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978-1-107-14028-8 - The Political Logic of Poverty Relief: Electoral Strategies and Social Policy in Mexico

Albert o Diaz-Cayeros, Federico Estévez and Beatriz Magaloni

Excerpt

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Introduction

This book is about the political economy of poverty relief. Poverty alleviation requires active government involvement in the provision of public goods such as health services, education, roads, water, and sanitation, among others. Poverty relief also presupposes some degree of redistribution to individuals and families through income supplements, direct aid-in-kind, pensions, and tax subsidies. All too often, transfers and public services fail to reach the poor because of misaligned political incentives and poor governance, which is manifested in corruption, abuse of power, rent-seeking, and dysfunctional or weak public institutions. Although there is consensus on the importance of good governance for poverty alleviation, not enough is known about the conditions under which it comes about and how it can be replicated.

Applying scientific knowledge and technical expertise is a fundamental first step in the design of successful poverty-alleviation policies. However, the real challenge of poverty relief is not to devise technical solutions – scientific knowledge exists, for example, to prevent infectious disease with simple interventions such as vaccines, oral rehydration, and antibiotics, or to improve the safety of drinking water. The critical problem is to structure the political process with clear incentives for politicians and bureaucrats to aid the poor while restraining their own rent-seeking.

A growing body of research in political science emphasizes that democratic political institutions are better at improving well-being than autocratic ones.¹ Although empirical findings in this literature are controversial, there is growing consensus that in democracies politicians tend to be more responsive to the poor. The basic logic behind this observation is that of electoral competition.

¹ See Przeworski et al. (2000); Navia and Zweifel (2003); Zweifel and Navia (2000); Stasavage (2005); Kudamatsu (2012); McGuire (2010); Baum and Lake (2003); Gerring, Thacker and Moreno (2005).

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Democracies produce strong incentives for politicians to choose policies that reflect what the median voter wants.

However, political democracy does not always generate effective poverty reduction. Politicians take opportunistic advantage of poverty-alleviation funds, redirecting money, jobs, and other benefits toward supporters and away from opponents, as well as diverting government resources for personal gain. Myriad are the complaints that political manipulation, corruption, and vote buying plague the delivery of social benefits to the poor.

In this book we place electoral politics and institutional design at the core of poverty alleviation. Government decisions about redistribution – who gets what, when, and how much – are shaped by electoral considerations. The particular design social programs take is to a large extent determined by politicians' imperative to win elections and the existing institutional constraints. This book develops a theory with applications to Mexico about how elections shape social programs aimed at aiding the poor. Our theory first asks about distributive politics. Would political parties ever possess incentives to target the poor with transfers aimed at poverty alleviation or would instead give these to their supporters? Would politicians rely on the distribution of particularistic benefits rather than public goods?

Second, we study the welfare impacts of social programs. We measure the welfare impacts of these transfers looking at tangible outcomes: access to water, sanitation, and electricity, and reduction in infant mortality. The latter metric provides a rather compelling indicator of well-being linked to development policies. As noted by Wise (2003), the failure to save children from preventable deaths is usually seen as a tragedy and a “shameful” outcome that forces us to reexamine our public and social responsibility. Although pathophysiological factors, such as dehydration, may ultimately lead to a child's death, it is social conditions that produce the circumstances in which mothers cannot nourish their children properly, protect them from water-borne infectious diseases or seek adequate medical interventions that might save their lives – circumstances that attest to failures in government policy and the overall social environment in which poor children live – and die.

The simple notion that societies should not let children die from preventable causes resonates strongly with Amartya Sen's (1999) view of “development as freedom” and Partha Dasgupta's (1993) assertion that development is ultimately about “the manner in which people are able to live and die.” In fact, one of the greatest advancements in the human condition, as highlighted by Fogel (2004) and Deaton (2013), was the possibility for ordinary people to escape hunger and high mortality – originally in Europe and North America, but more recently in other areas of the world. The achievement of long life expectancy and low infant mortality, however, has yet to be replicated in much of the developing world.

