

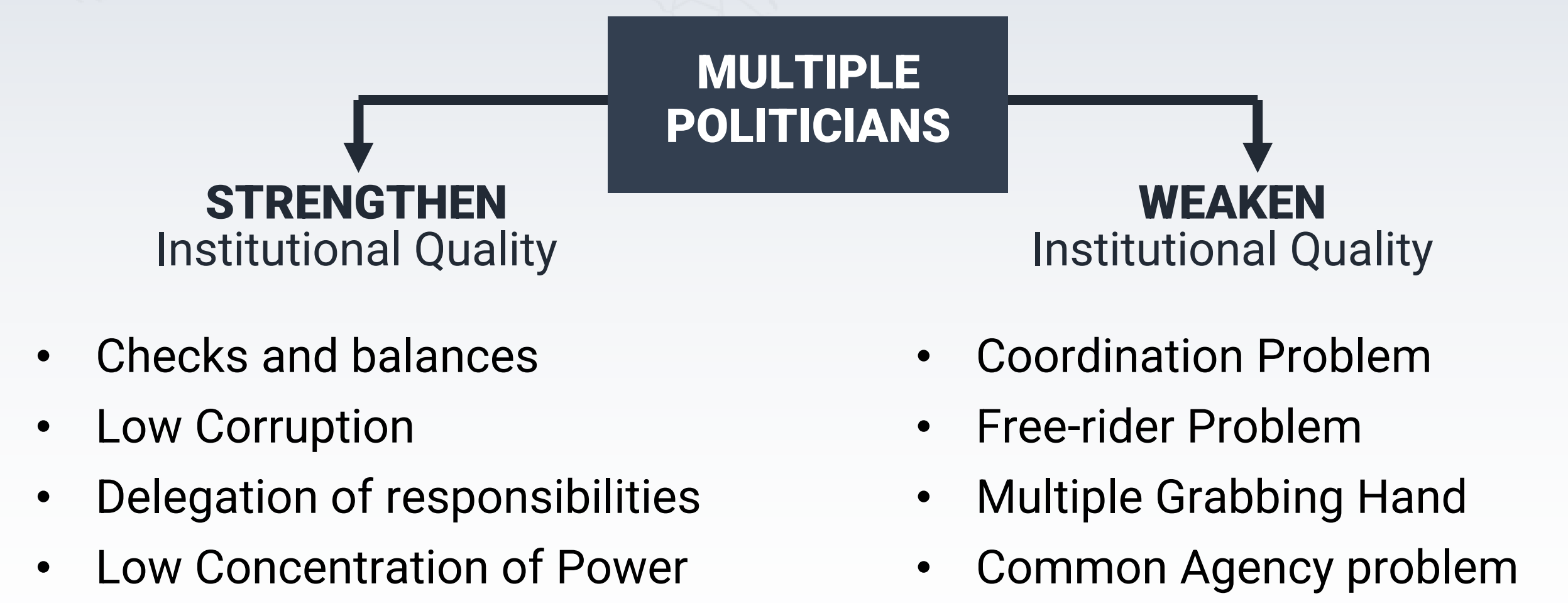
Political Power-Sharing, Firm Entry, and Economic Growth: Evidence from Multiple Elected Representatives

