

# Evidence on the Impact of Political Engagement

## Overview

This chapter provides evidence from research across a variety of contexts that political engagement has profound consequences for governance, policy selection, and development outcomes, often in highly nuanced ways. Healthy political engagement, when citizens select and sanction leaders on the basis of performance in delivering public goods, can improve development outcomes by changing the incentives of and encouraging the selection of better-quality leaders. Unhealthy political engagement, conversely, create incentives for leaders to extract private rents from public resources, at the expense of the public goods needed for development. The next two sections cover this evidence on the nuanced effects of political engagement on incentives and selection of different types of leaders. Much of the available evidence focuses on testing the impact of political engagement by individual voters through elections. Less evidence is available on the impact of political engagement by elite citizens and by civil society organizations outside of elections. What is available suggests that the impact of organized groups has important interactions with and ultimately works through electoral institutions.

The next section reviews empirical research which supports the theoretical insights (in chapter 4) that the experience of political engagement and the leaders selected through it shape behavioral norms. It first reviews the evidence on how the leaders selected through political engagement themselves influence norms. Second, it reviews a literature on the impact of historical institutions of political engagement, showing that the inclusiveness of those institutions influences norms. More inclusive institutions that facilitated the engagement of larger groups of citizens are associated with

norms of cooperation among citizens. A history of cooperative norms is, in turn, associated with political engagement functioning in healthy ways in current times. Conversely, exclusionary historical institutions, which concentrated power in the hands of a few elites, are associated with unhealthy political engagement and worse development outcomes.

Finally, the last section of this chapter shows that strengthening public sector institutions through formal capacity building is not enough because informal norms of political behavior play a significant role in how those institutions actually function. Persistence in norms regardless of changes in formal institutions has implications for the transition from weak to strong institutions of government. Historical accounts of how effective state capacity and institutional change comes about are consistent with the role of healthy political engagement in creating the conditions for that change. Improvements in the quality of political engagement are crucial for improving governance.

## Impact of political engagement on the incentives of leaders

This section reviews the literature on the impact of political engagement on governance, policy selection, and development outcomes, which operates through its impact on the incentives of leaders. It begins by briefly reviewing cross-country evidence on the correlation between national-level indicators of political engagement and growth. It then moves on to discuss the evidence of the impact of political engagement on outcomes within countries.

Political engagement happens in every institutional context, democracies and autocracies, albeit in different ways. The main effect examined in the literature is when there is scope for greater political engagement by a large number of individual citizens acting as voters and as contenders for leadership because of electoral institutions, versus when they do not, that is, when power over leaders is instead concentrated among elites or organized groups.

### Cross-country evidence

A wave of cross-country research has examined whether countries with electoral institutions exhibit different economic performance than those

with nonelectoral institutions that restrict the power of citizens to discipline leaders. While the cross-country correlation between democracy and economic growth is much debated, recent research reports a robust positive association. On average, this evidence suggests that political engagement through electoral institutions leads to better development outcomes. Yet, clear examples can be pointed to where autocracies outperform democracies. Research examining these differences in outcomes concludes that the key question that applies to both autocracies and democracies is whether leaders are selected and sanctioned on the basis of performance in delivering public goods. That is, the variation across countries shows that the impact of political engagement on economic outcomes depends on whether it is healthy or unhealthy.

Acemoglu et al. (2014) provide robust evidence that democratic institutions lead to greater growth in the long run, using data from both Freedom House and Polity IV. They study the effect of democratization within countries over time, controlling for forms of institutional variation across countries other than democracy. They report extensive robustness tests, using different measures of democracy and different methods of estimation, including to account for the dynamics inherent in how gross domestic product (GDP) changes over time. Their finding is that democratization contributes to a sustained positive impact on economic growth.

Other recent work examining the political determinants of variation across countries in economic growth is consistent with the results and conclusions of Acemoglu et al. (2014). Papaioannou and Siourounis (2008) look at the growth effects of permanent democratic transitions, building on the Polity IV data. They find that transitions to democracy are associated with a roughly one percent increase in annual real per capita GDP growth. Rodrik and Wacziarg (2005) also identify transitions to democracy using Polity IV data. They find that transitions to democracy do not take place at the expense of economic growth and often lead to short-term boosts in growth and reductions in economic volatility. Mobarak (2005) uses Polity IV data and finds a negative correlation between democracy and economic volatility. Rodrik (2000) provides a range of evidence—that democracies have more stable and predictable growth, handle adverse shocks better, and deliver better distributional outcomes—to support the contention that democracies are able to build better institutions that are suited to local conditions, to support economic outcomes.

Andersen et al. (2014) link the democracy measures in Polity IV to corruption outcomes. The authors find that changes in the world price of

oil, resulting in exogenous shocks to petroleum rents, lead to an increase in hidden wealth abroad (measured by bank deposits in offshore financial centers) in petroleum-rich autocracies, but with no similar effect for petroleum-rich democracies. They interpret this evidence as follows: political elites are more easily able to turn petroleum rents into political rents in countries that lack political constraints, as measured using Polity IV data.

Easterly (2011) examines the notion of a “benevolent autocrat” that has been regarded in some public policy quarters as a way of achieving economic development goals. In fixed-effects regressions decomposing growth variation into variation between leaders and within leaders, Easterly (2011) finds no results supporting growth effects for autocrats. He reports that the effect of leaders accounts for more of the variation in growth in democracies than in autocracies. He further argues that the notion of a benevolent autocrat as a leadership paradigm is in large part rooted in cognitive biases. For example, trends in newspaper coverage show considerably more reporting of successful autocrats compared with unsuccessful ones. As a result of overreporting and relatively abundant information, individuals’ perceptions of an autocrat achieving high growth rates may be upwardly biased.

The above-reviewed evidence does not mean that democracies invariably produce better outcomes. In fact, Besley and Kudamatsu (2008) and Keefer (2011) provide evidence that some autocracies are more successful than many democracies. Besley and Kudamatsu (2008) model the conditions under which autocracies can produce better outcomes than democracies. Their main argument is that if an autocracy is governed by a selectorate (that is, a group of presumably elite citizens with the power to select the leader), and if the selectorate exercises control to discipline poor performance, then the autocracy will promote good policies. Societies in which elites do not have norms and capacity to sanction leaders, or where elites benefit from leaders staying in office despite poor performance, would not satisfy the criteria for successful autocracies. Empirically, the authors characterize successful autocracies as those that had a growth rate above the 80th percentile of the distribution. Consistent with their theoretical explanation, they show that autocracies that are successful according to their definition of high growth are associated with more leadership turnover.

Keefer’s (2011) argument is conceptually similar. He shows that organized political parties can solve collective-action problems by holding leaders accountable for performance. The analog to the selectorate in his work is the organized party. Empirically, he finds that measures of party

organization outperform measures of democracy in explaining variation in governance and growth across countries. Keefer (2007) provides other evidence of differences between nascent and established democracies that is consistent with the importance of organized political parties in democracies in holding leaders accountable. Younger democracies are more corrupt; exhibit less rule of law, lower levels of bureaucratic quality, and secondary school enrollment; and spend more on public investment and government workers.

A common thread in this literature that applies to both democratic and autocratic institutional arrangements, is whether leaders are selected and sanctioned on the basis of performance. Besley and Kudamatsu (2008) show how the performance of both democracies and autocracies depends on the political environment within which each system of government is implemented. They show that although a successful autocracy performs better than a polarized democracy in which elections do not reward public interest policies, the autocracy is, in turn, outperformed by a well-functioning democracy in which public interest policies are politically salient. The worst of all systems in their model are autocracies in which leaders are able to maintain their grip on power despite bad performance. Consistent with their model and with other work (Mobarak 2005; Rodrik 2000), they document a high degree of variance of growth under autocracies compared with democracies.

