	1210	1210	1210	1210	1462

	Dependent variable: Number of days to receive an answer		
	Model 1 (OLS)	Model 2 (OLS)	Model 3 (OLS)
US	1.562 (1.836)	1.466 (1.79)	1.511 (1.794)
German	-0.444 (1.14)	-0.305 (1.023)	-0.468 (1.021)
Chinese	1.214 (0.893)	1.599* (0.957)	1.584* (0.846)
United Russia	2.39 (2.02)	1.741 (1.961)	1.45 (1.921)
LDPR	1.586 (1.595)	1.076 (1.426)	1.181 (1.451)
KPRF	-2.192** (1.02)	-2.162** (1.035)	-2.14** (0.981)
Yabloko	-2.92*** (1.093)	-2.111* (1.117)	-2.196* (1.154)
Female	0.626 (0.825)	0.473 (0.818)	0.373 (0.794)
Small	1.492** (0.682)	1.58** (0.67)	1.628** (0.68)
Tourism	0.895 (1.263)	0.257 (1.211)	0.379 (1.271)
Retail	0.843 (0.942)	1.196 (0.94)	1.304 (0.936)
Agriculture	0.995 (1.05)	0.707 (0.955)	0.937 (0.947)
Order email was sent		0.443 (0.326)	0.009 (0.313)
Dummies	No	Yes	Yes
Regional controls	No	No	Yes
Observations	686	686	686

