

Clientelism, Credibility and Democracy

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Abstract: This paper presents a new approach to the study of clientelism that parsimoniously explains sharply different policy choices across democracies. The analysis integrates a previously unexamined feature of clientelism, the disproportionate role played by repeated, face-to-face exchanges between patrons and clients, into a model of political competition. In countries where political competitors can only make credible pre-electoral promises to clients, targeted transfers and corruption are higher and public good provision lower than in democracies in which political competitors can make credible pre-electoral promises regarding both transfers and public goods to a large number of voters. The model helps to explain several puzzles that are explored in the paper: public investment and corruption are higher in young democracies than old; governments in some countries frequently abandon capital spending projects begun by previous governments; democratization has an ambiguous effect on economic growth and the security of property rights; and democratizing reforms succeeded remarkably in Victorian England, in contrast to the more difficult experiences of many democratizing countries, such as the Dominican Republic.

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It is well-known that democracies vary dramatically in the extent to which they offer citizens high quality public goods rather than rampant rent-seeking. In 1995, for example, 40 percent of the countries that had competitive elections scored no better than three on the Political Risk Services corruption score, as did roughly 50 percent of the countries that did not have competitive elections.¹ Still, the phenomenon should not cease to surprise. The intuition is strong that average citizens, as voters, confront lower costs of disciplining government in democracies than in autocracies, and the political costs of catering to special interests or engaging in private rent-seeking are correspondingly higher.

Institutions, ideology and ethnic polarization, climate, and colonial legacies are among many explanations offered in the literature for the modest or perverse effect that the introduction of elections often has on government performance. This paper turns to a new and unexamined dimension along which democracies seem systematically to differ and which offers a parsimonious explanation for heterogeneous government performance by democracies: the ability of political competitors to make credible pre-election promises to voters. Broadly speaking, current models of electoral competition make one of two polar assumptions about the credibility of electoral promises: they are never credible to any voters, or they are always credible to all voters. A large literature on clientelism, however, suggests that political promises in many democracies do not fit neatly into either category.

Although this literature does not focus on the credibility issue, it provides a wealth of case studies and sociological analysis that support the following characterization of clientelism: patrons and clients are linked by their ability to make credible agreements with each other regarding the exchange of personal favors and gifts. This suggests a third category of electoral competition is likely to be important, one in which political parties and national political leaders can make no credible pre-electoral promises to all voters, but where patrons as candidates can make credible political promises to their clients – but to no one else – about targeted government transfers.

¹ Using indicators of legislative and electoral competitiveness from the Database on Political Institutions (Beck et al., 2001), and the corruption indicator from International Country Risk Guide of Political Risk Services (Knack and Keefer, 1997).

The analysis below demonstrates that clientelist political competition has profound effects on the policies undertaken by governments. Targeted transfers are higher and rents lower under clientelism than when no political promises are credible and voters can only use *ex post* voting rules to discipline incumbent politicians. Relative to regimes in which political competitors can make credible promises to at least some voters, though, transfers and rents are both higher and public good provision lower. The last part of the paper demonstrates that the theory of clientelism developed here can explain a diverse set of puzzles in economic and political development.

- Younger democracies systematically undertake greater public investment as a fraction of GDP and exhibit higher levels of corruption than do countries with a longer democratic tradition.
- Democracies do not exhibit robustly higher growth nor universally more secure property rights, than authoritarian governments.
- In some developing countries productive public investments begun by one government are abandoned by the next.
- The rapid expansion of the franchise in England quickly spurred policy-based political competition and led to improvements in the quality of government; in other new democracies, such as the Dominican Republic, democratization has not had similar effects.

Complementary analyses of clientelism in the literature

This paper is one of only a few in the literature that ask, what are the conditions under which clientelism emerges, and what policy effects should it have? In the US context, clientelism is often synonymous with machine politics, in which parties redistribute to their ideological supporters. Dixit and Londregan (1996) argue that machine politics emerges when groups have ideological affinities and parties are better able to make transfers to their own affinity group than to the other party's or to ideologically neutral voters. Because clientelism seems most pervasive in countries where the ideological distinctions between parties are imperceptible, the model below makes no assumptions about the ideological distribution of voters. Instead, transfers are highest when candidates can make credible pre-

election promises only to certain voters – clients – raising the electoral payoffs to transfers relative to broad public good provision.

Medina and Stokes (2002) characterize clientelism as a system where the incumbent holds a political monopoly over resources valuable to voters and, as in Dixit and Londregan, where political competitors can make credible promises to all voters. Candidates make policy promises to voters consisting of an offer of different transfer payments to different voters. Taxes are assumed to be exogenously set (for example, by national parties rather than patrons running for local office) and they abstract from public good provision. They predict that transfer payments to specific voters reduce the relative value to voters of access to the patron's risk-free asset, and are therefore lower in clientelist states. Their prediction contrasts with other models of clientelism and with the model below, in which clientelist politics raises government spending targeted to specific voters or groups of voters.

Robinson and Verdier (2002) and Robinson and Torvik (2002) use the analysis of clientelism as a vehicle to explain why governments choose inefficient policies when they could have made greater transfers to particular voters using more efficient policies. They assume that no pre-electoral promises are credible and that the incumbent has a unique relationship with some voters but not others (either incumbents can uniquely observe the productivity of some voters but not others²; or they derive utility from the wealth of some voters but not others). Incumbents can only convince these privileged voters to support them by making pre-electoral promises that are profitable for incumbents to fulfill after the election but not challengers; no other promises are credible. White elephants (money-losing public investments) situated in areas where the incumbent's privileged voters are located and patronage employment of voters whose effort incumbents but not challengers can observe are both inefficient policies that are credibly promised by incumbents and cannot be matched by challengers. Efficient policies, though, would benefit both challengers and incumbents and therefore promises of efficient policies create no electoral advantage.

² The clientelism literature suggests a different perspective on observability. Bista argues that *chakari*, the manifestation of clientelism in Nepal, has its roots in efforts by the aristocracy in Nepal to undercut palace intrigue. Potential rivals of the king in Nepal were “required to spend time generally in attendance at the Rana palaces, where at certain hours the Ranas would be able to observe them physically and know that they were not somewhere else fomenting trouble. This was done very formally, usually in the afternoon, and the hours set aside for this purpose were known as the *chakari* hours. . . .” (Bista, p. 90)

In a similar vein, Glaeser and Shleifer (2002) argue that some voters might derive utility from re-electing an incumbent who shares some ethnic or other identification with them. Unlike the Robinson, et al. analyses, however, the incumbent's credibility does not drive inefficiency. Instead, incumbents use redistribution away from non-privileged voters to drive them out of the political jurisdiction and reduce opposition. The utility that privileged voters get from the fact that "one of their own" is in office leads them to tolerate such policies even when they reduce their own incomes.

The analysis here differs from these in several ways. First, it emphasizes the literature's findings that patrons and clients can make credible promises to each other but not to others. Second, in contrast to the Robinson, et al. work, it allows voters to exercise *ex post* control over incumbents even in those cases where political competitors are not credible, following Ferejohn and others. The analysis differs in this respect from Glaeser and Shleifer, as well, who do use a retrospective voting rule, but to focus attention on their core concerns assume that the rule is not set strategically, again as in Ferejohn, Persson and Tabellini (2000) and others. Third, the analysis here allows political competitors to gain support using either transfers or Samuelsonian public goods, similar to Robinson and Verdier but unlike Glaeser and Shleifer. Finally, by introducing the idea that politicians can make credible promises to some voters but not others, the analysis here provides a different rationale, not rooted in voter and candidate preferences, to explain why some voters might be privileged by some candidates but not others.

Clientelism and the credibility of political promises

Three characteristics of clientelism emerge regularly in the case study literature. First, in clientelist countries, the credibility of political promises depends on a history of personal exchange and interaction between the promisor and the promisee. Second, patrons and clients have a preference for exchanges involving goods that benefit the recipient, narrowly, rather than a broader group that includes the recipient. Goods that benefit a broader group leave the targeted recipients (e.g., clients) uncertain as to whether they are part of a pattern of reciprocal exchange, weakening the reciprocal obligations that are at the core of the patron-client relationship. Third, patrons value clients for reasons other than the potential political payoffs from having clients. These reasons range from the benefits that

clients provide as potential foot soldiers in conflicts with other patrons, to the reliable supply of labor that clients can offer to patrons.

Scott (1972, 92) recognizes the importance of repeated exchange in patron-client relationships in his research on Southeast Asia, where he characterizes these relationships as ones “in which an individual of higher socioeconomic status (patron) uses his own influence and resources to provide protection or benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron.” Bista (1991, p. 90), describes the operation of clientelism in Nepal (where it is called *chakari*) in a similar fashion:

“Typically, *chakari* is performed in the morning and at the house of the person whose favours are being cultivated, when there is some assurance of actually seeing him. Some *chakariwal* go into the house and remain therefore several hours, mostly in the courtyard, do their greetings and then leave. . . . [O]ther forms of *chakari* include offering gifts, either material gifts or gifts in services and favours. For the important, there will be a number of *chakariwal* in attendance everyday.”

