Patronized Agents: Workfare and Clientelism in Hungary

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Summry

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  - The **government** can take away PW from **municipalities**
  - The **mayor** can take away PW from **voters**
- We empirically test the predictions of the model and show:
  - Political interests affect the allocation of PW
  - PW **significantly increased** the vote share of Fidesz and the mayor. **No supermajority without PW!**
  - The results are not likely to be driven by a positive impact of PW on voters.

Why is this important for economists?

- **Previous literature:** clientelism leads to overprovision of goods which can be taken away and to underprovision of public goods. It decreases political competition (Bardhan és Mookherjee 2000, 2012)
- Mixed results on the effect of decentralization on efficiency and political compatition (Bobonis et al. 2017, Frey 2019; Pop-Eleches és Pop-eleches 2012; Labonne 2013)
- **Our contribution**:
  - When are opportunistic local agents willing to work as vote brokers for the government?

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- **Our contribution**:
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  - Better understanding of the underlying mNechanisms
  - Testable predictions and counterfactuals

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  - Better understanding of the underlying mNechanisms
  - Testable predictions and counterfactuals
- **Data**
  - Election results on the municipality level
  - Number of PW on the municipalityXmonth level (BM)
  - T-STAR (KSH)

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Institutions

- Fidesz won supermajority in 2010 and completely changed instutions afterwards
  - Instead of universal means tested subsidies the mayors decide which unemployed can get PW (PW $<$ unemp)
  - Budget of PW depends on the governement
  - Mayors have has less funds but more discretion (Dobos és Papp 2017)
  - National elections precede local elections (4 v 5 year cycles)

Clientelism through local vote brokers (Bardhan and Mookherjee 2012)

- The **government** provides public good (g) and PW (q) to unemployed which is distributed by mayors. PW budget can be taken away between elections
- **Mayor** can make costly effort to monitor voters at national election (clientelism) If so, then mayor takes away PW with probability z if the unemployed do not vote on government
- **Voter** support the government if

$$\theta f_1(q, g) + (1 - \theta) f_2(q, z, \gamma) + \epsilon > 0$$

- f_1: General sympathy for the policy bundle; f_2: utlity of PW; θ: The relative importance of these factors γ : **ex ante probability of re-election**; ϵ: random shock

Model predictions

1. More PW at locations where PW has larger effect on election outcomes
2. Clientelism is more likely where:
   - PW has larger expected impact on **local elections** $\rightarrow$ the local competition at local elections in the past is a valid instrument of PW
   - If the local mayors can be more efficiently monitored or punished $\rightarrow$
     1. No clientelism if mayors cannot be punished
     2. Mayors nominated by the government can be better monitored
3. The effect of PW on election wote is stronter with clientelism than without it:

