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EXECUTIVE POLITICS AND GOVERNANCE

# ELITES, INSTITUTIONS AND THE QUALITY OF GOVERNMENT

Edited by CARL DAHLSTRÖM  
and LENA WÄNGNERUD



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# Elites, Institutions and the Quality of Government

Edited by

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# Contents

<i>List of Illustrations</i>	vii
<i>Preface and Acknowledgments</i>	xi
<i>Notes on Contributors</i>	xii
<i>List of Abbreviations</i>	xix
<b>Section I Introduction</b>	<b>1</b>
1 How Institutions Constrain Elites from Destructive Behavior <i>Carl Dahlström and Lena Wängnerud</i>	3
2 Good Societies Need Good Leaders on a Leash <i>Sören Holmberg and Bo Rothstein</i>	13
3 Are Corrupt Elites Necessary for Corrupt Countries? <i>Susan Rose-Ackerman</i>	33
4 Prestige, Immunity and Diplomats: Understanding Sexual Corruption <i>Ann Towns</i>	49
<b>Section II History and State-Building</b>	<b>67</b>
5 The Political and Historical Origins of Good Government: How Social Contracts Shape Elite Behavior <i>Anna Persson and Martin Sjöstedt</i>	69
6 Political Leadership and Quality of Government: Restraining Elites at Nascent Statehood <i>Ulrika Möller and Isabell Schierenbeck</i>	93
7 Rulers and Their Elite Rivals: How Democratization Has Increased Incentives for Corruption in Sub-Saharan Africa <i>Michelle D'Arcy</i>	111
8 Stability and Stagnation <i>Anders Sundell</i>	129

<b>Section III</b>	<b>Power-Sharing</b>	<b>147</b>
9	Democratic and Professional Accountability <i>Carl Dahlström and Victor Lapuente</i>	149
10	Property Rights without Democracy: The Role of Elites' Rotation and Asset Ownership <i>Leonid Polishchuk and Georgiy Syunyaev</i>	167
11	Dynamic Economic Growth as a Constraint on Elite Behavior <i>Petrus Olander</i>	187
12	Political Control of Bureaucracies as an Incentive for Party Behavior <i>Agnes Cornell and Marcia Grimes</i>	205
<b>Section IV</b>	<b>Political Parties</b>	<b>225</b>
13	Political Parties and the Politics of the Quality of Government <i>Philip Keefer</i>	227
14	Why Women in Encompassing Welfare States Punish Corrupt Political Parties <i>Helena Olofsdotter Stensöta, Lena Wängnerud, and Mattias Agerberg</i>	245
15	Anti-Corruption Parties and Good Government <i>Andreas Bågenholm and Nicholas Charron</i>	263
16	Can Elections Combat Corruption? Accountability and Partisanship <i>Georgios Xezonakis, Spyros Kosmidis and Stefan Dahlberg</i>	283
	<i>Index</i>	305

# List of Illustrations

## List of Tables

2.1	An assorted collection of correlates of The Good Society (r)	20
2.2	Regressing the GSI on political system and administrative system variables restraining decision-making of leaders ( $\beta$ -coefficients)	27
5.1	Social contracts (SocCon1) and the quality of government	85
5.2	Social contracts (SocCon2) and the quality of government	86
7.1	Average percentage change in quality of governance scores, tabulated by changes in polity scores from 1990 to 2008	112
8.1	Indicators of human well-being in the world's most failed states and worst autocracies	132
8.2	A typology of political systems	137
8.3	Regression results	141
9.1	Descriptive statistics	158
9.2	Main results	160
10.1	Government rotation and protection of property rights	177
10.2	Property rights, turnover and economic inequality	178
10.3	Property rights, turnover, and incumbent's tenure	179
10.4	Investment climate, governors' rotation and business-affiliations	182
12.1	Political control of the bureaucracy and clientelism	217



12A.1	Countries included in the analysis	221
13.1	Parties, elections, and corruption	233
14.1	Descriptive statistics	253
14.2	Predicting perceived levels of corruption: Multilevel regression analysis (OLS)	257
14.3	Predicting probability to vote for corrupt party: Multilevel logistic regression analysis	258
16A.1	Countries and election studies	299
16A.2	System level variable descriptives	300
16B.1	Logit Models of incumbent voting	300

### List of Figures

2.1	Government effectiveness and the GSI	23
2.2	Level of democracy and the GSI	24
5.1	Boxplots of the relationship between social contracts and the quality of government	82
7.1	Summary of theoretical argument and diagnostic evidence	118
8.1	The relationship between life expectancy (2012) and level of democracy	134
8.2	Quadratic fitted functions of the probability of constitutional (solid) and non-constitutional (dashed) leader change depending on the level of democracy	135
8.3	Average tenure of incumbent regime and democracy score in the world 1975–2012	138
8.4	Marginal effects of regime duration on dependent variables at different levels of democracy	142
9.1	Meritocratic recruitment and control of corruption under different levels of democracy	159
9.2	(a and b) Interacting meritocratic recruitment and level of democracy	161

10.1	Security of property rights in relation to elites' rotation and asset ownership	175
12.1	Political control of the bureaucracy and clientelistic linkages	216
12.2	Political control of the bureaucracy and different types of clientelistic linkages	219
13.1	Argentina corruption relative to comparison countries (negative is worse)	236
14.1	Social spending in kind and gender gaps in perceptions of corruption in 19 European countries: explained variance: 51%	254
14.2	Social spending in kind and gender gaps in tolerance of corruption in 19 European countries: explained variance: 19%	255
15.1	Effect of party level factors on politicizing corruption	266
15.2	Marginal effects of politicizing corruption over country-level corruption by new parties	268
15.3	Anti-corruption performance in Bulgaria 1999–2013	271
15.4	Anti-corruption performance in Latvia 1999–2013	273
15.5	Anti-corruption performance in Slovakia 1999–2013	274
15.6	Anti-corruption performance in Estonia 1999–2013	275
15.7	Anti-corruption performance in Lithuania 1999–2013	277
15.8	Anti-corruption performance in Poland 1999–2013	278
15.9	Anti-corruption performance in the Czech Republic 1999–2013	279
16.1	Marginal effect of corruption perceptions over electoral system	292
16.2	Marginal effect of corruption perceptions over majority status	293
16.3	Marginal effect of corruption perceptions over effective number of parties	294

16.4	Marginal effect of corruption perceptions over cabinet duration	294
16.5	Party identification and corruption voting	296
16.6	Party identification and corruption voting over majority status	296

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Gothenburg, March 3, 2015

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# List of Abbreviations

ACP	Anti-Corruption Parties
BBC	British Broadcasting Corporation
CEO	Chief Executive Officer
CPI	Corruption Perceptions Index
CSES	Comparative Study of Election Systems
DPI	Database of Political Institutions
ENP	Effective Number of Parties
GDP	Gross Domestic Product
GSI	Good Society Index
HDI	Human Development Index
ICRG	International Country Risk Guide
IDF	Israeli Defense Forces
IMF	International Monetary Fund
MFA	Ministry of Foreign Affairs
MP	Member of Parliament
NDA	Non-disclosure Agreement
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Square
PLO	Palestine Liberation Organization
PNA	Palestinian National Authority
PR	Proportional Representation
SMD	Single-Member Districts
QoG	Quality of Government
TI	Transparency International
VCDR	Vienna Convention on Diplomatic Relations
WDI	World Development Indicators

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# **Section I**

## **Introduction**

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# 1

## How Institutions Constrain Elites from Destructive Behavior

*Carl Dahlström and Lena Wängnerud*

After decades of research on corruption and other aspects of government quality, it is clear that the top echelon of a society is of fundamental importance. To a large extent, elite politicians, bureaucrats and businessmen hold the fortunes of their societies in their hands, not only because of their direct influence on politics, administration and economy but also since their behavior indirectly signals the norms of that society. By implication, where elites behave in a self-serving manner there is no reason to believe that the rest of the population will be any better, while if elite behavior honors and adheres to the institutional framework there may ensue positive spirals toward higher quality of government (Acemoglu and Robinson 2012; Fukuyama 2011, 2014; North et al. 2009; Rothstein 2011).

But how are elites dissuaded from using their privileged position to enrich themselves at the expense of society at large? The answer from research conducted so far is that this is achieved via formal and informal institutional constraints that alter incentives at the top in different ways. Most studies in this field concern how constitutional rules and other legal constraints (La Porta et al. 1999, 2008; Persson and Tabellini 2003), stronger accountability mechanisms for the political elite (Gerring and Thacker 2004; Kunicova and Rose-Ackerman 2005; Persson et al. 2000), economic development and openness (Charron and Lapuente 2010; Svensson 2005; Treisman 2007; Welzel and Inglehart 2008) or bureaucratic structures (Dahlström et al. 2012; Miller 2000; Rauch and Evans 2000) hamper corruption and bad government. While research has made considerable progress in these and other studies, there are several unexpected and contradictory empirical patterns that indicate that at present we know too little about how dynamic these processes are. It is probably fair to say that there are no straightforward



relationships between institutions and elite behavior but rather that different institutional arrangements and other preconditions interact with each other. Therefore, if we want to know more about how institutions constrain elites, it is imperative that we understand when and how these interactions occur.

This edited volume consequently aims to contribute to knowledge of the interaction between elites, institutions and historical, economical and other constraints, and how these factors affect corruption and other forms of bad government. Together, the chapters show how even rather distant historical experiences incite elites to behave in line with either their immediate self-interests or the interest of the society at large, and that choices made during state-building processes are particularly important. They also demonstrate that regime changes, for example, from an autocracy to a more democratic form of governance, do not necessarily improve elite performance. The book does not stop there, however, but takes a step further and investigates different ways in which elites' preferences can be more closely aligned with the general interest when, for example, monitoring mechanisms are introduced through interactions between recruitment regimes to the bureaucracy, or economic motivations, on the one hand and democratic accountability on the other. Finally, it explores how, under certain circumstances, political parties can be a positive force in the fight against corruption and bad government.

In the remainder of this introduction we describe what we mean by elites and bad government, and explain why we think that history, distribution of power and party politics are of particular importance, before we more specifically discuss the results reported in the different chapters.

## **History, power and politics**

This book is mainly interested in political and administrative elites. We think of an elite as a dominant individual or group of individuals with extraordinary influence over some branch. The thesis is that elites, who are by definition at the top of a hierarchy such as a state, a company or an organization, are always tempted to use the power and information advantage that comes with their position to get benefits for themselves and their cronies and to let the rest of the organization bear the cost. This is sometimes conceptualized as a "moral hazard" problem and is well known in political science and economics, as well as in organizational research (Miller 2000, 297). It is fairly easy to find examples of how destructive it can be to the quality of government when elites use

their privileged position to serve their self-interests and how that can lead to political decay (Fukuyama 2014 provides several such examples). Corruption is quite naturally at the heart of the matter. It is often defined as “the abuse of public roles or resources for private benefit” (Johnston 2005, 12). Several of the chapters in this book are particularly interested in corruption, as it is a clear indication of elite abuse; but, as noted by Rothstein and Teorell (2008), corruption is merely one manifestation of low quality of government. Rothstein and Teorell (2008, 166) instead suggest that “impartiality” in the implementation of public policies is the norm that defines high quality of government, and other chapters in the book follow their advice and use this more inclusive concept.

Nevertheless, while there is no perfect method to rout out moral hazard problems, formal institutions, norms and economic circumstances can help to limit the problems. It is actually relatively easy to find examples in which elites behave in a less self-interested manner; in modern Canada, Germany and Denmark, for example, we see that, while we should not hope to find paradise, there is still a great deal of difference between polities. This book suggests that the historical experience of a state, the distribution of power, both between groups and over time, and party politics are important factors in explaining this variation.

Several studies have pointed out that historical experiences may hold the key to why some countries are better governed than others. Often underlying these studies are assumptions that clear rules that allow for credible commitments on the part of political and economic elites are crucial, and that once a path is chosen it continually contributes to either good or bad outcomes (North 1990). One influential line of research has studied how different legal traditions affect the quality of government, for example, which in turn contributes to desirable social and economic outcomes (La Porta et al. 1999). Much simplified, legal origins are divided into two groups: the *common law* tradition and the *civil law* tradition, the latter allowing for more political intervention in legal and economic matters. When politicians have the ability to interfere, they will do so from time to time, which according to these studies is destructive for the rule of law and thus may hamper investments and entrepreneurship (La Porta et al. 2008). Other somewhat broader, but equally influential, approaches instead identify different “social orders” (North et al. 2009, 13) – depending on whether the elites are “inclusive” instead of “extractive” (Acemoglu and Robinson 2012, 79) or the time horizon of the ruler (Olson 1993) – as fundamental for understanding development. All of this comes about through long-term historical experiences. Although neither of these theories is explicitly evaluated in

this book, they exemplify the causal thinking behind historical explanations of modern day phenomena. When a legal system, a social order or some logic for elite action is established through historical incidents, it alters incentives and execrations for everyone in society in a way that can either help or hamper progress.

Another related type of explanation concerns power sharing among elites, either between groups or over time. It might seem obvious that risks for bad government increase with a concentration of power. These lines of thoughts hold that if elites can be held accountable it is, generally speaking, positive, as it incentivizes them to act in the interests of others than themselves. In its simplest form the suggestion is rather straightforward and implies that with increased elite rotation, such as is the case with political elites in democracies, comes the will to contribute to general welfare. However, there are several studies, also represented in this book, that question a linear relationship of this type. Empirically speaking, it is well known that there is a curve linear association between the level of democracy and the level of corruption, suggesting that while democracy might contribute to good governance the dynamics is rather complicated (Harris-White and White 1996; Keefer 2007; Sung 2004). Still, it is fairly common to argue that elite competition is positively linked to low corruption and that such a mechanism would be much less efficient without at least temporal rotation among elites (Montinola and Jackman 2002). Other studies are more interested in power sharing among elite groups, where it can be demonstrated that when elites check each other – a kind of balance of powers – abuse is less common. Such patterns are observed in historical studies that stress the autonomy of the administration from the ruler (Fukuyama 2011, 2014; Greif 2008). This may also explain why a relatively independent administration is positively correlated with high quality of government (Dahlström et al. 2012; Rauch and Evans 2000).

As pointed out in several chapters in this volume, rampant corruption is probably also related to the capacity of citizens and elected politicians to act for the common good, often channeled via political parties. It has been suggested, for example, that political parties can alter incentives for the political elite such that investments for the common good also become more attractive from the elite's perspective (Keefer 2007; Klingemann et al. 1994; Powell 2004). As shown by Phil Keefer in Chapter 13, under the right circumstances political parties are able to provide a solution to these collective action problems. Citizens may also have a more direct influence on corruption. Welzel (2002) argues that the quality of elites is not an inherently independent phenomenon but

is shaped by changes in mass culture: that rising self-expression values among citizens will shift cultural norms toward a greater emphasis on responsive and inclusive elites. In this situation, political parties can play an important role by providing programs in line with the new ideas, in both the short and long terms. What this process could look like is demonstrated in the volume, which includes an analysis by Andreas Bågenholm and Nicholas Charron of anti-corruption parties and their actions against corruption.

## **Contents of the book**

There are indeed no straightforward relationships between institutions and elite behavior, and the aim of this volume is thus to analyze the preconditions for a high quality of government. To give nuance to our understanding, we have included analyses using different design methodologies studying different parts of the world. The chapters are organized around the three themes discussed in the previous section: history, power sharing and political parties. The first three chapters (together with this introduction) analyze the negative effect of unconstrained elites.

Sören Holmberg and Bo Rothstein conclude in Chapter 2 that well-functioning societies tend to control their leaders. Elites can be constrained in different ways, however, and, in order to study the relative strength of different factors, the authors construct a Good Society Index (GSI) capturing variations in infant mortality, life expectancy and life satisfaction. Their analysis, which covers 149 countries, shows that economic factors matter most, but efficient and impartial administrative institutions are also significant for a positive score in GSI. Holmberg and Rothstein finally note that constraints are combined in many ways such that different elite groups counterbalance each other in different polities and that no single factor can explain the large variation in GSI found around the globe. Moving on to Chapter 3, Susan Rose-Ackerman discusses whether, and in such a case how, low-level corruption can persist without high-level malfeasance, or if they necessarily go together. She argues that in resource-constrained states, with weak internal bureaucratic and monitoring capacity, leaders can tolerate corruption at lower ranks as a second-best option when reforms of policies and programs are not realistic alternatives. She further points out that combinations of corrupt leaders and honest citizens are also possible as long as corrupt payoffs are kept secret from the public. The destructive force of secrecy becomes even more apparent in Ann Towns' contribution, Chapter 4, on sexual

corruption. Towns studies the institution of diplomacy, which has not been subjected to the same pressure of transparency as other state institutions. This context has served as a breeding ground for various forms of corruption, not least sexual corruption. The intersection of gender/class and unconstrained power is illustrated by examples of low-status female applicants providing sex to male officials in exchange for a visa.

The next section of the volume deals with history. Chapter 5, by Anna Persson and Martin Sjöstedt, departs from the fact that the results of reforms are often dismal in the vast majority of developing countries that have adopted organizational and institutional features of industrialized states. Persson and Sjöstedt argue that this can be explained to a large extent by social contracts underpinning state–society relations at the outset of a state-building process. They study countries in Sub-Saharan Africa and conclude that in countries where state structures were legitimate in the eyes of citizens, indicated by the absence of violent threats toward the political elite, there is currently less corruption than in comparable countries. In Chapter 6, Ulrika Möller and Isabell Schierenbeck come to a similar conclusion in their studies of Israel, India, Palestine and Pakistan, although their emphasis is on the direct importance of the leaders at the time of nascent statehood. In the successful cases, from the perspective of their study, Israel and India, national leaders were able to limit the influence of the military elite when national mobilization for independence was transformed to focus on state building.

Michelle D'Arcy uses a case study of Malawi, presented in Chapter 7, to understand the puzzle of increased corruption after democratic transitions. D'Arcy focuses on intra-elite relations, and her conclusion is that repression and exchange strategies are inversely related in weak states. When rulers have to scale back strategies of repression – for example, they can no longer jail their opponents – they turn to bribery and patronage to stay in power. The next chapter in this section, Chapter 8 written by Anders Sundell, also discusses the balance between political order and self-government, but from a different angle. In an analysis of critical historical cases and Large-N studies, Sundell underpins the notion that there is always a trade-off between democracy and stability and that effects might be different in the short and long runs. Thus the chapters in this section highlight sensitive dynamics at critical junctures in history; positive spirals may spark off when leaders are more legitimate in the eyes of citizens, when the military elite is more constrained, when there is a certain amount of political order and when elites do not turn to bribery and patronage when they can no longer control their position through repression.

In the first chapter in the section on power sharing, Chapter 9, Carl Dahlström and Victor Lapuente demonstrate how the combination of a meritocratic recruitment to the bureaucracy and democracy level is needed to achieve low levels of corruption. Such power sharing is reached when bureaucrats get their legitimacy from their professional peers and politicians get their legitimacy from popular support. Dahlström and Lapuente conclude that professional bureaucrats have the capacity to monitor politicians but are much more likely to blow the whistle, and be listened to, in an open and democratic society. In Chapter 10, Leonid Polishchuk and Georgiy Syunyaev analyze power sharing in non-democratic states. They describe, both theoretically and empirically, how joint elite interests and competitive elements counterbalance each other. Results of a cross-national study and from the sub-national level in Russia show that where leaders are property owners and there are power shifts, the citizens are less vulnerable to violations of property rights than in similar contexts that lack the combination of these two elements.

To bring about an understanding of how economic growth affects institutional quality, Chapter 11 by Petrus Olander compares two American states, Ohio and Kentucky, where preconditions were very similar at the outset. The historical analysis reveals how economic diversification prevented the wealthy elite in Ohio from developing an institutional system that worked in their favor, against the common good, while developments took a different direction in Kentucky. In Chapter 12, Agnes Cornell and Marcia Grimes study the interface between various elite groups. The conclusion made in their Large-N study is that where the interface between politics and bureaucracy is porous, there is a high level of political control of the bureaucracy which, in turn, leads politicians to opt for clientelistic instead of programmatic strategies to attract voters. In sum, a politicized bureaucracy expands parties' and individual politicians' opportunities to intervene in the everyday workings of the state and use public resources for private benefits.

The first chapter in the section on political parties, Chapter 13, is written by Philip Keefer. It shows that so-called programmatic parties allow citizens to better defend their interests and reduce corruption. A cross-country analysis shows a strong negative correlation between programmatic parties and corruption, and a case study of the Peronist party in Argentina demonstrates the mechanisms that link them together. The conclusion is that in order to be a platform for collective action among citizens political parties need to solve internal

organizational problems and facilitate collective action by party members, but Keefer's analysis also underlines how difficult this is to achieve. In Chapter 14, Helena Stensöta, Lena Wängnerud and Mattias Agerberg show that interactions between political parties and citizens can proceed in unexpected ways. In a context of European states, it is women in the most encompassing welfare states who seem to be most inclined to punish a corrupt political party. The authors argue that women are more dependent than men on a well-functioning state and are therefore more inclined to punish corrupt political parties as an act of risk aversion.

In Chapter 15, Andreas Bågenholm and Nicholas Charron examine what Anti-Corruption Parties (ACPs) accomplish once in power. These parties have been especially successful in Central and Eastern Europe. The authors make a temporal study of ACPs and corruption in this region, and their conclusions are that positive results can probably be linked to the performance of ACPs. The final chapter of the volume, Chapter 16, by Georgios Xezonakis, Spyros Kosmidis and Stefan Dahlberg, studies the micro-foundation of electoral accountability. It shows that there are a number of factors that condition corruption voting, that is, a situation where voters take corruption into account when they decide which party to vote for. Examples of factors are that there needs to be competition between two main alternatives and that the government must have been in office for quite a long period of time.

## Conclusions

The results given in this volume back previous research on the importance of elites for explaining corruption, pointing to the importance of formal – such as clear legal and constitutional boundaries between various elite groups – and informal – such as elite competition and historical experiences – constraints. The important role of legitimacy is also a recurrent finding of the chapters in the volume, and a key to positive developments toward higher quality of government seems to be the recognition of various forms of legitimacy in the state apparatus; a good political elite builds its legitimacy on popular support while a good bureaucracy builds its legitimacy on administrative competence. While several chapters describe there not necessarily being any immediate relationship between democracy and low corruption, other chapters explain how democracy indeed contributes to low corruption when other factors, such as a professional bureaucracy or programmatic parties, are in place. It is equally clear that the results presented in the volume support

notions of the importance of elite rotation and political parties. Taken together, however, the most important finding here is that constraining factors should not be studied in isolation. They should rather be seen as parts of a set of formal and informal institutional complementarities.

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# 2

## Good Societies Need Good Leaders on a Leash

*Sören Holmberg and Bo Rothstein*

Power corrupts. Absolute power corrupts absolutely (Werlin, 2007, 359). If this famous statement by Lord Acton of how the world works is correct, the power of elites obviously needs to be restrained to avoid corruption and bad rule (Werlin, 2007, 359). The power-corruption malaise is supposedly true for all kinds of power, but, as stated in the introduction to this volume, especially so for political power. History abounds with examples of poorly restrained, out-of-control leaders – not only high-handed dictators and kings claiming the grace of God but, unfortunately, sometimes also those who have come to power through democratically held elections. Today, we have substantial empirical support for claiming that the consequences of badly restrained political elites for human well-being have been, and still are, dire. No names are necessary, but it is a sad truth that bad megalomaniac leaders and elites are more highlighted and remembered in history books than the more anonymous good leaders. Thus, there are plenty of evidence-based historical proofs that power is best exercised if it can be effectively restrained through systems of control and accountability (Fukuyama, 2011, 321–434). That unrestrained power corrupts is a corroborated social science “law,” not all the time and under all circumstances, but often enough to enjoy a law-like status. The reasons for why accountability and control are necessary for avoiding corruption and “bad rule” are straightforward. In fact, this is another social science law-like statement that points to the remedy for the problem with power and leadership. Power should go together with responsibility and accountability. If power is shared with, or at least under oversight by, other institutionalized agents, the possibility of bad rule is diminished. Leaders who have to publicly answer for their actions and for whom there are effective systems holding them accountable for their actions are expected to behave better, especially if

those whose performance is deemed unacceptable can be removed from leadership. Consequently, we expect leaders with limited powers and under various forms of supervision that hold them accountable to perform better than leaders with less responsibility constraints. Our main hypothesis is that leaders need to be on a leash to be good leaders.

From a democratic perspective, and possibly also otherwise, restrained politicians are better for a well-functioning society than leaders on the loose. Citizens need to have their leaders on a leash – perhaps not a very short leash, but some constitutional/democratic constraints as well as sharp-edged procedures of accountability are necessary. However, this truth could prove to be wishful thinking. For example, studies show that the electorate does not always punish politicians they know to have been involved in corruption (Chang et al., 2010; Muñoz et al., 2012). A lingering question, however, is, what type of restraints are most important? As political scientists we naturally hope that electoral democracy and constitutional engineering are relevant. However, as shown by, for example, Dahlström et al. (2011), administrative restraints in the form of a competent and tenured civil service could also serve as a restraint against corruption and other forms of malfeasance. In this chapter we will try to show whether or not the political science and constitutional tools are useful in restraining leaders and, if so, what type of institutional arrangement can be most useful for creating better functioning societies.

That a constrained political elite matter is easy to say. But matter for what? A well-functioning society? Human well-being? Peace? Economic prosperity? Long-term ecological sustainability? The list could be long. We have opted to test the constrained political elite hypothesis on something even more grandiose, namely what we dare to label “The Good Society.” The theoretical idea is that restrained political leaders are a conditioning factor or a prerequisite for the emergence and durability of *The Good Society*.

## **What should be defined as The Good Society?**

Obviously, it is somewhat pretentious and maybe also paternalistic to try to define an entity called *The Good Society*. Readers can rightly ask who we are to pretend that we can tell what is and what is not a Good Society. Are we not trespassing into territory traditionally reserved for the grand thinkers in human history – an Aristotle, an Augustine, a Hildegard of Bingen, a Thomas More, a Jean-Jacques Rousseau, a Karl Marx or a John Rawls?

Well, yes, of course we are intruding paternalists. However, so far, and until quite recently, writings on The Good Society have primarily and foremost been an endeavor among philosophers and the results have mostly been theoretical treatises without any short-term ambitions to realize or test the ideas in real life. Lately, however, this has started to change. One source of this change comes from the “capability theory” presented by Amartya Sen (1979, 2009). This is a complex theory but in one sentence Sen argues that a Good Society is a society that provides its members with a set of resources that makes it possible for them to be capable of realizing their various potentials as human beings and what they are actually able to achieve. This is thus a non-paternalistic theory of what should count as a “Good Society” as it does not leave the judgment of what is “good” in the hands of the political elite but instead places this where we think it belongs, namely with the individuals themselves (Carter, 2014). What makes this philosophical theory interesting from an empirical point of view is that it can be used to “include an explicit ‘metric’ (that specifies which capabilities are valuable) and ‘rule’ (that specifies how the capabilities are to be distributed)” (Wells, 2012).

The second source for this change is the advent of “big data” and all kinds of statistical information from all over the world which have made it possible to begin to actually measure different versions of The Good Society, or as it has also been labeled “successful societies” (Hall and Lamont, 2009). We are thus in the lucky situation of having both the theoretical and empirical tools to test what constitutes The Good Society, and instead of just talking about it visions can be confronted by reality.

For obvious reason this is especially important in the health sciences where real human lives are at stake. Both Sen (2011) and other authors promoting the capability approach, such as Marta Nussbaum (2011), pay a lot of attention to health issues since, for obvious reasons, lack of good health is a central factor that deprives people with capabilities from realizing their potentials in life (see also Hall and Lamont, 2009). Therefore, it is reassuring that scholars within health science have been among the pioneers in operationalizing *The Good Society* via measures of the quality of life (cf. Wilkinson and Pickett, 2009). This has been done for entire nations as well as for individual human beings. Consequently, if one wants to define a Good Society in terms of the quality of life of its inhabitants there are ideas and established measurements to be inspired by in the health science literature (Hagerty et al., 2001).

## The Good Society Index

Our theoretical definition of The Good Society has to do with the quality of life inhabitants in different countries experience. The focus is on individual human beings and how they live and assess their lives. The operational measures that we will introduce to build a Good Society Index (GSI) are founded on three basic premises (Holmberg, 2007).

First, the index should take into account the two fundamental facts of human lives – the birth and death of humans. However, following the capability approach, a society in which most infants survive their first years and where people can be expected to live a long life would not be a Good Society if people felt miserable. Following the non-paternalistic approach, we therefore have decided to supplement the “hard” population data by information on how people *themselves* experience their life between birth and death. Concretely, this means that to the objective measures of infant mortality and life expectancy we add a subjective measure of well-being. This is taken from surveys where people answer questions about how satisfied or happy they are with their life.

We readily admit that one consequence of this way of operationalizing the GSI is that many other desirable traits are excluded from the delineation of The Good Society. Consider, for example, traits like democracy, market economy, ecological sustainability, gender equality, economic prosperity, absence of discrimination and law and order. All of them, it can be argued, could be included as indicators in a GSI but then we risk falling into the paternalistic trap where we, just like the political elites we argue need to be constrained, prescribe what is to be understood as “the good life.” There is, however, another main reason why we do not include measures like the ones just mentioned. That has to do with our second premise.

This second premise says that our index should adhere to Ockham’s razor, *lex parsimoniae*, meaning that the indicators of GSI should be kept to a minimum and theoretically be directly related to the quality of life of humans.<sup>1</sup> We want a lean index, not a broad mixed index.<sup>2</sup> And the reason for that is analytical. All kinds of desirable societal phenomena – everything from government effectiveness, low corruption, divided government, economic development, green policies and social welfare – should not overcrowd and dilute GSI. Instead factors like this should be treated as potential explanatory variables or conditioning circumstances for the emergence and longevity of good societies. If one includes a large set of variables in the index, none of these variables can be used to explain the variation in how well societies perform on the index.

Formulated somewhat differently, the indicators of The Good Society should preferably be close to what we can call the ultimate human *outcome* variables – life and death as well as subjective happiness. *Input* variables (conditions), *throughput* variables (procedures, processes) and *output* variables (policies) should be kept out of the definition of GSI. They are better treated as explanatory factors when analyzing The Good Society.

Our third premise says that GSI should encompass subjective as well as objective characteristics. Neither objective nor subjective indicators are sufficient on their own. They need to be combined. Objective circumstances in health research usually have to do with physical quantities like standard of living, income levels or medical health status. Subjective indicators depend on how people assess their life and circumstances, usually collected via survey research. Typical measures are degrees of job satisfaction, degrees of personal happiness or degrees of being satisfied with one's life. A sometimes serious problem with subjective measures is inauthentic self-reports, for example, instances of false consciousness or the fear of reporting true feelings. Culturally influenced responses that differ across nationalities or social groups are another potential weakness associated with subjective measures. A potential drawback with objective indicators is that they may be only very weakly or not at all connected to their subjective counterparts, and therefore possibly not being valid measures of The Good Society. As an example, among people material possessions and money may not necessarily be strongly related to happiness, good health or satisfaction with life.

A final reason is that for the researcher it is a dubious position to be in, if the chosen objective indicators of The Good Society are not related to what people themselves experience. Defining The Good Society against the “will of the people” is not a good solution because of its paternalism. People should have a say when science defines what is and, maybe more important, what is not a Good Society for them to live in.

## Constructing the Good Society Index

Given our three premises, the GSI is operationally constructed using WHO data on infant mortality and life expectancy and United Nations/Gallup data on people's subjective feeling of personal happiness. In a Good Society, we argue, newborn infants should survive and people should grow old before they die. And in between birth and death, people should state that they are happy.<sup>3</sup>

For the period around 2010 we have relevant data for no less than 149 countries, covering more than 90 percent of the world's population.

The limiting factor is the “happiness” indicator which as of today has not been measured in more than 150 nations. In contrast, information on life expectancy and infant mortality are available for most countries around the globe. The constructed GSI has a very good validity, at least in the sense that our three chosen indicators are strongly inter-related across the 149 countries. The correlation between infant mortality and life expectancy is 0.91, while the correlations between the two “objective” indicators and the happiness measure are 0.64 and 0.70 respectively.

We have opted for not giving the three indicators different weights. All carry the same weight. Furthermore, the index is built on ranks, not on rates. Countries’ ranks on the three indicators have been used to construct the composite index. Summed ranks divided by three yield an index value for every country that in theory can vary between 1 (= top nation) and 149 (= bottom nation). Among nations under investigation, top index values in contrast to bottom index values reveal that the relevant countries are closest respectively furthest away from The Good Society. However, GSI results do not indicate how close or how distant countries are from the maximum Good Society. The index is an ordinal ranked scale, not a parametric scale with all and nothing endpoints.

The GSI rankings are not very surprising. Countries at the top as well as at the bottom are well known from previous research (Holmberg, 2007) and from international health studies. Scandinavian countries accompanied by Switzerland and the Netherlands, but also Canada and Singapore, are the high-rankers, while Afghanistan and many African countries are ranked the lowest. The United States, one of the richest countries in the world, is ranked surprisingly low at number 28, somewhat behind the United Kingdom on rank 22. Russia is much further down the list on rank 72, only marginally ahead of China on rank 80. India, the world’s most populated democracy, is ranked among countries in the lower half on rank 108, just one rank behind another emerging democracy, South Africa on rank 107 (Holmberg and Rothstein, 2014).

## **Correlates of The Good Society**

Using the large datasets compiled by the Quality of Government (QoG) Institute at University of Gothenburg, we start by casting a very wide net. Our research question is if and to what extent constitutional and administrative restraints on leaders and elites are conducive in establishing and sustaining a Good Society. However, in order to study that question properly we have to consider that there are lots of other potential

factors playing a role in the emergence of The Good Society. And some of those other factors are in all likelihood statistically more significant than our constitutional and democratic restraint variables. For example, it goes without saying that economic development (richness) is highly correlated with possibilities to create good population health and possibly also satisfaction with life. And since the definition of our GSI measure is oriented to population health, it is natural to suspect that the degree to which countries invest in health expenditures should be rather strongly related to whether they are relatively close or not to The Good Society. However, as always we should not conflate correlation with causation. While it is almost self-evident that rich countries produce better population health than poor countries, the issue is of course whether there are “causes behind the causes” explaining why some countries can afford to do so.

In Table 2.1 a truly assorted collection of correlates of The Good Society is presented. Most, if not all, have been included for theoretical reasons – albeit different theoretical reasons. And most of them are supposedly positive ingredients in the mix of factors being of essence for the emergence of a Good Society (Holmberg and Rothstein, 2014). Among the 45 included factors are economical ones (GDP/Capita, Economic Freedom Index, Gini Index, Percent Agriculture, Credit Rating, Military Expenditure, Tax Revenue), social ones (Gender Equality, Human Development/Welfare, Education, Internet Use), health-oriented ones (Health Expenditures, Access to Sanitation), ecological ones (CO<sub>2</sub> Emissions, Environmental Performance, Access to Drinking Water), criminological ones (Police/100,000, Homicide/100,000, Organized Crime), religious ones (Religiosity, Percentage of Christians, Percentage of Muslims), factors related to state capacity and the quality of government (Professional Public Administration, Government Effectiveness, Control of Corruption, Rule of Law, Impartial Administration) and of course variables measuring constitutional and democratic constraints (Democracy, Failed States Index, Parliamentary Power, Electoral System and Competition, Political Constraints Index) and lastly – as a more playful addition inspired by Montesquieu’s climate theory – Latitude/Distance from the Equator.

Of the 45 variables, UN’s Human Development Index (HDI) shows the highest correlation with GSI across our 149 studied countries. The correlation is really high (0.94), but perhaps not very interesting given that HDI among other things includes life expectancy as an indicator and thus partially overlaps our GSI measure. This should instead be seen as a validity test of the GSI. More conspicuous is the strong relationship



Table 2.1 An assorted collection of correlates of The Good Society (r)

Variable	Correlation (r)	Number of countries	Direction of association	Closest to The Good Society
UN/Human Development Index	0.94	149	Positive	High human development
WB/Internet users/100 people	0.90	149	Positive	High Internet use
UNDP/Gender equality	0.86	134	Positive	High gender equality
GDP/Capita	0.86	140	Positive	Richer countries
WB/Government effectiveness	0.84	149	Positive	Countries with high QoG
Failed States Index (reversed)	0.84	149	Positive	Not failed states
Access to sanitation	0.83	141	Positive	Good sanitation
WEF/Country credit rating	0.82	132	Positive	Good credit rating
WB/Rule of law	0.80	149	Positive	High rule of law
TI/CPI control of corruption	0.79	149	Positive	Countries with more education
Access to drinking water	0.79	142	Positive	Good water
Average years of female education	0.77	146	Positive	Countries with more education
Average years of male education	0.75	146	Positive	Countries with more education
WB/Percentage of urban population	0.75	149	Positive	Living in cities
WEF/Quality of infrastructure	0.74	132	Positive	Well-developed infrastructure
WB/Agriculture's percent of GDP	0.73	136	Negative	Less agriculture
Heritage/Economic Freedom Index	0.70	147	Positive	Liberal market economies
Economist/Index of democracy	0.68	149	Positive	Democracies
CO <sub>2</sub> emissions/Capita	0.68	121	"Positive"	More CO <sub>2</sub> emissions
Religiosity scale	0.68	54	Negative	Less religiosity
QoG/Impartial public administration	0.67	103	Positive	Impartial public administration
WB/Services' percent of GDP	0.67	136	Positive	More services
WB/Public health	0.65	148	Positive	More health expenditure
Expenditure/Percentage of GDP				

Environmental Performance Index	0.62	125	Positive	Decrease in environment stress
Latitude/Distance from the equator	0.59	149	Positive	Away from the equator
FH and polity/Level of democracy	0.52	146	Positive	Democracies
Henisz/Political Constraints Index	0.51	149	Positive	More power sharing
WVS/Interpersonal trust	0.50	42	Positive	Trusting citizens
Parliamentary Powers Index	0.49	142	Positive	Powerful parliaments
Electoral system (major, mixed, PR)	0.46	90	"Positive"	Proportional voting system
WEF/Trust in politicians (democracies)	0.45	91	Positive	High trust in politicians
Electoral competition	0.42	149	Positive	More party competition
Gini Index (reversed)	0.42	88	Positive	High-equality countries
WV/Total health expenditure/ Percentage of GDP	0.40	148	Positive	More money to health
Organized crime	0.40	132	Negative	Less organized crime
WB/Tax revenue/Percentage of GDP	0.37	109	Positive	More tax to central government
QoG/Professional public administration	0.35	103	Positive	More professional public administration
Percentage of Islam adherents	0.32	149	Negative	Less Islam
WB/Military expenditure/Percentage of government. Expenditure	0.24	105	Negative	Less military expenditure
IPU/Percentage of women in parliament	0.24	149	Positive	More women representation
WB/Private health expenditure/ Percentage of GDP	0.24	148	Negative	Less private health expenditure
UN/Homicide/100,000 population	0.24	149	Negative	Less homicides
Percentage of Christian adherents	0.24	149	Positive	More Christian
Government fractionalization	0.14	146	Positive	Multiparty government
UN/Police/100,000 population	0.00	74	Positive	More police personnel

Note: The GSI is presented in Holmberg/Rothstein *Correlates of The Good Society* (Holmberg and Rothstein, 2014, 13). There one can also find how all the correlated variables are constructed as well as the instructive scatter plots.

between The Good Society and Internet Use (0.90) as well as between The Good Society and Gender Equality (0.86).<sup>4</sup> One can speculate that efficient inter-human communications and humane and equal relations between men and women are supportive traits in a Good Society. The causality in this is certainly complicated: Is it a fairer society that gives women a better chance or is it the extent of power of “women in power” that improves living conditions for the population? (Wängnerud, 2015).

As expected, GDP/Capita is strongly connected with The Good Society (0.86). It should be easier to achieve The Good Society if there are plenty of economic resources. However, it should be noted that there are many interesting “outlayers.” For example, although the United States is significantly more prosperous than its northern neighbor, Canada outperforms the United States in all three measures we use in our index. This difference in health is not insignificant as during ages 25–64 the mortality rate in the United States is 30–50 percent higher than in Canada (Siddiqi and Hertzman, 2007, 593). Another example is a comparison between the Philippines and South Africa. Although the former country only has half the GDP/capita of the latter, life expectancy in the Philippines is 72 years while in South Africa it is 52 (Wells, 2012; data from UNDP, 2010). It is thus not only the aggregate level of economic resources but how it is spent that matters (Siddiqi and Hertzman, 2007; Holmberg and Rothstein, 2011). It is worth noting that some of the green ecological variables reveal high to semi-high correlations with The Good Society – Access to Drinking Water 0.79 and Environmental Performance Index 0.62. CO<sub>2</sub> emissions are also related to GSI although in a less flattering way (0.68). It turns out that Good Societies emit more CO<sub>2</sub>/capita than less Good Societies.

Moving on to our research question, it is as expected that governments with better state capacity do well (see Figures 2.1 and 2.2.). The correlation between the GSI and the World Bank’s measure of Government Effectiveness is a high 0.84. A couple of the other administrative variables also reveal pronounced correlations with GSI – Control of Corruption and Rule of Law, for example, with 0.79 and 0.80 respectively and Impartial Public Administration with 0.67. One interpretation of this is that a fairly autonomous and honest civil service, which bases its legitimacy on the principles of expertise and meritocracy functions as a restraint on democratic as well as authoritarian political leaders, is essential (Dahlström et al., 2011). Some democratic restraint variables show a relatively strong association with GSI as well (Failed States Index 0.84 and the Economist’s Index of Democracy 0.68), while others are less or weakly related to GSI (Freedom House/Polity-based Level of Democracy 0.52,

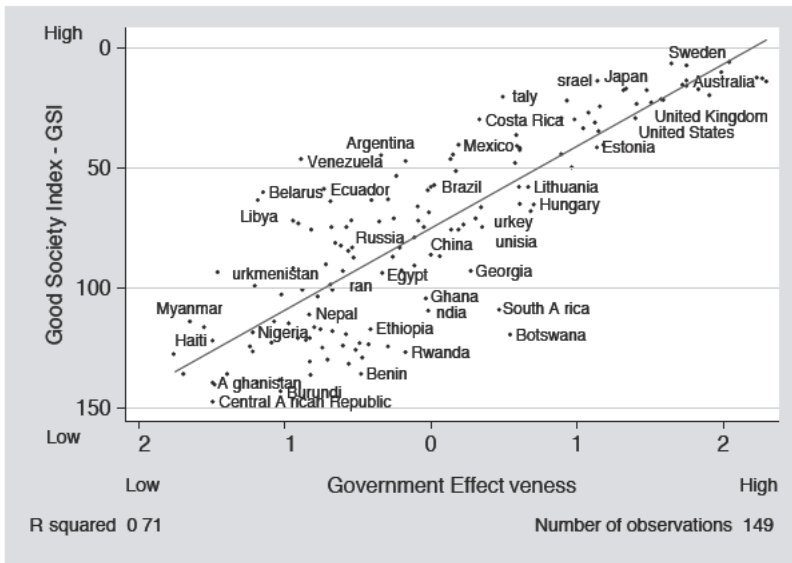


Figure 2.1 Government effectiveness and the GSI

Source: Holmberg (2007); World Bank (2009)

Political Constraints Index 0.51, Parliamentary Powers 0.49, Electoral Competition 0.42 and Government Fractionalization 0.14). This outcome is probably as would be expected given the fact that the two first mentioned indexes are very broad and built up of many and diverse indicators – twelve indicators for the Failed States Index and sixty indicators for the Economist's Index of Democracy. The other constitutional restraint variables are narrower in scope, concentrating on specific aspects of political decision making.<sup>5</sup>

However, the fact that the democratic constraint variables are weaker related to GSI than variables measuring state capacity and the quality of government is to some extent surprising. One would have hoped that countries governed by "the will of the people" should create better living conditions for "the people." However, as pointed out by Amartya Sen, enthusiasts for democratization have now to consider the fact that communist, autocratic China outperforms liberal, democratic India by quite a wide margin on all standard measures of population health (Sen, 2011). The same can be seen when comparing smaller countries: The two former British Colonies Jamaica and Singapore which both become independent states in the early 1960s, when they both were also

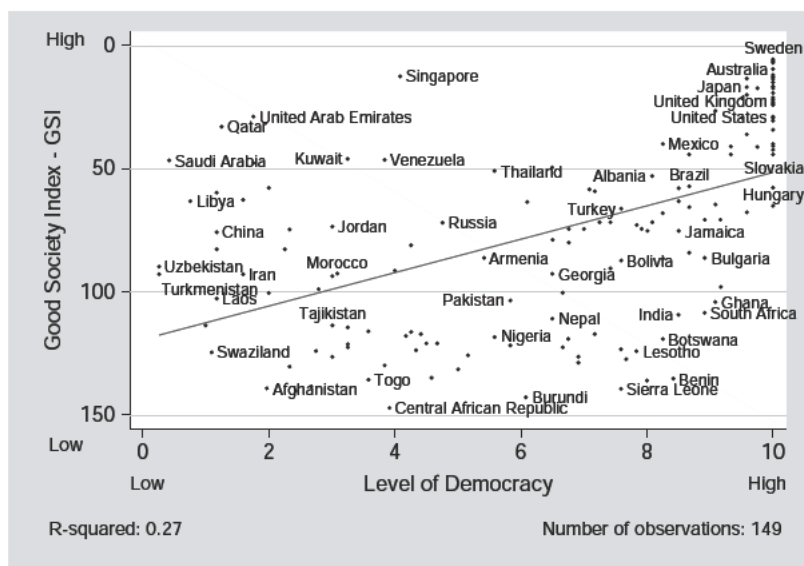


Figure 2.2 Level of democracy and the GSI

Sources: Holmberg GSI; Freedom House (2009); Polity (2009)

equally (very) poor, have experienced dramatically different paths of development. Singapore today outperforms most Western countries on standard measures of population health and prosperity while Jamaica scores surprisingly low. Just to mention one thing, infant mortality rate is about eight times higher in Jamaica than in Singapore. However, this also comes with some bad news for the effect of democratically engineered constraints on elites since Jamaica has been counted as a democracy during these fifty-two years while Singapore has not (Rothstein, 2011).

Religion also has some interesting relations with The Good Society. And here it is perhaps extra important to emphasize that we talk of correlations, not necessarily causations. Degree of religiosity proves to be negatively related to GSI ( $-0.68$ ). The more people worship divine powers, the worse is their society. But of course, people may have more reasons to hope for divine assistance if they live in a bad society. Be this as it may, countries ranked high on the GSI are characterized by less religious citizens. It is noteworthy that type of religion is very poorly correlated with GSI. However, percentage of Christian adherents in a country is positively correlated with GSI ( $+0.24$ ), while percentage of Muslim adherents is negatively correlated ( $-0.32$ ).

Yet, another interesting and not obvious information contained in Table 2.1 is that law and order variables are only medium to weakly related to GSI. Organized Crime (0.40), Homicides (0.24) and Police Presence (0.00) are not among the strongest correlates of The Good Society. The same conclusion goes for another violence variable, Military Expenditures (0.24). In all cases, however, the relationships are as we would like to have them from a normative perspective. In the Good Society there is less organized crime, less homicides and less military expenditures.

More facetiously, it seems as if Montesquieu was on to something. Climate matters. There is a substantial correlation between The Good Society and Distance from the Equator (0.59). Countries some distance away from the warm weather at the equator tend to be ranked higher on the GSI.

## Democratic and administrative restraints

As mentioned above, leaders can be restrained in many different ways – economically, socially, administratively and by democratic constitutions. Our focus here is on constitutional/democratic system versus administrative/bureaucratic system (Dahlberg and Holmberg, 2014). If we for the moment do not include the (administrative) quality of government variables, there are eight constitutional variables pertaining to how the democratic system constrains political leaders as represented in Table 2.1. Two of these show a substantial bivariate relationship with the GSI (Failed States Index and the Economist's Index of democracy), five with modest correlations (Level of Democracy, Heinisz's Political Constraints Index, Parliamentary Power Index, Electoral System [majoritarian, mixed or proportional] and Electoral Competition) and one with a very low correlation (Government Fractionalization). It is worth noting, however, that the two democratic system variables with the strongest statistical associations with GSI are both very broad indexes covering not only constitutional and democratic system phenomena but socially and economically desirable outcomes as well. The Failed States Index and the Economist's Index of Democracy, especially the latter, are thus not really good indicators of constitutional or democratic system traits since they both include too many non-constitutional factors.

Turning to the measures of state capacity and quality of government variables, we have five in Table 2.1 – three showing a very strong relationship with GSI (government effectiveness, rule of law and control

of corruption), one with a more medium association (impartial public administration) and one with a medium-to-low correlation (professional public administration).

Variables relating to the quality of government at the output or implementation side of the political system are more highly correlated with the GSI than are the variables measuring democratic accountability at the “input” side of the system. One possible reason for this is that a country that scores well on control of corruption, rule of law and government effectiveness is likely to have a more meritocratic recruitment of civil servants and professionals working in the public sector (Dahlström et al., 2011). This is likely to have two effects. One is simply higher competence in the state machinery. Providing good health care, sanitation and school systems is nothing for incompetent amateurs or, as it often happens, political cronies (Rothstein, 2013). The other causal effect may, as stated in the introductory chapter, come from the fact that politicians, whether democratically elected or not, will be surrounded by knowledgeable persons who can “speak back” to them from a different source of legitimacy, leading to a situation in which the two groups monitor each other. This can also avoid the well-known “eco-chamber syndrome” making leading politicians more aware of the realities they have to deal with. In health-related issues, this is not an insignificant problem since these are issues in which knowledge plays a major role. For example, if he had been surrounded by population health experts recruited through a meritocratic system instead of his political cronies, it is unlikely that former South African president Thabo Mbeki would have made the catastrophic decisions he eventually made about how to cure and prevent the AIDS epidemic in his country. According to a conservative estimation, this failure to base policies on advice from the experts in the field caused some 330,000 South Africans to die prematurely (Chigwedere et al., 2008).

### **Significant effects of democracy and Quality of Government**

The obvious question is to what extent – if at all – these restraining factors have an independent impact on the probability that a given country is or is not ranked high on the GSI. Does the constitutional/democratic system and state capacity/quality of government matter when we have controlled for some manifest factors like economic development and expenditures on health. In Table 2.2, with GSI defined as the dependent variable, we have run a series of regression analyses matching each of the

Table 2.2 Regressing the GSI on political system and administrative system variables restraining decision-making of leaders (β-coefficients)

	Bivariate			Multivariate									
GDP/Capita (Log)	1.09***	1.04***	0.81***	0.89***	0.89***	0.94***	1.00***	0.84***	0.93***	1.00***	1.01***	1.02***	1.03***
Total health expenditures	0.64***	0.26***	0.16**	0.16**	0.18**	0.13	0.18*	0.16**	0.11	0.19**	0.17**	0.16**	0.25***
Government effectiveness	0.98***	-	0.30***	-	-	-	-	-	-	-	-	-	0.20*
Control of corruption	0.90***	-	-	0.22***	-	-	-	-	-	-	-	-	-
Rule of law	0.88***	-	-	-	0.19**	-	-	-	-	-	-	-	-
Impartial public administration	0.70***	-	-	-	-	0.13*	-	-	-	-	-	-	-
Professional public administration	0.40***	-	-	-	-	-	0.04	-	-	-	-	-	-
Failed States Index	0.96***	-	-	-	-	-	-	0.25***	-	-	-	-	-
Level of democracy	0.72***	-	-	-	-	-	-	-	0.21***	-	-	-	0.13*
Parliamentary Powers Index	0.61***	-	-	-	-	-	-	-	-	0.13*	-	-	-
Political Constraints Index	0.42***	-	-	-	-	-	-	-	-	0.09**	-	-	-
Electoral competition	0.42***	-	-	-	-	-	-	-	-	-	0.13***	-	-
Electoral system	0.30***	-	-	-	-	-	-	-	-	-	-	0.07**	-
Government functionalization	0.13	-	-	-	-	-	-	-	-	-	-	-	0.05
R <sup>2</sup>	0.85	0.87	0.86	0.86	0.83	0.83	0.82	0.86	0.87	0.85	0.86	0.91	0.85
Number of countries	146	146	146	146	146	101	101	146	146	139	146	89	143
													146

Note: All variables, including GSI, are scaled between 0 and 1. What is 0 and what is 1 are shown in Table 2.1. The regression involving the electoral system variable is scored 0 for majoritarian, 0.5 for mixed and 1 for PR, and includes only electoral democracies (89 countries). Significance levels are: \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.



democratic/administrative restraint variables against a baseline model consisting of two variables – GDP/Capita (logged) and Total Health Expenditures.

First, it is very evident that the two variables in the baseline model have a strong relationship with the GSI. Together they account for 85 percent of the variance in our GSI measure. The lion's share of this is due to the GDP factor. In order to be ranked high on the GSI a country should first and foremost be rich and then enhance investments in health care.

Given our results one might add that how a country is run administratively is also important in attaining The Good Society. Four of our five quality of government variables show significant effects on the GSI, most evidently for the Government Effectiveness factor but almost as clearly for the Control of Corruption and Rule of Law variables. Money is not enough, as these factors have to be put to use in an effective, impartial and honest way as well. In a previous analysis we have shown that while public money to health care does have a positive effect on population health, the effect of private money is more doubtful (Holmberg and Rothstein, 2011). Among our constitutional and democratic system restraint variables all but one (Government Fractionalization) prove to have an independent and significant effect on the GSI as well.

However, the contribution of the bureaucratic/administrative variables in explaining the variance in the GSI is not very impressive given the effect of the economic variables. An added explained variance over and above the baseline model of only one or two percentage points is what we can notice – a statistically significant contribution but admittedly rather modest. The same conclusion can be drawn concerning the contribution of the constitutional/democratic variables. The relatively weak effect of the level of democracy variable may be due to the fact that many democracies are plagued by weak state capacity, clientelism, patronage politics or capture by resourceful interest groups using intense forms of lobbying to influence public policy in ways that are detrimental to the interests of the majority of the population (Zingales, 2012; Fukuyama, 2014).

The more narrow and concrete constitutional restraint variables in our study (Parliamentary Power, Political Constraints, Electoral System and Electoral Competition) do indeed show independent relationships with GSI. In all cases, however, the effect coefficients are very limited – in the expected direction, statistically significant, but small.<sup>6</sup>

Thus, democratic and constitutional restraint indexes covering different aspects of how a country is run prove to have significant and independent effects on whether a country is ranked high or low on the

GSI. But as to which specific ingredients have an effect is still shrouded in mystery. All the more concrete and more narrow in scope, constitutional/democratic system restraint factors included in the study show rather weak although significant associations with the GSI.

In a sense this is somewhat of a disappointment. Constitutional and democratic restraints matter. But we cannot really specify more exactly which kind of restraints is most effective. In promoting and designing a political system most conducive to The Good Society, apparently applying many of democracy's constraining devices on leadership is helpful. Political science tools are useful. The sad problem so far, however, is that we do not know more precisely which constitutional and democratic system tools are best for the job and how to apply them most diligently.

However, on a somewhat more positive note, one set of more precise tools in our study have proved to be more useful. The administrative quality of government variables – especially Government Effectiveness, Control of Corruption and the Rule of Law are clearly factors of independent importance for building and preserving a Good Society. Economic resources are number one in creating a Good Society. But QoG, and maybe to a slightly less degree Constitutional Democracy, is also part of the story.

### **The importance of good and impartial administrative capacity**

The tools of political science are useful, even if they are somewhat less important and useful compared to our hopes and expectations. Our analysis shows that money matters more than democratic constitutional and administrative system design. However, this should also be seen in the light of what is known as the institutional theory of development (North, 1990; Evans and Rauch, 1999; Rodrik, 2007; Evans, 2009; Acemoglu and Robinson, 2012). This theory, which has received considerable empirical support, shows that in order to become wealthy a country first and foremost needs high quality government institutions that are reasonably free of corruption, that can secure the rule of law, that can handle citizens and cases with impartiality and professionalism and that can install competence within the state apparatuses (Rothstein, 2011). From a policy perspective this is somewhat more useful than referring only to variables measuring economic prosperity. Simply put, it is not very helpful to advice a country that ranks low on our GSI that it is just a matter of "becoming rich." The issue is what type of institutions are likely to achieve this and to this end our analysis has produced

an answer. Democracy helps, but efficient and impartial administrative capacity is perhaps more important for becoming a “Good Society.” While we agree that while changing institutions in order to increase quality of government and state capacity may be a herculean task, historical examples show that it is sometimes within human capacity (cf. Uslaner and Rothstein, 2015).

## Notes

- 1 William Ockham (1287–1347), an English monk and philosopher, was not the first and not the only thinker who came up with the heuristic and esthetic idea that less is better than more in explaining and defining phenomena. Aristotle was on to the same principle much earlier.
- 2 We are not refuting the informational usefulness of broader indexes although their analytical usefulness is limited. One such good society index is The Tällberg Foundation Meta Index comprising some 14 different indicators covering most good factors like human development, economic performance, economic freedom, ecological footprint, gender equality, democracy and control of corruption. The Index has the Nordic countries on top with Sweden as number one and many poor African countries at the bottom (Ekman, 2007).
- 3 A similar measure to our GSI in the health literature is Ruut Veenhoven’s Happy Life Years (HLY) index. Veenhoven combines life expectancy and satisfaction with life and explains: “The number of HLY years is zero if nobody can live in a country, and infinity if society is ideal and its inhabitants immortal. The practical range will be between 25 and 75 years” (Veenhoven, 2005, 70). The correlation between GSI and HLY is very high, +0.84 (Holmberg, 2007).
- 4 The Gender Equality measure is borrowed from the UNDP Gender Equality Index. The index reflects gender-based disadvantages in the dimensions: Reproductive health, Empowerment, Labor Market. The first indicator has some overlap with the indicators included in the GSI.
- 5 The Political Constraints Index (Henisz, 2000) is a somewhat complicated measure based on the number of veto points in a decisional system, degrees of legislative fractionalization and party coalitions. Higher scores indicate more political constraint.
- 6 The directions for measuring the relationships are as follows: The more the constitutional constraints on Henisz’s index, the higher the rank on the GSI; the more the parliamentary power, the higher the rank on the GSI; proportional electoral systems yield higher ranks on the GSI than mixed or majoritarian systems; the more the party competition, the higher the rank on the GSI; the more multiparty a government is, the higher is the rank on the GSI.

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# 3

## Are Corrupt Elites Necessary for Corrupt Countries?

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Many claim that ‘a fish rots from the head down’—meaning that corrupt elites are the engine that engenders and entrenches systemic corruption.<sup>1</sup> That may be one mechanism, but is that the only possibility? Can a country with a corrupt ruler have a civil service that operates honestly in its day-to-day interactions with citizens? Conversely, can an honest, public-spirited president or prime minister stay in office with high levels of corruption in the grassroots delivery of public services and in the enforcement of the law? Might it ever be in the interest of a personally honest ruler to tolerate lower-level corruption? What features of a country’s political, economic, and social environment permit disjunctions between high- and low-level corruption? One can ask similar questions about the boards of directors and chief executive officers (CEOs) of multinational corporations. Might these individuals isolate themselves from knowledge of corruption and avoid personal involvement in illicit dealings so long as their firm’s bottom line benefits from the malfeasance of their employees and agents? Finally, are there situations where the ‘fish rots from the tail up’? In other words, can pervasive low-level corruption seep up to the top of government?

Much is made of ‘the tone at the top’,<sup>2</sup> but personal integrity is insufficient in a political ruler or the CEO of a private firm. An honest person who sits at the top of a corrupt hierarchy must, of necessity, be detached from the rank and file whom he or she is meant to oversee and even from members of the cabinet or, in a firm, from his or her top management. The person at the top may have no taste for the day-to-day business of governing or managing and so delegates too much authority and does not check on the actual operation of the organizations under his or her nominal control. A government leader may be detached from the day-to-day delivery of government services and the collection of taxes at

the grass roots. Such a ruler is content to engage in symbolic politics—which involves public appearances, speeches to friendly groups, media events, and so on—without considering the details of public administration and substantive policy delivery. This leaves space for corruption to flourish both among high-level officials who make major procurement decisions and among low-level functionaries who interact with citizens and businesses. In the worst case scenario, the very integrity of the leader provides a cover for the corrupt actions of others. The leader provides a veneer of honesty that helps to hide others' malfeasance. The same may be true of a CEO and the board of directors of a firm except that the goal of profit maximization creates affirmative reasons to overlook bribes paid to get business at the same time as it encourages crackdowns on those who accept bribes from sales agents. I focus, first, on elite public officials and then consider private-firm governance.

Of course, most countries are not 'ruled' by a single person. Presidents and prime ministers govern with cabinets whose members are often powerful politicians in their own right. Chief executives must convince elected parliaments to accept their policy proposals, and courts oversee the passage and implementation of policies. I begin with the case of an honest elite, including the circle around the prime minister or president, leading legislators, and the judiciary. I ask if such a system could have pervasive low-level corruption. Next, I ask if high-level corruption, in the broad sense of patronage and special favors for the elite, as well as *quid pro quos*, must inevitably trickle down the chain of authority to include officials engaged with ordinary citizens and local firms. Then, I consider analogous issues as they arise in large multinational firms. Finally, I point out that although high- and low-level corruption need not go together, there are indeed conditions under which they are likely to co-exist as corrupt dealings unfold over time. Hence, I conclude that high- and low-level corruption are not necessarily linked together but that high-level corruption can lead to low-level corruption under some conditions and vice versa. These scenarios can occur not only because of the force of (im)moral example but also because of structural links between the nature of malfeasance, especially if it does not involve out-right bribery.

### **Honest elites and corrupt rank and file**

A polity could have an honest elite but suffer from low-level corruption. Large infrastructure projects may run over budget because of waste and miscalculation, but not be corrupt in the sense that the profits of the

deals are inflated and shared between top officials and contractors. In contrast, the delivery of services and the imposition of costs on ordinary citizens could be corrupted if low-level officials can keep their corruption secret by intimidating or co-opting those who pay bribes. How can this happen? Will not those who pay bribes seek to convince the elite to crackdown on low-level officials?

There is one basic reason for the persistence of low-level corruption in such polities: Those who pay bribes have either no interest or no ability to push for change. Bribery may benefit both those who pay and those who receive the payoffs. In such cases, officials limit extortionary demands to avoid generating a popular backlash that could arouse the elite to action. Here, bribes are paid to get benefits or to avoid the imposition of costs; they are not paid under threat of the illicit imposition of costs.

One key example of this case is a publicly provided good or service that is scarce relative to the number of potential beneficiaries. Consider, for example, apartments in publicly subsidized housing, licenses for drinking establishments under a state-determined quota, and admission to selective elite universities. Officials must allocate the scarce benefit, and one way to do that is to use willingness to pay. Those at the top of government may ignore the use of bribes as an allocation tool for a number of reasons. First, they may be unable to expand supply because of scarce revenues and unable to monitor low-level officials because the state lacks institutional capacity. Public housing falls into that category in many polities. Second, scarcity may serve public goals but create incentives for payoffs. Thus, limits on entry into the retail liquor business might be a way to protect existing establishments and to limit the consumption of alcohol. The state is unwilling to eliminate the quota as an anti-corruption policy, but lacks the monitoring capacity to check low-level corruption. In this case, one policy response would be to legally sell licenses to the highest bidder—a response that would obviously be inconsistent with the policy goals in the case of public housing for the poor. Third, instead of expanding supply, officials might limit demand by fiat. However, legally limiting the number of applicants to match the supply may not be politically feasible because it may be too difficult for superiors to articulate clear and widely acceptable criteria. Then, willingness to pay remains an illegal allocation method that solves the allocation problem without explicit standard-setting from the top. For example, university admissions officials may be charged with admitting the best ‘qualified’ but lack clear standards that can be monitored by superiors. Some applicants are obviously ‘unqualified’, but the



potential student pool will often exceed available places. This can lead to payoffs that undermine stated goals by favoring the wealthy and the unscrupulous, but that are difficult to control because the lack of clear, transparent rules makes monitoring by insiders or outsiders difficult. Thus, in all these cases the nature of the scarce public benefits intersects with institutional weaknesses to produce low-level corrupt incentives that can persist in spite of the personal honesty of rulers.

However, in all three situations why do those excluded from the benefit not complain to the authorities? Here, recall that the number of potential beneficiaries is 'large'. By that I mean that those who are left out have a serious collective action problem. If they are not organized for some other purpose, they may not be able to engage in collective action to change the policy. In addition, if the benefit is allocated by a willingness to bribe, those left out are likely to be poor and to lack political clout for that reason alone. Furthermore, in non-democratic states the rulers may affirmatively limit the possibility for organized complaints. Low-level corruption helps keep the regime in power without the rulers having to endorse the practice.

Consider next payoffs that allow people and small businesses to avoid costs such as taxes, tariffs, regulations, and fines or other penalties levied by the police for rule violations. Here scarcity is not the issue. Rather, the benefit of bribery is generally greater profits or higher disposable income. Similarly, corruption of the police can allow one to avoid arrest and possible imprisonment. Here, the lack of institutional capacity is of central importance. Removal of these corrupt incentives will benefit the honest elite so long as it has sufficient control over its own low-level officials. Bribery does not allocate scarce public benefits. Rather, it permits corrupt officials and bribe payers both to benefit at the expense of the state. Thus, if the honest elite overlooks such corruption, it must be the result of institutional failures.

For example, suppose that corruption in customs has become pervasive as the result of neglect from the top, and has produced a vicious spiral where the corruption of some breeds the corruption of others. This can easily occur if customs officials have different thresholds for tipping in the corrupt direction. As more and more of their colleagues become corrupt, the moral constraints on taking bribes are likely to weaken, and the chance of being caught is also likely to fall so long as enforcement resources do not rise along with the incidence of corruption (Bardhan, 1997; Rose-Ackerman, 1999, pp. 124–5). Thus, if the elite is preoccupied with other issues, a small problem can escalate out of control making

reform costly and difficult. It may require a full-scale change of personnel and practice that is too politically costly and disruptive to take on. Occasionally, reform has taken that form. For example, Mozambique comprehensively reformed its customs service by hiring Crown Agents, an international firm, to run the customs service for three years beginning in 1997 and to help with a reform that involved a major turnover and upgrading of personnel. However, the contract was extended for several more years because the local agency was described as 'fragile' in part because the new agents, although better educated than those they replaced, tended to be inexperienced and hence subject to corruption themselves (De Wulf and Sokol, 2004).

