

# Political Dynasties and Poverty: Illustration of Measurement and Initial Evidence of Linkages in the Philippines

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# **Political Dynasties and Poverty: Illustration of Measurement and Evidence of Linkages in the Philippines**

## **Abstract**

A political dynasty emerges when an incumbent elected official has at least one relative in elected office in the past or the present government. In the Philippines, for example, political dynasties comprise over 70% of its Congress. The impact of political dynasties on socioeconomic outcomes such as poverty is however an empirical question. Do political dynasties exacerbate poverty? This paper presents evidence of the impact of political dynasties on poverty. The analysis of data from the Philippines finds a positive effect of political dynasties on poverty outside of Luzon.

**JEL Codes:** D70; I39; O53; P16

**Keywords:** Political dynasty; political inequality; poverty; Philippines

## 1. Introduction

This paper seeks to contribute to an emerging literature (e.g., Scholzman et al. 2012, and Gilens and Page 2014) that looks at how socioeconomic inequality could be associated with domestic political processes.<sup>2</sup> In particular, it examines the relationship between political dynasties and poverty. “Political dynasty” in this study refers to a situation in which an incumbent elected official also has relatives in elected offices in the past or the present government. Members of the same family are therefore occupying elected positions either sequentially in the same political jurisdiction (e.g. municipality, district, or province) or simultaneously across different positions. Evidently, political dynasties exist across countries; but they seem to be most prevalent in developing and “younger” democracies.<sup>3</sup>

The literature maintains that political dynasties (at, say, the local government level) could lead to a deterioration of political competition because of the concentration of political power. This, in turn, could bring about poorer socioeconomic outcomes. There are several reasons that support such view. For instance, political dynasties can intrude in the way information is transmitted from the people to the government. Tremendous reserves of political, social, and economic capital could

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<sup>2</sup> The development of various inequality measures in the social and economic spheres allowed for a deeper analysis of the root causes of inequality. See, for example, Jomo and Baudot (2007), Milanovic (2005), UNDP (2010), Ortiz and Cummins (2011), Piketty (2013), and World Bank (2006).

<sup>3</sup> The share of dynasties in various parliaments indicate that range from as low as 6% in the United States and 10% in Greece, to as high as 42% in Thailand and 75% in the Philippines. Many politicians in democratic developing countries are also spouses, children, or siblings. Consider the following partial list. Thailand: Yingluck Shinawatra and Thaksin Shinawatra are siblings. The Philippines: Gloria Macapagal Arroyo is a daughter Diosdado Macapagal; and Benigno S. Aquino III is son Corazon Aquino. Malaysia: Najib Razak is son of Abdul Razak. South Korea: Park Geun-hye is daughter of Park Chung-hee. Sri Lanka: Solomon Bandaranaike and Sirimavo Bandaranaike are spouses and Chandrika Kumaratunga is their daughter. Bangladesh: Sheikh Hasina is daughter of Mujibur Rahman; and Ziaur Rahman and Khaleda Zia are spouses. Pakistan: Zulfikar Bhutto is father of Benazir Bhutto and her husband is Asif Ali Zardari. Argentina: Nestor Kirchner and Cristina Kirchner are spouses.

deter most individuals more attuned to the needs of the citizenry from running for elected posts. Political dynasties can also weaken existing governance and accountability mechanisms in order to secure their positions. They can take advantage of state power for self-serving interests without fear of replacement or administrative sanctions. They can also use state power to influence the selection of political leaders, thereby favoring individuals (who are often relatives) and preventing the best and the brightest from serving in the government, as well as biasing policies in favor of certain elite groups and interests. This concentration of power by the political dynasties produces a non-competitive political system and, in some cases, underpins the restraints, if not the mechanisms for reversals, on growth- and equity-enhancing as well as poverty-reducing reforms.<sup>4</sup>

However, the literature also notes that political dynasties can allow for extended time horizons that not only enable immediate socioeconomic reforms but also encourage long-term policies and programs. Politicians with short and/or tenuous tenures tend to shun the difficult but necessary reforms that pay-off in the future, instead yielding to populist demands in order to improve their chances of re-election. The extended time horizons of political dynasties—notably in the local government and in a highly decentralized governance context—can thus afford them the longer reform runways necessary to pursue policies and programs that are critical to sustained, robust, and inclusive economic growth (Acemoglu and Robinson 2006; Rodrik 2007). It is possible, too, that legacy-related goals linked to their political jurisdictions drive the behavior of dynastic politicians. In this regard, a longer political tenure appears beneficial to society in the end.

