

# Clientelism, Credibility, and the Policy Choices of Young Democracies

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## When elected governments fail to promote broad social welfare, the solution may be reforms to increase political credibility

An important development puzzle is that among poor countries *elected* governments do not make dramatically different policy decisions than *unelected* governments. In a new article Keefer shows that in poor democracies measures of governance, schooling, infrastructure, government spending as a fraction of national income, and the business climate are generally about the same as or worse than those in poor non-democracies.

This finding is inconsistent with the common assumption that competitive elections should make politicians notably *more* responsive to the concerns of the general public. Understanding why the assumption fails to hold—why policymakers in some democracies are not more sensitive to broad social welfare—is key to the design of successful development strategies in those countries.

Keefer presents new evidence showing that the cleavage in democratic performance also runs between young and old democracies. Countries with fewer continuous years of competitive elections are more reluctant to provide public goods (education, access to information, high-quality bureaucracies, the rule of law), more enthusiastic about private goods (jobs in the public sector, pork barrel infrastructure), and less restrained in the exercise of rent seeking and corruption. While there is a substantial overlap between young and poor democracies, the differences between younger and older democracies persist even when controlling for income per capita.

The best explanation for this particular pattern of policy performance is the inability of political competitors to make policy promises that are credible to all citizens. When citizens

believe the broad policy promises of political competitors, electoral competition forces them to bid up the performance promises they make to voters. When promises are not credible, voters can rely only on past performance and clientelist promises (promises from political competitors that are credible to narrow groups, or individuals, in society). Neither provides a strong basis for electoral accountability.

Reliance on past performance can lead voters to retain even poorly performing incumbents, since voters cannot be sure that noncredible challengers will perform better. Reliance on credible clientelist promises, as Keefer and Vlaicu show in a 2005 paper, drives politicians to underprovide public goods and to overprovide targeted goods that benefit narrow constituencies that happen to believe the politicians' promises. This is the pattern of policy performance observed in young democracies: they are exceptionally accountable for private good provision, but exceptionally unaccountable for public good provision.

The association between democratic age and this pattern of policies is robust to many alternative explanations. In describing the political market imperfections that interfere with electoral accountability, Keefer and Khemani, in a 2005 article, also point to imperfectly informed voters and social polarization, which may particularly afflict young democracies. Young democracies may also exhibit systematically different political and electoral institutions or face greater exposure to political violence.

Theoretically, though, these competing explanations either are embedded in the credibility argument (information) or predict patterns of performance other than that observed among young democracies. Empirically, none of these variables affects the significant association of democratic age with lower public

good provision, higher private good provision, and greater corruption. Nor does it appear that unobserved effects, unrelated to the credibility arguments, simultaneously determine government policy choices and democratic age.

These results point to the importance of reforms that increase political credibility. Credibility depends most on actions by politicians (such as investing in the programmatic reputation of their political parties); donors can do little to influence these. But it also requires that citizens have the information to verify whether politicians have fulfilled their promises. Policies to boost citizen information about policy outcomes, and a corresponding relaxation of government controls on information, are therefore key and already have a place in the donor toolkit.

The analysis also suggests reform strategies in the absence of political credibility. For example, reforms that are difficult for citizens to observe and are broad in their effects (such as civil service reform) are more likely to succeed if they are linked to specific outcomes that citizens can monitor (textbook delivery, road maintenance) and more strictly supervised.

Some reforms that appear to be economically inferior may also be preferable if they help to build credibility while satisfying the incentives of politicians to give targeted benefits (increasing capitation grants for students rather than increasing funding for schools generally; increasing redistributive grants to the poor rather than increasing the quality of services to the poor).

Demand-side interventions to accelerate reforms should focus on the civil society groups that have the most comprehensive strategies for bridging the credibility gap between politicians and citizens.

*Philip Keefer. Forthcoming. "Clientelism, Credibility and the Policy Choices of Young Democracies." American Journal of Political Science.*