When Are Prices Politicized?

Raj Desai (Georgetown) and Krzysztof J. Pelc (McGill)

IPES, November 2015
When are economic outcomes politicized?


Yet there is considerable variation in price/protest link: Following surge of food prices in Africa in 2007-08, 14 countries see food protests, 35 countries do not.

When do price shocks affect individual political behavior?
Motivation

▶ When are economic outcomes politicized?


▶ Yet there is considerable variation in price/protest link: Following surge of food prices in Africa in 2007-08, 14 countries see food protests, 35 countries do not.

▶ When do price shocks affect individual political behavior?
When are economic outcomes politicized?


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When do price shocks affect individual political behavior?
When are economic outcomes politicized?


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When do price shocks affect individual political behavior?
Existing Explanations

- Current explanations point to:
  - structural conditions (Arezki and Bruckner, 2011)
  - regime type and rural bias (Hendrix and Haggard, 2015)
  - strong civil society (Berazneva and Lee, 2013)

- This literature views individual propensity to protest as fixed.
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Individuals are more likely to mobilize after price surges when they perceive the government has agency over those prices.

Individuals form these beliefs by observing past interventions: when governments intervene to affect prices, individuals update their beliefs about government’s ability to act.

Whenever governments intervene in the economy for short-term political gain, they pay a long-term price: prices become politicized.
Argument

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Government is blamed, and nation-wide protests ensue.

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Onion Protests in India, 2011

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Onion Protest Outcome: 2011

History of government intervention in onions, especially around elections.

- In 2010, the duty on onions stood at 30%. In the week following protests, duty is 
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Research Design

► Building on Mechanical Turk pilot survey, we ran a national household survey in India, conducted in June 2015.

► Choice of India: highest number of food protests of any country (World Bank Food Radar 2014).

► 1595 adults across 8 states. 60/40 rural vs urban split.

► Samples stratified within-state by district. Primary sampling units selected on basis of randomly selected locations reflecting district demographics from All India Census of 2011. Within primary sampling units, field investigators sub-divided these into habitation areas of roughly 150 resident households, from which 20 were randomly pulled.
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Treatment

- Respondents were asked to choose salient commodity from randomly assigned high distortion set or low distortion set:

  - "Among these commodities, which is most important to you?"

  - Low Distortion: Oats, Chickpeas, Barley, Soybean Oil.
    Average tariff over last 5 years: 5.75%

  - High Distortion: Rice, Sorghum, Wheat, Sugar.
    Average tariff over last 5 years: 67%
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Low Distortion Commodities
N=812

- Oats: 11.6
- Chickpeas/Tur Dal: 66.9
- Barley: 3.8
- Soybean Oil: 17.7
High Distortion Commodities
N=783
Additional Treatment

- 400 respondents randomly assigned "monsoon treatment": "How do you think your neighbors would react if the price of [COMMODITY] suddenly increased to [double the PRICE cited] because of bad monsoon?"

- Monsoon mention repeated in every question for treatment group.

- Expectation: Monsoon treatment should have variable informational impact, according to distortion. Treatment should result in reduced political mobilization claims especially for high distortion commodities.
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Reaction to Surges: Response Items

- I would complain to a friend
- I would complain to the local vendor
- I would vote against the government in the next election
- I would join a popular protest against high prices
- I would do nothing
- Other (Please specify)

"How would you react if the price of [COMMODITY] suddenly increased to [double the PRICE cited] ?"
Distribution of Reactions Across Entire Sample

- Complain to Friend
- Complain to Vendor
- Vote Against Government
- Join Popular Protest
- Do Nothing
Estimating Political Reactions to Price Surges

\[(PoliticalResponse)_{i,d} = \beta_0 + \beta_1 \delta + \beta_2 \phi + \beta_3 (\delta \phi) + \beta_4 X_i + \nu_d + \epsilon_i\]

where

- \(PoliticalResponse\) is vote or protest, for individual \(i\) in district \(d\).
- \(\delta\) is the level of price distortion
- \(\phi\) is monsoon information treatment
- \(X\) is a vector of individual-specific controls
- \(\nu\) a district-level effect, and
- \(\epsilon\) a random disturbance term.
Table 2: Effects of Distortion History on Propensity to Mobilize

<table>
<thead>
<tr>
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<th>(3)</th>
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<td><strong>High Distortion Commodity</strong></td>
<td>$0.106^{***}$</td>
<td>$0.091^{***}$</td>
<td>$0.092^{***}$</td>
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<td><strong>Monsoon X High Distortion</strong></td>
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<td><strong>Agriculture Worker</strong></td>
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<td>$0.105^{***}$</td>
<td>$0.099^{***}$</td>
<td>$0.099^{***}$</td>
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<td><strong>Kutcha Dweller</strong></td>
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<td><strong>BJP supporter</strong></td>
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<td>$0.187^{***}$</td>
<td>$0.184^{***}$</td>
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<td><strong>Individual Price Salience</strong></td>
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<td>$0.045$</td>
<td>$0.042$</td>
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</table>

Dependent variable is Political Reaction. Estimation is by linear probability model, with bootstrap replicate weights (100 replications) taking into account 11 district-level strata and clustering at 80 primary sampling units for resampling * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. 
Predicted Probability of Political Reaction, by Commodity Set

Low Economic Distortion

High Economic Distortion
Table 3: Effects of Distortion History, Rural Sample Only

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</table>

Dependent variable is Political Reaction. Sample includes rural dwellers only. Estimation is by linear probability model, with bootstrap replicate weights (100 replications) taking into account 11 district-level strata and clustering at 80 primary sampling units for resampling * p < 0.1, ** p < 0.05, *** p < 0.01.
Coefficient Stability Across Sub-Populations

![Coefficient Stability Across Sub-Populations](image-url)
Assigning Blame, Gathering Information

We also assess the relationship of distortion assignment on:

- Propensity to blame the government vs. other countries.
- Perception of government’s "duty" to intervene to stabilize prices.
- Whether prices in other countries are thought to be higher or lower.
- Sources of information cited.
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Conclusion

- Individuals appear more likely to blame government for price surges in commodities with history of distortion & to mobilize politically on this basis.

- Monsoon info treatment lowers political mobilization significantly more for highly distorted commodities.

- Respondents appear highly aware of levels of distortion: when government intervene, prices get politicized.
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Conclusion

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When Are Prices Politicized?

Raj Desai (Georgetown) and Krzysztof J. Pelc (McGill)

IPES, November 2015