Third, the book provides a systematic measure of the electoral payoffs of poverty relief transfers. How many more votes do discretionary particularistic

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transfers yield relative to entitlements? How many more votes are generated by expenditures on discretionary private goods as against public goods? These questions are central to distributive politics. Only by understanding the electoral consequences of various poverty relief strategies – how they shape voting behavior and electoral alignments – will we be able to comprehend why politicians execute the programs they do.

I.1 ABJECT POVERTY AND GOVERNMENT ACTION

Francisca, a forty-year-old Mayan woman, lived in a squatter village on a coffee plantation several hours' walk from the nearest town. The village lacked potable water, a sewage system, and electricity. Francisca walked more than one hour every day from her adobe hut to the nearest well to collect water and to wash her family's clothes. Only seven of Francisca's thirteen children survived past their fifth birthdays. Her youngest child suffered a severe bout of dehydration at seven months and died before Francisca was able to reach the nearest clinic. All of Francisca's daughters died, leaving her with seven sons and one adopted three-year-old orphan girl. If only a health clinic had been closer, or there were some ready cash to buy medicine, she might have saved her daughters from premature death. Francisca's story serves as a dramatic illustration of what it means to be trapped in poverty when better-targeted government action could have saved her children's lives.

Francisca's story is a common one throughout the developing world, where the rural poor have limited or no access to a social safety net and where their children suffer and die from mostly preventable diseases. The leader of the 1995 Zapatista uprising in the South of Mexico, *Subcomandante* Marcos, decried the tragedy of such poverty trap:

Or shall we ask pardon from the dead, our dead, who died "natural" deaths of "natural causes" like measles, whooping cough, breakbone fever, cholera, typhus, mononucleosis, tetanus, pneumonia, malaria and other lovely gastrointestinal and pulmonary diseases? Our dead, so very dead, so democratically dead from sorrow because no one did anything, because the dead, our dead, went just like that, with no one keeping count, with no one saying, "ENOUGH!" (Marcos, 2001: 30)

The Zapatista rebellion, of course, erupted at the end of Mexican president Carlos Salinas' administration (1988–1994), which had promised to put an end to poverty and take Mexico to the "first" world. His government had initiated a major antipoverty program named *Programa Nacional de Solidaridad* (*Pronasol*). Acclaimed by the international community, the program relied on government transfers for projects proposed by community organizations and municipal governments throughout the country. Despite an average annual allocation to this program of 1.18 percent of GDP, the Zapatista rebellion poignantly attests that poverty remained unabated by the end of Salinas' presidential term. As we show in this book, the program's goal of reducing poverty

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was thwarted by the diversion of its resources in line with the electoral needs of the ruling party.

Much has changed in Mexico since 1995. In 1997 the government created a conditional cash transfer (CCT) program called the *Programa de Educación, Salud y Alimentación (Progres)*, now widely touted as one of the most successful poverty relief programs in the world. *Progres* offered money to mothers within poor families in exchange for attending basic courses on preventive health care and hygiene, making regular visits to health clinics, and keeping their children in school. Beneficiaries become ineligible for the program only through failure to comply with these requirements.

To insulate *Progres* from political influences, beneficiaries were selected on the basis of objective measures of social deprivation and poverty. Initially implemented in rural areas, the creation of *Progres* represented a turning point in the design of social policy in Mexico (Levy, 2006; Levy and Rodríguez, 2005). After the *Partido Acción Nacional* (PAN) defeated the hegemonic *Partido Revolucionario Institucional* (PRI) in 2000, the new administration expanded the program to urban areas using similar criteria to select beneficiary families. Renamed *Programa de Desarrollo Humano Oportunidades*, the urban part of the program has evolved into a demand-driven structure where applicants for benefits self-select instead of the government identifying eligible recipients.

