

Crises, Uncertainty, and Reform – Disentangling the Mechanisms of a Conventional Wisdom in Fractionalized Polities

Economic Research Forum Annual Conference
2020

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Outline

- 1) Motivation and Framework
- 2) Empirical Strategy and Data
- 3) Preliminary Results
- 4) Conclusion

Motivation and Framework

Motivation

Lebanon faces a *perfect storm* of overlapping crises

Do crises facilitate political collaboration on reform?

“Conventional wisdom” in literature on political economy of reform (Drazen 2000, Tommasi and Velasco 1996)

Empirical evidence inconclusive & mechanisms underdetermined (Mahmalat and Curran, 2018; Prato and Wolton, 2018).

Outline

- Theory to analyze the micro mechanisms by which crises impact political collaboration on reform
- **Application:** fractionalized, clientelist societies, case of Lebanon
- **Argument:** degree to which crises impact collaboration depends on the incentive structures of political actors to rally political support
- **Data:** Novel dataset on legislative activity in Lebanon (Mahmalat 2020)
- **Preliminary results** provide an explanation for why crises can fail to induce reform
- **Contribution** towards explaining ambiguous results in extant literature

Definitions

Crises

Moments in which the uncertainty about the post-crisis environment is sufficiently large by threatening the realignment of political power.

- Constructivist understanding explaining policy outcomes in terms of the prevailing ideas and beliefs of political actors (Blyth, 2002, 2010)
- Actors cannot determine objective functions
- Interpret political or economic realities based on own imperatives (Widmaier, Blyth and Seabrooke, 2007; Hay, 2016; Widmaier, 2016; Curran and Mahmalat, 2020)

Definitions

Fractionalization

Number of politically salient groups with veto powers that are involved in political collaboration.

- Delay reform over the difficulty to agree on compromise: (Tsebelis, 2002; Tommasi, Scartascini and Stein, 2014).
- Fractionalization to reduce the incidence of reform even in times of crises:
 - Galasso (2014): reduce liberalization and product market reforms in OECD countries.
 - Banerjee and Munger (2004): fractionalized governments less likely to privatize.
 - Veiga (2000) & Alesina, Ardagna and Trebbi (2006): fractionalized governments delay reform to stabilize economies in the wake of economic crises.

Definitions

Political Collaboration

Engagement into credible intertemporal agreements (Spiller and Tommasi, 2003; Stein et al., 2006).

- Focus on the intertemporal nature of these agreements
- Agreements need to be self-enforcing (Acemoglu, 2003)
- susceptible to the time-horizons of key political actors (Pinea, 1994; Acemoglu, García-jimeno and Robinson, 2015; Mahmalat and Curran, 2019).
- When a crisis hits, political collaboration changes and needs to respond to the updated likelihood that future promises are being kept.
- Attention driven model of policy choice: Crises narrow political agenda (Jones 2001)

