

PARTY COHESION, ACCOUNTABILITY, AND RESPONSIVENESS

Democratic Institutions and Political-Economic Change

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ABSTRACT

Critics of APSA's report "Toward a More Responsible Two-Party System" argued that the United States cannot have programmatically cohesive parties because its democratic institutions provide incentives to the contrary. But institutions such as electoral systems, legislative-executive power relations and the subnational territorial organization of political jurisdictions provide only one set of determinants impinging on the programmatic cohesiveness of parties. This paper argues that political-economic arrangements constitute another critical condition that shape political parties' relations of accountability and responsiveness to citizens. Where public economies are encompassing, politicians seize on opportunities to organize citizen-elite linkages through direct clientelist exchanges of votes and political support for material rewards, regardless of the shape of democratic institutions. The crisis of public economies, in turn, triggers popular challenges to clientelist democratic politics. The paper illustrates the association between political economy and democratic relations of accountability and responsiveness both in a cross-sectional, comparative static as well as in a dynamic intertemporal perspective

The now fifty year old report of the APSA Committee on Political Parties, "Toward a More Responsible Two-Party System," called for adversarial parties in the United States that would compete for electoral support based on unambiguous programmatic alternatives. In the legislature, these teams of politicians would vote in disciplined fashion along party lines. The opportunity to choose between programmatic alternatives, so the report reasoned, would enable voters to hold governing parties responsible for their actions. Conversely, the anticipation of accountability at a subsequent election would keep politicians responsive to their electoral constituencies.

At no other point in its history the APSA commissioned a committee to issue a normative recommendation concerning the future course of American politics. Some of the report's critics challenged the desirability of responsible partisan government in America. Others attacked the report with the tools of empirical political science itself. A normative claim is vulnerable to empirical criticism based on the so called "bridge principle" between facts and values: "ought" implies "can." The scientific criticism of APSA's report pointed out that the report's normative claims ("ought") are sustainable only if they are feasible ("can"), given what we know about the empirical constraints and features of American politics. Comparative analysis of political systems, however, shows that cohesive programmatic parties and partisan government presuppose a configuration of democratic institutions absent in the United States. Party discipline would require electoral laws that focus competition on parties as teams of politicians, not individual candidates, a polity with weak presidential legislative and executive powers, and a concentration of jurisdictions and discretionary spending authority in a single national rather than multiple sub-national governments (cf. Harmel and Janda 1982).

I have no doubt that this institutionalist critique of APSA's 1950 report is theoretically and empirically correct. Institutions have a significant impact on patterns of interest representation and executive governance. In recent years, many scholars working in the tradition of comparative democratic institutionalism have driven home this point with sophisticated comparative analyses (e.g., Lijphart 1999; Shugart and Carey 1992; Carey and Shugart 1995; Cox 1997). Rather than repeating in detail the institutionalist arguments they have developed so well, I plan to explore the *limits of the explanatory reach of an exclusively institutionalist analysis*, when programmatic party cohesion and related patterns of political accountability and responsiveness are the dependent variables. In

this paper, I argue that political-economic governance structures and their change have an independent impact on party cohesiveness and underlying citizen-politician linkages of accountability. Sometimes political-economic arrangements are more powerful determinants of such patterns of representation and interest intermediation in the legislative and electoral arenas than democratic institutions themselves.

My paper does not attempt a systematic empirical test of this proposition, e.g. through a quantitative estimation of the relative explanatory power of institutional and political-economic accounts of party cohesion and modes of citizen-politician linkage. Instead, I illustrate the power of political-economic forces by examining cases that are anomalies and outliers when viewed through the lens of predictions derived from institutional theory. The stronger claim I cannot fully support here is that political economic analysis is better equipped to account for dynamic changes in democratic systems of interest intermediation than institutional analysis.

1. Programmatic Cohesion or Clientelist Exchange as Bases of Accountability and Responsiveness in Democracy

A party is programmatically cohesive when information on one of its politicians' (or legislators') policy preference schedules is a strong predictor of preference schedules shared by *all other* politicians inside the party. The programmatic cohesiveness of a party is a sufficient, but not a necessary condition for party *discipline* in legislative roll call votes. Party cohesiveness enhances the certainty that voters can count on a party as a single legislative actor. In this sense, empirical and normative democratic theory often presumes that programmatically cohesive parties and the rules that support them strengthen the linkage between voters as principals and politicians as representatives. Programmatic cohesiveness makes it easier for citizens to monitor the actions of elected politicians. This, in turn enables voters to hold them accountable in subsequent elections. Anticipating this, politicians seeking reelection will be responsive to their principals' policy preferences.¹

¹ Of course, democracies include other circuits of accountability and responsiveness between principals and agents, not just those codified in constitutions that describe mechanisms of territorial representation through the election of representatives to

Democratic accountability of politicians to the basic policy preferences of citizens requires a relatively simple structure of electoral alternatives from which voters choose. First, most citizens have limited time to make themselves acquainted with the alternatives on offer. Politicians therefore must be able to "map" the bundles of policies they offer in their programs on simple underlying principles or dimensions of party competition (cf. Hinich and Munger 1994). Second, only if a small number of programmatic alternatives, produced by "teams" of politicians with a common purpose, makes it into legislatures, let alone the political executive, can citizens hope to hold politicians accountable through their vote. A proliferation of programmatic parties in legislative and executive arenas makes it hard for voters to predict *ex ante* how support of one team will ultimately affect the policies chosen by whatever majority coalition results from intra-legislative bargaining. *Ex post*, it will then be difficult for citizens to assign responsibility for policy outputs and outcomes to specific teams of agents.² For Downs (1957), fragmentation among internally cohesive parties in the legislature undercuts democratic accountability and responsiveness just as much as the convergence of the main competitors in a two-party system on very similar policy programs. A happy medium may be moderately fragmented party systems that sometimes provide identifiable alternative government coalitions. Here elections are decisive and citizens can hold agents accountable (cf. Strom 1990: 72-75). Problems of responsiveness and accountability to voters' preference schedules multiply, however, where party system fragmentation is extreme or when parties are programmatically incohesive.³ The most extreme case of agency fragmentation, of course, is a democratic polity in which office-seeking politicians do not join parties, but pursue strategies of "individual representation." In any of these three configurations, voters may simply be unable to determine what sort of policies ultimately become more likely in legislative coalition building, if they support one party or individual politician rather than another.

Incohesive parties are thus one special case of "agent systems" in which a proliferation in the teams of

legislatures that control governments or directly to executive office. Nevertheless, what distinguishes the electoral connection from all other modes of interest intermediation, such as interest group and social movement politics, is the institutional guarantee of equality among all competent citizens in one critical respect, namely the equal weight of their participation in the vote.

² For this reason, retrospective economic voting is a mode of holding politicians accountable primarily in systems with high party cohesion and low party fragmentation (cf. Lewis-Beck 1988; Powell and Whitten 1993).

³ Cox (1997) argues that citizens' ability to vote strategically for a party in order to determine a governing coalition with a particular policy profile disappears, as more than five relevant parties compete in a polity.

politicians with separate policy preference schedules makes it difficult for voters to assert the agents' accountability to the principals' policy preferences.⁴ In incohesive parties, politicians operate under the same party label, but hold preferences as individuals or coordinated around smaller teams ("factions") that do not coincide with those of other party agents.

Democracies in which agent systems make the programmatic accountability of politicians to their principals difficult because of party system fragmentation, incohesive parties or non-partisan legislators, however, do not necessarily lack circuits of accountability and responsiveness. Where programmatic linkages between voters and politicians are poor, *clientelist principal-agent bonds* may constitute an alternative (cf. Kitschelt 2000a). Let me introduce the difference between programmatic and clientelist linkages between principals and agents in some detail.

