Chapter 5

Clientelism as Political Monopoly

5.1 Introduction

Some elections, especially in the Third World, are almost literally an exercise in “Brechtian democracy” whereby the government dissolves the people and elects a new one. During the process, government officials scrutinize the track record of the populace to see how much those aspiring citizens behaved with the ruling party’s interest at heart. The election rallies are an opportunity to see up close the degree of loyalty of the masses and, since democracy needs accountability, once the returns are in, underperforming citizens are shown the door, either by firing them from their public sector jobs, or denying them access to certain services. The results are impeccable. Whereas in an ordinary democracy, the government that emerges mirrors the preferences of slightly more than 50% of the population (percentages above 60% are called landslides), in these other democracies the electoral returns are far more impressive: often more than 90% of the elected people can be considered a reliable supporter of the incumbent.

While this description might conjure images of totalitarianism, similar patterns are discernible in clientelistic democracies. True, the national elections of clientelistic countries rarely fit the implacable pattern of incumbents winning with
more than 95% of the vote, but local clientelistic machines manage to reelect themselves with clockwork regularity and overwhelming majorities. Clientelistic regimes do not usually resort to violence as a tool of control the same way dictatorships do but their citizens are subjected to smaller threats, less intimidating but sometimes more pervasive, threats of being fired, of having the public works program scaled back, of being bumped down a waiting list.

Thus clientelism mocks the idea that in a democracy ultimate power resides with the people. In fact, the contemporary client of a political machine is a direct descendent, often also in the strictly familial sense, of the subordinate party in patron-client relations of feudal and semifeudal societies. Whereas in the past the patron would provide security in exchange for loyalty and services, modern political clientelism seems to follow a similar pattern except that this time the loyalty takes the form of electoral support and instead of security, patrons offer resources garnered from the public sector. It would seem as if, while the forms of exchange and its asymmetries of power remain, only its material contents changes.

Believers in the power of institutional reform may find here a sobering lesson on how social mores assert themselves in the presence of putatively profound constitutional changes. Arguably, this substantive lesson carries over to methodological questions. If established practices that operate, so to speak, behind the citizens’ backs can have such a powerful influence over the efforts of those same citizens to change their forms of government, one has reason to wonder about the wisdom of an approach that sees individuals as the main explanatory categories. This much has been argued by critics of rational-choice theory. For instance, for Weyland (1996), rational-choice theory is ill-equipped to study clientelism because, by design, it places the main explanatory burden on free-standing agents at the expense of a nuanced understanding of the structures that constrain their action.¹

¹Basic institutional structures are not flexible products of choice that adapt easily to changes in actors’ preferences and power capabilities. Rather, they are resilient and persistent in shaping the definition of individual interests and setting parameters of political behavior. Indi-
This chapter can be read as an attempt to refute this criticism with a concrete example. The charge that rational-choice theory ignores the role of social structures has been raised at many different levels, some of them involving highly abstract conceptualizations within social theory, and this is not the place to discuss such arguments. Instead, for the present purposes it seems more useful to discuss specifically what the role of clientelistic structures is in shaping individual agency and, given this role, what can be learned about clientelism from a game-theoretic perspective.

A satisfactory analysis of a clientelist system must examine how it affects its members’ possibilities of engaging in collective action. Seen in this light, the causes and consequences of clientelism can be brought into sharper focus with the aid of the tools I have discussed in the first part of this book.

Although it is nowhere written in the theoretical canon, rationalist models of collective action often assume that collective action is the realm of politics in “extraordinary times.” At least this is the impression one would get from the many models of public goods, tipping games and focal points that refer to protests, insurgencies, and revolutions. Without any individual author intending it, rational-choice theories of collective action rarely speak to problems of “politics as usual.” Against this backdrop, it may seem odd to use tools from the study of collective action to understand the everyday workings of political clientelism. Yet, political clientelism is, ultimately, the outcome of a sophisticated collective action problem.

5.2 Clientelism in Society and in Politics

Political clientelism has been defined in many different ways. Even in the analytically oriented literature we find significant conceptual diversity. For Robinson and Verdier (2001), clientelism means that politicians distribute to voters goods that are reversible, rather than permanent. For Estévez and his individual actors operate inside these institutional constraints. Contrary to rational choice’s methodological individualism, these constraints should be the starting point of political analysis” (Weyland, 1996, pg. 4).
sociates (Estévez, Magaloni and Díaz-Cayeros, 2002), it means that politicians distribute goods to individual voters, instead of distributing public or club goods. For Wantchekon (2002), it means that politicians offer voters concrete benefits in the lead-up to elections, rather than promises of programmatic benefits that will materialize after the election. For Lyne (2001) and for Brusco and her associates (Brusco, Nazareno and Stokes, 2002), it means that politicians use the criterion of expected political support rather than more abstract criteria of identity of need to decide which citizens get what.