### **Within-country evidence**

This report is *not* about whether electoral institutions at the national level are better or worse than other national political systems. It moves beyond cross-country evidence on the effects of national political systems, to focus on within-country evidence on the nuances of political engagement within the same national context and how its specific characteristics matter for governance and for development outcomes.

Research is growing on the impact of electoral institutions within countries across the spectrum of national political systems. One body of evidence uses institutional variation in term limits across local political jurisdictions to examine the effects of reelection incentives on leaders' behavior. Besley and Case (1995) pioneered this literature, showing that term limits affect the fiscal policies chosen by U.S. governors. Between 1950 and 1986, per capita taxes were higher during the final term of term-limited governors who did not have to face voters again. This shows that

in a context where taxation, or the size of government, is the most salient policy issue in political competition, as in the United States political engagement shapes leaders' incentives toward that policy. List and Sturm (2006) build upon Besley and Case (1995) to provide evidence that electoral incentives influence other policy areas in the United States as well, which are not as salient as taxation, such as environmental policy.

The methodology for estimating the impact of electoral institutions has been fruitfully applied to a wide variety of developing countries. Several papers examine variation across municipalities within Brazil when directly elected mayors face term limits versus when they are eligible for reelection. Ferraz and Finan (2011) show that reelection incentives reduce corruption. Comparing mayors who are in their first terms with those who are in their second terms and can no longer be reelected, they find that second-term mayors have greater indicators of corruption. Second-term corruption is more pronounced among municipalities with less access to information and where the likelihood of judicial punishment is lower.

De Janvry, Finan, and Sadoulet (2012) examine whether reelection incentives affect the performance of a decentralized conditional cash transfer program in Brazil. They too exploit the variation in reelection incentives induced by term limits. They show that although this federal program successfully reduced school dropout rates by 8 percentage points, the program's impact was 36 percent larger in municipalities governed by mayors who faced reelection possibilities compared with those with lame-duck mayors. First-term mayors with good program performance were much more likely to get reelected. These mayors adopted program implementation practices that were not only more transparent, but also were associated with better program outcomes.

Burgess et al. (2015) and Casey (2015) provide evidence of the importance of electoral competition in Sub-Saharan Africa where ethnic favoritism distorts economic policies. They find that electoral competition can reduce ethnicity-related policy distortions. Burgess et al. (2015) quantify ethnic favoritism in public investment, in particular, road construction in Kenya. They show that during the 1963–2011 period, districts in Kenya that shared ethnicity with the president received twice as much expenditure on roads and had four times the length of paved roads built. They further show that this patronage took place mostly during autocratic periods and not during the periods of multiparty political competition. Casey (2015) examines whether local elections, where voters may have more information about local candidates compared with national-level elections, helps

relax ethnic and partisan loyalties in Sierra Leone. She finds that in local elections, citizens exhibit greater willingness to cross ethnic-party lines.<sup>1</sup>

Evidence is also available from China—where elections are held at the village level. Martínez-Bravo et al. (2011) argue that local elections in China support accountability of local leaders to citizens. In a companion paper, Martínez-Bravo et al. (2014) argue that local electoral institutions can improve local government performance in delivering public goods, compared with bureaucratic monitoring through upper-level governments. For this work, the authors construct a panel data set of village administrative records to document the history of political reforms and economic policies for more than 200 villages. The research design relies on the staggered timing of the introduction of village elections to identify its effects.<sup>2</sup>

Other results are available on the role of local elections within autocratic national political systems. Martínez-Bravo (2014) examines the behavior of local officials during the transition to democracy in Indonesia after 1999. Specifically, she examines whether local officials' incentives differ depending on whether the local officials are appointed or elected. The method of selecting local officials varies across Indonesia. The country is divided into two types of villages: *desa*, where the village head is elected by villagers; and *kelurahan*, where the village head is appointed by the district mayor. Martínez-Bravo (2014) finds that President Suharto's party was 5.5 percentage points more likely to win in villages that had appointed heads, relative to villages that had elected heads. The results suggest that in villages where the people elected their local leaders, they were more able to vote against the dominant party in contrast to where the local leaders were appointed by that party. The results also show that elected leaders can influence governance through their control over appointed public officials. Within districts where the main opposition party won by a tight margin, the villages where President Suharto's party won experienced a 7.4 percentage point higher probability of turnover of their appointed village heads than did the villages where another party won. Similarly, within districts where President Suharto's party won by a tight margin, the probability of appointed village head turnover was 19 percentage points lower in villages where President Suharto's party won than in villages where another party won.

The above studies undertaken in the contexts of local elections within nondemocratic national regimes are linked to the results of Enikolopov and Zhuravskaya (2007), who show that appointing local politicians rather than electing them does not improve the results of fiscal decentralization.

That is, local electoral institutions through which citizens select leaders, rather than appointments by higher-tier authorities, makes a significant difference for local accountability across a variety of national political systems.

Evidence of the importance of electoral institutions for accountability also comes from a strand of literature that finds that restrictions on political engagement by individual voters—because of limited suffrage laws, or voter capacity constraints, or because of elite control of economic resources—are associated with worse outcomes than when larger numbers of citizens are effectively enfranchised.

Miller (2008) examines the effects of enfranchisement on policy outcomes in the United States. He uses the staggered introduction of women's suffrage in the United States to show that suffrage laws were followed by immediate shifts in legislative behavior and sudden large increases in local public health spending. This growth in public health spending fueled large-scale door-to-door hygiene campaigns, and child mortality declined by 8–15 percent (or 20,000 annual child deaths nationwide).

Contrasting the impact of women's suffrage with the continuing disenfranchisement of black southerners in the United States, Carruthers and Wanamaker (2015) provide further evidence of the importance of voting for public service outcomes. They find that female voter enfranchisement can account for up to one-third of the 1920–40 rise in public school expenditures. Yet, these increases in school resources were disproportionately targeted at white schools, where gains far outpaced those for schools serving the black population. As a result, the authors conclude that women's suffrage exacerbated racial inequality in education expenditures and substantially delayed relative gains in black human capital observed later in the century.

Fujiwara (2015) studies the introduction of electronic voting in Brazil and finds that it improved health services by effectively enfranchising poor and less educated voters. Electronic voting was introduced at scale in the 1998 elections. But because of a limited supply of devices, only municipalities with more than 40,500 registered voters used the new technology. Using a regression discontinuity design, Fujiwara finds that electronic voting reduced residual votes, or those that are not counted because of irregularities at the polling booth, in state legislature elections by a magnitude larger than 10 percent of total turnout, thus effectively enfranchising millions of voters. Consistent with the hypothesis that these voters were more likely to be less educated, the effects are larger in municipalities with

higher illiteracy rates. Moreover, electronic voting raises the vote shares of left-wing parties. These results are not driven by the (nonexistent) effects on turnout or candidate entry. The author finds that electronic voting was associated with a rise in the number of prenatal visits by health professionals and a drop in the prevalence of low-weight births (below 2,500 grams) by less educated women, but not for the more educated. The effects on health outcomes are striking, but should be treated with caution because the variables are measured at the state level, with consequently lower power of the empirical test to identify the impact of electronic voting at the municipal level.

Kudamatsu (2012) finds that the emergence of democracy in Sub-Saharan Africa in the post-Cold War period reduces infant mortality by 1.2 percentage points or 12 percent of the sample mean. He compiles indicators of political competition and leader turnover, and links it to a Demographic and Health Survey retrospective panel of mother-level fertility and infant mortality data to study 11 episodes of democratization since 1990. He compares the survival of infants (up to 12 months) born to the same mother before and after democratization. He shows that this association is robust to a variety of controls including the possible effects of official development assistance, mother age at the birth of the child, country-specific birth order, time and other trends, mother asset ownership and education level, and country-level GDP.

