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CLIENTELISTIC POLITICS AND ECONOMIC DEVELOPMENT: AN OVERVIEW

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Clientelistic Politics and Economic Development: An Overview [1]

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Abstract

This paper provides an overview of the literature on political clientelism and its relation to economic development. It starts by describing the range of mechanisms used by political operatives to monitor how specific voters vote in order to target clientelistic benefits. This is followed by a critical review of existing theoretical models of clientelism, a new model which clarifies the distinction between programmatic pork-barrel politics and clientelism, and an overview of empirical evidence pertaining to the predictions of this model. The paper concludes with possible implications for the dynamics of clientelism and its interaction with the development process, a summary of what has been learnt so far, and open questions that deserve attention in future research.

1 Introduction

The pervasiveness of vote-buying and clientelistic 'machine politics in traditional societies has been extensively documented in various descriptive accounts, case-studies and political ethnographies.[4] Besides studies from 19th and early 20th century USA and UK and Italy in the mid-20th century (Kitchelt-Wilkinson (2007), Chubb (1982), Golden (2000)), they include contemporary practices in many middle and low income countries, such as vote

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[4]See Hicken (2011) for an extensive survey of these studies.

buying in Argentina (Stokes (2005)) or the context of a Mumbai municipal ward election (Bjorkman (2013)). These practices are typically argued to subvert democracy and development in a variety of ways: diminishing accountability pressures on elected politicians, reducing supply of public goods, and increasing corruption. Alleged broader pernicious effects include creation of perverse political incentives to selectively enforce regulations, enlarge informalization, and perpetuate insecurity of property rights in order to keep constituents poor and dependent.

The Wikipedia definition of clientelism states: ”exchange systems where voters trade political support for various outputs of the public decision-making process”. In other words, it refers to discretionary provision of private or local public goods or privileges by government officials and political parties to particular groups of citizens, in exchange for their votes. Hicken (2011) argues that the key element is the contingent and reciprocal nature of the exchange. However, descriptive accounts often include both vote purchases via upfront pre-election payments (which are unconditional), as well as post-election delivery promises conditional on election: the preceding definition would include only the latter. As Dekel, Jackson and Wolinsky (2008) have argued, whether delivery of benefits are conditional on voting behavior or not does end up mattering for eventual consequences. Hence it makes sense at the outset to embrace the wider definition, which may be phrased as follows: “where political agents deliver benefits selectively to voters in return for their votes, or in a manner calculated to induce them to reciprocate with their votes”.

How does this differ from ‘programmatic politics where delivery of public goods or services is not contingent on (past) political support, but may be designed to influence (future) political support from specific constituencies via pork-barrel programs? The line that divides pork-barrel politics from the wider definition of clientelism seems rather thin. We shall argue that the key distinction is the discretionary and informal nature of the decision made by a political agent to deliver a benefit to any given citizen or citizen group in clientelism. By contrast, pork-barrel programs are formally defined to cover a group of citizens identified by some publicly observable characteristic such as location, race, gender, sector or occupation. Within such a designated category, all members are automatically entitled to the benefit. This entitlement is not subject to discretion exercised by any political agent, elected official or their representatives. In this paper we develop a theoretical model which shows that this distinction does have significant implications for policy choices and political competition, in a manner that captures informal arguments made previously by many authors regarding the key difference between clientelism to programmatic politics.

Political clientelism also needs to be distinguished from social 'patron-client relationships. The latter refers to hierarchical social networks such as nexuses between landlords and tenants, employers and workers, community leaders and members, or brokers and their clients. Political clientelism by contrast involves exchanges between specific voter constituencies (or brokers representing them) and political parties, sometimes in a competitive market setting (where a constituency could choose between different political parties to sell their votes). However, as we shall explain further below, there is often a close symbiosis between the two forms of patronage.

Existing theoretical models of political economy have mostly focused on distortions resulting from 'programmatic politics, resulting from populism (a la Downs, such as Alesina-Rodrik (1994)), limited commitment (Besley-Coate (1997), Dixit-Londregan (1995)), non-issue-based loyalties and swing voters (Dixit-Londregan (1996)), capture by elites or special interest groups (Acemoglu-Robinson (2008), Grossman-Helpman (1995)), unevenness of political turnout or awareness (Benabou (2000)) or voter coordination problems (Myerson (1993))). There are relatively few formal models of clientelistic politics in the literature; we shall elaborate on them below. Such models provide insight into functioning and determinants of clientelistic politics, and the resulting consequences for policies chosen, citizen welfares and patterns of development. Moreover, they can potentially illuminate the dynamics of clientelism — how and why clientelism may erode over time, perhaps giving way to programmatic politics — an important institutional transformation that is both a cause and effect of development. The purpose of this essay is to provide an overview of the relevant theoretical and empirical literature that is beginning to emerge on these issues.

It is useful at the outset to list various propositions that have emerged from the less formal, and more descriptive literature concerning various attributes and consequences of political clientelism:

- Clientelistic relationships tend to be directed to poor voters as their votes are cheaper to buy. This results in ex post enhancement of distributive equity, an interesting contrast with the inequity inherent in the phenomenon of elite capture.

- Political parties are motivated to target clientelistic transfers to narrow 'swing' constituencies. This results in lack of horizontal equity, similar to elite capture.

- Time lags between voting and service delivery creates enforcement problems on both (voter and party) sides. Hence iterative or long term relationships are often required to sustain clientelism.

- Political brokers or intermediaries (social patrons) play an important role in overcoming these monitoring and enforcement problems. This generates hierarchical interlinkage between political patronage and social patronage mechanisms, wherein social patrons act as brokers, delivering votes of their clients to parties in exchange for payments or post-election delivery promises by political parties.

- Clientelistic benefits have to be excludable by their very nature as they have to be denied to non-voters, so an inherent bias in favor of private benefits or local (versus national) public goods.

- Among private benefits, some forms are better suited than others to overcome enforcement problems (short-term public employment rather than cash transfers (Robinson-Verdier (2013)); recurring rather than one-time benefits (Bardhan et al (2009, 2015), Bardhan-Mookherjee (2012))).