Interestingly, all these definitions of clientelism choose as benchmark a notion about what a perfectly competitive electoral system would do. This is hardly surprising since much of the interest on clientelism in recent years has been spurred by the remarkable differences between the performance of advanced industrialized democracies and those in the developing world or of recent consolidation. Thus, scholars have used the term “clientelism” to capture some of these differences in recent studies of Argentina (Auyero, 2001; Brusco, Nazareno and Stokes, 2002; Levitsky, 2001; Szwarcberg, 2001), Brazil (Gay, 2001, 1998; Hagopian, 1996; Mainwaring, 1999), Mexico (Fox, 1994; Estévez, Magaloni and Díaz-Cayeros, 2002), Peru (Stokes, 1995), Bulgaria (Kitschelt et al., 1999), Russia (Van Loo and Taran, 2001), Benin (Wantchekon, 2002) and Vietnam (Malesky, 2001).

I share with this literature the belief that, for clarity’s sake, we should compare clientelism with a “pure” type of democracy, even if no such thing exists on the face of the earth. Ostensibly, politics in clientelistic societies differs greatly from a well-functioning democracy, however defined. But I also believe that we do not take full advantage of this methodological procedure if we limit our comparison to the specific nature of exchanges and promises in the two types of polities compared. We run the risk of mistaking the symptom for the disease.

Nothing in the definition of a democracy says that politicians cannot or will not compete by offering personalistic benefits to their supporters, or by making promises contingent on each individual’s vote, or by providing private goods in the
lead-up to the election. When we describe a “pure” democracy as a system where politicians compete through programmatic appeals, focusing on public goods at the expense of private goods, we are, perhaps inadvertently, conflating the specific rules for electing a government (democracy) with an elaborate set of practices in a polity, practices that remain, for the most part, unspecified.

If there is one lesson that anthropologists and sociologists have taught those of us who think about political clientelism, it is that political clientelism never appears ex nihilo; it always emerges against the background of a society that is already clientelistic in other nonelectoral, and even nonpolitical, realms.² The patron-client relations we observe in electoral politics are little else than a late addition to a long list of patron-client relations prevalent in security provision, labor exchange, appropriation of agricultural surplus, conflict resolution and personal loyalties.³

This leads me to side with sociologists such as Eisenstadt and Roniger (1980) who claim that all these exchange patterns emerge from the same type of power relations. As in other types of clientelism, in political clientelism one of the parties has privileged access to a set of resources that he (more often than not, patrons are males) can grant or deny to the client at his discretion. This discretion is a source of power since it allows the patron to impose several constraints on the client’s behavior. The resource exchange in clientelistic systems in general, and in political clientelism in particular, owes its form to a deeper structure of resource control. But, beyond this, political clientelism can occur even if the resources exchanged and the resources controlled are not the same.

Clientelism can be likened to a monopoly in an economic market with the patron occupying the role of a monopolist with the power to extract a surplus from the customer. Students of clientelism on the ground may cringe at the comparison, given all the differences there are between the exchange

²I owe this crucial point to a discussion with Federico Estévez.
³See, for instance, the models of clientelism discussed by Lemarchand and Legg (1972) and Eisenstadt and Roniger (1980).
within patron-client relations and the exchange between monopolists and customers. For instance, sociologists have observed that patron-client relations display traits of personal proximity between both parties that we would rarely expect and observe in an economic market.⁴ Such differences speak to a related and important, but ultimately different, issue: each relation’s source of legitimacy. The ideal type of monopoly that populates economics textbooks does not depend upon any legitimacy other than the one that emanates from the monopolist’s property rights, enforced in a court of law, if needed. In contrast, patrons often need to nurture their own legitimacy through an elaborate set of practices. Important though these differences are, they should not distract from the fact that both the monopolist that owns, say, a country’s only railroad, and a patron that is the sole provider of security and conflict adjudication enjoy a position of power vis-à-vis the agents with whom they deal. Just as monopolists can use their power to charge prices higher than the cost of the goods they provide, patrons can use theirs to extract from their clients resources, material or otherwise.

In economics, pure monopolies are hard to come by. Much more common is the case of contestable monopolies, that is, monopolies that are always threatened by the potential entrance of a challenger.⁵ Likewise, it is misleading to think that patrons do not need to be mindful of the possibility of being displaced by another would-be patron.⁶ In practice, there are few resources and services such that the existing patron is the only one able to dispense them, be they protection from marauding gangs, access to a grain elevator, transfers of

⁴See, for instance, the studies of Clark (1994) on clientelism in American cities.
⁵The concept of contestable monopoly has a long history in economics, Baumol, Panzar and Willig (1982) being its classic presentation.
⁶I am not the first to use the analogy of contestable monopolies to think about politics. A long tradition within “Chicago’s political economy” has done the same. A recent exponent is Casey Mulligan and i Martin (2004) and an older source is Stigler (1971). Despite this commonality, my approach in this book differs from that tradition in many other aspects, especially in our attitudes towards the Olsonian view of organized interests.
food and clothing or jobs in the public sector. Like the economic monopolist, the patron needs to forestall the entry of a competitor that could offer the same resources under less onerous conditions.