If a similar vicious cycle occurs in law enforcement itself, with the police and even the prosecutors and the judiciary involved, efforts to control corruption in other areas of service delivery may be especially difficult. Of course, this problem is exacerbated if organized crime has a foothold and has corrupted the police and other officials. Its willingness to use violence as well as bribes can entrench low-level corruption and raise the risks for those who might approach higher authorities in order to combat corruption (see Gambetta, 1993, on Sicily and Varese, 2001, on Russia). This is not to say that rulers and elite politicians are powerless here, but simply to point out that a two-track system may be quite stable and destructive in spite of rulers who do not personally enrich themselves. Their own protestations of innocence should not be taken as sufficient by the citizenry. Some individual citizens and firms, of course, benefit from lower taxes and weak law enforcement, but the result can be a deeply dysfunctional state.

Thus, personally honest rulers may preside over a system with pervasive low-level corruption because the citizens and businesses who bribe believe that it is better to pay than to file an individual complaint, and because they lack a collective action alternative. Thus, limiting such corruption may not seem politically salient. Furthermore, even if honest rulers acknowledge that pervasive low-level corruption limits the benefits of state programs, they may view such payoffs as a second-best solution to the state's institutional weaknesses that they are incapable of correcting. One might condemn such rulers as at best willfully blind and at worst as implicated in the corruption that they tolerate. However, because of the structural roots of such corruption, reform needs to go beyond efforts to strengthen the moral fiber of top leaders; it must also restructure programs that have been permeated by corruption even as they serve the political interests of rulers.

## Corrupt elites and an honest rank and file

Now consider the possibility that those at head of the state are deeply corrupt, but that public services are delivered honestly by rank-and-file officials. The 'head' of the fish rots, but the rest of the fish stays fresh. How might this happen?

First, let us assume, that the honest provision of services increases the legitimacy of the government in the eyes of ordinary citizens. This, of course, assumes that citizens and firms view the state's laws, regulations, and policies as essentially fair and legitimate. Basic services such as education and health care are competently allocated, rules are not overly restrictive and serve transparent and acceptable purposes, and enforcement is even-handed and fair. There may be corrupt incentives built into programs that allocate scarce benefits or impose costs, but public officials seldom abuse their positions for private gain. They are paid well enough to live comfortably and the possibility of being caught and punished is a sufficient deterrent for most. Low-level corruption occurs, but it can be attributed to 'bad apples' and is not seen as a symptom of deeper problems.

However, second, assume that the competent delivery of services and the imposition of costs at the 'street level' is a façade that covers up massive looting among the elite rulers. This result is most likely if the rulers can keep their malfeasance secret from the population or if ordinary people do not clearly understand the costs of such elite behavior. Furthermore, even if most people know that high-level corruption occurs, they may be powerless to act—both because of collective action problems and because of explicit institutional limits on their ability to organize to push for change (Moene and Søreide, 2015).

A particular problem here is the wide range of activities that can constitute elite corruption. Most explicit are massive bribes paid to top officials in return for infrastructure contracts, privatized firms, natural resource concessions, and even ordinary contracts and monopoly franchises. Private investors themselves can fuel such corruption by organizing *ex ante* to determine the number and kind of public sector deals, as has been documented in Nigeria (Ufere et al. 2013). A favored firm may not only corrupt the bidding process itself but also determine which projects go forward and then set the specifications to favor its particular expertise. This type of corruption is especially destructive in poor countries where the funds to pay kickbacks come either from the revenue generated by the investments themselves or from foreign assistance funds and natural resource rents. Then the citizenry simply fails

to receive gains rather than seeing their current position deteriorate. A clever ruler might share some of the gains with ordinary people and local business through the well-functioning bureaucracy that this case posits. After all the political elite want to remain in power, and they may calculate that some sharing of the benefits of development is needed to help assure their tenure.

However, there is another possibility. In addition to providing a minimal level of honest public services, the ruler may both co-opt potential elite opponents by buying them off with a share of the gains<sup>3</sup> and oppress them through repressive crackdowns that work all the better because the police and other law enforcement officials are not personally corrupt.

In addition, some forms of elite corruption are more subtle and difficult to evaluate than outright bribery. Underlying any study of corruption is the broader issue of the way private wealth interacts with public power. An idealistic view would seek to separate the two, but that is obviously impossible. Thus, students of politics are faced with the difficult issue of how to distinguish illicit from acceptable interrelations.

Suppose that elite public officials favor their wealthy counterparts in the private sector with contracts and other benefits in return, say, for campaign funds or jobs and subcontracts for family members and close political associates. This form of high-level patronage can be difficult to distinguish from outright corruption.<sup>4</sup> Are the politicians providing benefits in return for support, or are the private actors distorting public policy choices to favor themselves? As in any market, there is no clear answer to that question. Both likely occur in any lucrative deal. A road is built, but its cost is inflated, its quality is low, and the winning contractor has political links to the ruler that are, however, contingent on the award of such contracts.

If these patronage relationships are reported publicly, this may, at least, open the door to criticism from opponents and civil society groups, perhaps aided by investigative journalism. In a competitive political environment this information can help opponents challenge incumbents, hence limiting the extent of such behavior. However, if such arrangements have spread to all political groups or if politics is not competitive, the only effect of transparency may be to increase the cynicism of ordinary citizens and further entrench such arrangements.

Further limiting the deterrent effect of transparency, campaign funds collected from wealthy elites may be used to buy votes in the form either of direct payoffs or of spending on campaign advertisements, rallies, and so on. These actions are what Stokes et al. (2013) refer to as patronage;

the authors do not discuss high-level elite bargains. This spending can counteract any negative effects of information about the close links between public power and private wealth. Campaign ads may drown out other types of information, and the concrete benefits of selling one's vote may dampen criticism of the sources of funds. Thus, transparency may not be a sufficient deterrent especially since the overall distortions introduced by the high level influence of private wealth may not be obvious to voters.

Of course, in many situations there is no transparency, but rather citizens may believe that elite deals are widespread but find them difficult to prove. Furthermore, institutions that might help expose and deter such behavior may themselves have been co-opted. These institutions include the media, especially radio and television; investigative and law-enforcement bodies, including the courts; and nominally independent institutions such as an electoral commission, ombudsman, anti-corruption bureau, or audit office. For example, the anti-corruption bureau could concentrate on uncovering low-level payoffs and either ignore or have no jurisdiction over high-level arrangements that favor elites. Hence, it is possible for a quite honest and well-functioning bureaucracy to provide services competently to the general public and to small businesses at the same time as the top political and business elite enrich themselves at public expense.

### **Corruption in large private firms**

Many general points about the possible disjunction between high- and low-level corruption also apply to private firms. The political elite are balanced by a private elite willing to use firm resources to pay bribes and kickbacks, or to use other forms of influence such as campaign funds or lobbying and more subtle tactics such as luxury conferences and study trips. In addition, some corruption occurs entirely between firms when a private firm's sales agent, for example, pays to obtain a sale. However, I concentrate here on the payment of bribes to public officials. A successful bribe payment increases the profits of the firm by helping it to obtain a contract or other benefit or to avoid a cost. Bribes are a cost to the firm, which would like to get the benefit of a corrupt deal for the lowest possible bribe-price (Rose-Ackerman, 1978, 1999). Management may seek to organize the firm so that low-level officials have an incentive to pay bribes that improve the firm's bottom line without implicating top management. This incentive has led to laws that impose legal responsibility on managers and boards even if they have no direct knowledge

of the corrupt deal. They are held responsible for setting up monitoring systems that oversee and discipline subordinates. Nevertheless, the basic point is that many corrupt deals increase profits at least in the short run; hence, purely internal checks will be insufficient. Top management may seek to be willfully blind as it espouses integrity in public statements but rewards subordinates for 'making the numbers'.

Similarly, the dynamic that can produce honest subordinates and self-seeking top officials can operate in private firms as well as in public agencies. There are two possibilities here that may overlap in practice. First, top managers may use outright payoffs or other forms of influence, from campaign contributions to other less obvious methods, to secure extra benefits from public officials. These benefits can range from major contracts and concessions to favorable tax rulings and regulatory enforcement. There is no reason, however, for these managers to tolerate corrupt activities lower down the hierarchy that might detract from the firm's performance. They might, however, tolerate ongoing low-level payments that increase overall profits. Second, top managers may act against the interests of the firm's owners and creditors by 'tunneling', that is, by extracting resources from the firm for their own personal use. This is the equivalent of a public official who fraudulently siphons off public funds into his or her own bank account. Private-firm managers may engage in tunneling with no outside involvement, but the practice might be facilitated by collaborating with top public officials to organize the looting of the firm in a way that benefits both groups. The corrupt managers, for example, might help political elites launder their own fortunes at the same time as they do so for their own benefit.

In short, in the private sector high-level corruption may or may not go along with low-level corruption and vice versa. Of course, knowledge of scandal at the top can weaken subordinates' loyalty to the firm and their moral scruples against corruption, but the hierarchical connection is not tight. It can be broken by secrecy and by strategic aspects of corporate organization.

### **When the 'fish' rots from the head down or from the tail up**

I have argued that it is possible to have corrupt elites and an honest rank and file and, conversely, to have a personally honest elite that is willfully blind and does not take strong action against a corrupt rank and file. Nevertheless, there are particular situations where the old metaphor does hold. The metaphor often refers to the way that the perceived integrity

of the organization's leaders affects the moral scruples of lower-level officials and ordinary citizens. Employees' morality is situation-specific. Thus, they may behave in one way with family, friends, and neighbors and bring quite another moral compass to the workplace. Sometimes this ability to inhabit a role is appropriate. The love and affection one brings to family connections are an inappropriate way to make decisions in a Weberian bureaucracy. Giving contracts and jobs to one's family and close friends, even when others are more qualified, violates norms of objective competence behind the division of labor in a firm or government office. However, one's behavior as an employee or civil servant ought not simply to mirror one's behavior with family and friends; it is important that those at the top of the organization make clear what kinds of ethical and moral judgment they expect of those farther down the hierarchy (Rose-Ackerman, 2002). If lower-level officials believe that those at the top are not concerned with furthering the organization's goals but are instead narrowly selfish, this may convince these subordinates to have the same attitude. In a private firm this involves earning personal profits from actions that are officially condemned by top management. These can include hiring and purchasing choices as well as the payment and the receipt of bribes. In public agencies it can involve bribe taking and other forms of behavior that benefit oneself and one's family and friends as well as inefficiency caused by laziness, thoughtlessness, and not showing up for work.

Furthermore, ordinary citizens and businesses may model their behavior on the law-flouting actions of elites. As Larry Diamond (2014) stated in a speech in Nigeria:

When most leaders of politics and government are seen as scoundrels and thieves, ordinary people tend to behave in kind, because they do not trust their fellow citizens to behave any differently, and they do not want to be the lone fool who obeys the formal rules.

Although leading by example is indeed a key dimension of any anti-corruption policy, it will not be sufficient if the objective conditions favor malfeasance. Furthermore, as I argue above, even honest political elites may strategically overlook low-level corruption. Nevertheless, institutional factors can contribute to the spread of corruption from the top even if leaders publicly (and cynically) express their commitment to honest government all the way down. The key point in Diamond's quote is that ordinary people distrust their leaders. However, outright bribery and favoritism in the award of major contracts, concessions, and

privatized firms, if kept secret, can be consistent with honest and competent service delivery lower down the hierarchy. The two are then in different boxes that seldom interact. Unfortunately for corrupt leaders, such segmentation is not possible for some types of high-level corruption. Efforts to maintain strong inter-elite connections spill over into ordinary service delivery.

The easiest way to see this possibility concerns civil service jobs, government contracting, and regulatory enforcement. Sometimes the interconnections between public and private elites are so strong that these groups simply decide what should be built, regulated, or sold; they split the profits in some bargained-out way, and then they expect the civil service to carry out their wishes in an efficient manner. The entire project—for example, a massive monument, an uneconomical urban development, a bridge ‘to nowhere’—may be deeply problematic, but once it has been approved, the elites want the project to be completed on time and on budget. However, such a neat division is not often possible in polities with a modicum of public accountability. In such cases, the elites cannot simply maximize their own joint profits and ignore the public. Rather they will have to make compromises with political reality. This may require them to involve lower-level officials in their schemes. Consider several ways in which this can happen.

First, the deal may specify that people associated with the private elite obtain jobs. Conversely, the private sector may provide jobs to those associated with the regime. In both cases, such individuals and firms may be poorly qualified for their positions, and one response to incompetence is to use corrupt payoffs as a touchstone for decisions. Thus, high-level malfeasance fuels low-level corruption, not only because of the moral laxity induced by unethical superiors, as suggested by the metaphor of the rotting fish, but also because of the way these elites have staffed the bureaucracy and private firms.

Second, subcontracts may be given to firms with political connections which are not able to deliver honestly. Their managers then have an incentive to pay off public officials to certify their work as fulfilling quality standards or to approve delays or changes in specifications.

Third, if elite bargains take the form of vote buying to entrench incumbents, this activity will likely involve a good deal of decentralized activity involving the party faithful. One way to have a sufficient numbers of helpers is to be sure that many party members are hired in the bureaucracy. In the extreme, party membership can be a pre-condition for obtaining a job. Such officials are unlikely to be ideologues who believe deeply in the party's platform, but they can be mobilized both



to extract payoffs that can be converted into campaign funds and to use such payoffs as a way to buy votes, directly or indirectly. As Wilkinson (2007, p. 132) notes, 'much of what we think of as simple corruption is in fact politically motivated, the result of politicians trying to generate cash for their election campaign rather than simply to enrich themselves'. Autocratic systems without elections will not need this strategy. It is a consequence of the existence of democratic forms that can be distorted for corrupt purposes.

Finally, consider the reverse dynamic in which widespread low-level corruption travels up the hierarchy. A personally honest leader may be undermined by low-level corruption that feeds on itself and gradually draws in more and more officials at progressively higher levels. Eventually, the leader may him- or herself succumb or else be overthrown by corrupt subordinates. Hence, it is likely to be quite risky for an honest head of state to pragmatically accept corrupt subordinates as an unfortunate compromise with reality that reflects deficiencies of resources and institutional capacity.

## Conclusions

In conclusion, I return to the questions with which I began. In essence, I argue that there is no necessary connection between corruption at different levels in either public or private hierarchies. Personally honest elites may find it in their interest to tolerate low-level corruption and may organize public agencies or private firms to permit this result. This seems immoral and politically cynical, but it is a strategy for political survival, not a route to private wealth. Similarly, boards of directors and CEOs of multinational corporations may willfully avoid confronting lower-level malfeasance that boosts profits. In contrast, corrupt elites may wish to preside over honest subordinates who do not steal for their own account, thus leaving a bigger pie for those at the top. Of course, the rulers' preferred outcomes will not always be stable. If subordinates are informed of the rottenness at the top of the state, they may blow the whistle on their superiors (Dahlström et al., 2012, p. 657). Conversely, fully corrupt street-level officials may infiltrate the leadership over time. However, these dynamics are not inevitable; disjunctions can persist.

What then are the particular institutional factors that permit such a disjunction between high- and low-level corruption in the public sector? Low-level corruption can persist without high-level malfeasance if the state is very resource-constrained and has weak internal bureaucratic and monitoring capacity. Those at the top are unable to control their

subordinates and politically unwilling to increase spending or streamline program features. Outsiders are too diffuse to organize for effective complaint, and low-level malfeasance may extend to the police and the prosecutors. Conversely, regime leaders' corruption can be consistent with honest low-level interactions if high-level deals are isolated from the rank and file and if corrupt payoffs are kept secret from the public. True, this may be a fragile equilibrium in some cases, but there are a number of cases of elite bargains (Johnston, 2005) that manage to survive in part because ordinary people are not extorted for payoffs and express considerable satisfaction with the regime.

The most difficult cases are those where outright bribes are not paid, but private wealth, nevertheless, influences public power. The indirect and ambiguous methods used to exert influence may produce a civil service and a business community that are weak and politically dependent on each other. High-level corruption might be effectuated, in part, by stacking the bureaucracy with the unqualified family and friends of the wealthy elite who then take bribes to carry out their duties. The cost-effective and fair delivery of government goods and services may be seriously undermined in a way that cannot be corrected by a law enforcement crackdown that gets rid of the 'bad apples'.

## Notes

- 1 See, for example, Diamond (2014), Rothstein (2013).
- 2 The term apparently originated in the accounting profession to describe the ethical commitments of top management in private firms following a series of scandals involving high-level cover-ups, inadequate outside audits or both. <https://www.ventureline.com/accounting-glossary/T/tone-at-the-top-definition>.
- 3 This is what Nicolas van de Walle (2007, pp. 51–2) calls *prebendalism*, a system under which 'an individual is given a public office in order for him/her to gain personal access over state resources'. He sees this as a feature of early states, with no civil service and a weak extractive capacity. He argues that many sub-Saharan African states operated on this model after independence as a way of pacifying potential opponents.
- 4 A note on the varying definitions of patronage and clientelism is in order here. These concepts deal with *quid pro quos* in which citizens provide votes and organizational resources to help elect a candidate or a party. Voters do not pay bribes themselves but are *de facto* 'bribed' to provide support, sometimes through payments in money or in goods, though often in the form of jobs and other special benefits and social services. Unfortunately, the vocabulary is not settled although the basic phenomena seem clear enough. Some authors equate clientelism and patronage (Kitschelt and Wilkinson, 2007, p. 7). Others see clientelism as the more general concept that describes a case where benefits

are contingent on an individual's political support. Patronage, in that view, is a subset of clientelism that is directed toward party members in contrast to general vote buying (Stokes et al., 2013, pp. 7–14). D'Arcy (Chapter 7, this volume) defines patronage as 'the allocation of material resources in return for political support'—the same as the Stokes et al. definition of clientelism. However, writing on sub-Saharan Africa, D'Arcy sees patronage primarily as a means of elite management, in contrast to Stokes et al. who concentrate on individual voters and the brokers who deliver their votes and political support. Keefer (2007) uses the term in yet another way. Politicians contract with patrons, who are locally well-connected individuals, to influence their clients to vote for a particular political party or candidate. Patrons in his terminology are the brokers that provide patronage in Stokes et al.'s study. I use the term 'high-level patronage' here as in D'Arcy's chapter to refer to benefits provided by elite public officials to elite private actors.

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# 4

## Prestige, Immunity and Diplomats: Understanding Sexual Corruption

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Diplomacy is an institution of prestige and political weight. In a discussion of cabinet rankings, Krook and O'Brien (2011, p. 14) designate foreign affairs as an elite and high-prestige area as it offers individuals the potential for sustained "visibility and significant control over policy." It is also an institution that has traditionally been populated by an elite political class – such as the nobility in Europe – which continues to provide diplomacy with an air of exclusivity. Diplomats thus occupy a position which carries considerable prestige and esteem, often more so than other public positions. Diplomacy is interesting for corruption research in other respects as well. To ensure that diplomacy functions even in situations of international enmity and competition, diplomats need to be shielded from politically motivated persecution and harassment by foreign states. Diplomats thus enjoy privileges of immunity from the host country's laws and are not susceptible to prosecution unless diplomatic privileges are waived, which is very rare. Compared with other political elites analyzed in this volume, diplomats therefore enjoy more unchecked power and less accountability for criminal actions. While perhaps necessary, such protections can obviously be abused, turning immunity into impunity.

There are reports of some diplomats having misused diplomatic privileges for personal gain, including sexual gain. Indeed, media reports abound about diplomats abusing their position for personal sexual gain. As this chapter will show, consular officers have been reported to trade sex for visas and high-ranking diplomats have been accused of invoking diplomatic immunity against charges of rape, pedophilia and sexual slavery. As such cases suggest, public positions can indeed be used for private sexual gain. This in turn suggests that our understanding of corruption – generally defined as the use of public power

for private gain – should be expanded also to include private *sexual* gain. To be sure, although corruption scholars tend to primarily focus on monetary gain, these scholars are clear that corruption may take other forms such as “a rapid promotion, an order, decorations, and the like” (Friedrich, 1972, p. 127). A few scholars and organizations have indeed contended that there are forms of corruption that involve “sexual extortion, using sex as an informal currency in which bribes are paid . . . and human trafficking” (Transparency International, 2014, p. 4; see also Goetz, 2007; US Department of State, 2009; Wängnerud, 2015). However, in these discussions, sexual corruption is treated very briefly and often in passing, without much elaboration. The scholarship on trafficking tends to explore the causal links between political and judicial corruption and trafficking, treating trafficking as a variable separate from corruption (e.g. Bales, 2007 and Sacco Studnicka, 2010). To my knowledge, Jeffreys’s 2006 and 2008 chapters on sexual corruption in China are among the only academic texts that focus on sexual corruption in a more sustained manner.

The aim of this chapter is to explore the concept of sexual corruption in the elite political institution of diplomacy, an institution distinguished from others by granting immunity to diplomats as a form of unrestrained power. The chapter is exploratory, attempting first to introduce and theoretically defend the concept of sexual corruption, to then take a closer look at some of the traits of diplomacy and how these may shape the form sexual corruption takes in the diplomatic context. The chapter relies on media and other reports of diplomatic misconduct to provide illustrations of sexual corruption, and it thus contains no systematic data on sexual corruption. It is important to note that the chapter says nothing about the scope of sexual corruption within diplomacy – this is not its aim. Indeed, the focus on diplomacy should not be taken to indicate that diplomats are especially corrupt or sexually abusive. Rather, the particular features of diplomacy render it an interesting elite institution to study in order to begin the exploration of sexual corruption.

### **The case for adding sex to corruption**

Corruption is generally defined as the misuse of public office for private gain (e.g. Bardhan, 1997). Corruption is furthermore generally understood to entail an exchange relationship in which money, commodities or power are the central private gain for public officials. However, stories about the relationship between sex and public power abound

in popular media and popular culture. There are countless stories from (mostly) women about how (most often) men in positions of power expect or demand sex in exchange for promotions, employment or even the promise of no further abuse or harassment. Likewise, stories abound about women and sometimes men who manipulate male officials' sexual desire for material, professional or other gain.

It appears that such practices involving sex are rarely termed corruption, however. Instead, there is a wealth of other related terms and expressions to denote the use of sex in exchange for some good or benefit. For instance, a "honey trap" is used to indicate a situation in which one person uses sex, the promise of sex or sex appeal in order to entice or force another person into taking a particular course of action, such as revealing sensitive information. The "casting couch" is used to refer to situations in which an aspirant trades sex with a person of power in exchange for entry into a profession or organization. "Sleeping one's way to the top" is a related expression, pointing to how sex with persons in a position of power can be a means to advance in an organization or profession. Even more commonplace terms such as sexual harassment entail practices that could be understood as corruption, such as the promise of rewards by a person in power in exchange for sexual favors (Paludi and Barickman, 1991, p. 2).

Clearly, transactional relationships can involve the trade of sex for services, benefits or goods tied to public office. All of these terms discussed above point to sex as a mode of exchange in relations of power rather than just an expression of intimacy or desire. It would be a mistake to understand corruption involving sex – what I will call sexual corruption – simply as a transaction equivalent to one concerning money, however. For one, sex may obviously entail physical desire for one or both parties involved in a way that a monetary bribe generally does not. Sex can furthermore function as an expression of power and as a way to establish and maintain domination – desire can be closely intertwined with power. The driving forces for sexual corruption may thus be partially distinctive from those of monetary corruption. The connection between sex, desire and power is in fact one that scholars of various stripes have pointed to for several decades. For instance, in her classic *Money, Sex and Power*, Nancy Hartsock claims that "power irreducibly involves questions of *eros*," based in part on the observation that power is linked with notions of virility, potency and manliness (1983, p. 155). There are indeed theoretical reasons to take a look at sexual corruption as well, as we will see in the brief overview below of some of the ways in which scholars



have approached the issue of sex and power. Scholars provide radically distinctive explanations for why sex and power are so closely intertwined, ranging from explanations that focus on the cultural constructions of sexual behavior and desire to those that focus on sociobiology and evolutionary psychology. The aim of this chapter is not to adjudicate between competing claims about sex and power – the discussion below is intended to deepen our understanding of some of the potential driving forces of sexual corruption. As I remain deeply skeptical of some of the claims made about sex and power in evolutionary biology and psychology, my chapter takes an agnostic stance on which set of explanations better accounts for the connection between sex and power.

Many scholars claim that the connection between sex and power should be understood in terms of evolutionary biology and psychology (e.g. Ellis, 1995; Kanazawa, 2003; Hopcroft, 2006; Nettle and Pollet, 2008; Pollet and Nettle, 2008; Von Rueden et al., 2010). This is a tradition that applies natural selection theory to the study of human sexuality, a tradition which can be traced back to the theory of sexual selection proposed by Charles Darwin in the nineteenth century. A number of contemporary scholars claim that “a fundamental feature of human societies is that men strive for cultural goals such as wealth and status in order to convert these achievements into reproductive success” (Nettle and Pollet, 2008, p. 658). A consistent finding indeed seems to be that wealthier or otherwise high-status individuals, particularly men, have higher reproductive success, more extramarital affairs and more sex than men of lower status (e.g. Klindworth and Volland, 1995; Nettle and Pollet, 2008; Pollet and Nettle, 2008; Geher and Miller, 2012). In a comment on the relation between sex and power in the many recent sexual scandals involving male public figures, Dutch sociobiologist Johan van der Dennen sums up this scholarship and teases out some of its causal claims (Spiegel, 2011). On the one hand, he claims, men with a larger-than-average sex drive pursue status positions more successfully. Men with an “overactive libido” may thus be overrepresented in positions of power, making it more likely that they use their position to pursue sex illicitly than in the case of “normal men” (Spiegel, 2011). On the other hand, power corrupts – with power comes a number of institutional privileges; one may be surrounded by ingratiating yay-sayers and develop a sense of sexual entitlement and invincibility.

Supporting this line of reasoning, a number of evolutionary biologists have furthermore argued that women prefer to “mate” with high-status

men. For instance, writing on the evolution of sexual attraction, Ellis (1995, pp. 268–269) argues:

Since control of positional resources is both a sign and a reward of status, natural selection could be expected to have favored evaluative mechanisms in women designed to detect and prefer high-status men. Forming mateships with such men could greatly enhance a woman's survival and reproductive potential through (a) elevation of her own social status, (b) immediate material and nutritional benefits, and (c) long-term access to social and economic resources. Thus, signs of current high status or future status-accruing abilities should significantly enhance female perceptions of male attractiveness.

Pollet and Nettle (2008) in turn claim that women report more frequent orgasms the higher their partner's status, which they allege to be consistent with the argument that female orgasm has an evolved adaptive function. Considering these claims, it is likely that men in positions of power receive an inordinate amount of sexual attention and sexual propositions. Indeed, as former US national security adviser Henry Kissinger once observed, "power is the great aphrodisiac" (Smith, 1971). This in turn may affect the self-perception and sexual behavior of men in power. As Van der Dennen argues, being in a position of power "makes men arrogant, narcissistic, egocentric, oversexed, paranoid, despotic" (Spiegel, 2011). In sum and in simple gloss, evolutionary biologists and psychologists describe a reinforcing process in which men with above-average sex drive attain positions of power, positions which in turn serve as an additional enabling force to pursue sex, sometimes in questionable and corrupt ways.

Evolutionary psychologists and biologists look for presumably universal, if sex differentiated, biological and bio-psychological traits and behaviors, traits that are alleged to be excruciatingly slow to change through natural selection and adaptation. In the rich and diverse body of contemporary feminist scholarship, one finds a competing conceptualization of sex and power which points to cultural, normative and institutional factors to account for sexual practices. Such factors are understood to be much more contextual and malleable, with the potential to change rather quickly even though they are in practice often reproduced over remarkably long periods of time. The eroticization of submission and dominance has become a prevalent general feature in heterosexual relations through socialization and cultural instruction, some of these

scholars argue (e.g. MacKinnon, 1983; Hardy, 1998; Hester, 2004). Male power and female submissiveness are eroticized and made to appear normal and natural through a wide array of channels that help construct heterosexual sexuality, for example, the music industry, fine art, advertisement, popular culture and pornography. As Hester (2004, p. 1) contends, through such channels “men’s power and women’s social inferiority are made ‘sexy.’”

Feminist organization scholars have focused on sex and power in more particular organizational contexts, attempting to account for variation in sexual and sexualized practices between different institutional settings. The research on organizational attributes and sexual harassment is particularly large. Generally approaching broader sociocultural trends as a backdrop for any given organization, these scholars contend that it is also important to focus on the specific institutional rules, norms and other traits of organizations. These are crucial determinants of both the form and the prevalence of behavior such as sexual harassment in any given organization and can thus help account for variation among them. As it seems feasible to assume that some of the claims about institutional traits could be used to understand practices of sexual corruption among political elites, I will briefly discuss some of the claims about power and sexual harassment.

Chamberlain et al. (2008) have synthesized two decades of scholarship on organizational context and sexual harassment, pointing to several central themes in the literature. Two seem particularly relevant for the purposes of this chapter: the degree and type of power differentials in the organization and the organizational culture. The authors argue that power differentials between those that hold positions of power and others lower in rank within the organization or those dependent on the organization for goods or services can contribute to sexual exploitation (2008, pp. 265–266). When (primarily) men in positions of authority interact with (primarily) women who are in a dependent relationship, with little autonomy and limited options, there is risk of sexual misconduct. Political elites that come in contact with “a powerless, low-status, transitory, and largely female population” which they have the ability to “subject to arbitrary punishment and removal” could thus be more susceptible to sexual corruption (Chamberlain et al., 2008, p. 267). Formal regulations of authority relations, formal grievance procedures, procedures that involve the presence of a third person and other checks on authority have in turn been shown to lessen the rate of sexual harassment.

Second, Chamberlain et al. contend, prior scholarship suggests that organizational culture is a foundation for sexual harassment. As they

argue “normative expectations for behavior have significant implications for interpersonal dynamics within organizations, shaping behaviors and interactions” (2008, p. 268). Their discussion focuses primarily on the importance of norms of work group solidarity in rather general terms. In light of the earlier discussion of the norms and ideas that eroticize male superiority and female inferiority, it seems likely that a sexualized and masculinized normative environment that embraces ideas of male superiority would also encourage harassment and even sexual corruption. An institutional normative environment that fosters not only general solidarity and professionalism but also gender equality is expected to lessen sexual harassment.

From the discussion above, one can conclude that there are dramatically different approaches to understanding sex and power. Some point to adaptive biological and bio-psychological traits and behaviors, with men presumably seeking and using power for sex and mating success and women seeking sex with men in power (they too presumably do so to enhance reproductive success). A larger number of scholars instead approach the eroticization of male power and female inferiority as cultural and normative, as sets of ideas and discourses that socialize men and women and shape human behavior. These fundamental differences aside, all of this work shares a claim that sex, desire and power are linked. There is thus theoretical support for an exploration of the use of public power for private sexual gain. And regardless of whether one understands sexual behavior to be primarily biologically or culturally produced, there should be some agreement that institutional norms and rules matter for the behavior of political elites. The following exploration of the institution of diplomacy and on diplomats as political elites will help start the inquiry into sexual corruption.

## **Institutions of diplomacy**

Diplomacy is an institution central to international relations, with a long history and considerable prestige. Career diplomats are recruited through a highly selective process and sometimes from an elite political class, contributing to the high status of the profession. Diplomacy is furthermore an institution anchored both in a national organization – the ministry of foreign affairs (MFA) – and in international law and customary practice. MFAs are steeped in national political arrangements and particular political cultures, which suggests that there is likely great variation in the form and scope of sexual corruption among them. But diplomacy also consists of a set of shared international customs that

shape the behavior of diplomats. Some of these customs are captured and codified in the 1961 Vienna Convention on Diplomatic Relations (VCDR), which regulates the practice of establishing diplomatic missions and receiving diplomatic officials. One distinctive feature of diplomacy – the principles of inviolability and immunity – seems to have particular bearing on sexual corruption as it entails limited checks on diplomatic behavior, and will thus be a focus of the ensuing discussion.

There are a set of inviolability principles – of the diplomatic agents, diplomatic missions, diplomatic bags and private residences of diplomats – at the core of diplomatic relations. One fundamental and longstanding principle within diplomacy is that of granting diplomats immunity from the laws of the receiving state. Article 29 of the Vienna Convention holds that “the person of a diplomatic agent shall be inviolable. He shall not be liable to any form of arrest or detention.” Article 31 further holds that “a diplomatic agent shall enjoy immunity from the criminal jurisdiction of the receiving State” and provides immunity from civil and administrative jurisdiction (though with a few exceptions). Diplomats, their family members, and the technical, administrative and service staff of embassies and international organizations are granted various levels of immunity from the laws of the receiving state through the Vienna Convention. Heads of mission, members of the mission staff and their family members enjoy full immunity. Administrative and technical personnel of the mission also enjoy full immunity from criminal jurisdiction, but their immunity from civil jurisdiction is limited to acts performed within the course of their duties. Domestic service staff members of the mission are immune for acts performed in the course of their duties, whereas private servants of the diplomats only have the immunity that the receiving state concedes (Ross, 1989, pp. 181–182). Diplomatic agents are designated as such and classified by the sending states – receiving states generally simply accept those so designated. However, receiving states can ask that the size of a mission be kept within reasonable limits and they may sometimes question the classification of staff (Brown, 1988, pp. 55–56).

Embassies and consular premises are also inviolable, including the so-called “diplomatic bag” or “diplomatic pouch” which is used for carrying official items between a diplomatic mission and its home government or other diplomatic or consular entities. The receiving state is obligated to protect diplomatic premises against damage or intrusion. Authorities of the receiving state are not allowed to enter embassies or consular premises, unless they have the consent of the head of the diplomatic mission or consular post. The diplomatic bag – which can be

of any size and shape as long as it is marked to show its status – is also protected from third-party intrusion. The private residence and property of diplomats are likewise inviolable (Article 30 of VCDR). Receiving-state authorities are thus prohibited from entering or searching the private residence or private property of diplomats.

In short, then, diplomats and their families are immune from arrest and prosecution for criminal and civil violations of the law of the country in which they are stationed, even when committing criminal acts that are outside of the course of their duties. Their homes or property may not be searched, and their workplaces – embassies and consular premises – are likewise protected as inviolable. Abuses of inviolability principles by diplomats for private gain do occur. The most well-known systematic abuse is probably the use of diplomatic immunity as “the best ‘free parking’ coupon in town” (*BBC News*, 1998). The scope of this abuse is certainly not insignificant. In New York City alone, diplomats accumulated over 150,000 unpaid parking tickets between 1997 and 2002 (Fisman and Miguel, 2007, p. 1024). Farhangi (1986, p. 1523) also claims that “smuggling goods [usually drugs] into or out of the receiving state using the diplomatic pouch is relatively common.” More serious abuses seem unusual, but there are regular if rare reports of assaults, kidnappings, manslaughter and even murder by diplomats, who then claim immunity to escape prosecution. There are few measures available to receiving states to sanction erring diplomats. The receiving state can try to convince the sending state to waive the diplomat’s immunity, which would allow the receiving state to pursue prosecution. The diplomat can be declared *persona non grata* and forced to leave the country. These measures are rarely used, however. In some cases, depending on the crime and the jurisdiction, the sending state can prosecute the diplomat.

Diplomatic immunity has a long tradition in international affairs, and the understanding of immunity has evolved over time. At present, the practice is defended as a functional necessity, a “necessary evil” in order to facilitate the functioning of the diplomatic process (Barker, 1996). To conduct diplomacy in a world which is often characterized by competition, suspicion and even hostility, diplomats need to be protected from harassment by the receiving state and politically motivated charges of misbehavior (this functional necessity theory is discussed in e.g. Farhangi, 1986; Ross, 1989; Maginnis, 2003). The sanctity of embassy buildings is particularly important in repressive regimes, as a haven not only for its own citizens but also for dissidents of the receiving state. Whether one agrees with immunity as a functional necessity or not, it

undoubtedly enables misconduct and corruption with impunity among diplomats so inclined.

## **Diplomacy and sexual corruption**

Crimes perpetrated with impunity by diplomats have fueled moral outrage, not only in the media. A number of human rights and civil liberties organizations, particularly in the United States, have called for measures to hold diplomats accountable for breaking national law. Numerous law professors have likewise advocated for accountability for abuse (e.g. Farhangi, 1986; Chuang, 2010). Some of this outrage and advocacy has been inspired by acts of sexual corruption, when diplomats misuse their position for private sexual gain. In what follows, I will discuss a few of the forms such corruption may take.

One relatively straightforward form of sexual corruption relates to sexual bribery, or the giving, offering or being asked for sex in order to influence the actions of a public official. Bribery can obviously be initiated by the public official or by the person paying the bribe, and the relation can be extortive or collusive. Sifting through the reports and media coverage of diplomats engaged in bribery, sexual bribery seems to take at least two forms. In some instances, one person engages the sexual labor of another person as payment to a third person, the public official. In the 2007 trial and conviction of a former United Nations Chief of the Commodity Procurement Section (whose immunity had been waived) for helping a friend secure at least \$50 million in UN contracts, it became clear that other procurement officials had on several occasions been bribed with strip club visits and a hotel room with prostitutes (Free Republic, 2007; Reuters, 2007). In such cases, the sex workers are a means but not active agents of corruption.

In other instances, bribery can take the form of an unmediated sexual interaction between the public official and the other person involved in the bribe. For example, ten South Korean diplomats posted at the country's consulate in Shanghai were accused of trading government documents for sex with a Chinese woman. The accused included the former consul. The woman also used sex to influence the officials to provide South Korean visas to a number of Chinese citizens (*Washington Post*, 2011). The diplomats were subsequently disciplined by the South Korean government (*BBC*, 2011). Visa application processes appear to carry particular potential for sexual bribery, including sexual extortion. Applicants, some of whom are low-status and female, may be in a state of desperation, particularly if they do not fulfill visa requirements.

One US consular officer who had served in Sao Paulo, Brazil, has described how “female visa applicants would often slide their ‘portfolios’ containing nude photographs under the counter with their visa application” (*Los Angeles Times*, 1999). Two applicants for visas to the US, who were interviewed by US federal agents in an investigation of a US consular officer, claimed that the officer persistently pursued these female applicants, demanding sex (*Fox News*, 2008). The officer was subsequently sentenced to 20 years in prison (*Washington Post*, 2008). Some officers appear to have made a habit of pursuing sexual relationships with visa applicants. Indeed, the “visa-for-sex scam” appears to be an established concept in the media.

In these types of bribery cases, diplomats are trading some official object of the sending state (visa, documents) for sex. Such behavior presents potential risks for the sending state, such as visas being issued to criminals or sensitive documents ending up in the wrong hands. As this misuse of public office breaks the bribery or visa fraud laws of the sending state, it would seem feasible to assume that diplomats caught in this sort of abuse generally would be held accountable by the sending state. It is not clear that this is necessarily the case, however. For one, such cases are difficult and expensive to investigate, typically requiring the dispatching of investigators to foreign countries and securing the cooperation of foreign governments. In the case of the US, this has led some commentators to draw the conclusion that US visa officer corruption is rarely prosecuted, and that officers suspected of fraud are simply relocated (*Los Angeles Times*, 1999).

There is an additional set of corrupt behaviors which diplomats can engage in by misusing diplomatic immunity and the inviolability of diplomatic property and premises. Indeed, the inviolability and immunity principles open up for additional forms of sexually corrupt conduct. As will be discussed below, these include situations in which a diplomat invokes immunity for behaviors clearly at odds with the spirit of the principle, such as sexual abuse, using a diplomatic bag to transport prohibited pornographic material for personal gain and/or carrying out sexual crimes for private gain at his or her private residence or in diplomatic premises.

One way to abuse the immunity of the diplomatic agent is to invoke immunity in order to escape prosecution for sexual abuse, including of minors. For instance, a Polish-born former Vatican ambassador to the Dominican Republic came under investigation for alleged sexual abuse of young boys in 2013. He invoked diplomatic immunity to avoid prosecution in a Dominican court. The Vatican subsequently carried out an



investigation of its own, defrocking the ambassador and lifting his diplomatic immunity. Polish authorities have since sought to extradite the official to face trial in his homeland (*National Catholic Reporter*, 2014). A series of cases have likewise been reported where the diplomatic pouch was used to transport child pornography (e.g. *the Independent*, 1996; *Australian Broadcasting Corporation*, 2004; *Sydney Morning Herald*, 2009). Allegations of rape and other forms of sexual assault of adult women have been kept out of court through diplomatic immunity as well (e.g. *New York Times*, 1981; *the Independent*, 2014).

The conjunction of immunity of the diplomatic agent with the inviolability of the private residence of diplomats appears to be particularly toxic. Many diplomats rely on migrant domestic workers to labor in their homes, homes protected by the inviolability principle. In the US alone around 3,500 migrant workers enter annually to work for diplomats, virtually all of them female (Riggins, 2011). Migrant domestic workers are vulnerable in any home. Their work is almost always carried out in relative isolation and in lack of local social networks; they are often from desperately impoverished backgrounds, lack formal education and may not speak the local language. Migrant domestic workers of diplomats are particularly vulnerable. For one, as the US State Department has noted in a 2010 report, “domestic workers brought into a country by diplomats . . . work for government officials who may appear to them to hold exceptional power and/or influence” (US Department of State, 2010, p. 38). What is more, their employers enjoy legal immunity from the national labor laws and the residence in which they work cannot be searched by authorities, so the legal recourse and remedies available to these workers are limited at best. The abuse of female migrant domestic workers has resulted in a campaign specifically targeting diplomats, particularly those stationed in the United States but also in other states, involving human rights and US civil rights organizations such as Human Rights Watch, Amnesty International, Global Rights, the American Civil Liberties Union and others. They argue:

[A]mong the most vulnerable populations of migrant domestic workers are those workers employed by diplomats and the staff of international organizations. Too often, diplomat employers subject migrant women workers to psychological and physical abuse to force them to labor against their will. The ability of diplomats and the staff of international organizations to cloak themselves with diplomatic immunity encourages their abusive practices and can present a significant legal hurdle to women workers seeking to assert their rights in U.S. courts. (ACLU, 2007)

Sexual abuse appears to be a feature in the mistreatment of this vulnerable population (e.g. Human Rights Watch, 2001; Zarembka, 2002; Chuang, 2010; Abbott, 2011; Riggins, 2011; Diplopundit, 2012). Allegations of rape and other forms of sexual assault and abuse indeed reappear in media reports on diplomatic mistreatment of domestic workers, even if it is rarely the main focus of these reports. In these cases, the workers' entire lives are controlled – they cannot walk unescorted outside the house, or speak or meet with anyone. Their passports are taken away. Caught in these circumstances, some domestic workers are forced to perform sexual acts on their diplomatic employers. The women whose stories make it into media reports often seem to flee the diplomatic home under rather dramatic circumstances, escaping through windows in the middle of the night, without the assistance of authorities.

Sexual bribery and the misuse of diplomatic immunity to escape charges of sexual abuse are practices that are readily identifiable as sexual corruption. However, consensual sexual relations between superiors and subordinates – including relations based on mutual infatuation or love – can also be susceptible to corruption. The approach to superior–subordinate relations varies within the diplomatic world, however, not only between embassies but also between international organizations. The World Bank, traditionally headed by Americans, treats such relations as a “de facto conflict of interest” and thus prohibits them, whereas the International Monetary Fund (IMF), traditionally headed by Europeans, has a more permissive ethics policy (*New York Times*, 2011). Nonetheless, in 2008, former IMF managing director Dominique Strauss-Kahn was reprimanded by the IMF governing board for having an affair with a female staffer, calling it “a serious error of judgment” (*Wall Street Journal*, 2011). Three years later, he unsuccessfully tried to invoke diplomatic immunity against a charge of sexual assault of a hotel worker in New York.

## Conclusion

Diplomats are elite public officials who operate in an institutional environment that shares certain features with other political institutions, such as being organized into hierarchical bureaucracies. Diplomacy offers particular prestige as well as immunity from the laws of receiving countries. Thus, diplomacy may share certain forms of sexual corruption with other political institutions, such as sexual bribery or inappropriate superior–subordinate relations, whereas the corrupt behavior emerging from diplomatic immunity is more unique.

This chapter has attempted to use diplomacy to begin exploring the concept and forms of sexual corruption. This is indeed only a beginning, and a number of pressing questions remain to be addressed. How widespread is sexual corruption? And how would one design a study to review its scope? Given that sexually corrupt practices are not only illicit but often carry additional moral weight, these are daunting questions. Furthermore, does sexual corruption coincide with other forms of corruption? If the driving forces of sexual corruption are partially distinctive from other types of corruption, then there is reason to suspect that sexual corruption may be present in contexts that are otherwise spared of corruption, and vice versa. That said, there are equally good reasons to suspect that sexual corruption and other corruption come together. Chinese journalists investigating recent high-ranking corruption cases in China claim that in virtually all cases high-ranking corrupt officials who accept bribes and embezzle public funds also exchange favors for sex and/or hire the services of female sex workers (Jeffreys, 2008, p. 245). Indeed, much work remains to more systematically explore sexual corruption among elite public officials.

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## **Section II**

### **History and State-Building**



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# 5

## The Political and Historical Origins of Good Government: How Social Contracts Shape Elite Behavior

*Anna Persson and Martin Sjöstedt*

An influential scholarship holds that the behavior of political elites – that is, elected and non-elected public officials – is of key importance for achieving quality of government (Klitgaard, 1988; Goldsmith, 2001; Acemoglu and Robinson, 2006, 2012; North, Wallis, and Weingast, 2009; Fukuyama, 2011). The influence of political elites is assumed to travel through direct as well as indirect channels. The powerful position of elites gives them a direct influence on political, social, and economic development. At the same time, the behavior of political elites is likely to indirectly influence the behavior of ordinary citizens through what Werner (1983, p. 149) calls a “leader-follower spillover effect.” That is, the morals and actions of political elites are likely to be copied, complemented, and reinforced by actors further down the hierarchy. In line with this logic, it is often argued that “the fish rots from the head down,” whereas responsive and responsible leadership plays an important role in setting in motion a virtuous development spiral (Rothstein, 2011).

With the acknowledged importance of political elites as a backdrop, a vast literature is concerned with the factors that constrain elites from behavioral misconduct, including corruption and the negligence of rule of law. Drawing extensively primarily on the experience of comparatively well-governed, semi-industrialized or industrialized countries, the lion’s part of this literature focuses on the role of formal-institutional constraints, including accountability mechanisms (Persson et al., 2000; Gerring and Thacker, 2004; Kunicova and Rose-Ackerman, 2005), transparency (Klitgaard, 1988), mechanisms of bureaucratic and political recruitment (Miller, 2000; Rauch and Evans, 2000; Dahlström et al., 2012), and constitutional and legal constraints (La Porta et al., 1999, 2008; Persson and Tabellini, 2003).

The reasoning of this literature has gained substantial resonance in the policy discussion about how to foster quality of government, as gathered under the heading of the “good governance agenda.” As a result, contemporary efforts to increase government effectiveness and capacity tend to primarily emphasize the administrative and formal-institutional aspects of the state, while often leaving the political and historical dimensions of government aside (cf. Andrews, 2008; Lemay-Hébert, 2009).

On empirical, as well as theoretical, grounds this chapter calls into question the tendency among scholars and policy makers concerned with the promotion of good governance to focus too heavily on the administrative and formal-institutional sources of elite behavior. To begin with, in terms of empirical observation, although in the last decades the vast majority of developing countries have been encouraged, even forced, to adopt the organizational and institutional features of industrialized and more well-governed states, these reforms have rarely led to the expected outcome in terms of the impact on the incentive and opportunity structures of the political elite. In fact, in quite a few instances, it even seems like reforms in line with the good governance agenda have increased rather than decreased the opportunities and incentives for destructive behavior (Doornbos, 2001; Andrews, 2008). As forcefully argued by Pritchett and Woolcock (2004, p. 193), “[s]imply mimicking [. . .] the organizational forms of a particular ‘Denmark’ – has in fact been a root cause of deep problems encountered by developing countries.”

In terms of theoretical observation, there are growing concerns particularly among scholars studying state-building in the contemporary developing world as regards the economic tendency to understand the state primarily in organizational and institutional terms, without questioning the role played by the existence or lack of a social contract that ensures the cohesion of the larger society it governs (cf. Migdal, 1988; Englebert, 2000; Lemay-Hébert, 2009; Persson and Sjöstedt, 2012). This neglect of the political and historical aspects of the state becomes particularly problematic in the contemporary world, with the modern state claiming to subscribe to the legitimating doctrine of national sovereignty, and to derive state power from, as well as exercise it for, a nation.

On the basis of these empirical and theoretical observations, this chapter calls for a historical and political turn in the study of the behavior of political elites. In particular, we argue that while formal-institutional mechanisms such as transparency, meritocratic recruitment, and the character of the legal system might very well be important factors in sustaining particular incentive and opportunity structures of political

elites, the more fundamental causal factors behind these structures – and, thus, the observed empirical variation in elite behavior and quality of government – are to be found elsewhere. More specifically, we argue that elite behavior can to a significant extent be traced back to the deeper political and historical origins of the state, and particularly to the character of the social contracts underpinning state–society relations. Where state structures are based on a shared social contract – that is, a social contract between the citizens and the state upon which the citizens collectively or quasi-voluntarily agree – the incentive and opportunity structure of elites is likely to be pushed toward promoting the public good. This is because, in such a context, the general expectation is that the state should serve the collective good, and not only the narrow interests of particular actors or groups. In line with the same reasoning, destructive behavior on behalf of political elites stems from the lack of a shared social contract. In such a system, the state is likely to face so-called multiple principals, with competing interests. As will be further developed below, with multiple principals, not only will the demand for public goods be likely to be comparatively low but the demand for patronage goods is likely to be comparatively high, serving to promote destructive behavior on behalf of political elites (cf. Levi, 1988; Migdal, 1988; Englebert, 2000).

The argument is substantiated in a quantitative study of the critical case of sub-Saharan Africa. Owing the position as the worst-governed region in the world in general terms, sub-Saharan Africa has been the target of massive institutional reforms in line with the good governance agenda in the last two decades. As a result, many sub-Saharan African countries now share the same formal-institutional arrangements as, for example, Sweden and Denmark (which are both ranked among the most well-governed countries in the world) (Global Integrity, 2008). In fact, in terms of formal-institutional design expected to promote good governance, in many instances sub-Saharan African countries even rank above many industrialized countries with considerably lower levels of corruption. A case in point would be a comparison between three of the least corrupt countries in the world, that is, Canada, Japan, and Germany, and three of the most corrupt countries in the world, that is, Ethiopia, Kenya, and Uganda. In such a comparison, in terms of the formal legal framework in place for fighting corruption, the most corrupt countries in fact outperform the least corrupt ones (Ibid.). In other words, when taking the experience of less industrialized and well-governed countries into account there seems to be no straightforward relationship between formal-institutional design and the quality of government, indicating that

the causal relationship between formal-institutional design and good government generally found in the industrialized parts of the world is in fact spurious. This is not at least reflected in the fact that the extensive governance reforms that have taken place in sub-Saharan Africa have not delivered the expected results (Persson et al., 2013).

The empirical analysis reveals that the character of the social contracts underpinning state–society relations – as measured by, on the one hand, the degree to which ruling elites are challenged by other politically mobilized groups in society regarding who has the right and ability to make up the “rules of the game” during the initial stages of state construction and, on the other hand, a more nuanced measure of the degree to which a shared social contract exists, which also includes less-violent manifestations of conflicts regarding who has the right and ability to make up the rules of the game (developed by Englebert [2000]) – accounts to a significant extent for the variation in elite behavior and, thus, the quality of government.

### **The limits of formal institutional constraints**

The literature on how elites can be constrained from engaging in destructive behavior by and large exclusively, if yet often implicitly, takes its point of departure in principal–agent theory (Banfield, 1975; Rose-Ackerman, 1978). Within this framework, destructive behavior on behalf of political elites is conceived of as the result of an information and interest asymmetry between an agent – assumed to act in his or her own, narrow self-interest – and a principal, typically assumed to embody the public interest. Depending on the perspective, who is the agent and who is the principal in the principal–agent model may differ. In situations of destructive behavior on behalf of bureaucrats, politicians are commonly envisaged as the principal and the bureaucracy as the agent (Becker and Stigler, 1974; Van Rijckeghem and Weder, 2001). In situations of destructive behavior on behalf of politicians, the citizens are instead modeled as the principals and the politicians as the agents (Myerson, 1993; Adserà et al., 2003; Besley, 2006). In the end, government malfeasance occurs when the agent betrays the principal’s interest in the pursuit of his or her own self-interest.

In line with this model, the probability that political elites will engage in destructive activities is assumed to depend on two critical factors. First, they must be given the *opportunity* to engage in destructive behavior through the formal delegation of power. The legal powers of the

state give political elites the monopoly and discretionary power to disrupt otherwise "efficient" markets by allowing them to create rents or obstacles for citizens and private investors acting within the law. This, in turn, gives political elites the chance to bargain for kickbacks or bribes in exchange for allocating rents to those who can pay for them or removing obstacles in the path of those who would rather pay than suffer delay or obstruction (Rose-Ackerman, 1978; Klitgaard, 1988; Shleifer and Vishny, 1998). Second, public officials must have the *incentive* to be corrupt once the opportunity occurs (Becker, 1974). That is, the expected benefits of malfeasant behavior must outweigh the costs.

In a nutshell, the principal-agent theory posits that destructive behavior on behalf of political elites will increase with the number of opportunities and incentives for such behavior much in line with Klitgaard's (1988, p. 75) observation that "corruption equals monopoly plus discretion minus accountability."

With the point of departure in this conceptualization of destructive behavior on behalf of political elites, the main concern for scholars has been to trace the factors affecting the different components in Klitgaard's equation. While some scholars have put forward the potential importance of structural factors, such as the level of economic development (Lipset, 1960), and ethnic fractionalization (Easterly and Levine, 1997), as well as external market-related factors, most importantly openness to trade (Ades and Di Tella, 1999; Treisman, 2000), the lion's part of the contemporary literature on corruption has mainly been concerned with how different aspects of the bureaucracy and the formal political system influence the opportunity and incentive structures of political elites.

For researchers concerned primarily with political corruption, the main focus of attention has been the effects of the character and various designs of the political system, and in particular, of democratic systems. The general argument in this literature has been that democracy promotes good government, even if the literature allows for some variation on this theme. For example, Keefer (1997) argues that younger democracies perform worse than both authoritarian regimes and older democracies, while Montinola and Jackman (2002) find a U-shaped relationship between democracy and corruption, Bäck and Hadenius (2008) a J-shaped relationship, and Sung (2004) an S-shaped relationship. On a more detailed level, scholars have also paid attention to how other factors play into the relationship between democracy and the quality of government. For example, some scholars find a positive effect on the quality of government with an increase in the number of women

in parliament (Dollar et al., 2001; Wängnerud, 2009), while Treisman (2000) and Gerring and Thacker (2004) argue that federal states are likely to be more corrupt than unitary states. Yet another large portion of literature focuses on the separation of powers, veto players, and the characteristics of the electoral system (Tsebelis, 1995; Persson et al., 2000; Persson et al., 2003; Andrews and Montinola, 2004). For example, Andrews and Montinola (2004) show that a greater number of veto players is likely to be associated with a lower level of corruption since it will be difficult for a larger number of veto players to achieve the coordination required for engaging in corruption. Gerring and Thacker (2004) and Kunicova and Rose-Ackerman (2005) argue that parliamentarism is to be preferred over presidentialism if the aim is to reduce the level of corruption, while Persson et al. (2000) argue that corruption will indeed be lower in presidential systems.

Scholars primarily concerned with bureaucratic corruption have instead focused on the legal and administrative aspects of the state. For example, La Porta et al. (1999) argue that common law systems are more effective than civil law systems in preventing corrupt exchanges, while Rauch and Evans (2000) find that a bureaucracy that offers long-term careers with chances of advancement will promise greater future benefit to a low-level bureaucrat and, thus, decrease the risk of corruption than one in which jobs are more insecure and promotion less likely. Building on the insights offered particularly by Miller (2000), Dahlström et al. (2012) focus on how the design of the administrative apparatus differs between countries and how these differences impact on the level of corruption and argue that meritocratic recruitment reduces corruption. Dahlström and Lapuente (2010) argue that the separation of interests between politicians and bureaucrats is key to reduce the opportunities for corruption. Yet other scholars illuminate the role of different wage incentive systems in improving the quality of government (Mookherjee and Png, 1995; Van Rijckeghem and Weder, 2001), while another large portion of the literature holds that a large public sector is more likely to experience high levels of corruption since this leaves more room for discretionary interpretation of regulations and allocation of resources by civil servants (Tanzi, 2000).

As aforementioned, despite the fact that the majority of the studies putting forward different formal-institutional mechanisms as key to tilting the incentive and opportunity structure of ruling elites in favor of good government draw almost exclusively on the contemporary experience of comparatively well-governed, industrialized and semi-industrialized countries, this literature has gained enormous resonance among policy makers concerned with how government can be improved

in systemically corrupt countries found primarily in the developing parts of the world. Thus, under the umbrella of the good governance agenda, the international community has promoted a wide variety of institutional reforms in line with Klitgaard's observation that "corruption equals monopoly plus discretion minus accountability," including the reduction of discretion of public officials through privatization, deregulation, and meritocratic recruitment; the reduction of monopoly by the promotion of political and economic competition; increased accountability by the fostering of democratization and increased public awareness and bureaucratization; improved salaries for public officials, and the encouragement of greater transparency of government decisions (Transparency International, 2000; World Bank, 2000; UN, 2004; UNDP, 2004).

Yet, while the majority of badly governed developing countries have undergone extensive reforms in line with this logic, the results have in general been disappointing. For example, in the case of legal and administrative reforms aimed at reducing corruption, in the majority of countries that were plagued by widespread corruption before they underwent reforms, corruption remains rampant even today (Persson et al., 2013). A case in point would be sub-Saharan Africa. Given sub-Saharan Africa's status as the most thoroughly corrupt region in the world, there is no doubt that the African continent has been the major target of anti-corruption reforms (Kpundeh, 2004; Lawson, 2009). Yet, while Global Integrity (2008) ranks the anti-corruption laws of the majority of sub-Saharan African countries for which data exists "very strong" – suggesting that the formal-institutional framework has all it takes to pave the way for success – reality tells a very different story. Since Transparency International began to collect expert views on corruption in 1998, the average Corruption Perceptions Index (CPI) for sub-Saharan African countries has on average in fact decreased from 3.6 to 3.3, if anything indicating even more rampant corruption in the region today than before the reform packages were introduced (Transparency International, 2014). Similarly, Global Integrity (2008) estimates the gap between the legal framework and its actual implementation as being "large" – or even "huge" – in the majority of sub-Saharan African countries for which data exist. In other words, while there is certainly variation in the level of corruption also among sub-Saharan African countries – the least corrupt country is Botswana with a CPI of 6.3 (out of 10), while the most corrupt country, that is, Somalia, scores 0.8 on CPI – given the convergence in terms of formal-institutional reforms, the causal factors behind this variation remain to be explored.



The same pattern can be discerned if we consider the effects of political reforms aimed at good governance through democratization in sub-Saharan Africa. If any region has undergone a “democratic revolution” in recent years (Diamond, 1990), it would be sub-Saharan Africa. While in the end of the 1980s only Botswana and Mauritius were generally thought of as democracies (Diamond, 1997), today multiparty elections have been carried out in 42 out of sub-Saharan Africa’s 49 states. Moreover, even though increased civil and political rights have not always accompanied these elections, according to Freedom House’s 2013 ranking, today a larger number of sub-Saharan African countries are still to be considered “Free” (11) and “Partly Free” (18) than “Not Free” (20). Yet, similar to the case of bureaucratic reforms, the expected positive effects on the behavior of leaders have been conspicuous by their absence, further substantiating the call for a historical and political turn in the study of development and reform.

### **The political and historical origins of good government**

As an alternative to standard interpretations of elite behavior as the outcome of different administrative and formal-institutional arrangements, this chapter develops the argument that variation in the incentive and opportunity structure of political elites can be traced back to the deeper political and historical origins of the state, and particularly to the character of the social contracts underpinning state–society relations. As such, quite different from research focusing primarily on the administrative and formal-institutional foundations of the state, this chapter builds upon the insights offered particularly by scholars concerned with state-building in the contemporary developing world.

This literature moves beyond the assumptions inherent in the principal–agent framework of an ahistorical and static relationship between principals and agents by explicitly recognizing that formal-institutional arrangements are enacted in a broader social and political context (cf. Migdal, 1988; Evans, 1995; Kohli, 2004; Persson and Sjöstedt, 2012). In particular, this literature draws attention to the importance of the underlying social contracts of states, arguing that states need to be understood not only in a strict Weberian sense – that is, in terms of their physical base and formal-institutional expression – but in terms of “the capacity to command loyalty – the right to rule” (Holsti, 1996, p. 82). Within this literature, a state with the capacity to command loyalty is understood as one built upon a shared social contract between the citizens and the state, upon which the citizens collectively and (quasi-)voluntarily agree.

In other words, it is a state that is widely perceived as a legitimate instrument of collective action, expected to provide public goods (Levi, 1988; Englebert, 2000). A state that is not based on a shared social contract, on the other hand, is a state that is unable to mobilize the population on a (quasi-)voluntary basis. In contexts with such a state, the state is not likely to be perceived as legitimate and there is likely to be no general expectation that the state should serve the collective good, but rather the narrow interests of particular actors or groups (Migdal, 1988, 2001).

In the end, in line with this framework, where the state is not based on a shared social contract the incentive and opportunity structure of elites should be expected to be pushed toward kleptocratic behavior. Responsive and responsible leadership, on the other hand, is within this literature understood to stem from state structures based on a shared social contract (cf. Levi, 1988; Migdal, 1988; Englebert, 2000).

The mechanisms behind this argument are twofold and include both demand- and supply-side factors. In terms of demand, in contexts in which the state is not perceived as an instrument of collective action, the demand for public goods, including good government, on behalf of the citizens – and thus the level of monitoring and control in the system – will be low (Persson et al., 2013). This is primarily because of the existence of so-called multiple principals, that is, actors with diverging, even conflicting, interests regarding the more fundamental questions of who has the right and ability to make the countless rules that guide societal interactions (cf. Migdal, 2001). Facing multiple principals, agents – the political elites – may face different and contradictory messages and expectations from their principals – the citizens. This, in turn, risks increasing the informational asymmetries and the difficulties of monitoring. The effect is a severe weakening of the power of the incentive schemes in favor of public goods provided to the elites. The more the principals' demands diverge, the more room for the agents' discretion, the less effective monitoring and control of the agents, and the less public goods.

In terms of supply, in the absence of a general demand for good government, the impetus for elites to provide high-quality institutions is likely to be low. Moreover, multiple principals make the power base of leaders weaker – and, thus, their time horizon shorter – since the political rationale in such a system is likely to be guided by a zero-sum logic of “it's our turn to eat” (cf. Wrong, 2009). Since such a logic implies that political elites are likely to discount the future more heavily, in a context lacking a shared social contract we should expect not only the supply of public goods to be comparatively low but also the supply of patronage

goods to be comparatively high. This is because long-term investments, for example, in public goods, have few, if any, short-term returns to ruling elites in terms of power, while the benefits of short-term politics of kleptocratic rule are likely to be comparatively high (Acemoglu and Robinson, 2006; Persson and Sjöstedt, 2012). In fact, in line with this reasoning, Migdal (2001) even refers to kleptocratic rule as “politics of survival.” In the subsequent sections, the argument is explored empirically in the case of sub-Saharan Africa.

## Research design and data

In order to explore the validity of the argument that the origins of elite behavior – and, thus, the quality of government – are to be found in the historical and political context of particular states, and especially in the social contracts underpinning state–society relations, we carry out a cross-section regression analysis of the relationship between state legitimacy and the quality of government in sub-Saharan Africa.

Sub-Saharan Africa provides an excellent case to explore the causal factors behind the quality of government. As previously argued, owning the position as the worst-governed region in the world in general terms, sub-Saharan Africa has been the primary target of comprehensive institutional reforms in line with the good governance agenda (Kpundeh, 1998; Lawson, 2009). Yet, quite in line with the argument put forward in this chapter – holding that while formal-institutional arrangements might serve to sustain specific patterns of governance they are not the fundamental causes behind these patterns – the outcomes of these institutional reforms have been far from the expected. Yet, despite the overall disappointing outcome of institutional reforms – and the general bad governance characterizing the region – there is still considerable variation in the quality of government across sub-Saharan African countries, calling for the further investigation of the sources behind this variation (Transparency International, 2014).

Inquiring into the relationship between the character of social contracts and elite behavior demands that we can satisfactorily specify our variables. The *degree to which the state is based upon a shared social contract* can be operationalized and measured in a number of ways. In this chapter, we use two different measures. First, as a critical test of the theory, we explore the effects on elite behavior of violent threats directed toward political elites during the initial stages of state development, stemming from politically mobilized groups in society regarding who has the right and ability to make up the “rules of the game.”

In greater detail, this variable measures the existence of threats directed toward the ruling elite with the ultimate ambition of solving the fundamental questions of who are the “real owners of the country” and “who [should] rule over whom” (Horowitz, 1985, p. 189). The variable we use is a dummy constructed on the basis of the UCDP/PRIO Armed Conflict Dataset (2009) and a compilation of coup d’états in Africa derived from McGowan (2003). The variable, SocCon1, takes the value 0 if the leaders did not face any threats in the form of conflicts or coups d’états (both successful and failed) within fifteen years after independence, and the value 1 if such threats were indeed present. In the end, given the extreme manifestation of the lack of a shared social contract that this variable captures, if this variable has no effect on elite behavior, the theory developed in this chapter is unlikely to have any significant bearing.