A programmatic citizen-politician linkage establishes an *indirect exchange* between principals and agents. The agents' party programs promise to deliver public policies that produce costs and benefits for different voter groups, provided the party gains sufficient legislative and executive bargaining power to affect legislation. These policy benefits and costs, however, accrue to citizens *regardless of whether they voted for the party that pushed them on the legislative agenda*. Of course, governing parties have a good sense of the constituencies that generally support them and they will frame legislation such as to benefit their own constituencies. But whether voters benefit or pay for policies is not contingent upon their individual voting decision. Farm subsidies enacted by legislative majorities benefit all farmers who meet the specified criteria, regardless of whether this or that particular farmer supported the Rural Party that pressed for the new policy. In this sense, public policies constitute collective or club goods and bads enabling citizens to be free riders. The exchange of the votes, surrendered by principals to their agents, for policy legislation is *indirect* because individual voters are not rewarded for their personal electoral choices.

By contrast, in clientelist citizen-politician linkages, the exchange between principal and agent is direct and

⁴ I borrow the term "agent system" from Scott Morgenstern's (1996) dissertation. It denotes the unit of politicians who effectively coordinate around a common policy agenda, revealed by programmatic cohesion and disciplined voting in legislatures. Where parties are incohesive, the agent system is more fragmented than the party system format.

involves selective, private goods. Citizens deliver their votes and/or material support for politicians' electoral campaigns. Politicians, in turn, reward individuals or small groups of voters directly through material favors (personal gifts, public jobs, public housing, etc.) or government resources at their disposal by virtue of the electoral offices they have won (public procurement contracts, favorable regulatory decisions, etc.). From the perspective of individual citizens, the receipt of benefits is contingent upon their personal electoral decision. Since direct exchange in clientelist linkages is intertemporal, it requires enforcement and monitoring mechanisms. Clientelist party systems may undercut the secrecy of the vote (e.g., through ballots printed by the individual parties and disbursed to their voters) or through monitoring the conduct of individuals. Encompassing mass party organization, the local presence of neighborhood party enforcers (e.g. *caciques*), or mutual social control of citizens facilitated by patterns of socioculturally homogeneous residential agglomeration are often complementary techniques to ensure voter compliance in direct, but intertemporal clientelist political exchanges.

Of course, also in highly clientelist systems not every citizen, and often not even majorities of citizens, are involved in direct exchanges. Clientelism includes a core segment of "insiders" whose dominance in politics may discourage "outsiders" from even participating in elections. In clientelist polities, many citizens therefore express cynicism about the functioning of democratic representation and remain alienated from politics. Nevertheless, such principal-agent systems have often endured for decades before pent-up cynicism, disaffection and alienation rise sufficiently to threaten the incumbent elites.

In the language proposed by John Aldrich (1995), programmatic parties solve *both* the problem of collective action and the problem of social choice in politics. They make politicians pool resources and build organizational infrastructures that enable them to turn out the vote by lowering citizens' costs of participation. Moreover, politicians invest in processes of internal preference aggregation around party "programs" (whether in deliberative or coercive modes) that simplify voters' choice among alternatives and make legislative votes more predictable and stable. Clientelist parties, by contrast, tend to solve only politicians' and voters' collective action problems by offering citizens *selective incentives* in exchange for political support. Because they base their mechanism of accountability and responsiveness on the direct exchange of material resources, they have to build

far-flung organizational infrastructures that allow them to extract resources and distribute benefits. Such infrastructures often involve hierarchies of exchange between patrons and clients from the local neighborhood level to the peaks of national politics. With such organizational investments in place, politicians in clientelist parties may see no need to make investments in processes of internal policy deliberation and go through the trouble of developing programmatic party unity. Because politicians "buy people off," they make voters insensitive to whatever programs clientelist parties may support, provided such programs do not interfere with the substance of the clientelist exchange relations themselves. Diffuse party programs are thus a long-term equilibrium in democratic polities where accountability and responsiveness revolves around clientelist exchange. Clientelist parties and party systems can afford to live without programmatic cohesion and partisan government.

Based on the distinction between alternative principal-agent relations in democratic circuits of accountability and responsiveness, let me now reformulate the key question that guides my paper. I am interested not simply in the extent to which institutional or political-economic explanations account for party cohesiveness. Instead I focus on the distribution of alternative principal-agent linkage mechanisms across polities and parties. To what extent can institutionalist and political-economic theories account for the presence of programmatic principal-agent linkages, operating through a small number of cohesive parties, or for that of clientelist principal-agent linkages, operating through programmatically diffuse parties or patterns of individual representation? In the next section, I explore the empirical limits of the institutionalist answer to this question. Thereafter, I develop political-economic arguments to account for empirical linkage patterns in a variety of democracies that are outliers from the vantage point of institutionalist predictions.

2. The Institutional Account of Linkage Mechanisms and its Limits

Theories of democratic institutions link the programmatic cohesiveness of parties to electoral laws and the parties' control over candidate nominations. Moreover, state structure and executive-legislative relations play a role. Once institutional conditions for the programmatic diffuseness of parties are in place, politicians also have a

tendency to organize linkage relations to electorates based on clientelist direct exchange. Where democratic systems promote a personalization of political competition, parties as teams of politicians will make only diffuse programmatic commitments. Party labels and party organization then serve the creation and maintenance of clientelist linkages. I go over these familiar arguments only briefly without elaborating the details. My main objective is to identify empirical outliers that defy institutionalist explanation.

Ballot structure is a critical element that affects the cohesiveness of parties. Where multi-member districts (MMD) permit or require voters to indicate their choice of individual candidates rather than that of party lists, politicians compete as individuals or factions more than as unified parties (Katz 1980). In the most comprehensive formulation to date, Carey and Shugart (1995) have distinguished preference voting, the absence of vote pooling within entire party lists, and the lack of party control over the nomination of candidates as the three elements of ballot structure that contribute to a personalization of electoral competition. Ballot structure interacts with district size. Single member districts (SMD) tend to personalize competition, but they do not permit voters to choose among a party's candidates. Thus they personalize politics less than multi-member district systems with preference voting and absence of vote-pooling, at least as long the SMD elections award the control of candidate nomination to the party leadership or the party's core activists. Personalization in MMD systems can be further boosted above that of SMD systems, if the choice of candidates appearing on a party's ballot rests with legislative incumbents, rank and file party members or the electorate at large rather than the party leadership.

Unlike stipulations about preference voting and vote pooling, rules about candidate nomination are not necessarily enshrined in electoral laws and may be up to the organizational choices of parties themselves. In a similar vein, there may be other institutional rules that affect the personalization of politics, but do not directly follow from electoral laws. First, the existence of subnational legislatures and governments with significant jurisdiction ("federalism") may promote the internal division of parties in national elections. Regional organizations of the same party may pursue diverse appeals and electoral strategies because each faces unique configurations of competition in its own locale and tends to adjust its electoral pitch to local voter preferences. Second,

executive-legislative arrangements may matter significantly for the programmatic cohesiveness of parties. Where a president has substantial legislative powers, the incumbent may wish to strengthen his own leverage over policy-making vis-à-vis legislative parties, his own party included, by crafting case-by-case coalitions of legislative support, based on the disbursement of selective incentives to individual politicians and small intra-party groups that feed networks of patronage and clientelism. Strong presidential systems thus have a tendency to disorganize the programmatic coherence of legislative parties and undercut stable majority coalitions in legislatures (cf. Linz and Valenzuela 1994; Mainwaring and Shugart 1997).