In this sense, there is a difference, if not in kind, then at least in degree, between political clientelism and the other expressions of clientelism to be found in society. Operating in a context of electoral competition, political clientelism is always subject to an explicit set of rules that institutionalize contestability. If a patron’s monopoly comes from being an elected official, in principle he can be stripped of his powers by an action of his very own clients: a vote for an opponent in a contested election. Even in environments without election, one could think of parallel instances of contestability in, say, the monopoly enjoyed by a protection racket in a community without state-provided police services. But it is fair to say that the electoral mechanisms for demoting a patron are much more fluid and transparent than the mechanisms for switching from one Mafia-style organization to another.

5.3 Contestability and Entry Deterrence in Political and Economic Monopolies

For all the powers a monopolist may enjoy, there is one whose extent is very debatable: the power to keep would-be competitors at bay. In economic competition, barring illegal interferences with the operation of other businesses, it seems as if there is only one way in which the monopolist can manipulate the price and quality of his goods to avoid contestation: providing goods at a price so low and a quality so high that customers do not need to switch to another firm. But if the mere prospect of contestation forces the monopolist to behave as in a competitive environment, one is left wondering what is the real power of the owner of a contestable monopoly. In the tradition of economic and legal analysis initiated by Posner (1976) and Bork (1979), a firm’s inordinate share of the
market does not constitute evidence of an abuse of monopoly power; such a share may simply be the result of that firm being the best possible provider.

Aghion and Bolton (1987) have shown that this argument is less general than it may appear. Consider, for instance, a customer about to sign a contract with a monopolist. In a contestable market, the theory claims, the monopolist cannot overcharge, threatened as he is by a potential challenger, able to produce the same good at a lower cost. But, in an uncertain world, the customer knows there is a risk that the incumbent is the best possible provider of the good and will, then, be able to overcharge, at least up to the price the higher-cost challengers would offer. Facing that risk, the customer is willing to enter into an exclusive-dealing contract that stipulates two different prices, one if the customer remains with the incumbent, and the other a “switching fine” that the customer pays if she decides to take her business elsewhere. Contrary to the canonical doctrine on contestable markets, this contract is both acceptable to the customer and able to deter the entry of some low-cost challengers. By accepting to pay a “switching fine,” the customer gives up part of the surplus she could obtain from dealing with a low-cost challenger but, in return, avoids being fully exploited by the monopolist if such challenger does not exist. Uncertainty about the challenger’s entrance is also a source of power for clientelistic incumbents only that here, unlike what happens in the Aghion-Bolton model, such uncertainty is endogenous because a challenger succeeds only if he wins the election, something that depends on actions the “customers” themselves must take.

Suppose that a patron monopolizes the access to a resource useful to the voters, say, jobs in the public sector, slots in the local schools, good beds in the town’s hospital or swift adjudication of conflicts in the local courts. In light of the debates on contestable markets, we should not hurry to conclude that this monopoly will give him a special advantage in winning elections unless we have a clear, logical argument. Such an argument is possible thanks to the models of exclusive dealing.
Although experience suggests that clientelistic patrons are often reelected, the Posner-Bork criticism cautions us about inferring from this some abuse of democratic mechanisms. A clientelistic patron may be consistently reelected simply because he is better than the alternatives at providing goods and services. If we want to know if clientelism, by itself, gives patrons an advantage, we must eliminate this possibility and assume instead that both the patron and the challenger are just as efficient in administering the public resources (although, of course, they may follow different allocation rules). That way we can be sure that whatever reelection rates result from our analysis are not because of some intrinsic, unobserved, “better” quality of the patrons but to the mechanisms through which clientelism distorts the putative equality of conditions for participants in an electoral process.

Another possible explanation for the patrons’ high reelection rates could be that, whereas challengers offer programmatic appeals and public goods, the patrons’ campaigning strategies focus on personalistic transfers and private goods. Although consistent with the observed patterns of clientelism, this explanation, which assumes a difference in nature between patrons and challengers, is ad hoc and unconvincing. Analytically, we should assume that, when it comes to making offers to the voters, both candidates have the same battery of strategies at their disposal.

This already introduces a distinction between resource control and resource transfer. Although the candidates are identical in their freedom to choose the type of transfers they want to offer, they differ because it is the patron, not the challenger, who is the one who controls a resource the voters need. Close observers of clientelistic polities continuously report that the patrons offer private goods to their supporters, such as small amounts of food, construction materials, etc. But other candidates could also make offers of the same type, and many often do. What makes the patron a patron is his control over some other resource that is beyond the challenger’s reach.

It is not self-evident how the patron can use his monopoly to improve his prospects in a contested election. Many of the
resources he controls are typically dispensed by the state so his control over them depends on his ability to retain elected office. Thus, it would seem as if the patron of a political machine has no special advantage. Voters can simply vote against him if they so wish, and, if enough of them do so, he will lose the privilege of dispensing patronage. The patron, however, has at hand a resource challengers do not have: a political version of exclusive-dealing contracts.

To visualize how such contracts work in a clientelistic monopoly, consider an extreme, unrealistic case in which the patron can observe perfectly the individual voting decision of every voter, whereas the challenger cannot do so. Then, the patron could offer voters access to the resource he monopolizes conditional upon each voter’s decision in the voting booth and the patron’s electoral victory. Unlike regular elections, here voters that receive a better offer from the challenger do not automatically vote for him because they have to weigh the risk that with this choice, they would lose the resource monopolized by the clientelistic machine, should the patron win.

