

Partisan Strategies and Political Economic Performance. Do Modes of Democratic Accountability Affect Economic Fortunes?*

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Abstract

A recent major question in the macro-political economic comparative literature trying to account for differential pathways of economic performance in political democracies concerns the extent to which clientelistic practices create harmful economic distortions and hurt economic development. Using new data from an expert survey on political accountability, this paper explores the effect of clientelism on various development outcomes in a cross-section of 90 democracies. We hypothesize that while clientelism has an overall negative effect on economic development, practices of clientelism can function as an effective mechanism to distribute private goods to poor parts of the population, improving human development outcomes for the weakest parts of society.

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1 Introduction

Much research concerns itself with parsing the economic consequences of regime types (Przeworski & Limongi 1993, Przeworski, Alvarez, Cheibub & Limongi 2000, Lake & Baum 2001, Baum & Lake 2003, Krieckhaus 2004, Pinto & Timmons 2005, Stasavage 2005, Ross 2006), tracing the impact of democracy on growth, human capital formation, public health outcomes and other governance quality measures. Building on the broad distinction between democracy and autocracy, considerable effort has been invested to determine the effects of particular political institutions within democracies on a variety of economic and political variables. Ranging from electoral institutions (Cox 1999, Austen-Smith 2000, Persson & Tabellini 2000, Lizzeri & Persico 2001, Iversen & Soskice 2006, Chang forthcoming, Linzer & Rogowski forthcoming), over checks and balances and other constitutional constraints (Persson, Roland & Tabellini 1997, Tsebelis 2002, Persson & Tabellini 2003), to presidentialism, federalism (Wibbels 2000, Cheibub & Limongi 2002) and cross-cutting concepts like consociationalism (Lijphart 1999) and centripetalism (Gerring, Thacker & Moreno 2005, Gerring, Thacker & Moreno 2008). Understanding the consequences of democratic accountability mechanisms and performance is a crucial task for social science research.

While these studies have greatly enhanced our understanding of the interaction of political variables and economic outcomes, most research takes a purely institutional view, while neglecting political processes. It is true that political institutions set the rules of the game and hence influence the choice sets available to actors, but the political process itself, as characterized by the mode of interaction between voters and politicians, deserves elevated attention. This becomes even more relevant when we realize that formal political institutions can lead to appreciatively different political processes, depending on how formal institutions interact with informal norms, societal power relations and the strategic behavior of actors. Elections might have spread in quantity around the world, but this does not entail the spread of the responsive programmatic party model. Politicians

across diverse political and economic settings engage in a variegated array of political interactions with voters, which form distinct modes of accountability (Kitschelt 2000).

The literature on clientelism (Shefter 1977, Calvo & Murillo 2004, Kitschelt & Wilkinson 2007*b*, Piattoni 2001, Stokes 2005, Stokes 2007, Remmer 2007, Nichter 2008), has argued that in many countries politicians rely on direct exchange of targeted goods for electoral support, nested within an elaborate patronage network. Instead of building a distinct partisan platform with programmatic appeals and policies focused on public goods provision, parties and politicians cultivate personal relationships, divert public resources and invest in monitoring technologies. Furthermore, clientelistic parties also often use existing spending structures for education and health care to transform public goods provision into private goods allocation, offering a diverse portfolio of incentives for voters. It stands to reason that these modes of democratic “linkage” between voters and politicians have different implications for the general principal-agent relationship between politicians and voters and hence alter economic policy-making and economic outcomes.

A prominent argument in the literature (Robinson & Verdier 2003, Keefer & Khemani 2003, Keefer 2005, Keefer & Vlaicu 2007) hypothesizes a distinctly negative effect of clientelism on economic outcomes. In an environment of low political credibility and lack of voter information politicians resort to clientelistic practices, which leads to lower public goods provision, inefficient spending and more corruption. This rent-seeking aspect of clientelism also affects general trust in the rule of law and security of property rights - protecting investments requires access to political protection. Nevertheless, while clientelism might not be a first-best solution to organize the political market place, it might be a feasible second-best alternative in settings of weak state capacity, conflictual politics and low economic development. Politicians can use patronage networks to gain electoral support and at the same time deliver important goods and services to the poorest parts of the population. While programmatic competition and public goods provision are powerful ingredients for growth if the state has sufficient capacity to implement policies, clientelism can function as a viable second-best mechanism under conditions of weak state

capacity.

So far, shedding light on this debate using empirical data has been hampered by the absence of a useful comparative measure of clientelism. Prior research has used conceptually removed proxy variables, like public sector employment or public infrastructure investment (Keefer 2005), or focused on detailed case study analysis using survey data (Calvo & Murillo 2004, Stokes 2005) and qualitative methods. This paper increases our understanding of the relationship between clientelism and various socioeconomic outcomes, using a new indicator derived from the “Democratic Accountability and Linkages Survey Project” (Kitschelt 2009). The project devised a detailed expert survey for about 90 democracies and semi-democracies, tapping into party organization, targeted spending and monitoring of voter behavior, to create comparative data on clientelistic practices. Using data from several survey items, we create a broad indicator that measures the extent of clientelism at the national level. We use this data to evaluate competing claims about the economic consequences of clientelism, with surprising results. Clientelistic linkages are not unequivocally associated with deleterious economic and human development outcomes. As a matter of fact, many polities manage to achieve respectable governance outcomes, despite of rampant clientelism or even attain superior outcomes on certain dimensions than systems with mainly programmatic linkages. Specifically, we find a positive association of clientelism with human development outcomes, but an overall strong negative correlation with growth performance. While far from being conclusive, the evidence we present creates many important questions about our traditional understanding of democratic accountability and identifies further avenues of research. Our findings call into question the unequivocal arguments that have emphasized the negative consequences of clientelism for development and well being of citizens in democracies worldwide. The next section outlines the theoretical debates surrounding clientelistic practices, while Section 3 discusses concept and measurement issues. Sections 4-6 present the data analysis, focusing on a whole variety of macroeconomic indicators, human development and governance outcomes. Section 7 discusses the implications of our findings for existing theories.

Section 8 concludes and draws connections to the literature on democratization.

2 Clientelism and the Economy

Most research on the economic effects of democratic institutions and processes operates under the “responsible party government” model. This view of political competition is characterized by voters with clearly defined preferences over a policy space, politicians and parties that bundle various issues into a coherent electoral platform, rational decision-making of actors and retrospective voting to hold incumbents accountable (Kitschelt & Wilkinson 2007*a*). Variations of this model feature heavily in a broad class of political economy applications, as distinct as redistribution (Meltzer & Richards 1981) or democratization (Acemoglu & Robinson 2006). Taking this particular behavioral conception of voters and politicians as given, much research has investigated the consequences of political institutions (Cox 1999, Austen-Smith 2000, Persson & Tabellini 2000, Lizzeri & Persico 2001, Iversen & Soskice 2006, Chang forthcoming, Linzer & Rogowski forthcoming, Persson, Roland & Tabellini 1997, Tsebelis 2002, Persson & Tabellini 2003, Wibbels 2000, Cheibub & Limongi 2002). While this type of voter-politician interaction might be a useful abstraction in many electoral situations, democratic processes take on many more forms, with important consequences. Politicians do not always run in elections based on policy appeals and citizens do not always evaluate candidates based on party platforms. Research on democratic accountability has conceptualized at least four more ideal-typical modes of accountability: valence competition, charisma, descriptive representation and clientelism (Kitschelt 2000, Stokes 2007).

Clientelism is characterized by the direct contingent exchange of goods and services for votes, predictability and monitoring (Kitschelt & Wilkinson 2007*a*). Policy platforms of parties generally consist of broad proclamations about public goods, redistributive schemes and regulatory policy, i.e. policies do not explicitly name individuals or groups of individuals as beneficiaries. In contrast, the direct contingent exchange common in clien-

telistic relationships explicitly trades private goods for votes. Furthermore, while with public goods voters cannot be excluded from benefits, clientelism rests on the threat of potential withdrawal of benefits. To overcome issues of credibility and time-inconsistency, patron-client relations are often long-term arrangements that involve various monitoring mechanisms, assuring on the one hand the delivery of promised goods and jobs and on the other hand voters casting the right ballot. This form of political accountability has been studied in many contexts, ranging from parties in Italy (Chubb 1982), Western Europe and the US (Shefter 1977), to the developing world (Magaloni, Diaz-Cayeros & Estevez 2007, Stokes 2005, van de Walle 2007)¹. Clientelism is seen to be a widespread and persistent practice that has serious consequences not only for elections, but the nature of political accountability and democratic quality.

2.1 Adverse effects of clientelism

If clientelistic modes of accountability represent the organizing principles for political processes in a polity, one would naturally expect distinct profiles of governance and public policy. While programmatic parties might differ in their ideological bent of public policies, clientelistic parties in government invariably stress public employment, investment schemes dominated by political concerns, rather than efficiency and a general bureaucratic structure conducive to perpetuating forms of clientelistic exchange. Indeed, the literature dealing with the economic consequences of clientelism generally stresses its pernicious effects (van de Walle 2001, Keefer & Khemani 2003, Keefer 2005, Keefer & Vlaicu 2007, Robinson & Verdier 2003, Bates 2008). Clientelism in its ideal-typical form has at least three harmful consequences in economic terms: misallocation of public resources, misallocation of private resources and a distortion of long-run incentives. Clientelistic politics implies a political game where the most important feature is summarized as who you know, not what you know.