Elections are not the only way through which large groups of nonelite citizens can impact the incentives of leaders. Public protests and “revolutions” are also means through which citizens can discipline leaders, the theory of which was discussed in chapter 4. Empirical evidence is lagging that theory, but is beginning to emerge. Aidt and Jensen (2014) provide econometric support for the theory, showing that the threat of revolution leads to extension of franchise. Acemoglu, Hassan, and Tahoun (2014) find a negative correlation between the size of street protests in the Arab Republic of Egypt and the stock market value of politically connected firms, suggesting that protests can restrict the ability of connected firms to profit from corruption and favoritism. The authors conduct a series of event studies around the Arab Spring. They find that in the nine trading days following Mubarak’s fall, the value of firms connected to the National Democratic Party fell by about 13 percent relative to the value of nonconnected firms. They then use information from Egyptian and international print and online media to construct a daily estimate of the number of protesters in Tahrir Square and analyze the effect of these protests on the

returns of firms connected to the group then in power. Their specifications estimate the differential changes in the stock market values of different types of connected firms relative to nonconnected firms as a function of the size of the protests. They find that a turnout of 500,000 protesters in Tahrir Square lowered the market valuation of firms connected to the incumbent group by 0.8 percent relative to nonconnected firms.

Other evidence on the impact of organized groups outside of elections shows that their impact interacts with and works through electoral institutions. Madestam et al. (2013) examine the Tea Party movement in the United States and provide evidence of the effects of political protests on policy making through changes in voting behavior. The paper analyzes the effects of the 2009 nationwide Tax Day Rallies of the Tea Party movement. On April 15, 2009, members of the nascent movement held more than 500 protests in cities all across the United States. The authors investigate whether the size of these protests increased public support for the Tea Party position and led to more Republican votes in the 2010 midterm elections. To causally identify these relationships, the authors use rainfall on the protest day as an instrument. The authors show that the size of the protest led to more campaign contributions and changes in voting behavior and policy stances of incumbent politicians.

### **Unhealthy political engagement can weaken incentives of leaders**

Political competition can involve the practices of vote buying, electoral fraud, violence, and appeals to ethnic identity, with pernicious consequences for public goods. Unhealthy political engagement is not confined to voting by individual citizens in elections but can also characterize the actions of organized groups. For example, the findings in Burgess et al. (2015), discussed earlier, that ethnic favoritism in public investment in Kenya occurred particularly under authoritarian regimes, with reductions in ethnicity-based policy distortions during periods of multiparty electoral competition, suggest that groups can organize around ethnic identity to extract targeted benefits.

The effects of unhealthy political engagement extend well beyond what individual research papers are in a position to assess. For example, the impact of political engagement around ethnic groups is unlikely to be restricted to the distribution of road investments in Kenya. Theory and available analysis of comparative development in the history of nations (which will be reviewed in the next section), suggest that these political

behaviors can accumulate for far-reaching effects across the economy through the poor functioning of public sector institutions.

Elite control over institutions of violence and coercion can account for unhealthy political engagement and is associated with worse outcomes. Acemoglu and Robinson (2006a) provide accounts from Colombia and the U.S. South of the persistence of elite capture of state institutions despite the *de jure* extension of voting rights. They show how political elites use violence against opponents, and coercion and economic sanctions against voters, to maintain their hold on power despite the formal existence of electoral institutions and despite poor performance.

Acemoglu, Reed, and Robinson (2014) use variation in the colonial organization of chieftaincy in Sierra Leone to show that chiefs face fewer constraints and less political competition in chiefdoms with fewer ruling families. Places with fewer ruling families have significantly worse development outcomes today—in particular, lower rates of educational attainment, child health, nonagricultural employment, and asset ownership. Similar results are provided by Anderson, Francois, and Kotwal (2015) from India: variation across villages within a state in the domination of landed, high-caste elites is associated with variation in the provision of public investments to fight poverty. Elite domination is likely to lead to lower levels of antipoverty spending.

However, the above examples from Sierra Leone and India of the persistence of elite control in some parts of the country also show that in other parts of the same country, electoral competition has enabled citizens to weaken elite power. To the extent that government performance in these other parts, where elite control is presumably weak, continues to exhibit high levels of corruption and mismanagement, other explanations are needed for why political engagement does not further improve outcomes. This is where other research comes in showing widespread electoral malpractices that can weaken the ability of voters to hold leaders accountable (Collier 2009; Vicente and Wantchekon 2009).

A large body of political science research documents how political rights of voters, particularly among poor people, are undermined through the practice of vote buying at election time (Kitschelt and Wilkinson 2008; Schaffer 2007; Stokes 2005, 2007). The offering of “gifts” or money in exchange for votes has been found to be widespread in poor democracies, despite the existence of secret ballots. Khemani (2015) shows that vote buying is associated with lower provision of broadly delivered pro-poor public services in health and education.<sup>3</sup> The central finding is that in places

where households report greater vote buying (in direct response to questions about offers of money in exchange for votes at the time of elections), village facility records show lower investment in basic health services for mothers and children. Furthermore, in places with greater vote buying, a higher proportion of children are severely underweight, possibly as a result of the lower public investments.

To corroborate the evidence from the Philippines in other countries, Khemani (2015) turns to survey data from the Afrobarometer initiative. In round 5 of the Afrobarometer surveys, respondents were asked whether they had been offered something in exchange for their vote in the most recently concluded elections. A separate and standardized module on experience with service delivery asked about the quality of public schools and health clinics—whether households had experienced any problems in schools and health facilities. Among the 33 countries for which variables measuring both vote buying and service delivery are available, three-quarters of them, or 25, exhibit a robust association between experiencing vote buying and experiencing problems in service delivery. Pooling the data across countries, and including country fixed effects, also yields a highly significant and robust association between vote buying and problems in public schools and health clinics.

Anderson, Francois, and Kotwal (2015) similarly show that weakening enfranchisement through clientelist relations between land-owning elite families and agricultural households in Indian villages is associated with lower public investments in social safety nets and antipoverty programs. In related results, Baland and Robinson (2008) find historical evidence that the introduction of the secret ballot in Chile was associated with a decline in votes for right-wing parties and a drop in the price of land (both of which are consistent with a reduction in the power of clientelist relations).

Banerjee and Pande (2009) show that caste- or ethnicity-based political parties in India, which mobilize support primarily on the basis of identity appeals, are associated with greater corruption. The economic effects of the ethnic conflict that occurred after Kenya's 2008 election are examined by Ksoll, Macchiavello, and Morjaria (2014). They put together a rich data set on Kenya's flower exports market. The authors use daily data on exports from 2004 through 2010 for 104 producers (representing about 90 percent of Kenya's floriculture market). They combine these data with a firm-level survey conducted after the electoral violence to uncover mechanisms through which the electoral violence affected economic outcomes. They use data from the Red Cross to discern the areas of Kenya where electoral

violence broke out. They then estimate a difference-in-differences model comparing firms located in areas affected by the violence with firms located in areas unaffected by the violence over time. The authors find that the effects of violence reduced export volumes by about 40 percent. The main mechanism for this drop was a reduction in the labor force (as opposed to disruption in transportation). At the peak of the violence, work absence reached close to 50 percent.

Callen and Long (2015) examine electoral fraud in Afghanistan. First, they show that fraudulent practices are greater among electoral officials with political connections. Second, they show how available technology can support electoral institutions to reduce elite power. The authors implement an experiment to estimate the causal effect of “photo quick count”—a technology that allows monitoring of voter tally sheets at polling stations both prior to and after their aggregation into final vote counts that would determine the winner of the election. This technology is intended to reduce fraud in the counting of votes. They provide evidence on the response of fraud to the credible threat of discovery through monitoring by announcing photo quick-count measurements to election officials. Photo quick-count announcements reduced the damaging of election materials by candidate representatives to 8.1 percent from 18.9 percent. It reduced votes for politically powerful candidates at a given polling location from about 21 percent to about 15 percent. This evidence suggests that technology can play a role in reducing unhealthy political practices. Although technology and capacity building are likely needed and play crucial roles in improving outcomes, investments in technical solutions alone can be undermined by political incentives and behavioral norms, as further discussed later in this chapter.

