



**University of  
Zurich<sup>UZH</sup>**



**UBS International Center  
of Economics in Society**

at the University of Zurich

# **2<sup>nd</sup> UZH Workshop on “Political Economy and Development”**

**May 23-24, 2019**



**Venue:** University of Zurich, Department of Economics  
SOF building, Schönberggasse 1, Zurich.

**Organizers:** Bruno Caprettini (UZH)  
Kai Gehring (UZH)  
Christian Ochsner (CERGE-EI & UZH)  
Julian Langer (UZH)  
Jacob Miller (UZH)  
Max Winkler (UZH)



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## Wednesday, 22<sup>nd</sup> May 2019

**19:00 – 23:00** Optional: Informal dinner at [Fischstube](#) (own expense)\*

## Thursday, 23<sup>rd</sup> May 2019

**08:30 – 9:00** Registration / welcome coffee

**09:00 – 9:10** Introductory remarks

**09:10 – 10:10** **Persecution and Escape: The Fate of Skilled Jews in Nazi Germany**

SASCHA O. BECKER (University of Warwick)

Discussant: Christian Ochsner (CERGE-EI & UZH)

**10:20 – 11:20** **Stimulant or depressant? Resource-related income shocks and conflicts**

KAI GEHRING (University of Zurich)

Discussant: Matthias Thoenig (University of Lausanne)

**11:20 – 11:50** Coffee break

**11:50 – 12:50** **Economic Threat and Cultural Tightness**

MAX WINKLER (University of Zurich)

Discussant: Luigi Pascali (Universitat Pompeu Fabra)

**12:50 – 14:50** Lunch at *Uni Turm*

**14:50 – 15:50** **Reconciliation Narratives: The Birth of a Nation after the US Civil War**

ELENA ESPOSITO (University of Lausanne)

Discussant: Sascha O. Becker (University of Warwick)

**16:00 – 17:00** **Warfare, taxation and representation: Evidence from six centuries of German history**

LUIGI PASCALI (Universitat Pompeu Fabra)

Discussant: Joachim Voth (University of Zurich)

**17:00 – 17:30** Coffee break

**17:30 – 18:30** **Contagious Extremism: Nazi Marches and Radical Voting**

JOACHIM VOTH (University of Zurich)

Discussant: Elena Esposito (University of Lausanne)

**19:00 – 23:00** Workshop dinner at [Zimmerleuten](#)



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## Friday, 24<sup>th</sup> May 2019

### 08:30 – 09:00 Morning coffee

09:00 – 10:00 **The electoral impact of wealth redistribution: Evidence from the Italian land reform.**

LORENZO CASABURI (University of Zurich)

Discussant: Rafael Di Tella (Harvard Business School)

10:10 – 11:10 **Strategic Timing in Politics: Evidence from U.S. Presidential Executive Orders**

RUBEN DURANTE (Universitat Pompeu Fabra)

Discussant: Bruno Caprettini (University of Zurich)

### 11:10 – 11:40 Coffee break

11:40 – 12:40 **Meet the oligarchs: Business legitimacy, state capacity and taxation**

RAFAEL DI TELLA (Harvard Business School)

Discussant: David Yanagizawa-Drott (University of Zurich)

### 12:40 – 14:40 Lunch at *Dozent Foyer, ETH*

14:40 – 15:40 **Populist campaigning and salient history: The case of the Turkish sieges of Vienna**

CHRISTIAN OCHSNER (CERGE-EI & University of Zurich)

Discussant: Ruben Durante (Universitat Pompeu Fabra)

15:50 – 16:50 **The logic of fear: Populism and media coverage of immigrant crimes**

MATTHIAS THOENIG (University of Lausanne)

Discussant: Dijana Zejcirovic (University of Vienna)

### 19:00 – 23:00 Informal dinner at Pizzeria San Gennaro (own expense)\*

## Saturday, 25<sup>th</sup> May 2019

### 09:30 – 15:00 Breakfast and social event in and around Zurich (own expense)\*

\* On Wednesday (May 22) we meet at *Fischstube* (<https://www.fischstube.ch/>) for the informal dinner. On Friday (May 24) we will go for dinner with all presenters that are still in town. The social event on Saturday (May 25) will finished in the afternoon. These events are at the expense of participants.



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## Directions and Location of the Conference



All presentations will take place in room G21 of the SOF building (2<sup>nd</sup> floor).

To reach Florhof Hotel (Florhofgasse 4) from the train station:

1. From Zurich main station walk to the tram station “Bahnhofplatz/HB”
2. Take tram 3 for two stations towards “Klusplatz” and get off at “Neumarkt”.
3. Walk up Florhofgasse: The hotel is on the left at the end of the road.

To reach the Department (Schönberggasse 1, 8001 Zürich) from Florhof Hotel:

1. Walk up Florhofgasse and turn left on Kantonschulestrasse at Florhof hotel.
2. Walk up Kantonschulestrasse until it crosses Rämistrasse: The department is on the left.