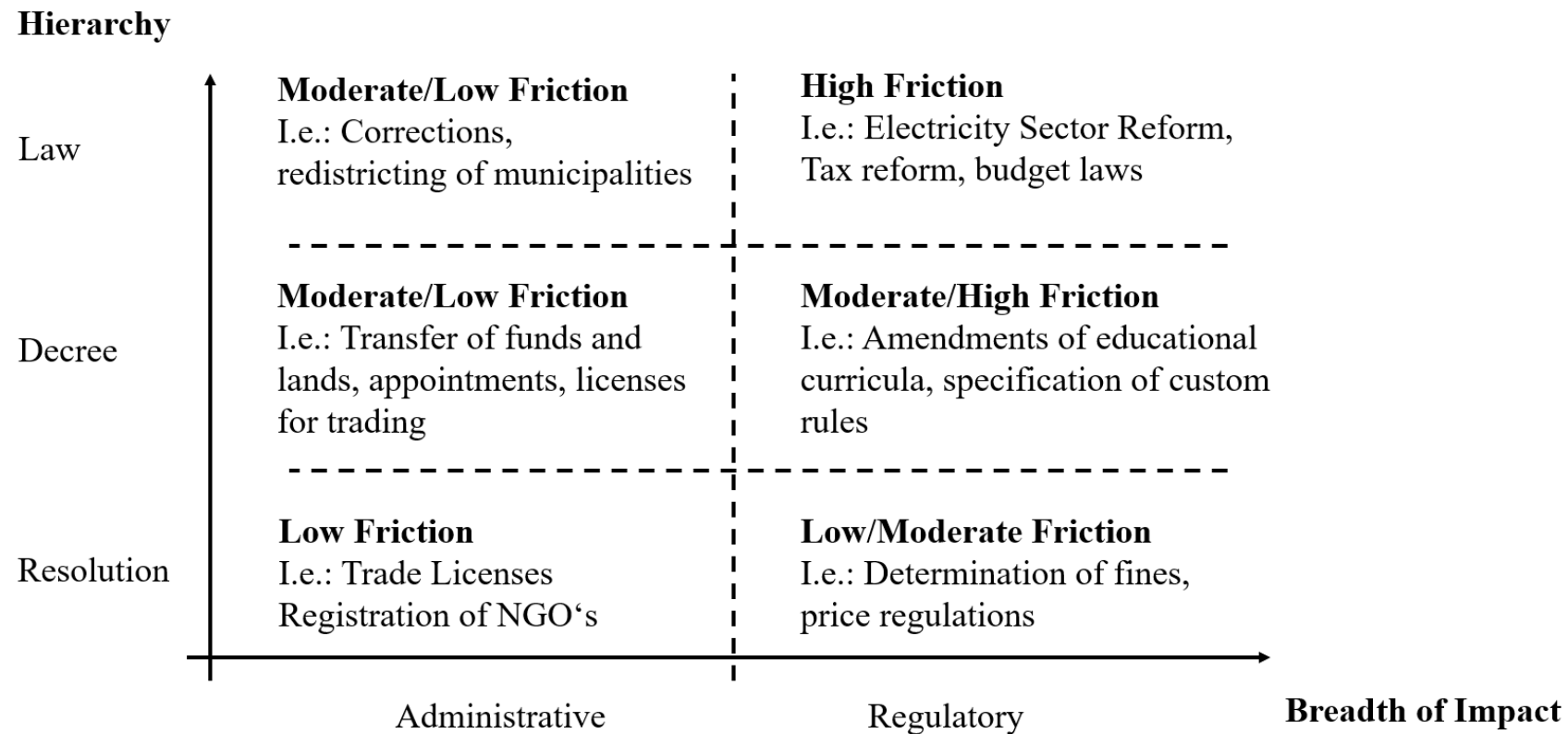
Impact of Crises

- Legislative projects, however, differ significantly in the amount of attention they require

Rank	Type of Legislation	Description	Issuing Body	Institutional Friction
1	Law	A supreme, general and impersonal legal rule, following the Parliament's deliberation and initiative. No law can be enacted if it has not been passed by the Parliament.	Parliament	High
2	Decree	Administrative orders taken by the President of the Republic, or the Council of Ministers according to the powers allocated by the Constitution and the Laws. No parliamentary approval necessary but limited in scope by applying the law.	Council of Ministers, President	Moderate
3	Resolution	Issuance of the Executive power, i.e., the Ministers or the administrative authorities, to which constitutional laws conferred regulatory power. Limited legal scope within the realm of existing legal frameworks.	Ministers	Low

Impact of Crises (2)

- Legislative hierarchy and a legislations' breadth of impact determine institutional friction



Hypotheses

- **H0:** During crises, actors do not change their allocation of attention to high-profile vis-à-vis low-profile legislation.
- **H1:** Crises facilitate the passage of high-profile legislation (*national strategy*).
- **H2:** Crises increase the passage of low-profile legislation that provides clientelist services for constituencies (*local strategy*).

Data & Empirical Strategy



Data

- Comprehensive dataset of legislative activity (see Mahmalat, 2020)
- All primary and secondary legislation from (1943 – 2019)
- Each text one observation
- Information about:
 - policy area (coding based on two-step approach)
 - type of legislation
 - date of signature of the President of the republic
 - the signing ministers
 - publication date
 - title

Econometrics

- Identification of 5 crisis episodes based on newspaper articles and executive speeches
- Exploitation of phenomenon that all crisis episodes in Lebanon accompanied by resignation of presiding government.
- control group of all remaining government resignations and focus on legislation 10 weeks before and after each resignation.

$$Y_{ct} = \alpha + \gamma R_t + \lambda P_t + \delta L_t + \varepsilon_{ct}$$

where

Y_{ct} : count variable and depicts the number of texts in specification c and time t (i.e., the number of legislation per week).

c represents the two model specifications.