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Overview

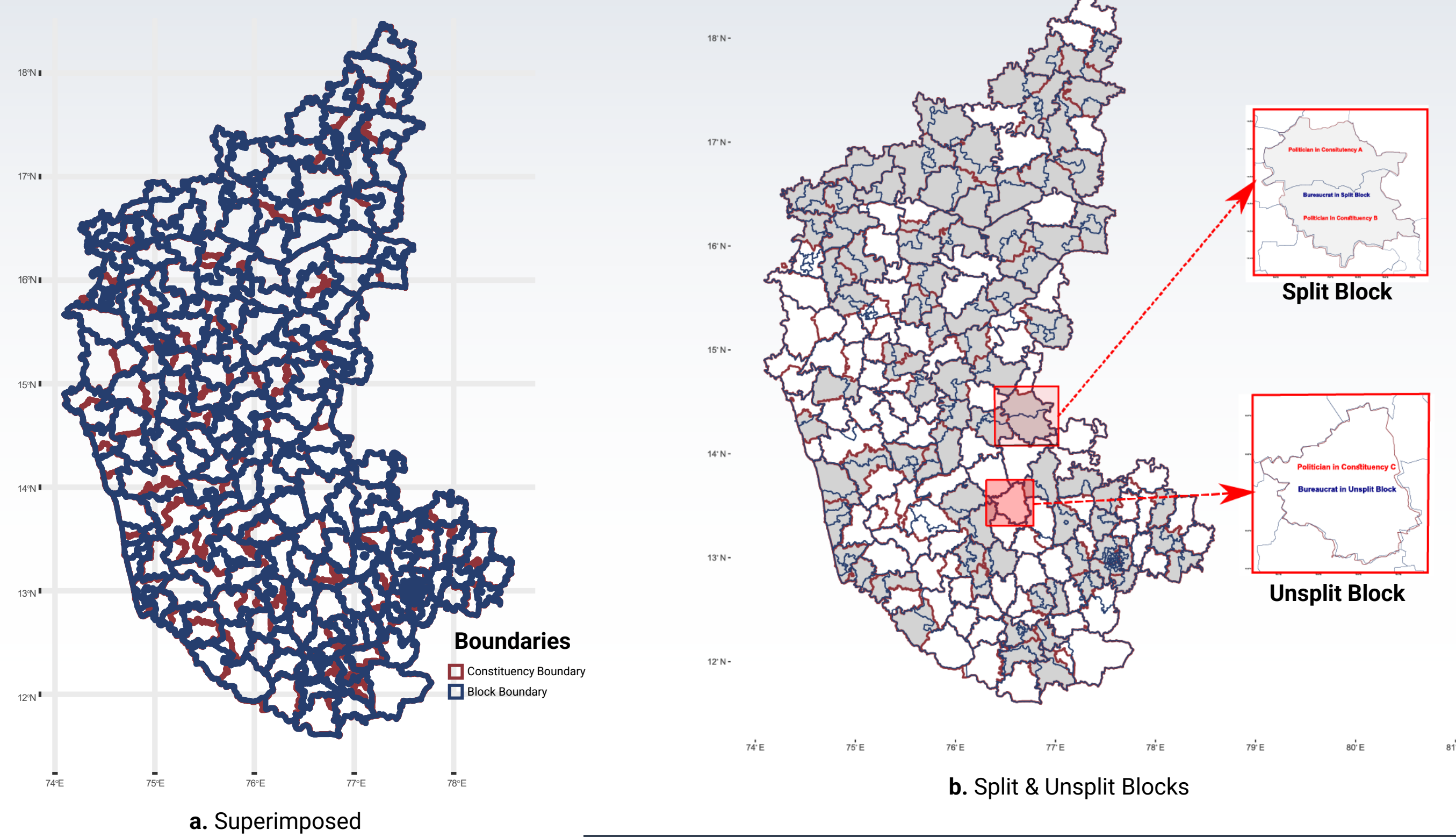
- The distribution of political power impacts economic institutions and growth. (Acemoglu et al. 2005)
- Design of political institutions regulates power distribution by providing incentives and imposing constraints.
- Political institutions, like constitutions, can be incomplete contracts and leave room for abuse of power.
- Political actors with misaligned interests → Checks and Balances → Economic Growth (Persson et al. 1997)
 - One possible way to do so is to have Multiple Elected Representatives govern a Single Jurisdiction.