¹A good overview can be found in Kitschelt and Wilkinson (2007*b*), Stokes (2007) or Schaffer (2007)

The most direct effect of clientelistic practices is the provision of private goods to groups of voters. While such goods might be provided out of the private estate of a politician/patron (potentially amassed through corruption), all too often the bulk of expenses is financed through diverting public funds, using public budgets directly or transforming existing public goods schemes into excludable and targetable goods. Patrons offer jobs in the government bureaucracy (Robinson & Verdier 2003), they channel cash assistance programs and poor relief, not necessarily to the ones in most economic need, but individuals with the highest marginal political return. Public investments in infrastructure are not planned in accordance with long-term growth plans or industry needs in mind, but are used to provide jobs and contracts to political intermediaries. Clientelistic practices have a considerable impact on the allocation of public funds (Calvo & Murillo 2004, Remmer 2007), which in an environment of scarce resources necessarily diverts valuable resources away from purely welfare improving activities. While programmatic competition can lead to parties proposing and implementing policies with welfare-enhancing public goods character, clientelistic competition leads to distortionary policies that align the desire for political survival with particularistic policies.

Clientelism not only directly distorts public spending and investment, it also indirectly affects the behavior of private actors. Individual voters receiving goods and employment will alter their personal educational and investment decisions, well-aware of the long-term relationship with the patron. Businesses will compete for public contracts knowing about the political motivations governing spending decisions, focusing on industries favored by the existing patronage network, i.e. inefficient public spending might be matched with inefficient private spending. Clientelism potentially fosters small and large scale corruption and institutionalizes rent-seeking². Furthermore, resources will be spend to maintain a network of intermediaries and distribution channels to sustain the vote-good exchange relationship. A general lack of transparency and the increased inefficiency of the public sector hinders foreign direct investment and financial market development (Keefer 2007).

²For an evaluation of this specific claim see a study by Singer (2009).

Lastly, extensive clientelism can adversely affect the economic incentives of politicians and investors. Politicians will favor public programs that help in overcoming credibility problems (Robinson & Torvik 2005), but lack in efficiency. Similarly, vested interests will block and hinder innovation and economic growth if it threatens the political status quo (Geddes 1991, Acemoglu & Robinson 2001). Challenging economic monopolies and breaking up state-run enterprises will be met by increased political opposition, stifling new entrepreneurs and outside investors.

Taking these three effects together paints an unfortunate picture: clientelistic politics leads to the inefficient distribution of public funds, misaligned incentives for businesses and workers, keeping the economy in a sub-optimal state. Overuse of public employment and inefficient investment through clientelism can be traced back to problems of low information and low credibility, in which clientelism emerges as a rational political strategy (Keefer & Vlaicu 2007). Keefer and Vlaicu show in the context of a probabilistic voting model that politicians will resort to clientelistic exchanges due to a lack of credible commitment mechanisms. The use of clientelism implies a shifting of resources away from public goods which hampers economic development and worsens other human development outcomes. Consequently, we expect clientelism to have a clear negative effect on overall growth rates and furthermore have deleterious effects on other macroeconomic indicators:

Hypothesis 1: High levels of clientelism are associated with lower growth and sub-optimal macroeconomic outcomes

This negative effect of clientelism is expected to be least important at lower levels of development, but increases with the rising sophistication of the economy and increased needs for transparency, fluid financial markets and a reliable bureaucracy.

The connection between clientelism and failing governance has been documented in several case studies (van de Walle 2001, Bates 2008, Chubb 1982). A recent quantitative

study (Keefer 2005) found evidence in favor of adverse effects of clientelism on several economic and governance outcomes. The model by Keefer and Vlaicu (2007) though also shows that political credibility facilitated via patron-client relations can be better than no credibility at all. While clientelism as a tool to create credibility depresses public goods spending and increases rent-seeking compared to the benchmark case of credible mass parties, clientelism can be a welfare improvement compared to an environment in which politicians have no credibility and voters no information.

2.2 Clientelism as second-best

While the majority of researchers argues for, or at least implicitly assumes, a negative effect of clientelism on economic outcomes, we diverge from this conventional understanding in one important way. While clientelism leads to an overall misalignment of incentives in the economy, the act of delivering private goods for votes to poorer citizens can have positive effects on human development outcomes. Clientelistic exchange does create a modicum of political credibility and accountability that results in a transfer of resources to vulnerable citizens (Taylor-Robinson 2010). Even if many currently clientelistic societies were to counterfactually switch to programmatic competition, no welfare improvements could be realized, because in many cases the government apparatus is unable to implement any broadly based public goods schemes or redistributive agendas. In the context of weak infrastructure, low extractive capacities and inexperienced bureaucracies, politicians could never deliver promises of public goods. In such a situation a patronage network build to reliably deliver private goods to the poorer parts of the population is a viable second-best distribution mechanism, at least in the short and medium run. Politicians can deliver food, basic health care and investment projects through their party network that directly benefit the poorest voter groups and have a direct positive impact on human development outcomes. Research by Ross (2006) has

shown that democratic elections alone do not necessarily improve the economic and social conditions of the poor, but actually cater to the needs of the middle classes. A middle income polity with programmatic partisan competition implements public goods schemes and redistribution that reflects the needs of urban middle class and skilled workers, while a poor clientelistic system might devote a higher share of resources to target poor voters directly. Hence, clientelism can also have positive effects, potentially conditional on the level of development, that cancel or even outweigh its adverse effects.

Hypothesis 2: While not optimal, high levels of clientelism improve human development outcomes, potentially conditional on the level of economic development

Hypothesis 2 does not contradict Hypothesis 1. The overall net effects of clientelism might still lead to depressed growth rates. Transitioning from an agricultural low income economy to a more diversified middle income economy demands a growing middle class, functioning financial markets and a minimum of transparency. Clientelism creates malignant incentives for such a transition, while using some public resources - likely generated by taxing the middle class - to gain the political support of the poor. The improved human development outcomes for the poor do contribute to a higher growth potential, but are outweighed by the wider distortions of clientelism.

Existing research on the economic effects of clientelism (van de Walle 2001, Keefer 2005) has uniformly stressed the detrimental effects, but has also relied on qualitative case study evidence or used proxy variables like government infrastructure investment and government payroll (Keefer 2005). The next section will introduce a new cross country measure of clientelism that will be used to evaluate the new claims presented above. Before the new measure is introduced though, we will briefly outline the observable implications of both hypotheses.

We will use two areas to ascertain the influence of clientelism: general macroeconomic indicators and human development outcomes³. If Hypothesis 1 is accurate, we should see some clear patterns in the data: clientelism will be robustly and negatively associated with growth and have similarly deleterious effects on macroeconomic indicators like inflation, foreign direct investment and trade. Hypothesis 2 though leads us to expect a positive association between clientelism and literacy rates, secondary school enrollment, infant mortality and life expectancy.

When evaluating Hypotheses 1 and 2, we will also always consider the possibility of a conditional effect, amplifying or muting the role of clientelism by levels of development. Since this analysis does not aim to provide final answers or even attempt a *causal* analysis of clientelism, we will focus on purely descriptive inference. Nonetheless, positive or negative associations of clientelism in our sample will help to reevaluate our understanding of clientelism and its economic implications.

3 Measuring Clientelism

Other researchers interested in clientelism have used qualitative information (Chubb 1982, Shefter 1977), national survey data (Calvo & Murillo 2004, Stokes 2005) or macro-level proxy variables (Keefer 2005) to engage empirical research questions. While illuminating, these approaches make cross-national comparisons difficult. Constructing solid comparative case studies for more than a handful of cases is nearly impossible, while the use of national survey data on individual behavior rarely allows analyzing party organization and behavior. Also, while there have been some surveys fielded including questions on clientelism, there does not exist a cross-country comparable survey instrument (Kitschelt 2009). Using proxy variables like the size of government payroll or the public investment budget might represent aspects of clientelistic practices, but come with large

³For the purposes of this paper, we focus purely on clear outcome measures. An analysis of the connection between government spending behavior and clientelism is reserved for a companion paper (Pierskalla 2011).

measurement error. It actually remains to be determined if the most common way to deliver targeted goods is public sector employment. Not all targeted goods come in the form of public sector jobs or infrastructure investment and none of these high-level macro variables measures the organizational capacity of parties.

In order to gather better data on clientelism and related linkage mechanisms a research team at Duke University, in collaboration with the World Bank, created an expert survey tailored to these questions. The survey was fielded in about 90 countries, eliciting responses of ten to twenty scholarly experts and a handful of journalists in each country. Kitschelt (2009) presents a detailed overview of the research motivation, the survey instrument and first analyses of the data. The survey covers party organization, practices of targeted exchange, monitoring and enforcement, programmatic positions and general questions on linkage modes. Experts gave scores for the most relevant parties in each country. With over 50 questions in the survey, the data presents a host of information relevant to research questions at the party, national or regional level. Typical questions included whether parties have local offices, which actors within the party set the electoral agenda, whether parties use public employment or government contracts to win votes.

The use of expert surveys is a cost and time effective alternative to in-depth field research, with an established tradition in related research areas (Benoit & Laver 2007, Keman 2007, Whitefield, Vachudova, Steenbergen, Rohrschneider, Marks, Loveless & Hooghe 2007). The main issues plaguing expert surveys are the potential of limited expert knowledge, high levels of aggregation, anchor point problems and ideological expert bias. While an effort was made to contact scholars with a proven expertise in research on party politics and elections, the survey instrument contains many very specific questions that often tax resources of experts to the limit. Additionally, experts answering surveys might base their answers not only on factual knowledge but also preconceived biases and prevalent opinions. The second problem of expert surveys relates to the level of aggregation. The survey mainly captures information on the individual party running in national elections. While this is adequate in many contexts, it still obscures regional variation and

abstracts from behavior at the local level. Especially in large countries party behavior varies greatly from region to region and by level of election. The next problem of expert surveys is how respondents interpret endpoints of scales and place parties on them. Anchor point problems arise if experts in one part of the world score observed clientelism differently than experts in others, a common problem that also afflicts research on corruption perception (Treisman 2007). Lastly, experts might have incentives to misrepresent their opinions out of ideological concerns, putting their favored party or country in a favorable light.

