Discussion on:

# "Money, Money, Money: Finance, Banks, and Politics"

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# If you imagined a world

- ✓ Where money does not corrupt the electoral process
- ✓ Where informed voters select the best politicians
- ✓ Where elected politicians distribute resources fairly

# You were a dreamer

- ✓ Special interests groups support electoral campaigns expecting favors in exchange
- ✓ Politicians tend to take advantage of their position to enrich themselves
- ✓ Or to favor they friends

# But dreams may come true

- ✓ Disclosing information about the wealth of politicians (tax returns) may help select better ones
- ✓ And if information disclosure is not enough (or possible)
- ✓ We can always ask President Xi to run an anti-corruption campaign

# Seriously

- ✓ These are very interesting papers
- ✓ They take advantage of new data ("treasures") and use them to understand the nexus between money and politics
- ✓ Two papers look at how money affect politics
- ✓ And two at how politics affects money (credit)
- ✓ TORs of an ABCDE discussant: be brief and treat all papers equally…

# Money and Politics (I)

- ✓ The treasure here is in Colombia: a dataset that links campaign donors and recipients of public contracts
- ✓ Do campaign contributions increase the probability (i) of getting public contract, and of (i) getting them at better conditions?
- ✓ Yes, the probability of getting public contract increases by about 10 pp
- ✓ And the terms of the contract are slightly better

# Money and Politics (I)

- ✓ The results smell true, and they are very much in line with Baltrunaite's (2017)
  - ✓ In Estonia the probability that a "contributing" firm wins a public contract decreased by about 5% after a ban on political contributions
- ✓ While the RDD analysis is neat, I doubt whether the results can be generalized to less tight elections…
- ✓ The value of political contributions is higher in tight elections
- ✓ And this is why the probability of giving a contract to a donor is higher, the lower is the margin of victory

# Money and Politics (II)

- ✓ The treasure here is in India: a dataset that links (unexpected) disclosure of financial records with the probability of incumbents to re-run in elections
- ✓ The disclosure of incumbents' growth in assets reduces the probability that they re-run for office by 13 percentage points
- ✓ This suggests that (financial) information disclosure may improve the selection of legislators

# Money and Politics (II)

- ✓ My only "concern" *vis-à-vis* the paper is with respect to Assumption 2 (non mimicking/pooling)
- ✓ When it holds, the behavior of politicians is the same when disclosure is expected and when it is not
- ✓ Only the probability of re-running is different: disclosure improves political selection but not has no reputation or disciplinary effects
- ✓ Avis, Ferraz, and Finan (forth.) find discipline (72%) and reputation (28%), but no political selection (<1%) effect

# Politics and Money (I)

- ✓ The treasures here is in Thailand: where the government donated resources to rural villages for the creation of credit funds
- ✓ Which were managed by elected village committees that decided who obtained credit and under which conditions
- ✓ The paper finds that credit was not distributed according to equity or efficiency criteria, and it tended to benefitted connected households
- ✓ But markets sort of reallocated resources

# Politics and Money (I)

- ✓ Fascinating paper, but quite opaque
- ✓ I had problem in understanding how the productivity of the different households was computed; and whether the assumptions make sense for rural Thailand
- ✓ Without a model, it is unclear what the benchmark for an optimal allocation of resources is
- ✓ The fact that connected households are only 10pp points more likely to obtain credit does not seem big to me
- ✓ How the GE effects square with the fact that households received credit from relatives?

# Politics and Money (II)

- ✓ The treasure here is in China: where the authors got access to the credit data of one of the big five state bank
- ✓ Look at the determinants of lending to SOEs and non-SOEs?
- ✓ How they changed after the 2012 anticorruption campaign?
- ✓ The credit gap between SOE and Non-SOE drops by 14%, the spread shrinks by 0.31%, loan terms by 8.8%
- ✓ Hence…they infer is a "casual" effect of anti-corruption measures on bank lending

# Politics and Money (II)

- ✓ The analysis of the determinants of State bank lending is very interesting
- ✓ I had some problem with the model, do we need it?
  - ✓ Why aren't you introducing bankruptcy cost to avoid corner solutions? Can you "microfund" *b*?
- ✓ The paper cannot test what are the effects of the anticorruption campaign (*post hoc non propter hoc*)
- ✓ Can't you look at some time/geographical variations?

# To conclude…

- ✓ Very interesting session
- ✓ Fascinating data to look at how money may corrupt politics and how politics may distort credit allocations
- ✓ What I liked about all these papers is that they used novel data to look at interesting problems
- ✓ And they also tried to use theory to see what are the right question to ask
- ✓ This is what ABCDE is all about!