R_t is a dummy variable for the treatment groups (crises periods) and takes the value of 1 for the five identified periods.

P_t represents the total number of primary and secondary legislation passed in each week,

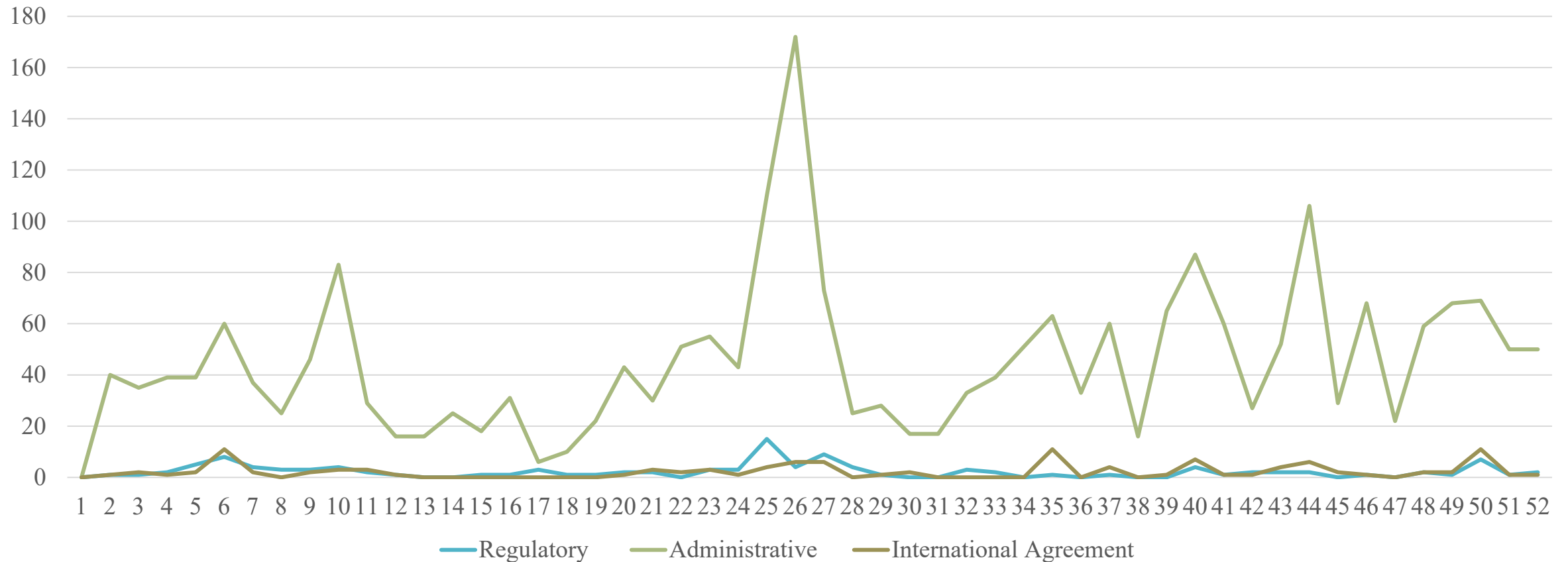
L_t represents periods fixed effects. All specifications are run by using robust standard errors.