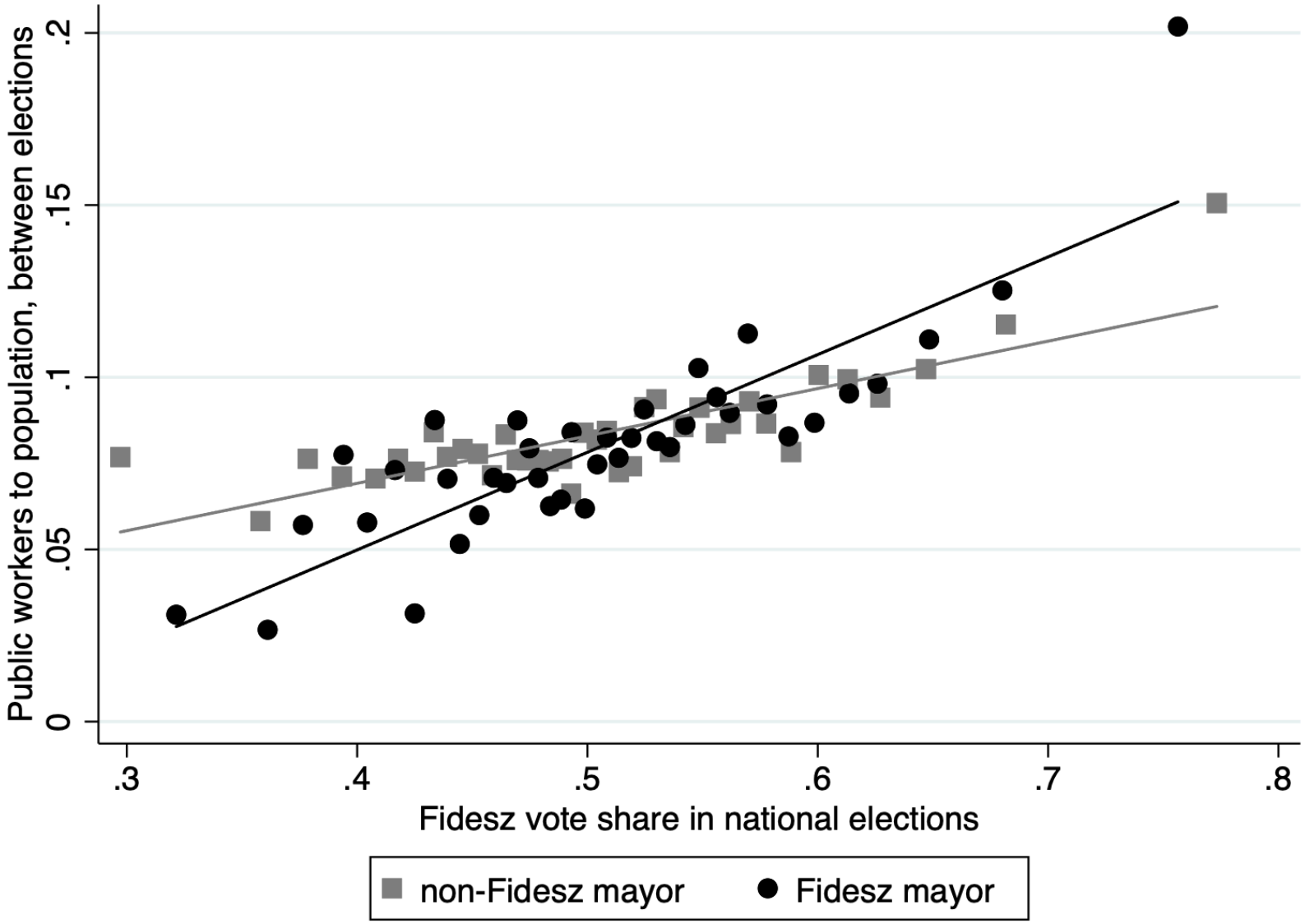
$$\frac{\beta^C}{\beta^{NC}} = 1 + \frac{1-\theta}{\theta}\gamma z$$

Results - allocation

More PW at locations

1. **during national elections** in electorial districts where Fidesz was relatively weak in district centre 4 years ago
2. **during national election** where the **last local election** where more competitive
3. **always** if the mayor is nominated by Fidesz
4. **during local elections** if Fidesz received more votes at national election

Allocation of PW - local elections



The effect of PW on elections - methodology

3. We regress the share of PW workers ($(PW/pop)_{it}$) on the Fidesz vote share at national election and the incumbent vote share at local elections (Y_i).

$$Y_{it} = \beta_0 + \beta_1 (PW/pop)_{it} + \beta_2 \mathbf{X_{it}} + \lambda_t + \epsilon_{it}. \quad (1)$$

- $\mathbf{X_{it}}$: control vars (local labor market, previous election results); unobserved heterogeinity $\rightarrow$ estimate the changes between elections
- β_1 **is the weighted average of** β^C **and** β^{NC} **from the model**

