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Andrei Yakovlev, Irina Levina,
Anastasia Kazun

ATTITUDE TO THE NATIONAL LEADER THROUGH THE LENSES OF INVESTMENT CLIMATE ASSESSMENT: THE CASE OF RUSSIA

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*Andrei Yakovlev, Irina Levina, Anastasia Kazun**[1]

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This paper considers two issues. First, it evaluates the changes in Russia's investment climate in 2012-2014 after the announcement of an ambitious governmental program to improve the conditions for doing business. Second, because the relevant reforms were personally initiated by Vladimir Putin, we carried out a survey experiment designed to find out how references to a popular politician influence respondents' opinions about the business climate. We used the data of a large-scale survey of top managers in Russian manufacturing sector conducted in July-October of 2014. Contrary to the World Bank report, *Easy Doing Business*, our empirical data shows that there was practically no improvement in the investment climate in Russia in 2012-2014. Also contrary to the results of population surveys showing extremely high public support for Vladimir Putin after Crimea's accession to Russia, our survey experiment demonstrated that referring to the President Putin as the initiator of business climate reform improves assessments of the business climate change only slightly. However, the effect of reference to the President's initiative differs significantly for firms from different size groups – we revealed no effect of question wording in the group of small firms, much higher share of non-answers in the group of large firms and a significant increase in the share of positive assessments of business climate among mid-size firms when Vladimir Putin was mentioned.

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* *Andrei A. Yakovlev* is the director of the Institute for Industrial and Market Studies (IIMS) at National Research University Higher School of Economics (HSE) and a professor at the HSE Department of Theory and Practice of Public Administration. Email: ayakovlev@hse.ru
Irina A. Levina is a researcher at the IIMS at HSE. Email: ilevina@hse.ru
Anastasia D. Kazun is a Ph.D. student at the HSE Faculty of Social Sciences and a research assistant at the Laboratory for Studies in Economic Sociology at HSE. Email: anastasiya.kazun@gmail.com

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1. Introduction

Beginning with the comparative empirical studies of Hellman et al. (2000), Djankov et al. (2002 & 2003), and Botero et al. (2004), the analysis of investment climate has been a focus of attention across the world, particularly in developing and transition economies. Several large international projects, such as BEEPS (Business Environment and Enterprise Performance Survey) and Doing Business, have been devoted to the subject. The findings from these monitoring projects, as well as the results of many academic studies, have shown a poor investment climate in Russia (e.g. Puffer et al., 1998; Hellman et al., 2003; Kuznetsov and Kuznetsova, 2003; Yasin et al., 2006; HSE, 2007).

However, high economic growth in the 2000s, especially a large influx of FDI from 2006-2007, made it convenient for Russia's top politicians to turn a blind eye to this problem. The economic crisis of 2008-2009 brought on changes and compelled the Russian government to markedly adjust its policies (Yakovlev, 2014). The country's leaders acknowledged that economic growth in Russia was impossible without persistent improvements in its investment climate. As a result, in February 2012, the prime minister and presidential candidate Vladimir Putin announced the launch of the "100 Steps Program", which was intended to move Russia from the 120th to the 20th position in the World Bank's *Easy Doing Business* ranking. The year 2012 saw the establishment of the Office of the Presidential Ombudsman for Entrepreneurs' Rights. This move was followed by 'road maps' for simplifying the procedures of getting access to electricity grids and obtaining construction permits, as well as for changing customs regulations and export promotion. In September 2012, a special order was issued on new criteria for the performance evaluation of regional governors, which took into account the business climate in regions under their control. The year 2013 brought about an amnesty for businessmen charged with economic crimes.

The recent *Easy Doing Business* ranking published by the World Bank in October 2014 confirmed significant progress in this area. Compared with the end of 2011, Russia moved from the 120th to the 62nd position in the ranking, with China ranked 90th, Brazil 120th, and India 142nd. However, at the same time, Russia experienced a decline in the total volume of investment (-0.2% in 2013 and about -3% in 2014). Also, Russia faced a slowdown in GDP growth: 1.3% in 2013 and only 0.6% in 2014. Capital flight from Russia in 2014 exceeded $150 billion.

Of course, such contradictory results could be the consequence of geopolitical events of 2014 (including the accession of Crimea to Russia, the military conflict in Eastern Ukraine, international sanctions and Russian food embargo). But a clear slowdown in economic development started in Russia already in 2013. Under all these conditions, a non-technical

assessment of the business climate based on the opinion of businesspeople is important to understand the investment incentives of Russian firms.

As we showed above, the important feature of business environment reforms in Russia from 2012-2014 was direct involvement of President Putin in this process. We should stress that during all his tenure Vladimir Putin has remained highly popular – according to surveys of the Levada-Center about 64-65% of respondents supported him in 2012-2013. This number exceeded 81% in 2014 (on average) and was close to 86% in first half of 2015 despite the economic problems and the decrease of personal incomes faced by business and ordinary citizens. Under these circumstances, the evaluation of changes in the investment climate is important to understand but also the correct estimation of support for President Putin in the business community and understanding of prospects for economic development in Russia. However, in the current political environment direct questions on the attitude to Vladimir Putin can be sensitive for respondents (and from this point of view, population survey results can overestimate public support for Putin).