A second important transformation occurred in the late 1990s, following the Zapatista rebellion. During the Ernesto Zedillo administration (1994–2000), social infrastructure funding underwent reform with the creation of the *Fondo de Aportaciones para la Infraestructura Social Municipal* (FISM). FISM implemented a major reformulation of federal transfers for public works and social infrastructure projects distributed according to poverty-based formulas to the more than 2,430 municipalities in Mexico. With the introduction of FISM, the PRI reduced its discretion to manipulate social infrastructure investments. The poorest municipalities receive disproportionate funds, which are now transferred in regular and predictable fashion. Once the funds reach the municipalities, their mayors play the central role in deciding how these are distributed. Patterns of local electoral accountability, or lack thereof, as we will see in this book, have become essential in shaping the provision and distribution of local public goods.

Prior to FISM, the government also spent considerable amounts of money on social infrastructure projects. But there was substantial leakage. For example, in a personal interview with a high-ranking public official in charge of federal finance at the time, we were told that when the new administration tried to audit *Pronasol*, many of the public infrastructure projects that had been reported in the books were either abandoned without completion or did not even exist.

Fifteen years ago, poor communities all over Mexico had very limited or no access to many basic public services. With her toothless smile, Francisca says that things have “improved a lot during the last years” and that her “children no longer die and seldom get sick.” Although clearly still impoverished, homes

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in her community now have access to water from a communal faucet (even if available only a few hours per day), proper sanitation, paved streets, and electricity. New roads also make the local health clinic more easily accessible. When her youngest child was recently sick with diarrhea, they were able to reach the clinic before he became dehydrated. Francisca now receives regular cash transfers from *Oportunidades*, which enables her to buy food, soap, and shoes for her previously barefooted children, and if there is spare cash, school supplies. This is a story repeated in thousands of villages and communities throughout the country. The contrast with Mexico's previous history of clientelistic relief for the poor could not be starker.

Mexico was infamous for the extreme forms of political manipulation of public funds and social programs under the formerly hegemonic party. A study of *Pronasol's* wide-ranging operations and programs allows us systematically to understand what political scientists refer to as clientelism, a form of political exchange between politicians and the poor prevalent in the developing world. According to Kitschelt and Wilkinson (2007) a clientelistic relation is characterized by:

[First], a contingent direct exchange that concerns goods from which non-participants in the exchange can be excluded. Second, such exchanges become viable from the perspective of politicians, if voter constituencies respond in predictable fashion to clientelistic inducements without excessive opportunism and free riding. Third, short of constituencies' spontaneous and voluntary compliance with the clientelistic deal, politicians can invest in organizational structures to monitor and enforce clientelistic exchanges. (p. 76)

Changing the rules for the allocation of local public goods and social infrastructure projects in Mexico produced a major impact on poverty reduction. Our approach highlights three elements in the transformation of social policies during this period. First, social programs became more progressive and better targeted to the poor. Since the early 1940s, Mexico began to put in place social insurance schemes tied to participation in the formal labor market. A common feature in Latin America and the Caribbean, the restriction of social insurance to formal sector workers led to the characterization of the region's social insurance systems as "truncated welfare states" because the majority of the population, especially the poor, did not receive these benefits (Ferranti et al., 2004; Fiszbein, 2004; Rawlings et al., 2004). Recent decades have witnessed the emergence of parallel social protection schemes, including social investment funds such as *Pronasol* and FISM and, more recently, conditional cash transfers aimed at households in extreme poverty.²

Second, the new social programs also reduced government discretion in the administration of the funds. It is always difficult to ascertain how much leakage

² The World Bank keeps periodically updated information on both social funds and transfer programs in its Social Protection webpage at: <http://www.worldbank.org/sp> (accessed March 11, 2012).