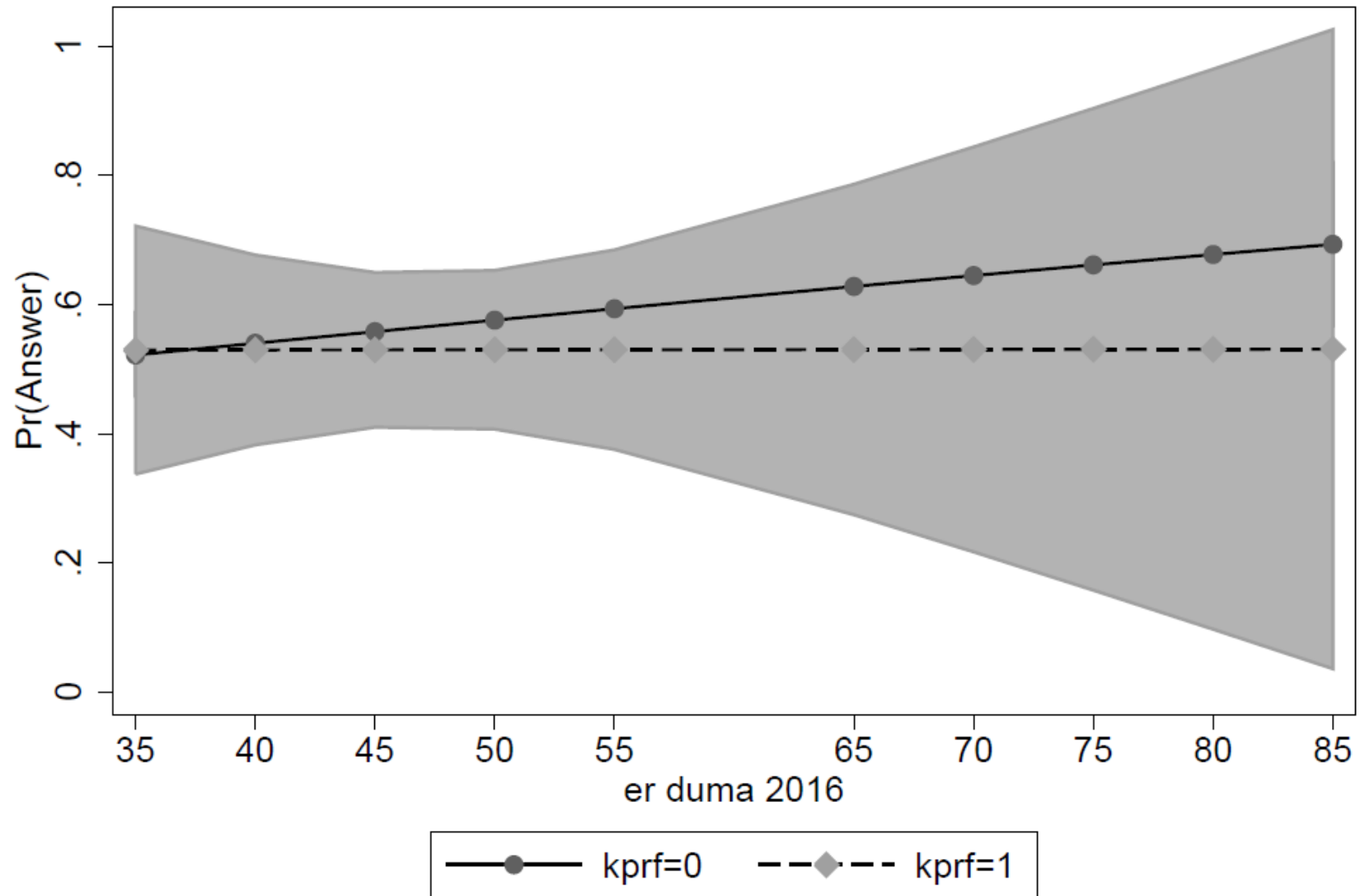
	Dependent variable: Number of days to receive an answer		
	Model 1 (OLS)	Model 2 (OLS)	Model 3 (OLS)
US	-30.023 (39.077)	-29.098 (40.324)	-38.969 (40.553)
German	66.734* (37.717)	66.949* (33.685)	64.281* (32.504)
Chinese	42.741 (51.31)	50.899 (51.887)	38.554 (54.187)
United Russia	-28.063 (39.747)	-12.851 (42.445)	-22.762 (42.25)
LDPR	38.963 (55.558)	38.54 (55.0)	31.038 (56.895)
KPRF	27.312 (64.831)	35.742 (63.295)	38.61 (62.98)
Yabloko	-0.576 (41.846)	-20.186 (39.756)	-10.992 (39.671)
Female	-54.307*** (17.679)	-54.827*** (19.06)	-55.841*** (19.459)
Small	31.412 (23.854)	32.486 (21.443)	27.804 (21.866)
Tourism	-42.544 (41.047)	-17.214 (39.303)	-10.418 (38.866)
Retail	-24.263 (32.152)	-27.345 (29.861)	-15.865 (29.533)
Agriculture	68.028* (36.854)	72.263** (34.764)	68.09* (34.23)
Attachment	592.27*** (78.608)	618.666*** (82.718)	618.989*** (81.548)
Order email was sent		-0.362 (19.391)	-3.956 (18.484)
Dummies	No	Yes	Yes
Regional controls	No	No	Yes
Observations	686	686	686