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<sup>4</sup> See, for example, Lacey (1993), Cullinane (1994), McCoy (1994a; 1994b), Sidel (1997), Coronel (1998; 2007), Hutchcroft (1998), Hutchcroft and Rocamora (2003), Manacsa and Tan (2005), Teehankee (2007), Curato (2012), Mendoza (2012), and David (2013).

Given the foregoing arguments, the net impact of political dynasties on socioeconomic outcomes such as poverty is an empirical question. More specifically, do political dynasties exacerbate poverty?

To our knowledge, the earliest work on the nature of the Philippine political dynasties is that of Simbulan (1965; see also Simbulan 2005).<sup>5</sup> Our study is therefore the latest comprehensive data gathering effort to map the landscape of political dynasties in the Philippines. In this paper, we update the conceptual mapping and build up the empirical analysis of political dynasties in Gutierrez et al. (1992), Gutierrez (1994), McCoy (1994), Sidel (1997), Teehankee (2001a, 2001b), Balisacan and Fuwa (2004), Coronel et al. (2004), Monsod et al. (2004), Querrubin (2010, 2011), Capuno et al. (2012), Mendoza et al. (2012), and Ravanilla (2012). The key finding in this paper, however, is that political dynasties exacerbate poverty in provinces outside of Luzon (i.e. the main island in the Philippines where the capital city, Manila, is located), hinting at the existence of social, political, and institutional differences between the provinces in Luzon and the provinces outside of Luzon. Even as this finding is unique to the Philippines, the paper offers initial leads for analysts to pursue in future studies the links between political and socioeconomic inequality.

The rest of the paper has four sections. Following the introduction, section 2 presents a review of the literature. Section 3 describes the methodology and the data used in the analysis herein. Section 4 elaborates on the findings. The last section presents the possible implications of the findings and then concludes the discussion.

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<sup>5</sup> An anonymous referee pointed out this historical information and indicated to us other related studies in the 1990s and in the early 2000s.

## **2. Related Literature**

There exists an extensive literature on political dynasties. Most studies look at the mechanisms and processes that politicians and their families use to maintain their hold on positions of power. Few studies, however, examine the impact of political dynasties on socioeconomic outcomes. The discussion in this section looks at three aspects of the extant literature, covering the self-perpetuation in politics, the linkages between political dynasties and socioeconomic outcomes, and the role played by education and media in politics.

### **2.1 Self-Perpetuation in Politics**

There appears strong evidence on the ability of elected officials to self-perpetuate in politics. Dal Bo et al. (2009), for example, look at data on the US Congress since its establishment in 1789 to uncover the forces that bring about political dynasties. They hypothesize that political dynasties emerge because some families possess certain characteristics like political ambition and acuity, giving them persistent advantages in the political arena. They also hypothesize that political dynasties emerge because political capital and influence can be accumulated and bequeathed to family members. Their study shows that over time there is a large decline in political dynasties in the US Congress: 12 percent of legislators deemed dynastic between 1789 and 1858 to 6 percent after 1966. In addition, their regression discontinuity procedure establishes a link between longer tenures in the US Congress and the likelihood that relatives are elected into congress.<sup>6</sup> This finding

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<sup>6</sup> The authors compared legislators who barely won and barely lost their electoral campaigns: those who barely won their first re-election were more likely to have a relative entered Congress than those who barely lost their first re-election.

suggests that a politician's time in office could help build a strong image and trust that, in turn, contribute to the success of family members who might later also run for office.

Dal Bo et al. (2009) also find an inverse relationship between the presence of a political dynasty and the degree of political competition within their jurisdictions. One explanation, they posit, is that under intense political competition, political parties end up fielding non-dynastic and more talented candidates over dynastic candidates. If longer congressional tenure increases the probability of an official establishing a political dynasty, then the transmission of the office to another member of the family may be due not so much to the newer official's personal qualities but more due to connections with stronger party machinery. This setup is therefore a possible explanation why political dynasties prevail in states where political competition is weaker.