Therefore in this paper we combine two tasks and consider two research questions connected to each other. First, using a survey of top managers from 1950 large, medium-size and small manufacturing firms from nine sectors and 60 regions of Russia (conducted by HSE Institute for Industrial and Market Studies in summer and autumn 2014), we assess the changes in Russia's business climate from 2012-2014. Second, because the relevant reforms were personally initiated by Vladimir Putin, we measure the attitude to the President by running a survey experiment with different question wording about the changes in the business climate – with and without references to Putin.

The structure of the rest of this paper is as follows. In Section 2, we briefly summarize previous papers on the investment climate and experimental studies. Section 3 presents our empirical data and the methodology of our research. In Section 4 we provide the main empirical results both for estimations of improvements in the business climate and survey experiment with reference to President Putin. In last section we present the main conclusions and discuss policy implications.

2. Previous Studies

2.1. Investment climate research

The first researchers of business climate were academically inspired by works devoted to comparative cost analysis – mostly associated with wages and electricity, as well as tax rates (Erickson, 1987) – and they were inevitably faced with the problem of operationalization of definitions. Thus, it is necessary to answer the following questions: what is a business

environment? What factors influence opinions about it? And how can all these parameters be accounted for? In particular, many researchers have argued that a certain policy can have a different impact on different companies depending on these companies' external financing (Rajan, Zingales, 1998), size, age and industry affiliation (Bartelsman et al., 2010).

The effect of these characteristics, meanwhile, is not altogether linear and is subject to different interpretations. Therefore, some of the first studies pointed to the absence of a correlation between company growth and its size (Hart, Prais, 1956; Simon, Bonini, 1958). Later, however, this idea was hotly contested. Based on the BEEPS results, researchers concluded that company size affected the volume of export and import operations (Aristei et al., 2013). Moreover, some researchers argue that one of the competitive advantages of small firms is their heightened ability to adapt to changes in the business environment (Sak, Taymaz, 2004). As for innovations, though, researchers have not managed to reach a consensus.

Some researchers claim that due to their great organizational flexibility, small enterprises are more capable of innovation (Dhawan, 2001). However, others argue that for various reasons, large firms are better in this respect (O'Cass, Weerawardena, 2009; Bayarçelik et al., 2014). First, due to their scale of operations, large firms can more easily provide enough financing for R&D. Moreover, such firms typically have more assets to use as collateral for loans. A higher sales volume also means that permanent innovation costs can be passed on to a broader number of buyers. Third, large firms often have better access to human capital, which is also conducive to innovation. Therefore, the idea that scholars of large and small firms can identify different factors at play (Henrekson, Sanandaji, 2011) seems quite logical.

The number of employees, however, is not at all the sole characteristic accounting for a firm's sensitivity to reforms and possible differences in assessments of institutional barriers. Equally important is a firm's age. For instance, focusing on UK companies, researchers demonstrated that new and young enterprises were more likely to obtain funding and technical advice from several sources and could more easily secure governmental and external financing while having more limited access to the public procurement market (Pickernell et al., 2013). On the whole, it can be argued that changes happening to a company as it comes of age are hard to regard as uniformly positive or uniformly negative. Some of a company's indicators improve as years go by – in particular, productivity increases. Companies with a long market history tend to have higher profits, a bigger size, lower indebtedness coefficients and higher stock value. Moreover, older firms are better able to convert sales growth in a current period into profits and productivity in the next period. However, certain indicators by which we measure firm performance tend to worsen over time. Older firms have lower profit margins, and they are also

less capable of converting staff expansion into growth in sales, profits and productivity (Coad et al., 2013).

2.2. The effects of question wording on respondents' answers

Experimental studies regarding the effects of question wording on respondents' answers have a long history. The first papers demonstrating the existence of such effects were published as early as the 1940s and focused on various subjects, such as tariffs in the USA (Stagner, 1940), the need for prohibiting anti-democracy public speeches (Rugg, 1941), and a referendum on the prohibition of betting terminals and horse races (Blankenship, 1940). Later scholars continued to pay special attention to socio-political problems. Relevant works included public opinion surveys about global warming (Schuldt, Konreth, Schwarz, 2011) and elections to California's Supreme Court (Smith, Squire, 1990). These researchers demonstrated that respondents' answers can be influenced by references in the question to the costs associated with a particular solution, as well as the absence of references to a possible alternative position (more valid results would have been obtained with balanced wording such as "some believe that… while others…"). Moreover, even the choice of words for the question can matter. For example, the verbs "to prohibit" and "to not allow" do not mean the same for respondents.