- Clientelism creates political incentives for weakening enforcement of property rights and regulations to permit selectiveness in their application: the phenomenon of *forbearance* (Holland (2015)), thereby creating a large informal sector, insecure property rights and an impression of weak state capacity.

With regard to the dynamics of clientelistic practices along development paths, various authors have noted a tendency for clientelism to decline and be replaced by programmatic politics in many contexts, such as UK and US political history over the 19th and early 20th century (Cox (1987), Mitgang (2000), Lizzeri and Persico (2003), Acemoglu and Robinson (2001)). Development could both be a cause and effect of this institutional transformation. But such dynamics are not inevitable: countries such as Italy or Japan still exhibit clientelistic patterns, or local politics in various parts of the US. In some contexts a reverse pattern has been manifested: e.g., in Argentina, Levitsky (2002) argues that the decline in labor unions in wake of globalization, privatization and technical change in the late 20th century witnessed the metamorphosis of the Peronist party from labor politics to machine politics. The nature and determinants of the transition of political institutions are less well understood than the static attributes and consequences. The latter part of this essay will describe some theoretical models and empirical examinations of this institutional dynamic.

This essay is structured as follows. Section 2 will describe the range of mechanisms used by political operatives to monitor how specific voters vote in order to target clientelistic benefits. Section 3 starts by describing a number of models of clientelism in the literature. It then presents an extension of a static model of Dixit-Londregan (1996) which incorporates both programmatic pork-barrel politics and clientelism. It clarifies the distinction between these two phenomena as well as their consequences in a simplified and stark manner. Section 4 then provides an overview of empirical evidence pertaining to the predictions of this model. This is followed by a discussion of implications for the dynamics of clientelism and its interaction with the development process. Finally, Section 6 concludes with a summary of what has been learnt so far, and open questions that deserve attention in future research.

2 Enforcement Mechanisms

Any description of political clientelism has to explain how votes can be bought in democracies with secret ballots. If benefits are delivered conditional on their voting behavior, party operatives need to verify how a client voted. The literature has provided a number of answers to this question.

One answer is provided by social norms of reciprocity based on gift exchange and loyalty. Finan and Schechter (2012) provide supportive evidence from Paraguay, where recipients of political favors demonstrated greater tendency for reciprocity in experimental 'trust games. In some contexts, (marked) ballots are handed out by party operatives; this is still legal in Argentina, Uruguay and Panama (Stokes (2006)). There are also informal accounts from southern Italy of how voters are required to take a picture of their cast ballot on their cell phones and show these to party operatives in order to claim clientelistic benefits.

Group sanctions can also be brought into play: neighborhoods that vote against a party or candidate as revealed in constituency vote counts could be discriminated against collectively with respect to supply of local public or private goods. For this reason electoral authorities in India stopped providing public reports of vote counts at the booth level (Kitchelt and Wilkinson (2007)).

More sophisticated mechanisms rely on public signals of political support to their patrons by individual voters (e.g., in the form of participation in election rallies), as elaborated by Sarkar (2014) and incorporated in the model in Section 3. Each citizen is required to choose at one party or candidate to declare public support for. In turn parties would restrict benefit delivery among those expressing it support. Citizens would then have a private incentive to vote for their chosen patrons, thereby obviating the need for any monitoring of their vote by the parties.

Various accounts of clientelism assign a key role to intermediaries that act as brokers for the political transaction, in a hierarchical arrangement between political parties, brokers and voter groups. Parties deliver a given stock of benefits to brokers in exchange for delivery of votes from a specific group of voters. The broker distributes these benefits within the group on the basis of fine-tuned long-term relationships with individual voters, which enables them to identify their reliability and generosity (Stokes (2005), Finan and Schechter (2012)). Parties in turn monitor performance of brokers in delivering promised votes by examining vote outcomes in the most closely matched constituency. Larreguy (2013) shows that in Mexico the PRI achieved greater political support in rural communal land areas with a better match between the jurisdictions of the communal areas controlled by brokers and electoral constituencies. In the context of municipal elections in Mumbai, India, Bjorkman (2013) provides a detailed ethnographic account of the role of brokers who are social workers or community leaders responsible for delivering services to the group utilizing their connections with bureaucrats and politicians. These brokers ‘shop on behalf of the voter group they represent across alternative candidates and ‘deliver the votes of this group on the basis of assessment of credibility/reputation of each candidate and the amount of cash offered.

3 Theoretical Static Models of Vote Buying

3.1 Abstract Models

Dal Bo (2007) shows how vote-buying enables an external Principal to manipulate decisions made by a committee on the basis of voting. Outcomes preferred by the Principal can be induced at arbitrarily low cost via offer strategies where payments to each member are conditioned on the vector of votes cast. The idea is that payments are promised only to pivotal voters; these ensure voting for the outcome desired by the Principal is a weakly dominant strategy for every member. Hence every member votes for this outcome. No one is pivotal, so no payments need actually be made. This requires all votes be observable. When payments can be conditioned only on individual votes, in conjunction with or alternately on the total vote count, costs of manipulation rise but may still permit manipulation to take place. Observing individual votes need not allow greater manipulation when the total vote count is observable. Collusion among voters (e.g., when they are organized into disciplined parties) can substantially lower costs of manipulation.

Dekel, Jackson and Wolinsky (2008) study a vote buying contest between two parties where parties and voters have exogenous stakes over the election outcome. Two specific forms of vote-buying are compared: upfront unconditional payments, and campaign promises (conditional on winning). These correspond to all-pay versus winner-only-pay auctions. Either form of vote-buying results in outcomes that weight party preferences at the expense of voter preferences. Conditional payments result in higher vote payments to voters and decisions that are partially based on voter preferences. Upfront payments result in negligible payments and election outcomes determined entirely on the basis of party preferences. Hence conditionality of voter payments matters, and may be valuable to voters.