In addition, Rossi (2009) examines the persistence of political dynasties using data on both houses of the Argentine Congress. He turns to a dummy variable as a proxy measure for political dynasty (i.e., a value of one if the legislator had a relative who also served in the Argentine Senate). In order to deal with the endogeneity issue, Rossi leverages a natural experimental setting in Argentina in 1983 when shorter and longer tenures in the Senate (as mandated by the new constitution) were randomly assigned.<sup>7</sup>

Similar to Dal Bo et al. (2009), Rossi (2009) finds evidence that a longer tenure in office can increase the possibility that a relative will serve in the same office in the future. Longer tenure also

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<sup>7</sup> Previously, Argentine Senators had nine-year terms. The Argentine Constitution required the renewal of a third of the chamber every three years. In order to accomplish this, they randomly allocated one third of the senators elected in 1983 to three-year terms and another one-third to six- year terms. This exogenous assignment of terms is not associated with the characteristics of the Senators, hence serving as a viable identification strategy.

increases the possibility of a relative in a future Congress. In this regard, name recognition is an important asset in the perpetuation of a political dynasty; and, in fact, a common surname dominates the probability of establishing a political dynasty.

Asako et al. (2015), meanwhile, develop a model of the behavior of dynastic politicians with inherited political advantages. They predict that, first, dynastic candidates possess an electoral advantage over non-dynastic candidates and, second, dynastic politicians pursue distributional programs but do not promote sustained growth because spending on redistribution programs tend to be small. They validate their propositions using data on the National Diet of Japan.<sup>8</sup> To deal with the endogeneity problem, their study use the number of male children of previous lawmakers as an instrumental variable for dynastic rule, since Japanese lawmakers passed on their political seat primarily to the male children.<sup>9</sup> And their results indicate that districts electing dynastic legislators tend to enjoy larger intergovernmental transfers, yet they also display weaker economic performance. The authors argue that this pattern is largely due to the type of spending these leaders prefer, which typically focus on much smaller groups, even as they tend to bring more transfers to their districts.

Recent empirical analyses on political dynasties in the Philippine Congress arrive at similar results on self-perpetuation. Defining political dynasties in a similar way as the earlier studies above, Querubin (2010a) finds that over 50 percent of legislators in the Philippine Congress and governors

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<sup>8</sup> These results are consistent Solon et al. (2009), who studied the public education and health spending of Philippine Governors elected in 1992, 1995 and 1998. Solon et al. (2009) found evidence that incumbent governors improve their re-election chances with higher spending on economic development services. Yet this increase in spending does not necessarily mean that total human capital investments are adequate compared to the scale of need.

<sup>9</sup> During the period between 1996 and 2007, over 90 percent of Japanese politicians are male. Daughters are unlikely to form part of political dynasties. Of over 120 Japanese politicians described as dynastic, only 3 are women (Asako et al. 2015).



have a relative who was also in Congress or served as governor in the previous 20 years. He estimates that the capacity for self-perpetuation of Filipino legislators is three times higher than that of legislators in the United States (c.f., Dal Bo et al. 2009). Furthermore, Mendoza, et al. (2012) uncover evidence that political dynasties in the Philippine Congress won by much larger margins of victory, and tended to be wealthier. Nevertheless, they also find that Philippine provinces with higher levels of political dynasties also display higher levels of poverty and weaker indicators of human development. A similar study by Monsod et al (2004) also finds evidence that the presence of political dynasties is associated with higher poverty, lower per capita income, higher infant mortality and lower primary education outcomes.

Like Dal Bo et al. (2009) and Rossi (2006), Solon et al. (2009) estimate the probability of re-election, and in this case using a logit framework and panel data on Philippine governors for 1992-1998. Their results suggest that an increase in development-oriented projects (specifically expenditures on health care and public works) would tend to increase the probability of re-election, especially in the lower income provinces.<sup>10</sup> Interestingly, provincial per capita income tends to grow less in the provinces with weaker political competition, whether among rival dynasties, or between dynastic and non-dynastic candidates. This latter conclusion seems to confirm a result of Dal Bo et al. (2009) mentioned earlier.

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<sup>10</sup> Similarly, Capuno et al. (2012) analyze a panel dataset of municipalities and cities in three election years in the Philippines. They find evidence that yardstick competition in social insurance provision (i.e. more subsidized insurance coverage for the poor in neighbouring local governments) leads to an increase in coverage offered by incumbent politicians. They interpret the situation as a strategy to secure political support during elections. Analysts contend that the use of the so-called “pork barrel” funds help in increasing the chances of re-election and in perpetuating the hold on political office (Parreño 1998; Ravanilla 2012).