## **Impact of political engagement through the selection of different types of leaders**

The previous section shows that political engagement can improve governance and development outcomes by making leaders accountable to citizens. Political engagement can also improve outcomes through the selection of leaders with better characteristics. For example, political engagement by disadvantaged social groups can lead to the selection of leaders who are more likely to provide health, education, and targeted benefits for poverty reduction. Another strand of evidence shows that

political engagement can enable more competent leaders to be selected, who perform better in governing public resources.

Isolating the political engagement effects on economic outcomes through the mechanism of improving leader characteristics, separately from the effect on incentives, is challenging because it requires data on leader characteristics. The bulk of the literature from developing countries is focused on issues of identity—whether being a woman or of a particular caste or religion matters for policy actions of leaders in office. Plausibly exogenous variation in the identity of politicians is often available because of changes in political reservations, creating “natural experiments” from which to draw reliable lessons. The existence of policy instruments that target benefits to specific social groups also makes it possible to measure policy outcomes that are preferred by particular groups to which leaders belong.

Empirical work on leader selection is lagging behind theoretical developments. For example, Bernheim and Kartik (2014) and Caselli and Morelli (2004) provide models in which adverse selection of dishonest and incompetent candidates as leaders plays a key role in determining government performance. Yet little empirical work is available that measures such attributes directly and examines the conditions under which selection can improve. Some strides have been made in the realm of measuring the characteristics of public officials and frontline providers (Banuri and Keefer 2013; Dal Bó, Finan, and Rossi 2013; Hanna and Wang 2013). This work can be extended to political leaders and to understanding the interaction between the selection of leaders and public officials. Future work also needs to examine the influence of platforms of political competition—whether they consist of broad public goods programs—on the selection of public officials and the environment in which they work.

With these caveats in mind, the following discussion suggests that leaders matter and political competition can be important in selecting better-quality leaders. Furthermore, other work suggests that attention to selection is important because elections are a blunt tool for accountability. Good performance of government relies on the capacity of institutions to select leaders who have intrinsic motivation to use their public office for the public good (Besley 2005).

### **The characteristics of leaders matter**

A body of evidence shows that the characteristics of leaders matter. Jones and Olken (2005) use the deaths by natural causes of leaders while in

office as a source of exogenous variation in leadership, and show that leaders have an impact on growth. The effects of individual leaders are strongest in autocratic settings where there are fewer constraints on a leader's power. Besley, Montalvo, and Reynal-Querol (2011) build on Jones and Olken (2005) and extend the data set to include more than 1,000 political leaders between 1875 and 2004. They show that the individual characteristics of leaders, particularly education, are important for growth.

Using data on the composition of central government expenditures in a panel of 71 democracies for the period 1972–2003, Brender and Drazen (2009) test whether changes in leadership induce significant changes in spending composition. They find that the replacement of a leader tends to have no significant effect on expenditure composition in the short run. In the medium term, leadership changes are associated with larger changes in expenditure composition, mostly in developed countries.

Lee, Moretti, and Butler (2004) provide evidence supporting the notion that the ideological beliefs of leaders matter in what policies they decide to support. The evidence shows that successful leaders from the Democratic party in the United States who win closely contested elections cast similar votes in congressional proceedings as Democrats who win by large margins. The authors show how this pattern is consistent with leaders voting for policies according to their own ideological position rather than responding to the different preferences among their voters in closely contested versus safe districts. Similarly, they find that Democrats and Republicans who win by extremely narrow margins are as dissimilar in their voting patterns as those who win by large margins.

Alt, de Mesquita, and Rose (2011) build upon Besley and Case (1995) to try to separate the incentives effects from the selection effects that elections induce. Their argument is as follows: conditional on the number of terms, the difference between incumbents who face reelection incentives and those who do not reflects whether they are subject to the incentives effect or the accountability effect. The relative performance of term-limited incumbents in different terms reflects the competence or selection effect, since each has been reelected a different number of times but has the same incentive to take costly action on behalf of voters. The authors find that economic growth is higher and taxes, spending, and borrowing costs are lower under reelection-eligible incumbents than under term-limited incumbents, holding tenure in office constant (evidence of an accountability effect), and under second-term incumbents than under first-term

incumbents, holding term-limit status constant (evidence of a selection effect). These two effects are of comparable magnitudes.

Humphreys, Masters, and Sandu (2007) conducted a field experiment in democratic deliberation in São Tomé and Príncipe. In these deliberations, meetings were moderated by discussion leaders who were randomly assigned to run meetings in 56 sites around the country. The authors show that leadership effects were extremely large, accounting for more than one-third of all variation in the outcomes of the national discussions. They also find a strong correlation between the preferences of the leaders and the outcomes of the meetings.

### **Political competition is associated with the selection of better-quality leaders**

One strand of evidence shows that political competition is associated with the selection of better-quality leaders, typically measured as the education levels of leaders. Besley and Reynal-Querol (2011) use a data set on 1,400 world leaders between 1848 and 2004 and find that compared with autocracies, democracies select better educated leaders. Controlling for country and year fixed effects, they find that democracies are 20 percent more likely to select highly educated leaders. Besley, Persson, and Sturm (2005, 2010) investigate the effect of political competition in the United States on incentives and selection of better-quality leaders and find a positive relationship. They conclude that greater competition led to the selection of better-quality leaders who pursued better public policies for economic growth rather than extract private rents.

Martínez-Bravo (2014) provides evidence that the education of leaders matters for outcomes. She constructs a village-level panel of more than 10,000 villages on the island of Java between 1986 and 2003. She investigates the impact of a large school construction program in Indonesia on village governance and public goods provision. Between 1974 and 1978, 61,000 new schools were constructed, which doubled the existing stock of schools. This program was associated with a sharp increase in the educational attainment of village heads a decade or more later: their average number of years of schooling increased from 7.6 to 10.2. Examining the impact of the first election in which new educated cohorts run as candidates, she finds that this election led to important increases in the provision of key public goods: the number of doctors, the number of schools, and the number of kindergartens.

Galasso and Nannicini (2011) use a data set on Italian members of parliament elected in majoritarian districts from 1994 to 2006 to test whether political competition results in better politicians. They measure political contestability in two ways: the margin of victory in the previous political election, and the district-specific ratio of the number of swing voters to the difference between the numbers of ideological voters of the two main coalitions. The quality of a politician is measured by years of schooling, previous income, and experience in local government. They find that politicians with more years of schooling, higher preelection income, and more local experience tend to emerge in more competitive districts.

### **Inclusive political engagement yields leaders who reduce poverty and improve human development outcomes**

Research on the impact of institutional reforms that made political engagement more inclusive of socially and economically disadvantaged groups shows that it yielded leaders who are more likely to reduce poverty, improve human development outcomes, and reduce social discrimination.

Pande (2003) uses political reservations in India to examine the role of mandated political representation in providing disadvantaged groups influence over policy making. The variation used in this paper is at the state level, and it exploits the fact that the extent of state-level political reservation enjoyed by a minority group varies by its population share, but is only revised during census population estimates. This situation creates discrete changes in representation even though the underlying population share is continuous. The paper finds that political reservations in Indian states that yielded more leaders from lower caste groups has increased redistribution of resources, such as increases in spending on public education programs, which benefits low-caste groups.

The impact on poverty of political reservation for disadvantaged minority groups is examined by Chin and Prakash (2011). The authors find that increasing the share of seats reserved for the most disadvantaged groups, the Scheduled Tribes of India, significantly reduces poverty. Greater space for political engagement by disadvantaged groups has a greater effect on rural poverty than urban poverty, and appears to benefit people near the poverty line as well as those far below it.