The personalizing effect of democratic polities with powerful executive and legislative presidents also results from the competition for the office itself. Because the office is a political prize so much more elevated over that of other prizes than that of a prime minister in a legislative cabinet system, many ambitious politicians will do their utmost to obtain party nominations or run under their own steam in presidential elections. These politicians will either promote a proliferation of political parties, often for the sole purpose of a singular presidential candidacy, or internally divide parties among personalist cliques each of which features a particular candidate for the presidential nomination. The latter is most common in countries where two established parties are certain to provide the winner of the presidential office, whereas parties proliferate in the expectation of a "non-Duvergerian" equilibrium.⁵

Fragmentation and personalization of electoral competition by the electoral system and party organization, as well as by a federalist state structure and strong executive and legislative presidents, also promote clientelist linkages to voters. Personalistic systems induce candidates to cultivate their very own supporters. Such relations are likely to give rise to direct material exchanges. There is often little that enables candidates to distinguish themselves from their competitors than the promise to employ their elected office to the personal benefit of their loyal supporters at the ballot box or via financial campaign contributions.

A considerable amount of empirical evidence supports the hypothesis that institutions affect both programmatic cohesiveness and propensity toward clientelist linkage formation in party systems. Closed-list

⁵ Non-Duvergerian equilibria prevail where voters face uncertainty about who the two lead-candidates may be for whom strategic voting might be worth while (cf. Cox 1997).

MMD systems for legislative elections in the parliamentary systems of government in Scandinavia, the Netherlands or Germany, for example, provide little leeway for personalism and clientelism. The same applies to the British SMD system with parliamentary government and territorial centralism until recently. Conversely, Brazil's MMD system (Ames 1995) as well as those of Colombia and Uruguay have preference voting for individual list candidates, little party control over list nominations, or lack of vote pooling among candidates on the same list. They therefore promote incohesive parties with factions and individual legislators pursuing their own preference schedules and clientelist exchange arrangements. In addition, the legislative and executive role of presidents in all three countries amplifies politicians' propensities to seek out clientelist linkages. Japan represents a mixed case, where the single non-transferable vote system with personal preference voting and non-pooling of votes in place until 1993 encouraged personalism and clientelist networks. At the same time, the existence of parliamentary government, relying on the disciplined support of the majority party for the cabinet, and of a unitary state creates conditions that make it desirable for political leaders to engineer a minimum of partisan cohesiveness. To that end, party leaders control the nomination of party candidates in the individual districts (cf. McCubbins and Rosenbluth 1995).

Also the postcommunist hemisphere generates cases that corroborate institutionalist theories of party cohesion. A parliamentary democracy with closed-list MMDs such as the Czech Republic, at one end of the spectrum, has more programmatically cohesive parties and provides fewer indications of clientelist exchange relations than the Russian Republic with a mixed electoral system (MMD-PR and SMD) and very strong presidential powers. Countries such as Hungary and Poland, with parliamentary government, a unitary state, but either MMD electoral systems that allow for personal representation or with a tier of SMD seats or with some substantial legislative powers allocated to the presidency, fall somewhere in between (cf. Kitschelt et al. 1999; Kitschelt and Smyth 1999).

Against the backdrop of these concordant cases, however, we must set a number of countries where institutional rules appear to contribute little to our understanding of the level of programmatic cohesiveness and particularly the linkage strategies prevalent in the major parties. Moreover, there are countries where most of the

parties fit the institutionally expected pattern, but where outlier/dissident parties have emerged over the past twenty years whose programmatic cohesion defies the prevalent institutional incentives.

There are at least five polities to which most scholarly observers attribute a level of clientelism that far exceeds what might be expected from each country's prevailing institutional configuration: Austria, Belgium, Italy, Mexico and Venezuela. Austria's MMD closed-list electoral system and parliamentary government always has at least as much encouraged the programmatic cohesiveness of political parties and discouraged clientelist linkages as the equivalent arrangements in neighboring Germany. Nevertheless, there is little doubt that clientelism --particularly in the form of office patronage, public housing allocations, and government contracts-- plays a major role in Austria, but not Germany (cf. Müller 1989). Moreover, the Austrian major parties, the ÖVP (*People's Party*) and the SPÖ (*Social Democratic Party*) have been programmatically vague and practically all but indistinguishable on a wide range of salient issues for quite some time. This also extends to the level of voters where empirical studies find little difference in the preference distributions of ÖVP and SPÖ electorates with regard to important aspects of social and economic policy (cf. Kitschelt and McGann 1995: pp. 180-4).

A similar disparity between incentives emitted by the democratic institutions and the practice of programmatic party cohesion and linkage strategies appears to exist in two other European countries, Belgium and Italy. Both countries do permit voters to alter a party's candidate list and voice personal preferences for individual candidates, but votes are pooled by party and parties control the list nomination. Moreover, the rules of personal preference voting are sufficiently restrictive to keep the effect of voter choices on the composition of a party's legislative groups minor at best. Nevertheless, the relevant parties in both countries exhibit considerable internal programmatic diffuseness and factionalism. What is more, in both of them clientelist linkages with office patronage, housing allocations, and public contracts for agencies and firms were standard practice throughout much of the post-World War II period.

Since the late 1980s, Austria, Belgium and Italy have experienced a vigorous right-wing populist backlash against clientelist arrangements and against the lack of programmatic responsiveness of the major parties. Symptomatic for this backlash are the rise of the *Freedom Party* (recently winning more than 25% of the

Austrian voters in national parliamentary elections), the *Lega Nord* (with more than 20% of Northern Italy's voters) and the *Vlaams Blok* (with 10 to 20 percent of Flemish voters in national parliamentary elections). The political thrust of these parties overlaps with that of new radical right-wing parties elsewhere in Europe, such as in France or in Scandinavia, for example with regard to demands to expel immigrants or to reduce state expenditure. The intense mobilization against clientelism, graft and "party cartels," however, is unique for Austria, Belgium and Italy. By capitalizing on a widespread popular outrage against the offshoots of clientelist politics, manifested in veritable cascades of corruption scandals in all three countries, *Freedom Party*, *Lega Nord*, and *Vlaams Blok* have managed to appeal to a much broader audience of voters than has been available to their new radical right counterparts in other European countries (cf. Kitschelt and McGann 1995).

Further examples of principal-agent linkage strategies that are difficult to account for by the democratic institutional configuration are those Latin American polities with closed-list, national party controlled electoral lists and weak legislative powers invested in the presidency. Although institutions predict programmatic parties, they nevertheless exhibit a high intensity of clientelist linkage practices. The most glaring examples are Venezuela and to a certain extent Mexico. In the former, until recently a national list system of proportional representation provided little opportunity for candidates to engage in personal exchanges with electoral constituencies. At the same time, the presidency enjoyed weak leverage in the legislative process to strengthen clientelist ties. But clientelism has nevertheless been pervasive in Venezuelan politics (cf. Coppedge 1994). In Mexico, a mixed electoral system with SMD seats and a closed-list MMD tier provides little opportunity for personalist specific political exchange and the legislative powers of the sitting president are weak. But also here, clientelism has been strongly entrenched and has been displaced only slowly since the 1970s (cf. Fox 1994). Other examples of countries with electoral rules favorable to programmatically cohesive parties, but extensive clientelist practices abound.⁶ Here it is particularly worth mentioning Argentina (cf. Gibson 1997).

A further anomaly from the vantage point of institutional analysis is the rise of programmatically cohesive parties with leftist and socialist appeals regardless of the prevailing institutional incentives across polities. The

⁶ For a helpful classification of electoral systems in Latin America according to the incentives they provide for strong party leadership and hence programmatic cohesiveness, see Morgenstern (1996: table 3.1., p. 70).

most prominent examples are in Brazil, Mexico, and Uruguay and, more recently in Argentina. While all the other parties in these four countries are programmatically diffuse, the leftist parties are exceptionally cohesive.⁷ In two countries, this outlook defies electoral rules. This applies to the Brazilian *Workers' Party* (PT) and Uruguay's *Broad Front* (cf. Keck 1992; Morgenstern 1996). In two other countries, leftist parties conform to institutionalist expectations of programmatic cohesiveness, but none of the established major parties do so. This configuration prevails in Mexico since the rise of the *Party of the Democratic Revolution* (PRD) and in Argentina since the growth of the *Frepaso* alliance.