Much experimental research evaluates the effects of names of public persons in question wording. Indeed, the same phrase can differ in meaning and gain different levels of social support depending on who is believed to have said it. Thus, the statement "I hold it that a little rebellion now and then is a good thing, and as necessary in the political world as storms in the physical" was evaluated with more approval when attributed to Jefferson (26%) than when attributed to Lenin (17%) (Tarantino S., Jednak R., 1972). One of the first studies addressing this issue was a paper arguing that American citizens were much more likely (22% vs. 13%) to agree to increasing assistance to England and France when the question mentioned "the struggle against Hitler" (Rugg, Cantril, 1944). Thus, a personalized threat appears more serious and deserving of attention.

Overall, one can note that the inclusion of names of public persons into a question works both ways – it can either enhance or diminish the approval of a certain idea or thesis. Thus, a question about American military aid to the Contras received more positive answers when it included Ronald Reagan's name (Lockerbie, Borrelli, 1990). To the contrary, "an initiative … that would require state personal income taxes to be indexed for inflation" was met with much more approval when its sponsor's name – Howard Jarvis – was omitted from the question, given his bad reputation as a politician (Smith, Squire, 1990).

Similar studies conducted in Russia have shown that the inclusion of Putin's name into a question about the availability of resources for ensuring the stability of Russia's financial system slightly increased the share of positive answers (Myagkov, Zhuravleva, 2010). At the same time, attributing a statement about the need for Russia "to support Iraq in its struggle against USA" to Vladimir Zhirinovsky caused a significant drop in the approval rating – from 37% to 13% (Myagkov, 2001). The mentioning of different public figures in questions can clearly have an effect on the answers, and the nature of the effect depends on the mentioned person's reputation.

Most such experiments, however, have involved public opinion polls in the area of political sociology. A rare exception in the field of political economy is seen in the paper of Timothy Frye (2006). Using experimental design in the survey of top managers in Russian firms, author considered the differences in expectations of the revision of privatization results depending on two factors: the scale of law violation during privatization and the efforts of new owners to restructure the firm in the post-privatization period.

3. Empirical data and the methodology of the research

The present research relies on data from the "Russian Firms in the Global Economy" (RuFIGE) survey, which was carried out by the HSE Institute for Industrial and Market Studies in the summer and autumn of 2014. The sample included top managers of 1950 large, medium-size and small manufacturing firms from nine sectors and 60 regions of Russia. The survey sample was representative in terms of industry sectors and aggregated company size groups. The respondents were asked questions about different aspects of the activities and internal structure of their companies, including the structure of ownership, trade partners, investment, membership in business associations, opinions about changes in the business climate, etc.

At the time of the survey, Russia happened to experience marked economic changes. In particular, because of the armed conflict in the Eastern Ukraine, the EU and the US introduced sanctions on Russian companies that restricted access to financial resources and technologies on the international markets. In August 2014, Russia introduced an embargo on certain food imports from the US and the EU. Finally, in September and October, the ruble began to devaluate. All these events undoubtedly affected the behavior of Russian firms and could have influenced respondents' answers to our questionnaire.

At the center of our research were the changes in business climate associated with several economic reforms that took place over the last several years. We paid special attention to the question "From 2012-2014, efforts were made *by the authorities / on the initiative of the President of the Russian Federation Vladimir Putin* to improve the investment climate in Russia. Considering this, do you believe that conditions for doing business in your region from 2012-

2014 have generally: (1) become better (2) become rather better (3) not changed (4) become rather worse (5) become worse."

This question had two different wordings that were offered to two groups of respondents. Thus, approximately 50% of respondents (treatment group) answered a question mentioning that the measures being taken were President Putin's initiative, while the other respondents (control group) were offered a question without references to the president. Because the interviewers, on some occasions, slightly deviated from the rules, the two groups somewhat differed in size. However, in spite of these glitches, there were practically no statistically significant differences between the treatment and control groups in terms of the size of the firm, their regional and sectoral distribution, support from the state, and the respondents' socio-demographic characteristics (see Appendix, tables A.1-A.4 – our sample was not balanced only in textile sector).

The empirical section of this paper consists of two parts: an analysis of factors influencing opinions about the business environment and a description of the survey experiment results with wordings of the question about the business climate. For the first task, a regression analysis was conducted to explain the changes in the business climate. In the regressions, we separately analyzed factors accounting for the positive and negative assessments of the business changes. In the regressions, we controlled for the respondents' gender, age and position,[3] as well as the month the interview was conducted and the companies' sectoral and regional affiliation. We supposed that perceptions of the dynamics of the investment climate could depend on factors such as the company's size, the presence of investments, organizational and/or financial support from the state and the presence of foreigners or the state among the company's stockholders. Following the previous studies (e.g. Olson, 1965; Duvanova, 2013), we supposed also that memberships to business associations influenced managers' perceptions. Because we are interested in objective assessments of changes in the business climate, for purity's sake, we looked only at the subsample that asked about the business climate without references to Putin (the control group).