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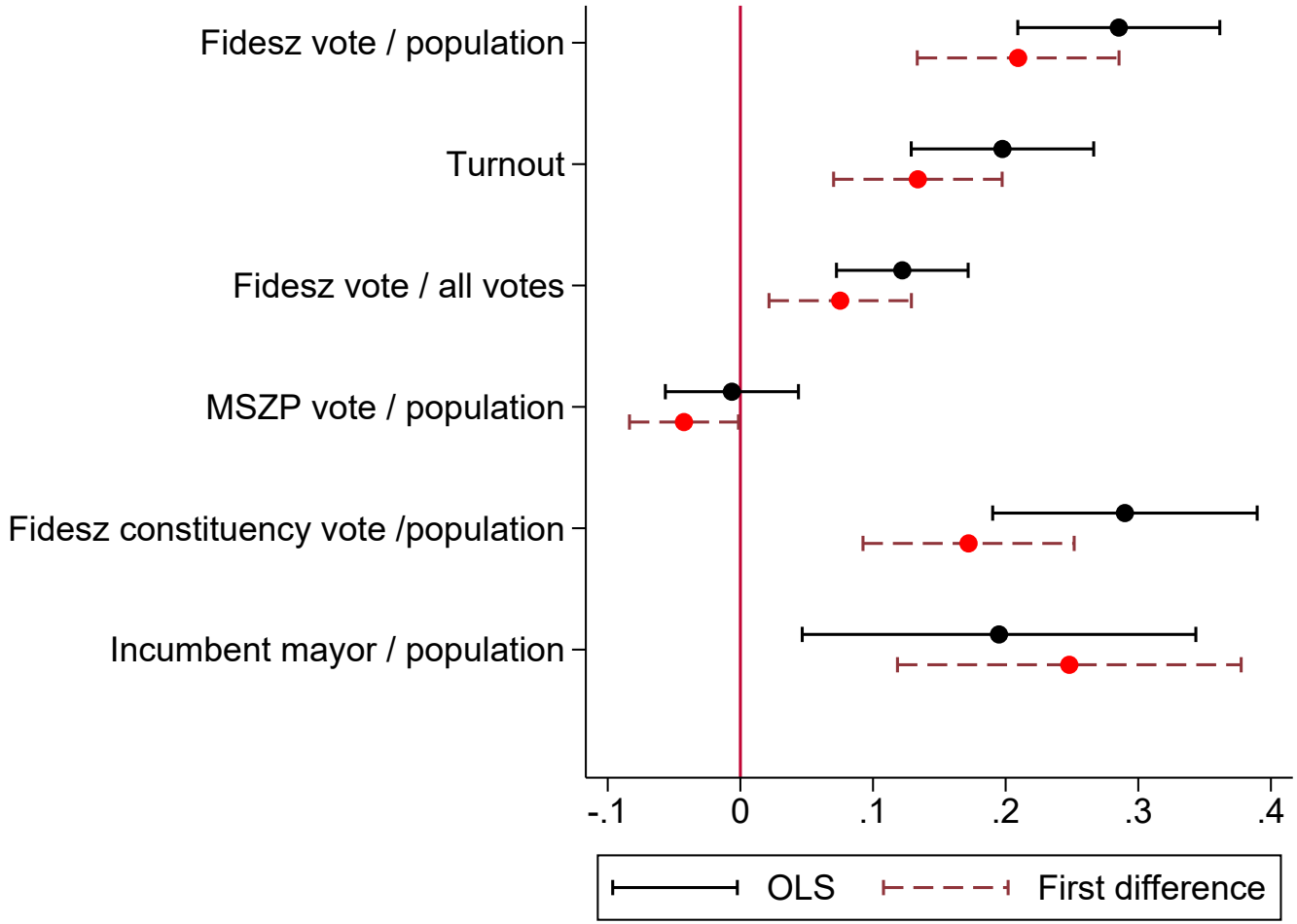
- **Instrument**: more mayor candidate in 2010 $\rightarrow$ mayor needs more PW in 2014 $\rightarrow$ she is more likely to cooperate with Fidesz in 2014 $\rightarrow$ IV estimates β^C (LATE)