A common theme of these two papers is that vote-buying induces outcomes that weight party preferences more than voter preferences. They also explain how the efficiency implications of vote-buying are ambiguous, where efficiency is measured by aggregate surplus of parties and voters. If parties reflect narrow interest groups then efficiency falls. But if party stakes simply reflect an aggregate of voter stakes then efficiency rises.

3.2 More Structured Models

Stokes (2005) provides a model of repeated interaction between voters and a single party 'machine' which faces a single passive challenger. Policies vary on a single dimensional space; each citizen has quadratic preferences over the policy space with an ideal point. The policy positions of the two parties are given and they differ. In the absence of any vote-buying, citizens will vote for the party whose policy is closer to their ideal point. The party machine can manipulate votes by offering upfront payments to voters with specific ideal points. Such fine-tuning is possible as machine party operatives can identify the ideal point of every voter and monitor their voting behavior stochastically. Those voters receiving payments and discovered to deviate by voting for the challenger will be forever denied any opportunity to sell their votes. The machine will then have an incentive to buy votes only from those with ideal points in an intermediate region who have a mild inclination to vote for the challenger in the absence of any clientelism, since they will have no incentive to deviate. The potential scope of such vote buying is higher the narrower the policy gap between the two parties, the higher the probability of monitoring, and the higher the value of the private reward to voters relative to their ideological values. Stokes concludes that clientelism involving upfront payments will be more common with poorer voters located in low population communities with strong social networks that are weakly opposed to the machine party, predictions that are tested using survey data from an Argentinian province. However, the model does not specify the objectives or actual behavior of the machine party with respect to extent of vote-buying or other policy choices. Nor does it allow for the challenger to behave strategically in response.

Robinson-Verdier (2013) construct a model in which clientelism takes the form of providing public sector jobs by an incumbent patron. They argue that delivery of the former benefits is a more credible form of redistribution to its supporters than direct transfers of cash or other benefits, as the party would have a stronger incentive to renege on promises to deliver the latter. The credibility of public sector job offers in their model is based on an assumption that the incumbent patron has access to an alternative investment technology which generates similar returns; hence someone who did not vote for the incumbent could be fired without any loss of profit. Similar to Stokes (2005), their model is also based on an asymmetry between the incumbent and the challenger: the latter is passive and unable to offer public sector job offers conditional on being elected. The model delivers overemployment in the public sector (as this enables the incumbent to garner more votes), as well as underinvestment in activities that raise private sector productivity (as this helps relax incentive constraints for voters who are offered public sector jobs). These phenomena also appear in a version of the model where votes are unobservable, whence the program of public sector employment is programmatic rather than clientelistic. They do not provide an explicit comparison between these two cases.

Keefer and Vlaicu (2008) develop a model where clientelism develops as an alternative to programmatic politics in countries where politicians lack the credibility of pre-election program promises to the voter population at large that is necessary for the latter. They argue this is an important problem in 'young' democracies, where politicians are yet to develop nation-wide reputations. Consequently they are forced into strategies of entering into clientelistic deals with brokers or patrons of specific voter groups that have sufficient credibility to deliver their votes in exchange for supplies of private benefits. This results in over-provision of private benefits and under-provision of public goods.

Bardhan-Mookherjee (2012) and Sarkar (2014) on the other hand construct models of clientelistic electoral competition that abstract from the problem of credibility of politicians, and focus instead on voter incentives. These models explain consequences of clientelism involving conditional delivery of benefits by a party to its supporters (rather than upfront payments) for allocation between private and public goods and for nature of political competition. The next Section elaborates this model further, and contrasts resulting outcomes with those of programmatic politics. Prior to an election, competing parties make offers of private benefits and public goods subject to a governmental budget constraint. Voters respond with an expression of support to one of the two parties. Once the election outcome is realized, the winning party delivers benefits only among voters that expressed support for it.

In the Bardhan-Mookherjee model, votes are monitored stochastically by party operatives; those (amongst expressed supporters) discovered to have deviated to voting for the opposition party are denied the benefits. In the Sarkar model, pre-election expression of support is observed by both parties (as it takes the form of public signals such as attendance in political rallies), whence voting for the party that a voter expresses support for is incentive compatible even in the absence of any party monitoring. Both models have the feature that (a) there is under-provision of public goods and over-provision of private benefits, (b) more private transfers are provided to poor voters as the marginal utility of these transfers is larger for them, making their votes cheaper to buy, and (c) vote shares depend on voter beliefs concerning which party will win the election. The latter feature implies possibility of multiple 'sunspot equilibria, with different sets of self-fulfilling beliefs. A party that is more favored to win can buy votes more cheaply, as voters are more willing to enter into deals with them, and the favorite then does win with higher probability. Hence clientelist politics can give rise to sudden reversals of fortune among competing political parties as a result of small shocks in voter loyalties or other fundamentals. While such phenomena are known to be possible in models of strategic voting with three or more contesting parties, clientelism renders it possible even with two contestants.

Comparisons of effects of clientelistic politics relative to contexts of programmatic politics are not provided by any existing model. We turn to this issue next.

3.3 A Simple Model Relating Clientelistic Politics to Programmatic Politics

Here we provide a general framework of a Downsian model with electoral competition between two parties, which embeds the Dixit-Londregan (1996) theories of programmatic politics, machine politics and a simplified version of the Bardhan-Mookherjee-Sarkar model of clientelistic politics as special cases. The model shows that clientelism generates greater resource allocation biases in favor of private transfers and against public goods (or governance effort of incumbents). It illustrates the role of the informal sector, and a number of unique consequences of clientelism, such as non-convergence of policy platforms across ex ante identical parties, 'contagion' in the form of multiple asymmetric equilibria with lop-sided electoral competition, incumbency advantages and perverse incentives for incumbents to prevent the growth of the formal sector and of incomes of citizens.