We moreover measure the degree of the existence of a shared social contract by using a dummy variable constructed by Englebert (2002), SocCon2. Englebert’s measurement builds on Holsti’s idea of vertical legitimacy, which refers to the strength of the relationship between society and state institutions. More specifically, Englebert’s measure indicates the character of the social contract on the basis of the degree to which a particular state’s structures have evolved endogenously to its own society and the degree to which there is some level of historical continuity to its institutions. The measure is built on a series of five dichotomous outcomes, including whether or not a country was colonized; whether or not it recovered its previous sovereignty upon independence if colonized; whether or not the country was created by colonialism and, if so, whether or not there was human settlement before colonialism; whether or not a civilization predating colonization was physically eliminated or marginalized in the process of colonization if colonized; and, finally, whether or not the post-colonial state in previously colonized countries exercises severe violence against the pre-existing political institutions. When these criteria together suggest a discontinuity in the evolution of state institutions, then a country scores 0 on the social contract variable. When there is no conflict between imported and domestic institutions, then a country scores 1. Compared to the dummy variable described above, Englebert’s measure of the character of the social contract to a greater extent captures the different nuances of the concept. That is, while the dummy variable described above exclusively indicates the more extreme manifestations of the lack of a shared social contract, Englebert’s measure in addition includes non-violent aspects.

As a proxy for elite behavior, on the basis of the insight that elite behavior is key to understanding governance outcomes (North et al., 2009;

Acemoglu and Robinson, 2012), we use the level of corruption as well as the rule of law. While there are many other potential aspects of government that could capture the character of elite behavior, there is a shared understanding in the scholarly literature that the rule of law and impartial and non-corrupt institutions are the essence of good government, most closely capturing the degree to which elites engage in the maximization of their own, short-term goals or whether they are rather engaged in longer-term development projects that serve the broader population (Bueno de Mesquita et al., 2003). In fact, a government clean from corruption and characterized by the rule of law is generally conceived of as the solely most important driver of social, economic, and political development (cf. Holmberg et al., 2009).

To empirically capture the level of corruption, we use Transparency International's CPI. This variable runs from 0 to 10 – higher scores indicating lower levels of corruption – and is the measure most commonly used and referred to in the previous literature, as well as in international rankings of the quality of government across countries. To avoid any inconsistencies in the data, we use the average for the last five years available in World Bank's African Development Indicators, that is, 2007–2011.

To capture the degree of rule of law, we use the 2014 Ibrahim Index of Rule of Law. This variable captures a large number of sub-Saharan African countries and runs from 0 to 100, higher levels indicating a higher degree of rule of law in terms of the quality of the judicial process, the independence of the judiciary, the existence of sanctions, the legality of transfers of power, and the security of property rights (Mo Ibrahim Foundation, 2014).

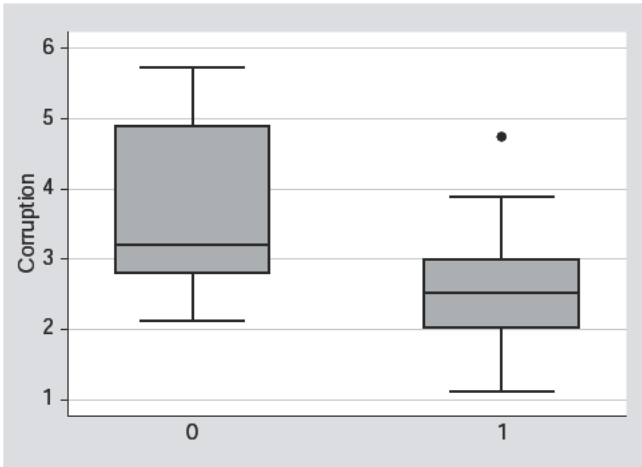
Along with the measures of the character of the social contract, we control for a number of potential alternative explanations. Given the commonly put forward argument along with modernization theory that the level of economic development significantly influences the rule of law and corruption levels (Lipset, 1960), we control for *GDP per capita* (the logged average 2007–2011, World Bank, 2014). We moreover include controls for *trade as a share of GDP* (the average 2007–2011, World Bank, 2014), since trade openness has commonly been argued to positively influence the incentives of elites to promote good government (Ades and Di Tella, 1999). In addition, we control for *ethnic fractionalization*, which is commonly assumed to negatively affect the ability of elites to establish high-quality institutions (Easterly and Levine, 1997). For this purpose we employ the ethnolinguistic fractionalization (ELF) index (Roeder, 2001). This index ranges from 0 to 1 (higher scores indicating a more ethnically diverse society), and reflects the probability

that two randomly selected people from a given country will not belong to the same ethno-linguistic group. We moreover control for *legal origin* by using a variable constructed by La Porta et al. (1999). This variable takes the value 1 for countries with British legal tradition and 0 for countries with French legal tradition. Finally, we want to control for the formal-institutional design of the political and bureaucratic system. In terms of the character of the political system, as previously mentioned, almost all sub-Saharan African countries have held multiparty, competitive elections since the beginning of the 1990s, and a number of countries have done so even since independence (van de Walle, 2003). While these elections have not always been free and fair, the countries where they have been held still fulfill the minimal criteria for being electoral democracies. To control for the argument that democracy beyond the minimal definition matters for quality of government, we include the variables “institutionalized democracy” (Democracy) and “institutionalized democracy squared” (Democracy<sup>2</sup>) from the Polity IV dataset. This variable captures not only the presence of formal institutions and procedures through which citizens can express their preferences about alternative policies and leaders, but moreover includes the actual existence of institutionalized constraints on the exercise of power by the executive, as well as the safeguarding of civil liberties to all citizens in their daily lives and in acts of political participation. As such, it tests the argument that formal institutions play an important role in shaping elite behavior under quite favorable conditions.

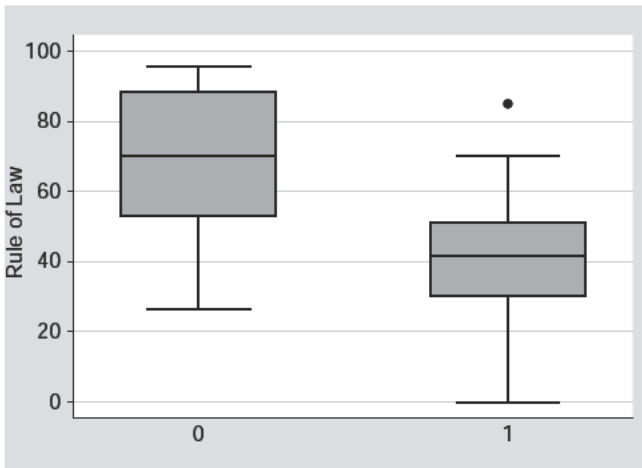
In terms of bureaucratic design, while a vast number of measurements exist that indicate the degree of bureaucratic quality – for example, measurements of corruption (Transparency International, World Bank), government effectiveness (World Bank), rule of law (World Bank, Mo Ibrahim Foundation), and bureaucratic quality (International Country Risk Guide (ICRG)) – these indicators tend to assess the outcome in focus of this study rather than institutional design. While the measurement of the institutions in place for fighting corruption provided by Global Integrity (2008) is an exception to this rule, it only covers 18 sub-Saharan African countries. However, as previously mentioned, a large number of qualitative studies, as well as existing quantitative data, reveal that sub-Saharan African countries have in fact been the major target of good governance reforms (Kpundeh, 1998; Global Integrity, 2008; Lawson, 2009). Consequently, the formal-institutional arrangements in these countries closely resemble, or even reach a higher standard than, the formal institutional arrangements of many industrialized countries. In the absence of suitable quantitative indicators, we choose to rely on these insights generated by previous research.

### Empirical illustration

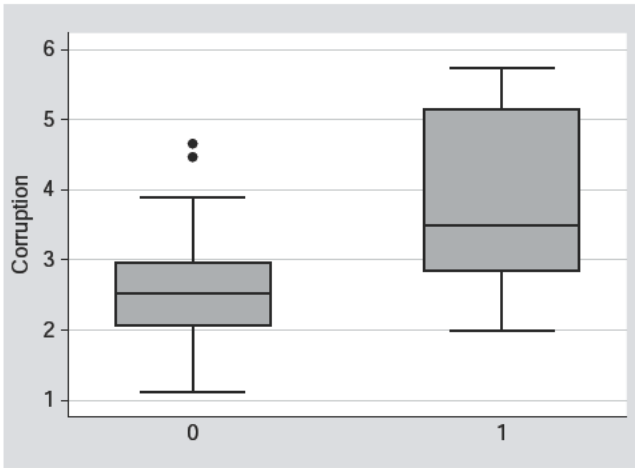
In this section, we test the explanatory power of the argument developed in this chapter. In sum, there seems to be strong empirical support for the argument advanced. To begin with, as demonstrated in Figure 5.1, the average value of our two dependent variables, that is,



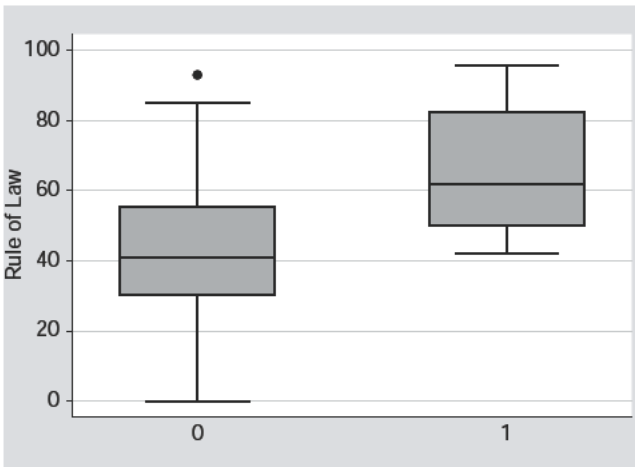
(a)



(b)



(c)



(d)

**Figure 5.1** Boxplots of the relationship between social contracts and the quality of government

*Note:* SocCon1 = 0 means that a shared social contract exists, while SocCon2 = 1 means that a shared social contract exists. The outlier in (a) is the Seychelles, the outlier in (b) is Senegal, the outliers in (c) are South Africa and Namibia, while the outlier in (d) is Namibia.

*Sources:* Englebert, 2002; McGowan, 2003; UCDP/PRI, 2009; Mo Ibrahim Foundation, 2014; Transparency International, 2014



the level of corruption and rule of law, vary significantly depending on the character of the social contracts underpinning state–society relations, with the countries experiencing a lack of a shared social contract having lower quality institutions. More specifically, using the more extreme measure of social contracts (SocCon1), the average level of corruption is 3.70 in the countries characterized by a shared social contract and 2.56 in the countries lacking such a contract, while the average level of rule of law reaches 68.88 in the countries with a shared social contract but only 40.74 in the countries lacking such a contract. When employing the less extreme measurement of social contracts (SocCon2), the results are very similar; the average level of corruption is 3.86 in the countries characterized by a shared social contract compared to 2.58 in the countries lacking such a contract, while rule of law reaches the level of 65.48 and 44.36, respectively. When performing *t*-tests, the differences between the groups are all significant at the 99 percent level.

The findings are further substantiated in a multivariate cross-section regression analysis. As demonstrated in Tables 5.1 and 5.2, the character of the social contract underpinning state–society relations has a decisive bearing on the degree to which elites engage in destructive behavior.

Model 1 in Table 5.1 includes only the effects of the explanatory variable SocCon1 on corruption levels. As can be seen, the effect of this variable is significant and alone explains 24 percent of the variation in corruption across sub-Saharan Africa. In fact, the model shows that the lack of a shared social contract increases the level of corruption by 1.14 on the CPI.

Model 2 tests the explanatory power of SocCon1 in relation to a number of potential alternative explanations (logged GDP per capita, trade openness, ethnic fractionalization, legal origin, democracy, and democracy<sup>2</sup>). As revealed in the table, the overall model is significant, and accounts for 47 percent of the variation in the contemporary levels of corruption across sub-Saharan Africa. Of great significance for the argument developed in this chapter, and quite in line with the theoretical expectation, the analysis moreover shows that the effect of not having a shared social contract is negative and significant at the 99 percent level of confidence; the lack of a shared social contract increases the level of corruption with 1.20 points on the ten-point scale of CPI.

Models 3 and 4 further support the argument that social contracts play an important role in shaping the behavior of political elites.

Table 5.1 Social contracts (SocCon1) and the quality of government

Independent variables	(1) CPI	(2) CPI	(3) Rule of law	(4) Rule of law
SocCon1	-1.14*** (0.29)	-1.20*** (0.33)	-28.15*** (6.56)	-19.45*** (7.44)
GDP per capita (log)		0.94*** (0.29)		16.60** (6.64)
Trade		-0.01** (0.00)		-0.14 (0.09)
ELF		-0.99* (0.59)		-20.78 (13.17)
Legal origin		-0.04 (0.26)		12.00* (6.12)
Democracy		0.09 (0.14)		4.53 (3.11)
Democracy <sup>2</sup>		-0.01 (0.02)		-0.31 (0.34)
Constant	3.70*** (0.25)	2.25*** (0.87)	68.88*** (5.63)	26.77 (19.46)
Probability > F	0.00***	0.00***	0.00***	0.00***
R <sup>2</sup>	0.25	0.56	0.29	0.60
Adjusted R <sup>2</sup>	0.24	0.47	0.28	0.51
N	47	43	46	42

\*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01

Note: All estimates are unstandardized regression coefficients with standard errors in parentheses.

Sources: La Porta et al., 1999; Roeder, 2001; McGowan, 2003; UCDP/PRI, 2009;

Mo Ibrahim Foundation, 2014; Transparency International, 2014; World Bank, 2014

The effect of not having a shared social contract is strong and significant in both models. SocCon1 alone explains 28 percent of the variation in rule of law across sub-Saharan Africa, and together with the controls it explains 51 percent. When not under control for alternative explanations, the lack of a shared social contract decreases rule of law with 28.15 on the 0–100 point scale. When controls are included, the lack of a shared social contract decreases rule of law with 19.45 points.

As Table 5.2 demonstrates, the same analysis but with our other proxy for the character of social contracts – SocCon2 – reveals similar results.

As shown in Model 1 in Table 5.2, the effect of a shared social contract, as measured by SocCon2, is significant and explains 26 percent of the variation in corruption across sub-Saharan Africa. The lack of a shared social contract increases the level of corruption by 1.29 on the CPI.

Table 5.2 Social contracts (SocCon2) and the quality of government

Independent variables	(1) CPI	(2) CPI	(3) Rule of law	(4) Rule of law
SocCon2	1.29*** (0.31)	1.00** (0.39)	21.12*** (7.41)	16.51* (8.38)
GDP per capita (log)		0.90*** (0.34)		14.09* (7.16)
Trade		-0.01 (0.00)		-0.11 (0.10)
ELF		-0.23 (0.79)		-6.02 (16.67)
Legal origin		0.40 (0.25)		18.64*** (5.44)
Democracy		0.12 (0.16)		3.13 (3.32)
Democracy <sup>2</sup>		-0.01 (0.02)		-0.11 (0.36)
Constant	2.58*** (0.14)	0.233 (0.84)	44.36*** (3.49)	2.26 (17.84)
Probability > F	0.00***	0.00***	0.00***	0.00***
R <sup>2</sup>	0.28	0.49	0.16	0.54
Adjusted R <sup>2</sup>	0.26	0.39	0.14	0.44
N	46	46	45	41

\*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01

Note: All estimates are unstandardized regression coefficients with standard errors in parentheses.

Sources: La Porta et al., 1999; Roeder, 2001; Englebert, 2002; Mo Ibrahim Foundation, 2014; Transparency International, 2014; World Bank, 2014

When including the controls (Model 2), the effect remains strong and significant; the existence of a shared social contract decreases corruption with one point on the 0–10 point scale. The overall model explains 39 percent of the variation in corruption across sub-Saharan Africa.

Models 3 and 4 show that SocCon2 has a strong effect even on the rule of law. The effect of having a shared social contract is significant in both models, although in Model 4 the variable is only significant at the 90 percent level. As Model 3 reveals, SocCon2 alone explains 14 percent of the variation in rule of law across sub-Saharan Africa, and together with the controls it explains 44 percent. When not under control for alternative explanations, the existence of a shared social contract increases rule of law with 21.12 on the 0–100 point scale. When controls are included, the existence of a shared social contract increases rule of law with 16.51 points.

In sum, cumulatively the results strongly support the conclusion that the character of social contracts underpinning state–society relations plays a fundamentally important role in shaping the incentive and opportunity structure of political elites. Moreover, the analysis effectively reveals the limits of some potential alternative explanations, especially of the degree to which democracy is institutionalized, as well as the curve linear effect of this variable. The effect of the logged version of GDP is significant across all models, as well as is the effect of the legal origin on rule of law, revealing a positive effect of being a former British colony.<sup>1</sup> The effects of the other potential alternative explanations display inconsistent significance across the models, and can thus not be considered robust.

## **Summary and conclusions**

With the important influence of political elites on the quality of government and subsequent development paths as a backdrop, the question of what factors drive elite behavior has increasingly become the focus of attention among scholars and policy makers concerned with development and reform. While a wide range of different factors have been brought forward in the literature, the great majority of scholars and policy makers now seem to agree that the key drivers of elite behavior are to be found in the administrative and formal-institutional character of states.

This chapter challenges this argument on the basis of both empirical and theoretical observation. To begin with, in terms of empirical observation, while the majority of badly governed countries in the contemporary world have during the last three decades undergone quite extensive reforms in line with the suggestions implicitly, and sometimes even explicitly, promoted in the literature concerned with the formal-institutional sources of good government, the results of these reforms have generally been disappointing. In other words, most countries have remained as badly governed after the reforms were initiated as they were prior to the reforms.

In terms of theoretical observation, while in general neglected in the contemporary literature on development and reform, what probably primarily distinguishes the modern state from its predecessors is the insinuation into the core identities of its subjects (Migdal, 1988). As a result, it becomes problematic to understand the state in exclusively organizational and institutional terms, without questioning its ability to successfully enforce a social contract that will ensure the cohesion of the larger society it governs (cf. Englebert, 2000; Lemay-Hébert, 2009).

Taking these two observations seriously, this chapter calls for a political and historical turn in the study of elite behavior. More specifically, the argument developed holds that elite behavior is likely to be conditioned by the character of the social contracts underpinning state–society relations. Where state structures are not based on a shared social contract, we argue, the incentive and opportunity structure of elites will be pushed toward kleptocratic behavior. Responsive and responsible leadership, on the other hand, stems from the existence of a shared social contract.

The argument is substantiated in a cross-country regression analysis of sub-Saharan African countries, which reveals a positive strong and significant effect of the existence of a shared social contract on the behavior of political elites.

Whereas the results clearly lend support to the notion that the character of the social contracts underpinning state–society relations has an important bearing on the degree to which political elites engage in destructive behavior, the implications of this argument are not necessarily easily translated into policy recommendations. However, while the construction of social contracts may very well be more complicated and less straightforward for policy makers to take into account compared to an exclusive focus on the administrative and formal-institutional framework, as this chapter reveals, insofar as a change in elite behavior is the primary objective, the development of a shared social contract is nevertheless of key importance. In fact, promoting formal-institutional reforms – including the introduction of new institutions such as elections and anti-corruption units – in countries lacking a shared social contract even risks opening up new arenas for misconduct. This is because, without a shared social contract, such institutions will not serve the function as instruments of collective action, but will rather act as instruments of particularism and self-enrichment.

## Note

- 1 However, whether it is the British legal origin or other aspects of British colonial rule that account for this effect remains to be explored.

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# 6

## Political Leadership and Quality of Government: Restraining Elites at Nascent Statehood

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Does political leadership matter for good governance? Can political leaders prevent elites from turning into state spoilers? In this chapter, we argue that political leadership at nascent statehood is an important key to whether or not a state-building process results in a state with good governance. The extent to which political leaders manage to set boundaries to elites' access to the political, military, and administrative institutions of the state is decisive to this outcome. Yet political leaders at nascent statehood face this challenge under difficult circumstances: While reaching the goal of independence has often required a pragmatic approach with regard to various elites in order to achieve their support of the national project, at nascent statehood this strategy needs to be altered toward more decisive boundary-setting in order to ensure the integrity of the new state (Möller and Schierenbeck, 2014).

Governance can be described as the state's exercise of authority. In accordance with the theoretical specification of *Quality of Government* (QoG), we define the qualitative dimension as 'the impartiality of institutions that exercise government authority' (Rothstein and Teorell, 2008, p. 165). According to the QoG-approach to good governance, whether this normative condition is sufficiently met in the exercise of authority has implications for the output side of government and is therefore of great relevance to human and social development (Holmberg et al., 2009; Rothstein and Teorell, 2008). Elites' ungarded access to the institutions of the state can however ruin implementation in accordance with government decisions. Typically, the norm of impartiality within the state is then undermined through nepotism and corrupt practices that evolve in order for elites to enhance their particularistic interests. For example, if the policy-making of the government is subordinated to a political party, decision-making will be biased in favor of the influential party

members. Similarly, if high-ranking military officials get a hold on the political and administrative structure of the state, decision-making will be biased in favor of the interests of the military elite. Thus, elite opportunity to use the institutions of the state as instruments to serve their own and not the public interest renders a much-reduced institutional capacity of the state for impartial treatment of its citizens (cp. Migdal, 2001; Rothstein and Teorell, 2008). *Political leadership* concerns the ability of political leaders to identify relevant problems, prepare solutions, and mobilize public opinion during periods of social and political change (Burns, 1978, 2003; Grint, 2000; Nye, 2008; Seligman, 1950; Tucker, 1981). The key individual(s) that conducts political leadership during these moments of change in history is likely to be affiliated with one or several other elite groups (bureaucratic, military, and religious), and key members of these groups might also be politically involved.<sup>1</sup> Yet the analytic distinction between political leaders and other elites is important since we otherwise lose the opportunity to examine the impact of differences in the interaction between political leaders and other elites. We argue that political leaders at nascent statehood, a so-called critical juncture in state history, set the path with regard to the future QoG of the state through decisions and actions that prevent elites from exploiting the state for their own purposes. As institutionally imprinted decisions, these restraints can enable a state-building process that produces institutions capable of honoring the principle of 'ought to treat equally' (Rothstein and Teorell, 2008, p. 171; Thelen, 1999). This chapter is therefore concerned with the capacity of the political leadership to restrain elites for the sake of ensuring the integrity of the state at nascent statehood. We substantiate this theoretical argument through empirical results of a historical case comparison of political leadership at nascent statehood in Israel, India, Palestine, and Pakistan.

### **Building the state: Implications for dealing with elites**

The necessity to restrain elites from inappropriate access to state institutions (political, military, and administrative) at the earliest possible stage in state history might seem self-evident enough, which is not to say the task is easy. While the extent to which a political leadership is able to carry this out might depend on a variety of circumstances, we shed light on cases where the inception of an independent state has been preceded by a process of national mobilization. This comes with specific challenges to a political leadership in terms of a required shift of overarching strategy once the goal of independence has become

within reach (Möller and Schierenbeck, 2014, pp. 10–11). As especially emphasized by the transition approach in the study of democratization, a successful political transition might depend on the ability of political elites to negotiate broad, encompassing agreements with other elites in society (Burton et al., 1992, p. 3; Haggard and Kaufman, 1995; Linz, 1978, p. 91; Linz and Stepan, 1996, p. 61). However, nascent statehood as the intersection between national mobilization and state building also implies a shift with regard to the pragmatism a political leadership might have maintained for the sake of ensuring support of the cause of independence from the influential elites. Successful national mobilization requires sufficient mutual understanding between the political leadership and other elites to facilitate the broader mobilization. In contrast, successful state building requires boundaries that keep influential elites from turning into state spoilers. This creates a dilemma for political leaders at nascent statehood in the sense that maintaining a similar interaction with influential groups as during the process of national mobilization holds the risk of inappropriate elite influence in the new state. Indeed, rather than restraining elites, the risk is that political leaders develop a dysfunctional ‘politics of survival’, which might include non-merit appointments and the establishment of overlapping bureaucratic functions. The purpose is to balance influential elites both inside and outside the state and prevent the development of threatening centers of power outside the state (Migdal, 2001, pp. 68–79). Thus, political leaders need ‘contextual intelligence’ to acknowledge the necessity of a shift of strategy in the dealing with elites at nascent statehood as an intersection between national mobilization and state building (cp. Nye, 2008).

In order to facilitate the success of the national movement struggling for independence, the political leaders in the cases included in our study maintained a pragmatic approach toward the elites within their societies during the nation-building process. For the purpose of keeping the national movement united, they bargained with elites whose convictions and interests deviated extensively from their own political visions and agendas with regard to the independent future. Once the goal of an independent state came within reach, however, there is revealing variation in the degree to which the political leaders chose and were able to move toward putting restraints on these elites (Möller and Schierenbeck, 2014). In the present study, political leaders are identified as the persons holding the key political positions of the state at nascent statehood, such as president or prime minister, as a consequence of their decisive role as the national leader during the process of national mobilization.

## Research design and method

The study is a historical comparison between Israel, India, Palestine, and Pakistan at nascent statehood with regard to the impact of political leadership for good governance. We investigate the degree to which the political leaders at nascent statehood attempted and were able to uphold the integrity of the new state by restraining influential elites. The four cases are selected for the purpose of variation in the dependent variable, which is their contemporary degree of QoG. Comparing these four cases, we find that two (Israel and India) have reached a higher degree of QoG than the two other (Palestine and Pakistan). This can be illustrated through the values of the Quality of Government Institute's Impartiality Index, which measures impartiality in public administration: Israel (0.36), India (−0.29), and Pakistan (−1.25); Palestine is not included (Teorell et al., 2015). Further, Transparency International's Perception Corruption Index 2014 ranks Israel as 37, India as 85, and Pakistan as 126 (of 175), and while Palestine is not included in the ranking Transparency International concludes that 'nepotism and "wasta", or using one's connections and influence to get things done, are widespread in the Palestinian society' (TI, 2014).

The study treats political leadership as the independent variable. The political leaders at the center of attention all began their political careers as national leaders and proceeded as state leaders: Israel's David Ben-Gurion, India's Jawaharlal Nehru, Palestine's Yasir Arafat, and Pakistan's Muhammad Ali Jinnah. The results of the study demonstrate greater capacity of the initial political leaders to restrain established elites especially in Israel, and, to a significant extent, also in India. In contrast, this type of political leadership is severely lacking in Pakistan, and, to a significant extent, also in Palestine.

The elites at the center of attention are prominent figures in the political leader's political party, other local and religious elites, as well as the bureaucracy and the military. The potential impact of two specific case features on the comparability of our cases needs to be addressed. First, the Pakistani case is characterized by a disruption in the continuity of political leadership due to the death of Muhammad Ali Jinnah in September 1948, thirteen months after independence. This is also frequently mentioned as an important reason for the failure of the Pakistani state project (Bose, 2004; Jawed, 2009; Malik, 1996). There was however a continuation of Jinnah's political leadership in the sense that Liaquat Ali Khan, his closest associate and the nearest in political rank, remained in his position as prime minister. The political activities

of Jinnah and Khan were consistent during the national mobilization and during the first year of Pakistan's independence. Our study reveals that the political leadership Jinnah executed at nascent statehood before his death, rather than his early passing, had major implications for Pakistan's democratic state building. Second, we need to address the fact that the state-building project of Palestine has not progressed in the same sense as the other cases due to the Israeli occupation of the West Bank and (until 2005) Gaza.<sup>2</sup> However, we argue that the Palestinian National Authority (PNA), as a polity, is a valid comparison. The years following the Declaration of Principles (DoP) (1993) implied the gradual establishment of state-like institutions and structures, given that the Palestine Liberation Organization (PLO) gained control over population and territory (however limited and divided) (Chase, 1997; Heller, 1997; Khalidi, 1997, p. 203; Lindholm Schulz, 2002, pp. 1–2; Sayigh, 1997).<sup>3</sup>

The study relies on a variety of data. Primary sources are political speeches, political writings, including official documents and personal letters, memoirs, diaries and autobiographies, as well as official documentation of the political processes within relevant political organizations, such as annual meetings and constitutional assembly and parliamentary debates. It is important to acknowledge that access to primary sources varies between cases, since the extent to which the political leaders have made use of the written word in their political deed varies considerably. The two extremes in this regard are Jawaharlal Nehru and Yasir Arafat; while the former wrote extensively throughout his entire political career, the latter authored hardly any political texts. Certainly, for each of the selected cases, there are previous studies that the empirical analysis takes into consideration.

## Case comparisons

The following section presents the empirical findings of the historical case comparison, starting with Israel and proceeding with India, Palestine, and Pakistan.

### Israel

David Ben-Gurion declared the establishment of the State of Israel on the eve of 14 May 1948. The struggle for independence had been orchestrated by labor Zionism, most notably Ben-Gurion's own party Mapai, which sought to gain control over the Zionist Organization (ZO) through broad agreements with various elites to facilitate a joint struggle for independence. At independence, David Ben-Gurion expressed an

urgent need for a strong state to take over the responsibilities of the various Jewish pre-state institutions in the former Mandate of Palestine, not least the different military institutions and fighting units. He was faced by three challenging elites: (a) the ultra-orthodox community, (b) the right-wing Revisionists (Irgun and Lehi), as well as (c) internal labor Zionist elites, the Mapam leadership and the generals of the Israeli Defense Forces (IDF). Yet with the main exception of the bargains with the ultra-orthodox community, Ben-Gurion restrained elite influence at nascent statehood, in sharp contrast to his leadership during nation building.

Ben-Gurion was convinced of the necessity to renegotiate the boundaries between the state and military at nascent statehood, placing the military under state control. In his view a unitary army and a single line of command was imperative for the survival of the newly established state (Gelber, 1991, p. 194; Kedar, 2011). Ben-Gurion implemented the one-army principle and the one line of command structure of the IDF in 1948, despite deep criticism and hostility from within the ranks of the labor Zionist military elite and the resignation of a group of generals (the Generals' Revolt). At a meeting of the Provisional Government on 23 May 1948, the Ordinance on the IDF (1948), presented by Ben-Gurion, was approved, stating: 'The establishment or maintenance of any other armed force outside the IDF is hereby prohibited.' Furthermore, in April 1948, Ben-Gurion abolished the post of head of National Command and gave the minister of defense (Ben-Gurion himself at the time) direct control over the general staff. Ben-Gurion's decisions can most certainly be interpreted as not only persisting on the principle of the primacy of the state, but also as a strategy to specifically restrain and marginalize the influential Mapam elite in the newly established state (Gelber, 1991, p. 199; Peres, 2011, pp. 124–5).

The one-army policy also applied to the fighting units of the Revisionists and the right-wing organizations Irgun and Lehi. The Altalena Affair represented, in Ben-Gurion's view, a clear breach of the Irgun dissolution agreement.<sup>4</sup> Altalena was a ship loaded with arms and Irgun fighters for the expected 'war of independence' that was stranded off the shore of Tel Aviv. Menachem Begin and the Irgun leadership wanted part of the equipment to go to Irgun fighters and for Irgun fighters to participate in the unloading of the ship. Ben-Gurion insisted on the ship's surrender, the unloading to be carried out by the IDF and all the equipment to be handed over to the IDF's central storage. At the Provisional State Council on 23 June 1948, Ben-Gurion expressed his concern: 'There can be no State without an army under the control of

the Government . . . These are the two issues at stake, and in my opinion there can be no compromise where they are concerned' (Ben-Gurion, [1948] 1971, p. 170). The matter was presented as a violation of the truce and an unacceptable challenge to the government's authority (Sprinzak, 1999, pp. 24–5). After the negotiations stalled and occasional violence broke out between Irgun fighters and the IDF, Ben-Gurion ordered the sinking of the ship and the dissolving of Irgun.

At independence, Ben-Gurion allowed for continued bargaining with the ultra-orthodox establishment. He was aware of the risks in doing so, and hesitant. The Status Quo Agreement (1947) from the pre-state period was extended with new privileges in the areas of education and military service. The Agreement granted the ultra-orthodox authority and rabbinical courts control over certain areas of specific concern to the ultra-orthodox community. However, Ben-Gurion was firm in his decision not to uproot the Status Quo Agreement and to avoid a conflict with an important coalition partner. He made his point by arguing from the perspective of 'prioritization': 'I felt, again in the national interest, that it was wise to retain the support of the religious parties for measures of vital concern to the new State and to pay a comparatively small price of religious *status quo*' (Ben-Gurion in Ben-Gurion and Perlman, 1965, p. 218).

## India

After decades of nationalist struggle against British imperial rule, India achieved independence on 15 August 1947. Prime Minister Nehru described in his speech to the Constituent Assembly how finally 'the soul of a nation, long suppressed, finds utterance' (Nehru, 1950, p. 3). The struggle for independence had been orchestrated by the Indian National Congress. One of the many reasons behind its success lay in the organizational accommodation of diverging elites. At its inception in 1885, the Congress represented the interests of its urban, educated members from higher Hindu castes, who aimed at obtaining greater career opportunities in the governing of India. In contrast, as described by Khan (2007), by the 1940s 'the Congress broad church jostled committed Gandhians, liberals, socialists, politicians with narrow regional or local agendas and Hindu nationalists who drew on religious symbolism and history to define their vision of a free united India' (p. 24). At nascent statehood, Nehru was faced with these challenging elites within the Congress, most notably the Hindu nationalists and the provincial leaders. He had also acknowledged civil servants within the imperial civil administration and military officers within the Indian army as threats to the state-building project. In contrast to his approach of bargaining with



these elites during national mobilization, Nehru restrained these elites at nascent statehood, with dismantling and rebuilding of civil administration as the exception.

As prime minister, Nehru carefully guarded the integrity of the government from inappropriate influence of the influential members of the Congress. His first and arguably therefore most decisive struggle in this regard took place with his successor for the post as Congress president, J. B. Kripalani (Chandra et al., 2000, p. 188; Kochanek, 1966, p. 683).<sup>5</sup> Founded on the view of the Congress as a 'living link' between the government and the people, Kripalani expected a very substantial and direct influence of the Congress president in the government's policy-making (Kripalani, quoted in Das, 2001, p. 22). At his resignation in November 1947, Kripalani described how his mission had become impossible due to the actions of his party colleagues in government: 'How is the Congress to give the Government its active and enlightened cooperation unless its highest executive or its popularly chosen head is taken into full confidence on important matters that affect the nation' (Kripalani, November 1947, quoted in Chandra et al., 2000, p. 188).

Nehru used institutional measures to ensure that the military would not get a hold on Indian politics. The significance of the principle of civil primacy over the military was inherited from imperial rule. The concern that high-ranking military would take the opportunity to interfere in politics was so profound that swift additional measures were taken in the context of the new independent state to ensure that the principle could be honored in practice. Most evidently, the military position of commander-in-chief in the executive council was replaced with the civilian position of defense minister in the government. The previously influential position of commander-in-chief of the Indian Army was also balanced by elevating the chiefs of the navy and the air force to the ranks of commander-in-chief of their respective services. Finally, civilian control was also ensured by institutionalizing the president of India as the supreme commander of the military forces (Chandra et al., 2000, p. 479; Chari, 1977, p. 10; Rudolph and Rudolph, 1964, pp. 9, 14). It is noteworthy that none of the officers within the Indian National Army movement, who had been appointed national heroes just ahead of independence, were retained as officers by independent India's first government. This also points to Nehru's clear determination to maintain the principle of the military as isolated from politics. Thereby India did not 'start its independent life with a political army that claimed a share in the nationalist movement and the winning of independence' (Rudolph and Rudolph, 1964, p. 8; see also Kuracina, 2010, p. 840).

As prime minister, Nehru withdrew from his previous demands of dismantling the imperial civil administration. In the context of profound political instability, the existing administrative structure was instead used to maintain the integrity of the state center in relation to provincial and communal forces in politics. Nehru began to emphasize the competence of the existing public servants, and he seemed to have started to believe in the possibilities of changing the civil administration through inspirational and educative means. The expectation was that the inherited civil administration could, through gradual transformation, become part of a new system of good government (Brown, 2003, pp. 206–7; Chakrabarty, 2006; Das, 2001). Several committees set up to inquire how to adapt the administrative system in line with the new ideological requirements identified undesirable continuities of governmental style and growing levels of corruption (Chakrabarty, 2006, p. 96). While Nehru became increasingly aware of these problems in the 1950s, not even at this less politically unstable period did he initiate a more profound administrative reform (Brown, 2003; Chakrabarty, 2006, pp. 95–96; Chandra et al., 2000, p. 140).

### **Palestine**

The Oslo Accords in 1993 and the establishment of the PNA the year after implied a gradual establishment of state-like institutions and structures and an intensification of the Palestinian state-building project (Chase, 1997; Lindholm Schulz, 2002, p. 22; Sayigh, 1997). Yasir Arafat and the Fatah as well as PLO leadership, mostly exiled from the Palestinian territory in the West Bank and Gaza Strip, orchestrated the Palestinian national struggle. At times, for instance during the First Intifada, Arafat sought to compromise with his Islamic counterparts Hamas and, more notably, Islamic Jihad as well as with the ‘rejectionist’ left-wing fraction of PLO and the local West Bank leadership to facilitate the struggle for independence. With the exception of the Islamic Movements, Arafat did not restrain elite influence after the establishment of PNA. The intra-movement struggles were mainly between Fatah and the PLO left-wing fractions and between the insiders and outsiders of the Fatah elite; the West Bank ‘old’ elite and the returning outsiders obtained extensive influence in the newly established Palestinian state-like institutions and governmental bodies.

After Oslo, Arafat did not establish one joint security apparatus. Instead he allowed for multiple security forces, recruited predominantly from the ranks of Fatah and under the guidance of persons strongly affiliated with himself. The Palestinian police and security apparatus were among the

largest PNA bureaucracies in the years following the Oslo Accords and consisted of eleven different security services (Amnesty International, 1998; Ghanem, 2010, p. 83; Shikaki, 1996, p. 10). The fragmentation and lack of a clear chain of command prevented the emergence of a strong and unified security apparatus. Instead the branches to a large extent competed with each other. The fragmentation was part of Arafat's strategy to control the state project, as all of the units reported individually and directly to him (Lindholm Schulz, 1999, p. 98; Robinson, 1997).

Hamas and the Islamic Jihad were the main opponents of the Oslo Accords, the peace process, and, ultimately, the politics of Arafat and Fatah. Meanwhile, Hamas was divided into two factions: those who favored Hamas to become a 'loyal opposition' to Arafat and the PNA and those who wanted to continue the armed struggle of the liberation of Palestine and the establishment of an Islamic state (Kimmerling and Migdal, 2003, pp. 369–70; Mishal and Sela, 2000; Robinson, 1997, p. 171). Arafat considered the threat posed by Hamas and decided on a campaign to delegitimize and undermine Hamas' political platform and maneuver room. More importantly, Arafat allowed for the paramilitary fractions and different security forces to crack down on Hamas and other oppositional political activists and movements.

The post-Oslo period meant a reconstruction of the outside–inside relationship within PLO. Arafat allowed for continuous influence of the 'homecoming' Tunis elite, the outsiders, while the domestic Intifada-elite, the insiders, a generation of leaders that had been actively taking part in the Intifada and resistance against the Israeli occupation, now found themselves excluded from the state-building process. Arafat also offered the 'old' West Bank families a prominent role to play in the building of the newly established institutions and governmental bodies. As a result, the (elitist) hamule structures weakened during decades of civil society mobilization, and Intifada was revived in the occupied territories (Frisch, 1998; Lindholm Schulz, 1999, p. 95; Robinson, 1997, p. 90; Shikaki, 1996; Usher, 1995). Thus, the PNA developed a large bureaucracy and staffed it with people who were members of Fatah or affiliated with the party to provide a power base for Arafat (Aburish, 2004, pp. 277–9; Chase, 1997, p. 28; Frisch, 1998, pp. 135–8; Ghanem, 2010, p. 72; Lindholm Schulz, 1999, pp. 93–6; Robinson, 1997, pp. 48, 175; Rubin, 2009, p. 277).

## **Pakistan**

Pakistan achieved independence on 14 August 1947 in response to the national demand for a Muslim homeland during the Indian struggle

for independence. Pakistan as a safe haven for Indian Muslims and as a manifestation of merits of Muslim rule appeared necessary in the context of a louder Hindu nationalism and growing communal tensions between Hindus and Muslims. The demand for a separate Muslim state was raised by the Muslim League in opposition to the Indian National Congress, and attempts to overcome the bridge between them failed. The creation of Pakistan may also be seen as the personal success of Muslim League leader Muhammad Ali Jinnah, appointed Quaid-i-Azam (the great leader) and founding father of Pakistan (Jalal, 1994; Jawed, 2009; Wolpert, 1984). In his very first speech to the Constituent Assembly on 11 August 1947, he reminded the Assembly members of the importance to good governance of rooting out the evils such as bribery, corruption, and nepotism (Jinnah, n.d., p. 7).

Unlike India, Pakistan was established without a state center inherited from imperial rule, which implied exceptional challenges in establishing a state supreme to its provinces. Jinnah was faced by provincial elites in the shape of Muslim landlords and Islamic rural leaders, as well as influential members of the Muslim League. There were also civil administrators and high-ranking military prepared to interfere in state politics. At nascent statehood, Jinnah was most aware of the threat constituted by the provincial leaders, but he was unable to uphold the integrity of the government and the state against the interference from any of these elites.

The demand for Pakistan had been secured through 'coalitions of convenience', enabled through the growing concern of future political influence among Muslim elites in the Muslim majority provinces of British India, especially Punjab and Bengal. In their view, a separate Muslim homeland appeared the better option in order to secure their elevated position in comparison with the scenario of an independent India dominated by Hindus. Once the demand for Pakistan had been met, to restrain these provincial forces from destroying the new and weak state Jinnah insisted on having the position of governor-general, which equipped him with more extensive constitutional means of power than the position of prime minister. More specifically, the 1935 Government of India Act gave him the authority to dismiss provincial assemblies and take over the provincial administration. Jinnah also executed this power in the North West Frontier Province (NWFP) to remove a Congress ministry in order to disarm the NWFP Congress' demand for an independent 'Pathanistan' (Bose, 2004, p. 106; Jalal, 1985, pp. 44, 49–50). The financial autonomy of the provinces, granted by the 1935 Government of India Act, was also removed through executive ordinances.

In addition to the constitutional means available to the governor-general, Jinnah and Prime Minister Khan relied on the inherited imperial civil administration and sought loyalty from the army in the establishment and protection of the state center. Initially the civil administration also demonstrated a clear representation of the center, with civil servants speaking the newly appointed national language Urdu. Yet an increasing proportion of Punjabis among the civil servants was eventually 'giving the Pakistani brand of centralization strong provincial overtones' (Jalal, 1994, p. 50). Rather than the creation of a center, this contributed to provincial rivalry as well as to an already growing sense in East Pakistan of being dominated by West Pakistan. It should certainly be acknowledged that Jinnah was aware of the threat the provincial elites constituted to the state-building process, and that he attempted to take political measures of restraint. Yet simultaneously he also contributed to undermine his own efforts in this regard by persisting on imposing Urdu as the national language. Urdu had been identified as the bearer of Muslim culture and tradition during the national struggle for Pakistan against the scenario of British India turning into 'Hindustan'. The Muslim majority provinces that ultimately formed Pakistan were however characterized by extensive linguistic variation. While only a very small minority of the population in the North West spoke Urdu, 56 percent of the entire population and an overwhelming majority of the people in East Pakistan spoke Bengali (Ayres, 2009). As governor-general, Jinnah continued to promote Urdu as the 'proper' Muslim language, even in the context of demonstrations and even riots in Dhaka in East Pakistan as well as animated debates in the Constituent Assembly (Ayres, 2009, p. 43; Bose, 2004, p. 105; Möller and Schierenbeck, 2014, pp. 79–81). Jinnah thereby gave significant symbolic prominence to the provinces of West Pakistan at the expense of the provinces of East Pakistan, which contributed to facilitate a gradual provincial overtake of the state center.

As governor-general, Jinnah made no special efforts to ensure civilian control of the military, and this facilitated the swift pattern of recruitment of military expertise to the civil administration. Given the similar pattern of Punjabi dominance within the military as within the civil administration, this resulted in a civil–military bureaucracy that was dominated by elites in West Pakistan who got an increasingly strong hold on the state (Bose, 2004, p. 105; Jalal, 1995).

Jinnah also did not seek to prevent party primacy over the government. In contrast, the party benefitted from an early decision by Jinnah in the tug-of-war that ensued between party and government. With himself as the only exception, Jinnah accepted a regulation preventing

members of the Muslim League from holding twin offices in party and government. The rationale behind the regulation was to prevent the party from 'becoming the handmaid of government' (Mahmood, 1997, p. 33). Instead, the party was to hold a monitoring function toward the government. As a consequence, Jinnah's successor to the post of president of the Muslim League, Chaudhry Khaleequz Zaman, was of the opinion that the Muslim League was supreme to the government, and that the League ministries were responsible not only to the Legislative Assembly but also to the Muslim League. He expected Prime Minister Khan to turn to the Muslim League for political consultation, and demanded clarification regarding specific political issues (Mahmood, 1997, pp. 42, 177).

## **Results and concluding discussion**

Political leadership at nascent statehood is significant for state-building toward good governance in the sense that it can restrain elites from the opportunity to become state spoilers. Establishing clear institutional boundaries for elites' access contributes to the integrity of political, military, and administrative institutions of the state. The empirical section has illustrated differences in leadership capacity to restrain influential elites at nascent statehood thereby implying a decisive impact on the state-building process toward good governance. Ben-Gurion was most decisive in his attempt to protect the integrity of the state from inappropriate interference. Nevertheless, the constant struggle, as of today, about the role of religion in the Israeli state constitution and society has as its reason the indecisiveness of Ben-Gurion with regard to restraining the ultra-orthodox parties at the eve of Israeli statehood. Nehru had an equally strong ambition but compromised with regard to reforms of the inherited civil administration. While taking advantage of the centralizing features of the imperial administrative structure in place might have contributed to state survival, India's civil administration remains today an expression of bad governance that is severely straining the country's democracy. Still, Israel and India are the more successful cases in the comparison. Both Ben-Gurion and Nehru managed to put the military under civil control and protected the integrity of the government in relation to the 'national' party. Arafat did not re-negotiate the roles played by the Fatah and PLO party elite during national mobilization. His failure in restraining the former elites resulted in the continuation of party primacy over government. The neglect led to a government and public administration suffering from corruption and nepotism. Jinnah's

efforts to restrain the provincial elites failed, despite the extensive constitutional means he insisted on inheriting from imperial rule through the position as governor-general. His neglect in restraining the party from interference in government, and the military from permeating the civil administration, created opportunities for the elites in West Pakistan to get a hold on the state after independence. Certainly, this contributed to the political conflicts between West and East Pakistan, as it spurred a sense in the East of not being treated equally by the state. Ultimately, this also led to disintegration and the creation of Bangladesh.

The empirical analysis in this study has contributed with illustrative evidence to the theoretical argument that political leadership at nascent statehood indeed varies with regard to elite-restraining capacity. The circumstance that the revealed variation corresponds with the contemporary levels of QoG in the studied cases points to the relevance of critical junctures in history as opportunities to agency for long-term impact on political development (Thelen, 1999). If political leaders at nascent statehood are able to restrain the elites that they previously have had to bargain and reach agreements with for the sake of enabling the state to come into existence, the proceeding state-building process is more likely to emerge in the direction of better government than if they fail to do so. Thus, to prevent elites from turning into state spoilers is to provide a more fertile ground in enabling the state's impartial treatment of its citizens. In addition to the effects on QoG, it is relevant to consider political leadership at nascent statehood also with regard to the prospects for democracy. While Israel and India have emerged into mature democracies, the democratic prospects remain uncertain for both Pakistan and Palestine. It is then relevant to consider not only the extent to which political leaders restrain elites, but also whether they manage to establish an inclusive national narrative (in contrast to the more intense national narrative launched during national mobilization) and whether they manage to formalize political authority (in contrast to the personal political authority during national mobilization) (Möller and Schierenbeck, 2014).

## Notes

- 1 As leadership analyst Ronald Heifetz (1994) points out: 'Rather than define leadership either as a position of authority in a social structure or as a personal set of characteristics, we may find it a great deal more useful to define leadership as an activity' (Heifetz, 1994, p. 20).
- 2 In 2013 the UN General Assembly recognized the State of Palestine as a non-member observer state in the UN and the Palestinian National Authority in the West Bank renamed itself the State of Palestine.

- 3 The nascent statehood period is being defined as the period after the Oslo Accords in 1993. The Oslo Accords was a historical landmark acknowledging Palestinian claims to land and a 'national home', as the Balfour Declaration did for the Jews (Lindholm Schulz, 1999, p. 121).
- 4 The Altalena Affair was finalized before the declaration of the State of Israel and the Ordinance on the Israeli Defense Forces (1948).
- 5 Nehru had surrendered his position as Congress president when he became the leader of the interim government in 1946, based on the idea that the functions of government and party should be separated (Chandra et al., 2000, p. 188; Kochanek, 1966, p. 683).

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# 7

## Rulers and Their Elite Rivals: How Democratization Has Increased Incentives for Corruption in Sub-Saharan Africa

*Michelle D'Arcy*

Over the past two decades most African countries have become more democratic but the quality of governance has declined. Although multi-party politics with regular elections have become the norm and a majority of countries have now held a fourth and fifth round of elections (Lindberg, 2006; Lynch and Crawford, 2011), indicators of quality of government show decline, despite theoretical expectations that democracy should lead to improvements. This chapter contributes a theoretical argument, focused on elite–ruler relations, that explains the mismatch between our existing theories and observed empirical realities in Africa.

The trends in governance in sub-Saharan Africa over the last two decades show that quality of government has declined, and that this decline has been driven by states that have experienced increased democracy. Table 7.1 shows the percentage change in quality of government scores between 1985 and 2008. These scores contain indicators on corruption, law and order, and bureaucratic quality. Overall, the average scores for the continent as a whole have decreased by 12%. This change would seem to be primarily driven by the 38 countries which have experienced increased levels of democracy. Their governance scores are on average 16% lower than they were in 1985. By contrast, the countries that have seen no change or decreased democracy scores have increased their average quality of government scores by 56%.

The aggregate data presented in Table 7.1 cannot be used to draw any firm conclusions. However, the broad outline it presents for Africa – that democratic reforms are not correlated with improved quality of government – mirrors empirical analyses that use a wider sample. Keefer found that young democracies underperform across a range of policy areas, including control of corruption (Keefer, 2007). Other important studies have found that democratization initially leads to increased

*Table 7.1* Average percentage change in quality of governance scores, tabulated by changes in polity scores from 1990 to 2008

	Quality of Government 1985–2008 Average Change (%)	N
Sub-Saharan Africa	–12	45
Countries with increased democracy	–16	38
Countries with no change/ decreased democracy	56	7

*Sources:* Polity IV data on regime type from Marshall et al. (2010), Political Risk Services Group's International Country Risk Guide data on quality of government available from Teorell et al. (2011)

corruption, the so-called J-shaped relationship (Montinola and Jackman, 2002; Sung, 2004; Bäck and Hadenius, 2008). Together this empirical evidence presents the central puzzle that this chapter tries to address: why have democratic reforms in sub-Saharan Africa not led to improved quality of government?

While existing accounts have focused on how democracy affects the relationship between rulers and voters this chapter argues that, in the African context of weak political and economic development, elite–ruler relations hold the key to understanding this puzzle. I argue that, in situations where elites are strong and states are weak, democratization – as it is designed to do – destabilizes rulers in relation to elites, their main rivals for power, and makes the challenge of consolidating their position more difficult. It reduces the ability of rulers to employ strategies of control, making those of exchange in the form of patronage more important. Thus democratization initially increases the incentives rulers face to engage in patronage, with negative implications for quality of government.

To make this argument the chapter proceeds as follows. I first briefly discuss existing explanations of how democratic reform creates institutions that should constrain corruption and improve quality of government. Building on existing research which has argued that corruption in the African context is a means of rule, I then put forward a theory of how democratic reform affects levels of patronage and illustrate this theoretical model with a case study of the country that experienced one of the fastest democratic transitions in Africa: Malawi. The chapter concludes by considering the implications of the argument for future research and policymaking.

## Corruption and democratization

Efficient and non-corrupt public administration is, in many ways, a critical and classic public good that is needed to sustain good governance and development. It is a public good in being non-excludable and non-rivalrous; unlike in corrupt bureaucracies where interactions are intrinsically particularistic, no one can be excluded from the benefits of good public administration, and one person cannot have more 'good administration' than another. Quality of government is also critical to the delivery of other goods of importance for human welfare, such as clean water, basic healthcare, and education (Kaufmann et al., 1999; Lewis, 2006; Rajkumar and Swaroop, 2007; Holmberg and Rothstein, 2010).

Democratic institutions are expected to improve the quality of government and control of corruption for a number of strong theoretical reasons. First, electoral competition is expected to constrain rent-seeking by politicians (Lake and Baum, 2001) and incentivize them to produce public goods to secure the favor of the median voter (Meltzer and Richard, 1981). Second, freedom of information in democracies is expected to bring corruption to light and allow the media to act as an effective watchdog of public officials and politicians (Chang et al., 2010). Third, separation of powers and increased executive constraints are expected to decrease the ability of rulers to engage in corruption (Persson et al., 1997). Thus the introduction of democratic institutions is argued to tie the hands of rulers, articulate demands for improved governance, and increase the checks and balances that ensure these demands are met.

Despite the strong grounds these arguments provide for expecting the introduction of democratic institutions to improve governance, the empirical evidence, as discussed in the introduction, often does not corroborate our theoretical expectations. Why is this the case? Why have democratic reforms not led to improvements in governance in Africa? Why do things get worse in new democracies before they get better? Most research has focused on understanding how demand-side mechanisms have become distorted, either through the weakness of democratic institutions that cannot articulate demands properly or through the context of underdevelopment that leads the demands of electorates to be clientelistic.

The first of these positions argues that the weakness of democratic institutions prevents them from functioning as expected. Newly democratized states in Africa have been described variously as 'hybrid regimes' (Bogaards, 2009), 'defective democracies' (Merkel, 2004), and more akin

to 'minimalist democracies' (Clapham and Wiseman, 1995). Although progress has been made compared to their predecessor regimes, they are seen to have a number of profound flaws including ongoing military interventions, democratic rollback, entrenched ethnic voting, and high levels of violence including election violence (Lynch and Crawford, 2011). This viewpoint assumes that citizens want good governance and demand it from their politicians but weak institutions make them unable to articulate these demands and incentivize politicians in the way theories expect.

An alternative argument sees these institutions as capable of articulating demands, but claims that these demands are not for broad improvements in governance but for clientelism. In this literature clientelism is understood as transactions between politicians and citizens involving material favors given in return for political support (Wantchekon, 2003, p. 400), and it is seen to undermine the delivery of universal services. Clientelism is argued to persist, and even increase, after democratic reforms as a rational response by both voters and politicians to changed institutional incentives. Political competition increases the value of marginal votes, heightening incentives to buy those votes (Kitschelt and Wilkinson, 2006). Competition provides incentives for politicians, lacking credibility, to substitute universal promises for clientelist ones (Keefer and Vlaicu, 2007). It creates dilemmas for politicians as those who make the first moves away from the prevailing situation lose out (Geddes, 1994) and as voters in poor countries have preferences for short-term investment and spending that brings immediate benefits (Charron and Lapuente, 2010).

Both these explanations of the negative relationship between democratization and quality of governance place the emphasis on demand-side mechanisms, and as such are heavily focused on voter–ruler relations as the critical channel of influence. While this mechanism is obviously a key part of any explanation, our understanding of this relationship, particularly in developing world contexts like sub-Saharan Africa, must also look at how democratization effects intra-elite and elite–ruler relations, as analysts have often understood political outcomes in African states as primarily a function of elite behavior (Bates, 1984; van de Walle, 2001).

In terms of elite behavior, patrimonialism, the allocation of material resources in return for political support, has been seen as one of the key means of rule used by rulers to consolidate their position. It has been seen as the 'core feature of politics in Africa' (Bratton and van de Walle, 1997, p. 3). Although some have seen patrimonialism as an intrinsic cultural trait (Bayart, 1993; Chabal and Daloz, 1999), others argue that

it is an institutional choice (Green, 2011) and a key tool of elite management and ruler stabilization (Arriola, 2009).

Patronage, while not always constituting corruption, in the African context has been seen as such (Bratton and van de Walle, 1997, p. 3). While it is primarily a function of intra-elite relations, it nonetheless has a pervasive influence on all levels of society. Jobs given out as a form of patronage are then used in a prebendalist resource for personal enrichment. In this way patronage at the top is connected to petty corruption at the bottom. Thus by looking at patronage at the top, we can understand the broader patterns of corruption throughout society.

If the kinds of behavior that we know are anathema to quality of government, such as patronage, are seen by Africanists as a means of rule, then we must ask questions about how changes in the form of rule (from autocracy to at least partial democracy) impact on the way in which rulers can and do use these means. Rather surprisingly, such questions have received relatively limited attention. Most analyses have emphasized continuity, arguing that democratization has done little to dislodge elite control or undermine patronage as the key dynamic of politics (Mbembe, 1995; Villalón, 1998; Chabal and Daloz, 1999). This characterization cannot easily explain why things get worse. Research has shown that there are important changes in intra-elite dynamics in the years after democratic reforms, with increasing fragmentation among elites (Rakner et al., 2007; Branch and Cheeseman, 2009), and the data discussed above shows that there has been worsening governance. In the next section I put forward a theoretical account of the relationship between democratic reform and patronage that can account for both of these changes, and that provides an explanation for why democratization, at least initially, leads to worse governance.

## **Democratic reform and patronage: Destabilization and ruler responses**

A ruler's central objective is to remain in power. In most contexts, but particularly in Africa, staying in power means managing relations with other members of the elite, who constitute the main challengers for power. What varies between autocracies and democracies, in terms of elite-ruler relations, is not the ruler's objective (to stay in power), but the elite management strategies he can employ to do so.<sup>1</sup>

Autocratic rulers have two main strategies available to them in managing elites: exchange and control (Wintrobe, 2007). Exchange, in the form of patronage, has been a key tool used by African rulers



(Bates, 1984). Appointments to cabinet and state boards, granting export licenses, and public sector jobs are all forms of patronage used by rulers to build intra-elite alliances. Control strategies can include harassment, intimidation, detention without trial, and even assassination of elite political opponents. There are many famous examples of political assassinations in Africa, including Patrice Lumumba in Congo and Tom Mboya in Kenya.

In addition to these forms of outright repression, African rulers during the post-colonial period had more subtle means of control. They were the gatekeepers to wealth and had the ability to determine elite formation and membership. High levels of state intervention allowed them to determine who could participate in economic activity and therefore where rents accrued (Bates, 1984). By controlling the party and the state, rulers blocked the avenues by which other members of the elite could challenge their position. Most African states in the autocratic period allowed rulers a very high degree of control over the elite, and many autocrats enjoyed long tenures.

Control and exchange strategies are in many ways inversely related. While most autocrats employ elements of both, the balance between repression and exchange may vary both between countries and over time: reduced reliance on one tactic will lead to an increased resort to the other. Where rulers either choose, or are forced, to scale back their tactics of control, those of exchange become more central, and vice versa.

Democratic reform leads to important changes in elite-ruler relations and the strategies that rulers can employ to manage them. First, as the separation of powers and civil liberties improve, even if imperfectly, outright repression, of both ordinary citizens and members of the elite, becomes more difficult. Increased judicial independence, more open civil society, and a free press make repressive tactics more visible and open rulers up to sanctions, such as the withdrawal of aid by donors. Although civil rights abuses continue, African rulers now cannot illegally jail their opponents without risking significant backlashes.

Second, with the introduction of political competition, rulers lose considerable control over the access routes to power. Elite aspirants can create their own parties, or factions within existing parties, and use them as leverage. These dynamics of elite competition and fragmentation can be seen most clearly in the emerging African party systems. Although they have, in general, taken the form of a dominant party with a number of small volatile parties, the number of parties contesting elections is high (van de Walle, 2003). Even dominant parties have proven to be unstable,

particularly after third-term elections (Rakner et al., 2007). There can be benefits to elites from forming parties even with very small seat and vote shares: in Kenya, nine of the eleven parties in the Party of National Unity Alliance (PNU), which won the disputed election in 2007, had four seats or less. These patterns of fragmentation and volatility reflect the jockeying for position by members of the elite, and managing these centrifugal forces is critical for rulers. Failure to do so can lead to loss of power, as was the case, for example, in Ghana in 2000 where internal wrangling over Jerry Rawling's successor led to the National Democratic Congress's defeat at the polls (Nugent, 2001).

The third important way in which democratization impacts on elite–ruler relations is by increasing the size of the minimum winning coalition (Bueno de Mesquita et al., 2003), meaning that rulers must build broader elite alliances to win elections and remain in power. The size of minimum winning coalitions is particularly broad in presidential systems, which most African states are. For example, in Kenya in each election since 2002, politicians have formed broad coalitions containing key members of the elite: in 2002 four parties joined to form the winning National Rainbow Coalition (NARC), and in 2007 eleven parties joined to form PNU. The breadth of alliances needed to form viable election platforms is most visible in a fragmented party system such as Kenya's, but the same logic holds in more stable party systems: where the size of a minimum winning coalition is high, rulers must maintain broad elite alliances, both within their party and with other parties, if they are to stay in power.

Increased political competition makes managing the elite more important, and the limited ability to use strategies of control makes it more difficult. In these conditions, exchange becomes more valuable than before as the key tool that rulers can use to sustain the broad alliances needed to stay in power. The resources of the state – public jobs, licenses, tax exemptions, positions in the regulatory framework, and cabinet seats – are used by rulers to build broad-based elite alliances. Patronage becomes the most important means by which rulers can manage their relations with elites.<sup>2</sup>

Figure 7.1 summarizes the causal argument so far and the diagnostic evidence used in the empirical analysis below. The three key aspects of democratic reforms are increasing political competition, increasing separation of powers, and increasing civil liberties. As improvements in these variables occur they impact on levels of corruption through the mechanism of elite–ruler relations. Political competition increases elite competition, meaning that rulers need to sustain broader coalitions

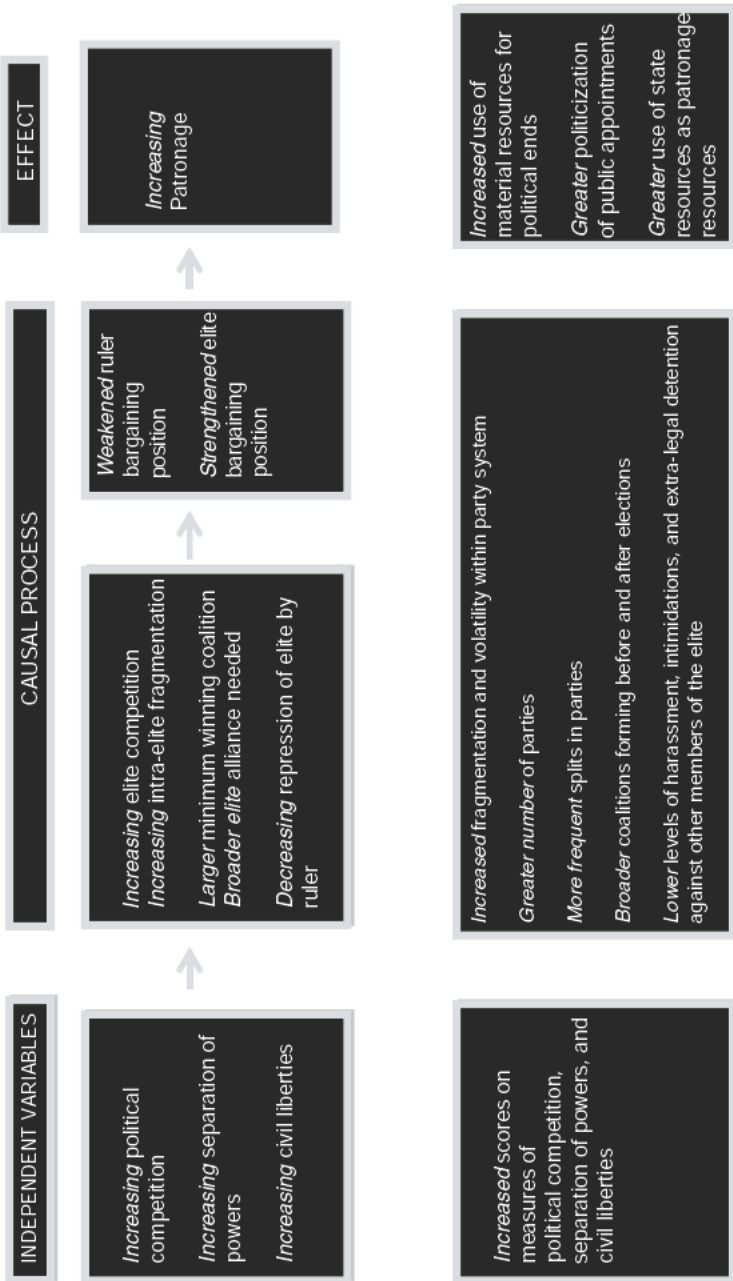


Figure 7.1 Summary of theoretical argument and diagnostic evidence

of elite allies while improved separation of powers and civil liberties makes it more difficult for rulers to use repression to control elite rivals. The hypothesis that this theory puts forward is that democratization increases intra-elite competition, destabilizes rulers, and leads to a rise in corruption as rulers increasingly resort to patronage as their key remaining means of rule.

## Democracy and patronage in Malawi

To illustrate the theoretical argument, I present a case study of the effect of democratization on patronage and corruption in Malawi. Malawi is a compelling case as the only African state in the early 1990s to move directly from a Freedom House categorization of 'not free' to 'free' from one year to the next. Hastings Banda, Malawi's ruler of 30 years, was defeated in the first multi-party elections in 1994. The election was highly competitive and his party, the Malawi Congress Party (MCP), went from being the only party to being one of three parties with reasonably even vote-share (Freedom House, 1995). Although there were subsequently problems with democratic rollback under Bingu wa Mutharika (Africa Confidential, 2012), in the initial ten years there were significant changes in both political competition and civil liberties. As such it constitutes a case in which we can analyze how changing levels of political openness impacted on corruption.

The empirical analysis uses process tracing to analyze the impact of democratization on corruption in Malawi between 1994 and 2004. Process tracing involves a research process whereby 'the cause-effect link that connects independent variable and outcome is unwrapped and divided into smaller steps; then the investigator looks for observable evidence of each step' (Van Evera, 1997, p. 64). Figure 7.1 outlines the smaller steps of the causal argument and the predicted observable evidence derived from the theory, known as the diagnostic evidence (Collier, 2011). A number of sources were analyzed: policy documents from donor organizations such as DfID, civil society organizations such as Freedom House, and international organizations like UNDP; contemporary journalistic reports from international sources such as the Africa Research Bulletin and Africa Confidential; historical accounts and recent academic research. Data has been triangulated between sources to increase reliability. The empirical section begins with an overview of elite-ruler relations before democratization in Malawi as the baseline scenario against which changes in elite-ruler relations are assessed.