OLS/FD eredemények



$(\rightarrow$ *pointestimates*$)$

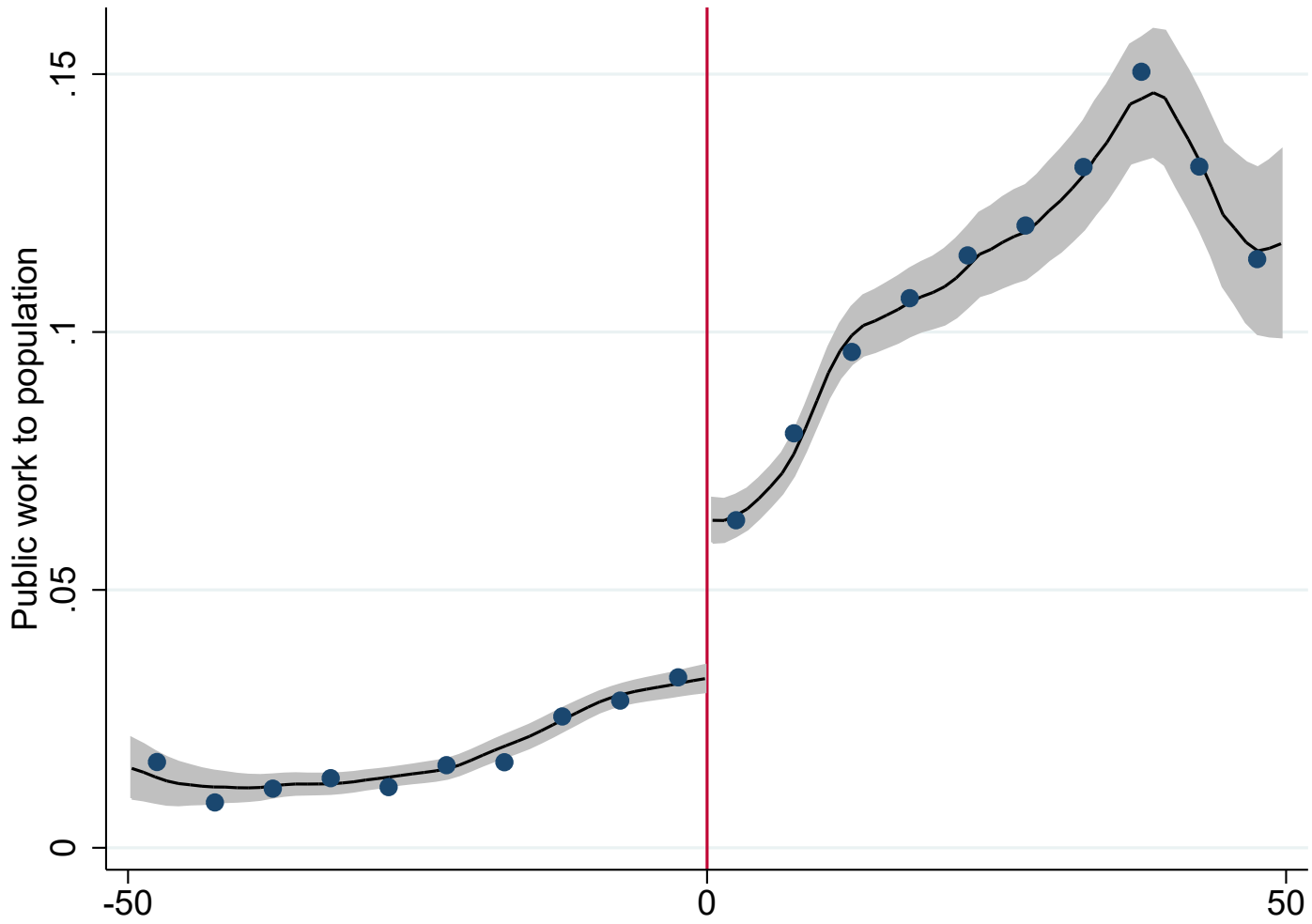
IV estimates - Only independent mayors

	Panel A: First stage		
	(1)	(2)	(3)
	PW/Pop	PW/Pop	PW/Pop
Candidate count last cycle	0.13	0.14	0.14
	(0.0342)***	(0.0349)***	(0.0347)***
	Panel B - Fidesz votes /pop. (party)		
	(1)	(2)	(3)
Public workers to population	1.86	1.69	1.55
	(0.7835)*	(0.6036)**	(0.5716)**
	Panel F - Left votes /pop. (parties)		
	(1)	(2)	(3)
Public workers to population	-0.24	-0.11	-0.02
	(0.3281)	(0.2974)	(0.2903)
N	4692	4688	4674
Kleibergen-Paap F	14.95	15.97	17.02
Control variables	No	Yes	Yes
NUTS 4 FE	No	No	Yes

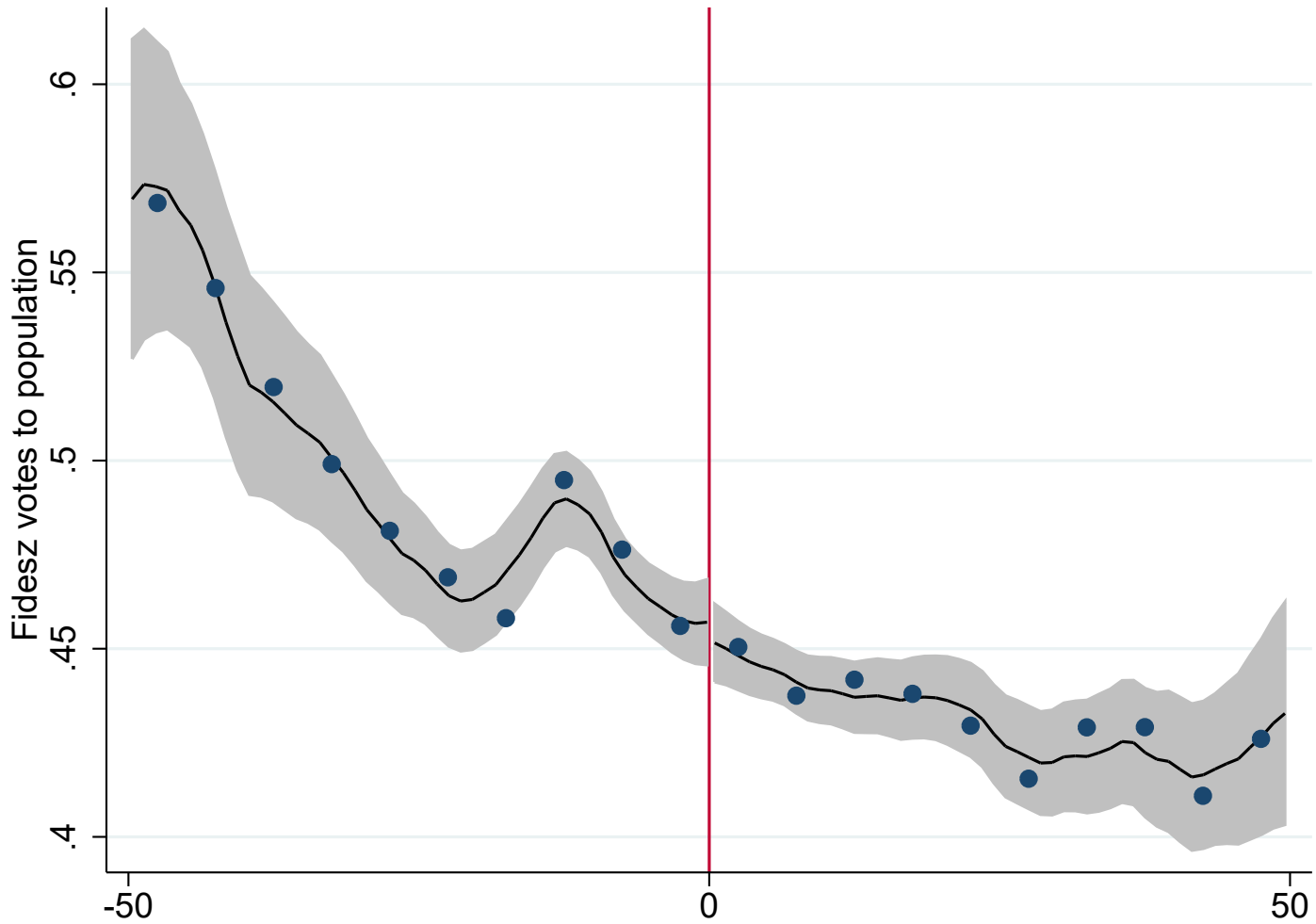
Is this clientelism or not?