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bedevils antipoverty spending such that social welfare is not improved. This includes the possibility of mismanagement of public funds, as well as outright theft, corruption, and rent-seeking. The new social programs have reduced such leakages, although by no means eliminated them. Professional bureaucracies administer the programs, with a new emphasis on transparency. The use of poverty formulas along with technical measures to identify beneficiaries according to need has also limited politicians' inclinations to respond to electoral and partisan imperatives rather than to the goal of poverty alleviation.

Third, subnational governments have become increasingly involved in the provision of local public works, with funds for these projects coming from redistributive federal transfers. Under PRI rule Mexico had a long history of centralized control over public spending. Decisions about social infrastructure projects were made and funded in the nation's capital. This political equilibrium changed in the 1990s, as the opposition gained control of more subnational governments and the PRI lost majority control of the Chamber of Deputies along with exclusive control over the federal budget. New fiscal arrangements at the national level devolved decision-making power over the selection and funding of social infrastructure projects to states and municipalities.

Better targeting, less government discretion, and redistributive decentralization had profound effects on the poor's welfare in Mexico. The clientelistic linkage between politicians and the poor that was prevalent during the authoritarian era has shifted to a new entitlement-based social protection regime. In 2009, we interviewed beneficiaries of *Oportunidades* in forty-eight poor rural communities in Oaxaca and asked about how they evaluated the program, if they felt that they could lose their benefits depending on their partisan loyalties and vote choices, and if they worried about the coming presidential elections. Our interviewees unanimously agreed that their benefits were secure. A Oaxacan mother of five told us in an interview: "Before, you had to be with the PRI to get anything from the government." Another woman told us: "The governor controls everything in Oaxaca. However, here you can be *PRDísta* (*Partido de la Revolución Democrática*), back the governor [from the PRI], and still get benefits from *Oportunidades*," even though the PAN controlled the federal government. "Although sometimes people who do not really need it get *Oportunidades*, it is less corrupt because benefits arrive regardless of the party you favor," a young Zapotec father of two told us. Overwhelmingly, beneficiaries of the program were satisfied, although there were some concerns about whether the transfers were being targeted to the poorest among them.

1.2 THE GOVERNANCE OF POVERTY RELIEF

This book asks why and when politicians choose one form of redistribution as against another; we quantify how they impact the poor's welfare; and we estimate the electoral payoffs of each of these strategies of poverty reduction.

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1.2 The Governance of Poverty Relief

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In the following sections we sketch our theory about strategic choice among different distributive strategies.

For analytical purposes we focus on two important dimensions in the design, implementation, and management of social policies. The first dimension reflects the process by which beneficiaries are selected into a program and considers the degree of government discretion to decide who gets a public transfer, how much it is worth, and who gets withdrawn from a program. Along this dimension we distinguish *discretionary programs* from *formula-based programs*.

Discretionary programs are what Dixit and Londregan (1996) refer to as “tactical redistribution,” which should be distinguished from “programmatic redistribution” or welfare transfers that are embedded in laws written in abstract and general terms and administered by autonomous bureaucracies. Programs with little formal government discretion offer benefits that are assigned according to objective or programmatic eligibility criteria – for instance, persons over sixty-five, women with children, unemployed workers – and in theory should not be withdrawn unless a beneficiary fails to meet the defined criteria.

The second dimension considers the type of benefits delivered – whether a program delivers nonexcludable public goods or targeted transfers of private goods. Public infrastructure projects, including roads, street pavement, sewers, health clinics, schools, running water, public markets, lighting, garbage collection, and so on are aimed at communities. Particularistic transfers such as cash benefits, land titles, scholarships, nutritional supplements, construction materials, and subsidized credit can be targeted to individuals. The more indivisible a transfer is, the less incumbent parties can employ them to target their supporters and punish their opponents.³ A second difference between public and private goods is their reversibility. Discretionary private transfers can be withdrawn at any point in time, such as when a voter supports a rival at the polls. Infrastructure projects are fixed investments that are less vulnerable to opportunism because everyone in a given district can enjoy them.