In all these empirical cases, we are facing discrepancies between institutionalist predictions and empirical realities of party cohesion that have persisted over a considerable time period. Such configurations must be distinguished from cases where new institutions are introduced and for an initial number of years, party cohesiveness is at variance with institutional incentives, but in conformity with underlying historical legacies affecting party formation. These transitional conditions may have shaped Bulgarian party politics in postcommunist Eastern Europe.⁸ In spite of a parliamentary democracy with closed-list MMD electoral system, Bulgaria had exceptionally incohesive parties in the mid-1990s at a time when other postcommunist polities exhibited considerable cohesiveness of the major parties. By the late 1990s, however, Bulgarian politicians appear to have learned through electoral defeats and government turnovers that programmatic cohesion pays.

3. Political Economy and Changing Patterns of Democratic Accountability and Responsiveness

In this section I substantiate the claim that political-economic arrangements can explain why principal-agent relations of democratic accountability and responsiveness vary across countries, where the observed facts are anomalies from the vantage point of institutionalism. I will do so both in a comparative-static as well as a

⁷ Based on a survey conducted among legislators in 18 Latin American countries and directed by Manuel Alcantara, University of Salamanca, Spain, Hawkins and Morgenstern (2000) demonstrate empirically that leftist parties in the Latin American countries discussed below are programmatically more cohesive.

⁸ For empirical evidence, see Kitschelt et al. (1999), chapters 5 and 6.

dynamic perspective. The latter accounts for changing principal-agent relations over time within the same polity.

The key proposition is that principal-agent relations founded on clientelist direct exchange support rent-seeking groups. "Rents" constitute flows of revenue that accrue to groups beyond the rewards they are likely to receive in a pure market setting. Clientelist linkages occur where political-economic property rights facilitate such exchange strategies. Moreover, clientelist linkages are threatened when the burden of the rents paid for by consumers and businesses not benefiting from clientelist protection begin to spiral out of control. The comparative-static perspective on principal-agent relations thus asks: Are there opportunities for rent-seeking in polities with strong clientelist linkages that do not exist in systems with programmatic linkages? The dynamic perspective explores whether changes in the costs of maintaining clientelist networks precipitate changes in political linkage mechanisms.

Of course, not every political market intervention through subsidies, regulation, or outright state management and ownership of organizations that produce goods and services is rent-seeking in the sense that alternative free market arrangements would deliver the same results more efficiently and without overpaying producers. Where the production of goods and services involves collective goods and externalities, rising returns to scale, asset specificity, informational asymmetries, or infant industries, state intervention of one form or another maybe a good "second best" governance structure that could not be improved on by a pure market regime. The belief that political governance is always inefficient and that markets are best is a myth (cf. Wittman 1995).

Nevertheless, there are public activities where the "second best" approach to market failure clearly does not work and where state intervention creates economic inefficiencies. Often enough, these inefficiencies also have the distributive consequences to make income and ownership more concentrated and unequal. Politicians pay the highest rents in clientelist relations to those constituencies that can overcome collective action problems and constitute a threat for their representatives' reelection bids.

Institutionalist economics helps us to identify technological challenges and relations of transaction that warrant non-market governance structures in order to promote efficiency and distributive criteria (cf. Williamson 1985). The existence of "small numbers" of suppliers or customers (monopoly/oligopoly or monopsony/oligopsony), often

due to high asset specificity of suppliers or customers, is an obvious reason for state intervention. Clientelist principal-agent relations, however, should coincide with political economies that extend state subsidies, regulation, and ownership beyond the cases of market failure. In a comparative static perspective, then, we should observe a correlation between the size of the public economy and the incidence of clientelist direct exchange.

In a dynamic perspective, changes of the public economy and of principal-agent linkage patterns in democratic politics should be related to each other. Where state intervention servicing rent-seekers becomes increasingly expensive for tax payers and consumers, opposition to clientelist arrangement should emerge. A crisis of clientelist politics thus involves rising subsidies to private or state owned companies, or an increasing discrepancy between the price charged by regulated industries for their goods and services and the price for equivalent goods and services charged in other political economies without rent-seeking arrangements in the respective economic sectors. The decline of clientelism is thus linked to performance problems of the public economy.

From these propositions it is evident that by the concept "size of the public economy" I do not mean the public sector share of a country's GDP. The latter is driven by the big social policy transfer programs (pensions, sickness benefits, unemployment), whereas the public economy, in my understanding, is concerned with the production and distribution of goods and services. Moreover, public share of GDP does not capture regulatory interventions of public agencies in the market economy. Thus, Japan has one of the smallest public sector shares of GDP among advanced industrial countries, yet its regulatory interventions in a number of key economic sectors, from finance and insurance industries via retail to agriculture, reveals a rather large quasi-public economy.

The theoretically interesting measure of the depth and scope of state intervention in the economy is difficult to express in a single operational quantitative empirical index. Even measures for relevant components of the public economy, such as fixed capital formation by the public business sector (cf. Boix 1998: 55) or the scope of state enterprise investment (Freeman 1989: 9) are hard to obtain and even harder to compare across countries because of problems of concept definition and measurement. These problems multiply, when we turn to the

spheres of government regulation and subsidies. Since my paper is conceptual and theoretical, I will shun problems of empirical measurement and make my points based on qualitative case analysis.

COMPARATIVE STATIC ANALYSIS

All the countries I have identified in the previous section as anomalies from the perspective of institutional analysis because they organize strong clientelist principal-agent relations of democratic accountability, although institutional arrangements appear to suggest a prevalence of programmatic competition among cohesive parties, have large public economies. This applies not only to the West European countries, but also to the Japanese and Latin American cases. Whereas in Western Europe and Latin America both state ownership and regulatory protection for rent-seekers matter, in Asian democracies except India state ownership is modest and the quasi-public economy works primarily through regulatory arrangements, particularly those affecting the financial sector. Banks operate under "soft budget constraints" and lend capital within corporate and political networks with little regard to risk, profitability or impartial public oversight.

The countries with the most elaborate clientelist networks in Western Europe are Austria, Belgium, and Italy (cf. De Winter et al. 1996). In Austria and Italy, and to a lesser extent in Belgium, since World War II a large share of heavy industry, engineering and construction companies were in the public economy until the end of the 1980s. These enterprises and holding companies offered important avenues to organize clientelist relations. The size of the Austrian and Italian public economies was not due to a socialist push, but resulted from a defensive compromise among cross-class centrist and center-left parties. Particularly for Christian Democrats, the state sector and its clientelist linkages to political parties cemented the parties' cross-class appeal to both workers and management in sectors that benefited from state largesse. Belgium exemplifies a different mode of clientelist political-economy linkage through social services. A "pillarized" state delegated major social policy functions (education, health care, welfare, public housing) to non-profit organizations affiliated with the three large political parties, placing very large numbers of jobs under the control of party politicians. Consumers of social services as

parents, patients, and tenants also experienced the importance of clientelist exchange relations. In Austria, the allocation of public housing represents an equivalent opportunity for clientelist exchange. Citizens often joined political parties in the expectation of easier access to public housing (cf. Kitschelt 1994).

