

해외출장 보고서

American Political Science Association 참석 결과 보고

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출장 개요

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- ☐ 출장목적: 2023 American Political Science Association 참석
 - 논문 발표: "Paying Taxes for favor: How state-business ties discourage innovation"

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활동 내용

☐ Presentation

- "Paying Taxes for favor: How state-business ties discourage innovation"
- Summary
 - The developmental state model has demonstrated the state's power to drive rapid technological advancements through targeted industrial policies. These policies are often facilitated by close ties between the state and a few large firms. Yet, the long-term effects of such policies on innovation remain largely unexplored. We argue that a key feature of industrial development policies - the strong ties between large firms and the state - might lead to decreased innovation efforts among small firms. Using novel data from 4,936 board of directors' political profiles and innovation data in South Korea, we find that firms with political ties to the incumbent president are likely to reduce their innovation efforts. Furthermore, it is demonstrated that the reduced innovation among politically connected firms is largely attributable to their increased ability to secure greater contracts from larger firms. Thus, these findings show the deterring effect of state-business ties on innovation as small firms strive to capitalize on such relationships and large firms effectively pay a "tax" for their government favor by granting contracts to small firms.
- Peer comments in the conference

Framing: The developmental state and industrial policy are important topics that have gotten a lot of attention. My main concern is the gap between the argument and what the evidence shows. In the abstract, you said that "strong ties between big companies and the state might lead to less innovation in small companies." But there's not much evidence for this, especially when the paper says small firms are more likely to have political connections.

Political Connections: The results in Table 2 are interesting. But it seems to say that small firms are more likely to connect with Park Geun-hye based on how you measured it. I think big companies might just connect with other politicians. Could you use a broader measure of political connections, like former legislators, judges, or bureaucrats, to see if the results still hold? It'd also be good to see if there's a difference between legislative and bureaucratic connections. And, according to Table 1, not many firms (only about 78 or 1.6%) have political ties. Maybe using matching and DID would give a better comparison.

Small Firms: I want to know why you're calling publicly listed firms "small" in South Korea. To me, listed companies usually seem big. Can you explain this more?

Measure of Innovation: I'm worried that just because a company spends more on innovation doesn't mean they're really innovating. Is there patent data for South Korea? If there is, you could see which firms are really innovating, not just who is spending the most on R&D.

Estimation: In Table 2, firm size is treated one way, but in Table 3 it's treated another way, and political connections are also considered. This might cause some bias in the results.

Parallel Trend: The stats say there's no difference before the treatment, but the graph shows a downward trend. Can you explain this more?

Mechanism: It's interesting to look at how political connections might change R&D spending. Hypothesis 2 seems to say that connected firms get contracts from big companies to pay for R&D. You could also explore other mechanisms (e.g., subsidies).

Efficiency Cost: It'd be good to talk more about what it means for innovation when it's driven by connections.