Figure I.1 classifies the types of social programs that will be analyzed in subsequent chapters of this book according to the two governance dimensions highlighted above. In the lower-right quadrant are discretionary programs targeted to individuals. These programs can be unambiguously administered through clientelistic networks. This form of electoral linkage, to be effective, needs an organizational structure of brokers or other intermediaries (e.g., bosses, caciques, or local notables) that help parties select voters according to their partisanship or other attributes (Stokes et al., 2013; Magaloni, 2006; Calvo and Murillo, 2013).

In the lower-left quadrant are nondiscretionary excludable transfers, or entitlements. A *sine qua non* for entitlement programs to work is that politicians are

³ Some public goods, of course, exhibit elements of excludability, for example, on a territorial basis, which permits politicians to select political jurisdictions for the delivery of benefits on the basis of political criteria such as, for example, the partisan affiliation of local officials.

	Non-discretionary	Discretionary
Public	<i>Formula-based Decentralized Transfers</i>	<i>Pork-barrel Projects</i>
Private	<i>Entitlements</i>	<i>Clientelism</i>

FIGURE I.1. Types of antipoverty programs.

not able to select and deselect beneficiaries at will. As we discuss in Chapter 1, entitlements require an independent or depoliticized bureaucratic agency to be effective and to enforce the legal criteria for selecting beneficiaries.

Selection into these programs is frequently accomplished through means-testing so that only those with incomes below a certain threshold are eligible.⁴ In the upper-right quadrant of Figure I.1 are discretionary social transfers spent on infrastructure, electrification, street pavement, road construction, and so on. This kind of discretionary public works funding is often referred to as “pork-barrel politics.” Originated in the United States, the term refers to public works whose benefits are concentrated in a particular district but whose costs are spread among all taxpayers. A key difference between clientelism and the pork barrel is that within a given district politicians can’t screen potential users with the latter instrument.

⁴ However, Alatas et al. (2012) note that in many developing countries it is challenging to implement a conventional income-based means test because recipients lack verifiable records of their earnings. They identify two alternative strategies: proxy means testing (PMTs) used, for example, by Mexico’s *Progresal/Oportunidades* and Colombia’s *Familias en Acción*; and community-based targeting used, for example, by the Bangladeshi Food-for-Education program. In the former, the government collects information through the use of surveys and census data about assets and demographic characteristics and creates a “proxy” for income, which is then used for targeting. In the latter, the government allows the community or its local leaders to select the beneficiaries. The authors evaluate both methods through a randomized control trial in Indonesia and find that proxy-means tests perform better in identifying the poor, but there is greater satisfaction among beneficiaries with the method that uses community rankings for that purpose.

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Public goods programs can be discretionary or, as in the upper-left quadrant, the funding transfers to subnational jurisdictions can be decentralized, allocated by formula. Highly relevant in federal systems, formulas for the distribution of public goods investments restrain discretion in the allocation of projects across jurisdictions and allow for some degree of redistribution.

Our book explains the choice among poverty relief strategies that fall in each of the quadrants of Figure I.1. It also measures how effective these types of distributive policies are at alleviating poverty, and we inquire into the electoral consequences of different poverty alleviation strategies. The programs we study represent significant budgetary allocations and, unlike campaign gifts and handouts,⁵ they can make a critical difference for poverty alleviation. Our book is about the governance of social programs – how they are designed and their transfers delivered – and how it impacts the poor's well-being. The book compellingly demonstrates that effective poverty relief requires nondiscretionary and better-targeted poverty relief strategies. Yet perversely clientelistic and pork barreling transfers, we demonstrate with empirical evidence for the case of Mexico, yield significantly more votes while allowing politicians to extract more rents. Why clientelism is such a prevalent form of electoral exchange in developing societies, how it skews social policies aimed at the poor, and under what conditions it can be superseded by more democratic and accountable forms of exchange are some of the central questions this book addresses.