## Elite–ruler relations in Malawi pre-democratization

Hastings Banda, the autocratic president of Malawi from 1961 to 1994, was one of the longest-serving African leaders; he used a combination of control and exchange to manage his relationship with the elite. Early on, he established his control over both party and state, and used this control to block the routes to power for other members of the elite. The MCP, founded by Banda and others in 1960, quickly became autocratic in nature (McCracken, 1998). As early as 1958, Banda had acquired the power to make all appointments and dismiss any member of the party (McCracken, 1998). As Malawi was a one-party state, the MCP was the only access route to the upper echelons of power. By controlling membership of the party, Banda could control which members of the elite were in and which were out.

Banda's control of the formal political institutions was also underpinned by extra-legal intimidation. The youth wing of the MCP, the Young Pioneers, harassed opponents of the regime (McCracken, 1998), most notoriously in the so-called 'Mwanza Incident' of 1983 when three cabinet ministers and one MP were killed in a car crash that was widely seen as deliberate (Kaspin, 1995). Many members of the elite were persecuted, prosecuted on dubious charges, or held for long periods without trial. In 1964 Banda purged his cabinet and all but one of his ministers fled the country (Baker, 2001). Guanda Chakuamba, who had formerly been a staunch supporter of Banda, fell out of favor in 1981 and was sentenced to 22 years in prison on charges of sedition. Brown Mpinganjira, who Banda had appointed as Chief Information Officer in 1985 was detained the following year and held without trial for five years (Kayuni and Tambulasi, 2010). Both of these men were prominent members of the elite who went on to be influential in politics after Malawi's transition to democracy.

These strategies of control were linked to those of exchange. Banda's control of the political system and the economy enabled him to use patronage to cement elite alliances. After independence Banda took control of the most productive sector of the economy – estate agriculture (Kydd and Christiansen, 1982). Access to this lucrative sector was used as patronage, a common strategy among African rulers (Bates, 1984).

The sustainability of Banda's elite management strategy deteriorated over time as the oil and commodity price shocks of the late 1970s and the war in Mozambique created acute fiscal distress. The profits to be made from estate agriculture diminished and the effect was a 'gradual realignment of interests within Malawi's political elite resulting from the drying up of political patronage' (McCracken, 1998, p. 232). Without

resources for exchange available to him, his position in relation to the elite became more precarious. Elite disquiet, in combination with the widespread distress that the productivity collapse created, provided the backdrop to the protests that eventually led to the introduction of multi-party elections in 1994 (Kaspin, 1995).

### **The impact of democratization on elite–ruler relations in Malawi**

In May 1994 Malawi held the first multi-party elections leading to a marked increase in political competition. Four candidates stood for the presidency, with Bakili Muluzi defeating Banda. In parliament, eight parties campaigned, with Muluzi's newly formed United Democratic Front (UDF) winning 48% of the seats, the MDP 31%, and the Alliance for Democracy (AFORD) 20%. There was also an improvement in the protection of civil liberties and the independence of the judiciary. As VonDoepp has written, the judiciary in Malawi has 'displayed a striking tendency to render decisions that have challenged the interests of elected power-holders' (VonDoepp, 2005a, p. 276). In terms of civil liberties, according to one measure of physical integrity rights, including the prevalence of torture, extrajudicial killing, political imprisonment, and disappearance indicators, in 1998 the Malawian government was categorized as having 'full government respect for these four rights' (Cingranelli and Richards, 2010). All of these changes have had an effect on elite–ruler relations.

The newly elected president, Muluzi, was not new to politics: he had been appointed as an MP by Banda in 1977, and subsequently served as Minister for Education and as Secretary General of the MCP. Despite holding these positions, he had not been one of Banda's close allies: he had been excluded from the normal form of patronage during Banda's reign – access to estate agriculture – and imprisoned for allegedly stealing from the state (Kayuni and Tambulasi, 2010). In common with the other members of the elite, he saw the introduction of multi-party elections as an opportunity.

Just as political opening enabled Muluzi himself to come to power, so too did it create options for other aspirant members of the elite. Muluzi had co-founded the UDF with Brown Mpinganjira and Aleke Banda. Despite their initial alliance, Mpinganjira subsequently left the UDF to form his own party, the National Democratic Alliance, and in 2001 Muluzi had him arrested and charged with being involved in planning a coup. With many members of the elite coveting his position, including

former allies, Muluzi's need to manage his relations with the elite was no less than Banda's had been. However, democratization significantly altered the strategies he could employ.

The change in the formal rules of the game after 1994 closed down many of the control strategies used by Banda. Improved civil liberties and judicial autonomy, though imperfect, made tactics of outright repression more difficult. Although Muluzi arrested Banda in January 1995 for the Mwanza Incident, he could not detain him indefinitely without trial, as Banda himself had often done, and Banda was acquitted in December 1995. Similarly, although there has been physical intimidation of political opponents, for example, of National Democratic Alliance officials after the Alliance split from the UDF in 2000 (VonDoepp, 2005b, p. 195), there have not been extra-judicial killings such as those of the Mwanza Incident.

The increasing autonomy of the judicial system also acted to protect and enforce civil liberties and empower civil society. Although Muluzi formed his own militia, the Young Democrats, his ability to use them as an instrument of intimidation was constrained. In 2001, they were involved in a campaign of harassment against the opposition. In response, church groups formed a justice and peace commission protesting the increase in state-sponsored violence (Freedom House, 2002). This threatened donor relations: human rights concerns were one of the reasons cited by the Danish government when it pulled its aid and diplomatic mission in 2002 (VonDoepp, 2005b, p. 195). Civil society organizations were more active and the press was freer, meaning that although human rights infringements continued Muluzi did not have the same latitude as Banda to employ extra-legal intimidation to control elite challengers.

The second major change democratization brought was increased political competition. The impact this had on elite competition can be seen in the fragmented nature of the party system and the high degree of volatility in intra-elite relations. In 1994, 513 candidates ran for parliament, 84% from the three main parties (Rakner et al., 2007, p. 1123). In 2004, twice as many candidates stood for election, only 30% of whom were from the three main parties (Rakner et al., 2007, p. 1123). Of the 11 new parties that contested the 2004 elections, 5 were directly linked to struggles over leadership within existing parties (Rakner et al., 2007, p. 1123). The high level of fragmentation in the political system reflected the jockeying for position among members of the elite. They now had the option of running alone, splintering existing parties, and forming alliances of convenience.

Within this context, Muluzi constantly struggled to maintain the sufficiently broad alliances he needed to win and stay in power. In 1994,

Muluzi's UDF did not have a majority of seats in parliament and formed a coalition with AFORD and other smaller parties. In May 1996, AFORD split over its leader Chihana's decision to resign from government. In the 1999 election, the opposition alliance of the MCP and AFORD won more seats than the UDF, forcing Muluzi to court the support of independents.

With a reduced ability to employ strategies of control, the only alternative left to Muluzi was to increasingly use patronage. Both quantitative and qualitative assessments of Muluzi's tenure show an increase in levels of patronage. According to the World Bank's Governance Indicators, Control of Corruption in Malawi declined from a score of  $-0.36$  in 1998 to  $-0.76$  in 2004, a decline of 110% (World Bank, 2014). In 2000, the Public Affairs Committee, an umbrella civil society organization representing religious groups, published a highly critical report detailing the widespread and endemic corruption of Muluzi's rule. In 2002, when Muluzi tried to alter the constitution to allow him to stand for a third term, the Anti-Corruption Bureau uncovered evidence that Muluzi had bribed certain MPs to vote in favor of the proposed change (Freedom House, 2003). In 2004, a policy document commissioned by DfID concluded that under Muluzi 'patronage drove policy' (Booth et al., 2006). Cabinet size, which has been used as a key measure of patronage (Arriola, 2009), confirms the same trend: Muluzi's cabinet grew from 25 seats in 1994 to 48 in 2004 making it one of the largest in Sub-Saharan Africa (Rakner et al., 2007, p. 1119). The consensus opinion of experts, civil society observers, and donors is that patronage and corruption increased under Muluzi's presidency.

The increased recourse to patronage was not simply a function of Muluzi's idiosyncratic leadership style, as some observers have claimed (Kayuni and Tambulasi, 2010). It was, rather, a rational response to the altered elite ruler–relations created by the 1994 reforms. As political opening, however imperfect, closed down the opportunity to use control in managing elites, exchange in the form of patronage became more important. Democratization destabilized the position of the ruler in relation to the elite, and altered the ways in which he could manage them.

## Conclusion

This chapter has put forward a theoretical argument about how democratic reform, in the African context, can have a destabilizing effect on elite–ruler relations. Political opening, as it is designed to do, allows elites more routes to power, forces rulers to create broader alliances, and



removes the ruler's ability to use strategies of control. This increases their reliance on patronage as a key tool in managing their elite rivals and thus increases corruption.

The example of Malawi was used to illustrate the dynamics of elite-ruler relations before and after democratization. But is it representative? Although more rigorous empirical analysis would be needed to thoroughly test this theory, there is some evidence from other African countries that suggests similar dynamics are at play. In Tanzania there is evidence that tax exemptions, an important form of patronage, have increased after the introduction of multi-party elections, and despite the continuing dominance of one party (Therkildsen, 2013). In Kenya, the quality of governance has declined and corruption increased as elite fragmentation has led to policy incoherence and poor implementation (Branch and Cheeseman, 2009; LeVan, 2011). Finding similar patterns from two very different systems is suggestive. Finally, it is interesting to note that Rwanda, the best performing country in Africa in terms of reduced levels of corruption, is an autocracy.<sup>3</sup>

The explanation provided here is most certainly not intended to act as an argument against democratization, but rather as an analytical explanation of how the processes of democratic reforms can be undermined. To know how best to support and improve African states in their steps toward democracy and development we need to have a more theoretically informed understanding of the effects, both positive and negative, of the introduction of democratic reforms. The findings of this chapter suggest that more attention should be focused on how transitions effect intra-elite relations and more emphasis placed on the arenas in which these relations play out, particularly on parties and parliaments, rather than solely focusing on elections. This approach, more grounded in an appreciation of the kinds of politics practiced in these states, should give us a better ability to support both countries in transition and those heading toward it.

## Notes

- 1 This hypothesis is argued to hold under certain scope conditions: low economic development and lack of previous experience of democracy. Where there is low economic development the state is the main means of accessing economic power. As a result, the elite are a collection of individuals seeking personal advancement through access to the state, rather than groups with independent resources and at least some common policy interests. Moreover, weak party institutionalization means the relationship between the ruler and the elite is not mediated or constrained by the normal dynamics of party politics. A shallow history of party organization has meant that in most African states parties

- are built from above as platforms of support from which individual elite personalities seek to advance their own agendas (see van de Walle, 2003).
- 2 The account so far makes clear why there is an increase in patronage after democratization. However it also sheds light on change over time. The difficulty in managing the elite creates a fundamentally unstable situation: it is not an equilibrium as patronage is a strategy of diminishing returns. As rulers increasingly use the resources of the state their value diminishes. When this happens, rulers have to scramble to provide even more patronage, perpetuating the cycle of diminishing returns. In this fundamentally unstable situation, rulers have to either make attempts to consolidate democratic institutions as a way to consolidate their position by, for example, institutionalizing party discipline (as has been the case in Ghana) or by undoing democratic reforms (as many African leaders have attempted to do).
  - 3 Rwanda has jumped from a world ranking of 121 in 2006 to 55 in 2014 (Transparency International, 2014).

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# 8

## Stability and Stagnation

*Anders Sundell*

On the fourth of July, 1776, thirteen American colonies declared their independence from Great Britain, and formed the United States of America, thereby laying the foundations for the now oldest surviving political system with representative government. An oft-quoted passage in the Declaration of Independence is the passage that men are endowed with certain unalienable rights, which include life, liberty, and the pursuit of happiness, and to secure them “[g]overnments are instituted among Men, deriving their just powers from the consent of the governed.”

This book is about how institutions constrain elites from destructive behavior. Representative democracy has since the American Revolution proven to be unparalleled among political systems in its ability to do so. It is an elitist system, but the simple yet revolutionary mechanism of holding rulers accountable to the electorate has led to policies that have raised the standards of living for billions of people to historically unprecedented levels. Consider the astounding proposition of Economics Nobel laureate Amartya Sen (1999): famines do not occur in democracies.<sup>1</sup> The wish to remain in office leads elites to propose policies that appeal to the median voter, or at least a large part of the electorate, which means that the most destructive behaviors are off-limits. Also, democracies do not in general wage war with each other, which has been attributed to elites’ anticipation that war against a democracy would be costly, and therefore undesirable from an electoral perspective (de Mesquita et al., 1999).

The Declaration of Independence is one of the most influential political documents, as it states that people have the right and duty to abolish a government that does not derive its powers from the people.

However, less appreciated are the sentences that follow the passage quoted above:

Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn that mankind are more disposed to suffer, while evils are sufferable than to right themselves by abolishing the forms to which they are accustomed.

Here the founding fathers are saying that political stability has a value in itself, that mankind prefers to suffer bearable evils over an overthrow of the current political order. Two fundamental political values are thus opposed in many countries: self-government and political stability. Given the virtues of democracies extolled above, it would seem clear that self-government must take precedence. But the last two decades or so, research has cast light on another extremely important institution: the state. It has for long been conspicuously absent from political theorizing (Fukuyama, 2014), but is of tremendous importance for human well-being. In fact, looking at a cross-section of countries today, happiness correlates more closely with absence of corruption than with the level of democracy (Rothstein, 2011).

Political instability, for instance in the form of a revolution, risks unraveling the state and its capacity to uphold social order and provide service to the populace. It is therefore not clear that citizens always are better off under an instable but democratic regime than under a stable but authoritarian one. The trade-off is as relevant today as it was 239 years ago. The spark that set the Arab world ablaze in 2010 was ignited when a fruit vendor had his wares confiscated by corrupt police. The eventual outcomes of the revolutions are still unclear, but it is certain that they, in the short run, have led to less stability and order.

However, stability is not always a virtue. Non-violent competition is the lifeblood of democracy, and naturally entails that governments sometimes are replaced, if not necessarily in every election. A party or leader that manages to cling to power for a long time could grow too close with the state apparatus, leading to politicization and an opening for corruption. In that case, we could talk about excessive stability, or stagnation. This chapter discusses the dual nature of political stability, and the different effects it produces in different political systems. Previous research has mainly investigated the effects of major instability, such as civil war. I go further and examine the effects of government and leader duration,

that is, stability within a given political system, on human welfare and quality of government.

### Chaos, stability, and stagnation

What is political stability? The use of the term in the literature depends on the circumstances, and the type of political system discussed. A review back in 1973 found that political stability usually was defined as the absence of violence or as government duration, or as a more complex phenomenon depending on several factors (Hurwitz, 1973). The characterization remains relevant today. Political stability has been extensively explored in the literature on determinants of civil wars and coups, where it is defined as the absence of violence, such as civil war, rebellion, or a coup d'état (cf. Arriola, 2009; Fearon and Laitin, 2003; Goldstone et al., 2010).

Civil war is the supreme political instability, and decides the future – not only who should be in power but also the rules of the game itself. Other, “lesser,” forms of political instability can be accommodated within the existing system. Yi Feng (1997) distinguishes between three forms of political change: irregular, where regimes change; major regular, where governments change within the regime; and minor regular, describing changes within governments. Civil war falls into the first category, turnover between two opposing parties in a democracy into the second, and a leader change in a ruling party into the third. Political stability in the wider sense is thus a potentially relevant factor for all political systems, but in different forms. Many studies have investigated the determinants of political (in)stability, especially civil wars and coups (cf. Fearon and Laitin, 2003; Goldstone et al., 2010; Londregan and Poole, 1990), but also stability in the sense of long government duration (Laver, 2003).

When it comes to the effects of stability, the picture is less clear. Theoretically, there are strong reasons to expect that a modicum of stability and absence of violence is a necessity for society to prosper. In *Leviathan*, Thomas Hobbes argued that subjection under an absolute sovereign is preferable to the brutal “state of nature,” in which all wage war against all. Hobbes wrote his treatise in the shadow of the English Civil War (1642–51), and civil wars seem to be the most relevant approximation of the state of nature even today. Unsurprisingly, empirical research shows that civil war is associated with downturns in economic growth (Collier, 1999; Kang and Meernik, 2005). In terms of



human standards of living, it is also clear that anarchy and chaos lead to dismal conditions for humans. For instance, the breakdown of Somalian central government in the Somali Civil War has led to a political situation that comes close to anarchy. Warlords battle for control and pirates roam the seas, leading the state to be classified as the most failed state in the world five years in a row by the Fund for Peace. A brief look at basic human development indicators in the world's worst autocracies (−10 on the combined Polity IV scale) and failed states (Failed States Index) reveals that life indeed appears to be better when there is excessive control, rather than no control, as Table 8.1 shows.

The numbers are clear: where anarchy reigns, more people die at birth, have less access to water, the most basic human need, and live shorter lives than in the world's most oppressive states. It therefore seems intuitively apparent that Hobbes is right: virtually any type of government would be preferable to the chaos of civil war and anarchy, if it could provide political order. Mancur Olson (1993) gives a reason for why stable but undemocratic regimes may perform reasonably well, likening political systems to roving and stationary bandits. Roving bandits that visit a village will attempt to plunder and extract as much resources as they can. In contrast, a stationary bandit that monopolizes repression in a given area will extract less to encourage investments in increased productivity, to the benefit of both the bandit and the population. Here, stability and lack of political competition is likely to increase human well-being (Mansfield and Snyder, 2005, p. 41).

*Table 8.1* Indicators of human well-being in the world's most failed states and worst autocracies

	Life expectancy at birth	Infant mortality (deaths/1000 live births)	Access to improved water source (% of population)
Failed states			
Congo, DR	48	113	45
Somalia	51	108	29
Sudan	61	58	58
Autocracies			
North Korea	68	26	98
Saudi Arabia	74	9	–
Qatar	78	7	100

*Source:* World Bank World Development Indicators, obtained from the Quality of Government dataset (Teorell et al., 2015)

This observation leads to an interesting and pressing dilemma in war-torn states. In the post-Cold War world, civil wars have frequently been followed by international engagement in the internal affairs of the country, both to keep the peace and to engage in state-building. A central question here is whether elections should be arranged as soon as possible to let the people choose their own leaders, or focus on building state institutions first. Modern peace-building efforts after the end of the Cold War have had the goal of transforming states torn by civil war to liberal market democracies as quickly as possible (Paris, 2004, p. 5). But some observers have argued that democratic institutions, if introduced too soon or in the wrong way, may increase the risk of a back-sliding into civil war (Bermeo, 2003; Paris, 2004). Daniel Kryder describes the dilemma in the forming of democratic states as reconciling the two antithetical processes of “the construction of authoritative institutions and the development of modes of democratic participation” (Kryder, 2010, p. 211).

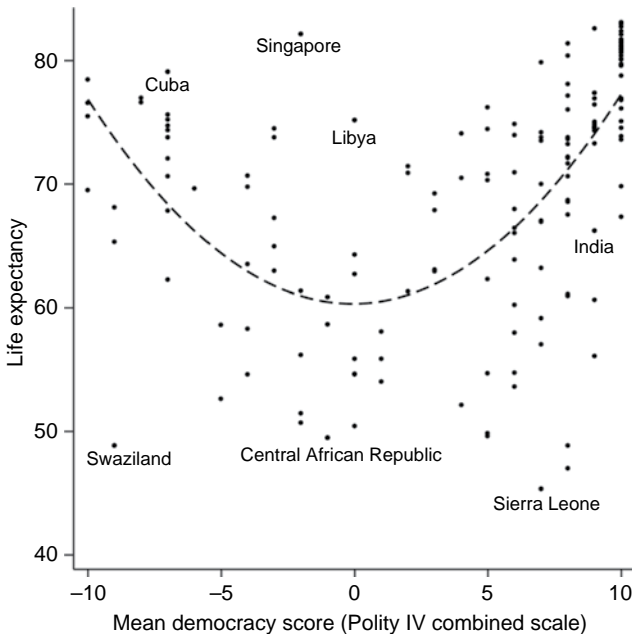
Roland Paris also points out that the “Hobbesian problem,” that is, the problem of political order, has been insufficiently considered by peace-builders. Paris takes a very paternalistic view, arguing that external actors such as the UN basically should rule countries torn by civil war until institutions are well in place. However, this is a very large infringement on the self-government of the peoples placed under external control. The external actor can never be a completely neutral arbiter that only enforces the rules of the game. For instance, Paris argues that there needs to be a constitutional court that can guarantee that parties comply with election outcomes and prevent unconstitutional usurpation of power by elected governments (Paris, 2004, p. 190), but does not discuss who should write the constitution, which of course is of paramount importance. The nature of constitutions is that they should be hard to modify, which means that a constitution adopted by the external actors will impose on self-government for a long time. Moreover, a focus on building state institutions before democracy may serve as an excuse for rulers to delay democratization excessively (Carothers, 2007).

There is thus, at least in the short run, a potential trade-off between political stability and self-determination. It is likely that a transition to democracy requires some measure of destabilization, which could worsen outcomes in the short term (Goldstone et al., 2010). A well-established finding in several different literatures is that new democracies, or democracies in transition, tend to perform worse than both established autocracies and established democracies, and it has also been argued that states in transition to democracy are more prone to start wars (Bäck and Hadenius, 2008; Goldstone et al., 2010; Mansfield and Snyder, 2005).

Figure 8.1 presents a version of this curvilinear relationship, which shows that life expectancy is lowest in the states in the middle of the Polity IV scale – countries that are neither autocracies nor democracies.

Disorder also facilitates corruption. Corruption is highest not in the established autocracies or democracies, but in hybrid states or states in transition (Charron and Lapuente, 2010; Montinola and Jackman, 2002). One proposed explanation is that these states lack the authoritarian control “from above” without having established the democratic control “from below.” Electoral competition may also give rise to new forms of corruption to fund election campaigns, as well as clientelism (Branch and Cheeseman, 2009). Several scholars have, for instance, made the argument that the American spoils system came about because the country was democratic from the start, even before effective state institutions existed (Fukuyama, 2014; Shefter, 1994).

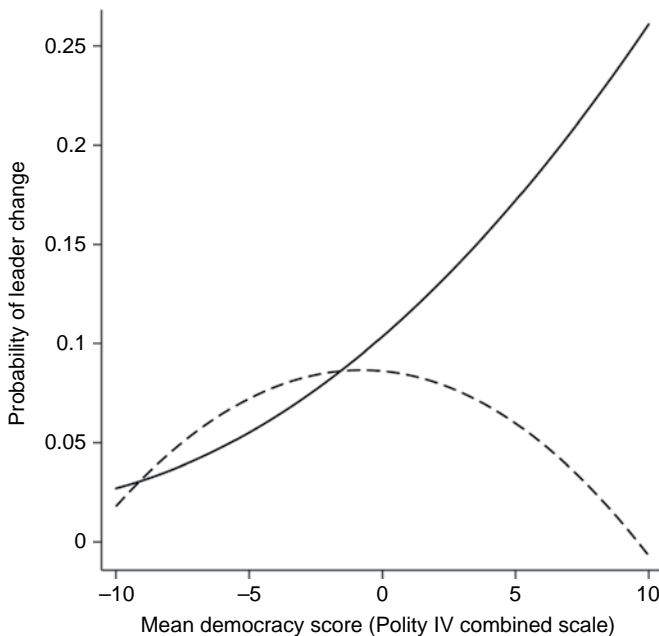
So far, I have discussed the effects of stability on the system level, but there is less research on the effects of stability within systems, that is, leader and government duration. It is, as violence, also related to the regime type. By nature, authoritarian systems do not allow for constitutional government



*Figure 8.1* The relationship between life expectancy (2012) and level of democracy  
*Source:* Data obtained from the Quality of Government dataset (Teorell et al., 2015)

changes between different factions. The only way to change government is through unconstitutional means. It is possible to change leaders constitutionally in authoritarian states, for instance through ordered succession after the autocrat dies, but it is an issue fraught with difficulties for the autocrat. Not arranging the succession decreases the time horizons for the elite, which could increase the risk of a coup. However, designating a successor also means that a person is given strong incentives to depose or assassinate the incumbent (Herz, 1952; Kokkonen and Sundell, 2014). Therefore, the succession has been termed “a perennial source of authoritarian instability” (Svolik, 2012, p. 198) and “one of the most daunting challenges for authoritarian rulers” (Brownlee, 2007, p. 598). Empirical evidence reveals the internal problems of authoritarian states: two-thirds of all coups that led to the deposition of dictators during the period 1946–2008 originated inside government (Svolik, 2012).

In contrast, democracies allow for both government and leader change within the constitutional framework, reducing the risk for coups. Using data from the Archigos dataset (Goemans et al., 2009), in Figure 8.2



*Figure 8.2* Quadratic fitted functions of the probability of constitutional (solid) and non-constitutional (dashed) leader change depending on the level of democracy

*Source:* Data obtained from the Quality of Government dataset (Teorell et al., 2015) and Archigos (Goemans et al., 2009)

I present the average number of constitutional and non-constitutional leader changes each year in 164 countries between 1946 and 2004 according to their level of democracy on the Polity scale.

The fully authoritarian states are the most stable in one sense, as there are few leader changes of any type. States located in the middle of the scale have the highest number of non-constitutional leader changes, as well as a moderate number of constitutional changes. Full democracies, on the other hand, have very few non-constitutional changes but a high number of constitutional changes. On average, there is a 25 percent chance of constitutional leader change in a given year in the full democracies. Autocracies and democracies thus have a different kind of stability: democracies show high turnover of leaders within the system, but consistent allegiance to the rules of the game (Feng, 1997). What are the effects of leader and government stability within each system?

A certain level of political stability is a prerequisite for a functioning society, as mentioned earlier. Still, a one-sided focus on stability will most likely impair prospects for a government of the people, as it could reduce the likelihood of transition to democracy. And even in established democracies, stability in the sense of low political competition may have adverse effects in the long run. Since World War II Japan has been a full democracy with a high-tech economy. The dominant force has been the Liberal Democratic Party (LDP), which apart from a few short interruptions has been in power until now. The level of political stability is thus virtually unparalleled. However, in Transparency International's Global Corruption Barometer, 80 percent of the Japanese respondents stated that the political parties were corrupt. Japanese parties are thus seen as more corrupt than parties in 80 percent of participating countries, including among others Bolivia, Russia, and South Africa. In no other measured area (for instance police, public officials, military) did Japan score as bad.

Critics have argued that LDP's long reign allowed it to entwine with the civil service, thus removing an important bureaucratic check on politicians and enabling corruption (Dahlström et al., 2011). Here, it would thus seem that alterations in power, less stability, and more political competition could vitalize democracy. Competition and accountability are also at the root of most explanations for why democracy should help to curb corruption. For this reason, it has, for instance, been argued that countries with small electoral districts (Chang and Golden, 2007) and majoritarian electoral systems (Kunicová and Rose-Ackerman, 2005) should have less corruption. It is however important to distinguish between different forms of corruption. The Japanese data mentioned

Table 8.2 A typology of political systems

		<i>Citizens can enact change in government</i>	
		<i>No</i>	<i>Yes</i>
Frequent rotation in leadership	No Yes	Stable Autocracy Volatile autocracy	Stagnant democracy Vital democracy

above seems to indicate the presence of “grand” corruption, but virtually no citizens report “petty” corruption, not actually having paid a bribe themselves. Furthermore, political competition could encourage electoral corruption to ensure a win in election, but a lack of competition could instead encourage corruption in the form of “looting” of public resources (Nyblade and Reed, 2008).

Table 8.2 presents a simple typology of political systems according to whether citizens have the opportunity to “throw the rascals out” or not, and whether there actually are frequent changes in the leadership.

In the top left corner are the stable autocracies. Citizens cannot enact a change in government, and there is also no rotation in leadership. In the bottom left corner are volatile autocracies where citizens have no say, but leadership still changes frequently. Governments typical of this category include military dictatorships, which have been shown to be very unstable, experiencing shorter regime durations than, for instance, monarchies or one-party regimes, and also shorter leader tenures (Hadenius and Teorell, 2007, p. 150).

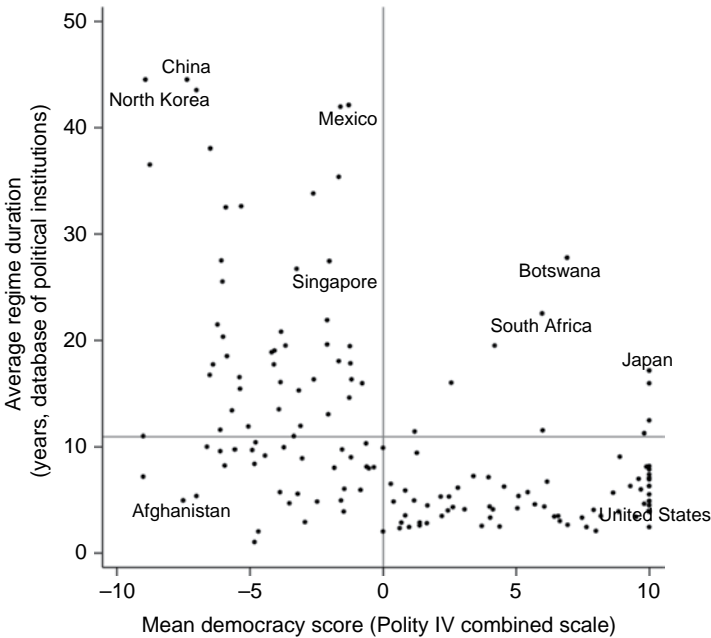
In the lower right corner are what I have called the vital democracies, where citizens have the opportunity to throw the rascals out, and regularly do so. The notion that turnover is important to democracy connects to Huntington’s classic “two-turnover test.” Huntington argued that elections only matter if leaders are willing to actually give up power in the face of defeat (Huntington, 1993, p. 267). Similarly, Adam Przeworski has stated that democracy is a system in which parties lose elections (1991, p. 10). Excessive volatility can of course also be a sign of democratic weakness; the frequent rotation in government in Italy has at times rendered the system indecisive. In the upper right corner are the stagnant democracies, where citizens regularly vote in elections, but leadership still rarely changes.

Japan is one example, and Samuel Huntington (1993, p. 305) also placed several other East Asian countries in the category, describing their political systems as having “competition for power but not alteration in power.” One could also argue that Sweden during a 40-year period

of Social democratic rule, 30 under the same prime minister, fell into this category. While Sweden by any measure has steered clear of major corruption, during this period recruitment of agency heads was increasingly done from persons with Social democratic ties. When there finally was a turnover in 1976, close to half of all heads of agencies had a political background and more than 80 percent of them had a background in Social democracy (Dahlström and Niklasson, 2013, p. 898).

Figure 8.3 is a scatterplot of democracy score and average regime tenure (defined as the duration for which the party of the chief executive has been in office) in the world 1975–2012. The horizontal line denotes the average tenure of 11 years, and the vertical line the midpoint on the democracy scale. The four quadrants thus roughly correspond to the four cells in the typology presented above.

Japan stands out as the country with highest democracy score that also has the longest average tenures, but otherwise there is a quite strong inverse correlation between democracy and length of tenure,



*Figure 8.3* Average tenure of incumbent regime and democracy score in the world 1975–2012

*Source:* Data obtained from the Quality of Government dataset (Teorell et al., 2015)

as also suggested by Figure 8.2. Democratic countries in general have more rotation than autocratic countries, with China and North Korea being the two most extreme examples of authoritarian stability. There are however examples of autocratic countries with much volatility, such as Afghanistan.

A brief glance at the countries suggests that stability has different effects to the left and right of the vertical line: quality of government is higher in stable China than in volatile Afghanistan, and higher in the United States where there is frequent rotation in government than in the stable Japan. While it is clear that political instability in the sense of violence has negative consequences, Yi Feng suggests that rotation in government has positive effects in democracies:

Democracy provides a stable political environment which reduces unconstitutional government change; yet along with regime stability, democracy offers flexibility and the opportunity for major government change within the political system. This combination of macropolitical certainty and micropolitical adjustability is conducive to sustained economic growth and expansion. (Feng, 1997, p. 392)

The proposition is corroborated by Feng's empirical analysis, which however only investigates the effect on economic growth. In the following empirical section, I investigate what the effects of political stability in the sense of long government and leader duration are on quality of government and human well-being. The hypothesis is that political stability improves outcomes in autocracies. Instability then only shortens time horizons for rulers, without improving accountability. In democracies, too much stability is instead expected to have the reverse impact, for the reasons discussed above.

## Data and method

I test the hypothesis on a dataset of 124 countries in the period 1975 to 2011. I use two related measures, both obtained from the World Bank's Database of Political Institutions (Beck et al., 2001), which provides data from 1975 on how long the party of the chief executive has been in office. Even though the data starts at 1975, tenures before 1975 are counted. I also use an alternative measure, counting the tenure of the chief executive. This can be useful as the party measure resets when the party changes, for instance through a name change and amalgamation with another party.



Regime type is measured with the combined Polity scale (Marshall and Jaggers, 2012), which ranges from -10 (full autocracy) to +10 (full democracy). Four indicators for quality of government are used: corruption, as measured both by the International Country Risk Guide's (ICRG's) index and the World Bank's Control of Corruption indicator, life expectancy, and poverty. The reason for using two corruption measures is that the ICRG indicator is a bit broader, also taking law and order into account, and also covers a longer time period (1984–2012). The World Bank indicator is only available from 1996 onward. I include life expectancy and poverty to get a broader picture of the actual effects of policy out in the society, not only in the political and administrative sphere. Life expectancy is measured in years, and poverty in the percentage of the population living on less than two dollars a day.

I opt for a parsimonious model, but to still rule out obvious confounding factors I include fixed country effects, which removes all between-country variation. Furthermore, year-fixed effects are also included in the model, which removes variation from global trends, important especially for life expectancy and poverty. Finally, I also control for the log of GDP per capita to account for the level of economic development. Despite the parsimony of these models, they should thus control for most of the unobserved variation. All of the data is obtained from the Quality of Government (QoG) Time Series Dataset (Teorell et al., 2015).

I include the stability measure, regime type, and an interaction term between the two in the models. The hypothesis is tested through the direction and significance of the coefficient for the interaction term, as well as through the marginal effects of stability at different levels of democracy. The results will show whether stability has an effect, and whether it is conditioned by regime type.

## Results

The analysis is estimated in eight models, for four dependent variables, and with two different operationalizations of stability: government and leader tenure. For all indicators except poverty, higher numbers indicate better quality of government. As all models include an interaction term, the coefficients of the tenure and democracy variables should not be interpreted as main effects. Results are presented in Table 8.3.

There are significant interaction effects for all of the four dependent variables. For the World Bank indicator of corruption and life expectancy there are significant effects when using both the leader and government duration variables. Using the ICRG QoG indicator as dependent

Table 8.3 Regression results

	ICRG QoG		WBGI CCE		Life expectancy		Poverty	
	Regime (1)	Leader (2)	Regime (3)	Leader (4)	Regime (5)	Leader (6)	Regime (7)	Leader (8)
Tenure	0.000218 (1.05)	-0.000895** (-3.17)	0.00112 (0.89)	-0.00196 (-1.76)	0.000781 (0.16)	0.0178* (2.37)	-0.175*** (-3.45)	-0.176** (-2.59)
Polity scale	0.00367** (4.70)	0.00368** (6.34)	0.0250** (6.27)	0.0165** (5.68)	0.0708** (4.40)	0.0753** (5.88)	-0.470* (-2.55)	0.0339 (0.27)
Tenure × Polity	-0.0000461 (-1.69)	-0.000182** (-4.41)	-0.000525** (-3.23)	-0.000325* (-1.98)	-0.00291** (-4.41)	-0.00429** (-4.09)	0.0266** (3.66)	-0.0108 (-1.05)
Ln(GDP/C)	0.0436** (5.71)	0.0387** (5.97)	0.0919** (2.73)	0.127** (4.42)	0.319* (2.11)	0.429** (3.42)	-8.806** (-4.69)	-7.808** (-4.97)
Year fixed effects	YES	YES	YES	YES	YES	YES	YES	YES
Country fixed effects	YES	YES	YES	YES	YES	YES	YES	YES
N	2844	3427	1659	2023	4217	5332	664	798
Countries	124	135	143	159	146	158	104	111

\*p < 0.05, \*\*p < 0.01

t-statistics in parentheses. Standard errors clustered at the country level. All data obtained from the Quality of Government dataset (Teorell et al., 2015).

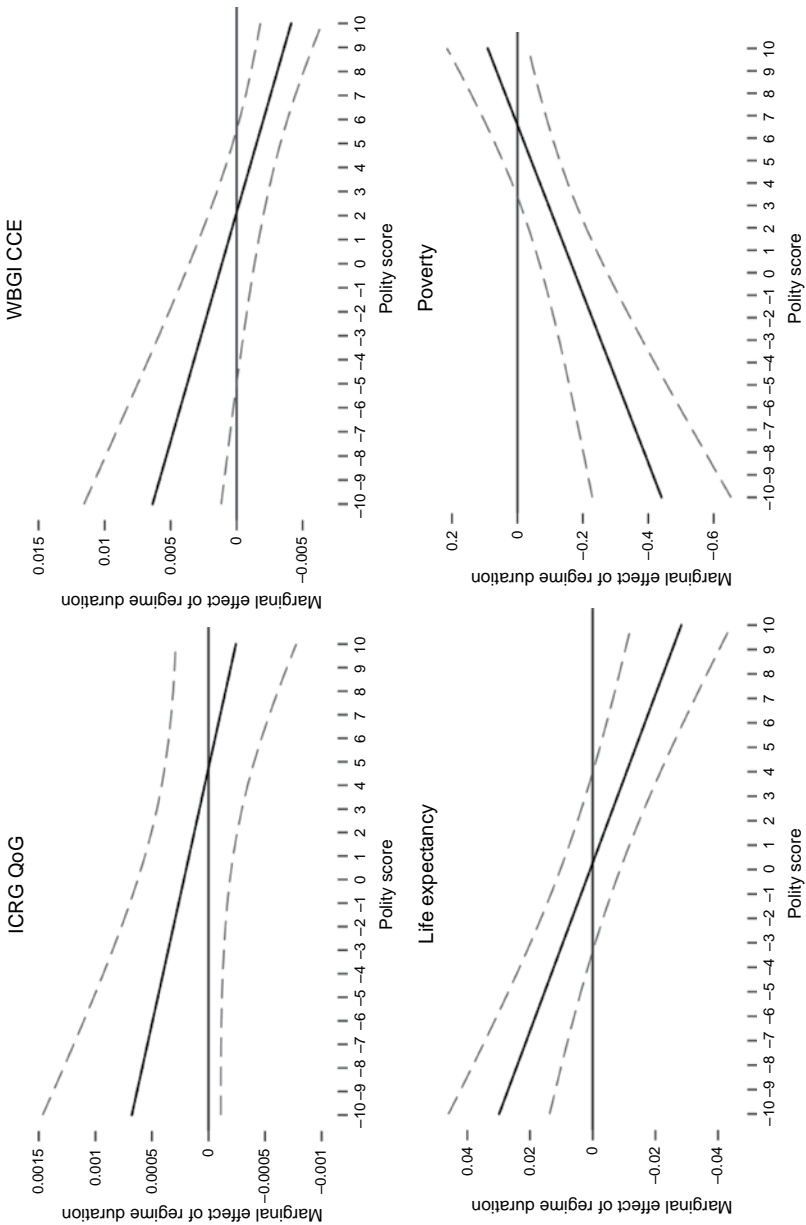


Figure 8.4 Marginal effects of regime duration on dependent variables at different levels of democracy

variable, only the interaction between leader duration and democracy is significant. When poverty is the dependent variable, only government duration has a significant interaction with democracy. All the significant interactions have the expected sign. For instance, the effect of tenure on corruption is more negative the higher value the polity scale takes, indicating more democracy. To determine what the actual effects of stability are, we however need to calculate marginal effects of duration at different levels of democracy. Figure 8.4 presents these results, together with 95 percent confidence bands, for government duration. The effect is statistically significant when the dashed lines do not overlap with zero.

Looking at the World Bank “Control of Corruption” indicator, we find that government stability is expected to have a significant positive effect on corruption in countries below  $-6$  on the polity scale, but a significant negative effect in countries above  $+6$ , in line with the hypothesis. Similarly, one extra year of government duration is expected to lead to 0.03 more years of life expectancy in the worst autocracies, and 0.03 years less in the full democracies. For poverty, where higher values indicate less quality of government, the reverse is true. Here stability however never has a significant effect in democracies, while it has a strong negative effect in autocracies. The effect on the ICRG QoG indicator is never significant, but is when using leader duration as operationalization of stability. Even though the analysis is quite simple, it corroborates the hypothesis: Stability has positive effects in autocracies, but not in established democracies, where it may even have negative consequences.

## Discussion

This chapter began with a reference to the American Declaration of Independence. Another document that exhibits the same contradictions is the UN Declaration of Human Rights. Article 3 states that everyone has the right to life and liberty, and Article 21 that everyone has the right to participate in government. Other articles however state that everyone has the right to decent standards of living, access to education, equal treatment before the law, and a social order where these rights can be realized (Article 28), which certainly requires a well-functioning state with a monopoly on violence.

There is no contradiction in principle between self-government and a level of order which enables humans to flourish. On the contrary, the highest level of human development is found in countries where governments are accountable to the people. However, in the short run, there may be trade-offs. Civil war is today the closest approximation of

the Hobbesian state of nature, and does allow neither life nor liberty. Restoration of a basic level of order is a precondition for any improvement, but what is enough? Elections soon after peace risk elevating tensions anew. Historical experience also shows that a democracy that precedes a professional bureaucracy can lead to widespread clientelism and patronage, which impairs the quality of government and hinders development. Delaying democratization for the sake of first building a strong state is however also perilous, and is moreover at odds with the intrinsic value of self-government. There is a real risk that a sufficient level is far off in the future, and constitutions created without popular involvement continue to bind the country long after democratization.

The trade-off is also visible in autocracies. It is far from certain that a revolution will lead to democracy, but could result in a civil war and then a reversion to authoritarian rule, albeit different. Stability is however a dictator's best-selling point, and could be used as an excuse while still avoiding real reform (Carothers, 2007). Democracies resolve conflict peacefully and within the system, which makes all the difference. Some degree of political stability in government is necessary to ensure quality of government and effectiveness, but also risks leading to stagnation and corruption.

Previous research has focused on the determinants of political stability, and when measuring the effects focused on political stability as the absence of violence. This chapter has contributed by exploring the effects of long government and leader durations, and explicitly modeling the interaction between stability and regime type. The results show the conditional effect of stability in different political systems. Longer tenures for governments and individual leaders are associated with better standards of living and less corruption in autocracies. In democracies, the opposite holds true. Democracy is a system of contradictions, which limits the scope of conflict while still thriving on it. In the short run, stability and quality of government are more important for basic human welfare than self-government. In the long run, the countries where governments are accountable to the people have managed to internalize conflict and use it to their advantage. Unfortunately, transition between the two systems will most likely involve a measure of political instability.

## Note

- 1 It should however be noted that the proposition has been criticized, and hinges on the definitions both of what constitutes a famine and what a democracy is. The general idea that famines are considerably less common under democracy is however uncontested.

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## **Section III**

### **Power-Sharing**



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# 9

## Democratic and Professional Accountability

*Carl Dahlström and Victor Lapuente*

Democratic accountability is often seen as an essential institutional underpinning for the prosperity of nations. Democracies with well-established mechanisms of electoral accountability provide more secure property rights (Clague et al., 1997), implement policies with a higher economic rate of return (Isham et al., 1997) and perform better in areas such as rule of law, bureaucratic quality and school enrolment, as well as provide minimal levels of corruption (Keefer, 2007). These dividends of democracy probably help us understand why it is also claimed that “democracy does cause growth” (Acemoglu et al., 2014, p. 1).

In terms of policy prescriptions, this body of research has strengthened what Paris (2004, p. 6) calls *Wilsonianism*, coined after the 28th US President Woodrow Wilson, which is the idea that democracy will bring prosperity because it promotes, as Wilson wrote, the “ascendancy of reason over passion.” Consequently, “the democracy-promotion perspective has become increasingly popular, championed by commentators such as Thomas Carothers, Larry Diamond, Morton Halperin, Michael McFaul, Joseph Siegle, and Michael Weinstein, among others” (Norris, 2012, p. 3).

Standing in sharp contrast to the tenets of *Wilsonianism*, many governance scholars instead claim that the key institutional ingredient is what is often called a *Weberian* bureaucracy, after sociologist Max Weber's work on bureaucracy. Propelled by empirical studies on developmental states (Wade, 1990; Evans, 1995), as well as by theoretical discussions of the importance of bureaucracies (Olsen, 2008), studies have shown that *Weberian* bureaucracies lead to a higher quality of government (Rauch and Evans, 2000; Dahlström et al., 2012) and, in turn, to other socio-economic benefits such as reduction of poverty and higher growth rates (Evans and Rauch, 1999; Henderson et al., 2007). In essence, this

scholarship contends that bureaucracy trumps out democracy in explaining cross-national differences. According to this line of argument, the reason why public funds are misused in some countries, while other countries provide welfare-enhancing policies, is related more to how administrative officials are selected than to how political officials are selected. Rothstein (2011) compares Singapore and Jamaica, for instance, two post-colonial countries that gained independence at almost the same time and were expected to perform alike, and notes that, while the former achieved astonishingly high levels of good governance under authoritarian rule, the latter performed much worse under a more democratic regime. From a *Weberian* perspective, it is not electoral accountability but a professional bureaucracy formed by meritocratically recruited and promoted public employees that is essential for the dominance of reason over passion (Olsen, 2008).

Consequently, in terms of policy prescriptions, “diverse commentators such as Simon Chesterman, James Fearon, Francis Fukuyama, Samuel Huntington, Stephen Krasner, David Laitin, and Roland Paris have all advocated *state-building*” (Norris, 2012, p. 4). Supporters of this strategy acknowledge democracy as a desirable goal in itself but recognize the pragmatic gains of strengthening governance institutions before the introduction of electoral democracy (*ibid.*; Paris, 2004). This prescription is of the utmost importance in post-conflict countries, such as Afghanistan, where what is required is “not democracy promotion . . . It’s state building” (Berman, 2010), or rebel-controlled Syria, where efforts of the international community should be devoted not so much to the political class but to “training civil servants and supporting projects that broaden institutional capacity” (Martin, 2014, p. 35).

In sum, while many authors champion democracy “as the antidote to everything from corruption to poverty,” others follow the 2002 United Nations Human Development Report’s warning that “the links between democracy and human development are not automatic” (Holmberg et al., 2012, p. 278). The theoretical predictions and the policy implications of *Wilsonianism* and *Weberianism* are thus opposite: maximizing the democratic accountability of political officials or supporting professional bureaucracies.

This chapter aims to reconcile these two views by arguing that both democracy and bureaucracy are necessary to attain a high quality of government. The argument is simply that good governance will be achieved in policies that combine democratically accountable political officials with bureaucrats who are accountable to their professional peers.

The reason is that while both democratically elected leaders and autonomous bureaucrats might be tempted to enrich themselves and their constituencies or corps, this can be minimized if they are checked by each other so that politicians are the guardians of bureaucrats and vice versa. If this is correct, it could be observable in how well corruption is controlled in the country. Where rulers are democratically accountable and at the same time administrators are accountable to their professional peers, corruption levels should be lower. The chapter's main goal is to test this proposition in a broad set of countries.

The remainder of the chapter is organized as follows. The section below deploys arguments as to why an interaction between the democratic accountability of politicians and professional accountability of bureaucrats minimizes opportunities for rent-seeking. The arguments are illustrated with examples of the dangers of both an autonomous bureaucracy without democratically accountable rulers and a democracy unconstrained by a powerful body or meritocratically recruited bureaucrats, and thus examples of why they need each other. Subsequent sections introduce the data and methods and proceed to show cross-sectional analyses with a sample of over 100 countries, where we subject the impact of the democracy–bureaucracy interaction of our hypothesis to diverse controls. Results show that countries combining a merit-based, instead of politicized, administrative workforce, together with democratically accountable political incumbents have lower levels of corruption. The final section sums up and concludes that it is probably not a question of *Wilsonianism* or *Weberianism*; both are needed.

## **Why we need both democracy and bureaucracy to prevent rent-seeking**

This chapter explores cross-country differences in corruption and understands corruption as the misuse of public office for private gains (Shleifer and Vishny, 1993; Rose-Ackerman, 2008). Corruption is a central feature of quality of government, according to numerous scholars. The huge variation in ability to curb corruption is essential to an understanding of the widely divergent national performances in a myriad of outcomes, from economic growth (Nye, 1967; Mauro, 1995; Mo, 2001) to inequality (Li et al., 2000; Gupta et al., 2002) and human development (Kaufmann, 2004; Akcay, 2006).

A very brief look at the political history of the world allows us to see the inextricable link between public goods and opportunities for

corruption and abuse of political office. Miller (2000, p. 289) observes this paradox and notes how states, on the one hand, produce public goods required to sustain and promote socio-economic development, while they, on the other hand, have a structure in which the individuals ruling those states are tempted to appropriate the unavoidable “surplus benefits generated by the creation of those goods.” This “conflict between the self-interest of ruler(s) and overall social efficiency is one of the more inclusive and compelling generalizations to be made” (Miller and Hammond, 1994, p. 6). Consequently, the story of the development of state apparatuses has a counter story: one of rulers taking advantage of their positions to enrich themselves and their clique at the expense of social welfare. Fukuyama’s (2011) *The Origins of Political Order* offers numerous instances of how, throughout the history of humankind, ruling elites—from the Chinese imperial state and the Ottoman system to European monarchies—have tended to pursue their interests whenever they have been left unchecked.

As noted in the introduction, while some have put their hope to democracy and others to the bureaucracy, the argument here is that both are needed. To explain why, we start by discussing how a bureaucracy accountable to professional peers instead of directly to the rulers contributes to low levels of corruption, and we also explain why this is probably not sufficient. According to Fukuyama (2011), historical experience reveals that many polities tried to mitigate rent-seeking following early Chinese state builders, who pioneered mechanisms to select officials on a meritocratic basis. In *Above Politics* (2000), Miller generalizes this historical regularity into a compelling theoretical argument: by delegating the management of the state apparatus to merit-based autonomous bureaucrats, a barrier is created between those tempted by opportunistic actions in the delivery of public goods (i.e. politicians) and those effectively providing them (i.e. bureaucrats). The solution would thus be to “insulate bureaucrats from efficiency-undermining political pressures” (ibid., p. 289).

Much evidence indeed points in this direction; creating administrative bodies that are not directly responsive to their political superiors but enjoy a merit-based self-management seems to yield beneficial effects in terms of reducing widespread corruption and improving governance. For instance, to explain the “East Asian miracle,” the World Bank noted that authoritarian rulers had “effectively insulated meritocratically selected civil servants from direct popular pressures” (Isham et al., 1997, p. 3).

Nevertheless, as Fukuyama (2013) warns, if a bureaucracy completely subordinated to its political masters is a recipe for clientelism and

rent-seeking, a completely autonomous bureaucracy is probably also very bad as it risks setting self-interest before public interest if not counterbalanced by a powerful political principal. Olsen (2008, p. 9) remarks that the “sympathy for a bureaucracy that sabotages the intentions of Frederick the Great, the Russian tsar, or Hitler and derails their reforms” should not make us forget the dangers of a bureaucracy, irrespective of its meritocratic features. Indeed the extraordinarily high levels of bureaucratic autonomy enjoyed by the German and Japanese administrative bodies in the times before World War I and World War II have been blamed for their extraordinarily aggressive expansionary policies. These “high quality, autonomous bureaucracies,” simply “took over from the political authorities the task of formulating foreign policy” (Fukuyama, 2013, p. 16).

The appalling consequences of the excessive degree of bureaucratic autonomy in both Imperial Germany and Japan are well known, but there are other negative consequences of highly autonomous bureaucracies that tend to be overlooked in the frequently laudatory accounts of developmental autocracies. The lack of transparency reigning in those regimes too frequently prevents analysts from detecting the rent-seeking and corruption that occur in authoritarian regimes, but a closer look reveals plentiful examples of corruption and abuse by bureaucrats who, regardless of whether they are meritocratically recruited or not, are inescapably tempted to take advantage of their privileged situation as policy-implementers and de facto policy-makers.

One of those examples is the highly autonomous—and generally high-quality—bureaucracy developed during the rule of Franco in Spain (1939–1975). From the late 1950s Franco embraced an approach based on rapid industrialization and modernization of the economy (Maravall and Santamaria, 1986). To implement this agenda, he granted extraordinary levels of autonomy to the *grandes cuerpos* of the Spanish administration (Lapuente, 2007). Bureaucrats belonging to those corps became technocrats in charge of modernizing the economy, and Spain fundamentally became a government of bureaucrats (Nieto, 1976; Parrado, 2000; Villoria, 1999). All state actions complied with the existing laws that, in turn, were issued by bureaucrats themselves who had been promoted to the highest political offices. Nevertheless, the fact that almost all high state officials, from ministers to middle-range managers, were civil servants who had excelled at the exam to join an administrative corps, that is, they were some of the most qualified individuals of their generations, did not prevent rampant corruption. As a matter of fact, scholars agree that under Franco’s regime “corruption was widespread,

but hidden" (Robles-Egea and Delgado-Fernández, 2014, p. 8). Despite that only a few notorious cases made it into the headlines, such as the *Matesa*, the *Reace*, the *Redondela*, or the *Boeing* cases (ibid.), and Franco's were "golden years of corruption" (Preston, 2003, p. 14).

The *Matesa* case was probably the most notorious, and it is important to remark that it came to light toward the end of Franco's rule (1969) and only as a result of an inter-family rivalry within the political-administrative elite. This case involved a colossal misappropriation of state funds and unveiled a complex mechanism to benefit from state subsidies; and, as it turned out, members of the most prestigious, and merit-based, administrative corps were implicated (Preston, 2003). At the center of the scandal was the director of the *Matesa* Company, a close friend of the Minister for the Development Plan, Laureano López Rodó, the man who embodied the modernization of the Spanish state under Franco and was one of the architects of the bureaucratic autonomy. Three other "technocrats"—civil servants turned ministers—were also affected by this corruption case (ibid., p. 17). The *Matesa* case thus illustrates that a high level of bureaucratic autonomy can also be misused when the bureaucrats are not checked by "guardians" with different interests, such as electorally accountable politicians.

The problem of unchecked bureaucrats may also affect regimes where rulers are democratically elected but, since they do not get sufficiently involved in policy-making, they cannot act as proper guardians of the bureaucrats. A well-known example would be Japan, where bureaucrats have traditionally been regarded as "a legitimate source of policy generation" (Connors, 2000, p. 113) and have taken an active role in parliamentary discussions (Nakamura, 2001). As a result, for many years and in many policy areas, "the mandarins made policy, to be rubber-stamped by the cabinet" (*The Economist*, February 25, 2010). Far from always generating efficient and non-corrupt policies, the highly qualified Japanese bureaucrats isolated themselves in a "Foggy Fortress" that led to "corruption and bad governance" in the 1980s (ibid.).

Similarly, we argue that democratic rulers who are not counterbalanced by a professional bureaucracy are also prone to rent-seeking and corruption. It is important to observe that, in the literature, democratic accountability is on the one hand considered by many scholars as essential for understanding quality of government (Diamond et al., 1990; Keefer, 2007; Treisman, 2007). As Adserà et al. (2003, p. 445) state, "how well any government functions hinges on how good citizens are at making their politicians accountable for their actions." On the other hand, a skeptical view of the ability of democratic regimes to

deliver good policies has a long tradition in political science. It has been argued that, at the very least, democratic rulers are too easily tempted to appease voters by implementing populist policies with severe long-term costs (Alesina and Drazen, 1991) and, at the very worst, electoral pressures force them to deliver targeted and clientelistic goods, especially in poorer (Charron and Lapuente, 2010) or transitional (Bäck and Hadenius, 2008) countries.

Debates about the connections between democracy and corruption are recurrent all over the world since the adoption of the first contemporary democracies. The early decades of the American democracy were marked by fierce discussions as to how it had led to rampant corruption. One pamphlet in Andrew Jackson's 1824 presidential campaign highlighted the general mood (Easton, 1824, quoted in Wallis, 2006, p. 45):

Look to the city of Washington, and let the virtuous patriots of the country weep at the spectacle. There corruption is springing into existence, and fast flourishing, Gentlemen, candidates for first office in the gift of a free people, are found electioneering and intriguing, to worm themselves into the confidence of members of congress, who support their particular favorites, are bye and bye to go forth and dictate to the people what is right.

Two centuries later, in the world's largest democracy, India, we see similar arguments. Despite being a democracy with a vibrant media, "India seems to do neither strikingly better nor worse in corruption terms than China" (Sun and Johnston, 2009, p. 2), and, in some other indicators of good government, such as the provision of essential public services, "India trails China" (Sen, 2013).

Our argument is that, similar to what happens when both policy-making and policy implementation are in the hands of a group with a corporatist interest such as corps of bureaucrats, the risk for corruption is also higher when democratically elected officials monopolize governance. There are some illustrations of what has happened since the arrival of democracy in Spain (1978–).

In particular, local and provincial governance reveal the close connections between, on the one side, polities where all officials—not only the elected ones—owe their position to the ruling party and, on the other, opportunities for corruption. There are hundreds of corruption cases that have affected Spanish municipalities in the last two decades where one can see how personnel policies in the municipalities tended to be highly dependent on the elected mayor, who enjoyed more or less



discretionary powers to appoint public managers, and sometimes even public employees, at will (Costas-Pérez et al., 2012; Dahlström et al., 2012). One example is Alicante where—in a telephone conversation between a direct subordinate of the mayor, a public employee of her “most confidence” (Fernández and González, 2014), and a businessman who is thrilled because he has earned a “stash of millions” thanks to a local regulation—the public employee tells the businessman: “Then, spread the wealth.” This illustrates, first, how politicians who had an ample margin of maneuver to appoint officials and spread corruption were not afraid to not only involve administrators but used them directly and, second, how this is used to buy support. As some observers have noted, the presidents of provincial administrations with highly visible corruption scandals, such as Ourense and Castellón, were known as *caciques*, that is, bosses with the ability to give jobs in exchange for electoral support (Moreno Luzón, 2014).

In sum, a democracy without a bureaucracy formed on the basis of merit, and thus accountable to professional peers, seems to create opportunities for corruption and abuse by political officials. Conversely, a “completely autonomous bureaucracy gets no mandates at all but sets its own goals independently” and thus creates opportunities for rent-seeking (Fukuyama, 2013, p. 14). We have however also tried to show that when institutions for these two different accountability mechanisms are in place they counterbalance each other. Thus, our argument is that a system that balances democratic and professional accountability minimizes opportunities for corruption. One should expect lower levels of corruption when neither politicians nor bureaucrats monopolize governance within a polity but are forced to jointly take decisions that unavoidably entail rent-seeking opportunities.

## Research strategy

The aim of the empirical section is to evaluate the hypothesis sketched out above, that democratic accountability and bureaucratic professionalism strengthen each other. In line with this idea, we expect a stronger correlation between bureaucratic professionalism and low corruption when institutions securing democratic accountability are in place, and vice versa.

We take two steps to investigate whether this hypothesis is supported by the best data available to us (see Sundell 2014 for a similar approach). First, we plot the correlation between meritocratic recruitment to the bureaucracy—a central mechanism of bureaucratic professionalism in

the literature (Evans and Rauch, 1999; Nistotskaya, 2009; Dahlström et al., 2012)—and corruption, depending on the level of democracy in the country. This gives an overview of the empirical associations in the most basic sense. We then move on to a more rigorous analysis and estimate effects of an interaction term of the two constituting variables of democratic accountability and meritocratic bureaucracy on the level of corruption, through a series of Ordinary Least Square (OLS) regressions, including relevant controls.

We use the same indicator of meritocratic recruitment to the bureaucracy as Dahlström et al. (2012), who found that it deterred corruption. The indicator comes from the Quality of Government (QoG) Expert Survey (Teorell et al., 2011), which measures characteristics of bureaucracies on the national level and is based on the views of 1,053 public administration experts from a total of 135 countries. The experts are highly qualified professionals, often with an academic background in public administration (72% have a PhD). They usually live in the country for which they answer (92%). The number of respondents per country varies from 1 to 28, with a mean of 7.8. However, in order to enhance data quality, we include only the 107 countries for which at least three expert responses were obtained (for a more detailed discussion of the data see Dahlberg et al., 2013).

For the democracy level, we include a measure that combines Freedom House and Polity scores together with imputed values where data on Polity are missing. Data come from Hadenius and Teorell (2005), who show that this average index performs better in terms of both validity and reliability than its constituent parts. We have however also re-run all models with the Freedom House/Polity measure without the imputed values and checked the robustness by substituting the democracy measure with the revisited combined Polity IV score (Marshall and Jaggers, 2011) and with the democracy/dictatorship dichotomy from Cheibub et al. (2010).

As indicative of our dependent variable—the level of corruption in the country—we use the 2011 version of the World Bank's Governance Indicators' *control of corruption*. This perception-based indicator is widely used in the literature and aims at "capturing perceptions of the extent to which public power is exercised for private gain," thus fitting our understanding of corruption well (Kaufmann et al., 2010, p. 3). To create these indicators, the World Bank uses data from about 30 different sources, combined into one aggregate measure ranging from  $-2.5$  (low control of corruption) to  $+2.5$  (high control of corruption). We also use alternative measures to check the robustness of the results. These include the Corruption Perception Index from Transparency International

Table 9.1 Descriptive statistics

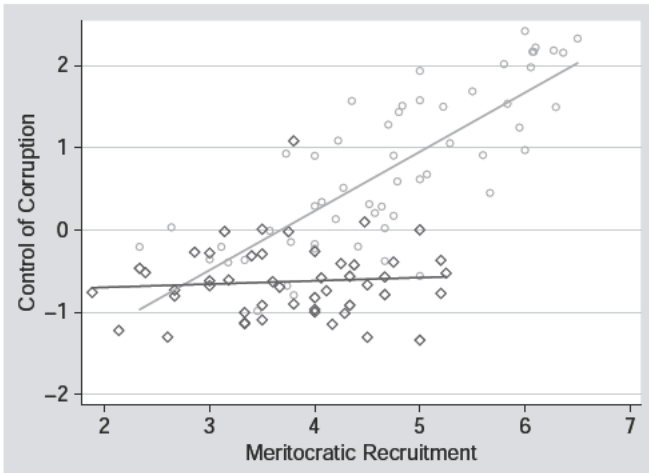
Variable	Obs	Mean	Std. Dev.	Min.	Max.
Meritocratic recruitment (QoG)	107	4.3	1.1	1.9	6.6
Democracy (Freedom House/ Imputed Polity)	193	6.7	3.1	0	10
Control of corruption (World Bank)	191	-0.06	0.99	-1.7	2.4
Democracy status (Freedom House)	193	1.8	0.81	1	3
Log GDP/capita	179	8.7	1.3	5.7	11.1
Protestant	193	13.1	21.3	0	97.8
Years of democracy	171	18.2	21.6	0	70
Newspapers per 1,000 inhabitants	134	100.2	124.8	0	588
Total trade (% of GDP)	174	86.1	45.8	22.1	421.6
Corruption (ICRG)	138	2.6	1.2	0.83	5.7
Corruption (TI)	172	4.3	1.9	0.8	9
Democracy/dictatorship	192	0.61	0.48	0	1
Democracy (Freedom House/Polity)	162	6.3	3.1	0	10
Democracy (Polity IV)	162	3.8	6.3	-10	10

(Transparency International, 2012) and the corruption indicator from the International Country Risk Guide (ICRG, 2013).

We include a large number of control variables. There is no standard set of controls in the literature on corruption, but we mainly follow Treisman (2007) and Dahlström et al. (2012) and control for the log of GDP per capita, the proportion of Protestants, the years of democracy the country has experienced, the press coverage, and trade volume. With the exception of the ICRG corruption measures, all variables are available either from the QoG Expert Survey (Teorell et al., 2011) or from the QoG Standard Dataset (Teorell et al., 2013). Table 9.1 summarizes the variables employed and provides some descriptive statistics.

## Results

Figure 9.1 makes a first exploration of whether the interaction of democratic and professional accountability yields positive effects in curbing corruption. It plots the level of meritocratic recruitment from the QoG Expert Survey on the X-axis and the level of control of corruption from the World Bank's Worldwide Governance Indicators 2011 on the Y-axis for two groups of countries divided according to their democratic status with data from Freedom House (free countries on the one side, and partly free and not free on the other). The full sample includes 105 countries, while the two subsamples include 56 (free) and 49 (partly, or not free) countries.



*Figure 9.1* Meritocratic recruitment and control of corruption under different levels of democracy

*Note:* The Y-axis reports “control of corruption” 2011 from the World Bank, while the X-axis reports the level of “meritocratic recruitment” from the QoG Expert Survey (Teorell et al., 2011), for countries that are “free” (circles), on the one hand, and “partly free” or “not free” (diamonds), on the other hand, according to Freedom House.

It indicates that there might be something to the suggestion made here. The correlation between meritocratic recruitment, our measure of professional accountability, and control of corruption is positive and strong in the free countries ( $R = .79$ ), while the correlation between the same variables in the partly/not free countries is much weaker ( $R = 0.07$ ). This is graphically illustrated in Figure 9.1, where circles represent free countries, with a rather steep regression line, while diamonds represent the partly/not free countries and show an almost flat regression line. Another interesting observation is that, although there is a great deal of variation in meritocratic recruitment in the partly/not free countries, the highest levels of meritocratic recruitment are only reached in free countries.