Using close election races at the state level in India from which women emerged as leaders, Clots-Figuera (2011) examines the effect of the gender of leaders on policy choices. The focus on the state level allows her to

examine the effect of leader identity on a larger set of policy instruments. She finds an important interaction of gender with caste identity. Women elected for state legislative assembly seats that are reserved for historically disadvantaged low-caste groups behave differently from women elected from unreserved constituencies. In reserved constituencies, female legislators spend more on health and less on education and are more likely to support “women-friendly” inheritance laws and pro-poor land reforms compared with male legislators. Female legislators elected from unreserved constituencies are no different from their male counterparts in their support for “women-friendly” laws and are more likely than men to oppose land reforms. They are also different from male legislators in spending patterns, investing more in higher tiers of education and less on social expenditures. Taken together, these results provide significant evidence that promoting the inclusion of historically disadvantaged groups as leaders has significant impact on a range of policy choices.

Bhalotra and Clots-Figueras (2014) examine whether women state legislators in India influence health outcomes for individuals in the districts from which they are elected through the health policy levers available to them. The authors match data on health outcomes, health-related behaviors, and village-level access to health facilities for a large representative sample of individuals to the gender composition of state legislators around the time of their birth and in the district of their birth. They find that greater representation of women in the state legislature in the birth year and in the two years preceding birth is associated with a significant reduction in neonatal mortality. Additional evidence supports the finding that the mechanism of impact is greater public health investments by women leaders. Female political leaders are more likely to invest in village-level public health facilities, whereas male leaders are associated with greater availability of financial (and telecommunications) infrastructure. Female leaders are also associated with higher probabilities that women attend antenatal care, take iron supplements during pregnancy, give birth in a government facility as opposed to at home, and initiate breastfeeding early. Correlation of women leaders with outcomes that are not dependent upon public health infrastructure, such as breastfeeding, suggests that female leaders are more likely to promote health outreach and education campaigns.

Chattopadhyay and Duflo (2004) use political reservations for women in India to study the impact of women’s leadership on policy decisions. There are two key features of this study: first, since the mid-1990s,

one-third of village council head positions have been randomly reserved for a woman, which allows for causal interpretation of the results. Second, the study conducted a survey to elicit women's preferences on public goods. The main finding is that policy decisions better reflected the preferences of women when the village council head was a woman.

Rehavi (2007) uses variation in the number of female state legislators created by the outcomes of close elections in the United States to examine the impact of the leader's gender. The analysis finds that the increase of women in U.S. statehouses over the past quarter-century was responsible for a significant 15 percent share of the rise in state health spending. There was no effect on the share of spending on education.

Ferreira and Gyourko (2011) examine the effects of female leadership using a data set of U.S. mayoral elections from 1950 to 2005. They find no effect of gender of the mayor on policy outcomes related to the size of local government, the composition of municipal spending and employment, or crime rates. Although female mayors do not implement different policies, they do appear to have higher unobserved political skills, given that they have a 6–7 percentage point higher incumbent effect than a comparable male.

Washington (2008) shows that U.S. members of Congress who have daughters tend to vote more liberally on women's issues bills. She uses congressional voting record scores compiled by the American Association of University Women and the National Organization for Women, and exploits the fact that the gender of a child is exogenous conditional on family size. She finds that, conditional on total children parented, each female child parented is associated with a score increase that is approximately one-quarter of the difference in the score accounted for by a congressperson's own gender.

### **Unhealthy political engagement yields bad-quality leaders**

Other research shows that when political parties and special interest groups are organized to extract private rents, they support the selection of bad-quality leaders. Political parties in India that are organized on the basis of ethnic identity and win support by targeting private benefits to members of their ethnic groups are also more likely to field candidates against whom there are serious criminal allegations (Aidt, Golden, and Tiwari 2011). Political parties in India are more likely to select alleged criminal candidates when confronting greater electoral volatility and in parliamentary

constituencies with lower literacy. Prakash, Rockmore, and Uppal (2014) provide evidence that there are large economic costs of electing criminally accused politicians.

Daniele and Geys (2015) examine the role of organized crime groups in Italy in influencing the quality of elected politicians. They test the hypothesis that organized crime groups can lower the quality of politicians through bribery and coercion. To undertake this test, they rely on the assumption that the negative correlation between organized crime and quality of politicians is likely to be weaker when law enforcement is strengthened. The authors use data on the presence and activity of organized crime in Italian municipalities during the period 1985–2011. During this time, when there was the presumption of ties between local politicians and organized crime, the national government had the ability to dissolve the local government and replace it with a commission. The authors show that the dissolution of a local government as a result of Mafia infiltration induces a significant upward shift in the quality of local politicians, as measured by education. Similarly, Acemoglu, Robinson, and Santos (2013) use data from Colombia between 1991 and 2006 to show that paramilitary groups can have significant effects on elections for the legislature and the executive.

Other evidence from Germany on the rise of the Nazi party also shows how organized groups can reduce the quality of elected politicians. Satyanath, Voigtlaender, and Voth (2013) find that civil society organizations in Germany facilitated the rise of the Nazi party through democratic institutions, which ultimately led to the downfall of democracy in interwar Germany. The authors combine individual-level records of Nazi party membership from Falter and Brustein (2015) with more recently collected information on civic associations from a cross-section of 229 towns and cities from all over Germany in the 1920s. Their results show that the Nazi party grew more quickly where association density was higher. A diverse range of civil society groups, such as veterans' associations, animal breeders, chess clubs, and choirs, all positively predict the entry of the Nazi party. Party membership, in turn, is correlated with electoral success. Similar in essence to these results from Germany of the political capture of civil society, Acemoglu, Reed, and Robinson (2014) interpret evidence on the impact of traditional ruling families in Sierra Leone as suggesting that they can capture civil society to maintain their power.

Another strand of evidence provides indirect support to theoretical hypotheses that dishonest citizens may be more likely to seek public office

because there are rents to be had. Leaders can use their time in office to find a variety of ingenious ways of enriching themselves that are difficult for voters to monitor. Voters are limited in their ability to monitor every action and enforce accountability. On the one hand, this points to the importance of other internal checks and balances, and the bluntness of elections as institutions of accountability, but on the other, it underscores the importance of understanding how political institutions can shape the intrinsic characteristics and behavioral norms among leaders.

Gehlbach, Sonin, and Zhuravskaya (2010) document the high share of businessmen who run for public office in the Russian Federation. Using data from Russian gubernatorial elections, they show that “businessman candidates” emerge in regions with low media freedom and government transparency. The authors suggest that this pattern may be indicative of candidates entering the political market with the objective of extracting private rents once in office.

Pande (2007) provides a review of evidence and case studies on the type of citizen who selects to become a politician. The pattern is consistent with the suggestion that political entrepreneurs can select into becoming politicians with rent-seeking motives. Her review further points out that business interests in politics in low-income countries is similar to the situation in the United States in the nineteenth century, when the business elite dominated urban politics and urban politics was associated with significant corruption.

## Political engagement and behavioral norms

This section examines the available evidence that links political engagement to behavioral norms. Chapter 1 distinguished political norms as a subset of social norms, pertaining specifically to the behavior of citizens and public officials in the public sector. The theoretical literature reviewed in chapter 4 shows how unhealthy political engagement can be understood as behavioral norms to extract private benefits from public resources. Behavioral norms can vary within the same formal institutions and persist even when formal institutions change. The theory suggests that transitions between healthy and unhealthy behavioral norms happen through the experience of political engagement over time and through the role of leaders as prominent agents. There are no currently available direct empirical tests of the theory, or clear empirical strategies to measure political norms

beyond qualitative descriptions. This section provides empirical support for the theoretical insights by connecting and interpreting a large literature on the impact of historical institutions on development and the role of leaders in shaping social norms.