Bista also notes that there is both mutual obligation and non-simultaneity in the relationship:

“The gift donor in *chakari* has certain rights. There is an obligation on the part of the recipient to respond to the *chakariwal* when the *chakariwal* so determines. It is possible at that point to hedge the obligation but this is difficult and must be done with an explanation (example ‘I can’t offer you this job because of other pressing concerns but I can offer you something else either now or in the future.’) Ultimately, there has to be a balance in exchange relations (p. 91-2).”

Bista’s argument here, and his descriptions elsewhere, highlight the fact that clients or patrons can unilaterally influence the magnitude of reciprocal obligations by the size of their gifts. Personalized exchange is key to both authors’ descriptions.

Lemarchand (1972, p. 72) writes that among the many African countries he surveys, “Inherent in each [clientelistic pattern] is a relationship of reciprocity between an individual (or group of individuals) whose influence stems from his ability to provide services, goods or values that are so desired by others as to induce them to reciprocate these gratifications in the form of alternative services, goods and values.” Here, again, the three characteristics of clientelism are evident: larger promises beget larger obligations, promises are personalized, and credibility is maintained by repeated exchange.

Powell (1970, p. 412) observes similar patterns in southern Italy. “[T]he formation and maintenance of the [patron-client] relationship depends on reciprocity in the exchange of goods and services. . . . [T]he development and maintenance of a patron-client relationship rests heavily on face-to-face contact between the two parties . . .” In an Italian community in central Italy, low status persons could begin to establish such a bond by presenting a gift, making a request, or putting oneself at the disposal of the potential patron, to run errands, etc. (Powell, p. 413). Current favors in exchange for future consideration are here, as elsewhere, at the center of a developing patron-client relationship.

Some of the implications of clientelism for political competition are also identified and studied in this literature. Scott quotes Wurfel as pointing out that “The Filipino politician. . . does favors *individually* rather than collectively because he wishes to create a personal obligation of clientship.” Again, there is an essential time inconsistency that is resolved by the repeated nature of the interaction. National parties succeed when they can recruit activists and candidates who can tap into the widest network of such personal obligations. Scott cites the work of Nash on the 1960 elections in Burma: “When a local patron was approached to join U Nu’s faction of the AFPFL on the promise of later patronage, he was able to get thirty-nine others – his relatives and those who owed him money or for whom he had done favors, i.e., his clients – to join as well.” (Scott 1972, 110). The rents to patrons were potentially high, since parties often had to give a local patron significant authority over local administrative and development decisions in exchange for vote delivery. (Scott 1972, 110).

The importance of transfers to individuals is key to Pakistani politicians as well. Wilder (1999) quotes former members of the Pakistani National Assembly from the state of Punjab as saying “People now think that the job of an MNA and MPA is to fix their gutters, get their children enrolled in school, arrange for job transfers. . . . [These tasks] consume your whole day. . . .” (p. 196); “Look, we get elected because we are *ba asr log* [effective people] in our area. People vote for me because they perceive me as someone who can help them. . . . Somebody’s son is a matric fail and I get him a job as a teacher or a government servant. . . . If somebody’s son is first class, he’s not coming to me to get him a job. If somebody has merit they very rarely come to me. . . . But it’s the real wrongdoers who come to me” (p. 204).

Observers of African politics note a similar dynamic. Lewis (1998, p. 144) writes, “Independent African regimes have typically relied upon patrimonial forms of state consolidation and governance”, where patrimonialism is understood as the personalized exchange of resources for support. His analysis echoes that of Jackson and Rosberg (1982).

In states where party promises are not credible to voters, parties search out candidates who are credible to smaller constituencies. Anirudh Krishna (2002), through extensive surveys and intense qualitative interviews in several districts in India, has found that these personalized relationships are the key characteristic sought after in legislative candidates.

“Babulal Bor, a [new leader] of Kundai village, Udaipur district, recalled as follows: ‘I have been working for the villagers for about 10 years now. It is hard work. People come in the middle of the night, and I cannot refuse. I take them to the hospital on my motorcycle. I am available to them night and day. I have no time for my family. . . But it has become my life now. If a day goes by when no one comes to my door, I cannot sit peacefully. . . . I will never be rich. . . but someday I might be MLA [Member of the State Legislative Assembly]. I came close to getting a ticket [party nomination] the last time [elections were held].’”

As Krishna’s story of Babulal Bor makes clear, though, the payoffs to the “patron” of making transfers to clients are not, in the first instance, political. The traditional payoff to patrons of having multiple clients has been physical protection. In exchange for their services as foot soldiers in defense of the patron, clients could count on the patron for various kinds of support. Antlöv (1994) notes the importance of this for political organization in Java, noting that in parts of Java where the Islamic Darul Islam rebels were active, from 1949-1962, “[w]hole populations were mobilized to protect the village from the rebels” and that these mobilizations formed the basis of clientelist relations (p. 76). Similar interpretations of political development in rural Pakistan, Colombia and numerous other countries where political and social relations are thought to be shaped by clientelism.

In the case of Babulal Bor, the payoffs are the intangible rewards that come from “standing in the society”. Archer (1990) quotes one politician who viewed his role prior to entering politics as one of “a man of respect” (*un hombre de respeto*) and who entered politics precisely because it allowed him to address the increasingly complex problems confronted by his “clients.” His many and repeated exchanges with his peasant “clients” were valuable first and foremost because of the added prestige they gave him in the community.

These intangible rewards are related to the assumptions about voter and candidate preferences in Glaeser and Shleifer or Robinson and Torvik, where candidates and voters belong to particular groups are assumed to derive utility from increasing each other's welfare. However, most of the case study literature on clientelism emphasizes the pragmatic nature of the relationship rather than the emotional. Therefore, without detracting from the importance of preference effects on clientelism, this analysis highlights the importance for clientelism of reciprocity and reputation.

One might argue in addition that politicians in clientelist countries are, despite the interesting social dynamics documented by observers, little different from legislators in all countries who are consumed by "casework", "homestyle" or "pork". Mayhew (1974) and Cain, Ferejohn and Fiorina (1987) argue that difficulties in claiming credit for broad public policy innovations that benefit their constituents lead American legislators to devote significant resources to personalized constituency service and local infrastructure (pork barrel) projects. The point, however, is that the degree of concern for "casework" is much higher in clientelist countries. In non-clientelist countries, national candidates and national parties are much more likely to be able to make credible promises regarding public good provision or national economic and social policies. If they focus only on pork, they hurt their competitive position regarding these broader policy issues. This tradeoff is much smaller for clientelist politicians.

The contrast in the ways in which legislators from non-clientelist and clientelist countries spend their time provides some indication of the relatively reduced emphasis on constituency service in non-clientelist countries. Members of the United States Congress have been found to spend on average fewer than six hours per week directly and personally intervening on behalf of constituents in order to obtain favors for them or help them solve bureaucratic difficulties (Johannes, 1983).³ This is in sharp contrast to Pakistani legislators, who also competed in majoritarian electoral systems but who devoted almost all of their time to the direct satisfaction of individual constituent interests. It could be argued that US congressmen have large staffs to take care of these problems. However, in a clientelist state, using staff to deal with constituent issues creates ambiguities about the reciprocal obligations

³ This is the time they spend while in Washington, as opposed to their districts, to make the appropriate comparison with the citations from Pakistan.

of the client to the patron and is an invitation to create a political competitor, since the person doing the favor gets disproportionate credit.

A model of clientelist political competition

Following the notation of the models of public spending in Persson and Tabellini (2000), policy is given by the vector \mathbf{q} , comprised of the tax rate, τ , Samuelsonian public goods g , rents to politicians r , and transfers f^j to N voters $j = \{1 \dots N\}$, $\mathbf{q} = [\tau, g, r, \{f^j\}] \geq 0$, and all components are non-negative. Voters prefer the party whose policies offer them the highest welfare, which for voter j is given by:

$$(1) \quad w^j = 1 - \tau + f^j + H(g).$$

The welfare effects of the public good are given by $H(g)$, income is normalized to one and the taxes paid by every group are the same. Policy outcomes must satisfy the feasibility constraint, $N\tau = \sum_j f^j + g + r$.

Assume, as is usual in this literature, that there are only two political parties, $i = \{1, 2\}$. Neither party can make credible promises to voters. In particular, voters are assumed to have no ideological predilections towards the parties because such tendencies are notably missing in clientelist countries. Voters (as well as outside observers) experience great difficulties in distinguishing political parties on salient political issues in these countries.⁴ On the contrary, ideological predilections, for example regional or ethnic, seem most reasonable when voters of one regional or ethnic group can only believe the promises of parties representing their group. In this case, though, ideology is predicted by, rather than an assumption of, the analysis that follows.