In the experimental section of the paper, we compare answers from the treatment and control groups by comparing the group means and testing for the significance of identified differences. We hypothesized that mentioning Putin would improve the share of positive responses about the business climate given the president's great personal popularity. However, previous studies have shown that such effects can differ for various subsamples of respondents.

[3] More detailed accounts of the influence of a company's chief's individual characteristics on his/her business activities are provided in [Bostic, Lampani, 1999; Muravyev et al., 2009].

Therefore, it makes sense to test the hypothesis about the impact of question wording on answers about business climate for whole sample and for some sub-groups.

First, there are small firms "below the radar" that do not often attract the attention of the supervisory authorities (Venn, 2009; Bartelsman et al., 2010). Such firms often do not consider compliance with the rules and regulations prescribed by the state as "mandatory" because breaches are unlikely to be spotted. However, large and medium-size companies, which are "on the state's radar", are in an unequal position with respect to contacts with the state. Typically, large companies can directly communicate with high-level bureaucrats and politicians and, in so doing, partly compensate for possible disadvantages from the state's greater vigilance. Medium-size companies typically do not have such political connections and therefore may have to bear greater costs associated with regulation.

As the previous research shows, the "effect of prestigious name" has the greatest impact on low-income groups as well as groups of people over 40 (Rugg, Cantril, 1944). We also surmise that some subgroups can be more sensitive to Putin's name than the general sample. Thus, because the RuFIGE survey is more of a collection of expert opinions, it made sense to assess the influence of question wording on respondents by the characteristics of the companies they represented (in this case, firm size) rather than by their individual characteristics. Our hypothesis about variations in these effects for large, medium-size and small companies is based on the assumptions that 1) reforms can have different impacts on companies of different sizes, and 2) larger firms are to a greater extent "on the state's radar" and, therefore, may be more prudent in answering even slightly sensitive survey questions.

To make each of these groups fit for our analysis, we included a sufficient number of small, medium-size and large enterprises into every subsample. This approach conformed to the goals of the experimental section, but as a result, our sample had a bigger share of medium-sized and large enterprises than the general population. Therefore, in analyzing factors that affect assessments of changes in the business climate, we used relevant weights to adjust the sample composition to the general population of manufacturing firms.

4. Empirical results

4.1. Assessments of changes in the business climate

Before we explore the influence of question wording on the assessments of the business climate, it is important to understand what factors underlie assessments. In this section, we analyze the influence of different factors on the respondents' answers about changes in the

business environment. Analyzing the factors that affect respondents' assessments of the business climate change it is important to control for regional fixed effects, because the policy of regional authorities can have a strong influence on the business climate in the region. Firms in our sample are scattered through 60 regions. Therefore, to avoid the possible instability of the estimates because of the large number of binary controls, in the analysis of this section we avoid using multiple choice models. Instead, we estimate two separate binary probit models that explain the probabilities of positive and negative assessments (compared to neutral assessment), respectively.

Descriptive statistics on all variables used in the regressions are presented in the Appendix (Table A.5). In the regressions presented in Table 1, we analyze the factors accounting for the differences between the companies with positive and neutral assessments of the business climate. Table 2 presents the results of the regression for the firms with negative and neutral assessments.

In both cases, we first estimate a baseline model which explains the probability of positive (or negative) assessment depending on the firm size, investment, and date of establishment – Soviet or post-Soviet period (see Column (1) in Tables 1 and 2). In these and all the following models, we control for the sector and region that the firm operates in, month of the interview, position, gender and age of the respondent. After estimating the baseline model, we add to the analysis other factors that are hypothetically important for the assessments of changes in business climate – support from the state authorities (at the federal, regional or local level), membership in business associations, or state or foreign shares in the company. To avoid possible problems with multicollinearity, we include these variables one by one in different regression models (see Columns (2) to (5) in Tables 1 and 2).

Table 1

Factors influencing the assessment of the regional business climate: the business climate has improved[4]

	(1)	(2)	(3)	(4)	(5)
	The business climate in the region has improved (has rather improved). *The reference category is a group of companies answering that the business climate has not changed*				
Number of employees: 101-249	-0.01 (0.07)	-0.03 (0.07)	-0.03 (0.07)	0.00 (0.07)	-0.00 (0.07)
Number of employees: 250-499	-0.01 (0.07)	-0.03 (0.07)	-0.03 (0.07)	0.00 (0.07)	-0.00 (0.07)
Number of employees: 500 and more	0.02 (0.08)	0.03 (0.08)	-0.00 (0.08)	0.04 (0.08)	-0.05 (0.07)
The company invested in 2011-2013	-0.05 (0.06)	-0.06 (0.06)	-0.05 (0.06)	-0.02 (0.06)	-0.01 (0.06)
The company was founded in the Soviet period (prior to 1991)	0.06 (0.09)	0.07 (0.09)	0.06 (0.09)	0.10 (0.10)	0.07 (0.09)
The company received support from federal authorities in 2012-2013		0.15 (0.11)			
The company received support from regional or local authorities in 2012-2013			0.29*** (0.08)		
The company is a member of a business association				-0.07 (0.07)	
The government has a stake in the company					-0.05 (0.12)
The company is owned by foreign stockholders (fully or partially)					0.18 (0.11)
Control for sector, region, month of interview, position, gender and age of respondent	Yes	Yes	Yes	Yes	Yes
Number of observations	477	459	459	437	398