These are all valid concerns and should caution any blind use of the data or over-interpretation of results. Kitschelt (2009) presents a series of cross-validation efforts that show that the collected data do contain relevant information that can be employed in cross-party and cross-country comparisons.

Since the main questions for this paper deals with cross-country differences, the main task is to create a useful country-level aggregate indicator capturing the extent of clientelistic competition. The indicator that will be used in this paper is a simple additive, weighted average, based on several questions in the survey. Experts scored for each party in a country five questions with regard to the provision of targeted benefits (see Appendix for details). For each question experts can give a score ranging between one (low) and four (high). The scores for all questions are then added up to a total score. These total scores are then averaged across parties, but weighted according to parties' seat shares in parliament. This creates a clientelism indicator score for each country, ranging from 5 to 20. Figure 1 shows a histogram and associated density of the clientelism indicator in the sample.

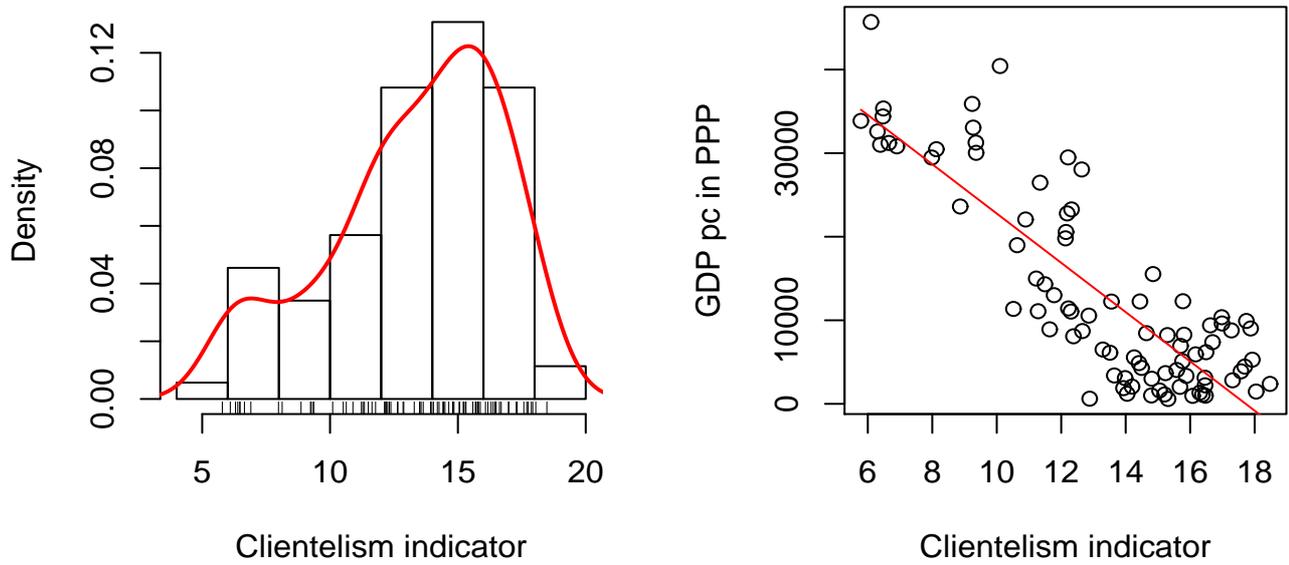


Figure 1: Left panel: histogram and density of clientelism indicator, right panel: scatterplot of GDP pc in PPP and clientelism indicator

The clientelism indicator ranges in the sample from 5.79 to a maximum of 18.53 and a mean of 13.09. The density curve shows a slightly bimodal distribution, with a small number of countries scoring relatively low scores on the clientelism indicator and then a large number of countries with medium to high scores. Countries with low scores are generally advanced capitalist nations, while the highest scores can be found in Africa. The second panel of Figure 1 shows a scatterplot of the clientelism indicator and GDP per capita in PPP (WDI), illustrating a strong linear relationship between poverty and the prevalence of clientelism⁴. This measure of clientelism also correlates nicely with cross-national measures of corruption (Kitschelt 2009). While not perfect, the clientelism indicator presents a useful summary measure about the overall prevalence of clientelistic practices and will serve as our main independent variable of interest. For robustness checks we will also use the unweighted average of the clientelism indicator and the average expert score on overall assessment question on clientelism from the survey.

4 Empirical Strategy

The sample contains 90 countries (see Appendix for a list) covering all parts of the world. Criteria for inclusion were a Freedom House score that classifies the regime as partially free for at least the last five years and a population size above 2 million inhabitants. Additionally, the survey includes the borderline cases of Angola, Bangladesh, Egypt, Malaysia, Morocco, Pakistan, and Thailand to increase geographic coverage. The response variables of interest cover two general areas: macroeconomic indicators and human development outcomes, which is a similar strategy to a recent string of articles examining the performance of centripetal systems (Gerring, Thacker & Moreno 2005, Gerring, Thacker & Moreno 2008). The list below details the response variables of interest.

- Macroeconomic indicators: 10 year growth rate, average inflation, FDI, trade open-

⁴A simple linear regression of GDP per capita in PPP on the clientelism indicator has a remarkable R^2 of above 0.7

ness

- human development and governance outcomes: school enrollment rates, literacy rates, infant mortality, life expectancy at birth

Data on these variables has been taken from the World Development Indicators. Common control variables like population size, the level of democracy and model-specific controls are also taken from the WDI, the POLITY IV project and the World Bank Database on Political Institutions. We generally use ten or five year averages of variables, since experts were asked to evaluate clientelistic practices over the last few years.

We will employ a simple empirical strategy to analyze this cross-sectional data. Since we make no attempt to estimate any kind of causal effect of clientelism, our focus will rest solely on the associational relationship between the clientelism indicator and the response variables. Furthermore, since it is also not our goal to provide the best models to explain variance in the response variables, we will use parsimonious models whenever possible, restricting ourselves to as few control variables as possible (Achen 2002). The main concern for our inferences stems from omitted variable bias, thus our main task is to include other predictors associated with clientelism and the response variable. We focus in particular on controlling for the level of development, the polity 2 score, the World Bank Rule of Law index⁵ and a measure of programmatic competition derived from our survey (Kitschelt & Freeze 2010)⁶.

In terms of estimation we generally follow a Bayesian approach, but will supplement the analysis with classical models if necessary. Since the data have a simple cross-sectional observational format and we ignore spatial autocorrelation for now, models will generally be simple. We will pay less attention to p-values (Gill 1999, Jackman 2004) and rather

⁵We check for robustness by using alternative governance indices from the World Bank, all with similar results.

⁶The measure for programmatic competition combines party-level information on the cohesion of programmatic positions, the salience of the issues and issue distinctiveness (see Kitschelt and Freeze (2010) for details). As a robustness check we also use the average standard deviation of expert judgments on party positions as an alternative measure.

focus on credible and confidence intervals, as well as the magnitude of effects (King, Tomz & Wittenberg 2000) to evaluate the importance of clientelism. To ascertain the robustness of our results, we will use different sets of indicators for clientelism, explore varying model specifications and use missing data imputation⁷.

5 Clientelism and the macroeconomy

In this section we will evaluate the effects of the clientelism indicator on various macroeconomic indicators with an emphasis on economic growth. Analyzing the effect of political variables on growth has a long tradition in political science and economics (Sala-I-Martin 1997, Baum & Lake 2003, Krieckhaus 2004). We will use an established modeling approach from the economic growth literature as a starting point: a Barro-style regression (Barro 1997). An alternative specification, following Mankiw, Romer and Weil (1992) will be used as a robustness check. A Barro-style growth regression builds on a simple Solow growth model and the idea of conditional convergence (Barro & Sala-I-Martin 1992), i.e. growth rates depend on the initial level of output, investment, human capital and a series of institutional and other control variables. This leads to the following empirical specification:

$$g_{i,t,t-1} = \mathbf{X}_{i,t}^T \boldsymbol{\beta} + \gamma \log y_{i,t-1} + \epsilon_{i,t} \quad (1)$$

The response variable $g_{i,t,t-1}$ is the GDP per capita (PPP) growth rate over the selected time period, here the ten years from 1999 to 2008. On the right hand side, $\mathbf{X}_{i,t}^T \boldsymbol{\beta}$ is a matrix of predictor variables and the corresponding vector of parameters to be estimated. We will include average gross fixed capital formation as a percentage of GDP (WDI) and secondary school enrollment rates to capture the effects of investment and

⁷We generally multiply impute the data using the Amelia package in R. We impute the data five times. Amelia implements King, Honaker and Scheve's (2001) algorithm that assumes a multivariate normal distribution for the data and a missing at random data pattern (MAR) (Little & Rubin 2002).

human capital on growth. Both are expected to have positive coefficients. As political variables we include our clientelism indicator, expected to have a negative sign, the 10 year average POLITY IV score, our measure of programmatic competition and the World Bank Rule of Law index⁸. The expression $\gamma \log y_{i,t-1}$ refers to the logged level of GDP per capita (PPP) (in thousands) at the beginning of the period, which is included to account for convergence effects, i.e. rich countries, conditional on technology levels and institutions, will grow slower. The error term $\epsilon_{i,t}$ is assumed to have a iid normal distribution $\epsilon_{i,t} \sim \mathcal{N}(0, \sigma)$.