Preliminary Results

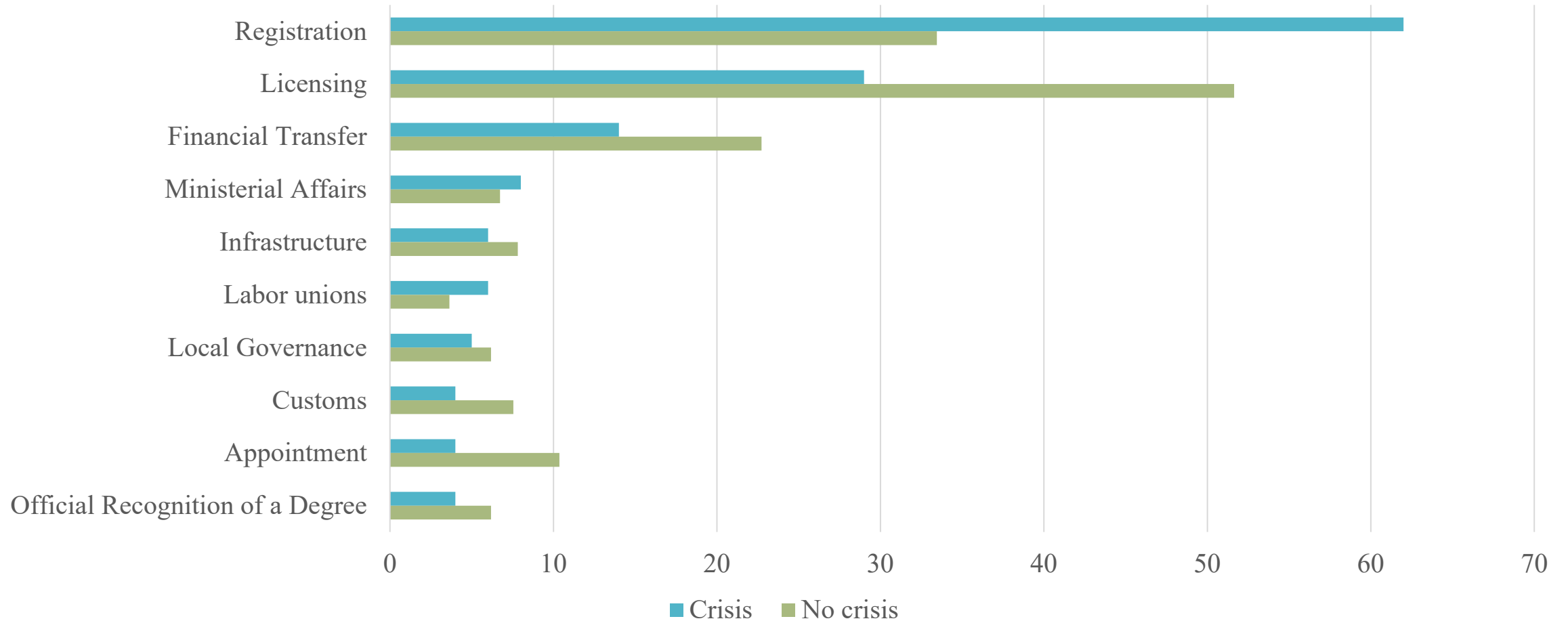
Summary Statistics

	2019			2005		
Type	Total	Crisis (17/10 to 5/11)	No Crisis (31/1 to 16/10)	Total	Crisis (14/2 to 15/3)	No Crisis
Regulatory	128	5	123	118	10	108
Administrative	1452	111	1328	2471	167	2259
International Agreements	85	1	84	114	8	104