Schaffer (2002) studies the practice of vote buying in the Philippines, and his analysis reveals how low-income voters tend to prefer candidates and political groups that show respect and a degree of compassion to the low-income population. Thus, the advocacies of middle class groups and stakeholders that have used advertisements and leaflets to advocate against vote selling are often regarded as patronizing by low-income voters. Indeed, as Schaffer (2002) argues, these voters do not see themselves as selling their votes. It is possible that political dynasties successfully establish themselves as the patrons to poor and vulnerable communities, while still showing a measure of respect and compassion those low-income voters appreciate. And so the manner in which a candidate interacts with voters has strong influence on the outcome of an election. In other words, political dynasties have succeeded in developing, or even perfecting, the means to cultivate familiarity, or even dependence, among voters. This view is in sharp contrast to those of the non-dynastic and progressive groups, which typically advance the messages of empowerment, self-help, accountability, and voter responsibility.

More recently, Ravanilla (2012) finds evidence that political dynasties may use public funds to support allies and their relatives. His analysis of the disbursement of the constituent development fund (CDF) of legislators—the so-called “pork barrel”—tends to favor local patrons, particularly mayoral partisan allies in their districts. Such a skewed allocation of resources could also potentially weaken the chances to attain policy objectives such as poverty reduction, as argued by Mendoza, et al. (2012). Hence, self-perpetuation and (less robust) poverty reduction outcomes appear linked to each other, even as it appears that political patrons are trying to spend public funds in a “pro-poor” way.

## **2.2 Political Dynasties and Poverty**

There are few studies on the causal links between political dynasties and poverty as well as other socioeconomic outcomes. Balisacan and Fuwa (2004), for example, look at economic growth and poverty reduction in the provinces of the Philippines between 1988 and 1997 to examine a number of possible issues including the prevalence of political dynasties at the provincial level. They interpret political dynasties (measured as the proportion of provincial officials related to each other by blood or affinity) as a proxy measure for political competition—that is, reduced political competitiveness when there are more political dynasties. The initial economic conditions in their regression framework find a negative association between the initial level of human capital stock (as measured by the child mortality rate) and provincial consumption per capita. Their political dynasty variable is associated with a statistically significant negative effect on subsequent per capita income growth. Their result, they argue, is in line with the literature on Philippine politics, asserting that the country’s uncompetitive political system has become one of the major factors behind poor policies and lackluster economic performance. However, these same authors find very little evidence of a link between political dynasties and poverty at the provincial level.<sup>11</sup> The authors note that there is much scope for improving on their empirical analysis, considering that the construction of their political dynasty variable relied on interviews rather than from actual identification of political dynasties using a clear-cut definition.

## **2.3 Education and Media**

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<sup>11</sup> There was minimal reduction in poverty levels in the 1960s and the 1970s. Poverty reduction was below international standard even when poverty reduction was at its highest pace in the 1980s and the 1990s. Poverty levels in the 2000s appear to be relatively stagnant.

The political science literature also helps shed light on some of the possible reasons behind these empirical results. Teehankee (2007), for example, argues that the emergence and persistence of political dynasties stems from the highly unequal socioeconomic structure of Philippine society and the failure of the country to develop a truly democratic electoral and party system. Weak institutions and their associated outcomes—such as poor education attainment—also contribute in enhancing the political strength of small elite groups. The inability of the majority to contest the elite sets the stage for the emergence of numerous political dynasties.

The above view emphasizes how poverty and inequality operate to generate a demand for patrons. In an environment beset with aggregate economic shocks and crises, and absent a real social safety net, the poor in the Philippines have little recourse but to seek support from local patrons. This situation helps in entrenching personality-based politics and governance. Hence, political dynasties may be a manifestation of economic inequalities in the political sphere (see also Mendoza 2012).

Meanwhile, Coronel (2007) suggests that a combination of factors like wealth, popularity, political machinery, alliances, myth, and violence contribute to the formation of political dynasties. In addition, Sidel (1997) notes that Philippine politicians have to spend an inordinate amount of money to have an effective campaign because of the need to combat and/or engage in vote buying, electoral fraud, and coercion.<sup>12</sup> In turn, access to elected office opens opportunities and resources to enable political dynasties to consolidate and expand their economic and power bases (McCoy 1994a, 1994b). Coronel also argues that popularity often plays a prominent role in the

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<sup>12</sup> Querubin (2010) finds that dynastic incumbents were about 50 percent richer than non-dynastic ones.

establishment of political dynasties in the country, especially for national-level politics. Media thus plays an important role in promoting certain “personalities”, helping to solidify name recall among the electorate. Teehankee (2007) posits that the primacy of the media in elections has enabled a number of politicians to build the foundations of their political dynasties upon their projected public images. Name recall and recognition serve to cultivate the image of a candidate, reinforce political viability, and facilitate the emergence of a political dynasty. Most analysts also concede that this setup has created strong incentives for politicians to promote name recognition through various means, including by seeking to “label” programs and projects like infrastructure (schools, health centers, and roads) and transportation (ambulances and utility vans) in their names.