Then, the patron’s power to retaliate against voters who do not support him is the source of his advantage. How plausible is this situation? In countries yet to adopt the Australian ballot, the assumption of perfect monitoring closely approximates reality. But even in other countries, what matters for our purposes is that incumbent politicians can induce in each voter the belief that her expected payoff depends on her individual voting choice, not just on the electoral results. In programmatic politics the opposite is true: each voter’s fate depends only on the aggregate results of the election, not on how she votes. In joint work with Susan Stokes (Medina and Stokes, 2001), we offer the example of a small city in Northeastern Argentina, where a local magnate controlled employment opportunities for and services to much of the population and threatened to retaliate against suspected defectors if his preferred candidate lost: voters consistently elected this candidate, even against popular opponents.

As holdovers of other patron-client systems in society, political machines do not only operate on election day. A ma-
chine at peak performance constantly has people on the ground gathering information about the voters’ individual choices. At the very least, the threat of being denied access to crucial resources forces voters to act as “spontaneous” campaigners for the patron, giving the impression in public that they will vote for him. So, as voters conduct their informal polls through everyday talk, they find that the candidates in control of key resources have an electoral edge. With their individual livelihood depending on them, voters take these informal polls as seriously as they take more “scientific” ones (if not more so). Patrons thus enjoy extra “campaign resources” unavailable to their opponents.\footnote{I know firsthand that in Colombia, in the public sector of the 1970s and 1980s, employees had to be very mindful about giving the “right” impression when it came to discussing for whom they would vote. Although American audiences are not always attuned to this argument, in my experience it immediately resonates with audiences of other countries in the developing world (at least in Latin America, where I have had the chance to present it).}

The monitoring of voters’ choices is never perfect but the patron can use his informational advantage to get the support even of voters that would otherwise vote for the challenger. This information undergirds the patron’s ability to retaliate against “faithless” voters, something that in turn, bolsters his electoral fortunes.

Given the role this kind of monitoring plays in a clientelistic polity, it is reasonable to expect challengers to invest substantially in acquiring them as well. After all, quite often alternation in power in clientelistic countries is, by and large, alternation between political machines. Thus, in this analysis I will assume that both the patron and the challenger can monitor, up to some degree, the voters’ decisions and deliver punishment accordingly. But, by the same token, we need an analytical framework where the candidates differ in their ability to monitor. The monitoring capacities of a clientelistic patron are not a mere asset that can be acquired overnight in a spot market. They are the result of entrenched patron-client relations extending back in time and across the social life of the citizenry. It is plausible to assume that one can-
Candidate, which for the sake of argument I will assume is the incumbent, has a more efficient machine, with better abilities to intrude into people’s voting decisions and, for that reason, better monitoring capacities. This will give the incumbent an advantage: his threats will be more intimidating.

5.4 Clientelism and Collective Action

When a patron threatens voters who defect from him, his threats are hollow unless he wins the election. Voters who prefer the challenger’s offer could defeat him if they are a majority. But they face a typical coordination problem. No voter can unilaterally defeat the patron and if anyone tries to do so without the cooperation of others, she will lose access to the resources controlled by the machine. Would-be opponents play a “threshold game.”

This coordination problem has been repeatedly recognized in the literature on clientelism with Fox (1994), Díaz-Cayeros, Magaloni and Weingast (2000) and Lyne (2000) being some recent examples. But with the conventional tools of the rational-choice theory of collective action, we reach the same dead-ends already discussed. Not having an operational comparative statics for it, not being able to make any ex ante probabilistic predictions about the success or failure of voters’ coordination, we are reduced to developing ex post narratives about the downfall of particular clientelistic machines instead of developing a general theory of clientelism.

Without an operational theory of collective action, we cannot know how political clientelism reacts to changes in its economic and social environment. In contrast, the formalism I proposed in the previous chapters allows us to make such operational statements about the severity of the collective action problem, i.e., the likelihood of its resolution as a function of its environment.

I will illustrate this advantage by developing a model of clientelism and will show how this approach leads to general conclusions about the political economy of these regimes, conclusions that cannot be obtained with the standard tools of
collective action theory. With this model we can understand regularities of clientelism that, although empirically robust, have eluded many attempts at theoretical explanation.

Economic development erodes the political power of patrons. In the felicitous coinage of Auyero (2001), clientelism is “poor people’s politics” (although there are always Chicago and Boston (Clark, 1994)). But, by themselves, the data will not tell us if a deep causal connection runs between a country’s prosperity and the demise of its clientelistic strongholds, or if the connection between poverty and clientelism requires other conditions, or if different types of economic development have different effects over clientelism, or even if there is no real connection but just a spurious correlation. Only a rigorous analytic account can answer these questions. The model that follows explores this problem from an analytical point of view and shows that, in fact, ceteris paribus economic development of some specific kind can alleviate the coordination problem faced by clients, thus reducing the patron’s electoral advantage.