4. If clientelism is the main driver than unemployed vote for Fidesz because they are afraid of loosing PW $\rightarrow$. They do not vote for Fidesz without being forced
   Start program: It depends on NUTS4 "Complex development index" - Municipalities get it if and only if they are below average CDI
   - $\rightarrow$ geographical RD below and above average
   - $\rightarrow$ Municipalty cannot loose it but unemployed can!
   - $\rightarrow$ mayors do not depend on government, voters depend on mayors
   - **With clientelism**:PW affects only local elections
   - **Without Clientelism** PW increase the support of Fidesz

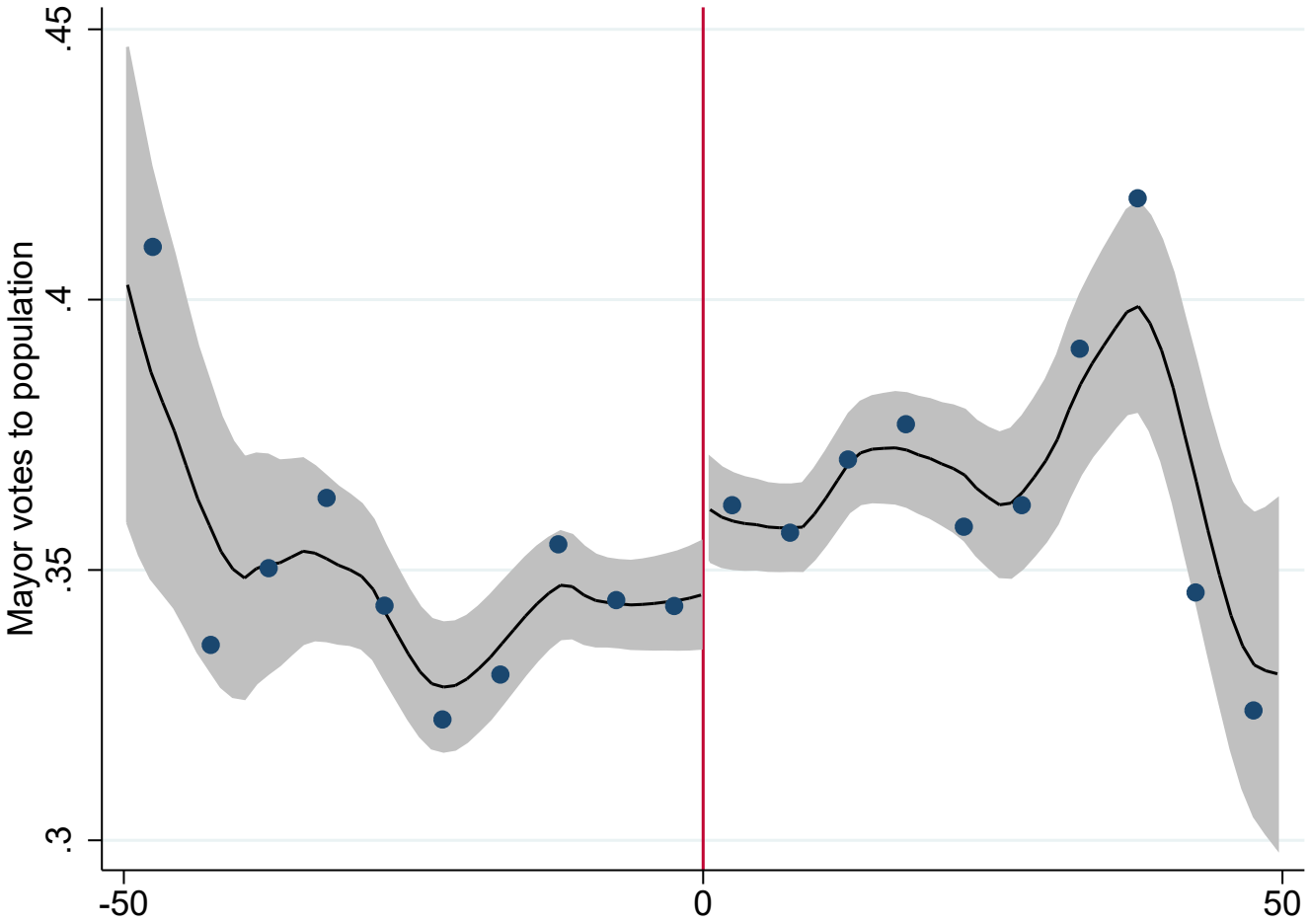
Fidesz's vote share as function of distance