Each party selects a single candidate. The candidate who attracts the support of $(N+1)/2$ voters wins the election. Some voters are clients of one or the other candidate, but not both, and therefore believe certain promises of one or the other candidate, but not both. These are called “captive” voters and are denoted by C_1 for the candidate of Party 1 and C_2 for Party 2. In addition, there may be some group of M voters who are clients of

⁴ Archer (1990) shows this in great detail in describing the two parties that have dominated Colombian politics for decades.

both candidates and to whom candidates of both parties can therefore make credible pre-election offers. They are “competitive” voters.⁵ These assumptions are consistent with a key characteristic of clientelist political competition: credibility is the consequence of pre-existing personal relationships between politicians and voters and therefore extends to only some voters.

A key implication of clientelism is that patrons *cum* politicians should prefer to make promises regarding transfers. Public good promises would threaten to avoid undermine the chain of reciprocal obligations that is required to maintain clientelist relationships. Patrons derive both electoral and non-electoral benefits from transfers to clients. The non-electoral payoffs are given by $v(f_{promised}, C_i)$, where $v_f > 0$, $v_{ff} < 0$, $v_C > 0$, $v_{CC} < 0$ and $v_{fC} > 0$. The marginal value to the patron of additional payoffs to a client is declining in the payoffs and the number of clients. Clients are homogeneous and so receive identical transfers; total transfers are therefore given by $C_i f_{promised}$. Politicians, in addition, enjoy both “ego” rents R from holding office and the fiscal rents r that they are able to extract.

The order of play is the following. First, candidates make promises to clients regarding targeted transfers. These promises are intended to maximize their expected payoffs from holding office, or $p_1 (R + v + r)$ for the candidate from the first party, where p_1 is the candidate’s probability of election. Second, voters establish a performance/welfare threshold for post-election policy decisions, taking into account pre-election transfer promises. Third, candidates choose the remaining policies that they will follow after the election, though these have no effect on voter behavior. Finally, elections are held and the policies established in steps 1 and 3 are implemented.

Step (2) is missing in pre-election models of politics. However, to the extent that pre-election promises are sufficiently small, elected officials will have substantial discretion to manipulate social resources after the election. Voters therefore have an incentive to influence the post-election decisions of government by setting a performance threshold that incumbents must meet if voters are to re-elect them, as in Step (2) and Ferejohn (1986) and Persson and Tabellini (2000, ch. 9). However, unlike the typical post-election model, voters

⁵ Candidates are assumed to be able to deliver on all promises they make to voters, though in a richer model candidates’ ability to deliver on promises would depend on their relationships with party leaders or their anticipated control of the agenda and veto gates once in government.

who are clients are not indifferent between the two parties – some benefit from pre-electoral promises of transfers. Elements of pre-electoral politics are therefore also important, as in Step (1).

Because electoral competition is deterministic, party 1's candidate's probability of gaining the support of voter j is given simply by

$$(2) \quad p_1^j = \begin{cases} 1 & \text{if } W(q_1) > W(q_2) \\ \frac{1}{2} & \text{if } W(q_1) = W(q_2) \\ 0 & \text{if } W(q_2) < W(q_1) \end{cases}.$$

The candidate therefore maximizes rents subject to collecting a large enough share of votes to win control of government. However, final policy outcomes may depend as well on post-election performance thresholds set by voters and the discretion exercised post-election by the election winner.

The determinism in the model here deserves some explanation since uncertainty about voter characteristics plays a significant role in the models of electoral competition in the literature. At least with respect to identifying captive voters, though, Archer (1990) finds little uncertainty. Candidates and parties in clientelist systems have a precise idea of who their “clients” are (so precise, in fact, that Archer points out that the measurement of the vote potential of factional leaders in Colombia is popularly called *milimetría* – milimetrics). Observers in Pakistan report equally exact calculations of voting blocs pertaining to different “patrons”.⁶ Candidates, therefore, are assumed here to have perfect information about which voters believe their promises.⁷

⁶ As reported to the author by Haris Gazdar in Islamabad, Pakistan, June 2001.

⁷ Voters might be motivated as well by ideological concerns, independent of their relationship with a patron. For example, in Robinson and Verdier and Robinson and Torvik, candidates know only the distribution of voters across the ideological spectrum, and this varies independently of whether a voter belongs in the group of voters that a candidate considers potential clients. The literature does not seem to provide support for the notion that separate ideological concerns are salient for voters enmeshed in patron-client relationships. Indeed, if they were the patron could fairly easily buy them off. Instead, ideological concerns might be more pronounced with those voters who have no patron. It is perhaps not a coincidence that Islamic parties have become increasingly popular with voters in Indonesia and Pakistan as traditional patron-client networks have lost value with the fall of Suharto and the advent of military government in Pakistan.

The analysis below examines four different electoral scenarios. In the benchmark case, well-known in the literature, no candidates can make any credible pre-electoral promises. The core clientelism case is one in which candidates can make credible promises about transfers to their clients C_p only, and no client believes multiple patrons. By varying C_p one can then identify the effects of clientelist pressures on government policy. The third case is theoretically possible, but politically implausible: some clients believe the transfer promises of multiple candidates and $M > 0$. Finally, a maturing democratic system can be qualified as one in which M approaches N and candidates/parties can make credible promises to voters on all policy dimensions, not only regarding targeted transfers.

Benchmark case: no clients, no credible pre-election promises

The essence of political clientelism in the literature is that it allows some pre-election competition to take place, but for a limited group of voters and on a limited set of issues. As the number of clients and the promises to them fall, though, clientelist systems approach the benchmark case of no clients and no credible pre-election promises. This case is well-known from the literature (Ferejohn 1986 and Persson and Tabellini 2000, Chapter 9). The logic is reviewed here since it reappears in the cases that follow.

When no pre-election promises are possible, voters are unable to distinguish incumbents from challengers. They therefore set a threshold of performance, vote for the incumbent if she meets it and, regardless of who the challenger is, vote against the incumbent if she fails to meet the threshold. If the threshold is set too high, the incumbent prefers to set taxes at their maximum and abscond with the proceeds, foregoing re-election. If the threshold is too low, voters allow the incumbent to retain more rents than are necessary to motivate her to pursue re-election.

Fiscal rents of the incumbent are given by $r = N\tau - \sum_j f^j - g$, and total rents by $R + v + r$. Since the incumbent has no clients in the benchmark case, $v = 0$ and there are no pre-election promises of transfers. The minimum level of rents r_{min} necessary to discourage the incumbent from setting taxes at their maximum level and absconding with the proceeds in the form of rents is therefore $Ny - R$. Key to the results of this model is the fact that the

incumbent needs to attract only the support of $(N+1)/2$ voters; competition among voters to be in this group leads to low transfers, low public goods, high taxes and high rents.

The equilibrium tax rate is the maximum possible, y . Following Persson and Tabellini 2000 (Chapter 9), any attempt by voters to demand a lower rate can be undermined by incumbent offers of transfers. For example, some group of $(N+1)/2$ voters could demand a reduction in taxes $\Delta\tau$, reducing government revenue by $N\Delta\tau$. The government can easily persuade a different group of $(N+1)/2$ to reject this proposal by giving these $(N+1)/2$ voters a tax rebate just slightly larger than the proposed tax reduction, in the form of transfers equal to $(\Delta\tau + \epsilon)(N+1)/2$, leaving the government with $\Delta\tau(N-1)/2 - \epsilon(N+1)/2$ and the tax rate unchanged. Similarly, from any tax rate lower than y , the same logic yields a higher tax.

Similarly, the government need only provide public goods sufficient to avoid the defection of a majority of voters to the opposition. From the point of view of any $(N+1)/2$ voters, the optimal level of public good provision g^* is given by $H_g(g^*)=1/[(N+1)/2]$, much lower than the societal optimum, given by $H_g(g_{optimal})=1/N$. This level of public good provision is feasible if it leaves the incumbent with rents sufficient to encourage her to seek re-election. If voters demand some increase Δg beyond g^* , the incumbent can respond by offering transfers equal to $(\Delta g + \epsilon)(N+1)/2$ to a different majority of voters, leaving untouched the public good level (as in Persson and Tabellini, 2000, 238). If the incumbent attempts to provide less than g^* , no offsetting transfer could make any majority of voters as well off. At the same time, the incumbent would rather provide g^* and be re-elected than provide less than this amount and be thrown from office. Neither any individual voter nor the incumbent can therefore improve on a strategy in which all voters vote against the incumbent if she provides less than g^* and the incumbent provides g^* .

It might seem that positive post-election transfers are a necessary part of the foregoing logic. However, in equilibrium, post-election transfers are zero (after the incumbent satisfies pre-election promises that may entail transfers). Assume the government has announced taxes equal to income and public goods to satisfy the minimum number of voters needed for re-election. Any voter who wanted to diverge from these policies could be

undercut by other voters offering to vote for the incumbent in exchange for smaller transfers. Bertrand competition among voters drives transfers to zero.

The final policy equilibrium in models of post-election political competition in which no credible pre-election promises can be made is simply $\tau = y, f = 0, g = g^*$ and $r = Ny - g^*$, provided $r \geq r_{min} = Ny - R$. Although the equilibrium is far from optimal, it is still superior to the outcome when voters do not impose even this level of post-election discipline on incumbents, as in Robinson and Verdier (2002). In this case, incumbents only provide public goods if they benefit from them directly (to the extent that public goods enhance the rents that officials can extract from the economy). Given that incumbents do not benefit from public goods in the typical post-election model described here, g would in this case fall to zero.