Note: The table presents marginal effects. Robust standard errors are indicated in parentheses. The original number of observations: positive assessment of changes – 159, perceived absence of changes – 442.

[4] All omitted categories were used as reference categories.

Table 2

Factors influencing the assessment of the regional business climate: the business climate has worsened[5]

	(1)	(2)	(3)	(4)	(5)
	The business climate in the region has worsened (rather worsened) *reference category: companies responding that the business climate has not changed*				
Number of employees: 101-249	-0.06 (0.07)	-0.07 (0.07)	-0.09 (0.07)	-0.07 (0.08)	-0.07 (0.08)
Number of employees: 250-499	0.04 (0.10)	0.02 (0.11)	0.05 (0.11)	0.06 (0.11)	0.16 (0.13)
Number of employees: 500 and more	-0.16** (0.08)	-0.15* (0.08)	-0.16* (0.08)	-0.19** (0.09)	-0.21** (0.09)
The company invested in 2011-2013	-0.02 (0.06)	-0.01 (0.06)	-0.00 (0.06)	0.01 (0.07)	-0.01 (0.07)
The company was founded in the Soviet period (prior to 1991)	-0.03 (0.08)	-0.04 (0.08)	-0.03 (0.08)	-0.03 (0.08)	-0.03 (0.08)
The company received support from federal authorities in 2012-2013		0.05 (0.14)			
The company received support from regional or local authorities in 2012-2013			0.01 (0.08)		
The company is a member of a business association				-0.05 (0.08)	
The government has a stake in the company					0.37* (0.22)
The company is owned by foreign stockholders (fully or partially)					-0.15 (0.18)
Control for sector, region, month of the interview, position, gender and age of respondent	Yes	Yes	Yes	Yes	Yes
Number of observations	500	484	478	452	406

Note: The table presents marginal effects. Robust standard errors are indicated in parentheses. The original number of observations: positive assessments of changes – 151, perceived absence of changes – 442.

The results indicate that, although the reforms from 2012-2014 were aimed at improving the investment climate, there is no difference in the assessments of changes in business climate between the firms that invested and those that did not. Our estimates do not reveal the effect of firm size on the probability of positive assessment of business climate change. However, the results demonstrate that large firms are significantly less likely to report negative assessments. This may be attributed to these companies' direct access to high-ranking politicians and bureaucrats and, consequently, good opportunities to efficiently lobby their interests. However, an alternative explanation is also possible: in Russia today, large enterprises, which are more

[5] All omitted categories were used as reference categories

strongly affected by what the authorities do, can be wary of speaking critically about current policies.

The results indicate that companies that received support from the regional or local authorities are more optimistic and are more likely to report an improvement in the business climate. However, no relation between support from federal authorities and perceptions about business climate change is revealed.

Finally, representatives of state-owned (fully or partly) companies are more likely to speak negatively about changes in the business climate. We can explain this effect by the fact that, in accordance with the logic of the *Easy Doing Business* ranking, Russia's reforms from 2012-2014 were to a large extent aimed at making the technical aspects of entering into the market easier. However, fixing this problem meant stronger competition for partly state-owned firms, which previously had certain privileges by virtue of their closeness to the state.

4.2. How references to Putin in the wording of the question influenced assessments of the business climate: results of the survey experiment

There are two opposing explanations about why responses to the question on changes in the business climate differ depending on references to Putin. First, as numerous public opinion surveys show, Putin enjoys high credibility among the population. Therefore, we have an "effect of prestigious name" – a popular personality's initiatives are *a priori* perceived as good. Second, it appears not unreasonable to suppose that the respondents can be somewhat uncertain about the anonymity of the survey and, thus, being fearful of punishment for the lack of loyalty, they prefer to give more positive assessments of the state's programs. One is led to conclude that we can find examples of both ways of thinking when we look at correlations between the answers and company size.