Share of PW as function of distance



Mayor's vote share as function of distance

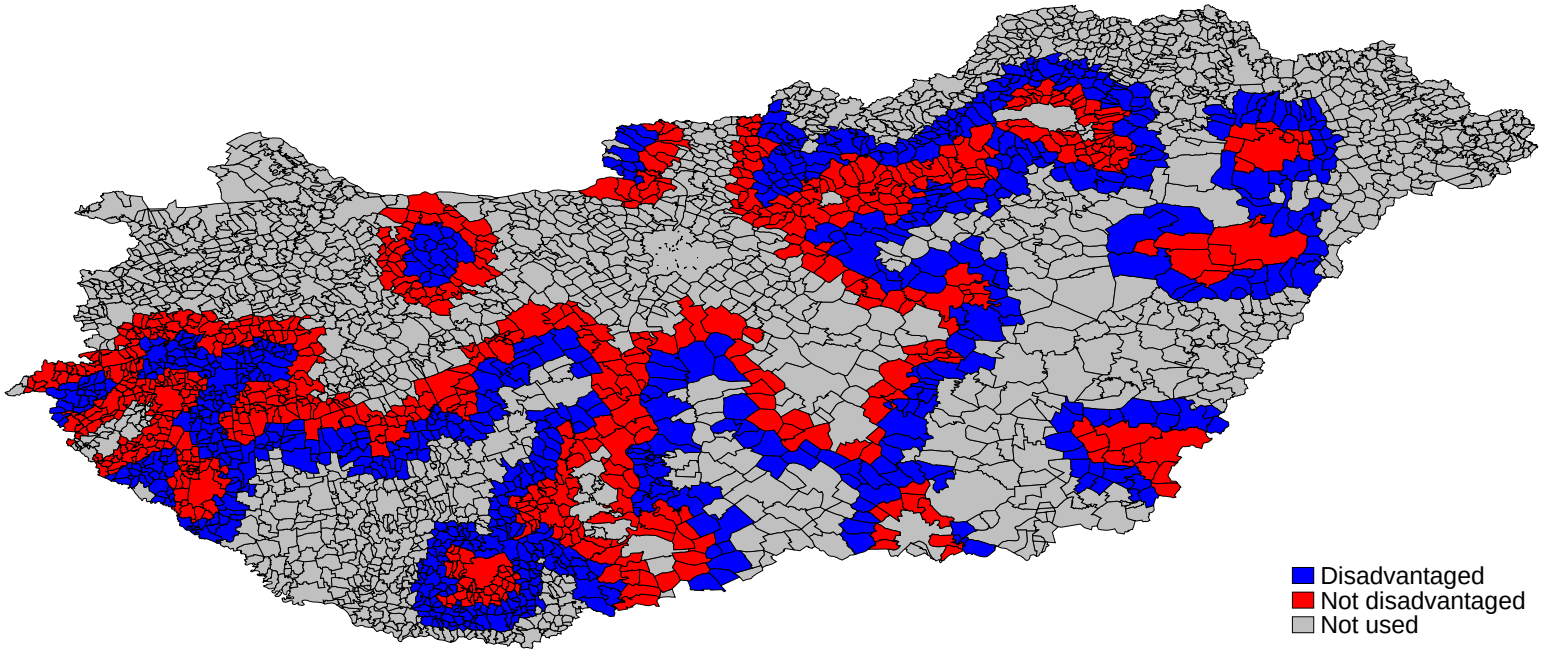


($\rightarrow$ *pontbecsles*)