As no controls are included in the figure above, we of course run a risk of omitted variable bias. We therefore run the series of OLS regressions reported in Table 9.2. The first two models include only the two constitutive terms, meritocratic recruitment (model 1) and level of democracy (model 2), on the independent side. The regression coefficients in both these models are positive and statistically significant, as expected. Model 3 includes an interaction term together with the two constitutive terms. Although no controls are yet included, it is interesting to see that there

Table 9.2 Main results

	(1)	(2)	(3)	(4)	(5)
Meritocratic recruitment	0.67*** (0.068)		-0.57*** (0.19)	0.27*** (0.056)	-0.23 (0.18)
Level of democracy		0.19*** (0.019)	-0.38*** (0.097)	0.071*** (0.021)	-0.19** (0.090)
Merit*Democracy			0.13*** (0.023)		0.069*** (0.023)
Log GDP/capita				0.26*** (0.070)	0.24*** (0.067)
Protestant				0.0079*** (0.0029)	0.0060** (0.0029)
Years of democracy				0.0077*** (0.0028)	0.0055* (0.0028)
Newspapers per 1,000 inhabitants				0.00050 (0.00059)	0.00017 (0.00058)
Total trade (% of GDP)				0.0025* (0.0015)	0.0026* (0.0014)
Constant	-2.75*** (0.30)	-1.35*** (0.14)	1.050 (0.78)	-4.44*** (0.55)	-2.34*** (0.88)
N	105	191	105	94	94
R <sup>2</sup>	0.49	0.37	0.75	0.84	0.85
adj. R <sup>2</sup>	0.48	0.36	0.74	0.82	0.84

Notes: Entries are OLS regression coefficients (standard errors in parentheses). The dependent variable is the World Bank's Control of Corruption indicator from 2011. All variables are available from the QoG Standard Dataset (Teorell et al., 2013) or the QoG Expert Survey (Teorell et al., 2011). \*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01.

is indeed a positive interaction coefficient. Model 4 includes the most prevalent control variables in the literature, such as the natural logarithm of GDP per capita, the proportion of Protestants, the years of democracy, press coverage, and trade volume. With these controls in place, both the meritocratic recruitment and the level of democracy still have positive associations with control of corruption. Indeed, all variables in this model have a positive association with control of corruption, as expected, and, except press coverage, coefficients are statistically significant.

Finally, model 5 again inserts the interaction term between meritocratic recruitment and the democracy level. The interaction term is positive and highly statistically significant, even when the demanding controls from model 4 are included. Both meritocracy and democracy show a negative effect on their own. However, the coefficient of

meritocracy is not statistically significant and the coefficient of democracy only relates to situations where the level of meritocratic recruitment (the other constitutive term) is zero, and as there are no such cases in the data this of course makes this observation less interesting.

On the basis of model 5, we calculate marginal effects and 95 percent confidence intervals over all observed values to make sure that the effects of the interaction term are substantively meaningful (Brambor et al., 2006). This is reported in Figures 9.2a and 9.2b below. The solid

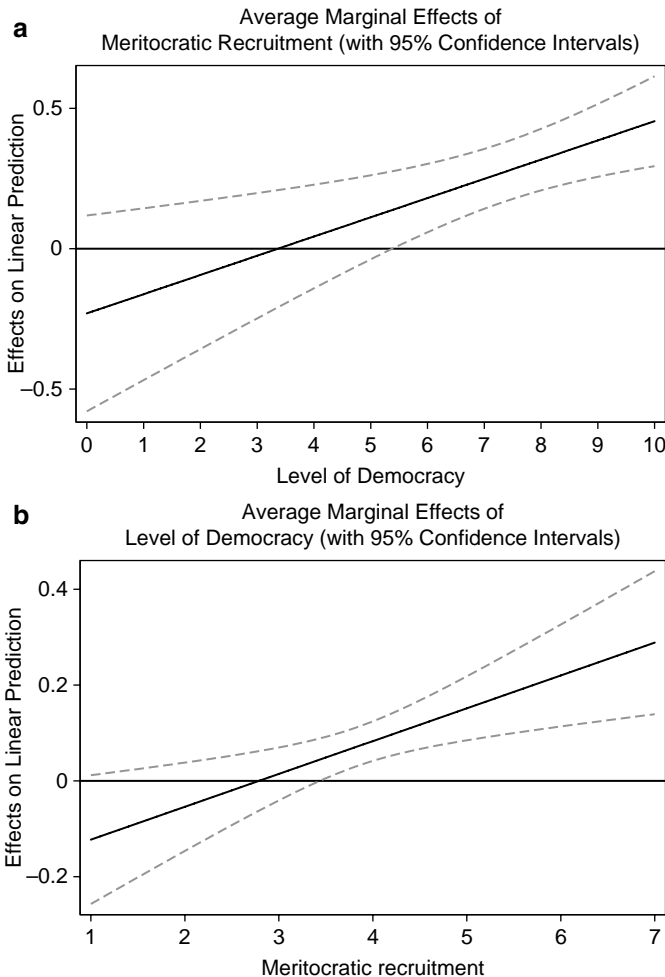


Figure 9.2 (a and b) Interacting meritocratic recruitment and level of democracy

lines indicate how the marginal effect of meritocratic recruitment (9.2a) and level of democracy (9.2b) changes with different levels of the other constitutive term. The dashed lines show the 95 percent confidence intervals. When both dashed lines are above (or below) the horizontal zero line, the effect is statistically significant. The marginal effect of meritocratic recruitment is statistically significant when the level of democracy is higher than 5.4 on an 11-point scale, and the marginal effect of the level of democracy is statistically significant when the level of meritocratic recruitment is higher than 3.4 on a 7-point scale.

Finally, it is important to remark that results do not change substantially if we subject them to robustness checks such as replacing the dependent variable employed here for Transparency International or the ICRG, that is, using alternative measures of democracy such as the Freedom House/Polity measure without imputed values or the revisited combined Polity IV score and including additional controls, like dummies for different regions of the world. Once again, the interaction between democratic accountability and bureaucratic meritocracy exerts a significant and positive effect on curbing corruption.

## Conclusions

This chapter suggests that both democratic and professional accountability are needed to achieve low levels of corruption. One type of accountability (the electoral dependence of rulers on their evaluation by voters) is a check on the other type of accountability (the dependence of administrations on their evaluation by professional peers), and vice versa. As argued in the theoretical section and indicated by the empirical analyses, on their own neither democratic nor professional accountability are effective deterrents of corruption. The reasons are twofold. Democratically elected rulers without the check of a bureaucracy responsive to merit criteria, and thus not politically dependent, may take advantage of their position to extract a rent for their private or partisan benefit. Similarly, meritocratic bureaucrats who are not subject to the control of democratically elected principals may also undertake opportunistic actions at the expense of social welfare.

We hope that this finding may help reconcile two opposing views in the institutionalism literature: on the one hand, the *Wilsonianism* view—claiming that democratic accountability fosters quality of government—and, on the other, the *Weberianism* view—suggesting that meritocratic bureaucracy is key. Authors from both views have actually noted the existence of a “contradictory” (Sung, 2004, p. 179) or curve linear

(Montinola and Jackman, 2002; Fukuyama, 2013) relationship between their favorite institutional variable (democracy or bureaucracy) and good government. We believe that one thing that explains those contradictory results between democracy (or bureaucracy) and good government is the fact that these two institutional factors need each other, and we think the results presented in the present chapter support this interpretation.

Our results are in line with Norris' (2012, p. 8) suggestion that the most successful states are those that "combine the qualities of democratic responsiveness *and* state effectiveness." Like her, we consider that democratic accountability and professional accountability are "like the ancient concepts of Yin and Yang," two seemingly contrary forces that balance each other. Democratically elected political officials need to be counterbalanced by administrative officials whose career prospects do not depend on political loyalties but on their professional reputations. If democratic leaders are able to politicize the state apparatus with party zealots—or in other words if they democratize their public administrations—they will enjoy opportunities for engaging in rent-seeking activities. Likewise, if merit-based bureaucrats take over political systems—if they, in practice, bureaucratize politics—they will also enjoy the same scope for opportunistic actions. Only when politicians and bureaucrats respond to different chains of accountability, elections, and professional reputation, respectively, do polities maximize their chances to prevent abuse from public office.

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# 10

## Property Rights without Democracy: The Role of Elites' Rotation and Asset Ownership\*

*Leonid Polishchuk and Georgiy Syunyaev*

In democracies, economic institutions, including property rights, reflect the needs and preferences of various grassroots constituencies, whereas in autocracies institutions serve ruling elites. It is generally expected that unaccountable elites use their power to expropriate the rest of society and to do so they establish extractive institutions instead of inclusive ones that would be serving the society at large (Acemoglu and Robinson, 2012). Inclusive institutions are more likely to be observed in democracies, and this suggests a positive correlation between institutional and democratic quality.

While this prediction finds some support in data (Tabellini, 2008), the security of property rights and other key measures of institutional performance exhibit significant variations both within democracies and autocracies. In democracies such variations reflect tradition (Glaeser and Shleifer, 2002), political organization of the society (Olson, 1982), cultural traits (Tabellini, 2008) and so on. Highly uneven institutional quality across non-democracies is more intriguing. Glaeser et al. (2004) observe that some dictators implement pro-development policies for unspecified reasons. Besley and Kudamatsu (2008) show that growth rates differ more widely across autocracies than across democracies. Explanations of economically successful (and presumably institutionally sound) autocracies include institutionalized ruling parties (Gehlbach and Keefer, 2011), accountability to 'selectorates' (Besley and Kudamatsu, 2008), freer media (Egorov et al., 2009), fear of masses' unrest (Acemoglu and Robinson, 2006a) and so on.

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In this chapter, we discuss how institutional quality in autocracies is affected by two factors, one political and another economic. The political factor is a regime's stability, and the economic factor is ownership of economic assets by the ruling class. Both factors have been discussed in the literature, but the offered theories contradict each other and empirical evidence remains inconclusive. We review such literature and propose an integrated approach, which emphasizes complementarity of elites' rotation and asset ownership as ingredients of institutional quality in non-democracies.

The role of power change in autocracies was highlighted by Olson (1993), who proposed the famous 'stationary bandit' metaphor. Quick succession of autocrats turns them into 'roving bandits' ravaging their turfs, whereas a 'stationary bandit' has the incentive to supply peaceful order and other public goods as investments in his tax base. Such investments take time to recoup, and the length of tenure becomes a sorting factor separating 'roving bandits' from 'stationary' ones and hence affecting institutional quality.

The contrarian view that good governance requires rotation of rulers has a much longer pedigree going back to Pareto and even Aristotle. Aristotle's dictum 'to rule and be ruled in turn' motivated a stream of literature that argues that the rotation of autocratic rulers creates a dynamic version of otherwise absent checks and balances, and thus improves institutions. Such arguments are discussed in the next section, where they are contrasted with Olson's 'stationary bandit' logic and where we also review the available empirical evidence supporting each of these views.

We turn next to the impact of ruling elites' asset ownership on institutional quality in non-democracies. In contrast with polarized views on elites' rotation, there is a near consensus that elites' wealth sways their preferences from inclusive institutions to oligarchic ones (see e.g. Rajan and Zingales, 2004; Acemoglu and Robinson, 2012). Wealth of the ruling class therefore becomes another sorting factor affecting institutional outcomes. This factor, however, could work in the opposite direction, for example, when wealthy elites prevent excessive redistribution favored by the masses (Persson and Tabellini, 1994). In the same vein McGuire and Olson (1996) argue that an autocrat's ownership of market assets improves his institutional choices by increasing his sensitivity to the conditions in the private sector. The second section addresses this controversy.

In the third section we present a simple theory combining both of the above sorting factors, and show that they augment each other in upholding property rights in non-democracies. The key idea of the

theory is that inclusive institutions which protect property rights outside of the ruling elite group insure this group against expropriation after a power shift, and the value of such insurance increases in the size of assets owned by the group and in the likelihood of losing power. In the fourth and fifth sections we describe two empirical tests for the proposed theory, one using cross-country data, and the other using data from Russian regions. The sixth section concludes.

## Importance of (not) being stationary

In autocracies and nominal democracies protection of property rights and other key institutions are at the discretion of the rulers and as such are *endogenous*, reflecting rulers' preferences and whatever restrictions on their actions still exist. Such de facto restrictions often differ from nominal ones which can be sidestepped or ignored with impunity and which are uncorrelated across non-democratic regimes with institutional outcomes (Glaeser et al., 2004). Other factors, such as regime tenure, could be more salient for institutional quality.

According to the abovementioned 'stationary bandit' theory, longer stay in power increases the attractiveness of good institutions for an autocrat. As explained by Olson (1993), a 'stationary bandit' refrains from excessive expropriation to maintain his tax base for future use (see also Svensson, 1998; Bourguignon and Verdier, 2012). Put differently, a 'stationary bandit' internalizes a dynamic externality since he is interested in maximizing the total expropriation (properly discounted) over an extended period of time. Long stay in power thus averts a dynamic 'tragedy of the commons'; indeed, Olson saw the economic advantages of a 'stationary banditry' in the prevention of 'uncoordinated competitive theft' by a quick succession of 'roving bandits'.<sup>1</sup>

Put differently, a 'stationary bandit' can make a credible commitment to secure property rights. By honoring promises to private investors, a 'stationary bandit' preserves his reputation, which becomes a valuable asset over a sufficiently long period of time. Low turnover of rulers reduces the 'political discount rate' and therefore, according to the Folk Theorem, protection of property rights becomes incentive-compatible (Besley and Ghatak, 2010) and preferable to full expropriation which was the dominant strategy in a one-shot game played by a 'roving bandit'.

Do stable autocracies actually deliver better institutions than unstable ones? Political instability adversely affects economic growth (Alesina et al., 1996; Aisen and Veiga, 2013), but this could be caused, apart from damaged institutions, by losses and disruptions inevitable in almost any government change. As for institutional quality per se,

Svensson (1998) shows that political stability improves institutions, but this conclusion is obtained for democracies and autocracies combined. Besley and Ghatak (2010) maintain that more entrenched autocracies tend to have less-protected property rights, and recent collapses of ossified autocracies in the Arab world triggered by economic failures agree with this conclusion. Still, Holcombe and Boudreaux (2013) show that across autocracies longer tenure could be associated with higher institutional quality.<sup>2</sup>

Some authors claim that the association between regime stability and the quality of institutions could be non-monotonic. According to Acemoglu and Robinson (2006b), fully stable and highly unstable regimes have stronger propensity to undertake modernization than those in the middle. Campante et al. (2009), on the other hand, describe a U-shaped relationship between government turnover and corruption.

A more recent stream of research maintains that government rotation in autocracies is a blessing, rather than a curse. According to Besley and Kudamatsu (2008), in more economically successful autocracies average tenure of rulers is shorter because of the ability of 'selectorates' to better discipline their leaders. More common explanations do not invoke elites' accountability to their constituencies, but rather point out to dynamic externalities whereby good institutional choices are rewarded after a future power shift.<sup>3</sup>

Such path dependency could be upheld as a Coasean bargain among different elite groups which agree to follow a certain course of action and achieve a Pareto-improvement over the 'default point' of non-cooperation. Static versions of a 'political Coase theorem' are usually unfeasible because in the absence of checks and balances political agreements lack credibility (Acemoglu, 2003). Government rotation offers a solution to the credible commitment problem, whereby defectors are punished when successive elite groups take power. Cooperative outcomes are efficient subgame-perfect equilibria (Dixit et al., 2000), that is, Pareto-optima over all subgame-perfect equilibria such that every party is not worse-off than in the case of non-cooperation. Cooperative equilibria are sustained when elite groups expect power shifts and, due to risk aversion, want to smooth out their payoffs over the ebbs and flows of political fortune. Hence incumbents limit expropriation, rationally expecting that successor regimes will return the favor.

The strength of such incentives increases in rulers' rotation rates. Acemoglu et al. (2011) show that distortions in Pareto-optimal equilibria caused by the inability to credibly commit to future policies are reduced by more frequent power changes.

Path dependency could also be due to 'stickiness' of institutions, when they exhibit significant inertia and institutional changes can only be incremental (North, 1990). Possible reasons for institutional inertia include bounded rationality; re-negotiations of institutional change among stakeholders; complementarity between institutions; stable expectations, norms and customs and so on (Polishchuk and Syunyaev, 2015). When institutions are sticky, an incumbent ruler who protects property rights (e.g. by respecting the independence of the judiciary or by otherwise maintaining legal capacity – see Besley and Persson, 2011) expects that such protection would carry on and be available to him after losing power.

Besley and Persson (2011) and Besley et al. (2012) assume that an incumbent ruler determines the extent to which institutions are cohesive (i.e. restrict redistribution to the ruling group from the rest of society; cohesion is a proxy for property rights protection). If today's institutional choices take effect in the next period, reflecting implementation lag (see also Svensson, 1998), equilibrium level of cohesion increases in the ruling elites' rotation. To support this conclusion empirically, Besley et al. (2012) show that 'random exit' of an authoritarian ruler due to death, sickness and other non-political reasons markedly increases the probability of reforms establishing checks and balances. This empirical strategy assumes that random exits cause political instability, making successors less confident about their hold on power and hence more amenable to putting restrictions on expropriation.

Polishchuk and Syunyaev (2015) arrive to a similar conclusion by positing that incumbent rulers form expectation about their political survival based on the recent history, and by relating the quality of property rights protection to the actual rate of power shifts over a preceding period (see also the model below in this chapter). They demonstrate that in non-democracies elites' rotation has positive and statistically significant impact on property rights.

## **To have or not to have**

Economic inequality is commonly viewed as an institutional spoiler. Keefer and Knack (2002) show that inequality is inversely related to the security of contractual and property rights and therefore impedes economic growth; Easterly (2007) proves that causality indeed runs from inequality to bad institutions.

Such causal link is usually explained by the polarization of institutional preferences observed in economically unequal societies.



Acemoglu and Robinson (2012) argue that ruling elites are opposed to inclusive institutions and expropriate the rest of society through extractive institutions. Such institutional choice can be explained by elites' position of power, but elites' wealth alone sways institutional preferences away from social optima. Murphy et al. (1993) point to an economy of scale that makes rent-seeking more appealing for wealthier individuals. For example, excessively high entry barriers are common in less democratic and more polarized nations (Djankov et al., 2002), where they prevent entry into the formal sector of small asset owners (De Soto, 2003) and enable wealthy elites to earn extra returns to their assets (Polishchuk, 2013). A similar logic explains the observed aversion of 'oligarchs' to secure property rights in Russia in the 1990s (Polishchuk and Savvateev, 2004), and more generally elites' preference to keep transition economies partially reformed since incomplete reforms expand opportunities for rent-seeking (Hellman, 1998). Rajan and Zingales (2004) similarly argue that when concentration of asset ownership is high, institutions of capitalism need to be 'protected from capitalists'.

McGuire and Olson (1996) observed a silver lining in the clouds of oligarchic economies: if an autocrat owns large productive assets, he is interested in an enabling institutional environment to make such assets more profitable. An autocrat who earns rent and market income (Bourguignon and Verdier, 2012) faces a tradeoff: as a rent income earner he is interested in extractive institutions, but as a market income earner he needs market-supporting institutions, including property rights. The second effect aligns the autocrat's interests with those of the rest of society, and its relative strength rises in asset ownership. When the share of the autocrat's assets reaches a certain threshold (which depends on production technology and could be relatively small), the autocrat's institutional choice becomes socially optimal.

This result does not assume democratic accountability of the ruler; it is driven entirely by his immediate self-interest. Such affinity of interests between ruling class and society is rarely observed in autocracies and never occurs over conventional public goods – since the elites are numerically insignificant, they prefer expropriation to the public good provision (Lizzeri and Persico, 2004). However in the case of public *production inputs* what matters is not the size of the elites but the size of assets that they own, and here elites' direct self-interest could indeed substitute for democratic accountability, improving institutional quality.

This optimistic logic is rarely corroborated by real-life autocracies where wealthy rulers often fail to supply enabling institutions for the private sector. Indeed, the logic makes an unrealistic implicit assumption of 'equal treatment' whereby rules of the game are the same for

the ruling class and everyone else. In reality rulers and their cronies enjoy vast privileges in accessing markets, resources, the justice system and so on. When asset ownership is combined with unchecked political power, it could exacerbate institutional distortions rather than mitigating them. Thus, an autocrat-turned-businessman could manipulate market prices to extract additional rent (Acemoglu, 2006). When assets of ruling elites are concentrated in resource industries, this further suppresses the provision of general-purpose public production inputs (Polishchuk, 2013).

However 'equal treatment' holds, at least somewhat, when an asset-owning autocrat loses power, in which case he needs public protection of property rights like everyone else, and the logic of McGuire and Olson is restored. This leads to the above-stated conjecture that elites' rotation and asset ownership jointly contribute to secure property rights. In the next section we present a simple model that makes this intuition precise.

## A model

Suppose that power rotates between  $n$  elite groups in periods  $t = 0, 1, 2, \dots$ , and we assume that power shifts occur randomly. Each period  $t$  could be politically stable with probability  $1 - \pi_0$  and politically unstable otherwise.<sup>4</sup> In the former case the incumbent group's hold on power continues into the next period  $t+1$ . In the case of instability the incumbent group has to compete with other  $n - 1$  groups on an equal footing to keep power in the period  $t+1$ , and each group wins such contest with the probability  $1/n$ . Therefore the effective probability of losing power, or ruling elites' rotation rate, equals  $\pi \equiv \pi_0 (n - 1)/n$ .<sup>5</sup>

The stock of production assets in the economy, normalized to unity, is owned by the elites and non-elite agents; the share of assets owned by the  $i$ -th elite group equals  $w_i \geq 0; \sum_i w_i \leq 1$ . A unit of production assets generates one unit of returns per period. The incumbent group  $i$  keeps the income generated by the assets that it owns and expropriates the share  $1 - \alpha_t$  of the income produced elsewhere in the economy;  $\alpha_t \in [0, 1]$  measures the protection of property rights in period  $t$ . The consumption of group  $i$  in period  $t$  thus equals  $w_i + (1 - \alpha_t)(1 - w_i)$ , while the consumptions of all other groups  $j \neq i$  equal  $\alpha_t w_j$  (to keep the model simple, we assume away savings and investments). All groups are of equal size and have the same concave one-period utility function  $U(z)$ .<sup>6</sup>

The political regime is autocratic, which means that institutional choices of a ruling elite group are driven solely by the maximization of the group's expected discounted utility. As in Svensson (1998) and Besley et al. (2012), institutions are assumed sticky, and the incumbent

group in period  $t$  sets institutions for the next period by selecting  $\alpha_{t+1}$ . In a Markov perfect equilibrium (where strategies depend only on the current state and disregard the history that has led to this state) the choice  $\alpha = \alpha_{t+1}$  of the group with wealth  $w = w_i$  solves the following problem:

$$\max_{\alpha \in [0,1]} [(1-\pi) U(w + (1-\alpha)(1-w)) + \pi U(\alpha w)] \quad (1)$$

Such problems are well-known in the insurance theory. Indeed, by refraining from full expropriation, that is, selecting  $\alpha > 0$ , the incumbent group buys a 'property insurance', and the forgone expropriation  $\alpha(1-w)$  can be considered as the 'insurance premium'. Intuitively, the amount of insurance (level of property rights protection) increases in the value  $w$  of the property<sup>7</sup> and in the likelihood  $\pi$  of the 'insured event', that is, power shift.

Whenever

$$\pi + w > 1 \quad (2)$$

the incumbent group opts for full protection of property rights  $\alpha^* = 1$ . Indeed, imperfect protection of property rights involves a 'lottery' with the expected value  $(1-\pi)(w + (1-\alpha)(1-w)) + \pi\alpha w = w + (1-\alpha)(1-\pi-w)$ . Under condition (2) this expected value is less than in the risk-free option  $\alpha = 1$ , and hence no risk-averse agent would be interested in such a lottery.

If  $\pi = 0$  and/or  $w = 0$ , full expropriation  $\alpha^* = 0$  obtains. This corresponds to the cases of either a 'stationary bandit' who does not need institutional insurance against power loss, or a 'roving bandit' with no property to insure. Otherwise there is an interior solution  $\alpha^* = \alpha^*(\pi, w) \in (0, 1)$  for which the following first-order condition holds:

$$\frac{U'(\alpha^*w + 1 - \alpha^*)}{U'(\alpha^*w)} = \frac{\pi w}{(1-\pi)(1-w)} \quad (3)$$

One can show that for any  $w > 0$  the equilibrium level of property right protection  $\alpha^*$  monotonically increases from zero to one in the elites' rotation rate in the range  $\pi \in [0, 1-w]$  and remains equal to 1 for  $\pi \geq 1-w$ . Similarly with mild additional assumptions (e.g. when relative risk aversion  $r(z) \equiv -\frac{zU''(z)}{U'(z)} \leq 1$ ), for any  $\pi > 0$  the equilibrium level of property rights  $\alpha^*$  monotonically increases from zero to one in elites' market assets size  $w \in [0, 1-\pi]$ , and remains equal to 1 for  $w > 1-\pi$ .

Therefore elites' rotation indeed improves the protection of property rights – provided that elites themselves are property owners. Elites'

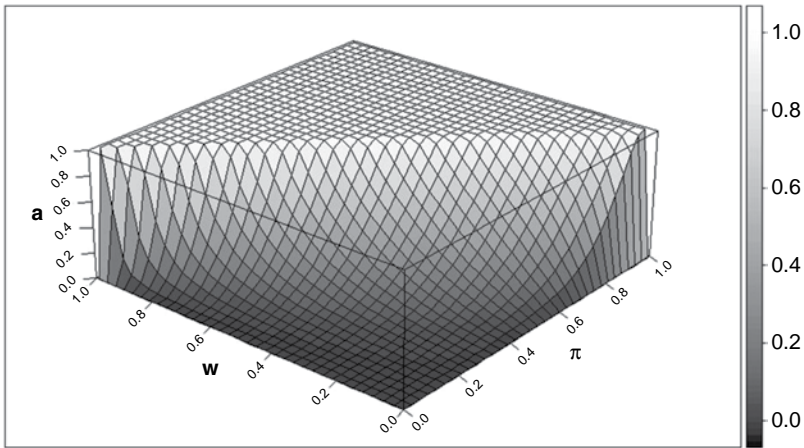


Figure 10.1 Security of property rights in relation to elites' rotation and asset ownership

asset ownership has the same effect – in agreement with McGuire and Olson (1996), but with an important caveat that the regime is *not* of a stationary bandit type. This is the first indication that elites' rotation and resource ownership are complements as factors of institutional quality – none of these factors alone has such effect. Further evidence of complementarity can be obtained from inspection of cross-partial derivatives of  $\alpha^*(\pi, w)$ ; for example, for a Cobb-Douglas specification  $U(z) = z^{1-\beta}$ ,  $\beta \in (0, 1)$  one has  $(\partial^2 \ln \alpha^*) / \partial \pi \partial w > 0$ . Figure 10.1 illustrates the dependence of equilibrium property rights protection on elites' rotation and asset ownership for  $\beta = 1/2$ . The figure shows that with no elites' rotation ( $\pi = 0$ ) or with no asset ownership ( $w = 0$ ) property rights are completely unprotected ( $\alpha = 0$ ). Otherwise an increase of property rights protection in one of these factors grows steeper when the other factor takes higher values. The 'plateau' on the figure corresponds to condition (2) with full protection of property rights.

In the following sections we support the above conclusions empirically for countries of the world and for Russian regions.

### Cross-country analysis

To investigate the impact of ruling elites' rotation and asset ownership for national institutions, we used a panel of 110 countries for the period from 2000 through 2009.<sup>8</sup> Our dependent variable measuring institutional quality was the principal component of indexes of property

rights protection and judicial independence<sup>9</sup> from the Fraser Institute's Economic Freedom of the World dataset (Gwartney et al., 2012). Unlike other property rights measures which reflect subjective judgments of outside experts conducting cross-country comparisons, this measure relies solely on surveys of businesspeople who have first-hand experience with respective national institutions.

The first independent variable – elites' rotation – was measured as the average number of exits of 'veto players' (Tsebelis, 2002; the only veto player in autocracies is the chief executive) over a twenty-year period prior to the observation year (Database of Political Institutions [Beck et al., 2001] served as a data source). This measure differs from the regime durability (tenure) used in a number of other studies (Campante et al., 2009; Holcombe and Boudreaux, 2013) – what we need is a *hazard rate of exit* which forms expectations of a power shift and cannot be predicted by the incumbent's tenure up to date.

Another independent variable – elites' asset ownership – is more difficult to measure since rulers' possessions are opaque, especially in autocracies. We use two independently derived proxies which produce consistent results. The first proxy is general economic inequality measured by the Gini coefficients from the UNU-WIDER World Income Inequality database (Solt, 2009). This proxy is justified by the assumption that ruling elites belong to the wealthiest part of the society, and by high correlation between inequality and wealth concentration (Leigh, 2007). The second proxy is the chief executive's stay in power (tenure) by the observation year; it is based on the assumption that autocrats amass their wealth through embezzlement and grand corruption, and this process takes time which therefore becomes a wealth correlate. The required data is available from the Democracy and Dictatorship revisited (DD) dataset (Cheibub et al., 2010).

Our key control variable is the level of democracy (Institutionalized Democracy Index from the Polity IV database; Marshall and Jaggers, 2012), since the effect that we expect to observe should be pronounced only in polities where property rights are endogenous, that is, in autocracies and feeble democracies. Other controls which according to earlier literature are expected to affect institutional quality are GDP per capita, level of education, population and oil and natural gas rent (La Porta et al., 1999; Glaeser et al., 2004; Mehlum et al., 2006).<sup>10</sup>

In a baseline panel regression of property rights on government turnover the latter is statistically insignificant (Table 10.1, Column 1), which is consistent with contradictory views in the preceding literature of the

Table 10.1 Government rotation and protection of property rights

Sample	Property rights				Non-democracy score > 2	Non-democracy score ≤ 2
	Full sample					
Dependent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Turnover	0.469 [0.76]	5.392*** [1.58]	4.345*** [1.41]	4.226*** [1.35]	2.061* [1.07]	-0.78 [0.74]
Turnover <sup>2</sup>		-15.50*** [4.01]	-13.15*** [3.74]	-13.51*** [3.43]		
Non-democracy score					-0.06 [0.04]	-0.06 [0.06]
ln(GDP)				1.097*** [0.315]	0.746** [0.37]	1.502*** [0.41]
School Enrollment			-0.001 [0.00]	-0.001 [0.00]	-0.002 [0.00]	-0.001 [0.01]
ln(Population)			0.351 [0.58]	1.062 [0.655]	0.534 [1.22]	2.214** [1.02]
Natural resources			-0.003 [0.00]	-0.006 [0.00]	-0.003 [0.01]	-0.012 [0.01]
Observations	962	962	840	840	275	527
Number of countries	110	110	102	102	44	61
R <sup>2</sup> -within	0.435	0.453	0.474	0.497	0.479	0.509

\*p-value &lt; 0.1, \*\*p-value &lt; 0.05, \*\*\*p-value &lt; 0.01

Source: Polishchuk and Syunyaev, 2015

role of ruling elites' rotation in institutional quality (first section of the chapter). However once a quadratic term is added to the regression, a highly significant and robust inverted U-shaped association between government turnover and property rights transpires (Columns 2–4). The ascending branch of the parabola is populated largely by non-democracies (country-years with democracy score below the median), where government turnover is on an average lower than in strong democracies. One can therefore expect that for a subsample of non-democracies the coefficient of government turnover in a linear regression will be positive and significant. According to Column 5, this is indeed the case. For the residual subsample of stronger democracies, this coefficient is negative and insignificant (Column 6).

The estimation in Column 5 is also in agreement with the hypothesis that elites' rotation and asset ownership are complements in upholding property rights in autocracies. Indeed, wealthy ruling elites are common, if not typical, for non-democracies – in our sample the correlation between the democracy score and the Gini coefficient is  $-0.31$ . To test the above complementarity directly we subdivided the subsamples of more- and less-democratic countries into quarter-samples with lower and higher inequality using as a divide the Gini value of 0.4, and estimated fixed effect linear regressions of property rights on elites' rotation. Estimation results are presented in Table 10.2. For the quarter-sample of non-democracies with a high level of inequality (and presumably wealthier ruling elites) the coefficient of interest is positive and highly significant (Column 1). For non-democracies with lower inequality the coefficient is still positive, but 50 percent smaller and statistically insignificant (Column 2). This is in agreement with the complementarity between elites' rotation and asset ownership. For the remaining two

Table 10.2 Property rights, turnover and economic inequality

Sample	Property rights			
	Non-democracy score > 2		Non-democracy score ≤ 2	
	Inequality > 0.40	Inequality ≤ 0.40	Inequality > 0.40	Inequality ≤ 0.40
Dependent Variable	(1)	(2)	(3)	(4)
Turnover	3.029*** [0.93]	1.370 [3.28]	-0.051 [1.24]	-1.100 [0.92]
School enrollment	-0.005* [0.00]	0.008 [0.01]	0.000 [0.01]	-0.002 [0.01]
ln(population)	0.511 [1.36]	3.622*** [1.10]	-0.081 [1.88]	1.037 [1.68]
ln(GDP)	0.778 [0.53]	1.140** [0.45]	0.358 [0.56]	1.823*** [0.50]
Natural resources	-0.013 [0.01]	-0.012 [0.01]	-0.002 [0.01]	-0.032*** [0.01]
Observations	131	112	163	364
Number of countries	23	22	22	41
R <sup>2</sup> -within	0.597	0.634	0.661	0.483

\* p-value < 0.1, \*\* p-value < 0.05, \*\*\* p-value < 0.01

Source: Polishchuk and Syunyaev, 2015

quarter-samples there is no significant association between government turnover and property rights (Columns 3 and 4). These estimations pass standard endogeneity tests (not reported here), which address the concern that our results could be driven by reverse casualty.

We now turn to another proxy of the autocrat's wealth, that is, his tenure. A short stay in power will likely be insufficient to expropriate assets massive enough to alter institutional choices. On the other hand, after many years in power the marginal contribution of yet another year to asset accumulation should be insignificant. Such non-linearity suggests the following empirical strategy: for an integer  $s = 1, 2, 3, \dots$  we introduce a dummy which equals one for a given country-year if the chief executive had been in power by at least  $s$  years, and zero otherwise. For each such dummy we estimate over the subsample of non-democracies a panel regression of property rights on elites' rotation, the dummy and the interaction of the above variables. For small  $s$  the coefficient of the interaction is small and insignificant, but it rises with  $s$  in magnitude and significance, peaks at  $s = 6$  and declines afterwards. Estimations for the 'saturation threshold'  $s = 6$  are reported in Table 10.3. The interaction

Table 10.3 Property rights, turnover, and incumbent's tenure

Dependent Variable		Property rights			
Turnover	2.888*** [1.153]	2.807*** [1.041]	1.618 [1.122]	1.372 [1.111]	1.859 [1.075]
Turnover*	2.924***	2.538***	2.950***	2.748***	2.200***
1(executive age in office > 6)	[1.043]	[0.728]	[0.822]	[0.816]	[0.745]
1(executive age in office > 6)	-0.190*	-0.178*	-0.207*	-0.186*	-0.194*
	[0.102]	[0.0925]	[0.107]	[0.106]	[0.114]
ln(GDP)		1.164** [0.457]	1.387*** [0.258]	1.429*** [0.217]	0.731* [0.426]
ln(population)			2.488*** [0.760]	2.859*** [0.764]	1.015 [1.110]
Natural resources				-0.008* [0.004]	-0.004 [0.005]
School enrollment					-0.003 [0.003]
Observations	298	298	298	297	242
Number of countries	46	46	46	46	40
R <sup>2</sup> -within	0.483	0.511	0.533	0.535	0.531

\*p-value < 0.1, \*\*p-value < 0.05, \*\*\*p-value < 0.01

Source: Polishchuk and Syunyaev, 2015



term in these regressions has a positive and highly significant coefficient, in agreement with the complementarity hypothesis.<sup>11</sup>

## **Russian governors and regional institutions**

Subnational comparative analysis has a number of advantages over cross-country studies, including better opportunities for causal inferences (Snyder, 2001). To test the hypothesis that ruling elites' rotation and asset ownership jointly improve endogenous institutions, one needs a country with a large number of subnational units where regional executives are not democratically accountable and have significant discretion over regional institutions. Such a country should also exhibit substantial variations in institutional quality and in both explanatory variables.

Over the last 10–15 years, Russia was meeting all of the above requirements. Until 2004, governors in its 80 plus regions were electable by popular vote, although regional elections lacked competition and transparency. In 2004, gubernatorial elections were cancelled and until 2012 governors were essentially federal appointees. Throughout that period, re-confirmations of governors for the next term in office were unrelated to social and economic conditions in their regions (Reuter and Robertson, 2012). In 2012 direct election of governors was brought back, but multiple restrictions and 'filters' sustained the non-democratic nature of regional political regimes.

Although far-reaching centralization of the Russian state since the turn of the century stripped *de jure* regional administrations of much of the earlier autonomy governors retained broad autonomy *de facto*, which was tolerated by the Kremlin on the conditions of political loyalty and demonstrated support to the regime at ballot boxes. As a result, Russia features a mosaic of institutional regimes of highly uneven quality (Baranov et al., 2015), and these institutions can be considered as largely endogenous.<sup>12</sup> Rotation of governors was also uneven – in some regions, they managed to keep office for a decade and longer, while in others they were replaced every two to three years. Finally, one could find among Russian governors both career bureaucrats with no known business interests, and businessmen-turned-politicians who control (often by proxy) major production assets.

For an alternative test of this chapter's main hypothesis on Russian regional data, we use a database comprising 79 regions.<sup>13</sup> Measurement of Russian regional institutions is still work in progress (Baranov et al., 2015); we selected one of the most popular measures – the RA Expert regional investment climate rating,<sup>14</sup> which reflects investment potential, quality of governance and political, legal and other investment

risks. This index aggregates official statistical data with expert assessments, and is in agreement with a number of other commonly used indicators of Russian regional institutions. We take the RA Expert rating for 2009, and, due to possible autocorrelation, control for the same rating in 2002.

Governors' rotation is estimated as the number of power shifts over the 2003–2010 period; it takes values from zero to three with the average of 0.84. While a Russian law requires disclosure of asset ownership by governors, it has a number of loopholes and is inconsistently enforced and official data do not reveal the true picture. Instead we proxy asset ownership by whether a governor had been involved in commercial activities prior to taking the office. Regional index of governors' business affiliation is calculated as the number of years in the 2003–2010 period when the governor was a former entrepreneur. Following Gehlbach et al. (2010), we control for regional population, GDP per capita, share of tertiary educated, economic inequality, share of the resource sector in regional employment, voter turnout and whether a region has the status of a 'republic' (with a non-Russian titular ethnic group).

In a regression with governors' rotation and business affiliation as independent variables, both of these variables are statistically insignificant. However, once the interaction of these variables is added, both variables and the interaction become highly significant and have, respectively, negative and positive signs (Table 10.4). Such results are robust to various sets of controls.

These estimations agree with our theory. Negative coefficients of governors' rotation and business affiliation indicate that none of these factors alone improve the investment climate – in fact, they adversely affect regional institutions, and this is what can be expected of a 'roving bandit' with no assets to protect, and of its opposite – a 'stationary bandit' cum entrepreneur. However, a positive coefficient of the interaction term confirms that these factors indeed complement each other in improving regional institutions.<sup>15</sup> The magnitude of this effect is comparable with the variation of the dependent variable, and hence such mechanism is significant not just statistically but economically as well.

## **Concluding comments**

Autocracies are not restricted by conventional checks and balances, which adversely affect public policies (Persson et al., 1997) and leave the private sector vulnerable to expropriation. Government rotation offers a partial remedy, sustaining a dynamic version of checks and balances. However, power shifts deliver property rights without democracy only

Table 10.4 Investment climate, governors' rotation and business-affiliations

Dependent Variable	Investment climate in 2009				
Business affiliation	-0.194*** [0.04]	-0.207*** [0.05]	-0.218*** [0.05]	-0.215*** [0.05]	0.0925** [0.04]
Turnover	-0.469** [0.16]	-0.452** [0.19]	-0.464** [0.19]	-0.435** [0.19]	0.186 [0.13]
Turnover*	0.183***	0.182***	0.192***	0.189***	-0.0679**
Business affiliation	[0.04]	[0.04]	[0.04]	[0.04]	[0.03]
ln(Population)	0.693*** [0.12]	0.687*** [0.11]	0.686*** [0.11]	0.634*** [0.11]	-0.416*** [0.11]
ln(Income p.c.)		0.645 [0.43]	0.986* [0.54]	0.910*** [0.31]	0.186 [0.30]
Higher education		-3.004 [2.42]	-4.519* [2.68]	-4.016* [2.24]	
Inequality		0.508 [4.58]	0.196 [5.08]		
Extraction industry			-0.0119 [0.01]	-0.00919 [0.01]	
Republic			0.0602 [0.24]		
Small business				0.132 [0.10]	-0.228** [0.11]
Average turnout					
Observations	79	79	79	79	79
Adjusted R <sup>2</sup>	0.470	0.491	0.490	0.512	0.377
Standard Errors	Clustered	Robust	Robust	Robust	Robust

\* p-value &lt; 0.1, \*\* p-value &lt; 0.05, \*\*\* p-value &lt; 0.01

Source: Syunyaev and Polishchuk, 2014

if ruling elites are themselves property owners – otherwise they become ‘roving bandits’, without assets that need protection.

Elite rotation and asset ownership create a shortcut from autocracy to the private sector, which could at least in part substitute for democratic accountability by aligning the incentives of an asset-owning autocrat with the needs of the society at large. Endogenous protection of property rights in such polities obtains as an equilibrium based on cooperation between different elite groups, which insure each other against political risks. Such cooperation establishes a ‘rule of law for elites’ which is a doorstep condition for an open access society with inclusive institutions (North et al., 2009). Indeed, government rotation in autocracies could lead to a political reform which introduces checks and balances (Besley et al., 2012) and extends suffrage (Lizzeri and Persico, 2004), although such transformations are beyond the scope of this chapter.

## Notes

- 1 In what is essentially a static version of Olson's idea, Shleifer and Vishny (1993) argue that centralized corruption is less damaging than a decentralized one.
- 2 We will reconcile these empirical findings in the cross-country analysis included in the chapter.
- 3 In the 'stationary bandit' case there was a different kind of externality where future rewards accrue when the same individual or group still holds power.
- 4 Similar assumptions are made in Besley and Persson (2011) and Besley et al. (2012).
- 5 Polishchuk and Syunyaev's (2015) model power shifts by a continuous Poisson process, and assumes a distributed lag in institutional changes.
- 6 Concavity implies risk-aversion and hence the reluctance to accept sharp income fluctuations caused by power shifts.
- 7 In addition the marginal utility of expropriation diminishes in the incumbent elite's wealth, which makes a wealthy group less interested in expropriation.
- 8 This section relies on Polishchuk and Syunyaev (2015).
- 9 The second indicator was included due to the key role of independent judiciary in the security of property rights.
- 10 In a panel with country fixed effects, we do not need controls that do not change over time, such as legal origin and geography.
- 11 This reconciles our claim with the finding of Holcombe and Boudreaux (2013) that longer tenures of an autocrat tend to improve institutions – such a variable proxies the elites' asset ownership, rather than their turnover.
- 12 Russian national institutions receive low scores (see e.g. Polishchuk, 2013), but such country averages conceal significant internal heterogeneity (Snyder, 2001).
- 13 More details can be found in Polishchuk and Syunyaev (2014).
- 14 [www.raexpert.ru](http://www.raexpert.ru)
- 15 When one of the factors is sufficiently high, the other has positive marginal impact, inclusive of the interaction term; this is the case for over half of the observations.

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# 11

## Dynamic Economic Growth as a Constraint on Elite Behavior

*Petrus Olander*

Institutional economics has produced a string of findings about the importance of good institutions for economic growth and development. While consensus is lacking about how important institutions are, few scholars argue that institutions have no impact whatsoever. Yet, for all the knowledge produced, the results of institutional reforms are meager. This is not surprising as a central theme in the institutional literature is that poor institutions persist not from lack of knowledge, but a lack of will from those with the power to shape institutions. In the words of Paul Collier, about the persistence of poor institutions, '[o]ne evident reason is that not everybody loses from it' (2007, p. 66). For institutional reforms to succeed, these elites have to be constrained; this chapter addresses the question of what such a constraint might be. North, Wallis and Weingast (NWW) (2009) as well as Acemoglu and Robinson (A&R) (2012) offer broad accounts of how this might happen. I argue that these accounts are lacking as they do not adjust for the fact that elites are pursuing an interest defined in terms of power rather than wealth, and that shifting focus from wealth to power would add to our understanding of constraints on elite behavior. I argue that reforms of institutional quality/institutional inclusiveness increase the chances for economic growth and diversification; in turn, diversification and the creative destruction it brings make it harder to form elite coalitions as the actor-set is continuously upset. This increases the risks associated with trying to reverse reforms, and elites will more often have to settle for the least bad alternative, namely higher quality institutions.

This chapter is organized as follows; section two defines concepts and conflicts related to institutions and the pursuit of wealth and power. Section three discusses the accounts of A&R and NWW from the perspective of elites pursuing power. Finding previous accounts wanting,



a complementary theory is laid out in section four. Section five applies that theory to events during the antebellum era in the cases of Kentucky and Ohio. Section six concludes.

### **The pursuit of power and the persistence of poor institutions**

In theories on the economic impact of institutions, institutions are often defined as some variation of 'humanly devised constraints that shape human interaction' (North, 1990, p. 3); as some of these interactions are economic transactions, institutions shape investments and trade and, by extension, affect economic output. Examples of institutions thought to have an impact on economic growth are corruption (Mauro, 1995), bureaucrats recruited on merit (Evans and Rauch, 1999), and property rights (North, 1990). Leaders interested in making their polities as strong as possible might therefore be expected to strive for better institutions allowing for economic development consistent with the assumption that people prefer having more to having less. This, however, begs the question: what is it that actors want more of?

It is frequently assumed that actors want wealth, and consequently the rational expectation is that an actor will agree to any alternative distribution as long as it, in absolute terms, leaves them better off than before. However, this assumes that the value afforded other actors is only of secondary, if any, importance. In terms of wealth this may be true, at least on an individual level, but when the sought-after resource is power things are different. Power is the ability of a group or person to control the behavior of others (cf. Morgenthau, 1966, p. 26). Thus, power is a relative resource as it can only be held in relation to others. This leads to a very different result when distributing resources; players will only agree to a split that improves or maintains their relative position, and what one actor gains is in correspondence to what other actors lose. The logic guiding the incumbent's decision in cases where the driving motive is power is therefore not one of absolute but of relative gains. This distinction is prominent in international relations literature, but offers insights into the logic at play here, as issues concerning unconstrained elites are not that different from those concerning countries operating in the absence of a leviathan. The logic of relative gains is behind the persistence of poor institutions as elites in games of power will prefer a situation where everyone is worse off in absolute terms if it makes them better off in relative terms.

A consequence of this is that elites in poor institutional settings will not strive for broad economic development, but will instead enact institutions that keep outsiders out and the competition down. This can be illustrated by assuming that economic resources can be translated directly into power. Ason and Bson are landowners competing for power; both produce a surplus of \$100 each year that translates into power (distribution 1:1). Bson wants to build a canal through Ason's property, the canal would increase Ason's surplus to \$200 and Bson's surplus to \$300 each year. By the logic of absolute gains, Ason should accept the offer as it doubles his surplus and makes them both better off; but, under the logic of relative gains Ason should refuse, as the power distribution would go from 1:1 to 2:3, making Ason relatively worse off. Subject to the relative logic they remain in the less effective situation, producing a combined annual surplus of \$200 instead of \$500. On a country level, the suppression of economic growth resulting from this logic is disastrous, locking millions of people into systems that produce below capacity.

Elites have displayed great ingenuity in conjuring up ways to suppress economic growth. One example of growth suppression was in the fifteenth century when the Chinese emperor banned ocean-going ships following the establishment of trade with East Africa. Chinese explorers had traveled increasingly further from China establishing trade routes and, by 1433, had started to accumulate significant wealth and power. This new power threatened the emperor's position; as a result, all ocean-going vessels necessary to conduct this trade were banned (Chaudhry and Garner, 2007, pp. 38–9). Another example was the dismantling of the railroad that carried much of Sierra Leone's exports following the ascension of Siaka Stevens to the presidency. The only thing wrong with the railroad was that it brought wealth to Mendeland, which had overwhelmingly failed to support Stevens' bid for power (A&R, 2012, p. 461).

Another way to deter economic growth and innovation is to extract natural resources but ship them out of the country for refinement, thus denying local communities the chance to accumulate wealth and strength that the presence of an advanced refinement industry might make possible (Reno, 1998, p. 1). A less conspicuous way to shut newcomers out was the usury laws in some US states during the nineteenth century, ostensibly protecting the poor from predatory loan rates. However, the usury laws also prevented new entrepreneurs from obtaining credit as their lack of securities would make the interest rates illegally high, consequentially serving to raise the bar for newcomers (Benmelech and Moskowitz, 2010).

Though this paints a grim picture, there are polities in which elites do not suppress growth; as there is no reason to think that those elites have a different motive for their actions, it must be that they have been constrained.

## **Institutional transitions and constraints**

When competing to become the ruling coalition, elites will at times find themselves in a stalemate. To avoid the cost of fighting, the competitors will deescalate by agreeing to respect each other's rights and an initial institutional transition/reform will take place. According to theories about the institutional impact on economic growth, this situation should allow for further economic development as more people would be able to exploit their capital (NWW, 2009; A&R 2012). However, arguably economic growth would break the stalemate among competitors, because the market inevitably creates winners and losers, at least in relative terms. As the stalemate breaks, institutional reforms should be reversed as the groups benefiting in relative terms consolidate their position by shutting out the competition.

A theory of institutional transitions requires an account of what might constrain elites after an initial transition from reversing reforms to account for why some polities have avoided backsliding and have achieved a high institutional quality. NWW and A&R have written broad accounts of what those constraints might be. NWW stress how improvements in institutional quality spur economic growth, benefiting everyone and reducing the incentives for elites to reverse reforms (2009, p. 111). Conversely, A&R argue that segments of the ruling elite will be apprehensive about reversing the reforms by using state institutions to their own advantage as it would increase the risk of similar steps being taken against their interests in the future (2012, p. 423). While both arguments have valid elements, they are based on the premise that elites are interested in absolute gains, which are gains that can be enjoyed irrespective of the amount held by other actors. However, elites are interested in power, as NWW state '[t]hose in power seek solutions to help them remain in power' (2009, p. 134); to the same effect A&R state that '[t]hose who benefit from the status quo are wealthy and well organized, and can effectively fight major changes that will take away their economic privileges and political power' (2012, p. 158).

Games of power are zero-sum games, what one actor gains another loses, and are thus inconsistent with the notion that everyone gains from institutional reforms as NWW argue. A&R argue that after reforms

are enacted, elites so enjoy equal protection of the law that they no longer dare to usurp it (2012, p. 423). There are two problems with this argument. First, controlling institutions is about becoming the law and a successful usurpation of the existing order still affords the usurping elite the protection of the law; it is everyone else who loses their protection. This is not to say that the risks associated with usurpation do not sometimes deter elites from action, the weighing of potential costs against potential benefits precedes any action taken by elites. That said, the existence of potential benefits is undeniable. Second, the mechanism proposed by A&R is not something that occurs with institutional transition, it is present both before and after a transition as is evident in the formation of elite coalitions necessary to gain power.

A coalition can be more or less formal and can be based around different attributes, depending on local conditions. However, all coalitions must find a common platform that is small enough to be beneficial for insiders but wide enough to encompass a sufficiently large group to defeat the competition. In a polity with 100 elite groups where each one initially controls one resource equally relevant to the struggle for power, control over the polity is won when controlling 50+1 of the power resources. As new actors join a coalition, existing members' power within the coalition diminishes, but the coalition's overall power versus external actors increases. However, this is only true up to 50+1 after which the addition of new coalition members will decrease both the internal and the external power held by previous members. This is the basic logic behind theories of coalition formation in democracies, which predict governments will form minimal winning coalitions:

[T]he rationale [for minimal winning coalitions] is that there is a fixed amount of office benefits that is shared between the members of a coalition, and including unnecessary members in the coalition decreases the benefits acquired by the individual members. (Bäck, 2003, p. 4)

In cases where the coalition accumulates power through redistribution, it might choose to shed excess members because their support is no longer necessary unless balanced by marginal members threatening to defect if the core accumulates too much power. Coalition formation is therefore a delicate process; finding yourself on the outside will have consequences, particularly because poor institutional quality leaves a betrayed coalition partner with nowhere to turn in order to have their rights vindicated. Phrased differently, this is the mechanism offered by

A&R – marginal coalition members will resist if core members try to accumulate more power because this poses a threat to their own positions. However, this is the case in both low- and high-quality institutional settings, and is therefore not enough to explain the differences in elite behavior observed in the two settings.

I suggest a complementary theory for why elites, in some polities, are constrained from reversing institutional improvements. I propose that widespread economic growth and diversification serves as a constraint on elites because it makes the formation of predatory coalitions harder, thereby making the survival of institutional transitions/reforms dependent upon the prevailing economic growth that follows the initial transition.

## Economic growth

With a transition in institutional quality, economic activity can change from a setting in which it is only allowed if it benefits the ruling elite to one in which businesses are allowed to succeed or fail on their own merit. Related to the issue of power, these different economic environments can be classified into two types, the former being *restrained economic growth* and the latter *dynamic economic growth*.

*Restrained economic growth* describes growth that poor institutional quality produces; economic activity and investment are limited to sectors controlled by incumbent elites. Such economic activity may result in economic growth, but that growth will not change the power distribution, as it is limited to certain sectors and new market entries are blocked. The clearest cases of this are oil, mining, and agricultural (landowning) economies. Restrained economic growth is the type of growth that elites will try to facilitate using institutional measures.

The other type is *dynamic economic growth* in which growth is driven by innovation and the reallocation of resources from relatively less to relatively more productive sectors. This growth type requires an institutional framework that allows companies and investors to both enter and exit the market based on market performance. The opening of the market to new entries is what is usually thought to explain economic growth that is observed in high-quality institutional settings (e.g. North, 1990; Barro and Sala-i-Martin, 2004; A&R, 2012). However, while institutional improvements are necessary for dynamic economic growth, they are not sufficient. Institutional improvements facilitate and remove obstacles, but it is investment that causes economic growth. Thus, while poor institutions always result in restrained growth, higher quality institutions can produce either variant.

Dynamic growth does not provide the same predictability of power relations that is present with restrained economic growth, making it harder for elites to plan ahead. Thus, dynamic economic growth exhibits two mechanisms that have detrimental effects on the ability of elites to form the type of coalitions necessary to use institutions to protect their positions. First, dynamic economic growth impairs the ability of elites to form predatory coalitions. To avoid losing power in the absence of these coalitions, elites either have to branch out into new sectors of the economy or accept seeing new elites rise through those sectors. Either way, elite interests in a polity with dynamic economic growth will become more diversified, making collusion harder as there is less common ground to agree on; the *raison d'être* for coalitions becomes less intuitive and coordination less straightforward. This mechanism fits fairly well with NWW's and A&R's accounts of events leading up to the initial transition in which they argue that a pluralistic set of actors helps facilitate the initial transition (NWW, 2009, p. 111; A&R, 2012, p. 152). However, even a pluralistic set of actors will, if given time, mediate their differences and find common ground. This is where the second mechanism comes in, resulting from the creative destruction and unpredictability inherent within dynamic economic growth. Creative destruction changes the value of resources controlled by members of a prospective coalition, thereby affecting their relative strength as wealth and power is awarded to actors in the market rather than in the form of rents from being in power. As a coalition must form with a narrow winning margin (50+1), even smaller changes can threaten the position of coalition members, thus increasing the risk associated with the formation of predatory coalitions. Dynamic growth also affects the ability of elites to mediate differences and tackle changes. For example, support from a particular landowner or merchant might be valued highly at present, but might not be in the following year as they are in the hands of the market. In other words, the actor-set is destabilized and continuously upset by dynamic growth, inhibiting the mediation of differences between diverse interests.

Unable to form coalitions strong enough to gear institutions in their favor, elites are forced to opt for the least bad alternative, meaning they will often accept higher quality institutions as those will at least give them the same chance as others.

The theory proposed here predicts that the fortune of an institutional transition depends on the character of economic growth experienced in the period following the initial transition. Consider the cases of A-land and B-land. In both cases, intra-elite competition results in a stalemate

that is defused by the sides vowing to respect the rights of the other, that is, an initial transition. In the first period following the formal transitions, A-land experiences dynamic economic growth leading to the rise of some elite groups and fall of other and diversification of elite interests. B-land is less fortunate for whatever non-institutional reason, and experiences restrained economic growth. In the second period following the transition, more entrepreneurs try to enter the market. In A-land power relations will be uncertain due to dynamic growth and the elites will have a hard time forming coalitions to shut out these new entrepreneurs. In B-land, however, the elite are stagnant and has an easier time mediating differences. They are able to form a coalition that can agree on institutional designs that block entry to new entrepreneurs and protect their standing. Entering the third period, new actors in the market have once again upset power relations in A-land and obstacles hampering the formation of elite coalitions remain. B-land, on the other hand, has not had its power relations upset; instead, the elite coalition that formed in the second period will have strengthened their power vis-à-vis out-groups, and can use the third period to further consolidate their position. This is repeated in each subsequent period, reinforcing diverging patterns. In B-land, this pattern can be broken by a new stalemate from intra-elite squabbling, throwing the case back to where this example started. In A-land, on the other hand, it becomes increasingly less likely that the pattern will be broken; elites are forced to move their capital from sectors suitable for competing over relative gains to sectors suitable for competing for absolute gains in order to keep up.

### **Empirical analysis**

To illustrate the proposed theory I examine the US states of Kentucky and Ohio following US statehood in 1792 and 1803, respectively. The rationale for the case selection is that there is little reason to expect the two polities to diverge. They have the same federal constitution, they are of similar size, they emerge in the same period, they are similarly endowed in terms of resources, they draw from the same capital markets, they largely adhere to the same ideology, and they have access to the same markets for goods. Despite this, they experience differences in economic growth and their institutional trajectories diverge with Ohio moving in a more inclusive direction and Kentucky gradually adopting more exclusive institutions or failing to reform the old. There are broad comparative studies on the US North–South divide looking at aggregate

differences as well as studies of individual states (for an overview see Smith, 2004). This chapter utilizes previous studies as sources but shifts focus by comparing Kentucky and Ohio where we should expect similar outcomes. Rather than examining causes of aggregate output I examine the impact of characteristics of economic growth on elite behavior and institutions, contributing both to the literature on institutions and growth and to the descriptive literature on the antebellum North and South. There is a famous quote from Alexis de Tocqueville who, having traveled down the Ohio River in 1831, wrote:

[t]he right [north] bank of the Ohio is a scene of animation and industry; work is honored, no one owns slaves. But cross the river and you suddenly find yourself in another universe. Gone is the spirit of enterprise.

If de Tocqueville wished to say that Kentucky was a poor land then he was surely mistaken. If, on the other hand, one focuses on the last sentence, then his observation fits the theory neatly; what was lacking in Kentucky but present in Ohio was not economic growth, but dynamic economic growth.

## **On the Ohio**

At statehood, the institutional arrangements in both Ohio and Kentucky were not perfect, but importantly both were at formative points in their development. The land was largely unsettled, neither the political system nor economic stratification were set, and both had experienced limited economic development.

Kentucky was first to gain statehood in 1792, having separated from Virginia of which it had been a county. A decade later, in 1803, Ohio joined the union after the territory had reached a sufficient number of settlers, releasing it from the governance of the Northwest Ordinance (Middleton, 2005, p. 25). Ohioans and Kentuckians were not only similar in terms of origin and living conditions, but some of the first settlers in Ohio had just recently been among the first settlers in Kentucky (Aron, 1996, p. 80). Of the 35 representatives to Ohio's constitutional convention, at least 7 had previously lived in Kentucky (Barnhart, 1937, p. 35). A further testament to the similarities between the two states and the people who lived there was that they strongly supported the Democratic-Republicans (Horsman, 2000, p. 169).



One difference though was the presence of slavery in Kentucky. However, that legal difference did not stem from a massive ideological divide. At the Ohio constitutional convention the motion governing slavery was a proposed ban, and passed with a one-vote margin (Middleton, 2005, p. 37). Moreover, the constitution disenfranchised non-white Ohioans. Across the river, slavery had hung in the balance a decade earlier as Kentuckians gathered for the constitutional convention. In the end, the motion to abolish slavery was defeated 16–26, but the constitution of 1792 did allow the legislature to ban the importation of people in slavery, and voting was only restricted to free rather than white males. This is not to diminish the difference between the discrimination encoded in the Ohio constitution and the slavery allowed by Kentucky's constitution, only to say that Kentucky could have ended up prohibiting slavery in 1792 or could have moved toward abolition in the years following statehood had things transpired a little differently (Harrison and Klotter, 1997, p. 63).

The years as a territory had left Ohio with a federally appointed elite with federalist leanings for which the new homegrown Ohio elite had no sympathies. This led to the dismantling of the patronage networks that had built up during the territorial years as Ohio gained statehood with the new elite ascending, though not simply by substituting one for the other (Ratcliffe, 1998, pp. 40–1). As there was little else in Ohio during the early years, the elite was largely made up of landowners and Ohio never lacked elites aspiring for power; however, economic changes kept getting in the way of their consolidation of power. As Ratcliffe writes, 'the weakness of elite control resulted less from the democratizing effect of the frontier than from the pace of development' (1998, p. 45). The Ohio elites never had time to sufficiently mitigate their differences in order to form a cohesive coalition able to enact exclusive institutions, economic development, creative destruction and diversification caused too much circulation in the set of actors.

In Kentucky, things turned out differently. The reason that abolition had not been a complete non-starter at Kentucky's constitutional convention was that, while Kentucky inherited slavery from the Old Dominion the utility of slave labor was not obvious in the early 1790s. The problem of abundant land but scarce labor that troubled the colonies in the seventeenth and eighteenth centuries was subsiding somewhat, and already by Kentucky's statehood there was a large pool of free landless-residents<sup>1</sup> eroding the need for bound labor. However, in 1793 the demand for bound labor surged as the invention of the Cotton Gin ushered in the reign of King Cotton. By 1825, New Orleans, in the heart

of cotton country, with which both Ohio and Kentucky traded, had more millionaires than any other city in the US (Bateman and Weiss, 1981, p. 22).

Though Kentucky did not cultivate cotton, it produced the hemp needed in the cotton business. Hemp production, though not as labor intensive as cotton or tobacco cultivation, made bound labor profitable and strengthened the slaveholding Bluegrass elite in and around Lexington (Harrison and Klotter, 1997, p. 135). In the 1790s, the number of enslaved in Kentucky soared by 241 percent (*ibid.*, p. 71). The demand was not only for raw hemp but also for processed hemp, and the Bluegrass region soon resounded with the noise of early industry. However, labor going into the factories was largely doing so as bound labor (Matthews, 2014, p. 101). Thus, the slaveholding elite were able to control economic growth and ensure that wealth and power did not proliferate. Slavery afforded the Bluegrass elites a level of control that allowed them to engage in limited diversification without losing power, and made sure that the interests of factory owners, landowners, and merchants aligned. Initially, representatives from the Green River country in Southwest Kentucky challenged this Bluegrass system. As time passed, however, this threat was neutralized as an elite class emerged in the Green River country based on slave labor and tobacco (Aron, 1996, pp. 150–66). In line with the proposed theory, the Green River and the Bluegrass elites were able to mitigate their differences and form a coalition through the introduction of economic activity in the Green River country that was more similar to that in the Bluegrass region. Though Kentucky did become more diversified in terms of goods produced during the antebellum period, the elites' interests did not diversify because that which gave Kentucky-made goods their advantage was not the resources processed, but the bound labor doing the processing.

In early Ohio agriculture also did well and property was 'remarkably evenly distributed' (Ratcliffe, 2000, p. 16). The absence of bound labor meant that commercial and industrial investments gave rise to merchants and captains of industry more separate from the landed gentry. The economic activities practiced were not tied as closely together as was the case in Kentucky. Thus, the conflict between those with federalist leanings and the new men of Ohio with Jeffersonian views persisted rather than converged (Cayton, 1986, p. 106).

To understand the strength of the slaveholding elite in Kentucky, consider the investment made in enslaved labor. The proportion of Kentuckians held in slavery varied, but around 1860, 20 percent of Kentuckians were being held in slavery with estimations of value starting

at \$107,494,527 (Harrison and Klotter, 1997, p. 207). While it is hard to compare to contemporary dollars, Matthews, using census data from 1850 and 1860, estimates that 25.7 percent of Kentucky's wealth was held as enslaved labor (2014, p. 273). That figure might actually understate the importance of slavery, as abolition would also have affected the wealth held in fields, factories, and businesses that were only competitive when using enslaved labor.

Slaveholders were gradually able to use their strength to set up and perpetuate institutions that protected their power using a two-pronged institutional strategy: First, was the repression of black Kentuckians, notable results of this strategy being the disenfranchisement of non-whites (constitution of 1799), adoption of a separate criminal code for enslaved Kentuckians that expanded capital punishment to include even burglary (McDougle, 1918, p. 38), and the constitution of 1850. The slavery provisions in the constitution of 1850 were among the strongest in the US, giving slaveholding the same protection as actual property, and proclaiming that holding slaves was above 'any constitutional sanction' (Rammage and Watkins, 2011, p. 257).

The race laws of Ohio initially served a similar purpose to those of Kentucky, keeping free black Americans out and black Ohioans down. The so-called Black laws of 1804 and 1807 required, among other things, that black Ohioans must register with local authorities and banned them from giving evidence in court if either party was white. The ban on evidence meant that black Ohioans were left without judicial protection and generally discouraged them from conducting business as whites frequently used this to defraud and cheat blacks with impunity (Finkelman, 2004, p. 389). Black laws, however, were not enough, and the dynamism of the Ohio economy made the exclusion of blacks from the economy impossible. By the 1830s, the black population had accumulated enough wealth and power to gain access to education, and by the 1860s, more black Ohioans attended school than did whites in some southern states (Finkelman, 2004, p. 394). While not a linear process, institutions gradually became more inclusive for black Ohioans, though antebellum Ohio never approached full equality before the law. Most prominent among these improvements was the repeal of many of the Black laws in 1849, including the racial ban on providing evidence in court (Finkelman, 2004, p. 399).