Table 3

Assessments of the business climate in treatment and control groups*

Number of employees	Positive assessments			Neutral assessments			Negative assessments			Declined to answer		
	Treatment	Control	Sign. (T-test)	Treatment	Control	Sign. (T-test)	Treatment	Control	Sign. (T-test)	Treatment	Control	Sign. (T-test)
All sample	**22%**	**19%**	*	**47%**	**52%**	*	17%	18%		14%	12%	
10-100	17%	17%		50%	49%		19%	21%		15%	12%	
101-249	**30%**	**15%**	***	**44%**	**53%**	*	17%	14%		**9%**	**17%**	**
250-499	21%	23%		47%	51%		23%	16%		9%	10%	
500 and more	30%	25%		**43%**	**56%**	**	9%	11%		**17%**	**8%**	**

*) Statistically significant differences are marked by bold type

As companies that belong to the textile, clothing, leather and foot-wear sector are represented in the control and experimental groups somewhat differently, we checked the results for robustness by means of regression analysis. After controlling for the textile sector dummy, we obtained quite the same results (see Table A.6 in the Appendix).

Overall results of the survey experiment confirm our initial hypothesis: the number of positive assessments of changes in business climate increased and neutral assessments declined when question wording included a reference to Vladimir Putin (Table 3 row 1). However, it is interesting that contrary to almost 90% support for Vladimir Putin in population surveys, we can observe only very moderate increase in the share of positive assessments – 22% in the treatment group versus 19% in the control group. At the same time in rows 2-5 we can see that these effects are mostly from responses of two groups of respondents.

First, in the subsample of medium-size companies (101-249 workers), assessments of the business climate significantly differ between the control and treatment groups. Representatives of such companies are much more positive about changes in the business environment when the question mentions Putin (30% positive assessments vs. 15% in the control group). Simultaneously, the proportion of respondents who have noticed no change in recent years decreases. Of particular interest is how in the subsample of medium-size companies, the experimental question wording appreciably diminishes the proportion of non-answering respondents. Thus, in the treatment group, the percentage of non-answering respondents is 9%, whereas it is 17% in the control group. Therefore, one may assume that representatives of such companies view Putin as an influential person whose decisions and initiatives deserve trust.

For large companies employing a staff of 500 or more, the results are different. In this group, references to Putin appreciably increases the proportion of non-answering respondents; in the treatment group, the share of "non-answers" was 17%, whereas in the control group it was only 8%.[6] At the same time, with large companies the experimental question wording decreases the amount of neutral assessments of the business climate.

Because these companies are most on "the state's radar", we can suppose that such a reaction to the mention of Putin as the sponsor of the initiative to improve the business climate is more likely to be evidence of an unwillingness to show disapproval of the authorities' actions. In the case of large companies, there is a risk that using the available information about the region, industry sector and staff size, one can identify the company that spoke critically. Therefore, in the case with the experimental wording, we can reasonably expect caution from the respondents who answer politically sensitive questions.

5. Conclusions

In February 2012 Vladimir Putin, the prime minister of Russia and presidential candidate, announced ambitious goal during his election campaign – to improve the position of Russia in World Bank's *Easy Doing Business* ranking from 120th to 20th place before 2018. According to the 2015 *Easy Doing Business* report, the Russian Federation has moved to the 62nd position in global ranking. However, already in 2013 comparing to 2012, Russia experienced a decline in the total volume of investment (-0,2%) and in 2014 this decline became much more visible (about -3%). GDP growth in Russia in 2013 was 1.3% and only 0.6% in 2014. Nevertheless public support for President Putin remains extremely high – about 64-65% in 2012-2013, above 81% on average in 2014 and close to 86% in the first half of 2015 (according to representative population surveys conducted on monthly basis by the Levada-Center, a highly reputable independent sociological company).

In this paper, using data of a large survey of manufacturing firms conducted in Russia in summer and autumn 2014 we tried to assess two issues. Firstly, we measured the changes in investment climate from the businesspeople point of view. Secondly taking into account the personal involvement of Vladimir Putin in relevant reforms we conducted a survey experiment asking respondents about the results of reforms with and without reference to Mr. Putin.

Previous research in political sociology demonstrates that reference to a respected public person in the wording of the question leads to more positive responses. Based on this result, we

[6] It is also remarkable that in control group representatives of large firms less frequently give negative assessments of changes in the business climate (see Table 2).

exploited our survey experiment as an indirect way to assess the attitude of the business people to President Putin and his policy.

Such an assessment of support for the president in business circles has important advantages in comparison with standard public opinion pools. The direct question about support for the president's policy is highly sensitive, therefore it would be difficult to make business people, especially people from medium and large businesses, answer this question. The survey experiment used in this research allows us show that the business community avoids direct sensitive questions about supporting the president.

Our results are the following. Contrary to the World Bank report our empirical data, on average, did not confirm an improvement in the business climate in Russia in 2012-2014. Our regression analysis especially does not reveal more positive estimates of the business climate change from the firms that made investments in the last years. However, our results demonstrate that firms that received support from regional and local authorities provide a better assessment of the business climate. It is interesting that federal support remains insignificant. At the same time, firms with governmental participation report deteriorating conditions for doing business. Also large firms (with 500 employees and more) refuse to provide critical assessments of changes in the business climate.