There are a number of groups $i = 1, \ldots, I$ of citizens, with positive demographic weights α_i that sum to one. The group is defined by characteristics such as location, occupation, education and ethnicity which affect incomes and can be used as a basis of differentiation in delivering public benefits. All citizens in group i have the same pre-tax income y_i. They receive private transfer t_i from elected officials, and additionally derive utility from a public good g, resulting in utility $u(y_i+t_i)+v(g)$, where u and v are smooth, strictly increasing, strictly concave functions satisfying Inada conditions that ensure interior allocations. There are two competing parties or candidates $k = L, R$. Citizens within any group also exhibit heterogenous non-policy-based loyalty ϵ_i to party L, relative to party R, which is uniformly distributed with bias b_i and constant density s_i which represents the *swing propensity* of group i. We assume s_i is small enough for each group that vote share expressions given below will be well-defined for the relevant range of policies chosen by the parties.

In Downsian fashion, we assume that prior to the election each party k selects a policy platform defined by private transfers $\{t_i^k, i = 1, \ldots, I\}$ and public good g^k which has to respect the budget constraint $\sum_i \alpha_i t_i^k(1 + \lambda_i) + cg^k \leq B$, where B denotes an exogenous expenditure limit, λ_i is a leakage rate in delivering private benefits to group i, and c is the cost of supplying the public good. Each party is purely opportunistic, and selects an electoral platform to maximize the probability of winning. Note that we are assuming here that delivery leakage rates do not vary across parties. As pointed out by Dixit and Londregan, an extension of the model where the two parties have differential effectiveness in delivering private benefits to any given group would provide a source of policy non-convergence in the context of programmatic politics. We deliberately seek to abstract from such sources of policy divergence, so as to sharply identify the role of clientelism in this respect.

An exogenous fraction θ of every voter group belongs to the *formal* sector, who are officially identified as citizens of group i with suitable identity documents, who are thereby entitled to receiving public benefits earmarked for group i citizens. Party k is thereby committed to delivering t_i^k to group i citizens in the formal sector. The remaining citizens have no such entitlement, who constitute the *informal* sector. Delivery of benefits to citizens in the informal sector is entirely at the discretion of the party in power. In practice θ is likely to vary across citizen groups. This can be easily be added to the model, but we abstract from it for the time being.

This model reduces to the Dixit-Londregan model of pork-barrel politics in the case where $\theta = 1$, i.e., all citizens are in the formal sector. When $\theta < 1$, there is scope for clientelistic politics to play a role. Hence the distance of θ from 1 is a measure of the relative importance of clientelism vis-a-vis programmatic politics.

Clientelism operates as follows when $\theta < 1$. Prior to the election, each party holds a rally. Each citizen decides whether to attend the rally of any given party at zero cost.[5] Attendance is observable by both parties, who can condition delivery of benefits to citizens in the informal sector on that basis. Specifically, party k if elected will deliver t_i^k only to those informal sector group i citizens that attend its pre-election rally and do not at the same time attend the rally of the competing party.

The timing of the moves is as follows. First, each party announces its policy platform. Next, each party organizes a rally; each citizen in the informal sector decides which rally to attend.[6] At the third stage, all citizens cast a vote for one of the two parties. Finally, votes are counted. Party L wins the election with probability $\phi(V^L)$, where V^L denotes the vote share of party L, and ϕ is a strictly increasing and smooth function taking values in an interval $[\underline{p}, \bar{p}]$ where $1 > \bar{p} > \underline{p} > 0$. This function includes the effect of random shocks to vote turnout or counting errors. The election is not intrinsically biased in favor of either party, so $1 - \phi(V^L) = \phi(1 - V^L)$ for every V^L, which in particular implies $\phi(\frac{1}{2}) = \frac{1}{2}$.

At the third stage of the game, citizens in group i who are in the formal sector will vote for party L if their loyalty ϵ_i to the party is large enough: specifically if

$$u(y_i + t_i^L) + v(g^L) + \epsilon_i > u(y_i + t_i^R) + v(g^R) \tag{1}$$

implying that the vote share of this party from formal sector citizens will equal

$$\frac{1}{2} + \sum_i \alpha_i s_i b_i + \sum_i \alpha_i s_i \{u(y_i + t_i^L) + v(g^L) - u(y_i + t_i^R) - v(g^R)\} \tag{2}$$

As these citizens are entitled to the announced benefits, their rally attendance decisions do not matter.

Citizens in the informal sector must decide at the second stage of the game which one of the two political rallies to attend. If a citizen attends the rally of party L, it expects to receive t_i^L if L wins the election, and no transfers if R wins instead. It then has an incentive to vote for party L at stage three — and this is known commonly by both parties, obviating any

[5] We abstract here from the cost of attending or organizing rallies. In practice, these costs can be substantial, thereby adding to the welfare costs of clientelism.

[6] Attendance decisions of formal sector citizens is irrelevant.

need for them to monitor how citizens vote. Hence the size of the informal sector drives attendance in pre-election rallies, and relative attendance in the rallies of the two parties are good predictors of their subsequent vote shares.

Here clientelism is self-enforcing despite the static nature of the model. Alternative enforcement mechanisms would require means for party operatives to monitor votes of specific citizens and condition delivery of benefits on this, as in the repeated game model of Stokes (2005). In such a setting, the *quid pro quo* between parties and citizens , in which the party delivers benefits to its (perceived) supporters and citizens vote for the party they perceive as their patrons – is sustained via punishment threats of withdrawal of support following any observable breach by either side. Such repeated game strategies can obviously be sustained only for recurring benefits. In the absence of any internalized reciprocity norms, they cannot be sustained via delivery of one-time benefits..

An informal sector citizen in group i will decide to support party L if

$$p^L[u(y_i+t_i^L)+v(g^L)]+(1-p^L)[u(y_i)+v(g^R)]+\epsilon_i > p^L[u(y_i)+v(g^L)]+(1-p^L)[u(y_i+t_i^R)+v(g^R)] \tag{3}$$

where p^L denotes the citizen's prior probability that L will win. This implies that the share of informal sector citizens that will vote for L is

$$\frac{1}{2} + \sum_i \alpha_i s_i b_i + \sum_i \alpha_i s_i \{p^L[u(y_i^L) - u(y + v(g^L) - u(y_i^R) - v(g^R)\} \tag{4}$$

Which party citizens in the informal sector choose to support therefore has instrumental consequences for their receipt of private transfers, as this will depend on whether the party they backed happened to win. So their decision will depend on their assessment of electoral prospects of the two parties, as represented by p^L. Unlike formal sector citizens, this generates incentives for strategic voting for voters in the informal sector depite the fact there are only two competing parties. As we shall see, this will lend a 'bootstrap' or 'contagion' property to the resulting equilibrium. The other key difference between voting decisions of informal and formal sector citizens is that the latter respond to differences in public goods promised by the two parties. As (3, 4) indicate, informal sector citizens' decisions are independent of public good delivery. Hence a larger informal sector will generate a political bias against public goods.

