

Clientelism, Public Goods Provision and Governance

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Background and Motivation

- The pervasiveness of political clientelism, which reflects strategic, discretionary, and targeted exchange of private goods and services for political support, has been documented in country case-studies and political ethnography .
- Potential negative effects on democracy and development through reduction of the supply of public goods, corruption and weakening of the rule of law(Hicken 2011, Stokes et al. 2013, Bardhan and Mookherjee 2020)
- But systematic evidence on the effects of clientelism on development outcomes is lacking
- In this paper, we examine the effects of clientelism on public goods provision, corruption and the rule of law for a large number of developing and developed countries for 1900-2017.

How May Clientelism Affect Development?

I. Clientelism \iff inefficient forms of redistribution

\implies **under-provision of public goods**

(Powell 1970, Robinson and Verdier 2013, Nathan 2019)

II. Clientelism \iff weakening enforcement of property rights

\implies **weaker governance quality**

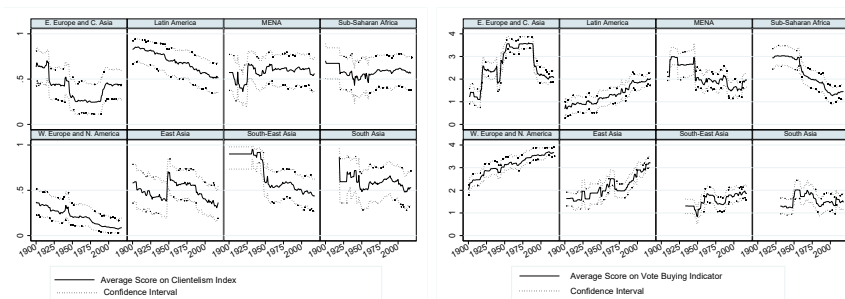
(Keefer and Vlaicu 2008, Holland 2016, Schmidt et al. 1977)

Data

- 161 countries; 1900-2017
- Clientelism related variables (V-DEM):
 - ▶ Clientelism index
 - ▶ Party linkages indicator
 - ▶ Vote Buying indicator
- Governance quality:
 - ▶ Corruption index (V-DEM)
 - ▶ Rule of Law index (V-DEM)
- Public goods provision:
 - ▶ Welfare State Encompassingness index (SPaW)
 - ▶ Universal Programs Index (V-DEM)
 - ▶ Gov. Exp. in Education (WDI, 1950-2013)
 - ▶ Share of Gov. Consumption (Penn World Tables, 1970-2013)
 - ▶ Universalism of Welfare Programs (SPaW)

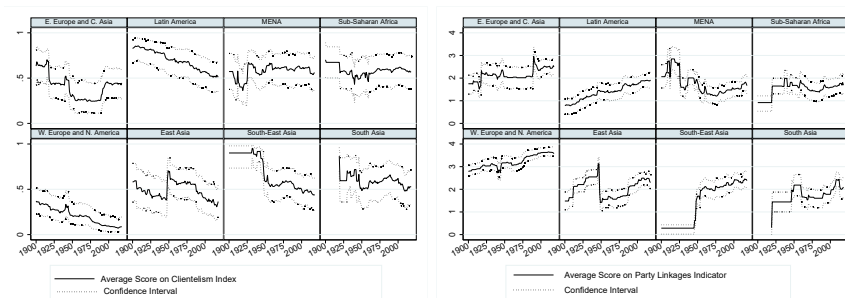
The evolution of Clientelism around the world

Figure: Trend of the Clientelism Index on the left and of the Vote Buying Indicator on the right on the right



The evolution of Clientelism around the world

Figure: Trend of the Clientelism Index on the left and of the Party Linkages Indicator on the right



Empirical Strategy

- Benchmark model: Panel two way fixed effects

$$y_{c,t} = \beta_0 + \beta_1 Client_{c,t-1} + \beta_2 \ln Pop_{c,t} + \beta_3 \ln GDP_{c,t} + \tau_t + \mu_c + u_{c,t} \quad (1)$$

- Two additional specifications:
 - ▶ Adding Electoral democracy_{t-1}; Electoral Democracy²; Stock of democracy
 - ▶ Controlling for exposure to trade, external shocks; level of socio-economic development and inequality
- Robustness: dynamic panel model (ss-LIML)