You can access the map [here](#).

# List of papers

## **Persecution and Escape: The Fate of Skilled Jews in Nazi Germany**

SASCHA O. BECKER (University of Warwick), with Volker Lindenthal (University of Munich), Sharun Mukand (University of Warwick) and Fabian Waldinger (University of Munich).

*Abstract:* tba.

## **Stimulant or depressant? Resource-related income shocks and conflicts**

KAI GEHRING (University of Zurich), with Sarah Langlotz (Heidelberg University) and Stefan Kienberger (University of Salzburg).

*Abstract:* We provide evidence about the mechanisms linking resource-related income shocks to conflict. Combining temporal variation in international drug prices with spatial variation in the suitability to produce opium, we show that higher drug prices reduce conflict over the 2002-2014 period in Afghanistan. There are two main mechanisms. First, household living standards and thus the opportunity costs of fighting increase. Second, we hypothesize that the opportunity cost effects dominate contest effects if the degree of group competition over valuable resources is sufficiently small. Regressions using georeferenced data on drug production, ethnic homelands, and Taliban versus progovernment influence support this hypothesis.

## **Contagious Extremism: Nazi Marches and Radical Voting**

JOACHIM VOTH (University of Zurich), with Bruno Caprettini (University of Zurich) and David Yanagizawa-Drott (University of Zurich).

*Abstract:* How do extremist movements go 'viral', gaining wide-spread support? To answer this question, we map the network of social connections for the entire city of Hamburg in 1932, exploiting detailed occupational and geographical information on the universe of households. In the run-up to the July 1932 parliamentary election that saw its biggest triumph prior to 1933, Nazi party loyalists staged massive demonstrations everywhere, including in Hamburg. We examine how these marches created growing support for the Nazi movement. To identify causal effects, we exploit route planning constraints due to the availability of wide streets between the start and end points of the marches. Results show a march passing through a neighborhood caused a large swing toward the Nazi Party in the subsequent election. We then provide evidence that social network linkages across neighborhoods facilitated the spread of extremism throughout the city. In particular, we find markedly bigger pro-Nazi swings in neighborhoods where the marches did not pass through, but with numerous connections to people in neighborhoods where they did. The effect is quantitatively important: the knock-on effect through networks accounts for up to a third of the total gains driven by marches.

## **Reconciliation Narratives: The Birth of a Nation after the US Civil War**

ELENA ESPOSITO (University of Lausanne), with Mathias Thoenig (University of Lausanne) and Alessandro Saia (University of Lausanne).

*Abstract:* tba.

## **Warfare, taxation and representation: Evidence from six centuries of German history**

LUIGI PASCALI (Universitat Pompeu Fabra), with Sascha O. Becker (University of Warwick), Andreas Ferrara (University of Warwick) and Eric Melander (University of Warwick).

*Abstract:* This paper provides causal evidence for the effect of conflicts on the development of representative institutions in Europe. We use novel data on the universe of German cities between 1200 and 1750 to show that cities that experienced higher exposure to conflict subsequently had increased political participation through more electoral power for citizens and larger city councils. In response, citizens provided rulers with their consent to raise taxes. Hence affected cities developed more sophisticated tax systems but also increased spending on public goods. Exogenous variation in conflict intensities comes from changes in German nobles' positions within the European nobility network which we use to instrument for conflict.



## **Economic Threat and Cultural Tightness**

MAX WINKLER (University of Zurich).

*Abstract:* In this paper, I study heterogeneity and trends in cultural tightness in the United States and investigate whether economic downturns can play a role. Cultural tightness is the degree to which a society is characterized by rules and norms and the extent to which people are punished when they deviate from these rules and norms. It has been linked to important economic, social, and political outcomes, such as innovation, crime, and the rise of authoritarian and nationalist parties. However, direct evidence on these links is scarce, nor do we know much about the determinants of cultural tightness. A key problem has been to measure tightness in large field samples and over long periods of time. To make progress, I build on the paradigm that profit-maximizing newspapers slant their language towards the preferences, values, and beliefs of their readership and apply text analysis tools to a text corpus of local U.S. newspapers. The method recovers fine-grained measures of cultural tightness for more than 1,700 US counties and over 150 years. I validate the text-based measure by showing that it is highly predictive of numerous state- and county-level proxy indicators of cultural tightness. The descriptive analysis shows that the U.S. progressively became less tight over the time period 1880 to 2000, especially in urban and more diverse communities. Interestingly, this secular trend has stopped since the 2000s. Last, I test a mechanism proposed by cultural evolutionary theory in which economic threat can contribute to cultural tightness. To identify the causal effect of economic threat, I use weather shocks in the form of severe droughts, exogenous variation in local agricultural income, and exogenous variation in local labour market conditions as induced by trade with China. I consistently find that communities hit by these shocks become tighter, even years afterwards. This finding provides evidence that economic conditions can affect cultural tightness with possible implications for economic development and political outcomes.