### Leaders influence norms

Significant evidence shows that political engagement and the leaders selected through it shape social norms related to gender and caste. Beaman et al. (2009) and Beaman et al. (2012) examine the impact of political reservations for women in the leadership of village governments in India on gender norms. The state of West Bengal began implementing the constitutional amendment in India that mandates political reservations for women leaders in 1998 and assigned the reservation to a random set of villages. These studies find that the experience of living under a woman leader reduces men's prejudice against women leaders by many measures. The experience of living under a woman leader also reduced the gender gap in parental aspirations for children. In villages that had had women leaders, parents' expectations for their daughters were higher and girls went to school longer and had somewhat fewer hours of housework. After the reservations ended in a village, women have run for free elections in higher percentages and in many cases won.

Several other papers exploit the variation in leader selection afforded by political reservations in India to examine the impact on behavioral norms. Deininger et al. (2015) examine the effect on individuals' political participation. The main outcome variables are individuals' levels of political participation, willingness to make a matching contribution to provide local public goods, and self-reported ability to hold leaders to account. The authors use data collected 15 years after the introduction of the policy to explore the persistence of reservation-induced effects and to distinguish short- from long-term effects. They find that reservations prompted a decline in the perceived quality of leaders and public goods provision, but an increase in the extent and nature of females' political participation. These effects persist over time, consistent with effects on long-lasting behavioral norms.

Iyer et al. (2011) use state-level variation in the timing of political reservations in India to find that an increase in female representation in local government induces a large and significant rise in documented crimes against women in India. Their evidence suggests that this increase is good news, driven primarily by greater reporting rather than greater incidence

of such crimes. In contrast, they find no increase in crimes against men or gender-neutral crimes. They also examine the effectiveness of alternative forms of political representation: large-scale membership of women in local councils affects crime against them more than does their presence in higher-level leadership positions.

Contrasting results on the impact of mandated political participation comes from Afghanistan. Beath et al. (2014) examine a development program that mandated women's community participation. The community-driven development program (CDD) was part of a randomized controlled trial in 500 villages in Afghanistan. As part of the CDD, the village had to establish a development council with equal participation of men and women in the election of the council and in the selection of development projects. The study finds that increased female participation had an impact in various activities, both political and economic. However, no effects were found on the norms of intrafamily decision making or on attitudes toward the general role of women in society.

Another study shows how political parties with a particular social ideology can affect gender outcomes. Meyersson (2014) uses a regression discontinuity design to compare municipalities in Turkey, where the Islamic party barely won or lost the election and finds that in places where they won, Islamic rule increased female secular high school education. These effects persisted in the long run (17 years later), reduced adolescent marriages, and increased female political participation.

### **A history of inclusive political engagement influences norms**

Research finds variation in outcomes across local places that are currently governed by the same set of formal institutions but vary in their experience with historical institutions. This evidence shows that the effects of historical institutions persist over time, long after those formal institutions have disappeared. Such persistence of effects of historical institutions is due to the importance of behavioral norms that have been variously defined as “informal institutions” or “culture,” to distinguish them from formal institutions (Alesina and Giuliano 2015). This general interpretation is open to several different types of mechanisms through which behavioral norms could work, as follows:

- One, citizens could fail to make the local contributions that are needed for state-provided public services to work effectively, such as local maintenance (for example, village health committees gathering contributions

from community members to maintain and equip the health clinics); local cooperation with public service providers, or conversely, local social sanctions on errant workers (for example, social pressure on nurses and doctors to show up to work at the health clinic); or local take-up of services (for example, mothers taking their young children for immunization).

- Two, citizens could fail to coordinate their *political* actions, such as voting, to demand the collective social welfare. This failure can lead to worse outcomes by reducing the incentives and quality of leaders to make the public sector perform better for citizens. Political beliefs and behavioral norms can be clientelist—with citizens likely to reward politicians who provide them with targeted private benefits, or who share their social identity, at the expense of broadly delivered public services. This course can shape both the incentives and the characteristics of those who select to become political leaders—the extent to which leaders have the incentives, the motivation, and the competence to use their positions of leadership in the public sphere to serve the public interest rather than to extract private rents.

Pandey (2010) provides direct evidence linking historical institutions of power concentration to subsequent political behavior and the delivery of public services. She takes advantage of historical variation across districts in India in colonial land revenue institutions that concentrated power among elite landlords. Landlord districts had more oppressive revenue systems that gave greater power to elite landlords rather than to peasants. In districts with nonlandlord control, village bodies that were more representative of peasants were responsible for collecting revenue. The results show that in ex-landlord control districts, elections are more likely to be won by leaders belonging to high-caste groups, who are the social elite. These high-caste groups are less likely to send their children to the public schools in the villages, as compared with low-caste groups. Lower-caste children are overrepresented and high- and middle-caste children underrepresented in enrollment rates in public schools relative to their respective populations. Teacher effort is significantly lower in villages in ex-landlord districts. When results are analyzed by teacher caste, the difference in teacher effort between ex-landlord and ex-nonlandlord districts is significant for high- or middle-caste teachers who would be considered elites (based on their caste status). For low-caste teachers, the difference in effort between ex-landlord and ex-nonlandlord areas is not significant.

This suggests that low-performing teachers may be protected by the local political leaders who often share common castes and class backgrounds because a large fraction of the teachers is upper caste and landed (Drèze and Saran 1995). Finally, student test scores and school infrastructure are significantly worse in villages belonging to ex-landlord districts.

The study by Acemoglu, Reed, and Robinson (2014) on the chieftaincy in Sierra Leone not only shows that chiefdoms with less political competition have significantly worse development outcomes today, but also suggests that the worse development outcomes are a function of weak political behavioral norms to hold leaders accountable. They find that despite worse performance of current political leaders in bringing public investments to their communities, chiefdoms with fewer ruling families are also associated with greater measures of citizen acceptance of the authority of chiefs and more “social capital” or cooperative behavior in communities (such as engaging in road brushing—a form of communal labor to maintain local assets). The authors interpret this pattern as suggesting elite capture of civil society, implicitly through the power of elites to exact obedience from civil society. Similar results and arguments are provided by Anderson, Francois, and Kotwal (2015) from India, that in villages dominated by landed, high-caste elites, there are greater reports of citizen satisfaction with leaders and willingness of citizens to contribute to local public goods, at the same time that public investments by the state to fight poverty are low.

This evidence from India and Sierra Leone suggests that political beliefs about the legitimacy of elite leaders and political behavioral norms to accept their authority can facilitate the persistence of power and influence of some groups, who have historically been in positions of power, despite changes in formal political institutions toward democracy and competitive elections. Local collective action to solve problems of local public goods can be a form of elite capture of civil society, contributing to the persistence of elite power and preventing citizens from organizing to demand political accountability from their leaders. Indonesia provides further suggestive evidence of this tension between local collective action to solve local problems versus holding leaders accountable for using their positions of leadership to service the community. Freire, Henderson, and Kuncoro (2011) provide evidence that the introduction of democratic elections at the village level in Indonesia led to a replacement of traditional village leaders drawn from the village elite, and a simultaneous reduction in volunteer labor that village elites previously mobilized for building local public infrastructure.

A strand of literature examining regional differences in the quality of government and social norms within Italy, between the center-north and the south, ultimately attributes better performance to earlier experience with participatory democracy, dating back to the twelfth century (Alesina and Giuliano 2015; Guiso, Sapienza, and Zingales 2006; Putnam, Leonardi, and Nanetti 1993). The inclusiveness of political institutions in “free cities”—a formal institution in the twelfth century—triggered a set of cultural traits (civic and cooperative behavior) whose effects persist today. Regions that were not free cities in the twelfth century but that currently have institutions of local political engagement are argued to suffer from “uncivic” voting, which allows corruption by political leaders to go unpunished (Nannicini et al. 2013). This series of arguments on variation in governance outcomes within Italy thus supports the notion of improvements in political norms coming about through the experience of political engagement over time. The earlier experience with democratic institutions and greater accumulation of such experience over time are the underlying source of differences in governance within Italy today.<sup>4</sup>

Nannicini et al. (2013) build on the previous work on variation in social capital across provinces within Italy. Social capital is defined as norms for cooperative behavior in society. The authors’ main empirical measure of social capital is average per capita blood donations in the Italian provinces (following Guiso, Sapienza, and Zingales 2006). They link social norms to the notion of “civic” versus “uncivic” voting behavior, depending on whether voters assess politicians on the basis of general public interest and punish transgressions even when they have been the recipients of private favors from the politician. The authors use two indicators of transgression or misbehavior of incumbents in national elections: prosecutors’ requests to proceed with a criminal investigation against a member of parliament; and the absenteeism rate in electronic votes by members of parliament over the legislative term. They find that both indicators are more frequent in electoral districts with less social capital. More important, the electoral punishment of the incumbent’s misbehavior is stronger in districts with more social capital.

