

Feedback session 1: Introduction

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Outline

Welcome & Introduction

What to expect?

Political connections

Upcoming Assignments

More Resources

Who am I?

- ▶ Bas Machielsen
- ▶ MSc degrees in Economics (RU) and Business Administration (UT)
- ▶ PhD Student in Economic History at Utrecht University
- ▶ Research: political connections, political economy, empirical economics
- ▶ Teaching experience in Methodology, Programming, Corporate Finance
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Who are you?

- ▶ Introduction Round
- ▶ Personal Interests
- ▶ Why do you find this topic interesting?
- ▶ What do you think about when you hear the words political connections? What do you think might be causes and consequences?

First Bachelor Thesis Feedback Session

► Structure of the course

Schedule mandatory deadlines and mandatory feedback sessions

<i>Assignment</i>	<i>Week</i>	<i>Deadline</i>	<i>Feedback session</i>
	2		January 10 [Introduction]
<i>Pre-assignment</i>	3	January 15, 8 AM	
<i>Assignment 1</i>	4	January 22, 8 AM	January 24
<i>Assignment 2</i>	6	February 5, 8 AM	February 7
<i>Assignment 3</i>	8	February 19, 8 AM	February 21
<i>Assignment 4</i>	10	March 4, 8 AM	March 6
<i>Assignment 5</i>	15	April 7, 8 AM	April 9 (Thursday)
<i>Assignment 6</i>	19	May 6, 8 AM	May 8
<i>Bachelor thesis draft</i>	21	May 20, 8 AM	May 25 (Monday)
<i>Bachelor thesis</i>	24	June 8, 8 AM	-

Deadline Bachelor Thesis: June 8, 2020 at 8 AM.

First Bachelor Thesis Feedback Session

- ▶ All other sessions will feature *group-based* feedback sessions, not collective sessions
- ▶ In principle, dates and deadlines are fixed.
- ▶ Location: to be determined, I will let you know timely. I prefer 'social places', but we can also book rooms.
- ▶ Limited flexibility (regarding dates, not deadlines) is possible, contact me if you have any problems.
- ▶ You should know all the dates well in advance. Time-slots will be allocated later.
- ▶ I will communicate with you via Canvas announcements, but also via e-mail.

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Prerequisite knowledge: Statistics

- ▶ You have all submitted a diagnostic test indicating your current ability to work with statistics
- ▶ Mastering statistics is a very important component of doing empirical research, and without a knowledge of statistics, it is very difficult to understand any scientific literature
- ▶ If you have noticed that your score was unsatisfactory, you have to catch up

Catching up: How to do it?

- ▶ Unfortunately, it is not my duty to help you catching up in statistics.
- ▶ I do, however, want to help you save effort by indicating the gravest bottlenecks (in my opinion), and some ways out.
- ▶ I want to focus on two things: Mastering statistical concepts, and getting and cleaning the data you need
- ▶ I want to give you some resources you can use that have helped many students before you (including myself).

Mastering statistical concepts

- ▶ It makes sense that you can only understand a given approach to a question if you understand all the terms and concepts the author is using.
- ▶ If you come across a sentence like "We used White standard errors to account for conditional heteroscedasticity", it will only be understandable what the authors did if:
 - ▶ you know what White standard errors are
 - ▶ you know what conditional heteroscedasticity is.
- ▶ But before you can understand what White standard errors are, you have to know what standard errors are!
- ▶ It often makes sense to 'decompose' a sentence and continually ask yourself what you don't understand

Statistical Concepts

- ▶ Once you know this, you can aim your Google searches towards the building blocks of what you don't understand.
- ▶ Aside from Google, here are some resources you can use
- ▶ First and foremost, your statistics textbook.
- ▶ Secondly, www.khanacademy.com is an excellent website to catch up on statistics and, if necessary, high-school algebra
- ▶ Thirdly, on econometrics, there is the Youtube channel of **Ben Lambert**, who provides econometrics courses at the undergraduate and graduate level. His explanations are very accessible.

Statistical Concepts

- ▶ In general, YouTube contains lots of good and free explanations of statistical concepts, tutorials to t-tests, ANOVA, regression analysis, etc., and the underlying mathematics
- ▶ There are also many paid and unpaid alternatives from academic sources. In particular, there are many courses teaching Statistics and Probability on [Coursera](#), [EdX](#), and [MIT OCW](#).