Clientelistic polities tend to have bloated public sectors and to afford a relatively small role to universalistic policies of income redistribution. This is no accident. The combination of bloated bureaucracies and scant safety nets (except the ones that can be targeted to proven political supporters) creates an environment where clientelistic machines increase their power over their voters. But only an operational treatment of the collective action problem inherent in clientelism can turn this argument into a precise theory, a theory with which to study, say, the impact of different types of public sector spending over the stability of clientelism.

An analysis colored by tipping models, or public goods, or focal points, can point to the existence of this collective action problem and the sufficient conditions for its solution, but cannot assess its severity or the variables that modify it. As such, it cannot clarify the effects of economic development or the size of the public sector over the stability of a monopoly.
5.5 A Politico-economic Model of Clientelism*

In light of the previous discussion, a parsimonious model of clientelism needs the following elements:

1. A political monopoly over some specific resource, a monopoly whose continuity is contingent on electoral victory.

2. A gap between the monitoring capabilities of the candidates, the patron being the one who has an advantage in gathering information about the voters.

3. A vast latitude in the candidates’ ability to make proposals, so that the effects of the clientelistic monopoly are not confused with possible effects of some arbitrary ideological difference between the candidates.

The model in this section captures these three elements and draws their implications. Property 3 implies that this model belongs to the category of “divide-the-dollar” electoral games, where two candidates compete for elected office by offering each voter a share of some resource (e.g., national income). This means that both candidates can offer, if they so wish, purely personal transfers to the voters, independent of any ideological or programmatic commitment to a universalistic rule.

While the practice of transferring private goods is pervasive in every clientelistic polity, we should not consider it the difference between clientelistic democracies and the rest. Rather, Properties 1 and 2 offer a better characterization of clientelistic democracies. In clientelistic electoral competition, a monopoly uses its linkages to voters, linkages that transcend the purely electoral arena, to create for itself an advantageous monitoring capacity.

*Technical section.

*This section formalizes the intuitive arguments made above and, as such, makes intensive use of mathematics. Readers not interested in such details can find a qualitative statement of these results in the next section.
To formalize Property 1, consider an economy in which voters (denoted with lower case subindexes $i, j$) have an endowment $\omega$ which they can use for production. Voters can generate income through two possible activities: a risk-free one ($\phi_0$) and a risky one ($\phi_1$). I describe these activities by the following production functions: $\phi_0(x) = k_0 x, \phi_1(x) = \sigma k_1 x$. The term $\sigma$ is a stochastic shock taking value 1 when exogenous conditions are good, say, when there is good weather for agriculture, with probability $p$ and 0 when these same conditions are bad, with probability $1 - p$. The actual value of the shock is not known at the time of the election. Access to the risk-free activity is controlled by the patron, who sells the voters access to it at price $q$.

Voters decide how to allocate their endowment between the two activities. Therefore their income is $y_i = k_1 (1 - \theta_i) \omega_i \sigma + (k_0 - q) \theta_i \omega_i$ where $\theta_i$ is the share of endowment allocated to the risk-free activity. The voters are risk-averse and their preferences are represented by a utility function $u$ such that: (a) $u' > 0$, (b) $u'' < 0$, and (c) $xu'(x)$ is increasing.\(^9\)

Voters optimally allocate their endowments between risky and risk-free activities following this rule:

$$\theta_i^*(q) = \arg \max_{0 \leq \theta_i \leq 1} E u(y_i).$$

Hence, both income ($y_i$) and the optimal allocation rule ($\theta_i^*$) depend on the price of access to the risk-free activity, $q$.

This formalization accurately represents how resources monopolized by the patron are essential to the voters’ livelihood. Moreover, it is consistent with the narratives of clientelism in many Third World societies. In a world subjected to the vagaries of an agrarian economy, without adequate financial markets where individuals can diversify their risks, patrons gain their clout over voters by providing a modicum of economic

\(^{9}\)The first two of these assumptions about preferences are straightforward. They imply that agents have well-behaved preferences with risk-aversion. The last one has been introduced by Hadar and Seo (1988) in the literature on portfolio choice. Its role is to ensure that the demand for risky assets increases as their yield increases, a very intuitive property.
security. In such environment, securing a slot at the impossibly overbooked local school, jumping ahead in the queue for the aid package sent after the latest flood, or having a household member appointed as porter of the municipal building are all welcome protections against the risks of the market economy, protections that are dispensed by the patron through his “recommendations.”

The economy formed by these individuals collects taxes at a flat rate \( \tau \). Two would-be patrons compete as candidates, an incumbent \((I)\) and a challenger \((C)\), compete in elections by proposing the \(N\)-dimensional distribution of this tax revenue. The tax policy is exogenous: both the challenger and the incumbent can decide how to allocate the tax revenue but they cannot decide the total amount of revenue available to redistribute. Through \(N\)-dimensional policies, the victorious candidate can transfer resources to the voters in any way he wants.