Figure 2 graphically illustrates the posterior means and the associated uncertainty for a standard Bayesian normal model. In red we included estimates based on a classical OLS regression using the multiply imputed data sets⁹. Table 1 reports posterior means and 95% credible intervals.

⁸We also used the average standard deviation of experts on the degree of partisan positions on a left-right scale to alternatively measure the degree of programmatic competition, without any qualitative changes throughout the whole analysis.

⁹We used the `bayesglm()` command in R, which approximates full Bayesian MCMC through the EM algorithm (Gelman, Jakulin, Pittau & Su 2008).

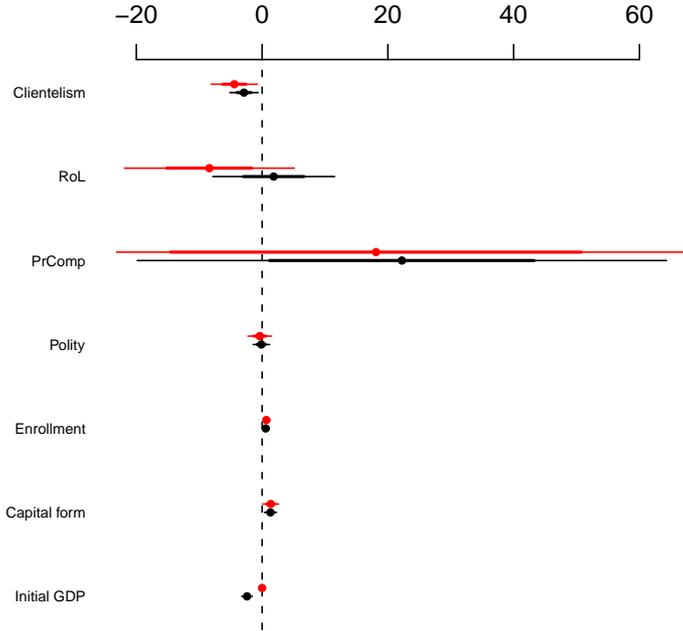


Figure 2: Posterior means and credible intervals for Barro growth model, complete case in black, imputed data in red

Table 1: Response variable ten year GDP per capita (PPP) growth rate, confidence and credible intervals for various models

Variable	Model 1 complete case			Model 2 imputed		
	Mean	lower	upper	Mean	lower	upper
logged initial GDP pc	-2.39	-3.27	-1.59	-0.002	-0.003	-0.001
fixed capital formation	1.33	0.37	2.27	1.37	0.09	2.64
secondary school enrollment	0.57	0.36	0.79	0.67	0.38	0.95
Polity	-0.12	-1.40	1.18	-0.37	-2.24	1.50
Programmatic Competition	22.22	-18.85	64.09	18.11	-46.88	83.10
Rule of Law	1.84	-7.66	11.62	-8.39	-21.83	5.05
Clientelism	-2.88	-5.17	-0.71	-4.41	-8.09	-0.74
N		70			90	
Adjusted R^2		0.47			-	

Cell entries show posterior means or estimates and 95% CIs. Constant not reported.

First should be noted that the set of predictor variables and the normality assumption for the data produce a good fit and a sensible model. The coefficients for logged initial GDP per capita (PPP), fixed capital formation and secondary school enrollment all have signs in conformance with the Solow growth model. An analysis of residuals shows approximately normal errors, an adequate QQ-plot and no serious outlier problems. Variance inflation factors indicate no problem with multicollinearity¹⁰. Only three cases have noteworthy residuals, Jamaica, Lithuania and the Ukraine, with extreme over and underprediction respectively. The simple linear model explains nearly half of the observed variation in growth rates. The coefficient for Polity has a negative sign, but the 95% CI covers zero, hence we can make no clear inference about the direct effects of democracy on growth rates, much in line with existing research (Baum & Lake 2003, Krieckhaus 2004). Similar null results hold for our measure of programmatic competition and the rule of law. The clientelism indicator on the other hand has a posterior mean of -2.88 with a 95% CI that clearly reveals a negative association with growth rates. Using the imputed data confirms the results. Interestingly, after accounting for the effect of clientelism the level of democracy and programmatic competition do not seem to have an effect on growth rates. Figure 3 plots the expected value of growth rates as a function of the clientelism indicator, holding all other variables at their mean.

Figure 3 clearly shows the substantive importance of clientelism for growth rates. Increasing the clientelism indicator from 11 to 15, which corresponds roughly to moving from the 25% to the 75% quantile reduces ten year growth rates by on average 11.7 percentage points. Using a different indicator for clientelism, e.g. the unweighted average of the summary indicator and the average answer to the question on the prevalence of clientelism (B6), produces equivalent results (not displayed here)¹¹.

¹⁰The highest VIF among the predictors is 4.93

¹¹To further explore the robustness of the results, we use matching techniques to pre-process the data (Ho, Imai, King & Stuart 2007) and improve balance in the sample. We potentially face strong clustering of countries which increases the dependence of parametric inference on model specification. A matched sample of the data tries to create balance by pairing low and high clientelism cases with similar characteristics. In order to do so, we create a dummy variable for clientelism which equals 1 if the indicator is greater than 15 and zero otherwise. We select this cutoff point to create a sharp distinction

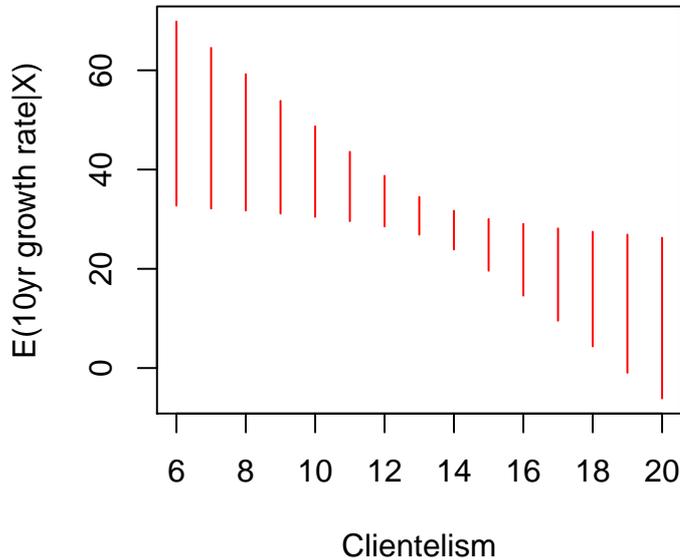


Figure 3: Expected value of the ten year GDP per capita (PPP) growth rate as a function of the clientelism indicator

We also tested for an interaction of GDP per capita and the clientelism indicator, but found no evidence of a conditional effect of clientelism¹².

Our last robustness check involves using a model specification from Mankiw, Romer and Weil (Mankiw, Romer & Weil 1992), which utilizes steady-state implications of the Solow growth model with human capital. This specification does not use growth rates, but rather employs the logged level of output (GDP per capita) as response variable and logged values of the above controls as response variables. Again we find that the control variables perform in accordance with our theoretical expectations and a clear negative effect of clientelism on growth rates.

between cases of rampant versus moderate and low clientelism. We used Diamond and Sekhon genetic matching algorithm (Diamond & Sekhon 2008) to implement the matching. The results confirm the prior analysis.

¹²We evaluate conditional effects by simulating the marginal effect of an increase in clientelism from 8 to 16 across the range of GDP per capita (PPP) using the Zelig package.

Across various specifications, different indicators, with or without data imputation, the evidence strongly supports the notion that clientelism has deleterious effects on economic growth. We would like to stress again that the analysis has not identified a sharp causal effect, but rather descriptive patterns. Furthermore, classical growth regressions have been criticized for not dealing appropriately with omitted variable bias (especially unobserved heterogeneity) and reverse causality. Nonetheless, we do control for a number of important observable covariates and the robustness of the results strongly suggest the possibility of a causal relationship.

Moving to the analysis of other macroeconomic indicators, we follow the same strategy. Specifically, we assess the association of clientelism with the average inflation rate over ten years, the average trade openness and foreign direct investment. We again use normal Bayesian models with and without multiply imputed data and control for the same set of covariates. We find no evidence of a relationship between levels of clientelism and this set of macroeconomic indicators. Figure 4 graphically summarizes the results. Across all three models 95% credible intervals for the clientelism indicator are wide and always cover zero. The data do not show a clear positive or negative association between clientelism and inflation, trade or foreign direct investment.