Non-competitive clientelism, $C_i > 0, M = 0$

Non-competitive clientelism is characterized by a society in which each party's candidate can make credible offers to some voters, but no voter believes the promises of both parties' candidates. Here, pre-electoral competition between two non-incumbents is not particularly interesting: the party that can make credible promises to more voters wins the election. More interesting is whether and how pre-election promises to captive voters affect post-election behavior by incumbents.

Assume that one party's candidate can make credible pre-election offers to more voters than the other party's and that neither candidate is an incumbent. Prior to the election, candidates make promises amounting to $C_i f_{promised}$. Voters then fix a performance threshold for the winning candidate that takes these promises into account. The threshold must allow incumbents rents at least equal to the rents that the incumbent could receive by setting the tax rate to y , paying off pre-election promises to clients and absconding with the remaining revenues. To obtain these rents, incumbents sacrifice $R + v$, the "ego" rents to holding office and the non-political rents from clients that office-holding allows the incumbent to cultivate.⁸ Minimum rents to prevent this from happening

⁸ Since clients are valuable outside of the political sphere, we can assume that incumbents will not renege on promises to clients.

are given by $r_{min} \geq Ny - C_i f_{promised} - R - v(f_{promised} C_i)$. Since satisfying clients is valuable to incumbents, the minimum rent threshold declines as $f_{promised}$ increases, at the rate $-(C_i + v)$.

For sufficiently high $C_i f_{promised}$, such that $Ny - C_i f_{promised} = 0$, the incumbent has no discretion and must set taxes equal to income, public goods g and fiscal rents r equal to zero, and dedicate all government revenues to satisfying pre-election promises to clients. For lower levels of pre-election promises, the incumbent gains discretion over policy and the post-election performance thresholds set by voters potentially influence policy.

Taxes under clientelism are the same as when no pre-election promises are possible and equal income. Attempts by any majority of voters to demand lower taxes can be met by the incumbent with the offer of post-election transfers to a different majority, leaving the tax rate unchanged. Bertrand competition among all voters transfers drives post-election transfers to zero, however.

Just as in the benchmark case of no pre-election promises, total utility under clientelism cannot fall below $H(g^*)$ for a majority of voters. Even under clientelism, any majority of voters can make themselves better off by threatening to expel the incumbent who does not provide that level of utility, while at the same time it is in incumbents' interest to do provide this level of utility as long as they can receive their minimum rents. Unlike the benchmark case, however, clients can be receive this level of utility with a lower level of public good provision, g , such that $H(g) + f_{promised} = H(g^*)$.

One might expect that the incumbent could use this to her advantage, and obtain majority support at some level of public good provision less than g^* . This is not the case if the incumbent's clients are not an absolute majority of voters. The incumbent then needs to attract the support of $[(N + 1)/2 - C_i]$ additional non-clients. Provision of $g < g^*$ leaves these non-client voters with utility $H(g)$. Since all non-client voters constitute a majority, the same logic as in the benchmark case prevails. The incumbent could try to make transfers to $[(N + 1)/2 - C_i]$ of the non-client voters to persuade them to accept a lower level of public good provision. However, as long as the marginal utility of an additional unit of transfer, divided among all non-client voters, is lower than the marginal utility of an additional unit of public

good spending, or $\frac{1}{\frac{N+1}{2} - C_i} < H_g(g)$ for all

$g < g^*$, it costs the incumbent more to make such transfers than to provide g^* .⁹

If clients are in the majority, public good provision could be lower and lies in the range $[g, g^*]$, where $H(g) + f_{promised} = H(g^*)$. The lower limit is the least that clients are willing to accept, since they can expect utility no higher than $H(g^*)$ if they vote out the incumbent in favor of the challenger. The upper range is the most that incumbents are willing to provide.

Provided clients are a minority of voters, therefore, political competition under clientelism leaves at least some voters (the clients) better off. Clients receive $H(g^*) + f_{promised}$ instead of only $H(g^*)$ under the benchmark case of no credible pre-election promises. Non-clients are no worse off, since $H(g^*)$ is what they receive in the benchmark case. This is consistent with the observations of some students of clientelist arrangements. Gazdar (2000) has argued, for example, that clientelism in politics can leave some voters better off and others no worse off.

There is an important exception, however. Clientelist pressures on politicians increase with the number of clients and the value of pre-election promises to clients. When these two parameters are sufficiently high, total pre-election transfer promises exceed the threshold given by $Ny - C_i f_{promised} = g^*$; public good provision must therefore drop below g^* , leaving non-clients worse off than in the benchmark case of no pre-election promises.

The foregoing arguments have described the equilibrium levels of public good, tax and post-election transfers under clientelism. Pre-election transfer promises remain to be established. Because equilibrium public good provision and taxes remain the same as in the pure post-election competition case, except on those rare occasions when transfers can be used to buy down public good provision, targeted spending promised prior to the election must be financed out of the rents that the incumbent can retain. Clientelism therefore systematically reduces the fiscal rents that incumbents retain for themselves. In the pre-election period, therefore, patrons have an incentive to make additional promises of transfers

⁹ The condition is less likely to hold when g is high, given the curvature properties of H , but then of course g will be close to g^* in any case.

to clients to the point at which the marginal value of additional transfers to clients just equals the rents foregone, or $C_i v_f = 1$.

The final policy equilibrium when the incumbent's captive voters are a minority of all voters is a tax rate equal to y and public good provision not exceeding g^* , as in the usual post-election model of politics, but transfers of $f_{promised}$ to clients such that $v_f = 1/C_i$ and additional post-election transfers to some non-clients in particular circumstances, in contrast to zero transfers in the usual post-election model, and minimum financial rents given by $Ny - C_i f_{promised} - g^*$, less than in the pure-post election model. The effect of clientelism is therefore to drive up transfers relative to public good production and, when the effects of clientelism are sufficiently strong, to drive down public good production.

These arguments are summarized in Propositions 1 and 2:

Proposition 1: Targeted transfers $f_{promised}$ rise and rents r fall in clientelist countries:

- a) the more clients there are (the larger is C_i)
- b) the larger are the payoffs to clientelist relationships (the larger is v).

Additional transfers will be made to clients as long as $v_f(f_{promised}) > 1/C_i$. If this condition holds even at the threshold level given by $f_{promised}$ such that

$Ny - C_i f_{promised} = g^*$, then additional transfers directly reduce public spending below g^* .

Proposition 2: If $v_f(f_{promised}) > 1/C_i$ when $f_{promised}$ is such that $Ny - C_i f_{promised} = g^*$, transfers crowd out public good provision and reduce it to some level $g < g^*$.

Pande (2002) has persuasively argued that mandated group representation in Indian state legislatures has had significant effects on public policy. She finds that increases in the percent of a state's political jurisdictions reserved for scheduled castes or scheduled tribes sharply reduces education spending and increases targeted spending – jobs in the case of scheduled castes and welfare spending targeted to scheduled tribes. She argues that, if no policy commitments by parties are credible, mandated representation should lead to greater redistribution to the mandated groups than would otherwise have been the case because these groups are assumed to have a higher preference for redistribution than the average voter. Public good spending is the residual and so necessarily falls. Propositions 1 and 2 suggest an alternative explanation, when public good spending is not a residual, voters have

identical preferences, and some pre-electoral promises are credible. Mandated representation increases the number of clients to whom credible promises regarding transfers can be made, and drives up transfers at the expense of public goods.

Competitive clientelism, $M > 0$

Clients would be in a better position if they could force multiple patrons to compete for their votes prior to the election – that is, if M were greater than zero and some clients believed the promises of transfers made by both candidates. However, as this section shows, patrons have no incentive to attract additional clientele from among the clients of other patrons.

Assume that both candidates view the M voters as critical for re-election: that is, $C_i + M > C_j$ for all i, j and $i, j = \{1, 2\}$. A candidate who can make the most generous pre-electoral promises of transfers $f_{promised}$ to competitive voters M wins the election (assuming neither candidate is an incumbent, and that voters who are not the recipients of pre-election promises either do not vote or flip a coin). Higher promises to the M voters eventually require candidates to reduce promises to their captive voters C_i and to reduce their post-election rents. Nevertheless, competition between the candidates drives them to make vanishingly small transfer promises to their captive voters – just sufficient to persuade them to go to the polls and vote – and to dedicate all remaining transfers, up to total tax revenues, to the M voters.

To see this, one need only ask what happens if one candidate deviates from this equilibrium and offers larger transfers to her captive voters and smaller transfers to competitive voters M . Competitive voters will immediately vote for the other candidate, while the candidate's captive voters are no more likely to vote for her than they were when the candidate offered smaller transfers to them. The same argument holds if either candidate attempts to reserve some tax revenues for rents after the election.