Our survey experiment shows only a very moderate increase (from 19% to 22%) in share of positive assessments of changes in the business climate in the treatment group. However, the reaction in different size groups was contradictory. There was no effect of the treatment in the group of small firms (below 100 employees). In the group of mid-size firms (101-249 employees) we observed twice higher share of positive assessments as well as a decline in neutral assessment and non-answers. But large firms (with 500 employees and more) much more often did not answer on the questions with references to Putin (17% in the treatment group vs. 8% in the control group). We suppose that our data illustrate a divide in the Russian business community – with large firms having concerns about current economic policy and mid-size firms creating a social base for President Putin.

From a political economy perspective, these results indicate strong differences in support of governmental policy provided by different groups in business community. We have also shown that question wording can significantly influence the responses of managers; this effect should be taken into consideration when one interprets the results of enterprises surveys.

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Appendix

Table A.1,

Comparison of treatment and control groups: main characteristics of the sample

	1: Question with reference to Vladimir Putin	2: Question without references to Vladimir Putin	Differences between the groups (T-test)
Respondent's age	45,8 (N=1090)	45,7 (N=855)	0,312 (0,76)
Firm size (number of employees)	362,4 (N=1025)	350,5 (N=813)	0,163 (0,87)
Share of male respondents	0,593 (N=1093)	0,608 (N=857)	-0,774 (0,50)
Share of CEOs among respondents	0,425 (N=1093)	0,429 (N=857)	-0,176 (0,86)
Membership in business associations	0,171 (N=987)	0,195 (N=780)	-1,272 (0,20)
Investment in fixed assets	0,500 (N=1070)	0,509 (N=829)	-0,391 (0,70)
Planning horizon less than 3 years	0,766 (N=1045)	0,769 (N=819)	-0,187 (0,85)
Planning horizon more than 3 years	0,234 (N=1045)	0,231 (N=819)	0,187 (0,85)
Share of firms founded in the Soviet period (prior to 1991)	0,257 (N=1087)	0,260 (N=854)	-0,164 (0.87)
Share of firms with participation of foreign shareholders	0,057 (N=900)	0,052 (N=679)	0,444 (0,66)
Share of firms with state participation	0,047 (N=900)	0,040 (N=679)	0,664 (0,51)

Table A.2.

Comparison between treatment and control groups: industry sectors

	1: Question with reference to Vladimir Putin	2: Question without references to Vladimir Putin	Differences between the groups (T-test)
Food industry	0,232 (N=1093)	0,218 (N=857)	0,743 (0,46)
Textiles, clothing, leather footwear	**0,077 (N=1093)**	**0,104 (N=857)**	**-2,049 (0,04)**
Timber processing, pulp and paper	0,110 (N=1093)	0,112 (N=857)	-0,156 (0,88)
Chemicals, coking and petroleum products, rubber and plastic articles	0,109 (N=1093)	0,095 (N=857)	1,045 (0,30)
Other non-metal products	0,095 (N=1093)	0,079 (N=857)	1,233 (0,22)
Iron and steel processing; iron and steel articles	0,118 (N=1093)	0,132 (N=857)	-0,919 (0,36)
Manufacturing of machines and tools	0,138 (N=1093)	0,134 (N=857)	0,253 (0,80)
Manufacturing of electric power generation equipment, electronics, and optical equipment	0,064 (N=1093)	0,072 (N=857)	-0,724 (0,47)
Manufacturing of transportation vehicles and equipment	0,057 (N=1093)	0,054 (N=857)	0,292 (0,77)

Note: The table presents percentage of companies of different industrial profiles within each group (control and treatment).

Table A.3.

Comparison of treatment and control groups:

federal districts (FD)

Federal Districts	1: Question with reference to Vladimir Putin	2: Question without references to Vladimir Putin	Differences between the groups (T-test)
Central	0,259 (N=1093)	0,241 (N=857)	0,924 (0,36)
Northwestern	0,170 (N=1093)	0,165 (N=857)	0,331 (0,74)
Volga	0,269 (N=1093)	0,292 (N=857)	-1,062 (0,29)
Southern	0,076 (N=1093)	0,095 (N=857)	-1,450 (0,15)
North Caucasian	0,013 (N=1093)	0,008 (N=857)	1,012 (0,31)
Ural	0,113 (N=1093)	0,089 (N=857)	1,750 (0,08)
Siberian	0,077 (N=1093)	0,086 (N=857)	-0,762 (0,45)
Far Eastern	0,022 (N=1093)	0,025 (N=857)	-0,371 (0,71)

Note: The table presents shares of enterprises from different regions in each group (treatment and control).

Table A.4.