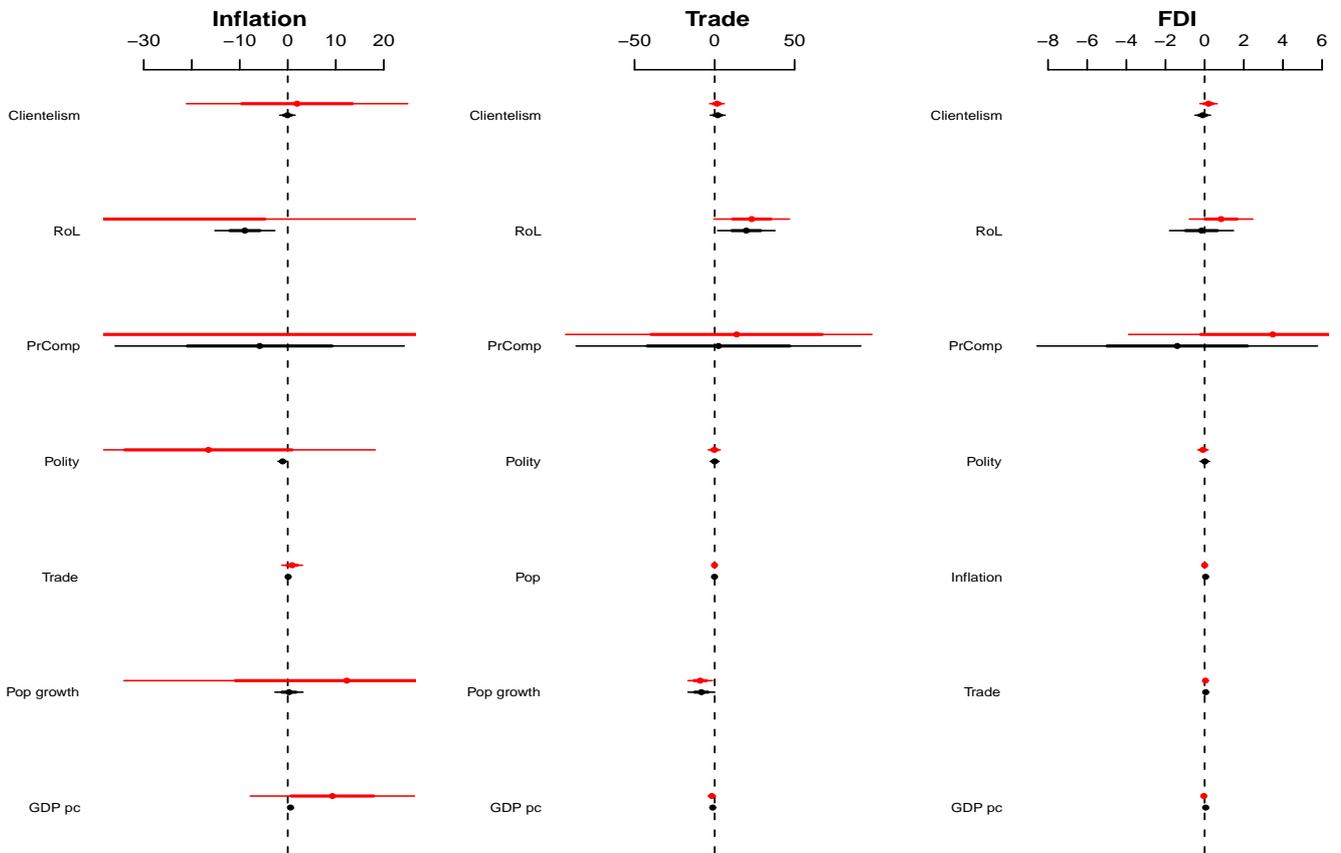


Figure 4: Posterior means and credible intervals for inflation (left panel), trade (middle panel) and FDI (right panel), complete case in black, imputed data in red

While clientelistic practices seem to be associated with low growth performance, the same is not true for other important macroeconomic outcomes. Our data supports the main thrust of Hypothesis 1, but the evidence with respect to the macroeconomic indicators suggests the negative effect of clientelism does not work through the channels of macroeconomic policy.

6 Clientelism and human development

While macroeconomic indicators are certainly important, Hypothesis 2 states that clientelism can have a positive impact on more direct outcome measures. Since clientelism deals with delivering targeted goods to poorer segments of society, evaluating the relationship with educational and health outcomes should give us a better picture of the overall impact of clientelism. Specifically, this section will analyze the association between our clientelism indicator and secondary school enrollment rates, infant mortality and life expectancy. We will generally control for levels of development (GDP pc in PPP), population size, levels of democracy (polity 2 score) and the degree of programmatic competition¹³. Again, we will present results of various model specifications and estimation procedures to enhance the robustness of the findings.

Figure 5 shows a histogram and density for average secondary school enrollment rates.

Analyzing enrollment rates poses two potential problems. First, the distribution of enrollment rates has a heavy left-skew, since many countries achieve relatively high rates. Second, enrollment rates are naturally bound between zero and 100%. Both facts call simple normality assumptions into question. Nonetheless, we will start with simple Bayesian estimation assuming normality, but we will also explore a logit transformation of the response variable¹⁴ and a beta regression, developed for proportions (Ferrari & Cribari-

¹³Using an indicator derived from the expert survey and the standard deviation in expert's judgments on the programmatic positions of parties (Kitschelt & Freeze 2010).

¹⁴First secondary school enrollment rates will be rescaled to lie between zero and one and then we apply the logit transformation $y = \log(\frac{x}{1-x})$, which maps a variable between zero and one to the real line.

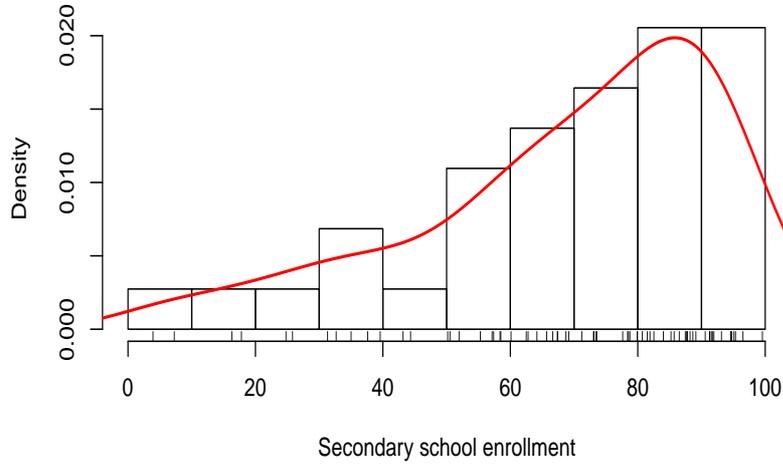


Figure 5: Histogram and density of average secondary school enrollment rates

Neto 2004).

Table 2 reports results for a Bayesian normal model with and without a multiply imputed dataset, while Figure 6 presents the results graphically. Both models show a positive effect for GDP per capita and a positive effect for higher levels of programmatic competition, much in line with theoretical expectations. The effect for clientelism is positive, but the 95% credible interval does cover zero. After controlling for the mode of political intermediation, the polity score by itself has no effect on school enrollment rates. A visual inspection of residuals reveals problems of heteroskedasticity, heavy tails and outliers. To address these problems, Table 3 reports results for a logit transformed Bayesian normal model and a beta regression (Ferrari & Cribari-Neto 2004).

Table 3 confirms the prior results and improves the credible intervals for clientelism. There is evidence for a positive association between clientelism and secondary school enrollment rates. When testing for an interaction with GDP per capita, again we find no conclusive evidence. These results are identical if we use alternative indicators for clientelism. We implemented the same set of models for primary school enrollment and

Table 2: Response variable average secondary school enrollment rates

Variable	Model 1			Model 2		
	Mean	lower	upper	Mean	lower	upper
GDP pc	0.80	-0.07	1.68	0.78	-0.11	1.67
Pop	-0.02	-0.10	0.05	-0.02	-0.09	0.05
Polity	1.22	-0.19	2.62	0.82	-1.13	2.76
Programmatic Competition	51.08	6.81	95.72	52.22	0.59	103.84
Rule of Law	9.71	-0.13	19.75	9.32	-0.84	1948
Clientelism	2.62	0.33	5.01	2.25	-1.13	5.63
N		70			90	
Adjusted R^2		0.54			-	

Cell entries show posterior means and 95% CIs. Constant not reported.

Table 3: Response variable average secondary school enrollment rates

Variable	Model 1			Model 2		
	Mean	lower	upper	Mean	lower	upper
GDP pc	0.05	0.01	0.09	0.05	.007	0.11
Pop	.001	-.002	.004	.00	-.004	.004
Polity	0.04	-0.01	0.10	0.05	-0.02	0.13
Programmatic Competition	3.33	1.18	5.49	1.95	-0.63	4.54
Rule of Law	0.49	0.05	0.94	0.61	0.04	1.20
Clientelism	0.15	0.05	0.26	0.15	0.02	0.29
N		70			70	
Adjusted R^2		0.58			0.57	

Cell entries show posterior means and 95% CIs, Constant not reported

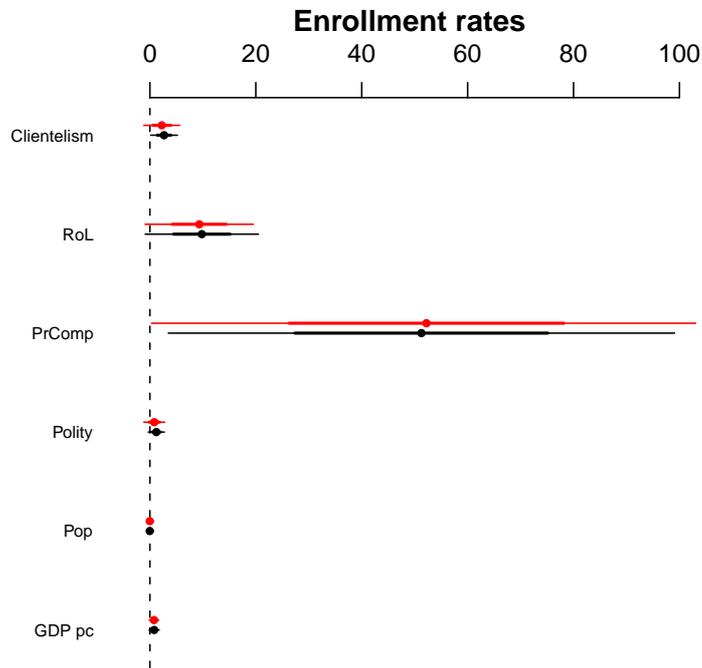


Figure 6: Posterior means and credible intervals for average secondary school enrollment rates, complete case in black, imputed data in red

literacy rates as response variable with equivalent results. In the realm of educational attainment clientelism is likely to have a positive association with outcomes.