Results: clientelism and public goods provision

	(1)	(2)	(3)	(4)	(5)	(6)
Clientelism Index _{t-1}	-0.307*** (-3.917)	-0.326*** (-3.946)	-0.369*** (-4.030)	-2.098*** (-35.315)	-1.980*** (-32.218)	-1.966*** (-24.173)
Ln Population	1.150*** (32.314)	1.061*** (27.551)	0.742*** (15.047)	0.365*** (16.145)	0.280*** (11.200)	0.136*** (3.450)
Ln GDP per capita _{t-1}	0.067*** (2.764)	0.068*** (2.793)	-0.047 (-1.471)	0.045*** (2.665)	0.050*** (2.961)	0.135*** (5.342)
Electoral democracy _{t-1}		-0.249 (-0.715)	-0.591 (-1.567)		-2.075*** (-7.907)	-1.660*** (-5.471)
Electoral Democracy ²		-0.920*** (-4.191)	-1.302*** (-5.223)		-1.250*** (-8.062)	-0.649*** (-3.309)
Stock of democracy		0.592** (2.419)	0.848*** (3.128)		1.901*** (10.466)	1.327*** (6.047)
Openness			0.002** (2.145)			-0.004*** (-6.346)
Education 15+			0.010 (0.571)			0.060*** (4.186)
Life expectancy			0.029*** (10.705)			0.006*** (2.971)
Rural Inequality			0.004*** (4.837)			0.009*** (13.145)
Civil war			0.025 (0.607)			-0.165*** (-5.398)
Constant	-15.317*** (-28.086)	-14.497*** (-26.124)	-11.525*** (-17.517)	-1.879*** (-5.334)	-1.426*** (-3.896)	-1.241** (-2.380)
Observations	7,870	7,845	6,540	11,030	10,984	7,294
R-squared	0.878	0.877	0.877	0.801	0.805	0.836
Number of country_id	134	134	114	161	161	126
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Time period	1901-2013	1901-2013	1901-2006	1901-2017	1901-2017	1901-2006

*** p<0.01, ** p<0.05, * p<0.1. OLS with panel corrected standard errors.

T-values reported in parentheses. Dep.Var. in col. 1-3 is [Encompassigness](#). Dep.Var in col.4-6 is [Universalism](#)

Results: clientelism and governance quality

	(1)	(2)	(3)	(4)	(5)	(6)
Clientelism Index _{t-1}	0.527*** (63.144)	0.487*** (55.135)	0.395*** (37.111)	-0.483*** (-47.934)	-0.298*** (-36.902)	-0.247*** (-23.986)
Ln Population	0.024*** (7.574)	0.005 (1.342)	-0.004 (-0.804)	0.000 (0.065)	-0.007* (-1.795)	0.005 (0.962)
Ln GDP per capita _{t-1}	-0.020*** (-7.782)	-0.019*** (-7.433)	-0.020*** (-5.637)	0.040*** (13.364)	0.030*** (12.499)	0.036*** (11.277)
Electoral democracy _{t-1}		0.024 (0.654)	-0.005 (-0.129)		-0.659*** (-17.834)	-0.719*** (-18.614)
Electoral Democracy ²		-0.276*** (-12.699)	-0.224*** (-8.972)		-0.241*** (-11.385)	-0.336*** (-14.361)
Stock of democracy		0.070*** (2.731)	0.048 (1.640)		0.750*** (29.862)	0.837*** (31.047)
Openess			0.000 (0.566)			0.001*** (4.740)
Education 15+			0.007*** (3.355)			-0.021*** (-10.766)
Life expectancy			0.000 (0.919)			-0.002*** (-6.789)
Rural Inequality			0.000*** (3.415)			0.000 (1.535)
Civil war			0.004 (0.893)			-0.011*** (-2.582)
Constant	-0.160*** (-3.207)	0.063 (1.226)	0.135* (1.860)	0.741*** (10.930)	0.534*** (10.311)	0.539*** (7.861)
Observations	10,996	10,950	7,294	11,031	10,985	7,295
R-squared	0.921	0.924	0.939	0.888	0.936	0.952
Number of country_id	161	161	126	161	161	126
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Time period	1901-2017	1901-2017	1901-2006	1901-2017	1901-2017	1901-2006