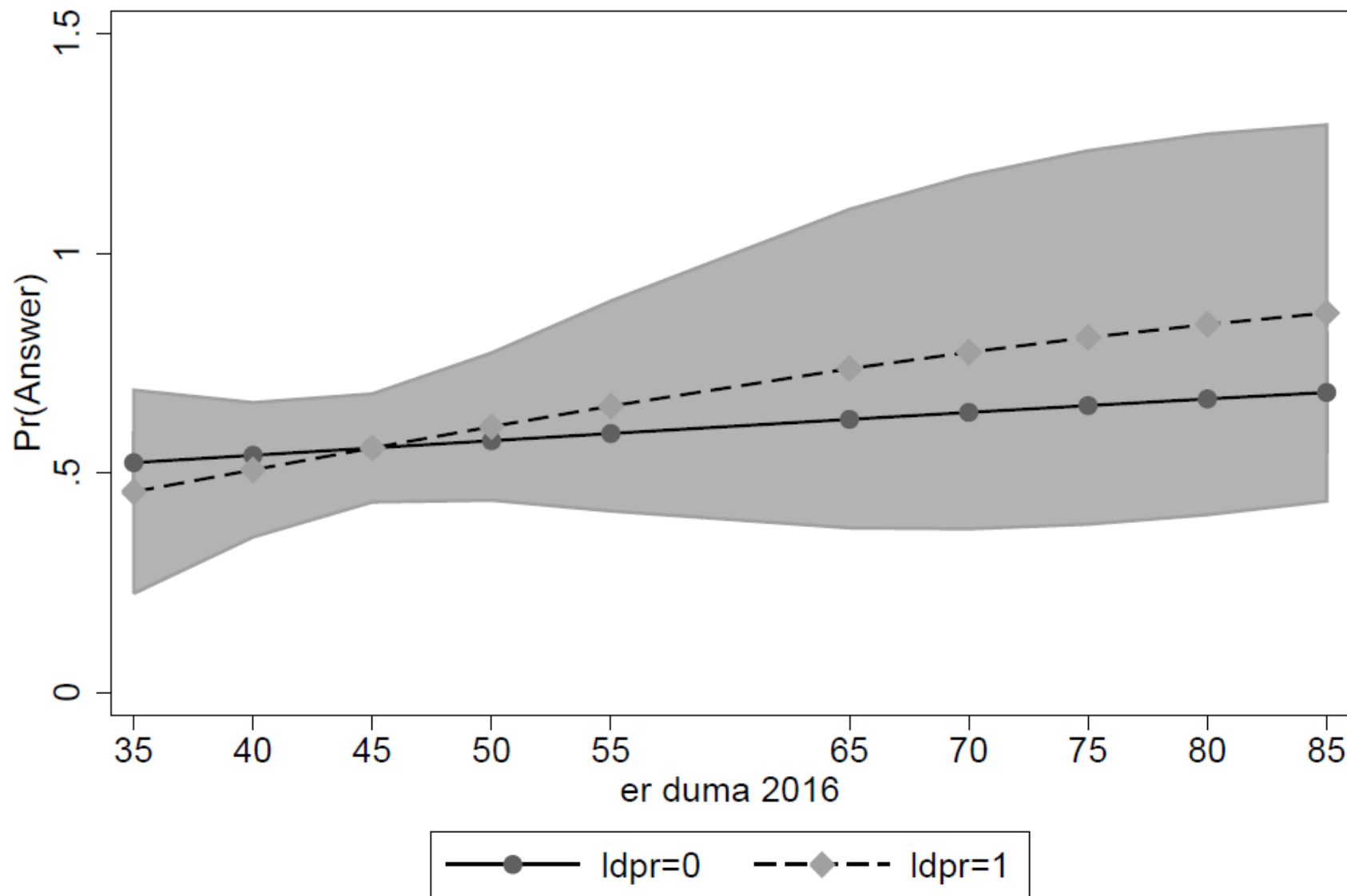
- Investment promotion agencies in Russian regions *do* discriminate potential investors with respect to political criteria
 - Why is this the case? What are the mechanisms at play?
- Political discrimination **depends on the degree of political competition** in Russian regions

