Clientelism, Credibility and Democracy

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March, 2004

This is a substantially revised second version of an earlier paper with the same title, dated November 2002.

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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 voters believe the promises of patrons, if they have them, but not political competitors, 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.

Clientelism, Credibility and Democracy

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. In 1995, for example, 40 percent of the countries that had competitive elections scored no better on a common measure of corruption than 50 percent of the countries that did not have competitive elections.[1] 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 across 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. Most democracies do not fit neatly into either category and political competitors have devices that render them "partially credible."

This paper rests on two key observations. First, building credibility takes resources – to establish the information base from which voters can observe the fulfillment of promises, or to monitor voter needs and electoral behavior, for example. In short, a key objective in organizing voters is to increase the credible of pre-electoral promises made to voters. Second, politicians, particularly in younger democracies, often economize on the costs of voter organization by relying on intermediaries – on patrons – who can promise the votes of clients in return for policy concessions. In a wealth of case studies and sociological analysis, clientelism the literature suggests that patrons and clients are linked by their ability to make credible agreements with each other regarding the exchange of personal favors and gifts.

The possibilities that politicians can "buy" credibility or can use patrons to offset their lack of credibility imply intermediate credibility outcomes between the "all or nothing" polar cases. They are also characteristic of real world politics. Specifically, in many countries political parties and national political leaders can make no credible pre-electoral promises to all voters; they expend resources to convince some voters of their credibility; and patrons,

[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).

who enjoy the ability to make and receive credible commitments from clients, organize client votes to press politicians for government benefits targeted to themselves.

The analysis below has implications for both policy choices and the determinants of democratic development. It illuminates the origins of apparently perverse policy choices in many democracies, particularly the intense political focus on delivering private goods to constituents. Targeted transfers are higher and rents lower when politicians can invest in credibility; targeted transfers rise even more when patrons are guarantors of political promises. The analysis also offers a different approach to understanding why some countries that introduce competitive elections eventually develop into consolidated democracies with credible political competitors, while many do not. Countries in which the costs of organizing voters are high are unlikely to develop credible political competitors. More importantly, in countries in which clientelism characterizes social or economic interaction – such that individuals derive significant social and economic benefits from their association with a single patron – politicians may have little incentive ever to build up credible political organizations.

The last part of the paper demonstrates that the model of "partial credibility" and clientelism developed here can explain a diverse set of puzzles in economic and political development. Among these are: 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; new governments frequently abandon the worthwhile, but incomplete infrastructure projects of their predecessors; 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. In each case, differences in outcomes can be explained by the ability or inability of political competitors to make credible pre-electoral promises to voters.

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. . . Sombody'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 (2002) or Robinson and Torvik (2002), 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).[2] 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 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 patron influence on politics

The problem of credibility between voters and candidates is, in principle, easily solved in any indefinitely or infinitely repeated interaction between them. They could play the following game: the candidate makes a promise, the citizen votes or not for the candidate, and the candidate does or does not fulfill the promise, and citizens vote accordingly. If the game is infinitely or indefinitely repeated, there are a multiplicity of equilibria, but many are sufficient to ensure relatively accountable government performance. One equilibrium of such a game is citizens vote for a candidate as long as the candidate fulfills promises that the citizens value, and then never again. However, several obstacles stand in the way of candidates or parties that attempt to develop this equilibrium with individual voters.

The first obstacle is the difficulty of monitoring the exchange between voter and candidate. In order for a reputational equilibrium to develop, voters must know that candidates fulfilled their promises, and candidates must know that voters support them in the polls. For promises related to broad public good provision, voters must know that candidates have made these promises and understand candidate contribution to fulfilling them. The former require a high level of costly political organization and the latter investments in information.

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

For political promises related to the provision of targeted goods (jobs or small infrastructure projects) to a few voters, voters do not necessarily see a president, for example, delivering on the promise. Instead, they interact with the staff of a government agency. These staff, local patrons, and others are eager to take credit for the provision of these goods. This impedes the ability of presidents to take credit for the fulfillment of their electoral promises. When promises of public goods are involved, the problem is different but more acute. The cost to individual voters of reneging on the agreement to vote for the president is low since the provision of the public good is essentially independent of their vote. The voter may not vote *against* the candidate; they may simply have little incentive to vote at all. On the candidates' side, they must be able to keep track of which voters have received promises, which voters vote, and where possible, how they vote.

Candidates can also seek the support of patrons, whose clients constitute a ready-made bloc of organized voters. Relative to individual voters, patrons can monitor more easily candidate fulfillment of promises; at the same time, candidates can more easily monitor patron fulfillment of their end of the bargain. For example, candidates can more easily infer from precinct voting totals whether a patron has delivered the votes than whether individual voters have fulfilled their side of the electoral bargain. As the second part of the analysis argues, patrons are more likely than voters to be able to coordinate on a retrospective voting rule with which to discipline candidates. Even if politicians cannot make credible promises to patrons, therefore, the relatively greater coordination advantages of patrons give them leverage over candidates that voters do not enjoy.

Two versions of a political game are developed below. In both, incumbents have the option of spending resources to overcome the organizational obstacles to credibility. In the second, patrons exist who can threaten to withhold the electoral support of their clients. The games span two elections. The first election is trivial: there is no incumbent running, candidates have no resources to build credibility, but candidates have ideological characteristics that make them more or less appealing to individual voters.[3] The winner of

[3] Models of political competition make frequent recourse to ideology. Typically, as here, ideology is simply the difference in welfare that voters believe they will receive from one candidate or party relative to others. This could be entirely unrelated to policy (the "ideological" appeal of the candidate who led the guerrilla forces that drove out colonial occupiers); or it could be related to those aspects of policy on which candidates can make credible promises (as might be the case with parties running on sectarian platforms). The genesis of ideological appeal is not well-understood, but it is not divorced from notions of credibility.

the election is determined by the candidate who has the greatest ideological appeal to voters, taking into account a popularity or ideological shock that occurs right before the election. Voters do not believe candidate promises and no pre-electoral promises are made.[4] The second stage is the heart of the analysis: the winner, as incumbent, decides how high to set taxes, and whether to use tax revenues to establish relationships with patrons or with individual voters.

There are two candidates, $j = \{A, B\}$. Some voters are clients of patrons, others are not. For voters *i* who are not clients, utility is $W_i(\boldsymbol{q}_j) = y_i(1-\tau) + I\left(\frac{f}{\eta}\right) + H(g) + \delta + \sigma_i$.[5] These voters benefit from the consumption of private goods *c* and public goods *g*; private consumption is the sum of after tax income and their share of targeted benefits from the government, f/η, where η is the fraction of voters who receive the benefits. The policy pursued by incumbent *j* is $q_j = \{\tau, g, (f_j), C(\eta)\}$, where $C(\eta)$ is the amount spent organizing a fraction η of voters. $I(f)$, $H(g)$ and $C(\eta)$ are monotonically increasing, *I* and *H* are both concave, though the additional utility of direct transfers diminishes more slowly than that of public goods ($I_{xx}(x) < H_{xx}(x)$ for all x). *C* is convex: the costs of organizing the first few voters are lower than those of organizing the last few.

Voters also derive utility or disutility from the ideology of the incumbent. Putting utility from ideology in the same units as utility from consumption, as above, the ideological preference of voter *i* for candidate *A* is given by σ_i, distributed uniformly over all voters as $\left[-\frac{1}{2\phi}+\bar{\sigma},\ \frac{1}{2\phi}+\bar{\sigma}\right]$, where $\bar{\sigma}$ is the ideological bias in favor of candidate *A*. The shock

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On the contrary, candidates who enjoy ideological appeal have often taken costly actions that demonstrate that they will not easily shift those characteristics that are the foundation of that appeal. For example, the credibility of clerics is ensured by their choice of occupation and lifestyle, or the imprimatur of the religious organization to which they belong. The ideological appeal of independence leaders rests on the costs they incurred by spending years in the bush or in prison.

[4] That is, nature endows candidates with ideological appeal, and the candidate with the greatest ideological appeal is the incumbent in the second stage.

[5] A quasi-linear utility common in the literature (e.g., Persson and Tabellini 2000, from which much of the notation here is taken).

to the ideological preferences of all voters in favor of candidate *A* is given by *δ*, distributed over $\left[-\frac{1}{2\psi}, \frac{1}{2\psi}\right]$.