Aggregating across the formal and informal sectors, the vote share of party L will be

$$V^L(\pi^L, \pi^R; p^L) = \frac{1}{2} + \sum_i \alpha_i s_i b_i + \sum_i \alpha_i s_i \{\theta[u(y_i + t_i^L) + v(g^L)] + (1-\theta)p^L[u(y_i + t_i^L) - u(y_i)]$$
$$-\theta[u(y_i + t_i^R) + v(g^R)] - (1-\theta)(1-p^L)[u(y_i + t_i^R) - u(y_i)]\}$$

where $\pi^k \equiv (\{t_i^k\}_i, g^k)$ denotes the platform of party k, and p^L the voters expectation concerning party L's winning probability.

Since each party seeks to maximize its vote share, party $k = L, R$ will select its policy platform to maximize

$$\sum_i \alpha_i s_i \{\theta[u(y_i + t_i^k) + v(g^L)] + (1-\theta)p^k[u(y_i + t_i^k) - u(y_i)]\} \tag{5}$$

subject to the budget constraint $\sum_i \alpha_i(1 + \lambda_i)t_i^k + cg^k \leq B$, where $p^R \equiv 1-p^L$. In this exercise, each party takes voter assessments of their respective electoral prospects $p^L, 1-p^L$ as given. Let the best response of each party to voter expectation p^L be denoted $\pi^k(p^L)$.

An equilibrium is then defined by the condition that

$$p^L = \psi(p^L) \equiv \phi(V^L(\pi^L(p^L), \pi^R(p^L); p^L)) \tag{6}$$

It is easy to verify that $\psi(.)$ is strictly increasing and continuous. Hence an equilibrium always exists.

The following results now follow.

Proposition 1 *In an equilibrium in which L wins with probability p^L, the platform $(\{t_i^k\}_i, g^k)$ of party k will be chosen to maximize*

$$\sum_i \alpha_i s_i \{[1 + p^k \frac{(1-\theta)}{\theta}]u(y_i + t_i) + v(g)\} \tag{7}$$

subject to the government budget constraint, where $p^R \equiv 1 - p^L$.

This shows that the implicit welfare weight assigned by party k to private transfers to group i voters relative to the public good depends on three terms: s_i, the swing propensity of this group, p^k the odds of party k winning, and $1 + \frac{(1-\theta)}{\theta}$, which is decreasing in the relative size of the formal sector. In the case of zero clientelism with $\theta = 1$, only the swing propensity matters, as in the Dixit-Londregan model. In the presence of clientelism, both parties assign a higher weight to private transfers relative to the public good. The extent of this bias increases with the relative size of the informal sector. It is also greater for the party that has a higher likelihood of winning. Note also that the magnitude of the bias becomes infinitely large as θ approaches zero, whence the supply of the public good approaches zero.

Next we consider the case of an ex ante symmetric contest.[7]

Proposition 2 *Suppose the two parties are equally popular ex ante, i.e., $b_i = 0$ for all i.*

(a) There is an equilibrium with $p^L = \frac{1}{2}$ and policy convergence.

(b) This equilibrium is locally unstable if

$$\phi'(\frac{1}{2}) > \phi^* \equiv \frac{1}{2(1-\theta)\sum_i \alpha_i s_i [u(y_i + t_i^*) - u(y_i)]} \tag{8}$$

and locally stable if the direction of the inequality is reversed (where t_i^* denotes the common policy resulting in the symmetric equilibrium, i.e., the solution to (7) with $p^k = \frac{1}{2}$).

(c) If

$$\phi'(\frac{1}{2}) > \frac{1}{2\sum_i \alpha_i s_i [u(y_i + t_i^*) - u(y_i)]} \tag{9}$$

there exists $\theta^* \in (0,1)$ such that the symmetric equilibrium is locally unstable and there exist multiple asymmetric locally stable equilibria where p^L is different from $\frac{1}{2}$, if and only if $\theta < \theta^*$.

While there always exists a symmetric equilibrium involving intense competition ($p^L = \frac{1}{2}$) and convergent policies, this equilibrium is locally stable if the formal sector is large enough. But if (9) holds and the formal sector is small enough, the symmetric equilibrium is unstable. When clientelism is dominant in this sense, the only stable equilibria now involve lop-sided competition, and lack of policy convergence. The favored winner will exhibit a larger bias in favor of private transfers against the public good, compared both to the outcome of the symmetric equilibrium, and to the policy chosen by its competitor. And there will be multiple asymmetric equilibria with

[7] The proof is straightforward, so we omit the technical details.

self-fulfilling expectations — a ‘contagion’ property. Hence clientelistic equilibria will exhibit more lop-sided competition and hysteresis. By contrast, when θ approaches one and programmatic politics dominates, voter expectations play a shrinking role, and policies of both parties in *every* equilibrium converge to the common Downsian-Dixit-Londregan platform $\{t_i^*\}_i, g^*$ which maximizes

$$\sum_i \alpha_i s_i [u(y_i + t_i) + v(g)] \tag{10}$$

subject to the budget constraint. This equilibrium will feature policy convergence, intense political competition and higher public goods compared to the policy of either party under clientelism (where θ is small).