## **The electoral impact of wealth redistribution: Evidence from the Italian land reform**

LORENZO CASABURI (University of Zurich), with Bruno Caprettini (University of Zurich) and Miriam Venturini (University of Zurich).

*Abstract:* Governments often implement large-scale redistribution policies to gain political support. However, little is known on whether such policies generate sizable gains, whether these gains are persistent, and why. We study the political consequences of a major land reform in Italy. Using a panel spatial regression discontinuity design, we show that the reform benefited the incumbent Christian Democratic party. The electoral benefits persisted for four decades, despite the fact that the agricultural sector dramatically shrank over this time. We conjecture that the reform created a *cooperative political equilibrium*: the incumbent party continued promoting the interests of these towns even after the land redistribution ended and the voters continued supporting this party. Analysis of fiscal transfers, public sector employment, and referendum outcomes over four decades supports this hypothesis.

## **Strategic Timing in Politics: Evidence from U.S. Presidential Executive Orders.**

RUBEN DURANTE (Universitat Pompeu Fabra), with Milena Djourelova (Universitat Pompeu Fabra).

*Abstract:* Are politicians more likely to adopt unpopular policies when the media and the public are distracted by other events? We examine this question by analyzing the timing of the signing of executive orders (EOs) by US presidents over the past four decades. We find robust evidence that EOs are more likely to be signed on the eve of days when the news are dominated by other important stories that can crowd out coverage of EOs. This pattern is driven by EOs that are more likely to attract negative publicity, i.e., on non-routine administrative decisions and on topics on which the president and Congress disagree. Crucially, we find an effect only for periods of divided government when Congress is more likely to criticize unilateral actions. Finally, the timing of EOs appears to be related to predictable news but not to unpredictable ones which suggests it may result from a deliberate and forward-looking PR strategy.

## **Meet the oligarchs: Business legitimacy, state capacity and taxation**

RAFAEL DI TELLA (Harvard Business School), with Juan Dubra (Universidad de Montevideo) and Alejandro Luis Lagomarsino (Harvard University).

*Abstract:* We study the impact of two dimensions of trust, namely trust in business elites and trust in government, on preferences for taxation. Using a randomized online survey, we find that our two treatments are effective in changing trust in Major Companies and in Courts/Government. In contrast to previous work, we find that distrust causes an increase in desired taxes on the top 1%. For example, our treatment decreasing trust in business elites causes an increase in desired taxes on the top 1% of 2.4 percentage points (it closes 28% of the Democrat-Republican gap in tax preferences) when trust in government is low; a similar result is obtained for distrust in government. With respect to proxies for regulation and state capacity, we find a negative effect of trust in business elites (and an unclear effect of trust in government). A model based on Rotemberg (2008), where people tax to punish corrupt business leaders rather than to redistribute income, helps interpret these findings.



## **Populist campaigning and salient history: The case of the Turkish sieges of Vienna**

CHRISTIAN OCHSNER (CERGE-EI & University of Zurich), with Felix Roesel (ifo Institute).

*Abstract:* We show that long gone history stored in local collective memories can become salient and shape political preferences and out-group sentiments. Turkish (Ottoman) troops committed horrible atrocities in Austria during the sieges of Vienna in the 16th and 17th century. When Austrian right-wing populists started to campaign against Muslims and Turks, they explicitly referred to Turkish vicious crimes some 300 to 500 years ago. We find that anti-Muslim sentiments and right-wing populist voting surge in once pillaged places when the campaigns started. By contrast, neither far-right voting nor out-group sentiments differed among pillaged and non-pillaged places in the periods before the campaign. Our results suggest that history can also shape beliefs, sentiments and behavior in a non-persistent but salient way.

## **The logic of fear: Populism and media coverage of immigrant crimes**

MATTHIAS THOENIG (University of Lausanne), with Mathieu Couttenier (University of Lyon), Sophie Hatte (University of Lyon) and Stephanos Vlachos (University of Vienna).

*Abstract:* We study how news coverage of immigrant criminality impacted municipality-level votes in the November 2009 "minaret ban" referendum in Switzerland. The campaign, successfully led by the populist Swiss People's Party, played aggressively on fears of Muslim immigration and linked Islam with terrorism and violence. We combine an exhaustive violent crime detection dataset with detailed information on crime coverage from 12 newspapers. The data allow us to quantify the extent of pre-vote media bias in the coverage of migrant criminality. We then estimate a theory-based voting equation in the cross-section of municipalities. Exploiting random variations in crime occurrences, we find a first-order, positive effect of news coverage on political support for the minaret ban. Counterfactual simulations show that, under a law forbidding newspapers to disclose a perpetrator's nationality, the vote in favor of the ban would have decreased by 5 percentage points (from 57.6% to 52.6%).