Political competition—benchmark case, no patrons

Assume that $\delta + \overline{\sigma} > 0$ so that candidate *A* wins the first election. In the absence of patrons, *A*'s expected vote share in the next election, provided that *A* does nothing to gain the support of voters with policy, is only a function only of the distribution of the ideological shock and the ideological tendency in the electorate; *A*'s expected vote share is $\Pr(\delta) > -\overline{\sigma} = \frac{1}{2} + \psi\overline{\sigma}$. If $\overline{\sigma}$ is negative and *A* is in office thanks only to a favorable ideological shock in the last election, *A* expects to lose the next election. For larger, positive values of $\overline{\sigma}$, *A*'s position is more secure.

However, *A* can use government policy – taxation, direct payments to voters and public goods – to influence re-election probabilities, by expending resources to organize voters such that *A* can get credit for these policies. The game is the following: in their first term, incumbents can either expend resources to organize voters or not, they can provide voters with policy benefits or not, and they can make policy promises regarding what they will do in their next term, if re-elected. Voters only respond to policy promises if they have been organized and if the incumbent has already adopted these policies. If incumbents expend no resources to organize, then any policy concessions are useless. If they organize voters but provide them with no benefits in the current period, voters have no reason to expect that they will do so in the next period, and therefore remain indifferent towards the incumbent. However, if the incumbent both organizes and provides policy benefits in the first period, voters have a reason to continue to vote for the incumbent as long as those policy benefits continue. The incumbent's problem is therefore to choose the minimum level of policy benefits and the minimum level of voter organization that maximizes the present value of rents.

Without expenditures to organize voters, and assuming, as in the literature generally, that ideological affection or disaffection are not influenced by fiscal policy, *A* can do no better than to set the tax rate at 100 percent, retain all of the revenues as rents and be re-elected with probability $\frac{1}{2}+\psi\overline{\sigma}$. Moreover, if *A* follows this strategy in any election, she has an incentive to follow it in all elections. Normalize the total income available in the society to *y*=1. Over an infinite horizon (number of elections), and assuming no discounting and no possibility of returning to office once expelled, the expected value of this strategy is

$$1+\left(\frac{1}{2}+\psi\overline{\sigma}\right)+\left(\frac{1}{2}+\psi\overline{\sigma}\right)^2+\ldots+\left(\frac{1}{2}+\psi\overline{\sigma}\right)^\infty=\frac{1}{\frac{1}{2}-\psi\overline{\sigma}}.$$

The value of these rents declines the larger are potential ideological shocks and the more negative is the ideological bias against the candidate.

However, by spending $C(\eta)$, *A* can lay the groundwork for making credible appeals to voters, such that government policy can influence expected vote share. These expenditures play a key role below since the key asset that patrons can offer politicians is the ability to organize voters more cheaply than the politicians themselves. *A* can spend resources identifying targeted voters and their needs, following whether they have received private or public goods from the government meeting those needs, tracking how they vote, and communicating with them to ensure that they know that the incumbent has this information and is providing promised services and will continue to provide them as long as the voters continue to support *A*. These are all essential ingredients to credible interactions. Alternatively, they can be thought of as "hostage" investments by *A* that are lost if *A* reneges. All of these expenditures are commonly undertaken by parties and are properly viewed as building the foundation for credible appeals.[6]

Once the incumbent organizes some fraction of voters, she can then modify taxes and public and private good decisions to influence their vote in the next election. Policy must make organized voters better off than they otherwise would have been, raising $y_i(1-\tau)+I\left(\frac{f}{\eta}\right)+H(g)$ above zero, since politicians will only organize voters whom they wish to target with policy. Through her investment *C* and the provision of *f* and *g*, the incumbent can make credible promises to organized voters. Their vote then depends on

[6] *A*'s expenditures on organization could also be seen as aimed at allowing voters to coordinate an *ex post* performance rule, in the sense of Ferejohn (1986). Such an assumption would yield a different appproach

policy promises and they prefer the incumbent if

$W_i(q_A) = y_i(1-\tau) + I\left(\frac{f}{\eta}\right) + H(g) + \delta + \sigma_i > 0$. The probability that an organized voter will vote for the incumbent is therefore $\frac{1}{2} + \psi\left(\sigma_i + y_i(1-\tau) + I\left(\frac{f}{\eta}\right) + H(g)\right)$, recalling that challengers, lacking resources to make organizational investments, are not credible to any voters.

The incumbent must decide which voters to organize, how many to organize, and fiscal policy. With regard to the first, which voters to organize, assume that the incumbent organizes voters from a subset of all voters, given by $\left[-\frac{1}{2\phi_A} + \sigma', \ \frac{1}{2\phi_A} + \sigma'\right]$. Then,

Observation 1: The incumbent always prefers to organize an interval of voters $\left[-\frac{1}{2\phi_A} + \sigma', \ \frac{1}{2\phi_A} + \sigma'\right]$ for whom $\sigma' = 0$, the median voter of the organized group has no ideological bias for or against the incumbent.

Proof: See appendix.

The effect of Observation 1 is to show that the greater is the ideological bias of the organized voters, the more costly it is to use policy to persuade them.

The incumbent has therefore only to select ϕ_A, which fixes the interval of voters that she will organize, $\left[-\frac{1}{2\phi_A}, \ \frac{1}{2\phi_A}\right]$, around a median voter ideologically indifferent to either candidate. The decision creates three distinct groups of voters: $\left[-\frac{1}{2\phi} + \bar{\sigma}, \ -\frac{1}{2\phi_A}\right]$, unorganized voters who are more biased against the incumbent, $\left[-\frac{1}{2\phi_A}, \ \frac{1}{2\phi_A}\right]$ who believe client promises, and $\left[\frac{1}{2\phi_A}, \ \frac{1}{2\phi} + \bar{\sigma}\right]$, unorganized voters who are favorably inclined toward

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to the analysis, though yielding similar conclusions to the one here.

the incumbent. The probability of incumbent re-election depends on how vote share changes in each of these three groups of voters following a shock. Call *y* the share of income (recalling that income is normalized to one) going to any segment of organized voters. The resources directly distributed as targeted transfers or private goods to organized voters are *f*. However, the benefits of *f* are spread out over all voters in the organized group, so their electoral impact is given by f/η (if the space of voters were not continuous, this could be properly called the per voter benefit of *f*). The effect of these policies on incumbent vote share is described in Observation 2.

Observation 2: The vote share of the incumbent following a shock is given by

$$\frac{1}{2}+\bar{\sigma}(\psi+\phi)+\psi\eta\left[y(1-\tau)+H(g)+I\left(\frac{f}{\eta}\right)\right].$$

Proof: See appendix.

According to Observation 2, in the absence of ideological bias and shocks, and before using policy to affect votes, the incumbent expects half of all votes. Ideological bias has a larger effect when non-targeted voters are ideologically more homogeneous (ϕ is larger) and when the magnitude of potential shocks is smaller (ψ larger). Fiscal policy has a greater effect on vote share the larger is the fraction of voters that the incumbent organizes and the smaller the magnitude of potential shocks (ψ larger).

The incumbent's rents in any period are $(\tau-g-f-C(\eta))$ and her probability of re-election is given by the expected vote share in Observation 2. The present value of any infinitely repeated strategy $\{\tau, g, \eta, f\}$ chosen by the incumbent is therefore these rents discounted by the probability of not being re-elected, or

$$(1)\quad \frac{\tau-g-f-C(\eta)}{\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta\left[y(1-\tau)+H(g)+I\left(\frac{f}{\eta}\right)\right]}.$$

The incumbent maximizes (1) over $\{\tau, g, \eta, f\}$, subject to the incentive-compatibility constraint that total rents be greater than if she pursues the default strategy $\dfrac{1}{\frac{1}{2}-\psi\bar{\sigma}}$.

With appropriate concavity assumptions, a unique equilibrium exists for values of the policy variables between zero and one. That is,

Proposition 1: For *C* sufficiently convex, *I* and *H* sufficiently concave, and the magnitude of potential shocks sufficiently large (ψ sufficiently small), first and second order conditions are met and ensure a unique equilibrium given by $\{\tau^*, g^*, \eta^*, f^*\}$, where $\tau^* = 1$,

$H_g(g^*) > \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, then $f^* = 0$, but if $H_g(g^*) = \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, $f^* > 0$; and where $\eta^* > 0$. It the resulting rents are not greater than those from pure rent-seeking, however, the incumbent chooses $\{\tau^*, g^*, \eta^*, f^*\} = \{1, 0, 0, 0\}$.

Proof: See appendix .

Explicit analytical solutions for the choice variables, and corresponding analytically-derived comparative statics, are difficult to derive in this non-linear setting. However, numerical examples are sufficient to demonstrate that if non-credible politicians are able to invest in credibility, they will provide a positive level of public and private goods to constituencies. Efforts to build credibility with voters decline as voter organization becomes more costly or as the electoral benefits of public and private good provision decline.