From the 1950s on, what became Japan's hegemonic party, the *Liberal Democratic Party* (LDP), also built its ascent on a cross-class strategy of state intervention and clientelist linkages. Public regulation of the financial sector and via finance of major other industrial sectors, together with public works contracts for infrastructure and the regulatory protection of small farmers and retailers enabled, the LDP to build an unassailable position of dominance vis-à-vis its potential challenger, the *Japan Socialist Party*. Clientelist arrangements allowed the LDP from the 1950s on to coopt private sector working class constituencies into the electoral support coalition of the party. Clientelist relations of support extended not even primarily to the sunrise industries such as automobiles or consumer electronics regularly featured by scholars who intend to show that Japan's economic success was built on a directive state. In recent years, research has demonstrated that assistance to and involvement in declining industries and weak economic sectors relying on protection from competitive market forces, whether they were domestic or international, were at least equally important for state intervention (cf. Uriu 1996).

In Latin America, import substituting industrialization (ISI) as the dominant development strategy from the 1950s through the 1970s called for state interventionism through subsidies, trade restrictions, regulatory favors, and state ownership of companies and entire "strategic" sectors (cf. Haggard 1990). These policies required large amounts of revenue that ended up as rents in the pockets of owners, managers, and employees of the protected sectors. Consumers and domestic agriculture footed part of the bills for these rents first through higher market prices for manufactured goods and artificially low prices for agricultural products.⁹ Later, the availability of cheap loans on the rapidly expanding international capital markets after the first oil crisis offered another avenue of funding rent-seeking ISI protected industries. In individual cases, such as primarily Venezuela as well as Ecuador and Mexico starting in the 1970s, oil exports provided state revenue that could be ploughed back into clientelist linkage building.

⁹ On the general logic of redistribution from agriculture to industry and services, see Bates (1981). While his example are from Africa, a similar dynamic could be found elsewhere.

In Asia, clientelist politics and state regulation were also intertwined. In this spirit, in India the declared socialist economic policies of the *Congress Party* were little more than a regionally modified version of ISI development strategy. This approach made it possible to build the party's hegemony on institutionalizing clientelism throughout much of the country (Wiener 1967).¹⁰ Elsewhere in East Asia, clientelism thrived without democracy, such as in South Korea, Thailand, or Taiwan. Public works projects and financial regulation were here, just as in Japan, favorite sectors that facilitated the organization of direct clientelist exchange relations.

My cursory sketch suggests that many of the anomalies encountered by institutional accounts of principal-agent relations of democratic accountability, can be explained in terms of political-economic arrangements. Two caveats, however, should be added. First, while democratic clientelism coincides with expansive public economies, the reverse is not always true. For example, in the 1960s, the British public economy rivaled that of Austria in terms of the proportion of public investment in total national investment, but the erratic stop-and-go policies of nationalization and privatization by successive British governments never permitted the entrenchment of clientelist politics. Also in France, with a comparatively large public economy, clientelist politics never became as dominant as in Austria, Belgium, or Italy. Here the weakness of the parties under the Fourth Republic and then the regime break to the Fifth Republic in 1958 may have averted the institutionalization of clientelist exchange.

Second, a comparative-static analysis can highlight only the concurrence or non-concurrence of political economic arrangements with democratic linkage strategies. It cannot determine what comes first or whether some third factor is at work that brings about both political economic relations and democratic linkage strategies. In order to throw light on the causal efficacy of the political-economic argument, we must move to a dynamic analysis.

DYNAMIC ANALYSIS

¹⁰ Waterbury (1993: 101) writes about the role of Indian state owned enterprises in India: "They are poorly monitored, notoriously overstaffed and riddled with corruption, and are important cogs in state-level patronage machines."

My political-economic argument about linkage relations in democracies entails that clientelist politics comes under siege when the satisfaction of rent-seekers becomes increasingly costly. Political institutionalists could agree to that proposition, provided the causal process unfolds in three steps. First, economic performance problems throw existing linkage relations in turmoil. Second, the forces of change successfully install new democratic institutions that shift patterns of democratic accountability from a clientelist direct principal-agent exchange to programmatic party competition with an indirect principal-agent exchange. Then, finally, economic performance begins to improve again. From the vantage point of political economic theory, the second proposition that responses to economic decline have to work through institutional innovation is, of course, questionable. Institutional change may be neither a necessary nor a sufficient step to dislodge clientelist politics and improve economic performance.

Rogowski's (1987) well-known paper about the relationship between trade and democratic institutions illustrates the difficulties encountered by an institutionally inspired account of democratic linkage strategies. According to this paper, SMD and MMD systems with personal preference voting promote rent-seeking groups and clientelist linkages. As Olson (1982) had argued, rent-seekers are economically inefficient and reduce economic growth and employment. With the opening of economies to international markets, politics can no longer afford the luxury of rent-seeking arrangements that become progressively more expensive to support. Hence, politicians adopt more efficiency-enhancing closed-list MMD electoral systems in the most trade-exposed economies.

Already from a purely comparative-static perspective, Rogowski's analysis of European electoral reform until World War I runs into several problems. First, Boix (1999) showed that the domestic strategic alignments among socialist, ethnocultural, and bourgeois parties explain electoral reform. When statistical tests are appropriately specified, trade openness washes out as predictor of electoral systems. Second, as I argued above, clientelist rent-seeking persisted even in countries with very high trade exposure and electoral systems supposedly counteracting the success of rent-seekers (Austria, Belgium). Furthermore, from a dynamic perspective, these countries did experience economic performance crises particularly of the sectors penetrated

by clientelist politics in the 1980s, but such problems occurred long after they became highly trade-exposed countries or adopted closed-list PR systems. Conversely, Rogowski does not supply evidence that a major surge of export exposure antedated the change of electoral systems in European democracies between the 1890s and 1920s.

The problems of institutionalist accounts of principal-agent linkages of democratic accountability also surface in Rosenbluth's (1996) analysis of electoral system change in Japan. Her paper argues that increasing pressure to open Japan's markets to foreign goods led to the adoption of a new electoral system in 1994 undercutting incentives for clientelist rent-seeking arrangements. First of all, she supplies no evidence that popular constituencies defecting from the hegemonic LDP or politicians pressing for electoral system change were motivated by concerns about trade policy. Empirically, Flanagan and Lee's (2000) interpretation, inspired by modernization theory, that the younger, better educated, more affluent and mobile strata subscribe to libertarian values and resent particularism, traditionalism, and authoritarianism associated with the ruling party appears much better documented. Calls for institutional change may be the result of socio-cultural processes and do not relate directly to political economic change. Second, it is questionable that Japan's new electoral system really improved efficiency and cut off channels of clientelist exchange (cf. McKean and Scheiner 1996). Third, now six years after the change of Japan's electoral system, there are no indications that clientelist politics would be on its way out and/or that Japan's political economy has resolved its performance problems.

If foreign trade exposure, mediated by institutional change, does not provide a plausible template to explain challenges to clientelist principal-agent relations and the rise of programmatically cohesive parties, what does? Building on transaction cost economics, the nature of technological innovation frontiers, particularly with the micro-electronic revolution, and of consumer tastes and markets in global capitalism may have changed such that rent-seeking political-economic arrangements constitute an increasingly serious brake on innovation and efficiency improvements in a wide range of manufacturing and service sectors.¹¹ More and more innovations proceed bottom-up, fuelled by crowds of independent entrepreneurs relying on venture capital rather than

¹¹ My argument is theoretically inspired by Soskice's (1999) contingency theory of the association between production regimes and comparative technological and sectoral advantages.

government subsidies or bank loans channeled through political networks, and such entrepreneurship responds quickly to market signals. In Marxist language, relations of production (governance structures) based on political networks create increasingly restraining fetters on the development of the forces of production. At the technological and market frontier, innovation occurs in leaps and bounds, driven by flexible, responsive firms and entrepreneurs, not by a cumbersome negotiated process among political-economic interests. Negotiated, hierarchical corporate orders stifle innovations, for example in process technologies, even in traditional industries. Moreover, they tend to sideline market signals that lead to a misallocation of scarce capital. Innovation thrives in an environment of loosely-coupled, horizontal networks, coordinated by market signals, that permit firms and sectors to engage in quick, flexible adjustments. Corresponding governance structures are incompatible with clientelist political-economic arrangements that favor top-down decision making processes, conservative investment strategies, and incremental, cumulative innovation. Moreover, such networks tend to downplay the allocation of capital according to productivity and profitability. Particularly the clientelist regulation of the financial sector and incestuous relations between politics, finance, and industrial capital yield a growing comparative disadvantage. By contrast, in a different age private and public investment banks providing "patient capital" to industrial firms, a practice often nurtured by public subsidies and lax financial oversight that allowed banks to lend even where rates of return appeared very low, probably were an advantage to economic development when the economic innovation frontier involved the construction of capital intensive, scale economies driven and only incrementally innovating heavy industries.