Finan and Schechter (2012) also show how social and political norms are linked, providing evidence from a field experiment in Paraguay. Politicians hire respected community leaders in each village to interact with voters to promote their candidacy and offer them money and other forms of aid in exchange for the promise of their vote. The authors

conducted a survey with these community leaders who typically broker the vote-buying exchanges between voters and politicians. They combined survey information on vote buying experienced in a 2006 municipal election with experimental data on individual intrinsic reciprocity. They find that political brokers target vote-buying offers to individuals who have strong norms of reciprocity. It is interesting to note that a robust negative association between vote buying and public services in Khemani (2015), discussed earlier, is obtained from a country—the Philippines—that has been described as having cultural norms of reciprocity (*utang na loob*, or the obligation to appropriately repay a person who has done one a favor).

Historical inequality in the distribution of economic endowments can also explain unhealthy political behavioral norms. Sokoloff and Engerman (2000) argue that historically unequal economic institutions in Latin America, compared with those in the United States and Canada, were responsible for the delay in the adoption of inclusive political institutions, and this delay is associated with subsequent weak institutions and persistently worse economic outcomes. The authors provide evidence that exogenous variation in the climate to produce sugar led to variation across countries within the Americas in the timing of the adoption of egalitarian political institutions (democracy with universal adult suffrage) and social policies (education for universal literacy). Similarly, Acemoglu and Robinson (2012) argue that early experience with inclusive or egalitarian political institutions in the history of nations is the source of variation in subsequent paths of economic development.

However, although this body of work shows that early adoption of egalitarian institutions and social policies is important, the mechanisms behind why early adoption matters and has persistent effects is not clarified or made explicit. Why are countries not able to change outcomes within short time spans by instituting elections with universal adult suffrage and spending on public education? The answers in this report are that first, political behavioral norms are important in shaping the functioning of formal institutions; and second, political norms can vary within the same formal institutions, between healthy and unhealthy. Historical institutions of inequality can contribute to unhealthy political behavioral norms such as those that sustain clientelist forms of political competition where political support is won on the basis of providing targeted private benefits rather than broad public goods.<sup>5</sup>

## Capacity building is not enough: Healthy political engagement is needed to change incentives and norms

Even when they function well, elections are designed only to hold elected officials accountable. But many of the functions of government are delegated to appointed officials rather than to elected politicians. Both elected and appointed officials exercise their powers through a myriad of working-level institutions of government, ranging from ministries and agencies all the way down to local public schools and clinics. Strong institutions of internal accountability within government, such as supreme audit institutions, and checks and balances, such as through independent judiciaries, therefore are important mechanisms to complement accountability through elections.

The problem is how to build such institutions when they are weak to begin with. A view that institutions and governance are central to development has influenced policy efforts to focus on deliberately investing in building institutions. One approach to better public sector institutions in places that lack them is to build the bricks-and-mortar infrastructure and provide human resources and training to staff, and equipment to bureaucracies and law and enforcement agencies. However, a wealth of experience with efforts to strengthen institutions has shown that programs to replicate successful rich country institutions in developing countries by providing equipment and training to bureaucracies often fail (Andrews, Pritchett, and Woolcock 2013; IDS 2010; Pritchett, Woolcock, and Andrews 2013).

When institutions are weak to begin with and political engagement is unhealthy, attempts to build better institutions by investing in capacity alone can run into problems of perverse incentives and behavioral norms in public bureaucracies. Nonelected public officials perform in the shadow of flawed elections that generate weak political incentives and perverse behavioral norms. For example, powerful leaders at both national and local levels might interfere with the recruitment and management of frontline public service providers by ensuring that their cronies are appointed or promoted to leadership positions in public facilities (Callen et al. 2014; La Forgia et al. 2014). Such use of government jobs as political patronage can dilute professional norms in the public sector. Although systematic empirical evidence on how elected political leaders shape the environment in which bureaucracies function is limited, the little that is available suggests that bureaucracies in poor countries are subject to pernicious political interference. Improving the management of public service providers within

sectors, be they doctors, teachers, agriculture extension workers, or social safety net administrators, appears intimately linked to politics.

A growing body of empirical work finds evidence that elected leaders exert significant influence over public officials and frontline service providers (Brollo, Kaufmann, and La Ferrara 2015; Callen et al. 2014; Callen and Long 2015; Iyer and Mani 2012). Technical policy advice about how to improve the functioning of public bureaucracies may not be taken up or implemented seriously because of weak political incentives. Examples in the literature show how relatively obvious and easy-to-implement technocratic arrangements can be devised that work to control corruption and improve performance. Muralidharan, Niehaus, and Sukhtankar (2014) show how significant gains in performance can be achieved by using technology. The *World Development Report 2016* (World Bank 2016) further shows that the Internet and new technology afford ample opportunities to improve governance should leaders have the incentives and willingness to use them. Those incentives or “political will” are, in turn, shaped by the characteristics of political engagement.

Even when technological innovations are credibly adopted by higher-level decision makers, political incentives and behavioral norms can undermine their implementation. Banerjee, Duflo, and Glennerster (2008) and Callen et al. (2014) provide direct evidence that the use of technology to improve governance is influenced by political connections and political competition. Callen et al. (2014) find that the use of a smartphone technology that doubled inspection rates of health clinics in Pakistan was highly localized in competitive political constituencies where there are greater political incentives to monitor public providers. Banerjee, Duflo, and Glennerster (2008) provide evidence of the reversal of gains from an effective monitoring technology—timestamp machines—to reduce absenteeism among public health workers in India. The nurses sabotaged the machines and pressured local health administrators to deliberately undermine the incentive scheme. The authors suggest that the nurses were successful in doing so because of the lack of political will among leaders with power over the health system to enforce implementation.

Dhaliwal and Hanna (2014) evaluate the impact of another technological solution—using biometric scanning devices—to monitor the attendance of public sector health care workers in India, finding that it resulted in a 15 percent increase in medical staff attendance. Health outcomes improved, with a 16 percent increase in the delivery of infants by a doctor and a 26 percent reduction in the likelihood of infants born weighing less

than 2,500 grams. However, the results also suggest that improvements in one aspect of service delivery performance (reduction in absenteeism) may have been replaced by other forms of corruption (for example, higher delivery costs, diversion of patients to private practice, and reductions in benefits to which patients are entitled).

At the same time, Dhaliwal and Hanna's (2014) discussion is occupied not so much with the success story of the technology but rather with the unwillingness and low motivation at every step in the public sector to take it up and implement it effectively. They report that:

The idea for the original reform did not stem from the research team: the government identified the absence problem, conceived the program, developed the software, and piloted the equipment prior to the involvement of the researchers in the project ... Despite this "ownership," the project was plagued with both delays and inadequacies in implementation ... The implementation challenges stemmed from both the top—i.e., the state government—and the local bureaucrats and politicians who are responsible for further monitoring the PHC [primary health center] staff. At the top, the state government officials, the very office that conceived the project, did not always follow through with implementation ... lower level bureaucrats may have little incentive to enforce the rules: if they enforce them, the health officers would have to handle complaints by PHC staff and they get no personal return in terms of their careers. On the other hand, local elected politicians—in India, the Grand Pradhan, or GP—may have better incentives than bureaucrats to monitor PHC staff to be present: if service provision is low, they could be voted out of office. Yet, ... despite the high rates of absenteeism, GPs were generally satisfied with the doctor's attendance: 77 percent were either satisfied or very satisfied with their attendance. (Dhaliwal and Hanna 2014, 25–29).