We now turn to health outcomes like infant mortality and life expectancy.

Figure 7 shows a histogram and density for infant mortality rates in the sample.

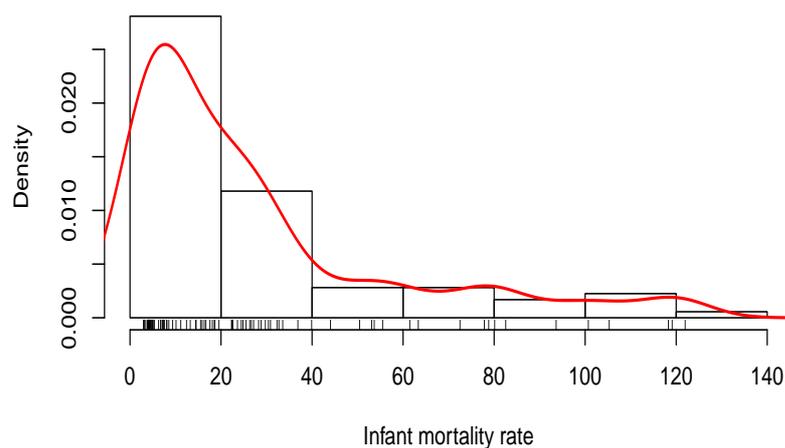


Figure 7: Histogram and density of average infant mortality rates

Infant mortality rates do not follow a simple normal distribution, but rather have a count character¹⁵. Using standard normality assumptions would seriously mislead our analysis. Hence, we will use a Bayesian Poisson regression with overdispersion to analyze the data. Figure 8 shows posterior means and associated CI's for both models. Table 4 summarizes the results for a Poisson model with overdispersion with and without multiply imputed data.

¹⁵Performing the analysis under normality assumptions confirms the suspicion. Even after accounting for linear effects of predictor variables, residuals appear strongly non-normal.

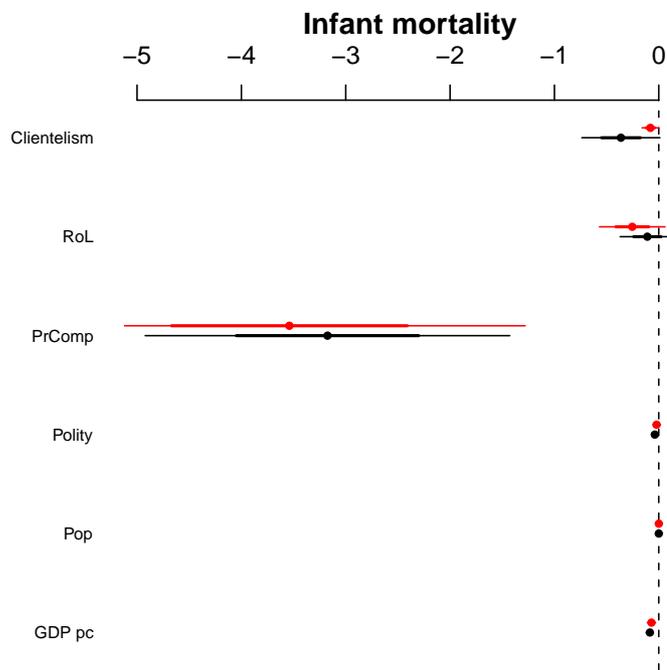


Figure 8: Posterior means and credible intervals for average infant mortality rates, complete case in black, imputed data in red

Table 4: Response variable average infant mortality rates

Variable	Model 1 complete case			Model 2 imputed		
	Mean	lower	upper	Mean	lower	upper
GDP pc	-0.08	-0.11	-0.05	-0.07	-0.11	-0.03
Pop	.000	-.000	.001	.000	.000	.001
Polity	-0.02	-0.05	.001	-0.02	-0.05	.01
Programmatic Competition	-3.63	-5.43	-1.89	-3.54	-5.78	-1.29
Rule of Law	-0.16	-0.42	0.10	-0.25	-0.56	0.05
Clientelism	-0.10	-0.17	-0.03	-0.08	-0.16	-.000
N	85			90		

Cell entries show posterior means and 95% CIs. Constant not reported.

In Model 1 clientelism has a clear negative effect on infant mortality rates. Since we are dealing with a Poisson model, the parameter has no directly meaningful interpretation, but we will illustrate below the substantive importance. The multiply imputed data weaken the result. The clientelism indicator still has a negative sign, but the confidence interval now includes zero. Posterior means for the control variables have the expected signs. In particular, low levels of programmatic competition are associated with higher infant mortality rates. Again, after controlling for linkage mechanisms like clientelism and programmatic competition, the polity score has no independent effect on outcomes. These results are also confirmed when using alternative measures of clientelism. The results show that the clientelism indicator has a negative association with infant mortality rates (i.e. improves human development outcomes). Figure 9 shows the expected value of the response variable as a function of the clientelism indicator. The general slope is negative with a substantively important impact. If we increase the clientelism score from 11 to 15 (i.e. moving from the second to the fourth quintile), infant mortality rates are expected to be 6.62 points lower, which is approximately a thirty percent reduction given the expected mean of 15.7 (setting all predictor variables at their mean).

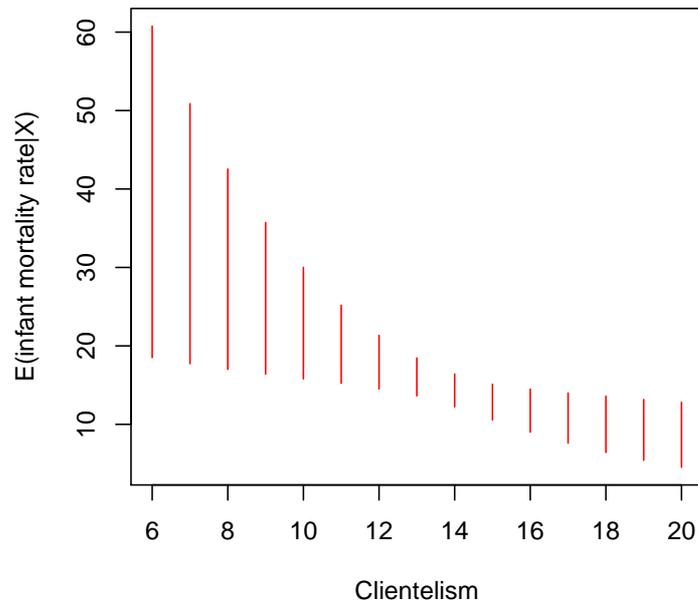


Figure 9: Expected value of infant mortality rates as a function of the clientelism indicator

Our next variable of interest is average life expectancy. Figure 10 shows a histogram and density plot of average life expectancy in the sample.

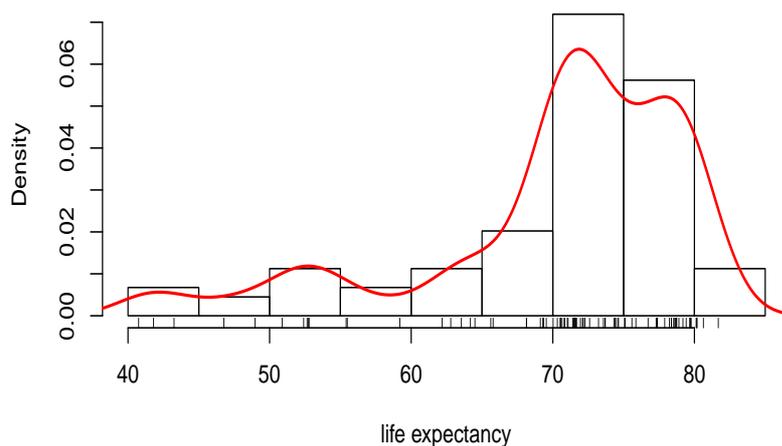


Figure 10: Histogram and density of average life expectancy

Life expectancy shows a slightly left skewed distribution. We still opt for the normality assumptions, since conceptually life expectancy in years fits a normal distribution and accounting for predictors might explain the left skew. Figure 11 graphically presents posterior means and the associated uncertainty. Table 5 summarizes the results for a standard Bayesian normal model with and without multiply imputed data.

