

New Elite: Clientalism and Private Provision of Collective Goods

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1 Introduction

The Justice and Development Party (JDP) has successfully secured its third term in the office by the June 12, 2011 general elections in Turkey. This is unprecedented.

There are various social, economic, political and physiological explanations put forwards to explain this phenomena. We will not discuss every and each of them. Instead we will touch upon the alternative explanations as in the relevant sub-context of our argument.

We argue that simply private provision of collective goods in a clientalist effective network of masses, the New Elite, political brokers and the State is the main mechanism and process behind this visible and grand success. However, we note that the unless the growth rate of average private goods bundles (basically growth rate of GDP per capita) were sustained at its long term historical level, the strategy would be hardly fruitful. In this respect, JDP has much debt to the international conjecture in which capital flows benefited the consumption-led growth in Turkish economy after the 2001 crisis.

Another important necessary condition is the level of moderate state capacity in terms of (1) imposing and collecting taxes in a discretionary way (2) creating and sustaining 'public-to-private rents'.

There had to be a threshold level of public goods in terms of Justice, Defence, Education, Health and most importantly infrastructure (communications, transportation and energy) to make the strategy feasible. The accumulated legacy of 'welfare state' and 'mixed economy' before the 1980s largely guaranteed that threshold.

	Optimal PG	Social Transfer	Private Collective Goods
Welfare state (progressive taxation)	Y/S	Y	N
Elite Capture (regressive taxation)	S/N	Y	S
Rents	S/N	Y	Y

2 The Argument

There are many agents in our model. But the simplest form will involve only the Elite, the Poor and the State (as represented the governing party, the bureaucrats that the party appointed and the ideological leaders).

The idea is simple. As in Acemoglu and Robinson (2008) the Elite has to make a sacrifice in Democracy compared to Nondemocracy. Both the sources and the nature of the sacrifice should be clearly defined.

We have a three-by-three matrix. Three sources and three outcomes may of course mix and be flexible given some parameter space. Nevertheless, it is more illuminating to stick with the Weberian ideal types.

*Y: yes, N: No, S:Some; Outcomes (O): The first row, Sources (S): The first column

The Poor compares the expected value of the set of Private goods (C) and Public Goods (G) in an alternative regime taking the cost of the regime change into account with the existing set. The Elite on the other hand compares the marginal cost and benefit of the sacrifice in different forms (or mix of it).

2.1 Clientalism

For S1 strategy to work there has to be an effective network of clientalism. Bardhan and Mookerjee (2011) gives a definition (D1) of clientalism as: "Clientelism refers to strategic transfers made by political parties and governments to poor and disadvantaged groups as a means of securing their votes, in an effort to consolidate political power". This definition only reflects the O2 space set, namely Social Transfer.

Clientalism should also mean O3, Private Provision of Collective Goods (D2). This is evident in Turkey. Enjoying the services of a local health care center generally depends on whether you know the right person or not. For another example, one can observe the discretionary procedures taken for speeding or slowing the justice processes. The wafqs founded and managed by the Elite are the main coordination nexus of the clientalist networks.

However we totally agree with the observation that in spite of the po-

tential inefficiency of the system "...clientelism can be a potent tool used by incumbent governments to consolidate their grip." In Bardhan and Mookherjee (2010) paper the mechanism involves social transfers in local context in our it is the private provision of collective goods.

One of the essential features of clientalism is that it should be dependent on "contingent direct exchange, predictability and monitoring" (Kitschelt and Wilkinson 2007). D2 definition slightly modifies this dependency. D2 clientalism depends on both the micro and the macro coordination.

Indeed Kitschelt and Wilkinson (2007) confirms that there has to be collective goods involved in the bargain. "People demand goods from politicians who serve increasingly large clubs for whose members clientelistic linkages are too costly in terms of transactional arrangements. Some of these goods serve everyone in a polity, collective goods"

Public employment is an intermediate case. It is a quasi-collective good at least for the family.

The Elite and the State can agree on decreasing the level of Public Goods (financed by taxes) in order to maximize the marginal benefit of private provision of collective goods. This is exactly what has been experienced in Turkey. The investment in public schools deteriorated whereas many waqf schools enjoyed subsidies and expansion.

"A large fraction of public services owing to poor or disadvantaged groups may provide an appearance of successful targeting, yet these may simply represent widespread incidence of clientelism." (Bardhan and Mookherjee 2011).

Our theory indicates the extent of clientelism is negatively related to the extent of elite capture? WHY?

2.2 Collective Goods and Perverse Accountability

The Achilles Heel of clientalism is the (potentially) convex cost of monitoring the Poor. How do you make sure that the woman you just help will vote for you? The insistence on the private (or social) transfers as a symptom of clientalism distorts the real costs of monitoring. Once given the transfer is impossible to be taken back. The only disincentive would be not to give again.

Private provision of collective goods make monitoring (i) more effective due to economies of scale and (ii) less costly since (a) there are externalities and (b) it is open to peer pressure effects.

As Susan Stokes (2005) underline "when parties know, or can make good inferences about, what individual voters have done in the voting booth and reward or punish them conditional on these actions, this is perverse accountability".

Her insight derives from the observation she gathered from Argentinian politics. Turkey is considerably similar. "Despite a technically secret ballot, 37% of the sample responded that party operatives can find out, 51% that they cannot, and the remaining 12% did not know (total sample size: 2,000)"

The trick in clientalism is to achieve a correlated equilibria on "cooperation" even if the game looks like a Prisoners' Dilemma game on the lower level. The private provision of collective goods can accomplish to major steps to enhance the effectiveness of the clientalist network. (1) It can decrease the monitoring-cum-enforcement costs and (2) it can make the game repetitive, assertive and conformist.

But there is also a PD game to be played simultaneously on the upper level between the Elite and the State. How could the State make sure that the Elite does not defect and capture the rent to herself? The collective good nature plays an important rule here as well. It is much more transparent than the transfer of private goods.

2.3 Elite and State Game

What have happened to the state induced 'rents' during the JDP era? Have the nee Elite benefited from these rents? How did the tax structure change? How did the debt structure change? Who did get the state subsidies?

2.4 Waqf System, Informal Economy and Collective Goods

Mimar Sinan Vakfi is founded by a wealth businessman, Sinan Inanlar. The family firm have been enjoying lucrative deals in construction and in other industries. Through the MMV (waqf) around 1500-2000 poor people get food, have access to basic health care and obtain help and funds for education.

3 The Model