Getting, cleaning and analyzing data

- ▶ This will become relevant as soon as you start analyzing your own data
- ▶ Many students find it difficult to go from raw, "downloaded" data to data that is ready for analysis
- ▶ Subsequently, many students have a hard time figuring out how to correctly analyse and interpret results

Getting, cleaning and analyzing data

- ▶ Whether an tutorial or explanation is useful to you depends on the statistical program that you are using.
- ▶ **This** is a course that focuses on data collection and analysis and (sometimes) uses Stata.
- ▶ In addition, **Stata's YouTube channel** also features many useful tutorials, but also underlying theory!.
- ▶ **This video** provides a good introduction on how to clean data in Stata.
- ▶ If you want to use R or Python, you can ask me for additional resources.

Quality and nature of feedback

- ▶ Every time, I will carefully read the assignments sent in by you.
- ▶ We have about half an hour per session to discuss, so I will focus on the content, rather than typo's.
- ▶ You can expect that I come up with substantial and nontrivial feedback in language that you can understand.
- ▶ Ask specific questions you want me to answer, and request specific feedback, to ensure that my feedback meets your desires.
- ▶ You can always write in an email that you want me to focus on a particular aspect, and I will do so.

What is important?

- ▶ Theses will be graded based on quality of the analysis, learning, and understanding, not on whether a result is significant or not.
- ▶ Starting data collection early can help many problems and will also allow you to tackle your question more efficiently
- ▶ Deadline = Deadline: Time is the reason. I should have time to give you adequate feedback.
- ▶ Highlight the sections which you want me to look at and where my feedback is incorporated.

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The theme

- ▶ Ties between businesses and politics have since long drawn the attention of the general public, but also of academics.
- ▶ Politicians are frequently accused of "cashing in" on their political career by joining the board of directors or board of supervisors of a prominent public company.
- ▶ Can you think of some reasons why politicians might join the board of firms?
- ▶ Can you think of some reasons why firms might chose to hire politicians, instead of other individuals?

The theoretical framework

- ▶ Political connections might be a specific case of a more general phenomenon called *rent-seeking*.
- ▶ Rent-seeking is defined as increasing one's own wealth without creating additional wealth.
- ▶ Can you think of any reasons why this might be so?
- ▶ Can you think of situations in which political connections are costly to society?
- ▶ Can you identify factors on which the value of political connections to firms are dependent?

Anecdotal Evidence

An Exhaustive Lobbying Campaign

Almost immediately after Mr. Trump signed the bill, companies and their lobbyists — including G.E.'s Mr. Brown — began a full-court pressure campaign to try to shield themselves from the BEAT and GILTI.

The Treasury Department had to figure out how to carry out the hastily written law, which lacked crucial details.

Chip Harter was the Treasury official in charge of writing the rules for the BEAT and GILTI. He had spent decades at PwC and the law firm Baker McKenzie, counseling companies on the same sorts of tax-avoidance arrangements that the new law was supposed to discourage.

Starting in January 2018, he and his colleagues found themselves in nonstop meetings — roughly 10 a week at times — with lobbyists for companies and industry groups.

Figure 1: Source: NY Times

From Anecdotal to Systematic Evidence

- ▶ Source: <https://www.nytimes.com/2019/12/30/business/trump-tax-cuts-beat-gilti.html>
- ▶ This article is about tax cuts in the US effectuated by the Trump administration.
- ▶ It is implied here that lobbying causes firms' tax burden to decrease. But is this benefit concentrated within politically connected firms?
- ▶ Could political connections serve other purposes for firms other than lowering taxes?
- ▶ Apart from anecdotal evidence of the kind reported in the above newspaper article, how would you go about testing these kind of theories?

Empirical evidence

- ▶ Fisman (2001) estimated the benefits of political connections by comparing politically connected firms to non-politically connected firms
- ▶ He estimated how the firm value responded to shocks in political connections in Indonesia, that were unanticipated by firms (arguably).
- ▶ The value of political connections could depend on a lot of things, including on who is the politician, and what the firm is like.
- ▶ Ferguson and Voth (2008) distinguish between politicians as executives and politicians on the supervisory board. What might be the reason they do so?