Summary

- PW increases support for Fidesz and incumbent mayors
- At least partly driven by clientelism
- We do not judge whether PW is "good" or "bad" - could be done better, does not necessarily lead to dependency
- The traction of clientelism depends on
  - the self-assessed probability that a worker is punished upon non-cooperation (z)
  - the self-assessed ex-ante probability of the government's victory (γ)
    $\rightarrow$ probably now lower than 4 or 8 years ago.
- **Prediction:** the role of public work based clientelism in the upcoming campaign will probably be less pronounced

Hátrányos helyzetű kistérségek



A közmunka elosztása - országos választások

Függő változó: Közmunkások/lakosság az országos választások hónapjában (%)

	PW/Pop		
	(1)	(2)	(3)
	Folytonos	Medián	Q1
Fidesz arány a városban	-0.116		
	(0.029)***		
Fidesz polg.	1.030	1.412	1.294
	(0.366)***	(0.7118)**	(0.4823)***
Fidesz gyenge		0.246	1.428
		(0.4957)	(0.4784)***
Fidesz polg. × Fidesz arány	0.037		
	(0.025)		
Fidesz polg.× Fidesz gyenge		-0.557	-0.775
		(0.7368)	(0.5369)
Megfigyelések	6168	6168	6168

A közmunka elosztása - helyi választások

Függő változó: Közmunkások/lakosság az önkormányzati választások hónapjában (%)

Változók	(1)	(2)	(3)	(4)	(5)
# polgármester jelölt	0.238***	0.152***	0.166***	0.150***	0.164***
	(0.0819)	(0.0579)	(0.0576)	(0.0574)	(0.0572)
Fidesz arány az orsz. vál.	0.0150	0.0610***	0.0472***	0.0604***	0.0467***
	(0.0135)	(0.0104)	(0.0102)	(0.0103)	(0.0101)
Fidesz polg.			1.340***		1.328***
			(0.220)		(0.218)
Interakciü			0.0547***		0.0540***
			(0.0196)		(0.0194)
Megfigyelések	6,050	6,050	6,032	6,050	6,032
R-squared	0.045	0.470	0.476	0.469	0.475
Kiemenet	Szint	Szint	Szint	Differenciázott	Differenciázott
Kontroll	Nem	Igen	Igen	Igen	Igen