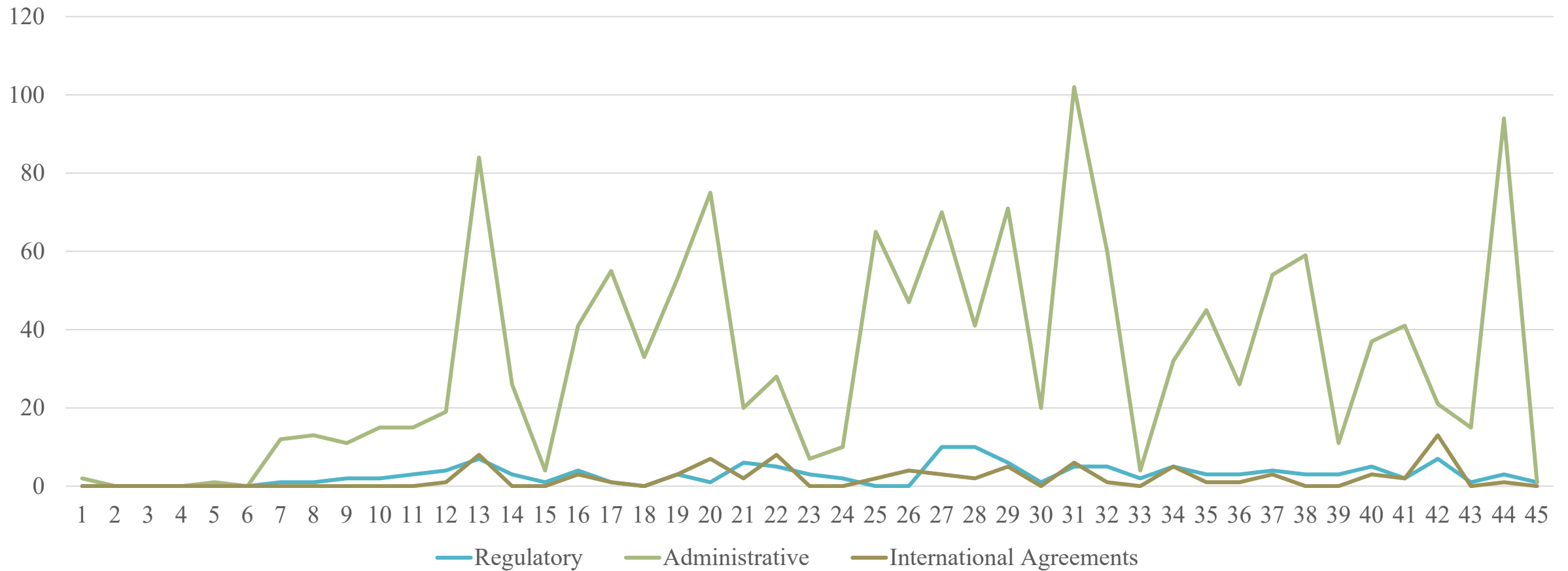
2005: Comparing crisis to non-crisis time



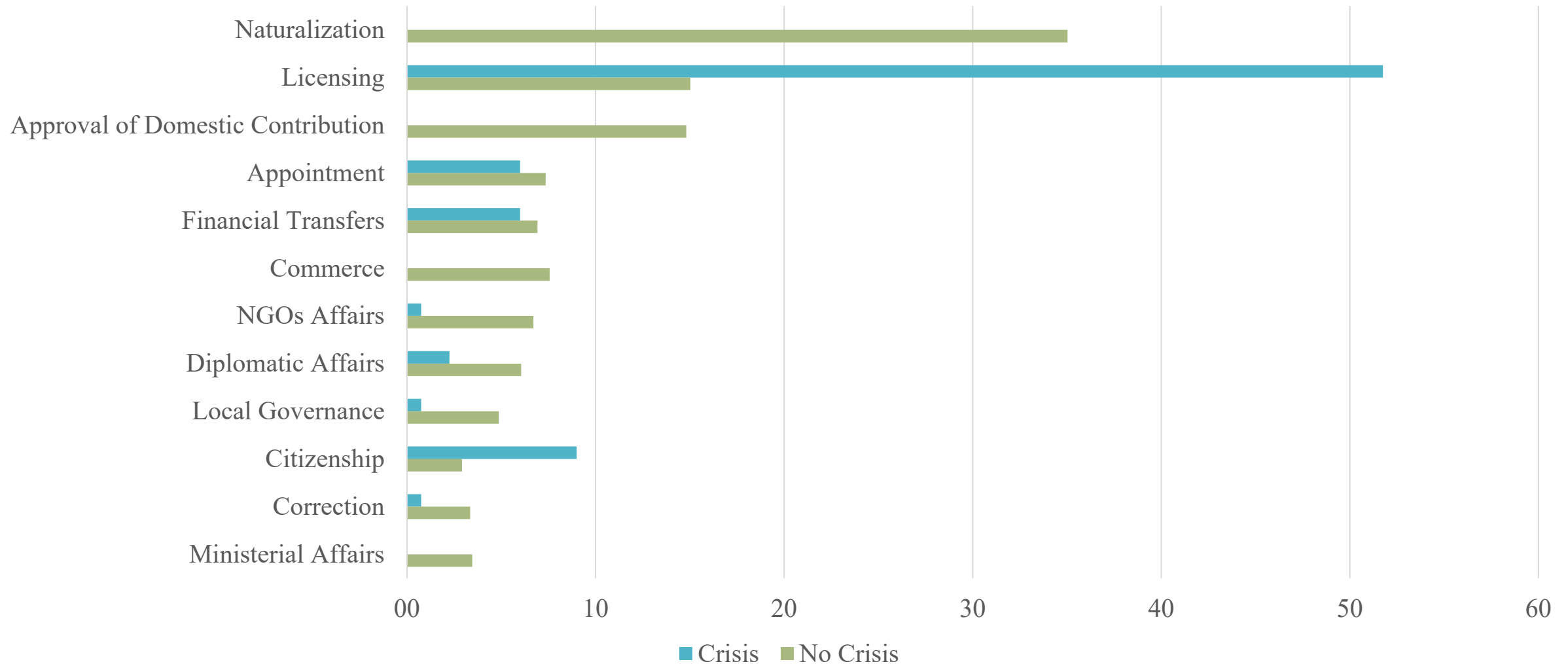
2005: Comparing crisis to non-crisis time