The second strategy used by Kentucky's elites to secure their position was the utilization of institutions to repress economic and political competition. An early move toward this goal was made at the constitutional

convention in 1792. At the convention, the most ardent opposition to slavery came from religious ministers who had been elected as representatives, all of them voting to abolish slavery (Harrison and Klotter, 1997, p. 63). In a shrewd move, the convention majority adopted a paragraph that disqualified people serving as ministers of religious societies from election to office, thereby denying the opposition their most fervent representatives. The divergence in economic and political institutions was also the result of Ohio reforming while Kentucky did not. An example of this is suffrage as the expansion and contraction of suffrage was largely governed by outcomes of local elite competing (Keyssar, 2009, p. 41). Initially, suffrage laws in Kentucky were more inclusive than those of Ohio, extending suffrage to free males, having no tax provision, and requiring only one year of state residency to vote. Ohio, instead, restricted voting to taxpaying white males having lived in the state for two years (Keyssar, 2009, Appendix). Residency requirements benefitted the wealthier, more established members of a community since they had to move less frequently (Winkle, 1988, p. 10). Ohio, however, made suffrage more inclusive in 1850 and 1857, removing tax requirements and lowering residency requirements (Keyssar, 2009, Appendix). Kentucky made no such adjustments, apart from the aforementioned restriction of suffrage to white Kentuckians. This is unsurprising because the landless and poor, who were most often affected by residency requirements, were the labor denied employment as slaveholders provided bound labor at a lower price; their material interests was thus at odds with that of the slaveholders.

By the 1820s and 1830s, the fact that economic activity and political power were under their control allowed slaveholders to quite openly discuss the pros and cons of industrialization. In the Kentucky legislature, Cassius Marcellus Clay noted that those most strongly opposed to commercial growth were also those most strongly in favor of slavery (Rammage and Watkins, 2011, p. 268). One Southern periodical laid out the argument, stating that industrialization would come about only at the cost of the planter class' position. Another newspaper warned that industry would bolster white workers, a group whose interests ran counter to that of slaveholders as the use of slave labor kept wages down (Linden, 1940, pp. 321–2). Acting on this Kentucky's elites took steps to make sure Kentucky remained agrarian. The state did not allow free banking and chartered the Bank of the Commonwealth, requiring it to provide low-interest loans to farmers and planters (Bodenhorn and Rockoff, 1992, p. 173). This is in contrast to Ohio, where lawmakers,

in 1811, had removed taxes on industry to promote its establishment (Ratcliffe, 2000, p. 59).

Kentucky and Ohio saw growth and some industrialization in the antebellum years while maintaining a substantial agricultural sector. Based on a cursory look, one might bundle them into the same success story. However, by 1860 the two were on diverging trajectories; in spite of a decade-long head start, Kentucky had been surpassed by Ohio on indicators associated with institutional quality and economic development. Looking at census numbers, in terms of population Ohio caught up with Kentucky by 1820, surpassed it by 1830, and in 1860 the one million Kentuckians comprised only half the number of Ohioans. Three times as many Ohioans lived in urban areas, and the same differences were present regarding the value of manufactured goods (Matthews, 2014, p. 276). Ohio could have been dominated by an agricultural class had it not been for the emergence of other economic sectors that counterbalanced the power of wealthy landowners. Kentucky developed manufacturing, and did well compared to the Deep South, but only to an extent that allowed slaveholders to maintain their dominant standing. That should not obscure the fact that Kentucky came to be dominated by an elite unified by a common interest, and who actively protected their standing using the institutions at their disposal. Slaveholding has great versatility, as the investment in labor can be applied wherever the payoff is highest at the moment. The main caveat is that industry should never be allowed to grow beyond which any excess demand for labor can be filled by either the domestic free poor, or by shifting slave labor from farming to industry. Paradoxically, Kentucky's greatest legacy on the national level from this time is that of Henry Clay and the American system he advocated, a system geared to diversify the American economy. As Wallace notes, however, few in his own state answered his call (1991, p. 197).

In the absence of slavery, Ohio's economic interests became more diversified. This is demonstrated by the fact that the Buckeye State saw elites and their interests come and go in rapid succession from statehood until the civil war. The federalists governing the Northwest Territory were replaced by Democratic-Republicans following statehood (Cayton, 1986). The Democratic-Republicans, in turn, were ousted following the panic of 1819 (Ratcliffe, 2000, p. 44). Ohio then witnessed the canal proponents' rise to prominence, but without them becoming powerful enough to prevent the subsequent rise of railroads (Winkle, 1988, p. 25). Though the upper class dominated Ohio politics, they did not manage to control the polity to an extent that allowed them to consolidate the

rule in their own interests (Ratcliff, 1998, p. 102). An example of this was the railroad interest. Initially, they were successful in appointing ‘friendly appraisers’, keeping costs down. However, there was pushback against this policy, resulting in the strengthening of private property rights in the constitution of 1851 (Scheiber, 1973, pp. 237–42).

## Conclusion

In this chapter I examine the question of what might constrain elites from reversing institutional improvements. I have argued that dynamic economic growth might serve to constrain elites from reversing institutional transitions, key to this being the unpredictability of economic events and, by extension, power relations in dynamic settings. Dynamic economic growth as a constraint does not depend on elites being on their best behavior or getting payoffs; instead, it denies elites reversal-of-institutional-transitions as a viable option by adding change and dynamism to the distribution of power. Put simply, it works by continuously disrupting the distribution of power in a way that is hard to predict or mediate. Based on this, the prediction is that the survival of institutional transitions depends, in part, upon the characteristics of the prevailing economic growth following the transition.

## Note

- 1 Even in the Greene River country ‘the best poor man’s country in Kentucky’, 32–63 percent of the residents depending on the county were landless around 1800 (Aron, 1996, p. 205).

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# 12

## Political Control of Bureaucracies as an Incentive for Party Behavior

*Agnes Cornell and Marcia Grimes*

Clientelism, the practice of wooing voters with particularistic payoffs rather than programmatic policies, is a scourge of many contemporary democracies, and may substantially undercut the will and capacity of political elites to address broad societal issues such as inequality or underdevelopment. Recent years have seen renewed interest in exploring clientelism as a social and political phenomenon (e.g., Stokes et al., 2013), as well as understanding the factors that might induce, propel or prevent parties from transitioning to more programmatic approaches to contests in the electoral arena (Keefer, 2007; Weitz-Shapiro, 2012). The bulk of this latter strand of research explores the economic conditions that constitute more, or less, fertile soil for clientelism (Hicken, 2011; Weitz-Shapiro, 2012). This chapter draws on research from the field of public administration (e.g., Peters and Pierre, 2004; Dahlström et al., 2012; Grindle, 2012), and argues that the institutional framework structuring the interface between input (policy making) and output (policy implementing) institutions in the political system is a crucial component in political parties' choices of whether to attract voters via clientelistic or via programmatic linkage strategies. In doing so, this chapter seeks to contribute to the investigation of the interdependent and mutually reinforcing relationship between specific institutional arrangements on the one hand, and parties' choices of linkage strategies with voters on the other (Geddes, 1994; Shefter, 1994).

Bureaucracies staffed with meritocratically recruited personnel, as well as programmatic political parties, have both been linked to key developmental indicators. Programmatic parties, in addition to being considered an integral component of a well-functioning democracy, are essential to rendering the electoral process a contest of ideas and ideology, and a precondition to the formulation of broad-based social welfare policies

required for societal development. A professional bureaucracy is instead essential for the successful implementation of such policies, as well as for the mitigation of corruption, and the stimulation of entrepreneurialism and economic development (Evans and Rauch, 2000; Dahlström et al., 2012; Nistotskaya and Cingolani, 2014). Effecting change on either front requires an appreciation of the mechanisms through which they are mutually intertwined and reinforcing. While political parties constitute the category of actors in a polity most well placed to bring about a reform of the civil service, their choices of strategies and even policy ambitions also adapt to the institutional frameworks in place. In this sense, the relationship between actors' choices and the rules of the game reflects a dynamic that characterizes the relationship between elites and institutions more generally. As the relationship between elites and institutions in this example involves two sets of elite actors (parties and higher level bureaucrats), and also involves dynamics *within* parties (i.e., party discipline) as well as competition over popular support (the citizen level), the dynamics are arguably additionally reinforced and entrenched as multiple arenas at multiple levels are involved.

The argument, in brief, is that the institutional relationship between the political and the administrative spheres of the state constitutes not only one among many, but in fact a key element of the incentive and opportunity structures that inform parties' logic of action. This institutional interface is highly porous in some countries, resulting in a high degree of political control of the bureaucracy, while in others institutional safeguards and constraints maintain a clear division of roles and jurisdictions and prevent the political elite from intervening in the day-to-day workings of the bureaucracy (Peters and Pierre, 2004; Dahlström et al., 2012). A politicized bureaucracy expands parties' and individual politicians' opportunity to use public resources for partisan ends. When parties opt for this strategy, the disincentives for – as well as coordination costs of – institutional reform are, in turn, greatly increased (Geddes, 1994).

This interdependent relationship between political control of the bureaucracy and parties' linkage strategies has been pointed to in previous research; the analyses presented here establish that the relationship extends far beyond the case studies examined previously, and that it is independent of other plausible social, political, and economic factors. The empirical analyses build on data from the Quality of Government survey of public administration experts, combined with data on parties' linkage strategies from the Democratic Accountability and Linkages Project, and confirm a positive relationship between political control of the bureaucracy and clientelistic practices among political parties.

## Organizational firewalls within the state

The benefits of strong institutional safeguards between politicians and bureaucrats has been noted by public administration scholars, from classical authors such as Woodrow Wilson and Max Weber to contemporary researchers (Wilson, 1887; Weber, 1978; Silberman 1993, p. 5; Peters and Pierre, 2004; Lewis, 2008; Dahlström and Lapuente, 2012; Grindle, 2012), but has received less attention in the literature exploring parties' use of clientelistic linkage strategies.

Institutions set the normative frameworks for actors' behavior, inform what is allowed and appropriate, but also constitute the set of opportunities and incentives for choices in a broad range of strategies not specifically stipulated in rules and procedures. In a state, it is not only structures of individual institutions per se that matter, but also the relations among them (e.g., the legislature and executive). Government institutions can be principal and agent at the same time, and the authority and instruments granted each to monitor and sanction one another make up the overall institutional backdrop of the larger political game. In the relationship between political and administrative spheres of the state, a balance must be struck between control and stimulus, but they must also be appreciably separate in order to allow for effective oversight and corrective action (Dahlström et al., 2012). This trade-off accounts for the vast across-state and within-state variation in the degree to which political institutions control administrative institutions (Peters and Pierre, 2004; Hollibaugh et al., 2014).

The strength and effectiveness of a firewall between the political and bureaucratic spheres of the state has been shown to have implications for the prevalence of corruption in a country, as well as for economic growth and development (Evans and Rauch, 2000; Dahlström et al., 2012; Nistotskaya and Cingolani, 2014). We argue that it also constitutes an important component of the incentive structure for both the political elite and bureaucrats. For the political elite, extensive control over the bureaucracy, and in particular over careers of individual bureaucrats, allows much more extensive opportunities to engage in discretionary allocation of public goods and services to reward party supporters or curry favor with undecided voters (Gingerich, 2013; Cornell and Lapuente, 2014). Control of the bureaucracy thus potentially allows incumbents to use government resources to strengthen their own chances of re-election. Access to social welfare programs such as subsidized housing or cash transfers may more easily be allocated along partisan lines if politicians have loyal appointees in offices administering

public programs (see Stokes et al., 2013, pp. 15–17). The legwork of clientelism is often carried out by so-called brokers, a category of actors who act as mediators between the political party leaders and the voters. Survey data from Argentina indicate that many brokers in fact *are* public sector employees (Stokes et al., 2013, p. 99). The power to appoint and dismiss public sector employees therefore may be a highly favorable condition for clientelism to operate efficiently.

From the perspective of the bureaucrats themselves, political appointment may mean that loyalty to the incumbent and the ruling party rather than to the agency may be the most rational strategy in terms of career advancement (McCarty, 2004; Lewis, 2008; Gingerich, 2013). In other words, bureaucrats may have incentives to carry out the will of the appointing politicians, even when such actions are incongruous with the spirit of the law or the stated aims and performance objectives of the agency in which they are employed (Cornell, 2014). Such effects would of course be more intense in settings where politicians not only have the power to appoint, but also to dismiss (or demote or sideline). In such arrangements, obedience is synonymous with bureaucrats' continued employment.

In an early study, Martin Shefter (1994) argues not only that bureaucratic autonomy is likely to affect the use of patronage as a strategy for electoral success, but that it is a precondition, that is, if not necessary at least highly conducive to the very emergence of programmatic parties. Shefter traces the emergence of such programmatic parties in the United States as well as in the Great Britain, Italy, and Germany. Based on these cases, he observes that the use of patronage politics is strongly related to whether a professionalized bureaucracy existed at the time of universal male suffrage. Very much along the lines of the argument presented above, Shefter points out that absent a professional and autonomous bureaucracy – with a stake in protecting its status as professional and autonomous – mass enfranchisement tends to induce a competitive frenzy among elites who use public resources to the extent they are able in order to win popular support.

### **Nested dilemmas in multiple arenas**

When institutional arrangements afford political parties the opportunity to marshal public resources to advance party ambitions, parties as well as voters face a collective action dilemma both with respect to short-term choices of electoral strategies and long-term choices of working toward civil service reform. A number of mechanisms serve to keep

these interdependent logics in place. In political systems in which clientelism is a predominant strategy in electoral contests, politicians from the major parties have weak and even negative incentives to deviate from clientelism as a strategy to win votes. In such a context, parties that choose not to employ clientelistic strategies would be at a disadvantage vis-à-vis competitors who do employ them. Parties find themselves in a collective action dilemma and they will oppose any reform that reduces the opportunities for clientelistic strategies. However, under some circumstances the incentives of the politicians may change. Geddes (1991, 1994) argues, for example, that civil service reform may be feasible in contexts where the opportunities for patronage are equally distributed among the major parties. In these situations there would be no relative advantage of patronage for the majority party and therefore politicians from the major parties will be more inclined to reform. In situations where the relative advantage of using patronage is large for the major parties, only minor parties that are at a disadvantage in the clientelistic game can be expected to promote reform. Geddes (1994) also reveals evidence that bureaucratic reforms may also be undermined or reversed given a shift in the political landscape.

Several authors have pointed out that politicians and parties abstain from bureaucratic reform, or undermine its enforcement, precisely because the use of clientelistic strategies brings political gains (Grindle, 2012; Cruz and Keefer, 2013). Parties and individual electoral contenders whose support rests heavily or entirely on rewards or commitments to deliver private goods have a stake in the maintenance of a politically controlled bureaucracy, but also a bureaucracy with weak mechanisms of audit and oversight. Cruz and Keefer (2013) find support for these causal claims in evaluations of the success of World Bank programs targeted precisely at bringing about bureaucratic professionalization (see also Keefer, 2011). The authors find that the extent to which programmatic parties exist in a political system noticeably enhances the success of World Bank programs.

While Cruz and Keefer (2013) argue that programmatic parties facilitate reform efforts, Keefer (2007) in an earlier work also supplies convincing arguments for how bureaucratic autonomy affects parties' choice of linkage strategies. The degree of autonomy of the bureaucracy strongly determines what parties can credibly promise to accomplish if elected. Absent a professionalized and sufficiently well-functioning bureaucracy, the electorate will hardly find campaign promises relating to large-scale policy programs plausible. An individual party may therefore find it difficult to shift unilaterally toward a more programmatic

approach as the organizational infrastructure needed to implement such policy is lacking.

The difficulty of coordinated action therefore disincentivizes parties from pushing for bureaucratic reform, and the institutional arrangements allowing undue political intervention in administrative affairs incentivize parties to choose clientelistic strategies over programmatic policy platforms. In addition to these two levels, the degree of bureaucratic politicization also has implications for, and in turn may be affected by, yet another arena, namely the discipline *within* political parties. The choice of linkage strategy, and in particular the choice to develop and promote an ideological and programmatic profile, requires that candidates on the party ticket abstain from free-riding on the party's good image, while simultaneously courting voters with clientelistic payoffs (Geddes, 1991, 1994). Thus when institutions allow for such political meddling in bureaucratic business, dilemmas arise both between parties as well as within parties.

At this juncture, the most plausible theoretical account of the relationship between bureaucratic autonomy and parties' linkage strategies is one of mutual reinforcement resulting in a highly stable equilibrium (see also Geddes, 1994). The current state of the relationship between politicians and the administrative arm of government, along with past electoral strategies of other parties, provide the two most salient considerations for a party in developing its own electoral strategy. In this sense, the relationship between politicization of the bureaucracy and clientelism exemplifies a larger set of phenomena, namely institutions developed by elite actors to serve their own interests, which then sustain and reinforce the inequalities in the polity (Pierson, 2004, p. 11). Clientelism, in Luis Roniger's words, "involves asymmetric but mutually beneficial relationships of power and exchange, a nonuniversalistic quid pro quo between individuals or groups of unequal standing. It implies mediated and selective access to resources and markets . . . conditioned on subordination, compliance or dependence on the goodwill of others" (2004, pp. 353–354). In addition to the various interdependent social dilemmas that maintain the status quo, the nexus between institutional arrangements and party choices examined here is therefore also held in place by the same type of inertia that characterizes such institutions more generally (Pierson, 2004).

The full range of factors that might prompt parties to strive to become more programmatic is beyond the scope of this chapter, as is developing a comprehensive account of the factors driving the emergence of an autonomous bureaucracy. Confirming an association between political

control of the bureaucracy and clientelism that is independent of other possible determinants of clientelism will nonetheless help to focus the scholarly work in this line of inquiry, laying the groundwork for future investigations of the conditions under which one or the other of these developments occurs, as well as the conditions under which they survive or, alternatively, are reversed.

### **Explanans and Explanandum: Conceptual distinctions**

The two constructs investigated in this chapter are thus bureaucratic autonomy – and its inverse politicized bureaucracy – and clientelism. Since a core aspect of a politicized bureaucracy is the appointment of civil service jobs with partisan considerations in mind, and a core element of clientelism is rewarding political supporters with preferential benefits, including public sector jobs, some conceptual delineation is in order.

Politicians, if elected through free and fair elections, provide the best approximation of citizens' preferences in the aggregate, and must in any meaningfully democratic system exert control over the means, ways and aims of the bureaucracy. All states, in order to control bureaucracies, use a mix of various instruments, ranging from organizational stimuli and constraints (such as budget allocation and objective-based governing) to regulations at the individual level (such as civil service codes and personnel policies). The civil service corps normally contains a mix of political appointments and professionals hired exclusively based on merit and irrespective of political leaning, and the power to appoint members of the civil service corps is one of the primary tools at politicians' disposal to ensure a more obedient bureaucracy (Geddes, 1994; Lewis, 2008). Civil servants appointed by incumbent politicians are more loyal to the party in power, and presumably also more committed to the policy agenda incumbents wish to implement (Geddes, 1994; Peters and Pierre, 2004). While heads of agencies are politically appointed in most countries, considerable variation exists in terms of the proportion of political appointees in the bureaucracy as well as down to which organizational depth political appointees can be found (Peters and Pierre, 2004; Dahlström et al., 2012; Gingerich, 2013).

Clientelistic allocation of public goods and services, as distinct from programmatic policy implementation, is not governed by formalized and published rules outlining criteria for entitlement and distribution, and is instead based on a non-programmatic (individualized or small group) distribution in exchange for political support (Stokes et al., 2013,



pp. 6–13). Unlike other forms of corruption, clientelism often entails iteration. While paying a bribe may be a one-shot transaction, members of the electorate must have some grounds for believing in benefits promised by electoral challengers and candidates need some basis for believing that a promised vote will translate into an actual vote.

The types of payoffs to voters tend to be private and excludable, such as scholarships, utility connections (water, electricity, telephone), groceries, kerosene, inclusion in welfare programs, but also public sector employment. Excludability is a crucial distinguishing feature of clientelistic payoffs, as a campaign promise targeted toward a specific group of citizens (e.g., the unemployed) but from which no eligible citizen can be excluded, cannot be used to reward electoral support (Hicken, 2011, p. 294; Stokes et al., 2013).

Employment in the public sector granted in exchange for political support thus clearly qualifies as a clientelistic exchange, and thus potentially overlaps with politicization of the bureaucracy empirically (c.f., Stokes et al., 2013). The distinction lies in the level of the bureaucracy involved. The political control of the bureaucracy is determined by the extent to which positions at the upper and middle echelons of the organization are politically appointed, that is, positions with discretionary power. It is precisely the discretionary power that makes positions relevant for political appointment. A key attribute of such political appointments is therefore that they are forward-looking, that is, with an eye to allocating public goods and services in future scenarios. Employment granted only in exchange for political support, that is, *patronage*, is, on the other hand, more retrospective, and may be characterized by transferability (easily withdrawn and reassigned). Such positions are more likely to be low-skilled and therefore transferrable to a broader set of potential voters or party loyalists (Hicken, 2011), or concentrated in agencies in policy sectors of lower political priority (Hollibaugh et al., 2014).

## Research design and data

In this chapter we set out to explore the relationship between political control of the bureaucracy and clientelism using the best data currently available and taking into account confounding factors. The analyses are country comparative; political control of the bureaucracy is gauged in the country as a whole, and evaluations of parties' strategies are also aggregated to the country level. Since the theoretical argument applies only to countries that are at least minimally democratic, the analyses exclude countries considered autocracies according to Cheibub et al.'s (2010)

dichotomous classification of democracy, which builds on a rather minimalistic conceptualization of democracy (see list of countries in the Appendix, Table 12A.1).

### **Measurement of political control of the bureaucracy and clientelism**

To measure political control of the bureaucracy we employ data from the Quality of Government survey of public administration experts (Teorell et al., 2011). We construct an index which builds on two questions from the survey: (1) the extent to which skills and merit determine selection of applicants to public sector employment or whether conversely (2) political connections decide who gets the job, each answered on a scale from “hardly ever” to “almost always.” The first question is reversed so that higher scores indicate a higher degree of political control of the bureaucracy. The two questions are averaged first for each responding expert, and then across experts for each country.

To measure the degree to which parties are clientelistic, we use the expert survey from the Democratic Accountability and Linkages Project (Kitschelt, 2014). We construct an index which builds on four different questions that capture the extent to which political parties or candidates of these parties expend different types of efforts to attract voters, and more specifically whether they give or promise to give four different types of rewards in exchange for votes: (1) “citizens consumer goods (e.g., food or liquor, clothes, cookware, appliances, medicines, building materials etc.)”; (2) “material advantages in public social policy schemes (e.g., preferential access to subsidized prescription drugs, public scholarships, public housing, better police protection etc.)”; (3) “preferential access to government contracts or procurement opportunities (e.g., public works/construction projects, military procurement projects without competitive bidding to companies whose employees support the awarding party)” to either citizens and businesses; and (4) whether citizens and businesses may get special favors in the form of lenient application of regulatory rules in exchange for votes. All of these items are evaluated on a response scale from “a negligible effort” to “a major effort” (Kitschelt, 2014). We sum the scores for each component and combine each party's scores in a given country, weighted by party size, to get a country score.<sup>1</sup>

### **Alternative explanations of clientelism**

Widespread poverty, the most widely cited determinant of clientelism, highlights the demand side of the equation and is therefore neither institutional nor political, but rather economic and sociological. Poverty

affects the logic of interactions between voters and parties in a number of ways. First, it substantially shortens the time horizons of voters. Absent basic material security and access to sanitation, and lacking education, voters are less likely to support or even grasp the value of proposals for longer-term and programmatic policy reform (Kitschelt and Wilkinson, 2007). A willingness to think in terms of a collective good that extends beyond the family or immediate community may be appreciably undermined by the immediate needs of one's own circumstances.

Poverty also induces clientelism as it, to put it bluntly, makes the practice affordable. As Allen Hicken puts it, "as income rises, the marginal utility to a recipient of a given material benefit decreases. Because of this diminished marginal utility of income, candidates can get more bang for their clientelistic buck by targeting the poor" (2011, p. 299). Individuals or communities at higher levels of material well-being may require a larger payoff in exchange for partisan support, while buying the vote (or electoral participation, or electoral abstention) of an individual living in poverty simply requires less party resources. Thus voters' preferences and also the calculus of vote buying change dramatically as material well-being in a society increases.

We measure economic development using the natural log of GDP per capita from the World Development Indicators (WDI). The theoretical argument suggests that a more appropriate measure would be the percentage of the population living in relative deprivation. The WDI publishes a measure of the percentage of people living below the national poverty line, but this measure is only available for a small number of countries, considerably reducing the power of the analyses.

Political competition, and in particular the degree of meaningful contest in elections, has also been pointed to as a factor which may contribute to the prevalence of clientelism, though conclusions in this literature diverge sharply. Several authors argue that "robust competition provides a check against clientelism" (Hicken, 2011, p. 297), provided that parties have a minimally programmatic platform to start with. The existence of viable challengers pushes incumbent parties to show results to as large a portion of the electorate as possible, which may induce not only abstaining from clientelistic practices but even working toward large-scale bureaucratic reform (Geddes, 1991). Somewhat similarly, Keefer (2007; Keefer and Vlaicu, 2008) argues that once one party shifts to a programmatic strategy, other parties will have an incentive to follow suit given that meaningful competition exists. A number of other studies instead find that political competition is associated with a *greater* prevalence of clientelistic exchanges (Lindberg and Morrison, 2008).

While seemingly contradictory, these findings taken together suggest that political competition may mitigate or alternatively intensify the use of clientelistic exchanges depending on the circumstances, either crucial attributes of the parties themselves, as Keefer and Geddes imply, or other contextual conditions. Rebecca Weitz-Shapiro (2012) argues that the degree of political competition plays out differently depending precisely on the level of poverty in the setting. In a situation in which political competition is low, an incumbent may withhold clientelistic payouts in order to conserve resources, and if the electorate enjoys a higher standard of living, then clientelism threatens to alienate middle-class voters who are more hostile toward these practices both out of self-interest and on normative grounds. If on the other hand, viable challengers threaten incumbents' likelihood of re-election, *and* the populous is largely composed of low-income individuals, then clientelism, Weitz-Shapiro argues, can be expected to be more prevalent. Her argument, for which she finds support in the context of municipal elections in Argentina, may explain divergent findings in previous research. Following Weitz-Shapiro's findings we control for an interaction between economic development and political competition.

Our analyses use Vanhanen's measure of political competition, which captures the "electoral success of smaller parties, that is, the percentage of votes gained by smaller parties in parliamentary and/or presidential elections" (Teorell et al., 2013, p. 141). Higher values indicate more competition; a value of zero would indicate single-party dominance, while a value of 100 would indicate that each voter voted for a different party.

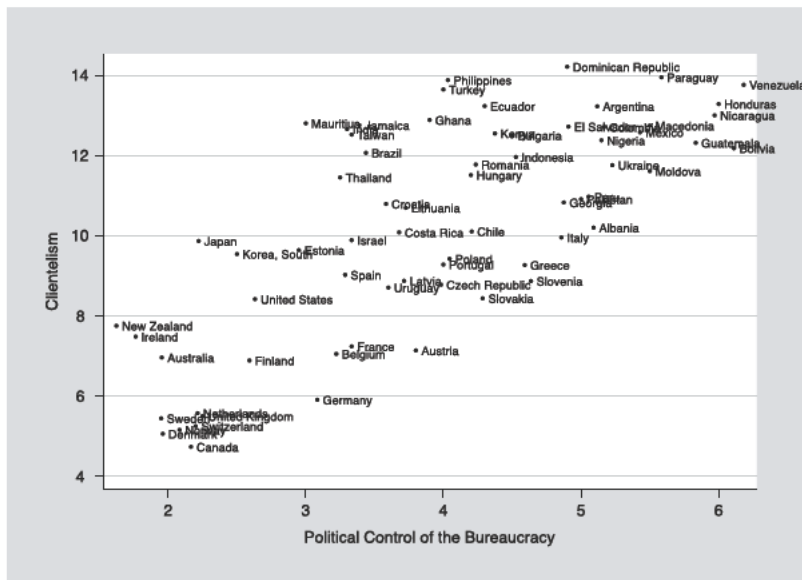
A number of other alternative explanations also need mention. First, a number of authors emphasize, for example, the learning aspect of democratic development, and that well-developed parties with stable ideological platforms quite simply require a prolonged iterative process in which voters gradually gain confidence in parties' campaign promises, and parties incrementally come to understand that voters are willing to endorse larger policy programs (Keefer, 2007; Kitschelt and Kselman, 2012). We measure democratic experience as the number of years between 1930 and 1995 for which a country was rated as a 6 or higher on Beck et al.'s democracy scale, which rates countries based on electoral competitiveness for executive office (Teorell et al., 2013, p. 188). Secondly, theories of societal accountability predict that non-state actors may contribute to holding government to better standards of behavior (Peruzzotti and Smulovitz, 2006), but only if it is equipped to do so. The extent to which citizens have access to information about

the goings on in the political sphere has been shown to be one such enabling condition (Grimes, 2013). We therefore include a variable for the number of newspapers per 1000 inhabitants.

## Results

On the whole, the results are consistent with the main theoretical contention outlined above: political control of the bureaucracy exhibits a relationship with clientelism, independent of other institutional, political and economic factors. Figure 12.1 illustrates the bivariate relationship between political control of the bureaucracy and clientelism.

Beginning with the main results, models 1–3 in Table 12.1 yield evidence that parties opt for clientelistic exchanges to woo voters to a much greater extent in countries with a more politicized bureaucracy and, conversely, abstain from doing so when the bureaucracy is less politically controlled. The association between political control of the bureaucracy and clientelism is significant even when several relevant controls are included in the models.



*Figure 12.1* Political control of the bureaucracy and clientelistic linkages

*Note:* The figure shows the relationship between political control of the bureaucracy and clientelism for the democracies included in the sample.

Table 12.1 Political control of the bureaucracy and clientelism

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Political control of the bureaucracy (index)	1.593*** (0.185)	0.695*** (0.221)	0.701*** (0.210)			
Political appointments				1.364*** (0.178)	0.590*** (0.197)	0.614*** (0.186)
Political Competition		-0.0540** (0.0205)	0.450** (0.188)		-0.0552*** (0.0206)	0.471** (0.189)
Years of Democracy		-0.0149 (0.0103)	-0.00916 (0.01000)		-0.0147 (0.0104)	-0.00843 (0.0101)
Log(GDP per capita)		-0.968*** (0.329)	1.841* (1.091)		-1.051*** (0.326)	1.890* (1.094)
Newspapers		-0.00127 (0.00198)	-0.000327 (0.00191)		-0.00125 (0.00200)	-0.000211 (0.00193)
Political Competition* Log(GDP per capita)			-0.0541*** (0.0201)			-0.0565*** (0.0202)
Constant	4.007*** (0.758)	20.20*** (3.436)	-6.087 (10.31)	4.473*** (0.790)	21.25*** (3.308)	-6.379 (10.35)
N	68	64	64	68	64	64
R <sup>2</sup>	0.529	0.750	0.778	0.471	0.746	0.777
adj. R <sup>2</sup>	0.522	0.728	0.754	0.463	0.724	0.753

\* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Note: OLS with Standard errors in parentheses.

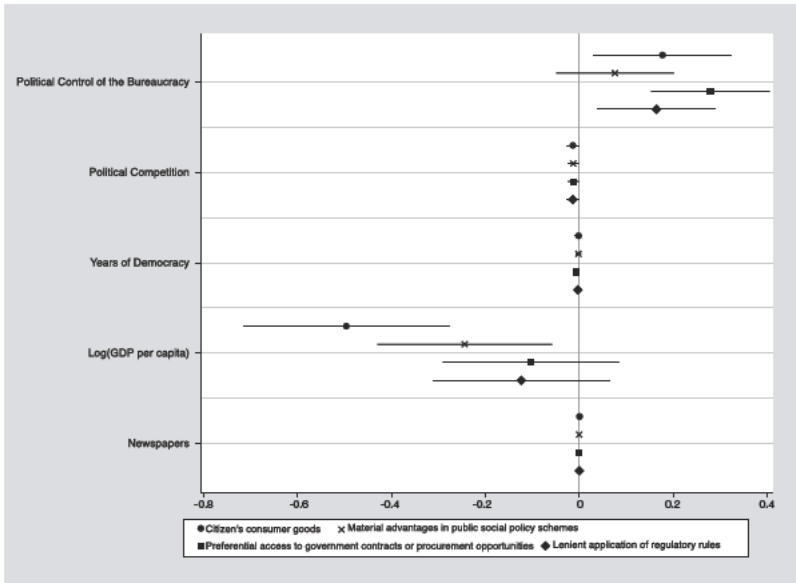
Wealth has, as predicted by ample investigative work, a very strong negative association with the prevalence of clientelism in a country and also political competition is negatively associated with clientelism. Moreover, the interaction between political competition and economic development is significant and is consistent with Weitz-Shapiro's (2012) contention. The number of years a country has been a democracy and the number of newspapers are, however, not significantly related to clientelism.

As a robustness check, models 4–6 in Table 12.1 report the results for similar models but in which the index of political control of the bureaucracy has been replaced by one of its components, political appointments. Even with this narrower operationalization, the results remain the same. Political appointments are positively correlated with clientelistic practices among parties. Supplementary analyses using the other component of the index of political control of the bureaucracy, meritocratic appointments, also show significant results and in the expected direction (not shown in table).

### **Different clientelistic strategies**

As indicated, the clientelism index employed above contains four different types of clientelistic strategies that the parties can use to build clientelistic linkages. In order to examine whether certain types of clientelistic strategies drive the relationship reported above we therefore run analyses where we separate these clientelistic strategies from one another. The first two types of payoffs are direct benefits to citizens: consumer goods and preferential benefits in public social policy schemes. The third and fourth types are different since they include preferential benefits that are related to organizations that compete for public contracts and could benefit from certain regulations – for example, businesses, civil society organizations, and in some cases private citizens (mainly business owners) – government contracts or procurement opportunities and favorable regulations. Given the different orientations of these types of payoffs (those oriented more toward citizens and those more oriented toward business and civil society) and their different degrees of sophistication, they may be used to varying degrees by political parties and candidates.

Figure 12.2 reports the results from models in which the four different types of clientelistic strategies are analyzed separately. Each of the four styles of lines (indicated by the marker) shows the coefficients and confidence intervals (95%) of the estimates from four different models. The results indicate a positive relationship between political control of the bureaucracy and clientelistic exchanges in the form of consumer goods



*Figure 12.2* Political control of the bureaucracy and different types of clientelistic linkages

*Note:* OLS. The figure reports the results from four different models. Constant omitted. The horizontal lines indicate 95% confidence intervals.

(round marker, Figure 12.2). The alternative variable, political appointments, is related to this type of clientelistic strategy as well. However, there is no significant relationship between political control of the bureaucracy and clientelistic exchanges in the form of advantages in public social policy schemes (x marker, Figure 12.2).

For the two types of clientelistic linkages related to civil society and businesses, the results are significant and in the expected direction (square and diamond markers, Figure 12.2). The relationship is also significant if we instead employ the political appointment component of the index of political control of the bureaucracy (not reported here).

All in all, the results from our models indicate a positive relationship between political control of the bureaucracy and specific types of clientelistic strategies. These results are significant even when we include several controls in the models (see Figure 12.2), and hold for models including an interaction between political competition and economic development (not reported here). As reported in Figure 12.2, only one of the four clientelistic strategies turns out to be insignificant. These results thus indicate



that the relationship is valid across different types of clientelistic strategies, but does suggest that future research should be attentive to the possibility that different dynamics may be at play in different forms of clientelism.

## **Concluding remarks**

Competition is inherent to electoral contests, and parties by definition must jockey to win support among the electorate. If this competitive dynamic is allowed to spill over into the administrative sphere of the state and influence the flow of public goods and resources, then representation is eroded, and private payoffs may come to replace more broad-spectrum attempts to change society. The existence and strength of a firewall between the political and administrative spheres of the state may thus help to keep politicians' sights focused on the longer-term issues facing the polity, rather than resorting to payoffs – or promises of payoffs – to individuals or small groups of voters. More importantly, if parties abstain from seeking electoral support through short-term payoffs and instead issue policy pledges against which they are later evaluated, then the mechanisms of electoral accountability that form a fundamental building block of representative democracy operate much more in line with the normative ideal of democracy.

The analyses presented here indicate that the extent to which political elites in the form of elected incumbents can exert control over the bureaucracy in a country, and in particular through appointing civil servants, is associated with the extent to which parties and candidates opt for clientelistic linkage strategies. The results of this analysis indicate that the observations put forth primarily in the work of Geddes and Shefter hold in a much broader set of countries. Geddes examines six countries in Latin America, and Shefter bases his analysis on a similarly small number of countries. The analyses presented here cover 64 countries, the sample includes countries from a range of regions of the world as well as levels of development, and the results indicate that the relationship between political control of the bureaucracy and clientelism is largely independent of other factors previously identified to be crucial in explaining the incidence of clientelism, most notably the wealth of a society. The findings illustrate how the organization of the state is both an expression of the preferences of elite actors, in this case political parties, but also a structure that greatly impedes changes in strategy even if the expected gains might be considerable for the society as a whole, and in the longer term even for the elites themselves (Pierson, 2004). Somewhat paradoxically, therefore, an institutional arrangement that can be justified with

arguments that it affords incumbents greater power in implementing their ideological policy program, may in fact serve to undermine their incentives to formulate such a program in the first place.

Many questions remain regarding, for example, the conditions under which bureaucracies professionalize and parties become more programmatic, whether these happen in tandem, and what conditions might sustain or conversely undermine such processes from moving forward. While some authors point to the importance that the existence of an autonomous and professional bureaucracy precedes universal suffrage and mass based parties (Shefter, 1994), others see possibilities for incremental change (Keefer, 2007) but also considerable risks of reform reversals (Geddes, 1994; Grindle, 2012). The factors accounting for stability are here and elsewhere well accounted for; moving forward requires additional attention to conditions that are conducive to meaningful and sustained change.

## Appendix

Table 12A.1 Countries included in the analysis

Albania	Ghana	Norway
Argentina	Greece	Pakistan
Australia	Guatemala	Paraguay
Austria	Honduras	Peru
Belgium	Hungary	Philippines
Bolivia	Indonesia	Poland
Brazil	Ireland	Portugal
Bulgaria	Israel	Romania
Canada	Italy	Slovakia
Chile	Japan	Slovenia
Colombia	Kenya	Spain
Costa Rica	Korea, South	Sweden
Croatia	Latvia	Switzerland
Czech Republic	Lithuania	Thailand
Denmark	Macedonia	Turkey
Dominican Republic	Mauritius	Ukraine
Ecuador	Mexico	United Kingdom
El Salvador	Moldova	United States
Estonia	Netherlands	Uruguay
Finland	New Zealand	Venezuela
France	Nicaragua	
Germany	Nigeria	

Note: Sample based on Table 1, model 2.

## Note

- 1 This index is similar to the clientelism index constructed by Kitschelt (2014) but excludes the component related to employment in the public sector since this component risks tapping into our main independent variable, political control of the bureaucracy.

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## **Section IV**

### **Political Parties**

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# 13

## Political Parties and the Politics of the Quality of Government

*Philip Keefer*<sup>1</sup>

The assertion that well-functioning institutions and the quality of government go hand in hand seems easy to accept. We think of well-functioning state institutions as smoothly translating the demands of citizens into the design and implementation of public policy – like a well-oiled machine, for example. However, scholars and policy makers are not always so ready to accept the equation when political parties become part of the institutional conversation. Although the noun “machines” is utterly neutral, discussions of “party machines” are usually not: parties with machines are those that most efficiently channel public resources as private benefits to party members. Even enlightened leaders have viewed parties as incubators of division and vehicles of cronyism. Development professionals often think of parties first in the context of illicit campaign finance and the influence of elites and special interests. In the scholarly community, parties as institutions supportive of economic development and the quality of government remain poorly understood.

In fact, though, substantial evidence suggests that in the presence of some kinds of parties – those that are more institutionalized or programmatic – the quality of government is higher and corruption is actually lower. This chapter clarifies the essential characteristics of “institutionalized” or “programmatic” parties that can limit elite aggrandizement and promote the quality of government and reviews the evidence that institutionalized parties have these effects, including a novel illustration from the evolution of the Peronist party in Argentina. It then presents new evidence on the persistence of non-programmatic parties and the difficulties of introducing programmatic political competition.

The chapter starts from the observation that the poor quality of government is evidence of a failure of collective action: individuals aggrandize



private benefits at the expense of the society at large, because the organization of collective action in the society is insufficiently strong to limit it. Political parties, though, are a potential solution to these collective action problems. On the one hand, parties organized to solve internal collective action problems can curb corruption by members that comes at the expense of the party. On the other hand, parties that can solve collective action problems internally are better able to promise voters that they will pursue policies consistent with the party platform in the future. This alleviates parties' need to make pre-electoral payouts to voters in order to mobilize their support.

### **Programmatic parties and the quality of government: Theory**

The quality of government and the organization of political parties intersect in three ways. We expect the quality of government to be higher when politicians have weaker incentives to make decisions in their own private interests at the expense of citizens more broadly; stronger incentives to approve laws and procedures that enhance the efficiency of government more generally; and to rely on state institutions, rather than themselves, to deliver benefits to citizens. The organization of political parties matters for each of these.

First, parties can be organized, or not, to discourage self-aggrandizing behavior by their own members. Self-aggrandizement is rarely consistent with high government quality. Instead, it meets a universally accepted definition of corruption: the diversion of public resources to the private benefit of officials.

Second, the organization of parties influences political incentives to undertake more general reforms that improve the efficiency of government. These range from civil service reforms to fiduciary reforms that limit corruption in government.

Third, party organization can encourage politicians to mobilize electoral support by promising benefits to citizens that the public sector will deliver after the election, instead of relying on benefits that candidates and parties themselves provide, often prior to the election. For example, under some types of party organization, candidates mobilize support with substantial pre-electoral cash transfers to voters rather than with promises of post-electoral government benefits. Though typically viewed as corrupt, vote-buying transfers are actually costly for politicians; they would rather not undertake them. However, in settings where vote-buying is common, the vote-buying transfers can constitute

a large fraction of the benefits that citizens can extract from the political process.<sup>2</sup>

Parties are more likely to advance the quality of government along any of these dimensions if they are organized to facilitate collective action by party members. One way to define institutionalized parties is precisely that they exhibit this type of organization: they limit the ability of individual party members and leaders to undertake personally advantageous activities that harm the broader party membership.

Programmatic parties are one manifestation of institutionalized parties. They are defined by their ability to project a programmatic stance to voters. However, the stance is a public good from the point of view of individual party members. For example, a party's candidates may be able to increase their chances of election by advocating positions at odds with those of the party. While this helps them individually, it harms party members in general since it renders the party program less credible. Programmatic parties are able to overcome the collective action problem that the party program represents because they are organized to discipline individual party members who advocate positions at odds with the party program.

Organizational arrangements that have this effect include screening members and party candidates for their commitment to the ideological agenda of the party, monitoring member actions on behalf of this agenda, subjecting party leaders to oversight by members, and rewarding or punishing members according to the degree to which they exert effort in pursuit of, or contrary to, the party's goals. Except for parties in which members are exceptionally homogeneous and highly motivated ideologically to pursue the goals of the party, such organizational arrangements are essential for collection action inside parties.

Even the United States, where parties are often characterized as weak and where more extreme elements seem to have little trouble in shifting the party agenda, offers numerous examples of how party organization supports a programmatic foundation. First, those who shirk on their obligations to the collective interests of the party are often punished. Congressmen who vote against key party initiatives in the House of Representatives, or against the "establishment" candidate for Speaker of the House, are regularly punished by removal from key committee assignments. Second, leadership positions are contested: leaders of the House and Senate party caucuses are replaced if they deviate from the views of the median Representative or Senator in their party regarding the proper way to advance the party agenda. Leaders who fail the test of advancing the success of the party are soon replaced. Third, both parties

make significant efforts to recruit and to raise money for candidates who embody the more mainstream tenets of the party – clearly recognizable as right or left wing, but distant from the extreme elements of either party.

Like the party program, improving the quality of government is a public good from the point of view of party members. While party-driven improvements improve the reputation of the party and all of its members, individuals receive only a fraction of the benefits from these initiatives. For example, party members may wish that the party restrained corruption, since it hurts the party as a whole. In the meantime, though, they are fully engaged in corrupt acts because they do not internalize the costs that their private corruption imposes on the party. This tension exists even in one-party states where ruling parties channel extraordinary rents to party members, but still must monitor whether individual party members are engaging in greater rent-seeking than is good for the party as a whole.

In contrast, many parties are entirely unorganized: individual politicians, with their own private constituencies, temporarily coalesce into a formal, but evanescent, political party for purposes of contesting elections. They incur few costs if they decide to abandon the party for another. Nothing in the party organization compels individual politicians to pursue the collective goals of the party; the goals of such parties tend, correspondingly, to be superficial and vaguely articulated. These clientelist and atomized party structures reduce member incentives to improve the quality of government.

The least institutionalized clientelist parties are collections of politicians who have personal constituencies built upon their individual clientelist networks. These local networks rest entirely on the particular local politicians, or their families, who are at the center of the networks.

In contrast, machine parties, such as the Peronists, do not depend on specific leaders, as local party groups survive leadership change.

However, as Levitsky (2001a) demonstrates, the Peronists do not endow these local groups with the ability to coordinate their actions to discipline party leaders. He explores the inner workings of the Peronist party in Argentina and characterizes it as an informal agglomeration of local organizations (*unidades básicas*, or UBs) that mobilize for local political action, service delivery, and the staging of cultural events. Compared to personalized clientelist parties, parties even loosely organized around local organizations such as UBs are more likely to provide local public goods. Levitsky (2001a) shows, in fact, that local political organizations associated with the Peronists do, in fact, lobby for local

public good provision. However, because the groups are only loosely connected, they cannot easily act collectively. On the one hand, they therefore have few incentives to advocate for effective policies at the super-local (national) level. On the other hand, they also have few individual incentives to restrain shirking, including rent-seeking, either by higher-level politicians or by other groups.

### **Programmatic parties and the quality of government: Cross-country evidence**

Ideally, to evaluate the hypothesis that party organization influences political incentives to improve the quality of government, we would like direct measures of the degree to which parties are organized to promote collective action by members and to allow leaders to monitor and sanction shirking by members. The database introduced in Kitschelt (2009) has variables related to party organization, but these are only available for one year and are not focused on the specific organizational characteristics highlighted here. The Database of Political Institutions, however, has two variables that theory suggests should be reasonable proxies for the internal organization of parties, for more than 120 countries, starting in 1975.

One is whether parties (the largest three government parties and the largest opposition party) are programmatic or not. As Keefer (2011) argues, parties can only sustain a programmatic identity if they are internally organized to prevent shirking by members and leaders on the programmatic goals of the party. Since the pursuit of these goals requires collective action, the organizational arrangements that ensure the integrity of the programmatic agenda also solve the collective action challenges of party members.

The second is the age of the party. If parties lack internal organization that allows members to replace leaders, they are more likely to disintegrate when incumbent leaders depart. Older parties are more likely to have survived leadership changes and, hence, are more likely to exhibit the organizational characteristics that resolve collective action challenges (Gehlbach and Keefer, 2012). This is particularly true of parties that are older than the number of years that the current leader has been in office, since such parties are less likely to be tools of advancement for individual leaders.

Party age affects not only the acquisition of reputation, but also the organizational structures that allow parties to discipline party members who deviate from the party line. For example, Strom (1990) argues that the existence of impermeable recruitment structures (such that

high-ranking party officials come from within the party) and processes for leader accountability make parties more policy-oriented. These organizational developments do not occur overnight. Correspondingly, Aldrich (1995) finds that voter turnout across states in the United States is significantly and positively associated with the length of time that a party has competed in the state.

Of course, neither proxy is perfect. Some parties may be coded as programmatic because leaders have a well-established reputation for a particular policy or ideological stance even if party organization is loose. Similarly, older parties may not develop the organizational characteristics that ensure the consistent pursuit of the collective interests of the party. They may instead be dynastic (long-lived because of parent to child leadership transitions), or machines (organized as corporate bodies for the delivery of private benefits to members, independent of the party leader). None of these are likely to be stable, however: leaders change and even machine parties (e.g., the Peronists) splinter into factions. The imperfections of the proxy variables create a bias against finding a systematic positive association with measures of the quality of government.

Using these data, previous research has shown that institutionalized or programmatic parties improve the quality of government. For example, Table 13.1, based on results in Keefer (2011), demonstrates a strong negative association between programmatic or long-lived parties and one important aspect of the quality of government: corruption. It looks at two different programmatic party variables. One is the average of all the parties (up to four) for which this variable was collected. Another is a dummy variable that equals one if both the largest government and opposition parties are programmatic. A clientelist opposition party that has not solved internal collective action challenges cannot credibly commit to reducing corruption; this weakens the incentives of even a programmatic governing party to restrain corruption.

The regressions include various control variables to exclude obvious alternative interpretations of the findings: the possibility that poor, countries, those with an especially young or rural population, or larger countries (with respect to population or land area) are both more likely to tolerate corruption and less likely to have programmatic or long-lived parties. Other possibilities – such as unobservable historical conditions that give rise both to corruption and weak parties – cannot be excluded, but if they operate through parties, it is appropriate to draw causal inferences from the regressions.

Table 13.1 Parties, elections, and corruption

<b>All country-years, controlling for competitive elections</b>		
Competitive elections, 0–1	0.17	(0.17)
Average of programmatic dummy variables over all parties	1.01	(0.00)
Competitive elections, 0–1	0.05	(0.69)
Largest government and opposition parties programmatic	0.65	(0.00)
Competitive elections, 0–1	0.26	(0.00)
Age of government party – leader years in office	0.01	(0.002)
<b>Only country-years with competitive elections</b>		
Average of programmatic dummy variables over all parties	0.92	(0.00)
Largest government and opposition parties programmatic	0.65	(0.00)
Age of government party – leader years in office	0.003	(0.10)
<p><i>Note:</i> Analysis based on ordinary least squares. Country-cluster adjusted <i>p</i>-values in parentheses. Higher values of the “corruption” variable imply <i>less</i> corruption. Coefficients are from ordinary least squares regressions of corruption on the respective party variable and, in the upper panel, on whether elections are competitive, controlling for real, purchasing power parity-adjusted income per capita, the fraction of the population that is rural, the fraction that is young (15 and under), the land area of the country, and its total population. Each regression has approximately 3,000 country-year observations and R-squared values of approximately 0.3.</p> <p><i>Source:</i> Table adapted from Keefer (2011)</p>		

The discussion below points to the infrequent changes that countries experience in the degree to which political parties are programmatic. This means that the effects identified in Table 13.1 are largely driven by between-country comparisons. However, if one restricts attention to within-country changes in corruption and party organization, by controlling for country fixed effects, the results for programmatic parties are highly robust. The estimated coefficients on either of the two programmatic party variables each have *p*-values that are less than 0.001, whether looking at all country-years, or only those in which competitively elected governments are present. However, controlling for fixed-effects regressions, the party age variable is no longer significantly associated with lower corruption.

The first three regressions pool all country-years, both democracy and non-democracy. These regressions yield two conclusions, as Keefer (2011) observes. First, electoral accountability is, by itself, insufficient to reduce corruption. Instead, second, the nature of political

parties is key: when they are programmatic or long-lived, corruption is low. The second set of regressions reinforces this second point, restricting the estimates to a subsample of country-years with competitively elected governments.

Other evidence examines a different dimension of the quality of government, the public administration. More programmatic parties should pursue reforms that enable the public administration to more efficiently implement the program on which these parties stake their electoral fortunes. Cruz and Keefer (2013), using World Bank data on evaluations of World Bank public sector reform projects find that these reforms are more likely to succeed when parties are programmatic.

They separately analyze two kinds of public sector reforms, those dedicated to improving human resource management, on the one hand, and those aimed at public sector financial management, on the other. Success is more likely in both cases in the presence of programmatic parties. This reinforces the causal interpretation of the results in Table 13.1 showing the association between programmatic parties and lower corruption. If the organization of parties creates incentives to reduce corruption, as Table 13.1 suggests, then it should do so in part by encouraging politicians to approve reforms that strengthen public sector financial management. This also seems to be the case.

Party organization also affects politicians' incentives to rely on pre-electoral vote-buying rather than promises of post-electoral government benefits. Hanusch and Keefer (2014) argue that vote-buying emerges when politicians cannot credibly commit to pursue particular policies after they are elected. If this is the case, though, then political budget cycles – partially driven by pre-electoral vote-buying – should be greatest in countries where parties are least able to solve the collective action problems that allow them to make credible pre-electoral commitments. They find substantial evidence of this: the amplitude of political budget cycles is significantly lower when political parties are older.

Other evidence is also consistent with the importance of parties. Keefer (2007) shows that young democracies perform more poorly than older democracies, even controlling for income and other factors: they deliver fewer services, exhibit less rule of law, and are more corrupt. Parties might account for this. For example, data from the Database of Political Institutions indicates that of 39 countries that had experienced continuous competitive elections for fewer than ten years in 2000, only 64 percent of the largest government parties could be classified as right, left, or center, compared to 93 percent of the 60 countries with a longer

record of competitive elections. Consistent with this, the estimates in Hanusch and Keefer (2014) show that party age predicts political budget cycles even controlling for the age and democracy; the age of democracy has no effect on outcomes.

## An example from Argentina

Change in the organization of the Argentine Peronist party also illuminates the mechanisms linking parties and the quality of government. In a widely noted episode of the late 1990s, Carlos Menem addressed a major economic crisis by shifting Argentina's economic policies from populist and labor-leaning to "neoliberal" and market-oriented. Levitsky (2001b) explained how this shift was possible: Menem sidelined the one set of Peronist interests that were capable of acting nationally against him, labor unions, by building up the local party groups (UBs) and lavishing clientelist rewards on them. These rewards took the form of substantial resources that they were charged with distributing in their local areas to build support for the party; the UBs exercised significant discretion over the allocation of these funds.

The success of Menem's efforts can be seen in the changing composition of the Peronist party's governing bodies. Union participation declined from 37.5 percent of the seats on the National Council executive board in 1983 to 12.5 percent in 1995. Union legislative representation declined even more, from 29 seats in 1983 to 5 in 1997 (Levitsky, 2001b, p. 44).

Greater support from the UBs allowed Menem to weaken the influence of labor unions in the party, clearing the way for dramatic shifts in economic policy. Why, however, did the UBs not oppose the policy shifts? Extrapolating from Levitsky's analysis, the answer appears to be that, while they had considerable autonomy from the center, they could not easily coalesce to prevent the party leadership from shifting policies. The targeted benefits that Menem channeled to the UBs exploited this collective action problem. Any UBs that attempted to form a coalition against him could be denied these benefits. They would, however, only enjoy a fraction of the benefits from stopping the policy shift on which Menem had embarked. Menem, therefore, managed the difficult task of building up the UBs as a counterweight against the better-organized labor unions, but without enabling them to act collectively against his initiatives.

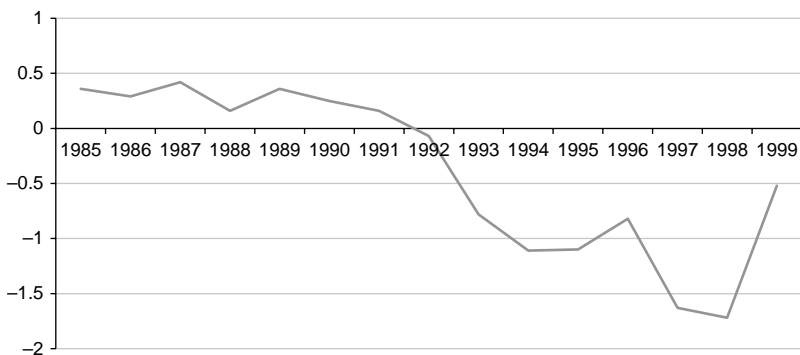
If these organizational changes weakened the party's commitment to a pro-labor, anti-market program, it is likely that they also weakened



intra-party incentives to improve the quality of government – including, for example, reducing corruption. One might expect, therefore, that corruption might have increased during this shift in the internal organization of the party. The evidence suggests that it did.

Using corruption data from the International Country Risk Guide, which begins in 1983, one can compare corruption in Argentina over time and relative to other countries. If the change in organization of the Peronist party weakened political incentives to control corruption, we should observe an increase in corruption, relative to other countries, after the reorganization took effect.

Figure 13.1 below demonstrates precisely this. It compares corruption in Argentina in every year to the subset of countries that, in that year, had income per capita within 30 percent of Argentina's income per capita. This comparison strips away the effect of possible changes in the measurement standards applied by Political Risk Services, or other worldwide shocks that might have influenced changes in corruption in any particular country, but the results are identical if one substitutes the raw ICRG scores for Argentina. The comparison also controls for differences in income per capita among this subset of countries.



*Figure 13.1* Argentina corruption relative to comparison countries (negative is worse)

*Note:* Comparison countries in each year are those with purchasing power parity-adjusted real per capita incomes within 30 percent of Argentina's in that year. The differences with comparison countries are all statistically significant at better than  $p = 0.05$  during the years 1985–1987 and 1993–1998. The figures are taken from the coefficients on the interaction between the Argentina country dummy and the respective year dummy from the regression of the ICRG corruption variable on PPP-adjusted, real 2005 income per capita, taken from World Development Indicators, the Argentina country dummy, year dummies, and the interaction of these (using country-clustered standard errors).

The corruption indicator goes from zero to six, with six being the least corrupt. The vertical axis indicates that, for example, in 1985 Argentine corruption was about 0.4 points better than the comparison countries on the zero to six scale.

Over the period 1985–1989, while the Unión Cívica Radical party was in power, corruption in Argentina was the same as or somewhat better than corruption in countries with similar per capita incomes (the differences with the comparison countries are significant in 1985–1987). Starting in 1993, however, when one would expect the internal changes in the organization of the Peronist party to have reached their full effect, corruption became significantly worse (corruption is significantly worse than in comparison countries during the period 1993–1998; in 1999, Argentine corruption is no longer significantly worse).

This comparison is naïve in at least two respects. First, the data only capture two or three years during which one could argue that the Peronist party was in power prior to its internal reorganization, since it took power in late 1989; it is not obvious that this period is long enough to constitute a reasonable “counterfactual” of corruption incentives in the Peronist party prior to reorganization. Second, the transition took place in the midst of significant economic and political unrest, in the form of hyperinflation, recession, and significant demonstrations, which could certainly have influenced Argentina’s corruption ratings during the “counterfactual” period of pre-reorganization Peronist rule. Still, the raw correlations reveal large changes in Argentine corruption that are consistent with the argument here and the timing of party reorganization identified by Levitsky.

## **When do programmatic parties emerge?**

Among countries with less programmatic parties, the quality of government is lower and corruption is higher. Programmatic and more mature parties are also associated with better development outcomes more generally. For example, as Keefer (2011) demonstrates, programmatic parties are less common among poorer countries. Using the data discussed earlier from the Database of Political Institutions, among those with incomes per capita above the median world per capita income 82 percent had programmatic government and opposition parties, a fraction that falls to 45 percent for those below the median income. Randall (2007) reviews the country-specific literature on political parties in developing countries and identifies little ideological differentiation among parties. Instead, party programs look alike, to the extent that they exist; and

party switching is endemic, even where it is prohibited. Adherence to particular ideological stances is not a condition of party candidacy. For example, party recruitment is similarly non-ideological.

Despite the association of programmatic parties with higher quality of government, lower rent-seeking, and better development outcomes, a remarkable characteristic of parties and party systems appears to be their immutability, at least over the span from 1975 to 2010: non-programmatic parties do not make the organizational changes necessary to become programmatic. More systematically, one can use data from the Database of Political Institutions to ask whether any of the largest three government parties or the largest opposition party in a country have ever changed from being programmatic or non-programmatic to the reverse. The data run from 1975 to 2010 for more than 120 countries. Out of more than 9,000 party-year observations, in both democracies and non-democracies, there are only 12 instances in which parties were first coded as non-programmatic and then as programmatic and 10 cases in which the reverse was true. Most of these cases (8 and 9, respectively) occurred in countries that exhibited competitive elections.<sup>3</sup>

Perhaps, even if the programmatic or clientelist orientation of individual parties is difficult to change, the entry and exit of parties can change the programmatic composition of countries' parties. This turns out not to be the case, however. One can also ask whether the fraction of the largest four parties that are programmatic changes over time. The dataset indicates 227 instances in which the fraction of programmatic parties increased (152, looking only at countries with competitive elections) and 267 (167 in countries with competitive elections) in which it decreased. Most of these upward and downward changes occurred in the same countries, however, resulting in no net change in the programmatic composition of parties.

A large literature suggests that the persistence of non-programmatic parties and party systems should be a puzzle. In Snyder and Ting (2002), parties can economize on the information costs of candidates: candidate affiliation with a party can convey information about candidate stances and, therefore, provide candidates with an electoral advantage, as long as it is sufficiently costly to join the party. In the context of the analysis here, such costs emerge when candidates have to pass the party's screening mechanisms for determining candidate adherence to the party program.

However, their focus is evidently on mature democracies. They present evidence from these democracies that voters' knowledge of candidate policy stances is largely a function of their knowledge of the policy

stances of the party to which the candidate belongs. This makes sense, since, as they write, "Of course, in practice most party labels do carry relatively precise meanings" (Snyder and Ting, p. 91). This statement is less often true in young democracies.

Consistent with the experience of parties in poor or young democracies, they show that when the probability rises that citizens become fully informed about candidate ideal points, party incentives to impose discipline (costs of affiliation) on candidates fall. That is, parties naturally lose their informational rationale when voters are fully informed. In poor democracies, voters are likely to be ill-informed about candidate stances regarding national policy issues. However, if the only salient issues are local, and candidates themselves are local, voters are likely to have accurate beliefs about candidates even in the absence of parties. In short, an environment in which clientelist policies are most salient to voters attenuates the information rationale for institutionalized parties.

Keefer and Vlaicu (2008) demonstrate that programmatic parties allow politicians to make broadly credible promises, potentially enabling them to promise public goods that deliver benefits to more voters at lower per capita cost than do clientelist transfers. Hanusch and Keefer (2014) conclude that programmatic parties also enable politicians to reduce pre-electoral payments to voters, allowing them to rely on simple promises regarding their post-electoral policies and relaxing the pre-electoral budget pressures that vote-buying entails. Nevertheless, the evolution from clientelist to programmatic modalities of electoral competition appears to be slow.

The central objective of a programmatic party is to reduce the costs of appealing to large numbers of voters, by taking advantage of the party's ability to make credible commitments to policy stances on issues of broad public concern. Such efforts could include recruiting only candidates who have a demonstrated commitment to these stances, investing heavily in programmatic rhetoric (advertising) when out of office and, once in office, pursuing systematic changes in public policies that are consistent with the program.

From the point of view of existing, non-programmatic parties, these efforts are likely to conflict with both the interests of current party officials and those of the party as a whole. Candidates who have relied on clientelist appeals to get elected are less likely to thrive when those attributes are no longer as valued by the party. Indeed, programmatic parties may view the clientelist benefits delivered to supporters of these candidates as antagonistic to the party program. Party leaders may also be reluctant to insist on candidates committed to the program if this

means excluding candidates who are successful in mobilizing voters based on their personal characteristics and clientelist networks.

For new parties, the costs of programmatic party organization depend on the salience of the program among voters, voters' perceptions of the capacity of the state to implement the program, and the ease of finding candidates dedicated to the program's goals. In poor, new democracies, none of these conditions may prevail: citizens are less connected from the state and unaware of the broad issues of government policy that affect their welfare; the public administration is weak, and perceived as being weak; and local rather than national issues of public policy are more likely to motivate individuals to become candidates. Political entrepreneurs therefore gravitate toward clientelist forms of party organization.

Scholars of the political economy of India offer many examples of the tension between programmatic and clientelist forms of electoral mobilization. Brass (1994) argues that efforts by the leadership of the Congress Party to project a reputation for a socialist model of economic policy conflicted with the need of the leadership to reach rural voters who were enmeshed in local clientelist networks. This struggle took the form of party splits and personnel decisions that elevated to leadership positions those who could reach clientelist networks rather than those who could project a strong ideological stance.

For example, in 1946, the most powerful man in the Congress Party was Sardar Vallabhai Patel, Mahatma Gandhi's chief lieutenant, who was responsible for building up the local party. He frequently succeeded in blocking socialist candidates advanced by Jawaharlal Nehru for Congress Party leadership (Frankel, 2005). Only when Patel died was Nehru able to push forward in promoting state-led industrialization (Nayar, 1990). Additional evidence of the tension between party building and the clientelist goals of individual politicians emerges from a program in India that allocates funds to members of parliament that they can spend on infrastructure in their districts. Politicians in districts where their party is weak are more likely to spend their allocation completely than are politicians in districts where it is strong (Keefer and Khemani, 2009).

These tradeoffs appear, as well, in the seminal analysis by Shefter (1993), who argues that parties turn to programmatic appeals when they cannot engage in clientelism. Shefter further argues that once parties adopt a clientelist or programmatic mode of operation, they are locked in and voters will expect them to continue to employ this strategy. The argument here emphasizes that, in addition to voter expectations, parties are also constrained by the organizational challenges of shifts in

orientation. Van de Walle's (2003) analysis of parties in African democracies is consistent with this broader view of the obstacles to the emergence of programmatic parties.

Van de Walle (2003) extends Shefter's argument to African democracies in the 1990s. He observes that parties switched to programmatic appeals because of the difficulties they encountered in managing clientelist handouts, even in the absence of the well-functioning bureaucracies emphasized by Shefter. However, the programmatic bases of African parties turned out to be difficult to sustain, for reasons outlined here: the organizational demands of making credible programmatic appeals to voters were too great.

The emergence of programmatic parties therefore appears to be linked to fundamental societal conditions: the salience of national policies, the quality of public administration, and the presence of programmatically committed candidates. Scholars emphasize the second of these conditions. Shefter (1993) concludes that where bureaucracies are independent and well-functioning, and resist the implementation of arbitrary, clientelist policies (as, he argues, occurred in Bismarck's Germany), new political parties are compelled to shape programmatic appeals to voters. Chandra (2004) agrees. In the context of India, patronage is harder for politicians to dispense when the civil service is more professional. Kitschelt et al. (1999) explain that programmatic parties were less likely to emerge in Eastern Europe and the former Soviet Union in those countries where the state was larger and where the communist regime was more patrimonial/clientelist prior to the transition.