1.3 DISCRETIONARY REDISTRIBUTION AND A THEORY OF VOTE BUYING

The first element of our inquiry is to understand discretionary redistribution, corresponding to the social programs in the right quadrants of Figure I.1. When do politicians choose to buy votes with discretionary private goods and when with patronage over public goods provision? To what types of voters are these benefits targeted? How effective are private versus public goods at gaining votes? To answer these questions, we begin by developing a formal model of vote buying which is then evaluated drawing on extensive original data and statistical analysis. Our empirical focus is on subnational variation in Mexico, although our theory aims to be broadly applicable to distributive politics in other parts of the developing world.

The book develops a theory of vote buying based on a portfolio diversification logic driving the relative shares of discretionary private and public goods distributed in a given district. We build on distributive politics models and the core-swing debate (Cox and McCubbins, 1986; Dixit and Londregan, 1996; Stokes, 2005; Nichter, 2008). Our theory departs from these models in three fundamental ways. First, we assume that voters base their choices on material

⁵ For studies focusing on campaign handouts see, for example, Stokes (2005) and Nichter (2008). Most chapters in Stokes et al. (2013) also focus on campaign gifts.

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considerations alone, with ideology playing a secondary role at best. We ask how parties can construct long-lasting winning coalitions when ideology or other symbolic appeals are not effective to mobilize voters, either because these promises are not credible (Keefer and Vlaicu, 2008; Wantchekon, 2004), or because poor voters place a much higher utility to material considerations – for example, how to provide for the next meal, a job, medicine, or clothes. Second, most of the existing models of distributive politics focus on vote buying on the spot – the distribution of transfers during an election in exchange for votes or turnout (Nichter, 2008). Our model focuses on vote buying embedded in an ongoing relationship. Third, our model takes party loyalty as conditional, or endogenous, rather than fixed. Voters' partisan attachments are *constructed* through reciprocal material and symbolic exchanges, past, present, and future.

A key implication of our theory is that politicians will funnel jobs, patronage, and other excludable benefits to their core voters. Our model is in line with Cox and McCubbins (1986), for whom political parties favor the core voter strategy mainly due to aversion to electoral risk. In a more recent extension of that argument, Cox (2009) incorporates the importance of mobilization and elite coordination as objectives inducing investment in core voters. We move beyond these formulations, sustaining that political parties will favor core voters to solve three salient problems of vote buying prevailing particularly in developing societies: (1) sustain stable electoral coalitions over time in the absence of other anchors like ideology; (2) mitigate voter opportunism; and (3) parties are able to extract more rents because it is cheaper to buy off voters the party knows best. This informational advantage allows parties to know voters' "reservation values" and pay them the minimal amount necessary to buy their votes (Zarazaga, 2011). These claims, we hold, better capture the logic of machine politics.

Our predictions run counter to swing voter models that claim that parties should not waste scarce resources on loyal supporters and should rationally prefer to cater to swing voters whose choice might swing an election (Lindbeck and Weibull, 1986; Dixit and Londregan, 1996; Stokes, 2005).⁶ Stokes et al. (2013) also predict that parties will favor core voters, although in their account this strategy is electorally inefficient and represents a waste of resources that stems from principal-agent problems between party elites and their brokers.

In our approach parties do not waste resources when they invest in core voters. In the absence of strong ideological attachments or other symbolic appeals, the ongoing buying of votes constitutes a primary way to sustain stable electoral coalitions. Nurturing voter loyalty through repeated exchange, in turn, allows political parties to simultaneously mitigate voter opportunism problems

⁶ There are a number of important contributions that empirically deal with the core-swing debate: Dahlberg and Johansson (2002); Calvo and Murillo (2004); Stokes (2005); Brusco et al. (2004); Magaloni (2006); Golden and Picci (2008); Magaloni et al. (2007); Kasara (2007), among others.