

## IGC – Political Economy Working Group Workshop

### State Effectiveness Research Programme

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##### Purpose:

This meeting was scheduled the day before a meeting of the CEPR Annual Symposium on Development Economics in Stockholm, Sweden, held jointly with the PODER network. The date was picked in order to take advantage of the presence of several scholars in development that travelled to Stockholm for the occasion. The objective of the meeting was threefold:

1. To expand the circle of top researchers and students interested in the Political Economy of Development that know about the IGC and are willing to participate
2. To provide an avenue for excellent feedback for research that is being funded by IGC
3. To highlight the topics that the Political Economy Working Group has been focussing on. Namely, (1) accountability in government (2) identity responses to policy (3) post-conflict reconstruction

The five papers chosen for this brief meeting were selected with these criteria in mind.

Each paper was allocated 50 minutes between presentation and discussion which allowed for a lively exchange of feedback and discussion on policy implications. Below is a summary of the content of each paper and the policy implications.

##### **Topic 1: Accountability in government**

##### **“Does Development Aid Undermine Political Accountability? Leader and Constituent Responses to a Large-Scale Intervention” (Raymond Guiteras, Ahmed Mushfiq Mobarak)**

This article stems from an interesting phenomenon that the authors observed when they were evaluating the effects of a large-scale sanitation awareness programme in Bangla Desh. While the funding and design of the programme had nothing to do with local politicians, the authors encountered several instances of local politicians appearing and making speeches on days in which the sanitation programme reached a village. Spurred by this observation the authors proceeded to take opinion data on villagers in order to gauge whether local politicians were successful in taking credit for the sanitation programme.

The sanitation programme has two dimensions. First, whether villages are treated or not was decided by random allocation by the academic authors of the evaluation. Second, in villages that

were treated, whether a household received a subsidy for the construction of a private latrine was done in a public randomization at the village.

This design is interesting because it overlays two dimensions of randomization, one of which is public to the villages while the other one is not.

Empirical results suggest that villagers are rational in their assessment of local politicians but are constrained by their access to information. In particular, when asked about satisfaction with local politicians, villagers in treatment villages were significantly more likely to provide positive views compared to villagers in control villages. However, within treatment villages, there is no differences between households that received the subsidies and households that did not. The natural interpretation is that because the household randomization is public, villagers know that local politicians have nothing to do with it. In contrast, they do not know why their village was picked at all to receive treatment, so they assign some of the credit to the local politician.

In addition, the authors also show that in fact the behaviour of the local politician is affected. They show up more often in treatment villages. In the meeting this fact created some lively discussion about how to interpret it, as it seem that it could contain more information than simply politicians taking credit. For instance, it could be that by showing their interest in the policy local politicians also convey information about their type.

Finally, the authors presented some recent results in which they informed villagers of the fact that villages were picked at random. This intervention brought the opinion of treatment villages back in line with control villages, which suggests that lack of information was indeed the constraint allowing politicians to take undue credit.

### **“Personalities and Public Sector Performance: Evidence from a Health Experiment in Pakistan” (Michael Callen, Saad Gulzarz, Ali Hasanain, Yasir Khan, Arman Rezaee)**

This article present results of a large intervention in local health facilities in Pakistan. In these facilities, one of the main obstacles to efficiency is the high levels of absenteeism of health officials. In order to understand the effects that personality has on absenteeism and on measures to solve it, the authors run an research design that has four interesting and complementary dimensions.

First, the authors proceed to administer a personality test to the universe of health workers and bureaucrats involved in the delivery of health services. This personality test is a locally adapted version of the “big five”.

Second, the authors conduct a series of surprise visits to the health facilities in order to measure the underlying level of absenteeism. This given them the ability to link the personality test results with the officials’ actual professional effort.

Third, the authors conduct a randomized control trial of a novel smartphone-based technology that forces health inspectors to be at the health facility when they check whether health officials are present.

Fourth, the information collected in the surprise visits to the health facilities is conveyed to higher level health officials. In a random subset of these health officials, these data is provided in a very simple, easy to interpret way, in order to gauge the reaction of superiors.

The results of this paper suggest that the personality test has strong predictive power on the level of intrinsic motivation of public officials. In particular, there is a high degree of (negative) correlation between positive personality measures and underlying absence. In addition, those superiors that have positive personality measures react much more strongly to data on absence. Moreover, those agents with positive personality measures are also more likely to react to incentives such as those provided by the smartphone application.