Assume that $H(g) = g^a, I\left(\frac{f}{\eta}\right) = \left(\frac{f}{\eta}\right)^s, C(\eta) = \left(\frac{\eta}{k}\right)^m$, and $a = .3$, $s=.5$, $k=.4$, $m=2$.

Assume as well that $\psi=.8$ and that there is no ideological bias ($\bar{\sigma}=0$). The resulting equilibrium is: $\eta^*=.09$, $g^*=.01$ and $f^* = .06$. Second order conditions are satisfied for this equilibrium so it is unique for choice variables restricted between zero and one. Expected rents are 2.07, compared to 2 in the default equilibrium (pure rent-seeking), so the equilibrium satisfies the incentive compatibility constraint.

This equilibrium demonstrates three features that are notably present in developing democracies: unmitigated rent-seeking is not the strategy of incumbent politicians; political attention is disproportionately focused on private good provision to key constituents; and only a small fraction of the population believes political promises. This outcome can be compared to that in which the incumbent is credible to all voters ($\eta=1$ and $C(1)=0$). In this case, private goods have no electoral impact and the incumbent can guarantee herself permanent re-election by supplying a higher level of public goods ($g = .21$). Credibility has an unambiguously positive effect on public good provision. Moreover, although the incumbent becomes essentially immoveable in the absence of credible political competition, incumbent rents – corruption in many settings – falls in any period to .79, compared to .88 when the incumbent is not credible with any voters. Finally, the incumbent not only provides targeted transfers, in contrast to Persson and Tabellini (2000 Chapter 8), these transfers constitute the bulk of services provided by incumbents to citizens.

Any parameter change that increases the costs of organizing voters or that reduces the electoral value of public or private goods reduces increase in the marginal costs of organizing voters or a reduction in the value of public goods. For example, a fall in k to .3 from .4, increasing the costs of organizing voters, reduces to .05 the fraction of voters organized, reduces public good provision to .005, and the provision of direct transfers to .033. A fall in the efficiency with which public good expenditures translate into utility increases, represented by an increase in a from .3 to .4, similarly reduces substantially the payoff to organizing voters. Public good provision falls by one-third to .0038, private good provision falls to .036, and the fraction of voters organized to .054. Moreover, the ratio of public to private good provision falls as well, from 1/6 to 1/10.

The effects of ideological bias and shocks are also easy to assess. The less secure is the political environment – the larger are potential ideological shocks, for example – the less inclined is the incumbent to organize voters and to provide services to citizens. Following a fall in ψ from .8 to .7, which captures precisely this effect, the fraction of voters organized drops 20 percent to .07, private good provision declines by a third to .04, and public good provision falls 30 percent to .007. Finally, the more biased are voters against the incumbent, the less likely an incumbent is to organize them and provide benefits: the marginal benefit of making investments in an organized constituency is lower for all investments, driving down the incentive of incumbents to undertake them.

The key conclusion from Proposition 1 is that if non-credible incumbents can spend resources to build up a credible electoral base, they also can have an incentive to spend resources on *both* private *and* public goods to woo that electoral base. This is consistent with the observation that in many democracies where politicians appear to be less credible, incumbents furiously pursue private goods. The analysis therefore yields correspondingly different predictions than the literature. In contrast to the prediction that where voters cannot coordinate on an *ex post* voting rule and non-credible incumbents provide no public services to any constituencies, Proposition 1 shows that they can. If retrospective voting resting on voter coordination, as in Ferejohn (1986), characterizes the voter response to non-credible politicians, and there is no opportunity for politicians to spend resources to build credibility, then Persson and Tabellini (2000, Chapter 8) show that incumbents offer no targeted or private goods and only a reduced level of public goods. Because we observe quite different policy outcomes in countries in which political credibility is apparently less, it is likely the case that other electoral strategies are possible and used; the foregoing model is one.

Patrons and clients

In the foregoing, politicians can spend resources to overcome their credibility deficit. Patrons may allow them to collect votes more cheaply by addressing two problems that politicians and voters in the benchmark case cannot solve. First, the field literature tells us that patrons can make credible promises to some voters (their clients), unlike politicians; and second, patrons can organize voters (their clients) when voters themselves cannot coordinate. The question is, how does the influence of the patron over these voters affect public policy?

Patrons provide a potentially wide variety of services to clients in exchange for client services. They may resolve disputes among clients or between clients and the "outside world", intervene on behalf of clients in conflicts with government officials, serve as a source of insurance or a safety net for clients, supply clients with credit or other economic factors of production, or offer a crucial marketing outlet for clients. All of these activities allow the patrons to form credible relationships with citizens, and to coordinate these citizens' response to electoral events.

It is possible that patrons have relationships with the incumbent that allow the incumbent to make credible promises to them. We do not need to assume this in order to show that they have an effect on policy. Assume instead that patrons, because they are many fewer in number than voters, can coordinate on a retrospective voting rule. Patrons can therefore credibly promise that their clients will vote for the incumbent as long as the incumbent meets their demands and those demands do not exceed the value to the incumbent of ignoring the patrons and organizing voters directly, as before.

Patrons receive rents from clients by taking a share (1-λ) of goods provided by government through them to their clients. This share is based on the bargaining position of the patron *vis a vis* clients. The patron could potentially offer to adjust (1-λ) to make agreements with the incumbent feasible, but would not be able to commit credibly to doing this. The share (1-λ) is therefore exogenous to the negotiations. Since the incumbent and patron already negotiate over the amount of goods that pass through the patron hands, there is little loss of generality here. These goods must be private, f, since patrons cannot control client access to public goods (e.g., patrons cannot easily affect the benefits to clients of national defense or of curriculum reforms in education), and because of the emphasis cited earlier in patron-client relationships on private exchanges.

If incumbents rely on patrons, it must be because it is not cost-effective for them to organize clients themselves: the costs of organizing clients independently outweigh the "tax" that patrons impose on distributions to clients. In this case, though, incumbents never have an incentive to provide public goods to clients, and clients have no incentive to condition their votes on public good provision. Public goods fall out of the utility that either patrons or clients believe they will get from the incumbent should they re-elect him. In the case of clients, even if public goods are provided in the current period, clients do not believe that they will be provided in the next electoral period: voters are not organized to coordinate their votes, except by patrons (who will not exchange client votes for public goods), and so incumbents do not believe that, even if they provide the appropriate level of public goods, these voters will support them in the next election.

Patrons could potentially coordinate among themselves to demand that government provide a minimum level of $H(g)$. However, since patrons are assumed to be vanishingly few in number (single points on a continuous line of voters), their votes do not matter and the electoral payoffs to the incumbent of providing g to to them rather than f to their clients is negligible. Similarly, patrons have no incentive to coordinate on the tax rate, τ. The utility that patrons and clients expect in the next electoral period, provided that the incumbent agrees to channel resources through the patron, can therefore be written as

Patrons: $W_p(\boldsymbol{q}) = y(1-\tau) + I((1-\lambda)f_p) + \sigma_i + \delta$

Clients: $W_c(q) = I\left(\dfrac{\lambda f_p}{\eta_P}\right) + \sigma_i + \delta$.

That is, clients vote for the incumbent if $I\left(\dfrac{\lambda f_p}{\eta_P}\right) + \sigma_i + \delta > 0$ since promises regarding taxes and public goods are neither made by the incumbent nor believed by clients nor demanded by patrons. Finally, rents to the incumbent from doing business with patrons in any given period are given by $(\tau - f_p)$. The value to the incumbent of doing business with the patron is that she need not invest *C* to organize the voters that the patron promises, given by clients.

These assumptions reflect the salient features of clientelism in the political arena that have captured the attention of observers: clients utilize patrons to resolve private issues, not to improve the quality or quantity of public goods; patrons control voting blocs; there is competition between incumbents and patrons because if incumbents invest directly in organizing clients, patrons lose rents from intermediating relations between clients and government, while incumbents, by supporting patrons, must use more costly means to cement their support (lump sum transfers rather than public goods).

The order of negotiation with patrons is the following: incumbents take office; patrons then establish a performance threshold for the incumbents that meets the incentive compatibility constraint given by (2), ensuring incumbents the expected (pre-shock) support of a share of voters, η_P in exchange for policy concessions to patrons. Incumbents then decide how many additional voters to organize and what policy concessions to make to these self-organized voters. If incumbent performance meets the threshold demands of the patrons, patrons ask their clients to vote for the incumbent. Clients vote after they receive the transfers. However, because patrons and clients can make credible commitments to each other, patrons know that clients will vote as patrons direct after receiving the transfers. Elections are then held.