4 Empirical Evidence

4.1 Association of Clientelism Measures with Targeted versus Non-Targeted Program Delivery

Keefer (2007) tests the Keefer-Vlaicu theory of differences between young and mature democracies with respect to measures of targeted transfers (proportion of GDP accounted by wage bill and public investment) and non-targeted benefits (rule of law, bureaucratic quality, low corruption, government share of newspapers, secondary school enrolment rates). In a cross-section of nearly a hundred countries, these are shown to be significantly related to number of years of competitive elections as predicted by the theory, after controlling for population, GDP per capita, land area, age structure, percentage of rural population. The cross-country regression raises obvious concerns regarding omitted variables/alternative explanations and reverse causality (whereby non-targeted benefits enhance persistence of democracy). The author shows the results are unaffected by additionally controlling for a number of omitted variables such as political institutions, fractionalization, conflict and voter information.

These identification concerns are overcome in an RCT experiment by Wantchekon (2003) for Benin, in which Presidential candidates were persuaded to alter their campaign speech in randomly selected villages. In one out of six villages per district they delivered a speech focusing only on transfers targeted to village residents (in the form of jobs, subsidies and local public goods); in another they focused on national goals (national unity, poverty reduction, growth, improving the judicial system, protection of environment and women/child rights). In the remaining four control villages, the campaigns focused on both sets of goals. Villages promised targeted benefits scored on average 10% higher votes than the control, while those promised non-targeted benefits scored 5% less than the control. However, this experiment pertains mainly to relative popularity of targeted versus non-targeted policy goals. It does not say much about voter support for clientelistic politics relative to programmatic politics, both of which are compatible with targeted transfers.

4.2 Household Survey-Based Evidence on Benefit Distribution

Stokes (2005) uses a survey of 1920 voters from three Argentina provinces during 2001-02 to test some of the predictions of her theoretical model. Political patronage in the form of material goods received from political parties in a recent campaign, or promises of help and jobs when needed, were negatively correlated with voter income, education, housing quality and village population. They were positively correlated with receipt of ballots from party operatives, and expression of support for the Peronist party (the main source of benefits). With the exception of the correlation with ballots received, all the other correlations are also consistent with programmatic politics (e.g., in the model in the previous section with $\theta = 1$, poorer citizens receive larger private benefits). Hence while the results are suggestive, they do not provide definitive evidence of the existence of clientelistic politics rather than programmatic politics.

Bardhan et al (2009, 2015a) conduct household surveys for 2400 households in 89 villages of West Bengal, India to examine how receipt of different kinds of benefits from local governments and political parties were correlated with expressions of support for alternative parties. They distinguish between recurring and one-time benefits. The former include employment in food-for-work programs, subsidized loans, agricultural inputs and help during personal emergencies, for which every household is eligible every year, irrespective of past receipt patterns. These are all private, directed transfers. One-time benefits include local public goods such as access to roads and drinking water, and private benefits such as provision of land titles, low-income houses, toilets or certificates that entitle recipients to food and fuel subsidies. Recurring benefits are more conducive to sustaining clientelistic relationships involving repeated interaction between parties and voters; a recipient of a one-time benefit has no incentive to continue to vote for the party that provided the benefit since continued provision of the benefit is not feasible. They find a significant positive correlation between receipt of recurring benefits and political support for the incumbent, while the corresponding correlation with receipt of one-time benefits is statistically indistinguishable from zero. These results obtain after controlling for village dummies and a large range of household characteristics.

However, these results are subject to two sets of concerns. First, while the correlations are consistent with clientelistic politics, they are also consistent with programmatic politics. In the latter, citizens may respond more favorably to electoral platforms promising delivery of recurring benefits, as anticipated future benefits could be larger for recurring benefits in terms of their expected present value, even if the flows of these benefits are less significant than one-time benefits in any given period. Second, there could be concerns about omitted variables or endogeneity, as the studies did not attempt to isolate effects of exogenous sources of variation in benefit distribution. For instance, it is possible that incumbents distribute more recurring benefits to its supporters for ideological reasons, as in a citizen candidate model. In that case there would be a correlation between voter support and benefit distribution, and one might mistakenly infer the presence of clientelism. One response to this endogeneity concern is that if it were true, one would also expect the incumbent party to distribute more one-time benefits to its supporters. A recent paper by Bardhan et al (2015b) addresses these endogeneity concerns by using a political redistricting shock as an instrument for variation in different kinds of benefits (interacted with household characteristics) by local governments. The instrumental variable estimates continue to show a significant positive coefficient of recurring benefits received on political support expressed by recipients, while one-time benefits received had either an insignificant or a negative coefficient (depending on the precise specification).

Direct evidence concerning vote-buying is provided by Khemani (2015) uses household surveys in a province in the Philippines. 38% of respondents were aware of vote-buying in their village, and 18% reported receiving offers personally. She shows that the village average proportion of reported vote-buying was significantly negatively correlated with health workers, projects and proportion of children with normal weight, across a sample of 60 villages.

Controls included village poverty, population, location, road quality as well as measures of electoral competition, mayoral power within the village, municipal fiscal capacity and distance to municipal center. Similar results obtain from a cross-country study of 33 African states using Afro-barometer data. While the direct use of vote-buying prevalence represents an advance, the study is vulnerable to obvious concerns regarding interpretation, whether the vote-buying is a cause of low health service provision. In particular, there is no indication of sources of variation of vote-buying across villages, a question of interest in its own right.

Larreguy (2013) provides evidence concerning one plausibly exogenous determinant of variation in vote-buying across different parts of rural Mexico: the fit or overlap between rural communal land areas or ejidos and electoral constituencies. A closer fit permits political parties to more precisely evaluate vote delivery efforts of local brokers, rendering clientelistic contracts more effective as instruments of vote mobilization. Using data from local municipal elections between 1994-2010, he shows that PRI votes are positively correlated with fit interacted with PRI incumbency at the state level, while provision of schools and teachers per capita are negatively correlated. Controls include overlap, PRI state-incumbency, municipality fixed effects and state-year dummies. Consistent with the identification assumption, fit by itself had an insignificant effect. While the sources of variation of fit are not explained, it is hard to come up with plausible alternative explanations for the results on the basis of programmatic politics hypotheses.