Predictive Margins of unitedrussia with 95% CIs

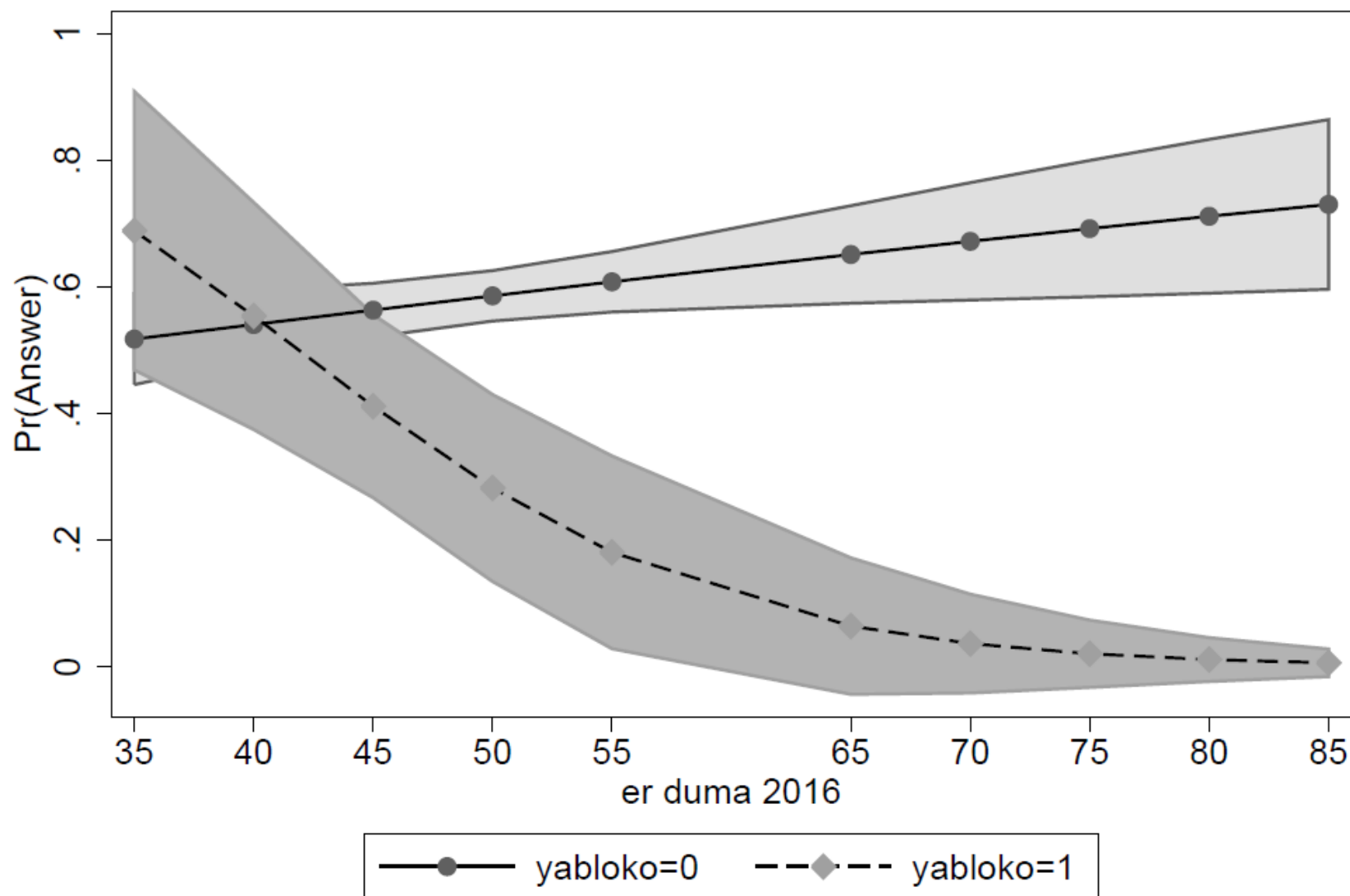


Predictive Margins of kprf with 95% CIs

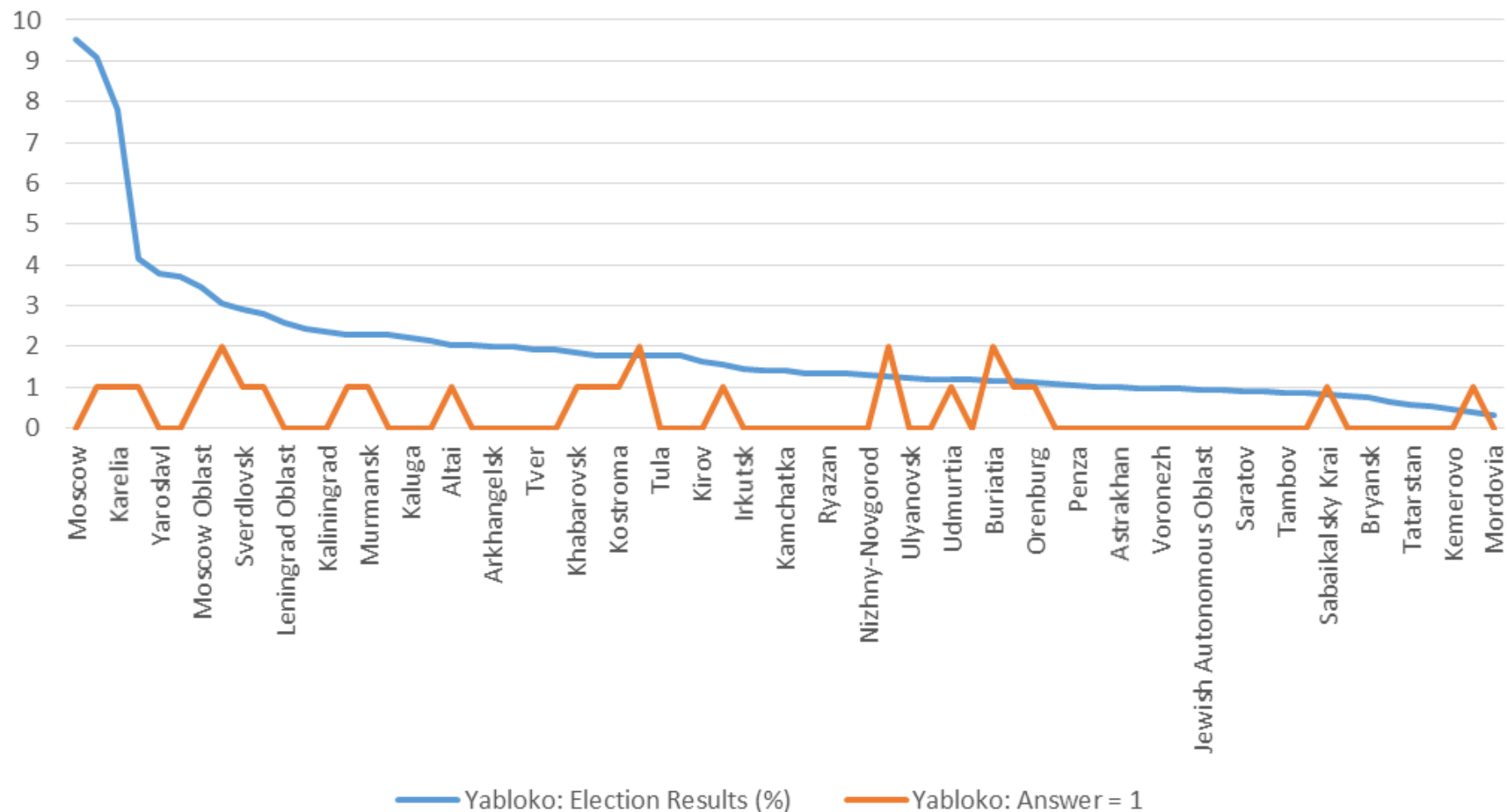


Predictive Margins of $Idpr$ with 95% CIs

Predictive Margins of yabloko with 95% CIs



Yabloko: Duma Election Results (2016) vs Answers



Further research

- Why are some regions much more active in answering emails than others?
- Does the activity of investment promotion agencies affect investment inflows to a region?
- Is there a gender effect in the way Russian regional bureaucracies work?

% of emails that were answered (per region)