Beyond the growing comparative disadvantages of governance structures in the public economy induced by shifts in the technological innovation frontier, the sheer cumulation of ill-performing public and regulated enterprises eventually led to economic crisis conditions. As Waterbury (1993) describes for the cases of Egypt, India, Mexico and Turkey, political elites countered performance problems of state enterprise first by an expansion of the public economy, then by efforts to reform it without changing the basic structure of property rights, and only when all these effort bore no fruition by abandoning the whole concept of a public economy in favor of market liberalization. At least in India and Mexico, and intermittently in Turkey, patronage arrangements

and rent-seeking in the public economy were closely linked to clientelist linkage patterns configured around the electoral arena and party politics.

Clientelism thus becomes a public bone of contention when the performance gap between state regulated, subsidized, and owned industries and their market equivalents grows and when national economies cannot expand into new sectors because they lack the institutional governance structures that would allocate sufficient amounts of capital free of political network influences. Beginning with the 1970 and intensifying in the 1980s, countries with large public economies experienced economic performance crises that translated into increasing popular dissatisfaction with clientelist parties and politics. The economic costs of clientelism show up in worsening financial balances of state-supported industries at the micro-economic level, and often in skyrocketing budget deficits, growing unemployment and rising costs of corruption at the macro-economic level. The political costs of clientelism are popular cynicism and disaffection with political elites and democratic institutions (cf. Kitschelt 2000b).

The most clear-cut political fix for clientelist public and quasi-public economies in sectors without basic market failures (increasing returns to scale, etc.) is a liberalization of property rights and market exposure of production units. Yet political parties that represent anti-clientelist sentiments rarely present themselves with pure market-liberal programs. Moreover, the programmatic thrust of anti-clientelist parties varies across regions. With some simplification, in Western Europe, anti-clientelist parties have the most clear-cut market liberal appeals, but they combine it with other socio-cultural messages. In Latin America and postcommunist Eastern Europe, anti-clientelist parties often feature leftist, socialist programs. In Asia, wherever challengers to existing hegemonic parties exist, they rarely embrace clear programmatic contours. Let us briefly review the different programmatic appeals in which anti-clientelist politics plays itself out in the decades before the advent of the new millennium. In the final section of the paper, I then address why market liberalism is not always the dominant appeal of anti-clientelist parties.

In Western Europe, against the backdrop of a worsening economic crisis of public economies in the 1980s and 1990s, the new right-wing populists in Austria, Belgium, or Italy have been electorally extraordinarily

successful with a broad anti-clientelist appeal. These parties definitely incorporate market-liberal demands and attract electoral constituencies that want such policies enacted, but were they to rely on these voters alone, they would attract much smaller vote shares. The new right-wing populists constitute complex coalitions of at least three currents among voters. In addition to those enthusiastic about market liberalization, these parties receive support from voters who oppose traditional clientelist parties without having any clear economic policy agenda. A third group of right-wing populist voters are less educated, and over-proportionally male blue collar and clerical workers who lack affiliation with the traditional working class parties and organizations. Their disaffection with the political establishment has issue content, but it lies primarily in the socio-cultural sphere. They oppose the cultural libertarianism and tolerance for diverse life styles prominent among better educated younger voters that manifests itself in multiculturalism, feminism, environmentalism and more generally a quest for participatory control of the public sphere. Right-wing populists serve the anti-libertarian backlash primarily by calling for a stop to immigration and a return of immigrants to their home countries. Citizens with low levels of education and few occupational skills find such demands also attractive because they serve their economic anxieties about labor market competition with immigrants.

In face of the political economic crisis of clientelist networks, right-wing populists in Western Europe thus develop diversified party programs that target different social groups on different programmatic dimensions. Such parties receive much higher support in Austria, Belgium, or Italy than what are typical support levels for New Radical Right parties in France or Scandinavia because the latter have fewer opportunities to stoke strong anti-clientelist sentiments, given the programmatic linkage strategies of the conventional parties in those countries (cf. Kitschelt and McGann 1995).

In Latin America, ISI policies performed relatively efficiently, even with clientelist linkages, in organizing a first wave of industrialization with basic heavy industries and light consumer goods industries in the lead. But ISI-related governance structures and political networks became increasingly inefficient and cumbersome when Latin American countries faced the task of upgrading their production systems and services with modern technology and high-skill labor inputs. For a while, the ISI performance crisis could be papered over with cheap

loans from abroad and a rhetoric of dependency theory. The performance crisis of the ISI regimes became painfully obvious, however, in the early 1980s when cheap loans on world capital markets dried up and the countries were plunged into deep balance of payments crises. In Venezuela and Mexico, the collapse of the oil price after 1982 contributed to the difficulties the ruling parties experienced in subsidizing existing political-economic arrangements. While the hegemonic parties in all these countries tried to respond to the crisis with gradual market-liberalizing reforms, they attempted to maintain or adjust their clientelist linkages through measures of compensation for the losers of economic liberalization (cf. Bruhn 1996; Gibson 1997). But these policies were insufficient to stop the growth of new anti-clientelist and programmatically cohesive parties, although the latter could fully displace the traditional parties from political power only in Venezuela.

Among the new opposition to the hegemonic clientelist parties, anti-clientelist appeals rarely blend with market liberal policy programs. The party that comes closest to that configuration is the Mexican *National Action Party* (PAN) that combines market liberalism with Christian Catholic conservatism. Otherwise, the parties most intensely challenging clientelist practices situate themselves on the populist or socialist left, as demonstrated by the experience of Argentina, Brazil, Mexico and Uruguay discussed earlier. The same applies now to Venezuela where the emerging new party of president Chavez appears to embrace a leftist-populist programmatic stance together with its vigorous critique of clientelism.

The combination of anti-clientelism with social protection in the appeal of reform parties appears to conform also with the experience of postcommunist democracies, the region of the world with the most intense ISI strategies and the most encompassing public economies that have been mired in deep disarray since the 1980s. Although none of these party systems is old enough to produce a conflict between established clientelist parties and new challengers, we can examine how those parties that put forward market liberalizing economic programs and aversion to clientelism package their programmatic appeals. Across a wide range of postcommunist countries, pure market-liberal parties rarely attract more than 10 percent of the vote (cf. Kitschelt et al. 1999).¹² Even in the Czech Republic, where the electorally powerful *Civic Democratic Party* (ODS) represents the

¹² An example would be Poland's *Freedom Union* (UW) or, more arguably Hungary's *Free Democrats* (SzDSz) (cf. Kitschelt et al., 1999). The same modest level of support characterizes the Russian market-liberal right.

rhetorically probably most market-liberal governing party seen anywhere in the former communist bloc, the ODS shied away from deregulating and privatizing the financial sector in its actual government policies in order to maintain employment and public support. Also in its programmatic pronouncements, its commitment to market liberalism has increasingly been complemented, if not supplanted, by other non-economic messages, particularly those of an anti-communist and nationalist kind. Elsewhere in East Central European countries such as the new Baltic states, Hungary, Poland, and Slovenia, the successors of the former communist ruling parties and their main competitors, Christian national parties, are the electorally most successful parties that also implement market reforms. In both party families, however, this market liberalism is toned down in favor of social protectionist messages. Moreover, practical government policies pursued by such parties demonstrate that policies of privatization offer considerable opportunities for clientelist exchange and corruption.