To know what effect patron votes have on outcomes, we need to know where clients are located over the ideological space of voters. It is easy to see that patrons have the most leverage when they control the voters who are most desirable to the incumbent – voters who are on average ideologically indifferent, by Observation 1. Assume, therefore, that patrons control all voters whose ideological attachment to either party is weak and whose ideological preferences fall within $\left[-\frac{1}{2\phi_P},\ \frac{1}{2\phi_P}\right]$. The fraction of all voters controlled by patrons is therefore $\eta_p = \frac{\phi}{\phi_p}$.

As the number of patrons grows, patrons might be inclined to engage in Bertrand competition among themselves that would force up the share λ that they pass on to clients. out of transfers. Voters in Ferejohn (1986) or Persson and Tabellini (2000 Chapter 8) bid down their threshold demands in order to be included among the beneficiaries of government largesse. The plausible assumption that patrons cannot credibly promise to increase λ avoids this complication. In any case, the findings below do not depend on this assumption. In particular, regardless of inter-patron competition, incumbents always have an incentive to deliver transfers to clients in order to offset ideological shocks.

Any arrangement between patrons and incumbent must meet three incentive compatibility constraints. First, the benefits to the incumbent of using the patron to provide benefits to η_P voters must at least equal the benefits the incumbent could secure by organizing the voters herself. That is,

(2) $$\frac{\tau - f_P}{\frac{1}{2} - \bar{\sigma}(\psi + \phi) - \psi\eta_P\left[I\left(\frac{f_P}{\eta_P}\right)\right]} \geq \frac{\tau - f - g - C(\eta_P)}{\frac{1}{2} - \bar{\sigma}(\psi + \phi) - \psi\eta_P\left[y(1-\tau) + H(g) + I\left(\frac{f}{\eta_P}\right)\right]},$$

where the left-hand side gives the electoral benefits of working with the patron on voters, following the same logic as in Observation 2 (see also Observation 3 below). Second, if the condition in (2) can be fulfilled, patrons must also be willing to participate. They do as long as the rents they receive are greater than what they would receive if the incumbent chose to organize voters directly (assuming that this strategy dominates the pure rent-seeking default strategy from the point of view of the incumbent), or

(3) $y(1-\tau)+I\left((1-\lambda)f_p\right)+\sigma_i > y(1-\tau)+I\left(\frac{f}{\eta}\right)+H(g)+\sigma_i$.

Since patrons are a vanishingly small share of the electorate, their share of f_P almost always ensures that condition (3) is met.

The third incentive-compatibility condition is that the arrangement with patrons provides the incumbent overall with at least as many rents as she would earn if she ignored the patrons, from Proposition 1. Observation 3 identifies the total rents that the incumbent earns from dealing with patrons.

Observation 3: The incumbents total rents from meeting the patrons' performance threshold are given by:

$$\frac{\tau - f_P - f_A - g \quad - C(\eta_A)}{\frac{1}{2} - \bar{\sigma}(\psi+\phi) - \psi\eta_P\left[I\left(\frac{\lambda f_P}{\eta_P}\right)\right] - \psi\left(\eta_A - \eta_P\right)\left[y(1-\tau)+I\left(\frac{f_A}{\eta_A}\right)+H(g)\right]}.$$

Proof: See Appendix.

If the incumbent adheres to the patrons' performance threshold, she maximizes the expression in Observation 3. Under appropriate concavity conditions, this yields equilibrium outcomes given in Proposition 2.

Proposition 2: For *C* sufficiently convex, and *I* and *H* sufficiently concave, and the magnitude of potential shocks sufficiently large (ψ sufficiently small), first and second order conditions are met and ensure a unique equilibrium given by $\left\{\tau^*, g^*, \eta_P^*, \eta_A^*, f_P^*, f_A^*\right\}$,

where η_P^* and $f_P^*>0$; $\tau^* = 1$; $H_g\left(g^*\right) \geq \frac{1}{\eta_A^*} I_f\left(\frac{f_A^*}{\eta_A^*}\right)$ and $f_A^* = 0$ or

$H_g\left(g^*\right) > \frac{1}{\eta_A^*} I_f\left(\frac{f_A^*}{\eta_A^*}\right)$ and $f_A^* \geq 0$; and where, under plausible conditions, $\eta^* \geq \eta_A^* \geq 0$

and $g^* \geq g_A^* \geq 0$.

Proof: See appendix.

The presence of patrons has several key effects. First, it drives down the incentives of incumbents to organize voters, since patrons control the most ideologically-neutral voters, who are cheapest to persuade with policy. This is key. Absent such organization, no political competitor can make credible pre-electoral promises, reducing the power of electoral competition to improve government performance. Second, patrons potentially increase the benefits that incumbents offer voters. They organize voters in such a way that they can extract benefits from politicians (through the coordination of electoral voting rules) that would otherwise not be possible. Third, by the same token, patrons can reduce rents, but not necessarily by improving public policy; rather, they transfer rents to themselves in the form of the tax they apply on private good provision to their clients.

Numerical examples make these predictions clearer. Using the same parameterizations and functional forms as in the earlier discussion, assume a = .3, s=.5, k=.4, m=2, ψ=.8 , that λ=.9 – clients get the lion's share of transfers from government – and that there is no ideological bias ($\overline{\sigma}$ =0). Assume as well that patrons control 20 percent of the electorate. Finally, assume that the incumbent extracts the maximum rents from the patrons' clients. Targeted transfers f rise to .15, of which .135 goes to clients, versus .06 in the absence of patrons; patrons include all 20 percent of voters in the bargain with the incumbent. Public good provision falls to zero from .01. The incumbent has no incentive to organize additional voters – the fraction of organized voters goes to zero from .09. Although lifetime rents of the incumbent increase from 2.08 to 2.3, this is due entirely to a higher probability of re-election. Rents in any given period remain at approximately .88 Finally, voter welfare declines, largely because of the decline in public good provision. In the patron case, 20 percent of voters share targeted transfers offering total welfare of .87, for total social welfare of .178. When voters are organized by the incumbent, public good provision provides total social welfare of .25, and private transfers add another .07, for .32.

In all of the examples here, the assumption is that patrons coordinate on a performance threshold that gives incumbents maximum rents that they can achieve by transferring resources to clients. If they coordinate on a performance threshold that gives incumbents just enough rents to make them indifferent between organizing clients themselves and accepting the patrons' performance threshold, the results can change substantially. For example, in the foregoing example, if the patrons coordinate on a threshold that gives the incumbent just 2.08 in expected rents, transfers to clients rise to .41, increasing total social welfare to .29, including the share to patrons. This is still less than in the case where there are no patrons, however.

Distortions increase when patrons retain more resources. For λ=.5, the provision of targeted goods drops by half, to .07, though incumbent rents drop to 2.15, though incumbents still prefer to accept the patron threshold and do not organize additional voters. Patrons are better off, receiving .035 compared to .014, and social welfare is only one-quarter of what it would have been had the incumbents organized voters.

The presence of patrons can leave voters better off if the cost of organizing voters and likely political shocks are high enough. If k=.2 and ψ=.6, for example, the incumbent without patrons organizes one percent of all voters, offers them private transfers equal to .02 and public goods equal to .001, retaining rents scarcely above the default outcome, at 2.002. In the presence of patrons, however, twenty percent of voters share private transfers equal to .21 and rents to the incumbent rise to 2.04. Total social welfare is 50 percent higher.

Finally, if patrons control few enough voters, the incumbent does have an incentive to organize additional voters – but fewer than she otherwise would have. For example, if patrons control one percent of the electorate, then transfers to patrons amount to .02, the incumbent organizes an additional seven percent of the electorate, providing them with transfers amounting to .03 and public good provision of .006. Even here, though, the total electorate targeted for benefits is only .8, compared to .9 when patrons are not present.

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 in politics? 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. They assume that political promises to these voters are credible. The discussion in this paper is complementary, following Dixit and Londregan in arguing that the organization of voters is costly, but arguing that a key outcome of organization is to make credible promises. The focus in this paper on public and private goods provides an avenue for thinking about the conditions under which party organization leads to machine politics or not. Where incumbents find it cheaper to organize to make credible promises regarding public good provision, machine politics are less likely.

Dixit and Londregan argue and provide evidence from American cities that it can be less costly for parties to identify the needs of more ideologically sympathetic citizens and machines are set up to deliver transfers to them. The model here suggests an alternative explanation centered on credibility. If voters in general do not believe political promises, and the purpose of a machine is to build up the credibility of politicians, it may be least costly to organize a machine around ideologically uncommitted voters. These are the voters who are most amenable to policy interventions. Consistent with this, clientelism is rife in countries where the ideological separation between political parties is scant. There is also evidence that even the ideological debates that distinguished US parties at the national level had little salience in many cities, perhaps suggesting that the development of machines was driven more by the fact that the newly arrived immigrants who were the targets of early urban machines were also the least likely to believe the promises of politicians in their new land.