One of the central properties of a clientelistic regime, as discussed previously, is the fact that many goods and services are subject to a political monopoly. Access to them is controlled by the politicians in office who condition it to displays of loyalty, especially electoral support. To formalize this idea, I shall suppose that the patron’s control over the risk-free activity allows him to offer voters exclusive-dealing contracts. These contracts stipulate two prices, each contingent on the voter’s decision in the ballot box. If the voter supports the patron she will pay one price \((q_0)\) but if she does not, she will be charged a higher price \((q'_1: q'_1 > q_0)\) for \(J = \{I, C\}\).\(^{10}\) I am assuming that each candidate \(J\) charges a different price to punish defectors. In fact, there are several ways we could model the asymmetry in monitoring abilities between the incumbent and the challenger but they all come to the same. We could assume that although they charge the same price (i.e., an infinite price, tantamount to absolute exclusion from the risk-free activity), the incumbent can detect defectors with a

\(^{10}\)An interesting possibility is that the contracts are also contingent on other voters’ decisions, thus engaging in tactics of collective punishment. I will not pursue that analysis here but its logic is similar to the one discussed in the main text.
higher probability. This would be equivalent to assuming that, in terms of expected utility, the price the incumbent charges for defectors is higher than the one the challenger can charge.

Formally, divide-the-dollar games of this kind present several technical difficulties. With full certainty, they are the quintessential example of a multi-dimensional policy space with no generic Nash equilibrium (Plott, 1967). It is known, however, that if the environment is modified to allow for some uncertainty, then it is possible to find a Nash equilibrium (Calvert, 1985; Coughlin, 1992). In this particular instance, I will borrow from the model developed by Myerson (1993) where, instead of being deterministic vectors of transfers, the candidates’ platforms are probabilistic distributions of income. This eliminates the main culprit of the nonexistence of equilibria: the fine-tuning of electoral platforms that each candidate could perform in an environment with certainty, fine-tuning that would allow him to adjust his coalition and defeat his opponent.

I will denote as $t^I_i(\sigma)$ the transfer that voter $i$ receives from candidate $J$ if the state of the economy is $\sigma$. To avoid unnecessary complications, I assume that a transfer $t^I_i(\sigma)$ is a fixed share of aggregate output that does not vary from one state $\sigma$ to the other. This assumption simplifies matters because with it, if, say, $t^I_i(0) > t^C_i(0)$ then $t^I_i(1) > t^C_i(1)$ and so, in a very precise sense we can say that $t^I_i > t^C_i$.11

The expected utility of each voter depends then on the transfer he receives from the victorious candidate and the price he has to pay for access to the risk-free technology, in turn a function of his individual voting decision. In general, such expected utility will be $Eu((1-\tau)y_i(\theta^*(q), \sigma)+t^I_i(\sigma)) \equiv v(t^I_i, q)$. To know the exact value of this general expression we need to determine who is the victorious candidate and whom did the

11In other words, we are excluding the possibility that the candidates use the transfers to offer insurance to the voters. This is not a big loss because the model is already capturing the availability of insurance through the risk-free activity. Furthermore, relaxing this assumption would not change anything of substance. The only difference would be that, in deciding which transfer is preferable for a voter, we would have to compute the expected utility of the transfer itself.
voter support in the elections. Knowing the victorious candidate we can determine the transfer that the voter will receive, and knowing the candidate he supported we can determine the price he will have to pay for the risk-free technology. For example, if the voter supports the challenger and the incumbent wins, his expected utility will be \( v(t^I_i, q^I_1) \) because he receives the transfer the incumbent offered him and is forced to pay price \( q^I_1 \) to use the risk-free technology as punishment for his having supported the challenger. For any utility function, the voter always prefers to pay lower prices. Since we are assuming that the incumbent can punish voters with more accuracy, or, what comes to the same, charge defectors with higher prices, we have that:

\[
v(t_i, q^I_1) < v(t_i, q^C_1) < v(t_i, 0).\]

With probabilistic platforms, the transfer each voter is offered by a candidate is a draw from the lottery that this same candidate chooses strategically. Thus, any strategy of candidate \( J \) is a probability distribution over transfers. To describe such strategies, I use their cumulative distribution functions \( F^a_J(t_i) \) which must satisfy the following properties:

- \( F^a_J(0) = 0; \)
- \( \int_0^\infty x dF^a_J = \tau y_s. \)

The first property means that no candidate can offer to a voter a negative transfer. In the present context, this is in keeping with the assumption that tax collection is independent of the political process so that candidates are only competing over how to allocate the tax revenue already levied. The second property means that the schedule of transfers a candidate proposes must conform (in its expectation) to the balanced-budget constraint stipulating that total transfers equal total tax revenue.

I will not be interested in the way these platforms depend on the actual stochastic state and instead will focus on those propositions that are true regardless of it. So, for notational purposes, let’s use the following convention to denote the pair of state-specific distributions: \( (F^0_J, F^1_J) \equiv F_J. \)

In Myerson’s model, the optimization problem of the candidates consists of choosing a probability distribution that
maximizes the expected size of their coalition. In that setting, the probability that a randomly sampled voter \( i \) receives an offer from the patron better than the one he receives from the challenger is \( \int_0^{\infty} F_C(x) dF_I(x) \). With a large electorate, this probability converges to the expected size of the coalition of voters supporting the patron. If this expected size is larger than 1/2 the patron will win the election.