Differences between countries

TABLE 1—SAMPLE DISTRIBUTION

	Number of countries	Names of countries
<i>Panel A. Public availability by law</i>		
Disclosure required by law	109	
Available to congress only by law	42	
Law is silent regarding public availability	4	Bahrain, Ecuador, Guyana, Paraguay
Publicly available by law ¹	63	
Publicly available directly without conditions	46	
Available only through press	3	Armenia, Greece, Russia
Available to the public under conditions	9	Bahamas, Belize, Canada, Cape Verde, Kazakhstan, Mexico, Montenegro, Nicaragua, Spain
Only some disclosures are publicly available	6	Belgium, Colombia, Hungary, Italy, South Korea, Spain
Disclosure exist but it is not required by law (voluntary)	5	Denmark, Finland, Norway, Singapore, Zambia
Available to congress only	1	Singapore
Publicly available	4	
Disclosure not required by law and none available	61	
Total sample	175	

Figure 2: Djankov et al., 2010, Disclosure by Politicians

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Pre-Assignment

- ▶ The pre-assignment focuses on teamwork and expectations, it will not be graded.
- ▶ More details: section 5, Course manual
 - Decide about details such as:
 - How frequently you will meet in one cycle. (We advise you to have at least two meetings, one in which the assignment is discussed and a work plan is agreed on, and one in which team consensus is achieved on the texts that you will hand in to your instructor. Very likely you will need more meetings.)
 - How team meetings will be scheduled. Decide on fixed dates and times such as a meeting on Day 1 (or on Day 10, i.e., directly after the meeting with your instructor) to discuss the next assignment and to agree on a work plan, and on Day 7 to discuss the text you are going to submit by Day 8.
 - Where you will meet, e.g. in the university or at a team member's home.
 - How you will stay in touch with each other. Exchange mobile telephone numbers, email addresses, and possibly times that should or should not be used when contacting each other (e.g., a time in the evening after which no telephone contact must be made; a time in the morning before which no such contact should be made; a similar arrangement about weekends).
 - Whether one of you will be in charge of arranging meetings or changing times and places.
 - Etc.

Assignments: the way to go about this

- ▶ Students read a chapter from the Course Book and watch the video
- ▶ Make an assignment
- ▶ Receive feedback from me
- ▶ Rework this into a thesis chapter
- ▶ It makes sense to show the 'cumulative' document to me

Questions

In assignments 1-4 you will build a report in which you evaluate and synthesize the empirical evidence about your hypothesis (“Critical Synthesis”). Your draft **Introduction** of this critical synthesis contains, at a minimum:

- The hypothesis. For a dichotomous hypothesis (True/False) also formulate a research question about an effect size (How much?).
- An explanation in jargon-free everyday language of what the research question means (such that an outsider can understand it) as well as examples of problems or situations in managerial or business practice to which the research question applies.
- A specification of the following elements of the theory that is expressed in the research question: (a) the focal unit; (b) the theoretical domain; and (c) what is the (implicit or explicit) causal relation expressed in the hypothesis.
- A formulation of the research question in which these three elements (unit, domain, and causal relation) are explicitly formulated.

First article

- ▶ I want you to use "Estimating the Value of Political Connections" by Raymond Fisman (AER, 2001) to be the first study you review.
- ▶ This study was the first empirical study showing the existence of political connections, and spawned a new line of empirical research.
- ▶ The study also prompted questions as to why political connections are so beneficial, and what are the economic mechanisms that play a role.

Additional studies

Next to the study provided by your instructor find two additional empirical studies of the hypothesis and apply steps 1 and 2 of the checklist to each of the three studies. Write a short summary of each of the three research reports. This short summary contains (a) the observed effect size and if relevant its precision (confidence interval), (b) your interpretation of this effect size, and (c) whether your interpretation differs from the one presented in the research report itself and, if so, how and why. These three short summaries will be expanded in the next assignments and will then constitute a part of your Critical Synthesis.

- ▶ You can pick either the 2nd study that is listed, or something else, but do search Google Scholar for other studies.
- ▶ You have to be able to explain the relevance of each study you include.

Coordination of times

- ▶ Finally, I want to coordinate fixed times for each group.
- ▶ The locations can be variable. We can always go to a social corner.
- ▶ But if you prefer a less noisy environment, we can also arrange something else.

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Course Theme Repository

- ▶ I created a [GitHub Repository](#)
- ▶ Content: walkthroughs (of various aspects that students found difficult in the past)
- ▶ For example: Programming and Data collection
- ▶ Also: research questions
- ▶ These lecture slides

Course Theme Repository [2]

- ▶ You can also "copy" some of these scripts to your own system
- ▶ If you don't know how to do that, ask me!
- ▶ You can then change them and use them for your own purposes
- ▶ There are also some questions to get you started about thinking about your own RQ
- ▶ Examples based on these and other example RQs
- ▶ URL: <https://github.com/Bachelor-Thesis-Political-Connections/>