This paper sparked an interesting discussion on policy implications. While the paper falls short of ensuring causality between personality and outcomes, it strongly suggests that the dimensions of personality captured in the test could be usefully exploited both at the time of recruiting candidates for public office as well as, given a pool of public workers, deciding which jobs to assign to whom.

## **Topic 2: Identity responses to policy**

Many policy interventions take into account individuals' ethnicity, often as a proxy for socio-economic status or historical disadvantage (e.g., affirmative action in schools, gender quotas in employment and in politics). A commonly shared premise is that ethnicity is an exogenous characteristic of individuals, and not itself the result of an economic maximization. Two of the papers presented in the session challenged this notion, bearing on the experience of an advanced democracy (the US) and an emerging economy (China).

### **“Quantifying the Extent of Racial and Ethnic Identity Change: An Example from Race Change in U.S. Panel Data, 1880-1940” (Emily Nix and Nancy Qian)**

This paper uses individual-level data from U.S. Censuses during 1880 to 1940 to assess the extent to which individuals experience a change in reported ethnicity during their lifetime. The authors address four questions: (i) how many people changed race during their life time? (ii) how did they change their race? (iii) how often did they change their race? (iv) was the probability of a race change associated with the economic returns to the change? In order to answer them, they go through a painstaking process to match names of individuals that appear in different Census rounds. They find that (i) approximately 21 to 22% of males identified as mixed race and 16 to 17% of males identified as black will “pass” for white at some point in their lifetime; (ii) passing typically occurs between age 20 and 30 and is almost always accompanied by geographic relocation; (iii) a sizeable fraction of those who pass for white will later “un-pass”; and (iv) imputed wage data suggests that the probability of passing is positively correlated with the black-white wage gap in the county of birth.

### **“Ethnicity in Children and Mixed Marriages: Theory and Evidence from China” (Ruixue Jia, Torsten Persson)**

This paper offers both a theoretical and an empirical contribution to study parental decisions about the ethnicity that they register for their children in the context of China.

The model reflects a trade-off between material benefits and the costs shaped by existing social norms. It is constructed to be consistent with two motivating facts for the Chinese context: (i) the propensity to choose minority identity for children is much higher in mixed couples with a minority man and a Han woman than in those with a Han man and a minority woman; and (ii) the share of minority children in mixed marriages is increasing over time in the mixed couples with a Han man, especially after the one child policy was imposed in 1980. The choice of the parents takes into account the “material benefits” of manipulating identity, which relate to family planning, admission to college and preferential employment, but also the fact that this manipulation comes at a cost if one deviates from the prevailing social norm.

The empirical evidence suggests that social norms can significantly crowd in or crowd out material benefits in ethnic choices. This is important beyond the context under study. In particular, the methodology used in this paper to test how social norms modify the effect of individual incentives could be applied in other contexts (e.g., tax evasion or political participation) where the interplay between individual and social motives is also important.

### **Topic 3: Post-conflict reconstruction**

#### **“Can Employment Reduce Lawlessness and Rebellion? Experimental Evidence from and Agricultural Intervention in a Fragile State” (Christopher Blattman and Jeannie Annan)**

The motivation for this paper comes from the fact that poor and unemployed young men are more likely to commit crime or rebel. There is literature arguing that education programs can reverse this, either for opportunity cost considerations, or because schooling remove young men from risky networks, or finally because schooling "socializes" people so that young people's preferences change. But according to the authors there is almost no individual level evidence linking employment to crime.

In this project ex combatants in Liberia were offered the opportunity to enroll in a residential training program for farming, with the goal of disincentivizing locally prevalent illicit activities like illegal gold and diamond mining, and rubber tapping. The authors estimated the impact of this program 18 months after its end, and found impact on several outcomes.

First, treated men shifted their time towards farming and away from illegal activities, the size of the effect being about 20% of their work. This translated into an increase in incomes by 0.16 standard deviations. Second, treated individuals interacted less with mercenary recruiters who were approaching Liberians to fight in Cote d'Ivoire around the December 2010 war. Interestingly, men who did not receive farming inputs decreased mercenary recruitment more than others, as they expected to receive them in the near future. Finally, little effects were found on behavioural and

attitudinal traits that the program was meant to change (e.g., aggression, participation in community activities, distress).

In terms of policy, the paper shows that peaceful economic opportunities have the potential to help to rehabilitate ex-fighters. The results on inputs suggest that by increasing the ratio of inputs to training one could achieve the desired economic impact while reducing (expensive) training costs.