Theoretical Ambiguity



Research Design

Haphazard overlap of administrative and electoral boundaries

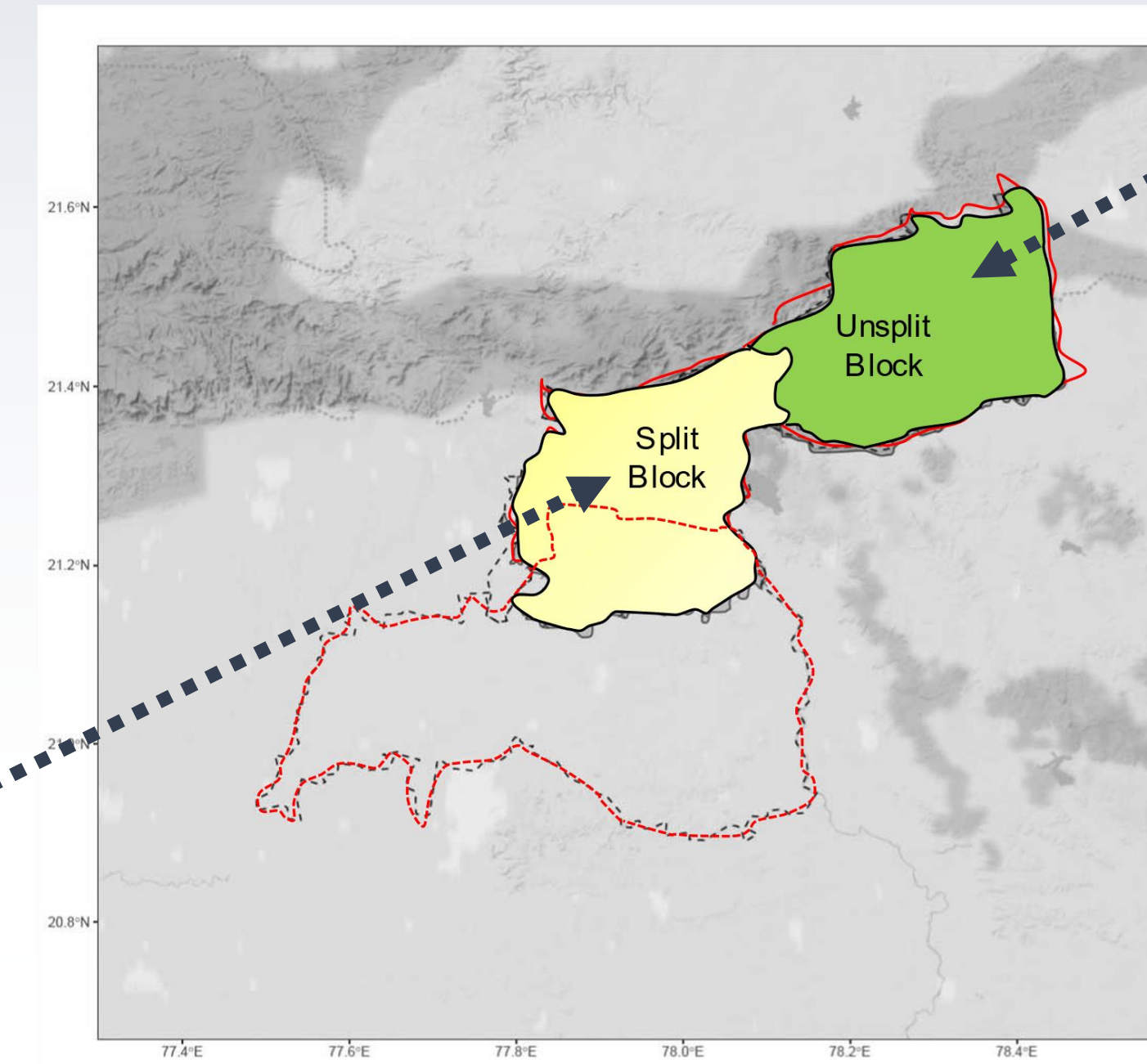


Multiple Politicians



Managed By