It is difficult to distinguish empirically the direction of causality between political parties and bureaucracies, however. On the one hand, where politicians have programmatic aims, as Cruz and Keefer (2013) argue, they also prefer a more institutionalized and effective public administration. On the other hand, as Shefter insists, such a public administration may favor the emergence of programmatic parties. It is certainly the case, however, that indicators of bureaucratic quality, such as those produced by Political Risk Services, are as strongly associated with the presence of programmatic and older parties as corruption itself.

At the same time, state capacity is only one of the conditions that facilitates the emergence of programmatic parties. Equally important may be the presence of a critical mass of politically active individuals committed to a salient program. Keefer and Vlaicu (2008) present two examples of this. Well-identified policy differences separated political parties in Great Britain when it began to expand the franchise over issues ranging from agricultural tariffs to the authority of municipalities.

Following the expansion of the franchise, politicians in Great Britain approved reforms that increased the meritocracy in the civil service and reduced corruption. In the case of Great Britain, therefore, programmatic political competition preceded bureaucratic strengthening and did not appear to be contingent on it.

In contrast, no such programmatic differences existed in the Dominican Republic during the reign of Rafael Trujillo. Trujillo suppressed political mobilization of any kind, and at the same time relied on clientelist transfers to citizens to cement his hold on power. After his assassination, the country's leadership was competitively elected. However, in the decades after the end of the autocracy, and lacking the basis for the formation of programmatic parties, politicians relied on clientelist forms of electoral mobilization. This yielded the types of public policies for which clientelist politics are known, ranging from an education system that was significantly less effective than that of other countries with similar per capita incomes to one of the largest banking crises in history.

## Conclusion

Political parties receive little attention in debates about how to improve the quality of government. Donor agencies, for example, focus on improving public sector institutions as a primary response to improving government effectiveness and reducing rampant corruption, but they do so without regard for the local political incentives to implement these reforms and, in particular, with limited regard for the compatibility of the reform agenda with the organization of political parties. The argument and evidence summarized here point to the importance of considering the collective organization of politicians when identifying the conditions that promote the quality of government.

A focus on political parties, while novel, is nevertheless intuitive. Government failures, including corruption, tend to benefit individuals at the expense of society in general. They therefore represent a breakdown in collective action: in societies that are better organized to undertake collective action, political incentives to promote the common good increase and the scope for corruption shrinks. Political parties, though, are a central feature through which societies organize collective action for political ends, such as the control of rent-seeking, but also including the broad array of public policies that promote, or not, economic development.

Unfortunately, as the foregoing analysis emphasizes, the types of party organizations that are associated with stronger incentives to promote the quality of government are neither universal nor inevitable. Particularly in poor countries, politicians exhibit little capacity for collective action. Parties are the loose collection of individuals and factions. Even if the factions themselves are well-organized, such as those at the grassroots level in the Peronist party in Argentina, the party structure does not encourage the factions to act collectively in pursuit of their joint interests. The lesson for policy makers, therefore, is that to improve the quality of government, they should encourage programmatic parties.

While there is no road map on how to do this, and significant research is needed, some clues about potentially useful strategies emerge from the existing literature. They include efforts to raise the salience of national public policies and to promote media attention to the positions of politicians on these policies, and a focus on laws that govern the internal organization of parties with an eye to promoting organizational arrangements that allow for collective action by members.

## Notes

- 1 Disclaimer: The findings, interpretations, and conclusions expressed in this paper are entirely those of the author and do not necessarily represent the views of the Inter-American Development Bank, its Board of Directors, or the countries that they represent.
- 2 A fourth type of behavior, the degree to which parties finance themselves by providing policy favors for special interests, is related to these three, but legal standards are substantially more ambiguous and heterogeneous across countries.
- 3 These numbers are understated to the extent that the change in programmatic stance of a party corresponds to the first year that it received enough seats, or failed to receive enough seats, to be classified as one of the largest three governments or the largest opposition parties. Nevertheless, they are certainly accurate for programmatic transitions by larger, better-established parties.

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# 14

## Why Women in Encompassing Welfare States Punish Corrupt Political Parties

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Citizens punish corrupt political parties; that is the microfoundation for the theory that electoral accountability acts as a mechanism to curb corruption. Empirical research, however, shows that the link is weaker than anticipated in theory. Citizens do not always and everywhere “vote the rascals out,” and it is hard to underpin the notion that perceptions of corruption play an important role when voters decide which party to vote for (see Xezonakis et al., Chapter 16 in this volume). This does not mean that electoral accountability can be neglected in studies on corruption and good governance—it only means that we need to find new ways to analyze how this mechanism works in different settings.

In this chapter we show that citizens’ gender interacts with their decisions on whether or not to vote for a corrupt political party. Moreover, these decisions vary according to the type of welfare state arrangement that citizens are living in; women in comprehensive welfare states are more inclined than others to say that they would not vote for a corrupt political party. Our study sheds light on factors hitherto overlooked in research on corruption and electoral accountability. The important conclusion is that the driving forces at work are not only related to individual characteristics, such as being male or female, or contextual characteristics, such as type of welfare state, but to the dynamics between those different factors.

We make sense of the findings by drawing on the literature on women’s interest in the welfare state. This literature argues that women have a stronger interest than men in an encompassing welfare state as it contributes to self-determination for women. Encompassing welfare states provides women with opportunities to work *and* with services in the form of childcare and eldercare, which facilitates a successful combination of family life and working life. We theorize that the more extensive

the social services provided, the greater women's interest is in sustaining the welfare state.

Our study is part of a burgeoning field of research focusing on interactions between individual-level characteristics and institutional-level characteristics in analyses of gender and corruption. Early studies demonstrated a correlation between higher levels of women in government and lower levels of corruption (Dollar et al., 2001; Swamy et al., 2001), while subsequent studies have highlighted that the relationship is affected by regime type so that the correlation holds good in democracies but not in authoritarian states (Esarey and Chirillo, 2013). Our present focus on welfare state arrangements demonstrates that research also needs to take into account institutions that may only indirectly be linked to electoral processes. We focus on accountability mechanisms that are linked to citizens' everyday lives: Women's "double dependence" on the welfare state, referring to how the welfare state provides both work and services, creates motivation for women to react in a manner protective of their interests, and punish political elites who act destructively toward the state. To not vote for a corrupt political party may be seen as an act of risk aversion on behalf of women. We develop the reasoning on the sources for such behavior.

The chapter starts with a review of previous research in the field of gender and corruption, highlighting findings in studies discussing interplays between individuals and institutions. We then proceed to develop our reasoning on explanatory factors linked to welfare state arrangements, making use of earlier research on gender regimes in comparative perspective. The empirical part focuses on citizens in 19 European countries for which we have trustworthy data on welfare state institutions and on corruption.

## **Institutions, gender, and corruption**

The early studies that opened the debate on gender and corruption were conducted by scholars at the World Bank, who demonstrated a correlation between higher levels of women in government and lower levels of corruption, using a standard set of controls such as social and economic development, political and civic freedom, average years of schooling, and ethnic fractionalization (Dollar et al., 2001; Swamy et al., 2001). In the study by Dollar et al. (2001), theoretical insights concerning which factors underlie gender differences were taken from other areas of research and broadly based on the assumption that women are less "selfish" than men. Swamy et al. (2001) had a more refined theoretical

apparatus and suggested that women may follow laws to a greater extent because they feel protected by them as well as that girls may be brought up to have higher levels of self-control than boys, which may prevent them from engaging in criminal acts. For women in power, the most important argument for why an increased number of women in government would affect corruption was that women may lower corruption levels not only by being less involved in corrupt behavior themselves but also by initiating policies to fight corruption or to recruit staff who are less corrupt.

During the last decade research on gender and corruption has evolved into, on the one hand, individual-level studies using experimental designs to explore the effects of gender roles in greater detail and, on the other hand, macrostudies that delve more deeply into the effects of system-level variables such as regime type. Admittedly, there are also studies arguing that the correlation between gender and corruption is spurious and therefore not worth paying attention to, such as those of Sung (2003, 2012) which suggest that the confounding factor is liberal democracy that produces both gender equality and good government.

For the advancement of this study it is most important to note recent developments in studies focusing on system-level variables. Esarey and Chirillo (2013) made an important contribution when they pointed to the fact that a higher share of elected women is associated with lower levels of corruption in democracies but not in authoritarian states. Moreover, they found that tolerance of corruption among the general public also follows this trend. Combining these two types of findings, they argued that women, as members of a disadvantaged group, have stronger self-interest in following norms because, owing to discrimination, they are likely to be punished more severely for transgressing them. As democracies contain a norm against corruption women are more perceptive of this norm than men, whereas no such norm is expected to exist in autocracies which accordingly would explain why this relationship is not found in these countries.

Esarey and Schwindt-Bayer (2014) proposed a further nuance in the theory of gender and corruption, which relates to accountability. Drawing on the notion of women being more risk-averse, which is backed up by experimental studies, and the finding that women are more at risk of being caught when committing corrupt acts, as they lack the protective networks of men, they hypothesized that the difference between women and men in relation to corruption should generally be greater when the risk of detection is higher. Further, the risk of detection of corrupt acts can be tied to accountability mechanisms differing

between states, for example, through different degrees of press freedom. Hence, the theory proposes that the relationship between gender and corruption is mediated by the strength of accountability processes. In line with this theory, Esarey and Schwindt-Bayer (*ibid.*) found that in parliamentary systems with stronger accountability mechanisms, having more women in parliament tends to correlate with lower levels of corruption, while this relationship is weaker in presidential systems with weaker accountability mechanisms.

Stensöta and colleagues (2014) provided yet another argument for why and how institutions mediate the relationship between gender and corruption. They suggested that the institutions of the political arena versus the institutions of bureaucracy provide varying incentives to capitalize on personal attributes. The political arena arguably provide incentives for female politicians to make use of attributes, such as being “a clean outsider” in relation to corruption, which would strengthen any initial gender differences in relation to corruption. Conversely, in the bureaucracy, in which the basic idea is to wash any personal preferences from the judgments made by public employees, any initial experience based gender differences should be suppressed. The empirical findings (*ibid.*) support these results in that the correlation between more women and lower levels of corruption is stronger in the electoral arena than in the bureaucracy and that the stronger the bureaucratic features are, the less gender matters.

Stensöta and colleagues (*ibid.*) also provided a theoretical idea on the gendered “raw material” that the above-mentioned institutions strengthen or suppress. Following Young (2002), they did not refer to biological features, but primarily to societal arrangements that make women and men choose different life paths, and hence, acquire different experiences. These are transmitted over certain axes in society that cluster experiences asymmetrically around women and men. A case in point is the axis of reproduction/production. These axes are to a considerable extent produced by the welfare state arrangements, which is also how the theory of Stensöta and colleagues (2014) connects to the present study.

In our earlier study (*ibid.*) we proposed that the effect of gender and corruption proceeds as an interaction effect between gendered experiences on the group level of society, and gender as an attribute of institutions. Taken seriously, this means that one cannot understand one part—tendencies among broad layers of the population—without the other—that is, attributes of social institutions. A major task for this research, then, is to find out *which* institutions exert a certain effect on

the link between gender and corruption, since different institutions may modify the relationship in different ways. In this chapter, we further develop research on the interplay between individuals and institutions. An area hitherto overlooked is how welfare state arrangements, understood as institutions, affect the link between gender and corruption.

### **Protecting the benefits of the welfare state?**

Citizens' perceptions of the state have considerable impact on how much they support it and are willing to contribute to it in different ways. In a recent study Stefan Svallfors (2013) compared attitudes toward taxes and social spending across European countries and concluded that citizen's judgments of how well the government works (measured as absence of corruption) affect their preparedness to pay taxes. If citizens believe that the government works well, they are more inclined to accept higher taxes. The analysis shows that in the Scandinavian countries in particular, this relationship seems to form a positive feedback loop.

This idea, that citizens' perceptions of the state are dependent on what it delivers and with what quality, relates to the feminist debate on the state dating back to the 1980s. At that time, most international feminist scholars were uninterested in the state, due to its patriarchal structure considered as upholding the power and interests of men. However, Scandinavian scholars presented another approach to the state, as Helga Maria Hernes (1987) coined the concept of "state feminism." She argued that an encompassing welfare state may well serve the interest of women and increase their possibilities of living lives of their own choosing. Key here is that the emerging Scandinavian welfare states provided women with opportunities for paid work, both as an employer and because public services such as childcare and eldercare allowed women to pursue a paid career in the first place.

Since then, the feminist debate on the state has developed into the field of gender regime studies, contributing to comparative welfare state research sparked off by Esping-Andersen (1990) arguing that different welfare state regimes accommodated the needs of the working class differently well. The encompassing welfare state was considered to have the largest capacity to diminish socioeconomic group differences. Feminist scholars soon pointed to the fact that welfare state institutions also affected gender-based group differences. Jane Lewis (1992) distinguished between male-breadwinner models and individual models, arguing that welfare states differed in relation to whether they addressed the family as a unit, assuming a main (male) breadwinner,

or whether they addressed individuals. Lewis (*ibid.*) argued that women's emancipation increased when the state turned to individuals instead of families, and other scholars followed this line of reasoning (Orloff, 1993; Sainsbury, 1996).

Today, there is a wide literature on what types of policies facilitate women developing their self-determination. Scholars distinguish between mostly three types of welfare regimes in relation to gender: dual-earner regimes, family-support regimes, and market-oriented regimes. In sum, this literature has pointed to a number of features that are beneficial for women, of which the most important are policies enabling dual-earner careers, such as paid parental leave and provision of public childcare, and policies aiming for general instead of selective welfare (Daly and Lewis, 2000; Gornick and Meyers, 2003; Bettio and Plantenga, 2004; Ferrarini, 2006).

## **The hypothesis**

As earlier research suggests that women are more dependent than men on the state to pursue a career of their own and to successfully combine working life and family life, and we expect women to have a greater interest in protecting a welfare state that provides these opportunities. Hence, the more encompassing the welfare state is, the greater this interest of women to protect it is expected to be.

Corruption can be seen as a major form of destruction of the welfare state both because it drains resources and because it drains legitimacy, which can make people in general less willing to contribute with taxes and thus erode the basis for encompassing policies on the whole (Svallfors, 2013). In line with this, we expect women in more encompassing welfare states to be more inclined to punish political parties that behave corruptly. At the heart of our theory is an assumption of women protecting their self-interest and acting to avoid risks, which corroborates the work by Esarey and Schwindt-Bayer (2014). Our theory, however, to a larger extent takes feminist scholarship into account since we analyze axes in society that are seen as genuinely gendered, whereas the reasoning presented by Esarey and Schwindt-Bayer (*ibid.*) should apply to any disadvantaged group in society.

## **Data and methodology**

An important point of departure for our study is publications showing that corruption and bad governance are widespread and vary to quite a

large extent in Europe (Charron et al., 2011, 2013). This enables research that moves beyond distinctions between, for example, democracies versus authoritarian states and investigates processes of accountability in new ways.

Our study is exploratory in the sense that we use a scenario embedded in a survey of European citizens. In this scenario, citizens are asked to imagine that their preferred party is involved in a corruption scandal, and the study then proceeds to ask to what extent they would continue to vote for their preferred party. This scenario lays the ground for the dependent variable *tolerance of corruption*. However, we are also interested in how individuals perceive the level of corruption, and we measure this with the dependent variable *perceptions of corruption* that builds on four questions. The survey of European citizens asks respondents to assess levels of corruption in three sectors of society (in the respondent's own country): school, health care, and law enforcement. In addition, a fourth more general question asks the respondents how often other people in the same area pay bribes. These questions are combined into a standardized index ( $\alpha = 0.813$ ) measuring respondents' general perceptions of corruption.<sup>1</sup> The idea here is that attention to corruption is important for how citizen's reactions unfold: to punish destructive behavior, citizens need to be sensitive to the presence of such behavior.

As described above, the dependent variable labeled *tolerance of corruption* measures to what extent citizens say they will continue to vote for their preferred party, even though it has been involved in a corruption scandal. The question asks if respondents would (a) continue to vote for their preferred party, (b) vote for another party not involved in the corruption scandal, or (c) not vote at all. The original question contains three alternatives, but we are mainly interested in the dichotomy to vote or not vote for a corrupt party. In our study, alternative (a) is coded 1 and the other two alternatives (b) and (c) are merged and coded 0. Hence, the higher the tolerance of corruption is, the weaker are the accountability mechanisms.

The original data were collected by the Quality of Government (QoG) Institute at the University of Gothenburg in 2013. They are based on a survey among randomly selected European citizens and include approximately 85,000 respondents (Charron et al., 2013).<sup>2</sup>

We start by examining correlations between the gender gap within countries respecting our two dependent variables, *perceptions of corruption* and *tolerance of corruption*, and an indicator of general welfare state arrangements central to the gender regime literature. The welfare indicator we select is *total social expenditure, public, in kind*, an index provided



by the Organisation for Economic Co-operation and Development (OECD) (2007) that measures a country's total expenditure on social services as a percentage of GDP. The "in kind" expenditure type basically refers to social service. This can be expenditure on home-help services, in-patient care, childcare, and so on. The distinction between public and private social protection is made on the basis of whoever controls the relevant financial flows: public institutions or private bodies.<sup>3</sup> Our theory focuses on the capacity of the welfare state to empower women to self-determination; thus, we consider service provision of the welfare state to be the most important indicator.<sup>4</sup>

When we move on to test our hypothesis in two multilevel regression models, we use the gender of the respondent as our main explanatory variable, together with a cross-level interaction between the gender of the respondents and *social spending in kind* in their own countries. The gender variable is coded 1 for women and 0 for men.

Our theory predicts that gender should have an independent effect on our dependent variables, and that this effect should be stronger in countries with higher social spending. To check for alternative explanations and potential spuriousness in our models, we also include a number of control variables both at the individual level and at the country level. Our first *perceptions model* aims at explaining the individual-level perception of corruption among the respondents in our data, based on the perception index described above. Here, we control for two variables closely related to the absolute level of corruption in a country: *Corruption perceptions index (CPI)*,<sup>5</sup> which is measured by Transparency International, and *GDP per capita (PPP adjusted)*.<sup>6</sup> We also include a general *index of gender inequality* at the national level that might affect the gender differences with regard to the perceived levels of corruption in a country. This variable reflects gender-based disadvantages in reproductive health, empowerment, and the labor market, and is available in the Human Development Report (UNDP 2013).

Our second *tolerance model* aims at explaining the propensity among respondents to vote for a corrupt party. Here, we control for CPI and GDP per capita at the national level, as in the previous model. We also control for the *effective number of parties (ENPs)*, as measured in Bormann and Golder (2013). The ENPs affects the number of party choices available to each voter, arguably an important predictor for the propensity for voters to switch parties after a corruption scandal (Charron and Bågenholm, 2014). As a last country-level control we use *the share of women in national parliament* (Inter-Parliamentary Union, 2013). The share of female politicians may affect women's propensity to punish a

Table 14.1 Descriptive statistics

Variable	Mean	SD	Min	Max	Level
Corrupt vote	0.22	0.42	0	1	Individual
Corruption perception	0	1	-1.440	2.670	Individual
Gender (Female = 1)	0.54	0.50	0	1	Individual
Age	48.31	17.05	18	106	Individual
Income: Low	0.31	0.46	0	1	Individual
Income: Medium	0.37	0.48	0	1	Individual
Income: High	0.33	0.47	0	1	Individual
Education: Elementary school	0.11	0.31	0	1	Individual
Education: Some high school	0.19	0.39	0	1	Individual
Education: High school	0.33	0.47	0	1	Individual
Education: College or University	0.29	0.45	0	1	Individual
Education: Post-graduate degree	0.09	0.28	0	1	Individual
Social spending	7.89	2.10	3.81	13.58	National
Log of GDP/capita	10.16	0.30	9.36	10.51	National
Effective number of parties	3.61	1.34	2	6.74	National
Corruption	6.42	1.67	3.80	9.30	National
Women in parliament	25.04	9.75	9.10	46.40	National
Gender inequality	0.15	0.09	0.05	0.44	National

*Note:* The mean value for the categorical variables (variables with a min. value of 0 and a max. value of 1) could be interpreted as the share of total respondents that are in a certain category. For example, the "Income: Low" category has a mean of 0.31, indicating that 31% of the total number of respondents are in this category.

party for corruption, and this variable is also closely related to general levels of corruption (Dollar et al., 2001; Swamy et al., 2001; Esarey and Chirillo, 2013). In both models we also include a number of individual-level control variables as well, including age, education, and income. Table 14.1 shows descriptive statistics for the variables included in our models.

## Results

We start by providing an overview of the relationship between the gender gaps with regard to our dependent variables and our welfare state indicator. Figures 14.1 and 14.2 show scatterplots of the 19 countries included in our analysis. For each country we aggregated the answers for all the male and female respondents separately on the questions composing our two dependent variables. In Figure 14.1 we subtracted the female scores on the perceived levels of corruption from the male scores. The y-axis thus shows gender gaps with regard to this index, where

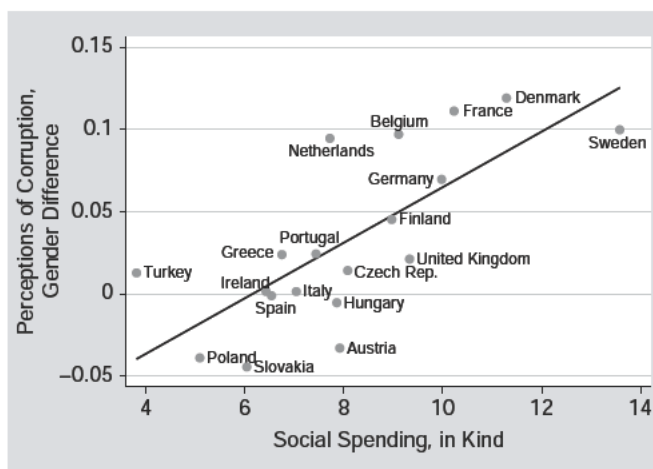


Figure 14.1 Social spending in kind and gender gaps in perceptions of corruption in 19 European countries: explained variance: 51%

zero (0) equals no gender gap and positive numbers indicate that women's perceived level of corruption is higher than men's and vice versa. The results clearly show a positive correlation between an increasing level of general welfare state services and a greater gender gap in regard to perception of corruption (the explained variance is 51%). One has to bear in mind that the results in Figure 14.1 are about gender gaps in each country, not about total levels of perceived corruption. This means that the more expansive the social services, the greater the gap between women's perception of corruption in relation to men's. Theoretically, we understand the relationship as follows: Women's higher perception of corruption in regard to school and health care could be due to women having more contact than men with authorities in these areas, as they often assume greater responsibility for children and care issues. Hence, we could assume that the verdict of women is simply more accurate than that of men in this respect. The gender gap in relation to law enforcement cannot be explained by the same mechanism, but possibly it could be attributed to people answering the same on these items following after each other in the questionnaire.

Figure 14.2 is a scatterplot on tolerance of corruption (the scenario with corrupt political parties) and our welfare state measure. We aggregated the results in the same way as in Figure 14.1, but here we subtracted the female scores from the male scores to facilitate interpretation. Zero (0) means that there is no gender gap, whereas positive results mean that

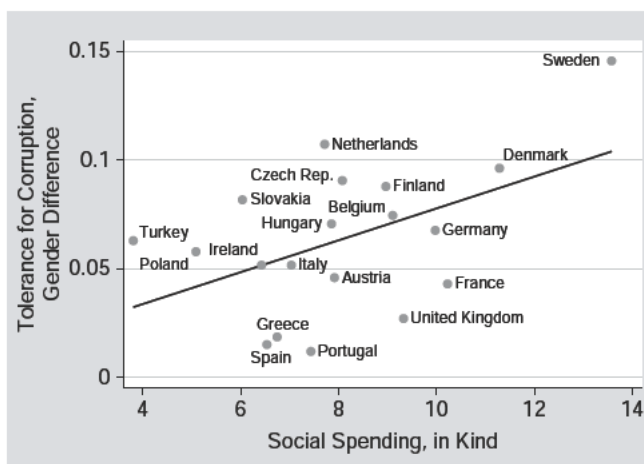


Figure 14.2 Social spending in kind and gender gaps in tolerance of corruption in 19 European countries: explained variance: 19%

more women than men are inclined to punish a political party involved in a corruption scandal, either by voting for another party or by not voting at all.

Interesting to note in Figure 14.2 is that no country displays a result below zero; this means that in all countries more women than men say that they would not vote for a party that has been involved in a corruption scandal. Sweden stands as an “outlier,” with the largest gender gap. Besides Sweden, Denmark, Finland, and the Netherlands are countries that show large gender gaps in terms of tolerance of corruption, which fits well with our suggested theory, since they, from a comparative perspective, are encompassing welfare states. The results in Figure 14.2 show a positive correlation between increasing levels of general welfare state services and a greater gender gap with regard to tolerance of corruption. The explained variance is 19%, which is a bit lower than in the analysis of perceptions of corruption.

### Multilevel regression analyses

To test the hypothesis more rigorously, we performed two multivariate regression analyses. Since our data are on two different levels (individual and national), we deploy multilevel regression modeling. As the dependent variable is dichotomous in the tolerance model, we use logistic regression for this analysis and ordinary least squares (OLS) regression concerning perception of corruption. We proceed in a standard manner

with regard to multilevel modeling by starting with an “empty model,” and then building up our models to the full model with the interaction effect. The social spending variable has been centered in all models (by subtracting the variable mean from the variable) to give a more meaningful 0 value (the mean),<sup>7</sup> which makes the interpretation of the direct effect of gender in the full interaction model easier.

Table 14.2 shows the results from our perceptions model. While the direct effect of gender decreases when we add control variables, the effect remains positive and significant throughout all the models, meaning that the women in our sample generally perceive corruption levels as being higher than men do. Adding the random slope for gender in model 4 shows that there exists significant, albeit small, variation in effect between countries. When adding the interaction effect between gender and social spending in model 5, this random variation is no longer significant, indicating that the welfare measure can explain why the effect of gender varies between countries. Most important to note is that the interaction effect is significant and *positive*, indicating that the effect of gender becomes stronger as countries increase their social spending.<sup>8</sup>

In Table 14.3 we report the results from our multilevel logistic tolerance model. The interpretation of the coefficients from logistic regression models is not as straightforward as in OLS regression, but we can still easily tell if a variable increases the likelihood of voting for a corrupt party (positive coefficients) or decreases it (negative coefficients).

The results in Table 14.3 show that the gender effect is negative and significant in all models, indicating that women generally have a significantly lower probability of voting for a corrupt party. The direct effect in the full model (−0.36 in a country with mean social spending) is equal to 30% lower odds that women would vote for a corrupt party, compared to men. Model 4 shows significant variation between countries in the random slope for gender. However, adding the interaction term in model 5 makes this variation not significant. The interaction term is negative and significant (−0.49) and tells us that increasing social spending by 1% of GDP is predicted to decrease the odds that a woman would vote for a corrupt party by about 9%.

Our statistical analysis thus supports our hypothesis: women, in general, perceive corruption levels as being higher than men do, and this gender difference seems to be slightly larger in countries with higher social spending. Conversely, women in our sample are less prone than men to vote for a corrupt party, an effect that becomes more pronounced in countries with higher social spending.

Table 14.2 Predicting perceived levels of corruption: Multilevel regression analysis (OLS)

	1 Empty Model	2 Gender only	3 Individual controls	4 Country controls	5 Interaction effect
Fixed intercept	-0.026 (0.099)	-0.048 (0.099)	-0.078 (0.098)	0.049 (2.556)	-0.237 (2.550)
Gender (Female = 1)		0.042** (0.007)	0.035* (0.008)	0.031* (0.014)	0.029* (0.011)
Social spending (Centered)				0.032 (0.030)	0.029 (0.028)
Gender × Social spending (Centered)					0.017** (0.005)
Age			-0.004*** (0.000)	-0.004*** (0.000)	-0.004*** (0.000)
Education: Elementary school			0.256*** (0.021)	0.255*** (0.021)	0.256*** (0.021)
Education: Some high school			0.260*** (0.017)	0.258*** (0.017)	0.258*** (0.017)
Education: High school			0.228*** (0.016)	0.225*** (0.016)	0.226*** (0.016)
Education: College or University			0.128*** (0.016)	0.126*** (0.016)	0.126*** (0.016)
Education: Post-graduate degree (Reference)			–	–	–
Income: Low			0.103*** (0.011)	0.104*** (0.011)	0.104*** (0.011)
Income: Medium			0.039*** (0.010)	0.039*** (0.010)	0.039*** (0.010)
Income: High (Reference)			–	–	–
Corruption				-0.247*** (0.039)	-0.249*** (0.039)
Log of GDP/capita				0.150 (0.258)	0.178 (0.258)
Gender inequality				-0.143 (0.787)	-0.067 (0.785)
Random intercept	0.175** (0.058)	0.175** (0.058)	0.165** (0.055)	0.031** (0.010)	0.030** (0.010)
Random slope (Gender)				0.002* (0.001)	0.000 (0.001)
-2 Log likelihood	172,426	172,396	135,922	135,873	135,866
Observations (N)	68,423	68,423	68,423	68,423	68,423
Countries (N)	19	19	19	19	19

\* =  $p < 0.05$ , \*\* =  $p < 0.01$ , \*\*\* =  $p < 0.001$

Note: Dependent variable: Perceived level of corruption. Models estimated using multilevel modeling with a continuous dependent variable.

Table 14.3 Predicting probability to vote for corrupt party: Multilevel logistic regression analysis

	1 Empty model	2 Gender Only	3 Individual controls	4 Country controls	5 Interaction effect
Fixed intercept	-1.377*** (0.140)	-1.189*** (0.140)	-1.492*** (0.159)	8.912 (5.110)	9.305 (5.126)
Gender (Female = 1)		-0.376*** (0.021)	-0.333*** (0.025)	-0.360*** (0.051)	-0.360*** (0.051)
Social spending (Centered)				0.117 (0.074)	0.103 (0.074)
Gender × Social spending (Centered)					-0.049* (0.021)
Age			0.009*** (0.001)	0.009*** (0.001)	0.009*** (0.001)
Education: Elementary school			-0.049 (0.063)	-0.058 (0.063)	-0.060 (0.063)
Education: Some high school			-0.136* (0.055)	-0.134* (0.055)	-0.134* (0.055)
Education: High school			-0.022 (0.050)	-0.022 (0.050)	-0.023 (0.050)
Education: College or University			0.109* (0.050)	0.114* (0.049)	0.114* (0.049)
Education: Post-graduate degree (Reference)			—	—	—
Income: Low			-0.277*** (0.034)	-0.273*** (0.034)	-0.273*** (0.034)
Income: Medium			-0.126*** (0.030)	-0.124*** (0.030)	-0.124*** (0.030)
Income: High (Reference)			—	—	—
Corruption				0.310** (0.107)	0.310** (0.107)
Log of GDP/ capita				-1.196* (0.536)	-1.237* (0.538)
Effective number of parties				0.165* (0.071)	0.166* (0.075)
Women in parliament				-0.036* (0.017)	-0.035* (0.017)
Random intercept	0.322** (0.120)	0.330** (0.119)	0.370** (0.133)	0.194* (0.090)	0.193* (0.090)

(continued)

Table 14.3 (continued)

	1 Empty model	2 Gender Only	3 Individual controls	4 Country controls	5 Interaction effect
Random slope (Gender)				0.030* (0.015)	0.022 (0.012)
–2 Log likelihood	258,960	259,562	212,816	202,916	201,903
Observations (N)	68,423	68,423	68,423	68,423	68,423
Countries (N)	19	19	19	19	19

\* =  $p < 0.05$ , \*\* =  $p < 0.01$ , \*\*\* =  $p < 0.001$

Note: Dependent variable: Vote for a corrupt party. Models estimated using multilevel modeling with a binary dependent variable.

## Conclusion: Gender, corruption, and electoral accountability

Perceptions of corruption and tolerance of corruption are not driven only by factors related to actual corruption. In documenting a gender gap along both these dimensions—perceptions and tolerance—in 19 advanced industrialized countries, we have demonstrated that gender is a decisive factor in analyses moving beyond the distinction of democratic versus authoritarian states. Interestingly, we note that this gender gap is larger in countries where actual levels of corruption are comparatively low: Sweden, Denmark, and Finland. This is a puzzle that is hard to understand without considering the scholarship on the relationship between women and the welfare state. This literature on gender regimes has documented that women have a higher interest in the encompassing welfare state and related it to the capacity of this welfare state to facilitate women combining having a career with having a family, something that enables the improvement of women's position vis-à-vis men.

Our story builds on women's interest in self-determination in the sense of enjoying actual opportunities to live lives of their own choosing. A vast body of literature before us has documented how such possibilities become strengthened through the encompassing welfare state, as this type of state makes it possible for larger groups of women to both have a career and ground a family. To be more specific, our theoretical model proceeds in two steps, connecting perception of corruption with the preparedness to punish a party that has committed corrupt acts by not re-electing it: First, we see the perception of corruption as a necessary condition for holding parties accountable



for corrupt acts. Our data point at a gender gap within countries, in relation to perception of corruption. On the individual level, women's stronger perception of corruption in at least two of the spheres under study—school and health care—can be understood as women having more contact with these authorities, as they commonly have more responsibility for care-related matters than men and therefore are more informed about possible corruption. This is seen as a prerequisite for demanding accountability for corrupt acts. The second step concerns whether parties that commit corrupt acts are likely to be punished. Here we also find a gender gap with women in comprehensive welfare states being more inclined than others to say that they would not vote for a corrupt political party.

In short, our theory is that women in encompassing welfare states have a clearer experience than men of how the welfare state contributes to their self-determination. Hence, women's sense of the state is of one that contributes to their possible chances in life. This leads women to be stricter toward people or organizations that do not esteem the state but behave in ways that threaten it. Our study is exploratory and theorizes about the considerations that women make when answering that they do not want to vote for a party that has committed corrupt acts. Further research could explore in greater detail the motivations provided by male and female citizens.

This new way of theorizing on the accountability mechanism is especially interesting to reflect on, since data show that in most contemporary societies more women than men turn out to vote on election day ([http://www.idea.int/vt/survey/by\\_gender.cfm](http://www.idea.int/vt/survey/by_gender.cfm)). The gender gap in tolerance of corruption could be a forceful signal to political parties that want to stay in power: to attract female votes, political parties have to think carefully about destructive behavior that may erode the quality of the state. It has already been recognized that female political candidates may gain from portraying themselves as “clean” outsiders. What we suggest in this chapter is that political parties may gain from using such “feminine” attributes in election campaigns.

## Notes

- 1 Respondents were asked to rate three different types of government services—law enforcement, health care, and education—in three different aspects: quality, impartiality, and corruption. The respondents' perceptions of the different government services were surveyed through 16 questions, which were then combined with equal weight into three pillars corresponding to the quality,

impartiality, and corruption dimension of the services. The three pillars were then combined with equal weight into a regional average score that is the basis of the European Quality of Government, EQI, index (Charron et al., 2013).

- 2 The data we use represent the second wave of data collection from the QoG Institute, where the first was distributed in 2010 and comprised 35,000 respondents.
- 3 OECD. The Social Expenditure Database (SOCX; OECD 2007). Available at [http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX\\_AGG](http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_AGG), last checked 150618.
- 4 A measure focusing on variation in dual-earner careers shows the same results as the measure on social spending in kind; however, since the dual-earner career measure was available only for 14 countries, we do not report the results from this additional analysis.
- 5 The CPI index is measured on a scale ranging from 0 to 10, where high numbers indicate low corruption and vice versa.
- 6 The GDP measure has been logged to account for skewness.
- 7 The mean social spending for the countries in our sample is 7.89% of GDP.
- 8 Here, the social spending variable has been centered (by subtracting the variable mean from the variable). This means that the gender dummy in model 5 shows the direct effect of gender in countries with a mean amount of social spending (which in our sample is 7.89% of GDP).

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# 15

## Anti-Corruption Parties and Good Government

*Andreas Bågenholm and Nicholas Charron*

Although corruption voting, that is, the extent to which the voters punish corrupt politicians and under what circumstances they do so, has been an increasingly hot topic during the last decade, relatively little attention has been paid to the ‘award-side’ of the equation, that is, the extent of voter support for parties and candidates whose main campaign issue is anti-corruption. It is surprising, not least because such parties, despite often being newly created, have had huge successes in parliamentary elections during the last 15 years, above all in Central and Eastern Europe, where they not only managed to win parliamentary representation but in several cases also made it all the way to the government and even obtaining the position of prime minister. In contrast to other niche parties, which only rarely have assumed any prominent governmental positions, it is thus possible to actually examine what ‘Anti-Corruption Parties’ or ACPs actually accomplish once in power. In this chapter, we summarize and discuss our findings in this area.

We have opted to label as ACPs those parties that politicize anti-corruption issues in election campaigns, that is, explicitly bringing up the issue in one way or another, even though some of them also stress other issues. Thus, they are rarely single-issue parties, but some of them could arguably be described as niche parties, that is, ‘parties that de-emphasise economic concerns and stress a small range of non-economic issues’ (Wagner, 2012 or ‘heavily emphasize specific policies that [. . .] have been neglected by rival parties’ (Miller and Meyer, 2011, p. 22). Some of the parties in the analysis are, however, clearly not niche parties as they are established parties that already belong to an existing party family, but which just happen to campaign on anti-corruption. In this chapter we however do not make an explicit distinction between established ACPs and niche party ACPs. In the first section we include all

parties that fit our wide definition. In the second part, where we examine the accomplishments of incumbent ACPs, we restrict the analysis only to such parties when they have been newly formed. We argue that it is more interesting to see how these politically inexperienced, but verbally committed parties, perform, rather than the established, mainstream parties that have their main focus elsewhere.

ACPs may be crucial links in the accountability chain, which is not as strong as one may think when it comes to voters' relationship with corrupt parties and politicians, that at times results in continued support or even re-election for corrupt incumbents. The lack of clean alternatives is one reason for this (Bågenholm and Charron, 2014a), but an ACP, and in particular a new ACP, may provide the voters with an alternative in case the established parties are perceived to be corrupt.

In the first section, we look at the emergence and electoral success of ACPs and, in the second, to what extent they deliver, that is, honor their campaign promises, thereby strengthening accountability electorally.

### **Why does corruption become politicized and is it a successful electoral strategy?**

In this section, we look firstly at the emergence of ACPs and the conditions under which parties politicize corruption during an electoral campaign and secondly at the extent to which this strategy is successful for different sets of parties under different conditions. The evidence provided is an overview of the analysis from Bågenholm and Charron (2014b).

Since data on this topic is relatively new, there has been little empirical, comparative, over-time analysis on when and why corruption is politicized and why ACPs emerge. However, we can infer certain reasons from related literatures on the emergence of new political parties. As far as *party-level factors* are concerned, for corruption to be a viable issue to run on, the platform must be delivered and run by a credible source, or group of individuals.<sup>1</sup> Because their message will most likely be aimed at political leaders in power during the current election cycle, it is thus assumed that corruption will be politicized most of the time by non-incumbent parties. Following the first point, we would expect that new parties might be more likely to adopt a credible message of anti-corruption. The notion of campaigning as an outsider, fighting against the corrupt system with the intent of 'cleaning up politics', can be an attractive message. Moreover, as new parties by definition have not been involved in corruption scandals, their message might be more credible to the voters and picked up by the national media seeking stories about

political scandals, giving their message more attention. Next, the ideology of a party might play a role. Parties on the right tend to run on more law and order type platforms than those on the left (Medina-Ariza, 2006) and, since corruption is a matter of breaking the law, it is expected that on average parties on the right will be most likely to politicize corruption. However, parties on the left, which seek greater legitimacy for the use of government in helping to solve societal problems, also have an incentive to fight for 'clean governance'. Therefore, the question of the direction of party ideology is left open.

As regards *country-level factors*, it is anticipated that certain factors will create more of a demand for an anti-corruption agenda, thus creating more favorable conditions for ACPs to emerge and corruption to be politicized. First, the overall level of perceived country corruption would affect the choice of a party to adopt this electoral strategy. Further, high corruption in a country creates a political demand in the electorate for anti-corruption policies and we would expect parties to respond to this demand. In the context of Europe, we would thus expect that parties campaigning in countries with low corruption are much less likely to politicize this issue compared with high-corruption countries. Second, a country's experience with democracy is expected to play a role in the European context for two reasons. Long-established democracies in Western Europe have less party volatility on average than new democracies in Central Europe (Tavits, 2008), meaning that voters have stronger attachments to their parties than those in newer democracies leaving less space for a new entry or issue space. The age of democracy, while capturing the maturation of the democratic system, also captures a wide scope of geographic and historical differences across Europe, as Western Europe has a longer history than Mediterranean states which in turn have a longer history of democracy than the post-socialist states. We also analyze the effects of macro-economic factors. It is anticipated that increases in unemployment or inflation might create favorable conditions for parties to politicize corruption since corruption as an issue could be linked together with economic mismanagement. In addition to what conditions and factors lead to corruption being politicized in elections, we also address a second question using our data – what are the electoral benefits (if any) of politicizing corruption?

Using original data collected by Bågenholm (2013a) for hundreds of parties in over 200 elections in 32 European democracies from 1983 to 2011, we find broadly that corruption as a campaign issue is increasing in use over time – in particular, although not exclusively, in the newer

democracies of Central and Eastern Europe. First, what are the conditions under which politicizing corruption is most likely? For this we test both party-level and country-level factors. Our analyses show that where a party is situated before the election (in government, opposition, new, etc.) plays a strongly significant role in influencing the odds of politicizing corruption. New ACPs are the most likely to do so, followed by parties in the main opposition. Confirming our intuition, we find that the party of the prime minister is least likely to do so, followed by all other government parties, as well as minor opposition parties. This corroborates our idea of the ‘credible messenger’ – parties outside of government, especially new parties, are most likely to attempt this electoral tactic. Regarding partisanship, *ceteris paribus*, the data shows that the odds are almost twice as great for right-leaning parties politicizing corruption as for parties on the left, which supports our idea that anti-corruption is a law and order type of issue. These effects are highlighted in Figure 15.1, which reports the odds ratios of each party-level variable. For right and center, the odds ratios are compared to left parties, while the comparison group for the other variables (where parties are situated) is the party of the prime minister. The results show, for example, that, relative to the party of the prime minister, the odds of a new party politicizing corruption are about 6.5 times greater, while the odds that the main opposition party does so is roughly 3.6 times as likely. Compared with left parties, a right-wing party is almost twice as likely to politicize corruption.

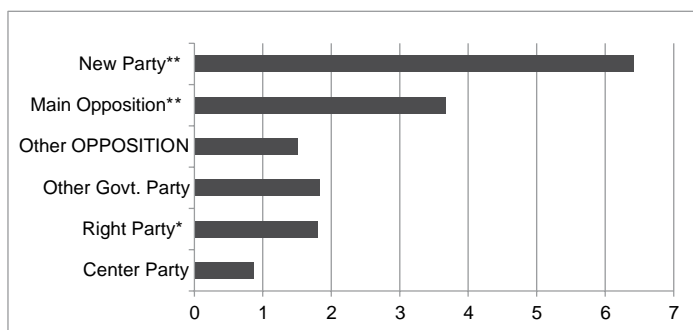


Figure 15.1 Effect of party level factors on politicizing corruption

\* $p < 0.05$ , \*\* $p < 0.01$

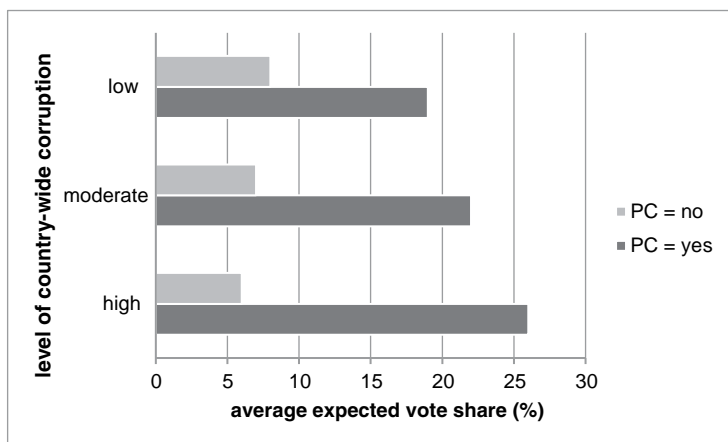
Note: Odds ratios of politicizing corruption reported. A ratio of '1' implies that the variable shown has an equal likelihood of politicizing corruption as the comparison group, while numbers above (below) '1' imply greater (lesser) odds. Results from Table 1, model 3 of Bågenholm and Charron (2014b, pp. 914–915).

Country-level factors, in particular the level of overall corruption (positive effect) and years-experience with democracy (negative effect), affect the likelihood that parties will respond by politicizing corruption under those conditions. We understand this finding as a type of democratic supply and demand, to which the parties are seemingly answering. Interestingly, electoral institutions such as public campaign and, in particular, public media financing for parties are associated with corruption being used as a campaign issue less often, while macro-economic conditions like unemployment and inflation played a negligible role in predicting corruption as a political issue in a campaign.<sup>2</sup>

When it comes to electoral outcomes, we find that, in general, this strategy has been quite effective. Established parties have increased their support by politicizing corruption, and new ACPs have succeeded in entering parliament – most often in countries where corruption is perceived to be relatively high. Although this is quite intuitive, the results still partly test empirically a growing literature on electoral accountability and corruption, which shows that in some contexts corrupt incumbents are rarely punished by voters, suggesting that voters are rather indifferent to the issue of corruption. Our results challenge this. We test several interactions at the party and country levels of politicizing corruption and find that this strategy, compared with the relative vote share of the incumbent prime minister's party, adds a significant vote share relative to the previous election when used by the main opposition parties and new ACPs (and even small government parties in some models). The electoral benefits are however less significant for parties in countries with lower levels of corruption; therefore the greatest gap in electoral outcomes between parties that do and do not politicize corruption are found in countries with higher corruption. Moreover, the issue is most effective for new parties, and it is even effective for new parties in countries with low corruption. For example, we find that among all new parties that have gained seats in the time period in our sample, the average vote share is just over ten points higher for those parties carrying an anti-corruption mantle compared with those that did not. Interestingly, we find that electoral institutions condition the gains made by parties politicizing corruption. For example, gains are even greater in countries with public campaign financing for media, which we interpret as helping less established and/or newer parties. Finally and somewhat surprisingly is the lack of effect of partisanship – neither left nor right-wing parties benefit more when politicizing corruption in an electoral campaign.

Figure 15.2 highlights the effect of an interaction between the two most salient variables in the model – the country level of corruption and





**Figure 15.2** Marginal effects of politicizing corruption over country-level corruption by new parties

*Note:* Estimates from model 3 in Table 2 in Bågenholm and Charron (2014b: p. 920). Horizontal bars represent the predicted levels of VoteDiff at various levels of corruption, using ‘margins’ in STATA. Predictions set hold ideology and other country-level variables at mean levels and other party variables at ‘0’. ‘PC’ stands for ‘politicized corruption’. Low, moderate and high levels of countrywide corruption are set at 40, 70 and 100 respectively for the CPI.

whether new parties politicize corruption or not. The x-axis represents the level of corruption in a country (Transparency International’s CPI), from high to low, while the y-axis represents the average vote share in an election year. We see that on average, new parties in Europe that politicize corruption (the darker bars) gain about four times the vote share than new parties that do not politicize corruption in high corruption settings and that this difference is highly significant. However, the gap in vote share between new parties that politicize corruption and those that do not diminishes as the level of corruption in a country decreases. The estimates show that new parties that politicize corruption gain just over twice the vote share on average than those that do not in the lowest corruption settings.

### What do ACPs accomplish once in office?

Niche parties, let alone newly established ones, very rarely get the opportunity to influence policies. The limited research has found that Green parties have had only a marginal impact on policies (Poguntke, 2002; Rihoux and Rüdiger, 2006, p. 16), whereas Radical right parties in general

have had a more visible influence (de Lange, 2008, p. 228). The fact that ACPs in contrast have been much more successful in gaining both parliamentary and governmental representation makes it possible for the first time to examine the policy influence of niche parties that actually have the power to make a difference.

We cannot assume, however, that corruption will be curbed even if the incumbents have an honest ambition to do so. But the political parties are obvious key players in fighting corruption and if those actors who have the skills, ambitions and administrative resources at their disposal fail, it is difficult to see how corruption could be reduced at all.

The analysis includes all new ACPs that entered governments in Central and Eastern Europe between 2001 and 2013. We define a new party, as either 'genuinely' new, that is, parties having negligible previous organizational or personal ties to other parties (Sikk, 2012) or splinters – parties which break away from established ones. Mergers and electoral coalitions do not count as new, however.

As mentioned above, incumbency is considered a prerequisite for effectively influencing anti-corruption legislation and fighting corruption. Fourteen ACPs were included in governments after their first election and another three made it in their second attempt. Only four parties managed to remain in office after the following election, however, and the only parties with long-term incumbencies are New Era (JL) (Latvia) and Res Publica (Estonia). Of the 14 parties, all but the Resurrection Party in Lithuania were in control of several important ministries and should thus be expected to have adequate resources to pursue their anti-corruption projects, if they wished to do so.

To accurately assess the precise impact of one particular party on a broad policy area as anti-corruption is very difficult, and even more so when it comes to comparing outcomes in several countries. The assessments on the performance of the governments come from the Freedom House publication *Nation in Transit* (NiT), which are expert assessments on Central and East European governments' anti-corruption reform measures in terms of adoption, implementation and perceived results, measured on a scale from 1 (low corruption) to 7 (high corruption). In addition to the score, the written reports have been used to add some more detailed information on the governments' anti-corruption efforts and how successful they were. Even though these measurements are a bit crude it still gives a clear indication whether the ACPs make a difference in terms of anti-corruption legislation or not.

Seven countries are included during the 2001–2013 period, namely Bulgaria, Latvia, Slovakia, Estonia, Lithuania, Poland and the Czech Republic. In Romania, Hungary and Slovenia, new ACPs have either been unsuccessful or been in office for too short a period.

### **Bulgaria**

Bulgaria is evidently fertile soil for ACPs. The two most successful ACPs ever are Bulgarian and they have been in office since 2001 and as the main or only incumbent party for eight of those years. In 2001, the former king Simeon Saksoburggotski's newly founded National Movement – Simeon II (NDSV) won 42.7 percent of the votes and controlled all relevant ministries in the coalition with the small Turkish minority party. In 2005 NDSV lost more than half of its vote share, but continued as junior partner in a socialist-led coalition and in 2009 it failed to pass the 4 percent threshold. In that election another ACP emerged, however – Citizens for European Development (GERB) created and led by a former bodyguard to abovementioned Simeon, Boyko Borisov. It won close to 40 percent and was able to form a one-party minority government, which lasted for almost the whole election period. In March 2013 it resigned and went into opposition, a position it retained after the 2013 elections. Thus for most of the period, there has been an ACP in government and for eight years with a presumed capacity to impact anti-corruption legislation and thus reduce the level of corruption.

From the NiT score in Figure 15.3 it seems that NDSV was quite successful in implementing effective anti-corruption reforms, as the scores improve continuously from 2000 to 2007. From the reports, it is also evident that the NDSV-led government made significant anti-corruption efforts, implementing several important measures each year, such as the establishment of an Anti-Corruption Commission for the coordination of anti-corruption efforts and the adoption of a National Strategy and Implementation Plan for fighting corruption in 2001 and 2002 respectively and the appointment of a national ombudsman in 2005. However, it is continuously pointed out that corruption, and above all organized crime, is still a big problem and that implementation of legislation is not satisfactory, resulting in few prosecutions and even fewer convictions. The effectiveness of the anti-corruption measures was put into question in 2008, when major corruption scandals were revealed that showed that the problem had become (or was) much more prevalent and which resulted in a lower score.

In contrast, the GERB single minority government, taking office in 2009, did not manage to reduce the level of corruption even though a

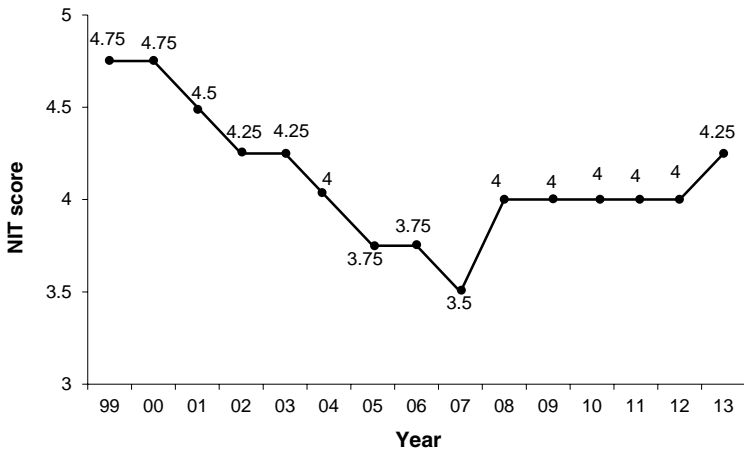


Figure 15.3 Anti-corruption performance in Bulgaria 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Bulgaria 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

number of initiatives were introduced, some of which had the intended effect, but most, only marginally so. The biggest critique in the reports is the lack of coordination and common goals between the different anti-corruption agencies, which made most efforts ineffective. There were also indications in the reports of corrupt dealings within the government and when GERB left office in 2013 it was again stated that ‘graft is still widespread [ . . . ] organized crime remains powerful, and political appointment processes are largely nontransparent’, with a still high number of acquittals in anti-corruption court cases. In sum, even though not a complete failure in terms of fighting corruption, the GERB government was evidently not as effective or perhaps competent as the NDSV during their first years in office.

All in all, it seems reasonable to consider the anti-corruption efforts taken by NDSV to be rather strong, even though the low starting point should be taken into consideration. When the influence of NDSV decreased after 2005 the level of corruption began to rise again, which is not to say that it would not have had the NDSV remained in charge.

## Latvia

In Latvia, ACPs have also been very successful and more persistently so than in Bulgaria. In 2002, New Era (JL), led by former head of the

Central Bank, Einars Repse, won the parliamentary election with almost 24 percent of the votes, after a campaign focused on anti-corruption, honesty and competence. After only 16 months JL left the government only to return a few months later, but this time not as the leading party. In April 2006, before the term was up, JL again left the government and was also left out at first after the 2006 elections, in which it received 16 percent. In the midst of the financial crises in 2009 it was brought back, however, and remained in office as the leading party in different coalition constellations until 2014. In 2010 JL campaigned in an alliance with two smaller parties, together winning 31 percent and in the early elections in 2011 they dropped to 19 percent. After the 2011 election they formed a coalition with another new ACP, Zatler's Reform Party (ZRP), which was led by the former president and which got almost 21 percent of the votes. The conditions for fighting corruption have thus been good in Latvia for most of the time since 2002 and especially so after the last elections, with the government dominated by two ACPs.

From the reports it is obvious that JL made a jump start in the fight against corruption, after the 2002 elections, with the establishment of the Anti-Corruption Bureau (KNAB) as one of the most important measures. The high ambitions of the new government were lauded even though KNAB at first was criticized for not being properly organized. From 2005 on, the body was however praised for its efficiency and not least for its determination to investigate the big fish, which rarely had occurred before. Several measures to curb corruption were initiated, which resulted in continuously improved scores between 2002 and 2006, that is, during the JL's first stints in government. Thereafter the score declined, also in 2010, when JL was back in office, which was due to the new KNAB director, appointed by the previous government and whose loyalties were said to lie with the country's oligarchs, leading to great internal conflicts. After the 2011 election the reform ambitions were resumed, however, and the new government was consistently praised for their initiatives and the progress made and the scores significantly improved. The KNAB director was replaced and a number of criminal proceedings took place, which eventually resulted in several convictions of leading politicians and so-called oligarchs, whose influence was curbed by these actions. These revelations show, however, that corruption is still a big problem, but also that it is very risky to engage in such activities, as seen by the number of convictions. Judging from the scores, it seems safe to say that JL has made a highly positive anti-corruption move in terms of legislation, implementation and institution building, leading to improved scores during their terms in office

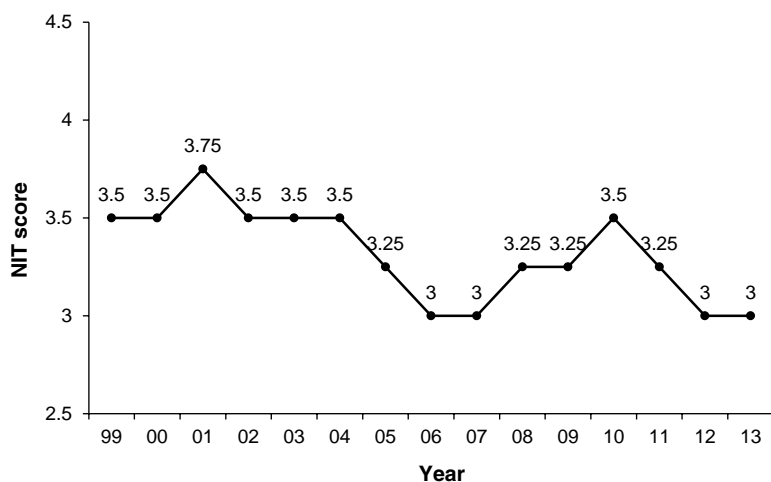


Figure 15.4 Anti-corruption performance in Latvia 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Latvia 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

and worse results during its time outside government. Thus, in Latvia ACPs seem to have been both effective and persistent.

### Slovakia

In contrast to the previous cases, Slovakia never had a big and dominant ACP. The Alliance of a New Citizen (ANO) won 8 percent of the votes in 2002 and its leader, Pavol Rusko, took up the position as Minister of Economy. Several relevant anti-corruption measures were adopted up until 2005, which resulted in slightly improved scores. In 2005 two high-level corruption scandals were revealed, one in which Rusko was implicated and which forced him to resign. Even though the scandal hurt the ANO's image as an ACP and led to its near extinction in the next elections, the government continued its anti-corruption policies with some success. In the 2006 elections, Direction (SMER), which had campaigned on anti-corruption in 2002 but not in 2006, won. The reports are very critical toward the government's neglect of seriously fighting corruption. The ambitions were very low and accordingly neither new legislation nor an anti-corruption plan were adopted. The score accordingly worsened, and quite drastically so in 2009.

In 2010 a new ACP, Freedom and Solidarity (SAS) became part of a new government, led by the Christian Democrats, after winning 12 percent

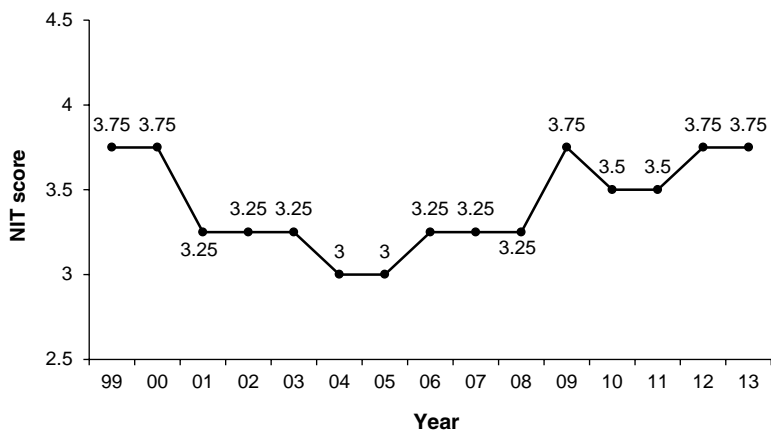


Figure 15.5 Anti-corruption performance in Slovakia 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Slovakia 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

of the votes. The new government had a strong mandate to curb corruption and it immediately started to tackle these issues by declaring zero tolerance for corruption and making it a top priority. Laws on greater transparency and freedom of information were adopted during 2011 and an ambitious Strategic Plan, scheduled for 2012 was approved. In October the government fell, due to internal disputes over EU matters, and in the new election in 2012, SMER triumphed once again. The efforts to curb corruption halted and the proposed legislation was criticized for rather increasing the opportunities for corruption, for example, in public procurement and corruption scandals involving SMER.

In the case of Slovakia it is thus obvious that improvements occurred during an ACP's term in office, even though remains unclear to what extent ANO should be credited. During the periods without any ACPs in government the scores have declined due to lack of both ambitions and progress.

### Estonia

The Estonian case is quite similar to the Latvian one, in the sense that one big and persistent ACP has dominated the political life during the last decade. In 2003 Res Publica won the elections and a former state auditor became Prime Minister. Two years later Res Publica left the government and stayed in opposition until the next election in 2007,

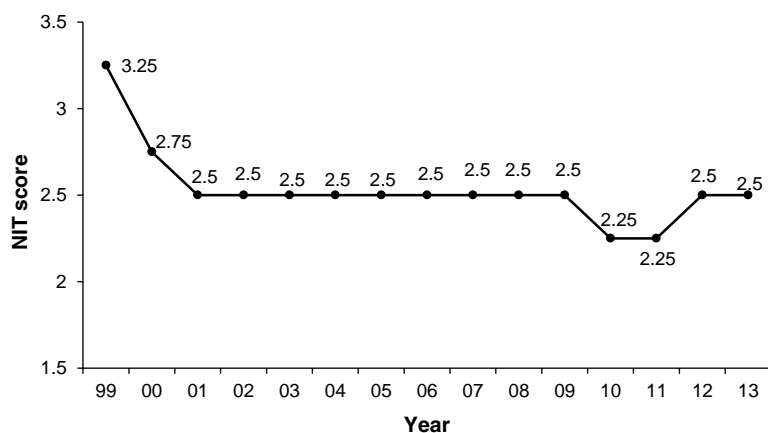


Figure 15.6 Anti-corruption performance in Estonia 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Estonia 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

in which it won almost 18 percent of the votes after merging with the right-wing Pro Patria and forming Fatherland and Res Publica Union (IRL). The leader of the largest coalition partner, the Reform Party (RE), became prime minister. In 2011 IRL won 20.5 percent and the coalition with RE continued until 2014, when IRL left the government.

Estonia is the least corrupt country in Central Europe, but the fact that Res Publica won the 2003 elections on an anti-corruption platform reveals that people thought that more could be done. In the report the new government was praised for its anti-corruption initiatives. It is noticeable that the years outside government did not harm the level of corruption, which shows in the quite flat line. Nevertheless Estonia has had its fair share of corruption scandals, some of which have involved Res Publica, and the reports point to the lax laws on party financing as one of the biggest problems apart from the reluctance to go after one's own people. In 2013 a new Anti-Corruption Act, a revised Civil Service Act and a comprehensive Anti-Corruption Strategy, which aimed at alleviating the outstanding problems, came into force, but by that year's end it was too early to tell how efficient they were. It clearly shows however, that keeping the level of corruption down was still a priority, despite some setbacks with corruption revelations. In conclusion, Res Publica has by and large been a successful and trustworthy corruption fighter, managing to attract a sufficiently large part of the voters in order to remain in office.



## Lithuania

In Lithuania the breakthrough for new ACPs came in 2004, when the Labour Party (DP), led by multimillionaire businessman Viktor Uspaskich, won 28 percent of the votes. Despite being the largest party in parliament, a coalition partner took the position as prime minister and Uspaskich became Minister of Economy. Following a corruption scandal Uspaskich resigned in June 2005 and the party left the coalition in 2006. In the 2008 elections DP dropped to 9 percent and was left outside the ruling coalition, but four years later it was once again the biggest party, winning close to 20 percent of the votes and resumed its position in office, again missing the position of prime minister. In 2008 the National Resurrection Party (TPP) led by a famous TV host won 15 percent of the votes, but only got insignificant positions in the government. TPP merged with a center party in 2011, but did not manage to re-enter parliament in 2012. Considering the short spells in power for DP and its involvement in scandals, one would expect the ACPs' influence to be rather limited in Lithuania.

As Lithuania became a member of the EU, most of the anti-corruption legislative framework was already in place by 2004, but implementation lagged. Despite critical remarks from the European Commission, the score nevertheless improved due to new legislative initiatives. A number of high-profile corruption scandals emerged in 2004 and 2005, however, which demonstrated the shortcomings of the reforms and that much work remained. The score accordingly declined, reaching its worst levels ever in 2005 and 2006. During the right-wing government (2008–2012) the situation improved, but still on a relatively bad level. New anti-corruption plans were adopted, but implementation was scheduled until after the next elections, which made them difficult to evaluate and the reports did not find any real progress, despite promises to prioritize that issue. From the reports it is not possible to assess the TPP's influence over anti-corruption policies, but considering their portfolios, it was assumingly limited. The new government, which came into office late in 2012 made some progress on the reforms, but DP once again found itself involved in corruption scandals which led to a four-year prison sentence against Viktor Uspaskich. Also local politicians were arrested as were a large number of officials working for the custom's authorities.

In sum, the overall Lithuanian anti-corruption efforts have been sluggish, and the progress made can hardly be credited to DP, whose leading representatives continuously were exposed as being involved in shady dealings. DP has thus been a failure in these respects.

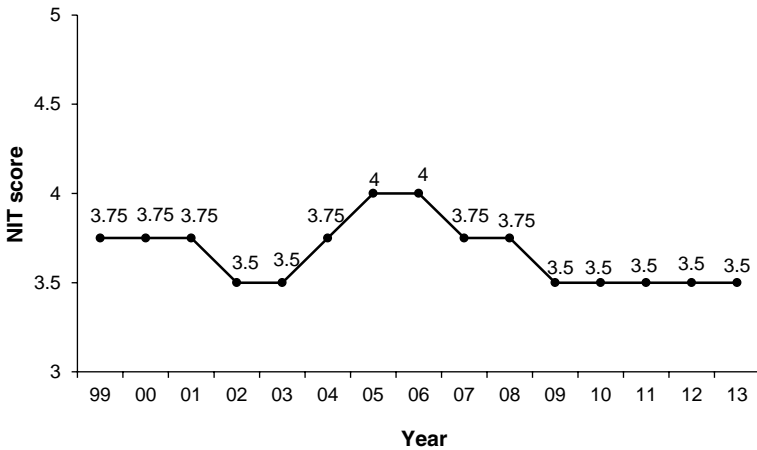


Figure 15.7 Anti-corruption performance in Lithuania 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Lithuania 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

## Poland

In contrast to the other countries in the region, Poland saw a steady rise in the level of corruption, peaking in 2005, which was also the year when the first ACP made it into the government. Law and Justice (PiS) won parliamentary representation in their first election in 2001 on an anti-corruption agenda, winning 9.5 percent, but was left outside the government. From the scores in Table 15.8, it is obvious that the left-wing government's term in office (2001–2005) was a huge failure in terms of fighting corruption as it was plagued by several corruption scandals in combination with inefficient legislation and poor implementation. It was perhaps not a big surprise then that PiS repeated its anti-corruption rhetoric and that it was much more successful, actually winning the 2005 elections with 27 percent of the votes.