In summary, empirical work has shown evidence consistent with hypotheses of clientelistic politics both across countries as well as within developing and middle income countries such as Argentina, Benin, India, Mexico and Philippines. However, many of these studies are vulnerable to econometric concerns, besides the criticism that many of these patterns could be exhibited by programmatic politics as well. The literature has been progressing lately in various directions to address these concerns.

5 Development and Dynamics of Clientelistic Politics

Many scholars (Cox (1987), Mitgang (2000), Lizzeri and Persico (2004), Kitchelt and Wilkinson (2007), Camp, Dixit and Stokes (2014)) have noted that clientelistic political practices tend to decline along the process of development, e.g., in the context of 19th and early 20th century history of the UK and the US. However, clientelistic practices tend to persist in some countries and contexts (especially at the municipal or provincial level even within developed countries). The typical pattern is for clientelistic politics to be replaced by programmatic politics.

There is likely to be a two-way interaction between such institutional changes and economic development. There has been considerably greater discussion of why development may undermine clientelistic practices: these are elaborated below. Effects going in the opposite direction are also likely, given the arguments and evidence for how substitution of clientelistic by programmatic politics is likely to improve governance, raise spending on health and education, and generate public goods rather than directed private transfers.

Stokes (2005, 2006) and Kitchelt and Wilkinson (2007) describe a variety of reasons why development would cause clientelistic practices to erode:

- as voter incomes rise, their price goes up, rendering vote-buying more expensive for parties
- as areas become better connected and societies become more mobile, social networks in traditional rural societies become less effective, thereby lowering the ability of brokers to monitor voters and mediate clientelist transactions
- increasing size of the formal sector reduces dependence of citizens on elected officials for favors
- voters become less dependent on local community or party leaders for their livelihoods as opportunities to out-migrate rise
- citizen demand for public, non-targeted benefits (such as public health, education, low corruption, better governance quality) relative to targeted benefits increase as they escape extreme poverty
- citizens become more aware of mis-governance or social costs of vote-buying owing to spread of media and information through various sources

- costs of programmatic political advertising decline, owing to development of technology of mass media

In the context of 19th century Britain, Cox (1987) and Lizzeri and Persico (2004) argue that the extension of the franchise was an important cause of the decline in vote-buying: it made it progressively more difficult for legislators to win elections by purchasing small swing constituencies. This however gives rise to the question what motivated the franchise extension, an issue that has been the subject of a considerable debate (Acemoglu and Robinson (2001), Lizzeri and Persico (2004)). Cox (1987) also stresses other changes in political institutions, such as the growing power of the executive branch of government over the legislative branch.

While these are all plausible reasons, there is little solid empirical evidence on either of them, or assessing their relative strength. An exception is Vicente (2014) who uses a randomized experiment involving randomized roll-out of an education/awareness campaign concerning the ill effects of vote-buying in West African islands of Sao Tome and Principe, which succeeded in lowering reported levels of vote-buying.

An important factor contributing to the decline of clientelism is the growth of non-discretionary entitlement programs: growth of programmatic politics crowds out clientelistic politics. For instance, a popular account for the decline of clientelistic practices in local New York or Boston politics during the middle of the 20th century was the creation of social security in the 1930s, which delivered financial benefits directly to poorer sections of the population, rendering them less dependent on local party machines. A number of recent papers provide evidence from Mexico and Brazil of similar effects resulting from land reforms and CCT programs. De Janvry et al (2014) and Dower and Pfutze (2015) provide evidence that PROCEDE, a program which created individual property rights in land in rural Mexico between 1993-2006 caused a shift in votes towards PAN, a more right-wing party compared to the PRI which tended to be the incumbent party in most areas. They use a difference-of-difference regression utilizing the roll-out of the program across different parts of Mexico. De Janvry et al ascribe this to two possible reasons: those receiving titles became more market-oriented, and a decline in clientelism as local party officials could no longer allocate use rights on a discretionary basis depending on political support. The possible role of the former is suggested by the fact that the rightward shift was more pronounced in areas where the land was more valuable. Dower and

Pfutze argue in contrast that most of the change can be ascribed to a decline in clientelism, as the effect appeared only in areas where the PRI had been traditionally entrenched. Moreover the effect was symmetric irrespective of whether the main opponent of the PRI was to the right or the left of the PRI, and the same mechanism with opposite results occurred in municipalities where some non-PRI party was traditionally entrenched.

Similar results have been observed in Brazil as a consequence of the recent growth of Bolsa Familia (BF), a large CCT program covering 12 million households. BF was designed to be a nation-wide formula-driven entitlement program administered by the Federal government, with cash transfers deposited directly into beneficiary bank accounts. Fried (2011) provides evidence that BF delivery was politically neutral: program coverage deviations from planned targets exhibited quantitatively small correlations of the 'wrong sign with various political criteria such as local vote share of the federal incumbent party PT, measures of local political competition and swing characteristics. Frey (2015) examines the impact of BF coverage using an instrumental variable regression discontinuity design. He estimates that a 10% increase in BF coverage reduced incumbency advantage of local mayors by 8%, increased political competition (lowering victory margins by 6%, raising the number of candidates by 0.6, and educational qualifications of candidates), lowered private campaign contributions to incumbents by 40%, and increased health care and education spending shares by between 2-3%.

These studies give rise to the question of what drove the political motivation for incumbents benefitting from clientelistic practices to implement entitlement programs that would undermine those practices. One possible explanation is an intent to promote economic development, as a result of some external shocks, combined with a lack of concern or awareness for political consequences. De Janvry et al (2014) ascribe the motivation for PROCEDE as appearing from suggestions of technocratic economists within the PRI administration that were concerned to implement land reforms that would raise productivity of Mexican farmers and allow them to compete better with North American farmers as NAFTA came into effect from the mid-90s onwards.

Another explanation may lie in political incentives at the federal versus local levels. Mitgang (2000) describes Franklin D Roosevelt's decision as Governor of New York state to institute anti-corruption enquiries against Jimmy Walker, charismatic mayor of New York in the early 1930s, and head of the Democratic party machine from which Roosevelt had himself emerged.