State Machinery



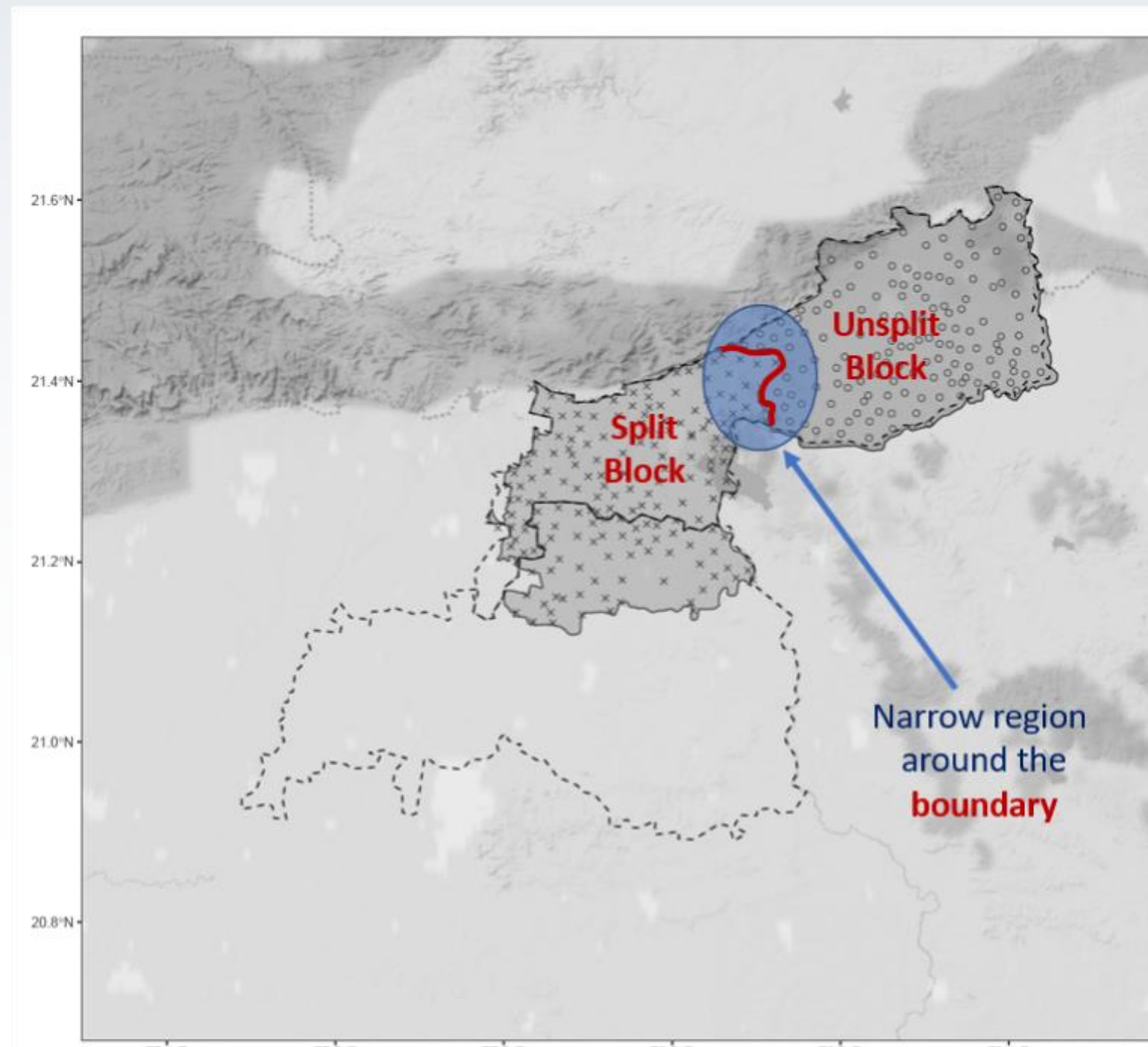
Managed By

Single Politician

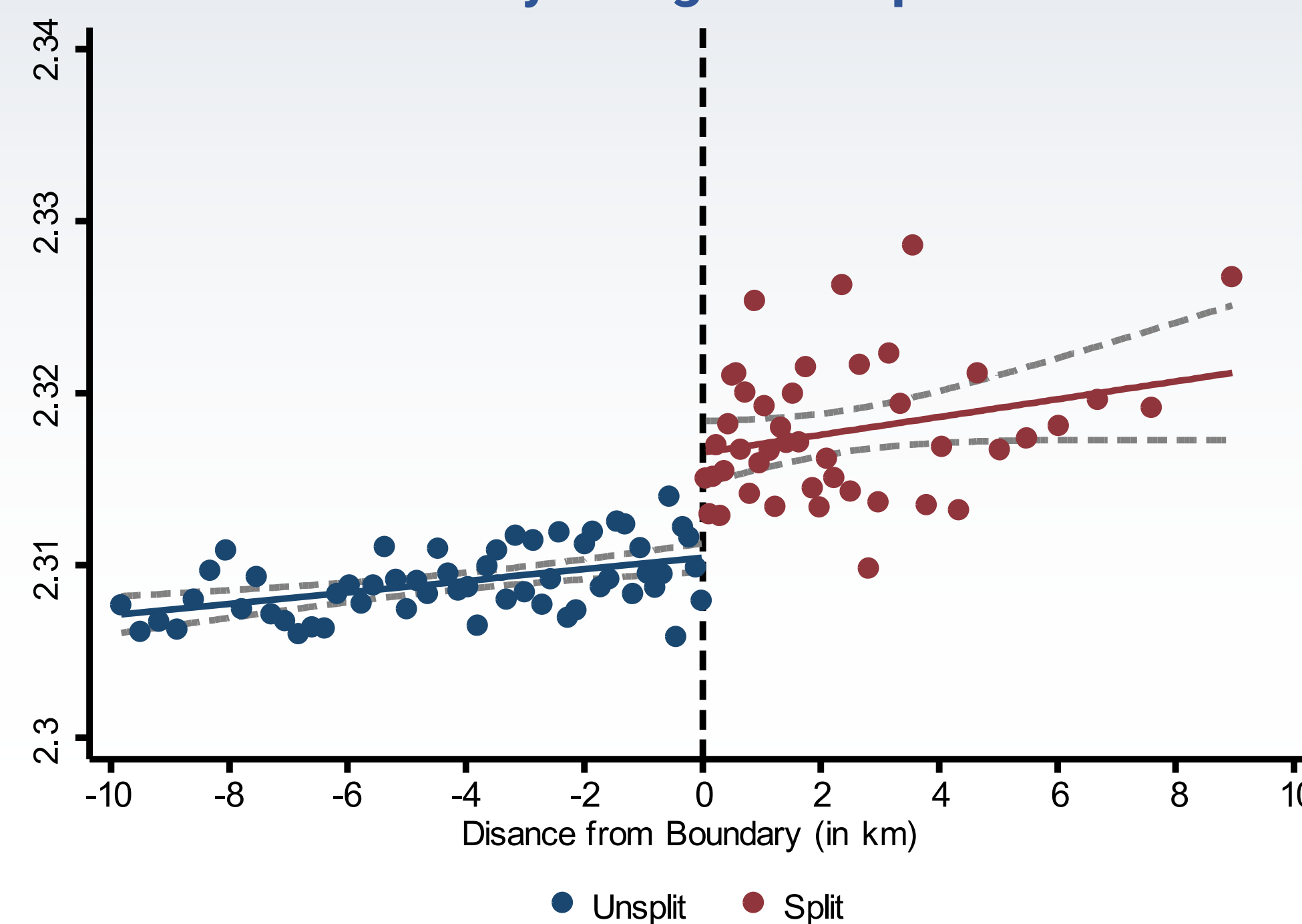
Following Gulzar and Pasquale (2017), we use the haphazard overlap of different administrative jurisdictions. The haphazard overlap of constituency and block boundaries generates quasi-random distribution of the number of politicians.