Indeed, the work of Schaffer (2002) underscores the importance of understanding the perspective of the poor as regards to the role of elections and voting. In what seems to be an understudied phenomenon, Schaffer utilizes focused group discussions and interviews among low-income voters in a few communities and notes the disparity in attitudes and presuppositions between the poor and the reform-minded political organizations in the Philippines. He further observes that many of the information and advertising materials seem quite patronizing to the poor, many of whom claim to be offended by the presumption that the poor are willing to sell their votes. Indeed, the study participants insist that they would like a measure of respect and compassion shown to them, by way of the candidates’ manner of dealing with voters, their political slogans and statements, and their demeanor toward the poor. Perhaps, these political interactions which are more agreeable to voters are more easily adopted and developed over time among the dynastic groups (who enjoy the benefit of extensive inter-generational political experience); and much less likely so for the non-dynastic groups. It is also likely, in our view, that reform-minded politicians

will face challenges in changing mindsets as far as patron-client relationships are concerned. Indeed, attempts to correct these long-engrained relationships appear insensitive to the conditions of the poor (Clarke and Sison, 2003).

As Sidel (1997) argues, several political dynasties owe their success to their close affiliation with more powerful political entities; but, in addition, Coronel (2007) argues that political dynasties are able to consolidate their power through mergers. Further, the consolidation of power and influence is most apparent among political clans who seek to occupy several elected positions simultaneously. These strategies enable prospective political dynasties to draw upon larger pools of resources and broaden their political influence. Take for instance the widely known boxer-turned-legislator, Emmanuel "Manny" Pacquiao, who ran unopposed as Congressman during the May 2013 elections, while his brother, Rogelio, ran for Congressman of another district, and his wife, Jinkee, for Vice-Governor of Sarangani Province. Similar actions of non-dynastic leaders appear to follow the same pattern of political power consolidation.

### **3. Methodology**

#### **3.1 Measure of Political Dynasty**

The first step in this study is to develop a proxy measure for political dynasties. To that end, this paper identifies political dynasties as elected politicians who have immediate relatives elected in the present or past government. In this paper, however, we turn to the “family name identification approach” used in previous published research, and we apply the procedure to the House of Representatives and the local government units in the Philippines. The positions considered are

the following: Congressman, Governor, Vice Governor, Mayor, Vice Mayor, Provincial Board Members, and Councillors.

In such a procedure, an elected official in 2007 (the reference year for the measure) is dynastic if the person had at least one relative elected into any of those local government positions in 2007, 2004, or 2001. Then the actual number of dynasties encumbering the top positions is determined, indicating the share of political dynasties in all these positions for each province. Hence, if there are 50 positions in a particular province and 25 elected officials belong to political dynasties, then the “dynastic share” is 50%.

The above procedure is a standard approach in literature. There are, however, several caveats worth pointing out. First, kinship relations can extend beyond consanguinity to include affinity and other relations associated with the extended family setup in the Philippines. Such dimension of kinship relations is particularly relevant when there are intermarriages between political dynasties. Second, two individuals can share the same family name yet they may not be related at all. Third, given that the coverage of the count is limited to local government officials elected during the 2001, 2004, and/or 2007 elections, incumbent local government officials that share kinship ties with local government officials elected in earlier elections are excluded from the count. Nonetheless, we argue that our estimates can still serve as minimum measures of the prevalence of political dynasties in the Philippines.<sup>13</sup>

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<sup>13</sup> Consultations with key resource persons familiar with the local context and ground-level politics can help address such problems. Querrubin (2010; 2011), however, notes that datasets that include middle names in the compilation turn out to give similar results to datasets that restrict to family names only.