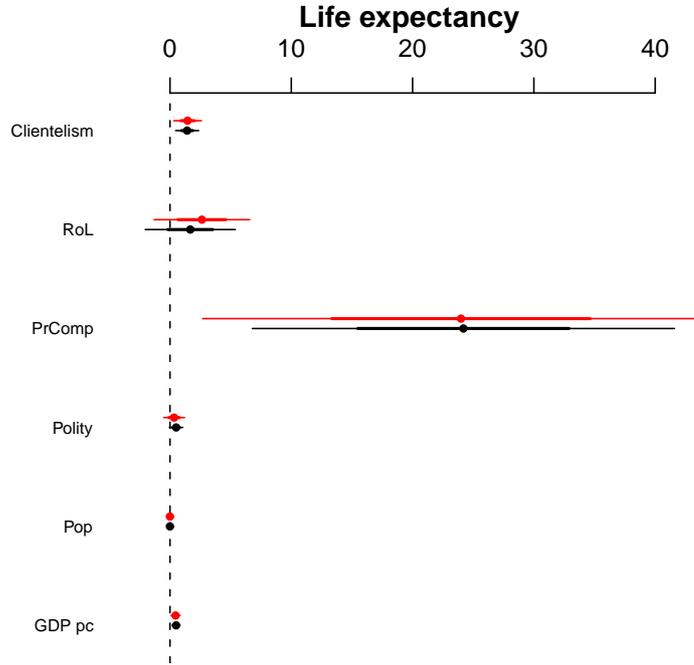


Figure 11: Posterior means and credible intervals for average life expectancy, complete case in black, imputed data in red

Table 5: Response variable average life expectancy

Variable	Model 1 complete case			Model 2 imputed		
	Mean	lower	upper	Mean	lower	upper
GDP pc	0.49	0.20	0.80	0.46	0.08	0.83
Pop	-.005	-0.01	.006	-.006	-0.02	.009
Polity	0.51	-.006	1.02	0.34	-0.51	1.19
Programmatic Competition	24.14	7.84	40.53	23.99	2.81	45.16
Rule of Law	1.67	-1.81	5.16	2.63	-1.28	6.54
Clientelism	1.39	0.51	2.31	1.45	0.31	2.58
N		85			90	
Adjusted R^2		0.52				

Cell entries show posterior means and 95% CIs. Constant not reported

Model 1 shows a clear and strong positive impact of clientelism on life expectancy, which is confirmed for the multiply imputed data. Like in the case for school enrollment and infant mortality, control variables have the expected effect with the noteworthy role of programmatic competition and the irrelevance of polity scores. Figure 12 shows the substantive impact of clientelism on life expectancy rates in the sample using Model 1. Moving from the second to the fourth quintile of the empirical clientelism distribution is associated with an increase of on average 5.64 years. Again these results are robust to changes in clientelism indicators. Like with the other models, we found no evidence of conditional effects of clientelism¹⁶.

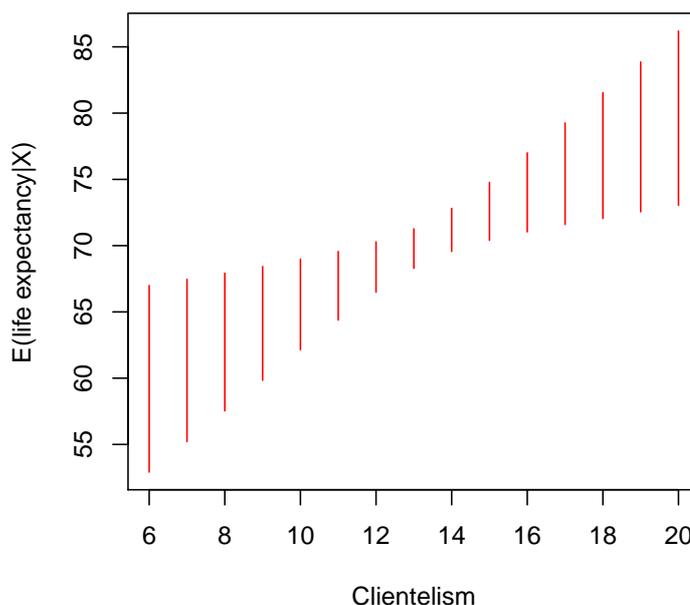


Figure 12: Expected value of life expectancy as a function of the clientelism indicator

¹⁶While the results are in favor of a relationship between clientelism and life expectancy, we still have to be cautious, since a visual analysis of residuals and variance inflation factors reveals problems of heteroskedasticity, heavy tails and multicollinearity.

In the realm of health outcomes as measured by infant mortality rates and life expectancy, countries with high levels of clientelism achieve better results, even after controlling for levels of development and democracy. A potential confounder for this scenario might be the effect of post Communist regimes. Many of these cases had above average health outcomes for their level of economic development and show above average levels of clientelism after the transition to democracy. Since our sample is fairly small, a strong effect of these particular regimes might overpower a non existent or negative relationship between health outcomes and clientelism in other countries. After controlling for post Communism with a simple dummy indicator variable, none of the results substantially changes¹⁷. Furthermore, similar analysis of auxiliary outcomes like immunization and malnutrition rates, access to sanitation and safe water sources generally found positive effects of clientelism, complementing the overall picture.

Overall, for a host of human development outcomes, political systems with highly clientelistic linkages do well, even after controlling for levels of development, democracy and programmatic competition. These results indicate that political entrepreneurs can use various strategies to form links of accountability with the population and while clientelism at face value conjures images of inefficiency and corruption, it does not necessarily imply worse outcomes for vulnerable parts of the population.

7 Discussion of Results and the Search for Mechanisms

The empirical analysis produced a series of interesting results that support the notion of a differentiated impact of clientelism on economic outcomes. First, across both areas of interest, we confirmed the relevance of clientelism for economic and governance outcomes,

¹⁷The post Communism dummy itself has a positive effect on health outcomes, but only marginally changes the impact of clientelism.

even after controlling for levels of development and democracy. This result reinforces the notion that while political institutions are important, political processes matter just as much or more. After including our new measures of clientelism and programmatic competition, the effect of overall democratic quality vanished¹⁸.

Second, we do find evidence for an important positive role of programmatic competition on human development outcomes. Moving towards a responsible party model, offering programs that emphasize public goods and access to public services irrespective of political associations, delivers important development gains, while not hurting growth rates.

Third, the evidence we present favors our modified understanding of clientelism. Yes, overall clientelism distorts incentives in the economy and creates a sizable growth penalty. At the same time we found no indication that this penalty is incurred via the channel of poor macroeconomic policies and outcomes, as measured through inflation, trade or FDI flows. These mixed findings with regard to Hypothesis 1 indicate a puzzle of mechanisms. How exactly does clientelism create a growth penalty? The null finding for macroeconomic indicators suggests that many countries are able to isolate macroeconomic policy making in largely technocratic institutions like the central bank or the ministry of finance. Furthermore, macroeconomic policies are likely to be orthogonal to clientelistic practices due to the difficulty of targeting benefits. It is likely that rampant clientelism is largely expressed in public spending profiles, public investments and the operation of state enterprises. More importantly spending and related policies on the political supply side need to be linked to economic distortions at the macro (financial market development, investment rates, innovation) and micro level (household and business labor supply and investment decisions).

Fourth, across a series of human development outcomes, we found robust evidence for a positive role of clientelism. It seems political accountability mechanisms organized

¹⁸Granted we only operate in a sample of minimally democratic regimes, nonetheless the polity indicator shows substantial variation in the sample.

around personalized and contingent exchange can be used as an effective distributive tool that reaches the poorest parts of the population. We are not concluding that clientelism is the best tool in the fight against poverty, programmatic competition had an equally important impact, but rather that any form of accountability and organizational capacity is better than none, when focusing on the welfare of the poor. Especially if formal welfare and social security systems in developing economies are tailored to the needs of middle class citizens and skilled workers in urban centers, clientelism does offer a simple mechanism through which large human development gains can be achieved.

Taken together, the growth penalty and the positive effect on human development, as well as the absence of any evidence in favor of a conditional effect of clientelism, present a more complex relationship between clientelistic forms of accountability and economic development than usually envisioned. We believe a reasonable interpretation for this seemingly contradictory finding lies in the various ingredients to creating growth. While improved human development outcomes increase human capital in the society, the overall net effect on growth can still be negative, because a positive effect of enrollment rates, improved life expectancy and lower infant mortality does not automatically imply that households can productively employ their improved human capital. This is much in line with existing aggregate results about improvements in health outcomes (Acemoglu & Johnson 2007). Moreover, the quality of the public goods allocated through clientelistic mechanisms might be lower compared to the ones distributed in contexts on party competition based on programmatic linkages. Clientelistic parties machines might guarantee some individuals the access to public goods such as education and health services, but the margins for demanding better quality in their provision are more likely to be reduced compared vis-a-vis programmatic parties. If this is the case then the negative effects of clientelism on economic growth and the positive effect on human development are not as contradictory as might seem. For example, in the case of education, enrollment figures might be growing but the allocation of teachers job positions can be responsive to a logic of partisan loyalty and clientelistic conditioning. Under these circumstances,

mechanisms of accountability to fight teachers' absenteeism for example might weaken, and consequently the quality of the education provided to the more numerous enrolled students would be poorer. Recent research on the relationship between economic growth and human capital formation points out that rather than enrollment in schools what matters for growth and development is the quality of education provided (Hanushek & Woessmann 2007, OECD 2010). Therefore, under scenarios as the mentioned previously it is perfectly possible to imagine countries with predominant clientelistic politics with larger number of children enrolled in elementary and secondary schools but with a negative economic performance.

Furthermore, clientelism does distribute essential goods to parts of the population in need, but also creates various misaligned incentives in the wider economy. A general lack of transparency, the creation of political and economic monopolies, public investments in targetable goods instead of strict public goods and a resistance to innovation that upsets the political-economic equilibrium will negate positive gains made on the human development dimension. In the absence of further research on the exact mechanisms though, this conclusion has to remain more conjecture than firm belief.