In 2005, as one of their first measures, the new PiS led coalition set up the Central Anti-Corruption Agency and during the following year a number of legislative measures aimed at combatting corruption were adopted. Even though the implementation record did not fully match the intentions, it still shows that the PiS prioritized anti-corruption to a much higher extent than their predecessors. Thus, it seems that the PiS was also relatively successful in tackling corruption, even though the improvements continued during the following government,

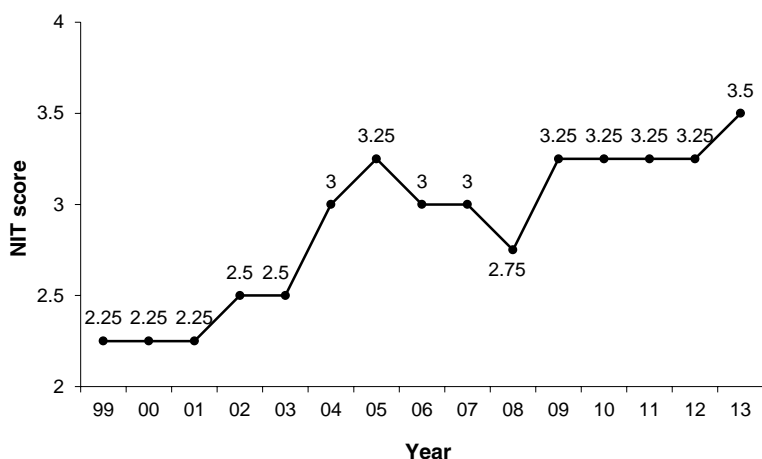


Figure 15.8 Anti-corruption performance in Poland 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Poland 2003–2014 ([www.freedomhouse.org](http://www.freedomhouse.org))

which took office after the early election in 2007. Despite increasing its vote share to 32 percent, PiS still lost the election to its liberal rivals, the Civic Platform (PO). The same happened in the 2011 elections, in which PiS dropped slightly to just under 30 percent.

The assessment of the accomplishments of the PO-led government, which had also campaigned on anti-corruption, is shown to be positive. In the NiT reports not much progress is noted during these years, however. The relatively well functioning anti-corruption framework could not prevent a number of corruption scandals from erupting and the government was criticized for taking partisan stands in these matters. According to the reports, it seems that the quite brief positive period in Poland coincides with the ACP in power and the main efforts are also credited to PiS. This again shows that there are good reasons for people to take these new ACPs seriously, at least when it comes to fighting corruption.

### The Czech Republic

The NiT scores in the Czech Republic have been relatively stable during the past 15 years. It was not until the 2010 elections that new ACPs were sufficiently successful to make it into the government, which was subsequent to a few years of very limited anti-corruption efforts. Instead

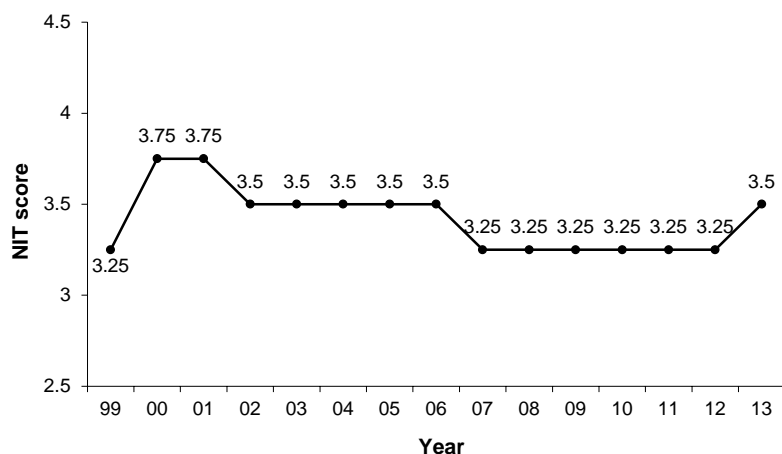


Figure 15.9 Anti-corruption performance in the Czech Republic 1999–2013

Note: The Nation in Transit corruption score ranges between 1 (little or no corruption) and 7 (high corruption).

Source: Nation in Transit, country reports on Czech Republic 2003–2014 ([www.freedom-house.org](http://www.freedom-house.org))

the Civic Democratic Party (ODS)-led government (2006–2009), allowed business interests to increase their role in the policy process and also the following expert government (2009–2010) failed to deliver on these urgent matters and set the stage for the subsequent emergence and success of two new ACPs, Tradition, Responsibility, Prosperity (TOP09) and Public Affairs (VV) winning 16.7 and 10.9 percent respectively in 2010. They entered a three party coalition together with the ODS, with an explicit focus on fighting corruption.

After a slow start the new government picked up speed from the end of 2011 and adopted a number of anti-corruption measures. The anti-corruption legislation was drafted in cooperation with NGOs and was mainly praised by anti-corruption experts. In that respect the ACPs seemed to have had a positive impact, even though the scores remained unchanged during these years. However, several corruption scandals erupted at the same time, one of which involved the VV leadership and the defense minister and VV leader had to resign. Disgruntled VV MPs left the party and established Liberal Democrats (LIDEM), which replaced VV in the government in 2012. Things got worse during 2013, when ODS was also implicated in corruption scandals and the government eventually resigned and new elections were called. As a consequence, several anti-corruption proposals were never adopted,

although the new government, which incidentally also included a new ACP (ANO 2011 winning 18.7 percent), promised to continue its predecessors work.

The picture is thus mixed when it comes to fighting corruption in the Czech Republic. On the one hand, there seems to be a genuine ambition and serious efforts to curb corruption and several very important pieces of legislation were adopted, but at the same time high-level politicians in the government and even in the leadership of one of the ACPs were involved in corrupt dealings. TOP09's reputation seems to have been less damaged though, and its role in anti-corruption efforts is explicitly mentioned in the reports. However, it is evident from the declining trend that not even TOP09 managed to improve the situation during its stint in power. In the 2013 elections TOP09 got 12 percent of the votes, whereas neither VV nor LIDEM participated. It remains to be seen if ANO 2011 will be more successful.

## Discussion

In this chapter we have tried to summarize our main findings on ACPs, as to why they emerge and become successful and what those new ACPs that make it to the government actually achieve. ACPs are a quite recent, but increasingly frequent, phenomena which first and foremost have emerged and become successful in Central and Eastern Europe. They are not surprisingly associated with high levels of country corruption, which is the reason why such parties have been scarce in northern Europe. It should also be pointed out, however, that Romania, which is one of the most corrupt countries in Europe, is still waiting for its first ACP. In contrast to other niche parties, ACPs, and in particular newly established ones, have been immensely successful electorally, at least in the short run. Up until 2013, there were six such parties that won more than 20 percent of the votes in their first attempt and several others scoring between 10 and 20 percent. What is typical for these new, successful ACPs, is the fact they usually have been established by people without prior political experience and who have made that their main asset as a credible actor, as most established parties have been tainted by corruption scandals. Instead they have typically made successful careers as businessmen, journalists or high public state officials, emphasizing competence, honesty and above all clean politics and an end to corruption. Established parties in general and incumbents in particular have had a much harder time, both to campaign on anti-corruption themselves and also to find an effective counter strategy.

As the second part of this chapter shows, the performance of new ACPs have been mixed, but mainly positive. There are some examples where ACPs have been exposed to corrupt dealings, but there is also ample evidence of substantial progress in terms of anti-corruption reforms resulting in improved scores. That is in sharp contrast to several non-ACP governments which have either not made this a priority or failed to deliver. It is not easy to find a clear cut pattern explaining the outcomes. Among those ACPs that may be considered as niche parties, in the sense that they overwhelmingly focused on corruption, Res Publica, JL, ZRP and to some extent NDSV are positive examples, whereas GERB, Public Affairs and ANO have disappointed. Also among the new ACPs that had a broader focus in their campaign, the outcome differs. Labour Party and SMER are two negative examples and Law and Justice a positive one. In terms of party strength and influence the outcome diverges, with small-scale successes and failures such as Freedom and Solidarity and Public Affairs respectively. But the main finding in the second part is still that voters have good reasons to trust that new ACPs will perform better or as good (or bad) as the established parties and that they should definitely not be dismissed on a general level as simple and unserious populists who cynically exploit frustrated people.

## Notes

- 1 Those party-level factors discussed here – place in government, age, ideology – are of course not an exhaustive list of party factors, but are highlighted here because panel data is available at the party level for these factors across our sample and we can thus investigate them empirically.
- 2 Country level data comes from the QoG Institute's database (Teorell et al., 2013).

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# 16

## Can Elections Combat Corruption? Accountability and Partisanship

*Georgios Xezonakis, Spyros Kosmidis and Stefan Dahlberg*

Political accountability is a fundamental feature of and a yardstick for evaluating democracy (Powell, 2000). The effectiveness of democracy in keeping those in power in check is wholly relevant in the case of corruption. A large body of research has become engaged with a review of the systemic/contextual factors that can account for variations in the levels of corruption at the aggregate level. A number of country-specific factors have been deemed relevant in this sort of study (see Persson et al., 2003; Kunicová and Ackerman, 2005; Chang and Golden, 2007; Charron, 2011). The argument here is that different institutional arrangements (e.g. constitutional arrangements or the electoral formula) provide differential incentives and opportunities to elites to engage in corrupt behavior and extract rents. Similarly, it provides differential opportunities and incentives to both elites and voters to monitor, and for that matter sanction, corrupt behavior (Charron, 2011).

Here we are concerned, firstly, with the contextual conditions that are related to variations in corruption voting and we specify four contextual conditions that can enhance the individual voting weights placed on corruption. We take insights from the economic voting literature (Powell and Whitten, 1993) and from research on the determinants of corruption (Chang, 2005; Kunicová and Ackerman, 2005; Chang and Golden, 2007; Tavits, 2007; Charron, 2011). We argue that features of the party system related to clarity of responsibility in terms of policy outputs, the electoral rules and the 'size' of the party system influence the voting weights employed by individual voters when they cast their votes.

We also argue that individual voter characteristics also play a role in corruption voting. We assume that the perceptions of corruption will loom larger to different voting groups and anticipate that cognitive



resources (e.g. education) and voter cues and shortcuts (such as party identification) will moderate the relationship between corruption perceptions and incumbent voting.

First, our test for the actual causal mechanism does not fully comply with the empirical results reported in aggregate studies of corruption. Although we do find that corruption is a significant determinant of vote choices, we only find a small number of institutional characteristics that condition the corruption vote. More specifically, we find that corruption perceptions are primed as an influence on the vote, during elections with a long-running chief executive. In plurality electoral systems and in legislatures with a smaller number of parties we report only modest conditional effects. Also, we fail to confirm the conditional impact of government majority status that is considered a principal characteristic in the clarity of responsibility index (Powell, 2000). Second, our extension of this research (i.e. voter heterogeneity) suggests that the corruption vote is not identical across voters. In contrast to the democratic ideal, voters who express strong affective ties with the incumbent parties place different voting weights on corruption. This, in turn, depresses the effect of system level characteristics related to clarity of responsibility (in this case the majority status of the government).

In the remainder of this chapter we first provide a theoretical justification of the contextual and individual level features that we expect should prime corruption voting. In the next section we present the data that we are using to test the hypotheses. Here we take advantage of Module 2 of the Comparative Study of Electoral Systems that includes questions about voting behavior together with perceptions of how widespread corruption is. Results of the logit models will follow and the chapter will conclude with some final remarks.

## **Accountability and corruption**

Much like the case of economic voting we consider corruption voting as a product of the evaluation of the incumbent from the part of the voter and a corresponding choice on the election day (punish or reward).<sup>1</sup> While it is a finding in the literature that corruption allegations might hurt re-election chances for incumbents (Peters and Welch, 1980; Chang and Golden, 2004; Ferraz and Finan, 2008), they do not seem to hurt them enough, that is, voters do not seem to ‘care (much)’ about corruption (Golden, 2006).

Research suggests that for holding legislators accountable the information and political environment is important. Mechanisms that have

been highlighted are the role of the media in disseminating information about malfeasance (Chang et al., 2010), the credible and serious challenge by opposition parties (Chang and Golden, 2004) or the increased salience of corruption as a product of the agenda-setting power of an anti-corruption party (Klašnja et al., 2014; cf. Krause and Méndez, 2009).

Our main concern here is not what drives perceptions of corruption (corruption perceptions as dependent variable) but rather what might 'prime' these perceptions at the polls. This work is similar to research that identifies institutional and contextual variables that might lead to incumbent vote losses (Krause and Méndez, 2009), or those that identify the effect of systemic variables on levels of corruption (Tavits, 2007; Charron, 2011). As it is the case in accountability models that examine the role of economic performance, different voting groups place heterogeneous voting weights on the economy (see, for example, Kosmidis and Xezonakis, 2010). Similarly, we seek to evaluate how and whether some individual level characteristics might moderate the importance of corruption evaluations in voter calculations.

## **Institutional Structure and Clarity of Responsibility**

Research on the causes of corruption has highlighted the importance of political institutions. The argument here is that different institutional arrangements (e.g. constitutional arrangements or the electoral formula) provide differential incentives and opportunities to elites to engage in corrupt behavior and to extract rents. Similarly it provides differential opportunities and incentives to both elites and voters to monitor, and for that matter sanction, corrupt behavior.

At the constitutional level, the number of veto points seems to be relevant. Presidential and federal systems with high institutional competition tend to constrain corruption and provide less opportunities for rent extraction (see Persson et al., 2003; cf. Kunicová and Ackerman, 2005). Another stream of research originates in a classic (albeit not empirically supported) formulation by Myerson (1993) and focuses mainly on the electoral system and its implications: Corruption should thrive in two-party systems (Single-Member Districts [SMD] systems) and be easier to combat as more (and new) parties contest elections (Proportional Representation [PR] systems). Subsequent tests show that the data do not fit the theory. The short story and the prevailing finding is that majoritarian systems provide more constraints on corruption as compared to PR systems (Kunicová and Ackerman, 2005). Monitoring difficulties for both voters and political opponents are greater in PR systems

as collective action problems for the aforementioned groups are more likely in those settings (Kunicová and Ackerman, 2005, p. 597). More nuanced approaches fine tune this argument by focusing on issues like district magnitude, electoral formula or ballot structure (see, Persson et al., 2003; Chang, 2005; Chang and Golden, 2007; Charron, 2011).

Ultimately, wherever the theoretical argument or the actual mechanism rests (either the side of the voters or the side of the elites), the main assumption is that voters take their evaluations about corruption to the polling booth and vote accordingly: If the institutional arrangements give the principals (voters) the opportunity to identify corrupt behavior then they will punish and replace corrupt agents (politicians/incumbents). Increased accountability should, therefore, lead to a more compliant behavior on the part of the agent (i.e. less corruption).

However, as others point out, the variation across political contexts according to monitoring opportunities cannot rest solely on constitutional or electoral arrangements (Tavits, 2007, p. 219). Moreover theoretical arguments based on the above provide less robust theoretical predictions as to the direction that the relationship between constitutional arrangements/electoral system and corruption takes (Tavits, 2007; see Kunicová and Ackerman, 2005; cf. Myerson, 1993 and Persson et al., 2003). The argument here is that taking into account solely the formal institutional structure of the party system might obscure the full range of accountability enhancing features available to the voters and as such the opportunities for monitoring and control.

Tavits (2007) applies an economic voting idea to corruption and argues that 'clarity of responsibility' is the important feature of a party system that one should focus on when exploring how variation in monitoring opportunities is related to variations in corruption. The classic formulation of 'clarity of responsibility' states that in understanding variation in the size of economic voting across countries one needs to pay attention to how blurred or clear the lines between government and opposition are regarding their influence on policy outputs and more specifically on economic policy: 'If the legislative rules, the political control of different institutions, and the lack of cohesion of the government all encourage more influence for the political opposition, voters will be less likely to punish the government for poor performance of the economy. Responsibility for the performance will simply be less clear' (Powell and Whitten, 1993, p. 393). So it is the diffusion of political power that is again important here but now what remain more relevant are not the actual institutions (say competition between chambers or between the executive and the legislature) but rather the political actors (i.e. political

parties). Again the argument rests on the ability of voters to attribute blame and vote accordingly. Punish incumbents for adverse economic outcomes or reward governments for solid economic performance.

To the degree that corruption can be considered governmental output as much as (un)employment then governments are expected to be punished by the principals when corruption prevails in a country and vice versa. Therefore political contexts that increase clarity of responsibility will exhibit less corruption (Tavits, 2007).

The above represent two distinct approaches regarding the relation between political context and corruption. One focuses mostly on formal rules and institutions. The second incorporates features of the political system that are related (and to a degree causally) to the institutional structure but can exhibit more variation through time inside contexts with similar institutional configuration. Crossnationally, the above findings are based mainly on aggregate level data measured at the country level.

In this chapter, we apply insights from this strand of research and test the microfoundations of the general theoretical—principal-agent—underpinning. Much like economic voting the context should mediate the effect of corruption-related voting for or against incumbents. Following Powell and Whitten (1993) and Tavits (2007) we focus mainly on majority status of government, cabinet duration and the degree of party system fragmentation in order to test the clarity of responsibility argument. According to Powell (2000) the main indicator of clarity of responsibility is the degree to which one party has control of both the executive and legislative branches of the government. Minority governments (control only over the executive) represent the lower clarity setting since executives in this case cannot initiate and enact legislation without the support of other parliamentary parties. Various coalition governments (shared control of both the executive and legislature) fall somewhere in between in the clarity scale.

Cabinet duration is another obvious way through which voters can receive information and hold government accountable for corruption. A short-lived government should not prime respondents' perceptions of political corruption as will governments which hold office for a longer period of time. Note here that this prediction is not concerned with how government duration might be related to corruption levels. Quick succession of governments in power might provide more incentives for elites to engage in corrupt activities and in the long run increase overall levels of corruption. But as far as voter information is concerned, using corruption as a yardstick for their choice might not be easily achievable.

The size and fragmentation of the party system is also relevant. While the ability to assign blame is important the accountability mechanism might not work if voters cannot identify an equally clear and potentially viable alternative. This can work on the opposite direction though. Monitoring of government corruption on the elite side is higher in multiparty systems and therefore information for voters is plentiful and possibly more salient. It is therefore an open question as to whether party system fragmentation will prime corruption voting or not.

The above mechanisms rest on a very unrealistic assumption; all voters place the same voting weights on corruption. This assumption has been relaxed in a series of accountability models that allow voters to have 'biased' perceptions of corruption and thus attach distinct voting weights when they cast their votes. Indeed, empirical evidence has confirmed that partisan identification blurs the assignment of responsibility and perceptions of government performance on a series of issues. Partisan lenses tend to produce a significant shortcoming in the process of accountability.

Motivated reasoning, that is, the psychological mechanism that underpins this bias, has been established in the study of decision-making in advanced democracies. Motivated reasoners wish to expend as little cognitive effort as possible when making decisions related to politics (see Key, 1966). More often, the little information they acquire serves as a confirmation of their prior beliefs and attachments and they tend to discard this information when it is at odds with their convictions (Lord et al., 1979; Lodge and Taber, 2000; Redlawsk, 2002).

In effect, political decisions are made using a *partisan heuristic* (Bartels, 2002; Redlawsk, 2002; Jerit and Barabas, 2012). The most obvious example of such processes is the economy (Wlezien et al., 1997; Evans and Andersen, 2006; Tilley and Hobolt, 2011). Incumbent partisans tend to exaggerate the health of the economy whereas opposition partisans will be more pessimistic about the economic future (see Bartels, 2002; Tilley and Hobolt, 2011). The normative implications of those biases are severe for the democratic process; if political perceptions are indeed biased, then the accountability mechanism is non-existent (see Anderson, 2007) or skewed (see Bartels, 1996; Lau and Redlawsk, 2006).

Some previous work on partisans lenses on perceptions of corruption and accountability point to the same direction. Experimental evidence indeed confirms that partisans are less likely to even perceive and acknowledge corruption per se, while political information tends to temper the effects of partisan bias (Anduiza et al., 2013). Tverdova also argues that partisans are more lenient when assessing the government's

performance on corruption and can 'turn a blind eye to political malfeasance' (2011, p. 8). This will further 'dilute' corruption and increase the skepticism around retrospective corruption voting.

The argument we make is intuitive and extends the argument made by Anderson and Tverdova in their research on how corruption shapes attitudes toward government (see Anderson and Tverdova, 2003). They base their argument on the notion that partisans tend to evaluate government performance more favorably in a number of political domains including economic performance and corruption (Bartels, 2002; Tilley and Hobolt, 2011). In economic voting this is primarily encouraged by recent research that contests the orthodoxy that the causal arrows run from performance to choice (Wilcox and Wlezien, 1996; Evans and Andersen, 2006; Pickup and Evans, 2013) and that perceptions of the economy are, indeed, shaped by partisanship (Rudolph, 2003; Tilley and Hobolt, 2011). Without entering the discussion on the endogeneity problem that this pattern entails, we posit that the 'perceptual screen' of partisans influences the variation in corruption voting in the same way it can affect economic voting. In other words, opposition partisans and independents will be more likely to punish the incumbent government. Incumbent partisans, on the other hand, view government performance (on all issues including corruption) more favorably. Considering partisanship and institutional factors simultaneously one can easily understand their joint relevance especially with respect to the moderating role of governing status (majority vs minority).

## Data

The Comparative Study of Electoral Systems (CSES) (Module 2) provides the main variables used in the voting models. We employ a dichotomous dependent variable that measures incumbent voting as dependent variable and a survey question measuring perceptions of corruption as our main independent variable. The former is scored as 1 if the party the respondent has voted for was in government during the previous parliamentary term and 0 otherwise. Non-voters are excluded from the analyses.

The survey question on which the main independent variable is based measures, on a four point scale, answers to the question *'How widespread do you think corruption such as bribe taking amongst politicians is in [country]: 1. it hardly happens at all, 2. not very widespread, 3. quite widespread, 4. very widespread?'* (for a review of these data see Holmberg, 2009).<sup>2</sup>

At this point it is important to note an important empirical concern related to our pivotal explanatory variable. The estimates on our

perceptions of corruption measure are likely to be plagued with endogeneity, as it is the case with most government performance indicators. However, since our aim is to evaluate the conditional effects (how this coefficient varies across contexts), endogeneity is less of a problem in our design. To be sure, we cannot think of a theoretical reason to believe that the coefficient will be more biased, for example, in a PR or a Majoritarian system. Government performance (higher values in this variable indicate 'a very bad job') and ideological distance between voters' self-placement and the ideological position of the government on the left right scale (in the case of coalition governments the mean placement of all coalition partners is considered the government's position on the left right) are included in the model specification to partially address this concern. These covariates are equally—or perhaps more—susceptible to endogeneity. As in most empirical analyses of political behavior, it is difficult to have a sound identification strategy.

For the systemic variables we rely on the Database of Political Institutions (DPI) compiled by Beck et al. (2001, updated through 2010), along with publications from the Inter-Parliamentary Union. A combination of the seats in parliament for the government and the number of parties in government gives the measure of majority status. This is scored as 30 for minority governments, 60 for coalition governments and 100 for a one-party majority government (as in Powell, 2000 and Tavits, 2007).<sup>3</sup> Time in government for the chief executive gives the indicator for the cabinet duration. The rule of thumb has been that when a new party enters a government coalition, even if the prime minister stays the same, the cabinet duration variable starts again from zero (note that alternative classifications sensitive to these issues leave results unchanged). For the party system fragmentation variable we relied on publications by Gallagher and Mitchell (2008) on the effective number of electoral parties based on vote shares. We use the electoral rule that governs the allocation of the majority of house seats (proportional, mixed and plurality) to classify countries according to electoral system, a classification originally made by Holmberg (2011). The contextual variables and their summary statistics can be found in Appendix A.

In order to test the partisanship argument referred to above we rely again on the standard measure employed by the CSES in Module 2. The party identification items have been recoded to measure whether a respondent is more closely attached to a specific party and is scored 2 if a voter is Independent, 1 if a respondent identifies with one of the incumbent parties and 0 if the respondent identifies with the main opposition party (for country/year information and variable descriptives, see Tables 16A.1 and 16A.2).

## Results

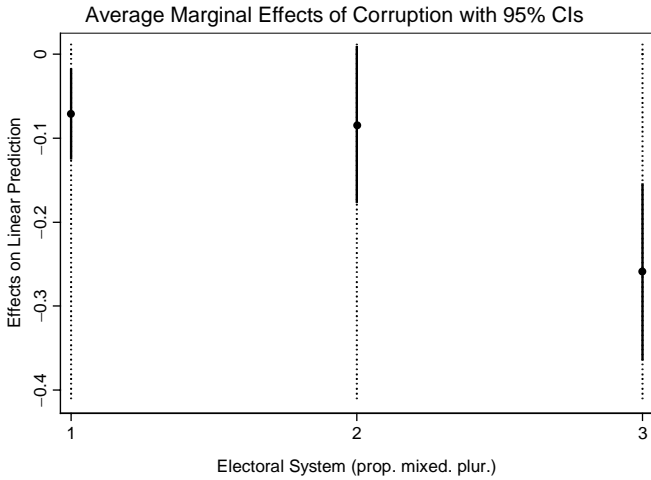
The basic idea of this chapter is thus to investigate how and to what extent individual perceptions of corruption are interacting with the political institutional context, and under which circumstances this affects individual voting behavior. Perceptions about how widely corruption has spread are therefore interacted with the four features of the political context described above, where the mechanism is clarity of responsibility which in turn shall decrease the probabilities for a vote on incumbent parties when corruption is perceived to be widespread.

In order to evaluate our hypotheses we will continue with examining the results from four different models. In the first model the interaction is between perceptions of corruption and the electoral system, in the second model the interaction term is with party system fragmentation, in the third model with cabinet duration and in the fourth with majority status. Our first concern is whether perceptions of widespread corruption predict a lower probability to vote for the incumbent government.

Since we have interaction terms and logit coefficients we evaluate the results in response to the plots of our interaction terms. Figures 16.1 to 16.4 plot the marginal effect of corruption perceptions for the four interaction terms. The figures are based on the models presented in Table 16B.1.<sup>4</sup>

Marginal effects and simulated confidence intervals below the zero value on the Y-Axis denote corruption voting. Thus, more negative values signify higher levels of corruption voting (all models control for the overall levels of corruption in the country using Transparency International's Corruption Perception Index). One reason for including a global measure of corruption is that individual perceptions of corruption seem to interact negatively with corruption on a more general level (Dahlberg and Solevid, 2013). We are also controlling for economic conditions in terms of growth in GDP per capita through all models since we know that a healthy economy usually has a positive impact on the likelihood of supporting incumbent governments). Figure 16.1 plots the effect of corruption across different electoral systems.<sup>5</sup> As posited by our theory, plurality systems give more monitoring opportunities and corruption voting is discernibly larger for majoritarian electoral formulas. However, confidence intervals in this case do overlap somewhat with proportional electoral systems. For mixed systems the effect is not different from consensual democracies. Put simply this means that although the effect appears to be different in plurality systems compared to mixed or proportional systems it is not significantly so. Our first hypothesis is thus not empirically supported, that is, the clarity of responsibility is not





*Figure 16.1* Marginal effect of corruption perceptions over electoral system  
*Source:* CSES, Module 2

greater in plurality systems. It should be noted that the classification of electoral systems is not always straightforward and in this respect we also specified a model that contrast majority systems versus all the others and the results remain unchanged.

Our second interaction between *Majority Status* and corruption is perhaps the most important considering its weight on aggregate levels of corruption (see Tavits, 2007) and its pivotality in the Clarity of Responsibility Index (Powell and Whitten, 1993). As a reminder, the theory posits that when a single party is in office and has control over the parliament, then citizens have a clear view as to who is responsible for political failure and successes. In minority governments, at the other end of the scale, the prime minister's party does not have control of the parliament that enacts policy reforms. Hence, the attribution of blame is vague in such polities. Finally, in polities with coalition governments it is also unclear who the responsible agent is. Figure 16.2 visualizes the effect of corruption perceptions for different values of our *Majority Status* variable with 95% confidence intervals and reveals a largely negligible interaction effect. For minority governments the actual marginal effect is insignificant, whereas for coalition governments there appears to be more corruption voting. However, the 95% confidence intervals are clearly overlapping with those in the case of Majority Governments, which means that no conclusions can be drawn from these findings.

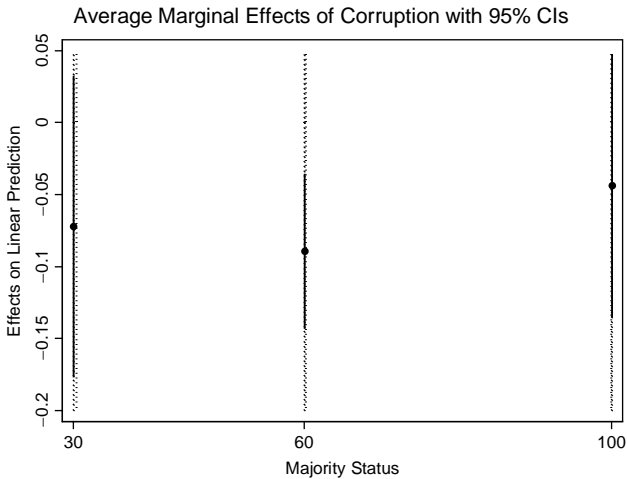
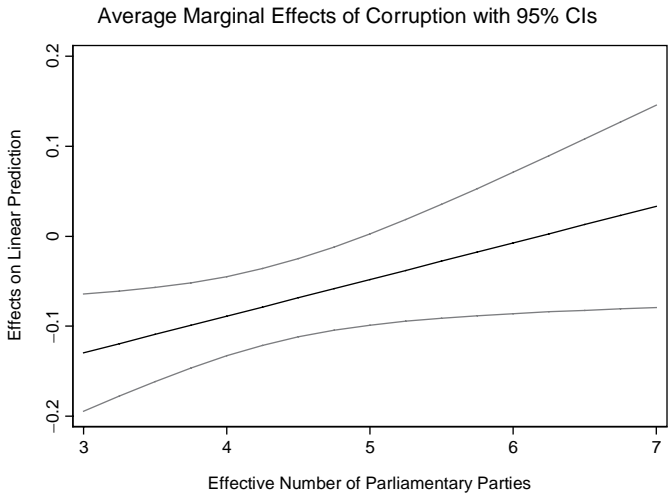


Figure 16.2 Marginal effect of corruption perceptions over majority status  
Source: CSES, Module 2

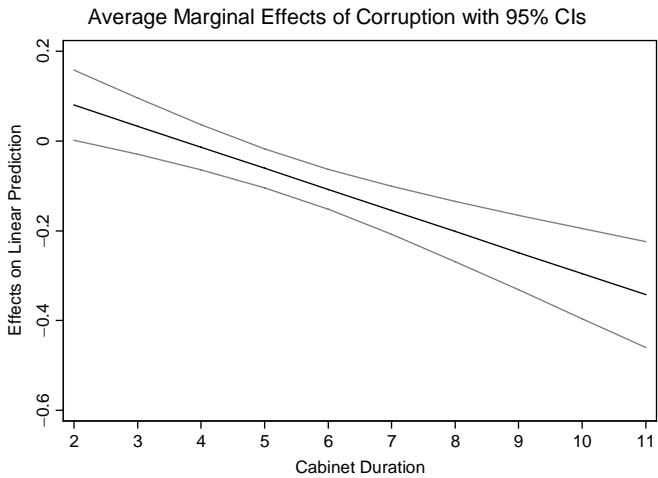
In Figure 16.3 the interaction is between corruption perceptions and the count measure of *effective number of parties*. The results suggest that in a system that has upward of five effective parties or more, corruption perceptions do not seem to exert a significant effect on incumbent voting. In other words, although we find that for compact party systems there is some corruption voting, we cannot be confident that corruption voting decreases with more effective number of parties. In fact, the confidence intervals across the values on the X-axis seem to overlap. Another way to view the results is that the monitoring of government corruption on the elite side is not significantly higher in multiparty systems.

In Figure 16.4, finally, we plot corruption voting conditional upon our *Cabinet Duration* variable. The graphing of the effect suggests that anything less than four years in government is not enough for corruption perceptions to have a significant impact on voting for an incumbent but as length of office tenure increases, corruption seems to become more salient in voting decisions. The interpretation of this result is that it takes some time before a government is established to the extent that individual voters actually have enough information in order to hold the government accountable for corruption. Actually, this is the most robust finding of this chapter. When this interaction is included in the model specification the moderating influence of the other institutional



*Figure 16.3* Marginal effect of corruption perceptions over effective number of parties

Source: CSES, Module 2



*Figure 16.4* Marginal effect of corruption perceptions over cabinet duration

Source: CSES, Module 2

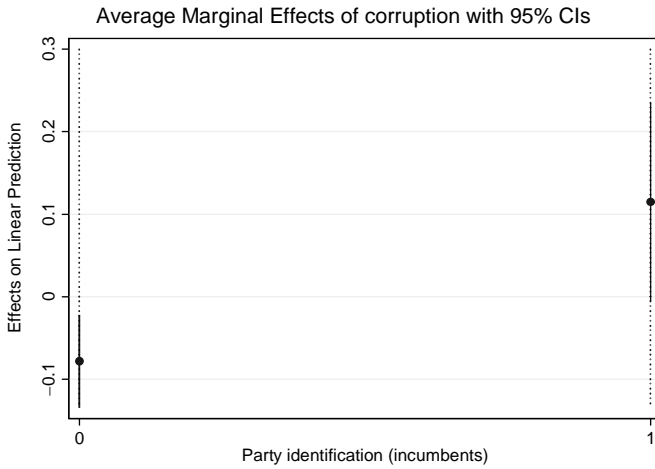
and constitutional characteristics is even less evident. In the following section we further assess the robustness of our modest institutional effects and examine how specific individual characteristics are. This might explain some of the above findings, according to the theoretical expectation provided.

## **Partisan heterogeneity**

What we are interested in in this section is whether (1) the impact of corruption varies for different partisan groups and more importantly (2) whether this conditional effect is different across polities with different institutional characteristics. Rather, than reanalyzing the conditional effects of the clarity of responsibility factors, we show the three-way interaction between corruption, partisanship and majority status. This model specification allows us to test whether groups of voters that are important for the final election outcome are thus a key target for political parties. If in high-clarity systems the incumbent partisans, who are the main focus of this extension, place different weights on corruption when they cast their votes, then political parties have less incentive to deliver virtuous policies since their own core supporters will still support them independent of how widespread they perceive corruption to be. We test that hypothesis in two steps in Figures 16.5 and 16.6.

Figure 16.5 displays the marginal effect of corruption across opposition partisans and incumbent partisans for the full range of election studies under investigation. The results are based on a full model (controlling also for education and demographics). The interaction term suggests that opposition partisans place weight on corruption and the effect is statistically significant. For incumbent partisans, corruption is a negligible consideration for their voting decisions. This null effect carries important implications for accountability and the Quality of Government.

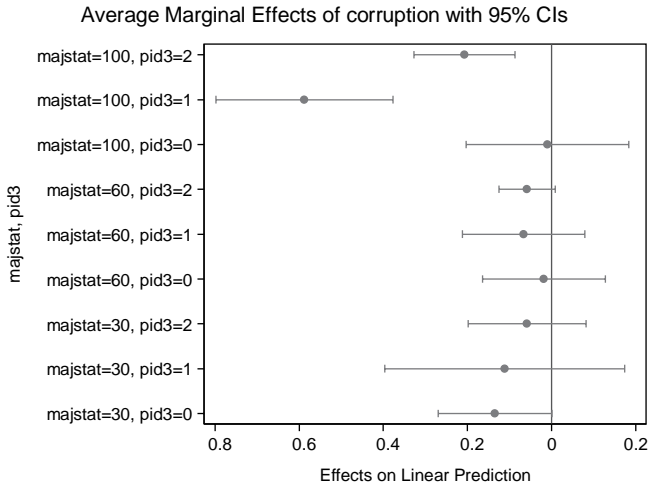
Our endeavor is to examine whether the conditional effects for the two groups is the same across systems. Is this partisanship pattern uniform across different levels of institutional clarity? Is it uniform across different levels of institutional clarity? We evaluate these questions by estimating a three-way interaction between partisanship, corruption and majority status. This interaction will produce 6 ( $2 \times 3$ ) predictions that are displayed in Figure 16.6. The model, that controls for the remaining individual level covariates, GDP per capita and the CPI, suggests that partisans in different systems place different weights on corruption. Figure 16.6 organizes the marginal effects by type of partisanship and



*Figure 16.5* Party identification and corruption voting

Average marginal effects of corruption with 95% CIs

Source: CSES, Module 2



*Figure 16.6* Party identification and corruption voting over majority status

Average marginal effects of corruption with 95% CIs

Source: CSES, Module 2

type of government. Every first two point estimates and the simulated confidence intervals correspond to incumbent and opposition partisans in systems with majority governments. Positive values show a positive effect of corruption on vote choice. As it is clear, incumbent partisans in majority governments (*majstat*=100) do not seem to vote on the basis of corruption, as opposed to opposition partisans, since their confidence intervals overlap with zero. This is an interesting finding that is at odds with the democratic ideal. This almost positive effect seems to be canceled out by the negative—theoretically anticipated—effect for opposition partisans. It does nevertheless ‘pull’ the average and dampens overall corruption accountability.

This picture is even more acute in coalition governments (*majstat*=60). In systems with coalition governments, incumbent identifiers are still more likely to vote for the government irrespective of their corruption perceptions. The estimate for ‘others’, their counterparts, is borderline significant. In countries with a minority government (*majstat*=30), finally, incumbents and ‘others’ do not seem to place any weight on corruption when they vote. All in all, Figure 16.6 confirms that partisan lenses operate differently across systems but that in general incumbent identifiers are more ‘forgiving’ toward corruption.

The above analyses give an additional—plausible—reason as to why majority status (a major indicator of clarity of responsibility) does not influence individual-level propensities of a corruption vote for the full sample. It seems that voting on the basis of corruption is equivalent to economic voting, at least in the way that clarity of responsibility conditions the extent of accountability. Because of those partisan lenses the conditional effect cancels out and corruption voting becomes independent of majority status of government.

## **Conclusion**

Building on previous research regarding factors that combat corruption we tested the micro-foundations of prominent accounts of corruption voting in the literature. In this chapter, we failed to confirm that corruption voting, that is, the foundation of the macro relationship, is conditioned by institutional characteristics and clarity of responsibility, at least not to the extent that previous research has suggested.

In other words, the size of the corruption vote is not different across different institutional arrangements or levels of clarity of responsibility. To shed further light as to why this could be the case, we added a third

layer on which some voters place different weights on corruption when they cast their votes. Because of that partisan bias, which is also documented elsewhere, the effect of corruption on voting is null in majority governments because incumbent partisans are too lenient in their assessments and in the way they make their decisions.

Institutions could matter for corruption but our findings suggest that changes in electoral institutions are not a sufficient condition for corruption voting. It is not that politicians are afraid of voters and thus have incentives to deliver virtuous policies. The fact that their core support group in a winner-take-all election would vote for them independent of their performance on corruption gives them more incentives to engage in clientelistic policies (see Chang and Golden, 2007). But to be fair, our test of that process is not equivalent to those attempted by Tavits (2007) and Chang and Golden (2007). They analyzed corruption scores across almost 40 cases while our individual level data comes from only 23 elections. Yet, again, there is no evidence, and perhaps no reason, to believe that it is voters who hold them accountable. It could be that formal institutions originally designed to tackle and monitor corruption hold elected politicians accountable and this is why in some contexts corruption is lower than in others.

Several works suggest that good economic performance and inherent system failures such as clientelism are likely to temper the effect that political corruption perceptions can exert on government support (Manzetti and Wilson, 2007; Zechmeister and Zizumbo-Colunga, 2013). Although we control for economic conditions, we think that future research should examine cross-level interactions and their conditional relationship. Research also suggests that punishment at the polls is conditional upon the information that voters receive regarding malfeasance or government performance in general (Chang et al., 2010; Costas-Pérez et al., 2012). The media obviously play an important role in this process. When corruption is primed as an issue through increased coverage and therefore politicized, it can displace other issues from the political agenda and enhance what one could call 'corruption accountability' (Chang et al., 2010).

The analysis has caveats that have been noted throughout. More importantly, there is some concern about the validity of our CSES corruption measure. The fact that (a) forms of corruption other than grand political corruption might not be captured and (b) personal experiences with corruption are not measured at all might constitute a problem for this research. If anything, we believe that this underestimates the magnitude of the effects that were uncovered here and are not really likely

to annul them. In any case, the significance of corruption at the scale measured by this question is wholly relevant to voting behavior and political accountability.

We believe that this chapter has contributed to the literature in two ways. One is that it reiterated and highlighted the importance of a more in-depth review of popular hypotheses regarding the cross-country institutional and contextual determinants of corruption. Our approach goes beyond aggregate correlations and digs deeper into the micro-mechanisms casting some doubt on the implications that follow from existing accounts. Second, and perhaps more importantly, this research has suggested that there is a 'darker' side to partisan politics that might have been overlooked. For years the shrinking pool of party identifiers has concerned scholars due to its supposed negative implication for democratic politics. This work suggests that the opposite might be true for quality of government.

## Appendix A

*Table 16A.1* Countries and election studies

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AUSTRALIA (2004)
BULGARIA (2001)
CANADA (2004)
CZECH REPUBLIC (2002)
GERMANY (2002 Telephone)
DENMARK (2001)
SPAIN (2004)
FINLAND (2003)
GREAT BRITAIN (2005)
HUNGARY (2002)
IRELAND (2002)
ICELAND (2003)
ISRAEL (2003)
ITALY (2006)
KOREA (2004)
NETHERLANDS (2002)
NORWAY (2001)
NEW ZEALAND (2002)
POLAND (2001)
PORTUGAL (2002)
PORTUGAL (2005)
ROMANIA (2004)
SWEDEN (2002)

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Table 16A.2 System level variable descriptives

	N	Mean	Std. Dev.	Min	Max
Cabinet duration	22,714	3.54746	1.771042	1	7
Majority status	22,714	77.2343	31.07126	30	100
Effective number of parties	22,714	4.303895	1.113025	2.94	7.05
Plurality vs proportional	22,714	0.2310029	0.4214836	0	1

## Appendix B

Table 16B.1 Logit Models of incumbent voting

	Eq1	Eq2	Eq3	Eq4
Government performance	-1.233*** (0.030)	-1.234*** (0.030)	-1.231*** (0.030)	-1.233*** (0.030)
Ideological distance	-0.395*** (0.010)	-0.394*** (0.010)	-0.394*** (0.010)	-0.395*** (0.010)
Perceived corruption	-0.017 (0.051)	-0.334*** (0.090)	0.110* (0.059)	0.036 (0.069)
CPI	0.027 (0.040)	0.040 (0.040)	0.055 (0.043)	0.029 (0.040)
GDP	0.079 (0.055)	0.082 (0.054)	0.090* (0.054)	0.094* (0.055)
Electoral system	0.283* (0.145)			
Electoral system × Corruption	-0.053* (0.030)			
EFNP		-0.205** (0.097)		
EFNP × Corruption		0.055*** (0.020)		
Cabinet duration			0.054 (0.051)	
Cabinet duration × Corruption			-0.038*** (0.010)	
Majority status				0.010** (0.005)
Majority status × Corruption				-0.002** (0.001)

(continued)

Table 16B.1 (continued)

	Eq1	Eq2	Eq3	Eq4
Constant	2.971*** (0.364)	4.179*** (0.475)	2.874*** (0.370)	2.740*** (0.416)
N	22,712	22,712	22,712	22,712
Elections	23	23	23	23

Standard errors in parentheses. \*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$

Source: CSES, Module 2

## Notes

- 1 In a recent manuscript Klačnjaja et al. (2014) put forward a similar idea like the one presented here. They used a parallel with economic voting and the distinction between sociotropic and pocketbook voting, suggesting that personal experiences with corruption (pocketbook corruption voting) and perceptions of the prevalence of corruption (sociotropic corruption voting) are two distinct mechanisms through which corruption voting works. In that sense this research is mostly concerned with what can account for variations across countries in sociotropic corruption.
- 2 This survey question admittedly captures a limited part of the picture as regards corruption levels. Clearly, other conceptual dimensions of corruption, as, for example, bribes in the public sector, might not be captured and individual experiences of corruption may also be neglected. Much like egocentric and sociotropic economic voting, corruption might be primed for voters only in cases where they have been personally and directly affected by corrupt activity (e.g. having to pay bribes to public officials). However, we do believe that this survey item captures important variations in voters' perceptions about corruption since it is highly correlated with aggregate measures like the Corruption Perception Index, published annually by Transparency International ( $r = -0.85$ , result not shown but available from the authors).
- 3 We follow Powell (2000) and Tavits' (2007) distinction. Of course, there are no empirical consequences when we code Majority Status as 0, 1 and 2.
- 4 All models report results from multilevel logistic regressions with random intercepts. Estimating a pooled data model in the 23 election studies in our sample can lead to erroneous conclusions if there are unobserved differences between countries (Hsiao, 2003; Greene, 2007). Thus we estimate a random intercept model that takes into account country-specific effects to ensure that unobserved differences between countries are not driving key findings. This approach does deal with some of these potential problems with clustered data (see Arceneaux and Nickerson, 2009).
- 5 When calculating the marginal effects we hold the remaining variables to their median values. Using the mean or some arbitrary value does not change our key findings.

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# Index

- accountability
  - democratic, 172, 182, 149–50: and the Good Society Index, 26; and interaction with professional accountability, 150–63
  - electoral, 10, 150, 220, 233, 245, 267: *see also* corruption voting; and gender, 245, 259–60; *see also* corruption and gender
  - political, 283, 299
  - professional, 149–50; and interaction with democratic accountability, 150–63; *see also* recruitment
- administrative capacity, 29–30
- administrative restrains, 25
- Alliance for Democracy (AFORD) (Malawi), 121, 123
- Alliance of a New Citizen (ANO) (Slovakia), 273, 274, 280, 281
- Altalena affair, 98
- Anti-corruption Bureau, 40
  - in Malawi, 123
- Anti-corruption Bureau (KNAB) (Latvia), 272
- anti-corruption laws
  - in sub-Saharan Africa, 75
- Anti-Corruption Parties (ACPs), 10, 12
  - accomplishments of, 268–70, 280–1
  - in Bulgaria, 270–1
  - in Czech Republic, 270, 278, 279–81
  - definition of, 263
  - the emergence and electoral success of, 264–8, 280–1
  - in Estonia, 269–70, 274–5
  - in Latvia, 269–73
  - in Lithuania, 269–70, 276–7
  - and partisanship, 266–7
  - in Poland, 270, 277–8
  - in Slovakia, 270, 273–4
- anti-corruption reforms
  - in sub-Saharan Africa, 75
- Arafat, Yasir, 96–7, 101–2, 105
- Argentina
  - and corruption relative to comparison countries, 236–7
  - and the evolution of the Peronist party, 227, 230, 235–7, 243
- asset ownership
  - and institutional quality in autocracies, 168, 172–3, 175–6, 178
  - in Russia, 181–2
  - see also* property rights
- authoritarian regimes/states
  - and asset ownership, 168, 172–3, 175–6, 178
  - and bureaucratic autonomy, 153
  - and elite rotation, 168, 171, 173–82
  - and good government, 73
  - and political stability, 135–7
  - the role of gender on corruption in, 246–7, 251, 259
- Banda, Aleke, 121
- Banda, Hastings, 119, 120, 121, 122
- Begin, Menachem, 98
- Ben-Gurion, David, 96, 97, 98, 99, 105
- bribes
  - and high-level corruption, 38–40, 45
  - in large private firms, 40–2, 45
  - and low-level corruption, 34–8, 45
  - sexual, 50, 58–9, 61–2; *see also* sexual corruption
- Bulgaria
  - and Anti-Corruption Parties (ACPs), 270–1
- bureaucracy
  - politicized, 9, 206, 211, 216
  - professional, 144, 150, 154, 206, 221
- bureaucratic autonomy, 153–4, 208–11
- capability theory, 15
- casting couch, 51
- Chakuamba, Guanda, 120
- Chamberlain, L. J., 54
- Charles Darwin, 52

- Citizens for European Development (GERB) (Bulgaria), 270, 271, 281
- Civic Democratic Party (ODS) (Czech Republic), 279
- civil law tradition, 6
- civil liberties, 116–22, 136
- civil society, 218, 219
- clientelism, 114, 144, 152
- alternative explanations of, 213–16
  - and different clientelistic strategies, 218–20
  - and institutional arrangements, 205–13, 216–18, 220
- collective action, 7, 9–10
- and political parties, 227–30, 242–3
  - and programmatic parties, 228–9, 231, 234, 242
  - and state–society relations, 77, 88
- collective action problem, 6, 36, 38, 234, 286
- Collier, Paul, 187
- common law tradition, 6
- competition
- electoral, 113, 134, 239: and the Good Society Index, 21, 23, 27
  - institutional, 285–6
  - party, 21, 206
  - political: the case of Malawi, 119–22; and clientelism, 214–19; and democratization, 114–19
- Congress Party (India), 240
- constraints
- constitutional and democratic, 14, 19, 24
  - on elite behavior, 187–94, 201
  - formal institutional, 10, 69: the limits of, 72–6
  - informal institutional, 10
  - political, 21, 23, 27
- corruption
- control of and the Good Society Index, 20, 22, 27–9
  - definition of, 228
  - and democratization, 111–15: the case of Malawi, 119–24; democratic reform and patronage, 115–19
  - elite, 38, 39
  - and gender, 245–9: and the role of welfare state arrangements, 249–60
  - high-level, 34, 38–40
  - interaction between high- and low level corruption, 33–4, 41–5
  - judicial, 50
  - in large private firms, 34, 38–41
  - low-level, 7, 33–7
  - political, 73, 287, 298
  - politicized, 268
  - sexual, 9, 49–62
  - systemic, 33
- corruption voting, 263, 283–4
- conditions for, 10, 283–5, 297–9
  - and contextual conditions, 285–98
  - and partisanship, 289–90, 295–7
- credible commitments, 6
- Czech Republic: and Anti-Corruption Parties (ACPs), 270, 278, 279–81; decision-making, 27, 93, 94
- Declaration of Principles (DoP) (Palestine), 97
- democracy
- and rent-seeking, 150
- democratic restraints
- and the Good Society Index, 25
- democratic system
- and the Good Society Index, 25–6, 28–9
- democratization
- and corruption, 111–15: and the case of Malawi, 119–24; democratic reform and patronage, 115–19
  - and political competition, 114–19: the case of Malawi, 119–22
- Dennen, Johan van der, 52, 53
- developing countries, 9, 70, 75, 237
- Diamond, Larry, 42, 149
- diplomacy
- and sexual corruption, 49, 50, 55–62
- diplomatic bag/diplomatic pouch, 56, 59
- diplomatic immunity, 57, 59
- and sexual corruption, 49, 59–61

- eco-chamber syndrome, 26
- economic diversification, 11
- economic growth
  - and constraints on elite behavior, 192–4
  - dynamic, 192–4, 201
  - restrained, 192–4
- electoral system
  - and the Good Society Index, 21, 25, 27, 28, 30
- elite
  - extractive, 6
  - inclusive, 6, 8
- elite behavior
  - and the cases of Ohio and Kentucky, 194–201
  - constraints of, 187–94, 201:
    - see also under* constraints
  - and good government, 69–71: and the case of Sub-Saharan Africa, 75–6, 78, 82–7; and formal institutional constraints, 69–70, 72–6; and social contracts, 71–2, 76–8, 88
  - and power, 187–8: during institutional transition, 190–2; and the persistence of poor institutions, 188–90; and the role of economic growth, 192–4
    - see also* opportunity and incentive structures
- elite rotation
  - and institutional quality in autocracies, 168, 171, 173–82
  - in Russia, 181–2
    - see also* regime stability; regime duration
- Estonia
  - and Anti-Corruption Parties (ACPs), 269–70, 274–5
- expropriation, 169–74, 181
- Fatah, 101, 102, 105
- Fatherland and Res Publica Union (IRL) (Estonia), 275
- feminist organization theory, 54
  - see also* gender; sexual corruption
- Feng, Yi, 131, 139
- First Intifada, 101
- Freedom and Solidarity (SAS) (Slovakia), 273
- Fukuyama, Francis, 150, 152
- gender
  - and corruption, 245–9: and the role of welfare state arrangements, 249–60
  - and electoral accountability, 245, 259–60
- gender equality, 55, 247
  - and the Good Society Index, 20, 22
- Good Governance Agenda, 70, 71, 75, 78
- Good Society Index (GSI), 7, 16–18
  - and control of corruption, 20, 22, 27, 28, 29
  - correlates of, 18–25
  - and democratic accountability, 26
  - and democratic system, 25–6, 28, 29
  - and electoral competition, 21, 23, 27
  - and electoral system, 21, 25, 27, 28, 30
  - and gender equality, 20, 22
  - and government effectiveness, 16, 20, 22, 23, 26–9
  - and happiness, 17, 18, 129, 130
  - and human development, 19, 20
  - and internet use, 20, 22
  - and level of Democracy, 21, 24, 27, 28
  - and political system, 26, 27, 29
  - and political/administrative system variables, 27
  - and rule of law, 20, 22, 26–30
- government effectiveness
  - and the Good Society Index, 16, 20, 22–3, 26–9
- Government of India Act, 103
- Hamas, 101–2
- happiness
  - and the Good Society Index, 17, 18, 129, 130
- Hartsock, Nancy, 51
- Hernes, Helga Maria, 249
- Hobbes, Thomas, 131–2



- Hobbesian problem, 133  
 honey trap, 51  
     *see also* sexual corruption;  
     sexual harassment  
 human development  
     and the Good Society Index, 19–20  
 human well-being, 13, 130, 132, 139  
 Huntington, Samuel, 132, 150
- impartiality, 29, 93, 96
- India  
     and state-building, 96, 99–101,  
     105–6  
 Indian National Army Movement, 100  
 Indian National Congress, 99, 103  
 institutional arrangement/system,  
     4, 11  
     and linkage strategies, 205–10, 220  
 institutional competition, 285–6  
 institutional quality  
     in autocracies, 168: and asset  
     ownership, 172–3; and elite  
     rotation, 169–71  
 institutional theory of development, 29  
 institutional transition  
     and elite behavior, 190–2
- internet use  
     and the Good Society Index, 20, 22
- Irgun, 98, 99
- Islamic Jihad, 101–2
- Islamic Movements, 101
- Israel  
     and state-building, 96–9, 105–6
- Israeli Defence Forces (IDF), 98, 99
- Jackson, Andrew, 155
- Jinnah, Mohammed Ali, 96, 97,  
     103–5
- judicial  
     autonomy, 122  
     corruption, 50  
     independence, 80, 116, 176  
     process, 80  
     protection, 198  
     system, 122
- Kentucky, 194–201
- Khan, Liaquat Ali, 96–7, 99, 104, 105
- Kryder, Daniel, 133
- Labour Party (DP) (Lithuania), 276
- Latvia  
     and Anti-Corruption Parties (ACPs),  
     269–73
- Law and Justice (PiS) (Poland),  
     277–8
- leader–follower spillover effect, 69
- legal system, 6, 70
- level of democracy  
     and the Good Society Index, 21, 24,  
     27, 28  
     and life expectancy, 134  
     and meritocratic recruitment,  
     159–62  
     and probability of leader change,  
     135, 136
- Lewis, Jane, 249, 250
- lex parsimoniae, 16
- Liberal Democratic Party (Japan), 136
- life expectancy  
     and level of democracy, 134
- linkage strategies, 205–10, 220
- Lithuania  
     and Anti-Corruption Parties  
     (ACPs), 269–70, 276–7
- Malawi  
     and democracy and patronage, 119  
     and elite–ruler relations, 120: and  
     the impact of democratization,  
     121–4
- Malawi Congress Party (MCP),  
     119–21, 123
- Mandate of Palestine, 98
- Mapai (Israel), 97
- Matesa case, 154
- Mbeki, Thabo, 26
- Menem, Carlos, 235
- meritocratic recruitment  
     *see* recruitment
- misuse of public office, 50, 59, 151
- monitoring mechanisms, 4
- moral hazard problem, 5
- Mpingarjira, Brown, 120
- multiple principals, 71, 77
- Muluzi, Bakili, 121–3
- Muslim League, 103, 105
- Mutharika, Bingu Wa, 119
- mwanca incident, 120, 122

- nascent statehood  
*see* state-building
- National Democratic Alliance  
 (Malawi), 121–2
- National Democratic Congress  
 (Ghana), 117
- National Movement – Simeon II  
 (NDSV) (Bulgaria), 270–1, 281
- National Rainbow Coalition  
 (NARC) (Kenya), 117
- National Resurrection Party  
 (TPP) (Lithuania), 276
- natural selection theory, 52
- Nehru, Jawaharlal, 96–7, 99, 100,  
 101, 105, 240
- nepotism, 93, 96, 103, 105
- non-programmatic parties, 227,  
 238, 239
- North Western Frontier Province  
 (NWPF) (Pakistan), 103
- Nussbaum, Marta, 115
- Ockham's razor, 16
- Ohio, 194–201
- opportunity and incentive  
 structures, 70–7, 87, 88, 206  
*see also* elite behavior
- Oslo Accords, 101–2
- Pakistan  
 and state-building, 96, 102–6
- Palestine  
 and state-building, 96–7, 101–2,  
 105–6
- Palestine Liberation Organization  
 (PLO), 97, 101, 102, 105
- Palestinian National Authority  
 (PNA), 97, 101–2
- Paris, Roland, 133, 150
- partisanship  
 and Anti-Corruption Parties  
 (ACPs), 266–7  
 and corruption voting, 289–90, 295–7
- Party of National Unity Alliance  
 (PNU) (Kenya), 117
- Patel, Sardar Vallabhai, 240
- patrimonialism  
 in Sub-Saharan Africa, 114  
*see also* patronage
- patronage, 34, 39, 46, 77, 112, 115,  
 208–9, 212–19  
 and democratization, 115–19: and  
 democracy and patronage in  
 Malawi, 119–22
- Peronist Party (Argentina), 11, 227,  
 230, 235–7, 243
- persona non grata, 57
- Poland  
 and Anti-Corruption Parties (ACPs),  
 270, 277–8
- political competition, 114–19, 137,  
 214–19  
 low/lack of, 132, 136, 137, 215  
 programmatic, 227, 242
- political leadership  
 definition of, 94  
 during state-building, 93–4: and the  
 capability to restrain elites, 94–5,  
 105–6; and the case of India,  
 96–7, 99–101; and the case of  
 Israel, 96–9; and the case of  
 Pakistan, 96–7, 102–5; the case of  
 Palestine, 96–7, 101–2
- political parties, 6–7, 205, 227–8, 245
- Alliance for Democracy (AFORD)  
 (Malawi), 121, 123
- Alliance of a New Citizen (ANO)  
 (Slovakia), 273, 274, 280, 281
- Anti-corruption Bureau (KNAB)  
 (Latvia), 272
- Citizens for European Development  
 (GERB) (Bulgaria), 270, 271, 281
- Civic Democratic Party (ODS)  
 (Czech Republic), 279
- Congress Party (India), 240
- Fatherland and Res Publica Union  
 (IRL) (Estonia), 275
- Freedom and Solidarity (SAS)  
 (Slovakia), 273
- Indian National Army Movement,  
 100
- Indian National Congress, 99, 103
- Israeli Defence Forces (IDF), 98, 99
- Labour Party (DP) (Lithuania), 276
- Law and Justice (PiS) (Poland),  
 277–8
- Liberal Democratic Party (Japan),  
 136

political parties – *continued*

- Malawi Congress Party (MCP), 119–21, 123
- Mapai (Israel), 97
- Muslim League, 103, 105
- National Democratic Alliance (Malawi), 121–2
- National Resurrection Congress (Ghana), 117
- National Movement – Simeon II (NDSV) (Bulgaria), 270–1, 281
- National Rainbow Coalition (NARC) (Kenya), 117
- National Resurrection Party (TPP) (Lithuania), 276
- North Western Frontier Province (NWPF) (Pakistan), 103
- Palestine Liberation Organization (PLO), 97, 101, 102, 105
- Palestinian National Authority (PNA), 97, 101–2
- Party of National Unity Alliance (PNU) (Kenya), 117
- Peronist Party (Argentina), 11, 227, 230, 235–7, 243
- Pro patria (Estonia), 275
- Public Affairs (VV) (Czech Republic), 279
- Public Affairs Committee (Malawi), 123
- Reform Party (RE) (Estonia), 275
- Res Publica (Estonia), 269, 274–5, 281
- TOP09 (Czech Republic), 279
- Unión Cívica Radical (Argentina), 237
- United Democratic Front (UDF) (Malawi), 121
- Vienna Convention on Diplomatic Relations (VCDR), 56
- Young Democrats (Malawi), 122
- Zatler's Reform Party (ZRP) (Latvia), 272, 281
- Zionist Organization (ZO) (Israel), 97
- see also* programmatic parties
- political stability, 130–6
  - and the effect of regime type, 139–43
  - and level of democracy, 138–9
  - a typology, 137
  - see also* elite rotation; regime duration/stability
- political system
  - and the Good Society Index, 26–7, 29
- power
  - concentration of, 6
  - and elite behavior, 187–8: during institutional transition, 190–2; and the persistence of poor institutions, 188–90; and the role of economic growth, 192–4
  - and sexual corruption, 49–62
- power-sharing, 6, 7, 10
- presidentialism, 74
- principal-agent theory, 72–3
- Pro patria (Estonia), 275
- process tracing, 119
- profit, 34, 36, 40–4, 120
- programmatic parties, 205, 208–9, 227
  - and collective action, 228–9, 231, 234, 242
  - the emergence of, 237–42
  - and quality of government, 228–31, 242: cross-country evidence, 231–5; the example of Argentina, 235–7
- property rights, 9, 80, 149
  - and institutional quality in autocracies, 167–82
  - see also* asset ownership
- Przeworski, Adam, 137
- Public Affairs (VV) (Czech Republic), 279
- Public Affairs Committee (Malawi), 123
- quality of life, 15, 16
- Rawling, Jerry, 117
- recruitment
  - bureaucratic, 69
  - meritocratic, 9, 26, 70, 74, 75: *see also* professional accountability
  - political, 69
- recruitment regimes, 4
- Reform Party (RE) (Estonia), 275
- regime change, 4
- regime duration, 137–8, 142
  - see also* regime stability; elite rotation
- regime stability, 139, 170
  - see also* elite rotation; regime duration
- rent-seeking, 113, 151–4, 156, 172, 230–1, 238, 242

- Repse, Einars, 272  
 Res Publica (Estonia), 269, 274–5, 281  
 risk aversion, 10, 170, 174, 246  
 rule of law, 6, 69, 80–7  
     and the Good Society Index, 20, 22, 26–9  
 Rusko, Pavol, 273  
 Russia  
     and asset ownership, 181–2  
     and elite rotation, 181–2  
  
 Saksoburgotski, Simeon, 270  
 Sen, Amartya, 15, 23, 129  
 sexual bribery, 58, 61  
     *see also* sexual corruption; sexual bribes  
 sexual harassment, 51, 54, 55  
 Shefter, Martin, 208, 220  
 Slovakia  
     and Anti-Corruption Parties (ACPs), 270, 273–4  
 social contracts  
     and elite behavior, 71–2, 76–8, 88: the case of Sub-Saharan Africa, 78, 82–7  
 social order, 6  
 state capacity  
     and the Good Society Index, 22–30, 241  
 State feminism, 249  
 state intervention, 116  
 state legitimacy  
     and Quality of Government in Sub-Saharan Africa, 78  
 state-building, 150  
     and political leadership, 93–7, 105–6: and the case of India, 96–7, 99–101; and the case of Israel, 96–9; and the case of Pakistan, 96–7, 101–2; and the case of Palestine, 96–7, 102–5  
 stationary bandit, 132, 168, 169, 174–5, 181  
 Status quo agreement (Israel), 99  
 Strauss-Kahn, Dominique, 61  
 Sub-Saharan Africa  
     and anti-corruption laws, 75  
     and anti-corruption reforms, 75  
     and Good Government: the role of social contracts, 75–6, 78, 82–7  
     and patronialism, 114  
     and state legitimacy, 78  
  
 tax  
     attitudes to, 249–50  
     and the Good Society Index, 21  
     and suffrage laws in Kentucky and Ohio, 199–200  
 tax base, 168–9  
 tax exemptions, 117, 124  
 TOP09 (Czech Republic), 279  
 trafficking, 50  
     *see also* sexual corruption  
 transactional relationships, 51  
 transition  
     democratic, 8, 95, 112, 133–4, 136  
     institutional, 190–4, 201  
     political, 95  
 transparency, 9, 39, 40, 70, 75, 153, 180, 274  
 Trujillo, Rafael, 242  
 trust  
     and the Good Society Index, 21  
 tunneling, 41  
  
 Unión Civica Radical (Argentina), 237  
 United Democratic Front (UDF) (Malawi), 121  
 Uspaskich, Viktor, 276  
  
 Vienna Convention on Diplomatic Relations (VCDR), 56  
 vote buying, 43, 46, 214, 228–9, 234, 239  
  
 Weber, Max, 149, 207  
 weberian bureaucracy, 42, 149–50  
 weberianism, 150, 151, 162  
 wilsonianism, 149, 150, 151  
 Woodrow, Wilson, 149, 207  
  
 Young Democrats (Malawi), 122  
  
 Zaman, Chaudhry Khaleequz, 105  
 Zatler's Reform Party (ZRP) (Latvia), 272, 281  
 Zionist Organization (ZO) (Israel), 97