### 3.2. Empirical Analysis

The operational model of the study is

$$POVERTY_t = a + b POVERTY_{t-1} + c (\ln IRA_{t-1}) + d DYNASTICSHARE_{t-1} + e LUZON + f LUZON * DYNASTICSHARE_{t-1} + u_t \quad (1)$$

where  $POVERTY_t$  is the 2012 poverty incidence among families;  $POVERTY_{t-1}$  is the 2009 poverty incidence among families;  $IRA_{t-1}$  is the 2009 provincial internal revenue allotment (IRA);  $DYNASTICSHARE_{t-1}$  is the 2007 proportion of local government elected positions who are political dynasties; and  $LUZON$  is a dummy variable (1 for provinces in Luzon and 0 for provinces in the Visayas and Mindanao); and  $u_t$  is a residual.<sup>14</sup> Equation 1 controls for the effect of national government transfers to local government units on the relationship between dynastic share and poverty by including the  $IRA$ —that is, the variability in the flow of resources is expected to influence the manner in which political dynasties affects poverty incidence. Table 1 presents the sources of data, and Table 2 contains the summary statistics.

The analysis relies on the beta-binomial maximum likelihood estimation (MLE-BB) procedure for determining the relationship between political dynasties on poverty. This procedure accounts for the heteroskedasticity in the dependent variable (given its values are in proportions between 0 and 100) to obtain estimates that are not only consistent but are also easier to interpret. The OLS results

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<sup>14</sup> Luzon, Visayas, and Mindanao represent the three main island groupings in the Philippines.



are reported for completeness. Given the nature of the data political dynasties, OLS standard errors are larger than expected and the likelihood of a Type II error is increased. OLS estimate could get the wrong signs; but, more importantly, their values could violate the bounded nature of proportions. The MLE-BB procedure, in essence, takes into account the nature of the data and consequently obtains estimates that are more consistent.

Equation 1 could obtain one of two results. On the one hand, political dynasties as represented by dynastic share could have a strong positive association with poverty. This expectation draws from the view that an increase in political dynasties implies a decrease in political competition, in turn reflecting a tendency for stronger concentration of political power and possibly weaker accountability. On the other hand, political dynasties might also possess a long runway for reform, as well as legacy motivations, in turn suggesting a negative relationship with poverty. That is, due to their long runway for policy reforms, political dynasties could be more successful in sustaining reforms and investments as well as reducing poverty. This conundrum is what we seek to address in the empirical analysis. Table 1 presents a summary of the variables and the sources of data. Table 2 contains the summary statistics for the selected variables.

**[INSERT TABLES 1 AND 2 HERE]**

#### **4. Do Political Dynasties Bring about More Poverty?**

Table 3 summarizes the regression results from the OLS and the MLE-BB regression procedures for the full model with an interaction term. Table 4 summarizes the regression results without the interaction term.

The results in Table 3 suggest that the presence of political dynasties is positively associated with poverty in some areas of the Philippines – specifically, areas outside of Luzon. The removal of the interaction term, however, obtains a different result, which indicates that political dynasties do not exert a significant influence on poverty. Together, the results suggest that the relationship between political dynasties and poverty is more pronounced in provinces outside of Luzon. It is possible that unobservable characteristics obscure the hypothesized positive relationship between political dynasties and poverty in Luzon.

Tables 5 and 6 answer the hypothesis posed in the study. Table 5, in particular, suggests that political dynasties do not exert a significant influence on poverty in Luzon. In other words, the evidence suggests that political dynasties in Luzon neither exacerbate nor reduce poverty. In contrast, Table 6 suggests that political dynasties exert a significant and positive influence on poverty in Visayas and Mindanao. Moreover, the results indicate that political dynasties exert a more pronounced influence on poverty than IRA does, albeit the IRA variable is significant in the analysis of the Luzon-only dataset but not significant in the analysis of the Visayas and Mindanao dataset.

**[INSERT TABLES 3, 4, 5, AND 6 HERE]**

These findings suggest that, at least in the case of the Philippines, there is an interrelationship between geography and institutions in the determination of socioeconomic outcomes such as poverty. Like Rodrik and Subramanian (2003), the findings imply that well-functioning institutions can lead to substantial improvements in socioeconomic outcomes. Similar to Bosker

and Garretsen (2009), too, the findings imply that the quality of institutions in one region could spillover to the other regions. If so, undesirable socioeconomic outcomes are expected if the prevalence of political dynasties is a symptom of institutional failure and related weaknesses (Rocamora 1998). De Dios (2009) adds that the quality of public goods and public policies is likewise determined by the nature of prevailing political institutions and the heterogeneity of interests that could influence these institutions. Within this context, the findings are due in no small part to differences in the level of development of institutions that emerged in the provinces in Luzon relative to those that emerged in the provinces in Visayas and Mindanao. Institutions that foster desirable economic outcomes are much more developed in the provinces in Luzon given their proximity to the National Capital Region (NCR), which is not only the center of education, research, civil society, and media but also the center of political (i.e., national government) and economic (i.e., commerce and trade centers) powers in the country. Advances in the NCR naturally spill over in the immediate surrounding provinces.