The presence of competitive clientelist voters, therefore, has one significant negative effect on policy outcomes: public good provision is driven to zero, since promises of public good provision are not credible and all resources are consumed in pre-election promises to

the voters M . Both captive clients and non-clients are made worse off, since transfers to captives drop and non-clients get neither transfers nor public goods.

In addition, candidates are worse off. Fiscal rents r are driven to zero, since any attempt to take positive rents translates into electoral disadvantage prior to the election. Rents from transfers to captive clients are also driven down to nearly zero under competitive clientelism. With only captive clients, political competitors make transfers only until $C_p p_f = 1$. However, under competitive clientelism they must instead make transfers largely to M and because all rents are consumed, those transfers are larger than under captive clientelism. If the number of competitive voters is less than the number of captive clients, $M < C_p$, it must be the case that $M v_f < 1$. Therefore, the total payoffs to candidate i of clientelist promises under competitive clientelism, v_M , are lower than under captive clientelism, v_C . That is, competitive clientelism disrupts the clientelist relations that patrons have with those clients who believe only their promises.

Again, this logic can be summed up in the following proposition:

Proposition 3: If the number of voters who believe the clientelist promises of two patrons, M , is greater than zero, public good provision and rents fall to zero, taxes equal income, and transfers to M consume all government revenue.

Given Proposition 3, however, competitive clientelism should be rare. Patrons have little incentive to pursue the clients of other patrons, and instead prefer to cultivate additional clients from among the voters who do not believe the promises of any candidate. There is some evidence of this. For example, one service that patrons frequently provide clients is assistance in times of distress. In Pakistan, though, the availability of informal assistance seems to vary widely within and across rural and urban regions. Beall, et al., found that landlords in more feudal regions may provide safety net assistance, especially in famine years. In non-feudal areas – for example, when the poor are settled on government land – the poor must turn for assistance to a less well-endowed “safety net,” composed of friends, neighbors and relatives to deal with crisis or to accumulate a dowry (Beall et al., p. 40). One explanation for this is that in feudal regions, political patrons are likely to be credible only to captive voters. In non-feudal areas, patrons are less sure of the exclusivity of their relationship with clients, reducing the value of clientelist relations and leaving the poor without the clientelist safety net.

Urban politics offers a possible exception to the judgement that competitive clientelism should be rare. Glaeser and Shleifer describe the colorful and destructive history of a political institution in Massachusetts and a long time mayor of Boston, James Curley, who engaged in redistribution to poor Irish voters to an extent that drove down even Irish incomes, as more moneyed (English) classes fled the city. Their explanation, summarized already, is persuasive: Curley sought to drive out his political opponents, and could do so in this way because of the affection of these voters for him. The analysis here suggests an alternative explanation: Curley could, in any case, make no credible promises to the moneyed classes, and therefore ignored them. However, he confronted competition from other potential patrons for the support of the poor Irish resident in Boston. This competition drove him to promise and deliver huge transfers at the expense of public goods that would have left all better off.¹⁰

A notable conclusion of the analysis is that the ability of politicians to make credible promises to voters is not an unalloyed virtue for democratic governance. In the pure post-election model of political competition, where politicians can make no credible promises, public good spending equals g^* , with the remainder of tax revenues going to rents to politicians. Clientelist forces ensure that there is, at best, no improvement in public policy, since they trigger only a redistribution of incumbent rents to others in society (clients). Moreover, as the number of clients of an incumbent increases, and as the value of clientelist ties increases, public good spending falls below even the level that is achieved in the world of no credibility at all. In the case where clients are competitive, moreover, public good spending disappears.

Mature democracies

In mature democracies, clientelist voters are replaced by voters who believe the pre-election promises of both candidates with respect to all policy dimensions, taxes, public goods and transfers. Candidates/parties compete for these voters, $M_{non-client}$, by making pre-electoral promises regarding all dimensions of policy. Where voters have different policy preferences – where some voters prefer high taxes and high public services and other voters

¹⁰ It is likely that other mayors followed this same strategy, since as Glaeser and Shleifer show, Boston declined in relative terms in the forty years from 1910 to 1950, during which Curley was mayor for approximately 16 years and others for the remainder.

the reverse, for example – parties might differentiate themselves, such that Republican candidates would promise only the latter and Democratic candidates the former. The important point, however, is that all voters would believe the promises of both candidates. This analysis abstracts from ideological divisions among voters and instead focuses only on the case where voters are identical, except that some voters believe both candidates and some believe none.

For $M_{non-client} \leq (N+1)/2$, each candidate/party has an incentive to offer a policy combination of taxes, public goods and transfers such that the other candidate could not make a counter-offer that gives competitive voters higher welfare. The equilibrium offer is a policy vector \mathbf{q} such that $\tau = y$, public goods are offered at a level that equates the welfare value of one unit of transfers to the $M_{non-client}$ voters to the welfare value to them of one additional unit of public goods, or

$$(3) \quad H_g(g)M_{non-client} = 1,$$

with transfers to the $M_{non-client}$ voters amounting to $Ny - \hat{g}$, less the trivially small transfers needed to bring captive voters to the polls.

For all values of $M_{non-client}$ less than $(N+1)/2$, public good provision is higher than in the case of competitive clientelism, but lower than in the case of non-competitive clientelism, since $H_g(g^*)(N+1)/2 = 1$. That is, non-clientelist democratic competition does not generate an unambiguous improvement in public policy over clientelism. It reduces corruption, but also public good spending. However, for

$M_{non-client} = (N+1)/2$, outcomes are unambiguously better for voters than under all forms of clientelism: public good provision is equal to g^* and there are no rents. That is:

Proposition 4: For $M_{non-client} \leq (N+1)/2$, an increase in the number of voters who believe all policy promises of both parties, $M_{non-client}$, unambiguously increases public good provision g , reduces transfers f and rents.

For $M_{non-client} > (N+1)/2$, no party needs the support of all $M_{non-client}$ voters. Inter-voter competition among the $M_{non-client}$ voters prior to the election therefore drives down transfers, since neither party has an incentive to offer all $M_{non-client}$ voters transfers prior to the election. At the same time, inter-party competition drives up transfers, since any party can

attract the support of any majority by offering higher transfers than the opposition. Absent further assumptions, there is no Nash equilibrium.

The absence of equilibrium in these circumstances is a generic problem that is commonly resolved in the literature by assuming that candidates are uncertain about voter ideology. It is more natural to assume here that candidates and parties might be uncertain about whether voters number among the $M_{non-client}$ who believe the promises of both parties, or instead among those who believe no promises. Recalling that in mature democracies a personal relationship is no longer a necessary precondition of credible political promises, it is no longer obvious to politicians which voters believe them and which do not (for simplicity, captive voters are assumed not to exist in mature democracies).

Consistent with this, assume that voters are divided into J equal-sized groups, $J \geq 2$ and indexed by j , and candidates/parties know only the fraction of voters π^j in each group who believe all of the pre-electoral promises of both candidates/parties,

$$\frac{N}{J} \times \sum_j \pi^j = M_{non-client} .$$

Assume, as well, that there is some voting group k such that $\pi^k > \pi^j$ for all j not equal to k . Candidates/parties compete by making promises of individual transfers to the members of each voting group and promises of public good provision, as before, where the public goods benefits all voters.

Since candidates cannot distinguish between voters inside a group, they are indifferent between making promises of transfers to each individual voter in the group or making promises of transfers to the group as a whole. It is innocuous to assume, therefore, that transfer promises are not to individual voters but to the group of voters indexed by j . Then policy promises, described by the vector $\mathbf{q}, \mathbf{q} = [\tau, g, r, \{f^j\}] \geq 0$, provide the voter in group j who believes candidate promises with welfare given by $w^j = 1 - \tau + f^j + H(g)$. As usual, policy promises must satisfy the feasibility constraint, $N\tau = \sum_j f^j + g + r$. The party that wins a simple majority of voters wins the election; voters who do not believe either party either do not vote or flip a coin. Therefore, the probability of party 1 defeating party 2 is

$$(4) \quad p_1 = \begin{cases} 1 & \text{if } \sum_j \pi^j (w^j(\mathbf{q}_1) - w^j(\mathbf{q}_2)) > 0 \\ \frac{1}{2} & \text{if } \sum_j \pi^j (w^j(\mathbf{q}_1) - w^j(\mathbf{q}_2)) = 0. \\ 0 & \text{if } \sum_j \pi^j (w^j(\mathbf{q}_1) - w^j(\mathbf{q}_2)) < 0 \end{cases}$$

As usual, political competitors focus on the group of voters with the highest fraction of “persuadable” voters, in this case group k , recalling $\pi^k > \pi^j$. This is clearest in the case of transfers. From (4), beginning with $\mathbf{q}_1 = \mathbf{q}_2$, and recalling that each of the equally-sized voting groups has N/J voters, one can easily see that the electoral payoff to party 1 of an additional transfer to any voting group is given by the fraction of votes $(J/N)\pi^j$, reflecting that the marginal transfer is divided among all voters in the group, among whom only the fraction π^j believe the promise of the transfer. But since $\pi^k > \pi^j$ for all j , the electoral payoffs from making transfers to group k are higher than from making them to any other group.¹¹

Political competitors also make public good promises. Beginning from the point at which $\mathbf{q}_1 = \mathbf{q}_2$, it is again easy to see that the electoral payoff to promising an additional unit of public good is simply $\sum_j \pi^j H_g(g)$, the amount by which the average voter’s welfare is increased in each group j times the fraction of voters in the group who believe the promise. In equilibrium, the public good and transfer promises should have the same marginal electoral payoff, or

$$(5) \quad (J/N)\pi^k = \sum_j \pi^j H_g(g) \text{ or } H_g(g) = \frac{J}{N} \frac{\pi^k}{\sum_j \pi^j}$$

Finally, because taxes are non-distortionary, by assumption, political competition raises the tax rate to 1. Because there is no uncertainty regarding the electoral outcome, given the policy offers of the candidates, all rents are competed away, so rents are zero.