Similarly, apart from identifying the causal mechanism linking clientelism and economic outcomes, of equal importance is to disaggregate types of clientelism. At least two obvious dimensions of disaggregation come immediately to mind: the mix of linkage mechanisms and the political and institutional environment. The theories outlined in Section 2 define clientelism through particular characteristic activities of conditional exchange, but disregard whether parties solely rely on clientelism. Specifically, the expert survey also identifies programmatic, competence and charismatic appeals by parties. The economic consequences of clientelism might be conditional on whether parties also use programmatic or charismatic appeals. Parties can have programmatic differences reflected in their ideological profiles and at the same time implement their policy proposals through clientelistic means toward certain groups in their support base. For example,

in the United States Democrats and Republicans do have contrasting ideological profiles that mirror a different views on the role of government in the economy, and opposite approaches to social issues such as gay rights, prayer in public schools, or abortion. These ideological differences have not precluded parties to undergo clientelistic practices. Party machines' jobs continue to be targeted to known supporters of the incumbent party, who know that their jobs can be in immediate jeopardy if they switch their support or fail to vote in sufficient number to keep their party in power (see "Democrat says win by Katz would imperil patronage jobs", *The Philadelphia Inquirer*, August 27, 2003 cited by Kitschelt and Wilkinson(2007*b*, p.9)).

Clientelism as one specific strategy to acquire the vote of the poor in the context of a wider programmatic electoral strategy might have no effect on economic outcomes, while clientelism paired with personalistic politics and a focus on leadership personalities might exacerbate problems of accountability.

To ascertain the consequences of clientelism it is also important to consider the political context. Competitiveness of the party system and the institutional environment interact with clientelism and the economy. If a hegemonic party engages heavily in vote buying, consequences for business might be much different than if several rivaling parties compete for scarce votes through targeted spending. While we found no evidence for a conditional effect of clientelism by level of economic development, it might still be the case that economic geography or structure affects the role of political linkages for the economy. Oil or resource based economies might be able to combine high levels of clientelism and favorable human development outcomes, while economies based on export industries and foreign direct investment are particularly vulnerable to distortionary spending.

8 Conclusion

Most research that tries to analyze the effects of political variables on economic outcomes has focused on the role of political institutions. While important, this work has generally neglected the role of the political process. Political processes in many countries are not characterized by the responsible party model of political accountability, but rather are characterized by clientelistic exchange practices. An emerging literature on these forms of political accountability has outlined its prevalence and importance for party competition, representation and policy. Most research has stressed the negative implications of clientelism for the economy, but conclusions mostly rested on country or regional analyses.

This paper uses new cross-national data to evaluate competing claims about the economic consequences of clientelism. Using information from a detailed expert survey, fielded in 90 democracies, allowed a cross-country analysis of various economic and human development outcomes. The resulting evidence calls our traditional understanding of clientelism as a solely negative force in economic development into question. The empirical picture is far more complex and suggests that patronage systems can be used to efficiently channel desired goods to poorer parts of the population and increase welfare, while still depressing long-run growth prospects. This has clear implications for the relationship between clientelism, democratization and democratic competition.

The literature on democratization and public goods provision contends that democracy is related to increased redistribution and provision of public goods (de Mesquita, Smith, Siverson & Morrow 2003, Persson & Tabellini 1999, Dasgupta 1993). Politicians seeking to get elected cater to larger groups and provide them with goods and services to maximize their probabilities of reelection. Subjecting local politicians to elections is intended to allow citizens to monitor them more closely (Blair 2000) making them more accountable than national politicians would be otherwise. Similarly, an extensive body of research on decentralization suggests that devolving power to local governments increases efficiency in the delivery of public goods and services while allowing governments

to be better informed about the needs of their citizens (Oates 1972, Bird 1993). Overall, improved democratic governance is hoped to increase accountability and contribute to economic development.

However, the existing literature on clientelism has shown several problems with these assumptions. Under competitive electoral contexts in poverty-ridden new democracies, clientelism is a frequent phenomenon (Magaloni, Diaz-Cayeros & Estevez 2007, Keefer 2005, Stokes 2005, Medina & Stokes 2007). These studies represent a direct challenge to the notion that democracy has a beneficial effect on public good provision and instead suggest that elections in poor and institutionally weak countries are a perfect instrument for clientelism to prevail.

Moreover, the different strands of literature on electoral competition, decentralization and the provision of public goods assume implicitly that the increasing competitive circumstances will be translated in benefits for the median voter. Nevertheless, these arguments have forgotten the role of organized groups who have the capacity to influence budget decisions and who can change the allocation of public goods for their own benefit. These organized groups can take advantage of the increasing competitive circumstances to pressure governments to serve their interests while eroding the welfare of the median voter. The combination of increased expenditure responsibilities with the absence of local administrative capabilities can also negatively affect the provision of public goods in spite of electoral competitive scenarios, or can even erode the democratization process at the sub-national level. The relationship between competition, decentralization and provision of public goods is very complex and needs to be taken into consideration when addressing the politics of clientelistic politics¹⁹ (Becerra & Fernandez 2009).

¹⁹In Mexico for example, the teachers union (SNTE) has exploited the increased competition at the sub-national level to pressure governments to commit to the allocation of bigger educational budgets at the primary level (Fernandez 2009) without delivering good results in terms of the quality of the education they provide to students. The decentralization of education in 1992 fragmented the governments authority in the provision of this public good but did not affect the monopoly that the union possesses in terms of representation. Now, in the two level game of the negotiation of salaries of the teachers, the union takes advantage of the asymmetric information between the federal and state authorities and benefit even more under the absence of partisan harmony circumstances while serving a political broker to the main political parties in the country and as a major player of clientelistic politics.

Furthermore, while scholars have largely emphasized the negative side of clientelistic politics in the erosion of citizens welfare, our research indicates this political linkage can also serve as a compensation mechanism precisely for the poor and less advantaged in these societies, and ultimately can be used as an instrument that diminishes social tensions and resentments. As mentioned previously when the state is institutionally too weak to provide basic goods such as food, education, health and other public services, parties with clientelistic practices can act as political brokers and offer a functional compensation mechanism to provide a minimum of welfare to these individuals that eventually improves their well being. Clientelistic accountability can provide “just-enough-governance” (Levy 2010) to positively affect the development process, but also requires particular measures to eventually overcome the overall growth penalty and move to an equilibrium with programmatic competition and strong state capacity. Governance reforms that rely solely on the responsible party model as a template will miss potential opportunities clientelism can offer in the short- and medium-run and are likely to fail if implemented without considering the political logic driving processes inherent to clientelistic politics.

Finally, clientelistic politics underscores the weakness of the assumptions on the effects of democratization. Democracies are thought to increase checks and balances and accountability mechanisms that eventually create incentives to politicians as rational actors to develop and maintain a “winning coalition” within a smaller body of citizens with the ability to influence who will lead the government. The transition to democracy is assumed to reduce spaces for corruption, to lower inefficient allocation of resources and to improve public goods provision. However, new democracies have shown not only that clientelism does not disappear from one day to another, but that even under competitive circumstances it multiplies. Politicians in democratic arenas are compelled to maintain their electoral connection with their constituencies in order to maximize the probability of their reelection (Root 2005, de Mesquita et al. 2003, Mayhew 1974). These connections work frequently through clientelism that enables them to deliver important goods

directly to responsive voters. And although democracy can become eventually the only game in town, it does it with a specific set of rules under which clientelism is the way to do politics. Parties formerly in the opposition once in power understand this logic and act consequently. If this is the case the electoral competition in democratic settings does not erode but strengthens clientelistic practices.

A Countries in the sample

Countries included in the survey: Angola, Albania, Argentina, Australia, Austria, Belgium, Benin, Bangladesh, Bulgaria, Bolivia, Brazil, Botswana, Canada, Switzerland, Chile, Colombia, Costa Rica, Czech Republic, Germany, Denmark, Dominican Republic, Ecuador, Egypt, Spain, Estonia, Finland, France, UK, Georgia, Ghana, Greece, Guatemala, Honduras, Croatia, Hungary, Indonesia, India, Ireland, Israel, Italy, Jamaica, Jordan, Japan, Kenya, South Korea, Lebanon, Lithuania, Latvia, Morocco, Moldova, Mexico, Macedonia, Mali, Mongolia, Mozambique, Mauritius, Malaysia, Namibia, Niger, Nigeria, Nicaragua, Netherlands, Norway, New Zealand, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Paraguay, Romania, Russia, Senegal, El Salvador, Slovakia, Slovenia, Sweden, Thailand, Trinidad and Tobago, Turkey, Taiwan, Tanzania, Ukraine, Uruguay, USA, Venezuela, Serbia, South Africa, Zambia

B Construction of Clientelism Indicator

Questions used for clientelism indicator construction:

B1 How much effort do candidates and parties expend to attract voters by providing consumer goods?

B2 How much effort do candidates and parties expend to attract voters by providing preferential public benefits?

B3 How much effort do candidates or parties expend to attract voters by providing preferential access to employment opportunities?

B4 How much effort do candidates or parties expend to attract voters by offering them preferential access to government contracts or procurement opportunities?

B5 How much effort do candidates or parties expend to attract voters and the businesses for which they work by influencing regulatory proceedings in their favor?

Answers to each question were averaged across experts and then aggregated over parties, weighted by their parliamentary seat shares. The indicator is a simple sum across averaged scores for questions B1 through B5.

Aggregate question used as alternative measure:

B6 In general, how much effort do politicians and parties in COUNTRY make to induce voters with preferential benefits to cast their votes for them?

Again, answers were averaged across experts in the survey.

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