Moreover, Luzon also happens to include the National Capital Region (NCR), Regions 3 and 4A (or collectively the national capital metropolitan region) that generates a substantial portion of the country's GDP. Infrastructure development is historically concentrated in those areas. Substantial amounts of investments—both foreign and domestic—and jobs are concentrated there as well. One can argue that people in the rest of Luzon can easily migrate to the metropolitan region and obtain alternative livelihoods, regardless of the political situation in their home provinces. This option is not readily available to people in the Visayas and Mindanao given their geographic isolation as separate island clusters.

Thus, the role of political dynasties in improving socioeconomic outcomes through livelihood and other economic activities can have different impacts in Luzon than in other parts of the country. Additionally, socioeconomic outcomes in dynastic areas outside of Luzon could turn dismal because the local monopolies in transport, utilities, and the like that were created by dynastic families created not only restrain local economic activities but also restrict economic opportunities for the people, including the option of migration. It is of note that ties between dynastic politics and protected (and often monopolistic) business interests are common in developing democracies.<sup>15</sup>

## **5. Conclusion**

This paper analyzed the impact of political dynasties on poverty in the Philippines. The results suggest that the greater prevalence of political dynasties implies greater poverty in the provinces outside of Luzon.

The findings are suggestive of the presence of deep social, economic, and institutional differences in the Philippines, especially between provinces in Luzon and the provinces outside Luzon. In a way, the presence of relatively more developed institutions in Luzon and the concentration of economic and political power in the National Capital Region (NCR), could either obfuscate the impact of political dynasties on socioeconomic outcomes such as poverty or alter the underlying

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<sup>15</sup> According to Namunane and Nzioka (2014), people with political connections control more than half the wealth in Kenya. Mandhana (2014) report that about half of the ministries of the Indian state of Punjab is controlled by the Badal family. Feng and Johansson (2013) found that upon entering politics, entrepreneurs that are more intrepid started to enjoy opportunities like preferential tax treatments, additional government subsidies, and greater access to regulated industries.

relationship entirely. More specifically, a concentration of economic opportunities in the NCR could be viewed to have the capacity to absorb surplus labor from neighboring provinces. This, in turn, serves to reduce unemployment and spur economic development despite the prevalence of political dynasties. Alternatively, proximity to the NCR could alter the behavior of political dynasties. The brisk pace of economic growth in the NCR would reveal the underperformance of any errant local government officials in nearby provinces. Local government officials would thus be more inclined to perform at a level that would spur greater levels of development in their respective jurisdictions. Any perceived inability to meet expectations set by the proximity to the NCR would result in shorter tenures in office.

In contrast, the isolation of more remote provinces affords political dynasties some measure of insulation from political and economic competition and thereby allows them to consolidate power and ensure their continued survival without promoting necessarily desirable and inclusive economic outcomes. In effect, the results hint of processes that promote the uneven pattern of development in the Philippines. Formulating context-specific socioeconomic interventions are relevant in this kind of setting. Policymakers must be cognizant of the myriad of institutions that play a role in shaping the sociopolitical cleavages and dynamics of each region.

The development and subsequent preservation of institutions designed to serve as mechanisms of accountability and as safeguards against abuse and elite-capture are essential to efforts designed as ensuring the capacity of the government to provide the public goods and services necessary for economic progress. The findings therefore reiterate the importance of situating national government interventions within the proper geographic context. The efficacy of a national government intervention would be hugely dependent on the set of institutions that underpin the

sociopolitical dynamics of that particular locality. National government interventions that fail to account for provincial-level or regional-level sociopolitical idiosyncrasies could not only prove wasteful, but also lead to unintended and undesirable consequences.