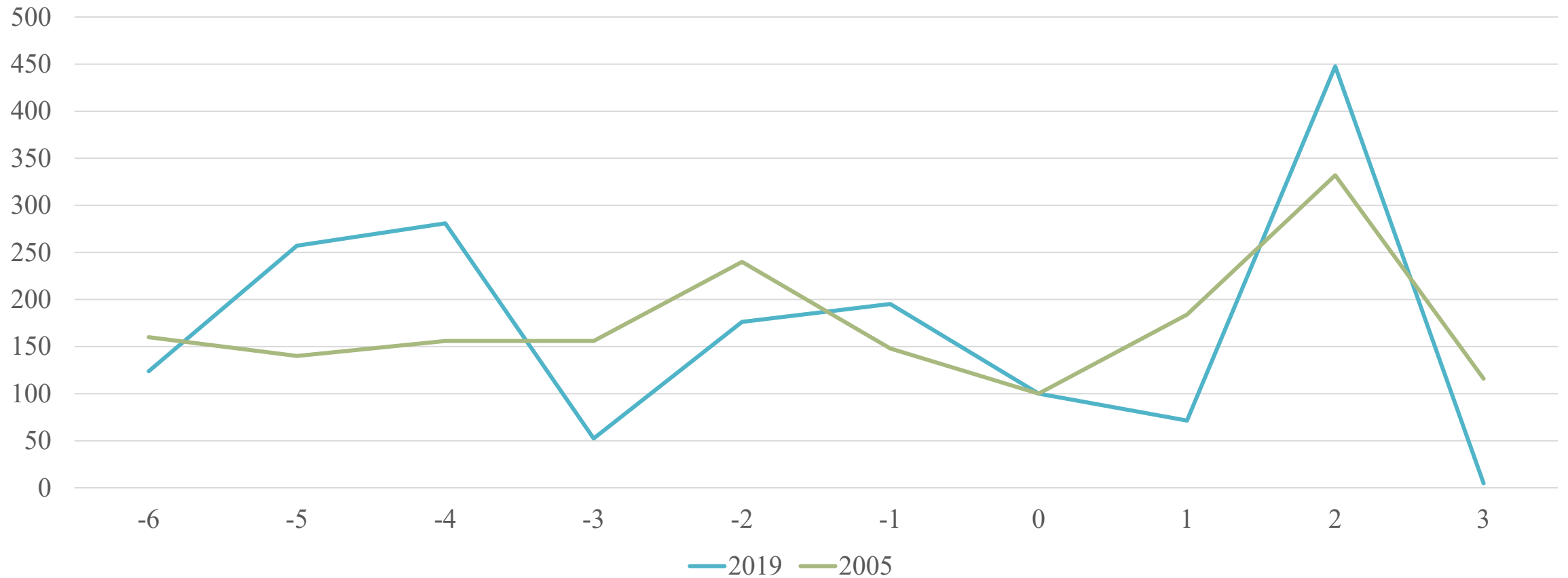
2019: Comparing crisis to non-crisis time



2019: Comparing crisis to non-crisis time



Relative change in administrative legislative activity



Conclusion

Crises as Opportunity?

Clinton (2009): “Never let a good crisis go to waste”

- Crises situations, as detrimental as they are, tend to be considered an important opportunity to instigate policy change and reform that would not otherwise be possible.
- Our results suggest that when the incentives for actors to really support are not structured by electoral incentives such as in fractionalized, clientelist polities, crises situation can eventually reduce reform activity.
- International assistance programs, then, should reflect these incentive structures in their technical reform programs in order to increase their efficacy.

Thank you

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