In Asia, both dynamic institutionalist and political economic theoretical models of principal-agent relations of democratic accountability over time encounter difficulties in explaining the sequence of moves in the political system. The main proposition of the political-economic model is that the presence of exacerbating economic performance problems particularly in the state-regulated and -subsidized sectors should intensify popular disenchantment with clientelist politics and precipitate the rise of new challenging parties that undermine the hegemony of conventional parties building on clientelist linkages. In the Japanese case, such performance problems of a politically regulated economy, particularly in its financial sector (banks and insurance companies) or in construction and agriculture, as well as a corresponding alienation from conventional parties are clearly manifest, but no credible new challenging party has been capable of undercutting the hegemony of the LDP. At least, there is no upsurge of a new and powerful competitor attacking clientelist politics and offering a widely supported alternative economic policy agenda. Existing hegemons in the arena of party competition thus have not experienced an electoral decline equivalent to that of the major Austrian, Belgian, or Italian parties most entangled in clientelism, nor a decline of ruling parties equivalent to what occurred in many Latin American countries, such as Argentina, Mexico, Uruguay or Venezuela where the new challengers increased the competitiveness of presidential and parliamentary contests.

Conversely, political economic theory holds that where economic performance remains strong, citizens will have no reason to challenge clientelist politics and build new parties. If we bracket the brief and sharp performance crisis in 1997/98, then the South Korean polity approximates that constellation.¹³ By contrast, in Taiwan good economic performance since democratization has nevertheless coincided with an upsurge of popular disgruntlement with clientelism, targeting the ruling *Kuomintang*, that led to the ascent of a programmatic reform party and to its recent victory in the presidential election.¹⁴

In India, finally, the leadership of the *Congress Party* itself began to undermine the party's clientelist networks in favor of politics centered around charismatic politicians (Kohli 1990). While this transformation may have ultimately contributed to the decline of the party, it requires further analysis I cannot supply here to relate these developments to the Indian political-economic performance crisis under an ISI development regime, the incremental liberalization under the Gandhis and their successors, and ultimately the evolution of principal-agent linkages of democratic accountability in the Indian states and federal politics. At first inspection, India appears to lack a major anti-clientelist drive right now. Whether intended or not, the *Congress Party* and its successors in federal government appear to preempt strong anti-clientelist protests and corresponding parties by a preemptive policy of economic reform.

With the exception of several Asian democracies where the relations between economic performance, public dissatisfaction with clientelism, and new party formation are ambiguous and understudied, challenges to clientelism and the decline of the parties that built their hegemony on clientelist linkages appear to relate closely to economic performance crises, particularly in the strategic sectors protected by ISI policies associated with high clientelist penetration of political exchanges into economic arrangements. Only in a few instances have these challenges been associated with efforts to change the democratic institutions. Major changes of the electoral systems occurred in Italy, Japan, and recently Venezuela. It is unclear, however, whether these

¹³ Although the election of Kim Dae Jung as leader of the opposition party indicates a willingness of South Korean mass publics to support change, his party machine is too much steeped in the established patterns of political competition and too little inspired by a political program to mark a profound break with the political practices of his predecessors.

¹⁴ Also a culturalist interpretation of South Korea and Taiwan as exemplars of "Confucian models of democratization" cannot take account of the recent difference in the two trajectories (Shin 1999: 258-62).

changes are efficiency enhancing in the spirit of the institutionalist argument, or whether they had the practical consequence of undercutting clientelist politics and improving economic performance.

4. Anomalies for Political-Economic Analysis:

The Programmatic Thrust of Anti-Clientelist Parties

In this final section, I briefly turn to the apparent paradox that market liberalization of the economy may be the most straight-forward policy to dismantle clientelist networks of principal-agent exchange, but that it is rarely the main thrust of those political parties that engage in the most intense campaigns against the prevalent clientelist practices of hegemonic parties. While performance problems of political-economic arrangements may be the *source* of anti-clientelist mobilization, political parties harnessing this protest often supply programmatic *solutions* that have little to do with economic problem solving. There are several reasons why this paradox may occur.

First of all, dismantling clientelist principal-agent relations of responsiveness and accountability brings about definitive economic losses to a clearly contoured, concentrated electoral constituency encompassing owners, managers, and employees in state owned or regulated companies, as well as recipients of a wide range of social benefits organized according to clientelist principles (e.g., public housing, unemployment benefits, public pensions). Conversely, the winners of economic liberalization tend to be diffuse (consumers) and uncertain. A priori, it is unclear who will gain a job or be able to found a successful company as a result of liberalizing the economy. It is obvious, therefore, that economic constituencies defending the clientelist status quo have greater capabilities to organize and overcome collective action problems than the potential beneficiaries of such policies.

At least initially, a relatively small proportion of voters may manifestly benefit from policies of market liberalization (Przeworski 1991: ch. 4). Powerful business interests may nudge political parties to support economic reform because the costs of clientelist arrangements have risen too much and because they expect a windfall from privatization and liberalization schemes (Schamis 1999). But such voices are powerful in terms of economic clout, yet not necessarily in swaying votes in elections, unless we assume that one of two questionable propositions is true. On the one hand, business interests may fund the campaigns of market liberalizing parties so greatly that the latter win elections by the sheer force of manipulating voters with campaign messages. But I

believe it is implausible that major political-economic reforms can build on simple mass deception, as long as there is a modicum of free speech and diversity in the mass media.¹⁵ On the other hand, durable popular support of market liberalizing policies and the parties advancing them could be forthcoming, if voters were sophisticated and would interpret worsening economic fortunes as indications that policies of market liberalization ultimately bring about economic improvements and wealth (Stokes 1996). There are few signs, however, that many voters master this level of this sophistication and act with a correspondingly long time horizon in mind. Especially rising unemployment rates quickly tend to generate a popular backlash against market liberalization.¹⁶

Policies of market liberalization, taken by themselves, thus encounter great difficulties in building successful popular coalitions that reelect parties to government office after administering economic pain by abolishing the benefits of rent-seekers. Faced with this situation, parties peopled by ambitious politicians seeking reelection, but intent on market liberalization, then have four options to broaden their electoral support coalition beyond those who stand to benefit from their economic policies in the short run.

The first option is to accompany the economic agenda by a political agenda that attracts electoral constituencies not intrinsically motivated by market liberalization. In Latin America, Asia, or postcommunist Eastern Europe, market liberalizers may present themselves as the guarantors of civil liberties and continued progress toward a democratic regime. In Western Europe, right-wing populists rally support by invoking nationalist symbols and friend/foe divides between indigenous citizens and immigrants that appeal to the socio-cultural orientations and economic interests of citizens with little education and few marketable skills. Moreover, also in Western Europe, the fight against clientelist politics, represents a "regime divide" that mobilizes people *sui*

¹⁵ For example, in Russia many observers attribute the victory of Yeltsin in 1996 and Putin in 2000 over the neocommunist presidential candidate who promised to undo market liberalization to mass deception, engineered through the candidates' manipulative electoral campaigns that were funded out of the deep pockets of the "oligarchs" in Russia's new business establishment. Whatever difference campaign funding may have made at the margin, it is more plausible to see the defeat of Russia's communists as a result of the communist's inability to offer new programmatic perspectives. Because only a minority of voters wishes to return to the communist *status quo ante* of the 1970s and early 1980s, majorities always support whichever other competitor looks capable of winning as the lesser evil.