Empirical Strategy

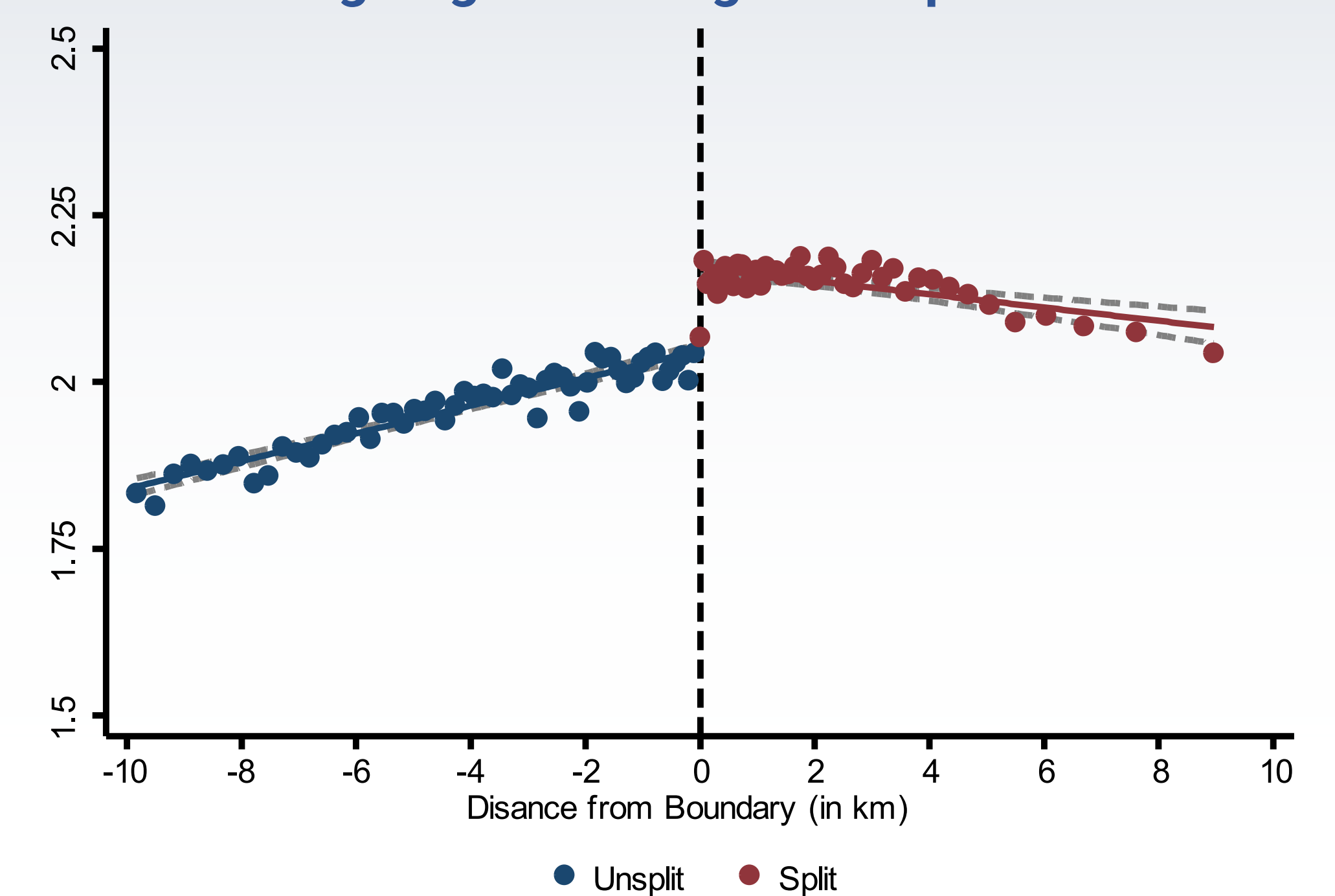
Geographic Regression Discontinuity



Firm entry is higher in split blocks



Nightlights are higher in split blocks



We estimate the causal effect of multiple politicians on the downstream economic outcomes using a) Regression Discontinuity Design and b) Difference in Discontinuity Design. We find that having multiple politicians improves the economic trajectory of a jurisdiction. Villages in blocks with Multiple Politicians experience 3% higher firm entry, 7% higher nightlight intensity, 6% higher employment