Medina and Stokes (2002) characterize clientelism as a system where the incumbent holds a political monopoly over resources valuable to voters. Candidates make credible policy promises to voters, as in Dixit and Londregan, this time 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 runnning for local office). They also abstract from public good provision. In their model, redistribution to voters reduces the relative value to these voters of access to the patron's risk-free asset. They predict that redistribution is therefore lower in clientelist states. Their model complements this and other models of clientelism by asking when government spending will be targeted to clients rather than to programs of generalized income redistribution.

Robinson and Verdier (2002) and Robinson and Torvik (2002) use the analysis of clientelism to explain why governments choose inefficient policies when they could have made greater transfers to particular voters using more efficient policies. As in the analysis here, 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 others[7]; or they derive utility from the wealth of some voters but not others). There are no patrons, *per se*, in their analysis, so there is no mechanism through which clients can hold incumbents accountable *ex post* for their actions, as in the analysis here.

Instead, incumbents can only convince these privileged voters to support them by making pre-electoral promises that are profitable for incumbents to fufill 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.

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 above differs from these two in several ways. First, it emphasizes the clientelism literature's findings that patrons and clients can make credible promises to each other but not to others. Second, 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. Unlike all analyses, it allows politicians to invest in credibility out of public resources. Finally, by introducing the idea that politicians can make credible promises to some voters but not others, the analysis here provides a different

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[7] 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,

rationale, not rooted in voter and candidate preferences, to explain why some voters might be privileged by some candidates but not others.

Evidence that clientelist influences explain differences in the performance of democracies

Clientelism and the poor policy performance of young democracies

The absence of political credibility should be most pronounced in young democracies, where politicians and voters have had limited opportunity to build up reputations. In countries where patrons are key political intermediaries, democratic competition is more difficult to establish; such democracies are likely to be more fragile and to experience shorter durations. Young democracies have become increasingly relevant: 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.[8]

The performance of young relative to more mature democracies in the face of crises has long been debated (see, e.g., Remmer 1990). Keefer (2003) shows that young democracies perform systematically differently, often worse, relative to older democracies. 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 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.[9] 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

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and the hours set aside for this purpose were known as the chakari hours. . . .”(Bista, p. 90)

[8] 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.

[9] 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*.

income on public investment than the older democracies – nearly one standard deviation more.[10]

The level of corruption in young democracies is consistent with a lack of political credibility. Though patrons can moderately reduce rents to the incumbent, their diversion of transfers is also a type of rent, and the total of incumbent and patron rents can be greater than if the incumbent organized voters without recourse to patrons. For example, the high level of targeted, infrastructure spending relative to public good spending is particularly likely in young democracies where patrons are dominant.

There is ample qualitative evidence that governments in young democracies focus significant attention on targeted spending. 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," 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).

The earlier analysis implies that where public goods are difficult to turn into voter utility, politicians prefer to organize voters around the provision of targeted transfers. For example, once in office, the former President of Perú, Alberto Fujimori – a man who entered office a virtual unknown and without the assistance of an established political party – assiduously cultivated voters who had scant knowledge of him by personally inaugurating small public works projects in their villages, through the Foncodes project.

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[10] 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. Patronage networks can develop into party machines: 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 beome 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).

Abandoned infrastructure projects

Robinson and Torvik (2002) argue that abandoned infrastructure projects are a symptom of clientelist influences in politics: they are what one would expect in countries where politicians can only make credible promises when they are in politician interests, but not in the interests of competitors. Projects are left unfinished as a spur to constituents to vote for the incumbent, since only the incumbent will complete them. When competitors come to office, they abandon unfinished projects, which are value-subtracting except for the political entrepreneur who began them, and begin their own. The discussion in this paper offers an explanation for incomplete infrastructure projects that are actually value-enhancing.

The phenomenon of abandoned infrastructure is, indeed, common. 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, 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). However, these paralyzed projects do not appear to have been value-subtracting. They were typically classroom buildings on crowded university campuses, public housing, and roads. Importantly, they appear to have been no less efficient than projects started and finished by the prior government during its term in office. If they were not value-subtracting, why were they halted?

The analysis in this paper suggests a possible answer. The foregoing analytical discussion focuses on the first incumbent to emerge from a sea of non-credible political competitors. That incumbent may have an incentive to organize a fraction of all voters; eventually, though, an ideological shock occurs that forces her out of office. The second incumbent then has an incentive as well to organize voters. He has a choice: to organize voters already organized by the past incumbent, or to organize other, unorganized voters. The first alternative has the advantage that such voters are the most ideologically indifferent and are the cheapest to organize. It has the significant disadvantage that voters who believe both competing candidates are in a position to force the past and current incumbent to compete for their votes, drive rents to zero. Hence, the second incumbent is likely to find it advantageous to organize more costly, but previously unorganized voters. This means, however, that the second incumbent has no incentive to finish projects left unfinished by the previous administration, since in so doing he would only be cultivating voters whom the earlier incumbent had attempted to organize.

The Dominican Republic offers a small test of this hypothesis. If the previous incumbent disappears for some reason, that incumbent's clients are set loose and available for renewed bouts of organization by competitors. One such shock is the death of the previous incumbent. In fact, the government of Hipolito Mejía of the Dominican Republic, though ignoring the incomplete projects begun by the predecessor government of President Fernández, proudly re-started many of the projects begun under the presidency of Joaquin Balaguer, who died at the age of 95 in mid-2002. With his death increasingly imminent, Balaguer's promises to clients were less credible, and the incumbent government of Mejía could therefore woo them with less costly promises. It became worthwhile for the Mejía government to attempt to capture Balaguer's clients by turning to projects begun under his government, halted by the successor government, and finishing them.

Property rights and the puzzle of growth in democracies

Despite the fact that the richest industrialized countries in the world are 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 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. To the extent that it undermines patron rents, for example, patrons directly oppose efforts to strengthen the rule of law or to improve the functioning of bureaucracies. Patrons instead prefer policies that privatize public goods. So also do incumbents seeking to improve their credibility who confront high fixed costs to providing high quality public goods.

This explanation contrasts with complementary analyses that emphasize the importance of formal institutions in protecting property rights. For example, North and Weingast, Acemoglu and Robinson and Clague, et al., all justifiably emphasize the importance of political checks and balances as constraints on attempts by politicians to renege on their promises. However, reneging on government commitments can also be seen as an act that imposes broad social costs (the reduction in investment) in order to achieve narrow benefits (the transfer of resources from a particular entrepreneur to a government actor or constituent), precisely the sort of actions that political competitors unable to make credible pre-electoral promises would be most inclined to undertake.

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 credibility and ideological attraction of political competitors; the presence of patrons; and the efficiency with which public good spending can be translated into increased welfare. A qualitative comparison of democratic reforms in Victorian England to those of the Dominican Republic following the Trujillo dictatorship illuminate the importance of these intial 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 initially rely on clientelist promises and the more developed are the issue-based reputations of political leaders in the period prior to reform.[11]

On the eve of the first Reform Act in England in 1832, expanding the electoral franchise, electoral corruption, influence peddling, and patronage permeated electoral competition in England. This was due to the tiny size of the electorate, which made vote-buying a cost-effective electoral strategy. 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.[12] After a roughly similar time period following the assassination of Rafael Trujillo, the Dominican Republic has yet to see similar changes.

Cox (1987) traces the succesful 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

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[11] 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 tolerted 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.

[12] 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 powerful MPs in "rotten boroughs", who were difficult or impossible to bring under party control.

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.[13] 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).[14] 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). 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 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.[15]

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[13] 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.

[14] 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

[15] 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

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.

Initial conditions help to explain this. 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, and the payoffs to clientelism were already lower. 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 calculations that the Conservative Party actually split over the repeal of the Corn Laws (Cox, Chapter 3); there would be less reason for parties to split over policy differences if these were electorally irrelevant.

Even in the decades prior to electoral reform partisan divides were evident. 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.

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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.

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) or to most developing country democracies today. 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, 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).

Taken together, the conditions on the eve of electoral reform in Great Britain permitted political competitors to make credible policy promises to the growing electorate. They found it 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. Moreover, although corrupt, the civil service seemed to function more effectively before electoral reform than is common in many new, poor democracies. This meant that politicians could rely on promises of public good spending or other broad policy promises to have a sufficiently large effect on welfare to focus their campaigns on them.

The Dominican Republic, a more recent island democracy, stands in sharp contrast to the British experience. Democracy emerged out of decades of rule by Rafael Trujillo, one of the most 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.[16]

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.[17]

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

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[16] 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).