¹⁶ Przeworski (1996) found that rising unemployment quickly eroded popular support for the economic stabilization program in Poland in 1990/91. I find his claim implausible that the positive correlation between levels of inflation and support of market liberalization traces sophisticated economic perceptions allegedly because people see that things have to get worse (inflation) before they get better. Inflation may simply not be as important for people's assessment of government policy as the threat and actual occurrence of unemployment.

generis, without linkage to an economic or socio-political agenda. As I suggested earlier, right-wing populists in Western Europe therefore rely on a triple electorate consisting of hard-core market liberalizers, anti-clientelist protest, and nativist, xenophobic concerns with immigration and multiculturalization.

Second, politicians with a market liberal agenda can attempt to deceive voters by announcing a social protectionist policy commitment before coming to office for the first time. By switching abruptly to severe measures of market liberalization right after the election, such politicians then hope that painful reforms will improve the economic lot of their electoral constituencies sufficiently before the next election sufficiently to persuade them to support the incumbent party and its policies once more (cf. Stokes 2000). Policy switching relies on an intertemporal conception of political representation. Politicians represent their constituencies not continuously and not in terms of the instruments and techniques of economic policy preferred by their constituencies, but only by eventually delivering the policy outcomes their electorates ultimately desire. This is a risky political strategy that sometimes pays off, as demonstrated by Argentina, Brazil, or Mexico in the 1990s. Often enough, such strategies lead to the electoral defeat of incumbents in the executive, as illustrated by the fortunes of governing parties in Bulgaria, Hungary, Poland, or Venezuela.

Third, politicians can offer material side-payments to voters and thus make concessions to clientelist relations of principal-agent accountability and responsiveness. Particularly governing parties with a past record of clientelism may choose a dual-track approach of both market liberalization and clientelist compensation targeted to those electoral constituencies that are likely to make the difference between victory and defeat at reelection time. Examples are market liberalizing incumbent parties in Argentina, Mexico, and Peru.¹⁷ Such strategies evidently boost incumbents' electoral support, but they dilute programs of economic liberalization.

Fourth, politicians may offer compensation for the risks of exposing citizens to the vagaries of market competition by introducing a universalist welfare state with encompassing programs of social protection that cover all citizens. Empirically, the growth of welfare states in advanced Western democracies may in fact result

¹⁷ See Bruhn's (1996) analysis of the Mexican PRI's regional development programs and Gibson's (1997) account of how hegemonic parties in Argentina and Mexico restructured their electoral constituencies through a modification of clientelist exchange patterns.

from politicians' efforts to protect citizens from the dislocations of structural economic change and the accompanying insecurity of employment, regardless of whether such risks were brought about by a country's increasing external trade exposure (Katzenstein 1995; Rodrik 1997: 49-68) or by the secular decline of agriculture after World War II and deindustrialization since the 1970s (Iversen and Cusack 2000). It may also be the logic of leftist anti-clientelist programmatically social democratic and socialist parties in Latin America and postcommunist Eastern Europe to supplant rent-seeking state-owned and regulated economic sectors configured around clientelist relations of direct exchange by universalist welfare states that coexists with competitive markets for goods and services. Both clientelist political networks as well as the democratic class compromise based on an encompassing welfare state make capitalist markets, accompanied by employment risks and inequality, compatible with political democracy. Yet the construction of an encompassing welfare state by programmatic parties achieves a switch from an economically less efficient clientelist political-economic equilibrium to an economically more efficient equilibrium that avoids the high economic costs of satisfying rent-seeking groups as well as the often extreme inequality of income and property endowments accompanying clientelist politics.

Even if we grant that encompassing welfare states are not *per se* impediments to a thriving capitalist economy (cf. Garrett 1998; Stephens, Huber, and Ray 1999), the construction of such welfare states from scratch is a daunting project that requires complex political-economic support coalitions and often many decades of contributions before social policy schemes and institutions have sufficiently matured to deliver the social protection sought by opponents of unfettered market liberalism. Rather than embarking on the long and frustrating process of building viable welfare states from scratch, politicians in Latin America, Eastern Europe, or Asia therefore may find it more tempting to resort to clientelist measures that compensate electoral constituencies for the costs of partial market liberalization in the short term. Even some of the European welfare states, such as the Belgian "pillarized" polity, represent hybrids that blend the universalist provision of social policy benefits with particularist benefits delivered to supporters of political parties tied into clientelist networks of exchange and voter compensation.

Thus, for a host of reasons, the anti-clientelist drive of programmatically cohesive parties may only imperfectly translate into actual policies that dismantle clientelist networks of political exchange. When parties fighting clientelist politics from the opposition benches finally come to government office, the imperatives of practical political consensus building and maintenance of voter support compel them to make concessions to their adversaries. Such compromises slow down anti-clientelist reforms and may undercut the programmatic integrity and cohesiveness of the new governing parties themselves.

5. Conclusion

Both programmatic, cohesive parties offering citizens an indirect exchange of votes for public policy outputs and clientelist, incohesive parties building on the direct exchange of material incentives for electoral support build principal-agent relations with circuits of accountability and responsiveness. My paper has not tried to deliver a comprehensive theory of why parties and party systems sometimes rely on one or the other linkage mechanism between citizens and political elites.¹⁸ As I suggested earlier, I have ignored, among other plausible arguments, the role of economic and social development. It is clearly the case that in societies with a high incidence of illiteracy, a predominance of low-skill jobs, little physical mobility of citizens and few channels of mass communication, citizens tend to discount the distant benefits of policy reform, engineered by programmatic parties, in favor of short term, localized material benefits delivered by patrons in exchange for surrendering their vote. But net of levels of economic development, there is sufficient diversity in principal-agent relations between voters and politicians across parties and entire polities to examine other explanations of more programmatic or more clientelist modes of linkage building. In this paper, I have focused on the comparison of institutionalist and political economic explanations. While democratic institutions plausibly explain principal-agent relations in many instances, they leave behind a substantial number of anomalies that cannot be accounted for by institutionalist considerations. I have drawn on a wide range of examples to illustrate that political-economic arrangements can

¹⁸ I have reviewed modes of citizen-politician linkage building more comprehensively in Kitschelt (2000a).

explain both cross-sectional variance in principal-agent relations as well as intertemporal change of such linkages where institutionalist theory fails. My paper intends to contribute to theory building and comparison. It does not offer a rigorous empirical examination of rival explanations, but it may motivate the quest for such empirical analysis in the future.

Over the past twenty years, institutionalist theories have dominated the field of comparative politics generally and the study of democratic political competition in particular after scoring an almost complete victory over behavioralist modes of political analysis. In a broader perspective, my paper should be read as a countermove to the hegemony of institutionalist arguments. All too much of political action, as empirically experienced by citizens and politicians or observed by political scientists, falls through the cracks of an often quite rigid, mechanical, and therefore intellectually uninspiring, boring institutionalism.¹⁹ We have heard about the consequences of electoral laws *ad nauseam*, but it may now be time to move on and focus on the interesting bits of political action not covered by institutionalist accounts. The study of principal-agent linkages of accountability and responsiveness in democratic politics suggests that especially dynamic political change and innovation in such arrangements is beyond the reach of institutionalist analysis. Political institutions may be more important as ways to cement greater or lesser programmatic cohesiveness of the relevant parties in a political alignment than as methods to produce diverse levels of programmatic party cohesiveness in the first place. If this proposition turned out to be true, democratic institutions would have more the status of correlates of societal and political-economic power relations than their cause.

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¹⁹ For a critique of institutionalism in political economy with a similar inspiration, see Pontusson (1995).

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