*** p<0.01, ** p<0.05, * p<0.1. OLS with panel corrected standard errors.

T-values reported in parentheses. Dep.Var. in col. 1-3 is **Corruption**. Dep.Var in col.4-6 is **Rule of Law**

Results: Overview on the coefficients on 'Party Linkages' and 'Vote Buying' across different specifications of the baseline and controls models

		Party Linkages	Vote Buying
Panel A: Encompassigness	Baseline	0.131***	0.057***
	M1	0.136***	0.073***
	M2	0.163***	0.067***
Panel B: Universalism	Baseline	0.248***	0.265***
	M1	0.186***	0.259***
	M2	0.172***	0.288***
Panel C: Corruption	Baseline	-0.092***	-0.089***
	M1	-0.082***	-0.081***
	M2	-0.063***	-0.062***
Panel D: Rule of Law	Baseline	0.102***	0.052***
	M1	0.058***	0.033***
	M2	0.050***	0.028***

*** p<0.01, ** p<0.05, * p<0.1

Results: Dynamic Panel Fixed-Effects results using the ss-LIML Estimator

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Clientelism	0.136*** (0.02)	0.219*** (0.01)	-0.937*** (0.21)	-0.877*** (0.22)	0.406*** (0.04)	0.397*** (0.04)	-0.342*** (0.04)	-0.307*** (0.03)
Encompassiness _{t-1}	0.912*** (0.02)	0.935*** (0.02)						
Universalism _{t-1}			0.722*** (0.06)	0.709*** (0.05)				
Corruption _{t-1}					0.537*** (0.04)	0.519*** (0.04)		
Rule of Law _{t-1}							0.652*** (0.05)	0.238*** (0.03)
Ln GDP per capita _{t-1}	0.036 (0.02)	0.054 (0.03)	-0.179** (0.06)	-0.170** (0.06)	0.003 (0.01)	-0.000 (0.01)	-0.029* (0.01)	0.013 (0.01)
Ln Population	-0.007 (0.01)	-0.043* (0.02)	-0.160 (0.18)	-0.112 (0.16)	0.020 (0.03)	0.018 (0.02)	-0.006 (0.03)	-0.057** (0.02)
Electoral Democracy		0.187*** (0.01)		0.1875 (0.18)		-0.064* (0.03)		0.557*** (0.03)
Observations	465	465	804	804	804	804	804	804
Countries	93	93	134	134	134	134	134	134
Number of periods	5	5	6	6	6	6	6	6
Time periods	1960-2010	1960-2010	1960-2017	1960-2017	1960-2017	1960-2017	1960-2017	1960-2017
χ^2	1236,92	1268,4	136,04	178,54	166,06	209,33	166,01	290,19
No. of over. restrictions	58	74	59	78	59	78	59	78
p-value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*** p<0.01, ** p<0.05, * p<0.1. Standard errors in parentheses. The dep. variable in specifications reported in col. 1 and 2 is Encompassiness; in col. 3-4 is Universalism; in col.5-6 is Corruption and in col.7-8 is Rule of Law.

Results: Dynamic Panel Fixed-Effects results using the ss-LIML Estimator:
coefficients on 'Party Linkages' and 'Vote Buying'

		Party Linkages	Vote Buying
Panel A: Encompassigness	Baseline	0.010	-0.020
	M1	-0.055***	0.069***
Panel B: Universalism	Baseline	0.120*	0.090*
	M1	0.097*	0.085
Panel C: Corruption	Baseline	-0.059***	-0.031
	M1	-0.046***	-0.028***
Panel D: Rule of Law	Baseline	0.068***	0.025***
	M1	0.049***	0.040***

*** p<0.01, ** p<0.05, * p<0.1

Concluding remarks

- Clientelism reduces the universality of welfare programs and welfare state encompassingness (but only by a small degree)
- Clientelistic practices bring in more corruption and less rule of law
- The deleterious effects of clientelism on governance quality and public goods provisions tend to be conveyed mainly through non-programmatic party linkages rather than the practice of vote-buying
- In non-Western countries the clientelistic systems of benefits and rewards from parties to their constituents appears as the only form of clientelism that matters for public goods provision.
- No systematic differences between high and low rural inequality countries
- Results robust to several checks (more to do...)