These enquiries were to lead to the political downfall of Walker and the party machine. Mitgang's account suggests that Roosevelt's motive was to raise his national reputation and credibility as a Presidential candidate. In similar vein, Larreguy, Marshall and Trucco (2015) provide evidence that CORETT, an urban land titling program in Mexico for squatters, generated political gains for the party that was incumbent at the Federal level, while resulting in political losses for the same party where it was the incumbent at the municipal level (and even larger losses for other parties that were local incumbents). These losses owed presumably to a decline in scope for clientelistic practices which tend to arise mainly at the municipality level.

6 Conclusion

In this overview of the existing literature, we focused mainly on political clientelism: how it differs from programmatic politics, and how development may be accompanied and aided by a transition from the former to the latter. There is a large literature in comparative politics on clientelistic politics in developing and middle income countries which is primarily descriptive, with limited formalization in terms of theoretical modeling and econometric analysis. More formal quantitative analyses have begun to emerge recently. We argued the key analytical distinction between clientelism and programmatic pork-barrel politics in terms of discretion exercised by elected officials in the targeting of public benefits. Such discretion is facilitated in countries with a large informal sector, where property rights are not well-defined and judicial institutions are weak, leaving room for political favoritism in law enforcement. The models explain how clientelism generates lop-sided political competition, pro-incumbency and political hysteresis, greater biases in favor of directed private transfers to swing constituencies at the expense of public goods, and in favor of public sector employment and other recurring benefits at the expense of one-time benefits. In terms of welfare consequences, the models predict that clientelism is likely to generate static redistribution in favor of the poor, at the expense of growth and long-term poverty reduction. It may also create a vested interest among political incumbents to perpetuate weakness of institutions that permit clientelism to thrive and their own grip on power to be perpetuated.

Empirical research has been plagued with difficulties in empirical measurement and identification, similar to most research on corruption. Most of the available evidence is indirect, but there are recent studies based on direct evidence and on plausible indentification strategies. There are a few historical studies regarding the dynamics of clientelism along the process of economic and instititutional development, which largely confirm theoretical expectations that a rise in programmatic politics (at the federal level) in the form of nationwide entitlement programs and property right reforms cause clientelistic practices (at the local level) to erode.

Future research is expected to provide more detailed and credible empirical evidence concerning prevalence of clientelism, its static and dynamic consequences. In addition, the following questions could also receive more attention:

- Are there any welfare or redistributive benefits from clientelism? The fact that clientelistic programs tend to be directed to the poor has been pointed out by many scholars and verified in a number of empirical studies. Holland (2015) argues that the related phenomenon of forbearance allows elected politicians greater opportunities to redistribute benefits to the poor, free from legislative or judicial oversight. Programmatic redistributive programs are bound by layers of bureaucracy and red-tape on account of their need to cope with such oversight. Munshi and Rosenzweig (2015) argue that ethnic politics in India where caste groups play an important role has the virtue of generating higher club goods to members of those groups based on threats of community sanctions. These overcome problems of free-riding and tendency of elected politicians to not honor pre-election promises. On the other hand, caste leaders tend to favor own caste members at the expense of other castes in the targeting of redistributive private goods. To the extent that there are clientelistic elements in caste-based politics, this suggests there are both welfare benefits and costs of such practices. In particular, the threat of informal community based sanctions in political clientelism may provide some disciplinary role on elected leaders. Incorporation of such factors in the theoretical model developed so far would render ambiguous the implications of clientelism for public good delivery. This implies the need for further empirical studies on this issue.[8]

[8]In this connection, greater care should be taken to identify which publicly provided benefits are truly public and which are more in the nature of private transfers. For instance, how would one classify education, when a large part of government educational spending

- The theoretical models and empirical evidence suggest that clientelism may induce greater static redistribution to poorer and more vulnerable groups, as their votes are 'cheaper to buy'. But this could come at the expense of supply of public goods, which include infrastructure and better governance which thereby ends up lowering growth. Is there any evidence that clientelism is a possible source of such a trade-off between static redistribution and growth? What are the consequences for the dynamics of poverty?

- How does the presence of clientelism affect the tradeoff between political centralization and decentralization? Are regional parties or local governments more prone to clientelistic practices than national parties or the federal government? If so, decentralization may be associated with higher clientelism. This may provide an additional element to consider in debates concerning fiscal federalism, as argued in Mookherjee (2015).

- The welfare implications of political reservations on the basis of ethnicity or gender may depend on the prevalence of clientelism. For example, caste-based reservations of political office may generate greater clientelism, which may provide an explanation for effectiveness of such reservations in promoting targeting to disadvantaged groups (as argued by Bardhan and Mookherjee (2012)). However, it may also aggravate the welfare distortions associated with clientelism, such as bias in favor of recurring private benefits, lowered political competition and supply of public goods.

- We saw the theoretical prediction that clientelism enhances tendency towards strategic voting and multiple equilibria, even in a two party system, besides lowering political competition. It may also provide a source of incumbency advantages. These propositions could be tested empirically. There may also be deleterious effects of clientelism on incentives for political participation of citizens in the middle class who belong to the formal sector, on account of the induced incentives to politicians to 'pander' to poorer citizens in the informal sector.

- What are the implications of clientelism for selection of political leaders, or for the allocation of talent between private and public sector?

takes the form of high teacher salaries which may actually constitute private transfers?

- Is there evidence concerning 'forbearance': might political incumbents have an incentive to deliberately prevent formalization of agents in the informal sector, secure (eg legally guaranteed) property rights, or rule of law, in order to preserve their incumbency via clientelistic means? More generally, might clientelism be a source of endogenous perpetuation of informalization and insecurity, and weak state capacity more generally?

- Much more work is needed on questions concerning the institutional dynamics of political clientelism. Why does clientelism tend to erode more in some countries than in others along the process of development? Is there evidence of the role of increased incomes, mobility, communications, literacy, citizen awareness in the decline of clientelism? To what extent does declining clientelism contribute to economic development, and what are the specific channels (e.g., greater spending on health and education, other public goods, lowered forbearance)?

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