¹¹ Using similar logic, Persson and Tabellini (2000, Chapter 8) argue that transfers are only made to the voting group with the highest fraction of ideologically neutral voters.

How, then, do policy outcomes in clientelist and mature democracies compare when at least a majority of voters believe both candidates' transfer and public good promises?

Public good provision under clientelism is never higher than g^* given by $H_g(g^*)=1/[(N$

$+1)/2]$. As long as J and π^k are small enough such that $\frac{2N}{N+1} > J \frac{\pi^k}{\sum_j \pi^j}$, public good

provision in mature democracies therefore exceeds public good provision under clientelism.

By (5), transfers are correspondingly lower. Moreover, from (5) it is clear that public good provision in a mature democracy can approach the optimal level of public good provision,

$H_g(g_{optimal})=1/N$, as $\frac{\pi^k}{\sum_j \pi^j} \rightarrow \frac{1}{J}$, or as the distribution of voters who believe both parties

becomes more even across voting groups. Corruption is also lower in mature democracies than under clientelism (except in the unlikely case that

$M > 0$), since pre-election competition for voters in mature democracies drives down corruption but does not exist under clientelism.

Proposition 5: Assume that political competitors know only the distribution of voters who believe all political promises and that $M_{non-client} > (N+1)/2$. Then an increase in the number of voters who believe all policy promises of both parties, $M_{non-client}$, unambiguously increases public good provision g and reduces transfers f .

Clientelism and the poor policy performance of young democracies

In 1985 there were approximately 25 countries that had held competitive elections for fewer than 20 years. By 2000, the number had jumped to more than 50.¹² The performance of young relative to more mature democracies in the face of crises has been long debated (see, e.g., Remmer 1990). Independent of whether they confront crises, though, young and old democracies also adopt strikingly different policies, a phenomenon that is less often recognized. Democracies fewer than sixteen years old (the median age of democracies in 1997, defined by the length of time that they had had both competitive

¹² Based on World Development Indicators PPP adjusted income per capita, and using the Database on Political Institutions variables *Executive Index of Electoral Competition (EIEC)* and *Legislative Index of Electoral Competition (LIEC)*, and *Tenure of System (tensys)* which are explained in more detail below. Democracies are defined as those countries with competitive elections for both the legislative and executive branches, $EIEC=LIEC=7$.

legislative and executive elections) were significantly more corrupt than older democracies, and exhibited almost the same level of corruption as non-democracies of all ages.¹³ Young democracies also directed their fiscal policies more resolutely towards public investment, a type of public spending that both casual and systematic analysis has identified with rent-seeking and the satisfaction of narrow interests (e.g., Ferejohn 1974, Davoodi and Tanzi 1997, and Keefer and Knack 2002). Of the 49 democracies for which information is available on both regime age and public investment spending, the younger democracies spent 1.2 percentage points of national income on public investment than the older democracies – nearly one standard deviation more.¹⁴

There is ample qualitative evidence, as well, that governments in young democracies focus significant attention on targeted spending. For example, once in office, the former President of Perú, Alberto Fujimori – a man who entered office a virtual unknown – assiduously cultivated voters who had scant knowledge of him by personally inaugurating small public works projects in their villages, through the Foncodes project. Studies of countries experiencing the transition from authoritarian to democratic government repeatedly note the reliance of new political competitors on clientelist impulses. The democratic regime that succeeded the authoritarian government of Getulio Vargas in post-World War II Brazil was itself replaced in 1964 by the military. One of the military's purported aims was to create the conditions for the introduction of a “clean democracy,” different than the one they overthrew and one in which the citizenry were free of clientelist ties to political bosses and where rural voters were not controlled by country bosses (Duncan Baretta and Markoff, 53). Conaghan characterizes the parties of the young Ecuadoran democracy as fundamentally clientelist (p. 157), and Rosenberg describes political decision making in young Central American democracies as personalized and based on vertical patronage networks (p. 197).

¹³ In fact, young democracies were more than one standard deviation more corrupt than older democracies. Based on the corruption measure of Political Risk Service's *International Country Risk Guide*.

¹⁴ Public investment/GDP is almost double in non-democracies relative to young democracies, however. A companion analysis, Keefer (2002), explores the relationship between age of democracy, corruption and public investment in more depth; the average differences noted here persist in a more rigorous econometric assessment that includes, among many controls, per capita income, land area, and demographic characteristics.

Pervasive clientelism is not restricted to the young democracies of Latin America. Sayari writes that in the early years of Turkish democracy in the 1940s, “party strategies for peasant mobilization were based largely on the recruitment of notables into party ranks who were then entrusted with the task of providing ‘ready vote banks’. . . This strategy met a favourable response from the notables since assuming the leadership post of a party’s local unit meant that a notable could (a) gain additional status and prestige vis-à-vis rival notables, (b) secure new sources of outside support for members of his faction, and (c) maintain and improve his economic standing through party ties.” (Gellner and Waterbury, p. 107). These notables were the at the heads of extended clientelist networks. However, Sayari observes that “. . . as case studies on local-level politics show, the political influence of the notables at present depends more on their roles as party functionaries than on their control of traditional patronage resources. . . [which] are likely to become politically relevant only when supplemented with additional resources that have to do with party patronage . . .” (Gellner and Waterbury, p. 108). However, he notes the importance to parties of providing individualized assistance: first, in navigating the bureaucracy (which are “relayed to local party leaders or deputies”) and, second, in the provision of public investment for rural development projects (Gellner and Waterbury, 108).

High corruption and substantial targeted spending (public investment) are precisely what the foregoing model predicts in more clientelist countries. At the same time, the length of time that countries have been governed by officials elected in competitive elections should be related to the influence of clientelism on political competition. To the extent that both the number of captive clients, C_p , and the number of voters who believe the promises of all political parties/candidates, $M_{non-client}$ are based on reputation, they should take time to develop. At the outset of democracy, political parties are of recent vintage and have no record in government, and policy debates between well-identified political leaders may have been suppressed in the period prior to democracy. It is therefore especially likely that $M_{non-client}$ is low or zero in such countries and at its highest in countries with the longest experience of competitive elections.

The fact that $M_{non-client}$ is more often high in long-lived democracies and more often low or zero in new democracies is a possible explanation for the large differences in

corruption between young and more mature democracies. The model's predictions about public investment (targeted spending) are more ambiguous. However, if at least half of the voters believe all of the promises of multiple political competitors, the model predicts unambiguously that targeted spending, as well, will fall below the level seen in clientelist countries (Proposition 5).

Abandoned infrastructure projects

Although white elephants – useless infrastructure – are a common phenomenon in developing countries, another, related phenomenon is at least as common: the reluctance of governments to complete useful infrastructure projects begun by previous governments. For example, one high official in the ruling government of President Hipolito Mejía of the Dominican Republic claimed that hundreds of projects that were begun by the government of Joaquin Balaguer, two governments before, and were then paralyzed under the Leonel Fernández government. Other observers noted that incomplete projects from the Fernández government were similarly halted under Mejía (Keefer 2002).

If these projects were largely white elephants – value-subtracting – then Robinson and Torvik (2002) offer a compelling explanation: incumbent governments bind targeted voters to them by beginning projects that provide net benefits only to them and their constituents, but not to challengers and their constituents, and which challengers will therefore cease to support once in office. In every case, the challenger in fact prevailed in the Dominican Republic, and incomplete projects were correspondingly cut off.

However, it is frequently the case that such incomplete projects are not white elephants in the sense required by Robinson and Torvik. They are typically projects ranging from classroom buildings on crowded university campuses to public housing to roads. Even if, prior to construction, these projects exhibited costs greater than benefits, the marginal benefits of finishing projects begun by prior governments seem to have been greater than the marginal costs. Their completion would provide positive economic value to challengers and most models predict that they would therefore be completed regardless of who is in office.