Comparison of treatment and control groups:interaction with the authorities

	1: Question with reference to Vladimir Putin	2: Question without references to Vladimir Putin	Differences between the groups (T-test)
Assistance to the authorities	0,447 (N=1036)	0,473 (N=803)	-1,123 (0,26)
Financial support from federal authorities	0,066 (N=1046)	0,056 (N=819)	0,873 (0,38)
Financial support from regional authorities	0,080 (N=1053)	0,104 (N=817)	-1,789 (0,07)
Financial support from local authorities	0,073 (N=1050)	0,083 (N=819)	-0,777 (0,44)
Organizational support from federal authorities	0,059 (N=1043)	0,055 (N=815)	0,390 (0,70)
Organizational support from regional authorities	0,102 (N=1050)	0,108 (N=814)	-0,434 (0,66)
Organizational support from local authorities	0,124 (N=1049)	0,120 (N=814)	0,231 (0,82)

Note: The table presents percentage of companies which provide assistance to, and receive support from, the authorities in each group (treatment and control).

Table A.5.

Descriptive statistics for the variables used in regressions (control group)

	Number of respondents	Percentage in the sample (%)
Characteristics of enterprises		
1. Employment in the company		
Number of employees: 10-49	343	40
Number of employees: 50-100	124	14,5
Number of employees: 101-249	146	17
Number of employees: 250-499	77	9
Number of employees: 500 and more	167	19,5
2. Planning horizon		
The company's planning horizon: 1 year and less	173	20,2
The company's planning horizon: 1-3 years	457	53,3
The company's planning horizon: more than 3 years	189	22,1
3. Industry sectors		
Food industry	187	21,8
Textiles, clothing, leather footwear	89	10,4
Timber processing, pulp and paper	96	11,2
Chemicals, coking and petroleum products, rubber and plastic articles	81	9,5
Other non-metal products	68	7,9
Iron and steel processing; iron and steel articles	113	13,2
Manufacturing of machines and tools	115	13,4
Manufacturing of electric power generation equipment, electronics, and optical equipment	62	7,2
Manufacturing of transportation vehicles and equipment	46	5,4
4. Governmental support		
Support from federal authorities in 2012-2013	70	8,2
Support from regional and local authorities in 2012-2013	174	20,3
5. The owners		
Government has stakes in the company	31	3,6
The company is owned by foreign stakeholders (fully or partially)	35	4,1
6. Year of company foundation		
The company was founded in the Soviet period (prior to 1991)	238	27,9
The company was founded in 1991 or later	616	72,1
7. Other information about the activities of the company		
The company is a member of a business association	152	17,7
The company invested in 2011-2013	422	49,2
Characteristics of respondents		
1. Position of respondent		
CEO	368	42,9
Deputy General Director for Economics / Finance	108	12,6

Director of Economics	138	16,1
Chief Financial Officer (not a chief accountant at the same time)	38	4,4
Commercial Director	99	11,6
2. Gender		
Male	521	60,8
Female	336	39,2

Note: The table presents percentage in the unweighted sample

Table A.6. Assessments of business climate – robustness check

	Positive assessment	Neutral assessment	Negative assessment	Declined to answer
		All sample		
Treatment	0.03*	-0.04*	-0.01	0.02
	(0.02)	(0.02)	(0.02)	(0.02)
Sector: textiles, clothing, leather footwear	-0.09***	0.10**	0.03	-0.04
	(0.03)	(0.04)	(0.03)	(0.03)
Observations	1,950	1,950	1,950	1,950
		10-100 employees		
Treatment	-0.00	0.00	-0.03	0.02
	(0.02)	(0.03)	(0.02)	(0.02)
Sector: textiles, clothing, leather footwear	-0.08**	0.08	0.03	-0.03
	(0.04)	(0.05)	(0.04)	(0.03)
Observations	1,071	1,071	1,071	1,071
		101-249 employees		
Treatment	0.15***	-0.10*	0.03	-0.08**
	(0.05)	(0.06)	(0.04)	(0.04)
Sector: textiles, clothing, leather footwear	0.05	-0.02	0.02	-0.06
	(0.09)	(0.11)	(0.08)	(0.07)
Observations	315	315	315	315
		250-499 employees		
Treatment	-0.02	-0.04	0.08	-0.01
	(0.06)	(0.08)	(0.06)	(0.05)
Sector: textiles, clothing, leather footwear	-0.02	0.13	-0.01	
	(0.13)	(0.16)	(0.13)	
Observations	167	167	167	157
		500 and more employees		
Treatment	0.06	-0.14***	-0.02	0.09***
	(0.05)	(0.05)	(0.03)	(0.03)
Sector: textiles, clothing, leather footwear	-0.24**	0.38***	-0.04	-0.08
	(0.11)	(0.12)	(0.07)	(0.07)
Observations	397	397	397	397

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Andrei Yakovlev

Director of the Institute for Industrial and Market Studies (IIMS) at National Research University Higher School of Economics (HSE) and a professor at the HSE Department of Theory and Practice of Public Administration. Email: ayakovlev@hse.ru

Irina Levina

National Research University Higher School of Economics (HSE), ilevina@hse.ru

Anastasia Kazun

National Research University Higher School of Economics (HSE), anastasiya.kazun@gmail.com

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