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PEOPLE OF NOVAFRICA: NIKITA MELNIKOV

This month, we had the opportunity to meet with Nikita Melnikov and discuss his research and work, over a cup of coffee. Nikita Melnikov joined NOVA SBE as an assistant professor in September 2022. He completed his undergraduate studies at the New Economics School in Moscow, Russia, and earned his Master's and PhD in Economics at Princeton University. His research lies in the areas of political economy and development economics, and he maintains a general interest for applied research. Specifically, his current research focuses on Censorship, Propaganda, Political Popularity', as well as 'Organized Crime and Public Goods Provision during a Pandemic'.

Global 3G rollout: could it affect confidence in governments worldwide?

Our conversation started with a paper that Nikita published jointly with Sergei Guriev and Ekaterina Zhuravskaya in November 2021: the rollout of 3G internet and its effect on the confidence in government. Being originally from Russia, where the traditional media is fully censored and the Internet has been one of the few ways for people to access independent information that is actually critical of the government, the authors wanted to investigate the hypothesis whether this condition applies not only in Russia but also around the world. Hence, the questions the authors tried to answer were: Does 3G help to expose corruption and improve access to independent political information? Or does the Internet actually help populists to connect with voters and spread misinformation?

With this motivation and disputes in mind, the authors used existing data on global mobile Internet penetration from 2008 to 2017 and merged it with detailed surveys about the popularity of governments of 840,000 individuals living in 116 countries. 3G was a game changer as it was the first generation of mobile networks that allowed you to connect to the Internet directly from the smartphone and enabled people to get access to social media and consume new sources of information.

Nikita and co-authors found that the expansion of the Internet indeed resulted in lower confidence in the government. This effect takes place in all countries, unless Internet is censored. When Internet usage is censored, people are not able to get critical information about the government and the effect on the trust in government is zero. In contrast, the effect is stronger when traditional media is censored, and the Internet is free. In this case, the Internet gives people the possibility to get non-censored information and the approval of the government decreases.

Melnikov, Guriev, and Zhuravskaya also analyzed if these findings have electoral implications. Since voting results from non-democratic countries would be falsified and rather meaningless, they focused on Europe as a set of democratic countries with broadly similar institutions – and where votes actually matter. The results paint a dangerous picture: through the expansion of 3G, incumbent political parties lost votes and populist parties actually increased their vote shares. This means that people actually switched from incumbent politicians to populists. However, the silver lining is that in the cases where populists gained power, the Internet also helped decrease the popularity of those populist regimes again.

> *"The initial question that we began our research with, was whether technology allows to spread accurate information on corruption and misinformation about*

the government or if it is a misinformation technology that allows populists to gain votes; the answer is: a little bit of both.".

The research area on the impact of the Internet and social media on various outcomes is a topic that may still occupy Melnikov in the near future. Nikita is interested in studying more closely the impact of misinformation spread through social media and how that misinformation changes people's beliefs and political preferences. Following his research on polarization in the United States, he is now contemplating investigating whether misinformation could be one of the reasons for these polarization effects.

War in Ukraine: does it increase social capital in Russia?

Our conversation steered to a topic that has been recently shaping the sociopolitical debate and generating significant debate– even though it's about a conflict that started several years ago. Russia's annexation of Crimea in 2014 has been identified as the spark of the war in the southeast of Ukraine – and the root for the war in all of Ukraine at the moment. After the annexation and first disputes, Melnikov together with Sergei Guriev, wanted to investigate whether social capital in Russia would increase, i.e. if people would show pro-social behavior in response to the war. Additionally, Nikita sought to understand if people that are living closer to the conflict are showing more pro-social behavior than those with less proximity.

Interestingly, Melnikov and Guriev used internet-based measures to conduct their research. They looked on the search terms of Russia's most popular Internet search engine 'Yandex' which were available at regional level. As search terms related to social capital, they identified 'charity and social help', 'blood donations', and 'childcare and adoption'.

"We just started thinking: What would be the things that we would search for if we wanted to help the people who were affected by the conflict? Terms like 'charity' or 'donations' came up pretty much instantly, so we decided to look at these terms. But what we did then was to make sure that these terms actually made sense. We combined all of them by using the first principal component of the search terms and then we looked at the correlation of them with the 'level of generalized trust' in Russia's regions. This allowed us to see that these terms are indeed correlated with a variable that is known to be a proxy for pro-social behavior (this term of generalized trust). This approach validates the hypothesis that our terms were not just random."

The high frequency nature of the measures of social capital allowed them to track the impact of weekly events such as conflict intensity, inflation, and exchange rate volatility. To examine how the various regions were differently affected by these macro shocks, they applied a difference-in-differences methodology. The results demonstrate that regions of Russia close to the war in Ukraine, experienced an increase in pro-social behavior. Additionally, the higher the intensity of the conflict, the more these regions searched for prosocial keywords on the Internet. Whether this impact on social capital is temporary or permanent, can only be analyzed after the conflict has ended.

Wondering if there are any implications on the current situation between Russia and the Ukraine, we steered our conversation onto another of Melnikov's papers about 'Censorship, Propaganda, and Political Popularity: Evidence from Russia', published in 2018 in the SSRN Electronic Journal. This paper examines how the news coverage of the war starting in 2014 affected the political views of the population in Russia. Melnikov found that the popularity of the government increased in

regions exposed to more censorship and propaganda, but that there was no effect in regions with high internet penetration. The effects, however, are very temporary and dissipate after 2-3 weeks.