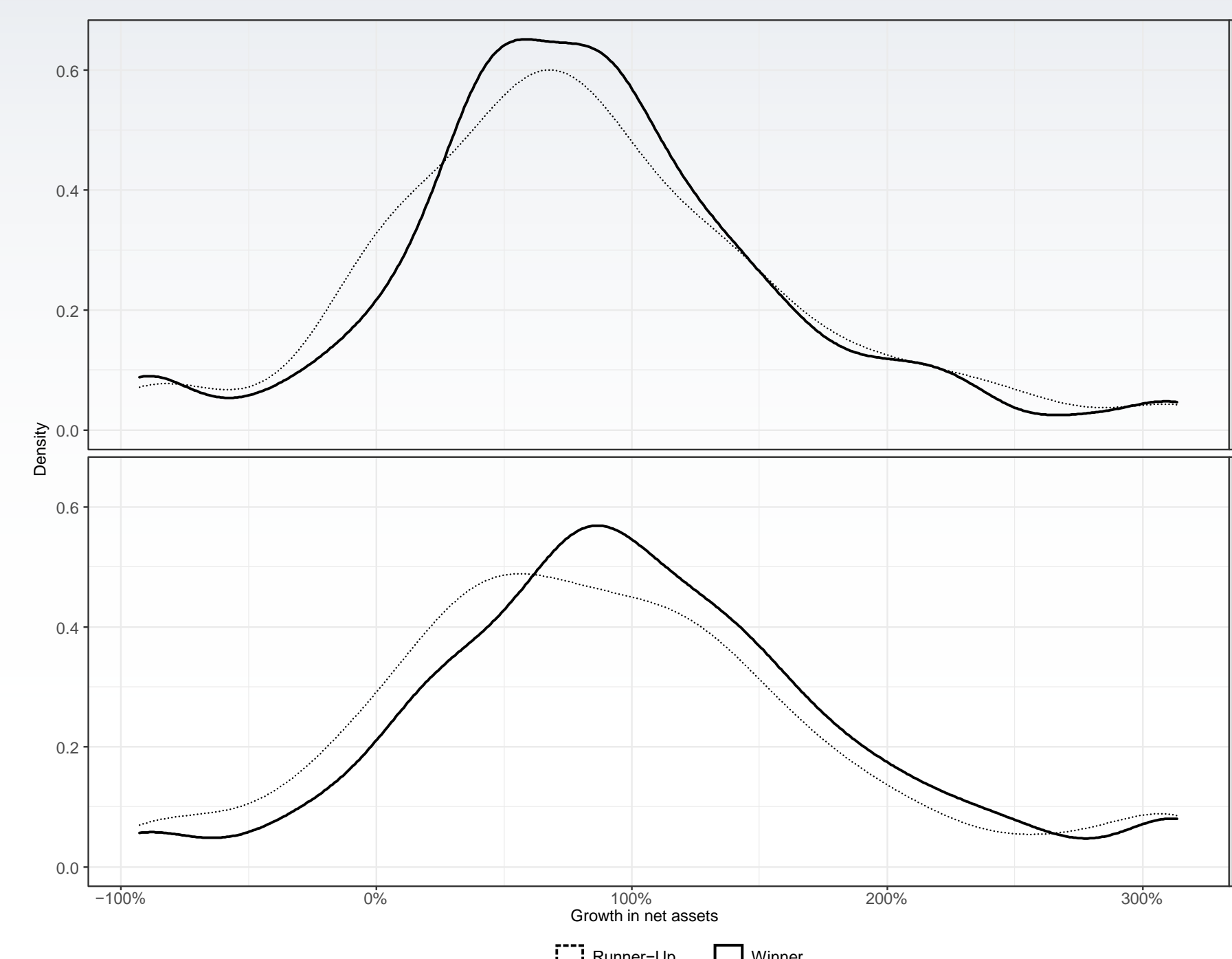
Mechanism - Checks and Balances

Misalignment of Interests

Dep Var: LN(0.001+# New Firms)	1	2
Frac. Non Aligned x Split	0.0094** (0.0045)	0.0157** (0.0070)
Misalignment of Interests	Partisanship	Caste
# Obs	2,497,757	1,917,496
R ²	0.7581	0.7447
Bandwidth	10 KM	10 KM
Boundary × Year FE	Yes	Yes
Village FE	Yes	Yes

We find greater firm entry in blocks split across politicians whose interests are misaligned in on the dimensions on partisanship and caste.

Private Returns to Public Office



Findings

Multiple Politicians Reduce Regulatory Costs

- Faster regulatory approvals
- Higher entry from firms in regulated industries
- Higher entry by smaller firms
- Lower entry from firms in crony industries

Multiple Politicians Improve State Efficiency

- Cost effective construction of rural roads
- Greater disbursement of funds towards public project

Increased checks and balances, as a result of having multiple politicians, boost the local economy by improving state efficiency and reducing regulatory costs and cronyism



The information presented in this poster is a very condensed version of our full paper.

Please scan the QR code to access the full paper.

Thank you for your interest in our work.