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**Table 1: Variables in Dynasties into Poverty Regression**

<b>VARIABLE DESCRIPTION</b>	<b>SOURCE OF DATA</b>
Poverty Incidence, 2009 and 2012	National Statistics Coordination Board (NSCB)
Internal Revenue Allotment (IRA), 2009	Department of Budget and Management (DBM)
Dynastic Share, 2007	Estimated from Official Election Returns; raw data from the Commission on Elections (COMELEC)
Luzon dummy	Generated Using Official Provincial Archipelagic Designations from the Department of Interior and Local Government (DILG)

**Table 2: Summary Statistics for Regression Variables**

	<b>Mean</b>	<b>Standard Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Poverty Incidence, 2012	27.06%	13.67%	2.55%	67.30%
Poverty Incidence, 2009	28.34%	13.15%	2.24%	60.32%
IRA, 2009	953.67	502.89	324.10	3405.60
Dynastic Share, 2007	36.66%	9.60%	4.58%	58.55%

Source: Authors' calculations



**Table 3: OLS and MLE-BB Regression Estimates Using Model with Interaction Term**

	OLS	OLS s.e.	MLE-BB	MLE-BB s.e.
Poverty Incidence 2009	0.721 ***	0.090	4.008 ***	0.477
Ln of IRA 2009	0.046 *	0.024	0.231 *	0.128
Dynastic Share 2007	0.299 *	0.152	1.305 *	0.748
Luzon Indicator Variable	0.049	0.072	0.249	0.370
Luzon & Dynastic Share Interaction	-0.272	0.191	-1.381	0.971
Constant	-0.327**	0.164	-4.120 ***	0.868
Number of Observations	74		74	
Overall Model P-Value	F-Test P-Value: 0.000		Chi-Squared P-Value: 0.000	
R-Squared	0.7376		N/A	
Adj. R-Squared	0.7183		N/A	
AIC	-172.503		-176.225	

Note: "s.e." is standardized error. \* Significant at  $\alpha=0.1$ , \*\* Significant at  $\alpha=0.05$ , \*\*\* Significant at  $\alpha=0.01$

**Table 4: OLS and MLE-BB Regression Estimates Using Model without Interaction Term**

	OLS	OLS s.e.	MLE-BB	MLE-BB s.e.
Poverty Incidence 2009	0.855 ***	0.071	4.671 ***	0.385
Ln of IRA 2009	0.027	0.219	0.141	0.121
Dynastic Share 2007	0.920	0.098	0.361	0.511
Constant	-0.188	0.159	-3.480 ***	0.870
Number of Observations	74		74	
Overall Model P-Value	F-Test P-Value: 0.000		Chi-Squared P-Value: 0.000	
R-Squared	0.712		N/A	
Adj. R-Squared	0.700		N/A	
AIC	-169.625		-174.073	

Note: "s.e." is standardized error. \* Significant at  $\alpha=0.1$ , \*\* Significant at  $\alpha=0.05$ , \*\*\* Significant at  $\alpha=0.01$

**Table 5: OLS and MLE-BB Regression Estimates Using Luzon Data Only**

	OLS	OLS s.e.	MLE-BB	MLE-BB s.e.
Poverty Incidence 2009	0.781 ***	0.083	5.239 ***	0.532
Ln of IRA 2009	0.061 ***	0.022	0.370 ***	0.134
Dynastic Share 2007	0.079	0.092	0.510	0.553
Constant	-0.411 **	0.163	-5.362 ***	0.991
Number of Observations	36		36	
Overall Model P-Value	F-Test P-Value: 0.000		Chi-Squared P-Value: 0.000	
R-Squared	0.825		N/A	
Adj. R-Squared	0.809		N/A	
AIC	-107.423		-110.702	

Note: "s.e." is standardized error. \* Significant at  $\alpha=0.1$ , \*\* Significant at  $\alpha=0.05$ , \*\*\* Significant at  $\alpha=0.01$

**Table 6: OLS and MLE-BB Regression Estimates Using Non-Luzon Data Only**

	OLS	OLS s.e.	MLE-BB	MLE-BB s.e.
Poverty Incidence 2009	0.656 ***	0.173	2.946 ***	0.716
Ln of IRA 2009	0.029	0.047	0.119	0.193
Dynastic Share 2007	0.295	0.188	1.295 *	0.780
Constant	-0.193	0.303	-2.970 **	1.257
Number of Observations	38		36	
Overall Model P-Value	F-Test P-Value: 0.0001		Chi-Squared P-Value: 0.000	
R-Squared	0.461		N/A	
Adjusted R-Squared	0.414		N/A	
Akaike Information Criterion	-73.047		-74.043	

Note: "s.e." is standardized error. \* Significant at  $\alpha=0.1$ , \*\* Significant at  $\alpha=0.05$ , \*\*\* Significant at  $\alpha=0.01$