> *"The level of propaganda was high then, but now it is absolutely unprecedented. What the paper shows is that, indeed, this enormous level of propaganda and censorship of negative news about economic performance (namely about the exchange rate) did affect Putin's popularity during the first wave of the war in 2014/2015. And importantly, this level of propaganda and censorship has a short-term effect. [...] That is why he has to maintain this constant, incredibly high flow of outrageous news that would keep people pumped up in supporting him and not thinking about the consequences for themselves."*

Gang controlled neighborhoods in El Salvador: the importance of the freedom of movement for development

Lastly, our discussion focused on another topic that is related to Melnikov's development area of research. When studying at Princeton University, Melnikov had a chat with his Professor Maria Micaela Sviatschi about the setting in El Salvador at that time. El Salvador was (and still is) facing a major problem with gangs, especially the two main ones known as MS13 and 18th-Street that are controlling large parts of the country and the population.

However, this severe issue did not just emerge organically. In fact, it has been the consequence of an exogenous shift in immigration policy of the United States that has been implemented in the mid 1990s. The new legislation facilitated the deportation of people from the country, especially those with criminal records. In 1996, the US finally deported a group of gang leaders from the United States to El Salvador, but the country was not able to cope with the situation.

This phenomenon brought Melnikov, together with Carlos Schmidt-Padilla and Maria Micaela Sviatschi, to look at the socioeconomic consequences of gang territorial control in El Salvador. They had very detailed data both in terms of the territory occupied by the gangs and in terms of the outcome variables. They performed two empirical exercises: First, they used the boundaries of the gang-controlled neighborhoods of San Salvador, El Salvador's capital, to perform a spatial regression discontinuity design. Second, they did a difference-in-differences analysis, comparing the growth in nighttime light density in locations with high and low gang presence between 1992 and 2013.

> *"What we find is that places that are 50 meters away from each other – one of them is on one side of the street and the other one is on the opposite side of the street that is not controlled by the gangs - have very different socioeconomic outcomes. For instance, income drops by $350 per month, given that the average income in the sample is $625. This constitutes more than a 50 percentage points drop in income for people that live in territories that are controlled by the gangs."*

This is of course important in itself, but Melnikov highlights that they were particularly interested in the mechanism and the reasoning behind that. Previous research has focused on the direct effects of violence, crime, and instability, and how that affects outcomes. But the results show that the areas are so close to each other, that there are actually no differences in extortion or homicide rates in the two areas.

The novel mechanism shown in the paper illustrates that gangs restrict individuals' mobility. Since their own security is the highest priority for the gang members, it would be a huge danger if police informants or rival gang members could just enter their territory. Therefore, the gangs created a checkpoint system (often controlled by kids, who can't get arrested) in which you have to show your ID card to enter or leave. This means that people living in neighborhoods that are under gang territory can't commute to places in other parts of the cities where the largest and best paid firms are located – while those outside of gang territory can. Importantly, it's not that the characteristics of the firms change at the boundaries. But far away from gang territory, they do have larger firms. So consequently, people living in gang territory are forced to work in neighborhoods controlled by gangs, which subsequently has an effect on their income.

> *"We test that in the data. We conducted our own survey both in gang and non-gang neighborhoods. And we asked people: where is the place where you work? And we show, there is a 50 percentage points increase in the probability of working in a gang-controlled neighborhood exactly at this boundary of gang territory. It goes from 5% probability to 55% probability within places that are just 50 meters away from each other."*

When extrapolating the findings to other Latin American countries, Melnikov emphasizes that the results demonstrate how important mobility is to development in general, even in areas where gangs do not exist. Other types of mobility constraints, such as international borders, transportation infrastructure, or other non-criminal groups that limit mobility, also speak of the enormous costs for development.

The importance of the freedom of movement has therefore several policy implications. Not only in the sense that people should be able to move inside the country, but also to decrease the costs for people to go to work and commute. Additionally, it's indispensable to mention that these gangs emerged as a change of immigration policy in the United States which ended up as a global headache. The United States deported individuals with criminal capital to a country that did not have the capacity to contain them. While the number of people deported was actually just a few hundred, the consequences they entailed are now on a global level. Particularly, the United States itself is facing a huge migration crisis because Central Americans try to flee their country in search for peace and safety. In a more direct approach, the situation also shows that if you increase state capacity to prevent these groups from controlling territories, it could have enormous benefits for both violence and the freedom of movement.

At present time, the government of El Salvador has increased its efforts to contain gangs and increase security in neighborhoods. Melnikov, along with his co-authors, envisions a possible new research opportunity that could examine the extent to which the government's efforts have or have not improved the well-being of the local population. Whether this is the next step for the authors in terms of research is still to be seen.

Interested in working in research? Here is some last advice.

After reading through his papers, we became curious about Melnikov's advice for Bachelor's and Master's students wanting to work in Research and asked for Nikita's advice. His answer was straight forward:

> *"Do things that you are interested in. Things that you are passionate about. Bring your passion into your work and that will make you spend more time working on*

it, and it will inspire you. This clearly doesn't always have to be an academic field. Sometimes people are just passionate about their day-to-day job. I recommend to just follow your passions."

A major thank you to Nikita Melnikov for agreeing to sit with us over a coffee, and sharing such detailed insights into his research while thoroughly answering all our questions. Those interested in his work should take a look at his website: https://www.n-melnikov.com/