The analysis in this paper predicts such a start-and-stop pattern of public infrastructure investment when the investments have positive social returns. Candidates can

make credible appeals to different groups of “clients”. When the clients of one candidate do not believe the promises of the other, there is no political payoff to challengers from promising to complete, and then completing, the public investment projects that the incumbent has begun. Consequently, once in office, they divert resources to the fulfillment of promises to their clients. This is a case in which efficient public investment turns out to be politically inefficient, rather than the case explored in many recent contributions to the clientelism literature, in which wasteful public investment turning out to be politically efficient. However, if the political leadership of the previous government is notably weakening – if, for example, the death of the leadership is thought to be fairly imminent – then the leadership’s clients are freed up for others to pursue. In this case, as the actions of the current government of the Dominican Republic suggest, it becomes worthwhile for competitors to attempt to capture those clients by turning to incomplete projects and finishing them.

Property rights and the puzzle of growth in democracies

Despite the fact that the richest industrialized countries in the world are all democracies, a large body of scholarship has yielded contradictory and ambiguous findings about the relationship of democracy to economic growth. Clague, et al. (1996) suggest one possible explanation for this. They argue that political leaders in autocracies and democracies who believe their hold on power is more tenuous and expect their horizons in office to be shorter will be less willing to postpone rent-seeking and to protect property rights. This undermines growth. Their argument applies most clearly to authoritarian forms of government, but their empirical results are equally strong for democracies: young democracies provide less secure property rights and grow more slowly relative to older democracies and to older autocracies.

The analysis in this paper points to a specific and previously unexamined source of heterogeneity among democracies – the ability of political competitors to make credible pre-electoral promises – that provides a direct explanation of why young democracies might offer a lower level of security to property rights and grow more slowly than mature democracies. To the extent that clientelism is more prevalent in young democracies, the political payoffs from socially beneficial and growth-maximizing policies, such as secure property rights, are correspondingly fewer. However, when the relative political payoffs are

high to the provision of such public goods as secure property rights or a well-functioning bureaucracy, democracies perform better – as in England at the end of the nineteenth century.

Enfranchisement in Victorian England, democratization in the Dominican Republic, and the quality of government

The effect of enfranchisement or democratization on the incentives of political leaders should depend, following the analysis here, on several initial conditions: the number of clients that competing political forces have, the number of voters who believe all promises of all political competitors, $M_{non-client}$ and the value to competitors of fulfilling clientelist promises, $v_f(\int_{promised})$. A qualitative comparison of democratic reforms in Victorian England to those of the Dominican Republic following the Trujillo dictatorship illuminate the importance of these initial conditions. The two examples provide evidence for two predictions of the foregoing analysis: reforms that introduce vigorous electoral competition lead to better policy outcomes the less that politicians must rely on clientelist promises and the more developed are the issue-based reputations of political leaders in the period prior to reform.¹⁵

On the eve of the first Reform Act in England in 1832, electoral corruption, influence peddling, and patronage permeated electoral competition in England. By the 1870s and 1880s, civil service reforms had curtailed government employment as a source of patronage; partisan rather than candidate-specific considerations dominated voter decision making; and most parliamentary seats were contested.¹⁶ After a roughly similar time period following the assassination of Rafael Trujillo, the Dominican Republic has yet to see similar changes.

¹⁵ Similar difficulties confronting young democracies have been noted elsewhere. Bratton and van de Walle write that “[G]etting to democracy is easier from a regime where competition is tolerated and where the main challenge is to broaden political participation; getting to democracy is much more difficult from a regime that has no tradition of political competition, however inclusive and participatory it may be.” They have also conclude that “[If] our logic is correct, the prospects for democracy are better in transitions from regime types other than neopatrimonial ones” (p. 299). Their analysis and characterization of regime types, however, differs substantially from those presented here.

¹⁶ Acemoglu and Robinson, citing many other scholars, suggest that the threat of revolution might have been responsible for the expansion of the franchise. Cox notes, however, that an often-used strategy to control corrupt MPs was to expand the offending borough’s boundaries so as to include more electors (p. 56). It is possible, then, that the Reform Acts were simply efforts by party leaders to eliminate locally

Cox (1987) traces the successful evolution of English democracy following the first Reform Act to two overlapping developments. First, beginning early in the century and accelerating in the 1830s, the Cabinet proposed and Parliament approved successive procedural changes that reduced the ability of MPs to initiate private legislation and expanded the time spent in Parliament on addressing Cabinet proposals. These changes raised the costs to MPs of fulfilling clientelist promises to key constituents. Second, the reforms themselves, by increasing the size of the electorate and reducing the number of small parliamentary constituencies, reduced the political payoffs to clientelist transfers. The 1832 act increased the electorate from around 440,000 to around 660,000 (O’Gorman p. 67), around five percent of the population, but as importantly eliminated the 86 smallest boroughs and created new, more urban constituencies. Larger cities such as Manchester, previously unrepresented, were allocated seats.¹⁷ The Reform Act of 1867 later doubled the size of the electorate.

There is broad evidence that partisan and policy-based political competition grew during and after these reforms. As the century progressed, candidates increasingly referred to their party affiliations (Cox, p. 130). The tendency of voters to cast split votes for candidates from different parties also declined markedly over the period (Cox, p. 103).¹⁸ Party cohesion in the parliament increased in 1871 from its nadir in the 1850s and 1860s, to a level not previously seen since 1836 (Cox, Chapter 3). Presumably because local candidates no longer had to assemble clientelist blocs as a condition of winning parliamentary elections, the increasing focus on partisan rather than individual appeals reduced the costs of contesting elections for individual candidates: though nearly half of the parliamentary seats from 1832 to 1865 were uncontested, from 1865 to 1885, this dropped to one quarter (Cox p. 69). Finally, as policy increasingly drove electoral outcomes, significant barriers to patronage were imposed and efforts to limit clientelist appeals (and, therefore, to strengthen partisan appeals) were undertaken, such as the Ballot Act in 1872, introducing the secret ballot; the Corrupt and Illegal Practices Act of 1883 that imposed

powerful MPs in “rotten boroughs”, who were difficult or impossible to bring under party control.

¹⁷ There were still many boroughs – 39 percent – that had fewer than 500 electors, but many of these were then eliminated in the Reform Act of 1867.

¹⁸ One would expect that if voters cared increasingly about partisan issues, they would be increasingly reluctant to split their votes between candidates of two different parties

electoral spending limits and curbed vote buying; and the third Reform Act of 1885, which increased the electorate by three-quarters, to nearly four million.¹⁹

Though Cox offers a convincing explanation of the relationship between institutional change and electoral dynamics in England, many young democracies, under similar conditions, have failed to make the transition away from clientelist politics or have made the transition more slowly. One way to highlight the puzzle is to note that the procedural changes pushed through the English Parliament could as easily have led to a further shift in control of patronage to the Cabinet, as in contemporary Bangladesh or Pakistan, two young (or occasional) democracies with Westminster political systems. Instead, the English Cabinet showed a marked preference for policy-based legislation relative to MPs.

In fact, on the eve of electoral reform, parties and party leaders in England were already more credible with respect to policy promises than the leaders of parties in many new democracies. In addition, the payoffs to clientelism were already lower relative to most new democracies. That is, $M_{non-client}$ was higher and $v_f(f_{promised})$ lower. This meant that they could make credible policy promises to the electorate prior to reform. Relative to other young democracies, party leaders in England would have found it politically more advantageous to emphasize issue-based legislation and to combat the influence of party members in Parliament whose appeal to constituents was more individual or clientelist.

There are several pieces of evidence that the credibility of party leaders pre-dated electoral reform and that the political payoffs to clientelism were already low prior to reform, relative to many young democracies. Already in 1835, the year of the first election following the Reform Act of 1832, not only was legislative attention focused on the reform of municipal corporations and the English and Irish established churches, but these issues sharply divided Liberals and Conservatives; in the 1840s, debate over the Corn Laws (free trade) had a similar divisive effect (Cox 124). Policy loomed sufficiently large in political

¹⁹ Cabinet control of government emerged because, as more Members of Parliament attempted to make individual contributions to broader policy initiatives, legislative activity ground to a halt. Cabinet government proposed and gained the acceptance of incremental procedural changes that therefore shifted legislative initiative to the Cabinet. In the end, an equilibrium emerged in which voters viewed the partisan identification of the MP as more important than his individual characteristics; and party discipline became a characteristic of parties that was necessary to convey to voters that the party caucus in Parliament could be persuaded to implement the partisan agenda.

calculations that the Conservative Party actually split over the repeal of the Corn Laws (Cox, Chapter 3); there would, of course, be no reason for parties to split over policy differences if these were electorally irrelevant.

The importance of policy for party organization – party reputation for policy positions – was unlikely to have developed so quickly following electoral reform. In fact, even in the decades prior to electoral reform, partisan divides were evident. This is perhaps not surprising: for many years prior to reform electoral competition, albeit before a severely circumscribed electorate, had been in place and the Crown had confronted severe limitations on its authority since the Glorious Revolution. Partisan policy differences prior to reform included trade reform, but also political reform itself. The expansion of the franchise had decisively separated political parties as early as the eighteenth century, when the “Foxite” Whigs broke off to form the Society of Friends of the People and in 1797 introduced an electoral reform proposal in the Parliament (Ellis 1979, D-1262-64). One of the leaders of this group, Charles Grey, would be the same Prime Minister who pushed through the Reform Act of 1832.