[17] His loss occurred under the cloud of the notorious 1965 US invasion, which had as its main purpose

reputations inside the Dominican Republic with respect to policies other than participation in or opposition to the dictatorship. For decades under Trujillo, social and economic exchanges were structured only to take maximize 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.[18]

PRD candidates finally won the elections of 1978 and 1982. Their behavior, however, mirrored that of Balaguer. 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. Since party platforms differed little and personal clienteles were key to political competition, intra-party competition was fierce 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 maintaining support.

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).

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preventing a party viewed by the Americans as strongly left-wing from controlling the island.

18 *The Economist*, August 3 2002.

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 developnig 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 more credible are political competitors on policy grounds, 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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Appendix

Observation 1: The incumbent always prefers to organize an interval of voters $\left[-\frac{1}{2\phi_A}+\sigma', \frac{1}{2\phi_A}+\sigma'\right]$ for whom $\sigma'=0$, the median voter of the organized group has no ideological bias for or against the incumbent.

Proof: Consider any interval of voters that the incumbent might organize, $\left[-\frac{1}{2\phi_A}+\sigma', \frac{1}{2\phi_A}+\sigma'\right]$. Recall that it is costly to organize these voters and that the expected shock is zero. The median voter in this group is therefore expected to vote for the incumbent if $y_i(1-\tau)+f_i+H(g)>\sigma'$. The Observation argues that the incumbent will always prefer to organize a group of voters for which the median voter is ideologically indifferent, $\sigma'=0$. To see this, note that a median voter for whom $\sigma'>0$ is biased in favor of the incumbent and will prefer the incumbent independent of policy. Policy has no effect, so it is not worth organizing this voter, recalling that the only reason to invest in organizing voters is to influence them with policy. On the other hand, the median voter biased against the incumbent, $\sigma'<0$, is more expensive to persuade with policy: policy concessions rise with the magnitude of the negative bias. When the median voter is indifferent and $\sigma'=0$, however, vanishingly small policy concessions always have an effect on the median voter.

Observation 2: The vote share of the incumbent following a shock is given by $\frac{1}{2}+\bar{\sigma}(\psi+\phi)+\psi\eta\left[y(1-\tau)+\frac{f}{\eta}+H(g)\right]$.

Proof: Following an ideological shock, all voters in each group shift their voting preferences. To calculate the how the movement of voters inside each of the three groups affects the incumbents total vote share, one needs to describe the median voter of each group and the share of all voters in each interval. The median of the first interval is $\frac{\bar{\sigma}-\frac{1}{2\phi}-\frac{1}{2\phi_A}}{2}$, and the share of all voters contained in this group, $\phi\left(-\bar{\sigma}+\frac{1}{2\phi}-\frac{1}{2\phi_A}\right)$.

The median voter of the second interval is indifferent toward the incumbent and the share of the electorate is η. The bias of the median voter of the third interval is described by

$\frac{\bar{\sigma}+\frac{1}{2\phi}+\frac{1}{2\phi_A}}{2}$, and these voters are a fraction $\phi\left(\bar{\sigma}+\frac{1}{2\phi}-\frac{1}{2\phi_A}\right)$ of all voters.

Among all voters, the incumbent can expect half of all votes less the existing ideological bias against the incumbent prior to the ideological shock, less the share of voters who are biased against the incumbent following the ideological shock. To calculate vote share, one calculates the probability that the shock will be sufficient to make the median voter prefer the incumbent. For any of the three subsets of voters, the same is true. However, absent a shock, none of the voters in the first interval can be expected to vote for the incumbent, and all of the voters in the third interval can be expected to do so. The incumbent's vote share in the first interval, following a shock, is therefore given by,

$\left[\frac{\psi}{2}\left(\bar{\sigma}-\frac{1}{2\phi}-\frac{1}{2\phi_A}\right)\right]\left[\phi\left(-\bar{\sigma}+\frac{1}{2\phi}-\frac{1}{2\phi_A}\right)\right]$. The first term is the amount by which the shock moves the median voter above the point at which she is indifferent to the incumbent, and is just prepared to vote for the incumbent; the second term is the fraction of all voters who are in the first interval.

In the second interval, organized by the incumbent and targeted with policy measures, the incumbent expects half of the votes if there is no shock and no policy. Following a shock and any policy interventions, total vote share therefore changes by

$\eta\left[\frac{1}{2}+\psi\left(y(1-\tau)+I\left(\frac{f}{\eta}\right)+H(g)\right)\right]$. Note that the effect of transfers *f* falls with η, since larger η forces down the per voter value of the transfer. The electoral value of additional public good spending is therefore $\psi\eta H_g(g)$, and of *f* is ψ. These are equated when $H_g = 1/\eta$. The value of public good spending rises faster than the size of the credible group of voters because as the size of the credible group increases, the beneficiaries of public good spending increase, but the per voter benefits of private transfers also fall.

Finally, in the third interval, the incumbent expects all of the votes in the event of a shock, so that expected change in total vote share from the effects of a shock on the third interval is $\left[1+\frac{\psi}{2}\left(\bar{\sigma}+\frac{1}{2\phi}+\frac{1}{2\phi_A}\right)\right]\left[\phi\left(\bar{\sigma}+\frac{1}{2\phi}-\frac{1}{2\phi_A}\right)\right]$. Summing these expressions and rearranging terms gives the total expected change in vote share.

Proposition 1: For *C* sufficiently convex, *I* and *H* sufficiently concave, and the magnitude of potential shocks sufficiently large (ψ sufficiently small), first and second order conditions are met and ensure a unique equilibrium given by $\{\tau^*, g^*, \eta^*, f^*\}$, where τ^* = 1, $H_g(g^*) > \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, then f^* = 0, but if $H_g(g^*) = \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, f^* > 0; and where η^* > 0. It the resulting rents are not greater than those from pure rent-seeking, however, the incumbent chooses $\{\tau^*, g^*, \eta^*, f^*\}$ = {1, 0, 0, 0}.

Proof: The proof that for $H_g(g^*) > \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, then f^* = 0, but if $H_g(g^*) = \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$, f^* > 0 follows Persson and Tabellini (e.g., 2000, Chapter 8).

The electoral payoffs to additional spending on *g* and *f* are $\psi\eta H_g(g)$ and $\psi I_f\left(\frac{f}{\eta}\right)$, respectively. Therefore, over the range of public good spending where $H_g(g) > I_f\left(\frac{f}{\eta}\right)$, an additional unit of targeted spending delivers less to each voter in the targeted group than an additional unit of public good spending. No targeted spending happens as long as this is true and $f = 0$. Before the benefits of public good spending fall into the range $H_g(g) < I_f\left(\frac{f}{\eta}\right)$, however, the incumbent substitutes private transfers for public goods.

When this condition holds, $f > 0$ and $H_g(g) = I_f\left(\frac{f}{\eta}\right)$. To see that τ^* = 1, note that the electoral payoff to additional tax relief is $\psi\eta y$, y<1, while the electoral payoffs to public good provision are at least $\psi\eta H_g(g)$. As long as each voter's share of total income is small, tax relief is never a politically desirable strategy and the incumbent sets τ^* = 1. It follows immediately that if policies have an electoral benefit, , it is also worthwhile to organize voters, setting η>0, as long as the incentive compatibility condition is met and

$$\frac{\tau^* - g^* - f^* - C(\eta^*)}{\frac{1}{2} - \bar{\sigma}(\psi+\phi) - \psi\eta^*\left[y(1-\tau^*) + I\left(\frac{f^*}{\eta^*}\right) + H(g^*)\right]} > \frac{1}{\frac{1}{2} - \psi\bar{\sigma}}$$

. If it is not, then the incumbent pursues the default strategy and sets $\{\tau^*, g^*, \eta^*, f^*\}$ = {1, 0, 0, 0}.

To identify their optimum strategy, politicians first identify optimum public good spending assuming transfers are zero. Then they assume that transfers are positive, setting $H_g(g^*) = \frac{1}{\eta^*} I_f\left(\frac{f^*}{\eta^*}\right)$. They choose the strategy that gives them the highest rents. Existence of an equilibrium is shown here for the second, more complicated case when f > 0. The first case follows analogously.