In the present model, the existence of the monopoly and the monitoring capacities introduce several modifications. In a standard voting model, if a voter receives a better offer from candidate \( I \) than from candidate \( C \), he is sure to vote for \( I \). Here that is not necessarily true because the supporters of any candidate are trapped in a collective action problem: although they may prefer “their” candidate, they have to consider that, if this candidate is defeated, they will be punished with a higher price \( q \).

Technically speaking, the subgame that follows once both candidates have proposed their platforms has multiple equilibria. With the standard methods, this would mean that, since the candidates cannot know what comes out of their platforms, they cannot evaluate the probability of victory resulting from their strategic choice and, so, we cannot solve this game at all. But this is not a problem with the method of stability sets. For any given pair of platforms, we can compute the probability with which voters will overcome their collective action problems and use this to compute the resulting probability of victory. That way we have well-defined payoffs for every platform and we can compute the game’s equilibrium. The fact that the method of stability sets allows us to solve games that otherwise would not even be well-specified is an eloquent illustration of its advantages.

To compute the probability of victory for each candidate, we need to make explicit the coordination problem their supporters face. To fix ideas, let’s study the coordination problem of the challenger’s supporters. The resulting expressions will be analogous to the ones for the incumbent’s supporters.

For any pair of strategies of the two candidates, define the size of the group of the challenger’s supporters as \( s_C(F_C, F_I) = \int_0^{\infty} F_C(x) dF_I(x) \).
\[ N^{-1}(\{i : t_i^C > t_i^I\}) \], the voters that receive a higher offer from the challenger than from the incumbent. Each member \(i\) of this group faces four possible payoffs depending on whom he votes for and who wins: \(v(t_i^C, q_0)\), \(v(t_i^I, q_1^I)\), \(v(t_i^C, q_1^C)\), \(v(t_i^I, q_0)\). These payoffs are conceptually analogous to the ones we denoted as \(w_1, w_3, w_2\) and \(w_4\) in Chapter 4. In fact, the first term is the payoff a supporter of the challenger receives if he decides to cooperate in his candidate’s victory and succeeds, the second term is the payoff if he cooperates but is defeated, the third represents the payoff if he does not contribute and still his candidate wins and, finally, the fourth term represents the payoff if he does not cooperate and the incumbent wins. The results on stability sets obtained in Chapter 4 rely on distributions of strategies that can be summarized by their average turnout. So, we can describe the size of the stability sets of this game as a function of the average payoffs of the challenger’s constituency. More exactly, we can define average values \(w\) as:

\[
\begin{align*}
  w_{1C} &= \int_{t_i^C > t_i^I} v(t_i^C, q_0) \, di; \\
  w_{2C} &= \int_{t_i^C > t_i^I} v(t_i^C, q_1^C) \, di; \\
  w_{3C} &= \int_{t_i^C > t_i^I} v(t_i^I, q_1^I) \, di; \\
  w_{4C} &= \int_{t_i^C > t_i^I} v(t_i^I, q_0) \, di.
\end{align*}
\]

Given these payoffs we can compute the probability with which the challenger’s supporters will coordinate. If the challenger’s supporters are a minority the incumbent’s supporters can ensure their own victory simply by coordinating, regardless of what the challenger’s voters do. Likewise, if the incumbent’s supporters are in a minority, then the challenger’s supporters are the ones who can secure victory independently of their opponents’ choices. Finally, if both groups are of the same size, then there will be a tie if both coordinate or if none does, a tie that will be broken by the toss of a fair coin. Denote
by \( \Omega(t^I, t^C) \) the probability of victory of the incumbent given both candidates’ platforms and, as in the preceding chapters, by \( \Pi_I(1) \) the probability that group \( J \) will coordinate. So, following this reasoning, we can express this probability depending on the size of the two constituencies.

If the group of the incumbent’s supporters is larger than that of the challenger’s supporters, that is, \( s_C(F_C, F_I) < 1/2 \):

\[
\Omega(t^I, t^C) = \Pi_I(1) = \frac{w_{1I} - w_{2I}}{(w_{1I} - w_{2I}) + (w_{4I} - w_{3I})}.
\]

If, instead, there are more supporters of the challenger \( s_C(F_C, F_I) > 1/2 \):

\[
\Omega(t^I, t^C) = \Pi_C(1) = \frac{w_{1C} - w_{2C}}{(w_{1C} - w_{2C}) + (w_{4C} - w_{3C})}.
\]

If both groups are of the same size \( s_C(F_C, F_I) = 1/2 \):

\[
\Omega(t^I, t^C) = \begin{cases} 
1 & \text{with probability } \Pi_I(1)(1 - \Pi_C(1)), \\
1/2 & \text{with probability } \Pi_I(1)\Pi_C(1) \\
0 & \text{with probability } (1 - \Pi_I(1))(1 - \Pi_C(1)), \\
\end{cases}
\]

This is, then, a compound lottery so that we can obtain the total probability of victory by computing its expected value:

\[
E(\Omega(t^I, t^C)) = 1/2(1 + \Pi_I(1) - \Pi_C(1)).
\]

This last expression is of special interest because, as Myerson has pointed out in his analysis of electoral games with probabilistic platforms, they are, ultimately, zero-sum games so that their Nash equilibrium is the minmax strategy profile. More exactly, for any \( s_C = 1/2 \) represents the only case where both candidates are choosing minmax platforms.