Electoral behavior provides additional, quantitative evidence that party labels provided credible evidence to voters of issue stances even prior to the first Reform Act. Cox points to the decline in the split voting rate following the expansion of the franchise, from 20 percent to three percent, as strong evidence of growing partisan-based voting by the electorate (Cox, p. 103). Another relevant conclusion that one can draw, however, is that since the split rate was only 20 percent prior to the first reform act, most voters even before reform did not generally cast split votes. Moreover, the split rate fell slowly in the early years following reform, when consistent policy differences among parties were already in evidence. If parties had not been credible vehicles for the communication of policy differences, or if these differences had not mattered to the electorate, one would have expected higher levels of splitting before the first Reform Act and a sharper decline following the Act.

Finally, the political payoffs to clientelism also seem to have been relatively low prior to electoral reform. MPs could expect to influence only personal legislation (e.g., resolving the estate issues of local nobles) and government employment of favored individuals. Pork barrel politics – targeted infrastructure – was relatively unknown, for example, compared to the US in the nineteenth century (Cox, p. 133). There were also efforts to restrain patronage

prior to reform. O’Gorman (2001) notes that reforms of the civil service were already begun under William Pitt in the late 18th century, for example, well before the first Reform Act, and continued under Lord Liverpool’s government in the early nineteenth century (O’Gorman, p. 59 – 62). Efforts were made to conduct poor relief on a more technocratic basis than is common in young democracies. In the 1830s, “[T]he followers of Jeremy Bentham persuaded the Poor Law Commissioners to appoint only on merit and after interview. Even more spectacular, under the influence of James and John Stuart Mill, the India Office was comprehensively reformed on utilitarian lines” (O’Gorman, p. 63-4).

In the Dominican Republic, in sharp contrast, democracy emerged from decades of rule by Rafael Trujillo, one of the more ruthless dictators of the twentieth century. His regime had two characteristics that are relevant for this discussion and distinguished it from the pre-reform political environment in England: individuals or political organizations outside the regime could not develop a reputation for policy stances independent of those of the regime; and Trujillo pervasively and systematically used targeted and personalized transfers to maintain support.²⁰

Following the assassination of Trujillo in 1961, elections took place in 1962 with two principal parties, one closely allied with the economic elite that benefited from the Trujillo regime, and the other the leader of the Partido Revolucionario Dominicano, formed in exile in opposition to the regime. The latter, Juan Bosch, won the elections, only to be expelled seven months later in a military coup. The Bosch victory is not particularly surprising: following such a regime, voters have little faith that the clientelist arrangements of the dictatorship will be preserved, vested as they were in the personality of Trujillo, so the only basis for pre-electoral politics was the candidate stance on the dictatorship. Elections took place again in 1966. Bosch competed in this election but lost to Joaquin Balaguer, a long-time associate of Trujillo.²¹

²⁰ Trujillo was typical of most authoritarian governments in his use of patronage to maintain support. In 1974, the military government of Hugo Bánzer in Bolivia abandoned efforts to include in his government the two most prominent political parties, the Movimiento Nacionalista Revolucionario and the Falange Socialista Boliviana. According to Malloy and Gamarra (p. 103), he observed that they were relying on patronage to maintain their own support and decided that he could do better by eliminating the middleman and providing the patronage himself. The size of the public bureaucracy correspondingly increased from 66,000 employees in 1970 to 170,000 in 1977 (Malloy and Gamarra, 106).

²¹ His loss occurred under the cloud of the notorious 1965 US invasion, which had as its main purpose preventing a party viewed by the Americans as strongly left-wing from controlling the island.

Balaguer's election in 1966 almost surely had little to do with the analysis in this paper and much more to do with the foreign policy of the United States. However, his subsequent conduct in office and the strategies adopted by the PRD presidents who eventually succeeded him, flow directly from the analysis. Balaguer won three successive elections, in 1966, 1970 and 1974. Neither he nor his political competitors had established reputations inside the Dominican Republic with respect to policies other than participation in or opposition to the dictatorship. In other words, $M_{non-client}$ was essentially zero, C_i was low (since Trujillo had died and no one else had been allowed to develop a personal clientele), and $v_f(f_{promised})$ since, for decades under Trujillo, social and economic exchanges were structured to take advantage of the personal influence of the dictator.

There is substantial evidence that Balaguer responded to these initial conditions by building up his clientelist base. Observers point to his continuous attention to every detail of budget implementation, consistent with an effort to retain and build personally loyal networks of clients (Keefer, p. 17). When he died in July 2002 at the age of 95, *The Economist* magazine noted these salient features of his approach to government: in 1989, he personally controlled more than half of the government budget, siphoning off 95 percent of it in some years to a half dozen friends; like Trujillo, on weekends he traveled to villages to hand out bicycles and to monitor the state of public works.²²

PRD candidates finally won the elections of 1978 and 1982. Their behavior, however, mirrored that of Balaguer, in the sense that the PRD presidents focused intensely on targeted spending and the construction of a clientelist base. Presidents Gúzman and Blanco raised public sector employment by 50 percent and 40 percent, respectively and did little to establish a reputation for policy or broad public good provision (Kryzanek and Wiarda 1988, 106). Economic conditions deteriorated, jeopardizing their ability to sustain clientelist relationships. Combined with the natural tendencies that low $M_{non-client}$ creates for intra-party competition and party disintegration provided an opening for Balaguer to return to office in 1986 and 1990. Even then, as a man in his 80s and blind, he resumed his energetic and personalistic approach to building support.

²² *The Economist*, August 3 2002.

There are two further indications that the legacy of ruthless dictatorship slows subsequent democratic development by raising the returns to clientelism and suppressing the development of policy reputations. First, as late as 1996, 35 years after the death of Trujillo, party identities and reputations were sufficiently ill-defined that a virtual unknown, Leonel Fernandez, could be elected as president, a man who had spent most of his life in New York. Second, the teachers' union – a partisan actor in nearly all mature democracies – adamantly refuses to endorse any party in the Dominican Republic. It has a board of directors with members from both major parties and finds favor with neither (Keefer, p. 9). This is consistent with a country in which issue-based political competition is less important. Not surprisingly, education spending compared to public investment is lower in the Dominican Republic than in nearly all other Latin American countries.

Conclusion

Since the 1970s, scholars of politics and social relationships in developing countries have emphasized patron-client forms of organization, and in particular the feature that the enforcement of agreements in these countries relies significantly on face-to-face, repeated exchanges between individuals. This paper outlines the implications of such personality-based credibility on political competition. It suggests that democratic performance should diverge significantly depending on the number of voters who believe pre-electoral promises, whose promises they believe, and which promises. In clientelist countries, only promises of transfers are credible, and then only to the clients of a particular candidate.

The analysis provides an explanation for several disparate but important phenomena: the extent of corruption and public investment in young democracies relative to older democracies; the relative inability of young democracies to control property rights and the ambiguous relationship between democracy and growth; the tendency of new governments to abandon the infrastructure projects of predecessors under clientelist forms of political competition; and the successful expansion of the franchise in England compared to the less successful democratization of a more typical developing democracy, the Dominican Republic.

The implications of the analysis are potentially significant for questions of democratization and the effect of institutions. With respect to democratization, the

comparison of England and the Dominican Republic suggests that the introduction of elections has more positive policy effects the less pervasive is clientelism on the eve of reform and the broader and more policy-based are the reputations of parties or party leaders. This raises the natural question: what are the determinants of these initial conditions? Acemoglu, Johnson and Robinson (2001) provide one fruitful direction in which research into this question could be pursued. They argue that in countries where the payoffs to extraction by colonial powers were high, institutions developed that secured the property rights of the extractors, but not the mass of the population.

The precise nature of these institutions, however, remains unclear. In many cases, the formal institutions adopted by extractive colonial powers looked much the same as those of non-extractors (e.g., both British and Spanish colonies were governed by a Crown-appointed governor prior to independence). The analysis here suggests that it may not be the formal institutions themselves that differed across extractive and non-extractive colonies, but rather the nature of political competition to control those institutions on the eve of independence from the colonial powers. In countries where extraction was dominant, as in the mineral-rich colonies of Latin America, the payoffs to local people of establishing clientelist relationships with the political and economic elite were high, as were the incentives of the colonial powers running the extractive countries to suppress the emergence of local political parties or leaders with divergent policies. Where economic wealth depended on diverse local production opportunities, the payoffs to clientelism the incentives to suppress the development of policy reputations among local political leaders were correspondingly lower.

More broadly, the effects of credibility on political competition, and particularly the effects of clientelism on policy outcomes, should cut across political institutions. The reliance by voters on promises by individuals with whom they have a personal relationship should be an important driver of political competition independent of whether electoral systems are majoritarian or proportional and whether political regimes are presidential or parliamentary. Ongoing research suggests that, in fact, the effects of institutional change on policy outcomes may be muted when political competition takes place between patrons in a clientelist society.

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