If H is twice differentiable in the region of the equilibrium then it is invertible and g is given by $g^* = H_g^{-1}\left(\frac{1}{\eta} I_f\left(\frac{f}{\eta}\right)\right)$. Substituting τ^* = 1 and for g into (1) yields

$$L = \frac{1 - H_g^{-1}\left(\frac{1}{\eta} I_f\left(\frac{f}{\eta}\right)\right) - f - C(\eta)}{\frac{1}{2} - \bar{\sigma}(\psi+\phi) - \psi\eta\left[H\left(H_g^{-1}\left(\frac{1}{\eta} I_f\left(\frac{f}{\eta}\right)\right)\right) + I\left(\frac{f}{\eta}\right)\right]}.$$

Maximizing this expression with respect to η and f and taking advantage of the Inverse Function Theorem yields the following two conditions (the numerators of the respective first order conditions).

$$\eta: \quad \begin{aligned} &\left(\frac{1}{2} - \bar{\sigma}(\psi+\phi) - \psi\eta\left(I\left(\frac{f}{\eta}\right) + H(g^*)\right)\right)\left(\frac{1}{H_{gg}}\left(\frac{1}{\eta^2} I_f + \frac{f}{\eta^3} I_{ff}\right) - C_\eta(\eta)\right) \\ &- (1 - g^* - f - C(\eta))\left[-\psi\left(I\left(\frac{f}{\eta}\right) + H(g^*)\right) + \psi\eta\left(\frac{f}{\eta^2} I_f + \frac{H_g}{H_{gg}}\left(\frac{1}{\eta^2} I_f + \frac{f}{\eta^3} I_{ff}\right)\right)\right] = 0 \end{aligned}$$

f:

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta\left(I\left(\frac{f}{\eta}\right)+H\left(g^*\right)\right)\right)\left(-\frac{1}{\eta^2}I_{ff}\frac{1}{H_{gg}}-1\right)$$
$$-\left(1-g^*-f-C(\eta)\right)\left[\psi\eta\left(\frac{1}{\eta}I_f+\frac{H_g}{H_{gg}}\frac{1}{\eta^2}I_{ff}\right)\right]=0$$

A maximum exists if $L_{\eta\eta}L_{ff}-(L_{\eta f})^2>0$ and $L_{\eta\eta}, L_{ff}<0$. There are offsetting effects from changes in each of the two variables: higher η or f reduces the marginal value of transfers, but increases the marginal value of public goods. The existence of a maximum depends on the relative magnitude of these effects. Assuming that terms with third derivatives are vanishingly small, and omitting them, the second order conditions can be written:

$\eta\eta$:

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta\left(I\left(\frac{f}{\eta}\right)+H\left(g^*\right)\right)\right)\left[-\frac{2}{H_{gg}\eta^3}\left(I_f+\frac{2f}{\eta}I_{ff}\right)-C_{\eta\eta}(\eta)\right]$$
$$-\left(1-g^*-f-C(\eta)\right)\frac{2\psi}{\eta^2}\left(\frac{H_g}{H_{gg}}\left(I_f+\frac{f}{\eta}I_{ff}\right)-\frac{2f}{\eta}I_{ff}\right)$$

ff:

$$-\left(1-g^*-f-C(\eta)\right)\psi\frac{1}{\eta}I_f$$

$f\eta$:

$$\left[-\psi\left(I\left(\frac{f}{\eta}\right)+H\left(g^*\right)\right)+\psi\frac{1}{\eta}\left(fI_f+\frac{H_g}{H_{gg}}\left(I_f+\frac{f}{\eta}I_{ff}\right)\right)\right]\left(-\frac{1}{\eta^2}\frac{I_{ff}}{H_{gg}}-1\right)$$
$$-\frac{2I_f}{H_{gg}\eta^3}\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta\left(I\left(\frac{f}{\eta}\right)+H\left(g^*\right)\right)\right)$$
$$-\left(\frac{1}{H_{gg}}\frac{1}{\eta^2}\left(I_f+\frac{f}{\eta}I_{ff}\right)-C_\eta(\eta)\right)\psi\left(I_f+\frac{1}{\eta}\frac{H_g}{H_{gg}}I_{ff}\right)$$
$$-\left(1-g^*-f-C(\eta)\right)\psi\frac{1}{\eta}\left(I_f+\frac{H_g}{H_{gg}}\frac{1}{\eta}I_{ff}\right)-\psi\frac{1}{\eta}\left(I_f+\frac{f}{\eta}I_{ff}+\frac{2}{\eta}\frac{H_g}{H_{gg}}I_{ff}\right)$$

The condition *ff* is always negative. The condition $\eta\eta$ is more complicated and depends on the relationship in equilibrium between public good provision and the fraction of organized voters. Note that this relationship can be expressed as $\frac{\partial g^*}{\partial \eta} = -\frac{1}{\eta^2}\frac{1}{H_{gg}}\left(I_f + \frac{f}{\eta} I_{ff}\right)$. Intuitively, increasing the fraction of organized voters should make public good provision more attractive. However, there is an offsetting effect: increasing the number of organized voters lowers per voter benefits from private transfers, increasing their marginal utility and making private transfers correspondingly more attractive. If this offsetting effect dominates, $\left(I_f + \frac{f}{\eta} I_{ff}\right) < 0$, it guarantees an upward bound on the payoff to organizing more voters and the condition $\eta\eta$ is always negative. If $\left(I_f + \frac{f}{\eta} I_{ff}\right) > 0$, $\eta\eta$ is still negative if the indirect effects of η on public good provision are small relative to its direct effects increasing the marginal costs of organizing voters, $C_{\eta\eta}(\eta)$, and reducing the inframarginal benefits of private good provision to existing organized voters, $\frac{2f}{\eta} I_{ff}$. Finally, note that $f\eta$ can have both positive and negative terms: the second term is always positive, but the fourth term is negative if direct effects outweigh indirect effects. When these are sufficiently offsetting, the expression is small and $L_{\eta\eta}L_{ff}$ - $(L_{\eta f})^2$>0.

Observation 3: The incumbents total rents from meeting the patrons' performance threshold are given by:

$$\frac{\tau - f_P - f - g - C(\eta_A)}{\frac{1}{2} - \bar{\sigma}(\psi + \phi) - \frac{\psi}{2}\eta_P\left[I\left(\frac{f_P}{\eta_P}\right)\right] - \psi(\eta_A - \eta_P)\left[y(1-\tau) + I\left(\frac{f}{\eta_A}\right) + H(g)\right]}.$$

Proof: If the incumbent accepts an arrangement with patrons to attract the support of voters η_P, she still has the option to organize additional voters, η_A. This implies five groups of voters. The interval of voters controlled by patrons is given by $\left[-\frac{1}{2\phi_P}, \frac{1}{2\phi_P}\right]$. By the logic of Observation 1, the incumbent prefers to organize less ideologically biased voters. Given that the patron's clients are the least biased, if the incumbent organizes any voters, they are divided into two symmetrical groups on either side of the clients, one biased against and the other for the incumbent. They occupy the intervals $\left[-\frac{1}{2\phi_A},\ -\frac{1}{2\phi_P}\right]$ and $\left[\frac{1}{2\phi_P}, \frac{1}{2\phi_A}\right]$. This leaves the unorganized voters, as before given by $\left[-\frac{1}{2\phi}+\bar{\sigma},\ -\frac{1}{2\phi_A}\right]$ and $\left[\frac{1}{2\phi_A}, \frac{1}{2\phi}+\bar{\sigma}\right]$.

We are interested in how an ideological shock influences the vote share in each group of voter, as in Observation 2. The effect of a shock on the patrons' voters is calculated identically as in Observation 2, and is given by $\eta_p\left[\frac{1}{2}+\psi\left(y(1-\tau)+I\left(\frac{f_p}{\eta_p}\right)\right)\right]$, recalling that client votes can be influenced only by direct transfers of private goods. The effect of a shock on the unorganized voters is identical to that calculated in Observation 2.

To calculate the effect of a shock on the two groups of voters that the incumbent organizes, as in Observation 2 we need their medians and vote shares. For $\left[-\frac{1}{2\phi_A},\ -\frac{1}{2\phi_P}\right]$ and $\left[\frac{1}{2\phi_P}, \frac{1}{2\phi_A}\right]$, recalling that $\eta_P = \frac{\phi}{\phi_P}, \eta_A = \frac{1}{2\phi_A}$, the median ideological position of the voters is given by $\frac{1}{4\phi}(\eta_A+\eta_P)$ and $-\frac{1}{4\phi}(\eta_A+\eta_P)$, and the vote share of each by $\frac{1}{2}(\eta_A-\eta_P)$. Following a shock, the incumbent's vote share in the ideologically hostile interval is given by $\frac{\psi(\eta_A-\eta_P)}{2}\left[-\frac{1}{4\phi}(\eta_A+\eta_P)+y(1-\tau)+H(g)+I\left(\frac{f_A}{\eta_A}\right)\right]$, and in the friendly interval by $\frac{\eta_A-\eta_P}{2}+\frac{\psi(\eta_A-\eta_P)}{2}\left[\frac{1}{4\phi}(\eta_A+\eta_P)+y(1-\tau)+H(g)+I\left(\frac{f_A}{\eta_A}\right)\right]$. Summing all of these five terms and subtracting from one to get the probability that the incumbent will not be re-elected following a shock yields the denominator in the Observation.