A similar story comes from Kenya of impediments to implementing evidence-based policies that would improve provider performance. The research to inform policymakers about the impact of different policy options to improve education is summarized on the website of the Abdul Latif Jameel Poverty Action Lab. Standing out in this summary is a finding that public investment in hiring contract teachers in Kenya, rather than raising the salaries of regular civil service teachers, is highly cost-effective.

Contract teachers exert greater effort at a fraction of the cost of regular civil service teachers. Yet efforts by the government of Kenya to implement policies based on the implications of this research were strikingly unsuccessful. Bold et al. (2013) show that the contract teacher program could not be effectively implemented through the public sector. The authors provide anecdotal evidence consistent with the political power of the teachers' unions in thwarting program implementation.

Mungiu-Pippidi (2014) reports that the establishment of anticorruption agencies and several other formal policy measures for monitoring and enforcement are not robustly correlated with the control of corruption. Case studies of the experience with anticorruption agencies across countries point to the importance of political incentives in shaping the functioning of such agencies. Doig, Watt, and Williams (2006) and Meagher (2005) write that the success of some agencies, such as Singapore's Corrupt Practices Investigation Bureau founded in 1952, has provided models for other countries to emulate. They write that these agencies were established in contexts of rampant corruption that were threatening political stability and investor confidence. In response, single agencies were established that centralized information and facilitated coordination between institutions. However, these authors continue, the majority of anticorruption agencies (ACAs) established in other countries based on these models have been far less successful. Meagher (2005, 79) writes, "The majority of ACAs, which are most numerous in the developing world, probably serve no useful role in combating corruption. Some may indeed be actively harmful." These authors contend that ACAs do not address larger forces underlying systemic corruption in developing countries.

Maor (2004) considers the politics of anticorruption mechanisms, drawing on examples from the United States, the former Soviet Union, Italy, and Australia. He considers cases in which leaders establish ACAs and make other investments to reduce corruption, often in response to pressure from media or public outcry, but subsequently undermine those efforts when anticorruption investigations consider issues close to home, such as the actions of political executives. Maor (2004) considers five cases in which leaders have tried to thwart the credibility of anticorruption mechanisms and investigators' powers. Through comparative case study analysis, he finds that the outcome of such struggles depends largely on media accessibility and institutions. When the media have greater access to the government and institutions are not centralized, investigations are more difficult to derail.

Kaufmann, Mehrez, and Gurgur (2002) argue that in environments in which public institutions are captured to service the interests of economic and political elites, the path to improving governance lies not through traditional public sector reforms but rather through external institutions of accountability to citizens. Using in-depth micro surveys of 1,250 public officials working in 110 public institutions in Bolivia, the authors estimate a model of the determinants of corruption in and service delivery by government agencies. Their results show that internal indicators of public sector management, such as wages of civil servants and bureaucratic rules, are not significant, while measures of external accountability institutions, such as citizen voice and transparency, are significantly correlated with lower corruption and better quality of services provided.

An approach to fostering external accountability has been to build citizen organization, such as providing grants to civil society and establishing legal frameworks to allow citizen organization to flourish. However, laws that are abided by and organizations that are effective are more likely to emerge organically. The most systematic evidence in this regard comes from efforts to build the capacity of communities to undertake development projects. Mansuri and Rao (2013) argue that efforts to induce community participation run into large risks of failure because of inequality and socioeconomic barriers to participation. Yet there are examples of organic forms of participation that arise endogenously among communities, showing that citizens and communities *can* come together to address local problems. But getting them to do so through external interventions, when they are not ready, can fail.

One strand of thought on historical path dependency suggests strong limitations on the efficacy of any deliberate policy efforts to change institutions; critical junctures of institutional change involve a variety of forces that are likely outside the control of policy makers.<sup>6</sup> Some historical accounts of how effective state capacity and institutional change comes about is consistent with the role of healthy political engagement in creating the conditions for that change. Besley and Persson (2009) find that historical incidence of parliamentary democracy, and of shocks (external wars) that lead to demand for common-interest public goods, are stable predictors of state capacity. The common theme in Acemoglu and Robinson (2001, 2006b) and in Besley, Persson, and Reynal-Querol (2015) is that an incumbent leader's fear of losing power is critical for institutional change.

The research frontier is linking the development of effective public sector organizations and sound professional norms in bureaucracies to

the “cleaning up” of politics.<sup>7</sup> A challenge for the public sector is how to strengthen providers’ professional behavioral norms by using mechanisms other than incentives and accountability. When leaders are selected and sanctioned on the basis of good performance, they are more likely to have the incentives, capacity, and legitimacy to bring about institutional reforms such as the professionalization of bureaucracies. Conversely, when politics revolves around patronage and clientelism, providing jobs in the public sector becomes a currency of political competition, with pernicious consequences for professional behavioral norms among public employees.

This chapter has shown that political engagement, both its healthy and unhealthy forms, has profound consequences for governance, policy selection, and economic development. Healthy political engagement can be crucial for changing incentives and behaviors in the public sector and effectively building state capacity. The big question this raises is how to encourage healthy political engagement so that governments work better to support economic development. One way may be through transparency. The next chapter focuses on the evidence of transparency’s impact in nourishing political engagement and working together with it to strengthen institutions for governance.

## Notes

1. Casey (2015) is reviewed further in chapter 6. The paper shows that political information on local politicians provided through the radio improves voters’ knowledge. Candidate information increases citizen willingness to cross ethnic-party lines. Complementary evidence shows that more information induces parties to distribute campaign spending in a more equitable way across districts.
2. These results need to be interpreted with caution because the diffusion rate of elections across villages is rapid, and some of the outcomes data are based on recall (which can involve measurement errors). There may also be an issue of external validity—or the extent to which the reported results are likely to be applicable outside the sample of villages used in this study. This point was raised in comments provided by John Giles to the authors of this report. The sample of villages on which data are available has been the focus of research for some time, which may impact the way in which respondents from these villages respond to surveys undertaken by researchers.

3. Directly elected municipal governments in the Philippines are responsible for delivering what can be characterized as a pro-poor public service: health programs for maternal and child well-being that are typically the only source for such services available to poor households. Municipalities hire and manage nurses, midwives, and community or village health workers, the key health personnel who are supposed to deliver basic maternal and child health services to the poor.
4. In chapter 6, the discussion turns to why several hundred years of experience, as in this example from Italy, may not be needed for societies today to improve political engagement. Changes can be far more rapid in this particular moment in time because of the confluence of current forces of political engagement and transparency.
5. Brix, Lust, and Woolcock (2015) provide a study of government failures in the Middle East and North Africa region with a similar argument and interpretation of available evidence. They discuss how historical experience with colonial institutions and beliefs about the role of the state at the time of independence in the region led to political clientelism, elite capture of state resources, and citizen expectations that leaders would provide a broad range of private and public benefits (such as subsidies, health, and education). The coexistence of these three factors—that leaders organized to extract private rents from the economy, maintaining loyalty and political support through patronage, while providing subsidies and a broad range of public services to citizens to win their acquiescence—became untenable as economic inefficiencies mounted and citizens became dissatisfied with the social compact.
6. Banerjee and Duflo (2014) provide a view of this historical determinism literature. Dell, Lane, and Querubin (2015) and Dell (2012) provide direct evidence of path dependency in development. Acemoglu, Johnson, and Robinson (2005) describe “critical junctures” and North et al. (2007) describe “doorstep conditions” for institutional change.
7. As also discussed in chapter 4.

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