If we denote by \( F^*_C, F^*_P \) the pair of equilibrium platforms of the electoral game with political monopoly, the following theorem describes how the probability of victory of the patron
changes as the structural parameters governing the technology and the redistributive politics change.

**Theorem 4** In an electoral equilibrium $F^*_C, F^*_P$, the probability of victory of the patron $\Pi$ satisfies the following properties:

- $\frac{\partial \Pi}{\partial k_1} < 0$;
- $\frac{\partial \Pi}{\partial \tau} < 0$.

**Proof:** The first statement is true because the probability of victory of the patron is an increasing function of the individual terms $(w_{4i} - w_{3i})/(w_{1i} - w_{3i})$ and they are all decreasing in $k_1$. To prove this, we notice that $u$ is concave, $w_{1i} > w_{4i} > w_{3i}$, and all these values are increasing in $k_1$ so that:

$$\frac{1}{w_{1i} - w_{3i}} \left| \frac{d}{dk_1} (w_{1i} - w_{3i}) \right| < \frac{1}{w_{4i} - w_{3i}} \left| \frac{d}{dk_1} (w_{4i} - w_{3i}) \right| .$$

The second statement results from a similar argument. In fact, increases in $\tau$ increase the expected value of the candidates’ budget constraint. But it is not optimal to spend this increase on voters who, even with the improved offer, will still receive a higher offer from the opponent. Thus, the difference $\bar{w}_1 - \bar{w}_4$ increases which, in turn, reduces $\Pi$.

**Remark:** Intuitively, increases in $k_1$ reduce the dependency of voters on the monopoly, thus alleviating their collective action problem and increases in $\tau$ reduce the relative importance of the sanctions imposed by the patron. To take the argument to the extreme, if $\tau = 0$, then there is no money to be distributed, $w_{1i} = w_{4i}$ for every voter and, hence, $\Pi = 1$.

### 5.6 Concluding Remarks

Occurring in many different latitudes, among different political traditions, institutional frameworks and social structures, political clientelism is such a widespread phenomenon, especially in the Third World, that it is startling to verify the extent to which its instances resemble each other. Clientelistic polities tend to be poor and highly unequal, afflicted by
bloated public sectors and with precarious safety nets. Such regularities can hardly be coincidental and, hence, in explaining them we should not resort to variables that are specific to certain times and places. Instead, we must look into the nature of clientelistic relations, as a general phenomenon, in order to understand them.

The model of this chapter identifies one important property of clientelism that helps explain why clientelism coexists with such economic performance. Political clientelism owes its success to the collective action problem it forces upon voters who depend on the patron’s political monopoly. Such collective action problem often leads them to reject at the ballot box alternative candidates they would prefer, lest they lose access to the monopolized resource, thus depressing electoral competition with insalubrious consequences.

In developing countries where a large segment of the electorate is poor, democratic theory would suggest that income inequalities would decline over time as pure office-seeking candidates promote distribution. But the developing democracies frequently identified as clientelistic display persistent inequality. The present model makes sense of this puzzle by showing that clientelistic patrons who are fundamentally office seekers also favor nondistributive policies. This is not in spite of their electoral motive, but precisely because of it. The political monopoly they enjoy is more stable in environments with little redistribution because such environments give more salience to the monopoly while leaving the challengers without tools to mount a successful opposition.

This model implies that monopoly plus monitoring produces states that are antiredistributive but not necessarily small. Patrons may use large states to increase the dependency of the electorate on their monopoly. Taxes used not for redistribution but for employing people in a bloated bureaucracy increase his probability of victory.

Economic development, conceptualized as an increase in the productivity of private, risky activities over monopolized, risk-free ones (such as public employment), undermines the electoral strength of the patron. As the private economy be-
comes more productive, agents depend less on the patron’s monopoly and, at the same time, universalistic redistribution becomes more salient. It is a small step to speculate that the patron, knowing this is true, is less than energetic in his pursuit of economic development (a point that Chubb (1981, 1982) drives home in her analysis of southern Italian politics in the post-World War II decades).

Clientelistic monopolies are buttressed by the collective action problem clients face when challenging them. Any mechanism that reduces the severity of such collective action problem undermines the grip of the monopoly. Economic growth and universalistic redistribution are two such mechanisms: they both offer voters alternatives to the resource monopolized by the patron. While the first mechanism does so by increasing the productivity of the nonmonopolized assets, the second one makes more resources available to the monopoly’s political challengers. This analysis of the microfoundations of clientelism and its connections with wider economic processes would not be possible without a systematic treatment of the collective action problem, a treatment that tells us how serious the problem is and how its magnitude changes with changes in its environment. An exclusive focus on sufficient conditions for collective action, with no comparative statics, can only tell us how voters may try to overcome free-riding but cannot place their efforts against the backdrop of the political economy they inhabit.