Robusztus standard hibák a zárójelben
*** p<0.01, ** p<0.05, * p<0.1

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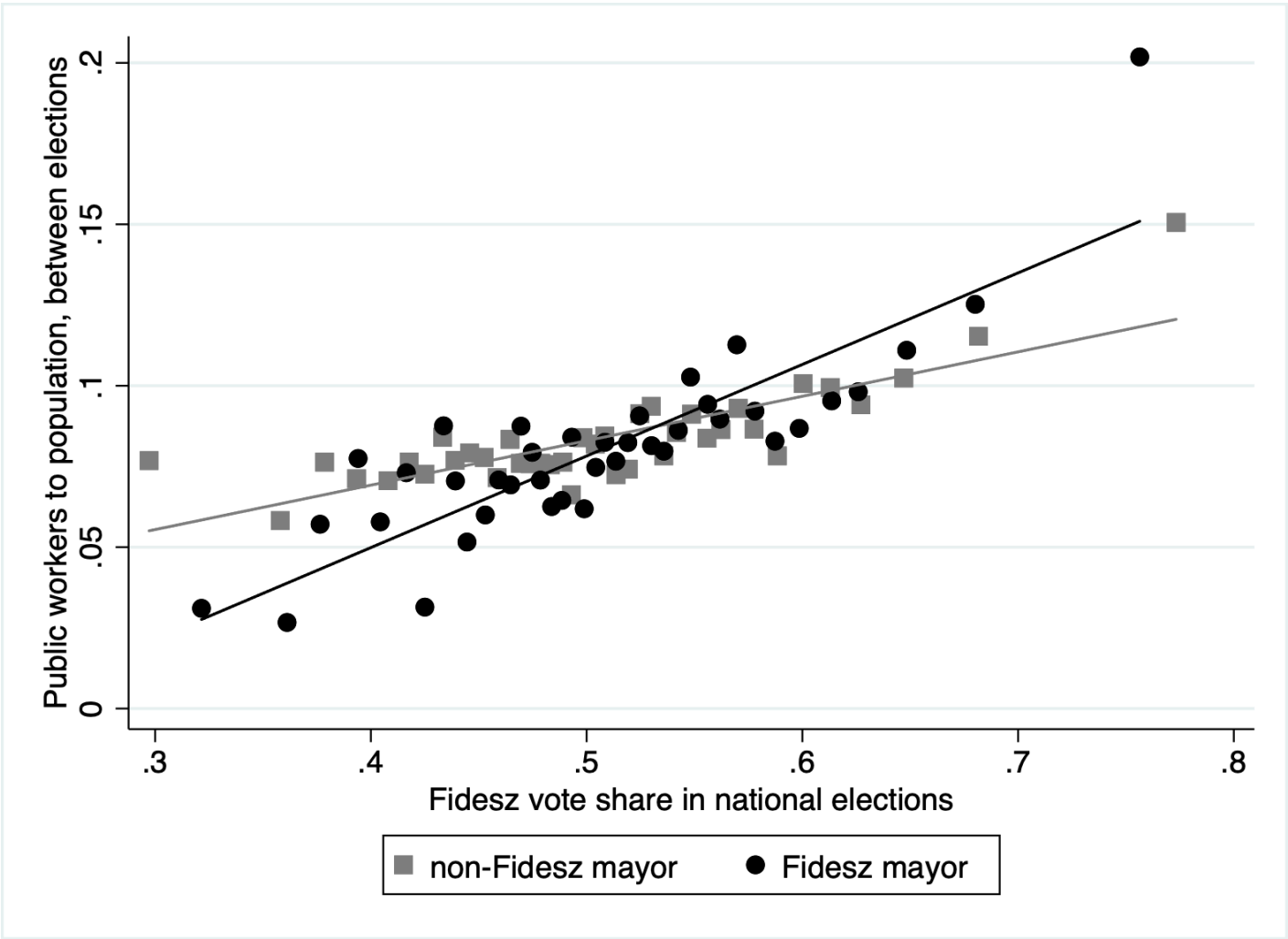

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Szakadásos regresszió - pontbecslések

Függő változó: Közmunkások aránya a határ két oldalán

VARIABLES	(1) pw/pop	(2) pw/pop	(3) pw/pop	(4) pw/pop	(5) pw/pop	(6) pw/pop
Disadvantaged reg.	0.020***	0.015***	0.020***	0.013***	0.031***	0.021***
	(0.006)	(0.005)	(0.005)	(0.005)	(0.009)	(0.008)
Observations	2691	2691	2953	2953	1840	1840
Bandwidth - km	10	10	12	12	6	6
Bandwith type	Optimal	Optimal	Optimal	Optimal	Short	Short
Sample	Full	Full	Competitve	Competitve	Competitve	Competitve
Control	No	Yes	No	Yes	No	Yes

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

(→ *vissza*)

Szakadásos regresszió - pontbecslések

Függő változó: Fidesz szavazatok aránya a határ két oldalán

VARIABLES	(1) Fidesz/pop	(2) Fidesz/pop	(3) Fidesz/pop	(4) Fidesz/pop	(5) Fidesz/pop	(6) Fidesz/pop
Disadvantaged reg.	0.017	0.013	0.013	0.009	0.009	0.011
	(0.017)	(0.015)	(0.015)	(0.013)	(0.026)	(0.022)
Observations	2603	2603	3127	3127	1975	1975
Bandwidth - km	10	10	13	13	7	7
Bandwith type	Optimal	Optimal	Optimal	Optimal	Short	Short
Sample	Full	Full	Competitve	Competitve	Competitve	Competitve
Control	No	Yes	No	Yes	No	Yes

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Szakadásos regresszió - pontbecslések

Függő változó: Polgármester szavazatok aránya a határ két oldalán

VARIABLES	(1) Incum/pop	(2) Incum/pop	(3) Incum/pop	(4) Incum/pop	(5) Incum/pop	(6) Incum/pop
Disadvantaged reg.	0.027*	0.019	0.042**	0.030*	0.059*	0.054*
	(0.016)	(0.014)	(0.018)	(0.017)	(0.034)	(0.033)
Observations	1892	1892	1806	1806	1010	1010
Bandwidth - km	9	9	8	8	4	4
Bandwith type	Optimal	Optimal	Optimal	Optimal	Short	Short
Sample	Full	Full	Competitve	Competitve	Competitve	Competitve
Control	No	Yes	No	Yes	No	Yes

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