Proposition 2: For *C* sufficiently convex, and *I* and *H* sufficiently concave, and the magnitude of potential shocks sufficiently large (ψ sufficiently small), first and second order conditions are met and ensure a unique equilibrium given by $\{\tau^*, g^*, \eta_P^*, \eta_A^*, f_P^*, f_A^*\}$,

where η_P^* and $f_P^*>0$; $\tau^* = 1$; $H_g\left(g^*\right) \geq \frac{1}{\eta_A^*} I_f\left(\frac{f_A^*}{\eta_A^*}\right)$ and $f_A^* = 0$ or

$H_g\left(g^*\right) > \frac{1}{\eta_A^*} I_f\left(\frac{f_A^*}{\eta_A^*}\right)$ and $f_A^* \geq 0$; and where, under plausible conditions, $\eta^* \geq \eta_A^* \geq 0$

and $g^* \geq g_A^* \geq 0$.

Proof: The proof of the relationship between public good provision and transfers to organized voters follows that in Proposition 1. If the incumbent delivers support only to clients, the electoral payoff to tax reduction is $\psi \eta_P y$ and the payoff to an additional unit of

private goods to clients is $\psi I_f\left(\frac{f_P}{\eta_P}\right)$. A similar argument applies if the incumbent

organizes voters. The relationship between g and f_A is proven exactly as in Proposition 1.

The key results in Proposition 2 are that $\eta^* \geq \eta_A^* \geq 0$ and $g^* \geq g_A^* \geq 0$ -- the presence of patrons undermines incentives to build credible political organizations. To see that this is the case, consider the case where $f>0$ and the incumbent decides whether to organize voters. The incumbent's problem is

$$\max_{f_A, \eta_A} \frac{1 - f_P^* - f_A - g^* - C(\eta_A)}{\frac{1}{2} - \bar{\sigma}(\psi + \phi) - \psi \eta_P^* \left[I\left(\frac{\lambda f_P^*}{\eta_P^*}\right)\right] - \psi(\eta_A - \eta_P^*)\left[I\left(\frac{f_A}{\eta_A}\right) + H(g^*)\right]}.$$

It is immediately evident that the electoral payoff to public and private good provision to organized voters,

$\psi(\eta_A - \eta_P^*)\left[I\left(\frac{f_A}{\eta_A}\right) + H(g^*)\right]$ is lower than in the maximization problem from Proposition

1, where it is $\psi\eta_A\left[I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right]$. Given the concavity assumptions that ensure an equilibrium in Proposition 1, it must be the case that where the payoffs to these drop, so must their provision; and if the electoral payoff to policy appeals to organized voters falls, there is less appeal to organize voters, so the fraction of organized voters must drop as well.

To see this more explicitly, note that the first order conditions are:

η:

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta_P I\left(\frac{\lambda f_P}{\eta_P}\right)-\psi(\eta_A-\eta_P)\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)\right)\left(\frac{1}{H_{gg}}\left(\frac{1}{\eta_A^2}I_f+\frac{f}{\eta_A^3}I_{ff}\right)-C_\eta(\eta_A)\right)$$
$$-\left(1-g^*-f_P-f_A-C(\eta_A)\right)\left[-\psi\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)+\psi(\eta_A-\eta_P)\left(\frac{f_A}{\eta_A^2}I_f+\frac{H_g}{H_{gg}}\left(\frac{1}{\eta_A^2}I_f+\frac{f_A}{\eta_A^3}I_{ff}\right)\right)\right]=0$$

or, rewriting,

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta_A\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)\right)\left(\frac{1}{H_{gg}}\frac{1}{\eta_A^2}\left(I_f+\frac{f}{\eta_A}I_{ff}\right)-C_\eta(\eta_A)\right)$$
$$-\left(1-g^*-f_A-C(\eta_A)\right)\left[-\psi\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)+\psi\frac{1}{\eta_A}\left(f_A I_f+\frac{H_g}{H_{gg}}\left(I_f+\frac{f_A}{\eta_A}I_{ff}\right)\right)\right]$$
$$=\psi\eta_P\left(I\left(\frac{\lambda f_P}{\eta_P}\right)-\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)\right)\left(\frac{1}{H_{gg}}\frac{1}{\eta_A^2}\left(I_f+\frac{f}{\eta_A}I_{ff}\right)-C_\eta(\eta_A)\right)$$
$$-f_P\left[-\psi\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)+\psi(\eta_A-\eta_P)\frac{1}{\eta_A^2}\left(f_A I_f+\frac{H_g}{H_{gg}}\left(I_f+\frac{f_A}{\eta_A}I_{ff}\right)\right)\right]$$
$$-\psi\eta_P\left(1-g^*-f_A-C(\eta_A)\right)\left[\frac{1}{\eta_A^2}\left(f_A I_f+\frac{H_g}{H_{gg}}\left(I_f+\frac{f_A}{\eta_A}I_{ff}\right)\right)\right]$$

f:

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi\eta_P I\left(\frac{\lambda f_P}{\eta_P}\right)-\psi(\eta_A-\eta_P)\left(I\left(\frac{f_A}{\eta_A}\right)+H\left(g^*\right)\right)\right)\left(-\frac{1}{\eta_A^2}I_{ff}\frac{1}{H_{gg}}-1\right)$$
$$-\left(1-g^*-f_P-f_A-C(\eta_A)\right)\left[\psi(\eta_A-\eta_P)\left(\frac{1}{\eta_A}I_f+\frac{H_g}{H_{gg}}\frac{1}{\eta_A^2}I_{ff}\right)\right]=0$$

Rewriting *f*,

$$\left(\frac{1}{2}-\bar{\sigma}(\psi+\phi)-\psi(\eta_A)\left(I\left(\frac{f_A}{\eta_A}\right)+H(g^*)\right)\right)\left(-\frac{1}{\eta_A^2}\frac{I_{ff}}{H_{gg}}-1\right)$$
$$-(1-g^*-f_A-C(\eta_A))\left[\psi\left(I_f+\frac{H_g}{H_{gg}}\frac{I_{ff}}{\eta_A}\right)\right]$$
$$=-\psi\eta_P\left(I\left(\frac{\lambda f_P}{\eta_P}\right)-\left(I\left(\frac{f_A}{\eta_A}\right)+H(g^*)\right)\right)\left(\frac{1}{\eta_A^2}\frac{I_{ff}}{H_{gg}}+1\right)$$
$$-f_P\left[\psi(\eta_A-\eta_P)\frac{1}{\eta_A}\left(I_f+\frac{H_g}{H_{gg}}\frac{1}{\eta_A}I_{ff}\right)\right]$$
$$-\eta_P(1-g^*-f_A-C(\eta_A))\left[\psi\frac{1}{\eta_A}\left(I_f+\frac{H_g}{H_{gg}}\frac{I_{ff}}{\eta_A}\right)\right]$$

The left hand side of each condition is precisely the first order condition from the corresponding equations in Proposition 1. Evaluated at the solution to Proposition 1, the left hand side of each expression is therefore zero. Since the right hand side is not zero, the equilibrium solution in Proposition 1 cannot be the same as when there are patrons.

The concavity assumptions from Proposition 1 guarantee that the first order conditions are declining in their respective arguments. If the right hand sides of the two conditions are negative when evaluated at the Proposition 1 equilibrium, therefore, it must be the case that $\eta_A=\eta^*$ and $f_A=f^*$ are too large. By implication, given $H_g(g^*)=\frac{1}{\eta^*}I_f\left(\frac{f^*}{\eta^*}\right)$, g^* must also be too large (for I_f not too concave, a possibility in any case excluded by the second order conditions of Proposition 1).

For $\eta_A=\eta^*>\eta_P$ the second term on the right hand is negative in f and positive in η. However, if $\eta^*>\eta_P$, then it must be the case that $I\left(\frac{\lambda f_P}{\eta_P}\right)<\left(I\left(\frac{f_A}{\eta_A}\right)+H(g^*)\right)$, since unconstrained policy benefits to a larger number of voters must be greater than the constrained benefits (targeted transfers only, less the patron tax) made available to a fewer number of clients. Then the first term on the right hand side of η is negative, and that of f is positive. The reverse is true for the first and second terms of η and f if $\eta_A=\eta^*<\eta_P$. As long as the single positive term is small relative to the two negative terms on the right hand side of the two conditions, it must be the case that g and η are lower in the presence of clientelism.